



Longitudinal Small Business Survey: SME Employers (businesses with 1-249 employees) – UK, 2022

August 2023

Official Statistics

- This edition of the Longitudinal Small Business Survey (LSBS) is the 8th Wave that has been completed since 2015. The report covers a broad range of topics that provide insights on small and medium enterprise (SME) performance and the factors that affect this. This report presents results for businesses with employees.
- The 2022 survey was conducted between 1 November 2022 and 30 April 2023. This report represents the first undertaken during a period free of trading restrictions and social distancing measures associated with the coronavirus (COVID-19) pandemic since 2019. However, the impact of the coronavirus (COVID-19) pandemic will be evident in data collected during this period.
- In 2022, a higher proportion of SME employers reported an increase than a decrease in the number employed (26% compared with 19%). The increase is lower than 2021 (down eight percentage points) and in line with pre-coronavirus (COVID-19) trends.
- SME employers' expectations of employment growth echo recent employment growth with 26% expecting to increase their number of staff in the next year (28% in 2019, 26% in 2020, 30% in 2021) while 11% expected to employ fewer people in a year's time (16% in 2019, 10% in 2020, 8% in 2021).
- Reported sales (turnover) over the preceding 12 months suggests sustained recovery following the economic shock of the coronavirus (COVID-19) pandemic, with 46% of SME employers established for at least a year reporting an increase in annual level of sales (turnover) in the last 12 months (18% in 2020, 39% in 2021). While SME employers continued to be positive about growth in the next 12 months, fewer than in 2021 expected to report an increase in sales in 12 months' time (36% compared with 46% in 2021).
- This was reflected in businesses' aims for growth in the next three years, with 74% of SME employers aiming to increase sales over the following three years, compared with 76% in 2021. More than half of SME employers (55%) with plans to undertake growth-related activities reported plans had been affected by issues relating to rising costs.
- 79% of SME employers generated a profit or surplus in their last financial year. This continues to show a steep upward trend since 2020, with a six percentage points increase on 2021 and a twelve percentage points increase on 2020, when the lowest figure since the survey began was reported. The trend is in line with pre-coronavirus (COVID-19) trends.

- There was no change in the proportion of SME employers that exported goods or services in 2022 compared with 2021 – 18% did so in both years. However, there is a slight downward trend suggested since 2017 (20% up to 2019, 19% in 2020). It varied by business size, from 16% of micros to 23% of small to 31% of medium-sized SMEs. The majority of exporters sell to customers in European Union countries (80%) and this proportion has varied by just one or two percentage points over the last three years. There was growth suggested in exports to non-EU countries however, with 72% of exporters selling to customers in non-EU countries in 2022 compared with 67% in 2019, 68% in 2020 and 70% in 2021. In the next few years 56% of exporters expect to increase their level of exporting, which represents a significant increase on 2021 (up 11 percentage points), although there was an increase in 2022 in the proportion of SME employers that export that have had some years without overseas sales (31% - up six percentage points on 2021).
- Three-quarters of SME employers (75%) were using some form of external finance at the time of the survey. This compared with 74% in 2021, 72% in 2020, and 63% in 2019. Government or local grants or schemes or loans from financial institutions directly related to coronavirus measures were still a factor for around a fifth of SME employers. Use of 'alternative' finance, which includes equity finance, factoring and peer-to-peer platform loans has remained at a similar level over the last three years (9% in 2020, 7% in 2021 and 8% in 2022), but was more common in small and medium-sized businesses (14% and 22% respectively) and more widely used than average by SME employers in manufacturing and administration sectors (both 13%). SME employers were more likely to have sought external finance in 2022 than in 2021 (11% compared with 8%), thus reversing the decline between 2020 and 2021.
- Fewer SME employers use technologies or web-based software to manage the business over the last 12 months than in the last two years (43% used it to manage the business, compared with 50% in 2021 and 49% in 2020), although there has been little change in its use to sell to customers online (23%, as in 2021 and just one percentage point lower than in 2020).
- There was a slight increase in the propensity of SME employers to innovate – introduce new and improved processes, goods or services – with 21% innovating processes, 15% innovating goods and 25% innovating services in 2022 (19%, 14% and 26% respectively in 2021).
- In 2022 the main reported obstacle to growth for SME employers was the level of energy prices (60%). Competition and taxation were the next most frequently mentioned obstacles (both 41%), followed by staff recruitment and skills (40%). Other major obstacles included regulations and red tape (39%), the UK's exit from the EU (32%), other issues (not related to energy prices) related to costs (32%) and late payment (29%), while the coronavirus (COVID-19) pandemic remained a relatively significant concern in 2022 (33%).
- Compared with 2021 there was no change in the level of concern among SME employers that cited the UK's exit from the EU as a major obstacle regarding an increase in the cost of EU imports (69%, as in 2021 - up 36 percentage points on 2020).

- Among those with plans to undertake specific growth-related activities, the impact of the UK's exit from EU has lessened compared with that which was reported in 2021 and 2020. Businesses with plans to increase export sales or begin selling to new overseas markets were most likely to have reported that these plans had been affected by the UK's exit from the EU (35%).
- More than half of SME employers (55%) with plans aimed at growing their business reported impacts from rising costs, with around a third citing uncertainty relating to cost increases or expectations of (further) cost increases as issues (37% and 31% respectively). Rising costs were most likely to have affected plans for capital investment in the UK (39% of those with these plans that cite an impact), staff recruitment (37%) and developing and launching new products/services (35%).
- There was a decrease in home-based businesses in 2022 compared with 2021 (24%, compared with 29%), but it was still above the level seen in 2020 (20%).
- 18 per cent of SME employers were women-led (19% in 2021, 16% in 2020). The sectors most likely to have women-led businesses were health, education, other services and accommodation and food.
- 6 per cent of SME employers were led by a management team with at least half of its members from minority ethnic groups (MEG-led). There has been little change since 2015.

What you need to know about these statistics

The Longitudinal Small Business Survey (LSBS) is a 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 summarises key findings from the 2022 survey (Year 8). It focuses on those businesses with between 1 and 249 employees ('SME employers'), with a separate report on businesses without employees. 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 micro businesses 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 (SME employers and businesses with no employees) each year – 620 businesses have taken part in all eight years of the survey so far ('panellists'), and another 5,291 businesses in 2022 had taken part in at least one previous survey. In addition, there were 3,613 businesses new to the survey ('top-ups'). The overall LSBS sample in 2022 was 9,524, including 7,742 SME employers, of which 24 were large employers (250+ employees) and are not included in the sample of 7,718 SME employers that this report is based on.

Throughout the report, where figures sum to less than 100% when you expect them to sum to 100% (because they cover all possibilities) the shortfall will be due to businesses saying they did not know the answer, 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

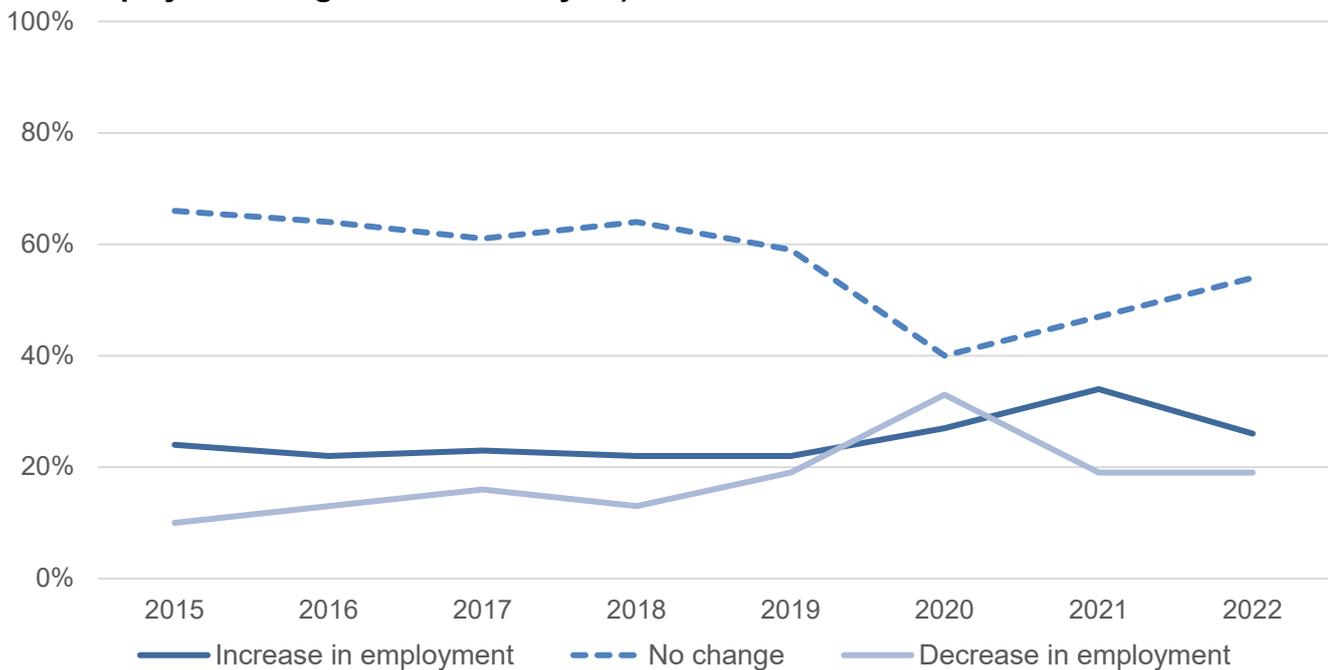
In the [data tables](#) accompanying this publication, table 33 shows how many employees businesses had on their payrolls 12 months ago across all UK sites and table 34 shows how the size of the workforce has changed over the last 12 months.

In 2022, 26% of SME employers employed more people than a year previously, a lower proportion than in 2021 (down eight percentage points) but in line with 2020 (down one percentage point) and higher than in 2019 (up four percentage points).

19% reported a decrease in employment, the same proportion as in 2021, which was a lower proportion than in 2020 (a reduction of 14 percentage points), and on a par with 2019.

54% stated they had made no change, a higher proportion than in 2021 (up seven percentage points) and 2020 (up 14 percentage points), but lower than in 2019 (a reduction of five percentage points).

Figure 1: Change in employment compared to 12 months previously (2015 to 2022¹; based on all SME employers trading for at least one year)



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 datasets were not compatible. Between 2018 and 2022, as in 2015 and before, the 'perceived' change in employment question was asked of all respondents.

Looking at micro businesses, compared with a year ago, 23% had increased employee numbers², 18% had fewer employees, and 58% had approximately the same number. For small businesses, 39% had more employees, 25% had fewer, and 36% had the same. For medium-sized businesses, 52% had more employees, 19% had fewer and 28% had the same number.

By sector³, those in health (31%), administrative services (30%) and education (29%) were the most likely to have increased employee numbers. Those in accommodation and food (24%) and education (24%) were more likely than average to have reduced employee numbers.

In England, 26% of SME employers had more employees (a decrease of eight percentage points from 2021), 20% had fewer (as in 2021, which was down 14 percentage points on 2020), and 54% had the same number (up eight percentage points on 2021). In Scotland, 29% reported more employees (down one percentage point on 2021), 18% fewer (as in 2021, which was down 11 percentage points on 2020) and 53% the same as 12 months ago (up one percentage point on 2021). In both Wales and Northern Ireland, 28% of SME employers had increased the number of employees (down three percentage points in Wales and down four percentage points in Northern Ireland), 19% had fewer (up two percentage points and up three percentage points respectively) and 53% the same as 12 months ago (up one percentage point in both nations).

In the [data tables](#) accompanying this publication, table 35 shows the extent to which SME employers considered the coronavirus (COVID-19) pandemic a factor in the reduction of staff

When SME employers that reported fewer employees this year compared with last were asked if the coronavirus (COVID-19) pandemic had been a factor in the reduction of staff, 25% perceived the pandemic being the main factor (a reduction of seven percentage points on 2021 and 18 percentage points on 2020), with a further 35% stating it to be one of many factors (an increase of 13 percentage points on 2021 and 20 percentage points on 2020).

Expectations for employment growth

In the [data tables](#) accompanying this publication, table 37 shows how many employees the business expects to have on the payroll in 12 months' time.

Looking ahead, 26% of SME employers expected to employ more people in a year's time (down four percentage points on 2021, but the same as in 2020), 62% expected to employ the same number (as in 2021) and 11% expected to employ fewer people (an increase of three percentage points on 2021 and one percentage point on 2020).

By size, 23% of micro businesses expected to increase the number of employees, compared to 41% of small businesses and 50% of medium-sized businesses. The percentages expecting to have decreased employment did not vary greatly by size, although micro businesses were more likely than small and medium-sized businesses to expect a reduction in the number of employees (11%, compared with 8% of small and 9% of medium-sized businesses).

By sector, expectations for employment growth were most likely in administration (34%), information and communication (34%) and health (33%). Those in administration were also more likely than average to think employment levels would decline (12%), with similar

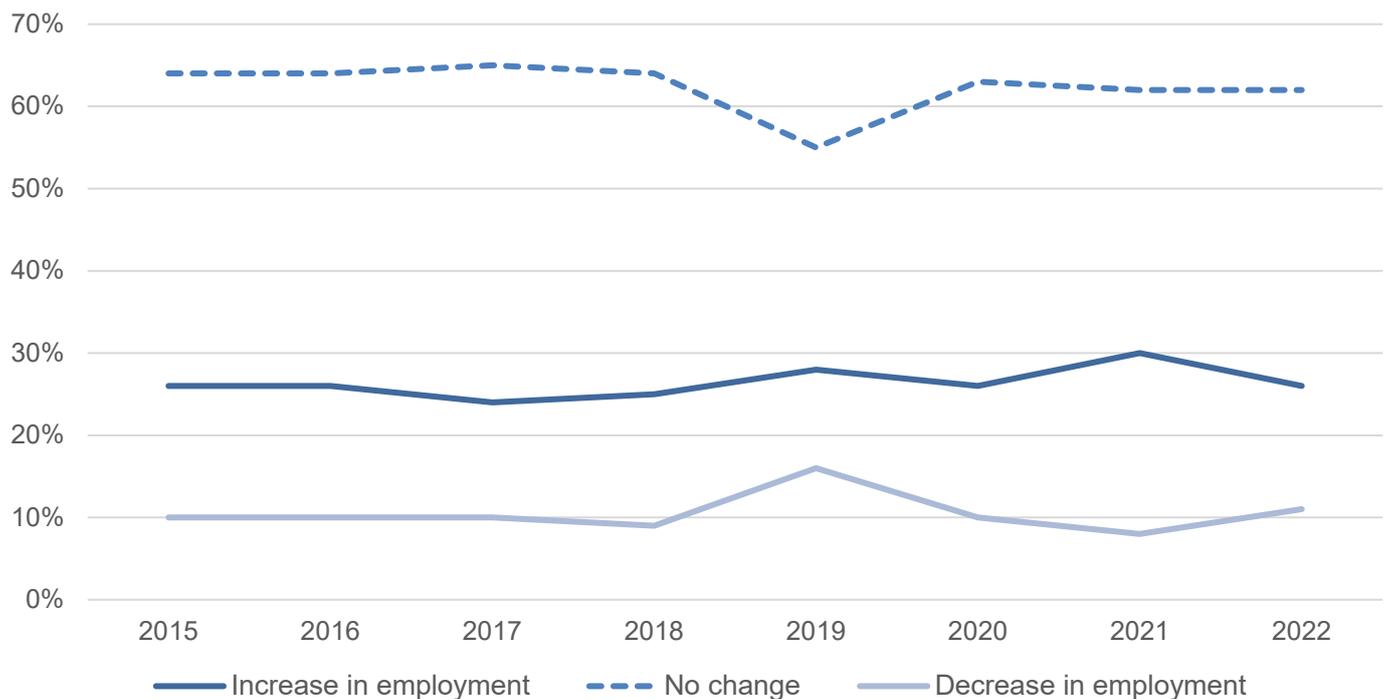
² Businesses with between one and nine employees are classified as 'micro' businesses, those with between ten and 49 employees are classified as 'small' businesses, and those with between 50 and 249 employees are called 'medium-sized' businesses. These definitions exclude owners and partners but include casual or temporary staff.

³ See notes section for further definitions of sector.

proportions in the education sector and arts and entertainment expecting a decline (both 12%). The sectors in which SME employers were more likely than average to expect no change included arts and entertainment (72%), other services (69%) and finance and real estate (68%).

By nation, SME employers in Wales (29%) and Northern Ireland (29%) were more confident that employment numbers would increase than those in Scotland (27%) and England (26%).

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



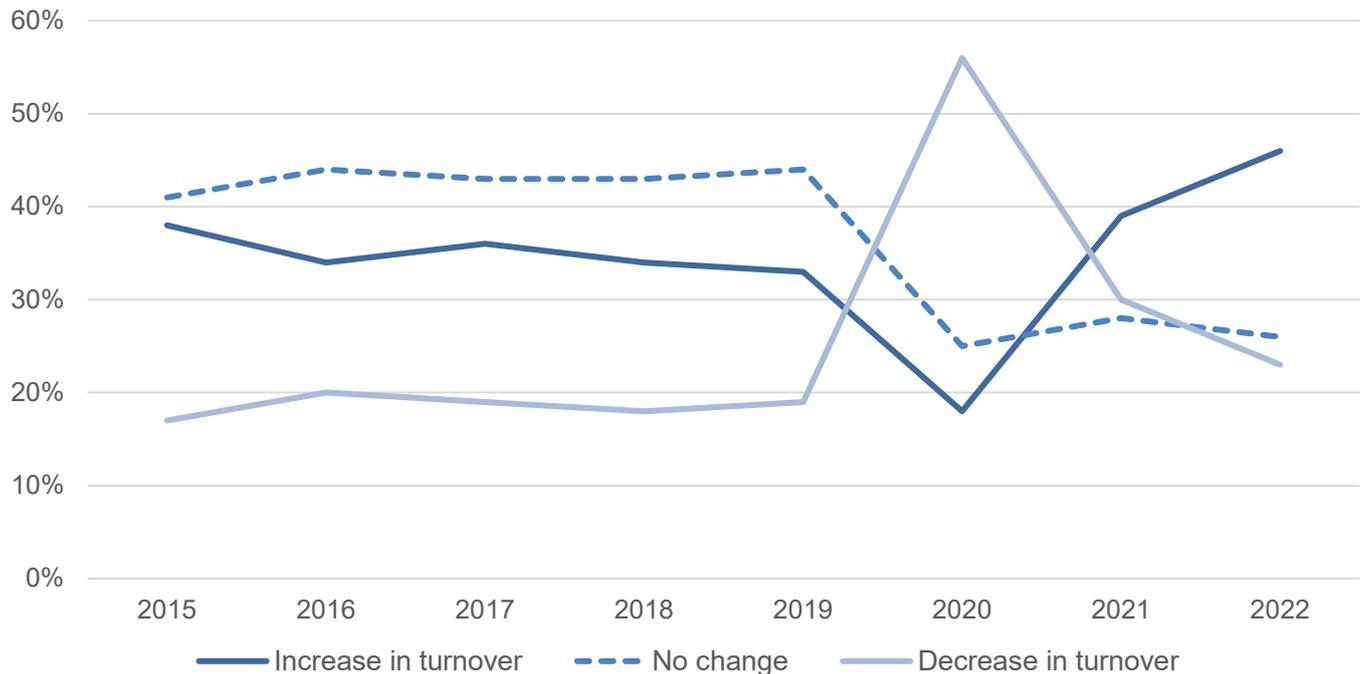
Changes in levels of turnover

In the [data tables](#) accompanying this publication, table 114 shows the change in turnover compared with 12 months ago.

Compared with the previous two years, a significantly higher proportion of SME employers reported turnover growth over the previous 12 months (46%, seven percentage points higher than in 2021 and 28 percentage points higher than in 2020). In 2022 businesses are still seeing significant improvements in turnover, following difficult trading conditions due to the coronavirus pandemic in 2020, which continued into 2021 (when some businesses paused trading). Fewer SME employers than in 2020 reported a decrease in turnover (23%, down seven percentage points from 2021 and 33 percentage points lower than in 2020). The proportion of SME employers that reported the same level of turnover compared with 12 months previously was higher than in 2020 (26%, two percentage points lower than in 2021 and one percentage point higher than in 2020).

Micro and small businesses were more likely than medium-sized businesses to have experienced a decrease in turnover in the last 12 months (24%, 18% and 16% respectively). The corresponding figures reporting an increase were 45%, 52% and 60% respectively.

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



The sectors most likely to report turnover growth were accommodation and food (53%), administration (53%) and arts and entertainment (50%), while those most likely to report a fall in turnover were education (30%) and information and communication (27%).

By nation, SME employers in Wales (51%) and Northern Ireland (50%) were more likely to have reported a growth in turnover than those in England and Scotland (both 46%). Those in England and Scotland were more likely to report a fall in turnover (both 23%) than those in Northern Ireland (19%) and Wales (15%).

Expectations of turnover in 12 months' time

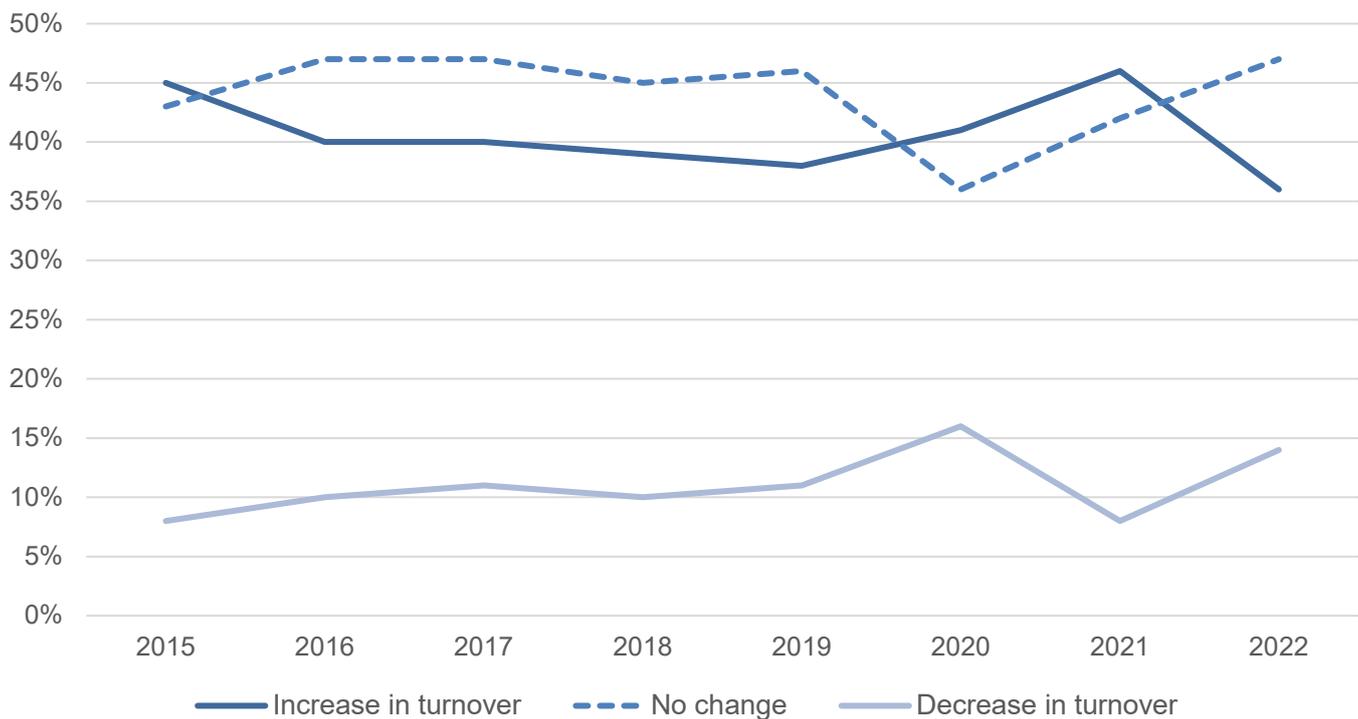
In the [data tables](#) accompanying this publication, table 118 shows the expected change in turnover in 12 months' time.

Expectations of turnover increasing in 12 months' time have reduced by ten percentage points compared with those reported in 2021 (36%, compared with 46%). Most of the remaining SME employers expected turnover to stay the same over the next 12 months (47% - a five percentage point increase on 2021 and an 11 percentage points increase on 2020), while a higher proportion of SME employers than in 2021 expected turnover to decrease (14% - a six percentage points increase on 2021).

By size, 33% of micro businesses expected turnover to increase, compared with 44% of small businesses and 54% of medium-sized ones.

The sectors most likely to think that turnover would increase were information and communication (45%) and administration (43%).

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



By nation, there was little variation, with 38% of those Northern Ireland, 36% of those in England, 35% of those in Scotland and 34% of those in Wales expecting turnover to grow.

Profit

In the [data tables](#) accompanying this publication, table 124 shows whether SMEs generated a profit or surplus in the last financial year

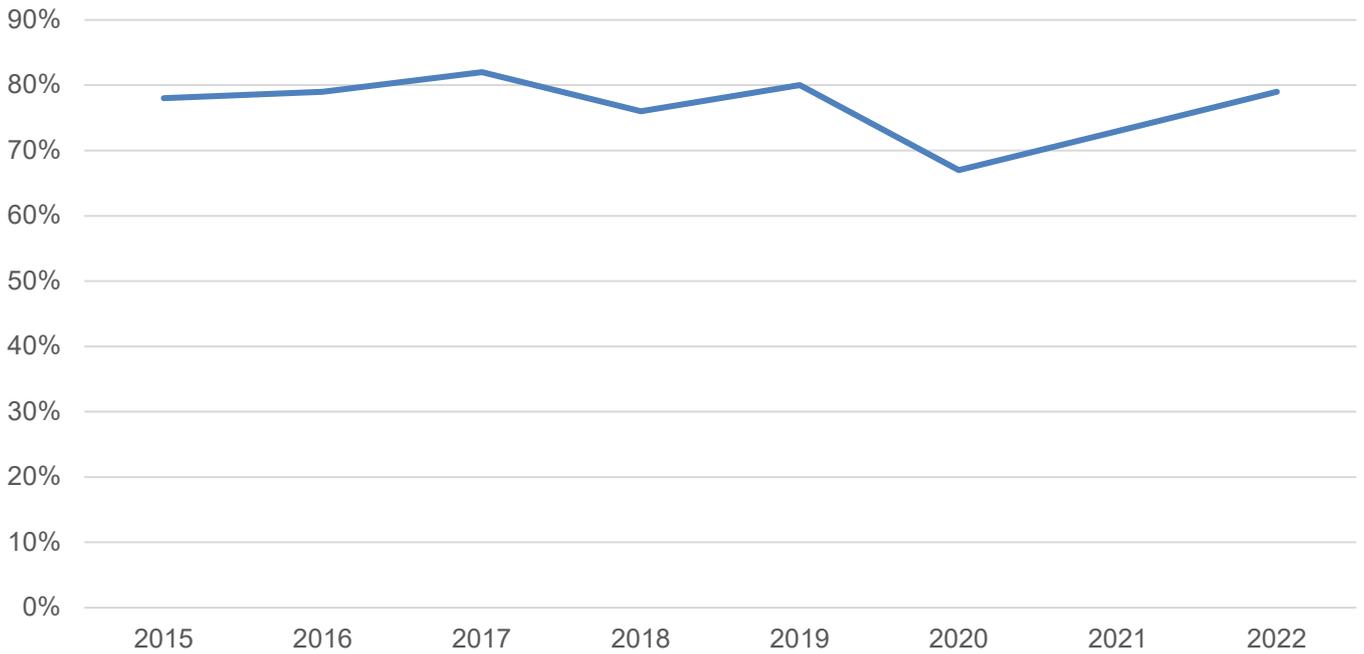
When asked about generating a profit or surplus, 79% of SME employers stated they had done so in their last financial year. This is six percentage points higher than in 2021 and 12 percentage points higher than in 2020.

As reported in previous years, the size of business had little impact on whether a profit or surplus was made; 79% of micros made a profit (up seven percentage points on 2021 and 11 percentage points on 2020), compared with 81% of small businesses (up four percentage points on 2021 and 15 percentage points on 2020) and 83% of medium-sized businesses (up four percentage points on 2021 and 10 percentage points on 2020).

By sector, those most likely to have made a profit or surplus were SME employers in the following sectors; professional and scientific (87%), finance and real estate (85%), information and communications (84%), construction (83%) and primary (82%).

With a relatively high proportion of not-for-profit enterprises among their numbers, the sectors least likely to have made a profit or surplus were other services (63%) and health (62%).

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



By nation, 82% of SMEs have made a profit or surplus in Northern Ireland and Scotland (an increase of five and eight percentage points compared to 2021 respectively), compared with 79% in England (a six percentage points increase), and 77% in Wales (two percentage points increase).

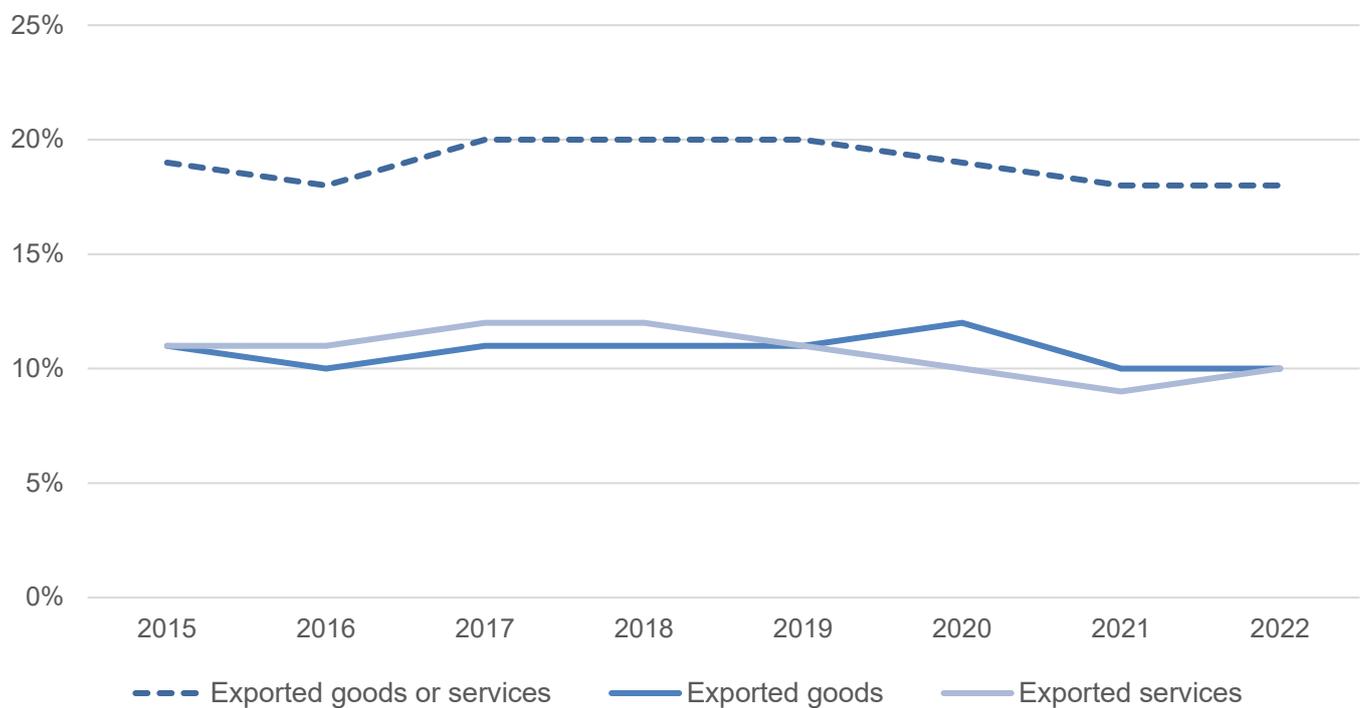
Exporting

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

In the [data tables](#) accompanying this publication, tables 38 to 49 show whether businesses exported goods or services, and the extent to which exports contribute to total sales

Overall, 18% of SME employers exported goods or services in the last year. This is the same proportion as in 2021 and compares with 19% in 2020, and 20% between 2017 and 2019.

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



By sector, similarly to previous years, exporters were most likely in manufacturing (46%, a one percentage point increase on 2021 and down three percentage points on 2020), information and communication (42%, up three percentage points on 2021 and down one percentage point on 2020), professional and scientific (28%, down two percentage points on 2021 and down one percentage point on 2020), and retail and wholesale (26%, up one percentage point on 2021 and down three percentage points on 2020).

The sectors least likely to have exported were health (1%), accommodation and food service (2%), construction (4%) and other services (5%). Administration (15%), arts and entertainment (10%), primary sectors (10%), and finance and real estate (9%) were also less likely than average to export.

By employment size band, 16% of micro businesses were exporters, compared with 23% of small businesses and 31% of medium-sized businesses. These figures were similar to those reported in 2021 (16%, 23% and 29% respectively).

By nation, the highest proportion of exporters was found in Northern Ireland (31%, down two percentage points on 2021). This is consistent with the [National Survey of Registered Businesses](#) where a higher proportion of Northern Ireland businesses exported to Ireland. The proportion of exporters was lower than average in Wales (14%, up one percentage point on 2021) and Scotland (13%, down three percentage points), while England reflected the average (18%, up one percentage point).

Of all SME employers, 10% exported services and 10% exported goods (up one percentage point and the same proportion as in 2021 respectively). Services exporters were most likely to be in the information and communications (36%, up four percentage points on 2021) and professional and scientific (25%, down one percentage point on 2021) sectors. Goods exporters were most likely to be in the manufacturing (45%, up three percentage points on 2021), and wholesale and retail sector (24%, as in 2021).

Exports accounted for less than a quarter of turnover for 61% of exporters, between a quarter and half for 11%, between half and three-quarters for 9% and over three-quarters for a further 11%⁴. This is broadly in line with 2020 and 2021.

When focusing specifically on exports to the EU, exports accounted for less than a quarter of turnover for 80% of all EU exporters (equivalent to 64% of all exporters), between a quarter and half for 9%, between half and three-quarters for 4%, and over three-quarters for a further 4%⁵. This is broadly in line with 2020 and 2021.

Destinations of exports

In the [data tables](#) accompanying this publication, tables 45 and 46 show the destination of exported goods or services

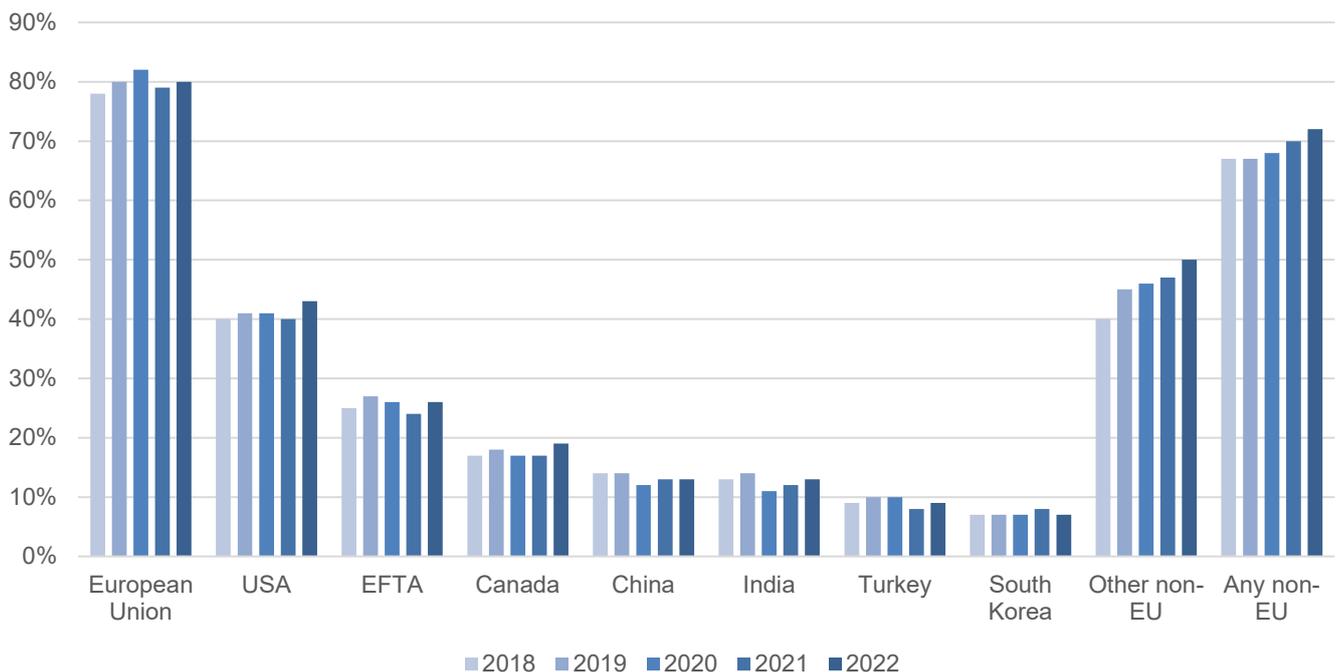
Of UK SME employers that exported in the last year, 80% exported to European Union countries (up one percentage point on 2021 and down two percentage points on 2020) and 72% exported outside the EU (including to EFTA countries⁶), which was up two percentage points on 2021 and four percentage points up on 2020.

⁴ 8% did not know

⁵ 3% did not know

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

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



In terms of exports to non-EU markets, the USA was the most common, with 43% of exporters selling goods or services there, 26% sold to EFTA countries, 19% to Canada, 13% to China, 13% to India, 9% to Turkey, 7% to South Korea, and 50% to the rest of the world.

Overall, 82% cent of exporters sold to either EU or EFTA countries, and 72% to countries outside the EU and EFTA.

Plans to increase levels of exports, start exporting and intermittent exporting (Cohort C)

In the [data tables](#) accompanying this publication, tables 3, 7, 8 and 9 (cohort C) show plans to increase, or to start, exporting goods or services in the next few years

Of those UK SME employers that exported in the last year, 56% reported planning to increase their level of exports over the next few years (up 11 percentage points on 2021).

By employment size, there was little variation; 56% of micro businesses expected to increase their levels of exports, compared with 58% of small and 59% of medium-sized businesses.

Of those UK SME employers that did not export in the last year but have a product or service that is suitable for export, 24% reported planning to start exporting over the next few years (10% in the next 12 months; 14% further into the future). This equates to 3% of all UK SME employers. However, 68% of all UK SME employers reported that they did not have a product or service suitable for export.

Of SME employers that have exported for two years or longer, 68% have had overseas sales every year since they started exporting (a decrease of five percentage points on 2021). Some 31% have had some years without overseas sales (up six percentage points).

Purchases of goods or services from outside the UK in the last year (Cohort A)

In the [data tables](#) accompanying this publication, table 2 shows whether they directly imported goods or services

Overall, 23% of SME employers directly imported goods or services in the last year – 19% from suppliers based in the EU; 14% from suppliers based in non-EU countries. This compares with 21% in 2021 (18% from the EU and 11% from non-EU countries); 24% in 2020 (20% from the EU; 13% from non-EU countries); and 22% in 2019 (19% from the EU; 12% from non-EU countries).

Access to finance

Types of external finance currently used

In the [data tables](#) accompanying this publication, table 59 shows the types of external finance currently being used.

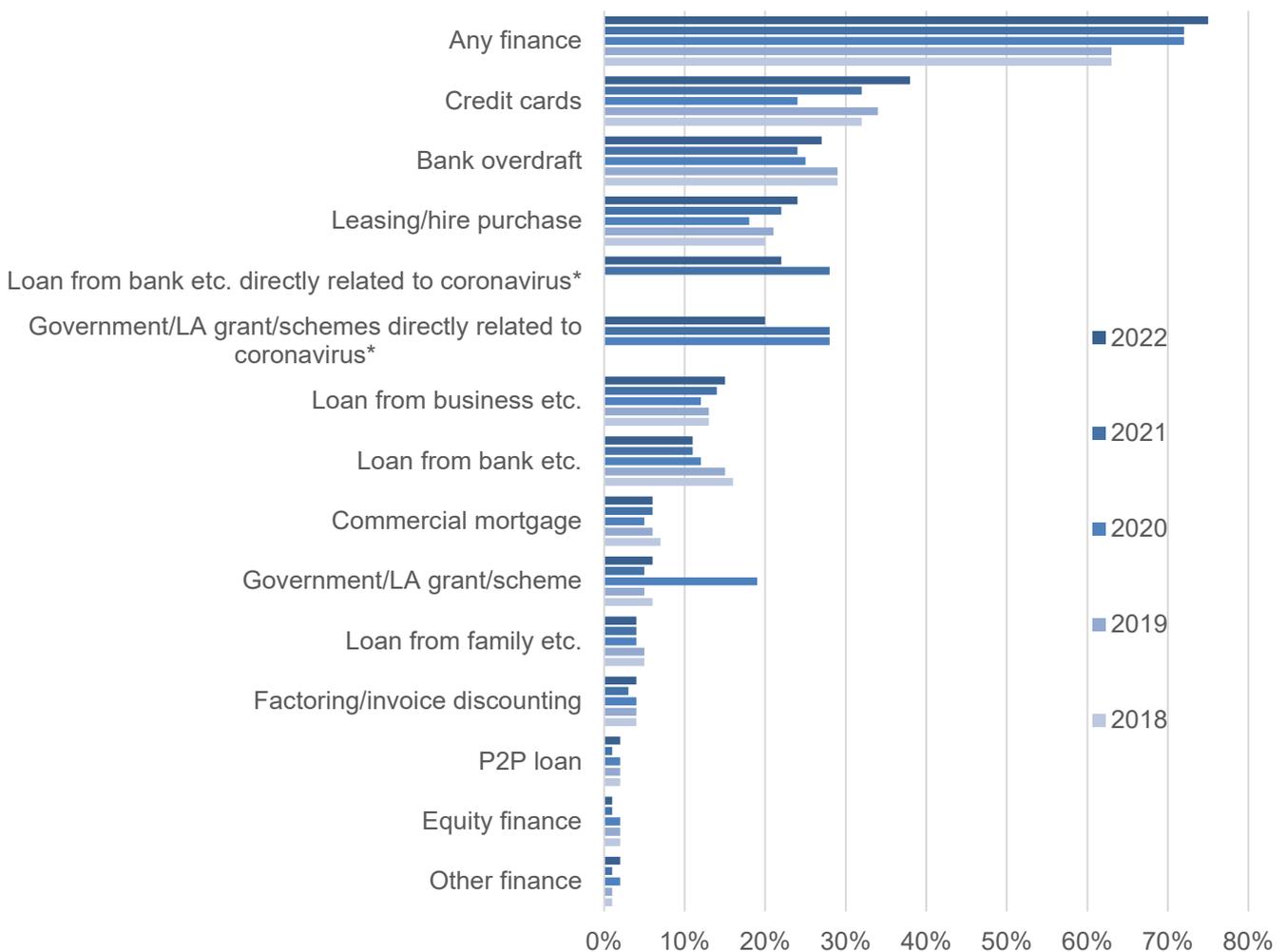
Overall, 75% of SME employers were using some form of external finance at the time of the 2022 LSBS interviewing. This was three percentage points higher than in 2021 and 2020, and 12 percentage points higher than in 2019, possibly due to recovery from coronavirus (COVID-19) pandemic.

By employment size, 73% of micro firms used finance (up one percentage point on 2021, two percentage points on 2020 and 12 percentage points on 2019), compared with 83% of small businesses (as in 2021, while up four percentage points on 2020 and 11 percentage points on 2019) and 89% of medium-sized businesses (up three percentage points up on 2021, up 11 percentage points on 2020 and 13 percentage points on 2019).

In terms of forms of external finance being used, government or local authority grants or schemes directly related to coronavirus measures remain relatively significant although the proportions of SME employers using this form of external finance in 2022 has fallen to 20% from 28% in both 2021 and 2020. Similarly, fewer SME employers are using loans from a bank, building society or other financial institution directly related to coronavirus in 2022 compared with 2021 and 2020 (22%, compared to 28% in previous years).

The most used form of external finance in 2022, as it was in 2021 and prior to 2020, was credit cards (38%, an increase of six percentage points on 2021, up 14 percentage points on 2020). Next most used were bank overdrafts (27%, up three percentage points on 2021 and two percentage points on 2020), and leasing or hire purchase (24%, up two percentage points on 2021 and up six percentage points on 2020). Government or local authority grants or schemes not directly related to coronavirus were being used by 6% of SME employers (up one percentage point on 2021 and down 13 percentage points compared to 2020), with loans from a bank, building society or other financial institution not directly related to coronavirus more common than non-coronavirus grants (11%, as in 2021 but down one percentage point on 2020).

Figure 8: Forms of external finance currently used by SME employers - percentages



* second year as a prompted response option. 'Loan from bank etc. directly related to coronavirus' was spontaneously mentioned by less than half a percent in 2020

The propensity for use of multiple types of finance to increase with SME size was in evidence again in 2022, as it was in previous years. The exception to this were bank overdrafts, Government or local authority grants and loans from a bank, building society or other financial institution directly related to coronavirus, and loans from peers or business partners/directors/owners, or family/friends.

By nation, 79% of SME employers in Wales used some form of external finance (down one percentage point on 2021 but down four percentage points on 2020), compared with 77% in Northern Ireland (down one percentage point on 2021 but up 10 percentage points on 2020), 75% in Scotland (down three percentage points on 2021, but back to the 2020 level) and 75% in England (up one percentage point on 2021 and up three percentage points on 2020).

By sector, SME employers in primary sectors (87%), transport and storage (83%), manufacturing (81%) and administration (80%) were most likely to use external finance. Construction (79%) was also more likely than average to use finance. Use of finance was below average in finance and real estate (65%), health (66), education (68%), other services (68%), accommodation and food services (71%), arts and entertainment (71%), information and communication (73%) and professional and scientific activities (74%).

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

- *government grants directly related to coronavirus* were most used in arts and entertainment (27%) and accommodation and food (26%), with lowest levels of these grants in education (10%) and finance and real estate (12%)
- *government grants other than those related to coronavirus* were most used in health (23%), education (20%) and primary (17%), and least likely to be used in finance and real estate (1%)
- *bank overdrafts* were particularly likely to be used in primary (48%), manufacturing (35%), construction (32%), wholesale and retail (29%) and administration (29%)
- *credit cards* were most likely to be used in manufacturing (46%), primary (44%), construction (44%), transport and storage (43%) and information and communication (42%)
- *leasing/hire purchase* was used most within primary (42%), transport and storage (39%), manufacturing (33%) and construction (33%)
- *bank loans directly related to coronavirus* were most likely to be used in accommodation and food (29%), manufacturing (26%) and construction (25%)
- *bank loans not related to coronavirus* were most common within primary (26%)
- *factoring/invoice discounting* was most used in manufacturing (10%) and transport and logistics (6%)
- *Business partner/directors/owner's loans* were most used in primary sectors (22%) and information and communication (20%) and least used in other services (4%) and health (5%)
- *Loan from family/friend* were most used in accommodation and food (8%)
- *Commercial mortgages* were most used in primary sectors (18%) and accommodation and food (11%)

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 8% of SME employers (up one percentage point on 2021 and down one percentage point on 2020).

By employment size, 6% of micro businesses used alternative finance, compared with 14% of small businesses and 22% of medium-sized businesses. Alternative finance was most likely to be used in manufacturing and administration sectors (both 13%).

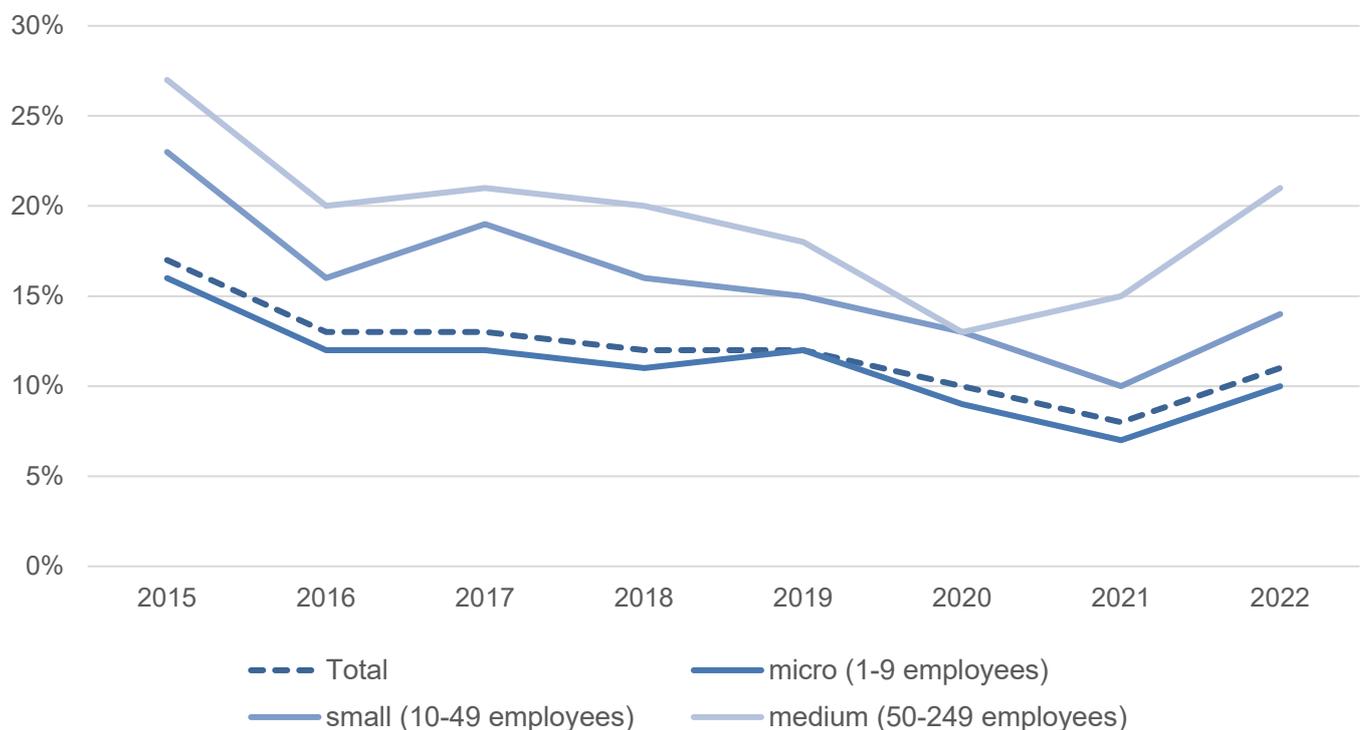
⁷ In this instance, alternative finance refers to equity, factoring/invoice discounting, peer-to-peer (P2P) loans and some forms of 'other finance'.

Whether sought external finance in the last 12 months

In the [data tables](#) accompanying this publication, table 61 shows whether the business tried to obtain external finance in the past 12 months.

In 2022, 11% of SME employers had sought external finance in the preceding 12 months; three percentage points higher than reported in 2021, one percentage point higher than 2020 and one percentage point lower than in 2019.

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

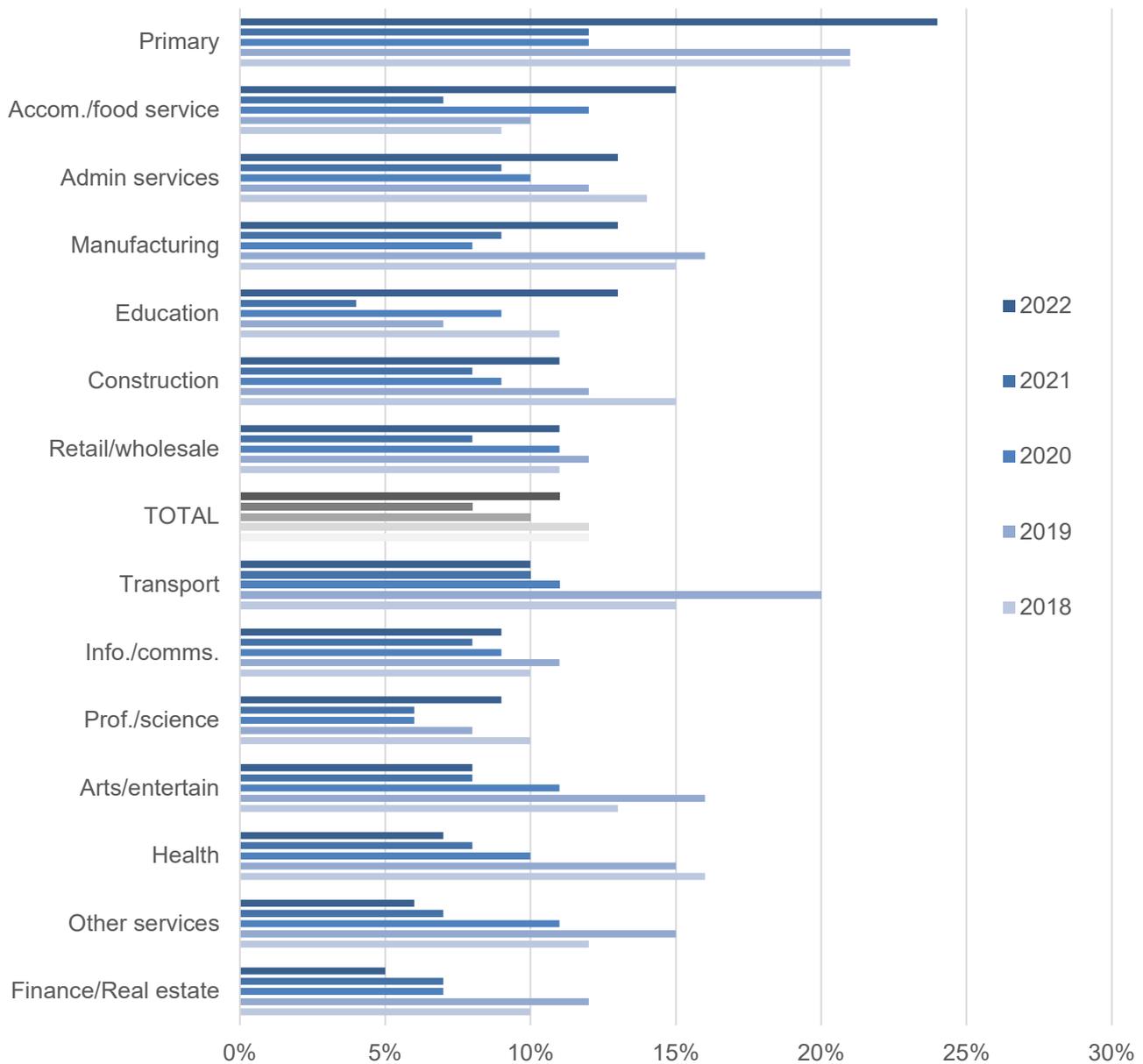


The propensity to have sought external finance increased with business size, from 10% of micro businesses to 14% of small and 21% of medium-sized businesses. Compared with 2021, there has been an increase in SME employers seeking finance in the previous 12 months across all size bands, with an increase of three percentage points among micro businesses, four percentage points among small businesses and six percentage points among medium-sized businesses.

By nation, 15% of SME employers in Scotland and 13% in Wales sought finance in the preceding 12 months, compared with 11% in England and 10% in Northern Ireland.

SME employers in the primary (24%), accommodation and food services (15%), administration (13%) and education (13%) sectors were most likely to have applied for finance in the last year.

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



Compared to 2021, SME applications for finance increased in primary sectors (24%, an increase of 12 percentage points), accommodation and food services (15%, an increase of eight percentage points), education (13%, up nine percentage points), and increased by four percentage points in each of administration (13%), manufacturing (13%) and three percentage points in construction (11%), retail and wholesale (11%) and professional and scientific (9%) sectors. Applications declined in finance/real estate (5%, down two percentage points), and remained at similar levels (within one percentage point) in remaining sectors.

Of those SME employers that sought finance, seven per cent sought it once in the previous 12 months, and four per cent sought it more than once. SME employers in primary sectors (17% and education (11%) were most likely to have sought it just once.

Type of external finance sought

In the [data tables](#) accompanying this publication, tables 63 and 69 shows the types and amount of external finance sought in the last 12 months,

The types of external finance that were sought in the previous 12 months were as follows⁸:

- *bank loans* (40%, an increase of six percentage points on 2021)
- *bank overdraft* (39% of those that applied, an increase of five percentage points)
- *leasing/hire purchase* (20%, a decrease of three percentage points)
- *credit cards* (18%, an increase of seven percentage points)
- *loan from family/friend* (13%, an increase of four percentage points)
- *loan from business partner/director* (13%, an increase of four percentage points)
- *government or local authority grant or scheme* (9%, down one percentage point)
- *commercial mortgage* (5%, as in 2021)
- *loan from a Peer to Peer (P2P) platform* (3%, a decrease of one percentage point)
- *factoring/invoice discounting* (3%, a decrease of one percentage point)
- *equity finance* (3%, an increase of one percentage point)

The mean amount of finance sought⁹ was £377,000. This mean was £156,000 for micros, £598,000 for small businesses, and £3.3 million for medium-sized businesses. It should be noted 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 £50,000. This was £35,000 for micros, £100,000 for small businesses, and £375,000 for medium-sized businesses.

By nation, the median amount of finance sought was £50,000 for businesses in England and Scotland, £45,000 for businesses in Wales, and £37,000 for those in Northern Ireland.

⁸ While in 2021 SME employers were asked not to include COVID-19 related finance when thinking about external finance sought, this was not mentioned in 2022 because COVID-19 related finance was no longer being made available to businesses during the period covered by the questioning.

⁹ For those that sought bank overdrafts, this includes the size of the overdraft facility, even if it was not used.

Intentions to apply for external finance in the next three years

In the [data tables](#) accompanying this publication, table 131 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, an increase of two percentage points on 2021, including 9% very likely (two percentage points up on 2021) and 11% fairly likely (as in 2021).

By employment size, 33% of medium-sized businesses said they would be likely to approach external finance providers, compared with 27% of small businesses and 18% of micro businesses (31%, 24% and 17% respectively in 2021).

Trade credit and late payment (cohort A)

In the [data tables](#) accompanying this publication, table 17 (cohort A) shows whether they gave their customers trade credit. Table 20 (cohort A) outlines whether they have a problem with customers paying later than expected business terms.

In 2022, 48% of SME employers reported that they give their customers trade credit. This is unchanged since 2021, and two percentage points lower than in 2020.

Larger SMEs were more likely to give customers trade credit: 61% of medium-sized businesses gave trade credit, compared with 51% of small businesses, and 47% of micro firms.

Whether credit was given varied considerably according to sector, ranging from 81% of SME employers in manufacturing, 76% in transport and storage, 64% in information and communications down to 18% in other services and 16% in accommodation and food.

Late payment was considered a problem by 57% of those that gave trade credit (one percentage point higher than in 2021). This equates to 27% of all SME employers.

By employment size, late payment was more likely to be a problem for small (66%) and medium-sized (62%) than micro (54%) businesses (as proportions of those that gave trade credit).

By sector, late payment was most likely to be considered a problem by those that gave trade credit in health (69%), administration (66%), professional and scientific (63%) and manufacturing (62%) sectors.

Innovation activity

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

In the [data tables](#) accompanying this publication, table 19 (cohort C) shows whether the business has introduced any new or significantly improved processes in the last three years.

It is estimated that 21% of SME employers – two percentage points higher than in 2021, 2020 and 2019 - had innovated processes for producing or supplying goods or services in the last three years.

The proportion was higher for medium-sized businesses (31%) than small (26%) and micro (20%) businesses.

SME employers in manufacturing (37%), information and communication (36%), professional scientific and education (both 33%) were most likely to have introduced new or significantly improved processes.

By nation, the proportion was higher in Scotland (25% - a three percentage points decrease on 2021) and Northern Ireland (25% - a two percentage points decrease) than in England (21% - a three percentage points increase) and Wales (16% - a 11 percentage points decrease).

New or significantly improved goods or services in the last three years

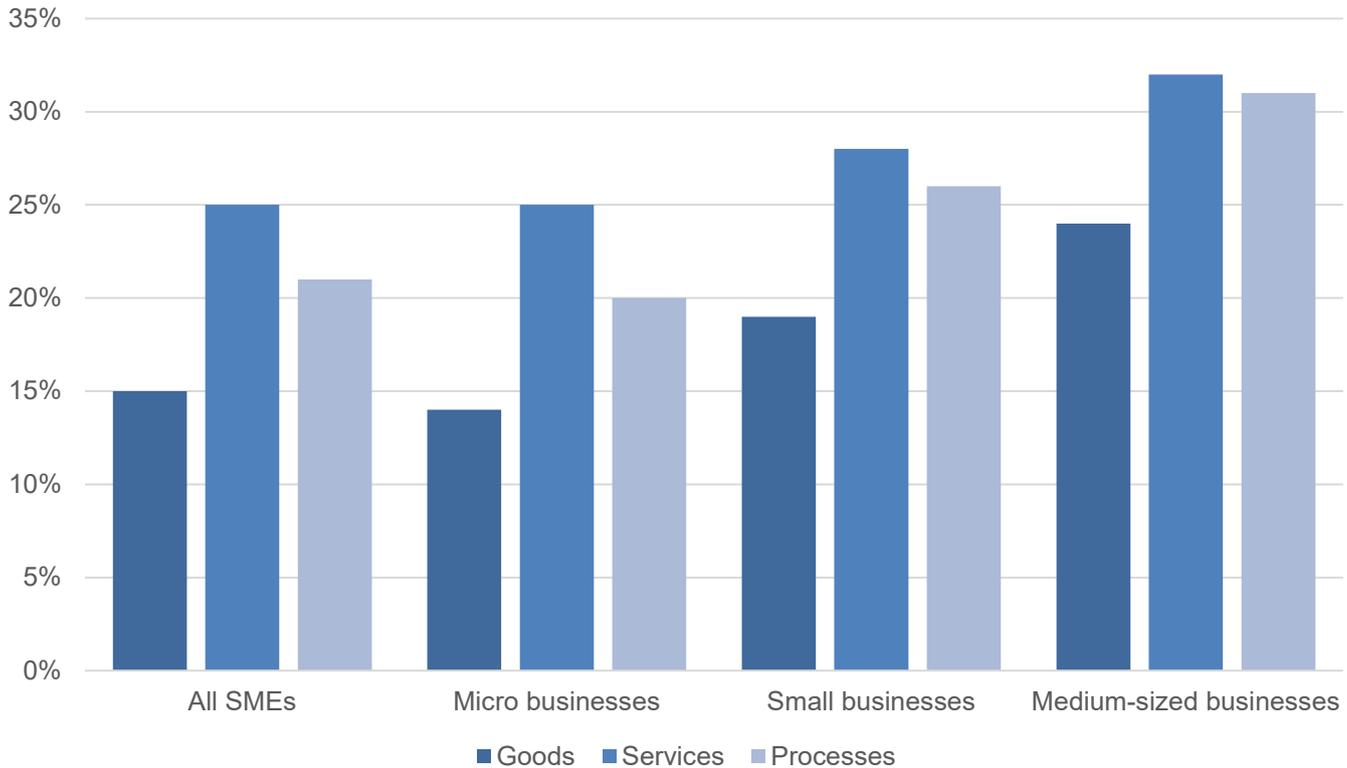
In the [data tables](#) accompanying this publication, tables 79, 80 and 81 show whether the business has introduced any new or significantly improved goods or services in the last three years.

In the last three years, 15% of SME employers had introduced new or significantly improved goods – an increase of one percentage point on 2021. This proportion increased with employment size, from 14% of micro businesses to 19% of small businesses, and to 24% of medium-sized businesses.

The equivalent figure for the introduction of new or significantly improved services was 25% - a one percentage point decrease on 2021. Again, the propensity to have done so increased with employment size: 25% of micro businesses, 28% of small businesses and 32% of medium-sized businesses had innovated in this way.

Overall, 32% of SME employers had innovated goods or services in the last three years, as in 2021, which followed a fall in this activity in 2020 (29% then) from the same proportion as this year in 2019.

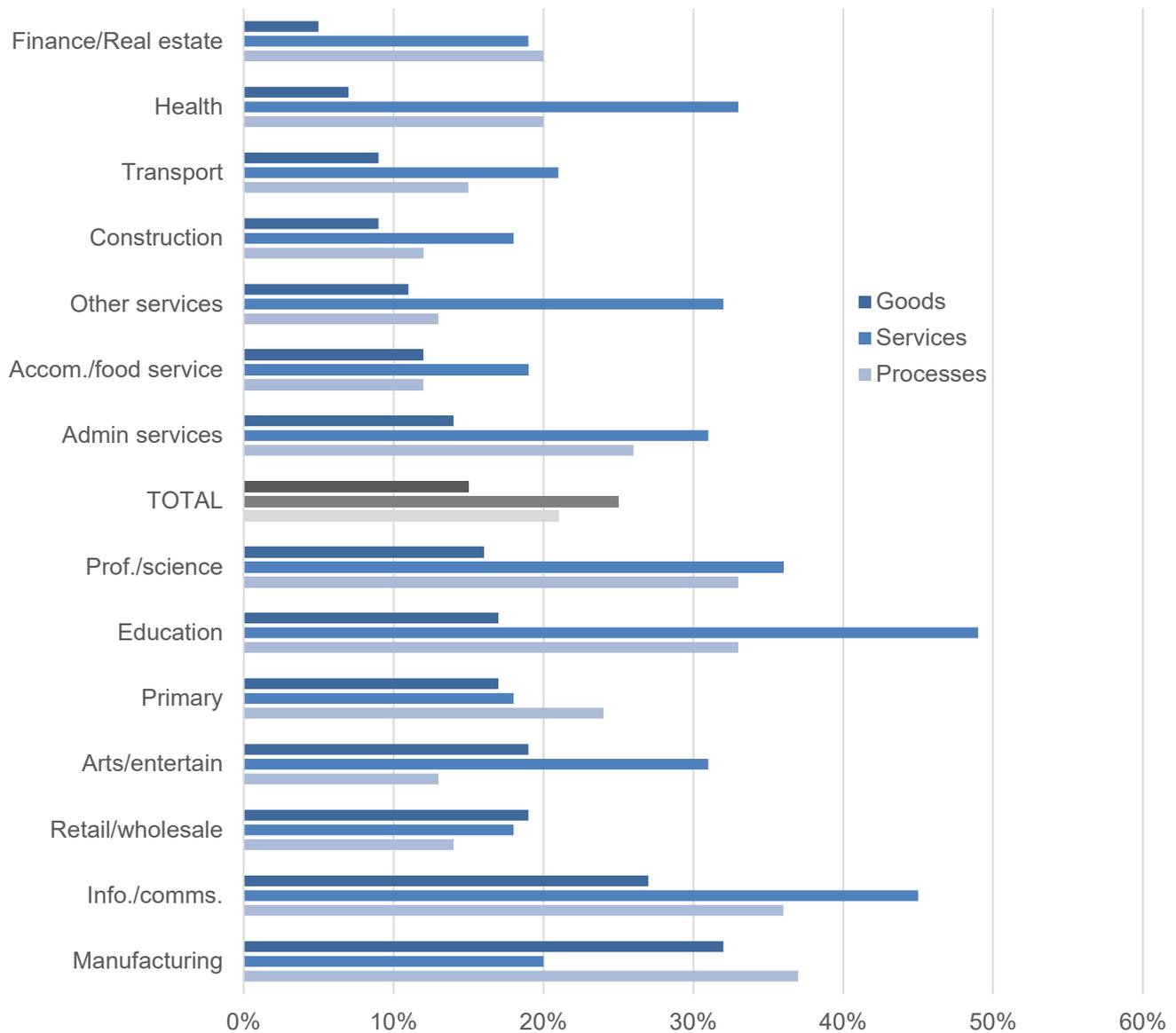
Figure 11: Percentage of SME employers which have introduced new or significantly improved goods, services or processes in the last three years - by size of business



Innovation in respect of goods was similar across nations, 16% in Wales (a one percentage point increase on 2021) and 15% in England and Scotland (a one percentage point increase in each case) but slightly higher at 17% in Northern Ireland (a two percentage points increase).

There was more variation by nation in respect of service innovation which was highest in Scotland (28%, a one percentage point increase on 2021) and lowest in Northern Ireland (22%, a seven percentage points decrease), compared with England (25% - a one percentage point decrease) and Wales (26% - as in 2021).

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



By sector, SME employers in manufacturing (32%) and information and communication (27%) were the most likely to have innovated goods.

Those in education (49%), information and communication (45%), professional scientific (36%), health (33%), other services (32%), administration and arts and entertainment (both 31%) were the most likely to have innovated services.

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

In the [data tables](#) accompanying this publication, table 20 (cohort C) shows if the processes were new to the industry or business

Of those SME employers that had innovated processes in the last three years, these processes were new to the industry for 19% of them, with the remainder introducing processes that were new only to the business (79%). By employment size, medium-sized businesses were more likely than micro and small businesses to have introduced processes that were new to the industry (22%, 20% and 16% respectively).

Compared with 2021, the proportion of SME employers introducing processes that were new to the industry was slightly lower (20% in 2021), but at the same level as 2020.

Goods and services innovations which were new to the market or industry

In the [data tables](#) accompanying this publication, table 82 shows whether the goods or services innovations were new to the market or business

Of those SME employers that had innovated goods and services in the last three years, these were new to the market (or industry) for 31%, with the remainder new only to the business (68%¹⁰). Compared with 2021, the proportion introducing goods and services that were new to the industry increased by two percentage points (five percentage points compared with 2020).

By size, the proportion of SME employers introducing goods and services new to the industry was higher in medium-sized businesses (38%) than in small and micro businesses (both 31%).

Based again on those SME employers innovating new goods and services, these were most likely to be new to the industry in information and communication (51%), manufacturing and construction (both 42%) sectors.

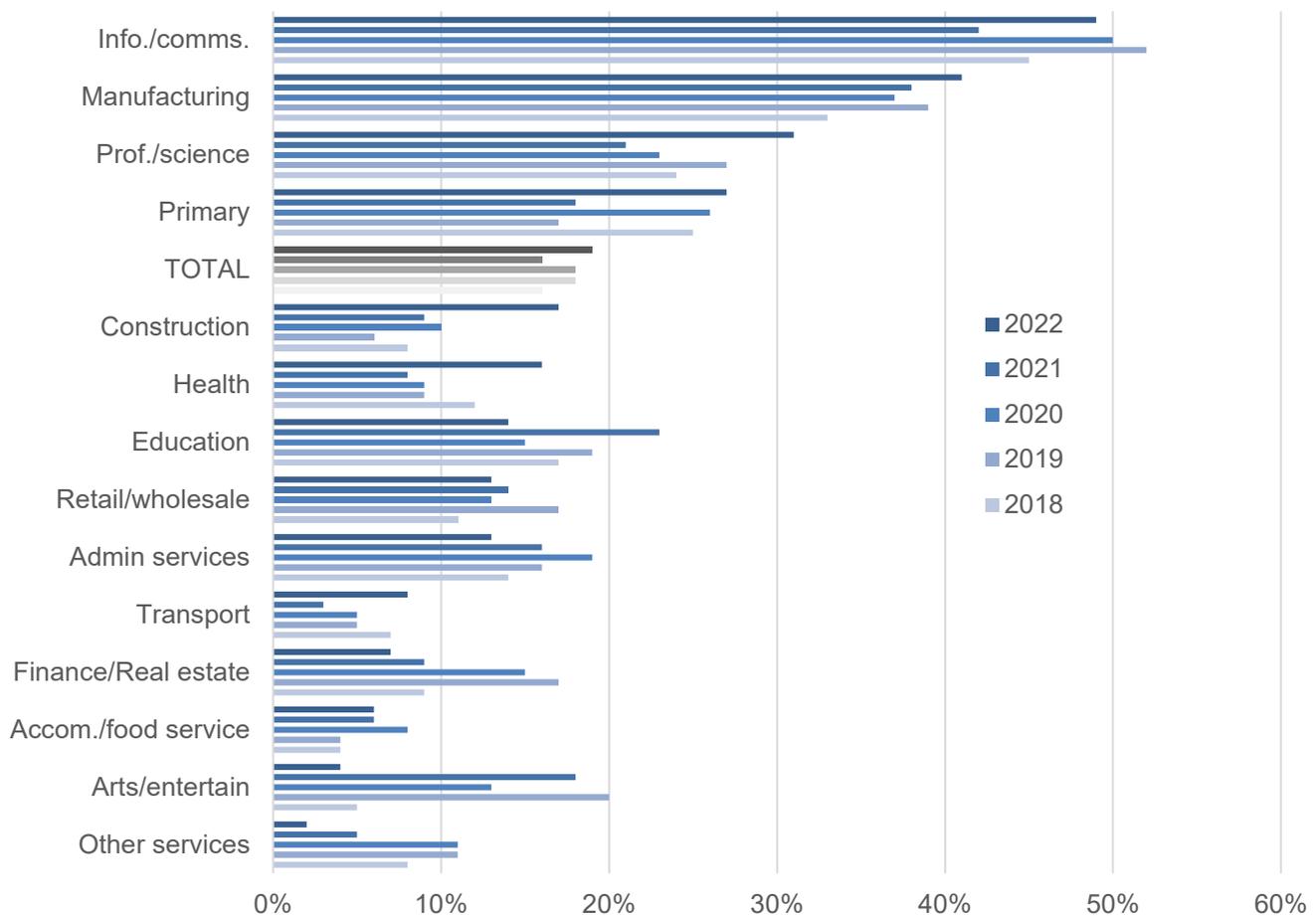
Investment in R&D in the last three years (cohort C)

In the [data tables](#) accompanying this publication, table 21 (cohort C) shows whether the business invested in R&D in the last three years, and table 22 (cohort C) shows how much has been invested. Table 113 in the main tables shows annual turnover for those who invested in R&D in the last three years and was used to calculate the percentage of turnover invested.

Among SME employers 19% had made any investment in R&D in the previous three years (a three percentage points increase compared to 2021). This increased with employment size from 17% of micros to 27% of small businesses to 37% of medium-sized businesses.

¹⁰ 1% were unsure/refused to say

Figure 13: Investment in R&D in the preceding three years by sector and by year - percentages



Investment in R&D was most likely in the information and communications sector (49%) and manufacturing (41%), and more likely than average in professional and scientific (31%) sectors.

When compared with 2021, the professional and scientific sector reported the largest increase (ten percentage points), while the largest decrease was within arts and entertainment (14 percentage points).

Of those investing in R&D, the mean amount spent over the previous three years was £415,000. 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 £30,000. This was £15,000 for micro businesses, £100,000 for small businesses, and £150,000 for medium-sized businesses.

The mean annual sales turnover for SME employers that invested in R&D was just over £2,400,000. The mean amount spent on R&D per year was around £138,000¹¹. Assuming constant sales turnover over three years, this suggests that the average SME employer that invests in R&D spends 6% of its annual turnover on R&D.

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

In the [data tables](#) accompanying this publication, table 23 (cohort C) shows whether the business applied for or received R&D tax credits in the last 3 years

Nine per cent of SME employers had applied for R&D tax credits in the previous three years (two percentage points higher than in 2021). This proportion was higher for medium-sized businesses (24%), than for small businesses (17%) and micro businesses (7%). By sector, applications were most likely in information and communication (28%) and manufacturing (23%).

¹¹ Calculated by dividing the mean amount spent on R&D over three years (£415,000) by three.

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.

In 2022, the most frequently mentioned major obstacle to business success was the level of energy prices (60%¹²). Competition in the market and taxation were joint second (both 41%). There was a three percentage points decrease in SME employers that mentioned competition in the market compared with 2021, but a five percentage points increase in mentions of taxation.

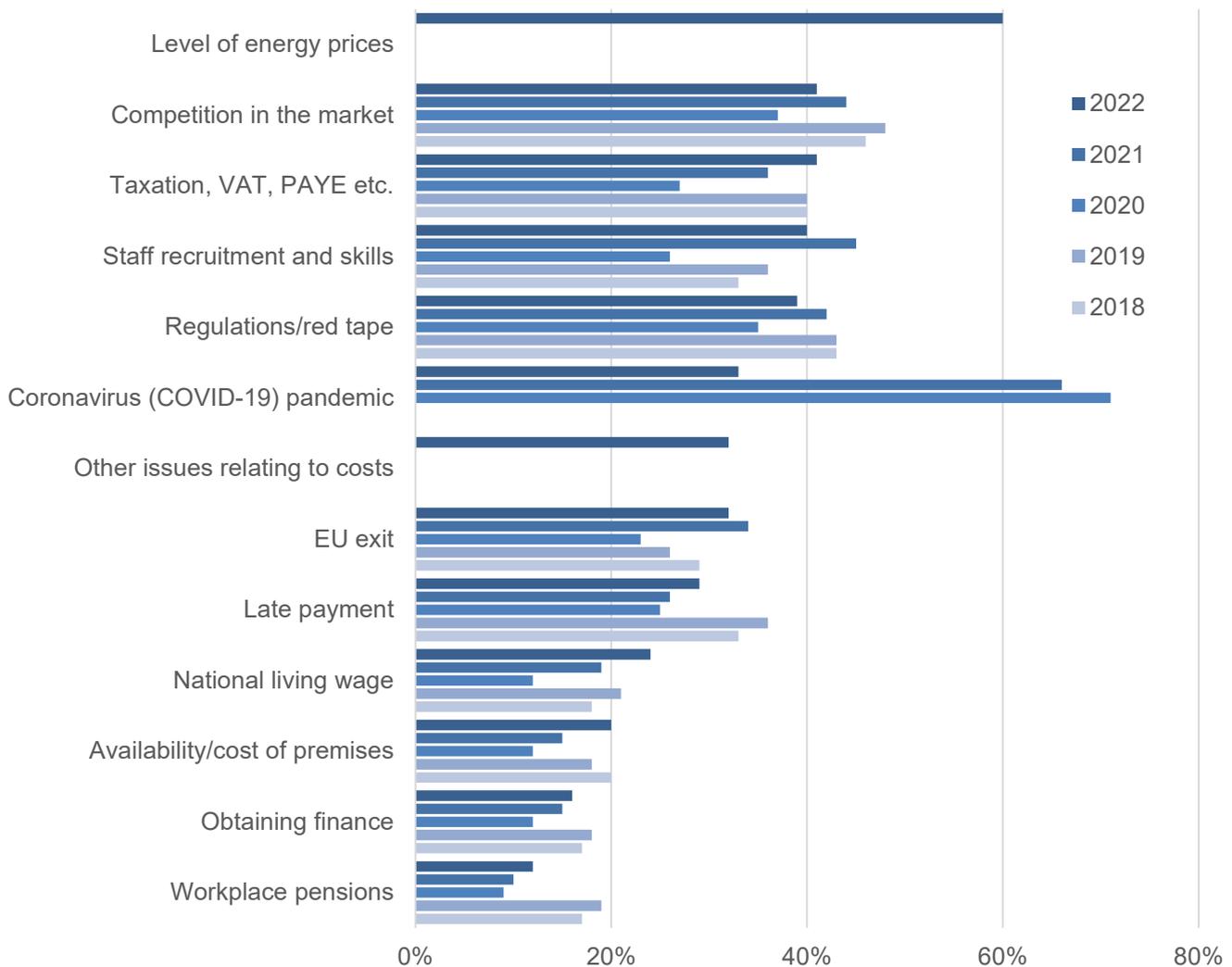
Staff recruitment and skills was the next most frequently mentioned potential obstacle (40% - five percentage points lower than in 2021 but 14 percentage points higher than in 2020).

Other major obstacles included regulations and red tape (39% - a three percentage points decrease on 2021), the UK's exit from the EU (32% - two percentage points decrease), other issues (not related to energy prices) related to costs (32%¹²) and late payment (29% - a three percentage points increase).

In 2020, the coronavirus (COVID-19) pandemic was added to the list of potential obstacles that SME employers may have faced, and this was retained for 2021 and 2022 surveys. Although less likely to be a concern in 2022, it was considered a potential obstacle to business success by 33% of SME employers (66% in 2021, 71% in 2020).

¹² New to the list in 2022

Figure 14: Percentages of SME employers citing each major obstacle to the success of the business (cohort B only)



Medium-sized employers, with their larger number of staff, were more likely than micro and small employers to cite staff recruitment and skills as an obstacle to business success: 71% of medium-sized businesses (down five percentage points on 2021), compared with 64% of small (down two percentage points) and 35% of micro (down five percentage points) businesses.

The National Living Wage was mentioned by 35% of small (up five percentage points on 2021) and 34% of medium-sized businesses (up two percentage points), compared with 21 per cent of micro businesses (up four percentage points).

Medium-sized businesses were more likely to cite competition in the market (48%, down four percentage points on 2021) than small (39%, down six percentage points) and micro (42%, down two percentage points) businesses, while also more likely to mention the UK's exit from the EU (43%, up five percentage points) than small (35%, down one percentage point) and micros (21%, down 12 percentage points).

While there was little variation by business size in respect of the level of energy prices as a potential obstacle to success (59% of micros; 67% of small and 65% of medium-sized businesses), larger employers were more likely to cite other cost issues: 40% of medium-sized businesses, 38% of small and 31% of micros.

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

Longitudinal Small Business Survey: SME Employers – UK, 2022

- The level of energy prices was most likely to be considered an obstacle in accommodation and food (88%), primary and education sectors (both 76%)
- Other issues relating to costs were most likely to be cited by SME employers within manufacturing (51%), accommodation and food (48%) and health (46%) sectors
- competition was most likely to be an obstacle for those in transport and storage (51%, 55% in 2021), retail and wholesale (49%, 46% in 2021), administration (47%, 49% in 2021) and finance and real estate (45%, 53% in 2021)
- taxation was most likely to be an obstacle in accommodation and food service (65%, 62% in 2021)
- staff recruitment and skills were most likely to be considered an obstacle in health (57%, 67% in 2021), administration (51%, as in 2021), accommodation and food (50%, 55% in 2021), manufacturing (50%, 54% in 2021) and construction (48%, 54% in 2021)
- regulations were most likely to be considered an obstacle in the primary sector (61%, 71% in 2021) and finance and real estate (60%, 59% in 2021)
- coronavirus (COVID-19) was most likely to be considered an obstacle in education (62%, 83% in 2021), accommodation and food (52%, 88% in 2021) and health (48%, 80% in 2021)
- late payment was most likely to be viewed as an obstacle in administration (47%, 34% in 2021)
- the UK's exit from the EU was most likely to be considered an obstacle in manufacturing (45%, 38% in 2021), retail and wholesale (43%, 46% in 2021) and information and communication (42%, 37% in 2021) sectors
- the availability and cost of suitable premises was most likely to be viewed as an obstacle in transport and storage (40%, 16% in 2021)
- the National Living Wage was most likely to be viewed as an obstacle in accommodation and food service (50%, 49% in 2021) and health (41% as in 2021)
- workplace pensions were most likely to be viewed as an obstacle in accommodation and food (21%, 13% in 2021)
- obtaining finance was most likely to be considered an obstacle in health (35%, 32% in 2021) and arts and entertainment (33%, 14% in 2021) sectors

Mentions of the level of energy prices was high across all nations, but particularly in Northern Ireland (75%) and Scotland (72%), compared with Wales (63%) and England (59%).

SME employers in Northern Ireland were more likely to mention:

- *Competition in the market* - Northern Ireland (45% - an increase of six percentage points on 2021), compared with England (42% - a three percentage points decrease), Wales (38% - a four percentage points decrease) and Scotland (28% - an eight percentage points decrease)

SME employers in Wales were more likely to mention:

- *Taxation* - Wales (46% - an increase of three percentage points on 2021) compared with Scotland (44% - also up 13 percentage points), England (40% - a four percentage point increase) and Northern Ireland (37% - up five percentage points)

- *Regulations and red tape* - Wales (46% - up two percentage points on 2021), compared with Scotland (41%, up one percentage point), Northern Ireland (40%, down five percentage points) and England (39%, up three percentage points)
- *Late payment* - Wales (34% - an increase of nine percentage points on 2021), compared with England (29%, up two percentage points), Scotland (27%, up six percentage points) and Northern Ireland (19%, down 11 percentage points)
- *National living wage* - Wales (36% - an increase of four percentage points on 2021), compared with Northern Ireland (24%, up one percentage point), England (23% - up five percentage points) and Scotland (21%, down two percentage points)

SME employers in Scotland were more likely than those located elsewhere in the UK to mention:

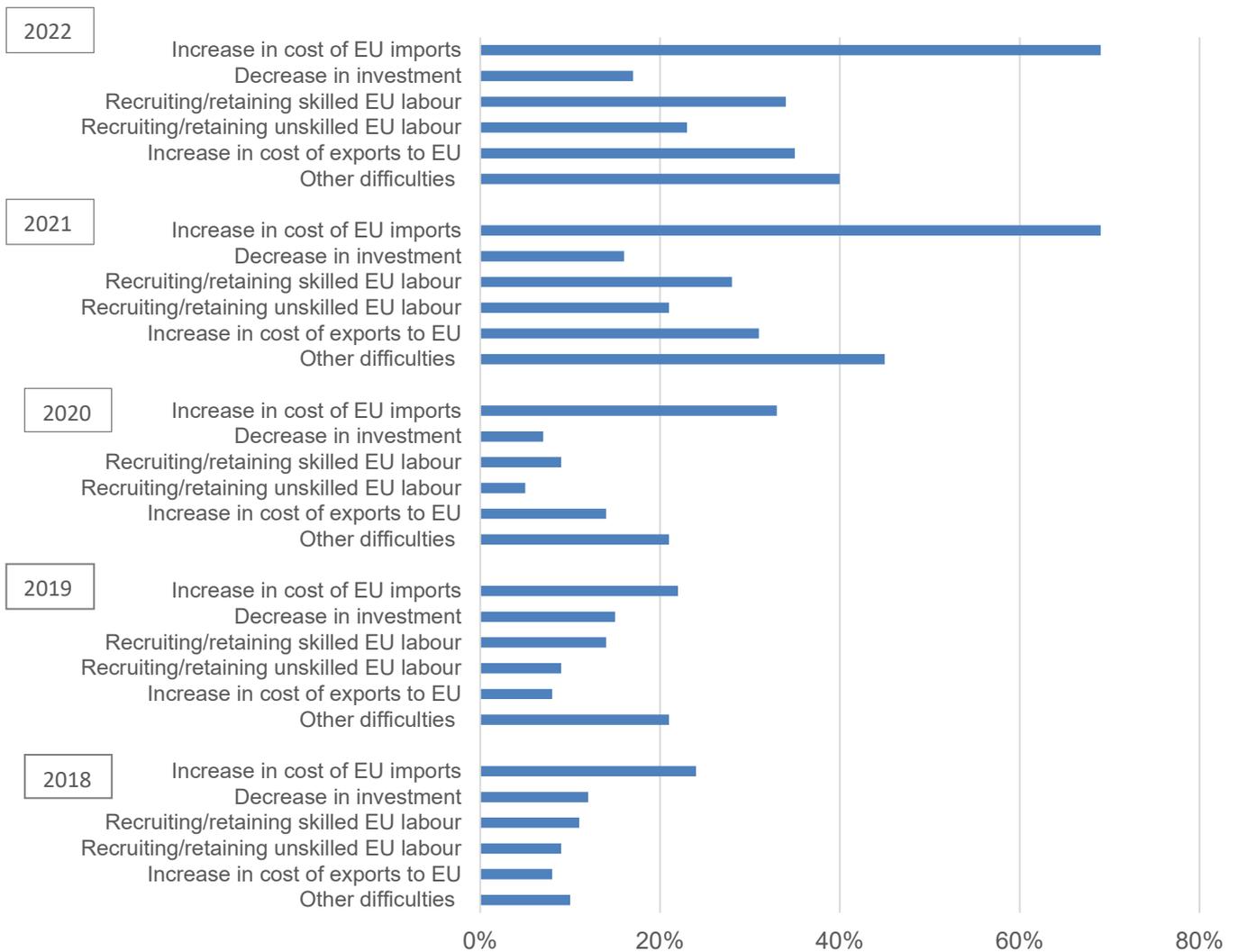
- *The UK's exit from the EU* – Scotland (38% - a two percentage point decrease on 2021), compared with Northern Ireland (35%, down four percentage points), Wales (33%, down three percentage points) and England (31%, down three percentage points)

Whether experienced difficulties as a result of the UK's exit from the EU (cohort B)

In the [data tables](#) accompanying this publication, tables 2-7 (cohort B) show the specific major obstacles relating to the UK's exit from the European Union (EU) to the success of the businesses interviewed.

Since 2018, those SME employers that considered the UK's exit from the EU a major obstacle to the success of their business have been asked if they had experienced a number of specific difficulties. Their responses are compared across each year in Figure 15.

Figure 15: Whether experienced difficulties as a result of the UK’s exit from the EU (cohort B only)



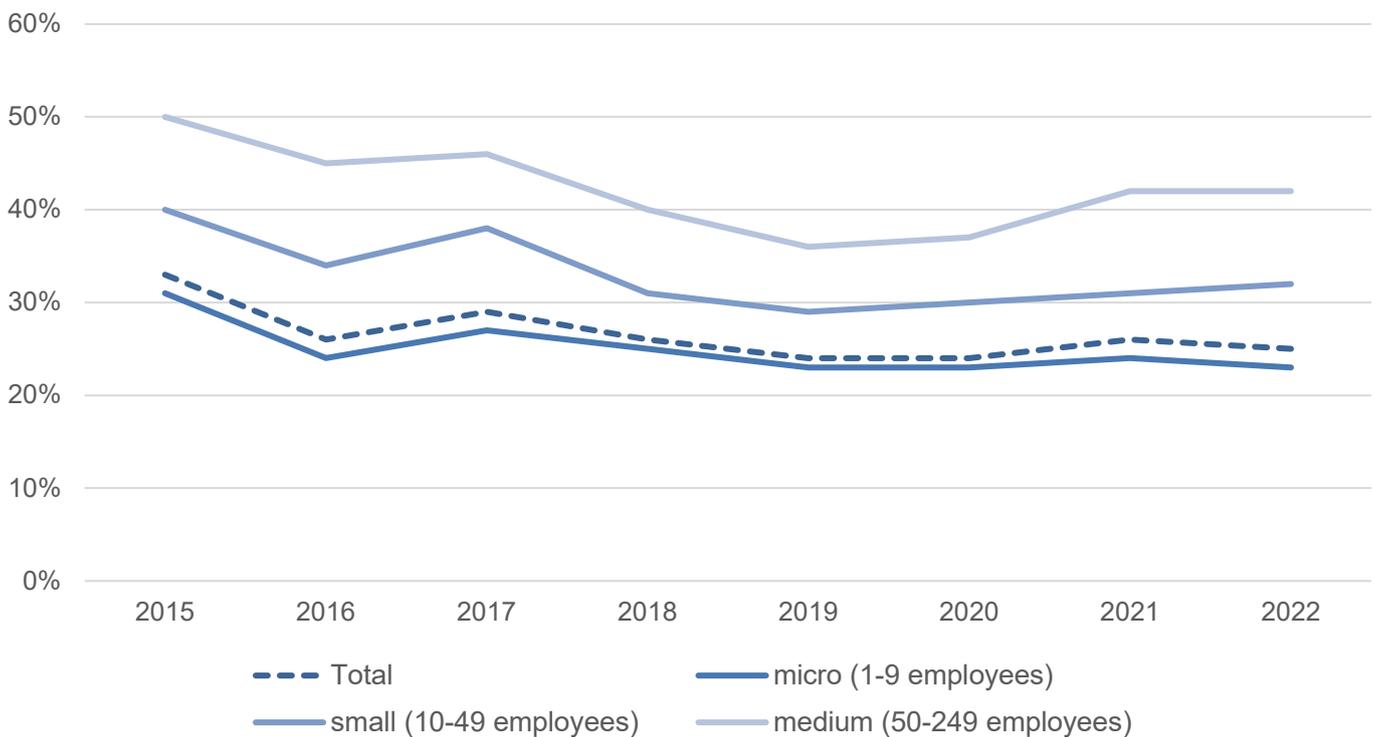
In terms of difficulties that SME employers were most likely to have experienced already, 69% of SME employers that cited the UK’s exit from the EU as a major obstacle mentioned an increase in the cost of EU imports, which was also the case in 2021 when it represented an increase of 36 percentage points compared to 2020.

Business Support

In the [data tables](#) accompanying this publication, table 84 shows whether information or advice was used in the last 12 months

In 2022, 25% of SME employers reported seeking external information or advice in the preceding 12 months - defined as more than just a casual conversation. This was one percentage point lower than in 2021.

Figure 16: Percentage 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: 42% of medium-sized businesses sought it (as in 2022), compared with 32% of small businesses (up one percentage point on 2021) and 23% of micro businesses (down one percentage point). There has been very little change between 2021 and 2022 and the propensity to seek external information or advice across all business sizes remains below 2015 levels.

By nation, 22% of SME employers in Northern Ireland sought external information and advice (a decrease of seven percentage points on 2021), compared with 23% in Wales (up one percentage point), 25% of SME employers in England (down one percentage point) and 30% in Scotland (up six percentage points).

Businesses which sought information and advice were most likely to be in primary (43%), health (34%), finance and real estate (32%), professional and scientific (31%) and education (30%) sectors. SME employers in retail and wholesale (18%), transport (19%) and accommodation and food (19%) sectors were least likely to have sought information and advice.

Purpose of information and strategic advice sought

In the [data tables](#) accompanying this publication, table 86 shows the purpose of information and advice sought

The most common reason for seeking information and/or advice cited by those that had sought it was advice on finance, specifically accounting, for the general running of the business (22%, compared with 23% in both 2021 and 2020), followed by business growth (21%, 19% in 2021, 20% in 2020), and then legal issues (12%, 19% in 2021, 15% in 2020).

Figure 17: Purpose of information and advice in the last year¹³



¹³ Only responses >1% are shown in the chart

Some differences in the type of information and advice sought by size and sector, are as follows:

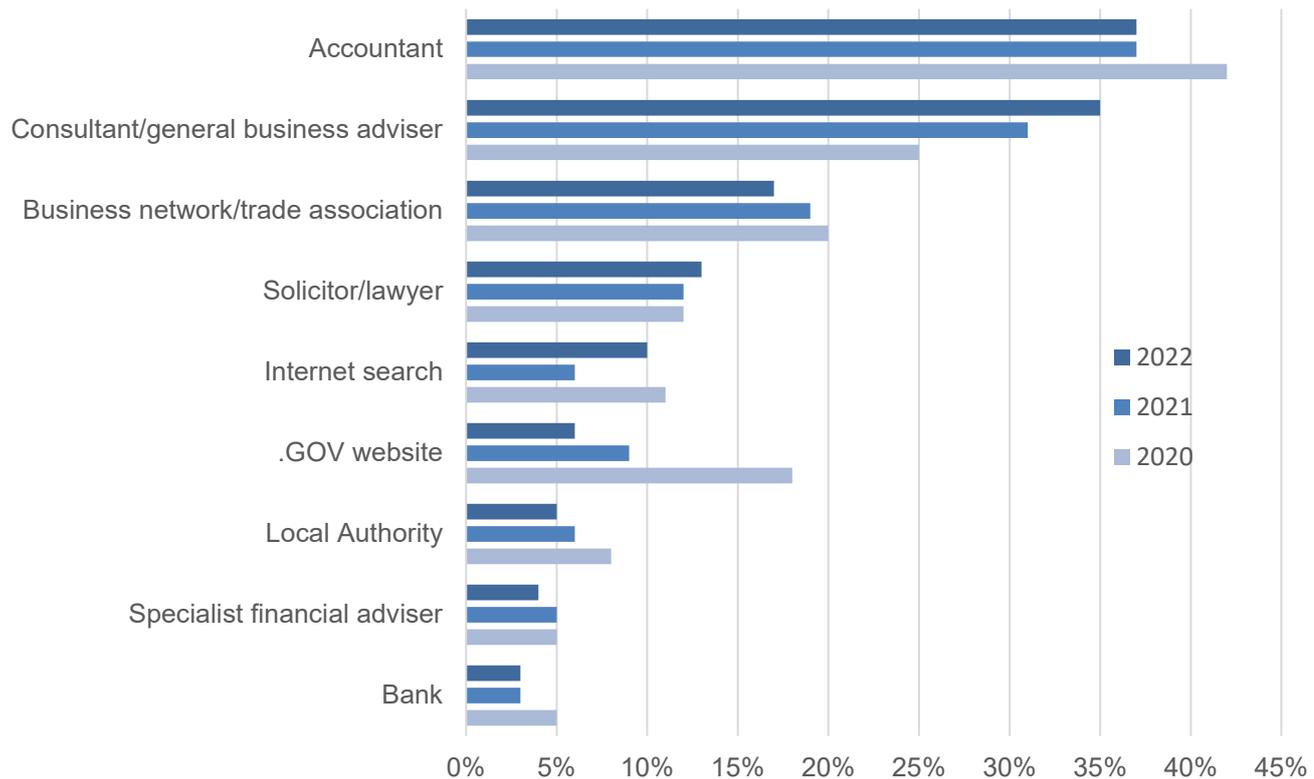
- *financial advice for the general running of the business* was more likely to be sought by micro (24%) than small (18%) and medium-sized (14%) businesses, while also most commonly sought within the information and communication sector (27%)
- advice on *business growth* was more likely to be sought by micro (22%) than small and medium-sized businesses (both 20%), and those in the education sector (38%)
- *legal advice* was most likely to be sought by medium-sized businesses (20%) than by small (14%) and micro (12%) businesses, and within transport and storage (21%) and finance and real estate (20%) sectors
- advice on *marketing* was most likely to be sought by micro (11%) than by small and medium-sized businesses (both 7%), and within the education (22%) sector
- advice on *employment law and redundancies* was more likely to be sought by small (15%) and medium-sized (16%) than by micro (7%) businesses, and within transport and storage (15%) and manufacturing (14%) sectors
- advice on *tax and national insurance law and payments* was more likely to be sought by medium-sized businesses (12%) and micros (10%) than by small businesses (7%), and more likely to be sought within the professional and scientific (20%) sector
- advice on *human resources and HR in general* was less likely to be sought by micro (4%) businesses and most likely to be sought by small (14%) compared with medium-sized (11%) businesses, and most likely to be sought in the health sector (17%)
- *advice on the day-to-day running of the business* was more likely to be sought by small and medium-sized (both 7%) businesses than by micros (5%), and within arts and entertainment (20%) and other services (11%) sectors.

Sources of external information and strategic advice

In the [data tables](#) accompanying this publication, table 88 shows sources of external information and strategic advice

SME employers that sought information and advice were most likely to have approached accountants (37%, as in 2021), while 35% approached consultants and business advisers (an increase of four percentage points), 17% sought information and strategic advice from business networks (down two percentage points), 13% sought information and advice from a solicitor or lawyer (up one percentage point), and 6% from the GOV.UK website (down three percentage points).

Figure 18: Who provided information and strategic advice in the last year



Micro businesses were more likely than small and medium-sized businesses to have sought information and advice from an accountant (39%, compared with 27% and 32% respectively). Medium-sized and small businesses were more likely to have sought information and advice from consultants or general business advisers than micro businesses (45%, 45% and 32% respectively), and more likely than micro businesses to have sought it from solicitors and lawyers (26% and 17% respectively, compared to 12%). Compared to small and medium-sized businesses, micro businesses that sought information and advice were more likely to have sought it from business networks and trade associations (18% compared to 15% for both small and medium-sized businesses).

By sector, SME employers that sought information and advice in transport and storage were most likely to have sought it from accountants (51%), while those in primary sectors were most likely to have used consultants or general business advisers (51%). The local council or authority were particularly likely to have been the source of information and advice for SME employers within education (14%), health (13%) and arts and entertainment (12%) sectors. SME employers that sought information and advice in finance and real estate and other services sectors were more likely than average to have sought it from solicitors/lawyers (28% and 23% respectively).

How information and strategic advice was delivered

In the [data tables](#) accompanying this publication, table 90 shows how the information and strategic advice was delivered

Compared with the previous two years, face-to-face has increased significantly as a means of delivering information and advice (41%, a 13 percentage points increase on 2021 and a 19 percentage points increase on 2020). This increase may reflect changes to service delivery following the end of measures put in place to reduce social contact during the coronavirus (COVID-19) pandemic.

Email was the next most frequently mentioned mode of delivery of information and advice in 2022 (23% - a three percentage points decrease on 2021), with fewer reporting that it had been delivered on the phone (16% - a five percentage points decrease).

By sector, face-to-face delivery was most common in primary (63% - up 12 percentage points on 2021) and email was most common in arts and entertainment (37% - up 14 percentage points) sectors.

By nation, SME employers who sought information and advice in Northern Ireland were the most likely to have received it face-to-face (44% - up 13 percentage points on 2021), and those in Scotland least likely to have done so (36% - up 16 percentage points), while SME employers in Scotland were the most likely to have received it by email (28% - down 16 percentage points), and those in England and Wales least likely to have done so (both 22% - down three percentage points in England and down two percentage points in Wales).

Paying for information and advice (England and Wales only)

In the [data tables](#) accompanying this publication, table 100 shows if SMEs had ever paid for external information or advice

Of SME employers in England and Wales that received information or advice in the last 12 months, 65% paid for it (a one percentage point increase on 2021).

Medium-sized businesses were more likely to have paid for information and advice (81%, as in 2021) than small (74%, a two percentage points increase on 2021) and micro businesses (62%, as in 2021).

By sector, those in primary (75%), information and communications (74%) and professional and scientific (74%) sectors were most likely to have paid for information and advice; while those in the sectors of accommodation and food (45%) and education (51%) were the least likely.

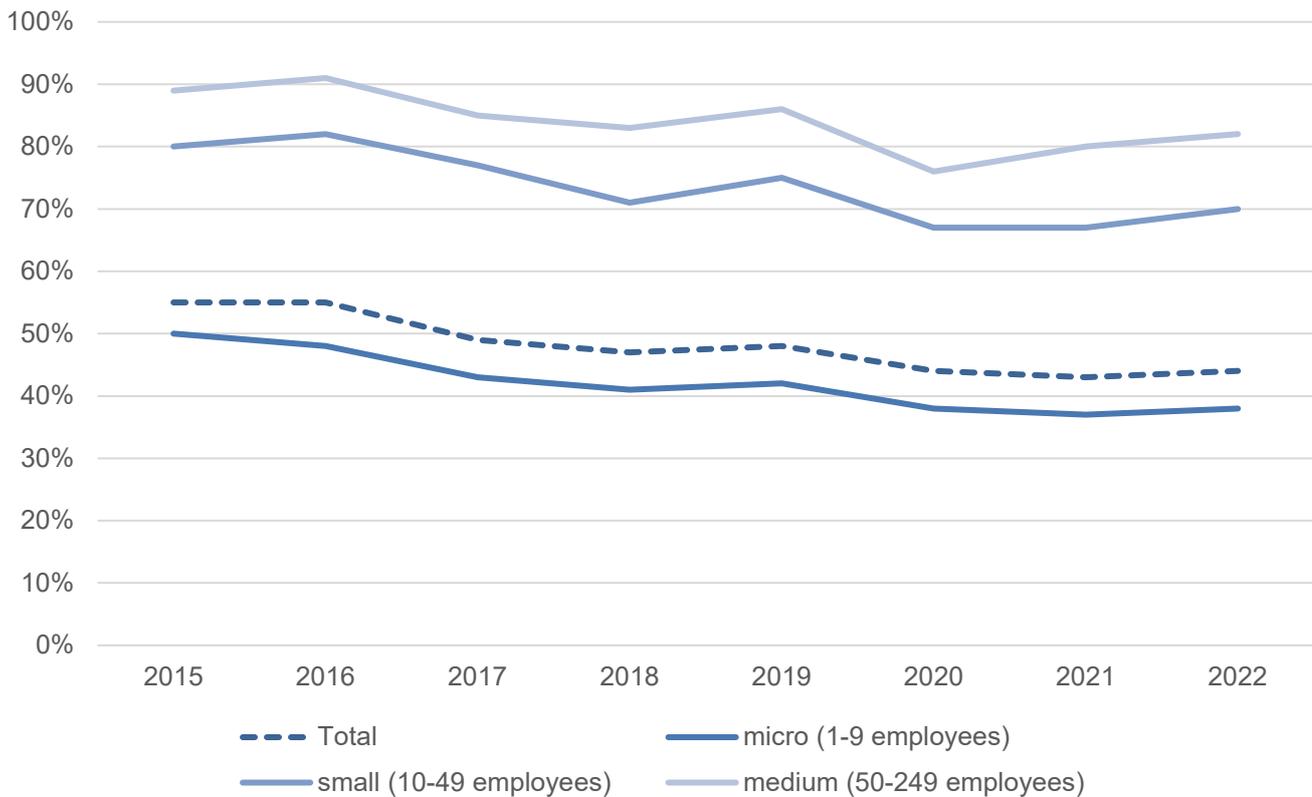
Training

Arrangement or funding of staff training and development

In the [data tables](#) accompanying this publication, table 109 shows training or development offered for employees

Some 44% of SME employers had arranged or funded training in the previous year, one percentage point higher than in 2021.

Figure 19: Percentage of SMEs that arranged or funded training or development for staff in the year, by year and employment size

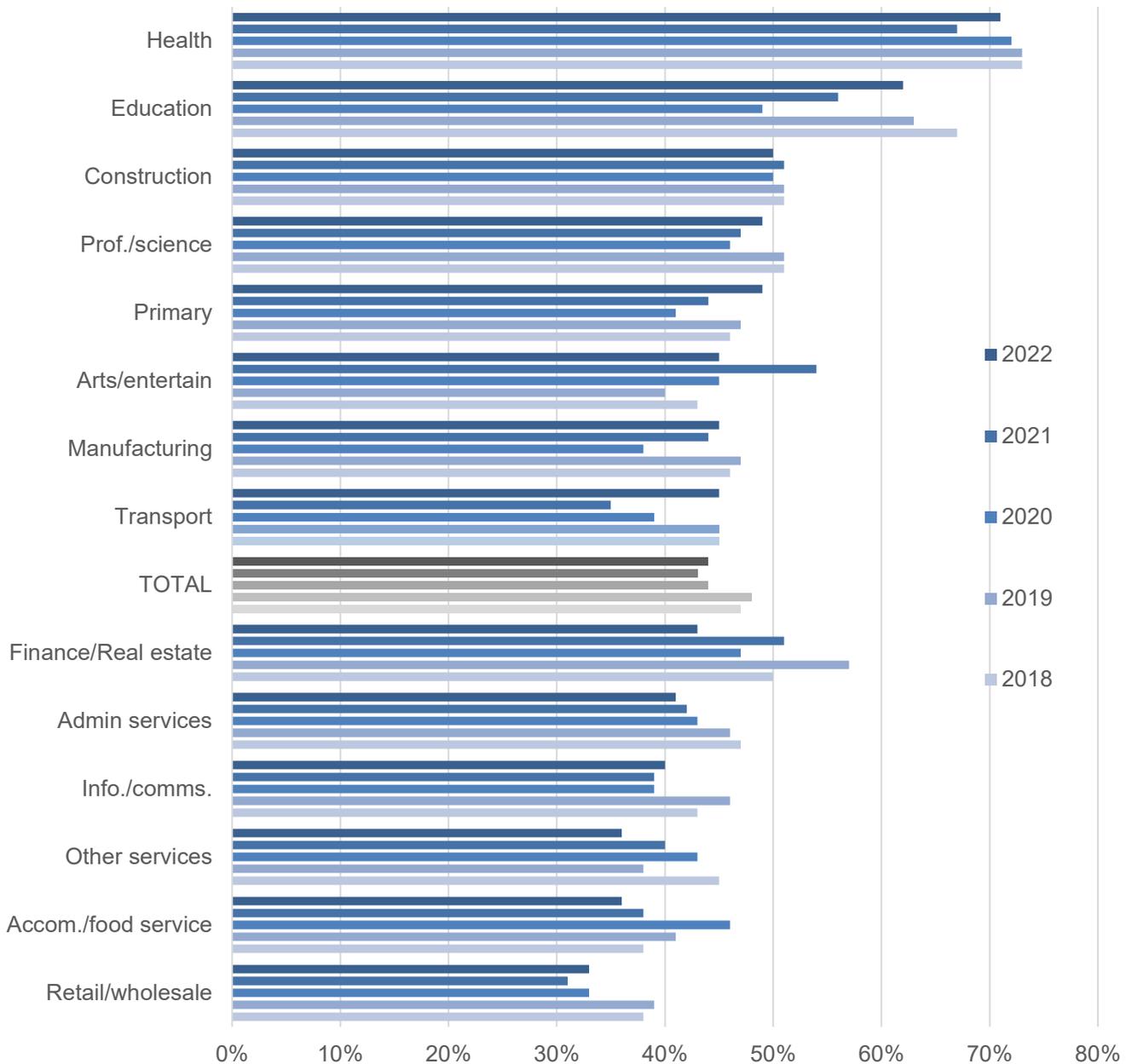


Provision of any training is much more likely for larger organisations with 82% of medium-sized businesses providing training in 2022, compared with 70% of small businesses, and 38% of micro businesses.

Training provision across all business size bands were at slightly higher levels compared to last year. Medium-sized businesses have seen an increase of two percentage points, small businesses increase of three percentage points, and micro businesses an increase of one percentage point in provision of training since 2021.

In 2022, 12% of SME employers offered formal ‘off-the-job’ training only, and 10% offered informal ‘on-the-job’ training only, with a slight increase in ‘off-the-job’ only training (one percentage point) and a slight decrease in ‘on-the-job’ only training (two percentage points), while 22% offered both (an increase of two percentage point on 2021).

Figure 20: Percentage 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 (71%) and education (67%). Also above average were construction (50%), primary (49%) and professional and scientific (49%) sectors.

Training was least likely to be provided in retail and wholesale (33%), accommodation and food (36%) and other services (36%).

By nation, training was most likely to have been provided by SME employers in Scotland (54%, an increase of seven percentage points from 2021), compared to Wales (45%, up two percentage points), England (43%, up one percentage point) and Northern Ireland (40%, no change on 2021).

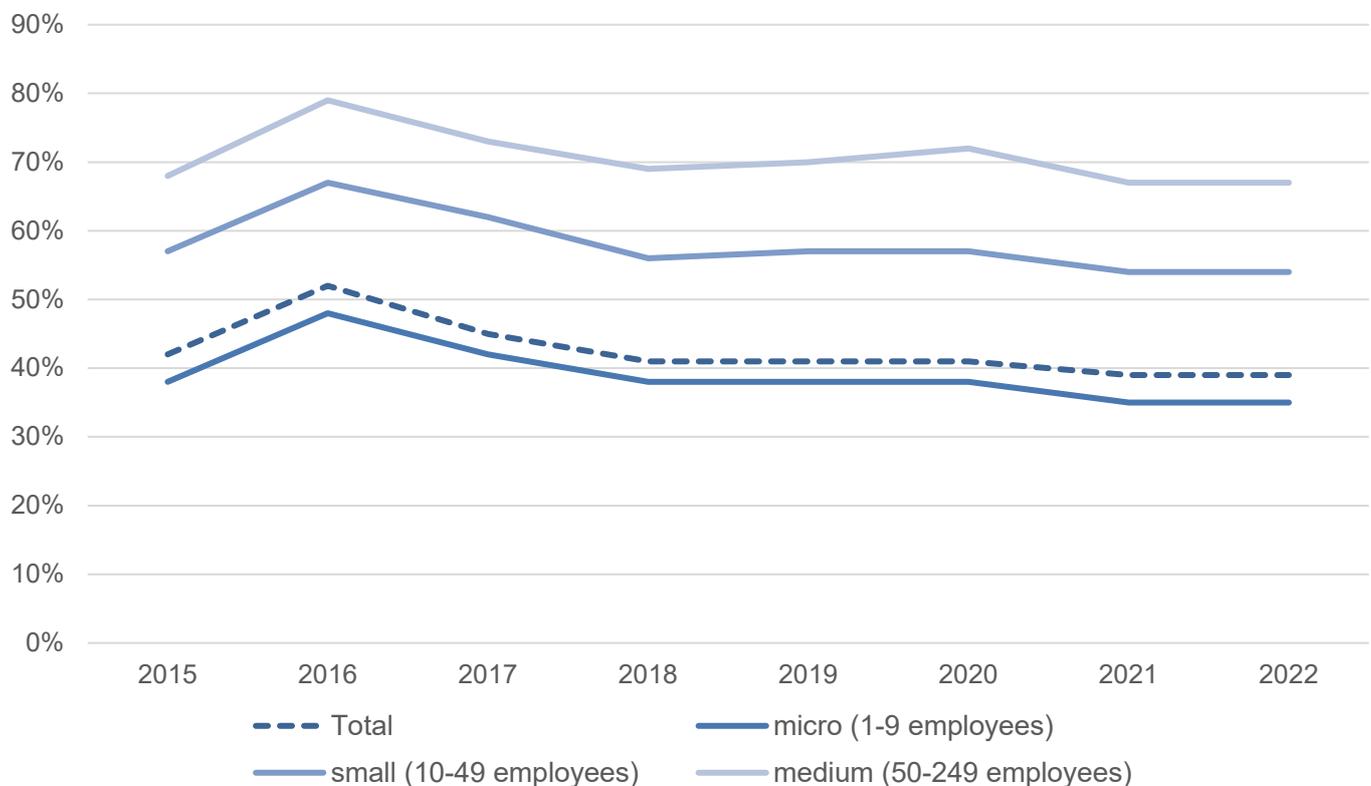
Business practices

Business plans

In the [data tables](#) accompanying this publication, table 50 shows whether businesses have a formal written business plan.

In 2022, 39% of SME employers had a business plan (no change on 2021 but two percentage points lower than in 2020 and 2019). This proportion increased with employment size from 35% of micros to 54% of small to 67% of medium-sized businesses having a business plan.

Figure 21: Whether have a business plan, by year and number of employees



By sector, business plans were most common in health (73%), education (57%), finance and real estate (54%) and arts and entertainment (53%). They were least likely to be used in the construction (29%) and retail and wholesale (32%) sectors.

By nation, SME employers in Wales were most likely to have had a business plan (46% - a seven percentage points increase on 2021), followed by those in Scotland (44% - an eight percentage points increase), compared with 39% of SME employers in England (no change on 2021) and Northern Ireland (32% - a three percentage points decrease).

Around 74% of SME employers with a business plan reported keeping it up to date, which is the same proportion as reported in 2021.

Dispute resolution (cohort A)

In the [data tables](#) accompanying this publication, table 19 (cohort A) 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.

Seventy-six per cent of SME employers felt that they could resolve such a dispute. This was a one percentage point decrease compared with 2021. This proportion varied slightly by employment size: 75% of micros thought they could resolve the dispute (down one percentage point on 2021), compared to 80% of small businesses (down two percentage points).

By nation, micro and small SMEs in Wales were the most likely to feel they could resolve such a dispute (83% - up 14 percentage points on 2021), compared with 77% in Northern Ireland (down four percentage points) and 76% in both Scotland and England (both down two percentage points).

Taxation (cohort C)

In the [data tables](#) accompanying this publication, tables 10, 14, 15 (cohort C) show how businesses with employees keep records for taxation

When asked about methods for managing records specific to VAT, 80% of SME employers that paid VAT stated that they used record keeping software (an increase of two percentage points on 2021), 38% used spreadsheets (a decrease of one percentage point) and 42% used paper-based records (an increase of two percentage points).

Use of record keeping software increased with employment size, with 92% of medium-sized businesses having reported using it, compared to 87% of small businesses and 78% of micro businesses.

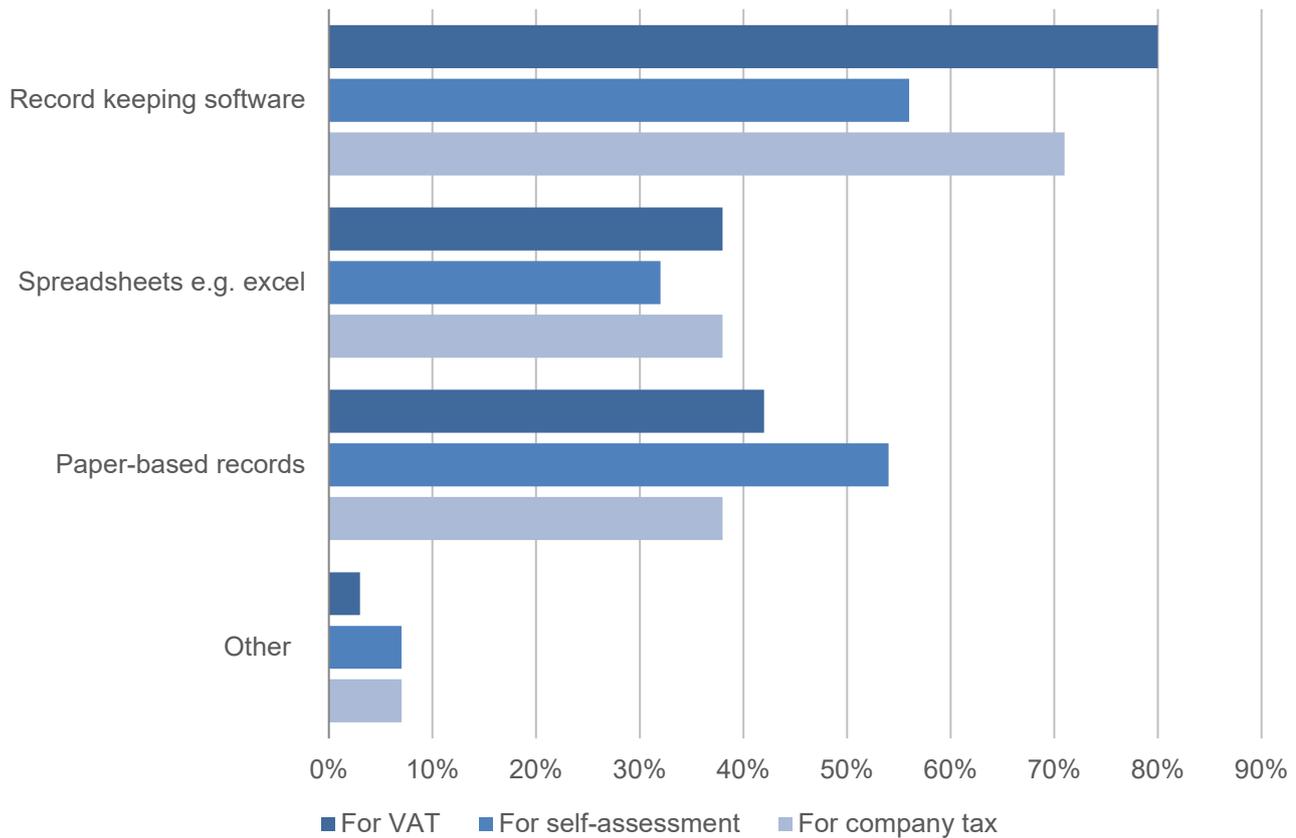
With respect to managing records relating to income tax self-assessment, 56% of all SME employers that pay income tax through self-assessment (a decrease of five percentage points on 2021) reported using record keeping software, 32% used spreadsheets (a decrease of five percentage points) and 54% used paper-based records (an increase of four percentage points).

Again, use of record keeping software increased with employment size, from 54% of micros to 67% of small to 87% of medium-sized businesses.

For keeping records of company tax, 71% of all SME employers reported using record keeping software (one percentage point down on 2021), 38% used spreadsheets (as in 2021) and 38% used paper-based records (up two percentage points).

Micro businesses (69%) were less likely to report using record keeping software for company tax, than small (80%) and medium-sized businesses (83%).

Figure 22: Ways in which SME employers keep records 2022



Technology (cohort C)

In the [data tables](#) accompanying this publication, tables 16 and 17 (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

Half of all SME employers (50%, five percentage points fewer than in 2021) used technologies or web-based software to sell to customers or to manage the business, whereas 49% did not¹⁴.

Small (61%) and medium-sized (67%) businesses were more likely to use technologies or web-based software than micro businesses (47%).

SME employers in Northern Ireland (48%, a decrease of four percentage points on 2021) were less likely to use technologies or web-based software to sell to customers or to manage the business than businesses in England (50%, down six percentage points), Scotland (50%, down four percentage points) and Wales (49%, down seven percentage points).

SME employers in the information and communications sector (68%) were most likely to use technologies or web-based software, particularly to manage the business (60%). Businesses in other services (34%) and primary (37%) sectors were least likely to use them.

¹⁴ 1% did not know

In terms of what they used it for, SME employers were more likely to use technologies or web-based software for managing the business than for selling to customers online (43% and 23% respectively). There was a seven percentage points decrease in the use of such software for managing the business compared with 2021, but no change in respect of selling to customers online.

SME employers in arts and entertainment (42%) and education (38%) sectors were most likely to use technologies or web-based software to sell to customers online, while those in information and communications (35%), retail and wholesale (34%) and administration (33%) were also more likely than average to do so.

Of those that reported selling to customers online, 13% started doing so as a result of the coronavirus (COVID-19) pandemic, while 74% did so prior to the pandemic¹⁵.

Environmental action

In the [data tables](#) accompanying this publication, tables 125-127 report the extent to which businesses consider the environmental implications of their decisions and steps they have taken to reduce their environmental impact over the past 12 months.

In 2022, for the first time, SME employers were asked questions about the environmental impact of their decisions and steps they have taken to reduce their environmental impact. When asked how often their business considers the environmental implications in their decisions, 36% of SME employers said always, and a further 43% said sometimes.

Medium-sized businesses were more likely than small and micro businesses to always consider the environmental implications (41% compared to 37% and 35% respectively), and the same is true of 'sometimes' (48%, 49% and 41% respectively).

SME employers in primary sectors were most likely to always consider the environmental implications of their decisions (68%), while those in finance and real estate least likely to do so (24%).

SME employers in finance and real estate were the most likely to report that they never consider the environmental implications of their decisions (30%), with those in primary sectors least likely to report this as their position (6%).

More than half of SME employers (58%) had taken steps to reduce their environmental impact over the past 12 months.

The propensity to have taken such steps increased with business size, from 55% of micro businesses to 68% and 78% of small and medium-sized businesses.

By sector, SME employers in primary (69%), accommodation and food (66%), manufacturing (64%), arts and entertainment (63%) and transport and storage (62%) were most likely to have taken steps in this direction, with action in this area lowest in finance and real estate (49%).

By nation, SME employers in Wales (63%) and Scotland (61%) were more likely than those in England (57%) and Northern Ireland (56%) to have taken steps to reduce their environmental impact over the past 12 months.

¹⁵ 11% were unsure and 3% declined to answer

In terms of steps taken, most of those that had taken any steps had recycled waste, water or materials (73%), while around one in four had in each case switched to more renewable energy (27%), introduced new or improved production processes with environmental benefits (26%), introduced new low carbon products or services (25%), introduced new or improved delivery, transport or distribution systems (23%) and/or conducted training on environmental matters (23%).

The introduction of new or improved production processes was most likely to have taken place in primary (49%) and manufacturing (43%) sectors, while improvements to delivery, transport and distribution systems was most common in transport and storage (36%) and construction (35%) sectors.

19% of SME employers had taken action to reduce their business's carbon/greenhouse gas emissions. This increased by size (89% of micros, 92% of small and 95% of medium-sized businesses) and ranged from 86% in education to 94% in accommodation and food sectors.

By nation, SME employers in Northern Ireland were least likely to have taken action (86%, compared to 90% of SME employers in England and Scotland and 91% of those in Wales).

The most common action taken was switching to LED bulbs (70%), followed by going paperless (45%), adjusting heating and cooling systems (41%) and installing a smart meter (34%).

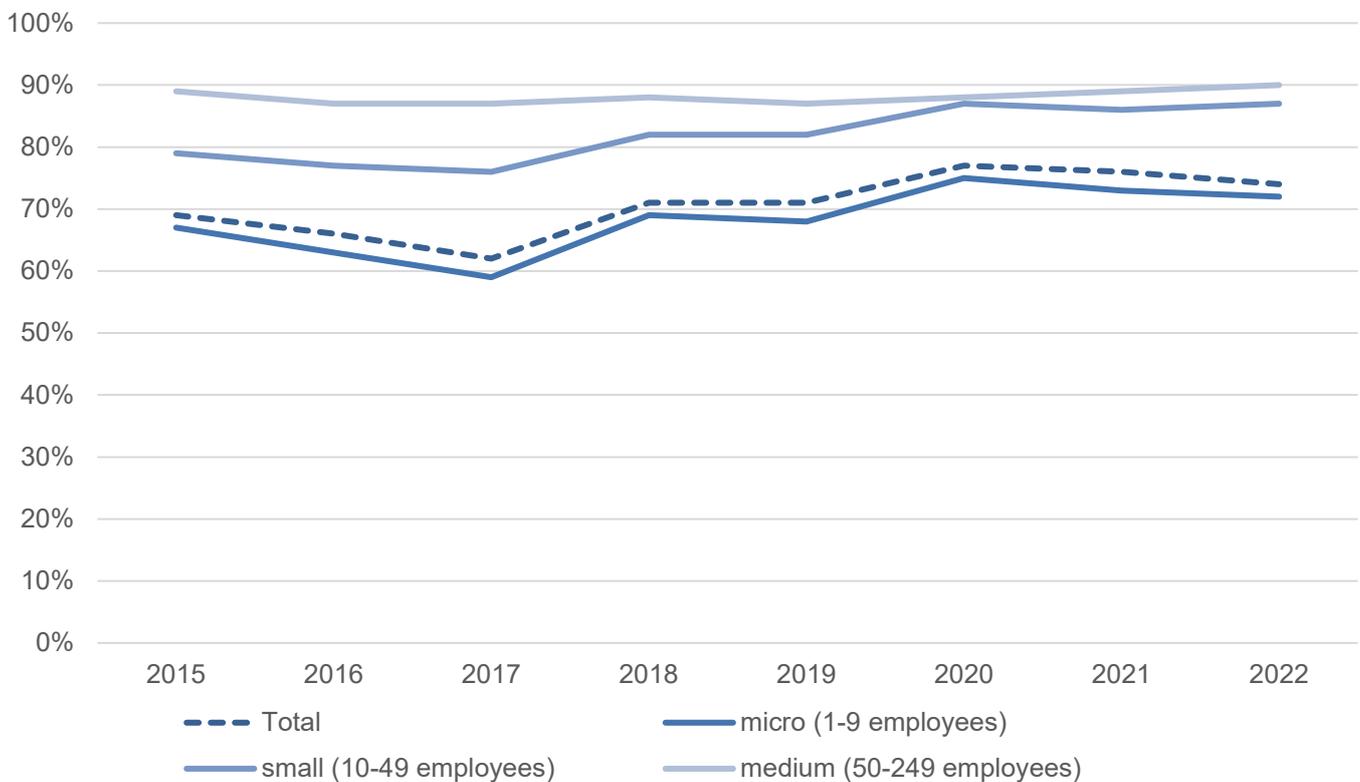
Future plans

Growth ambitions

In the [data tables](#) accompanying this publication, table 129 shows whether or not SME employers aim to grow sales over the next three years

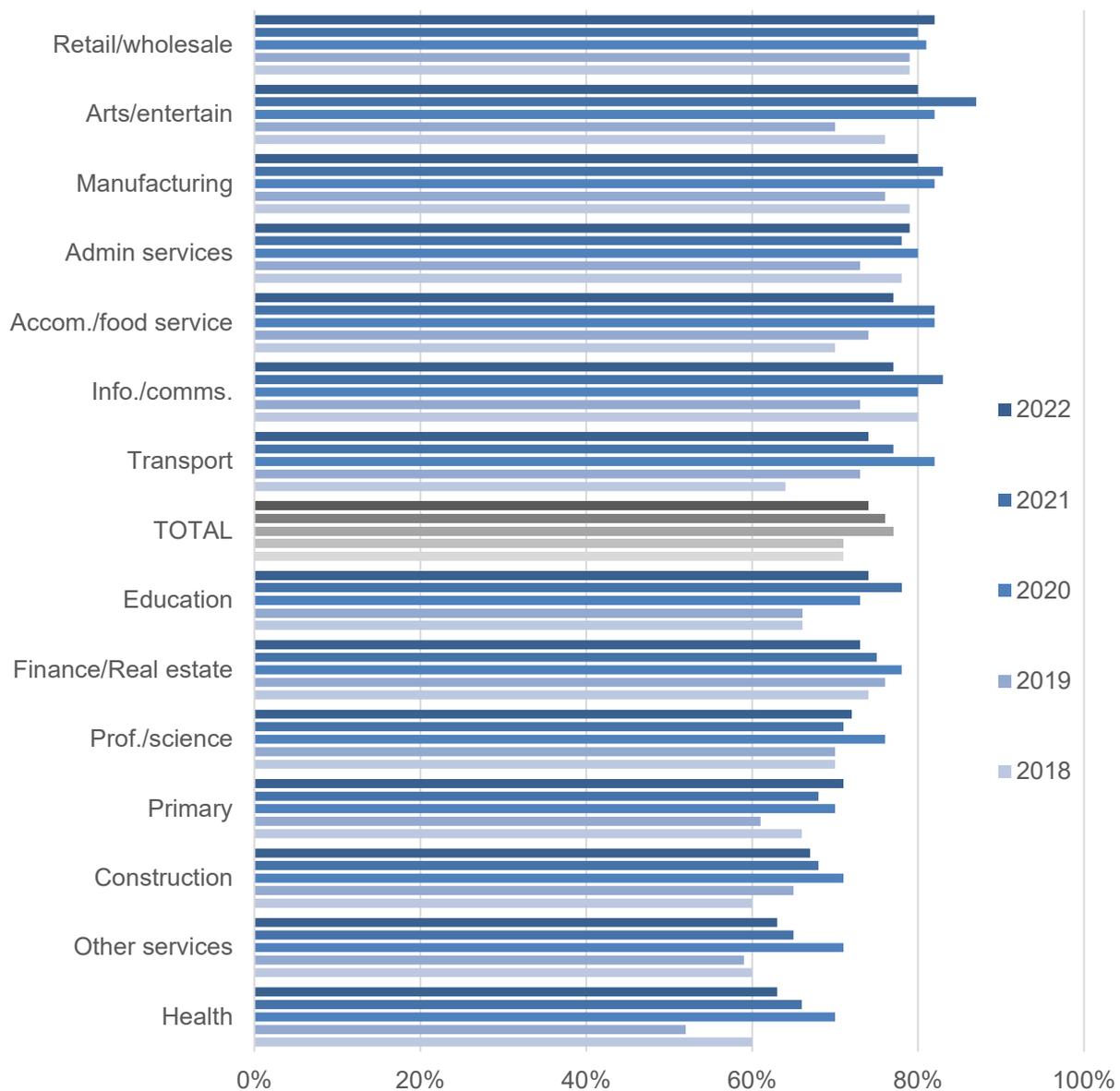
About 74% of SME employers aimed to grow sales over the next three years, a two percentage points decrease on 2021. Small and medium-sized businesses were more likely to report this intention (87% and 90%) than micro businesses (72%). There has been little change in this respect compared to 2021 (86% of small, 89% of medium-sized and 73% of micro businesses in 2021).

Figure 23: Percentage 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 (82%), manufacturing (80%), arts and entertainment (80%) and administration (79%) sectors were most likely to aim to grow. Those in other services (63%), health (63%) and construction (67%) sectors were least likely to be aiming to grow.

Figure 24: Percentage 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 (80%) than in Scotland (77%), England and Wales (both 74%). Compared with 2021 there was no change in Northern Ireland and Scotland, while there is a one percentage point decrease in England and a three percentage points decrease in Wales.

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

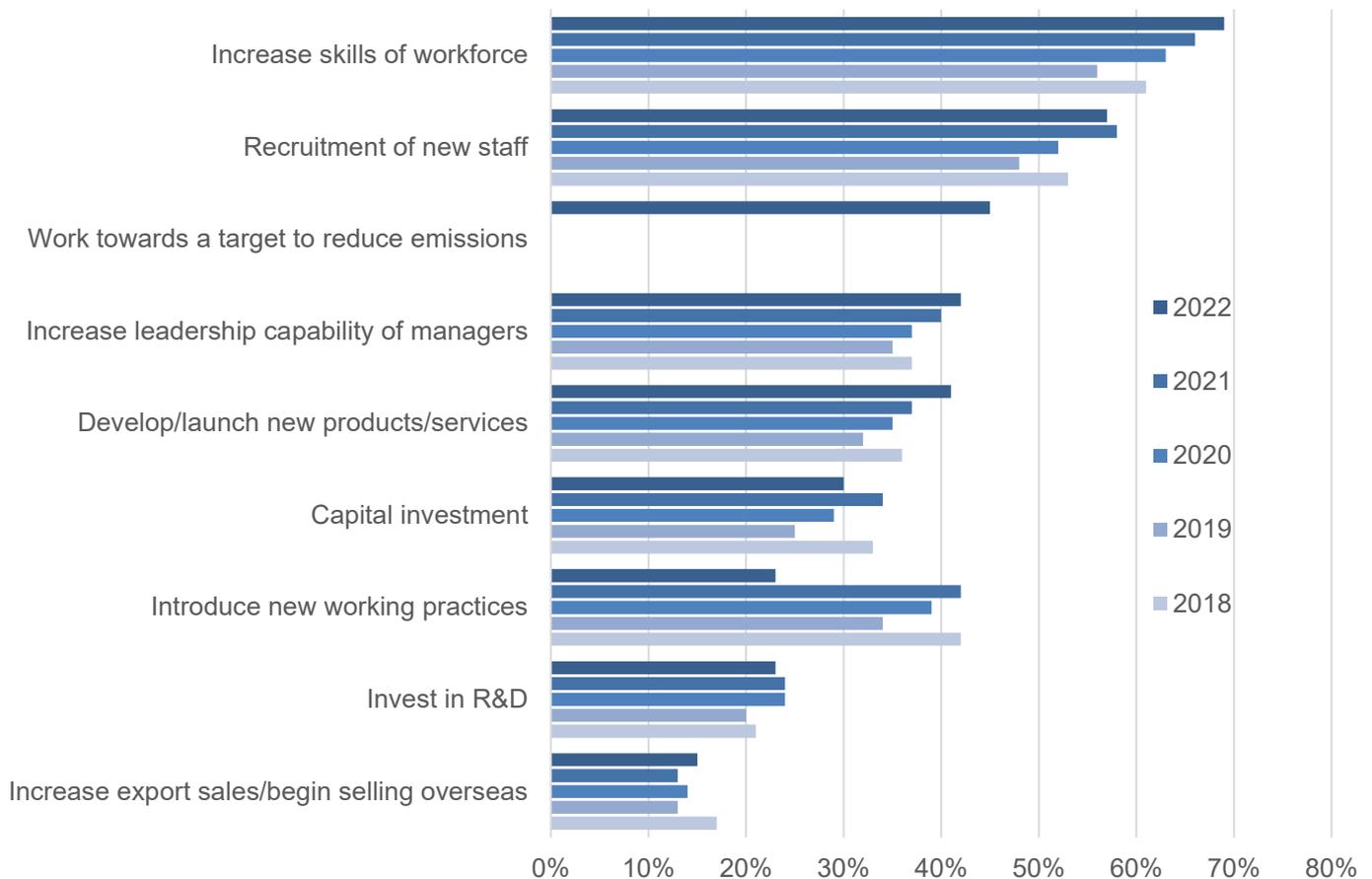
In the [data tables](#) accompanying this publication, table 8 (cohort B) shows what plans SME employers have for the business over the next three years

SME employers were asked about plans to implement various growth-related activities over the next three years. Of all SME employers:

- 69% planned to increase workforce skills (three percentage points up on 2021)
- 57% planned to recruit new staff in the UK (one percentage point down on 2021)
- 45% planned to work towards a target to reduce carbon/greenhouse gas emissions/other emissions¹⁶
- 43% planned to introduce new working practices (one percentage point up on 2021)
- 42% planned to increase the leadership capability of managers (two percentage points up on 2021)
- 41% planned to develop and launch new products or services (four percentage points up on 2021)
- 30% planned to invest in premises, machinery or other types of capital investment in the UK (four percentage points down on 2021)
- 23% planned to invest in R&D (one percentage point down on 2021)
- 15% planned to increase export sales or begin selling to new overseas markets (two percentage points up on 2021)
- 4% planned to recruit new staff in overseas offices (as in 2021)
- 3% planned capital investment overseas (two percentage points down on 2020)
- 2% planned to transfer staff from the UK to overseas offices (one percentage point up on 2021)
- 1% planned to decrease export sales or reduce the number of overseas markets they sell to (one percentage point down on 2021)

¹⁶ New to list in 2022

Figure 25: Percentage of businesses undertaking specified 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 employers across sectors:

- Those in education (87%) and health (84%) were most likely to plan to *increase the skills of the workforce*
- Those in transport and logistics (63%) and health (62%) were most likely to plan to *introduce new working practices*
- Those in primary (61%) and manufacturing (54%) sectors were most likely to plan to *work towards a target to reduce carbon/greenhouse gas emissions/other emissions*
- *Plans to recruit new staff in the UK* were common in many sectors, particularly accommodation and food (69%), administration (68%), education (67%) and health (66%), manufacturing (65%), transport and logistics (63%) and construction (60%)
- Those in information and communication (54%) and manufacturing (52%) were most likely to plan to *develop and launch new products and services*
- Those in transport and logistics (59%), education (56%) and health (54%) were most likely to plan to *increase leadership capability*
- Those in manufacturing (50%), primary (45%) and transport and logistics (43%) sectors were most likely to plan to *make capital investments in the UK*
- Those in manufacturing (45%) and information and communication (43%) were most likely to

plan to *invest in R&D*

- Those in manufacturing (39%) and information and communications (32%) were most likely to plan to *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 11 (cohort B) shows whether plans have been affected by the UK's exit from the EU

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

Those with plans were asked if those plans had been affected by the UK's exit from the EU. Firstly, considering trade with customers overseas, of those with plans to *increase export sales or begin selling to new overseas markets*, 35% reported these plans had been affected by the EU exit (43% in 2021, 30% in 2020, 24% in 2019 and 26% in 2018), while fewer of those with plans to *reduce export sales or the number of overseas markets they sell to* reported that their plans had been affected than in the last two years (28%, 53% in 2021, 56% in 2020).

With regard to recruitment and skills, 17% of SME employers with plans to *recruit new staff in the UK* (19% in 2021 and 10% in 2020), 9% of those with plans to *develop skills among existing UK employees* (10% in 2021 and 8% in 2020) and 6% of those planning to *increase leadership capability of managers* (9% in 2021 and 8% in 2020) reported plans being affected by the UK's exit from the EU.

With regard to staff overseas¹⁷, 12% of SME employers with plans for the *transfer of existing staff from UK to overseas offices* reported that these plans were affected by the UK's exit from the EU (22% in 2021 and 25% in 2020), while 18% of those with plans for *recruitment of new staff to overseas offices* reported these plans had been affected (32% in 2021 and 22% in 2020).

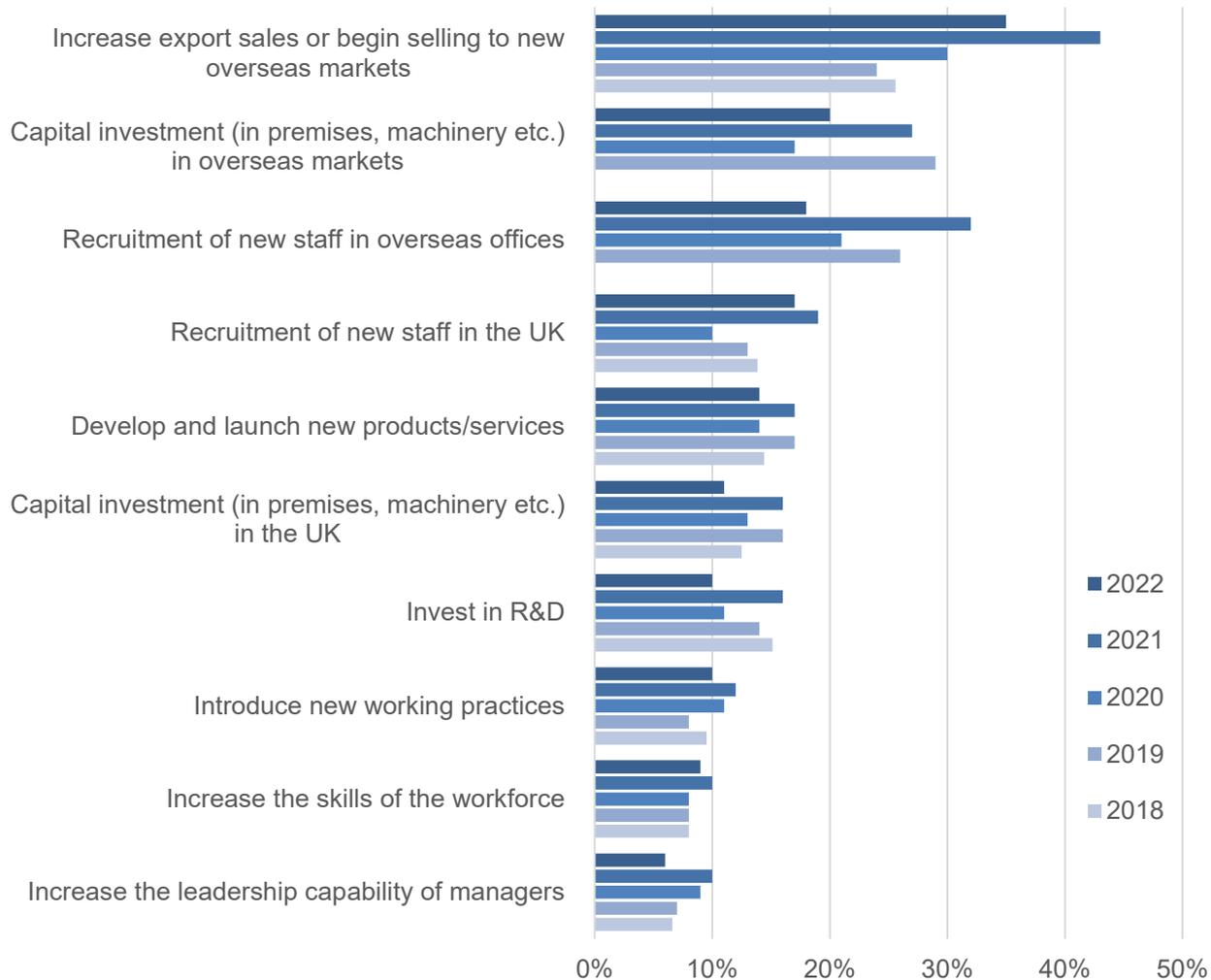
With regard to investment, 20% of SME employers with plans for *capital investment in overseas markets* reported that these plans have been affected by the UK's exit from the EU (27% in 2021, 17% in 2020), higher than the equivalent figure for those planning *capital investment in the UK* (11%, 16% in 2021, 13% in 2020).

Concerning innovation, of those SME employers with plans to *develop and launch new products and services*, 14% (17% in 2021, 14% in 2020) reported plans affected, while lower proportions of those with plans to *invest in R&D* (10%, 16% in 2021 and 11% in 2020) and those with plans to *introduce new working practices* (10%, 12% in 2021, 11% in 2020) reported that these plans had been affected by the UK's EU exit.

Some 11% of SME employers that had plans to work towards a target to reduce carbon/greenhouse gas/other emissions reported that these plans had been affected by the UK's exit from the EU.

¹⁷ These figures are based on very low sample bases

Figure 26: Plans affected by EU exit activity (based on SME employers that plan to undertake each growth-related activity, cohort B only) – UK-based activities, where an unweighted base >50 only



Whether plans for growth-related activities have been affected by rising costs (cohort B)

In the [data tables](#) accompanying this publication, tables 25-28 (cohort B) shows whether plans have been affected by rising costs

Again, the following section concerns SME employers planning to undertake specific growth-related activities. Only cohort B were asked these questions.

More than half of SME employers (55%) with plans to undertake growth-related activities reported plans had been affected by issues relating to rising costs. This percentage increased with employment size from 54% of micros to 56% of small to 60% of medium-sized businesses. In Northern Ireland the percentage was lower than elsewhere in the UK at 49%, compared to 54% in Scotland, 55% in England and 56% in Wales.

SME employers in education (80%), other services (75%), accommodation and food (69%) and primary (65%) sectors were most likely to report plans being affected by rising costs.

When asked about the specific issues relating to rising costs that had affected plans, those reporting to have been affected were most likely to point to cost increases other than increased energy costs (72%), although more than half specified increased energy costs (56%).

Of those SME employers with plans affected by rising cost issues, 37% considered uncertainty relating to cost increases as an issue and 31% cited expectations of cost increases.

Among SME employers citing specific plans for growth-related activity, those with plans for capital investment within the UK were most likely to report these plans affected by rising costs (39%), followed by those planning to recruit new staff in UK (37%) and then those planning to develop and launch new products/services (35%).

Less likely to have been affected by rising costs were plans to increase export sales/begin exporting (31% of those with these plans reporting them to have been affected), to work towards a target to reduce emissions and invest in R&D (both 29%), to introduce new working practices (24%), increase the skills of the workforce (23%), increase leadership capability (19%) and recruit new staff in overseas offices (12%).

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 4 outlines the changes in the business in the last 12 months.

SME employers that were panellists - that is those that had taken part in 2021 - 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:

- 7% 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
- 1% had moved their head office
- 1% had changed their legal status
- 1% had changed the principal activity of their business
- <1% became VAT registered for the first time
- <1% had de-registered for VAT
- for 86%, none of these changes had occurred

Number of sites

In the [data tables](#) accompanying this publication, table 6 provides detail on the number of sites operated from by SME employers.

The majority of SME employers reported operating from a single site (89%) and 10% reported operating from multiple sites. The percentage of SME employers operating from a single site was one percentage point higher than in 2021.

Unsurprisingly, the proportion of SME employers 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 22% of small and 7% of micro businesses. These were similar proportions to 2021 (51%, 22% and 8%, respectively).

SME employers operating in the health sector were most likely to have multiple sites (17% - two percentage points up on 2021).

Business premises in residential settings

In the [data tables](#) accompanying this publication, table 20 shows whether they have a separate business premises or work from home premises.

24% of SME employers have business premises in their home or the home of the business owner. This is a five percentage points decrease compared with 2021, when it was nine percentage points higher than the previous years. The proportion has therefore reduced since the end of social restrictions associated with the pandemic but is still higher than pre-pandemic levels.

By employment size, 29% of micro businesses worked out of a domestic address (a five percentage points decrease on 2021), compared to 4% of small businesses (a five percentage points decrease) and 1% of medium-sized businesses (a two percentage points decrease).

By sector, the proportions of SME employers that work from a domestic address are highest in primary (55%), construction (38%), information and communication (35%) and professional and scientific (34%) sectors.

Those in manufacturing (7%), retail and wholesale (8%), health (13%) and other services (14%) sectors were least likely to be home based.

Home-based businesses were at similar levels in England (24% - a five percentage points decrease on 2021), Wales (also 24% - but a seven percentage points decrease) and Scotland (25% - a three percentage points decrease) but higher in Northern Ireland (30% - no change on 2021).

Age of business

In the [data tables](#) accompanying this publication, table 16 shows the summary age of the business.

Amongst all SME employers, 12% had started trading within the preceding five years, that is between 2016 and 2021 (a one percentage point increase on 2021). As has been the case since 2018, 16% had started trading between 6 and 10 years previously, and 27% had started trading between 11 and 20 years previously. Some 45% have been established 21 years or more (unchanged since 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 (12% in 2021), compared with 8% of small businesses (as in 2021) and 6% of medium-sized ones (as in 2021). At the other end of the scale, 43% of micro businesses were aged 21 or more years (as in 2021), compared with 53% of small businesses (as in 2021), and 63% of medium-sized businesses (60% in 2021).

By sector, those most likely to be aged between zero and five years were in accommodation and food services (22%) and construction (16%). Those most likely to have been trading 21 years or more were in primary (67%) and manufacturing (61%) sectors.

By nation, SME employers in Northern Ireland (17%) were more likely to be aged between zero and five years than those in Scotland (11%), England (12%) and Wales (13%).

Legal status¹⁸

In the [data tables](#) accompanying this publication, tables 14 and 15 show the legal status of the SME employer.

77% of SME employers in our survey were private limited companies, limited by shares (a three percentage points increase on 2021, reversing the decrease seen in 2021), 9% were sole proprietors (a two percentage points decrease), 7% were partnerships (as in 2021), 5% were private companies limited by guarantee (CLGs) (as in 2021), and 1% were limited liability partnerships (LLPs) while 2% were charitable incorporated organisations (CIOs).

Micro businesses were more likely than larger businesses to be sole proprietorships. Around 11% of micros were sole proprietorships, compared with 3% of small and 1% of medium-sized businesses. Small (75%) and medium-sized (79%) businesses were more likely than micro (69%) businesses to be private companies limited by shares.

Not-for-profit enterprises often had 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, 7% of SME employers had these alternative legal statuses (8% in 2021, 9% in 2020, 12% in 2019, 9% in 2018).

These alternative legal statuses were most common in other services (30%), health (25%), arts and entertainment (24%) and education (15%) sectors.

Registered charity status

In the [data tables](#) accompanying this publication, table 5 shows if the SME employer is a registered charity.

In 2022, 5% of SME employers were registered charities (as in 2021). Micro businesses were less likely than small and medium-sized businesses to be registered charities. Some 5% of micro businesses were registered charities, compared with 8% of both small and medium-sized businesses.

Of those with alternative legal statuses, as described above, 39% had charitable status. Of those with more common legal statuses (sole proprietorships, companies, partnerships), less than 3% were registered charities.

Charitable status was most common in the health (44%), other services (30%), education (28%) and arts and entertainment (23%) sectors.

¹⁸ Note that in 2019 the legal status questions were amended in an effort to simplify and improve understanding for participant 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/partners/directors

In the [data tables](#) accompanying this publication, tables 9, 21, 22, 23 and 24 provide the number of owners, partners and directors.

Overall, 79% of SME employers were majority-owned by the person or family who set it up (a one percentage point increase on 2021). In 98% of these businesses, the person or family who majority-owned the business was actively involved in managing it.

The majority of SME employers (79%) had no directors in day-to-day control of the business who were not owners or partners (81% in 2021), while 9% reported having one director, 5% had two directors, 3% had between three and five and 2% had six or more.

Around 38% of SME employers reported having no more than one owner, partner or director, 38% reported having two, 19% reported having between three and five and 5% having six or more.

In 2022, the number of owners, partners and directors increases with employment size, with 41% of micros having no more than one owner, partner or director compared with 25% of small and 18% of medium-sized businesses.

Family-owned businesses

In the [data tables](#) accompanying this publication, table 21 shows whether the business is classified as family owned.

Seventy-nine per cent of SME employers were defined as family-owned businesses (a one percentage point decrease on 2021). 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 82% of micro businesses, 67% of small businesses and 57% of medium-sized businesses.

By sector, family businesses were most likely in primary (88%), construction (87%), manufacturing and retail and wholesale (both 84%).

Women-led businesses

In the [data tables](#) accompanying this publication, tables 30 and 31 show 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 2022, 18% of SME employers were women-led. This was a one percentage point decrease on 2021, but a two percentage points increase on 2020.

There were fewer women-led medium-sized businesses (14%), compared with small and micro businesses (18% for both). This was also the case in previous surveys.

Women-led businesses were most likely in health (44%), education (34%), other services (29%), and accommodation and food (28%) sectors¹⁹.

While 18% of SME employers were women-led, a further 23% were 'equally-led', with an equal number of men and women in the management team (one percentage point down on 2021).

A further 11% of SME employers had women in the minority in the management team (10% in 2021), and 44% were entirely male-led (as in 2021).

Overall, it was not possible to classify 5% of all SME employers as women-led or male-led, as there was insufficient information provided for these businesses (uncertainty regarding owners/partners' gender or refusal to supply the information).

Minority Ethnic Group-led businesses

In the [data tables](#) accompanying this publication, table 32 shows whether the SME employer is classified as led by people from minority ethnic groups

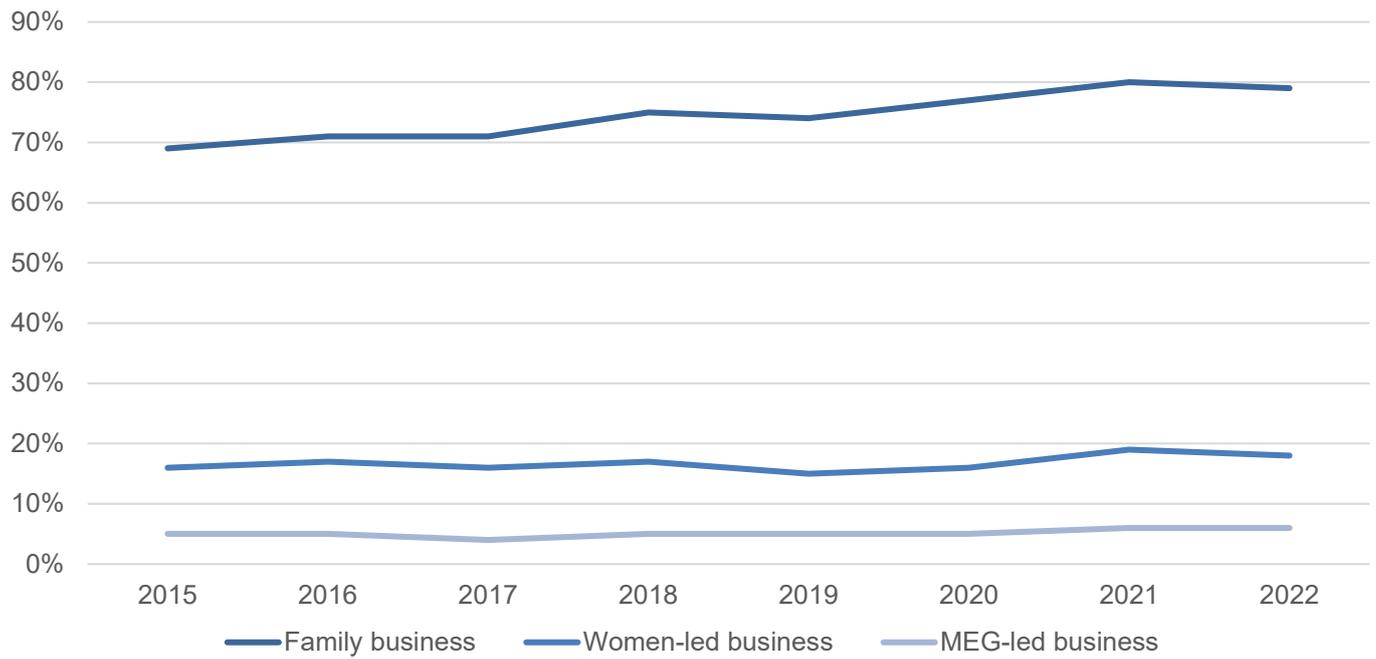
About 6% of SME employers were minority ethnic group led (MEG-led), defined as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from ethnic minority groups. There was no statistically significant difference in the overall proportion of MEG-led businesses between 2015 and 2022, nor in the proportions of MEG-led SME employers by employment size.

MEG-led SME employers were more likely in information and communication (9%), accommodation and food, health, education and administration (all 8%) sectors. They were less likely in primary (1%), manufacturing (3%), construction, transport and storage and arts and entertainment (all 4%) sectors.

Overall, 5% of all SME employers could not be classified as either MEG-led or non-MEG-led as there was insufficient information provided for those businesses (uncertainty regarding owners/partners' ethnicity or a refusal to provide it).

¹⁹ It should be noted that in the service sectors of education, health, arts and entertainment and other services, about one in seven respondents were unable to provide sufficient information in order to identify them as women-led or not.

Figure 27: Ownership of organisation, by year



Accompanying tables

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

- Longitudinal Small Business Survey 2022: SME employers – data
- Longitudinal Small Business Survey 2022: SME employers – data – cohort A
- Longitudinal Small Business Survey 2022: SME employers – data – cohort B
- Longitudinal Small Business Survey 2022: SME employers – data – cohort C

The survey microdata will be deposited with the ONS [Secure Research Service](#) and the [UK Data Service](#) during the Autumn of 2023. This will be available to approved researchers.

Technical information

Aims of the survey

This report sets out some of the key findings for the 2022 Longitudinal Small Business Survey (LSBS), a large-scale telephone (CATI²⁰) survey of 9,500 UK small business owners and managers, commissioned by the Department for Business, Energy and Industrial Strategy (BEIS) until February 2023 and now managed by the Department of Business and Trade. This link provides further details about Machinery of Government change

<https://www.gov.uk/government/publications/making-government-deliver-for-the-british-people/making-government-deliver-for-the-british-people-html>

This survey is the latest in a series of annual and biennial Small Business Surveys (SBS) dating back to 2003. The 2022 survey was conducted between November 2022 and April 2023 by BMG Research Ltd.

The 2022 survey follows surveys conducted annually since 2015. Sample bases for each year from 2015 to 2022, are summarised in Table 1. The 2015 survey was the largest SBS yet undertaken, while the second highest sample was undertaken in 2018. The main reason for large sample sizes in both 2015 and 2018 was to enable the survey to have a longitudinal tracking element, so, in 2015, establishing, and in 2018 further boosting, 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 has an element of attrition, hence the need for a large sample size in 2015 and a boost in 2018.

Table 1

	Sample size
2022	9,524
2021	9,325
2020	7,636
2019	11,002
2018	15,105
2017	6,619
2016	9,248
2015	15,502

In 2022, 3,613 top up interviews were conducted. This was in addition to 5,911 interviews with enterprises that had already completed at least one LSBS survey between 2015 and 2021. Top-ups were needed for the following reasons:

- to represent sections of the SME population that were not active in the 2021 survey fieldwork period (businesses less than one-year old)
- 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)

²⁰ Computer Assisted Telephone Interviews

Longitudinal Small Business Survey: SME Employers – UK, 2022

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 22.6 minutes (20.1 minutes for panellists, 25.2 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, whether or not they are a social enterprise (or a socially oriented SME) etc
- the characteristics of their owners and leaders

There are three main reports based on the 2022 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 quarter of 2022 to the end of the first quarter of 2023 (including the first month of the second quarter of 2023)
- a **cross-sectional report** based on businesses with no employees
- a **longitudinal report** based on those businesses that responded in the last four 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

24 of the 9,524 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 9,325 interviews conducted in 2021, 8,013 (86%) agreed to a follow-up interview. The objective was to obtain the highest possible number of repeat interviews with these panellists. 4,774 were interviewed between November 2022 and April 2023 (60%, similar to the 61% in the 2021 survey, and up on the 51% in the 2020 survey and 53% in the 2019 survey). Of these, 888 had no employees, 18 were large businesses with 250+ employees, and the remainder (3,868) were SME employers. This group is known as the 'full panel'.

In addition, 7,208 businesses interviewed from 2015 to 2020 but not in 2021 could be re-approached for interview (they had given permission for re-interview and had not refused to take part between 2015 and 2020 and had not ceased trading). 1,137 of these were interviewed in 2022, a response rate 16% (18% in 2021, 13% in 2020, but still lower than the 21% achieved in 2019), of which 148 had no employees, 984 were SME employers, and 5 were large businesses with 250+ employees. This group is known as the 'past panel'.

In addition to these, 3,613 ‘top-up’ interviews were conducted, of which 746 had no employees and 2,867 were SME employers. As a result, the total sample size in the 2022 survey was 9,524, of which 1,782 had no employees, 7,718 were SME employers and 24 were large employers (250+ employees).

The top-ups were sampled using a method consistent with the 2015 to 2021 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, a database from the commercial database provider Market Location was used. These 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) publication 2022 estimated around 5.5 million enterprises in the UK in total. The difference in the figures is explained by the number of unregistered enterprises that do not pay VAT or PAYE, estimates of which derive from the Labour Force Survey (LFS). This is the reason why an alternative database was retained as the source for top-up businesses with no employees, as it contains records for both registered and unregistered businesses.

The targets within the sample stratification matrix were informed by the 2021 BPE²¹, the latest available at the start of fieldwork. However, survey findings were weighted to the 2022 BPE²² which were published a few months into the fieldwork period. The 2022 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 2021 BPE.

A 336-cell sample stratification matrix was devised, the targets within each cell informed by the 2021 BPE. These cells were defined by cross classifying the following three categories:

- 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.

²¹ <https://www.gov.uk/government/statistics/business-population-estimates-2021>. 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.

²² <https://www.gov.uk/government/statistics/business-population-estimates-2022>. Method of data collection as above.

A review of the 2021 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 seven questionnaire.

Based on the whole sample, the response rate for full panellists was 79%, 17 percentage points higher than in 2021. For past panellists the response rate was 16%, two percentage points lower than in 2021. For IDBR top-ups the response rate decreased by one percentage point to 4%. For unregistered top-ups, the response rate was 3%, as in 2021. There is more detail in the technical report, which includes tele-matching rates and other forms of non-response.

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 2022 was 7,718.

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 2022.

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.

There were approximately 2,000 employers in each 2022 cohort: 1,910 in cohort A, 1,959 in cohort B and 1,907 in cohort C. This year a quota was applied in error to the cohort variable which capped elements of the sample for each cohort at 1,000. This affected where the sample within each cohort (reflecting the sample overall) was largest i.e. England and micros. The consequence was a reduction in the sample size for each cohort based on what would have been expected from the overall sample size.

Each respondent is part of one cohort only. Where a business is in each of the 2018, 2019, 2020, 2021 and 2022 datasets, its cohort for 2022 is entirely independent of its 2018, 2019, 2020 and 2021 cohorts (knowing a business was in cohort A in 2018 or 2019 or 2020 tells you nothing about which cohort it is in 2021). 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, labelled as 'financial and real estate', 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 61,400 UK SME employers in this sector in 2022. 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 (12%)
- **C (manufacturing).** There were 88,940 UK SME employers in this sector in 2022. 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 (9%), manufacture of wood, cork, straw products and plaiting materials, printing, and repair of fabricated metal products, machinery and equipment (each 7%)
- **F (construction).** There were 193,970 UK SME employers in this sector in 2022. The most populous sub-sectors within the category were electrical and plumbing (30%), building completion (24%) and building construction (19%)
- **G (retail and wholesale).** There were 251,165 UK SME employers in this sector in 2022. The most populous sub-sectors within the category were retail sale of other goods in specialised stores (16%), maintenance and repair of motor vehicles (14%), and retail sale in non-specialised stores (12%)
- **H (transport and storage).** There were 51,305 UK SME employers in this sector in 2022. The most populous sub-sectors within the category were road freight transport (52%) and other passenger land transport (mainly taxi businesses, 15%)
- **I (accommodation and food service).** There were 144,430 UK SME employers in this sector in 2022. The most populous sub-sectors within the category were restaurants (64%) and beverage serving activities (pubs and bars - 19%)
- **J (information and communications).** There were 78,305 UK SME employers in this sector in 2022. The most populous sub-sector within the category was computer programming and consultancy (69%)
- **KL (financial and real estate).** There were 74,125 UK SME employers in this sector in 2022. The most populous sub-sectors within the category were estate agents (34%), property rentals (30%) and auxiliary financial services (15%)
- **M (professional and scientific).** There were 192,315 UK SME employers in this sector in 2022. The most populous sub-sectors within the category were management consultancy (29%), architecture and engineering (19%) and accountancy (13%)
- **N (administrative services).** There were 128,040 UK SME employers in this sector in 2022. The sector was dominated by 'business support services not elsewhere classified' (42%). This is a miscellaneous category. Sector N also included house and business cleaning (14%) and landscaping (9%), and employment placement agencies (7%)
- **P (education).** There were 21,200 UK SME employers in this sector in 2022. The most populous sub-sector within the category was 'other education' (58%, e.g., driving schools and sports coaches). The next most populous was pre-primary education (14%)
- **Q (human health and social work).** There were 59,990 UK SME employers in this sector in 2022. The most populous sub-sectors within the category were medical and dental (40%), non-residential social work activities (21%) and other human health activities (18%)

- **R (arts and entertainment).** There were 26,620 UK SME employers in this sector in 2022. The most populous sub-sectors within the category were sports activities (47%), creative and arts (32%) and amusement and recreation (16%)
- **S (other services).** There were 68,420 UK SME employers in this sector in 2022. 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 commercial database provider, Market Location, 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 Market Location 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 over-represents 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 79.0% of SME employers in 2022 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 within +/-0.9% 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. The interval is calculated using a method that, for 95% of the possible random samples we could have drawn, will produce an interval that 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 79.0%, and we are 95% confident that the true value is in the range 78.1% to 79.9%.

Our survey contains hundreds of measures and it is not practical to produce confidence intervals for each one of them. Instead, Table 2 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 +/-1.4% according to Table 2. 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 SME 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% +/- 1.8%. If we have an estimate of 65% for the construction sector, that is close to 70% so we use that column of the table and arrive at an approximate confidence interval of 65% +/- 4.6%.

Table 2 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 as £377,000. Table 2 cannot be used to produce a confidence interval for this estimate, though it can be done (it is +/- £102,000)²³.

²³ The underlying data tables published alongside this report contain ‘standard errors’ for estimates that are not proportions,

Table 2

	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% +/- (%)
UK	7,718	0.9	1.4	1.5
England	5,929	1.0	1.5	1.7
Scotland	750	2.8	4.3	4.7
Wales	546	3.5	5.3	5.8
Northern Ireland	493	3.6	5.5	6.0
Micros (1 to 9 employees)	3,712	1.1	1.6	1.8
Small businesses (10 to 49 employees)	2,851	1.1	1.7	1.9
Medium-sized businesses (50-249 employees)	1,155	1.8	2.8	3.1
ABDE. Primary	276	4.2	6.5	7.0
C. Manufacturing	795	2.9	4.4	4.8
F. Construction	670	3.0	4.6	5.1
G. Retail and wholesale	1,341	2.0	3.0	3.3
H. Transport and storage	274	4.9	7.4	8.1
I. Accommodation and food service	756	3.1	4.7	5.1
J. Information and communication	368	3.5	5.4	5.9
KL. Financial and real estate	328	4.2	6.4	7.0
M. Professional and scientific	1,002	2.3	3.5	3.8
N. Administration and support	607	3.1	4.7	5.1
P. Education	174	5.9	9.0	9.8
Q. Human health	615	3.6	5.5	6.0
R. Arts and entertainment	207	5.8	8.8	9.6
S. Other services	305	4.4	6.7	7.4

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.

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 +/- £102,000 figure above

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, SME employers within manufacturing (49%) and information and communications (43%) were most likely to have exported in the last 12 months, while those in health (1%), construction and accommodation and food (both 2%) were least likely to have done.

This does not mean that manufacturing businesses were statistically significantly more likely to have exported than those in information and communication, but both sectors were statistically significantly more likely than the rest of the SME employers to have done so, i.e., 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 1% and 2%.

Definitions

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 since 2018 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	The EU is the European Union. This comprises the countries of Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden
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 2021 is the total turnover of micro businesses in 2021 divided by the total number of micro businesses in 2021.) 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 of any White background, including 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 background is one of those ethnicities.
Micro business	A business which has between one and nine employees (whether they are full-time or part-time).
National Minimum Wage, National Living Wage	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. It was extended to 23 and 24 year olds on 1 st April 2021. As it is higher than the National Minimum Wage it effectively supersedes it for employees aged 25 or more.
PAYE	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.
Private sector, public sector	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.

R&D	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 .
Red tape	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.
Registered business	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.
Sector	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.
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 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

The Department for Business and Trade (DBT) intends to continue the survey for at least one further wave. The delay to field start date that occurred in 2020 impacted in turn on the 2021 and 2022 fieldwork dates. Interviewing which was planned to commence in July 2020 and continue to February 2021 was delayed to September 2020 and continued to April 2021 because of the uncertainty and upheaval caused by the coronavirus (COVID-19) pandemic. In 2022, this had a further impact in delaying field start to November 2021, which then continued to the end of April 2023. Interviewing for the 2022 survey took place between the 1st November 2022 and the 30th April 2023. We anticipate that the field dates for the 2023 survey will follow those of 2022.

Related statistics

The related publication of statistics relating to businesses with no employees is on the same day as this publication. DBT will also publish a panel report in September 2023 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 2022 survey.

The Scottish Government usually produces its own publication based on the same data but focused on Scottish businesses <https://www.gov.scot/publications/small-business-survey-scotland-2021/pages/introduction-and-key-results/>.

DBT 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). Also the [National Survey of Registered Businesses \(NSRB\)](#) which covers business sentiment around exporting and trade. The survey focuses on businesses with a turnover over £500,000 or more due to their higher potential to export.

As outlined elsewhere in this report DBT 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 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, 2019 and 2021 surveys.

The Department for Education (DfE) conducts the Employer Skills Survey. The [2019 Employer Skills Survey](#) 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. The Employer Skills Survey for 2022 will be published in September 2023 <https://www.gov.uk/government/statistics/announcements/employer-skills-survey-2022>

Uses of these statistics

As a wide-ranging survey of SMEs, the LSBS is of interest to many Government departments and agencies. Department for Energy Security & Net Zero 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. DBT 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. HM 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 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 2023 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. 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, for example the Unlocking Opportunity report <https://www.fsb.org.uk/resource-report/unlock.html>

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 department 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](#).

Statistics error and revision policy

The department [statistics error and revision 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

<https://www.gov.uk/government/collections/small-business-survey-reports>.

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