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LONGITUDINAL SMALL BUSINESS SURVEY YEAR 2 (2016)

Panel report



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1. Executive summary

This report sets out the key findings from the panel element of the Longitudinal Small Business Survey (LSBS), a large-scale telephone survey of owners and managers, commissioned by the Department for Business, Energy, and Industrial Strategy (BEIS). The survey on this occasion was conducted by BMG Research Ltd between July 2015 and January 2016 (Year 1), when 15,502 businesses were interviewed, and August 2016 and January 2017 (Year 2), when 9,360 were interviewed. This report looks only at the panel element: businesses that were interviewed in both years and that had employees in at least one year, amounting to 5,844 businesses. This is the first report on the panel component of LSBS, with three further reports to follow in subsequent years.

Employment trends

Thirty-three per cent of the panel recorded an increase in employee numbers between 2015 and 2016 (excluding new employers in 2016), 32 per cent recorded about the same level of employment in 2016 as 2015 and 35 per cent recorded a fall in employee numbers.

Businesses that expected to employ a greater number of people in 2016 than 2015 were more likely to increase employment. Businesses that expected to employ fewer people in 2016 than 2015 and those in Business Services sectors were more likely to experience a decrease in employment.

Turnover trends

Thirty-seven per cent of the panel recorded an increase in turnover between 2015 and 2016, 34 per cent recorded about the same turnover in 2016 as 2015, and 29 per cent a decrease. Small and medium businesses were more likely to record an increase in turnover increase, and micros were more likely to record a fall.

Businesses in Other Services sectors and businesses that expected to increase turnover in 2016 compared to 2015 were more likely to increase turnover in 2015-16. Businesses that expected turnover to decrease in 2016 compared to 2015 were more likely to experience a decrease in turnover.

Ambition

Sixty-eight per cent of the panel reported that they aim to grow their sales within the next three years. Those which did aim to grow their sales were more likely to record an increase in turnover.

Seventy per cent of the panel reported in both surveys that they were planning to increase their capabilities, while 12 per cent reported that they were not planning to do so.

Businesses that planned to increase the leadership capability of managers, or introduce new working practices were more likely to increase employment in 2015-16. Businesses that aimed to grow their sales within three years, or planned to increase all capabilities listed in the questionnaire were more likely to experience an increase in turnover. Businesses that did not

aim to grow their sales within three years, or plan to increase any capabilities were less likely to experience increases in employment or turnover.

Business capability

The panel considered they were strongest at people management (80 per cent reporting strong or very strong) and weakest at accessing finance (29 per cent reporting strong or very strong).

Businesses that reported a weakness in developing a business plan and strategy or in accessing finance were less likely to increase employment in 2015-16. Businesses that reported a strength in developing a business plan and strategy or actually had a business plan were more likely to experience an increase in turnover. Businesses that reported a weakness in developing new products and services, or operational improvement, or that did not have a business plan were less likely to experience an increase in turnover.

Innovation

Twelve per cent of the panel reported in both surveys that they had introduced new or significantly improved goods and services in the last three years, while 63 per cent reported that they had not done so in both surveys.

Businesses that introduced goods or services new to the market (as opposed to just new to the business) or processes new to their industry were more likely to increase employment in 2015-16. Businesses that introduced any new or improved goods, services or processes were more likely to experience an increase in turnover.

Exporting

Fifteen per cent of the panel exported goods or services in both 2015 and 2016, and 76 per cent did not export in either year. A larger proportion of exporters was recorded in small businesses (23 per cent) and medium businesses (28 per cent).

Among businesses that did not export in 2015 but planned to do so in 2016, 25 per cent had actually undertaken some export activity in 2016, and 75 per cent had not.

Among businesses that exported in both years, 33 per cent experienced an increase in turnover accounted for by exports of goods or services, 40 per cent experienced a decrease, and 27 per cent reported that the proportion was about the same. There was no change in the mean proportion of turnover accounted for by exports between 2015 and 2016.

Businesses that exported goods or services were more likely to decrease employment and turnover in 2015-16.

Training

Forty-eight per cent of the panel offered any form of training to employees in both years, 23 per cent offered it in either 2015 or 2016, and 28 per cent did not offer training in either year.

Twenty-five per cent of the panel offered training to managers in both years, 21 per cent offered it in either 2015 or 2016, and 54 per cent did not offer training to managers in either year.

Among businesses which trained managers, the most common area to provide training was technical, practical or job-specific skills (86 per cent). Health and safety training was provided by 62 per cent, and leadership and management training by 40 per cent.

Businesses that provided training to their employees, or that provided training in leadership and management skills or team-working skills to managers were more likely to increase employment in 2015-16. Businesses that provided training in health & safety, technical, practical or job specific skills to managers in addition to those already cited were also more likely to increase turnover in 2015-16.

Accessing finance

Some 77 per cent of the panel had not sought any external finance in the previous twelve months in either 2015 or 2016. Four per cent had sought finance in the previous twelve months in both years. Sixty-five per cent of the panel indicated in *both* the 2015 and 2016 surveys that they were unlikely to approach an external finance provider in the next three years; 15 per cent indicated in both surveys that they were likely to do so.

Businesses that sought external finance or were likely to approach external finance providers in the next three years were more likely to increase employment or turnover in 2015-16.

Obstacles to the success of the business

Eighty-one per cent of the panel reported in both surveys that they faced at least one major obstacle to the success of their business.

Businesses that reported that staff recruitment and skills or workplace pensions were an obstacle were more likely to increase employment in 2015-16. Businesses that reported that the availability or cost of suitable premises, late payment or competition in the market as obstacles were more likely to decrease employment in 2015-16. Businesses that reported that obtaining finance, staff recruitment and skills or the availability/cost of suitable premises were more likely to experience an increase in turnover.

Business support

Fifteen per cent of the panel sought information or advice from external providers in both 2015 and 2016, while 54 per cent did not in both years.

Businesses that sought information or advice were more likely to increase turnover in 2015-16. Business that had unmet needs for information and advice were more likely to experience a fall in turnover.

Rapid growth

Rapid growth is defined in this report as employment or turnover increases of at least 20%, among businesses with ten or more employees. A higher proportion of businesses experienced rapid growth if:

- they have been established for ten years or less
- their customers are mainly located within their home region, rather than more local, national or international
- they have introduced new or improved good, services or processes
- they have sought advice or guidance
- they provide training to managers in leadership and management skills, IT skills or team working skills

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BMG Research Ltd,
June 2017.

2. Introduction

This report sets out the key findings from the panel element of the Longitudinal Small Business Survey (LSBS), a large-scale telephone survey of owners and managers, commissioned by the Department for Business, Energy, and Industrial Strategy (BEIS). This survey is the latest in a series of annual and biennial Small Business Surveys (SBS) dating back to 2003. The survey on this occasion was conducted between August 2016 and January 2017 by BMG Research Ltd. This report represents the first tranche of reporting on the longitudinal component of LSBS, with three more to follow in subsequent years.

The sampling method differed from previous SBS's, and full details of this method are available in a separate technical report. 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.

Aims of the survey

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 by BMG Research Ltd between July 2015 and January 2016 (Year 1), when 15,502 businesses were interviewed, and August 2016 and January 2017 (Year 2), when 9,360 were interviewed.

Since 2015, the survey has had 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. This report looks only at the findings for this panel element - that is, only businesses that were interviewed in both 2015 and 2016. This amounted to 7,279 businesses, including those with no employees, or 5,844 businesses that had at least one employee in at least one of the surveys. This report concentrates on the second group: businesses that had at least one employee for at least one year.

As it is based on longitudinal data - i.e. following the same businesses across different years, the data includes some businesses that had no employees in Year 1, but grew to have employees in Year 2, and a small number that grew to employ more than 250 in Year 2. It does not include top-ups (i.e. replacements for businesses that dropped out of the survey in Year 2), but only those for which there is data available for both years. These businesses are referred to as 'the panel'. Because of changes to questions asked and the sampling methodology, data cannot always be compared with previous Small Business Surveys.

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 (SMEs¹) such as their type (number of sites, number of owners, whether they have separate business premises etc.);

¹ Defined here as having fewer than 250 employees.

- 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.

Note on the report

Note that the findings presented in this report relate to those businesses in the panel only, and (unless otherwise noted) relate to SMEs that had at least one employee for at least one year. Enterprises with *no employees* for *both* years have been excluded from the dataset on which this report is based (apart from the final section).

Attrition of the sample, for example due to the business ceasing trading or refusal to answer the current survey, reduced the sample size, and necessitated the addition of 'top-up' businesses, which are not included in the current report as they only answered the 2016 survey, rather than both.

Businesses that were employers in *either* year are included in the panel for this report, as are the small number of SMEs (27) that grew to become large businesses (250 employees+) between the 2015 and 2016 surveys. Most tables will not include the latter in their disaggregation, as the total number of such businesses is minimal. The overall sample size for the panel of SME employers across the UK, bearing these factors in mind, is 5,844. Note that some of the proportions quoted in the 2016 cross-sectional report are slightly different to those in this report, the sample of businesses is slightly different: as well as this report being based on only those businesses which responded to *both* surveys (approximately 80 per cent of the size of the total 2016 sample, which includes the top-up businesses recruited for 2016), the 2016 cross-sectional report excludes both the businesses which had employees in 2015 but none in 2016 (221 businesses) and those which grew to have 250 or more employees (27 businesses). The latter two categories are both included in the panel for this report, as it includes all businesses which had 1-249 employees in either year, unless otherwise noted.

Size-bands quoted in tables refer to the number of employees in 2015. In other words, the tables largely examine how businesses in 2015 have changed over the subsequent year.

It is worth bearing in mind that data relating to changes between the two surveys are based on actual changes between the surveys in the *individual business interviewed*, rather than changes in the aggregate proportions responding.

Symbols:

- '-' is used to represent zero
- '**' is used to represent cells with a proportion greater than zero but under 0.5 per cent.

3. Profile of businesses in the panel

This section explores the characteristics of the 5,844 SMEs that have at least one employee in at least one of the two years for which data is available, for example in terms of their employment size, sector, legal status, and age.

Employment size and sector

LSBS Panel data is weighted² to estimates derived from BEIS’s Business Population Estimates (BPE). As the panel is restricted to only those which answered in both years, there will inevitably be minor discrepancies between the composition of the panel and the BPE. The exact nature of these discrepancies depends on which businesses choose not to take part in the 2016 survey, or have closed between surveys or are not included in the 2016 survey for other reasons.

Table 3.1: Sector and employment – difference in proportion of SME employers between BPE 2015 and LSBS panel

	Panel N=5,844			Micro (1-9) Panel		
	2015 BPE	Difference		2015 BPE	Difference	
	%	%	Percentage points	%	%	Percentage points
ABDE. Primary sector	4.6	4.5	-0.1	5	6	+1
C. Manufacturing	6.6	6.7	+0.1	5	6	+1
F. Construction	11.8	11.3	-0.5	13	11	-2
G. Retail & wholesale	18.5	13.7	-4.8	19	18	-1
H. Transport & storage	2.9	3.6	+0.7	3	2	-1
I. Accommodation & food service	9.8	6.4	-3.4	9	9	-
J. Information & communication	5.6	6.2	+0.6	4	6	+2
KL. Financial & real estate	4.6	4.6	-	5	5	-
M. Professional & scientific	13.9	18.5	+4.6	15	17	+2
N. Administrative services	8.2	7.8	-0.4	8	8	-
P. Education	1.4	2.1	+0.7	1	1	-
Q. Human health	4.8	5.5	+0.7	4	4	-
R. Arts & entertainment	1.9	3.2	+1.3	2	2	-
S. Other services	5.3	5.8	+0.5	6	6	-

² See technical report for more detail on the weighting.

	Small (10-49)			Medium (50-249)		
	2015 BPE	Panel	Difference	2015 BPE	Panel	Difference
	%	%	Percentage points	%	%	Percentage points
ABDE. Primary sector	3	3	-	2	2	-
C. Manufacturing	11	11	-	18	17	-1
F. Construction	8	7	-1	6	6	-
G. Retail & wholesale	18	16	-2	15	15	-
H. Transport & storage	4	4	-	4	5	+1
I. Accommodation & food service	14	12	-2	9	8	-1
J. Information & communication	4	5	+1	5	3	-2
KL. Financial & real estate	4	4	-	4	4	-
M. Professional & scientific	10	11	+1	10	9	-1
N. Administrative services	7	8	+1	12	11	-1
P. Education	2	2	-	2	2	-
Q. Human health	11	12	+1	11	13	+2
R. Arts & entertainment	2	2	-	2	4	+2
S. Other services	3	3	-	1	1	-

Note: Businesses that had no employees in 2015, but grew to have employees in 2016 are included in the total panel figures, but not separated out into a separate size category.

The table shows that, for the most part, there are only minor discrepancies with the BPE estimates. These discrepancies stem from businesses in certain sectors being more or less likely to drop out between surveys - top-ups are recruited to ensure that the latest survey is representative of the business population as a whole. These data are reported on separately. The greatest discrepancies are an over-representation of professional and scientific businesses (because relatively few dropped out between surveys) and a similar under-representation for retail and wholesale businesses (as a relatively high proportion of businesses in their sector dropped out between surveys).

From this point forward in this report, all results are based on the LSBS Panel data, concentrating on where changes have occurred between the two surveys. Unless otherwise noted, this longitudinal sample of SMEs with employees in at least one year is what is referred to when the word 'panel' is used.

Number of sites

In 2016, 87 per cent of the panel operated from a single site. This proportion is not statistically significantly different from earlier SBS surveys. In LSBS Year 2, a very small proportion of businesses (one per cent) either increased or decreased the number of sites they operated from.

Table 3.2: Percentage of businesses that changed the number of sites they occupy between 2015 and 2016, by size of business in 2015

	Panel	No employees ³	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,844	469	1,978	1,962	1,435
	%	%	%	%	%
Increase in number of sites	3	1	1	3	5
No change in number of sites	96	99	98	96	92
Decrease in number of sites	1	-	1	1	3

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

As might be expected, the more employees in an enterprise, the more likely they are to have multiple sites, and more likely they are to change the number of sites they operate from.

³ This column refers to businesses which grew to have employees in 2016

Whether business premises are somebody's home

Over the course of 2016, a very small proportion of businesses in the panel changed where they operated from - approximately two per cent in all size-bands either moved into separate premises, or moved from separate premises to work from somebody's home.

Table 3.3: Percentage of businesses that changed the premises they operated from between 2015 and 2016, by size of business in 2015

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,844	469	1,978	1,962	1,435
	%		%	%	%
Still worked in separate premises	66	50	72	86	90
Still worked at somebody's home	32	48	26	12	8
Moved to work at somebody's home	1	2	1	2	2
Moved into separate premises	1	*	1	*	*

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Number of contractor/agency staff not on payroll

In LSBS 2015, twenty-seven per cent of the panel had contractors or agency staff that were not on the payroll. These figures include volunteers for charities. By size-band, those with no employees in 2015 were significantly more likely than the businesses in other size-bands to experience a decrease in the number of contractors or agency staff they used between 2015 and 2016. Micros were less likely to report a decrease, small businesses were more likely to report an increase, and medium businesses more likely to report an increase or decrease (as opposed to no change) over the twelve month period.

Table 3.4: Percentage of businesses that changed the number of contractor/agency staff not on their payroll between 2015 and 2016, by size of business in 2015

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,844	469	1,978	1,962	1,435
	%	%	%	%	%
Increase	11	12	10	16	20
No change	63	65	62	61	54
Decrease	18	23	15	19	23
Don't know	8	1	13	3	3

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

By broad sector, compared to others, businesses in the production and construction sectors (SIC A-F) were significantly more likely to have increased the number of contractors/agency staff. Transport, retail and food service (GHI) were less likely to report an increase, and Other Services (PQRS) most likely to report a decrease.

Table 3.5: Percentage of businesses that changed the number of contractor/agency staff not on their payroll between 2015 and 2016, by sector (SIC 2007)

	Panel	ABCDEF - Production and Construction	GHI - Transport/ Retail and Food service/ Accommodation	JKLMN - Business services	PQRS - Other services
Unweighted n=	5,844	1,267	1,462	1,802	1,313
	%	%	%	%	%
Increase	11	15	9	11	10
No change	63	56	77	60	56
Decrease	18	21	9	18	29
Don't know	8	7	5	11	5

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Family-owned businesses

Seventy-four per cent of the panel were defined as family-owned businesses in 2015, 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. This overall percentage was the same in 2016 as 2015.

Table 3.6: Percentage of businesses that changed whether they were family-owned between 2015 and 2016, by size of business in 2015

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,844	469	1,978	1,962	1,435
	%	%	%	%	%
Stayed family-owned	68	76	66	55	46
Stayed non-family-owned	21	13	23	34	41
Became non-family-owned	5	7	3	4	5
Became family-owned	6	4	7	4	5

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Approximately 10 per cent of businesses in all sectors and size-bands switched from family-owned to non-family-owned or the reverse.

Table 3.7: Percentage of businesses that changed whether they were family-owned between 2015 and 2016, by sector (SIC 2007)

	Panel	ABCDEF - Production and Construction	GHI - Transport/ Retail and Food service/ Accommodation	JKLMN - Business services	PQRS - Other services
Unweighted n=	5,844	1,267	1,462	1,802	1,313
	%	%	%	%	%
Stayed family-owned	68	76	72	66	54
Stayed non-family-owned	21	13	16	22	37
Became non-family-owned	5	4	4	6	3
Became family-owned	6	6	6	5	6

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Women-led businesses⁴

Twenty per cent of the panel were majority-led by women in 2016, defined as controlled by a single woman or having a management team of which a majority were women. This marked a slight rise, from 18 per cent in 2015.

Table 3.8: Percentage of businesses that changed whether they were women-led between 2015 and 2016, by size of business in 2015

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,844	469	1,978	1,962	1,435
	%	%	%	%	%
Stayed women-led	18	18	18	19	13
Stayed non- women-led	73	76	72	71	74
Became non- women-led	1	-	1	1	2
Became women-led	2	2	3	4	3

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested)

Few businesses changed whether or not they were led by women. Between two and four per cent changed whether or not they were majority-led by women; well over 90 per cent of businesses in all size-bands or sectors reported the same status in 2016 as in 2015.

Table 3.9: Percentage of businesses that changed whether they were women-led between 2015 and 2016, by sector (SIC 2007)

	Panel	ABCDEF - Production and Construction	GHI - Transport/ Retail and Food service/ Accommodation	JKLMN - Business services	PQRS - Other services
Unweighted n=	5,844	1,267	1,462	1,802	1,313
	%	%	%	%	%
Stayed women-led	18	10	17	15	35
Stayed non-women-led	73	82	75	78	50
Became non-women-led	1	1	1	*	1
Became women-led	2	4	3	2	2

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

⁴ Because of changes in the way that questions were asked, the data for this question are not comparable with previous SBS's.

MEG-led businesses

Five per cent of the panel were led by members of a minority ethnic group (MEG-led) in 2016, defined as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from an ethnic minority. This marked a very slight rise from 2015. Only a small proportion of businesses changed their status as MEG-led or not in LSBS 2016. The proportion of respondents noting that they didn't know or refused to answer was fairly high for at least one year, particularly for businesses in the other services sectors (P-S).

Table 3.10: Percentage of businesses that changed whether it was MEG-led between 2015 and 2016, by size of business in 2015

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,844	469	1,978	1,962	1,435
	%	%	%	%	%
Stayed MEG-led	4	5	4	3	3
Stayed non-MEG-led	90	91	89	89	87
Became non-MEG-led	*	-	1	1	1
Became MEG-led	1	1	1	-	1
Don't know/refused	5	3	5	7	9

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Table 3.11: Percentage of businesses that changed whether they were MEG-led between 2015 and 2016, by sector (SIC 2007)

	Panel	ABCDEF - Production and Construction	GHI - Transport/ Retail and Food service/ Accommodation	JKLMN - Business services	PQRS - Other services
Unweighted n=	5,844	1,267	1,462	1,802	1,313
	%	%	%	%	%
Stayed MEG-led	4	3	4	6	2
Stayed non-MEG-led	90	96	92	90	78
Became non-MEG-led	*	*	*	1	*
Became MEG-led	1	1	*	1	*
Don't know/refused	5	*	3	2	19

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Other changes

In 2016, owners and managers were asked about whether certain changes had occurred in the previous 12 months, as shown in Table 3.12. The majority of businesses (84 per cent of the panel) had not made any of these changes. Compared to others, small and medium businesses were significantly more likely to have opened or closed a new site, branch or office (unsurprisingly, as they are most likely to have more than one site/branch in the first place) or gained or lost working directors (again, these businesses were more likely to have working directors in the first place). Medium businesses were significantly more likely to have changed business ownership structure.

Table 3.12: Percentage of businesses which made specific changes between 2015 and 2016, by size of business in 2015

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,844	469	1,978	1,962	1,435
	%	%	%	%	%
Moved head office	5	5	5	4	5
Opened or closed a new site, branch or office	4	4	4	6	12
Changed legal status	2	3	2	2	2
Gained or lost working directors (that were not owners/partners)	4	2	5	8	13
Registered for VAT for the first time	2	2	2	2	1
Changed the principal activity of the business	2	2	1	1	*
Changed the ownership structure of the business	4	4	4	5	6
None of the above	84	86	84	78	70

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

4. Growth in employment and turnover

This chapter explores growth in employment and turnover by various characteristics of the business. These tables are based on precise figures (or turnover bands, if the business did not know its exact turnover) provided by the business in each survey.

Change in the numbers employed between 2015 and 2016

For the panel as a whole, 33 per cent reported an increase in employee numbers, 32 per cent reported no change in employment and 35 per cent reported a decrease⁵. These proportions varied significantly by size-band: micros were more likely than others to record no change, and less likely to record a decrease; small businesses were less likely to record no change and more likely to record a decrease or increase; medium businesses were less likely to record an increase or no change, and more likely to record a decrease in employment.

Table 4.13: Percentage of businesses that changed employee numbers between 2015 and 2016, by size of business in 2015

	Panel	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,375	1,978	1,962	1,435
	%	%	%	%
Increase	33	32	37	28
No change	32	36	18	9
Decrease	35	32	45	64

Base = Panel excluding businesses with no employees in 2015. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

⁵ These proportions exclude businesses with no employees in 2015. Those which had no employees in 2015 are excluded from tables which are based on employment change from this point forward.

In sectoral terms, significant differences are found in the Other Services sector (SIC P-S), which were more likely to report no change in employment than businesses in other sectors, and business services (J-N), which were more likely to report lower employment.

Table 4.14: Percentage of businesses that changed employee numbers between 2015 and 2016 by sector (SIC 2007)

	Panel	ABCDEF - Production and Construction	GHI - Transport/ Retail and Food service/ Accommodation	JKLMN - Business services	PQRS - Other services
Unweighted n=	5,375	1,160	1,392	1,579	1,244
	%	%	%	%	%
Increase	33	36	34	31	30
No change	32	32	32	31	37
Decrease	34	33	33	38	33

Base = Panel excluding businesses with no employees in 2015. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Expected changes in the numbers of employees between 2015 and 2016

Respondents were asked in 2015 how many employees they expected to have in 12 months' time. Twenty-seven per cent stated they expected to employ more people, 63 per cent that they would have about the same, and 10 per cent that they would employ fewer. Table 4. shows how those 2015 expectations matched up against actual employment change in those businesses over the subsequent 12 months. Of businesses who expected that they would employ more, 46 per cent did experience an increase in employment, significantly more than other businesses in the panel. Similarly, those who expected numbers to stay the same were significantly more likely to experience no change in employment, and those who expected a decrease were more likely to experience a decrease.

Table 4.3: Percentage of businesses that changed employee numbers between 2015 and 2016, by expectations of employment, 2015

	Panel	Expectations of employment		
		More than now	Same as now	Fewer than now
Unweighted n=	5,375	1,865	3,047	430
	%	%	%	%
Increase	33	46	30	17
No change	32	24	37	22
Decrease	34	29	33	61

Base = Panel excluding businesses with no employees in 2015. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Change in turnover between 2015 and 2016

Thirteen per cent of the panel indicated that they did not know, or refused to give their turnover for at least one year. Excluding those that responded that they didn't know or refused to answer, 37 per cent of the panel reported higher turnover in 2016 than 2015, 34 per cent about the same to 12 months ago, and 29 per cent a decrease.⁶

The proportions of both small and medium businesses recording an increase in turnover were significantly larger than others. The proportion of businesses with no employees recording a decrease in turnover was significantly smaller than others, and the proportion of micro businesses recording a decrease was significantly larger than others.

Table 4.4: Percentage of businesses that changed turnover level between 2015 and 2016, by size-band, 2015

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,087	415	1,700	1,688	1,284
	%	%	%	%	%
Increase	37	38	36	41	44
About the same	34	38	32	31	29
Decrease	29	24	32	29	27

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of 2015 turnover figure, or the same turnover band.

⁶ Including those that responded that they didn't know or refused to answer, 32 per cent of the panel reported higher turnover in 2016 than 2015, 29 per cent about the same as 12 months ago, and 25 per cent reported a decrease. From this point on, data on turnover changes is based only on those which provided an answer to this question, and excludes those that responded that they didn't know or refused to answer. These figures are different from those provided in the cross-sectional report: that report uses Question P2 (which asks respondents how their turnover has changed in the past 12 months), whereas this report uses P1, which asks for actual turnover, allowing direct comparison between the figures in the two surveys.

The proportion of businesses in other services sectors (P-S) recording a turnover increase was significantly smaller than others, but otherwise there were no significant differences by sector.

Table 4.5: Percentage of businesses that changed turnover level between 2015 and 2016, by sector (SIC 2007)

	Panel	ABCDEF - Production and Construction	GHI - Transport/ Retail and Food service/ Accommodation	JKLMN - Business services	PQRS - Other services
Unweighted n=	5,087	1,148	1,247	1,588	1,104
	%	%	%	%	%
Increase	37	39	36	39	33
About the same	34	33	35	32	38
Decrease	29	28	29	29	29

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band

Expected changes in turnover between 2015 and 2016

Forty-five per cent of the panel expected in 2015 that their turnover would increase over the subsequent 12 months, 44 per cent anticipated that it would stay about the same, and 9 per cent expected it to fall. Table 4.6 shows how those 2015 expectations matched up against actual turnover change in the subsequent 12 months. The pattern for turnover change against expectations is, broadly, that those businesses that expected an increase in turnover have been significantly more likely to experience an increase in 2016 than others, and less likely to have experienced turnover staying the same or decreasing. The reverse is true for those who expected a decrease: compared to others, they were significantly more likely to experience a decrease, and significantly less likely for turnover to increase. The patterns for both turnover and employment change compared to expectations are thus similar.

Table 4.6: Percentage of businesses that changed turnover level between 2015 and 2016, by expectations of turnover in 2015

	Panel	Expectations of turnover in 2015		
		More than now	Same as now	Less than now
Unweighted n=	5,087	2,502	2,082	437
	%	%	%	%
Increase	37	44	35	18
About the same	34	31	35	38
Decrease	29	25	31	44

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band.

Aim to grow sales in the next three years

Looking further ahead, respondents were asked if they had ambitions to grow sales within the next three years.

Association with employment change 2015-16

Sixty-eight per cent of the panel indicated that they did aim to grow their sales. Table 4.7 shows how those 2015 expectations matched up against actual turnover change over the subsequent 12 months. Compared to others, businesses that aimed to grow sales over the next three years were significantly more likely to experience an actual increase. Businesses that did not aim to grow sales in the next three years were significantly less likely to experience an actual turnover increase, and more likely to experience a decrease.

Table 4.7: Percentage of businesses that changed their turnover level between 2015 and 2016, by their aims to grow sales within three years in 2015

	Panel	Aim to grow sales within 3 years	
		Yes	No
Unweighted n=	5,087	3,965	1,122
	%	%	%
Increase	37	41	28
About the same	34	31	39
Decrease	29	27	33

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band.

Of those that indicated in 2015 that they planned to grow sales in the next three years, 81 per cent indicated the same thing in their 2016 responses. In other words, nearly one fifth (19 per cent) of businesses that had planned to grow sales in 2015 had decided, by 2016, that they no longer planned to grow sales.

Association with turnover change 2015-16

The proportion of businesses that indicated in both years they aimed to grow sales within three years that recorded an increase in turnover was significantly larger than businesses which did not. Compared to others, the proportion of businesses that indicated in both years they did not aim to grow sales within three years that recorded a decrease in turnover was significantly larger.

Table 4.8: Percentage of businesses that changed turnover level between 2015 and 2016, by aim to grow sales within three years, 2015 and 2016

	Panel	Aim to grow sales within 3 years			
		Both 2015 and 2016	Neither	2015, not 2016	2016, not 2015
Unweighted n=	5,087	3,427	789	538	333
	%	%	%	%	%
Increase	37	43	27	34	32
About the same	34	30	40	36	35
Decrease	29	27	33	30	32

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band.

Women-led businesses

Compared to others, a business that was woman-led in 2015 was significantly more likely to report that employment in 2016 was about the same as in 2015, and significantly less likely to report a decrease in employee numbers

Table 4.9: Percentage of businesses that changed employee numbers between 2015 and 2016, by woman-led status in 2015

	Panel	Women-led	Not women-led
Unweighted n=	5,375	1,075	4,300
	%	%	%
Increase	33	34	33
No change	32	37	31
Decrease	35	29	36

Base = Panel excluding businesses with no employees in 2015. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

There were no significant differences between woman-led and other businesses in trends in the level of turnover.

Table 4.10: Percentage of businesses that changed the level of turnover between 2015 and 2016, by woman-led status in 2015

	Panel	Women-led	Not women-led
Unweighted n=	5,087	960	4,127
	%	%	%
Increase	37	34	37
No change	34	34	34
Decrease	29	32	28

Base: Panel, excluding businesses that did not know or refused to give turnover in at least one year. 'About the same' includes those reporting a change in turnover within +/-1 per cent or reporting the same approximate turnover band in both years.

MEG-led businesses

Businesses that were led by Minority Ethnic Groups (MEG) were significantly more likely than others to report a decrease in employee numbers between 2015 and 2016. There were no other significant differences in changes in either employment or turnover level between businesses in the panel that were MEG-led and other businesses.

Table 4.11: Percentage of businesses that changed employee numbers between 2015 and 2016, by MEG-led status in 2015

	Panel	MEG-led	Not MEG-led
Unweighted n=	5,375	215	5,160
	%	%	%
Increase	33	29	33
No change	32	28	33
Decrease	35	43	35

Base = Panel excluding businesses with no employees in 2015. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Table 4.12: Percentage of businesses that changed the level of turnover between 2015 and 2016, by MEG-led status in 2015

	Panel	MEG-led	Not MEG-led
Unweighted n=	5,087	200	4,887
	%	%	%
Increase	37	39	37
No change	34	36	34
Decrease	29	25	29

Base: Panel, excluding businesses that did not know or refused to give turnover in at least one year. 'About the same' includes those reporting a change in turnover within +/-1 per cent or reporting the same approximate turnover band in both years.

Family-owned businesses

There were no significant differences between family-owned businesses and others with regards to trends in employment or turnover between 2015 and 2016.

Table 4.13: Percentage of businesses that changed employee numbers between 2015 and 2016, by family-owned status in 2015

	Panel	Family-owned	Not family-owned
Unweighted n=	5,375	3,060	2,213
	%	%	%
Increase	33	33	33
No change	32	32	32
Decrease	35	35	33

Base = Panel excluding businesses with no employees in 2015. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Table 4.14: Percentage of businesses that changed the level of turnover between 2015 and 2016, by family-owned status in 2015

	Panel	Family-owned	Not family-owned
Unweighted n=	5,087	2,998	2,008
	%	%	%
Increase	37	37	37
No change	34	34	33
Decrease	29	28	30

Base: Panel, excluding businesses that did not know or refused to give turnover in at least one year. 'About the same' includes those reporting a change in turnover within +/-1 per cent or reporting the same approximate turnover band in both years.

5. Business performance

This section explores how the panel have performed between 2015 and 2016 in terms of measures of business performance.

Profit

Sixty-nine per cent of the panel had made a profit or surplus in both 2015 and 2016, while eight per cent had made a profit in neither year. Seven per cent had made a profit in 2015 but not 2016, and the opposite case was true for the same percentage of the panel. Nine per cent did not know or refused to reveal whether the business had made a profit in at least one year.

Table 5.1: Percentage of businesses that had made a profit or surplus in 2015 and 2016

N=5,844		Made profit in 2016		Total
		Yes	No	
		%	%	%
Made profit in 2015	Yes	69	7	76
	No	7	8	15
Total		76	15	

Base: panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Compared with those that did make a profit or surplus, businesses that did not make a profit or surplus in 2016 were significantly less likely to record an increase in turnover between 2015 and 2016, and more likely to record a decrease.

Table 5.15: Percentage of businesses that changed the level of turnover between 2015 and 2016, by profit/surplus in 2016

	Panel	Profit/surplus in 2016	
		Yes	No
Unweighted n=	5,087	4,184	917
	%	%	%
Increase	37	38	30
About the same	34	34	32
Decrease	29	27	39

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band.

Productivity

The data allows us to calculate a rough measure of the business's productivity, in terms of turnover per employee. Forty-two per cent of the panel as a whole experienced an increase in productivity between 2015 and 2016. A significantly larger proportion experienced a decrease (47 per cent). Compared to others, both small and medium businesses were significantly more

likely to experience an increase in productivity and significantly less likely to experience a decrease.

Table 5.3: Percentage of businesses that changed the level of turnover per employee between 2015 and 2016, by size of business in 2015

	Panel	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	3,643	1,207	1,352	1,084
	%	%	%	%
Increase	42	39	51	68
About the same	11	12	8	5
Decrease	47	49	41	27

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure. Excludes those that did not give precise turnover figures, and those with no employees in either 2015 or 2016.

There were no significant differences between businesses by broad sector and other businesses, in terms of changes in productivity.

Table 5.4: Percentage of businesses that changed the level of turnover per employee between 2015 and 2016, by sector in 2015

	Panel	ABCDEF - Production and Construction	GHI - Transport/ Retail and Food service/ Accommodation	JKLMN - Business services	PQRS - Other services
Unweighted n=	3,643	842	930	1,062	809
	%	%	%	%	%
Increase	42	44	41	41	41
About the same	11	10	11	12	11
Decrease	47	46	48	48	48

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure. Excludes those that did not give precise turnover figures, and those with no employees in either 2015 or 2016.

6. 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 actual performance in innovating, exporting, training and adopting new technology, including the associations between these activities and business growth.

Perceptions of business capability

Perceptions of strengths in different business capabilities vary widely. The panel considered that they were strongest at people management (80 per cent of the panel reported that their capabilities in this area were strong or very strong against 2 per cent reporting poor or very poor). The panel considered they were weakest at accessing external finance (29 per cent strong or very strong, against 25 per cent poor or very poor).

Significant differences were found in developing a business plan and strategy, developing and introducing new products or services, accessing external finance and operational improvement: in all these areas, small and medium size businesses were significantly more likely than others to consider that they were strong or very strong in each area. In developing a business plan and strategy, developing and introducing new products or services, and accessing external finance, those with no employees in 2015 were significantly less likely than others to consider their business strong or very strong.

Table 6.1: Percentage of businesses that considered their capabilities strong or poor, by size of business in 2015

		Panel	No employees	Micro (1 - 9)	Small (10-49)	Medium (50-249)
Unweighted n=		5,844	469	1,978	1,962	1,435
		%	%	%	%	%
People management.	Poor	2	n/a	2	2	2
	Strong	80	n/a	80	81	80
Developing business plan and strategy.	Poor	10	12	10	5	4
	Strong	60	54	59	71	76
Developing and introducing new products or services.	Poor	12	17	10	7	7
	Strong	54	49	55	61	61
Accessing external finance.	Poor	25	32	23	16	12
	Strong	29	24	29	40	51
Operational improvement.	Poor	5	5	6	3	2
	Strong	66	67	63	73	80

Base: panel; 'people management' capability not asked to those with no employees. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Impact on growth

Compared to others, businesses reporting a strength in developing and implementing a business plan and strategy were significantly less likely to record a decrease in turnover, and more likely to record an increase. The reverse is true for those reporting a *weakness* in developing a business plan or strategy: less likely to record an increase in turnover, and more likely to record a decrease.

Businesses reporting a weakness in developing new products were less likely than others to record an increase in turnover, and more likely to record a decrease. Businesses reporting a weakness in operational improvement were significantly less likely to record an increase in turnover.

Table 6.2: Percentage of businesses that changed the level of turnover between 2015 and 2016, by whether they considered their capabilities strong or poor

	Panel	People management		Developing and implementing a business plan and strategy		Developing and introducing new products and service	
		Strong	Poor	Strong	Poor	Strong	Poor
Unweighted n=	5,087	3,726	88	3,320	387	2,885	469
	%	%	%	%	%	%	%
Increase	37	37	24	40	30	39	31
About the same	34	32	25	34	33	34	34
Decrease	29	31	50	26	37	28	34

	Panel	Accessing external finance		Operational improvement	
		Strong	Poor	Strong	Poor
Unweighted n=	5,087	1,970	929	3,578	213
	%	%	%	%	%
Increase	37	34	34	38	29
About the same	34	34	34	34	41
Decrease	29	29	29	29	29

Base = panel; excludes 'don't know' or refused for turnover for either year; 'people management' capability not asked to those with no employees. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band

In terms of employment change, businesses that reported a weakness in developing a business plan were less likely to record an increase in employment. Businesses that considered themselves poor at developing new products and services, or at accessing external finance were more likely than others in the panel to record a decrease in employment.

Table 6.16: Percentage of businesses that changed the level of employment between 2015 and 2016, by whether they considered their capabilities strong or poor

	Panel	People management		Developing and implementing a business plan and strategy		Developing and introducing new products and services	
		Strong	Poor	Strong	Poor	Strong	Poor
Unweighted n=	5,375	4,334	95	3,595	373	3,129	440
	%	%	%	%	%	%	%
Increase	33	32	27	33	29	33	29
About the same	32	33	27	32	36	31	33
Decrease	34	34	46	35	35	36	39

	Panel	Accessing external finance		Operational improvement, e.g. adopting industry best practice	
		Strong	Poor	Strong	Poor
Unweighted n=	5,375	2,133	878	3,830	208
	%	%	%	%	%
Increase	33	35	32	33	35
About the same	32	33	29	32	32
Decrease	34	32	38	35	33

Base = Panel excluding businesses with no employees in 2015. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Business capability: business plans

Some 45 per cent of the panel had a business plan in *both* 2015 and 2016 while 43 per cent did not have a business plan in either year. Businesses without a business plan were more likely than others to experience no change in employment.

Table 6.17: Percentage of businesses that changed the level of employment between 2015 and 2016, by whether they had a business plan in 2015

	Panel	Business plan			
		Yes			No
		Any	<i>Kept up to date</i>	<i>Not kept up to date</i>	
Unweighted n=	5,375	3,078	2,587	491	2,164
	%	%	%	%	%
Increase	33	35	35	34	31
About the same	32	29	29	27	35
Decrease	34	36	35	39	34

Base = panel (excluding those with no employees 2015). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

A significantly higher proportion of those with a business plan than others recorded an increase in turnover. A significantly lower proportion of those *without* a business plan than others recorded an increase in turnover.

Table 6.18: Percentage of businesses that changed the level of turnover between 2015 and 2016, by whether they had a business plan in 2015

	Panel	Business plan (2015)			
		Yes			No
		Any	<i>Kept up to date</i>	<i>Not kept up to date</i>	
Unweighted n=	5,087	2,839	2,337	502	2,176
	%	%	%	%	%
Increase	37	43	40	49	33
About the same	34	28	31	22	38
Decrease	29	29	29	29	29

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band.

Business capability: innovation

New/significantly improved goods or services

Overall, 45 per cent of the panel indicated that they had undertaken any innovation of goods or services in the last three years in the 2015 survey, falling to 34 per cent in 2016. A quarter of the panel (25 per cent) reported that they had undertaken innovation in both surveys, whereas 46 per cent indicated that they had not innovated at all in terms of goods or services in the three years before either survey.

Looking at the impact of product/service innovation on employment change, businesses introducing goods or services new to the market (as opposed to just new to the business) were more likely than other businesses in the panel to record an increase in employment or turnover.

Table 6.19: Percentage of businesses that changed the level of employment between 2015 and 2016, by introduction of new or significantly improved goods or services in 2015

	Panel	Any improved goods/services in last 3 years			No
		Yes			
		Any	<i>New to market</i>	<i>New to business</i>	
Unweighted n=	5,375	2,563	808	1,755	2,779
	%	%	%	%	%
Increase	33	34	40	31	32
About the same	32	30	23	32	35
Decrease	34	37	37	37	33

Base = panel (excluding those with no employees in 2015). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Businesses introducing new or improved goods or services were significantly more likely to record increased turnover than those that did not.

Table 6.20: Percentage of businesses that changed the level of turnover between 2015 and 2016, by introduction of new or significantly improved goods or services in 2015

	Panel	Any improved goods/services in last 3 years			No
		Yes			
		Any	<i>New to market</i>	<i>New to business</i>	
Unweighted n=	5,087	2,456	790	1,666	2,600
	%	%	%	%	%
Increase	37	41	45	39	34
About the same	34	32	28	34	35
Decrease	29	27	27	27	31

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in same turnover band

New/significantly improved processes

Thirteen per cent of the panel reported that they had introduced new or significantly improved goods or processes in the last three years in both surveys, while 64 per cent indicate they had not done so in either survey.

Compared to those that had not done so, businesses that introduced processes new to their industry were more likely to record an increase in employment. Businesses that introduced processes which were new to their business (but not the industry) were more likely to record a decrease in employment.

Table 6.21: Percentage of businesses that changed the level of employment between 2015 and 2016, by introduction of new or significantly improved processes in 2015

	Panel	Any improved processes in last 3 years			No
		Yes			
		Any	<i>New to industry</i>	<i>New to business</i>	
Unweighted n=	5,375	1,701	344	1,357	3,653
	%	%	%	%	%
Increase	33	34	42	32	32
About the same	32	29	24	31	33
Decrease	34	37	34	37	34

Base = panel (excluding those with no employees in 2015). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested)

A significantly higher proportion of businesses that introduced processes, whether new to the industry or to the business, than others recorded an increase in turnover.

Table 6.22: Percentage of businesses that changed the level of turnover between 2015 and 2016, by introduction of new or significantly improved processes in 2015

	Panel	Any improved processes in last 3 years			No
		Yes			
		Any	<i>New to industry</i>	<i>New to business</i>	
Unweighted n=	5,087	1,619	339	1,280	3,447
	%	%	%	%	%
Increase	37	42	45	41	35
About the same	34	31	30	32	35
Decrease	29	26	26	27	30

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band

New/significantly improved goods, services or processes

Thirty-one per cent of the panel reported in both 2015 and 2016 that they had undertaken any innovation (in goods, services or processes) in the past three years, and 40 per cent indicated in both surveys that no such innovation activity had taken place.

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, and how that is associated with growth.

There were no significant differences in changes in employment between businesses that introduced any innovation and those that did not.

Table 6.23: Percentage of businesses that changed the level of employment between 2015 and 2016, by introduction of new or significantly improved goods, services or processes in 2015

	Panel	Any improved goods, services or processes in last 3 years	
		Yes	No
Unweighted n=	5,375	2,878	2,246
	%	%	%
Increase	33	34	32
About the same	32	30	34
Decrease	34	36	33

Base = panel (excluding those with no employees in 2015). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Businesses that introduced any innovation in the last three years were more likely to record an increase in turnover than those that did not innovate.

Table 6.24: Percentage of businesses that changed the level of turnover between 2015 and 2016, by introduction of new or significantly improved goods, services or processes in 2015

	Panel	Any improved goods, services or processes in last 3 years	
		Yes	No
Unweighted n=	5,087	2,904	2,183
	%	%	%
Increase	37	40	34
About the same	34	32	36
Decrease	29	28	30

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band

Business capability: exporting

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

Fifteen per cent of SME employers reported that they had sold goods or services or licensed products outside of the UK in *both* 2015 and 2016, with only a small proportion (approximately eight per cent of the panel) exporting in one year but not the other.

A significantly higher proportion of small and medium businesses than others exported in both years.

Of those that did not export in 2015 but planned to in 2016, 25 per cent had actually undertaken some export activity in 2016, and 75 per cent had not. Of those non-exporters in 2015 that planned to export further in the future than 2016, 16 per cent had actually undertaken some exporting in 2016, while four per cent of those that indicated in 2015 that they did not plan to start exporting had actually done so in 2016, in contradiction of their stated plans.

Table 6.25: Percentage of businesses that changed exporting behaviour between 2015 and 2016, by size of business in 2015

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,844	469	1,978	1,962	1,435
	%	%	%	%	%
Exported goods or services both years	15	13	14	23	28
- <i>Exports have increased in turnover</i>	5	6	5	8	10
- <i>No change for exports in turnover</i>	5	3	3	6	7
- <i>Exports have decreased in turnover</i>	5	3	5	9	10
Exported 2015, not 2016	5	5	5	5	5
Exported 2016, not 2015	4	5	4	3	3
Did not export either year	76	77	77	69	65

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Table 6.26: Percentage of businesses that changed exporting behaviour between 2015 and 2016, by whether they plan to start exporting

	Plan to start exporting		
	Yes - in 2016	Yes - further in future	No
Unweighted n=	96	115	4,104
	%	%	%
Exported 2016, not 2015	25	16	4
Did not export either year	75	84	96

Base = panel that did not export in 2015. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Exports as a percentage of annual turnover

Approximately one third (33 per cent) of businesses that exported in both 2015 and 2016 recorded an increase in the turnover accounted for by their exports of goods or services; approximately two-fifths (40 per cent) experienced a decrease, and approximately a quarter (27 per cent) reported that the proportion was about the same. The mean proportion of turnover accounted for by exports (among only businesses that exported goods or services in both years) was similar in both years, differing only by one percentage point (29 per cent in 2015, 28 per cent in 2016).

Plans to increase exporting

Of the exporting businesses which reported in 2015 that they had plans to increase their level of exports in the next three years, 38 per cent had already done so, while 39 per cent had experienced a decrease. Of businesses that did *not* plan to increase exports, 35 per cent reported no change in the percentage of turnover accounted for by exports, and 42 per cent reported a decrease. Businesses that planned to increase exports already exported more (on average) in 2015 than those that did not: 34 per cent and 21 per cent, respectively.

Table 6.27: Percentage of businesses that changed percentage of turnover accounted for by exports between 2015 and 2016, by size of business and plans for exports in 2015

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)	Plan to increase level of exports	
						Yes	No
Unweighted n=	1,099	76	290	418	315	751	324
	%	%	%	%	%	%	%
<i>Mean 2015</i>	29	31	27	31	29	34	21
<i>Mean 2016</i>	28	26	28	29	29	37	23
Increase	33	37	31	31	36	38	24
About the same	27	30	26	27	25	23	35
Decrease	40	32	43	42	39	39	42

Base = panel that exported goods or services in both years; excludes those with no employees in 2015. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Impact on growth

A significantly higher proportion of exporters recorded a decrease in employment between 2015 and 2016 than businesses which did not export. The same is also true for changes in turnover.

Table 6.28: Percentage of businesses that changed their level of employment between 2015 and 2016, by exporting activity in 2015

	Panel	Any export of goods or services (2015)	
		Yes	No
Unweighted n=	5,375	1,388	3,969
	%	%	%
Increase	33	34	33
About the same	32	26	34
Decrease	34	40	33

Base = panel (excluding those with no employees in 2015). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Table 6.29: Percentage of businesses that changed level of turnover between 2015 and 2016, by exporting activity in 2015

	Panel	Any export of goods or services (2015)	
		Yes	No
Unweighted n=	5,087	1,365	3,711
	%	%	%
Increase	37	38	37
About the same	34	29	35
Decrease	29	33	28

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band.

Business capability: training

Provision of training

In terms of training, 48 per cent of the panel (excluding businesses without employees in either year⁷) provided any training, either on or off the job, to employees in both 2015 and 2016, while 28 per cent did not offer it in either year. Some 23 per cent offered it in one of the two years but not in both.

Of those which provided training for employees, the majority also provided training for managers. Twenty-five per cent of the panel offered training to managers in both years, 26 per cent offered it in either 2015 or 2016, and 48 per cent did not offer training to managers in either year.

A significantly higher proportion of businesses that provided training to their employees or their employees and managers than others recorded an increase in employment. A significantly lower proportion of businesses that did not provide any training than others recorded an increase in employment.

Table 6.30: Percentage of businesses that changed level of employment between 2015 and 2016, by training provision in 2015

	Panel	Training for staff or managers			
		Yes			No
		Any	Only employees	Both employees and managers	
Unweighted n=	5,375	4,141	1,151	2,990	1,224
	%	%	%	%	%
Increase	33	36	33	37	30
About the same	32	30	31	30	35
Decrease	34	34	33	36	36

Base = panel (excluding those with no employees). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Multiple answers allowed across these questions. Not asked to businesses without employees

A significantly higher proportion of businesses that provided training to their employees and managers or just their employees than others recorded an increase in turnover. A significantly higher proportion of businesses that did not provide any training than others recorded no change in turnover.

⁷ The question was not asked to those without employees.

Table 6.31: Percentage of businesses that changed level of turnover between 2015 and 2016, by training provision in 2015

	Panel	Any training for staff or managers (2015)			
		Yes			No
		Any	<i>Only employees</i>	<i>Both employees and managers</i>	
Unweighted n=	5,087	3,607	1,107	2,500	1,279
	%	%	%	%	%
Increase	37	41	44	40	35
About the same	34	32	30	33	37
Decrease	29	27	26	27	29

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band. Not asked to businesses without employees

Looking only at training for managers, the most common area where training was provided, amongst those that trained managers as well as employees, was technical, practical or job-specific skills, provided by 86 per cent of this group. Health and safety training was provided by 62 per cent, and leadership and management training by 40 per cent.

Table 6.32: Percentage of businesses that provided any training to managers, by type of training 2015

Unweighted n= 2,990	%
Technical, practical or job-specific skills	86
Health and Safety	62
Leadership and management skills	40
IT skills	39
Team working skills	35

Base: panel that provided any training to managers. Question was not asked of those with no employees.

Businesses that provided training in leadership and management skills to managers were significantly more likely to record an increase in turnover than businesses that did not. This was also true of businesses that provided training in team working skills.

Table 6.33: Percentage of businesses that changed level of turnover between 2015 and 2016, by training of managers in 2015

	Panel	Leadership and management skills		IT skills		Health and Safety	
		Yes	No	Yes	No	Yes	No
Unweighted n=	5,087	1,464	1,124	1,083	1,505	1,883	705
	%	%	%	%	%	%	%
Increase	37	40	37	39	37	39	37
About the same	34	32	33	32	33	32	33
Decrease	29	28	30	29	30	29	30

	Panel	Technical, practical or job-specific skills		Team working skills	
		Yes	No	Yes	No
Unweighted n=	5,087	2,273	315	1,202	1,386
		%	%	%	%
Increase	37	38	40	42	36
About the same	34	32	35	27	35
Decrease	29	30	26	31	29

Base: panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band. Not asked to businesses without employees.

Businesses that provided training in leadership and management skills to managers were significantly more likely to record an increase in their employee numbers than businesses that did not. The same is true of businesses that provided training to managers in health & safety, technical, practical or job specific skills and team-working skills.

Table 6.34: Percentage of businesses that changed level of employment between 2015 and 2016, by training of managers in 2015

	Panel	Leadership and management skills		IT skills		Health and Safety	
		Yes	No	Yes	No	Yes	No
Unweighted n=	5,375	1,703	1,287	1,243	1,747	2,183	807
	%	%	%	%	%	%	%
Increase	33	38	36	35	38	37	36
About the same	32	26	33	28	31	30	29
Decrease	34	36	32	38	30	32	34

	Panel	Technical, practical or job-specific skills		Team working skills	
		Yes	No	Yes	No
Unweighted n=	5,375	2,618	372	1,404	1,586
	%	%	%	%	%
Increase	33	37	37	39	35
About the same	32	30	28	26	32
Decrease	34	33	36	34	33

Base: panel Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). Multiple answers allowed across these questions. Not asked to businesses without employees

Plans to increase capabilities

Respondents were asked in what ways they planned to increase their business's capabilities. Some 70 per cent of the panel indicated in both surveys that they planned to increase capabilities in at least one of the areas listed below in the next three years, while 12 per cent indicated in both surveys that they did not plan to increase capabilities in any of these areas.

Small and medium businesses were significantly more likely to undertake all the actions listed, and significantly less likely to undertake none of them.

Table 6.35: Percentage of businesses with plans to increase capabilities in the next 12 months, by type of capability and size of business

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	5,844	469	1,978	1,962	1,435
	%	%	%	%	%
Increase the leadership capability of managers	40	29	42	65	77
Increase the skills of the workforce	69	59	71	85	92
Capital investment (in premises, machinery etc.)	41	36	42	52	66
Develop and launch new products/services	47	44	48	54	61
Introduce new working practices	48	42	48	63	68
None of the above	17	23	16	5	2

Base = panel. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'Next 12 months' refers to plans for 2016.

Businesses that planned to increase leadership capability of managers were significantly more likely to record an increase in employment than businesses that did not. The same is true for businesses planning to introduce new working practices.

Businesses that did not plan to increase any capabilities were significantly less likely to record an increase in employment than businesses which planned to increase any capabilities.

Table 6.36 Percentage of businesses that changed their level of employment between 2015 and 2016, by plans to increase capabilities in 2015

	Panel	Increase the leadership capability of managers		Increase the skills of the workforce		Capital investment (in premises, machinery etc.)	
		No	Yes	No	Yes	No	Yes
Unweighted n=	5,375	2,078	3,297	947	4,428	2,591	2,784
	%	%	%	%	%	%	%
Increase	33	29	38	29	34	38	31
About the same	32	37	27	38	30	27	34
Decrease	34	35	35	33	35	35	35

	Panel	Develop and launch new products/services		Introduce new working practices		None of these	
		No	Yes	No	Yes	No	Yes
Unweighted n=	5,375	2,510	2,865	2,221	3,154	4,952	423
	%	%	%	%	%	%	%
Increase	33	32	34	30	36	34	27
About the same	32	35	30	36	29	31	40
Decrease	34	34	36	34	35	35	33

Base = panel (excluding those with no employees in 2015). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

In every case, businesses that planned to increase a capability were more likely to record a turnover increase than businesses which did not plan to do so.

Table 6.37 Percentage of businesses that changed level of turnover between 2015 and 2016, by plans to increase capabilities in 2015

	Panel	Increase the leadership capability of managers		Increase the skills of the workforce		Capital investment (in premises, machinery etc.)	
		No	Yes	No	Yes	No	Yes
Unweighted n=	5,087	2,059	3,028	943	4,144	2,451	2,636
		%	%	%	%	%	%
Increase	37	34	42	29	41	33	44
About the same	34	36	30	40	31	37	29
Decrease	29	30	28	31	28	30	27

	Panel	Develop and launch new products/services		Introduce new working practices		None of these	
		No	Yes	No	Yes	No	Yes
Unweighted n=	5,087	2,387	2,700	2,180	2,907	4,667	420
		%	%	%	%	%	%
Increase	37	34	40	32	42	40	21
About the same	34	36	32	37	30	31	48
Decrease	29	30	28	30	27	28	32

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band.

7. Access to external finance

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

Whether sought external finance in the last 12 months

Some 77 per cent of the panel had not sought any external finance in the previous twelve months in either 2015 or 2016. Seventeen per cent had sought finance in 2015 (once or more than once) but not 2016, while six per cent sought finance in 2016 but had not done so in 2015. Four per cent had sought finance in both years (once or more than once per year). By size-band of the business, the only significant differences were that those with no employees in 2015 were significantly less likely than others to seek finance in both years, and medium businesses were more likely to seek finance in at least one year.

Table 7.1: Percentage of businesses that sought external finance, 2015 and 2016

N=5,436		2016			
		Once	More than once	None	Total
		%	%	%	%
2015	Once	2	1	7	10
	More than once	2	2	4	7
	None	4	2	77	83
	Total	8	5	87	

Base=panel (excluding don't know).

Seeking finance and business performance

Businesses that sought external finance (in either year or both years) were more likely than businesses which did not to record an increase in turnover, particularly those that sought finance in both years.

Table 7.2: Percentage of businesses that changed their level of turnover between 2015 and 2016, by whether they sought finance

	Panel	Sought finance in:				
		Neither year	Either or both years	<i>Both years</i>	<i>2015 not 2016</i>	<i>2016 not 2015</i>
Unweighted n=	5,087	3,493	1,506	495	695	316
	%	%	%	%	%	%
Increase	37	36	43	49	40	40
About the same	34	36	28	22	27	37
Decrease	29	29	30	29	33	23

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band.

A significantly higher proportion of businesses that sought external finance in either year recorded an increase in employment. The same was true of those that sought finance in 2016 but had not previously done so in 2015.

Table 7.3: Percentage of businesses that changed level of employment between 2015 and 2016, by whether they sought finance

	Panel	Sought finance in:				
		Neither year	Either or both years	<i>Both years</i>	<i>2015 not 2016</i>	<i>2016 not 2015</i>
Unweighted n=	5,375	3,608	1,542	505	714	323
	%	%	%	%	%	%
Increase	33	32	37	35	36	40
About the same	32	34	29	33	30	21
Decrease	34	35	35	31	34	39

Base = panel (excluding those with no employees in 2015). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

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

Just under two-thirds of the panel (65 per cent) indicated in *both* the 2015 and 2016 surveys that they were unlikely to approach an external finance provider in the next three years; 15 per cent indicated in both surveys that they were likely to do so. Some 11 per cent of the panel moved from likely to unlikely between 2015 and 2016, while 7 per cent moved from unlikely to likely.

Table 7.4: Percentage of businesses that are likely to approach external finance providers in next three years, 2015 and 2016

Unweighted n=5,388		2016		Total
		Likely	Not likely	
		%	%	%
2015	Likely	15	11	26
	Not likely	7	65	71
Total		22	75	

Base = panel, excluding don't know. 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.

Businesses that were likely to approach external providers were more likely to record an increase in turnover than businesses which were not.

Table 7.5: Percentage of businesses that changed level of turnover between 2015 and 2016, by likelihood of seeking finance in the next three years

	Panel	Likelihood of approaching finance provider in next three years				
		Likely neither year	Likely either or both years	Likely both years	Likely 2015 not 2016	Likely 2016 not 2015
Unweighted n=	5,087	2,969	2,004	953	598	453
	%	%	%	%	%	%
Increase	37	33	46	46	45	47
About the same	34	37	27	28	24	27
Decrease	29	30	28	27	31	26

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band

Businesses that indicated in either survey (but not in *both* surveys) that they were likely to seek external finance were more likely to record an increase in employment than other businesses in the panel.

Table 7.6: Percentage of businesses that changed level of employment between 2015 and 2016, by likelihood of seeking finance in the next three years

	Panel	Likelihood of approaching finance provider in next three years				
		Likely neither year	Likely either or both years	<i>Likely both years</i>	<i>Likely 2015 not 2016</i>	<i>Likely 2016 not 2015</i>
Unweighted n=	5,375	3,071	2,099	976	646	477
	%	%	%	%	%	%
Increase	33	31	37	34	37	40
About the same	32	34	30	32	32	23
Decrease	34	35	33	34	30	37

Base = panel, excluding new 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. Excludes those who answered 'don't know' in either year to approaching finance provider.

8. Major obstacles to the success of the business

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

Major obstacles to the success of the business

Respondents were read a list of issues and asked which, if any, represented major obstacles to the success of their business. Only 4 per cent of the panel reported that they faced no obstacles at all in either year, with 81 per cent facing at least one obstacle (although not necessarily the same obstacle) in both years. The obstacles that were most likely to be reported (in either or both years) were competition in the market (faced by 62 per cent of the panel in at least one survey), regulations/red tape (59 per cent) and taxation (including VAT, PAYE, NI and rates, 51 per cent).

The proportion of the panel that faced a given obstacle declined in most cases between 2015 and 2016, with the greatest declines being in taxation, regulations and the availability/cost of suitable premises. In only one case did the proportion facing an obstacle increase (slightly), which was the case of workplace pensions.

Major obstacles to the success of the business and business performance

Businesses that reported that staff recruitment and skills were an obstacle in either year were more likely than others to record an increase in employment. Businesses that reported that workplace pensions were an obstacle in either year were more likely than others to record an increase in employment. Businesses that reported that availability or cost of suitable premises, late payment or competition in the market as major obstacles were more likely to record lower employment in 2016 than 2015.

Table 8.38: Percentage of businesses that changed level of employment between 2015 and 2016, by obstacles to the success of the business in either 2015 or 2016

	Panel	Obtaining finance		Taxation, VAT, PAYE, National Insurance, business rates		Staff recruitment and skills		Regulations/red tape	
		Yes	No	Yes	No	Yes	No	Yes	No
Unweighted n=	5,375	1,566	3,809	2,751	2,624	2,999	2,376	3,375	2,000
	%	%	%	%	%	%	%	%	%
Increase	33	34	32	33	33	39	28	33	32
About the same	32	32	33	32	32	27	37	32	32
Decrease	34	34	35	35	35	35	35	34	36

	Panel	Availability/cost of suitable premises		Competition in the market		Workplace pensions		Late payment	
		Yes	No	Yes	No	Yes	No	Yes	No
Unweighted n=	5,375	1,481	3,894	3,576	1,799	1,768	3,607	2,328	3,047
	%	%	%	%	%	%	%	%	%
Increase	33	34	33	33	33	37	31	34	32
About the same	32	30	33	30	36	31	33	29	35
Decrease	34	37	34	37	31	32	36	37	33

Base = panel, excluding those with no employees in 2015. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'Yes' includes businesses that reported the issue cited as an obstacle to the success of the business in either year. 'No' includes those who did not cite it in either year.

Businesses that reported that obtaining finance was an obstacle in either year were more likely than others to record an increase in turnover. The same applied to businesses reporting staff recruitment or the skills, availability/cost of suitable premises as major obstacles. Compared to others, a significantly lower proportion of businesses reporting regulation/red tape was not an obstacle in either year recorded a decrease in turnover.

Table 8.39: Percentage of businesses that changed their level of turnover between 2015 and 2016, by obstacles to the success of the business in either 2015 or 2016

	Panel	Obtaining finance		Taxation, VAT, PAYE, National Insurance, business rates		Staff recruitment and skills		Regulations/red tape	
		Yes	No	Yes	No	Yes	No	Yes	No
Unweighted n=	5,087	1,517	3,570	2,601	2,486	2,777	2,310	3,186	1,901
	%	%	%	%	%	%	%	%	%
Increase	37	42	35	38	37	41	35	36	38
About the same	34	30	35	32	35	31	36	33	36
Decrease	29	28	29	30	28	28	30	31	26

	Panel	Availability/cost of suitable premises		Competition in the market		Workplace pensions		Late payment	
		Yes	No	Yes	No	Yes	No	Yes	No
Unweighted n=	5,087	1,415	3,672	3,381	1,706	1,647	3,440	2,232	2,855
	%	%	%	%	%	%	%	%	%
Increase	37	42	35	38	37	42	35	39	35
About the same	34	30	35	33	35	29	36	30	37
Decrease	29	28	29	29	28	29	29	30	28

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band. 'Yes' includes businesses that reported the issue cited as an obstacle to the success of the business in either year. 'No' includes those who did not cite it in either year. Excludes those replying 'don't know' or refused in either year.

9. 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.

In this section, it is worth bearing in mind that it is a well established fact that businesses tend to report obstacles only when they are actually undertaking a particular activity - for example, businesses will report that raising finance is an obstacle if they have been attempting to raise finance.

In this section, 'information' refers to information relating to the day to day running of the business, and 'advice' refers to strategic advice to help introduce a stepped change to grow the business in terms of profitability or numbers employed, or to increase productivity.

Whether sought external information or advice in the last 12 months

In total, 15 per cent of the panel had sought any external information or advice in both 2015 and 2016, while 55 per cent had sought information or advice in neither year. 19 per cent had sought information or advice in 2015 but not 2016, and a lower proportion (10 per cent) had not sought such external support in 2015 but had in 2016. Overall, 35 per cent of the panel had used any information or advice in 2015, and 25 per cent had used it in 2016.

Table 9.1: Percentage of businesses that sought information or advice, 2015 and 2016

Unweighted n=5,844		Sought information or advice in 2016		Total
		Yes	No	
Sought information or advice in 2015	Yes	15	20	35
	No	10	55	65
Total		25	74	

Base = panel. Percentages are proportions of the whole table, other than final column and row.

Whether sought external information or advice in the last 12 months and business performance

Businesses that sought *both* information and strategic advice in 2015 were significantly more likely to record an increase in turnover.

Businesses that sought either information or strategic advice, or strategic advice but not information in 2016, were significantly more likely to record an increase in turnover.

Table 9.2: Percentage of businesses that changed level of turnover between 2015 and 2016, by whether they sought information or advice in 2015

	Panel	Sought information or advice					Not sought information or advice
		Any	Information	Advice	Both of these	Neither of these	
Unweighted n=	5,087	2,044	758	491	556	236	3,043
	%	%	%	%	%	%	%
Increase	37	38	34	38	42	44	37
About the same	34	31	36	31	30	21	35
Decrease	29	30	30	31	28	35	28

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band

Table 9.3: Percentage of businesses that changed level of turnover between 2015 and 2016, by whether they sought information or advice in 2016

	Panel	Sought information or advice					Not sought information or advice
		Any	Information	Advice	Both of these	Neither of these	
Unweighted n=	5,087	1,556	492	406	496	160	3,531
	%	%	%	%	%	%	%
Increase	37	42	37	48	40	45	36
About the same	34	29	29	27	32	28	35
Decrease	29	29	35	25	28	27	29

Base = panel; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band

Businesses seeking *both* information and advice in 2015 were significantly more likely to record an increase in employment between 2015 and 2016. Businesses seeking *only advice* in 2015 were more likely to record a fall in employment

Businesses seeking *only advice* in 2016 were more likely than other businesses to record an increase in employment between 2015 and 2016. . Businesses seeking *only information* in 2016 were significantly less likely to record a decrease in employment between 2015 and 2016.

Table 9.4: Percentage of businesses that changed level of employment between 2015 and 2016, by whether they sought information or advice in 2015

	Panel	Sought information or advice					Not sought information or advice
		Any	<i>Information</i>	<i>Advice</i>	<i>Both of these</i>	<i>Neither of these</i>	
Unweighted n=	5,375	2,144	779	521	594	246	3,231
	%	%	%	%	%	%	%
Increase	33	33	30	31	39	34	33
About the same	32	31	34	30	27	32	33
Decrease	34	36	35	40	33	34	34

Base = panel (not including new employers). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Table 9.5: Percentage of businesses that changed level of employment between 2015 and 2016, whether they sought information or advice in 2016

	Panel	Sought information or advice					Not sought information or advice
		Any	<i>Information</i>	<i>Advice</i>	<i>Both of these</i>	<i>Neither of these</i>	
Unweighted n=	5,375	1,658	523	422	525	185	3,717
	%	%	%	%	%	%	%
Increase	33	37	35	45	36	25	32
About the same	32	32	36	26	28	39	33
Decrease	34	32	29	29	35	36	36

Base = panel (not including new employers). Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested).

Unmet information and advice needs (England and Wales only)

Overall, 10 per cent of the panel had an unmet need for support across 2015 or 2016, although only 1 per cent had any unmet needs in *both* years.

Table 9.6: Percentage of businesses with unmet needs for information and advice (England and Wales only), 2015 and 2016

Unweighted n=4,979		Unmet need for support in 2016		Total
		Yes	No	
Unmet need for support in 2015	Yes	1	4	6
	No	3	90	94
Total		4	95	

Base = panel in England and Wales. Percentages are proportions of the whole table, other than final column and row.

Businesses that had unmet needs for information and advice in either 2015 or 2016 were significantly more likely than others to record a fall in turnover between 2015 and 2016.

Table 9.7: Percentage of businesses that changed their level of turnover between 2015 and 2016, by whether they had unmet needs for support in 2015 or 2016

	Panel (whole UK)	Unmet needs for support	
		Either year	Neither year
Unweighted n=	5,087	392	4,086
	%	%	%
Increase	37	36	37
About the same	34	30	34
Decrease	29	34	29

Base = panel in England and Wales; excludes 'don't know' or refused for turnover for either year. Figures in bold were statistically significant at the 95% confidence level against the overall finding (minus the sub-group tested). 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure, or in the same turnover band.

Table 9.8: Percentage of businesses that changed their level of employment between 2015 and 2016, by whether they had unmet support needs in 2015 or 2016

	Panel (whole UK)	Unmet needs for support	
		Either year	Neither year
Unweighted n=	5,375	402	4283
	%	%	%
Increase	33	37	32
About the same	32	27	33
Decrease	34	36	35

Base = panel in England and Wales, excluding those with no employees in 2015.

10. Growth

This chapter examines businesses that achieved growth between 2015 and 2016, and how that relates to business characteristics and behaviours.

Trends in employment and turnover

For the panel as a whole (excluding those with no employees in 2015), 33 per cent reported an increase in employee numbers, 32 per cent reported no change in employment, and 35 per cent reported a decrease. Of those that recorded an employment increase between 2015 and 2016, approximately three-quarters experienced an increase of at least 30 per cent.

Table 10.1: Percentage of businesses that changed employee numbers between 2015 and 2016, by size of change

Unweighted n=	Panel
	5,375
	%
Increase	33
0-4%	*
5-9%	1
10-14%	2
15-19%	1
20-29%	5
30%+	24
No change	32
Decrease	35

Base = Panel excluding businesses with no employees in 2015.

Thirteen per cent of the panel indicated that they did not know, or refused to give their turnover for at least one year. Excluding those that responded that they didn't know or refused to answer, 37 per cent of the panel reported higher turnover in 2016 than 2015, 34 per cent about the same to 12 months ago, and 29 per cent a decrease. Average increases in turnover were more modest than employment increases: of those that recorded a turnover increase between 2015 and 2016, approximately four in ten experienced an increase of at least 30 per cent.

Table 10.2: Percentage of businesses that changed turnover level between 2015 and 2016, by size of change

Unweighted n=	Panel
	5,087
	%
Increase	37
0-4%	1
5-9%	5
10-14%	4
15-19%	2
20-29%	6
30%+	16
<i>Increase: unknown percentage</i>	4
About the same	34
Decrease	29

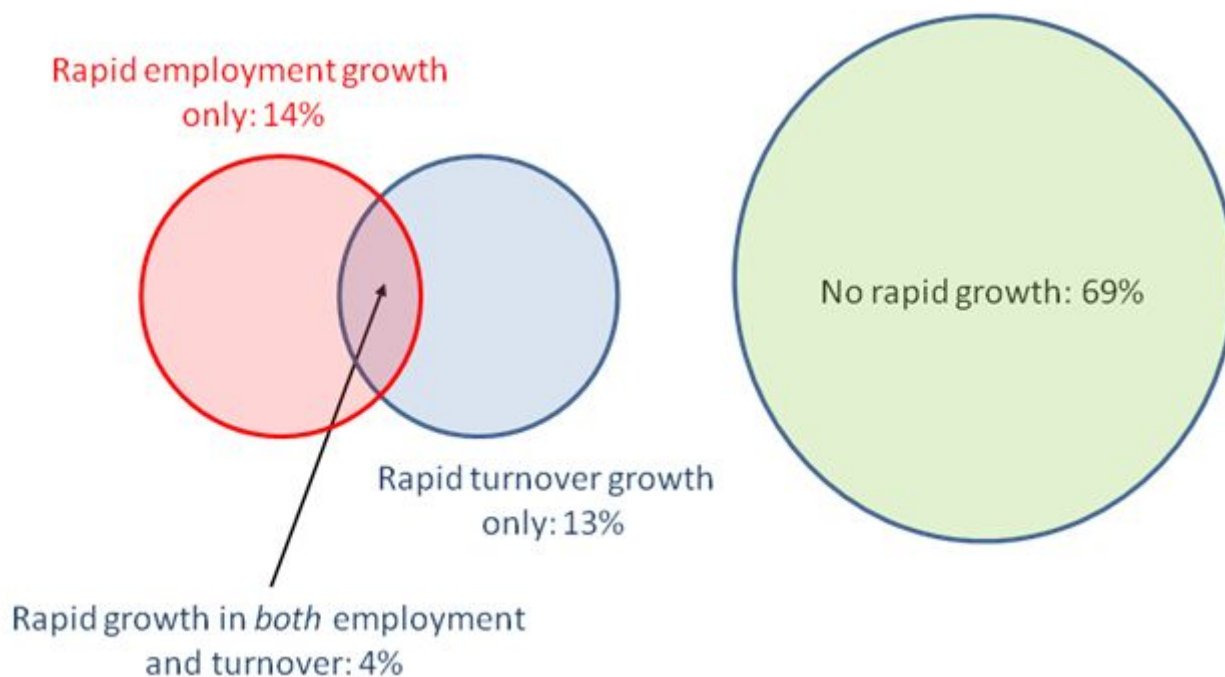
Base = Panel excluding don't know or refused to answer for at least one year. 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure. Includes businesses that only gave approximate turnover figures

Turnover and employment growth

Excluding businesses with fewer than ten employees in 2015 and those which did not know or refused to give their turnover for at least one year, there were 3,397 businesses which can be categorised as rapid turnover growth only (i.e. employment growth was not rapid), rapid employment growth only (i.e. turnover growth was not rapid), or both rapid turnover and rapid employment growth⁸. Of these businesses:

- Thirteen per cent had experienced rapid turnover growth but not rapid employment growth, and fourteen per cent had experienced rapid employment growth but not rapid turnover growth. In other words 27 per cent had experienced rapid growth in either measure but not both.
- Four per cent had experienced rapid growth in both employment and turnover.

Figure 10.1: Proportions of businesses experiencing rapid turnover or employment growth



Unweighted n=3,397. Excludes businesses with fewer than ten employees in 2015 and those which did not know or refused to give their turnover for at least one year.

Business characteristics

Overall, 31 per cent of businesses with at least 10 employees fit the definition of rapid growth in either employment *or* turnover in 2015-16 (at least 20 per cent growth or above in either measure). A significantly lower proportion of medium businesses than businesses in the panel as a whole (with over nine employees) experienced rapid growth.

⁸ A high growth business is defined as by the OECD as a business of 10 or more employees that grows either its employees or turnover by an average of more than 20 per cent per year for three consecutive years. Since this report has only covers two years' data, this definition is modified to 20 per cent growth in the single year of growth data available, referred to as 'rapid growth' from this point forward.

Table 10.3: Percentage of businesses that experienced rapid growth between 2015 and 2016, by size of business in 2015

	Panel	Small (10-49)	Medium (50-249)
Unweighted n=	3,397	1,962	1,435
	%	%	%
Rapid growth	31	32	24
Not rapid growth	69	68	76

Base: panel, excluding those employing fewer than 10 in 2015 and those which did not know or refused to give their turnover for at least one year.

There is no significant difference in the proportion of businesses which experienced rapid growth by broad sector.

Table 10.40: Percentage of businesses that experienced rapid growth between 2015 and 2016, by sector of business in 2015

	Panel	ABCDEF - Production and Construction	GHI - Transport/ Retail and Food service/ Accommodation	JKLMN - Business services	PQRS - Other services
Unweighted n=	3,397	707	837	888	965
	%	%	%	%	%
Rapid growth	31	28	30	33	32
Not rapid growth	69	72	70	67	68

Base: panel, excluding those employing fewer than 10 in 2015 and those which did not know or refused to give their turnover for at least one year.

There are no significant differences in the proportion of businesses which experienced rapid growth by family ownership status.

Table 10.41: Percentage of businesses that experienced rapid growth between 2015 and 2016, by family ownership

	Panel	Family owned both years	Family owned neither year	Became non-family-owned	Became family-owned
Unweighted n=	3,397	1,597	1,422	149	140
	%	%	%		
Rapid growth	31	30	34	24	31
Not rapid growth	69	70	66	76	69

Base: panel, excluding those employing fewer than 10 in 2015.

There are no significant differences in the proportion of businesses which experienced rapid growth by whether or not they are woman-led.

Table 10.6: Percentage of businesses that experienced rapid growth between 2015 and 2016, by woman-led status

	Panel	Woman led both years	Woman led neither year	Became non-woman led	Became woman led
Unweighted n=	3,397	625	2,331	54	133
	%	%	%	%	%
Rapid growth	31	33	31	37	16
Not rapid growth	69	67	69	63	84

Base: panel, excluding those employing fewer than 10 in 2015.

There are no significant differences in the proportion of businesses which experienced rapid growth by whether or not they are MEG-led.

Table 10.7: Percentage of businesses that experienced rapid growth between 2015 and 2016, by MEG-led status

	Panel	MEG-led both years	MEG-led neither year	Became non-MEG-led	Became MEG-led
Unweighted n=	3,397	100	2880	19	25
	%	%	%	%	%
Rapid growth	31	37	31	37	42
Not rapid growth	69	63	69	63	58

Base: panel, excluding those employing fewer than 10 in 2015

Younger businesses (established for ten years or less) are significantly more likely to experience rapid growth, while older businesses (established for more than 20 years) are significantly less likely.

Table 10.8: Percentage of businesses that experienced rapid growth between 2015 and 2016, by age of business

	Panel	0-5 years	6-10 years	11-20 years	More than 20 years
Unweighted n=	3,397	264	324	527	2,278
	%	%	%	%	%
Rapid growth	31	44	37	33	26
Not rapid growth	69	56	63	67	74

Base: panel, excluding those employing fewer than 10 in 2015.

There are no significant differences in the proportion of businesses which experienced rapid growth by whether or not they are located in urban or rural areas.

Table 10.9: Percentage of businesses that experienced rapid growth between 2015 and 2016, whether it is based in an urban or rural location

	Panel	Urban	Rural
Unweighted n=	3,397	2,556	832
	%	%	%
Rapid growth	31	32	29
Not rapid growth	69	68	71

Base: panel, excluding those employing fewer than 10 in 2015.

There are no significant differences in the proportion of businesses which experienced rapid growth by the broad region they are located in.

Table 10.10: Percentage of businesses that experienced rapid growth between 2015 and 2016, by broad UK region

	Panel	England	Scotland	Wales	Northern Ireland
Unweighted n=	3,397	2,922	237	122	116
	%	%	%	%	%
Rapid growth	31	32	29	16	31
Not rapid growth	69	69	74	84	69

Base: panel, excluding those employing fewer than 10 in 2015.

There are no significant differences in the proportion of businesses which experienced rapid growth by whether they are located in deprived areas or not.

Table 10.11: Percentage of businesses that experienced rapid growth between 2015 and 2016, by deprivation level of location

	Panel	Businesses located in the most deprived 15% of the country	Businesses not located in the most deprived 15% of the country
Unweighted n=	3,397	234	2,954
	%	%	%
Rapid growth	31	32	31
Not rapid growth	69	68	69

Base: panel, excluding those employing fewer than 10 in 2015.

A significantly higher proportion of businesses that trade mainly with customers in their own region than other experienced rapid growth. A significantly lower proportion of businesses that mainly trade internationally experienced rapid growth.

Table 10.12: Percentage of businesses that experienced rapid growth between 2015 and 2016, by where customers are mainly based

	Panel	Locally (within 30 miles of main site)	Across home region	Nationally	Internationally
Unweighted n=	3,397	1,402	498	979	505
	%	%	%	%	%
Rapid growth	31	29	36	32	26
Not rapid growth	69	71	64	67	74

Base: panel, excluding those employing fewer than 10 in 2015.

Business behaviours

There are no significant differences in the proportion of businesses which experienced rapid growth by whether they exported or not.

Table 10.13: Percentage of businesses that experienced rapid growth between 2015 and 2016, by whether or not they export

	Panel	Export both years	Export neither year	Export 2015 not 2016	Export 2016 not 2015
Unweighted n=	3,397	807	2,317	162	88
	%	%	%	%	%
Rapid growth	31	28	32	22	41
Not rapid growth	69	72	68	78	59

Base: panel, excluding those employing fewer than 10 in 2015.

There are no significant differences in the proportion of businesses which experienced rapid growth by the obstacles they faced

Table 10.14: Percentage of businesses that experienced rapid growth between 2015 and 2016, by the obstacles to growth that they faced in either 2015 or 2016

	Panel	Obtaining finance	Taxation, VAT, PAYE, NI, business rates	Staff recruitment and skills	Regulations/ red tape
Unweighted n=	3,397	982	1,681	2,151	2,177
	%	%	%	%	%
Rapid growth	31	33	33	32	29
Not rapid growth	69	67	67	68	71

	Panel	Availability/ cost of suitable premises	Competition in the market	Workplace pensions	Late payment
Unweighted n=	3,397	959	2,337	1,096	1,432
	%	%	%	%	%
Rapid growth	31	35	30	32	32
Not rapid growth	69	65	70	68	68

Base: panel, excluding those employing fewer than 10 in 2015.

There were significant differences in the proportion of businesses which experienced rapid growth by whether or not they introduced new or significantly improved goods, services or processes in the past three years. A significantly higher proportion of businesses that indicated that they had done so in 2016 experienced rapid growth between 2015 and 2016. Compared to

others, a significantly lower proportion of businesses that indicated that they had not innovated than others experienced rapid growth.

Table 10.15: Percentage of businesses that experienced rapid growth between 2015 and 2016, by introduction of new or improved goods, services or processes

	Panel	Innovated both years	Innovated neither year	Innovated 2015 not 2016	Innovated 2016 not 2015
Unweighted n=	3,397	1,327	1,034	693	343
	%	%	%	%	%
Rapid growth	31	34	27	27	37
Not rapid growth	69	66	73	73	63

Base: panel, excluding those employing fewer than 10 in 2015.

There are no significant differences in the proportion of businesses which experienced rapid growth by whether they sought finance or not.

Table 10.142: Percentage of businesses that experienced rapid growth between 2015 and 2016, by whether they sought finance

	Panel	Sought finance both years	Sought finance neither year	Sought finance 2015 not 2016	Sought finance 2016 not 2015
Unweighted n=	3,397	367	2,141	495	206
	%	%	%	%	%
Rapid growth	31	30	31	33	33
Not rapid growth	69	70	69	67	67

Base: panel, excluding those employing fewer than 10 in 2015.

A significantly higher proportion of businesses that sought advice or guidance in 2016 (but not 2015) experienced rapid growth.

Table 10.17: Percentage of businesses that experienced rapid growth between 2015 and 2016, by whether they sought advice

	Panel	Sought advice or guidance both years	Sought advice or guidance neither year	Sought advice or guidance 2015 not 2016	Sought advice or guidance 2016 not 2015
Unweighted n=	3,397	934	1,258	732	395
	%	%	%	%	%
Rapid growth	31	31	31	28	39
Not rapid growth	69	69	69	72	61

Base: panel, excluding those employing fewer than 10 in 2015.

There are no significant differences in the proportion of businesses which experienced rapid growth by whether they provided training or not.

Table 10.18: Percentage of businesses that experienced rapid growth between 2015 and 2016, by whether or not they provided training in 2015

	Panel	Any training	Staff only	Both management and staff	No training
Unweighted n=	3,397	3,031	757	2,274	360
	%	%	%	%	%
Rapid growth	31	32	30	32	26
Not rapid growth	69	68	70	68	74

Base: panel, excluding those employing fewer than 10 in 2015.

A significantly higher proportion of businesses that provided training in leadership and management skills, IT skills or team working skills in 2015 experienced rapid growth between 2015 and 2016. A significantly lower proportion of businesses that did not provide training in technical, practical or job-specific skills experienced rapid growth.

Table 10.19: Percentage of businesses that experienced rapid growth between 2015 and 2016, by type of training for managers in 2015

	Panel	Leadership and management		IT skills		Health & safety	
		Yes	No	Yes	No	Yes	No
Unweighted n=	3,397	1,437	837	960	1,314	1,765	509
	%	%	%	%	%	%	%
Rapid growth	31	35	29	35	31	32	35
Not rapid growth	69	65	71	65	69	68	65

	Panel	Technical, practical or job-specific skills		Team working skills	
		Yes	No	Yes	No
Unweighted n=	3,397	1,995	279	1,177	1,097
	%	%	%	%	%
Rapid growth	31	34	25	35	30
Not rapid growth	69	66	75	65	70

Base: panel, excluding those employing fewer than 10 in 2015.

There are no significant differences in the proportion of businesses which experienced rapid growth by whether they had a business plan or not

Table 10.20: Percentage of businesses that experienced rapid growth between 2015 and 2016, by existence of a business plan in 2015

	Panel	Business plan			No business plan
		Any	<i>Kept to date</i>	<i>Not kept up to date</i>	
Unweighted n=	3,397	2,224	1,958	266	1,078
	%	%	%	%	%
Rapid growth	31	32	32	36	29
Not rapid growth	69	68	69	64	71

Base: panel, excluding those employing fewer than 10 in 2015.

11. Growth in businesses with zero or 1-9 employees

This section looks only at businesses which had no employees in 2015, including those which also did not have employees in 2016 (unlike the rest of the report). There were 1,904 businesses with zero employment in 2015 which provided responses in both 2015 and 2016. Those which became employees in 2016 are included in the panel above (469 businesses), whereas those which did not (1,435 businesses) are included here for the first time. The total for businesses with zero employees is 1,904, raising the size of the whole panel (for this section only) to 7,279.

Trends in employment

The weighted proportion of businesses with no employees which grew to have employees in 2016 was 20 per cent: 80 per cent did not add any employees in 2016. The majority of the businesses which grew added only a small number of workers: one employee (12 per cent) or two (five per cent). The majority of micros similarly remained in the same size-band: 12 per cent of businesses which had fewer than 10 employees in 2015 had no employees in 2016, while four per cent grew to have 10 or more. Eighty-four per cent of micros in 2015 thus remained micros in 2016.

Trends in turnover

Of businesses with no employees in 2015 who provided turnover estimates, 35 per cent experienced an increase between 2015 and 2016, 26 per cent experienced a decrease, and 39 per cent reported turnover about the same in both years⁹.

Table 11.1: Percentage of businesses that changed turnover level between 2015 and 2016, by size-band, 2015

	Panel	No employees	Micro (1-9)	Small (10-49)	Medium (50-249)
Unweighted n=	6,393	1,721	1,700	1,688	1,284
	%	%	%	%	%
Increase	36	35	36	41	44
About the same	37	39	32	31	29
Decrease	27	26	32	29	27

Base: panel, excluding those that answered 'don't know' or refused to answer for their turnover in at least one year. 'About the same' is defined as 2016 turnover being within +/-1% of the 2015 turnover figure.

⁹ A smaller proportion of these businesses than any other size-band did not know or refused to give their turnover: 10 per cent, as opposed to 15 per cent of micros, 14 per cent of small businesses and 11 per cent of medium businesses.



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