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HIGHLIGHTS

The UK's small firms report that there was a dramatic improvement in the economic conditions which they faced during the third quarter of 1996. Expectations for the final quarter are up only a little, but any increase is unusual at this time of year. The most popular motivation for running a business is "to be your own boss", the most popular objective is to support the owner's preferred lifestyle and the most popular target is for the business to remain at its present size.

- Almost one-half of firms had higher sales turnover in the third quarter of 1996 than one year earlier, and less than one-quarter had lower turnover. The resulting balance of +25 per cent shows a dramatic increase compared with the +9 per cent recorded in the previous survey. The balance has not increased by this much in a single survey since this report began, in 1984. The balance of firms reporting increased sales over the past year has not been higher since the beginning of 1990.
- The balance of firms seeing sales rise improved for both the very smallest firms and the larger firms taking part in our survey. The larger firms were still more likely to report increases in sales, but for the first time in over five years the smallest firms did not report that things had got worse.
- Fewer firms than in the previous survey reported that they had cut employment over the past year. The balance of firms increasing employment rose from +5 to +9 per cent. As with sales, this is the highest balance since early 1990. The balance on actual investment, of +7 per cent, is the highest since we started monitoring investment, in 1991.
- The balance of firms expecting sales to be higher in the final quarter of 1996 than in the third was up a little, at +25 per cent, compared with +14 per cent in the previous survey. The seasonally adjusted rise is more striking, with the balance increasing from +10 to +27, suggesting a marked improvement in underlying confidence.
- The very smallest firms are still expecting conditions to continue to worsen, while the larger firms are more optimistic than they were.
- *Low turnover/lack of business* remains the biggest problem for small business. Almost one-third of all firms and one-half of people working on their own say that this is their most important problem.
- The proportion of firms indicating that *government regulations and paperwork* is their most important problem has risen to 11 per cent, putting this problem in second place for the first time in over three years. The previously second-ranked problem, *cashflow/payments/debtors* was selected by only 10 per cent of respondents in this survey, the lowest proportion for six years.
- Some 44 per cent of business owner managers say that their main motivation for running their business is *to be my own boss/responsible for my own organisation*. Only 16 per cent say that their primary motivation is *to make money* (though this proportion rises to 30 per cent of owners of the largest firms in our survey). One-fifth of very small firms are run by people whose main motivation is *no alternative/to avoid unemployment*.
- The main objective of 35 per cent of businesses is *to support your preferred lifestyle (way of life, style of living, living where you like, etc. ...)*. Growth (in sales, profits or employment) is the main objective of 28 per cent.
- The target of over one-quarter of businesses is to remain at present size. Only 18 per cent want to expand indefinitely and 15 per cent want to grow to a certain size.

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1. THE SMALL BUSINESS OUTLOOK

Respondents were asked to indicate whether their sales turnover, average employment and investment were up, down or the same in the quarter just ended (July, August, September 1996) compared with the same quarter a year earlier, and also to indicate what they expect for the next quarter (October, November, December 1996) compared with the third quarter of 1996. The first of the responses to the two sets of questions is shown in Table 1.1 as the “Actual Change on Year” and the second as “Expected Change on Previous Quarter”.

Following the well-established practice of the CBI in its *Industrial Trends Survey*, a summary statistic, the *balance*, is used to monitor these changes, although the full results are also shown in the tables. The balance is the percentage of respondents replying ‘up’ minus the percentage replying ‘down’ (we ignore, for this purpose, the percentage replying ‘same’). Appendix Table A.1 gives the percentage balances for both actual and expected changes since this survey began in the third quarter of 1984.

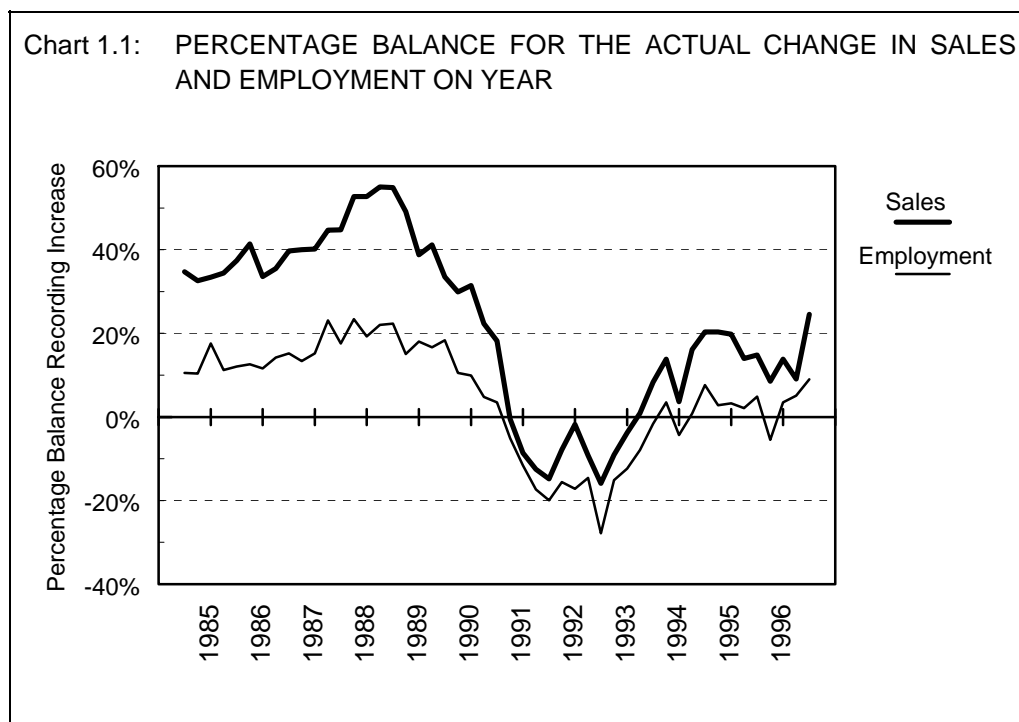
Since 1989, we have been splitting the results of questions on performance, expectations and problems by industrial sector and re-weighting them according to the sectoral distribution of all VAT registered businesses. The aim of this is to ensure that the results are as representative as possible of the business population in Britain. Please note, however, that other breakdowns by industrial sector, region and firm size use unweighted data.

Actual Performance

Britain's small firms report that there was considerable improvement in the economic situation during the third quarter of 1996. The balance of firms reporting an increase in sales over the past year showed its biggest rise compared with the previous survey since the *NatWest/SBRT Quarterly Survey of Small Business in Britain* began in 1984. This balance, and that for employment, are at their highest levels since the beginning of 1990.

Very nearly half of all firms reported an increase in sales in third quarter of 1996 compared with a year earlier while less than one quarter reported a decrease. The proportion reporting an increase had been stable at just over 43 per cent for the past three surveys, but this time rose to 49.2 per cent. The proportion reporting a fall in sales was down by an even larger margin, from 34.2 per cent to 24.7 per cent. The balance of firms reporting an increase therefore rose dramatically, from +9.1 per cent to +24.6 per cent (see Table 1.1). This is the biggest single increase recorded since this survey began in 1984. The balance is now higher than at any time since early 1990 (see Chart 1.1 below and Appendix Table A.1 on page 30 for a full list of balances since the survey began).

Although there have been short-lived up-turns in the past and it is unwise to read too much into the results from a single survey, it is clear that the firms taking part in this survey experienced a dramatic improvement in sales during the third quarter of 1996.



Small firms also report good news on the employment front. The proportion of firms reporting that employment was up during the year was only a little higher than in the previous survey, up from 19.9 to 20.2 per cent, but the proportion cutting employment was down from 14.8 per cent to only 11.3 per cent, the lowest proportion since the end of 1989. The balance of firms increasing employment consequently rose from +5.1 per cent to +9.0 per cent. Although the increase is not as dramatic as that for the sales balance, the employment balance is also at its highest level since early 1990.

Table 1.1 CHANGE AND EXPECTED CHANGE IN SALES, EMPLOYMENT AND INVESTMENT

	Actual Change on Year				Expected Change on Previous Quarter			
	1995/4 on 1994/4	1996/1 on 1995/1	1996/2 on 1995/2	1996/3 on 1995/3	1996/1	1996/2	1996/3	1996/4
	Vol.12 No.1	Vol.12 No.2	Vol.12 No.3	Vol.12 No.4	Vol.12 No.1	Vol.12 No.2	Vol.12 No.3	Vol.12 No.4
Survey	Vol.12 No.1	Vol.12 No.2	Vol.12 No.3	Vol.12 No.4	Vol.12 No.1	Vol.12 No.2	Vol.12 No.3	Vol.12 No.4
	SALES				SALES			
Up	43.1%	43.2%	43.3%	49.2%	34.6%	41.2%	38.9%	47.0%
Down	34.5%	29.4%	34.2%	24.7%	33.1%	21.2%	24.6%	22.3%
Same	21.5%	26.2%	22.2%	25.4%	31.2%	35.3%	34.9%	30.2%
No Response	1.0%	1.2%	0.2%	0.7%	1.1%	2.2%	1.6%	0.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	8.5%	13.8%	9.1%	24.6%	1.5%	20.0%	14.4%	24.6%
	EMPLOYMENT				EMPLOYMENT			
Up	15.5%	20.3%	19.9%	20.2%	10.3%	13.8%	12.5%	16.2%
Down	21.0%	16.8%	14.8%	11.3%	20.3%	12.1%	10.3%	12.1%
Same	59.6%	59.8%	62.6%	65.2%	65.0%	69.5%	73.2%	68.6%
No Response	3.9%	3.2%	2.7%	3.3%	4.4%	4.6%	4.0%	3.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	-5.5%	3.5%	5.1%	9.0%	-10.0%	1.7%	2.2%	4.1%
	INVESTMENT				INVESTMENT			
Up	22.4%	22.6%	23.8%	23.3%	17.3%	18.2%	15.0%	20.6%
Down	20.9%	22.1%	19.0%	16.1%	25.3%	20.2%	20.6%	15.3%
Same	53.1%	51.2%	54.3%	56.8%	52.5%	56.4%	59.8%	60.7%
No Response	3.6%	4.1%	3.0%	3.8%	4.9%	5.2%	4.6%	3.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	1.5%	0.6%	4.8%	7.2%	-8.0%	-2.0%	-5.6%	5.3%
Base	700	1,099	742	753	700	1,099	742	753

Table 1.2 PROPORTION OF EXPANDING AND DECLINING FIRMS AS A PERCENTAGE OF RESPONDENTS

	Vol.12 No.1		Vol.12 No.2		Vol.12 No.3		Vol.12 No.4	
	Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per Cent
Expanding Firms	85	12.2%	178	16.2%	112	15.1%	133	17.6%
Declining Firms	95	13.6%	126	11.4%	63	8.5%	63	8.4%
Remaining Respondents	519	74.2%	795	72.4%	567	76.4%	557	73.9%
All Respondents	700	100.0%	1,099	100.0%	742	100.0%	753	100.0%
Balance		-1.4%		4.8%		6.7%		9.2%

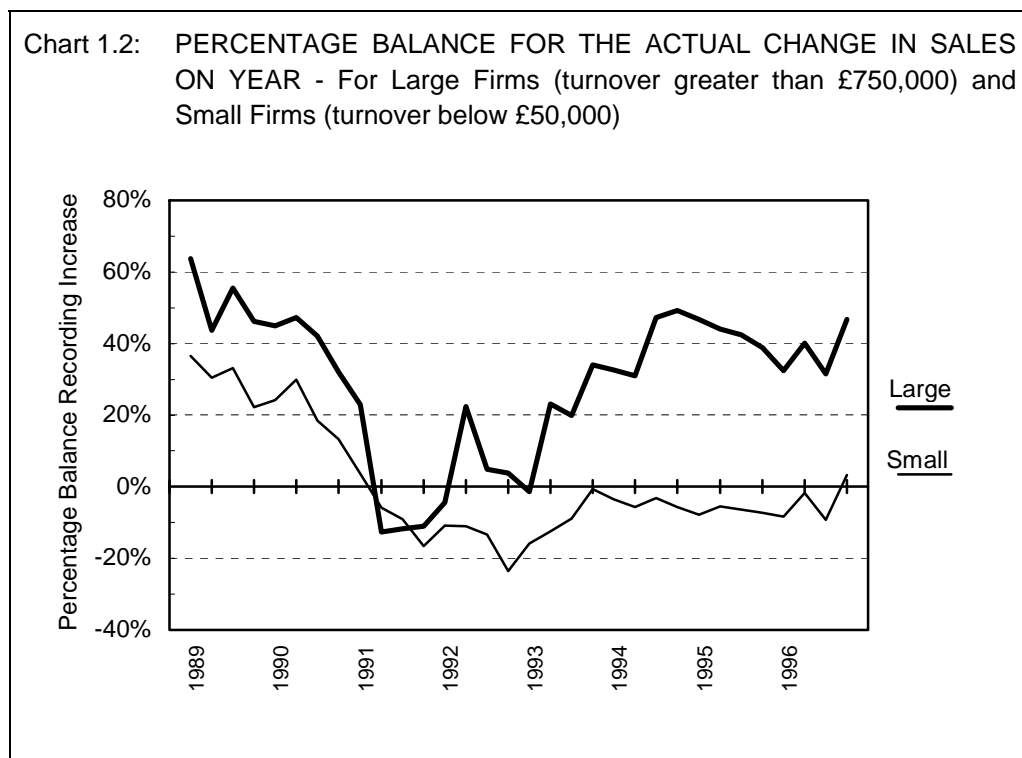
Note: All figures shown in these tables are weighted to the VAT sectoral distribution and therefore may not sum exactly to the totals shown.

As a consequence of the improvements in sales and employment, the proportion of firms classed as expanding (increasing both sales and employment) has risen from 15.1 per cent to 17.6 per cent of the total. The proportion classed as declining firms (those reporting falling sales and employment) is, however, practically unchanged at 8.4 per cent. Just under three-quarters of firms are therefore classed as neither expanding nor contracting, but the proportion of expanding firms exceeds the proportion of contracting firms by 9.2 per cent (Table 1.2).

The balance of firms increasing investment over the past year also continues to increase. Some 23.3 per cent of small firms have increased investment (slightly down on the 23.8 per cent in the previous survey), while only 16.1 per cent have cut it, giving a balance of +7.2 per cent (Table 1.1). This is the highest balance since this question was first asked, at the beginning of 1991 (see Appendix Table A.1 on page 30).

Actual Performance: Comparison across size bands

Both the small and the larger firms in our sample reported greater improvements in sales over the past year than they had done in the previous survey. However, the gulf between the experiences of the smallest and the largest remains (Chart 1.2).



The positive news for the smallest firms is that the number of these firms reporting falling sales no longer exceeds the number which have seen their sales rise. Since the beginning of 1991 these firms have on balance seen sales fall, but in this survey the balance has become positive again.

Table 1.3 shows that exactly the same proportion (32.2 per cent) of those firms with a turnover of less than £20,000 reported that their sales were up as reported that they were down. The resulting balance of exactly zero is a great improvement on the -36.7 per cent in the previous survey. Firms with a turnover of above £20,000 have on balance seen their sales rise over the year.

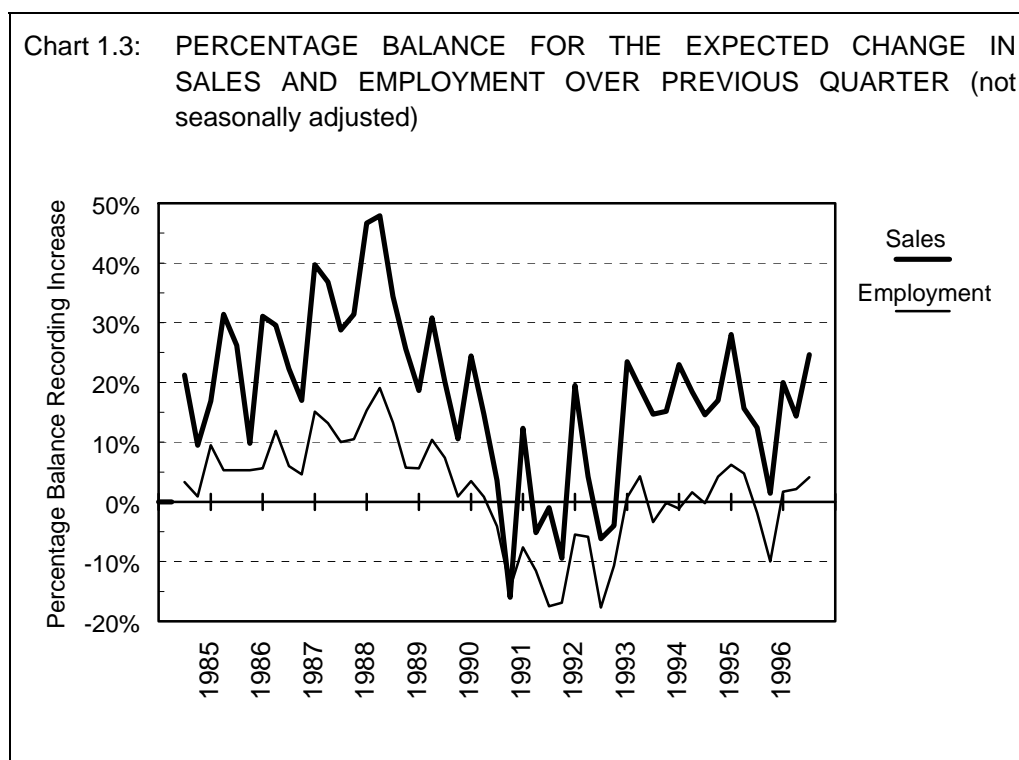
Table 1.3 ACTUAL CHANGE IN SALES, by firm size

Turnover size band	Up	Down	Same	Balance	Sample
Less than £20,000	32.2%	32.2%	33.9%	0.0%	59
£20,000 - 49,999	36.6%	31.2%	30.1%	5.4%	93
£50,000 - 149,999	47.0%	26.5%	26.5%	20.5%	185
£150,000 - 349,999	52.1%	24.6%	22.5%	27.5%	142
£350,000 - 749,999	48.5%	31.7%	19.8%	16.8%	101
£750,000 - 1,499,999	65.3%	16.0%	18.7%	49.3%	75
£1,500,000 and over	59.7%	15.6%	23.4%	44.2%	77
No Response	47.6%	23.8%	28.6%	23.8%	21
Total	48.9%	25.6%	24.8%	23.2%	753

Expectations

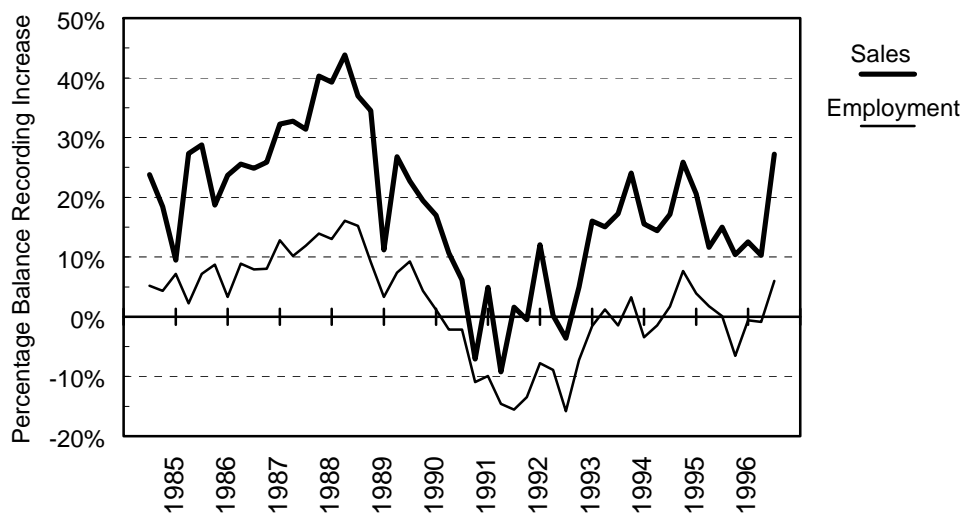
Britain's small firms expect their sales to be significantly higher during the fourth quarter of 1996 than during the third quarter. It is unusual for sales expectations to rise at this time of the year and there has only once before been a bigger increase in the seasonally adjusted balance. Employment is also expected to increase a little during the final quarter of the year.

The proportion of UK small firms expecting sales in the current quarter (the fourth quarter of 1996), to be higher than in the previous quarter is markedly up, from 38.9 per cent in the previous survey to 47.0 per cent now. The proportion expecting sales to fall is down just a little, from 24.6 to 22.3 per cent. The percentage balance of firms expecting an increase in sales has therefore risen, from +14.4 per cent to +24.6 per cent (Table 1.1 and Chart 1.3).



The rise in the balance shown in Chart 1.3 does not appear significant, but closer examination shows that the balance almost always falls at this time of the year. Chart 1.4 overleaf (and Appendix Table A.1 on page 30) show the balance when seasonally adjusted. The improvement in confidence in this survey is seen to be far greater than the unadjusted balance would suggest, the seasonally adjusted balance rising from +10.3 to +27.2 per cent. This balance has shown a greater increase only once before, at the beginning of 1985. The seasonally adjusted balance shows that confidence about sales is at its highest level since the end of 1988.

Chart 1.4: PERCENTAGE BALANCE FOR THE EXPECTED CHANGE IN SALES AND EMPLOYMENT OVER PREVIOUS QUARTER (seasonally adjusted)



Although there are slightly more firms (12.1 per cent) which expect to cut employment during the final quarter of 1996 than the 10.3 per cent which expected to do so in the third quarter, the proportion expecting to increase employment has risen by a larger margin, from 12.5 to 16.2 per cent. The balance of firms expecting to increase employment has therefore risen, from +2.2 to +4.1 per cent (Table 1.1).

When seasonally adjusted, the balance shows a greater, though not spectacular, increase, up from -0.9 to +6.0 per cent (Chart 1.4 and Appendix Table A.1).

The balance of firms which expect to increase investment during the current quarter has also risen, from -5.6 per cent to +5.3 per cent. In the previous survey, only 15.0 per cent of firms expected to increase investment, while 20.6 per cent expected to cut it. In the current survey, these proportions are almost exactly reversed, with 20.6 per cent of firms expecting to increase investment and 15.3 per cent expecting to cut it (Table 1.1).

Expectations: Comparison across size bands

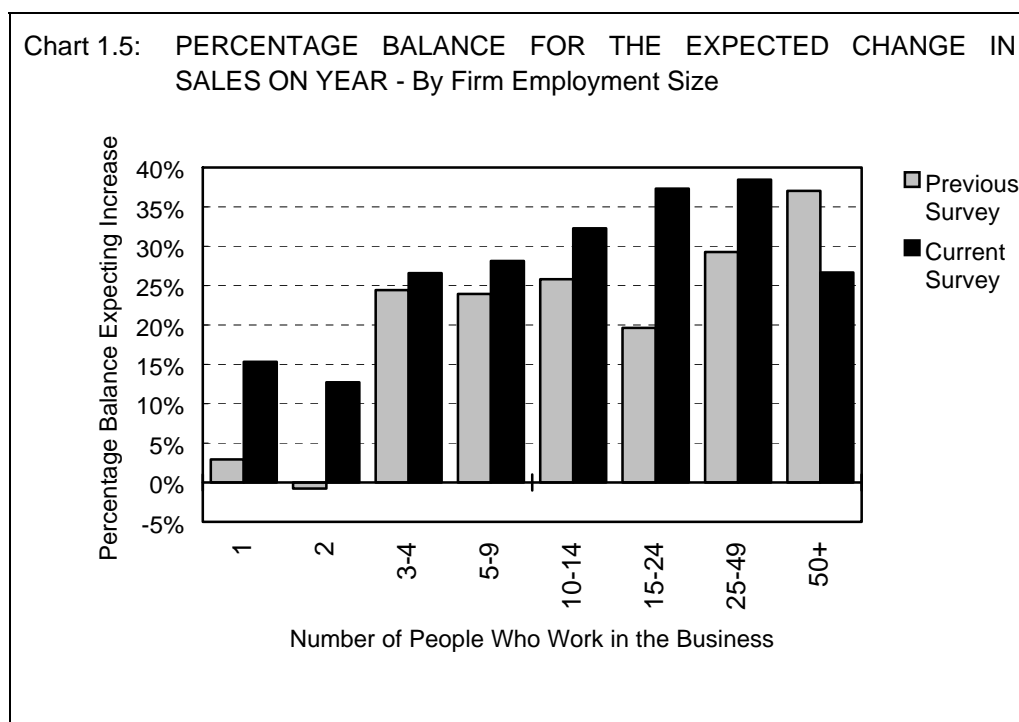
Smaller firms remain far less optimistic than larger ones (Table 1.4). The very smallest firms (those with a turnover of less than £20,000) are even more pessimistic than they were in the previous survey. Larger firms are generally expecting more improvements in the fourth quarter of 1996 than they did in the third. On balance, firms with a turnover below £50,000 are expecting to cut employment.

Table 1.4 EXPECTED CHANGE IN SALES AND EMPLOYMENT BY TURNOVER
(Current Survey compared with Previous Surveys, Percentage balances)

Turnover size band	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (This survey)
	Survey Number				Survey Number				
	46	47	48	49	46	47	48	49	
Less than £20,000	-39.7%	-5.5%	-1.7%	-5.1%	-28.6%	-4.4%	-10.0%	-3.4%	59
£20,000 - 49,999	2.8%	9.4%	0.0%	10.8%	-1.9%	-4.0%	-1.8%	-2.2%	93
£50,000 - 149,999	-5.1%	27.5%	15.1%	25.4%	-8.3%	5.1%	-0.6%	7.0%	185
£150,000 - 349,999	15.3%	30.4%	21.1%	28.9%	-2.8%	3.1%	8.2%	4.2%	142
£350,000 - 749,999	29.5%	25.9%	38.5%	27.7%	10.2%	3.6%	13.8%	7.9%	101
£750,000 - 1,499,999	36.4%	31.4%	29.1%	48.0%	9.1%	8.5%	18.2%	9.3%	75
£1,500,000 and over	32.3%	34.4%	23.6%	35.1%	11.3%	12.5%	16.7%	16.9%	77
Total	8.0%	23.1%	17.1%	25.2%	-2.3%	3.5%	5.4%	5.7%	753

NOTE: The total balances in this table are not comparable with those shown in Table 1.1 because the data in this table are not weighted, neither are they seasonally adjusted.

Chart 1.5 shows that a similar pattern emerges when the balances are analysed by employment size band. One- and two-person firms are less optimistic about sales prospects than larger firms, although the differences are not as great as in the previous survey.



Expectations: Comparison across business sectors

Table 1.5 breaks down the expected sales and employment balances by sector. However, the sample sizes for several sectors are too small for comparisons to be statistically valid.

Table 1.5 EXPECTED CHANGE IN SALES AND EMPLOYMENT BY BUSINESS SECTOR
(Current Survey compared with Previous Surveys)

Business Sector	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (This survey)
	Survey Number				Survey Number				
	46	47	48	49	46	47	48	49	
Agriculture, Forestry, Fisheries	0.0%	13.3%	0.0%	31.6%	-45.5%	6.7%	-8.3%	5.3%	19
Manufacturing, Mining, Processing	23.6%	22.3%	20.0%	27.9%	7.4%	9.7%	13.5%	7.1%	140
Transport	-28.6%	50.0%	5.9%	40.0%	-14.3%	0.0%	5.9%	0.0%	15
Construction	-5.0%	-14.1%	29.1%	6.1%	-25.0%	-25.4%	9.1%	-4.1%	49
Wholesale Trade	22.2%	39.4%	12.9%	38.0%	6.7%	3.0%	11.3%	8.5%	71
Retail Trade	-7.9%	19.8%	22.3%	40.2%	-5.0%	-0.6%	5.4%	9.0%	122
Catering & Restaurants	-23.5%	33.3%	5.3%	23.5%	-11.8%	20.8%	-15.8%	23.5%	17
Business Services	13.8%	26.2%	17.3%	17.3%	2.8%	5.9%	1.6%	7.5%	226
Other Services	2.1%	20.8%	9.1%	15.1%	-6.4%	5.7%	-2.3%	-5.5%	73
Other	10.3%	30.3%	9.1%	28.6%	0.0%	3.0%	4.5%	0.0%	21
Total	8.0%	23.1%	17.1%	25.2%	-2.3%	3.5%	5.4%	5.7%	753

Unweighted, not seasonally-adjusted data

After the very large increase in the previous survey, the balance of construction firms expecting an increase in sales has fallen considerably so that construction is once again the most pessimistic sector. Construction business is, however, normally slack during this winter quarter and the balance of +6.1 per cent is in fact the highest for this time of the year since 1989.

Retailers appear to be expecting a particularly successful Christmas, with a balance of +40.2 per cent expecting an increase in sales, making them the most optimistic sector by this measure.

Expectations: Comparison across regions

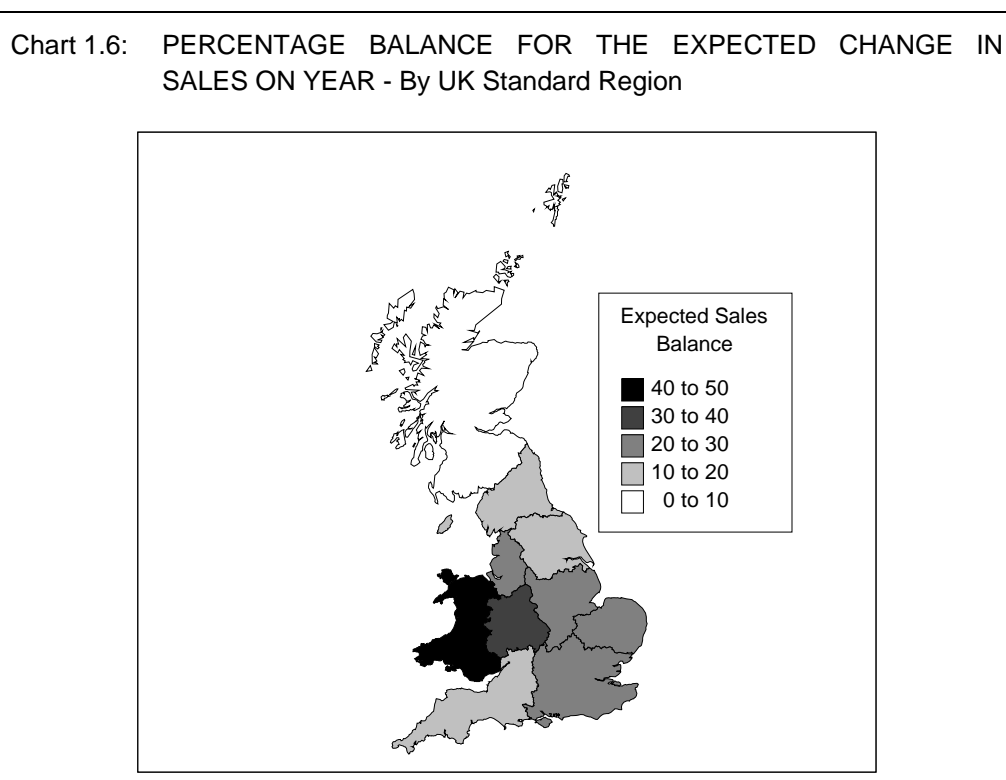
Table 1.6 show the sales and employment balances by region and Chart 1.6 shows just the sales balance. As with the industrial sectors, sample sizes for several regions are too small for comparisons to be statistically valid. This also means that the balances are subject to considerable variation from survey to survey.

Table 1.6 EXPECTED CHANGE IN SALES AND EMPLOYMENT BY REGION
(Current Survey compared with Previous Surveys)

Region	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (This survey)
	Survey Number				Survey Number				
	46	47	48	49	46	47	48	49	
North	0.0%	22.2%	33.3%	15.8%	-16.1%	7.4%	9.5%	5.3%	19
Yorkshire & Humberside	-1.5%	24.0%	10.0%	16.7%	-6.2%	5.3%	3.3%	-3.7%	54
North West	16.0%	14.1%	21.3%	29.6%	0.0%	3.0%	1.1%	12.7%	71
East Midlands	0.0%	22.7%	5.1%	24.5%	-7.1%	1.3%	7.7%	17.0%	53
West Midlands	15.3%	23.7%	12.5%	37.1%	10.2%	0.0%	10.7%	6.5%	62
East Anglia	27.8%	23.5%	28.6%	20.0%	11.1%	11.8%	11.9%	-2.5%	40
South East	12.3%	26.4%	22.2%	27.5%	0.4%	1.8%	5.6%	7.0%	298
South West	-3.9%	27.8%	11.4%	14.3%	-13.0%	9.3%	0.0%	0.0%	70
Wales	4.8%	20.0%	-5.9%	42.9%	4.8%	16.7%	8.8%	14.3%	21
Scotland	-13.8%	17.0%	16.7%	4.7%	-10.3%	-1.9%	12.5%	-14.0%	43
Northern Ireland	-33.3%	-100.0%	66.7%	0.0%	-33.3%	0.0%	33.3%	0.0%	2
Total	8.0%	23.1%	17.1%	25.2%	-2.3%	3.5%	5.4%	5.7%	753

Unweighted, not seasonally-adjusted data

The few firms in our survey from Wales are the most optimistic about sales prospects for the fourth quarter, followed by their neighbours in the West Midlands. Firms from Yorkshire and Humberside northwards and those in the South West are the least optimistic in this survey.



Conclusion

Britain's small firms report a far greater improvement in sales over the past year than they did in the previous survey. The balances for the increases in both sales and employment are at their highest levels for over six years. The smallest firms have increased their sales by far less than the larger firms, but at least there has on balance been no worsening in their position.

Sales expectations for the fourth quarter are up. It is unusual for the balance to rise at this time of the year and when seasonally adjusted the improvement in confidence is far greater. The seasonally adjusted balance suggests that underlying confidence is at its highest level since the end of 1988. Firms also expect on balance some modest increases in employment.

2. PROBLEMS

Respondents were asked to select, from a list of fourteen, the most important problem facing their business on that day. Every firm faces many problems. We focus in this question on the single most important problem at the time.

Table 2.1 MOST IMPORTANT PROBLEM (All Respondents)

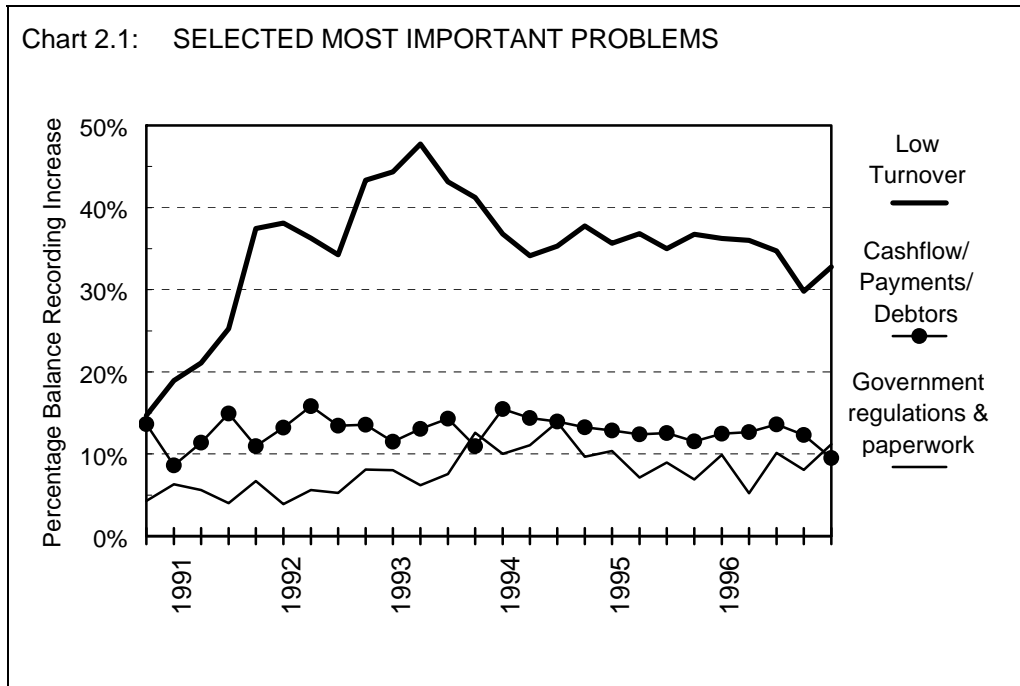
Problem	Survey Number			
	Vol.12 No.1	Vol.12 No.2	Vol.12 No.3	Vol.12 No.4
Low Turnover/Lack of Business	36.0% (1)	34.7% (1)	29.8% (1)	32.8% (1)
Gov't Regulations & Paperwork	5.2% (5)	10.1% (3)	8.1% (3)	11.2% (2)
Cashflow/Payments/Debtors	12.7% (2)	13.6% (2)	12.3% (2)	9.5% (3)
Lack of Skilled/Trained Employees	4.2% (7)	3.8% (6)	5.2% (6)	7.7% (4)
Competition from Big Business	7.1% (3)	6.3% (5)	8.0% (4)	7.2% (5)
Total Tax Burden	5.8% (4)	6.4% (4)	6.1% (5)	6.2% (6)
Premises/Rent/Rates	3.7% (8)	3.4% (7)	5.1% (7)	3.9% (7)
Internal Management Difficulties	2.0% (10)	2.6% (8)	1.7% (9)	2.6% (8)
Access to Finance	4.2% (6)	2.5% (9)	3.8% (8)	2.6% (9)
Interest Rates	0.5% (12)	0.8% (10)	0.7% (10)	1.1% (10)
Inflation	3.0% (9)	0.4% (13)	0.1% (13)	1.1% (11)
High Rates of Pay	0.3% (13)	0.5% (11)	0.4% (12)	0.8% (12)
Shortages of Materials,Supplies,etc	0.7% (11)	0.4% (12)	0.6% (11)	0.2% (13)
Other	12.7%	13.6%	15.9%	12.3%
No Response	2.1%	0.7%	2.2%	0.9%
TOTAL	100.0%	100.0%	100.0%	100.0%
BASE	700	1,099	742	753

Note: 1 All figures shown in this table are weighted to the VAT sectoral distribution.
2 Number in brackets refers to the problem's ranking each quarter.

After falling in the previous survey below 30 per cent for the first time in five years, in this survey the proportion of firms indicating that their most important problem was *low turnover/lack of business* rose again, to 32.8 per cent (see Table 2.1 and Chart 2.1 overleaf). Exactly half of firms where the owner works on his or her own reported that low turnover is the most important problem facing their business (see Table 2.2 on page 17).

The proportion of firms selecting *government regulations and paperwork* rose from 8.1 to 11.2 per cent, making this the second ranked problem for the first time in over three years. *Cashflow/payments/debtors* slipped to third place, selected by 9.5 per cent of respondents, the lowest proportion for six years (see Chart 2.1 overleaf).

The proportion of firms indicating that the *lack of skilled/trained employees* is their most important problem continued to rise, up from 5.2 per cent to 7.7 per cent. This is the highest proportion for this question since the middle of 1990 and warns of a tightening at least in some sectors of the labour market. This problem moved up to fourth place in the rankings.



There were few significant changes in the proportions selecting the remaining problems.

A number of different problems were listed by the respondents counted in the *other* row in tables 2.1 and 2.2. Many were specific to the type of business concerned, but a number of firms said that their main problem was low profit margins or competition from other small firms, especially those not registered for VAT. A significant number of firms, however, stated that their business had no problems.

Table 2.2 MOST IMPORTANT PROBLEM BY NUMBER OF PEOPLE WHO WORK IN THE BUSINESS

	1	2	3 - 4	5 - 9	10 - 14	15 - 24	25 - 49	50+	All
Inflation	1.0%	0.8%	0.0%	0.0%	0.0%	0.0%	1.9%	0.0%	0.4%
Interest Rates	2.0%	0.0%	0.6%	0.6%	0.0%	1.5%	0.0%	0.0%	0.7%
Access to Finance	2.0%	0.8%	2.5%	3.1%	6.5%	0.0%	0.0%	6.7%	2.5%
Lack of Skilled/Trained Employees	3.1%	2.5%	3.8%	10.6%	6.5%	9.0%	11.5%	20.0%	6.8%
Total Tax Burden	4.1%	8.5%	6.3%	5.0%	6.5%	9.0%	5.8%	0.0%	6.2%
Low Turnover/Lack of Business	50.0%	44.1%	36.1%	30.6%	29.0%	22.4%	26.9%	30.0%	35.3%
Competition from Big Business	3.1%	8.5%	10.8%	9.4%	6.5%	10.4%	1.9%	13.3%	8.1%
Gov't Regulations & Paperwork	4.1%	12.7%	8.9%	11.9%	9.7%	14.9%	7.7%	6.7%	10.0%
High Rates of Pay	0.0%	0.0%	0.0%	0.6%	1.6%	0.0%	0.0%	0.0%	0.3%
Shortages of Materials,Supplies,etc	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	0.0%	0.3%
Internal Management Difficulties	1.0%	0.8%	2.5%	1.3%	1.6%	6.0%	9.6%	6.7%	2.7%
Cashflow/Payments/Debtors	7.1%	9.3%	13.3%	9.4%	14.5%	11.9%	13.5%	6.7%	10.6%
Premises/Rent/Rates	3.1%	1.7%	5.1%	6.9%	6.5%	4.5%	7.7%	0.0%	4.8%
Other	18.4%	9.3%	8.9%	10.0%	9.7%	10.4%	9.6%	10.0%	10.6%
No Response	0.0%	0.8%	1.3%	0.6%	1.6%	0.0%	1.9%	0.0%	0.8%
Base	98	118	158	160	62	67	52	30	753
Check	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Unweighted data

3. MOTIVATIONS, OBJECTIVES AND TARGETS

In this survey we return to a topic which we last examined over five years ago, the business owner's motivations for running a business and the objectives and targets of the business (see Volume 6 Number 2, 1990 and Volume 7 Number 3, 1991 of this survey).

The business owner managers taking part in this survey were asked which out of a list of options was the closest to their main motivation for running their own business. Table 3.1 shows that by far the most popular reason was *to be my own boss/responsible for my own organisation*, chosen by 44.1 per cent of respondents. The related option *to work by myself/not be told what to do* was chosen by a further 7.4 per cent. Over half of all respondents therefore indicated reasons which could be classified under the heading of *independence*. This is in line with the results from our 1990 survey, and reinforces the finding that for a majority of business owners maintaining their own independence is their main motivation for running a business.

Perhaps contrary to popular opinion, only 15.8 per cent of respondents indicated that *making money* is their main motivation for running their own business. Just under 10 per cent of owners said that their main motivation was *to create a more secure future*.

A considerable minority of all small firm owners (10.5 per cent) said that they had *no alternative* or ran their own business simply *to avoid unemployment*, while for just under five per cent of firms the main motivation was to carry on the *family tradition* of business management. Very few business owners said that their main motivation was *to earn respect and status*.

Table 3.1 "WHICH OF THE FOLLOWING IS CLOSEST TO YOUR MAIN MOTIVATION FOR RUNNING YOUR OWN BUSINESS?"

	Replies	%
No alternative/to avoid unemployment	79	10.5%
Family tradition	34	4.5%
To create a more secure future	74	9.8%
To make money	119	15.8%
To work by myself	56	7.4%
To be my own boss	332	44.1%
To earn respect/status	6	0.8%
Other	49	6.5%
No response	4	0.5%
Sample	753	100.0%

Table 3.2 shows that the motivation of the business owner is related to the size of business which they run, as might be expected. Firms which are very small are far more likely than larger firms to be run by people who had *no alternative* or do it *to avoid unemployment*. Over 20 per cent of owner/managers of firms where only one or two people work in the business fall into this category, compared with less than two per cent of owner managers of firms where 10 or more people work.

Table 3.2 "WHICH OF THE FOLLOWING IS CLOSEST TO YOUR MAIN MOTIVATION FOR RUNNING YOUR OWN BUSINESS?" - BY NUMBER OF PEOPLE WHO WORK IN THE BUSINESS

	1	2	3-4	5-9	10-14	15-24	25-49	50+	All
No alternative/to avoid unemployment	18.4%	22.0%	12.0%	6.3%	3.2%	1.5%	0.0%	3.3%	10.5%
Family tradition	1.0%	1.7%	1.9%	5.6%	6.5%	7.5%	7.7%	16.7%	4.5%
To create a more secure future	7.1%	4.2%	7.0%	11.3%	11.3%	20.9%	13.5%	16.7%	9.8%
To make money	12.2%	12.7%	12.7%	16.3%	17.7%	22.4%	19.2%	30.0%	15.8%
To work by myself	11.2%	9.3%	10.1%	8.1%	1.6%	0.0%	3.8%	6.7%	7.4%
To be my own boss	40.8%	44.1%	47.5%	46.3%	50.0%	40.3%	44.2%	23.3%	44.1%
To earn respect/status	1.0%	0.0%	2.5%	0.6%	0.0%	0.0%	0.0%	0.0%	0.8%
Other	8.2%	5.9%	5.7%	5.6%	9.7%	4.5%	11.5%	3.3%	6.5%
No response	0.0%	0.0%	0.6%	0.0%	0.0%	3.0%	0.0%	0.0%	0.5%
Sample	98	118	158	160	62	67	52	30	753

Table 3.3 "WHICH OF THE FOLLOWING IS CLOSEST TO YOUR MAIN MOTIVATION FOR RUNNING YOUR OWN BUSINESS?" - BY BUSINESS ACTIVITY

	Agriculture, Forestry, Fisheries	Manufacturing, Mining, Processing	Transport	Construction	Wholesale Trade	Retail Trade	Catering & Restaurants	Business Services	Other Services	Other	All
No alternative/to avoid unemployment	5.3%	6.4%	6.7%	16.3%	8.5%	13.9%	17.6%	11.5%	6.8%	14.3%	10.5%
Family tradition	10.5%	5.7%	6.7%	4.1%	5.6%	8.2%	17.6%	0.0%	4.1%	4.8%	4.5%
To create a more secure future	15.8%	17.1%	6.7%	2.0%	9.9%	8.2%	5.9%	8.4%	8.2%	9.5%	9.8%
To make money	10.5%	14.3%	26.7%	12.2%	21.1%	18.0%	17.6%	17.3%	8.2%	9.5%	15.8%
To work by myself	10.5%	2.9%	0.0%	8.2%	9.9%	6.6%	5.9%	8.4%	13.7%	4.8%	7.4%
To be my own boss	47.4%	48.6%	53.3%	51.0%	33.8%	37.7%	23.5%	46.0%	45.2%	52.4%	44.1%
To earn respect/status	0.0%	0.7%	0.0%	0.0%	1.4%	0.0%	0.0%	1.3%	1.4%	0.0%	0.8%
Other	0.0%	3.6%	0.0%	6.1%	9.9%	6.6%	11.8%	6.2%	12.3%	4.8%	6.5%
No response	0.0%	0.7%	0.0%	0.0%	0.0%	0.8%	0.0%	0.9%	0.0%	0.0%	0.5%
Sample	19	140	15	49	71	122	17	226	73	21	753

Larger firms are more likely to be managed by people who want *to make money* or *to create a more secure future*, or by those for whom it is a *family tradition*.

Table 3.3 shows the motivation of the owner/manager by type of business. Among other things, this reflects the fact that it is almost *de rigueur* to be self-employed in certain business sectors. Many types of construction work, small retailing and certain business services are dominated by self-employed people and so a large proportion of people working in these areas have *no alternative* but to run their own business. One respondent, for instance, explained that their business - advertising photography - was almost completely a self-employed industry.

On the other hand, particular types of business have a certain minimum efficient scale and require a considerable amount of capital to get started. This perhaps explains why a smaller proportion of firms in manufacturing and agriculture are run by people who started a business *to avoid unemployment*.

There does not appear to be a great difference between the motivations of the male and the female business owner/managers in our survey (

Table 3.4). Women owner managers are perhaps slightly more likely to want *to be their own boss/responsible for their own organisation* and slightly less likely to find the need *to make money* their primary motivation, but unfortunately there are too few female owner/managers in our sample for the differences to be statistically significant.

Table 3.4 "WHICH OF THE FOLLOWING IS CLOSEST TO YOUR MAIN MOTIVATION FOR RUNNING YOUR OWN BUSINESS?" - BY SEX OF OWNER

	Male	Female	Joint	All
No alternative/to avoid unemployment	10.7%	9.1%	9.9%	10.5%
Family tradition	4.7%	6.8%	3.7%	4.5%
To create a more secure future	9.6%	9.1%	10.3%	9.8%
To make money	15.4%	11.4%	17.7%	15.8%
To work by myself	7.8%	4.5%	6.6%	7.4%
To be my own boss	44.7%	52.3%	42.4%	44.1%
To earn respect/status	0.9%	2.3%	0.4%	0.8%
Other	5.1%	4.5%	9.1%	6.5%
No response	0.9%	0.0%	0.0%	0.5%
Sample	447	44	243	753

Table 3.5 "WHICH OF THE FOLLOWING IS CLOSEST TO YOUR MAIN MOTIVATION FOR RUNNING YOUR OWN BUSINESS?" - BY REGION

	North	Yorks & Humber	North West	East Midlands	West Midlands	East Anglia	South East	South West	Wales	Scotland	All
No alternative/to avoid unemployment	5.3%	14.8%	11.3%	15.1%	17.7%	7.5%	7.4%	8.6%	9.5%	18.6%	10.5%
Family tradition	0.0%	5.6%	8.5%	1.9%	3.2%	2.5%	4.0%	1.4%	9.5%	9.3%	4.5%
To create a more secure future	5.3%	13.0%	12.7%	7.5%	4.8%	10.0%	11.1%	11.4%	4.8%	9.3%	9.8%
To make money	15.8%	16.7%	12.7%	17.0%	11.3%	15.0%	16.8%	17.1%	14.3%	11.6%	15.8%
To work by myself	10.5%	3.7%	8.5%	1.9%	4.8%	10.0%	8.1%	5.7%	14.3%	9.3%	7.4%
To be my own boss	57.9%	40.7%	35.2%	47.2%	46.8%	50.0%	44.0%	47.1%	47.6%	39.5%	44.1%
To earn respect/status	0.0%	1.9%	1.4%	0.0%	0.0%	0.0%	1.0%	1.4%	0.0%	0.0%	0.8%
Other	0.0%	3.7%	8.5%	9.4%	9.7%	5.0%	7.7%	7.1%	0.0%	0.0%	6.5%
No response	5.3%	0.0%	1.4%	0.0%	1.6%	0.0%	0.0%	0.0%	0.0%	2.3%	0.5%
Sample	19	54	71	53	62	40	298	70	21	43	753

Apart from the figures for the North (Cumbria, Northumberland, Durham, Cleveland and Tyne & Wear), where there is a very small number of responses, Table 3.5 provides some evidence to suggest that the proportion of owners who run their business because there is *no alternative/to avoid unemployment* is higher in more northern areas of Britain than in the South East, South West and East Anglia. This probably reflects the fact that rates of unemployment have generally been higher in these more northern regions.

The business owner/managers taking part in the survey were next asked what is the main objective of their business. The most popular option chosen was *to support your preferred lifestyle (way of life, style of living, living where you like, etc. ...)*. This was indicated by over one-third of respondents to be the main objective of their business (Table 3.6).

In addition, 15.0 per cent of respondents chose the related *to protect your future and build up an asset for your children* and 8.2 per cent chose *to improve your standard of living* as the main motivation of their business.

Growth is the objective of 27.9 per cent of respondents' businesses. Of these, the vast majority (21.2 per cent of all respondents) have *growth in profits* as the main objective. A reasonable minority (6.1 per cent of all respondents) aim for growth in sales, but very few firms (only one-half of one per cent) have *growth in employment* as their main business objective.

Creating growth and security are not the only aims of small business. For a considerable number of respondents (7.0 per cent of the total), the main objective of the business is *to develop products and ideas/innovate*. Rather than just a means to gaining a competitive edge, many business owners appear to see this as an end in itself.

Table 3.6 "WHAT IS THE MAIN OBJECTIVE OF YOUR BUSINESS?"

	Replies	%
Growth in sales	46	6.1%
Growth in profits	160	21.2%
Growth in employment	4	0.5%
To improve your standard of living	62	8.2%
To support your preferred lifestyle	265	35.2%
To protect your future/build up an asset	113	15.0%
To develop products and ideas/innovate	53	7.0%
Other	44	5.8%
No response	6	0.8%
Sample	753	100.0%

Table 3.7 "WHAT IS THE MAIN OBJECTIVE OF YOUR BUSINESS?" - BY NUMBER OF PEOPLE WHO WORK IN THE BUSINESS

	1	2	3-4	5-9	10-14	15-24	25-49	50+	All
Growth in sales	8.2%	5.9%	4.4%	6.3%	9.7%	6.0%	7.7%	0.0%	6.1%
Growth in profits	9.2%	13.6%	15.8%	18.1%	32.3%	37.3%	36.5%	43.3%	21.2%
Growth in employment	0.0%	0.0%	0.0%	1.3%	0.0%	1.5%	1.9%	0.0%	0.5%
To improve your standard of living	11.2%	7.6%	9.5%	7.5%	8.1%	7.5%	3.8%	10.0%	8.2%
To support your preferred lifestyle	43.9%	51.7%	44.9%	33.1%	19.4%	14.9%	17.3%	20.0%	35.2%
To protect your future/build up an asset	9.2%	10.2%	12.0%	19.4%	19.4%	20.9%	17.3%	13.3%	15.0%
To develop products and ideas/innovate	8.2%	5.9%	8.2%	6.9%	6.5%	6.0%	5.8%	10.0%	7.0%
Other	10.2%	5.1%	4.4%	5.6%	4.8%	4.5%	9.6%	3.3%	5.8%
No response	0.0%	0.0%	0.6%	1.9%	0.0%	1.5%	0.0%	0.0%	0.8%
Sample	98	118	158	160	62	67	52	30	753

Table 3.8 "WHAT IS THE MAIN OBJECTIVE OF YOUR BUSINESS?" - BY MOTIVATION

Motivation	Objective								Sample
	Growth in sales	Growth in profits	Growth in employment	Improve standard of living	Support preferred lifestyle	Protect your future/build up an asset	Products and ideas/innovate	Other	
No alternative/to avoid unemployment	7.6%	19.0%	0.0%	10.1%	43.0%	8.9%	0.0%	11.4%	79
Family tradition	11.8%	17.6%	2.9%	5.9%	17.6%	38.2%	0.0%	2.9%	34
To create a more secure future	6.8%	34.2%	1.4%	11.0%	13.7%	27.4%	6.8%	0.0%	73
To make money	6.0%	35.0%	0.0%	12.8%	34.2%	10.3%	1.7%	0.9%	117
To work by myself	5.5%	14.5%	0.0%	5.5%	54.5%	12.7%	3.6%	5.5%	55
To be my own boss	6.1%	17.1%	0.6%	7.6%	38.2%	15.6%	10.7%	4.9%	327
To earn respect/status	0.0%	0.0%	0.0%	0.0%	50.0%	0.0%	50.0%	0.0%	6
Other	2.1%	17.0%	0.0%	2.1%	36.2%	6.4%	10.6%	29.8%	47
All motivations	6.1%	21.2%	0.5%	8.2%	35.2%	15.0%	7.0%	5.8%	753

Table 3.7 shows, unsurprisingly, that the objectives of the business are closely related to its size. Firms which aim for a *growth in profits* have generally already grown to a considerable size in order to achieve this goal. Over two-fifths of the few firms in our survey which have fifty employees or more have *growth in profits* as their main objective. Less than ten per cent of businesses where the owner works on his or her own have this as their primary objective. It should be remembered that the majority of firms taking part in our survey have been established for some years. In the business population as a whole, there may be many new, very small firms which aspire to growth in profits, but which have not yet had chance to expand.

There is some evidence that firms whose main objective is *to protect the owner's future or build up an asset for their children* are generally content to be medium-sized. The proportion of firms with between 5 and 49 employees with this objective is above average. For the smallest firms (those with fewer than 10 employees), *supporting the owner's lifestyle* is often most important.

The motivations of the owner and the objectives of the business are, of course, inextricably linked (see Table 3.8). Firms whose owners' main motivation is *to make money* or *to create a more secure future* are more likely than others to have a *growth in profits* as the main objective of their business. The main objective of over half of those whose main motivation is *to work by themselves* is *to support their preferred lifestyle*. This is also the most common objective of businesses run by those whose main motivation is *no alternative/to avoid unemployment*. Family traditions look set to continue. In those businesses where the main motivation of the owner is *family tradition*, the most common objective is *to protect your future and build up an asset for your children*.

To complete this set of questions, respondents were asked what their current long-term business growth targets are. Table 3.9 shows that the most common target is simply for the business to *remain at its present size*. For well over one-quarter (27.6 per cent) of small firms, this is their current target.

Table 3.9 "WHAT ARE YOUR CURRENT LONG-TERM BUSINESS GROWTH TARGETS?"

	Replies	%
Remain at present size	208	27.6%
Sell your business	143	19.0%
Merge with another business	26	3.5%
No growth targets	69	9.2%
Expand indefinitely	136	18.1%
Grow to a certain size	112	14.9%
Contract to a certain size	4	0.5%
Other	49	6.5%
No response	6	0.8%
Sample	753	100.0%

Table 3.10 "WHAT ARE YOUR CURRENT LONG-TERM BUSINESS GROWTH TARGETS?" - BY NUMBER OF PEOPLE WHO WORK IN THE BUSINESS

	1	2	3-4	5-9	10-14	15-24	25-49	50+	All
Remain at present size	45.9%	41.5%	29.7%	21.3%	16.1%	13.4%	15.4%	16.7%	27.6%
Sell your business	8.2%	12.7%	19.0%	20.0%	35.5%	25.4%	15.4%	23.3%	19.0%
Merge with another business	2.0%	1.7%	4.4%	4.4%	3.2%	3.0%	3.8%	3.3%	3.5%
No growth targets	11.2%	15.3%	13.3%	6.9%	3.2%	3.0%	5.8%	3.3%	9.2%
Expand indefinitely	13.3%	12.7%	13.3%	22.5%	14.5%	25.4%	26.9%	33.3%	18.1%
Grow to a certain size	15.3%	8.5%	13.9%	16.9%	14.5%	23.9%	17.3%	13.3%	14.9%
Contract to a certain size	0.0%	2.5%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.5%
Other	4.1%	5.1%	5.1%	5.6%	11.3%	6.0%	15.4%	6.7%	6.5%
No response	0.0%	0.0%	1.3%	1.9%	1.6%	0.0%	0.0%	0.0%	0.8%
Sample	98	118	158	160	62	67	52	30	753

Table 3.11 "WHAT ARE YOUR CURRENT LONG-TERM BUSINESS GROWTH TARGETS?" - BY MOTIVATION

Motivation	Target								Sample
	Remain at present size	Sell your business	Merge with another business	No growth targets	Expand indefinitely	Grow to a certain size	Contract to a certain size	Other	
No alternative/to avoid unemployment	40.5%	16.5%	0.0%	16.5%	8.9%	7.6%	0.0%	10.1%	79
Family tradition	26.5%	11.8%	8.8%	5.9%	17.6%	11.8%	0.0%	11.8%	34
To create a more secure future	17.6%	12.2%	4.1%	6.8%	23.0%	25.7%	0.0%	9.5%	74
To make money	16.0%	33.6%	5.9%	2.5%	21.8%	13.4%	1.7%	5.0%	119
To work by myself	35.7%	16.1%	0.0%	17.9%	16.1%	7.1%	1.8%	3.6%	56
To be my own boss	30.4%	17.5%	3.3%	8.4%	18.1%	18.1%	0.3%	3.9%	332
To earn respect/status	33.3%	0.0%	0.0%	33.3%	16.7%	16.7%	0.0%	0.0%	6
Other	24.5%	20.4%	4.1%	12.2%	18.4%	2.0%	0.0%	16.3%	49
All motivations	27.6%	19.0%	3.5%	9.2%	18.1%	14.9%	0.5%	6.5%	753

Table 3.10 shows that the smallest firms are happiest for things to stay the way that they are. Over 40 per cent of one- and two-person firms have a business target of *remaining at the present size*. It should be remembered that most of the one- and two-person businesses taking part in our survey have been that size for a number of years. If more young firms were included, there would doubtless be more firms of this size which aimed to become larger in future years.

Few of the owners of very small firms aim to *sell the business* or *merge with another business*. This may well be due as much to a lack of opportunity as to a lack of desire. In many cases in one- and two-person firms the owner *is* the business and so there is little potential to sell to anyone else. Overall, almost one-quarter (22.5 per cent) of firms see selling up or merging as the long-term target. Firms run by people whose main motivation was *to make money* are the most likely to aim to sell their business (see Table 3.11).

For just under one-third (32.9 per cent) of firms, growth is the long-term business target. Rather more than half of these (18.1 per cent of all firms) aim to *expand indefinitely*. The remainder (14.9 per cent) want to expand, but only to a certain size. The desired size varied widely, but half of these firms did not want to grow to be any larger than a firm which employed 10 people. Over one-quarter of business owners whose main motivation was *to create a more secure future* wanted their business to grow, but only to a certain size.

Only a very few firms actually wanted to contract, but some 9.2 per cent had *no growth targets*. For a majority of firms run by those whose motivation was *no alternative/to avoid unemployment* and *to work by myself* the target of the business was to *remain at present size* or they simply had *no growth targets*.

Conclusions

This survey challenges the myth that all small business owners are out to make as much money as possible and want their businesses to grow and grow. In fact, there are probably as many different motivations, objectives and targets as there are business owners. Nevertheless, there are certain groupings which can be identified.

There certainly is a group whose main motivation is *to make money*, whose main objective is a *growth in sales* or, more likely, *profits* and whose long-term business target is to *sell* or *merge the business* or to continue its *growth*. These account, however, for only five per cent of all businesses taking part in the survey. At the other extreme, slightly more firms are run by business owners who indicate that their primary motivation is *no alternative/to avoid unemployment* or the desire *to work by myself/not be told what to do*, their objective is to *support their preferred lifestyle (way of life, style of living, living where you like, etc. ...)* and their target is to *remain at the present size*, or they have *no growth targets*.

The biggest grouping of a single combination of motivation, objective and target was the seven per cent of business owners whose motivation is *to be my own boss/responsible for my own organisation*, whose main business objective is *to support their present lifestyle* and whose long-term business target is *to remain at the present size*.

APPENDIX

Organisation of the Survey

This survey (the 49th in the series) was mailed out on 23 September 1996 to 2,500 small firms. By the cut-off date of 23 October 1996, 753 completed questionnaires had been received.

Up to and including Survey 17, the regular SBRT surveys were carried out via postal questionnaires and personal interviews of members of three small business representative organisations:

- The Federation of Small Businesses (FSB) - formerly The National Federation of the Self Employed and Small Business Ltd
- The Association of Independent Business (AIB)
- The Forum of Private Business

These surveys have been supplemented by responses from readers of the National Westminster Small Business Digest.

From Survey 18, we have included responses from members of the National Chamber of Trade (NCT) as well as from the FSB and, until survey 23, the AIB. From time to time, small firms recruited through Local Enterprise Agencies have also been included. The SBRT would welcome additions to the sample from similar sources, including Training and Enterprise Councils (TECs) and Local Enterprise Companies (LECs).

A copy of the current questionnaire used is included at the end of this Appendix.

Further details of sample size, response and a discussion of representativeness have been included in earlier issues of the Quarterly Survey of Small Business in Britain (see, for example, Vol.3 No.2, 1987, Vol.4 No.4, 1988 and Vol.5 No.1, 1989). It should be noted that the SBRT survey is not a panel, nor is it fully random among the total membership of the bodies listed above.

Note that from the first quarter of 1989 onwards the overall balances have been weighted, using VAT registration data, by sector. This is so that a change in the importance of any particular sector, for instance manufacturers, in our sample will not affect the percentage balances and also so that the results are more representative of the UK economy as a whole. This means, however, that in tables showing the breakdowns by size, sector and region (which are unweighted) the overall balances are not strictly comparable with table 1.1. In addition, where not all respondents indicate the nature of their business some firms may be excluded from the weighted results.

Because the balances referring to the expected sales turnover and employment in the next quarter have a pronounced seasonal trend we have also constructed seasonally-adjusted figures for these balances. These are listed in appendix table A1. Again, the breakdowns by size, sector and region are not seasonally adjusted, neither are the figures in Table 1.1.

Special Topics

The survey reports in each issue on changes in sales and employment and on the ranking of most important problems experienced by small firms. The percentage balances for sales and employment are shown in Appendix Table A.1 and the percentage mention of problems are shown in Appendix Table A.2 for each of the surveys carried out to date.

In addition, each issue covers one or more special topics, based upon the survey results, designed to contribute to knowledge about small business in Britain.

The following topics have been examined to date:

1985	Vol. 1	No 1	Some Characteristics of the Respondents
		No 2	Changes in Employment New Business
		No 3	Part-time Employees Computers in Small Firms
		No 4	Employment
1986	Vol. 2	No 1	Finance Membership of Representative Bodies
		No 2	Exports The Business Expansion Scheme
		No 3	Employment Skill Shortage
		No 4	Incorporated and Unincorporated Business Expanding Firms Small Firms in the Service Sectors
1987	Vol. 3	No 1	Domestic versus Business Telephone Usage Employment
		No 2	Most Important Problem Facing Declining and Growing Businesses Characteristics of our Respondents
		No 3	Employment Slow Payment Problems
		No 4	Use of Accountants
1988	Vol. 4	No 1	Use of Solicitors
		No 2	Training background of managers and arrangements for staff training
		No 3	Access to external information
		No 4	Present and future use of Telecommunications products and services Characteristics of Respondents
1989	Vol. 5	No 1	Employee Turnover National Chamber of Trade Survey National Westminster Digest Survey
		No 2	The effects of 1992 on small firms
		No 3	Intergenerational and previous business background of respondents
		No 4	Origins of new employees
1990	Vol. 6	No 1	European Community Special Directorate DG23

		No 2	Motivation and Objectives of respondents for setting up their own business
		No 3	School-leaver Training
		No 4	School-leaver Training Problems
1991	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
1992	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
1993	Vol.9	No 1	Business Premises and the UBR
		No 2	Rented Business Premises
		No 3	Delayed Payments
		No 4	External Sources of Information
1994	Vol. 10	No 1	The Single Market
		No 2	Pensions
		No 3	The Past Ten Years
		No 4	Minimum Wage
1995	Vol. 11	No 1	Capacity Utilisation
		No 2	Succession and Ownership
		No 3	Staff Recruitment
		No 4	Employee Turnover and Training
1996	Vol. 12	No 1	Compliance Costs
		No 2	IT - Communications and Computers
		No 3	Business Support Organisations
		No 4	Motivations, Objectives and Targets

Appendix Tables

TABLE A.1: CHANGES AND EXPECTED CHANGES IN SALES AND EMPLOYMENT, PERCENTAGE BALANCE

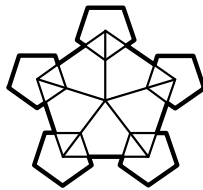
Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year			Expected Change, next quarter compared to past quarter				
			Sales	Investment		Sales		Employment		Investment
			Employment			U	S	U	S	U
Vol.1 No.1a	3,056	1984/3	34.7%	10.5%	-	21.2%	23.8%	3.3%	5.2%	-
Vol.1 No.1b	1,795	1984/4	32.6%	10.4%	-	9.5%	18.4%	0.9%	4.3%	-
Vol.1 No.2	1,181	1985/1	33.4%	17.6%	-	16.9%	9.5%	9.5%	7.2%	-
Vol.1 No.3	1,090	1985/2	34.4%	11.2%	-	31.4%	27.3%	5.3%	2.3%	-
Vol.1 No.4	1,072	1985/3	37.4%	12.1%	-	26.2%	28.8%	5.3%	7.2%	-
Vol.2 No.1	1,326	1985/4	41.4%	12.6%	-	9.8%	18.7%	5.3%	8.7%	-
Vol.2 No.2	1,052	1986/1	33.6%	11.6%	-	31.1%	23.7%	5.6%	3.3%	-
Vol.2 No.3	1,285	1986/2	35.5%	14.2%	-	29.6%	25.5%	11.9%	8.9%	-
Vol.2 No.4	1,435	1986/3	39.7%	15.2%	-	22.3%	24.9%	6.0%	7.9%	-
Vol.3 No.1	1,116	1986/4	40.0%	13.4%	-	17.0%	25.9%	4.6%	8.0%	-
Vol.3 No.2	1,746	1987/1	40.2%	15.2%	-	39.7%	32.3%	15.1%	12.8%	-
Vol.3 No.3	1,113	1987/2	44.7%	23.1%	-	36.8%	32.7%	13.2%	10.2%	-
Vol.3 No.4	977	1987/3	44.8%	17.6%	-	28.8%	31.4%	10.0%	11.9%	-
Vol.4 No.1	1,042	1987/4	52.7%	23.4%	-	31.4%	40.3%	10.5%	13.9%	-
Vol.4 No.2	933	1988/1	52.7%	19.3%	-	46.7%	39.3%	15.3%	13.0%	-
Vol.4 No.3	983	1988/2	55.0%	22.0%	-	47.9%	43.8%	19.1%	16.1%	-
Vol.4 No.4	950	1988/3	54.9%	22.3%	-	34.4%	37.0%	13.3%	15.2%	-
Vol.5 No.1A	1,523	1988/4	49.2%	15.1%	-	25.6%	34.5%	5.7%	9.1%	-
Vol.5 No.2	947	1989/1	38.8%	18.1%	-	18.6%	11.2%	5.6%	3.3%	-
Vol.5 No.3	2,274	1989/2	41.1%	16.7%	-	30.8%	26.8%	10.4%	7.4%	-
Vol.5 No.4	795	1989/3	33.5%	18.3%	-	20.2%	22.7%	7.4%	9.3%	-
Vol.6 No.1	1,091	1989/4	29.9%	10.5%	-	10.6%	19.5%	0.9%	4.4%	-
Vol.6 No.2	1,384	1990/1	31.4%	9.9%	-	24.4%	17.0%	3.5%	1.2%	-
Vol.6 No.3	1,043	1990/2	22.3%	4.8%	-	14.7%	10.7%	0.9%	-2.2%	-
Vol.6 No.4	1,312	1990/3	18.2%	3.5%	-	3.6%	6.2%	-4.1%	-2.2%	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-16.0%	-7.1%	-14.4%	-11.0%	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	12.3%	4.9%	-7.6%	-9.9%	-15.0%
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-5.2%	-9.2%	-11.5%	-14.6%	-20.6%
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-1.0%	1.6%	-17.5%	-15.6%	-15.1%
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%	-20.5%	-9.4%	-0.5%	-16.9%	-13.4%	-13.3%
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	19.5%	12.0%	-5.5%	-7.8%	-6.8%
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%	-18.7%	4.2%	0.2%	-5.9%	-8.9%	-11.8%
Vol.8 No.4	921	1992/3	-15.9%	-27.8%	-32.7%	-6.2%	-3.6%	-17.7%	-15.8%	-24.1%
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%	-21.0%	-4.0%	5.0%	-10.7%	-7.2%	-13.1%
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	23.5%	16.0%	0.7%	-1.6%	-0.8%
Vol.9 No.3	1,310	1993/2	0.9%	-7.9%	-7.4%	19.1%	15.0%	4.3%	1.2%	-0.5%
Vol.9 No.4	1,076	1993/3	8.3%	-1.6%	-7.0%	14.7%	17.3%	-3.4%	-1.5%	-4.5%
Vol.10 No.1	1,295	1993/4	13.8%	3.5%	-3.3%	15.1%	24.1%	-0.2%	3.3%	3.3%
Vol.10 No.2	861	1994/1	3.6%	-4.3%	-3.8%	23.0%	15.6%	-1.1%	-3.4%	3.7%
Vol.10 No.3	2,327	1994/2	16.2%	0.8%	-3.3%	18.4%	14.4%	1.6%	-1.4%	-2.2%
Vol.10 No.4	1,046	1994/3	20.3%	7.6%	0.6%	14.6%	17.1%	-0.2%	1.7%	1.9%
Vol.11 No.1	983	1994/4	20.4%	2.8%	4.1%	17.0%	25.9%	4.2%	7.6%	1.7%
Vol.11 No.2	1,295	1995/1	19.8%	3.3%	0.3%	28.0%	20.6%	6.2%	3.9%	5.7%
Vol.11 No.3	669	1995/2	14.0%	2.1%	0.8%	15.7%	11.6%	4.8%	1.7%	-1.8%
Vol.11 No.4	1,047	1995/3	14.8%	4.9%	2.2%	12.4%	15.0%	-1.8%	0.1%	-2.3%
Vol.12 No.1	700	1995/4	8.5%	-5.5%	1.5%	1.5%	10.4%	-10.0%	-6.6%	-8.0%
Vol.12 No.2	1,099	1996/1	13.8%	3.5%	0.6%	20.0%	12.6%	1.7%	-0.6%	-2.0%
Vol.12 No.3	742	1996/2	9.1%	5.1%	4.8%	14.4%	10.3%	2.2%	-0.9%	-5.6%
Vol.12 No.4	753	1996/3	24.6%	9.0%	7.2%	24.6%	27.2%	4.1%	6.0%	5.3%

Key: U - Unadjusted, S - Seasonally adjusted

Notes: a, b- The results from two surveys were published in Volume 1 Number 1
A - From Volume 5 Number 1, all results have been weighted to the VAT sectoral distribution.

Table A.2: PROBLEMS EXPERIENCED BY RESPONDENTS - Note: From Survey 18 (1989/1), all figures shown in this table have been weighted to the VAT sectoral distribution.

	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 Material & Supplies	Internal Management Difficulties	Cashflow and Payments	Premises, Rents & Rates	Other	No Response	Number of Replies Analysed
1984/4	3.5%	17.1%	-	5.4%	15.9%	15.3%	12.0%	12.6%	4.2%	1.1%	-	-	-	10.9%	1.4%	3,056
1985/1	3.8%	19.4%	-	4.4%	15.9%	14.5%	10.0%	15.7%	3.4%	1.3%	-	-	-	9.5%	1.5%	1,795
1985/2	5.0%	22.1%	-	4.3%	16.1%	14.3%	10.8%	12.5%	2.4%	1.3%	-	-	-	9.1%	1.5%	1,181
1985/3	2.0%	23.6%	-	4.9%	12.8%	13.8%	11.2%	13.1%	3.7%	1.9%	-	-	-	8.6%	3.8%	1,090
1985/4	2.2%	24.0%	-	5.6%	16.6%	15.7%	11.0%	10.2%	2.0%	0.9%	-	-	-	9.2%	2.0%	1,072
1986/1	3.0%	21.4%	-	7.2%	17.1%	14.4%	11.7%	9.6%	2.0%	1.8%	-	-	-	9.9%	1.3%	1,326
1986/2	1.7%	29.9%	-	7.3%	16.3%	12.6%	9.1%	9.9%	2.2%	1.2%	-	-	-	9.4%	0.6%	1,052
1986/3	0.9%	21.3%	-	7.3%	16.6%	17.0%	11.5%	7.3%	1.4%	0.9%	-	-	-	13.7%	2.0%	1,285
1986/4	1.1%	25.0%	-	7.2%	17.7%	14.7%	11.8%	6.8%	1.3%	1.3%	-	-	-	10.0%	3.1%	1,435
1987/1	0.9%	26.4%	-	8.0%	16.0%	13.0%	12.0%	7.4%	1.6%	1.3%	-	-	-	9.1%	4.2%	1,166
1987/2	1.0%	23.7%	-	9.6%	17.7%	12.0%	10.7%	7.6%	2.6%	1.5%	-	-	-	10.3%	3.3%	1,746
1987/3	1.1%	20.3%	-	11.8%	17.9%	12.9%	11.5%	6.6%	1.9%	2.2%	-	-	-	10.5%	3.5%	1,113
1987/4	1.1%	18.0%	-	11.1%	21.3%	13.0%	12.5%	6.3%	1.3%	1.3%	-	-	-	9.6%	4.5%	977
1988/1	0.7%	21.6%	-	11.1%	20.1%	9.6%	11.4%	6.1%	2.3%	1.9%	-	-	-	14.9%	0.3%	1,042
1988/2	1.0%	19.4%	-	12.7%	15.5%	10.2%	14.4%	8.0%	1.8%	2.3%	-	-	-	13.7%	1.4%	933
1988/3	0.9%	17.6%	-	17.7%	13.7%	11.3%	11.4%	8.3%	2.4%	2.7%	-	-	-	11.4%	2.4%	983
1988/4	2.8%	25.5%	-	16.9%	12.5%	8.7%	10.4%	6.0%	1.3%	3.3%	-	-	-	10.6%	1.9%	950
1989/1	5.3%	23.4%	-	16.4%	11.1%	5.7%	5.9%	7.2%	1.4%	0.3%	-	-	-	19.0%	4.3%	1,523
1989/2	6.3%	28.4%	-	14.0%	12.2%	7.1%	5.9%	5.2%	1.0%	0.8%	-	-	-	14.5%	4.7%	947
1989/3	6.1%	32.9%	-	13.3%	7.1%	13.1%	6.0%	5.9%	1.5%	0.5%	-	-	-	12.1%	1.6%	2,274
1989/4	6.9%	39.2%	-	10.4%	5.4%	12.9%	4.7%	5.1%	1.1%	0.6%	-	-	-	12.2%	1.4%	795
1990/1	4.2%	31.3%	3.1%	6.7%	5.3%	13.3%	-	5.5%	2.5%	0.7%	0.6%	11.5%	8.4%	5.3%	1.7%	1,091
1990/2	6.7%	27.9%	3.2%	7.8%	2.9%	14.6%	-	5.6%	1.5%	0.3%	1.6%	11.6%	6.6%	8.2%	1.4%	1,384
1990/3	4.3%	29.9%	3.6%	6.4%	3.7%	14.7%	3.1%	4.3%	1.6%	0.0%	1.9%	13.6%	4.8%	5.5%	2.5%	1,043
1990/4	7.5%	26.6%	2.3%	5.7%	4.4%	18.9%	3.8%	6.3%	0.2%	0.3%	0.8%	8.6%	4.7%	7.9%	1.9%	1,250
1991/1	6.0%	29.4%	2.7%	3.4%	4.2%	21.1%	2.6%	5.6%	0.9%	0.5%	0.8%	11.4%	4.2%	5.5%	1.9%	1,239
1991/2	4.0%	21.2%	4.3%	2.9%	5.1%	25.2%	2.9%	4.0%	0.4%	0.4%	0.6%	14.9%	7.1%	6.0%	1.0%	984
1991/3	3.3%	15.0%	3.0%	2.3%	4.7%	37.5%	2.4%	6.7%	1.2%	0.3%	1.2%	11.0%	3.3%	6.7%	1.5%	1,718
1991/4	1.2%	7.5%	4.6%	4.5%	4.1%	38.1%	3.4%	3.9%	0.7%	0.3%	1.3%	13.2%	5.7%	10.7%	0.8%	835
1992/1	2.0%	9.1%	5.2%	2.1%	5.6%	36.3%	3.2%	5.6%	0.5%	0.4%	1.2%	15.8%	4.0%	7.1%	1.8%	1,684
1992/2	2.2%	11.6%	4.4%	3.4%	5.4%	34.3%	4.5%	5.3%	0.4%	0.3%	1.1%	13.4%	5.0%	7.4%	1.3%	1,359
1992/3	1.6%	7.6%	3.9%	2.9%	5.1%	43.3%	2.1%	8.1%	0.3%	1.0%	0.8%	13.5%	3.0%	5.9%	0.8%	1,527
1992/4	1.0%	8.8%	3.6%	1.6%	6.0%	44.3%	4.0%	8.0%	0.5%	0.3%	0.2%	11.5%	3.0%	5.2%	2.0%	921
1993/1	0.6%	3.7%	3.2%	3.2%	4.1%	47.7%	3.0%	6.2%	0.3%	1.2%	0.6%	13.1%	2.9%	8.4%	1.8%	1,339
1993/2	0.5%	1.4%	5.4%	3.3%	5.4%	43.1%	4.0%	7.6%	0.5%	0.7%	1.6%	14.3%	2.9%	7.4%	1.8%	1,021
1993/3	0.4%	2.1%	5.5%	4.5%	5.4%	41.2%	4.2%	12.6%	0.3%	0.7%	0.9%	10.9%	3.7%	5.9%	1.6%	1,310
1993/4	1.0%	2.8%	6.9%	3.0%	6.5%	36.8%	4.3%	10.0%	0.3%	0.6%	2.5%	15.5%	3.3%	4.6%	2.0%	1,076
1994/1	0.6%	1.9%	5.5%	4.2%	6.8%	34.1%	6.9%	11.0%	0.1%	0.6%	1.1%	14.4%	4.1%	6.9%	1.7%	1,295
1994/2	1.1%	1.6%	3.8%	5.4%	7.0%	35.3%	5.2%	13.9%	0.1%	0.4%	1.4%	14.0%	3.2%	6.4%	1.3%	861
1994/3	0.9%	1.5%	3.6%	4.9%	5.9%	37.7%	5.9%	9.7%	0.9%	0.8%	2.1%	13.3%	3.1%	7.6%	2.0%	2,327
1994/4	1.1%	1.2%	4.7%	4.8%	6.4%	35.7%	6.3%	10.4%	0.1%	1.1%	1.6%	12.9%	3.8%	7.6%	2.5%	1,046
1995/1	0.9%	3.0%	4.4%	5.4%	5.7%	36.8%	7.1%	7.1%	0.6%	1.2%	3.0%	12.4%	1.8%	8.0%	2.6%	983
1995/2	1.2%	2.0%	3.6%	4.8%	7.0%	35.0%	6.2%	9.0%	0.7%	0.8%	2.7%	12.6%	3.8%	9.8%	0.9%	1,295
1995/3	1.0%	4.8%	4.5%	3.5%	7.0%	36.7%	9.0%	6.9%	0.4%	0.5%	1.0%	11.6%	5.4%	7.2%	0.4%	669
1995/4	1.1%	0.9%	3.2%	6.0%	5.9%	36.2%	6.2%	9.9%	0.9%	0.2%	3.3%	12.5%	2.9%	9.9%	0.9%	1,047
1996/1	3.0%	0.5%	4.2%	4.2%	5.8%	36.0%	7.1%	5.2%	0.3%	0.7%	2.0%	12.7%	3.7%	12.7%	2.1%	700
1996/2	0.4%	0.8%	2.5%	3.8%	6.4%	34.7%	6.3%	10.1%	0.5%	0.4%	2.6%	13.6%	3.4%	13.6%	0.7%	1,099
1996/3	0.1%	0.7%	3.8%	5.2%	6.1%	29.8%	8.0%	8.1%	0.4%	0.6%	1.7%	12.3%	5.1%	15.9%	2.2%	742
1996/4	1.1%	1.1%	2.6%	7.7%	6.2%	32.8%	7.2%	11.2%	0.8%	0.2%	2.6%	9.5%	3.9%	12.3%	0.9%	753



Please circle the appropriate numbers or fill in the blanks.
 Your answers will remain confidential.

- 1 Please Indicate Your Firm's Annual Turnover (excluding VAT):**
- | | | |
|----------------------|----------------------|------------------------|
| a. Less than £20,000 | d. £150,000-£349,999 | f. £750,000-£1,499,999 |
| b. £20,000-£49,999 | e. £350,000-£749,999 | g. £1,500,000 and over |
| c. £50,000-£149,999 | | |

2a Employment: The number of people (including yourself) who work in the business:

2b The number of these who work part-time:

2c The number of outworkers and freelancers:

3a How many years have you owned and managed businesses?

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

4a Please classify your business activity by circling one of these categories:

- | | | |
|--------------------------------------|--|-------------------|
| a. Agriculture, Forestry, Fisheries | e. Wholesale | i. Other Services |
| b. Manufacturing, Mining, Processing | f. Retail Trade | j. Other |
| c. Transport | g. Catering & Restaurants | |
| d. Construction | h. Business Services (Finance, Consultants, Designers, etc.) | |

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

5 Which of the following is closest to your main motivation for running your own business? Circle ONE only.

- | | |
|---|--|
| a. No alternative/to avoid unemployment | e. To work by myself/not be told what to do |
| b. Family tradition | f. To be my own boss/responsible for my own organisation |
| c. To create a more secure future | g. To earn respect/status |
| d. To make money | h. Other (please specify) |

6 What is the main objective of your business? Please circle ONE only:

- | | |
|---------------------------------------|--|
| a. Growth in sales | e. To support your preferred lifestyle (way of life, style of living, living where you like, etc. ...) |
| b. Growth in profits | f. To protect your future or build up an asset for your children |
| c. Growth in employment | g. To develop products and ideas/innovate |
| d. To improve your standard of living | h. Other (please specify) |

7 What are your current long-term business growth targets? Please circle ONE only.

- | | |
|--------------------------------|--|
| a. Remain at present size | e. Expand indefinitely |
| b. Sell your business | f. Grow to a certain size (please state number of employees) |
| c. Merge with another business | g. Contract to a certain size (please state number of employees) |
| d. No growth targets | i. Other (please specify) |

8 How did your sales turnover, average employment and investment (in plant, equipment and premises) in the past quarter compare with the same period in 1995? What do you expect to happen in the NEXT quarter? Please complete the table by ticking 6 boxes only:

	ACTUAL			EXPECTED		
	July, August, September 1996 compared with the same period 1995					
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						

9 What is the MOST important problem facing your business today? Please circle ONE only:

- | | | |
|--------------------------------------|--|-------------------------------------|
| a. Inflation | f. Low Turnover/Lack of Business | k. Internal Management Difficulties |
| b. Interest Rates | g. Competition from Big Business | l. Cashflow/Payments/Debtors |
| c. Access to Finance | h. Gov't Regulations and Paperwork | m. Premises, Rents, Rates |
| d. Lack of Skilled/Trained Employees | i. High Rates of Pay | n. Other (Please specify) |
| e. Total Tax Burden | j. Shortage of Materials, Supplies, etc. | |

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

- | | | |
|---------|-----------|--------------------------------|
| a. Male | b. Female | c. Joint Male/Female ownership |
|---------|-----------|--------------------------------|

Thank you for completing this confidential survey questionnaire.
Please return it to the Small Business Research Trust by 15th October 1996.
 Please note that this is a FREEPOST address (no stamp required).