



Longitudinal Small Business Survey: SME Employers (businesses with 1-249 employees) – UK, 2020

18 August 2021

Official Statistics

- The 2020 survey was conducted between September 2020 and April 2021 during the coronavirus (COVID-19) pandemic. The impact of the pandemic on SME employers can clearly be seen throughout the report.
- 33% of SME employers reported lower levels of employment than a year ago, and for the first time since 2010 this figure was higher than the proportion that reported an increase in the number employed (27%).
- SME employers' plans for employment reflect expectations of employment prior to 2019 when growth was more likely to be anticipated; 26% expected to increase their number of staff in the next year (25% in 2018, 28% in 2019) while 10% expected to employ fewer people in a year's time (9% in 2018, 16% in 2019).
- Very challenging trading conditions because of the coronavirus (COVID-19) pandemic were reflected in the 56% of SME employers that reported a fall in annual level of sales (turnover) in the last 12 months. Some 'bounce-back' was expected, with 41% of SME employers expecting to be reporting an increase in sales in 12 months' time.
- Furthermore, although the coronavirus (COVID-19) pandemic has significantly negatively impacted trading in the last year, businesses were optimistic about future sales growth, with 77% of SME employers expecting to increase sales over the following three years.
- 67% of SME employers generated a profit or surplus in their last financial year – a decrease of 13 percentage points on the 2019 survey – with the 2020 figure the lowest since the survey began.
- Overall, 19% of SME employers exported goods or services abroad in 2020, a proportion that has been steady since 2012. This proportion varied by business size, from 18% of micros to 24% of small to 29% of the largest SMEs (with 50 to 249 employees). In the next few years 50% of exporters expect to increase their level of exporting, although for most SME exporters the majority of their sales were, and will remain, to domestic customers.
- The main reported obstacle to growth for SME employers in 2020 was the coronavirus (COVID-19) pandemic (71%). However, competition continued to be a relatively significant obstacle (in second place), mentioned by 37% of SME employers. Other major obstacles included regulations and red tape (35%), taxation (27%), staff recruitment and skills (26%) and late payment (25%).
- Across the UK the UK's exit from the EU was mentioned as an obstacle to growth by 23% of SME employers, but there were differing levels of agreement across the home nations, ranging from 22% in England to 52% in Northern Ireland.

- The majority of SME employers were negatively impacted by the coronavirus (COVID-19) pandemic and associated trading restrictions, with 47% reducing their operations and 31% closing down completely (temporarily). In comparison in Northern Ireland this increased to 43% of businesses closing down completely (temporarily). Six per cent of SME employers reported an increase in operations, while 15% reported no impact. The majority of SME employers took some action in respect of their workforce during the coronavirus (COVID-19) pandemic (88%), with 65% furloughing staff, 49% reducing staff working hours, and 37% providing facilities for remote working.
- More than half of all SME employers (56%) used technologies or web-based software to sell to customers or to manage the business (7 percentage points higher than in 2019).
- Sixteen per cent of SME employers were women-led, a similar level to that seen in previous surveys. The sectors most likely to have women-led businesses were health, education, other services and accommodation and food services.
- Five per cent of SME employers were led by teams at least half of which are from minority ethnic groups (MEG-led).

What you need to know about these statistics

The Longitudinal Small Business Survey (LSBS) is a 2020 telephone survey of UK businesses in the private sector with fewer than 250 employees. (This definition treats full-time and part-time employees equally.) This report focuses on those businesses with between 1 and 249 employees ('SME employers'), with a separate report on non-employers. There is some guidance at the back of the report on the **uncertainty** that arises because we are using a sample of the UK SME population rather than collecting data from all of them.

We refer to **micro businesses** which have 1-9 employees; **small businesses** which have 10-49 employees; and **medium-sized businesses** which have 50-249 employees.

In this report when we refer to business size this is defined entirely in terms of number of employees. Levels of turnover (sales) or assets are not part of our definition, though there are other definitions of business size which include these.

'SMEs' stands for 'small and medium enterprises' – but this is always taken to include microbusinesses and non-employers too. The LSBS covers all SMEs, not just small businesses, though this report only covers SME employers.

This is a longitudinal survey as we try to re-interview businesses each year – 1,159 businesses have taken part in all six years of the survey so far ('panellists'), and 5,364 of the businesses in 2020 had taken part in at least one previous survey. In addition, there were 2,255 businesses new to the survey (top-ups).

Throughout the report, **where figures sum to less than 100%** when you expect them to sum to 100% (because they cover all possibilities) the shortfall will be due to businesses saying **they did not know** the answer or refusing to answer or might be due to rounding of estimates to the nearest whole percentage.

Our respondents were each randomly assigned to one of three cohorts and some questions were only asked of one cohort (though most questions went to all three cohorts). The underlying data tables that accompany this report group cohort questions separately, so the report and charts make clear when they are covering cohort questions, to allow you to find the corresponding data table if required.

The figures for minority ethnic groups were revised in January 2022, see error notice for further details <https://www.gov.uk/government/statistics/january-2022-error-notice-minority-ethnic-groups-data>.

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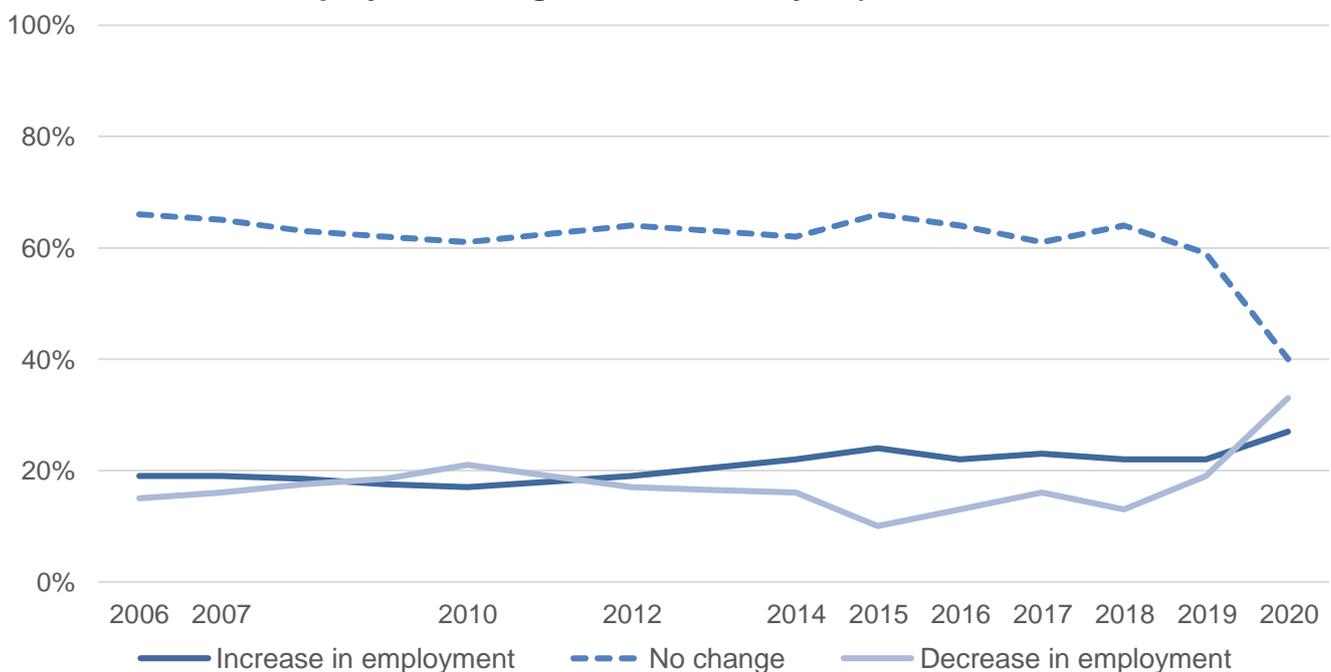
Business performance

Changes in the levels of employment

In the [data tables](#) accompanying this publication, table 29 shows how many employees the business had on the payroll 12 months ago across all UK sites.

In 2020 we find that 27% of SME employers employed more people than a year previously, a higher proportion than in 2019 (up five percentage points); 33% reported a decrease in employment (up 14 percentage points) and 40% stated they had made no change (a reduction of 19 percentage points).

Figure 1: Change in employment compared to 12 months previously (2006 to 2020¹; based on all SME employers trading for at least one year)^{2,3}



Looking at micro businesses, compared with a year ago, 26% had increased employee numbers⁴, 31% had fewer employees, and 42% had approximately the same number.

For small businesses, 28% had more employees, 44% had fewer, and 27% had the same. For

¹ In the 2016-17 LSBS reports figures were only shown for ‘panellists’ (those that had taken part in the previous year’s survey), based on the actual number of employees reported in the survey year, and the previous year. This was because those who did the survey for the first time in these years (top ups) tended to approximate employment numbers more, and the datasets were not compatible. Between 2018 and 2020, as in 2015 and before, the ‘perceived’ change in employment question was asked of all respondents. For 2016-17, the figure in the chart above are based on top-ups only.

² Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

³ There were no surveys in some years, as shown on chart.

⁴ Businesses with between one and nine employees are classified as ‘micro’ businesses, those with between ten and 49 employees are classified as ‘small’ businesses, and those with between 50 and 249 employees are called ‘medium-sized’ businesses. These definitions exclude owners and partners but include casual or temporary staff.

medium-sized businesses, 31% had more employees, 45% had fewer and 24% had the same number.

By sector⁵, those in information and communication (33%), health (31%), transport and storage (30%), professional and scientific (30%) and administration (30%) were the most likely to have increased employee numbers. Those in accommodation and food (50%) and arts and entertainment (46%) were more likely than average to have decreased employee numbers.

In England, 26% of SME employers had more employees, 34% had fewer (an increase of 15 percentage points from 2019), and 39% had the same number. In Scotland the proportions were 30% increased, 29% decreased and 41% the same. In Wales the proportions were 29% increased, 34% decreased and 37% the same; and in Northern Ireland they were 23% increased, 28% decreased and 49% the same.

In the [data tables](#) accompanying this publication, table 30 shows the extent to which SME employers considered the coronavirus (COVID-19) pandemic a factor in the reduction of staff.

When SME employers that had reported fewer employees, this year compared with last, were asked if the coronavirus (COVID-19) pandemic had been a factor in the reduction of staff, 43% perceived the pandemic as having been the main factor, with a further 15% that believed it to be one of many factors.

Medium sized businesses were more likely than small and micro businesses to attribute the reduction in staff to the coronavirus (COVID-19) pandemic (57%, compared with 47% and 42% respectively).

By sector, the proportions of SME employers that reported a reduction in staff over the last 12 months mainly due to the pandemic were highest in accommodation and food (69%) and arts and entertainment (58%), and higher than average in administration (52%). It was least likely to have been perceived as a factor at all in primary sectors (14% the main factor; 20% one of many factors).

By nation, 48% of SME employers that reported a reduction in staff within Northern Ireland reported the coronavirus (COVID-19) pandemic as the main factor, compared with 46% in Wales, 43% in England and 42% in Scotland.

Expectations for employment growth

In the [data tables](#) accompanying this publication, table 32 shows how many employees the business expects to have on the payroll in 12 months' time.

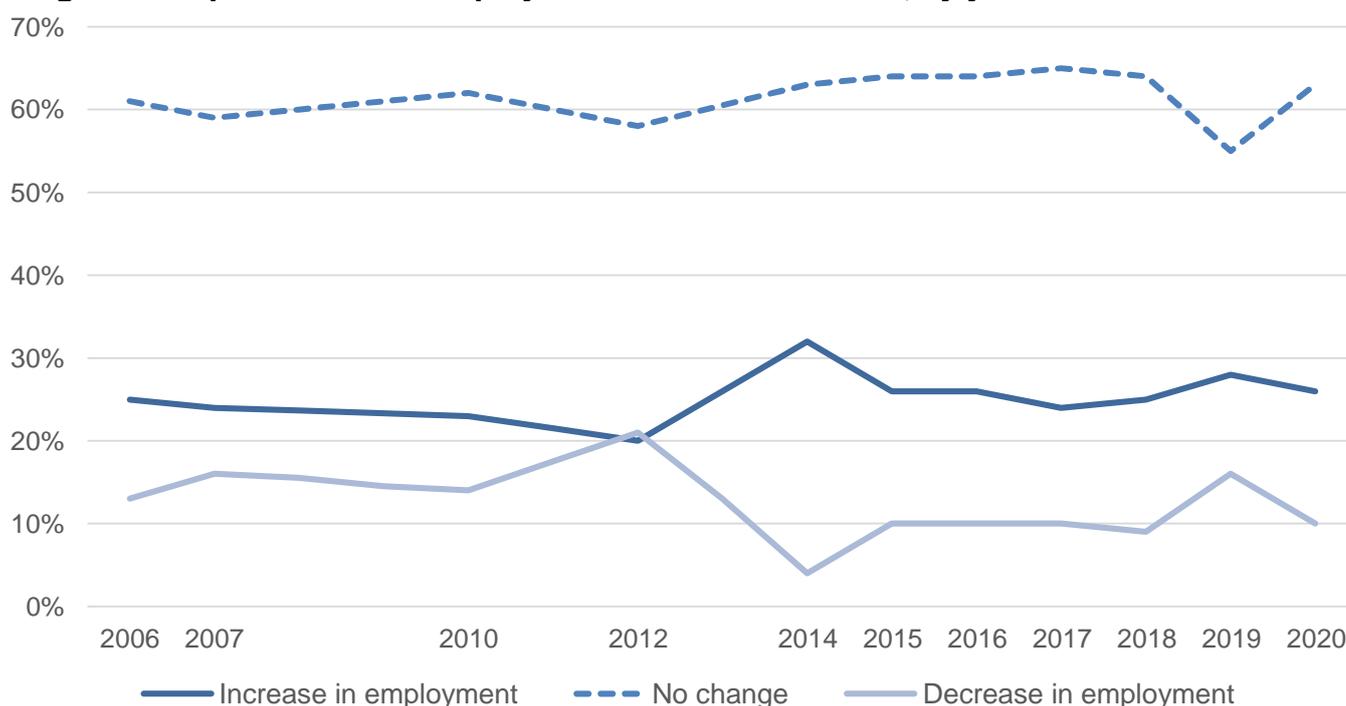
Looking ahead, 26% of SME employers expected to employ more people in a year's time, 63% expected to employ the same number and 10% expected to employ fewer people. By size, 23% of micro businesses expected to increase the number of employees, compared to 35% of small businesses and 42% of medium-sized businesses. The percentages expecting to have decreased employment did not vary greatly by size.

⁵ For further details see sector definitions in the notes section of the report..

By sector, expectations for employment growth were most likely in accommodation and food (38%), arts and entertainment (30%), health (29%), information and communication (29%) and administration (28%). Those in arts and entertainment and administration and support were also more likely than average to think employment levels would decline (15%, and 13% respectively). The sectors in which SME employers were more likely than average to expect no change included primary (75%), other services (71%), finance and real estate (70%) and transport and storage (69%).

By nation, SME employers in England (26%) were more confident that employment numbers would increase than those in Scotland (24%), Wales (22%) and Northern Ireland (21%).

Figure 2: Expectations for employment in 12 months' time, by year^{6,7}



In the [data tables](#) accompanying this publication, table 33 shows the extent to which SME employers considered the coronavirus (COVID-19) pandemic a factor in the anticipated reduction of staff.

When SME employers that expected to employ fewer people in 12 months' time were asked if the coronavirus (COVID-19) pandemic would be a factor in this anticipated reduction of staff, 47% perceived the pandemic as being the main factor, with a further 20% identifying it as one of many factors.

Medium sized and small businesses were more likely than micro businesses to expect the coronavirus (COVID-19) pandemic to impact on staff numbers in 12 months' time; 21% of medium sized and 20% of small businesses do not believe it will be a factor, compared with 32% of micro businesses.

By sector, accommodation and food (65%), information and communication (63%) and arts and

⁶ Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

⁷ There were no surveys in some years, as shown on chart.

entertainment (55%) expected the coronavirus (COVID-19) pandemic to be the main factor in employing fewer people in 12 months' time.

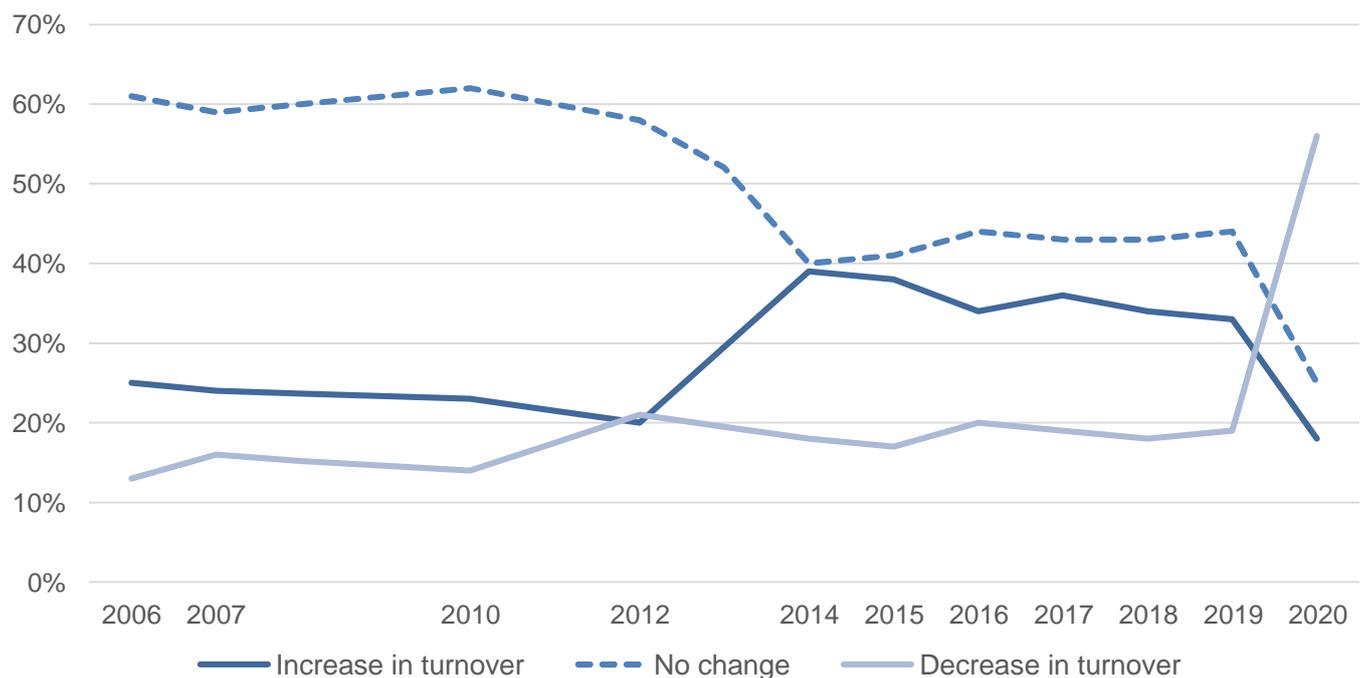
Changes in levels of turnover

In the [data tables](#) accompanying this publication, table 101 shows the change in turnover compared with 12 months ago.

Compared with 12 months ago, 18% of SME employers reported growth in turnover (value of sales), 25% had approximately the same turnover and 56% reported a fall in turnover. These proportions reflect a year of very challenging trading conditions and differ significantly from those reported from 2015 to 2019.

Micro and small businesses were more likely than medium-sized businesses to have experienced a decrease in turnover in the last 12 months (56%, 55% and 49% respectively). The corresponding figures reporting an increase were 17%, 18% and 24% respectively).

Figure 3: Current turnover compared to 12 months previously, by year (based on SME employers trading for at least one year)^{8,9}



The sectors most likely to report turnover growth were primary (23%), information and communication (22%) and professional (22%), while those most likely to report a fall in turnover were accommodation and food (82%), arts and entertainment (72%), transport and storage (64%) and administration (62%).

By nation, SME employers in Scotland (20%) and England (18%) were more likely to have

⁸ Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

⁹ There were no surveys in some years, as shown on chart.

reported a growth in turnover than those in Northern Ireland (16%) and Wales (13%). SME employers in England (56%) were more likely than those in Scotland (54%), Wales (53%) and Northern Ireland (52%) to have reported a fall in turnover, while SME employers in Wales were the most likely to have reported no change in turnover over the last 12 months (30%).

Expectations of turnover in 12 months' time

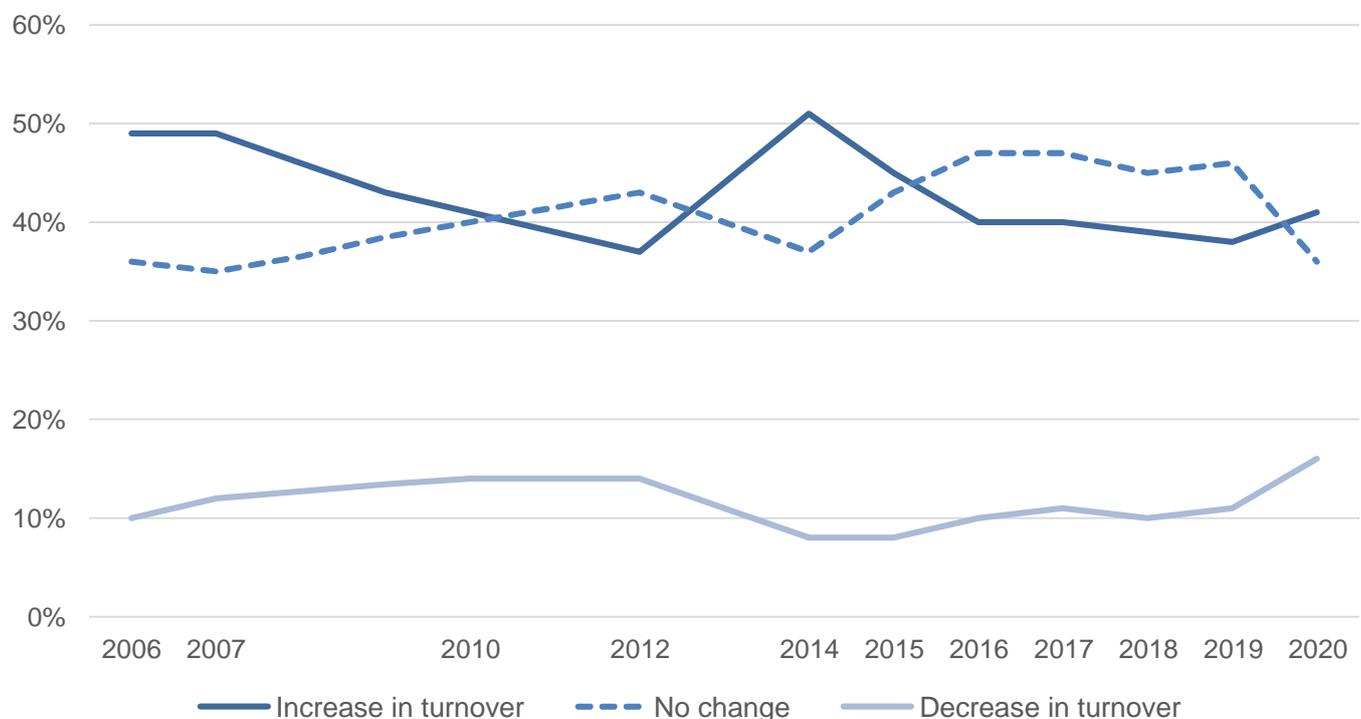
In the [data tables](#) accompanying this publication, table 105 shows the expected change in turnover in 12 months' time.

Forty-one per cent of SME employers expected turnover to increase in 12 months' time, 36% thought it would remain roughly the same and 16% thought it would be lower. There was an increase in both the proportion expecting an increase and the proportion expecting a decrease compared with 2019 (38% and 11% respectively in 2019).

By size, 39% of micro businesses expected turnover to increase, compared with 47% of small businesses and 50% of medium-sized ones.

The sectors most likely to think that turnover would increase were accommodation and food (52%), information and communication (47%), manufacturing and administration (both 44%). Education (22%), finance and real estate, professional and scientific and other services (each 20%) sectors were the most likely to expect a decrease in turnover.

Figure 4: Expectations of turnover in 12 months' time, by year^{10,11}



¹⁰ Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

¹¹ There were no surveys in some years, as shown on chart.

By nation, 41% of SME employers in England and Wales expected turnover to grow. This compared with 39% in Scotland and 31% in Northern Ireland.

Profit

In the [data tables](#) accompanying this publication, table 109 shows whether SMEs generated a profit or surplus in the last financial year.

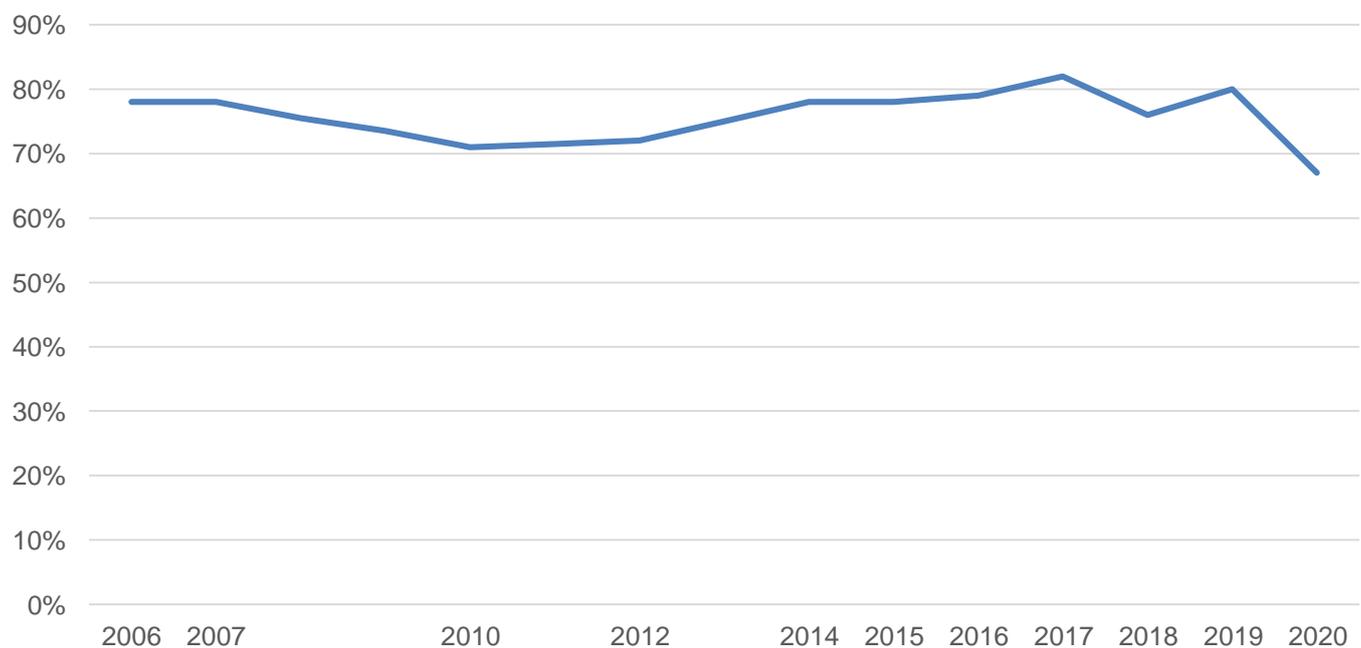
When asked about generating a profit or surplus, 67% of SME employers stated they had done so in their last financial year. This is 13 percentage points lower than in 2019.

As reported in previous years, the size of business had little impact on whether a profit or surplus was made; 68% of micros made a profit (down 12 percentage points on 2019), compared with 66% of small businesses (down 14 percentage points) and 73% of medium-sized businesses (down eight percentage points).

By sector, most likely to have made a profit or surplus were SME employers in professional and scientific (81%), finance and real estate (78%), primary (74%), and manufacturing (73%).

With a relatively high proportion of not-for-profit enterprises among their numbers, the sectors least likely to have made a profit or surplus were education (49%) and health (58%).

Figure 5: Generated a profit or surplus in the last financial year, by year^{12,13}



By nation, 73% of SMEs have made a profit or surplus in Northern Ireland (a decrease of 14 percentage points compared to 2019), compared with 70% in Scotland (an eight percentage point decrease on 2019), 67% in England (12 percentage point decrease) and 63% in Wales (17 percentage point decrease).

¹² Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

¹³ There were no surveys in some years, as shown on chart.

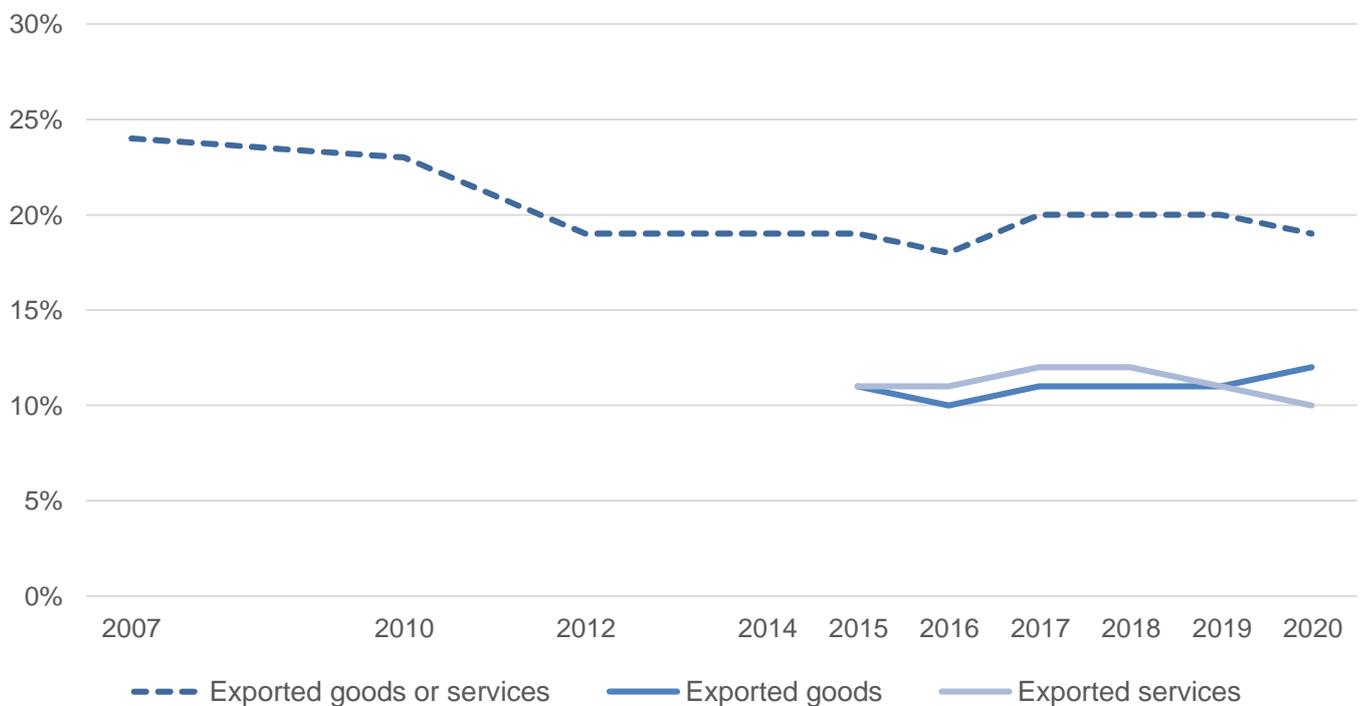
Exporting

Sales of goods or services outside the UK in the last year

In the [data tables](#) accompanying this publication, tables 34, 36, 38 and 39 show whether they exported goods or services.

Overall, 19% of SME employers exported goods or services in the last year. This compares with 20% between 2017 and 2019. The proportion of SME employers that export has remained consistent since 2012.

Figure 6: Whether sold goods or services, or licensed products outside the UK in the last 12 months, by year^{14,15}



By sector, similarly to 2019, exporters were most likely in manufacturing (49%), information and communication (43%), retail and wholesale (30%), and professional and scientific (29%) sectors. The sectors least likely to have exported were accommodation and food service (2%), construction (2%) and health (1%). Education (17%), arts and entertainment (16%), administration, the primary sector (both 13%), finance and real estate and other services (both 9%) were also less likely than average to export.

By employment size band, 18% of micro businesses were exporters, compared with 24% of small businesses and 29% of medium-sized businesses. Compared with 2019 this represented a decrease of four percentage points for medium-sized businesses.

¹⁴ Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

¹⁵ There were no surveys in some years, as shown on chart.

By nation, the highest proportion of exporters was found in Northern Ireland (31%), a similar proportion to 2019. The proportion of exporters was lower than average in Scotland (15%), again similar to 2019, and in Wales (17%), up four percentage points since 2019. In England 19% of SMEs were exporters, a decrease of two percentage points from 2019. Within English regions London has the highest proportion of its SME employers that are exporters (29%), with the other regions in the range 12% to 22%.

Of all SME employers, 10% exported services and 12% exported goods, similar to 2019. Services exporters were most likely to be in the information and communications (35%), and professional and scientific (25%) sectors. Goods exporters were most likely to be in the manufacturing (47%), and wholesale and retail sector (28%).

Exports accounted for less than a quarter of turnover for 59% of exporters, between a quarter and half for 13%, between half and three-quarters for 7% and over three-quarters for a further 14%¹⁶.

When focusing specifically on exports to the EU, exports accounted for less than a quarter of turnover for 75% of all EU exporters (equivalent to 62% of all exporters), between a quarter and half for 13%, between half and three-quarters for 3%, and over three-quarters for a further 5%¹⁷.

Destinations of exports

In the [data tables](#) accompanying this publication, table 40 shows the destination of exported goods or services.

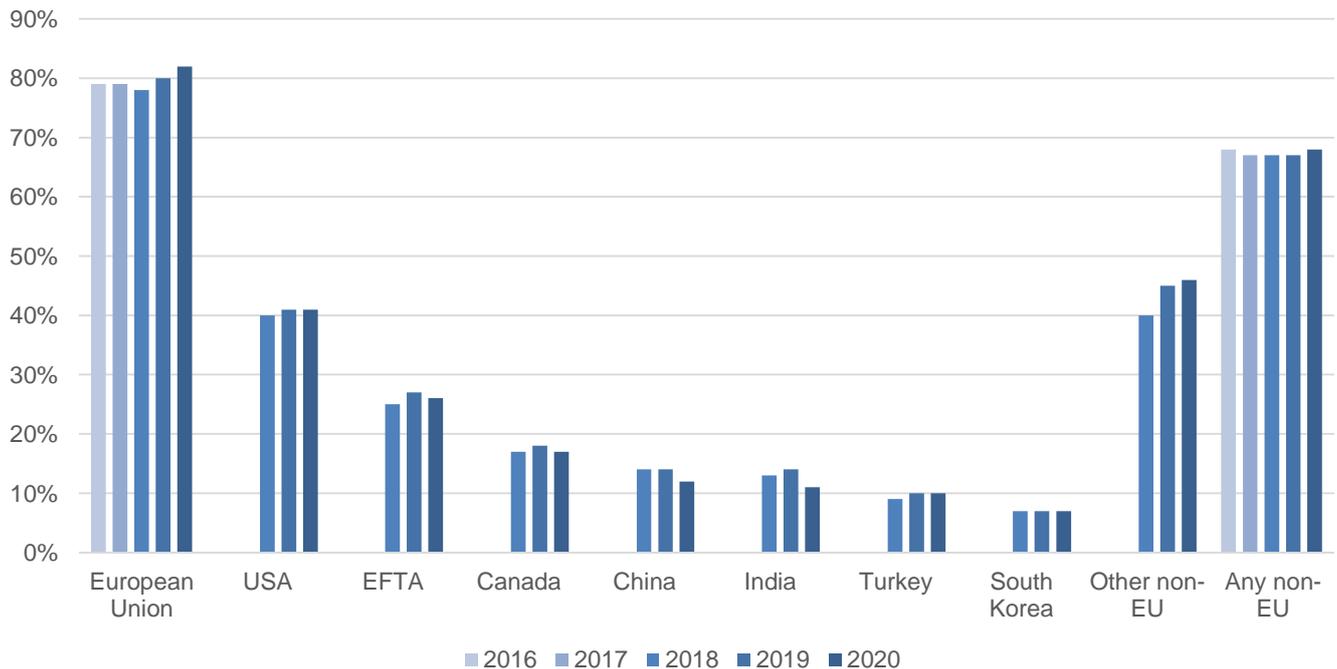
Of UK SME employers that exported in the last year, 82% exported to European Union countries and 68% exported outside the EU (including to EFTA countries¹⁸). These proportions were slightly higher than those reported since 2016.

¹⁶ 8% did not know

¹⁷ 4% did not know

¹⁸ European Free Trade Association. This comprises the countries of Iceland, Liechtenstein, Norway and Switzerland

Figure 7: Destination of exports in the last year, by year (based on SME exporters only)



In terms of exports to non-EU markets, the USA was the most common, with 41% of exporters selling goods or services there, 26% sold to EFTA countries, 17% to Canada, 12% to China, 11% to India, 10% to Turkey, 7% to South Korea, and 46% to the rest of the world.

A large majority of those exporting to EFTA countries also sold to the EU (93%). Overall, 84% cent of exporters sold to either EU or EFTA countries, and 67% to countries outside the EU and EFTA.

Plans to increase levels of exports over the next few years (Cohort C)

Of those UK SME employers that exported in the last year, half (50%) reported planning to increase their level of exports over the next few years (down two percentage points on 2019).

By employment size, 49% of micro businesses expected to increase their levels of exports, compared with 54% of small businesses and 62% of medium-sized businesses.

Access to finance

Types of external finance currently used

In the [data tables](#) accompanying this publication, table 54 shows the types of external finance currently being used.

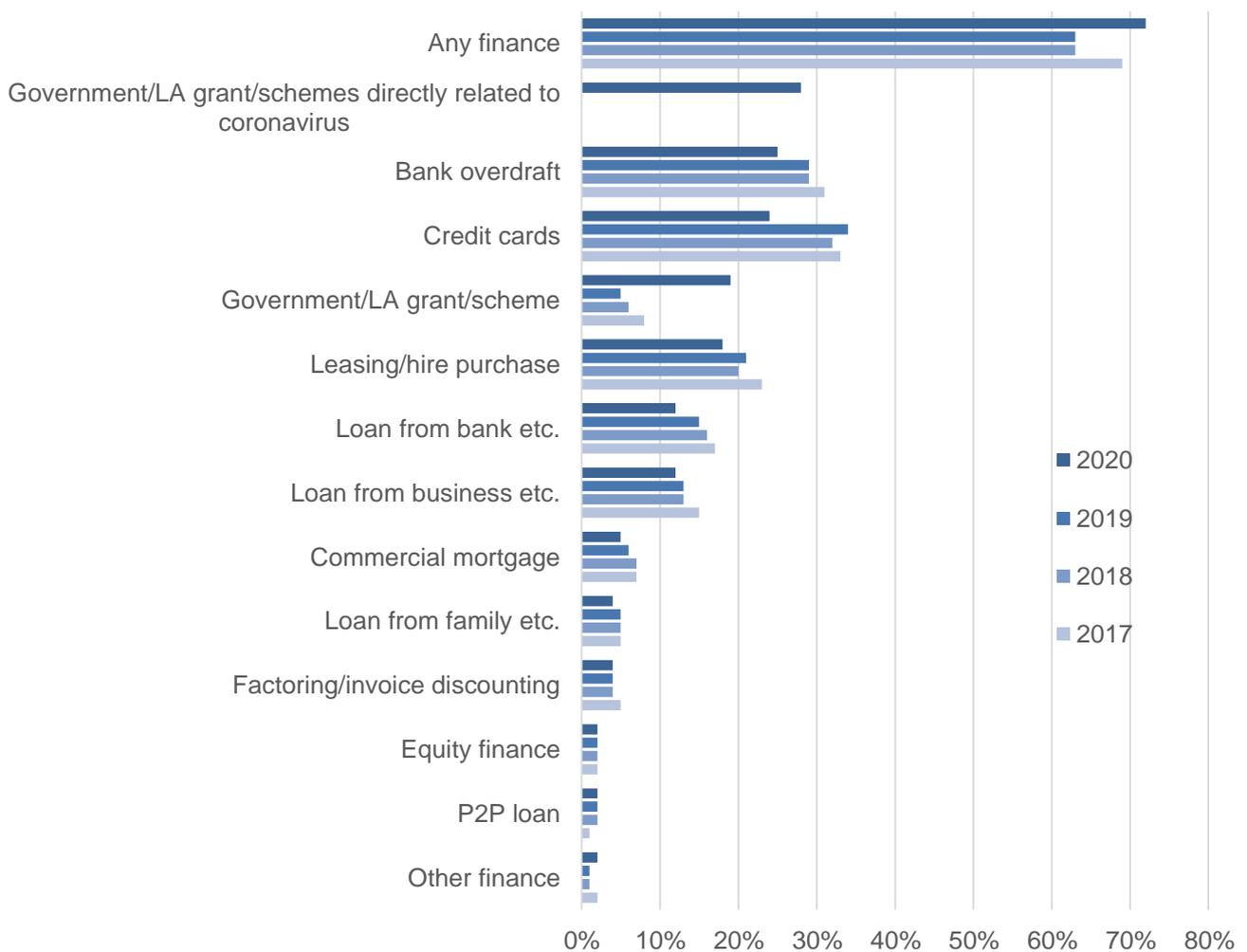
Overall, 72% of SME employers were using some form of external finance at the time of the 2020 LSBS interviewing. This was nine percentage points higher than in 2019.

By employment size, 71% of micro firms used finance (up 10 percentage points on 2019), compared with 78% of small businesses (up 7 percentage points) and 78% of medium-sized businesses (also up 3 percentage points).

In 2020, government or local authority grants or schemes directly related to coronavirus measures were the most common forms of external finance being used (28%). Next most commonly used were bank overdrafts and credit cards, each used by around a quarter of SME employers (25% and 24% respectively). Government or local authority grants for schemes not directly related to coronavirus were being used by 19% of SME employers.

Both bank overdrafts and credit cards were used by fewer SME employers than in 2019; credit card use was down ten percentage points and bank overdrafts were used by four per cent fewer SME employers. There was also a reduction in use of leasing/hire purchase (18%, down three percentage points). However, the use of general (rather than directly coronavirus-related) government or local authority grants or schemes had increased by 14 percentage points on 2019. It suggests that although not reported as directly related to coronavirus measures, some of these grants or schemes will nonetheless have been applied for and received because of businesses' needs arising from the coronavirus (COVID-19) pandemic.

Figure 8: Forms of external finance currently used by SME employers - percentages



Following the trend from previous years, the propensity to use many types of listed finance increased with SME size. The exception to this were bank overdrafts, loans from their own business and peer to peer (P2P) loans. Furthermore, fewer medium-sized businesses than small and micro businesses used government or local authority grants or schemes that were both directly related to the measures designed to mitigate the impact of the coronavirus (COVID-19) pandemic (23%, compared with 27% and 28% respectively) and not directly related (15%, compared with 21% and 19% respectively).

By nation, 83% of SME employers in Wales used some form of external finance (this is an increase of 10 percentage points from 2019), compared with 75% in Scotland, 72% in England and Wales and 68% in Northern Ireland.

By sector, SME employers in accommodation and food (80%), in primary sectors (78%), which mostly comprise agricultural businesses, were most likely to use external finance. Manufacturing (77%), arts and entertainment (76%), construction and administration (both 75%), and retail and wholesale businesses (74%), were also more likely than average to use finance. Use of finance was below average in information and communication (60%), finance and real estate and education (both 63%) and other services (65%).

Different sectors use different types of external finance to suit their needs:

- *government grants* were most used in accommodation and food (37% coronavirus-related; 29% other) and arts and entertainment (31% coronavirus-related; 37% other), while construction businesses were also more likely than average to be using coronavirus-related government grants (33%)
- *bank overdrafts* were particularly likely to be used in primary (42%), construction (33%) and manufacturing (30%)
- *credit cards* were most likely to be used in primary (32%), construction (32%) and manufacturing (30%)
- *leasing/hire purchase* was used most by primary and manufacturing (both 28%), transport (27%) and construction (26%)
- *bank loans* were most likely to be used in primary (29%), manufacturing (16%) and accommodation and food (15%)
- *factoring/invoice discounting* was most used in manufacturing (11%), administration (9%), and retail (6%)
- *Business partner/directors/owner's loans* were most used in accommodation and food (18%), retail and wholesale and information and communication (both 18%)
- *Loan from family/friend* were most used in accommodation and food (9%)
- *Commercial mortgages* were most used in primary sectors (17%) and accommodation and food (12%)

The use of any form of so-called 'alternative finance', not originating from banks, the public sector, or people known to the business¹⁹, was reported by 9% of SME employers (as in 2019).

By employment size, 8% of micro businesses used alternative finance, compared with 15% of small businesses and 20% of medium-sized businesses. Alternative finance was most likely to be used in manufacturing and education sectors (both 14%).

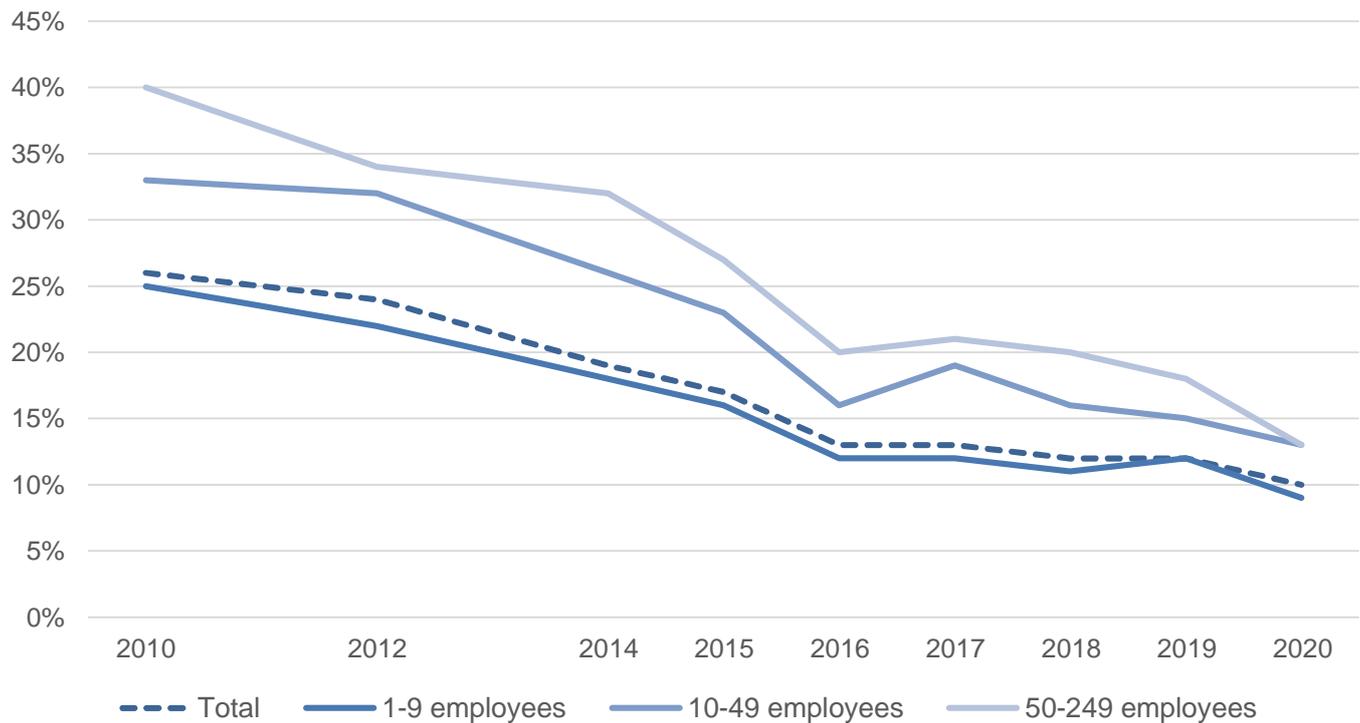
Whether sought external finance in the last 12 months

In the [data tables](#) accompanying this publication, table 55 shows whether the business tried to obtain external finance in the past 12 months.

This year we find that 10% of SME employers had sought external finance that was not related to coronavirus (COVID-19) impact support in the preceding 12 months; two percentage points lower than reported in 2019. There continues to be a decline of applications for external finance since 2010.

¹⁹ In this instance, alternative finance refers to equity, factoring/invoice discounting, peer-to-peer (P2P) loans and some forms of 'other finance'.

Figure 9: Percentage of SME employers that sought external finance in the preceding 12 months, by number of employees and year^{20,21}



Small and medium-sized businesses were equally likely to have sought external finance (13% in each case), compared with nine per cent of micro businesses. Compared with 2019, the largest decrease is amongst medium businesses, with six percentage point decrease of these businesses having sought finance in the previous 12 months, compared with three percentage point decrease for both small and micro businesses. When SME employers that only sought coronavirus loans and grants are removed from the figures, one percentage point decrease for micro, two percentage point decrease for small, and the same proportion of medium-sized businesses sought external finance in the preceding 12 months.

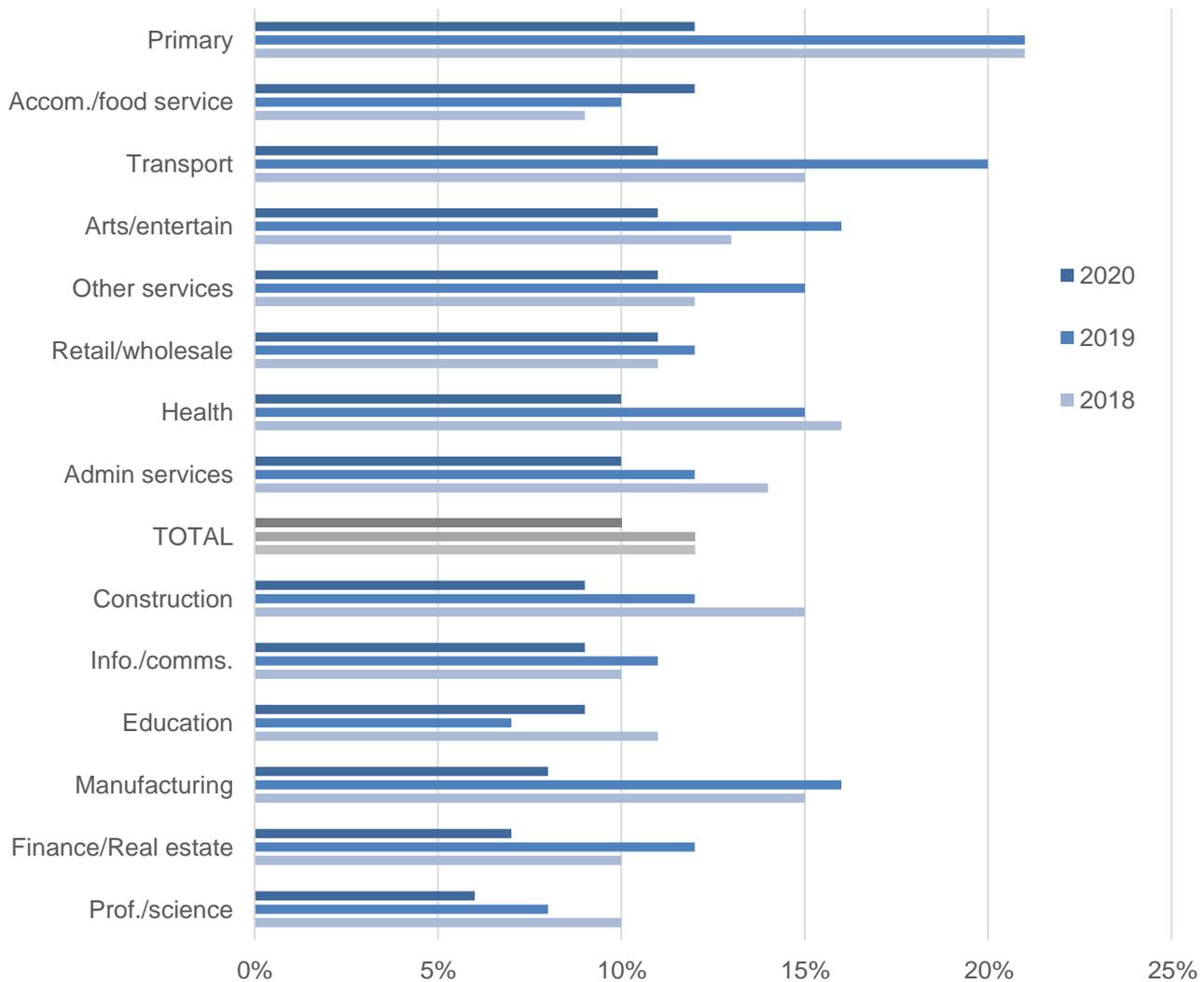
By nation, 13% of SME employers in Scotland sought finance in the preceding 12 months, 12% in Northern Ireland, 10% in Wales and 9% in England. When SME employers that only sought coronavirus loans and grants are excluded from these figures, one percentage point decrease in England, Scotland and Northern Ireland SMEs have sought finance, and there is no change in Wales.

SME employers in the primary (12%) and accommodation and food (12%) sectors were most likely to have applied for finance in the last year.

²⁰ Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

²¹ There were no surveys in some years, as shown on chart.

Figure 10: Percentage of SME employers seeking external finance in the preceding 12 months, by sector and year



Compared to 2019, SME applications for finance fell in the primary sector (a decrease of nine percentage points), transport (also down nine percentage points), manufacturing (down eight percentage points), arts and entertainment, health, and finance and real estate (each down five percentage points), health (also down five percentage points), other services (down four percentage points) and construction (down three percentage points).

Of those SME employers that sought finance, seven per cent sought it once in the previous 12 months, and three per cent sought it more than once. SME employers in education were most likely to have sought it more than once (7%).

Type of external finance sought

In the [data tables](#) accompanying this publication, table 56 shows the types of external finance sought in last 12 months.

The types of external finance that were sought in the previous 12 months were as follows:

- *bank overdraft* (32% of those that applied), a decrease of five percentage points on 2019
- *bank loans* (30%), a decrease of six percentage points
- *leasing/hire purchase* (13%), a decrease of eight percentage points
- *government or local authority grant or scheme* (11%), no change from 2019 (excludes Covid-19 specific grants)
- *credit cards* (9%), a decrease of five percentage points
- *loan from family/friend* (8%), an increase of three percentage points
- *loan from business partner/director* (7%), no change from 2019
- *commercial mortgage* (4%), a decrease of two percentage points
- *loan from a Peer to Peer (P2P) platform* (3%), a decrease of three percentage points
- *factoring/invoice discounting* (2%), a decrease of one percentage point
- *equity finance* (2%), no change from 2019

The mean amount of finance sought²² was £278,000. This mean was £196,000 for micros, £276,000 for small businesses, and £2.1 million for medium-sized businesses. It should be noted that the mean can be affected by a relatively small number of large values and so might not be very reliable as an estimate.

The median, which better represents the amount that the typical business sought, was £40,000. This was £27,000 for micros, £100,000 for small businesses, and £400,000 for medium-sized businesses.

By nation, the median for businesses in Northern Ireland was £55,000, Scottish businesses £30,000, £40,000 for businesses in England, and £20,000 in Wales.

Coronavirus (COVID-19) government-backed loans and grants

In the [data tables](#) accompanying this publication, tables 68 and 69 show usage of coronavirus (COVID-19) loans.

In addition, 37% of SME employers used a coronavirus (COVID-19) government-backed accredited loan or finance agreement such as the Coronavirus Business Interruption Loan and Bounce Back Loan. (Further details on the support provided to business are available here: <https://commonslibrary.parliament.uk/research-briefings/cbp-8847/>).

This proportion was higher within micro (37%) and small (39%) businesses than in medium-

²² For those that sought bank overdrafts, this includes the size of the overdraft facility, even if it was not used.

sized businesses (30%). By sector, SME employers in construction, accommodation and food (both 48%) and administration services (46%) were most likely to have made use of this financial support during the pandemic. The take up of this form of support was lowest in education (15%) and health (16%).

There was little difference by nation, with 38% of SME employers in Scotland and Wales using coronavirus (COVID-19) government-backed accredited loans or finance agreements, compared with 37% of SME employers in England and 36% of those in Northern Ireland.

A higher proportion of SME employers (42%) used a coronavirus (COVID-19) business grant funded by government or a local authority, rather than (or in addition to) the specified coronavirus loans.

Use of these grants was higher in micro businesses (43%) than in small (39%) and medium-sized businesses (25%). SME employers in the sectors of accommodation and food (74%), arts and entertainment (56%), and wholesale and retail (54%) were most likely to have used such a grant.

Take up of this form of financial support during the coronavirus (COVID-19) pandemic was higher in Wales (62%) than in Scotland (42%), England (41%) and Northern Ireland (38%).

Intentions to apply for external finance in the next three years

In the [data tables](#) accompanying this publication, table 112 shows the likelihood that the business will approach external finance providers in the next 3 years.

When asked whether they would approach external finance providers in the next three years, 20% of SMEs said it was likely they would do so (8% very likely, 12% fairly likely). These proportions are unchanged since 2018.

By employment size, 31% of medium-sized businesses said they would be likely to approach external finance providers, compared with 24% of small businesses and 19% of micro businesses.

Trade credit and late payment²³ (Cohort A)

In the [data tables](#) accompanying this publication, table 14 (cohort A) shows whether they gave their customers trade credit. Table 17 (cohort A) outlines whether they have a problem with customers paying later than expected business terms.

This year we find that 50% of SME employers give their customers trade credit, this was an increase of three percentage points on the 2019 figure.

Larger SMEs were more likely to give customers trade credit: 65% of medium-sized businesses gave trade credit, compared with 53% of small businesses, and 49% of micro firms.

²³ These questions were only asked of cohort A in 2018 and 2019

Whether credit was given varied considerably according to sector, ranging from 86% of businesses in manufacturing, 65% in administration, 62% in information and communications, 61% in both professional and construction sectors to just 17% in both accommodation and food and finance and real estate, and 9% in education.

Late payment was considered a problem by 56% of those that gave trade credit (or 28% of all SME employers). There was very little difference by size of business, with 58% of medium sized employers considering late payment a problem, compared to 57% of small firms and 56% of micro businesses (as proportions of those that gave trade credit).

By sector, late payment was most likely to be considered a problem in arts and entertainment (68%), professional and scientific (67%), information and communication (66%) and construction (65%) sectors.

Innovation activity

New or significantly improved processes in the last three years (Cohort C)

In the [data tables](#) accompanying this publication, table 13 (cohort C) shows whether the business has introduced any new or significantly improved processes in the last three years.

It is estimated that 19% of SME employers, the same proportion as in 2019, had innovated processes for producing or supplying goods or services in the last three years.

The proportion was higher for medium-sized businesses (37%) than small (28%) and micro (17%) businesses. These proportions have changed little since 2019.

By nation, SMEs in Scotland were more likely to have innovated processes for producing or supplying goods or services (22% - an increase of seven percentage points on 2019), compared to England (20% - as in 2019), Wales (14% - a nine percentage point decrease on 2019) and Northern Ireland (11% - a three percentage point decrease).

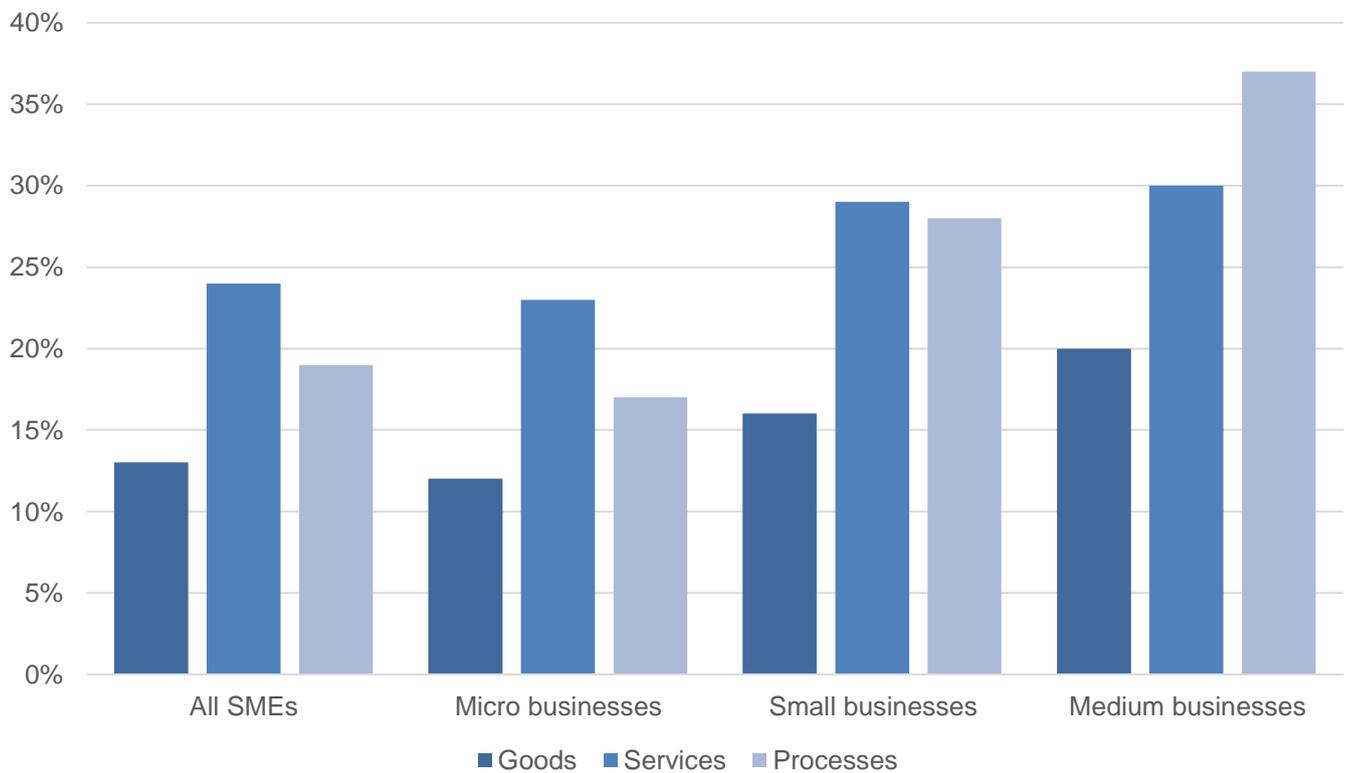
New or significantly improved goods/services in the last three years

In the [data tables](#) accompanying this publication, tables 71 and 72 show whether the business has introduced any new or significantly improved goods or services in the last three years.

In the last three years, 13% of SME employers had introduced new or significantly improved goods - a decrease of two percentage points on 2019. This proportion increased with employment size, from 12% of micro businesses to 16% of small businesses to 20% of medium-sized businesses.

The equivalent figure for the introduction of new or significantly improved services was 24% - a two percentage point decrease on 2019. Again, the propensity to have done so increased with employment size but with little difference between small and medium-sized businesses; 23% of micro businesses, 29% of small businesses and 30% of medium-sized businesses had innovated in this way.

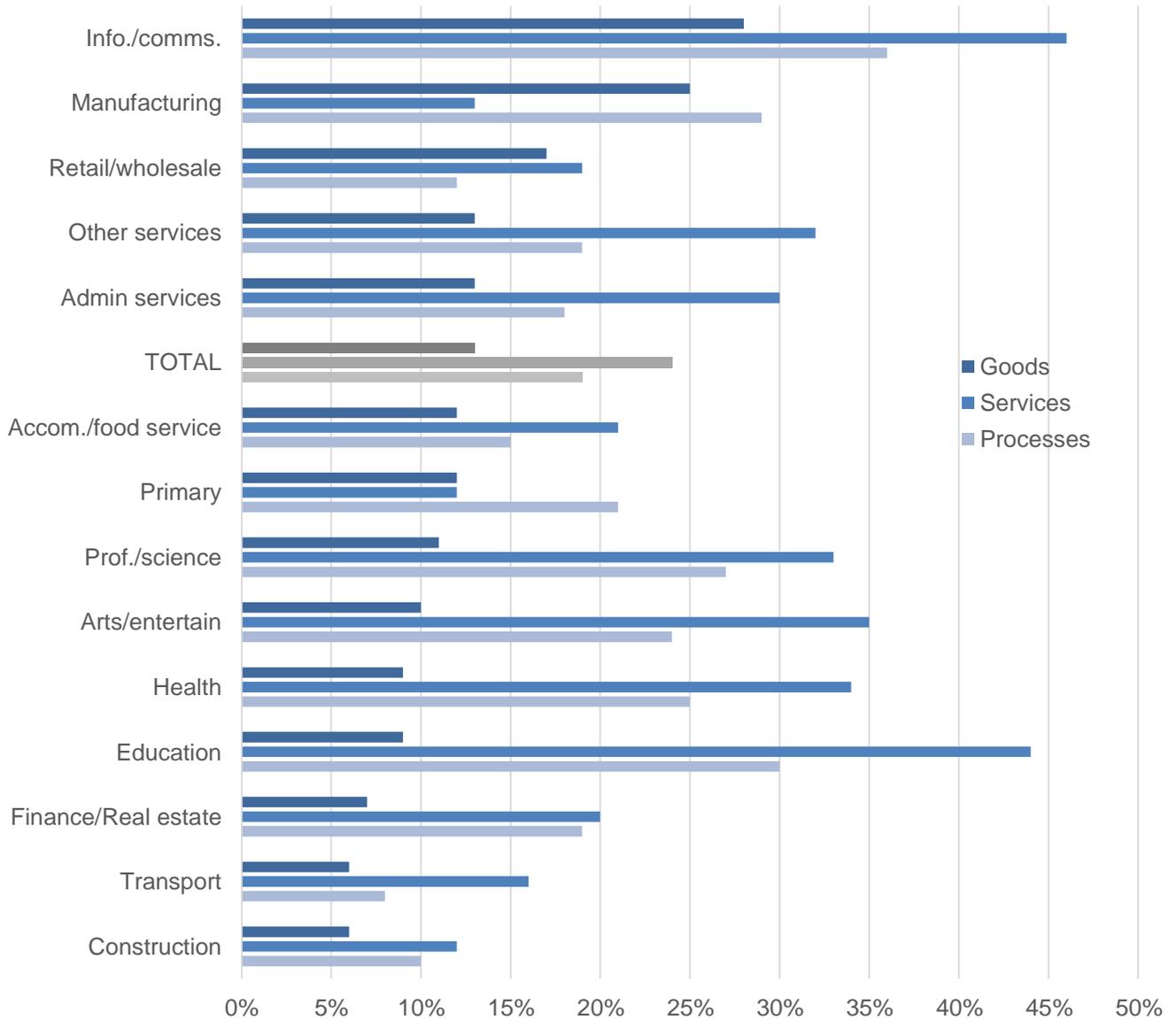
Figure 11: Percentage of SME employers which have introduced new or significantly improved goods, services or processes in the last three years - by size of business



Innovation for goods was lower in Wales (10%, a nine percentage point decrease on 2019) than in Northern Ireland (12%, a four percentage point decrease) and England and Scotland (both 13%, two percentage point and three percentage point decreases respectively).

However, innovation for services was highest in Wales (25%, a four percentage point decrease on 2019) followed by England (24%, a two percentage point decrease), Scotland (21%, a three percentage point decrease) and Northern Ireland (20%, a one percentage point decrease).

Figure 12: Percentage of SME employers which have introduced new or significantly improved goods, services or processes in the last three years - by sector



By sector, SME employers in information and communication (28%) and manufacturing (25%) were the most likely to have innovated goods.

Those in information and communication (46%), education (44%), arts and entertainment (35%) and health (34%) sectors were the most likely to have innovated services.

SME employers in information and communication (36%), education (30%) and manufacturing (29%) were also most likely to have introduced new or significantly improved processes.

Processes innovations which were new to the industry (Cohort C)

In the [data tables](#) accompanying this publication, table 14 (cohort C) shows if the processes were new to the industry or business.

Of those SME employers that had innovated processes in the last three years, these processes were new to the industry for 18%, with the remainder introducing processes that were new only to the business (81%). By employment size, small businesses were more likely than micro and medium sized businesses to have introduced processes that were new to the industry (21%, 16% and 18% respectively).

Compared with 2019, the proportion of SME employers introducing processes that were new to the industry was lower (21% in 2019).

Goods and services innovations which were new to the market or industry

In the [data tables](#) accompanying this publication, table 73 shows whether the goods or services innovations were new to the market or business.

Of those SME employers that had innovated goods and services in the last three years, these were new to the market (or industry) for 26%, with the remainder new only to the business (72%). Compared with 2019, the proportion introducing goods and services that were new to the industry decreased by four percentage points.

By size, the proportion of SME employers introducing goods and services new to the industry was higher in medium-sized businesses (35%) than in small (29%) and micro (25%) businesses.

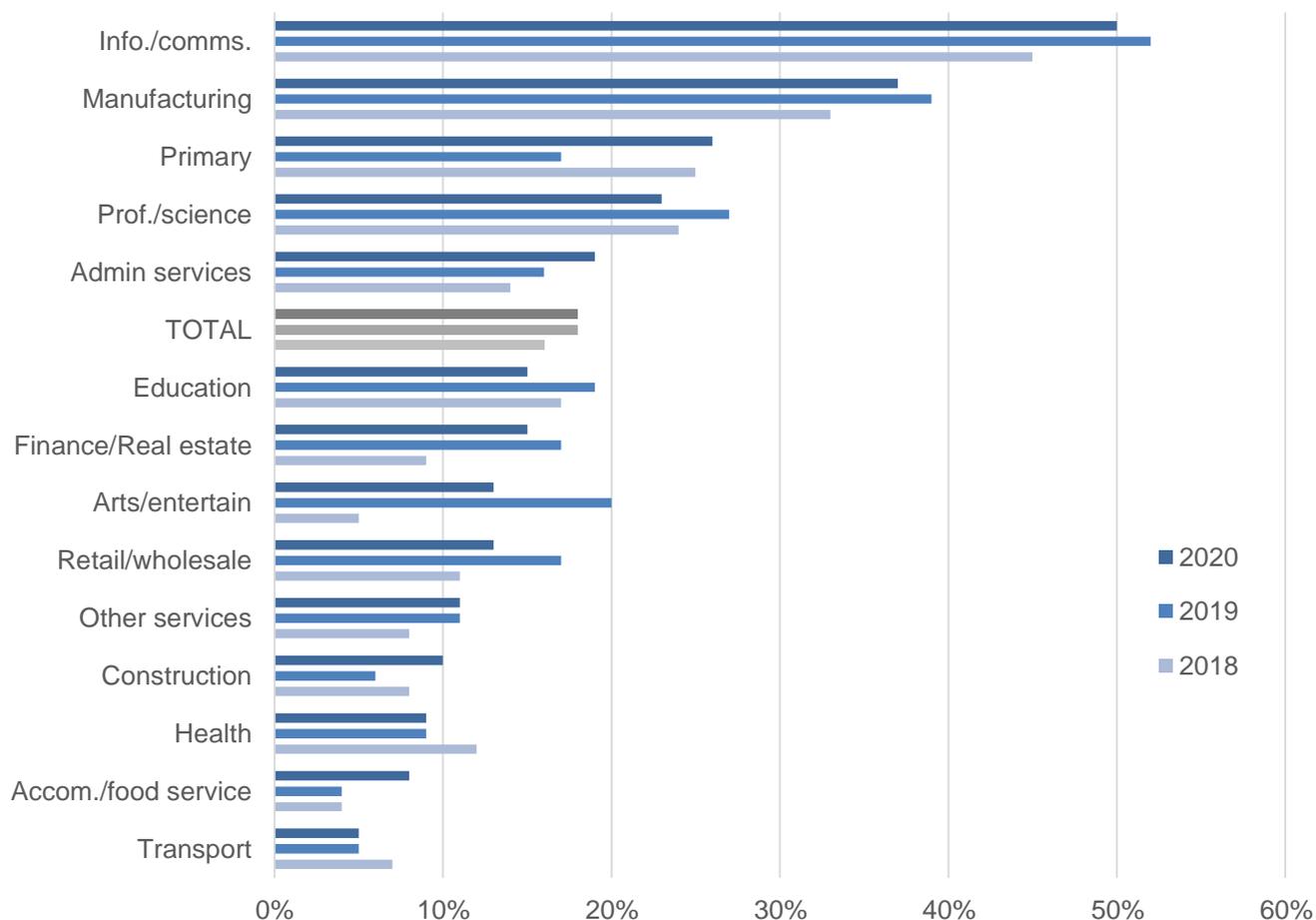
Based again on those SME employers innovating new goods and services, these were most likely to be new to the industry in information and communication (49%) and manufacturing (40%) sectors.

Investment in R&D in the last three years (Cohort C)

In the [data tables](#) accompanying this publication, table 15 (cohort C) shows whether the business invested in R&D in the last three years.

An estimated 18% of SME employers had made any investment in R&D in the previous three years. This was the case for 16% of micros, 28% of small businesses and 39% of medium-sized businesses. There has been little to no change reported since 2019.

Figure 13: Investment in R&D in the preceding three years by sector and by year - percentage



Investment in R&D was most likely in the information and communications sector (50%), and also more likely than average in manufacturing (37%), primary (26%) and professional and scientific (23%) sectors.

When compared with 2019, the primary sector reported the largest increase (nine percentage points), while the largest decrease was within arts and entertainment sector (seven percentage points).

Of those investing in R&D, the mean amount spent over the previous three years was £209,000. Means are affected by high values and can be misleading as a measure of the investment in R&D by a typical SME employer. This figure has been calculated only using responses with the exact amount of R&D spending stated, so it excludes the respondents who gave an estimated figure within a range. The amount spent by a typical SME is better reflected by using the median.

The median amount invested over the previous three years was £30,000. This was £20,000 for micro businesses, £100,000 for small businesses, and £200,000 for medium-sized businesses.

The mean annual sales turnover for SME employers that invested in R&D was just under £1,750,000. The mean amount spent on R&D per year was around £70,000²⁴. Assuming

²⁴ Calculated by dividing the mean amount spent on R&D over three years (£239,000) by three.

constant sales turnover over three years, this suggests that the average SME employer that invests in R&D spends 4% of its annual turnover on R&D. This proportion was higher for small businesses (6%) and micros (5%) than medium-sized businesses (2%).

Applications for R&D tax credits in the last three years (cohort C)

In the [data tables](#) accompanying this publication, table 17 (cohort C) shows whether the business applied for or received R&D tax credits in the last 3 years.

Seven per cent of SME employers had applied for R&D tax credits in the previous three years. This proportion was higher for medium-sized businesses (23%), than for small businesses (16%) and micro businesses (5%). By sector, applications were most likely in information and communication (22%) and manufacturing (19%).

Compared with 2019, there was an increase of one percentage point in respect of SME employers applying for R&D tax credits.

Major obstacles to the success of the business

Overview of main obstacles (Cohort B)

In the [data tables](#) accompanying this publication, table 1 (cohort B) shows the major obstacles to the success of the businesses interviewed.

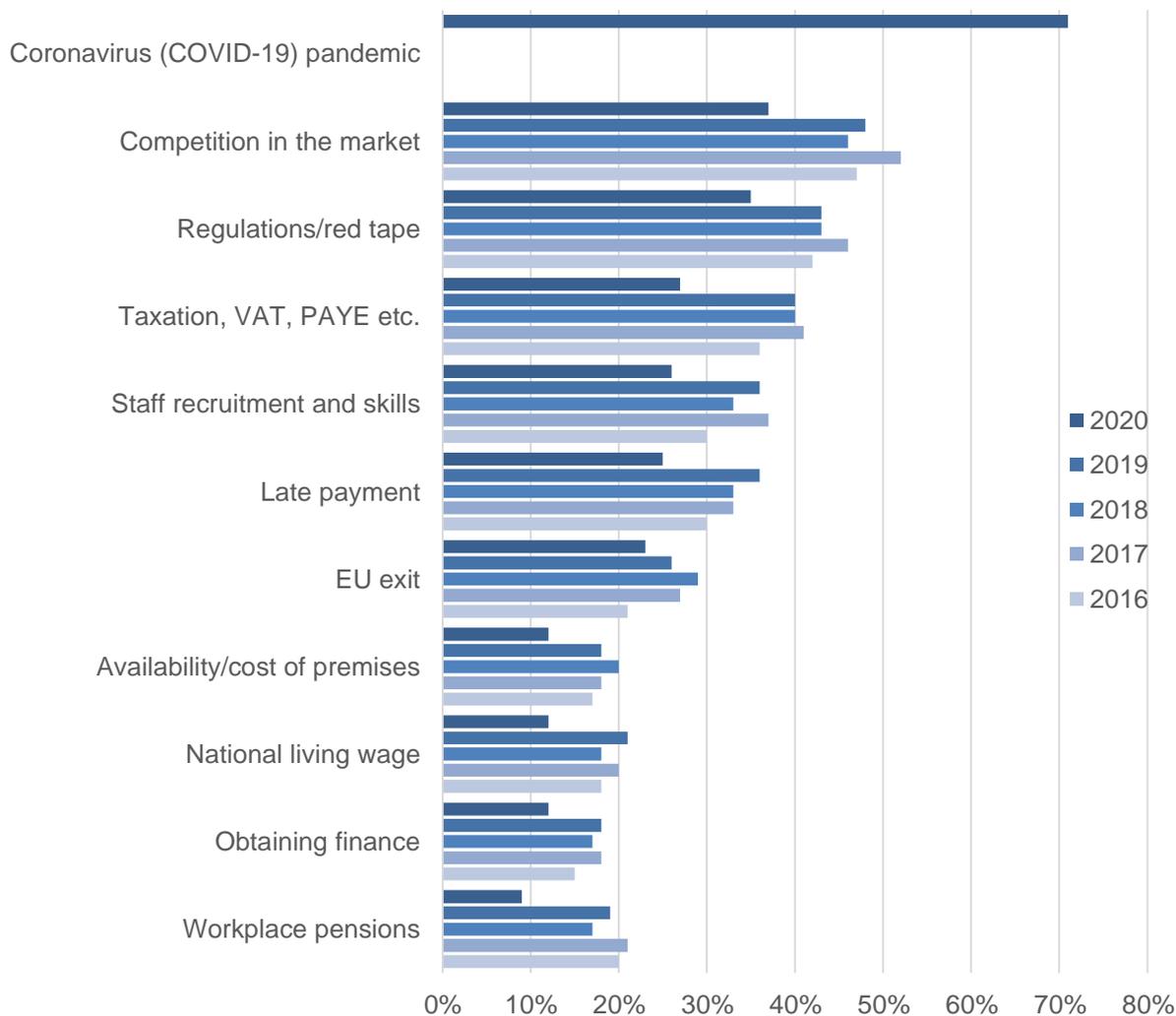
In 2020, the coronavirus (COVID-19) pandemic was added to the list of potential obstacles that SME employers may have faced. This was the most frequently mentioned obstacle (71%).

Competition was the next most frequently mentioned potential obstacle (37%), and prior to the coronavirus (COVID-19) pandemic had been the most frequently mentioned obstacle since 2016.

Other major obstacles included regulations and red tape (35%), taxation (27%), staff recruitment and skills (26%), late payment (25%) and the UK's exit from the EU (23%).

There was a slight reduction in reports of obstacles other than the coronavirus (COVID-19) pandemic, which was new to 2020.

Figure 14: Percentage of SME employers citing each major obstacle to the success of the business (cohort B only)



Obstacles relating to employment are more of a concern to larger employers, so staff recruitment and skills were mentioned by 39% of small and 43% of medium-sized businesses, compared with 23% of micro businesses, and the National Living Wage was mentioned by 20% of small and 17% of medium-sized businesses, compared with ten per cent of micro businesses.

Medium-sized businesses were more likely to mention competition in the market (51%) than small (42%) and micro (36%) businesses. They were also more likely than smaller employers to mention the UK's exit from the EU (31%, compared with 25% of small and 23% of micro businesses).

There was some sectoral variation in the obstacles SME employers cited:

- the *coronavirus (COVID-19) pandemic* was most likely to be considered an obstacle in accommodation and food, and arts and entertainment (both 89%), while also more likely than average to be mentioned in health (81%). It was least likely to be considered an obstacle to business success in the primary sector (44%), and less likely than average to be mentioned by SME employers in transport (58%), information and communication (63%), professional and scientific (64%) and manufacturing (65%) sectors.

- *competition* was most likely to be an obstacle for those in retail and wholesale (48%, an 11 percentage point decrease on 2019), and information and communication (44%, a nine percentage point decrease on 2019)
- *regulations* were most likely to be considered an obstacle in the primary sector (63%, a six percentage point decrease on 2019), and finance and real estate (57%, a seven percentage point decrease on 2019)
- *taxation* was most likely to be an obstacle in arts and entertainment (39%, a two percentage point decrease on 2019), accommodation and food service (36%, a 23 percentage point decrease on 2019), construction (35%, a 13 percentage point decrease on 2019) and manufacturing (34%, a seven percentage point decrease on 2019)
- *staff recruitment and skills* were most likely to be considered an obstacle in construction (39%, a nine percentage point decrease on 2019)
- *late payment* was most likely to be viewed as an obstacle in administration (36% - a six percentage point decrease on 2019), construction (33%, a 22 percentage point decrease on 2019), and professional and scientific (33%, a seven percentage point decrease on 2019) sectors
- *the UK's exit from the EU* was most likely to be considered an obstacle in manufacturing (40%, a 14 percentage point increase from 2019) and the primary sector (35%, a five percentage point decrease on 2019)
- *the availability and cost of suitable premises* was most likely to be viewed as an obstacle in manufacturing (16%, a three percentage point decrease on 2019) and retail and wholesale (15%, a two percentage point decrease on 2019)
- *the National Living Wage* was most likely to be viewed as an obstacle in accommodation and food service (30%, a 16 percentage point decrease on 2019) and education (29%, a four percentage point increase from 2019)
- *workplace pensions* were most likely to be viewed as an obstacle in manufacturing and accommodation and food (both 14%). In both cases this was a decrease compared with 2019; an eight percentage point decrease in manufacturing and an 11 percentage point decrease in accommodation and food
- *obtaining finance* was most likely to be considered an obstacle in health (27%, a seven percentage point decrease on 2019), education and the primary sector (both 23%). Within education this was a six percentage point decrease on 2019, but in the primary sector it was a nine percentage point increase.

Some obstacles were more likely to be mentioned by SME employers in Northern Ireland than those located in the other nations. These include:

- *the coronavirus (COVID-19) pandemic* - Northern Ireland (80%), compared with England (71%), Scotland (64%) and Wales (59%)
- *the UK's exit from the EU* - Northern Ireland (52%) compared with England (22%), Scotland (26%) and Wales (24%)
- *regulations and red tape* - Northern Ireland (42%), compared with England (36%), Scotland (32%) and Wales (23%)
- *taxation* - Northern Ireland (42%) compared with England (26%), Scotland (31%) and Wales (24%)

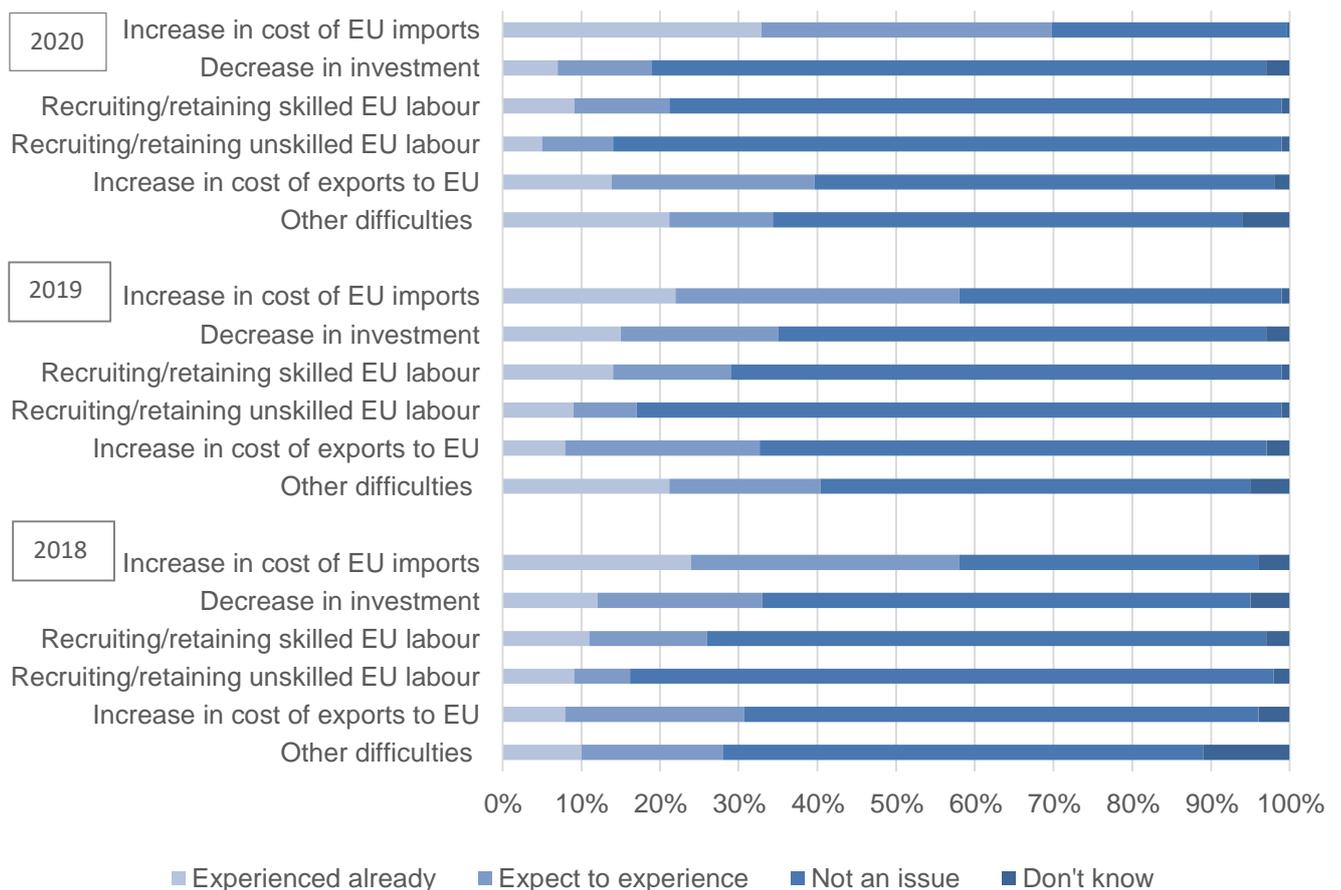
- *obtaining finance* - Northern Ireland (23%) compared with England (12%), Scotland (13%) and Wales (9%).

Staff recruitment and skills was more likely to be mentioned in Northern Ireland and Wales (both 38%) than in England (26%) and Scotland (22%). This could also be said about the National Living Wage, mentioned by 22% of SME employers in both Northern Ireland and Wales, compared with 11% in England and 12% in Scotland.

Whether experienced, or expect to experience, difficulties as a result of the UK’s exit from the EU

Since 2018, those SME employers that considered the UK’s exit from the EU a major obstacle to the success of their business have been asked whether they had already experienced, or expected to experience, a number of specific difficulties.

Figure 15: Whether experienced difficulties as a result of the UK’s exit from the EU (cohort B only)



In terms of difficulties already experienced, 33% of SME employers that cited the UK’s exit from the EU as a major obstacle mentioned an increase in the cost of EU imports. A further 37% expected to experience this. There was an 11 percentage point increase in those having experienced this already compared with 2019.

Coronavirus (COVID-19) pandemic – impact and mitigation

In the [data tables](#) accompanying this publication, tables 50-53 show how the coronavirus (COVID-19) pandemic impacted on SME employers and the steps that they took to mitigate this impact.

The social and trading restrictions introduced in March 2020 to reduce the spread of the coronavirus impacted on businesses in a number of different ways. When SME employers were asked how their business adapted during the lockdown restrictions, 31% reported that their business closed down completely (temporarily), while 47% reported that there had been a reduction in operations.

A minority of SME employers reported an increase in operations (6%), or no impact (15%).

Medium-sized businesses were more likely to stay open than small and micro businesses: 18% closed (temporarily), compared with 30% of small and 32% of micro businesses. They were more likely though to continue to operate on a reduced scale (56%, compared with 50% of small and 46% of micro businesses).

By sector, temporary business closure was most likely in accommodation and food (75%), and more likely than average in arts and entertainment (46%), education (45%), construction (44%) and other services (42%).

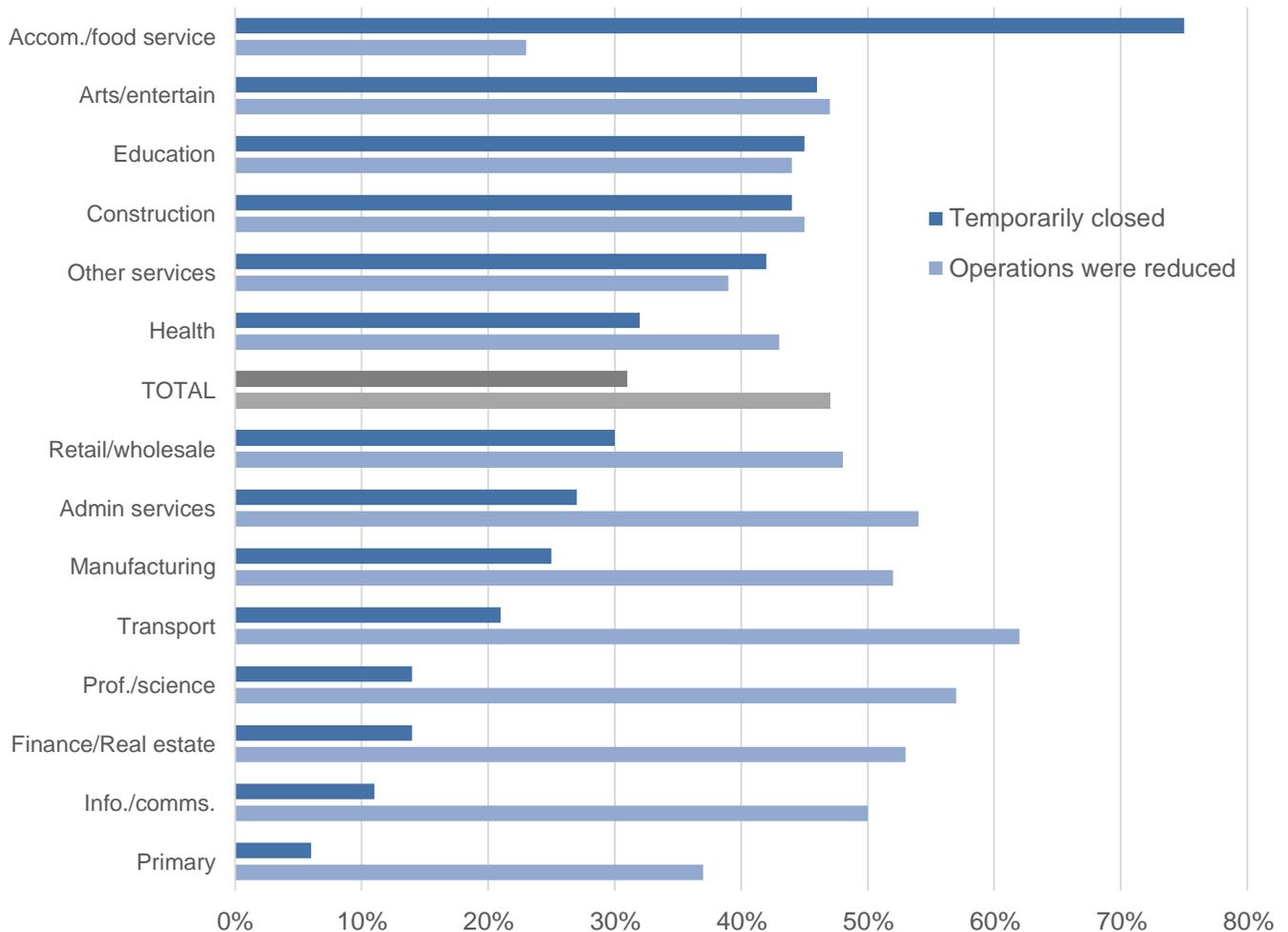
In terms of reducing business operations, this was most likely in the sectors of transport (62%), professional and scientific (57%), administration (54%), finance and real estate (53%) and manufacturing (52%).

One in ten SME employers in the sectors of retail and wholesale, information and communication, health and other services (all 10%) increased operations during lockdown restrictions.

Primary (46%), finance and real estate (28%) and information and communication (27%) were the sectors in which businesses were most likely to report no impact from the coronavirus lockdown restrictions. Just one per cent of accommodation and food, three per cent of arts and entertainment and seven per cent of education businesses reported no impact.

SME employers in Northern Ireland were more likely to have closed temporarily (43%) than those in Scotland (37%), Wales (32%) and England (30%). They were less likely to have reported reduced operations; 38% in Northern Ireland, compared with 44% in Scotland, 47% in England and 48% in Wales.

Figure 16: Ways in which SME employers adapted during the coronavirus (COVID-19) pandemic lockdown restrictions, by sector



The majority of SME employers (88%) took some action relating to their workforces at some stage during the coronavirus (COVID-19) pandemic. Around 65% of SME employers furloughed staff, while 49% reduced staff working hours and 37% provided facilities for remote working.

Other measures taken included: asking staff to take on additional tasks (21%), laying staff off permanently/making staff redundant (14%), recruiting staff for the longer term (11%), moving staff to new or different roles (11%), laying staff off in the short-term without furlough (6%), and recruiting staff for the short-term (6%).

With the exception of reducing staff working hours, the proportions taking any measures relating to the workforce increased with employment size. Small and medium-sized businesses were equally likely to have furloughed staff (82% and 83% respectively), while fewer micro businesses had done so (61%). Small businesses were more likely to have reduced staff working hours (53%) than medium-sized and micro businesses (both 49%).

Micro businesses were more likely to have taken no action in respect of their workforce (12%) than small (3%) and medium-sized (1%) businesses.

By sector, primary businesses were least likely to have taken any action related to their workforce (40% took none). Staff were most likely to have been furloughed in accommodation

and food (86%) and arts and entertainment (76%) sectors. These sectors were also most likely to have reduced staff working hours (69% within accommodation and food; 65% within arts and entertainment), while businesses within accommodation and food were most likely to have laid staff off permanently/made staff redundant (23%).

Staff within the health sector were most likely to have been asked to take on additional tasks (38%).

Remote working facilities were most likely to have been provided in the sectors of finance and real estate (62%), information and communication and professional and scientific (both 58%).

By nation there was little difference in the propensity to have taken any measures, but SME employers in England were more likely to have provided facilities for remote working (38%) than those in Scotland, Wales (both 32%) and Northern Ireland (29%).

Overall, 37% of SME employers had provided facilities for remote working, and 46% of all SME employers reported some of their staff working from home at the time they took part in the survey.

Twenty per cent of SME employers reported that all their staff were working at home at the time they were interviewed for the survey²⁵. This proportion was higher in micro businesses (23%) than in small (8%) and medium-sized (6%) businesses. It was highest in the sectors of information and communication (63%) and professional and scientific activities (41%).

By sector, remote working was most prevalent in information and communications (86%) and professional and scientific activities (74%), and least prevalent within accommodation and food (13%).

As well as being most likely to have provided facilities for remote working, SME employers in England were the most likely to report all staff working at home: 21%, compared with 19% in Scotland, 18% in Northern Ireland and 11% in Wales.

SME employers were asked about other measures they had taken to mitigate the impact of the coronavirus (COVID-19) pandemic and associated trading restrictions. These included:

- *Changing processes/ways of working* (59%); cited by 71% of small and 74% of medium-sized businesses, compared with 57% of micro businesses
- *Drawing on reserves* (45%); cited by 63% of accommodation and food and 60% of arts and entertainment businesses
- *Increasing borrowing* (36%); cited by 44% of construction and administration businesses, and 42% of arts and entertainment businesses
- *Postponing investment* (31%); cited by 38% of medium-sized, 35% of small and 30% of micro businesses; 45% of accommodation and food, and 41% of arts and entertainment businesses
- *Changing methods of selling* (27%); cited by 33% of small, 31% of medium-sized and 25% of micro businesses; 43% of accommodation and food, and 39% of retail and wholesale businesses.

²⁵ During the coronavirus (COVID-19) pandemic 23 March 2020 to 19 July 2021 - the official UK Government guidance to employers and employees was to work at home where possible.

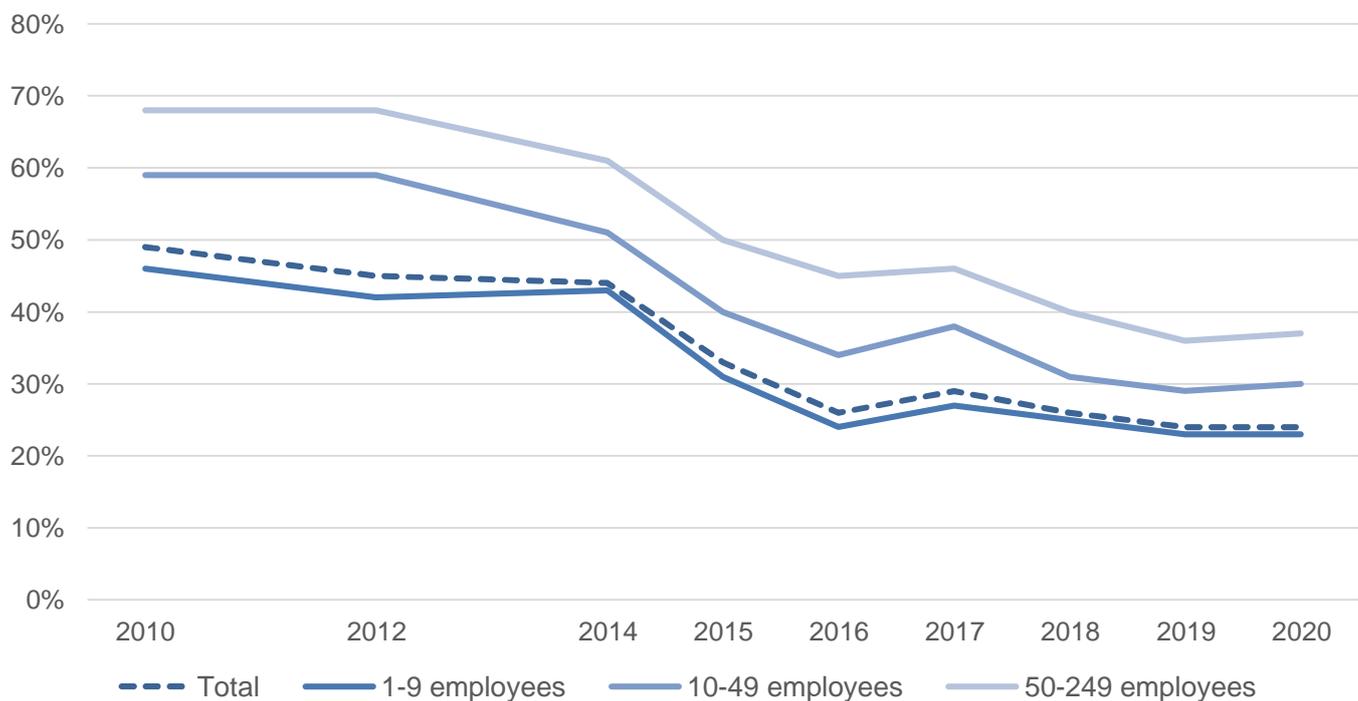
- *Changing services/products provided* (20%); cited by 39% within arts and entertainment, 37% within accommodation and food, 35% within education and 33% within health sectors
- *Building up stocks of supplies* (17%); cited by 27% of medium-sized, 24% of small and 15% of micro businesses; 30% of health and 29% of retail and wholesale businesses

Business Support

In the [data tables](#) accompanying this publication, table 78 shows whether information or advice was used in the last 12 months.

In 2020 (as in 2019) 24% of SME employers reported seeking external information or advice in the preceding 12 months - defined as more than just a casual conversation.

Figure 17: Percentage of SME employers that sought external information or advice in the last year, by employment size and year^{26,27}



Larger SMEs were more likely to have sought external information or advice, 37% of medium-sized businesses sought it, compared with 30% of small businesses and 23% of micro businesses. There has been very little change in the propensity of businesses within each size band to have sought external information or advice since 2018.

By nation, 27% of SME employers in Scotland and 24% in England, Wales and Northern Ireland sought external information and advice. Compared with 2019, there was no change in Scotland or England, while there was a two percentage point decrease in Wales and a two percentage point increase in Northern Ireland.

By sector, businesses which sought information and advice were most likely to be in health, arts and recreation (both 34%) and primary sectors (31%). SME employers in transport (16%), retail and wholesale (18%) and construction (19%) sectors were least likely to have sought information and advice.

²⁶ Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

²⁷ There were no surveys in some years, as shown on chart.

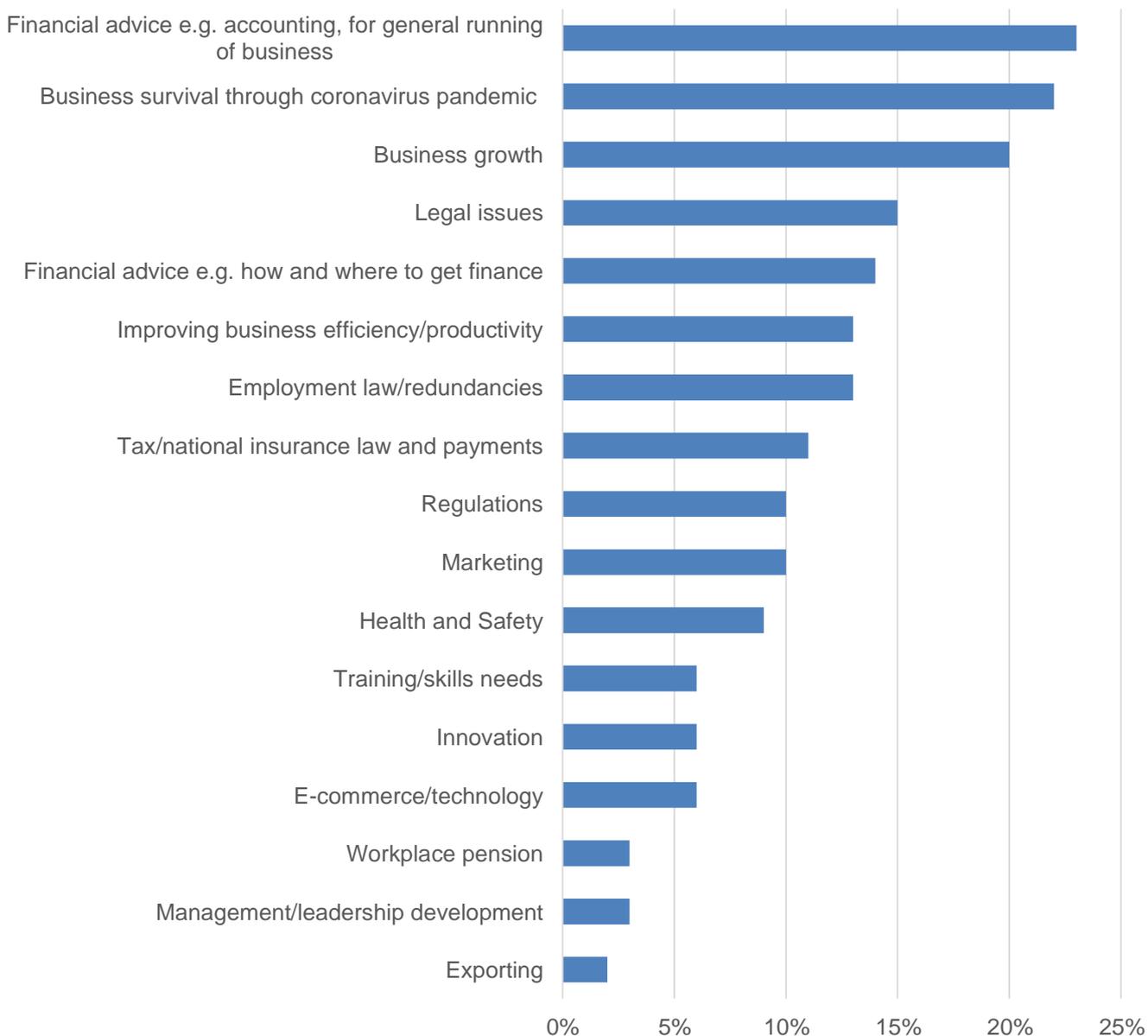
Compared with 2019, seeking information or advice has declined most in the finance and real estate (down 10 percentage points), and primary (down five percentage points) sectors, and increased most in the arts and recreation sector (up seven percentage points).

Purpose of information and strategic advice sought

In the [data tables](#) accompanying this publication, table 79 shows the purpose of information and advice sought.

Of those that had used information and/or advice, advice on finance, specifically accounting, for the general running of the business was the most common reason for seeking it (23%), closely followed by business survival or operation through the coronavirus (COVID-19) pandemic (22%). Business growth was the next most common reason for seeking information or advice (20%).

Figure 18: Purpose of information and advice in the last year



Some differences in the type of information and advice sought by size and sector, are as follows:

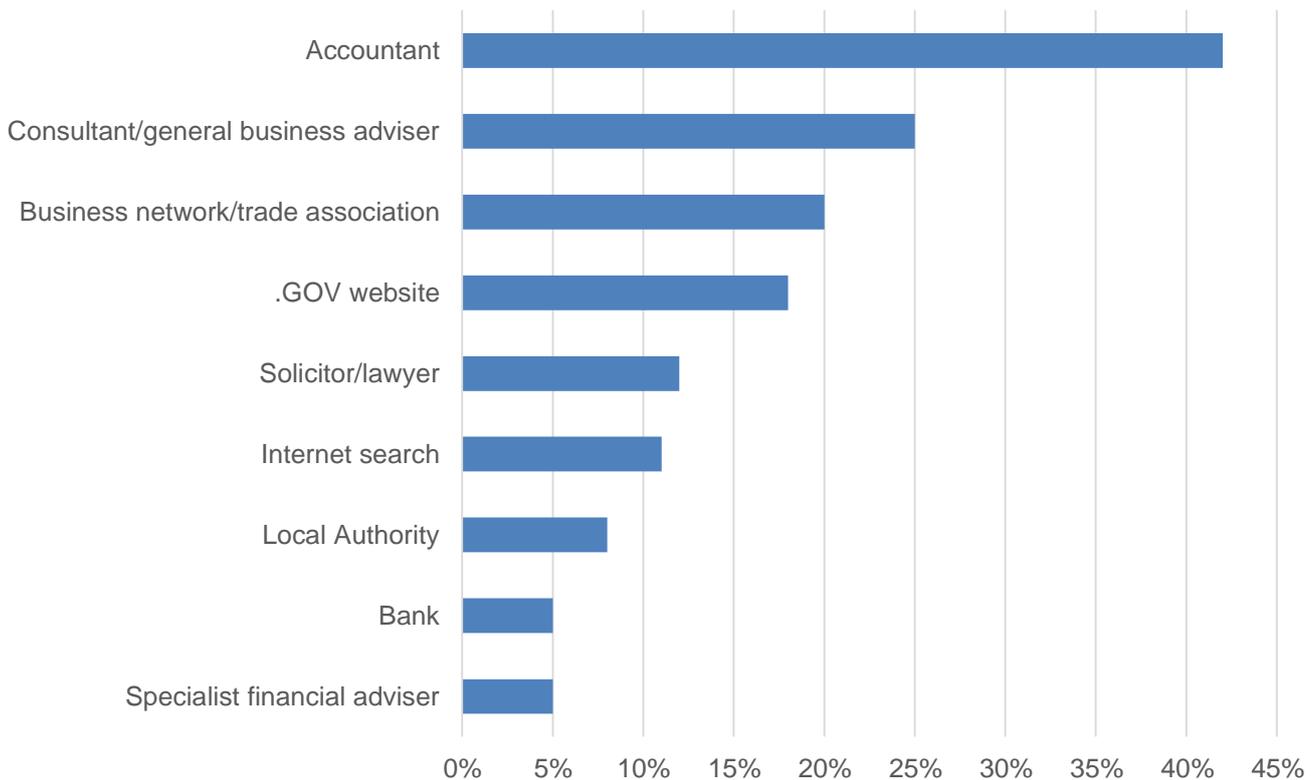
- *financial advice for the general running of the business* was more likely to be sought by micro (24%) and small (22%) businesses than by medium-sized businesses (17%), while also most commonly sought within the education sector (39%)
- *advice on business survival or operation through the coronavirus (COVID-19) pandemic and beyond* was more likely to be sought by micro (21%) and small (27%) businesses than by medium-sized businesses (16%), and within the accommodation and food sector (40%)
- *advice on business growth* was more likely to be sought by those in the information and communications and administration services sectors (both 33%)
- *legal advice* was most likely to be sought by medium-sized businesses (23%) and within the sectors of education (27%), other services (23%), health and finance and real estate (both 22%)
- *advice on business efficiency and productivity* was more likely to be sought in primary sectors (33%)
- *advice on employment law and redundancies* was more likely to be sought by small (22%) and medium-sized (28%) businesses than by micro businesses (10%)

Sources of external information and strategic advice

In the [data tables](#) accompanying this publication, table 81 shows estimates of sources of external information and strategic advice.

A reported 42% of SME employers that sought information and advice approached accountants, while 25% approached consultants and business advisers, 20% sought information and strategic advice from business networks, and 18% from the .GOV website.

Figure 19: Who provided information and strategic advice in the last year



Micro businesses were more likely than small and medium-sized businesses to have sought information and advice from an accountant (44%, compared with 36% and 32% respectively), while medium-sized businesses are most likely to have sought information and advice from consultants/general business advisers (38%) and more likely than average to have sought it from solicitors/lawyers (22%).

By sector, SME employers that have sought information and advice in construction are most likely to have sought it from accountants (61%), while those in primary sectors are most likely to have used consultants/general business advisers (52%).

How information and strategic advice was delivered

In the [data tables](#) accompanying this publication, table 83 shows how the information and strategic advice was delivered.

In 2020, 22% of SME employers who had sought information and advice received it face-to-face. While there is no direct comparison with 2019 available²⁸, it was reported then that 71% of those that received strategic advice and 58% of those that received information in England and Wales had this mainly delivered face-to-face. The lower incidence of face-to-face delivery was undoubtedly due to the coronavirus (COVID-19) pandemic.

Email was the most frequently mentioned mode of delivery of information and advice in 2020

²⁸ Prior to 2020 SME employers in England and Wales were asked about strategic advice and information separately. This year strategic advice and information were combined, as they have been in Scotland and Northern Ireland in survey from 2015 to 2019. This prevents direct comparisons with previous surveys.

(24% against 10% for advice and 12% for information in England and Wales in 2019), and a similar proportion reported it had been delivered on the phone (23%, against 10% for advice and 18% for information in England and Wales in 2019).

There was little difference by size of business in 2020, although medium-sized businesses were less likely to have received information and advice through a website (8%) than small (16%) and micro (14%) businesses.

By sector, face-to-face delivery was most common in primary (33%) and accommodation and food (31%) sectors.

SME employers who sought information and advice in Northern Ireland were more likely than average to have received it on the phone (34%) and less likely to have received it by email (14%). In Scotland, email was more widely used to deliver information and advice (30%), while face-to-face delivery was less common (15%). SME employers in Wales were least likely to receive information and advice on the phone (13%).

Paying for information and advice (England and Wales only)

In the [data tables](#) accompanying this publication, table 87 shows if SMEs had ever paid for external information or advice.

Of SME employers in England and Wales that received information or advice in the last 12 months, 60% paid for it. This was a six percentage point decrease on the proportion that paid for strategic advice in 2019.

Medium-sized businesses were more likely to have paid for information and advice (75%, a 14 percentage point decrease on 2019) than small businesses (68%, a two percentage point decrease on 2019) and micro businesses (58%, a six percentage point decrease on 2019).

By sector, those in the finance and real estate (80%, as in 2019) and primary (71%, a 23 percentage point decrease on 2019) sectors were most likely to have paid for information and advice; while those in the sectors of arts and recreation (41%, a 22 percentage point decrease on 2019) and other services (42%, a 16 percentage point decrease on 2019) were the least likely.

Awareness of organisations offering business support – England (Cohort A)

In the [data tables](#) accompanying this publication, table 12 (cohort A) shows the awareness and usage of organisations offering business support.

SME employers in England were asked if they had heard of their Local Enterprise Partnership and their local Growth Hub²⁹. They were also asked if they had sought information or advice from them, or otherwise engaged with them, in the last 12 months. This question was asked of

²⁹ Businesses were given the actual name of their local LEP and Growth Hub, which was determined through the postcode that appeared on the database. In cases where they could be located in two LEPs or Growth Hubs, the primary LEP or Growth Hub was chosen

cohort A only.

Some 42% of SME employers had heard of Local Enterprise Partnerships and 31% had heard of Growth Hubs. These proportions had increased compared with 2019, with awareness of Local Enterprise Partnerships increasing by three percentage points, and awareness of Local Growth Hubs increasing by seven percentage points. Ten percent had ever used Local Enterprise Partnership and 11% had used a Growth Hub. This represented a four percentage point and a three percentage point increase on 2019 respectively.

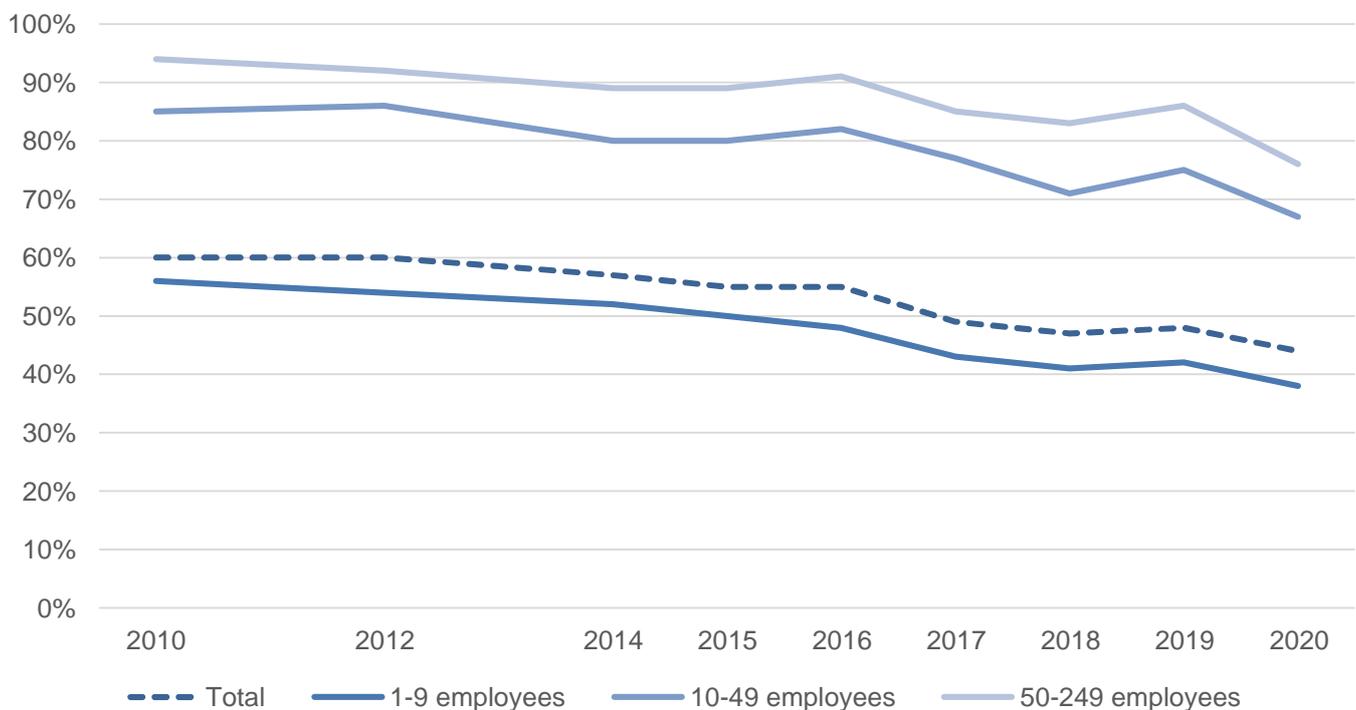
Training

Arrangement or funding of staff training and development

In the [data tables](#) accompanying this publication, table 97 shows training or development offered for employees.

Some 44% of SME employers had arranged or funded training in the previous year, four percentage points fewer than in 2019.

Figure 20: Percentage of SMEs that arranged or funded training or development for staff in the year, by year and employment size^{30,31}



Provision of any training is much more likely for larger organisations with 76% of medium-sized businesses provided training in 2019, compared with 67% of small businesses, and 38% of micro businesses.

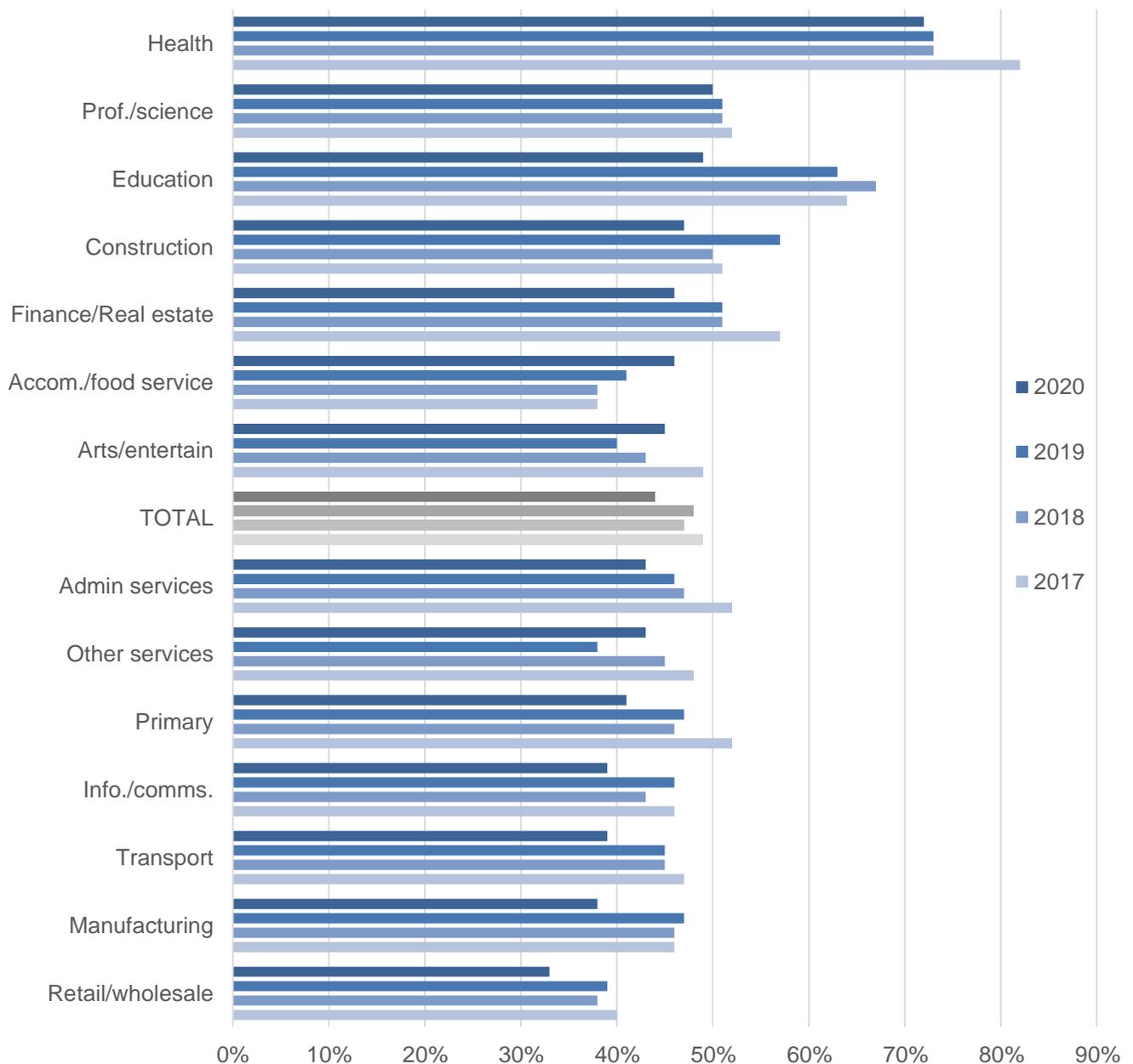
There was a decline in training provision across all size bands over the last year. Medium sized businesses have seen a decrease of 10 percentage points, small businesses a decrease of eight percentage points, and micro businesses a decrease of four percentage points in provision of training since 2019.

In 2020, 11% of SME employers offered formal ‘off-the-job’ training only, 13% offered informal ‘on-the-job’ training. Both of these forms of training have increased by one percentage point since 2019. Some 19% offered both (a decrease of six percentage points on 2019).

³⁰ Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

³¹ There were no surveys in some years, as shown on chart.

Figure 21: Percentage of SMEs that arranged or funded training or development for staff in the year, by sector



The most likely sectors to have provided training were health (72%, similar to 2019), professional and scientific (50%, also similar to 2019) and education (49%, a 14 percentage point decrease on 2019).

Training was least likely to be provided in retail and wholesale (33%, a six percentage point decrease on 2019).

Training was provided by 50% of SME employers in Scotland (a decrease of four percentage points from 2019), 43% in England (down five percentage points), 42% in Wales (also down five percentage points) and 39% in Northern Ireland (down eight percentage points).

There was no difference in the propensity to have provided training by whether SME employers had increased or reduced the size of their workforce in the last 12 months. Both SME employers who had increased or reduced the number of staff compared with a year ago were more likely to have provided training than those reporting no change in the number of employees: 47% amongst both those that had increased and reduced the number of employees, compared with 39% of those who reported no change.

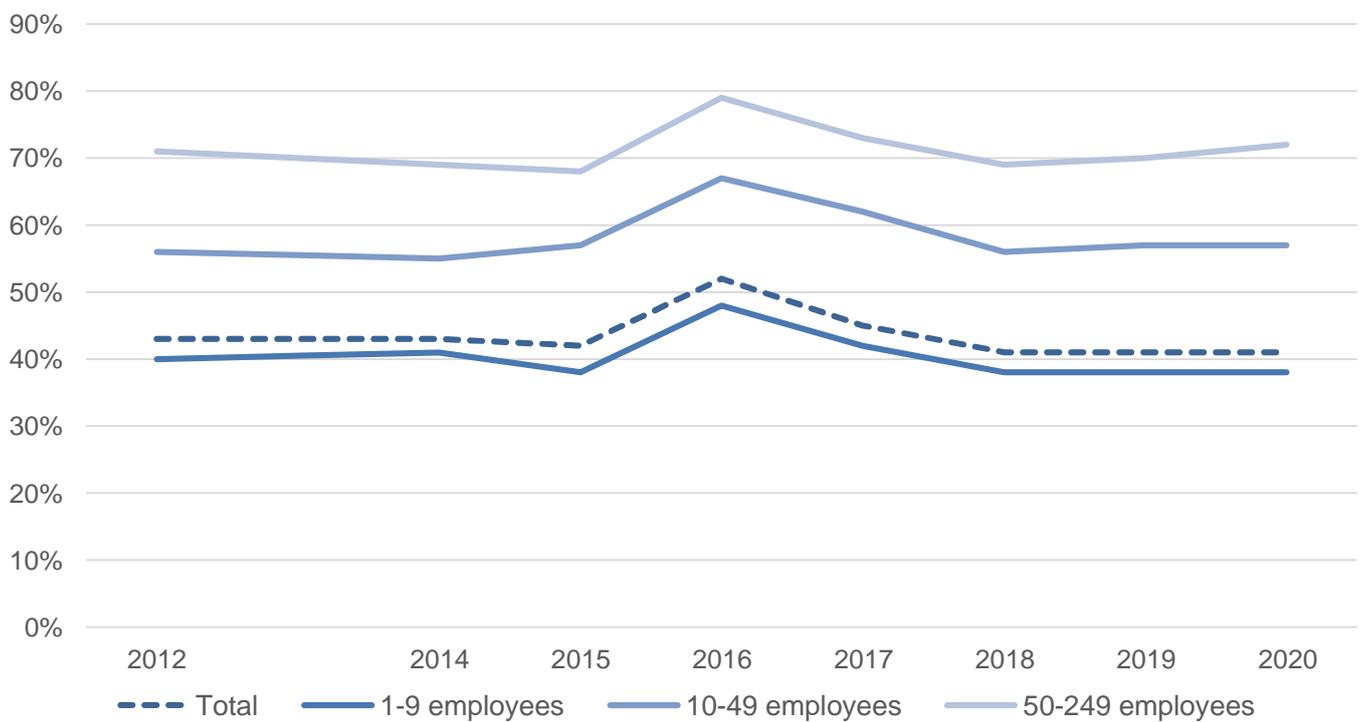
Business practices

Business plans

In the [data tables](#) accompanying this publication, table 43 shows whether businesses have a formal written business plan.

As in 2019, 41% of SME employers had a business plan. This proportion increased with business size from 38% of micros to 57% of small to 72% of medium-sized businesses had a business plan.

Figure 22: Whether have a business plan, by year and number of employees^{32,33}



By sector, business plans were most common in health (67%, two percentage points higher than in 2019), education (59%, also a two percentage point increase) and arts and entertainment (57%, a 13 percentage point increase). They were least likely to be used in the construction (26%, a nine percentage point decrease on 2019) and retail and wholesale (34%, a one percentage point decrease) sectors.

By nation, 36% of SME employers in Wales had a business plan, compared with 42% of SME employers located in England and Scotland and 40% of those located in Northern Ireland.

Seventy-seven per cent of SME employers with a business plan reported keeping it up to date, which was a three percentage point decrease on 2019.

³² Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

³³ There were no surveys in some years, as shown on chart.

Dispute resolution (Cohort A)

In the [data tables](#) accompanying this publication, table 16 (cohort A) shows whether they feel they can satisfactorily resolve a payment dispute with a larger business.

SME employers in cohort A were asked if they felt they could satisfactorily resolve a payment dispute with a larger business (that is, one with 50 or more employees). The question was only asked if they gave or received credit and had fewer than 50 employees themselves.

72% per cent of SME employers felt that they could resolve such a dispute. This was a two percentage point increase compared with 2019.

By nation, 77% in Scotland and 76% in Northern Ireland felt that they could resolve such a dispute, compared with 71% in England and 70% in Wales.

Taxation (Cohort C)

In the [data tables](#) accompanying this publication, tables 5-8 (cohort C) show how businesses with employees keep records for taxation.

When asked about methods for managing records specific to VAT, 77% of SME employers stated that they used record keeping software, 29% used spreadsheets and 31% used paper-based records.

Compared to the 2019 survey, there was little change, with the use of record keeping software increasing by one percentage point, the use of spreadsheets decreasing by four percentage points and no change regarding the use of paper-based records.

The larger the company, the greater the likelihood of using record keeping software. Some 74% of micros reported using it, compared to 85% of small businesses and 89% of medium-sized businesses.

With respect to income tax self-assessment, just over half of all SME employers (53%) reported using record keeping software, 28% used spreadsheets and 39% used paper-based records.

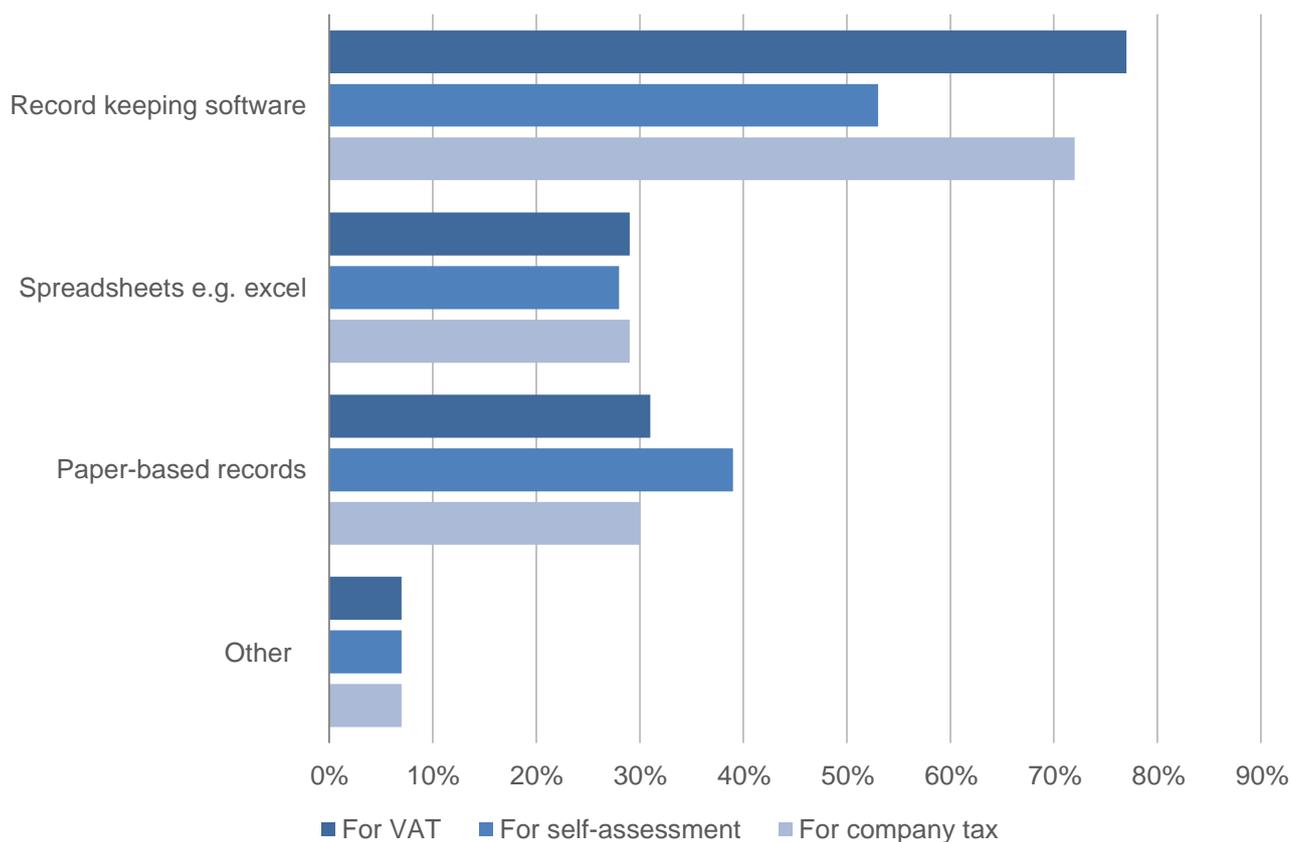
When compared with 2019, the use of record keeping software for income tax self-assessment decreased by two percentage points. The use of spreadsheets decreased by four percentage points, while use of paper-based records increased by four percentage points.

Around half of micro businesses (51%) reported using record keeping software for income tax self-assessment, compared with 73% of small businesses and 74% of medium sized businesses.

For keeping records of company tax, 72% of all SME employers reported using record keeping software, 29% used spreadsheets and 30% used paper-based records. When compared with 2019, the use of record keeping software for company tax decreased by four percentage points; use of spreadsheets decreased by two percentage points, and the use of paper-based records increased by three percentage points.

Micro businesses were again least likely to use recording keeping software for company tax (70%), compared to small (81%) and medium-sized businesses (84%).

Figure 23: Ways in which SME employers keep records (2020)



Technology (Cohort C)

In the [data tables](#) accompanying this publication, tables 9 and 10 (cohort C) show which businesses use technologies or web-based software to sell to customers or to manage the business, and which technologies they use.

Just over a half of all SME employers (56%) used technologies or web-based software to sell to customers or to manage the business, whereas 43% did not³⁴.

Compared with 2019, the proportion that used technologies or web-based software increased by seven percentage points.

³⁴ 1% did not know

Small (63%) and medium sized (65%) businesses were more likely to use technologies or web-based software than micros (54%). There was a seven percentage point increase in both micro and small businesses using technologies or web-based software since 2019.

SME employers in Northern Ireland (38%) and Wales (48%) were less likely to use technologies or web-based software to sell to customers or to manage the business than businesses in England (56%) and Scotland (55%).

SME employers in the information and communications sector (70%) were most likely to use technologies or web-based software. Businesses in the construction (39%) and primary (43%) sectors were least likely to use them.

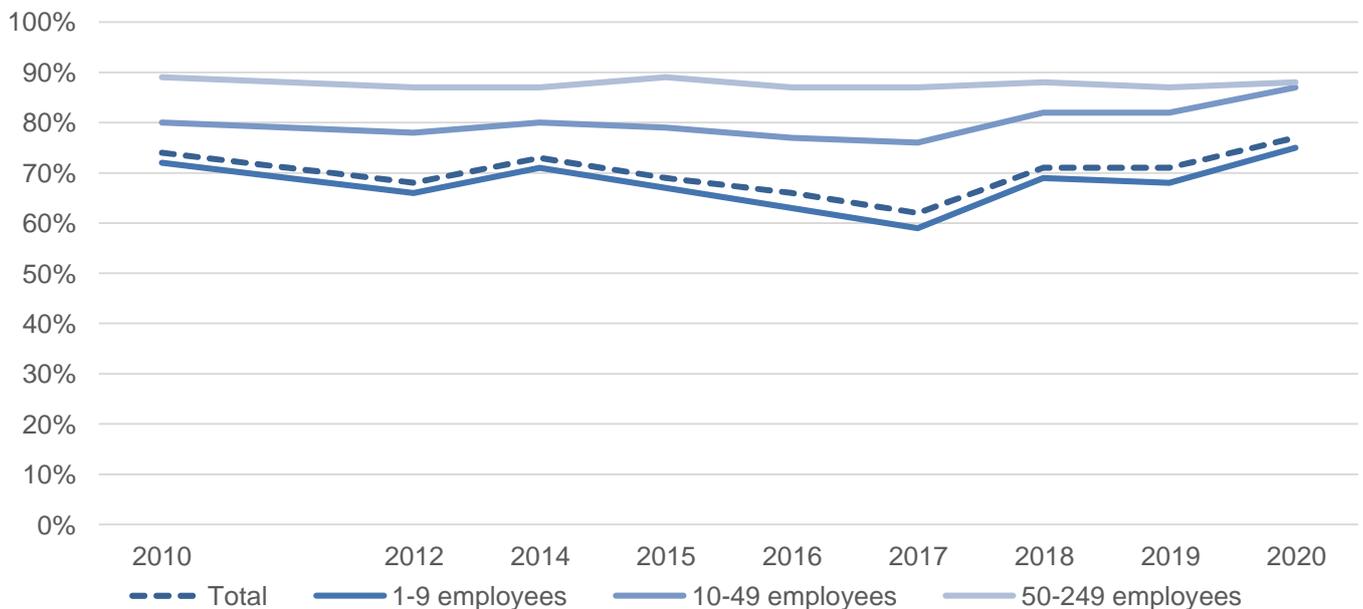
Future plans

Growth ambitions

In the [data tables](#) accompanying this publication, table 110 shows whether or not SME employers aim to grow sales over the next three years.

Seventy-seven per cent of SME employers aimed to grow sales over the next three years, a six percentage point increase on 2019. Small and medium-sized businesses were equally likely to report this intention (87% and 88% respectively) and were more likely to do so than micro businesses (75%). Compared with 2019, there was a one percentage point increase with regard to medium-sized businesses, a six percentage point increase for small and a seven percentage point increase for micro businesses.

Figure 24: Percentage of SME employers that aim to grow sales of the business over the next three years, by employment size and year^{35,36}

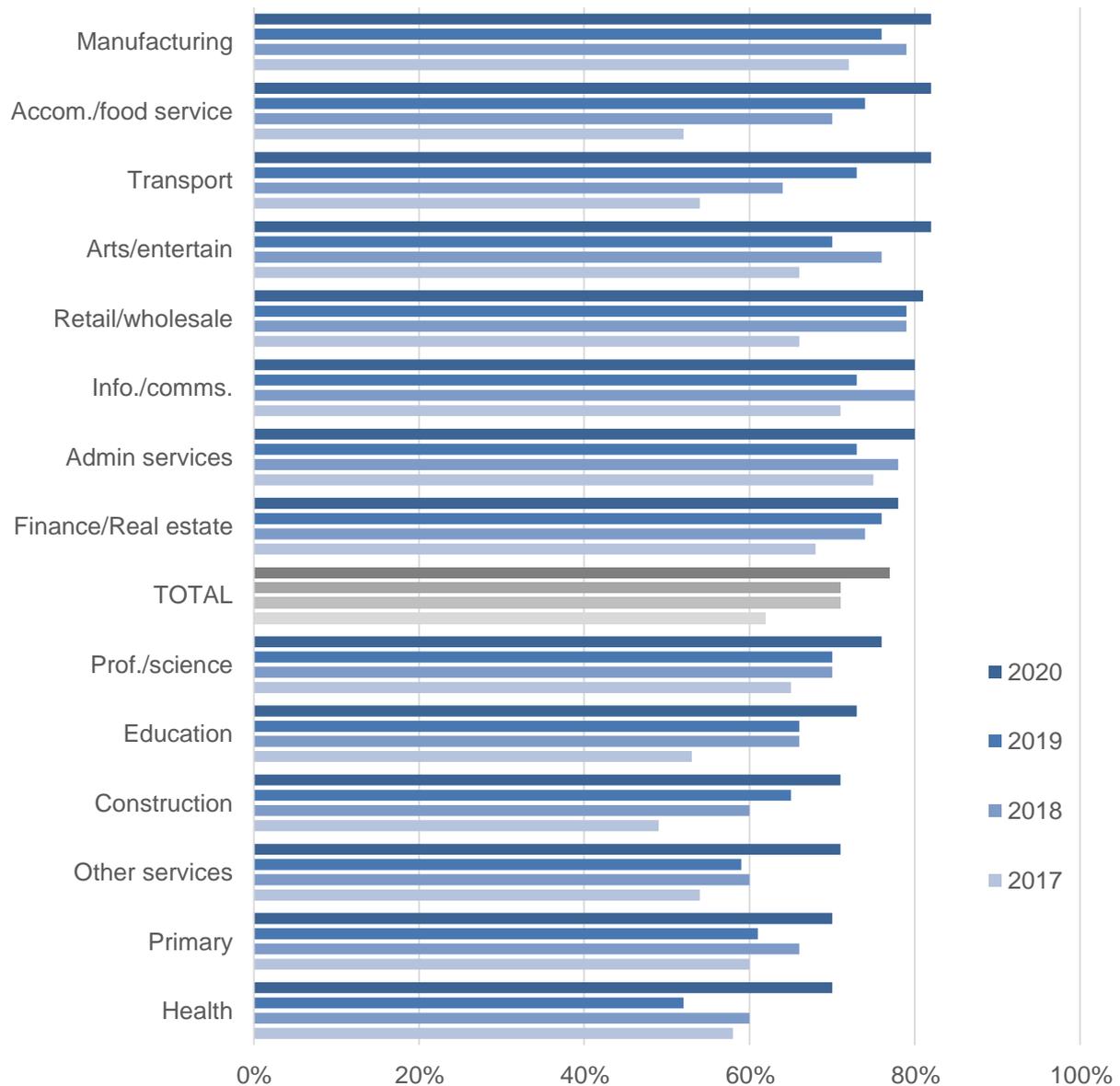


Overall, across all sectors, the percentage of SME employers aiming to grow is higher in 2020 than in 2019. SME employers in manufacturing, transport, accommodation and food and arts and entertainment (all 82%) sectors were most likely to aim to grow. Those in primary, health (both 70%), construction, other services (both 71%) and education (73%) sectors were least likely to be aiming to grow.

³⁵ Small business surveys before 2015 used different methodologies to those currently in use so comparisons need to be made with caution.

³⁶ There were no surveys in some years, as shown on chart.

Figure 25: Percentage of SME employers that aim to grow sales of the business over the next three years, by sector



By nation, growth ambition was higher in Northern Ireland and England (both 78%) than in Wales (75%) and Scotland (74%). Compared with 2019 there was a seven percentage point increase in Northern Ireland, England and Wales, and six percentage point increase in Scotland.

By English region, growth ambition was strongest in London at 83% (a five percentage point increase on 2019), and lowest in the North East at 69% (a two percentage point increase on 2019).

Of those intending to grow, 12% aimed to grow sales by between one and nine per cent in three years' time (an eight percentage point decrease on 2019), 38% by between 10 per cent and 24 per cent (a five percentage point decrease), 20% by between 25 per cent and 49 per cent (a four percentage point increase), and 22% of businesses intended to grow by 50 per cent or more (an eight percentage point increase), while 7% were not able to provide an estimate (similar to 2019).

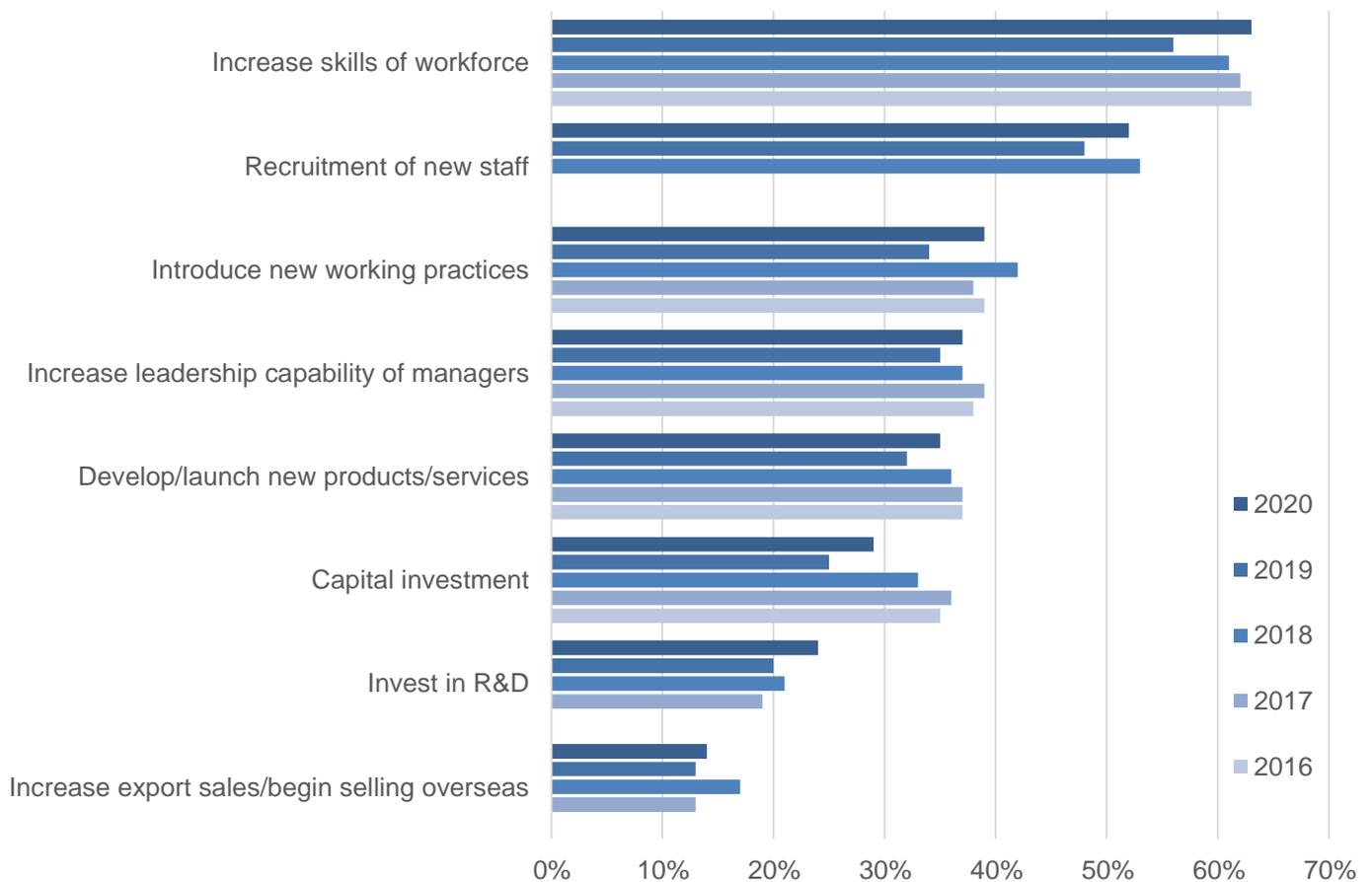
Plans to undertake growth-related activities over the next three years (Cohort B)

In the [data tables](#) accompanying this publication, table 12 (cohort B) shows what plans SME employers have for the business over the next three years.

SME employers were asked about plans to implement various growth-related activities over the next three years. While in 2019 there were fewer responses for each activity compared with 2018, in 2020, there were more responses than in 2019. We found:

- 63% planned to increase workforce skills (seven percentage points up on 2019)
- 52% planned to recruit new staff (four percentage points up on 2019)
- 39% planned to introduce new working practices (five percentage points up on 2019)
- 37% planned to increase the leadership capability of managers (two percentage points up on 2019)
- 35% planned to develop and launch new products or services (three percentage points up on 2019)
- 29% planned to invest in premises, machinery or other types of capital investment in the UK (four percentage points up on 2019)
- 24% planned to invest in R&D (four percentage points up on 2019)
- 14% planned to increase export sales or begin selling to new overseas markets (one percentage point up down on 2019)
- 5% planned capital investment overseas (as in 2019)
- 4% planned to recruit new staff in overseas offices (one percentage point down on 2019)
- 3% planned to decrease export sales or reduce the number of overseas markets they sell to (not asked in 2019)
- 1% planned to transfer staff from the UK to overseas offices (as in 2019)

Figure 26: Percentage of businesses undertaking growth-related activities, by type of activity (cohort B only)



Micro businesses were less likely to plan any type of growth-related activity than small and medium-sized businesses.

There was some variation in the intentions of SME employers across sectors:

- Those in health (79%) and professional and scientific (74%) were most likely to plan to *increase the skills of the workforce*
- Those in administration (63%) were most likely to plan to *recruit new staff*
- Those in education (62%) were most likely to plan to *introduce new working practices*
- Those in health (57%) were most likely to plan to *increase leadership capability*
- Those in information and communication (58%) were most likely than average to plan to *develop and launch new products/services*
- Those in the primary sector (53%) were most likely to plan to *make capital investments*
- Those in information and communication (53%) were most likely to plan to *invest in R&D*
- Those in manufacturing (32%) and information and communications (28%) were most likely to plan to *increase export sales or begin selling to new overseas markets*

Whether plans for growth-related activities have been affected by UK exit from the EU (Cohort B)

In the [data tables](#) accompanying this publication, table 14 (cohort B) shows whether plans have been affected by the UK's exit from the EU.

The following section concerns SME employers that planned to undertake specific growth-related activities. Only cohort B were asked these questions.

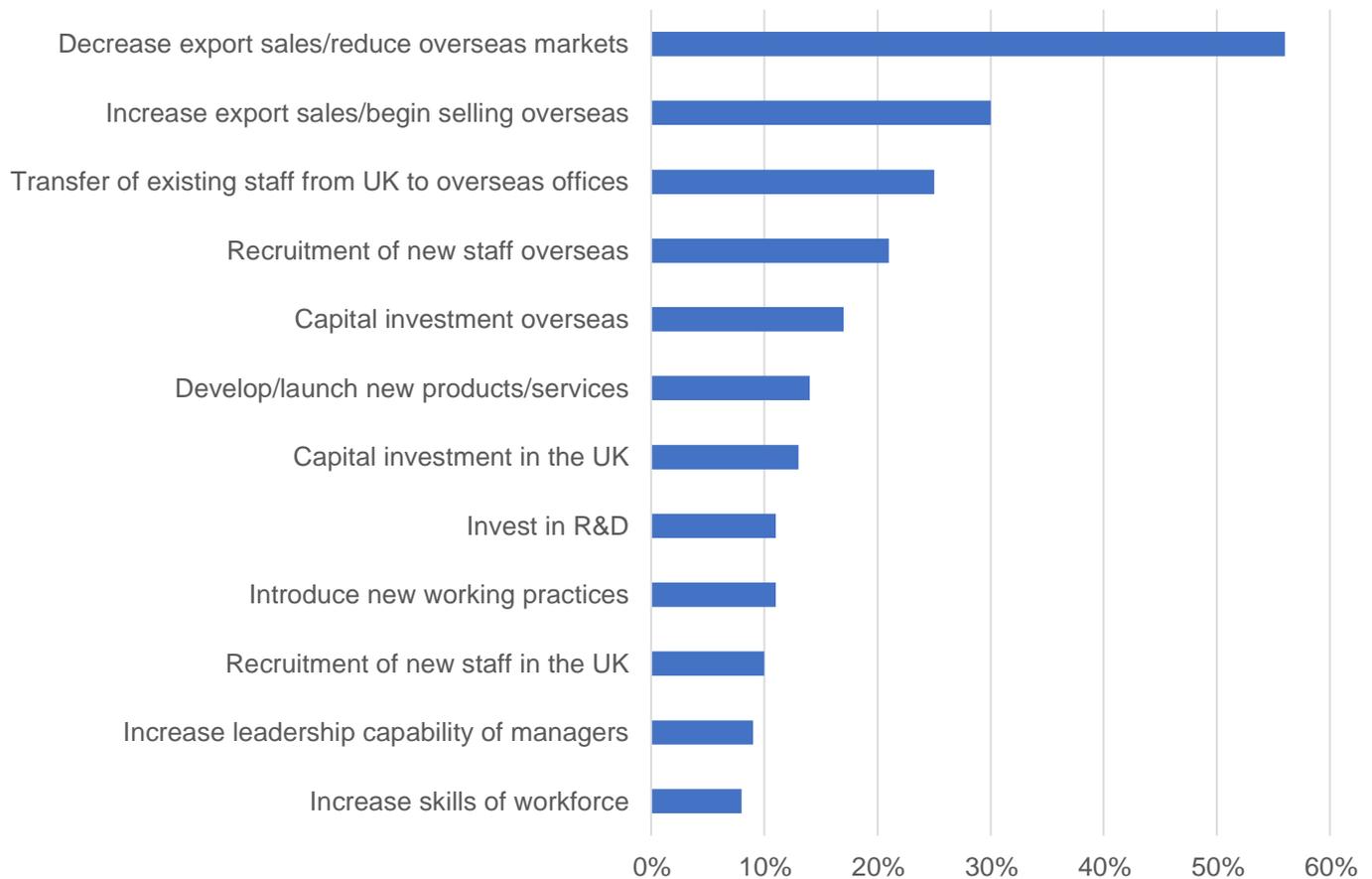
Of those with plans to increase export sales or begin selling to new overseas markets, 30% reported these plans were affected by EU exit (24% in 2019, 26% in 2018 and 37% in 2017). However, those with plans to reduce export sales or the number of overseas markets they sell to also reported that their plans had been affected by the UK's exit from the EU (56%).

One in four SME employers with plans for the transfer of existing staff from UK to overseas offices reported that these plans were affected by the UK's exit from the EU (25%), while 21% of those with plans for recruitment of new staff to overseas offices reported these plans affected.

Other planned growth-related activities were reported to have been affected to a lesser extent by the UK's exit from the EU. Of those with plans for capital investment in overseas markets, 17% reported that these plans have been affected by the UK's exit from the EU. This proportion is lower in respect of capital investment in the UK (13%). Of those SME employers with plans to develop and launch new products and services, 14% reported plans affected by the UK's exit from the EU, and this proportion was lower in respect of plans to invest in R&D and to introduce new working practices (both 11%).

No more than one in ten SME employers with plans to recruit new staff or develop skills among existing UK employees reported plans being affected by the UK's exit from the EU: recruitment of new staff in the UK - 10%; increasing leadership capability of managers – nine per cent; and increasing skills in the workforce – eight per cent.

Figure 27: Plans affected by EU exit activity (based on SME employers that plan to undertake each growth-related activity, cohort B only) – UK-based activities, where an unweighted base >50 only



Whether plans for growth-related activities have been affected by the coronavirus (COVID-19) pandemic (Cohort B)

In the [data tables](#) accompanying this publication, table 13 (cohort B) shows whether plans have been affected by the coronavirus (COVID-19) pandemic.

Again, the following section concerns SME employers that planned to undertake specific growth-related activities, and only cohort B were asked these questions.

Growth-related activities were widely affected by the coronavirus (COVID-19) pandemic, with activities linked to overseas trading more likely to be affected by the pandemic – as reported by SME employers – than the UK’s exit from the EU. Around half of SME employers with plans to increase export sales or begin selling to new overseas markets reported that these were affected by the pandemic (48%).

Plans to develop and launch new products/services were reported to have been affected by the coronavirus (COVID-19) pandemic by 46% of those with these plans, while capital investment in the UK was reported to have been affected by the pandemic by 45% of SME employers with such plans.

Recruitment and skills development was reportedly affected by the pandemic by around two in five SME employers with these plans: recruitment of new staff in the UK – 44%; increase the skills of the workforce – 42%; and increase the leadership capability of managers – 39%.

Of those with plans to introduce new working practices, 43% reported these plans affected by the coronavirus (COVID-19) pandemic, while 39% of SME employers with plans to invest in R&D reported these plans affected.

Profiles of SMEs

This section provides a snapshot of SME employers in terms of their characteristics and ownership.

Changes in the organisation in the last 12 months (panel only)

In the [data tables](#) accompanying this publication, table 2 outlines the changes in the business in the last 12 months.

SME employers that were panellists - that is those that had taken part in 2019, including some that first took part in either 2017 or 2018 and have taken part in each survey since - were asked whether a number of changes had occurred in the last 12 months. The changes and the percentage of respondents reporting such changes had occurred are given here:

- 5% had gained or lost directors in day-to-day control of the organisation
- 5% had opened or closed a new branch, site or office
- 4% had changed their ownership structure
- 4% had moved their head office
- 1% became VAT registered for the first time
- 1% had changed their legal status
- 1% had changed the principal activity of their business
- for 85%, none of these changes had occurred

Number of sites

In the [data tables](#) accompanying this publication, table 4 provides detail on the number of sites operated from by SME employers.

The majority of SME employers reported operating from a single site (86%) and 13% reported operating from multiple sites. The percentage of SME employers operating from a single site was one percentage point lower than in 2019, and one percentage point higher than in 2017.

Unsurprisingly, the proportion of SME employers operating from multiple sites increases as the number of employees within the enterprise increases, with 52% of medium-sized businesses reporting multiple sites, compared with 24% of small and 10% of micro businesses. These were similar proportions to 2019 (50%, 25% and 9%, respectively).

SME employers operating in the health sector were most likely to have multiple sites (21%).

Business premises in residential settings

In the [data tables](#) accompanying this publication, table 14 shows whether they have a separate business premises or work from home premises.

Twenty per cent of SME employers have business premises in their home or the home of the business owner. This is a one percentage point increase compared with 2019.

By employment size, 24% of micro businesses worked out of a domestic address (a one percentage point increase on 2019), compared to 2% of small businesses (a four percentage point decrease) and less than 1% of medium-sized businesses (the same as in 2019).

By sector, the proportions of SME employers that work from a domestic address are highest in primary (47%), construction (36%), information and communication (29%) and professional and scientific (24%) sectors.

Those in health (8%), retail and wholesale (9%), manufacturing (10%) and other services (10%) sectors were least likely to be home based.

Home-based businesses were more common in Northern Ireland (23%), than in Scotland (21%), England (20%) and Wales (18%).

Age of business

In the [data tables](#) accompanying this publication, table 11 shows the summary age of the business.

Amongst all SME employers, 10% had started trading within the preceding five years, that is between 2014 and 2019 (a two percentage point decrease on 2019). As in 2018 and 2019, 17% started trading between 6 and 10 years previously, while 27% started trading between 11 and 20 years previously (a one percentage point increase on 2019). Some 45% have been established 21 years or more (as in 2019).

Small and medium-sized businesses tended to be older than micro businesses. Some 11% of micro businesses were aged between zero and five years (13% in 2019), compared with 7% of small businesses (8% in 2019) and 5% of medium-sized ones (as in 2019). At the other end of the scale, 43% of micro businesses were aged 21 or more years (42% in 2019), compared with 54% of small businesses (as in 2019), and 63% of medium-sized businesses (again, as in 2019).

By sector, those most likely to be aged between zero and five years were in accommodation and food service (24%), construction and administration (both 13%). Those most likely to have been trading 21 years or more were in the primary sector (72%).

By nation, SME employers in Northern Ireland (22%) were more likely to be aged between zero and five years than those in Scotland (11%), England (10%) and Wales (9%).

Legal status³⁷

In the [data tables](#) accompanying this publication, table 10 shows the legal status of the SME employer.

70% of SME employers in our survey were private limited companies, limited by shares (a four percentage point increase on 2019), 10% were sole proprietors (a three percentage point decrease on 2019), 8% were partnerships (as in 2019), and 5% were private companies limited by guarantee (CLGs) (as in 2019). Around 2% were limited liability partnerships (LLPs), as in 2019, whilst 2% were charitable incorporated organisations (CIOs), a one percentage increase.

Micro businesses were more likely than larger businesses to be sole proprietorships. Around 12% of micros were sole proprietorships, compared with 4% of small and 1% of medium-sized businesses. Small (74%) and medium-sized (77%) businesses were more likely than micro (69%) businesses to be private companies limited by shares.

Not-for-profit enterprises tended to have alternative legal statuses, tending not to be limited by shares, sole proprietors, or any form of partnership. They were mainly CLGs, although others were IPS (Industrial and Provident Societies), CIOs, CBS (Community Benefit Society), CICs (Community Interest Company) or described themselves as trusts, friendly societies, co-operatives, royal charter companies or unincorporated associations. Overall, 9% of SME employers had these alternative legal statuses (12% in 2019, 9% in 2018).

These alternative legal statuses were most common in education, health and other services (all 47%), and arts and entertainment (35%) sectors.

Registered charity status

In the [data tables](#) accompanying this publication, table 3 shows if the SME employer is a registered charity.

It is estimated that 6% of SME employers in 2020 were registered charities (as in 2019) and this differed little by size. Some 5% of micro businesses were registered charities, compared with 8% of small and 7% of medium-sized businesses.

Of those with alternative legal statuses as described above, 55% had charitable status. Of those with other legal statuses, less than 1% were registered charities.

Charitable status was most common in the health (45%), education (39%) and other services (36%) sectors.

³⁷ Note that in 2019 the legal status questions were amended in an effort to simplify and improve understanding for participant to answer. Therefore, there is limited comparability with figures from 2018 on specific counts on IPS, CBS, CICs, trusts, friendly societies, co-operatives, royal charter companies or unincorporated associations.

Number of owners/partners/directors

In the [data tables](#) accompanying this publication, tables 17-19 provides the number of owners, partners and directors.

Overall, 78% of SME employers were majority-owned by the person or family who set it up, within nearly all of these (77% of all SME employers) the person or family who majority-owned it was actively involved in managing the business.

The majority of SME employers (86%) had no directors in day-to-day control of the business who were not owners or partners. Most of the remainder (6% of SME employers) reported having one director, 3% had two directors, 2% had between three and five and 1% had six or more.

Around 40% of SME employers reported having no more than one owner, partner or director, 38% reported having two, 18% reported having between three and five and 4% having six or more.

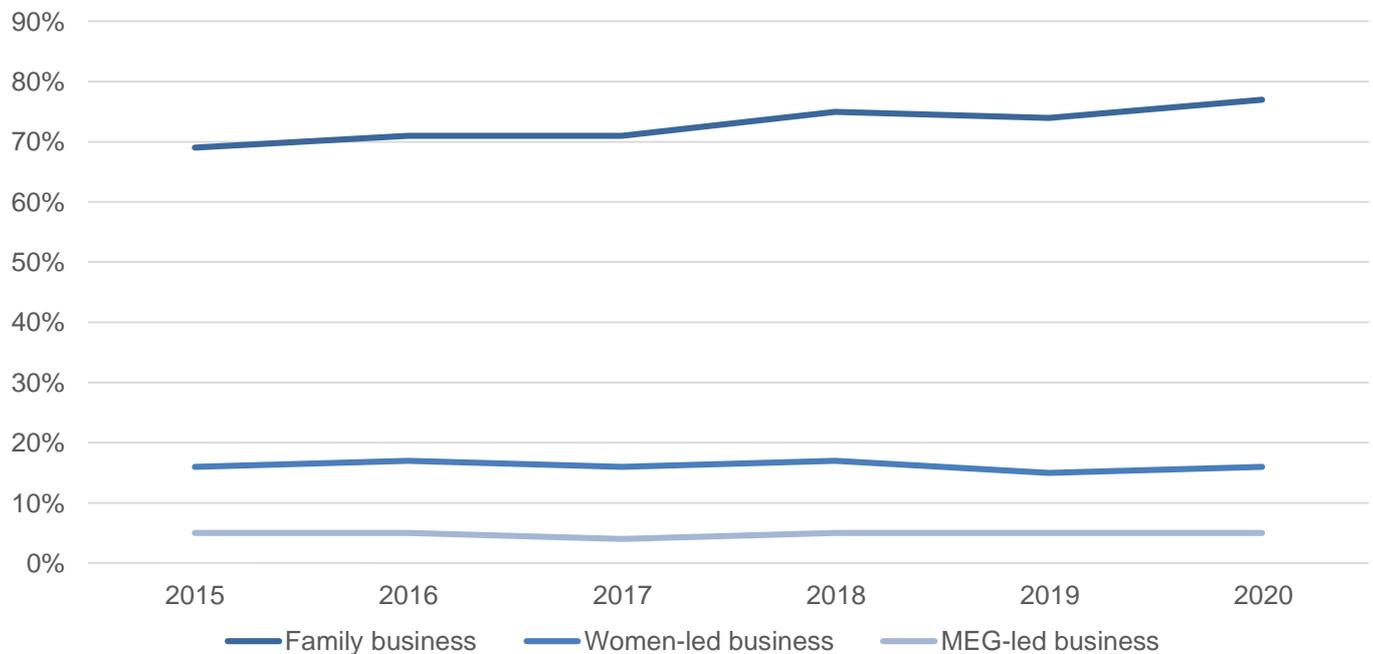
Compared with 2019, there has been no change in the percentage of SME employers that had no more than one owner, partner or director, no change in the percentage with two, while there was a one percentage point increase in the percentage with between three and five, and no change in the percentage with six or more.

In 2020, the number of owners, partners and directors increases with employment size, with 43% of micros having no more than one owner, partner or director compared with 27% of small and 20% of medium-sized businesses.

Family-owned businesses

In the [data tables](#) accompanying this publication, table 15 shows whether the business is classified as family owned.

Figure 28: Ownership of organisation, by year



Seventy-seven per cent of SME employers were defined as family-owned businesses (a three percentage point increase on 2019). Note that we classify businesses with just a single owner or partner as family businesses, but not those without any owners.

Family-owned businesses were more common among smaller enterprises, comprising 80% of micro businesses, 66% of small businesses and 58% of medium-sized businesses.

By sector, family businesses were most likely in construction (88%), primary (86%), retail and wholesale (84%), transport, accommodation and food (both 83%) and administration (81%).

Women-led businesses

In the [data tables](#) accompanying this publication, table 25 shows whether the business is classified as women-led, table 25 provides more detail on the proportion of women owners and directors.

Women-led businesses are defined as those majority-led by women, that is controlled by a single woman or having a management team of which a majority are women. In 2020, 16% of SME employers were women-led. This was a one percentage point increase on 2019.

There were fewer women-led medium-sized businesses (13%), compared with small and micro businesses (19% and 16% respectively). This was also the case in previous surveys.

Women-led businesses were most likely in health (37%), education (36%), other services and accommodation and food service (both 25%) sectors. (It is worth noting that, except for accommodation and food, there were relatively large numbers of businesses in these sectors – about one in five – for which the information was not able to be provided by the respondent and therefore we did not know whether they were women-led or not).

While 16% of SME employers were women-led, a further 24% were ‘equally-led’, with an equal number of men and women in the management team. This was the same proportion as in 2019.

A further 11% of SME employers had women in the minority in the management team (as in 2019), and 45% were entirely male-led (46% in 2019).

Minority Ethnic Group-led businesses

In the [data tables](#) accompanying this publication, table 27 shows whether the SME employer is classified as led by people from minority ethnic groups.

Five per cent of SME employers were minority ethnic group led (MEG-led), defined as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from ethnic minority groups. There was no statistically significant difference in the overall proportion of MEG-led businesses between 2015 and 2019, nor in the proportions of MEG-led SME employers by employment size.

MEG-led SME employers were more likely in information and communication (9%) and accommodation and food (7%) sectors. They were less likely in primary (none) and education sectors (1%).

MEG-led SME employers were most common in London (16%, up one percentage point on 2019) and least common in the North East and the South West (both 1%); at 6% overall in England, while 2% of SME employers were MEG-led in Scotland, Wales and Northern Ireland.

It is worth noting that in almost every category, the proportion of SME employers where we do not know whether they were MEG-led or not is similar to or higher than the proportion we know to be MEG-led, and that this ‘unknown’ category is particularly high in education, health, arts and entertainment and other services.

Accompanying tables

The following tables are available in Excel format on the department's statistics [website](#) for this publication:

- Longitudinal Small Business Survey 2020: SME employers – data
- Longitudinal Small Business Survey 2020: SME employers – data – Cohort A
- Longitudinal Small Business Survey 2020: SME employers – data – Cohort B
- Longitudinal Small Business Survey 2020: SME employers – data – Cohort C

The survey microdata will be deposited with the ONS [Secure Research Service](#) and the [UK Data Service](#) during the Autumn 2021. This will be available to approved researchers.

Technical information

Aims of the survey

This report sets out the key findings for the 2020 Longitudinal Small Business Survey (LSBS), a large-scale telephone (CATI³⁸) survey of 7,636 UK small business owners and managers, commissioned by the Department for Business, Energy and Industrial Strategy (BEIS). This survey is the latest in a series of annual and biennial Small Business Surveys (SBS) dating back to 2003. The 2020 survey was conducted between September 2020 and April 2021 by BMG Research Ltd.

The 2020 survey follows surveys conducted annually since 2015. Sample bases for each year from 2015 to 2020 are summarised in Table 1. The 2015 survey was the largest SBS yet undertaken. The main reason for this large sample size was to allow the survey to have a longitudinal tracking element, establishing a 'panel' of businesses that might be re-surveyed in subsequent years, enabling a detailed analysis of how combinations of factors affect business performance through time. Any panel has an element of attrition, hence the need for a large sample size in 2015.

Table 1

	Sample size
2020	7,636
2019	11,002
2018	15,105
2017	6,619
2016	9,248
2015	15,502

³⁸ Computer Assisted Telephone Interviews

In 2020, following a substantial 'boost' to the panel in 2018, additional top up interviews were conducted. In addition to 5,381 interviews with enterprises that had already completed at least one LSBS survey between 2015 and 2019, 2,255 top-up interviews were also conducted. Top-ups were needed for the following reasons:

- to represent sections of the SME population that were not active in the year five survey (businesses less than one-year old)
- to represent sectors in the raw data that may be under-represented due to businesses in the panel closing, or being hard to secure an interview with (e.g., in cases where businesses work away from their main offices)
- to increase the sample size in Northern Ireland, to allow for meaningful analysis on a nation basis

All interviews were conducted with owner/proprietors, Managing Directors or other senior directors in UK-based enterprises. For the top-ups, named contact details were not supplied and it was necessary to screen to find an appropriate respondent. The average interview length was 23.5 minutes (22.4 minutes for panellists, 26.7 minutes for top-ups).

The main aim of the survey is to collect a range of information on SMEs. The survey measures:

- recent turnover and employment growth
- capabilities (in terms of their ability to innovate, export, train staff, etc)
- experience of accessing finance
- use of business support
- expectations of growing turnover and employment
- the major obstacles that prevent SMEs fulfilling their potential
- the characteristics of SMEs such as the number of sites they occupy, the number of owners, whether they have separate business premises, etc
- the characteristics of their owners and leaders

There are three main reports based on the 2020 LSBS:

- a **cross-sectional report** based on **SME employers**. A cross-sectional report is a snapshot of the state of SMEs at any particular stage in time, this one being the latter half of 2020 to early 2021 (this report).
- a **cross-sectional report** based on **businesses with no employees**
- a **longitudinal report** based on those businesses that responded in the last three years of the survey. This looks at the main changes that apply to the 'panellists' from year to year, and what appears to influence these changes

19 of the 7,636 interviews were with large employers with 250 or more employees. The reason for interviewing these is that these businesses were SMEs when first interviewed but have grown since. They form a part of the longitudinal analysis, but not the cross-sectional.

Survey method

Of the 11,002 interviews conducted in 2019, 9,380 (85%) agreed to a follow-up interview. The objective was to obtain the highest possible number of repeat interviews with these panellists. 4,764 were interviewed between September 2020 and April 2021 (51% response rate, down from 53% in the 2019 survey, which was also down from 68% in the 2018 survey). Of these, 1,264 had no employees, 14 were large businesses with 250+ employees, and the remainder (3,486) were SME employers. This group is known as the 'full panel'.

In addition, 4,830 businesses interviewed from 2015 to 2018 but not in 2019 could be re-approached for interview (they had given permission for re-interview and had not refused to take part between 2015 and 2018 and had not ceased trading). 617 of these were interviewed in 2019, a response rate of 13% (down from 21% in 2019), of which 424 were SME employers, and 3 were large businesses with 250+ employees. This group is known as the 'past panel'.

In addition to these, 2,255 top-up interviews were conducted (1,687 of which were SME employers), for reasons explained in the paragraphs above. As a result, the total sample size in the 2020 survey was 7,636, of which 5,597 were SME employers:

The top-ups were sampled using a method consistent with the 2015-19 surveys.

- The sample was stratified within each of the four UK nations.
- Targets were set according to the employment size of enterprises and, within those targets, by 1-digit sector (using [SIC 2007](#)).
- The targets over-represented businesses with 5 to 249 employees substantially in comparison to their actual numbers within the business population.

For registered businesses, the [Inter Departmental Business Register](#) (IDBR) was used as the sample source. For unregistered businesses with no employees, a database from the commercial database provider, Experian was used. These contacts were screened out if they either had employees on their payroll or paid VAT, as these would have duplicated contacts found within the IDBR.

The IDBR is a record of all UK enterprises that pay VAT or PAYE, which contains around 2.7 million unique entries for enterprises. The BEIS Business Population Estimates (BPE) publication estimates around 6 million enterprises in the UK in total. The difference in the figures is explained by the number of unregistered enterprises that do not pay VAT or PAYE, estimates of which derive from the Labour Force Survey (LFS). This is the reason why an alternative database was retained as the source for top-up businesses with no employees, as it contains records for both registered and unregistered businesses.

The targets within the sample stratification matrix were informed by the 2019 BPE³⁹, the latest available at the start of fieldwork. However, survey findings were weighted to the 2020 BPE⁴⁰ which were published a few months into the fieldwork period. The 2020 BPE was used for weighting as it more accurately represented the IDBR contacts used for the survey, as well as

³⁹ <https://www.gov.uk/government/statistics/business-population-estimates-2019>. The figures were drawn from a combination of the Inter Departmental Business Register (IDBR) which contains all businesses operating VAT or PAYE schemes or which were registered at Companies House, and the household survey-based Labour Force Survey (LFS) which is the main source for estimating the number of the self-employed and very small businesses.

⁴⁰ <https://www.gov.uk/government/statistics/business-population-estimates-2020>. Method of data collection as above.

providing a more up-to-date picture of UK small businesses than the 2019 BPE.

A 336-cell sample stratification matrix was devised, the targets within each cell informed by the 2019 BPE. These cells were defined by cross-classifying the following three categories:

- 14 ‘one digit’ [SIC 2007](#) categories (ABDE, C, F, G, H, I, J, KL, M, N, P, Q, R, S)
- 6 size categories (unregistered zero employees, registered zero employee, 1-4 employees, 5-9 employees, 10-49 employees, 50-249 employees)
- 4 nations (England, Scotland, Wales, Northern Ireland)

Once the sample was drawn, with sample sizes informed by differential likely tele-matching success rates for each cell (based upon experience from the previous surveys), no quotas were employed on size, sector or any other criteria except for country, where Northern Ireland had a guaranteed minimum sample size set.

A review of the 2019 questionnaire was undertaken through consultations with stakeholders. This resulted in a number of alterations to existing questions from previous surveys, new question additions and deletions. The changes were informed by the requirement to balance stakeholders’ latest needs with the desire to exploit the longitudinal power of the survey. The consultation was followed up by a ‘live’ pilot of 100 interviews of the adjusted year five questionnaire.

Based on the whole sample, the response rate for full panellists was 51%, two percentage points lower than in 2019. For past panellists the response rate was 13%, seven percentage points lower than in 2019. For IDBR top-ups it fell a percentage point to 3%. For unregistered top-ups, the response rate was 3%, a percentage point lower than in 2019. There is more detail in the technical report, which includes tele-matching rates and other forms of non-response.

Note on this report

Please note that the findings presented in this report relate to SME employers only - enterprises with no employees, and large employers, have been excluded from the dataset on which this report is based. This procedure is consistent with reporting of previous surveys. The overall sample size for SME employers across the UK in 2019 was 5,597.

Sample cohorts

One of the main reasons given by respondents who do not want to participate in LSBS is that the interview length is too long. In 2018, BEIS made a commitment to bring down the average interview length and introduced ‘cohort questions’, which we used again in year six.

Three cohorts (A, B and C) were created. Each cohort was exclusively asked a series of non-key questions. For example, only cohort A was asked questions on business energy usage. cohorts were chosen for respondents at random during their interview.

The sample size for cohort questions is one-third of the normal sample size (so there are about 700 non-employers in each 2020 cohort). Each respondent is part of one cohort only. Where a business is in each of the 2018, 2019 and 2020 datasets, its cohort for 2020 is entirely independent of its 2018 and 2019 cohorts (knowing a business was in cohort A in 2018 or 2019 tells you nothing about which cohort it is in in 2020). Because of the different respondents answering questions for different cohorts, we have calculated separate cohort weights for analysing responses to the cohort questions. To analyse questions asked of cohort A in 2018, analysts should use the 2018 cohort A weights, for questions to cohort C in 2019 they should use the 2019 cohort C weights, and so on.

Sector definitions

Throughout this report, data tables show sectoral analysis by one-digit [SIC 2007](#) codes. Because of relatively small numbers in the business population and survey sample, some of these sectors are grouped together: ABDE, labelled as primary, comprises (A) agriculture, fishing and forestry, (B) mining and quarrying, (D) electricity and gas, and (E) water, sewerage and waste management; KL comprises (K) finance and insurance, and (L) real estate.

To gain a better picture of the types of businesses that fall into each sector category, the following gives the most populous sub-sectors for SME employers at the three-digit level:

- **ABDE (primary).** There were 60,365 UK SME employers in this sector in 2020. The sector is dominated by farming. The three most populous sub-sectors within the category were animal production (39%), growing of non-perennial crops (22%) and mixed farming (13%)
- **C (manufacturing).** There were 86,690 UK SME employers in this sector in 2020. Manufacturing is the most classified sector, with 95 three-digit SIC codes. The most populous sub-sectors within the category were treatment and coating of metals (10%), and printing (8%)
- **F (construction).** There were 177,575 UK SME employers in this sector in 2020. The most populous sub-sectors within the category were electrical and plumbing (29%), building completion (24%) and building construction (19%)
- **G (retail and wholesale).** There were 238,025 UK SME employers in this sector in 2020. The most populous sub-sectors within the category were retail sale of other goods in specialised stores (16%), maintenance and repair of motor vehicles (14%), and retail sale in non- specialised stores (12%)
- **H (transport and storage).** There were 51,610 UK SME employers in this sector in 2020. The most populous sub-sectors within the category were road freight transport (52%) and other passenger land transport (mainly taxi businesses, 15%)
- **I (accommodation and food service).** There were 136,550 UK SME employers in this sector in 2020. The most populous sub-sectors within the category were restaurants (62%) and beverage serving activities (pubs and bars, 21%)
- **J (information and communications).** There were 85,220 UK SME employers in this sector in 2020. The most populous sub-sector within the category was computer programming and consultancy (74%)
- **KL (financial and real estate).** There were 69,675 UK SME employers in this sector in 2020. The most populous sub-sectors within the category were estate agents (33%), property rentals (30%) and auxiliary financial services (16%)

- **M (professional and scientific).** There were 195,095 UK SME employers in this sector in 2020. The most populous sub-sectors within the category were management consultancy (30%), architecture and engineering (20%) and accountancy (13%)
- **N (administrative services).** There were 130,845 UK SME employers in this sector in 2020. The sector was dominated by 'business support services not elsewhere classified' (44%). This is a miscellaneous category. Sector N also included house and business cleaning (13%) and landscaping (8%), and employment placement agencies (8%)
- **P (education).** There were 20,180 UK SME employers in this sector in 2020. The most populous sub-sector within the category was 'other education' (59%, for example driving schools and sports coaches). The next most populous was pre-primary education (14%)
- **Q (human health and social work).** There were 58,830 UK SME employers in this sector in 2020. The most populous sub-sectors within the category were medical and dental (41%), non-residential social work activities (21%) and other human health activities (17%)
- **R (arts and entertainment).** There were 26,720 UK SME employers in this sector in 2020. The most populous sub-sectors within the category were sports activities (45%), creative and arts (35%) and amusement and recreation (16%)
- **S (other services).** There were 67,530 UK SME employers in this sector in 2020. The sector was dominated by 'other personal service activities' (87%). This includes hairdressing and beauty, funeral directors and dry-cleaning

Much more detail on the sectors is available in the BEIS [Business Population Estimates](#).

Uncertainty

Since the LSBS questioned a sample of UK SMEs, rather than all of them, there is inevitably a level of uncertainty around the estimates we derive from the survey and how close they will be to the true values.

Coverage and representativeness

Users might wonder if the sample we have used is adequately representative of the target population (the UK SME population). We have used two sampling frames to draw our sample from. One is the IDBR from the Office for National Statistics (ONS), which has excellent coverage of registered businesses in the UK, as it is regularly updated with information from HMRC and ONS surveys. We use the commercial database provider, Experian, to provide us with a sample of unregistered businesses.

The coverage of the unregistered business population is less well understood. It is likely that the Experian frame is good for well-established businesses that advertise their presence in trade directories for example. You can imagine a small business owner that relies on word of mouth and a few repeat customers and has no wish to expand the business for the moment (for example, there are people who make birthday cakes and other cakes in their own kitchens at home, who might have at most a Facebook page or Instagram account to advertise themselves). Neither of our sampling frames is likely to list this kind of small business.

Our sample is deliberately unrepresentative in the sense that it overrepresents larger SMEs, and also overrepresents non-English businesses. This is to ensure that we have reasonable sample sizes for medium-sized businesses, Scottish businesses etc., otherwise we would not be able to obtain robust estimates for important subgroups. A truly proportionate sample would otherwise contain just a handful of medium-sized businesses. We produce survey weights so that analysts can nevertheless arrive at estimates that take due account of the actual distributions in the population – the micro businesses have larger weights than the medium-sized businesses for example.

Another way that our sample might be unrepresentative is that the businesses that take part in the survey (which is after all voluntary) are different from the businesses that we sample but do not agree to take part, with respect to the various questions we ask. This is known as non-response bias. For example, if struggling businesses are more likely to refuse to take part than thriving ones, then our final achieved sample will underrepresent struggling businesses, and estimates of things like future ambition, that might differ considerably between struggling and thriving businesses, might be biased.

It is hard to quantify non-response bias. We have taken a number of standard steps to try to minimise its risk. The research company that conducted our interviews made multiple attempts for each sampled business for which we could obtain a telephone number, so that we can get more of the reluctant businesses, and we did not have hard quotas for each of our 'target cells' (quotas for a target cell, for example 25 interviews of micro businesses in finance and real estate in Wales, can encourage an interviewer to give up quickly on reluctant businesses and focus on snapping up as many easier businesses as possible in order to meet their quota as quickly as possible). Sampled businesses were also given contact details for government officials so they could confirm the survey was genuine and official.

Sampling uncertainty

It is possible to quantify the amount of uncertainty that arises from using a sample instead of interviewing the entire population. There are a number of ways of doing this, but we will focus on using a statistical tool known as confidence intervals.

In order to run our survey, we drew a random sample. This means that on another day we would have drawn a different sample. With our actual sample, we estimated that 67.5% of SME employers in 2020 made a profit or generated a surplus in the previous financial year. But it is possible that another random sample might have found that number to be 68.7%, or 66.3%, even though the actual true figure is unchanging. This is known as sampling variability.

What we can do is produce a 95% confidence interval around an estimate. In the case of this profitability measure, the interval goes from 66.3% to 68.7%. The interval has been calculated using a method that, for 95% of the possible random samples we could have drawn, will produce an interval that actually contains the true value of this profitability measure. Each different random sample would have a different confidence interval, but 95% of the time the interval produced will contain the true value. So, our actual survey estimate is 67.5%, and we are 95% confident that the true value is in the range 66.3% to 68.7%.

Our survey contains hundreds of measures and it is not practical to produce confidence intervals for each one of them. Instead, Table 2 summarises the sampling uncertainty for the key measures reported in this publication.

Most of the estimates from this survey are presented as proportions or percentages (such as 10%). If this was an estimate relating to all UK SME employers, then we look at the 'all UK' row and the column for estimates at 10%. The confidence interval is given as +/- 1.0%. So our confidence interval around the 10% estimate is 10% +/- 1.0%, that is, from 9.0% to 11.0%. We are 95% confident that the true figure is within that range.

If the estimate had been closer to 30% or to 70%, then our interval would have used +/-1.5% instead of +/- 1.0%, according to Table 2. When estimates are close to 50%, that is the 'worst case scenario' in the sense that the confidence intervals are at their widest. They narrow more as the estimate moves away from 50% (in either direction). So, the intervals are slightly narrower for 30% or 70% estimates, and narrower still for 10% and 90% estimates.

Confidence intervals get narrower when you have larger sample sizes too. If our 10% estimate is for medium-sized businesses employers rather than for all UK SME employers, we use a different row of the table, and find the confidence interval to be 10% +/- 2.0%. If we have an estimate of 65% for the construction sector, that is pretty close to 70% so we use that column of the table and arrive at an approximate confidence interval of 65% +/- 4.7%.

Table 2 is useful for estimates of proportions but cannot be used for other measures. For example, we have estimated a mean amount of external finance sought for by SME employers - £278,000. Table 2 cannot be used to produce a confidence interval for this estimate, though it can be done⁴¹.

Which differences are statistically significant?

Generally, throughout this report where we talk about differences (between the estimate for a subgroup and the total, say, or between two subgroups) we mean they are different even after taking account of the sampling variability. This is often described as statistically significant. Where we simply list numbers that are different (for example 'England (41%), Scotland (38%), Wales and Northern Ireland (both 36%)') this does not necessarily mean that they are statistically significantly different from each other. Where we draw attention to some estimate being 'higher', or a subgroup being 'most likely', or single out a sector as higher than the rest, this is a statistically significant difference.

For example, suppose we have stated the following: By sector, SME employers within manufacturing (49%) and information and communications (43%) were most likely to have exported in the last 12 months, while those in health (1%), construction and accommodation and food (both 2%) were least likely to have done.

This does not mean that manufacturing businesses were statistically significantly more likely to have exported than those in information and communication, but both sectors were statistically significantly more likely than the rest of the SME employers to have done so, that is they are more likely than average. Similarly, we are 95% confident that the three other sectors mentioned were less likely than average, even though there is some uncertainty over those specific figures of 1% and 2%.

⁴¹ The underlying data tables published alongside this report contain something called 'standard errors' for estimates that are not proportions, such as amount of finance sought, or number of employees. Standard errors are another way of quantifying the sampling variability. As a rule of thumb, twice the standard error gives you the '+/-' for a 95% confidence interval.

Table 2

	Sample size	Confidence interval for an estimate of 10% or 90%	Confidence interval for an estimate of 30% or 70%	Confidence interval for an estimate of 50%
All UK	5597	+/-1.0%	+/-1.5%	+/-1.7%
England	4487	+/-1.1%	+/-1.7%	+/-1.8%
Scotland	505	+/-3.7%	+/-5.5%	+/-5.9%
Wales	220	+/-5.3%	+/-7.6%	+/-8.4%
Northern Ireland	385	+/-4.3%	+/-6.3%	+/-6.8%
Micro businesses (1-9 employees)	2774	+/-1.2%	+/-1.8%	+/-2.0%
Small businesses (10-49 employees)	1929	+/-1.4%	+/-2.1%	+/-2.3%
Medium-sized businesses (50-249 employees)	894	+/-2.0%	+/-3.1%	+/-3.4%
ABDE. Primary sector	203	+/-5.2%	+/-7.8%	+/-8.2%
C. Manufacturing	621	+/-3.3%	+/-5.0%	+/-5.3%
F. Construction	559	+/-3.1%	+/-4.7%	+/-5.3%
G. Retail and wholesale	971	+/-2.5%	+/-3.7%	+/-4.1%
H. Transport and Storage	205	+/-9.1%	+/-9.0%	+/-9.7%
I. Accommodation and Food	565	+/-3.1%	+/-4.7%	+/-5.2%
J. Information and communication	265	+/-4.3%	+/-6.4%	+/-6.9%
KL. Finance and real estate	259	+/-4.2%	+/-6.5%	+/-7.1%
M. Professional and scientific	684	+/-2.6%	+/-4.1%	+/-4.5%
N. Administration and support	466	+/-3.6%	+/-5.1%	+/-5.7%
P. Education	129	+/-6.8%	+/-10.8%	+/-11.3%
Q. Human health	372	+/-4.0%	+/-6.6%	+/-7.2%
R. Arts and entertainment	111	+/-7.0%	+/-11.1%	+/-12.3%
S. Other services	187	5.1%	+/-7.6%	+/-8.2%

For cohort questions, the margins of error increase by about 70% - for example +/- 2.0% becomes +/- 3.4% (to increase a number by 70%, multiply it by 1.7)

This table applies to estimates of proportions

Definitions

Business, enterprise, firm	In this report these terms all mean the same – they are interchangeable.
Cohort	We use this term to describe the way the survey samples in 2018 and in 2019 are divided into three separate groups (the cohorts) and answer some questions that are for their cohort only. This was done to increase the number of questions asked in the survey without increasing the average length of interview.
EFTA	European Free Trade Association. This comprises the countries of Iceland, Liechtenstein, Norway and Switzerland. The three countries apart from Switzerland are part of the European Single Market as members of the European Economic Area.
EU, the UK’s exit from the EU	The EU is the European Union. During the fieldwork period for the 2019 survey the UK left the EU (informally but widely referred to as ‘Brexit’) and entered into a transition period which lasted until the end of 2020. The last three months of fieldwork for the 2020 survey was undertaken once the UK had completely left the EU. Usually in this report when we refer to the EU we actually mean the EU members apart from the UK as we are talking about international trade – a British business ‘exporting to the EU’
Exports	In this report this means a British business selling goods or services to a customer outside the UK. An English business selling to a Northern Irish business is not exporting, but a Northern Irish business selling to a customer in the Republic of Ireland is exporting.
Family-owned business	This means a business where a majority of the owners are in the same family. A business with a single owner is automatically a family-owned business, although a business with no owners is not. ‘Majority’ means more than half, but ultimately we require the respondent to the survey to interpret this: where a business has more than one working owner or partner, they are simply asked if the business is family-owned and this is defined in the questionnaire as ‘majority-owned by members of the same family’.
Finance	In this report when we talk about businesses accessing finance or applying for finance, we usually mean borrowing money for business reasons. This might be from banks or other financial institutions or might be less formal arrangements such as money borrowed from friends and family.
Health sector	The health sector in this report is more accurately described as the ‘human health and social work sector’. It does not include veterinary services (which fall under the professional and scientific sector). As this survey covers the private sector, the National Health Service (NHS) does not come under the health sector for this survey; but private sector healthcare providers do.

Imports	In this report this means a British business buying goods or services from a business outside the UK. A Northern Irish business buying from a Welsh business is not importing, but a Northern Irish business buying from a business in the Republic of Ireland is importing.
Innovation	This refers to a business implementing a new or significantly improved product or process (which can also include new marketing methods or organisational methods). The international manual on collecting data about innovation is known as the Oslo Manual .
Longitudinal	A longitudinal study is one which collects data from the same unit at different times. We call this survey longitudinal because each year we try to re-interview businesses that took part in the survey in previous years. Analysts have specific methods for analysing longitudinal data. This report focusses on cross-sectional analysis – even when we refer to results from earlier years of the survey, we take no particular account of the fact that some businesses will have contributed to both years of the survey (in other words, the analysis is <i>not</i> longitudinal). We have longitudinal analysis in the panel report which we publish separately, and the dataset is available to approved researchers to perform their own longitudinal analysis if they wish.
Mean	A measure of the average which takes the total of whatever is being measured and divides it by the number of units being measured. (For example, mean turnover of micro-businesses in 2019 is the total turnover of micro-businesses in 2019 divided by the total number of micro-businesses in 2019.) As the LSBS is a sample survey, the mean is estimated, as we can only estimate the relevant total for example. The mean is a common and well-known statistical measure, but it can be affected by extreme values which make it poor as a measure of the ‘typical’ value of whatever is being measured. This is often a problem with business statistics as there are often many ‘extreme’ values.
Median	The median is an alternative measure of the average which is not affected by extreme values in the way that the mean can be. As such it is often a better way of finding a ‘typical value’ of whatever is being measured. The median is the middle value of what is being measured if all the measured values are put into order from smallest to largest value. As with the mean, in the LSBS we can only estimate the median as we are working from a sample.

Medium-sized business	A business which has between 50 and 249 employees (whether they are full-time or part-time). These are the largest SMEs, since businesses with 250 or more employees are defined as large businesses in this survey. Alternative definitions of business size are sometimes used by other studies (which might include consideration of annual turnover or total assets belonging to a business).
MEG-led business	A business where at least half of the leadership team comes from minority ethnic groups (as this is a UK survey, minority ethnic groups are those that are not White British, where White British includes White English, White Scottish etc.). The leadership team comprises the directors and working owners. We can include members of several ethnic groups and can include people who describe themselves as mixed ethnicity where White British is one of those ethnicities.
Micro business	A business which has between one and nine employees (whether they are full-time or part-time).
National Minimum Wage, National Living Wage	The National Minimum Wage has been in operation in the UK since 1999. This sets a minimum value for the hourly rate of pay that employers must pay, though this level depends on the age of the employee and differs for apprentices. It does not depend on the size of the employing business. It is usually updated once a year following a (non-binding) recommendation by the Low Pay Commission but ultimately determined by the UK Government. The National Living Wage is a minimum wage that applies to workers from the age of 25 and has been in place since 2016. It was extended to 23- and 24-year-olds on 1 st April 2021. As it is higher than the National Minimum Wage it effectively supersedes it for employees aged 25 or more.
PAYE	This stands for ‘pay as you earn’ and describes the system where employees’ taxes on income are deducted automatically from their pay before they are paid. If this is done accurately then the employee does not face an annual tax bill for these taxes. The relevance for this survey is that businesses that we describe as ‘unregistered’ will not be registered for PAYE with the UK tax authorities – so if a business is registered for PAYE we know that it ought to be included in our sampling frame for registered businesses, the IDBR.
Private sector, public sector	The survey is one of private sector businesses, which are businesses where the government ‘does not exercise significant control over the general corporate policy’ of the business. The Office for National Statistics follows international guidance to determine whether something is in the public sector, and have more information on their process here . Note that the private/public sector distinction is not the same as the market/non- market distinction, and in particular note that charities and social enterprises can be in the private sector (in fact the majority of these are). The ONS page has more detail on this.

R&D	This stands for ‘research and development’ and in this survey is usually referred to in the context of ‘R&D spending’, meaning spending on creative and systematic work to increase the stock of knowledge or to devise new applications of existing knowledge. The international manual on collecting data about R&D is known as the Frascati Manual .
Red tape	This is an informal term used to refer to regulations or requirements that are imposed on a business or person. In this survey it is sometimes cited by businesses as an obstacle. Different businesses may have different ideas as to what counts as red tape, and the ultimate source of regulations that are perceived as red tape could be governmental or non- governmental.
Registered business	In our survey we use ‘registered’ businesses to mean those that are registered for PAYE (and so are employers) or registered for VAT (and so have an annual turnover above a certain threshold set by the UK Government). In either of these cases such businesses ought to be included in our sampling frame for registered businesses, the IDBR. Some unregistered businesses do appear in the IDBR but we use a separate sampling frame for unregistered businesses which has better coverage of them.
Sector	In this report businesses are classified into one of a number of non-overlapping sectors. We use the Standard Industrial Classification but have combined some of the categories to make them more practical for our survey. See the ‘sector definitions’ section of this report for more detail.
SIC 2007	This is the specific version of the Standard Industrial Classification that is used for this survey, in common with most official statistics in the UK. This is a useful page from the Office for National Statistics website for more detail on SIC 2007.
Small business	A business which has between 10 and 49 employees (whether they are full-time or part-time). In some contexts people use the term ‘small business’ to refer to all businesses that are smaller than large and medium- sized businesses (in other words all businesses with fewer than 50 employees) but in the LSBS we always use the narrower definition when referring to small businesses specifically.
SME	This stands for ‘Small and Medium Enterprises’, but this is commonly meant to refer to all businesses, firms and enterprises that have fewer than 250 employees, including those that have no employees at all. This means that in the LSBS ‘SMEs’ actually comprise business with no employees, micro businesses, small businesses and medium-sized businesses.

Surplus	Our survey includes not-for-profit enterprises and for many of these it is more appropriate to use the term ‘surplus’ to refer to an excess of revenue (money coming in, from all sources) over expenditure (money going out, for all reasons).
Trade credit	Trade credit is typically used to refer to when a business receives goods or services from another business but does not pay for it in full at the time of delivery. We ask about it in the survey in the section on finance, but we do not treat it as a form of external financing – rather, it is contrasted with late payments, so it is better thought of as a form of agreed delayed payment, with late payments a delayed payment that has not been agreed.
Turnover	In the LSBS this term is usually synonymous with ‘sales’. Although for the purposes of preparing accounts ‘turnover’ may be defined differently from ‘revenue’ or ‘sales’ we do not specify a particular definition in our questionnaire and assume that respondents interpret it to mean revenue from sales which do not take account of costs.
VAT	Value-added tax is a tax which businesses are liable to pay if their annual turnover is above a certain threshold. Businesses which are registered for VAT with the UK tax authorities are considered to be ‘registered’ businesses for this survey and ought to be included in our sampling frame for registered businesses, the IDBR.
Women-led business	Women-led businesses are defined as those majority-led by women, that is controlled by a single woman or having a management team of which a majority are women. ‘Majority’ here means more than 50%.

Further information

Future updates to these statistics

BEIS intends to continue the survey for at least one further wave. The original plan was to have interviewing begin in July 2020 and continue to February 2021, but the department decided in April 2020 to delay the start of interviewing at least to September because of the uncertainty and upheaval caused by the coronavirus (COVID-19) pandemic. Interviewing took place between the 11th September 2020 and the 1st April 2021. At this stage we cannot confirm when the 2021 survey will start.

Related statistics

The related publication of statistics relating to [SMEs with no employees](#) is on the same day as this publication. BEIS will also publish a panel report on September 2021 which focuses on businesses that have taken part in several waves of this survey and associated longitudinal analysis. On the same day as the panel report we will publish the technical report which will include the questionnaire used for the 2020 survey.

The Scottish Government usually produces its own publication based on the same data but focussed on Scottish businesses.

BEIS publishes the [Innovation Survey](#) which covers the topic of innovation in much greater detail, and covers large businesses (which the LSBS excludes) but not micro businesses and non-employers (which the LSBS includes). As outlined elsewhere in this report BEIS also publishes the [Business Population Estimates](#) (BPE) which details the structure of the UK's business population (and which the LSBS uses for determining sample sizes and for weighting). The BPE contains information about employment and turnover in different sectors and includes information at regional level as well as nationally.

The Office for National Statistics conducts many surveys of businesses, many of which cover topics that the LSBS examines too. A good starting place is the [Annual Business Survey](#), which does not cover all the sectors of the economy but has very good coverage of large businesses.

The Department for Digital, Culture, Media and Sport (DCMS) publishes [Social Enterprise Market Trends](#), which takes a deeper look at the social enterprises that are identified in the LSBS. BEIS and DCMS worked to improve the survey questions used to identify social enterprises, with the new questions being used in the 2017 and 2019 surveys.

The Department for Education (DfE) conducts the Employer Skills Survey. The [2019 Employer Skills Survey](#) brought together the previous Employer Skills Survey and the Employer Perspectives Survey into a single large survey with over 80,000 respondents. DfE also publishes statistics about [apprenticeships by industry characteristics](#) in England based on administrative data.

Uses of these statistics

As a wide ranging survey of SMEs, the LSBS is of interest to many Government departments and agencies. BEIS makes use of the questions on energy use by SMEs to develop policies on business energy such as non-domestic smart meters. Statistics are used by the Government Equalities Office to monitor rates of women-led businesses in the SME population. The figures for MEG-led SMEs are published by the Government's Race Disparity Unit as part of its [Ethnicity Facts and Figures](#) service. Government also uses the LSBS data to understand more about the export and import behaviour of UK SMEs and the operation of the UK internal market. As mentioned above DCMS makes use of the social enterprises data and the Scottish Government uses the data for evidence and analysis on a broad range of policy areas. In the past the Department for the Environment, Food and Rural Affairs (Defra) has analysed rural SMEs, and the Low Pay Commission has looked at what businesses say about the National Minimum Wage and National Living Wage. Her Majesty's Revenue and Customs has sponsored questions looking at SME preparedness for the Making Tax Digital Programme. Innovate NI looks at Northern Irish companies and their innovation activities. The British Business Bank is a major sponsor of the survey and makes use of the data on access to finance.

The LSBS is increasingly widely used in the academic and research community, in the UK and abroad. We will run a mini competition later in 2021 for research teams to apply for small grants to conduct research using the latest LSBS data, and the data will continue to be made available by the ONS [Secure Research Service](#) and the [UK Data Service](#) for approved researchers. These [slides](#) are from an event hosted by the [Enterprise Research Centre](#) in 2019 showcasing findings from projects that were sponsored by BEIS in 2018, but there are many other [papers and reports](#) that make use of the data. The [Institute for Family Business](#) makes use of the survey in its 'State of the Nation' reports. The Federation for Small Businesses has used the LSBS in its research work, for example the Unlocking Opportunity report <https://www.fsb.org.uk/resource-report/unlock.html>

User engagement

Users are encouraged to provide comments and feedback on how these statistics are used and how well they meet user needs. Comments on any issues relating to this statistical release are welcomed and should be sent to business.statistics@beis.gov.uk.

The BEIS statement on [statistical public engagement and data standards](#) sets out the department's commitments on public engagement and data standards as outlined by the [Code of Practice for Statistics](#).

Revisions policy

The [BEIS statistical revisions policy](#) sets out the revisions policy for these statistics, which has been developed in accordance with the UK Statistics Authority [Code of Practice for Statistics](#).

Pre-release access to statistics

Some ministers and officials receive access to these statistics up to 24 hours before release. Details of the arrangements for doing this and a list of the ministers and officials that receive pre-release access to these statistics can be found in the [BEIS statement of compliance](#) with the Pre-Release Access to Official Statistics Order 2008.

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