



Department  
for Business  
Innovation & Skills

**SME BUSINESS BAROMETER  
FEBRUARY 2014**

A report by BMG Research

MARCH 2014

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# 1. Summary

## Introduction

This report shows the results of the February 2014 wave of BIS's Business Barometer: a series of 16 surveys to date (since December 2008) that provide a snapshot of SME employers' performance, activity and concerns. 508 telephone interviews were conducted with owner/managers of SMEs employing between one and 249 people, between the 10<sup>th</sup> and 28<sup>th</sup> February 2014.

## Growth

Twenty-two per cent of SME employers employed fewer people than they did 12 months previously, 18 per cent employed more, and 60 per cent had approximately the same numbers. The proportion employing more grew by six percentage points on the June 2013 survey, and both small and medium-sized businesses increased the numbers employed.

Thirty-seven per cent had recruited new employees in the last 12 months. This was an insignificant increase on June 2013.

Asked about their expectations for the next 12 months, 23 per cent said they would employ more people than they did currently, 68 per cent the same number and 9 per cent fewer. These proportions were not significantly different from the previous Barometer in June 2013, but the overall trend is stable.

Thirty-six per cent of SME employers increased their turnover in the previous 12 months, with 29 per cent having decreased turnover, and 33 per cent having roughly the same turnover. The proportion with increased turnover rose by 12 percentage points on June 2013, and the February 2014 survey had the highest proportion with increased turnover yet seen in the Barometer series.

Seventy-four per cent of SME employers had generated a profit or surplus in the previous 12 months, significantly higher than in June 2013. The proportion stating that they had managed to increase profit (56 per cent) was 13 percentage points higher than in June 2013, and the highest proportion yet seen in the Barometer series.

Forty-eight per cent of SME employers expected turnover to increase in the next 12 months, with 39 per cent thinking it would stay the same, and 11 per cent thinking it would decrease. Again, this was a very positive prediction, with the proportion thinking turnover will increase up nine percentage points on the June 2013 Barometer. This was also the highest proportion expecting increased turnover in the Barometer series so far.

Eighty-five per cent expected to make a profit in the next 12 months. Again, this was the highest proportion yet seen in the Barometer series.

Sixty-six per cent of SME employers aimed to grow their business over the next 2-3 years, a similar proportion to that seen in June 2013.

The proportion that said they will increase their plans for growth (26 per cent) has risen significantly on the figure for June 2013 (by seven percentage points), and is at the highest level in the Barometer series so far.

The proportion expecting to fund growth via external finance (22 per cent) fell ten percentage points on June 2013 and is at the lowest level seen yet in the Barometer series.

Twelve per cent of SME employers said that they had increased or brought forward their long term planned investments as a direct result of economic conditions, with 16 per cent saying that they had reduced or delayed them. Despite more enterprises saying they will reduce rather than increase planned investments, this was still the most positive result yet seen in the Barometer series.

## **Business environment**

Twenty-one per cent of SME employers currently sell goods or services or licence their products outside of the UK. This proportion was the same as that observed in June 2013. Among exporters, the proportion with a lower level of exports increased (from 10 per cent in June 2013 to 20 per cent in February 2014).

Obstacles to the success of businesses were similar to those seen in previous Barometers, with the economy again the most commonly mentioned. However, compared with June 2013 the economy, cashflow, obtaining finance and pensions were less likely to be mentioned as obstacles.

Twenty-eight per cent of SME employers had public sector clients, and 21 per cent had done work for these in the previous six months. These proportions are higher than in June 2013 but no higher than in February 2013.

Ninety per cent of SME employers were confident that their businesses would still be trading in 12 months time. Four per cent anticipated the closure of their businesses in 12 months time, and three per cent the transfer of ownership. These are similar proportions to those seen in the last two Barometers.

Forty-three per cent of SME employers had introduced new or significantly improved products or services in the previous 12 months, an insignificant decrease on June 2013. Forty-two per cent had introduced new or significantly improved processes in this time, the highest proportion seen in the Barometer series.

Fifty-nine per cent of SME employers were part of a business representation or networking organisation. The Federation of Small Businesses was the single organisation most commonly mentioned (19 per cent).

## **Access to finance**

Twelve per cent of SME employers had sought external finance in the previous six months. This was a five percentage point decline on June 2013, and the lowest proportion yet seen in the Barometer series. The main reasons for seeking finance remained the

need for working capital (40 per cent), to buy equipment or vehicles (35 per cent) and to improve buildings (10 per cent).

Bank finance was the most common form of finance sought (71 per cent), but small and medium-sized businesses were less likely than micro businesses to seek this (39 per cent versus 83 per cent).

Indications are that micros in February 2014 made more preparations to obtain finance than has been the case in previous Barometers, and they were more likely to prepare than were small and medium-sized businesses seeking finance.

Forty-six per cent of those that had sought finance encountered difficulties from the first source they approached. Forty-four per cent were unable to obtain any finance from this first source approached. Sixty-eight per cent of those that applied for bank loans were unable to obtain any finance from the first source approached.

Sixty-four per cent of those that applied for finance managed to obtain all that they needed, 54 per cent from the first source approached.

Banks appear less likely to have changed terms and conditions on overdrafts than was the case in previous Barometers.

## **Business support**

In February 2014, 36 per cent of SME employers had sought external advice or information on business matters in the last 12 months. Thirty-two per cent had sought at least some kind of private sector advice, and 13 per cent some kind of public sector advice. The proportion using private sector advice has fallen since February 2013 (from 40 per cent to 32 per cent).

Twenty-two per cent spontaneously mentioned the GOV.UK website as the place to find out information on what the Government is doing to help small businesses. When prompted, 85 per cent were aware of GOV.UK, but only 38 per cent were aware of the business section, a 17 percentage point decrease on February 2013. Twenty-three per cent have used the website since October 2012, the same proportion seen in the June 2013 Barometer.

Fourteen per cent of SME employers had used a mentor in the previous 12 months. This was a similar proportion to that seen in June 2013.

Steve Lomax,  
BMG Research,  
March 2014

## 2. Introduction

### Background

The Business Barometer is a series of 16 surveys dating back to December 2008 among owners and managers of small and medium-sized (SME) employer enterprises in the UK, conducted on behalf of the Department for Business, Innovation and Skills (BIS).

The survey provides data on SME performance, and business needs, concerns and barriers to growth. Each survey wave of the Business Barometer consists of approximately 500 interviews with SME employer owners and managers, all of whom have previously been interviewed as part of larger BIS surveys – the 2006/07, 2007/08 Annual Surveys of Small Business (ASBS) or the 2010 and 2012 Small Business Surveys (SBS). The Business Barometers have occurred at least twice yearly since their inception. As a rule, they are not conducted at the same time as the larger SBSs.

### Methodology

508 interviews were conducted among SME employers between the 10<sup>th</sup> and 28<sup>th</sup> February 2014. All respondents had previously taken part in the 2012 SBS. Those interviewed were directors, owners and co-owners of the businesses. The February 2014 survey was carried out by BMG Research, an independent market research agency based in Birmingham.

The sample design boosts larger SME employers with between 10 and 249 employees, and also those that had sought finance in the year before SBS 2012 took place. At the analysis stage weighting was applied on these criteria and also broad sector so that the dataset was closely representative of all UK SME employers<sup>1</sup>. However, when interpreting these findings it must be borne in mind that the sample is not fully representative in that:

- businesses with no employees have been excluded from this survey; and
- businesses that started up since SBS 2012 were not interviewed.

Nor is the survey exactly representative of SME employers that operated at the time of SBS 2012, as those that have closed since cannot be interviewed, although this appears to be a relatively small number of those interviewed in SBS 2012.

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<sup>1</sup> More details on the sampling and weighting process are given in the technical appendix to this report



## Note on the report

It should be noted that the report is based on *SME employers only*, and not on all SMEs.

Charts in the report show trends based on all 16 Barometers conducted since December 2008. Results from ASBS and SBSs are not shown as these are not strictly comparable, as they contain a higher proportion of newer businesses than do the Barometers. It should also be noted that not every question described has appeared in every Barometer, and charts only give data for the Barometers where data is available.

Standard tables in the report focus on employment size: micros (1-9 employees), small businesses (10-49) and medium-sized ones (50-249). These show data for the latest (February 2014) Barometer, the previous Barometer which was conducted in June 2013, and then past Barometers in February 2013, 2012, 2011, 2010 and 2009. Tables are not shown by employment size where sample sizes are small, e.g. those based on SMEs that sought finance. Any significant differences from the overall figure by sector and age of business are commented on in the report text.

Unless stated otherwise, all findings commented upon in the text are statistically significant, whether reported as a comparison between the February 2014 Barometer and previous Barometers, or where findings for sub-groups are compared with the overall total. In this latter 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). In the tables shown in this report, figures in bold are statistically significant for sub-groups against the overall findings of that Barometer wave.

Please note that in some of the charts in this report figures appear to be shown for March 2014. This is a scaling issue within the charts and the data does in fact relate to February 2014.

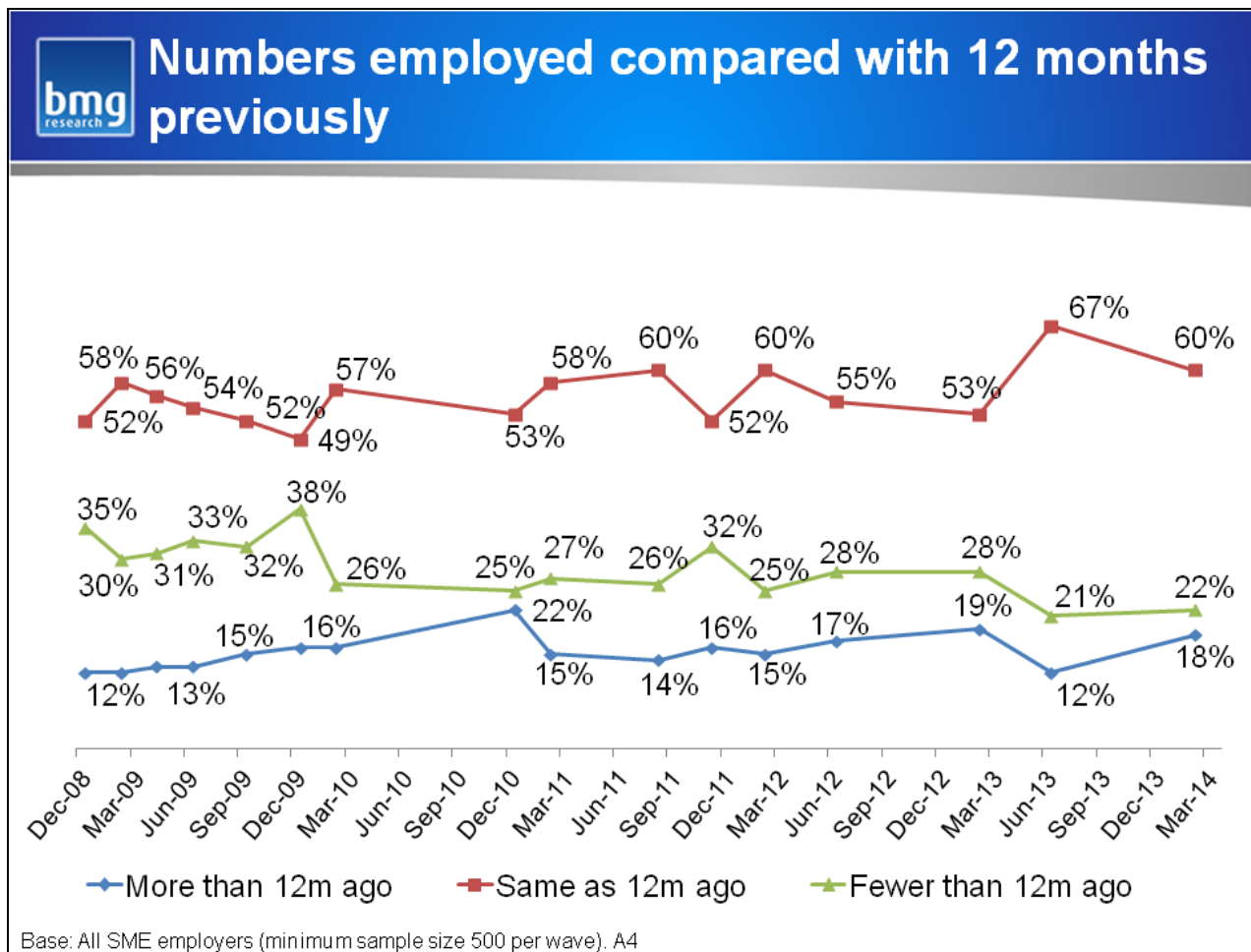
### 3. Growth

This section explores whether SME employers have grown in the last 12 months in terms of numbers employed and turnover, and their plans for growth.

#### Numbers employed now compared with 12 months previously

In February 2014, 22 per cent of SME employers employed fewer people than they did 12 months previously. Eighteen per cent employed more, and 60 per cent had approximately the same numbers.

Figure A: Numbers employed compared with 12 months previously



The proportion employing more people in February 2014 was six percentage points higher than in June 2013, a significant increase. However, this level was only at the same level observed in February 2013.

**Table 3.1: Numbers employed compared with 12 months previously – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	508	221	194	93
	%	%	%	%
More than 12 months previously	18	15	<b>29</b>	<b>43</b>
Same as 12 months previously	60	63	<b>45</b>	<b>39</b>
Fewer than 12 months previously	22	21	25	17
<b>June 2013</b> (n=)	501	216	188	97
	%	%	%	%
More than 12 months previously	12	<b>8</b>	<b>28</b>	<b>39</b>
Same as 12 months previously	67	71	<b>49</b>	<b>53</b>
Fewer than 12 months previously	21	21	23	<b>8</b>
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
More than 12 months previously	19	16	<b>31</b>	<b>46</b>
Same as 12 months previously	53	55	46	39
Fewer than 12 months previously	28	30	<b>23</b>	<b>15</b>
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
More than 12 months previously	15	13	<b>23</b>	<b>44</b>
Same as 12 months previously	60	64	<b>40</b>	<b>31</b>
Fewer than 12 months previously	25	24	<b>38</b>	25
<b>February 2011</b> (n=)	500	215	192	93
	%	%	%	%
More than 12 months previously	15	12	<b>26</b>	<b>41</b>
Same as 12 months previously	58	61	<b>41</b>	<b>39</b>
Fewer than 12 months previously	27	26	33	19
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
More than 12 months previously	16	14	<b>25</b>	18
Same as 12 months previously	57	65	<b>36</b>	<b>38</b>
Fewer than 12 months previously	26	21	<b>39</b>	<b>44</b>
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
More than 12 months previously	12	11	13	<b>19</b>
Same as 12 months previously	58	61	<b>41</b>	<b>46</b>
Fewer than 12 months previously	30	27	<b>46</b>	34

Base = all SME employers. 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. A4

The proportion of SME employers employing fewer has been higher than those employing more in every Barometer. This should not be taken as an indication of increasing unemployment, as employees may join larger businesses, or become self-employed. Micros dominate the numbers of SME employers, and micros that grow become small businesses, whilst those with reduced employment may have only shed one or two jobs. This decrease in employment may be more than offset by the increased employment among the larger SMEs. The key indicator of growing employment is perhaps among the small businesses with 10-49 employees, and whether the proportion of these employing more exceeds those employing fewer. This has been the case since the February 2013 Barometer.

Compared with June 2013, the proportion employing more has increased for all sizes of SME employer, significantly in the case of the micros. By sector, in February 2014 the construction industry was more likely than average to have reduced employment (37 per cent), those in business services were more likely than average to have stable employment (68 per cent), and those in other services were more likely to have increased employment (25 per cent).

## New employees in the previous 12 months

In February 2014, 37 per cent of SME employers had recruited at least one new employee in the previous 12 months. This result is consistent with previous Barometers.

**Figure B: Recruited new employees in the last 12 months**



**Table 3.2: Recruited new employees in the last 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	508	221	194	93
	%	%	%	%
Any new employees	37	<b>28</b>	<b>77</b>	<b>95</b>
<b>June 2013</b> (n=)	501	216	188	97
	%	%	%	%
Any new employees	33	<b>23</b>	<b>78</b>	<b>91</b>
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
Any new employees	40	<b>32</b>	<b>80</b>	<b>92</b>
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
Any new employees	35	29	<b>64</b>	<b>84</b>
<b>February 2011</b> (n=)	500	215	192	93
	%	%	%	%
Any new employees	35	29	<b>66</b>	<b>86</b>
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
Any new employees	35	<b>27</b>	<b>57</b>	<b>65</b>
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
Any new employees	37	31	<b>64</b>	<b>90</b>

Base = all SME employers

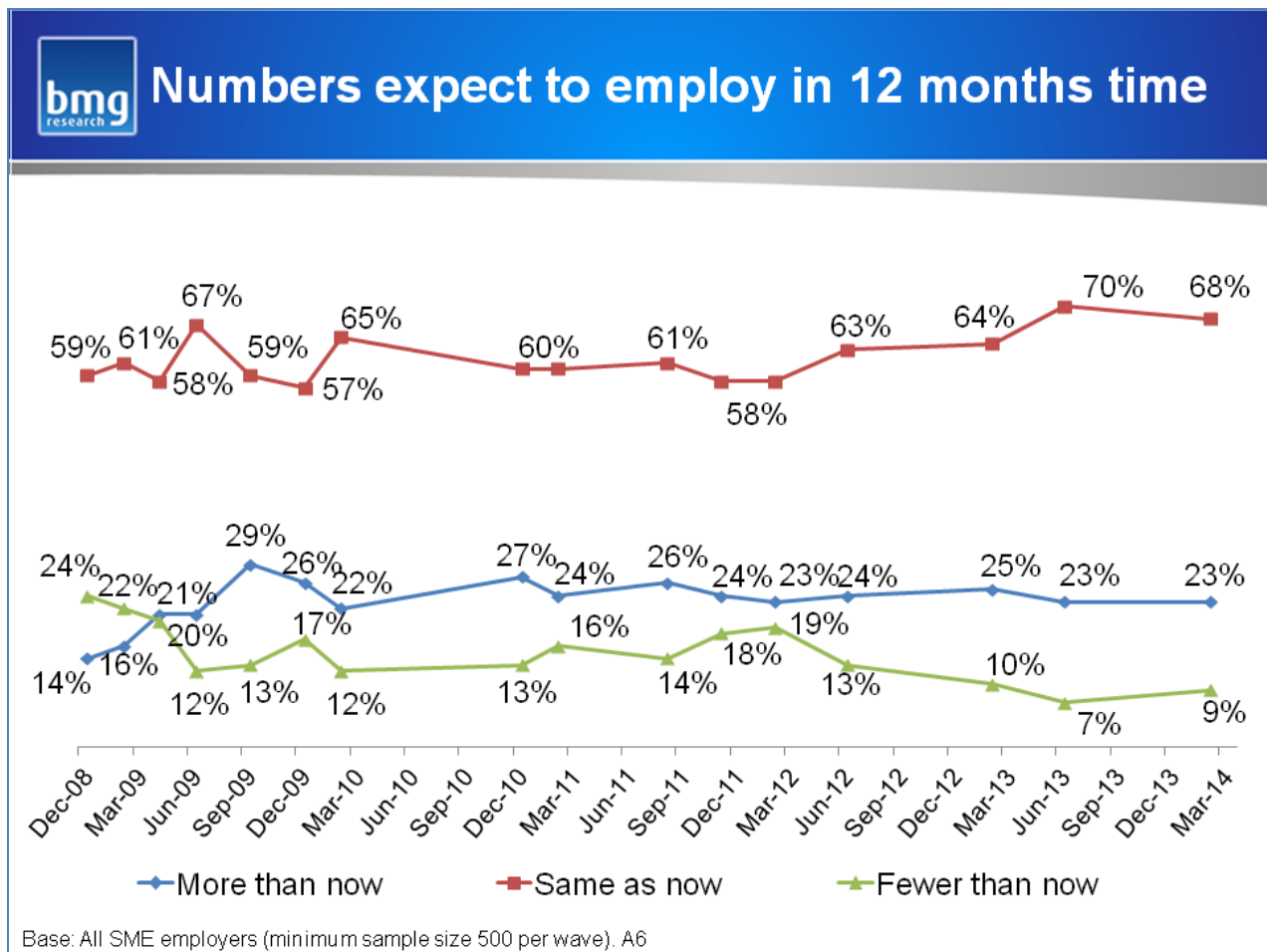
Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A7

The proportions of small and medium-sized SMEs (as opposed to micros) recruiting new employees is consistent with June and February 2013. Those in the construction sector were less likely than average to have new employees (23 per cent), and those in other services were more likely than average (52 per cent).

## Numbers expect to employ in 12 months time

In February 2014, 23 per cent of SME employers said that they expected to have more employees in 12 months time, with 68 per cent expecting the same number, and nine per cent expecting to have fewer.

Figure C: Numbers expect to employ in 12 months time



The results indicate continuing optimism among businesses of all sizes, and not since February 2009 has the proportion predicting reduced employment been higher than the proportion predicting increased employment.

For all sizes of SME employer, the proportion predicting increased and reduced employment has been constant since February 2013. For small (40 per cent) and medium-sized (43 per cent) businesses, the proportion that thought they would employ more in 12 months time was at the highest level seen in the Barometer series.

**Table 3.3 Numbers expected to employ in 12 months time – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	508	221	194	93
	%	%	%	%
More than currently	23	20	<b>40</b>	<b>43</b>
Same as currently	68	72	<b>50</b>	<b>49</b>
Fewer than currently	9	8	10	8
<b>June 2013</b> (n=)	501	216	188	97
	%	%	%	%
More than currently	23	20	<b>40</b>	<b>40</b>
Same as currently	70	74	<b>50</b>	<b>48</b>
Fewer than currently	7	6	<b>10</b>	<b>13</b>
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
More than currently	25	23	<b>37</b>	<b>40</b>
Same as currently	64	67	<b>47</b>	<b>41</b>
Fewer than currently	10	9	<b>15</b>	<b>17</b>
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
More than currently	23	22	27	<b>36</b>
Same as currently	58	60	<b>49</b>	<b>44</b>
Fewer than currently	19	18	24	20
<b>February 2011</b> (n=)	500	215	192	93
	%	%	%	%
More than currently	24	22	<b>33</b>	32
Same as currently	60	63	<b>46</b>	<b>41</b>
Fewer than currently	16	15	21	<b>27</b>
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
More than currently	22	19	<b>32</b>	30
Same as currently	65	70	<b>52</b>	<b>55</b>
Fewer than currently	12	11	16	15
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
More than currently	16	15	17	20
Same as currently	61	63	53	<b>40</b>
Fewer than currently	22	21	27	<b>38</b>

Base = all SME employers

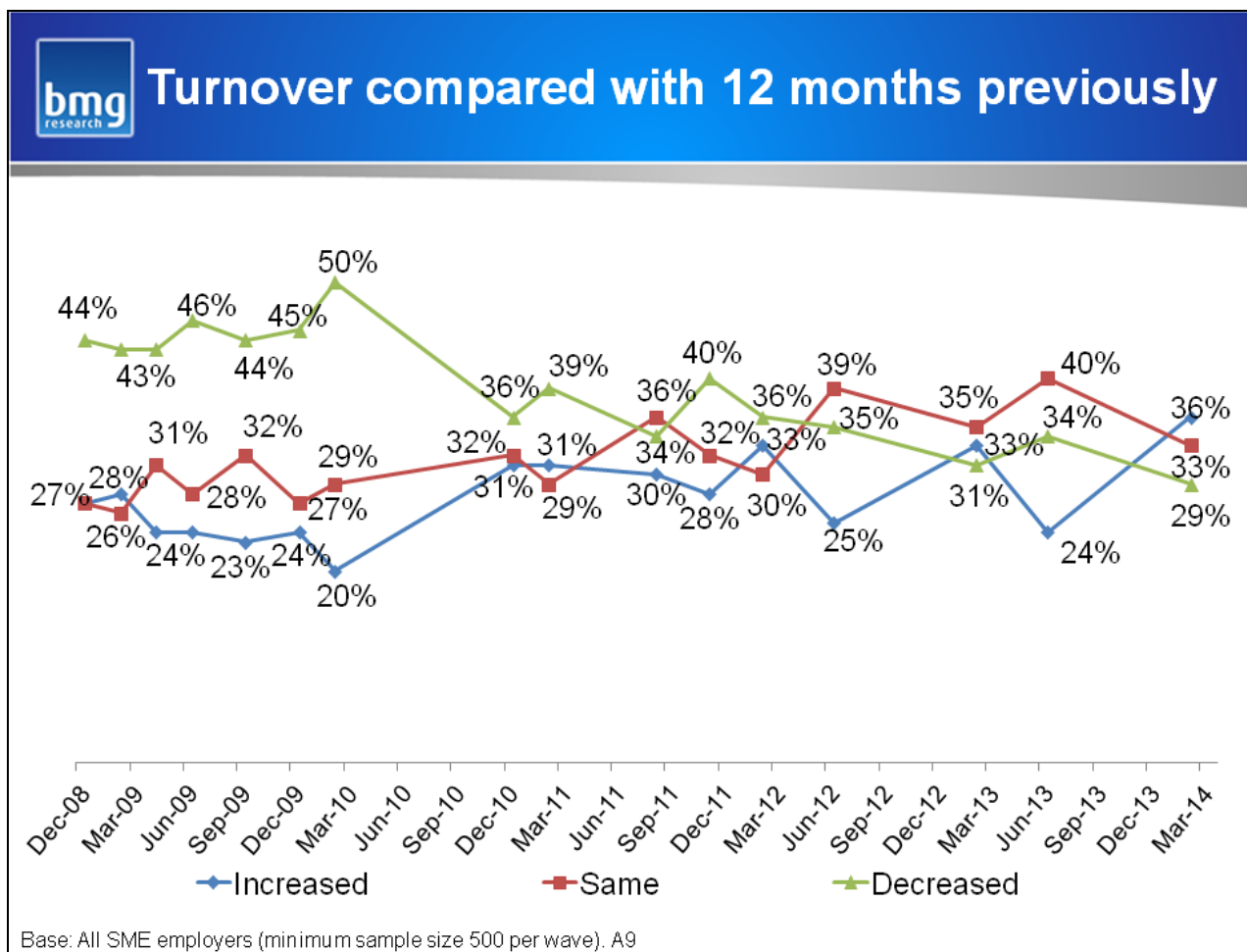
Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A6

By sector those in construction were more likely than average to think employment levels would decrease (27 per cent), while those in business services (one per cent) and other services (13 per cent) were less likely than average to think this. By age, 30 per cent of SME employers aged 4-10 years thought employment would grow, compared with 19 per cent of those aged 10 years or more.

## Turnover compared with 12 months previously

In February 2014, 36 per cent of SME employers said that their turnover had increased compared with 12 months previously, 33 per cent that it had stayed roughly the same, and 29 per cent that it had decreased.

**Figure D: Turnover compared with 12 months previously**



This is a very positive finding. The proportion with increased turnover in February 2014 was at the highest level seen in the Barometer series, and the proportion with decreased turnover at the lowest level. The rise in the proportion with increased turnover on June 2013 was a significant increase (up 12 percentage points).

Micros recorded the highest level of increased turnover and the lowest level of reduced turnover for their size band in the whole of the Barometer series. For small businesses, the proportion with increased turnover equalled that in February 2013, while for medium-sized



businesses the proportion with increased turnover was only bettered in the February 2013 survey.

**Table 3.4 Turnover compared with 12 months previously – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014 (n=)</b>	508	221	194	93
	%	%	%	%
Increased	36	35	38	<b>53</b>
Stayed the same	33	32	<b>40</b>	29
Decreased	29	31	<b>19</b>	<b>14</b>
<b>June 2013 (n=)</b>	501	216	188	97
	%	%	%	%
Increased	24	22	<b>30</b>	<b>43</b>
Stayed the same	40	40	39	<b>30</b>
Decreased	34	35	<b>28</b>	<b>25</b>
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Increased	33	31	38	<b>57</b>
Stayed the same	35	36	33	<b>25</b>
Decreased	31	33	27	<b>15</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Increased	33	33	31	<b>52</b>
Stayed the same	30	29	35	24
Decreased	36	37	32	<b>24</b>
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Increased	31	30	32	<b>48</b>
Stayed the same	29	28	30	34
Decreased	39	40	35	<b>16</b>
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
Increased	20	20	20	14
Stayed the same	29	29	34	<b>13</b>
Decreased	50	50	46	<b>72</b>
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
Increased	28	26	35	<b>40</b>
Stayed the same	26	27	23	25
Decreased	43	43	43	34

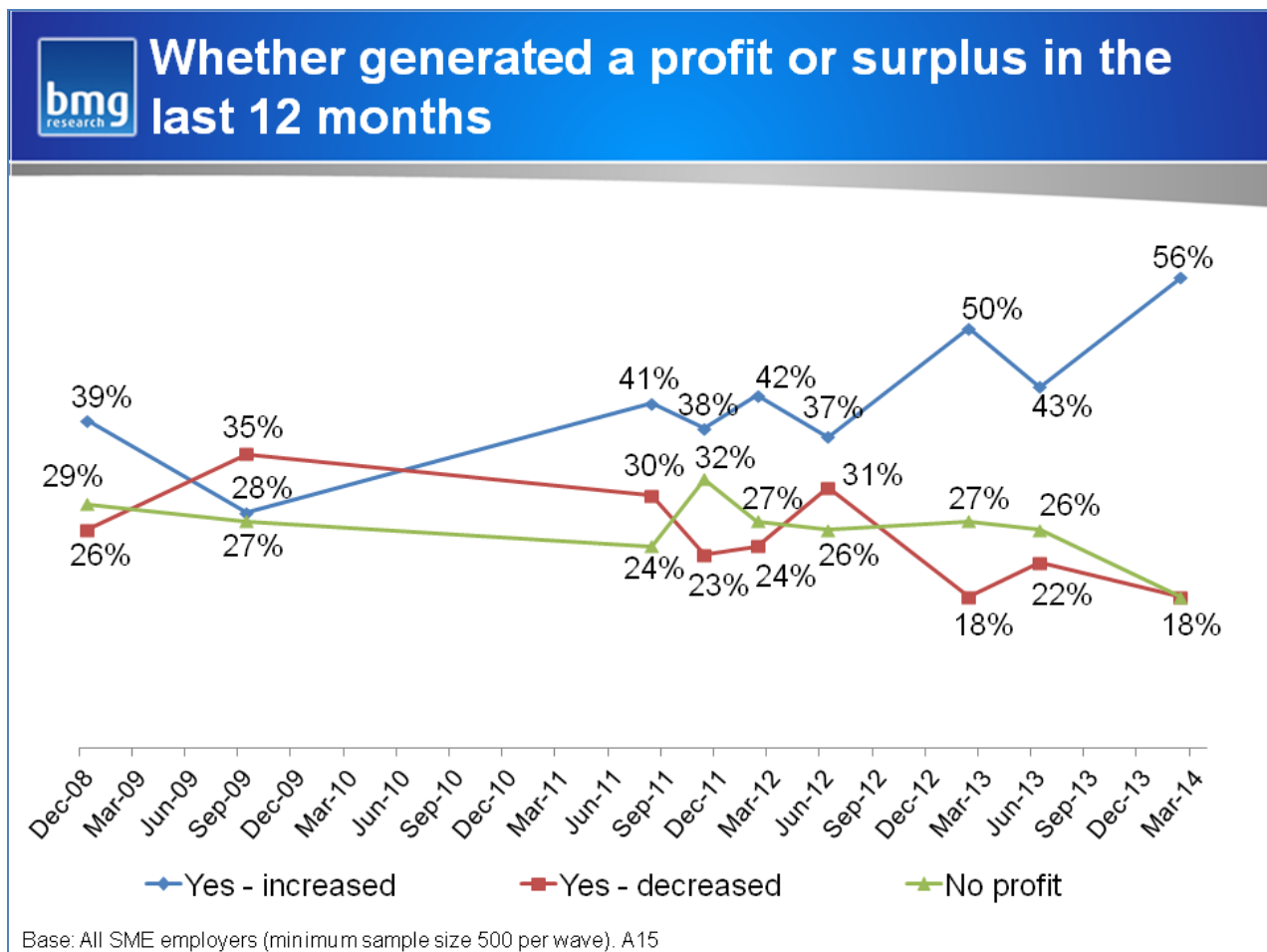
Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A9

By sector, those in construction were less likely than average to report increased turnover (23 per cent), while those in business services were more likely than average to report this (43 per cent). Seventy three per cent of businesses aged 0-3 years reported increased turnover, but only 29 per cent of those aged 10 plus years reported this.

## Whether generated a profit or surplus in the last 12 months

In February 2014, 74 per cent of businesses reported that they had made a profit, with 56 per cent saying that this level of profit had increased on the previous 12 months profit.

**Figure E: Whether generated a profit or surplus in the last 12 months**



The overall trend since the Barometer series began is of more SME employers making a profit, and a higher proportion increasing their profit levels. There was a 13 percentage point increase in the proportion reporting an increased profit level compared with June 2013, and the overall proportion reporting this was at the highest level seen in the Barometer series.

**Table 3.5: Whether generated a profit or surplus in the last 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014 (n=)</b>	508	221	194	93
	%	%	%	%
Yes – increased on previous 12m	56	56	58	58
Yes – decreased on previous 12m	18	18	17	15
No profit/surplus	18	18	17	20
<b>June 2013 (n=)</b>	501	216	188	97
	%	%	%	%
Yes – increased on previous 12m	43	41	<b>56</b>	<b>56</b>
Yes – decreased on previous 12m	22	23	<b>16</b>	22
No profit/surplus	26	27	22	<b>15</b>
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Yes – increased on previous 12m	50	49	55	<b>65</b>
Yes – decreased on previous 12m	18	18	18	17
No profit/surplus	27	28	22	<b>18</b>
<b>June 2012 (n=)</b>	500	227	182	91
	%	%	%	%
Yes – increased on previous 12m	37	35	44	47
Yes – decreased on previous 12m	31	32	24	31
No profit/surplus	26	27	26	<b>16</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Yes – increased on previous 12m	42	42	45	<b>59</b>
Yes – decreased on previous 12m	24	24	25	26
No profit/surplus	27	28	27	<b>11</b>

Base = all SME employers

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. A15

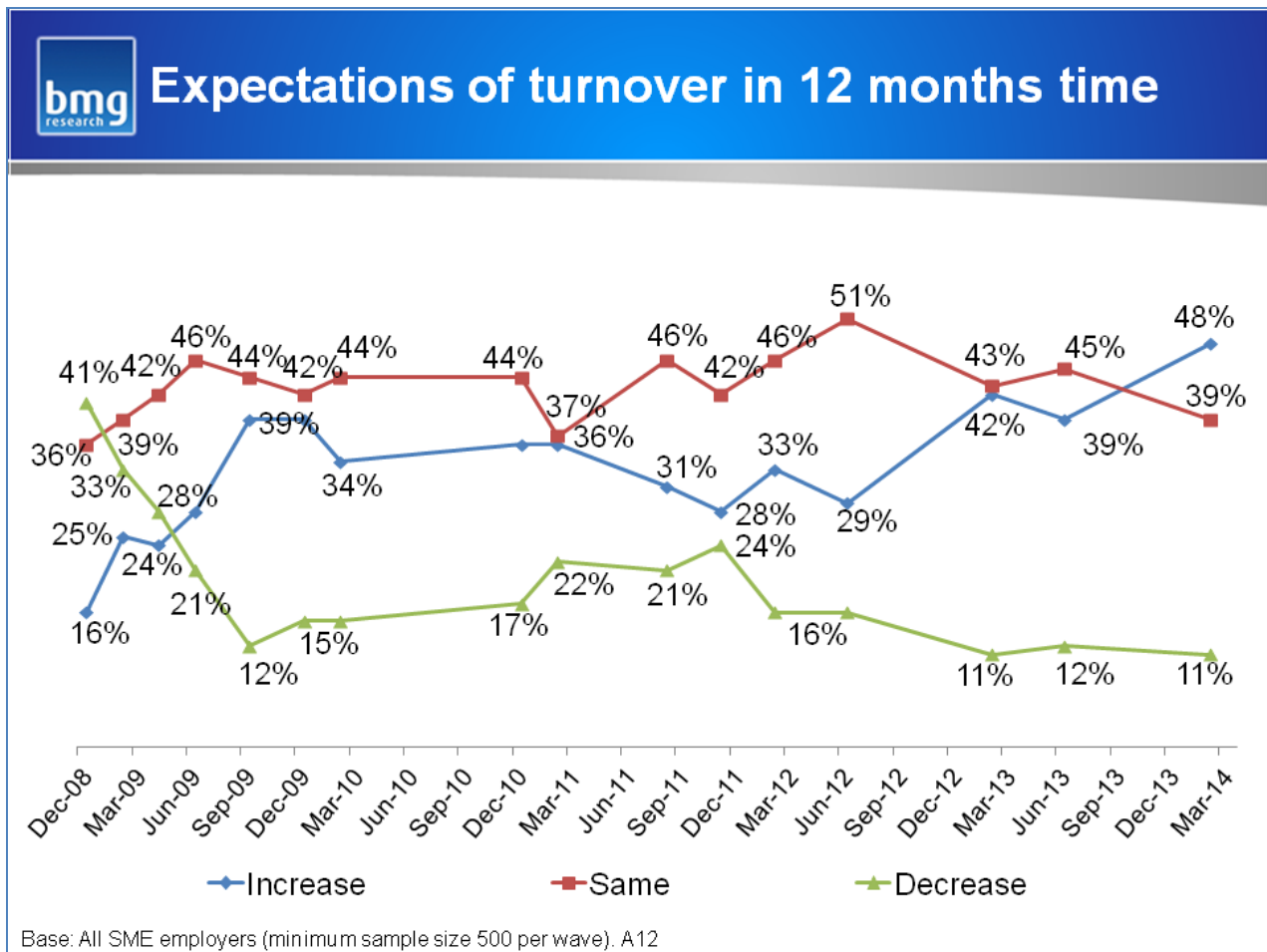
While the proportions that had increased profit levels were similar to June 2013 for small and medium businesses, the proportion of micros with increased profit rose significantly by 15 percentage points for micros in this period.

Overall, 18 per cent did not make a profit in February 2014. This proportion was higher than average for those in construction (30 per cent) and other services (25 per cent), although this latter sector contains a higher than average proportion of not-for-profit enterprises.

## Expectations of turnover in 12 months time

In February 2014, 48 per cent of SME employers said that they expected their turnover to be higher in 12 months time. Thirty-nine per cent expected it to be roughly the same as it was, and 11 per cent for it to decrease.

**Figure F: Expectations of turnover in 12 months time**



This is yet again a very positive result, with nearly half of SME employers optimistic that turnover will increase, the highest proportion seen in the Barometer series. The significant overall nine percentage point rise in the proportion that thought they would increase their turnover was driven by all sizes of business, but particularly small businesses (up 14 percentage points).

By sector, those in business services were most likely to predict an increase (56 per cent), and those in other services the least likely to predict an increase (38 per cent).

**Table 3.6 Expectations of turnover in 12 months time – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	508	221	194	93
	%	%	%	%
Increase	48	46	<b>57</b>	<b>62</b>
Stay the same	39	41	<b>32</b>	<b>27</b>
Decrease	11	12	<b>6</b>	5
<b>June 2013</b> (n=)	501	216	188	97
	%	%	%	%
Increase	39	38	43	<b>53</b>
Stay the same	45	45	45	<b>35</b>
Decrease	12	12	10	11
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
Increase	42	41	<b>49</b>	<b>55</b>
Stay the same	43	45	<b>36</b>	<b>30</b>
Decrease	11	11	12	11
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
Increase	33	33	32	<b>51</b>
Stay the same	46	46	45	<b>30</b>
Decrease	16	16	18	19
<b>February 2011</b> (n=)	500	215	192	93
	%	%	%	%
Increase	36	34	<b>49</b>	<b>51</b>
Stay the same	37	38	34	33
Decrease	22	24	<b>13</b>	14
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
Increase	34	32	43	37
Stay the same	44	43	46	48
Decrease	15	17	10	13
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
Increase	25	25	24	20
Stay the same	39	40	30	36
Decrease	33	31	<b>43</b>	41

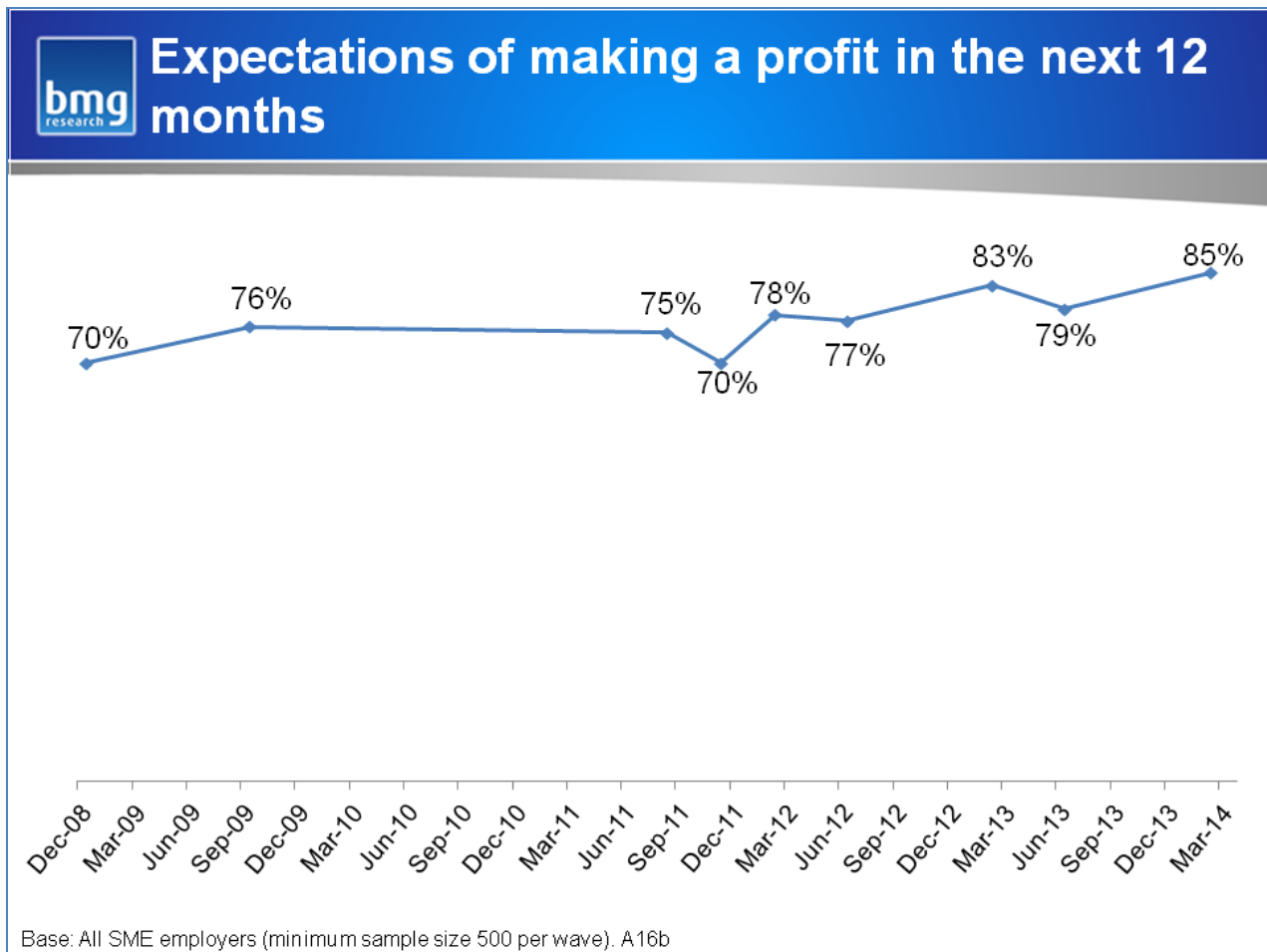
Base = all SME employers

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. A12

## Expectations of making a profit in the next 12 months

In February 2014, 85 per cent of SME employers expected to make a profit in the next 12 months. This was a significant six percentage point increase on June 2013, and the highest level in the Barometer series.

**Figure G: Expectations of making a profit in 12 months time**

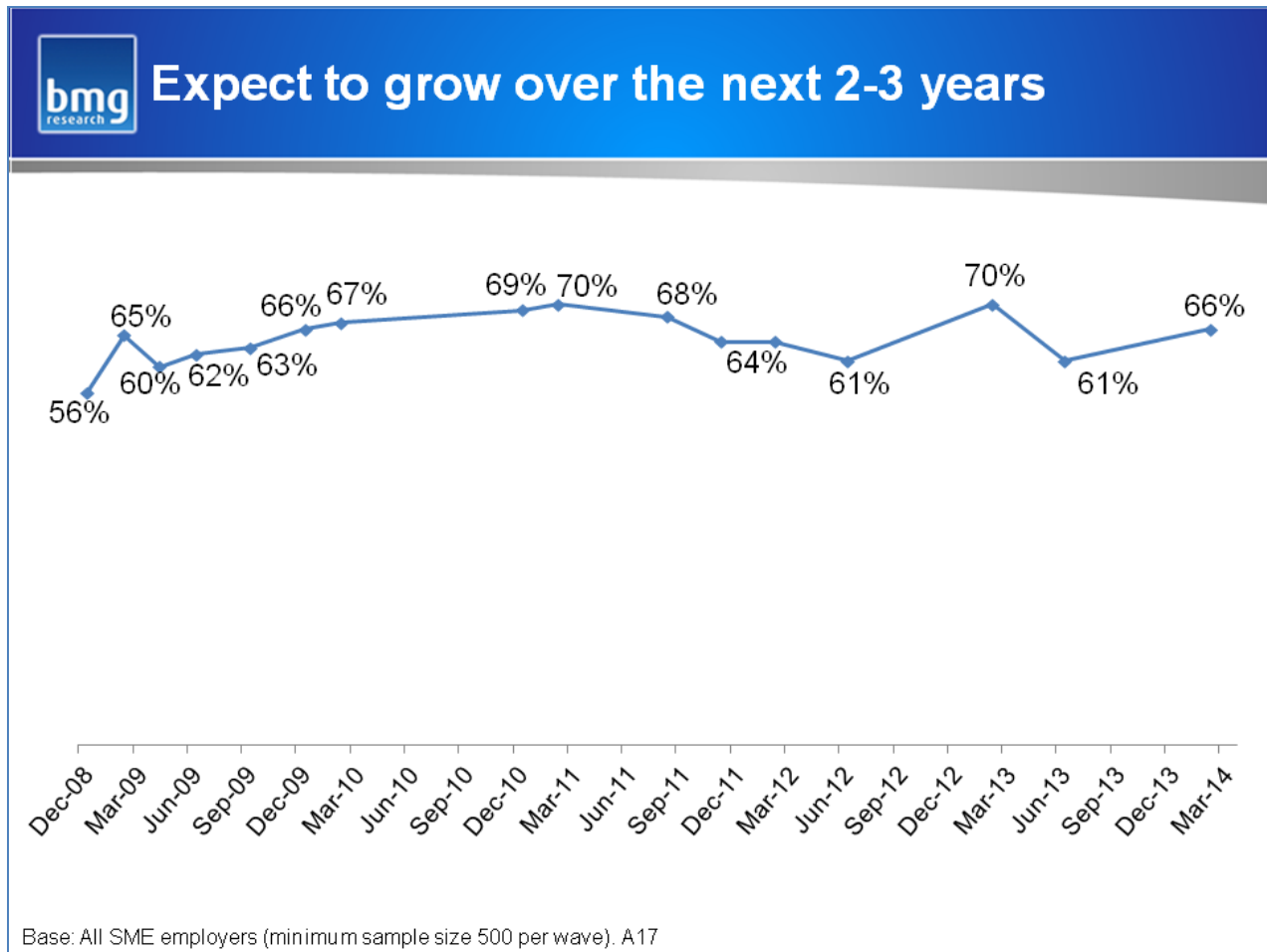


The vast majority of all sizes of business were confident of making a profit in the next 12 months (85 per cent for micros, 86 per cent for small, 89 per cent for medium).

Expectations for profit were highest among business services (95 per cent) and lowest for the other services (75 per cent).

## Whether expect to grow over the next 2-3 years

In February 2014, 66 per cent of SME employers aimed to grow their business over the next two to three years.

**Figure H: Whether expect to grow over the next 2-3 years**

This was not a significant increase on the figure for June 2013, and was lower than the figure for February 2013. In general, the overall proportion expecting to grow has been constant since the February 2009 Barometer.

Larger SME employers are more likely to aim to grow their business. Sixty-four per cent of micros aimed to grow, compared with 73 per cent of small businesses, and 88 per cent of medium-sized ones.

By sector there were no significant differences in the proportions aiming to grow. By age of business, younger ones were more likely to seek growth (81 per cent of those aged 0-3 years, 75 per cent of those aged 4-10 years, and 60 per cent of those aged over ten years).

**Table 3.7: Whether expect to grow over the next 2-3 years – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	508	221	194	93
	%	%	%	%
Expect to grow in next 2-3 years	66	64	<b>73</b>	<b>88</b>
<b>June 2013</b> (n=)	501	216	188	97
	%	%	%	%
Expect to grow in next 2-3 years	61	58	<b>73</b>	<b>82</b>
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
Expect to grow in next 2-3 years	70	68	<b>80</b>	<b>88</b>
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
Expect to grow in next 2-3 years	64	63	70	<b>85</b>
<b>February 2011</b> (n=)	500	215	192	93
	%	%	%	%
Expect to grow in next 2-3 years	70	68	<b>82</b>	<b>87</b>
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
Expect to grow in next 2-3 years	67	61	<b>83</b>	<b>88</b>
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
Expect to grow in next 2-3 years	65	63	<b>74</b>	<b>86</b>

Base = all SME employers.

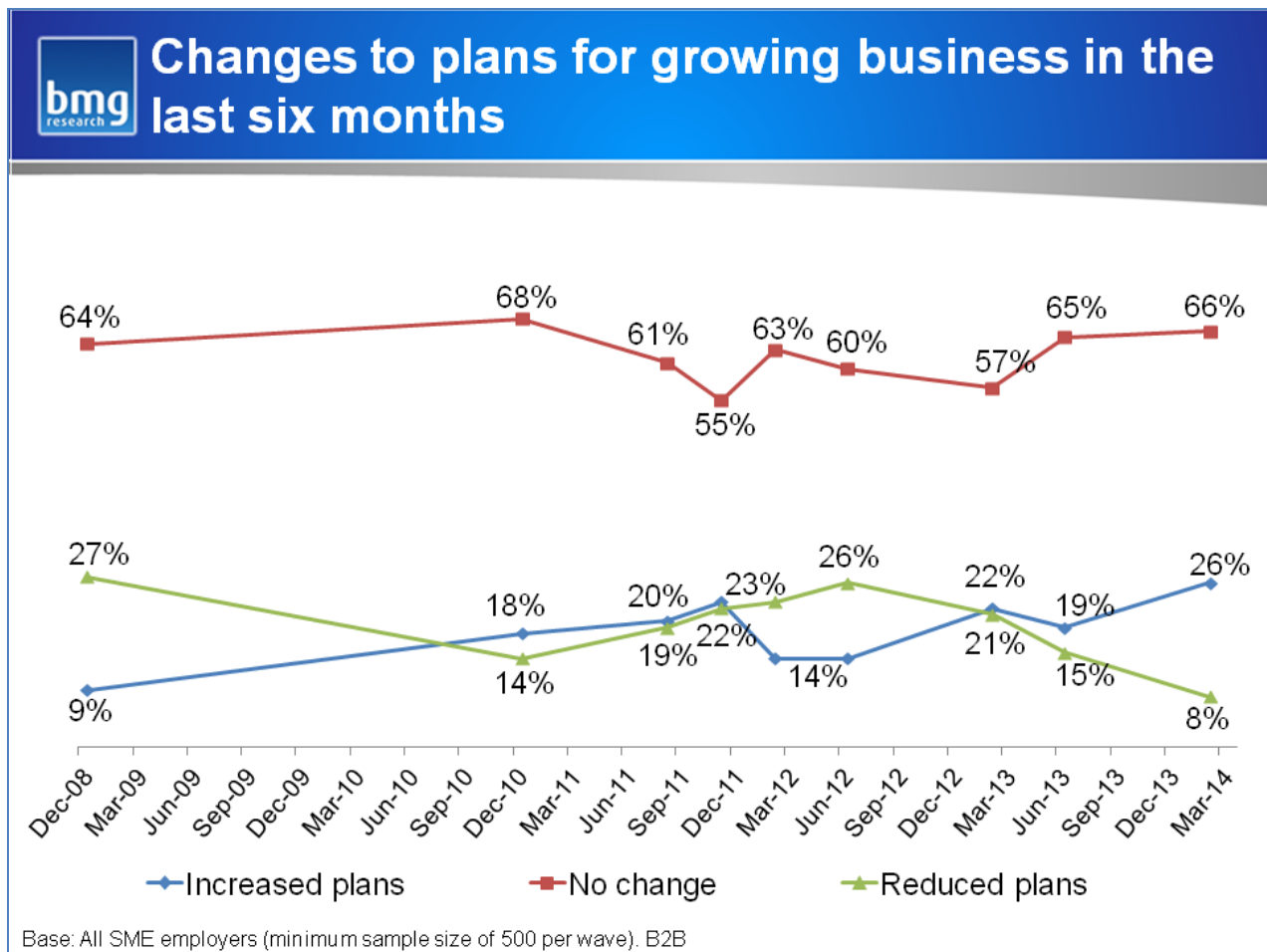
Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A17

## Changes to plans for growing business in the last 6 months

In February 2013, 26 per cent of SME employers said that they had increased their plans for growth in the previous six months (eight per cent significantly, 18 per cent slightly), whilst eight per cent had reduced their growth plans (five per cent significantly, four per cent slightly).

This is another very positive indicator, with the proportion reporting that they had increased their plans for growing the business being the highest yet seen in the Barometer series, and conversely the proportion saying they had reduced growth plans being the lowest.



**Figure I: Changes to plans for growing business in the last six months**

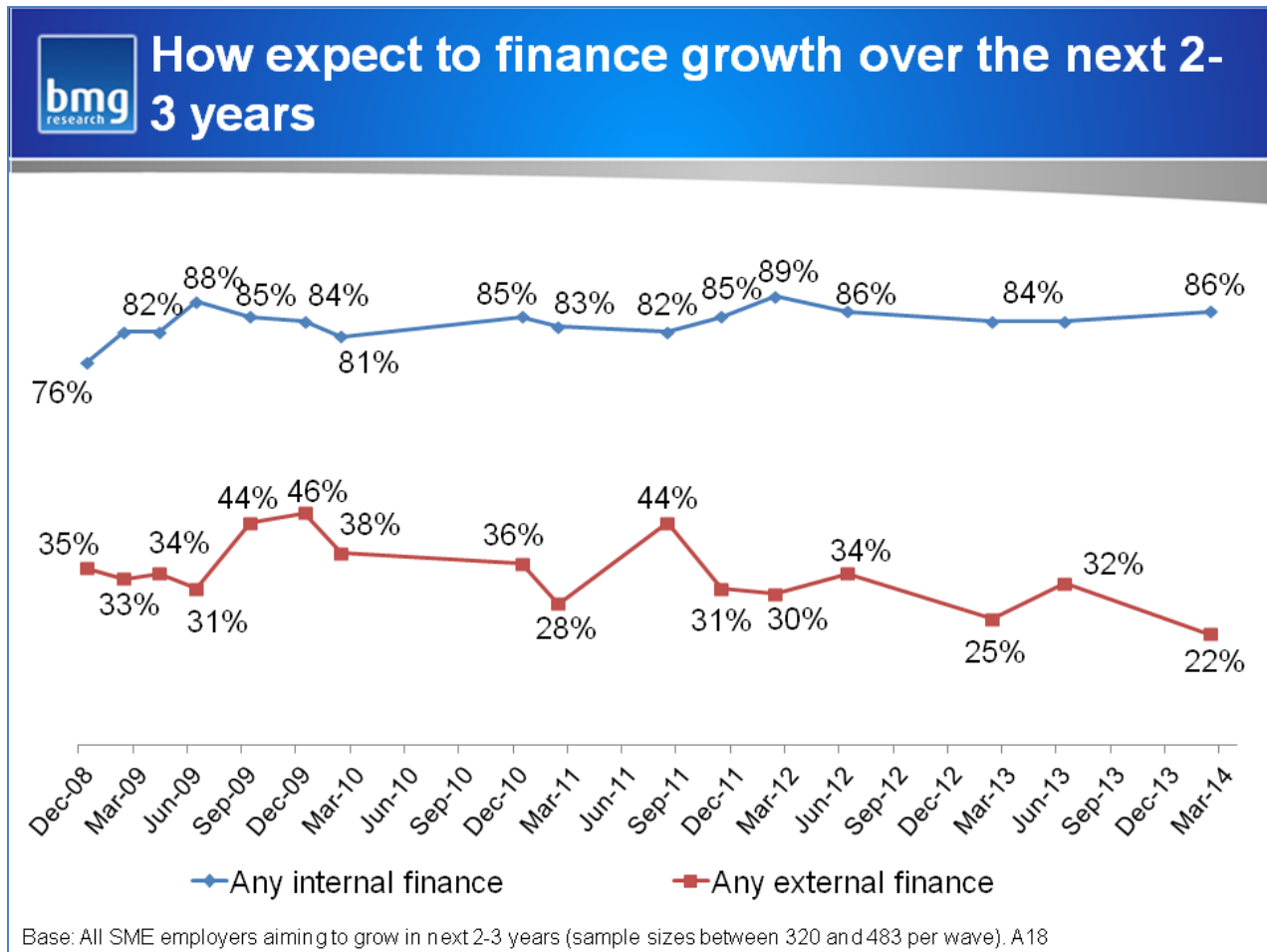
Small businesses were the most likely to say they had increased their growth plans (33 per cent). Those in other services were the most likely to say they had reduced their growth plans (16 per cent).

## How expect to finance growth over the next 2-3 years

In February 2014, 75 per cent of those SME employers that expected to grow said they expected to fund their business growth using just internal finance. Eleven per cent would just use external finance, and 11 per cent would use both internal and external finance (three per cent did not know). Combined, this means that 86 per cent of those expecting to grow plan to use any internal finance, and 22 per cent expect to use any external finance.

The long term trend is that external finance has become less likely to be considered. There was a significant decrease in the proportion expecting to use it between June 2013 and February 2014, and the proportion is the lowest seen in the Barometer series.

Figure J: How expect to finance growth over the next 2-3 years



Any external finance was more likely to be considered by small (30 per cent of those aiming to grow), and medium-sized businesses (45 per cent). Only 20 per cent of micros looking to grow expect to use it. This is the main reason for the decline in consideration of external finance, as in June 2013 32 per cent of micros aiming to grow expected to use it.

Those in the transport, retail and distribution sector were more likely than average to expect to rely on internal finance only (84 per cent), whilst those in other services were more likely than average to expect to seek external finance (35 per cent).

**Table 3.8 How expect to finance growth over the next 2-3 years – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014 (n=)</b>	369	144	143	82
	%	%	%	%
Any internal finance	86	86	86	84
Any external finance	22	20	<b>30</b>	<b>45</b>
<b>June 2013 (n=)</b>	346	129	138	79
	%	%	%	%
Any internal finance	84	84	84	85
Any external finance	32	32	29	<b>47</b>
<b>February 2013 (n=)</b>	393	155	156	82
	%	%	%	%
Any internal finance	84	85	81	81
Any external finance	25	23	<b>33</b>	<b>56</b>
<b>February 2012 (n=)</b>	483	174	188	121
	%	%	%	%
Any internal finance	89	89	90	85
Any external finance	30	28	<b>39</b>	<b>40</b>
<b>February 2011 (n=)</b>	382	149	156	77
	%	%	%	%
Any internal finance	83	84	78	81
Any external finance	28	25	<b>39</b>	<b>41</b>
<b>February 2010 (n=)</b>	380	129	135	116
	%	%	%	%
Any internal finance	81	79	83	92
Any external finance	38	39	40	33
<b>February 2009 (n=)</b>	361	139	125	95
	%	%	%	%
Any internal finance	82	83	79	82
Any external finance	33	31	<b>47</b>	38

Base = all SME employers looking to grow in the next 2-3 years

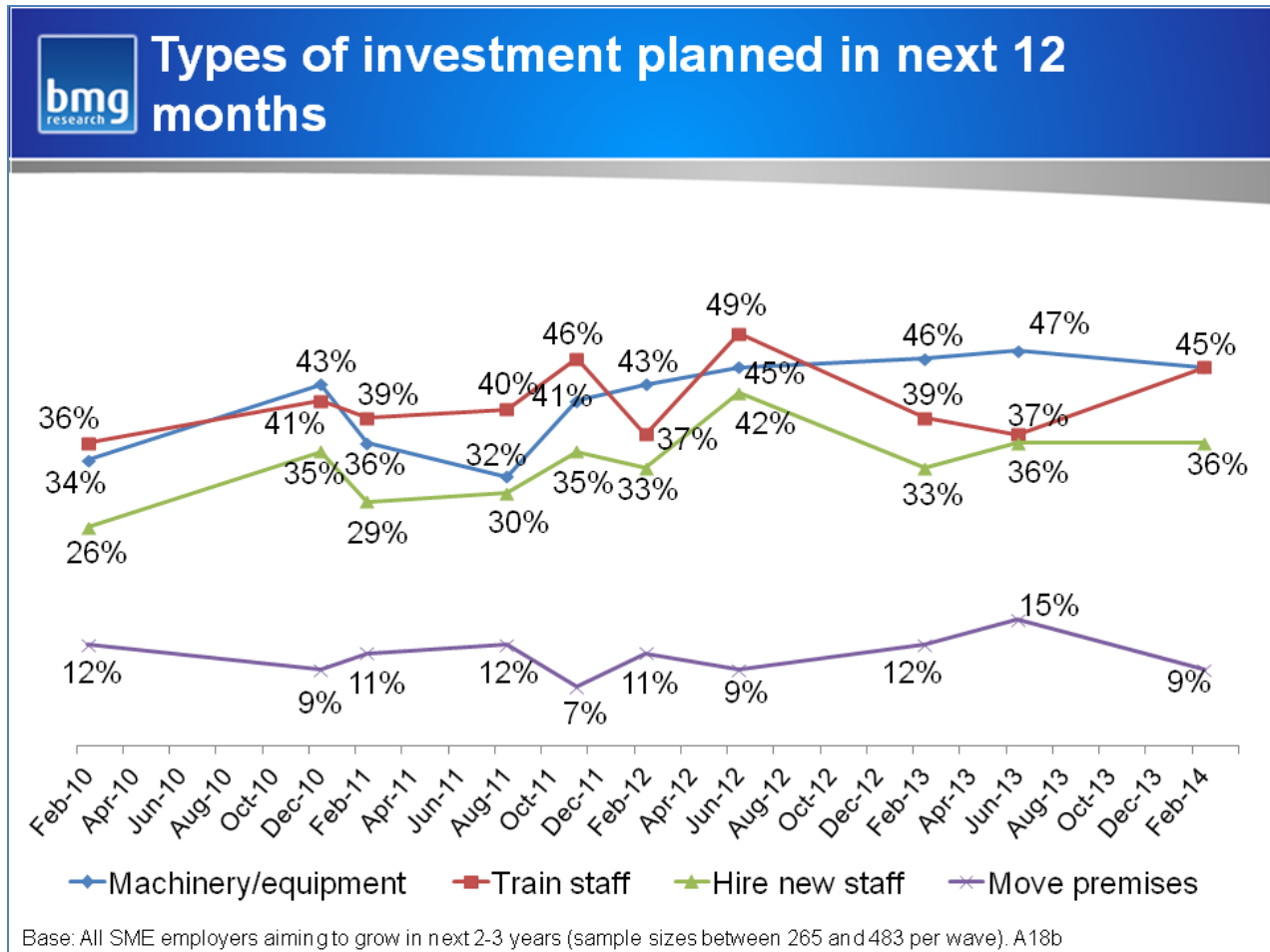
Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A18

## Types of investment planned in the next 12 months

Of those aiming to grow in February 2014, 71 per cent said they were planning to increase investment in their business in the next 12 months, which was a ten percentage point increase on the figure in June 2013.

Out of all those aiming to grow in February 2014 (and not just those increasing investment), 45 per cent said they would buy new equipment or machinery, 45 per cent would train existing staff, 36 per cent would hire new staff, and nine per cent would move to larger or better quality premises. Compared with June 2013 the proportion planning to train staff has increased (by eight percentage points), and the proportion planning to move premises has decreased (by six percentage points).

**Figure K: Types of investment planned in the next 12 months**



Larger SMEs (small and medium) were more likely to plan to undertake the buying of machinery/equipment, train staff and hire new staff, than were micros. Compared with June 2013, planned investment in these three categories was most noticeable among small businesses with 10-49 employees.

Table 3.9 Types of investment planned in the next 12 months

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	369	144	143	82
	%	%	%	%
Machinery/equipment	45	42	<b>56</b>	<b>58</b>
Staff training	45	41	<b>63</b>	<b>67</b>
Hire new staff	36	33	<b>50</b>	<b>56</b>
Move premises	9	9	9	10
<b>June 2013</b> (n=)	346	129	138	79
	%	%	%	%
Machinery/equipment	47	46	47	54
Staff training	37	35	43	<b>62</b>
Hire new staff	36	34	41	<b>62</b>
Move premises	15	14	16	<b>26</b>
<b>February 2013</b> (n=)	393	155	156	82
	%	%	%	%
Machinery/equipment	46	45	53	<b>60</b>
Staff training	39	34	<b>57</b>	<b>64</b>
Hire new staff	33	30	<b>44</b>	<b>61</b>
Move premises	12	15	12	<b>21</b>
<b>February 2012</b> (n=)	483	174	188	121
	%	%	%	%
Machinery/equipment	43	41	48	<b>58</b>
Staff training	37	33	<b>51</b>	<b>69</b>
Hire new staff	33	30	<b>42</b>	<b>55</b>
Move premises	11	11	13	16
<b>February 2011</b> (n=)	382	149	156	77
	%	%	%	%
Machinery/equipment	37	36	38	<b>55</b>
Staff training	39	38	44	<b>60</b>
Hire new staff	29	26	37	<b>53</b>
Move premises	11	11	13	6
<b>February 2010</b> (n=)	380	129	135	116
	%	%	%	%
Machinery/equipment	34	39	<b>22</b>	27
Staff training	36	35	38	41
Hire new staff	26	22	35	33
Move premises	12	13	11	9

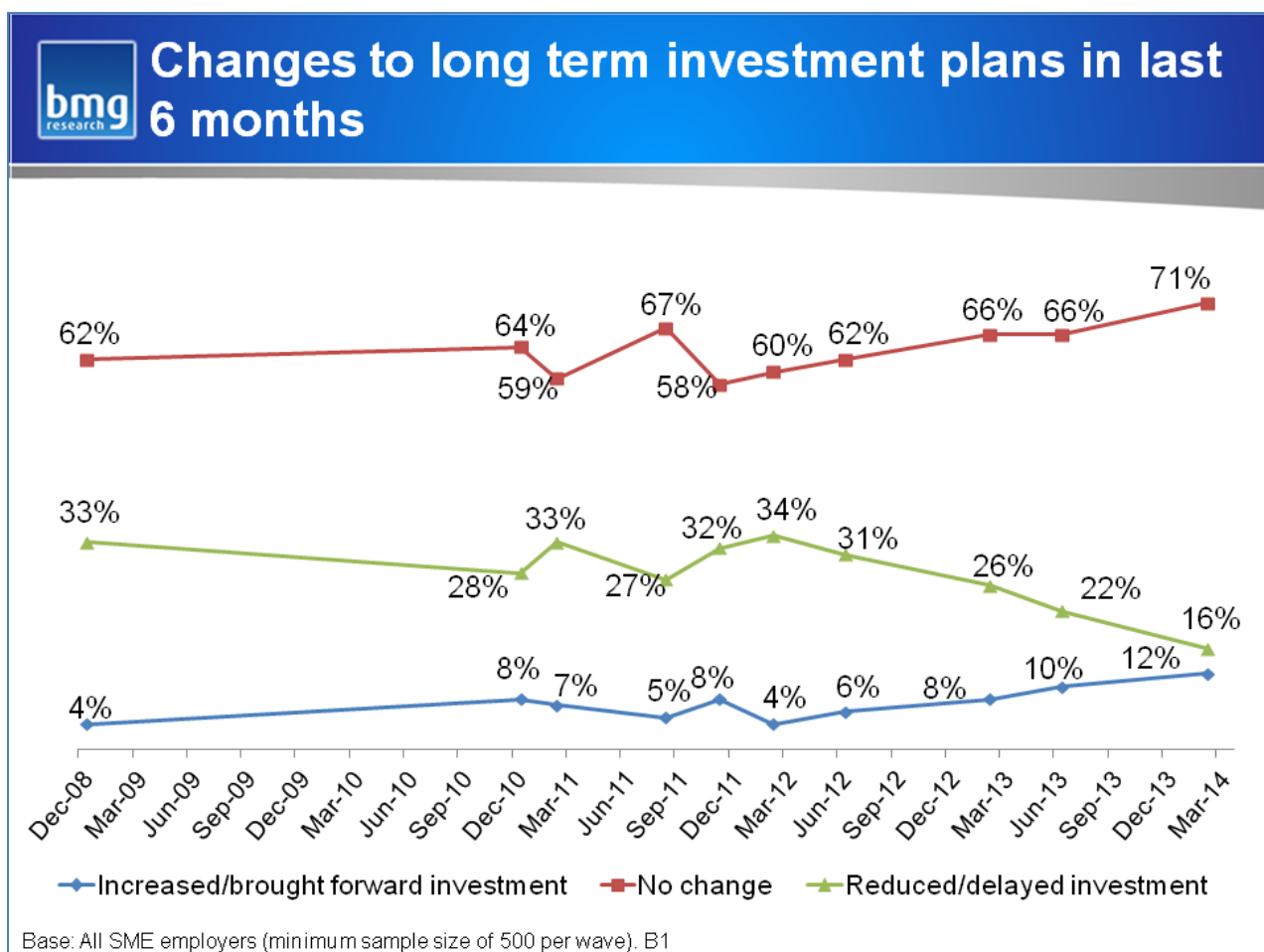
Base = all SME employers aiming to grow in the next 2-3 years. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Multiple answers allowed at this question. A18b

By employment size, it is the decrease in the proportion of micros that plan to achieve growth through staff training and hiring new staff that is driving the overall decline in these measures.

## Changes to long term investment plans in the last 6 months

In February 2014, 12 per cent of SME employers said that they had increased or brought forward their long term planned investments as a direct result of economic conditions (four per cent significantly, nine per cent slightly), with 16 per cent saying that they had reduced or delayed them (eight per cent significantly, eight per cent slightly).

Figure L: Changes to long term investment plans in the last 6 months



Again, the trends for this measure are positive. The proportion that increased or brought forward investment was the highest ever in the Barometer series in February 2014, as was the proportion that had not changed investment plans. Conversely, the proportion that reduced or delayed investment was the lowest yet seen.

Although the proportion with reduced investment has always been higher than the proportion with increased investment, the February 2014 Barometer was the first time that medium-sized businesses were more likely to have increased rather than reduced investment.

**Table 3.10 Changes to long term investment plans in the next 6 months**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014 (n=)</b>	508	221	194	93
	%	%	%	%
Increased/brought forward investment	12	11	16	<b>22</b>
No change	71	73	<b>64</b>	<b>61</b>
Reduced/delayed investment	16	15	19	14
<b>June 2013 (n=)</b>	501	216	188	97
	%	%	%	%
Increased/brought forward investment	10	10	9	15
No change	66	66	65	66
Reduced/delayed investment	22	22	23	15
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Increased/brought forward investment	8	7	<b>11</b>	<b>16</b>
No change	66	67	61	66
Reduced/delayed investment	26	26	27	19
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Increased/brought forward investment	4	3	<b>10</b>	8
No change	60	61	57	59
Reduced/delayed investment	34	34	32	31
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Increased/brought forward investment	7	6	<b>15</b>	7
No change	59	61	<b>48</b>	55
Reduced/delayed investment	33	33	35	35

Base = all SME employers

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. B1

There were no trends by sector in the February 2014 survey, but older businesses (aged 10 plus years) were more likely than average to have increased or brought forward investment (15 per cent).

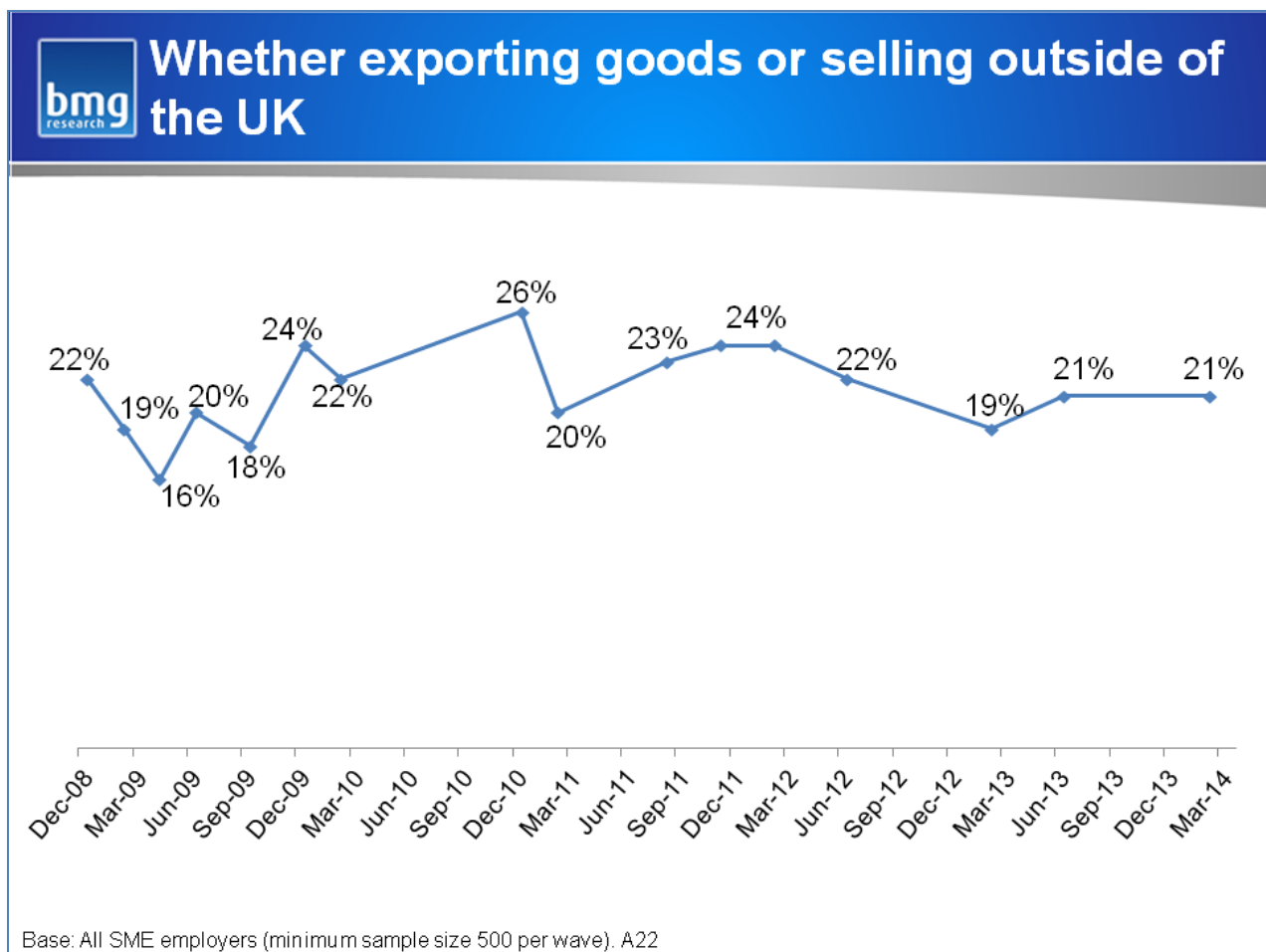
## 4. Business environment

This section covers a range of measures relating to business performance and the environment in which SME employers operate, including whether they export, obstacles to success, work for the public sector, business confidence, innovation and training.

### Whether exporting goods or selling outside of the UK

In February 2014, 21 per cent of SME employers said that they currently sold goods or services or licence their products outside of the UK. This is the same proportion observed in June 2013.

**Figure M: Whether exporting goods or selling outside of the UK**



The propensity to export increases with business size, and this was also the case in February 2014 with 37 per cent of medium-sized enterprises exporting, compared with 24 per cent of small ones, and 21 per cent of micros.



**Table 4.1: Whether exporting goods or selling outside of the UK – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	508	221	194	93
	%	%	%	%
Exporter	21	21	24	<b>37</b>
<b>June 2013</b> (n=)	501	216	188	97
	%	%	%	%
Exporter	21	20	25	<b>33</b>
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
Exporter	19	17	<b>28</b>	<b>33</b>
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
Exporter	24	22	<b>32</b>	<b>44</b>
<b>February 2011</b> (n=)	500	215	192	93
	%	%	%	%
Exporter	20	19	<b>30</b>	<b>31</b>
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
Exporter	22	22	19	<b>45</b>
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
Exporter	19	18	26	25

Base = all SME employers

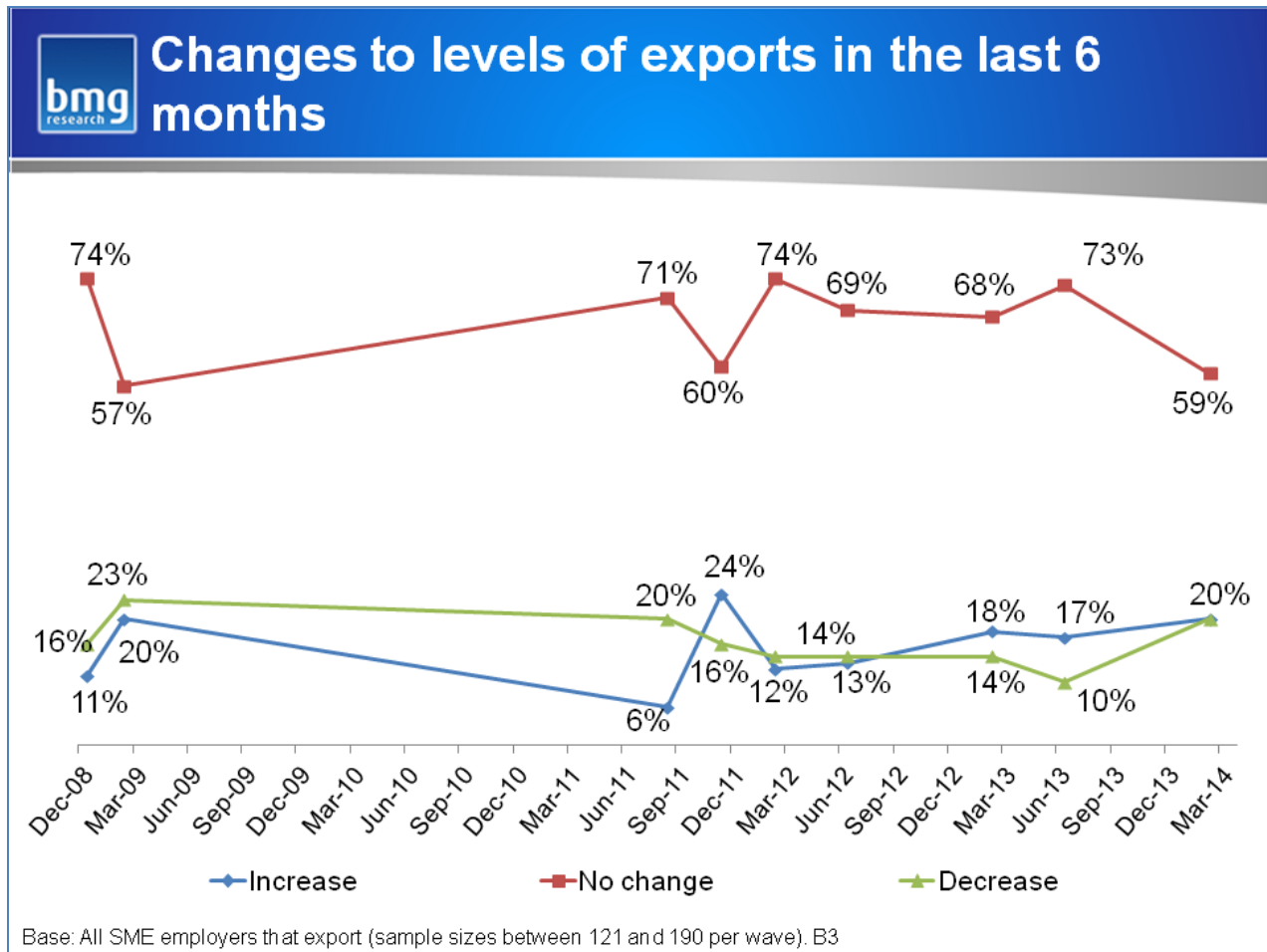
Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. A22

By sector, exporting was most likely to be seen in business services (33 per cent), and was least likely in construction (nine per cent) and other services (eight per cent). There were no differences according to the age of a business.

## Changes to levels of exports in the last 6 months

Among exporters in February 2014, 20 per cent said their levels of exports had increased in the last 6 months (nine per cent significantly, 11 per cent slightly) whilst 20 per cent said they had reduced. Whilst the proportion reporting increased exports was slightly but insignificantly higher than in June 2013, the proportion with decreasing exports was significantly higher in February 2014 (by ten percentage points).

Figure N: Changes to levels of exports in the last 6 months



Most likely to have increased levels of exports were exporters in business services (30 per cent). There were no other significant differences.

Thirty-eight per cent of exporters in February 2014 expected their overseas sales to increase in the next 12 months, while 57 per cent thought they would stay roughly at their current levels, and just four per cent thought they would decrease. These proportions are very similar to those reported in both June 2013 and February 2013, and there were no significant differences by size or sector.

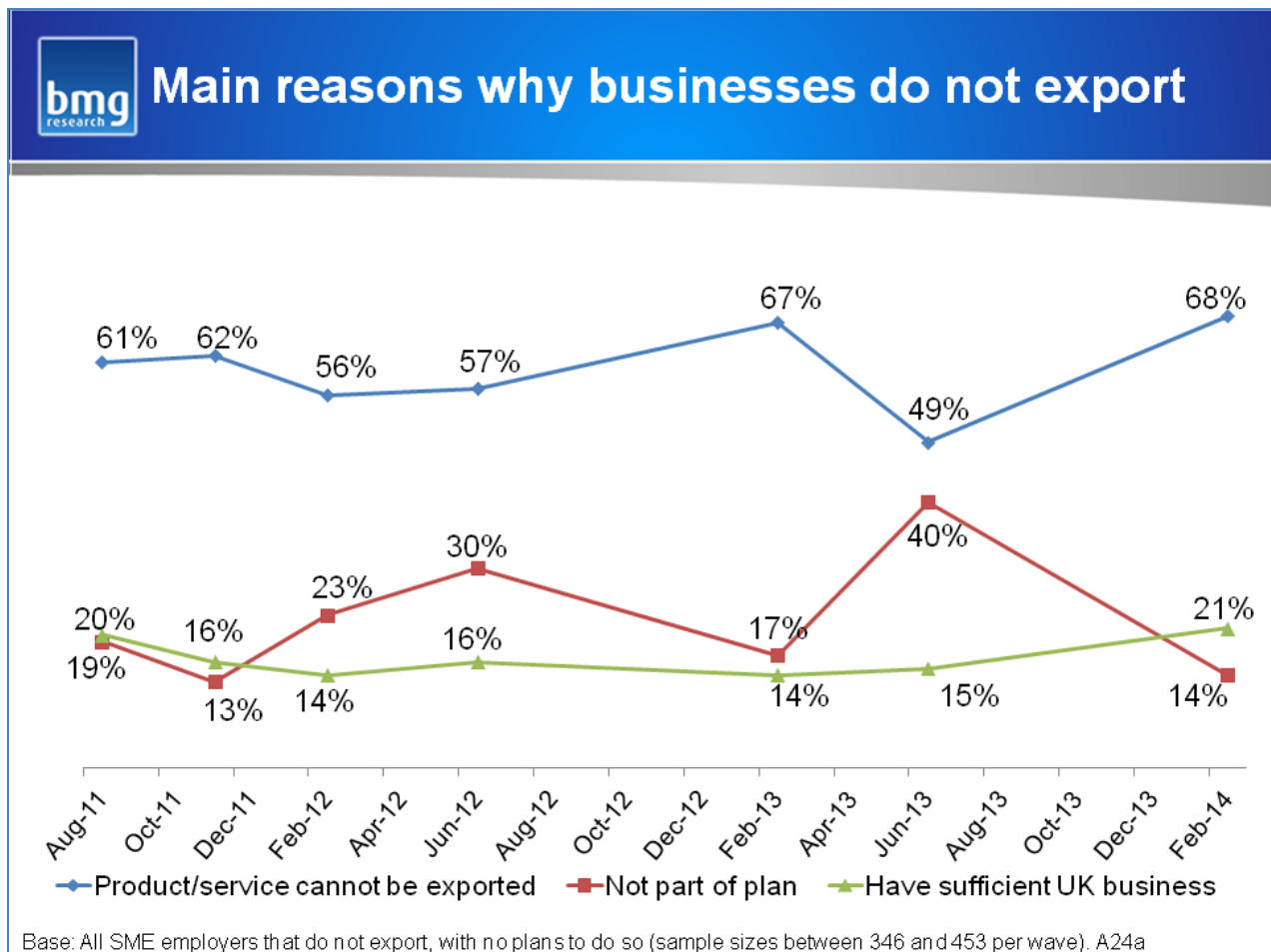
Only three per cent of those SME employers not currently exporting have plans to start in the next 12 months. This is a similar proportion to that seen in previous Barometers.

## Main reasons why businesses do not export

Of those businesses not exporting in February 2014 and with no plans to start in the next 12 months, 68 per cent spontaneously gave their reason for this as being that they had no product or services that could be exported. Fourteen per cent said that they did not export because it was not part of their business's plan, and 21 per cent said that they had sufficient business in the UK already, or that they preferred to be local. These were the main reasons for not exporting. A small proportion mentioned red tape/regulations (three per cent) and lack of finance (two per cent).

Compared with June 2013 there was a significant increase in the proportion citing non-exportable products and services, and a significant decrease in the proportion mentioning that it was not part of their plans. However, the figures in February 2014 were very close to those in February 2013.

**Figure O: Main reasons why businesses do not export**



Those in production were the most likely to say that exporting was not part of their business plan (25 per cent), and those in other services were most likely to say that they did not have a suitable product or service (56 per cent).

## Main obstacles to the success of the business

SME employers were read a list of possible difficulties and were asked which, if any, represented obstacles to the success of their businesses. Overall in February 2014, 62 per cent agreed that the economy was an obstacle, 49 per cent cited taxation (including VAT, PAYE, national insurance and business rates), 46 per cent competition in the market, 38 per cent regulations, 37 per cent cash flow, 24 per cent obtaining finance, 21 per cent recruiting staff, 19 per cent keeping up with new technology, 17 per cent a shortage of skills generally, 16 per cent transport issues, 15 per cent a lack of financial understanding, 14 per cent the availability/cost of suitable premises, 13 per cent the lack of broadband access, 11 per cent keeping staff, nine per cent pensions, eight per cent a shortage of managerial skills and expertise, and eight per cent crime. Two per cent spontaneously mentioned unfavourable weather conditions.

Compared with June 2013, fewer obstacles were mentioned.

- Ten percentage points fewer mentioned the economy (72 per cent in June 2013, 62 per cent in February 2014).
- Ten percentage points fewer mentioned cashflow (47 per cent vs. 37 per cent).
- Seven percentage points fewer mentioned obtaining finance (31 per cent vs. 24 per cent).
- Four percentage points fewer mentioned pensions (13 per cent vs. nine per cent).

Recruitment of staff was more likely to be mentioned as an obstacle in February (21 per cent, compared with 16 per cent in June 2013). The proportions mentioning other obstacles in both surveys were similar.

Asked which of those they had mentioned was the main obstacle to success, 28 per cent said the economy, 13 per cent competition, 11 per cent cashflow, ten per cent taxation, six per cent regulations and five per cent obtaining finance.

Since the Barometer series began, the economy has always been cited as the main obstacle. However, the trend is for this reason to be mentioned less.

Those who cited the economy as being the main obstacle to the success of their business were asked if this was because of a number of reasons which were read to them. Eighty-two per cent in February 2014 said it was due to lack of demand from customers, a similar proportion to June 2013. Seventy-three per cent said it was because they were uncertain about the future, a significant 20 percentage point increase on June 2013. Fifty per cent cited increased running costs (up 14 percentage points), 41 per cent increased competition (up eight percentage points) and 18 per cent that it was not the right time to invest in the business (a similar proportion to June 2013).

Increased running costs were most likely to have been mentioned by small businesses with 10-49 employees (67 per cent). Fifteen per cent of this group also spontaneously mentioned lack of public sector funding (compared with three per cent overall). There were no other significant differences by size or sector.

Figure P: Main obstacles to the success of the business

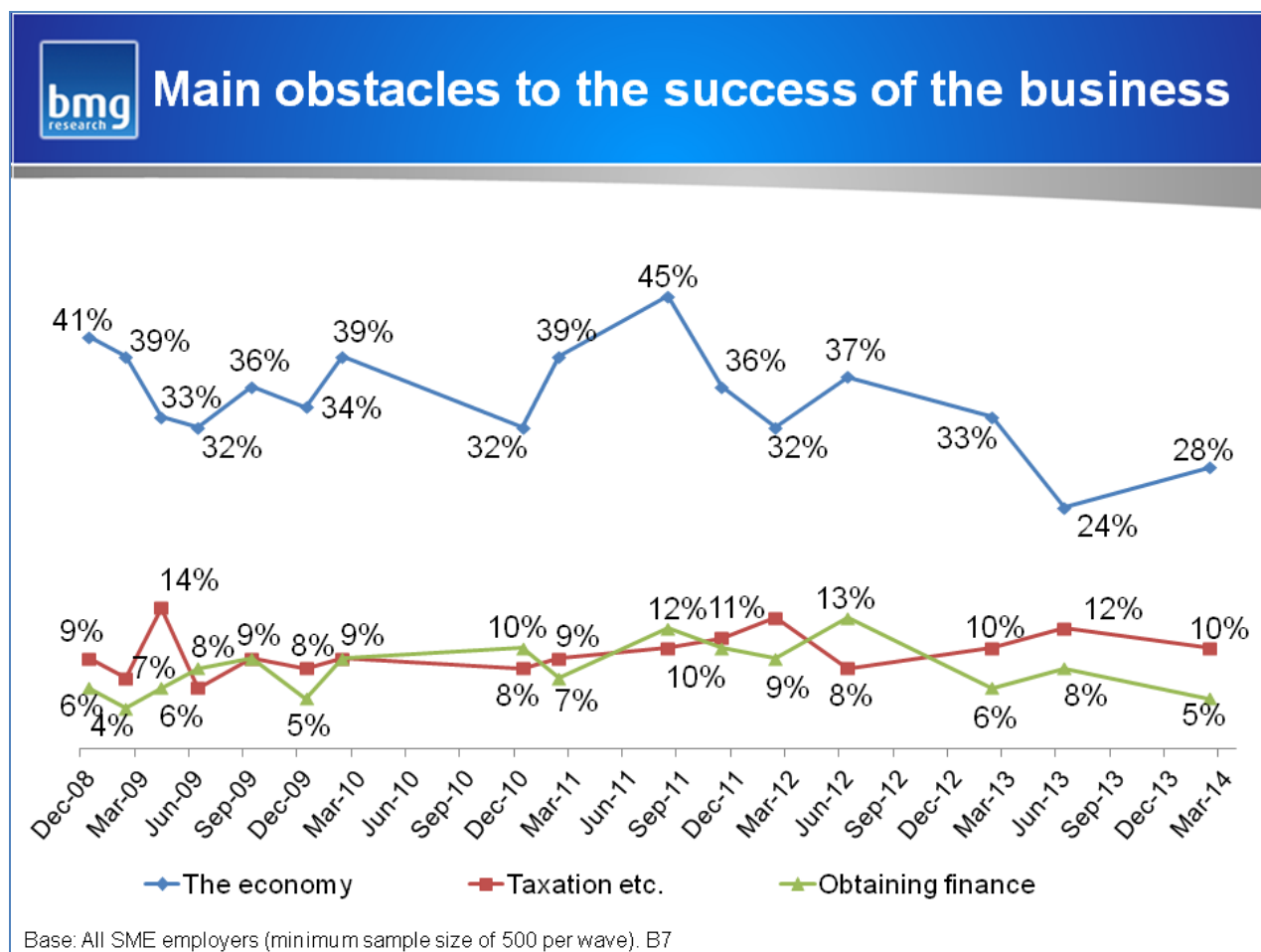


Table 4.2 Main obstacles to the success of the business – by employment size

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014 (n=)</b>	508	221	194	93
	%	%	%	%
The economy	28	29	<b>22</b>	19
Competition	13	13	13	14
Cashflow	11	11	11	6
Taxation, VAT, PAYE, NI, rates etc.	10	11	7	5
Regulations	6	5	<b>9</b>	6
Obtaining finance	5	5	4	6

**Table 4.2 (continued) Main obstacles to the success of the business – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>June 2013 (n=)</b>	501	216	188	97
	%	%	%	%
The economy	24	24	28	25
Taxation, VAT, PAYE, NI, rates etc.	12	14	<b>4</b>	<b>1</b>
Cashflow	10	10	8	7
Regulations	8	8	7	6
Obtaining finance	8	8	11	7
Competition	6	5	<b>10</b>	<b>16</b>
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
The economy	33	34	32	29
Taxation, VAT, PAYE, NI, rates etc.	10	10	8	<b>1</b>
Regulations	9	9	7	9
Cashflow	8	7	9	10
Competition	6	6	<b>10</b>	<b>14</b>
Obtaining finance	6	6	6	7
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
The economy	32	33	33	30
Taxation, VAT, PAYE, NI, rates etc.	13	13	10	<b>4</b>
Cashflow	10	10	12	7
Obtaining finance	9	10	8	8
Competition	7	7	6	12
Regulations	7	6	9	10
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
The economy	39	39	40	37
Cashflow	10	11	6	8
Taxation, VAT, PAYE, NI, rates etc.	9	9	11	7
Competition	8	8	9	13
Regulations	8	8	9	10
Obtaining finance	7	6	8	5

**Table 4.2 (continued) Main obstacles to the success of the business – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
The economy	39	37	44	41
Cashflow	11	12	7	14
Taxation, VAT, PAYE, NI, rates etc.	9	8	11	<b>2</b>
Obtaining finance	9	9	7	12
Competition	9	8	10	11
Regulations	7	8	6	<b>1</b>
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
The economy	39	37	47	49
Cashflow	12	12	12	9
Regulations	12	12	11	7
Taxation, VAT, PAYE, NI, rates etc.	7	7	4	4
Competition	7	7	5	7
Obtaining finance	4	4	6	<b>9</b>

Base = all SME employers

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. B7

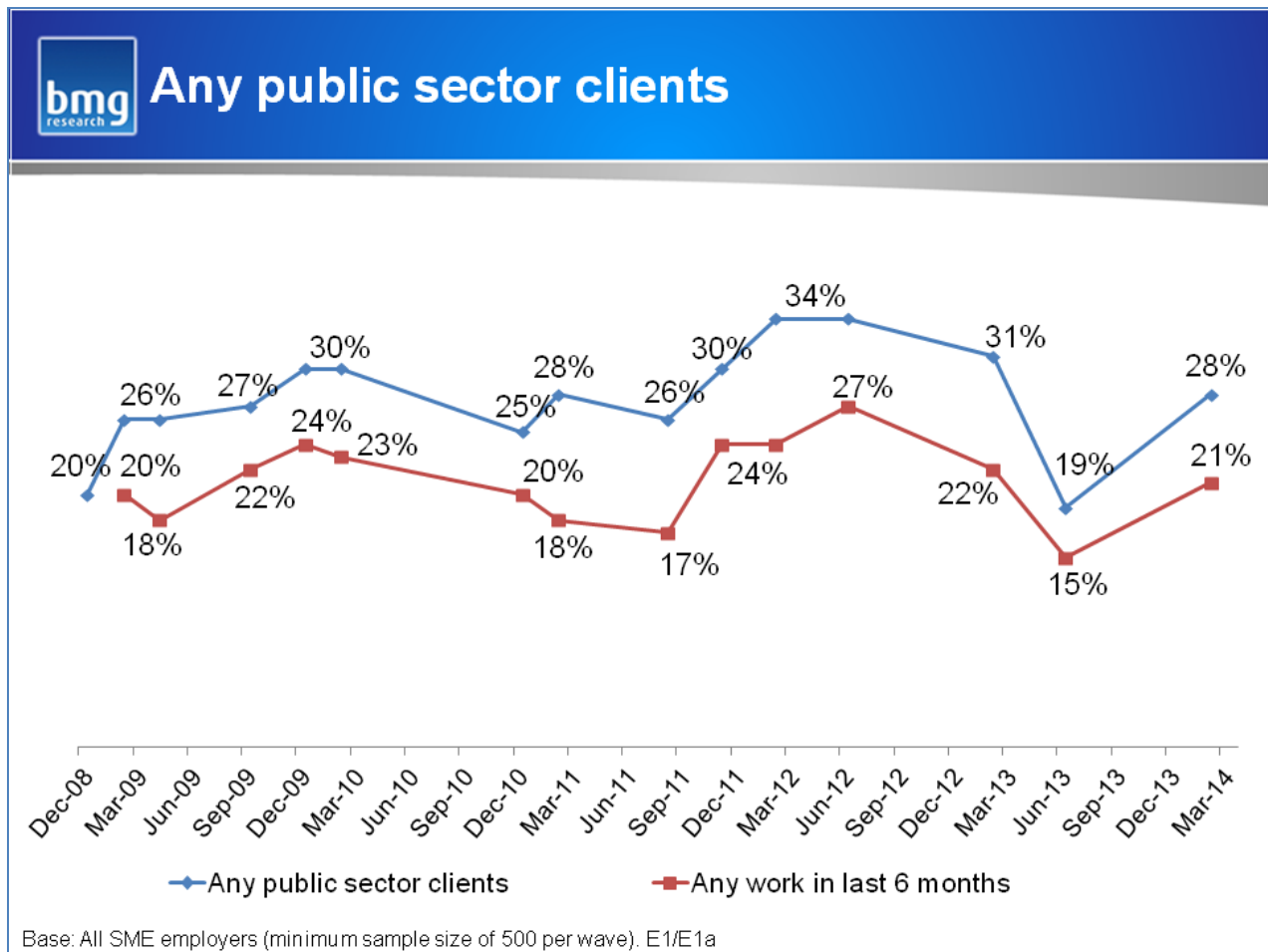
Those who said that cash flow was an obstacle to success were also read a list of possible reasons for this.

- Seventy-six per cent agreed that cash flow was an obstacle because income fluctuates while outgoings are steady (76 per cent).
- Late payment from individual customers (68 per cent, up 15 percentage points on June 2013).
- Late payment from other businesses (66 per cent, up nine percentage points).
- Individual customers expecting credit (45 per cent, up ten percentage points).
- High levels of working capital required by the business (39 per cent).
- Timing of tax payments (38 per cent).
- Early payment required by suppliers (34 per cent).
- High levels of investment required by the business (27 per cent).
- Outgoings fluctuate but steady income (26 per cent).
- Difficult/expensive to get credit from suppliers (22 per cent).

## Whether have any public sector clients

Twenty eight per cent of SME employers in February 2014 counted Government departments or other public sector bodies as clients. Twenty-one per cent had worked for the public sector in the last six months.

**Figure Q: Whether have any public sector clients**



The latest data reverses the blip that occurred in June 2013 when only 19 per cent worked for the public sector. The increase on June 2013 was mainly caused by a higher proportion of micros working for the public sector, up by ten percentage points.

In most of the previous Barometers small and medium sized businesses were more likely than micros to have public sector clients, but this was not the case in February 2014. However, the larger SMEs were more likely to have worked for the public sector in the last six months (27 per cent of small SMEs and 32 per cent of medium SMEs had worked for the public sector compared with 20% of micros).



**Table 4.3: Whether have any public sector clients – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	508	221	194	93
	%	%	%	%
Any public sector clients	28	28	31	35
Worked for public sector in last 6m	21	20	<b>27</b>	<b>32</b>
<b>June 2013</b> (n=)	501	216	188	97
	%	%	%	%
Any public sector clients	19	18	<b>24</b>	<b>31</b>
Worked for public sector in last 6m	15	14	<b>22</b>	<b>28</b>
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
Any public sector clients	31	29	<b>41</b>	<b>50</b>
Worked for public sector in last 6m	22	20	<b>30</b>	<b>41</b>
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
Any public sector clients	34	35	30	41
Worked for public sector in last 6m	24	24	24	<b>35</b>
<b>February 2011</b> (n=)	500	215	192	93
	%	%	%	%
Any public sector clients	28	27	29	34
Worked for public sector in last 6m	18	17	<b>26</b>	<b>31</b>
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
Any public sector clients	30	27	<b>39</b>	31
Worked for public sector in last 6m	23	21	28	25
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
Any public sector clients	26	25	30	<b>40</b>
Worked for public sector in last 6m	20	19	23	<b>35</b>

Base = all SME employers

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. E1/E1a

By sector, those in transport, retail and distribution were less likely than average to have public sector clients (20 per cent), but there were no other significant differences according to sector.

Of those that worked for the public sector in the last six months, 29 per cent said that they were now doing less work for them than they were 12 months previously (14 per cent much less work, 14 per cent slightly less work), and 19 per cent said that they were doing more work (six per cent much more work, 13 per cent slightly more work). These proportions differ from June 2013, but are similar to February 2014.

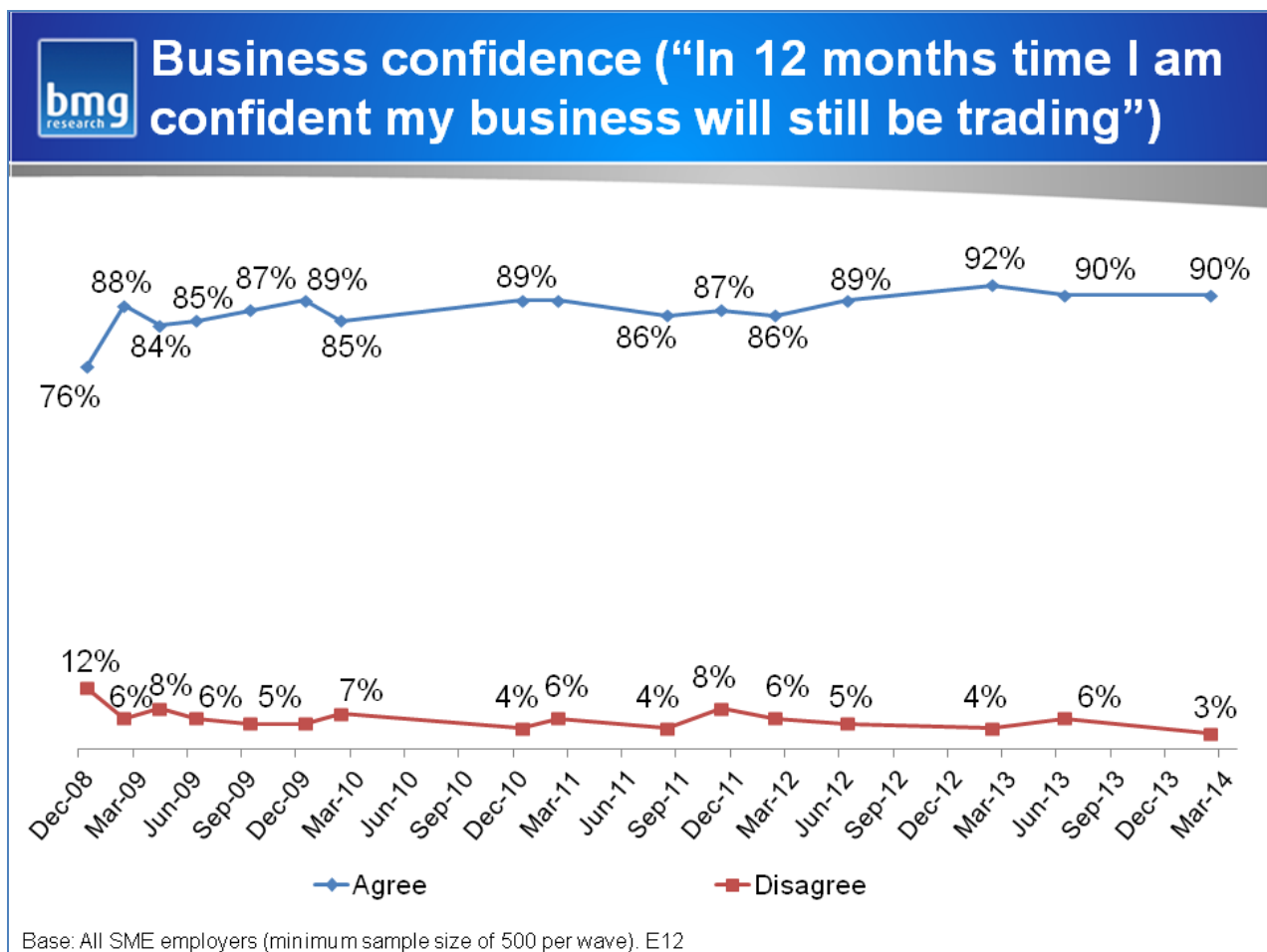
Those that worked for the public sector in the last six months were most likely to have worked for local authorities (55 per cent), followed by Government Departments (17 per cent) and health services (nine per cent). Only four per cent had worked for higher education institutions, significantly down on the 19 per cent who had worked for them in June 2013.

Seven per cent of those working for public sector bodies claimed that payment from these had speeded up, 14 per cent that it had slowed down, with 74 per cent saying there was no change (60 per cent of these claiming that they tended to be paid promptly, fourteen per cent paid slowly). Overall therefore, 67 per cent claim prompt payment, and 28 per cent slow payment. These proportions are similar to those seen in February and June 2013.

## Whether business will still be trading in 12 months time

In February 2014, 90 per cent of SME employers agreed with the statement that they would still be trading in 12 months time (80 per cent agree strongly, nine per cent agree slightly). Three per cent disagreed (one per cent disagreed slightly, two per cent strongly). The remainder neither agreed nor disagreed with the statement.

**Figure R: Whether business will still be trading in 12 months time**



**Table 4.4: Whether business will still be trading in 12 months time – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	508	221	194	93
	%	%	%	%
Agree	90	88	<b>95</b>	<b>98</b>
Disagree	3	4	*	1
<b>June 2013</b> (n=)	501	216	188	97
	%	%	%	%
Agree	90	90	90	<b>99</b>
Disagree	6	6	6	<b>0</b>
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
Agree	92	92	92	95
Disagree	4	3	5	1
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
Agree	86	85	87	<b>96</b>
Disagree	6	6	4	<b>0</b>
<b>February 2011</b> (n=)	500	215	192	93
	%	%	%	%
Agree	89	89	90	95
Disagree	6	7	5	3
<b>February 2010</b> (n=)	501	211	181	109
	%	%	%	%
Agree	85	85	85	88
Disagree	7	6	11	5
<b>February 2009</b> (n=)	503	218	171	111
	%	%	%	%
Agree	88	88	88	92
Disagree	6	6	6	1

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). \* = a figure of less than 0.5 per cent but greater than zero. Single answer only allowed at this question. E12

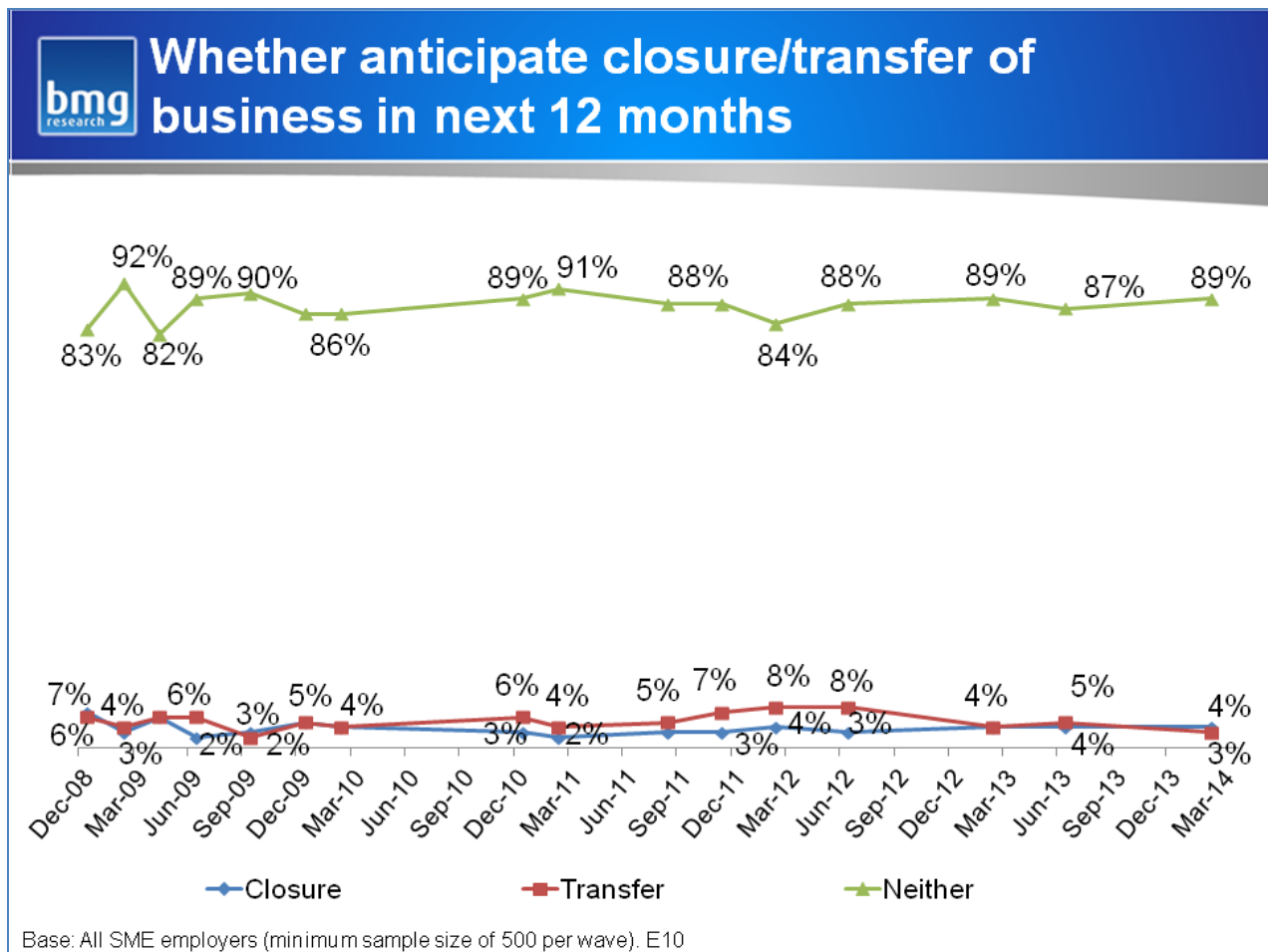
The trends show that there was some serious concern back in December 2008, with 12 per cent not confident of their own survival, but these concerns have largely dissipated since then, with the vast majority confident that they would be trading in a year's time in all other Barometers.

By sector, those in business services were the most confident (97 per cent agreed with the statement), whilst those in construction were least likely to agree (78 per cent), and both them and the production sector were the most likely to disagree (eight per cent).

## Whether anticipate closure/transfer of business in next 12 months

Four per cent of SME employers in February 2014 anticipated the closure of their business in the next 12 months, with three per cent anticipating the full transfer of ownership in the same period. Eight-nine per cent said that neither of these would happen. The proportions are very similar to all previous Barometers since June 2009.

**Figure S: Whether anticipate closure/transfer of business in next 12 months**



Micros were more likely to anticipate closure than the small and mediums. The production sector was more likely than average to anticipate closure (eight per cent).

**Table 4.5: Whether anticipate closure/transfer of business in next 12 months – by employment size**

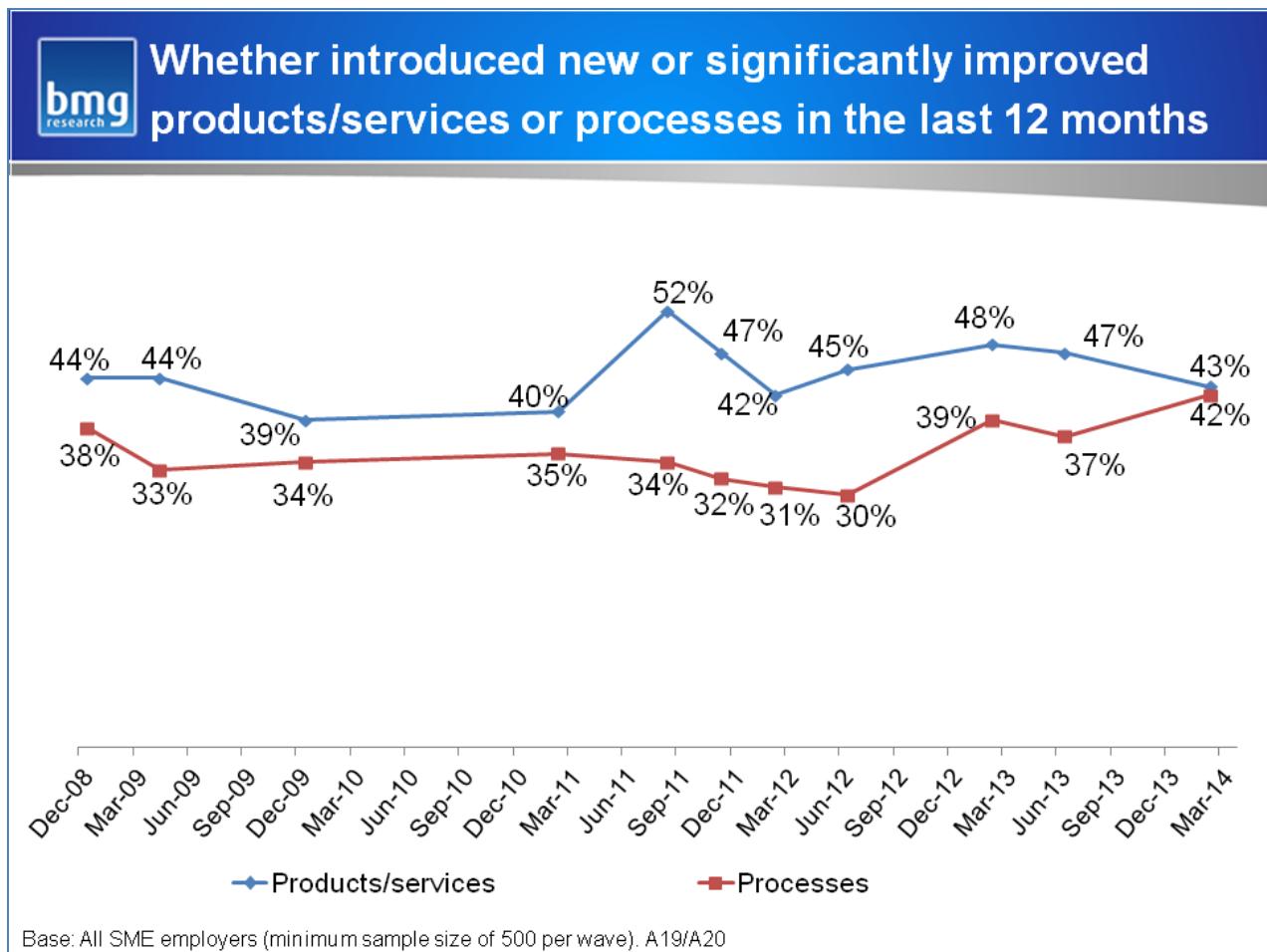
	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014 (n=)</b>	508	221	194	93
	%	%	%	%
Closure	4	4	<b>1</b>	<b>0</b>
Full transfer of ownership	3	3	5	2
Neither of these	89	<b>88</b>	<b>92</b>	<b>97</b>
<b>June 2013 (n=)</b>	501	216	188	97
	%	%	%	%
Closure	4	4	2	1
Full transfer of ownership	5	5	5	4
Neither of these	87	86	<b>92</b>	<b>95</b>
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Closure	4	4	3	1
Full transfer of ownership	4	4	3	3
Neither of these	89	89	92	92
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Closure	4	5	3	1
Full transfer of ownership	8	9	5	6
Neither of these	84	83	89	<b>93</b>
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Closure	2	2	2	3
Full transfer of ownership	4	4	4	3
Neither of these	91	91	92	94
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
Closure	4	4	3	*
Full transfer of ownership	4	5	1	1
Neither of these	86	83	93	97
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
Closure	3	3	3	0
Full transfer of ownership	4	4	6	3
Neither of these	92	92	91	95

Base = all SME employers. 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. \* = a figure of less than 0.5 per cent but more than zero. E10

## Whether introduced new or significantly improved products/services or processes in the last 12 months

In February 2014, 43 per cent of SME employers said they had introduced new or significantly improved products or services in the previous 12 months. Forty-two per cent said they had introduced new or significantly improved services. Neither of these figures were significant changes on the June 2013 Barometer, but the overall trend for innovative processes is upwards, with the February 2014 Barometer recording the highest figure for this yet seen.

**Figure T: Whether introduced new or significantly improved products/services or processes in the last 12 months**



As in previous Barometers, the proportion introducing new products/services did not vary by size in February 2014. New processes were once again more likely to be introduced by the larger SMEs.

**Table 4.6: Whether introduced new or significantly improved products/services or processes in the last 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014 (n=)</b>	508	221	194	93
	%	%	%	%
New/improved products/services	43	43	45	50
New/improved processes	42	40	<b>49</b>	<b>65</b>
<b>June 2013 (n=)</b>	501	216	188	97
	%	%	%	%
New/improved products/services	47	47	45	51
New/improved processes	37	35	<b>43</b>	<b>61</b>
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
New/improved products/services	48	47	52	52
New/improved processes	39	37	<b>48</b>	<b>52</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
New/improved products/services	42	41	45	<b>52</b>
New/improved processes	31	29	<b>42</b>	<b>54</b>
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
New/improved products/services	40	38	<b>49</b>	<b>55</b>
New/improved processes	34	32	<b>47</b>	<b>51</b>

Base = all SME employers

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. A19/A20

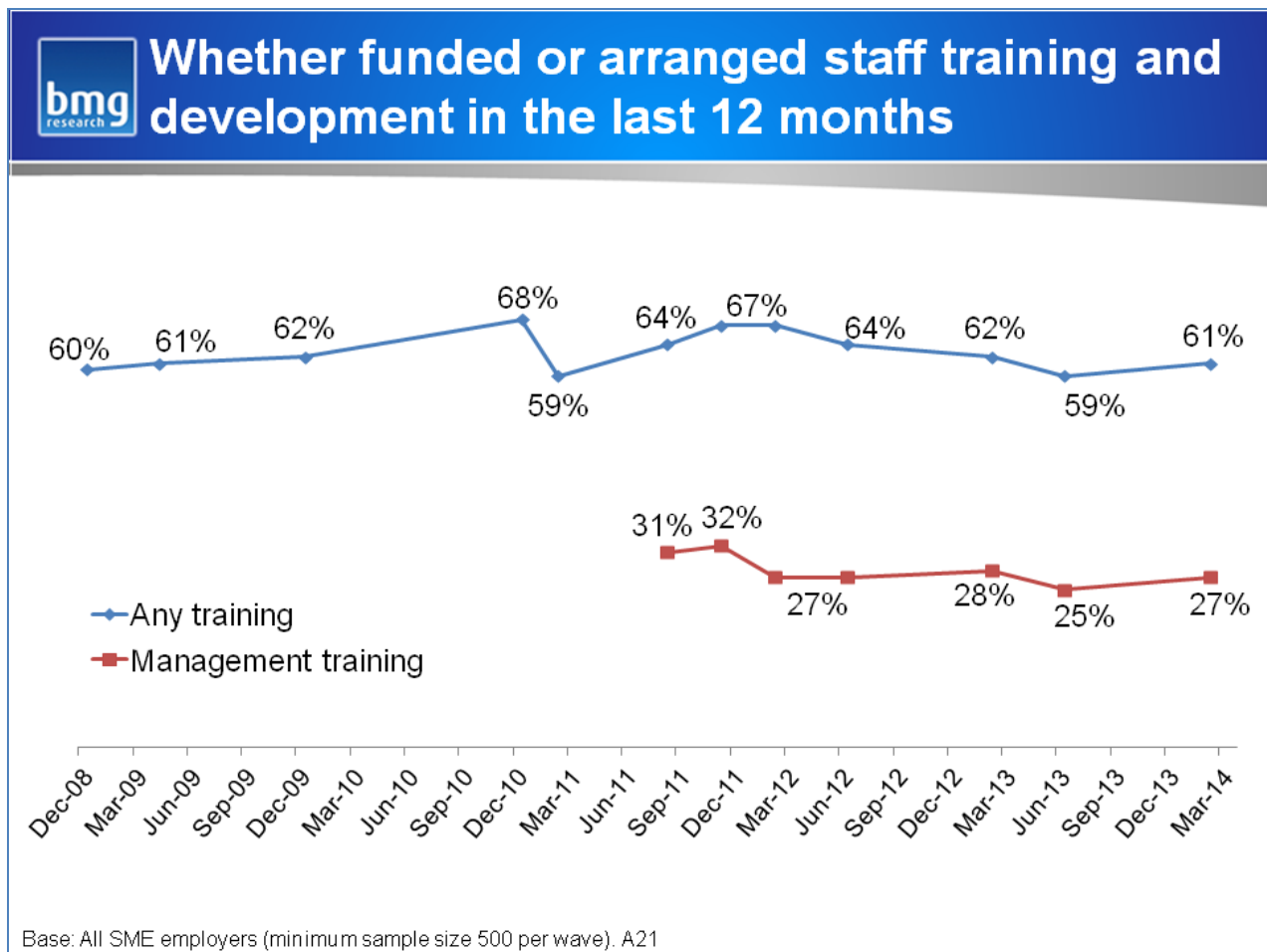
New products and processes are more commonly introduced by newer businesses. Sixty-three per cent of those aged 0-3 years had new products or services, compared with 40 per cent of those aged 10 years or more. Fifty-eight per cent of these newer businesses had new processes, compared with 36 per cent of the older businesses.

There were no differences by sector for introducing new products and services, but the construction industry was less likely than average to have introduced new processes (24 per cent), and business services were more likely than average to have done this (51 per cent).

## Whether funded or arranged staff training and development in the last 12 months

Sixty-one per cent in February 2014 had funded or arranged training and development for staff in the previous 12 months, including informal on the job training. Twenty-seven per cent had introduced management skill training.

**Figure U: Whether funded or arranged staff training and development in the last 12 months**



The overall trends are fairly flat, and the proportion introducing any training is similar to Barometers from June 2012. The same is also true of management training.

Training was most likely to be offered by those in other services (78 per cent), and was least likely to be offered in transport, retail and distribution (52 per cent). Small and medium sized businesses were more likely to offer it (55 per cent of micros, 91 per cent of small, and 94 per cent of mediums). The same was also true for management training (offered by 22 per cent of micros, 50 per cent of small, and 71 per cent of medium).



## Business and networking organisations

A new question in February 2014, SME employers were asked whether they were members of a number of business and networking organisations.

**Table 4.7: Whether a member of organisations– by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014 (n=)</b>	508	221	194	93
	%	%	%	%
Sector trade association	22	19	<b>31</b>	<b>54</b>
A business network	21	20	<b>26</b>	<b>44</b>
Federation of Small Businesses (FSB)	19	19	23	<b>10</b>
(Other) business representation organisation	16	16	15	<b>24</b>
Local business enterprise or networking organisation	12	11	14	<b>31</b>
A Chamber of Commerce	11	10	<b>17</b>	<b>39</b>
Institute of Directors	4	3	5	<b>18</b>
Forum of Private Businesses (FPB)	2	2	2	4
Confederation of British Industry (CBI)	*	*	*	<b>3</b>
Any of these	59	56	<b>70</b>	<b>89</b>
None of these	40	43	<b>29</b>	<b>11</b>
Don't know	1	1	1	0

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Multiple answers allowed at this question. \* = a figure of less than 0.5% but greater than zero. C35

Overall, 59 per cent of SME employers were members of at least one of the prompted organisations. This was most likely to be the case for medium-sized businesses (89 per cent), and least likely for micros (56 per cent). Medium-sized businesses were more likely than smalls and micros to be members of most of the organisations, the exception being the Federation of Small Businesses.

By sector, those in business services were the most likely to be members of organisations (66 per cent), and those in other services were the least likely (52 per cent). Membership of the FSB was most likely in business services (27 per cent), and SMEs in this sector were also the most likely to belong to a business network (29 per cent). Those in the construction sector were the most likely to belong to another type of business representation organisation (32 per cent).

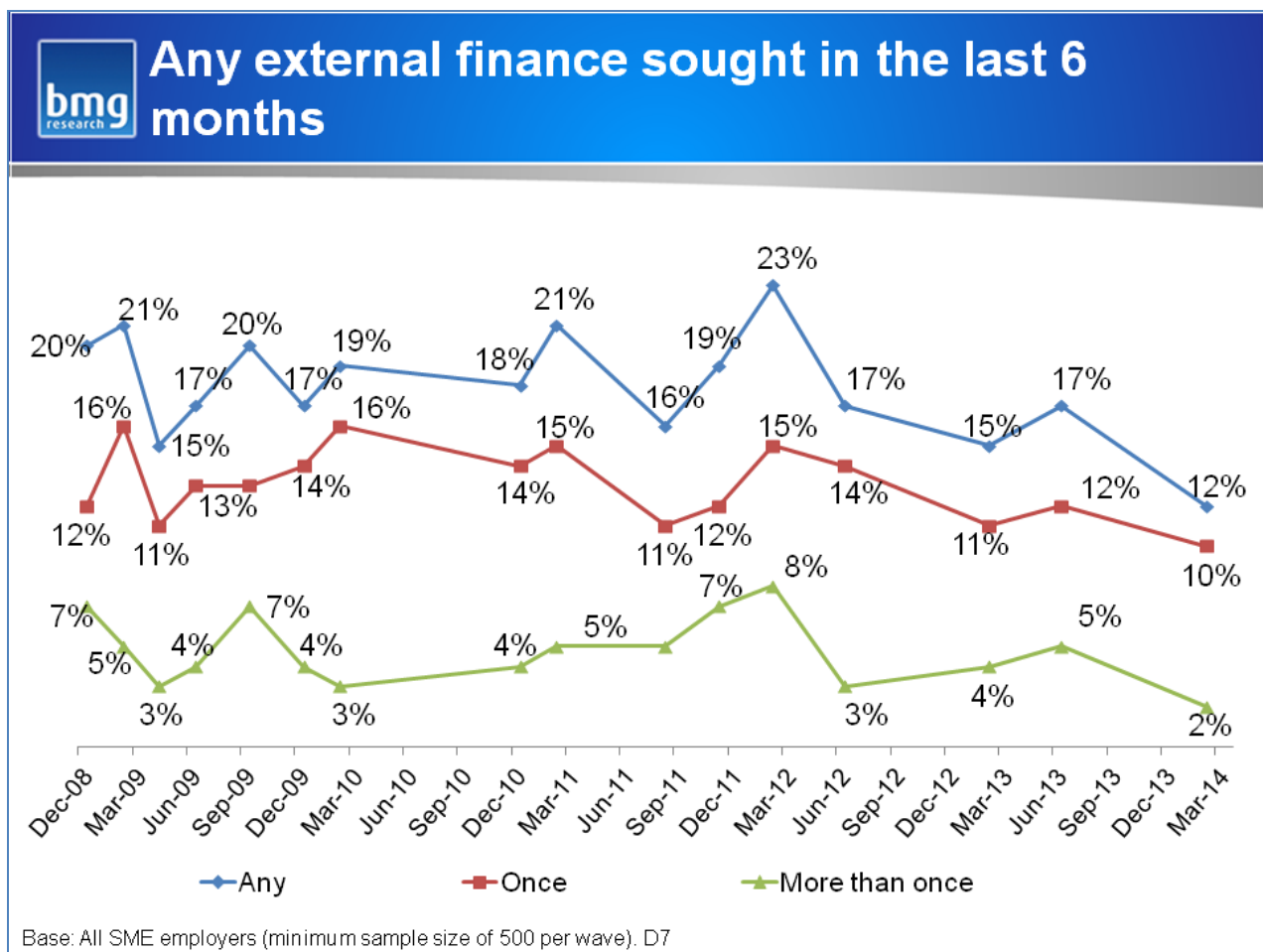
## 5. Access to finance

This section explores the need for external finance and the relationship that SME employers have with their banks.

### Any external finance sought in the last 6 months

Twelve per cent of SME employers had sought external finance in the previous six months, ten per cent on one occasion, two per cent on more than one occasion.

Figure V: Any external finance sought in the last 6 months



The proportion that sought external finance was the lowest seen in the Barometer series. In general, there has been decreasing demand for finance since February 2012, and the reduced demand between June 2013 and February 2014 was a significant decrease.

As has been the case in all Barometers, the demand for finance was greater in February 2014 among small and medium sized businesses than it was for micros. Compared with June 2013, it looks as though more of the mediums sought finance (up six percentage points), but this change is not statistically significant.

**Table 5.1: Any external finance sought in the last 6 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249)
<b>February 2014 (n=)</b>	508	221	194	93
	%	%	%	%
Any sought	12	10	<b>17</b>	<b>28</b>
- Once	10	9	12	<b>18</b>
- More than once	2	1	<b>5</b>	<b>10</b>
None sought	86	88	<b>77</b>	<b>65</b>
<b>June 2013 (n=)</b>	501	216	188	97
	%	%	%	%
Any sought	17	15	<b>24</b>	<b>22</b>
- Once	12	11	15	14
- More than once	5	4	<b>9</b>	8
None sought	82	84	<b>71</b>	<b>75</b>
<b>February 2013 (n=)</b>	508	219	195	94
	%	%	%	%
Any sought	15	13	<b>22</b>	<b>44</b>
- Once	11	10	14	<b>19</b>
- More than once	4	3	<b>8</b>	<b>25</b>
None sought	84	87	<b>73</b>	<b>51</b>
<b>February 2012 (n=)</b>	667	261	262	144
	%	%	%	%
Any sought	23	22	27	30
- Once	15	14	16	18
- More than once	8	8	12	13
None sought	75	76	70	<b>66</b>
<b>February 2011 (n=)</b>	500	215	192	93
	%	%	%	%
Any sought	21	20	27	21
- Once	15	15	18	13
- More than once	5	5	9	8
None sought	77	79	<b>68</b>	78
<b>February 2010 (n=)</b>	501	211	181	109
	%	%	%	%
Any sought	19	17	23	22
- Once	16	15	18	14
- More than once	3	2	5	<b>8</b>
None sought	80	81	76	76
<b>February 2009 (n=)</b>	503	218	171	111
	%	%	%	%
Any sought	21	20	<b>30</b>	29
- Once	16	15	18	18
- More than once	5	4	<b>13</b>	<b>11</b>
None sought	79	80	<b>70</b>	<b>69</b>

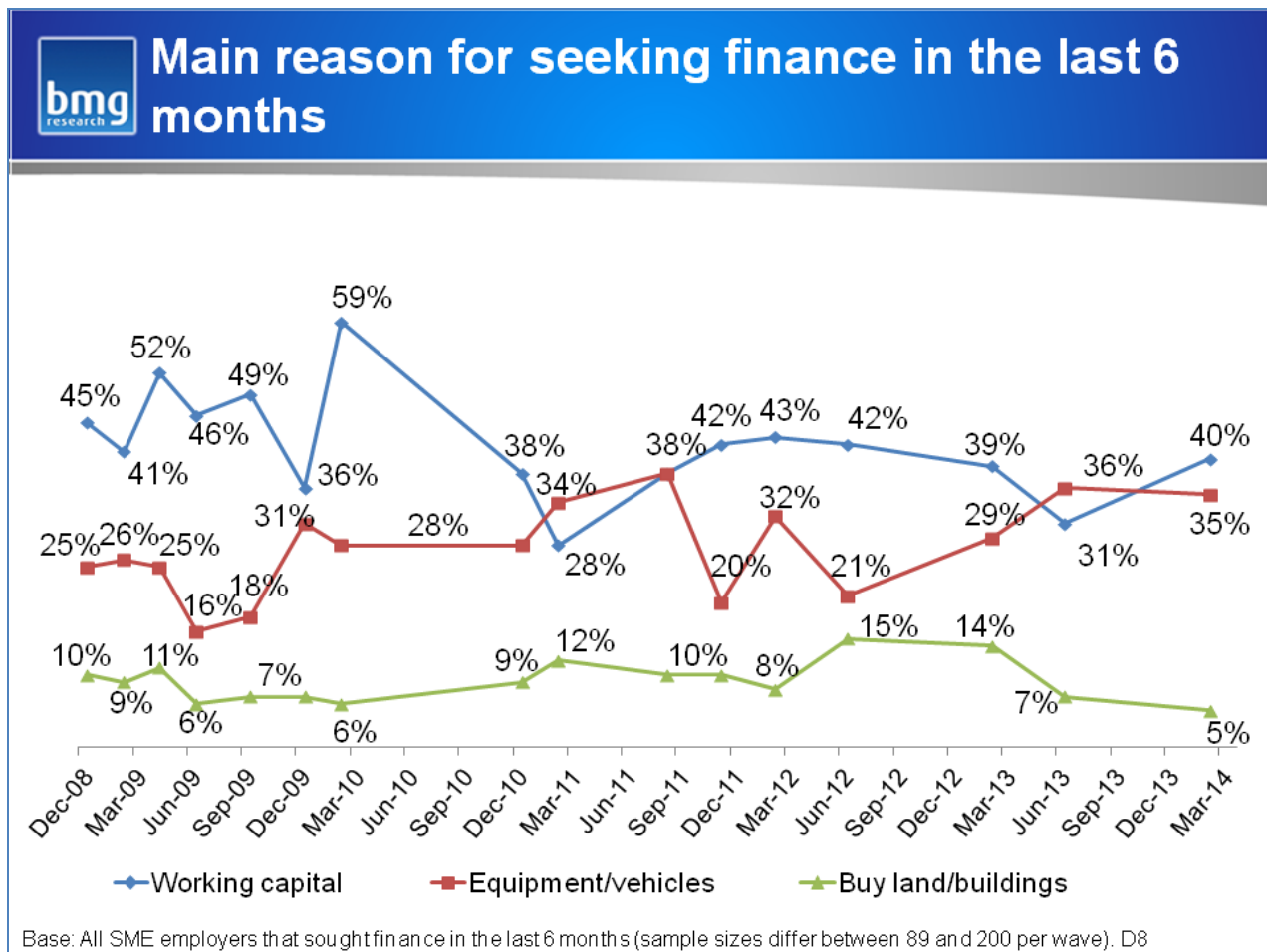
Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Single answer only allowed at this question. D7

In February 2014, finance was most likely to have been sought by those in the production (18 per cent) and other services (16 per cent) sectors.

## Main reason for seeking finance in the last 6 months

The main reasons for seeking finance in February 2014 were for working capital or cashflow (40 per cent), to acquire capital equipment or vehicles (35 per cent), improve buildings (ten per cent) and buy land/equipment (five per cent). There were no significant differences in these proportions between June 2013 and February 2014.

Figure W: Main reason for seeking finance in the last 6 months



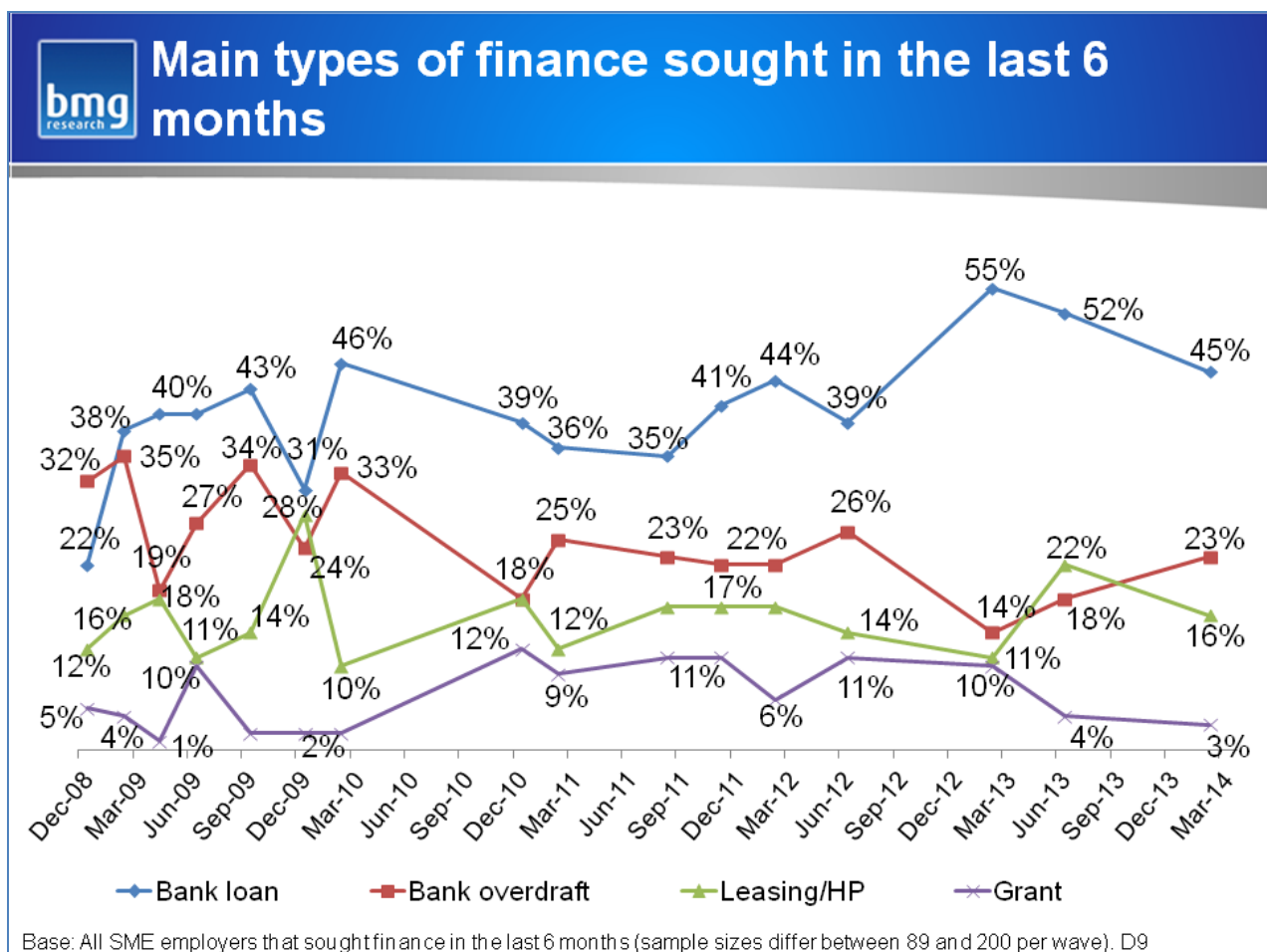
Small and medium-sized businesses that had sought finance were most likely to need this to acquire equipment or vehicles (49 per cent), while micros were most likely to have sought it for working capital (46 per cent).

## Main types of finance sought in the last 6 months

In February 2014, 45 per cent of those that sought finance sought a bank loan, 23 per cent a bank overdraft, 16 per cent leasing or hire purchase, and three per cent a grant. Ten per cent sought factoring or invoice discounting, four per cent a mortgage, four per cent trade finance and one per cent equity investment.

Because of small sample sizes, none of the changes in proportions between June 2013 and February 2014 are statistically significant. Bank finance remains the most likely to be sought in terms of numbers of SMEs (71 per cent sought any from a bank), and new forms of finance such as crowd sourcing or peer to peer lending were not mentioned.

**Figure X: Main types of finance sought in the last 6 months**

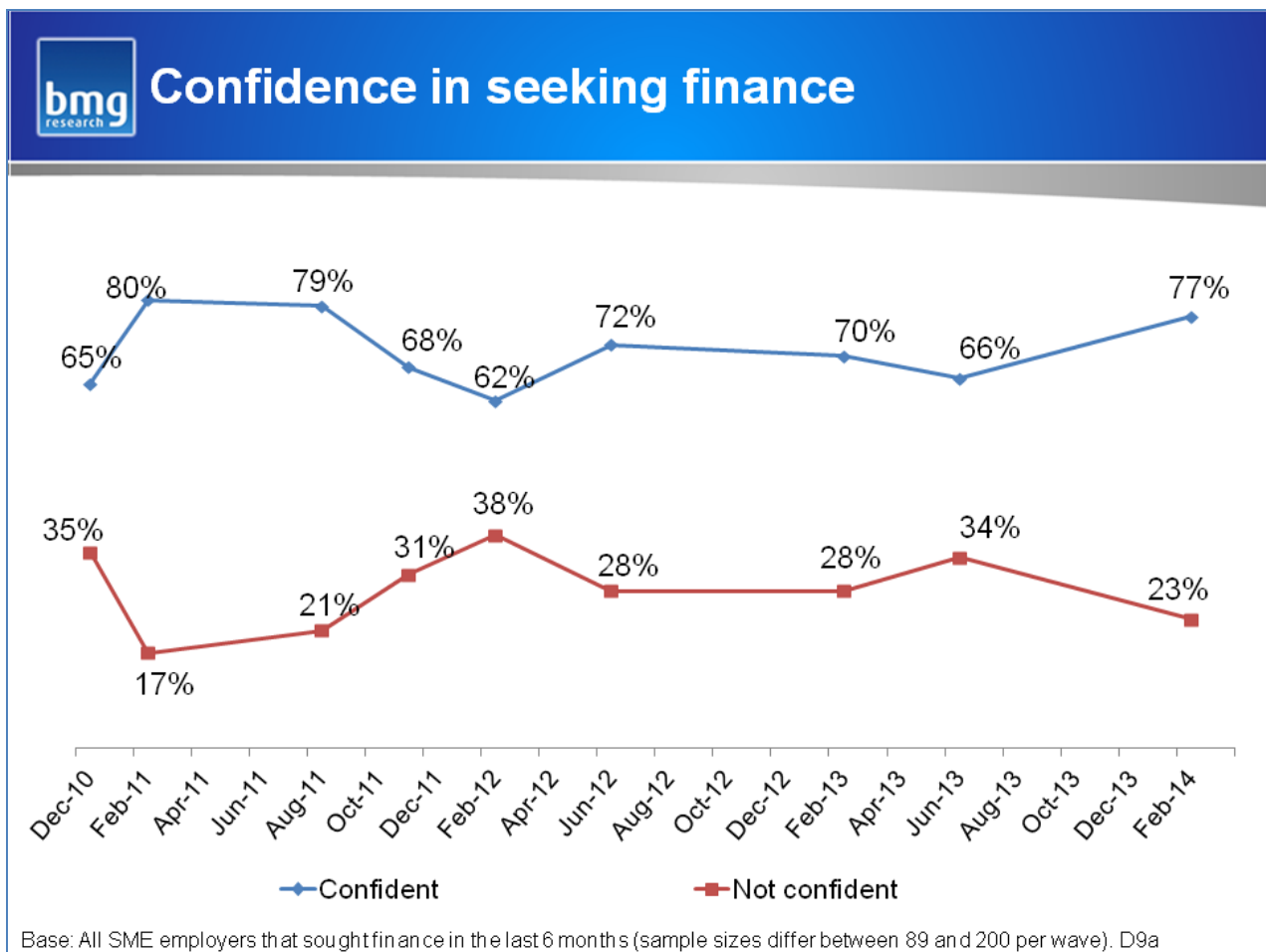


Bank finance was less likely to be sought by small and medium-sized businesses (39 per cent) than by micros (83 per cent).

## Confidence in seeking finance

In February 2014, 77 per cent of SME employers that sought finance were confident that they would be successful before they applied (36 per cent very confident, 41 per cent fairly confident). Twenty-three per cent were not confident (15 per cent not very confident, seven per cent not at all confident). Although there appears to be an upwards trend in terms of SME employers becoming more confident in seeking finance, the changes on June 2013 are not significant.

**Figure Y: Confidence in seeking finance**

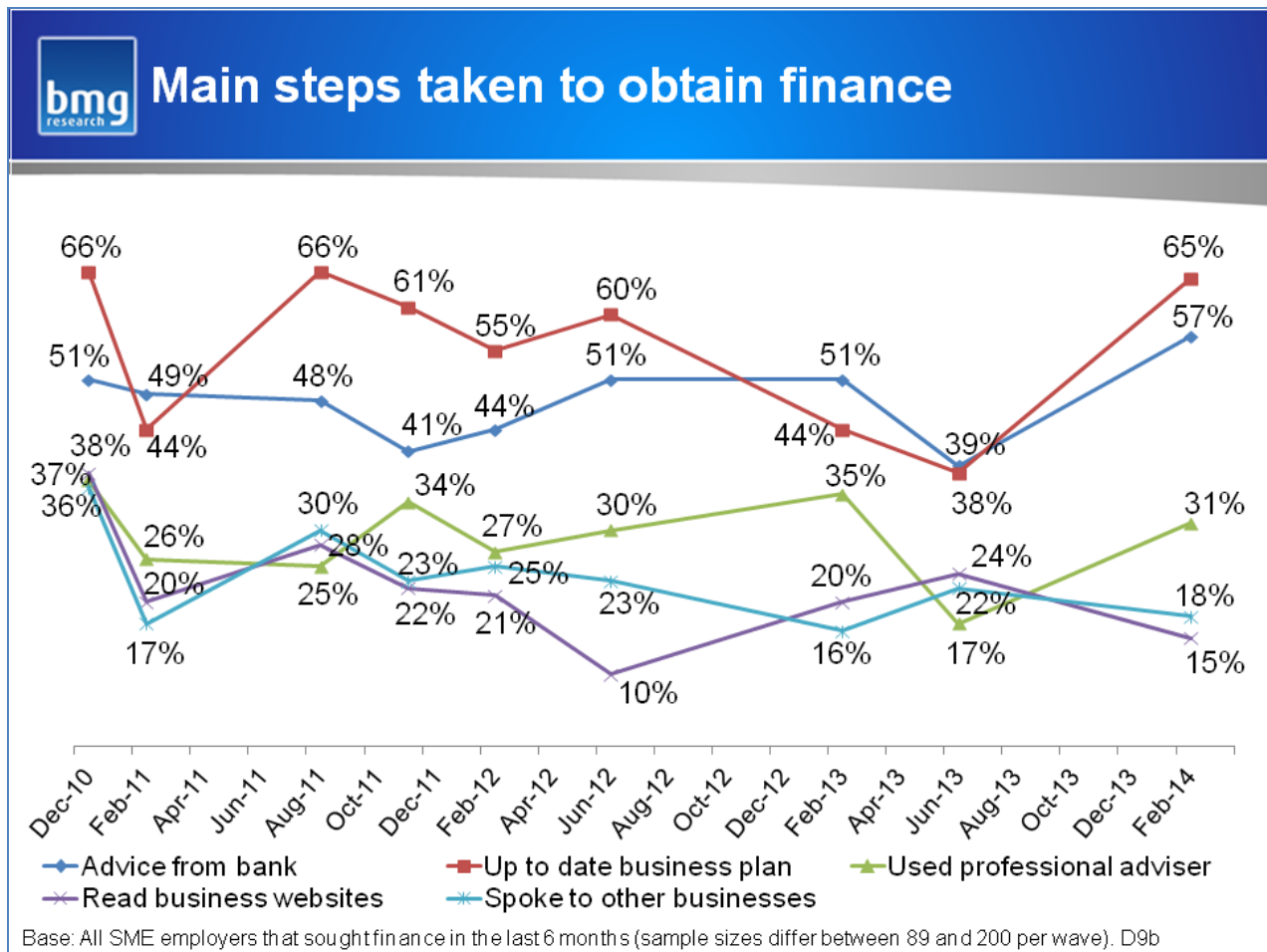


Small and medium-sized businesses were more confident (88 per cent confident) than micros (73 per cent confident).

## Main steps taken to obtain finance

Of those SME employers that had sought finance in the six months prior to February 2014, most made some kinds of preparation to try and ensure they were successful. Sixty-five per cent made sure they had an up to date business plan, 57 per cent spoke first with their bank to get their advice, 31 per cent had their business plan looked over by a professional adviser, 18 per cent spoke to other businesses to get their advice, 15 per cent read some business websites, and four per cent took a course in business finance.

Figure Z: Main steps taken to obtain finance



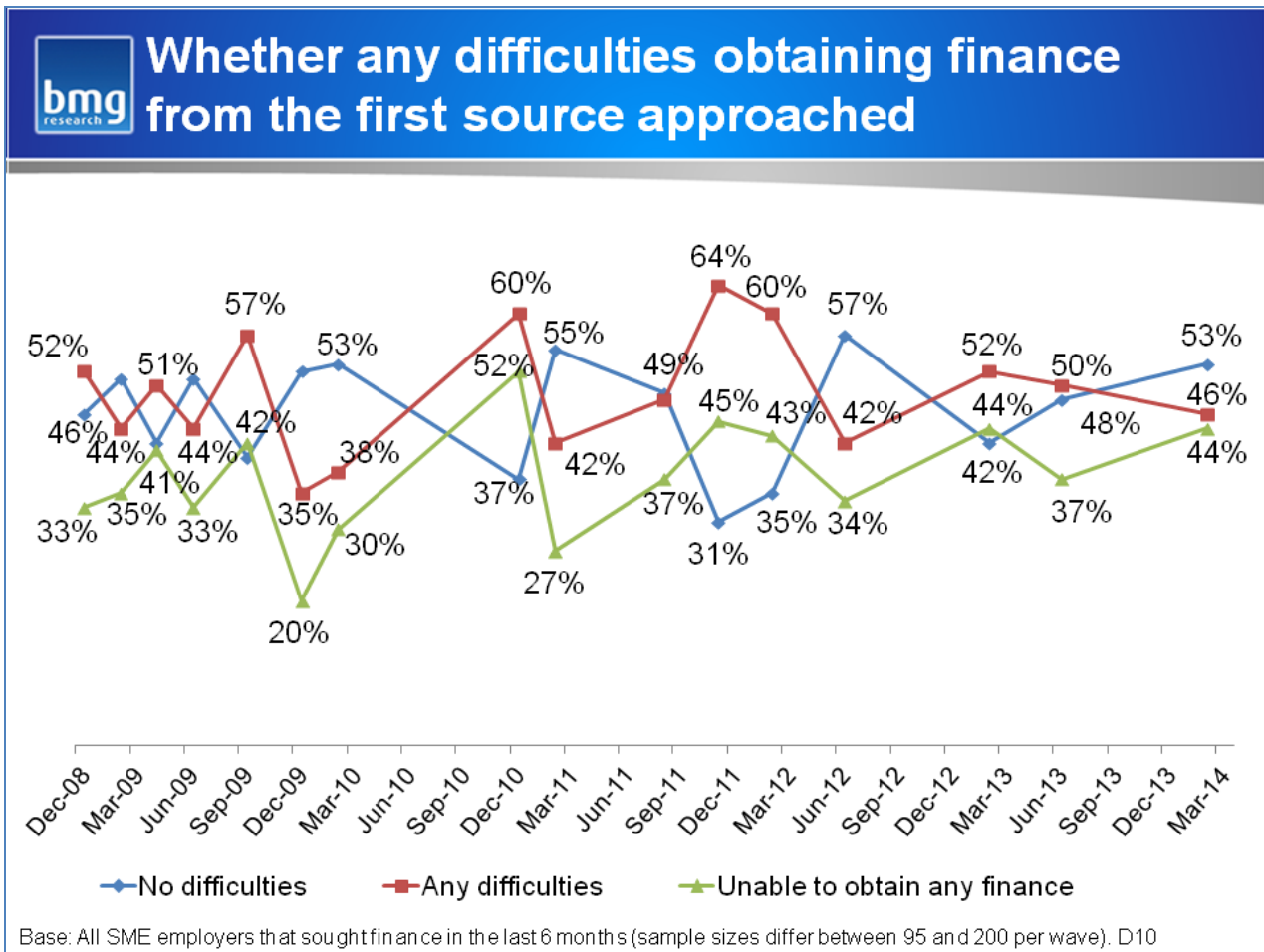
The proportions with up to date business plans (up 27 percentage points) and that spoke to their banks beforehand (up 18 percentage points) were significantly higher than in June 2013.

Micros were significantly more likely to take these preparations than small and medium-sized businesses. Ninety-seven per cent of micros made any preparations, compared with 74 per cent of the small and mediums.

## Whether any difficulties obtaining finance from the first source approached

Forty-six per cent of those SME employers in February 2013 that had sought finance encountered difficulties from the first source they approached. One per cent obtained all they needed but with problems, whilst 44 per cent were unable to obtain any finance from this first source approached. Less than half a per cent obtained some, but not all, of the finance they wanted.

**Figure AA: Whether any difficulties obtaining finance from the first source approached**



There were no significant changes in the proportions able to gain finance on June 2013.

Small and medium sized businesses were less likely to encounter difficulties than micros (21 per cent, compared with 55 per cent). There were no differences by sector.

Sixty-eight per cent of those that applied for bank loans were unable to obtain any finance from the first source approached.

Of those unable to obtain any finance from the first source approached, 89 per cent had their applications rejected, and 10 per cent rejected the terms on offer. This rejection of terms by the SMEs was because interest rates and/or fees were too high. The rejection by the lender was for various reasons including not being able to provide enough security, poor credit history and the business sector being considered too risky (sample sizes are too small here to show percentages or to compare against previous Barometers).



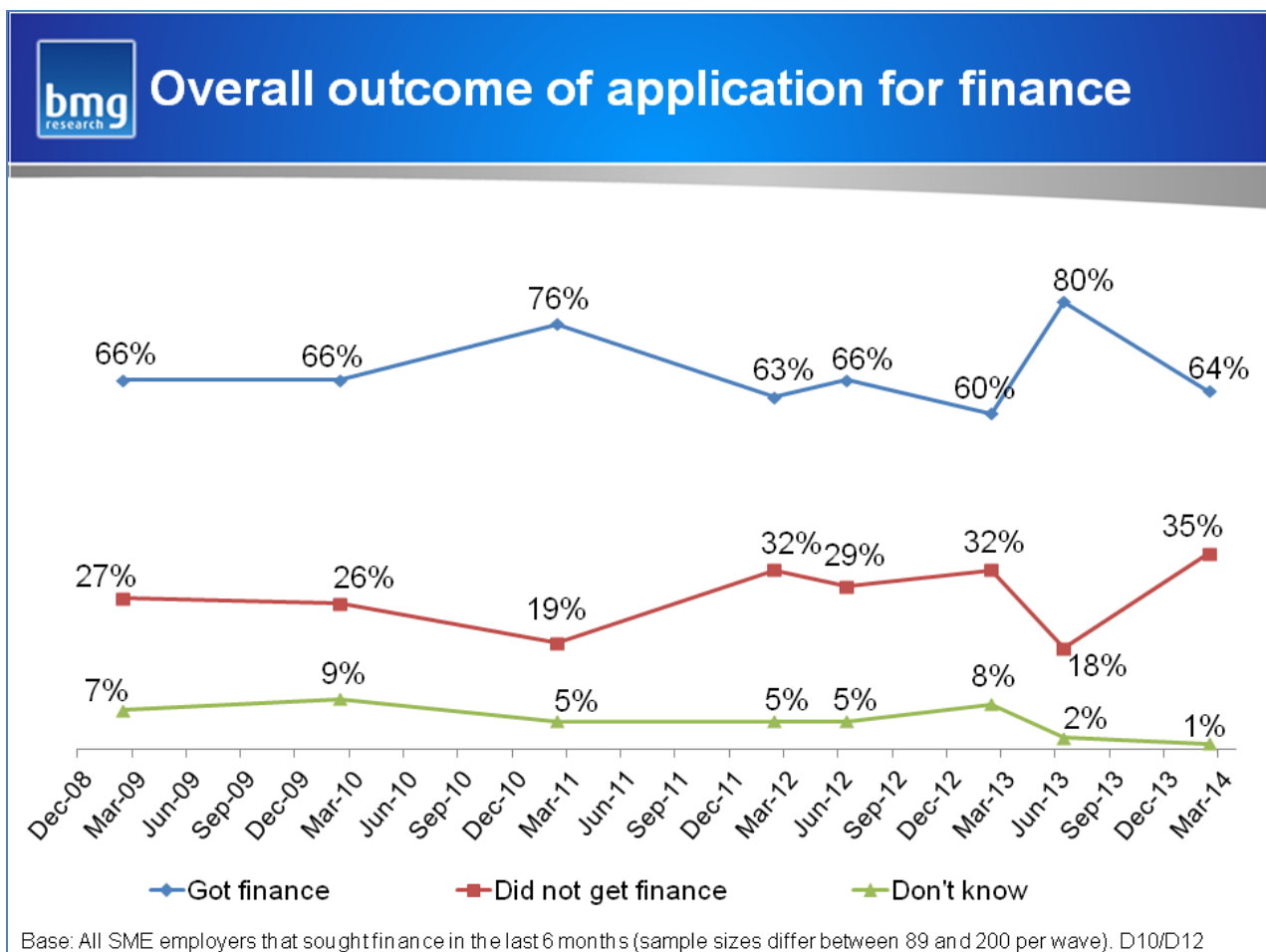
## Overall result of search for finance

Overall, 54 per cent of those that sought finance got all that they needed from the first source they approached (53 per cent with no difficulty, one per cent with some difficulties). A further one per cent did not yet know whether their application for finance had been successful.

Of the remaining 45 per cent that did not obtain all they needed from the first source, 19 per cent were able to get finance from another source (a third from an internal business source, two thirds from an external provider). This means that nine per cent of all that sought finance obtained it from a secondary source.

Adding together the proportions that obtained finance from primary and secondary sources, overall 64 per cent of those that applied for finance in the last six months managed to obtain all that they needed. While this proportion is similar to those seen in previous Barometers, it is significantly lower than the 80 per cent that eventually obtained finance in June 2013.

**Figure AB: Overall outcome of application for finance**



Of those unable to obtain any finance from any source, 24 per cent had to drop their plans completely, while 28 per cent had to defer their plans but eventually went ahead with them.

## Main reasons for not applying for finance

Of those that did not seek finance in the last six months, 82 per cent (spontaneously) said that this was because they did not need the finance, 24 per cent that they did not want to take on additional risk, 11 per cent that the finance would be too expensive, and six per cent that they thought they would be rejected. The proportion thinking they would be rejected has dropped significantly since June 2013, but otherwise there were no differences.

Micros were more likely to say that they did not want the additional risk (26 per cent), than small (18 per cent) and medium-sized businesses (15 per cent). Those in transport, retail and distribution were more likely than average to think they would be rejected (11 per cent), which was also the case in June 2013.

## Changes to terms and conditions on overdrafts in the last 6 months

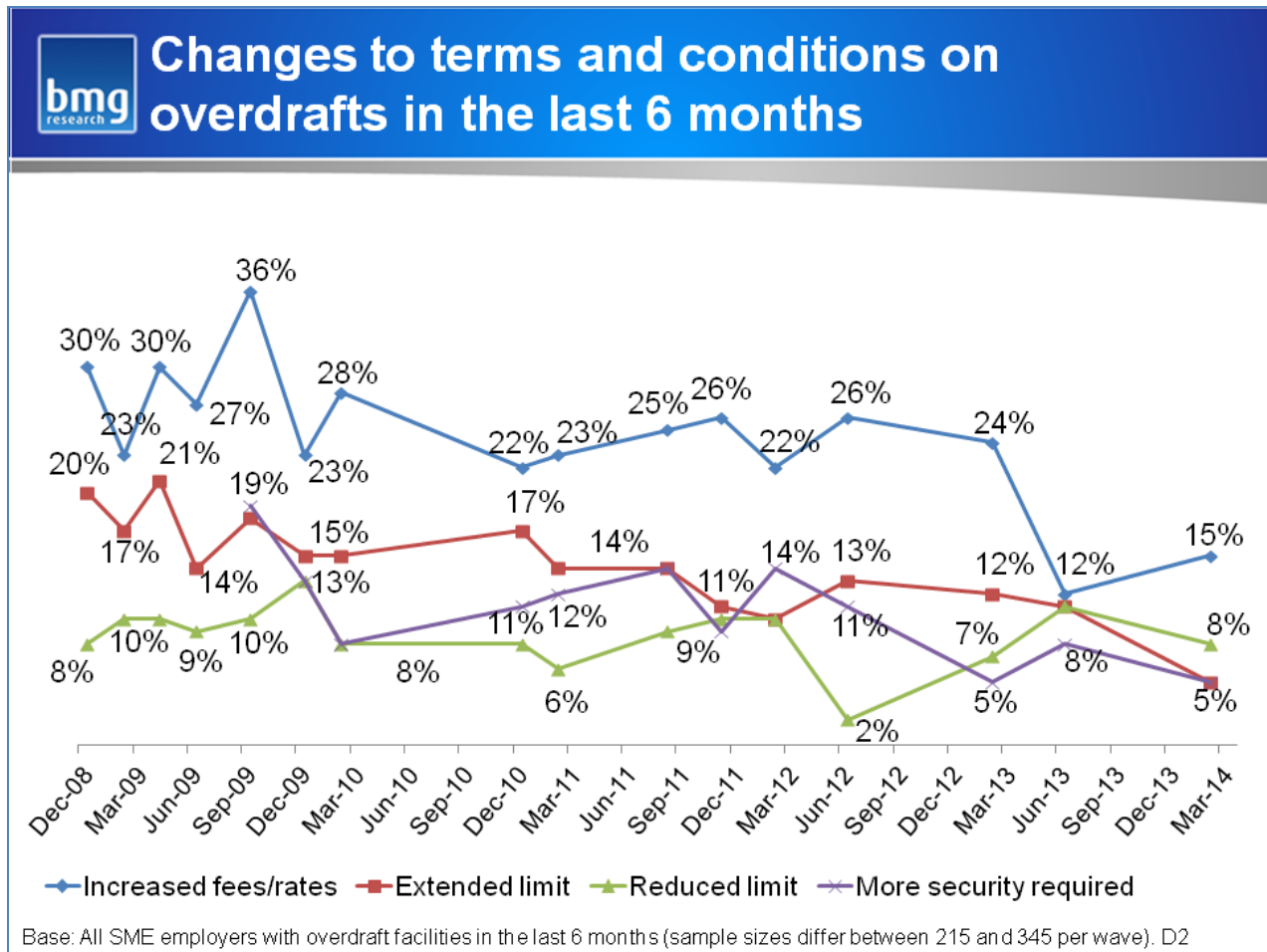
In February 2014 44 per cent of SME employers had a bank overdraft facility for their business in the previous six months, the same proportion as in June 2013 and previous Barometers. There was no variation in this proportion by size, but those aged 10 plus years were more likely to have one (49 per cent) than those aged 0-3 years (16 per cent).

Of those with overdrafts in February 2014, 27 per cent said there had been changes to their terms and conditions in the last six months. Fifteen per cent said that the bank had increased fees or interest rates, eight per cent that the bank had reduced their overdraft limit, five per cent that their limit had been extended, five per cent that they had been asked to provide more security, four per cent that they needed to offer less security, and four per cent had their overdraft facility cancelled. Just one per cent had reduced overdraft fees or interest rates.

Medium-sized businesses were more likely than average to be asked to provide more security (18 per cent), but were also more likely to have reduced fees or interest rates (six per cent).

In terms of trends, over the course of the Barometer series banks appear to have increased fees and rates less often. They were also less likely to have asked for more security. On the other hand, they were also less likely to extend overdraft limits.

Figure AC: Changes to terms and conditions on overdrafts in the last 6 months



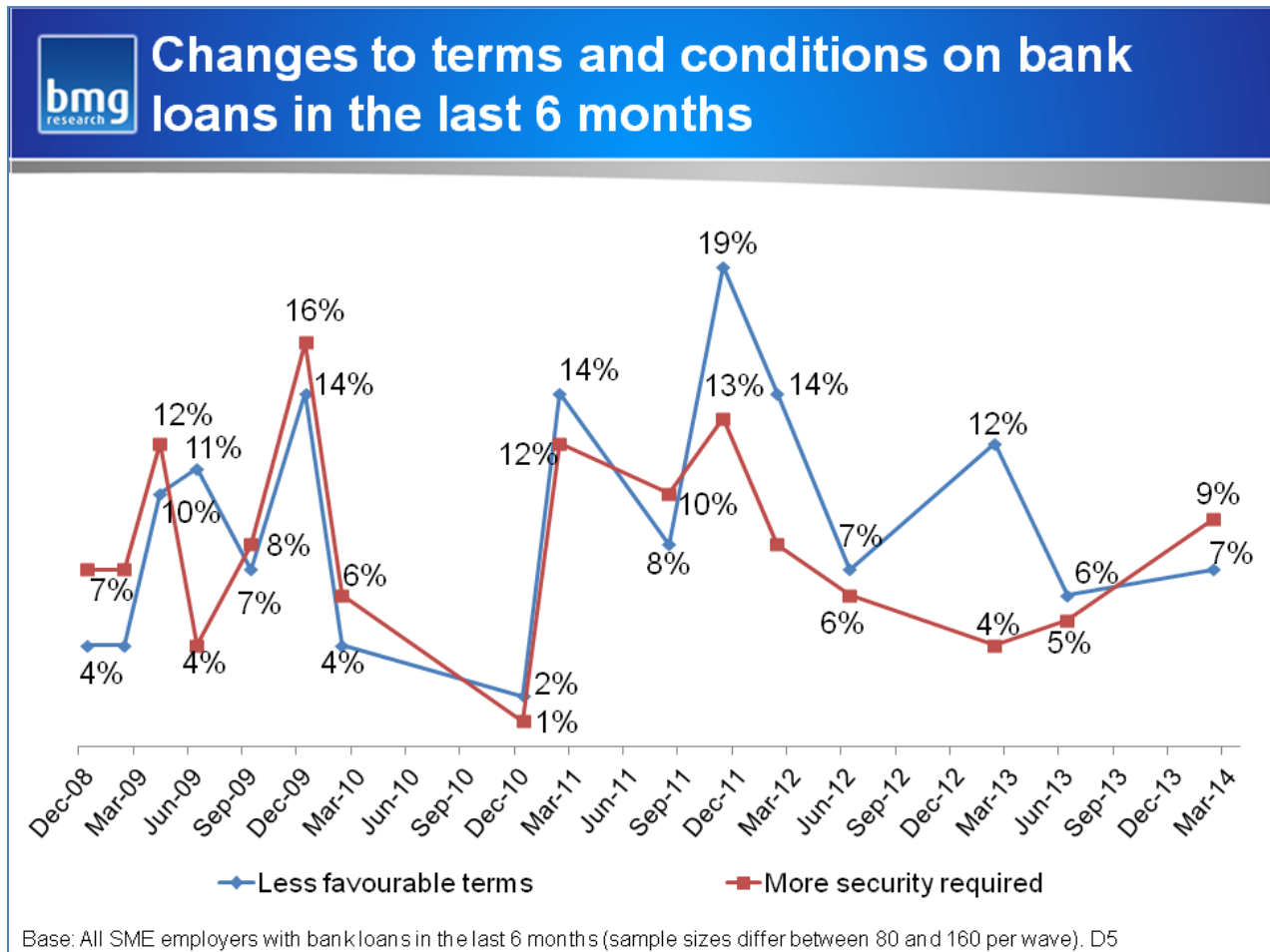
Eight per cent of those with overdrafts had exceeded their authorised limit in the last six months (four per cent once, two per cent two or three times, and three per cent more than three times). This was a significantly lower proportion than the 19 per cent that exceeded limits in June 2013, and the 16 per cent that did this in both February 2013 and June 2012.

## Changes to terms and conditions on bank loans in the last 6 months

Thirteen per cent of SME employers in February 2014 had an outstanding business loan from a bank in the previous six months. This was significantly lower than the 19 per cent with loans in June 2013, but around the same proportion as February 2013.

Loans were more common than average for medium-sized businesses (25 per cent) and in transport, retail and distribution (20 per cent), findings consistent with previous waves of the Barometer.

Figure AD: Changes to terms and conditions on bank loans in the last 6 months

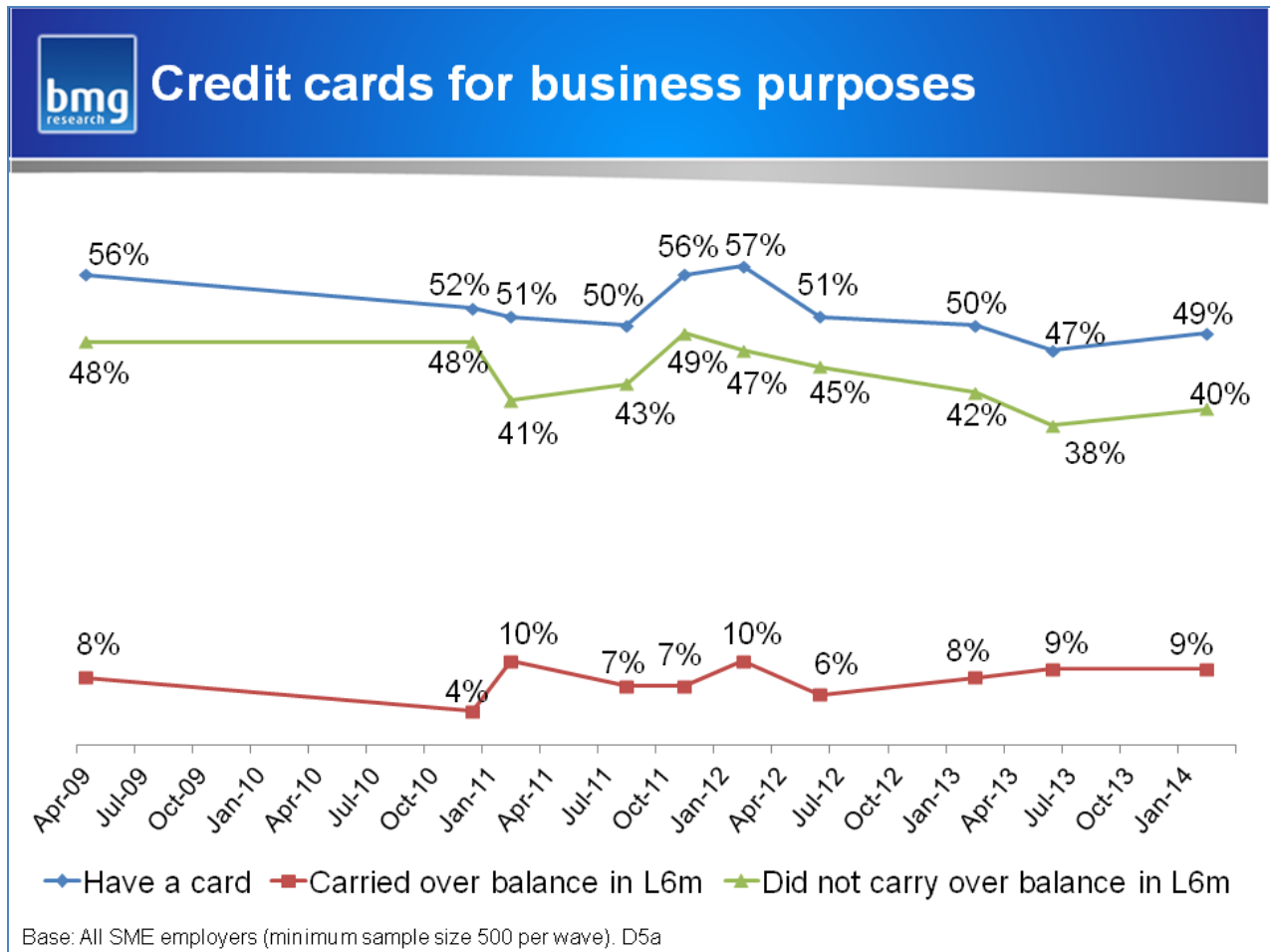


Of those with loans in February 2014 eighteen per cent experienced changes to their terms and conditions in the previous six months, a proportion consistent with June 2013. Nine per cent needed to provide more security, seven per cent got worse terms than previously, seven per cent got better terms and four per cent saw their variable interest rate decrease. These proportions are not significantly different than those seen in June 2013.

## Credit cards used for business purposes

Forty-nine per cent of SME employers in February 2013 had a credit card that they used for business purposes, a similar proportion to those seen in previous Barometers. Overall, nine per cent had carried over balance in the last six months, another proportion that has not changed significantly since the Barometer series began. We do not know whether the cards used were in the name of the business, or personal credit cards.

Figure AE: Credit cards used for business purposes in the last six months



Medium-sized businesses were more likely than average to have credit cards for business purposes (73 per cent), but were the least likely to carry over balances (zero per cent). Those in transport, retail and distribution were the most likely to carry over balances (15 per cent), as were those aged 0-3 years (23 per cent).

## 6. Business support

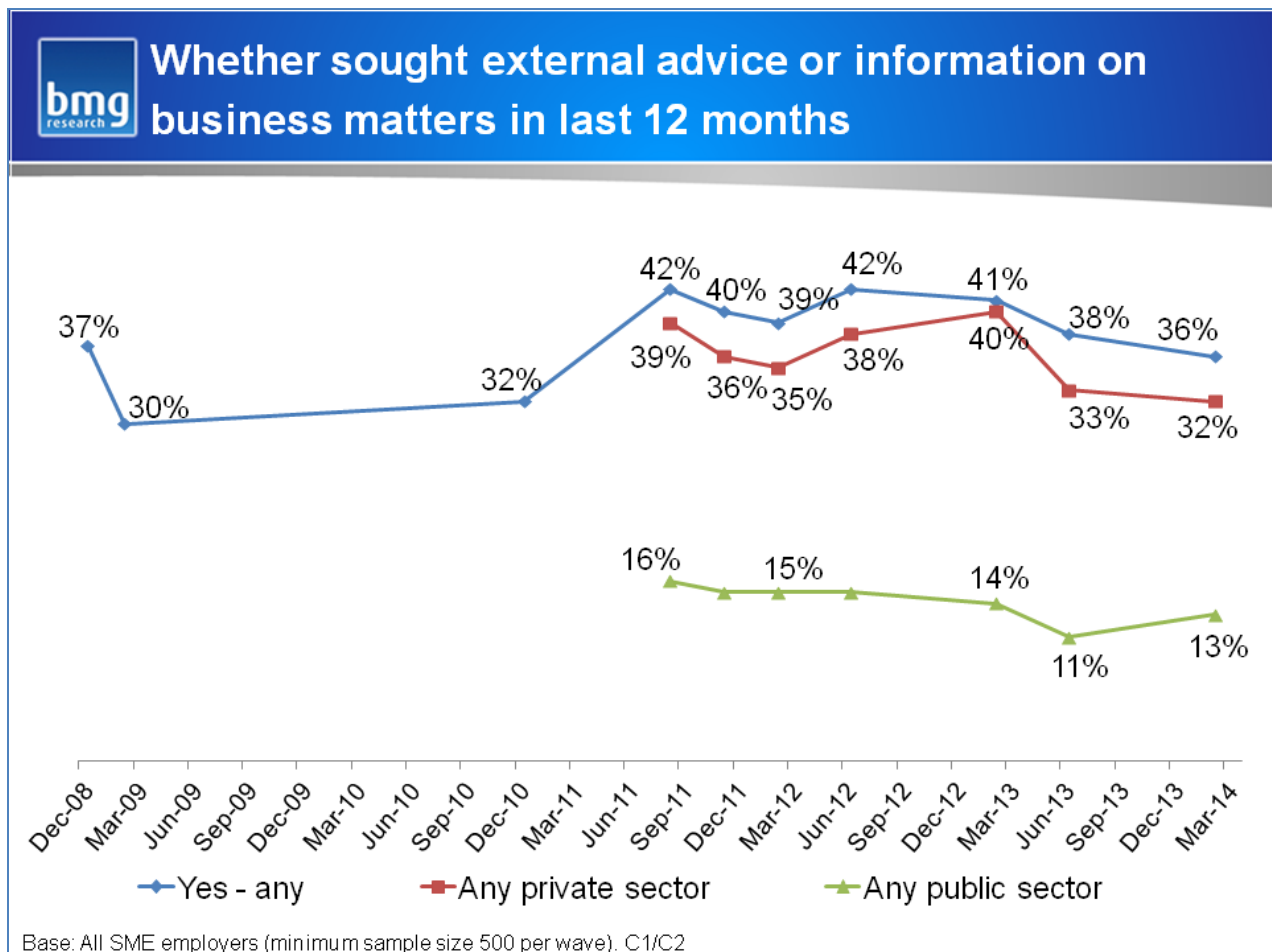
Since October 2012, the public provision of business support has changed in England. Business Link no longer exists, and information and advice for businesses has migrated to the GOV.UK website. This section explores aspects of public and private sector business support used by SME employers across the UK.

### Whether sought external advice or information on business matters in the last 12 months

In February 2014, 36 per cent of SME employers had sought external advice or information on business matters in the last 12 months. This was not a significantly lower proportion than in June 2013, but there has been a slight downwards trend since June 2012.

Thirty-two per cent had sought at least some kind of private sector information or advice, and 13 per cent some kind of public sector advice. The use of private sector information or advice has reduced since February 2013 (from 40 per cent to 32 per cent).

**Figure AF: Whether sought external advice or information on business matters in the last 12 months**



**Table 6.1: Whether sought external advice or information on business matters in the last 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	508	221	194	93
	%	%	%	%
Any	36	33	<b>51</b>	<b>65</b>
- Any private sector	32	29	<b>45</b>	<b>59</b>
- Any public sector	13	12	17	<b>22</b>
<b>June 2013</b> (n=)	501	216	188	97
	%	%	%	%
Any	38	37	43	<b>56</b>
- Any private sector	33	31	38	<b>54</b>
- Any public sector	11	10	<b>19</b>	11
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
Any	41	40	45	<b>55</b>
- Any private sector	40	39	41	<b>51</b>
- Any public sector	14	13	16	<b>23</b>
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
Any	39	36	<b>53</b>	<b>57</b>
- Any private sector	35	32	<b>51</b>	<b>55</b>
- Any public sector	15	15	19	21

Base = all SME employers

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. C1/C2

In February 2014 medium sized businesses were more likely than average to have sought external information or advice (65 per cent). This was also the case in previous Barometers. There were no differences according to sector, but younger businesses were more likely than average to use external information or advice (64 per cent of those aged 0-3 years).

Of those using external advice or information, accountants were the most used source (32 per cent), followed by consultants (23 per cent), banks (ten per cent), solicitors/lawyers (nine per cent), local authorities (seven per cent) and Chambers of Commerce (six per cent). These proportions were similar to June 2013, but compared with February 2013 there were fewer mentioning accountants and more mentioning consultants. The GOV.UK website was mentioned spontaneously by one per cent, as was the Business Link helpline.

The main spontaneously given reasons for seeking financial advice were for general financial advice on the running of the business (23 per cent), business plans or strategy (22 per cent), business growth (15 per cent), tax or NI law or payments (14 per cent),

regulations (12 per cent), advice and information on where to get finance (9 per cent), and employment law/redundancy (eight per cent).

Eighty-five per cent of those that had used information and advice were satisfied with it (59 per cent very satisfied, 25 per cent fairly satisfied), while nine per cent were dissatisfied (four per cent fairly dissatisfied, five per cent very dissatisfied). These proportions were similar to those seen in previous Barometers.

Sixty-four per cent of information or advice was mainly accessed face-to-face, 17 per cent on the phone, eight per cent via email, and eight per cent via a website. These proportions were very similar to those seen in June 2013.

Of those that had sought business information or advice in February 2014, 76 per cent said that they used the internet to identify potential providers when looking for it. This is eleven percentage points higher than in February 2013. This proportion did not vary by size, but those in the business service sector were more likely than average to do this (87 per cent).

## Where to find out information on what the Government is doing to support small businesses

A new question for February 2014, SME employers were asked where they might look, or who they might ask for information on what the Government is doing to support small businesses.

**Table 6.2: Where to find out information on what the Government is doing to support small businesses – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014 (n=)</b>	508	221	194	93
	%	%	%	%
Google/internet search	34	34	39	27
GOV.UK/Business Link website	22	22	21	27
Business representation organisation	10	10	12	13
Accountant	10	10	8	6
Local authority	5	6	3	3
Bank manager/adviser	3	3	3	2
Consultant	2	2	2	2
Government departments	2	2	3	<b>5</b>
Business colleagues	2	1	<b>4</b>	<b>9</b>
Other	10	8	13	13
Nowhere	7	8	<b>4</b>	11
Don't know	12	13	<b>9</b>	<b>5</b>

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Multiple answers allowed at this question. \* = a figure of less than 0.5% but greater than zero. C7a



The most common answers were to search the internet (34 per cent), or go to the GOV.UK website (22 per cent).

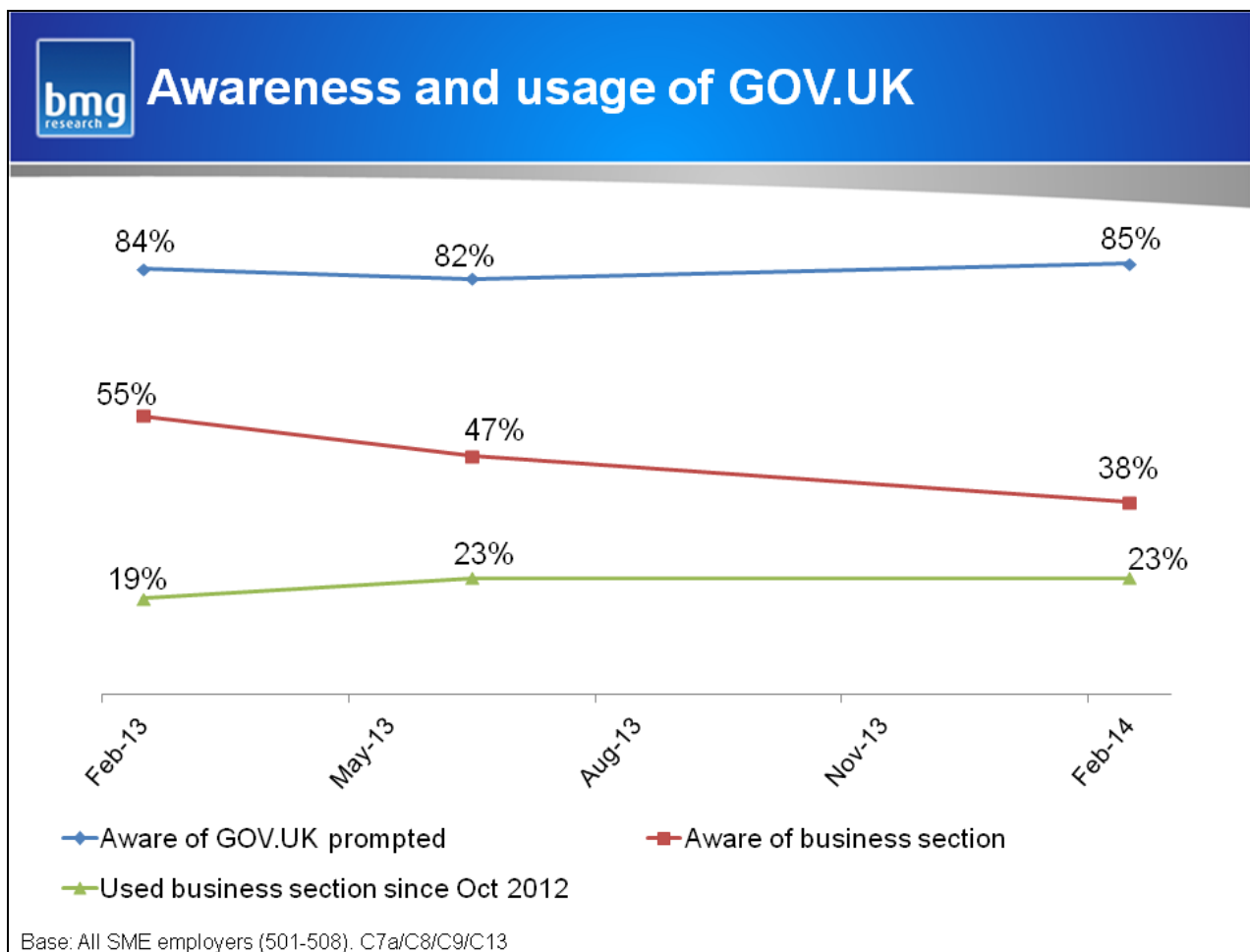
There was not much variation by size of business. Micros were less likely to know where to go than small and medium-sized businesses, and the larger SMEs were more inclined to ask business colleagues than the micros.

Young businesses were much more likely than average to turn to GOV.UK (41 per cent of those aged 0-3 years), and they were also more likely to think they would consult local authorities (29 per cent).

## Awareness of GOV.UK

Questions on the GOV.UK website appear for the first time in the February 2013 Barometer.

**Figure AG: Awareness and usage of GOV.UK**



Out of all SME employers, 85 per cent were aware of the GOV.UK website. This proportion was consistent with the past two waves of the Barometer. Awareness among medium (91 per cent) and small businesses (89 per cent) was higher than it was among micros (83 per cent).

Of those aware, 45 per cent were aware of the tools and guidance for businesses section. This was significantly fewer (down 12 percentage points) than in June 2013, and even lower than the February 2013 figure (down 20 percentage point). The 45 per cent aware equates to 38 per cent of all SME employers. For comparative purposes, between 79 and 90 per cent of SME employers were aware of [businesslink.gov.uk](http://businesslink.gov.uk) in previous Barometers.

Despite the lower awareness levels, usage of the business section since October 2012 was stable at 23 per cent, the same figure as in 2013. Usage levels were similar across sizebands, with 21 per cent of micros having used it, compared with 24 per cent of small businesses and 28 per cent of mediums. Thirty-five per cent of those aged 0-3 years had used it, compared with 21 per cent of those aged 10 plus years. By sector, usage was highest in construction (33 per cent) and other services (27 per cent), and lower in production (14 per cent) and business services (16 per cent).

Those aware of the business section of GOV.UK were most likely to have found out about it through visiting GOV.UK for other purposes (20 per cent), through search engines (15 per cent), through friends/work colleagues (nine per cent), through accountants (six per cent) and by searching for [businesslink.gov.uk](http://businesslink.gov.uk) and being redirected (five per cent).

Of those aware of the business section of GOV.UK, 54 per cent were aware that it had replaced [businesslink.gov.uk](http://businesslink.gov.uk). This was the same proportion observed in June 2013.

## Usage of GOV.UK

Of those that had visited GOV.UK since October 2012, 54 per cent had looked for specific information. Of these, 58 per cent had always found the specific information that they had looked for, 32 per cent sometimes found it, and one per cent never found it.

Of those that had looked for specific information, 43 per cent did so via the search option within GOV.UK, 21 per cent browsed through the links, and 36 per cent used both of these methods. Overall, therefore, 79 per cent used the search option, and 57 per cent browsed through the links.

Eighty-eight per cent of those that had looked for specific information found it easy (26 per cent very easy, 61 per cent fairly easy) to find what they were looking for. Twelve per cent found it not very easy.

Eighty-nine per cent found the content and usefulness of the information they found useful (43 per cent very useful, 46 per cent fairly useful). Ten per cent did not find it useful.

Of those that had used the business section on GOV.UK since October 2012, 31 per cent found other information or advice in the tools and guidance for business section that they had not been specifically looking for. Of these, 99 per cent found this content useful (40 per cent very useful, 59 per cent fairly useful). Just one per cent found it not very useful.

Of those aware of GOV.UK, 53 per cent had visited other parts of the website (i.e. not the tools and guidance for business section).

All of the above proportions were very similar to those observed in June 2013.

## Business Link helpline

Five per cent of SME employers in February 2014 had used the Business Link helpline in the last 12 months, the same proportion that was seen in both June 2013 and February 2013. There were no significant differences in terms of usage by size, sector or age of business.

Of those using the helpline, 25 per cent were offered a call back from a Business Support Adviser to discuss their business needs.

Eighty-eight per cent of those that had used the Business Link helpline found it useful (19 per cent very useful, 69 per cent fairly useful). Just four per cent found it not useful.

## Unmet needs for business support

In February 2014, just two per cent of SME employers had difficulties or important information or advice needs in the last 12 months where they did not get external advice or support. This figure compares with four per cent in June 2013 and February 2013.

Most likely in February 2014 to have these unmet needs were the construction sector (seven per cent).

Of the 14 respondents that did not seek information or assistance when they needed it, the main reasons for not doing so were that they did not know where to find the appropriate advice, they did not feel that the right type of advice existed, they had sufficient expertise and resources within their own business, and they had doubts about the benefit or value of obtaining advice.

## Future needs for business information and advice

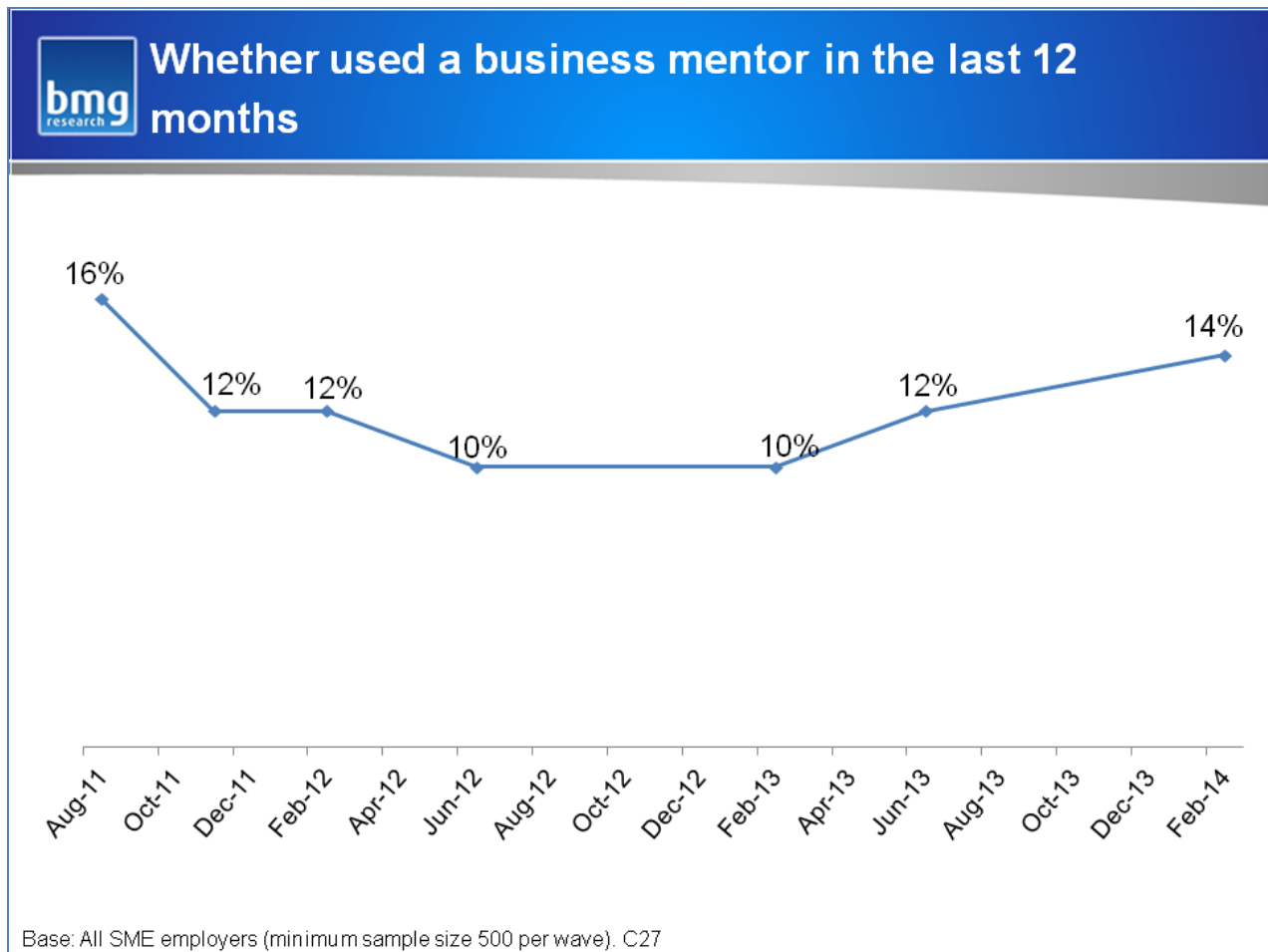
Forty-four per cent of SME employers in February 2014 thought that they would need business information or advice over the next year. This is eight percentage points higher than in June 2013, but a similar proportion to February 2013. Medium-sized businesses were more likely than average to say they would need advice (63 per cent), and businesses aged ten years plus were the less likely than average to want advice (41 per cent).

The main areas, based on all SME employers, where advice would be needed were financial information or advice for the general running of the business (nine per cent), advice on regulations (seven per cent), advice on tax/national insurance payments (six per cent), advice on employment law/redundancies (six per cent), and advice on where to get finance (four per cent). These proportions were similar to those observed in June 2013.

## Whether used a business mentor in the last 12 months

In February 2014, 14 per cent of SME employers had used a mentor in the previous 12 months. This is a similar proportion to that seen in June 2013, but the trend suggests that usage of a mentor is slowly increasing once again.

**Figure AH: Whether used a business mentor in the last 12 months**



By employment size, small businesses with 10-49 employees were the most likely to use a mentor in February 2014 (25 per cent), and this was also the case in previous Barometers. Medium-sized businesses were also more likely than average to have a mentor (21 per cent).

There were no differences by sector and age of business. In previous Barometers younger businesses aged 0-3 years were more likely than average to use mentors, but this was not the case in February 2014.

**Table 6.3: Whether used a business mentor in the last 12 months – by employment size**

	All SME employers	Micros (1-9 employees)	Small (10-49 employees)	Medium (50-249 employees)
<b>February 2014</b> (n=)	508	221	194	93
	%	%	%	%
Used a mentor	14	12	<b>25</b>	<b>21</b>
<b>June 2013</b> (n=)	501	216	188	97
	%	%	%	%
Used a mentor	12	11	<b>18</b>	15
<b>February 2013</b> (n=)	508	219	195	94
	%	%	%	%
Used a mentor	10	8	<b>19</b>	7
<b>June 2012</b> (n=)	500	227	182	91
	%	%	%	%
Used a mentor	10	9	<b>16</b>	16
<b>February 2012</b> (n=)	667	261	262	144
	%	%	%	%
Used a mentor	12	11	17	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). Single answer only allowed at this question. C27

Thirteen per cent of those aiming to grow their business over the next two to three years used a mentor, compared with two per cent of those that did not aim to grow.

Of those using mentors in February 2014, 59 per cent described them as specialist business mentors, 43 per cent as somebody who provides other services to businesses, such as accountants or lawyers, 42 per cent as a friend or peer, and 16 per cent as somebody with a commercial interest in their business, such as an investor. These were similar proportions to June 2013 (respondents were able to categorise their mentor into more than one category at this question).

Of those using mentors in February 2014, 84 per cent interacted with them primarily face to face, 10 per cent by telephone, and two per cent by email. Again, these were similar figures to those seen in June 2013.

Of those using mentors in February 2014, 73 per cent said that they had helped develop business plans and strategy, 55 per cent that they had enhanced leadership and management skills, 52 per cent had helped to increase sales or profit, 44 per cent had helped with people management such as recruitment, 36 per cent had helped to obtain finance, and 27 per cent had helped develop new products or processes. Compared with June 2013 the proportion helping with new products or processes dropped by 18 percentage points, and the proportion helping with people management rose by 21 percentage points.

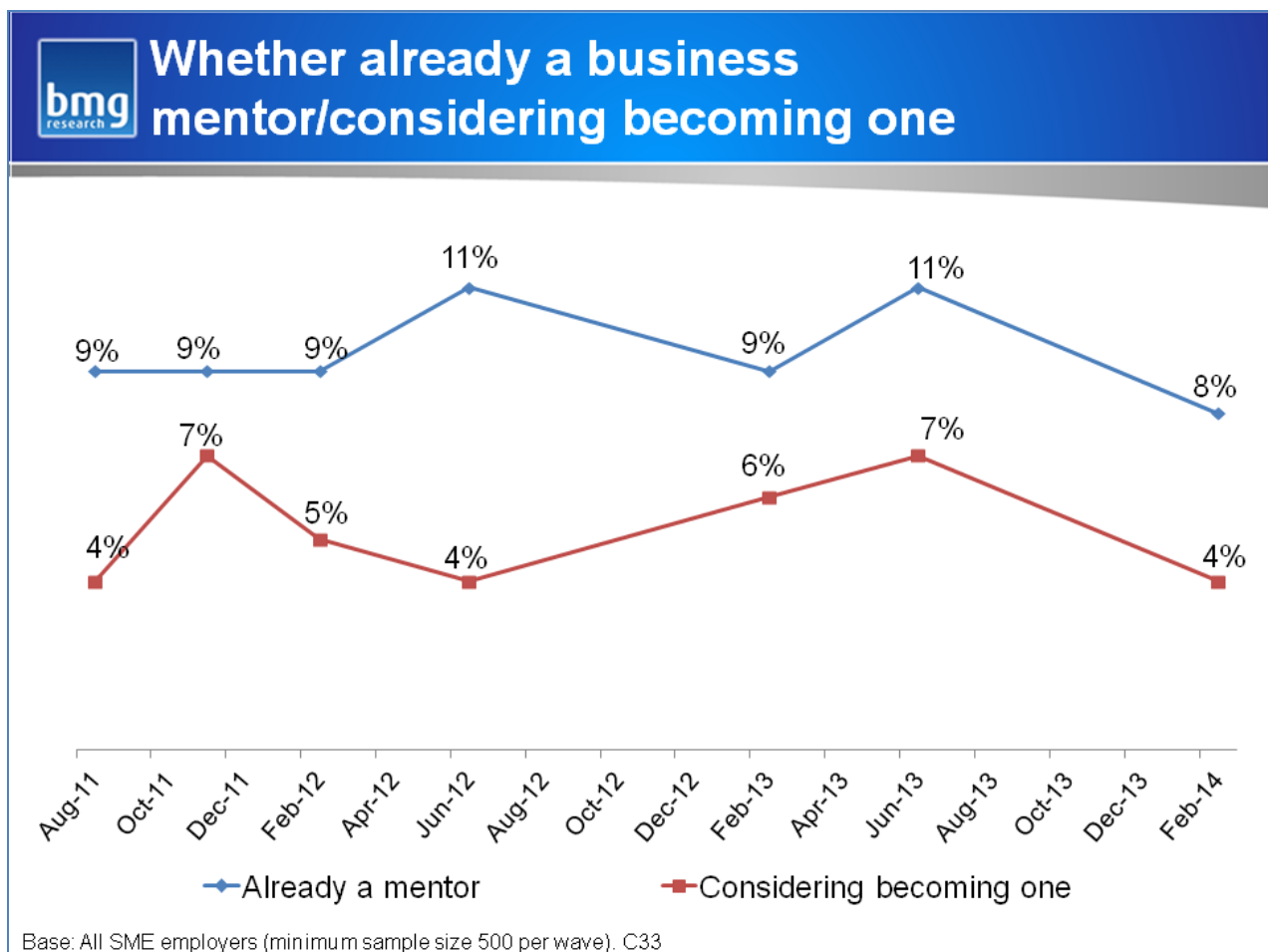
Four per cent of those who had not used a business mentor had considered taking one on, a similar proportion to June 2013. This proportion did not vary by size, sector or age of business.

Of those that would consider taking on a mentor, the main reason for not having one already related to lack of time, the perceived expense and that they did not feel the appropriate type of assistance was available.

## Whether already a business mentor/considering becoming one

Eight per cent of SME employers in February 2014 were currently acting as a mentor for another business owner or entrepreneur. A further four per cent would consider becoming a mentor. These proportions were slightly lower than in June 2013, but around the same levels as in February 2013.

**Figure A1: Whether already a business mentor/considering becoming one**



In February 2014, medium-sized businessmen were more likely than average to be currently acting as a mentor (13 per cent), as were those in other services (17 per cent), and those running businesses aged ten years plus (nine per cent).

## 7. Technical appendix

A sample of SME employers was drawn from those who had taken part in the 2012 SBS survey and who were willing to be re-contacted for survey research.

Because SBS contained boosts to the sample in Wales, Scotland and Northern Ireland, a sub-sample was initially drawn in the correct national proportions (according to Business Population Estimates<sup>2</sup> for 2012). Only those with employees were sampled. Those that had applied for finance in the 12 months preceding the 2012 SBS interview were over-sampled. Large SMEs (small and medium-sized) were over-sampled

Quotas were imposed on employment size, broad sector (production; construction; transport, retail and distribution; business services; other services) and whether finance had been sought in SBS. Data were weighted at the analysis stage to correct any sampling bias and make the survey representative of all SME employers, according to the 2012 Business Population Estimates.

**Table 7.1: Unweighted and weighted data – February 2014**

	Unweighted		Weighted	
	n=	%	n=	%
Micro (1-9 employees)	221	44	422	83
Small (10-49 employees)	194	38	74	15
Medium (50-249 employees)	93	18	12	2
	n=	%	n=	%
Production	91	18	60	12
Construction	47	9	62	12
Transport, retail and distribution	112	22	164	32
Business services	139	27	154	30
Other services	119	23	68	13
	n=	%	n=	%
Sought finance in last 12 months	156	31	122	24
Did not	352	69	386	76
<b>TOTAL</b>	<b>508</b>	<b>100</b>	<b>508</b>	<b>100</b>

508 interviews were conducted between the 10<sup>th</sup> and 28<sup>th</sup> February 2014 using Computer Assisted Telephone Interviewing (CATI). Interviews were conducted by BMG Research Limited based in Birmingham.

<sup>2</sup> <https://www.gov.uk/government/publications/business-population-estimates-for-the-uk-and-regions-2012>

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