



## Longitudinal Small Business Survey: panel report – UK, 2015-2019

25 June 2020

Official Statistics

- In 2019 one-third of businesses in the panel expected to see their sales increase, twice as many who expect sales to fall. These proportions were broadly similar across the last five years.
- Compared to sales, smaller proportions of respondents predicted either increases or decreases in employment in each of the five years from 2015. Nearly 30% of our panel of businesses in 2015 expected to increase their number of employees over the next 12 months. Half of these continued to hold this expectation in 2017 and of that half, 60% felt the same again in 2019.
- When we see what businesses expected to achieve in terms of sales growth and then compare this with what they actually achieved, we see that only about half of businesses who expected to grow sales in the next year actually achieve it. Last year nearly one-fifth of businesses that had expected to grow their sales actually saw sales decrease.
- in 2018 and 2019, far fewer businesses thought that the costs of finance would be too expensive than had been the case in previous years. Uncertainty and risk remain the most important factors driving businesses' decisions not to seek external finance. Nonetheless, the fear of rejection, the second most important factor, has become more prevalent.
- Statistical modelling suggests that providing staff training in 2015 increases the chances of a firm becoming a 'high growth firm' by 2019. The chart below shows how many firms persist in providing training to their employees.

### Training investment commitment for the period 2015 to 2019



## What you need to know about these statistics

The statistics in this report cover the period from 2015 to 2019 and follow a panel of 1,816 businesses from across the UK. These businesses have taken part in all five waves of the Longitudinal Small Business Survey.

The survey covers all industries and the full range of Small and Medium Enterprise (SME) sizes, including unregistered businesses that are often excluded from official surveys and all other businesses that employ up to 249 people. (A handful of large businesses with 250 or more employees are included in this panel, because they were SMEs in 2015.) Because the survey has been explicitly designed to allow for longitudinal analysis, many questions are repeated across the years.

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

We have survey weights that can be used in analysis of the panel which make the **weighted** panel representative of the UK SME population in 2015, though this will be representative in terms of business size, country and broad industrial sector only, and not necessarily in terms of behaviours and performance. In this report some of the analysis is based on the **unweighted** data, as the panel should not be thought of as representative of the wider business population anyway, especially when looking at changes in certain variables over time.

The unweighted panel is described as '**balanced**' in this report, to remind you that the distribution of business sizes is fairly even within the panel – there are comparable numbers of panellists in each size category, even though in the actual SME population the smaller that businesses are, the more common they are.

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# Introducing the LSBS Longitudinal Sample

## Introduction

In this report we provide an overview of data drawn from the first five years of the Longitudinal Small Business Survey (LSBS). In keeping with a key objective of the LSBS – to explore the causal influences on small business growth and performance – we examine both the trends in the data and the relationships between business growth and some of its drivers. In particular we explore whether businesses which expressed significant growth expectations subsequently went on to achieve these. We also briefly consider the factors associated with sustained and high growth.

For the purposes of the analysis in this report it is important to bear in mind that in each table we are considering the responses of the 1,816 businesses which took part in all five years of the survey which form a balanced panel. LSBS is designed to be representative of the SME population and each cross-sectional survey is weighted to provide representative results for the year the survey takes place in. Ensuring representativeness in each year is more difficult when considering the type of longitudinal sample used here as this would require different weights were applied to each observation in each year. This approach is feasible but may distort any year-on-year comparisons in the behaviour or performance of our balanced panel of businesses. Therefore, we have adopted a procedure of weighting the balanced panel to be representative of the SME population in 2015 and retaining those weights for 2016, 2017, 2018 and 2019. Year-on-year changes in behaviour or performance observed therefore reflect differences in businesses' responses rather than any change in weighting.

Table 1 below presents key performance indicators for the panel sample of businesses in 2015, compared with the rest of the 2015 sampled businesses.

**Table 1: Key differences between the panel and the rest of the LSBS sample in 2015**

	Non-panel firms	Firms in the longitudinal panel
<b>Percentage of firms:</b>	<b>N=13,685</b>	<b>N=1,816</b>
Aiming to grow turnover (3 years)	68.8**	71.2
Women-owned firms	23.1***	17.9
BAME <sup>1</sup> -owned firms	5.0**	3.7
Exporting firms	20.8***	26.4
Innovating firms	42.4***	49.9
Accessing business support	35.4***	41.8
Accessing external finance	19.1	19.7
Providing training	74.6*	76.6

**Notes:** Comparison relates to firms inside and outside the longitudinal panel in 2015. \*\*\* indicates significant differences between panellists and non-panellists at the 1% level, \*\* significant differences at the 5% level and \* at the 10% level. Observations are unweighted and are therefore unrepresentative of the population of firms.

Table 1 compares those that responded in all five LSBS waves with the non-panel sample, that is businesses that were interviewed in the first year, but did not respond in all of the

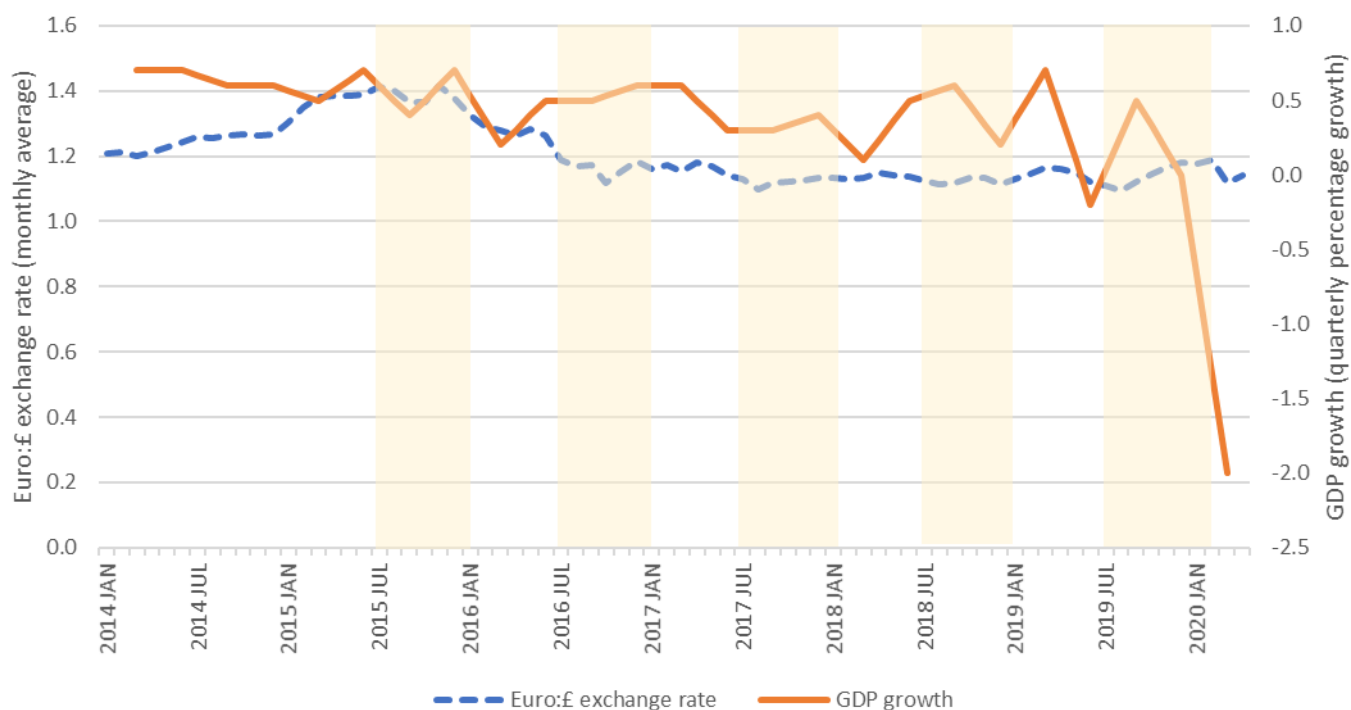
<sup>1</sup> Black, Asian and minority ethnic

subsequent years. Panel firms are seen to differ from non-panel firms in several respects. Panel firms in 2015 were significantly more likely to be aiming to grow their firm, to be exporting, innovating and accessing business support. The panel respondents are less likely to be women-owned or BAME-owned.

Businesses in the LSBS panel sample are worth studying as we can see how their attitudes, behaviours and performance have changed over the five-year period. The group is special, however, both in terms of their survival and their willingness to respond to repeated requests for information. Their survival may mean that our respondent businesses are in some sense 'stronger' than the average business. It is difficult to know in advance how any response bias is likely to work in influencing businesses' responses. In any case, the panel sample offers valuable insights as to how businesses respond to changes in a dynamic economic setting while data from cross sectional surveys can only provide snapshots.

One other aspect of the LSBS is worth noting. The survey is undertaken in the latter half of each calendar year with the majority of responses collected in quarter four. Macro-economic conditions and the political environment at the time of each survey may influence businesses' responses, particularly indicators of ambition or anticipated growth. The 2015 survey followed the re-election of David Cameron and the Conservative government in May 2015 and significant electoral gains by the Scottish National Party. At the time Sterling was particularly strong against the Euro, although GDP growth was weaker than in the previous year. The 2016 survey followed the EU referendum in June 2016 and the subsequent weakening of the Sterling-Euro exchange rate. The 2017 survey took place in a period of uncertainty about the period after EU exit and in the context of weakening national growth. The 2018 and 2019 surveys were conducted during a period of even greater ongoing Brexit driven uncertainty. Importantly, the fieldwork for the 2019 survey was undertaken before the onset of the coronavirus pandemic and was completed before the associated impacts on the UK economy.

**Figure 1: Timing of the LSBS 2015 to 2019, quarterly GDP growth and the sterling-Euro exchange rate (shaded periods indicate when LSBS interviewing took place)**



**Notes:** Dashed line plotted against left-hand axis shows the average Euro:£ exchange rate for each month (ONS series [THAP](#)). Solid line plotted against right-hand axis shows quarterly growth in real seasonally adjusted GDP, plotted for March, June, September and December each year (ONS series [IHYQ](#)). Shaded periods indicate when LSBS interviewing was taking place. Note that the sharp drop in GDP is for the first quarter of 2020, but this is largely due to reduced activity in March 2020 after the UK ‘lockdown’ due to the COVID-19 pandemic. LSBS interviewing was completed in February 2020 – so interviews were completed *before* the lockdown began.

Other firm-specific aspects of our 2019 sample of longitudinal businesses are more stable, particularly those related to the ownership background of the businesses. Overall, 17.9% of our longitudinal sample of companies are women-owned. However, this proportion varies significantly by sector: nearly 35% of ‘other services’ businesses are women-owned compared to only 15.5% of businesses in Production and Construction.

One other aspect of the longitudinal sample that is worth consideration is whether year-on-year differences are due to the maturing process in the respondent businesses. In 2015, 63.2% of the businesses in the longitudinal sample had been established for more than 20 years and only 2.2% were less than three years old. In the non-panel sample, 55.4% were more than 20 years old and 3.9% less than three years old.

## Structure of the report

The LSBS contains a wide range of data on SME characteristics and performance and this report provides a selective overview of the movement and interaction of some of the key indicators. Each table is based on the longitudinal sample, that is the same group of businesses, and therefore provides an indication of changing strategy, business behaviours and performance among that group of businesses. Beyond this, the analysis also shows associations, if not necessarily evidence of causality, between business behaviours and subsequent performance. The sections are as follows.

- *Trends in the drivers of SME growth*, which focuses on a range of variables which previous research studies have linked to business growth and productivity including exporting, innovation and training and considers how these changed during the five years of the longitudinal sample.
- *Growth and expected growth*: what proportion of SMEs seek and anticipate growth? Are these expectations realised? How do the factors considered in the previous section influence whether businesses are able to sustain growth from year to year? How do the growth drivers influence high growth?
- *Predicting future high-growth episodes*, which shows the attempt to model which characteristics and behaviours of SMEs are associated with future periods of high growth.
- *Ambition and future growth plans*, focussing on businesses' growth ambitions over a longer, three-year horizon.
- *Detailed tables* with weighted estimates for some key measures for the panel using our longitudinal weights.

## Charts in this report

In previous years we have used charts in the panel report that show transitions from year to year for each available year of the survey. This year, with 5 years of data now available, charts like this become unwieldy and difficult to understand. Most of the charts in this report focus on 2015, 2017 and 2019, so we see the full span of data but at three points in time. One chart shows 2017, 2018 and 2019 and another 2016 and 2019 partly to illustrate that other combinations of year are perfectly possible, and users should be aware that the LSBS dataset does now include *all* five years since 2015.



# Trends in the drivers of SME growth

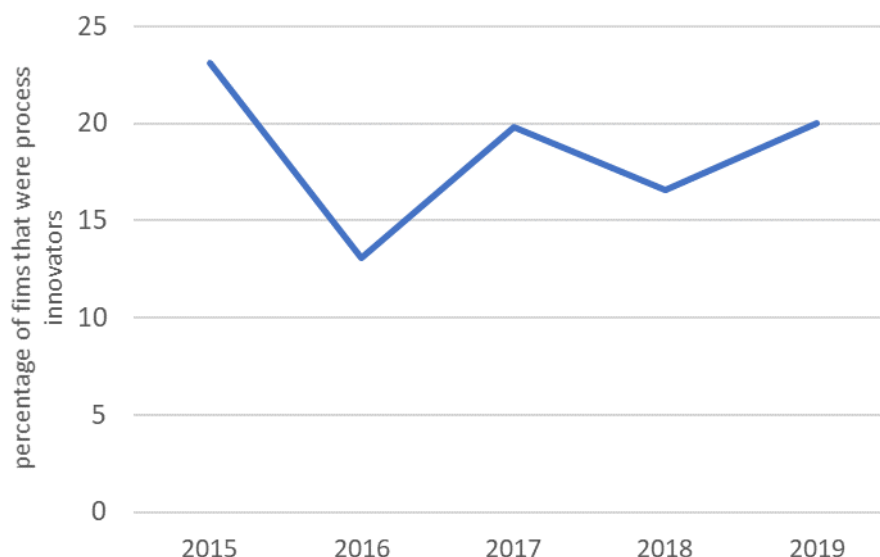
## Introduction

In this section we consider the influence of a range of factors normally assumed to shape business performance with the actual experiences of the panel business using the rich data provided by LSBS. Specifically, we delve into key aspects of SMEs' paths to growth such as exporting and innovation performance, external finance acquisition, business support and employee training. The five-year window available for observing the 1,816 UK SMEs which comprise the LSBS balanced panel offers interesting insights into their behaviours and strategic dynamics.

## Innovation

In the LSBS, businesses are asked a series of questions about their innovation activities including their adoption of process innovations<sup>2</sup>. This question is aligned with the UK Innovation Survey<sup>3</sup> and the OECD Oslo Manual<sup>4</sup> and asks about businesses' innovation activity in the three-year period prior to the survey. For all businesses in the longitudinal sample, the proportion of process innovators fell sharply between 2015 (23.1%) and 2016 (13.1%) before rising in more recent years to 20.0% in 2019.

**Figure 2: Percentage of firms<sup>5</sup> reporting process innovation over the period 2015 to 2019**



**Notes:** Based on the subsample of firms (N=566) in the longitudinal panel which answered this question in 2019. Observations are weighted.

<sup>2</sup> The LSBS also asks about product and service activity, but this question has changed during the lifetime of the survey making longitudinal comparisons less useful.

<sup>3</sup> <https://www.gov.uk/government/collections/community-innovation-survey>

<sup>4</sup> <http://www.oecd.org/sti/inno/oslomanualguidelinesforcollectingandinterpretinginnovationdata3rdedition.htm>

<sup>5</sup> Note that in 2019, the question relating to process innovation was only asked of a randomly chosen third of respondents. Figure 2 relates to the 566 firms in the longitudinal panel which answered this question, even though the other panellists were asked this question in the earlier years.

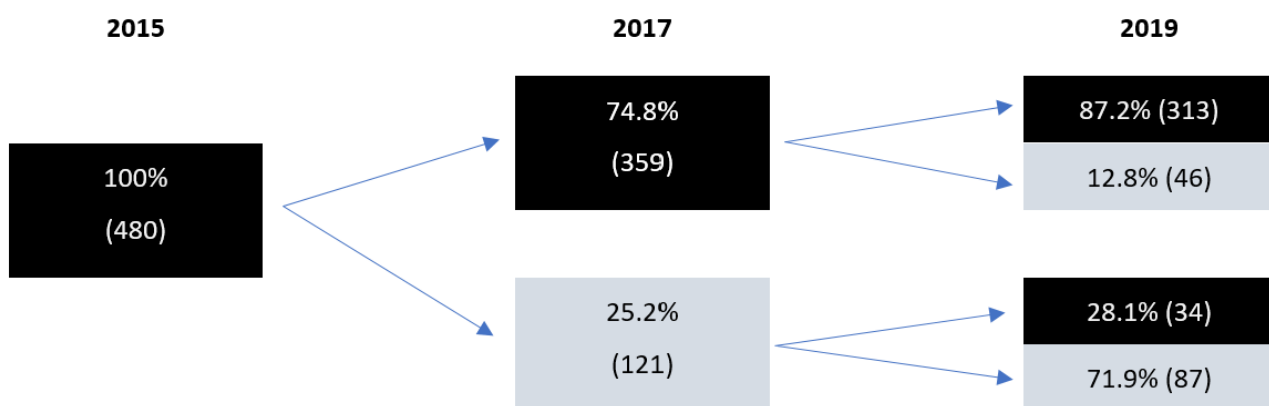


## Exporting

In 2015, the weighted panel data shows that 20.1% of firms in the panel reported exporting either goods or services. This figure fell marginally, to 17.3%, in 2016 and remained relatively stable in 2017 (16.3%). The proportion of exporters among the longitudinal panel then rose in 2018 (18.5%) and stabilised in 2019 (18.4%).

Figures 3 and 4 below show that the majority of UK SMEs in the retained panel that reported exports in 2015 persisted in exporting in both 2017 and 2019. It is noteworthy that of the 121 businesses (25.2%) that ceased their exporting activities in 2017, almost a third (28.1%) resumed again in 2019.

**Figure 3: Exporters and non-exporters for the period 2015 to 2019**



**Notes:** Arrows indicate year to year transitions between groups. Darker boxes indicate businesses continuing to export, lighter ones indicate non-exporting businesses. Based on unweighted data.

**Figure 4: Exporters and non-exporters for the period 2015 to 2019**

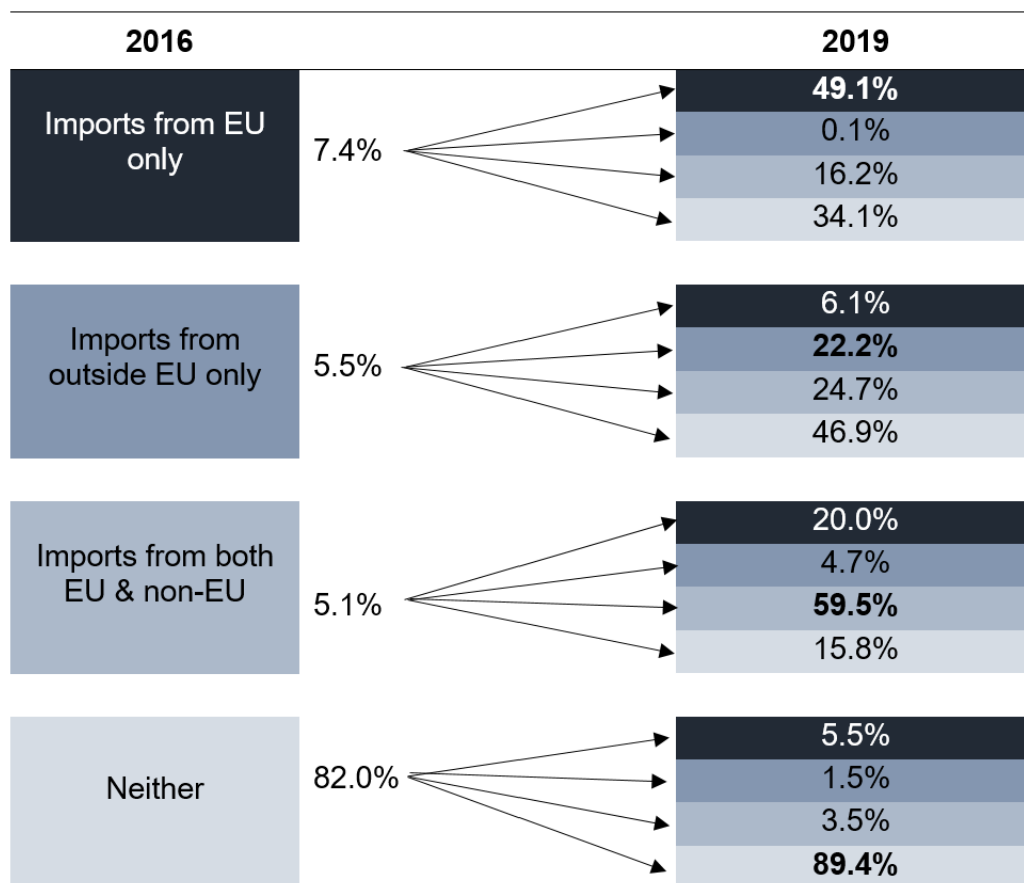


**Notes:** Based on unweighted data

Complementary to exporting activities, imports of UK SMEs present an interesting pattern of change (see Figure 5). More than three-quarters of UK SMEs (82.0%) reported no imports in 2016 and, of these businesses, nine out of ten continued to report no imports in 2019. Out of the 7.4% of businesses which reported imports exclusively from EU countries in 2016, about

half continued to import goods and services only from the EU, while 16.2% diversified and sought additional markets outside the EU. Interestingly, a significant proportion (34.1%) of SMEs importing in 2016 reported no imports either from the EU or elsewhere in 2019.

**Figure 5: Importers and non-importers for the period 2016 to 2019**



**Notes:** Arrows indicate year to year transitions between groups. The darkest boxes indicate businesses importing from the EU only, followed by imports from non-EU countries only, importers from both the EU and outside the EU, and finally businesses that did not import at all. Based on unweighted data.

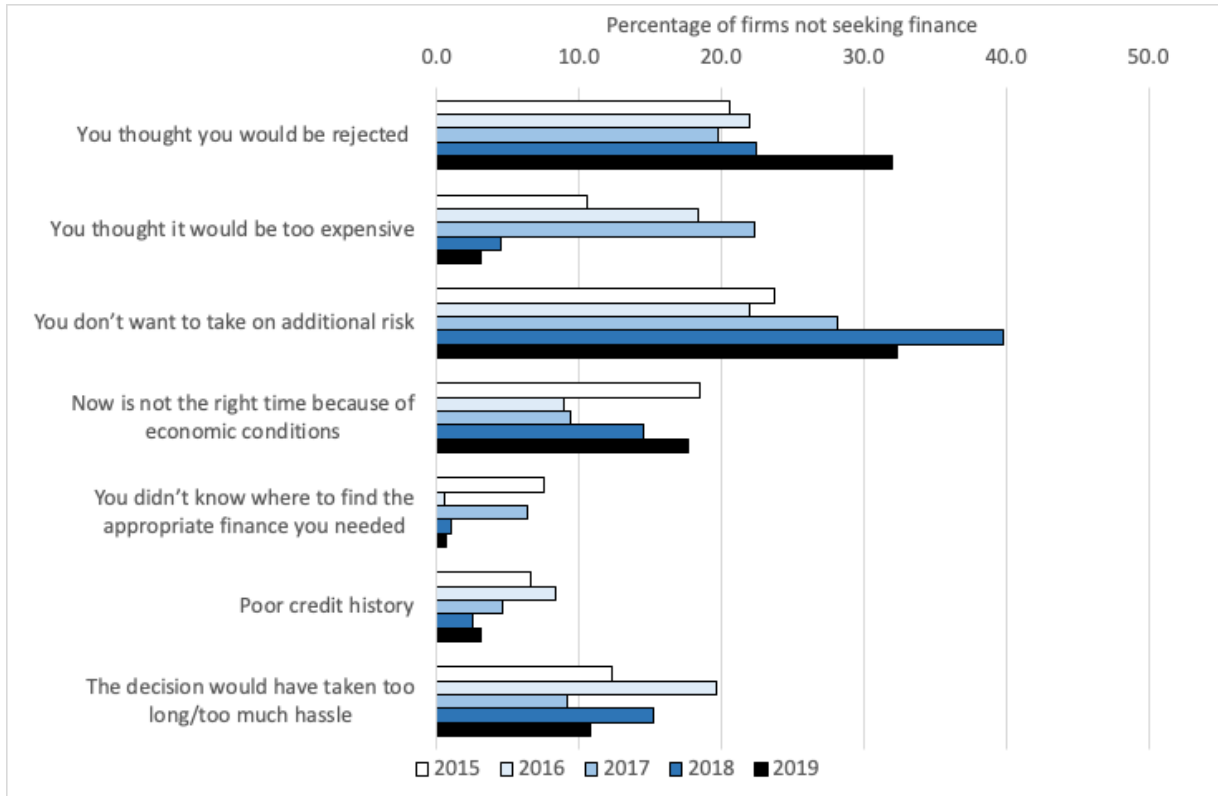
## External finance

External finance – whether debt or equity – has often been linked to business growth and performance. In the LSBS, respondents are asked whether they have sought external finance in the 12 months prior to the survey. A decreasing trend exists from 2015 to 2017, with a stabilisation in the proportion of firms in the panel using external finance in 2018 and a slight fall again in 2019. Specifically, 11.8% of businesses in the longitudinal panel sought external finance in 2015, falling to 8.1% in 2017, 10.1% in 2018 and 8.3% in 2019. The decline in the proportion of SMEs seeking external finance was consistent across each broad sector and size-band. While this decreasing trend may reflect subdued business expectations regarding prospective growth, one must also consider other factors such as uncertainty and market volatility, the opportunity cost of internal funding (closely related to business opportunities) and possible quantitative restrictions in the supply of the external capital.

Figure 6 shows the reasons businesses gave for not seeking external finance. The relative significance, or the ranking, of these factors remains relatively stable throughout the period 2015 to 2019. Uncertainty and risk remain the most important factors driving businesses'

decisions not to seek external finance. Nonetheless, the fear of rejection, the second most important factor, has become more prevalent. Conversely, in 2019, far fewer businesses thought that the costs of finance would be too expensive than had been the case in previous years.

**Figure 6: Main reasons for not seeking external finance, 2015 to 2019**



**Note:** unweighted estimates, each year's percentages based on number of panellists not seeking finance that year

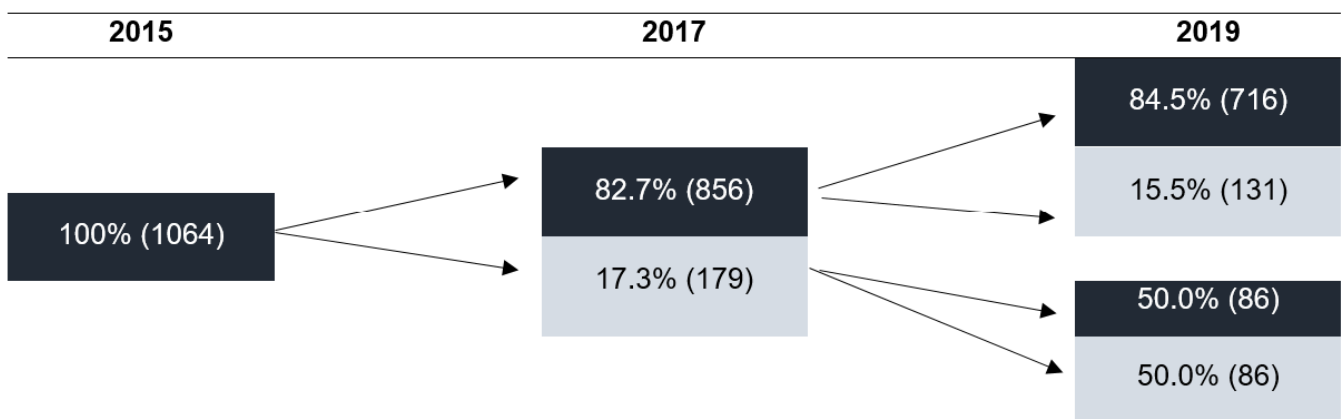
## Business support

Another important theme in LSBS is business support. Respondents are asked whether, in the last 12 months, they have sought 'external advice' or information on matters affecting their business which involved more than a 'casual conversation'. Almost a third (31.1%) of the longitudinal sample had sought business support in 2015. By 2019, less than a fifth of businesses (19.0%) had sought such support. The proportion of SMEs seeking external support was consistently highest in Business Services and among larger SMEs.

## Training

Employee training is considered an important driver of productivity gains and business growth. Despite a continuously decreasing trend, a large proportion of UK SMEs in the sample still participate in either on or off the job training of their employees. In 2015, 76.6% of SMEs with employees in the retained longitudinal sample (1,064 businesses) reported providing on or off the job training for their employees. This activity is persistent, with 82.7% of businesses that originally reported being engaged in either on or off the job training continuing to pursue such activities in 2017 and 84.5% of these still continuing in 2019 (see Figures 7 and 8).

**Figure 7: Training investment commitment for the period 2015 to 2019**



**Notes:** Arrows indicate year to year transitions between groups. Darker boxes indicate businesses continuing to provide training. Lighter boxes indicates a firm not providing training. Breakdowns are not complete due to some missing values or some firms becoming non-employing businesses. Based on unweighted data.

**Figure 8: Training investment commitment for the period 2015 to 2019**



**Notes:** Based on unweighted data.

# Growth and expected growth

## Introduction

A key theme in the LSBS is business growth, measured by employment and sales. In this section we profile the growth performance of our longitudinal sample of businesses over the period 2015-2019. We then consider how their growth expectations have changed and finally we consider whether their growth expectations were actually achieved.

One of the strengths of the longitudinal data available as part of the LSBS is that it provides a means to relate businesses' aspirations and expectations of growth to subsequent performance outcomes. However, it is important to acknowledge that this is an analysis based on a highly balanced panel of respondents and may be subject to biases either due to survival and non-survival and/or patterns of non-response.

## Profiling SME growth

The LSBS asks questions about levels of employment and turnover and whether these have changed over the year prior to the survey. We consider each measure in turn. Detailed tables are included later in this report.

The vast majority of businesses in our longitudinal sample report no change in employment each year – 86.0% in 2015, falling to 66.8% and 61.4% in 2016 and 2017 respectively, climbing again to almost 86.9% in 2018 before falling to 77.5% in 2019. In 2018, the proportion of businesses reporting a decline in employment levels was under 5% – the lowest proportion reported over the five years of the survey. However, this proportion had risen to 11.5% in 2019 (see Table 8).

LSBS asks a similar question relating to businesses' turnover growth over the year prior to the survey. Businesses are asked to indicate whether their sales have increased, decreased or remained the same (see Table 9). Overall, the proportion of businesses reporting that their sales have increased has remained relatively stable over most of this period; this was 33.1% in 2015 and 30.6% in 2018, but fell slightly to 26.7% in 2019. This stability is also evident across business sectors. The proportion of businesses suggesting a decline in sales was relatively stable in the four years up to 2018 (about 20% each year), but rose to 26.0% in 2019.

It is notable that while a majority of businesses reported stable employment throughout the survey period, less than half of respondents reported no change in turnover during each of the five years 2015 to 2019. Conversely, in a majority of businesses, sales either increased or decreased.

The proportion of businesses reporting growth is generally higher for larger businesses (see Table 10 for employment growth and Table 11 for turnover growth).

The proportions of businesses reporting employment growth increased in almost all UK regions between 2015 and 2017 but has subsequently declined in most regions. Regional disparities in the proportion of growing businesses are substantial with disparities tending to be higher in 2018 and 2019 than previously. However, there is less regional disparity in turnover growth (see Table 12).

## Expected growth over the next year

The LSBS also asks businesses about their expected growth over the next 12 months. As with actual employment growth over the last year, the vast majority of longitudinal respondents (approximately 80%) anticipated no change in their employment over the next 12 months throughout each year of the survey up to 2018. However, the proportion expecting no change fell to 73.4% in 2019. In 2019, 17.7% of businesses anticipated an increase in job numbers over the next year – the highest proportion since 2015 (see Table 13).

Compared to employment, larger proportions of respondents anticipated either increases or decreases in sales in each of the five years. In 2019, 16.7% of respondents expected a fall in turnover while almost a third (30.4%) expected an increase. These proportions were broadly similar across the five years (see Table 14).

Disaggregating the group of longitudinal respondents by employment size provides further insight into anticipated growth. In each year, the proportion of businesses anticipating employment growth increases with employment size (see Table 15). There is no clear trend between years.

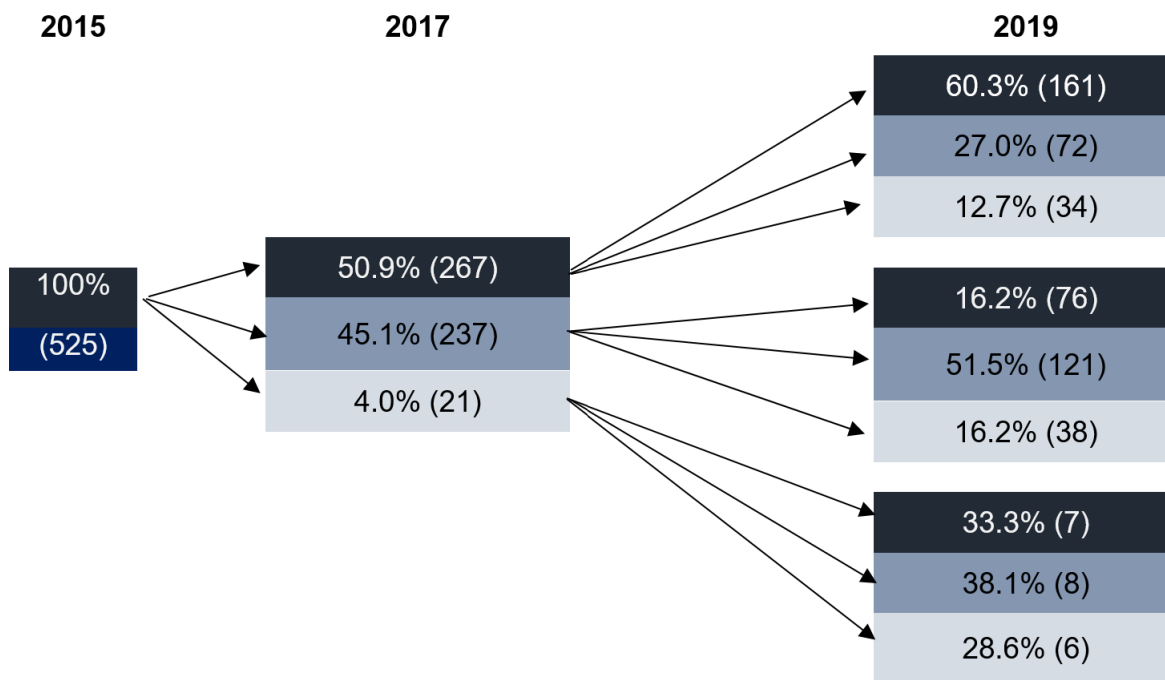
One element of the anticipated growth which is of particular interest is anticipated employment growth by those who are currently self-employed. In 2015, 15.4% of the self-employed anticipated an increase in employment over the next 12 months. This proportion declined slightly in 2016 to 11.1% and slightly further to 8.6% in 2017, then rose to 9.6% in 2018 and 15.1% in 2019.

Figures 9 and 10 show how UK businesses' employment growth expectations change over time. Out of the 525 businesses which reported an expectation of employment growth in 2015, 50.9% continued to hold this expectation in 2017 and of these, 60.3% retained their expectations in 2019.

In terms of turnover, there has been a decrease in the proportion of businesses anticipating growth over the 2015 to 2019 period (42.4% in 2015 and 30.4% in 2019). Those who are self-employed are less likely to anticipate sales growth than employers. As with employment, the proportion of businesses anticipating an increase in sales is consistently higher for larger businesses. This pattern is evident in each year of the survey (see Table 16).

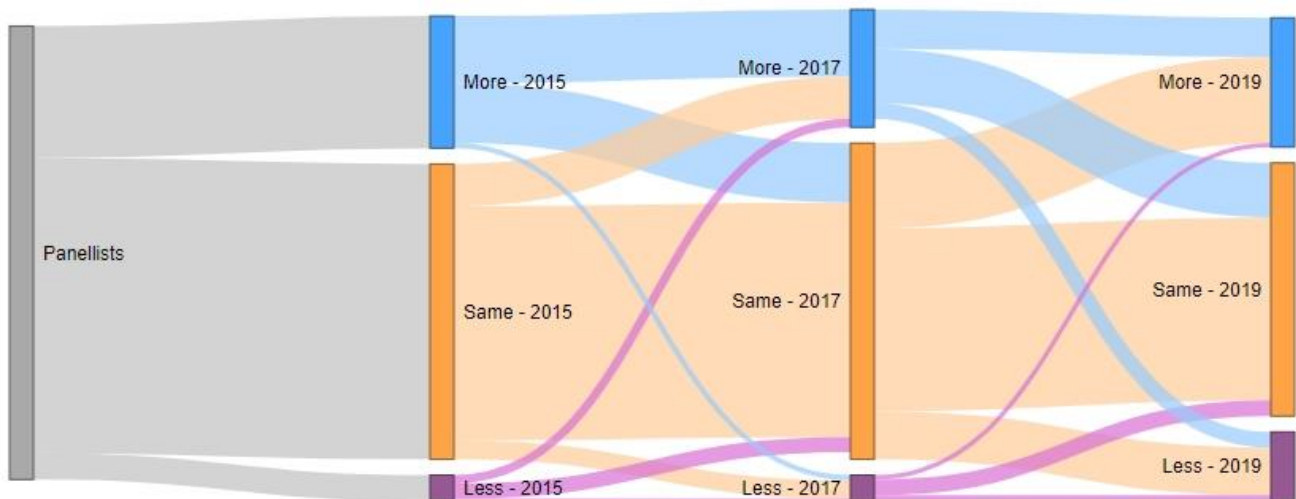
By region we also see considerable variation in the proportion of longitudinal respondents anticipating employment or turnover growth (see Table 17). Expectations of increased turnover are more common than expectations of employment growth across all regions. However, for most regions, expectations of turnover growth are lower in 2019 than they were in 2015.

**Figure 9: Employment growth expectations for the next 12 months, 2015 to 2019**



**Notes:** Arrows indicate year-to-year transitions between groups. The darkest boxes indicate businesses continuing to have an ambition to grow their employment in each year, followed by businesses expecting no change in employment and those expecting to reduce employment. Totals do not add exactly due to some missing values. Based on unweighted data.

**Figure 10: Employment growth expectations for the next 12 months, 2015 to 2019**



**Notes:** Based on unweighted data.

## From expected to achieved growth in employment and turnover

One of the most significant benefits of having longitudinal data is being able to track firm growth through time. Here we consider whether businesses in the longitudinal sample which anticipated employment and turnover growth over the next year were able to realise these



expectations. This comparison is pertinent as the research literature suggests that business owners and entrepreneurs tend to be over optimistic about these changes.

One note of caution is relevant in considering these results. Overall, the subset of businesses in the longitudinal sample that anticipated growth over the next 12 months is only around 520 businesses. Breaking this sample down further, for example by region, reduces sample sizes even more, suggesting a degree of caution is necessary in interpreting regional differences.

In 2015, almost 18% of all businesses in the longitudinal sample anticipated employment growth over the next 12 months. Slightly more than half (52.4%) of these businesses realised this expectation. Conversely, almost one in ten businesses (8.1%) that anticipated growth in employment actually experienced a fall over the next year. In 2015, the proportion of businesses achieving their anticipated growth was highest in the production and construction sectors. There were significant regional variations with over 70% of businesses achieving their anticipated growth in the North West compared to just over one-third of businesses in the South West (see Table 18).

In 2016, one in seven businesses in the longitudinal sample (14.8%) were anticipating employment growth. Of these, only a third (34.6%) experienced jobs growth in the next year. Sectoral variations in the proportion of businesses achieving their growth expectations were very similar to those in the previous year. Again, there was substantial regional variation: more than half of businesses in the North West (56.6%) achieved their growth expectations compared to approximately one in seven (14.8%) in Northern Ireland (see Table 19).

In 2017, 12.5% of the sample anticipated employment growth over the next year. Just under a quarter of these (23.4%) achieved growth, almost two thirds (63.5%) showed no change and more than one in seven (13.1%) actually experienced a decline in employment (see Table 20).

The outcomes for businesses that anticipated employment growth in 2018 are presented in Table 21. Approximately one in eight respondents (12.9%) anticipated employment growth over the next year. Of these, 26.7% achieved growth while 21.8% actually experienced a decline in employment.

Aggregate results on anticipated and achieved growth for turnover are reported in Table 2. Approximately a third of businesses anticipated turnover growth over the next 12 months in each year of the survey and approximately half of those businesses actually went on to grow their sales in each subsequent year.

**Table 2: Actual turnover performance in businesses that expected to grow turnover in the next year**

Year	Proportion whose turnover declined	Proportion whose turnover did not change	Proportion whose turnover increased
2015	16.2%	38.1%	45.7%
2016	12.0%	31.3%	56.7%
2017	12.3%	35.9%	51.8%
2018	19.0%	35.0%	46.0%

**Notes:** Based on panellists expecting turnover growth for the following year. For example, 16.2% of the businesses who said in 2015 they expected to grow turnover in the following year actually reported the following year that turnover had declined. Responses are weighted to give representative results.

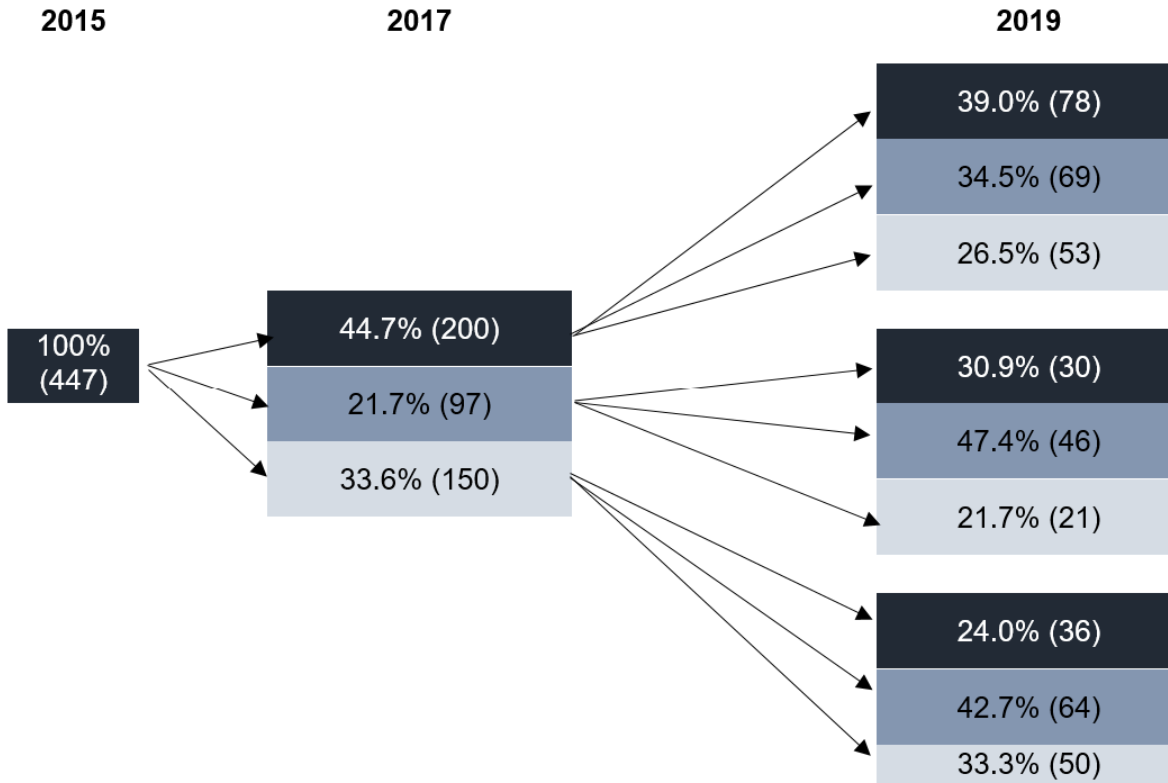
## Achieving continuous growth

Other longitudinal datasets such as the [Business Structure Database](#) provide detailed information on the growth histories of individual businesses. LSBS allows us to consider what proportion of businesses are able to sustain growth in either employment or turnover and also to compare the characteristics of businesses in each group. Here we focus on the group of businesses in the longitudinal sample with 10 or more employees and their record of sustained jobs growth.

Figures 11 and 12 illustrate the continuity of growth over the five years of the LSBS survey for the 447 businesses in the longitudinal panel which exhibited employment growth in the year before the 2015 survey. Of these, 44.7% also experienced jobs growth jobs in 2017, and of these firms, 39.0% had sustained growth up to 2019. In total, 78 of the original sample of 447 businesses had sustained growth throughout the five years.

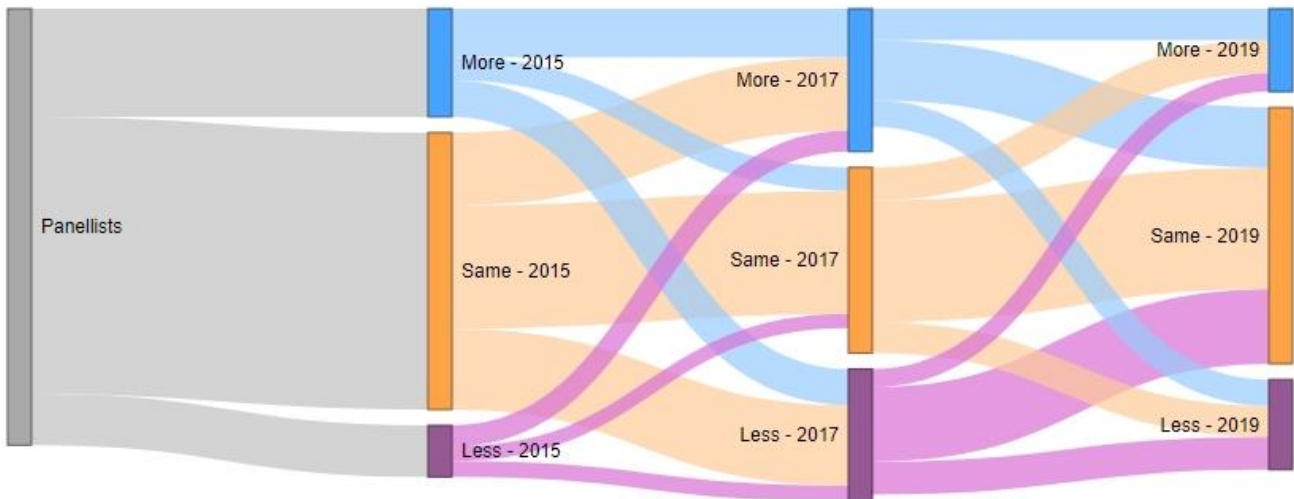
It is also notable that the probability of experiencing growth in jobs in subsequent years is only weakly related to prior growth. For example, almost a quarter (24%) of those businesses that had experienced a reduction in their employee numbers in 2017 subsequently increased employment in 2019.

**Figure 11: Employment growth over the previous 12 months, 2015 to 2019**



**Notes:** Arrows indicate year-to-year transitions between groups. The darkest boxes indicate businesses continuing to grow employment in each year, followed by businesses with unchanging employment and businesses with declining employment. Based on unweighted data.

**Figure 12: Employment growth over the previous 12 months, 2015 to 2019**



**Notes:** Based on unweighted data.

# Predicting future high growth episodes

One area of obvious interest is whether there are firm characteristics or strategies which mark out the group which achieved consistent growth. We can examine this using a series of simple statistical models<sup>6</sup>.

**Table 3: Predicting the probability of sustained growth (2015 to 2019)**

Baseline group:	Businesses increasing employment in 2015	All businesses other than those growing consistently	Businesses increasing employment in 2015	All businesses other than those growing consistently
	Unweighted		Weighted	
Employment 2015	0.003 (0.003)	0.003 (0.003)	0.004 (0.003)	0.004 (0.003)
Exporting firm 2015	0.199 (0.297)	0.278 (0.260)	0.395 (0.255)	0.381 (0.254)
Innovator 2015	0.243 (0.297)	0.232 (0.247)	0.346 (0.260)	0.332 (0.216)
Women-owned business	0.400 (0.343)	0.285 (0.287)	0.311 (0.337)	0.193 (0.310)
BAME owners or directors	0.483 (0.460)	0.652 (0.421)	0.810* (0.477)	0.913** (0.426)
Business support use 2015	0.207 (0.270)	0.249 (0.236)	0.246 (0.268)	0.259 (0.241)
External finance use 2015	-0.084 (0.296)	-0.04 (0.260)	-0.07 (0.257)	-0.016 (0.223)
Constant term	-1.830** (0.729)	-2.053*** (0.609)	-3.156*** (0.655)	-2.432*** (0.572)
No of	226	469	226	469
Chi-squared	21.742	28.438	46.881	83.551
R <sup>2</sup>	0.156	0.166	0.172	0.189
BIC	226.447	266.075	218.250	246.161

**Notes:** Based on longitudinal respondents' sample with more than 10 employees. Standard errors in brackets. \*, \*\* and \*\*\* denote significance at 10%, 5% and 1% level respectively. Models include sectoral and regional controls. The variable indicating training your employees drops out of these models due to collinearity.

We consider two alternative comparator groups. First, those businesses which achieved growth in 2015. Second, a wider comparator group of all businesses (with 10 employees or more) which did not achieve consistent growth. This second comparator group is broader and includes businesses which did not grow their employment in 2015. In each case we include as potential explanatory variables reported in 2015 the range of factors discussed in the section on the drivers of SME growth – such as exporting and innovation – which previous studies

<sup>6</sup> Probit models with the dependent variable of whether or not the business achieved continuous growth.

have linked to business performance. We estimate two variants of each model including weighted and unweighted estimates. Both models include sectoral and regional controls.

The models are uniformly weak with few significant variables suggesting a weak link between these potential predictors of growth and sustainable growth outcomes. This reflects the difficulties associated with the widely recognised ‘picking the winners’.

## Understanding high growth – the OECD definition

The OECD definition of a high growth firm requires that a firm is more than three years old, has initial employment of 10 or more employees and that it achieves average annual growth of either employment or turnover of 20% for three consecutive years. Some 8% of businesses in the longitudinal sample of the LSBS would be classified as high-growth on both the turnover and employment definitions. However, the correlation between the two measures is relatively weak; only around a quarter of firms that are high growth using the turnover definition are also high growth firms using the employment definition.

As with the analysis of sustained growth considered earlier, it is also interesting to consider what firm characteristics in 2015 are associated with subsequent high growth. Table 4 summarises the characteristics of high-growth and other firms in the longitudinal sample. Table 5 reports some simple probit models to link these factors to subsequent high growth. In terms of the employment definition, high growth firms are active across a range of activities (exporting, innovating, training and using business support). Similar contrasts are evident in terms of the turnover definition. Providing staff training in 2015 is predictive of subsequent high growth, according to the modelling. We find no significant effect of either family or BAME ownership on the probability to achieve high growth.

**Table 4: Characteristics of high-growth and non-high-growth firms**

	Employment definition		Turnover definition	
	Non-high growth	High-growth	Non-high growth	High-growth
Employment 2015	42.2***	43.0	42.3***	41.6
Exporting firm 2015	28.8**	41.3	29.2	32.2
Innovator 2015	51.0	58.6	51.0	54.8
Women-owned	18.0	10.8	17.0	21.8
BAME owners or	5.2	4.3	4.4**	11.8
Business support use	48.1	58.7	48.3	51.0
External finance use	25.7	31.1	25.8	27.4
Provided staff training	88.6***	93.4	88.7***	90.3

**Notes:** Based on longitudinal respondents’ sample with at least 10 employees. Observations are unweighted. \*\*\* denotes significant differences at the 1% level and \*\* at the 5% level.

**Table 5: Predicting the probability of high growth (OECD definition)**

	Employment definition	Turnover definition	Employment definition	Turnover definition
	Unweighted		Weighted	
Employment 2015	0.002 (0.002)	0.004** (0.002)	0.005*** (0.002)	0.010*** (0.002)
Exporting firm 2015	0.101 (0.166)	0.276* (0.146)	-0.087 (0.193)	0.231 (0.150)
Innovator 2015	0.015 (0.151)	0.095 (0.135)	0.149 (0.197)	0.182 (0.155)
Women-owned business	0.05 (0.197)	0.204 (0.167)	0.292 (0.243)	0.255 (0.182)
BAME owners or directors	0.26 (0.335)	0.564** (0.265)	0.506 (0.453)	0.218 (0.275)
Business support use 2015	0.058 (0.149)	-0.030 (0.133)	-0.107 (0.169)	-0.058 (0.149)
External finance use 2015	0.092 (0.169)	0.080 (0.152)	0.000 (0.196)	0.108 (0.167)
Provided staff training	0.462** (0.224)	0.272 (0.179)	0.479** (0.237)	0.467*** (0.164)
Constant term	-2.530*** (0.534)	-1.530*** (0.401)	-3.000*** (0.402)	-1.742*** (0.437)
No of observations	993	1027	993	1027
Chi-squared	30.091	44.872	107.184	134.209
R <sup>2</sup>	0.081	0.092	0.114	0.163
BIC	494.193	604.59	390.022	360.653

**Notes:** Based on longitudinal respondents' sample with more than 10 employees. Standard errors in brackets. \*, \*\* and \*\*\* denote significance at 10%, 5% and 1% level respectively. Models include sectoral and regional controls.

## Smaller high growth firms

The OECD definition omits a range of businesses from the calculation by focusing only on those with 10 or more employees. This means the minimum growth necessary in terms of employment to count as a high growth enterprise is eight employees, just greater than the effect of compound annual growth of 20% over three years. Smaller firms may also grow by this amount of course and this has focussed attention on smaller high-growth firms which have fewer than ten employees but have increased their employment by eight employees or more over three years.

Table 6 examines those variables which might help to predict high growth among micro-businesses. Exporting, innovation and use of external finance prove to be the only significant variables although the signs are not necessarily what might have been anticipated.

**Table 6: Predicting high growth among micro-businesses: employment definition**

	Unweighted	Weighted
Employment 2015	0.037	0.059
	(0.066)	(0.070)
Exporting firm 2015	0.332	0.582**
	(0.428)	(0.296)
Innovator 2015	-0.388	-0.533*
	(0.385)	(0.316)
Women-owned business	-0.024	-0.352
	(0.448)	(0.372)
BAME owners or directors	-0.059	-0.350
	(0.375)	(0.322)
Business support use 2015	0.074	0.488
	(0.449)	(0.401)
External finance use 2015	-0.733	-2.506***
	(0.896)	(0.717)
Constant term	0.037	0.059
	(0.066)	(0.070)
No of observations	178	178
Chi <sup>2</sup>	7.678	23.925
R <sup>2</sup>	0.108	0.18
BIC	136.126	122.919

**Notes:** Based on longitudinal respondents' sample with more than 10 employees. Standard errors in brackets. \*, \*\* and \*\*\* denote significance at 10%, 5% and 1% level respectively. Models include sectoral and regional controls. The variable indicating training your employees drops out of these models due to collinearity.



# Ambition and future growth plans

## Introduction

Alongside the retrospective questions included in the LSBS, the survey also includes forward looking indicators relating to businesses' growth ambition and strategic intentions over the next three years. These indicators – discussed in this section – provide an indication of levels of optimism about future growth among the balanced panel of respondents. Note here that the time horizon over which ambitions and businesses' strategic intent is measured is three years rather than the single year asked of anticipated growth discussed earlier in this report.

## Sales growth ambition

LSBS asks a question as to whether businesses 'aim to grow the sales of the business over the next three years?'. Overall, levels of growth ambition have remained broadly stable in the panel of businesses over five years with 56.5% of businesses aiming to grow in 2015, 49.6% in 2017 and 54.2% in 2019.

When respondents to the LSBS survey indicate they are aiming to grow their sales over the next three years, they are then asked by how much. The results are summarised in Table 7. There is perhaps some evidence of a shift towards more modest growth ambitions over the five years, with increases in the proportion of businesses who aim to grow sales by less than 25% and decreases in the proportion aiming for more. (Note that these proportions are of businesses that have aim to grow at all.)

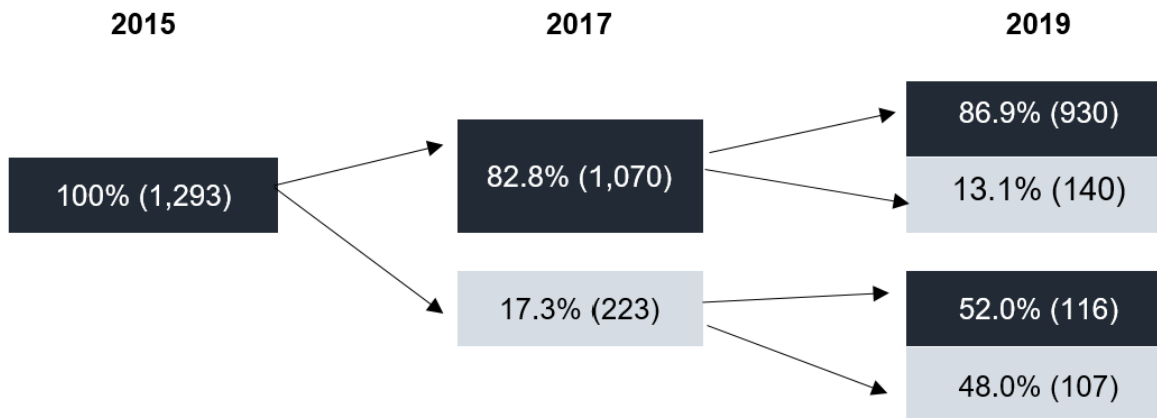
**Table 7: Sales growth objective over the next three years (percentage of businesses with a growth ambition)**

Size of growth in sales	2015	2016	2017	2018	2019
1-9%	13.2	15.1	17.3	25.7	20.5
10-24%	32.4	41.1	38.3	39.0	41.8
25-49%	20.4	21.9	16.2	17.4	16.0
50-74%	13.2	9.1	10.6	8.7	10.0
75-99%	3.2	0.5	1.2	1.2	0.6
100% or more	17.6	12.3	16.4	8.2	11.1

**Notes:** Based on longitudinal respondents' sample who indicated an ambition to grow sales over the next three years. Responses are weighted to give representative results.

Figures 13 and 14 present the evolution of UK SMEs growth ambition for the period 2015 to 2019. At the beginning of the observation period 1,293 of the subsequently retained panel businesses reported that they aimed to grow their sales within three years. Over the periods 2015 to 2017 and 2017 to 2019, this percentage remained very high with more than 80% of businesses remaining ambitious in terms of their future turnover growth in each period. This is perhaps an indication that UK SMEs have remained confident that the UK economy will continue to offer opportunities and favourable conditions for businesses to grow. (Note that the interviews for the 2019 survey all took place *before* the COVID-19 pandemic caused widespread disruption to UK businesses.)

**Figure 13: Sales growth expectation for the next 3 years, 2015 to 2019**



**Notes:** Arrows indicate year-to-year transitions between groups. Dark blue boxes indicate businesses continuing to have an ambition to grow the firm’s turnover over the next three years. Light blue indicates no growth ambition. Based on unweighted data.

**Figure 14: Sales growth expectation for the next 3 years, 2015 to 2019**



**Notes:** Based on unweighted data.

## Detailed tables

**Table 8: Employment growth over the previous year: By sector**

	Decreased %	Stayed the same %	Increased %
<b>2015</b>			
Production and construction (ABCDEF)	8.3	88.5	3.2
Transport, retail and food service (GHI)	13.1	75.2	11.8
Business services (JKLMN)	7.8	86.3	5.9
Other services (PQRS)	6.7	91.2	2.1
All businesses	8.7	86.0	5.4
<b>2016</b>			
Production and construction (ABCDEF)	5.6	69.4	25.0
Transport, retail and food service (GHI)	13.4	62.0	24.6
Business services (JKLMN)	7.0	61.8	31.3
Other services (PQRS)	3.5	75.2	21.3
All businesses	7.0	66.8	26.2
<b>2017</b>			
Production and construction (ABCDEF)	17.3	61.6	21.1
Transport, retail and food service (GHI)	20.1	50.8	29.1
Business services (JKLMN)	21.6	58.8	19.7
Other services (PQRS)	9.4	73.7	16.9
All businesses	17.5	61.4	21.2
<b>2018</b>			
Production and construction (ABCDEF)	3.9	86.3	9.8
Transport, retail and food service (GHI)	9.2	80.7	10.1
Business services (JKLMN)	3.7	88.6	7.7
Other services (PQRS)	2.4	90.4	7.3
All businesses	4.5	86.9	8.6
<b>2019</b>			
Production and construction (ABCDEF)	10.1	79.7	10.2
Transport, retail and food service (GHI)	15.3	70.4	14.4
Business services (JKLMN)	11.8	76.4	11.8
Other services (PQRS)	9.5	82.2	8.3
All businesses	11.5	77.5	11.1

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 9: Turnover growth over the previous year: By sector**

	Decreased %	Stayed the same %	Increased %
	<b>2015</b>		
Production and construction (ABCDEF)	26.1	43.8	30.2
Transport, retail and food service (GHI)	23.6	44.8	31.7
Business services (JKLMN)	16.3	45.5	38.3
Other services (PQRS)	16.6	53.5	30.0
All businesses	20.3	46.7	33.1
	<b>2016</b>		
Production and construction (ABCDEF)	22.7	51.7	25.6
Transport, retail and food service (GHI)	17.3	44.9	37.8
Business services (JKLMN)	20.4	43.2	36.4
Other services (PQRS)	16.2	56.8	27.1
All businesses	19.5	48.8	31.7
	<b>2017</b>		
Production and construction (ABCDEF)	15.8	49.9	34.3
Transport, retail and food service (GHI)	14.8	50.9	34.3
Business services (JKLMN)	21.1	42.7	36.2
Other services (PQRS)	20.4	54.9	24.7
All businesses	18.4	48.8	32.8
	<b>2018</b>		
Production and construction (ABCDEF)	23.2	52.1	24.7
Transport, retail and food service (GHI)	20.2	47.3	32.5
Business services (JKLMN)	21.9	41.9	36.3
Other services (PQRS)	15.9	56.1	28.0
All businesses	20.6	48.8	30.6
	<b>2019</b>		
Production and construction (ABCDEF)	26.2	49.0	24.8
Transport, retail and food service (GHI)	27.0	45.3	27.7
Business services (JKLMN)	25.8	46.6	27.6
Other services (PQRS)	25.3	47.7	27.0
All businesses	26.0	47.2	26.7

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 10: Employment growth over the previous year: By size-band**

	Decreased %	Stayed the same %	Increased %
	<b>2015</b>		
Self-employed	7.5	92.5	0.0
Micro (1 – 9)	12.8	66.9	20.4
Small (10 – 49)	13.4	50.3	36.3
Medium (50 – 249)	10.3	28.8	60.9
All businesses	8.7	86.0	5.4
	<b>2016</b>		
Self-employed	0.0	76.7	23.3
Micro (1 – 9)	30.2	35.2	34.6
Small (10 – 49)	34.8	21.1	44.1
Medium (50 – 249)	48.4	14.8	36.9
All businesses	7.0	66.8	26.2
	<b>2017</b>		
Self-employed	13.3	69.4	17.4
Micro (1 – 9)	30.6	36.3	33.1
Small (10 – 49)	38.9	22.0	39.1
Medium (50 – 249)	39.2	14.7	46.0
All businesses	17.5	61.4	21.2
	<b>2018</b>		
Self-employed	2.2	91.7	6.1
Micro (1 – 9)	11.2	73.9	14.9
Small (10 – 49)	17.5	56.3	26.1
Medium (50 – 249)	20.9	46.3	32.8
All businesses	4.5	86.9	8.6
	<b>2019</b>		
Self-employed	9.7	81.5	8.8
Micro (1 – 9)	15.2	67.8	17.0
Small (10 – 49)	25.5	49.0	25.5
Medium (50 – 249)	36.9	27.5	35.7
All businesses	11.5	77.5	11.1

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 11: Turnover growth over the previous year: By size-band**

	Decreased %	Stayed the same %	Increased %
	<b>2015</b>		
Self-employed	20.9	47.5	31.6
Micro (1 – 9)	18.6	44.8	36.5
Small (10 – 49)	16.1	41.2	42.7
Medium (50 – 249)	11.3	32.4	56.3
All businesses	20.3	46.7	33.1
	<b>2016</b>		
Self-employed	19.5	50.8	29.7
Micro (1 – 9)	19.8	42.0	38.2
Small (10 – 49)	20.4	42.5	37.2
Medium (50 – 249)	15.5	33.4	51.1
All businesses	19.5	48.8	31.7
	<b>2017</b>		
Self-employed	18.2	50.4	31.4
Micro (1 – 9)	20.2	43.6	36.3
Small (10 – 49)	14.7	45.0	40.3
Medium (50 – 249)	12.9	30.6	56.5
All businesses	18.4	48.8	32.8
	<b>2018</b>		
Self-employed	21.5	50.4	28.0
Micro (1 – 9)	17.5	44.0	38.5
Small (10 – 49)	17.4	39.6	42.9
Medium (50 – 249)	17.1	30.1	52.8
All businesses	20.6	48.8	30.6
	<b>2019</b>		
Self-employed	27.6	48.1	24.3
Micro (1 – 9)	19.8	45.7	34.5
Small (10 – 49)	24.0	39.2	36.8
Medium (50 – 249)	22.5	33.6	43.9
All businesses	26.0	47.2	26.7

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 12: Percentage of businesses reporting employment and turnover increases: By region**

	Percentage of businesses reporting employment growth					Percentage of businesses reporting turnover growth				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
East Midlands	5.6	21.0	18.1	8.8	6.9	23.8	25.3	32.9	34.6	38.5
East of England	5.8	24.8	22.3	7.8	11.2	42.6	35.0	29.9	28.8	21.2
London	4.6	30.5	24.2	9.0	9.0	34.9	31.8	36.8	37.4	21.2
North East	3.2	19.2	19.3	2.7	1.6	20.6	45.1	21.2	15.3	21.5
North West	4.5	29.6	17.6	5.9	12.4	33.6	24.1	28.6	31.4	31.8
South East	4.4	30.3	16.5	9.4	12.5	32.7	23.2	33.9	27.2	22.5
South West	4.1	24.0	16.9	3.9	11.5	34.5	38.2	38.5	35.6	24.0
West Midlands	3.8	21.9	38.3	12.6	16.2	41.2	29.0	38.9	28.8	33.6
Yorkshire & the Humber	6.1	22.0	22.8	4.3	15.2	28.9	46.0	22.9	28.5	27.0
Scotland	3.1	24.3	24.9	16.0	5.6	31.6	40.2	32.9	28.5	31.4
Wales	26.4	20.6	24.9	5.7	11.9	12.7	22.1	20.2	24.5	30.6
Northern Ireland	2.2	39.4	8.8	26.3	9.0	33.1	53.2	33.3	34.6	27.9
All businesses	5.4	26.2	21.2	8.6	11.1	33.1	31.7	32.8	30.6	26.7

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.



**Table 13: Percentage of businesses expecting employment increases or decreases: By sector**

	Decreased %	Stayed the same %	Increased %
	<b>2015</b>		
Production and construction (ABCDEF)	1.8	83.4	14.8
Transport, retail and food service (GHI)	4.9	73.4	21.7
Business services (JKLMN)	1.7	80.6	17.7
Other services (PQRS)	0.3	81.5	18.3
All businesses	2.0	80.2	17.8
	<b>2016</b>		
Production and construction (ABCDEF)	4.9	81.5	13.6
Transport, retail and food service (GHI)	5.4	74.8	19.8
Business services (JKLMN)	4.0	78.6	17.4
Other services (PQRS)	3.4	88.2	8.4
All businesses	4.4	80.8	14.8
	<b>2017</b>		
Production and construction (ABCDEF)	7.1	80.1	12.8
Transport, retail and food service (GHI)	8.0	79.1	12.9
Business services (JKLMN)	3.4	81.0	15.6
Other services (PQRS)	7.5	85.3	7.2
All businesses	6.1	81.4	12.5
	<b>2018</b>		
Production and construction (ABCDEF)	2.2	84.6	13.3
Transport, retail and food service (GHI)	4.7	82.7	12.5
Business services (JKLMN)	2.9	80.5	16.6
Other services (PQRS)	0.5	92.5	7.0
All businesses	2.5	84.6	12.9
	<b>2019</b>		
Production and construction (ABCDEF)	11.3	72.8	15.9
Transport, retail and food service (GHI)	14.3	65.3	20.4
Business services (JKLMN)	6.1	73.9	19.9
Other services (PQRS)	5.5	80.0	14.5
All businesses	8.9	73.4	17.7

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 14: Percentage of businesses expecting turnover increases or decreases: By sector**

	Decreased %	Stayed the same %	Increased %
<b>2015</b>			
Production and construction (ABCDEF)	11.2	51.8	37.0
Transport, retail and food service (GHI)	4.4	46.2	49.5
Business services (JKLMN)	11.3	44.7	44.0
Other services (PQRS)	8.3	51.1	40.6
All businesses	9.4	48.3	42.4
<b>2016</b>			
Production and construction (ABCDEF)	9.2	60.2	30.6
Transport, retail and food service (GHI)	11.7	48.7	39.6
Business services (JKLMN)	13.9	51.7	34.4
Other services (PQRS)	18.4	55.9	25.7
All businesses	13.2	54.4	32.4
<b>2017</b>			
Production and construction (ABCDEF)	10.6	57.5	31.9
Transport, retail and food service (GHI)	10.1	54.7	35.2
Business services (JKLMN)	14.7	43.9	41.4
Other services (PQRS)	12.9	60.3	26.8
All businesses	12.4	53.1	34.6
<b>2018</b>			
Production and construction (ABCDEF)	9.9	52.8	37.3
Transport, retail and food service (GHI)	14.6	55.3	30.1
Business services (JKLMN)	17.2	43.9	38.9
Other services (PQRS)	10.7	62.0	27.2
All businesses	13.3	52.4	34.3
<b>2019</b>			
Production and construction (ABCDEF)	16.9	55.0	28.2
Transport, retail and food service (GHI)	24.1	46.3	29.6
Business services (JKLMN)	15.9	46.3	37.8
Other services (PQRS)	11.6	66.1	22.4
All businesses	16.7	52.9	30.4

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 15: Percentage of businesses expecting employment increases or decreases: By size-band**

	Decreased %	Stayed the same %	Increased %
	<b>2015</b>		
Self-employed	0.0	84.6	15.4
Micro (1 – 9)	9.5	67.2	23.3
Small (10 – 49)	6.7	57.5	35.7
Medium (50 – 249)	5.7	44.5	49.8
All businesses	2.0	80.2	17.8
	<b>2016</b>		
Self-employed	3.7	85.2	11.1
Micro (1 – 9)	6.7	67.3	26.0
Small (10 – 49)	6.7	57.5	35.8
Medium (50 – 249)	6.8	49.7	43.5
All businesses	4.4	80.8	14.8
	<b>2017</b>		
Self-employed	6.1	85.4	8.6
Micro (1 – 9)	6.7	69.0	24.4
Small (10 – 49)	4.6	61.4	34.0
Medium (50 – 249)	8.1	51.3	40.6
All businesses	6.1	81.4	12.5
	<b>2018</b>		
Self-employed	1.8	88.7	9.6
Micro (1 – 9)	4.4	73.9	21.8
Small (10 – 49)	7.8	57.7	34.5
Medium (50 – 249)	11.3	50.9	37.9
All businesses	2.5	84.6	12.9
	<b>2019</b>		
Self-employed	6.3	78.6	15.1
Micro (1 – 9)	17.2	58.0	24.8
Small (10 – 49)	22.6	42.8	34.6
Medium (50 – 249)	13.4	47.7	38.9
All businesses	8.9	73.4	17.7

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 16: Percentage of businesses expecting turnover increases: By size-band**

	Decreased %	Stayed the same %	Increased %
<b>2015</b>			
Self-employed	9.6	48.9	41.6
Micro (1 – 9)	8.7	47.1	44.2
Small (10 – 49)	9.6	44.0	46.4
Medium (50 – 249)	6.2	33.2	60.6
All businesses	9.4	48.3	42.4
<b>2016</b>			
Self-employed	14.4	56.3	29.3
Micro (1 – 9)	8.8	48.8	42.4
Small (10 – 49)	9.6	42.3	48.1
Medium (50 – 249)	9.7	38.6	51.7
All businesses	13.2	54.4	32.4
<b>2017</b>			
Self-employed	12.7	54.6	32.7
Micro (1 – 9)	11.8	47.9	40.3
Small (10 – 49)	8.2	51.2	40.6
Medium (50 – 249)	7.7	35.5	56.8
All businesses	12.4	53.1	34.6
<b>2018</b>			
Self-employed	13.8	53.3	32.9
Micro (1 – 9)	12.5	50.3	37.2
Small (10 – 49)	8.5	49.0	42.5
Medium (50 – 249)	9.9	31.2	58.9
All businesses	13.3	52.4	34.3
<b>2019</b>			
Self-employed	17.2	53.9	29.0
Micro (1 – 9)	16.0	50.8	33.3
Small (10 – 49)	11.3	46.8	41.9
Medium (50 – 249)	13.1	36.2	50.8
All businesses	16.7	52.9	30.4

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 17: Percentage of businesses anticipating employment and turnover increases: By region**

	Percentage of businesses anticipating growth in employment					Percentage of businesses anticipating growth in turnover				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
East Midlands	18.1	14.3	14.9	13.9	20.4	35.7	28.9	35.9	35.5	22.7
East of England	21.7	19.1	11.7	15.2	23.3	45.3	29.9	35.1	35.7	23.3
London	23.9	25.1	14.0	14.4	28.3	43.2	32.7	50.8	38.7	48.4
North East	15.8	11.1	4.4	3.3	12.1	13.2	12.8	11.0	37.9	11.5
North West	16.8	19.0	17.1	22.0	10.9	52.3	26.2	30.0	42.6	38.0
South East	14.0	13.5	14.6	8.8	14.4	43.2	34.9	25.7	29.2	27.0
South West	15.5	12.0	12.5	13.6	14.0	39.5	33.5	31.9	34.4	33.5
West Midlands	17.4	11.8	11.3	15.9	14.7	41.5	27.8	33.6	32.0	32.2
Yorkshire & the Humber	13.7	10.1	9.3	12.1	13.6	52.2	35.2	42.7	23.3	31.2
Scotland	20.0	8.5	6.3	8.7	15.8	38.6	38.5	38.4	42.9	30.7
Wales	11.2	10.1	10.9	9.8	24.9	31.6	30.8	44.6	22.4	10.8
Northern Ireland	37.6	13.1	6.1	3.1	31.3	54.2	67.3	48.9	39.5	26.1
All businesses	17.8	14.8	12.5	12.9	17.7	42.4	32.4	34.6	34.3	30.4

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 18: From anticipated employment growth to outcomes: 2015 to 2016**

		Growth outcomes among firms anticipating growth		
		Expected Growth 2015	Employment Declined	Employment Stable
Production and construction (ABCDEF)	14.8	9.7	30.1	60.2
Transport, retail and food service (GHI)	21.7	7.3	47.1	45.5
Business services (JKLMN)	17.7	11.2	31.4	57.3
Other services (PQRS)	18.3	2.9	53.0	44.2
All businesses	17.8	8.1	39.5	52.4
East Midlands	18.1	5.6	48.7	45.7
East of England	21.7	5.5	25.0	69.5
London	23.9	6.0	44.9	49.1
North East	15.8	8.1	45.2	46.8
North West	16.8	4.5	23.7	71.8
South East	14.0	13.6	47.9	38.5
South West	15.5	6.5	58.4	35.1
West Midlands	17.4	12.6	17.8	69.6
Yorkshire & the Humber	13.7	17.3	43.8	38.9
Scotland	20.0	7.7	27.5	64.8
Wales	11.2	0.6	50.4	49.0
Northern Ireland	37.6	7.2	45.4	47.4
All businesses	17.8	8.1	39.5	52.4
Self-employed	15.4	0.0	48.2	51.8
Micro (1 – 9)	23.3	21.7	24.6	53.8
Small (10 – 49)	35.7	28.6	15.4	56.1
Medium (50 – 249)	49.8	46.8	10.3	43.0
All businesses	17.8	8.1	39.5	52.4

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 19: From anticipated employment growth to outcomes: 2016 to 2017**

		Growth outcomes among firms anticipating growth		
		Expected Growth 2016	Employment Declined	Employment Stable
Production & construction (ABCDEF)	13.6	26.2	35.8	38.0
Transport, retail & food service (GHI)	19.8	16.1	40.4	43.5
Business services (JKLMN)	17.4	13.8	56.7	29.5
Other services (PQRS)	8.4	31.2	42.5	26.3
All businesses	14.8	19.6	45.8	34.6
East Midlands	14.3	18.5	51.9	29.7
East of England	19.1	25.1	35.8	39.1
London	25.1	26.4	33.0	40.6
North East	11.1	36.2	49.6	14.2
North West	19.0	5.5	37.9	56.6
South East	13.5	25.6	51.1	23.3
South West	12.0	12.5	54.5	33.0
West Midlands	11.8	13.3	65.8	20.9
Yorkshire & the Humber	10.1	22.6	44.7	32.8
Scotland	8.5	20.6	32.2	47.2
Wales	10.1	12.6	69.7	17.6
Northern Ireland	13.1	6.0	79.2	14.8
All businesses	14.8	19.6	45.8	34.6
Self-employed	11.1	13.2	59.8	27.0
Micro (1 – 9)	26.0	28.7	29.8	41.5
Small (10 – 49)	35.8	28.7	16.9	54.4
Medium (50 – 249)	43.5	24.7	13.2	62.2
All businesses	14.8	19.6	45.8	34.6

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

**Table 20: From anticipated employment growth to outcomes: 2017 to 2018**

	Expected Growth 2017	Growth outcomes among firms anticipating growth		
		Employment Declined	Employment Stable	Employment Increased
Production and construction (ABCDEF)	12.8	13.7	67.7	18.7
Transport, retail and food service (GHI)	12.9	20.4	61.9	17.7
Business services (JKLMN)	15.6	12.0	56.5	31.5
Other services (PQRS)	7.2	4.4	79.4	16.2
All businesses	12.5	13.1	63.5	23.4
East Midlands	14.9	3.6	76.5	19.9
East of England	11.7	32.1	27.4	40.6
London	14.0	11.2	58.4	30.4
North East	4.4	14.0	69.2	16.8
North West	17.1	2.1	84.6	13.3
South East	14.6	13.3	68.1	18.7
South West	12.5	3.3	78.7	18.0
West Midlands	11.3	7.5	58.8	33.7
Yorkshire & the Humber	9.3	8.5	72.2	19.3
Scotland	6.3	10.6	45.5	43.9
Wales	10.9	75.4	8.2	16.4
Northern Ireland	6.1	51.1	32.1	16.8
All businesses	12.5	13.1	63.5	23.4
Self-employed	8.6	8.0	79.2	12.8
Micro (1 – 9)	24.4	18.9	48.0	33.1
Small (10 – 49)	34.0	18.7	41.1	40.2
Medium (50 – 249)	40.6	20.0	30.2	49.8
All businesses	12.5	13.1	63.5	23.4

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.



**Table 21: From anticipated employment growth to outcomes: 2018 to 2019**

	Expected Growth 2018	Growth outcomes among firms anticipating growth		
		Employment Declined	Employment Stable	Employment Increased
Production and construction (ABCDEF)	13.3	21.1	58.7	20.2
Transport, retail and food service (GHI)	12.5	26.5	26.7	46.8
Business services (JKLMN)	16.6	24.0	51.9	24.1
Other services (PQRS)	7.0	8.9	69.4	21.8
All businesses	12.9	21.8	51.5	26.7
East Midlands	13.9	25.1	53.4	21.5
East of England	15.2	27.0	38.8	34.2
London	14.4	44.7	38.9	16.4
North East	3.3	9.0	57.8	33.3
North West	22.0	21.6	54.0	24.5
South East	8.8	19.2	60.2	20.6
South West	13.6	19.8	54.7	25.6
West Midlands	15.9	5.2	74.6	20.2
Yorkshire & the Humber	12.1	5.0	30.0	65.0
Scotland	8.7	0.8	68.7	30.5
Wales	9.8	40.4	14.2	45.3
Northern Ireland	3.1	26.5	32.7	40.8
All businesses	12.9	21.8	51.5	26.7
Self-employed	9.6	26.6	56.9	16.5
Micro (1 – 9)	21.8	12.5	45.6	41.9
Small (10 – 49)	34.5	20.2	42.7	37.0
Medium (50 – 249)	37.9	30.4	29.4	40.2
All businesses	12.9	21.8	51.5	26.7

**Notes and Sources:** Based on longitudinal respondents' sample (N=1,816). Responses are weighted to give representative results. Source: LSBS 2015-2019.

## Technical information

We have published a separate technical report outlining the sampling and weighting methodology for the survey, with detailed information on sample sizes and response rates, and a copy of the questionnaire. The report is available at <https://www.gov.uk/government/collections/small-business-survey-reports#2019>

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 (this was published on 4 June 2020)
- a **cross-sectional report** based on businesses with **no employees** (this was also published on 4 June 2020)
- this **longitudinal (or panel) 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

Please note that the findings presented in this report relate to ‘full panellists’ only – the 1,816 businesses that have taken part in all five waves of the LSBS since 2015. There are a handful of large businesses included because they were SMEs in 2015 but have since become large enterprises.

## Definitions

<b>Balanced</b>	In this report this is used to describe the panel of firms that is the focus of the report. The panel is balanced in the sense that there are roughly equal numbers of business of each of the main size categories in the survey. This is unlike the real population of SMEs in the UK, where the larger businesses are much rarer than smaller ones.
<b>BIC</b>	The <i>Bayesian Information Criterion</i> , a statistic used in statistical modelling as a way of measuring how well a model fits the actual data which is being modelled. In the models summarised in this report lower values of the BIC suggest that model is a better-fitting one – the BIC also takes account of how complex the models are, by including a penalty for more complex models.
<b>Business, enterprise, firm</b>	In this report these terms all mean the same – they are interchangeable.
<b>Chi-squared</b>	A statistic used in statistical modelling as a way of measuring how well a model fits the actual data which is being modelled. In the models summarised in this report, the <i>difference</i> in the chi-squared values between two models is used by statisticians to decide whether to prefer one model over the other.
<b>EU, Brexit</b>	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 a <a href="#">transition period</a> 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).
<b>Exports</b>	In this report this means a UK 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.
<b>Family-owned business</b>	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’.

<b>Finance</b>	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.
<b>Imports</b>	In this report this means a UK 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.
<b>Innovation, process innovation</b>	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 <a href="#">Oslo Manual</a> . Process innovators are firms that have innovated a process.
<b>Longitudinal</b>	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 longitudinal analysis, and the dataset is available to approved researchers to perform their own longitudinal analysis if they wish. The dataset can also be used for cross-sectional analysis, which takes each year of data separately.
<b>Medium-sized business</b>	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).
<b>Micro business</b>	A business which has between one and nine employees (whether they are full-time or part-time).
<b>Panel</b>	In this report, the panel (sometimes referred to as the <i>longitudinal panel</i> or the <i>full panel</i> ) means the 1,816 firms that have taken part in all five waves of the LSBS so far. As shown in Table 1 the panellists are rather different in a number of ways from the original full sample of SMEs in the 2015 survey, and they are also different from the general population of SMEs in 2015.
<b>R<sup>2</sup></b>	A statistic used in statistical modelling as a way of measuring how well a model fits the actual data which is being modelled. In the models summarised in this report, a higher value of R <sup>2</sup> indicates a model that fits the data better, but R <sup>2</sup> does not take account of the fact that one model might be much more complex than the other.
<b>R&amp;D</b>	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 <a href="#">Frascati Manual</a> .
<b>SIC 2007</b>	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. <a href="#">This</a> is a useful page from the Office for National Statistics website for more detail on SIC 2007.

<b>Significance</b>	In this report, we have used statistical models to discover and describe relationships between the panellists and other features of the data. Where specific variables are described as significant at the 10%, 5% or 1% level these are measures of how confident we are that they have a relationship in the model with the main variable being modelled. (It's not a measure of how strong the relation is, but a measure of how confident we can be that the modelled relationship is real.) The lower the significance level the more confident we are.
<b>Small business</b>	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.
<b>SME</b>	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.
<b>Standard errors</b>	In this report the standard errors are for model estimates and indicate the precision of the estimate. The smaller the standard error, the more precise the corresponding estimate is. The larger an estimate is relative to its standard error, the more likely it is to be described as statistically significant.
<b>Turnover</b>	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.
<b>Weighted, unweighted</b>	We have longitudinal weights which apply to the panel to give the businesses the same distribution as the general population of SMEs in the UK in 2015 with respect to size, industry and country. In practice this makes the smallest businesses relatively more important, since in the SME population there are far more smaller businesses than larger ones. When we refer to <i>weighted estimates</i> we are describing the results of calculations that give more weight to the smaller businesses. In contrast, <i>unweighted estimates</i> treat all members of the balanced panel equally.

## Further information

### Future updates to these statistics

BEIS intends to continue the survey for at least one further wave. The original intention was to begin interviewing 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 reports on [SME employers](#) and [SMEs with no employees](#) were published on 4 June 2020. BEIS has published the [technical report](#) (which includes the questionnaire used for the 2019 survey) at the same time as this panel report.

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

## Uses of these statistics

As a wide-ranging survey of SMEs, the LSBS is of interest to many Government departments and agencies. 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. The Scottish Government uses the data for evidence and analysis on a broad range of policy areas. 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. These users regularly take account of the longitudinal nature of the dataset. 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](mailto: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.

## Contact

- Responsible statistician: Sumit Rahman
- Email: [business.statistics@beis.gov.uk](mailto:business.statistics@beis.gov.uk)
- Media enquiries: 020 7215 1000
- Public enquiries: 020 7215 6514



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