



Longitudinal Small Business Survey: SME Employers (businesses with 1-249 employees) – UK, 2019

4 June 2020

Official Statistics

- 80% of SME employers generated a **profit** or surplus in their last financial year – an increase of four percentage points on the 2018 survey, and just a couple of percentage points lower than the highest figure which was recorded in 2017. The likelihood of making a profit was the same for businesses whatever their size.
- SME employers' plans for **employment** became more volatile in 2019 – compared to their expectations in 2018, more of them expected to increase their number of staff (28%, up from 25% in 2018), but more of them also expected to employ fewer people (16%, compared to 9% in 2018). This means the gap between these figures narrowed a little in 2019.
- But there was no change in the proportions of SME employers expecting their annual level of **sales** (turnover) to increase, decrease or stay the same in the next 12 months when comparing 2018 with 2019: 38% of businesses expected to see their turnover increase and just 11% expected a decrease in turnover. These figures have been very stable since 2016.
- Businesses are more optimistic when you ask them about longer-term sales growth, with 71% of SME employers expecting to increase sales over the following three years. But note that we asked these questions *before* the COVID-19 public health crisis.
- About one-fifth (20%) of SME employers **exported** goods or services abroad in 2019, a proportion that has been steady since 2012. This proportion does vary by business size: for the largest SMEs, with between 50 and 249 employees, the rate is one-third (33%).
- In the next few years 52% of exporters expect to increase their level of exporting, though it is worth noting that for most SME exporters, the majority of their sales are still to domestic customers. Even though Northern Irish SMEs export at a higher rate than the rest of the UK – sales to the Republic of Ireland count as exports – 62% of them expect to increase their level of exporting, some 10 percentage points higher than in the rest of the UK.
- A quarter (24%) of SME employers said that offering **solutions to environmental problems** like climate change and food waste was of high importance to them. This included 40% of SME employers in the primary sectors (which is dominated by agriculture) and 36% of accommodation and food services businesses.
- The main reported **obstacles** to growth for SME employers continue to be competition in the marketplace (46%), red tape (43%) and taxation (40%). Different sectors have different views: competition was the number one concern in retail and wholesale; red tape for the primary sectors; and taxation for the accommodation and food services sector.

- Across the UK as a whole Brexit was mentioned as an obstacle to growth by 26% of SME employers, but there was a variety of levels of agreement with this by the different nations, ranging from 18% in Wales to 40% in Northern Ireland.
- 15% of SME employers are **women-led**, a similar level to that seen in previous surveys. The sectors most likely to have women-led businesses were education, health, accommodation and food services, and administration and support.
- Just 5% of SME employers were led by teams at least half of which are from **minority ethnic groups** (MEG-led). These MEG-led businesses were most likely to be in London (15%) and the West Midlands (7%).

What you need to know about these statistics

The Longitudinal Small Business Survey (LSBS) is a 2019 telephone survey of UK businesses in the private sector with fewer than 250 employees. (This definition treats full-time and part-time employees equally.) This report focusses on those businesses with between 1 and 249 employees ('SME employers'), with a separate report on non-employers. There is some guidance at the back of the report on the **uncertainty** that arises because we are using a sample of the UK SME population rather than collecting data from all of them.

We refer to **micro businesses** which have 1-9 employees; **small businesses** which have 10-49 employees; and **medium-sized businesses** which have 50-249 employees.

In this report when we refer to business size this is defined entirely in terms of number of employees. Levels of turnover (sales) or assets are not part of our definition, though there are other definitions of business size which include these.

'SMEs' stands for 'small and medium enterprises' – but this is always taken to include microbusinesses and non-employers too. The LSBS covers all SMEs, not just small businesses, though this report only covers SME employers.

This is a longitudinal survey as we try to re-interview businesses each year – about 1,816 businesses have taken part in all five years of the survey so far ('panellists'), and 5,408 of the businesses in 2019 had taken part in at least one previous survey. In addition, there were 3,778 businesses new to the survey ('top-ups').

Throughout the report, where figures sum to less than 100% when you think they should sum to 100% (because they cover all possibilities) the shortfall will be due to businesses saying they did not know the answer or refusing to answer, or might be due to rounding of estimates to the nearest whole percentage.

Our respondents were each randomly assigned to one of three cohorts and some questions were only asked of one cohort (though most questions went to all three cohorts). The underlying data tables that accompany this report group cohort questions separately, so the report and charts make clear when they are covering cohort questions, to allow you to find the corresponding data table if required.

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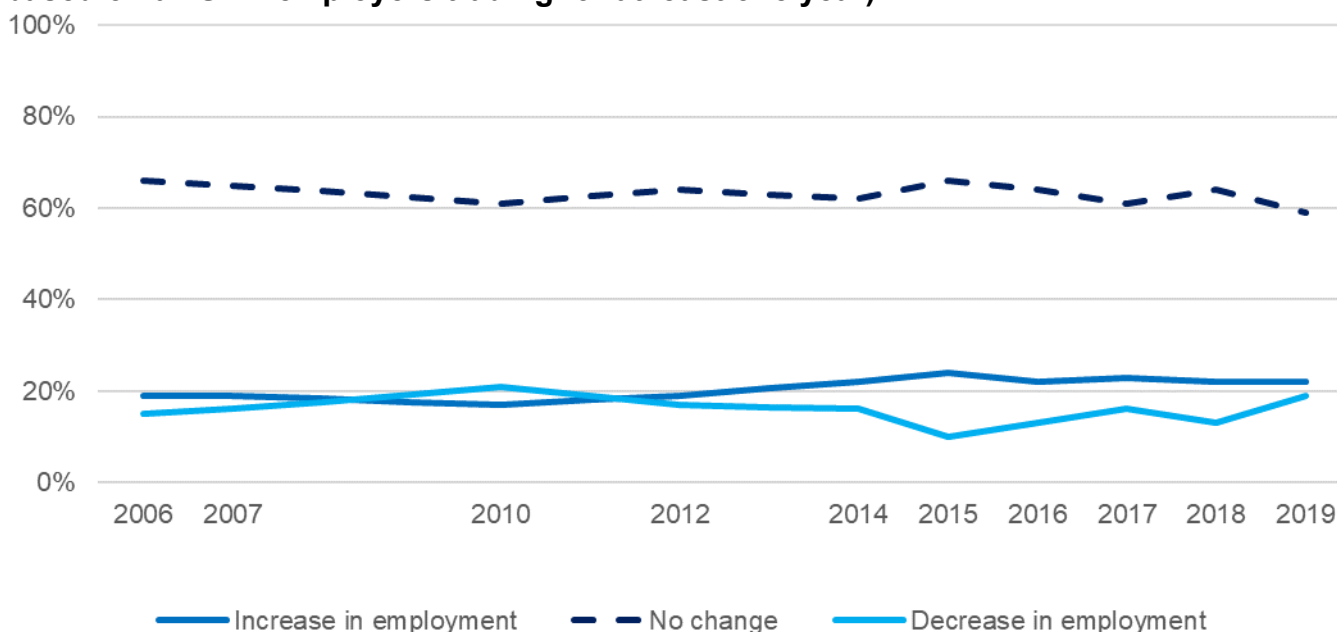
Business performance

Changes in the levels of employment

In the [data tables](#) accompanying this publication, table 28 shows how many employees the business had on the payroll 12 months ago across all UK sites.

This year we find that 22% of SME employers employed more people than a year previously, similar to 2018; 19% reported a decrease in employment (up six percentage points) and 59% stated they had made no change, a reduction of five percentage points.

Figure 1: Change in employment compared to 12 months previously (2006 to 2019¹; based on all SME employers trading for at least one year)



The chart only shows the years where a survey took place and the relevant question asked. We have no data for 2008 and 2009 for example, and have joined up the 2007 and 2010 results with straight lines. The Small Business Surveys before 2015 used different methodologies and so comparisons over time need to be made with some care.

Looking at micro businesses, 20% had increased employee numbers², 18% had fewer employees, and 61% had approximately the same number.

¹ In the 2016-17 LSBS reports figures were only shown for 'panellists' (those that had taken part in the previous year's survey), based on the actual number of employees reported in the survey year, and the previous year. This was because those who did the survey for the first time in these years ('top-ups') tended to approximate employment numbers more, and the two datasets were not compatible. In 2019, as in 2015 and before, the 'perceived' change in employment question was asked of all respondents. For 2016-17, the figures in the chart above are based on top-ups only.

² Businesses with between one and nine employees are classified as 'micro' businesses, those with between ten and 49 employees are classified as 'small' businesses, and those with between 50 and 249 employees are

For small businesses, 21% had more employees, 30% had fewer, and 49% had the same. For medium-sized businesses, 20% had more employees, 43% had fewer and 36% had the same number.

By sector³, those in arts and entertainment (36%), administration and support (28%), education (27%) and transport and storage (27%) were the most likely to have increased employee numbers. Those in manufacturing (25%) and accommodation and food (23%) were more likely than average to have decreased employee numbers.

In England, 22% of SME employers had more employees, 19% had fewer (an increase of six percentage points from 2018), and 59% had the same number. In Scotland the proportions were 23% increased, 19% decreased and 57% the same. In Wales they were 26% increased, 22% decreased and 52% the same; and in Northern Ireland they were 21% increased, just 10% decreased and 68% the same.

Expectations for employment growth

In the [data tables](#) accompanying this publication, table 30 shows how many employees the business expects to have on the payroll in 12 months' time.

Looking ahead, 28% of SME employers expected to employ more people in a year's time, 55% expected to employ the same number and 16% expected to employ fewer people. By size, 26% of micro businesses expected to increase the number of employees, compared to 37% of small businesses and 41% of medium-sized businesses. The proportions expecting to have decreased employment did not vary greatly by size.

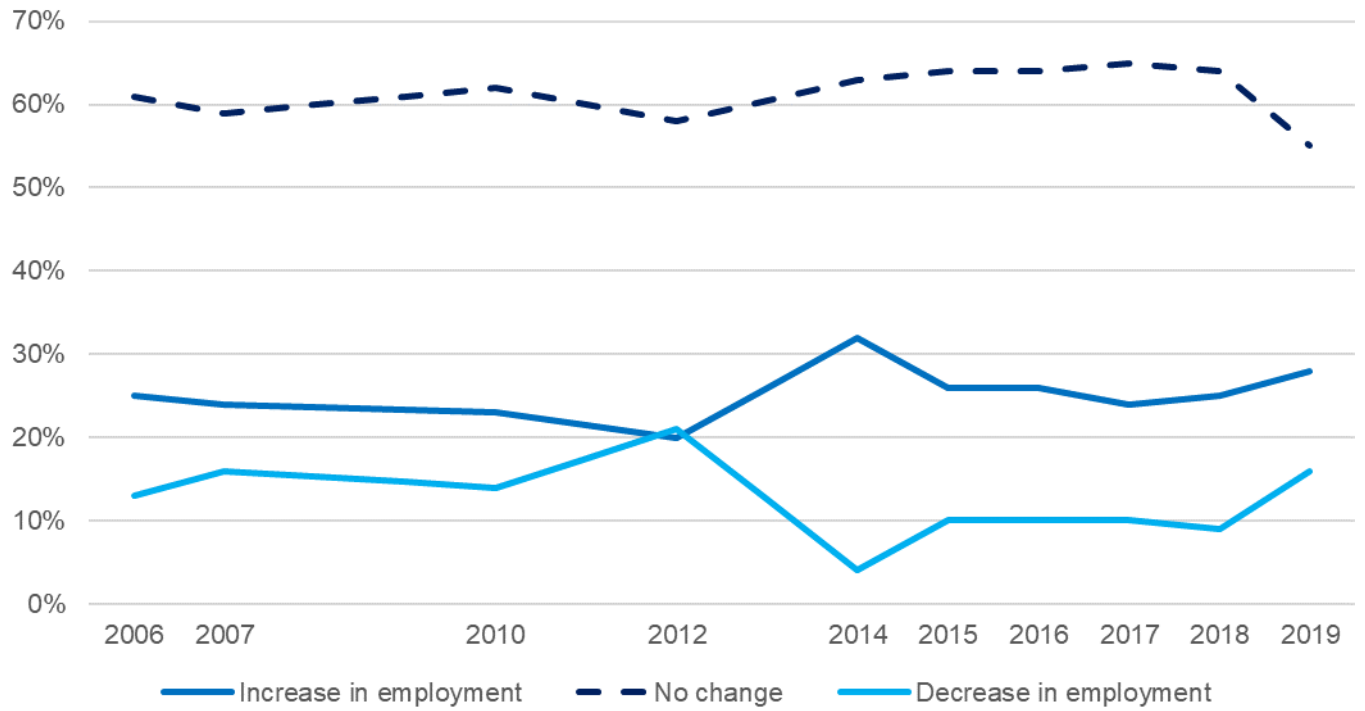
By sector, expectations for employment growth were most likely in health (35%), administration and support (33%), education, manufacturing, and information and communication (all 30%). Those in primary and professional (both 20%), and manufacturing and transport sectors (both 18%) were also more likely than average to think employment levels would decline, as were those in arts and entertainment sectors (17%).

By nation, SME employers in Scotland (30%), England and Wales (both 28%) were more confident that employment numbers would increase than in Northern Ireland (20%).

called 'medium-sized' businesses. These definitions exclude owners and partners but include casual or temporary staff.

³ See notes section for further definitions of sector.

Figure 2: Expectations for employment in 12 months' time, by year



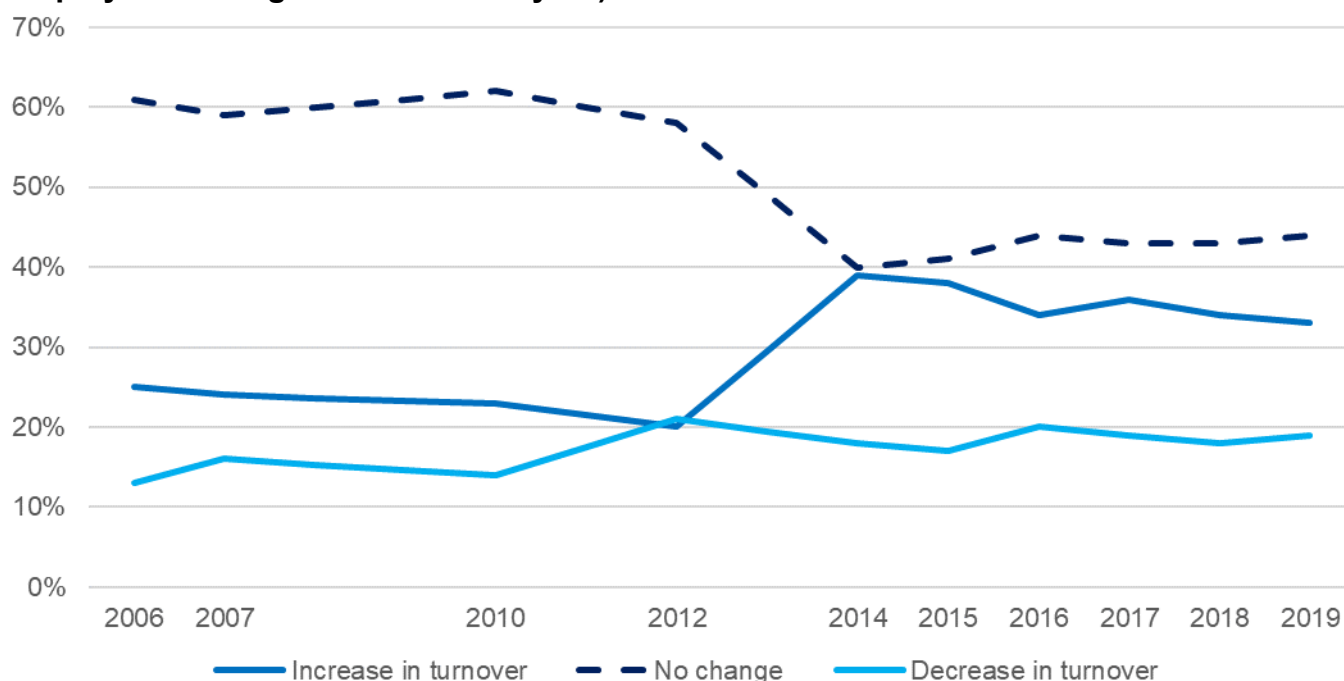
Changes in levels of turnover

In the [data tables](#) accompanying this publication, table 153 shows the change in turnover compared with 12 months ago.

Since 2018, 33% of SME employers reported growth in turnover (value of sales), 44% had approximately the same turnover and 19% reported a fall in turnover. These proportions were similar to those seen in the 2015-18 surveys.

Looking at micro businesses, 32% had increased their turnover, compared with 38% of small businesses and 47% of medium-sized businesses. We have seen similar rates each year since 2015.

Figure 3: Current turnover compared to 12 months previously, by year (based on SME employers trading for at least one year)



By sector, most likely to report turnover growth were those in information and communication, financial and real estate, administration and support (all 38%) and manufacturing (37%). Most likely to report a fall in turnover were those in education (25%) and wholesale and retail (22%).

By nation, SME employers in Northern Ireland and England were most likely to report a growth in turnover (34%). This is four percentage points lower than in 2018 for Northern Ireland but the same as in 2018 for England. We also estimate 33% reporting turnover growth in Wales and 30% in Scotland.

Expectations of turnover in 12 months' time

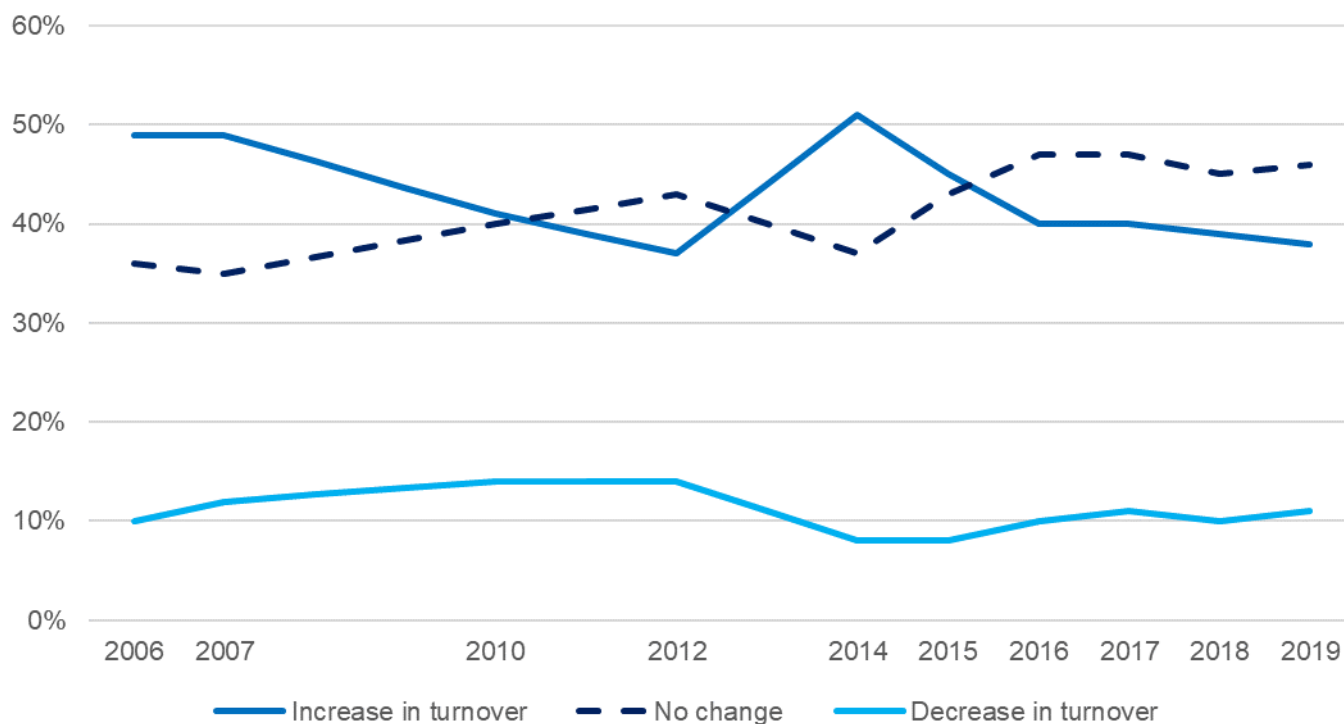
In the [data tables](#) accompanying this publication, table 157 shows the expected change in turnover in 12 months' time.

38% of SME employers expected turnover to increase in 12 months' time, 46% thought it would remain roughly the same and 11% thought it would be lower. These proportions are similar to those seen in 2016-18.

By size, 36% of micro businesses expected turnover to increase compared with 44% of small businesses and 51% of medium-sized ones.

The sectors most likely to think that turnover would increase were information and communication (43%), manufacturing, financial and real estate and administration (all 41%). The primary sector was most likely to expect a decrease in turnover (19% of firms).

Figure 4: Expectations of turnover in 12 months' time, by year



By nation, 40% of SME employers in Wales expected turnover to grow. This compared with 38% in England, 36% in Scotland and 35% in Northern Ireland. These proportions are similar to those seen in 2018.

Profit

In the [data tables](#) accompanying this publication, table 59 shows whether SMEs generated a profit or surplus in the last financial year

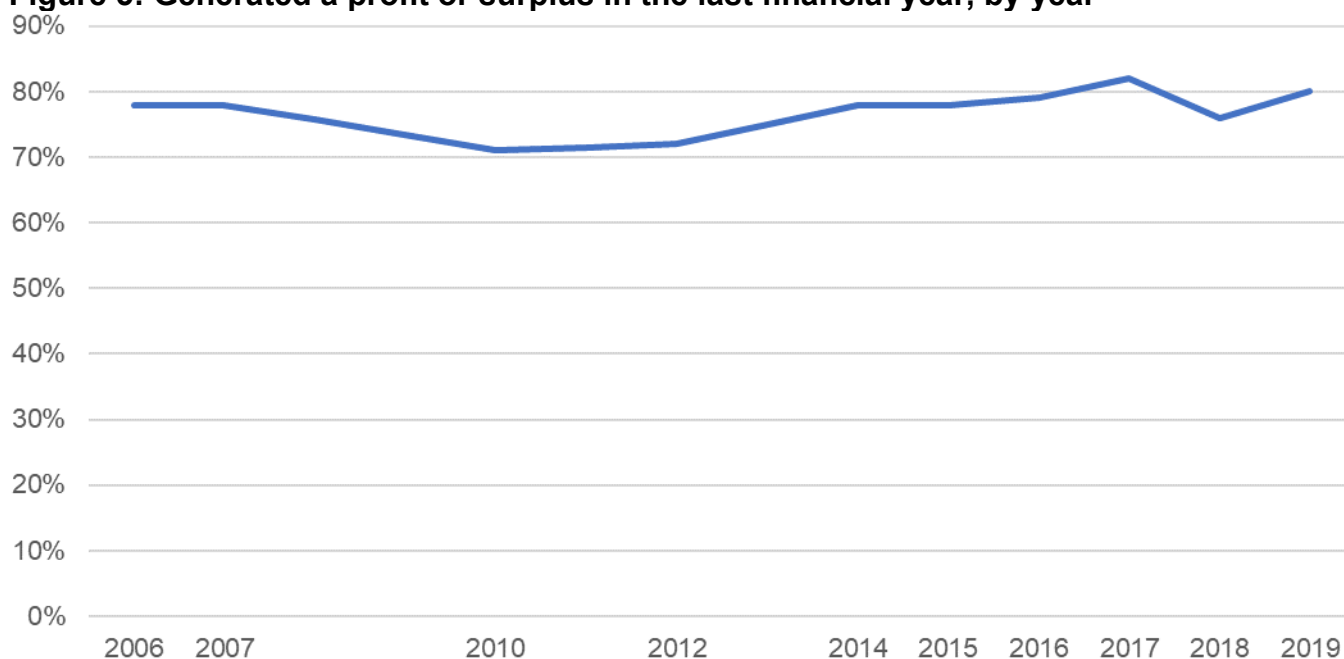
When asked about generating a profit or surplus, 80% of SME employers stated they had done so in their last financial year. This is four percentage points higher than in 2018.

As reported in 2018, the size of business had little impact on whether a profit or surplus was made; 80% of micros made a profit (up three percentage points), compared with 80% of small businesses (up six) and 81% of medium-sized businesses (up three).

By sector, most likely to have made a profit or surplus were those in professional and scientific (87%), transport, and storage and construction (both 85%).

With a relatively high proportion of not-for-profit enterprises among their numbers, the sectors least likely to have made a profit and surplus were health and other services (both 60%), and arts and entertainment (63%).

Figure 5: Generated a profit or surplus in the last financial year, by year



By nation, 87% of SMEs have made a profit/surplus in Northern Ireland, an increase of 10 percentage points compared to 2018. This compared with 80% in Wales, 79% in England and 78% in Scotland.

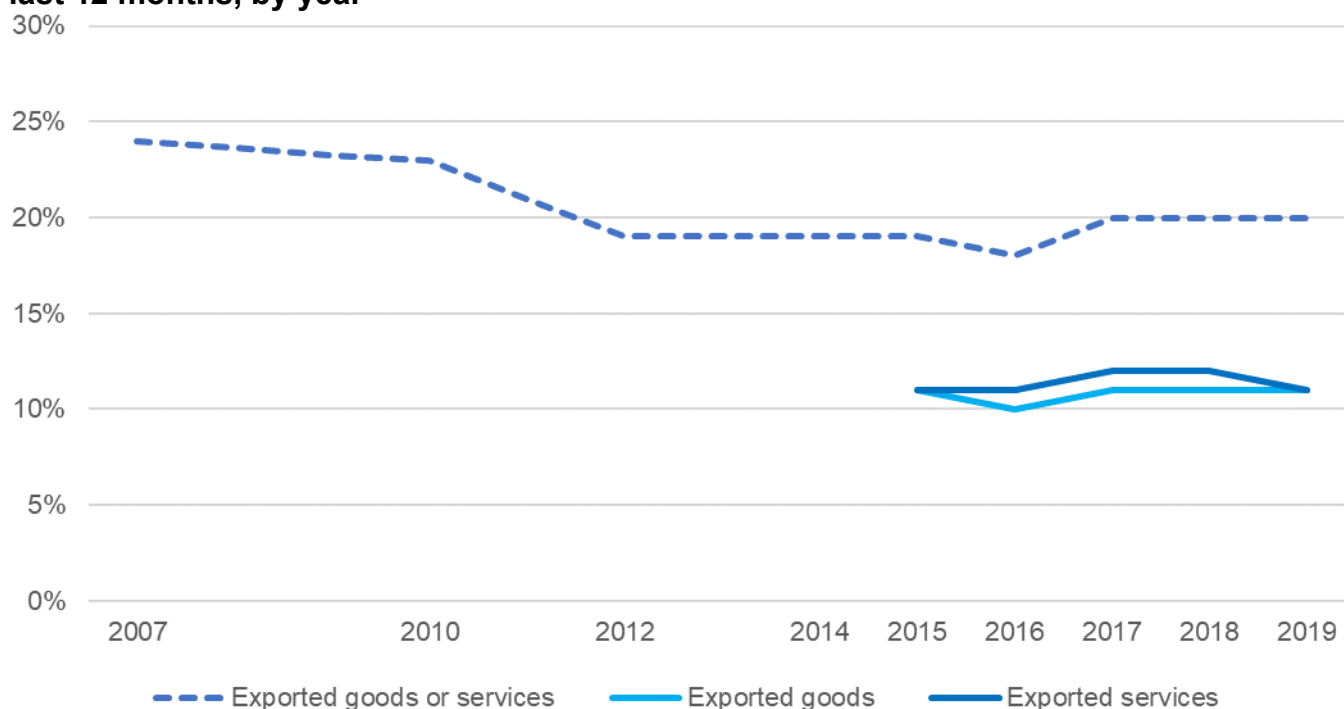
Exporting

Sales of goods or services outside the UK in the last year

In the [data tables](#) accompanying this publication, table 35 shows whether they exported goods or services

Overall, 20% of SME employers exported goods or services in the last year. This is the same proportion observed since 2017. Proportionally, since 2012 the number of SMEs exporting has remained consistent.

Figure 6: Whether sold goods or services, or licensed products outside the UK in the last 12 months, by year



By sector, like 2018, exporters were most likely in manufacturing (44%), information and communication (40%), retail and wholesale (31%), and professional and scientific (30%) sectors. The sectors least likely to have exported were accommodation and food service (2%), construction (3%) and health (4%). Arts and entertainment (15%), education (15%), the primary sector (14%), finance and real estate (9%), and other services (7%) were also less likely than average to export.

By employment size band, 19% cent of micro businesses were exporters, compared with 25% of small businesses and 33% of medium-sized businesses. These proportions were consistent with 2018.

By nation, the highest proportion of exporters was found in Northern Ireland (30%), an increase of three percentage points from 2018. The proportion of exporters was lower than average in Scotland (14%), the same as in 2018, and in Wales (13%), the same as in 2018. In England 21% of SMEs were exporters, an increase of one percentage point from 2018. Within English

regions London has the highest proportion of its SME employers that are exporters (33%), with the other regions in the range 15% to 23%.

Of all SME employers, 11% exported services and 11% exported goods, similar to 2018. Services exporters were most likely to be in the information and communications (34%), and professional and scientific (26%) sectors. Goods exporters were most likely to be in the manufacturing (42%), and wholesale and retail sector (28%).

Exports accounted for less than a quarter of turnover for 61% of exporters, between a quarter and half for 13%, between half and three-quarters for 8% and over three-quarters for a further 12%⁴.

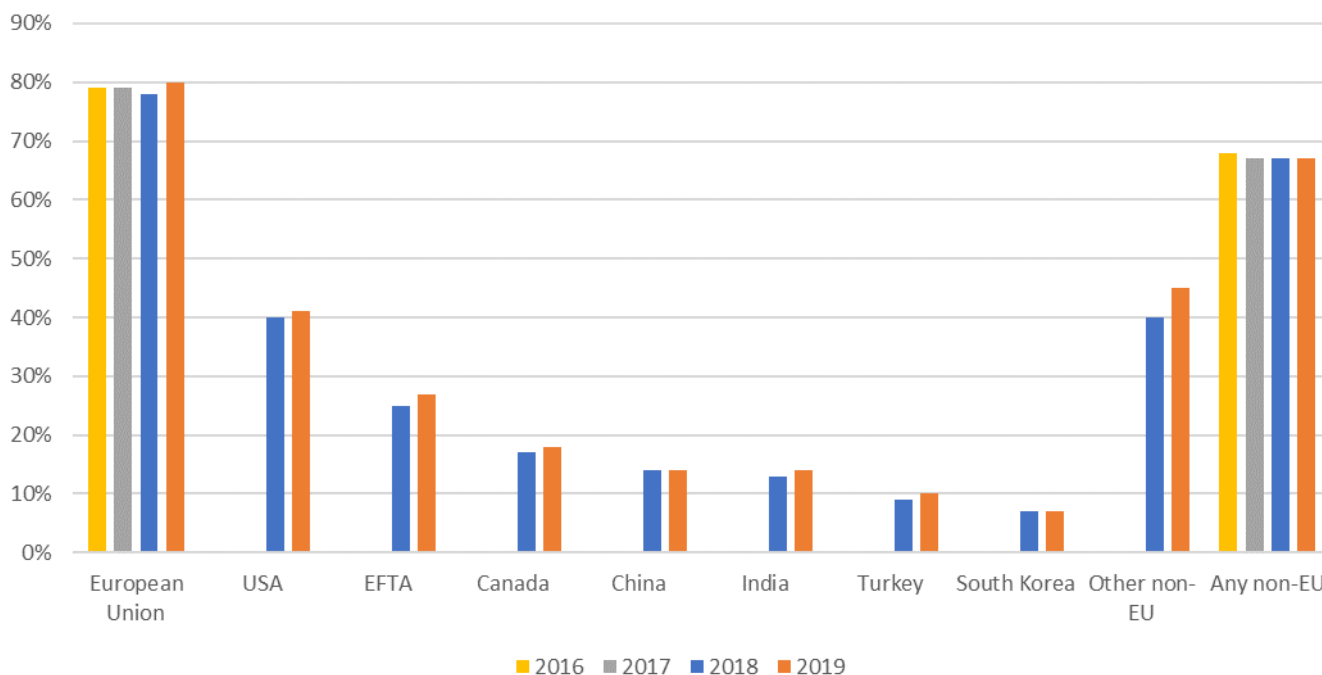
When focussing specifically on exporters to the EU, exports accounted for less than a quarter of turnover for 75% of exporters, between a quarter and half for 12%, between half and three quarters for 4%, and over three-quarters for a further 6%⁵.

Destinations of exports

In the [data tables](#) accompanying this publication, table 37 shows the destination of exported goods or services

Of UK SME employers that exported in the last year, 80% exported to (non-UK) European Union countries and 67% exported outside the EU (including to EFTA countries⁶). These proportions were very similar to those seen since 2016.

Figure 7: Destination of exports in the last year, by year (based on SME exporters only)



⁴ Around 8% did not know.

⁵ Some 3% did not know.

⁶ European Free Trade Association. This comprises the countries of Iceland, Liechtenstein, Norway and Switzerland.

In terms of exports to non-EU markets, the USA was the most common, with 41% of exporters selling goods or services there, 27% sold to EFTA countries, 18% to Canada, 14% each to China and India, 10% to Turkey, 7% to South Korea, and 45% to other non-EU countries.

A large majority of those exporting to EFTA countries also sold to the EU. Overall, 84% cent of exporters sold to either EU or EFTA countries, and 63% to countries outside the EU and EFTA.

Plans to increase levels of exports over the next few years

Of those UK SME employers that exported in the last year, just over half (52%) reported planning to increase their level of exports over the next few years.

By size, 49% of micro businesses expected to increase their levels of exports, along with 60% of small businesses and 61% of medium-sized businesses.

There was great variation by sector for businesses that export. Education (82%), manufacturing and transport (both 60%), health (59%) and finance and real estate (58%) exported at above average rates. SMEs within Northern Ireland were most likely to intend to increase their levels of exporting (62%), followed by Wales (53%), Scotland (52%) and England (51%).

Access to finance

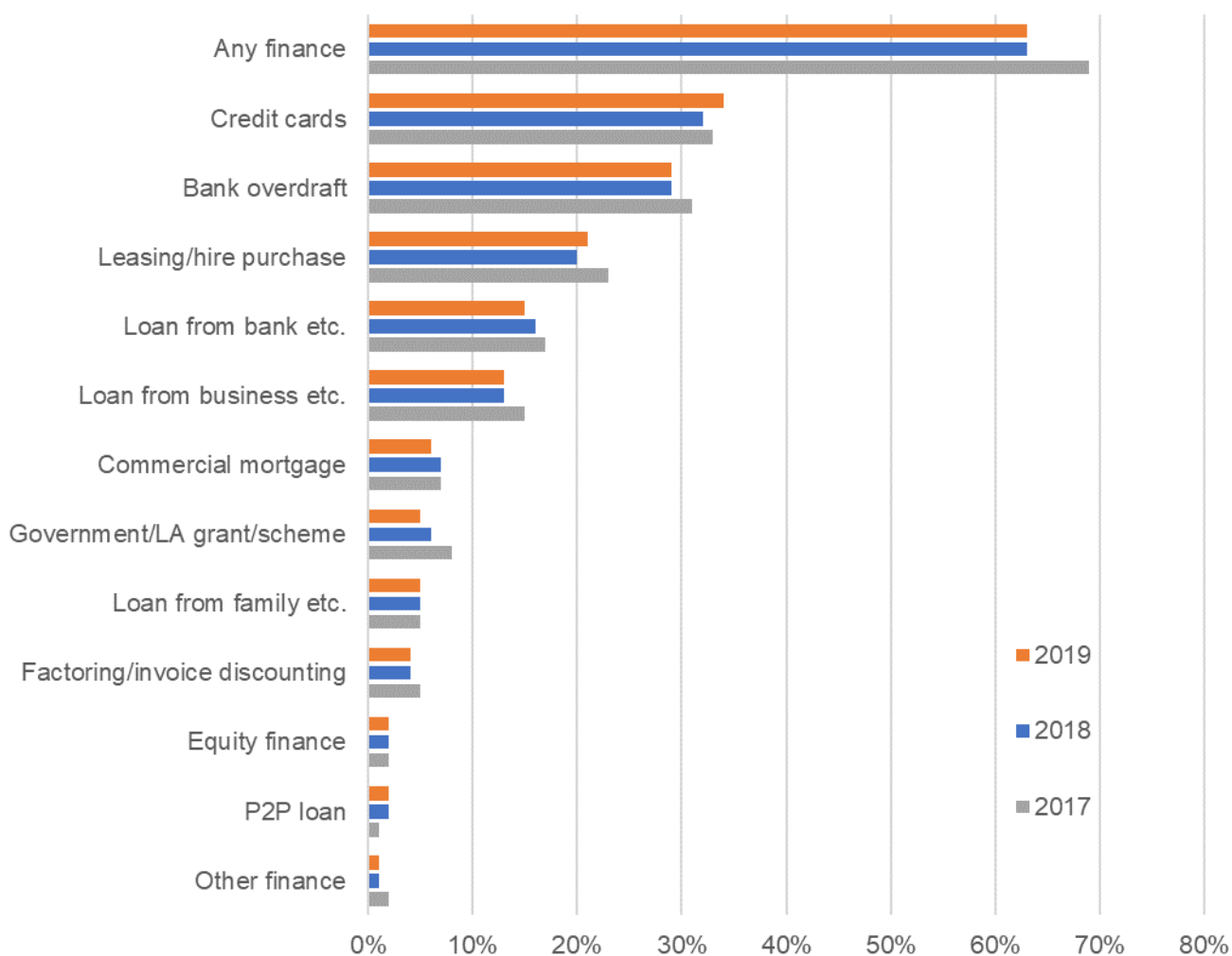
Types of external finance currently used

In the [data tables](#) accompanying this publication, table 69 shows the types of external finance currently being used.

Similar to 2018, 63% of SME employers were using some form of external finance at the time of the 2019 LSBS interviewing. By size, 61% of micro firms used finance, compared with 71% of small businesses and 75% of medium-sized businesses.

The most common forms of external finance used were credit cards (34%), bank overdrafts (29%) and leasing/hire purchase (21%). Compared with 2018 there was a two percentage point increase of SME employers that used credit cards as a form of external finance.

Figure 8: Proportion of SME employers currently using forms of external finance



Following the trend from 2018, the larger the SME, the more likely they were to use most types of listed finance. However, the proportions using bank overdrafts, loans from their own business and peer to peer (P2P) loans did not vary by employment size.

By nation, 73% of SME employers in Wales used some form of external finance (this is an increase of 11 percentage points from 2018), compared with 70% in Northern Ireland, 68% in Scotland and 62% in England.

SME employers in the primary sector, largely consisting of enterprises in agriculture, were most likely to use external finance (80%). Manufacturing (73%), retail and wholesale businesses (67%), construction along with administration and support (both at 66%) and transport and storage (65%) were also more likely than average to use finance. Use of finance was below average in the arts and entertainment (59%), information, finance, accommodation, professional and education sectors (all at 58%), health (55%), and other services (54%).

Compared with 2018, use of finance had declined to the greatest extent in transport and storage (a decrease of 10 percentage points), arts and entertainment (a decrease of five percentage points) and construction (also a decrease of five percentage points).

Different sectors use different types of external finance to suit their needs:

- *credit cards* were most likely to be used in manufacturing (42%), construction (40%), information and communication (39%) and primary (38%)
- *bank overdrafts* were particularly likely to be used in primary (54%), retail and wholesale (35%), construction and transport and storage (both 33%)
- *leasing/hire purchase* was used most by primary (44%), transport (32%) and manufacturing (31%)
- *bank loans* were most likely to be used in primary (38%), transport (21%) accommodation (19%), manufacturing and retail (both 18%)
- *government grants* were most used in health (18%) and education (17%), other services (14%) and primary (13%) sectors
- *factoring/invoice discounting* was most used in manufacturing (10%), administrative (9%), and retail (6%)
- *P2P loans* were most used in information and communication (4%)

Equity finance was used by 2% of SME employers. SME employers in the financial and real estate sector (5%) were most likely to have used it.

Of those that had used equity finance, 32% had obtained it from within their business, 19% from another business or organisation, 18% from family or friends, 10% both from business angels or from a venture capitalist, 4% from crowd funding and 3% from public equity.

The use of any form of so-called 'alternative finance', not originating from banks, the public sector, or people known to the business⁷, was reported by 9% of SME employers.

⁷ In this instance, alternative finance refers to equity, factoring/invoice discounting, peer-to-peer (P2P) loans and some forms of 'other finance'.

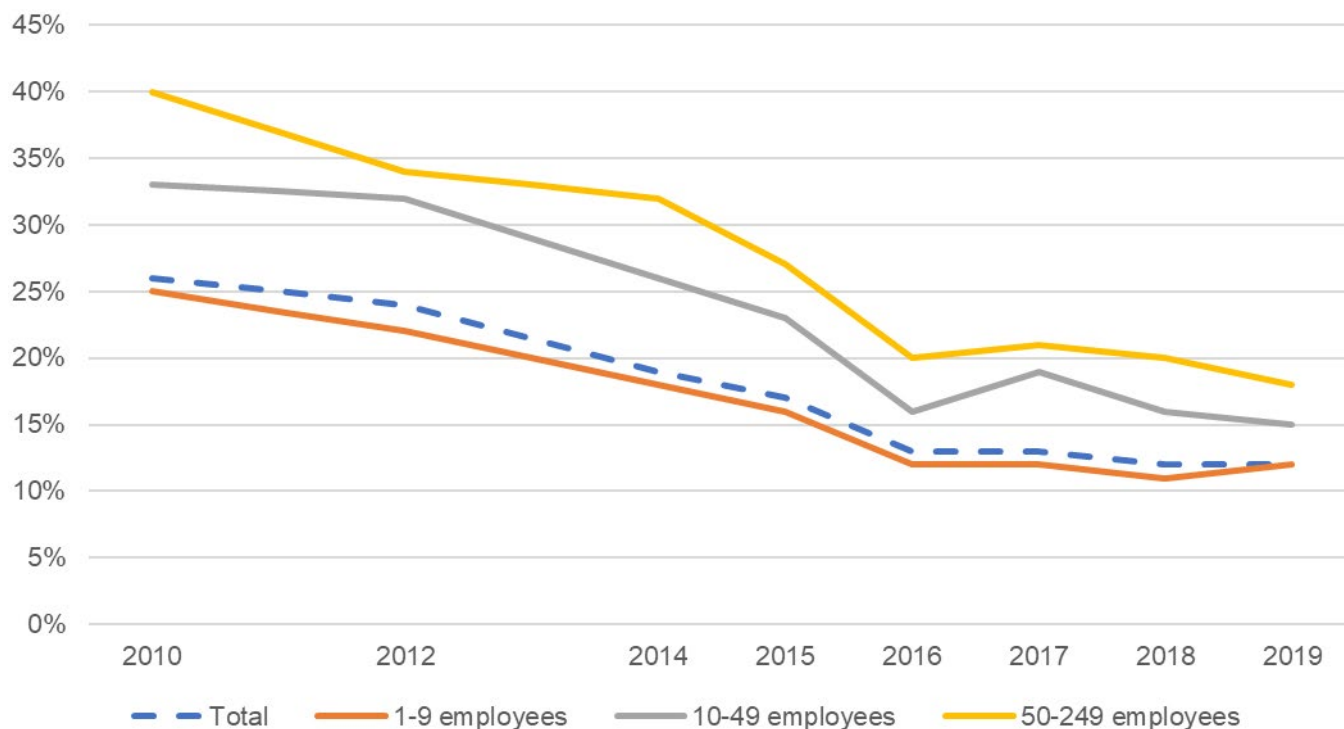
By size, 7% of micro businesses used alternative finance, compared with 14% of small businesses and 19% of medium-sized businesses. Alternative finance was most likely to be used in the manufacturing (15%) and administrative services (11%) sectors.

Whether sought external finance in the last 12 months

In the [data tables](#) accompanying this publication, table 71 shows whether the business tried to obtain external finance in the past 12 months.

This year we find that 12% of SME employers had sought external finance in the preceding 12 months; the same proportion as reported in 2018. Whilst remaining stable in these last two years, there has been a marked decline of applications for external finance since 2010, when the proportion applying was more than double the current figure.

Figure 9: Proportion of SME employers that sought external finance in the preceding 12 months, by number of employees and year

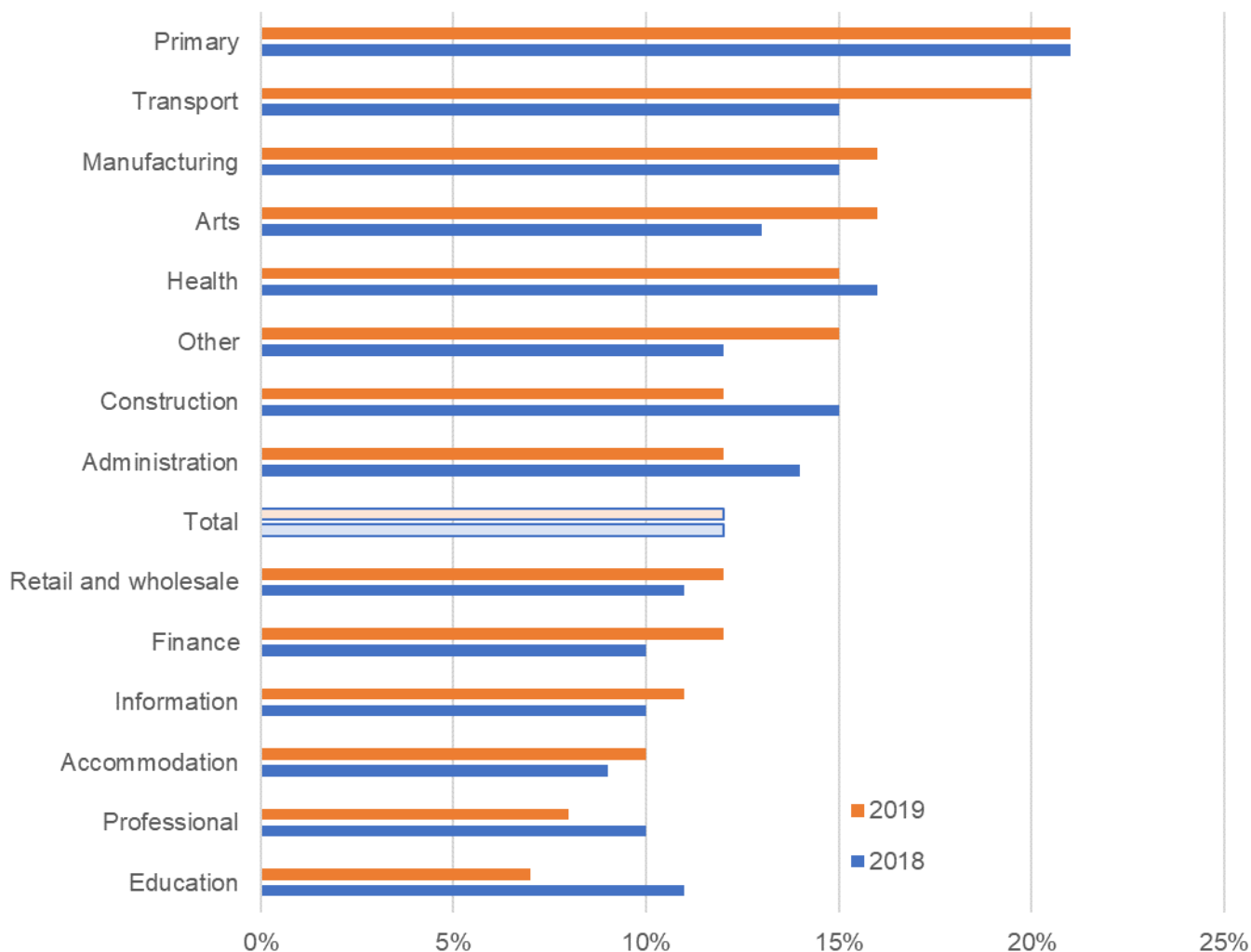


Medium-sized businesses (19%) were more likely to have sought external finance than small businesses (15%) or micro businesses (11%). However, compared with 2018, fewer medium businesses sought finance in the previous 12 months (a decrease of three percentage points).

By nation, 20% of SME employers in Wales sought finance in the preceding 12 months, 15% in Northern Ireland, 14% in Scotland and 12% in England.

SME employers in the primary (21%) and transport (20%) sectors were most likely to have applied for finance in the last year.

Figure 10: Proportion of SME employers seeking external finance in the preceding 12 months, by sector and year



Compared to 2018, SME applications for finance fell in the education sector (a decrease of four percentage points). Changes in other sectors were not statistically significant.

Of those SME employers that sought finance, 9% sought it once in the previous 12 months, and 3% sought it more than once. Those in the health and transport sectors (both 9%) were most likely to have sought it more than once.

Reasons for applying for external finance

In the [data tables](#) accompanying this publication, tables 100-102 show the reasons for trying to obtain finance in the last 12 months

Of SME employers that had applied for external finance in the last 12 months, 63% did so to acquire working capital or cash flow in the business.

By size, 64% of micro businesses that had applied for external finance in the preceding 12 months did so to acquire working capital or cash flow, 59% of small businesses and 55% of medium businesses.

By sector, SMEs most likely to seek working capital were in information and communication (80%), professional and scientific (75%) and construction sectors (72%). SMEs most likely to seek finance for investment purposes were in the other services sector (63%), transport (58%) and manufacturing (57%).

Of those seeking finance for investment purposes, the most often reported reasons were to acquire capital equipment or vehicles (53%), buy, rent, lease or improve buildings and land (27%), invest in new or significantly improved goods or services (17%), invest in new or significantly improved processes (11%), staff training or development (12%), and marketing (10%).

For those that sought finance for investment in new goods and services, 33% wanted to finance goods and services that would be new to the market. This was an 11 percentage point increase from 2018.

For those that sought finance for investment in new processes, 36% wanted to finance processes that would be new to their industry. This represents an increase of 15 percentage points when compared with 2018.

The main reasons for seeking finance for working capital/cash flow were:

- to fund general growth (55% of those seeking finance for working capital)
- to cover a short-term gap until funds were received from customers (45%)
- as a safety net, just in case (30%)
- to cover a short-term gap due to unexpected expense (21%)

Type of external finance sought

In the [data tables](#) accompanying this publication, table 73 shows the types of external finance sought in last 12 months

The types of external finance that were sought in the previous 12 months were as follows:

- bank overdraft (37% of those that applied), an increase of three percentage points on 2018
- bank loans (36%), an increase of two percentage points
- leasing/hire purchase (21%), a decrease of one percentage point
- credit cards (14%), a decrease of one percentage point
- government or local authority grant or scheme (11%), a decrease of one percentage point

- loan from business partner/director (7%), a decrease of one percentage point
- commercial mortgage (6%), a decrease of one percentage point
- loan from a P2P platform (6%), a decrease of one percentage point
- loan from family/friend (5%), a decrease of one percentage point
- factoring/invoice discounting (3%), same as 2018
- equity finance (2%), a decrease of two percentage points

The mean amount of finance sought⁸ was £437,000. This mean was £222,000 for micros, £965,000 for small businesses, and £2.6 million for medium-sized businesses. It is worth pointing out that the mean can be affected by a relatively small number of large values and so might not be very reliable as an estimate.

The median, which better represents the amount that the typical business sought, was £40,000. This was £30,000 for micros, £100,000 for small businesses, and £500,000 for medium-sized businesses.

By nation, the median for businesses in Northern Ireland was £54,000, Scottish businesses £50,000, £40,000 for businesses in England, and £28,000 in Wales.

The highest median amounts of external finance sought were reported by SMEs in the health (£95,000), finance (£80,000), and transportation (£79,000) sectors.

Success in obtaining finance

In the [data tables](#) accompanying this publication, table 87 shows the outcome of applications for obtaining finance

Of those that applied for external finance in the last 12 months, 78% were successful in obtaining some or all of the finance sought, 14% did not obtain any, and the outcome of the application(s) was still pending⁹ for 8%.

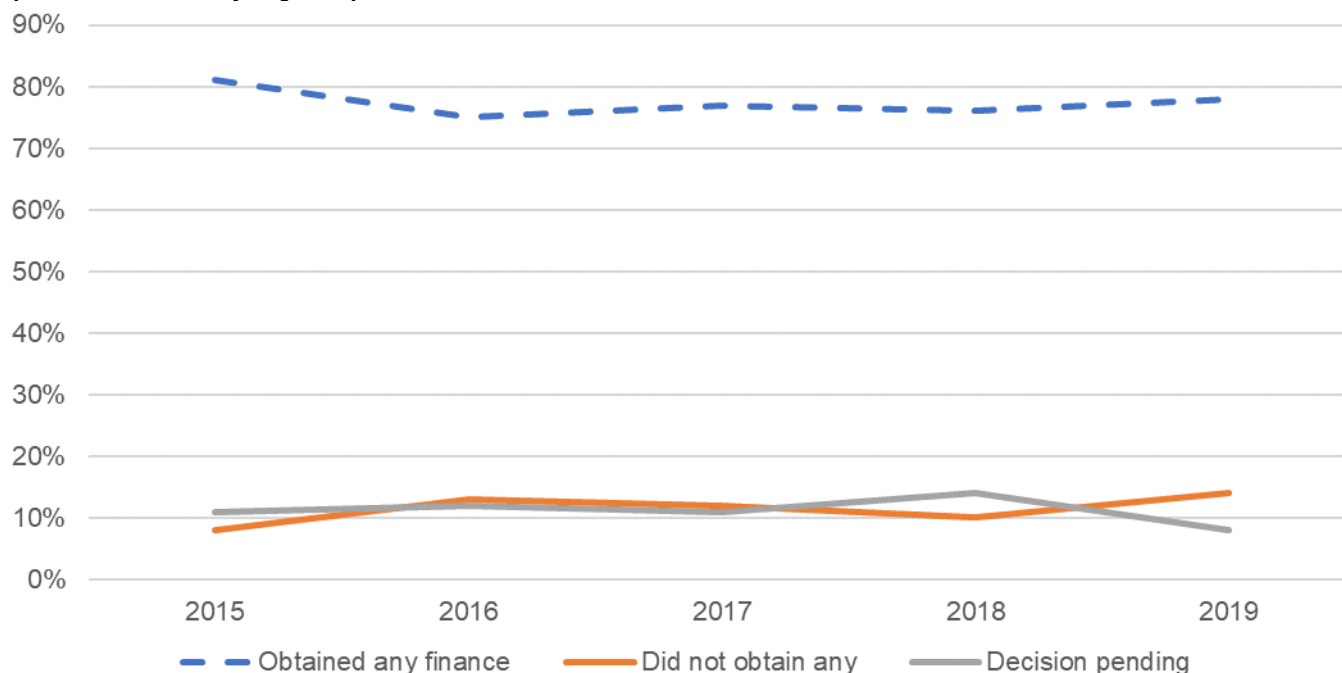
The proportion successful in obtaining finance was an increase of two percentage points on 2018, and the proportion unsuccessful was four percentage points higher. These changes were not statistically significant, but suggest there is an increasing polarisation between those firms that are successful and those that are unsuccessful in raising external finance.

As seen in 2018, larger SMEs were more likely to be successful in obtaining external finance. By size, 86% of medium-sized businesses that applied for external finance were successful in obtaining some or all of it, as were 82% of small businesses, compared to 77% of micro businesses.

⁸ For those that sought bank overdrafts, the reported value is the size of the overdraft facility, even if it was not fully used.

⁹ This category also includes respondents who did not know if their application had been successful. The main reason for not knowing was that somebody else within the firm dealt with finance e.g. a finance manager.

Figure 11: Outcomes of SME employers' applications for external finance, by size (number of employees)



Of those SMEs that applied for finance, 69% obtained all that they applied for, 1% obtained more than they had applied for, 10% obtained only some of the amount they applied for, and 20% obtained nothing.

By size of SME, 79% of medium-sized and 68% of small businesses that applied for finance obtained all they sought or more, compared to 64% of micro businesses.

SMEs most successful in terms of obtaining all or more finance than they applied for, were in the transport (85%) and primary and manufacturing (both at 78%) sectors. Those least likely to have obtained all or more than they applied for were in other services (42%), and arts/entertainment (47%).

Intentions to apply for external finance in the next three years

In the [data tables](#) accompanying this publication, table 163 shows the likelihood that the business will approach external finance providers in the next 3 years

When asked whether they would approach external finance providers in the next three years, 20% of SMEs said it was likely they would do so (8% very likely, 11% fairly likely). These proportions are unchanged from 2018.

By size of SME, 29% of medium-sized businesses said they would be likely to approach external finance providers, compared with 24% of small businesses and 19% of micro businesses.

Trade credit and late payment¹⁰ (cohort A)

In the [data tables](#) accompanying this publication, table 10 (cohort A) shows whether they gave their customers trade credit. Table 12 (cohort A) outlines whether they have a problem with customers paying later than expected business terms.

This year we find that 47% of SME employers give their customers trade credit, this is an increase of two percentage points on the 2018 figure.

Larger SMEs were more likely to give customers trade credit: 59% of medium-sized businesses gave trade credit, compared with 53% of small businesses, and 46% of micro firms.

Whether credit was given varied considerably according to sector, ranging from 76% of businesses in manufacturing, 59% in both professional and administration sectors and 57% in both transportation and information sectors. By contrast, only 16% in accommodation, 19% in health and 22% in other services gave credit.

Late payment was considered a problem by 56% of those that gave trade credit (or 30% of all SME employers). By size of business, 62% of medium sized employers considered late payment a problem, compared to 59% of small firms and 56% of micro businesses (as proportions of those that gave trade credit).

By sector, late payment was most likely to be considered a problem in administration and support (65% of all SME employers in the sector), and professional and scientific (63%) sectors.

¹⁰ These questions were only asked of cohort A in 2018 and 2019.

Innovation activity

New or significantly improved processes in the last three years¹¹ (cohort C)

In the [data tables](#) accompanying this publication, table 10 (cohort C) shows whether the business has introduced any new or significantly improved processes in the last three years.

It is estimated that 19% of SME businesses had innovated processes for producing or supplying goods or services in the last three years.

The proportion was higher for medium-sized businesses (35%) than small businesses (26%) and micro businesses (18%).

By nation, SMEs in Wales were more likely to have innovated processes for producing or supplying goods or services (23%), compared to England (20%), Scotland (15%) and Northern Ireland (14%).

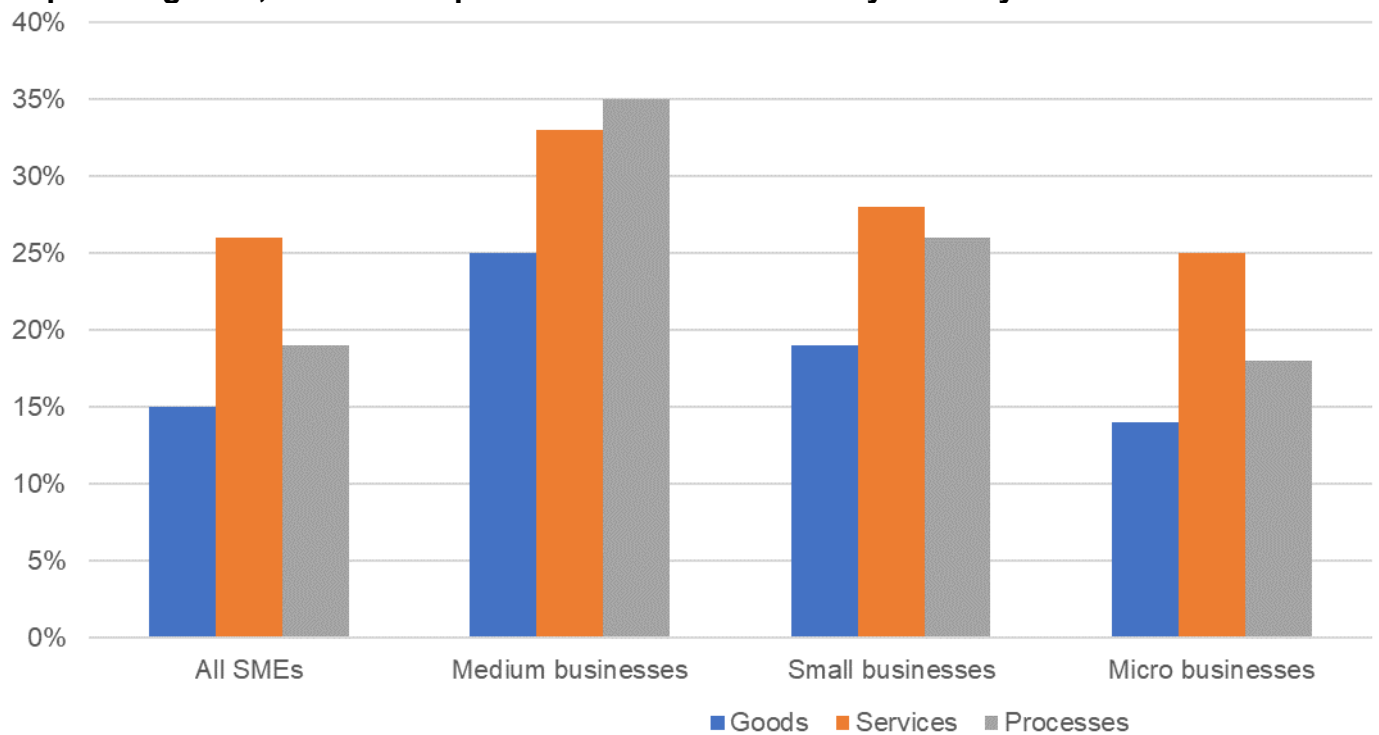
In the [data tables](#) accompanying this publication, tables 119 and 120 show whether the business has introduced any new or significantly improved goods or services in the last three years.

In the last three years, 15% of SME employers had introduced new or significantly improved goods; 25% of medium-sized businesses had innovated in this way, compared with 19% of small businesses and 14% of micro businesses.

The equivalent figure for the introduction of new or significantly improved services was 26%; 33% of medium-sized businesses had innovated in this way, compared with 28% of small businesses and 25% of micro businesses.

¹¹ In the 2019 version of the LSBS survey, this question was split to indicate the number of processes specifically related to goods and the number of processes specifically related to services.

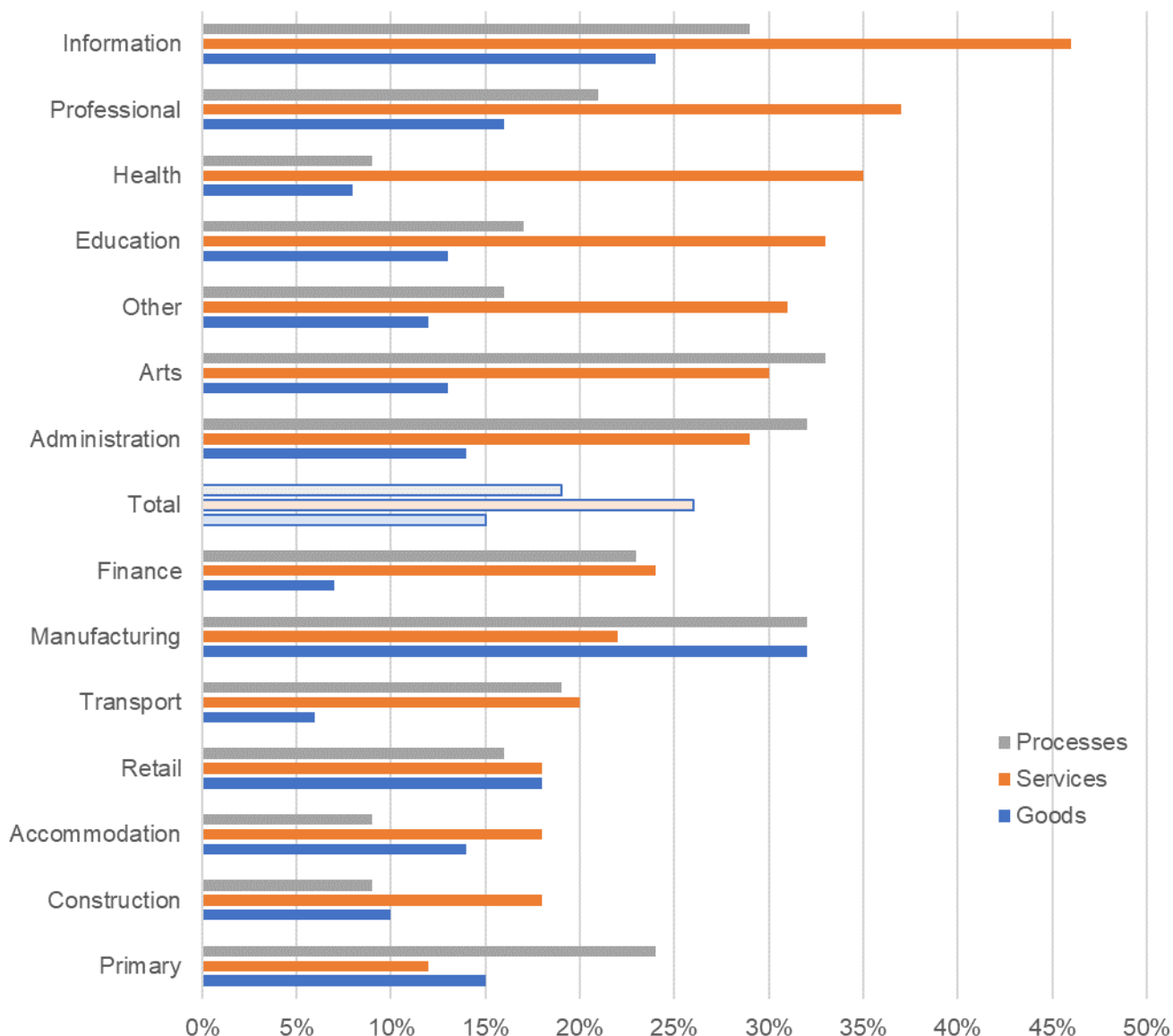
Figure 12: Proportion of SME employers which have introduced new or significantly improved goods, services or processes in the last three years - by size of business



Innovation for goods was higher in Wales (19%), Northern Ireland and Scotland (both 16%) than in England (15%).

Innovation for services was highest in Wales (29%) followed by England (26%), Scotland (24%) and Northern Ireland (21%).

Figure 13: Proportion of SME employers which have introduced new or significantly improved goods, services or processes in the last three years - by sector



By sector, businesses in manufacturing (32%) and information and communication (24%) were the most likely to have innovated goods.

Those in information and communication (46%), professional and scientific (37%), health (35%) and education (33%) were the most likely to have innovated services.

Businesses in arts and entertainment (33%), administration and manufacturing (both at 32%) were most likely to have introduced new or significantly improved processes.

Processes innovations which were new to the industry (cohort C)

In the [data tables](#) accompanying this publication, table 11 (cohort C) shows if the processes were new to the industry or business

Of those SMEs that had innovated processes in the last three years, these processes were new to the industry for 21%, with the remainder introducing processes that were new only to the business (77%). These proportions did not vary significantly by size of business. Compared with 2018, the proportion of SMEs introducing processes that were new to the industry was similar (21%).

Based again on those SMEs that had innovated new processes, by sector these processes were most likely to be new to the industry in information and communication (38%) and professional and scientific (37%).

Goods and services innovations which were new to the industry

In the [data tables](#) accompanying this publication, table 121 shows whether the goods or services innovations were new to the industry or business

Of those SMEs that had innovated goods and services in the last three years, these were new to the industry for 30%, with the remainder new only to the business (69%). Compared with 2018, the proportion introducing goods and services that were new to the industry increased by eight percentage points.

By size, the proportion of SMEs introducing goods and services new to the industry was higher in medium-sized businesses (34%) than in small (31%) and micro (29%) businesses.

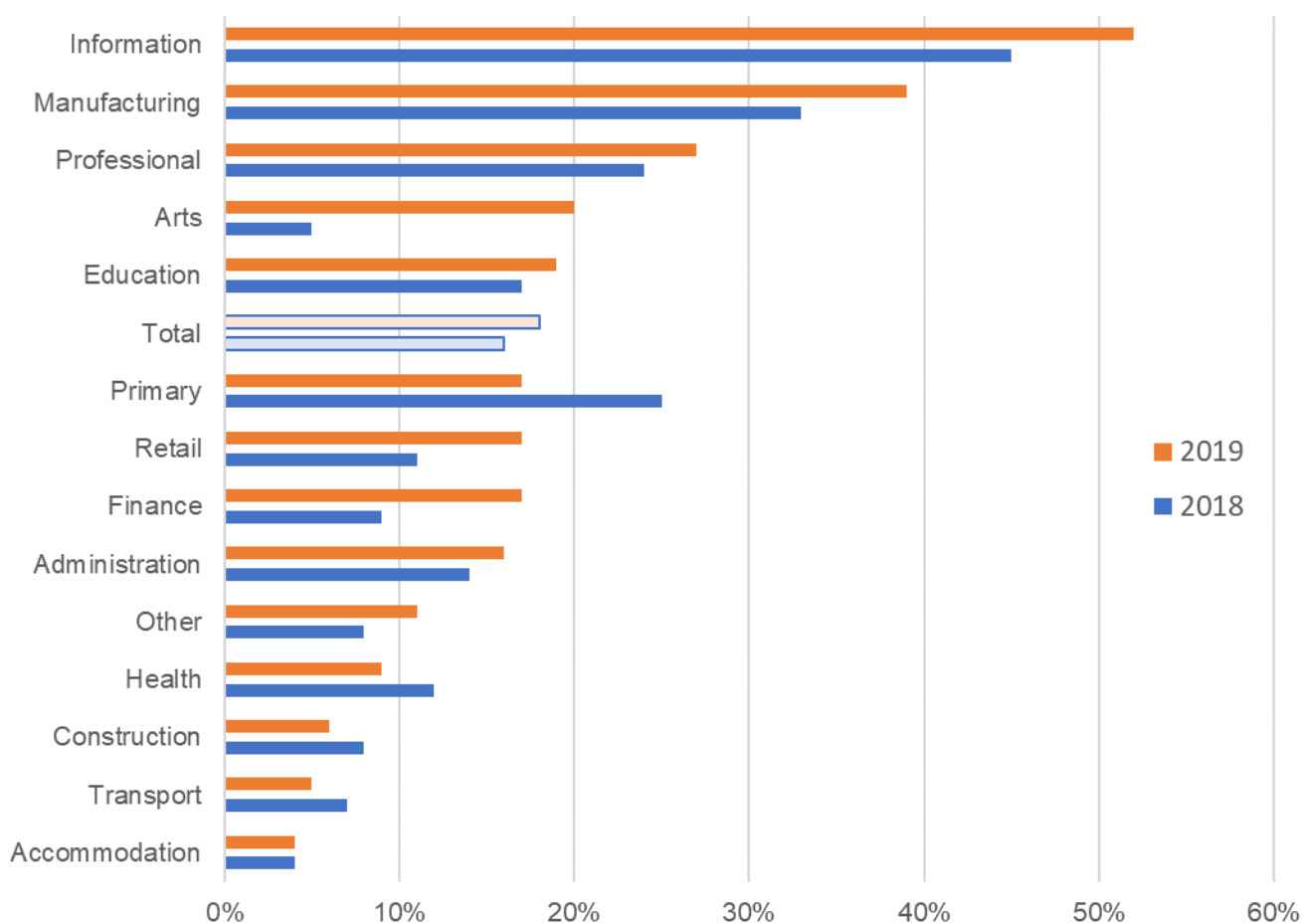
Based again on those SMEs innovating new goods and services, by sector these were most likely to be new to the industry in information and communication (48%) and manufacturing (40%).

Investment in R&D in the last three years (cohort C)

In the [data tables](#) accompanying this publication, table 12 (cohort C) shows whether the business invested in R&D in the last three years

An estimated 18% of SME employers had made any investment in R&D in the previous three years. This was the case for 16% of micros, 27% of small businesses and 37% of medium-sized businesses. There was little to no change reported from 2018 to 2019.

Figure 14: Investment in R&D in the preceding three years by sector and by year



Investment in R&D was most likely in the information and communications sector (52%). It was also more likely than average in manufacturing (39%), the professional and scientific sector (27%), arts and entertainment (20%) and education (19%).

When compared with 2018, the arts and entertainment sector reported the largest shift with an increase of 15 percentage points in 2019.

Of those investing in R&D, the mean amount spent over the previous three years was £239,000. Means are affected by high values and can be misleading as a measure of the investment in R&D by a typical SME employer. This figure has been calculated only using responses with the exact amount of R&D spending stated, so it excludes the respondents who gave an estimated figure within a range. The amount spent by a typical SME is better reflected by using the median.

The median amount invested over the previous three years was £27,000. This was £20,000 for micro businesses, £50,000 for small businesses, and £260,000 for medium-sized businesses. By sector, of those that invested in R&D, the median average was £21,500 in primary, £30,000 in professional and scientific, £42,000 in manufacturing and £50,000 in information and communication.

The mean annual sales turnover for SME employers that invested in R&D was just over £1,800,000. The mean amount spent on R&D per year was just under £80,000¹². Assuming constant sales turnover over three years, this suggests that the average SME employer that invests in R&D spends 4% of its annual turnover on R&D. This proportion was higher for small businesses (6%) than for micros (3%) and medium-sized ones (2%).

Applications for R&D tax credits in the last three years (cohort C)

In the [data tables](#) accompanying this publication, table 14 (cohort C) shows whether the business applied for or received R&D tax credits in the last 3 years

An estimated 6% of SME employers had applied for R&D tax credits in the previous three years. This proportion was higher for medium-sized businesses (20%), than for small businesses (13%) and micro businesses (4%). By sector, applications were most likely in information and communication (23%) and manufacturing (22%).

In 2019 there was an increase of one percentage point in the number of SMEs applying for R&D tax credits.

¹² Calculated by dividing the mean amount spent on R&D over three years (£239,000) by three.

Social enterprises¹³

In the [data tables](#) accompanying this publication, tables 48 to 54 show the importance of business goals and the relative importance of social or environmental goals.

When asked about a variety of business goals, 60% of SMEs stated that financial goals were of highest importance to them.

The larger the size of business the more likely that financial goals were reported as important, with 81% of medium sized business, 72% of small businesses and 57% of micros describing them as of high importance.

Offering solutions to problems of health and ageing was reported as of high importance by 17% of all SMEs. Within the health sector, 53% reported this as of high importance.

Fighting economic and/or social exclusion was reported as of high importance by 18% of all SMEs, by 62% of those working in the health sector and by 49% of those working in the education sector.

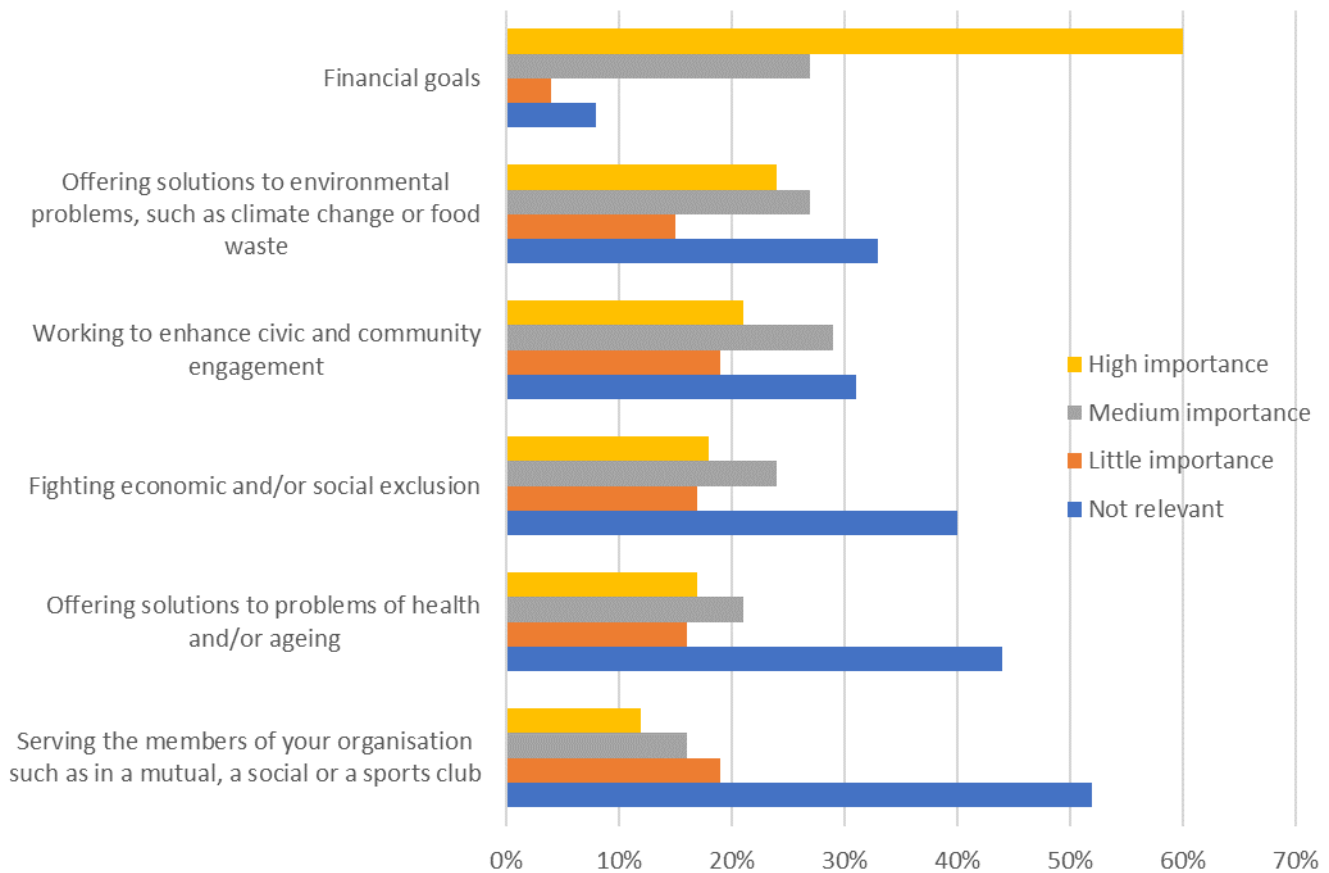
Working to enhance civic and community engagement was of high importance for 21% of SMEs in 2019. The sectors most likely to rate this as of high importance were health (53%), other services (48%) and education (47%).

Serving members or organisations was deemed the least important of all goals; 12% of all SMEs stated this as of high importance. Sectors most likely to report this as of high importance to their business goals were arts and entertainment (31%) and other services sectors (30%).

Offering solutions to environmental problems, such as climate change or food waste was reported as being of high importance by around a quarter of all SMEs (24%). Businesses in the primary sector were most likely to report this as a highly important goal (40%), while those in accommodation/food services were also particularly likely to do so (36%).

¹³ Section D relating to social enterprises and social or environmental goals was added back to the survey in 2019, as such there are no comparisons back to 2018.

Figure 15: Importance of business goals to SME employers



An estimated 2% of SMEs considered social or environmental goals as their only concern, 8% considered these goals their primary concern, 26% considered them to be equal to financial or other goals and 44% considered them to be secondary to financial or other goals.

By size and nation, there was only minor variation in these figures. By size, 26% of micro businesses considered social or environmental goals to be equal to financial or other goals, compared to 28% of small and 27% of medium sized businesses.

By nation, 31% of businesses in Wales considered social or environmental goals to be equal to financial or other goals, compared to 28% in Northern Ireland, 26% in England and 25% in Scotland.

Businesses within the health, arts and entertainment, accommodation and food, and other services sectors were more likely to report that social or environmental goals were equal to financial and other goals (each 32%).

Major obstacles to the success of the business

Overview of main obstacles (cohort B)

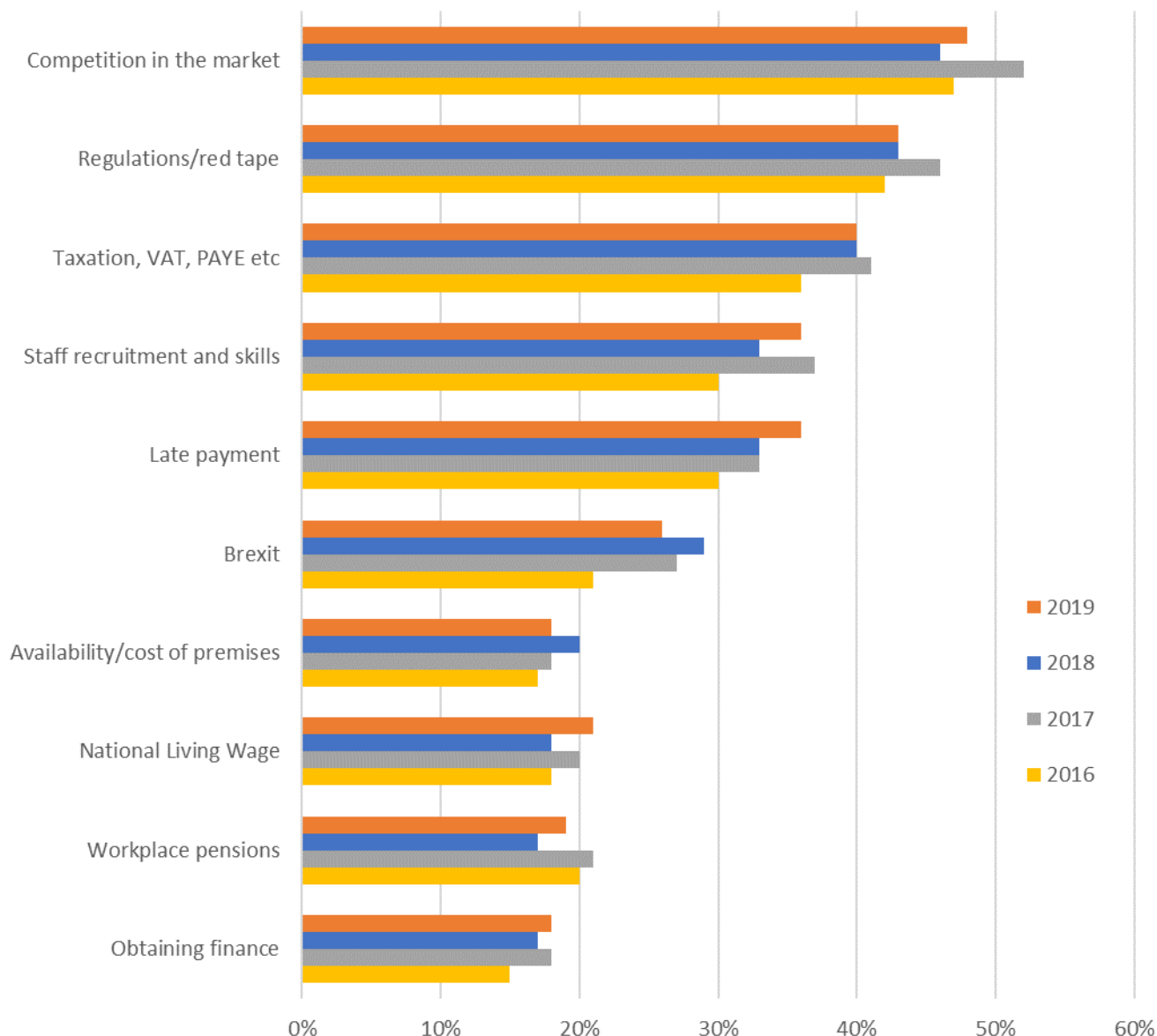
In the [data tables](#) accompanying this publication, table 1 (cohort B) shows the major obstacles to the success of the businesses interviewed.

SME employers were most likely to mention competition in the market as a major obstacle to the success of their business (48% in 2019, a two percentage point increase from 2018). This was the most frequently mentioned obstacle in the last three LSBS surveys. As in 2018, this section of questions was asked to cohort B only.

Other major obstacles included regulations and red tape (43%), taxation (40%), staff recruitment and skills, late payment (both 36%) and Brexit (26%, a decrease of three percentage points compared with 2018).

After a drop in reports of obstacles in 2018, this year there has been a slight increase in such reports. Staff recruitment and skills has seen a three percentage point increase, as have reports of late payment.

Figure 16: Proportion of SME employers citing each major obstacle to the success of the business (cohort B only)



Obstacles relating to employment are more of a concern to larger employers. Hence, 60% of medium-sized business mentioned staff recruitment and skills as an obstacle, compared with 53% of small businesses, and 32% of micros. The National Living Wage was cited as an obstacle by 29% of medium-sized businesses, 31% of small businesses and 19% cent of micros; this year has seen a 14 percentage point increase in the number of small businesses reporting this.

There was some sectoral variation in the obstacles SME employers cited:

- *competition* was most likely to be an obstacle for those in retail and wholesale (59%, a three percentage point increase from 2018)
- *regulations* were most likely to be considered an obstacle in the primary sector (69%, a three percentage point increase from 2018), and finance and real estate (64%, a four percentage point increase from 2018)

- *taxation* was most likely to be an obstacle in accommodation and food service (59%)
- *staff recruitment and skills* were most likely to be considered an obstacle in construction (48%)
- *late payment* was most likely to be viewed as an obstacle in construction (55%, a 10 percentage point increase from 2018), and information and communication (49%)
- *Brexit* was most likely to be considered an obstacle in the primary sector (40%) and education (39%)
- *the availability and cost of suitable premises* was most likely to be viewed as an obstacle in the transport, accommodation and food services, and other services sectors (each at 25%)
- *the National Living Wage* was most likely to be viewed as an obstacle in accommodation and food service (46%, a 13 percentage point increase from 2018), retail and wholesale, health, and other services (all 27%)
- *workplace pensions* were most likely to be viewed as an obstacle in transport (27%) and construction (26%)
- *obtaining finance* was most likely to be considered an obstacle in health (34%), and arts and entertainment (31%)

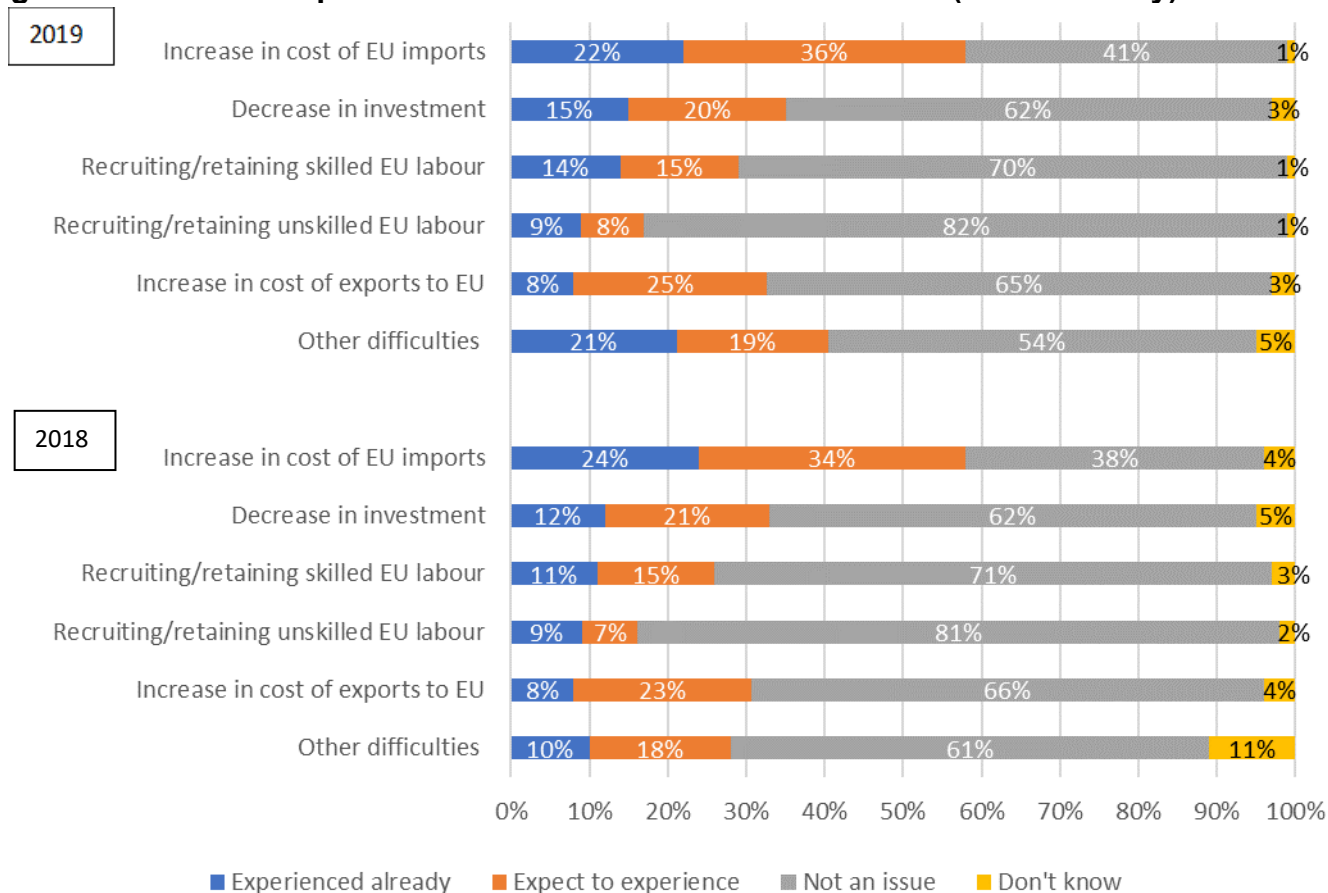
Brexit was an obstacle for 40% of businesses in Northern Ireland, 34% in Scotland, 25% in England and 18% in Wales.

Regulations and red tape were the most mentioned obstacle for businesses in Northern Ireland (56%) and Wales (51%), an increase of seven and 10 percentage points respectively.

Whether experienced, or expect to experience, difficulties as a result of Brexit

Added as a new question for 2018, those SME employers that considered Brexit a major obstacle to the success of their business were asked whether they had already experienced, or expected to experience, a number of specific difficulties. As we are asking this for the second year, we can track year on year changes.

Figure 17: Whether experienced difficulties as a result of Brexit (cohort B only)



In terms of difficulties already experienced, there has been no significant change between 2018 and 2019. As reported last year, this was most likely to be the increase in the cost of EU imports (22%). This was also the most likely difficulty SME employers expected to experience (36%), followed by increases in the cost of exports to the EU (25%) and decreased investment (20%).

The sector most affected by the increase in cost of EU imports was accommodation and food service. Some 45% of businesses in the sector reported having already experienced such increases and 33% expected to experience them. Other sectors affected by the increase in cost of EU imports were the primary sector (34% experienced already, 31% expect to experience) and construction (30% experienced already, 44% expect to experience).

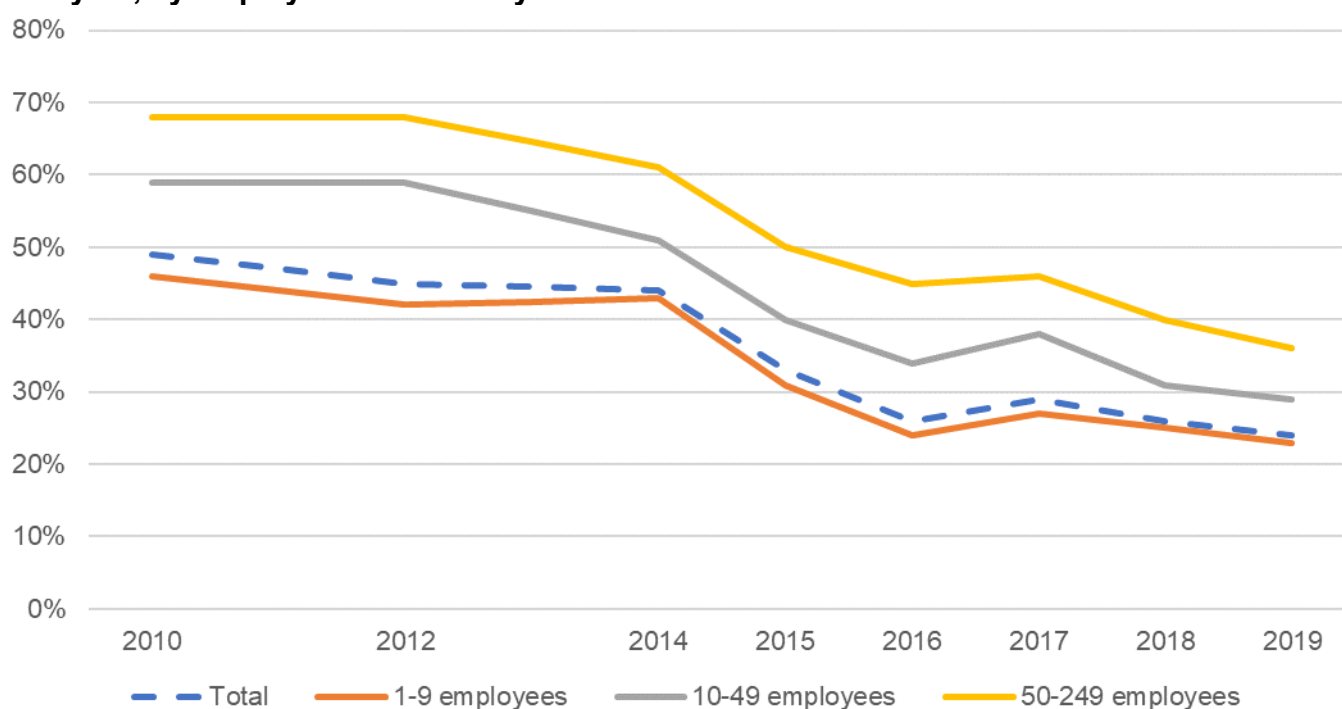
Sectors most likely to expect an increase in the cost of exports were information and communication (49%, a 17 percentage point increase from 2018) manufacturing (48%, up 13 percentage points), and transport and storage (41%, also up 13 percentage points).

Business Support

In the [data tables](#) accompanying this publication, table 123 shows whether used information or advice was used in the last 12 months

This year 24% of SME employers reported seeking external information or advice in the preceding 12 months, defined as more than just a casual conversation. This proportion was two percentage points less than in 2018. Use of external information or advice has declined significantly since the beginning of the decade.

Figure 18: Proportion of SME employers that sought external information or advice in the last year, by employment size and year



Larger SMEs were more likely to have sought external information or advice, 36% of medium-sized businesses sought it, compared with 29% of small businesses and 23% of micro businesses. The decline in the percentage of businesses using information or advice since 2017 is mainly driven by small and medium-sized businesses.

By nation, 27% of SME employers in Scotland (down one percentage point on 2018) and 26% in Wales (an increase of three percentage points) sought external information and advice, compared with 24% in England (down two percentage points) and 22% in Northern Ireland (down three percentage points).

Businesses which sought information and advice were most likely to be in the finance and real estate (37%), primary (36%), other services and health (both at 30%) sectors. They were least likely to be in the construction (16%), retail and wholesale (18%) and transport and storage (19%) sectors.

Compared with 2018, seeking information or advice has declined most in the education (down 14 percentage points), information and communication (down five percentage points) and other services sectors (also down five percentage points) sectors.

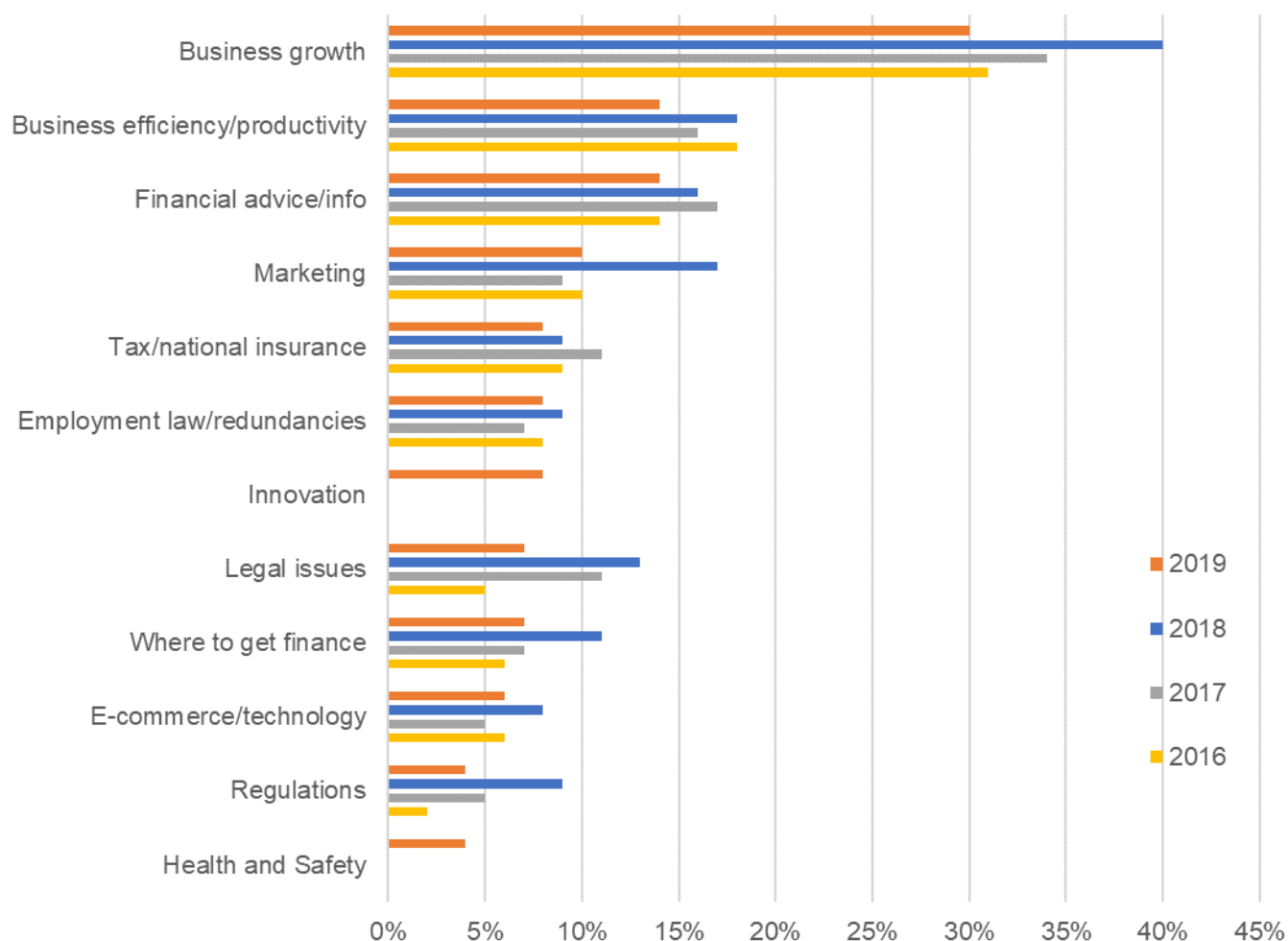
Purpose of strategic advice sought (England and Wales only)¹⁴

In the [data tables](#) accompanying this publication, table 126 shows the purpose of strategic advice sought

In England and Wales, of businesses that had sought information or advice, 35% said they had used information relating to the day-to-day running of the business, 24% had used strategic advice to help introduce a stepped change to grow their businesses' profitability, numbers employed or productivity. Some 28% had done both. A further 13% reported neither of these.

Of those that had used strategic advice, business growth was the most common reason for seeking it (30%). The proportion seeking advice on business growth has decreased by 10 percentage points since 2018.

Figure 19: Purpose of strategic advice in the last year (England and Wales only)



¹⁴ These questions were asked differently according to nation, and so these data are not available to this level of detail for Scotland or Northern Ireland.

Advice on business efficiency and productivity was sought by 14% (a decrease of four percentage points from 2018), 14% sought financial advice for the general running of the business, 10% sought advice on marketing (a decrease of seven percentage points from 2018) and 7% each on legal issues (a decrease of six percentage points from 2018) and where to get finance (a decrease of four percentage points from 2018).

There were few differences in the type of strategic advice sought by size and sector, with the following exceptions:

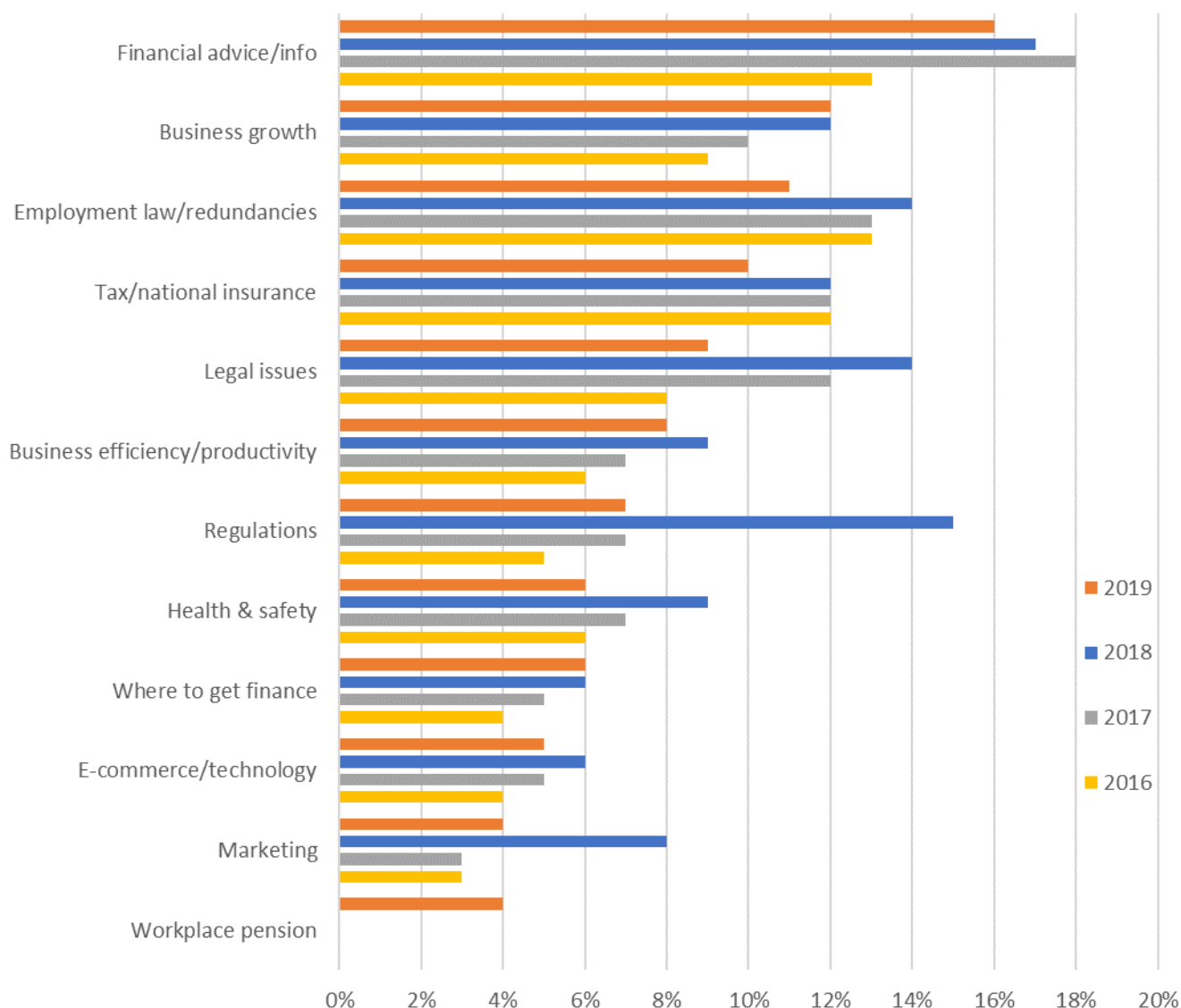
- advice on business growth was more likely to be sought by those in the education (52%) sector and medium-sized companies (36%)
- advice on business efficiency and productivity was more likely to be sought in the arts and entertainment sector (33%)
- advice on marketing was more likely to be sought by those in the education sector (29%)
- financial advice for the general running of the business was more likely to be sought by those in the construction and information and communication (both 28%) sectors
- legal advice was more likely to be sought by those in the financial sector (17%)
- tax advice was more likely to be sought by those in the professional and scientific (17%) and accommodation and food (15%) sectors
- advice on employment law and redundancies was more likely to be sought in the accommodation and food sector (14%)
- advice on regulations was more likely to be sought in the transport and storage sector (17%)

Purpose of information sought (England and Wales only)

In the [data tables](#) accompanying this publication, table 127 shows the purpose of the information sought

Information was mainly sought relating to financial matters for the general running of the business (16%), business growth (12%), employment law and redundancies (11%) and tax and national insurance law and payments (10%).

Figure 20: Purpose of seeking information in the last year (England and Wales only)



Compared with 2018, businesses seeking information on regulations decreased by eight percentage points from 15% to 7% in 2019. Those seeking information on legal issues decreased by five percentage points, from 14% in 2018 to 9% in 2019.

Again, there were few differences in the type of information sought by size and sector, with the following exceptions:

- financial information on the general running of the business was more likely than average to be sought by micro (17%) than small (11%) and medium-sized businesses

(13%) and was also more likely to be sought in the professional and scientific (23%), construction and education (both 22%) sectors

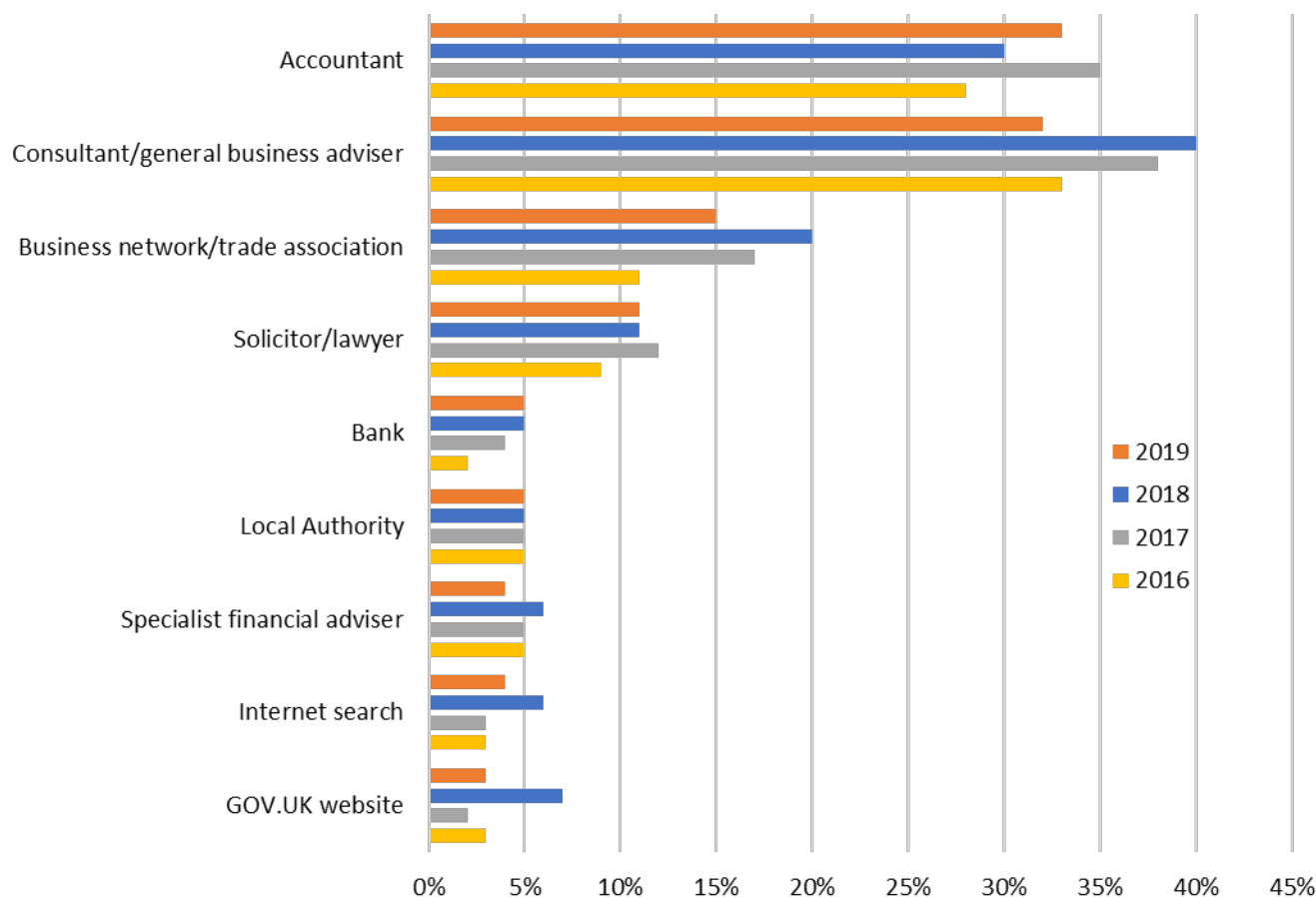
- information on regulations was more likely to be sought in the finance and real estate sector (25%)
- information on employment law and redundancies was more likely to be sought by small businesses (23%) than medium-sized (17%) or micro businesses (8%) and was also more likely to be sought in health (23%), manufacturing (14%) and other services (18%) sectors
- information on legal issues was more likely to be sought by medium-sized businesses (21%) than small businesses (13%) or micros (8%)
- information on tax was more likely to be sought by the information and communications sector (21%)
- information on business growth was more likely to be sought by those in the education sector (21%)
- information on business efficiency and productivity was also more likely to be sought by those in the primary (19%) sectors
- information on health and safety was more likely to be sought in the construction (17%) sector and in education (13%)
- information on where to get finance was more likely to be sought in the education (15%) and other services (13%) sectors
- information on e-commerce and technology was more likely to be sought by those in the health sector (11%)

Sources of external information and strategic advice (England and Wales only)

In the [data tables](#) accompanying this publication, tables 129 and 130 show estimates of sources of external information and strategic advice

A reported 33% of SME employers that sought advice approached accountants. Around 32% approached consultants and business advisers, while 15% of SMEs sought strategic advice from business networks, and 11% from solicitors or lawyers.

Figure 21: Who provided strategic advice in the last year (England and Wales only)

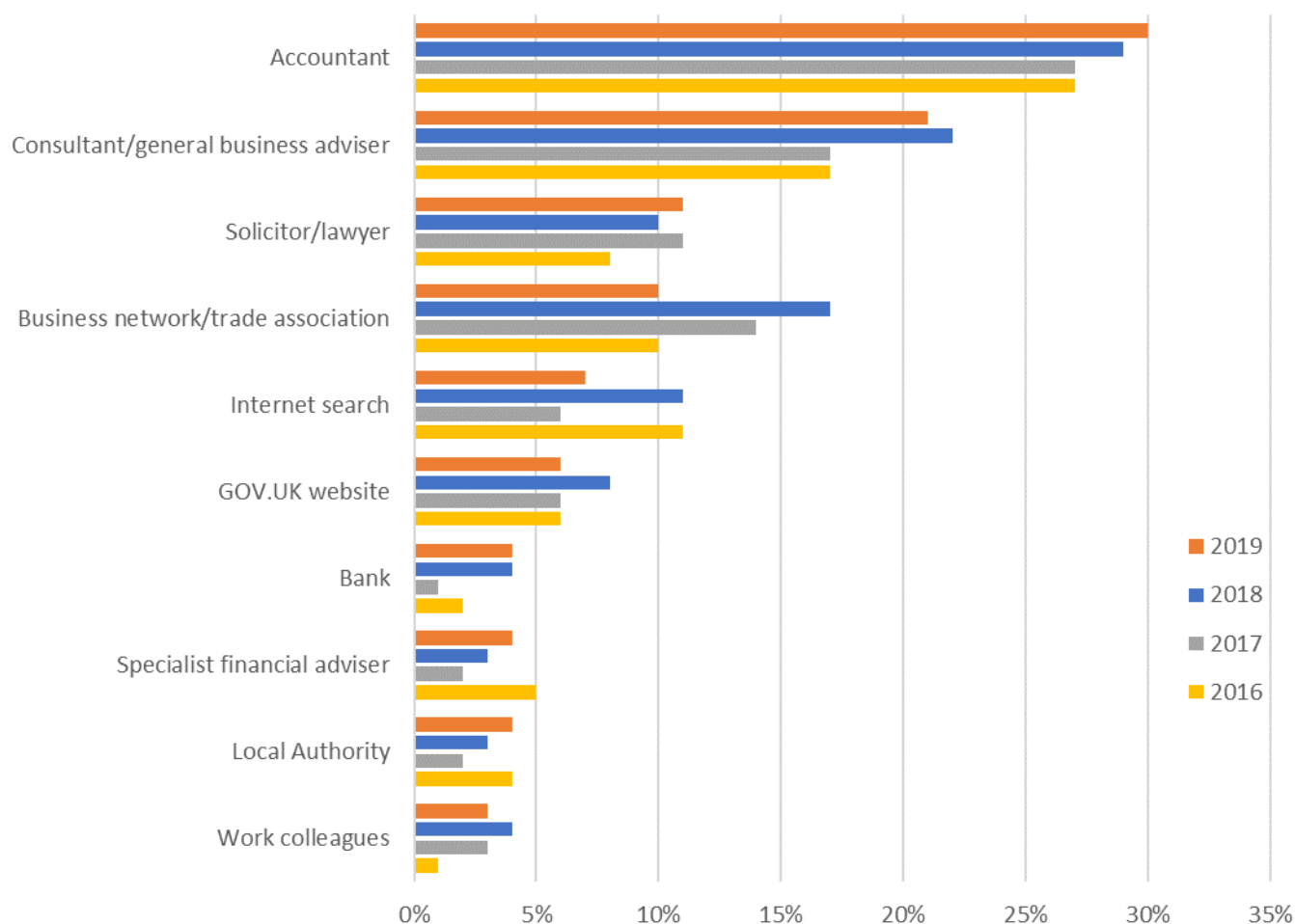


Compared with 2018, there has been a greater use of accountants (an increase of three percentage points) and a relatively larger reduction in numbers of businesses using consultants and business advisers (a decrease of eight percentage points)

Those that sought information were most likely to have consulted accountants (33%). Some 32% sought information from consultants and business advisers, whilst 11% used solicitors or lawyers and 15% used business networks and trade associations.

Compared with 2018, there was a reduction in the proportion seeking information from business networks and trade associations (a decrease of five percentage points).

Figure 22: Who provided information in the last year (England and Wales only)



How information or strategic advice was delivered (England and Wales only)

In the [data tables](#) accompanying this publication, table 132 and 133 shows how the information or strategic advice was delivered

Some 71% of those that received strategic advice in England and Wales had this mainly delivered face-to-face. This was a six percentage points decrease on the figure in 2018.

As in 2018, 10% had their advice delivered by email, 10% by phone (9% in 2018) and 3% (2% in 2018) via a website.

Medium-sized businesses were more likely to have their advice delivered face-to-face (79%) than small (75%) or micro businesses (70%). Micros (11%) were more likely to have advice delivered by phone than small (8%) and medium-sized (5%) businesses.

Turning to information, 58% of those that sought information received this face-to-face, a five percentage points decrease on the 2018 figure. As in 2018, 18% received information by phone (15% in 2018), 12% by email (11% in 2018), and 6% through a website (8% in 2018).

Medium-sized businesses were more likely to receive their information face-to-face (65%) than small businesses (61%) and micros (57%). Micro businesses (20%) were more likely to receive their information on the phone compared to small (14%) and medium-sized businesses (12%).

Paying for strategic advice (England and Wales only)

In the [data tables](#) accompanying this publication, table 137 shows if SMEs had ever paid for external advice

Of SME employers in England and Wales that received strategic advice in the last 12 months, 66% paid for it. This was a three percentage point increase from 2018.

Medium-sized businesses were more likely to have paid for advice (89%) than small businesses (70%) and micro businesses (64%).

By sector, those in the primary sector (94%, a 17 percentage point increase on 2018) and finance and real estate (80%) were most likely to have paid for advice; while those in education were the least likely (50%). In the construction sector, 52% paid for advice, an 18 percentage point decrease from 2018. Some 71% in the administration and services sector paid for advice, an 18 percentage point increase from 2018.

Unmet information and advice needs (England and Wales only)

In the [data tables](#) accompanying this publication, table 141 shows if SMEs had unmet needs for support in the last 12 months

As in 2018, 4% of SME employers in England and Wales had opportunities, difficulties or important information or advice needs for which they did not receive external advice or support for in the previous 12 months.

There were few differences according to sector. Those in the information and communication and other services sectors were most likely to have had unmet information and advice needs (both 7%).

Awareness of organisations offering business support – England (cohort A)

In the [data tables](#) accompanying this publication, tables 8 and 9 (cohort A) show the awareness and usage of organisations offering business support

SME employers in England were asked if they had heard of their Local Enterprise Partnership and their local Growth Hub¹⁵. They were also asked if they had sought information or advice from them, or otherwise engaged with them, in the last 12 months. This question was asked of cohort A only.

Some 39% of SME employers had heard of Local Enterprise Partnerships and 24% had heard of Growth Hubs. These proportions were similar to those reported in 2018, with awareness of Local Enterprise Partnerships decreasing by one percentage point. Around 8% had ever used a Growth Hub (a four percentage point increase from 2018) and 6% had used a Local Enterprise Partnership (a two percentage point increase from 2018).

¹⁵ Businesses were given the actual name of their local LEP and Growth Hub, which was determined through the postcode that appeared on the database. In cases where they could be located in two LEPs or Growth Hubs, the primary LEP or Growth Hub was chosen.

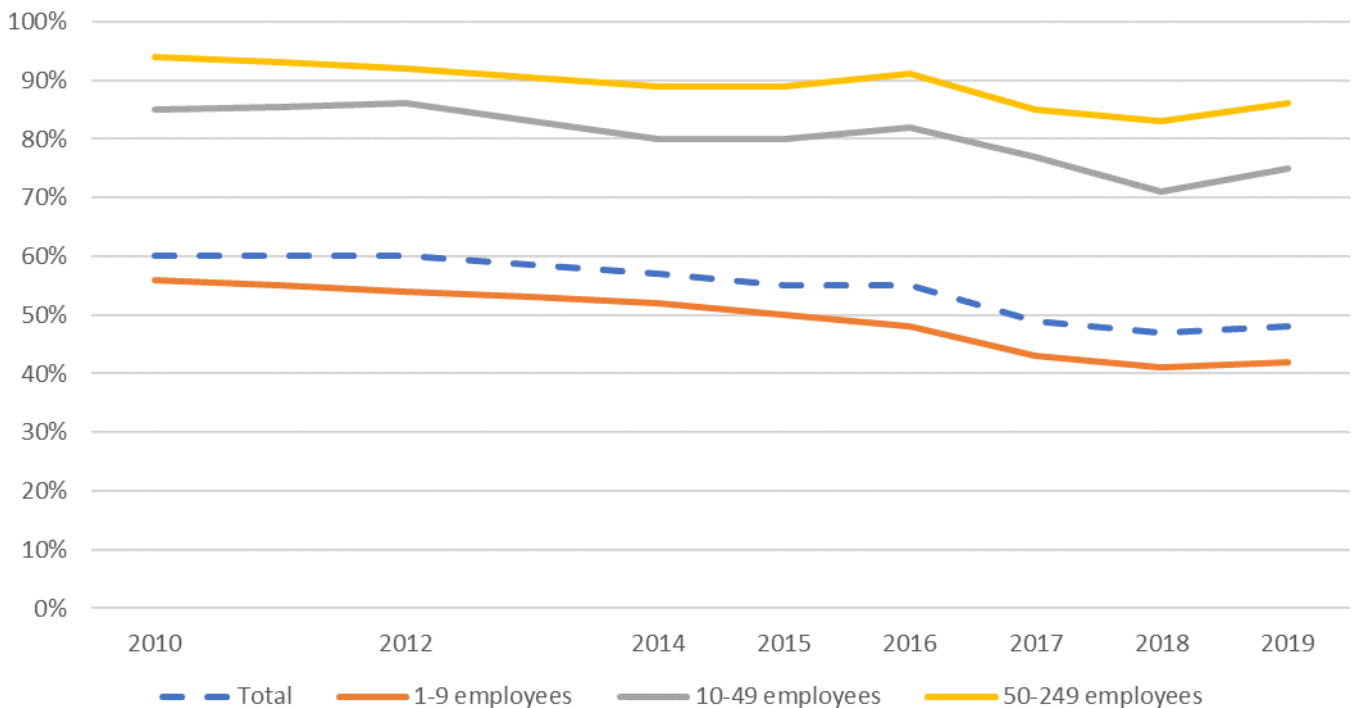
Training

Arrangement or funding of staff training and development

In the [data tables](#) accompanying this publication, table 149 shows training or development offered for employees

Some 48% of SME employers had arranged or funded training in the previous year, one percentage point higher than in 2018.

Figure 23: Proportion of SMEs that arranged or funded training or development for staff in the year, by year and employment size

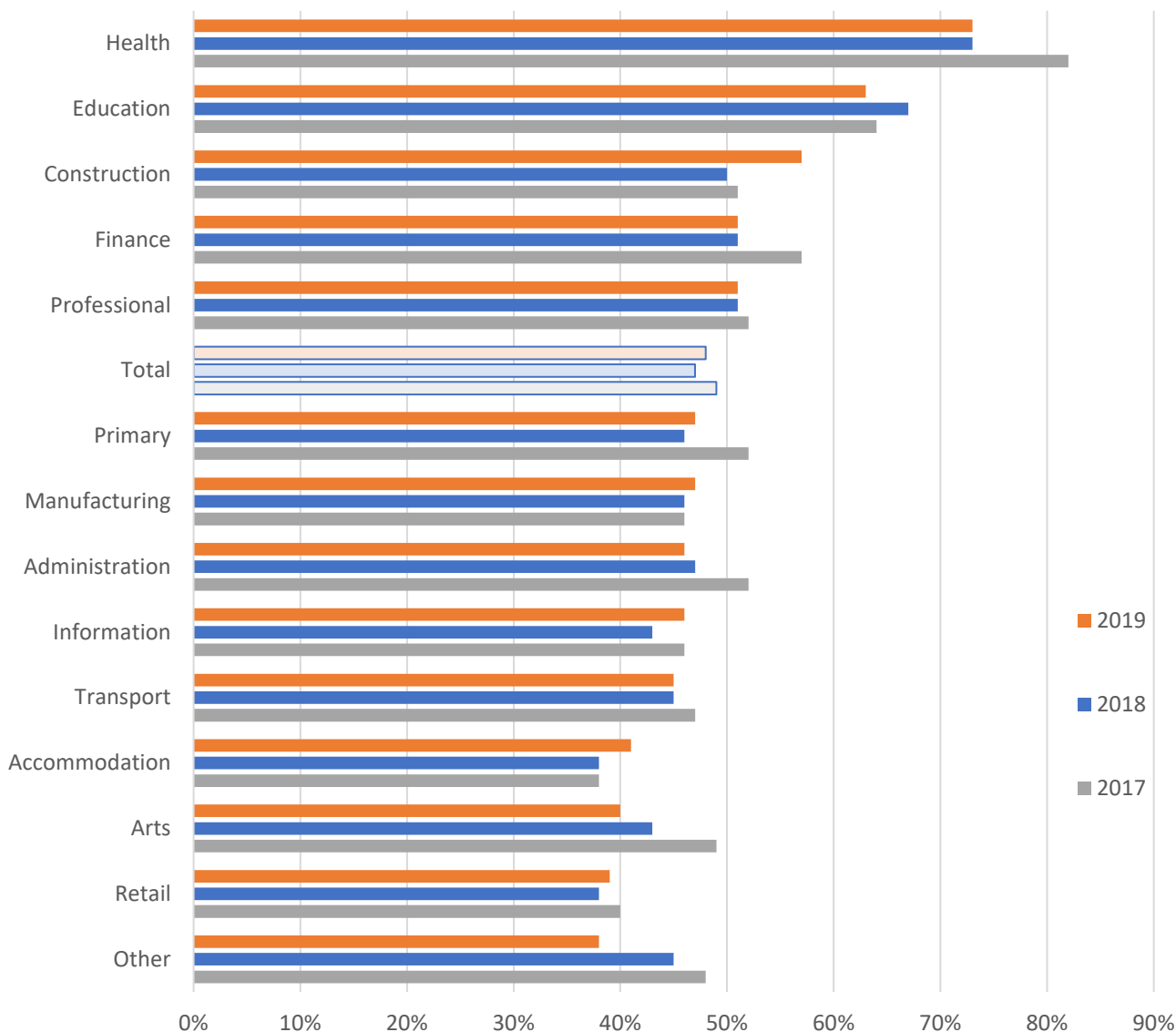


Provision of any training is much more likely for larger organisations with 86% of medium-sized businesses provided training in 2019, compared with 75% of small businesses, and 42% of micro businesses.

Medium sized businesses have seen an increase of three percentage points in provision of training since 2018. For small businesses, there was an equivalent increase of four percentage points.

As in 2018, an estimated 12% of SME employers offered formal ‘off-the-job’ training only, 11% offered informal ‘on-the-job’ training. Some 25% offered both (an increase of one percentage point).

Figure 24: Proportion of SMEs that arranged or funded training or development for staff in the year, by sector



The most likely sectors to have provided training were health (73%, the same as in 2018), education (63%, a four percentage point decrease) and construction (57%, a seven percentage point increase).

Sectors least likely to have provided training were other services (38%, a seven percentage point decrease on 2018) and retail and wholesale (39%, a one percentage point increase).

Training was provided by 54% of SME employers in Scotland (an increase of six percentage points from 2018), 48% in England and 47% in both Wales and Northern Ireland.

SME employers that had the same number of staff as the previous year were the least likely to provide training, 44% of these provided training, compared to 53% of those that had increased their number of employees, and 57% of those that had decreased employee numbers.

Who received training?

In the [data tables](#) accompanying this publication, table 150 shows training or development offered for managers

Around 33% of SME employers provided training for managers. Training for managers was provided by 28% of micros, 54% of small businesses, and 70% of medium-sized businesses.

By sector, managerial training was most likely to be provided by businesses in health (63%, the same as in 2018), education (55%, a decrease of three percentage points), finance and real estate (39%, an increase of two percentage points) and professional and scientific (37%, a one percentage point decrease) sectors.

Of those businesses offering management training, this was most likely to be for technical, practical or job-specific skills (82%). Health and safety training was provided by 67% of SMEs, 38% provided training in leadership and management skills, 34% in IT skills, 34% in team working skills, and 21% in financial management. All these proportions were similar to those seen in both 2017 and 2018.

Apprenticeship starts in the last year (cohort A)

In the [data tables](#) accompanying this publication, table 13 (cohort A) shows the number of apprenticeship starts in the past 12 months.

Some 12% of SME employers had formal apprenticeships starts in the previous year, the same as in the three previous years. The proportions of micro, small and medium-sized businesses reporting apprenticeship starts in 2019 were 10%, 23%, and 33% respectively.

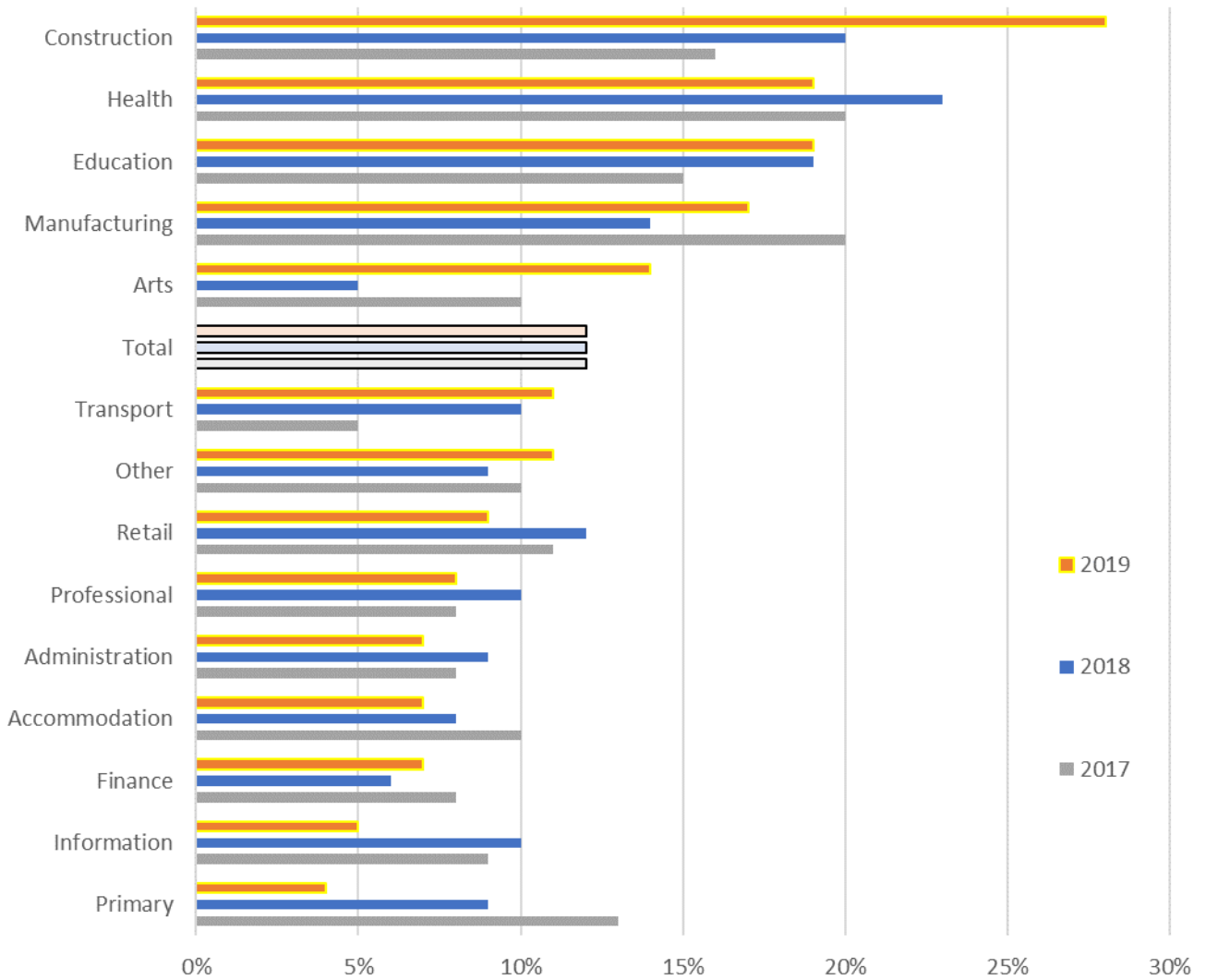
Apprenticeships were most likely to have been started by businesses in construction (28%), health and education (both 19%). Apprenticeship starts were least likely in the primary (4%), information and communication (5%), financial and real estate, and administration (both at 7%).

Compared with 2018, apprenticeship starts in construction increased by eight percentage points; in arts and entertainment the increase was nine percentage points.

By nation, 16% of SME employers in Scotland had apprenticeship starts, an increase of eight percentage points from 2018. In Wales 13% of SMEs had apprenticeship starts, compared with 12% in Northern Ireland and 11% in England.

Of those businesses with apprenticeship starts, 69% had just one apprentice, 22% had two, 7% had three, 1% had four, and 3% had five or more.

Figure 25: Proportion of SME employers with at least one formal apprenticeship start in the last year, by sector (cohort A only)



Apprenticeship starts in the next year (cohort A)

In the [data tables](#) accompanying this publication, table 14 (cohort A) shows the intention to have apprenticeship starts in the next 12 months.

An estimated 13% of SME employers intended to have apprenticeship starts in the next 12 months. Some 11% of micros and 20% of small businesses reported intending to have apprenticeship starts – similar to 2018. For medium-sized businesses, the equivalent figure was 33% (a five percentage point decrease from 2018).

The intention to have future apprenticeship starts was greatest in construction (26%, an increase of nine percentage points on 2018), arts and entertainment (21%, an increase of four percentage points), manufacturing (16%, a decrease of four percentage points) and health (15%, a decrease of six percentage points). Only 7% of businesses in the primary sector intended to have any apprenticeship starts in the next 12 months (a decrease of two percentage points on 2018).

By nation, 15% of SME employers in Northern Ireland intended to have apprenticeship starts, compared with 14% in Scotland, 13% in England and 11% in Wales.

SME employers that did not intend to have any starts were asked why this was. Multiple responses were allowed at this question:

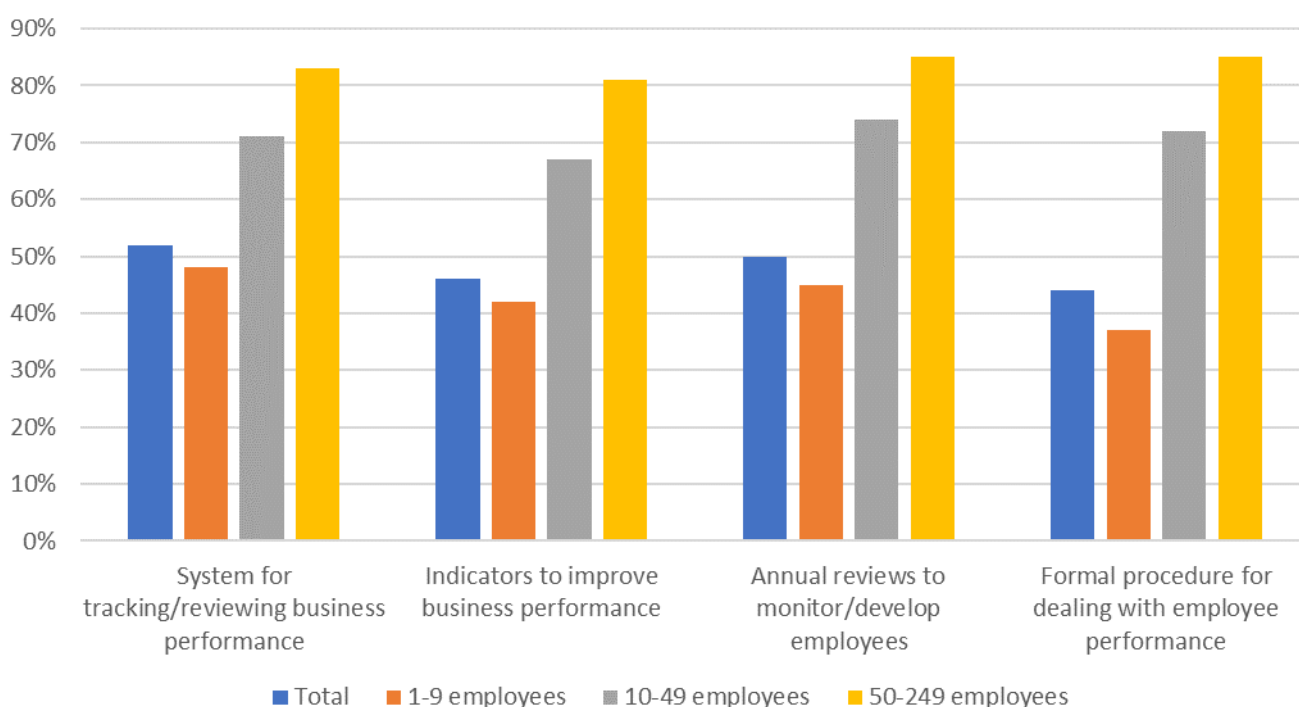
- some 88% reported not needing any more workers
- around 7% said it was too time consuming or costly to train apprentices
- some 4% cent reported they could not afford to pay apprentices
- around 1% did not know how to get apprentices

Business practices

Business and management practices (cohort C)

In the [data tables](#) accompanying this publication, table 15 (cohort C) shows the business and management practices that SMEs have in place

Figure 26: Business and management practices, by employment size (cohort C only)



As in 2018, 52% of SME employers used a *system for tracking and reviewing business performance*. This was used by 48% of micros, 71% of small businesses, and 83% of medium-sized businesses. It was most commonly used in health (77%, an increase of three percentage points on 2018), and education (68%, a decrease 13 percentage points). It was least likely to be used in construction (38%, an increase of two percentage points on 2018).

46% of businesses used *indicators to improve business performance* (a decrease of one percentage point on 2018). These indicators were used by 42% of micros, 67% of small businesses, and 81% of medium-sized businesses. They were most used in health (66%, a four percentage point decrease on 2018) and education (57%, a 21 percentage point decrease). They were least likely to be used in construction (29%, a three percentage point decrease on 2018) and accommodation and food (37%, a four percentage point decrease).

Half of SMEs (50%) used *annual reviews to monitor and develop employees*. This was a five percentage point increase on 2018. They were used by 45% of micros, 74% of small (for both a four percentage point increase on 2018) and 85% of medium-sized businesses (a five percentage point increase). Annual reviews were most commonly used in health (92%, an increase of 14 percentage points from 2018), finance and real estate (67%, a four percentage point decrease) and arts and entertainment (66%, a 24 percentage point increase). They were

least likely to be used in the construction (40%, a six percentage point increase on 2018), and primary (42%, a two percentage point increase on 2018) sectors.

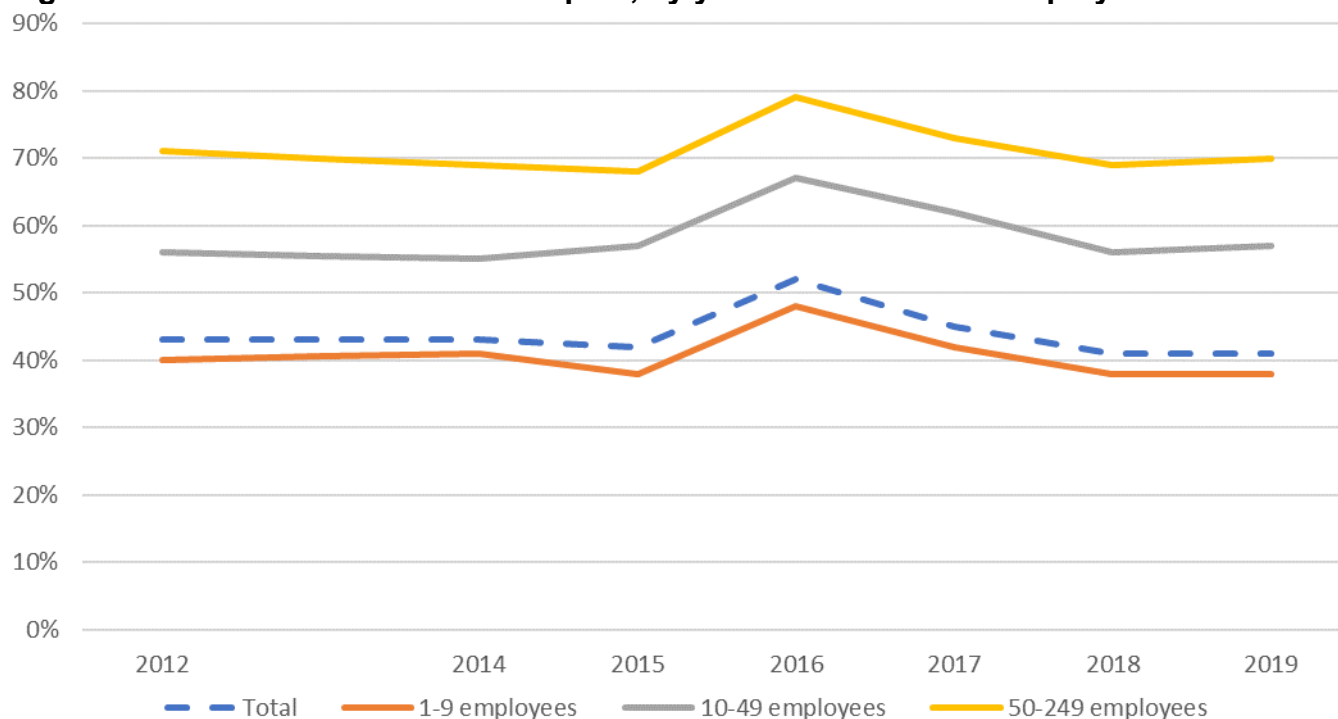
Some 44% of businesses had a *formal procedure for dealing with employee performance*, a three percentage point increase on 2018. They were used by 37% cent of micros, 72% of small businesses, and 85% of medium-sized businesses (a three percentage point increase on 2018 for small and medium-sized businesses and a two percentage point increase for micros). They were most common in the health (79%, a three percentage point increase on 2018) and finance and real estate (60%, a two percentage point increase) sectors. They were least likely to be used in the construction (32%, a seven percentage point decrease) and primary (33%, unchanged from 2018) sectors.

Business plans

In the [data tables](#) accompanying this publication, table 63 shows whether businesses have a formal written business plan.

A reported 41% of SME employers had a business plan. Among business of differing sizes, 38% of micros 57% of small and 70% of medium-sized businesses had a business plan.

Figure 27: Whether have a business plan, by year and number of employees



Compared with 2018, there was little variation in the proportion of business having a formal business plan, either overall or by size of SME.

By sector, business plans were most common in health (65%, a four percentage point decrease on 2018) and education (57%, a five percentage point decrease). They were least likely to be used in the construction (35%, a four percentage point increase) and retail and wholesale (35%, a one percentage point decrease).

By nation, 44% of SME employers in Scotland had a business plan, as did 42% in Northern Ireland, 41% in England and 40% in Wales.

Similar to last year's survey, 80% of SMEs with a business plan report keeping it up to date.

Working for the public sector (cohort B)

In the [data tables](#) accompanying this publication, tables 8-10 (cohort B) shows if they have expressed an interest in, or bid for, any contract advertised by the public sector

A reported 11% of SME employers expressed an interest in, or bid for, one or more contract(s) advertised by the public sector. This was the case for 10% of micros, 15% of small and 18% of medium-sized businesses. Questions on working for the public sector were asked of cohort B only.

This overall proportion was two percentage points lower than in 2018.

Of those that expressed an interest in contracts, 81% went on to bid for the contract.

In 2019, 22% of SME employers had done business for the public sector in the previous 12 months, a decrease of one percentage point on 2018. This was the case for 20% of micros, 30% of small and 33% of medium-sized businesses.

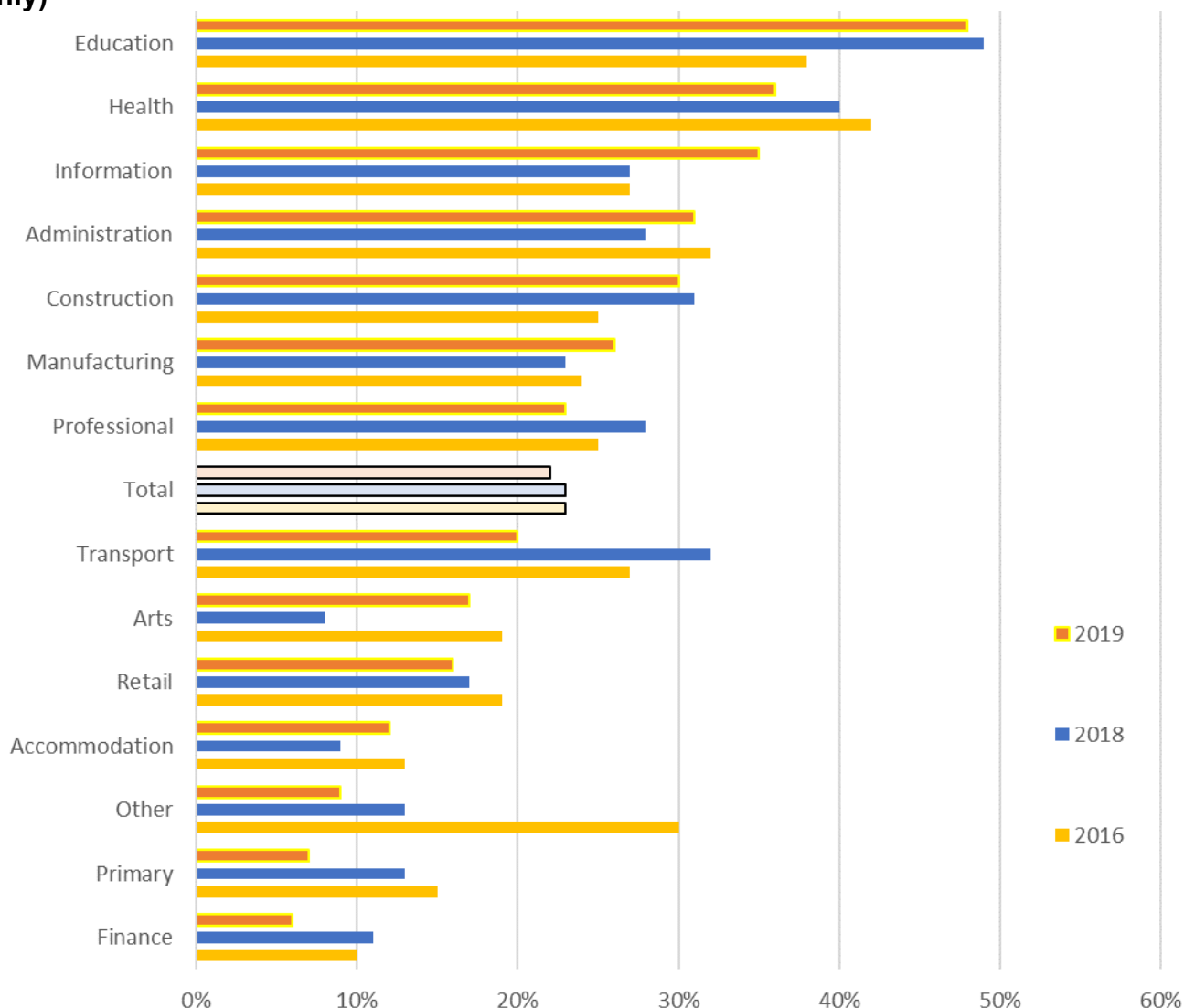
By sector, those in education (48%), health (36%) and information and communication (35%) were most likely to have worked for the public sector. Those in the finance and real estate (6%), primary (7%) and other services (9%) sectors were the least likely to have done so.

Compared to 2018, the proportion working for the public sector was down 12 percentage points in transport and storage, and up nine percentage points in arts and entertainment.

The main customers within the public sector were as follows:

- local authorities (44% of those that worked for the public sector had them as their main client, down six percentage points on 2018)
- the National Health Service (21%, up two percentage points)
- higher and further education institutions (13%, up four percentage points)
- UK Departments of State (10%, down two percentage points)

Figure 28: Whether worked for the public sector in the last year, by sector (cohort B only)



Dispute resolution (cohort A)

In the [data tables](#) accompanying this publication, table 11 shows whether they feel they can satisfactorily resolve a payment dispute with a larger business

SME employers in cohort A were asked if they felt they could satisfactorily resolve a payment dispute with a larger business (that is, one with 50 or more employees). The question was only asked if they gave or received credit, and had less than 50 employees themselves.

A reported 70% per cent felt that they could resolve such a dispute. This proportion varied slightly by employment size: 68% of micros thought they could resolve the dispute, compared 77% of small businesses.

By nation, 75% in Northern Ireland felt that they could resolve such a dispute, compared with 70% in England, 69% in Scotland and 62% in Wales.

By sector, those in accommodation and food (58%) were the least confident that they could resolve such a dispute, whereas those in finance and real estate (81%) were the most confident.

Taxation (cohort C)

In the [data tables](#) accompanying this publication, tables 1- 6 (cohort C) show how businesses with employees keep records for taxation

When asked about methods for managing records specific to VAT, 76% of SME businesses stated that they used record keeping software, 33% used spreadsheets and 31% used paper-based records.

Compared to the 2018 survey, the use of record keeping software increased by 10 percentage points, the use of spreadsheets decreased by nine percentage points and the use of paper-based records decreased by 10 percentage points.

The larger the company, the greater the likelihood of using record keeping software. Some 73% of micros reported using it, compared to 87% of small businesses and 90% of medium-sized businesses.

With respect to income tax self-assessment, just over half of all SMEs (55%) reported using record keeping software, 32% used spreadsheets and 35% used paper-based records.

When compared with 2018, the use of record keeping software for income tax self-assessment increased by seven percentage points. The use of spreadsheets decreased by nine percentage points, while use of paper-based records decreased by 13 percentage points.

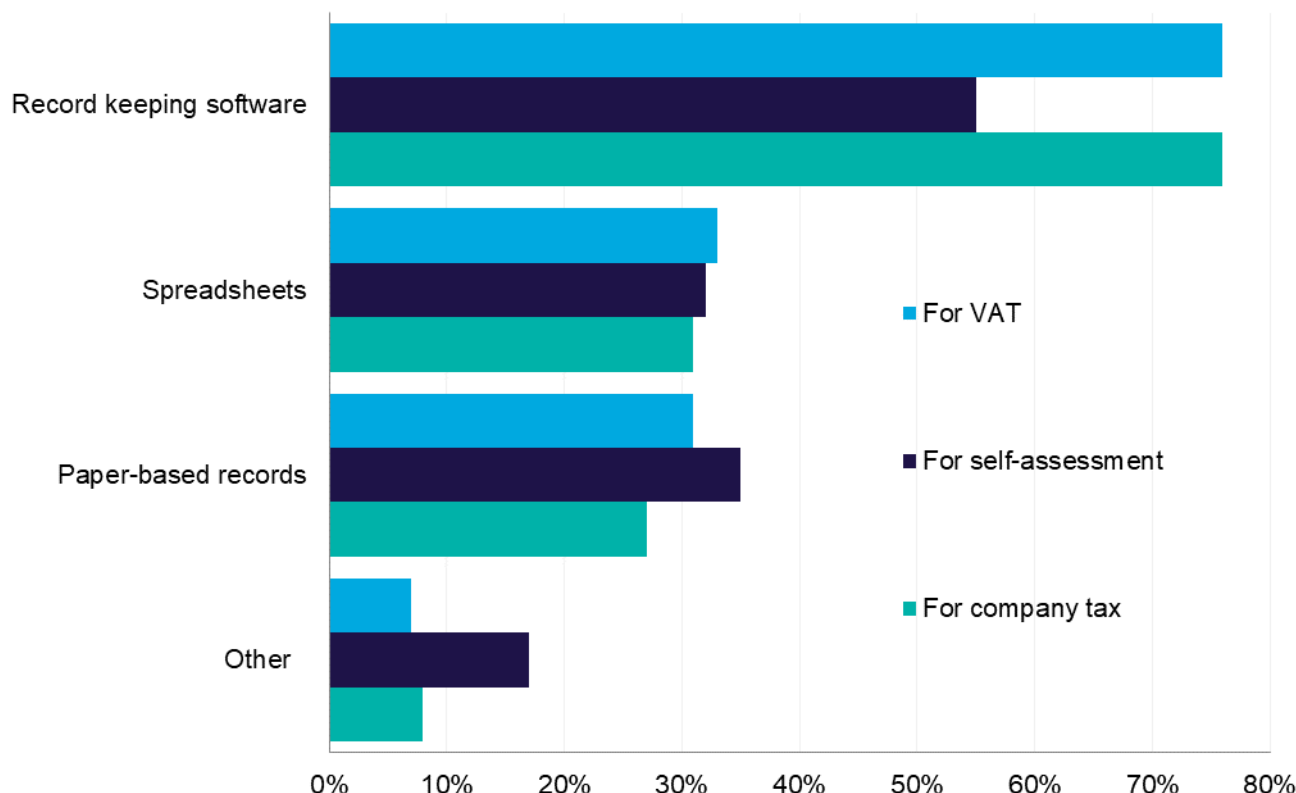
54% of micros reported using record keeping software for income tax self-assessment, compared to 65% of small businesses and 75% of medium sized businesses.

For keeping records of company tax, three quarters of all SMEs (76%) reported using record keeping software, 31% used spreadsheets and 27% used paper-based records.

When compared with 2018, the use of record keeping software for company tax increased by 12 percentage points. Use of spreadsheets decreased by eight percentage points as did use of paper-based records.

Micro businesses were again least likely to use recording keeping software for company tax (74%), compared to small (86%) and medium-sized businesses (85%).

Figure 29: Ways in which SME employers keep records (2019)



Technology (cohort C)

In the [data tables](#) accompanying this publication, tables 7 and 8 (cohort C) show which businesses use technologies or web-based software to sell to customers or to manage the business, and which technologies they use

Just under a half of all SMEs (49%) used technologies or web-based software to sell to customers or to manage the business, whereas 50% did not.¹⁶

Medium sized companies were more likely to do so (64%) than small businesses (56%) and micros (47%).

Businesses in Wales were more likely to use technologies or web-based software to sell to customers or to manage the business (60%) than businesses in England (49%), Northern Ireland (41%) and Scotland (40%).

SMEs in the information and communications (76%), finance and real estate (64%), administration support (63%) and arts and entertainment (61%) sectors were most likely to use technologies or web-based software. Businesses in the construction (30%) and transport and storage (34%) sectors were least likely to use them.

¹⁶ 1% did not know

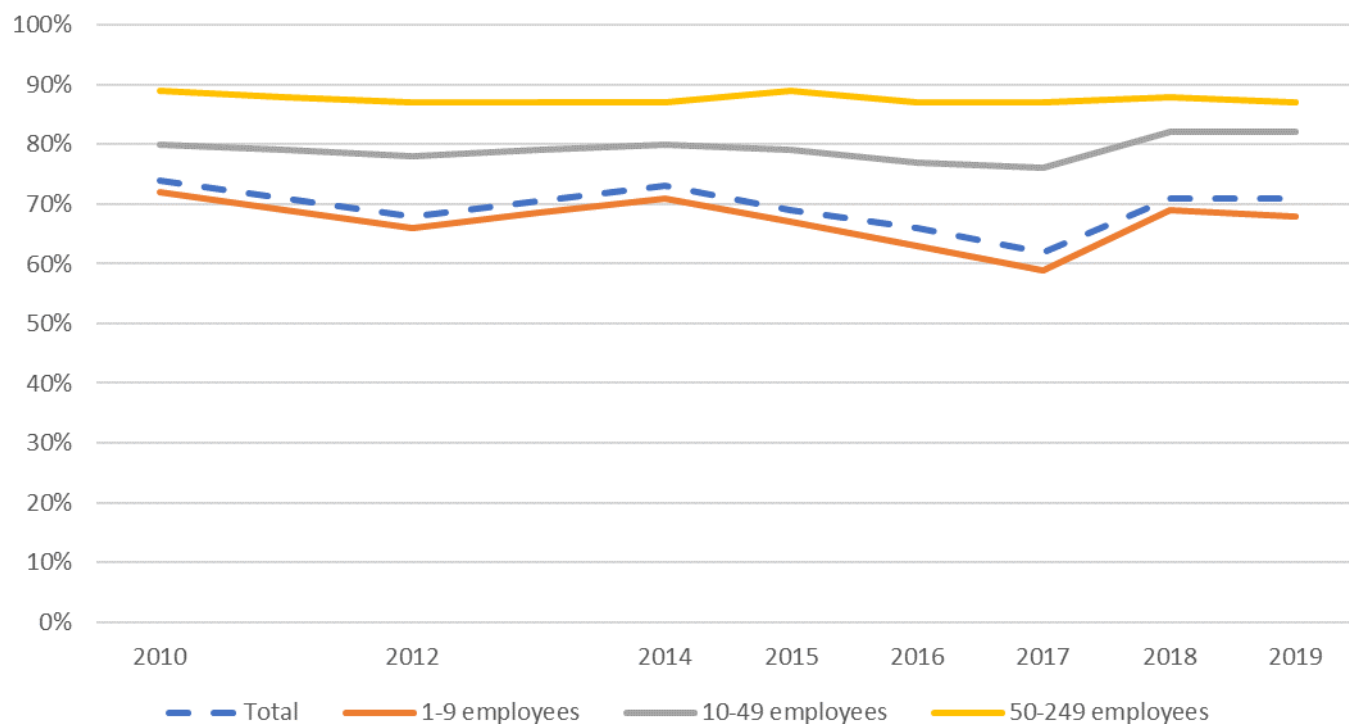
Future plans

Growth ambitions

In the [data tables](#) accompanying this publication, table 161 shows whether or not SME employers aim to grow sales over the next three years

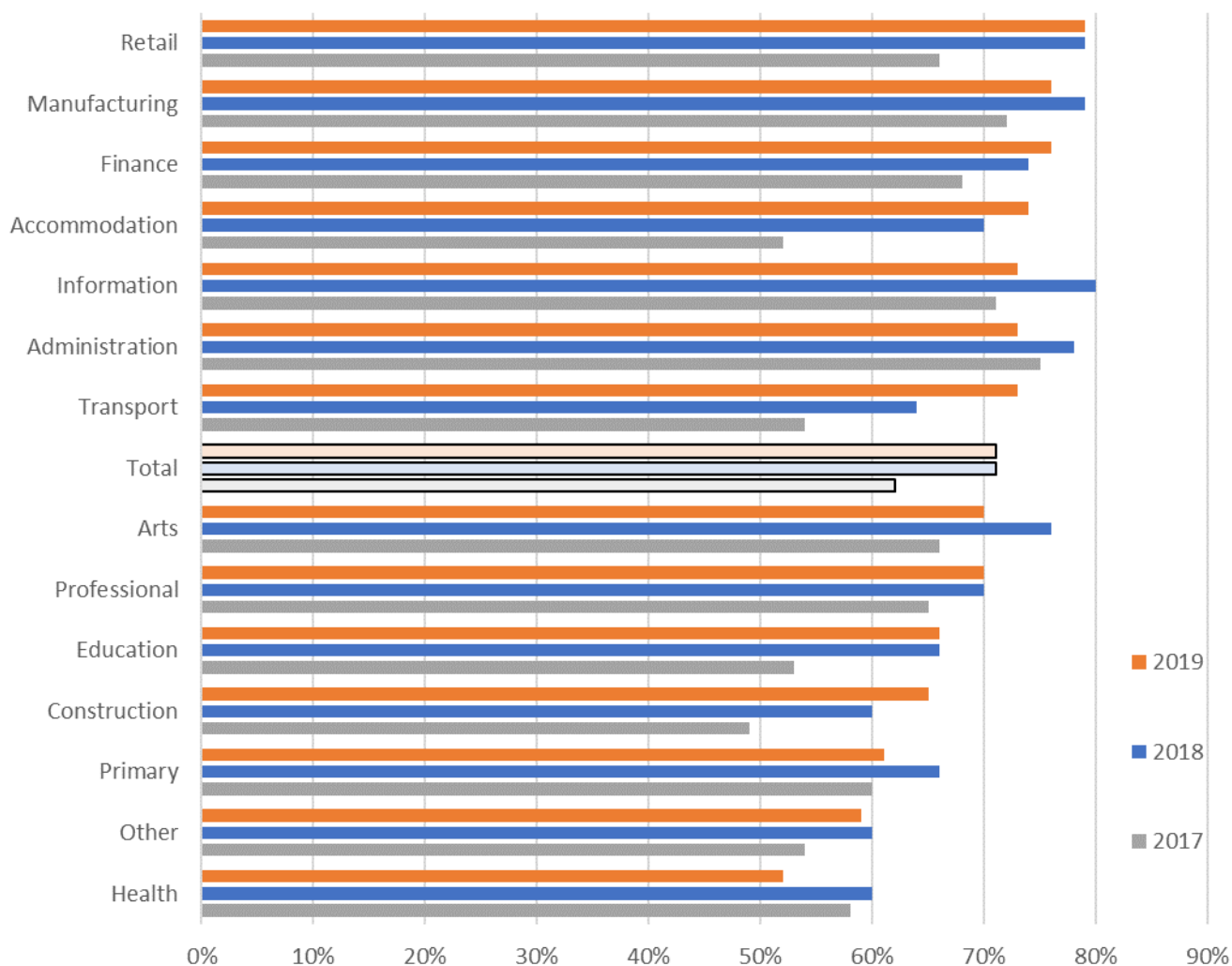
Around 71% of SME employers aimed to grow sales over the next three years, the same as in 2018. Some 87 % of medium-sized businesses reported this ambition, as did 82% of small businesses and 68% of micro businesses. Overall, there was little change since 2018.

Figure 30: Proportion of SME employers that aim to grow sales of the business over the next three years, by employment size and year



SME employers in retail and wholesale (79%, as in 2018) and manufacturing (76%, a three percentage point decrease on 2018) were most likely to aim to grow. Those in health (52%, an eight percentage point decrease on 2018) and other services (59%, a one percentage point decrease on 2018) were least likely to be aiming to grow.

Figure 31: Proportion of SME employers that aim to grow sales of the business over the next three years, by sector



By nation, growth ambition was higher in Northern Ireland and England (both 71%) than in Scotland and Wales (both 68%). The figure in Northern Ireland was a four percentage point decrease on 2018.

By English region, growth ambition was strongest in London at 78% (a one percentage point increase on 2018), and lowest in the North East at 67% (also a one percentage point increase on 2018).

Of those intending to grow, 20% aimed to grow sales by between one and nine per cent in three years' time, 43% by between 10 per cent and 24 per cent, 16% by between 25 per cent and 49 per cent. Around 14% of businesses intended to grow by 50 per cent or more, while 8% were not able to provide an estimate.

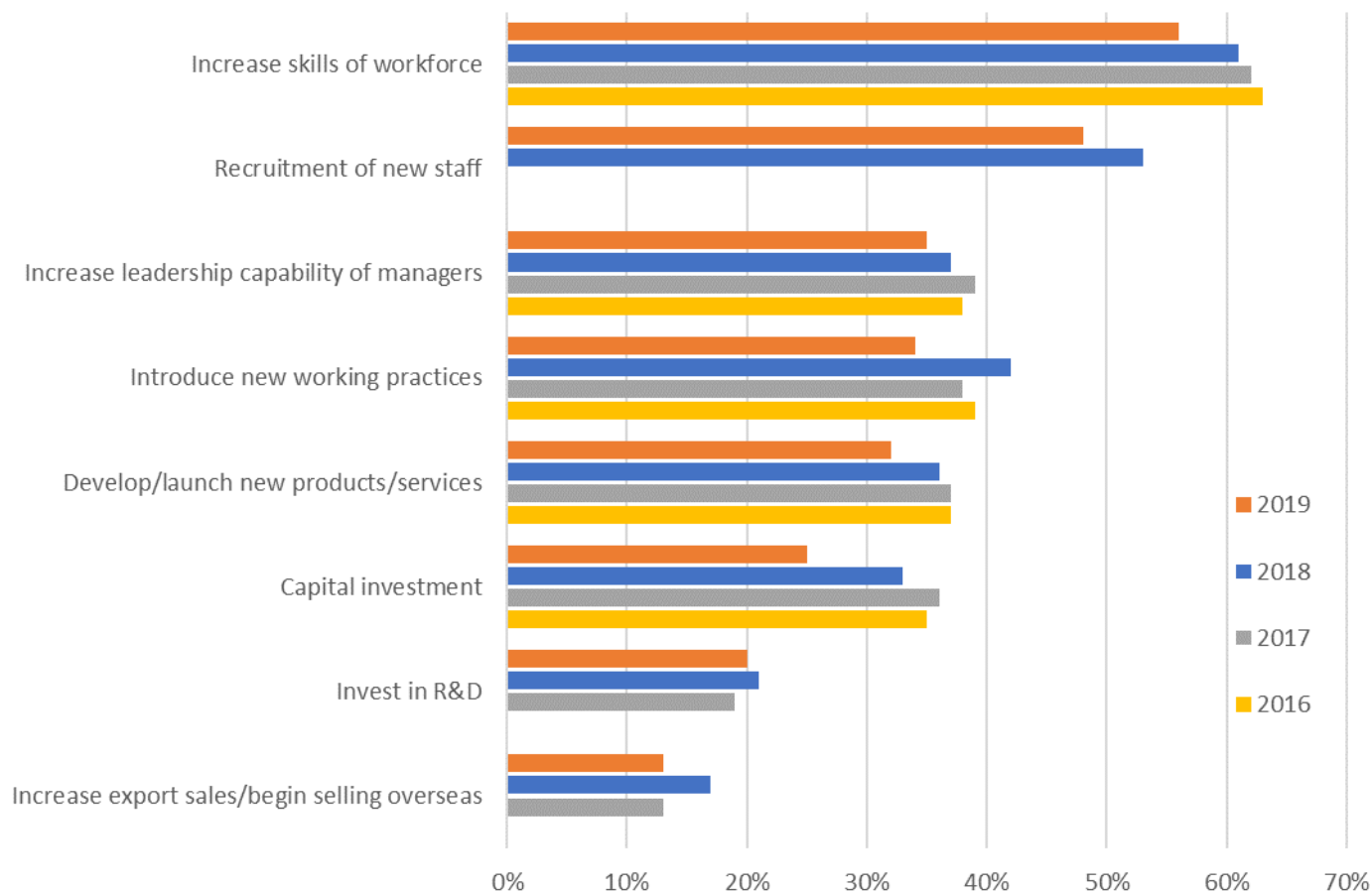
Plans to undertake growth-related activities over the next three years (cohort B)

In the [data tables](#) accompanying this publication, table 11 (cohort B) shows what plans SME employers have for the business over the next three years

SME employers were asked about plans to implement various growth-related activities over the next three years. Typically there were fewer responses for each activity than there were in 2018. We found:

- 56% planned to increase workforce skills (five percentage points down on 2018)
- some 48% planned to recruit new staff (five percentage points down on 2018)
- 35% planned to increase the leadership capability of managers (two percentage points down on 2018)
- 34% planned to introduce new working practices (eight percentage points down on 2018)
- 32% planned to develop and launch new products or services (four percentage points down on 2018)
- 25% planned to invest in premises, machinery or other types of capital investment in the UK (eight percentage points down on 2018)
- 20% planned to invest in R&D
- 13% planned to increase export sales or begin selling to new overseas markets (four percentage points down on 2018)
- 5% planned capital investment overseas
- 5% planned to recruit new staff in overseas offices
- 1% planned to transfer staff from the UK to overseas offices

Figure 32: Proportion of businesses undertaking growth-related activities, by type of activity (cohort B only)



Micro businesses were less likely to plan any type of growth related activity than small and medium-sized businesses.

There was some variation in the intentions of SME employer across sectors:

- businesses in education (79%), finance and real estate (66%) and health (65%) were most likely to plan to *increase the skills of the workforce*
- businesses in health and manufacturing (both 57%) and education (56%) were more likely than average to plan to *recruit new staff*
- businesses in education (59%) and health (50%) were more likely than average to plan to *increase leadership capability*
- businesses in education (50%) and arts and entertainment (45%) were more likely than average to plan to introduce *new working practices*
- businesses in education (71%) and information and communication (59%) were most likely to plan to *develop and introduce new products and services*
- businesses in the primary sector (48%) were most likely to plan to *make capital investments*
- businesses in information and communication (49%), manufacturing (35%) and education (33%) were most likely to plan to *invest in R&D*

- businesses in information and communications (29%), manufacturing (27%) were most likely to plan to *increase export sales or begin selling to new overseas markets*

Whether plans for growth-related activities have been affected by UK exit from the EU (cohort B)

In the [data tables](#) accompanying this publication, table 12 (cohort B) shows whether plans have been affected by Brexit

The following section concerns SME employers that planned to undertake specific growth-related activities. Only cohort B were asked these questions.

Those with plans to *increase export sales or begin selling to new overseas markets* were most likely to have had these plans affected by Brexit (24% this year, 26% in 2018 and 37% in 2017). Of those whose plans were affected, 8% had scaled up their plans (22% in 2018), 68% had scaled them down (32% in 2018). Some 24% reported their plans were at the same level (42% in 2018). In terms of how Brexit has affected the timing of these plans, 15% had brought forward their plans (16% in 2018), 71% had pushed them back (45% in 2018). Some 14% reported their timings were unaffected (38% in 2018).

Of those that had planned to *invest in R&D*, 14% reported their plans were affected by Brexit (15% in 2018 and 2017). Of those whose plans were affected, 37% had scaled up their plans (17% in 2018), 26% had scaled them down (55% in 2018). Some 36% reported their plans to invest in R&D were at the same level (24% in 2018). Brexit led to plans being brought forward by 27% of those affected (9% in 2018), plans being pushed back by 47% (60% in 2018). For the remaining 26%, the timings of these investment plans had not been affected (27% in 2018).

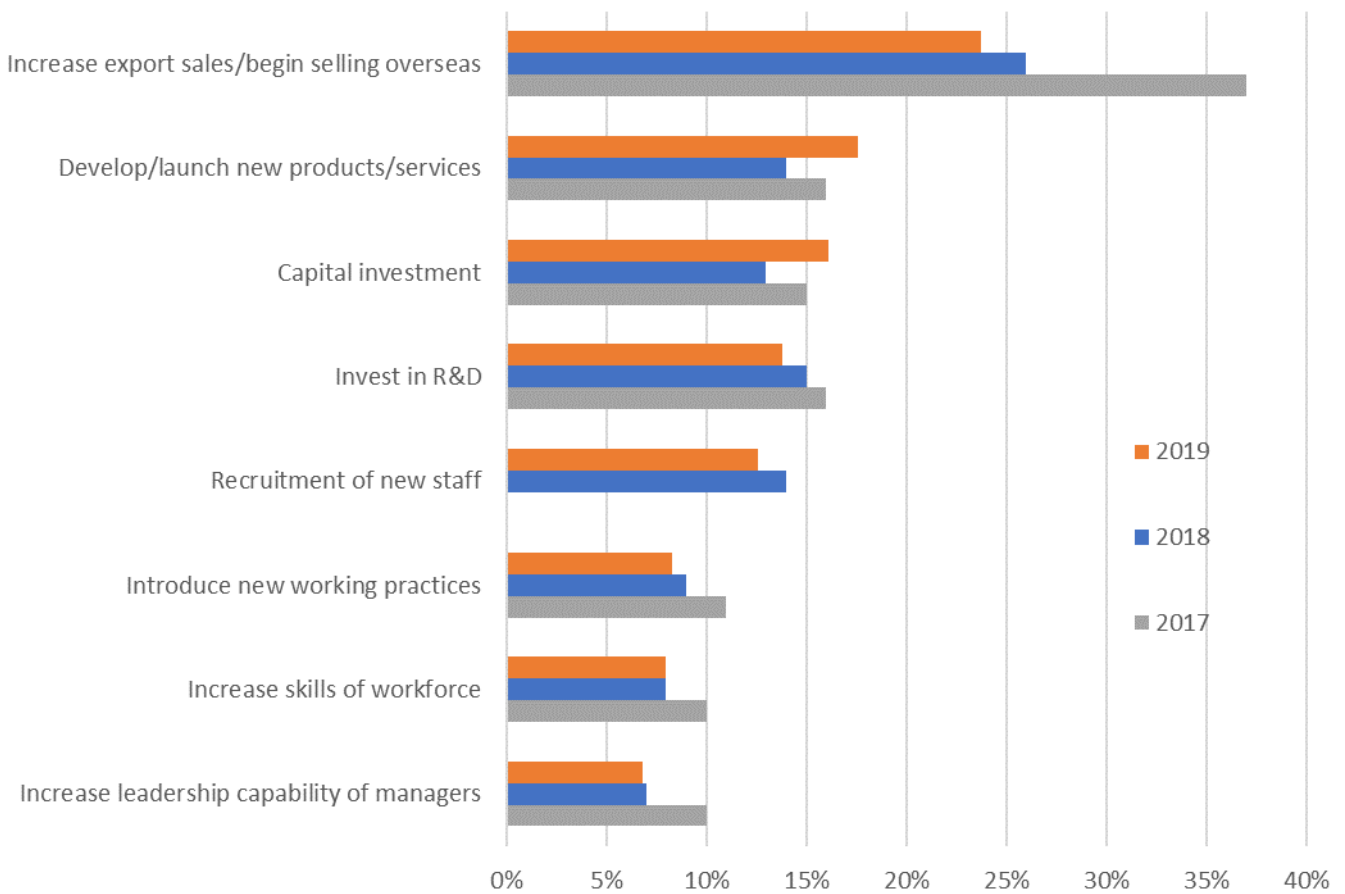
Of those SME employers with plans for *recruitment of new staff*, 13% reported them being affected by Brexit (14% in 2018). Of those SME employers with plans relating to *development and launch of new products or services*, 18% reported them being affected by Brexit (14% in 2018). Of those SMEs with plans relating to *capital investment*, 16% reported them being affected (13% in 2018).

Those that had planned to *introduce new working practices, increase the skills of the workforce and increase the leadership capability of managers* were less likely to have these plans affected by Brexit (8%, 8% and 7% respectively).

For each of the types of plan affected, SME employers were more likely to have scaled down plans rather than scaled them up. This was particularly true of *plans to develop and launch new products or services*, where of businesses 57% had scaled down plans, and only 22% had scaled them up.

Similarly, affected businesses were more likely to have pushed back plans than brought them forward. Again, this was particularly the case for plans to *recruit new staff*, where 66% had pushed back plans, compared to 9% who had brought them forward.

Figure 33: Plans affected by Brexit activity (based on SME employers that plan to undertake each growth-related activity, cohort B only)



Profiles of SMEs

This section provides a snapshot of SME employers in terms of their characteristics and ownership.

Changes in the organisation in the last 12 months (panel only)

In the [data tables](#) accompanying this publication, table 2 outlines the changes in the business in the last 12 months

SME employers that were full panellists, that is those that had taken part in the surveys in 2017, 2018 and 2019, were asked whether a number of changes had occurred in the last 12 months. The changes and the percentage of respondents reporting such changes had occurred are given here:

- 5% had gained or lost directors in day-to-day control of the organisation
- 4% had opened or closed a new branch, site or office
- 4% had changed their ownership structure
- 4% had moved their head office
- 1% became VAT registered for the first time
- 1% had changed their legal status
- 1% had changed the principal activity of their business
- for 85%, none of these changes had occurred

Number of sites

In the [data tables](#) accompanying this publication, table 4 provides detail on the number of sites operated from by SMEs

Around 87% of businesses reported operating from a single site and 12% reported operating from multiple sites. The percentage of businesses operating from a single site was two percentage points higher than in 2017 and the same as in 2015.

Unsurprisingly, the proportion of businesses operating from multiple sites increases as the number of employees within the enterprise increases, with 50% of medium-sized businesses reporting multiple sites, compared with 25% of small and 9% of micro businesses. These were similar proportions to 2018 (52%, 24% and 9%, respectively).

By sector, those most likely to have multiple sites were in health (18%) and information and communication (18%).

Business premises in residential settings

In the [data tables](#) accompanying this publication, table 14 shows whether they have a separate business premises or work from home premises

An estimated 19% of SME employers have business premises in their home or the home of the business owner. This is a six percentage point decrease compared with 2018, but a two percentage point decrease on 2017.

By business size, 23% of micro businesses worked out of a domestic address (a six percentage point decrease on 2018), compared to 6% of small businesses (a five percentage point decrease) and less than 1% of medium-sized businesses (the same as in 2018).

By sector, 39% of SME employers in primary, 28% in construction, 25% in both information and communication and professional and scientific sectors worked from a domestic address.

Those in manufacturing, education (both 9%), retail and wholesale (12%), other services (13%), and health (also 13%) were less likely to be home based.

Home-based businesses were more common in Scotland (21%), than in England, Wales (both 19%) and Northern Ireland (18%).

Home-based businesses were also more common among businesses in rural areas than in urban areas (25% and 17%, respectively).

Age of business

In the [data tables](#) accompanying this publication, table 11 shows the summary age of the business

Amongst all SME employers, 12% had started trading within the preceding five years, that is between 2014 and 2019 (the corresponding figure in 2018 was 14%). As in 2018, 17% started trading between 6 and 10 years previously. Around 26% started trading between 11 and 20 years previously. Some 45% have been established 21 years or more (42% in 2018).

Small and medium-sized businesses tended to be older than micro businesses. Some 13% of micro businesses were aged between zero and five years (15% in 2018), compared to 8% of small businesses (10% in 2018) and 5% of medium-sized ones (as in 2018). At the other end of the scale, 42% of micro businesses were aged 21 or more years (40% in 2018), compared to 54% of small businesses (50% in 2018), and 63% of medium-sized businesses (61% in 2018).

By sector, those most likely to be aged between zero and five years were in accommodation and food service (26%), and construction (16%). Those most likely to have been trading 21 years or more were in the primary sector (78%).

By nation, SME employers in Northern Ireland (19%) were more likely to be aged between zero and five years than those in Wales (14%), England (12%) and Scotland (11%).

Legal status¹⁷

In the [data tables](#) accompanying this publication, table 10 shows the legal status of the SME

66% of SME employers in our survey were private limited companies, limited by shares (a four percentage point decrease on 2018), 13% were sole proprietors (as in 2018), 8% were partnerships (a one percentage point increase on 2018), and 5% were private companies limited by guarantee (CLGs), the same as in 2018. Around 2% were limited liability partnerships (LLPs), a one percentage point increase on 2018, whilst 1% were charitable incorporated organisations (CIOs), the same as in 2018.

Micro businesses were more likely than larger businesses to be sole proprietorships. Around 15% of micros were sole proprietorships, compared with 3% of small and 1% of medium-sized businesses. Small (75%) and medium-sized (77%) businesses were more likely than micro (64%) businesses to be private companies limited by shares.

Not-for-profit enterprises tended to have alternative legal statuses, tending not to be limited by shares, sole proprietors, or any form of partnership. They were mainly CLGs, although others were IPS (Industrial and Provident Societies), CIOs, CBS (Community Benefit Society), CICs (Community Interest Company) or described themselves as trusts, friendly societies, co-operatives, royal charter companies or unincorporated associations. Overall, 12% of SME employers had these alternative legal statuses (9% in 2018).

These alternative legal statuses were most common in the health (50%), other services (48%), education (43%) and arts and entertainment (38%) sectors.

Registered charity status

In the [data tables](#) accompanying this publication, table 3 shows if the SME is a registered charity

It is estimated that 6% of SME employers in 2019 were registered charities (5% in 2018) and this differed little by size. Some 5% of micros were registered charities, compared with 7% of both small and medium-sized businesses.

Of those with alternative legal statuses as described above, 43% had charitable status. Of those with other legal statuses, less than 0.5% were registered charities.

Charitable status was most common in the health (45%), other services (34%) and education (32%) sectors.

¹⁷ Note that in 2019 the legal status questions were amended in an effort to simplify and improve understanding for participants to answer. Therefore, there is limited comparability with figures from 2018 on specific counts on IPS, CBS, CICs, trusts, friendly societies, co-operatives, royal charter companies or unincorporated associations.

Number of owners and partners

In the [data tables](#) accompanying this publication, table 18 provides the number of owners or partners

About 35% of SME employers reported having just one owner or partner, 38% reported having two, 17% reported having between three and five and 4% having six or more.

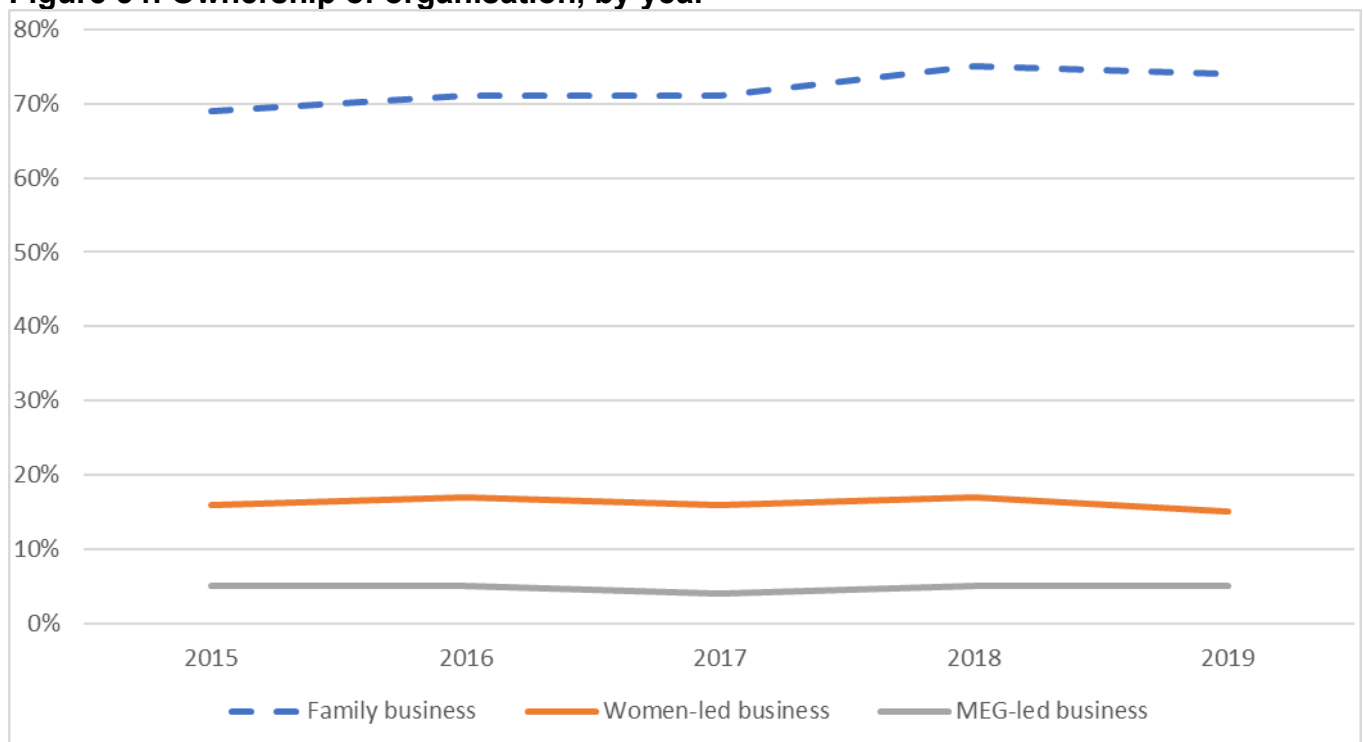
Compared with 2018, fewer SME employers had just one owner or partner (down five percentage points), while more had between three and five partners (up four percentage points) or six or more (up two percentage points).

The number of owners and partners increases with business size, with 39% of micros having just one owner or partner, compared with 18% of small and 12% of medium-sized businesses.

Family-owned businesses

In the [data tables](#) accompanying this publication, table 15 shows whether the business is classified as family owned

Figure 34: Ownership of organisation, by year



As in 2018, 74% of SME employers were defined as family-owned businesses (very similar to 2018). Note that we classify businesses with just a single owner or partner as family businesses, but not those without any owners.

Family-owned businesses were more common among smaller enterprises, comprising 71% of micro businesses, 61% of small businesses and 51% of medium-sized businesses.

By sector, family businesses were most likely in primary (93%), transport (85%), construction (83%) and retail and wholesale (82%).

Women-led businesses

In the [data tables](#) accompanying this publication, table 24 shows whether the business is classified as women-led, table 25 provides more detail on the proportion of women owners and directors

Women-led businesses are defined as those majority-led by women, that is controlled by a single woman or having a management team of which a majority are women. In 2019 an estimated 15% of SME employers were women-led. This was a two percentage point decrease on 2018.

There were fewer women-led medium-sized businesses (11%), compared with small and micro businesses (both 15%). This was also the case in previous surveys.

Women-led businesses were most likely in the education (32%), health (29%), other services (24%), accommodation and food service (21%), and administration and support (20%) sectors. (It is worth noting that many of those sectors had relatively large numbers of businesses where we did not know whether they were women-led or not.)

While 15% of SME employers were women-led, a further 24% were 'equally-led', with an equal number of men and women in the management team. This was the same proportion as in 2018.

A further 11% of SME employers had women in the minority in the management team (10% in 2018), and 46% were entirely male-led (43% in 2018).

Minority Ethnic Group-led businesses

In the [data tables](#) accompanying this publication, table 26 shows whether the business is classified as led by people from minority ethnic groups

As in 2018, 5% of SME employers were minority ethnic group led (MEG-led), defined as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from ethnic minority groups. There was no statistically significant difference in the overall proportion of MEG-led businesses between 2015 and 2019.

MEG-led businesses were more likely in the health (8%), information and communication (8%), retail and wholesale (7%), and finance and real estate (7%) sectors. They were less likely in primary (less than 1%), manufacturing and transport (both 3%) sectors.

MEG-led businesses were most common in London (15%) and the West Midlands (7%) and least common in the North East and the South West (both 1%), while 2% of SME employers were MEG-led in Wales and Northern Ireland.

It is worth noting that in almost every category, the proportion of businesses where we do not know whether they were MEG-led or not is higher than the proportion we know to be MEG-led, and that this 'unknown' category is particularly high in education, health, art and other services.

Accompanying tables

The following tables are available in Excel format on the department's statistics [website](#) for this publication:

- Longitudinal Small Business Survey 2019: SME employers – data
- Longitudinal Small Business Survey 2019: SME employers – data – cohort A
- Longitudinal Small Business Survey 2019: SME employers – data – cohort B
- Longitudinal Small Business Survey 2019: SME employers – data – cohort C

The survey microdata will be deposited with the ONS [Secure Research Service](#) and the [UK Data Service](#) during the summer of 2020. This will be available to approved researchers.

Technical information

Aims of the survey

This report sets out the key findings for the 2019 Longitudinal Small Business Survey (LSBS), a large-scale telephone (CATI¹⁸) survey of 11,002 UK small business 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 2019 survey was conducted between July 2019 and February 2020 by BMG Research Ltd.

The 2019 survey follows from the 2015, 2016, 2017 and 2018 surveys which had sample sizes of 15,502, 9,248, 6,619 and 15,105 respectively. The 2015 survey was the largest SBS yet undertaken. The main reason for this large sample size was to allow the survey to have a longitudinal tracking element, establishing a 'panel' of businesses that might be re-surveyed in subsequent years, enabling a detailed analysis of how combinations of factors affect business performance through time. Any panel will have an element of attrition, hence the need for a large sample size in 2015.

In 2019, following a substantial 'boost' to the panel in 2018, additional top up interviews were conducted. In addition to 7,224 interviews with enterprises that had already completed at least one LSBS survey between 2015 and 2018, 3,778 'top-up' interviews were also conducted. Top-ups were needed for the following reasons:

- to represent sections of the SME population that were not active in the year four survey (businesses less than one-year old)

¹⁸ Computer Assisted Telephone Interviews.

- to represent sectors in the raw data that may be under-represented due to businesses in the panel closing, or being hard to secure an interview with (e.g. in cases where businesses work away from their main offices)
- to increase the sample size in Northern Ireland, to allow for meaningful analysis on a nation basis

All interviews were conducted with owner/proprietors, Managing Directors or other senior directors in UK-based enterprises. For the top-ups, named contact details were not supplied and it was necessary to screen to find an appropriate respondent. The average interview length was 23.4 minutes (19.1 minutes for panellists, 25.4 minutes for top-ups).

The main aim of the survey is to collect a range of information on SMEs. The survey measures:

- 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 of growing turnover and employment
- the major obstacles that prevent SMEs fulfilling their potential
- the characteristics of SMEs such as the number of sites they occupy, the number of owners, whether they have separate business premises, etc
- the characteristics of their owners and leaders

There are three main reports based on the 2019 LSBS:

- a **cross-sectional report** based on **SME employers**. A cross-sectional report is a snapshot of the state of SMEs at any particular stage in time, this one being the latter half of 2019 to early 2020
- a **cross-sectional report** based on businesses with **no employees**
- a **longitudinal report** based on those businesses that responded in all five years of the survey. This looks at the main changes that apply to the 'panellists' from year to year, and what appears to influence these changes

33 of the 11,002 interviews were with large employers with 250 or more employees. The reason for interviewing these is that these businesses were SMEs when first interviewed but have grown since. They form a part of the longitudinal analysis, but not the cross-sectional.

Survey method

Of the 15,015 interviews conducted in 2018, 12,987 (86%) agreed at the time to a follow-up interview. The objective was to obtain the highest possible number of repeat interviews with these panelists. 6,883 were interviewed between July 2019 and February 2020 (53% response

rate, down from 68% in the 2018 survey). Of these, 1,585 had no employees, 32 were large businesses with 250+ employees, and the remainder (5,266) were SME employers. This group is known as the 'full panel'.

In addition, 1,588 businesses interviewed in 2015-17 but not in 2018 could be re-approached for interview (they had given permission for re-interview, had not refused to take part in 2015-18 and had not ceased trading). We interviewed 331 of these in 2019, which is a response rate of 20% (down from 27% in 2018), of which 229 were SME employers. This group is known as the 'past panel'.

In addition to these, 3,778 'top-up' interviews were conducted (2,991 of which were SME employers), for reasons explained in the paragraphs above. As a result, the total sample size in the 2019 survey was 11,002, of which 8,406 were SME employers:

The top-ups were sampled using a method consistent with the 2015-18 surveys.

- The sample was stratified within each of the four UK nations.
- Targets were set according to the employment size of enterprises and, within those targets, by 1-digit sector (using [SIC 2007](#)).
- The targets over-represented businesses with 5 to 249 employees substantially in comparison to their actual numbers within the business population.

For registered businesses, the Inter Departmental Business Register (IDBR) was used as the sample source. For unregistered businesses with no employees, Dun & Bradstreet's database was used. Dun & Bradstreet contacts were screened out if they either had employees on their payroll or paid VAT, as these would have duplicated contacts found within the IDBR.

The IDBR is a record of all UK enterprises that pay VAT or PAYE, which contains around 2.7 million unique entries for enterprises. The BEIS [Business Population Estimates](#) (BPE) tells us there are 5.9 million private sector enterprises in the UK in total. The difference in the figures is explained by the number of unregistered businesses that do not pay VAT or PAYE, estimates of which come from the Labour Force Survey (LFS). This is the reason why Dun & Bradstreet was retained as the source for top-up businesses with no employees, as its database contains records for both registered and unregistered businesses.

The targets within the sample stratification matrix were informed by the 2018 BPE¹⁹, the latest available at the start of fieldwork. However, survey findings were weighted to the 2019 BPE²⁰ which were published a few months into the fieldwork period. The 2019 BPE was used for weighting as it more accurately represented the IDBR contacts used for the survey, as well as providing a more up-to-date picture of UK small businesses than the 2018 BPE.

A 336-cell sample stratification matrix was devised, the targets within each cell informed by the 2018 BPE. These cells were defined by cross-classifying the following three categories:

¹⁹ <https://www.gov.uk/government/statistics/business-population-estimates-2018>. The figures were drawn from a combination of the Inter Departmental Business Register (IDBR) which contains all businesses operating VAT or PAYE schemes or which were registered at Companies House, and the household survey-based Labour Force Survey (LFS) which is the main source for estimating the number of the self-employed and very small businesses.

²⁰ <https://www.gov.uk/government/statistics/business-population-estimates-2019>. Method of data collection as above.

- 14 'one digit' [SIC 2007](#) categories (ABDE, C, F, G, H, I, J, KL, M, N, P, Q, R, S)
- 6 size categories (unregistered zero employees, registered zero employee, 1-4 employees, 5-9 employees, 10-49 employees, 50-249 employees)
- 4 nations (England, Scotland, Wales, Northern Ireland)

Once the sample was drawn, with sample sizes informed by differential likely tele-matching success rates for each cell (based upon experience from the previous surveys), no quotas were employed on size, sector or any other criteria except for country, where Northern Ireland had a guaranteed minimum sample size set.

A review of the 2018 questionnaire was undertaken through consultations with stakeholders. This resulted in a number of alterations to existing questions from previous surveys, new question additions and deletions. The changes were informed by the requirement to balance stakeholders' latest needs with the desire to exploit the longitudinal power of the survey. The consultation was followed up by a 'live' pilot of 100 interviews of the adjusted year five questionnaire.

Based on all sample selected, the response rate for full panellists was 53%, 15 percentage points lower than in 2018. For past panellists the response rate was 20%, seven percentage points lower than in 2018. For IDBR top-ups it fell two percentage points to 16%. For Dun and Bradstreet top-ups, the response rate was 4%, two percentage points lower than in 2018. There is more detail in the technical report, including tele-matching rates and other forms of non-response, which will be published at the end of June 2020.

Note on this report

Please note that the findings presented in this report relate to SME employers only - enterprises with no employees, and large employers, have been excluded from the dataset on which this report is based. This procedure is consistent with reporting of previous surveys. The overall sample size for SME employers across the UK in 2019 was 8,406.

Sample cohorts

One of the main reasons given by respondents who do not want to participate in LSBS is that the interview length is too long. In 2018, BEIS made a commitment to bring down the average interview length and introduced 'cohort questions', which we used again in year five.

Three cohorts (A, B and C) were created. Each cohort was exclusively asked a series of non-key questions. For example, only cohort A was asked questions on business energy usage. Cohorts were chosen for respondents at random during their interview.

The sample size for cohort questions is one-third of the normal sample size (so there are about 2,800 SME employers in each 2019 cohort). Each respondent is part of one cohort only. Where a business is in both the 2018 and 2019 datasets, its cohort for 2019 is entirely independent of its 2018 cohort (knowing a business was in cohort A in 2018 tells you nothing about which cohort it is in in 2019). Because of the different respondents answering questions for different cohorts, we have calculated separate cohort weights for analysing responses to the cohort questions. To analyse questions asked of cohort A in 2018, analysts should use the

2018 cohort A weights, for questions to cohort C in 2019 they should use the 2019 cohort C weights, and so on.

Sector definitions

Throughout this report, data tables show sectoral analysis by one-digit [SIC 2007](#) codes. Because of relatively small numbers in the business population and survey sample, some of these sectors are grouped together: ABDE, labelled as primary, comprises (A) agriculture, fishing and forestry, (B) mining and quarrying, (D) electricity and gas, and (E) water, sewerage and waste management; KL comprises (K) finance and insurance, and (L) real estate.

To gain a better picture of the types of businesses that fall into each sector category, the following gives the most populous sub-sectors for SME employers at the three-digit level:

- **ABDE (primary).** There were 60,345 UK SME employers in this sector in 2019. The sector is dominated by farming. The three most populous sub-sectors within the category were animal production (39%), growing of non-perennial crops (22%) and mixed farming (13%)
- **C (manufacturing).** There were 86,965 UK SME employers in this sector in 2019. Manufacturing is the most classified sector, with 95 three-digit SIC codes. The most populous sub-sectors within the category were treatment and coating of metals (10%), and printing (8%)
- **F (construction).** There were 175,845 UK SME employers in this sector in 2019. The most populous sub-sectors within the category were electrical and plumbing (29%), building completion (25%) and building construction (18%)
- **G (retail and wholesale).** There were 241,265 UK SME employers in this sector in 2019. The most populous sub-sectors within the category were retail sale in specialised stores (16%), maintenance and repair of motor vehicles (13%), and retail sale in non-specialised stores (12%)
- **H (transport and storage).** There were 49,940 UK SME employers in this sector in 2019. The most populous sub-sectors within the category were road freight transport (43%) and other passenger land transport (mainly taxi businesses, 17%)
- **I (accommodation and food service).** There were 135,065 UK SME employers in this sector in 2019. The most populous sub-sectors within the category were restaurants (62%) and pubs and bars (22%)
- **J (information and communications).** There were 87,705 UK SME employers in this sector in 2019. The most populous sub-sector within the category was computer programming and consultancy (73%)
- **KL (financial and real estate).** There were 68,595 UK SME employers in this sector in 2019. The most populous sub-sectors within the category were estate agents (34%), property rentals (29%) and auxiliary financial services (16%)
- **M (professional and scientific).** There were 197,060 UK SME employers in this sector in 2019. The most populous sub-sectors within the category were management consultancy (30%), architecture and engineering (20%) and accountancy (13%)

- **N (administrative services).** There were 127,710 UK SME employers in this sector in 2019. The sector was dominated by 'business support services not elsewhere classified' (43%). This is a miscellaneous category. Sector N also included house and business cleaning (13%) and landscaping (8%)
- **P (education).** There were 20,020 UK SME employers in this sector in 2019. The most populous sub-sector within the category was 'other education' (59%, e.g. driving schools and sports coaches). The next most populous was pre-primary education (14%)
- **Q (human health and social work).** There were 58,995 UK SME employers in this sector in 2019. The most populous sub-sectors within the category were medical and dental (42%) and residential care visitors (21%)
- **R (arts and entertainment).** There were 26,860 UK SME employers in this sector in 2019. The most populous sub-sectors within the category were sports activities (44%), creative and arts (35%) and amusement and recreation (15%)
- **S (other services).** There were 67,865 UK SME employers in this sector in 2019. The sector was dominated by 'other personal service activities' (87%). This includes hairdressing and beauty, funeral directors and dry-cleaning

Much more detail on the sectors is available in the BEIS [Business Population Estimates](#).

Uncertainty

Since the LSBS questioned a sample of UK SMEs, rather than all of them, there is inevitably a level of uncertainty around the estimates we derive from the survey and how close they will be to the true values.

Coverage and representativeness

Users might wonder if the sample we have used is adequately representative of the target population (the UK SME population). We have used two sampling frames to draw our sample from. One is the IDBR from the Office for National Statistics (ONS), which has excellent coverage of registered businesses in the UK, as it is regularly updated with information from HMRC and ONS surveys. We use the Dun & Bradstreet service to provide us with a sample of unregistered businesses.

The coverage of the unregistered business population is less well understood. It is likely that the Dun & Bradstreet frame is good for well-established businesses that advertise their presence in trade directories for example. You can imagine a small business owner that relies on word of mouth and a few repeat customers, and has no wish to expand the business for the moment (for example, there are people who make birthday cakes and other cakes in their own kitchens at home, who might have at most a Facebook page or Instagram account to advertise themselves). Neither of our sampling frames is likely to list this kind of small business.

Our sample is deliberately unrepresentative in the sense that it overrepresents larger SMEs, and also overrepresents non-English businesses. This is to ensure that we have reasonable sample sizes for medium-sized businesses, Scottish businesses etc, otherwise we would not be able to obtain robust estimates for important subgroups. A truly proportionate sample would otherwise contain just a handful of medium-sized businesses. We produce survey weights so that analysts can nevertheless arrive at estimates that take due account of the actual

distributions in the population – the micro businesses have larger weights than the medium-sized businesses for example.

Another way that our sample might be unrepresentative is that the businesses that take part in the survey (which is after all voluntary) are different from the businesses that we sample but do not agree to take part, with respect to the various questions we ask. This is known as non-response bias. For example, if struggling businesses are more likely to refuse to take part than thriving ones, then our final achieved sample will underrepresent struggling businesses, and estimates of things like future ambition, that might differ considerably between struggling and thriving businesses, might be biased.

It is hard to quantify non-response bias. We have taken a number of standard steps to try to minimise its risk. The research company that conducted our interviews made multiple attempts for each sampled business for which we could obtain a telephone number, so that we can get more of the reluctant businesses, and we did not have hard quotas for each of our 'target cells' (quotas for a target cell, for example 25 interviews of micro businesses in finance and real estate in Wales, can encourage an interviewer to give up quickly on reluctant businesses and focus on snapping up as many easier businesses as possible in order to meet their quota as quickly as possible). Sampled businesses were also given contact details for government officials so they could confirm the survey was genuine and official.

Sampling uncertainty

It is possible to quantify the amount of uncertainty that arises from using a sample instead of interviewing the entire population. There are a number of ways of doing this, but we will focus on using a statistical tool known as confidence intervals.

In order to run our survey, we drew a random sample. This means that on another day we would have drawn a different sample. With our actual sample, we estimated that 76.5% of SME employers in 2018 made a profit or generated a surplus in the previous financial year. But it is possible that another random sample might have found that number to be 80.1%, or 76.2%, even though the actual true figure is unchanging. This is known as sampling variability.

What we can do is produce a 95% confidence interval around an estimate. In the case of this profitability measure, the interval goes from 75.5% to 77.5%. The interval has been calculated using a method that, for 95% of the possible random samples we could have drawn, will produce an interval that actually contains the true value of this profitability measure. Each different random sample would have a different confidence interval, but 95% of the time the interval produced will contain the true value. So, our actual survey estimate is 76.5%, and we are 95% confident that the true value is in the range 75.5% to 77.5%.

Our survey contains hundreds of measures and it is not practical to produce confidence intervals for each one of them. Instead, Table 1 summarises the sampling uncertainty for the key measures reported in this publication.

Most of the estimates from this survey are presented as proportions or percentages (such as 10%). If this was an estimate relating to all UK SME employers, then we look at the 'all UK' row and the column for estimates at 10%. The confidence interval is given as +/- 0.9%. So our confidence interval around the 10% estimate is 10% +/- 0.9%, that is, from 9.1% to 10.9%. We are 95% confident that the true figure is between 9.1% and 10.9%.

If the estimate had been closer to 30% or to 70%, then our interval would have used +/-1.3% instead of +/- 0.9%, according to Table 1. When estimates are close to 50%, that is the 'worst

case scenario' in the sense that the confidence intervals are at their widest. They narrow more as the estimate moves away from 50% (in either direction). So the intervals are slightly narrower for 30% or 70% estimates, and narrower still for 10% and 90% estimates.

Confidence intervals get narrower when you have larger sample sizes too. If our 10% estimate is for medium-sized businesses employers rather than for all UK SME employers, we use a different row of the table, and find the confidence interval to be 10% +/- 1.5%. If we have an estimate of 65% for the construction sector, that is pretty close to 70% so we use that column of the table and arrive at an approximate confidence interval of 65% +/- 4.2%.

Table 1 is useful for estimates of proportions, but cannot be used for other measures. For example, we have estimated a mean amount of external finance sought for by SME employers - £436,000. Table 1 cannot be used to produce a confidence interval for this estimate, though it can be done (it is +/- £185,000)²¹ .

Which differences are statistically significant?

Generally, throughout this report where we talk about differences (between the estimate for a subgroup and the total, say, or between two subgroups) we mean they are different even after taking account of the sampling variability. This is often described as statistically significant. Where we simply list numbers that are different (for example 'England (41%), Scotland (38%), Wales and Northern Ireland (both 36%)') this does not necessarily mean that they are statistically significantly different from each other. Where we draw attention to some estimate being 'higher', or a subgroup being 'most likely', or single out a sector as higher than the rest, this is a statistically significant difference.

For example, suppose we have stated the following: By sector, apprenticeships were most likely to have been started in health (23%), construction (20%) and education (19%). Apprenticeship starts were least likely in arts and entertainment (5%), finance and real estate (6%) and accommodation and food services (8%).

This does not mean that health is statistically significantly more likely to have had apprenticeship starts than construction and education. But all three of these sectors were statistically significantly more likely than the rest of the SME employers; they are more likely than average. Similarly, we are 95% confident that the three other sectors mentioned were less likely than average, even though there is some uncertainty over those specific figures of 5%, 6% and 8%.

²¹ The underlying data tables published alongside this report contain something called 'standard errors' for estimates that are not proportions, such as amount of finance sought, or number of employees. Standard errors are another way of quantifying the sampling variability. As a rule of thumb, twice the standard error gives you the '+/-' for a 95% confidence interval, which is how we calculated the +/- £185,000 figure above.

Table 1

	Sample size	Confidence interval for an estimate of 10% or 90%	Confidence interval for an estimate of 30% or 70%	Confidence interval for an estimate of 50%
All UK	8,406	+/- 0.9%	+/- 1.3%	+/- 1.4%
England	6,878	+/- 1.0%	+/- 1.4%	+/- 1.6%
Scotland	849	+/- 2.9%	+/- 4.3%	+/- 4.7%
Wales	298	+/- 4.5%	+/- 6.9%	+/- 7.4%
Northern Ireland	381	+/- 4.1%	+/- 6.3%	+/- 7.0%
Micro businesses (1-9 employees)	3,774	+/- 1.0%	+/- 1.6%	+/- 1.7%
Small businesses (10-49 employees)	2,988	+/- 1.1%	+/- 1.7%	+/- 1.8%
Medium-sized businesses (50-249 employees)	1,644	+/- 1.5%	+/- 2.3%	+/- 2.5%
ABDE. Primary sector	247	+/- 4.6%	+/- 7.0%	+/- 7.5%
C. Manufacturing	959	+/- 2.6%	+/- 3.9%	+/- 4.2%
F. Construction	778	+/- 2.9%	+/- 4.2%	+/- 4.6%
G. Retail and wholesale	1,487	+/- 1.9%	+/- 3.0%	+/- 3.2%
H. Transport and storage	348	+/- 4.7%	+/- 6.8%	+/- 7.5%
Accommodation and food service	828	+/- 2.7%	+/- 4.3%	+/- 4.6%
J. Information and communication	392	+/- 3.6%	+/- 5.8%	+/- 6.3%
KL. Financial and real estate	337	+/- 4.0%	+/- 6.0%	+/- 6.6%
M. Professional and scientific	1,012	+/- 2.4%	+/- 3.7%	+/- 4.0%
N. Administration and support	684	+/- 3.0%	+/- 4.8%	+/- 5.2%
P. Education	191	+/- 5.8%	+/- 8.5%	+/- 9.2%
Q. Human health	610	+/- 3.7%	+/- 5.5%	+/- 6.1%
R. Arts and entertainment	194	+/- 5.5%	+/- 8.7%	+/- 9.5%
S. Other services	339	+/- 3.8%	+/- 5.9%	+/- 6.5%

For cohort questions, the margins of error increase by about 70% - for example +/- 2.0% becomes +/- 3.4% (to increase a number by 70%, multiply it by 1.7)

This table applies to estimates of proportions

Definitions

Apprenticeships	In the UK an apprenticeship is a job that is combined with training or education. Typically, an apprentice spends 80% of their working week at the workplace and 20% at a place of study. The apprentice earns a salary and the employer pays for the course fees, usually subsidised by the Government.
Business, enterprise, firm	In this report these terms all mean the same – they are interchangeable.
Cohort	We use this term to describe the way the survey samples in 2018 and in 2019 are divided into three separate groups (the cohorts) and answer some questions that are for their cohort only. This was done to increase the number of questions asked in the survey without increasing the average length of interview.
EFTA	European Free Trade Association. This comprises the countries of Iceland, Liechtenstein, Norway and Switzerland. The three countries apart from Switzerland are part of the European Single Market as members of the European Economic Area.
EU, Brexit	The EU is the European Union. During the fieldwork period for the 2019 survey the UK left the EU (informally but widely referred to as ‘Brexit’) and entered into a transition period which lasts until the end of 2020. Usually in this report when we refer to the EU we actually mean the EU members apart from the UK as we are talking about international trade – a British business ‘exporting to the EU’ must be selling goods or services outside the UK (otherwise it could not be described as an export).
Exports	In this report this means a British business selling goods or services to a customer outside the UK. An English business selling to a Northern Irish business is not exporting, but a Northern Irish business selling to a customer in the Republic of Ireland is exporting.
Family-owned business	This means a business where a majority of the owners are in the same family. A business with a single owner is automatically a family-owned business, although a business with no owners is not. ‘Majority’ means more than half, but ultimately we require the respondent to the survey to interpret this: where a business has more than one working owner or partner, they are simply asked if the business is family-owned and this is defined in the questionnaire as ‘majority-owned by members of the same family’.
Finance	In this report when we talk about businesses accessing finance or applying for finance, we usually mean borrowing money for business reasons. This might be from banks or other financial institutions or might be less formal arrangements such as money borrowed from friends and family.
Health sector	The health sector in this report is more accurately described as the ‘human health and social work sector’. It does not include veterinary services (which fall under the professional and scientific sector). As this survey covers the private sector, the National Health Service (NHS) does not come under the health sector for this survey; but private sector healthcare providers do.

Imports	In this report this means a British business buying goods or services from a business outside the UK. A Northern Irish business buying from a Welsh business is not importing, but a Northern Irish business buying from a business in the Republic of Ireland is importing.
Innovation	This refers to a business implementing a new or significantly improved product or process (which can also include new marketing methods or organisational methods). The international manual on collecting data about innovation is known as the Oslo Manual .
Longitudinal	A longitudinal study is one which collects data from the same unit at different times. We call this survey longitudinal because each year we try to re-interview businesses that took part in the survey in previous years. Analysts have specific methods for analysing longitudinal data. This report focusses on cross-sectional analysis – even when we refer to results from earlier years of the survey we take no particular account of the fact that some businesses will have contributed to both years of the survey (in other words, the analysis is <i>not</i> longitudinal). We have longitudinal analysis in the panel report which we publish separately, and the dataset is available to approved researchers to perform their own longitudinal analysis if they wish.
Mean	A measure of the average which takes the total of whatever is being measured and divides it by the number of units being measured. (For example, mean turnover of micro-businesses in 2019 is the total turnover of micro-businesses in 2019 divided by the total number of micro-businesses in 2019.) As the LSBS is a sample survey, the mean is estimated, as we can only estimate the relevant total for example. The mean is a common and well-known statistical measure, but it can be affected by extreme values which make it poor as a measure of the ‘typical’ value of whatever is being measured. This is often a problem with business statistics as there are often many ‘extreme’ values.
Median	The median is an alternative measure of the average which is not affected by extreme values in the way that the mean can be. As such it is often a better way of finding a ‘typical value’ of whatever is being measured. The median is the middle value of what is being measured if all the measured values are put into order from smallest to largest value. As with the mean, in the LSBS we can only estimate the median as we are working from a sample.
Medium-sized business	A business which has between 50 and 249 employees (whether they are full-time or part-time). These are the largest SMEs, since businesses with 250 or more employees are defined as large businesses in this survey. Alternative definitions of business size are sometimes used by other studies (which might include consideration of annual turnover or total assets belonging to a business).
MEG-led business	A business where at least half of the leadership team comes from minority ethnic groups (as this is a UK survey, minority ethnic groups are those that are not White British, where White British includes White English, White Scottish etc). The leadership team comprises the directors and working owners. We can include members of several ethnic groups and can include people who describe themselves as mixed ethnicity where White British is one of those ethnicities.
Micro business	A business which has between one and nine employees (whether they are full-time or part-time).

<p>National Minimum Wage, National Living Wage</p>	<p>The National Minimum Wage has been in operation in the UK since 1999. This sets a minimum value for the hourly rate of pay that employers must pay, though this level depends on the age of the employee and differs for apprentices. It does not depend on the size of the employing business. It is usually updated once a year following a (non-binding) recommendation by the Low Pay Commission but ultimately determined by the UK Government. The National Living Wage is a minimum wage that applies to workers from the age of 25 and has been in place since 2016. As it is higher than the National Minimum Wage it effectively supersedes it for employees aged 25 or more.</p>
<p>PAYE</p>	<p>This stands for ‘pay as you earn’ and describes the system where employees’ taxes on income are deducted automatically from their pay before they are paid. If this is done accurately then the employee does not face an annual tax bill for these taxes. The relevance for this survey is that businesses that we describe as ‘unregistered’ will not be registered for PAYE with the UK tax authorities – so if a business is registered for PAYE we know that it ought to be included in our sampling frame for registered businesses, the IDBR.</p>
<p>Private sector, public sector</p>	<p>The survey is one of private sector businesses, which are businesses where the government ‘does not exercise significant control over the general corporate policy’ of the business. The Office for National Statistics follows international guidance to determine whether something is in the public sector, and have more information on their process here. Note that the private/public sector distinction is not the same as the market/non-market distinction, and in particular note that charities and social enterprises can be in the private sector (in fact the majority of these are). The ONS page has more detail on this.</p>
<p>R&D</p>	<p>This stands for ‘research and development’ and in this survey is usually referred to in the context of ‘R&D spending’, meaning spending on creative and systematic work to increase the stock of knowledge or to devise new applications of existing knowledge. The international manual on collecting data about R&D is known as the Frascati Manual.</p>
<p>Red tape</p>	<p>This is an informal term used to refer to regulations or requirements that are imposed on a business or person. In this survey it is sometimes cited by businesses as an obstacle. Different businesses may have different ideas as to what counts as red tape, and the ultimate source of regulations that are perceived as red tape could be governmental or non-governmental.</p>
<p>Registered business</p>	<p>In our survey we use ‘registered’ businesses to mean those that are registered for PAYE (and so are employers) or registered for VAT (and so have an annual turnover above a certain threshold set by the UK Government). In either of these cases such businesses ought to be included in our sampling frame for registered businesses, the IDBR. Some unregistered businesses do appear in the IDBR but we use a separate sampling frame for unregistered businesses which has better coverage of them.</p>
<p>Sector</p>	<p>In this report businesses are classified into one of a number of non-overlapping sectors. We use the Standard Industrial Classification, but have combined some of the categories to make them more practical for our survey. See the ‘sector definitions’ section of this report for more detail.</p>

SIC 2007	This is the specific version of the Standard Industrial Classification that is used for this survey, in common with most official statistics in the UK. This is a useful page from the Office for National Statistics website for more detail on SIC 2007.
Small business	A business which has between 10 and 49 employees (whether they are full-time or part-time). In some contexts people use the term ‘small business’ to refer to all businesses that are smaller than large and medium-sized businesses (in other words all businesses with fewer than 50 employees) but in the LSBS we always use the narrower definition when referring to small businesses specifically.
SME	This stands for ‘Small and Medium Enterprises’, but this is commonly meant to refer to all businesses, firms and enterprises that have fewer than 250 employees, including those that have no employees at all. This means that in the LSBS ‘SMEs’ actually comprise business with no employees, micro businesses, small businesses and medium-sized businesses.
Surplus	Our survey includes not-for-profit enterprises and for many of these it is more appropriate to use the term ‘surplus’ to refer to an excess of revenue (money coming in, from all sources) over expenditure (money going out, for all reasons).
Trade credit	Trade credit is typically used to refer to when a business receives goods or services from another business but does not pay for it in full at the time of delivery. We ask about it in the survey in the section on finance, but we do not treat it as a form of external financing – rather, it is contrasted with late payments, so it is better thought of as a form of agreed delayed payment, with late payments a delayed payment that has not been agreed.
Turnover	In the LSBS this term is usually synonymous with ‘sales’. Although for the purposes of preparing accounts ‘turnover’ may be defined differently from ‘revenue’ or ‘sales’ we do not specify a particular definition in our questionnaire and assume that respondents interpret it to mean revenue from sales which do not take account of costs.
VAT	Value-added tax is a tax which businesses are liable to pay if their annual turnover is above a certain threshold. Businesses which are registered for VAT with the UK tax authorities are considered to be ‘registered’ businesses for this survey and ought to be included in our sampling frame for registered businesses, the IDBR.
Women-led business	Women-led businesses are defined as those majority-led by women, that is controlled by a single woman or having a management team of which a majority are women. ‘Majority’ here means more than 50%.

Further information

Future updates to these statistics

BEIS intends to continue the survey for at least one further wave. The original plan was to have interviewing begin in July 2020 and continue to February 2021, but the department decided in April 2020 to delay the start of interviewing at least to September because of the uncertainty and upheaval caused by the COVID-19 public health crisis. At this stage we cannot confirm when the next publication will take place.

Related statistics

The related publication of statistics relating to [SMEs with no employees](#) is on the same day as this publication. BEIS will also publish a panel report on 25 June 2020 which focuses on businesses that have taken part in several waves of this survey and associated longitudinal analysis. On the same day as the panel report we will publish the technical report which will include the questionnaire used for the 2019 survey.

The Scottish Government usually produces its own publication based on the same data but focused on Scottish businesses.

BEIS publishes the [Innovation Survey](#) which covers the topic of innovation in much greater detail, and covers large businesses (which the LSBS excludes) but not micro businesses and non-employers (which the LSBS includes). As outlined elsewhere in this report BEIS also publishes the [Business Population Estimates](#) (BPE) which details the structure of the UK's business population (and which the LSBS uses for determining sample sizes and for weighting). The BPE contains information about employment and turnover in different sectors and includes information at regional level as well as nationally.

The Office for National Statistics conducts many surveys of businesses, many of which cover topics that the LSBS examines too. A good starting place is the [Annual Business Survey](#), which does not cover all the sectors of the economy but has very good coverage of large businesses.

The Department for Digital, Culture, Media and Sport (DCMS) publishes [Social Enterprise Market Trends](#), which takes a deeper look at the social enterprises that are identified in the LSBS. BEIS and DCMS worked to improve the survey questions used to identify social enterprises, with the new questions being used in the 2017 and 2019 surveys.

The Department for Education (DfE) conducts the Employer Skills Survey. The [2019 Employer Skills Survey](#) (not yet published at the time of writing) brought together the previous Employer Skills Survey and the Employer Perspectives Survey into a single large survey with over 80,000 respondents. DfE also publishes statistics about [apprenticeships by industry characteristics](#) in England based on administrative data.

Uses of these statistics

As a wide ranging survey of SMEs, the LSBS is of interest to many Government departments and agencies. BEIS makes use of the questions on energy use by SMEs to develop policies on business energy such as non-domestic smart meters. Statistics are used by the Government Equalities Office to monitor rates of women-led businesses in the SME population. The figures for MEG-led SMEs are published by the Government's Race Disparity Unit as part of its [Ethnicity Facts and Figures](#) service. Government also uses the LSBS data to understand more about the export and import behaviour of UK SMEs and the operation of the UK internal market. As mentioned above DCMS makes use of the social enterprises data and the Scottish Government uses the data for evidence and analysis on a broad range of policy areas. In the past the Department for the Environment, Food and Rural Affairs (Defra) has analysed rural SMEs, and the Low Pay Commission has looked at what businesses say about the National Minimum Wage and National Living Wage. Her Majesty's Revenue and Customs has sponsored questions looking at SME preparedness for the Making Tax Digital Programme. Innovate NI looks at Northern Irish companies and their innovation activities. The British Business Bank is a major sponsor of the survey and makes use of the data on access to finance.

The LSBS is increasingly widely used in the academic and research community, in the UK and abroad. We will run a mini competition later in 2020 for research teams to apply for small grants to conduct research using the latest LSBS data, and the data will continue to be made available by the ONS [Secure Research Service](#) and the [UK Data Service](#) for approved researchers. These [slides](#) are from an event hosted by the [Enterprise Research Centre](#) in 2019 showcasing findings from projects that were sponsored by BEIS in 2018, but there are many other [papers and reports](#) that make use of the data. The [Institute for Family Business](#) makes use of the survey in its 'State of the Nation' reports, and the Federation for Small Businesses has used the LSBS in its research work too.

User engagement

Users are encouraged to provide comments and feedback on how these statistics are used and how well they meet user needs. Comments on any issues relating to this statistical release are welcomed and should be sent to business.statistics@beis.gov.uk.

The BEIS statement on [statistical public engagement and data standards](#) sets out the department's commitments on public engagement and data standards as outlined by the [Code of Practice for Statistics](#).

Revisions policy

The [BEIS statistical revisions policy](#) sets out the revisions policy for these statistics, which has been developed in accordance with the UK Statistics Authority [Code of Practice for Statistics](#).

Pre-release access to statistics

Some ministers and officials receive access to these statistics up to 24 hours before release. Details of the arrangements for doing this and a list of the ministers and officials that receive pre-release access to these statistics can be found in the [BEIS statement of compliance](#) with the Pre-Release Access to Official Statistics Order 2008.

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