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SMALL BUSINESS SURVEY 2012

SME Employers: Focus on
family businesses

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Executive Summary

Aims and method of the survey

The Small Business Survey of 2012 (SBS 2012) is a large-scale, UK-wide telephone survey of businesses commissioned by the Department for Business, Innovation and Skills (BIS). The main aims of the survey were:

- To monitor key enterprise indicators and how these have changed in comparison to previous surveys, the 2010 SBS in particular.
- To gauge SME intentions, needs and concerns, and the obstacles to their fulfilling their potential.
- To act as a sounding board for possible Government interventions to assist SMEs.
- To create a database that can be used for follow-up studies among the general SME population, or sub-groups within it.

In total, 5,723 businesses were interviewed across the UK. 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). Approximately one sixth of interviews in each nation were conducted with enterprises with no employees; one third with micro businesses (one to nine employees); one third with small businesses (10-49 employees); and one sixth with medium-sized businesses (50-249 employees).

The report of which this is a summary presents the key findings of the survey but, particularly, examines differences between SME employers which are family businesses and those which are not.

The findings presented in this report relate only to the 4,768 SME employers who were surveyed; that is, those with between 1 and 249 employees. Enterprises with no employees have been excluded from the dataset on which this report is based.

Profile of businesses

BIS's Business Population Estimates calculated that, in 2012, there were 1,230,395 businesses (those with between 1 and 249 employees) in the UK which fell within the scope of this report.

Family businesses are slightly more likely than non-family businesses to be micros: 85 per cent had between one and nine employees, compared to 80 per cent of non-family businesses, while fewer were small businesses (13 per cent; 17 per cent of non-family businesses), and just two per cent of family businesses were classified as medium-sized businesses, which is close to half the percentage reported amongst non-family businesses.

The most populous SME sectors in 2012 were retail/wholesale (19 per cent), professional/scientific (13 per cent), construction (12 per cent) and food/accommodation (ten per cent). This was also broadly true of family businesses, although they were more likely than average to be within primary industries (seven per cent), retail/wholesale (23 per cent) and construction (14 per cent) and less likely to be within professional/scientific (11 per cent), information/communication (three per cent) and health (three per cent) sectors.

The profiles of family businesses and non-family businesses in terms of their legal status were very similar. However, a higher proportion of family businesses than non-family businesses were partnerships (16 per cent, compared to six per cent) and fewer were private companies limited by guarantee (less than one per cent, compared to four per cent).

Family businesses were less likely to be young businesses than average: 13 per cent were less than five years old, compared to 15 per cent of all SME employers. Nine per cent of family businesses were less than four years old, compared to 14 per cent of non-family businesses. They were more likely to have been established for more than twenty years (47 per cent, compared to 31 per cent of non-family businesses).

Multi-management family businesses were more likely than multi-management non-family businesses to have any female directors/partners: overall, 65 per cent of multiple-management enterprises had any woman director/partner in day-to-day control of the business. This proportion was significantly higher for family businesses (76 per cent) and, thus, lower than average for non-family businesses.

Seven per cent of SME employers were 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 members from an ethnic minority. The proportion was the same amongst family businesses.

Business performance

Nineteen per cent of SME employers employed more people than was the case twelve months earlier. Sixty-four per cent employed the same number and 17 per cent employed fewer. Family businesses were more likely than non-family businesses to report a decline in staff numbers (18 per cent, compared to 14 per cent), while significantly less likely to report an increase (17 per cent, compared to 22 per cent). Similarly to all SME employers, the propensity to have increased staff numbers grew with employment size, with medium-sized family businesses more likely than all medium-sized SMEs to employ more staff now than twelve months ago.

Family businesses were less likely than non-family businesses to expect their workforce to grow in the next twelve months (19 per cent expected an increase, compared to 23 per cent), although a higher proportion (60 per cent, compared to 56 per cent) expected no change and the same proportion as reported amongst non-family businesses (21 per cent) expected to employ fewer.

The mean turnover of an SME employer was £1,033,000. The mean turnover of a family business was lower than average at £864,000 and compared to £1,301,000 amongst non-family businesses.

Echoing the trend with regard to employment size, family businesses were more likely than non-family businesses to report lower turnover in the last twelve months (33 per cent, compared to 27 per cent). Fewer family businesses than non-family businesses reported growth in turnover in the last year (28 per cent, compared with 31 per cent).

Consistent with the trend over the last 12 months, family businesses were less likely than non-family businesses to anticipate an increase in turnover in the next twelve months (34 per cent, compared to 42 per cent), while more likely to expect a decrease (15 per cent, compared to 12 per cent).

Seventy-two per cent of SME employers generated a profit in their last financial year. The proportion was statistically similar for family businesses (73 per cent) but was slightly lower amongst non-family businesses (70 per cent).

Nine per cent of SME employers anticipated the closure of their business in the next five years. The proportion of family businesses that anticipated the closure of their business was also nine per cent. Family businesses were, however, more likely than non-family businesses to anticipate the full transfer of ownership (17 per cent, compared to 11 per cent). Overall, seventy per cent of SME employers did not think either of these things would happen but fewer family businesses (68 per cent) were in this position than were non-family businesses (75 per cent).

Sixty-eight per cent of SME employers aimed to grow their business over the next two to three years. The proportion was lower amongst family businesses (66 per cent) than non-family businesses (72 per cent).

Family businesses which aimed to grow were less likely to identify each of a range of methods by which growth might be pursued.

Business capability

Respondents were asked how capable they felt their business was in performing a number of tasks which are usually considered important to running a successful business.

Compared to non-family businesses, family businesses were less likely to consider themselves strong with regard to people management and developing and implementing a business plan or strategy, but otherwise did not differ, to a significant degree, in the extent to which they considered themselves capable in any area.

Forty-two per cent of family businesses had introduced new or significantly improved products or services in the last twelve months. Thirty per cent had introduced new or significantly improved processes in the last twelve months. Family businesses were similar to non-family businesses in terms of the propensity to have introduced new or significantly improved products or services (44 per cent of non-family businesses) but less likely than non-family businesses to have introduced new or significantly improved processes (38 per cent of non-family businesses).

Nineteen per cent of SME employers reported that they sell goods or services or licence products outside of the UK. The proportion was significantly lower amongst family businesses (17 per cent) than non-family businesses (22 per cent).

Sixty per cent of SME employers arranged or funded any training in the past twelve months. The proportion amongst family businesses was similar (59 per cent), while the proportion amongst non-family businesses was slightly higher (61 per cent).

Ninety-two per cent of family businesses had internet access which they used for business purposes. This is a similar proportion to non-family businesses (93 per cent). The vast majority of these (99 per cent) had broadband, meaning that 90 per cent of all family businesses had broadband (92 per cent of non-family businesses). Sixty-six per cent of family businesses had their own website. The proportion was higher amongst non-family businesses (78 per cent).

Two-thirds of family businesses (67 per cent) had taken steps to reduce the environmental impact they make, such as reducing energy consumption, waste reduction or switching to recycled/sustainable materials and the proportion of non-family businesses that had done so was similar (66 per cent).

Access to finance

Twenty-four per cent of SME employers had sought finance in the twelve months preceding interview. This proportion was similar amongst family businesses (25 per cent).

Of those family businesses that applied for finance, 53 per cent did so to acquire working capital or for cash flow reasons, 25 per cent to acquire capital equipment or vehicles, ten per cent to buy land or buildings and nine per cent to improve buildings. Family businesses cited similar reasons to those cited by non-family businesses but non-family businesses were more likely to have applied for finance to obtain working capital (60 per cent).

Forty-eight per cent of the SME employers that sought finance in the previous twelve months applied for bank loans. The proportion amongst family businesses is higher than amongst non-family businesses (51 per cent, compared to 43 per cent of non-family businesses). Family businesses were also more likely to have applied for bank overdrafts (38 per cent, compared to 28 per cent). They were less likely to have applied for a grant (just three per cent, compared to 14 per cent).

Forty-eight per cent of family businesses that applied for finance had some form of difficulty getting the money from the first source they approached. This compared to 45 per cent of non-family businesses that applied for finance. Thirty-six per cent were unable to obtain any finance (26 per cent of non-family businesses)

Forty-nine per cent of family businesses had a problem with customers paying them later than required. This compared to 47 per cent across all SME employers.

Obstacles to the success of the business

Overall, 79 per cent of family businesses (78 per cent of non-family businesses) said that the economy was an obstacle to the success of their business. Sixty per cent cited taxation (including VAT, PAYE, NI and rates) (52 per cent of non-family businesses), 56 per cent competition in the market (as amongst non-family businesses), 56 per cent regulations (47 per cent of non-family businesses), then 50 per cent cash flow, 38 per cent obtaining finance, 28 per cent a general shortage of skills, 25 per cent recruiting staff, 22 per cent the availability of suitable premises, 18 per cent pensions and 15 per cent the lack of managerial skills and expertise (similarly to non-family businesses).

VAT and fuel duty were significantly more likely to be mentioned as obstacles to business performance by family businesses than by non-family businesses.

Business support

Overall, nearly three-quarters of family businesses (as non-family businesses) had heard of Business Link or the equivalent organisations within the devolved administrations. The proportion was highest in Scotland and lower in England, Wales and Northern Ireland.

Sixty-two per cent of family businesses had heard of Business Link's website or equivalent services (Business Gateway in Scotland, Business.wales.gov.uk in Wales, NI Business Info.co.uk in Northern Ireland). Fifty-four per cent had heard of the Business Link helpline. Both these proportions were slightly higher amongst non-family businesses (64 per cent and 56 per cent respectively).

Forty-three per cent of family businesses across the UK had sought external information or advice in the twelve months preceding interview. This is a lower proportion than that seen amongst non-family businesses (49 per cent).

In England and Wales, 58 per cent of those that had got advice said it had fully met their needs and 33 per cent that it had partially met their needs. It did not meet needs for six per cent of those getting advice. Family businesses differed little in this respect, with 57 per cent reporting their needs fully met by the advice, 34 per cent that they were partially met and six per cent not met (this compared to 60 per cent, 31 per cent and 6 per cent respectively of non-family businesses).

Seven per cent of family businesses had used a business mentor in the twelve months preceding interview. This proportion is lower than that for non-family businesses (ten per cent).

1. Introduction

Aims of the survey

This report sets out the key findings from interviews conducted with family businesses as part of the 2012 Small Business Survey (SBS), a large-scale telephone survey among business owners and managers, commissioned by the Department for Business, Innovation and Skills (BIS). SBS 2012 survey is the latest in a series of Annual Small Business Surveys and subsequently biennial Small Business Surveys dating back to 2003. The survey was conducted between June and September 2012 by BMG Research Ltd.

The main aims of the survey were:

- To monitor key enterprise indicators and how these have changed in comparison to previous surveys, the 2010 SBS in particular. The survey measures characteristics of Small and Medium-sized Enterprises (SMEs¹) such as their type (size, sector, legal status and so on), the characteristics of their owners and leaders, their recent turnover and employment growth, their capability (in terms of their ability to innovate, export, train staff, etc.), their access to finance and their use of business support.
- To gauge SME intentions, needs and concerns and the obstacles to fulfilling their potential.
- To act as a sounding board for possible Government interventions to assist SMEs.
- To create a database that can be used for follow-up studies among the general SME population, or sub-groups within it.

SMEs self-classified as 'family businesses'. They were asked:

R1. Is your business a family owned business? (A family business is majority owned by members of the same family)

Those that answered in the affirmative are the focus of this report.

¹ Defined here as having fewer than 250 employees.

Survey method

BIS commissioned 4,000 CATI² interviews for the SBS 2012 main stage survey distributed in proportion to the business populations of UK nations. The Welsh Government, the Scottish Government and the Northern Ireland Assembly commissioned additional interviews in their own nations to generate a total sample size of 5,723³.

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). Approximately one sixth of interviews in each nation were conducted with enterprises with no employees; one third with micro businesses (one to nine employees); one third with small businesses (10-49 employees); and one sixth with medium-sized businesses (50-249 employees). The sector targets, set within size bands, were intentionally disproportional with some over-sampling of sectors of particular interest.

The sample was drawn, according to these nation, size and sector targets, from the Dun & Bradstreet database. No further sampling strata (e.g. on age of business or England region) were applied.

Survey findings have been weighted to the 2012 Business Population Estimates, published by BIS and based upon the Inter Departmental Business Register (IDBR). Supplementary estimates of the populations of self-employed and very small businesses were drawn from the Labour Force Survey (LFS).

A review of the questionnaire was undertaken through consultations with stakeholders. Alterations were made based on these consultations, although any changes that were made balanced the needs for stakeholders' needs to be met with the need for consistency with previous SBS surveys.

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 the 2010 SBS and of the Annual Small Business Surveys (ASBSs) that preceded this. The overall sample size for SME *employers*, excluding those enterprises without employees, across the UK is 4,768. Family businesses account for 2,666 SME employers across the UK.

In the report which follows, findings from the survey are set out in a series of chapters each reporting on a particular theme or aspect of the family business experience. A final chapter reflects on a selection of key findings from across these chapters in order to offer interpretations of, and linkages between, them.

² Computer Assisted Telephone Interviews.

³ 3444 interviews in England, 1002 in Scotland, 765 in Wales and 512 in Northern Ireland.

Statistical confidence

This overall sample is sufficiently large to allow reporting on findings with a high degree of statistical reliability. For example, a difference between family businesses and all SME employers of +/- 1.4% is significant for findings in which 10% of respondents give one response and 90% give the alternative and a difference of +/- 2.4% is significant in cases where responses were equally split, 50% of respondents giving one answer and 50% giving the other.

Unless stated otherwise, all findings reported were statistically significant, whether reported as a comparison between family businesses or all SME employers, or whether a finding for a sub-group is compared with the overall total. In this instance it should be noted that the comparison is between the sub-group (e.g. all micro employers), and the total minus that sub-group (which in the cases where comparisons are made between micros and others means a comparison between micros and small/medium-sized businesses combined).

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2. Profile of Businesses

This section explores the characteristics of family businesses which have at least one employee and compares them to all SME employers in terms of their employment size, sector, legal status, age and the characteristics of their owners.

SBS 2012 data is weighted⁴ to estimates derived from BIS's Business Population Estimates (BPE⁵). For that reason the data on employment size and sector is drawn from this source, but is shown here for information.

Employment size (based on BPE 2012)

The 2012 Business Population Estimates calculated that there were 4,794,105 businesses in the UK private sector. This was an increase of 251,340 on the 2011 estimates and of 309,570 on the 2010 estimates.

However, seventy-four per cent of these businesses had no employees and therefore fall out of the scope of this report. The number 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) in 2012 was 1,230,395.

Of all SME employers in 2012, 83 per cent had between one and nine employees and were classified as micros. Fourteen per cent had between ten and 49 employees and were classified as small businesses and two per cent had between 50 and 249 employees and were classified as medium-sized businesses.

Family businesses are slightly more likely than non-family businesses to be micros; 85 per cent had between one and nine employees, compared to 80 per cent of non-family businesses, while fewer were small businesses (13 per cent; 17 per cent of non-family businesses) and just two per cent of family businesses were classified as medium-sized businesses, which is close to half the percentage reported amongst non-family businesses (three per cent). The full extent of the difference between family and non-family businesses in this respect is hidden by rounding of the figures⁶.

It is important to note that, while micro-businesses dominated overall findings for all SME employers, they accounted for only 34 per cent of all employees of SME employers,

⁴ The dataset is weighted according to employment size, 1 digit sector (SIC 2007) and Government Office Region (GOR). See the technical appendix for more detail.

⁵ <http://www.bis.gov.uk/analysis/statistics/business-population-estimates>. 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.

⁶ 1.8 per cent of family businesses; 3.4 per cent of non-family businesses.

whereas the small businesses employed 35 per cent and the mediums 30 per cent. Although employment population statistics are not available for family businesses specifically, we can safely assume that the same pattern is evident amongst these businesses.

Sector (data weighted to BPE 2012)

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. In 2012, industrial sector classification was based on SIC (Standard Industrial Classification) 2007.

The most populous SME sectors in 2012 were retail/wholesale (19 per cent), professional/scientific (13 per cent), construction (12 per cent) and food/accommodation (ten per cent). This was also true of family businesses, although they were more likely than average to be within primary industries (seven per cent), retail/wholesale (23 per cent) and construction (14 per cent) and less likely to be within professional/scientific (11 per cent), information/communication (three per cent) and health (three per cent) sectors.

Table 3.1: Sector – by employment size⁷

	All SME employers	Family businesses	Non-family businesses
(n=)	4768	2666	2102
	%	%	%
ABDE Agriculture & mining, utilities & waste: Primary	5	7	2
C Manufacturing	7	7	7
F Construction	12	14	9
G Retail & wholesale	19	23	13
H Transport & storage	3	3	3
I Food & accommodation	10	10	9
J Information & communication	5	3	8
KL Finance/real estate	5	4	6
M Professional & scientific	13	11	17
N Administrative services	8	8	7
P Education	1	1	2
Q Health	5	3	7
R Arts & recreation	2	1	3
S Other services	5	4	8

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level between family and non-family businesses. A4. Single answer only allowed at this question.

⁷ Please note that some sectors have been amalgamated because of their relatively small proportions within the SME population.

From this point forward in this report, all results were based on the Small Business Survey 2012 (rather than, as above, on Business Population Estimates).

Number of sites

Eighty-eight per cent of SME employers operated from a single site. The proportion is similar amongst family businesses (89 per cent; 86 per cent of non-family businesses).

The proportion of family businesses that operated from a single size declined as employment size increases. Amongst these businesses, it increased to 92 per cent of micros; then decreased to 75 per cent of small and 41 per cent of medium sized businesses.

Whether main business/work premise is owner's home

For 29 per cent of SME employers, their main work premises were also their home. This proportion was higher amongst family businesses (34 per cent) than non-family businesses (20 per cent). It was higher than average amongst family businesses across all employment size bands.

Table 3.2: Whether main business/work premise is owner's home – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
Work/home as same address	29	33	9	4
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
Work/home as same address	34	38	13	7
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
Work/home as same address	20	23	4	2

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.

Family owned SME employers in the primary (80 per cent), construction (53 per cent), information/communications (41 per cent) and administration services (42 per cent) sectors were more likely than average to have the same work and home premises.

Having the same work and home premises was more common in Wales (39 per cent) and England (35 per cent) than in Scotland and Northern Ireland (29 per cent and 26 per cent respectively). These findings echo those reported across all SME employers.

Forty-one per cent of the owners of SME employers worked at home at least one day a week on average. This proportion increased to 46 per cent of family businesses and was lower than the SME employer average amongst non-family businesses (34 per cent). It increased to 87 per cent within family businesses in the primary sector and included over half of construction, information/communication and administration services businesses that were family owned.

Legal status

Fifty-two per cent of SME employers were private limited companies, limited by shares (LTDs). Twenty-seven per cent were sole proprietorships and 12 per cent were partnerships. The remainder are comprised of private companies limited by guarantee (CLGs), limited liability partnerships (LLPs), public limited companies (PLCs) and community interest companies (CICs).

The profiles of family businesses and non-family businesses in terms of their legal status were very similar. However, a higher proportion of family businesses than non-family businesses were partnerships (16 per cent, compared to six per cent) and fewer were private companies limited by guarantee (less than one percent, compared to four per cent). There was a little less diversity in legal status amongst family businesses on the whole.

Table 3.3: Legal status

	All SME employers	Family businesses	Non-family businesses
n=	4768	2666	2102
	%	%	%
Private Ltd. Company, limited by shares	52	52	52
Sole proprietorship	27	27	26
Partnership	12	16	6
Private company limited by guarantee	2	*	4
Limited liability partnership	2	2	2
Public limited company	1	1	2
Community Interest Company	*	0	1
Other (e.g. IPS, friendly society, co-operative, private unlimited, trust, unincorporated association)	1	1	1

Base = all SME employers

* = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall SME employer finding (minus the sub-group tested). A5. Single answer only allowed at this question.

Micros were less likely to be limited companies than small and medium sized SMEs and were more likely to be sole proprietorships or partnerships. Medium and small businesses were more likely than average to have alternative legal statuses such as being private companies limited by guarantee, PLCs, LLPs and CICs.

Table 3.4: Legal status – by employment size

	All family businesses	Micro (1-9)	Small (10-49)	Medium (50-249)
(n=)	2666	1188	1046	432
	%	%	%	%
Private Ltd. Company, limited by shares	52	48	76	86
Sole proprietorship	27	31	6	2
Partnership	16	17	13	5
Private company limited by guarantee	*	*	1	1
Limited liability partnership	2	2	1	3
Public limited company	1	1	1	3
Other	1	0	*	0
Don't know/refused	1	1	1	1

Base = all SME employers (n=4768)

* = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A5. Single answer only allowed at this question.

Private limited companies were more likely to be found in information & communications (77 per cent), manufacturing (66 per cent) and administration services (64 per cent) sectors. Partnerships were more likely to be found within transport, retail & distribution (19 per cent).

VAT registrations

Seventy-eight per cent of SME employers in SBS 2012 were VAT-registered. This increased to 81 per cent amongst family businesses (73 per cent of non-family businesses). Amongst family businesses, this was more likely to be the case for small (92 per cent) and medium (91 per cent) enterprises than for micros (79 per cent).

Table 3.5: VAT registration – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
VAT registered	78	75	89	91
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
VAT registered	81	79	92	91
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
VAT registered	73	69	86	90

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Q1. Single answer only allowed at this question.

Amongst family businesses, VAT-registration was least likely in the other services sector (37 per cent) and most likely within primary industries (98 per cent) and manufacturing (93 per cent).

Of those family businesses registered for VAT, 53 per cent registered at the time of start-up. Seventeen per cent registered prior to start-up. These are similar proportions to those reported across all SME employers (52 per cent and 18 per cent).

Age of business

The table below compares the age of family businesses interviewed in SBS 2012 with the age of all SME employers. Family businesses were less likely to be young businesses than average; 13 per cent were less than five years old, compared to 15 per cent of all SME employers. Nine per cent of family businesses were less than four years old, compared to 14 per cent of non-family businesses. They were more likely to have been established for more than twenty years (47 per cent, compared to 31 per cent of non-family businesses).

Table 3.6: Age of business

	All SME employers	Family businesses	Non-family businesses
(n=)	4768	2666	2102
	%	%	%
Less than one ⁸	1	1	2
1 year	2	2	2
2 years	4	4	5
3 years	4	3	5
4 years	4	3	5
5 years	4	3	4
6-10 years	16	15	18
11-20 years	23	21	26
More than 20 years	41	47	31

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level between family and non-family businesses. A6. Single answer only allowed at this question.

⁸ Because Dun & Bradstreet was used as the sample source, it is likely that the proportion of businesses less than two years old is under reported. This is because Dun & Bradstreet chiefly relies on annual accounts and Companies House registrations to populate its database. However, the sampling method has been consistent for each year of the survey.

Across all SME employers, the age and size of business were closely correlated, as it usually takes time for start-up businesses to grow enough to become small or medium sized. Thus, 21 per cent of all micros were aged up to five years in SBS 2012, compared to nine per cent of small businesses and three per cent of medium-sized ones. Amongst family businesses the proportions across all size bands were all lower than average but the pattern was similar. Fourteen per cent of all micros were aged up to five years, compared to five per cent of small and one per cent of medium-sized businesses.

The survey defines start-ups as those businesses trading for less than four years – 11 per cent of all SME employers. Start-ups accounted for nine per cent of all family owned SME employers, but was higher than average amongst non-family businesses (14 per cent).

Of all SME employer start-ups, the survey respondent was involved with the decision to start up the business in 82 per cent of cases. The proportion was higher amongst family-owned start-ups (86 per cent, compared to 78 per cent of non-family-owned businesses).

Around half of these founders were working as an employee of another business when they started their own (51 per cent within family businesses; 54 per cent within businesses not owned by family); 22 per cent of founders within family businesses were running another business (26 per cent of founders within non-family businesses); 16 per cent were self-employed (11 per cent within non-family businesses); and seven per cent were unemployed (eight per cent within non-family businesses).

The majority of founders of family-owned start-ups (59 per cent) started their businesses to take advantage of a business opportunity, while 17 per cent had no better choices for work and 22 per cent cited both these reasons. Family-owned start-ups were more likely than non-family-owned start-ups to be about taking advantage of a business opportunity (53 per cent of non-family businesses) and less likely to be in response to having no better choices for work (23 per cent of non-family businesses).

Where respondents reported that they had started the business to pursue a business opportunity, the main reasons for this were so that they could be their own boss (33 per cent), to follow a passion/challenge (28 per cent), to make more money (26 per cent), because they saw a demand/market for their product/service (20 per cent) and to get better working conditions (15 per cent).

Compared to non-family-owned start ups, founders of family-owned start ups were more likely to cite greater independence (24 per cent of non-family-owned start ups) and family commitments (11 per cent, compared to two per cent of non-family-owned start ups) as reasons for starting the business. They were less likely to cite increasing personal income (33 per cent of non-family-owned start ups) as a motivation.

Family-owned start ups were less likely to be a result of the inability to find a job suiting the founders' skills (23 per cent, compared to 31 per cent of non-family-owned start ups). They were more likely to be a result of unfavourable working conditions in a previous job (19 per cent, compared to 11 per cent of non-family-owned start ups).

Number of partners/directors

Forty-five per cent of SME employers had only one partner/director in day-to-day control of the business. The proportion was similar amongst family businesses (44 per cent). Thirty-seven per cent of SME employers had two people in control of the business and this increased to 42 per cent of family businesses, but was significantly lower amongst non-family businesses (29 per cent). Nine per cent had three people (eight per cent of family businesses).

Table 3.7: Number of partners/directors

	All SME employers	All family businesses	Non-family businesses
(n=)	4768	2666	2102
	%	%	%
One	45	44	47
Two	37	42	29
Three	9	8	9
Four	4	3	5
Five to eight	3	2	6
Nine to twelve	*	*	1
Thirteen or more	*	*	1

Base = all SME employers

* = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level between family and non-family businesses. R4/R5. Single answer only allowed at this question.

The mean number of directors/partners in the business is slightly lower within family businesses than within non-family businesses (1.99, compared with 2.60). The number of directors/partners in a business is correlated with size. Within family businesses, for micros the mean number was just 1.87, rising to 2.39 for small businesses and 3.37 for medium-sized businesses.

As well as being more likely to have any directors/partners from the same family, multi-management family businesses are more likely than multi-management non-family businesses to have any female directors/partners.

Table 3.8: Whether any partners/directors from the following groups – by employment size (multi-management enterprises only)

	SME employers	Family businesses	Non-family businesses
(n=)	3267	1826	1441
	%	%	%
Any women	65	76	45
Any members of same family	61	89	13
Any disability/longstanding illness	11	11	8
Any from an ethnic minority	11	9	11
Any born outside of the UK	14	13	18

Base = all SME employers with more than one partner/director

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). R7/R8/R9/R10/R11. Multiple answers allowed at this question.

Of multiple-management family businesses, 11 per cent had at least one director/partner with a disability or longstanding illness in day-to-day control of the business, nine per cent had a director/partner from an ethnic minority and 13 per cent had a director/partner born outside of the UK.

Sixty-nine per cent of family-owned businesses had been in the control of the family for just a single generation, 21 per cent for two generations, seven per cent for three and three per cent for four or more generations.

Family-owned businesses in primary industries were the most likely to stretch back more than one generation (84 per cent), while those in the information/communications sector were more likely to be first generation family businesses (just 5 per cent stretched back further).

Table 3.9: Number of generations the business has been in control of the family – by sector (SIC 2007)

	All family businesses	ABDE Primary	C Manufacture	F Construction	GHI TRAD	J Info-comms.	KLM Business service	N Admin.	PQRS Other service
(n=)	2666	158	390	315	868	98	295	176	368
	%	%	%	%	%	%	%	%	%
1	69	16	65	65	71	95	78	71	80
2	21	43	29	29	19	3	15	23	14
3	7	24	3	3	8	*	5	6	4
4	2	15	1	2	1	*	1	*	1
5+	1	4	1	1	1	0	2	0	1

Base = all family businesses

*denotes less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). R3. Single answer only allowed at this question.

Women-led businesses

Of multiple-management enterprises, 65 per cent had any woman director/partner in day-to-day control of the business. This proportion was significantly higher among family businesses (76 per cent) and, thus, lower than average among non-family businesses. It should be noted that these figures do not take into account women who were in sole control of their businesses.

Nineteen per cent of all SME employers were women-led businesses, defined as controlled by a single woman, or having a management team of which a majority were women. The proportion was lower amongst family businesses than non-family businesses (17 per cent, compared to 22 per cent).

However, family businesses were more likely to be equally led by men and women (32 per cent, compared to eight per cent of non-family businesses) and overall, family businesses were more likely than average to be at least 50 per cent female (50 per cent, compared to 30 per cent of non-family businesses).

Table 3.10: Leadership by gender

	All SME employers	Family businesses	Non-family businesses
(n=)	4768	2666	2102
	%	%	%
Majority-led by women	19	17	22
Equally-led	23	32	8
At least 50% female (majority led & equally led)	42	50	30
Women in a minority	8	7	9
Entirely male-led	49	43	59

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level between family and non-family businesses. R4/R5/R7/U5. Single answer only allowed at this question.

Among family businesses, by employment size, women-led businesses were more prevalent in micros (18 per cent) than in small (14 per cent) or medium-sized businesses (10 per cent).

Women-led businesses were more likely to be in certain sectors. Twenty-three per cent of family businesses in transport, retail and distribution were women-led, as were 30 per cent in other services.

Table 3.11: Whether women led – by sector (SIC 2007)

	All	ABDE Primary	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other service
Family businesses (n=)	2666	158	390	315	868	98	293	176	368
	%	%	%	%	%	%	%	%	%
Women- led	17	9	13	11	23	7	11	14	30
Non-family businesses (n=)	2102	46	281	142	352	157	431	126	567
	%	%	%	%	%	%	%	%	%
Women- led	22	21	10	6	21	12	14	28	46

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). R4/R5/R7/U5. Single answer only allowed at this question.

MEG-led businesses

Seven per cent of SME employers were 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 members from an ethnic minority. The proportion was the same amongst family businesses.

Amongst family businesses there was little difference in this proportion by employment size of business, with seven per cent of both micros and small businesses being MEG-led and five per cent of medium-sized ones.

MEG-led businesses tended to be younger than SME employers generally, and this pattern was also observed amongst family businesses with 12 per cent of businesses formed within the last four years being MEG-led, 10 per cent of those aged four to ten years and six per cent of those aged more than ten years.

There were differences according to UK nation. Only three per cent of family businesses with employees in Scotland were MEG-led, two per cent in Wales and less than one per cent in Northern Ireland. These proportions compare to eight per cent in England.

By sector, MEG-led businesses were most common in transport, retail and distribution (11 per cent), business services (nine per cent) and other services (eight per cent).

Social enterprises

Twenty-four per cent of SME employers viewed their businesses as comprising a social enterprise: a business that has mainly social or environmental aims. The proportion was lower amongst family businesses (22 per cent) than amongst non-family businesses (26 per cent).

Table 3.12: Social enterprises

	SME employers	Family businesses	Non-family businesses
(n=)	4768	2666	2102
	%	%	%
Perceive themselves as social enterprises	24	22	26
Conform to BIS definition of a social enterprise	5	5	6

Base = all SME employers

D1/D2/D4/D5/D6. Single answer only allowed at this question.

The Department for Business, Innovation and Skills has a further definition of a social enterprise such that it requires the enterprise to consider itself a social enterprise as above, but also should not pay more than 50 per cent of profit or surplus to owners or shareholders, should not generate more than 25 per cent of income from grants and donations and, therefore, should not have less than 75 per cent of turnover from trading. In addition, they have to think themselves a very good fit with the statement 'a business with primarily social or environmental objectives, whose surpluses were principally reinvested for that purpose in the business or community rather than mainly being paid to shareholders and owners'.

Under this definition, five per cent of SME employers were considered to be social enterprises and the proportion was the same amongst family businesses.

Amongst family businesses, the proportion that were social enterprises increased to eight per cent of those in the transport, retail and distribution sector and seven per cent of those in the other services sector.

3. Business Performance

This section explores how family businesses have performed in the last twelve months in terms of employment size and turnover and their expectations for performance in the next twelve months and how they differed, if at all, from all SME employers in this respect.

Numbers employed compared to twelve months ago

Nineteen per cent of SME employers employed more people than was the case twelve months earlier. Sixty-four per cent employed the same number and 17 per cent employed fewer.

Family businesses were more likely than non-family businesses to report a decline in staff numbers (18 per cent, compared to 14 per cent), while significantly less likely to report an increase (17 per cent, compared to 22 per cent). Similarly to all SME employers, the propensity to have increased staff numbers grew with employment size, with medium-sized family businesses more likely than all medium-sized SMEs to employ more staff now than twelve months ago.

Table 4.1: Numbers employed now compared to 12 months ago – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4736	1879	1892	965
	%	%	%	%
More than 12m ago	19	17	27	37
Same as 12m ago	64	67	51	47
Fewer than 12m ago	17	16	22	15
Family businesses (n=)	2655	1182	1041	432
	%	%	%	%
More than 12m ago	17	15	23	39
Same as 12m ago	65	67	54	48
Fewer than 12m ago	18	18	23	13
Non-family businesses (n=)	2081	697	851	533
	%	%	%	%
More than 12m ago	22	20	33	35
Same as 12m ago	63	68	47	47
Fewer than 12m ago	14	13	20	18

Base = all SME employers trading for at least one year

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). B1/B2. Single answer only allowed at this question.

By sector, amongst family businesses, increases in employment were more likely than average within the manufacturing and information/communications sectors, while reductions in employment were more likely than average in construction.

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

	All Family business	ABDE Primary	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other service
(n=)	2655	158	390	311	864	98	292	174	368
	%	%	%	%	%	%	%	%	%
More than 12m ago	17	18	25	9	17	22	16	19	17
Same as 12m ago	65	70	56	65	63	64	70	69	65
Fewer than 12m ago	18	12	19	26	20	14	15	12	18

Base = all SME employers trading for at least one year

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). B1/B2. Single answer only allowed at this question.

Numbers of people expected to be employed in twelve months' time

Twenty per cent of SME employers expected to employ more people in twelve months' time, 58 per cent expected to employ the same number and 21 per cent expected to employ fewer.

Again, family businesses were less likely than non-family businesses to expect their workforce to grow in the next twelve months (19 per cent expected an increase, compared to 23 per cent), although a higher proportion (60 per cent, compared to 56 per cent) expected no change and the same proportion as reported amongst non-family businesses (21 per cent) expected to employ fewer.

Table 4.3: Numbers expect to employ in 12 months' time – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
More than now	20	19	29	33
Same as now	58	60	51	50
Fewer than now	21	21	20	16
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
More than now	19	18	25	33
Same as now	60	61	55	49
Fewer than now	21	21	18	17
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
More than now	23	20	33	33
Same as now	56	58	45	50
Fewer than now	21	21	22	16

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). B5/B6. Single answer only allowed at this question.

Amongst family businesses, by employment size, small and medium-sized businesses were more likely to think they would employ more than micros (25 per cent and 33 per cent respectively, compared with 18 per cent of micros).

By sector, those in manufacturing (22 per cent), information/communications (25 per cent) and other services (23 per cent) sectors were more likely than average to think they would employ more, whilst those in construction (21 per cent) and administrative services (28 per cent) were more likely than average to think they would employ fewer people.

Table 4.4: Numbers expect to employ in 12 months' time ago – by sector (SIC 2007)

	All	ABDE Primary	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms	KLM Busi- ness service	N Admin.	PQRS Other service
Family businesses (n=)	2666	158	390	315	868	98	293	176	368
	%	%	%	%	%	%	%	%	%
More than now	19	11	22	17	17	25	22	20	23
Same as now	60	69	62	60	61	55	60	51	56
Fewer than now	21	20	16	21	20	21	18	28	20
Non-family businesses (n=)	2102	46	281	142	352	157	431	126	567
	%	%	%	%	%	%	%	%	%
More than now	23	23	30	14	17	31	29	26	20
Same as now	56	58	53	58	55	58	58	46	57
Fewer than now	21	18	17	26	27	9	12	28	23

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). B5/B6. Single answer only allowed at this question.

Turnover

The mean turnover of an SME employer was £1,033,000. The mean turnover of a family business was lower than average at £864,000 and compared to £1,301,000 amongst non-family businesses.

Turnover varied greatly according to employment size. Amongst family businesses, the mean turnover for a 'micro' was £402,000, £2,429,000 for a small business and £10,348,000 for a medium-sized business.

By sector, mean turnover was highest in manufacturing (£1,358,000) and administration services (£1,480,000) and lowest in the other services sector (£267,000). This result is very much linked to average employment size within sectors.

The mean turnover for businesses aged up to three years was £219,000, compared to £581,000 for those aged four to ten years and £1,051,000 for those aged more than ten years.

Turnover now compared to twelve months previously

Twenty-nine per cent of SME employers had greater turnover (value of sales) than a year previously. Thirty-seven per cent had approximately the same turnover and 31 per cent had lower turnover.

Echoing the trend with regard to employment size, family businesses were more likely than non-family businesses to report lower turnover in the last twelve months (33 per cent, compared to 27 per cent). Fewer family businesses than non-family businesses reported growth in turnover in the last year (28 per cent, compared with 31 per cent).

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

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4682	1844	1875	963
	%	%	%	%
Turnover greater now	29	27	38	50
Same as 12m before	37	37	34	31
Turnover lower now	31	33	25	16
Family businesses (n=)	2655	1182	1041	432
	%	%	%	%
Turnover greater now	28	26	36	49
Same as 12m before	36	36	35	34
Turnover lower now	33	34	27	14
Non-family businesses (n=)	2081	697	851	533
	%	%	%	%
Turnover greater now	31	29	41	52
Same as 12m before	37	38	33	29
Turnover lower now	27	29	22	19

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 (minus the sub-group tested). P2. Single answer only allowed at this question

By sector, businesses in manufacturing, information/communications and business services sectors were more likely than average to report a higher turnover than twelve months previously, while those in construction, transport, retail and distribution, administration services and other services sectors were less likely than average to report this.

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

	All	ABDE Primary	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other service
Family businesses (n=)	2655	158	390	311	864	98	292	174	368
	%	%	%	%	%	%	%	%	%
Turnover greater now	28	32	38	25	25	33	34	24	26
Same as 12m before	36	39	36	34	36	27	38	37	35
Turnover lower now	33	25	24	40	35	32	25	36	35
Non-family businesses n=)	2081	46	280	141	344	156	427	125	562
	%	%	%	%	%	%	%	%	%
Turnover greater now	31	17	42	24	30	41	37	33	24
Same as 12m before	37	49	37	31	37	25	36	46	40
Turnover lower now	27	32	18	39	31	31	24	20	26

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 (minus the sub-group tested). P2. Single answer only allowed at this question.

Expectations of turnover in twelve months' time

Thirty-seven per cent of SME employers expected turnover to increase in the next twelve months, 43 per cent thought it would remain roughly the same and 14 per cent thought it would be less.

Consistent with the trend of the last 12 months, family businesses were less likely than non-family businesses to anticipate an increase in turnover in the next twelve months (34 per cent, compared to 42 per cent), while more likely to expect a decrease (15 per cent, compared to 12 per cent).

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

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
More than now	37	35	44	54
Same as now	43	44	39	34
Less than now	14	14	11	10
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
More than now	34	32	42	49
Same as now	45	45	41	39
Less than now	15	16	13	9
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
More than now	42	40	48	58
Same as now	40	41	38	29
Less than now	12	12	10	11

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). P7. Single answer only allowed at this question.

Amongst family businesses (as was the case amongst non-family businesses), medium-sized (49 per cent) and small businesses (42 per cent) were more likely to expect higher turnover than micros (32 per cent).

As with expectations for employment in the next twelve months, those more likely than average to expect higher turnover were in information/communications (41 per cent) and business services (43 per cent) sectors, whereas those in construction, primary and administration sectors were less likely to expect an increase.

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

	All	ABDE Primary	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other service
Family businesses (n=)	2666	158	390	315	868	98	293	176	368
	%	%	%	%	%	%	%	%	%
More than now	34	25	36	26	33	41	43	31	39
Same as now	45	48	45	49	45	42	41	43	41
Less than now	15	20	15	18	14	14	11	18	17
Non-family businesses (n=)	2102	46	281	142	352	157	431	126	567
	%	%	%	%	%	%	%	%	%
More than now	42	29	54	37	37	55	47	42	34
Same as now	40	49	33	33	44	37	37	39	45
Less than now	12	21	6	18	10	5	12	11	14

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). P7. Single answer only allowed at this question.

Profit

Seventy-two per cent of SME employers generated a profit in their last financial year, and the proportion was statistically similar amongst family businesses (73 per cent), and the proportion was slightly lower amongst non-family businesses (70 per cent).

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

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
Yes - profit	72	71	75	86
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
Yes - profit	73	72	76	88
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
Yes - profit	70	69	73	84

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). D3. Single answer only allowed at this question.

Amongst family businesses, reflecting the pattern amongst all SME employers, small and medium-sized businesses were more likely to have generated a profit than micros.

By sector, businesses in the business services sector (86 per cent) were more likely than average to have made a profit, whilst those in the transport, retail and distribution sector (68 per cent) were less likely than average to have done so.

Plans for closure or transfer of business

Nine per cent of SME employers anticipated the closure of their business in the next five years. The proportion of family businesses that anticipated the closure of their business was also nine per cent and compared to a slightly lower proportion amongst non-family businesses (seven per cent). Family businesses were, however, more likely than non-family businesses to anticipate the full transfer of ownership (17 per cent, compared to 11 per cent). Seventy per cent of SME employers did not think either of these things would happen and fewer family businesses (68 per cent) were in this position (75 per cent of non-family businesses).

Table 4.10: Plans for closure or transfer of business in the next 5 years – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	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
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
Yes – anticipate closure	9	11	4	1
Yes – anticipate full transfer	17	17	18	13
Neither	68	66	73	80
Don't know	6	7	6	6
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
Yes – anticipate closure	7	8	2	1
Yes – anticipate full transfer	11	10	12	14
Neither	75	73	80	80
Don't know	8	8	6	6

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

Micro-businesses were more likely to anticipate closure than small and medium-sized ones and there was no difference between all medium-sized businesses and family-owned medium-sized businesses in this respect.

Of those family businesses anticipating the transfer of their business, 33 per cent will pass ownership to somebody within their own family. This was, of course, a significantly higher proportion than that seen across non-family businesses (just 6 per cent). This was more likely to be the case for micro-businesses (34 per cent, compared to 24 per cent of medium-sized businesses) and for those in construction (71 per cent).

Sixty-three per cent of family businesses anticipating the transfer of their business expected to sell outside of their family (87 per cent of non-family businesses), with family businesses in transport, retail and distribution (76 per cent) and information/communications (97 per cent) most likely to do this.

4. Growth

This section summarises the characteristics and activities of family businesses with regard to growth and compares them to non-family businesses.

Plans for growth

Sixty-eight per cent of SME employers aimed to grow their business over the next two to three years. The proportion was lower amongst family businesses (66 per cent) than non-family businesses (72 per cent). Plans for growth increase in likelihood with employment size.

Table 5.1: Whether aim to grow business over the next two to three years – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
Aim to grow	68	66	78	87
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
Aim to grow	66	64	75	86
Non family businesses (n=)	2102	713	856	533
	%	%	%	%
Aim to grow	72	69	83	88

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). F1. Single answer only allowed at this question.

Amongst family businesses, by sector, those in manufacturing (75 per cent), business services (73 per cent) and administrative services (79 per cent) were more likely than average to aim to grow their businesses. Those in primary (53 per cent) and other services (58 per cent) were less likely than average to aim to grow.

Table 5.2: Whether aim to grow business over the next two-three years – by sector (SIC 2007)

	All	ABDE Primary	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other service
Family businesses (n=)	2666	158	390	315	868	98	293	176	368
	%	%	%	%	%	%	%	%	%
Aim to grow	66	53	75	62	63	64	73	79	58
Non-family businesses (n=)	2102	46	281	142	352	157	431	126	567
	%	%	%	%	%	%	%	%	%
Aim to grow	72	65	79	67	69	83	78	79	63

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). F1. Single answer only allowed at this question.

Of all family businesses aiming to grow, 17 per cent were very likely to seek external finance to achieve this growth, with 18 per cent being fairly likely, 21 per cent not very likely and 42 per cent not at all likely. There was a similar picture amongst non-family businesses although, overall, fewer thought it likely they would seek external finance to achieve growth (32 per cent very/fairly likely, compared to 35 per cent of family businesses).

Amongst family businesses, most likely to do this were medium-sized businesses (43 per cent were likely to seek external finance) and those in the primary sector (69 per cent).

How growth will be achieved

SME employers that aimed to grow were asked how this might be achieved.

Table 5.3: How growth will be achieved

	SME employers	Family businesses	Non-family businesses
(n=)	3577	1893	1664
	%	%	%
Increase skills of the workforce	74	73	76
Increase turnover by exploiting new markets	69	71	67
Reduce costs by increasing the productivity of workers	65	66	64
Develop and launch new products/ services	65	65	66
Employ more staff	64	64	66
Increase the leadership capability of managers	61	61	62

Base = all SME employers looking to grow in the next 2-3 years. Figures in bold were statistically significant at the 95% confidence level between family and non-family businesses. F3. Multiple answers allowed at this question.

This was a prompted question, meaning that possible ways of achieving growth were read out to the respondents. Amongst family businesses aiming to grow, seventy-three per cent said they would increase the skills of the workforce, 71 per cent would increase turnover by exploiting new markets, 66 per cent would reduce costs by increasing productivity, 65 per cent would develop and launch new products or services, 64 per cent would employ more staff and 61 per cent would increase the leadership capability of their managers. Although the objective of growth was the key determining factor of plans in this area, family businesses were less likely than non-family businesses to be planning to increase the skills of the workforce or to employ more staff. They were, however, more likely to be planning to increase turnover by exploiting new markets.

5. Business Capability

This section explores how family businesses perform on a range of different measures such as how strong or poor they feel they were across a range of business management tasks and in innovating, exporting, training, adapting to new technology and in reducing their environmental impact.

Perceptions of business capability

First respondents were asked how capable they felt their business was in performing a number of tasks which were usually considered important to running a successful business. Respondents answered on a five point numeric scale, with a score of one to two indicating that they thought they were poor at a task and a score of four to five indicating that they thought they were strong at the task.

Table 6.1: Perception of whether the business is strong or poor at business activities

		SME employers	Family businesses	Non-family businesses
(n=)		4768	2666	2102
		%	%	%
Taking decisions on regulation and tax issues	Strong	62	62	62
	Poor	9	9	10
People management, such as recruitment and delegation	Strong	57	55	59
	Poor	11	12	13
Developing and implementing a business plan and strategy	Strong	55	53	58
	Poor	13	15	9
Operational improvement, e.g. adopting industry best practice	Strong	54	54	54
	Poor	12	11	12
Using formalised business systems such as customer information records	Strong	42	41	45
	Poor	23	24	21
Developing and introducing new products and services	Strong	40	40	40
	Poor	22	22	22
Entering new markets	Strong	23	23	24
	Poor	33	33	33
Accessing external finance	Strong	18	19	18
	Poor	42	42	42

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level between family and non-family businesses. F4. Multiple answers allowed at this question.

Compared to non-family businesses, family businesses were less likely to consider themselves strong with regard to people management and developing and implementing a business plan or strategy, but otherwise did not differ in the extent to which they considered themselves capable in any area.

For most tasks medium-sized businesses were the most likely to think they were capable, followed by the small and then the micros. Amongst family businesses, as amongst all SME employers, there are some large differences by sector, which are discussed below.

Taking decisions on regulation and tax issues

Sixty-two per cent of family businesses considered themselves strong when taking decisions on regulation and tax issues, whilst nine per cent considered themselves poor at this. Most likely to consider themselves strong for this measure were those in the business services sector (70 per cent), while those in construction (14 per cent) were most likely to consider themselves poor.

People management, such as recruitment and delegation

Fifty-five per cent of family businesses considered themselves strong at people management, such as recruitment and delegation, while 12 per cent considered themselves to be poor at this. Most likely to consider themselves strong at this were those in the other services sector (60 per cent). Most likely to think they were poor at this were those in construction (18 per cent) and administration services (18 per cent). Businesses aged up to three years were more likely to think that they were strong at this (70 per cent) and the propensity to consider themselves strong in this area increased with employment size (54 per cent of micros; 64 per cent of small and 69 per cent of medium-sized businesses).

Operational improvement, e.g. adopting industry best practice

Fifty-four per cent of family businesses considered themselves strong at operational improvement, e.g. adopting industry best practice, while 11 per cent considered themselves poor at this. Most likely to consider themselves strong at this were those in other services (56 per cent), while most likely to think they were poor were those in manufacturing (14 per cent) and transport, retail and distribution (13 per cent). Businesses aged up to three years were more likely to think that they were strong at this (65 per cent). Seventy-one per cent of medium-sized businesses considered themselves strong in this area.

Using formalised business systems such as customer information records

Forty-one per cent of family businesses considered themselves strong at using formalised business systems such as customer information records, while 24 per cent considered themselves poor at this. Most likely to consider themselves strong were those in the information/communications (49 per cent) and administration services (48 per cent) sectors, while most likely to think they were poor were those in construction (30 per cent). Around half of small (49 per cent) and medium-sized (54 per cent) family businesses considered themselves strong in this area, compared to 40 per cent of micros.

Developing and introducing new products and services

Forty per cent of family businesses considered themselves strong at developing and introducing new products and services, while 22 per cent considered themselves poor at this. Most likely to consider themselves strong were those in manufacturing (50 per cent), and the information/communications sector (53 per cent), while most likely to think they were poor were those in construction (31 per cent) and primary industries (31 per cent).

Businesses aged up to three years were more likely to think that they were strong at this (56 per cent).

Entering new markets

Twenty-three per cent of SME employers considered they were strong at entering new markets, while 33 per cent considered they were poor at this. Most likely to consider that they were strong were those in manufacturing (36 per cent) and the information/communications sector (33 per cent), while most likely to think they were poor were those in construction (39 per cent). Family businesses established for less than four years were more likely than those longer established to have considered themselves strong in this area (32 per cent).

Table 6.2: Perception of whether the business is strong at business activities - by sector (SIC 2007)

	All	ABDE Primary	C Manu- fact	F Constr uction	GHI TRAD	J Info- comm	KLM Busi- ness serv.	N Admin	PQRS Other serv.
Family businesses (n=)	2666	158	390	315	868	98	293	176	368
	%	%	%	%	%	%	%	%	%
Regulation/tax	62	58	57	62	60	64	70	66	63
People management	55	43	54	51	58	58	55	58	59
Bus. plan/strategy	53	56	52	46	53	53	59	53	52
Operational improvement	54	64	51	55	50	52	54	62	56
New product/service	40	19	50	31	47	53	29	40	45
Business systems	41	24	40	35	39	49	46	48	55
New markets	23	14	36	17	21	33	22	29	23
External finance	19	35	18	16	19	15	16	23	18
Non-family businesses (n=)	2102	46	281	142	352	157	431	126	567
	%	%	%	%	%	%	%	%	%
Regulation/tax	62	69	62	60	58	45	70	64	62
People management	59	37	59	52	66	48	54	55	65
Bus. plan/strategy	58	28	60	50	60	60	59	64	56
Operational improvement	54	35	51	49	49	55	58	53	60
New product/service	22	29	52	31	43	62	33	42	38
Business systems	45	53	53	44	34	46	46	44	52
New markets	24	29	28	24	26	35	20	32	15
External finance	18	20	24	14	14	14	19	18	22

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). F4. Multiple answers allowed at this question.

Accessing external finance

Nineteen per cent of family businesses considered that they were strong at accessing external finance (compared to 18 per cent of non-family businesses), while 42 per cent considered that they were poor at this. Most likely to consider that they were strong were those in the primary sector (35 per cent), while most likely to think they were poor were those in the information/communications sector (54 per cent). Amongst family businesses there was little difference by the age of the business, although longer established businesses were more likely to consider themselves strong at accessing finance (20 per cent) than younger businesses (15 per cent of those established less than four years and 17 per cent of those aged four to ten).

Business Capability: Innovation

Forty-two per cent of family businesses had introduced new or significantly improved products or services in the last twelve months. Thirty per cent had introduced new or significantly improved processes in the last twelve months. Family businesses were similar to non-family businesses in terms of the propensity to have introduced new or significantly improved products or services (44 per cent of non-family businesses) whilst less likely than non-family businesses to have introduced new or significantly improved processes (38 per cent of non-family businesses).

Table 6.3: Whether introduced new or significantly improved products/services or processes in the last 12 months – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	2367	955	921	491
	%	%	%	%
Products/services	43	42	47	55
Processes	33	31	42	52
Family businesses (n=)	1319	588	523	208
	%	%	%	%
Products/services	42	41	47	59
Processes	30	27	42	52
Non-family businesses (n=)	1048	367	398	283
	%	%	%	%
Products/services	44	43	48	52
Processes	38	37	43	52

Base = all SME employers (half sample only)

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). J1/J3. Single answer only allowed at this question.

New products and services

By sector amongst family businesses, those in information/communications (61 per cent), manufacturing (51 per cent), transport, retail and distribution (50 per cent) and other services (48 per cent) sectors were more likely than average to have introduced new products or services, while those in primary (22 per cent), construction (35 per cent), business services (35 per cent) and administrative services (33 per cent) sectors were less likely than average to have done so.

Table 6.4: Whether introduced new or significantly improved products/services in the last 12 months – by sector (SIC 2007)

	All	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other service
Family businesses (n=)	1319	186	165	428	47	155	86	177
	%	%	%	%	%	%	%	%
Products/ services	42	51	35	50	61	35	33	48
Non-family businesses (n=)	1048	144	74	173	76	208	59	289
	%	%	%	%	%	%	%	
Products/ services	44	32	25	34	54	45	37	43

Base = all SME employers (half sample only)

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). J1. Single answer only allowed at this question.

Younger family businesses were more likely to have introduced new products or services (59 per cent of those aged up to three years, 46 per cent of those aged four to ten years and 39 per cent of those aged over ten years). Family businesses engaged in exporting were more likely to have introduced new products or services (55 per cent, compared to 40 per cent of non-exporters).

Across all SME employers introducing new products or services, 17 per cent of these products or services were completely new and 82 per cent just new to the business. Amongst family businesses doing so, 15 per cent were completely new and 84 per cent just new to the business. This compares to 20 per cent and 80 per cent respectively of non-family businesses. Family-owned businesses in the other services sector was the most likely to have introduced completely new services (27 per cent of those who introduced any new services).

New processes

Amongst family businesses the introduction of new or better processes was most likely to have happened in information/communications sector (50 per cent).

There was little difference by the age of the business, although longer established businesses were less likely than average to have introduced new or better processes (27 per cent). The proportion was higher amongst family businesses engaged in exporting (46 per cent, compared to 27 per cent of non-exporters).

Table 6.4: Whether introduced new or significantly improved processes in the last 12 months – by sector (SIC 2007)

	All	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other service
Family businesses (n=)	1319	186	165	428	47	155	86	177
	%	%	%	%	%	%	%	%
Processes	30	35	21	31	50	34	32	27
Non-family businesses (n=)	1048	281	142	352	157	431	126	567
	%	%	%	%	%	%	%	%
Processes	38	54	8	17	59	21	28	7

Base = all SME employers (half sample only)

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). J1. Single answer only allowed at this question.

Across all SME employers introducing new processes, 14 per cent of processes were completely new and 86 per cent just new to the business. Amongst family businesses doing so, 12 per cent were completely new and 88 per cent just new to the business. This compared to 16 per cent and 84 per cent respectively amongst non-family businesses. Amongst family businesses, the business services sector was the most likely to have introduced completely new processes (19 per cent).

Applying for tax credits in respect of innovation

Eleven per cent of SME employers applied for tax credits in respect of innovation in the last three years, with most of those that applied receiving them (ten per cent of all SME employers). The proportion was higher amongst family businesses (13 per cent) than non-family businesses (nine per cent), with, again, most having received them (12 per cent of all family businesses; eight per cent of non-family businesses).

Amongst family businesses, tax credits were most likely to have been received in the primary sector (23 per cent) and least likely in the manufacturing and construction sectors (six and five per cent respectively). Most likely to have applied for, but not received, tax credits were those in the other services sector (four per cent).

Twenty-nine per cent of family businesses aged up to three years received tax credits, compared to just nine per cent of those aged over ten years.

Business Capability: Exporting

Nineteen per cent of SME employers reported that they sell goods or services or licence products outside of the UK. The proportion was significantly lower amongst family businesses (17 per cent) than non-family businesses (22 per cent).

Table 6.5: Whether sell goods or services or licence products outside of the UK – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
Yes - export	19	17	26	40
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
Yes - export	17	16	24	38
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
Yes - export	22	19	29	42

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). C1. Single answer only allowed at this question.

Amongst family businesses, the propensity to export increased with employment size to 38 per cent of medium-sized family businesses.

By sector amongst family businesses, those in information/communications (40 per cent), manufacturing (35 per cent), business services (26 per cent) and administration services (23 per cent) show the greatest propensity to export. Businesses in the primary (nine per cent), construction (five per cent), transport, retail and distribution (15 per cent) and other services (ten per cent) were less likely than average to export.

Table 6.6: Whether sell goods or services or licence products outside of the UK – by sector (SIC 2007)

	All	ABDE Primary	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other service
Family businesses (n=)	2666	158	390	315	868	98	293	176	368
	%	%	%	%	%	%	%	%	%
Yes - export	17	9	35	5	15	40	26	23	10
Non-family businesses (n=)	2102	46	281	142	352	157	431	126	567
	%	%	%	%	%	%	%	%	%
Yes - export	22	20	54	8	17	59	21	28	7

Base = all SME employers

* = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question.

By nation, family businesses in Northern Ireland were more likely than average to export (23 per cent compared to 18 per cent in England, 14 per cent in Scotland and 11 per cent in Wales).

Three per cent of family businesses not currently exporting planned to do so in the next twelve months. This was the same proportion as reported amongst non-exporting businesses that were not family owned.

For those family businesses not currently exporting and with no plans to do so, the main reason that was given spontaneously was not having a product or service suitable for exporting (65 per cent; 67 per cent of non-family businesses). Twenty per cent said it was not part of their business plan (as was the case amongst non-family businesses) and 11 per cent stated that they had sufficient business in the UK already (again, as amongst non-family businesses). Only a very small proportion spontaneously stated that they did not have knowledge of how to export (two per cent) had difficulties finding overseas customers (two per cent) or had difficulties identifying opportunities (one per cent). Four per cent mentioned that it was too costly and two per cent lacked the management time to pursue export opportunities.

Of those not currently exporting (both family and non-family businesses), nine per cent had received any solicited enquiries or orders from potential overseas buyers. However, of family businesses that had received these enquiries, only 13 per cent had plans to export in the next twelve months, although this is a higher proportion than reported amongst SME employers (ten per cent).

Business Capability: Training

Sixty per cent of SME employers arranged or funded any training in the past twelve months. The proportion amongst family businesses was similar (59 per cent), while the proportion amongst non-family businesses was slightly higher (61 per cent).

Larger employers were more likely to have arranged or funded any training.

Table 6.7: Whether business have arranged or funded training or development for staff in the last 12 months – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	2380	938	971	471
	%	%	%	%
Yes - any	60	54	86	92
Family businesses (n=)	1336	589	532	215
	%	%	%	%
Yes - any	59	54	85	93
Non-family businesses (n=)	1044	349	439	256
	%	%	%	%
Yes - any	61	54	87	92

Base = all SME employers (half sample)

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). N1. Single answer only allowed at this question.

Overall, 39 per cent of family businesses provided off-the-job training and 37 per cent provided informal on-the-job training, which compares to 43 per cent and 34 per cent respectively of non-family businesses.

Table 6.8: Whether business have arranged or funded training or development for staff in the last 12 months of different types – by sector (SIC 2007)

	Family businesses	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other services
Family businesses (n=)	1336	202	152	431	51	148	86	189
	%	%	%	%	%	%	%	%
Yes - any	59	60	67	50	57	59	59	74
- Off the job	39	38	53	30	39	38	43	48
- On the job	37	41	39	34	35	41	27	44
No - none	41	40	33	50	43	41	41	26
Non-family businesses (n=)	1044	137	73	176	79	225	66	264
	%	%	%	%	%	%	%	%
Yes - any	61	69	75	48	64	64	58	67
- Off the job	43	48	61	28	46	50	40	50
- On the job	34	37	36	33	36	34	39	31
No - none	39	31	25	52	36	36	42	33

Base = all SME employers (half sample)

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). N1. Multiple answers allowed at this question.

Amongst family businesses, off-the-job training was most likely to have been provided by those in the construction (53 per cent) and other services (48 per cent) sectors. Those in the transport, retail and distribution sectors were the least likely to have provided any training (50 per cent).

Table 6.9 who received training in the last 12 months – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	2380	938	971	471
	%	%	%	%
Yes - any	60	54	86	92
- Any managers	32	27	53	80
- Other employees only	28	27	33	12
No - none	40	46	14	8
Family businesses (n=)	1336	589	532	215
	%	%	%	%
Yes - any	59	54	85	93
- Any managers	29	25	51	75
- Other employees only	30	29	34	18
No - none	41	56	15	7
Non-family businesses (n=)	1044	349	439	256
	%	%	%	%
Yes - any	61	54	87	92
- Any managers	36	29	57	78
- Other employees only	25	25	30	14
No - none	39	46	13	8

Base = all SME employers (half sample)

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). N1/N2. Single answer only allowed at this question.

Twenty-nine per cent of family businesses provided any training for managers. This was lower than the proportion of non-family businesses that did so (36 per cent). This was more likely to be the case for the larger family businesses and for those in business services (38 per cent) and other services (46 per cent) sectors.

Of those family businesses providing training for managers, 75 per cent provided off-the-job and 55 per cent informal on-the-job training. This compares to 78 per cent and 56 per cent respectively of non-family businesses that provided training for managers.

Forty-seven per cent of this management training was designed to lead to a formal qualification within family businesses, compared to 54 per cent within non-family businesses. In terms of the subjects addressed by training, 81 per cent of family businesses that provided training provided technical, practical or job-specific skills training (78 per cent of non-family businesses), 57 per cent training on health and safety (57 per cent of non-family businesses), 32 per cent in leadership and management skills (43 per cent of non-family businesses), 26 per cent in IT skills (33 per cent of non-family businesses) and 25 per cent in team working skills (32 per cent of non-family businesses).

Eighty-six per cent of family businesses providing training to managers used an external provider (88 per cent within non-family businesses). Most likely to be used were private training consultants or companies (71 per cent; 70 per cent of non-family businesses) and Further Education colleges (21 per cent; the same proportion as amongst non-family businesses). Universities were used by nine per cent (12 per cent of non-family businesses). In Northern Ireland, 12 per cent of those providing management training used the Department for Employment and Learning and nine per cent used Invest NI.

Eighty-three per cent of family businesses who provided management training funded the training themselves. The proportion was higher within non-family businesses (88%). In 12 per cent of cases (14 per cent within non-family businesses), managers funded their own training and 16 per cent of family businesses received an external fund or grant (as in non-family businesses). [Note: these funding arrangements were not mutually exclusive and some SMEs' management training was funded in more than one way.] Grants were more likely to be received by family businesses in the other services sector (by 33 per cent of those providing management training in this sector).

Of those not providing training for managers, 14 per cent of family businesses had considered it but had not done so (compared to 15 per cent of non-family businesses). The main reasons for not providing management training were because this training was not considered a priority (60 per cent; 54 per cent of non-family businesses), because of lack of money for external courses (eight per cent; nine per cent of non-family businesses), because no relevant training was available (seven per cent; eight per cent of non-family businesses) and because managers were too busy to attend training (seven per cent; five per cent of non-family businesses).

Business Capability: Technology

Ninety-two per cent of family businesses had internet access which they used for business purposes. This is a similar proportion to non-family businesses (93 per cent). The vast majority of these (99 per cent) had broadband, meaning that 90 per cent of all family businesses had broadband (92 per cent of non-family businesses).

Amongst family businesses, broadband was accessed by 97 per cent of small and 98 per cent of medium-sized businesses, but only by 89 per cent of micros.

By sector, businesses in manufacturing (93 per cent), construction (93 per cent), administration services (also 93 per cent), information/communications (all the family businesses in this sector) and business services (98 per cent) were the most likely to have broadband. Those in transport, retail and distribution (86 per cent) and other services (87 per cent) sectors were the least likely to have it.

Table 6.10: Whether have broadband – by sector (SIC 2007)

	All	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other services
Family businesses (n=)	1309	208	134	419	52	149	149	177
	%	%	%	%	%	%	%	%
Yes - broadband	90	93	93	86	100	98	93	87
Non-family businesses (n=)	1078	144	74	199	79	211	62	284
	%	%	%	%	%	%	%	%
Yes - broadband	92	94	92	83	99	99	96	91

Base = all SME employers (half sample only)

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). O1a. Single answer only allowed at this question.

Three-quarters of family businesses with broadband access (76 per cent) used the internet for paying taxes online, which is a higher proportion than reported amongst non-family businesses (71 per cent). Two-thirds promoted goods and services through a website (67 per cent), but this is a lower proportion than was reported by non-family businesses (75 per cent). Two-thirds again (66 per cent) got advice on regulation and this was more likely than amongst non-family businesses (60 per cent), while 61 per cent sought general business advice through it (57 per cent of non-family businesses) and 40 per cent used it to sell goods and service through a website (43 per cent of non-family businesses).

Table 6.11: Uses of the internet

	All SME employers	Family businesses	Non-family businesses
(n=)	2269	1252	1044
	%	%	%
Paying taxes online	74	76	71
Promoting goods and services through a website	70	67	75
Advice on regulation	64	66	60
Seeking general business advice	59	61	57
Selling goods and services through a website	41	40	43
None of these	5	6	6

Base = all SME employers (half sample) that have broadband access

Figures in bold were statistically significant at the 95% confidence level between family and non-family businesses. O1b. Multiple answers allowed at this question.

Sixty-six per cent of family businesses had their own website. The proportion was higher amongst non-family businesses (78 per cent). Amongst family businesses, this proportion increased from 63 per cent of micros, to 83 per cent of small businesses to 97 per cent for medium-sized businesses. The proportion was highest in the information/communications sector (90 per cent), in manufacturing (73 per cent), in business services (73 per cent) and in administrative services (73 per cent), but lower in primary (35 per cent), transport, retail and distribution (64 per cent) and construction (63 per cent) sectors.

The majority of family businesses with internet access had access to the internet at work (88 per cent) or at home (84 per cent). Family businesses did not differ from non-family businesses in this respect, although they were less likely to have internet access via a smart phone (47 per cent, compared with 56 per cent of non-family businesses).

Business Capability: Environment

Two-thirds of family businesses (67 per cent) had taken any steps to reduce the environmental impact they make, such as reducing energy consumption, waste reduction or switching to recycled/sustainable materials and the proportion of non-family businesses that had done so was similar (66 per cent). Larger family businesses (as was the case across all SME employers) were more likely to have done this than micros.

Table 6.12: Whether taken any steps to reduce environmental impact – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	2402	956	951	495
	%	%	%	%
YES – ANY	67	65	77	85
- A lot of steps	20	18	25	33
- A few steps	47	46	52	52
NO - NOTHING	33	35	22	14
Family businesses (n=)	1368	613	522	233
	%	%	%	%
YES – ANY	67	65	79	85
- A lot of steps	20	19	27	29
- A few steps	47	46	52	56
NO - NOTHING	33	35	21	15
Non-family businesses (n=)	1034	343	429	262
	%	%	%	%
YES – ANY	66	64	75	86
- A lot of steps	19	17	22	37
- A few steps	48	47	52	49
NO - NOTHING	33	36	24	14

Base = all SME employers (half sample only)

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). M1. Single answer only allowed at this question.

By sector amongst family businesses, those in primary (85 per cent) and manufacturing (84 per cent) sectors were the most likely to have acted to reduce their environmental impact and those in information/communication (54 per cent), other services (59 per cent) and business services (60 per cent) sectors the least likely.

Family businesses that had reduced their environmental impact had done so by increased waste recycling (54 per cent; 60 per cent of non-family businesses), reduction in the energy used to heat and light their premises (32 per cent; 31 per cent of non-family businesses), reduction in paper consumption or starting recycling of paper (22 per cent; 30 per cent of non-family businesses), reduction in energy used in business processes (21 per cent; 22 per cent of non-family businesses), changes in their products and services to reduce waste (13 per cent; 12 per cent of non-family businesses) and/or increase in energy use from renewable sources (13 per cent; as within non-family businesses). Improved fuel efficiency was achieved by ten per cent of these family businesses (six per cent of non-family businesses), eight per cent reduced usage of environmentally damaging products (as within non-family businesses) and seven per cent reduced water consumption (four per cent of non-family businesses).

Of family businesses reducing their environmental impact, 28 per cent did so to comply with regulations and 62 per cent took additional steps above those required by regulations. Non-family businesses are more likely to have done so as additional steps (66 per cent) and less likely to have done so to comply with regulations (25 per cent).

6. Access to Finance

This section deals with the subject of business finance and access to external finance in particular.

Whether sought finance in the last twelve months

Twenty four per cent of SME employers had sought finance in the twelve months preceding interview. This proportion was similar amongst family businesses (25 per cent). This was more likely to be the case for larger SMEs.

Table 7.1: Whether sought finance in the last 12 months – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
YES - ANY	24	22	32	34
- Once	16	16	19	18
- More than once	8	7	12	15
NO	75	77	65	61
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
YES - ANY	25	24	32	36
- Once	18	17	20	20
- More than once	8	7	12	16
NO	73	75	64	58
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
YES - ANY	22	19	31	32
- Once	14	13	18	17
- More than once	8	7	13	15
NO	77	79	66	63

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

By sector, family businesses in primary industries were the most likely to have sought finance (46 per cent) and those in administration services the most likely to have sought finance more than once (16 per cent).

Table 7.2: Whether sought finance in the last 12 months – by sector (SIC 2007)

	All	ABDE Primary	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms.	KLM Busi- ness service	N Admin.	PQRS Other service
Family businesses (n=)	2666	158	390	315	868	98	293	176	368
	%	%	%	%	%	%	%	%	%
YES - ANY	25	46	23	26	23	22	23	29	24
- Once	18	34	17	20	17	12	14	14	17
- More than once	8	13	7	6	6	9	9	16	7
NO	73	53	76	73	77	78	75	70	73
Non-family businesses (n=)	2102	46	281	142	352	157	431	126	567
	%	%	%	%	%	%	%	%	%
YES - ANY	22	19	17	23	22	21	22	24	22
- Once	14	12	12	15	17	13	13	13	12
- More than once	8	7	5	8	6	7	9	11	10
NO	77	81	83	78	78	79	78	76	78

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H4. Single answer only allowed at this question.

Younger family businesses were more likely to have applied for finance than older ones (38 per cent of those aged up to three years, 28 per cent of those aged four to ten years and 23 per cent of those aged over ten years).

Reasons for applying/not applying for finance

Of those family businesses that applied for finance, 53 per cent did so to acquire working capital or for cash flow reasons, 25 per cent to acquire capital equipment or vehicles, ten per cent to buy land or buildings and nine per cent to improve buildings. Family businesses cited similar reasons to those cited by non-family businesses but non-family businesses were more likely to have applied for finance to obtain working capital (60 per cent).

Table 7.3: Reason for applying for finance

	All SME employers	Family businesses	Non-family businesses
n=	1409	806	603
	%	%	%
Working capital, cash flow	56	53	60
Capital equipment or vehicles	23	25	18
Buying land or buildings	9	10	7
Improving buildings	8	9	6
Research & development	5	3	7
Buying another business	2	2	2
Marketing	2	1	3
Business expansion/growth	2	2	3
Refinancing	2	2	3
Training/staff development	1	1	2
Management buy out	1	1	*
Acquiring intellectual property	*	*	*
Other	1	*	3
Don't know/refused	*	1	1

Base = all SME employers that applied for finance in the last 12 months

* = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level for SBS 2012 against SBS 2010. H5. Multiple answers allowed at this question.

Working capital/cash flow was more likely to be the reason for seeking finance among micros (55 per cent) than small (50 per cent) and medium-sized businesses (32 per cent). Conversely, medium-sized businesses were more likely to seek finance to acquire equipment or vehicles (35 per cent) than small and micro businesses (26 and 24 per cent respectively). Forty per cent of manufacturing businesses that sought finance did so to acquire equipment or vehicles.

Of those family businesses not applying for finance in the previous twelve months, 15 per cent (14 per cent of non-family businesses) had a need for finance. Among these, the reason for not actually applying were because they did not want to take on additional risk (53 per cent; 60 per cent of non-family businesses), they thought it would be too expensive (52 per cent; 50 per cent of non-family businesses), they did not think it was the right time to seek finance because of economic conditions (47 per cent; 44 per cent of non-family businesses), they thought their application would be rejected (43 per cent; 50 per cent of non-family businesses) or they did not know where to find the appropriate finance (22 per cent; 20 per cent of non-family businesses). All of these were more likely to be concerns for micro and small businesses (that needed finance but did not apply) than for medium-sized ones.

Table 7.4: Reason for not applying for finance – by employment size

	Family businesses with a need that did not apply	Micro (1-9)	Small (10-49)	Medium (50-249)
(n=)	259	138	88	33
	%	%	%	%
Did not want to take on additional risk	53	53	54	33
Thought it would be too expensive	52	53	48	29
Now is not the right time because of economic conditions	47	48	42	33
Thought would be rejected	43	44	36	20
Did not know where to find the appropriate finance	22	24	10	5
Other reasons	14	13	16	16
Don't know/refused	3	3	6	19

Base = all SME employers that had a need for finance but did not apply

H17. Multiple answers allowed at this question.

Type of finance sought

Forty-eight per cent of the SME employers that sought finance in the previous twelve months applied for bank loans. The proportion amongst family businesses is higher than amongst non-family businesses (51 per cent, compared to 43 per cent of non-family businesses). Family businesses were more likely to have applied for bank overdrafts (38 per cent, compared to 28 per cent). They were less likely to have applied for a grant (just three per cent, compared to 14 per cent).

Table 7.5: Type of finance sought

	SME employers that sought finance	Family businesses	Non-family businesses
(n=)	1409	806	603
	%	%	%
Bank loan	48	51	43
Bank overdraft	35	38	28
Leasing or hire purchase	8	10	6
Grant	7	3	14
Factoring/invoice discounting	6	6	5
Mortgage	3	4	1
Loan from family/business	3	1	6
Credit card finance	3	2	4
Equity finance	2	2	4
Peer to peer/crowd funding	1	*	1
Loan from a CDFI	*	*	1
Mezzanine finance	*	*	1

Base = all SME employers that applied for finance in the last 12 months

* = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level for family businesses against non-family businesses at the 95% confidence level. H6. Multiple answers allowed at this question.

Amount of finance sought

Twenty-one per cent of family businesses that sought finance sought less than £10,000. Only two per cent sought more than £1 million.

Table 7.6: Amount of finance sought

	SME employers that sought finance	Family businesses	Non-family businesses
(n=)	1409	806	603
	%	%	%
Less than £10,000	20	21	19
£10,000 - £24,999	26	27	26
£25,000 - £49,999	12	13	11
£50,000 - £99,999	13	13	12
£100,000 – £249,999	11	13	8
£250,000 - £499,999	4	3	6
£500,000 - £999,999	3	3	3
£1 million or more	3	2	5
Don't know/refused	8	6	10

Base = all SME employers that applied for finance in the last 12 months

Figures in bold were statistically significant at the 95% confidence level for family businesses against non-family businesses. H7. Single answer only allowed at this question.

Unsurprisingly, larger SMEs tended to apply for more finance – with 24 per cent of medium-sized businesses applying for finance in excess of £1 million, compared to just five per cent of small businesses and one per cent of micros. The reverse is true at the lower end, with 25 per cent of micros applying for finance under £10,000, compared to four per cent of small businesses and one per cent of medium-sized businesses.

Difficulties in obtaining finance

Forty-eight per cent of family businesses that applied for finance had some form of difficulty getting the money from the first source they approached. This compared to 45 per cent of non-family businesses that applied for finance. Thirty-six per cent were unable to obtain any finance (26 per cent of non-family businesses), six per cent obtained some finance but not all they needed (seven per cent of non-family businesses) and seven per cent obtained all they needed, but with some difficulties (12 per cent of non-family businesses).

Table 7.7: Any difficulty obtaining finance from first source approached – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
SME employers that applied for finance (n=)	1409	447	624	338
	%	%	%	%
ANY DIFFICULTY	47	50	39	29
- Unable to obtain any finance	32	35	25	14
- Obtained some but not all	6	6	5	6
- Obtained all but with difficulty	9	9	9	9
NO DIFFICULTIES	49	47	55	69
Family businesses that applied for finance (n=)	806	299	344	163
	%	%	%	%
ANY DIFFICULTY	48	51	39	24
- Unable to obtain any finance	36	39	25	10
- Obtained some but not all	6	6	5	5
- Obtained all but with difficulty	7	6	10	8
NO DIFFICULTIES	49	47	57	75
Non-family businesses that applied for finance (n=)	603	148	280	175
	%	%	%	%
ANY DIFFICULTY	45	48	38	34
- Unable to obtain any finance	26	27	25	18
- Obtained some but not all	7	7	5	7
- Obtained all but with difficulty	12	13	8	10
NO DIFFICULTIES	50	48	52	63

Base = all SME employers that applied for finance in the last 12 months

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H9. Single answer only allowed at this question.

By selected sectors (where there was a large enough sample size), those in manufacturing that applied for finance were less likely to encounter difficulties (56 per cent had no difficulties with the first source approached).

Table 7.8: Any difficulty obtaining finance from the first source – by sector (SIC 2007)

	All	ABDE Primary	C Manu- facture	F Constr- uction	GHI TRAD	KLM Busi- ness service	PQRS Other service
Family businesses that applied for finance (n=)	806	73	133	100	257	78	86
	%	%	%	%	%	%	%
ANY DIFFICULTY	48	27	42	56	49	54	50
- Unable to obtain any finance	36	16	24	41	40	34	42
- Obtained some but not all needed	6	4	2	8	5	7	5
- Obtained all but with some difficulty	7	7	16	7	4	13	2
NO DIFFICULTIES	49	73	56	43	48	44	42
Non-family businesses that applied for finance (n=)	603	17	96	44	96	120	161
	%	%	%	%	%	%	%
ANY DIFFICULTY	45	32	22	42	49	42	49
- Unable to obtain any finance	26	23	14	35	28	25	24
- Obtained some but not all needed	7	3	6	4	*	11	14
- Obtained all but with some difficulty	12	7	3	2	21	6	10
NO DIFFICULTIES	50	66	70	54	42	54	43

Base = all SME employers that applied for finance in the last 12 months

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H9. Single answer only allowed at this question.

Of those that did not obtain finance from the first source they approached, some went to alternative providers and were successful. Overall, of those family businesses that sought finance, 67 per cent obtained all that they needed (56 per cent from the first source, eleven per cent from another source). Seven per cent obtained some but not all they needed from all the sources they went to and 23 per cent obtained none despite approaching other sources. Non-family businesses were more likely to have obtained all they needed from the first source (61 per cent) and less likely to say they obtained all they needed from the second source (seven per cent). They are less likely to have been completely unsuccessful (18 per cent obtained none).

Micro-businesses had more difficulties gaining finance than small and medium-sized ones. Twenty-five per cent of micros did not get finance, compared to 16 per cent of small businesses and five per cent of medium-sized businesses.

Table 7.9: Eventual outcome of application for finance – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
SME employers who applied for finance (n=)	1409	447	624	338
	%	%	%	%
OBTAINED ALL THEY NEEDED	68	66	71	85
- From first source	58	56	64	78
- From another source	10	10	7	7
OBTAINED SOME BUT NOT ALL	7	7	5	4
OBTAINED NONE	21	23	16	8
Don't know/still pending/refused	4	3	7	3
Family businesses (n=)	806	299	344	163
	%	%	%	%
OBTAINED ALL THEY NEEDED	67	65	73	88
- From first source	56	53	67	83
- From another source	11	12	7	5
OBTAINED SOME BUT NOT ALL	7	7	5	3
OBTAINED NONE	23	25	16	5
Don't know/still pending/refused	3	2	5	4
Non-family businesses (n=)	603	148	280	175
	%	%	%	%
OBTAINED ALL THEY NEEDED	69	68	68	82
- From first source	61	61	61	72
- From another source	7	7	7	10
OBTAINED SOME BUT NOT ALL	7	7	5	5
OBTAINED NONE	18	19	16	10
Don't know/still pending/refused	7	6	11	3

Base = all SME employers that applied for finance in the last 12 months

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H9/H13. Single answer only allowed at this question.

There were also some sector differences in the success rate. Of businesses that applied for finance in the other services and construction sectors, 39 per cent and 26 per cent respectively received no money. Only seven per cent in the primary sector that applied for finance received no money.

As a percentage of all family-owned SME employers (which includes those that did not apply for any finance) six per cent were unable to obtain any finance. This proportion was slightly higher than amongst all non-family owned SME employers (four per cent). This

proportion was six per cent for micros, five per cent for small businesses, and two per cent for medium-sized businesses.

Reasons for difficulties arranging finance

The main reason given for having difficulties with the first provider approached was that the business did not meet the lender's criteria (38 per cent of family businesses; 37 per cent of non-family businesses). Other reasons given were having a poor credit history (nine per cent for both family and non-family businesses), having insufficient or no security (six per cent; five per cent of non-family businesses), having no credit history or not being in business long enough (seven per cent; two per cent of non-family businesses). Seven per cent were made an offer, but they rejected the terms and conditions (11 per cent of non-family businesses).

Table 7.10: Reasons for difficulties arranging finance (spontaneous) – by employment size

	Family businesses with difficulties	Micro (1-9)	Small (10-49)	Medium (50-249)
(n=)	345	154	141	50
	%	%	%	%
Did not meet financial institution's criteria for lending	38	37	46	43
No reason given	16	16	12	13
Poor business or personal credit history	9	10	7	7
No credit history/not in business long enough	7	7	5	0
Respondent rejected terms and conditions of offer	7	7	7	3
No/insufficient security	6	6	4	13
Recession/credit crunch	4	4	4	3
Applied for too much	3	3	1	4
Poor quality application	3	3	*	0
Still pending	3	3	1	5
Too much red tape/too complex	3	3	4	9
Funding unavailable (grant oversubscribed/too much competition)	3	4	0	3
Inadequate business plan	2	2	*	0
Too many outstanding loans/mortgages	2	2	1	2
Other	1	*	6	7
Don't know	2	2	5	1

Base = all SME employers that had difficulties arranging finance in the last 12 months

* = a figure greater than zero, but less than 0.5%. H11. Multiple answers allowed at this question.

Extent to which SMEs understand the way in which banks assess business credit worthiness

Seventy-three per cent of family businesses that applied for finance said that they understood the way in which banks assess credit worthiness well (33 per cent very well, 40 per cent quite well).

Table 7.11: Extent to which SMEs understand the way in which banks assess business credit worthiness – by employment size

	All that applied	Micro (1-9)	Small (10-49)	Medium (50-249)
SME employers, applied for finance (n=)	1409	447	624	338
	%	%	%	%
UNDERSTAND WELL	71	69	75	86
- Very well	33	32	32	43
- Quite well	38	36	43	42
DO NOT UNDERSTAND WELL	29	31	23	12
- Not very well	17	18	14	8
- Not at all well	12	13	9	4
Don't know	1	1	2	2
Family businesses, applied for finance (n=)	806	299	344	163
	%	%	%	%
UNDERSTAND WELL	73	72	76	85
- Very well	33	33	30	44
- Quite well	40	39	46	41
DO NOT UNDERSTAND WELL	27	29	22	14
- Not very well	15	15	13	8
- Not at all well	13	14	9	6
Don't know	*	0	2	1
Non-family businesses, applied for finance (n=)	603	148	280	175
	%	%	%	%
UNDERSTAND WELL	67	63	74	86
- Very well	33	32	34	43
- Quite well	34	31	40	44
DO NOT UNDERSTAND WELL	31	35	25	11
- Not very well	21	24	14	9
- Not at all well	10	11	10	2
Don't know	2	2	2	3

Base = all SME employers that applied for finance in the last 12 months

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H15. Single answer only allowed at this question.

Family businesses were more likely to perceive their understanding as good than non-family businesses (33 per cent of non-family businesses rated their understanding very well, 34 per cent rated it as quite well). Twenty-seven per cent did not understand it well (31 per cent of non-family businesses). Levels of understanding were greater amongst larger SMEs.

By sector, those in primary (81 per cent) and business services (90 per cent) sectors were more likely than average to understand it well, with those in the administration services sector (63 per cent) being less likely to understand it well.

Relationship with bank

Sixty-one per cent of all family businesses (60 per cent of non-family businesses) had a good relationship with their bank. This was more likely to be the case for the medium-sized SMEs (73 per cent).

By sector, family businesses in primary industries (70 per cent good) had the best relationship with their bank. Those in information/communications (23 per cent poor) and other services (21 per cent poor) had a worse relationship.

Younger family businesses tended to have a worse relationship with their banks than more established ones. Fifty-one per cent of businesses aged up to three years had a good relationship, compared to 63 per cent of businesses aged over ten years.

Table 7.12 Whether have a good relationship with bank – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
GOOD	60	60	63	73
- Very good	33	33	34	42
- Fairly good	27	27	29	31
NEITHER GOOD NOR POOR	21	22	20	15
POOR	16	17	14	9
- Fairly poor	8	8	7	5
- Very poor	8	8	6	4
Don't know/refused	2	2	3	3
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
GOOD	61	60	63	73
- Very good	33	32	35	43
- Fairly good	28	28	28	30
NEITHER GOOD NOR POOR	21	21	19	13
POOR	16	17	15	11
- Fairly poor	8	8	8	7
- Very poor	8	9	7	4
Don't know/refused	2	2	3	4
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
GOOD	60	59	63	73
- Very good	33	33	32	41
- Fairly good	27	26	31	32
NEITHER GOOD NOR POOR	22	22	20	17
POOR	16	17	13	7
- Fairly poor	9	9	7	3
- Very poor	7	8	5	3
Don't know/refused	3	3	4	3

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H1. Single answer only allowed at this question.

Awareness of alternative types of external finance

Fifty-seven per cent of family businesses were aware of venture capitalists (60 per cent of non-family businesses). However, only 33 per cent (36 per cent of non-family businesses) said they would know where to go to find this type of finance.

Forty-seven per cent were aware of asset finance, with 32 per cent knowing where to find this finance (47 per cent and 31 per cent respectively of non-family businesses). A third were aware of business angels, with 21 per cent knowing where to find them (36 per cent and 23 per cent respectively of non-family businesses); 27 per cent were aware of peer-to-peer lending with 17 per cent knowing where to find this finance (31 per cent and 20 per cent respectively of non-family businesses); and just 14 per cent were aware of mezzanine finance, with 11 per cent knowing where to go to find it (18 per cent and 13 per cent respectively of non-family businesses).

Table 7.13 Awareness of alternative types of finance/know where to go to find them – by employment size

	All family businesses		Micro (1-9)		Small (10-49)		Medium (50-249)	
(n=)	2666		1188		1046		432	
	Aware	Know	Aware	Know	Aware	Know	Aware	Know
	%	%	%	%	%	%	%	%
Venture capitalists	57	33	55	32	64	39	79	57
Asset finance	47	32	44	30	58	41	73	59
Business angels	32	21	30	20	37	26	51	38
Peer to peer lending	27	17	26	16	31	21	42	32
Mezzanine finance	14	11	14	10	16	12	30	24
None of these/ Don't know	35	59	35	60	25	50	14	34

Base = all SME employers

* = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H2/3. Multiple answers allowed at this question.

For all these alternative types of finance the larger SMEs were both more aware and had a better knowledge, of where to find the finance.

In general, the construction, transport, retail and distribution and other services sectors were the least likely to be aware of these types of finance, with 43 per cent, 39 per cent and 44 per cent respectively being unaware of any of these. By contrast, those in information/communications, business services and administrative services sectors were more likely to be aware of and to know where to find, finance of each type.

Late payment

Forty-nine per cent of family businesses had a problem with customers paying them later than required. This compared to 47 per cent across all SME employers. It was more likely to be the case for the larger SMEs.

Table 7.14: Whether have a problem with customers paying later than required – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
ANY PROBLEM	47	46	53	55
- Big problem	19	18	21	18
- Small problem	29	28	32	37
NO PROBLEM	48	50	42	43
Not relevant – do not give credit	4	4	4	2
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
ANY PROBLEM	49	48	57	56
- Big problem	20	19	24	21
- Small problem	29	28	33	36
NO PROBLEM	51	52	43	43
Not relevant – do not give credit	4	5	4	2
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
ANY PROBLEM	45	43	48	53
- Big problem	16	16	18	15
- Small problem	28	27	31	38
NO PROBLEM	55	56	52	46
Not relevant – do not give credit	4	4	4	2

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H19. Single answer only allowed at this question.

Late payment was more likely to be a problem amongst family businesses in manufacturing (63 per cent), construction (63 per cent), information/communications (61 per cent) and business services (63 per cent) sectors. It was less likely to be a problem in transport, retail and distribution (61 per cent no problem), primary (75 per cent no problem) and other services (57 per cent no problem).

7. Obstacles to the Success of the Business

This section explores the barriers and obstacles that family businesses reported as restricting their business success and their responses are compared to those of non-family businesses.

Obstacles to the success of the business

Respondents were read a list of issues and asked which, if any, represented obstacles to the success of their business.

Overall, 79 per cent of family businesses (78 per cent of non-family businesses) said that the economy was an obstacle to the success of their business. Sixty per cent cited taxation (including VAT, PAYE, NI and rates) (52 per cent of non-family businesses), 56 per cent competition in the market (as amongst non-family businesses), 56 per cent regulations (47 per cent of non-family businesses), then 50 per cent cash flow, 38 per cent obtaining finance, 28 per cent a general shortage of skills, 25 per cent recruiting staff, 22 per cent the availability of suitable premises, 18 per cent pensions and 15 per cent the lack of managerial skills and expertise (similarly to non-family businesses).

Main obstacle

Respondents were then asked which of the obstacles they had reported was the main obstacle to the success of the business. The economy was cited by 38 per cent of family businesses – similar to the 37 per cent reported amongst non-family businesses – 12 per cent mentioned taxation and cash flow and competition were mentioned by nine per cent and ten per cent respectively. Nine per cent identified regulations and six per cent obtaining finance as their main obstacle.

Table 8.1: Main obstacle to the success of the business⁹

	All SME employers	Family businesses	Non-family businesses
(n=)	4768	2666	2102
	%	%	%
The economy	38	38	37
Taxation, VAT, PAYE, NI, rates	12	12	12
Cash flow	10	9	11
Competition	10	10	10
Regulations	8	9	7
Obtaining finance	7	6	7

Base = all SME employers

Figures in bold were statistically significant higher at the 95% confidence level between family and non-family businesses. G2. Single answer only allowed at this question.

The economy

The economy was the most frequently mentioned obstacle to the success of the business for all sub-groups. However, it was more likely than average to be mentioned by those in the administration services (88 per cent), construction (84 per cent) and transport, retail and distribution (82 per cent) sectors. Amongst family businesses there is no difference in the propensity to mention the economy by employment size.

Those mentioning the economy were prompted as to whether a number of specific issues relating to the economy affected them.

The majority of those citing the economy as an obstacle cited reduction in demand (73 per cent), the pressure to reduce prices (73 per cent), increased energy costs (64 per cent) and the increased cost of raw materials (61 per cent). A minority mentioned the general condition of the overseas economy (38 per cent), lower levels of inward investment (35 per cent), cheap imports (25 per cent), unfavourable exchange rates (22 per cent) and lower labour costs overseas (20 per cent).

⁹ Only the most commonly mentioned main obstacles are shown in this table

Table 8.2: Specific issues that affect businesses that relate to the economy – by sector (2007 SIC)

	Non-family businesses	Family businesses	ABDE Prim	C Manufacture	F Construction	GHI TRAD	J Info-comm	KLM Business service	N Admin.	PQRS Other service
(n=)	1660	2142	116	318	266	723	73	215	144	287
	%	%	%	%	%	%	%	%	%	%
Reduction in demand	69	73	61	68	77	71	76	77	89	65
Pressure to reduce prices	66	73	73	77	74	76	65	62	77	64
Increased cost of raw materials	47	61	83	80	77	71	19	20	42	49
Increased energy costs	51	64	77	80	53	76	43	40	44	70
Lower levels of inward investment	36	35	42	36	35	36	39	33	33	29
Unfavourable exchange rate	17	22	54	28	16	26	18	14	13	12
Cheap imports	17	25	58	40	19	30	14	11	13	13
Lower labour costs overseas	18	20	36	37	20	18	18	18	19	8
The overseas economy generally	33	38	54	53	30	42	35	32	41	22

Base = all SME employers considering the economy to be an obstacle to success

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). G3. Multiple answers allowed at this question.

As shown above, there were differences by sector. Those in the primary, manufacturing and transport, retail and distribution sectors were more likely than average to mention most of the issues listed and increased energy and raw material costs in particular, but they were less likely than average to think there was a reduction in demand. Those in business and administrative services were less likely than average to mention most of the issues, but more likely than average to point to a lack of demand.

Regulations

Regulations were more likely than average to be cited as an obstacle by those in primary industries (79 per cent) and older businesses (59 per cent of those aged ten years or more, compared to 46 per cent of those aged up to three years).

Those that said regulations were an obstacle to their business success were asked which regulations in particular. The question was unprompted with multiple answers allowed.

Table 8.3: Regulations considered to be obstacles to business success - trends¹⁰

	SME employers mentioning regulations	Family businesses	Non-family businesses
n=	2679	1612	1067
	%	%	%
Health and safety	24	26	20
Sector specific	18	18	18
Tax-related	17	17	16
Employment	15	14	16
Planning, development etc.	7	7	7
Environmental	7	6	7
Fire regulations	3	3	3
Pensions	3	2	3
Food regulations	2	2	1
Providing information/record keeping	2	3	2
Trading standards	2	2	2
Minimum wage	2	3	2
Working time directive	2	2	3
Export regulations	1	1	1
None specifically/all regulations	11	11	10

Base = all SME employers considering regulations to be obstacles to business success.

Figures in bold were statistically significant higher at the 95% confidence level between family and non-family businesses. G5. Multiple answers allowed at this question.

Health and safety was the most mentioned regulation, by 26 per cent of family businesses citing regulation as an obstacle. This was more likely to be mentioned by family businesses than non-family businesses.

Sector-specific regulations were the next most frequently mentioned (18 per cent), followed by tax regulations (17 per cent) and employment regulations (14 per cent).

¹⁰ Only the most commonly mentioned regulations are shown in this and Table 8.4

Health and safety was more likely than average to be mentioned by small businesses (32 per cent) and those in the construction (38 per cent) and manufacturing (33 per cent) sectors.

Sector-specific regulations were most likely to be mentioned by businesses in primary (34 per cent), business services (25 per cent) and other services (29 per cent) sectors.

Tax regulations were most likely to be mentioned by businesses in the administrative services sector (31 per cent).

Employment regulations were most likely to be mentioned by small (22 per cent) and medium-sized (29 per cent) businesses rather than micros (13 per cent). They were more likely to be mentioned in manufacturing (18 per cent), administrative services (22 per cent) and other services (20 per cent) sectors.

Table 8.4: Regulations considered to be obstacles to business success – by employment size

	Family businesses mentioning regulations	Micro (1-9)	Small (10-49)	Medium (50-249)
(n=)	1612	678	668	266
	%	%	%	%
Health and safety	26	25	32	28
Sector specific regulations	18	19	17	23
Tax-related	17	17	15	11
Employment regulations	14	13	22	29
No specific regulations/all regulations	11	11	9	10
Environmental regulations	6	6	6	13
Planning/building/development	7	7	4	7
Fire regulations	3	3	3	3
Pensions	2	2	4	5
Food regulations	2	2	4	2
Minimum wage regulations	3	2	3	3
Providing information/record-keeping	3	3	1	2
Trading Standards	2	2	1	3
Working time directive	2	2	1	5
Red tape / bureaucracy	2	2	1	*
None in particular	15	16	12	11

Base = all SME employers considering regulations to be obstacles to business success.

*denotes less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). G5. Multiple answers allowed at this question.

All SME employers were prompted on specific health and safety issues and whether they thought each of these issues was covered by workplace health and safety regulations.

Seventy-seven per cent of family businesses thought that prevention of people being killed, injured or made ill by work was covered by health and safety regulations (74 per cent of non-family businesses). Seventy-four per cent thought that maintaining a fire management plan was covered (73 per cent of non-family businesses) and 66 per cent that controlling workplace pollution through waste management was covered (60 per cent of non-family businesses). Only 47 per cent thought that controlling risks to consumers of contamination of food was covered by health and safety regulations (42 per cent of non-family businesses).

Taxation/VAT/PAYE

Amongst family businesses, taxation was more likely than average to be cited as an obstacle to the success of the business by micros (59 per cent) and small businesses (65 per cent) than by medium-sized ones (51 per cent). By sector, it was most likely to be identified as an obstacle in manufacturing (63 per cent), construction (64 per cent) and transport, retail and distribution (62 per cent).

Those that said that taxation was an obstacle to their business success were asked which types of taxation in particular. The question was unprompted and multiple answers were allowed.

Table 8.5: Types of taxation/VAT/PAYE considered to be obstacles to business success¹¹

	SME employers mentioning taxation etc.	Family businesses	Non-family businesses
(n=)	2668	1633	1035
	%	%	%
VAT	56	58	51
Business rates	31	31	30
PAYE	23	23	25
National insurance	22	22	24
Corporation tax	20	20	19
Income tax	18	19	17
Vehicle tax/fuel duty	9	11	6

Base = all SME employers considering taxation/VAT/PAYE to be obstacles to business success

* = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant higher at the 95% confidence level between family and non-family businesses. G6. Multiple answers allowed at this question.

¹¹ Only the most commonly mentioned types of tax etc. are shown in this table

Fifty-eight per cent of family businesses citing taxation as an obstacle mentioned VAT – fewer non-family businesses cited this as an obstacle (51 per cent) - with 31 per cent citing business rates, 23 per cent PAYE, 22 per cent national insurance, 20 per cent corporation tax, 19 per cent income tax and 11 per cent vehicle tax or fuel duty.

Of those saying that taxation was an obstacle, VAT was most likely to be an issue for those in the transport, retail and distribution sector (64 per cent). Business rates were also more likely than average to be an issue for those in this sector (38 per cent), as was vehicle tax/fuel duty (14 per cent).

National insurance was more of an issue in small (27 per cent) and medium-sized businesses (30 per cent) than in micros (21 per cent). It was also more likely than average to affect the information/communications (28 per cent) and administration services (29 per cent) sector, with corporation tax most frequently mentioned in the information/communication sector (48 per cent).

Cash flow

Cash flow was more likely than average to be cited as an obstacle to the success of the business by micros (51 per cent) and small businesses (49 per cent) than by medium-sized ones (35 per cent). Those in construction (56 per cent) were particularly affected by cash flow and it was more likely to be mentioned by younger businesses (58 per cent of those aged up to three years, 57 per cent of those aged four to ten years and 47 per cent of those aged more than ten years).

Those that said that cash flow was an obstacle to their business success were read a list of possible causes of cash flow difficulties and asked which applied to them. Multiple answers were allowed.

Table 8.6: Causes of cash flow difficulties

	SME employers mentioning cash flow difficulties	Family businesses	Non-family businesses
(n=)	2221	1298	923
	%	%	%
Income fluctuates while outgoings were steady	75	77	74
Late payment from individual customers	60	59	60
Late payment from other businesses	56	56	57
High levels of working capital required	51	53	47
Timing of tax payments	48	52	41
Individual customers expect credit	47	49	44
Outgoings fluctuate while income is steady	41	42	39
Early payment required by suppliers	39	43	32
High levels of investment required	38	41	32
Difficult/expensive to get credit from suppliers	31	33	29

Base = all SME employers considering cash flow to be an obstacle to business success

Figures in bold were statistically significant higher at the 95% confidence level between family and non-family businesses. G4. Multiple answers allowed at this question.

Those reporting that cash flow was an obstacle were most likely to say that this was caused by fluctuating income while outgoings were steady (75 per cent), late payment from individual customers (60 per cent), late payment from other businesses (56 per cent) and high levels of working capital being required (51 per cent). Also mentioned were the timing of tax payments (48 per cent), individual customers expecting credit (47 per cent), outgoings fluctuating while income was steady (41 per cent), early payment required by suppliers (39 per cent), high levels of investment required (38 per cent) and the difficulty of getting credit from suppliers (31 per cent).

Those in the primary sector mentioning cash flow as an obstacle were more likely than average to mention high levels of working capital required (90 per cent), high levels of investment required (86 per cent) and fluctuating outgoings (61 per cent).

Those in manufacturing were more likely than average to cite late payment from individual customers (79 per cent) and other businesses (70 per cent). The construction industry was also significantly affected by late payment from individual customers (80 per cent) and businesses (70 per cent), as were those businesses in the information/communications sector (74 per cent and 73 per cent respectively).

Family businesses in the administration services sector were most likely to mention fluctuating income (88 per cent). The transport, retail and distribution sector was more likely than average to be affected by (58 per cent), high levels of working capital required (55 per cent), the timing of tax payments early payment requirements (50 per cent), fluctuating outgoings (46 per cent), high levels of investment required (43 per cent) and the difficulty of getting credit (35 per cent).

8. 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.

Awareness of Government organisations offering business support

Respondents were read a list of various Government-sponsored organisations and schemes and asked if they had heard of them before the interview.

Table 9.1: Awareness of UK-wide public sector organisations offering business support – by nation

	UK Family businesses	UK Non-family businesses	Family businesses			
			England	Scotland	Wales	Northern Ireland
(n=)	2666	2102	1552	441	383	290
	%	%	%	%	%	%
Any Business Link ¹² /Business Gateway/Business.Wales/NI Business Info. service	74	75	73	91	57	62
- Website	62	64	68	39	31	n/a
- Telephone helpline	54	56	59	26	31	n/a
UK Trade & Investment (UKTI)	24	26	24	20	14	37
MentorSME	9	11	9	9	10	8

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K1. Multiple answers allowed at this question.

¹² Including those in England aware of Growth Improvement Service (GIS) and My New Business (MNB). Those in England were prompted on BusinessLink.gov, Business Link Helpline, My New Business and Growth Improvement Service; those in Scotland were prompted on BusinessLink.gov, Business Link Helpline and Business Gateway; those in Wales were prompted on BusinessLink.gov, Business Link Helpline, Business.wales.gov.uk; those in Northern Ireland were prompted on NI Business Info.co.uk only.

Overall, nearly three-quarters of family businesses (as non-family businesses) had heard of Business Link or the equivalent organisations within the devolved administrations (see footnote below). The proportion was highest in Scotland and lower in England, Wales and Northern Ireland.

Awareness of Business Link was higher among small (79 per cent) and medium-sized family businesses (83 per cent) than among micros (73 per cent). By sector, those in information/ communications (89 per cent), manufacturing (76 per cent) and business services (78 per cent) sectors were the most likely to be aware, those in administration services (67 per cent) the least likely to be aware.

Younger businesses were more likely to have heard of Business Link (75 per cent of those aged up to three years, 62 per cent of those aged over ten years).

Sixty-two per cent of family businesses had heard of Business Link's website or equivalent services (Business Gateway in Scotland, Business.wales.gov.uk in Wales, NI Business Info.co.uk in Northern Ireland). Fifty-four per cent had heard of the Business Link helpline. Both these proportions are slightly higher amongst non-family businesses (64 per cent and 56 per cent respectively).

In Tables 8.2 to 8.5., awareness of publicly-provided business support services is analysed separately for each nation, as respondents were prompted on different services according to where they operated.

Business support in England

In England, 73 per cent of family businesses had heard of either BusinessLink.gov.uk or the Business Link helpline. The Growth Improvement Service (GIS) and My New Business (MNB) are services housed within the old BusinessLink.gov.uk website, but which were current at the time of interviewing. Six per cent of family businesses had heard of each of these.

Growthaccelerator is a more intensive coaching package that offers face-to-face assistance for those selected to receive the support. Eight per cent of family businesses in England had heard of it, compared to ten per cent of non-family businesses.

Table 9.2: Awareness of services offering business support in England

	Family businesses	Non-family businesses
n=	1552	1320
	%	%
BusinessLink.gov	68	68
Business Link helpline	59	60
The GrowthAccelerator	8	10
Growth Improvement Service (GIS)	6	6
My New Business (MNB)	6	6
None of these	24	23

Base = all SME employers in England. K1. Multiple answers allowed at this question.

Business support in Scotland

In Scotland, there was high awareness of Business Gateway (as opposed to BusinessLink.co.uk), with 89 per cent of family businesses having heard of the website. Scottish Enterprise and/or the Highlands & Islands Enterprise were also known by the vast majority of family businesses in Scotland (83 per cent).

Fifty-nine per cent had heard of The Prince's Scottish Youth Business Trust. The Energy Savings Trust was known by 53 per cent.

Just under half of family businesses in Scotland (47 per cent) had heard of Skills Development Scotland. Scottish Development International, Business Mentoring Scotland and Just Enterprise were known by around one in five SME enterprises, with larger SMEs tending to have higher levels of awareness.

Twelve per cent were aware of the Scottish Manufacturing Advisory Service.

Table 9.3: Awareness of services offering business support in Scotland

	Family businesses	Non-family businesses
(n=)	441	394
	%	%
Business Gateway	89	88
Scottish Enterprise/Highlands & Islands Enterprise	83	85
The Prince's Scottish Youth Business Trust	59	67
Energy Savings Trust	53	51
Skills Development Scotland	47	45
Scottish Development International	18	30
Business Mentoring Scotland	19	26
Just Enterprise	21	18
Scottish Manufacturing Advisory Service	12	18
Co-operative Development Scotland	12	13
Interface	8	11
None of these	3	1

Base = all SME employers in Scotland

Figures in bold were statistically significant at the 95% confidence level between family and non-family businesses (minus the sub-group tested). K1. Multiple answers allowed at this question.

Business support in Wales

In Wales, 38 per cent of family businesses had heard of the Business.wales.gov.uk. This was a slightly lower proportion than had heard of the UK-wide Business Link website (41 per cent).

Similarly, while 25 per cent had heard of the Wales Business Information Helpline, the awareness figure in Wales for the Business Link Helpline was higher at 31 per cent.

Table 9.4: Awareness of services offering business support in Wales

	Family businesses	Non-family businesses
n=	251	247
	%	%
BusinessLink.gov website	41	49
Business.wales.gov.uk	38	48
Business Link helpline	31	42
Wales Business Information Helpline	25	35
None of these	37	25

Base = all SME employers in Wales

Figures in bold were statistically significant at the 95% confidence level between family and non-family businesses (minus the sub-group tested). K1. Multiple answers allowed at this question.

Business support in Northern Ireland

In Northern Ireland, there was very high awareness of most organisations. Nearly all of the family businesses interviewed had heard of Invest Northern Ireland (96 per cent), with the vast majority also aware of the DELNI (87 per cent) and DETINI (83 per cent). The Prince's Trust and Enterprise Northern Ireland were also known by more than three-quarters.

Awareness of NI Business Info.co.uk was lower at 62 per cent. This was a lower awareness level than that seen for BusinessLink.gov.uk in England and Business Gateway in Scotland, but higher than awareness of Business.wales.gov.uk in Wales.

Table 9.5: Awareness of services offering business support in Northern Ireland

	Family businesses	Non-family businesses
n=	290	141
	%	%
Invest Northern Ireland	96	100
Department for Employment and Learning (DELNI)	87	93
Department for Enterprise, Trade and Investment (DETINI)	83	93
The Prince's Trust	80	93
Enterprise Northern Ireland	72	84
NI Business Info.co.uk	62	70
InterTrade Ireland	45	49
None of these	2	*

Base = all SME employers in Northern Ireland

*denotes greater than 0% but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level between family and non-family businesses (minus the sub-group tested). K1. Multiple answers allowed at this question.

Whether sought external information or advice in the last twelve months

Forty-three per cent of family businesses across the UK had sought external information or advice in the twelve months preceding interview. This is a slightly lower proportion than that seen amongst non-family businesses (49 per cent).

Forty-one per cent of micros had sought information or advice, 55 per cent of small businesses and 69 per cent of medium-sized ones.

Table 9.6: Whether sought information or advice in the last 12 months – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
Any information or advice	45	42	59	68
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
Any information or advice	43	41	55	69
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
Any information or advice	49	45	63	67

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K2. Single answer only allowed at this question.

More likely than average to have sought information or advice were those in primary (57 per cent), information/communications (47 per cent), business services (50 per cent) and other services (47 per cent) sectors. Less likely were those in the construction (38 per cent), transport, retail and distribution (39 per cent) and administration services (37 per cent) sectors.

Table 9.7: Whether sought information or advice in the last 12 months – by sector (SIC 2007)

	All	ABDE Prim- ary	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comms	KLM Busi- ness service	N Admin.	PQRS Other service
Family businesses (n=)	2666	158	390	315	868	98	293	176	368
	%	%	%	%	%	%	%	%	%
Any information/advice	43	57	44	38	39	47	50	37	47
Non-family businesses (n=)	2102	46	281	142	352	157	431	126	567
	%	%	%	%	%	%	%	%	%
Any information/advice	49	35	46	30	48	56	54	54	50

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K2. Single answer only allowed at this question.

By nation, information and advice were more likely to have been sought in Northern Ireland (55 per cent) and Scotland (52 per cent) than in England (42 per cent) or in Wales (43 per cent).

In England, 18 per cent had sought information only, 11 per cent strategic advice only and 11 per cent both, meaning that 22 per cent had sought any advice and 29 per cent any information. The proportions in Wales were similar.

Table 9.8: Whether sought external information or advice in the last 12 months¹³ - by nation

	UK Family businesses	UK non-family businesses	Family businesses			
			England	Scotland	Wales	Northern Ireland
(n=)	2666	2102	1552	441	383	290
	%	%	%	%	%	%
Yes - any	43	49	42	52	43	55
- Information only	n/a	n/a	18	n/a	17	n/a
- Strategic advice	n/a	n/a	11	n/a	12	n/a
- Both of these	n/a	n/a	11	n/a	12	n/a
- Neither/not sure which	n/a	n/a	3	n/a	2	n/a
No – none	57	51	58	48	57	46

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K2/K3. Single answer allowed at this question.

Type of information or advice sought

Advice was mainly sought to support business growth (28 per cent of family businesses that sought advice). Financial advice for the general running of the business was also commonly sought (24 per cent). Ten per cent sought advice on where to get finance and nine per cent sought advice on employment law/redundancies, while fewer sought advice on marketing and tax/national insurance law and payments.

Information was mainly sought on financial matters related to the general running of the business (28 per cent of those that sought information), employment law/redundancy (13 per cent), tax/national insurance (12 per cent), business growth (9 per cent) and legal issues (9 per cent).

¹³ In Scotland and Northern Ireland, the need for information and advice is not treated separately.

Table 9.9: What did they seek information or advice about in the last twelve months (England & Wales) – main reasons only¹⁴

	Advice			Information		
	SME employers in England & Wales	Family businesses	Non-family businesses	SME employers in England & Wales	Family businesses	Non-family businesses
(n=)	1002	498	504	1244	678	566
	%	%	%	%	%	%
Business growth	29	28	31	9	9	10
Financial advice e.g. accounting, for general running of business	23	24	21	27	28	26
Financial advice e.g. how and where to get finance	10	10	9	8	9	8
Employment law/redundancies	8	8	8	14	13	14
Marketing	8	7	10	3	2	4
Tax/national insurance law and payments	8	10	5	11	12	10
Legal issues	7	7	7	11	9	15
E-commerce/technology	6	6	4	2	2	2
Exporting	3	3	2	1	1	1
Health and Safety	3	3	1	5	4	6
Business planning/strategy	3	4	2	2	1	1
Regulations	2	2	3	4	4	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 against the overall finding (minus the sub-group tested). K4/K5. Multiple answers allowed at this question.

In Scotland and Northern Ireland, financial information and advice for the general running of the business was sought by 30 per cent of family businesses that sought advice or information, with 23 per cent seeking advice on business growth, 19 per cent on tax and national insurance, ten per cent on where to get finance, nine per cent on employment law and redundancies and nine per cent on legal issues.

¹⁴ Only the most commonly mentioned reasons for seeking information or advice are shown in this table

Table 9.10: What did they seek information or advice about in the last 12 months (Scotland & Northern Ireland)¹⁵

	Information or advice		
	SME employers in Scotland & Northern Ireland	Family businesses	Non-family businesses
(n=)	755	491	264
	%	%	%
Financial advice/info for general running of business	29	30	27
Business growth	21	23	19
Tax/national insurance law and payments	15	19	7
Advice/info on where to get finance	10	10	9
Employment law/redundancies	10	9	10
Legal issues	9	9	10
Training/skills needs	4	5	3
Marketing	3	3	4
Health and safety	3	4	2
Environmental advice	3	3	4
E-commerce/technology	2	2	2
Exporting	1	2	1
Business planning/strategy	1	1	1
Regulations	1	1	2

Base = all SME employers in Scotland and Northern Ireland that received advice/information in the last 12 months

K5. Multiple answers allowed at this question.

Where information or advice was sought

Respondents that had sought information or advice were asked where they sought it. This was an unprompted question which allowed multiple responses.

In England and Wales, *advice* in the last twelve months was sought from an accountant by 44 per cent of family businesses which had sought advice; a higher proportion than average amongst non-family businesses (34 per cent). Banks were next most frequently mentioned by family businesses (15 per cent, compared to 10 per cent of non-family businesses) and consultants/business advisers by 15 per cent (16 per cent of non-family businesses). Business networks/trade associations by eight per cent (12 per cent of non-

¹⁵ Only the most commonly mentioned reasons for seeking information or advice are shown in this table

family businesses that had sought information or advice) and from solicitors/lawyers by eight per cent (ten per cent of non-family businesses).

Information was sought from accountants by 36 per cent of family businesses that sought information (32 per cent of non-family businesses), while nine per cent went to banks, business networks or trade associations and six per cent to a consultant/general business adviser or friend or family member. Non-family businesses were more likely to use solicitors/lawyers than family businesses (13 per cent, compared to five per cent of family businesses).

Table 9.11: Where did they seek information or advice from in the last 12 months (England & Wales) – main sources only¹⁶

	Advice			Information		
	SME employers in England & Wales	Family businesses	Non-family businesses	SME employers in England & Wales	Family businesses	Non-family businesses
(n=)	1002	498	504	1244	678	566
	%	%	%	%	%	%
Accountant	39	44	34	34	36	32
Consultant/business adviser	15	15	16	7	6	7
Bank	13	15	10	10	9	10
Business networks/trade associations	10	8	12	8	9	7
Solicitor/lawyer	9	8	10	8	5	13
Specialist financial adviser	4	4	4	1	1	1
Business Link local services (not website)	3	5	2	1	2	1
Work colleagues	3	3	3	2	2	3
Other business organisations	3	3	3	1	1	1
Friend/family member	3	4	3	5	6	4
Internet search	3	4	2	6	5	8
Local authority	3	4	3	2	2	2
Mentor/mentoring organisation	2	2	2	*	*	1
BusinessLink.gov.uk	2	2	2	4	4	4
UKTI	2	2	2	*	*	*

Base = all SME employers in England and Wales that received advice/information in the last 12 months

* = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K6/K7. Multiple answers allowed at this question.

¹⁶ Only the most commonly mentioned sources of information or advice are shown in this table

In Scotland and Northern Ireland, there was a similar pattern with accountants consulted for information and advice in 45 per cent of cases and the proportion is higher amongst family businesses than amongst non-family businesses. Solicitors/lawyers (12 per cent) were the next most frequently mentioned source, followed by consultants/business advisers (seven per cent), and these were less likely to be mentioned by family businesses (compared to 13 per cent of non-family businesses).

Table 9.12: Where did they seek information or advice from in the last 12 months (Scotland & Northern Ireland) – main sources only¹⁷

	Information or advice		
	SME employers in Scotland & Northern Ireland	Family businesses	Non-family businesses
(n=)	755	491	264
	%	%	%
Accountant	45	50	37
Solicitor/lawyer	12	12	12
Consultant/business adviser	9	7	13
Bank	9	8	11
Business networks/trade associations	6	6	6
Federation of Small Businesses	3	3	3
Specialist financial adviser	2	2	2
Internet search	2	2	3
Invest NI*	n/a	5	0
Scottish Enterprise/Highlands & Islands Enterprise*	n/a	4	3
Business Gateway*	n/a	3	3

Base = all SME employers in Scotland and Northern Ireland that received advice/information in the last 12 months

* Only asked of Northern Ireland or Scotland based businesses. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K7. Multiple answers allowed at this question.

In England and Wales, 49 per cent of family businesses that sought information paid for at least some of it and 48 per cent of those that sought *advice* paid for at least some of it. This compares with 54 per cent and 56 per cent respectively amongst non-family businesses. In Northern Ireland only 41 per cent of family businesses seeking information or advice paid for it (the question was not asked in Scotland), and this is a higher proportion than of non-family businesses that sought information or advice (31 per cent).

¹⁷ Only the most commonly mentioned sources of information or advice are shown in this table

Table 9.13: Whether paid for information or advice (England, Wales and Northern Ireland only)

	England & Wales				Northern Ireland	
	Family businesses		Non-family businesses		Family businesses	Non-family businesses
	Information	Advice	Information	Advice	Information or advice	
(n=)	678	498	566	504	172	92
	%	%	%	%	%	%
Yes – paid	49	48	54	56	41	31
No – did not pay	51	51	45	42	58	54
Can't recall	*	1	1	2	1	15

Base = all SME employers in England, Wales and Northern Ireland that sought information or advice in the last 12 months

* = a figure greater than zero, but less than 0.5%. K12/K12a. Single answer allowed at this question.

Un-met information and advice needs

In England and Wales, 58 per cent of those that had got advice said it had fully met their needs and 33 per cent that it had partially met their needs. It did not meet needs for six per cent of those getting advice. Family businesses differed little in this respect, with 57 per cent reporting their needs fully met by the advice, 34 per cent that they were partially met and six per cent not met (this compared to 60 per cent, 31 per cent and 6 per cent respectively of non-family businesses).

Amongst family businesses, the larger the business, the more likely their needs had been met by the advice received (55 per cent of micros, 65 per cent of small and 75 per cent of medium-sized businesses).

In England and Wales, 71 per cent of those that had received information said it had fully met their needs and 24 per cent that it had partially met their needs. It had not met the needs of four per cent of those receiving information. The figures amongst family businesses show a less positive outcome, with fewer than average reporting that the information had fully met their needs (67 per cent), and more than average reporting that their needs were partially met (27 per cent). Similarly to all SME employers, four per cent of family businesses said the information had failed to meet their needs. This compared to 76 per cent, 18 per cent and five per cent respectively of non-family businesses.

In Northern Ireland, 60 per cent of those that had received information or advice said it had fully met their needs, with 32 per cent saying it had partially met needs and three per cent saying it had not met their needs. Family businesses were more positive than non-family businesses in this respect within Northern Ireland, with 61 per cent reporting their needs fully met (57 per cent of non-family businesses), 34 per cent reporting them partially met (27 per cent of non-family businesses) and four per cent saying the information or advice had not met their needs (one per cent of non-family businesses).

Five per cent of family businesses (as was the case among non-family businesses) had had business difficulties or needs for important information or advice in the last twelve months in relation to which they did not obtain external advice or support. This was most likely to have occurred in the administrative service sector (eight per cent), but there were no differences according to employment size, age of business, or nation.

The reasons why these family businesses had not sought information or advice were because they did not know where to find the information or advice (32 per cent), did not believe that the right type of advice existed (26 per cent), had concerns over whether the advice could be trusted (eight per cent), lacked time to get the information or advice (nine per cent), or doubted the benefit of the advice (14 per cent). Only nine per cent considered that it would be too expensive. Family businesses were less likely than non-family businesses to have doubts about the trustworthiness of advice (20 per cent of non-family businesses), but more likely to doubt the benefit of advice (seven per cent of non-family businesses) or to have believed the right type of advice existed (17 per cent of non-family businesses).

Business mentors

Seven per cent of family businesses had used a business mentor in the twelve months preceding interview. This proportion is lower than amongst non-family businesses (ten per cent). Larger family businesses were more likely to have had a mentor.

Table 9.14: Whether used a business mentor in the last 12 months – by employment size

	All	Micro (1-9)	Small (10-49)	Medium (50-249)
All SME employers (n=)	4768	1901	1902	965
	%	%	%	%
Yes – used mentor	8	7	13	12
Family businesses (n=)	2666	1188	1046	432
	%	%	%	%
Yes – used mentor	7	6	12	13
Non-family businesses (n=)	2102	713	856	533
	%	%	%	%
Yes – used mentor	10	9	14	12

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K15. Single answer only allowed at this question.

Mentors were more likely than average to be used in the other services sector (14 per cent) and were least likely to be used in construction (three per cent). Fourteen per cent of businesses aged up to three years had used a mentor in the last twelve months, compared to six per cent of those aged over ten years.

Of those family businesses using a mentor, 46 per cent identified them (from a prompted list) as being a specialist business mentor, 36 per cent as somebody who provides other services to businesses such as an accountant or lawyer, 31 per cent as a friend or peer, and 10 per cent as somebody with a commercial interest in their business such as an investor. Family businesses were more likely than non-family businesses to identify their mentor as an accountant or lawyer or similar (25 per cent of non-family businesses that have used a mentor). They were less likely than average to have used a specialist business mentor (53 per cent of non-family businesses).

The ways in which business mentors helped the businesses included help with developing business plans and strategy (72 per cent; 77 per cent of non-family businesses), enhancing leadership and management skills (60 per cent; 70 per cent of non-family businesses), increasing sales or profit (61 per cent among both family and non-family businesses), developing new products or processes (42 per cent; 48 per cent of non-family businesses), people management such as recruitment (36 per cent; 44 per cent of non-family businesses) and obtaining finance (20 per cent; 19 per cent of non-family businesses).

Of those that did not use mentors in the last year, 24 per cent said they would be interested in using one in future. This proportion was higher amongst non-family businesses (28 per cent). Amongst family businesses this was most likely in the other services sector (29 per cent) and least likely in the information/communications sector (15 per cent) and construction (20 per cent). Younger businesses were more open to using mentors (35 per cent of those aged up to three years not currently using one, 34 per cent of those aged four to ten years and 19 per cent of those aged over ten years). Amongst family businesses there was little difference by employment size.

Thirty-four per cent of family businesses that had not used a mentor in the past twelve months but who might be interested in doing so in future had not used one before because they had not previously thought about it (just 25 per cent of relevant non-family businesses), did not know where to find one (15 per cent of both family and non-family businesses), lacked time (ten per cent; 13 per cent of non-family businesses), thought it would be too expensive (nine per cent of both family and non-family businesses), did not feel the appropriate type of assistance was available (six per cent; seven per cent of non-family businesses), or did not understand what a mentor did (two per cent; five per cent of non-family businesses). Fourteen per cent had not used one because their business was 'doing okay' (eight per cent of non-family businesses).

9. Working for the public sector

This section looks at work undertaken by family businesses for public sector clients.

Whether expressed an interest or bid for public sector advertised contracts

Nine per cent of family businesses had bid for public sector contracts in the twelve months prior to the survey, with a further five per cent having expressed an interest but not actually submitted a bid. This compared to 11 per cent and five per cent respectively of non-family businesses.

Larger family businesses were more likely to have made a bid – eight per cent of micros, 15 per cent of small businesses and 20 per cent of medium-sized businesses had bid. By sector, bids were more common in the construction (17 per cent) and administrative services (14 per cent) sectors.

Whether actually done business for the public sector in the previous twelve months

Although only nine per cent of family businesses had submitted a bid for a public sector contract in the previous twelve months, a higher proportion than this had done business for the public sector in this period. This might be because of existing contracts, work that did not require contracts or because they worked as part of a supply chain.

Twenty-six per cent of family businesses had done work for the public sector in the previous twelve months. Fourteen per cent had done at least some of this work as prime contractor and 11 per cent only as part of a supply chain. Family businesses did not differ significantly from non-family businesses in this respect (27 per cent, 15 per cent and ten per cent respectively).

Family businesses in Scotland (31 per cent) and Northern Ireland (30 per cent) were more likely to have worked for the public sector than those in England (25 per cent) and Wales (26 per cent).

Thirteen per cent of micros had been prime contractors for the public sector in the previous twelve months, compared to 17 per cent of small businesses and 25 per cent of medium-sized businesses. Ten per cent of micros had only been part of a supply chain in this period, with the same being the case for 18 per cent of small businesses and 25 per cent of medium-sized ones.

Table 10.1: Work done for the public sector in the last 12 months – by sector

	All	ABDE Primary	C Manu- facture	F Constr- uction	GHI TRAD	J Info- comm	KLM Busi- ness servic	N Admin.	PQRS Other services
Family businesses (n=)	2666	158	390	315	868	98	293	176	368
	%	%	%	%	%	%	%	%	%
ANY	26	16	33	34	20	37	23	36	29
- Prime contractor	14	10	18	20	7	26	16	21	17
- Supply chain only	11	5	14	14	12	13	8	14	11
NONE	74	84	67	66	80	62	76	64	70
Non-family businesses (n=)	2102	46	281	142	352	157	431	126	567
	%	%	%	%	%	%	%	%	%
ANY	27	22	35	29	18	29	26	37	33
- Prime contractor	15	10	10	19	8	17	15	15	25
- Supply chain only	10	10	23	12	8	12	10	15	7
NONE	73	78	65	71	82	71	74	63	67

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). L2/L3. Single answer only allowed at this question.

By sector, those in manufacturing (33 per cent), construction (34 per cent), information/communications (37 per cent) and administrative services (36 per cent) sectors were the most likely to have worked for the public sector. These sectors were more likely to have been prime contractors.

Fifty-five per cent of family businesses working for the public sector had Local Authorities as their main customer, 15 per cent the Health Service, ten per cent Higher or Further Education Institutions, five per cent Departments of State (including Central Government) and another five per cent the Ministry of Defence.

Ten per cent of those working for the public sector in Wales worked for the Welsh Government. Seven per cent in Scotland worked for the Scottish Government and 26 per cent in Northern Ireland worked for Northern Ireland Government Departments.

Family businesses were more likely than non-family businesses to have worked for local authorities (49 per cent of non-family businesses) and less likely to have worked for the Health Service (21 per cent of non-family businesses).

10. Discussion

Introduction

To this point, this report has been a straightforward account of findings from the Small Business Survey 2012 with a special focus on findings for family businesses and on differences between family and non-family businesses.

This final chapter picks out some key findings from the information set out earlier and makes observations on those key points. Some of these observations are informed by references to other recent publications on family businesses but others are simply those of the authors of this report.

It will be evident therefore, that whilst previous sections set out and describe statistics directly derived from the survey, this section is somewhat more interpretive.

The publications which are mainly used to inform the discussion are:

- The UK Family Business Sector, Capital Economics for the Institute for Family Business, February 2008
- Overview of Family Business-relevant Issues: final report of the expert group, European Commission, November 2009
- UK family businesses: industrial and geographical context, governance and performance, University of Nottingham Business School and Leeds University Credit Management Business School Research Centre for the Institute for Family Business, November 2010
- The UK Family Business Sector, Oxford Economics for the Institute for Family Business, November 2011

These reports have drawn variously on previous Small Business Surveys, on BIS SME statistics, BIS Business Population Estimates, commercial databases, Companies House data, and expert opinion to offer various descriptions and analysis of the family business sector and issues affecting the sector. For ease of reference, the reports above will be referred to as IFB 2008, EC 2009, IFB 2010, and IFB 2011 respectively. Other literature accessed will be given particular reference at appropriate points.

In making comparisons between findings from SBS 2012 and other studies it should be noted that these will frequently not be exact. There are two reasons for this. First, it has been noted that the definition of 'family business' has been diverse, more than 90 different definitions having been identified as being in use in Europe (EC 2009, Page 9). The European Commission recommends (EC 2009, Page 10) that a common definition be adopted such that:

A firm, of any size, is a family business, if:

- 1) The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.*
- 2) The majority of decision-making rights are indirect or direct.*
- 3) At least one representative of the family or kin is formally involved in the governance of the firm.*
- 4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.*

However other studies have mostly not adopted this definition and SBS 2012, for practical survey reasons, used a simpler approach, that of asking respondents simply whether or not their business was 'majority-owned by members of the same family', in order to distinguish family and non-family businesses.

Second, SBS 2012 data contained in this report refers to family businesses employing between 1 and 249 people. Businesses without employees or businesses with 250 or more employees are excluded from the analysis. However, other studies do not necessarily make this restriction and, in those cases, family businesses may range from, say, a husband and wife partnership with no employees to a major enterprise employing hundreds or thousands of people which is nevertheless family-owned. For example, it is noted that there are more than 2.2 million family businesses which have no employees (IFB 2011, page 7); whilst, at the other end of the scale, in 2006, 42 out of 673 companies quoted in the FTSE All-share index were family businesses (*The UK Family Business PLC economy*, Manchester Business School, 2006) and, overall, there may be around 880 family businesses in the UK employing 250 or more people (IFB 2011, page 7).

Thus, in making comparisons between 'family businesses' as defined in SBS 2012 and as reported here and 'family businesses' which are the subject of analysis elsewhere, a fairly broad brush is frequently required. Obvious parallels are likely to be robust but detailed statistical variations may not be.

Family business ‘matters’

With this caveat, it can first be noted that a frequent concern of reports on family businesses is to emphasise their volume and significance. This is generally to promote the case that, in as much as family businesses face particular issues which are different in nature or scale from those faced by non-family businesses, these are worthy of policy attention from government.

Thus it has been suggested that:

- ‘Family businesses make up more than 60% of all European companies’ (EC 2009, page 4).
- Sixty-five per cent of all UK businesses, employing 42 per cent of the private sector work force, are family-owned (IFB 2008, pages 6 and 7).
- ‘In 2010, there were just under 3 million family businesses operating in the UK, representing 66% of the private sector total’ and employing 41 per cent of the private sector workforce (9.2 million people) (IFB 2011, pages 6 and 7).

It has been further suggested that family businesses account for 38 per cent of total private sector turnover, 31 per cent of total GDP (both public and private sector generated), and constitute £54.5 billion pounds in taxes per year (IFB 2008). More recent estimates are that ‘Family firms generated revenues of £1.1 trillion or 35.3 per cent of total private sector turnover...generated 23.8% of total GDP... made a £81.7 million contribution to the UK Exchequer or 14.2% of total government revenues’ (IFB 2011, page 6).

In comparison, it can be estimated from SBS 2012 that:

- Family businesses which employ between 1 and 249 people (around 760,000 in number) comprised around 62 per cent of the 1.23 million SMEs employing between 1 and 249 people.
- Family businesses in this size bracket generated around £656 billion in sales turnover – 52 per cent of all sales turnover generated by private sector enterprises employing between 1 and 249 people

It is not a primary or overt purpose of the Small Business Survey for 2012 to make the case for supportive family business policy on the basis of the size and contribution of the family business sector. However, these simple statistics on the size of the sector and the sales revenue it generates, even when the analysis is constrained to family businesses with between 1 and 249 staff, further evidence family businesses as a major segment of the SME economy and, indeed, of the economy as a whole. In as much as government believes that SMEs are potentially a strong driver of economic recovery, family businesses are, in turn, clearly a major constituent of that driving force.

The distribution of family businesses

The contribution of family firms to the UK's economic output is, as above, obviously considerable on any measure. However, that contribution may be somewhat limited by the particular characteristics of family businesses.

First, it has been observed that family businesses comprise a smaller share of all businesses in larger size bands than of SMEs in smaller size bands (IFB 2010, Page 10; IFB 2011, page 12). This was confirmed by SBS 2012: family businesses comprised 60 per cent of micro businesses (1-9 employees), 56 per cent of small businesses (10-49 employees), and 46 per cent of medium businesses. In short, family businesses are smaller on average than non-family businesses and an even larger majority of them than of non-family businesses are *very* small (85.1 per cent of family businesses are micros, 13.1 per cent are small, and 1.8 per cent are medium, compared, respectively, with 79.9, 16.7 and 3.4 per cent of non-family businesses in these size bands).

Given that employment and sales growth (see later in this section) tends to be less frequent in smaller than in larger SMEs, the slightly lower average size of family businesses may imply that their contribution to growth is somewhat lower than their proportion of all SMEs might suggest.

This may be reinforced by the sector distribution of family businesses. It has been reported that family firms are prevalent in agriculture and construction and, within services, in distribution, hospitality, catering and tourism (IFB 2008, page 4; IFB 2011, page 2). In more detail, it has also been suggested (IFB 2010, page 13) that some forms of 'lower tech' manufacturing (for example, of food products, textiles, and wood products) may also have relatively strong representation of family businesses.

These reports were largely confirmed by SBS 2012 which showed higher proportions of family than non-family businesses in agriculture, construction, and retail, and lower proportions in financial, business, and professional services. Between 1997 and 2011, in the UK economy overall, agriculture and retail had declining shares of UK GVA and employment, and employment in construction grew by only a fraction of a per cent; whilst the financial, business and professional services sector exhibited some of the strongest growth (*Industrial strategy: UK Sector analysis*, BIS Economics paper no.18, September 2012). Broadly, the sector distribution of family businesses is, perhaps, rather less supportive of growth expectations than that of non-family businesses.

Two further distributional characteristics of family businesses may also be worth consideration.

First, women have a greater representation in business leadership in family business than in non-family businesses. For example, SBS 2012 shows that half of family businesses have women at least equally represented in their leadership, whilst this is true for only 30 per cent of non-family businesses; and only 43 per cent of family

businesses are entirely male-led compared with 59 per cent of non-family businesses.

The reasons for the differences are not apparent from the survey. It might be, for example, a 'sector' factor, with some sectors, such as retail which is more strongly represented amongst family businesses, having a stronger tradition of female ownership; or it may simply be that many family businesses are led by 'husband and wife' teams. Whatever the reason, if equality policies are in favour of movement towards less gender-segregated workplace hierarchies, it is evident that the family business sector currently offers more opportunity for the development of female leadership and management experience than does the non-family business sector.

Second, SBS 2012 shows that the proportions of family and non-family businesses which were led by members of a minority ethnic group were equal, at seven per cent in each case. This statistic suggests that the stereotype of businesses owned by minority ethnic groups being more frequently family-based is no longer valid. Comparing data from previous Small Business Surveys with SBS 2012 confirms that movement away from the identification of minority ethnic group businesses with family leadership has indeed taken place. For example, SBS 2006/07 showed that 74 per cent of minority ethnic group-led businesses were family-owned. By SBS 2012 that proportion had declined to 62 per cent, the same proportion of family ownership as for SMEs in general.

Entrepreneurship, age, and the stability of family businesses

It has been argued in the literature that the family business concept is positively linked to that of entrepreneurship:

'Most start-ups begin as a family business...promoting entrepreneurship is directly linked to promoting family businesses' (EC 2009, page 18)

'A crucial way in which the family business sector helps the economy is via its role in supporting companies in their early stage of development. In particular, entrepreneurial start-ups usually begin their life as family businesses' (IFB 2008, page 13)

It has also been observed that family businesses tend to be older than non-family businesses and that they 'tend to survive for longer and therefore promote a more stable business sector and job security' (IFB 2008, page 18). This longevity has been such that it has been proposed that family businesses are more able, or at least more apt, to take a long term view:

'Another key strength that is often observed of family businesses...(is)... their ability to take the long term view compared to other businesses...The ability to think long-term and not be thrown off-course by the ups and downs of economic cycles or the short term demands of the stock market...is a much

– commented on characteristic of family businesses’ (*Qualities and Strengths of Family Businesses*, Coutts, 2010, page 8)

In respect of stability, however, various indicators bearing on the matter have previously been published:

- In a survey of family businesses, 13 per cent of owners planned to sell it and 10 per cent planned to close it down, although it was not indicated in what timescale these plans would mature. The survey also noted that family businesses were more than twice as likely as non-family businesses to intend to sell the business and slightly more likely to close it. (*A Family Affair: Today’s Family Businesses*, Barclays, 2002, page 15).
- In a further survey, 12 per cent of family businesses expected transition into new ownership / management in the next 2 years (*2011 National Family Business Report: Executive summary*, University of West England, 2011, page 13).
- Reporting on both 2008 and 2010 SBS surveys it was noted that ‘a higher proportion of family businesses expected the closure or transfer of their business compared to non-family firms’ (IFB 2011).
- However, analysis of Companies House data for 2009 showed lower annual dissolution rates for non-insolvency reasons for family businesses than for non-family businesses (6.4% for small family firms against 9.0% for small non-family firms; 8.6% for medium family firms against 9.8% for medium non-family firms) (IFB 2010, page 40).

SBS 2012 provides some up-dated statistics which bear on this matter.

First, SBS 2012 continues to show that a higher proportion of family businesses (47 per cent, compared with 31 per cent of non-family businesses) are more than 20 years old. This is unsurprising given that 31 per cent of family-owned businesses had been in the control of the family for at least two generations. On average, therefore, family businesses are likely to be older than non-family businesses.

However, if the core of long-established businesses in each group, those more than 20 years old, is taken out of the calculation, the profile of the remainder looks broadly similar: around a fifth are aged 0-3 years and four-fifths are aged between 4 and 20 years.

The statistics, thus, give support to the proposition that family businesses are more likely to take a long term view – if a significantly higher proportion of them survive to the 20 years plus point then more family businesses have evidently invested in survival and longevity.

The proposition of a particular connection of family business to entrepreneurialism appears less evident. An entrepreneurial sector would usually be expected to have a high proportion of young businesses at any particular point as entrepreneurs crowded to take advantage of new opportunities. In this case, there is no evident

concentration of young family businesses (and such a concentration would undermine the longevity proposition above). However, the statistics in this respect do not include those for businesses without employees. It may be that entrepreneurship is more clearly observable at that lower level: more family businesses without employees being significantly younger than average than non-family businesses without employees.

However, even if that is the case, the linkage of family businesses with entrepreneurship may be little more (as in the European Commission and Institute For Family Business Reports quoted earlier) than an observation that many businesses are started by individuals, sometimes with the involvement of family members, while fewer are started as non-family businesses (say by non-family partnerships). Rather than family business being a seed-bed for entrepreneurship, it may be more accurate to say that entrepreneurship is a seed-bed for family businesses. As such, while entrepreneurship is clearly a phenomenon which is usually regarded as positive for the economy and worthy of policy attention, its co-option into a 'family business' agenda appears somewhat redundant: it is entrepreneurship which matters, not that much entrepreneurship necessarily generates business which can be labelled as 'family businesses'.

SBS 2012 also notes (in line with previous analyses quoted above) that family businesses are more likely to anticipate closure (nine per cent in the next 5 years compared to seven per cent of non-family businesses) and to anticipate full transfer of ownership (17 per cent in the next 5 years compared to 11 per cent). These figures provoke the question as to why, if family businesses have greater longevity, with the implications of more stable governance and long termism in management planning, higher proportions should be predicting exit. The answer may lie partly in the fact that many family businesses are older, nearly half beyond the 20 year mark. This may in turn imply that a significant proportion of these business owners are themselves approaching retirement and seeking to sell the business in order to create a retirement fund or to transfer ownership to the next generation. SBS 2012 data suggests this may be an explanation in that, for example, family businesses over 10 years old were around three times as likely to expect to close or transfer ownership as those aged less than 4 years, this effect being much less marked in non-family businesses.

Family business performance

It has been noted that family firms above the micro level tend to have higher returns on assets and better profit margins than non-family firms (IEB 2010), but that, in 2010, family firms were more pessimistic than non-family firms that their sales turnover and employment would increase in the next 12 months (IFB 2011), a view which tends to correlate with the actual performance of businesses in their recent past.

SBS 2012 confirms these broad perspectives. Family firms were significantly less likely to report recent increases in employment (17 per cent compared with 22 per cent) and sales turnover (28 per cent compared with 31 per cent) and to anticipate employment and sales turnover growth in the next 12 months. However, rather more, 73 per cent, compared with 70 per cent of non-family businesses, reported making a profit in their last financial year.

Focussing on the weaker turnover and employment performance indicators for family businesses, a number of possible explanations arise:

- The overall differences are a result of differences in the size and sector distributions of family and non-family businesses
- Family businesses are less capable than non-family businesses
- Family businesses are not so strongly driven by growth and allow sales and employment levels to adjust to market conditions provided profit is maintained
- Family businesses face factors in their external environment which are inherently more challenging for them than for non-family businesses

Each of these possible explanations is considered in turn. First, in respect of the ‘*size and sector*’ factor, it appears that size differences between family and non-family businesses may be a partial influence: the relative weakness in recent turnover and employment performance was most consistent and marked amongst micro businesses which form a higher proportion of family than of non-family businesses.

In respect of sector, construction businesses, which form a higher proportion of family than of non-family businesses, were very much the weakest performing sector having net balances (% reporting growth minus % reporting decline) of minus 17 and minus 15 for employment and turnover change respectively over the previous 12 months. Since construction firms tend mainly to be quite small, these apparent ‘sector’ and ‘size’ influences on the relative performance of family and non-family businesses may, in fact, be partly a single phenomenon

Second, with respect to *capability*, this was mainly self-assessed in the survey and is a subjective measure rather than an objective one. However, respondents from family businesses tended to assess themselves less frequently as ‘strong’ in

performing a number of business activities. However, the differences were not great in most cases, and it has been argued elsewhere (Coutts, 2010, as referenced earlier) that family businesses have a range of strengths (for example, good human resource policies, flexible decision making, personalised customer relationships, long termism, sense of stewardship of the business, and so on) which, if true, might counterbalance some of the more 'technical' attributes about which SBS 2012 enquired and in respect of which, in some cases, as above, family businesses found themselves wanting.

Other, more objective, indicators of capability may comprise the rates of participation in a variety of business behaviours which are usually thought of as 'good'. It can be seen from SBS 2012 that family businesses in comparison with non-family businesses, were:

- Less likely to innovate in their products and services or, particularly, in their business or production processes
- Less likely to export
- Less likely to train staff or managers and, particularly, to train using off-the-job methods, those which are usually regarded as more formal and intensive
- Less likely to have broadband access
- But marginally (by one per cent) more likely to have taken steps to reduce their environmental impact.

However, most of the above negative differences for family firms were quite small and it is possible that they were the result, as in other cases, of differences in the size and sector composition of the family business and non-family business sectors rather than specifically related to 'family business' qualities as such.

Overall, thus, SBS 2012 data on business capability does not favour family firms but it is not sufficiently distinctive between family and non-family businesses as to suggest that observed variation in recent business performance and expectations for the future is strongly driven by differences in the competence levels of family and non-family businesses.

Third, in respect of *growth orientation*, it can be observed (IFB 2011, page 28, using previous SBS data) that the proportion of family businesses which aim to grow their business in the next two to three years increased consistently: 47 per cent in 2006, 52 per cent in 2008, and 58 per cent in 2010. Whilst these percentages remained below those for non-family businesses, the gap narrowed over the period. In SBS 2012, there has been further significant advance in the proportion of family businesses aiming to grow, from the 58 per cent in 2010 to 66 per cent in 2012, with the gap, in 2012, of six per cent below the 72 per cent 'aiming to grow' figure for non-family businesses, remaining more-or-less the same as in 2010. However, whilst family businesses appear to have become consistently more ambitious in respect of

growth, the remaining gap between family and non-family businesses may account for some of the actual lower growth observed amongst the former: family firms may have grown less simply because they less frequently sought to grow. This explanation is supported by survey figures which showed that growth ambition was less frequent for family business firms in all size bands and in all sectors (and thus, overall lower average growth ambition for all family businesses was not an artefact of differences between them and non-family businesses in their size and sector profiles).

The fourth explanation for lower family growth, that it may be caused by *external constraints* impacting differently or differentially on family and non-family businesses, was examined in the survey in two main ways: first, by examining differences in access to finance; and, second, by directly asking businesses what barriers to business success they faced.

In the first case:

- A slightly higher proportion of family businesses (25 per cent against 22 per cent of non-family businesses) had applied for finance in the preceding 12 months.
- Their applications had more frequently been to buy capital equipment or vehicles or to buy or improve buildings and less frequently (than amongst non-family businesses) for working capital, cash flow, or R&D. It appears thus, that family businesses' borrowing was more frequently aimed at increasing asset strength rather than at direct business development, a finding which perhaps corresponds with the previous discussion on family businesses' growth orientations.
- Family businesses more frequently had difficulty obtaining finance (experienced by 48 per cent of family businesses which sought finance but by 45 per cent of non-family businesses which sought finance).

Overall, thus, the data suggests that finance was, on average, used somewhat differently by family businesses and was somewhat more difficult to obtain. However, these were fairly minor differences.

When businesses were asked directly about other barriers they faced (the economy, taxation, regulation, and so on), these barriers were both prioritised in the same order and mentioned with the same frequency by family and non-family businesses alike.

Thus, in summary of the performance of family businesses, it is suggested:

- Family businesses tend to show less employment and sales growth than non-family businesses but are also more likely to make a profit.
- A number of variations in other survey indicators hint that several explanations for lower growth in family businesses may each have some weight. A somewhat different size and sector profile from that of non-family businesses may be implicated to some degree, as may their marginally greater difficulty in obtaining external finance.

- Other variations, however, such as family businesses' somewhat less frequent display of some 'good' business behaviours (innovation, exporting, and so on) and more frequent use of external finance to build assets, may be underpinned by the 'stability' and 'long termism' characteristics of family business discussed earlier and by the lower growth ambition shown in the survey. While it would obviously be wrong to characterise the family business sector as a whole in a particular way (since most variations between them and non-family firms are a matter of a few percentage points) it appears that there is a modestly greater weight amongst family firms of businesses which have a 'protect and conserve' business model, more concerned with profitability and assets and less concerned with increasing jobs and turnover, with innovation and R&D, and, generally, with 'doing things differently'.

Public policy

Finally, it can be observed that some reports on family business (IFB 2008, IFB 2011, EC 2009) have advocated various policy measures to assist family businesses. This advocacy is based on the observations noted earlier that family businesses are both a majority of all SMEs and generate a very significant segment of GDP and national tax revenue. Some specific prescriptions in the literature include:

- Maintaining tax relief on property transfers when family businesses are inherited and further measures to allow business inheritance without adverse tax effects.
- Assistance to succession planning in family business to ensure that business ownership transfers in an organised way which protects the long term continuity of the business.
- Stimulation of management education and of mentoring programmes specific to family business; and sponsorship of governance codes for family business to reduce the number of internecine conflicts which can lead to family business dissolution.
- Specific programmes including tax reliefs and other initiatives to improve R&D and training in family businesses and to increase their frequency of exports.

In conclusion, it is noted that current government SME policy is seldom aimed specifically at family business in the ways which, as above, have been advocated. However, by, for example, addressing a variety of tax issues and the reduction of red tape and in introducing measures to improve access to capital (loan guarantee scheme, Business Growth Fund, etc.), family businesses, as a very substantial segment of the SME population as a whole, are very frequently the beneficiaries of the gains in business efficiency which such policies seek to promote.

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