

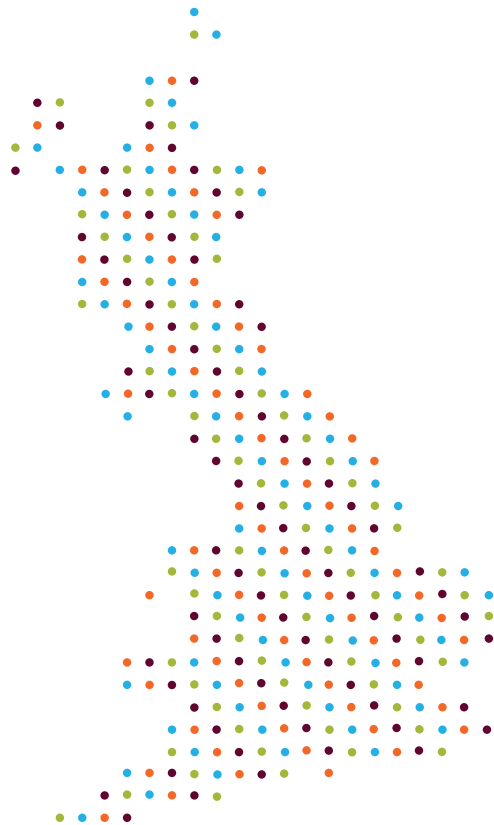


The Open
University

Business School

Quarterly Survey of Small Business in Britain

*Special topics: focus, employment,
'greening' business*



2011

Quarterly Survey of Small Business in Britain

2011 Q3 Vol 27 No 3

Special topics: focus, employment, 'greening' business

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Summary

Britain's small firms are on the brink of sliding back into recession. Recovery in the small firm sector has stalled over the past year and sales expectations for the next quarter are lower than at this time last year. Inflationary pressures may be easing but the economic climate remains by far the biggest problem facing SMEs. Only a very small balance expect to increase employment over the coming quarter and a majority feel that SME employment prospects for the coming year are poor. They feel that reductions in employment legislation and red tape or tax incentives would help SMEs to create additional jobs. Many SMEs can see no benefits in 'greening' their business, especially when they are struggling to survive.

- The sales balance for small firms has dipped and sales expectations for the current quarter are also down, to just below the level of twelve months ago.
- Medium-sized firms have fared somewhat better than the smallest and are more optimistic about sales and employment prospects for the third quarter.
- Small retailers have seen sales fall continuously for the past four years and they expect things to continue to worsen during the third quarter.
- Manufacturing remains as one bright spot with sales performance slightly down on last quarter but robust. Small manufacturers are positive about their third quarter prospects. Another bright spot is the health/education/leisure & other personal services sector which has seen the best sales performance over the past year.
- While conditions remain difficult and cashflow remains a particular problem, pressures have eased a little for construction firms. They are more optimistic about their prospects for the third quarter than they were for the second.
- SMEs in Scotland and the West Midlands report the best sales performance over the past year and are most optimistic about their prospects for the current quarter.
- The economic climate is by far the biggest issue facing Britain's SMEs, with 55% of firms ranking it as one of their top three problems.
- Fewer firms are reporting inflation and the cost of inputs as a 'top three' problem. The net balance of firms increasing their average selling prices over the past year and the balance expecting to increase them over the current quarter have both fallen a little.
- Most SMEs did not change their employee numbers over the past year, neither do they expect the situation to change greatly during the third quarter. A majority believe that employment prospects within SMEs over the next year are 'poor' or 'very poor'.
- The most common request to help SME employment prospects is a reduction in red tape and legislation related to employment, followed by tax incentives.
- While some small firms have seen big benefits from trying to become more environmentally sustainable, others are sceptical, have more pressing priorities or cannot find the funds to make the changes, even if they believe they would help.

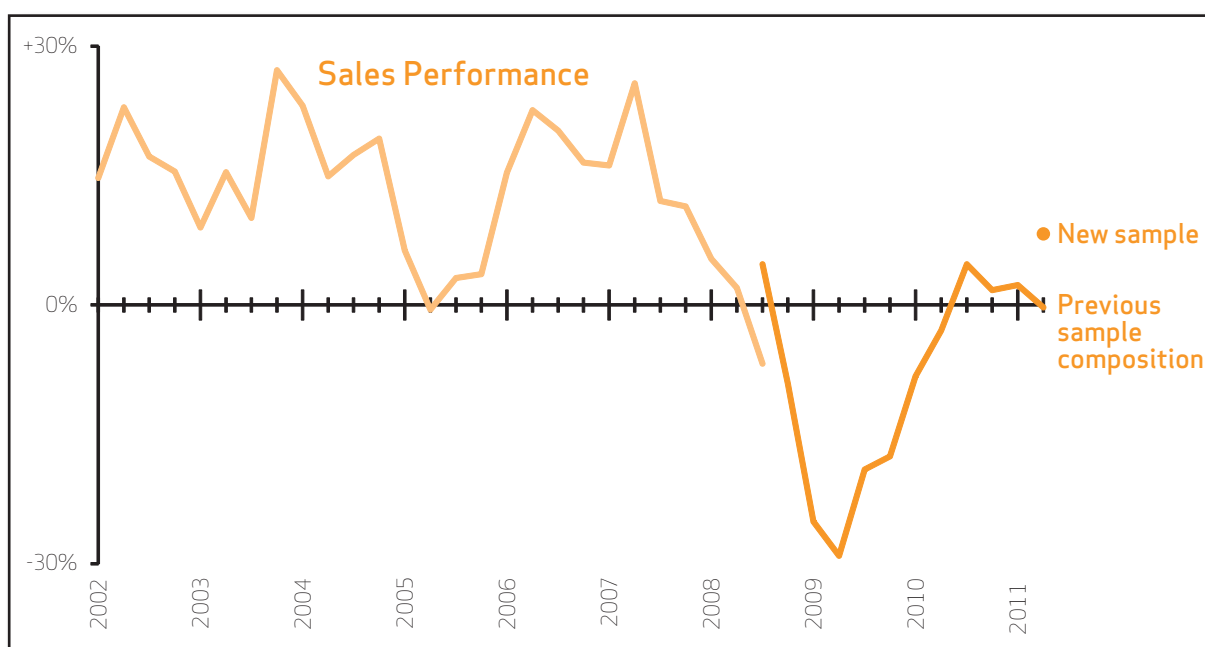
Contents

Performance	4
Performance: Comparison Across Sectors	6
Performance: Comparison Across Size Bands	8
Performance: Comparison Across Regions	9
Business Stock & Activity Index	10
Problems	11
Evolving Focus	13
Employment Growth	16
'Greening' Business	18
Entrepreneurial Index	19
Prospects	20
Prospects: Comparison Across Sectors	22
Prospects: Comparison Across Size Bands	24
Prospects: Comparison Across Regions	25
APPENDIX	26
How the Survey is Carried Out	26
Special Topics	27
Historical Tables	28

Performance

Recovery in the SME sector remains stalled, though medium-sized firms have fared better than the smallest. Inflationary pressures may have plateaued, but most SMEs have not recruited any extra staff. Retailers and small construction firms continue to suffer, though not quite as badly as last time. Meanwhile, the pace of recovery in manufacturing has eased but remains relatively strong.

Chart 1: Percentage balance of respondents reporting an increase in sales over past year (weighted figures)¹



Some (38%) of the small and medium-sized enterprises (SMEs) taking part in this survey report that their sales turnover was higher in the second quarter of 2011 than it was in the second quarter of 2010, while 30% report that their sales were lower, giving a balance of +8% reporting an increase (Table 1).

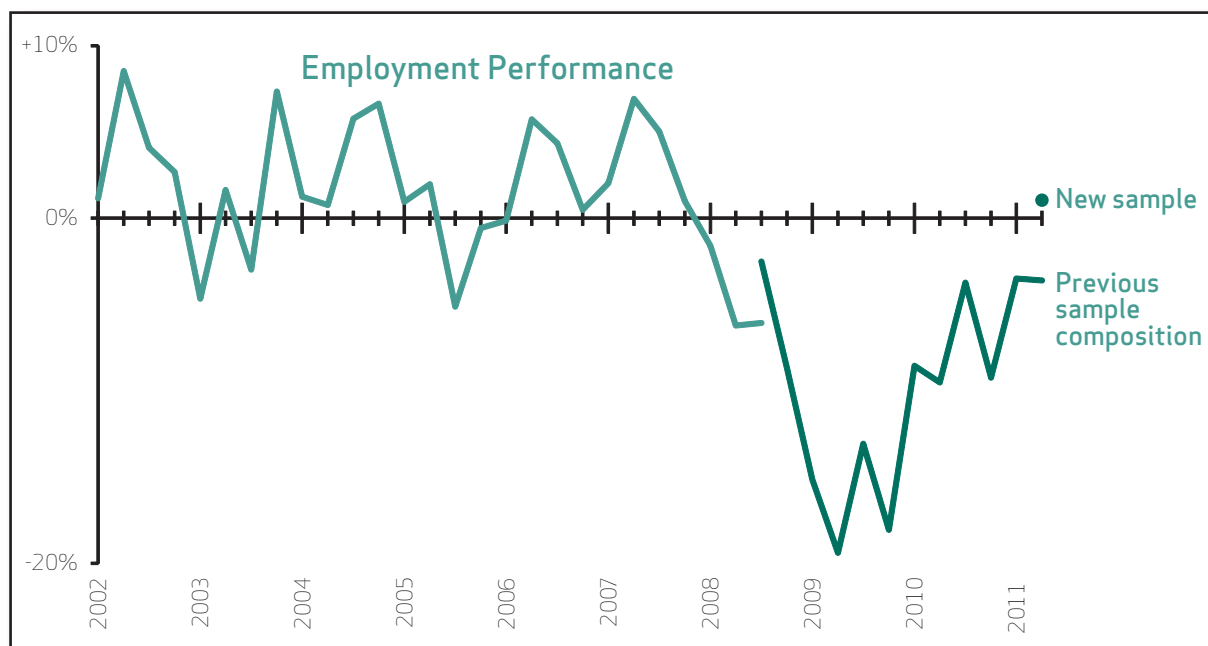
The sales balance is, however, affected by the fact that the sample of responding firms has been enlarged over the past two surveys to include more medium-sized firms (i.e. those with a turnover above £1m, but with fewer than 250 employees)². The balance is higher than it would have been on

the previous sample composition because these medium-sized firms are somewhat more positive than the micro and small firms. The solid line in Chart 1 shows that on the basis of the previous sample composition, the balance would have fallen a little, from +2% to 0% with those reporting a fall in sales just fractionally outnumbering those reporting an increase³.

The recovery in the small firms sales performance balance from its low in mid-2009 stalled at the end of 2010 and has weakened again in this survey. Official GDP figures for the UK economy⁴ paint a similar picture (see Chart 8). These show

1. Enlargements and consequent changes in composition of the sample led to partial breaks in the series in late 2008 and in the current report. More details in "Quarterly Survey of Small Business in Britain, Vol 24 No 4, 2008 Q4" and in the Appendix of this survey.
2. Details on the change in sample composition can be found in the "How the survey is carried out" section of the Appendix to this report and in the "Evolving Focus" section.
3. The full series of historic balances are shown in Table A1 in the Appendix of this report.

Chart 2: Percentage balance of respondents reporting an increase in employment over past year (weighted figures)



that GDP growth in the second quarter of 2011 showed an increase of only +0.7% over the year (down from +1.6% in the year to the first quarter and +2.5% in the year to the third quarter of 2010). The ONS notes that a number of 'special events,' including the royal wedding, may have affected the second quarter figures, but it is clear that recovery has slowed sharply over the past nine months.

Most SMEs (64%) have not changed their number of employees over the past year (Table 1). The balance of firms changing employment therefore represents the performance of a relatively small number of firms and, as Chart 2 shows, has been more erratic than the sales balance over the past few years. In this survey, the 18% of SMEs which have recruited extra employees over the past year just outnumber the 17%

which have cut the numbers they employ, giving a balance of +1% (Table 1). Excluding the new medium-sized respondents, however, the balance remains negative and practically unchanged at -4% (Chart 2).

More SMEs have increased the amount which they invest in plant, equipment and premises over the past year than have cut it, giving a balance of +4% (Table 1). This compares with a zero balance in the previous survey.

After increasing for five surveys in a row, the balance of firms increasing their average selling prices over the year has fallen slightly. Table 1 shows, though, that SMEs increasing their prices still comfortably outnumber those cutting them (+16%).

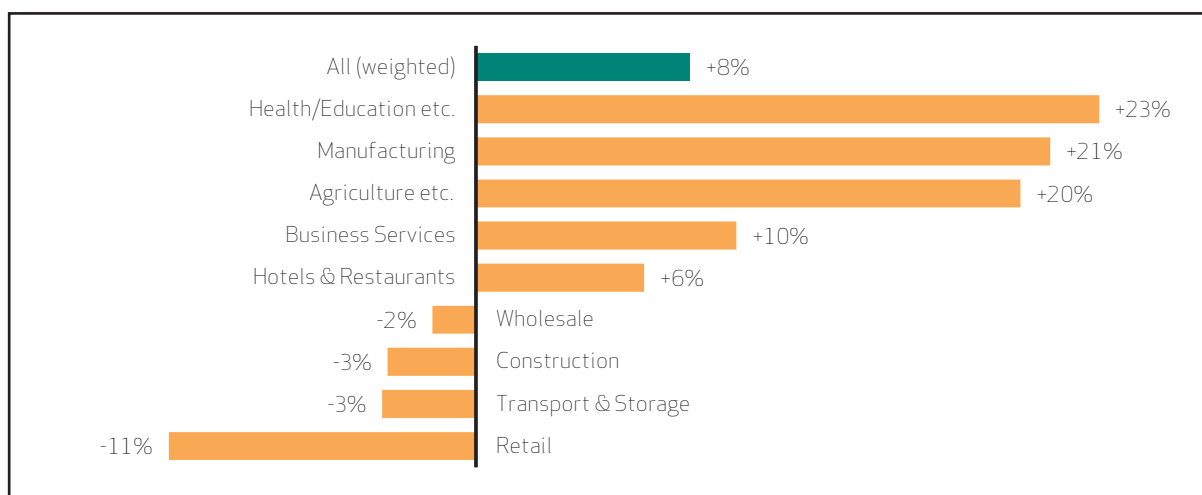
Table 1: Change over past year in sales, employment, investment and selling prices (new series, weighted figures)

Change over past year (2011Q2 on 2010Q2) in:	Up	Same	Down	Balance
Sales Turnover	38%	32%	30%	+8%
Average Employment	18%	64%	17%	+1%
Investment	23%	59%	18%	+4%
Selling prices	33%	50%	17%	+16%

4. "Second Estimate of GDP Time Series Dataset 2011 Q2", 26 August 2011, Office for National Statistics (www.ons.gov.uk). Gross Domestic Product index: CVM: seasonally adjusted.

Performance: Comparison Across Sectors

Chart 3: Percentage balance of respondents reporting an increase in sales over past year by sector



The difference between the best and worst performing sectors is not as great as in the previous survey. Retail remains the sector reporting the worst sales performance (Chart 3). For the sixteenth survey in a row, more small retailers have seen their sales fall over the past year than have managed to increase them. This prolonged period of falling sales now equals that experienced in the aftermath of the early-1990s recession. However, the net sales balance of -11% is an improvement on the -26% recorded in the previous survey. While more retailers have cut jobs than have recruited extra staff, the net employment balance has also improved from -12% in the previous survey to -2% (Table 2). The widespread increases in wholesale prices noted in the previous survey do seem to have fed through into retail prices, with the balance of small and medium-sized retailers increasing prices over the past year up from +23% to +34% (Table 2).

Transport & storage firms report worse sales performance than in the previous survey. A negative balance of -3% (compared with +8% last time) shows that more of these firms saw sales fall over the past year than saw them rise¹. Despite this, these are the firms which have most often increased employment over the past year (Table 2).

For the fifth survey in a row, construction is again the only sector where more small firms cut than increased their prices

over the past year (Table 2). However, few of those which cut their prices managed to tempt enough customers to increase the total value of their sales. On balance, small and medium-sized construction firms remain negative though, as with retail, the sales performance is not as bad as in the previous survey. Construction firms have now reported falling sales for every survey in the past three years but the current balance of -3% (Chart 3) is an improvement on the -15% three months ago and much better than the record low of -54% in 2009. Official estimates also suggest that gross value added for the economy-wide construction sector was down in the year to the second quarter (-1.4%), but that quarter-on-quarter performance was positive for the first time in three quarters². However, this does not appear to have translated into jobs. Construction firms were again those most often reporting cuts in employment, with 29% shedding jobs and only 13% recruiting, giving a balance of -16% (Table 2). They have also most often cut investment (the balance of -16% unchanged since the previous survey).

In the previous survey, wholesaling was one of the sectors reporting the best performance in terms of sales and firms were on balance increasing employment and investment. Since then, the performance of this sector has declined (Table 2). The sales balance of -2% compares with +21% in the

1. And this balance has been particularly boosted by the more positive experience of medium-sized transport & storage firms added to the sample over the past two surveys. If these were excluded, the balance would be -26%, the lowest of the sectors surveyed.
2. "Second Estimate of GDP Time Series Dataset 2011 Q2", 26 August 2011, Office for National Statistics (www.ons.gov.uk).

Table 2: Change over past year in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
Agriculture, Forestry, Fisheries	+20%	+3%	+23%	+47%	30
Manufacturing	+21%	+7%	+10%	+28%	147
Transport & Storage	-3%	+10%	-2%	+5%	58
Construction	-3%	-16%	-16%	-9%	123
Wholesale	-2%	-2%	-1%	+30%	125
Retail	-11%	-2%	+1%	+34%	124
Hotels & Restaurants	+6%	+1%	+14%	+28%	81
Business Services	+10%	+3%	+6%	+4%	251
Health/Education/Leisure/Other	+23%	+7%	+10%	+25%	166
All (weighted by sector)	+8%	+1%	+4%	+16%	1,105

previous survey and is the first negative balance in over a year. The balance of wholesalers increasing their average selling prices over the year (+30%) is lower than in the previous survey (+41%), but still remains high, contributing to inflationary pressures.

For the past 18 months, hotels & restaurants had reported falling sales and been amongst the worst three performing sectors. However, the sales balance had begun to improve in the previous survey and this time it has risen again and finally become positive, at +6%, with more reporting an increase than a drop in sales, lifting hotels & restaurants out of the bottom three³. The employment balance has also improved sharply, from -14% to +1% and the investment balance from -2% to +14% (Table 2).

Business service firms have experienced an erratic recovery in sales performance over the past two years from a record low of -29% at the beginning of 2009. In this survey the balance has slipped back a little, from +13% to +10% but remains reasonably positive. The business services employment balance is also down a little but remains positive (from +7% to +3%) while the balance which have increased investment is unchanged at +6% (Table 2). As with business services, the health/education/leisure & other personal services sector had a record low sales performance balance in early 2009

and, while generally improving, has been up and down since then. This time, the balance for this sector has continued to climb, up from +20% to +23%, making this the sector with the highest sales performance balance (Chart 3). These firms also report slightly better employment and investment performance than in the previous survey.

Although the sales balance has fallen from +27% to +21%, manufacturing remains in second place in the ranking of sectors in Chart 3, a stark contrast to the beginning of 2009, when they were the most negative, with a record low balance of -40%. Official estimates⁴ also show that manufacturing performance dipped in the second quarter compared with the first, but still shows relatively robust growth over the year as a whole. Manufacturing firms have more often than in the previous survey increased employment (+7% compared with +4%) and investment (+10%, up from +4%) over the past year.

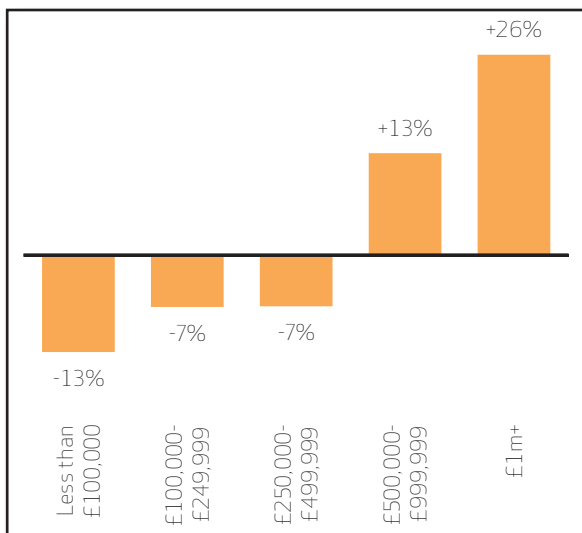
The small and medium-sized agricultural firms taking part in our survey remain relatively buoyant, though the sales balance has fallen from +33% to +20%. However, our sample of agricultural firms is relatively small, so this result may not be representative of firms in the sector as a whole. Official figures⁴ suggest that economy-wide agricultural output was down in the second quarter.

3. This is one of the sectors where the addition of more positive medium-sized firms has affected the balance. Excluding these new firms, the balance would be negative, at -2%, but would still be higher than those for wholesale, construction, transport & storage and retail.

4. "Second Estimate of GDP Time Series Dataset 2011 Q2", 26 August 2011, Office for National Statistics (www.ons.gov.uk).

Performance: Comparison Across Size Bands

Chart 4: Percentage balance reporting an increase in sales over past year by turnover size band



It is generally the case that the very smallest firms report poorer sales performance than their medium-sized counterparts. In this survey, the relationship is particularly striking. The net balance for sales performance over the past year improves with each step up in firm size-band, whether measured by turnover or number of employees¹.

Chart 4 highlights the point where sales balances switch from negative to positive. It shows that more firms with a turnover below £500,000 report a fall in sales during the year than saw them rise. However, for firms with an annual turnover above £500,000, sales balances were positive. Sales performance was particularly strong amongst firms with a turnover above £1m per year, with 46% reporting higher sales and just 20% reporting that they had fallen. This resulted in a net balance of +26% (Chart 4).

Chart 5 shows that sales performance over the past year increases as the number of employees in the firm increases. In this case, the balances switch from negative to positive for the '10 or more' employee category. Again, the differences are striking. While firms with no employees report a negative sales balance (-17%), there is a positive balance (+26%) for firms with between 50 and 250 employees.

Chart 5: Percentage balance reporting an increase in sales by number of employees



These size-related differences in performance also extend to employment and investment. Only firms with a turnover of greater than £1m or with 10 or more employees have, on balance, recruited extra employees over the past year. In terms of investment balances, medium-sized firms with a turnover above £500,000 (or 10 or more employees), reported increases, while smaller firms with a turnover below £250,000 (or fewer than 10 employees) indicate that investment had been reduced. Those in the intermediate turnover category (with a turnover between £250,000 and £500,000) had a zero balance, with the numbers reporting increased investment exactly matched by those who had cut back.

1. Although the oldest firms taking part in our survey are, on average, larger than the youngest there is no clear relationship between age of firm and sales performance over the past year.

Performance: Comparison Across Regions

After a whole year of reporting the best sales performance, small firms in the East Midlands have this time been outdone by their neighbours in the West Midlands (Table 3 and Chart 6). For four surveys in a row, those in the East Midlands had the highest balance reporting an increase in sales over the past year, though the balance had begun to fall in the previous survey and this time has continued to drop, from +14% to +4%. In contrast, the balance for those in the West Midlands has risen from +5% in the previous survey to +23% now.

The sales balance for Scottish small firms had begun to rise in the previous survey and they then had the highest investment balance, suggesting some medium-term confidence. This positivity has continued, with the sales balance up from +4% to +21%, not far behind the West Midlands, and the investment balance remaining the highest of all the regions (+21%, Table 3). Scotland also now has the highest balance of firms which have increased employment over the year, followed by those in Wales (despite a negative sales balance) and the West Midlands of England.

Chart 6: Percentage balance of respondents reporting an increase in sales over past year - by region

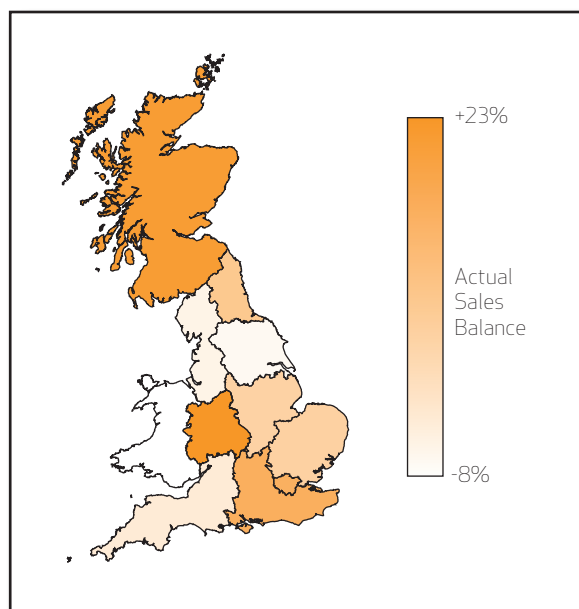
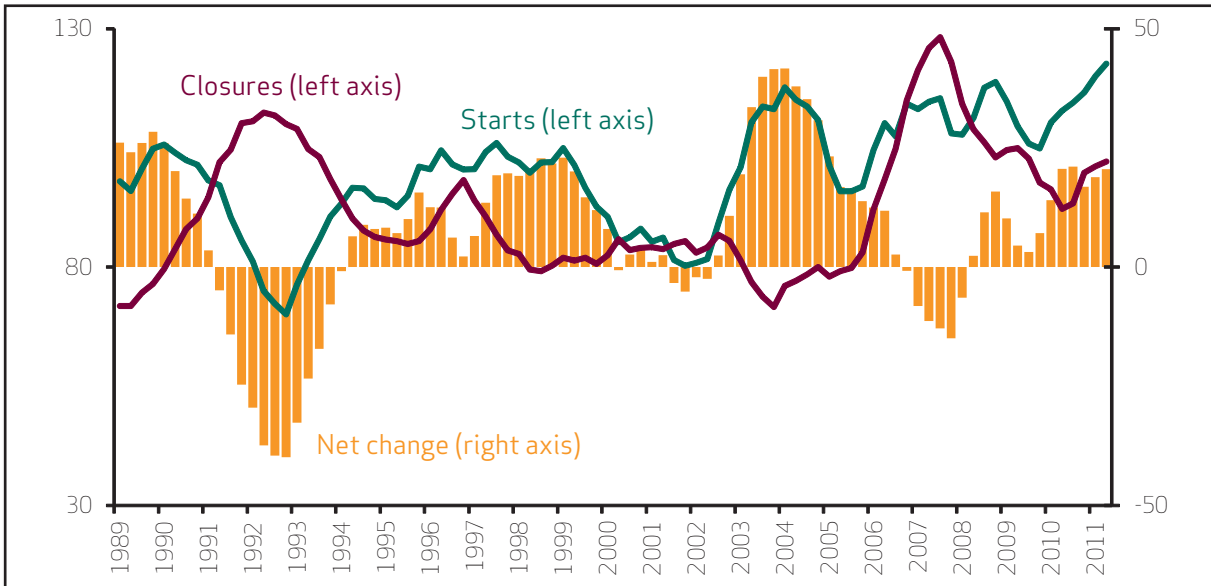


Table 3: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
North East	+7%	-7%	+5%	+37%	41
North West	-5%	-10%	+5%	+11%	93
Yorkshire & the Humber	-6%	-1%	+1%	+25%	77
East Midlands	+4%	+1%	+7%	+9%	96
West Midlands	+23%	+10%	+10%	+29%	69
East of England	+4%	-4%	-6%	+19%	113
London	+15%	+5%	+2%	+14%	175
South East	+15%	+0%	+4%	+15%	205
South West	-3%	+1%	+3%	+23%	96
Wales	-8%	+11%	+3%	+11%	37
Scotland	+21%	+15%	+21%	+27%	75
All (weighted by sector)	+8%	+1%	+4%	+16%	1,105

Business Stock & Activity Index

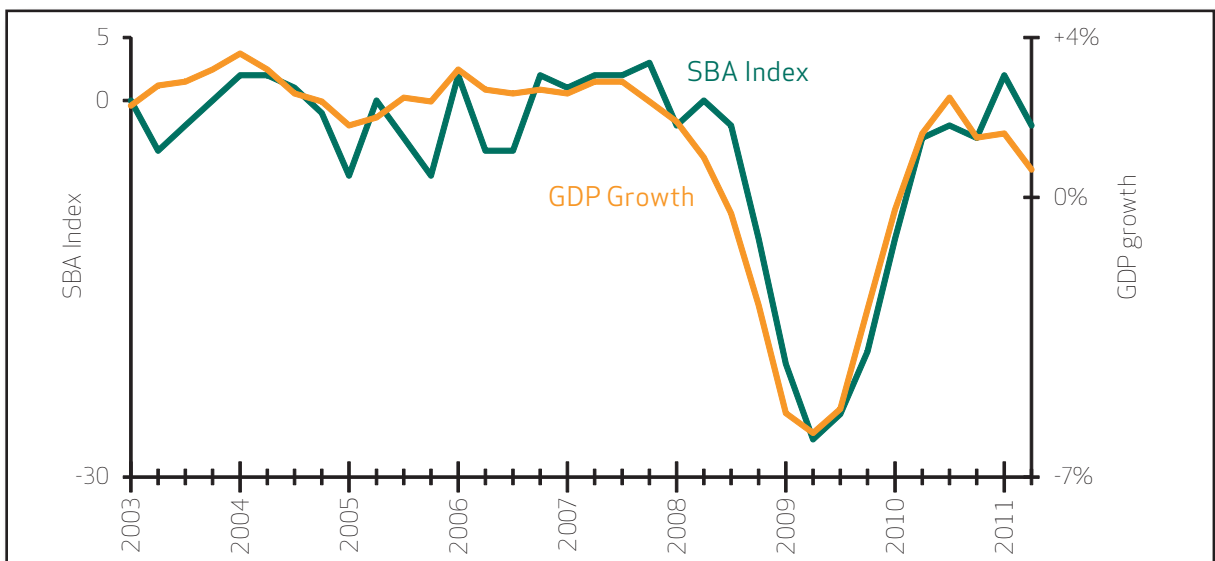
Chart 7: Mainstream businesses in England and Wales, starts closures & net change. Thousands, four quarter moving averages, Source: Business Economics, Barclays Business



Although this survey and official figures seem to show that the economic recovery has stalled, Barclays estimates of the total number of “mainstream” businesses has continued to rise. The number of business closures has increased during the past quarter, but the number of business starts has increased even more (Chart 7).

Chart 8 shows the Barclays Small Business Activity Index, derived from the banking activity of over 200,000 small firms. The SBA Index showed a surprise increase three months ago, but has fallen back in this survey in line with official figures for the change in GDP over the past year.

Chart 8: Barclays Small Business Activity Index vs GDP growth (latest quarter on corresponding quarter previous year)

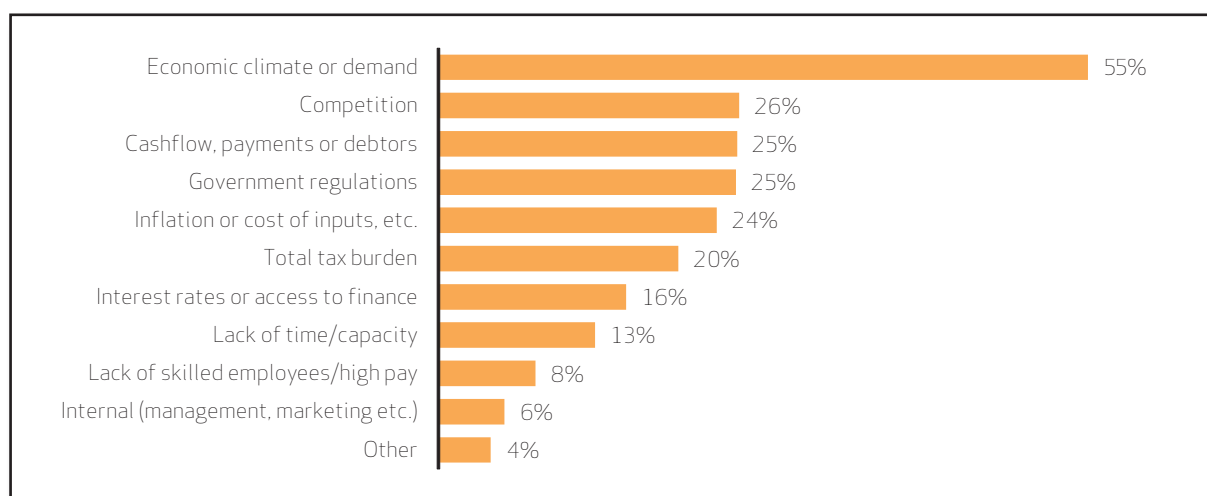


Source: SBA Index, Business Economics & Research Team, Barclays Business. GDP, change between quarter and corresponding quarter of previous year, “Second Estimate of GDP Time Series Dataset 2011 Q2”, 26 August 2011, Office for National Statistics (www.ons.gov.uk), Gross Domestic Product index: CVM: seasonally adjusted, IHYR.

Problems

The economic climate continues to dominate the list of small business problems, now more than twice as pressing as the second-ranked issue.

Chart 9: Proportion of firms indicating that each problem is in the top three facing their business at the moment



Small firms were asked to indicate which of a list of problems were the top three facing their business at the moment.

Economic climate or demand

'Economic climate or demand' has been the biggest problem facing Britain's small firms throughout this period of recession and recovery, being the top-ranked issue since the beginning of 2008. The proportion indicating that this is one of the top three problems facing their business is now 55%, more than twice as many as the next ranked issue (Chart 9).

The economic climate is the top-ranked problem for firms of all sizes, whether measured by turnover or by employees, but particularly for those firms with fewer than 5 employees (Table 4, overleaf). SMEs in every region and sector report that the economic climate is their most common business problem, with those in the North East (71%) and retailers (62%) suffering the most. Even the firms which view themselves as most entrepreneurial are not immune from the pressures of the current economic climate. As many of these as of their less entrepreneurial counterparts indicate that a lack of economic demand is one of their top three problems.

Competition

Just over a quarter (26%) of SMEs report that 'competition' is a top-three problem for their business at the moment. Table 4 (overleaf) shows that this is more of a problem (32%) for medium-sized firms (50-250 employees) than the micro and small firms. Construction firms (33%) and retailers (32%) have rather more of a problem with competition. Small construction firms have been complaining about competition for some time and many seem to have been forced to cut their average selling prices in response.

Cashflow, payments or debtors

While lack of demand is an increasing problem, the proportion indicating that the related issue of 'cashflow, late payments and debtors' is a major problem has been falling in the past few surveys. There are now 25% of SMEs who indicate that this is one of the top three problems facing their business (Chart 9).

Cashflow problems remain a particular problem for small and medium-sized construction firms (37%).

Table 4: Proportion putting each problem in their top three, by number of employees (excluding owner/partners)

	0	1-4	5-9	10-19	20-49	50-250	All
Economic climate or demand	59%	57%	55%	53%	53%	55%	55%
Competition	22%	23%	22%	25%	25%	32%	26%
Cashflow, payments or debtors	24%	25%	27%	27%	26%	24%	25%
Government regulations	15%	30%	33%	30%	23%	19%	25%
Inflation or cost of inputs, etc.	26%	23%	21%	23%	25%	24%	24%
Total tax burden	23%	24%	24%	18%	18%	17%	20%
Interest rates or access to finance	14%	17%	16%	15%	16%	16%	16%
Lack of time/capacity	15%	15%	16%	13%	14%	9%	13%
Lack of skilled employees/high pay	2%	8%	9%	9%	7%	12%	8%
Internal (management, marketing etc.)	4%	6%	4%	10%	5%	5%	6%
Sample	136	196	183	179	173	238	1,105

Government regulations

In fourth place in the ranking of problems in Chart 9 is 'government regulations', which one quarter of respondents say is a top-three problem for them. Table 4 shows that business owners who work on their own have less of a problem with regulation than employers, as much regulation is related to employment law. The burden of regulation seems to fall most heavily on the micro and small employers, with medium-sized firms finding economies of scale in dealing with red tape.

As has generally been the case, agricultural firms more often than the rest (40%) indicate a problem with regulations.

Inflation or cost of inputs

The Consumer Price Index has levelled out over the past three months¹ and slightly fewer SMEs are complaining about 'inflation or the cost of inputs etc.', though 24% still see it as one of the top three problems (Chart 9). At a sectoral level, wholesalers (30%), retailers (29%), hotels & restaurants (31%) and agricultural firms (37%) most often have a problem with input costs.

Total tax burden

One-fifth of SMEs indicate that the 'total tax burden' is a top-three problem for their business (Chart 9). Micro-firms (with fewer than 10 employees) more often than the small and medium-sized complain about the tax burden (Table 4).

Interest rates/access to finance

While the Bank of England has kept the Bank Rate at an historic low, lending rates from banks have been higher and some firms have still found it difficult to borrow. The proportion of small firms reporting that 'interest rates or access to finance' is a top-three problem for them is now 16% (Chart 9), just a little lower than in the previous survey.

Lack of capacity & employees

Rather fewer SMEs than in the previous survey see a 'lack of time or capacity' (13%) or a 'lack of skilled employees/high pay' (8%) as a top-three problem. Naturally, those which have increased sales over the past year are more often short of time or capacity (16%).

Other

Other problems mentioned by respondents included fuel costs, poor transport infrastructure, especially in cities, fluctuating exchange rates, problems with health and safety regulations and the higher rate of VAT.

1. "Consumer price indices July 2011", 16 August 2011, Office for National Statistics Statistical Bulletin.

Evolving Focus

Updating the Quarterly Survey

The *Quarterly Survey of Small Business in Britain* has been tracking the progress of smaller firms for more than a quarter of a century. Over this period it has continued to evolve, both in terms of its approach and its focus. For example, in 2006 we launched our Entrepreneurial Index, which has given valuable insights into the behaviour of the most competitive, innovative and growth-oriented firms. The survey began in 1984 using postal questionnaires but in 2001 we introduced the option of completing the questionnaire by email. By 2007 most replies were online and in 2008 the postal option was replaced by telephone interviews, leading to the current combination of online and telephone responses, as detailed in the Appendix.

This year, we are making a number of additional revisions that will further enhance the scope and value of the *Quarterly Survey*. Given the complexity of some of the underlying issues, we have prepared this special section to explain the changes in non-technical language.

The main changes: firm size and location

The main change is in the size range of firms covered by our research. We are expanding our sample to include more firms in the 50-250 employee category (i.e. those generally described as 'medium-sized'). Small and medium-sized enterprises (SMEs) are often thought to be different in nature to larger firms in the economy. Together, they employ 59% of the UK's private sector workforce and are a key focus for policy in the UK and beyond. At the other end of the firm-size spectrum, we have also modified our employee-size breakdowns to include a separate category for firms with no employees (where the owner or partners work on their own). This will enable us to highlight trends, experiences and concerns that may differ from those of small and medium-sized firms with employees.

We now consider these changes with reference to current Department for Business, Innovation & Skills (BIS) estimates for the UK firm population (Charts 10, 11 and 12).

Chart 10: Number of private sector enterprises in the UK, by number of employees in enterprise. Source: BIS

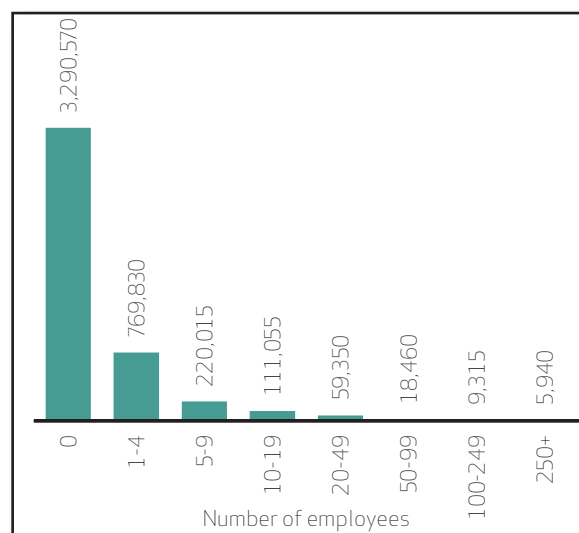
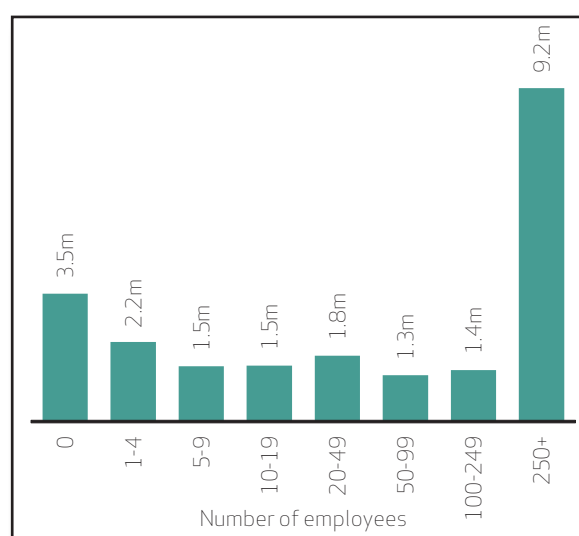


Chart 11 shows that firms with between 50 and 249 employees (the BIS definition of medium-sized) employ 2.7 million people, 12% of the total, while the fewer than 6,000 large firms (with over 250 employees) in the UK employ 9.2 million. Chart 12 (overleaf) shows that the large firms in the economy dominate even more when measured by their turnover². BIS estimates that large firms (less than 0.1% of all firms) account for over

Chart 11: Total private sector employment in the UK, by number of employees in enterprise. Source: BIS



1. "Business Population Estimates For The UK And Regions 2010", BIS, <http://stats.bis.gov.uk/ed/bpe>
2. BIS notes that the turnover figures exclude the 'financial and insurance activities' sector as turnover is not available for these on a comparable basis. This highlights that turnover is an imperfect measure of economic importance - a manufacturer creating goods from raw materials or an author with very few input costs will have much higher value added per unit of turnover than, say, a retailer of high-value items. However, the 'gross value added' measure used in GDP estimates is not available by firm size.

half of all turnover in the private sector. BIS also suggests that firms with no employees account for a smaller percentage of the turnover in the economy than of the number of workers³.

Up until the first survey of this year, our telephone interviews did not include any firms with a turnover of above £1m per year⁴. Consequently, 96% of our survey respondents had fewer than 50 employees and we were firmly a survey of small business. However, in the previous survey the second of our two waves of telephone interviews replaced the £1m turnover limit with a cut-off of 250 employees. In this survey the transition is complete (both telephone waves used the 250 employee cut-off) and Chart 13 shows that 22% of our respondents now have between 50 and 250 employees, making this a survey of SMEs.

We continue to believe in the importance of truly small firms to the economy. The gap in information about them identified in the Bolton Report of 1971⁵ was the inspiration behind the establishment of this survey⁶. It is important to recognise that SMEs are not a homogenous group and have a wide range of motivations, objectives and needs. However, in the decades since our survey began, the SME segment has become a major

Chart 12: Total turnover of private sector enterprises in UK, by number of employees in enterprise. Source: BIS

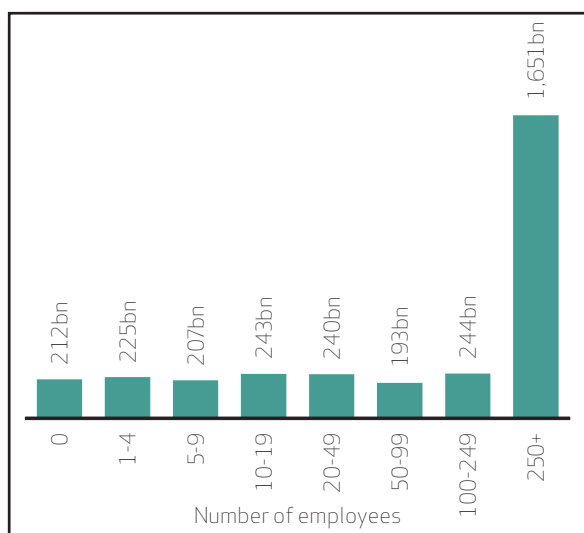
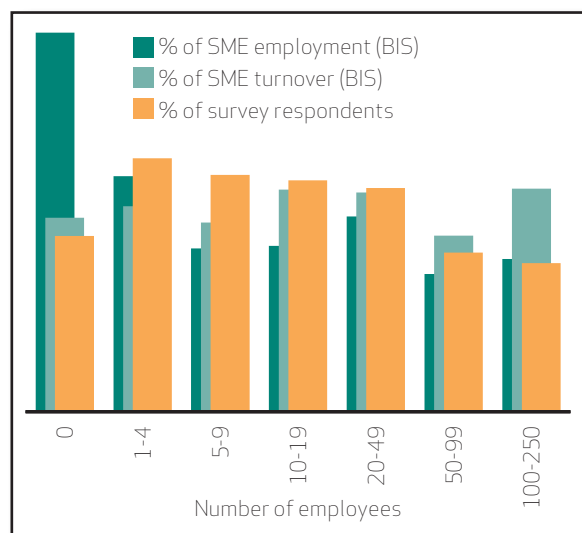


Chart 13: Composition of this survey sample compared with BIS estimates of share of SME employment and turnover



focus for policy-makers, business support practitioners (such as banks and accountants) and those marketing products and services to business. It therefore makes sense for us to broaden the scope of our survey to fully represent the whole SME sector and to be better able to contrast the experience of the small firms with that of their medium-sized counterparts.

Our revised sample also includes a small number (2%) of firms from Northern Ireland. However, the volume of responses is insufficient for Northern Ireland to be included as a reliable sub-sample in the regional tables.

These changes might be seen as meriting a change in our title. However, we have decided to retain the original form, including words 'small business' for the time being. The term remains in regular use, providing a convenient alternative to long-winded phrases such as, 'small and medium-sized enterprise'. We are not alone in making this choice. Leading research publications such as the *International Small Business Journal* and the *Journal of Small Business Management* address topics related to SMEs, along with other forms of entrepreneurial activity, such as social enterprise.

3. The large number of self-employed people with no employees who are not registered for VAT suggests that many must work part-time and therefore have a low turnover per person. BIS have had to make some assumptions about their average turnover to explain this.

4. "Quarterly Survey of Small Business in Britain, 2011 Q1", Open University Business School.

5. Bolton J.E. 1971 Small Firms: Report of the Committee of Inquiry on Small Firms Cmnd 4811. (HMSO, London)

6. A short history of the Quarterly Survey is now available at: www.open.ac.uk/business-school/news/school-publications/quarterly-survey/quarterly-survey-history

The revised sample: methodological issues

In revising our sample, we have addressed a number of technical issues. In this section, we discuss three issues that may be of interest to our readership: economic weighting, sectoral distribution and discontinuities in the longitudinal dataset.

Economic weighting

Any survey which attempted to be fully representative by number of firms in the UK would be dominated by the very smallest firms, as shown in Chart 10. Responses from medium-sized firms would be insignificant in comparison. For this reason, most questions directed at the SME sector are best interpreted in terms of economic weight. This adjustment recognises that, for example, firms with 100 employees reporting an increase in sales are likely to have a greater impact on the economy than those where business owners work on their own. In order to give more weight to the former than the latter, researchers structure their survey samples based on the economic weight of each group, rather than their absolute numbers. In the case of the *Quarterly Survey*, Chart 13 shows that our sample is broadly representative of the relative economic importance of SMEs of various sizes. This survey includes 12% of firms with no employees, just working proprietors. Though this figure is lower than the 27% share of the workforce estimated by BIS, it is close to the 14% of turnover that they are thought to generate⁷. Our survey slightly over-represents, in terms of shares in both workforce and turnover, small firms with between 1 and 49 employees and slightly under-represents (at least in terms of turnover) medium-sized firms with between 50 and 250 employees.

Sectoral distribution

Since 1989 our key balances on performance and prospects have been weighted to make them representative of the sectoral distribution of small firms in the UK. We have considered constructing a weighting system based on both

sector and firm size. However, as our distribution by size seems already broadly representative of the economic weight of SMEs of different sizes, we have decided, in the interests of transparency, to retain our current system⁸.

Longitudinal data

It is important to note that the addition of more medium-sized firms to our sample over the past two surveys has led to some of our key balances being higher than they otherwise would have been. Chart 5 (page 8) and Chart 22 (page 24) show that the medium-sized firms taking part in the survey report better performance over the past year and are more optimistic than small firms about prospects for the coming quarter. The fact that the changes were phased in over two surveys also means that the balances have continued to rise over this period. In order to make the changes clear to our readers, we have followed previous conventions and introduced a break in our series. We have also presented versions of the key balances calculated as closely as possible on the basis of the previous sample composition, to indicate the impact of the newly-added medium-sized firms.

Our role in the future of small firms and entrepreneurship research

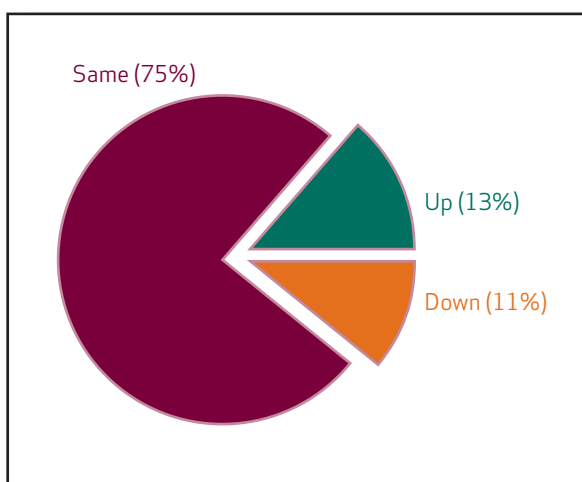
Over the last quarter century, the *Quarterly Survey* has made a contribution to tracking the performance of small firms, highlighting significant problems, and examining a variety of emerging issues. It has also adapted over the years in order to better reflect a continuously changing environment. Recent reviews of the field have challenged small firms and entrepreneurship researchers to engage in some critical reflection regarding their methodological assumptions and the focus of their research⁹. As the *Quarterly Survey* continues to develop over the coming years, we intend to build on its traditional strengths, while also exploring new ways of engaging more directly with policy-makers, practitioners and the research community.

-
7. Though note that the telephone element of our survey does not include firms with a turnover below £50,000 (See Appendix: 'How the survey is carried out').
 8. Weighting by sector and size would require various assumptions, for instance about missing data in certain cells, and may give the illusion of greater precision than is warranted, given the inevitable limitations of any survey method. To be consistent with our new focus on firms with up to 250 employees we have, though, from this survey used as a measure of the economic weight of each sector the number of people employed by that sector in firms with up to 250 employees, instead of up to 50 employees as previously. This makes very little difference to the results reported, with only the expected sales balance rounding up to +16% rather than down to +15% under the old weightings.
 9. See, for example: Blackburn, R. and Kovalainen, A. (2009) Researching small firms and entrepreneurship: Past, present and future. *International Journal of Management Reviews*, 11, 2: 127-148.

Employment Growth

SMEs seem sceptical about the idea that they will be the ‘engine’ of job creation and help to lift the UK economy back onto the path of robust employment growth.

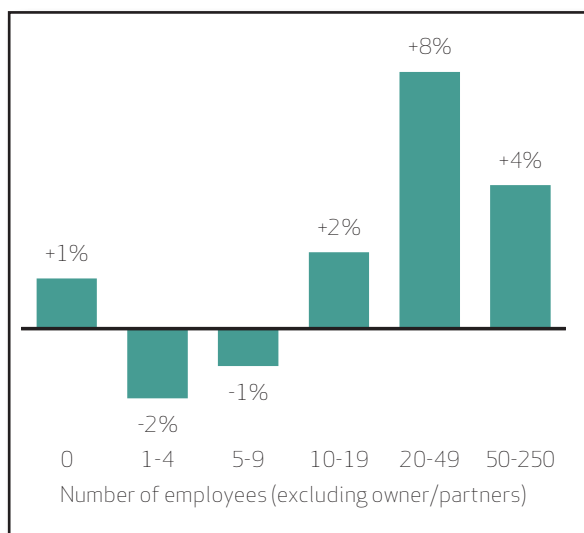
Chart 14: Expected change in average employment in current quarter compared with previous quarter



The ‘Prospects’ section of this survey shows each quarter the net balance of small and medium-sized firms which expect to recruit extra staff during the current quarter. Chart 14 shows that in this survey those which expect to create new jobs (13%) only just outnumber those which expect to cut their workforce (11%). While this is an improvement on the previous survey, it does not suggest that they believe that immediate employment prospects within the SME sector are particularly positive. Three-quarters of SMEs do not expect to change the numbers which they employ during the current quarter.

Chart 15 shows that micro-firms (with between 1 and 9 employees) are, on balance, expecting to cut the numbers they employ during the current quarter¹. Prospects are a little brighter for the relatively larger firms. However, even for the medium-sized firms in our survey, which already employ between 50 and 250 employees, only 18% expect to increase the numbers they employ during the current quarter, while 14% expect to cut jobs, giving a balance of only +4%. Over two-thirds of these medium-sized firms do not expect to change the numbers they employ.

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



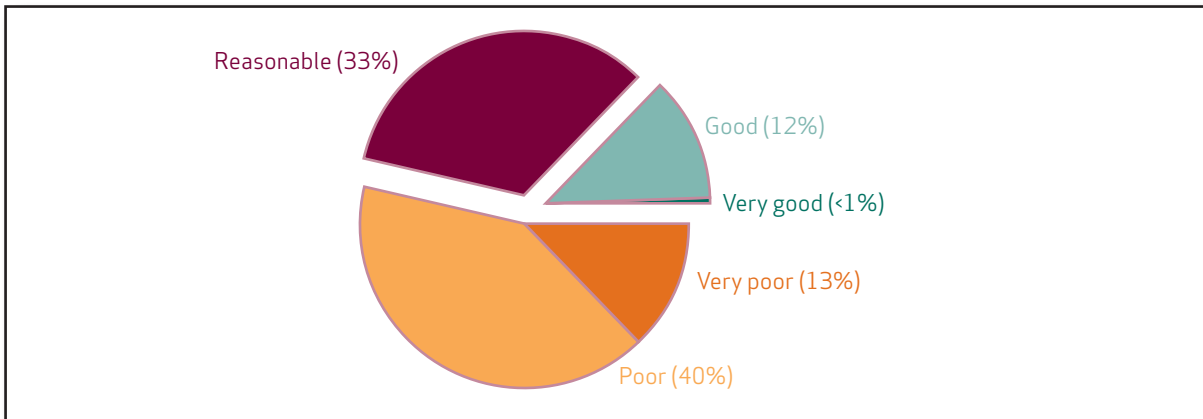
Looking further ahead, the online respondents to this survey² were asked for their view on the prospects for Britain’s smaller firms generating more employment over the next year. Chart 16 shows that less than 1% of respondents believe that the prospects are ‘very good’ and only 12% that they are ‘good’. In contrast, over half believe that prospects are ‘poor’ (40%) or ‘very poor’ (13%).

Naturally, respondents base their assessments of the employment prospects for the SME sector in large part on their own experience and expectations for their own business. Some 35% of firms which expect to increase their own employment during the current quarter believe that employment prospects for SMEs over the next year are ‘good’ and only 15% that they are ‘poor’. In contrast, only 5% of those which expect to cut the numbers they employ feel that

1. Some of the firms which have no employees (i.e. where just the owner or a single director works on their own) report that they expect to cut average employment. This is interpreted to mean that they expect to cut the number of hours that they work.

2. There were 209 online respondents, as detailed in the Appendix.

Chart 16: "In your view, what are the prospects for Britain's smaller firms generating more employment over the next year?"
online respondents only



prospects more generally are 'good' and 85% that they are 'poor' or 'very poor'³.

Online respondents were also asked what could be done to help smaller firms generate additional jobs over the next year. By far the most common suggestion (from 35% of those which were asked the question) was a reduction in red tape, paperwork and legislation related to employment. For some the paperwork itself seems to be the problem:

"Reduce the admin burden."

However, comments from around half in this group made it clear that they feel that the provisions of the legislation themselves are too onerous. Of those which gave more details, a number believe that a more flexible labour market would help, particularly when trying out new employees:

"Make it easier to release people when and where necessary. I will not employ more staff due to the inability to get rid of somebody who does not perform."

"No cause dismissal within 12 months."

One respondent did, however, comment that changes to legislation would probably invoke the "law of unintended consequences". For instance, if provisions such as employment protection or eligibility for certain benefits only applied after a certain time period then this might lead to much employment being short-term.

The next most common suggestion to boost small firm employment was a reduction in taxation, which 26% of online respondents mentioned in one way or another. Some were asking for a general reduction in the tax burden, some for a reduction in VAT to boost consumer spending and others for reductions in small firm Corporation Tax to help small firms to survive and grow. Over half, however, made it clear that they were referring to taxation on employment. Some suggested general reductions in National Insurance Contributions or other taxation, while others proposed measures targeted on particular groups or objectives:

"Extend NICs holiday to all businesses who take on 1 or even 2 more employees"

"Do away with any taxes NI etc. paid by an employer to employ a young person or somebody off the dole"

"National Insurance holiday for 1st year of employment"

Some 14% of small firms commented that a way to help them generate more jobs over the next year would be to improve the bank lending situation:

"They are asking for too much security, and charging high interest rates."

Around 5% of firms indicated that support for training new employees and, in particular, apprenticeships was most likely to help boost employment prospects, while a further 9% made suggestions along the lines of "Just get the economy right!!!"

3. Though it should be noted that the sample sizes of these two groups are each only 20 respondents, as 79% of online respondents do not expect to change the numbers they employ during the current quarter.

'Greening' Business

Our previous survey¹ asked respondents what the government could do to encourage them to select more environmentally-friendly options when making decisions to lease or purchase new business equipment. This time, we have followed up this topic by asking online respondents what they see as the main benefits and the main obstacles or challenges of 'greening' their business.

A considerable proportion of the SME community are clearly sceptical about the benefits of attempting to make their business more environmentally sustainable. Some 23% (the largest group) responded that they could see no (or at least very few) benefits in 'greening' their business. Some of these think that environmental concerns themselves are "a myth", while others think that addressing the concerns will not help their business, especially given current economic conditions. When asked about possible benefits, a respondent commented:

"Are there any? Small firms can barely survive at the present time."

A further 13% did not answer the question, suggesting that they also can see no benefits to 'greening' their business.

Of those which do see a business benefit, the largest group (22% of those asked the question) indicate that this is in the form of cost savings, often in reduced energy costs.

"Lower overheads, good for business, good for environment."

On the other hand, cost is also identified as the biggest obstacle to greening the business, with 44% (by far the biggest group classified) indicating that it would either create an absolute increase in costs, that any cost savings were too far in the future to provide an economic payback period, or that the up-front cost of investment in green measures was impossible to finance or otherwise off-putting.

"Can't see how to 'green' our business without major investment of money that we do not have at this time."

A significant number of firms (10%) also indicated that the time and disruption to the business required would be a challenge in becoming more environmentally sustainable.

Some 17% made comments which implied that a benefit of being 'green' improved their "image" with clients and customers and so was beneficial for marketing or public relations reasons. However a number mentioned that this was a "minor issue" or only applied to "certain buyers". Some

worried that environmental costs or actions would make them uncompetitive for customers who were primarily concerned with price:

"You, for example, reading this might SAY you feel for the planet but the minute it sticks 50p a metre on the price of your new carpet or flooring you're not a happy bunny!"

The survey also suggests that the benefits of going 'green' do not always have to be to do with the 'bottom line'. Just under 15% of our online respondents saw such activity as being "good for the environment". This was usually expressed in a general sense (i.e. "saving the planet") though sometimes more specifically (e.g. creating an "improved working environment"), or generating a "feelgood factor". Another 5% feel that it helps to engender more socially aware and responsible attitudes.

A few businesses feel they have already done all they realistically can to improve their environmental performance:

"We have been 'greening' our business for years and as time goes on there is less that can be done to make any significant improvement."

Almost 9% of businesses feel that there is limited scope for them to become 'greener', sometimes because their business is very small or produces little waste or, in half of these cases, because their premises are rented, listed or just old, making it difficult for them to implement improvements:

"Landlord controls the building, electricity, etc."

Others (6%) complain about local authority or government obstacles:

"I have been told I have to put in for full planning permission to put PV cells on my office roofs!"

"Local councils offer very little support in recycling waste"

Green levies on business energy bills to subsidise windfarms come in for particular criticism. A further 5% find increased red tape and compliance costs of environmental schemes awkward.

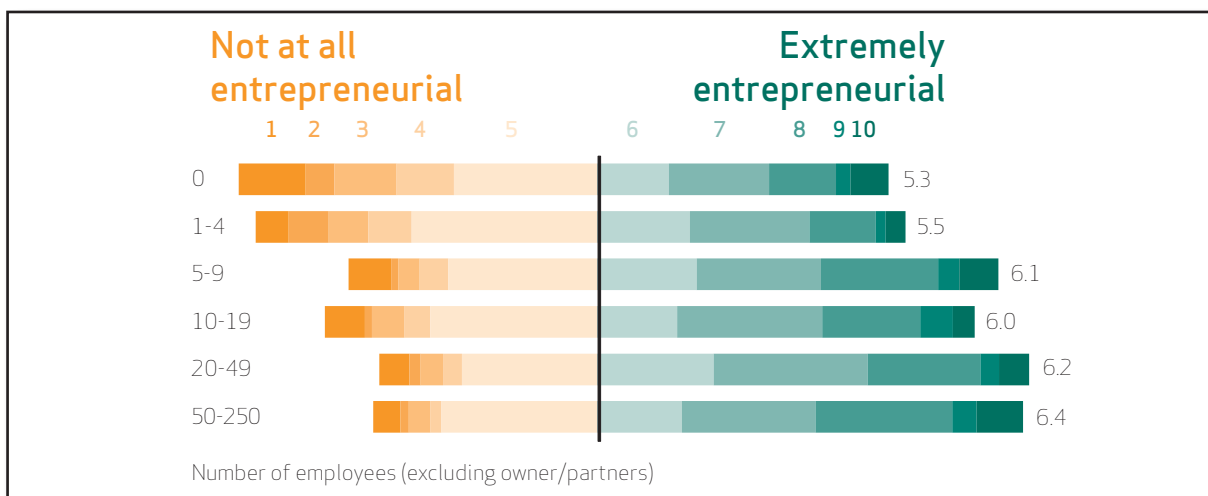
A few SMEs (3%) mistrust 'green' suppliers and contractors ("too many charlatans") and 2% feel they need better information about 'green' initiatives. However, while green evangelists seem to be in a distinct minority, some firms are particularly enthusiastic. One said of the benefits "Being green can save a fortune - it has worked for us" and of the obstacles "None if you set your mind to it."

1. "Quarterly Survey of Small Business in Britain, 2011 Q2", Open University Business School.

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 17: "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. Chart 17 shows that business owners who work on their own rate their business as on average 5.3 on the entrepreneurial scale, while those who run medium-sized firms with 50 or more employees rate themselves as 6.4 on average.

In this survey, SMEs in Scotland rate themselves as more entrepreneurial (6.5) than their counterparts elsewhere. Those in the East of England rate themselves as least entrepreneurial (5.7).

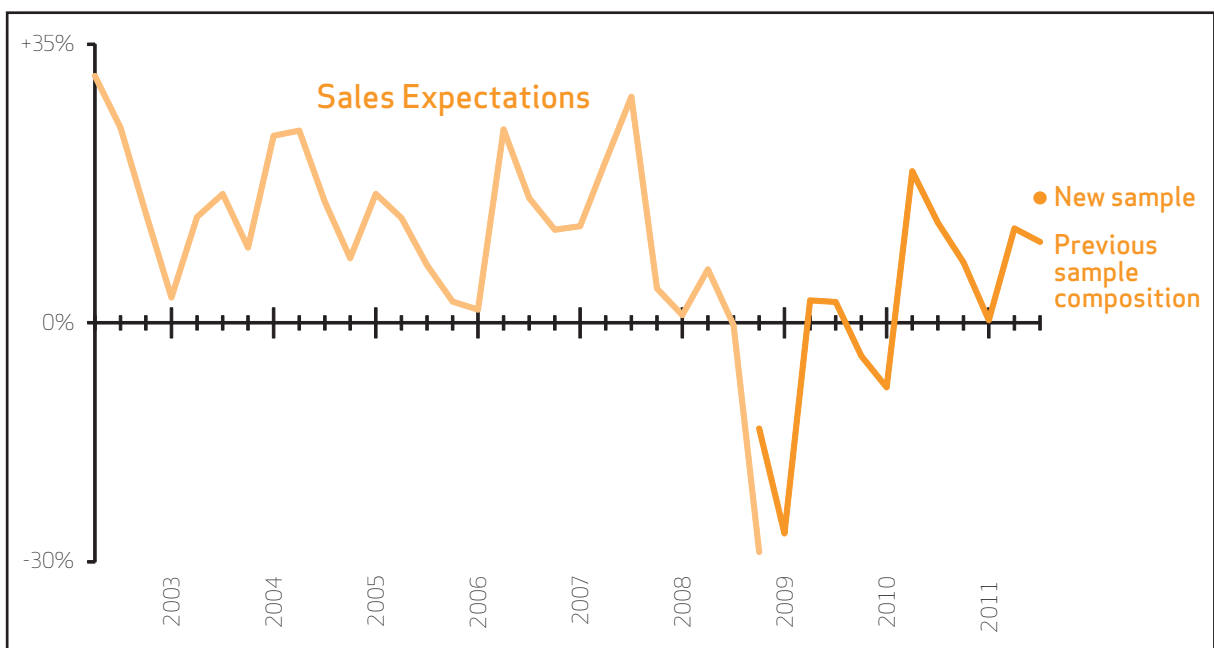
Owners of agricultural firms and hotels & restaurants rate themselves as most entrepreneurial (both 6.2), while those in construction and retail have the lowest entrepreneurial self-rating (5.8).

Firms which rate themselves higher on the entrepreneurial scale report better sales, employment and investment performance over the past year and are more optimistic about their immediate prospects. The sales, employment and investment performance balances are negative for those rating themselves as 5 or lower and positive for those rating themselves as 6 or higher on the entrepreneurial scale. Those rating themselves as 3 or lower expect their sales to fall during the current quarter and those rating themselves as 5 or lower expect, on balance, to cut employment while the more entrepreneurial expect their sales to increase and to recruit extra staff.

Prospects

Small firms expect modest improvements in sales to continue during the third quarter of the year. Manufacturers continue to be in the vanguard of the recovery, while retailers expect to remain in the doldrums. Medium-sized firms are more optimistic than the small. SMEs continue to expect little overall employment change. Inflationary pressures may be beginning to ease.

Chart 18: Percentage balance of respondents expecting an increase in sales (weighted figures)



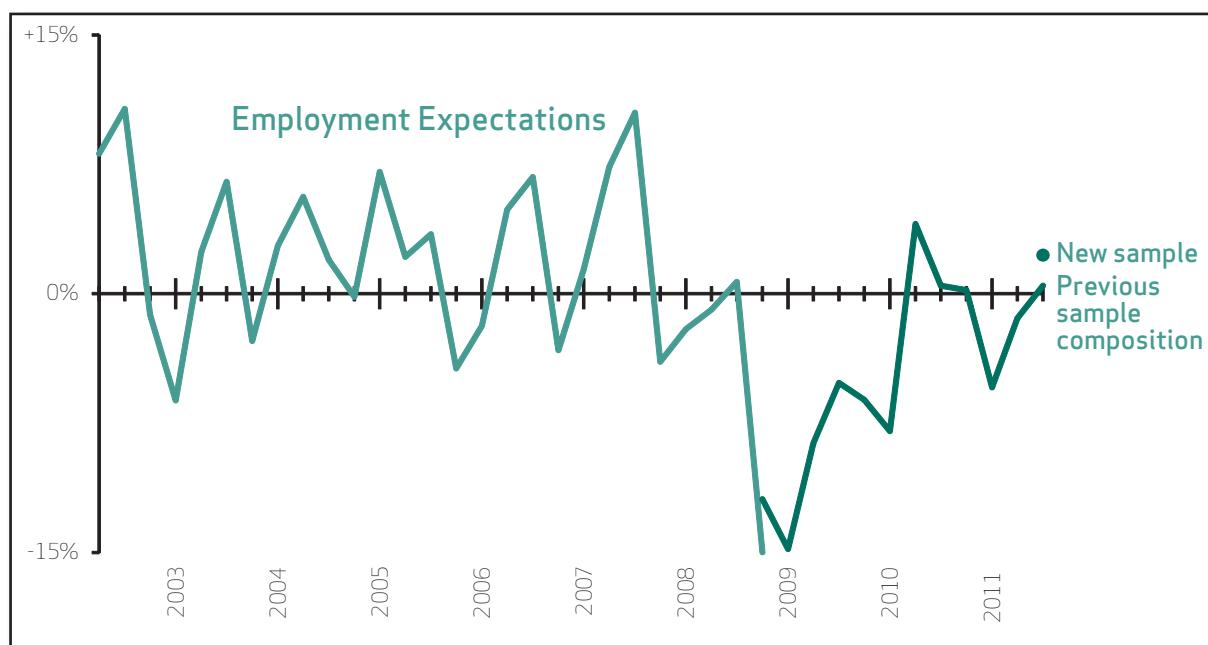
Some 37% of small firms expect their sales to be higher in the third quarter of 2011 than in the second quarter, while 22% expect them to be lower, giving a net balance of +16% expecting an increase (Table 5). While almost all online responses were completed during July, the second wave of telephone interviews were carried out in early August, when stockmarkets were falling sharply on concerns about government debt in the United States and Europe, and this does appear to have dented confidence. The unweighted balance for the second wave of telephone respondents was only +11%, compared with +24% for the first wave.

On the basis of the previous sample composition, excluding medium-sized firms added over the past two surveys¹, the balance has fallen just a little, from +12% to +10% (Chart 18). The balance does more often than not fall at this time of year (it has done in 20 of the 27 years that this survey has been running) but the balance on the basis of the previous sample composition is a little below the +13% at this time last year.

Three-quarters of Britain's small firms do not expect to change the numbers they employ during the third quarter of 2011 (Table 5). Some 13% expect to recruit extra staff, just outnumbering the 11% expecting to reduce headcount.

1. Details on the change in sample composition can be found in the "How the survey is carried out" section of the Appendix to this report and in the "Evolving Focus" section.

Chart 19: Percentage balance of respondents expecting an increase in employment (weighted figures)



giving a positive balance of +2% (Table 5). The balance on the basis of the previous sample composition has also just become positive, up from -1% in the previous survey and -5% six months ago to almost exactly the same level as at this time last year (Chart 19). The "Employment Growth" section of this report looks in more depth at employment expectations for the coming quarter and year.

The balance of small firms expecting to increase investment during the current quarter is fractionally down and still negative on the basis of the previous sample composition

(excluding newly-added medium-sized firms) but Table 5 shows that for SMEs as a whole, the balance is positive, at +3% (Table 5).

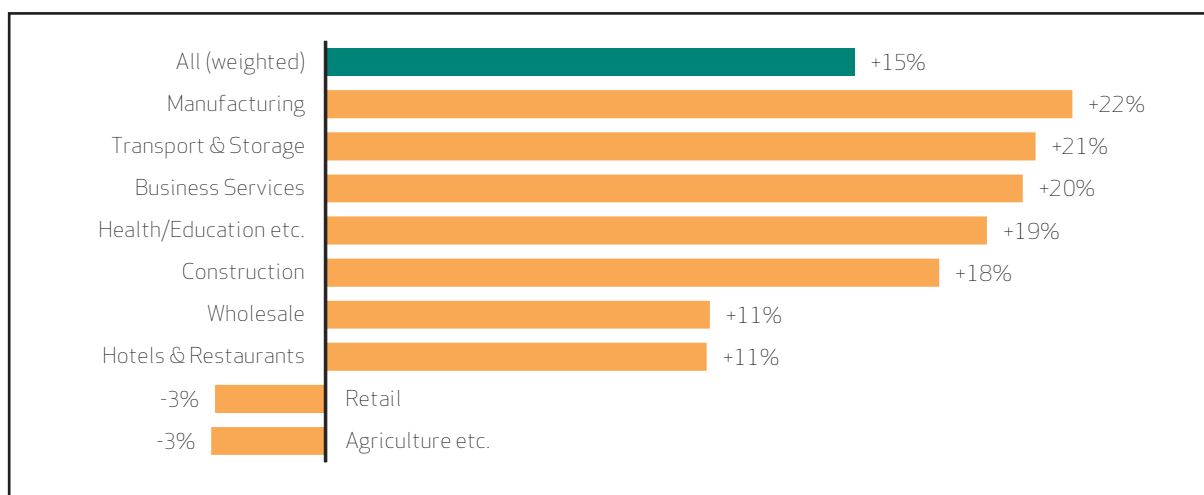
Although concerns about inflation in the economy as a whole remain, the balance of small firms which expect to increase their average selling prices during the current quarter has fallen for the second survey in a row. On the previous sample composition, the balance has fallen from +18% six months ago and +15% in the previous survey to +11% now. For SMEs as a whole, the balance is just a little higher, at +12% (Table 5).

Table 5: Expected change over past year in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2011Q3 on 2011Q2) in:	Up	Same	Down	Balance
Sales Turnover	37%	41%	22%	+16%
Average Employment	13%	75%	11%	+2%
Investment	18%	67%	15%	+3%
Selling prices	22%	67%	10%	+12%

Prospects: Comparison Across Sectors

Chart 20: Percentage balance of respondents expecting an increase in sales over current quarter by sector



For five surveys in a row, manufacturing has been among the top-three most positive sectors about sales expectations, leading the way in the UK's tentative recovery from recession. Although their sales expectations balance has improved only fractionally this time (up from +21% to +22%), Chart 20 shows that this is sufficient to make them this time the most optimistic about prospects for the third quarter of 2011.

Small and medium-sized manufacturers are also among the most optimistic about employment prospects within their firms (the balance up from +7% to +10%) and, after becoming negative in the previous survey, the balance expecting to increase investment is again positive (up from -5% to +4%, Table 6).

Although they report poor sales performance over the past year as a whole, small and medium-sized transport & storage firms are again optimistic about their prospects for the current quarter, with a balance of +21% expecting their sales to be higher in the third quarter of 2011 than they were in the second quarter (though this is lower than the +43% last time)¹. This is also now the sector with the highest net balances of firms expecting to increase employment (+12%) and investment (+12%) during the current quarter (Table 6).

Small business service firms have maintained their optimism more consistently than those in all other sectors since the end of the recession. Although at no point have they been the

most optimistic sector, the balance of these firms expecting their sales to increase during the current quarter has been positive in all of the past ten surveys, the only sector for which this is the case. This time, the expected sales balance is up from +12% to +20%, making this the third-most optimistic sector (Chart 20). Although the expectations of business service firms do not display as wide a seasonal variation as some other sectors, the sales balance for the third quarter had fallen in 18 out of the previous 22 years and so an increase at this time of year is particularly encouraging². Business Service firms remain moderately positive about employment (+2%) and investment (+5%) prospects within their firms (Table 6).

Health/education/leisure & other personal services is one of only two sectors (along with construction) where the expected sales balance has increased in both this and the previous survey. Six months ago, as many expected their sales to fall as rise. In the previous survey the balance rose from 0% to +12% and this time it is up to +19% (Chart 20). In contrast to the previous survey, there are now more in this sector expecting to recruit extra employees than there are expecting to cut staff (+2%, Table 6).

The biggest improvement in optimism in this survey is for small and medium-sized construction firms. In the previous survey, the 30% of construction firms which expected their sales to rise during the second quarter were exactly matched by those expecting a fall in sales, giving a zero balance (though

1. And if the medium-sized firms added to the sample over the past two surveys were excluded the balance for this sector would be rather lower, at +8% and fifth place in the ranking of sectors in Chart 20.

2. This improvement is not dependent on the addition of medium-sized firms to the sample - the balance excluding these also rose.

Table 6: Expected change over current quarter in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
Agriculture, Forestry, Fisheries	-3%	-3%	-10%	+30%	30
Manufacturing	+22%	+10%	+4%	+18%	147
Transport & Storage	+21%	+12%	+12%	+5%	58
Construction	+18%	+1%	-7%	0%	123
Wholesale	+11%	-3%	-2%	+25%	125
Retail	-3%	-4%	+4%	+22%	124
Hotels & Restaurants	+11%	+2%	+7%	+15%	81
Business Services	+20%	+2%	+5%	+7%	251
Health/Education/Leisure/Other	+19%	+2%	+6%	+12%	166
All (weighted by sector)	+16%	+2%	+3%	+12%	1,105

this was better than the -8% six months ago). In this survey, the proportion expecting an increase in sales in the third quarter is up to 40% while only 22% expect sales to fall. This gives an expected sales balance of +18% (Chart 20). In contrast to the previous survey, there are now more small and medium-sized construction firms which expect to recruit extra employees than expect to cut jobs. However, there are still more expecting to cut than increase investment. The 14% of construction firms which expect to increase their average selling prices are matched by the same proportion which expect to cut prices, giving a zero balance (Table 6). While lower than every other sector, where positive balances expect to increase prices, this suggests an easing of pressure for small construction firms compared with the previous survey, when 20% were expecting to cut prices in a bid to win business and only 10% were aiming to increase prices.

There are actually fewer small wholesalers than in the previous survey who expect their sales to be up during the current quarter (34% compared with 38%). However, the proportion expecting their sales to fall is down even more (23% compared with 32%). This has led to an increase in the expected sales balance, from +8% to +11% (Table 6). This is very unusual at this time of the year (the balance for the third quarter had fallen in all but one of the previous 22 years), but does seem to have been affected by the inclusion over the past two surveys of more positive medium-sized wholesalers³. Most (86%) small and medium-sized wholesalers do not expect to change

the numbers they employ during the third quarter, but of those that do, slightly more now expect to cut employment. They also now have negative investment intentions (Table 6).

The outlook seems particularly mixed for the hotels & restaurants sector. Some 44% (the highest of all the sectors) expect their sales to be higher in the third quarter than in the second, but a third (more than in most other sectors) expect their sales to be lower. The resulting balance of +11% is sharply down on the +27% in the previous survey. The same proportion (20%) of hotels & restaurants as in the previous survey (and more than any other sector) expect to recruit extra staff during the third quarter. However, far more than last time expect to cut the numbers they employ, giving a balance of only +2%, compared with +10% in the previous survey.

Retailing received its usual seasonal boost in the previous survey, but the sector remains under great pressure⁴. This time the expected sales balance has fallen from +12% to -3% (Table 6). Retailers still expect, on balance, to cut the numbers they employ (the lowest employment balance of all the sectors), though they now, on balance, expect to increase the amount they invest (Table 6).

The agricultural firms in our survey are the most likely to expect their sales to fall (a balance of -3%, Chart 20) and also those with the greatest balance cutting investment. Nevertheless, they are the firms most often intending to raise their selling prices during the quarter (+30%, Table 6).

3. If the medium-sized firms added to the sample over the past two surveys were excluded the balance would be down from +8% to +2%.

4. Official figures ("Retail Sales July 2011", Statistical Bulletin, 18 August 2011, www.ons.gov.uk) show no increase in the volume of retail sales between July 2010 and July 2011.

Prospects: Comparison Across Size Bands

Chart 21: Percentage balance expecting an increase in sales over current quarter by turnover size band

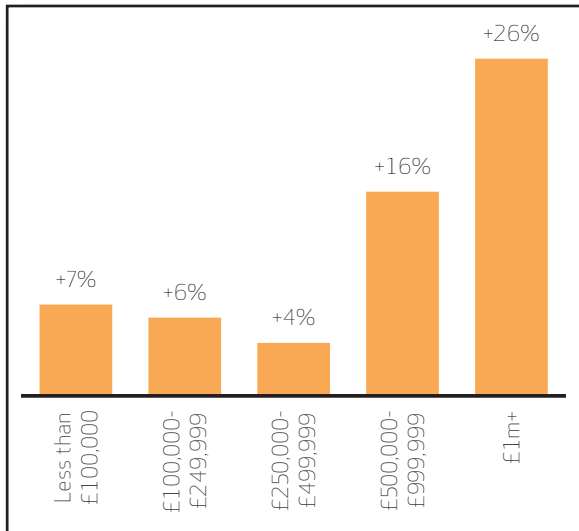
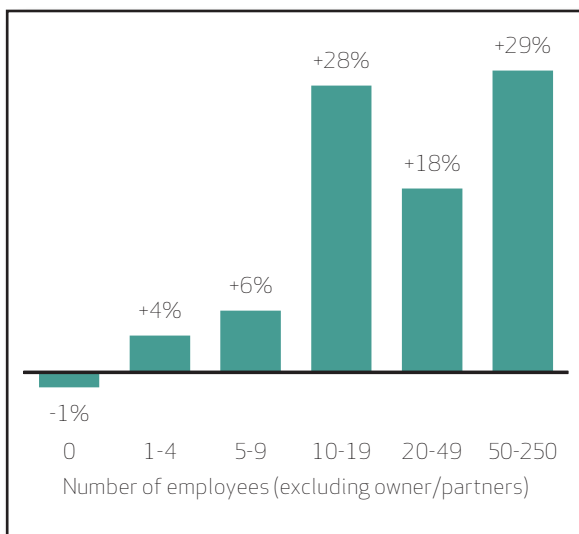


Chart 22: Percentage balance expecting an increase in sales by number of employees



The relationship between firm size and sales expectations is not as precise as that for sales performance over the past year. However, while there is no obvious pattern amongst smaller firms, it is still clear that medium-sized firms are far more optimistic about their prospects.

Firms in the £500,000 to £999,999 and over £1 million turnover bands are much more likely than smaller firms to expect sales increases in the third quarter of 2011 (Chart 21).

There is a broadly similar pattern when size is measured in terms of employee numbers. Firms with no employees (where the owner, partners or a single company director work on their own) are the most pessimistic about their sales prospects for the third quarter. Slightly more of these firms expect their sales to fall in the third quarter than expect them to increase (Chart 22). By contrast, firms with 10 or more employees are much more optimistic. The relationship between current number of employees and employment intentions is discussed further in the special section on 'Employment 'Growth' (page 16).

These size-related differences in firms' views on prospects for the next quarter also extend to employment and investment. Firms with a turnover above £1m are the most likely to expect to recruit extra staff while only those with a turnover above £500,000 expect, on balance, to increase investment. The same differences can be seen in employee-based measures of size. Firms with more than 10 employees are, on balance, intending to increase investment while smaller firms expect to cut it.

Prospects: Comparison Across Regions

Small and medium-sized firms in Scotland and the West Midlands of England report the best sales performance over the past year and they expect this to continue into the third quarter of 2011. Table 7 and Chart 23 show that these two regions have the biggest balances expecting that sales and employment will be higher the third quarter than they were in the second.

Those in the North East and North West of England now expect the weakest sales performance, though even there more firms expect sales to be up than down. In the North West, there are more firms expecting to cut than increase employment and this is also true of their neighbours in Yorkshire & the Humber, even though they remain relatively optimistic about their sales prospects. Only in the North West do more expect to cut than increase the amount they invest (Table 7).

Chart 23: Percentage balance of respondents expecting an increase in sales over current quarter - by region

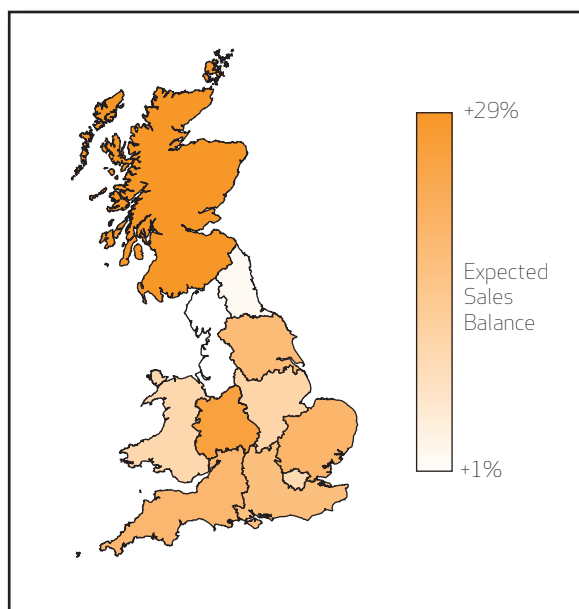


Table 7: Expected change over current quarter in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling Prices	Sample
North East	+2%	0%	0%	+12%	41
North West	+1%	-2%	-4%	+13%	93
Yorkshire & the Humber	+18%	-3%	+1%	+17%	77
East Midlands	+11%	+5%	+10%	+13%	96
West Midlands	+26%	+13%	+4%	+17%	69
East of England	+20%	0%	-3%	+19%	113
London	+10%	+1%	+2%	+13%	175
South East	+18%	+4%	+3%	+10%	205
South West	+20%	0%	+8%	+18%	96
Wales	+11%	+3%	0%	+3%	37
Scotland	+29%	+8%	+9%	+17%	75
All (weighted by sector)	+16%	+2%	+3%	+12%	1,105

How the Survey is Carried Out

This is the 108th 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.

As noted in the "Evolving Focus" section of this report, the sampling frame has been revised over the past two surveys to include firms with up to 250 employees, as opposed to the previous £1m turnover upper limit. The newly-added medium-sized telephone respondents tend to view themselves as more entrepreneurial, report rather better performance and are more optimistic about prospects than the rest of the sample. For purposes of comparison, the key balances in the report have been calculated both including and excluding these newly-added firms. Where there is a significant difference between the results including and excluding the new respondents, this is highlighted in the text.

The link to the full online questionnaire was emailed to 1,208 regular respondents from 6th July 2011 and a reminder email sent to non-respondents from 28th July 2011. In total, 209 of these regular participants responded. Telephone interviews were carried out in two waves. Between the 4th and 13th July 2011, 446 telephone interviews were carried out. Between the 1st and 12th August 2011, a further 450 firms were interviewed. The total number of responses was therefore 1,105.

The telephone respondents do not include firms with a turnover below £50,000. They include more firms established since 2000 than the regular online respondents, but also more established before 1970. In this survey, there are a higher proportion of telephone respondents in health/education & other personal services, transport & storage and hotels & restaurants, but lower proportions in manufacturing and business services. There are also slightly higher proportions in London and Wales 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, employment, investment and prices 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, employment, investment and prices are shown in Appendix Table A.1. In addition, each issue covers one or more special topics, designed to contribute to knowledge about small business in Britain.

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

Historical Tables

Table A1: Actual and expected change, percentage balances

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year				Expected Change, next quarter compared to past quarter			
			Sales	Employment	Investment	Prices	Sales	Employment	Investment	Prices
Vol.1 No.1a	3,056	1984/3	+34.7%	+10.5%	-	-	+21.2%	+3.3%	-	-
Vol.1 No.1b	1,795	1984/4	+32.6%	+10.4%	-	-	+9.5%	+0.9%	-	-
Vol.1 No.2	1,181	1985/1	+33.4%	+17.6%	-	-	+16.9%	+9.5%	-	-
Vol.1 No.3	1,090	1985/2	+34.4%	+11.2%	-	-	+31.4%	+5.3%	-	-
Vol.1 No.4	1,072	1985/3	+37.4%	+12.1%	-	-	+26.2%	+5.3%	-	-
Vol.2 No.1	1,326	1985/4	+41.4%	+12.6%	-	-	+9.8%	+5.3%	-	-
Vol.2 No.2	1,052	1986/1	+33.6%	+11.6%	-	-	+31.1%	+5.6%	-	-
Vol.2 No.3	1,285	1986/2	+35.5%	+14.2%	-	-	+29.6%	+11.9%	-	-
Vol.2 No.4	1,435	1986/3	+39.7%	+15.2%	-	-	+22.3%	+6.0%	-	-
Vol.3 No.1	1,116	1986/4	+40.0%	+13.4%	-	-	+17.0%	+4.6%	-	-
Vol.3 No.2	1,746	1987/1	+40.2%	+15.2%	-	-	+39.7%	+15.1%	-	-
Vol.3 No.3	1,113	1987/2	+44.7%	+23.1%	-	-	+36.8%	+13.2%	-	-
Vol.3 No.4	977	1987/3	+44.8%	+17.6%	-	-	+28.8%	+10.0%	-	-
Vol.4 No.1	1,042	1987/4	+52.7%	+23.4%	-	-	+31.4%	+10.5%	-	-
Vol.4 No.2	933	1988/1	+52.7%	+19.3%	-	-	+46.7%	+15.3%	-	-
Vol.4 No.3	983	1988/2	+55.0%	+22.0%	-	-	+47.9%	+19.1%	-	-
Vol.4 No.4	950	1988/3	+54.9%	+22.3%	-	-	+34.4%	+13.3%	-	-
Vol.5 No.1A	1,523	1988/4	+49.2%	+15.1%	-	-	+25.6%	+5.7%	-	-
Vol.5 No.2	947	1989/1	+38.8%	+18.1%	-	-	+18.6%	+5.6%	-	-
Vol.5 No.3	2,274	1989/2	+41.1%	+16.7%	-	-	+30.8%	+10.4%	-	-
Vol.5 No.4	795	1989/3	+33.5%	+18.3%	-	-	+20.2%	+7.4%	-	-
Vol.6 No.1	1,091	1989/4	+29.9%	+10.5%	-	-	+10.6%	+0.9%	-	-
Vol.6 No.2	1,384	1990/1	+31.4%	+9.9%	-	-	+24.4%	+3.5%	-	-
Vol.6 No.3	1,043	1990/2	+22.3%	+4.8%	-	-	+14.7%	+0.9%	-	-
Vol.6 No.4	1,312	1990/3	+18.2%	+3.5%	-	-	+3.6%	-4.1%	-	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-	-16.0%	-14.4%	-	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	-	+12.3%	-7.6%	-15.0%	-
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-	-5.2%	-11.5%	-20.6%	-
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-	-1.0%	-17.5%	-15.1%	-
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%	-20.5%	-	-9.4%	-16.9%	-13.3%	-
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	-	+19.5%	-5.5%	-6.8%	-
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%	-18.7%	-	+4.2%	-5.9%	-11.8%	-
Vol.8 No.4	921	1992/3	-15.9%	-27.8%	-32.7%	-	-6.2%	-17.7%	-24.1%	-
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%	-21.0%	-	-4.0%	-10.7%	-13.1%	-
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	-	+23.5%	+0.7%	-0.8%	-
Vol.9 No.3	1,310	1993/2	+0.9%	-7.9%	-7.4%	-	+19.1%	+4.3%	-0.5%	-
Vol.9 No.4	1,076	1993/3	+8.3%	-1.6%	-7.0%	-	+14.7%	-3.4%	-4.5%	-
Vol.10 No.1	1,295	1993/4	+13.8%	+3.5%	-3.3%	-	+15.1%	-0.2%	+3.3%	-
Vol.10 No.2	861	1994/1	+3.6%	-4.3%	-3.8%	-	+23.0%	-1.1%	+3.7%	-
Vol.10 No.3	2,327	1994/2	+16.2%	+0.8%	-3.3%	-	+18.4%	+1.6%	-2.2%	-
Vol.10 No.4	1,046	1994/3	+20.3%	+7.6%	+0.6%	-	+14.6%	-0.2%	+1.9%	-
Vol.11 No.1B	983	1994/4	+20.6%	+2.1%	+4.1%	-	+17.2%	+3.7%	+2.4%	-
Vol.11 No.2	1,295	1995/1	+18.2%	+3.2%	+1.4%	-	+27.8%	+5.7%	+5.0%	-
Vol.11 No.3	669	1995/2	+18.0%	+3.2%	+1.1%	-	+18.6%	+4.3%	-1.5%	-
Vol.11 No.4	1,047	1995/3	+13.1%	+3.3%	+3.1%	-	+14.0%	-1.9%	-2.1%	-
Vol.12 No.1	700	1995/4	+10.0%	-2.9%	+1.9%	-	+2.6%	-6.7%	-5.2%	-
Vol.12 No.2	1,099	1996/1	+14.2%	+2.5%	+1.0%	-	+20.7%	+1.9%	-2.8%	-
Vol.12 No.3	742	1996/2	+10.5%	+3.9%	+5.1%	-	+16.1%	+3.3%	-2.7%	-
Vol.12 No.4	753	1996/3	+23.1%	+8.9%	+7.2%	-	+24.3%	+5.1%	+6.1%	-
Vol.13 No.1	912	1996/4	+20.4%	+9.8%	+10.9%	-	+17.4%	+4.8%	+7.2%	-
Vol.13 No.2	720	1997/1	+13.6%	+2.0%	+9.9%	-	+27.7%	+8.6%	+7.0%	-
Vol.13 No.3	909	1997/2	+18.0%	+5.3%	+5.2%	-	+22.2%	+7.3%	+2.4%	-
Vol.13 No.4	634	1997/3	+21.5%	+12.1%	+10.7%	-	+24.1%	+3.9%	+3.8%	-
Vol.14 No.1	783	1997/4	+21.1%	+1.7%	+10.4%	-	+12.8%	-0.7%	+3.9%	-
Vol.14 No.2	1,273	1998/1	+19.3%	+3.0%	+12.4%	-	+21.3%	+3.9%	+2.2%	-
Vol.14 No.3	682	1998/2	+9.0%	+5.0%	+5.0%	-	+10.3%	+5.6%	+2.0%	-
Vol.14 No.4	654	1998/3	-2.5%	-0.4%	+4.6%	+10.0%	+3.0%	-2.9%	-8.0%	+0.5%
Vol.15 No.1	601	1998/4	+5.9%	+0.5%	+2.8%	+9.3%	-5.0%	-2.9%	-5.7%	+5.6%
Vol.15 No.2	619	1999/1	+6.9%	-2.3%	+3.4%	+15.7%	+20.8%	+4.4%	+1.3%	+14.6%
Vol.15 No.3	507	1999/2	-4.9%	-4.3%	-2.7%	+8.5%	+6.8%	+0.1%	-5.0%	+4.8%
Vol.15 No.4	1,121	1999/3	+9.2%	-2.0%	+2.5%	+13.7%	+11.4%	-0.7%	+0.1%	+5.8%

continued ...

Table A1: Actual and expected change, percentage balances (continued)

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year				Expected Change, next quarter compared to past quarter			
			Sales	Employment	Investment	Prices	Sales	Employment	Investment	Prices
Vol.16 No.1	812	1999/4	+9.3%	-4.2%	+1.8%	+16.0%	+6.4%	-2.5%	+1.9%	+15.2%
Vol.16 No.2	866	2000/1	+9.6%	-2.6%	+2.2%	+16.9%	+22.6%	+5.4%	+2.8%	+14.0%
Vol.16 No.3	758	2000/2	+2.1%	+0.5%	-1.5%	+17.0%	+11.7%	+3.0%	-1.2%	+9.2%
Vol.16 No.4	803	2000/3	+5.0%	-5.0%	+3.1%	+15.3%	+6.3%	-2.7%	-0.7%	+12.4%
Vol.17 No.1	726	2000/4	+8.6%	-0.5%	+4.3%	+16.7%	+3.7%	+0.5%	+3.7%	+16.3%
Vol.17 No.2	856	2001/1	+3.2%	-3.3%	+1.9%	+18.7%	+12.1%	+1.7%	-2.8%	+16.2%
Vol.17 No.3	720	2001/2	+4.9%	-1.4%	+3.1%	+22.4%	+9.5%	+1.2%	-2.2%	+14.2%
Vol.17 No.4	705	2001/3	+5.3%	+0.3%	+3.9%	+18.2%	+3.7%	-2.9%	-5.4%	+6.2%
Vol.18 No.1	654	2001/4	+2.5%	-4.2%	-3.0%	+13.6%	-2.3%	-2.0%	-7.1%	+10.0%
Vol.18 No.2 old	675	2002/1	+5.4%	-2.7%	-2.7%	+14.6%	+20.0%	+5.8%	+2.3%	+11.9%
Vol.18 No.2	1,168	2002/1	+14.7%	+1.2%	+1.4%	+13.1%	+31.0%	+8.1%	+4.2%	+14.3%
Vol.18 No.3	1,078	2002/2	+22.9%	+8.5%	+7.0%	+22.6%	+24.5%	+10.7%	+5.9%	+15.2%
Vol.18 No.4	1,074	2002/3	+17.2%	+4.1%	+0.1%	+16.8%	+13.7%	-1.2%	-4.0%	+7.9%
Vol.19 No.1	922	2002/4	+15.5%	+2.7%	-5.8%	+19.5%	+3.2%	-6.2%	-10.9%	+11.4%
Vol.19 No.2	851	2003/1	+9.0%	-4.7%	-10.7%	+17.2%	+13.3%	+2.4%	-3.9%	+11.3%
Vol.19 No.3	784	2003/2	+15.4%	+1.6%	+5.8%	+24.6%	+16.2%	+6.5%	+0.6%	+10.9%
Vol.19 No.4	687	2003/3	+10.1%	-3.0%	+2.7%	+23.8%	+9.5%	-2.7%	-3.4%	+12.3%
Vol.20 No.1	808	2003/4	+27.2%	+7.3%	+15.0%	+22.3%	+23.5%	+2.8%	+8.9%	+17.0%
Vol.20 No.2	739	2004/1	+23.1%	+1.3%	+7.2%	+27.0%	+24.2%	+5.6%	+5.5%	+18.8%
Vol.20 No.3	623	2004/2	+14.9%	+0.8%	-1.4%	+23.8%	+15.2%	+2.0%	-0.8%	+12.0%
Vol.20 No.4	711	2004/3	+17.4%	+5.8%	+7.3%	+23.1%	+8.1%	-0.2%	+2.7%	+10.7%
Vol.21 No.1	652	2004/4	+19.3%	+6.6%	+7.5%	+26.7%	+16.2%	+7.1%	+3.0%	+21.7%
Vol.21 No.2	675	2005/1	+6.3%	+0.9%	+3.5%	+26.0%	+13.2%	+2.1%	-3.3%	+15.1%
Vol.21 No.3	670	2005/2	-0.5%	+2.0%	+2.3%	+23.0%	+7.3%	+3.5%	-1.7%	+12.0%
Vol.21 No.4	620	2005/3	+3.1%	-5.1%	+4.1%	+19.0%	+2.7%	-4.3%	-5.0%	+4.8%
Vol.22 No.1	641	2005/4	+3.6%	-0.6%	+0.1%	+24.2%	+1.7%	-1.9%	+0.2%	+13.3%
Vol.22 No.2	638	2006/1	+15.4%	-0.1%	+6.8%	+23.8%	+24.3%	+4.9%	-0.4%	+18.4%
Vol.22 No.3	547	2006/2	+22.6%	+5.7%	+3.0%	+29.4%	+15.7%	+6.8%	+0.9%	+17.7%
Vol.22 No.4	538	2006/3	+20.2%	+4.3%	+11.6%	+31.4%	+11.7%	-3.3%	-0.6%	+9.9%
Vol.23 No.1	526	2006/4	+16.5%	+0.5%	+5.1%	+30.8%	+12.2%	+1.4%	+0.9%	+27.0%
Vol.23 No.2	528	2007/1	+16.2%	+2.0%	+6.5%	+34.9%	+20.4%	+7.4%	+3.2%	+20.6%
Vol.23 No.3	629	2007/2	+25.7%	+6.9%	+14.1%	+33.1%	+28.4%	+10.5%	+6.3%	+19.4%
Vol.23 No.4	528	2007/3	+12.0%	+5.0%	+7.2%	+28.7%	+4.3%	-3.9%	-2.2%	+11.3%
Vol.24 No.1	822	2007/4	+11.4%	+1.0%	+8.4%	+28.6%	+1.0%	-2.1%	-2.1%	+19.4%
Vol.24 No.2	711	2008/1	+5.3%	-1.6%	+4.0%	+33.3%	+6.7%	-0.9%	-5.2%	+21.1%
Vol.24 No.3	278	2008/2	+2.0%	-6.2%	-1.9%	+19.7%	-0.2%	+0.7%	-21.7%	+5.5%
Vol.24 No.4 old	277	2008/3	-6.8%	-6.1%	-0.2%	+29.0%	-28.8%	-15.0%	-20.5%	-2.3%
Vol.24 No.4	1,281	2008/3	+4.7%	-2.5%	+1.8%	+23.6%	-13.3%	-11.9%	-13.7%	+0.6%
Vol.25 No.1	975	2008/4	-9.1%	-8.7%	-7.3%	+10.8%	-26.4%	-14.8%	-20.0%	-1.0%
Vol.25 No.2	848	2009/1	-25.1%	-15.1%	-12.1%	+6.2%	+2.8%	-8.7%	-8.7%	+1.9%
Vol.25 No.3	858	2009/2	-29.1%	-19.4%	-15.2%	+7.0%	+2.6%	-5.2%	-9.7%	+2.3%
Vol.25 No.4	834	2009/3	-19.1%	-13.1%	-15.2%	-0.7%	-4.1%	-6.1%	-7.1%	-0.6%
Vol.26 No.1	830	2009/4	-17.5%	-18.1%	-10.9%	-2.2%	-8.1%	-8.0%	-9.8%	+6.8%
Vol.26 No.2	833	2010/1	-8.3%	-8.5%	-9.4%	+5.0%	+19.0%	+4.0%	-1.5%	+11.0%
Vol.26 No.3	832	2010/2	-2.9%	-9.5%	-7.5%	+5.6%	+12.6%	+0.5%	-3.7%	+8.1%
Vol.26 No.4	819	2010/3	+4.7%	-3.7%	-0.9%	+8.3%	+7.6%	+0.2%	-5.4%	+5.7%
Vol.27 No.1	826	2010/4	+1.7%	-9.2%	-2.9%	+11.4%	+0.3%	-5.4%	-2.5%	+17.8%
Vol.27 No.2 old	757	2011/1	+2.3%	-3.5%	-0.6%	+18.6%	+11.9%	-1.4%	-1.2%	+14.5%
Vol.27 No.3 old	730	2011/2	-0.3%	-3.6%	-1.6%	+15.2%	+10.2%	+0.5%	-1.8%	+11.2%
Vol.27 No.2	947	2011/1	+6.1%	-1.2%	-0.2%	+17.7%	+13.3%	+0.7%	+0.6%	+14.0%
Vol.27 No.3C	1,105	2011/2	+8.2%	+1.0%	+4.1%	+16.2%	+15.7%	+2.2%	+3.1%	+12.0%

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 A2: Most important problem, historical series

	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%	3056
1985/1	3.8%	19.4%	-	4.4%	15.9%	14.5%	10.0%	15.7%	3.4%	1.3%	-	-	-	9.5%	1.5%	1795
1985/2	5.0%	22.1%	-	4.3%	16.1%	14.3%	10.8%	12.5%	2.4%	1.3%	-	-	-	9.1%	1.5%	1181
1985/3	2.0%	23.6%	-	4.9%	12.8%	13.8%	11.2%	13.1%	3.7%	1.9%	-	-	-	8.6%	3.8%	1090
1985/4	2.2%	24.0%	-	5.6%	16.6%	15.7%	11.0%	10.2%	2.0%	0.9%	-	-	-	9.2%	2.0%	1072
1986/1	3.0%	21.4%	-	7.2%	17.1%	14.4%	11.7%	9.6%	2.0%	1.8%	-	-	-	9.9%	1.3%	1326
1986/2	1.7%	29.9%	-	7.3%	16.3%	12.6%	9.1%	9.9%	2.2%	1.2%	-	-	-	9.4%	0.6%	1052
1986/3	0.9%	21.3%	-	7.3%	16.6%	17.0%	11.5%	7.3%	1.4%	0.9%	-	-	-	13.7%	2.0%	1285
1986/4	1.1%	25.0%	-	7.2%	17.7%	14.7%	11.8%	6.8%	1.3%	1.3%	-	-	-	10.0%	3.1%	1435
1987/1	0.9%	26.4%	-	8.0%	16.0%	13.0%	12.0%	7.4%	1.6%	1.3%	-	-	-	9.1%	4.2%	1166
1987/2	1.0%	23.7%	-	9.6%	17.7%	12.0%	10.7%	7.6%	2.6%	1.5%	-	-	-	10.3%	3.3%	1746
1987/3	1.1%	20.3%	-	11.8%	17.9%	12.9%	11.5%	6.6%	1.9%	2.2%	-	-	-	10.5%	3.5%	977
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%	11.4%	6.1%	2.3%	1.9%	-	-	-	14.9%	0.3%	1042
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%	1523
1989/2	6.3%	28.4%	-	16.4%	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%	2274
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%	1091
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%	1.4%	1.4%	1384
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%	1043
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%	1250
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%	1239
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%	3.3%	1.5%	1718
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%	1684
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%	1359
1992/3	1.6%	7.6%	3.9%	2.9%	5.1%	43.3%	2.1%	8.1%	0.3%	0.3%	0.8%	11.5%	3.0%	5.9%	0.8%	1527
1992/4	1.0%	8.8%	3.6%	1.6%	6.0%	44.3%	4.0%	8.0%	0.3%	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%	1339
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%	1021
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%	1310
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%	1076
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%	1295
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%	3.2%	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%	2327
1994/4	1.1%	1.2%	4.7%	4.8%	6.4%	35.7%	6.3%	10.4%	0.1%	0.6%	1.6%	12.9%	3.8%	7.6%	2.5%	1046
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%	3.0%	12.2%	3.8%	7.4%	1.0%	1295
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%	1047

Table A2: Most important problem, historical series (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%	2.5%	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%	10.9%	0.5%	0.6%	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%	0.5%	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%	0.6%	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%	9.7%	0.8%	0.1%	2.6%	9.6%	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%	1.9%	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%	1.1%	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%	2.1%	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%	19.0%	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%	12.5%	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%	0.8%	0.9%	1.4%	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%	856
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%	705
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 A3: 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	Govt 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%	6%	4%	2%	1%	2%	2%	10%	14%	7%	8%	3%	12%	1%	1 168
2002/3	13%	7%	7%	4%	1%	0%	1%	1%	11%	16%	6%	9%	2%	11%	1%	1 078
2002/4	16%	7%	7%	4%	1%	1%	2%	1%	9%	15%	6%	9%	2%	8%	2%	1 074
2003/1	20%	8%	9%	4%	0%	0%	1%	1%	9%	14%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	7%	4%	1%	1%	1%	1%	11%	10%	6%	9%	2%	8%	2%	851
2003/3	18%	9%	6%	3%	1%	1%	1%	1%	6%	15%	9%	10%	2%	7%	2%	784
2003/4	13%	9%	8%	3%	1%	1%	0%	2%	7%	18%	8%	8%	3%	9%	2%	687
2004/1	11%	8%	9%	3%	2%	1%	2%	1%	11%	15%	9%	8%	3%	8%	1%	808
2004/2	9%	8%	8%	4%	2%	1%	1%	2%	8%	20%	8%	9%	3%	8%	1%	739
2004/3	10%	9%	8%	4%	2%	3%	1%	1%	10%	13%	7%	9%	3%	7%	1%	623
2004/4	11%	8%	7%	3%	1%	2%	1%	1%	8%	20%	10%	8%	4%	8%	1%	711
2005/1	9%	9%	8%	5%	2%	2%	1%	1%	7%	18%	11%	9%	2%	5%	1%	652
2005/2	13%	9%	8%	3%	1%	1%	1%	1%	8%	22%	7%	8%	3%	5%	2%	675
2005/3	16%	10%	6%	5%	0%	2%	1%	1%	8%	20%	5%	7%	1%	6%	3%	670
2005/4	20%	8%	6%	4%	1%	3%	1%	1%	8%	15%	9%	7%	1%	5%	2%	620
2006/1	18%	9%	7%	4%	1%	3%	1%	1%	9%	19%	7%	6%	1%	5%	2%	641
2006/2	11%	9%	6%	2%	1%	4%	0%	1%	9%	20%	8%	6%	2%	4%	1%	638
2006/3	12%	9%	7%	2%	1%	2%	1%	1%	9%	22%	10%	9%	2%	4%	2%	547
2006/4	10%	9%	8%	3%	1%	3%	1%	1%	7%	25%	8%	7%	2%	7%	2%	538
2007/1	9%	9%	8%	3%	1%	3%	2%	2%	9%	22%	7%	7%	2%	5%	4%	526
2007/2	11%	7%	9%	4%	2%	3%	2%	2%	6%	23%	8%	7%	2%	6%	2%	528
2007/3	10%	8%	9%	3%	3%	4%	1%	1%	7%	15%	7%	9%	5%	7%	2%	629
2007/4	15%	8%	9%	2%	4%	4%	2%	2%	5%	17%	8%	5%	2%	8%	2%	528

Table A4: Average rating of problems (1=no problem, 10=severe problem), 2008Q1 onwards

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 A5: Proportion ranking each problem in top three facing their business, 2008Q4 onwards

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%	1281
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%	1105

Quarterly Survey 2011Q3

Please circle the appropriate numbers 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.

1a Employment: Including yourself, how many people work in the business including both full and part-time workers?

1b If your business is not a limited company, how many of these people are self-employed proprietors or partners?

2a How many years have you been running a business?

2b How many years has your present business been trading?

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

4 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)?

5 In your view, what are the prospects for Britain's smaller firms generating more employment over the next year?

- Very poor
- Poor
- Reasonable
- Good
- Very good

6 What could be done to help smaller firms generate additional jobs over the next year?

Smaller firms are also being encouraged to become more environmentally sustainable. What do you see as the main benefits and the main obstacles or challenges of 'greening' your own business?

7a Main benefits:

7b Main obstacles or challenges:

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

- Less than £50,000
- £100,000-£249,999
- £500,000-£999,999
- Over £5.6m
- £50,000-£99,999
- £250,000-£499,999
- £1m-£5.6m

The next four questions ask how your sales turnover, average employment, investment (in plant, equipment and premises) and average selling prices in the past quarter compared with the same period in 2010.

9a Was your sales turnover in April to June 2011 compared with April to June 2010: Up Same Down

9b Was your average employment (Apr-Jun 2011 vs Apr-Jun 2010): Up Same Down

9c Was your investment in plant, equipment and premises (Apr-Jun 2011 vs Apr-Jun 2010): Up Same Down

9d Were your average selling prices (Apr-Jun 2011 vs Apr-Jun 2010): Up Same Down

The next four questions ask how you expect your sales turnover, average employment, investment (in plant, equipment and premises) and average selling prices will have changed in the current quarter compared with the past quarter.

10a Expected sales turnover in July to September 2011 compared with April to June 2011: Up Same Down

10b Expected average employment (Jul-Sep 2011 vs Apr-Jun 2011): Up Same Down

10c Expected investment in plant, equipment and premises (Jul-Sep 2011 vs Apr-Jun 2011): Up Same Down

10d Expected average selling prices (Jul-Sep 2011 vs Apr-Jun 2011): Up Same Down

11 Please indicate (1, 2, 3) the TOP THREE of the following possible problems facing your business:

- | | | |
|--------------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------|
| a. Economic climate or demand <input type="text"/> | e. Cashflow, payments or debtors <input type="text"/> | i. Lack of time/capacity <input type="text"/> |
| b. Competition <input type="text"/> | f. Government regulations <input type="text"/> | j. Internal (management, marketing etc.) <input type="text"/> |
| c. Interest rates or access to finance <input type="text"/> | g. Lack of skilled employees/high pay <input type="text"/> | k. Other <input type="text"/> |
| d. Inflation or cost of inputs, etc. <input type="text"/> | h. Total tax burden <input type="text"/> | (please specify <input type="text"/>) |

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

- Male
- Female
- Joint Male/Female ownership

13 Please enter your Business Postcode:

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

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