



Department
for Business
Innovation & Skills

SMALL BUSINESS SURVEY 2012

Growth special report

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1. Summary

This section summarises the findings from the 2012 Small Business Survey (SBS) with respect to growth, and presents a growth segmentation and regression analysis produced especially for this report.

Introduction

The Small Business Survey (SBS) is a large-scale telephone survey among business owners and managers, commissioned by the Department for Business, Innovation and Skills (BIS). This survey is the latest in a series of Annual Small Business Surveys and subsequently biennial Small Business Surveys dating back to 2003. The survey was conducted between June and September 2012 by BMG Research Ltd. A total of 5,723 CATI¹ interviews were conducted, 4,768 of which were with employers. This report, as with the main published SBS 2012 report, is based on these SME employers only.

The SBS growth segmentation

A segmentation was devised, based upon employment and turnover change in the twelve months preceding interview. Three main segments were obtained:

- **Growers:** SME employers that had increased the numbers employed by five per cent or more in the last year with a minimum of three new employees, or SME employers that had increased turnover by five per cent or more or more in the last year, with a minimum increase of £50,000.
- **Stable:** SME employers that had the same numbers, or who employed up to two more or fewer employees than 12 months previously, and whose turnover increased or decreased by less than £50,000.
- **Shrinkers:** SME employers that had decreased the numbers employed by five per cent or more in the last year with a minimum of three employees lost, or SME employers that had decreased turnover by five per cent or more or more in the last year, with a minimum decrease of £50,000. In addition, this group could not have grown employment or turnover by five per cent or more.

A sub-set of the growers segment were **High Growers**, who were SME employers that had increased the numbers employed by 20 per cent or more in the last year with a minimum of ten new employees, or SME employers that had increased turnover by twenty per cent or more or more in the last year, with a minimum increase of £250,000.

A fourth group were those where employment or turnover information was incomplete (known as 'incomplete').

¹ Computer Assisted Telephone Interviews

Overall, 13 per cent of SME employers were categorised as growers, of which a sub-set of three per cent were high growers. Thirteen per cent were classified as shrinkers, and 57 per cent were stable.

It should be noted that this segmentation analysis is concerned with businesses achieving relatively high levels of growth. It does not capture all growth. In particular it does not capture much of the growth in very small businesses which, although modest in relative terms, may well be important to the businesses concerned and in aggregate terms.

Profiles of the growth segments

The growers segment was characterised as follows:

- Much more likely than SME employers generally to be small (10-49 employees) and medium-sized (50-249 employees) businesses.
- Excluding those with incomplete data (e.g. less than two years old and therefore not possible to measure turnover change), more likely than average to be younger businesses.
- More likely to be manufacturing businesses. Sub-sector analysis shows residential care, recruitment/employment and legal/accounting were also more likely than average to be growers.
- More likely to be non-family businesses. Women-led businesses were less likely than average to be growers, but were no more likely than average to be shrinkers

In part, because the growth segment is largely defined by minimum employment or turnover change, small and medium sized businesses were also more likely than average to be in the shrinkers segment.

Recent and future employment growth

Eight per cent of SME employers in 2012 had *sustained* employment growth, i.e. they had increased the numbers employed in the previous 12 months and planned to increase further in the next 12 months; 11 per cent had *contained growth* – they had increased numbers employed but had no plans for further recruitment; 13 per cent were *new growth* firms – they had not increased the numbers employed in the previous 12 months, but planned to do so in future. Sixty-nine per cent were in none of these categories and were classified as having *no growth*.

Compared to 2010 the proportions with sustained and no growth have increased, but those with new growth has declined.

Small and medium-sized businesses (i.e. with 10-249 employees) were more likely than average to have sustained or contained growth than micros (1-9 employees), but there were no differences by size for new growth. Those in manufacturing, information/communications and business services were more likely than average to have sustained growth. Younger businesses were much more likely to have all forms of employment growth (i.e. sustained, contained and new growth) than older ones.

Intentions to grow

Sixty-eight per cent of SME employers aimed to grow their business over the next two to three years. This proportion was six percentage points lower than in 2010.

Growth ambitions were correlated with size, with 66 of micros aiming to grow and 87 per cent of medium-sized firms. The sectors that were more likely than average to grow were manufacturing (77 per cent), information/communications (75 per cent), business services (76 per cent) and administrative services (79 per cent). Those in primary (54 per cent), construction (64 per cent), transport, retail and distribution (65 per cent) and other services (61 per cent) were less likely than average to aim to grow.

Plans to grow were correlated with age of business. Ninety-one per cent of those aged up to three years aim to grow, compared to 78 per cent of those aged four to ten years and 61 per cent of those aged more than ten years.

Business capability

Growers were much more likely than average to consider themselves strong for a range of management tasks such as regulation/tax decisions, people management, developing/implementing business plan and strategy, operational improvement, using formalised business systems, developing and introducing new products and services, entering new markets and accessing external finance.

Growers were more likely than average to have introduced new products and services in the previous 12 months (50 per cent compared to 43 per cent for all SME employers), and were even more likely to have introduced new processes in the previous 12 months (54 per cent compared to 33 per cent for all SME employers).

Thirty-seven per cent of growers were exporters, compared to 19 per cent for all SME employers.

Access to finance

Thirty-eight per cent of growers had applied for finance in the 12 months preceding interview, compared to 24 per cent for all SME employers. Applications for finance among the shrinkers (31 per cent) were also above the average proportion.

Sixty-six per cent of shrinkers sought finance for working capital, compared to 54 per cent of growers and 56 per cent of those that sought finance overall.

Growers were less likely to seek bank loans, and more likely to seek leasing/HP and asset finance than other SME employers that sought finance.

Growers have fewer problems getting finance than other SME employers. Eighty-one per cent of growers obtained all the finance they needed, compared to 68 per cent of all that applied.

Analysis based upon Dun & Bradstreet's credit risk scores shows that the profiles of growers and shrinkers were very similar to one another. Both groups were more likely than average to be either in the 'minimal risk' group or the 'above average' risk group. Both groups were less likely than average to be in the 'average' risk group.

Obstacles to the success of the business

While the economy remained the biggest concern for growers, shrinkers and stable SMEs alike, growers were less likely than average to mention this, and were more likely to name concerns often associated with larger employers such as skills shortages, recruitment, managerial skills and regulation.

Shrinkers were more likely than average to cite obstacles to success generally.

Business support

Both growers (59 per cent) and shrinkers (60 per cent) were more likely than stable SMEs (43 per cent) to have sought external information or advice in the 12 months before interview.

Growers were more likely than average to use consultants, general business advisers and solicitors/lawyers.

Seventeen per cent of growers used a business mentor in the 12 months preceding interview, compared to nine per cent of shrinkers and seven per cent of stable SMEs.

Determining what makes a business grow

Regression analysis identified nine factors as correlating significantly with growth. In order of strength of association, these were:

- Exporting
- Having a formal business plan
- Seeking external finance
- Process innovation
- Strength in implementing the business plan
- Providing formal training
- Strength in accessing external finance

- Strength in entering new markets
- Use of a business mentor

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BMG Research,
May 2013.

2. Introduction

The Small Business Survey 2012

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

The survey has a number of remits and objectives. It monitors key performance indicators amongst small and medium-sized businesses (SMEs), and gauges their intentions, needs, concerns and obstacles to fulfilling their potential.

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

Within each of the four UK nations the sample was stratified. Targets were set according to the size of enterprises and, within those targets, for sector⁴. Approximately one sixth of interviews in each nation were conducted with enterprises with no employees; one third with micro businesses (one to nine employees); one third with small businesses (10-49 employees); and one sixth with medium-sized businesses (50-249 employees). The sector targets, set within size bands, were intentionally disproportional with some over-sampling of sectors of particular interest.

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

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

² Computer Assisted Telephone Interviews.

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

⁴ According to Standard Industrial Classification (SIC) 2007

Notes

Please note that the findings presented in this report relate to SME employers only - enterprises with no employees have been excluded from the dataset on which this report is based. This procedure is consistent with reporting of the 2010 SBS and of the Annual Small Business Surveys (ASBSs) that preceded this. The overall sample size for SME *employers*, excluding those enterprises without employees, across the UK is 4,768. A separate report relating to enterprises with no employees is available.

Statistical confidence

Unless stated otherwise, all findings reported are statistically significant, whether reported as a comparison between SBS 2010 and SBS 2012, 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).

Growth report

This report is one of a number of secondary reports centred on particular themes, in this case business growth. Much of the analysis is based upon a growth segmentation, which is explained in Chapter three.

3. Profiles by growth segment

The SBS growth segmentation

In 2012 a growth segmentation was devised, based upon employment or turnover growth. This distributed SME employers in terms of the percentage increase or decrease in numbers employed in the last 12 months or the percentage increase or decrease in turnover in the last 12 months. Thresholds were applied to prevent very small SMEs that increased the numbers employed or turnover by a high percentage from being classified in the growth segment (e.g. by moving from one to two employees or from £50,000 turnover to £100,000)

A detailed segmentation of ten groups was devised, which was further categorised into three main groups:

- **Growers**, who were SME employers that had increased the numbers employed by five per cent or more in the last year with a minimum of three new employees, or SME employers that had increased turnover by five per cent or more in the last year, with a minimum increase of £50,000.
- **Stable**, who were SME employers that had the same numbers, or who employed up to two more or fewer employees than 12 months previously, and whose turnover increased or decreased by less than £50,000.
- **Shrinkers**, who were SME employers that had decreased the numbers employed by five per cent or more in the last year with a minimum of three employees lost, or SME employers that had decreased turnover by five per cent or more in the last year, with a minimum decrease of £50,000. In addition, this group could not have grown employment or turnover by five per cent or more.

A sub-set of the growers segment were **High Growers**, who were SME employers that had increased the numbers employed by 20 per cent or more in the last year with a minimum of ten new employees, or SME employers that had increased turnover by twenty per cent or more in the last year, with a minimum increase of £250,000.

A fourth group were those where employment or turnover information was incomplete (known as 'incomplete').

Overall, 13 per cent of SME employers were categorised as growers, of which a sub-set of three per cent were high growers. Twelve per cent were classified as shrinkers, and 57 per cent were stable.

It should be noted that this segmentation analysis is concerned with businesses achieving relatively high levels of growth. It does not capture all growth. In particular it does not capture much of the growth in very small businesses which, although modest in relative terms, may well be important to the businesses concerned and in aggregate terms.

Employment size

In the remainder of this Chapter the profiles of the growth segment groups are examined.

There is a very clear correlation between employment size and the SBS growth segments. To a large extent this is due to the minimum thresholds placed on employment and turnover growth in the segmentation definition, as micro firms are unlikely to have taken on three or more employees or to have increased turnover by £50,000 or more.

Table 3.1: Growth segments – by employment size

	All SME employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2012 (n=)	4768	1901	1902	965
	%	%	%	%
Any growth	13	8	32	49
- High growth	3	1	10	21
Stable	57	62	33	25
Shrinkage	12	11	21	16
(Incomplete)	18	19	14	10

Base = all SME employers.

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A2. Single answer only allowed at this question.

Thirty-two per cent of small businesses fell into the growth category, with ten per cent being high growth. A third were stable and 21 per cent had experienced shrinkage.

Nearly half of all medium-sized businesses were classified as having growth, with 21 per cent having high growth. A quarter were stable and 16 per cent experienced shrinkage.

Age of business

Table 3.2: Growth segments – by age of business

	All SME employers	0-3 years old	4-10 years old	Over 10 years old
SBS 2012 (n=)	4768	305	959	3484
	%	%	%	%
Any growth	13	14	14	12
- High growth	3	4	4	3
Stable	57	51	57	58
Shrinkage	12	5	13	14
(Incomplete)	18	30	16	17

Base = all SME employers.

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

Younger businesses aged between zero and three years were less likely than average to be stable or shrinking, and were more likely to have incomplete data (30 per cent). This is because a proportion of these younger businesses were aged up to two years, and therefore could not compare a year's worth of sales with the previous 12 months.

Sector

By sector, those in manufacturing were more likely than average to be in the growth (24 per cent) and high growth (five per cent) categories. This is mainly because manufacturing businesses tend to be larger employers (manufacturing accounts for 20 per cent of medium-sized businesses, but only seven per cent of all SME employers). By contrast, those in the other services sector were less likely than average to be in the growth category (eight per cent), and were more likely than average to be stable (61 per cent).

Table 3.3: Growth segments – by sector (SIC 2007)

	All SME emps.	ABDE Primary	C Manufacture	F Construction	GHI TRAD	J Info-comm.	KLM Business serv.	N Admin.	PQRS Other serv.
SBS 2012 (n=)	4768	204	671	457	1220	255	724	302	935
	%	%	%	%	%	%	%	%	%
Any growth	13	15	24	11	11	11	15	14	8
- High growth	3	1	5	4	2	4	3	5	2
Stable	57	54	53	52	57	62	60	49	61
Shrinkage	12	10	12	21	12	11	10	15	10
(Incomplete)	18	21	12	17	21	16	15	22	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). A3/A4. Single answer only allowed at this question. * = a figure of less than 0.5% but higher than zero

Construction was the sector most likely to be in decline. Twenty-one per cent of construction SME employers were shrinkers, compared to the overall average of 12 per cent.

Breaking this down further to the two digit SIC level indicates the sub-sectors that were most likely to grow or shrink. The following analysis is only shown where the sample size of sub-sectors was forty or more. The 'net growth/shrinkage' is the percentage growing minus the percentage shrinking, on a base that excludes those with incomplete data.

Table 3.4: Two digit SIC by growth segment

Rank	Sub-sector	n=	Net growth/shrinkage
1	Residential care (SIC 87)	76	+39.9%
2	Electrical manufacturing (27)	40	+39.7%
3	Furniture manufacturing (31)	40	+39.3%
4	Computer manufacturing (26)	44	+28.4%
5	Food manufacturing (10)	48	+23.8%
6	Recruitment and employment (78)	70	+22.7%
7	Other manufacturing (32)	48	+20.7%
8	Legal and accounting (69)	153	+15.8%
9	Warehousing (52)	46	+15.7%
10	Management consultancy (70)	48	+11.2%
11	Agriculture (01)	131	+10.6%
12	Land transport (49)	108	+9.3%
13	Fabricated metal manufacturing (25)	91	+7.9%
14	Real estate (68)	116	+7.6%
15	Machinery manufacturing (28)	55	+6.3%
16	Publishing (58)	40	+6.0%
17	Membership organisations (94)	44	+3.3%
18	Computer programming/consultancy (62)	157	+3.2%
19	Wholesale trade (46)	217	+2.7%
20	Education (85)	161	+2.4%
21	Sawmilling (16)	48	+2.1%
22	Auxiliary financial services (66)	66	+1.2%
	All sectors (overall average)	4768	+0.1%
23	Architecture and engineering (71)	210	-0.6%
24	Other services (96)	131	-1.3%
25	Creative arts (90)	44	-2.0%
26	Retail trade (47)	284	-2.1%
27	Motor vehicle trade and repair (45)	126	-3.3%
28	Building and landscape services (81)	63	-4.2%
29	Human health (86)	91	-4.5%
30	Office administration (82)	92	-5.1%
31	Accommodation (55)	133	-6.1%
31	Specialised construction (43)	309	-6.1%
33	Social work (88)	227	-7.1%
34	Printing (18)	58	-7.8%
35	Food service (56)	265	-8.0%
36	Sports and leisure (93)	123	-16.3%
37	Civil engineering (42)	42	-28.7%
38	Building construction (41)	106	-32.1%

The sub-sector with the highest net growth score was residential care (net growth +39.9 per cent), but manufacturing businesses dominated the top ten generally. Electrical manufacturing had a net growth of +39.7 per cent, furniture manufacturing +39.3 per cent, computer manufacturing +28.4 per cent, food manufacturing +23.8 per cent and other manufacturing +20.7 per cent. Among the manufacturing sub-groups, only printing had a negative score (-7.8 per cent).

By contrast, all three construction sub-sectors had negative growth scores, with building construction having the lowest score (-32.1 per cent).

Legal status

Both growth and shrinkage were more likely to occur among private limited companies than sole proprietorships and partnerships. Again, this is because limited companies tend to be larger than the other legal forms.

Table 3.5: Growth segments – by legal status

	All SME employers	Private Ltd. Company	Sole Proprietor	Partnership
SBS 2012 (n=)	4768	2934	705	496
	%	%	%	%
Any growth	13	18	3	10
- High growth	3	5	*	1
Stable	57	51	70	59
Shrinkage	12	16	5	10
(Incomplete)	18	15	23	20

Base = all SME employers.

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

Family businesses

Family businesses were less likely to be growers than non-family businesses, but were as likely to be shrinkers. Family businesses tend to be smaller than non-family owned ones, so a lower level of shrinkage might be expected.

Table 3.6: Growth segments – by whether a family business

	All SME employers	Family business	Not a family business
SBS 2012 (n=)	4768	2666	2095
	%	%	%
Any growth	13	11	16
- High growth	3	2	5
Stable	57	58	54
Shrinkage	12	13	12
(Incomplete)	18	18	19

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). R1. Single answer only allowed at this question.

Excluding the micros and looking just at small and medium-size businesses, a similar pattern to that for all SME employers emerges. Thirty-one per cent of small or medium businesses were growers, compared to 38 per cent of non-family businesses, while 21 per cent of family businesses were shrinkers, compared to 19 per cent of non-family businesses.

Women-led businesses

Nineteen per cent of SME employers were women-led in SBS 2012, defined as controlled by a single woman, or having a management team of which a majority were women. A further 23 per cent were led equally by men and women, eight per cent had women directors in a minority, and 49 per cent were entirely male-led. Women-led businesses tended to be younger than average, smaller, and more prevalent in particular sectors such as retail and other services.

Table 3.7: Growth segments – by whether a women-led business

	All SME employers	Women-led business	Equally-led	Women in minority	Entirely male led
SBS 2012 (n=)	4768	770	1053	681	2172
	%	%	%	%	%
Any growth	13	6	12	24	14
- High growth	3	1	2	6	4
Stable	57	59	56	38	59
Shrinkage	12	10	14	18	12
(Incomplete)	18	24	18	20	15

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

Women-led businesses were less likely than average to be growers, although they were no more likely than average to be shrinkers. Those with women in a minority were more likely than average to be growers and shrinkers, but this is because they tend to be larger businesses (and, hence, have more scope to vary in size from year to year).

Women-led businesses tended to be younger than average, and this meant that a higher than average proportion fell into the incomplete data category. If we look at the net growth score, which excludes incomplete records, we find women-led businesses have a score of -6.0 per cent. This compares with a score of +2.0 per cent for entirely male-led SME employers.

If micros are excluded, women-led businesses have a net growth score of +6.6 per cent, while entirely male-led businesses have a score of +20.2 per cent.

MEG-led businesses

There were no significant differences in the growth segments between MEG-led and non MEG-led businesses.

Table 3.8: Growth segments – by whether a MEG-led business

	All SME employers	MEG-led business	Not MEG-led
SBS 2012 (n=)	4768	240	4528
	%	%	%
Any growth	13	14	12
- High growth	3	4	3
Stable	57	52	57
Shrinkage	12	12	13
(Incomplete)	18	23	18

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). R4/R5/R10/R15. Single answer only allowed at this question.

Social enterprises

Twenty-four per cent of SME employers viewed their businesses as comprising a social enterprise: a business that has mainly social or environmental aims.

However, BIS has a further definition of a social enterprise such that it requires the enterprise to consider itself a social enterprise as above, but also should not pay more than 50 per cent of profit or surplus to owners or shareholders, should not generate more than 25 per cent of income from grants and donations and, therefore, should not have less than 75 per cent of turnover from trading. In addition, they have to think themselves a very good fit with the statement ‘a business with primarily social or environmental objectives, whose surpluses were principally reinvested for that purpose in the business or community rather than mainly being paid to shareholders and owners. Under the BIS definition, five per cent of SME employers were social enterprises in 2012, the same proportion seen in 2010.

Social enterprises were more likely than average to fall into the stable category, and were less likely than average to have incomplete data. However, they were no more likely than average to be in the grower or shrinker categories.

Table 3.9: Growth segments – by whether a social enterprise (BIS definition)

	All SME employers	Social enterprise	Not a social enterprise
SBS 2012 (n=)	4768	277	4491
	%	%	%
Any growth	13	10	13
- High growth	3	3	3
Stable	57	66	56
Shrinkage	12	11	13
(Incomplete)	18	13	19

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). D1/D2/D4/D5/D6. Single answer only allowed at this question.

Nation and English region

By nation, there were no differences in the proportions in the growth segments, with the exception of Northern Ireland who were less likely than average to be stable (52 per cent), and more likely than average to be shrinkers (21 per cent). This was not because Northern Ireland has a higher than average proportion of micro businesses.

Table 3.10: Growth segments – by nation

	All UK	England	Scotland	Wales	Northern Ireland
SBS 2012 (n=)	4768	2872	835	630	431
	%	%	%	%	%
Any growth	13	13	12	13	12
- High growth	3	3	3	2	2
Stable	57	56	59	56	52
Shrinkage	12	12	13	14	21
(Incomplete)	18	19	16	17	15

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.

By English region, there was a lower than average proportion of growers in Yorkshire and Humberside (eight per cent compared to 13 per cent overall). London had the highest proportion of high growers (five per cent). Those in the West Midlands were the most likely to be stable (63 per cent).

Table 3.11: Growth segments – by English Government Office Region

	All England	East	EM	Lon	NE	NW	SE	SW	WM	YH
SBS 2012 (n=)	2872	337	247	465	101	338	519	308	287	270
	%	%	%	%	%	%	%	%	%	%
Any growth	13	14	8	15	17	10	15	13	12	8
- High growth	3	2	2	5	3	3	4	2	2	2
Stable	56	51	61	54	47	51	59	57	63	60
Shrinkage	12	12	13	14	14	11	12	9	11	15
(Incomplete)	19	23	18	17	22	28	15	21	14	17

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% but higher than zero

4. Recent and future employment growth

Trends

Historically, the BIS Small Business Survey has reported on the proportions of SME employers that fall into four different categories based on the numbers employed in the last 12 months, and the numbers expected to be employed in 12 months' time. This is a separate exercise from the 2012 growth segmentation and relies only on employment data. The four categories are:

- *Sustained growth* – those with more employees than they had 12 months previously and who also anticipated increasing staff numbers in the next year
- *Contained growth* – those with more employees than they had 12 months previously but who did not anticipate increasing staff numbers in the next year
- *New-growth businesses* – those that had not experienced employment growth in the previous 12 months, but who anticipated growth during the next year
- *No growth* – the remainder of businesses.

Table 4.1: Recent and future employment growth - trends

	SBS 2012	SBS 2010	ASBS 07/08	ASBS 06/07
n=	4768	3817	7783	8949
	%	%	%	%
Sustained growth	8	6	9	9
Contained growth	11	11	11	13
New growth	13	17	15	14
No growth	69	66	65	64

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level for SBS 2012 against SBS 2010. Single answers only. B1/B2/B5/B6

Comparing the 2012 and 2010 surveys, the proportion of SME employers with sustained growth has increased by two percentage points from six to eight per cent. The proportion with new growth has declined from 17 to 13 per cent, and the proportion with no growth has increased from 66 to 69 per cent.

Recent and future employment growth by employment size

By size, small and medium-sized businesses were more likely than micro-businesses to experience sustained or contained growth, and were consequently less likely to experience no growth. The proportions experiencing new growth did not differ by employment size.

Table 4.2: Recent and future employment growth – by employment size

	All SME employers	Micro (1-9)	Small (10-49)	Medium (50-249)
SBS 2012 (n=)	4768	1901	1902	965
	%	%	%	%
Sustained growth	8	6	14	21
Contained growth	11	10	13	16
New growth	13	12	15	12
No growth	69	71	58	51

Base = all SME employers.

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A2/B1/B2/B5/B6. Single answer only allowed at this question.

Recent and future employment growth by sector

By sector, sustained growth was above average for those working in manufacturing, information/communication and business services sectors, whilst it was below average in construction. Contained growth was above average in primary and manufacturing, and new growth was most common in business services. The construction sector was the most likely to have had no growth.

Table 4.3: Recent and future employment growth – by sector

	All SME emps.	ABDE Primary	C Manufacture	F Construction	GHI TRAD	J Info-comm.	KLM Business serv.	N Admin.	PQRS Other serv.
SBS 2012 (n=)	4768	204	671	457	1220	255	724	302	935
	%	%	%	%	%	%	%	%	%
Sustained growth	8	4	11	4	7	14	10	8	8
Contained growth	11	17	15	8	12	12	8	11	10
New growth	13	8	13	13	11	14	15	14	14
No growth	69	71	60	75	71	60	67	66	69

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A3A4/B1/B2/B5/B6. Single answer only allowed at this question. * = a figure of less than 0.5% but higher than zero

Recent and future employment growth by age of business

There was a very strong correlation between recent/future employment growth and age of business. Young businesses aged up to three years were more likely than SME employers generally to be in all three of the growth categories: sustained, contained and new growth.

For sustained growth there was a very clear correlation with age: the older the business, the less likely it was to be in the sustained growth category. The inverse of this was also the case for the no growth category. However, while the very young businesses were more likely than average to be in the contained and new growth categories, the correlation with age of business was less pronounced for those aged four years or more.

Table 4.4: Recent and future employment growth – by age of business

	All SME employers	0-3 years old	4-10 years old	Over 10 years old
SBS 2012 (n=)	4768	305	959	3484
	%	%	%	%
Sustained growth	8	16	12	5
Contained growth	11	15	13	9
New growth	13	23	14	11
No growth	69	46	62	75

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A6/B1/B2/B5/B6. Single answer only allowed at this question. * = a figure of less than 0.5% but higher than zero

5. Intentions to grow

This section explores how SME employers in the different growth segments feel they will perform in the coming year, whether they thought they would grow and how they thought they might achieve growth.

Numbers expect to employ in twelve months' time

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

Table 5.1: Numbers expect to employ in 12 months' time – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
More than now	20	47	49	16	16
Same as now	58	37	33	63	56
Fewer than now	21	16	17	20	26

Base = all SME employers

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

Those that grew in the last 12 months were more likely than average to think they would grow in the next 12 months, with the high growth category being the most likely to think this. Forty-seven per cent of growers thought they would continue to grow the numbers of people they employed, compared to 49 per cent of the high growers, 16 per cent of the stable category, and 16 per cent of the shrinkers.

One interesting finding shown in the table above is that there was a proportion of growers and high growers that thought they would employ fewer in 12 months' time, and a proportion of shrinkers that thought they would employ more. Hence, growth is not a continuous or stepped process but may contain dips.

Expectations of turnover in twelve months' time

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

Table 5.2: Expectations of turnover in 12 months' time – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
More than now	37	60	62	35	26
Same as now	43	32	27	47	42
Less than now	14	7	6	15	26
Don't know/refused	7	2	4	4	6

Base = all SME employers

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

The growers and high growers were the groups most likely to think they would increase turnover in the next 12 months. For those that shrank in the last year, an equal proportion (around a quarter) thought turnover would increase as thought it would decrease.

Plans for growth

Sixty-eight per cent of SME employers aimed to grow their business over the next two to three years. This proportion was six percentage points lower than in 2010.

Sixty-six per cent of micro businesses aimed to grow, compared to 78 per cent of small businesses and 87 per cent of medium-sized firms.

Table 5.3: Whether aim to grow business over the next two-three years – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
Aim to grow	68	88	88	64	69

Base = all SME employers

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

The proportion aiming to grow was 88 per cent among growers. Interestingly a higher proportion of those in the shrinker category aimed to grow, than in the stable category. This finding is also related to the size of the enterprise, with larger SMEs being the most likely to plan for growth, while those in the stable category were predominantly micro-businesses.

By sector, those in manufacturing (77 per cent), information/communications (75 per cent), business services (76 per cent) and administrative services (79 per cent) were more likely than average to aim to grow their businesses. Those in primary (54 per cent), construction (64 per cent), transport, retail and distribution (65 per cent) and other services (61 per cent) were less likely than average to aim to grow.

Compared to SBS 2010, the sectors that were less likely to aim to grow were construction (down 14 percentage points) and other services (down six percentage points).

Plans to grow were correlated with age of business. Ninety-one per cent of those aged up to three years aim to grow, compared to 78 per cent of those aged four to ten years and 61 per cent of those aged more than ten years.

How growth will be achieved

SME employers that aimed to grow were asked how this might be achieved from a prompted list of options. Overall, 74 per cent said that they would increase the skills of the workforce, 69 per cent would increase turnover by exploiting new markets, 65 per cent would reduce costs by increasing the productivity of workers, 65 per cent would develop and launch new services, 64 per cent would employ more staff, and 61 per cent would increase the leadership capability of managers (see table following).

Table 5.4: How growth will be achieved – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	3557	1091	368	1420	556
	%	%	%	%	%
Increase skills of the workforce	74	90	84	71	71
Increase turnover by exploiting new markets	69	79	81	66	75
Reduce costs by increasing the productivity of workers	65	75	75	62	73
Develop and launch new products/ services	65	71	69	66	66
Employ more staff	64	82	82	59	65
Increase the leadership capability of managers	61	79	78	57	63

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). F3. Multiple answers allowed at this question.

For all of these options, those that had previously grown were more likely than average to plan to undertake these measures. However, those that had previously shrunk but who aimed to grow in future were more likely than average to want to exploit new markets and reduce costs through increasing productivity

The likelihood of taking any of these measures increases with employment size – micros being less likely to undertake any of them than small businesses, with medium-sized businesses being the most likely to take all of them. By sector, there were differences:

- The manufacturing sector was more likely than average to want to exploit new markets, increase productivity and develop new products, but was less inclined than average to seek to increase the skills of the workforce (though two-thirds of manufacturers seeking growth still said this would be a contributory factor).
- The transport, retail and distribution sector was more likely than average to want to develop new products or services, but less likely to seek to increase the skills of the workforce. The opposite was the case for business services.
- The information/communications sector was the most likely to aim to exploit new markets and develop new products and services, but the least likely to want to reduce costs by increasing productivity of workers.
- The other services sector was less likely than average to want to exploit new markets and reduce costs through productivity, but was more likely than average to seek to develop new services and increase their leadership capability.

Compared to SBS 2010, there was a lower proportion of businesses that wanted to increase turnover by exploiting new markets (down six percentage points), but a higher proportion that wanted to develop and launch new products and services (up 13 percentage points).

6. Business Capability

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

Business Capability: Accessing External Finance

Overall, SME employers were most likely to think themselves strong at taking regulation and tax decisions, people management, developing and implementing business plans and operational improvement.

Table 6.1: Perception of whether the business is *strong* at business activities – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrink-age
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
Regulation/tax decisions	62	70	71	60	62
People management	57	61	64	55	58
Developing/implementing business plan/strategy	55	70	72	50	58
Operational improvement	54	62	63	51	56
Using formalised business systems	42	50	49	40	43
Developing/introducing new product/service	40	50	51	40	40
Entering new markets	23	33	41	20	23
Accessing external finance	18	28	29	16	20

Base = all SME employers

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

Self-perceived capability in business activities correlates strongly with size, with the medium-sized employers the most likely to think themselves capable at all activities, and the micros the least likely to think so. Because the growth businesses were most likely to be larger SMEs, and the stable ones were most likely to be micros, a similar pattern was observed when capability is analysed by the growth segmentation.

The biggest difference between the growth segments in the proportions thinking themselves strong for these activities occurs for developing and implementing business plans and strategy. Seventy per cent of the growers think themselves strong at this, compared to 58 per cent of the shrinkers, and 50 per cent of those that were stable.

Chapter ten in this report describes further statistical analysis undertaken on factors, including capabilities, that were more likely to associate with business growth.

Business Capability: Innovation

Forty-three per cent of SME employers had introduced new or significantly improved products or services in the last twelve months. Thirty-three per cent had introduced new or significantly improved processes in the last twelve months.

Table 6.2: Whether introduced new or significantly improved products/services or processes in the last 12 months – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	2367	593	187	1035	388
	%	%	%	%	%
Products/services	43	50	49	43	44
Processes	33	54	55	30	36

Base = all SME employers (half sample only)

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

Businesses that had exhibited growth were more likely than average to have innovated in terms of products or services (50 per cent) and significantly improved processes (54 per cent). Again, this measure was strongly correlated with employment size.

Looking just at small and medium-sized businesses (i.e. excluding micros), it can be seen that 40 per cent of those that had innovated in terms of new or improved products and services were in the growth segment, compared to 32 per cent of those that did not innovate.

The comparison between those with and without process innovation was even more distinct: Forty-five per cent of those with process innovation were in the growth segment, compared to 28 per cent of those that did not have innovative processes.

Business Capability: Exporting

Nineteen per cent of SME employers reported that they sell goods or services or licence products outside of the UK.

Table 6.3: Whether an exporter – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
Yes - export	19	37	43	16	26

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

Large SMEs were much more likely to export than smaller ones (17 per cent of micros, 26 per cent of small businesses, and 40 per cent of medium-sized ones). Similarly, those in the growth segment were more likely to export than those in the stable and shrinkage segments.

Whether exporting is a key factor in growth is examined further in Chapter nine but certainly this relationship appears not just to be governed by the size of the firm. For example, of small and medium-sized manufacturers (i.e. excluding micros), 50 per cent of those that exported were in the growth segment, compared to 33 per cent of those that did not export.

However, this relationship does not always occur. Among small and medium SMEs in the information/communication sector, 44 per cent of those that exported were in the growth segment, compared to 54 per cent of those that did not export.

7. Access to Finance

This section deals with the subject of business finance and with access to external finance in particular, and whether there is a relationship between this and growth.

Whether sought finance in the last twelve months

Twenty-four per cent of SME employers had sought finance in the twelve months preceding interview. This was more likely to be the case for larger SMEs and less likely for micros (22 per cent micros, 32 per cent small, 34 per cent medium). By growth segment, 38 per cent of growers had sought finance, compared to 31 per cent of shrinkers and 21 per cent of stable SME employers.

Table 7.1: Whether sought finance in the last 12 months – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
YES - ANY	24	38	32	21	31
- Once	16	22	17	15	20
- More than once	8	16	15	6	11
NO	75	61	67	78	68

Base = all SME employers

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

Among small and medium-sized businesses only, 39 per cent of those that had applied for finance were in the growth segment and 24 per cent were shrinkers. This compares to 32 per cent of those that did not apply for finance in the growth segment, and 19 per cent in the shrinker segment.

Reasons for applying for finance

Overall, of all SME employers that applied for finance, 56 per cent did so to acquire working capital or for cash flow reasons, 23 per cent to acquire capital equipment or vehicles, nine per cent to buy land or buildings, and eight per cent to improve buildings.

Table 7.2: Main reasons for applying for finance – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	1409	478	155	521	270
	%	%	%	%	%
Working capital, cash flow	56	54	55	50	66
Capital equipment or vehicles	23	24	34	28	14
Buying land or buildings	9	10	11	8	9
Improving buildings	8	5	3	11	2
Research & development	5	4	2	5	3

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

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H5. Multiple answers allowed at this question.

There were some differences between the growth segments in terms of what they needed finance for. Shrinkers were more likely than average to require finance for working capital or cashflow, and were less likely than average to require it for capital equipment/vehicles or to improve buildings. By contrast, those in the stable category were less likely than average to require it for working capital, and more likely than average to want it for purchase of capital equipment and building improvement.

Type of finance sought

Forty-eight per cent of the SME employers that sought finance in the previous twelve months applied for bank loans. Thirty-five per cent applied for bank overdrafts, eight per cent for leasing or hire purchase arrangements, seven per cent for a grant and six per cent for factoring or invoice discounting (asset based finance).

Those that had experienced growth were less likely than average to have sought bank loans (43 per cent), and were more likely than average to have sought leasing/HP (12 per cent) and asset finance (13 per cent). High growth firms were even more likely than growth firms to have sought these forms of alternative finance.

Table 7.3: Main types of finance sought – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	1409	478	155	521	270
	%	%	%	%	%
Bank loan	48	43	24	49	48
Bank overdraft	35	35	38	34	39
Leasing/HP	8	12	14	10	5
Grant	7	4	4	7	7
Asset finance	6	13	23	5	2

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

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H6. Multiple answers allowed at this question.

Difficulties in obtaining finance

Among all SME employers that had sought finance, 47 per cent had some form of difficulty getting the money from the first source they approached. Thirty-two per cent were unable to obtain any finance, six per cent obtained some finance but not all they needed, and nine per cent obtained all they needed, but with some difficulties.

Table 7.4: Any difficulty obtaining finance from first source approached – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	1409	478	155	521	270
	%	%	%	%	%
ANY DIFFICULTY	47	45	36	50	51
- Unable to obtain any finance	32	27	21	34	38
- Obtained some but not all	6	6	4	8	4
- Obtained all but with difficulty	9	13	11	8	8
NO DIFFICULTIES	49	52	52	47	47
Don't know/Still Pending	4	3	12	3	3

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

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

Growth businesses (27 per cent), and high growth businesses in particular (21 per cent), were less likely than average to be unable to obtain finance from the first source approached. Shrinkers were no more likely than average to experience difficulties.

Of those that did not obtain finance from the first source they approached, some went to alternative providers and were successful. Overall, of those that sought finance, 68 per cent obtained all that they needed (58 per cent from the first source, ten per cent from another source). Seven per cent obtained some but not all they needed from all the sources they approached and 21 per cent obtained none.

Table 7.5: Eventual outcome of application for finance – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	1409	478	155	521	270
	%	%	%	%	%
OBTAINED ALL THEY NEEDED	68	81	69	62	66
- From first source	58	65	63	55	55
- From another source	10	16	6	7	11
OBTAINED SOME BUT NOT ALL	7	4	4	8	7
OBTAINED NONE	21	12	14	26	24
Don't know/still pending/refused	4	4	12	3	3

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

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

Growth businesses were more likely than average to receive finance, both from the first source they went to and from secondary sources. Those in the stable segment were the most likely not to have obtained any finance (26 per cent).

Credit scores

Credit risk scores are assigned to businesses according to a number of criteria including the nature of the business, negative factors such as court actions or failure to pay debts, data on individual company Directors, and predictive scores on the likelihood of financial distress in the coming 12 months. The scores are used to assess creditworthiness and in decisions on whether to grant finance.

The Dun & Bradstreet system is just one of many in use in the UK. Dun & Bradstreet was the sample provider for SBS and, through serial numbers, it was possible to append credit scores to all those interviewed. The scores range from one, which indicates that there is minimum risk, to four which indicates above-average risk. For a small proportion of SMEs, e.g. those who have not submitted accounts on time, the score is undetermined.

Analysis of SME employers by credit risk score shows that the relationship between credit scoring and successfully obtaining finance was not straightforward. Those with minimal risk scores were more likely to obtain all the finance they needed, but it was the group with average risk rather than above-average risk that was the most likely to be rejected for finance.

The relationship between the credit risk scores and the growth segmentation was also not straightforward. Those in the growth segment were more likely than average to have minimal risk, but were also more likely than average to have above-average risk. The same was also true of those in the shrinkage segment.

Table 7.6: Dun & Bradstreet credit risk scores – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
Minimal risk	19	22	21	17	25
Low risk	31	32	30	33	26
Average risk	37	28	26	39	29
Above average risk	11	16	20	9	17
Undetermined	2	3	2	2	3

Base = all SME employers

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

8. Obstacles to the Success of the Business

This section explores the barriers and obstacles that SME employers report as restricting their business success, and whether these vary according to growth segment.

Obstacles to the success of the business

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

Overall, 78 per cent of SME employers said that the economy was an obstacle to the success of their business. Fifty-seven per cent cited taxation (including VAT, PAYE, NI and rates), 56 per cent competition in the market, 52 per cent regulations, 50 per cent cash flow, 38 per cent obtaining finance, 28 per cent a general shortage of skills, 25 per cent recruiting staff, 22 per cent the availability of suitable premises, 17 per cent pensions, and 15 per cent the lack of managerial skills and expertise.

Table 8.1: Obstacles (any) to the success of the business – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
The economy	78	66	68	79	89
Taxation, VAT, PAYE, NI, rates	57	59	55	56	65
Competition	56	55	56	54	67
Regulations	52	57	53	51	64
Cash flow	50	47	41	50	63
Obtaining finance	38	38	37	36	52
General shortage of skills	28	40	45	25	34
Recruiting staff	25	39	41	22	30
Availability of suitable premises	22	24	20	21	22
Pensions	17	18	18	16	22
Managerial skills and expertise	15	23	24	13	18

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). G1. Single answer only allowed at this question.

Obstacles faced by those in the grower segment tended to be those more likely to be faced by larger SME employers. They were less likely than average to agree that the economy was an obstacle, and more likely than average to cite skills shortages, recruitment and managerial skills and expertise. Regulations were also more likely than average to be mentioned by this segment.

With the exception of availability of suitable premises, those in the shrinkage segment were more likely than average to think all the issues highlighted were obstacles,

Main obstacle

When asked to choose which single issue was the main obstacle to the success of their business, 38 per cent of SME employers mentioned the economy. However, this was much more likely to be mentioned by the shrinkage segment (45 per cent) than by those that had experienced growth (30 per cent).

Table 8.2: Main obstacle to the success of the business – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
The economy	38	30	32	38	45
Taxation, VAT, PAYE, NI, rates	12	11	12	12	10
Cash flow	10	9	8	10	14
Competition	10	9	7	10	9
Regulations	8	9	9	9	5
Obtaining finance	7	8	7	7	5

Base = all SME employers

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). G2. Single answer only allowed at this question.

Regulations considered to be obstacles

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

Table 8.3: Regulations considered to be obstacles – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	2679	689	210	1166	478
	%	%	%	%	%
Health and safety	24	28	24	23	24
Sector specific	18	21	18	17	16
Tax-related	17	14	13	17	21
Employment	15	20	31	14	19
Planning, development etc.	7	8	9	7	9
Environmental	7	5	3	6	7

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

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). G5. Single answer only allowed at this question.

Health and safety was the most frequently mentioned by all segments that answered this question. Growth businesses were more likely than average to mention employment regulations, reflecting the fact that these tend to be larger enterprises than found in the stable and shrinkage segments.

9. Business support

External information and advice

Forty-five per cent of SME employers in 2012 had sought external information or advice in the twelve months preceding interview.

Table 9.1: Whether sought information or advice in the last 12 months – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
Any information or advice	45	59	56	43	60

Base = all SME employers

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

This proportion was higher than average for the growers (59 per cent), but also for the shrinkers (60 per cent). This implies that business information and advice was more likely to be sought not just by those that grow but also by those experiencing difficulties.

Table 9.2: Types of business information and advice sought – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	2494	758	246	1001	470
	%	%	%	%	%
Financial advice/info for general running of business	30	32	31	32	19
Business growth	22	23	28	21	23
Employment law/redundancies	14	19	13	10	19
Tax/national insurance law/payments	12	10	10	13	9
Legal issues	11	13	10	11	13
Advice/info on where to get finance	11	9	8	11	11
Marketing	6	5	4	5	7
E-commerce/ technology	4	4	3	4	2
Exporting	2	4	4	1	4

Base = all SME employers that sought information or advice in the last 12 months

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K4/K5. Single answer only allowed at this question.

Growers were more likely than average to seek advice on employment law and redundancies (19 per cent), but no more likely to seek advice on business growth (although the high growers were more likely than average to want this). Shrinkers were also more likely than average to seek advice on employment law/redundancies, which may reflect the fact that some within this segment had shed jobs in the last 12 months.

Table 9.3: Where information and advice was sought – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	2494	758	246	1001	470
	%	%	%	%	%
Accountant	44	40	43	48	39
Bank	13	10	14	13	14
Consultant/general business adviser	12	23	22	8	12
Solicitor/lawyer	11	14	20	10	10
Business networks/trade associations	10	11	7	11	8

Base = all SME employers that sought information or advice in the last 12 months

Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K6/K7. Single answer only allowed at this question.

Growers were more likely than average to take information and advice from consultants and solicitors/lawyers.

Use of business mentors

Eight per cent of SME employers in 2012 had used a business mentor in the twelve months preceding interview.

Table 9.4: Whether use a mentor – by growth segment

	All SME employers	Any Growth	(High Growth)	Stable	Shrinkage
SBS 2012 (n=)	4768	1208	399	2095	776
	%	%	%	%	%
Used a mentor in the last 12 months	8	17	12	7	9

Base = all SME employers

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

Seventeen per cent of growers had used a business mentor in the last 12 months, suggesting that there may be a relationship between usage of mentors and business growth. This proportion was higher than the figure for small (13 per cent) and medium-sized (12 per cent) businesses.

Analysis of small and medium businesses only (i.e. excluding micros) shows that of those that used a mentor, 43 per cent were growers, compared to 33 per cent of those that did not use mentors. However, 25 per cent of those using mentors are shrinkers, compared to 20 per cent of those not using mentors. This suggests that not only growing businesses but those under stress seek mentor assistance.

10. Determining what makes a business grow

While cross-analysis of the growth segments gives independent indications of the characteristics and behaviour of businesses that are more likely to grow, it does not explain what factors and experiences are the most strongly associated with growth. For this reason BMG has undertaken regression analysis to help determine this.

Regression analysis is a statistical technique for estimating the relationships among variables. It includes techniques for modelling and analysing multiple variables, when the focus is on the relationship between an outcome variable (in this case growth) and one or more predictor variables. More specifically, regression analysis helps to understand how the value of the outcome would likely change when one of the predictors changes value (whilst the values of other predictors are held constant). The outcome variable in this case, growth, was defined simply as having two values - growth or no growth.

The results of the analysis depend upon the variables tested. As SBS was not designed with regression in mind, it should be noted that some of the most powerful determinants may be missing from the model – i.e. the questions were not asked. The variables chosen are those which are susceptible to change and influence, e.g. whether to use a mentor or whether to export, rather than fixed physical characteristics such as an SME's size, sector, or region.

The following table shows the *z-score* which is derived from the beta score: the higher the *z-score*, the more influential the predictor. *Z-scores* can be positive or negative: the former indicates that growth occurs when variable X increases, the latter that growth occurs when variable X decreases. The larger the *z-score* (in either direction), the greater its statistical significance (as also shown in the following table).

Table 10.1: Regression analysis for growth segment

Rank	Factor	Value (z)	Significance ⁵	Q Ref.
1	Exports outside of the UK	5.0389	***	C1
2	Has a formal business plan	3.2344	***	F5
3	Sought finance in the last 12 months	2.9820	**	H4
4	Introduced new or significantly improved process in the last 12 months	2.5238	**	J3
5	Capable at developing/implementing a business plan or strategy	1.7362	*	F4
6	Arranged or funded formal training in the past 12 months	1.7562	*	N1
7	Capable at accessing external finance	1.7019	*	F4
8	Capable at entering new markets	1.6014	*	F4
9	Uses a business mentor	1.5656	*	K15
10	Capable at taking decisions on regulation and tax issues	1.5102		F4
11	Capable at people management such as recruitment and delegation	(-) 1.4035		F4
12	Arranged or funded informal training in the past 12 months	0.9321		N1
13	Arranged or funded managerial training in the past 12 months	0.7771		N2
14	Introduced new or significantly improved products/services in the last 12 months	(-) 0.6511		J1
15	Capable at operational improvement	(-) 0.3099		F4
16	Capable at using formalised business systems	0.2196		F4
17	Sought business information/advice in past 12 months	0.0795		K2
18	Capable at developing and introducing new products or services	0.0733		F4

⁵ The strength of significance is determined by the dispersion parameter where the binomial parameter is taken to be one, with three stars indicating the most significance.

The table shows clearly that nine of the tested factors had a statistically significant relationship with growth, ranging from exporting to use of a business mentor. Those factors not marked as significant (with three asterices being the most significant) were tested, but do not associate clearly with growth. Whether the relationships are such that the factors drive growth or are concomitants or outputs of growth cannot be definitively determined from the model.

However, the nature of most of the factors perhaps suggests that the direction of association is more likely to be in the 'driver' direction and, thus, that if these actions were more commonplace for SMEs, there would be more business growth.

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