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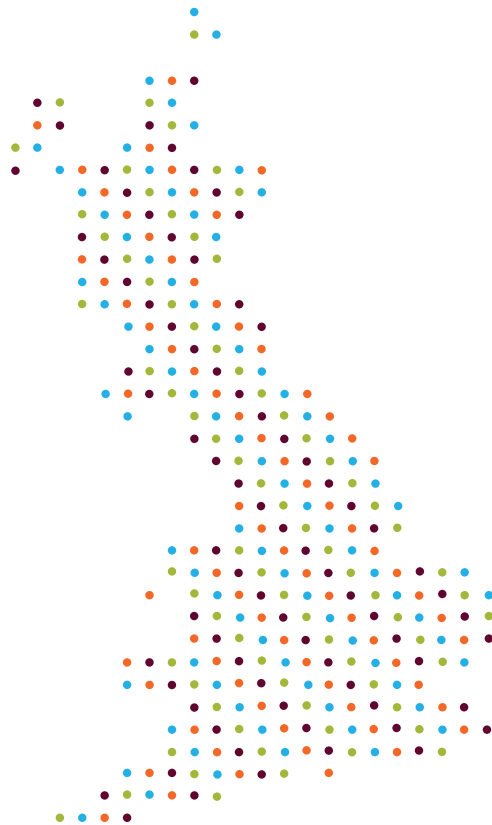
Business School



2012

Quarterly Survey of Small Business in Britain

*Special topic: business advice
and information*



Quarterly Survey of Small Business in Britain

2012 Q2 Vol 28 No 2

Special topic: business advice and information

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Summary

With the UK economy slipping back into recession, the economic climate remains by far the top business problem for SMEs, irrespective of their size, sector or region. However, there are some positive signs. Fewer SMEs report falling sales compared to the previous three months, and fewer expect their sales to fall in the next quarter. Other recent surveys have also suggested a slightly more optimistic picture for small firms. Furthermore, the number of new business starts has been higher than at any time since 1989 and the overall stock of businesses has continued to grow strongly. Small manufacturers appear to be leading the recovery, reporting the best sectoral sales performance (a net balance of +26%) and a positive balance for employment (+17%). In stark contrast, SMEs in the construction sector have suffered another quarter of falling sales balances (-19%) and similar reductions in net employment (-20%). The UK's smallest firms are finding current economic conditions particularly difficult. Those in the 'less than £100,000' turnover band report negative sales balances (-4%), compared with +18% for those in the '£1-£5m' band and +30% for the £5m+ band. At a regional level, firms in the East Midlands are reporting a reversal of fortunes, with last quarter's strongly positive sales and employment balances turning negative (-9% and -1% respectively). In most parts of the UK there are higher sales balances but the picture for employment is more mixed.

Special topic: business advice and information

The UK's SMEs have mixed views on the current state of business advice and information, in the wake of radical changes in government-funded business support, these include the restructuring of Business Link as an online resource, the closure of England's nine Regional Development Agencies (RDAs), and the emergence of Local Enterprise Partnerships (LEPs). While 10% found it easier to access information and advice over the last year, and two thirds (67%) reported little change, more than one in ten (11%) found it harder, a figure that increased to 18% for firms in the 5-9 employee band. In total, this represents a large number of firms that are looking to government and other organisations to provide improved access to the advice and information they need.

- The Internet has made it much easier for many small firms to obtain information and advice from a range of sources, including government agencies such as HMRC. However, SMEs also recognise its limitations, particularly in relation to customised advice.
- Preferred methods of delivery have changed over the last decade, with 'paper pamphlets and guides' falling in popularity (from 54% to 21% considering them worthwhile), and web-based information seeing a modest increase (from 48% to 63%). Meanwhile, the popularity of email updates appear to have peaked, perhaps reflecting the widespread problem of 'information overload'.
- Despite the proliferation of information online, the most common problems identified by regular respondents relate to the loss of the off-line services previously provided by Business Link and other regional agencies. SMEs also continue to value face-to-face interaction with advisors.
- A minority of firms (12%) reported that difficulties with access to advice or information had caused them problems. However, the overall impact of access difficulties on the growth agenda may be understated, since the percentage experiencing difficulties is higher (15%) for those firms that identify themselves as the most innovative and growth oriented.
- SMEs are most likely to have received helpful business advice and information over the past year from their accountant.

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Business Advice & Information

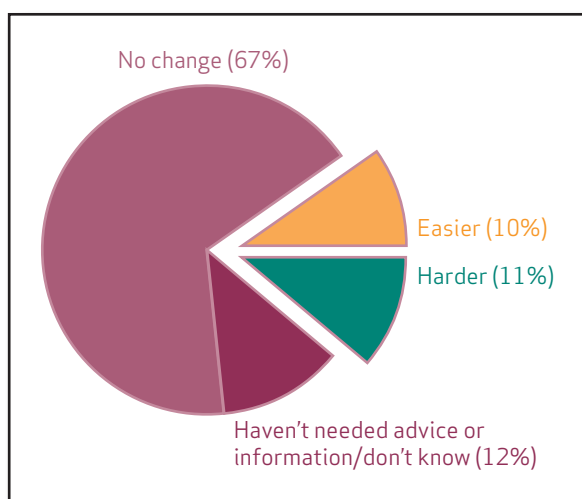
This quarter's special topic examines the experiences of SMEs seeking business advice and information. We were interested to see how recent changes in government-funded business support, including the restructuring of Business Link as an online resource, the closure of England's nine Regional Development Agencies (RDAs), and the emergence of Local Enterprise Partnerships (LEPs), have affected smaller firms¹. Online respondents provided additional comments, which have been incorporated into the relevant sections.

Ease of Access to Business Advice & Information

We asked respondents whether it had become easier or harder over the past year to get the business advice or information that they needed (Chart 1). Two thirds of firms (67%) report no real change, with a fairly even split between the firms finding it easier (10%), those finding it more difficult (11%), and those not needing advice or information (12%).

The proportion indicating that they did not need business advice or information (or 'don't know') varies by size band,

Chart 1: "Over the past year, has it become easier or harder to get the business advice or information that you need?"



increasing from just 7% for firms with 20 or more employees to more than a fifth (21%) of firms with no employees (Table 1, overleaf). Similarly, the least entrepreneurial firms (which tend to be smaller and less growth oriented) are also far more often able to get by without business advice or information as compared to the most entrepreneurial (22%, compared with 7%, Table 2, overleaf).

Detail added by online respondents makes it clear that the Internet has made it easier for some to obtain the business information they need, including that provided by public sector organisations such as revenue and customs (HMRC)². Comments included:

"A lot of information is available on the net now. Even HMRC is more 'user friendly' now"

"The internet allows more information to become generally available"

and, simply,

"google."

It is certainly immeasurably easier now to access a wealth of information than it was before the advent of the Internet and almost universal broadband connections. Basic business information on issues such as tax rates is now 'just a click away'. However, the Internet is not necessarily the best way to deliver business advice, which often needs to be tailored to the specific needs of a particular organisation.

1. Eight Regional Development Agencies (RDAs) were established under the Regional Development Agencies Act 1998, and were formally launched in eight English regions on 1 April 1999. The ninth, in London, was established in July 2000 following the establishment of the Greater London Authority (GLA). In June 2010, the government announced that they would be closed, and that the government would encourage the creation of a network of independently-financed Local Enterprise Partnerships (LEPs). See: 'Local growth: realising every place's potential' Cm 7961 (28 October 2010), available at: http://www.businesslink.gov.uk/Horizontal_Services_files/local_growth_white_paper.pdf
2. It should be remembered that these respondents complete the survey questionnaire online and so they are likely to be more predisposed than some other business owners to relying on the Internet.

Table 1: Business advice and information easier or harder over past year, by number of employees (excluding owner/partners)

Number of employees (excluding owner/partners):	0	1-4	5-9	10-19	20-49	50-250	All
Easier	7%	9%	11%	8%	13%	11%	10%
No real change	65%	64%	59%	65%	72%	74%	67%
Harder	7%	10%	18%	15%	8%	9%	11%
Haven't needed advice or information/don't know	21%	18%	11%	13%	7%	7%	12%
Sample	150	188	174	200	169	224	1,106
Balance indicating easier	-1%	-1%	-7%	-8%	+5%	+2%	-2%

Some SMEs report positive improvements in the provision of advice from both public sector and commercial providers:

"People seem more aware that advice is needed."

"Government and banks seem happier to communicate."

"There appears to be more of an effort by government departments (UKTI) and our bank to promote themselves, on occasion working jointly, which works well."

"The University of Leicester was very helpful with a new product idea. They seemed to understand what we were about."

"Franchised car dealers have improved on technical advice giving as they realise that they have to sell parts to small garages."

But even some of those who indicate that overall it has become easier to access business information report that it can now be harder to get more specific information or advice, particularly if this involves telephone conversations rather than web-based interactions:

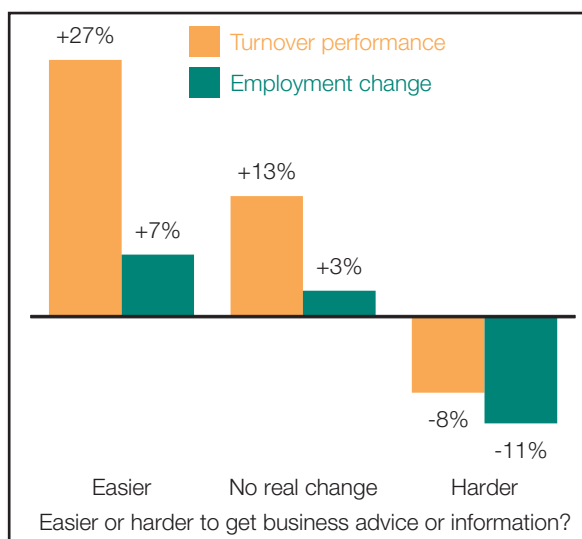
"Because the internet exists it is possible to look up what you want to know. Trying to get through to people on the phone is getting harder and [takes] longer."

Relatively larger and more entrepreneurial SMEs (who have most often sought out advice and information) have seen a little improvement over the past year. The proportion reporting that it has become easier exceeds the proportion indicating that it has become harder for those with 20 or more employees or rating themselves as 8 or higher on the entrepreneurial scale (Tables 1 and 2). It will have become easier for some of these firms because they have become more established and invested the time in building their own networks, *"my network of business contacts has increased (in particular through business consultant and coaches)"* or have grown to a size that they become more visible to those offering advice: *"better known so people come and offer advice/service"*. However, a balance of smaller and less entrepreneurial firms report that it has become harder to get the advice and information that they need (-9%, Table 2).

Table 2: Business advice and information easier or harder over past year, by entrepreneurial scale

Entrepreneurial scale:	1-3	4-5	6-7	8-10	All
Easier	2%	8%	10%	14%	10%
No real change	65%	67%	67%	67%	67%
Harder	11%	10%	12%	11%	11%
Haven't needed advice or information/don't know	22%	14%	11%	7%	12%
Sample	139	342	336	287	1,106
Balance indicating easier	-9%	-2%	-2%	+3%	-2%

Chart 2: Turnover and employment performance over past year, by ease of access to business advice and information



While a causal link would be hard to prove, Chart 2 shows that those SMEs which have found it easier to source advice and information over the past year have performed much better than those which have struggled finding advice and information. A balance of +27% of those which found advice and information more easily report that their sales turnover was up over the past year and a balance of +7% increased the numbers they employ. In contrast, a balance of those who indicated that access to advice and information had become harder saw turnover fall and reduced the size of their workforces.

A few of the comments from the 11% of SMEs who indicate that access to business advice and information became harder over the past year highlight some of the downsides of relying on the Internet. As one points out:

"So many links take you to so many false places. Too many dead ends."

Although some had thought that advice from the banks was improving, others were sceptical:

"Banks in particular are unreliable, having short term self interest."

And others felt that some in the advice "industry" were more interested in making money for themselves:

"I currently feel most suppliers are out to relieve me of money rather than provide me with value added services and long term partnerships, which is making me increasingly cynical. Fewer people are providing real advice, more are seeking their fast buck."

Some SMEs seem to feel that no advice will be able to help them, "main requirement is access to funds and no amount of advice will open that door if the economic climate is not ripe," while others indicate that economic conditions make the information they need more difficult to obtain:

"Difficult to determine exactly where and from whom demand is coming from, and more competitors in the same field."

"Very little good advice available for today's business climate."

However, the single issue mentioned most often by those who report that it has become harder to get the necessary business advice and information is the removal of the off-line services of Business Link. One quarter of those who made a comment about increased difficulties with information specifically referred to Business Link, which has become an online-only service. Some of these respondents also mentioned the closure of the Regional Development Agencies as a factor in the worsening supply of quality business advice and information:

"Disbanding of One North East and reduction of Business Link."

"Mainly because of the loss of Business Link seminars/forums and the like."

"No Business Link."

"Disbanding of business link into a web only information service."

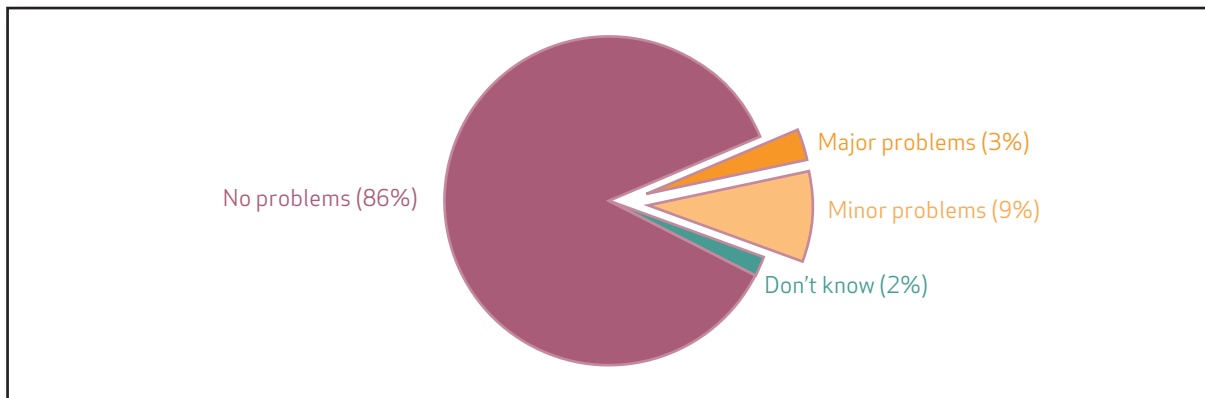
"The demise of organisations such as Business Link."

"Business Link we invaluable and they have been closed, as were Yorkshire Forward, ditto."

A related concern, expressed by some SMEs, is that they experience frustration in gaining access to services due to a lack of adequate sign-posting:

"There is no clear guidance explaining where to go for help; the situation is confusing."

Chart 3: "Have difficulties with access to advice or information caused your business any problems in the last 12 months?"



While the percentages reporting that access has got harder appear relatively small, in aggregate they represent a very large number of SMEs. In addition, half of those mentioning the loss of Business Link rate themselves as 8 or higher on the entrepreneurial scale, compared with only just over a quarter of other SMEs. This is important because it is widely recognised that the more entrepreneurial firms offer the best prospects for growth and job creation.

Scale & Impact of Problems

Many business owners pride themselves on their independence and so it is perhaps no great surprise that most (86%) report that difficulties with access to advice or information have not caused their business any problems in the last 12 months. However, this leaves 12% of SMEs which report that such difficulties did cause them difficulties and for 3% these were major problems (Chart 3 and Table 3).

These problems can have material impacts on firm-level performance. For example, one SME acknowledging a 'major' problem had been, "*unable to get new products to market*". Performance can be adversely affected even where the problem is not categorised as being a major one. For example, one of the respondents who only indicated a 'minor' problem nevertheless reported that a shortage of business advice and information had, "*prevented me trying to grow the business*".

Furthermore, the impact of these difficulties on the growth potential of the economy may be even greater than this proportion suggests. Table 3 shows that 15% of the firms which rate themselves as 8 or higher on the 10-point entrepreneurial scale report that difficulties with access to advice and information has caused their business problems over the past year and in 4% of the cases these problems have been major ones. These are SMEs that view themselves as more competitive, growth-minded and

Table 3: Business problems caused by difficulties with access to advice and information, by entrepreneurial scale

	Entrepreneurial scale:				All
	1-3	4-5	6-7	8-10	
Yes – major problems	2%	2%	2%	4%	3%
Yes – minor problems	7%	9%	9%	11%	9%
No – no problems	87%	86%	88%	84%	86%
Don't know	4%	2%	0%	1%	2%
Sample	139	342	336	287	1,106
Any problems	9%	11%	11%	15%	12%

innovative than other firms. As firms which are constantly transforming themselves they are more likely to need advice and information than those firms which are content to stick with what they already know. They are also likely to include the most dynamic firms, which offer the best prospects to create jobs and help the economy grow. For this reason, it is worrying to find that a sizeable minority of Britain's most entrepreneurial firms see themselves as constrained by difficulties in finding the right business advice and information.

Underlying Issues & Problem Areas

The raw data are likely to mask some more complex issues. For example, there is evidence that, faced with a difficult uncertain economic environment, some SMEs have been looking for advice and information regarding issues such as access to finance and credit reliability of customers:

"Advice and access to funding"

"Inability to control low cash flow"

"Receipt of payments is always a problem and not having up-to-date information on a client's ability to pay promptly is a problem that is exacerbated in this recession."

This suggests that in some of these cases, the problem may relate more to underlying finance issues rather than advice and information itself. In other cases, difficulties in obtaining information, especially technical details from suppliers, have caused business delays or cost employee time:

"Created a technical specification that took many more hours of work to realise than was quoted for, on a fixed price contract."

"Problems in getting timely information. Often you are waiting for a response when you need it at the time you ask."

More SMEs, however, specifically mention problems with advice and information regarding taxation, payroll and regulations:

"Haven't been able to operate HMRC 'Basic' PAYE online. After a year of frustration we have given up. Most efforts to obtain advice or information require hours on the telephone in a queue listening to music."

"HMRC again, changing procedures, but without any change in either law or statutory instrument."

"HMRC website not user friendly"

"HMRC payroll information over the phone"

"Tax implications and structure of company"

"Uncertainty regarding company taxation liabilities"

"Not knowing about changes in legislation until they have happened, or last minute notice."

"Difficulty in ascertaining definitive details to minimise (legally) tax etc exposure without a long consultation with my accountant."

"General minor irritation owing to dictatorial attitude of government departments pervading through their now obligatory web sites and what appears to be lack of respect for small business. We get on with it despite this."

"Continually having to revise processes, fear that confusing regulations will lead to major problems."

Others further question the general quality of advice available:

"Advice to hard up [i.e. struggling] business? Regardless of what is preached on TV and Radio - IT IS NOT THERE." [emphasis in original response]

"The people who supposedly are giving advice simply do not have enough knowledge or experience - a waste of time."

"Giving clearly inappropriate or confusing 'advice'."

"Unable to find a business mentor."

Returning to the earlier theme of effective sign-posting, one small business owner noted that there may well be helpful advice and information out there of which they are unaware:

"It is hard to answer the question. How would I know if we could have done better but I did not know how? Then I would answer 'no problems' and be ignorant of the missed opportunities!"

Table 4: Worthwhile ways to supply advice and information - regular respondents only, compared with previous surveys³

	2002	2007	2009	2012
Information on web-sites	48%	66%	62%	63%
Face-to-face contact with an advisor	63%	64%	71%	59%
E-mail updates of new information	30%	41%	64%	51%
Telephone help-lines	33%	35%	25%	31%
Paper pamphlets and guides on request	54%	45%	27%	21%
Through the media (newspapers, radio, TV etc.)	28%	28%	29%	17%
Sample	654	526	242	211

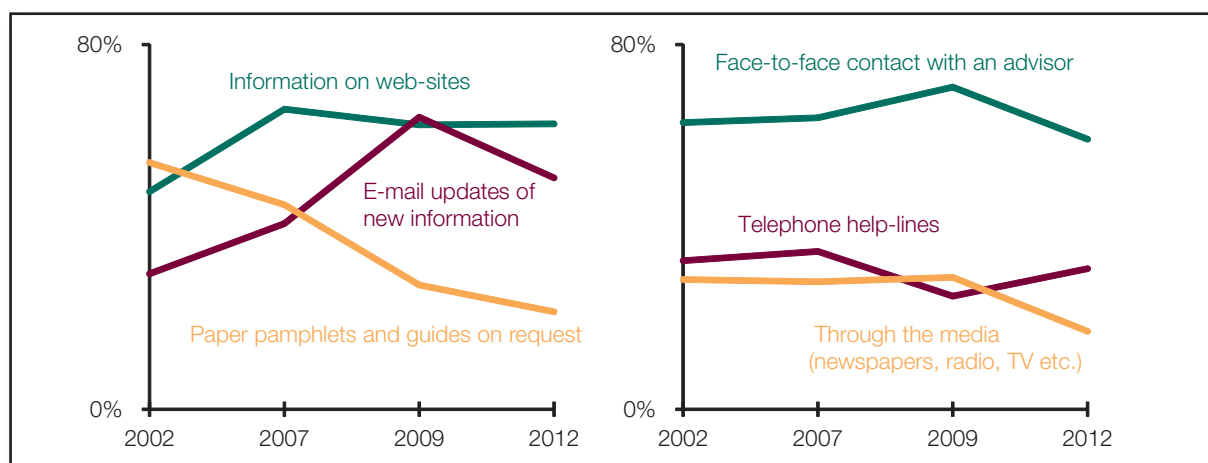
Methods of Delivery

For the past decade we have been asking our regular respondents⁴ in which forms they think business advice and information can best be supplied. They are asked to indicate which of the list in Table 4 they believe to be a worthwhile use of resources.

Table 4 and Chart 4 show that back in 2002 “paper pamphlets and guides on request” was the second-most popular delivery method, with over half (54%) believing this to be a worthwhile way of delivering business advice and information. The world has clearly moved on since then and now only a fifth believe this is an effective way

to communicate, with information on web-sites and email updates far more relevant⁵. The popularity of e-mail updates has, though, slipped since 2009, perhaps due to ‘information overload’. As one SME owner notes:

“E-mail updates etc. just get lost on a small business when office work is not the means of earning a crust. I used to read all my VAT and tax updates etc. when they were sent on a piece of paper with the VAT return and the like, now they just get ignored (most of the time) with all the other [things people seem] to think I want to look at on screen. I used to read it all, at my leisure, when it was on paper, now I [don't]!”

Chart 4: Worthwhile ways to supply advice and information - regular online respondents only, compared with previous surveys³

3. NatWest/SBRT Quarterly Survey of Small Business in Britain, Vol 18 No 1, 2002, NatWest/SERTeam Quarterly Survey of Small Business in Britain, Vol 23 No 1, 2007 and “Quarterly Survey of Small Business in Britain” Vol 25 No 4, 2009.

4. i.e. not including the telephone respondents. More details of the sample composition can be found in the Appendix to this report.

5. It should be noted that over the decade our regular respondents have been encouraged to complete the questionnaire online. In 2002, just 3% of the responses to this question were completed online, in 2007 half were online but since 2009 online has been the only option. These respondents are, therefore, likely to be more receptive to the use of the Internet than some other businesses.

Information on web-sites is currently the option considered a worthwhile use of resources by most SMEs (63%), overtaking face-to-face contact with an advisor (59%). This may reflect the recognised high cost of face-to-face advice in these cash-constrained times (while the proportion favouring telephone help-lines has increased a little). Indeed, respondents have on average indicated fewer methods as a worthwhile use of resources than in earlier years (an average of 2.4 in 2012 compared with 2.8 in 2007 and 2009), perhaps suggesting that they understand that resources need to be focussed on the most cost-effective. Against this backdrop, however, there has been concern in the media about the high cost of the Business Link web-site, which in 2010 was reported to be £35m per year, the most expensive government web-site⁶.

As a number of respondents observed, while certain types of specific business information (e.g. tax rates), can communicated via web-sites, business advice is often firm-specific and needs to be supplied on a more personalised, 'one-to-one' basis. A mix of delivery methods is therefore inevitable. Chart 4 shows, though, that confidence in the media as a delivery method seems to have weakened since our earlier surveys, with one respondent noting:

"Most of the above forms of obtaining advice are useful. However, the media is often misleading in the sense that it is too general/sensational."

Face to face contact with an advisor remains a popular method for the delivery of business advice and information, with 59% feeling that this is a worthwhile use of resources, even though this is down from 71% three years ago (Table 4 and Chart 4). However, respondents added a number of caveats to this:

"Generally prefer face to face, but this applies to the bank & accountants; but don't expect this from the government."

"Face to face is only necessary for more complex issues."

"There are too many poor quality business advisors, both public sector and private sector."

"Most of the advisers we have met do not understand your business, and therefore struggle to provide good and clear advice."

"Until people from the REAL world are asked for their advice as to how to help nothing will work. It is no good someone who has never RUN a business trying to advise someone who actually knows how banks, councils and Revenue work. Neither are the 'select' such as Dragons Den the font of all knowledge - not all industries are covered by their 'expertise'."

The Internet has clearly become a more effective delivery mechanism over the last decade. For example, a number of respondents in this survey pointed out that web-sites now offer much more interactivity and the rise of social media and forums provides many opportunities to access business advice and information:

"Most of the information I need I get via websites, LinkedIn and other networks and twitter."

"Web sites that allow a question to be asked and answered - privately if necessary - work well. Best case is panel of advisors who pick the questions in their areas, this is better than help line where the person who takes the call may not be the best person to answer the question."

On the other hand, one cautions that:

"Forums on the net for technical advice have to be taken with caution as a lot of untrained or inexperienced people tend to contribute - professionals tend not to say much as they ought to be getting paid for their knowledge."

In summary, while the web has become increasingly important as a vehicle for delivering business information and advice to SMEs, it still has significant limitations and is not likely to become a universal panacea in the foreseeable future.

6. http://www.bbc.co.uk/blogs/thereporters/rorycellanjones/2010/07/the_105m_website.html

Table 5: Proportion receiving helpful business advice and information from each source over past year - regular respondents only, compared with previous surveys⁷

	2007	2009	2012
Your accountant	61%	52%	50%
Customers, suppliers and other business people	50%	55%	41%
Media	38%	43%	35%
Business networks	37%	38%	27%
Government-funded services	34%	29%	25%
Family and friends	20%	21%	21%
Your bank	21%	17%	15%
Other business advisors	20%	17%	15%
None	-	-	18%
Other	2%	3%	-
No response	5%	6%	0%
Sample	526	242	211
% selecting any 1-8	95%	93%	84%

Sources of Advice

SMEs were asked from which of a list of possible sources they had received helpful business advice or information over the past year.

Table 5 shows the results for just our regular respondents (i.e. excluding telephone respondents⁸), compared with the results from the regular respondents in earlier years and shows that the order of the sources is largely the same.

There were a few changes to the question this time, noticeably the inclusion of a 'none' option to cater for the 5% and 6% in 2007 and 2009 who had not answered the question. In fact, far more (18%) selected this option than had not answered the question in previous years. We interpret this to mean that in the past respondents included

some sources which had given only marginally helpful advice and information. Consequently, it is difficult to be definitive about changes in the importance of the different sources between these surveys. However, there does seem to be a general sense that, while there are plentiful supplies of information available, it has become increasingly difficult to obtain high quality business advice.

The biggest drop is in the proportion of respondents reporting that they received helpful business advice and information from 'customers, suppliers and other business people', from 55% to 41%. In 2009 this was the top-ranked response for regular respondents and the drop has caused it to move back to the second place it held in 2007. There was a slight wording change to this option⁹, but it seems

7. NatWest/SERTeam Quarterly Survey of Small Business in Britain, Vol 23 No 1, 2007 and "Quarterly Survey of Small Business in Britain", Vol 25 No 4, 2009.

8. The telephone respondents were asked the same question, but they seemed to answer in a different way to the online respondents (and to when a similar question was asked of telephone respondents in the 2009 survey). Over 30% of telephone respondents indicated that they had received helpful advice from 'none' of the sources, even though in 2009 only 6% had given the 'unprompted' response that they did not seek external advice or information. Of those which did indicate at least one helpful source, 40% of telephone respondents with turnover less than £1m (equivalent to the 2009 sample) indicated only a single source of advice, compared with only one quarter of telephone respondents in 2009 and 24% of online respondents to this survey. These telephone respondents indicated on average only 2.2 responses, compared with 3.0 for telephone respondents in 2009 and 2.7 for online respondents this time. It seems that the telephone respondents this time often focused on just the top few sources of advice and information, rather than fully considering other sources, which may have provided less 'formal' or, possibly, less helpful advice and information. The proportions which indicated that they had received helpful advice and information from 'customers, suppliers and other business people,' 'family and friends,' the 'media' and 'business networks' were all sharply down. Consequently, for telephone respondents in 2012, 'your bank' was the second most common response, after 'your accountant'.

9. In 2009 the option read, 'Business/trade connections (customers, suppliers, stockists, other business people, etc)'

likely that the reason for the drop is that some respondents who selected the 'none' option (i.e firms who do not access *formal* sources of business advice and information), might previously have selected this option to acknowledge 'hints and tips' from other business contacts.

As in 2007, the top source of business advice and information for small firms is their accountant. Half of our regular respondents indicate that they have received helpful business advice and information from their accountant over the past year (Table 5).

Table 5 appears to show a sharp fall in the proportion of small firms which report receiving helpful business advice or information from business networks (like Chambers of Commerce, Trade Associations, the CBI, Federation of Small Businesses, Forum of Private Business and so on). It is unclear whether this is a genuine shift or whether the figure was previously boosted by marginal responses from business owners who were members of the organisations and so indicated that, but who did not use them as a significant source of business advice and information and so in this survey selected the 'none' issue instead. However, some were vocal in their support of networks to which they belong:

"Most helpful advice from Trade Association (PCG)"

"Trade associations keep one up to date with relevant events and informed about legislation etc"

"Networks developed over 10 - 20 years, so you know whom to trust"

"Joined FSB and it has become a one stop shop"

Only one-quarter of small firms now report receiving helpful business advice and information from government-funded services¹¹ and Table 5 shows that this proportion has shown a sustained fall, from 34% in 2007 to 29% in 2009 and 25% now. There were only a few positive comments about changes to government services, even among those which use them:

"Still very difficult to find information on HMRC website, but many other websites improving (direct.gov in particular)"

"Good advice and help from UK Trade & Investment"

The proportion of regular respondents indicating that they received helpful business advice and information from their bank is down just marginally, from 17% to 15%¹².

A much higher proportion of the very smallest firms report that they have not received any helpful business advice or information over the past year (27% of the regular respondents with fewer than 5 employees, compared with 9% of those with 10 or more)¹³. The 'formal' sources of business advice and information are used far more often by the relatively larger SMEs than by the smallest. Only 38% of firms with fewer than five employees in the whole sample¹⁴ report getting helpful advice from their accountant, compared with over half of those with more than five employees. Only 18% of those with fewer than five employees but 41% of those with 50 or more employees received helpful advice from their bank and the proportion receiving advice from other business advisors (consultants, coaches, etc) rises from only 8% of those with fewer than five employees to 25% of those with 50 or more.

10. Accountants are also the top-mentioned source by the telephone respondents, 49% of whom have received helpful advice from them.

11. Clarified in the online questionnaire as '(like 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); though this detail was not read out to telephone respondents unless they queried the meaning.

12. As noted, 'your bank' is the second-most often quoted helpful source by telephone respondents. If our speculation is correct that these respondents have indicated only the most helpful formal sources, this suggests that when small business owners do choose to turn to their bank for help and advice that they find the advice and information they receive particularly valuable.

13. And 36% of telephone respondents with fewer than 5 employees, compared with 16% of those with 20 or more.

14. The results for both online and telephone samples are combined here as the patterns generally hold for both sub-samples.

Conclusions

A variety of policy interventions, including the provision of advice and information, have been introduced with the aim of strengthening the small firm population, addressing specific market failures and other sources of disadvantages for small firms, and ensuring that SMEs are able to compete effectively against their larger counterparts¹⁵.

It is too early to draw conclusions about the new business support arrangements, particularly in relation to England. However, some of our respondents are sceptical about the prospects:

“Currently business support is extremely fragmented. The creation of LEPs I do not believe is going to help the situation as currently the majority of businesses at whatever size do not know if they exist, what their aims are and that they have government funding for projects.”

More detailed evaluation is required in order to assess the quality and appropriateness of services provided, taking into account the distinctive requirements associated with factors such as firm size, ownership structure, growth potential and industry sector¹⁶. Some of these issues are likely to be addressed in the forthcoming All Party Parliamentary Group inquiry into the effectiveness of Local Enterprise Partnership (LEP) and Enterprise Zone initiatives, and in comparisons with previous arrangements for business and enterprise support¹⁷.

One respondent to the survey summed up the challenges neatly:

“Biggest problem is information overload. Too much very general information and advice, but when it comes to very specific advice no one knows.”

15. 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; Jarvis, R. and Rigby, M. (2011) 'Business Advice to SMEs: Human Resources and Employment' (Research Report 123). London: ACCA..

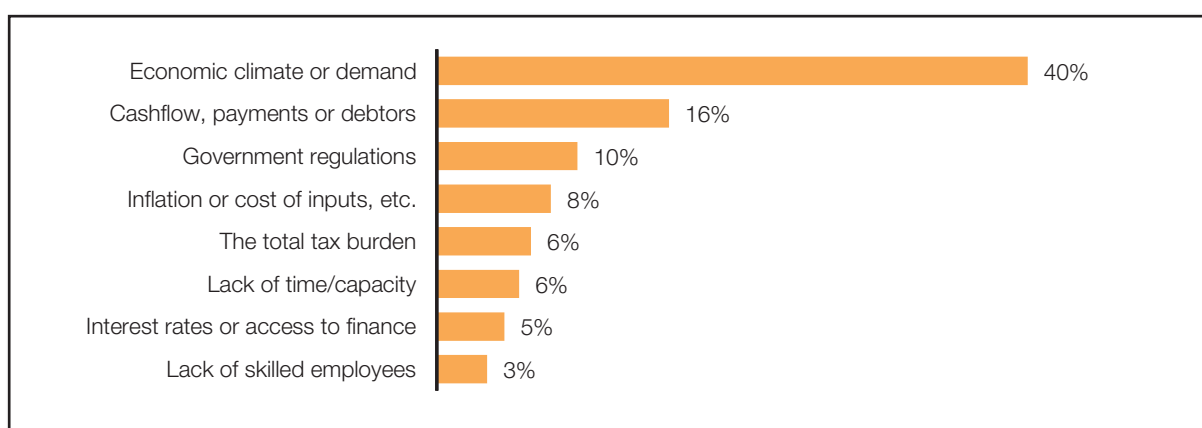
16. See: Storey, D.J. (2008) 'Evaluating SME policies and programmes: technical and political dimensions.' In Casson, M., B. Yeung, A. Basu, and N. Wadeson (eds.) (2008) *The Oxford Handbook of Entrepreneurship*. Oxford: Oxford University Press (248-278); Greene, F.J., (2009) 'Assessing the impact of policy interventions: the influence of evaluation methodology' *Environment and Planning C: Government and Policy*, 27, 2: 216-229.

17. The All Party Parliamentary Group (APPG) inquiry into the effectiveness to date of Local Enterprise Partnerships is due to report in September 2012. The public call for evidence for this inquiry closes on 1st August 2012.

Problems

The economic climate remains by far the most common top business problem for UK SMEs, though many construction and wholesaling firms are also suffering from cashflow problems. Agricultural firms are more likely to have a major problem with regulations and hotels & restaurants with the total tax burden.

Chart 5: Proportion of firms indicating that each problem is the top one facing their business at the moment



Small firms were asked to indicate which of a list is the top problem facing their business at the moment¹.

Economic climate or demand

Since our last report, the UK economy slipped back into recession. This is clearly reflected in Chart 5 which shows that 'Economic climate or demand' is by far the biggest business problem for UK SMEs. Some 40% indicate that this is the top problem facing their business.

'Economic climate or demand' is the top-ranked problem for firms of all sizes, whether measured by turnover or by employees (Table 6, overleaf), and in every sector and every region. Unsurprisingly, it is more often a problem for firms who are seeing the effects of a lack of demand in their own falling sales. Half of those who report that their sales fell over the past year indicate that the 'economic climate or demand' is their top problem. However, the economic climate is also top problem for over a third (34%) of those who managed to increase sales over the year and is easily still the top-ranked problem for them.

The implication is that continuing uncertainties over the domestic economy and the Eurozone are still taking precedence, despite some positive signals from the UK's SMEs, including an overall improvement in sales performance (Table 7, page 19).

SMEs in the East Midlands, who most often report falling sales (page 24) most often (50%) indicate that the economic climate is their biggest problem. Construction firms, who have also seen sales fall over the year more often than average (43%) cite the economic climate as their biggest problem. However, wholesaling is the sector where SMEs most often (45%) say the economic climate is a problem, even though they report rising sales (page 23) and are most optimistic about prospects for the second quarter (page 27).

Cashflow, payments or debtors

The issue of 'cashflow, late payments and debtors' is in second place in Chart 5, with 16% of SMEs indicating that this is the single biggest problem facing their business. Cash-based businesses are less affected by this issue and, as usual, cashflow and payments remains more of

1. In previous surveys, respondents were asked to indicate the top three out of a similar list of possible problems, meaning that the results are not directly comparable with those in the current survey. However, the top five issues are in the same order as in the previous survey.

Table 6: Proportion indicating each problem is the top one, by number of employees (excluding owner/partners)

	0	1-4	5-9	10-19	20-49	50-250	All
Economic climate or demand	42%	41%	37%	37%	35%	47%	40%
Cashflow, payments or debtors	15%	14%	17%	18%	18%	14%	16%
Government regulations	8%	10%	8%	9%	15%	8%	10%
Inflation or cost of inputs, etc.	10%	8%	6%	8%	10%	6%	8%
The total tax burden	7%	5%	9%	8%	7%	3%	6%
Lack of time/capacity	8%	7%	5%	7%	3%	4%	6%
Interest rates or access to finance	6%	5%	6%	5%	1%	5%	5%
Lack of skilled employees	0%	3%	3%	4%	5%	5%	3%
Sample	150	188	174	200	169	224	1,106

a problem for small and medium-sized construction firms (24%) than those in other sectors. As in the previous survey, wholesalers also report a particular problem with this issue, with 19% indicating that it is the single biggest problem facing their business. Agricultural SMEs (6%) and those in Scotland (9%) seem to least often have a major problem with cashflow, payments or debtors.

A number of respondents who indicated that the 'economic climate or demand' is their top problem did also mention in comments that cashflow was a serious secondary problem for them.

Government regulations

'Government regulations' is the top business problem for 10% of SMEs. As in recent surveys, the agricultural SMEs in our survey more often have a major problem with regulations (19%). In the previous survey, SMEs in construction were also identifying regulations as a problem for their businesses but this time it seems that the lack of demand is a more pressing issue for them, with only 5% indicating that regulations are their top problem.

Inflation or cost of inputs

UK inflation (as measured by the increase in the Consumer Prices Index) has fallen over the past 8 months, from a peak of +5.2% in September 2011 to +2.8% in May 2012². Nevertheless, 8% of SMEs indicate that 'inflation or the cost of inputs etc.' is the top problem facing their business. Agricultural firms in particular (19%) report a problem with input prices. This is a problem for firms with rising or static sales (9%) rather than those with falling sales (4%), who are far more concerned with the economic climate.

Total tax burden

The 'total tax burden' is the top business problem for only 6% of SMEs overall, but this rises to 15% of hotels & restaurants, presumably due to duty on alcoholic drinks.

Lack of time/capacity

While many SMEs are suffering from the weak economic climate, some are too busy to cope. Only 6% report that their top business problem is a 'lack of time or capacity', but this is a problem of growth. Firms with time and capacity problems have a sales performance balance of +40%, compared with +11% for SMEs as a whole (see page 19).

Interest rates/access to finance

While interest rates remain at historic lows, some SMEs are still struggling to access finance. One respondent said, "banks will not lend even when there is ample equity in assets to borrow against".

For 5% of SMEs, 'interest rates or access to finance' is their top business problem.

Lack of skilled employees

With relatively high unemployment in the economy, a 'lack of skilled employees' is not the major business problem it has been in other years. However, there are still 3% of SMEs for which it is their biggest single problem, with a few noting particular problems finding suitable senior managers. Table 6 shows that the proportion rises to 5% of those firms which already have 20 or more employees.

Some other SMEs noted that their top problem of a lack of capacity was compounded by a lack of suitably skilled employees.

2. "Consumer Price Indices May 2012", 19 June 2012, Office for National Statistics Statistical Bulletin.

Business Stock & Activity Index

Chart 6: Mainstream businesses in England and Wales, starts closures & net change, Thousands, four quarter moving averages, Source: Business Economics, Barclays

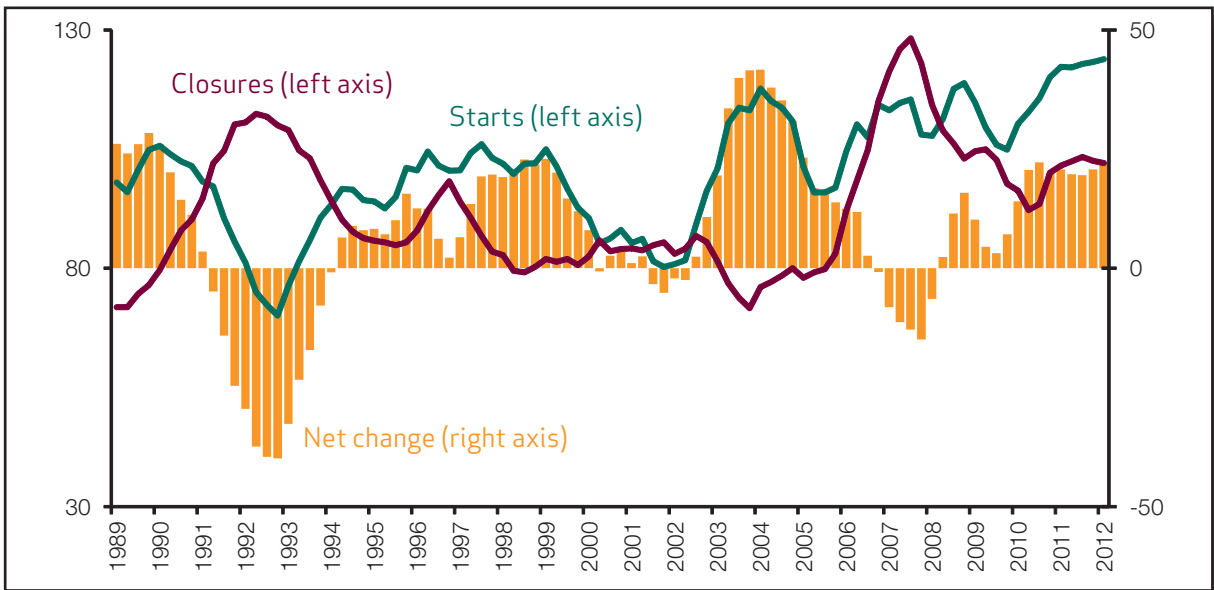


Chart 6 shows Barclays' estimates of the number of "mainstream" businesses, based on the number of business accounts held with them and an estimate of their market share.

The figures show that, unlike in the recession of the early 1990s, the rate of business closures is thought to have exceeded the rate of business starts only for a relatively brief period in 2007 and early 2008.

Throughout 2011 and into 2012, the number of business starts has been higher than at any time since 1989 and the stock of businesses has continued to grow strongly. This is consistent with official figures, which have shown a big rise in self-employment. The number of self-employed people in the UK rose to 4.17 million in April 2012, the highest figure since comparable records began in 1992¹.

1. "Labour Market Statistics, June 2012", 20 June 2012, Office for National Statistics, http://www.ons.gov.uk/ons/dcp171778_265818.pdf

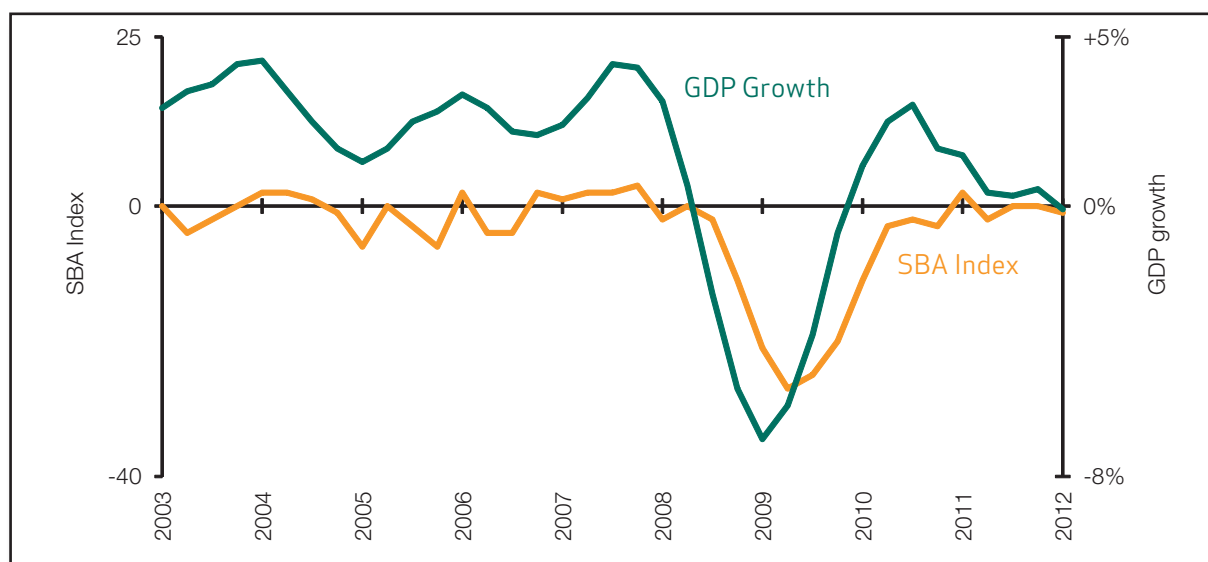
Chart 7: Barclays Small Business Activity Index vs GDP growth (latest quarter on corresponding quarter previous year)²

Chart 7 shows the Barclays Small Business Activity Index, derived from the banking activity of over 200,000 small firms. The SBA Index has remained relatively stable since early 2010, rather than rising and subsequently falling as the rate of GDP growth has.

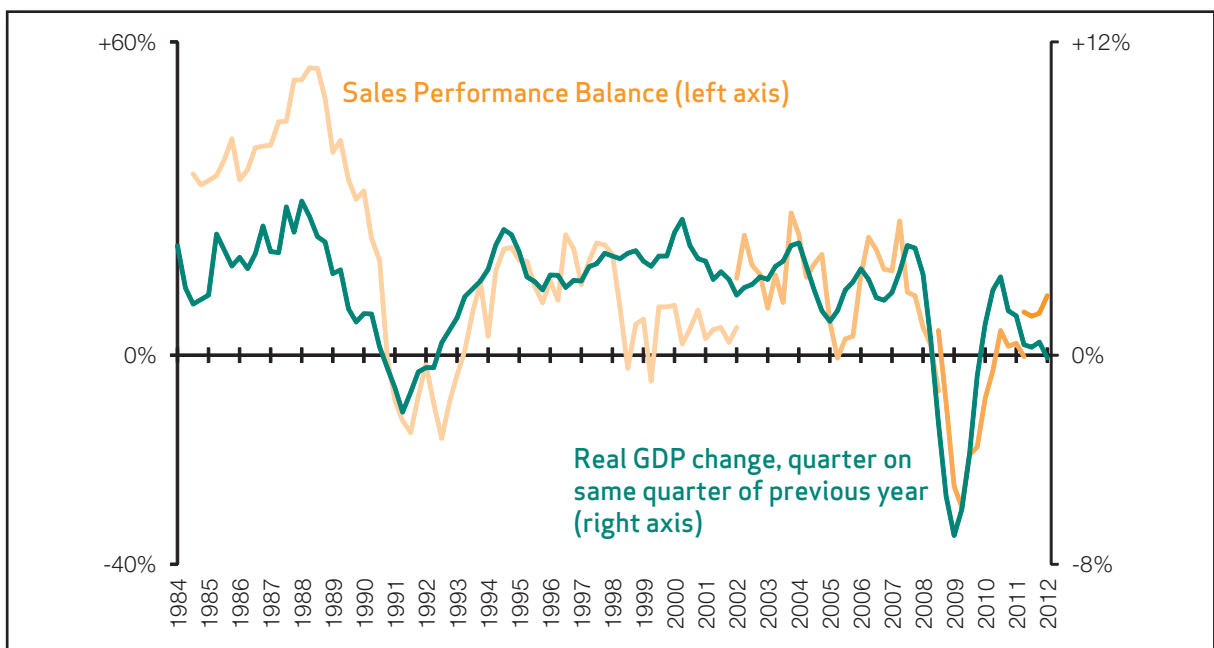
For the first quarter of 2012, the SBA Index slipped from 0 to -1, while the change in GDP compared with the same quarter in the previous year fell from +0.5% to -0.1%.

2. Sources: SBA Index, Business Economics & Research Team, Barclays
GDP change from www.ons.gov.uk, IHYR, GDP, quarter on quarter of previous year, CVM.

Performance

Fewer UK SMEs report falling sales compared with three months ago. Manufacturing and wholesaling SMEs are still performing better than most other sectors, though not quite as well as three months ago. SME retailers are hoping to have turned a corner, reporting the first sales growth in almost five years. Construction firms, though, report that their sales are sharply down. The smallest firms still show the greatest signs of distress, though the gap between them and the medium-sized firms has narrowed. The almost two year run of high sales growth for firms in the East Midlands is broken as they report falling sales in the year to the first quarter of 2012.

Chart 8: Percentage balance of respondents reporting an increase in sales over past year, compared with change in real GDP¹



The UK economy was officially back in recession at the beginning of 2012, with GDP falling for two quarters in a row². Chart 8 shows that GDP in the first quarter of 2012

was marginally lower than in the first quarter of 2011, giving a growth rate of -0.1% over the year, the first negative figure since the end of 2009.

1. Enlargements and consequent changes in composition of the sample led to breaks in the series in 2002, 2008 and earlier in 2011. More details in "Quarterly Survey of Small Business in Britain", issues Vol 18 No 2, Vol 24 No 4 and Vol 27 No 3. GDP change from www.ons.gov.uk, IHYR (pre-1988 calculated as change in YBEZ), GDP, quarter on quarter of previous year, CVM.
 2. "Second Estimate of GDP, Q1 2012", 24 May 2012, Office for National Statistics (www.ons.gov.uk).

However, while the official figures on the economy as a whole were weak, there are some signs that SMEs may have avoided the worst effects. Chart 8 and Table 7 show that there has been an increase, from +8% to +11%, in the balance of SMEs reporting a rise in sales between the first quarter of 2011 and the first quarter of 2012³.

The increase in the balance does not represent a surge in SMEs doing very well. Table 7 shows that the proportion reporting that their sales increased, 38%, is unchanged on that of three months ago. Instead, the improvement is due to fewer SMEs suffering, with only 27% now reporting that their sales have fallen, compared with 30% last time.

Other SME Surveys

Some other surveys of SMEs agree with the more positive picture of the first quarter of 2012 than the official GDP figures. The Federation of Small Businesses' Voice of Small Business Index⁴ has increased from -24.5 to +2.2 and while revenue growth was negative, at -3.7%, this was better than the -6.5% in the final quarter of 2011. The British Chambers of Commerce Quarterly Economic Survey⁵ reports better domestic and export sales balances for both manufacturing and services in the first quarter of 2012 than in the final quarter of 2011.

Other surveys suggest flat SME performance, with no significant worsening in the first quarter of the year. The CBI's SME Trends Survey⁶ reports a balance of +1% of SME manufacturers reporting an increase in the volume of output in the three months to April 2012, unchanged on three months earlier. The Barclays Small Business Activity Index, detailed on page 17 of this report, is down just marginally, from 0 to -1.

The English Business Survey⁷ is still classed as "experimental official statistics" and advises against comparisons across months. However, taken as a snapshot, the general picture is very similar to that reported by SMEs taking part in our survey, with workplaces accounting for 38% of employment in England reporting that their output was higher in March 2012 than in December 2011, while 26% reported lower output, giving a positive balance of +13%.

Table 7: Change over past year in sales turnover, compared with previous survey (weighted figures)

	Up	Same	Down	Balance
Previous survey: Change in Turnover (2011Q4 on 2010Q4)	38%	32%	30%	+8%
Current survey: Change in Turnover (2012Q1 on 2011Q1)	38%	35%	27%	+11%

3. The full series of historic balances are shown in Tables A1 and A2 in the Appendix of this report.

4. "FSB Voice of Small Business Index, Quarter 1, 2012", <http://www.fsb.org.uk/small-business-index>

5. "British Chambers of Commerce Quarterly Economic Survey (QES) 2012 Q1", <http://www.britishchambers.org.uk/policy-maker/economic-data/quarterly-economic-survey/>

6. "CBI SME Trends Survey", 8th May 2012, <http://www.cbi.org.uk/media-centre/press-releases/2012/05/sme-manufacturers-expect-to-see-a-rise-in-orders-and-production/>

7. "Statistical First Release English Business Survey: Mar 2012", Department for Business, Innovation & Skills <http://www.bis.gov.uk/analysis/statistics/sub-national-statistics/ebsurvey>

Chart 9: Percentage balance of respondents reporting an increase in employment over past year, compared with change in jobs⁸

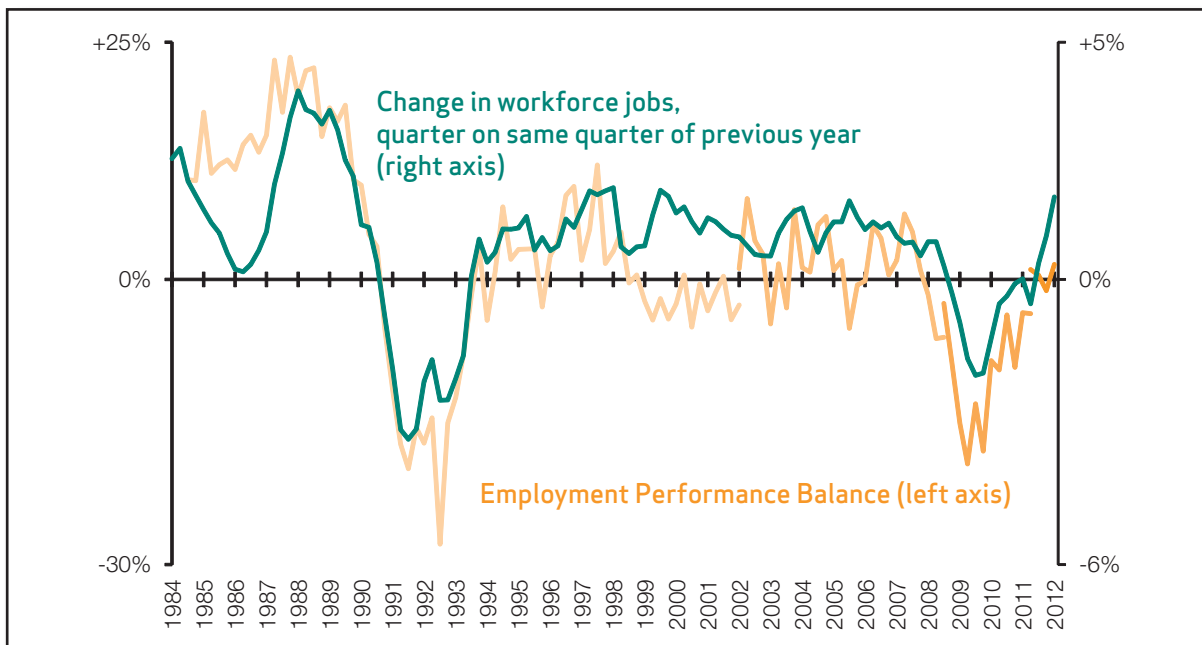


Table 8 and Chart 9 show that there has also been a modest improvement in SME employment performance, with the balance increasing employment becoming positive again. As with the sales balance, this is due to fewer cuts, rather than any increase in the proportion recruiting. Table 8 shows that 18% of SMEs report that the average number of people they employed in the first quarter of 2012 was higher than in the first quarter of 2011. This is the same proportion

as in the previous survey. However, they were then just outnumbered by the 19% who had cut the numbers they employ. This time around, only 16% report that they have cut jobs, meaning that the net balance is positive, +2%.

Chart 9 also shows that the most recent workforce figures available⁹ indicate that the number of filled jobs in the economy as a whole also rose sharply, by +1.7% in the year to March 2012.

Table 8: Change over past year in sales turnover, compared with previous survey (weighted figures)

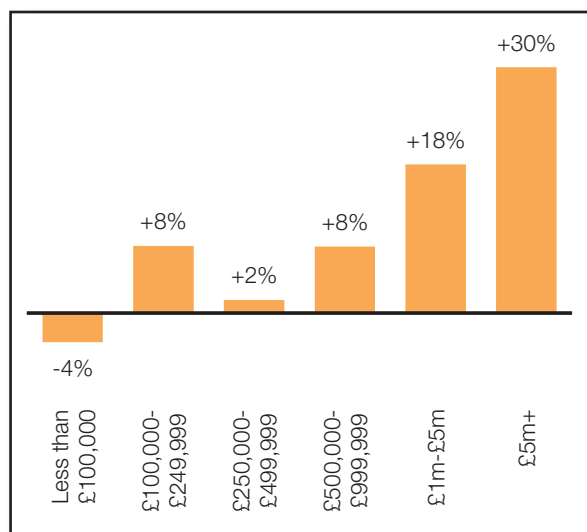
	Up	Same	Down	Balance
Previous survey: Change in Employment (2011Q4 on 2010Q4)	18%	62%	19%	-1%
Current survey: Change in Employment (2012Q1 on 2011Q1)	18%	65%	16%	+2%

8. UK Workforce Jobs, www.ons.gov.uk, Labour Market Statistics, series DYDC, change between quarter and same quarter of previous year. Workforce jobs measures the number of filled jobs in the economy. It differs from the number of people in employment as some people have more than one job.

9. "Labour Market Statistics, June 2012", 20 June 2012, Office for National Statistics, http://www.ons.gov.uk/ons/dcp171778_265818.pdf

Performance: Comparison Across Size Bands

Chart 10: Percentage balance reporting an increase in sales over past year by turnover size band



The very smallest firms have once again fared worse than their medium-sized counterparts (Chart 10), but the gulf between the experience of the smallest and relatively larger is less than in the previous survey. A balance of -4% for firms with a turnover below £100,000 means that more of these have seen their sales fall over the past year than have seen them rise. However, this is not as bad as the -18% in the previous survey. On the other hand, the sales balance for those with a turnover of £5m or more is down from +44% to +30%, but this remains much better than for the smallest firms.

Firms where just the owner or partners work on their own, without employees, and those with between 5 and 9 employees were more likely to have seen their sales fall than rise in the year to the first quarter of 2012 (Chart 11). Those with between 1 and 4 employees were a little more successful in increasing sales, but nowhere near as much as those with 10 or more employees. Again, the difference between the experience of the smallest and the relatively largest is not as great as in the previous survey, when the balance ranged from -19% for those without employees to +34% for those with over 50 employees.

Chart 11: Percentage balance reporting an increase in sales by number of employees

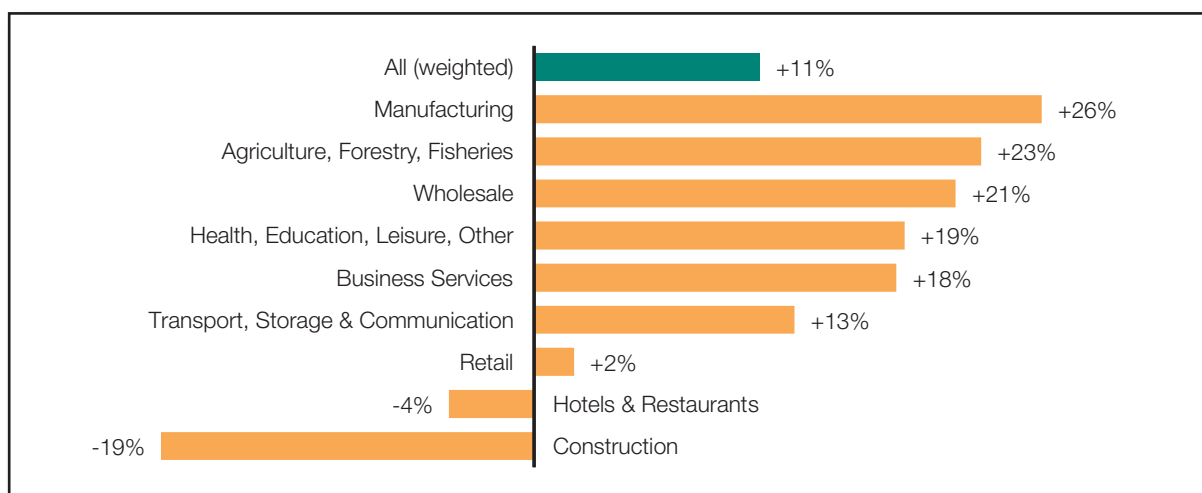


The size-related differences for employment performance are similar. Micro-firms with fewer than 10 employees are more likely to have cut employment over the year, while those with 10 or more employees have more often recruited extra staff. The employment balance is positive for those with a turnover above £1m a year, but negative (or in one case just positive¹⁰) for the firms in the smallest size bands.

10. A balance of +1% for those with a turnover between £100,000 and £249,999.

Performance: Comparison Across Sectors

Chart 12: Percentage balance of respondents reporting an increase in sales over past year by sector



Official figures¹¹ showed a sharp drop of -4.8% in construction output in the economy as a whole in the first quarter of 2012 compared with the final quarter of 2011, not far off the fall of -6.4% at the beginning of 2009. However, output then had already been falling for the previous three quarters and so the change compared with the same quarter of the previous year was -16.1%, compared with only -2.2% now. Further estimates suggest, though, that the gloom is set to continue, with output in April 2012 8.5% lower than in April 2011¹².

Although some commentators have questioned the severity of the downturn in the construction sector¹³, construction SMEs in this survey report a similar picture. The balance reporting an increase in sales in the year to the first quarter is down from -1% to -19%, making them by some margin the most negative sector in Chart 12. However, the balance is as yet nowhere near as low as the depths it plumbed in 2009, when it fell below -50%. Unlike the UK construction sector as a whole, however, the SME construction firms in this survey have been reporting falling sales for the past fifteen surveys, every survey since late 2008. The balance of -20% of construction SMEs cutting employment is also far worse than the -2% in the previous survey and than the other sectors surveyed (Table 9).

The balance of SME hotels & restaurants reporting that their sales increased over the past year is unchanged on the previous survey, at -4% (Chart 12). However, far fewer have cut employment (a balance of -1%, compared with -21% last time).

Chart 12 shows that SME retailing remains one of the poorest-performing sectors. However, their actual sales balance of +2% is in fact a landmark result. This is the first time in four and a half years that more small retailers report that their sales increased over the past year (33%) than report that they fell (31%). In every survey since the third quarter of 2007, small retailers had reported a negative sales balance. For the whole of the past year, retailing has been the most negative SME sector. Economy-wide retail sales¹⁴ also saw something of a boost in the first quarter (especially the 5.6 per cent increase in the year to March 2012), but not as notable as the move from negative to positive in the SME result. There are still more SME retailers who cut jobs than recruited extra staff, but fewer than in the previous survey (the balance up from -16% to -11%).

The actual sales balance for transport, storage & communication firms has also moved from negative (-11%) to positive (+13%) and there are now more of these firms

11. [www.ons.gov.uk, Statistical Bulletin, "Second Estimate of GDP, Q1 2012", 24 May 2012, http://www.ons.gov.uk/ons/dcp171778_264972.pdf.](http://www.ons.gov.uk/StatisticalBulletin/SecondEstimateofGDPQ12012)

12. <http://www.ons.gov.uk/ons/rel/construction/output-in-the-construction-industry/april-2012/index.html>

13. e.g. <http://www.bbc.co.uk/news/business-18187354>

14. [www.ons.gov.uk, Statistical Bulletin, "Retail Sales, April 2012", 23 May 2012, http://www.ons.gov.uk/ons/dcp171778_265949.pdf.](http://www.ons.gov.uk/StatisticalBulletin/RetailSalesApril2012)

Table 9: Change over past year in sales and employment, by sector

	Sales Turnover	Average Employment	Sample
Agriculture, Forestry, Fisheries	+23%	+3%	31
Manufacturing	+26%	+17%	117
Transport, Storage & Communication	+13%	+13%	76
Construction	-19%	-20%	138
Wholesale	+21%	+5%	108
Retail	+2%	-11%	148
Hotels & Restaurants	-4%	-1%	93
Business Services	+18%	+7%	224
Health, Education, Leisure, Other	+19%	+2%	171
All (weighted by sector)	+11%	+2%	1,106

who have recruited extra staff than cut jobs (this balance also stands at +13%, Table 9).

The sales balance for business service SMEs has continued its modest but steady improvement, from +8% six months ago to +11% in the previous survey and +18% now, the only sector to have shown an increase in both of the past two surveys. The balance increasing employment has also risen a little over the same period, from +3% to +5% in the previous survey and now to +7%.

SMEs in the health/education/leisure & other personal services sector report a similar increase in sales to business services, with a balance of +19%. While other sectors have followed a roller-coaster ride following the onset of the economic crisis, these SMEs seem to have charted the steadiest course through the storm. The sales balance was negative only for three quarters at the end of 2008 and the beginning of 2009 and has remained positive, though never higher than +23%, ever since. These SMEs also report the same modest increase in employment (a balance of +2%) as in the previous survey.

As in the previous two surveys, small and medium-sized manufacturers, agricultural firms and wholesalers are the three sectors most likely to report an increase in sales. The sales balances for these sectors have, though, all weakened, narrowing the gap to the other sectors.

The actual sales balance for SME wholesalers is down from +32% in the previous survey to +21% now, but the balance

increasing the number they employ is up from -1% to +5%.

Small and medium-sized agricultural firms remain in the top-three ranked sectors in Chart 12, as they have been for the past five surveys, even though the balance has fallen from +29% to +23%. Although no longer the most positive about employment, there are still more (+3%) that increased than cut employment over the past year.

Manufacturing was hit very hard by the economic crisis and small manufacturers had the worst sales performance of all the sectors at the end of 2008 and the beginning of 2009, when the balance fell to -40%. However, small manufacturers have more recently recovered strongly and they have been one of the top two performing SME sectors in every survey since the end of 2010. This time the sales performance balance has slipped a little, from +32% to +26% (the same level as six months ago), but this is enough to keep it the top-ranked sector in Chart 12. This is despite official estimates¹¹ including large companies, showing that the value added by the whole manufacturing sector in the first quarter of 2012 was a little lower (-0.8%) than that in the first quarter of 2011. The prolonged period of sales improvements for SME manufacturers seems to be feeding through into employment. A third of SME manufacturers have recruited extra employees over the past year, while only 16% have cut employment, giving a balance of +17% (Table 9). This is the highest employment balance for any sector since the end of 2007.

Performance: Comparison Across Regions

There has been a big turnaround in regional SME performance.

In six out of the past seven surveys, SMEs in the East Midlands reported the best sales performance. In the previous survey a balance of +24% indicated that their sales had risen over the year. In this survey, however, they have gone from the top to the bottom of the pile. Table 10 shows that there are now more SMEs in the East Midlands who report falling sales than report an increase, making them the only region with a negative balance. The balance is also down a little, but remains positive, in London. Everywhere else the sales balance is higher than in the previous survey and is between +9% and +22%, giving a far more homogenous picture than usual.

The picture for employment is more mixed, with roughly half of the regions reporting that they increased SME employment over the year but the others on balance employing fewer people.

Chart 13: Percentage balance of respondents reporting an increase in sales over past year - by region

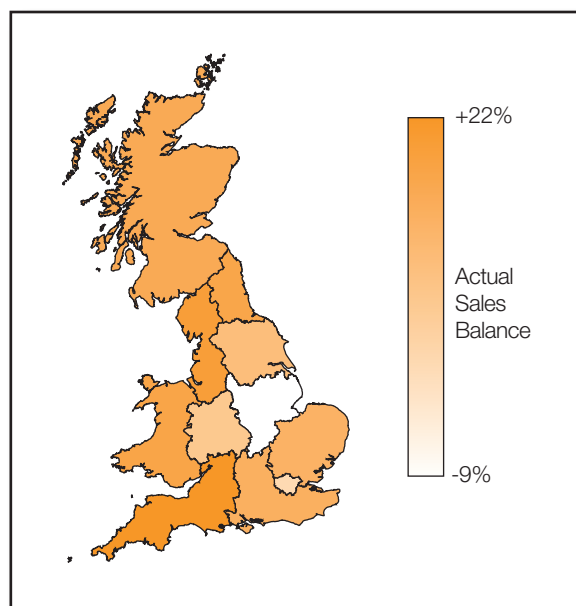


Table 10: Change over past year in sales and employment, by region

	Sales Turnover	Average Employment	Sample
North East	+17%	+12%	42
North West	+19%	-6%	103
Yorkshire & the Humber	+9%	-4%	97
East Midlands	-9%	-1%	88
West Midlands	+6%	+4%	101
East of England	+13%	-4%	71
London	+1%	-6%	129
South East	+13%	+6%	188
South West	+22%	+5%	115
Wales	+17%	+9%	53
Scotland	+15%	+2%	85
All (weighted by sector)	+11%	+2%	1,106

Prospects

While SMEs anticipate an overall improvement in sales performance over the second quarter, the reason is that fewer firms expect their sales to fall, rather than because more firms expect them to rise. Wholesalers are particularly optimistic about their sales and SME manufacturers expect to continue recruiting. Hotels & restaurants are hopeful of a turnaround while retailers expect their modest recovery to continue. Small construction firms still expect sales and employment to fall, but not at as fast a rate as in the first quarter. SMEs in the East Midlands expect that sales will recover in the second quarter, after falling in the first.

SMEs overall expect slightly better sales performance in the year to the second quarter of 2012¹ than they reported in the first quarter. As with the improvement in the actual sales balance, this is due to fewer SMEs expecting sales to fall, not to a greater proportion expecting an increase in sales. Table 11 shows that 37% expect their sales will be higher in the second quarter of 2012 than they were in the second quarter of 2011. This is in fact slightly lower than the 38% who report that their sales were higher in the first quarter of 2012 than they were in the first quarter of 2011 (see Table 7 on page 19). However, while 30% report that their sales fell in the year to the first quarter, only 23% expect them to fall in the year to the second quarter. This gives an expected sales balance of +14%, compared with a sales performance balance of +11%.

There is some evidence that sentiment worsened during the quarter, as it emerged that the UK economy had returned to recession, stock markets fell and the eurozone crisis intensified. The sales expectation balance for telephone respondents contacted in early April was +18%, compared with only +9% for those interviewed in early May².

Most SMEs (71%) do not expect to have changed the numbers they employ between the second quarter of 2011 and the second quarter of 2012. Those who do expect to recruit extra staff exceed those who expect to cut the numbers they employ, giving a balance of +4% (Table 11).

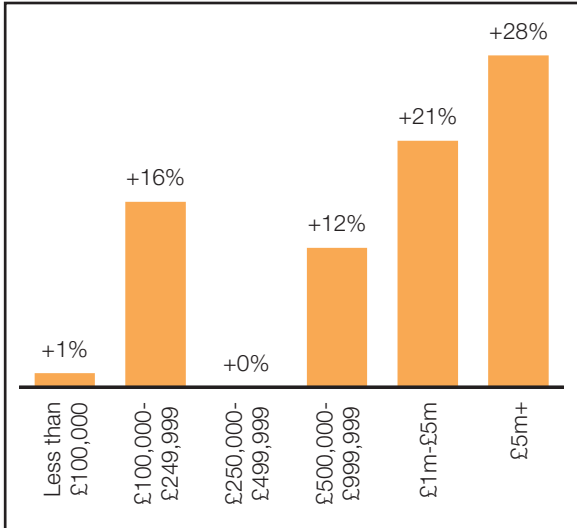
Table 11: Expected change in sales and employment, current quarter compared with same quarter last year (weighted figures)

Expected change over current quarter (2012Q2 on 2011Q2) in:	Up	Same	Down	Balance
Sales Turnover	37%	39%	23%	+14%
Average Employment	16%	71%	13%	+4%

1. Our questions about prospects have changed in this survey to ask about the expected change in the current quarter compared with the same quarter in the previous year instead of with the previous quarter. This enables us to look at expected changes unaffected by seasonal variation and to compare more easily with the actual performance questions.
2. Full details of the fieldwork dates and the composition of the sample can be found in the Appendix to this report.

Prospects: Comparison Across Size Bands

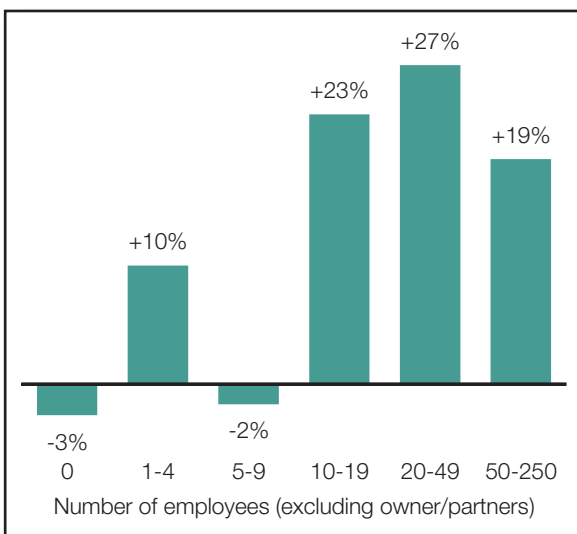
Chart 14: Percentage balance expecting an increase in sales by turnover size band



SMEs with a turnover above £1m and those with 10 or more employees are more optimistic than the very smallest micro-firms. Charts 14 and 15 show that the relatively larger firms are generally more optimistic about their sales prospects for the second quarter of 2012 than are the smallest. The division is, however, not quite as great as for performance in the year to the first quarter, with the smallest firms expecting slightly better performance and the relatively larger slightly worse performance than in the year to the first quarter.

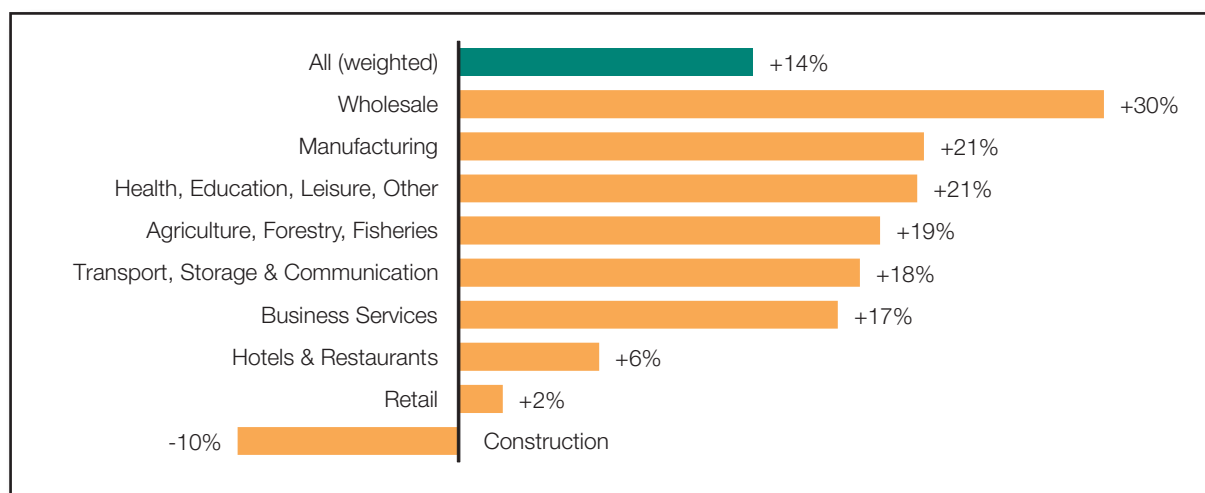
These size-related differences in prospects for the current quarter also extend to employment prospects. Firms with 10 or more employees expect on balance to recruit extra staff, while those with fewer than 10 are more likely to expect to cut the numbers they employ. Those with a turnover above £500,000 expect on balance to increase employment while smaller firms more often expect to cut staff (though there is also a positive employment balance for those with a turnover between £100,000 and £249,999).

Chart 15: Percentage balance expecting an increase in sales by number of employees



Prospects: Comparison Across Sectors

Chart 16: Percentage balance of respondents expecting an increase in sales current quarter over year by sector



In general, those SME sectors that reported good sales growth in the first quarter of 2012 are expecting this to continue into the second quarter. However, Chart 16 and Table 12 show that SME wholesalers in particular are expecting more of an increase in the year to the second quarter (+30%), making them more optimistic than SME manufacturers, where a balance of +21% expect an increase (compared with +26% who report an increase to the first quarter). SME manufacturers expect their recruitment drive to continue apace, however, with a balance of +19% expecting to employ more people in the second quarter of 2012 than they did in the second quarter of 2011 (Table 12).

SME hotels & restaurants anticipate an upturn, with a balance of +6% expecting that their sales will increase in the year to the second quarter of 2012, even though they fell (-4%) in the year to the first quarter. Retailers are hopeful that their modest improvement in sales will continue and they are less negative about employment prospects, though there is still a balance of -9% expecting to cut the numbers they employ. Small and medium-sized construction firms expect their sales and employment to fall in the year to the second quarter (-10% and -7%), but the balances are not as bad as those reporting a fall in the year to the first quarter (-19% and -20%).

Table 12: Expected change current quarter over year in sales and employment by sector

	Sales Turnover	Average Employment	Sample
Agriculture, Forestry, Fisheries	+19%	+3%	31
Manufacturing	+21%	+19%	117
Transport, Storage & Communication	+18%	+3%	76
Construction	-10%	-7%	138
Wholesale	+30%	+5%	108
Retail	+2%	-9%	148
Hotels & Restaurants	+6%	-1%	93
Business Services	+17%	+4%	224
Health, Education, Leisure, Other	+21%	+9%	171
All (weighted by sector)	+14%	+4%	1,106

Prospects: Comparison Across Regions

While SMEs in the East Midlands report a surprise drop in sales in the year to the first quarter, it seems that they are expecting a bounce-back in the second quarter. Chart 17 and Table 13 show that a balance of +7% expect their sales to be higher in the second quarter of 2012 than they were in the second quarter of 2011. Instead, only their neighbours in the West Midlands expect, on balance, a fall in sales in the year to the second quarter.

SMEs in the South East of England are most optimistic about sales prospects for the second quarter (+27%). However, there is little sign of an Olympic Games boost in London, where businesses seem to be less positive (+5%). SMEs in the North East of England are also positive about sales prospects (+21%) and expect the positive employment changes they report for the first quarter to continue into the second quarter (+10%). Those in the South East of England, Wales and Scotland are also positive about employment prospects within their firms, each region having a balance of +8% expecting to recruit extra staff over the year.

Chart 17: Percentage balance of respondents expecting an increase in sales over current quarter - by region

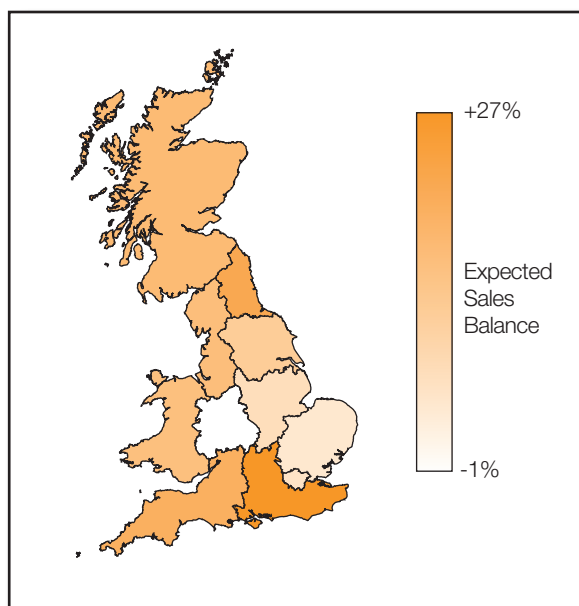


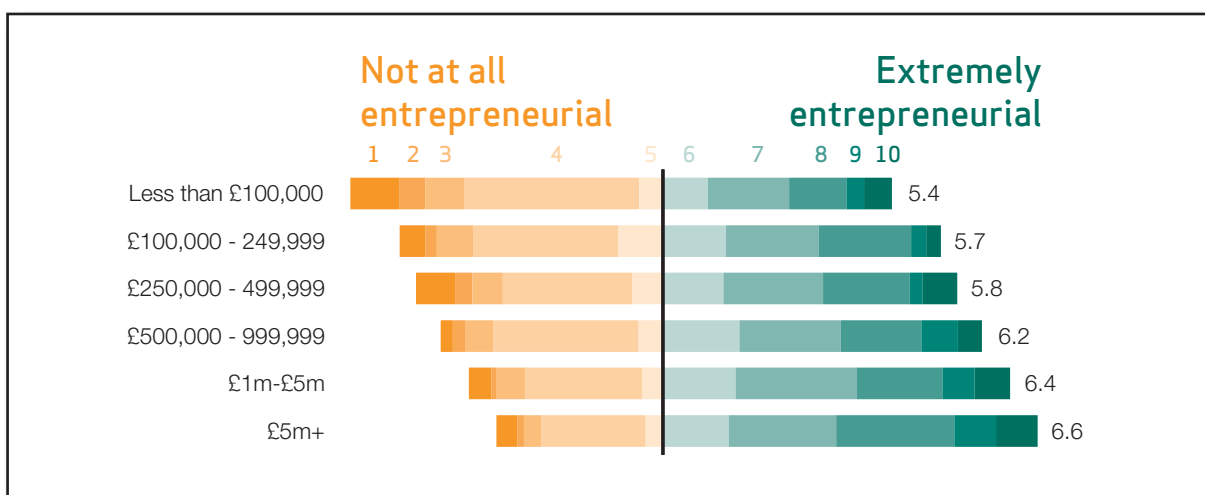
Table 13: Expected change over current quarter in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Sample
North East	+21%	+10%	42
North West	+16%	-1%	103
Yorkshire & the Humber	+11%	+4%	97
East Midlands	+7%	-1%	88
West Midlands	-1%	+2%	101
East of England	+4%	-4%	71
London	+5%	-2%	129
South East	+27%	+8%	188
South West	+19%	+1%	115
Wales	+15%	+8%	53
Scotland	+16%	+8%	85
All (weighted by sector)	+14%	+4%	1,106

Entrepreneurial Index

Larger firms view themselves as more entrepreneurial. The most entrepreneurial report the best performance over the past year and are more optimistic about prospects for the current quarter.

Chart 18: "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?"



Respondents are asked to rate their firms on an entrepreneurial scale, where 1 is not at all entrepreneurial and 10 is extremely entrepreneurial. Entrepreneurial firms are defined as being more competitive, growth-minded and innovative than other firms.

Firms which rate themselves as entrepreneurial tend to be larger than their non-entrepreneurial counterparts, perhaps reflecting their stronger growth-orientation. Businesses with an annual turnover below £100,000 rate themselves as on average 5.4 on the entrepreneurial scale, while those with a turnover of £5m or more rate themselves as 6.6 (Chart 18). Similarly, business owners who work on their own, without employees, rate themselves as 5.2 on the scale while those with 20 or more employees rate themselves as 6.4.

In this survey, SMEs in the North East of England (6.3), the West Midlands and London (6.2) rate themselves as more entrepreneurial than their counterparts elsewhere. Those in Wales rate themselves as least entrepreneurial (5.6).

Owners of hotels & restaurants this time rate themselves as most entrepreneurial (6.4), while those in agriculture have the lowest entrepreneurial self-rating (5.3).

Firms which rate themselves higher on the entrepreneurial scale report better sales and employment performance over the past year and are more optimistic about their immediate prospects. Firms rating themselves as only 1 to 3 on the entrepreneurial scale have, on balance, seen their sales fall in the year to the first quarter of 2012 and also expect them to be lower in the second quarter of 2012 than they were a year earlier. The more entrepreneurial have seen sales rise and expect this to continue (a sales performance balance of +32% and a sales prospects balance of +36% for those rating themselves as 8 to 10). Those rating themselves 5 or lower have seen employment fall and expect to cut it further, while those rating themselves higher than 5 on the entrepreneurial scale have, on balance, recruited extra staff and expect to continue to do so.

How the Survey is Carried Out

This is the 111th survey completed since the series began in 1984.

Firms that respond to the survey are drawn from a wide range of sources. They reflect the complexity and richness of business life in Britain today.

It should be noted that the survey is not a panel, nor is it fully random. It continuously recruits new members to reflect the national distribution of small firms; yet it also retains long time respondents to gauge changes over time.

In this survey, our regular online respondents (owners and managers of small businesses who had previously volunteered to take part) were supplemented by telephone interviews of owners and other senior managers of small businesses, carried out by BDRC Continental¹.

The link to the online questionnaire was emailed to 1,238 regular respondents from 10th April 2012 and a reminder email sent to non-respondents from 8th May 2012. In total, 211 of these regular participants responded. Telephone interviews were carried out in two waves. Between the 3rd and 17th April 2012, 449 telephone interviews were carried out. Between the 8th and 18th May 2012, a further 446 firms were interviewed. The total number of responses was therefore 1,106.

The telephone respondents do not include firms with a turnover below £50,000. Few of the online respondents have more than 50 employees (95% of responses from the 50-250 employee size band are from telephone respondents). The telephone respondents include more firms established since 2000 than the regular online respondents, but also more established before 1970. There are a higher proportion of telephone respondents in health/education & other personal services, hotels & restaurants and transport & communication, but lower proportions in manufacturing and business services. There are also this time slightly higher proportions in Wales, Scotland and the North East of England and a lower proportion in the East of England.

Note that where comparisons are made with 'earlier surveys', these refer to Volumes 1 to 18 of the NatWest/SBRT Quarterly Survey of Small Business in Britain.

Following the well-established practice of the CBI in its Industrial Trends Survey, a summary statistic, the balance, is used to monitor the responses to key questions. The balance is the percentage of respondents replying 'up' minus the percentage replying 'down' (we ignore, for this purpose, the percentage replying 'same').

The key balances for the questions on performance and prospects are split by industrial sector and re-weighted according to the national sectoral SME distribution, using BIS (Department for Business, Innovation and Skills) estimates of total employment by firms with fewer than 250 employees. In earlier surveys results for previous years were re-weighted as estimates for those years became available. To avoid continuous revisions figures are now weighted by the latest figures available (currently 2010) and not revised. The aim of the weighting is to ensure that the results are as representative as possible of the business population in Britain. (From 1995 to the second survey of 2011, results were weighted by the sectoral distribution of employment in firms with fewer than 50 employees. Between 1989 and 1995 results were weighted by the sectoral distribution of all VAT-registered businesses and prior to 1989 they were unweighted.)

Please note, however, that other breakdowns by industrial sector, region and firm size and the tables on problems and in the special topic section use unweighted data and are not seasonally adjusted.

In 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. Note that 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 reports in each issue on changes in sales and employment and on the ranking of most important problems experienced by small firms. In addition, Barclays Bank provide their latest estimates of small business closures and starts and their Small Business Activity Index. The percentage balances for sales and employment are shown in Appendix Tables A.1 and A.2. In addition, each issue covers one or more special topics, designed to contribute to knowledge about small business in Britain.

In this issue, we have taken the opportunity to revise some of our regular questions. The problems question now asks for the single most important problem, rather than the top three, and offers slightly fewer options. We no longer ask in every survey about changes in investment and prices and our prospects question now asks about changes in the current quarter compared with the same quarter last year, rather than with the previous quarter. This enables us to look at expected changes unaffected by seasonal variation and to compare more easily with actual performance.

1. BDRC Business Omnibus, further details available at: <http://www.continentalresearch.com/business-omnibus/>

Special Topics

- Vol 1** No 1 Some Characteristics of the Respondents
No 2 Changes in Employment, New Business
No 3 Part-time Employees, Computers
No 4 Employment
- Vol 2** No 1 Finance, Representative Bodies
No 2 Exports, The Business Expansion Scheme
No 3 Employment, Skill Shortage
No 4 Unincorporated Business, Expansion, Services
- Vol 3** No 1 Telephone Usage, Employment
No 2 Most Important Problems, Characteristics
No 3 Employment, Slow Payment Problems
No 4 Use of Accountants
- Vol 4** No 1 Use of Solicitors
No 2 Training
No 3 Access to external information
No 4 Telecommunications, Characteristics
- Vol 5** No 1 Employee Turnover
No 2 The effects of 1992 on small firms
No 3 Background of respondents
No 4 Origins of new employees
- Vol 6** No 1 EC Special Directorate DG23
No 2 Motivation and Objectives
No 3 School-leaver Training
No 4 School-leaver Training Problems
- Vol 7** No 1 Training and Enterprise Councils
No 2 Use of Computers
No 3 Business Growth Objectives, Gender of Owner
No 4 Sources of Small Business Finance
- Vol 8** No 1 Co-operatives
No 2 Exports
No 3 Quality Standards (BS 5750)
No 4 Impact of the Recession on Incomes and Prices
- Vol 9** No 1 Business Premises and the UBR
No 2 Rented Business Premises
No 3 Delayed Payments
No 4 External Sources of Information
- Vol 10** No 1 The Single Market
No 2 Pensions
No 3 The Past Ten Years
No 4 Minimum Wage
- Vol 11** No 1 Capacity Utilisation
No 2 Succession and Ownership
No 3 Staff Recruitment
No 4 Employee Turnover and Training
- Vol 12** No 1 Compliance Costs
No 2 IT - Communications and Computers
No 3 Business Support Organisations
No 4 Motivations, Objectives and Targets
- Vol 13** No 1 Employment, hours worked, satisfaction
No 2 Incomes and Prices
No 3 Minimum Wage
No 4 Slow Payment
- Vol 14** No 1 VAT Compliance Costs
No 2 Low Turnover, Advertising and Promotion
No 3 Lack of Skills, Training and the 'New Deal'
No 4 The euro
- Vol 15** No 1 IT, Communications and Year 2000
No 2 Business Finance
No 3 Government Regulations and Paperwork
No 4 Motivations, Objectives and Targets
- Vol 16** No 1 Changes
No 2 Slow Payment
No 3 Government Regulations and Paperwork
No 4 Skills Shortages and Training
- Vol 17** No 1 Employee Turnover and Retirement
No 2 Exports and the Euro
No 3 IT and the Internet
No 4 Business Climate
- Vol 18** No 1 Sources of Business Information
No 2 Business Networks and Supply Chains
No 3 Ownership and Intentions
No 4 Pensions and Stockmarket Slide
- Vol 19** Q1 Minimum Wage and Cost Pressures
Q2 Government Regulations and Paperwork
Q3 Business Finance
Q4 ICT and the Internet
- Vol 20** Q1 Motivation, Objective, Target, Innovation
Q2 Business Education & Training
Q3 Government Regulations and Paperwork
Q4 Local Community and Social Responsibility
- Vol 21** Q1 Growth and Motivation
Q2 Business Ownership
Q3 ICT and the Internet
Q4 Government Regulations and Paperwork
- Vol 22** Q1 Exports
Q2 Motivation, Target, Innovation, Entrepreneurs
Q3 Organisations & Suppliers (Internet & Imports)
Q4 Training, Education and Skills
- Vol 23** Q1 Business Advice and Information
Q2 ICT and the Internet
Q3 Business Finance
Q4 'Credit Crunch' and Outlook
- Vol 24** Q1 Government Regulations and Paperwork
Q2 Economic Uncertainties, Capacity & Income
Q3 Ownership, Retirement and Succession
Q4 Business Finance
- Vol 25** Q1 Effect of Downturn
Q2 Motivation, Growth Targets
Q3 Business Advice and Information
Q4 Sources of Advice
- Vol 26** Q1 Equipment and Recovery
Q2 ICT, Internet, Advertising
Q3 Recession Strategies
Q4 Environmental Issues
- Vol 27** Q1 ICT, Smartphones, Cloud Computing
Q2 Capital Allowances
Q3 Focus, Employment, 'Greening' Business
Q4 Post-recession Trends
- Vol 28** Q1 Retirement, Succession & Illness
Q2 Business Advice & Information

Historical Tables

Table A1: Actual change in sales and employment, percentage balances, to Vol.28 No.1

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year	
			Sales	Employment
Vol.1 No.1a	3,056	1984/3	+34.7%	+10.5%
Vol.1 No.1b	1,795	1984/4	+32.6%	+10.4%
Vol.1 No.2	1,181	1985/1	+33.4%	+17.6%
Vol.1 No.3	1,090	1985/2	+34.4%	+11.2%
Vol.1 No.4	1,072	1985/3	+37.4%	+12.1%
Vol.2 No.1	1,326	1985/4	+41.4%	+12.6%
Vol.2 No.2	1,052	1986/1	+33.6%	+11.6%
Vol.2 No.3	1,285	1986/2	+35.5%	+14.2%
Vol.2 No.4	1,435	1986/3	+39.7%	+15.2%
Vol.3 No.1	1,116	1986/4	+40.0%	+13.4%
Vol.3 No.2	1,746	1987/1	+40.2%	+15.2%
Vol.3 No.3	1,113	1987/2	+44.7%	+23.1%
Vol.3 No.4	977	1987/3	+44.8%	+17.6%
Vol.4 No.1	1,042	1987/4	+52.7%	+23.4%
Vol.4 No.2	933	1988/1	+52.7%	+19.3%
Vol.4 No.3	983	1988/2	+55.0%	+22.0%
Vol.4 No.4	950	1988/3	+54.9%	+22.3%
Vol.5 No.1A	1,523	1988/4	+49.2%	+15.1%
Vol.5 No.2	947	1989/1	+38.8%	+18.1%
Vol.5 No.3	2,274	1989/2	+41.1%	+16.7%
Vol.5 No.4	795	1989/3	+33.5%	+18.3%
Vol.6 No.1	1,091	1989/4	+29.9%	+10.5%
Vol.6 No.2	1,384	1990/1	+31.4%	+9.9%
Vol.6 No.3	1,043	1990/2	+22.3%	+4.8%
Vol.6 No.4	1,312	1990/3	+18.2%	+3.5%
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%
Vol.7 No.2	984	1991/1	-8.6%	-11.6%
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%
Vol.7 No.4	835	1991/3	-14.8%	-19.9%
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%
Vol.8 No.4	921	1992/3	-15.9%	-27.8%
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%
Vol.9 No.3	1,310	1993/2	+0.9%	-7.9%
Vol.9 No.4	1,076	1993/3	+8.3%	-1.6%
Vol.10 No.1	1,295	1993/4	+13.8%	+3.5%
Vol.10 No.2	861	1994/1	+3.6%	-4.3%
Vol.10 No.3	2,327	1994/2	+16.2%	+0.8%
Vol.10 No.4	1,046	1994/3	+20.3%	+7.6%
Vol.11 No.1B	983	1994/4	+20.6%	+2.1%
Vol.11 No.2	1,295	1995/1	+18.2%	+3.2%
Vol.11 No.3	669	1995/2	+18.0%	+3.2%
Vol.11 No.4	1,047	1995/3	+13.1%	+3.3%
Vol.12 No.1	700	1995/4	+10.0%	-2.9%
Vol.12 No.2	1,099	1996/1	+14.2%	+2.5%
Vol.12 No.3	742	1996/2	+10.5%	+3.9%
Vol.12 No.4	753	1996/3	+23.1%	+8.9%
Vol.13 No.1	912	1996/4	+20.4%	+9.8%
Vol.13 No.2	720	1997/1	+13.6%	+2.0%
Vol.13 No.3	909	1997/2	+18.0%	+5.3%
Vol.13 No.4	634	1997/3	+21.5%	+12.1%
Vol.14 No.1	783	1997/4	+21.1%	+1.7%
Vol.14 No.2	1,273	1998/1	+19.3%	+3.0%
Vol.14 No.3	682	1998/2	+9.0%	+5.0%
Vol.14 No.4	654	1998/3	-2.5%	-0.4%

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year	
			Sales	Employment
Vol.15 No.1	601	1998/4	+5.9%	+0.5%
Vol.15 No.2	619	1999/1	+6.9%	-2.3%
Vol.15 No.3	507	1999/2	-4.9%	-4.3%
Vol.15 No.4	1,121	1999/3	+9.2%	-2.0%
Vol.16 No.1	812	1999/4	+9.3%	-4.2%
Vol.16 No.2	866	2000/1	+9.6%	-2.6%
Vol.16 No.3	758	2000/2	+2.1%	+0.5%
Vol.16 No.4	803	2000/3	+5.0%	-5.0%
Vol.17 No.1	726	2000/4	+8.6%	-0.5%
Vol.17 No.2	856	2001/1	+3.2%	-3.3%
Vol.17 No.3	720	2001/2	+4.9%	-1.4%
Vol.17 No.4	705	2001/3	+5.3%	+0.3%
Vol.18 No.1	654	2001/4	+2.5%	-4.2%
Vol.18 No.2 old	675	2002/1	+5.4%	-2.7%
Vol.18 No.2	1,168	2002/1	+14.7%	+1.2%
Vol.18 No.3	1,078	2002/2	+22.9%	+8.5%
Vol.18 No.4	1,074	2002/3	+17.2%	+4.1%
Vol.19 No.1	922	2002/4	+15.5%	+2.7%
Vol.19 No.2	851	2003/1	+9.0%	-4.7%
Vol.19 No.3	784	2003/2	+15.4%	+1.6%
Vol.19 No.4	687	2003/3	+10.1%	-3.0%
Vol.20 No.1	808	2003/4	+27.2%	+7.3%
Vol.20 No.2	739	2004/1	+23.1%	+1.3%
Vol.20 No.3	623	2004/2	+14.9%	+0.8%
Vol.20 No.4	711	2004/3	+17.4%	+5.8%
Vol.21 No.1	652	2004/4	+19.3%	+6.6%
Vol.21 No.2	675	2005/1	+6.3%	+0.9%
Vol.21 No.3	670	2005/2	-0.5%	+2.0%
Vol.21 No.4	620	2005/3	+3.1%	-5.1%
Vol.22 No.1	641	2005/4	+3.6%	-0.6%
Vol.22 No.2	638	2006/1	+15.4%	-0.1%
Vol.22 No.3	547	2006/2	+22.6%	+5.7%
Vol.22 No.4	538	2006/3	+20.2%	+4.3%
Vol.23 No.1	526	2006/4	+16.5%	+0.5%
Vol.23 No.2	528	2007/1	+16.2%	+2.0%
Vol.23 No.3	629	2007/2	+25.7%	+6.9%
Vol.23 No.4	528	2007/3	+12.0%	+5.0%
Vol.24 No.1	822	2007/4	+11.4%	+1.0%
Vol.24 No.2	711	2008/1	+5.3%	-1.6%
Vol.24 No.3	278	2008/2	+2.0%	-6.2%
Vol.24 No.4 old	277	2008/3	-6.8%	-6.1%
Vol.24 No.4	1,281	2008/3	+4.7%	-2.5%
Vol.25 No.1	975	2008/4	-9.1%	-8.7%
Vol.25 No.2	848	2009/1	-25.1%	-15.1%
Vol.25 No.3	858	2009/2	-29.1%	-19.4%
Vol.25 No.4	834	2009/3	-19.1%	-13.1%
Vol.26 No.1	830	2009/4	-17.5%	-18.1%
Vol.26 No.2	833	2010/1	-8.3%	-8.5%
Vol.26 No.3	832	2010/2	-2.9%	-9.5%
Vol.26 No.4	819	2010/3	+4.7%	-3.7%
Vol.27 No.1	826	2010/4	+1.7%	-9.2%
Vol.27 No.2 old	757	2011/1	+2.3%	-3.5%
Vol.27 No.3 old	730	2011/2	-0.3%	-3.6%
Vol.27 No.3C	1,105	2011/2	+8.2%	+1.0%
Vol.27 No.4	1,106	2011/3	+7.5%	+0.5%
Vol.28 No.1	1,082	2011/4	+8.0%	-1.2%

Table A2: Actual and expected changes in sales and employment, percentage balances, Vol.28 No.2 onwards

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year		Current Quarter Date	Expected Change, current quarter compared to past quarter	
			Sales	Employment		Sales	Employment
Vol.28 No.2	1,106	2012/1	+11.4%	+1.6%	2012/2	+13.5%	+3.6%

a, b – The results from two surveys were published in Vol. 1 No. 1

A – From Vol. 5 No. 1, results were weighted to the sectoral distribution according to VAT statistics.

B – From Vol. 11 No. 1, results were weighted to the sectoral distribution of employment in firms with under 50 employees according to BIS statistics.

C – From Vol. 27 No. 3, results are weighted to the sectoral distribution of employment in firms with under 250 employees.

old - Changes in the sample compositions in 2002, 2008 and 2011 created breaks in the series. For further details, see the published reports at the date of each break.

Table A3: Most important problem, 1984Q4 to 2002Q1

	Inflation	Interest Rates	Access to Finance	Lack of Skilled Employees	Total Tax Burden	Low T/over or Lack of Business	Competition from Big Business	Govt Regs and Paperwork	High Rates of Pay	Shortage of Materials, Supplies etc.	Internal Management Difficulties	Cashflow/ Payments/ Debtors	Premises, Rents, Rates	Other	No Response	Number of Replies Analysed
1984/4	3.5%	17.1%	-	5.4%	15.9%	15.3%	12.0%	12.6%	4.2%	1.1%	-	-	-	10.9%	1.4%	3,066
1985/1	3.8%	19.4%	-	4.4%	15.9%	14.5%	10.0%	15.7%	3.4%	1.3%	-	-	-	9.5%	1.5%	1,795
1985/2	5.0%	22.1%	-	4.3%	16.1%	14.3%	10.8%	12.5%	2.4%	1.3%	-	-	-	9.1%	1.5%	1,181
1985/3	2.0%	23.6%	-	4.9%	12.8%	13.8%	11.2%	13.1%	3.7%	1.9%	-	-	-	8.6%	3.8%	1,090
1985/4	2.2%	24.0%	-	5.6%	16.6%	15.7%	11.0%	10.2%	2.0%	0.9%	-	-	-	9.2%	2.0%	1,072
1986/1	3.0%	21.4%	-	7.2%	17.1%	14.4%	11.7%	9.6%	2.0%	1.8%	-	-	-	9.9%	1.3%	1,326
1986/2	1.7%	29.9%	-	7.3%	16.3%	12.6%	9.1%	9.9%	2.2%	1.2%	-	-	-	9.4%	0.6%	1,052
1986/3	0.9%	21.3%	-	7.3%	16.6%	17.0%	11.5%	7.3%	1.4%	0.9%	-	-	-	13.7%	2.0%	1,285
1986/4	1.1%	25.0%	-	7.2%	17.7%	14.7%	11.8%	6.8%	1.3%	1.3%	-	-	-	10.0%	3.1%	1,435
1987/1	0.9%	26.4%	-	8.0%	16.0%	13.0%	12.0%	7.4%	1.6%	1.3%	-	-	-	9.1%	4.2%	1,166
1987/2	1.0%	23.7%	-	9.6%	17.7%	12.0%	10.7%	7.6%	2.6%	1.5%	-	-	-	10.3%	3.3%	1,746
1987/3	1.1%	20.3%	-	11.8%	17.9%	12.9%	11.5%	6.6%	1.9%	2.2%	-	-	-	10.5%	3.5%	1,113
1987/4	1.1%	18.0%	-	11.1%	21.3%	13.0%	12.5%	6.3%	1.3%	1.3%	-	-	-	9.6%	4.5%	977
1988/1	0.7%	21.6%	-	11.1%	20.1%	9.6%	6.1%	6.1%	2.3%	1.9%	-	-	-	14.9%	0.3%	1,042
1988/2	1.0%	19.4%	-	12.7%	15.5%	10.2%	14.4%	8.0%	1.8%	2.3%	-	-	-	13.7%	1.4%	933
1988/3	0.9%	17.6%	-	17.7%	13.7%	11.3%	11.4%	8.3%	2.4%	2.7%	-	-	-	11.4%	2.4%	983
1988/4	2.8%	25.5%	-	16.9%	12.5%	8.7%	10.4%	6.0%	1.3%	3.3%	-	-	-	10.6%	1.9%	950
1989/1A	5.3%	23.4%	-	16.4%	11.1%	5.7%	5.9%	7.2%	1.4%	0.3%	-	-	-	19.0%	4.3%	1,523
1989/2	6.3%	28.4%	-	14.0%	12.2%	7.1%	5.9%	5.2%	1.0%	0.8%	-	-	-	14.5%	4.7%	947
1989/3	6.1%	32.9%	-	13.3%	7.1%	13.1%	6.0%	5.9%	1.5%	0.5%	-	-	-	12.1%	1.6%	2,274
1989/4	6.9%	39.2%	-	10.4%	5.4%	12.9%	4.7%	5.1%	1.1%	0.6%	-	-	-	12.2%	1.4%	795
1990/1	4.2%	31.3%	3.1%	6.7%	5.3%	13.3%	-	5.5%	2.5%	0.7%	0.6%	11.5%	8.4%	5.3%	1.7%	1,091
1990/2	6.7%	27.9%	3.2%	7.8%	2.9%	14.6%	-	5.6%	1.5%	0.3%	1.6%	11.6%	6.6%	8.2%	1.4%	1,384
1990/3	4.3%	29.9%	3.6%	6.4%	3.7%	14.7%	3.1%	4.3%	1.6%	0.0%	1.9%	13.6%	4.8%	5.5%	2.5%	1,043
1990/4	7.5%	26.6%	2.3%	5.7%	4.4%	18.9%	3.8%	6.3%	0.2%	0.3%	0.8%	8.6%	4.7%	7.9%	1.9%	1,250
1991/1	6.0%	29.4%	2.7%	3.4%	4.2%	21.1%	2.6%	5.6%	0.9%	0.5%	0.8%	11.4%	4.2%	5.5%	1.9%	1,239
1991/2	4.0%	21.2%	4.3%	2.9%	5.1%	25.2%	2.9%	4.0%	0.4%	0.4%	0.6%	14.9%	7.1%	6.0%	1.0%	984
1991/3	3.3%	15.0%	3.0%	2.3%	4.7%	37.5%	2.4%	6.7%	1.2%	0.3%	1.2%	11.0%	3.3%	6.7%	1.5%	1,718
1991/4	1.2%	7.5%	4.6%	4.5%	4.1%	38.1%	3.4%	3.9%	0.7%	0.3%	1.3%	13.2%	5.7%	10.7%	0.8%	835
1992/1	2.0%	9.1%	5.2%	2.1%	5.6%	36.3%	3.2%	5.6%	0.5%	0.4%	1.2%	15.8%	4.0%	7.1%	1.8%	1,684
1992/2	2.2%	11.6%	4.4%	3.4%	5.4%	34.3%	4.5%	5.3%	0.4%	0.3%	1.1%	13.4%	5.0%	7.4%	1.3%	1,359
1992/3	1.6%	7.6%	3.9%	2.9%	5.1%	43.3%	2.1%	8.1%	0.3%	1.0%	0.8%	13.5%	3.0%	5.9%	0.8%	1,527
1992/4	1.0%	8.8%	3.6%	1.6%	6.0%	44.3%	4.0%	8.0%	0.5%	0.3%	0.2%	11.5%	3.0%	5.2%	2.0%	921
1993/1	0.6%	3.7%	3.2%	3.2%	4.1%	47.7%	3.0%	6.2%	0.3%	1.2%	0.6%	13.1%	2.9%	8.4%	1.8%	1,339
1993/2	0.5%	1.4%	5.4%	3.3%	5.4%	43.1%	4.0%	7.6%	0.5%	0.7%	1.6%	14.3%	2.9%	7.4%	1.8%	1,021
1993/3	0.4%	2.1%	5.5%	4.5%	5.4%	41.2%	4.2%	12.6%	0.3%	0.7%	0.9%	10.9%	3.7%	5.9%	1.6%	1,310
1993/4	1.0%	2.8%	6.9%	3.0%	6.5%	36.8%	4.3%	10.0%	0.3%	0.6%	2.5%	15.5%	3.3%	4.6%	2.0%	1,076
1994/1	0.6%	1.9%	5.5%	4.2%	6.8%	34.1%	6.9%	11.0%	0.1%	0.6%	1.1%	14.4%	4.1%	6.9%	1.7%	1,295
1994/2	1.1%	1.6%	3.8%	5.4%	7.0%	35.3%	5.2%	13.9%	0.1%	0.4%	1.4%	14.0%	3.2%	6.4%	1.3%	861
1994/3	0.9%	1.5%	3.6%	4.9%	5.9%	37.7%	5.9%	9.7%	0.9%	0.8%	2.1%	13.3%	3.1%	7.6%	2.0%	2,327
1994/4	1.1%	1.2%	4.7%	4.8%	6.4%	35.7%	6.9%	10.4%	0.1%	1.1%	1.6%	12.9%	3.8%	7.6%	2.5%	1,046
1995/1B	0.8%	2.7%	4.0%	6.1%	6.2%	37.7%	6.9%	6.7%	0.6%	1.1%	3.0%	12.5%	2.0%	7.4%	2.2%	983
1995/2	1.2%	2.0%	3.4%	5.1%	6.9%	36.7%	6.1%	8.0%	0.6%	0.9%	2.7%	12.2%	3.8%	9.4%	1.0%	1,295
1995/3	1.1%	3.8%	4.2%	4.0%	6.8%	37.6%	8.8%	7.1%	0.5%	0.5%	1.1%	11.4%	5.9%	6.8%	0.4%	669
1995/4	1.1%	0.8%	3.4%	6.0%	6.0%	39.1%	6.3%	9.1%	0.7%	0.3%	2.4%	12.0%	2.8%	9.3%	0.9%	1,047

Table A3: Most important problem, 1984Q4 to 2002Q1 (continued)

	Inflation	Interest Rates	Access to Finance	Lack of Skilled Employees	Total Tax Burden	Low Turnover or Lack of Business	Competition from Big Business	Govt Regs and Paperwork	High Rates of Pay	Shortage of Materials, Supplies etc.	Internal Management Difficulties	Cashflow/ Payments/ Debtors	Premises, Rents, Rates	Other	No Response	Number of Replies Analysed
1996/1	2.2%	0.6%	3.3%	4.5%	6.5%	38.2%	6.7%	5.1%	0.3%	0.7%	1.7%	12.8%	3.7%	11.5%	2.1%	700
1996/2	0.4%	0.7%	2.6%	4.4%	6.5%	36.6%	6.1%	8.8%	0.4%	0.5%	2.6%	13.1%	3.4%	13.1%	1.0%	1,099
1996/3	0.2%	0.7%	3.7%	6.1%	6.3%	31.8%	8.1%	8.6%	0.3%	0.5%	1.4%	12.2%	4.9%	14.3%	1.2%	742
1996/4	0.6%	1.0%	2.5%	7.6%	6.5%	34.6%	7.5%	10.3%	0.4%	0.2%	2.1%	9.5%	4.2%	11.6%	1.0%	753
1997/1	0.3%	1.4%	2.9%	8.2%	6.6%	29.9%	7.4%	10.8%	0.3%	0.5%	2.1%	14.6%	3.9%	10.2%	1.0%	912
1997/2	0.1%	1.2%	2.0%	9.5%	5.1%	31.9%	7.2%	10.5%	1.4%	0.3%	2.5%	11.2%	3.5%	12.6%	1.1%	720
1997/3	0.2%	2.7%	3.4%	8.1%	8.1%	27.6%	9.2%	10.3%	0.5%	0.5%	2.0%	10.5%	5.3%	11.1%	0.5%	909
1997/4	0.7%	1.9%	2.5%	12.1%	5.6%	29.4%	7.0%	10.9%	0.6%	0.6%	2.5%	10.3%	4.9%	9.7%	1.3%	634
1998/1	0.2%	3.4%	1.8%	8.9%	5.8%	27.7%	8.1%	11.8%	0.9%	0.5%	1.6%	12.1%	3.4%	12.6%	1.3%	783
1998/2	0.2%	3.4%	2.9%	10.1%	5.0%	25.6%	8.2%	8.4%	1.1%	0.3%	1.9%	10.7%	3.2%	18.1%	0.9%	1,273
1998/3	1.8%	3.4%	2.2%	7.7%	5.0%	29.3%	6.3%	9.6%	0.8%	0.1%	2.6%	9.7%	4.9%	16.0%	0.7%	682
1998/4	0.8%	6.3%	1.8%	9.7%	7.1%	30.8%	7.6%	6.1%	1.4%	0.7%	1.6%	10.5%	2.0%	13.0%	0.6%	654
1999/1	0.1%	1.7%	1.9%	8.9%	7.2%	31.0%	5.3%	11.1%	1.1%	0.9%	1.1%	8.3%	4.3%	15.2%	1.1%	601
1999/2	0.2%	1.0%	1.2%	8.0%	6.3%	31.6%	7.6%	14.8%	1.1%	0.1%	1.0%	9.2%	3.9%	12.9%	1.0%	619
1999/3	0.1%	0.7%	2.8%	11.2%	7.7%	25.3%	8.0%	13.6%	2.1%	0.9%	3.3%	8.2%	4.4%	10.2%	1.5%	507
1999/4	0.4%	0.8%	2.9%	11.4%	6.1%	26.3%	7.3%	14.2%	1.1%	0.5%	2.0%	9.6%	3.9%	12.6%	0.9%	1,121
2000/1	0.3%	1.0%	1.7%	9.5%	6.4%	26.2%	8.7%	18.6%	1.4%	0.3%	2.2%	8.8%	3.7%	10.4%	0.6%	812
2000/2	0.3%	1.6%	1.3%	8.7%	6.7%	25.9%	6.3%	12.5%	1.4%	1.1%	1.8%	7.2%	3.3%	14.9%	0.6%	866
2000/3	0.3%	0.8%	2.2%	12.2%	7.3%	26.7%	6.3%	19.0%	1.4%	1.1%	2.4%	9.6%	2.8%	12.6%	1.9%	758
2000/4	0.4%	0.7%	1.6%	7.9%	7.2%	27.4%	6.9%	15.7%	1.4%	0.9%	1.9%	10.2%	4.1%	14.3%	0.4%	803
2001/1	0.1%	0.4%	2.0%	11.1%	6.7%	31.4%	6.3%	14.4%	0.8%	0.3%	1.9%	9.2%	2.8%	10.9%	1.8%	726
2001/2	0.2%	0.8%	1.3%	10.8%	7.9%	27.2%	5.9%	15.4%	2.7%	0.4%	2.6%	7.0%	3.2%	13.7%	1.0%	866
2001/3	0.0%	0.0%	0.7%	13.5%	9.6%	30.0%	6.4%	13.8%	0.8%	0.4%	1.2%	7.3%	3.1%	12.8%	0.5%	720
2001/4	0.1%	0.0%	2.0%	11.7%	6.7%	27.4%	5.2%	16.5%	1.3%	0.5%	1.1%	8.2%	2.9%	15.0%	1.3%	705
2002/1	0.3%	0.5%	1.7%	7.8%	8.9%	28.5%	5.1%	15.2%	0.7%	0.2%	1.0%	8.4%	3.4%	16.8%	1.5%	654

Table A4: Most important problem, 2002Q2 to 2007Q4

	General economic climate	Sector-specific demand/problems	Marketing problems	Interest rates/ Access to finance	Inflation/ Cost of materials, supplies	Other costs (e.g. premises, transport)	Exchange rates	Cashflow/ Payments/ Debtors	Government regulations and paperwork	Lack of skilled employees/ High pay	Total tax burden	Lack of time/ capacity	No problems	Other (please specify)	No response	Sample
2002/2	13%	7%	4%	2%	1%	2%	2%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	4%	1%	0%	1%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	4%	1%	1%	2%	1%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	4%	1%	0%	1%	1%	9%	14%	6%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	4%	1%	1%	1%	1%	11%	10%	9%	6%	9%	2%	8%	2%	851
2003/3	18%	9%	3%	1%	1%	1%	1%	6%	15%	9%	1.8%	10%	2%	7%	2%	784
2003/4	13%	9%	3%	1%	1%	1%	0%	7%	18%	8%	8%	8%	3%	9%	2%	687
2004/1	11%	8%	3%	1%	1%	2%	2%	11%	15%	7%	9%	10%	3%	8%	2%	808
2004/2	9%	8%	4%	2%	2%	1%	1%	8%	20%	9%	1.4%	9%	3%	8%	1%	739
2004/3	10%	9%	4%	2%	3%	3%	1%	10%	13%	10%	7%	9%	3%	7%	1%	623
2004/4	11%	8%	3%	1%	2%	1%	1%	8%	20%	10%	8%	8%	4%	8%	1%	711
2005/1	9%	9%	5%	1%	2%	2%	1%	7%	18%	10%	11%	9%	2%	5%	1%	652
2005/2	13%	9%	3%	1%	1%	1%	1%	8%	22%	8%	7%	8%	3%	5%	2%	675
2005/3	16%	10%	6%	2%	2%	2%	1%	8%	20%	6%	5%	7%	1%	6%	3%	670
2005/4	20%	8%	6%	1%	3%	1%	1%	8%	15%	10%	9%	7%	1%	5%	2%	620
2006/1	18%	9%	7%	1%	3%	1%	1%	9%	20%	9%	7%	6%	2%	4%	1%	641
2006/2	11%	9%	6%	1%	4%	2%	0%	9%	22%	7%	8%	10%	3%	6%	1%	638
2006/3	12%	9%	7%	1%	2%	1%	1%	9%	21%	7%	10%	9%	2%	4%	2%	547
2006/4	10%	9%	8%	1%	3%	1%	1%	7%	25%	7%	8%	7%	2%	7%	2%	538
2007/1	9%	9%	8%	1%	3%	2%	2%	9%	22%	7%	8%	7%	2%	5%	4%	526
2007/2	11%	7%	9%	2%	3%	1%	2%	6%	23%	8%	7%	7%	2%	6%	2%	528
2007/3	10%	8%	9%	3%	4%	2%	1%	7%	15%	8%	7%	9%	5%	7%	2%	629
2007/4	15%	8%	9%	4%	4%	1%	2%	5%	17%	8%	8%	5%	2%	8%	2%	528

Table A5: Average rating of problems (1=no problem, 10=severe problem), 2008Q1 to 2008Q3

Survey	Economic climate or demand	Competition	Interest rates or access to finance	Inflation or cost of inputs, etc.	Cashflow, payments or debtors	Government regulations	Lack of skilled employees/high pay	Total tax burden	Lack of time/capacity	Internal (management, marketing etc.)	Sample
2008/1	6.7	5.0	4.9	6.2	5.1	6.6	4.6	6.7	6.1	-	822
2008/2	6.2	4.7	4.0	5.7	4.9	6.2	4.5	6.1	5.6	-	711
2008/3	7.0	5.1	4.3	6.0	5.3	6.5	4.4	6.5	6.0	4.2	278

Table A6: Proportion ranking each problem in top three facing their business, 2008Q4 to 2012Q1

Survey	Economic climate or demand	Competition	Interest rates or access to finance	Inflation or cost of inputs, etc.	Cashflow, payments or debtors	Government regulations	Lack of skilled employees/high pay	Total tax burden	Lack of time/capacity	Internal (management, marketing etc.)	Sample
2008/4	58%	28%	19%	26%	28%	28%	11%	22%	15%	5%	1,281
2009/1	55%	23%	21%	24%	36%	30%	7%	26%	14%	4%	975
2009/2	61%	26%	19%	22%	33%	31%	10%	24%	17%	7%	848
2009/3	52%	24%	19%	18%	34%	30%	10%	26%	16%	6%	858
2009/4	57%	25%	21%	17%	35%	33%	10%	26%	16%	4%	834
2010/1	48%	29%	17%	18%	33%	35%	11%	29%	14%	6%	830
2010/2	55%	28%	17%	20%	31%	31%	10%	26%	17%	6%	833
2010/3	51%	32%	17%	18%	34%	29%	11%	22%	16%	5%	832
2010/4	51%	28%	21%	19%	33%	30%	10%	27%	16%	6%	819
2011/1	54%	28%	17%	23%	33%	27%	9%	25%	15%	7%	826
2011/2	54%	28%	17%	26%	29%	26%	11%	19%	16%	7%	947
2011/3	55%	26%	16%	24%	25%	25%	8%	20%	13%	6%	1,105
2011/4	63%	33%	15%	26%	26%	28%	10%	22%	14%	6%	1,106
2012/1	59%	31%	15%	25%	31%	26%	10%	20%	12%	5%	1,082

Table A7: Most important problem, 2012Q2 onwards

Survey	Economic climate or demand	Interest rates or access to finance	Inflation or cost of inputs, etc.	Cashflow, payments or debtors	Government regulations	Lack of skilled employees	Lack of time/capacity	The total tax burden	Sample
2012/2	40%	5%	8%	16%	10%	3%	6%	6%	1,106

Quarterly Survey 2012Q2

Please click in the appropriate circles and boxes or fill in the blanks. Your answers will remain confidential. If you have any problems with, or queries about, this form, please email us at oubs-enterprise@open.ac.uk or call Julie Sullivan on 01908 655 831.

1 What is the legal status of your business?

- Private (limited) company Self-employed sole trader/sole proprietorship Other
 Partnership PLC

2 Including yourself, how many people work in the business including both full and part-time workers?

3a How many years have you been running a business?

3b How many years has your present business been trading?

4 Please describe in a few words the precise nature of your business:

5 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 (where 1=not at all entrepreneurial to 10=extremely entrepreneurial)?

6a From which of the following has your business received helpful advice or information over the past 12 months?

- Government-funded services (like 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)
 Business networks (like Chambers of Commerce, Trade Associations, the CBI, Federation of Small Businesses, Forum of Private Business and so on)
 Customers, suppliers and other business people Your accountant Your bank
 Other business advisors (consultants, coaches, etc.) Family and friends
 Media (websites, newspapers, trade journals, TV, radio, etc.) None Don't Know

6b Do you have any comments on these sources or have you received helpful business advice or information from any other sources?

7a Over the past year, has it become easier or harder to get the business advice or information that you need?

- Easier Harder No real change Haven't needed advice or information/don't know

7b If YES, why has it become easier or harder?

8a Have difficulties with access to advice or information caused your business any problems in the last 12 months?

- Yes - major problems Yes - minor problems No - no problems Don't know

8b If YES, what kind of problems has it caused?

9a 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 Information on web-sites Paper pamphlets and guides on request
 Telephone help-lines E-mail updates of new information Through the media (newspapers, radio, TV etc.)

9b Do you have any comments on how business advice and information is supplied?

10 In which of the following ranges is your firm's annual turnover (excluding VAT):

- Less than £50,000 £250,000-£499,999 £5m-£10m
 £50,000-£99,999 £500,000-£999,999 £10m-£20m
 £100,000-£249,999 £1m-£5m over £20m

The next two questions ask how your sales turnover, and average employment in the past quarter compared with the same quarter last year.

11a Was your sales turnover in January to March 2012 compared with January to March 2011: Up Same Down

11b Was your average employment in January to March 2012 compared with January to March 2011: Up Same Down

The next two questions ask how you expect your sales turnover and average employment will have changed in the current quarter compared with the same quarter last year.

12a Expected sales turnover in April to June 2012 compared with April to June 2011: Up Same Down

12b Expected average employment in April to June 2012 compared with April to June 2011: Up Same Down

13a Which, if any, of the following is the TOP problem facing your business at the moment?

- Economic climate or demand Inflation or cost of inputs, etc. Government regulations Lack of time/capacity
 Interest rates or access to finance Cashflow, payments or debtors Lack of skilled employees Total tax burden

14b What other major problems does your business face at the moment?

15 Please indicate the sex of the owner(s) of the business:

- Male Female Joint Male/Female ownership

16 Please enter your Business Postcode:

17 Please enter any comments you have on the issues raised in this questionnaire:

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