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Longitudinal Small Business Survey
Year 1 (2015): SME employers

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RESEARCH

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1. Executive summary

Introduction

This report sets out the key findings from the Longitudinal Small Business Survey (LSBS), a large-scale telephone survey of 15,502 owners and managers, commissioned by the Department for Business, Innovation and Skills (BIS). This survey is the latest in a series of annual and biennial Small Business Surveys (SBS) dating back to 2003. The survey on this occasion was conducted between July 2015 and January 2016 by BMG Research Ltd.

The sampling method differed from previous SBS's, and full details of this method are available in a separate technical report for LSBS Year One. For registered businesses, the Inter Departmental Business Register (IDBR) was used as the sample source. For unregistered businesses with zero employees, Dun & Bradstreet's database was used. Dun & Bradstreet contacts were screened out if it was found that they either had employees on their payroll or paid VAT, as these would have duplicated contacts found within the IDBR.

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

Profiles of businesses

Based on government statistics¹, upon which the survey's weighting is based, 82 per cent of SME employers were micros, 16 per cent were small businesses, and two per cent were medium-sized businesses.

The most populous **sectors** in 2015 were retail/wholesale (19 per cent of all SME employers), professional/ scientific (14 per cent), construction (12 per cent) and accommodation/food service (ten per cent).

Eighty-seven per cent of SME employers operated from a single **site**. This proportion did not vary by employment size.

Twenty-four per cent of SME employers had a **main work premises that was also their home**, or the home of the business's owner. This was most likely to be the case for micros (27 per cent).

¹ Business Population Estimates (BPE) 2015.

Sixty per cent of SME employers had a limited company **legal status**. Fourteen per cent were sole proprietorships, and 12 per cent partnerships. Twelve per cent had other legal statuses, which included private companies limited by guarantee (four per cent), limited liability partnerships (two per cent), public limited companies and trusts (both one per cent).

Six per cent of SME employers were **registered charities**. These were most likely to exist in the human health (43 per cent), education (33 per cent), other services (32 per cent) and arts/entertainment (22 per cent) sectors.

Twenty-seven per cent of SME employers had **contractor or agency staff not on the payroll**. This was most likely to be the case for mediums (forty per cent), and businesses in the construction (45 per cent), human health (38 per cent), education (36 per cent), information/communication (34 per cent), arts/entertainment (33 per cent), transport/storage (32 per cent) and professional/scientific (30 per cent) sectors.

Sixty-two per cent of charities had **volunteers**.

Thirty-seven per cent of SME employers had a single **owner**. This proportion was greater for micros (39 per cent) than for small (26 per cent) and medium-sized businesses (18 per cent).

Twenty-three per cent of SME employers employed any **temporary or casual staff** (that were on the payroll). This proportion depended on size: 21 per cent of micros had casuals/temps, compared with 30 per cent of small businesses and 36 per cent of medium-sized businesses.

A third of SME employers in 2015 had only one **partner/director in day-to-day control of the business**. A further third had two partner/directors, and 21 per cent had three or more. Eleven per cent said there were no partners or directors in day-to-day control.

Sixty-nine per cent of SME employers were defined as **family-owned businesses**, that is businesses majority owned by members of the same family, including businesses with just a single owner. Seventy-one per cent of micros were family businesses, compared to 61 per cent of small, and 52 per cent of medium-sized businesses. Family businesses were most common in the primary (88 per cent), construction (79 per cent), retail/wholesale (78 per cent), accommodation/food service (75 per cent) and manufacturing (73 per cent) sectors.

Twenty-one per cent of SME employers were **majority-led by women**, defined as controlled by a single woman or having a management team of which a majority were women. Medium-sized businesses were less likely to be women-led (15 per cent). Women-led businesses were more common than average in the human health (54 per cent), education (54 per cent) and other services (38 per cent) sectors.

Five per cent of SME employers were **minority ethnic group (MEG-led)**, defined as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from an ethnic minority. There was no difference in this proportion by size of business, but MEG-led businesses were more likely

than average to be found in information/communications (11 per cent), retail/wholesale (eight per cent) and financial/real estate (seven per cent).

Business performance

Twenty-four per cent of SME employers **employed more people than they had 12 months previously**. Sixty-six per cent employed the same number of people, and ten per cent fewer. Compared with the 2014 SBS, the proportion that employed more people increased by two percentage points, and the proportion that employed fewer people decreased by six percentage points.

Sectors that were more likely than average to have increased employment levels were information/communications (31 per cent), manufacturing (29 per cent), financial/real estate, professional/scientific, and administrative services (all 28 per cent). Those in the education sector were more likely to have decreased employment levels (22 per cent) than increased employment levels (21 per cent).

Twenty-six per cent of SME employers **expected to employ more people in 12 months' time**, 64 per cent expected to employ the same number, and ten per cent expected to employ fewer. Although these figures were very positive, the proportion expecting to increase employment levels was six percentage points lower than in SBS 2014.

By sector, those in information/communication (37 per cent), manufacturing (31 per cent) and administrative services (30 per cent) were the most likely to think employment numbers would increase. Those in arts/entertainment and professional/scientific were the most likely to think numbers would reduce (14 and 12 per cent respectively).

Thirty-eight per cent of SME employers had **greater turnover (value of sales) than a year previously**. Forty-one per cent had approximately the same turnover and 17 per cent had lower turnover. These proportions were similar to those observed in SBS 2014.

More likely than average to report a higher turnover were those in transport/ storage (46 per cent), financial/real estate (44 per cent), construction (44 per cent), manufacturing (42 per cent), and professional/scientific (42 per cent). More likely than average to report decreased turnover were those in the primary sector (30 per cent) and retail/wholesale (19 per cent).

Forty-five per cent of SME employers **expected turnover to increase** in the next 12 months, 43 per cent thought it would remain roughly the same and eight per cent thought it would be less. Compared to 2014, fewer SME employers thought that turnover would grow (down six percentage points), while the proportion that thought that it would stay the same increased (up six percentage points).

By sector, those in information/communication (54 per cent), manufacturing (53 per cent), administrative services (48 per cent), and retail/wholesale (47 per cent) were more likely than average to think turnover would increase. Those in the primary sector (18 per cent), arts/entertainment (12 per cent) and human health (nine per cent) were more likely than average to think that turnover would decrease.

Seventy-eight per cent of SME employers **generated a profit** in their last financial year (the same proportion as in 2014). Small (80 per cent) and medium-sized businesses (84 per cent) were more likely to have made a profit than micros (77 per cent).

Business capability

SME employers were more likely to **consider their businesses strong** for a range of business activities than was the case in SBS 2014. In particular, the proportions considering themselves strong at developing and introducing new products and services increased by 14 percentage points between the two surveys, while the proportion thinking themselves strong at operational improvement increased by five percentage points, and the proportion thinking themselves strong at accessing external finance also increased by five percentage points.

Overall, 50 per cent of SME employers had **innovated** in the last three years, be this the introduction of new or significantly improved goods or services, or the introduction of new or significantly improved processes. Larger SMEs were more likely to have innovated (61 per cent of mediums, 55 per cent of small businesses and 48 per cent of micros). By sector, those most likely to have innovated were in the information/communications (76 per cent), education (65 per cent), professional/scientific (59 per cent) and manufacturing (58 per cent) sectors.

Forty-three per cent of SME employers had **introduced new or significantly improved goods or services** in the last three years (22 per cent goods, 36 per cent services). Twenty-five per cent had introduced **new or significantly improved processes** in the last three years.

Nineteen per cent of SME employers had **exported goods or services** in the last 12 months (11 per cent goods, 11 per cent services). This proportion was entirely consistent with those seen in SBS 2014 and SBS 2012, but lower than in previous SBS's. Exporting was more likely than average in information/communications (47 per cent), manufacturing (43 per cent), professional/scientific (29 per cent) and retail/wholesale (23 per cent). Thirty per cent of SME employers in London exported, compared with nine per cent in the North East of England.

Four per cent of SME employers had not exported in the previous 12 months, but **planned to export in future**, the same proportion seen in SBS 2014.

Fifty-five per cent of SME employers had arranged or **funded training or development** for staff in the last 12 months (41 per cent off-the-job, 44 per cent on-the-job). Compared with SBS 2014, there was slightly less training overall (down two percentage points) less off-the-job training (down five percentage points), and more on-the-job training (up four percentage points). Larger SMEs were more likely to have arranged any training (89 per cent of mediums, 80 per cent of small businesses), than micros (50 per cent). Any training was more likely than average to have occurred in the human health (85 per cent), education (74 per cent) and financial/real estate (62 per cent) sectors.

Thirty-seven per cent of SME employers had provided any **training of managers** in the last 12 months, 28 per cent had provided training designed to lead to **qualifications**, and 19 per cent **offered formal apprenticeships**.

Ninety-five per cent of SME employers had **access to the internet** for work purposes. Those that did not have it were more likely than average to be in primary education (30 per cent), personal services (21 per cent), food and beverage service (14 per cent), sports, amusement and recreation (11 per cent) and retail (ten per cent).

Seventy-six per cent of SME employers had their own **website**, a similar proportion to that seen in SBS 2014. Larger SMEs were more likely to have one. Websites were least common in primary (43 per cent with a website) and construction (66 per cent).

Eighty-three per cent of SME employers were **digitally engaged**, meaning that they had a website, used a third party website such as Amazon, Etsy or Ebay, or have their own social media profile. With the exception of third party websites, where the proportion using these did not vary by size, larger SMEs were more likely to be digitally engaged in all categories than micros.

Fifteen per cent of all SME employers had websites where goods and services could be ordered directly, but 31 per cent engaged in any form of **e-commerce**, which also included goods and services being ordered from third party websites, goods and services ordered from social media, bookings or orders made directly from their own website without payment at the time, or bookings or orders being made directly from third party websites without payment at the time. Mediums (41 per cent) were more likely to engage in any form of e-commerce than small businesses (36 per cent) or micros (30 per cent).

Access to external finance

Seventeen per cent of SME employers **had sought external finance in the 12 months** preceding interview. This was a two percentage point decrease on the 2014 SBS figure, and a nine percentage point decrease on the 2010 SBS figure. Demand for finance increased with the size of the business. Twenty seven per cent of mediums sought finance in the last 12 months, compared to 16 per cent of micros. External finance in the previous 12 months was most likely to have been sought in primary (31 per cent), human health and transport/storage (both 25 per cent).

Of those that had applied for external finance in the previous 12 months, the **reason for seeking** it was to acquire working capital or for cash flow reasons for 52 per cent, 39 per cent to acquire capital equipment or vehicles, 14 per cent to buy land or buildings, nine per cent to fund UK expansion and eight per cent to improve buildings.

The most commonly sought **types of external finance** in the previous 12 months were bank overdrafts (47 per cent), loans from financial institutions (44 per cent), leasing or hire purchase (31 per cent) and credit cards (20 per cent). Ten per cent sought a commercial mortgage, seven per cent equity finance, seven per cent factoring or invoice discounting, seven per cent a grant, and five per cent peer-to-peer or crowd funding platforms for debt.

Eighty-one per cent of SME employers that applied for external finance **obtained** at least some of what they wanted. Eight per cent did not obtain any, and for the remaining 11 per cent the decision was still pending. The success rate in applications was higher for medium-sized businesses (91 per cent) than for small businesses (86 per cent) and micros (79 per cent). Finance was more likely to be obtained for applications for leasing/hire purchase and credit cards (both 90 per cent), than loans (64 per cent), equity finance (61 per cent) and P2P/crowd funding for debt (49 per cent).

Eleven per cent of SME employers had a **need for finance in the previous 12 months but did not apply for it**. This proportion was three percentage points lower than that observed in SBS 2014.

A quarter of SME employers said they would be **likely to approach external finance providers** in the next three years.

Major obstacles to the success of the business

The main **major obstacles to the success of the business** were competition (49 per cent), regulations/red tape (49 per cent), taxation (43 per cent), late payment (33 per cent) and staff recruitment/skills (32 per cent).

The **regulations** most likely to be considered major obstacles to success were health and safety (19 per cent of those considering regulation a major obstacle), tax regulations (18 per cent), employment and sector specific regulations (both 13 per cent).

Of those that thought **taxation** was a major obstacle, 64 per cent said it was the level of taxation, and 53 per cent the effort required in compliance.

Business support

Thirty-three per cent of SME employers had **sought external advice or information** in the previous 12 months. This proportion increased by size of business (50 per cent of mediums, 40 per cent of small businesses, 31 per cent of micros). Those in primary (51 per cent), financial/real estate (47 per cent), education (42 per cent), professional/scientific (41 per cent), human health and information/communication (both 40 per cent) were more likely than average to have sought external information or advice.

In England and Wales², 19 per cent had sought any external information, and 15 per cent any external advice.

In England and Wales, external **advice** was mainly sought for business growth (36 per cent of those seeking it), to improve business efficiency (18 per cent) or financial advice for the general running of the business was sought (16 per cent). Twenty-nine per cent of those that sought advice approached consultants, and the same proportion approached accountants. Fifteen per cent approached business networks or trade associations.

² Information and advice were split out in England and Wales, but not in Scotland and Northern Ireland.

In England and Wales, external **information** was mainly sought for the general running of the business (financial advice, 18 per cent), on employment law (12 per cent), on taxation (11 per cent) and for legal issues (ten per cent). Information was most likely to have been sought from accountants (24 per cent), consultants (16 per cent) and via internet searches (ten per cent).

In England and Wales, 71 per cent of external advice, and 56 per cent of external information, was **delivered** face-to-face.

Sixty-five per cent of SME employers in England and Wales **paid for advice**. The median average amount paid was £2,000.

Five per cent of SME employers in England and Wales had had opportunities, difficulties or important information or advice needs that they **did not get external advice or support** for in the previous 12 months. This proportion was the same across size bands and the same as that observed in 2014.

Future plans

Sixty-nine per cent of SME employers **aimed to grow** the sales of their businesses over the next three years. This was particularly likely to be the case for medium-sized businesses (89 per cent, compared to 79 per cent of small businesses and 67 per cent of micros). Compared with SBS 2014, the proportion aiming to grow has decreased by four percentage points.

By sector, those in financial/real estate (81 per cent), information/communication (80 per cent), administrative services (76 per cent) and manufacturing (75 per cent) had above average desire to grow. The proportion in primary (55 per cent), human health (61 per cent), construction (62 per cent) and accommodation/food service (64 per cent) was lower than average.

Four per cent of SME employers anticipated the **closure** of their business in the next five years, while a further eight per cent anticipated the **full transfer of ownership**. Compared with SBS 2014, the proportion that anticipated closure was the same, and the proportion that anticipated full transfer of ownership decreased by four percentage points.

In terms of **planned growth-related activities** over the next three years, 70 per cent of SME employers planned to increase the skills of their workforce, 49 per cent planned to introduce new working practices, 47 per cent planned to develop and launch new products or services, 44 per cent planned to increase the leadership capability of managers, and 40 per cent planned to invest in premises, machinery or other types of capital investment. Compared with SBS 2014, the proportion planning capital investment decreased by seven percentage points.

Steve Lomax, June Wiseman, Emma Parry,
BMG Research Ltd,
May 2016.

2. Introduction

Aims of the survey

This report sets out the key findings from the Longitudinal Small Business Survey (LSBS), a large-scale telephone survey of 15,502 owners and managers, commissioned by the Department for Business, Innovation and Skills (BIS). This survey is the latest in a series of annual and biennial Small Business Surveys dating back to 2003. The survey on this occasion was conducted between July 2015 and January 2016 by BMG Research Ltd.

The 2015 LSBS is the largest SBS yet undertaken. The main reason for this is to allow the survey to have a longitudinal tracking element, establishing a 'panel' of businesses that may be re-surveyed in subsequent years. This will allow a detailed analysis of how combinations of factors affect business performance. Any panel will have an element of attrition, hence the need for a large sample size in Year One which should result in a robust sample size for the Year Four and Five analyses.

The main aims of the survey are:

- To collect a range of information on small businesses. The survey measures:
 - The characteristics of Small and Medium-sized Enterprises (SMEs³) such as their type (number of sites, number of owners, whether they have separate business premises etc.);
 - The characteristics of their owners and leaders;
 - Recent turnover and employment growth;
 - Capabilities (in terms of their ability to innovate, export, train staff, etc.);
 - Experience of accessing finance;
 - Use of business support;
 - Expectations to grow turnover and employment;
 - The major obstacles that prevent SMEs fulfilling their potential.
- To obtain a high level of willingness to take part in further LSBS studies.

³ Defined here as having fewer than 250 employees.

Survey method

BIS commissioned 15,500 CATI⁴ interviews for the LSBS Year One survey distributed in proportion to the SME populations of the UK nations. Within this, the number of interviews in Northern Ireland was boosted slightly in order to generate a total sample size of 500 in this nation.

Within each of the four UK nations the sample was stratified. Targets were set according to the size of enterprises and, within those targets, for sector (SIC 2007) and legal status (companies vs. non companies) for businesses with between zero and four employees. The targets by employment size were as follows:

- 12 per cent of interviews with unregistered businesses with zero employees.
- 11 per cent of interviews with registered businesses with zero employees that were companies.
- Five per cent of interviews with registered businesses with zero employees that were not companies.
- Ten per cent of interviews with registered micro businesses with between one and four employees that were companies.
- Seven per cent of interviews with registered micro businesses with between one and four employees that were not companies.
- Nine per cent of interviews with registered micro businesses with between five and nine employees.
- 26 per cent of interviews with registered small businesses with between ten and 49 employees.
- 20 per cent of interviews with registered medium-sized businesses with between 50 and 249 employees.

These targets over-represent businesses with five to 249 employees substantially in comparison to their actual numbers within the business population. However, the proportion of targeted businesses with zero employees (28 per cent) was greater than was the case in previous SBS's (17 per cent).

The sampling method differed from previous SBS's, and full details of this method are available in a separate technical report for LSBS Year One. For registered businesses, the Inter Departmental Business Register (IDBR) was used as the sample source. For unregistered businesses with zero employees, Dun & Bradstreet's database was used.

⁴ Computer Assisted Telephone Interviews.

Dun & Bradstreet contacts were screened out if it was found that they either had employees on their payroll or paid VAT, as these would have duplicated contacts found within the IDBR.

The IDBR is a record of all UK enterprises that pay VAT or PAYE. As such it has around 2.3 million entries, compared with the estimate from BIS' Business Population Estimates (BPE), that there are around 5.4 million enterprises in the UK. The difference in the figures is explained by the number of unregistered enterprises that do not pay VAT or PAYE, estimates of which come from the Labour Force Survey (LFS). This is the reason why Dun & Bradstreet was retained as the source for businesses with no employees, as it contains records for both registered and unregistered businesses.

The targets within the sample stratification matrix were informed by the 2014 BPE⁵, the latest available at the time. However, survey findings were weighted to the 2015 BPE⁶ which had become available at the end of fieldwork. The 2015 BPE was used for weighting as it more properly represented the IDBR contacts used for the survey, as well as providing a more up-to-date picture of UK small businesses than the 2014 BPE.

A review of the 2014 questionnaire was undertaken through consultations with stakeholders before LSBS Year One. This resulted in a substantial number of alterations to existing questions from previous SBS's, new question additions and deletions. The changes were informed by the requirement to balance stakeholders' emergent needs with the desire to exploit the longitudinal power of the survey. The consultation was followed up by an extensive round of 15 cognitive tests and a 'live' pilot of 100 interviews of the adjusted 2015 questionnaire.

Note on the report

Please note that the findings presented in this report relate to SME *employers* only - enterprises with *no employees* have been excluded from the dataset on which this report is based. This procedure is consistent with reporting of previous SBS's. The overall sample size for SME employers across the UK is 11,147. A separate report relating to enterprises with no employees is also available.

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

⁵ <https://www.gov.uk/government/statistics/business-population-estimates-2014>. The figures were drawn from a combination of the Inter Departmental Business Register (IDBR) which contains all businesses operating VAT or PAYE schemes or which were registered at Companies House and the household survey-based Labour Force Survey (LFS) which is the main source for estimating the number of the self-employed and very small businesses.

⁶ <https://www.gov.uk/government/statistics/business-population-estimates-2015>. Method of data collection as above.

Statistical confidence

This overall sample is sufficiently large to allow reporting on findings with a high degree of statistical reliability. Most findings are reported in terms of differences between a sub-group (e.g. a particular employment size band or sector) and the overall finding (excluding that sub-group). For example, a difference of just +/- 0.9% against the overall finding is statistically significant for findings in which 10% of micro employees give one response and a difference of +/- 1.5% is statistically significant in cases where 50% of micro businesses give an answer. Table 2.1 overleaf shows the differences required between certain sub-groups and the overall total in order for findings to be statistically significant.

In the instances where comparisons can be made with the 2014 survey, at the overall level a difference of +/- 1.1% for a finding around 10/90% is enough to make it statistically significant, as is a difference of +/- 1.6% for a finding around 30/70% and as is a difference of +/- 1.8% for a finding around 50%.

Unless stated otherwise, all findings reported in bold in the tables were statistically significant, whether reported as a finding for a sub-group compared with the overall total or as a LSBS Year One finding compared with SBS 2014.

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

Although the 2015 survey provides generally robust findings for the SME population overall and for many sub-groups, it should be noted that the achieved samples for some groups, for example those relating to specific types of finance that have been accessed during the previous year, are smaller and the data relating to these smaller groups needs to be considered with some caution.

Table 2.1: Statistical confidence in survey findings – country, sizeband and sector⁷

| | Sample size | Standard error at 10%/90% | Standard error at 30%/70% | Standard error at 50%/50% |
|--|-------------|---------------------------|---------------------------|---------------------------|
| All UK | 11,147 | +/- 0.6% | +/- 0.6% | +/- 0.9% |
| England | 9,570 | +/- 0.6% | +/- 0.9% | +/- 1.0% |
| Scotland | 820 | +/- 2.1% | +/- 3.1% | +/- 3.4% |
| Wales | 370 | +/- 3.1% | +/- 4.7% | +/- 5.1% |
| Northern Ireland | 387 | +/- 3.0% | +/- 4.6% | +/- 5.0% |
| Micro businesses (1-9 employees) | 4,102 | +/- 0.9% | +/- 1.4% | +/- 1.5% |
| Small businesses (10-49 employees) | 4,066 | +/- 0.9% | +/- 1.4% | +/- 1.5% |
| Medium-sized businesses (50-249 employees) | 2,979 | +/- 1.1% | +/- 1.6% | +/- 1.8% |
| ABDE. Primary sector | 333 | +/- 3.2% | +/- 4.9% | +/- 5.4% |
| C. Manufacturing | 1,289 | +/- 1.6% | +/- 2.5% | +/- 2.7% |
| F. Construction | 804 | +/- 2.1% | +/- 3.2% | +/- 3.5% |
| G. Retail & wholesale | 1,789 | +/- 1.4% | +/- 2.1% | +/- 2.3% |
| H. Transport & storage | 361 | +/- 3.1% | +/- 4.7% | +/- 5.2% |
| I. Accommodation & food service | 966 | +/- 1.9% | +/- 2.9% | +/- 3.2% |
| J. Information & communication | 539 | +/- 2.5% | +/- 3.9% | +/- 4.2% |
| KL. Financial & real estate | 452 | +/- 2.8% | +/- 4.2% | +/- 4.6% |
| M. Professional & scientific | 1,307 | +/- 1.6% | +/- 2.5% | +/- 2.7% |
| N. Administrative services | 873 | +/- 2.0% | +/- 3.0% | +/- 3.3% |
| P. Education | 462 | +/- 2.7% | +/- 4.2% | +/- 4.6% |
| Q. Human health | 1,221 | +/- 1.7% | +/- 2.6% | +/- 2.8% |
| R. Arts & entertainment | 305 | +/- 3.4% | +/- 5.1% | +/- 5.6% |
| S. Other services | 466 | +/- 2.7% | +/- 4.2% | +/- 4.5% |

⁷ The table presents the standard error margin for the 2015 survey, at the 95% confidence level, associated with findings of 10%/90%, 30%/70% and findings of 50%.

3. Profile of businesses

This section explores the characteristics of SMEs which have at least one employee, for example in terms of their employment size, sector, legal status, age and the characteristics of their owners. LSBS Year One data is weighted⁸ to estimates derived from BIS' Business Population Estimates (BPE). For that reason, the data shown below on employment size and sector is drawn from the BPE rather than LSBS.

Employment size (based on BPE 2015)

The 2015 Business Population Estimates calculated that there were 5,389,450 businesses in the UK private sector. This was an increase of 146,315 on the 2014 estimates.

Seventy-six per cent of these businesses had no employees and therefore fall out of the scope of this report. The number, in 2015, of private sector employers which were SMEs (that is, excluding enterprises with 250 or more employees, which make up a tiny fraction of all enterprises) was 1,304,900. This was an increase of 34,285 on the 2014 estimate.

Of all SME employers in 2015, 82 per cent had between one and nine employees and were classified as micros. Sixteen per cent had between ten and 49 employees and were classified as small businesses and two per cent had between 50 and 249 employees and were classified as medium-sized businesses. These proportions were consistent with those reported in the 2014 SBS.

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

Sector (based on BPE 2015)

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

The most populous SME sectors in 2015 were retail/wholesale (19 per cent), professional/scientific (14 per cent), construction (12 per cent) and accommodation/food service (ten per cent). A glossary that shows the most populous sub-sector within each of these categories can be found at the back of this report.

⁸ See technical report for more detail on the weighting.

Table 3.1: Sector – by employment size (based on 2015 BPE)⁹

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| ABDE. Primary sector | 5 | 5 | 3 | 2 |
| C. Manufacturing | 7 | 5 | 11 | 18 |
| F. Construction | 12 | 13 | 8 | 6 |
| G. Retail & wholesale | 19 | 19 | 18 | 15 |
| H. Transport & storage | 3 | 3 | 4 | 4 |
| I. Accommodation & food service | 10 | 9 | 14 | 9 |
| J. Information & communication | 6 | 4 | 4 | 5 |
| KL. Financial & real estate | 5 | 5 | 4 | 4 |
| M. Professional & scientific | 14 | 15 | 10 | 10 |
| N. Administrative services | 8 | 8 | 7 | 12 |
| P. Education | 1 | 1 | 2 | 2 |
| Q. Human health | 5 | 4 | 11 | 11 |
| R. Arts & entertainment | 2 | 2 | 2 | 2 |
| S. Other services | 5 | 6 | 3 | 1 |

The composition of SME employers by size bands differs by sector. For example, 89 per cent of those in construction are micro businesses, compared with 68 per cent of those in manufacturing. Other sectors that are more likely than average to comprise micro enterprises are primary (90 per cent), information/communication (86 per cent), professional/scientific (87 per cent) and other services (91 per cent). Sectors that are more likely than average to comprise small and medium-sized enterprises are manufacturing (32 per cent), transport/storage (23 per cent), food/accommodation (24 per cent), education (25 per cent) and health/social work (40 per cent).

Based upon Business Population Estimates, there has been a decline between 2014 and 2015, in the proportion of SME employers in the primary, human health and other services sectors (each down 0.4 per cent). These declines have been countered by an increase in numbers of SME employers in the construction (up 0.3 per cent), retail/wholesale (up 0.2 per cent), information/communication (up 0.2 per cent), financial/real estate (up 0.2 per cent) and professional/scientific sectors (up 0.3 per cent).

⁹ Please note that some sectors have been amalgamated because of their relatively small proportions within the SME population. See the glossary at the back of this report for more details on sector.

Table 3.2: Sector – change in proportion of SME employers 2014-2015 (based on BPE)

| | 2014 | 2015 | Change |
|---------------------------------|------|------|--------|
| | % | % | +/- % |
| ABDE. Primary sector | 5.0 | 4.6 | - 0.4% |
| C. Manufacturing | 6.6 | 6.6 | = |
| F. Construction | 11.5 | 11.8 | + 0.3% |
| G. Retail & wholesale | 18.3 | 18.5 | + 0.2% |
| H. Transport & storage | 2.8 | 2.9 | = |
| I. Accommodation & food service | 9.7 | 9.8 | + 0.1% |
| J. Information & communication | 5.4 | 5.6 | + 0.2% |
| KL. Financial & real estate | 4.5 | 4.6 | + 0.2% |
| M. Professional & scientific | 13.5 | 13.9 | + 0.3% |
| N. Administrative services | 8.1 | 8.2 | = |
| P. Education | 1.5 | 1.4 | = |
| Q. Human health | 5.2 | 4.8 | - 0.4% |
| R. Arts & entertainment | 2.0 | 1.9 | - 0.1% |
| S. Other services | 5.7 | 5.3 | - 0.4% |

Looking at longer term trends by sector, although the overall number of SME employers has increased since 2010¹⁰ by 117,000, the numbers in certain sectors have actually declined, notably in manufacturing (5,000 fewer in 2015, or five per cent fewer) and construction (6,000 fewer in 2015 or four per cent fewer). The sectors that have gained the most SME employers in this time period are administrative services (29,000 more or 38 per cent more), information/communication (15,000 more or 27 per cent more), professional/scientific (30,000 more or 20 per cent more) and human health (10,000 more or 19 per cent more).

Certain sectors are more likely than average to be found in certain nations in the UK. Northern Ireland (11 per cent), Scotland (eight per cent) and Wales (seven per cent) have a higher proportion of SMEs in primary industries than is the case in England. The wholesale/retail sector (23 per cent) formed a higher proportion of all SME employers in Northern Ireland than in the rest of the UK, while Northern Ireland had proportionately fewer in information/communication (two per cent), professional/scientific (eight per cent) and administrative services (four per cent) than elsewhere. Scotland (12 per cent) and Wales (13 per cent) had a higher proportion of SME employers in the accommodation/food service sector than did England and Northern Ireland (both nine per cent). These findings were the same as those seen in previous SBS's.

¹⁰ This was the first year that the BPE published sector figures using SIC 2007.

Table 3.3: Sector – by nation (based on 2015 BPE)

| | All SME employers in UK | England | Scotland | Wales | Northern Ireland |
|---------------------------------|-------------------------|---------|----------|-------|------------------|
| LSBS Y1 (2015) n= | 11,147 | 9,570 | 820 | 370 | 387 |
| | % | % | % | % | % |
| ABDE. Primary sector | 5 | 4 | 8 | 7 | 11 |
| C. Manufacturing | 7 | 7 | 6 | 7 | 8 |
| F. Construction | 12 | 12 | 12 | 13 | 14 |
| G. Retail & wholesale | 19 | 18 | 18 | 20 | 23 |
| H. Transport & storage | 3 | 3 | 3 | 3 | 4 |
| I. Accommodation & food service | 10 | 9 | 12 | 13 | 9 |
| J. Information & communication | 6 | 6 | 3 | 3 | 2 |
| KL. Financial & real estate | 5 | 5 | 4 | 3 | 3 |
| M. Professional & scientific | 14 | 14 | 14 | 10 | 8 |
| N. Administrative services | 8 | 8 | 7 | 8 | 4 |
| P. Education | 1 | 2 | 1 | 1 | 1 |
| Q. Human health | 5 | 5 | 4 | 5 | 5 |
| R. Arts & entertainment | 2 | 2 | 2 | 2 | 1 |
| S. Other services | 5 | 5 | 6 | 6 | 6 |

Number of sites

From this point forward in this report, all results are based on the LSBS Year One (rather than, as above, on Business Population Estimates). Where possible, comparisons are made with SBS 2014 and earlier SBS's.

In 2015, 87 per cent of SME employers operated from a single site. This proportion is not statistically significantly different from earlier SBS surveys.

Table 3.4: Number of sites - trends

| | LSBS Y1 (2015) | SBS 2014 | SBS 2012 | SBS 2010 |
|-------------------|----------------|----------|----------|----------|
| n= | 11,147 | 4,355 | 4,768 | 3,817 |
| | % | % | % | % |
| One (single site) | 87 | 88 | 88 | 86 |
| Two-three | 10 | 10 | 10 | 11 |
| Four or more | 2 | 2 | 2 | 3 |

Base = all SME employers. A1¹¹. Single answer only allowed at this question.

¹¹ Refers to the question number.

As might be expected, the more employees in an enterprise, the more likely they are to have multiple sites. Ten per cent of micros had multiple sites, compared with 23 per cent of small businesses and 48 per cent of medium-sized ones. Compared with 2014, there were more micros with multiple sites (up two percentage points) and fewer small businesses (down four percentage points).

Overall, 12 per cent of SME employers had multiple sites. By sector, multiple sites were most likely to be found in retail/wholesale (14 per cent), information/communication (16 per cent), financial/real estate (20 per cent) and human health (17 per cent).

Whether business premises are somebody's home¹²

Twenty-four per cent of SME employers have a main work premises that is also their home or the home of the business's owner. Twenty-seven per cent of micros worked out of a domestic address, compared to 13 per cent of small businesses and eight per cent of medium-sized ones.

Table 3.5: Whether main business/work premise is owner's home – by employment size

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

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

Whether a business is based at a domestic address appears to be driven by sector as well as size, although the sectors most likely to have a domestic address were also those more likely to have a high proportion of micro businesses as a percentage of all SME employers. Fifty-three per cent of primary SME employers (the majority of which are farmers) were home based, as were 36 per cent in construction, 35 per cent in information/communication, 31 per cent in transport/storage (containing many taxi and road haulage firms), 30 per cent in administrative services and 27 per cent in professional/scientific. Those in manufacturing, retail/wholesale, accommodation/food service, financial/real estate, human health and other services were less likely to be home based (see Table 3.6).

Thirty-four per cent of sole proprietorships and 29 per cent of partnerships were home based, compared to 23 per cent of limited companies and 15 per cent of companies limited by guarantee. Thirteen per cent of registered charities were home based.

¹² The way this question was asked changed in 2015 and results are not comparable with earlier SBS's.

Table 3.6: Whether main business/work premise is owner's home – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Work/home at same address | 24 | 53 | 15 | 36 | 13 | 31 | 20 | 35 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Work/home at same address | 24 | 16 | 27 | 30 | 23 | 12 | 21 | 17 |

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

Legal status¹³

In LSBS Year One, 60 per cent of SME employers were private limited companies, limited by shares (LTDs). Fourteen per cent were sole proprietors and 12 per cent partnerships. The remainder had a variety of legal statuses, including private companies limited by guarantee (CLGs), limited liability partnerships (LLPs), public limited companies (PLCs), trusts and community interest companies (CICs).

Legal status is associated with the size of the business. Seventy-two per cent of small businesses were companies limited by shares, as were 79 per cent of medium-sized companies, compared to 58 per cent of micros. By contrast, 16 per cent of micros were sole proprietorships and 13 per cent were partnerships, which were higher proportions for these statuses than those seen among small and medium-sized businesses.

Eighteen per cent of registered charities were companies limited by shares, only four per cent were sole proprietorships and only one per cent partnerships. They were more likely than average to be companies limited by guarantee (22 per cent), trusts (19 per cent) and community interest companies (three per cent). A higher proportion than average of charities were also in the 'other' category (16 per cent) and the 'don't know' category (eight per cent).

¹³ LBS Year One was weighted according to legal status (companies vs. other) for those with 1-4 employees. Therefore, the data are not comparable with previous SBS's. Although the BPE contains information on whether the business is a company, sole proprietor or partnership, it does not go into further detail, e.g. whether a company is a limited company (by shares), limited by guarantee or a public limited company.

Table 3.7: Legal status – by employment size

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

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

Companies limited by shares were most likely to be found in the information/communication (88 per cent), manufacturing (77 per cent), professional/scientific (76 per cent), financial/real estate (74 per cent) and construction (73 per cent) sectors.

Sole proprietorships were most likely to be found in the other services (28 per cent) and accommodation/food service (22 per cent) sectors.

Partnerships were most likely to be found in the primary (50 per cent), accommodation/food service (20 per cent) and retail/wholesale (16 per cent) sectors.

Companies limited by guarantee were most likely to be found in the arts/entertainment (15 per cent), human health (13 per cent), other services (11 per cent) and education (eight per cent) sectors.

Other legal statuses were most likely to be found in education (22 per cent), human health (22 per cent), other services (21 per cent), arts/entertainment (20 per cent) and accommodation/food (ten per cent), sectors.

Table 3.8: Legal status – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|-------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Ltd. Company | 60 | 28 | 77 | 73 | 60 | 60 | 42 | 88 |
| Sole proprietorship | 14 | 15 | 10 | 14 | 15 | 15 | 22 | 1 |
| Partnership | 12 | 50 | 5 | 10 | 16 | 14 | 20 | 1 |
| CLG | 4 | 2 | 2 | 1 | 3 | 5 | 3 | 4 |
| Other | 7 | 3 | 5 | 2 | 4 | 4 | 10 | 3 |
| Don't know | 2 | 1 | * | * | 1 | * | 3 | 2 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Ltd. Company | 60 | 74 | 76 | 60 | 50 | 37 | 43 | 27 |
| Sole proprietorship | 14 | 9 | 10 | 15 | 10 | 12 | 13 | 28 |
| Partnership | 12 | 4 | 5 | 12 | 3 | 7 | 6 | 7 |
| CLG | 4 | 2 | 2 | 3 | 8 | 13 | 15 | 11 |
| Other | 7 | 8 | 6 | 7 | 22 | 22 | 20 | 21 |
| Don't know | 2 | 1 | 1 | 1 | 4 | 6 | 3 | 5 |

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

Registered charity status¹⁴

Six per cent of SME employers in LSBS Year One were registered charities.

Table 3.9: Whether a registered charity – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes | 6 | 6 | 8 | 9 |
| No | 94 | 94 | 92 | 91 |

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

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

Table 3.10: Whether a registered charity – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-----------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes | 6 | 2 | 1 | * | 1 | 6 | 3 | 1 |
| No | 94 | 98 | 99 | 99 | 99 | 94 | 97 | 99 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes | 6 | 3 | 1 | 7 | 33 | 43 | 22 | 32 |
| No | 94 | 97 | 99 | 93 | 67 | 57 | 78 | 68 |

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

Although charities can be found in all sectors, nearly three quarters of them were contained in four sectors: human health (43 per cent of which were charities), education (33 per cent), other services (32 per cent) and arts/entertainment (22 per cent).

The proportion of SME employers that were charities was higher in Scotland (nine per cent) and Wales (11 per cent) than was the case in England (six per cent) and Northern

¹⁴ This was a new question in LSBS Year One.

Ireland (seven per cent). By English region, the proportion of SME employers that were charities was higher than average in the North East (11 per cent).

Age of business¹⁵

Over half of all SME employers (54 per cent) were found to be aged more than 20 years old. This was more likely to be the case for small businesses (56 per cent) and medium-sized ones (65 per cent) than micros (53 per cent).

Table 3.11: Age of business

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Less than one | 1 | 1 | 1 | * |
| 1 year | 1 | 1 | 1 | 1 |
| 2 years | 3 | 3 | 2 | 1 |
| 3 years | 3 | 3 | 3 | 2 |
| 4 years | 3 | 3 | 3 | 3 |
| 5 years | 4 | 4 | 3 | 3 |
| 6-10 years | 14 | 14 | 13 | 11 |
| 11-20 years | 17 | 17 | 19 | 16 |
| More than 20 years | 54 | 53 | 56 | 65 |

Base = all SME employers. * = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A6. Single answer only allowed at this question.

By sector, businesses were particularly older than average in the primary sector (86 per cent aged over 20 years). This finding was mainly due to the agricultural sector (A), 90 per cent of which were aged over 20 years. Fifty-three per cent of the remainder of the primary sector (i.e. non-agricultural) were aged over 20 years, which is around the figure for all SME employers.

More likely than average to have been formed in the last five years were businesses in information/communication (25 per cent), professional/scientific (20 per cent) and education (19 per cent).

¹⁵ In 2015, it was decided that this question should not be asked of businesses that were indicated in the IDBR as being over 20 years old. These are assumed to be over 20 years old. This has produced a much greater proportion of over 20 year olds businesses than was the case in 2014 (39 per cent).

In addition, it should be noted that LSBS was not stratified by age of business, and that the representation of very young businesses aged 0-1 years in particular is poor. This is due to the IDBR having a very low proportion of telephone numbers for very young businesses, and the difficulty in finding numbers for these businesses by alternative methods.

Just one per cent of businesses were aged less than one year, with a further one per cent being one year old.

Table 3.12: Age of business – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| 0-5 years | 15 | 3 | 14 | 15 | 14 | 15 | 17 | 25 |
| 6-10 yrs | 14 | 4 | 10 | 14 | 12 | 10 | 13 | 15 |
| 11-20 yrs | 17 | 7 | 17 | 16 | 15 | 16 | 10 | 21 |
| 21+ yrs | 54 | 86 | 58 | 55 | 59 | 59 | 57 | 39 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| 0-5 years | 15 | 15 | 20 | 15 | 19 | 12 | 15 | 9 |
| 6-10 yrs | 14 | 16 | 19 | 18 | 14 | 9 | 12 | 12 |
| 11-20 yrs | 17 | 18 | 22 | 21 | 17 | 23 | 19 | 18 |
| 21+ yrs | 54 | 50 | 39 | 46 | 49 | 54 | 53 | 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). A6. Single answer only allowed at this question.

Number of contractor/agency staff not on payroll¹⁶

In LSBS Year One, twenty-seven per cent of SME employers had contractors or agency staff that were not on the payroll. These figures include volunteers for charities.

The larger the enterprise, the more likely they were to have contractors, agency staff or volunteers. Forty per cent of medium-sized businesses had these, with a mean average per enterprise of 17 contractors.

Sectors that were more likely than average to have contractors were other services (69 per cent), construction (45 per cent), human health (38 per cent), education (36 per cent), information/communication (34 per cent), arts/entertainment (33 per cent), transport/storage (32 per cent) and professional/scientific (30 per cent).

Sixty-two per cent of charities had volunteers.

¹⁶ Although this question appeared in SBS 2014 and is asked of all, in 2015 charities were prompted to include volunteers, which was not the case in 2014. Therefore, the results are non-comparable between the two surveys.

Table 3.13: Number of contractors/agency staff – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| None | 72 | 73 | 70 | 58 |
| One-two | 14 | 14 | 15 | 14 |
| Three-ten | 9 | 9 | 9 | 14 |
| Eleven + | 4 | 4 | 6 | 11 |
| Don't know | 1 | 1 | 1 | 2 |
| Mean average | 2.9 | 2.2 | 4.7 | 16.9 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A2c. Single answer only allowed at this question.

Table 3.14: Number of contractors/agency staff – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|--------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| None | 72 | 75 | 80 | 54 | 83 | 67 | 88 | 65 |
| One-two | 14 | 16 | 11 | 18 | 12 | 15 | 7 | 17 |
| Three-ten | 9 | 6 | 7 | 20 | 3 | 8 | 4 | 15 |
| Eleven + | 4 | 1 | 1 | 7 | 1 | 10 | 1 | 2 |
| Don't know | 1 | 1 | * | 1 | * | * | 1 | * |
| Mean average | 2.9 | 0.8 | 0.7 | 3.1 | 0.9 | 4.1 | 0.6 | 1.8 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| None | 72 | 79 | 69 | 75 | 62 | 61 | 54 | 63 |
| One-two | 14 | 14 | 19 | 12 | 12 | 9 | 15 | 12 |
| Three-ten | 9 | 4 | 10 | 8 | 15 | 11 | 14 | 9 |
| Eleven + | 4 | 2 | 2 | 4 | 8 | 17 | 16 | 14 |
| Don't know | 1 | * | 1 | 1 | 2 | 1 | 2 | 3 |
| Mean average | 2.9 | 0.9 | 2.8 | 2.7 | 8.3 | 11.6 | 8.1 | 10.6 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A2c. Single answer only allowed at this question.

Number of owners/partners¹⁷

Excluding charities, 37 per cent of SME employers have just one owner or partner, 36 per cent have two, 15 per cent have between three and five and three per cent have six or more.

The number of owner/partners increases with size of business. Eighteen per cent of medium-sized businesses had just a single owner, compared with 26 per cent of small businesses and 39 per cent of micro businesses.

Table 3.15: Number of owners/partners

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 9,961 | 3,816 | 3,667 | 2,478 |
| | % | % | % | % |
| One | 37 | 39 | 26 | 18 |
| Two | 36 | 36 | 38 | 30 |
| Three- five | 15 | 13 | 22 | 30 |
| Six or more | 3 | 2 | 4 | 9 |
| Don't know/Refused/ Not applicable | 10 | 10 | 10 | 14 |
| Mean average | 3.3 | 2.4 | 7.5 | 6.7 |

Base = all SME employers (except charities). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A2a. Single answer only allowed at this question.

Even though charities were not asked this question, the proportion not knowing how many owners they had, refusing to answer the question or thinking the question was not applicable, was fairly high. Most of these fell into the not applicable category (nine per cent). Looking at legal status, those that were non-charitable friendly societies (84 per cent), industrial or provident societies (44 per cent), community interest companies (38 per cent), companies limited by guarantee (24 per cent), and co-operatives (22 per cent) were the most likely to say 'not applicable' at this question.

Legal status may also explain why the mean average number of owners/partners was higher than average in the financial/real estate sector (mean average 15.5 compared with the overall average of 3.3), as well as the arts/entertainment sector (mean average 13.9 per cent). There were six cases where businesses claimed over 1,000 owners/partners, which means some of the mean values are skewed.

Sectors that were less likely than average to have a single owner were primary (23 per cent), transport/storage (27 per cent), financial/real estate (31 per cent), accommodation/food (32 per cent), and manufacturing (34 per cent).

¹⁷ These figures are not comparable with SBS 2014 when the question was asked of all SMEs. In 2015 charities, which do not consider themselves to have owners or partners, were not asked this question.

Table 3.16: Number of owners/partners – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|-------------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 9,961 | 326 | 1,258 | 803 | 1,770 | 342 | 921 | 529 |
| | % | % | % | % | % | % | % | % |
| One | 37 | 23 | 34 | 36 | 37 | 27 | 32 | 38 |
| Two | 36 | 38 | 38 | 40 | 39 | 45 | 40 | 32 |
| Three- five | 15 | 32 | 17 | 16 | 14 | 12 | 13 | 15 |
| Six or more | 3 | 2 | 2 | 1 | 2 | 1 | 4 | 1 |
| Don't know/ Refused/ Not Applicable | 10 | 5 | 9 | 7 | 8 | 14 | 11 | 15 |
| Mean average | 3.3 | 2.4 | 2.7 | 2.0 | 2.0 | 2.2 | 6.0 | 2.0 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 9,961 | 424 | 1,283 | 843 | 233 | 755 | 194 | 280 |
| | % | % | % | % | % | % | % | % |
| One | 37 | 31 | 40 | 44 | 44 | 40 | 37 | 55 |
| Two | 36 | 31 | 33 | 30 | 29 | 30 | 23 | 21 |
| Three- five | 15 | 22 | 12 | 14 | 12 | 13 | 7 | 7 |
| Six or more | 3 | 6 | 4 | 2 | 6 | 5 | 9 | 2 |
| Don't know/ Refused/ Not Applicable | 10 | 10 | 11 | 10 | 10 | 12 | 24 | 14 |
| Mean average | 3.3 | 15.5 | 2.2 | 1.9 | 2.0 | 2.2 | 13.9 | 2.2 |

Base = all SME employers (except charities). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A2a. Single answer only allowed at this question.

Number of temporary/casual staff¹⁸

Twenty-three per cent of SME employers employed any temporary or casual staff (that were on the payroll). This proportion depends on size: 21 per cent of micros had casuals/temps, compared with 30 per cent of small businesses and 36 per cent of medium-sized businesses. The overall average was one casual/temp, but this number rose to nine for medium-sized businesses.

¹⁸ Although this question was asked in SBS 2014, the question was dependent upon knowing the number of owners/partners, which was not a question asked of charities in 2015. Therefore, the data are not comparable with 2014.

Table 3.17: Number of temporary/casual staff – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| None | 76 | 78 | 69 | 61 |
| One | 10 | 10 | 6 | 4 |
| Two | 5 | 5 | 4 | 4 |
| Three- five | 5 | 5 | 7 | 6 |
| Six or more | 4 | 1 | 12 | 23 |
| Don't know | 1 | * | * | 3 |
| Mean average | 1.0 | 0.5 | 2.7 | 8.6 |

Base = all SME employers. * = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A2b. Single answer only allowed at this question.

Table 3.18: Number of temporary/casual staff – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---------------------|---------------|-----------------------|------------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| None | 76 | 69 | 78 | 88 | 75 | 74 | 56 | 84 |
| One | 10 | 17 | 11 | 9 | 11 | 8 | 6 | 10 |
| Two | 5 | 7 | 5 | 1 | 6 | 7 | 6 | 3 |
| Three- five | 5 | 4 | 3 | 1 | 5 | 7 | 16 | 2 |
| Six or more | 4 | 2 | 2 | 1 | 2 | 3 | 16 | 1 |
| Don't know | 1 | * | 1 | * | * | * | * | * |
| Mean average | 1.0 | 0.8 | 0.6 | 0.2 | 0.7 | 0.9 | 3.6 | 0.4 |
| | All SME emps. | KL Finance/ Real est. | M Prof./ Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| None | 76 | 83 | 82 | 76 | 78 | 72 | 67 | 78 |
| One | 10 | 8 | 10 | 10 | 8 | 8 | 7 | 6 |
| Two | 5 | 4 | 4 | 2 | 4 | 8 | 5 | 7 |
| Three- five | 5 | 3 | 2 | 6 | 5 | 6 | 8 | 6 |
| Six or more | 4 | 1 | 1 | 4 | 4 | 6 | 11 | 3 |
| Don't know | 1 | 1 | * | 1 | * | * | 2 | 1 |
| Mean average | 1.0 | 0.3 | 0.4 | 1.6 | 0.9 | 1.6 | 2.5 | 0.8 |

Base = all SME employers. * = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A2b. Single answer only allowed at this question.

By sector, those in, accommodation/food service (44 per cent), arts/entertainment (31 per cent), primary (30 per cent) and human health (28 per cent) were the most likely to have had temporary or casual staff. Those in construction (12 per cent), information/communication (16 per cent), financial/real estate (16 per cent) and professional/scientific (18 per cent) were the least likely.

Number of working partners/directors¹⁹

Owners are not necessarily working partners or directors. The survey also asked about the number of these working partners/directors.

A third of SME employers in LSBS Year One had only one partner/director in day-to-day control of the business. A further third had two partner/directors and 21 per cent had three or more. Eleven per cent said there were no partners or directors in day-to-day control.

Table 3.19: Number of partners/directors – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) n= | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| None | 11 | 12 | 10 | 9 |
| One | 33 | 36 | 21 | 12 |
| Two | 33 | 33 | 33 | 25 |
| Three- five | 17 | 14 | 26 | 34 |
| Six - ten | 3 | 3 | 5 | 14 |
| Eleven + | 1 | 1 | 2 | 3 |
| Don't know | 2 | 2 | 3 | 3 |
| Mean average | 3.1 | 2.3 | 6.9 | 6.5 |

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

A high proportion of those claiming no directors or partners in control on a day-to-day basis are charities (74 per cent of charities claim to have no directors or partners) or are non-charities with a mutual or similar legal status (e.g. 75 per cent of non-charity friendly societies, 36 per cent of non-charity industrial and provident societies, and 34 per cent of non-charity CICs claim to have no directors or partners in day-to-day control).

Otherwise, the number of working owners and partners increased with size. Whereas the overall mean average was to have 3.1 directors/partners, this number increased to 6.9 for small businesses and 6.5 for medium-sized ones.

¹⁹ Because of changes in the way that questions were asked, the data for this question are also not comparable with previous SBS's.

Table 3.20: Number of partners/directors – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------|---------------|-----------------------|------------------|----------------|-----------------|----------------|-----------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| None | 11 | 5 | 7 | 6 | 6 | 14 | 11 | 9 |
| One | 33 | 21 | 31 | 34 | 34 | 25 | 29 | 37 |
| Two | 33 | 38 | 36 | 41 | 38 | 41 | 39 | 31 |
| Three- five | 17 | 32 | 21 | 18 | 17 | 13 | 14 | 17 |
| Six - ten | 3 | 2 | 3 | 1 | 3 | 2 | 3 | 1 |
| Eleven + | 1 | * | 1 | * | * | * | 1 | 1 |
| Don't know | 2 | 1 | 2 | 1 | 2 | 4 | 2 | 4 |
| Mean average | 3.1 | 2.4 | 2.7 | 1.9 | 2.0 | 2.0 | 5.5 | 1.8 |
| | All SME emps. | KL Finance/ Real est. | M Prof./ Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| None | 11 | 7 | 9 | 12 | 27 | 33 | 32 | 31 |
| One | 33 | 26 | 38 | 39 | 28 | 25 | 28 | 38 |
| Two | 33 | 32 | 32 | 28 | 21 | 16 | 20 | 15 |
| Three- five | 17 | 24 | 15 | 16 | 12 | 12 | 7 | 8 |
| Six - ten | 3 | 4 | 3 | 3 | 6 | 10 | 7 | 6 |
| Eleven + | 1 | 3 | 2 | * | 2 | 2 | 4 | 2 |
| Don't know | 2 | 3 | 1 | 2 | 3 | 2 | 3 | 1 |
| Mean average | 3.1 | 14.4 | 2.1 | 1.8 | 1.9 | 2.0 | 9.1 | 2.2 |

Base = all SME employers. * = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A17. Single answer only allowed at this question.

By sector, those in financial/real estate (14.4 mean average), arts/entertainment (9.1 mean average) and accommodation/food service (5.5. mean average) tended to have the most partners and directors.

Family-owned businesses²⁰

In LSBS Year One, 69 per cent of SME employers were defined as family-owned businesses, that is one which is majority owned by members of the same family. Businesses with just a single owner or partner were also classified as family businesses.

Table 3.21: Family business – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) n= | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes | 69 | 71 | 61 | 52 |

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

Family-owned businesses were more common among smaller enterprises, comprising 71 per cent of micros businesses, 61 per cent of small businesses and 52 per cent of medium-sized businesses.

Table 3.22: Family business – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes | 69 | 88 | 73 | 79 | 78 | 71 | 75 | 63 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes | 69 | 63 | 64 | 65 | 45 | 39 | 49 | 51 |

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

Family-owned businesses were far more likely in production and distribution sectors than in service sectors. Eighty-eight per cent of primary sector businesses, 79 per cent in construction, 78 per cent in retail/wholesale, 75 per cent in accommodation/food service, and 73 per cent in manufacturing were family owned.

²⁰ Because of changes in the way that questions were asked, the data for this question are also not comparable with previous SBS's.

Excluding sole proprietors who were not asked the question, 74 per cent of family-owned businesses had been in control of the family for just a single generation, 15 per cent for two generations, five per cent for three generations and three per cent for four or more generations. Small and medium-sized family businesses were more likely to stretch back more than one generation (29 and 35 per cent respectively) than micro businesses (22 per cent).

By sector, family-owned businesses in primary industries were the most likely to stretch back more than one generation (75 per cent).

Women-led businesses²¹

Overall in LSBS Year One, 21 per cent of SME employers were majority-led by women, defined as controlled by a single woman or having a management team of which a majority were women.

Table 3.23: Women-led businesses – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes | 21 | 21 | 21 | 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). A18/A21/U5. Single answer only allowed at this question.

There were fewer women-led businesses in medium-sized businesses (15 per cent), compared to small businesses and micros (both 21 per cent).

Women-led businesses were more likely than average to be in particular sectors. Fifty-four per cent in education, 54 per cent in human health, 38 per cent in other services and 27 per cent of SME employers in administrative services were women-led. Women-led businesses were less common in transport/storage (11 per cent), financial/real estate (12 per cent), information/communication (13 per cent), construction (13 per cent), manufacturing (14 per cent), the primary sector (15 per cent), and professional/scientific (17 per cent).

Looking at sector in more detail²², women-led businesses were most likely to be found in, pre-primary education (92 per cent), social work without accommodation (65 per cent), hairdressing/beauty treatments (61 per cent), primary education (47 per cent), residential care (46 per cent) and other education (43 per cent).

²¹ Because of changes in the way that questions were asked, the data for this question are also not comparable with previous SBS's.

²² Analysis at 2-4 digit SIC 2007 level. Only cells with sample sizes of 75 or more have been analysed.

Table 3.24: Women-led businesses – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes | 21 | 15 | 14 | 13 | 20 | 11 | 21 | 13 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes | 21 | 12 | 17 | 27 | 54 | 54 | 23 | 38 |

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

Fifty-one per cent of charities were women-led. By country, there were a higher than average proportion of women-led businesses in Northern Ireland (29 per cent). The proportion of women-led business did not vary according to English region or age of business.

MEG-led businesses²³

Five per cent of SME employers were minority ethnic group (MEG-led), defined as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from an ethnic minority. There was no difference in this proportion by size of business, with five per cent of micros, small and medium businesses being MEG-led.

Table 3.25: MEG-led businesses – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes | 5 | 5 | 5 | 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). A19/A20/A22. Single answer only allowed at this question.

²³ Because of changes in the way that questions were asked, the data for this question are also not comparable with previous SBS's.

By sector, MEG-led businesses were most common in information/communication (11 per cent), retail/wholesale (eight per cent) and financial/real estate (seven per cent). They were less common than average in primary (less than 0.5 per cent), other services (two per cent), manufacturing (three per cent), construction (three per cent), and administrative services (three per cent).

Looking at sector in more detail²⁴, MEG-led businesses were most likely to be found in retail sale in non-specialised shops (28 per cent), residential care for the elderly (16 per cent), computer programming (13 per cent), computer consultancy (13 per cent), renting of real estate (11 per cent), electronic manufacturing (11 per cent), employment agencies (11 per cent), legal (ten per cent), other residential care (ten per cent) and restaurants/takeaways (eight per cent).

Table 3.26: MEG-led businesses – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes | 5 | * | 3 | 3 | 8 | 7 | 4 | 11 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes | 5 | 7 | 6 | 3 | 5 | 5 | 6 | 2 |

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

In London, eighteen per cent of SME employers were MEG-led. The West Midlands also had a higher than average proportion of MEG-led businesses (seven per cent). Only one per cent of SME employers in Wales and Northern Ireland were MEG-led and only two per cent in Scotland.

²⁴ Analysis at 2-4 digit SIC 2007 level. Only cells with sample sizes of 75 or more have been analysed.

Table 3.27: MEG-led businesses – by region (SIC 2007)

| | All SME emps. | All England | East Mids | East of England | London | North East | North West |
|---------------------|---------------|-------------|---------------|-------------------|-----------|------------|------------------|
| LSBS Y1 (2015) (n=) | 11,147 | 9,570 | 838 | 1,223 | 1,419 | 312 | 1,004 |
| | % | % | % | % | % | % | % |
| Yes | 5 | 6 | 5 | 3 | 18 | 2 | 4 |
| | South East | South West | West Midlands | Yorkshire /Humber | Wales | Scotland | Northern Ireland |
| LSBS Y1 (2015) (n=) | 1,791 | 1,288 | 897 | 798 | 370 | 820 | 387 |
| | % | % | % | % | % | % | % |
| Yes | 4 | 2 | 7 | 5 | 1 | 2 | 1 |

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

Types of customers²⁵

Table 3.28: Types of customer – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-----------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Private sector businesses | 72 | 72 | 73 | 79 |
| Individual consumers | 71 | 71 | 72 | 65 |
| Public sector | 49 | 47 | 57 | 60 |
| Charities/ 3 rd Sector | 35 | 34 | 39 | 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). A23. Multiple answers allowed at this question.

Seventy-two per cent of SME employers sell to private sector businesses, 71 per cent sell to individual consumers, 49 per cent to the public sector and 35 per cent to charities or third sector organisations.

With the exception of individual consumers, larger SMEs were more likely to sell to all of these types of customers.

²⁵ In 2014 this question only allowed a single answer. Multiple answers were allowed in 2015, so the data are not comparable.

Table 3.29: Type of customers – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|-----------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Private sector businesses | 72 | 78 | 86 | 83 | 66 | 78 | 54 | 88 |
| Individual consumers | 71 | 46 | 63 | 80 | 84 | 69 | 89 | 45 |
| Public sector | 49 | 25 | 55 | 51 | 55 | 48 | 61 | 42 |
| Charities/ 3 rd Sector | 35 | 17 | 29 | 29 | 31 | 34 | 42 | 44 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Private sector businesses | 72 | 72 | 90 | 83 | 40 | 25 | 60 | 49 |
| Individual consumers | 71 | 76 | 52 | 60 | 76 | 81 | 78 | 80 |
| Public sector | 49 | 28 | 38 | 54 | 55 | 51 | 60 | 59 |
| Charities/ 3 rd Sector | 35 | 28 | 38 | 46 | 38 | 29 | 56 | 44 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). A23. Multiple answers allowed at this question.

There were differences in the types of customer by sector. More likely than average to sell to private sector businesses were those in professional/scientific (90 per cent), information/communication (88 per cent), manufacturing (86 per cent), construction (83 per cent), administrative services (83 per cent), transport/storage (79 per cent) and the primary sector (78 per cent).

More likely than average to sell to individual consumers were those in accommodation/food service (89 per cent), retail/wholesale (84 per cent), human health (81 per cent), construction (80 per cent), other services (80 per cent), arts/entertainment (78 per cent), financial/real estate (76 per cent) and education (76 per cent).

More likely than average to sell to the public sector were those in accommodation/food (61 per cent), arts/entertainment (60 per cent), other services (59 per cent), education (55 per cent), manufacturing (55 per cent), retail/wholesale (55 per cent) and administrative services (54 per cent).

Location of customers²⁶

Respondents were asked where their customers were mainly based. Only one answer was allowed at this question.

Fifty per cent of SME employers had customers mainly based locally within 30 miles. Thirteen per cent had customers mainly in their own region, 25 per cent nationally and 11 per cent based had customers that were mainly international.

Table 3.30: Where customers are mainly based – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Locally (within 30 miles) | 50 | 52 | 44 | 31 |
| Across region | 13 | 13 | 14 | 15 |
| Nationally | 25 | 24 | 27 | 34 |
| Internationally | 11 | 10 | 14 | 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). A24. Single answer only allowed at this question.

By size of business, micros were the most likely to have mainly local customers (52 per cent), whereas small and medium-sized businesses were more likely than average to have customers across the UK or internationally-based customers.

By sector, international customers were more likely than average to be had in the information/communication (31 per cent), manufacturing (21 per cent), professional/scientific (17 per cent), transport/storage (14 per cent) and administrative services (14 per cent) sectors. These were also the sectors most likely to be exporters,

²⁶ In 2014 this question was only asked of social enterprises. Therefore, the data are not comparable.

Table 3.31: Where customers are mainly based – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Locally (within 30 miles) | 50 | 37 | 25 | 57 | 60 | 51 | 67 | 16 |
| Across region | 13 | 18 | 13 | 22 | 10 | 12 | 12 | 9 |
| Nationally | 25 | 35 | 41 | 19 | 21 | 23 | 15 | 44 |
| Inter-nationally | 11 | 9 | 21 | 2 | 9 | 14 | 5 | 31 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Locally (within 30 miles) | 50 | 51 | 35 | 41 | 63 | 78 | 56 | 70 |
| Across region | 13 | 10 | 15 | 15 | 12 | 11 | 15 | 12 |
| Nationally | 25 | 27 | 32 | 30 | 13 | 8 | 18 | 13 |
| Inter-nationally | 11 | 11 | 17 | 14 | 10 | 3 | 11 | 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). A24. Single answer only allowed at this question.

SME employers based in London were the most likely to say that their customers are most likely to be based overseas (23 per cent). A higher proportion than average in the East of England were also more likely than average to mainly have international customers (13 per cent).

More likely than average to have had locals as their main type of customer were those in Northern Ireland (65 per cent), the North East (62 per cent), the South West (55 per cent) and Yorkshire/Humberside (54 per cent).

Table 3.32: Where customers are mainly based – by region (SIC 2007)

| | All SME emps. | All England | East Mids | East of England | London | North East | North West |
|----------------------------|---------------|-------------|---------------|-------------------|-----------|------------|------------------|
| LSBS Y1 (2015) (n=) | 11,147 | 9,570 | 838 | 1,223 | 1,419 | 312 | 1,004 |
| | % | % | % | % | % | % | % |
| Locally (within 30 miles) | 50 | 49 | 47 | 50 | 43 | 62 | 50 |
| Across region | 13 | 13 | 9 | 13 | 9 | 16 | 16 |
| Nationally | 25 | 26 | 34 | 23 | 25 | 20 | 26 |
| Internationally | 11 | 11 | 10 | 13 | 23 | 2 | 8 |
| | South East | South West | West Midlands | Yorkshire /Humber | Wales | Scotland | Northern Ireland |
| LSBS Y1 (2015) (n=) | 1,791 | 1,288 | 897 | 798 | 370 | 820 | 387 |
| | % | % | % | % | % | % | % |
| Locally (within 30 miles) | 49 | 55 | 45 | 54 | 53 | 53 | 65 |
| Across region | 14 | 15 | 15 | 11 | 17 | 15 | 19 |
| Nationally | 25 | 24 | 29 | 26 | 20 | 23 | 10 |
| Internationally | 12 | 6 | 11 | 8 | 11 | 9 | 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). A24. Single answer only allowed at this question.

4. Business performance

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

Numbers employed compared with 12 months ago

Twenty-four per cent of SME employers employed more people than was the case 12 months earlier. Sixty-six per cent employed the same number and ten per cent employed fewer.

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

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,080 | 4,062 | 4,042 | 2,976 |
| | % | % | % | % |
| More than 12m ago | 24 | 19 | 41 | 64 |
| Same as 12m ago | 66 | 70 | 47 | 27 |
| Fewer than 12m ago | 10 | 10 | 11 | 7 |
| SBS 2014 (n=) | 4,313 | 1,624 | 1,702 | 987 |
| | % | % | % | % |
| More than 12m ago | 22 | 19 | 33 | 46 |
| Same as 12m ago | 62 | 64 | 53 | 46 |
| Fewer than 12m ago | 16 | 17 | 13 | 10 |
| SBS 2012 (n=) | 4,736 | 1,879 | 1,892 | 965 |
| | % | % | % | % |
| More than 12m ago | 19 | 17 | 27 | 37 |
| Same as 12m ago | 64 | 67 | 51 | 47 |
| Fewer than 12m ago | 17 | 16 | 22 | 15 |
| SBS 2010 (n=) | 3,779 | 1,502 | 1,520 | 757 |
| | % | % | % | % |
| More than 12m ago | 17 | 16 | 26 | 29 |
| Same as 12m ago | 61 | 64 | 48 | 45 |
| Fewer than 12m ago | 21 | 20 | 26 | 26 |

Table 4.1: Numbers employed now compared to 12 months ago – trends by employment size (continued)

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--------------------------|-------------------|-------------|---------------|-----------------|
| ASBS 2007/08 (n=) | 7,700 | 3,477 | 2,925 | 1,298 |
| | % | % | % | % |
| More than 12m ago | 19 | 16 | 30 | 38 |
| Same as 12m ago | 66 | 68 | 55 | 49 |
| Fewer than 12m ago | 15 | 15 | 16 | 13 |
| ASBS 2006/07 (n=) | 8,856 | 3,660 | 3,635 | 1,561 |
| | % | % | % | % |
| More than 12m ago | 19 | 17 | 29 | 42 |
| Same as 12m ago | 65 | 67 | 55 | 45 |
| Fewer than 12m ago | 16 | 16 | 16 | 13 |

Base = all SME employers trading for at least one year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). B1/B2²⁷. Single answer only allowed at this question.

Compared with SBS 2014, there has been a statistically significant increase in the proportion employing more people (up two percentage points), a statistically significant increase in the proportions employing the same numbers (up four percentage points) and a statistically significant decrease in the proportion employing fewer than a year before (down six percentage points).

For micros, the main change on 2014 has been more businesses employing the same number as a year ago (up six percentage points) and fewer employing less staff (down seven percentage points). For both small and medium-sized businesses there were both increases in the proportions employing more staff (up eight and eighteen percentage points respectively) and decreases in the proportions employing fewer staff (down two and three percentage points respectively).

By sector, those in information/communication (31 per cent), manufacturing (29 per cent), financial/real estate, professional/scientific and administrative services (all 28 per cent) were more likely than average to have had increased employment. Those in education (22 per cent), other services (15 per cent), human health (15 per cent), arts/entertainment (14 per cent), administrative services (13 per cent) and accommodation/food (12 per cent) were more likely than average to have had reduced employment levels.

In England, 24 per cent of SME employers increased the number of employees, whilst ten per cent had fewer employees. In Wales, 26 per cent increased numbers, with six per cent reducing numbers of staff. In Scotland, 21 per cent increased staff numbers, with 15 per cent reducing them and in Northern Ireland 22 per cent increased numbers, with six per cent reducing them.

²⁷ Refers to the question number.

By English region, employment growth was above average in London (29 per cent employing more than a year previously) and the South East (27 per cent).

Sixteen per cent of charities had increased the number they employed, while 17 per cent had reduced numbers.

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

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,080 | 332 | 1,267 | 802 | 1,777 | 358 | 941 | 535 |
| | % | % | % | % | % | % | % | % |
| More than 12m ago | 24 | 16 | 29 | 24 | 23 | 27 | 17 | 31 |
| Same as 12m ago | 66 | 77 | 60 | 67 | 67 | 63 | 69 | 63 |
| Fewer than 12m ago | 10 | 8 | 11 | 8 | 9 | 10 | 12 | 5 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,080 | 449 | 1,304 | 868 | 460 | 1,218 | 305 | 464 |
| | % | % | % | % | % | % | % | % |
| More than 12m ago | 24 | 28 | 28 | 28 | 21 | 20 | 20 | 16 |
| Same as 12m ago | 66 | 67 | 65 | 58 | 57 | 64 | 66 | 68 |
| Fewer than 12m ago | 10 | 5 | 7 | 13 | 22 | 15 | 14 | 15 |

Base = all SME employers trading for at least one year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). B1/B2. Single answer only allowed at this question.

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

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

The outlook for numbers employed in the next 12 months reflects the actual movement in employee numbers in the last 12 months. However, the outlook was not as good as it was in 2014, there being a six percentage point decrease in the proportion of all SME employers that said they would employ more in the next 12 months and a subsequent six percentage point increase in the proportion that thought they would employ fewer people. This change was most noticeable for the micros, 23 per cent of whom said they would employ more in LSBS Year One, compared to 31 per cent in SBS 2014.

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

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| More than now | 26 | 23 | 35 | 48 |
| Same as now | 64 | 66 | 56 | 43 |
| Fewer than now | 10 | 10 | 8 | 8 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| More than now | 32 | 31 | 36 | 45 |
| Same as now | 63 | 64 | 58 | 49 |
| Fewer than now | 4 | 4 | 5 | 5 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| More than now | 20 | 19 | 29 | 33 |
| Same as now | 58 | 60 | 51 | 50 |
| Fewer than now | 21 | 21 | 20 | 16 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| More than now | 23 | 22 | 29 | 34 |
| Same as now | 62 | 64 | 54 | 50 |
| Fewer than now | 14 | 13 | 16 | 14 |
| ASBS 2007/08 (n=) | 7,783 | 3,529 | 2,950 | 1,304 |
| | % | % | % | % |
| More than now | 24 | 22 | 31 | 38 |
| Same as now | 59 | 60 | 52 | 47 |
| Fewer than now | 16 | 17 | 16 | 14 |
| ASBS 2006/07 (n=) | 8,949 | 3,721 | 3,666 | 1,562 |
| | % | % | % | % |
| More than now | 25 | 23 | 33 | 41 |
| Same as now | 61 | 62 | 54 | 45 |
| Fewer than now | 13 | 13 | 12 | 14 |

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

By sector, those in information/communication (37 per cent), manufacturing (31 per cent) and administrative services (30 per cent) were the most likely to think employment numbers would increase. Those in professional/scientific and arts/entertainment were the most likely to think numbers would reduce (12 and 14 per cent respectively).

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

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| More than now | 26 | 11 | 31 | 26 | 21 | 30 | 22 | 37 |
| Same as now | 64 | 76 | 59 | 64 | 67 | 60 | 70 | 51 |
| Fewer than now | 10 | 12 | 9 | 10 | 11 | 9 | 6 | 12 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| More than now | 26 | 29 | 27 | 30 | 28 | 26 | 22 | 26 |
| Same as now | 64 | 63 | 60 | 58 | 64 | 68 | 61 | 66 |
| Fewer than now | 10 | 7 | 12 | 12 | 7 | 6 | 14 | 7 |

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

By nation, businesses in Scotland, Northern Ireland and Wales were less likely than average to think they would employ more people in 12 months' time (Scotland 23 per cent, 21 per cent in Northern Ireland, and 25 per cent in England and Wales).

By English region, most likely to think employee numbers would grow were SME employers in London (34 per cent), Yorkshire/Humberside (31 per cent) and the West Midlands (30 per cent).

Despite a net decline in employment levels in the previous 12 months, charities were generally positive about the forthcoming 12 months, with 24 per cent predicting they would employ more and 8 per cent predicting fewer employees.

Turnover now compared with 12 months previously

Thirty-eight per cent of SME employers had greater turnover (value of sales) than a year previously. Forty-one per cent had approximately the same turnover and 17 per cent had lower turnover.

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

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

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

Compared with SBS 2014, there was a slight but statistically significant decrease in the proportion with higher turnover (down two percentage points). This occurred for both micros (down three percentage points) and small businesses (down two percentage points), whereas a greater proportion of mediums reported higher turnover (up three percentage points).

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

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 10,973 | 330 | 1,255 | 793 | 1,762 | 352 | 926 | 524 |
| | % | % | % | % | % | % | % | % |
| Turnover greater now | 38 | 25 | 42 | 44 | 34 | 46 | 35 | 38 |
| Same as 12m before | 41 | 42 | 39 | 38 | 43 | 34 | 41 | 40 |
| Turnover lower now | 17 | 30 | 14 | 13 | 19 | 15 | 17 | 17 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 10,973 | 447 | 1,293 | 857 | 460 | 1,212 | 302 | 460 |
| | % | % | % | % | % | % | % | % |
| Turnover greater now | 38 | 44 | 42 | 40 | 32 | 36 | 28 | 27 |
| Same as 12m before | 41 | 42 | 40 | 40 | 40 | 42 | 53 | 50 |
| Turnover lower now | 17 | 10 | 15 | 17 | 19 | 16 | 14 | 18 |

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

By sector, more likely than average to report a higher turnover were those in transport/storage (46 per cent), financial/real estate (44 per cent), construction (44 per cent), manufacturing (42 per cent), and professional/scientific (42 per cent). More likely than average to report decreased turnover were those in the primary sector (30 per cent) and retail/wholesale (19 per cent).

By nation, increased turnover was less likely to be reported in Wales (31 per cent), Scotland (33 per cent) and Northern Ireland (31 per cent) than in England (39 per cent). Decreased turnover was more likely to be reported in Scotland (22 per cent) than in Wales (14 per cent), Northern Ireland (12 per cent) and England (16 per cent).

By English region, increased turnover was most likely to have happened in London and the East of England (both 41 per cent) and was least likely to have happened in the North East (30 per cent). Decreased turnover was most likely in the North East (21 per cent) and North West (20 per cent).

Expectations of turnover in 12 months' time

Forty-five per cent of SME employers expected turnover to increase in the next 12 months, 43 per cent thought it would remain roughly the same and eight per cent thought it would be less.

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

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

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

Compared to 2014, fewer SME employers thought that turnover would grow (down six percentage points), while the proportion that thought that it would stay the same increased (up six percentage points). This trend was the same for all sizes of business.

By sector, those in information/communication (54 per cent), manufacturing (53 per cent), administrative services (48 per cent), and retail/wholesale (47 per cent) were more likely than average to think turnover would increase. Those in the primary sector (18 per cent), arts/entertainment (12 per cent) and human health (nine per cent) were more likely than average to think that turnover would decrease.

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

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-----------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| More than now | 45 | 30 | 53 | 40 | 47 | 44 | 44 | 54 |
| Same as now | 43 | 48 | 38 | 48 | 42 | 44 | 44 | 37 |
| Less than now | 8 | 18 | 6 | 6 | 8 | 8 | 6 | 6 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertainment | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| More than now | 45 | 48 | 47 | 48 | 38 | 33 | 41 | 40 |
| Same as now | 43 | 41 | 41 | 41 | 48 | 53 | 43 | 51 |
| Less than now | 8 | 7 | 9 | 8 | 10 | 9 | 12 | 5 |

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

By nation, those in England and Wales (both 45 per cent) were more likely to think turnover would increase than those in Scotland (38 per cent). Forty-one per cent in Northern Ireland thought turnover would increase. SME employers in Scotland (14 per cent) and Northern Ireland (11 per cent) were more likely to think turnover would decrease than those in England (seven per cent) and Wales (four per cent).

By English region, those in the South East (49 per cent) and London (47 per cent) were the most likely to think turnover would increase.

Profit

Seventy-eight per cent of SME employers generated a profit in their last financial year (the same proportion as in 2014). Small (80 per cent) and medium-sized businesses (84 per cent) were more likely to have made a profit than micros (77 per cent).

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

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

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

By sector, those in manufacturing (81 per cent), financial/real estate (87 per cent), professional/scientific (86 per cent) and administrative services (83 per cent) were the most likely to have made a profit.

SME employers in Wales (70 per cent) and Northern Ireland (71 per cent) were less likely to have made a profit than those in England (78 per cent) and Scotland (76 per cent).

By English region, profit was most likely to have been made in Yorkshire/Humberside (81 per cent) and was least likely to have been made in the North East (73 per cent) and London (74 per cent).

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

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes - profit | 78 | 76 | 81 | 83 | 79 | 78 | 67 | 78 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes - profit | 78 | 87 | 86 | 83 | 64 | 62 | 72 | 58 |

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

5. Business capability

This section explores how SME employers perform on a range of different measures such as how strong or poor they feel they are across a range of business management tasks and in innovating, exporting, training and adopting new technology.

Perceptions of business capability

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

Table 5.1: Perception of whether the business is strong or poor at business activities – trends

| | | LSBS Y1 (2015) | SBS 2014 | SBS 2012 | SBS 2010 |
|---|--------|-------------------|----------|----------|----------|
| n= | | 11,147 | 4,355 | 4,768 | 3,817 |
| | | % | % | % | % |
| People management ²⁸ | Strong | 81 | 78 | 57 | 59 |
| | Poor | 2 | 3 | 11 | 10 |
| Operational improvement, e.g. adopting industry best practice | Strong | 66 | 61 | 54 | 53 |
| | Poor | 5 | 7 | 12 | 11 |
| Developing and implementing a business plan and strategy | Strong | 64 | 61 | 55 | 56 |
| | Poor | 8 | 8 | 13 | 14 |
| Developing and introducing new products and services | Strong | 58 | 44 | 40 | 42 |
| | Poor | 9 | 18 | 22 | 21 |
| Accessing external finance | Strong | 32 | 27 | 18 | 25 |
| | Poor | 19 | 30 | 42 | 38 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level for LSBS Year One against SBS 2014. F4²⁹. Multiple answers allowed at this question.

Of the five tasks tested, SME employers were most likely to consider their businesses strong for people management (81 per cent), followed by operational improvement (66 per cent), developing and implementing business strategies (64 per cent), developing and

²⁸ In SBS 2010 and 2012 this statement was 'people management, such as recruitment and delegation'

²⁹ Refers to the question number.

introducing new products and services (58 per cent) and accessing external finance (32 per cent).

Compared to previous SBS's SME employers consider themselves stronger for all five tasks. In particular, the proportion thinking itself strong for innovation rose by 14 percentage points, from 44 to 58 per cent.

Table 5.2: Perception of whether the business is strong or poor at business activities – by employment size

| | | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|--------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | | 11,147 | 4,102 | 4,066 | 2,979 |
| | | % | % | % | % |
| People management | Strong | 81 | 81 | 82 | 82 |
| | Poor | 2 | 2 | 2 | 2 |
| Operational improvement, e.g. adopting industry best practice | Strong | 66 | 65 | 72 | 78 |
| | Poor | 5 | 5 | 3 | 2 |
| Developing and implementing a business plan and strategy | Strong | 64 | 62 | 71 | 77 |
| | Poor | 8 | 9 | 5 | 4 |
| Developing and introducing new products and services | Strong | 58 | 57 | 61 | 63 |
| | Poor | 9 | 9 | 6 | 6 |
| Accessing external finance | Strong | 32 | 31 | 40 | 50 |
| | Poor | 19 | 20 | 15 | 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). F4. Multiple answers allowed at this question.

With the exception of people management, larger SMEs consider themselves to be stronger than micros. This is particularly the case for accessing external finance where 50 per cent of mediums consider themselves strong, compared to just 31 per cent of micros.

The following table shows the proportion of SME employers by sector that considered themselves strong for the five tasks.

Table 5.3: Perception of whether the business is *strong* at business activities - by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info- comms |
|----------------------------|---------------|--------------------------|---------------------|---------------------|--------------------|-------------------|----------------------|------------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| People management | 81 | 70 | 76 | 83 | 82 | 85 | 86 | 75 |
| Ops. improvement | 66 | 71 | 61 | 69 | 58 | 71 | 68 | 67 |
| Bus. plan/ strategy | 64 | 60 | 58 | 59 | 62 | 63 | 66 | 64 |
| New product/ service | 58 | 39 | 63 | 52 | 69 | 49 | 67 | 67 |
| External finance | 32 | 47 | 33 | 30 | 32 | 40 | 29 | 19 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| People management | 81 | 83 | 78 | 83 | 81 | 90 | 82 | 85 |
| Ops. improvement | 66 | 69 | 67 | 72 | 66 | 77 | 62 | 61 |
| Bus. plan/ strategy | 64 | 72 | 70 | 65 | 63 | 70 | 60 | 57 |
| New product/ service | 58 | 50 | 52 | 53 | 56 | 52 | 45 | 60 |
| External finance | 32 | 39 | 32 | 37 | 27 | 38 | 28 | 29 |

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.

People management

The businesses most likely to consider themselves strong in this area were those in human health (90 per cent) and accommodation/food service (86 per cent). Less likely to consider themselves strong were those in the primary sector (70 per cent), information/communication (75 per cent), manufacturing (76 per cent), and professional/scientific (78 per cent).

Operational improvement, e.g. adopting industry best practice

The businesses most likely to consider themselves strong in this area were those in human health (77 per cent), administrative services (72 per cent), the primary sector (71 per cent) and transport/storage (71 per cent). Less likely to consider themselves strong were those in retail/wholesale (58 per cent), manufacturing (61 per cent), and other services (61 per cent).

Developing and implementing a business strategy

The businesses most likely to consider themselves strong in this area were those in financial/real estate (72 per cent), professional/scientific (70 per cent) and human health (70 per cent). Less likely to consider themselves strong were those in other services (57 per cent), manufacturing (58 per cent), and construction (59 per cent).

Developing and introducing new products and services

The businesses most likely to consider themselves strong in this area were those in retail/wholesale (69 per cent), accommodation/food service (67 per cent), information/communication (67 per cent) and manufacturing (63 per cent). Less likely to consider themselves strong were those in the primary sector (39 per cent), arts/entertainment (45 per cent), transport/storage (49 per cent), financial/real estate (50 per cent), construction (52 per cent), professional/scientific (52 per cent), human health (52 per cent) and administrative services (53 per cent).

Accessing external finance

The businesses most likely to consider themselves strong in this area were those in the primary sector (47 per cent), transport/storage (40 per cent), financial/real estate (39 per cent), human health (38 per cent) and administrative services (37 per cent). Less likely to consider themselves strong were those in information/communication (19 per cent), education (27 per cent), and accommodation/food (29 per cent).

Forty-six per cent of SME employers that tried to obtain external finance in the previous 12 months considered themselves strong for accessing finance, compared to 29 per cent that did not apply for it. Fifty-one per cent of those that successfully obtained finance considered themselves strong for this, compared to 16 per cent of those that obtained nothing.

Business capability: business plans

Table 5.4: Has a business plan – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Has a business plan | 42 | 38 | 57 | 68 |
| - <i>Kept up to date</i> | 32 | 28 | 49 | 62 |
| - <i>Not kept up to date</i> | 10 | 10 | 8 | 6 |
| No – do not have business plan | 56 | 60 | 40 | 27 |
| Don't know | 2 | 2 | 3 | 5 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Has a business plan | 43 | 41 | 55 | 69 |
| - <i>Kept up to date</i> | 33 | 30 | 46 | 61 |
| - <i>Not kept up to date</i> | 11 | 11 | 9 | 9 |
| No – do not have business plan | 55 | 58 | 41 | 28 |
| Don't know | 2 | 2 | 3 | 3 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| Has a business plan | 43 | 40 | 56 | 71 |
| - <i>Kept up to date</i> | 31 | 27 | 47 | 65 |
| - <i>Not kept up to date</i> | 12 | 13 | 9 | 6 |
| No – do not have business plan | 55 | 58 | 41 | 25 |
| Don't know | 1 | 1 | 3 | 4 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). F5. Single answer only allowed at this question.

Forty-two per cent of SME employers had a business plan. The majority of these (32 per cent of all SME employers) had one that they kept up to date. Thirty-eight per cent of micros had a business plan, compared to 57 per cent of small businesses and 68 per cent of medium-sized ones. The proportions are very similar to those seen in the last two SBS's.

By sector, those in human health (58 per cent), education (52 per cent), financial/real estate (47 per cent), arts/entertainment (40 per cent) and professional/scientific (36 per cent) were more likely than average to have had business plans. Those in construction (23 per cent), retail/wholesale and transport/storage (both 25 per cent) and manufacturing (29 per cent), were less likely than average to have had a business plan.

Forty-four per cent of those with a business plan had grown sales turnover in the last 12 months, compared to 33 per cent of those with no business plan.

Business capability: innovation

Overall, 50 per cent of SME employers had undertaken any innovation in the last three years, be this the introduction of new products or services, significant improvements to existing products or services, or the introduction or significant improvement of processes.

New/significantly improved products/services³⁰

Forty-three per cent of SME employers had introduced new or significantly improved goods or services in the last three years. This was the case for 42 per cent of micros, 49 per cent of small businesses and 52 per cent of mediums.

Table 5.5: Whether introduced new or significantly improved goods or services in the last 3 years – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any new or significantly improved goods or services | 43 | 42 | 49 | 52 |
| - Goods | 22 | 21 | 27 | 28 |
| - Services | 36 | 35 | 40 | 43 |
| None | 57 | 58 | 51 | 48 |

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

Twenty-two per cent of SME employers said they had introduced or improved goods and 36 per cent that they had introduced or improved services. Fifteen per cent of all SMEs overall said they had introduced or improved both goods and services.

Those in service sectors were more likely to have introduced or improved services and those in production and distribution were more likely to have introduced or improved goods, as might be expected.

More likely than average to have introduced or improved goods were those in information/communication (42 per cent), manufacturing (40 per cent), and retail/wholesale (26 per cent). More likely than average to have introduced or improved services were those in information/communication (61 per cent), education (56 per cent), human health and other services (both 48 per cent), and professional/scientific (47 per cent).

Overall, the most innovative sectors, i.e. those that have introduced or improved goods or services in the last three years, were information/communication (70 per cent), education (60 per cent) and professional/scientific (52 per cent). Those least likely to have any innovation were construction (30 per cent), primary (31 per cent), accommodation/food

³⁰ In LSBS Year One goods and services were asked about separately, which was not the case in previous SBS's. Furthermore, the LSBS questions ask about the past three years, when previously it was the last 12 months. Therefore, trend data is not comparable.

service (32 per cent), transport/storage (34 per cent) and financial/real estate (36 per cent).

Table 5.6: Whether introduced new or significantly improved goods or services in the last 3 years – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Any | 43 | 31 | 49 | 30 | 42 | 34 | 32 | 70 |
| - Goods | 22 | 25 | 40 | 14 | 26 | 14 | 17 | 42 |
| - Services | 36 | 18 | 29 | 26 | 31 | 30 | 26 | 61 |
| None | 57 | 69 | 51 | 70 | 58 | 66 | 68 | 30 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Any | 43 | 36 | 52 | 43 | 60 | 48 | 48 | 48 |
| - Goods | 22 | 9 | 21 | 21 | 24 | 13 | 23 | 20 |
| - Services | 36 | 32 | 47 | 36 | 56 | 46 | 46 | 44 |
| None | 57 | 64 | 48 | 57 | 40 | 52 | 52 | 52 |

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

By country, innovation (goods or services) in the last three years was more likely in England (43 per cent), Wales (43 per cent) and Scotland (41 per cent) than it was in Northern Ireland (32 per cent).

By English region, innovation in London (47 per cent) was above average and innovation in the North East (36 per cent) below average.

New/significantly improved processes

A quarter of all SME employers (25 per cent) had introduced new or significantly improved processes in the last three years. This was the case for 24 per cent of micro businesses, 31 per cent of small businesses and 39 per cent of medium-sized businesses.

Those in information/communication (38 per cent), manufacturing (36 per cent), professional/scientific (33 per cent) and administrative services (31 per cent) were more likely than average to have introduced or improved processes. Those in accommodation/food service (15 per cent), construction (19 per cent), other services (20 per cent) and retail/wholesale (21 per cent) were less likely than average to have done so.

Table 5.7: Whether introduced new or significantly improved processes in the last 3 years – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any new or significantly improved processes | 25 | 24 | 31 | 39 |

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

Table 5.8: Whether introduced new or significantly improved processes in the last 3 years – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/Whole | H Transport | I Accom/Food | J Info-comms |
|---------------------|---------------|----------------------|-----------------|----------------|----------------|----------------|------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Any | 25 | 26 | 36 | 19 | 21 | 24 | 15 | 38 |
| | All SME emps. | KL Finance/Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Any | 25 | 26 | 33 | 31 | 26 | 23 | 22 | 20 |

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

By country, those in England (26 per cent), Scotland (23 per cent) and Northern Ireland (23 per cent) were more likely to have introduced or improved processes than those in Wales (19 per cent).

By English region, those in London (30 per cent) and the West Midlands (29 per cent) were more likely than average to have introduced or improved processes.

Any innovation

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

Table 5.9: Any innovation in the last 3 years (goods, services or processes) – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any innovation (goods, services or processes) | 50 | 48 | 55 | 61 |
| - Any goods or services | 43 | 42 | 49 | 52 |
| - New to the market | 13 | 12 | 15 | 17 |
| - Any processes | 25 | 24 | 31 | 39 |
| - New to the industry | 5 | 5 | 6 | 8 |
| No innovation | 50 | 52 | 45 | 39 |

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

Half of all SME employers (50 per cent) had innovated in the last three years. This occurred for 48 per cent of micros, 55 per cent of small businesses and 61 per cent of medium-sized ones.

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

By sector, any innovation was above average in information/communication (76 per cent), education (65 per cent), professional/scientific (59 per cent), manufacturing (58 per cent), and human health (52 per cent). Less likely than average to have innovated at all were those in construction (35 per cent), accommodation/food service (37 per cent), financial/real estate (42 per cent), transport/storage (43 per cent) and retail/wholesale (47 per cent).

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

By country, 50 per cent had innovated in England, compared to 48 per cent in Wales, 47 per cent in Scotland and 40 per cent in Northern Ireland.

By English region, there was above average levels of innovation in London and the North West (both 54 per cent) and below average levels of innovation in the North East (44 per cent).

Table 5.10: Whether innovation (goods, services or processes) in the last 3 years – by sector (SIC 2007)

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

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

Co-operation with others

Among those that had innovated at all, 82 per cent had co-operated with others in order to introduce or improve their goods, services or processes. They were most likely to have co-operated with suppliers (55 per cent of all innovators) or private sector clients (41 per cent).

Table 5.11: Whether innovation involved any co-operation with others – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 5,987 | 2,004 | 2,194 | 1,789 |
| | % | % | % | % |
| Any co-operation with others | 82 | 81 | 82 | 86 |
| - Suppliers of equipment, materials, services or software | 55 | 55 | 57 | 61 |
| - Clients or customers from the private sector | 41 | 41 | 43 | 47 |
| - Other businesses within enterprise group | 26 | 26 | 26 | 27 |
| - Clients or customers from the public sector | 25 | 24 | 29 | 28 |
| - Competitors or other businesses in the industry | 22 | 22 | 23 | 21 |
| - Consultants, commercial labs or private R&D institutes | 14 | 13 | 17 | 24 |
| - Universities or other higher education institutions | 10 | 9 | 12 | 18 |
| - Government or public research institutes | 6 | 5 | 7 | 9 |
| None of these | 18 | 18 | 17 | 14 |
| Don't know | 1 | 1 | 1 | * |

Base = all SME employers that have innovated in the last 3 years. * = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). J5. Multiple answers allowed at this question

Fourteen per cent of innovators overall co-operated with consultants, commercial labs or private R&D institutes. This was most likely to have been the case in the primary (22 per cent), manufacturing (17 per cent) and professional/scientific (21 per cent) sectors.

Ten per cent of innovators overall co-operated with universities or other higher education institutions. This was most likely to have been the case in the information/communication (13 per cent), education (20 per cent), human health (18 per cent), arts/entertainment (19 per cent) and other services (17 per cent) sectors.

Six per cent of innovators overall co-operated with Government or public research institutes. This was most likely to have been the case in the education (11 per cent), human health (11 per cent) and arts/entertainment (12 per cent) sectors.

Business capability: exporting

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

Nineteen per cent of SME employers reported that they had sold goods or services or licensed products outside of the UK in the last 12 months. This was the same proportion as that observed in 2014 and 2012, but since 2007/08 the proportion exporting has declined.

Table 5.12: Whether have sold goods or services or licensed products outside of the UK in the last 12 months – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Export goods or services | 19 ³¹ | 17 | 25 | 34 |
| - <i>Export goods</i> | 11 | 9 | 16 | 22 |
| - <i>Export services</i> | 11 | 11 | 14 | 18 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Export goods or services | 19 | 17 | 26 | 36 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| Export goods or services | 19 | 17 | 26 | 40 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| Export goods or services | 23 | 21 | 29 | 40 |
| ASBS 2007/08 (n=) | 7,783 | 3,529 | 2,950 | 1,304 |
| | % | % | % | % |
| Export goods or services | 24 | 22 | 33 | 43 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). C1/C2. Multiples answers allowed across the questions.

Seventeen per cent of micro businesses exported goods or services, compared to 25 per cent of small businesses and 34 per cent of medium-sized businesses. These proportions were similar to those observed in 2014.

³¹ This proportion was higher than that reported in the latest Annual Business Survey (2014) (<http://webarchive.nationalarchives.gov.uk/20160105160709/http://ons.gov.uk/ons/rel/abs/annual-business-survey/exporters-and-importers-in-great-britain--2014/sty-exporters-and-importers.html>) which found that 11 per cent of SME employers exported goods or services. The difference is mainly explained by variations in the question wording between this survey and LSBS.

The LSBS Year One survey separated out goods exports and service exports. Eleven per cent exported goods and eleven per cent exported services. Three per cent of SME employers exported both goods and services.

Table 5.13: Whether have sold goods or services or licensed products outside of the UK in the last 12 months – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Export goods or services | 19 | 14 | 43 | 3 | 23 | 20 | 2 | 47 |
| - Export goods | 11 | 12 | 41 | 2 | 21 | 7 | 1 | 16 |
| - Export services | 11 | 3 | 12 | 2 | 6 | 16 | 1 | 38 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Export goods or services | 19 | 10 | 29 | 18 | 11 | 3 | 21 | 10 |
| - Export goods | 11 | 1 | 7 | 6 | 3 | 1 | 6 | 4 |
| - Export services | 11 | 10 | 26 | 14 | 10 | 2 | 17 | 9 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). C1/C2. Multiples answers allowed across the questions.

By sector, exports were most likely in information/communication (47 per cent any export: 16 per cent export goods; 38 per cent export services), manufacturing (43 per cent any export: 41 per cent export goods), professional/scientific (29 per any export: 26 per cent export services) and retail/wholesale (23 per cent any export: 21 per export goods). Those in arts/entertainment (17 per cent), transport/services (16 per cent) and administrative services (14 per cent) and were also more likely than average to export services.

The sectors least likely to have had any exports were accommodation/food service (two per cent), construction (three per cent), human health (three per cent), financial/real estate (ten per cent), other services (ten per cent), education (11 per cent), and primary (14 per cent).

Looking at sectors in more detail, that is, at the 'two digit' level³², the types of businesses most likely to export goods or services were as follows:

- Computer/electronic manufacturing (83 per cent)
- Machinery/equipment manufacturing (75 per cent)
- Publishing (61 per cent)
- Advertising/market research (50 per cent)
- Creative arts (49 per cent)
- Wholesale (45 per cent)
- Computer programming/consultancy (44 per cent)
- Fabricated metal manufacturing (36 per cent)
- Management consultancy (32 per cent)
- Other professional/technical (30 per cent)
- Architecture/engineering (27 per cent)

Table 5.14: Any exports – by region (SIC 2007)

| | All SME emps. | All England | East Mids | East of England | London | North East | North West |
|-------------------------------|---------------|-------------|---------------|-------------------|-----------|------------|------------------|
| LSBS Y1 (2015) (n=) | 11,147 | 9,570 | 838 | 1,223 | 1,419 | 312 | 1,004 |
| | % | % | % | % | % | % | % |
| Any exports | 19 | 19 | 15 | 21 | 30 | 9 | 17 |
| | South East | South West | West Midlands | Yorkshire /Humber | Wales | Scotland | Northern Ireland |
| LSBS Y1 (2015) (n=) | 1,791 | 1,288 | 897 | 798 | 370 | 820 | 387 |
| | % | % | % | % | % | % | % |
| Any exports | 21 | 14 | 19 | 15 | 19 | 12 | 27 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). C1/C2. Multiples answers allowed across the questions.

By nation, the highest proportion of exporters was found in Northern Ireland (27 per cent). A lower than average proportion of exporters was found in Scotland (12 per cent).

By English region, London had the highest proportion of exporters (30 per cent) and there were below average proportions of exporters in the North East (nine per cent), South West (14 per cent) and East Midlands and Yorkshire/Humberside (both 15 per cent).

³² Based on minimum sample sizes of 75.

Twelve per cent of women-led SME employers were exporters (12 per cent of women-led micros, 15 per cent of women-led small businesses, and 17 per cent of women-led mediums).

Exports as a percentage of annual turnover

Service exports accounted for less than five per cent of turnover for 41 per cent of SME employer service exporters. They made up between five and ten per cent of turnover for a further 12 per cent, and between ten and 25 per cent of turnover for a further 12 per cent.

Service exports accounted for the majority (more than 50 per cent) of turnover for 17 per cent of SME employer service exporters. This proportion was higher for small businesses (24 per cent) than for micro (16 per cent) and medium-sized businesses (13 per cent). The mean average proportion of turnover accounted for by service exports was 25 per cent.

Table 5.15: Percentage of turnover accounted for by service exports – by employment size

| | All SME employers that export services | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------|--|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 1,544 | 460 | 588 | 496 |
| | % | % | % | % |
| Up to 5% | 41 | 41 | 39 | 42 |
| 5.1% - 10% | 12 | 12 | 10 | 11 |
| 10.1% - 25% | 12 | 13 | 11 | 17 |
| 25.1% - 50% | 15 | 16 | 13 | 11 |
| 50.1% - 75% | 6 | 5 | 10 | 7 |
| 75.1% - 90% | 4 | 4 | 7 | 4 |
| 90.1% - 100% | 7 | 7 | 7 | 2 |
| Don't know | 2 | 2 | 3 | 7 |
| Mean average | 25% | 25% | 29% | 21% |

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

Goods exports accounted for less than five per cent of turnover for 47 per cent of SME employer goods exporters. They made up between five and ten per cent of turnover for a further 11 per cent, and between ten and 25 per cent of turnover for a further 12 per cent.

Goods exports accounted for the majority (more than 50 per cent) of turnover for 14 per cent of SME employer goods exporters. This proportion was higher for medium-sized businesses (19 per cent) than for micro (15 per cent) and small businesses (13 per cent). The mean average proportion of turnover accounted for by goods exports was 22 per cent.

Table 5.16: Percentage of turnover accounted for by goods exports – by employment size

| | All SME employers that export goods | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------|-------------------------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 1,663 | 429 | 676 | 558 |
| | % | % | % | % |
| Up to 5% | 47 | 48 | 43 | 37 |
| 5.1% - 10% | 11 | 10 | 12 | 15 |
| 10.1% - 25% | 12 | 11 | 16 | 12 |
| 25.1% - 50% | 14 | 14 | 13 | 10 |
| 50.1% - 75% | 6 | 6 | 6 | 8 |
| 75.1% - 90% | 4 | 4 | 4 | 7 |
| 90.1% - 100% | 4 | 5 | 2 | 4 |
| Don't know | 2 | 2 | 3 | 6 |
| Mean average | 22% | 23% | 20% | 25% |

Base = all SME employers that export goods. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). C1a. Single answer only at this question.

Plans to increase exports/start exporting

Eleven per cent of all SME employers (57 per cent of current exporters) plan to increase their level of exports over the next few years. This was exactly the same proportion as in 2014.

Four per cent of all SME employers (five per cent of current non-exporters) plan to export in the future: two per cent in the next 12 months and two per cent further in the future. Again these were exactly the same proportions seen in 2014.

Table 5.17: Plans to increase level of exports or to start exporting – by employment size

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

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

By sector, potential exporting activity is most likely within information/communication - 12 per cent of all SME employers within this sector are non-exporters with a desire to export and professional/scientific - eight per cent of all within this sector.

Table 5.18: Plans to increase levels of exports or to start exporting – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|-----------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Export goods or services already | 19 | 14 | 43 | 3 | 23 | 20 | 2 | 47 |
| - <i>Plan to export more</i> | 11 | 6 | 29 | 1 | 12 | 9 | 1 | 30 |
| Do not currently export | 81 | 86 | 57 | 97 | 77 | 80 | 98 | 53 |
| - <i>Plan to export in future</i> | 4 | 2 | 4 | 2 | 3 | 1 | * | 12 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Export goods or services | 19 | 10 | 29 | 18 | 11 | 3 | 21 | 10 |
| - <i>Plan to export more</i> | 11 | 6 | 16 | 10 | 8 | 2 | 12 | 5 |
| Do not currently export | 81 | 90 | 71 | 82 | 89 | 97 | 79 | 90 |
| - <i>Plan to export in future</i> | 4 | 4 | 8 | 6 | 4 | 2 | 2 | 1 |

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

Only one per cent of SME employers in Wales were non-exporters that planned to export in future, compared to four per cent in England, Scotland and Northern Ireland.

In England, the highest proportion of SME employers that are non-exporters and want to export in future was found in London (six per cent) and the lowest proportion was in the South West (two per cent).

Seven per cent of exporters have been exporting for less than two years. This proportion was higher in transport/storage (16 per cent).

Ninety-one per cent of exporters have been exporting for more than two years. Of these, 77 per cent have had overseas sales every year and 20 per cent have had some years with no overseas sales. These were similar proportions to those seen in 2014.

Of those exporters that had some years without overseas sales, the main reason for this was that they only got occasional orders from overseas (46 per cent). Eleven per cent said they did not have the time to pursue exporting and 11 per cent that they preferred to concentrate on UK markets. Five per cent said that exporting was not profitable for them, three per cent that it was too risky and just two per cent said they lacked knowledge of how best to export.

Business capability: training

Whether provide any training

Fifty-five per cent of SME employers had arranged or funded training in the past 12 months. This was two percentage points less than that seen in SBS 2014, but the difference is not statistically significant, although the provision of training has declined statistically significantly since 2012.

Table 5.19: Whether business have arranged or funded training or development for staff in the last 12 months – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-----------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes - any | 55 | 50 | 80 | 89 |
| - Off the job | 41 | 35 | 63 | 73 |
| - On the job | 44 | 38 | 68 | 82 |
| SBS 2014 (n=³³) | 2,147 | 794 | 865 | 488 |
| | % | % | % | % |
| Yes - any | 57 | 52 | 80 | 89 |
| - Off the job | 46 | 41 | 64 | 79 |
| - On the job | 40 | 34 | 65 | 81 |
| SBS 2012 (n=) | 2,380 | 938 | 971 | 471 |
| | % | % | % | % |
| Yes - any | 60 | 54 | 86 | 92 |
| - Off the job | 41 | 35 | 65 | 77 |
| - On the job | 43 | 38 | 62 | 78 |
| SBS 2010 (n=) | 1,937 | 772 | 798 | 367 |
| | % | % | % | % |
| Yes - any | 60 | 56 | 85 | 94 |

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

³³ These questions were only asked of half the sample between 2010 and 2014. In 2010 on the job and off the job training were not separated.

Small and medium-sized businesses were more likely to have provided training than micros. Since 2010 there has been a reduction in the provision of training for all size bands.

Overall, 41 per cent of SME employers provided off-the-job training and 44 per cent provided informal on-the-job training. Compared to 2014 there has been less off-the-job training (down five percentage points) and more on-the-job training (up four percentage points). The 2015 figures for off-the-job and on-the-job training are very similar to those seen in 2012.

Table 5.20: Whether business have arranged or funded training or development for staff in the last 12 months – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Constr-uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info- comms |
|----------------------------|---------------|-----------------------|------------------|-----------------|-----------------|----------------|-------------------|---------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 55 | 51 | 58 | 43 | 56 | 53 | 56 |
| - Off the job | 41 | 42 | 38 | 46 | 28 | 43 | 32 | 36 |
| - On the job | 44 | 39 | 39 | 42 | 33 | 41 | 40 | 48 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 62 | 61 | 50 | 74 | 85 | 61 | 58 |
| - Off the job | 41 | 45 | 45 | 40 | 62 | 67 | 44 | 48 |
| - On the job | 44 | 54 | 49 | 40 | 66 | 76 | 52 | 47 |

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

Those in human health (85 per cent), education (74 per cent), financial/real estate (62 per cent), professional/scientific (61 per cent), and arts/entertainment (61 per cent) were more likely than average to provide training. Those in retail/wholesale (43 per cent), administrative services (50 per cent) and manufacturing (51 per cent) were less likely than average to provide training.

Training was more likely to have been provided in Scotland (61 per cent) than in Wales (58 per cent), England (55 per cent) and Northern Ireland (53 per cent). In England, training provision was lower in London (51 per cent) than in the rest of the country.

Who received training

Thirty-seven per cent of SME employers provided any training for managers, a similar proportion to 2014. This was most likely to be provided by the larger SMEs, although the proportion of medium-sized businesses offering training reduced by six percentage points between 2014 and 2015.

Table 5.21: Who received training in the last 12 months – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes - any | 55 | 50 | 80 | 89 |
| - Any managers | 37 | 32 | 55 | 68 |
| - Other employees only | 19 | 17 | 25 | 21 |
| No - none | 44 | 50 | 19 | 10 |
| SBS 2014 (n=) | 2,147 | 794 | 865 | 488 |
| | % | % | % | % |
| Yes - any | 57 | 52 | 80 | 89 |
| - Any managers | 38 | 33 | 58 | 74 |
| - Other employees only | 20 | 19 | 22 | 15 |
| No - none | 42 | 47 | 20 | 10 |
| SBS 2012 (n=) | 2,380 | 938 | 971 | 471 |
| | % | % | % | % |
| Yes - any | 60 | 54 | 86 | 92 |
| - Any managers | 32 | 27 | 53 | 80 |
| - Other employees only | 28 | 27 | 33 | 12 |
| No - none | 40 | 46 | 14 | 8 |

Base = all SME employers³⁴. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). N1/N2. Single answer only allowed at this question.

Those in human health (71 per cent), education (60 per cent), arts/entertainment (49 per cent) and professional/scientific (47 per cent), were more likely than average to provide training for managers. Those in manufacturing (26 per cent) and other services (24 per cent) were more likely than average to just provide training for non-managerial staff.

³⁴ Half sample in 2012 and 2014

Table 5.22: Who received training in the last 12 months – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 55 | 51 | 58 | 43 | 56 | 53 | 56 |
| - Any managers | 37 | 35 | 25 | 37 | 25 | 37 | 34 | 38 |
| - Other employees only | 19 | 20 | 26 | 21 | 18 | 19 | 19 | 18 |
| No - none | 44 | 45 | 49 | 42 | 57 | 44 | 47 | 44 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes - any | 55 | 62 | 61 | 50 | 74 | 85 | 61 | 58 |
| - Any managers | 37 | 43 | 47 | 29 | 60 | 71 | 49 | 35 |
| - Other employees only | 19 | 19 | 14 | 21 | 14 | 14 | 13 | 24 |
| No - none | 44 | 38 | 39 | 50 | 26 | 15 | 39 | 42 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). N1/N2. Multiple answers allowed across these questions.

Formal qualifications

Twenty-eight per cent of SME employers offered training in the last 12 months that led to formal qualifications. This proportion increased to 62 per cent among medium-sized businesses.

By sector, those in human health (52 per cent), education (47 per cent), construction (36 per cent) and financial/real estate (35 per cent) were the most likely to have offered training leading to formal qualifications.

Fifteen per cent of SME employers offered training for managers that led to formal qualifications. This was most likely to have occurred in the human health (32 per cent), education (25 per cent), transport/storage (22 per cent), arts/entertainment (21 per cent), construction (20 per cent) and financial/real estate (19 per cent) sectors.

Twenty-six per cent of SME employers offered training for other staff that led to formal qualifications. This was most likely to have occurred in the human health (49 per cent), education (47 per cent), and construction (34 per cent) sectors.

Table 5.23: Summary of training and employment practices – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any training | 55 | 50 | 80 | 89 |
| Any training of managers | 37 | 32 | 55 | 68 |
| Any training that leads to formal qualifications | 28 | 23 | 47 | 62 |
| - For managers | 15 | 12 | 25 | 38 |
| - For other staff | 26 | 21 | 45 | 59 |
| Has a dedicated HR manager ³⁵ | n/a | n/a | 26 | 49 |
| Offered formal apprenticeships in the last three years (that led to a recognised qualification) | 19 | 16 | 33 | 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). N1/N1a/N2/N3/N4/N8/N9. Multiple answers possible across the questions.

Table 5.24: Summary of training and employment practices – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---------------------------------|---------------|--------------|-----------------|----------------|-----------------|-------------|---------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Any training | 55 | 55 | 51 | 58 | 43 | 56 | 53 | 56 |
| Any training of managers | 37 | 35 | 25 | 37 | 25 | 37 | 34 | 38 |
| Any training for qualifications | 28 | 29 | 24 | 36 | 19 | 32 | 30 | 20 |
| - For managers | 15 | 17 | 10 | 20 | 9 | 22 | 17 | 10 |
| - For other staff | 26 | 26 | 23 | 34 | 19 | 30 | 27 | 19 |
| Offered formal apprenticeship | 19 | 12 | 24 | 34 | 18 | 10 | 18 | 14 |

³⁵ Only asked of businesses with 10 or more employees

Table 5.24: Summary of training and employment practices – by sector (SIC 2007) - continued

| | All SME emps. | KL Finance/Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/Ent. | S Other Serv |
|---------------------------------|---------------|----------------------|-----------------|--------------|-------------|----------------|-------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Any training | 55 | 62 | 61 | 50 | 74 | 85 | 61 | 58 |
| Any training of managers | 37 | 43 | 47 | 29 | 60 | 71 | 49 | 35 |
| Any training for qualifications | 28 | 35 | 26 | 23 | 47 | 52 | 30 | 27 |
| - For managers | 15 | 19 | 13 | 12 | 25 | 32 | 21 | 11 |
| - For other staff | 26 | 30 | 22 | 21 | 47 | 49 | 27 | 26 |
| Offered formal apprenticeship | 19 | 20 | 12 | 14 | 33 | 29 | 18 | 19 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). N1/N1a/N2/N3/N4/N8/N9. Multiple answers possible across the questions.

Human Resources Manager³⁶

SMEs with ten or more employees were asked whether they had a dedicated HR manager. Thirty per cent did, 26 per cent of small businesses and 49 per cent of mediums.

Of all small and medium-sized businesses, those in information/communication (37 per cent), transport/storage (36 per cent), financial/real estate (36 per cent) and administrative services (34 per cent) were more likely than average to have HR managers. Those in arts/entertainment (20 per cent), other services (21 per cent) and accommodation/food service (26 per cent) were less likely than average to have an HR manager.

Twenty-four per cent of small and medium-sized businesses in Scotland have a HR manager, compared to 30 per cent in England, 27 per cent in Wales and 28 per cent in Northern Ireland.

Formal apprenticeships³⁷

Nineteen per cent of SME employers offered formal apprenticeships in the last three years which led to recognised qualifications. Sixteen per cent of micros offered these, compared with 33 per cent of small businesses and 41 per cent of medium-sized ones.

Formal apprenticeships were most likely to have been offered in construction (34 per cent), education (33 per cent), human health (29 per cent) and manufacturing (24 per

³⁶ New question in 2015.

³⁷ New question in 2015.

cent). They were less likely than average to have been offered in transport/storage (ten per cent), primary (12 per cent), professional/scientific (12 per cent), information/communication (14 per cent), and administrative services (14 per cent).

Formal apprenticeships were offered by 16 per cent of SME employers in Scotland and 15 per cent in Northern Ireland, compared with 21 per cent in Wales and 19 per cent in England.

Subjects/disciplines in which managers have been trained

Eighty-seven per cent of SME employers that offered training to managers provided this for technical, practical or job-specific skills. Sixty-five per cent provided it in health and safety, 42 per cent for leadership and management skills, 38 per cent for IT skills and 36 per cent for team working skills.

Table 5.25: Subjects/disciplines in which managers have been trained in the last 12 months - trends

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

Base = all SME employers who provide training for managers. Figures in bold were statistically significant at the 95% confidence level for LSBS Year One against SBS 2014. N5. Multiple answers allowed at this question.

Compared to the 2014 survey there has been a six percentage point increase in the provision of technical training and a five percentage point increase in training on IT skills.

Larger SMEs were more likely to have provided all of these types of training. This was particularly so for health and safety (provided by 61 per cent of micros, 75 per cent of small businesses and 81 per cent of mediums that provide management training) and leadership/management skills (provided by 36 per cent of micros, 54 per cent of small businesses and 67 per cent of mediums that provide management training).

By sector, technical training was more likely than average to be provided by those in financial/real estate (94 per cent of those training managers) and professional/scientific (93 per cent).

Health and safety training was more likely than average to be provided by those in primary (89 per cent of those training managers), accommodation/food service (88 per cent),

³⁸ Half samples in 2014 and 2012.

construction (86 per cent), human health (77 per cent), education (74 per cent), transport/storage (73 per cent) and manufacturing (71 per cent).

Leadership and management skill training was more likely than average to be provided by those in education (65 per cent of those training managers), human health (64 per cent), accommodation/food service (51 per cent), and information/communication (49 per cent),

Training in IT skills was more likely than average to be provided by those in information/communication (72 per cent of those training managers), professional/scientific (52 per cent), and retail/wholesale (45 per cent).

Team working skills were more likely than average to be provided by those in education (58 per cent of those training managers), accommodation/food service (52 per cent), and human health (51 per cent).

Re-based on all SME employers, not just those that provided training for managers, the following figures arise:

- Thirty-two per cent of SME employers provided technical, practical or job-specific skills training for managers;
- Twenty-four per cent provided health and safety training for managers;
- Fifteen per cent provided leadership and management skills training for managers;
- Fourteen per cent provided IT skills training for managers;
- Thirteen per cent provided team working skills training for managers.

Reasons for not providing training³⁹

SME employers with five or more employees that did not provide any training were asked why that was.

Seventy-seven per cent said this was because staff were sufficiently trained already, 28 per cent that training was not necessary for their type of business, 23 per cent that they had no time to provide it, 18 per cent that it was too expensive and eight per cent that they did not know where to find the right training.

By sector, those in manufacturing (85 per cent) and accommodation/food service (84 per cent) were most likely to claim that staff were sufficiently trained already

Those in accommodation/food service were most likely to claim that training was not necessary in their type of business (34 per cent). This was also the sector most likely to have said that training was too expensive (24 per cent).

³⁹ New question for 2015.

Those in financial/real estate (21 per cent) and manufacturing (13 per cent) were more likely than average to have said that they did not know where to find the right training.

Business capability: technology

Internet access

Ninety-five per cent of SME employers had access to the internet for work purposes. Those that did not have it were most likely to be micros (five per cent compared to three per cent of small businesses and one per cent of mediums) and in the retail/wholesale (seven per cent), accommodation/food service and other services (both 12 per cent) sectors.

Looking at sectors in more detail, that is, at the 'two digit' level⁴⁰, the types of businesses most likely to not have internet access for work purposes were as follows:

- Primary education (30 per cent)
- Personal services activities (21 per cent)
- Food and beverage serving (14 per cent)
- Sports, amusement and recreation (11 per cent)
- Retail (ten per cent)
- Social work without accommodation (seven per cent)

Eight per cent of SME employers in the North East did not have internet access for work purposes, which was statistically significantly higher than in any other region or nation.

Seventy-four per cent of SME employers paid their taxes online. This proportion was five percentage points lower than in 2014. There was no difference in the proportion according to the size of the business.

Seventy-eight per cent of SME employers used the internet to access Government services, Medium-sized businesses were more likely to have done so (84 per cent) than small businesses (81 per cent) or micros (77 per cent).

Websites

Seventy-six per cent of SME employers have their own website. This proportion was not statistically significantly different from that seen in 2014. Medium-sized businesses were more likely to have websites than small or micros. The proportions with websites by size did not change significantly between 2014 and 2015.

By sector, websites were less likely than average to be had in primary (43 per cent with a website), construction (66 per cent), transport/storage (68 per cent), accommodation/food service (69 per cent), and retail/wholesale (74 per cent).

⁴⁰ Based on minimum sample sizes of 75.

Seventy-seven per cent of SME employers in England and 75 per cent in Wales had websites, compared to 68 per cent in Scotland and 63 per cent in Northern Ireland.

Table 5.26: Has a website – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes | 76 | 73 | 89 | 96 |
| SBS 2014 (n=) | 2,147 | 794 | 865 | 488 |
| | % | % | % | % |
| Yes | 77 | 74 | 89 | 97 |
| SBS 2012 (n=) | 2,380 | 938 | 971 | 471 |
| | % | % | % | % |
| Yes | 71 | 68 | 86 | 97 |

Base = all SME employers⁴¹. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). O7. Single answer only allowed at this question.

Digital engagement

As well as having one's own website, there are other ways in which SMEs can engage digitally, such as having a social media profile or directly trading, taking bookings or orders or advertising through third party websites.

Table 5.27: Digital engagement – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any digital engagement | 83 | 81 | 94 | 97 |
| - <i>Has a website</i> | 76 | 73 | 89 | 96 |
| - <i>Uses a 3rd party website e.g. Amazon, Etsy or Ebay</i> | 19 | 19 | 19 | 19 |
| - <i>Has social media profile e.g. on Facebook, LinkedIn or Twitter</i> | 55 | 53 | 65 | 71 |
| None of these | 17 | 19 | 6 | 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). O7. Multiple answers possible across this question.

Nineteen per cent of SME employers use third party websites. This proportion did not vary according to size, but those in the financial/real estate (29 per cent), arts/entertainment (27 per cent), information/communication (25 per cent), retail/wholesale (24 per cent), and

⁴¹ Half sample in 2012 and 2014

accommodation/food service (22 per cent) sectors were more likely than average to use such sites.

Fifty five per cent of SME employers had a social media profile. This was a similar proportion to that seen in 2014 (57 per cent). Medium-sized businesses were more likely to have this (71 per cent) than small (65 per cent) and micro businesses (53 per cent). Social media profiles were most commonly found in arts/entertainment (85 per cent), education (73 per cent), accommodation/food (71 per cent), information/communication (69 per cent), other services (67 per cent), human health (66 per cent), and administrative services (63 per cent).

Table 5.28: Digital engagement – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|--|---------------|-----------------------|-----------------|----------------|-----------------|----------------|---------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Any digital engagement | 83 | 48 | 87 | 73 | 83 | 74 | 87 | 94 |
| - Has a website | 76 | 43 | 85 | 66 | 74 | 68 | 69 | 91 |
| - Uses a 3 rd party website | 19 | 16 | 17 | 14 | 24 | 13 | 22 | 25 |
| - Has social media profile | 55 | 25 | 48 | 37 | 56 | 45 | 71 | 69 |
| None of these | 17 | 52 | 13 | 27 | 17 | 26 | 13 | 6 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Ent. | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Any digital engagement | 83 | 89 | 86 | 87 | 96 | 90 | 97 | 88 |
| - Has a website | 76 | 87 | 82 | 83 | 92 | 84 | 86 | 78 |
| - Uses a 3 rd party website | 19 | 29 | 14 | 16 | 19 | 17 | 27 | 18 |
| - Has social media profile | 55 | 48 | 53 | 63 | 73 | 66 | 85 | 67 |
| None of these | 17 | 11 | 14 | 13 | 4 | 10 | 3 | 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). O7. Multiple answers possible across this question.

The sectors least likely to have their own websites, social media profiles or to use third party websites were primary (48 per cent with any digital engagement), construction (73 per cent) and transport/storage (74 per cent).

E-commerce⁴²

Overall, 31 per cent of SME employers engaged in any form of e-commerce. This overall definition⁴³ covers a range of activity, including the ordering of goods and services from own websites or third party websites, with payment at the time of ordering or booking/ordering via own websites, third party websites and social media without payment at the time.

Table 5.29: E-commerce – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Any e-commerce | 31 | 30 | 36 | 41 |
| - Goods and services ordered directly from own website | 15 | 14 | 17 | 25 |
| - Goods and services ordered directly from 3 rd party website | 7 | 6 | 7 | 9 |
| - Goods and services ordered from social media | 10 | 10 | 12 | 12 |
| - Bookings or orders can be made via own website, without payment at the time | 20 | 19 | 23 | 25 |
| - Bookings or orders can be made via 3 rd party website, without payment at the time | 6 | 6 | 6 | 7 |
| Has a website, but no e-commerce | 46 | 44 | 54 | 55 |
| No website, no e-commerce | 22 | 25 | 10 | 4 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). O7/O8/O9/O10. Multiple answers possible across the questions.

Fifteen per cent had websites with the facility to allow customers to order and pay for goods and services directly; seven per cent used third party websites which customers could order from and pay directly; ten per cent had social media profiles that customers could order or buy goods from; 20 per cent had their own websites that could be used to

⁴² In 2014 SMEs were asked whether they 'sold goods or services through a website'. Thirty-three per cent said that they did, a similar proportion to 2015.

⁴³ This definition was used in a 2015 study of digital engagement among SMEs. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/457750/BIS-15-509-digital-capabilities-in-SMEs-evidence-review-and-re-survey-of-2014-small-business-survey-respondents.pdf

make bookings or orders, without payment at the time; and six per cent used third party websites, where customers could make bookings or orders, without payment at the time.

Table 5.30: E-commerce – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---|---------------|------------------------|-----------------|----------------|-----------------|----------------|---------------|--------------|
| (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Any e-commerce | 31 | 19 | 36 | 19 | 40 | 30 | 44 | 40 |
| - Direct from own website | 15 | 9 | 20 | 6 | 24 | 10 | 18 | 25 |
| - Direct from 3 rd party website | 7 | 6 | 8 | 2 | 12 | 4 | 12 | 12 |
| - Order from social media | 10 | 6 | 11 | 5 | 14 | 8 | 12 | 14 |
| - Bookings/ orders via own website, without payment at the time | 20 | 13 | 21 | 15 | 21 | 21 | 34 | 20 |
| - Bookings/ orders via 3 rd party website, without payment at the time | 6 | 6 | 6 | 5 | 8 | 4 | 13 | 5 |
| Has a website, but no e-commerce | 46 | 25 | 49 | 48 | 36 | 39 | 28 | 51 |
| No website, no e-commerce | 22 | 56 | 15 | 32 | 24 | 31 | 28 | 8 |
| | All SME emps. | KL Finance / Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Ent. | S Other Serv |
| (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Any e-commerce | 31 | 27 | 20 | 30 | 38 | 26 | 52 | 38 |
| - Direct from own website | 15 | 9 | 8 | 12 | 15 | 8 | 31 | 15 |
| - Direct from 3 rd party website | 7 | 3 | 3 | 4 | 3 | 3 | 10 | 2 |
| - Order from social media | 10 | 8 | 7 | 11 | 11 | 7 | 20 | 11 |
| - Bookings/ orders via own website, without payment at the time | 20 | 16 | 11 | 17 | 29 | 17 | 25 | 24 |
| - Bookings/ orders via 3 rd party website, without payment at the time | 6 | 9 | 2 | 4 | 5 | 2 | 8 | 6 |
| Has a website, but no e-commerce | 46 | 61 | 63 | 54 | 54 | 60 | 37 | 44 |
| No website, no e-commerce | 22 | 11 | 18 | 16 | 8 | 15 | 12 | 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). O7/O8/O9/O10. Multiple answers possible across the questions.

With the exception of the use of third party websites, larger SMEs were more likely than micros to have made use of all these types of e-commerce.

Those in arts/entertainment (52 per cent), accommodation/food service (44 per cent), retail/wholesale (40 per cent), information/communication (40 per cent), education (38 per cent), other services (38 per cent), and manufacturing (36 per cent) were more likely than average to engage in e-commerce. Those in primary (19 per cent), construction (19 per cent), professional/scientific (20 per cent) and human health (26 per cent) were less likely than average to engage in any form of e-commerce.

Orders directly from their own website were most common in arts/entertainment (31 per cent), information/communication (25 per cent), retail/wholesale (24 per cent), and accommodation/food service (18 per cent).

Orders directly from third party websites were also most common in retail/wholesale (12 per cent), accommodation/food service (12 per cent), information/communication (12 per cent) and arts/entertainment (ten per cent).

Orders via social media were also most common in arts/entertainment (20 per cent), retail/wholesale (14 per cent), information/communication (14 per cent), and accommodation/food service (12 per cent).

Bookings without payment at the time via their own website were most common in accommodation/food service (34 per cent), education (29 per cent), arts/entertainment (25 per cent) and other services (24 per cent).

Bookings without payment at the time via third party websites were most common in accommodation/food service (13 per cent), financial/real estate (nine per cent), and retail/wholesale (eight per cent).

By nation, overall engagement with e-commerce was highest in Wales (38 per cent) and lowest in Northern Ireland (26 per cent). In both England and Scotland, 31 per cent were engaged in e-commerce.

In England, any engagement in e-commerce was higher in London (35 per cent) than elsewhere.

6. Access to external finance

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

Types of external finance currently being used

One third of all SME employers (33 per cent) have applied for external finance in the last five years. Thirty-two per cent of micros applied in this period, compared with 39 per cent of small businesses and 43 per cent of mediums.

By sector, those in primary (55 per cent), transport/storage (47 per cent), and manufacturing (39 per cent) were the most likely to have applied.

Forty per cent of SME employers in Northern Ireland applied for external finance in the last five years, compared with 39 per cent in Wales, 37 per cent in Scotland and 32 per cent in England. In England, those in the South West (40 per cent) were the most likely to have applied for external finance in this period.

Table 6.1: Types of external finance currently being used – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 4,482 | 1,403 | 1,690 | 1,389 |
| | % | % | % | % |
| Credit cards | 47 | 45 | 53 | 63 |
| Bank overdraft | 47 | 47 | 47 | 45 |
| Leasing/HP | 37 | 34 | 48 | 58 |
| Loan from bank or other financial institution | 35 | 34 | 40 | 46 |
| Commercial mortgage | 16 | 14 | 21 | 24 |
| Factoring/invoice discounting | 7 | 5 | 11 | 21 |
| Equity finance | 7 | 6 | 8 | 10 |
| Grant/trust | 4 | 4 | 4 | 3 |
| P2P/Crowd Funding platform for debt | 2 | 2 | 2 | 1 |

Base = all SME employers that applied for external finance in the last five years. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H6a⁴⁴. Multiple answers possible across this question.

⁴⁴ Refers to the question number.

Forty-seven per cent of those that applied for external finance in the last five years were using credit cards at the time of interview, with the same proportion using bank overdrafts. Thirty-seven per cent were using leasing or hire purchase, 35 per cent loans, 16 per cent a commercial mortgage, seven per cent factoring or invoice discounting, seven per cent equity finance, four per cent a grant or trust fund, and two per cent peer to peer lending or a crowd funding platform for debt. A further one per cent each were using mezzanine finance and public equity (not shown in the tables).

With the exception of bank overdrafts, grants/trusts and P2P/crowd funding lending, medium sized businesses were more likely to make use of the different types of external finance than small businesses and micros. This was particularly so for leasing/hire purchases, which was used by 58 per cent of mediums and only 34 per cent of micros.

Table 6.2: Types of external finance currently being used – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---|---------------|--------------|-----------------|----------------|-----------------|-------------|---------------|--------------|
| LSBS Y1 (2015) (n=) | 4,482 | 192 | 616 | 327 | 699 | 193 | 376 | 184 |
| | % | % | % | % | % | % | % | % |
| Credit cards ⁴⁵ | 47 | 41 | 58 | 54 | 49 | 46 | 32 | 51 |
| Bank overdraft | 47 | 72 | 52 | 47 | 59 | 48 | 35 | 44 |
| Leasing/HP | 37 | 54 | 47 | 43 | 40 | 51 | 34 | 24 |
| Loan from bank or other financial institution | 35 | 54 | 38 | 32 | 40 | 26 | 30 | 25 |
| Commercial mortgage | 16 | 22 | 14 | 12 | 17 | 14 | 33 | 9 |
| Factoring/invoice discounting | 7 | 5 | 16 | 4 | 8 | 11 | 6 | 5 |
| Equity finance | 7 | 5 | 8 | 6 | 7 | 8 | 5 | 22 |
| Grant/trust | 4 | 0 | * | 0 | 1 | 2 | 1 | 4 |
| P2P/Crowd Funding platform for debt | 2 | 2 | 4 | 1 | 1 | 2 | 2 | 4 |

⁴⁵ SME employers may or may not have used credit cards for borrowing.

Table 6.2: Types of external finance currently being used – by sector (SIC 2007) – continued

| | All SME emps. | KL Finance / Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/Ent. | S Other Serv |
|---|---------------|------------------------|-----------------|--------------|-------------|----------------|-------------|--------------|
| LSBS Y1 (2015) (n=) | 4,482 | 142 | 488 | 325 | 175 | 480 | 135 | 150 |
| | % | % | % | % | % | % | % | % |
| Credit cards | 47 | 49 | 52 | 58 | 49 | 30 | 38 | 36 |
| Bank overdraft | 47 | 31 | 46 | 45 | 27 | 22 | 30 | 34 |
| Leasing/HP | 37 | 25 | 33 | 40 | 22 | 23 | 32 | 18 |
| Loan from bank or other financial institution | 35 | 42 | 36 | 41 | 36 | 27 | 29 | 19 |
| Commercial mortgage | 16 | 28 | 11 | 6 | 13 | 15 | 5 | 5 |
| Factoring/invoice discounting | 7 | * | 4 | 15 | * | 6 | 1 | 1 |
| Equity finance | 7 | 16 | 5 | 7 | 2 | 2 | 2 | 1 |
| Grant/trust | 4 | * | 3 | 4 | 5 | 25 | 12 | 18 |
| P2P/Crowd Funding platform for debt | 2 | 1 | 5 | 1 | 1 | * | 6 | 3 |

Base = all SME employers that used external finance in the last five years. * = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H6a. Multiple answers possible across this question.

Different sectors use different types of external finance to suit their needs. *Credit cards* were most likely to be used in administrative services (58 per cent), manufacturing (58 per cent), construction (54 per cent), and professional/scientific (52 per cent).

Bank overdrafts were particularly likely to be used in primary (72 per cent), retail/wholesale (59 per cent), and manufacturing (52 per cent).

Leasing/hire purchase was used most by primary (54 per cent), transport/storage (51 per cent), and manufacturing (47 per cent).

Loans were most likely to be used in primary (54 per cent), administrative services (41 per cent), and retail/wholesale (40 per cent).

Mortgages were most used in accommodation/food service (33 per cent), financial/real estate (28 per cent), and primary (22 per cent).

Factoring/invoice discounting was most used in manufacturing (16 per cent), administrative services (15 per cent), and transport/ storage (11 per cent).

Equity finance was most used in information/communication (22 per cent) and financial/real estate (16 per cent).

Grants/trust funds were most used in human health (25 per cent), other services (18 per cent), and arts/entertainment (12 per cent). Thirty-nine per cent of charities that had applied for external finance in the last five years were using grants and trusts⁴⁶.

P2P/crowd funding was most often used in arts/entertainment (six per cent), professional/scientific (five per cent), manufacturing and information/communication (both four per cent).

In Scotland there was higher than average usage of credit cards (59 per cent), leasing/hire purchase (44 per cent) and grants (seven per cent). In Northern Ireland there was higher than average usage of bank overdrafts (65 per cent).

Whether sought external finance in the last 12 months

Seventeen per cent of SME employers had sought external finance in the 12 months preceding interview. This was a two percentage point decrease on the 2014 figure, a statistically significant finding. Indeed, the proportion seeking external finance has been steadily declining since 2010.

Demand for external finance increased with the size of the business. Twenty seven per cent of mediums sought external finance in the last 12 months, compared to 16 per cent of micros. Compared to 2014, the demand for external finance has decreased for all size bands.

Table 6.3: Whether sought external finance in the last 12 months – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| YES - ANY | 17 | 16 | 23 | 27 |
| - Once | 11 | 10 | 13 | 17 |
| - More than once | 6 | 6 | 9 | 10 |
| NO | 81 | 83 | 73 | 67 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| YES - ANY | 19 | 18 | 26 | 32 |
| - Once | 13 | 12 | 17 | 18 |
| - More than once | 7 | 6 | 10 | 13 |
| NO | 79 | 81 | 69 | 65 |

⁴⁶ Grants and trusts were not prompted at a previous question and did not appear in the question precodes, unlike the other types of finance. Therefore, the true proportion that have used them may be higher.

Table 6.3: Whether sought external finance in the last 12 months – trends by employment size - continued

| | | | | |
|-------------------------|-------|-----------|-----------|-----------|
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| YES - ANY | 24 | 22 | 32 | 34 |
| - <i>Once</i> | 16 | 16 | 19 | 18 |
| - <i>More than once</i> | 8 | 7 | 12 | 15 |
| NO | 75 | 77 | 65 | 61 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| YES - ANY | 26 | 25 | 33 | 40 |
| - <i>Once</i> | 17 | 17 | 21 | 22 |
| - <i>More than once</i> | 9 | 8 | 13 | 17 |
| NO | 72 | 74 | 63 | 53 |

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

By sector, demand for external finance in the previous 12 months was highest in the primary (31 per cent), transport/storage (25 per cent), human health (25 per cent), and manufacturing (20 per cent), sectors.

Table 6.4: Whether sought external finance in the last 12 months – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manuf acturing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info- comms |
|-------------------------|---------------|------------------------|------------------|------------------|-----------------|----------------|---------------|---------------|
| (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| YES - ANY | 17 | 31 | 20 | 15 | 15 | 25 | 14 | 18 |
| - <i>Once</i> | 11 | 22 | 14 | 10 | 11 | 13 | 8 | 14 |
| - <i>More than once</i> | 6 | 9 | 6 | 5 | 4 | 12 | 6 | 4 |
| NO | 81 | 68 | 77 | 84 | 82 | 71 | 83 | 81 |
| | All SME emps. | KL Finance / Real est. | M Prof./Sc ience | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Ent. | S Other Serv |
| (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| YES - ANY | 17 | 15 | 16 | 16 | 13 | 25 | 17 | 16 |
| - <i>Once</i> | 11 | 7 | 10 | 11 | 7 | 10 | 10 | 6 |
| - <i>More than once</i> | 6 | 7 | 6 | 5 | 6 | 15 | 8 | 11 |
| NO | 81 | 83 | 83 | 82 | 82 | 71 | 79 | 83 |

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

By nation, external finance was most likely to have been sought in the last 12 months in Wales (21 per cent, compared to 19 per cent in Scotland, 17 per cent in England and 14 per cent in Northern Ireland).

By English region, external finance was most likely to have been sought in the North East (22 per cent).

Reasons for applying for external finance⁴⁷

Of those that had applied for external finance in the last 12 months, 52 per cent had done so to acquire working capital or for cash flow reasons, 39 per cent to acquire capital equipment or vehicles, 14 per cent to buy land or buildings, nine per cent to fund UK expansion and eight per cent to improve buildings.

Table 6.5: Main reasons for seeking external finance in the last 12 months – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 2,437 | 699 | 909 | 829 |
| | % | % | % | % |
| Working capital/cashflow | 52 | 52 | 54 | 53 |
| Acquiring capital equipment or vehicles | 39 | 37 | 44 | 56 |
| Buying land or buildings/building premises | 14 | 14 | 15 | 19 |
| To fund UK expansion | 9 | 10 | 7 | 9 |
| Improving buildings | 8 | 8 | 8 | 10 |
| Research & development | 3 | 3 | 3 | 3 |
| Marketing | 3 | 3 | 2 | 2 |
| Debt consolidation | 3 | 3 | 1 | 3 |

Base = all SME employers that sought external finance in the last 12 months. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H8. Multiple answers possible across this question.

The proportion seeking external finance for working capital/cashflow did not vary significantly by employment size. Medium-sized SMEs were more likely than small businesses and micros to seek external finance for the acquisition of capital equipment or vehicles, to buy land or premises and to improve buildings.

The sectors that had an above average demand for *working capital* were professional/scientific (64 per cent of those in this sector seeking external finance in the last year), and accommodation/ food service (60 per cent).

⁴⁷ The way this question was asked changed in 2015, meaning that comparisons with previous data sets cannot be made.

Obtaining external finance to *acquire capital equipment or vehicles* was more likely than average to be the reason in primary (65 per cent), transport/storage (54 per cent), administrative services (52 per cent), manufacturing (52 per cent) and construction (48 per cent) sectors.,

Table 6.6: Main reasons for seeking external finance in the last 12 months – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|--|---------------|------------------------|-----------------|----------------|-----------------|----------------|---------------|--------------|
| LSBS Y1 (2015) (n=) | 2,437 | 118 | 329 | 165 | 348 | 112 | 175 | 116 |
| | % | % | % | % | % | % | % | % |
| Working capital/cashflow | 52 | 52 | 46 | 56 | 50 | 49 | 60 | 52 |
| Acquiring capital equipment or vehicles | 39 | 65 | 52 | 48 | 37 | 54 | 33 | 28 |
| Buying land or buildings/building premises | 14 | 30 | 10 | 16 | 14 | 10 | 23 | 8 |
| To fund UK expansion | 9 | 6 | 8 | 5 | 11 | 4 | 14 | 21 |
| Improving buildings | 8 | 5 | 2 | 7 | 8 | 9 | 15 | 3 |
| Research & development | 3 | 4 | 7 | 1 | 1 | 4 | 1 | 13 |
| Marketing | 3 | 1 | 4 | 0 | 2 | * | 2 | 3 |
| Debt consolidation | 3 | 4 | 4 | * | 4 | 5 | 2 | 3 |
| | All SME emps. | KL Finance / Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Ent. | S Other Serv |
| LSBS Y1 (2015) (n=) | 2,437 | 74 | 271 | 181 | 89 | 302 | 77 | 80 |
| | % | % | % | % | % | % | % | % |
| Working capital/cashflow | 52 | 43 | 64 | 55 | 38 | 45 | 32 | 45 |
| Acquiring capital equipment or vehicles | 39 | 20 | 30 | 52 | 29 | 22 | 36 | 23 |
| Buying land or buildings/building premises | 14 | 21 | 10 | 10 | 17 | 11 | 9 | 8 |
| To fund UK expansion | 9 | 14 | 12 | 8 | 4 | 6 | 10 | 6 |
| Improving buildings | 8 | 25 | 4 | 5 | 9 | 10 | 13 | 16 |
| Research & development | 3 | 5 | 6 | 2 | 3 | 1 | * | * |
| Marketing | 3 | 11 | 6 | 5 | 3 | 3 | 3 | 0 |
| Debt consolidation | 3 | 1 | 2 | * | 9 | 2 | * | 8 |

Base = all SME employers that sought external finance in the last 12 months. * = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H8. Multiple answers possible across this question.

The primary (30 per cent) and accommodation/food service (23 per cent) sectors were the most likely to seek external finance to *buy land or buildings*.

External finance for *UK expansion* was more likely than average to be sought in the information/ communication (21 per cent), and accommodation/food service (14 per cent) sectors.

Building improvements were more likely than average to be the reason for seeking external finance in financial/real estate (25 per cent), other services (16 per cent), and accommodation/food service (15 per cent).

Research and development was more likely than average to be cited as a reason for seeking external finance in information/communication (13 per cent), manufacturing (seven per cent) and professional/scientific (six per cent).

Those in financial/real estate (11 per cent) and professional/scientific (six per cent) were more likely than average to seek external finance for *marketing*.

Debt consolidation was more likely than average to be a reason for seeking external finance in education (nine per cent) and other services (eight per cent).

Type of external finance sought⁴⁸

Forty-seven per cent of the SME employers that sought external finance in the previous 12 months applied for overdrafts (including extensions and renewals of existing facilities). Forty-four per cent applied for loans, 31 per cent for leasing or hire purchase, 20 per cent for credit cards, ten per cent for commercial mortgages, seven per cent for equity finance, seven per cent for factoring/invoice discounting, seven per cent for grants or trust funds⁴⁹ and five per cent for P2P or crowd funding for debt. A further one per cent applied for mezzanine finance and less than half a per cent for public equity (neither shown on the table).

Micros were more likely to have applied for overdrafts (49 per cent) than small businesses (43 per cent) and mediums (39 per cent). Otherwise, with the exception of equity finance, grants and P2P/crowd funding, mediums were more likely to have made applications for each type of external finance.

⁴⁸ Because the way the question was asked in 2015 was different from previous years, trend comparisons cannot be made.

⁴⁹ Grants and trusts were not prompted in the 2015 questionnaire, unlike the other forms of finance and were mentioned spontaneously in the 'other finance' category. Therefore, the proportion applying for these is likely to have been higher.

Table 6.7: Types of external finance sought in the last 12 months – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 2,437 | 699 | 909 | 829 |
| | % | % | % | % |
| Bank overdraft | 47 | 49 | 43 | 39 |
| Loan from bank or other financial institution | 44 | 45 | 41 | 49 |
| Leasing/HP | 31 | 28 | 38 | 50 |
| Credit cards | 20 | 19 | 22 | 28 |
| Commercial mortgage | 10 | 10 | 12 | 12 |
| Equity finance | 7 | 7 | 7 | 6 |
| Factoring/invoice discounting | 7 | 6 | 9 | 13 |
| Grant/trust | 7 | 7 | 7 | 6 |
| P2P/Crowd Funding platform for debt | 5 | 6 | 3 | 2 |

Base = all SME employers that sought external finance in the last 12 months. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H5. Multiple answers possible across this question.

By sector, the types of external finance that SME employers applied for in the last 12 months are very similar to the types of external finance that they were using at the time of interview.

More likely than average to have sought *bank overdrafts* were those in primary (72 per cent), construction and accommodation/food service (both 60 per cent), transport/storage (57 per cent) and retail/wholesale (53 per cent).

More likely than average to have sought loans were those in primary (55 per cent), construction and accommodation/food service (both 52 per cent), and retail/wholesale (49 per cent).

More likely than average to have sought leasing/HP were those in transport/storage (56 per cent), primary (50 per cent) and administrative services (42 per cent).

More likely than average to have sought credit cards were those in manufacturing (25 per cent).

More likely than average to have sought a commercial mortgage were those in finance/real estate (23 per cent) and accommodation/food service (19 per cent).

More likely than average to have sought equity finance were those in finance/real estate (33 per cent) and information/communications (24 per cent).

More likely than average to have sought factoring/invoice discounting were those in administrative services (15 per cent) and manufacturing (11 per cent).

More likely than average to have sought grants/trust funds were those in human health (38 per cent), other services (31 per cent), education (21 per cent) and arts/entertainment (20 per cent).

More likely than average to have sought P2P/Crowd Funding for debt were those in arts/entertainment (11 per cent) and professional/scientific (ten per cent).

Table 6.8: Types of external finance sought in the last 12 months – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---|---------------|------------------------|-----------------|----------------|-----------------|----------------|---------------|--------------|
| LSBS Y1 (2015) (n=) | 2,437 | 118 | 329 | 165 | 348 | 112 | 175 | 116 |
| | % | % | % | % | % | % | % | % |
| Bank overdraft | 47 | 72 | 44 | 60 | 53 | 57 | 60 | 45 |
| Loan from bank or other financial institution | 44 | 55 | 47 | 52 | 49 | 31 | 52 | 44 |
| Leasing/HP | 31 | 50 | 36 | 34 | 35 | 56 | 26 | 17 |
| Credit cards | 20 | 16 | 25 | 25 | 23 | 27 | 19 | 24 |
| Commercial mortgage | 10 | 14 | 8 | 8 | 11 | 6 | 19 | 6 |
| Equity finance | 7 | 2 | 9 | 6 | 5 | 1 | 5 | 24 |
| Factoring/invoice discounting | 7 | 5 | 11 | 7 | 10 | 12 | 4 | 7 |
| Grant/trust | 7 | * | 1 | 0 | 1 | 3 | 1 | 7 |
| P2P/Crowd Funding platform for debt | 5 | 2 | 6 | 6 | 3 | 4 | 5 | 8 |
| | All SME emps. | KL Finance / Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Ent. | S Other Serv |
| LSBS Y1 (2015) (n=) | 2,437 | 74 | 271 | 181 | 89 | 302 | 77 | 80 |
| | % | % | % | % | % | % | % | % |
| Bank overdraft | 47 | 17 | 48 | 41 | 27 | 15 | 30 | 31 |
| Loan from bank or other financial institution | 44 | 40 | 47 | 46 | 32 | 24 | 16 | 23 |
| Leasing/HP | 31 | 17 | 26 | 42 | 14 | 12 | 27 | 16 |
| Credit cards | 20 | 22 | 17 | 19 | 23 | 8 | 22 | 19 |
| Commercial mortgage | 10 | 23 | 12 | 5 | 8 | 8 | 5 | 4 |
| Equity finance | 7 | 33 | 6 | 8 | 4 | 1 | 8 | * |
| Factoring/invoice discounting | 7 | * | 5 | 15 | 0 | 5 | 0 | 2 |
| Grant/trust | 7 | 10 | 4 | 3 | 21 | 38 | 20 | 31 |
| P2P/Crowd Funding platform for debt | 5 | 2 | 10 | 4 | 8 | 1 | 11 | 9 |

Base = all SME employers that sought external finance in the last 12 months. * = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H5. Multiple answers possible across this question.

The reason for seeking external finance drives the choice of type of external finance. Sixty-nine per cent of bank overdrafts, 60 per cent of credit cards and 60 per cent of applications for factoring/invoice discounting were driven by the demand for working capital.

Eighty-nine per cent of applications for leasing or hire purchase were to acquire capital equipment or vehicles, whereas 62 per cent of commercial mortgages were sought in order to buy land or buildings.

Loans, equity finance and P2P/crowd funding were sought for a number of purposes – mainly for working capital, but they were also sought for acquisition of capital equipment and for UK expansion.

Table 6.9: Main reason for seeking external finance in the last 12 months – by type of external finance applied for

| | Bank overdraft | Commercial mortgage | Credit cards | Equity finance |
|--|---|-------------------------------|---------------------|---------------------------|
| LSBS Y1 (2015) (n=) | 1,025 | 271 | 538 | 153 |
| | % | % | % | % |
| Working capital/cashflow | 69 | 9 | 60 | 36 |
| Acquiring capital equipment or vehicles | 10 | 7 | 8 | 18 |
| Buying land or buildings/building premises | 3 | 62 | 1 | 10 |
| Expansion in the UK | 6 | 7 | 2 | 23 |
| | Factoring/ invoice discounting | Leasing/ hire purchase | Loans | P2P/ crowd funding |
| LSBS Y1 (2015) (n=) | 234 | 940 | 1,057 | 92 |
| | % | % | % | % |
| Working capital/cashflow | 60 | 4 | 30 | 46 |
| Acquiring capital equipment or vehicles | 7 | 89 | 24 | 11 |
| Buying land or buildings/building premises | 2 | 2 | 13 | 6 |
| Expansion in the UK | 1 | 1 | 10 | 14 |

Base = all SME employers that sought external finance in the last 12 months. H5/H8. Multiple answers allowed at this question.

Success in obtaining external finance⁵⁰

Of those that applied for external finance in the last 12 months, 81 per cent were successful in obtaining any external finance. Eight per cent did not obtain any and for 11 per cent the outcome of the application(s) was still pending at the time of interview.

In other terms, 91 per cent of those that had a decision on whether they could obtain external finance, managed to secure at least some external finance. Fourteen per cent of all SME employers obtained some kind of external finance in the last 12 months and one per cent were unable to obtain any.

Table 6.10: Whether obtained any external finance in the last 12 months – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 2,437 | 699 | 909 | 829 |
| | % | % | % | % |
| Obtained any external finance | 81 | 79 | 86 | 91 |
| Did not obtain any | 8 | 10 | 3 | 1 |
| Decision pending | 11 | 11 | 11 | 8 |

Base = all SME employers that sought external finance in the last 12 months. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H5. Single answer only for this question.

Larger SMEs had better success in obtaining external finance. Ninety-one per cent of medium-sized businesses that applied for external finance obtained any, compared with 86 per cent of small businesses and 79 per cent of micros.

By sector there were above average success rates in the primary sector (91 per cent), administrative services (89 per cent), and retail/wholesale (87 per cent). Most likely not to have obtained any external finance were those in education (21 per cent), accommodation/food (17 per cent), and construction (15 per cent).

⁵⁰ Because the way the question was asked in 2015 was different from previous years, trend comparisons cannot be made.

Table 6.11: Whether obtained any external finance in the last 12 months – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|-------------------------------|---------------|------------------------|-----------------|----------------|-----------------|----------------|---------------|--------------|
| LSBS Y1 (2015) (n=) | 2,437 | 118 | 329 | 165 | 348 | 112 | 175 | 116 |
| | % | % | % | % | % | % | % | % |
| Obtained any external finance | 81 | 91 | 79 | 80 | 87 | 79 | 67 | 81 |
| Did not obtain any | 8 | * | 6 | 15 | 4 | 6 | 17 | 12 |
| Decision pending | 11 | 9 | 16 | 5 | 10 | 14 | 16 | 7 |
| | All SME emps. | KL Finance / Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Ent. | S Other Serv |
| LSBS Y1 (2015) (n=) | 2,437 | 74 | 271 | 181 | 89 | 302 | 77 | 80 |
| | % | % | % | % | % | % | % | % |
| Obtained any external finance | 81 | 72 | 85 | 89 | 66 | 74 | 72 | 77 |
| Did not obtain any | 8 | 10 | 8 | 6 | 21 | 11 | * | 6 |
| Decision pending | 11 | 18 | 7 | 5 | 13 | 15 | 28 | 17 |

Base = all SME employers that sought external finance in the last 12 months. * = a figure greater than zero, but less than 0.5%. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H5. Single answer only for this question.

The success rate for obtaining external finance was higher in Wales (89 per cent) than in Scotland (83 per cent), England (81 per cent) and Northern Ireland (77 per cent). Applicants in England were more likely to have failed to obtain any money (nine per cent) than those in Scotland (six per cent), Wales (four per cent) and Northern Ireland (two per cent)⁵¹.

In England, those in London that applied for external finance were more likely than average to have not obtained anything (12 per cent). The success rate for obtaining any external finance was higher than average in the East Midlands (88 per cent).

Looking at success rates by the type of external finance applied for, this was highest for credit cards and leasing/hire purchase (90 per cent). Eighty-one per cent of factoring/invoice discounting applications and 76 per cent of bank overdraft applications were successful, but the success rate on applications for commercial mortgages and loans (both 64 per cent), equity finance (61 per cent), and P2P/crowd funding for debt (49 per cent)⁵² were lower.

⁵¹ In Northern Ireland the proportion with a decision pending was above average at 21 per cent.

⁵² Please note that a proportion of those that said they had applied for P2P/Crowd Funding for debt appear to have sought equity or invoice discounting, or were not sure whether the application was for debt funding.

Table 6.12: Whether obtained any external finance in the last 12 months – by type of external finance applied for

| | Bank overdraft | Commercial mortgage | Credit cards | Equity finance |
|-------------------------------|--------------------------------------|---------------------------|--------------|-----------------------|
| LSBS Y1 (2015) (n=) | 1,025 | 271 | 538 | 153 |
| | % | % | % | % |
| Obtained any external finance | 76 | 64 | 90 | 61 |
| Did not obtain any | 18 | 17 | 7 | 17 |
| Decision pending | 5 | 19 | 3 | 22 |
| | Factoring/ invoice discounting | Leasing/ hire purchase | Loans | P2P/ crowd funding |
| LSBS Y1 (2015) (n=) | 234 | 940 | 1,057 | 92 |
| | % | % | % | % |
| Obtained any external finance | 81 | 90 | 64 | 49 |
| Did not obtain any | 12 | 5 | 25 | 35 |
| Decision pending | 7 | 5 | 10 | 16 |

Base = all SME employers that sought external finance in the last 12 months. H5. Single answer only for this question.

Ninety-three per cent of applications to acquire capital equipment or vehicles were successful in obtaining any external finance, as were 88 per cent of applications to buy land or premises, 87 per cent of applications for working capital and 87 per cent of applications to fund UK growth.

Amount of external finance obtained⁵³

Of those that obtained any external finance, 18 per cent gained less than £10,000. Thirty-three per cent obtained between £10,000 and £49,999, 11 per cent between £50,000 and £99,999, 18 per cent between £100,000 and £499,999, four per cent between £500,000 and £999,999 and five per cent £1 million or more. Ten per cent did not know how much external finance had been gained or refused to say.

The mean average amount obtained was £547,000, but this greatly varied according to size of business. It was £425,000 for micros, £737,000 for small businesses and £1.63 million for mediums.

The mean average is exaggerated by some instances of very high amounts obtained (eight applicants in the survey obtained £50 million or more. The median average is a better reflection of the amounts that SMEs typically obtain and this was £30,000 overall (£25,000 for micros, £73,000 for small businesses, £300,000 for mediums).

⁵³ Previous SBS's focussed on the amount applied for rather than the amount obtained, so there is no comparable data.

Table 6.13: Amount of external finance obtained in the last 12 months – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 2,082 | 550 | 781 | 751 |
| | % | % | % | % |
| Less than £10,000 | 18 | 20 | 12 | 4 |
| £10,000-£49,999 | 33 | 36 | 25 | 9 |
| £50,000-£99,999 | 11 | 11 | 13 | 7 |
| £100,000-£499,999 | 18 | 15 | 28 | 34 |
| £500,000-£999,999 | 4 | 3 | 6 | 14 |
| £1 million or more | 5 | 4 | 6 | 25 |
| Don't know/refused | 10 | 11 | 9 | 7 |
| Mean average | £547,000 | £425,000 | £737,000 | £1,628,000 |
| Median average | £30,000 | £25,000 | £73,000 | £300,000 |

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

By sector, those in financial/real estate tended to obtain the most external finance (mean average £6.7 million, median average £200,000). Those in the primary sector also obtained higher than average amounts (mean average £651,000, median average £100,000).

By contrast, those in accommodation/food service (mean average £123,000, median average £10,000), arts/entertainment (mean average £135,000, median average £20,000), and education (mean average £209,000, median average £15,000) tended to obtain smaller sums.

In England a median average of £37,500 (mean £549,000) was obtained. In Scotland the median was £30,000 (mean £718,000), £15,000 in Wales (mean £396,000) and £36,000 in Northern Ireland (mean £258,000).

By English region, the median amount obtained was highest in Yorkshire/Humberside (£75,000), followed by the East of England (£60,000), London and the East Midlands (both £37,500), the North West, South West and South East (all £30,000), the West Midlands (£25,000) and North East (£20,000).

The median amount obtained by charities that won external finance was higher than average at £60,000.

Table 6.14: Amount of external finance obtained in the last 12 months – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------|---------------|------------------------|-----------------|----------------|-----------------|----------------|---------------|--------------|
| LSBS Y1 (2015) (n=) | 2,082 | 108 | 292 | 141 | 311 | 96 | 130 | 101 |
| | % | % | % | % | % | % | % | % |
| Less than £10,000 | 18 | 12 | 10 | 18 | 20 | 6 | 33 | 18 |
| £10,000-£49,999 | 33 | 11 | 37 | 41 | 40 | 47 | 27 | 29 |
| £50,000-£99,999 | 11 | 12 | 15 | 8 | 11 | 7 | 8 | 11 |
| £100,000-£499,999 | 18 | 20 | 22 | 10 | 18 | 25 | 17 | 22 |
| £500,000-£999,999 | 4 | 15 | 3 | 3 | 2 | 2 | 1 | 4 |
| £1 million or more | 5 | 12 | 4 | 4 | 5 | 6 | 2 | 3 |
| Don't know/refused | 10 | 17 | 8 | 16 | 5 | 7 | 12 | 14 |
| Mean average ('000s) | £547 | £651 | £316 | £286 | £290 | £648 | £123 | £408 |
| Median average ('000s) | £30 | £100 | £40 | £20 | £30 | £37.5 | £10 | £30 |
| | All SME emps. | KL Finance / Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Ent. | S Other Serv |
| LSBS Y1 (2015) (n=) | 2,082 | 62 | 241 | 159 | 69 | 241 | 69 | 62 |
| | % | % | % | % | % | % | % | % |
| Less than £10,000 | 18 | 15 | 23 | 14 | 15 | 13 | 15 | 21 |
| £10,000-£49,999 | 33 | 1 | 32 | 36 | 47 | 36 | 49 | 36 |
| £50,000-£99,999 | 11 | 18 | 14 | 11 | 6 | 7 | 5 | 17 |
| £100,000-£499,999 | 18 | 24 | 14 | 22 | 12 | 31 | 15 | 8 |
| £500,000-£999,999 | 4 | 4 | 3 | 4 | 5 | 2 | 2 | 7 |
| £1 million or more | 5 | 36 | 1 | 7 | 3 | 2 | 1 | 1 |
| Don't know/refused | 10 | 1 | 13 | 6 | 13 | 8 | 12 | 10 |
| Mean average ('000s) | £547 | £6,702 | £201 | £296 | £209 | £160 | £135 | £103 |
| Median average ('000s) | £30 | £200 | £25 | £45 | £15 | £40 | £20 | £25 |

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

Because a business may have applied for more than one type of external finance, we do not know for sure the amount obtained from each type of external finance sought⁵⁴. However, we do know how much external finance was obtained for each group that sought a particular type of external finance.

- Of those that sought bank overdrafts in the last 12 months, the mean average amount obtained was £286,000, and the median amount obtained was £25,000.

⁵⁴ Further questions on the amount sought and obtained for different types of finance form part of a separate report for the British Business Bank.

- Of those that sought commercial mortgages in the last 12 months, the mean average amount obtained was £1.7 million, and the median amount obtained was £150,000.
- Of those that sought equity finance in the last 12 months, the mean average amount obtained was £4.7 million, and the median amount obtained was £180,000.
- Of those that sought invoice discounting or factoring finance in the last 12 months, the mean average amount obtained was £225,000, and the median amount obtained was £50,000.
- Of those that sought leasing/hire purchase in the last 12 months, the mean average amount obtained was £380,000, and the median amount obtained was £40,000.
- Of those that sought external loans in the last 12 months, the mean average amount obtained was £650,000, and the median amount obtained was £40,000.
- Of those that sought grants/trust funds in the last 12 months, the mean average amount obtained was £340,000, and the median amount obtained was £40,000.

Reasons for not applying for external finance

Eleven per cent of SME employers had a need for external finance in the last 12 months that they did not apply for. This proportion was three percentage points lower than that observed in 2014. This proportion includes those who had already applied for external finance in the last 12 months but who wanted more external finance that they did not apply for, as well as those that had a need for finance but did not apply at all.

Of those that had not applied for external finance in the last 12 months, nine per cent had a need for it, four percentage points less than in 2014 and six percentage points less than in 2012.

Of those that had a need for external finance but did not apply, 55 per cent said that something had stopped them applying for it. This was particularly likely to be the case for SME employers in Scotland (71 per cent).

The reasons for not applying for external finance were very similar to those seen in 2014 and 2012. Fifty-three per cent did not want to take on additional risk, 45 per cent thought it would be too expensive, 37 per cent thought they would be rejected, 31 per cent thought the decision would have taken too long, 29 per cent did not think the time was right because of economic conditions, 20 per cent did not know where to find the appropriate finance and 11 per cent had a poor credit history.

Compared with 2014, a higher proportion claimed they did not apply because of poor credit history (up six percentage points). The change in the figure for the proportion thinking they would be rejected was not statistically significantly different between 2014 and 2015, but compared with 2012 fewer SME employers thought they would be rejected in 2015 (down eight percentage points).

Table 6.15: Reason for not applying for external finance – trends by employment size

| | All SME emps. | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|---------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 1,076 | 450 | 406 | 220 |
| | % | % | % | % |
| Did not want to take on additional risk | 53 | 54 | 49 | 34 |
| Thought it would be too expensive | 45 | 46 | 38 | 25 |
| Thought would be rejected | 37 | 37 | 40 | 22 |
| Decision would have taken too long/too much hassle | 31 | 31 | 35 | 17 |
| Now is not the right time because of economic conditions | 29 | 30 | 27 | 13 |
| Did not know where to find the appropriate finance | 20 | 20 | 22 | 10 |
| Poor credit history | 11 | 11 | 9 | 6 |
| SBS 2014 (n=) | 319 | 157 | 112 | 50 |
| | % | % | % | % |
| Did not want to take on additional risk | 52 | 53 | 39 | 29 |
| Thought would be rejected | 42 | 43 | 34 | 25 |
| Thought it would be too expensive | 42 | 42 | 41 | 17 |
| Decision would have taken too long/too much hassle | 35 | 35 | 34 | 22 |
| Now is not the right time because of economic conditions | 32 | 33 | 23 | 22 |
| Did not know where to find the appropriate finance | 17 | 18 | 8 | 9 |
| Poor credit history | 5 | 5 | 5 | 6 |
| SBS 2012 (n=) | 449 | 233 | 153 | 63 |
| | % | % | % | % |
| Did not want to take on additional risk | 56 | 56 | 52 | 29 |
| Thought it would be too expensive | 51 | 52 | 46 | 30 |
| Now is not the right time because of economic conditions | 46 | 47 | 42 | 29 |
| Thought would be rejected | 45 | 46 | 43 | 27 |
| Did not know where to find the appropriate finance | 21 | 23 | 11 | 6 |

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

Credit granting and late payment⁵⁵

Credit granting

Fifty-two per cent of SME employers (excluding charities) give their customers trade credit. This was more likely to be the case for medium sized businesses (69 per cent) than small (57 per cent) and micro (51 per cent) businesses.

Whether credit is given depends on the type of customers that a business has. Fifty-eight per cent of SME employers that had other businesses, the public sector or charities as customers gave credit, compared with 23 per cent of those that did not.

Whether credit is granted also depends on the type of business. Those in manufacturing (82 per cent), transport/storage (67 per cent), information/communication (64 per cent), professional/scientific (63 per cent), construction (62 per cent), administrative services (61 per cent) and primary (59 per cent) were all more likely than average to give credit. Those in accommodation/food service (16 per cent), financial/real estate (23 per cent), human health (32 per cent), arts/entertainment (32 per cent), other services (33 per cent), and education (37 per cent) were less likely than average to give credit.

Late payment

Those that gave credit were asked whether they had a problem with customers paying them later than they require them to. Twenty per cent said that this was a big problem, 41 per cent a small problem and 38 per cent that it was no problem. These figures have been rebased on all SME employers (excluding charities) in the following tables to give an indication of the sizes and sectors of businesses where late payment was most problematic.

Table 6.16: Whether give credit and whether late payment is a problem – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 9,961 | 3,816 | 3,667 | 2,478 |
| | % | % | % | % |
| Give credit | 52 | 51 | 57 | 69 |
| - Late payment big problem | 11 | 11 | 10 | 11 |
| - Late payment small problem | 22 | 21 | 25 | 29 |
| - Late payment no problem | 20 | 20 | 22 | 28 |
| Do not give credit | 47 | 48 | 41 | 29 |
| Don't know | 1 | 1 | 1 | 2 |

Base = all SME employers excluding charities. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H3a/H4a. Single answers only across the questions.

⁵⁵ In 2015 the payment question was only asked of those that give credit, whereas before it was asked of all. So the trends are not comparable. Charities were not asked this question.

Late payment was a big problem for 11 per cent of all SME employers and a small problem for 22 per cent. Although the proportion for whom late payment was a big problem did not vary by size of business, medium-sized (29 per cent) and small businesses (25 per cent) were more likely to have had a small problem with late payment than micros (21 per cent).

Overall, 32 per cent of SME employers had a problem with late payment, but this proportion was higher in manufacturing (50 per cent), professional/scientific (44 per cent), construction (41 per cent), information/communication (39 per cent) and administrative services (39 per cent).

Table 6.17: Whether give credit and whether late payment is a problem – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| (n=) | 9,961 | 326 | 1,258 | 803 | 1,770 | 342 | 921 | 529 |
| | % | % | % | % | % | % | % | % |
| Give credit | 52 | 59 | 82 | 62 | 53 | 67 | 16 | 64 |
| - Late payment big problem | 11 | 7 | 14 | 16 | 8 | 12 | 2 | 15 |
| - Late payment small problem | 22 | 21 | 36 | 25 | 24 | 22 | 6 | 25 |
| - Late payment no problem | 20 | 32 | 31 | 21 | 21 | 32 | 8 | 24 |
| Do not give credit | 47 | 40 | 17 | 37 | 47 | 32 | 84 | 35 |
| Don't know | 1 | 1 | 1 | 1 | * | 1 | 1 | 1 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| (n=) | 9,961 | 424 | 1,283 | 843 | 233 | 755 | 194 | 280 |
| | % | % | % | % | % | % | % | % |
| Give credit | 52 | 23 | 63 | 61 | 37 | 30 | 32 | 33 |
| - Late payment big problem | 11 | 6 | 16 | 14 | 5 | 10 | 2 | 4 |
| - Late payment small problem | 22 | 5 | 27 | 25 | 22 | 10 | 20 | 13 |
| - Late payment no problem | 20 | 12 | 19 | 23 | 10 | 10 | 10 | 16 |
| Do not give credit | 47 | 76 | 36 | 38 | 59 | 66 | 66 | 67 |
| Don't know | 1 | 2 | 1 | * | 4 | 4 | 2 | * |

Base = all SME employers excluding charities. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). H3a/H3b. Single answers only across the questions. * = a figure of less than 0.5 per cent but greater than zero

Forty-five per cent of exporters had a problem with late payment (15 per cent big problem; 31 per cent small problem), compared with 29 per cent of non-exporters. However,

internationally-based customers were not necessarily the cause of the problem. Thirty-six per cent of SME employers that mainly had international customers said late payment was a problem, compared with 40 per cent of those that mainly had national customers and 37 per cent that mainly had customers in their own regions. Only 26 per cent of those that mainly had local customers said that late payment was a problem.

There was no statistically significant variance in the proportion for which late payment was a problem by nation or English region.

Receipt of credit

Sixty-nine per cent of SME employers receive trade credit from their suppliers. This was more likely to be the case for medium-sized businesses (79 per cent) than small businesses (75 per cent) and micros (79 per cent).

Those most likely to be in receipt of credit were in the construction (89 per cent), manufacturing (87 per cent) and retail/wholesale (85 per cent) sectors. Less likely to receive credit were those in financial/real estate (40 per cent), human health (42 per cent), education (48 per cent), information/communication (51 per cent), other services (56 per cent), professional/scientific (57 per cent) and arts/entertainment (61 per cent) sectors.

By nation, those in Northern Ireland were more likely to be in receipt of credit (79 per cent) than those in England (68 per cent), Wales (70 per cent) and Scotland (69 per cent).

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

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

A quarter (25 per cent) overall said it was likely (12 per cent very likely, 13 per cent fairly likely). Thirty-six per cent of medium-sized businesses said they would be likely to approach external finance providers, compared with 30 per cent of small businesses and 23 per cent of micros.

In the 2014 and 2012 surveys, this question was based only on those who aimed to grow their business. In 2015, 31 per cent of those that aim to grow said they would be likely to approach finance providers in the next three years. This compares with 29 per cent in 2014 and 34 per cent in 2012.

Table 6.18: Whether likely to approach external finance providers in the next three years – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|----------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Likely | 25 | 23 | 30 | 36 |
| - <i>Very likely</i> | 12 | 11 | 15 | 19 |
| - <i>Fairly likely</i> | 13 | 12 | 15 | 16 |
| Not likely | 73 | 75 | 66 | 60 |
| - <i>Not very likely</i> | 25 | 25 | 25 | 27 |
| - <i>Not at all likely</i> | 48 | 50 | 41 | 33 |
| Don't know | 3 | 2 | 4 | 5 |

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

By sector, those in the primary sector (37 per cent), human health (33 per cent), transport/storage (32 per cent), financial/real estate (29 per cent) and manufacturing (28 per cent) were more likely than average to think they will approach finance providers in the next three years. With the exception of financial/real estate, these were also the sectors more likely to have sought finance in the last 12 months.

Fifty-nine per cent of those that sought finance in the last 12 months think they will approach external finance providers in the next three years, compared with 17 per cent of those that did not.

Sixty per cent of those that obtained finance in the last 12 months think they will approach external finance providers in the next three years, compared with 49 per cent of those that sought finance but obtained none.

Table 6.19: Whether likely to approach external finance providers in the next three years – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|-------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Likely | 25 | 37 | 28 | 23 | 23 | 32 | 24 | 22 |
| - <i>Very likely</i> | 12 | 15 | 13 | 11 | 9 | 18 | 14 | 9 |
| - <i>Fairly likely</i> | 13 | 22 | 15 | 13 | 14 | 14 | 10 | 12 |
| Not likely | 73 | 60 | 69 | 75 | 74 | 65 | 73 | 75 |
| - <i>Not very likely</i> | 25 | 22 | 28 | 29 | 26 | 23 | 24 | 28 |
| - <i>Not at all likely</i> | 48 | 38 | 41 | 46 | 48 | 42 | 49 | 48 |
| Don't know | 3 | 3 | 2 | 1 | 3 | 3 | 4 | 3 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Likely | 25 | 29 | 21 | 21 | 26 | 33 | 25 | 22 |
| - <i>Very likely</i> | 12 | 16 | 10 | 9 | 8 | 21 | 10 | 14 |
| - <i>Fairly likely</i> | 13 | 13 | 11 | 12 | 17 | 12 | 15 | 8 |
| Not likely | 73 | 69 | 78 | 78 | 72 | 63 | 71 | 75 |
| - <i>Not very likely</i> | 25 | 16 | 25 | 24 | 19 | 24 | 21 | 22 |
| - <i>Not at all likely</i> | 48 | 53 | 52 | 53 | 52 | 39 | 50 | 53 |
| Don't know | 3 | 2 | 2 | 2 | 3 | 4 | 4 | 3 |

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

7. Major obstacles to the success of the business

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

Major obstacles to the success of the business⁵⁶

Respondents were read a list of issues and asked which, if any, represented major obstacles to the success of their business. Overall, 49 per cent of SME employers said that competition in the market was a major obstacle to the success of their business. Forty-nine per cent said regulations/red tape, 43 per cent taxation (including VAT, PAYE, NI and rates), 33 per cent late payment, 32 per cent staff recruitment and skills, 23 per cent workplace pensions, 22 per cent obtaining finance and 21 per cent the availability/cost of suitable premises.

Table 7.1: Major obstacles to the success of the business – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Competition in the market | 49 | 49 | 51 | 56 |
| Regulations/red tape | 49 | 49 | 51 | 50 |
| Taxation, VAT, PAYE, NI, rates | 43 | 43 | 43 | 35 |
| Late payment | 33 | 33 | 34 | 33 |
| Staff recruitment and skills | 32 | 29 | 45 | 53 |
| Workplace pensions | 23 | 22 | 24 | 20 |
| Obtaining finance | 22 | 22 | 22 | 18 |
| Availability/cost of suitable premises | 21 | 21 | 21 | 21 |
| Other spontaneous mentions | 11 | 11 | 10 | 10 |
| No major obstacles | 10 | 10 | 7 | 8 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). G2⁵⁷. Multiple answers allowed at this question.

Small and medium-sized businesses were more likely than micros to think competition and staff recruitment/skills were major obstacles. Small businesses were more likely than

⁵⁶ The 2015 question asked about 'major' obstacles, whereas previously it asked about any obstacles. Furthermore, some of the categories were changed from those that appeared in previous years. Therefore comparable trend data is not available.

⁵⁷ Refers to the question number.

micros and mediums to think regulations/red tape was a major obstacle. Other than these, there were no statistically significant differences in terms of major obstacles according to the size of SME.

Table 7.2: Major obstacles to the success of the business – by sector (SIC 2007)

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

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). G2. Multiple answers allowed at this question.

Competition was particularly likely to be a major obstacle for those in retail/wholesale (58 per cent) and accommodation/food service (54 per cent).

Regulations/red tape was more likely than average to be a major obstacle in primary (76 per cent), financial/real estate (64 per cent) and construction (53 per cent).

Accommodation/food service (61 per cent), retail/wholesale (48 per cent) and manufacturing were more likely than other sectors to think *taxation* was a major obstacle.

Late payment was more likely than average to be a major obstacle in the construction (50 per cent), professional/scientific (43 per cent), manufacturing and information/communication (each 41 per cent) and administrative services (40 per cent) sectors.

Staff recruitment/skills was a particular major obstacle in the transport/storage (45 per cent), construction (39 per cent) and manufacturing (38 per cent) sectors.

Workplace pensions were more likely than average to be major obstacles in human health (28 per cent) and administrative services, accommodation/food and retail/wholesale (all 25 per cent).

Obtaining finance was particularly likely to be a major obstacle in human health (45 per cent), education (38 per cent), arts/entertainment (31 per cent), other services (27 per cent) and information/communication (26 per cent).

The availability and cost of suitable premises was more likely than average to be a major obstacle in education and transport/storage (both 29 per cent), arts/entertainment (28 per cent), other services (27 per cent), human health and retail/wholesale (both 25 per cent) and manufacturing (24 per cent).

In Scotland regulations/red tape (53 per cent) was more likely than average to be a major obstacle. This was also the case in Wales (62 per cent), for which obtaining finance (28 per cent) was also more likely than average to be a major obstacle.

In Northern Ireland competition (62 per cent), taxation (51 per cent), obtaining finance (35 per cent) and workplace pensions (30 per cent) were all more likely than average to be major obstacles.

Regulations⁵⁸

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

Health and safety was mentioned by 19 per cent, tax-related regulations by 18 per cent, employment regulations by 13 per cent, a variety of sector specific regulations by 13 per

⁵⁸ Given changes to the filter question (which are the obstacles to the business), trend data cannot be shown for this question.

cent, financial services regulations by nine per cent and Local Authority regulation by a further nine per cent.

Both small and medium sized businesses were more likely than micros to list health and safety, employment and sector specific regulations as problematic. They were less likely than micros to mention tax-related, financial services and building/construction regulations.

Table 7.3: Regulations considered to be major obstacles to the success of the business – by employment size

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

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

The following table lists the three regulations considered to be major obstacles in each sector. Those in bold are the regulations where each sector was statistically significantly more likely than average to mention it.

Health and safety was the main regulation mentioned by construction (35 per cent of those considering regulations to be major obstacles), construction (29 per cent), arts/entertainment (26 per cent), administrative services (19 per cent) and other services (16 per cent).

Sector specific regulations were most likely to be mentioned in education and human health (both 25 per cent), primary (20 per cent) and transport/storage (19 per cent).

Tax-related regulations were most likely to have been mentioned in information/communication (30 per cent), accommodation/food service (27 per cent) and professional/scientific (22 per cent).

Financial regulations were mentioned by 42 per cent in the financial/real estate sector.

Table 7.4: Top three regulations thought to be major obstacles to the success of the business – by sector

| LSBS Y1 (2015) | n= | 1 st Major Obstacle | 2 nd Major Obstacle | 3 rd Major Obstacle |
|------------------------------|-------|----------------------------------|----------------------------------|--------------------------------|
| All SME Employers | 5,578 | Health & safety (19%) | Tax (18%) | Employment (13%) |
| ABDE Primary | 246 | Sector specific (20%) | Environmental (19%) | Health & safety (17%) |
| C Manufacturing | 619 | Health & safety (29%) | Tax (17%) | Employment (14%) |
| F Construction | 450 | Health & safety (35%) | Building (18%) | Tax (16%) |
| G Retail/wholesale | 886 | Tax (21%) | Health & safety (17%) | Employment (15%) |
| H Transport/storage | 199 | Sector specific (19%) | Employment (19%) | Tax (15%) |
| I Accommodation/food service | 488 | Tax (27%) | Health & safety (25%) | Local Authority (16%) |
| J Information/communication | 161 | Tax (30%) | Employment (10%) | Record keeping (8%) |
| KL Financial/real estate | 288 | Financial (42%) | Sector specific (18%) | Tax (13%) |
| M Professional/scientific | 586 | Tax (22%) | Sector specific (13%) | Employment (13%) |
| N Administrative services | 409 | Health & safety (19%) | Sector specific (18%) | Tax (16%) |
| P Education | 246 | Sector specific (25%) | Employment (14%) | Local Authority (14%) |
| Q Human health | 683 | Sector specific (25%) | Health & safety (16%) | Local Authority (12%) |
| R Arts/entertainment | 126 | Health & safety (26%) | Employment (25%) | Local Authority (25%) |
| S Other services | 191 | Health & safety (16%) | Tax (13%) | Employment (12%) |

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

In Scotland, environmental regulations (14 per cent) were more likely than average to be mentioned.

In Wales, Local Authority (17 per cent), planning applications (12 per cent) and building/construction regulations (11 per cent) were more likely than average to be mentioned.

Taxation/VAT/PAYE

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

Overall, 64 per cent said it was the level of tax that was the major obstacle and 53 per cent that it was the effort required in compliance (41 per cent had said that both were major obstacles). There were no differences in these proportions according to size of business.

The level of tax was particularly problematic in accommodation/food service (76 per cent) and financial/real estate (69 per cent). Compliance was a particular problem in professional/scientific (60 per cent) and construction (57 per cent).

8. Business support

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

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

Awareness of government organisations offering business support

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

Table 8.1: Awareness of UK-wide public sector organisations – by nation

| | UK | England | Wales | Scotland | Northern Ireland |
|--|--------|-----------|-----------|-----------|------------------|
| LSBS Y1 (2015) (n=) | 11,147 | 9,570 | 370 | 820 | 387 |
| | % | % | % | % | % |
| The Pensions Regulator | 83 | 83 | 83 | 85 | 84 |
| Investors in People | 70 | 70 | 65 | 73 | 67 |
| UK Trade & Investment (UKTI) | 35 | 36 | 25 | 30 | 39 |
| Innovate UK (formerly the Technology Strategy Board) | 31 | 31 | 27 | 28 | 30 |
| Tools for Business (.GOV website) | 28 | 28 | 26 | 24 | 26 |
| British Business Bank | 15 | 15 | 7 | 14 | 6 |
| SBS 2014 (n=) | 4,355 | 2,927 | 139 | 853 | 436 |
| | % | % | % | % | % |
| UK Trade & Investment (UKTI) | 35 | 37 | 26 | 23 | 34 |
| Tools for Business (.GOV website) | 24 | 25 | 18 | 20 | 21 |
| British Business Bank | 14 | 14 | 12 | 15 | 7 |
| Technology Strategy Board | 8 | 8 | 7 | 8 | 10 |
| SBS 2012 (n=) | 4,768 | 2,872 | 630 | 835 | 431 |
| | % | % | % | % | % |
| UK Trade & Investment (UKTI) | 24 | 25 | 15 | 21 | 38 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K1⁵⁹. Multiple answers allowed at this question.

⁵⁹ Refers to the question number.

Eighty-three per cent had heard of The Pensions Regulator, 70 per cent of Investors in People, 35 per cent of UKTI, 31 per cent of Innovate UK, 28 per cent of Tools for Business (.GOV website) and 15 per cent of the British Business Bank. The Pensions Regulator, Investors in People and Innovate UK were new categories in 2015.

Awareness of Investors in People was lower in Wales (65 per cent) than elsewhere.

Awareness of UKTI was higher in England (36 per cent) and Northern Ireland (39 per cent) than in Scotland (30 per cent) and Wales (25 per cent). Although the proportion aware of UKTI did not increase on the 2014 figure overall, it did rise statistically significantly in Scotland by seven percentage points.

Innovate UK had far higher awareness levels overall (31 per cent) than did the Technology Strategy Board in 2014 (eight per cent).

Overall awareness of the Tools for Business section of the .GOV website increased statistically significantly from levels in 2014 by four percentage points.

Overall awareness of the British Business Bank did not increase on levels in 2014. Those in Wales (seven per cent) and Northern Ireland (six per cent) were less aware of it than average.

Table 8.2: Awareness of UK-wide public sector organisations – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-----------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| The Pensions Regulator | 83 | 82 | 88 | 91 |
| Investors in People | 70 | 68 | 79 | 84 |
| UK Trade & Investment (UKTI) | 35 | 34 | 40 | 47 |
| Innovate UK | 31 | 30 | 34 | 40 |
| Tools for Business (.GOV website) | 28 | 27 | 30 | 34 |
| British Business Bank | 15 | 14 | 16 | 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). K1. Multiple answers allowed at this question.

In general, small and medium-sized SMEs were more likely to be aware of these public sector organisations than micros. This was particular the case for Investors in People, which 84 per cent of mediums had heard of, compared with 68 per cent of micros.

Certain sectors were more likely to be aware of these public sector organisations than others. Awareness levels were above average for all public sector organisations in the professional/ scientific sector, and in the administrative services, education and human health sectors awareness levels were higher than average for most of the public sector organisations.

The sectors that were more likely to export (professional/scientific, 49 per cent; manufacturing, 46 per cent; information/ communication, 44 per cent) had higher than average awareness of UKTI.

Three of the sectors that were most likely to have innovated in the last 12 months (professional/scientific, 43 per cent; information/communication, 39 per cent; education, 37 per cent) had higher than average awareness of Innovate UK.

Table 8.3: Awareness of UK-wide public sector organisations – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|-----------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| The Pensions Regulator | 83 | 80 | 83 | 82 | 80 | 84 | 78 | 82 |
| Investors in People | 70 | 65 | 71 | 66 | 63 | 69 | 62 | 72 |
| UK Trade & Investment (UKTI) | 35 | 34 | 46 | 26 | 33 | 30 | 27 | 44 |
| Innovate UK | 31 | 25 | 32 | 29 | 27 | 27 | 25 | 39 |
| Tools for Business (.GOV website) | 28 | 24 | 23 | 29 | 25 | 27 | 30 | 25 |
| British Business Bank | 15 | 13 | 12 | 15 | 15 | 11 | 13 | 12 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| The Pensions Regulator | 83 | 88 | 88 | 86 | 84 | 87 | 85 | 84 |
| Investors in People | 70 | 79 | 81 | 78 | 83 | 80 | 71 | 64 |
| UK Trade & Investment (UKTI) | 35 | 31 | 49 | 38 | 34 | 25 | 34 | 31 |
| Innovate UK | 31 | 32 | 43 | 31 | 37 | 27 | 30 | 21 |
| Tools for Business (.GOV website) | 28 | 25 | 30 | 31 | 32 | 33 | 26 | 26 |
| British Business Bank | 15 | 15 | 18 | 16 | 8 | 15 | 19 | 13 |

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

Most likely to have heard of the British Business Bank were those in arts/entertainment (19 per cent) and professional/scientific (18 per cent).

Awareness of government organisations offering business support – England and Wales

In addition to the UK-wide public sector organisations, SME employers were asked if they had heard of organisations that operated on a country level rather than across the UK.

Growth Hubs

These were asked about in England only, for the first time in 2015.

Thirteen per cent of SME employers in England had heard of Growth Hubs. Thirteen per cent of micro businesses had heard of them, as had 14 per cent of small businesses and 17 per cent of mediums.

Awareness was higher than average in professional/scientific (23 per cent), and information/communication (17 per cent).

By region, awareness was higher than average in the North West (19 per cent) and the East Midlands (17 per cent).

Local Enterprise Partnerships (LEPs)

Local Enterprise Partnerships (LEPs) were asked about in England only. SME employers were asked if they had heard of the main LEP in their area. This differed from the 2014 survey when overall awareness of LEPs was sought and the figures thus cannot be compared.

Forty-five per cent of SME employers in England were aware of their own LEP. This was the case for 44 per cent of micro businesses, 47 per cent of smalls and 51 per cent of mediums.

Awareness of LEPs was above average in primary (53 per cent), professional/scientific (53 per cent) and manufacturing (51 per cent).

Awareness of government organisations offering business support – Scotland

The following is a summary of awareness levels of business support organisations that operate in Scotland and where relevant how these awareness levels have changed since the 2014 survey.

- *Scottish Enterprise or Highland and Islands Enterprise*: 93 per cent aware (up 14 percentage points on 2014). Individual awareness of Scottish Enterprise was 90 per cent and 61 per cent for Highland and Islands Enterprise⁶⁰.
- *Business Gateway*: 85 per cent aware (down one percentage point on 2014).
- *Skills Development Scotland*: 57 per cent aware (up five percentage points on 2014).
- *Scottish Development International*: 30 per cent aware (up two percentage points on 2014).
- *Co-operative Development Scotland*: 13 per cent aware (up two percentage points on 2014).
- *Scottish Manufacturing Advice Service*: 11 per cent aware (up one percentage point on 2014).

Awareness of government organisations offering business support – Northern Ireland

The following is a summary of awareness levels of business support organisations that operate in Northern Ireland and where relevant how these awareness levels have changed since the 2014 survey.

- *Invest Northern Ireland*: 92 per cent aware (down 2 percentage points on 2014).
- *Department for Employment and Learning*: 81 per cent aware (up four percentage points on 2014).
- *Department for Enterprise, Trade and Investment*: 77 per cent aware (down two percentage points on 2014).
- *NI Business info.co.uk*: 56 per cent aware (up five percentage points on 2014).
- *InterTrade Ireland*: 41 per cent aware (up two percentage points on 2014).

⁶⁰ These were grouped together in the 2014 survey.

Whether sought external information or advice in the last 12 months

A third of SME employers (33 per cent) had sought external advice or information in the last 12 months. This was when there had been more than just a casual conversation.

Table 8.4: Whether sought external advice or information in the last 12 months - by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes | 33 | 31 | 40 | 50 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K2/K3. Single answers only across the questions.

Larger SMEs were more likely to have sought external advice or information. Fifty per cent of medium-sized businesses had done so, compared with 40 per cent of small businesses and 31 per cent of micros.

Table 8.5: Whether sought external advice or information in the last 12 months - by sector (2007 SIC)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/Whole | H Transport | I Accom/Food | J Info-comms |
|---------------------|---------------|----------------------|-----------------|----------------|----------------|----------------|------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes | 33 | 51 | 32 | 30 | 24 | 23 | 26 | 40 |
| | All SME emps. | KL Finance/Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes | 33 | 47 | 41 | 33 | 42 | 40 | 26 | 29 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K2/K3. Single answers only across the questions.

By sector, advice or information was more likely than average to be sought in primary (51 per cent), financial/real estate (47 per cent), education (42 per cent), professional/scientific (41 per cent), information/communication (40 per cent), and human health (40 per cent).

Table 8.6: Whether sought external information or advice in the last 12 months- by nation

| | UK | England | Wales | Scotland | Northern Ireland |
|----------------------------|--------|-----------|-----------|-----------|------------------|
| LSBS Y1 (2015) (n=) | 11,147 | 9,570 | 370 | 820 | 387 |
| | % | % | % | % | % |
| Yes - any | 33 | 33 | 30 | 37 | 28 |
| - Information only | n/a | 12 | 8 | n/a | n/a |
| - Strategic advice | n/a | 8 | 4 | n/a | n/a |
| - Both of these | n/a | 9 | 15 | n/a | n/a |
| - Neither/not sure which | n/a | 5 | 3 | n/a | n/a |
| No – none | 66 | 66 | 70 | 63 | 72 |

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

SME employers in Scotland (37 per cent) were more likely to have sought information or advice than those in England (33 per cent), Wales (30 per cent) and Northern Ireland (28 per cent).

In England, 12 per cent had sought information only, eight per cent strategic advice only and nine per cent both, meaning that 16 per cent had sought any advice and 21 per cent any information. In Wales 19 per cent had sought any advice and 23 per cent any information.

Across England and Wales, **advice** was more likely to be sought by medium (29 per cent) and small (20 per cent) businesses than by micros (16 per cent). By sector, advice was more likely than average to be sought in the primary sector (28 per cent), information/communication (22 per cent) and professional/scientific (22 per cent) sectors.

Information in England and Wales was more likely to be sought by medium (33 per cent) and small (26 per cent) businesses than by micros (20 per cent). By sector, those in primary industries were more likely than average to have sought information (35 per cent), as were those in financial/real estate (34 per cent), education (29 per cent) and human health (27 per cent).

Type of information or advice sought (England and Wales only)⁶¹

In England and Wales, advice was mainly sought for business growth (36 per cent), improving business efficiency and productivity (18 per cent) and financial advice for the general running of the business (16 per cent).

Information was mainly sought on financial matters for the general running of the business (18 per cent), on employment law (12 per cent) and on tax/national insurance matters.

⁶¹ Because these sets of questions were asked differently according to country, the data is not comparable across the UK and only results from England and Wales are shown here.

In terms of advice, those in Wales were more likely to seek advice to improve business efficiency (29 per cent, 17 per cent in England) and on workplace pensions (16 per cent, five per cent in England) and they were less likely to seek financial advice for the general running of the business (six per cent, 16 per cent in England).

There were few differences in terms of the type of advice required according to size of business, but there were some differences by sector.

Those that had sought advice in administrative services (49 per cent) and manufacturing (42 per cent) were more likely than average to seek it for *business growth*.

Table 8.7: What information or advice was sought for in the last twelve months – split by whether information or advice (England and Wales only)

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

Base = all SME employers in England and Wales that received advice/information in the last 12 months. * = a figure greater than zero, but less than 0.5%. K4/K5. Multiple answers allowed at this question.

Advice on *improving business efficiency* was more likely than average to be sought by the primary (45 per cent) and education (25 per cent) sectors.

Financial advice for the general running of the business was more likely than average to be sought by retail/wholesale (24 per cent).

Advice on *marketing* was more likely than average to be sought by those in education (22 per cent), financial/real estate (18 per cent) and professional/scientific (17 per cent).

Advice on *employment law/redundancy* was more likely than average to be sought by those in other services (23 per cent).

Advice on *where to get finance* was more likely than average to be sought by those in human health (20 per cent) and manufacturing (12 per cent).

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

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

In the last 12 months, external advice was sought from an accountant by 29 per cent of SME employers that sought advice and from consultants/business advisers by the same proportion. Fifteen per cent sought advice from business networks and nine per cent from solicitors or lawyers.

Table 8.8: Where did they seek information or advice in the last twelve months – split by whether information or advice (England and Wales only)

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

Base = all SME employers in England and Wales that received advice/information in the last 12 months. * = a figure greater than zero, but less than 0.5%. K6/K7. Multiple answers allowed at this question.

Those that had sought information were most likely to consult accountants (24 per cent). Sixteen per cent sought information from consultants/business advisers and ten per cent used internet searches.

Medium-sized businesses were more likely to receive advice from consultants (38 per cent) than accountants (20 per cent). Mediums (16 per cent) and small businesses (12 per cent) were more likely to get advice from lawyers than micros (seven per cent). Micros were more likely to seek advice from business networks and trade associations (16 per cent) than small businesses (13 per cent) and mediums (ten per cent).

Of those seeking advice, *consultants* were more likely than average to be used by those in the primary (59 per cent), arts/entertainment (44 per cent) and professional/scientific (35 per cent) sectors.

Accountants were more likely than average to be used for advice by those in the accommodation/ food service (38 per cent), administrative service (37 per cent) and retail/wholesale (35 per cent) sectors.

Business networks/trade associations were more likely than average to be used for advice by those in the transport/storage sector (33 per cent).

Lawyers were more likely than average to be used for advice by those in the financial/real estate sector (19 per cent).

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

Table 8.9: How information or advice was mainly delivered – split by whether information or advice (England and Wales only)

| | Advice | Information |
|----------------------------|--------|-------------|
| LSBS Y1 (2015) (n=) | 2,121 | 2,627 |
| | % | % |
| Face to face | 71 | 56 |
| On the phone | 10 | 17 |
| By email | 9 | 9 |
| Through a website | 4 | 10 |
| Social media | 1 | 1 |
| Other | 5 | 6 |

Base = all SME employers in England and Wales that received advice or information in the last 12 months. K9a/K9d. Single answer only allowed at this question.

Of those that received **advice** in England and Wales in the last 12 months, 71 per cent *mainly* received it face-to-face, ten per cent over the phone, nine per cent by email, four per cent through a website and one per cent via social media.

Eighty per cent of those that received advice in Wales received this face to face, compared with 70 per cent in England. Ten per cent in England received advice over the phone, compared with three per cent in Wales.

Medium-sized businesses were more likely to have received face to face advice (78 per cent) than smalls (72 per cent) and micros (70 per cent), Medium-sized businesses were consequently less likely to have received advice over the telephone (seven per cent) or through a website (two per cent).

Most likely to have received face-to-face advice were those in the primary (84 per cent), information/communication (82 per cent) and professional/scientific (77 per cent) sectors. Those in education (20 per cent), human health (17 per cent) and retail/wholesale (14 per cent) were more likely than average to have received advice over the phone.

The majority of those that received advice from consultants (77 per cent) and accountants (74 per cent) received it face to face. However, only 56 per cent of those that used lawyers received face to face advice, and 22 per cent of this group received advice by email instead.

Information received was less likely than advice to have been transferred face to face (56 per cent) and was more likely to have been given over the phone (17 per cent) or through a website (ten per cent).

Amount of advice received (England and Wales only)

Twenty-two per cent of those in England and Wales that received advice had up to three hours of advice in total, 46 per cent had up to three days and 31 per cent had three days or more.

Fifty-four per cent of medium-sized businesses had three days or more of advice, compared with 37 per cent of small businesses and 29 per cent of micros. Most likely to have had a longer period of advice (i.e. three days or more) were those in arts/entertainment (59 per cent), transport/storage (50 per cent) and human health (49 per cent).

Forty-five per cent of those that used consultants received over three days worth of advice, compared with 20 per cent of those that used accountants and 36 per cent of those that used lawyers.

Paying for advice (England and Wales only)

Sixty-five per cent of those in England and Wales that received advice in the last 12 months paid for it. Medium-sized businesses were more likely to have paid for advice (83 per cent) than small businesses (71 per cent) or micros (63 per cent). By sector, those in primary industries (91 per cent) and construction (73 per cent) were more likely than average to have paid.

Table 8.10: Whether paid for *advice* in the last 12 months and amount paid - by employment size (England & Wales only)

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 2,121 | 595 | 735 | 791 |
| | % | % | % | % |
| Yes – paid for advice | 65 | 63 | 71 | 83 |
| - <i>Under £500</i> | 11 | 12 | 7 | 2 |
| - <i>£500 - £999</i> | 9 | 11 | 4 | 3 |
| - <i>£1,000 - £2,499</i> | 14 | 14 | 14 | 11 |
| - <i>£2,500 - £4,999</i> | 8 | 7 | 11 | 11 |
| - <i>£5,000 - £9,999</i> | 8 | 6 | 13 | 14 |
| - <i>£10,000 - £49,999</i> | 7 | 5 | 12 | 23 |
| - <i>Over £50,000</i> | 3 | 2 | 3 | 9 |
| - <i>Don't know how much paid/refused to say</i> | 5 | 5 | 7 | 10 |
| No – did not pay for advice | 34 | 37 | 28 | 16 |
| Mean average paid | £10,250 | £9,040 | £11,250 | £23,750 |
| Median average paid | £2,000 | £1,750 | £3,500 | £7,000 |

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

The mean average paid by medium-sized businesses that paid for advice was just under £24,000, compared with just over £9,000 for micros. However, because of some high sums paid, the median gives a better indication of the amounts that were typically paid by SMEs for advice. Overall, the median was £2,000 (£1,750 for micros, £3,500 for small businesses and £7,000 for mediums).

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

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

Table 8.11: Unmet needs for information and advice – trends by employment size (England and Wales only)

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

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

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

Table 8.12: Unmet needs for information and advice – by sector (2007 SIC). England and Wales only

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 9,940 | 292 | 1,135 | 711 | 1,570 | 316 | 836 | 493 |
| | % | % | % | % | % | % | % | % |
| Yes | 5 | 4 | 6 | 4 | 4 | 5 | 6 | 6 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 9,940 | 413 | 1,175 | 792 | 438 | 1,087 | 265 | 417 |
| | % | % | % | % | % | % | % | % |
| Yes | 5 | 4 | 7 | 6 | 9 | 5 | 4 | 4 |

Base = all SME employers In England and Wales. * = a figure of less than 0.5 per cent, but greater than zero. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K13. Single answers only at this question.

Networks (England and Wales only)

SME employers in England and Wales were asked whether they considered themselves to belong to a business network. This could include a social media network such as LinkedIn, being a member of a Chamber of Commerce, a formal business network that meets regularly or an informal business network that meets socially to discuss mutual business interests.

Two-thirds of SME employers (67 per cent) considered that they belonged to a business network. This was most likely to be the case for medium-sized businesses (82 per cent, compared with 74 per cent of small businesses and 65 per cent of micros).

By sector, those in information/communication (83 per cent), professional/scientific (81 per cent), financial/real estate (76 per cent), human health (75 per cent) and administrative services (74 per cent) were more likely than average to be in any form of business network. Those in construction (53 per cent), accommodation/food (55 per cent), retail/wholesale (59 per cent) and transport/storage (61 per cent) were less likely than average to be part of a network.

Forty-six per cent of SME employees were part of a social media network, 28 per cent part of a formal business network, 25 per cent part of an informal social business network and 16 per cent were members of local Chambers of Commerce.

Medium-sized businesses were much more likely to engage with all these forms of networks than smalls and micros. In particular, they were much more likely to be members of formal business networks (41 per cent of mediums, 27 per cent of micros) and Chambers of Commerce (35 per cent of mediums, 14 per cent of micros).

Table 8.13: Whether part of a business network - by employment size (England & Wales only)

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|---|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 9,940 | 3,628 | 3,618 | 2,694 |
| | % | % | % | % |
| Yes – part of a business network | 67 | 65 | 74 | 82 |
| - <i>Social media network, e.g. LinkedIn</i> | 46 | 44 | 51 | 59 |
| - <i>Formal business network, e.g. one that meets regularly</i> | 28 | 27 | 33 | 41 |
| - <i>Informal business network that meets socially</i> | 25 | 25 | 27 | 31 |
| - <i>Local Chamber of Commerce</i> | 16 | 14 | 23 | 35 |
| - <i>Other business network</i> | 2 | 2 | 1 | 3 |
| No – not part of a business network | 33 | 34 | 25 | 18 |
| SBS 2014 (n=) | 3,066 | 1,145 | 1,180 | 741 |
| | % | % | % | % |
| Yes – part of a business network | 72 | 71 | 76 | 87 |
| - <i>Social media network, e.g. LinkedIn</i> | 50 | 50 | 50 | 61 |
| - <i>Formal business network, e.g. one that meets regularly</i> | 33 | 32 | 34 | 51 |
| - <i>Informal business network that meets socially</i> | 28 | 27 | 32 | 37 |
| - <i>Local Chamber of Commerce</i> | 18 | 16 | 25 | 36 |
| - <i>Other business network</i> | 1 | 1 | 1 | 1 |
| No – not part of a business network | 27 | 28 | 23 | 13 |

Base = all SME employers in England and Wales. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). K20. Multiple answers allowed at this question.

More likely than average to have been in a formal business network were those in human health (42 per cent), administrative services (38 per cent), professional/scientific (37 per cent), arts/entertainment (36 per cent), education (35 per cent) and other services and financial/real estate (both 33 per cent).

More likely than average to be members of a Chamber of Commerce were those in financial/ real estate (25 per cent), manufacturing (23 per cent), administrative services (19 per cent) and retail/wholesale (18 per cent).

Compared with 2014, the proportion belonging to networks has declined by five percentage points. The proportions belonging to all types of business network has declined.

9. Workplace pensions

This section looks at workplace pensions and staging dates. The staging date is the date when employers are required to automatically enrol all eligible employees into a workplace pension. They may have paid contributions to employee pensions before this date.

Whether staging date has been reached

At the time of interview, 13 per cent of SME employers have reached their staging date and had already enrolled eligible workers into a qualifying scheme. A further ten per cent had reached their staging date, but with no workers eligible for enrolment. Sixty-five per cent said they would start enrolling staff over the next three months.

Larger SMEs were much more likely than micros to have already reached their staging dates (57 per cent of mediums had reached the date and already enrolled workers, compared with ten per cent of micros).

Table 9.1: Whether staging date has been reached – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Reached staging date and have already enrolled eligible workers into schemes | 13 | 10 | 18 | 57 |
| - Did this at least 12 months ago | 6 | 4 | 8 | 34 |
| Reached staging date, no workers eligible for automatic enrolment | 10 | 12 | 3 | 1 |
| Will start enrolling staff in next 3 months | 65 | 64 | 71 | 38 |
| Don't know/refused ⁶² | 13 | 14 | 7 | 4 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). I1/I3⁶³. Single answer only across these questions.

Six per cent of all SME employers had reached their staging date and enrolled workers at least 12 months previously. This figure increased to 34 per cent among medium-sized businesses.

⁶² The relatively high proportion of micros saying 'don't know' to this question, was because they had not reached a staging date, but thought they would not have any eligible workers to enrol in workplace pensions.

⁶³ Refers to question numbers.

Table 9.2: Whether staging date has been reached – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|---------------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Reached date and enrolled workers | 13 | 12 | 16 | 10 | 12 | 15 | 11 | 11 |
| - 12m ago | 6 | 9 | 6 | 3 | 6 | 7 | 5 | 5 |
| Reached date, no eligible workers | 10 | 18 | 8 | 8 | 10 | 9 | 11 | 12 |
| Will start enrolment in next 3 months | 65 | 57 | 65 | 69 | 64 | 62 | 59 | 64 |
| DK/REF | 13 | 13 | 11 | 13 | 14 | 15 | 20 | 13 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Reached date and enrolled workers | 13 | 13 | 12 | 13 | 12 | 18 | 15 | 15 |
| - 12m ago | 5.7 | 4 | 5 | 6 | 9 | 9 | 6 | 6 |
| Reached date, no eligible workers | 10 | 8 | 10 | 12 | 6 | 8 | 11 | 8 |
| Will start enrolment in next 3 months | 65 | 72 | 68 | 64 | 70 | 65 | 59 | 64 |
| DK/REF | 13 | 7 | 10 | 11 | 12 | 10 | 15 | 13 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 11/13. Single answer only across these questions.

By sector, those in human health (18 per cent) and manufacturing (16 per cent) were the most likely to have reached their staging date and already enrolled workers. These were the sectors most likely to contain medium-sized businesses.

Primary (18 per cent) and administrative services (12 per cent) were the sectors most likely to have reached their staging date, but with no eligible workers.

Those in financial/real estate (72 per cent), education (70 per cent), construction (69 per cent) and professional/scientific (68 per cent) were the most likely to start enrolment in the three months post interview.

Those in the accommodation/food service sector were the least likely to know whether their staging date had been reached, or whether they had eligible workers (20 per cent).

Preparations for automatic enrolment

Of the SME employers that had already reached their staging date and enrolled workers, 18 per cent prepared for this over a year before, 21 per cent six to 12 months before the date, 20 per cent three to six months beforehand, 14 per cent one to three months before, and ten per cent left the preparations to a month or less before the staging date.

For those yet to reach their staging date there were similar planned enrolment timescales to those that had already enrolled, but there were fewer making preparations over a year before the staging date (12 per cent, compared with 18 per cent of those that had already enrolled).

Table 9.3: When preparations started for automatic enrolment

| | Reached staging date already and have enrolled workers | Will enrol workers in the next 3 months |
|-----------------------------------|--|---|
| LSBS Y1 (2015) (n=) | 3,565 | 6,173 |
| | % | % |
| Up to 1 month before staging date | 10 | 12 |
| 1-2 months before staging date | 6 | 6 |
| 2-3 months before staging date | 8 | 9 |
| 3-6 months before staging date | 20 | 20 |
| 6-12 months before staging date | 21 | 22 |
| Over 1 year before staging date | 18 | 12 |
| Don't know/refused | 17 | 19 |

Base = all SME employers already enrolled in workplace pensions/about to enrol in workplace pensions. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 12/16. Single answer only across these questions.

Larger organisations were more likely to prepare for enrolment a long time in advance of the staging date. Fifty per cent of mediums already enrolled had begun preparation six months or longer before the staging date, compared with 47 per cent of small businesses and 35 per cent of micros. Eleven per cent of micros had begun their preparations a month or less before their staging date, compared with six per cent of small businesses and five per cent of mediums.

Of those already enrolled, those most likely to have prepared six months or longer before the staging date were in the human health (52 per cent), information/communications (52 per cent), and manufacturing (47 per cent) sectors.

Multiple pension schemes

Of those already enrolled for workplace pensions, ten per cent had more than one pension scheme. This proportion did not vary by size of the business (ten per cent each of micros and small businesses, 11 per cent of mediums), but there were differences by sector. Most likely to have multiple pension schemes were those in the education (31 per cent), construction (26 per cent), transport/storage (22 per cent), arts/entertainment (22 per cent) and financial/real estate (19 per cent) sectors.

Changing workplace pension provider

Of those already enrolled for workplace pensions, seven per cent had changed their provider in the previous 12 months. This proportion did not vary significantly by size (six per cent of micros, eight per cent of small businesses, seven per cent of mediums).

Those in transport/storage (23 per cent), manufacturing (21 per cent), information/communications (15 per cent) and human health (14 per cent) were more likely to have changed their provider in the last 12 months.

Paying for advice on automatic enrolment

Of those yet to enrol in workplace pensions, 42 per cent have already paid for advice, or will pay in future.

Medium-size businesses were more likely to have paid or planned to pay for advice (59 per cent) than small businesses (51 per cent) and micros (40 per cent).

By sector, those in retail/wholesale (46 per cent) were more likely than average to have paid or planned to pay for advice. Least likely to have paid or plan to pay for advice were those in arts/entertainment (34 per cent), other services (36 per cent), administrative services (37 per cent) and human health (38 per cent).

Of those that paid for advice on workplace pensions, 27 per cent paid less than £100, 14 per cent between £100 and £499, 24 per cent between £500 and £999, and 16 per cent £1,000 or more (a further 20 per cent did not know how much they had paid). The mean average amount paid was £920, the median average £460.

10. Future plans

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

Aiming to grow

Sixty-nine per cent of SME employers aimed to grow the sales of their businesses over the next three years. This was particularly likely to be the case for medium-sized businesses (89 per cent, compared to 79 per cent of small businesses and 67 per cent of micros).

Table 10.1: Whether aim to grow sales of the business over the next three years – by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|-----------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes | 69 | 67 | 79 | 89 |
| SBS 2014⁶⁴ (n=) | 4,355 | 1,653 | 1,714 | 988 |
| | % | % | % | % |
| Yes | 73 | 71 | 80 | 87 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| Yes | 68 | 66 | 78 | 87 |
| SBS 2010 (n=) | 3,817 | 1,528 | 1,530 | 759 |
| | % | % | % | % |
| Yes | 74 | 72 | 80 | 89 |
| ASBS 2007/08 (n=) | 7,783 | 3,529 | 2,950 | 1,304 |
| | % | % | % | % |
| Yes | 67 | 65 | 77 | 88 |

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

The overall proportion seeking to grow was four percentage points lower than in 2014, but at a similar level to the result in 2012 and in line with ambitions to grow turnover and the numbers employed (see Section 4). This decrease in the proportion aiming to grow was mainly caused by the micros; the proportions of small and mediums that want to grow is unchanged.

⁶⁴ In SBS 2014 and before, the time period asked about was 'over the next two-three years'.

Table 10.2: Whether aim to grow sales of the business over the next three years – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Constr- uction | G Retail/ Whole | H Trans- port | I Accom/ Food | J Info- comms |
|---------------------|---------------|--------------------------|---------------------|---------------------|--------------------|-------------------|----------------------|------------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Yes | 69 | 55 | 75 | 62 | 71 | 69 | 64 | 80 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Sci ence | N Admin Serv | P Educ- ation | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Yes | 69 | 81 | 70 | 76 | 67 | 61 | 74 | 69 |

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

By sector, those in financial/real estate (81 per cent), information/communication (80 per cent), administrative services (76 per cent) and manufacturing (75 per cent) had above average desire to grow. The proportion in primary (55 per cent), human health (61 per cent), construction (62 per cent) and accommodation/food service (64 per cent) was lower than average.

Looking at sectors in more detail, that is, at the 'two digit' level⁶⁵, the types of businesses most likely to want to grow were as follows:

- Employment activities (90 per cent)
- Rubber/plastic manufacturing (89 per cent)
- Computer/electronic manufacturing (87 per cent)
- Advertising/market research (84 per cent)
- Publishing (84 per cent)
- Wholesale (83 per cent)
- Auxiliary financial services (83 per cent)
- Printing (79 per cent)
- Computer programming/consultancy (78 per cent)
- Fabricated metal manufacturing (78 per cent)
- Real estate (78 per cent)
- Management consultancy (78 per cent)

⁶⁵ Based on minimum sample sizes of 75.

- Membership organisations (78 per cent)
- Other professional, scientific and technical (76 per cent)

By nation, SME employers in Scotland (62 per cent) were the least inclined to want to grow and those in Northern Ireland (74 per cent) were the most likely to want to grow. Seventy per cent wanted to grow in England and 74 per cent in Wales.

By English region, growth ambition was strongest in London (79 per cent) and lowest in the South West (64 per cent).

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

Closure or transfer of the business in the next 5 years

Four per cent of SME employers anticipated the closure of their business in the next five years, while a further eight per cent anticipated the full transfer of ownership.

Table 10.3: Plans for closure or transfer of business in the next 5 years – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--------------------------------|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Yes – anticipate closure | 4 | 5 | 2 | 1 |
| Yes – anticipate full transfer | 8 | 8 | 7 | 4 |
| Neither | 84 | 83 | 88 | 93 |
| Don't know | 4 | 4 | 3 | 2 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1714 | 988 |
| | % | % | % | % |
| Yes – anticipate closure | 4 | 5 | 2 | 1 |
| Yes – anticipate full transfer | 12 | 12 | 12 | 9 |
| Neither | 78 | 77 | 81 | 87 |
| Don't know | 6 | 6 | 6 | 3 |
| SBS 2012 (n=) | 4,768 | 1,901 | 1,902 | 965 |
| | % | % | % | % |
| Yes – anticipate closure | 9 | 10 | 3 | 1 |
| Yes – anticipate full transfer | 14 | 14 | 15 | 13 |
| Neither | 70 | 69 | 76 | 80 |
| Don't know | 7 | 7 | 6 | 6 |

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

Micros were more likely than small and medium sized businesses both to have anticipated closure and to have anticipated the full transfer of ownership.

Compared with 2014, the same proportion anticipated closure, but the proportion anticipating full transfer has declined by four percentage points. This was the case for all size bands.

Table 10.4: Plans for closure or transfer of business in the next 5 years – by sector (SIC 2007)

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

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

By sector, those most likely to anticipate closure were those in professional/scientific and administrative services (both six per cent). Most likely to anticipate the full transfer of ownership were those in accommodation/food service (15 per cent), manufacturing (12 per cent) and retail/wholesale (ten per cent).

Looking at sectors in more detail, that is, at the 'two digit' level⁶⁶, the types of businesses most likely to anticipate closure were as follows:

⁶⁶ Based on minimum sample sizes of 75.

- Office administration (nine per cent)
- Motor retail/wholesale (eight per cent)
- Land transport (eight per cent)
- Other professional, scientific and technical (eight per cent)
- Rental and leasing (eight per cent)
- Management consultancy (seven per cent)
- Legal/accounting (seven per cent)
- Personal services (seven per cent)

The types of businesses most likely to anticipate full transfer of ownership were as follows:

- Computer/electronic manufacturing (28 per cent)
- Food manufacturing (21 per cent)
- Manufacture of rubber/plastic (20 per cent)
- Accommodation (19 per cent)
- Printing (19 per cent)
- Renting and leasing (15 per cent)
- Food/beverage service (14 per cent)
- Motor retail/wholesale (12 per cent)
- Retail (11 per cent)

There were no differences by nation, but a higher proportion than average in the South West anticipated the transfer of ownership of their business (11 per cent).

Of those SME employers that anticipate the transfer of ownership, 22 per cent thought ownership would pass partly or wholly to somebody within their own family, 74 per cent to somebody else, while five per cent did not know.

In 2014, 25 per cent anticipated transfer of ownership to somebody within their family, three percentage points higher than in 2015. However, the difference is not statistically significant.

Micro businesses that thought they would transfer ownership were more likely to think that ownership would pass within their own family (23 per cent) than were small businesses (17 per cent) and mediums (nine per cent).

Most likely to want to transfer the business within their own family were those in construction (45 per cent of those thinking they will transfer ownership).

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

SME employers were asked whether they planned to do any of five growth-related activities over the next three years. Seventy per cent said they planned to increase the skills of the workforce, 49 per cent that they would introduce new working practices, 47 per cent that they would develop and launch new products or services, 44 per cent would increase the leadership capability of managers and 40 per cent would invest in premises, machinery or other types of capital investment.

Table 10.5: Whether business plans to grow in any of the following ways over the next three years – trends by employment size

| | All SME employers | Micro (1-9) | Small (10-49) | Medium (50-249) |
|--|-------------------|-------------|---------------|-----------------|
| LSBS Y1 (2015) (n=) | 11,147 | 4,102 | 4,066 | 2,979 |
| | % | % | % | % |
| Increase skills of the workforce | 70 | 67 | 84 | 91 |
| Introduce new working practices | 49 | 47 | 62 | 68 |
| Develop and launch new products/ services | 47 | 45 | 52 | 60 |
| Increase the leadership capability of managers | 44 | 40 | 64 | 77 |
| Capital investment (in premises, machinery etc.) | 40 | 38 | 50 | 63 |
| SBS 2014 (n=) | 4,355 | 1,653 | 1714 | 988 |
| | % | % | % | % |
| Increase skills of the workforce | 71 | 69 | 82 | 87 |
| Increase the leadership capability of managers | 55 | 51 | 73 | 83 |
| Develop and launch new products/ services | 48 | 46 | 55 | 60 |
| Capital investment (in premises, machinery etc.) | 47 | 44 | 57 | 72 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). R4. Multiple answers allowed at this question.

Compared with 2014, the overall proportion intended to increase the skills of the workforce and develop/launch new products and services remained stable. The proportion planning to increase the leadership capability of managers fell by 11 percentage points, as did the proportion planning capital investment.

Medium and small businesses were more likely to plan any of these events than micros.

Table 10.6: Whether business plans to grow in any of the following ways over the next three years – by sector (SIC 2007)

| | All SME emps. | ABDE Primary | C Manufacturing | F Construction | G Retail/ Whole | H Transport | I Accom/ Food | J Info-comms |
|----------------------------------|---------------|-----------------------|-----------------|----------------|-----------------|----------------|-------------------|--------------|
| LSBS Y1 (2015) (n=) | 11,147 | 333 | 1,269 | 804 | 1,789 | 361 | 966 | 539 |
| | % | % | % | % | % | % | % | % |
| Increase skills of the workforce | 70 | 65 | 69 | 70 | 64 | 63 | 62 | 82 |
| New working practices | 49 | 44 | 52 | 50 | 47 | 43 | 53 | 56 |
| New products/ services | 47 | 29 | 59 | 30 | 51 | 36 | 45 | 77 |
| Leadership capability | 44 | 36 | 45 | 38 | 41 | 38 | 46 | 51 |
| Capital investment | 40 | 61 | 55 | 42 | 37 | 43 | 43 | 42 |
| | All SME emps. | KL Finance/ Real est. | M Prof./Science | N Admin Serv | P Education | Q Human Health | R Arts/ Entertain | S Other Serv |
| LSBS Y1 (2015) (n=) | 11,147 | 452 | 1,307 | 873 | 462 | 1,221 | 305 | 466 |
| | % | % | % | % | % | % | % | % |
| Increase skills of the workforce | 70 | 76 | 75 | 68 | 83 | 85 | 71 | 74 |
| New working practices | 49 | 48 | 48 | 44 | 65 | 66 | 42 | 47 |
| New products/ services | 47 | 42 | 50 | 41 | 51 | 45 | 54 | 47 |
| Leadership capability | 44 | 48 | 46 | 41 | 59 | 64 | 43 | 43 |
| Capital investment | 40 | 42 | 35 | 38 | 27 | 31 | 47 | 31 |

Base = all SME employers. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). R4. Multiple answers allowed at this question.

Most likely to want to *increase the skills of the workforce* were those in human health (85 per cent), education (83 per cent), information/communication (82 per cent), financial/real estate (76 per cent), professional/scientific (75 per cent) and other services (74 per cent).

More likely than average to want to introduce *new working practices* were those in human health (66 per cent), education (65 per cent), information/communication (56 per cent) and accommodation/food service (53 per cent).

Most likely to *develop and introduce new products and services* were those in information/communication (77 per cent), manufacturing (59 per cent), arts/entertainment (54 per cent), retail/wholesale (51 per cent) and professional/scientific (50 per cent).

More likely than average to want to *increase leadership capability* were those in human health (64 per cent), education (59 per cent) and information/communication (51 per cent).

Most likely to *plan to make capital investments* were those in the primary sector (61 per cent), manufacturing (55 per cent) and arts/entertainment (47 per cent).

11. Glossary

Most common sub-sectors in broad sector categories

The following table illustrates the most common sub-sectors within the broader sector categories analysed within this report. Data is based upon the 2015 BPE on SME employers, rather than all SMEs or all businesses.

Table 11.1: Breakdown of most common sub-sectors within sector groupings (SIC 2007 – 2- 3 digits) – SME employers

| Broad sector (SIC 2007) | UK SME employer population | Largest sub-sector | 2 nd largest sub-sector | 3 rd largest sub-sector | 4 th largest sub-sector | Notes |
|--------------------------------------|----------------------------|--|--|---|---|--|
| ABDE Primary (01-09, 35-39) | 60,595 | Animal production (014) – 25,115 (41%) | Non-perennial crops (011) – 13,560 (22%) | Mixed farming (015) – 8,590 (14%) | Waste collection & treatment (36) – 3,645 (6%) | Dominated by farming |
| C Manufacturing (10-33) | 86,735 | Fabricated metal (25) – 17,500 (20%) | Printing (18) – 8,185 (9%) | 'Other' manufacturing (32) – 6,045 (7%) | Machinery & equipment manufacturing (28) – 5,750 (7%) | Many different categories. Manufacturers tend to be larger employers |
| F Construction (41-43) | 153,935 | Electrical & plumbing (432) – 46,925 (30%) | Building completion & finishing (433) – 37,130 (24%) | Construction of buildings (412) – 26,730 (17%) | 'Other' specialised construction (439) – 16,805 (11%) | Category may include some property developers |
| G Wholesale/ Retail (45-47) | 242,050 | Retail (47) – 130,285 (54%) | Wholesale (46) – 63,625 (26%) | Motor trade (45) – 48,140 (20%) | n/a | Retail accounts for half of broader sector |
| H Transport/ Storage (49-53) | 37,470 | Land transport (49) – 24,175 (65%) | Warehousing (52) – 6,700 (18%) | Postal/courier (53) – 5,490 (15%) | Water transport (50) – 795 (2%) | Mainly logistic and taxi firms |
| I Accommodation/ Food (55-56) | 128,180 | Restaurants/ mobile food (561) – 76,090 (59%) | Pubs/bars (563) – 31,810 (25%) | Hotels/ B&Bs (551) – 8,870 (7%) | Event catering (562) – 7,440 (6%) | Mainly food service |
| J Information/ Communication (58-63) | 72,685 | Computer programming & consultancy (62) – 52,445 (72%) | Film, TV, music (59) – 6,895 (9%) | Publishing (58) – 5,480 (8%) | Telecoms (61) – 3,700 (5%) | Dominated by computing and software |
| KL Financial/ Real Estate (64-68) | 60,450 | Real estate (68) – 40,500 (67%) | Auxiliary financial services (66) – 15,550 (26%) | Non-insurance/ pension financial services (64) – 3,855 (6%) | Insurance/ pensions (65) – 545 (1%) | Mainly real estate |
| M Professional/ Scientific (69-75) | 180,970 | Consultancy (70)- 53,435 (30%) | Architecture/ engineering (71) – 39,020 (22%) | Legal/ accounting (69) – 38,845 (21%) | 'Other' professional (74) – 34,780 (19%) | Contains a number of distinct categories |

Table 11.1: Breakdown of most common sub-sectors within sector groupings (SIC 2007 – 2- 3 digits) – SME employers (continued)

| Broad sector (SIC 2007) | UK SME employer population | Largest sub-sector | 2 nd largest sub-sector | 3 rd largest sub-sector | 4 th largest sub-sector | Notes |
|-----------------------------------|----------------------------|--|---|---|--|---|
| N Administrative/ Support (77-82) | 106,575 | Office administration and 'other' services (82) – 47,770 (45%) | Building/ landscape services (81) – 25,840 (24%) | Employment activities (78) – 15,190 (14%) | Rental/ leasing (77) – 8,925 (8%) | The coding of 'other services' can be suspect |
| P Education (85) | 18,830 | 'Other' education (855) – 11,120 (59%) | Pre-primary (851) – 2,610 (14%) | Secondary (853) - 1,735 (9%) | Primary (852) – 1,310 (7%) | Other education includes driving schools |
| Q Human health(86-88) | 62,555 | Medical/ dental practice (862) - 26,160 (42%) | Social work without accommodation (88) – 16,860 (27%) | 'Other' human health (869) – 9,970 (16%) | Residential care (87) – 8,350 (13%) | Includes social work |
| R Arts/ Entertainment (90-93) | 24,815 | Sports & recreation (93) – 14,595 (59%) | Creative & arts (90) – 8,460 (34%) | Gambling/ betting (92) – 1,005 (4%) | Libraries/ museums (91) – 755 (3%) | Mainly sport and leisure |
| S Other Service (94-96) | 69,055 | 'Other' personal services (96) – 60,440 (88%) | Membership organisations (94) – 3,820 (6%) | Repair of personal goods (952) – 2,670 (4%) | Repairs or electronic goods (951) – 2,135 (3%) | Majority are hairdressers and beauticians |



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