



Department for
Business, Energy
& Industrial Strategy

LONGITUDINAL SMALL BUSINESS SURVEY YEAR 2 (2016)

SME employers – cross-sectional report



July 2017

Acknowledgements/ Disclaimer

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1. Executive summary

Introduction

This report sets out the key findings from year 2 of the Longitudinal Small Business Survey (LSBS), a large-scale telephone survey of 9,248 owners and managers of SMEs, 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 survey on this occasion was conducted between August 2016 and January 2017 by BMG Research Ltd.

The Year 2 (2016) LSBS follows from the Year 1 (2015) LSBS, which was the largest SBS yet undertaken, comprising 15,502 interviews. The large majority of those interviewed in Year 2 (2016) LSBS had also been interviewed in Year 1 (2015) LSBS: 7,279 in total. The other 1,969 interviewed were ‘top-ups’, which were included to enable regional boosts, but also to represent new businesses, and to increase the sample size of the panel for further waves of the survey.

This report is cross-sectional, a snap shot of the state of SMEs in the latter half of 2016. It is based on SME employers only, defined as businesses with between one and 249 employees. Within this most sub-group analysis is based upon employment size (micro businesses having one to nine employees, small businesses having ten to 49 employees, and medium-sized businesses having between 50 and 249 employees), and 14 sector groupings, defined by standard industrial classification (SIC) 2007. Because of changes to questions asked and the sampling methodology, data cannot always be compared with previous Small Business Surveys.

Profiles of businesses

Based on government statistics¹, upon which the survey’s weighting is based, 82 per cent of SME employers were micro businesses, 15 per cent were small businesses, and three per cent were medium-sized businesses.

The most populous **sectors** in 2016 were retail/wholesale (18 per cent of all SME employers), professional/ scientific (14 per cent), construction (12 per cent) and accommodation/food service (ten per cent).

Eighty-six per cent of SME employers operated from a single **site**.

Twenty-seven per cent of SME employers had a **main work premises that was also their home**, or the home of the business’s owner. This was three percentage points more than in the 2015 survey.

Seventy per cent of SME employers had a limited company **legal status**, a four-percentage point increase on the 2015 survey. Thirteen per cent were sole proprietorships, and ten per

¹ Business Population Estimates (BPE) 2016.

cent partnerships. Thirteen per cent had other legal statuses, which included private companies limited by guarantee (four per cent), limited liability partnerships (two per cent), public limited companies and trusts (both one per cent).

Six per cent of SME employers were **registered charities**, the same proportion as in 2015. These were most likely to exist in the human health (45 per cent), other services (34 per cent), education (27 per cent) and arts/entertainment (26 per cent) sectors.

Seventy-one per cent of SME employers were defined as **family-owned businesses** (businesses majority owned by members of the same family, including businesses with just a single owner), two percentage points higher than in 2015.

Twenty per cent of SME employers were **majority-led by women**, defined as controlled by a single woman or having a management team of which a majority were women. This was one percentage point less than in 2015. Women-led businesses were more common than average in the human health (56 per cent), education (45 per cent) and other services (31 per cent) sectors.

Five per cent of SME employers were in a **minority ethnic group (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 an ethnic minority. This was the same proportion seen in 2015. Sixteen per cent of SME employers in London are MEG-led businesses.

Business performance

Among panellists only², forty-five per cent of SME employers **employed more people than they had 12 months previously**. Twenty-seven per cent employed the same number of people, and 28 per cent employed fewer people. Because of a change to the way this question was asked, it is not comparable to previous SBS surveys.

Sectors that were more likely than average to have increased employment levels were information/communications (54 per cent), construction (54 per cent) and professional/scientific (53 per cent). Those in the accommodation/food sector (33 per cent increased the numbers employed, 35 per cent decreased numbers) and human health sector (33 per cent increased the numbers employed, 39 per cent decreased numbers) had negative employment growth.

Twenty-six per cent of SME employers **expected to employ more people in 12 months' time**, 64 per cent expected to employ the same number, and ten per cent expected to employ fewer. These overall figures were exactly the same as those seen in 2015.

By sector, those in information/communication (34 per cent), manufacturing (34 per cent) and administrative services (33 per cent) were the most likely to think employment numbers would increase. Those in the primary and education sectors were the most likely to think numbers would reduce (16 per cent each).

² Figures for panellists and top-ups are not comparable for this measure.

Thirty-four per cent of SME employers had **greater turnover (value of sales) than a year previously**. Forty-four per cent had approximately the same turnover and 20 per cent had lower turnover. The proportions with a greater sales turnover was four percentage points less than in 2015, and the proportion with lower sales was three percentage points higher than before, indicating a slowdown in sales growth

Those businesses in the administrative services, finance/real estate, and professional/scientific sectors were more likely than average to report a higher turnover (41, 39 and 38 per cent, respectively). Those in the primary sector (30 per cent) were more likely than average to report lower turnover.

Forty per cent of SME employers **expected turnover to increase** in the next 12 months, 47 per cent thought it would remain roughly the same and ten per cent thought it would be less. Compared to 2015, fewer SME employers thought that turnover would grow (down five percentage points), while the proportion that thought that it would decrease was higher by two percentage points. Compared to 2014, the proportion expecting turnover growth has fallen by 11 percentage points.

By sector, those in manufacturing (51 per cent) and administrative services (44 per cent) were more likely than average to think turnover would increase. Those in information/communication (15 per cent), and human health (13 per cent) were more likely than average to think that turnover would decrease.

Seventy-nine per cent of SME employers **generated a profit or surplus** in their last financial year (one percentage point higher than in 2015). Those in finance/real estate (90 per cent), professional/scientific (87 per cent), administrative services (83 per cent) and construction (82 per cent) were the most likely to have generated a profit, and those in human health (62 per cent) and education (64 per cent) were the least likely.

Exporting

Eighteen per cent of SME employers had **exported goods or services** in the previous 12 months (10 per cent goods, 11 per cent services). This proportion was one percentage point less than in 2015, SBS 2014 and SBS 2012, and five percentage points less than in SBS 2010.

Exporting was more likely than average in manufacturing (45 per cent), information/communications (44 per cent), professional/scientific (28 per cent) and retail/wholesale (25 per cent). Twenty-nine per cent of SME employers in Northern Ireland, and 24 per cent in London exported, compared with 12 per cent in the North East of England.

Seventy-nine per cent of exporters exported to EU countries, while 68 per cent exported to the rest of the world. Twenty-seven per cent *only* exported to the EU, a figure which increases to 53 per cent for Northern Ireland exporters.

Nineteen per cent of those that export only to the EU had experienced a turnover growth of 20 per cent or more in the 12 months previously, compared to 17 per cent of exporters overall, and 11 per cent of SME employers.

Nineteen per cent of all SME employers import goods or services. Fifteen per cent import from the EU, while ten per cent import from non-EU countries. Thirty-four per cent of SME employers in Northern Ireland import goods or services, 28 per cent from the EU.

Three per cent of SME employers had not exported in the previous 12 months, but **planned to export in future**, one percentage point less than in SBS 2015.

Innovation

Overall, 39 per cent of SME employers had **innovated** in the last three years, be this the introduction of new or significantly improved goods or services, or the introduction of new or significantly improved processes. This proportion was 11 percentage points less than the equivalent figure in 2015.

By sector, those most likely to have innovated were in the information/communications (64 per cent), manufacturing (56 per cent) and professional/scientific (45 per cent) sectors.

Thirty-three per cent of SME employers had **introduced new or significantly improved goods or services** in the last three years (17 per cent goods, 27 per cent services). This was ten percentage points less than the 2015 proportion.

Twenty per cent had introduced **new or significantly improved processes** in the last three years. This was five percentage points less than in 2015.

Training

Fifty-five per cent of SME employers had arranged or **funded training or development** for staff in the last 12 months (41 per cent off-the-job, 44 per cent on-the-job). These were the same proportions seen in 2015, but the overall proportion funding training was down five percentage points on the 2012 figure.

Training was more likely than average to have occurred in the human health (85 per cent), education (80 per cent) and professional/scientific (59 per cent) sectors.

Thirty-four per cent of SME employers had provided any **training of managers** in the last 12 months, down three percentage points on 2015. Fourteen per cent of SME employers offered leadership and management skills training. This compares with 15 per cent in 2015.

Seventeen per cent of SME employers have offered any **formal apprenticeships** in the last three years. This was two percentage points less than in 2015. Nineteen per cent expect to have apprenticeship starts in the next 12 months.

Access to external finance

Thirteen per cent of SME employers **had sought external finance in the 12 months** preceding interview. This was a four-percentage point decrease on the 2015 SBS figure, and a 13-percentage point decrease on the 2010 SBS figure. Demand for finance increased with the size of the business. Twenty per cent of medium-sized businesses sought finance in the last 12 months, compared to 12 per cent of micros. External finance in the previous 12 months was most likely to have been sought in primary (22 per cent), manufacturing (18 per cent), human health and accommodation/food service (both 17 per cent).

Of those that had applied for external finance in the previous 12 months, the **reason for seeking** it was to acquire working capital or for cash flow reasons for 66 per cent, and investment in the business for 41 per cent.

The most commonly sought **types of external finance** in the previous 12 months were bank loans (39 per cent), bank overdrafts (37 per cent) and leasing/HP (18 per cent).

Seventy-five per cent of SME employers that applied for external finance **obtained** at least some of what they wanted. Thirteen per cent did not obtain any, and for the remaining 12 per cent the decision was still pending. Based on those that applied, the proportion obtaining any finance was six percentage points less than in 2015. Twenty-seven per cent of those that sought bank loans were unable to obtain any finance.

Nine per cent of SME employers had a **need for finance in the previous 12 months but did not apply for it**. This proportion was two percentage points less than that observed in SBS 2015, and five percentage points less than in 2014.

Twenty-three per cent of SME employers said they would be **likely to approach external finance providers** in the next three years, a figure which is two percentage points less than in 2015.

Major obstacles to the success of the business

The main **major obstacles to the success of the business** were competition (47 per cent), regulations/red tape (42 per cent), taxation (36 per cent), late payment (30 per cent), staff recruitment/skills (30 per cent), workplace pensions (21 per cent) and the UK exit from the EU (20 per cent).

Of those that thought **taxation** was a major obstacle, 66 per cent said it was the level of taxation, and 57 per cent the effort required in compliance.

Of those that considered **workplace pensions** an obstacle, the proportion that found it difficult to implement automatic enrolment was 59 per cent, ten percentage points higher than in 2015.

Twenty-one per cent of SME employers have already seen an effect on their organisation's wage bills because of the **National Living Wage**, introduced in April 2016 at £7.20 an hour. This was most likely to be the case for larger employers, and those in the accommodation/food service (49 per cent), education (40 per cent), human health (36 per cent), arts/entertainment (29 per cent) and retail/wholesale (28 per cent) sectors.

If the National Living Wage increases to £9.00 an hour as planned in April 2020, this will affect 44% of SME employers' wage bills. This was most likely to be the case in accommodation/food service (74 per cent), human health (62 per cent), retail (57 per cent) and education (54 per cent). London (67 per cent) and the South East (60 per cent) were the regions most likely to be unaffected by the £9.00 an hour rate.

Business support

Twenty-six per cent of SME employers had **sought external advice or information** in the previous 12 months. This proportion was seven percentage points less than in 2015, and 23 percentage points less than in 2010.

Those in primary (44 per cent), financial/real estate (40 per cent), human health (36 per cent), arts/entertainment (35 per cent) and professional/scientific (32 per cent) were more likely than average to have sought external information or advice.

In England and Wales³, 16 per cent had sought any external information, and 14 per cent any external strategic advice.

In England and Wales, external strategic **advice** was mainly sought for business growth (31 per cent of those seeking it), to improve business efficiency (18 per cent) or financial advice for the general running of the business (14 per cent). Thirty-three per cent of those that sought advice approached consultants, and 28 per cent approached accountants. Eleven per cent approached business networks or trade associations.

In England and Wales, external **information** was mainly sought for the general running of the business (financial advice, 13 per cent), on employment law (13 per cent), on taxation (12 per cent) and for workplace pensions (11 per cent). Information was most likely to have been sought from accountants (27 per cent), consultants (17 per cent) and via internet searches (11 per cent).

In England and Wales, 76 per cent of external strategic advice, and 57 per cent of external information, was **delivered face-to-face**. The proportion of those that received strategic advice face-to-face increased by five percentage points on 2015.

The proportion that received strategic advice for three or more **days** was 36 per cent, an increase of five percentage points on 2015.

Sixty-nine per cent of SME employers in England and Wales **paid for strategic advice**, an increase of four percentage points on 2015. The median average amount paid was £2,500.

³ Information and strategic advice were split out in England and Wales, but not in Scotland and Northern Ireland.

Four per cent of SME employers in England and Wales had had opportunities, difficulties or important information or advice needs that they **did not get external advice or support** for in the previous 12 months. This proportion was one percentage point less than in 2015.

Working with the public sector

Twenty-three per cent of SME employers **had worked for the public sector** in the previous 12 months. This was two percentage points less than in 2014, the last time the question was asked.

Ten per cent of SME employers had **expressed an interest in a public-sector contract** in the previous 12 months, four percentage points less than in 2014. Eight per cent had bid for a contract in this period, two percentage points less than in 2014.

Those in the human health (42 per cent), education (38 per cent), administrative services (32 per cent) and other services (30 per cent) sectors were most likely to have worked for the public sector.

Future plans

Sixty-six per cent of SME employers **aimed to grow** the sales of their businesses over the next three years. This was three percentage points less than in 2015, and eight percentage points less than in 2010.

By sector, those in manufacturing (77 per cent), administrative services (75 per cent) and information/communication (74 per cent) had an above average desire to grow. The proportion in construction (56 per cent), transport and accommodation/food service (both 59 per cent) was lower than average.

Six per cent of SME employers anticipated the **closure** of their business in the next five years, while a further eight per cent anticipated the **full transfer of ownership**. Compared with SBS 2015, the proportion that anticipated closure was the two percentage points higher.

In terms of **planned growth-related activities** over the next three years, 63 per cent of SME employers planned to increase the skills of their workforce, 39 per cent planned to introduce new working practices, 38 per cent planned to increase the leadership capability of managers, 37 per cent planned to develop and launch new products or services, and 35 per cent planned to invest in premises, machinery or other types of capital investment. These proportions were down five to ten percentage points on those observed in 2015.

Steve Lomax, Paul Braidford, Emma Parry, June Wiseman. BMG Research Ltd,
June 2017.

2. Introduction

Aims of the survey

This report sets out the key findings from the Longitudinal Small Business Survey (LSBS) Year 2, a large-scale telephone survey of 9,248 owners and managers of SMEs, 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 survey on this occasion was conducted between August 2016 and January 2017 by BMG Research Ltd.

The Year 2 (2016) LSBS follows from the Year 1 (2015) LSBS, which was the largest SBS yet undertaken, comprising 15,502 interviews. 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. This allows a detailed analysis of how combinations of factors affect business performance. Any panel will have an element of attrition, hence the need for a large sample size in Year 1 which should result in a robust sample size for the Year Four and Five analyses.

Therefore, the large majority of those interviewed in Year 2 (2016) LSBS had also been interviewed in Year 1 (2015) LSBS: 7,279 in total. The other 1,969 interviewed were 'top-ups'. These were needed for the following reasons:

- To represent sections of the SME population that were not active in the Year 1 survey, i.e. businesses less than one year old
- To represent sectors in the raw data that may be under-represented due to business closure, or the difficulty of securing an interview (e.g. in cases where businesses work away from their main offices)
- To increase the sample size in Scotland and Northern Ireland, to allow for meaningful analysis on a nation basis
- To ensure a robust sample size for the Year Four and Five analyses

There are three main reports based on Year 2 (2016) LSBS:

- The **cross-sectional report** based on **SME employers** (this one). A cross-sectional report is a snap shot of the state of SMEs at any particular stage in time, this one being the latter half of 2016
- A **cross-sectional report** based on businesses with **no employees**
- A **longitudinal report** based on those that were **SME employers** in Year 1 (2015) LSBS. This looks at the main changes that apply to the 'panellists' from year to year, and what appears to influence these changes

The main aim of the cross-sectional survey is to collect a range of information on small businesses. The survey measures:

- The characteristics of Small and Medium-sized Enterprises (SMEs⁴) such as their type (number of sites, number of owners, whether they have separate business premises etc.)
- The characteristics of their owners and leaders
- 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

Survey method

Of the 15,502 CATI⁵ interviews conducted in Year 1 (2015) LSBS, 12,943 (83 per cent) agreed to a follow-up interview. The objective here was very simple, get as many interviews as possible from these 'panellists' in Year 2 (2016) LSBS. 7,279 were interviewed between August 2016 and January 2017 (56 per cent response rate). Of these, 1,656 had no employees, 27 had become large businesses with 250+ employees, and the remainder (5,596) were SME employers.

In addition to these, 1,969 boost interviews were conducted, for reasons explained in the paragraph above. 1,301 of these interviews were with SME employers. This made the total sample size for SME employers in Year 2 (2016) LSBS 6,897.

The top-ups were sampled using a method consistent with Year 1 (2015) LSBS:

- Within each of the four UK nations the sample was stratified. Targets were set according to the size of enterprises and, within those targets, for sector (SIC 2007)
- The targets over-represented businesses with five to 249 employees substantially in comparison to their actual numbers within the business population

⁴ Defined here as having fewer than 250 employees.

⁵ Computer Assisted Telephone Interviews.

- For registered businesses, the Inter Departmental Business Register (IDBR) was used as the sample source. For unregistered businesses with zero employees, Dun & Bradstreet's database was used. Dun & Bradstreet contacts were screened out if it was found that 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. As such it has around 2.45 million entries, compared with the estimate from BEIS' Business Population Estimates (BPE), that there are around 5.5 million enterprises in the UK. The difference in the figures is explained by the number of unregistered enterprises that do not pay VAT or PAYE, estimates of which come from the Labour Force Survey (LFS). This is the reason why Dun & Bradstreet 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 2015 BPE⁶, the latest available at the time. However, survey findings were weighted to the 2016 BPE⁷ which had become available towards the end of fieldwork. The 2016 BPE was used for weighting as it more properly represented the IDBR contacts used for the survey, as well as providing a more up-to-date picture of UK small businesses than the 2015 BPE
- A review of the Year 1 (2015) LSBS questionnaire was undertaken through consultations with stakeholders before Year 2 (2016) LSBS. This resulted in a substantial number of alterations to existing questions from previous SBS's, new question additions and deletions. The changes were informed by the requirement to balance stakeholders' emergent needs with the desire to exploit the longitudinal power of the survey. The consultation was followed up by an extensive round of 15 cognitive tests and a 'live' pilot of 100 interviews of the adjusted 2016 questionnaire

Note on the report

Please note that the findings presented in this report relate to SME *employers* only -enterprises with *no employees* have been excluded from the dataset on which this report is based. This procedure is consistent with reporting of previous SBS's. The overall sample size for SME employers across the UK is 6,897.

⁶ www.gov.uk/government/statistics/business-population-estimates-2015. 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.

⁷ www.gov.uk/government/statistics/business-population-estimates-2016. Method of data collection as above.

The changes made to LSBS in terms of sampling and questionnaire design mean that there are some limitations on time series comparisons that can be made. In this report, comparisons are only presented where the changes made were unlikely to have made a material difference to comparability over time. Trends which may have been affected by the changes in sampling method are noted throughout the report where applicable.

Statistical confidence

This overall sample is sufficiently large to allow reporting on findings with a high degree of statistical reliability. Most findings are reported in terms of differences between a sub-group (e.g. a particular employment size band or sector) and the overall finding (excluding that sub-group). For example, a difference of just +/- 1.1% against the overall finding is statistically significant for findings in which 10% of micro employees give one response and a difference of +/- 1.8% is statistically significant in cases where 50% of micro businesses give an answer. Table 2.1 overleaf shows the differences required between certain sub-groups and the overall total in order for findings to be statistically significant.

In the instances where comparisons can be made with the 2015 survey, at the overall level a difference of +/- 0.9% for a finding around 10/90% is enough to make it statistically significant, as is a difference of +/- 1.4% for a finding around 30/70% and as is a difference of +/- 1.5% for a finding around 50%.

Unless stated otherwise, all findings reported in bold in the tables were statistically significant, whether reported as a finding for a sub-group compared with the overall total, or as a Year 2 (2016) LSBS finding compared with Year 1 (2015) LSBS.

Please note that the figures in some tables may not add to 100 per cent due to rounding of percentages, or exclusion of 'don't know' and/or 'refused' responses.

Although the 2016 survey provides generally robust findings for the SME population overall and for many sub-groups, it should be noted that the achieved samples for some groups, for example those relating to specific types of finance that have been accessed during the previous year, are smaller and the data relating to these smaller groups needs to be considered with some caution.

Table 2.1: Statistical confidence in survey findings – country, size band and sector⁸

| | Sample size | Standard error at 10%/90% | Standard error at 30%/70% | Standard error at 50%/50% |
|--|-------------|---------------------------|---------------------------|---------------------------|
| All UK | 6,897 | +/- 0.7% | +/- 1.1% | +/- 1.2% |
| England | 5,534 | +/- 0.8% | +/- 1.2% | +/- 1.3% |
| Scotland | 779 | +/- 2.1% | +/- 3.2% | +/- 3.5% |
| Wales | 210 | +/- 4.1% | +/- 6.2% | +/- 6.8% |
| Northern Ireland | 374 | +/- 3.0% | +/- 4.6% | +/- 5.1% |
| Micro businesses (1-9 employees) | 3,047 | +/- 1.1% | +/- 1.6% | +/- 1.8% |
| Small businesses (10-49 employees) | 2,487 | +/- 1.2% | +/- 1.8% | +/- 2.0% |
| Medium-sized businesses (50-249 employees) | 1,363 | +/- 1.6% | +/- 2.4% | +/- 2.7% |
| ABDE. Primary sector | 271 | +/- 3.6% | +/- 5.5% | +/- 6.0% |
| C. Manufacturing | 760 | +/- 2.1% | +/- 3.3% | +/- 3.6% |
| F. Construction | 570 | +/- 2.5% | +/- 3.8% | +/- 4.1% |
| G. Retail & wholesale | 1,119 | +/- 1.8% | +/- 2.7% | +/- 2.9% |
| H. Transport & storage | 260 | +/- 3.6% | +/- 5.6% | +/- 6.1% |
| I. Accommodation & food service | 580 | +/- 2.4% | +/- 3.7% | +/- 4.1% |
| J. Information & communication | 351 | +/- 3.1% | +/- 4.8% | +/- 5.2% |
| KL. Financial & real estate | 313 | +/- 3.3% | +/- 5.1% | +/- 5.5% |
| M. Professional & scientific | 788 | +/- 2.1% | +/- 3.2% | +/- 3.5% |
| N. Administrative services | 583 | +/- 2.4% | +/- 3.7% | +/- 4.1% |
| P. Education | 263 | +/- 3.6% | +/- 5.5% | +/- 6.0% |
| Q. Human health | 652 | +/- 2.3% | +/- 3.5% | +/- 3.8% |
| R. Arts & entertainment | 156 | +/- 4.7% | +/- 7.2% | +/- 7.8% |
| S. Other services | 231 | +/- 3.9% | +/- 5.9% | +/- 6.4% |
| ABCDEF. Production | 1,601 | +/- 1.5% | +/- 2.2% | +/- 2.4% |
| GHI. Distribution | 1,959 | +/- 1.3% | +/- 2.0% | +/- 2.2% |
| JKLMN. Business services | 2,035 | +/- 1.3% | +/- 2.0% | +/- 2.2% |
| PQRS. Other services | 1,302 | +/- 1.6% | +/- 2.5% | +/- 2.7% |

⁸ The table presents the standard error margin for the 2016 survey, at the 95% confidence level, associated with findings of 10%/90%, 30%/70% and findings of 50%.

3. Profile of businesses

This section explores the characteristics of SMEs which have at least one employee, for example in terms of their employment size, sector, legal status, age and the characteristics of their owners. LSBS Year 2 data is weighted⁹ to estimates derived from BEIS' Business Population Estimates (BPE). For that reason, the data shown below on employment size and sector is drawn from the BPE rather than LSBS.

Employment size (based on BPE 2016)

The 2015 Business Population Estimates calculated that there were 5,497,670 businesses in the UK private sector. This was an increase of 108,220 on the 2015 estimates.

Seventy-six per cent of these businesses had no employees and therefore fall out of the scope of this report. The number, in 2016, of private sector employers which were SMEs (that is, excluding enterprises with 250 or more employees, which make up a tiny fraction of all enterprises) was 1,318,285. This was an increase of 13,385 on the 2015 estimate.

Of all SME employers in 2015, 82 per cent had between one and nine employees and were classified as micros. Fifteen per cent had between ten and 49 employees and were classified as small businesses, and three per cent had between 50 and 249 employees and were classified as medium-sized businesses. These proportions were consistent with those reported in the 2015 SBS.

The micro-businesses therefore dominated overall findings for all SME employers. However, they accounted for only 36 per cent of all employment among SME employers, whereas the small businesses employed 35 per cent and the medium-sized businesses 29 per cent. Micros accounted for 30 per cent of all sales made by SME employers, compared to 36 per cent for small businesses and 35 per cent for medium-sized businesses.

Sector (based on BPE 2016)

Standard Industrial Classification (SIC) is used as a means of classifying business establishments by the type of economic activity in which they were engaged. It has been revised several times, the latest revision producing the SIC 2007 classification.

The most populous sectors among SME employers in 2016 were retail/wholesale (18 per cent), professional/scientific (14 per cent), construction (12 per cent) and accommodation/food service (ten per cent).

⁹ See technical report for more detail on the weighting.

Table 3.1: Sector – by employment size (based on 2016 BPE)

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| ABDE. Primary sector | 5 | 5 | 3 | 2 |
| C. Manufacturing | 7 | 5 | 11 | 18 |
| F. Construction | 12 | 13 | 8 | 6 |
| G. Retail & wholesale | 18 | 18 | 18 | 15 |
| H. Transport & storage | 3 | 3 | 4 | 4 |
| I. Accommodation & food service | 10 | 9 | 14 | 9 |
| J. Information & communication | 6 | 6 | 4 | 5 |
| KL. Financial & real estate | 5 | 5 | 4 | 4 |
| M. Professional & scientific | 14 | 15 | 10 | 10 |
| N. Administrative services | 8 | 8 | 7 | 12 |
| P. Education | 1 | 1 | 2 | 2 |
| Q. Human health | 5 | 3 | 10 | 11 |
| R. Arts & entertainment | 2 | 2 | 2 | 2 |
| S. Other services | 5 | 6 | 3 | 1 |

The composition of SME employers by size bands differs by sector. For example, 91 per cent of those in the other services sector are micro businesses, compared with 68 per cent of those in manufacturing. Other sectors that are more likely than average to comprise micro enterprises are primary (90 per cent), construction (89 per cent), professional/ scientific (87 per cent), and information/communication (86 per cent). Sectors that are more likely than average to comprise small and medium-sized enterprises are human health (39 per cent), manufacturing (32 per cent), education (25 per cent), accommodation/food service (24 per cent), and transport (23 per cent).

Based upon Business Population Estimates, there has been a decline between 2010 and 2016 in the proportion of SME employers in the construction (down 1.6 percentage points, although has increased slightly over the last two years), retail/wholesale (down 1.4 percentage points), and manufacturing (down 1.1 percentage points) sectors. These declines have been countered by an increase in numbers of SME employers in the administrative services (up 1.8 percentage points), professional/scientific (up 1.2 percentage points) and information/communications (up 0.9 percentage points) sectors.

Table 3.2: Sector – change in proportion of SME employers by sector 2010-2016 (based on BPE)

| | 2010 | 2012 | 2014 | 2015 | 2016 | Change 2010-16 |
|---------------------------------|------|------|------|------|------|----------------|
| | % | % | % | % | % | % |
| ABDE. Primary sector | 4.9 | 4.7 | 5.0 | 4.6 | 4.6 | -0.3 |
| C. Manufacturing | 7.7 | 7.2 | 6.6 | 6.6 | 6.6 | -1.1 |
| F. Construction | 13.5 | 12.3 | 11.5 | 11.8 | 11.9 | -1.6 |
| G. Retail & wholesale | 19.7 | 19.4 | 18.3 | 18.5 | 18.3 | -1.4 |
| H. Transport & storage | 3.1 | 3.0 | 2.8 | 2.9 | 3.0 | -0.1 |
| I. Accommodation & food service | 9.6 | 9.8 | 9.7 | 9.8 | 9.8 | +0.2 |
| J. Information & communication | 4.8 | 5.0 | 5.4 | 5.6 | 5.7 | +0.9 |
| KL. Financial & real estate | 4.6 | 4.7 | 4.5 | 4.6 | 4.7 | +0.1 |
| M. Professional & scientific | 12.7 | 13.0 | 13.5 | 13.9 | 13.9 | +1.2 |
| N. Administrative services | 6.5 | 7.7 | 8.1 | 8.2 | 8.3 | +1.8 |
| P. Education | 1.3 | 1.4 | 1.5 | 1.4 | 1.4 | +0.1 |
| Q. Human health | 4.4 | 4.7 | 5.2 | 4.8 | 4.7 | +0.3 |
| R. Arts & entertainment | 1.9 | 1.9 | 2.0 | 1.9 | 1.9 | = |
| S. Other services | 5.3 | 5.4 | 5.7 | 5.3 | 5.2 | -0.1 |

Certain sectors are more likely than average to be found in certain nations in the UK. Northern Ireland (11 per cent), Scotland (eight per cent) and Wales (seven per cent) have a higher proportion of SMEs in primary industries than is the case in England. The wholesale/retail sector (23 per cent) formed a higher proportion of all SME employers in Northern Ireland than in the rest of the UK, while Northern Ireland had proportionately fewer in information/communication (two per cent), professional/scientific (nine per cent) and administrative services (four per cent) than elsewhere. Scotland (13 per cent) and Wales (13 per cent) had a higher proportion of SME employers in the accommodation/food service sector than do England and Northern Ireland (both nine per cent). These findings were the same as those seen in previous SBS's.

Table 3.3: Sector – by nation (based on 2016 BPE)

| | All SME employers in UK | England | Scotland | Wales | Northern Ireland |
|---------------------------------|-------------------------|----------|----------|-------|------------------|
| LSBS Y2 (2016) n= | 6,897 | 5,534 | 779 | 210 | 374 |
| | % | % | % | % | % |
| ABDE. Primary sector | 5 | 4 | 8 | 7 | 11 |
| C. Manufacturing | 7 | 7 | 6 | 7 | 8 |
| F. Construction | 12 | 12 | 12 | 13 | 14 |
| G. Retail & wholesale | 18 | 18 | 18 | 19 | 23 |
| H. Transport & storage | 3 | 3 | 3 | 3 | 4 |
| I. Accommodation & food service | 10 | 9 | 13 | 13 | 9 |
| J. Information & communication | 6 | 6 | 4 | 3 | 2 |
| KL. Financial & real estate | 5 | 5 | 4 | 3 | 4 |
| M. Professional & scientific | 14 | 14 | 14 | 10 | 9 |
| N. Administrative services | 8 | 9 | 7 | 7 | 4 |
| P. Education | 1 | 1 | 1 | 1 | 1 |
| Q. Human health | 5 | 5 | 4 | 5 | 5 |
| R. Arts & entertainment | 2 | 2 | 2 | 2 | 1 |
| S. Other services | 5 | 5 | 6 | 6 | 6 |

Number of sites

From this point forward in this report, all results are based on the Year 2 (2016) LSBS (rather than, as above, on Business Population Estimates). Where possible, comparisons are made with Year 1 (2015) LSBS.

Table 3.4: Number of sites – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| One (single site) | 86 | 89 | 75 | 48 |
| Two-three | 11 | 9 | 20 | 28 |
| Four or more | 3 | 2 | 5 | 23 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| One (single site) | 87 | 90 | 77 | 51 |
| Two-three | 10 | 8 | 19 | 28 |
| Four or more | 2 | 1 | 4 | 20 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A1. Single answer only allowed at this question.

In 2016, 86 per cent of SME employers operated from a single site. This proportion was one percentage point less than in 2015, which is a statistically significant difference.

As might be expected, the more employees in an enterprise, the more likely they are to have multiple sites. Eleven per cent of micros had multiple sites, compared with 25 per cent of small businesses and 51 per cent of medium-sized ones. Compared with 2015, all sizes of business were more likely to have multiple sites in 2016.

Table 3.5: Number of sites – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/co mms |
|---------------------|---------------|----------------|-----------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Single site | 86 | 88 | 87 | 86 | 85 | 81 | 91 | 85 |
| Two-three | 11 | 11 | 11 | 10 | 11 | 16 | 5 | 14 |
| Four or more | 3 | 1 | 1 | 2 | 3 | 2 | 3 | 1 |
| | All SME emps. | KL Finance /RE | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Single site | 86 | 80 | 87 | 83 | 85 | 73 | 92 | 88 |
| Two-three | 11 | 15 | 12 | 13 | 10 | 16 | 6 | 8 |
| Four or more | 3 | 4 | 1 | 3 | 4 | 10 | 2 | 4 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/co mms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Single site | 87 | 86 | 90 | 90 | 86 | 84 | 93 | 83 |
| Two-three | 10 | 12 | 9) | 8 | 12 | 14 | 5 | 15 |
| Four or more | 2 | 1 | 1 | 2 | 2 | 2 | 2 | 1 |
| | All SME emps. | KL Finance /RE | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Single site | 87 | 80 | 88 | 89 | 84 | 82 | 92 | 89 |
| Two-three | 10 | 14 | 11 | 9 | 9 | 12 | 7 | 5 |
| Four or more | 2 | 5 | 1 | 2 | 5 | 6 | 2 | 6 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A1. Single answer only allowed at this question.

Overall, 14 per cent of SME employers had multiple sites. By sector, multiple sites were most likely to be found in human health (26 per cent), financial/real estate (20 per cent), transport (18 per cent), and information/communication (15 per cent).

Compared with 2015, those in human health (up eight percentage points) were more likely to have multiple sites.

Whether business premises are somebody's home

Twenty-seven per cent of SME employers had a main work premises that was also their home or the home of the business's owner. This was three percentage points more than in 2015.

Thirty-one per cent of micros worked out of a domestic address, compared to 12 per cent of small businesses and nine per cent of medium-sized ones.

Table 3.6: Whether main business/work premise is owner's home – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Work/home at same address | 27 | 31 | 12 | 9 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Work/home at same address | 24 | 27 | 13 | 8 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A10. Single answer only allowed at this question.

By sector, 44 per cent of those in primary and construction worked from a domestic address, as did 40 per cent in information/communication, 34 per cent in professional/scientific, and 32 per cent in administrative services.

Those in manufacturing, retail/wholesale, accommodation/food service, financial/real estate, human health and other services were less likely to be home based (see Table 3.7).

Compared to 2015, those in construction (up eight percentage points) and professional/scientific (up seven percentage points) were more likely to have domestic work premises. Conversely, those in primary (down nine percentage points) were less likely to work from a domestic site.

Table 3.7: Whether main business/work premise is owner’s home – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manu- facturing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info/Co mms |
|------------------------------|---------------|------------------------------|----------------------|---------------------|--------------------|-------------------|----------------------|------------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Work/home at same address | 27 | 44 | 17 | 44 | 17 | 28 | 21 | 40 |
| | All SME emps. | KL Finance / Real est. | M Prof./Sc ience | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Work/home at same address | 27 | 18 | 34 | 32 | 27 | 13 | 22 | 19 |
| | All SME emps. | ABDE Primary | C Manu- facturing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info/Co mms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Work/home at same address | 24 | 53 | 15 | 36 | 13 | 31 | 20 | 35 |
| | All SME emps. | KL Finance / Real est. | M Prof./Sc ience | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Work/home at same address | 24 | 16 | 27 | 30 | 23 | 12 | 21 | 17 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A10. Single answer only allowed at this question.

Legal status

In 2016, 64 per cent of SME employers were private limited companies, limited by shares. Thirteen per cent were sole proprietors and 10 per cent partnerships. The remainder had a variety of legal statuses, including private companies limited by guarantee (CLGs), limited liability partnerships (LLPs), public limited companies (PLCs), trusts and community interest companies (CICs).

Table 3.8: Legal status – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Private Ltd. Company, limited by shares (Ltd.) | 64 | 62 | 74 | 79 |
| Sole proprietorship | 13 | 15 | 3 | * |
| Partnership | 10 | 11 | 6 | 3 |
| Private company limited by guarantee (CLG) | 4 | 4 | 6 | 7 |
| Limited liability partnership (LLP) | 2 | 1 | 3 | 3 |
| Public limited company ((PLC) | 1 | 1 | 1 | 2 |
| Trust | 1 | 1 | 1 | 1 |
| Community Interest Company (CIC) | * | * | 1 | 1 |
| Other (e.g. IPS, friendly society, co-operative, private unlimited, unincorporated association) | 4 | 3 | 4 | 4 |
| Don't know | 1 | 1 | 1 | 1 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Private Ltd. Company, limited by shares (Ltd.) | 60 | 58 | 72 | 79 |
| Sole proprietorship | 14 | 16 | 4 | 1 |
| Partnership | 12 | 13 | 7 | 3 |
| Private company limited by guarantee (CLG) | 4 | 3 | 5 | 6 |
| Limited liability partnership (LLP) | 2 | 2 | 3 | 3 |
| Public limited company ((PLC) | 1 | 1 | 2 | 2 |
| Trust | 1 | 1 | 1 | * |
| Community Interest Company (CIC) | * | * | 1 | 1 |
| Other (e.g. IPS, friendly society, co-operative, private unlimited, unincorporated association) | 3 | 3 | 3 | 3 |
| Don't know | 2 | 2 | 1 | 1 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A5. Single answer only allowed at this question. * = a figure greater than zero, but less than 0.5%.

Compared to 2015, there were a greater proportion of companies limited by shares (up four percentage points), and fewer partnerships (down two percentage points).

Seventy-four per cent of small businesses were companies limited by shares, as were 79 per cent of medium-sized companies, compared to 62 per cent of micros. By contrast, 15 per cent of micros were sole proprietorships, and 11 per cent were partnerships, which were higher proportions for these statuses than those seen among small and medium-sized businesses.

Table 3.9: Legal status – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufac turing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info/com ms |
|-------------------------------|---------------|-----------------------|------------------|------------------|-----------------|----------------|--------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Ltd. Companies | 64 | 32 | 77 | 82 | 62 | 60 | 41 | 88 |
| Sole proprietorship | 13 | 16 | 10 | 10 | 16 | 22 | 21 | 2 |
| Partnerships | 10 | 44 | 5 | 4 | 14 | 8 | 21 | 3 |
| Other | 13 | 8 | 8 | 4 | 8 | 10 | 17 | 7 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertai n | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Ltd. Companies | 64 | 69 | 79 | 79 | 50 | 43 | 34 | 30 |
| Sole proprietorship | 13 | 10 | 8 | 9 | 14 | 11 | 22 | 26 |
| Partnerships | 10 | 5 | 5 | 2 | 4 | 5 | 6 | 5 |
| Other | 13 | 17 | 8 | 10 | 31 | 42 | 38 | 39 |
| | All SME emps. | ABDE Primary | C Manufac turing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info/com ms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Ltd. Companies | 60 | 28 | 77 | 73 | 60 | 60 | 42 | 88 |
| Sole proprietorship | 14 | 15 | 10 | 14 | 15 | 15 | 22 | 1 |
| Partnerships | 12 | 50 | 5 | 10 | 16 | 14 | 20 | 1 |
| Other | 14 | 7 | 9 | 4 | 9 | 11 | 17 | 10 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertai n | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Ltd. Companies | 60 | 74 | 76 | 60 | 50 | 37 | 43 | 27 |
| Sole proprietorship | 14 | 9 | 10 | 15 | 10 | 12 | 13 | 28 |
| Partnerships | 12 | 4 | 5 | 12 | 3 | 7 | 6 | 7 |
| Other | 14 | 14 | 9 | 12 | 37 | 44 | 39 | 38 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A5. Single answer only allowed at this question.

Companies limited by shares were most likely to be found in the information/ communication (93 per cent), administrative services (85 per cent), construction (83 per cent), professional/scientific (82 per cent) and manufacturing (81 per cent) sectors.

Sole proprietorships were most likely to be found in the other services (26 per cent), arts/entertainment (22 per cent), transport (22 per cent) and accommodation/food service (21 per cent) sectors.

Partnerships were most likely to be found in the primary (45 per cent), accommodation/ food service (23 per cent) and retail/wholesale (16 per cent) sectors.

Companies limited by guarantee were most likely to be found in the other services (16 per cent), arts/entertainment (15 per cent), human health (15 per cent), and education (ten per cent) sectors.

Limited liability partnerships were most likely to be found in the finance/real estate (four per cent) and professional/scientific (three per cent) sectors.

Thirty per cent of charities were companies limited by guarantee, 19 per cent were companies limited by shares, and fifteen per cent were trusts. Three per cent were community interest companies, and 17 per cent had 'other' legal statuses, which include charitable incorporated organisations.

Registered charity status

Six per cent of SME employers in 2016 were registered charities, the same proportion seen in 2015.

Table 3.10: Whether a registered charity – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Registered charity | 6 | 6 | 9 | 10 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Registered charity | 6 | 6 | 8 | 9 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A0. Single answer only allowed at this question.

Larger SMEs were more likely to be charities: nine per cent of small businesses and ten per cent of medium-sized businesses.

Table 3.11: Whether a registered charity – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/communications |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-----------------------|-----------------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Registered charity | 6 | 2 | * | 0 | 1 | 5 | 3 | 1 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Registered charity | 6 | 4 | 1 | 4 | 27 | 45 | 26 | 34 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/communications |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Registered charity | 6 | 2 | 1 | * | 1 | 6 | 3 | 1 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Registered charity | 6 | 3 | 1 | 7 | 33 | 43 | 22 | 32 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A0. Single answer only allowed at this question. * = a figure greater than zero, but less than 0.5%.

Although charities can be found in all sectors, over three quarters of them (77 per cent) were contained in four sectors: human health (45 per cent of which were charities), other services (34 per cent), education (27 per cent) and arts/entertainment (26 per cent).

Number of owners/partners¹⁰

Thirty-eight per cent of SME employers have just one owner or partner, 36 per cent have two, ten per cent have between three and five, and one per cent have six or more.

The number of owner/partners increases with size of business. Eighteen per cent of medium-sized businesses had just a single owner, compared with 24 per cent of small businesses and 42 per cent of micro businesses.

Table 3.14: Number of owners/partners – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| One | 38 | 42 | 24 | 18 |
| Two | 36 | 37 | 36 | 23 |
| Three- five | 10 | 8 | 19 | 20 |
| Six or more | 1 | 1 | 2 | 7 |
| Don't know/Not applicable | 14 ¹¹ | 12 | 20 | 32 |
| SBS 2014 (n=) | | | | |
| | % | % | % | % |
| One | 35 | 38 | 23 | 17 |
| Two | 38 | 39 | 33 | 22 |
| Three- five | 15 | 13 | 24 | 29 |
| Six or more | 3 | 3 | 4 | 10 |
| Don't know/Not applicable | 8 | 7 | 16 | 23 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A2a. Single answer only allowed at this question.

The figures for 2015 are not comparable with 2016, but those from 2014 seem to indicate an increase in the proportion of SME employers owned by just one person (up three percentage points).

By sector, those in primary (66 per cent) and retail/wholesale (55 per cent) were more likely than average to have multiple owners. Those in education, human health, arts/entertainment and others services: sectors in which there are high proportions of charities, were the least likely to have multiple owners.

¹⁰ These figures are not comparable with SBS 2015 when the question was not asked of charities.

¹¹ The proportion who did not know how many owners there were, or who felt the question was not applicable, was fairly high at fourteen per cent. This is due to complicated ownership structures according to legal status. For example, public limited companies may have many thousands of owners, whereas third sector organisations may not, strictly, have any 'owners'.

Table 3.15: Whether have multiple owners – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Only one owner | 38 | 28 | 41 | 42 | 38 | 37 | 35 | 43 |
| Multiple owners | 48 | 66 | 51 | 52 | 55 | 51 | 49 | 44 |
| Don't know /na | 14 | 6 | 8 | 6 | 7 | 11 | 16 | 13 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Only one owner | 38 | 34 | 41 | 43 | 40 | 27 | 38 | 39 |
| Multiple owners | 48 | 51 | 50 | 47 | 27 | 28 | 23 | 22 |
| Don't know /na | 14 | 15 | 9 | 11 | 33 | 46 | 39 | 39 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
| SBS 2014 (n=) | 4,355 | 150 | 570 | 369 | 763 | 146 | 455 | 170 |
| | % | % | % | % | % | % | % | % |
| Only one owner | 35 | 21 | 28 | 35 | 35 | 43 | 41 | 34 |
| Multiple owners | 56 | 78 | 66 | 60 | 61 | 53 | 51 | 59 |
| Don't know /na | 8 | 2 | 6 | 5 | 5 | 4 | 8 | 7 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| SBS 2014 (n=) | 4,355 | 192 | 445 | 331 | 113 | 397 | 94 | 160 |
| | % | % | % | % | % | % | % | % |
| Only one owner | 35 | 33 | 44 | 44 | 34 | 24 | 28 | 29 |
| Multiple owners | 56 | 60 | 53 | 50 | 27 | 43 | 45 | 46 |
| Don't know /na | 8 | 7 | 3 | 7 | 38 | 33 | 26 | 25 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A2a. Single answer only allowed at this question.

Family-owned businesses

Seventy-one per cent of SME employers were defined as family-owned businesses, that is one which is majority owned by members of the same family. Businesses with just a single owner or partner were also classified as family businesses.

Table 3.18: Family business – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Family business | 71 | 74 | 58 | 46 |
| LSBS Y1 (2015) n= | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Family business | 69 | 71 | 61 | 52 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A12. Single answer only allowed at this question.

Family-owned businesses were more common among smaller enterprises, comprising 74 per cent of micro businesses, 58 per cent of small businesses and 46 per cent of medium-sized businesses.

Since 2015, the proportion of family-owned businesses has increased by two percentage points. This increase was caused by a rise in the number of family-owned micro businesses (up three percentage points). The proportion of family-owned small and medium-sized businesses decreased by three and six percentage points respectively.

Family-owned businesses were far more likely in production and distribution sectors than in service sectors. Eighty-seven per cent of primary sector businesses, 79 per cent in retail/wholesale, 78 per cent in construction, 77 per cent in accommodation/food service, and 76 per cent in transport were family owned. The same pattern was seen in 2015.

Excluding sole proprietors who were not asked the question, 78 per cent of family-owned businesses had been in control of the family for just a single generation, 13 per cent for two generations, five per cent for three generations and three per cent for four or more generations. Small and medium-sized family businesses were more likely to stretch back more than one generation (31 and 38 per cent respectively) than micro businesses (19 per cent).

By sector, family-owned businesses in primary industries were the most likely to stretch back more than one generation (69 per cent).

Table 3.19: Family business – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Family business | 71 | 87 | 74 | 78 | 79 | 76 | 77 | 70 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Family business | 71 | 62 | 66 | 69 | 54 | 42 | 50 | 52 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Family business | 69 | 88 | 73 | 79 | 78 | 71 | 75 | 63 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Family business | 69 | 63 | 64 | 65 | 45 | 39 | 49 | 51 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A12. Single answer only allowed at this question.

Women-led businesses

Twenty per cent of SME employers were majority-led by women, defined as controlled by a single woman or having a management team of which a majority were women. This was a similar figure to that seen in 2015.

Table 3.20: Women-led businesses – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Women-led | 20 | 20 | 20 | 15 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Women-led | 21 | 21 | 21 | 15 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A18/A21/U5. Single answer only allowed at this question.

Table 3.21: Women-led businesses – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|----------------------------|---------------|-----------------------|------------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Women-led | 20 | 13 | 14 | 13 | 19 | 11 | 20 | 11 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Women-led | 20 | 16 | 18 | 22 | 45 | 56 | 21 | 31 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Women-led | 21 | 15 | 14 | 13 | 20 | 11 | 21 | 13 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Women-led | 21 | 12 | 17 | 27 | 54 | 54 | 23 | 38 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A18/A21/U5. Single answer only allowed at this question.

There were fewer women-led medium-sized businesses (15 per cent), compared to small and micro businesses (both 20 per cent).

Women-led businesses were more likely than average to be in particular sectors. Fifty-six per cent in human health, 45 per cent in education, and 31 per cent in other services were women-led. Women-led businesses were less common in transport/storage (11 per cent), information/communication (11 per cent), construction (13 per cent), primary (13 per cent), and manufacturing.

Compared with 2015, the proportion of women-led businesses in education fell by nine percentage points in education, and by seven percentage points in other services.

MEG-led businesses

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 an ethnic minority. This proportion was slightly smaller in small and medium businesses.

There was no difference in the overall proportion of MEG-led businesses between 2015 and 2016.

Table 3.22: MEG-led businesses – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| MEG-led | 5 | 5 | 4 | 4 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| MEG-led | 5 | 5 | 5 | 5 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A19/A20/A22. Single answer only allowed at this question

Table 3.23: MEG-led businesses – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| MEG-led | 5 | 1 | 3 | 4 | 6 | 6 | 6 | 7 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| MEG-led | 5 | 7 | 5 | 7 | 6 | 5 | 3 | 3 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| MEG-led | 5 | * | 3 | 3 | 8 | 7 | 4 | 11 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| MEG-led | 5 | 7 | 6 | 3 | 5 | 5 | 6 | 2 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A19/A20/A22. Single answer only allowed at this question. * = a figure greater than zero, but less than 0.5%.

In Year 2 (2016) LSBS, the primary and manufacturing sectors were less likely than average to be MEG-led.

MEG-led businesses were more common than average in London (16 per cent) and the West Midlands (seven per cent). They were less common than average in the South West, Yorkshire/Humber and Northern Ireland (all two per cent).

Table 3.24: MEG-led businesses – trends by region

| | All SME emps. | All England | East Mids | East of England | London | North East | North West |
|---------------------|---------------|-------------|---------------|-------------------|-----------|------------|------------------|
| LSBS Y2 (2016) (n=) | 6,897 | 5,534 | 486 | 719 | 742 | 207 | 572 |
| | % | % | % | % | % | % | % |
| MEG-led | 5 | 5 | 5 | 4 | 16 | 3 | 4 |
| | South East | South West | West Midlands | Yorkshire /Humber | Wales | Scotland | Northern Ireland |
| LSBS Y2 (2016) (n=) | 6,897 | 832 | 501 | 456 | 210 | 779 | 374 |
| | % | % | % | % | % | % | % |
| MEG-led | 5 | 2 | 7 | 2 | 3 | 3 | 2 |
| | All SME emps. | All England | East Mids | East of England | London | North East | North West |
| LSBS Y1 (2015) (n=) | 11,147 | 9,570 | 838 | 1,223 | 1,419 | 312 | 1,004 |
| | % | % | % | % | % | % | % |
| MEG-led | 5 | 6 | 5 | 3 | 18 | 2 | 4 |
| | South East | South West | West Midlands | Yorkshire /Humber | Wales | Scotland | Northern Ireland |
| LSBS Y1 (2015) (n=) | 1,791 | 1,288 | 897 | 798 | 370 | 820 | 387 |
| | % | % | % | % | % | % | % |
| MEG-led | 4 | 2 | 7 | 5 | 1 | 2 | 1 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A19/A20/A22. Single answer only allowed at this question.

4. Business performance

This section explores how SMEs have performed in the last 12 months in terms of numbers employed and turnover, and their expectations for performance in the next 12 months.

Numbers employed compared with 12 months previously

Forty-five per cent of SME employers employed more people than 12 months earlier. Twenty-seven per cent employed the same number and 28 per cent employed fewer.

Table 4.1: Numbers employed now compared to 12 months previously – by employment size¹²

| | All SME employer panellists | Micro (1-9) | Small (10-49) | Medium (50-249) |
|------------------------|-----------------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 5,596 | 2,353 | 2,068 | 1,175 |
| | % | % | % | % |
| Employ more now | 45 | 45 | 44 | 54 |
| Employ the same number | 27 | 29 | 18 | 16 |
| Employ fewer now | 28 | 26 | 38 | 31 |

Base = all SME employer panellists. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A2. Single answer only allowed at this question.

By sector, those in construction (54 per cent), information/communication (54 per cent) and professional/scientific (53 per cent) were the most likely to have increased levels of employment. Those in human health (39 per cent), accommodation/food service (35 per cent), administrative services (33 per cent) and manufacturing (32 per cent) were the sectors most likely to have decreased numbers employed.

Please note that the data above is based on panellists only due to a change in which the question was asked. Therefore, trend data is not available.

¹² The way this question was treated in LSBS Year 2 was different than in previous years. For panellists (those taking part in both the 2015 and 2016 survey), the number of employees in Year 2 was compared directly with the number of employees in Year 1. Top-up respondents (not panellists) were asked how many employees they had 12 months previously. For this reason, there are discrepancies between the two sets of data, and therefore only figures for panellists are shown in the table above.

Table 4.2: Numbers employed now compared to 12 months previously – by sector (SIC 2007)

| | All SME emp. panellists | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|------------------------|-------------------------|-----------------------|------------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 5,596 | 177 | 630 | 403 | 825 | 183 | 417 | 270 |
| | % | % | % | % | % | % | % | % |
| Employ more now | 45 | 42 | 41 | 54 | 42 | 48 | 33 | 54 |
| Employ the same number | 27 | 34 | 26 | 22 | 29 | 24 | 32 | 21 |
| Employ fewer now | 28 | 24 | 32 | 24 | 29 | 28 | 35 | 25 |
| | All SME emp. panellists | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 5,596 | 241 | 763 | 405 | 259 | 644 | 151 | 228 |
| | % | % | % | % | % | % | % | % |
| Employ more now | 45 | 45 | 53 | 38 | 48 | 33 | 53 | 43 |
| Employ the same number | 27 | 27 | 24 | 28 | 23 | 28 | 16 | 38 |
| Employ fewer now | 28 | 28 | 23 | 33 | 28 | 39 | 32 | 19 |

Base = all SME employer panellists. Figures in bold were statistically significant at the 95% confidence level against the overall finding. A2. Single answer only allowed at this question.

Number of people expected to be employed in 12 months' time

Twenty-six per cent of SME employers expected to employ more people in 12 months' time, 64 per cent expected to employ the same number and ten per cent expected to employ fewer.

These overall proportions were exactly the same as those seen in the 2015 survey.

Twenty-three per cent of micros expected to increase number of employees, compared to 35 per cent of small businesses and 48 per cent of medium-sized businesses.

By sector, those in manufacturing (34 per cent), information/communications (34 per cent) and administrative services (33 per cent) were more likely than average to expect to employ more. Those in primary (16 per cent), education (16 per cent) and professional/scientific (13 per cent) were more likely than others to expect to employ fewer people. No sector as a whole predicted a net decrease in the numbers employed.

Compared to 2015, the proportion in the primary sectors expecting to employ more has increased by seven percentage points. In finance/real estate, the proportion thinking they will employ more has decreased by seven percentage points.

Table 4.3: Expected employment in 12 months' time – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| More than now | 26 | 23 | 35 | 44 |
| Same as now | 64 | 65 | 58 | 47 |
| Fewer than now | 10 | 11 | 7 | 8 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| More than now | 26 | 23 | 35 | 48 |
| Same as now | 64 | 66 | 56 | 43 |
| Fewer than now | 10 | 10 | 8 | 8 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| More than now | 32 | 31 | 36 | 45 |
| Same as now | 63 | 64 | 58 | 49 |
| Fewer than now | 4 | 4 | 5 | 5 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| More than now | 20 | 19 | 29 | 33 |
| Same as now | 58 | 60 | 51 | 50 |
| Fewer than now | 21 | 21 | 20 | 16 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| More than now | 23 | 22 | 29 | 34 |
| Same as now | 62 | 64 | 54 | 50 |
| Fewer than now | 14 | 13 | 16 | 14 |
| ASBS 2007/08 (n=) | 7,783 | 3,529 | 2,950 | 1,304 |
| | % | % | % | % |
| More than now | 24 | 22 | 31 | 38 |
| Same as now | 59 | 60 | 52 | 47 |
| Fewer than now | 16 | 17 | 16 | 14 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. B5/B6. Single answer only allowed at this question.

Table 4.4: Expected employment in 12 months' time – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| More than now | 26 | 18 | 34 | 26 | 23 | 27 | 20 | 34 |
| Same as now | 64 | 66 | 55 | 62 | 67 | 62 | 72 | 59 |
| Fewer than now | 10 | 16 | 10 | 11 | 10 | 11 | 7 | 8 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| More than now | 26 | 22 | 27 | 33 | 26 | 25 | 21 | 21 |
| Same as now | 64 | 71 | 60 | 58 | 56 | 65 | 68 | 67 |
| Fewer than now | 10 | 7 | 13 | 8 | 16 | 9 | 11 | 11 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| More than now | 26 | 11 | 31 | 26 | 21 | 30 | 22 | 37 |
| Same as now | 64 | 76 | 59 | 64 | 67 | 60 | 70 | 51 |
| Fewer than now | 10 | 12 | 9 | 10 | 11 | 9 | 6 | 12 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| More than now | 26 | 29 | 27 | 30 | 28 | 26 | 22 | 26 |
| Same as now | 64 | 63 | 60 | 58 | 64 | 68 | 61 | 66 |
| Fewer than now | 10 | 7 | 12 | 12 | 7 | 6 | 14 | 7 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. B5/B6. Single answer only allowed at this question.

By nation, businesses in Northern Ireland were more likely than average to think they would employ more people in 12 months' time (31 per cent). Those in Scotland were less likely than average to think they would employ more people (21 per cent). Twenty-six per cent in both England and Wales thought they would employ more.

Those in Scotland were also more likely than average to think they would employ fewer people in 12 months' time – 14 per cent.

In England, those in London were the most likely to think employment levels would rise (32 per cent).

Turnover now compared with 12 months previously

Thirty-four per cent of SME employers had reported growth in turnover (value of sales) since a year previously. Forty-four per cent had approximately the same turnover and 20 per cent had a fall in turnover.

Compared with the 2015 survey, there was a statistically significant decrease in the proportion of businesses that had growth in turnover (down four percentage points), and an increase in the proportion with a fall in turnover (up three percentage points).

The proportion of micros that increased their turnover was three percentage points less than in 2015. For small businesses, it was seven percentage points less, and for medium-sized businesses ten percentage points less.

The proportion of micros that decreased their turnover was three percentage points higher than in 2015. For small businesses, it was five percentage points higher, and for medium-sized businesses seven percentage points higher.

By sector, those in administrative services (41 per cent), finance/real estate (39 per cent) and professional/scientific (38 per cent) were more likely than average to report growth in turnover. Those in primary (30 per cent) and retail/wholesale (22 per cent) were likely than average to report a fall in turnover.

Compared to 2015, those in transport were 13 percentage points less likely to report growth in turnover, while the proportion with rising turnover also declined in construction (down 11 percentage points), and human health (down eight percentage points).

By nation, turnover was more likely to have fallen in Scotland (24 per cent), than in England (20 per cent), Wales (18 per cent) and Northern Ireland (16 per cent).

Table 4.5: Turnover now compared to 12 months previously – trends by size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,854 | 3,017 | 2,475 | 1,362 |
| | % | % | % | % |
| Turnover greater now | 34 | 32 | 39 | 48 |
| Same as before | 44 | 45 | 40 | 34 |
| Turnover lower now | 20 | 21 | 18 | 15 |
| LSBS Y1 (2015) (n=) | 10,973 | 4,003 | 4,006 | 2,964 |
| | % | % | % | % |
| Turnover greater now | 38 | 35 | 46 | 58 |
| Same as before | 41 | 42 | 38 | 30 |
| Turnover lower now | 17 | 18 | 13 | 8 |
| SBS 2014 (n=) | 4,225 | 1,575 | 1,672 | 978 |
| | % | % | % | % |
| Turnover greater now | 40 | 38 | 48 | 55 |
| Same as before | 39 | 41 | 32 | 32 |
| Turnover lower now | 18 | 18 | 15 | 11 |
| SBS 2012 (n=) | 4,682 | 1,844 | 1,875 | 963 |
| | % | % | % | % |
| Turnover greater now | 29 | 27 | 38 | 50 |
| Same as before | 37 | 37 | 34 | 31 |
| Turnover lower now | 31 | 33 | 25 | 16 |
| SBS 2010 (n=) | 3,752 | 1,482 | 1,514 | 755 |
| | % | % | % | % |
| Turnover greater now | 28 | 27 | 33 | 44 |
| Same as before | 34 | 35 | 30 | 30 |
| Turnover lower now | 35 | 36 | 34 | 24 |
| ASBS 2007/08 (n=) | 7,633 | 3,440 | 2,905 | 1,288 |
| | % | % | % | % |
| Turnover greater now | 42 | 40 | 51 | 61 |
| Same as before | 35 | 36 | 32 | 26 |
| Turnover lower now | 21 | 22 | 16 | 11 |
| ASBS 2007/06 (n=) | 8,772 | 3,609 | 3,607 | 1,556 |
| | % | % | % | % |
| Turnover greater now | 40 | 39 | 47 | 60 |
| Same as before | 35 | 36 | 34 | 25 |
| Turnover lower now | 21 | 22 | 17 | 12 |

Base = all SME employers trading for at least two years. Figures in bold were statistically significant at the 95% confidence level against the overall finding. P2. Single answer only allowed at this question

Table 4.6: Turnover (T/o) now compared to 12 months previously – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|-------------------------------|---------------|-----------------------|------------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,854 | 267 | 757 | 565 | 1,109 | 259 | 567 | 347 |
| | % | % | % | % | % | % | % | % |
| T/o greater now | 34 | 21 | 37 | 33 | 33 | 33 | 34 | 37 |
| Same as before | 44 | 48 | 43 | 46 | 41 | 44 | 40 | 41 |
| T/o lower now | 20 | 30 | 20 | 17 | 22 | 20 | 22 | 20 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,854 | 313 | 787 | 581 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| T/o greater now | 34 | 39 | 38 | 41 | 26 | 28 | 22 | 26 |
| Same as before | 44 | 45 | 40 | 40 | 47 | 49 | 55 | 57 |
| T/o lower now | 20 | 14 | 21 | 17 | 24 | 18 | 19 | 16 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
| LSBS Y1 (2015) (n=) | 10,973 | 330 | 1,255 | 793 | 1,762 | 352 | 926 | 524 |
| | % | % | % | % | % | % | % | % |
| T/o greater now | 38 | 25 | 42 | 44 | 34 | 46 | 35 | 38 |
| Same as before | 41 | 42 | 39 | 38 | 43 | 34 | 41 | 40 |
| T/o lower now | 17 | 30 | 14 | 13 | 19 | 15 | 17 | 17 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 10,973 | 447 | 1,293 | 857 | 460 | 1,212 | 302 | 460 |
| | % | % | % | % | % | % | % | % |
| T/o greater now | 38 | 44 | 42 | 40 | 32 | 36 | 28 | 27 |
| Same as before | 41 | 42 | 40 | 40 | 40 | 42 | 53 | 50 |
| T/o lower now | 17 | 10 | 15 | 17 | 19 | 16 | 14 | 18 |

Base = all SME employers trading for at least two years. Figures in bold were statistically significant at the 95% confidence level against the overall finding. P2. Single answer only allowed at this question

Expectations of turnover in 12 months' time

Forty per cent of SME employers expected turnover to increase in the next 12 months, 47 per cent thought it would remain roughly the same and ten per cent thought it would be less.

Compared to 2015, fewer SME employers thought that turnover would grow (down five percentage points), while the proportion that thought that it would stay the same increased (up four percentage points). This trend was the same for all sizes of business.

Compared to 2014, the proportion of SME employers that thought turnover would grow has declined by 11 percentage points. For micro businesses, this was 12 percentage points in this period, 11 percentage points for small businesses, and 13 percentage points for medium-sized businesses.

By sector in 2016, those in manufacturing (51 per cent) and administrative services (46 per cent) were more likely than average to think turnover would increase. Those in information/communications (15 per cent), human health (13 per cent) and retail/wholesale (12 per cent) were more likely than average to think that turnover would decrease.

By nation, those in Northern Ireland were more likely to think turnover would increase (45 per cent), than those England (40 per cent), Scotland (37 per cent) or Wales (37 per cent).

Table 4.7: Expectations of turnover in 12 months' time – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| More than now | 40 | 38 | 45 | 52 |
| Same as now | 47 | 48 | 43 | 37 |
| Less than now | 10 | 11 | 9 | 8 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| More than now | 45 | 43 | 52 | 62 |
| Same as now | 43 | 45 | 38 | 29 |
| Less than now | 8 | 8 | 6 | 5 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| More than now | 51 | 50 | 56 | 65 |
| Same as now | 37 | 37 | 34 | 28 |
| Less than now | 8 | 8 | 5 | 5 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| More than now | 37 | 35 | 44 | 54 |
| Same as now | 43 | 44 | 39 | 34 |
| Less than now | 14 | 14 | 11 | 10 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| More than now | 41 | 40 | 45 | 57 |
| Same as now | 40 | 41 | 37 | 31 |
| Less than now | 14 | 15 | 13 | 11 |
| ASBS 2007/08 (n=) | 7,783 | 3,529 | 2,950 | 1,304 |
| | % | % | % | % |
| More than now | 49 | 47 | 54 | 63 |
| Same as now | 35 | 35 | 32 | 26 |
| Less than now | 12 | 13 | 12 | 10 |
| ASBS 2006/07 (n=) | 8,949 | 3,721 | 3,666 | 1,562 |
| | % | % | % | % |
| More than now | 49 | 47 | 58 | 67 |
| Same as now | 36 | 37 | 31 | 24 |
| Less than now | 10 | 10 | 7 | 6 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. P7. Single answer only allowed at this question.

Table 4.8: Expectations of turnover in 12 months' time – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-----------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| More than now | 40 | 36 | 51 | 35 | 41 | 31 | 37 | 44 |
| Same as now | 47 | 51 | 40 | 53 | 42 | 50 | 50 | 39 |
| Less than now | 10 | 10 | 9 | 8 | 12 | 11 | 10 | 15 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| More than now | 40 | 38 | 42 | 46 | 36 | 31 | 30 | 33 |
| Same as now | 47 | 51 | 45 | 42 | 48 | 52 | 61 | 59 |
| Less than now | 10 | 9 | 12 | 10 | 11 | 13 | 9 | 7 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| More than now | 45 | 30 | 53 | 40 | 47 | 44 | 44 | 54 |
| Same as now | 43 | 48 | 38 | 48 | 42 | 44 | 44 | 37 |
| Less than now | 8 | 18 | 6 | 6 | 8 | 8 | 6 | 6 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| More than now | 45 | 48 | 47 | 48 | 38 | 33 | 41 | 40 |
| Same as now | 43 | 41 | 41 | 41 | 48 | 53 | 43 | 51 |
| Less than now | 8 | 7 | 9 | 8 | 10 | 9 | 12 | 5 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. P7. Single answer only allowed at this question.

Profit

Seventy-nine per cent of SME employers generated a profit in their last financial year, one percentage point higher than in 2015 and 2014. Small and medium-sized businesses were more likely to have made a profit (81 per cent and 84 per cent, respectively) than micros (78 per cent).

Table 4.9: Whether generated a profit or surplus in the last financial year – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Yes - profit | 79 | 78 | 81 | 84 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes - profit | 78 | 77 | 80 | 84 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Yes - profit | 78 | 78 | 79 | 84 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| Yes - profit | 72 | 71 | 75 | 86 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| Yes - profit | 71 | 71 | 72 | 81 |
| ASBS 2007/08 (n=) | 7,783 | 3,529 | 2,950 | 1,304 |
| | % | % | % | % |
| Yes - profit | 78 | 78 | 82 | 85 |
| ASBS 2006/07 (n=) | 8,949 | 3,721 | 3,666 | 1,562 |
| | % | % | % | % |
| Yes - profit | 78 | 77 | 82 | 85 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. P12. Single answer only allowed at this question.

By sector, those in finance/real estate (90 per cent), professional/scientific (87 per cent), administrative services (83 per cent) and construction (82 per cent) were more likely than average to have made a profit.

Those in human health (62 per cent), education (64 per cent), other services (70 per cent), accommodation/food service (70 per cent), arts/entertainment (71 per cent) and primary (72 per cent) were less likely than average to have made a profit.

There were no statistically significant differences in the proportions making a profit by nation.

Table 4.10: Whether generated a profit or surplus in the last financial year – trends by sector

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Yes - profit | 79 | 72 | 80 | 82 | 81 | 82 | 70 | 77 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Yes - profit | 79 | 90 | 87 | 83 | 64 | 62 | 71 | 70 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes - profit | 78 | 76 | 81 | 83 | 79 | 78 | 67 | 78 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes - profit | 78 | 87 | 86 | 83 | 64 | 62 | 72 | 58 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. P12. Single answer only allowed at this question.

5. Exporting

This section deals with the export of goods or services outside of the UK: the proportions of SME employers that export, the percentage of their turnover gained from exports, who they export to, plans for increasing the level of exports, exporting for the first time, and reasons for not exporting.

Whether sold goods or services outside of the UK in the last 12 months

Overall, 18 per cent of SME employers export goods or services. This proportion is consistent with those seen in the LSBS/SBS surveys in 2015, 2014 and 2012, but less than that seen in the surveys in 2010 and earlier.

Table 5.1: Whether have sold goods or services or licensed products outside of the UK in the last 12 months – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Export goods or services | 18 | 17 | 25 | 35 |
| - <i>Export goods</i> | 10 | 8 | 17 | 24 |
| - <i>Export services</i> | 11 | 11 | 13 | 16 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Export goods or services | 19 | 17 | 25 | 34 |
| - <i>Export goods</i> | 11 | 9 | 16 | 22 |
| - <i>Export services</i> | 11 | 11 | 14 | 18 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Export goods or services | 19 | 17 | 26 | 36 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| Export goods or services | 19 | 17 | 26 | 40 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| Export goods or services | 23 | 21 | 29 | 40 |
| ASBS 2007/08 (n=) | 7,783 | 3,529 | 2,950 | 1,304 |
| | % | % | % | % |
| Export goods or services | 24 | 22 | 33 | 43 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C1/C2. Multiple answers allowed.

In 2016, 17 per cent of micro businesses exported goods or services, compared to 25 per cent of small businesses and 35 per cent of medium-sized businesses. These proportions were the same as those observed in the 2015 survey.

Table 5.2: Whether have sold goods or services or licensed products outside of the UK in the last 12 months – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|-------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-----------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Export goods or services | 18 | 11 | 45 | 4 | 25 | 18 | 3 | 44 |
| - <i>Export goods</i> | 10 | 8 | 42 | 2 | 24 | 7 | 1 | 11 |
| - <i>Export services</i> | 11 | 5 | 12 | 3 | 7 | 13 | 2 | 38 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Export goods or services | 18 | 10 | 28 | 12 | 10 | 3 | 16 | 10 |
| - <i>Export goods</i> | 10 | 1 | 5 | 3 | 2 | 1 | 5 | 4 |
| - <i>Export services</i> | 11 | 10 | 26 | 10 | 9 | 2 | 15 | 7 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Export goods or services | 19 | 14 | 43 | 3 | 23 | 20 | 2 | 47 |
| - <i>Export goods</i> | 11 | 12 | 41 | 2 | 21 | 7 | 1 | 16 |
| - <i>Export services</i> | 11 | 3 | 12 | 2 | 6 | 16 | 1 | 38 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Export goods or services | 19 | 10 | 29 | 18 | 11 | 3 | 21 | 10 |
| - <i>Export goods</i> | 11 | 1 | 7 | 6 | 3 | 1 | 6 | 4 |
| - <i>Export services</i> | 11 | 10 | 26 | 14 | 10 | 2 | 17 | 9 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C1/C2. Multiples answers allowed.

Ten per cent exported goods and eleven per cent exported services. Three per cent of SME employers exported both goods and services. Again, these proportions are the same as those seen in the 2015 survey.

By sector, exports were most likely in information/communication (44 per cent any export: 11 per cent export goods; 38 per cent export services), manufacturing (45 per cent any export; 42

per cent export goods), professional/scientific (28 per any export; 26 per cent export services) and retail/wholesale (25 per cent any export; 24 per export goods).

The sectors least likely to have had any exports were accommodation/food service (three per cent), human health (three per cent), construction (four per cent), financial/real estate (ten per cent), other services (ten per cent), education (ten per cent), primary (11 per cent), and administrative services (12 per cent).

Compared to 2015, fewer SMEs in the administrative services sector exported in 2016 (18 per cent, compared with 12 per cent).

Looking at sectors in more detail, that is at the ‘two-digit’ level¹³, the types of businesses most likely to export goods or services were as follows:

- Wholesale (45 per cent)
- Computer programming/consultancy (40 per cent)
- Fabricated metal manufacturing (33 per cent)
- Food manufacturing (31 per cent)
- Management consultancy (30 per cent)
- Other professional/technical¹⁴ (29 per cent)
- Architecture/engineering (25 per cent)

By nation, the highest proportion of exporters was found in Northern Ireland (29 per cent). A lower than average proportion of exporters was found in Scotland (16 per cent), although this was a higher proportion of exporters than was the case in 2015 (12 per cent).

Within England, London had the highest proportion of exporters (24 per cent), although this was a lower proportion than in 2015 (30 per cent). As was the case in 2015, there were lower than average proportions of exporters in the North East (12 per cent) and South West (14 per cent).

¹³ Based on minimum sample sizes of 75.

¹⁴ Includes photography, design, translation and surveying.

Table 5.3: Any exports – trends by region

| | All SME emps. | All England | East Mids | East of England | London | North East | North West |
|---------------------|---------------|-------------|---------------|------------------|-----------|------------|------------------|
| LSBS Y2 (2016) (n=) | 6,897 | 5,534 | 486 | 719 | 742 | 207 | 572 |
| | % | % | % | % | % | % | % |
| Any exports | 18 | 19 | 17 | 20 | 24 | 12 | 17 |
| | South East | South West | West Midlands | Yorkshire/Humber | Wales | Scotland | Northern Ireland |
| LSBS Y2 (2016) (n=) | 1,019 | 832 | 501 | 456 | 210 | 779 | 374 |
| | % | % | % | % | % | % | % |
| Any exports | 22 | 14 | 18 | 15 | 14 | 16 | 29 |
| | All SME emps. | All England | East Mids | East of England | London | North East | North West |
| LSBS Y1 (2015) (n=) | 11,147 | 9,570 | 838 | 1,223 | 1,419 | 312 | 1,004 |
| | % | % | % | % | % | % | % |
| Any exports | 19 | 19 | 15 | 21 | 30 | 9 | 17 |
| | South East | South West | West Midlands | Yorkshire/Humber | Wales | Scotland | Northern Ireland |
| LSBS Y1 (2015) (n=) | 1,791 | 1,288 | 897 | 798 | 370 | 820 | 387 |
| | % | % | % | % | % | % | % |
| Any exports | 21 | 14 | 19 | 15 | 19 | 12 | 27 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C1/C2. Single answer only allowed across the questions.

Exports as a percentage of annual turnover

Service exports accounted for less than five per cent of turnover for 42 per cent of SME employer service exporters. They made up between five and ten per cent of turnover for a further 11 per cent, and between ten and 25 per cent of turnover for a further 12 per cent.

Service exports accounted for the majority (more than 50 per cent) of turnover for 23 per cent of SME employer service exporters. This proportion was higher than in 2015, when the equivalent figure was 17 per cent. This increase was mainly driven by micro business service exporters (23 per cent had a majority of turnover accounted for by service exports in 2016, compared to 17 per cent in 2015).

Among service exporters, the mean average proportion of turnover accounted for by service exports in 2016 was 28 per cent, up from 25 per cent in 2015. There was little difference in this proportion according to employment size (29 per cent of micros, 29 per cent of small businesses, and 26 per cent of medium-sized businesses).

By sector, service exporters in information/communication were more likely to have a higher than average percentage of turnover for service exports (38 per cent).

Table 5.4: Percentage of turnover accounted for by service exports – trends by employment size

| | All SME employers that export services | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|--|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 863 | 349 | 327 | 187 |
| | % | % | % | % |
| Up to 5% | 42 | 42 | 40 | 49 |
| 5.1% - 10% | 11 | 12 | 10 | 9 |
| 10.1% - 25% | 12 | 12 | 12 | 6 |
| 25.1% - 50% | 10 | 9 | 14 | 13 |
| 50.1% - 75% | 8 | 8 | 8 | 7 |
| 75.1% - 90% | 8 | 8 | 9 | 4 |
| 90.1% - 100% | 7 | 7 | 5 | 8 |
| Don't know | 3 | 3 | 2 | 4 |
| LSBS Y1 (2015) (n=) | 1,544 | 460 | 588 | 496 |
| | % | % | % | % |
| Up to 5% | 41 | 41 | 39 | 42 |
| 5.1% - 10% | 12 | 12 | 10 | 11 |
| 10.1% - 25% | 12 | 13 | 11 | 17 |
| 25.1% - 50% | 15 | 16 | 13 | 11 |
| 50.1% - 75% | 6 | 5 | 10 | 7 |
| 75.1% - 90% | 4 | 4 | 7 | 4 |
| 90.1% - 100% | 7 | 7 | 7 | 2 |
| Don't know | 2 | 2 | 3 | 7 |

Base = all SME employers that export services. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C1a. Single answer only at this question.

Goods exports accounted for less than five per cent of turnover for 46 per cent of SME employer goods exporters. They made up between five and ten per cent of turnover for a further 10 per cent, and between ten and 25 per cent of turnover for a further 12 per cent.

Goods exports accounted for the majority (more than 50 per cent) of turnover for 17 per cent of SME employer goods exporters. This proportion was higher than in 2015, when the equivalent figure was 14 per cent.

Among goods exporters, the mean average proportion of turnover accounted for by goods exports was 23 per cent, a similar proportion to that seen in 2015. This proportion varied by business size (24 per cent for micros, 21 per cent for small businesses, and 28 per cent for medium-sized businesses). By sector, goods exporters in information/communication (35 per cent) and manufacturing (30 per cent) were more likely to have a higher than average percentage of turnover for goods exports.

Table 5.5: Percentage of turnover accounted for by goods exports – trends by employment size

| | All SME employers that export goods | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 998 | 301 | 435 | 262 |
| | % | % | % | % |
| Up to 5% | 46 | 48 | 45 | 36 |
| 5.1% - 10% | 10 | 8 | 15 | 10 |
| 10.1% - 25% | 12 | 11 | 13 | 11 |
| 25.1% - 50% | 13 | 13 | 11 | 16 |
| 50.1% - 75% | 9 | 9 | 7 | 12 |
| 75.1% - 90% | 5 | 5 | 5 | 7 |
| 90.1% - 100% | 3 | 4 | 3 | 2 |
| Don't know | 2 | 2 | 2 | 5 |
| LSBS Y1 (2015) (n=) | 1,663 | 429 | 676 | 558 |
| | % | % | % | % |
| Up to 5% | 47 | 48 | 43 | 37 |
| 5.1% - 10% | 11 | 10 | 12 | 15 |
| 10.1% - 25% | 12 | 11 | 16 | 12 |
| 25.1% - 50% | 14 | 14 | 13 | 10 |
| 50.1% - 75% | 6 | 6 | 6 | 8 |
| 75.1% - 90% | 4 | 4 | 4 | 7 |
| 90.1% - 100% | 4 | 5 | 2 | 4 |
| Don't know | 2 | 2 | 3 | 6 |

Base = all SME employers that export goods. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C2a. Single answer only at this question.

Where exported to in the last 12 months

Seventy-nine per cent of UK SME employer exporters exported to (non-UK) European Union countries in the last 12 months. Sixty-eight per cent exported outside of the EU.

Larger SME exporters were more likely to export both to the EU, and to non-EU countries. Seventy-six per cent of micro exporters exported to the EU, compared with 90 per cent of medium-sized businesses. Sixty-six per cent of micro exporters exported to non-EU countries, compared to 76 per cent of medium-sized businesses.

Twenty-seven per cent of SME exporters export *only* to the EU. This proportion was higher for micros (28 per cent) than for smalls (24 per cent) and medium-sized businesses (23 per cent).

By nation, SME exporters in Northern Ireland were less likely than average to export to non-EU countries (32 per cent), and were more likely than average to only export to the EU (53 per cent). By English region, exporters in the South West were the most likely to only export to the EU (43 per cent).

Table 5.6: Where exported to in the last 12 months – by employment size

| | All SME employer exporters | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|----------------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 1,601 | 560 | 645 | 396 |
| | % | % | % | % |
| EU countries | 79 | 76 | 87 | 90 |
| - Only export to the EU | 27 | 28 | 24 | 23 |
| Rest of the world | 68 | 66 | 72 | 76 |
| - Only export to the rest of the world | 16 | 18 | 10 | 8 |

Base = all SME employers that export goods or services. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C2c. Multiple answers allowed at this question.

Table 5.7: Where exported to in the last 12 months – by nation¹⁵

| | All SME employer exporters | England | Scotland | Northern Ireland |
|--|----------------------------|---------|-----------|------------------|
| LSBS Y2 (2016) (n=) | 1,601 | 1,284 | 144 | 132 |
| | % | % | % | % |
| EU countries | 79 | 79 | 76 | 77 |
| - Only export to the EU | 27 | 27 | 19 | 53 |
| Rest of the world | 68 | 69 | 74 | 32 |
| - Only export to the rest of the world | 16 | 17 | 16 | 8 |

Base = all SME employers that export goods or services. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C2c. Multiple answers allowed at this question.

By sector, exports to the EU were more likely than average in the manufacturing (88 per cent) and wholesale (84 per cent) sectors. Exports to non-EU countries were more likely than average in the manufacturing (72 per cent), information/communications (77 per cent) and administrative services (81 per cent) sectors.

Nineteen per cent of those that export only to the EU had experienced substantial turnover growth¹⁶ in the previous 12 months, compared with 17 per cent of exporters overall, and 11 per cent of SME employers overall.

¹⁵ Sample size for Wales is too small to analyse separately.

¹⁶ Defined as 20 per cent or more.

For those that exported to the EU in the last 12 months, the mean average percentage of their turnover accounted for by EU exports was 18 per cent. This proportion was 19 per cent for micros, 16 per cent for small businesses, and 18 per cent for medium-sized businesses.

Where imported from in the last 12 months

Nineteen per cent of SME employers imported any goods or services in the previous 12 months. This proportion increased with employment size (40 per cent of medium-sized businesses imported).

Fifteen per cent of SME employers imported from the EU, with ten per cent importing from outside of the EU.

Twenty-eight per cent of SME employers in Northern Ireland imported from the EU in the 12 months preceding interview.

There was a high degree of correlation between exporting and importing. Fifty-one per cent of exporters imported from the EU, compared to 11 per cent of non-exporters.

Table 5.8: Where imported from in the last 12 months – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Any imports | 19 | 17 | 27 | 40 |
| - From the EU | 15 | 13 | 23 | 35 |
| - From non-EU countries | 10 | 9 | 15 | 26 |
| No imports | 81 | 83 | 73 | 60 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C2c. Multiple answers allowed at this question.

Table 5.9: Where imported from in the last 12 months – by nation

| | All SME employers | England | Scotland | Wales | Northern Ireland |
|-------------------------|-------------------|---------|----------|-------|------------------|
| LSBS Y2 (2016) (n=) | 6,897 | 5,534 | 779 | 210 | 374 |
| | % | % | % | % | % |
| Any imports | 19 | 19 | 18 | 15 | 34 |
| - From the EU | 15 | 15 | 15 | 13 | 28 |
| - From non-EU countries | 10 | 11 | 9 | 7 | 12 |
| No imports | 81 | 81 | 82 | 85 | 66 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C2c. Multiple answers allowed at this question.

Plans to increase exports/start exporting

Ten per cent of all SME employers (57 per cent of current exporters) plan to increase their level of exports over the next few years. This was about the same proportion as in 2015.

By sector, the intention to increase levels of exports is highest in manufacturing (32 per cent), information/communications (30 per cent) and professional/scientific (14 per cent).

By country, 21 per cent in Northern Ireland want to increase their levels of exports, compared to 10 per cent in the rest of the UK.

Table 5.10: Plans to increase level of exports or to start exporting – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-----------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Export goods or services already | 18 | 17 | 25 | 35 |
| - <i>Plan to export more</i> | 10 | 9 | 16 | 22 |
| Do not currently export | 82 | 83 | 75 | 65 |
| - <i>Plan to export in future</i> | 3 | 3 | 3 | 3 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Export goods or services already | 19 | 17 | 25 | 34 |
| - <i>Plan to export more</i> | 11 | 9 | 15 | 22 |
| Do not currently export | 81 | 83 | 75 | 66 |
| - <i>Plan to export in future</i> | 4 | 4 | 2 | 3 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C3/C4a. Single answers only across the questions.

Three per cent of all SME employers (four per cent of current non-exporters) plan to export in the future: two per cent in the next 12 months and one per cent further in the future. These were very similar proportions to those seen in 2015.

By sector, potential future exporting activity was more likely than average in arts/ entertainment (nine per cent), information/communication (eight per cent), professional/ scientific (six per cent) and manufacturing (five per cent).

By country, seven per cent of SME employers in Northern Ireland plan to export in the future, compared to three per cent in England and Scotland, but only one per cent in Wales.

Table 5.11: Plans to increase levels of exports or to start exporting – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|-----------------------------------|---------------|------------------------|-----------------|----------------|-----------------|----------------|-----------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Export goods or services already | 18 | 11 | 45 | 4 | 25 | 18 | 3 | 44 |
| - <i>Plan to export more</i> | 10 | 5 | 32 | 1 | 14 | 10 | 2 | 30 |
| Do not currently export | 82 | 89 | 55 | 96 | 75 | 82 | 97 | 56 |
| - <i>Plan to export in future</i> | 3 | 4 | 5 | 1 | 2 | 2 | 1 | 8 |
| | All SME emps. | KL Finance / Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Export goods or services already | 18 | 10 | 28 | 12 | 10 | 3 | 16 | 10 |
| - <i>Plan to export more</i> | 10 | 5 | 14 | 5 | 6 | 2 | 5 | 4 |
| Do not currently export | 82 | 90 | 72 | 88 | 90 | 97 | 84 | 90 |
| - <i>Plan to export in future</i> | 3 | 2 | 6 | 4 | 2 | 1 | 9 | 3 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Export goods or services already | 19 | 14 | 43 | 3 | 23 | 20 | 2 | 47 |
| - <i>Plan to export more</i> | 11 | 6 | 29 | 1 | 12 | 9 | 1 | 30 |
| Do not currently export | 81 | 86 | 57 | 97 | 77 | 80 | 98 | 53 |
| - <i>Plan to export in future</i> | 4 | 2 | 4 | 2 | 3 | 1 | * | 12 |
| | All SME emps. | KL Finance / Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Export goods or services | 19 | 10 | 29 | 18 | 11 | 3 | 21 | 10 |
| - <i>Plan to export more</i> | 11 | 6 | 16 | 10 | 8 | 2 | 12 | 5 |
| Do not currently export | 81 | 90 | 71 | 82 | 89 | 97 | 79 | 90 |
| - <i>Plan to export in future</i> | 4 | 4 | 8 | 6 | 4 | 2 | 2 | 1 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C3/C4a. Single answers only across the questions. * = a figure greater than zero, but less than 0.5%.

Of those exporters that had some years without overseas sales, the main reason for this was that they only got occasional orders from overseas (41 per cent). Nineteen said that they now preferred to concentrate on UK markets (up from 11 per cent in 2015). Seven per cent said

they did not have the time to pursue exporting, and five per cent said that exporting was not profitable for them.

Whether have suitable goods/services for export

Of the SME employers that do not currently export and have no plans to do so, 16 per cent said that they had goods or services that were suitable for export.

By sector, this proportion was highest in information/communication (53 per cent of those not currently exporting), manufacturing (39 per cent), primary (34 per cent) and professional/scientific (33 per cent). With the exception of primary, these were the sectors most likely to be exporting already.

The table below shows, by sector, the proportions of SME employers that have *any* goods or services that are suitable for export. This proportion includes those that currently export, that plan to export in future, and that said they had goods or services suitable for export.

Table 5.12: Whether have suitable goods/services for export – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manu- facturing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info/Co mms |
|---|---------------|------------------------|----------------------|---------------------|--------------------|-------------------|----------------------|------------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Have goods/services suitable for export | 37 | 46 | 72 | 16 | 42 | 26 | 8 | 80 |
| | All SME emps. | KL Finance / Real est. | M Prof./S cience | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Have goods/services suitable for export | 37 | 21 | 60 | 30 | 23 | 8 | 32 | 21 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. C1/C2/C3/C6.

Primary, manufacturing, retail/wholesale, information/communications, and professional/scientific were more likely than average to have suitable goods or services for exporting. Construction, transport, accommodation/food service, finance/real estate, administrative services, education, human health and other services were less likely than average to have suitable goods or services for exporting.

6. Innovation

This section deals with innovation: whether businesses have introduced new or significantly improved goods, services or processes.

New/significantly improved goods/services

In 2016 seventeen per cent of SME employers had introduced new or significantly improved goods in the last three years, and 27 per cent introduced new or significantly improved services. Overall, 33 per cent introduced either of these.

These proportions are much lower than those seen in the 2015 survey, or any SBS survey prior to that¹⁷.

Table 6.1: Whether introduced new or significantly improved goods or services in the last 3 years – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Any new or significantly improved goods or services | 33 | 32 | 39 | 45 |
| - Goods | 17 | 16 | 20 | 25 |
| - Services | 27 | 26 | 30 | 32 |
| None | 67 | 68 | 61 | 55 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any new or significantly improved goods or services | 43 | 42 | 49 | 52 |
| - Goods | 22 | 21 | 27 | 28 |
| - Services | 36 | 35 | 40 | 43 |
| None | 57 | 58 | 51 | 48 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. J1/J1a. Multiple answers allowed across these questions.

Thirty-two per cent of micros had introduced goods or services, 39 per cent of small businesses and 45 per cent of medium-sized businesses. Compared to 2015, the proportion introducing new goods or services has declined for all three of these employee size bands.

¹⁷ Goods and services were not asked about separately prior to 2015, and the timeframe asked about was the last 12 months. In 2014 38 per cent of SME employers introduced new or significantly improved goods or services; in 2012 this was 43 per cent; in 2010 this was 47 per cent; and in 2007/08 this was 46 per cent.

Table 6.2: Whether introduced new or significantly improved goods or services in the last 3 years – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Any | 33 | 27 | 48 | 20 | 30 | 25 | 29 | 56 |
| - Goods | 17 | 19 | 40 | 9 | 19 | 11 | 14 | 26 |
| - Services | 27 | 14 | 26 | 17 | 20 | 20 | 26 | 52 |
| None | 67 | 73 | 52 | 80 | 70 | 75 | 71 | 44 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Any | 33 | 31 | 39 | 31 | 39 | 36 | 31 | 33 |
| - Goods | 17 | 8 | 16 | 10 | 20 | 10 | 12 | 16 |
| - Services | 27 | 30 | 34 | 28 | 34 | 34 | 30 | 27 |
| None | 67 | 69 | 61 | 69 | 61 | 64 | 69 | 67 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Any | 43 | 31 | 49 | 30 | 42 | 34 | 32 | 70 |
| - Goods | 22 | 25 | 40 | 14 | 26 | 14 | 17 | 42 |
| - Services | 36 | 18 | 29 | 26 | 31 | 30 | 26 | 61 |
| None | 57 | 69 | 51 | 70 | 58 | 66 | 68 | 30 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Any | 43 | 36 | 52 | 43 | 60 | 48 | 48 | 48 |
| - Goods | 22 | 9 | 21 | 21 | 24 | 13 | 23 | 20 |
| - Services | 36 | 32 | 47 | 36 | 56 | 46 | 46 | 44 |
| None | 57 | 64 | 48 | 57 | 40 | 52 | 52 | 52 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. J1/J1a. Multiple answers allowed across these questions.

Businesses in the information/communications (56 per cent), manufacturing (48 per cent) and professional/scientific (39 per cent) sectors were more likely than average to have introduced new or significantly improved goods or services

Compared to the 2015 survey, there were declines in innovation for all sectors, but especially education (the proportion introducing goods or services being 21 percentage points less), arts/entertainment (17 percentage points less), other services (15 percentage points less) and information/communications (down 14 percentage points). The proportion introducing new goods or services in the manufacturing sector was roughly similar in both years.

By country, innovation (goods or services) in the last three years was more likely in Northern Ireland (37 per cent, up five percentage points on 2015), than in England (33 per cent, down ten percentage points), Wales (36 per cent, down seven percentage points) and Scotland (32 per cent, down nine percentage points).

New/significantly improved processes

A fifth of all SME employers (20 per cent) had introduced new or significantly improved processes in the last three years. This was the case for 18 per cent of micro businesses, 26 per cent of small businesses and 33 per cent of medium-sized businesses.

This was a decline of five percentage points on the 2015 figure, and a much lower figure than seen in SBS surveys prior to this¹⁸. This decline was evident among all sizes of SME employer.

Table 6.3: Whether introduced new or significantly improved processes in the last 3 years – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Any new or significantly improved processes | 20 | 18 | 26 | 33 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any new or significantly improved processes | 25 | 24 | 31 | 39 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. J3. Single answer only allowed at this question.

¹⁸ Prior to 2015, the measurement was based on new or significantly improved processes in the last 12 months. In 2014 this proportion was 32 per cent of SME employers, and 33 per cent in each of the 2012, 2010 and 2007/08 surveys.

Those in information/communication (33 per cent), manufacturing (32 per cent), professional/scientific (27 per cent) and finance/real estate (27 per cent) were more likely than average to have introduced or improved processes. Those in construction (11 per cent), accommodation/food service (12 per cent), transport/storage (14 per cent) and retail/wholesale (15 per cent) were less likely than average to have done so.

Compared with 2015, the decline in process innovation by sector was most likely to have occurred in transport/storage (down ten percentage points) and administrative services (down nine percentage points).

Table 6.4: Whether introduced new or significantly improved processes in the last 3 years – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|---------------------|---------------|-----------------------|------------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Any | 20 | 19 | 32 | 11 | 15 | 14 | 12 | 33 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Any | 20 | 27 | 27 | 22 | 20 | 18 | 18 | 19 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Any | 25 | 26 | 36 | 19 | 21 | 24 | 15 | 38 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Any | 25 | 26 | 33 | 31 | 26 | 23 | 22 | 20 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. J3. Single answer only allowed at this question.

By country, those in England, Scotland and Northern Ireland (all 20 per cent) were more likely to have introduced or improved processes than those in Wales (15 per cent).

Any innovation

The tables below summarise whether *any* innovation has occurred in the last three years: the introduction or improvement of goods, the introduction or improvement of services or the introduction or improvement of processes.

Table 6.5: Any innovation in the last 3 years (goods, services or processes) – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Any innovation (goods, services or processes) | 39 | 37 | 47 | 55 |
| - Any goods or services | 33 | 32 | 39 | 45 |
| - <i>New to the market</i> | 9 | 9 | 11 | 17 |
| - Any processes | 20 | 18 | 26 | 33 |
| - <i>New to the industry</i> | 4 | 3 | 5 | 8 |
| No innovation | 61 | 63 | 53 | 45 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any innovation (goods, services or processes) | 50 | 48 | 55 | 61 |
| - Any goods or services | 43 | 42 | 49 | 52 |
| - <i>New to the market</i> | 13 | 12 | 15 | 17 |
| - Any processes | 25 | 24 | 31 | 39 |
| - <i>New to the industry</i> | 5 | 5 | 6 | 8 |
| No innovation | 50 | 52 | 45 | 39 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. J1/J1a/J2/J3/J4. Multiple answers allowed across these questions.

Thirty-nine per cent of all SME employers had innovated in the last three years. This occurred for 37 per cent of micros, 47 per cent of small businesses and 55 per cent of medium-sized ones. These proportions are much lower than those seen in the 2015 survey, and in previous SBS surveys.

Nine per cent of all SME employers had introduced goods or services that were new to the market. Four per cent had introduced or significantly improved processes that were new to their industry. These proportions increased the larger the SME to 17 per cent and eight per cent respectively of medium-sized businesses.

Despite lower innovation levels overall, the proportion of all medium-sized businesses that have bought goods, services and processes that were new to the market has remained at the same level between 2015 and 2016, at 17 per cent.

By sector, any innovation was above average in information/communication (64 per cent), manufacturing (56 per cent), and professional/scientific (45 per cent). Less likely than average to have innovated at all were those in construction (24 per cent), transport/storage (32 per cent), accommodation/food service (33 per cent), and retail/wholesale (34 per cent).

Compared to 2015, the sectors showing the greatest decline in the level of any innovation were education (down 23 percentage points), arts/entertainment (down 20 percentage points), other services (down 16 percentage points), professional/scientific and administrative services (both down 14 percentage points).

Most likely to have introduced goods, services or process that were new to the market were those in information/communication, manufacturing and professional/scientific.

Table 6.6: Whether innovation (goods, services or processes) in the last 3 years – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|----------------------------|---------------|-----------------------|------------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Any innovation | 39 | 33 | 56 | 24 | 34 | 32 | 33 | 64 |
| - Goods or services | 33 | 27 | 48 | 20 | 30 | 25 | 29 | 56 |
| - <i>New to market</i> | 9 | 8 | 20 | 5 | 8 | 6 | 2 | 23 |
| - Process | 20 | 19 | 32 | 11 | 15 | 14 | 12 | 33 |
| - <i>New to industry</i> | 4 | 3 | 5 | 2 | 3 | 1 | 1 | 10 |
| No innovation | 61 | 67 | 44 | 76 | 66 | 68 | 67 | 36 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Any innovation | 39 | 40 | 45 | 38 | 42 | 41 | 33 | 37 |
| - Goods or services | 33 | 31 | 39 | 31 | 39 | 36 | 31 | 33 |
| - <i>New to market</i> | 9 | 9 | 14 | 5 | 9 | 6 | 9 | 10 |
| - Process | 20 | 27 | 27 | 22 | 20 | 18 | 18 | 19 |
| - <i>New to industry</i> | 4 | 3 | 7 | 4 | 3 | 2 | 2 | 4 |
| No innovation | 61 | 60 | 55 | 62 | 58 | 59 | 67 | 63 |

Table 6.6 (continued): Whether innovation (goods, services or processes) in the last 3 years – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Any innovation | 50 | 45 | 58 | 35 | 47 | 43 | 37 | 76 |
| - Goods or services | 43 | 31 | 49 | 30 | 42 | 34 | 32 | 70 |
| - <i>New to market</i> | 13 | 5 | 20 | 9 | 12 | 8 | 7 | 32 |
| - Process | 25 | 26 | 36 | 19 | 21 | 24 | 15 | 38 |
| - <i>New to industry</i> | 5 | 3 | 7 | 5 | 3 | 4 | 2 | 12 |
| No innovation | 50 | 55 | 42 | 65 | 53 | 57 | 63 | 24 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Any innovation | 50 | 42 | 59 | 52 | 65 | 52 | 53 | 53 |
| - Goods or services | 43 | 36 | 52 | 43 | 60 | 48 | 48 | 48 |
| - <i>New to market</i> | 13 | 11 | 20 | 11 | 15 | 9 | 14 | 8 |
| - Process | 25 | 26 | 33 | 31 | 26 | 23 | 22 | 20 |
| - <i>New to industry</i> | 5 | 5 | 8 | 6 | 7 | 4 | 5 | 3 |
| No innovation | 50 | 58 | 41 | 48 | 35 | 48 | 47 | 47 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. J1/J1a/J2/J3/J4. Multiple answers allowed across these questions.

By country, 39 per cent had innovated in England (down 11 percentage points), compared to 39 per cent in Wales (down nine percentage points), 38 per cent in Scotland (down nine percentage points) and 40 per cent in Northern Ireland (the same as in 2015).

R&D tax credits

Four per cent of SME employers applied for R&D tax credits in the previous 3 years, the same proportion seen in SBS 2014, when the question was last asked.

Table 6.7: Whether applied for and received R&D tax credits in the last 3 years – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|------------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Applied for | 4 | 3 | 9 | 17 |
| - <i>Received</i> | 4 | 3 | 8 | 15 |
| Did not apply for | 93 | 95 | 87 | 78 |
| Don't know | 2 | 2 | 4 | 5 |
| SBS 2014 ¹⁹ (n=) | 2,150 | 808 | 839 | 503 |
| | % | % | % | % |
| Applied for | 4 | 2 | 8 | 16 |
| Did not apply for | 91 | 93 | 84 | 79 |
| Don't know | 5 | 5 | 8 | 5 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. J6. Single answer only allowed at this question.

Sixteen per cent of those that applied for tax credits said that they did not receive them. Even so, the overall proportion of SME employers that received tax credits was four per cent, the same overall percentage as applied for them²⁰.

Application and receipt of tax credits increases with the size of the SME. In 2016 only three per cent of micros applied for, but 17 per cent of medium-sized businesses did so.

The sectors that were most likely to apply for R&D tax credits in 2016 were manufacturing (15 per cent), information/communication (14 per cent) and primary (eight per cent).

¹⁹ Only asked of half the sample in 2014.

²⁰ Applied for tax credits = 4.4%; received tax credits = 3.7%. Both figures round to four per cent.

7. Training

This section looks at provision of training, and apprenticeships.

Arrangement or funding of staff training and development

Fifty-five per cent of SME employers had arranged or funded training in the past 12 months. This was exactly the same proportion seen in the 2015 survey. However, since 2010 there has been a reduction in the proportion of SME employers offering training.

Table 7.1: Whether business have arranged or funded training or development for staff in the last 12 months – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-----------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Yes - any | 55 | 48 | 82 | 91 |
| - <i>Off the job</i> | 41 | 35 | 66 | 77 |
| - <i>On the job</i> | 44 | 38 | 72 | 85 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes - any | 55 | 50 | 80 | 89 |
| - <i>Off the job</i> | 41 | 35 | 63 | 73 |
| - <i>On the job</i> | 44 | 38 | 68 | 82 |
| SBS 2014 (n=²¹) | 2,147 | 794 | 865 | 488 |
| | % | % | % | % |
| Yes - any | 57 | 52 | 80 | 89 |
| - <i>Off the job</i> | 46 | 41 | 64 | 79 |
| - <i>On the job</i> | 40 | 34 | 65 | 81 |
| SBS 2012 (n=) | 2,380 | 938 | 971 | 471 |
| | % | % | % | % |
| Yes - any | 60 | 54 | 86 | 92 |
| - <i>Off the job</i> | 41 | 35 | 65 | 77 |
| - <i>On the job</i> | 43 | 38 | 62 | 78 |
| SBS 2010 (n=) | 1,937 | 772 | 798 | 367 |
| | % | % | % | % |
| Yes - any | 60 | 56 | 85 | 94 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. N1/N1a. Multiple answers allowed across these questions.

²¹ These questions were only asked of half the sample between 2010 and 2014. In 2010 on the job and off the job training were not separated.

Provision of any training is much more likely the larger the organisation. Ninety-one per cent of medium-sized businesses provided training in 2016.

Overall, 41 per cent of SME employers provided off-the-job training and 44 per cent provided informal on-the-job training. These figures are exactly the same as the ones seen in 2015.

Table 7.2: Whether business have arranged or funded training or development for staff in the last 12 months – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|---------------------|---------------|------------------|-----------------|----------------|-----------------|----------------|-----------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 53 | 57 | 52 | 45 | 56 | 57 | 53 |
| - Off the job | 41 | 43 | 42 | 44 | 31 | 42 | 36 | 34 |
| - On the job | 44 | 39 | 47 | 40 | 36 | 38 | 44 | 48 |
| | All SME emps. | KL Finance / RE. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 57 | 59 | 48 | 80 | 85 | 56 | 52 |
| - Off the job | 41 | 42 | 44 | 37 | 65 | 72 | 46 | 41 |
| - On the job | 44 | 48 | 47 | 41 | 72 | 73 | 46 | 39 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 55 | 51 | 58 | 43 | 56 | 53 | 56 |
| - Off the job | 41 | 42 | 38 | 46 | 28 | 43 | 32 | 36 |
| - On the job | 44 | 39 | 39 | 42 | 33 | 41 | 40 | 48 |
| | All SME emps. | KL Finance / RE. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 62 | 61 | 50 | 74 | 85 | 61 | 58 |
| - Off the job | 41 | 45 | 45 | 40 | 62 | 67 | 44 | 48 |
| - On the job | 44 | 54 | 49 | 40 | 66 | 76 | 52 | 47 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. N1/N1a. Multiple answers allowed across these questions.

Those in human health (85 per cent), education (80 per cent) and professional/scientific (59 per cent) were more likely than average to provide training. Those in retail/wholesale (45 per

cent) and administrative services (48 per cent) were less likely than average to provide training.

Compared to 2015, more in the manufacturing sector provide any form of training (57 per cent, up six percentage points). However, fewer in the construction sector do so (52 per cent, down six percentage points).

Training was provided by 62 per cent of SME employers in Wales, 54 per cent in England and Scotland, and 52 per cent in Northern Ireland.

Who received training

Thirty-four per cent of SME employers provided any training for managers. This was three percentage points less than in 2015. Twenty-one per cent provided training for other employees only, a figure that was two percentage points higher than in 2015.

Table 7.3: Who received training in the last 12 months – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Any employee | 55 | 48 | 82 | 91 |
| - Any managers | 34 | 29 | 55 | 71 |
| - Other employees only | 21 | 20 | 27 | 20 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any employee | 55 | 50 | 80 | 89 |
| - Any managers | 37 | 32 | 55 | 68 |
| - Other employees only | 19 | 17 | 25 | 21 |
| SBS 2014 (n=) | 2,147 | 794 | 865 | 488 |
| | % | % | % | % |
| Any employee | 57 | 52 | 80 | 89 |
| - Any managers | 38 | 33 | 58 | 74 |
| - Other employees only | 20 | 19 | 22 | 15 |
| SBS 2012 (n=) | 2,380 | 938 | 971 | 471 |
| | % | % | % | % |
| Any employee | 60 | 54 | 86 | 92 |
| - Any managers | 32 | 27 | 53 | 80 |
| - Other employees only | 28 | 27 | 33 | 12 |

Base = all SME employers²². Figures in bold were statistically significant at the 95% confidence level against the overall finding. N1/N2. Single answer only allowed at this question.

The decrease in the proportion providing training for managers has come from the micros (down three percentage points). Management training among small businesses has remained

²² Half sample in 2012 and 2014

at a consistent level, and for medium-sized businesses it has increased slightly (up three percentage points).

Table 7.4: Who received training in the last 12 months – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|---------------------|---------------|----------------|-----------------|----------------|-----------------|----------------|------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 53 | 57 | 52 | 45 | 56 | 57 | 53 |
| - Managers | 34 | 27 | 30 | 26 | 24 | 32 | 29 | 34 |
| - Others only | 21 | 26 | 27 | 26 | 21 | 24 | 28 | 19 |
| | All SME emps. | KL Finance/ RE | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entert'n | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 57 | 59 | 48 | 80 | 85 | 56 | 52 |
| - Managers | 34 | 42 | 43 | 31 | 61 | 71 | 42 | 34 |
| - Others only | 21 | 15 | 16 | 17 | 19 | 13 | 15 | 19 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 55 | 51 | 58 | 43 | 56 | 53 | 56 |
| - Managers | 37 | 35 | 25 | 37 | 25 | 37 | 34 | 38 |
| - Others only | 19 | 20 | 26 | 21 | 18 | 19 | 19 | 18 |
| | All SME emps. | KL Finance/ RE | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entert'n | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 62 | 61 | 50 | 74 | 85 | 61 | 58 |
| - Managers | 37 | 43 | 47 | 29 | 60 | 71 | 49 | 35 |
| - Others only | 19 | 19 | 14 | 21 | 14 | 14 | 13 | 24 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. N1/N2. Single answer only allowed at this question.

Those in human health (71 per cent), education (61 per cent), arts/entertainment (42 per cent), professional/scientific (43 per cent) and finance/real estate (42 per cent) were more likely than average to provide training for managers. Those in accommodation/food service (28 per cent), manufacturing (27 per cent), primary (26 per cent) and construction (26 per cent) were more likely than average to just provide training for non-managerial staff.

The proportion of construction SME employers providing management training decreased by 11 percentage points between 2015 and 2016, but otherwise the object of the training was generally similar between the years.

Subjects/disciplines in which managers have been trained

Eighty-three per cent of SME employers that offered training to managers provided this for technical, practical or job-specific skills. Sixty-three per cent provided it in health and safety, 41 per cent for leadership and management skills, 38 per cent for IT skills, 36 per cent for team working skills, and 24 per cent for financial management. These proportions were generally similar to those seen in 2015, although provision of technical training was slightly lower in 2016 (down four percentage points, but still above levels seen in 2014 and 2012).

Table 7.5: Subjects/disciplines in which managers have been trained in the last 12 months – overall trends

| | LSBS Y2 (2016) | LSBS Y1 (2015) | SBS 2014 ²³ | SBS 2012 |
|---|-------------------|-------------------|------------------------|----------|
| n= | 3,344 | 5,974 | 1,146 | 1,195 |
| | % | % | % | % |
| Technical, practical or job-specific skills | 83 | 87 | 81 | 80 |
| Health and safety | 63 | 65 | 63 | 57 |
| Leadership and management skills | 41 | 42 | 42 | 37 |
| IT skills | 38 | 38 | 33 | 29 |
| Team working skills | 36 | 36 | 35 | 28 |
| Financial management | 24 | n/a | n/a | n/a |

Base = all SME employers who provide training for managers. Figures in bold were statistically significant at the 95% confidence level for LSBS Year 2 against LSBS. N5. Multiple answers allowed at this question.

Larger SMEs were more likely to have provided all of these types of training. This was particularly so for health and safety (provided by 58 per cent of micros, 75 per cent of small businesses and 84 per cent of medium-sized businesses that provide management training), and leadership/management skills (provided by 33 per cent of micros, 55 per cent of small businesses and 72 per cent of medium-sized businesses that provide management training).

By sector, technical training was more likely than average to be provided by those in primary (92 per cent of those training managers), financial/real estate (91 per cent) and professional/scientific (90 per cent).

Health and safety training was more likely than average to be provided by those in construction (90 per cent of those training managers), accommodation/food service (84 per cent), education (84 per cent), and primary (80 per cent).

Leadership and management skill training was more likely than average to be provided by those in arts/entertainment (64 per cent of those training managers), human health (55 per cent), administrative services (53 per cent) and education (52 per cent).

²³ Half samples in 2014 and 2012.

Overall, 14 per cent of SME employers offered leadership and management skills training, slightly lower than the 15 per cent reported in 2015.

Training in IT skills was more likely than average to be provided by those in information/communication (73 per cent of those training managers), professional/scientific (48 per cent), and administrative services (44 per cent).

Team working skills were more likely than average to be provided by those in human health (52 per cent of those training managers), education (47 per cent), accommodation/ food service (44 per cent) and administrative services (42 per cent).

Financial management training was most likely to be provided in finance/real estate (39 per cent) and arts/entertainment (36 per cent).

Apprenticeships

Seventeen per cent of SME employers have offered any formal apprenticeships in the last three years. This refers to a paid job that includes training towards an approved apprenticeship standard or framework.

Table 7.6: Offered formal apprenticeships in the last three years – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Any offered in last 3 years | 17 | 13 | 32 | 44 |
| - Any started in last 12 months | 12 | 9 | 26 | 38 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any offered in last 3 years | 19 | 16 | 33 | 41 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. N9. Single answer only allowed at this question.

Larger SME employers were more likely to have offered apprenticeships. This was the case for 44 per cent of medium-sized businesses, 32 per cent of small businesses, and 13 per cent of micros.

Compared with the 2015 survey, the proportion offering apprenticeships has decreased by two percentage points. This was most likely to be the case among micros (down three percentage points).

Twelve per cent of SME employers had an apprentice start in the previous 12 months.

Table 7.7: Offered formal apprenticeships in the last three years – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|-----------------------------|---------------|----------------|-----------------|----------------|-----------------|----------------|------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Any offered in last 3 years | 17 | 15 | 26 | 23 | 17 | 12 | 14 | 17 |
| - Any started in last 12m | 12 | 9 | 18 | 18 | 13 | 9 | 10 | 8 |
| | All SME emps. | KL Finance/ RE | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entert'n | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Any offered in last 3 years | 17 | 12 | 12 | 14 | 36 | 29 | 9 | 13 |
| - Any started in last 12m | 12 | 7 | 9 | 10 | 31 | 23 | 6 | 9 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Any offered in last 3 years | 19 | 12 | 24 | 34 | 18 | 10 | 18 | 14 |
| | All SME emps. | KL Finance/ RE | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entert'n | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Any offered in last 3 years | 19 | 20 | 12 | 14 | 33 | 29 | 18 | 19 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. N9. Single answer only allowed at this question.

Apprenticeship offers were most likely to have been made in the last three years by those in the education (36 per cent), human health (29 per cent), manufacturing (26 per cent) and construction (23 per cent) sectors. These sectors were also more likely than average to have had apprenticeships start in the last 12 months.

In comparison with the 2015 survey, those in the construction, arts/entertainment and finance/real estate sectors were less likely to have offered apprenticeships in 2016 (the proportions in these sectors offering apprenticeships in the last three years were down 13, nine and eight percentage points respectively).

Of those with apprenticeship starts in the last 12 months, 64 per cent had one person start, 23 per cent had two, and 13 per cent had three or more. The mean average number was 1.8. This mean average was 1.4 for micros with apprentice starts in the last 12 months, 2.0 for small businesses, and 3.3 for medium-sized businesses.

Twenty-two per cent of those with apprenticeship starts in the last 12 months made any cash contributions to external providers towards the cost of apprenticeship training. This proportion was higher for medium-sized businesses (34 per cent), than small businesses (28 per cent) and micros (17 per cent). Those with apprenticeship starts in the information/ communication sector (47 per cent) and manufacturing (28 per cent) were more likely than average to do so.

Of those with apprenticeship starts in the last 12 months, 19 per cent intend to increase the number of apprenticeship starts over the next 12 months, 18 per cent intend to decrease numbers, and 61 per cent will maintain the same number.

Table 7.7: Whether intend to have any apprenticeship starts in the next 12 months – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Yes – intend to have apprenticeship starts in next 12 months | 19 | 16 | 33 | 46 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. N11/N11a. Single answer only allowed at this question.

Nineteen percent of all SME employers intend to have an apprenticeship start in the next 12 months. This was seven percentage points higher than the proportion that actually had apprenticeship starts in the previous 12 months.

Most likely to intend to have apprenticeship starts were those in the education (33 per cent), manufacturing (30 per cent), human health (27 per cent) and construction (26 per cent) sectors.

Table 7.8: Whether intend to have any apprenticeship starts in the next 12 months – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|---|---------------|----------------|-----------------|----------------|-----------------|----------------|------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Yes – apprenticeship starts in next 12 months | 19 | 12 | 30 | 26 | 18 | 11 | 15 | 19 |
| | All SME emps. | KL Finance/ RE | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entert'n | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Yes – apprenticeship starts in next 12 months | 19 | 11 | 16 | 17 | 33 | 27 | 18 | 17 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. N11/N11a. Single answer only allowed at this question.

8. Access to external finance

This section looks at the types of finance that are used, application for external finance, and success in receiving it.

Types of external finance currently being used

Sixty-eight per cent of SME employers used any form of external finance. Larger SMEs (85 per cent of medium-sized businesses) were more likely to make use of it than smaller ones (66 per cent of micros).

Table 8.1: Types of external finance currently being used²⁴ – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Any finance used | 68 | 66 | 77 | 85 |
| - Credit cards | 34 | 32 | 44 | 55 |
| - Bank overdraft | 31 | 31 | 33 | 36 |
| - Leasing/hire purchase | 21 | 18 | 33 | 42 |
| - Loan from family/directors/owners | 18 | 18 | 19 | 15 |
| - Loan from bank or other financial institution | 17 | 16 | 22 | 31 |
| - Commercial mortgage | 7 | 6 | 11 | 13 |
| - Government/LA grant or scheme | 7 | 6 | 11 | 13 |
| - Factoring/invoice discounting | 5 | 4 | 9 | 13 |
| - P2P loan | 2 | 2 | 2 | 2 |
| - Equity finance | 2 | 2 | 2 | 6 |
| - Other finance | 1 | 1 | 2 | 2 |
| No finance used | 30 | 33 | 21 | 13 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. H3. Multiple answers allowed across this question.

The most common forms of external finance used were credit cards (34 per cent), bank overdrafts (31 per cent) and leasing/hire purchase (21 per cent).

The larger the SME, the more likely they were to be using most types of listed finance. The exceptions to this rule were loans from family/director or owners, and P2P lending, where micros were as likely or more so to have this type of finance than medium-sized businesses.

²⁴ This question was asked differently in 2015, so comparisons cannot be made.

Table 8.2: Types of external finance currently being used – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manu facturing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info/Co mms |
|----------------------------|---------------|------------------------|------------------|------------------|-----------------|----------------|---------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Any finance used | 68 | 85 | 76 | 74 | 69 | 74 | 64 | 65 |
| - Credit cards | 34 | 33 | 43 | 39 | 36 | 30 | 28 | 38 |
| - Bank overdraft | 31 | 52 | 36 | 39 | 36 | 32 | 29 | 31 |
| - Leasing/HP | 21 | 46 | 25 | 27 | 21 | 36 | 13 | 10 |
| - Loan from family etc. | 18 | 26 | 20 | 20 | 21 | 12 | 20 | 21 |
| - Loan from bank etc. | 17 | 44 | 20 | 15 | 19 | 14 | 20 | 7 |
| - Commercial mortgage | 7 | 21 | 9 | 6 | 8 | 6 | 13 | 2 |
| - Government/LA grant | 7 | 13 | 9 | 2 | 3 | 6 | 5 | 4 |
| - Factoring/ID | 5 | 5 | 10 | 4 | 6 | 5 | 3 | 2 |
| - P2P loan | 2 | 1 | 2 | 1 | 2 | 3 | 2 | 3 |
| - Equity finance | 2 | 5 | 2 | 1 | 2 | 1 | 1 | 3 |
| - Other finance | 1 | 2 | * | 1 | 2 | * | 1 | 2 |
| No finance used | 30 | 14 | 23 | 25 | 29 | 24 | 32 | 35 |
| | All SME emps. | KL Financ e/ Real est. | M Prof./S cience | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Ent. | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Any finance used | 68 | 60 | 64 | 66 | 72 | 67 | 62 | 57 |
| - Credit cards | 34 | 31 | 38 | 31 | 39 | 24 | 29 | 24 |
| - Bank overdraft | 31 | 17 | 26 | 28 | 21 | 21 | 27 | 21 |
| - Leasing/HP | 21 | 21 | 18 | 22 | 17 | 15 | 21 | 9 |
| - Loan from family etc. | 18 | 10 | 19 | 17 | 10 | 9 | 7 | 10 |
| - Loan from bank etc. | 17 | 18 | 13 | 14 | 21 | 18 | 18 | 9 |
| - Commercial mortgage | 7 | 8 | 4 | 3 | 9 | 8 | 2 | 7 |
| - Government/LA grant | 7 | 3 | 5 | 6 | 26 | 25 | 19 | 17 |
| - Factoring/ID | 5 | * | 2 | 16 | 3 | 3 | 1 | 3 |
| - P2P loan | 2 | 1 | 2 | 2 | 1 | 1 | 1 | 1 |
| - Equity finance | 2 | 2 | 2 | 1 | 2 | * | 2 | 1 |
| - Other finance | 1 | 1 | * | 1 | 1 | 6 | 6 | 3 |
| No finance used | 30 | 38 | 35 | 33 | 27 | 31 | 38 | 43 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. H3. Multiple answers allowed across this question. * = a figure greater than zero, but less than 0.5%.

The primary sector, largely consisting of the agricultural sector, was the most likely to be using any form of external finance (85 per cent). Manufacturing (76 per cent), construction and transport (both 74 per cent) also had an above average propensity to be using finance.

Use of finance was lower than average in the other services (57 per cent), finance/real estate (60 per cent), arts/entertainment (62 per cent) and professional/scientific (64 per cent) sectors.

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

- *Credit cards* were most likely to be used in manufacturing (43 per cent), construction (39 per cent), and professional/scientific (38 per cent)
- *Bank overdrafts* were particularly likely to be used in primary (52 per cent), construction (39 per cent), retail/wholesale (36 per cent), and manufacturing (36 per cent)
- *Leasing/hire purchase* was used most by primary (46 per cent), transport/storage (36 per cent), construction (27 per cent) and manufacturing (47 per cent)
- *Loans from family, director or owners* were most likely to be used in primary (21 per cent) and retail/wholesale (21 per cent)
- *Bank loans* were most likely to be used in primary (44 per cent), manufacturing (20 per cent), and accommodation/food service (20 per cent)
- *Mortgages* were most used in primary (21 per cent) and accommodation/food service (13 per cent)
- *Government or Local Authority grants or schemes*, were most likely to be used in education (26 per cent), human health (25 per cent), arts/entertainment (19 per cent), other services (17 per cent) and primary (13 per cent)
- *Factoring/invoice discounting* was most used in administrative services (16 per cent) and manufacturing (ten per cent)
- *Equity finance* was most used in primary (five per cent) and information/ communication. Thirty-one per cent of this equity finance was gained from family/friends, 28 per cent from within the business, 24 per cent from other businesses or organisations, 22 per cent from business angels, 18 per cent from VCs, and six per cent from crowd funding platforms

Whether sought external finance in the last 12 months

Thirteen per cent of SME employers had sought external finance in the 12 months preceding interview. This figure represented a four-percentage point decrease on the 2015 result. The demand for external finance has been steadily declining since 2010.

Medium-sized businesses were more likely to have sought external finance (20 per cent) than small businesses (16 per cent) or micros (12 per cent). The decline in the proportion seeking finance applies to all three of these size bands.

Nine per cent sought finance once in the previous 12 months, and four per cent sought it more than once.

Table 8.3: Whether sought external finance in the last 12 months – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Yes - any | 13 | 12 | 16 | 20 |
| - <i>Once</i> | 9 | 8 | 10 | 12 |
| - <i>More than once</i> | 4 | 4 | 6 | 8 |
| No | 85 | 86 | 81 | 76 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes - any | 17 | 16 | 23 | 27 |
| - <i>Once</i> | 11 | 10 | 13 | 17 |
| - <i>More than once</i> | 6 | 6 | 9 | 10 |
| No | 81 | 83 | 73 | 67 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Yes - any | 19 | 18 | 26 | 32 |
| - <i>Once</i> | 13 | 12 | 17 | 18 |
| - <i>More than once</i> | 7 | 6 | 10 | 13 |
| No | 79 | 81 | 69 | 65 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| Yes - any | 24 | 22 | 32 | 34 |
| - <i>Once</i> | 16 | 16 | 19 | 18 |
| - <i>More than once</i> | 8 | 7 | 12 | 15 |
| No | 75 | 77 | 65 | 61 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| Yes - any | 26 | 25 | 33 | 40 |
| - <i>Once</i> | 17 | 17 | 21 | 22 |
| - <i>More than once</i> | 9 | 8 | 13 | 17 |
| No | 72 | 74 | 63 | 53 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. H4. Single answer only allowed at this question.

The sectors most likely to have applied for finance in the previous 12 months were primary (23 per cent), manufacturing (18 per cent), human health and accommodation/food service (both 17 per cent). Human health was the sector most likely to have applied for finance more than once (11 per cent).

Table 8.4: Whether sought external finance in the last 12 months – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|---------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 13 | 22 | 18 | 12 | 11 | 10 | 17 | 11 |
| - Once | 9 | 16 | 13 | 8 | 8 | 4 | 14 | 8 |
| - More than once | 4 | 6 | 6 | 4 | 4 | 6 | 3 | 3 |
| No | 85 | 77 | 80 | 86 | 87 | 88 | 81 | 89 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Ent. | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 13 | 12 | 11 | 13 | 9 | 17 | 14 | 10 |
| - Once | 9 | 7 | 7 | 8 | 8 | 6 | 11 | 6 |
| - More than once | 4 | 5 | 4 | 5 | 1 | 11 | 4 | 4 |
| No | 85 | 86 | 88 | 86 | 88 | 78 | 85 | 90 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 17 | 31 | 20 | 15 | 15 | 25 | 14 | 18 |
| - Once | 11 | 22 | 14 | 10 | 11 | 13 | 8 | 14 |
| - More than once | 6 | 9 | 6 | 5 | 4 | 12 | 6 | 4 |
| No | 81 | 68 | 77 | 84 | 82 | 71 | 83 | 81 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Ent. | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 17 | 15 | 16 | 16 | 13 | 25 | 17 | 16 |
| - Once | 11 | 7 | 10 | 11 | 7 | 10 | 10 | 6 |
| - More than once | 6 | 7 | 6 | 5 | 6 | 15 | 8 | 11 |
| No | 81 | 83 | 83 | 82 | 82 | 71 | 79 | 83 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. H4. Single answer only allowed at this question.

By nation, external finance was more likely to have been sought in the last 12 months in Northern Ireland (18 per cent), Wales (17 per cent), and Scotland (16 per cent), than in England (13 per cent).

Of those that applied for external finance in the previous 12 months, 27 per cent had applied for the first time. This was most likely to have been the case for those in the construction (37 per cent), accommodation/food (36 per cent) and education (47 per cent) sectors.

Reasons for applying for external finance²⁵

Of those that had applied for external finance in the last 12 months, 66 per cent had done so to acquire working capital or for cash flow reasons, and 41 per cent to invest in their business. This equates to nine per cent of all SME employers applying for working capital, and five per cent applying for investment purposes.

The forms of investment included acquisition of capital equipment/vehicles (21 per cent of all that sought finance), buying or building land or premises (17 per cent), investment in new or significantly improved goods or services (nine per cent) or processes (seven per cent), staff training/development, marketing (both five per cent), and any other sort of investment (seven per cent).

Table 8.5: Main reasons for seeking external finance in the last 12 months – by employment size

| | All that sought finance | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|-------------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 1,077 | 398 | 414 | 265 |
| | % | % | % | % |
| Working capital/cash flow | 66 | 68 | 64 | 53 |
| Any investment | 41 | 39 | 46 | 60 |
| - <i>Acquiring capital equipment or vehicles</i> | 21 | 19 | 27 | 38 |
| - <i>Buying land or buildings/building premises</i> | 17 | 16 | 18 | 28 |
| - <i>Investment in new or significantly improved goods or services</i> | 9 | 9 | 11 | 11 |
| - <i>Investment in a new or significantly improved process</i> | 7 | 7 | 9 | 7 |
| - <i>Staff training and development</i> | 5 | 5 | 5 | 5 |
| - <i>Marketing</i> | 5 | 5 | 4 | 3 |
| - <i>Any other type of investment</i> | 7 | 7 | 8 | 9 |

Base = all SME employers that sought external finance in the last 12 months. Figures in bold were statistically significant at the 95% confidence level against the overall finding. H7a/H7b. Multiple answers allowed at this question.

²⁵ The way this question was asked changed in 2016, meaning that comparisons with previous data sets cannot be made.

Medium-sized SMEs were more likely than small businesses and micros to seek external finance for investment purposes, and the acquisition of capital equipment/vehicles, and buying land/premises in particular. Medium-sized businesses were less likely to need finance for working capital than micros and smalls.

For those that sought finance for investment in new goods and services, 27 per cent wanted finance for goods and services new to the market. For those that sought finance for investment in new processes, 19 per cent wanted the finance for processes new to the industry.

Table 8.6: Main reasons for seeking external finance in the last 12 months – by sector (SIC 2007)

| | All that sought finance | ABCDEF Production | GHI Distribution | JKLMN Business services | PQRS Other services |
|---|-------------------------|-------------------|------------------|-------------------------|---------------------|
| LSBS Y2 (2016) (n=) | 1,077 | 306 | 297 | 284 | 190 |
| | % | % | % | % | % |
| Working capital/cash flow | 66 | 71 | 65 | 67 | 57 |
| Any investment | 41 | 40 | 43 | 40 | 44 |
| - Acquiring capital equipment or vehicles | 21 | 27 | 24 | 15 | 14 |
| - Buying land or buildings/building premises | 17 | 15 | 20 | 15 | 17 |
| - Investment in new or significantly improved goods or services | 9 | 7 | 10 | 7 | 18 |
| - Investment in a new or significantly improved process | 7 | 11 | 6 | 6 | 6 |
| - Staff training and development | 5 | 5 | 3 | 4 | 9 |
| - Marketing | 5 | 4 | 3 | 6 | 6 |
| - Any other type of investment | 7 | 4 | 8 | 10 | 9 |

Base = all SME employers that sought external finance in the last 12 months. Figures in bold were statistically significant at the 95% confidence level against the overall finding. H7a/H7b. Multiple answers allowed at this question.

By *broad* sector, production was the most likely to seek finance for working capital (71 per cent), with other services being the least likely to need external finance for this purpose (57 per cent). The production sector was also the most likely to have sought external finance in order to acquire capital equipment or vehicles (27 per cent). The other services sector was the most likely to want to invest in new or significantly improved goods or services (18 per cent).

The main reasons for seeking working capital/cash flow were:

- To fund general growth (67 per cent of those seeking finance for working capital)
- As a safety net, just in case (36 per cent)
- To cover a short-term gap due to unexpected expenses, e.g. late payment (22 per cent)

Type of external finance sought

Thirty-nine per cent of the SME employers that sought external finance in the previous 12 months applied for loans from banks or other financial institutions. Thirty-seven per cent applied for bank overdrafts, and 18 per cent for leasing/HP.

Table 8.7: Types of external finance sought in the last 12 months – overall trends²⁶

| | LSBS Year 2 (2016) | SBS 2014 | SBS 2012 | SBS 2010 |
|-----------------------------------|-----------------------|----------|----------|----------|
| (n=) | 1,077 | 1,074 | 1,409 | 1,193 |
| | % | % | % | % |
| Loan from bank etc. | 39 | 48 | 48 | 44 |
| Bank overdraft | 37 | 21 | 35 | 26 |
| Leasing/HP | 18 | 9 | 8 | 10 |
| Credit cards | 16 | n/a | n/a | n/a |
| Government/LA grant or scheme | 14 | 12 | 7 | 9 |
| Loan from family/directors/owners | 10 | n/a | 3 | 3 |
| Commercial mortgage | 8 | 5 | 3 | 7 |
| P2P loan | 5 | 1 | n/a | n/a |
| Factoring/invoice discounting | 4 | 2 | 6 | 1 |
| Equity finance | 2 | 1 | 2 | 2 |

Base = all SME employers that sought external finance in the last 12 months. Figures in bold were statistically significant at the 95% confidence level for LSBS Year 2 against LSBS Year 1. H5. Multiple answers allowed across this question.

In comparison with the 2014 survey, there appear to have been proportionately fewer applications for bank loans in 2016, and proportionately more applications for bank overdrafts, leasing/HP, mortgages, P2P loans and factoring/invoice discounting.

However, the overall declining proportion of SME employers seeking finance also needs to be taken into account, and bearing this in mind the actual number of bank overdraft and leasing/HP applications has remained relatively stable since 2014. On the other hand, the actual number of applications for bank loans seems to have almost halved.

Leasing/HP was more likely to be sought by medium-sized businesses (35 per cent of those that applied for finance) than smalls (27 per cent) or micros (15 per cent). Medium-sized businesses were also more likely than average to have applied for factoring/invoice discounting (11 per cent).

The production sector was more likely than average to seek bank loans (45 per cent of those that applied for finance), bank overdrafts (42 per cent), and leasing/HP (24 per cent). The other services sector was the most likely to seek Government or Local Authority grants or schemes (44 per cent).

²⁶ Because of differences in the way the question was asked, data is not shown for LSBS Year 1 (2015).

Table 8.8: Types of external finance sought in the last 12 months – by reason for seeking finance

| | All that applied for finance | Applied for working capital/cash flow | Applied for investment in the business |
|-----------------------------------|------------------------------|---------------------------------------|--|
| (n=) | 1,077 | 671 | 509 |
| | % | % | % |
| Loan from bank etc. | 39 | 40 | 44 |
| Bank overdraft | 37 | 48 | 26 |
| Leasing/HP | 18 | 14 | 28 |
| Credit cards | 16 | 20 | 11 |
| Government/LA grant or scheme | 14 | 12 | 17 |
| Loan from family/directors/owners | 10 | 12 | 8 |
| Commercial mortgage | 8 | 5 | 15 |
| P2P loan | 5 | 6 | 5 |
| Factoring/invoice discounting | 4 | 6 | 3 |
| Equity finance | 2 | 2 | 3 |

Base = all SME employers that sought external finance in the last 12 months. Figures in bold were statistically significant at the 95% confidence level for LSBS Year 2 against LSBS Year 1. H5. Multiple answers allowed at this question.

Those seeking external finance for working capital were most likely to seek bank overdrafts (48 per cent), bank loans (40 per cent) and credit cards (20 per cent). Those seeking to invest in the business were most likely to seek bank loans (44 per cent), leasing/HP (28 per cent) and bank overdrafts (26 per cent).

Although it might seem that some choices of type of finance are not fit for purposes, ‘investment’ might include some short term needs for finance such as marketing, training or investment in improving goods or services, and there was some overlap in businesses seeking finance for both working capital and investment.

Success in obtaining external finance

Of those that applied for external finance in the last 12 months, 75 per cent were successful in obtaining any external finance. Thirteen per cent did not obtain any and for 12 per cent the outcome of the application(s) was still pending at the time of interview.

In other terms, 85 per cent of those that had a decision on whether they could obtain external finance, managed to secure at least some external finance. This equates to ten per cent of **all** SME employers obtaining some kind of external finance in the last 12 months and two per cent being unable to obtain any.

Among those that sought finance, and compared to 2015, the success rate for obtaining finance was lower in 2016, down six percentage points, and the proportion unable to obtain any finance increased, by five percentage points.

Table 8.9: Whether obtained any external finance in the last 12 months – trends by employment size

| | All that sought finance | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--------------------------------|--------------------------------|--------------------|----------------------|------------------------|
| LSBS Y2 (2016) (n=) | 1,077 | 398 | 414 | 265 |
| | % | % | % | % |
| Obtained any external finance | 75 | 73 | 80 | 84 |
| Did not obtain any | 13 | 15 | 10 | 6 |
| Decision pending ²⁷ | 12 | 12 | 10 | 9 |
| LSBS Y1 (2015) (n=) | 2,437 | 699 | 909 | 829 |
| | % | % | % | % |
| Obtained any external finance | 81 | 79 | 86 | 91 |
| Did not obtain any | 8 | 10 | 3 | 1 |
| Decision pending | 11 | 11 | 11 | 8 |

Base = all SME employers that sought external finance in the last 12 months. Figures in bold were statistically significant at the 95% confidence level against the overall finding, H6. Single answer only for this question.

Larger SMEs had better success in obtaining external finance. Eight-four per cent of medium-sized businesses that applied for external finance obtained any, compared with 80 per cent of small businesses and 73 per cent of micros.

By sector, the primary sector had an above average success rate in obtaining finance (90 per cent), but there were no other significant differences.

Table 8.9 above shows whether any finance was gained from any source. It may have been the case that applicants were rejected by one source, but gained finance from another, or it may be that they did not obtain the full amount of finance they sought. Table 8.10 below shows what happened when they applied for different types of finance.

²⁷ Includes those that don't know whether the finance they applied for was obtained or not.

Table 8.10: Success in obtaining finance – by types of finance sought

| LSBS Y2 (2016) | n= | | Obtained all sought | Obtained some | Obtained none | Decision pending/ Don't know |
|-----------------------------------|-----|---|---------------------|---------------|---------------|------------------------------|
| Leasing/HP | 267 | % | 85 | 4 | 3 | 8 |
| Loan from family/directors/owners | 93 | % | 78 | 8 | 4 | 10 |
| Credit cards | 148 | % | 72 | 16 | 11 | 1 |
| Bank overdraft | 388 | % | 61 | 15 | 20 | 4 |
| Commercial mortgage | 96 | % | 57 | 9 | 16 | 19 |
| Loan from bank etc. | 412 | % | 54 | 11 | 27 | 8 |
| Government/LA grant or scheme | 134 | % | 30 | 37 | 17 | 14 |

Base = all SME employers that sought external finance in the last 12 months. H6. Multiple answers allowed across these questions. Row percentages. Types of finance are only shown where 75 or more respondents applied for them.

This shows that leasing/HP, informal loans and credit cards were the applications most likely to be approved in full.

Amount of external finance obtained

Forty-seven per cent of those that applied for finance obtained all that they applied for. Four per cent obtained more than they had applied for. Thirteen per cent obtained nothing.

Table 8.11: Percentage of finance sought that was obtained – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 1,077 | 398 | 414 | 265 |
| | % | % | % | % |
| Nothing | 13 | 15 | 10 | 6 |
| Up to 25% | 7 | 8 | 4 | 5 |
| Up to 50% | 5 | 5 | 5 | 1 |
| Up to 75% | 5 | 5 | 4 | 3 |
| Up to 99% | 3 | 3 | 3 | 2 |
| All of it (100%) | 47 | 44 | 56 | 64 |
| More than asked for (over 100%) | 4 | 4 | 5 | 2 |
| Don't know/refused ²⁸ | 16 | 17 | 14 | 16 |

Base = all SME employers that sought external finance in the last 12 months (and gave figures). Figures in bold were statistically significant at the 95% confidence level against the overall finding. H9a/H9c/H9d/H9f. Single answer only for this question.

²⁸ Includes those for whom the decision is pending

Sixty-six per cent of medium sized applicants for finance gained all they sought or more, compared to 48 per cent of micros.

Of those that obtained any external finance, 18 per cent gained less than £10,000. Thirty-three per cent obtained between £10,000 and £49,999, 14 per cent between £50,000 and £99,999, 23 per cent between £100,000 and £499,999, four per cent between £500,000 and £999,999 and three per cent £1 million or more. Six per cent did not know how much external finance had been gained or refused to say.

Table 8.12: Amount of external finance obtained in the last 12 months – trends by employment size

| | All that obtained some finance | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|--------------------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 837 | 291 | 331 | 215 |
| | % | % | % | % |
| Less than £10,000 | 18 | 21 | 8 | 4 |
| £10,000-£49,999 | 33 | 38 | 22 | 6 |
| £50,000-£99,999 | 14 | 13 | 16 | 5 |
| £100,000-£499,999 | 23 | 17 | 39 | 46 |
| £500,000-£999,999 | 4 | 4 | 3 | 16 |
| £1 million or more | 3 | 1 | 7 | 16 |
| Don't know/refused | 6 | 6 | 4 | 7 |
| Mean average | £477,000 | £228,000 | £1,189,000 | £1,369,000 |
| Median average | £37,000 | £25,000 | £100,000 | £500,000 |
| LSBS Y1 (2015) (n=) | 2,082 | 550 | 781 | 751 |
| | % | % | % | % |
| Less than £10,000 | 18 | 20 | 12 | 4 |
| £10,000-£49,999 | 33 | 36 | 25 | 9 |
| £50,000-£99,999 | 11 | 11 | 13 | 7 |
| £100,000-£499,999 | 18 | 15 | 28 | 34 |
| £500,000-£999,999 | 4 | 3 | 6 | 14 |
| £1 million or more | 5 | 4 | 6 | 25 |
| Don't know/refused | 10 | 11 | 9 | 7 |
| Mean average | £547,000 | £425,000 | £737,000 | £1,628,000 |
| Median average | £30,000 | £25,000 | £73,000 | £300,000 |

Base = all SME employers that obtained external finance in the last 12 months. Figures in bold were statistically significant at the 95% confidence level against the overall finding. H9d. Single answer only for this question.

The mean average amount obtained was £477,000. It was £228,000 for micros, £1.19 million for small businesses and £1.37 million for medium-sized businesses.

The mean average is exaggerated by some instances of very high amounts obtained (seven applicants in the survey obtained £20 million or more). The median average is a better reflection of the amounts that SMEs typically obtain and this was £37,000 overall (£25,000 for micros, £100,000 for small businesses, £500,000 for medium-sized businesses). These median average amounts were just slightly higher than those reported in the 2015 survey.

Reasons for not applying for external finance

Nine per cent of SME employers had a need for external finance in the last 12 months that they did not apply for. This proportion was two percentage points less than in the 2015 survey, and five percentage points less than in 2014. This proportion includes those who had already applied for external finance in the last 12 months but who wanted more external finance that they did not apply for, as well as those that had a need for finance but did not apply at all.

Table 8.13: Had a need for external finance which did not apply for – overall trends

| | All SME employers | Did not apply for finance in last 12m | Applied for finance in last 12m |
|---|-------------------|---------------------------------------|---------------------------------|
| LSBS Year 2 (2016) (n=) | 6,897 | 5,820 | 1,077 |
| Yes – had a need for external finance which did not apply for (%) | 9 | 7 | 19 |
| LSBS Year 1 (2015) (n=) | 11,147 | 8,710 | 2,437 |
| Yes – had a need for external finance which did not apply for (%) | 11 | 9 | 17 |
| SBS 2014 (n=) | 4,355 | 3,281 | 1,074 |
| Yes – had a need for external finance which did not apply for (%) | 14 | 12 | 18 |
| SBS 2012²⁹ (n=) | | 3,359 | |
| Yes – had a need for external finance which did not apply for (%) | n/a | 15 | n/a |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. H95.

Of those that had not applied for external finance in the last 12 months, seven per cent had a need for it, two percentage points less than in 2015, but eight percentage points less than in 2012.

The reasons for not applying for external finance were very similar to those seen in previous years. Fifty-five per cent did not want to take on additional risk, 41 per cent thought they would be rejected, 40 per cent thought it would be too expensive, 38 per cent thought the decision would have taken too long, 33 per cent did not think the time was right because of economic conditions, 21 per cent did not know where to find the appropriate finance and 12 per cent had a poor credit history.

²⁹ In 2012 this question was only asked of those who had not applied for external finance in the previous 12 months.

Table 8.14: Reason for not applying for external finance – trends by employment size

| | All SME emps. | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|---------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 608 | 276 | 241 | 91 |
| | % | % | % | % |
| Did not want to take on additional risk | 55 | 55 | 57 | 39 |
| Thought would be rejected | 41 | 43 | 34 | 18 |
| Thought it would be too expensive | 40 | 41 | 36 | 25 |
| Decision would have taken too long/too much hassle | 38 | 39 | 32 | 21 |
| Now is not the right time because of economic conditions | 33 | 34 | 31 | 25 |
| Did not know where to find the appropriate finance | 21 | 23 | 16 | 9 |
| Poor credit history | 12 | 13 | 9 | 3 |
| LSBS Y1 (2015) (n=) | 1,076 | 450 | 406 | 220 |
| | % | % | % | % |
| Did not want to take on additional risk | 53 | 54 | 49 | 34 |
| Thought it would be too expensive | 45 | 46 | 38 | 25 |
| Thought would be rejected | 37 | 37 | 40 | 22 |
| Decision would have taken too long/too much hassle | 31 | 31 | 35 | 17 |
| Now is not the right time because of economic conditions | 29 | 30 | 27 | 13 |
| Did not know where to find the appropriate finance | 20 | 20 | 22 | 10 |
| Poor credit history | 11 | 11 | 9 | 6 |
| SBS 2014 (n=) | 319 | 157 | 112 | 50 |
| | % | % | % | % |
| Did not want to take on additional risk | 52 | 53 | 39 | 29 |
| Thought would be rejected | 42 | 43 | 34 | 25 |
| Thought it would be too expensive | 42 | 42 | 41 | 17 |
| Decision would have taken too long/too much hassle | 35 | 35 | 34 | 22 |
| Now is not the right time because of economic conditions | 32 | 33 | 23 | 22 |
| Did not know where to find the appropriate finance | 17 | 18 | 8 | 9 |
| Poor credit history | 5 | 5 | 5 | 6 |

Base = all SME employers that had a need for external finance but did not apply. Figures in bold were statistically significant at the 95% confidence level against the overall finding. H96. Multiple answers allowed at this question.

Compared with 2015, a higher proportion claimed they did not apply because the decision would have taken too long (up seven percentage points), and a higher proportion said that the time was not right because of economic conditions (up four percentage points).

In general, the larger the SME, the fewer the reasons given for not applying for finance.

Credit granting and late payment³⁰

Credit granting and late payment

Forty-nine per cent of SME employers give their customers trade credit. This was more likely to be the case for medium sized businesses (67 per cent) than small (56 per cent) and micro (47 per cent) businesses.

Table 8.15: Whether give credit and whether late payment is a problem – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Give credit | 49 | 47 | 56 | 67 |
| - Late payment big problem | 7 | 7 | 7 | 8 |
| - Late payment small problem | 19 | 18 | 24 | 28 |
| - No problem with late payment | 23 | 22 | 25 | 30 |
| Do not give credit | 51 | 53 | 43 | 32 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. M1a/M3. Single answers only across the questions.

Whether credit is granted depends on the type of business, and the customers they tend to have. Those in manufacturing (82 per cent), transport/storage (62 per cent), professional/scientific (61 per cent), construction (58 per cent), information/communication (57 per cent), administrative services (55 per cent) and retail/wholesale (53 per cent) were all more likely than average to give credit.

Those in accommodation/food service (13 per cent), human health (19 per cent), finance/real estate (25 per cent), education (28 per cent), arts/entertainment (32 per cent) and other services (36 per cent) were less likely than average to give credit.

Late payment was considered a big problem for 14 per cent of those that give credit (or seven per cent of all SME employers), and a small problem for 39 per cent of those that give credit (or 19 per cent of all SME employers). A higher proportion of small and medium -sized businesses considered late payment a problem than micros, but this was because micros were less likely to give credit in the first place.

³⁰ In 2015 charities were not asked these questions, so there are no comparable trends.

Table 8.16: Whether give credit and whether late payment is a problem – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manu- facturing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info/Co mms |
|--------------------------------------|---------------|------------------------------|----------------------|---------------------|--------------------|-------------------|----------------------|------------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Give credit | 49 | 49 | 82 | 58 | 53 | 62 | 13 | 57 |
| - Late payment big problem | 7 | 5 | 10 | 12 | 4 | 7 | 1 | 10 |
| - Late payment small problem | 19 | 17 | 31 | 24 | 21 | 15 | 4 | 22 |
| - No problem with late payment | 23 | 27 | 41 | 22 | 28 | 39 | 8 | 24 |
| Do not give credit | 51 | 50 | 17 | 41 | 46 | 38 | 87 | 43 |
| | All SME emps. | KL Finance / Real est. | M Prof./Sc ience | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Give credit | 49 | 25 | 61 | 55 | 28 | 19 | 32 | 36 |
| - Late payment big problem | 7 | 2 | 11 | 7 | 3 | 4 | 6 | 5 |
| - Late payment small problem | 19 | 8 | 27 | 22 | 16 | 8 | 11 | 15 |
| - No problem with late payment | 23 | 15 | 23 | 26 | 9 | 7 | 14 | 17 |
| Do not give credit | 51 | 74 | 39 | 44 | 70 | 79 | 68 | 64 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. M1a/M3. Single answers only across the questions.

By sector, late payment was most likely to be considered a big problem in construction (12 per cent), professional/scientific (eleven per cent), manufacturing (ten per cent) and information/communication (ten per cent).

Receipt of credit

In 2016, 64 per cent of SME employers received trade credit from their suppliers. This was five percentage points less than in 2015.

Table 8.17: Whether receive trade credit – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Receive credit | 64 | 62 | 75 | 81 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Receive credit | 69 | 67 | 75 | 79 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. M1b. Single answer only allowed at this question.

The difference in the findings for the two years is mainly due to fewer micros receiving credit in 2016 – down five percentage points to 62 per cent. Small and medium-sized businesses were more likely to be in receipt of trade credit than micros.

Table 8.18: Whether receive trade credit – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|---------------------|---------------|-----------------|-----------------|----------------|-----------------|----------------|------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Receive credit | 64 | 70 | 87 | 85 | 81 | 64 | 63 | 53 |
| | All SME emps. | KL Finance /RE. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Receive credit | 64 | 39 | 53 | 53 | 34 | 35 | 54 | 51 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Receive credit | 69 | 72 | 87 | 89 | 85 | 70 | 67 | 51 |
| | All SME emps. | KL Finance /RE. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Receive credit | 69 | 40 | 57 | 65 | 48 | 42 | 61 | 56 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. M1b. Single answer only at this question.

By sector, credit was most likely to be received in manufacturing (87 per cent), construction (85 per cent) and retail/wholesale (81 per cent).

Compared to 2015, fewer in 2016 received credit in administrative services (down 12 percentage points) and education (down 14 percentage points).

Whether likely to approach external finance providers in the next three years

SME employers were asked how likely they would be to approach external finance providers in the next three years.

Twenty-three per cent overall said it was likely (10 per cent very likely, 12 per cent fairly likely). Thirty-four per cent of medium-sized businesses said they would be likely to approach external finance providers, compared with 29 per cent of small businesses and 21 per cent of micros. Overall, the proportion likely to approach external finance providers in the next three years decreased by two percentage points between 2015 and 2016.

Table 8.19: Whether likely to approach external finance providers in the next three years – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Likely | 23 | 21 | 29 | 34 |
| - <i>Very likely</i> | 10 | 9 | 13 | 18 |
| - <i>Fairly likely</i> | 12 | 12 | 15 | 17 |
| Not likely | 75 | 77 | 69 | 63 |
| - <i>Not very likely</i> | 26 | 25 | 28 | 27 |
| - <i>Not at all likely</i> | 50 | 52 | 41 | 36 |
| Don't know | 2 | 2 | 2 | 3 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Likely | 25 | 23 | 30 | 36 |
| - <i>Very likely</i> | 12 | 11 | 15 | 19 |
| - <i>Fairly likely</i> | 13 | 12 | 15 | 16 |
| Not likely | 73 | 75 | 66 | 60 |
| - <i>Not very likely</i> | 25 | 25 | 25 | 27 |
| - <i>Not at all likely</i> | 48 | 50 | 41 | 33 |
| Don't know | 3 | 2 | 4 | 5 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. R2. Single answer only allowed at this question.

Table 8.20: Whether likely to approach external finance providers in the next three years – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manu- facturing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info/Co mms |
|-------------------------------|---------------|------------------------------|----------------------|---------------------|--------------------|-------------------|----------------------|------------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Likely | 23 | 40 | 24 | 23 | 21 | 24 | 25 | 23 |
| Not likely | 75 | 57 | 74 | 74 | 77 | 73 | 72 | 77 |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Likely | 23 | 22 | 14 | 21 | 23 | 31 | 21 | 23 |
| Not likely | 75 | 77 | 85 | 78 | 75 | 66 | 76 | 76 |
| | All SME emps. | ABDE Primary | C Manu- facturing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info/Co mms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Likely | 25 | 37 | 28 | 23 | 23 | 32 | 24 | 22 |
| Not likely | 73 | 60 | 69 | 75 | 74 | 65 | 73 | 75 |
| | All SME emps. | KL Finance / Real est. | M Prof./Sc ience | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Likely | 25 | 29 | 21 | 21 | 26 | 33 | 25 | 22 |
| Not likely | 73 | 69 | 78 | 78 | 72 | 63 | 71 | 75 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. R2. Single answer only allowed at this question.

By sector, those in primary (40 per cent) and human health (31 per cent) were more likely than average to expect to approach external finance providers. Those in professional/ scientific were less likely than average to expect to do this (14 per cent).

Compared to 2015, the proportion expecting to seek finance in 2016 declined by the greatest margin in the transport sector (down eight percentage points), finance/real estate (down seven percentage points) and professional/scientific (down seven percentage points).

9. Major obstacles to the success of the business

This section explores the major obstacles that SME employers report as restricting their business success.

Major obstacles to the success of the business

Respondents were read a list of issues and asked which, if any, represented major obstacles to the success of their business. Overall, 47 per cent of SME employers said that competition in the market was a major obstacle to the success of their business. Forty-two per cent said regulations/red tape, 36 per cent taxation (including VAT, PAYE, NI and rates), 30 per cent late payment, 30 per cent staff recruitment and skills, 21 per cent workplace pensions, 20 per cent UK exit from the EU, 18 per cent obtaining finance, 17 per cent the National Living Wage and 15 per cent the availability/cost of suitable premises.

Small and medium-sized businesses were more likely than micros to think competition, staff recruitment/skills, Brexit and the National Living Wage were major obstacles. Micros and small businesses were more likely than medium-sized businesses to consider taxation, workplace pensions and obtaining finance major obstacles.

Compared to 2015, fewer SME employers mentioned regulations/red tape (down seven percentage points), taxation (down seven percentage points), obtaining finance (down four percentage points) and the availability/cost of suitable premises (down six percentage points). This was a prompted question, and to an extent, decreases in mentions of obstacles can be caused by the addition of prompts, which was the case in 2016 with UK exit from the EU and the National Living Wage being new categories.

For exporters, the main three obstacles in 2016 were competition (53 per cent), UK exit from the EU (39 per cent) and late payment (36 per cent).

For importers, the three main obstacles were competition (57 per cent), regulations/red tape (40 per cent), and UK exit from the EU (39 per cent).

Table 9.1: Major obstacles to the success of the business – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Competition in the market | 47 | 46 | 52 | 61 |
| Regulations/red tape | 42 | 42 | 43 | 42 |
| Taxation, VAT, PAYE, NI, rates | 36 | 36 | 37 | 30 |
| Late payment | 30 | 30 | 30 | 27 |
| Staff recruitment and skills | 30 | 27 | 44 | 51 |
| Workplace pensions | 21 | 20 | 23 | 13 |
| UK exit from the EU | 20 | 19 | 23 | 29 |
| Obtaining finance | 18 | 18 | 18 | 13 |
| National Living Wage | 17 | 15 | 25 | 27 |
| Availability/cost of suitable premises | 15 | 15 | 16 | 16 |
| Other spontaneous mentions | 6 | 6 | 5 | 5 |
| No major obstacles | 12 | 12 | 10 | 7 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Competition in the market | 49 | 49 | 51 | 56 |
| Regulations/red tape | 49 | 49 | 51 | 50 |
| Taxation, VAT, PAYE, NI, rates | 43 | 43 | 43 | 35 |
| Late payment | 33 | 33 | 34 | 33 |
| Staff recruitment and skills | 32 | 29 | 45 | 53 |
| Workplace pensions | 23 | 22 | 24 | 20 |
| Obtaining finance | 22 | 22 | 22 | 18 |
| Availability/cost of suitable premises | 21 | 21 | 21 | 21 |
| Other spontaneous mentions | 11 | 11 | 10 | 10 |
| No major obstacles | 10 | 10 | 7 | 8 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. G2. Multiple answers allowed at this question.

Table 9.2: Major obstacles to the success of the business – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Co mms |
|-------------------------------|---------------|------------------------|------------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Competition | 47 | 42 | 45 | 42 | 63 | 46 | 47 | 47 |
| Regulations | 42 | 72 | 39 | 47 | 42 | 49 | 44 | 26 |
| Taxation etc. | 36 | 36 | 34 | 37 | 43 | 31 | 51 | 28 |
| Late payment | 30 | 26 | 33 | 42 | 25 | 26 | 10 | 37 |
| Staff recruitment/skill | 30 | 28 | 38 | 33 | 24 | 35 | 32 | 32 |
| Workplace pensions | 21 | 22 | 20 | 23 | 23 | 24 | 20 | 13 |
| UK exit from EU | 20 | 26 | 26 | 10 | 28 | 14 | 13 | 33 |
| Obtaining finance | 18 | 17 | 17 | 21 | 17 | 10 | 20 | 21 |
| National Living Wage | 17 | 19 | 16 | 8 | 24 | 18 | 34 | 7 |
| Premises | 15 | 10 | 19 | 13 | 19 | 17 | 14 | 13 |
| Other | 6 | 13 | 6 | 4 | 6 | 5 | 6 | 3 |
| No obstacles | 12 | 8 | 10 | 11 | 8 | 13 | 16 | 15 |
| | All SME emps. | KL Finance / Real est. | M Prof./Sc ience | N Admin Serv | P Educ-ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Competition | 47 | 43 | 42 | 50 | 50 | 43 | 35 | 35 |
| Regulations | 42 | 61 | 37 | 37 | 42 | 36 | 36 | 31 |
| Taxation etc. | 36 | 32 | 31 | 36 | 33 | 25 | 28 | 29 |
| Late payment | 30 | 20 | 41 | 39 | 35 | 30 | 25 | 23 |
| Staff recruitment/skill | 30 | 26 | 29 | 33 | 35 | 38 | 27 | 22 |
| Workplace pensions | 21 | 10 | 19 | 22 | 21 | 22 | 19 | 24 |
| UK exit from EU | 20 | 19 | 23 | 18 | 14 | 10 | 11 | 11 |
| Obtaining finance | 18 | 14 | 12 | 16 | 26 | 35 | 17 | 24 |
| National Living Wage | 17 | 10 | 7 | 18 | 25 | 27 | 15 | 12 |
| Premises | 15 | 11 | 12 | 13 | 29 | 20 | 21 | 13 |
| Other | 6 | 4 | 7 | 8 | 4 | 2 | 8 | 5 |
| No obstacles | 12 | 13 | 13 | 11 | 11 | 10 | 14 | 19 |

Table 9.2: Major obstacles to the success of the business – trends by sector (SIC 2007) - continued

| | All SME emps. | ABDE Primary | C Manufa-cturing | F Constr-uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info/Co mms |
|-------------------------|---------------|------------------------|------------------|-----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Competition | 49 | 50 | 47 | 46 | 58 | 49 | 54 | 53 |
| Regulations | 49 | 76 | 49 | 53 | 48 | 49 | 49 | 31 |
| Taxation etc. | 43 | 37 | 46 | 46 | 48 | 40 | 61 | 37 |
| Late payment | 33 | 24 | 41 | 50 | 29 | 36 | 12 | 41 |
| Staff recruitment/skill | 32 | 25 | 38 | 39 | 28 | 45 | 31 | 34 |
| Workplace pensions | 23 | 16 | 23 | 23 | 25 | 24 | 25 | 17 |
| Obtaining finance | 22 | 19 | 21 | 21 | 19 | 25 | 21 | 26 |
| Premises | 21 | 14 | 24 | 15 | 25 | 29 | 17 | 17 |
| Other | 11 | 21 | 12 | 9 | 11 | 6 | 8 | 14 |
| No major obstacles | 10 | 6 | 7 | 8 | 10 | 13 | 13 | 8 |
| | All SME emps. | KL Finance / Real est. | M Prof./Sc ience | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Competition | 49 | 53 | 43 | 52 | 46 | 36 | 39 | 40 |
| Regulations | 49 | 64 | 46 | 50 | 44 | 48 | 38 | 40 |
| Taxation etc. | 43 | 34 | 39 | 37 | 40 | 32 | 44 | 34 |
| Late payment | 33 | 22 | 43 | 40 | 32 | 32 | 22 | 24 |
| Staff recruitment/skill | 32 | 29 | 31 | 32 | 30 | 34 | 37 | 29 |
| Workplace pensions | 23 | 16 | 21 | 25 | 25 | 28 | 20 | 20 |
| Obtaining finance | 22 | 17 | 19 | 18 | 38 | 45 | 31 | 27 |
| Premises | 21 | 15 | 18 | 23 | 29 | 25 | 28 | 27 |
| Other | 11 | 7 | 13 | 10 | 13 | 8 | 20 | 7 |
| No major obstacles | 10 | 11 | 9 | 9 | 9 | 8 | 10 | 14 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. G2. Multiple answers allowed at this question.

- *Competition* was particularly likely to be a major obstacle for those in retail/wholesale (63 per cent)
- *Regulations/red tape* was more likely than average to be a major obstacle in primary (72 per cent), financial/real estate (61 per cent) and construction (47 per cent)
- *Taxation* was most likely to be a problem in retail/wholesale (43 per cent)
- *Late payment* was more likely than average to be a major obstacle in the construction (42 per cent), professional/scientific (41 per cent), administrative services (39 per cent) and information/communications (37 per cent) sectors
- *Staff recruitment/skills* was a particular major obstacle in the manufacturing (39 per cent) and human health (38 per cent) sectors
- *Workplace pensions* were more likely than average to be a major obstacle in retail/wholesale (23 per cent)
- *UK exit from the EU* was a particular problem in the information/communications (33 per cent), retail/wholesale (28 per cent), primary (26 per cent), manufacturing (26 per cent) and professional/scientific (23 per cent) sectors
- *Obtaining finance* was particularly likely to be a major obstacle in human health (35 per cent), education (26 per cent), other services (24 per cent) and construction (21 per cent). Compared to 2015, the proportions claiming this was an obstacle in the arts/entertainment sector has decreased by 14 percentage points, by 12 percentage points in the education sector, and by ten percentage points in the human health sector
- *The National Living Wage* was more likely than average to be a major obstacle in the accommodation/food sector (34 per cent), human health (27 per cent), education (25 per cent) and retail/wholesale (24 per cent) sectors
- *The availability and cost of suitable premises* was more likely than average to be a major obstacle in education (29 per cent), arts/entertainment (21 per cent), human health (20 per cent), construction and retail/wholesale (both 19 per cent)

Regulations

Those that thought regulations and red tape were major obstacles were asked to name the regulations that particularly affected them.

The most mentioned regulations were sector-specific ones (16 per cent), tax-related regulations (16 per cent), health and safety (15 per cent), and employment regulations (14 per cent).

Table 9.3: Regulations considered to be major obstacles to the success of the business – trends by employment size

| | All SME employers for whom regulations are a major obstacle | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--------------------------------------|---|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 2,946 | 1,277 | 1,072 | 597 |
| | % | % | % | % |
| Sector specific regulations | 16 | 15 | 21 | 25 |
| Tax-related | 16 | 17 | 11 | 9 |
| Health and safety | 15 | 14 | 18 | 14 |
| Employment regulations | 14 | 13 | 17 | 17 |
| Financial services regulations | 7 | 8 | 6 | 8 |
| Local Authority regulations | 7 | 7 | 7 | 4 |
| Planning applications | 6 | 6 | 3 | 4 |
| Environmental regulations | 5 | 5 | 4 | 5 |
| Providing information/record keeping | 3 | 3 | 2 | 1 |
| Building/construction regulations | 3 | 3 | 3 | 1 |
| No specific regulations/all of them | 13 | 13 | 12 | 11 |
| Other | 11 | 11 | 10 | 9 |
| None in particular | 16 | 16 | 18 | 16 |
| LSBS Y1 (2015) (n=) | 5,578 | 1,975 | 2,096 | 1,507 |
| | % | % | % | % |
| Health and safety | 19 | 19 | 20 | 22 |
| Tax-related | 18 | 19 | 14 | 12 |
| Employment regulations | 13 | 12 | 15 | 17 |
| Sector specific regulations | 13 | 12 | 14 | 17 |
| Financial services regulations | 9 | 9 | 7 | 7 |
| Local Authority regulations | 9 | 9 | 8 | 8 |
| Environmental regulations | 7 | 7 | 7 | 8 |
| Planning applications | 7 | 7 | 6 | 4 |
| Building/construction regulations | 6 | 6 | 4 | 4 |
| Providing information/record keeping | 4 | 5 | 4 | 4 |
| No specific regulations/all of them | 8 | 9 | 8 | 7 |
| Other | 22 | 22 | 22 | 23 |
| None in particular | 14 | 14 | 14 | 10 |

Base = all SME employers considering regulations a major obstacle. Figures in bold were statistically significant at the 95% confidence level against the overall finding. G5. Multiple answers allowed at this question.

Medium-sized businesses were the most likely to mention employment and sector-specific regulations. Micros were the most likely to mention tax-related, financial services, planning and environmental regulations.

Compared with 2015, several regulations were less likely to be mentioned: health and safety (15 per cent in 2016, down four percentage points); financial services (seven per cent in 2016, down two percentage points); Local Authority regulations (seven per cent in 2016, down two percentage points); environmental regulations (five per cent in 2016, down two percentage points) and building/construction regulations (three per cent, down three percentage points).

By sector, *sector specific regulations* were most likely to be mentioned in education (33 per cent of those considering regulations to be a major obstacle), arts/entertainment (30 per cent), human health (28 per cent), primary (26 per cent) and finance/real estate (24 per cent).

- *Tax-related regulations* were most likely to be mentioned in other services (30 per cent), accommodation/food service (23 per cent), professional/scientific (22 per cent) and construction (21 per cent)
- *Employment regulations* were most likely to be mentioned in administrative services (23 per cent), and transport (21 per cent)
- *Financial services regulations* were mentioned by 40 per cent in finance/real estate
- *Local Authority regulations* were most likely to be mentioned in human health (16 per cent) and accommodation/food service (11 per cent)
- *Planning application regulations* were most likely to be mentioned in construction (15 per cent)
- *Environmental regulations* were most likely to be mentioned in primary (14 per cent), construction (eight per cent) and retail/wholesale (seven per cent)
- *Building and construction regulations* were most likely to be mentioned in construction (ten per cent)

For a new question in the 2016 survey, all SMEs were asked whether they thought that the burdens resulting from regulations would decrease, stay the same or increase in the next 12 months.

Thirty-four per cent of SME employers thought that the burden would increase (11 per cent increase a lot, 23 per cent increase a little), 53 per cent thought the burden would stay the same, and six per cent thought the burden would decrease. A further six per cent did not know.

There were no significant differences between these proportions according to employment size, but the finance/real estate sector was more likely than average to think the burden would increase (53 per cent).

SME employers in Scotland were more likely than elsewhere to think burdens would increase (41 per cent), and those in Wales were more likely than others to think burdens would decrease (12 per cent).

Taxation/VAT/PAYE

Those that considered taxation to be a major obstacle were asked whether it was the level of tax that presented the major obstacle or the effort required in compliance with tax returns.

The level of tax was more likely to be the obstacle for micro and small businesses than for medium-sized businesses. The same was true for the effort involved in compliance in 2016, although in 2015 there were no differences in the proportions mentioning this according to size.

Table 9.4: Main reason why taxation is a major obstacle to the business – trends by employment size

| | All SME employers for whom taxation is a major obstacle | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-------------------------------|---|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 2,417 | 1,105 | 901 | 411 |
| | % | % | % | % |
| Level of tax | 66 | 66 | 69 | 59 |
| Effort involved in compliance | 57 | 59 | 50 | 49 |
| Neither of these | 20 | 19 | 21 | 25 |
| Don't know | 3 | 3 | 2 | 3 |
| LSBS Y1 (2015) (n=) | 4,413 | 1,764 | 1,672 | 997 |
| | % | % | % | % |
| Level of tax | 64 | 63 | 67 | 62 |
| Effort involved in compliance | 53 | 53 | 52 | 52 |
| Neither of these | 21 | 21 | 19 | 24 |
| Don't know | 3 | 3 | 2 | 1 |

Base = all SME employers for whom taxation is a major obstacle. Figures in bold were statistically significant at the 95% confidence level against the overall finding. G7. Multiple answer allowed at this question.

In 2016, the sectors more likely than average to report the level of tax an obstacle were accommodation/food service (76 per cent), retail/wholesale (72 per cent) and human health (71 per cent).

The sectors more likely than average to report the effort involved in compliance as an obstacle were transport (68 per cent), professional/scientific (64 per cent), and retail/wholesale (62 per cent).

Staff recruitment and skills

Those that considered staff recruitment and skills to be a major obstacle were asked to elaborate on the specific obstacles they faced in this area.

Table 9.5: Specific obstacles concerning recruitment and skills – trends by employment size

| | All SME employers for whom recruitment and skills are major obstacles | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|---|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 2,665 | 869 | 1,097 | 699 |
| | % | % | % | % |
| Recruiting staff | 78 | 76 | 84 | 85 |
| Shortage of skills within external labour market | 70 | 68 | 75 | 74 |
| Shortage of skills within existing workplace | 45 | 45 | 46 | 42 |
| Shortage of managerial skills/expertise | 29 | 28 | 33 | 39 |
| Other | 8 | 8 | 5 | 7 |
| LSBS Y1 (2015) (n=) | 4,666 | 1,261 | 1,838 | 1,567 |
| | % | % | % | % |
| Recruiting staff | 74 | 72 | 81 | 81 |
| Shortage of skills within external labour market | 71 | 70 | 72 | 80 |
| Shortage of skills within existing workplace | 45 | 45 | 45 | 42 |
| Shortage of managerial skills/expertise | 29 | 29 | 30 | 31 |
| Other | 11 | 11 | 10 | 9 |

Base = all SME employers for whom recruitment and skills were a major obstacle. Figures in bold were statistically significant at the 95% confidence level against the overall finding. G3. Multiple answers allowed at this question.

Seventy-eight per cent of SME employers in 2016 that considered recruitment and skills to be a major obstacle said that recruiting staff was the specific obstacle. Seventy per cent said shortage of skills within the external labour market, 45 per cent shortage of skills within the existing workplace, and 29 per cent that shortage of managerial skills/expertise was an obstacle.

Small and medium businesses were more likely to consider all of these obstacles than micros, with the exception of skills in the existing workplace.

The proportion mentioning recruitment of staff has increased by four percentage points between 2015 and 2016. By sector, those in education (89 per cent), administrative services (88 per cent), accommodation/food service (88 per cent) and human health (85 per cent) were the most likely to mention recruitment of staff.

Those in construction (84 per cent) and manufacturing (79 per cent) were the most likely to mention *shortage of skills* within the external labour market.

Shortage of skills within the existing workplace was most likely to be mentioned by those in construction (53 per cent).

Shortage of managerial expertise was most likely to be mentioned in finance/real estate (44 per cent), retail/wholesale (37 per cent) and professional/scientific (35 per cent).

Workplace pensions

By 2018, most employers that employ people in UK aged between 22 and the state retirement age that earn £10,000 or more per annum are required to have a workplace pension scheme. Twenty-three per cent of SME employers thought workplace pensions were a major obstacle to the success of their business. These were asked why this was the case.

In 2016, 59 per cent of those that considered workplace pensions to be a major obstacle said that this was because of the difficulty in implementing automatic enrolment. This proportion is up ten percentage points on 2015.

Table 9.6: Reasons why workplace pensions are obstacles – trends by employment size

| | All SME employers for whom workplace pensions are major obstacles | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|---|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 1,414 | 636 | 573 | 205 |
| | % | % | % | % |
| Difficult to implement automatic enrolment | 59 | 61 | 53 | 37 |
| Difficulty paying pension contributions | 55 | 55 | 57 | 58 |
| Other reasons | 17 | 17 | 16 | 22 |
| Don't know | 5 | 5 | 5 | 6 |
| LSBS Y1 (2015) (n=) | 2,521 | 929 | 1,012 | 580 |
| | % | % | % | % |
| Difficult to implement automatic enrolment | 49 | 50 | 46 | 43 |
| Difficulty paying pension contributions | 55 | 55 | 56 | 48 |
| Other reasons | 34 | 34 | 34 | 41 |
| Don't know | 6 | 6 | 7 | 6 |

Base = all SME employers for whom workplace pensions were a major obstacle. Figures in bold were statistically significant at the 95% confidence level against the overall finding. G4. Multiple answers allowed at this question.

The proportion saying workplace pensions were a major obstacle because they found it difficult, or would find it difficult, to pay pensions contributions, remained at the same level in both years (55 per cent).

The proportion of micro and small businesses that had difficulty implementing automatic enrolment increased between 2015 and 2016 (by 11 percentage points and seven percentage points, respectively). The proportion of medium-sized businesses that had difficulty decreased by six percentage points.

The proportion of medium-sized businesses that had difficulty paying the pension contributions increased by ten percentage points between 2015 and 2016.

By sector in 2016, those in the professional/scientific sector were more likely than average to find it difficult to implement automatic enrolment (68 per cent). Those in the education (81 per cent), accommodation/food service (68 per cent), human health (67 per cent) and manufacturing (66 per cent) sectors were more likely than average to find paying pension contributions difficult.

National Living Wage

Seventeen per cent of SME employers considered the National Living Wage a major obstacle to the success of their business. This was most likely to be an obstacle to the larger employers.

Regardless of whether the National Living Wage was considered an obstacle or not, all SME employers were asked whether it had already affected their organisation's wage bill, or whether it would in future:

- At its level of £7.20 an hour which applied between April 2016 and March 2017 for employees aged 25 and over
- At £7.60 an hour, which would apply from April 2017
- At £9.00 an hour, which is the proposed level from April 2020

Twenty-one per cent of SME employers said that the National Living Wage has already had an effect on their organisation's wage bill. This has already affected 17 per cent of micros, 36 per cent of small businesses, and 42 per cent of medium-sized ones.

With the National Living Wage rising to £7.60 an hour in April 2017, a further seven per cent of SME employers would be affected. This would mean that, including those already affected by the £7.20 threshold, that 28 per cent of SME employers would be affected by the National Living Wage at £7.60 an hour.

If the National Living Wage rose to £9.00 an hour in April 2020, a further 16 per cent of SME employers would be affected. Including those already affected at lower amounts, this would mean that 44 per cent of SME employers would be affected by the National Living wage.

Fifty-four per cent of SME employers would be unaffected by the National Living Wage, even at £9.00 an hour. This was most likely to be case for micros (57 per cent).

Table 9.7: Level at which the National Living Wage will have an effect on the wage bill – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| £7.20 an hour | 21 | 17 | 36 | 42 |
| £7.60 an hour | 7 | 7 | 9 | 8 |
| £9.00 an hour | 16 | 16 | 17 | 16 |
| Will not affect wage bill at any of these levels | 54 | 57 | 37 | 32 |
| Don't know | 2 | 2 | 2 | 2 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. I8/I9a/I10. Single answer only allowed across these three questions.

Table 9.8: Level at which the National Living Wage will have an effect on the wage bill – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|---------------------|---------------|----------------|-----------------|----------------|-----------------|----------------|------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| £7.20 | 21 | 15 | 19 | 8 | 28 | 16 | 49 | 7 |
| £7.60 | 7 | 10 | 8 | 6 | 8 | 8 | 12 | 3 |
| £9.00 | 16 | 20 | 20 | 17 | 21 | 20 | 14 | 10 |
| No effect | 54 | 53 | 51 | 67 | 41 | 50 | 22 | 79 |
| Don't know | 2 | 3 | 2 | 3 | 2 | 6 | 4 | 2 |
| | All SME emps. | KL Finance/ RE | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entert'n | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| £7.20 | 21 | 10 | 7 | 22 | 40 | 36 | 29 | 22 |
| £7.60 | 7 | 5 | 3 | 9 | 5 | 7 | 7 | 9 |
| £9.00 | 16 | 17 | 13 | 16 | 9 | 18 | 13 | 11 |
| No effect | 54 | 67 | 75 | 51 | 46 | 37 | 51 | 57 |
| Don't know | 2 | 2 | 1 | 3 | * | 1 | * | 2 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. I8/I9a/I10. Single answer only allowed across these three questions. * = a figure greater than zero, but less than 0.5%.

Some sectors were more affected by the National Living Wage than others. At its £7.20 level, those in accommodation/food service (49 per cent), education (40 per cent), human health (36 per cent) and retail/wholesale (28 per cent) were more likely than average to have already been affected.

Least likely to be affected, even at the £9.00 level, were those in information/ communication (79 per cent), professional/scientific (75 per cent), finance/ real estate and construction (67 per cent).

Table 9.9: Level at which the National Living Wage will have an effect on the wage bill – by region

| | All SME emps. | All England | East Mids | East of England | London | North East | North West |
|-------------------------------|---------------|-------------|---------------|-------------------|-----------|------------|------------------|
| LSBS Y2 (2016) (n=) | 6,897 | 5,534 | 486 | 719 | 742 | 207 | 572 |
| | % | % | % | % | % | % | % |
| £7.20 | 21 | 21 | 22 | 18 | 15 | 28 | 23 |
| £7.60 | 7 | 7 | 9 | 8 | 4 | 7 | 5 |
| £9.00 | 16 | 16 | 17 | 18 | 12 | 18 | 17 |
| No effect | 54 | 54 | 49 | 55 | 67 | 42 | 51 |
| Don't know | 2 | 2 | 3 | 1 | 2 | 4 | 3 |
| | South East | South West | West Midlands | Yorkshire/ Humber | Wales | Scotland | Northern Ireland |
| LSBS Y2 (2016) (n=) | 1,019 | 832 | 501 | 456 | 210 | 779 | 374 |
| | % | % | % | % | % | % | % |
| £7.20 | 16 | 23 | 26 | 25 | 22 | 17 | 28 |
| £7.60 | 7 | 6 | 8 | 8 | 10 | 9 | 12 |
| £9.00 | 14 | 15 | 19 | 17 | 23 | 18 | 16 |
| No effect | 60 | 53 | 44 | 49 | 43 | 55 | 42 |
| Don't know | 3 | 2 | 4 | * | 1 | 1 | 2 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. 18/19a/110. Single answer only allowed across these three questions. * = a figure greater than zero, but less than 0.5%.

There was regional variation in the proportions of SME employers affected by the National Living Wage. Twenty-eight per cent in the North East and Northern Ireland have already experienced an effect on their wage bill at £7.20 an hour, as have 26 per cent in the West Midlands, and 25 per cent in Yorkshire/Humberside. All these figures were above the average of 21 per cent.

Those least likely to be affected, even at £9.00 an hour, were SME employers in London (67 per cent) and the South East (60 per cent).

10. Business support

This section explores awareness and usage of both private sector and government supplied business support. Please note that because the delivery of business support differs by nation, the questions in this section were asked in different ways:

- In England and Wales, the need for strategic advice and the need for information were asked about separately;
- In Scotland and Northern Ireland, no distinction between the two was made.

Whether sought external information or advice in the last 12 months

Just over a quarter of SME employers (26 per cent) had sought external information or advice in the last 12 months. This was when there had been more than just a casual conversation.

Table 10.1: Whether sought external information or advice in the last 12 months - trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Sought external information or advice | 26 | 24 | 34 | 45 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Sought external information or advice | 33 | 31 | 40 | 50 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Sought external information or advice | 44 | 43 | 51 | 61 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| Sought external information or advice | 45 | 42 | 59 | 68 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| Sought external information or advice | 49 | 46 | 59 | 68 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. K2. Single answer only at this question.

This proportion was seven percentage points less than in 2015. Use of external information or advice has been declining since 2010, when nearly twice as many SME employers sought it compared with 2016.

Larger SMEs were more likely to have sought external information or advice. However, the decline in usage of external information or advice since 2010 has been among all sizes of business.

Table 10.2: Whether sought external information or advice in the last 12 months – trends by sector (2007 SIC)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|-----------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-----------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Sought info or advice | 26 | 44 | 26 | 20 | 18 | 14 | 17 | 29 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Sought info or advice | 26 | 40 | 32 | 31 | 23 | 36 | 35 | 31 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Sought info or advice | 33 | 51 | 32 | 30 | 24 | 23 | 26 | 40 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Sought info or advice | 33 | 47 | 41 | 33 | 42 | 40 | 26 | 29 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. K2/K3. Single answer only at this question.

By sector in 2016, information or advice was more likely than average to be sought in primary (44 per cent), finance/real estate (40 per cent), human health (36 per cent), arts/entertainment (35 per cent), professional/scientific (32 per cent) and administrative services (31 per cent).

Compared with 2015, business information or advice was less likely to be sought in the education sector (down 19 percentage points) and information/communication sector (down 11 percentage points) in particular. In arts/entertainment, seeking information or advice increased by nine percentage points between the years.

SME employers in Scotland (32 per cent) were more likely to have sought information or advice than those in England (26 per cent), Wales (29 per cent) and Northern Ireland (22 per

cent). There were fewer SME employers seeking information or advice in all these countries in 2016 when compared to 2015, with the exception of Wales.

Table 10.3: Whether sought external information or strategic advice³¹ in the last 12 months- trends by nation

| | UK | England | Wales | Scotland | Northern Ireland |
|----------------------------|--------|-----------|-----------|-----------|------------------|
| LSBS Y2 (2016) n= | 6,897 | 5,534 | 210 | 779 | 374 |
| | % | % | % | % | % |
| Yes - any | 26 | 26 | 29 | 32 | 22 |
| - Information only | n/a | 9 | 9 | n/a | n/a |
| - Strategic advice | n/a | 6 | 7 | n/a | n/a |
| - Both of these | n/a | 8 | 9 | n/a | n/a |
| - Neither/not sure which | n/a | 3 | 4 | n/a | n/a |
| No – none | 73 | 73 | 70 | 68 | 77 |
| LSBS Y1 (2015) (n=) | 11,147 | 9,570 | 370 | 820 | 387 |
| | % | % | % | % | % |
| Yes - any | 33 | 33 | 30 | 37 | 28 |
| - Information only | n/a | 12 | 8 | n/a | n/a |
| - Strategic advice | n/a | 8 | 4 | n/a | n/a |
| - Both of these | n/a | 9 | 15 | n/a | n/a |
| - Neither/not sure which | n/a | 5 | 3 | n/a | n/a |
| No – none | 66 | 66 | 70 | 63 | 72 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. K2/K3. Single answer only at this question.

In England, nine per cent had sought information only, six per cent strategic advice only and eight per cent both, meaning that 14 per cent had sought any advice and 16 per cent any information. In Wales 17 per cent had sought any advice and 18 per cent any information.

Across England and Wales, strategic **advice** was more likely to be sought by medium (27 per cent) and small (19 per cent) businesses than by micros (13 per cent). By sector, strategic advice was more likely than average to be sought in the primary sector (31 per cent), financial/real estate (21 per cent), and information/communication (18 per cent).

Information in England and Wales was more likely to be sought by medium (29 per cent) and small (21 per cent) businesses than by micros (15 per cent). By sector, those in primary industries were more likely than average to have sought information (29 per cent), as were those in human health (25 per cent), arts/entertainment (25 per cent) and financial/real estate (24 per cent).

³¹ In England and Wales, information was defined as 'information relating to the day to day running of your business', and advice was defined as 'strategic advice to help introduce a stepped change to grow your business in terms of profitability or numbers employed, or to increase productivity'.

Type of information or strategic advice sought (England and Wales only)³²

Table 10.4: What information or advice was sought for in the last twelve months – trends split by whether information or advice (England and Wales only)

| | LSBS Y2 (2016) | | LSBS Y1 (2015) | |
|---|------------------|-------------|------------------|-------------|
| | Strategic advice | Information | Strategic advice | Information |
| (n =) | 1,076 | 1,201 | 2,121 | 2,627 |
| | % | % | % | % |
| Business growth | 31 | 9 | 36 | 9 |
| Improving business efficiency/productivity | 18 | 6 | 18 | 5 |
| Financial advice/info for general running of business | 14 | 13 | 16 | 18 |
| Marketing | 10 | 3 | 10 | 4 |
| Tax/national insurance law and payments | 9 | 12 | 6 | 11 |
| Employment law/redundancies | 8 | 13 | 10 | 12 |
| Advice/info on where to get finance | 6 | 4 | 8 | 5 |
| E-commerce/technology | 6 | 4 | 8 | 5 |
| Legal issues | 5 | 8 | 7 | 10 |
| Management/leadership development | 5 | 3 | 3 | 2 |
| Training/skills needs | 3 | 4 | 4 | 3 |
| Exporting | 3 | 1 | 2 | 2 |
| Workplace pensions | 3 | 11 | 6 | 8 |
| Regulations | 2 | 5 | 5 | 7 |
| Innovation | 2 | 1 | 3 | 1 |
| Health and safety | 2 | 6 | 4 | 8 |
| Relocation | 1 | 1 | 1 | * |
| Other | 13 | 17 | 9 | 12 |
| Don't know | 2 | 13 | 2 | 13 |

Base = all SME employers in England and Wales that received advice/information in the last 12 months. K4-5. Figures in bold were statistically significant at the 95% confidence level for LSBS Year 2 against LSBS Year 1. * = a figure greater than zero, but less than 0.5%.

In 2016 in England and Wales, among those that had sought strategic **advice**, this was most likely to be sought for business growth (31 per cent), improving business efficiency and productivity (18 per cent), and financial advice for the general running of the business (14 per cent).

³² Because these sets of questions were asked differently according to country, the data is not comparable across the UK and only results from England and Wales are shown here.

Compared with 2015, use of strategic advice for business growth declined (down five percentage points), as did advice on e-commerce/technology (down two percentage points), advice on legal issues (down two percentage points), advice on workplace pensions (down three percentage points), and advice on regulations (down three percentage points). Use of advice increased, comparatively with other reasons for seeking advice, on taxation matters (up three percentage points), and management leadership/development (up two percentage points).

There were few differences in the type of strategic advice sought by size and sector, with the following exceptions:

- Taxation advice was more likely to be sought by micros (10 per cent) than small and medium-sized businesses (six per cent)
- Advice on business growth was more likely than average to be sought by the professional/scientific sector (40 per cent)
- Advice on marketing was more likely than average to be sought by those in the manufacturing sector (21 per cent)

Overall in 2016, four per cent of all SME employers in England and Wales had sought strategic advice on business growth. This was down from six per cent in 2015.

Information was mainly sought on financial matters for the general running of the business (13 per cent), on employment law (13 per cent) and on tax/national insurance matters (12 per cent).

Compared with 2015, use of information for the general running of the business declined (down five percentage points), as did information on legal issues (down two percentage points), and information on regulations (down two percentage points). Use of information increased, comparative to other reasons for seeking information, on workplace pensions (up three percentage points).

Again, there were few differences in the type of information sought by size and sector, with the following exceptions:

- Information on employment law/redundancies was more likely to be sought by medium-sized businesses (26 per cent) and small businesses (22 per cent) than micros (ten per cent)
- Information on the general running of the business was more likely than average to be sought by those in the information/communications sector (24 per cent)
- Information on taxation was most likely to be sought by those in the information/communications (28 per cent) and finance/real estate (21 per cent) sectors
- Information on health and safety was most likely to be sought by those in construction (22 per cent)

Where external information and strategic advice was sought (England and Wales only)

Respondents who sought external information or strategic advice were asked where they sought it. This was an unprompted question that allowed for multiple responses.

In the 2016 survey, **advice** was sought from consultants/business advisers by 33 per cent of SME employers that sought advice, and from accountants by 28 per cent. Eleven per cent sought strategic advice from business networks, and nine per cent from solicitors or lawyers.

Table 10.5: Where did they seek information or advice in the last twelve months – trends split by whether information or advice (England and Wales only)

| | LSBS Y2 (2016) | | LSBS Y1 (2015) | |
|--------------------------------------|------------------|-------------|------------------|-------------|
| | Strategic advice | Information | Strategic advice | Information |
| (n =) | 1,076 | 1,201 | 2,121 | 2,627 |
| | % | % | % | % |
| Consultant/general business adviser | 33 | 17 | 29 | 16 |
| Accountant | 28 | 27 | 29 | 24 |
| Business networks/trade associations | 11 | 10 | 15 | 9 |
| Solicitor/lawyer | 9 | 8 | 9 | 8 |
| Specialist financial adviser | 5 | 5 | 4 | 2 |
| Local Authority | 5 | 4 | 6 | 3 |
| .GOV website | 3 | 6 | 3 | 6 |
| Internet search | 3 | 11 | 4 | 10 |
| Bank | 2 | 2 | 5 | 4 |
| Friend or family member | 1 | * | 3 | 2 |
| Chamber of Commerce | 1 | 1 | 2 | 1 |
| Universities/other education sector | 1 | * | n/a | n/a |
| Local Enterprise Partnerships | 1 | 1 | 2 | * |
| Work colleagues | 1 | 1 | 3 | 3 |
| The Pensions Regulator | * | 1 | 1 | 1 |
| Other | 24 | 13 | 27 | 19 |
| Don't know | 2 | 4 | 1 | 5 |

Base = all SME employers in England and Wales that received advice/information in the last 12 months. Figures in bold were statistically significant at the 95% confidence level for LSBS Year 2 against LSBS Year 1. K6/K7. Multiple answers allowed at this question. * = a figure greater than zero, but less than 0.5%.

Compared to 2015, there was less use of business networks in 2016 to get strategic advice (down four percentage points). Use of consultants increased comparatively, but not significantly.

- Consultants were more likely to be used by medium (51 per cent) and small (37 per cent) for advice than micros (30 per cent). They were more likely to be used in the primary (46 per cent) and human health (41 per cent) sectors

- Solicitors/lawyers were more likely to be used by medium (13 per cent) and small businesses (12 per cent) than micros (seven per cent). They were more likely to be used by those in the finance/real estate sector (16 per cent) than in others
- Accountants were more likely to be used in construction (53 per cent), accommodation/food service (51 per cent) and retail/wholesale (40 per cent) than in other sectors

Those that had sought **information** were most likely to consult accountants (27 per cent). Seventeen per cent sought information from consultants/business advisers, eleven per cent used internet searches, and ten per cent used business networks or trade associations.

Compared with 2015, there was a decline in the proportion seeking information from banks (down two percentage points), and a comparative increase in the proportion seeking information from specialist financial advisers (up three percentage points).

- Micros (29 per cent) were more likely to seek information from *accountants* (29 per cent), than small (20 per cent) or medium-sized businesses (22 per cent). Accountants were most likely to be used for information in the transport (52 per cent), arts/entertainment (48 per cent) and information/communications (44 per cent) sectors
- Medium-sized (23 per cent) and small businesses (21 per cent) were more likely to receive information from *consultants* than micros (16 per cent). Consultants were more likely than average to be used for information in the arts/entertainment (42 per cent) and professional/scientific (26 per cent) sectors
- Medium-sized businesses were more likely to receive information from *solicitors/lawyers* (19 per cent), than small (nine per cent) or micro (seven per cent) businesses. The arts/entertainment (21 per cent) and finance/real estate (17 per cent) sectors were more likely than average to have made use of these for information

How information or strategic advice was delivered (England and Wales only)

Seventy-six per cent of those that received strategic **advice** in England and Wales, had this mainly delivered face-to-face. This was five percentage points higher than in 2015.

Ten per cent had their advice delivered on the phone, seven per cent by email, and three per cent via a website. Compared to 2015, fewer received advice by email (down two percentage points).

Medium-sized businesses were more likely than average to have their advice delivered face to face (83 per cent). The manufacturing sector was more likely than average to have received face-to-face advice (84 per cent), while the accommodation/food service sector was more likely than average to have had it delivered over the phone (26 per cent).

Table 10.6: How information or strategic advice was mainly delivered – trends split by whether information or strategic advice (England and Wales only)

| | LSBS Y2 (2016) | | LSBS Y1 (2015) | |
|-------------------|------------------|-------------|------------------|-------------|
| | Strategic Advice | Information | Strategic Advice | Information |
| (n =) | 1,076 | 1,201 | 2,121 | 2,627 |
| | % | % | % | % |
| Face to face | 76 | 57 | 71 | 56 |
| On the phone | 10 | 17 | 10 | 17 |
| By email | 7 | 11 | 9 | 9 |
| Through a website | 3 | 9 | 4 | 10 |
| Social media | 1 | 1 | 1 | 1 |
| Other | 4 | 5 | 5 | 6 |

Base = all SME employers in England and Wales that received advice or information in the last 12 months. K9a/K9d. Figures in bold were statistically significant at the 95% confidence level for LSBS Year 2 against LSBS Year 1. Single answer only at this question.

Fifty-seven per cent of those that sought **information** received this face-to-face, 17 per cent received it over the phone, 11 per cent by email, and 9 per cent through a website. These proportions are very similar to those seen in the 2015 survey.

Medium-sized businesses were more likely to receive their information face-to-face (65 per cent), compared to micros (55 per cent).

Micros were more likely to receive their information through a website compared to small and medium-sized businesses (ten per cent of micro, five per cent of small, three per cent of medium-sized businesses).

Amount of strategic advice received (England and Wales only)

Fourteen per cent of those in England and Wales that received strategic **advice** had up to three hours of advice in total, 48 per cent had up to three days and 36 per cent had three days or more.

Table 10.7: How much strategic advice received – overall trends (England and Wales only)

| | LSBS Y2 (2016) | LSBS Y1 (2015) |
|-------------------------------------|----------------|----------------|
| (n =) | 1,076 | 2,121 |
| | % | % |
| Up to 3 hours | 14 | 22 |
| More than 3 hours, less than 3 days | 48 | 46 |
| 3 days or more | 36 | 31 |

Base = all SME employers in England and Wales that received advice in the last 12 months. K9e. Figures in bold were statistically significant at the 95% confidence level for LSBS Year 2 against LSBS Year 1. Single answer only at this question.

Although fewer SME employers in England and Wales have received advice than was the case in 2015 (14 per cent, compared with 16 per cent), it appears that the advice may be more intensive. The proportion receiving 3 days or more advice in 2016 was five percentage points higher than in 2015.

Sixty-three per cent of medium-sized businesses had three days or more of advice, compared with 45 per cent of small businesses and 32 per cent of micros. These proportions were up from 54 per cent, 37 per cent and 29 per cent respectively in 2015, indicating that medium-sized businesses in particular have increased the intensity of the advice they received.

By sector, those in education (59 per cent), administrative services (46 per cent) and manufacturing (45 per cent) were more likely than average to have had three or more days' worth of advice.

Paying for strategic advice (England and Wales only)

Sixty-nine per cent of those in England and Wales that received strategic **advice** in the last 12 months paid for it. This is a four-percentage point increase on the 2015 survey.

Medium-sized businesses were more likely to have paid for advice (88 per cent, up five percentage points on 2015) than small businesses (75 per cent, up four percentage points) or micros (66 per cent, up three percentage points).

By sector, those in finance/real estate were more likely than average to have paid for advice.

The mean average paid for advice in the last 12 months was £23,820, more than double the mean average in 2015. However, this figure is distorted by a few businesses that paid large amounts for advice, and the median average is perhaps a better guide to amounts paid. The median average in 2016 was £2,500, £500 more than in 2015.

Table 10.8: Whether paid for strategic advice in the last 12 months and amount paid – trends by employment size (England & Wales only)

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 1,076 | 335 | 404 | 337 |
| | % | % | % | % |
| Yes – paid for advice | 69 | 66 | 75 | 88 |
| - Under £500 | 9 | 10 | 6 | 1 |
| - £500 - £999 | 8 | 9 | 5 | 2 |
| - £1,000 - £2,499 | 15 | 16 | 12 | 7 |
| - £2,500 - £4,999 | 12 | 13 | 12 | 9 |
| - £5,000 - £9,999 | 11 | 9 | 16 | 16 |
| - £10,000 - £49,999 | 9 | 6 | 16 | 26 |
| - £50,000 or more | 3 | 2 | 4 | 16 |
| - Don't know how much paid/refused to say | 3 | 2 | 5 | 11 |
| No – did not pay for advice | 30 | 34 | 23 | 11 |
| Mean average paid | £23,820 | £7,130 | £20,500 | £46,300 |
| Median average paid | £2,500 | £2,000 | £5,000 | £10,000 |
| LSBS Y1 (2015) (n=) | 2,121 | 595 | 735 | 791 |
| | % | % | % | % |
| Yes – paid for advice | 65 | 63 | 71 | 83 |
| - Under £500 | 11 | 12 | 7 | 2 |
| - £500 - £999 | 9 | 11 | 4 | 3 |
| - £1,000 - £2,499 | 14 | 14 | 14 | 11 |
| - £2,500 - £4,999 | 8 | 7 | 11 | 11 |
| - £5,000 - £9,999 | 8 | 6 | 13 | 14 |
| - £10,000 - £49,999 | 7 | 5 | 12 | 23 |
| - £50,000 or more | 3 | 2 | 3 | 9 |
| - Don't know how much paid/refused to say | 5 | 5 | 7 | 10 |
| No – did not pay for advice | 34 | 37 | 28 | 16 |
| Mean average paid | £10,250 | £9,040 | £11,250 | £23,750 |
| Median average paid | £2,000 | £1,750 | £3,500 | £7,000 |

Base = all SME employers in England and Wales that received advice in the last 12 months. Figures in bold were statistically significant at the 95% confidence level against the overall finding. K12a/K12b/K12d. Single answers only across the questions.

Un-met information and advice needs (England and Wales only)

Four per cent of SME employers in England and Wales had had opportunities, difficulties or important information or advice needs that they did not get external advice or support for in the last 12 months. This proportion was almost the same across size bands and a similar proportion to that observed in 2015 and 2014.

Table 10.9: Unmet needs for information and advice – trends by employment size (England and Wales only)

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 5,744 | 2,454 | 2,090 | 1,200 |
| | % | % | % | % |
| Yes – had an unmet need | 4 | 4 | 4 | 3 |
| LSBS Y1 (2015) (n=) | 9,940 | 3,628 | 3,618 | 2,694 |
| | % | % | % | % |
| Yes – had an unmet need | 5 | 5 | 5 | 5 |
| SBS 2014 (n=) | 3,066 | 1,145 | 1,180 | 741 |
| | % | % | % | % |
| Yes – had an unmet need | 5 | 5 | 5 | 5 |

Base = all SME employers In England and Wales. K13. Single answer only at this question.

There were few differences according to sector. Those in information/communication (seven per cent) were more likely than average to have had unmet information and advice needs.

Awareness of organisations offering business support – England

SME employers in England were asked if they had heard of the Tools for Business section on the .GOV website, their Local Enterprise Partnership, and their local Growth Hub³³. In 2016, they were also asked if they had sought information or advice from them, or otherwise engaged with them, in the last 12 months.

In 2016, 57 per cent of SME employers had heard of any of these three, a similar proportion to 2015. Forty-five per cent had heard of Local Enterprise Partnerships, 25 per cent had heard of the Tools for Business section, and 22 per cent had heard of Growth Hubs.

³³ 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/Growth Hubs, the primary LEP/Growth Hub was chosen.

Compared with 2015, awareness of Local Enterprise Partnerships remained at the same level, awareness of Tools for Business was down slightly (by three percentage points), and awareness of Growth Hubs was higher (up nine percentage points), although this last finding may be influenced by a change in the questioning method³⁴.

Table 10.10: Awareness of organisations offering business support – overall trends (England and Wales only)

| | LSBS Y2 (2016) | | LSBS Y1 (2015) |
|--|----------------|-------|----------------|
| | Awareness | Usage | Awareness |
| (n =) | 5,534 | 5,534 | 9,570 |
| | % | % | % |
| Aware of/used any | 57 | 10 | 58 |
| Local Enterprise Partnerships | 45 | 4 | 44 |
| Tools for Business section on .GOV website | 25 | 6 | 28 |
| Growth Hubs | 22 | 3 | 13 |
| None of these/not used any | 43 | 90 | 42 |

Base = all SME employers in England. K14/K15. Figures in bold were statistically significant at the 95% confidence level for LSBS Year 2 against LSBS Year 1. Multiple answers allowed across these questions.

Larger SMEs tended to be more aware of these three services. Forty-nine per cent of medium-sized businesses were aware of Local Enterprise Partnerships, compared to 48 per cent of small businesses, and 44 per cent of micros. Twenty-nine per cent of medium-sized businesses had heard of Tools for Business, compared with 27 per cent of small businesses, and 24 per cent of micros. Levels of awareness for Growth Hubs were broadly similar regardless of size.

By sector, those in education, accommodation/food service, and human health were most likely to have heard of Tools for Business (36, 29 and 28 per cent, respectively).

Those in arts/entertainment, professional/scientific, and manufacturing were most likely to have heard of Local Enterprise Partnerships (60, 53 and 51 per cent, respectively).

By region, awareness of Local Enterprise Partnerships was highest in the North East (61 per cent), East Midlands (55 per cent), North West (54 per cent) and West Midlands (53 per cent). Awareness was lowest in London (32 per cent).

Those in professional/scientific, primary, and manufacturing were most likely to have heard of Growth Hubs (31, 29, and 27 per cent, respectively).

Following a similar pattern to awareness of LEPs, by region, awareness of Growth Hubs was highest in the North East (31 per cent), North West (29 per cent) and West Midlands (27 per cent). Awareness was again lowest in London (15 per cent).

³⁴ In 2015, we simply asked if they were aware of 'Growth Hubs'. In 2016, as for LEPs, they were read the name of their local Growth Hub.

Ten per cent of SME employers in England had **used or engaged** with any of these three services: six per cent Tools for Business, four per cent Local Enterprise Partnerships, and three per cent Growth Hubs.

Whilst there was little variation in usage/engagement with Tools for Business and Growth Hubs by employment size, medium-sized businesses were more likely to have engaged with Local Enterprise Partnerships (eight per cent), than small businesses (six per cent) and micros (four per cent).

Those in the education (nine per cent), accommodation/food service (nine per cent), other services (nine per cent) and human health (eight per cent) sectors were most likely to have used Tools for Business.

Those in education (11 per cent), arts/ entertainment (nine per cent) and manufacturing (seven per cent) were most likely to have engaged with a LEP. The same proportion in the manufacturing sector had also engaged with a Growth Hub.

Engagement with LEPs did not vary significantly by region, but six per cent in the North West had engaged with a Growth Hub, twice the national average.

11. Working with the public sector

This short section looks at whether SME employers have bid for public sector contracts and/or worked for the public sector.

Work for the public sector

Twenty-three per cent of SME employers had worked for the public sector the preceding 12 months. This proportion was two percentage points less than in 2014, the last time the question appeared in SBS, this being a statistically significant result.

Table 11.1: Whether worked for the public sector or expressed an interest in a contract – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Worked for public sector in last 12 months | 23 | 21 | 32 | 39 |
| Expressed an interest in public sector contract in last 12 months | 10 | 8 | 16 | 23 |
| - <i>Bid for contract</i> | 8 | 6 | 13 | 20 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Worked for public sector in last 12 months | 25 | 24 | 32 | 41 |
| Expressed an interest in public sector contract in last 12 months | 14 | 13 | 18 | 26 |
| - <i>Bid for contract</i> | 10 | 9 | 14 | 23 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. L1/L2. Single answer only allowed at each question.

Thirty-nine per cent of medium-sized businesses worked for the public sector in the preceding 12 months, compared with 32 per cent of small businesses and 21 per cent of micros.

By sector, those in human health (42 per cent), education (38 per cent), administrative services (32 per cent) and other services (30 per cent) were more likely than average to have worked for the public sector in the preceding 12 months.

Of those that had worked for the public sector, the main customer was a Local Authority for 52 per cent, the health service for 17 per cent, a HE/FE institution for nine per cent, and a UK Department of State for nine per cent. The 2014 survey had very similar proportions to these.

Ten per cent of SME employers expressed an interest in a public-sector contract in the preceding 12 months, while eight per cent put in a bid for a contract. These proportions were lower than those seen in 2014.

Medium-sized businesses were much more likely to have bid for a contract (20 per cent) than micros (six per cent).

Those in human health and professional/science were more likely than average to have expressed an interest in, or bid for, a public-sector contract (in both cases 18 per cent expressed an interest, and 14 per cent bid). The information/communications sector was also more likely than average to have expressed interest (14 per cent) or made bids (13 per cent).

Table 11.2: Whether worked for the public sector or expressed an interest in a contract – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Co mms |
|----------------------------|---------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Worked for | 23 | 15 | 24 | 25 | 19 | 27 | 13 | 27 |
| Expressed interest | 10 | 6 | 8 | 11 | 5 | 13 | 2 | 14 |
| - Bid | 8 | 4 | 7 | 9 | 4 | 10 | 1 | 13 |
| | All SME emps. | KL Finance/ RE | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ En'tain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Worked for | 23 | 10 | 25 | 32 | 38 | 42 | 19 | 30 |
| Expressed interest | 10 | 4 | 18 | 13 | 11 | 18 | 8 | 8 |
| - Bid | 8 | 4 | 14 | 8 | 6 | 14 | 5 | 6 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Co mms |
| SBS 2014 (n=) | 4,355 | 150 | 570 | 369 | 763 | 146 | 455 | 170 |
| | % | % | % | % | % | % | % | % |
| Worked for | 25 | 14 | 27 | 33 | 20 | 24 | 13 | 36 |
| Expressed interest | 14 | 5 | 11 | 21 | 7 | 16 | 1 | 25 |
| - Bid | 10 | 5 | 10 | 15 | 4 | 12 | 1 | 18 |
| | All SME emps. | KL Finance/ RE | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ En'tain | S Other Serv |
| SBS 2014 (n=) | 4,355 | 192 | 445 | 331 | 113 | 397 | 94 | 160 |
| | % | % | % | % | % | % | % | % |
| Worked for | 25 | 12 | 26 | 38 | 40 | 36 | 29 | 23 |
| Expressed interest | 14 | 5 | 21 | 22 | 21 | 19 | 7 | 14 |
| - Bid | 10 | 3 | 14 | 21 | 10 | 13 | 6 | 12 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. L1/L2. Single answer only allowed at each question.

12. Future plans

This section looks at SME employers' outlook over the next three years.

Aiming to grow

Sixty-six per cent of SME employers aimed to grow the sales of their businesses over the next three years. This was particularly likely to be the case for medium-sized businesses (87 per cent, compared to 77 per cent of small businesses and 63 per cent of micros).

Table 12.1: Whether aim to grow sales of the business over the next three years – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-----------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Aim to grow sales | 66 | 63 | 77 | 87 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Aim to grow sales | 69 | 67 | 79 | 89 |
| SBS 2014³⁵ (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Aim to grow sales | 73 | 71 | 80 | 87 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| Aim to grow sales | 68 | 66 | 78 | 87 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| Aim to grow sales | 74 | 72 | 80 | 89 |
| ASBS 2007/08 (n=) | 7,783 | 3,529 | 2,950 | 1,304 |
| | % | % | % | % |
| Aim to grow sales | 67 | 65 | 77 | 88 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. R1. Single answer only allowed at this question.

The overall proportion seeking to grow was three percentage points less than in 2015, and was the lowest figure yet seen in an SBS survey. Compared to 2015, the proportion seeking to grow was less in 2016 among all sizes of SME employer.

³⁵ In SBS 2014 and before, the time period asked about was 'over the next two-three years'.

Table 12.2: Whether aim to grow sales of the business over the next three years – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-----------------------|--------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Aim to grow sales | 66 | 64 | 77 | 56 | 68 | 59 | 59 | 74 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Aim to grow sales | 66 | 66 | 65 | 75 | 69 | 63 | 66 | 60 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Comms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Aim to grow sales | 69 | 55 | 75 | 62 | 71 | 69 | 64 | 80 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Aim to grow sales | 69 | 81 | 70 | 76 | 67 | 61 | 74 | 69 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. R1. Single answer only allowed at this question.

By sector, those in manufacturing, administrative services, and information/communications had an above average desire to grow (77, 75, and 74 per cent, respectively). Those in construction (56 per cent) had a below average propensity to grow.

Compared to 2015, the sectors with the biggest decline in growth aims were finance/real estate (down 15 percentage points), transport (down ten percentage points), other services (down nine percentage points), and arts/entertainment (down eight percentage points).

Looking at sectors in more detail, that is at the ‘two-digit’ level³⁶, the types of businesses most likely to want to grow were as follows:

- Employment activities (85 per cent)
- Professional, scientific and technical (75 per cent)
- Wholesale (74 per cent)
- Computer programming/consultancy (73 per cent)
- Human health activities (73 per cent)

The largest declines in growth ambition between 2015 and 2016 occurred in the following two-digit sectors³⁷:

- Real estate activity (60 per cent planned to grow in 2016, down 18 percentage points)
- Activities auxiliary to financial services and insurance (67 per cent, down 16 percentage points)
- Management consultancy (63 per cent, down 14 percentage points)
- Wholesale (74 per cent, down eight percentage points)
- Specialised construction activities (57 per cent, down eight percentage points)

The only statistically significant increase in growth ambition was for human health activities, i.e. private medicine (up ten percentage points).

By nation, SME employers in Scotland (63 per cent) were the least inclined to want to grow, and those in Northern Ireland (74 per cent) were the most likely to want to grow. Sixty-six per cent wanted to grow in England and 64 per cent in Wales.

By English region, growth ambition was strongest in London (73 per cent, down six percentage points on 2015) and lowest in the South East (62 per cent).

Based on those that wanted to grow, the median average amount by which businesses want to grow their sales was 20 per cent in three years’ time, the same proportion as in 2015.

³⁶ Based on minimum sample sizes of 75 in 2016, only results that are statistically significant at the 95% confidence level are shown.

³⁷ Criteria as footnote above.

Closure or transfer of the business in the next 5 years

Six per cent of SME employers anticipated the closure of their business in the next five years, while a further eight per cent anticipated the full transfer of ownership. The two-percentage point increase in the proportion anticipating the closure of their business is statistically significant.

Table 12.3: Plans for closure or transfer of business in the next 5 years – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Yes – anticipate closure | 6 | 6 | 2 | * |
| Yes – anticipate full transfer | 8 | 8 | 8 | 5 |
| Neither | 83 | 82 | 89 | 93 |
| Don't know | 3 | 4 | 2 | 2 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes – anticipate closure | 4 | 5 | 2 | 1 |
| Yes – anticipate full transfer | 8 | 8 | 7 | 4 |
| Neither | 84 | 83 | 88 | 93 |
| Don't know | 4 | 4 | 3 | 2 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Yes – anticipate closure | 4 | 5 | 2 | 1 |
| Yes – anticipate full transfer | 12 | 12 | 12 | 9 |
| Neither | 78 | 77 | 81 | 87 |
| Don't know | 6 | 6 | 6 | 3 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| Yes – anticipate closure | 9 | 10 | 3 | 1 |
| Yes – anticipate full transfer | 14 | 14 | 15 | 13 |
| Neither | 70 | 69 | 76 | 80 |
| Don't know | 7 | 7 | 6 | 6 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. R3. Single answer only allowed at this question. * = a figure of less than 0.5% but greater than zero.

Micros were more likely than small and medium sized businesses to have anticipated closure of the business.

Table 12.4: Plans for closure or transfer of business in the next 5 years – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Co mms |
|--------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Yes – anticipate closure | 6 | 3 | 5 | 7 | 4 | 15 | 8 | 3 |
| Yes – anticipate full transfer | 8 | 8 | 9 | 4 | 10 | 10 | 10 | 3 |
| Neither | 83 | 87 | 84 | 85 | 81 | 71 | 77 | 90 |
| Don't know | 3 | 2 | 2 | 4 | 4 | 4 | 4 | 4 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Yes – anticipate closure | 6 | 4 | 7 | 5 | 7 | 4 | 3 | 4 |
| Yes – anticipate full transfer | 8 | 8 | 7 | 7 | 4 | 6 | 7 | 6 |
| Neither | 83 | 85 | 84 | 86 | 85 | 85 | 88 | 87 |
| Don't know | 3 | 3 | 3 | 2 | 4 | 5 | 1 | 3 |
| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Co mms |
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes – anticipate closure | 4 | 1 | 2 | 4 | 4 | 6 | 5 | 3 |
| Yes – anticipate full transfer | 8 | 5 | 12 | 8 | 10 | 7 | 15 | 5 |
| Neither | 84 | 90 | 80 | 86 | 81 | 85 | 74 | 89 |
| Don't know | 4 | 3 | 7 | 2 | 5 | 2 | 6 | 2 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes – anticipate closure | 4 | 3 | 6 | 6 | 3 | 3 | 2 | 4 |
| Yes – anticipate full transfer | 8 | 6 | 6 | 5 | 1 | 6 | 7 | 8 |
| Neither | 84 | 86 | 85 | 86 | 90 | 87 | 83 | 86 |
| Don't know | 4 | 5 | 3 | 3 | 6 | 4 | 8 | 2 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. R3. Single answer only allowed at this question.

By sector, those in transport (15 per cent), accommodation/food service (eight per cent) and professional/scientific (seven per cent) were most likely to anticipate closure. Compared with 2015, the proportion in transport that anticipated the closure of their business has increased by nine percentage points.

Looking at sectors in more detail, that is at the ‘two-digit’ level³⁸, the types of businesses most likely to anticipate closure were as follows:

- Land transport (15 per cent)
- Management consultancy (12 per cent)
- Building construction (12 per cent)
- Food service (nine per cent)

The sectors most likely to anticipate full transfer of the business were retail/wholesale and accommodation/food service (both ten per cent).

At the two-digit level, the types of businesses most likely to anticipate full transfer of ownership were as follows:

- Food manufacturing (19 per cent)
- Accommodation (15 per cent)
- Retail (12 per cent)

SME employers in Northern Ireland were less likely than average to anticipate closing their business (three per cent), or transferring ownership (four per cent).

Of those SME employers that anticipate the transfer of ownership, 16 per cent thought ownership would pass partly or wholly to somebody within their own family, 79 per cent to somebody else, while five per cent did not know. Compared with 2015, the proportion that anticipated transfer of ownership within the family fell by six percentage points.

Micro businesses that thought they would transfer ownership were more likely to think that ownership would pass within their own family (18 per cent) than were small businesses (nine per cent) and medium-sized businesses (eight per cent).

Most likely to expect to transfer the business within their own family were those in construction (50 per cent of those thinking they will transfer ownership).

³⁸ Based on minimum sample sizes of 75.

Ways in which business plans to grow over the next three years

SME employers were asked whether they planned to do any of five growth-related activities over the next three years. Sixty-three per cent said they planned to increase the skills of the workforce, 39 per cent that they would introduce new working practices, 38 per cent would increase the leadership capability of managers, 37 per cent that they would develop and launch new products or services, 35 per cent would invest in premises, machinery or other types of capital investment, and 17 per cent would sell to new overseas markets.

Table 12.5: Whether business plans to grow in any of the following ways over the next three years – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|-------------------|-------------|---------------|-----------------|
| LSBS Y2 (2016) (n=) | 6,897 | 3,047 | 2,487 | 1,363 |
| | % | % | % | % |
| Increase skills of the workforce | 63 | 59 | 80 | 88 |
| Introduce new working practices | 39 | 36 | 51 | 60 |
| Increase the leadership capability of managers | 38 | 33 | 58 | 76 |
| Develop and launch new products/ services | 37 | 36 | 44 | 49 |
| Capital investment (in premises, machinery etc.) | 35 | 32 | 47 | 63 |
| Sell to overseas markets (new to the business) | 17 | 16 | 22 | 27 |
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Increase skills of the workforce | 70 | 67 | 84 | 91 |
| Introduce new working practices | 49 | 47 | 62 | 68 |
| Develop and launch new products/ services | 47 | 45 | 52 | 60 |
| Increase the leadership capability of managers | 44 | 40 | 64 | 77 |
| Capital investment (in premises, machinery etc.) | 40 | 38 | 50 | 63 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Increase skills of the workforce | 71 | 69 | 82 | 87 |
| Increase the leadership capability of managers | 55 | 51 | 73 | 83 |
| Develop and launch new products/ services | 48 | 46 | 55 | 60 |
| Capital investment (in premises, machinery etc.) | 47 | 44 | 57 | 72 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. R4. Multiple answers allowed at this question.

Compared with 2015, there were large decreases in the proportions intending to grow their business in any of these ways. The proportion intending to increase the skills of the workforce declined by seven percentage points, the proportion intending to introduce new working practices by ten percentage points, the proportion intending to develop and launch new

products/services similarly by ten percentage points, the proportion intending to increase leadership capability of managers by six percentage points, and the proportion intending to invest by five percentage points.

For micro and small businesses, the figures declined in all respects. Medium-sized businesses were less likely to intend to introduce new working practices or develop and launch new products/services, but were just as likely to want to increase skills, increase leadership capability and make capital investment.

- Businesses in human health (81 per cent), information/communication (76 per cent) and manufacturing (69 per cent) were most likely to want to *increase the skills of the workforce*.
- Businesses in human health (52 per cent), education (46 per cent), information/communication (44 per cent) and manufacturing (43 per cent) were more likely than average to want to introduce *new working practices*.
- Businesses in human health (60 per cent), education (51 per cent), information/communication (44 per cent) and manufacturing (42 per cent) were more likely than average to want to *increase leadership capability*.
- Businesses in information/ communication (66 per cent), manufacturing (56 per cent), retail/wholesale (41 per cent) and professional/scientific (41 per cent) were most likely to *develop and introduce new products and services*.
- Businesses in the primary sector (64 per cent) and manufacturing (54 per cent) were most likely to *plan to make capital investments*.
- Businesses in information/ communications (44 per cent), manufacturing (38 per cent) and professional/scientific (24 per cent) were most likely to want to *sell to new overseas markets*.

Table 12.6: Whether business plans to grow in any of the following ways over the next three years – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|----------------------------------|---------------|-----------------------|------------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y2 (2016) (n=) | 6,897 | 271 | 760 | 570 | 1,119 | 260 | 580 | 351 |
| | % | % | % | % | % | % | % | % |
| Increase skills of the workforce | 63 | 56 | 69 | 61 | 58 | 47 | 58 | 76 |
| New working practices | 39 | 35 | 43 | 34 | 36 | 29 | 38 | 44 |
| Leadership capability | 38 | 36 | 42 | 32 | 35 | 26 | 32 | 44 |
| New products/ services | 37 | 23 | 56 | 20 | 41 | 21 | 30 | 66 |
| Capital investment | 35 | 64 | 54 | 33 | 34 | 32 | 36 | 31 |
| New overseas markets | 17 | 12 | 38 | 5 | 19 | 12 | 9 | 44 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y2 (2016) (n=) | 6,897 | 313 | 788 | 583 | 263 | 652 | 156 | 231 |
| | % | % | % | % | % | % | % | % |
| Increase skills of the workforce | 63 | 62 | 65 | 64 | 77 | 81 | 63 | 59 |
| New working practices | 39 | 40 | 41 | 43 | 46 | 52 | 37 | 34 |
| Leadership capability | 38 | 37 | 39 | 41 | 51 | 60 | 40 | 42 |
| New products/ services | 37 | 29 | 41 | 40 | 43 | 37 | 41 | 35 |
| Capital investment | 35 | 34 | 33 | 27 | 30 | 29 | 34 | 21 |
| New overseas markets | 17 | 9 | 24 | 15 | 14 | 7 | 17 | 13 |

Table 12.6: Whether business plans to grow in any of the following ways over the next three years (continued) – trends by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info/Com ms |
|----------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Increase skills of the workforce | 70 | 65 | 69 | 70 | 64 | 63 | 62 | 82 |
| New working practices | 49 | 44 | 52 | 50 | 47 | 43 | 53 | 56 |
| New products/ services | 47 | 29 | 59 | 30 | 51 | 36 | 45 | 77 |
| Leadership capability | 44 | 36 | 45 | 38 | 41 | 38 | 46 | 51 |
| Capital investment | 40 | 61 | 55 | 42 | 37 | 43 | 43 | 42 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Increase skills of the workforce | 70 | 76 | 75 | 68 | 83 | 85 | 71 | 74 |
| New working practices | 49 | 48 | 48 | 44 | 65 | 66 | 42 | 47 |
| New products/ services | 47 | 42 | 50 | 41 | 51 | 45 | 54 | 47 |
| Leadership capability | 44 | 48 | 46 | 41 | 59 | 64 | 43 | 43 |
| Capital investment | 40 | 42 | 35 | 38 | 27 | 31 | 47 | 31 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding. R4. Multiple answers allowed at this question.



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