



Longitudinal Small Business Survey: panel report – UK, 2019-2022

September 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 wide range of topics that provide insights on small and medium enterprise (SME) performance and the factors that affect this. This report presents selected findings from a panel of businesses that participated in the Longitudinal Small Business Survey (LSBS) in each of the years 2019, 2020, 2021 and 2022.

The longitudinal data provided by the LSBS panel is interesting because it shows how businesses' attitudes, behaviours and performance have changed over the four-year period. Importantly, it also allows us to see associations between these attitudes and business behaviours and subsequent business performance which in some cases are likely to be lagged.

The four years covered by this report were conducted before (2019), during (2020 and 2021) and after (2022) the most disruptive periods of the COVID-19 pandemic. The 2021 survey was conducted towards the end of the period of trading restrictions and while businesses in some sectors were operating within an environment in which social restrictions were imposed, which impacted customer volumes and opening times. The most recent 2022 survey was conducted between 1st November 2022 and 30th April 2023 during a period of sharply rising costs and interest rates. It is very likely that responses to the 2021 and 2022 surveys were shaped by this evolving context. The key findings reported below relate to the group of firms which responded to the 2019, 2020, 2021 and 2022 surveys and cover only a selection of the variables included in the LSBS. More detail on other aspects of the survey is included in the related 2022 reports on businesses with employees and businesses with no employees. Looking at the panel of businesses suggests:

- The proportion of firms reporting either product or service innovation was 33.1% in 2019, fell to 28.3% in 2020 before recovering to reach 29.7% in 2021 and 29.5% in 2022.
- In 2019, 22.8% of firms in the panel reported exporting either goods or services. This proportion fell marginally to 20.9% in 2020, 19.8% in 2021 and 18.9% in 2022.
- More than three quarters (75.4%) of business in the panel had no imports in 2019. 89% of these businesses continued to have no imports in 2022.
- External finance (excluding COVID-19 related support) was used by 12.4% of businesses in the longitudinal panel in 2019. This proportion fell to 7.5% in 2021, before recovering somewhat to 10.4% in 2022.

- Just over a quarter (27.2%) of the longitudinal sample had sought business support in 2019. By 2020, this had fallen to 22.3%, but recovered to 24.6% in 2021 and 25.6% in 2022.
- The majority of firms providing training in 2019 continued to do so in 2021 (71.0%) and more than four fifths of this proportion (85.5%) continued to do so in 2022. More than half of firms not offering training in 2021 did so in 2022.
- Employment increased in 23.0% of firms in 2019, 22.1% in 2020, 37.4% in 2021 and 25.3% did in 2022. Employment growth varied widely between regions.
- The proportion of businesses reporting increased sales declined markedly between 2019 (36.7%) and 2020 (20.5%) before recovering in 2021 (50.5%) and 2022 (55.5%). The volatility in sales growth between years inevitably reflects the impact of the COVID-19 pandemic and related disruption.
- Around a third (32.3%) of the businesses that expected employment growth in 2019 achieved this over the following year. 43.6% of businesses expecting growth in 2021 achieved their expectations in 2022.
- The panel data confirm that sustained growth is unusual. Of the original group of panel businesses reporting growth in the year prior to the 2019 survey, only 18.1% experienced employment growth throughout the four years.
- The proportion of businesses undertaking growth related behaviours – innovation, training, using external finance - was generally lower in 2022 than it had been in 2019.
- The proportion of firms regarding EU exit as a major obstacle declined somewhat from 22.7% in 2019, immediately after EU exit, to 22.1% in 2020, after the end of the EU Transition Period, before increasing to 29.9% in 2021 and 29.2% in 2022.



What you need to know about these statistics

The statistics in this report cover the period from 2019 to 2022 and follow a panel of 1,437 businesses from across the UK. These businesses have taken part in all four waves of the Longitudinal Small Business Survey conducted during this period.

The survey covers all industries and the full range of Small and Medium Enterprise (SME) sizes, including unregistered businesses that are often excluded from official surveys and all other businesses that employ up to 249 people. (Three large businesses with 250 or more employees are included in this panel, because they were SMEs in 2018). Because the survey has been explicitly designed to allow for longitudinal analysis, many questions are repeated across the years.

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

We have survey weights that can be used in analysis of the panel which make the weighted panel representative of the UK SME population in 2019, though this will be representative in terms of business size, country and broad industrial sector only, and not necessarily in terms of behaviours and performance. In this report some of the analysis is based on the unweighted data, and in any event the panel should not be thought of as representative of the wider business population, especially when looking at changes in certain variables over time.

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

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Introducing the LSBS Longitudinal Sample

Introduction

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

For the purposes of the analysis in this report it is important to bear in mind that in each table we are considering the responses of the balanced panel of 1,437¹ businesses that participated in the survey in each of the years 2019, 2020, 2021 and 2022. In practice, it is possible to analyse panels spanning different numbers of years. This report is based on a panel covering just four years - this has several advantages; not the least of which is that the panel is larger, and hence more reliable, than it would be if a longer period had been used.

LSBS is designed to be representative of the SME population and each cross-sectional survey is weighted to provide representative results. Ensuring representativeness in each year is more difficult when considering the type of longitudinal sample used here as this would require different weights were applied to each observation in each year. This approach is feasible but may distort any year-on-year comparisons in the behaviours or performance of our balanced panel of businesses. Therefore, we have adopted a procedure of weighting the balanced panel to be representative of the SME population in 2019 and retained those weights for 2020, 2021 and 2022. Year-on-year changes in behaviour or performance observed therefore reflect differences in businesses' responses rather than any change in weighting.

Table 1 compares key performance indicators for the panel sample of businesses - those that responded in all four LSBS waves (2019, 2020, 2021 and 2022) - with the non-panel sample, that is businesses that were interviewed in the first year (2019) but did not respond consistently in other years. Panel firms are seen to differ from non-panel firms in several respects. They are significantly more likely to be aiming to grow their business, to be exporting, innovating, accessing business support and external finance and providing training. The proportions of women-owned or MEG-owned (minority ethnic group owned) businesses are very similar in the panel to those in non-panel firms. As such the panel results are not strictly representative of the business population as a whole, with the focus instead here on the year-to-year experience of the group of panel businesses. More representative results for the SME population are reported in the 2022 reports on businesses with employees and businesses with no employees.

¹ This longitudinal report is based on all the 1,437 respondents to the 2019, 2020, 2021 and 2022 surveys. This group is different to the 'Full Panel' referred to in the 2022 Technical Report which is the number of current (2022) panel members (not including past panel members).

Table 1: Key differences between the panel and the overall SME population

	Non-panel firms	Firms in the longitudinal panel
Percentage of firms:	N=9,565	N=1,437
Aiming to grow turnover (3 years)	71.1***	76.6
Women-owned firms	21.7	20.1
MEG-owned firms	4.1	3.5
Exporting firms	22.6***	26.5
Innovating firms	33.7***	37.6
Accessing business support	25.4***	31.2
Accessing external finance	13.4**	15.2
Providing training	65.3**	61.9

Notes: Comparison relates to firms inside and outside the longitudinal panel in 2019. *** indicates significant difference at the 1% level, ** significant difference at the 5% level and * at the 10% level. Observations are unweighted and are therefore unrepresentative of the population of firms.

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

Macro-economic conditions and the political environment at the time of each survey may influence businesses’ responses, particularly indicators of ambition or anticipated growth. A key point here is that the 2019 survey was undertaken before EU exit and before the onset of the coronavirus (COVID-19) pandemic. Conversely, approximately half of the 2020 survey took place post EU exit but while we were in the transition period. The remainder of the 2020 and 2021 surveys were undertaken after EU exit and after the onset of the pandemic and the associated restrictions on social and economic activities. The 2022 survey post-dates the worst impacts of the pandemic but was conducted during a period of increasing cost pressures.

Other firm-specific aspects of our longitudinal sample of businesses are more stable; particularly those related to the ownership background of the businesses. For example, 19.7% of our longitudinal sample of companies were women-owned in 2019. However, this proportion varied significantly by sector: in 2019 40.2% of ‘other services’ businesses are women-owned compared to only 13.1% of businesses in Production and Construction. These proportions remain stable across the period covered by this report.

One other aspect of the longitudinal sample that is worth consideration is whether some year-on-year differences are due to the maturing process in the respondent businesses. In 2019, 50.3% of the businesses in the longitudinal sample had been established for more than 20

years and only 7.6% were less than five years old. In 2022 these proportions were 56.9% and 2.3% respectively. Clearly none of the retained sample of businesses in 2022 can be less than four years old, although the overall age structure of panel businesses reflects that in the general population of small firms relatively closely.

Structure of the report

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

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

Previous panel reports have included analyses of high growth firms. This analysis has not been included this year because the conditions engendered by the coronavirus (COVID-19) pandemic mean that the findings would be unrepresentative of the established pattern of high growth within the SME population.

Trends in the drivers of SME growth

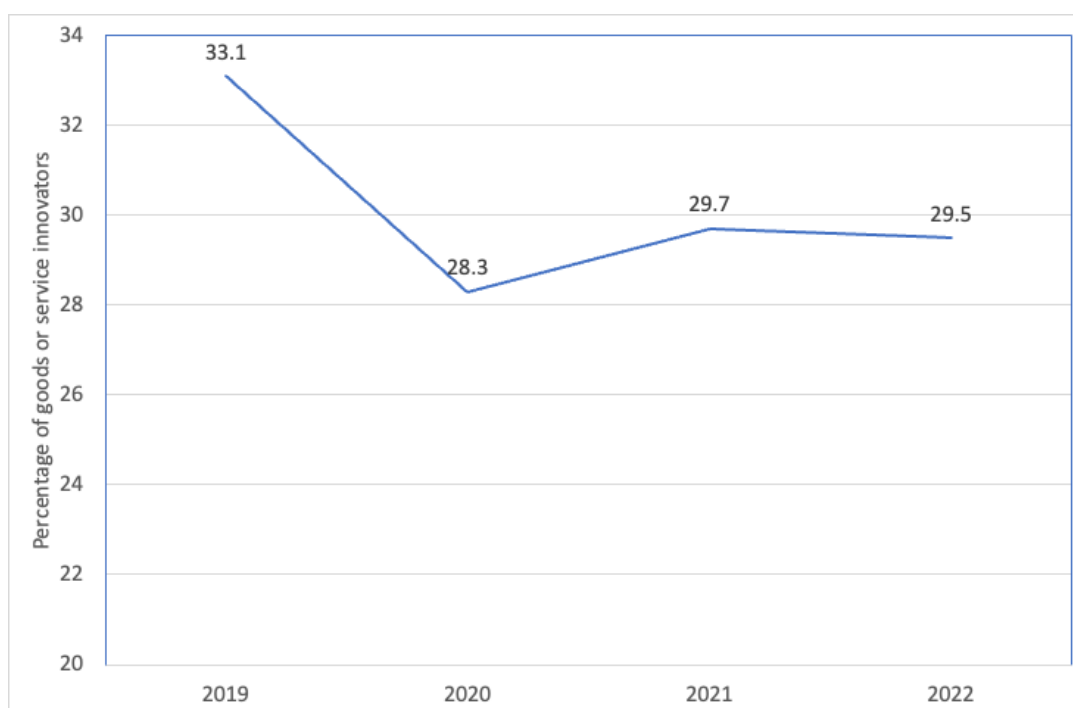
Introduction

In this section we consider the influence of a range of factors normally assumed to shape business performance, comparing these with the actual experiences of the panel business. Specifically, we delve into key aspects of SMEs' paths to growth associated with innovation and export performance, external finance acquisition, use of business support and employee training. The four-year window available for observing the 1,437 UK SMEs which comprise the LSBS balanced panel offers interesting insights into their behaviours and strategic dynamics over a period spanning the coronavirus (COVID-19) pandemic and its immediate aftermath.

Innovation

In the LSBS, businesses are asked a series of questions about their innovation activities including their adoption of product or service innovations. This question is aligned with the UK Innovation Survey² and the OECD Oslo Manual³ and asks about businesses' innovation activity in the three-year period prior to the survey. The proportion of firms reporting either product or service innovation was 33.1% in 2019, fell to 28.3% in 2020 before recovering to reach 29.7% in 2021 and 29.5% in 2022 (see Figure 1).

Figure 1: Percentage of firms reporting product or service innovation over the period 2019 to 2022



² <https://www.gov.uk/government/collections/community-innovation-survey>

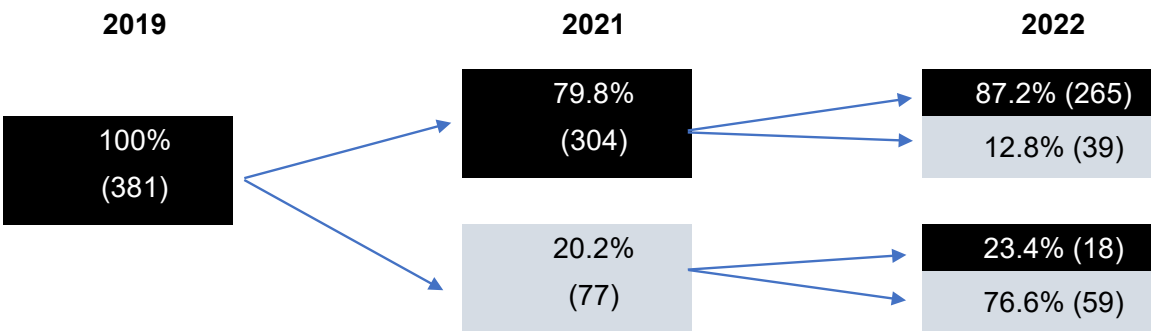
³ <http://www.oecd.org/sti/inno/oslomanualguidelinesforcollectingandinterpretinginnovationdata3rdedition.htm>

Exporting

The weighted data shows that in 2019, 22.8% of firms in the panel reported exporting either goods or services. This proportion fell marginally to 20.9% in 2020, 19.8% in 2021 and 18.9% in 2022.

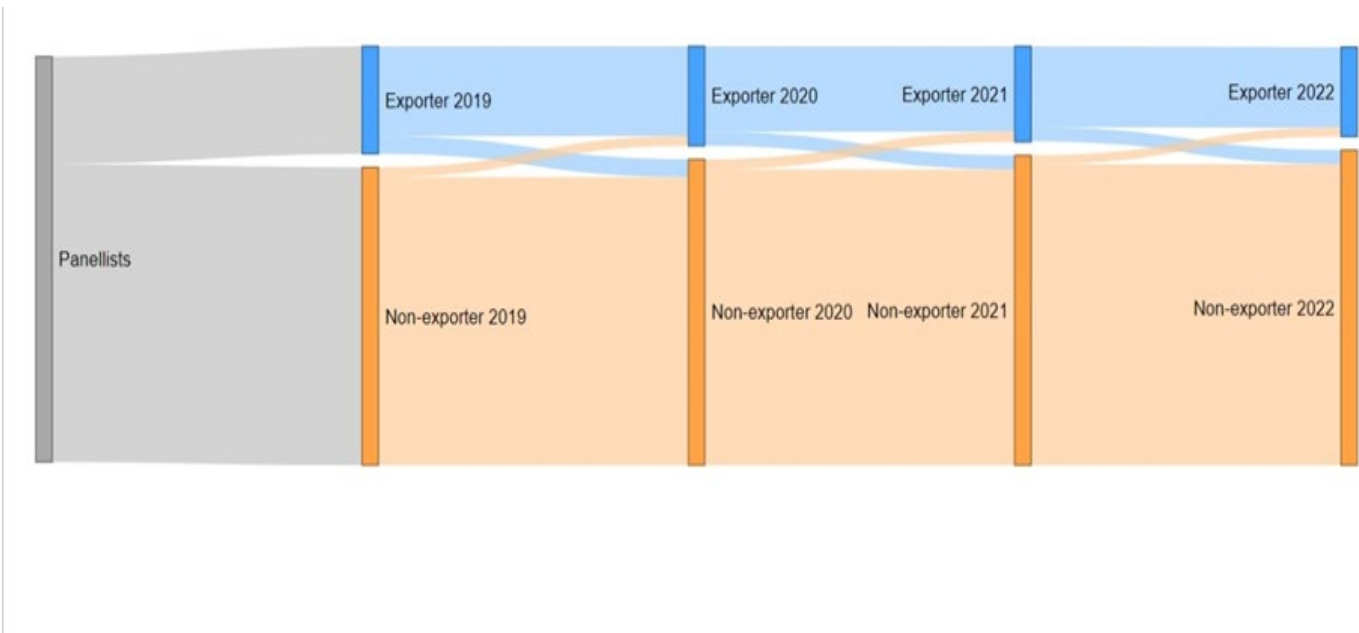
Figures 2 and 3 show that the majority of SMEs in the panel that reported exports in 2019 persisted in exporting in 2021 (79.8%) and 2022 (87.2% of the 2021 proportion). It is perhaps interesting to note that of the 77 businesses (20.2%) that had ceased their exporting activities in 2021, more than one in five (23.4%) had resumed exporting again by 2022.

Figure 2: Exporters persistence for the period 2019 to 2022



Notes: Using businesses that exported in 2019 as the starting point. Arrows indicate year to year transitions between groups. Darker boxes indicate businesses continuing to export, lighter ones indicate non-exporting businesses. 2020 has been omitted for presentational purposes. Based on unweighted data.

Figure 3: Exporters and non-exporters for the period 2019 to 2022

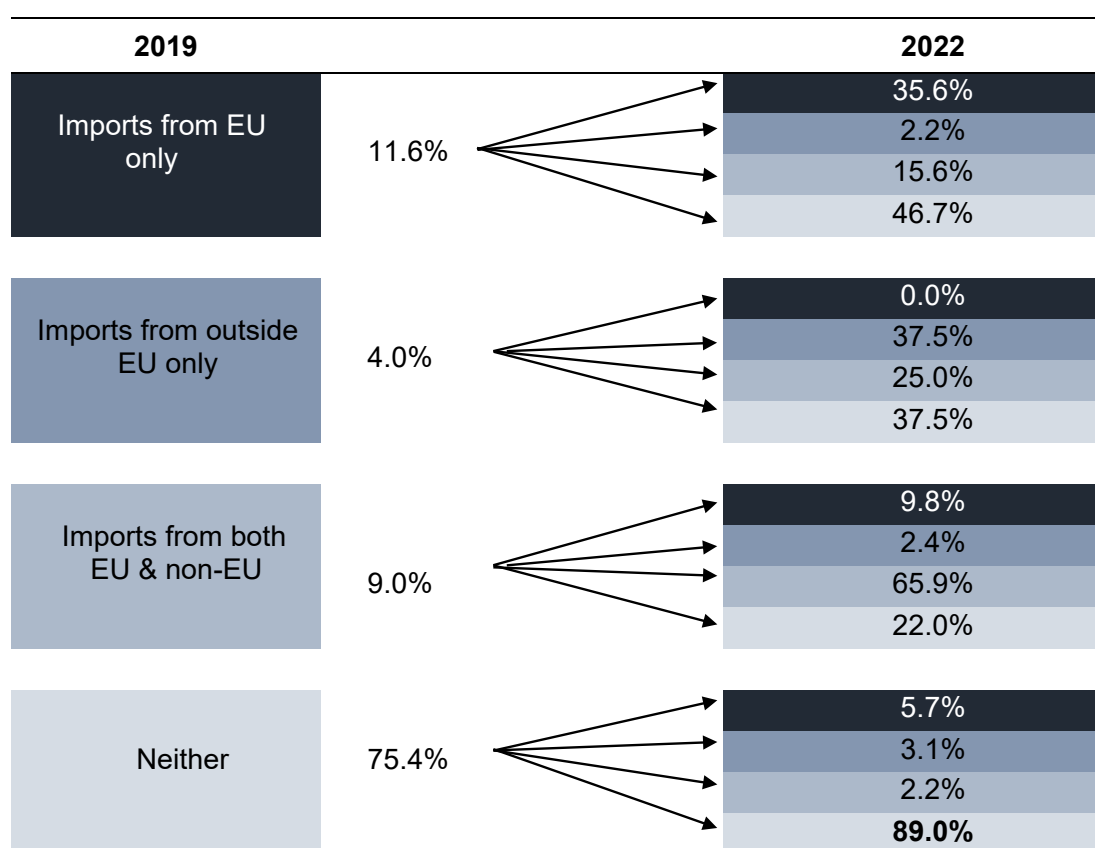


Notes: Using all panellists as the starting point. Based on unweighted data.

Imports

Complementary to exporting activities, imports amongst UK SMEs present an interesting pattern of change (see Figure 4). Out of the 11.6% of businesses in the panel which reported imports exclusively from EU countries in 2019, approximately a third (35.6%) continued to import goods and services only from the EU in 2022, while 15.6% of them had diversified and sought goods and/or services from both within and outside the EU by 2022. More than three quarters (75.4%) of business in the panel had no imports from either EU or non-EU countries in 2019. Almost nine out of ten of these businesses (89.0%) continued to have no imports in 2022.

Figure 4: Import persistence for the period 2019 to 2022



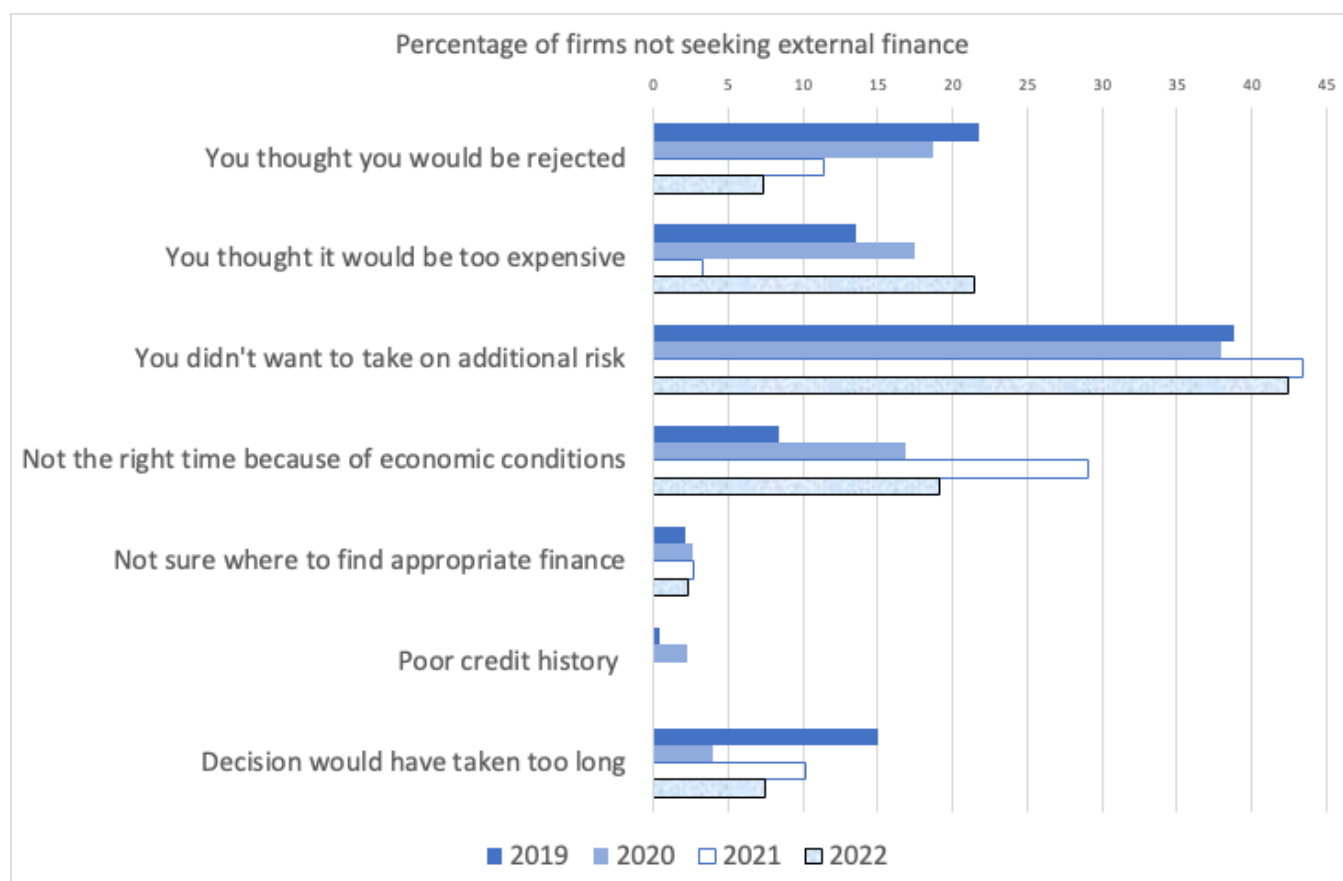
Notes: Arrows indicate year-to-year transitions between groups. Dark blue boxes relate to imports from the EU only; mid-dark to imports from outside the EU only; mid-light to imports from the EU and externally; and light blue no imports. Figures for 2022 relate to the cohort of firms (N=322) asked the importing question in 2022. As a result sample sizes for some groups are small.

External finance

External finance – whether debt or equity – has often been linked to business growth and performance. In the LSBS, respondents are asked whether they have sought external finance, whether this was debt or equity (but excluding any COVID-19 related grants, loans or support from the furlough scheme) in the 12 months prior to the survey. The weighted proportion of firms in the panel using external finance varied somewhat between 2019 and 2022. Specifically, 12.4% of businesses in the longitudinal panel acquired external finance in 2019, falling to 9.8% in 2020 and 7.5% in 2021, before recovering somewhat to 10.4% in 2022. This could include firms seeking COVID-19 related loans or grants during the period these were operative.

Figure 5 shows the reasons which businesses gave for not seeking external finance. The relative significance, or the ranking, of these factors remain relatively stable throughout the period up to 2022. Uncertainty and risk remain the most important factors driving businesses' decisions not to seek for external finance. The proportion of SMEs in the panel reporting not wanting to take on additional risks increased post-2021, rising from 38.8% in 2019 and 38.0% in 2020, to 43.4% in 2021 and 42.4% in 2022.

Figure 5: Main reasons for not seeking external finance, 2019 to 2022



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

Business support

Another important theme in LSBS is business support. Respondents are asked whether, in the last 12 months, they have sought 'external advice or information' on matters affecting their business which involved more than a 'casual conversation'.

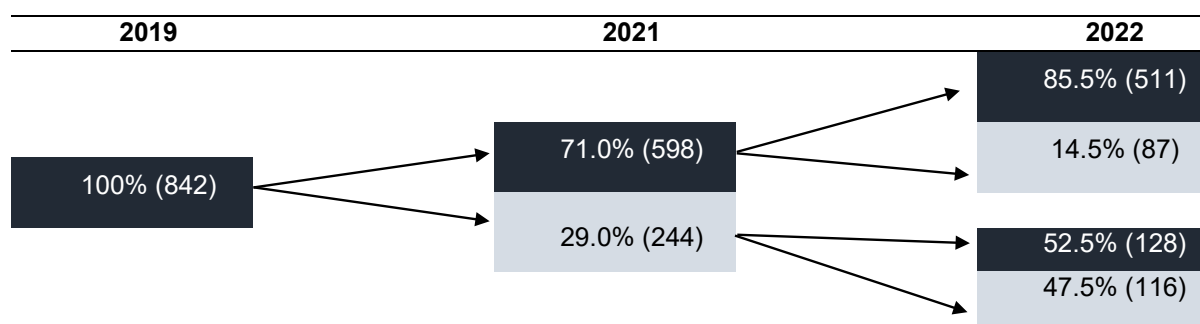
The panel data shows a decline in the proportion of SMEs using business support between 2019 and 2020 and then a slight recovery. Weighted data suggests that just over a quarter (27.2%) of the longitudinal sample had sought business support in 2019. By 2020, this had fallen to 22.3%, but recovered to 24.6% in 2021 and 25.6% in 2022. The proportion of SMEs seeking external support was consistently highest in Business Services and among larger SMEs.

Training

Employee training is considered an important driver of productivity gains and business growth. In 2019, the weighted data suggests that 47.9% of the overall panel of SMEs reported investing in training for their employees. This proportion fell to 44.2% in 2019 and 40.8% in 2021, before recovering to 46.5% in 2022. These changes may be related to the impact of COVID-19 disruption and changing work patterns.

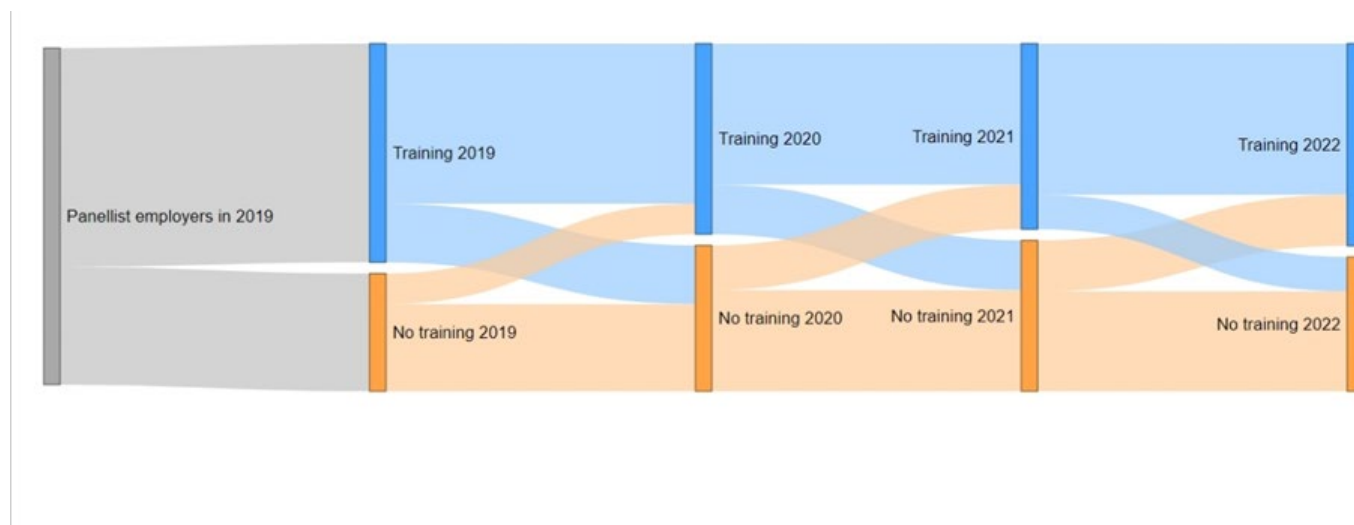
The majority of firms providing training in 2019 continued to do so in 2021 (71.0%) and more than four fifths of this proportion (85.5%) continued to do so in 2022. However, 29.0% of those that provided training in 2019 did not do so in 2021, but more than half (52.5%) of this proportion did so in 2022 (see Figures 6 and 7).

Figure 6: Training investment commitment for the period 2019 to 2022



Notes: Using businesses who provided training in 2019 as the starting point. Arrows indicate year to year transitions between groups. Darker boxes indicate businesses continuing to provide training. Lighter boxes indicate a firm not providing training. 2020 has been omitted for presentational purposes. Based on unweighted data.

Figure 7: Training investment commitment for the period 2019 to 2022



Notes: Using all panellist employers in 2019 as the starting point. Based on unweighted data.

Associations between business behaviours and future performance

Table 2 describes how firms in the panel that reported a range of business behaviours that are generally considered to be associated with growth in 2019 subsequently performed in terms of employment and turnover growth in 2020, 2021 and 2022. For each of the five behaviours considered, performance outcomes in firms that reported such behaviours in 2019 are compared to the outcomes in those firms that did not report these behaviours in that year.

Table 2: Business behaviours and subsequent performance

	2019	2020	2020	2021	2021	2022	2022
	Number of businesses	Increased employment %	Increased turnover %	Increased employment %	Increased turnover %	Increased employment %	Increased turnover %
Innovation	292	20.9	26.9	40.5	52.3	34.6	58.6
No innovation	1139	22.4	19.2	36.8	50.0	23.4	54.9
Accessed capital	216	25.3	25.1	37.3	49.1	30.2	54.6
Did not access capital	1205	21.8	20.0	37.1	50.7	24.7	55.6
Provided training	885	21.5	43.2	44.3	52.4	31.4	59.6
Did not provide training	544	20.0	33.1	30.8	48.6	20.1	51.8
Exported	381	21.0	26.6	50.0	45.6	27.4	53.0
Did not export	1056	22.5	18.7	36.4	52.0	24.7	56.2
Used business support	446	21.5	23.5	36.7	50.5	30.2	58.9
No business support	982	22.4	19.5	37.1	50.7	23.5	54.1

Notes: Based on weighted data to reflect success in each group. Numbers may differ slightly from weighted data quoted elsewhere in the text which are representative of the panel as a whole.

The year-on-year variation in the proportion of firms increasing turnover and employment is very marked over this period, illustrating the business impacts of the pandemic. This volatility may also be dominating more typically observed associations between firms' strategic choices and outcomes. The associations shown in Table 2 also vary markedly between the behaviours considered.

Firms that undertook innovation in 2019 generally tended to perform somewhat better than those that did not do so.

Firms that accessed external capital in 2019 were more likely to report gains in both employment and turnover in 2020. There was little consistent pattern in 2021 and 2022, however.

The most consistent relationship was that firms that provided training for their employees tended to report a higher likelihood of improved performance outcomes in terms of both employment and turnover than businesses that did not report providing training.

Throughout this period, exporting businesses generally performed only marginally better than non-exporters. In some years, non-exporting firms outperformed exporting businesses.

In terms of the use of business support, there was little consistent pattern in terms of gains in turnover or employment growth.

Growth and expected growth

Introduction

A key theme in the LSBS is business growth, measured by employment and sales. In this section we profile the growth performance of our longitudinal sample of businesses over the period 2019 to 2022. We then consider how their growth expectations have changed and finally we consider whether their growth expectations were actually achieved.

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

Profiling SME growth

The LSBS asks questions about levels of employment and turnover and whether these have changed over the year prior to the survey. We consider each measure in turn. Detailed tables are included later in the report. Clearly, the 2020 and 2021 data need to be understood in the light of challenging conditions created by the coronavirus (COVID-19) pandemic.

Many businesses in our longitudinal sample report no change in employment each year (See Table 8). However, these proportions declined in three of the four years covered by this panel; falling from 59.6% in 2019 to 37.8% in 2020 and 43.1% in 2021 before increasing to 51.2% in 2022. This fall reflects a variable proportion of firms which increased employment over this period: 23.0% of firms increased their employees in 2019, 22.1% in 2020, 37.4% in 2021 and 25.3% did so in 2022. Within this, there are notable variations in the proportions reporting growth by region. For example, 33.2% of businesses based in the East of England reported employment gains in 2022 compared with just 16.6% in the North East (see Table 12).

LSBS asks a similar question relating to businesses' turnover growth over the year prior to the survey and again asks businesses to indicate whether their sales have increased, decreased or remained the same (see Table 11). Overall, the proportion of businesses reporting that their sales have increased declined markedly between 2019 (36.7%) and 2020 (20.5%) before recovering in 2021 (50.5%) and 2022 (55.5%). This trend is relatively consistent across business sectors (see Table 13). Again, it is important that these data are understood in the context of the coronavirus (COVID-19) pandemic. However, there are notable spatial variations. For example, Scotland and Wales reported particularly large declines in the proportion of businesses experiencing turnover growth in 2020 before showing marked increases in 2021 and 2022 (see Table 13). Small and medium sized businesses in the panel were consistently the most likely to report turnover growth (see Table 11).

Expected growth over the next year

The LSBS survey also asks businesses about expected changes in their employment and turnover over the next 12 months⁴.

In 2019, 28.9% of businesses in the panel expected to increase the number of employees over the coming year (see Table 17). In 2021, this proportion was similar at 28.1% (see Table 18).

In terms of turnover, the proportion of businesses anticipating growth remained relatively stable, 40.6% in 2019, 39.9% in 2020, and 43.5% in 2021 (see Table 14). The proportion of businesses anticipating an increase in sales was highest in medium-sized businesses (see Table 15).

By region we also see considerable variation in the proportion of longitudinal respondents anticipating turnover growth. For example, in 2022, these proportions varied from 41.1% in London to just 16.8% in the East Midlands (see Table 16).

⁴ The response to this question inevitably reflects the respondent's own assessment as well as the broader context within which the firm operates.

From expected to achieved growth in employment and turnover

One of the most significant benefits of having longitudinal data is being able to track firm growth through time. Here we consider whether businesses in the longitudinal sample which anticipated employment and turnover growth over the next year were able to realise these expectations. This comparison is pertinent as the research literature suggests that business owners and entrepreneurs tend to be over optimistic about these changes.

One note of caution is relevant in considering these results. Overall, the subset of businesses in the longitudinal sample that anticipated employment growth over the next 12 months in 2019 is only 455 businesses. Breaking this sample down further, for example by region, reduces sample sizes suggesting a degree of caution is necessary in interpreting regional and business size differences. It is worth noting that expectations of future performance are likely to be particularly affected by the onset of the coronavirus (COVID-19) pandemic.

As shown in Table 3, in 2019, 28.9% of all businesses in the longitudinal sample anticipated employment growth over the next twelve months. In 2021, this figure was marginally lower at 28.1% of businesses in the panel.

In practice, expectations of employment growth were unrealised for most of the panel businesses. In 2020, employment remained unchanged in more than around a third (36.2%) of those businesses that had anticipated growth in 2019. Employment levels also remained stable in just over a third (36.4%) of those businesses anticipating growth in 2021.

Around a third (32.3%) of the businesses that expected employment growth in 2019 achieved this over the following year. The expected growth was achieved over the following year in just over two-fifths (43.6%) of businesses that reported such expectations in 2021.

In 2019, 2020 and 2021, panel businesses were somewhat more likely to report achieving anticipated turnover growth than they were for anticipated employment growth (see Table 4). A third (32.6%) of the panel businesses expecting turnover growth in 2019 reported achieving this. The outcomes in 2020 and 2021 were more positive. In 2020, 60.8% of the businesses expecting turnover growth achieved this a figure which increased to 66.9% in 2021.

Table 3: From anticipated employment growth to outcomes in the next year

Expected Growth	% Firms anticipating growth	Employment Declined	Employment Stable	Employment Increased
2019	28.9	31.4	36.2	32.3
2021	28.1	20.0	36.4	43.6

Note: Question on anticipated employment growth was not asked in the 2020 survey.

Table 4: From anticipated turnover growth to outcomes in the next year

Expected Growth	% Firms anticipating growth	Turnover Declined (%)	Turnover Stable (%)	Turnover Increased (%)
2019	40.6	45.4	22.0	32.6
2020	39.9	18.6	20.7	60.8
2021	43.5	19.3	13.8	66.9

Achieving continuous growth

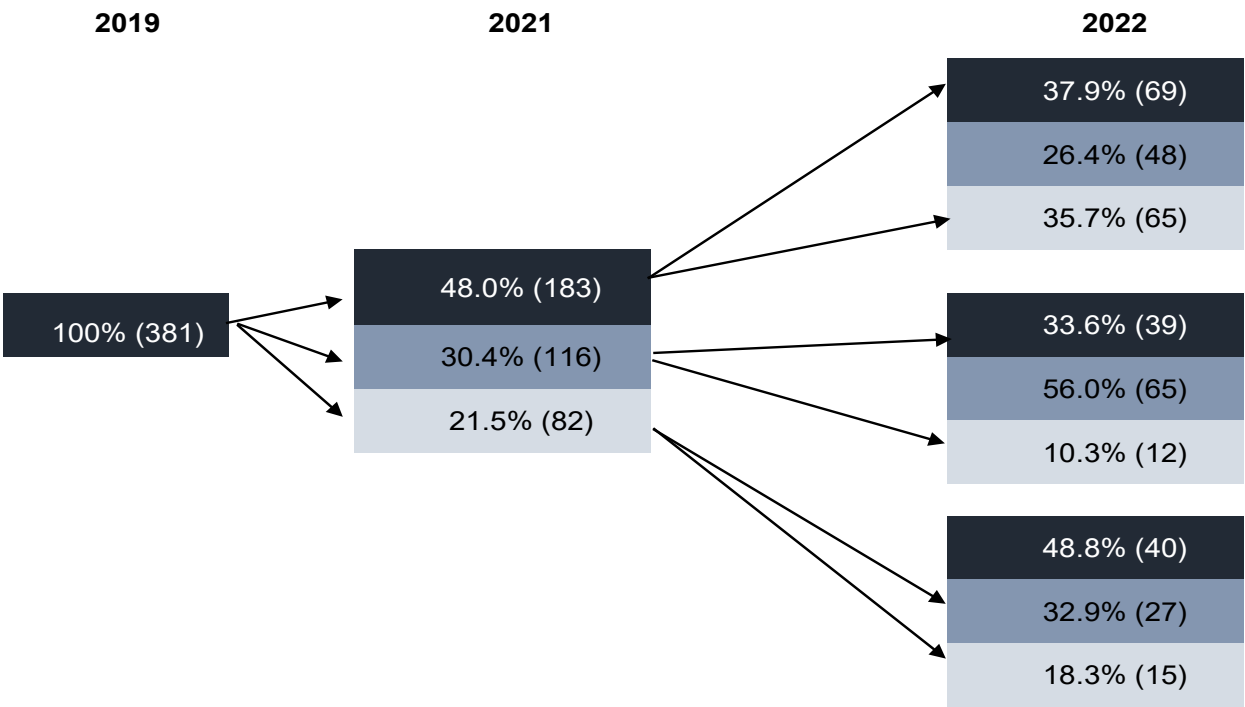
Other longitudinal datasets such as the Business Structure Database provide detailed information on the growth histories of individual businesses. LSBS allows us to consider what proportion of businesses are able to sustain growth in either employment or turnover and also to compare the characteristics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

Figures 8 and 9 illustrate the continuity of growth over the four years of this LSBS survey for the 381 businesses in the longitudinal panel which reported growth in the year preceding the 2019 survey. Of these, almost a half (48.0%) had sustained growth in 2021 and just over a third (37.9%) of these businesses sustained growth in 2022.

These data confirm that sustained growth is unusual: overall, just 69 of the original sample of the 381 businesses reporting growth in the year prior to the 2019 survey experienced growth throughout the four years. However, it is again important to recognise that the 2020 and 2021 data reflect a period when businesses were being affected by the coronavirus (COVID-19) pandemic.

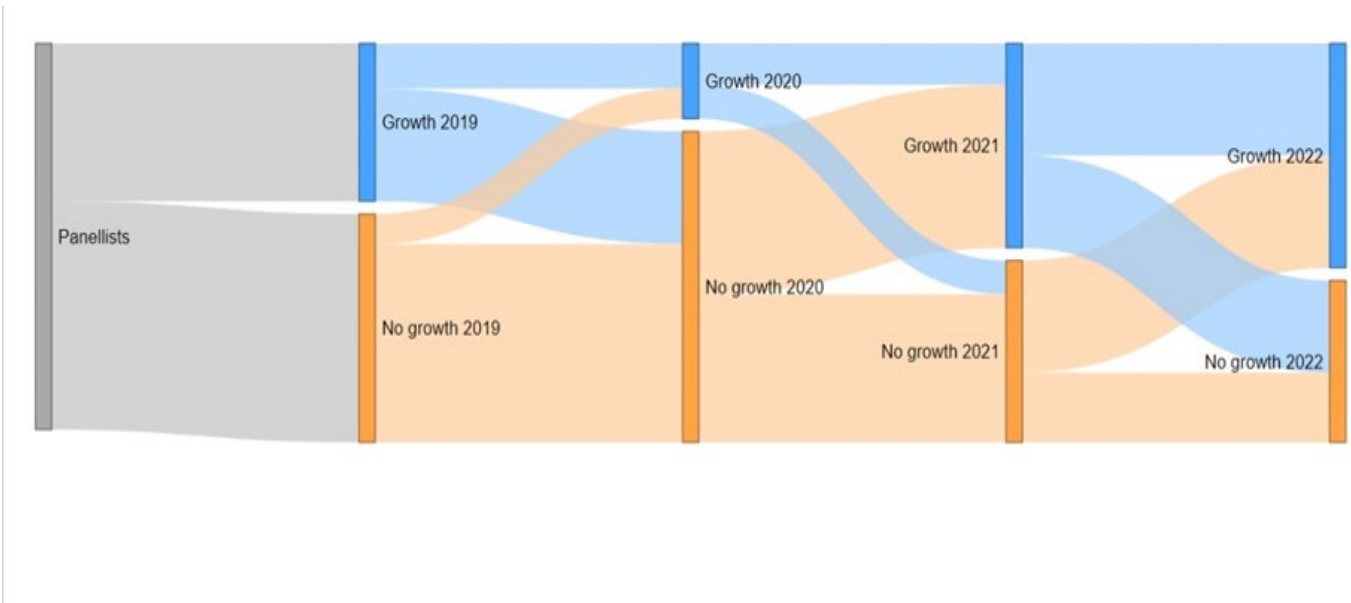
It is notable that the probability of experiencing growth in jobs in subsequent years is only weakly related to prior growth. For example, more than a third (33.6%) of those businesses that had experienced a reduction in their employee numbers in 2021 subsequently increased employment in 2022.

Figure 8: Employment growth trajectories of businesses over the previous 12 months, 2019 to 2022



Notes: Using businesses who showed employment growth in 2019 as the starting point. Arrows indicate year-to-year transitions between groups. Dark blue boxes indicate businesses continuing to grow employment in each year. Light blue indicates employment declines and mid blue no change in employment. 2020 has been omitted for presentational purposes.

Figure 9: Employment growth trajectories of businesses over the previous 12 months, 2019 to 2022



Notes: Using all panellists as the starting point. Based on unweighted data.

Changes in business behaviours and performance through the coronavirus (COVID-19) pandemic

The 2019 LSBS survey predates both EU exit and the coronavirus (COVID-19) pandemic while the 2020 survey occurred during the Transition Period from EU exit and at a time of successive regional and national COVID-19 lockdowns. The 2021 survey occurred after EU exit and at a time when COVID-19 infection rates remained high, although after the removal of legal restrictions on social contact. The 2022 survey was conducted during a period of rapid cost inflation.

In this section, we consider changes in business behaviours and performance in 2019, 2020, 2021 and 2022 in response to these conditions. Note that these comparisons relate to firms which were part of the survey in 2019, 2020, 2021 and 2022 and therefore provide an indication of how the same firms were responding to changing conditions over this period.

As part of the survey firms were asked whether UK exit from the EU was a major obstacle to the success of their business. The proportion of firms regarding EU exit as a major obstacle declined somewhat from 22.7% in 2019 to 22.1% in 2020 before increasing to 29.9% in 2021 and 29.2% in 2022.

Table 5 describes business performance in 2019, 2020, 2021 and 2022. In 2019, employment remained stable at 59.6% of the panel businesses. This proportion fell to 37.8% in 2020 but increased to 43.1% in 2021 and 51.2% in 2022. The proportion of firms with rising employment was almost stable through 2019 and 2020, rose to reach a high of 37.4% in 2021 before declining again to 25.3% in 2022.

Over this period, the proportion of businesses reporting turnover growth also varied considerably falling between 2019 and 2020 before rising sharply to reach 50.5% in 2021 and 55.5% in 2022.

These changes in performance reflect modest but widespread reductions in the percentages of respondent businesses reporting behaviours that are normally associated with growth. As shown in Table 6, respondent businesses were less likely to report accessing capital, innovation, providing training, exporting or using business support in 2021 and 2022 than they were in 2019. For example, the percentage of businesses investing in training fell from 47.9% in 2019 to 40.8% in 2021 and 46.3% in 2022.

Table 5: Business performance - employment and turnover (percentage of businesses), 2019, 2020, 2021 and 2022

	2019	2019	2019	2020	2020	2020	2021	2021	2021	2022	2022	2022
	Fell	Stayed the same	Rose	Fell	Stayed the same	Rose	Fell	Stayed the same	Rose	Fell	Stayed the same	Rose
Employment	17.4	59.6	23.0	40.0	37.8	22.1	19.5	43.1	37.4	23.5	51.2	25.3
Turnover	19.8	43.5	36.7	52.3	27.2	20.5	26.9	22.6	50.5	26.5	18.0	55.5

Table 6: Growth related business behaviours (percentage of businesses), 2019, 2020, 2021 and 2022

	2019	2020	2021	2022
Innovation	33.1	28.3	29.7	29.5
Accessed capital	12.4	9.8	7.5	10.4
Provided training	47.9	44.2	40.8	46.3
Exported	22.8	20.9	19.7	18.9
Used business support	27.2	22.4	24.6	25.6

Ambition and future growth plans

Introduction

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

Sales growth ambition

LSBS asks a question as to whether businesses aim to grow the sales of the business over the next three years. Overall, levels of growth ambition have remained broadly stable in the panel of businesses over these four years with 71.8% of businesses aiming to grow in 2019, 70.1% in 2020, 73.8% in 2021 and 70.6% in 2022.

When respondents to the LSBS survey indicate they are aiming to grow their sales over the next three years, they are then asked by how much. The results are summarised in Table 7.

The profile of growth ambition is rather stable with most panel businesses reporting relatively modest levels of ambition. The most common level of ambition is for between 10% and 24% growth. Approximately one in twenty businesses reported ambitions to grow by 100% or more.

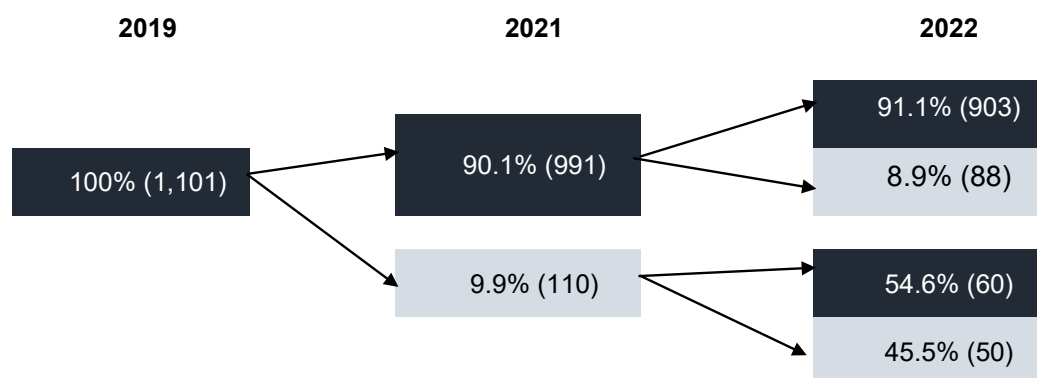
Table 7: Sales growth objective over the next three years (percentage of businesses with a growth ambition), 2019 to 2022

Size of growth in sales	2019	2020	2021	2022
1-9%	21.9	15.0	19.1	17.6
10-24%	47.7	43.5	44.1	49.7
25-49%	16.4	21.7	19.9	18.1
50-74%	7.1	9.8	8.2	8.4
75-99%	1.1	1.7	1.0	0.3
100% or more	5.8	8.4	7.6	5.9

Notes and Sources: Based on longitudinal respondents' sample who indicated an ambition to grow sales over the next three years. Responses are weighted to give representative results.
Source: LSBS 2019 to 2022

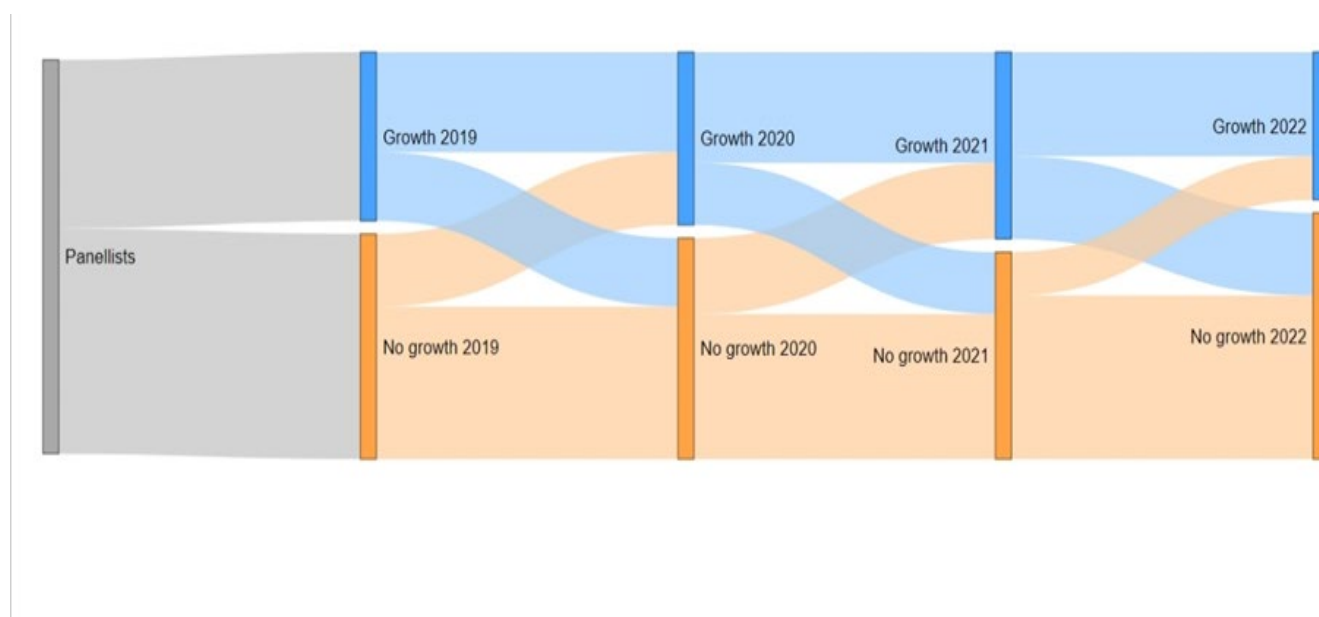
Figures 10 and 11 present the evolution of UK SMEs growth ambition and expectations (over the next three years) for the period 2019 to 2022. These data suggest that three-year growth ambition tends to be persistent; of the 1,101 businesses reporting ambition in 2019, 991 (90.1%) retained this in 2021 and 903 businesses (91.1% of the 2021 proportion) remained ambitious in 2022. However, these findings also show that non-ambitious businesses can become ambitious. More than half (54.6%) of the businesses that reported having no growth ambition in 2021, reported being ambitious in 2022.

Figure 10: Evolution of growth ambition (turnover) for the period 2019-2022



Notes: Using businesses who had an ambition to grow in 2019 as the starting point. Arrows indicate year-to-year transitions between groups. Dark boxes indicate businesses continuing to have an ambition to grow the firm's turnover over the next three years. Light boxes indicate no growth ambition. Based on unweighted data. 2020 has been omitted for presentational purposes.

Figure 11: Firms expecting growth in the next year, 2019 to 2022



Notes: Using all panellists as the starting point. Based on unweighted data.

Detailed tables

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

	Decreased %	Stayed the same %	Increased %
Year	2019	2019	2019
Production and construction (ABCDEF)	19.2	61.5	19.3
Transport, retail and food service (GHI)	18.8	57.7	23.5
Business services (JKLMN)	15.5	60.7	23.8
Other services (PQRS)	15.8	57.4	26.8
All businesses	17.4	59.6	23.0
Year	2020	2020	2020
Production and construction (ABCDEF)	40.1	34.9	25.0
Transport, retail and food service (GHI)	41.6	35.7	22.7
Business services (JKLMN)	40.0	38.8	21.2
Other services (PQRS)	36.5	45.8	17.7
All businesses	40.0	37.8	22.1
Year	2021	2021	2021
Production and construction (ABCDEF)	21.1	42.3	36.5
Transport, retail and food service (GHI)	19.6	43.8	36.6
Business services (JKLMN)	18.4	41.8	39.8
Other services (PQRS)	19.0	46.2	34.8
All businesses	19.5	43.1	37.4
Year	2022	2022	2022
Production and construction (ABCDEF)	22.7	50.6	26.7
Transport, retail and food service (GHI)	23.1	46.8	30.1
Business services (JKLMN)	23.0	57.3	19.7
Other services (PQRS)	27.0	46.5	26.6
All businesses	23.5	51.2	25.3

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022.

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

	Decreased %	Stayed the same %	Increased %
Year	2019	2019	2019
Production and construction (ABCDEF)	22.5	41.5	36.0
Transport, retail and food service (GHI)	19.0	47.9	33.2
Business services (JKLMN)	19.4	39.0	41.6
Other services (PQRS)	18.1	49.0	32.9
All businesses	19.8	43.5	36.7
Year	2020	2020	2020
Production and construction (ABCDEF)	50.1	32.5	17.4
Transport, retail and food service (GHI)	58.2	21.8	20.0
Business services (JKLMN)	46.2	28.9	24.9
Other services (PQRS)	59.3	24.8	16.0
All businesses	52.3	27.2	20.5
Year	2021	2021	2021
Production and construction (ABCDEF)	29.1	21.2	49.7
Transport, retail and food service (GHI)	22.9	25.9	51.2
Business services (JKLMN)	26.8	19.6	53.6
Other services (PQRS)	32.3	25.9	41.7
All businesses	26.9	22.6	50.5
Year	2022	2022	2022
Production and construction (ABCDEF)	28.0	20.7	51.3
Transport, retail and food service (GHI)	24.3	15.7	60.0
Business services (JKLMN)	29.2	19.3	51.6
Other services (PQRS)	21.5	14.6	63.9
All businesses	26.5	18.0	55.5

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022.

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

	Decreased %	Stayed the same %	Increased %
Year	2019	2019	2019
Micro (1 – 9)	16.0	63.0	21.0
Small (10 – 49)	23.6	45.8	30.6
Medium (50 – 249)	24.7	30.8	44.5
All businesses	17.4	59.6	23.0
Year	2020	2020	2020
Micro (1 – 9)	35.5	42.8	21.7
Small (10 – 49)	61.1	15.4	23.5
Medium (50 – 249)	65.9	7.8	26.3
All businesses	40.1	37.9	22.1
Year	2021	2021	2021
Micro (1 – 9)	17.7	47.3	35.0
Small (10 – 49)	27.0	24.5	48.5
Medium (50 – 249)	32.2	15.6	52.2
All businesses	19.5	43.1	37.4
Year	2022	2022	2022
Micro (1 – 9)	21.3	56.3	22.4
Small (10 – 49)	34.4	29.6	36.0
Medium (50 – 249)	29.0	14.5	56.5
All businesses	23.5	51.3	25.3

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022.

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

	Decreased %	Stayed the same %	Increased %
Year	2019	2019	2019
Micro (1 – 9)	20.5	44.7	34.7
Small (10 – 49)	17.1	38.2	44.6
Medium (50 – 249)	13.2	32.9	53.9
All businesses	19.9	43.5	36.7
Year	2020	2020	2020
Micro (1 – 9)	51.4	27.5	21.2
Small (10 – 49)	57.1	25.0	17.9
Medium (50 – 249)	54.9	29.6	15.6
All businesses	52.3	27.2	20.5
Year	2021	2021	2021
Micro (1 – 9)	28.4	22.0	49.6
Small (10 – 49)	19.9	25.6	54.5
Medium (50 – 249)	20.6	23.3	56.1
All businesses	26.9	22.6	50.5
Year	2022	2022	2022
Micro (1 – 9)	27.8	18.6	53.6
Small (10 – 49)	20.4	15.7	63.9
Medium (50 – 249)	21.9	14.0	64.2
All businesses	26.5	18.0	55.5

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022.

Table 12: Percentage of businesses reporting employment growth: By region and country

Year	2019	2020	2021	2022
East Midlands	25.3	20.7	36.4	20.1
East of England	22.9	22.2	34.1	33.2
London	24.0	15.0	39.2	30.1
North East	8.0	25.2	34.9	16.6
North West	24.2	26.6	32.7	26.4
South East	25.4	26.2	41.6	25.1
South West	23.9	26.3	39.1	21.9
West Midlands	27.2	20.6	40.2	22.3
Yorkshire & the Humber	19.3	11.8	37.6	27.7
England	23.6	22.1	37.9	25.8
Scotland	21.6	29.1	34.6	23.6
Wales	20.9	13.8	36.5	20.6
Northern Ireland	9.1	17.5	31.8	22.4
All businesses	23.0	22.1	37.4	25.3

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022.

Table 13: Percentage of businesses reporting turnover growth: By region and country

Year	2019	2020	2021	2022
East Midlands	35.6	23.7	52.3	47.4
East of England	36.8	25.2	48.2	49.7
London	32.8	18.1	57.4	56.2
North East	24.5	27.0	52.4	55.3
North West	50.4	16.5	59.3	53.1
South East	35.2	21.8	43.8	62.4
South West	38.3	18.3	55.1	53.3
West Midlands	33.2	27.5	44.0	55.3
Yorkshire & the Humber	40.8	21.3	55.8	52.4
England	37.0	21.7	51.2	54.6
Scotland	33.9	11.5	55.1	59.1
Wales	40.5	9.5	41.7	68.4
Northern Ireland	28.5	22.6	27.8	54.4
All businesses	36.7	20.5	50.5	55.5

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022.

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

	Decreased %	Stayed the same %	Increased %
Year	2019	2019	2019
Production and construction (ABCDEF)	10.6	47.1	42.3
Transport, retail and food service (GHI)	8.5	53.3	38.2
Business services (JKLMN)	10.6	45.8	43.6
Other services (PQRS)	3.2	62.0	34.8
All businesses	9.0	50.4	40.6
Year	2020	2020	2020
Production and construction (ABCDEF)	17.0	47.7	35.4
Transport, retail and food service (GHI)	18.0	35.3	46.7
Business services (JKLMN)	19.5	41.5	38.9
Other services (PQRS)	20.9	44.0	35.2
All businesses	18.6	41.5	39.9
Year	2021	2021	2021
Production and construction (ABCDEF)	5.1	56.7	38.2
Transport, retail and food service (GHI)	9.2	44.0	46.8
Business services (JKLMN)	12.7	43.9	43.4
Other services (PQRS)	6.1	47.8	46.1
All businesses	9.1	47.5	43.5
Year	2022	2022	2022
Production and construction (ABCDEF)	10.5	56.9	32.6
Transport, retail and food service (GHI)	16.9	55.2	27.9
Business services (JKLMN)	18.0	49.8	32.2
Other services (PQRS)	12.2	58.9	28.9
All businesses	15.2	54.2	30.6

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022.

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

	Decreased %	Stayed the same %	Increased %
Year	2019	2019	2019
Micro (1 – 9)	9.3	51.3	39.5
Small (10 – 49)	7.7	47.3	45.0
Medium (50 – 249)	7.6	40.3	52.2
All businesses	9.0	50.4	40.6
Year	2020	2020	2020
Micro (1 – 9)	19.6	42.7	37.8
Small (10 – 49)	15.5	35.2	49.4
Medium (50 – 249)	8.1	39.6	52.3
All businesses	18.6	41.4	39.9
Year	2021	2021	2021
Micro (1 – 9)	9.7	48.8	41.5
Small (10 – 49)	5.8	43.0	51.2
Medium (50 – 249)	7.6	28.2	64.2
All businesses	9.1	47.4	43.5
Year	2022	2022	2022
Micro (1 – 9)	16.0	55.8	28.2
Small (10 – 49)	11.2	48.8	40.0
Medium (50 – 249)	10.5	33.5	56.0
All businesses	15.2	54.2	30.6

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022.

Table 16: Percentage of businesses anticipating turnover increases: By region and country

	2019	2020	2021	2022
East Midlands	30.9	33.6	40.8	16.8
East of England	32.7	38.9	37.3	25.9
London	44.9	43.2	46.0	41.1
North East	34.1	21.8	36.7	26.5
North West	47.8	43.5	50.8	26.2
South East	46.0	38.3	46.0	32.8
South West	44.0	48.7	45.4	30.3
West Midlands	37.7	32.9	43.0	32.1
Yorkshire & the Humber	34.4	43.0	39.0	38.0
England	40.3	39.9	43.4	30.6
Scotland	40.8	43.7	43.5	35.0
Wales	53.4	40.3	46.9	30.9
Northern Ireland	28.9	28.3	40.2	19.1
All businesses	40.6	39.9	43.5	30.6

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022.

Table 17: From anticipated employment growth to outcomes: 2019 to 2020

	Expected Growth 2019	Employment Declined 2020	Employment Stable 2020	Employment Increased 2020
Production and construction (ABCDEF)	28.3	29.1	37.3	33.6
Transport, retail & food service (GHI)	25.4	35.2	35.8	29.0
Business services (JKLMN)	29.8	28.5	34.7	36.8
Other services (PQRS)	35.4	35.3	38.8	25.9
All businesses	28.9	31.4	36.2	32.3
East Midlands	22.2	41.7	40.4	18.0
East of England	29.3	34.6	37.5	28.0
London	38.4	52.8	29.6	17.6
North East	15.3	17.2	27.9	54.9
North West	29.7	30.9	33.2	35.9
South East	26.4	24.4	39.5	36.1
South West	30.4	25.9	36.1	38.0
West Midlands	30.4	18.6	23.7	57.8
Yorkshire & the Humber	23.5	32.3	49.3	18.4
England	28.5	32.1	35.5	32.4
Scotland	37.4	28.1	32.1	39.8
Wales	31.8	25.5	55.6	18.9
Northern Ireland	11.8	30.1	53.0	16.9
All businesses	28.9	31.4	36.2	32.3
Micro (1 – 9)	27.6	27.4	41.5	31.2
Small (10 – 49)	34.1	45.2	17.7	37.1
Medium (50 – 249)	36.8	57.3	11.2	31.5
All businesses	28.9	31.4	36.2	32.3

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022.

Table 18: From anticipated employment growth to outcomes: 2021 to 2022

	Expected Growth 2021	Employment Declined 2022	Employment Stable 2022	Employment Increased 2022
Production & construction (ABCDEF)	21.4	25.9	26.3	47.8
Transport, retail & food service (GHI)	29.7	20.2	29.2	50.6
Business services (JKLMN)	30.0	17.9	48.4	33.7
Other services (PQRS)	32.1	17.4	34.8	47.8
All businesses	28.1	20.0	36.4	43.6
East Midlands	21.9	32.8	31.8	35.4
East of England	31.3	15.4	35.7	48.9
London	30.6	14.9	41.4	43.7
North East	32.5	24.8	66.0	9.3
North West	20.9	18.1	48.5	33.4
South East	31.8	19.6	31.9	48.5
South West	30.9	23.7	31.5	44.8
West Midlands	24.8	26.0	20.6	53.4
Yorkshire & the Humber	26.9	21.5	40.6	38.0
England	28.5	20.7	35.6	43.7
Scotland	26.1	18.5	38.4	43.1
Wales	30.6	6.2	58.7	35.1
Northern Ireland	16.1	26.2	9.1	64.7
All businesses	28.1	20.0	36.4	43.6
Micro (1 – 9)	23.6	16.5	42.6	40.9
Small (10 – 49)	47.7	29.6	24.3	46.1
Medium (50 – 249)	59.8	19.0	14.1	66.9
All businesses	28.1	20.0	36.4	43.6

Notes and Sources: Based on longitudinal respondents' sample (N=1,437). Responses are weighted to give representative results. Source: LSBS 2019-2022. No question on expected employment growth was asked in 2020.

Technical information

We have published a separate technical report outlining the sampling and weighting methodology for the survey, with detailed information on sample sizes and response rates, and a copy of the questionnaire. The report is available at <https://www.gov.uk/government/collections/small-business-survey-reports#2022>

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

- recent turnover and employment growth
- capabilities (in terms of their ability to innovate, export, train staff, etc.)
- experience of accessing finance
- use of business support
- expectations of growing turnover and employment
- the major obstacles that prevent SMEs fulfilling their potential
- the characteristics of SMEs such as the number of sites they occupy, the number of owners, whether they have separate business premises, etc.
- the characteristics of their owners and leaders

There are three main reports based on the 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). This was published on 31 August 2023
- a **cross-sectional report** based on **businesses with no employees** (this was also published on 31 August 2023)
- 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 'panelists' from year to year, and what appears to influence these changes (this report).

Please note that the findings presented in this report relate to 'full panelists' only – the 1,437 businesses that have taken part in all 4 waves of the LSBS 2019 - 2022. There are a handful of large businesses included because they were SMEs in 2019 but have since become large enterprises.

Definitions

Balanced	In this report this is used to describe the panel of firms that is the focus of the report. The panel is balanced in the sense that there are roughly equal numbers of business of each of the main size categories in the survey. This is unlike the real population of SMEs in the UK, where the larger businesses are much rarer than smaller ones.
Business, enterprise, firm	In this report these terms all mean the same – they are interchangeable.
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 UK business selling goods or services to a customer outside the UK. An English business selling to a Northern Irish business is not exporting, but a Northern Irish business selling to a customer in the Republic of Ireland is exporting.
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.
Imports	In this report this means a UK business buying goods or services from a business outside the UK. A Northern Irish business buying from a Welsh business is not importing, but a Northern Irish business buying from a business in the Republic of Ireland is importing.
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 longitudinal analysis, and the dataset is available to approved researchers to perform their own longitudinal analysis if they wish. The dataset can also be used for cross-sectional analysis, which takes each year of data separately.
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).
Micro business	A business which has between one and nine employees (whether they are full-time or part-time).
Panel	In this report, the panel (sometimes referred to as the <i>longitudinal panel</i> or the <i>full panel</i>) means the 1,437 firms that have taken part in all four waves of the LSBS so far. As shown in Table 1 the panellists are rather different in a number of ways from the original full sample of SMEs in the 2019 survey, and they are also different from the general population of SMEs in 2019.
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 <u>Frascati Manual</u> .
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. <u>This</u> 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.
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.

Weighted, unweighted	We have longitudinal weights which apply to the panel to give the businesses the same distribution as the general population of SMEs in the UK in 2019 with respect to size, industry and country. In practice this makes the smallest businesses relatively more important, since in the SME population there are far more smaller businesses than larger ones. When we refer to <i>weighted estimates</i> we are describing the results of calculations that give more weight to the smaller businesses. In contrast, <i>unweighted estimates</i> treat all members of the balanced panel equally.
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, White Irish, White Gypsy or Irish Traveller, or any other White background). 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 any White background is one of those ethnicities.
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 reports on SME employers and SMEs with no employees were published on 31 August 2022. DBT has published the technical report (which includes the questionnaire used for the 2022 survey) at the same time as this panel report.

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.

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

Uses of these statistics

As a wide-ranging survey of SMEs, the LSBS is of interest to many Government departments and agencies. 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**](mailto: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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