



Department for  
Business, Energy  
& Industrial Strategy

# BUSINESS PERCEPTIONS SURVEY 2018

Research Report

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## 1. Executive Summary

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# 1. Executive Summary

## Background

Since 2007, the Business Perception Survey (BPS) has provided evidence of businesses' views on the extent of regulation in the UK. As the government seeks to reduce the burden of regulation further, its ability to track trends over time provides a useful portal into the perceived impact of regulation, while also identifying possible further areas that might be reviewed.

The 2018 survey was commissioned by the Department for Business, Energy & Industrial Strategy and conducted by OMB Research. The survey took place between February and April 2018 and comprised 2,001 20-minute telephone interviews with the person responsible for legal and compliance issues.

## Key findings

### **Business performance and key challenges**

More businesses (50%) reported that their sales turnover had increased than decreased in the last 12 months (18%), with more also taking on more staff (25%) than reducing their staff headcount (13%). A third (32%) of businesses had increased their capital investment, a quarter (27%) had started offering new products or services and a fifth (20%) had started working in new markets. A minority (6%) had increased the amount they export.

Respondents were read a list of six challenges which may affect their business, before being asked which of these was the greatest challenge. Complying with regulation was cited by 17% of businesses as the greatest challenge (increasing to 49% of those in the Finance sector). Although attracting and retaining customers remained the greatest business challenge (32%), this was less of a concern than in previous years (36% in 2016 and 45% in 2014).

### **Overall attitudes towards regulation**

The proportion of firms expecting the burden of regulation to increase in the next 12 months has remained static (53%, compared to 52% in 2016), as has the proportion of businesses who felt complying with regulation is their greatest challenge (17%, compared to 15% in 2016). However, the proportion agreeing that the overall level of regulation in the UK is an obstacle to business success has decreased (from 49% in 2016 to 40% currently). This perhaps suggests that businesses have become more adept at dealing with regulations, and as such, while the overall burden of regulation might stay the same (or increase), it is less likely to be considered an obstacle.

The UK's exit from the EU was the most common reason provided by those expecting an increase in future regulatory burden (22%). Whilst only 3% of firms expect the burden of regulation to decrease in the next 12 months, the EU Exit was also the top mention (26%) among this group.

The most important motivation in complying with regulation was simply to comply with the law (93% considered this essential or very important). This was closely followed by businesses' need to maintain their reputation with customers (92%).

### **Effort of dealing with regulation**

As was the case in 2016, more than half (53%) of businesses believed the total cost of complying with regulation had increased over the last 12 months, and this proportion increased with business size (51% of micro firms, up to 73% of large).

Three-fifths (59%) agreed that the length of time it takes to go through the whole process of complying was a burden. Having to provide the same information more than once was considered the most onerous activity (63% agreed this was a burden).

Time spent on regulation increased with business size (micro firms spent on average 5.1 days per month compared to 29.6 days for large firms). Time spent on regulation was highest in the Finance sector, with a third (32%) in this sector reporting spending more than 10 days dealing with, or learning to comply with, regulation each month.

### **External support**

Most businesses (91%) used external support to help them to comply with regulation, with external business advisors/consultants (64%) and Government/Regulator websites (53%) the most common. Those operating in the Construction sector were more likely to make use of external support (98% used any form), while those in the Hotel/Catering sector were least likely (84%).

The mean annual spend on external business agents was £8,400, and this increased with firm size, reaching £48,970 among large employers.

The main motivations for seeking external advice were to get more specialist knowledge (39%), to provide assurance (19%) and because firms lacked time or internal resource (18%).

### **Perceptions of the Government's approach to regulating**

Perceptions of the Government's approach to regulating have improved significantly from 2016. Over half (57%) of businesses agreed that the overall purpose of regulation is clear, 44% that regulation is fair and proportionate, 43% that the Government informs them of changes clearly and with sufficient warning, and 40% that it is easy to comply.

While larger businesses were generally more positive about the Government's approach to regulating, micro firms found it easier to comply with regulations.

### **Dealing with regulators**

Businesses felt that regulator behaviour can have a significant impact on many aspects of compliance. Three-quarters agreed that regulators' behaviour could affect how confident they are that they are complying (78%), how much it costs them to comply (74%) and how easy it is for them to comply (73%). Around three-fifths of businesses felt regulators' behaviour could influence their willingness to invest in new products/areas (63%) and their efficiency of bringing innovative products/services to market (60%).

When businesses were asked specifically about the regulator with whom they had most contact, 72% agreed they provided helpful advice/guidance and 66% had confidence in the advice and guidance. A similar proportion (67%) agreed that the guidance published was easy to locate. Whilst only a third (33%) agreed that the process to appeal against a decision was easy and transparent, this was a positive increase from 2016 (27%). A third of businesses (34%) felt that their regulator does not understand their business well enough to provide advice tailored to their circumstances.

# 2. Introduction

## Background

The Government is committed to reducing regulatory burden and creating an environment that supports business growth. The Small Business, Enterprise and Employment Act 2015 requires Government to publish a target for the impact of regulation on business. The 2017-2022 'Business Impact Target' was announced on 20 June. The Better Regulation Executive, a unit within the Department for Business, Energy and Industrial Strategy, is responsible for developing a framework to coordinate efforts towards this target and is required to publish an annual report of progress.

Since 2007, the Business Perception Survey (BPS) has provided evidence of businesses' views on the extent of regulation in the UK. As the Government seeks to reduce the burden of regulation further, its ability to track trends over time provides a useful portal into the perceived impact, while also identifying possible further areas of regulation that might be reviewed.

## Research objectives

Prior to 2016, the BPS focussed to some extent on individual areas of law. In 2016 the objectives shifted to cover businesses' experiences of regulation more generally. The 2018 survey replicated the 2016 approach.

Specifically, the 2018 survey aimed to collect views on:

- Business challenges and the extent to which regulation is considered an obstacle to success
- The Government's approach to regulation
- Businesses' experience with regulators
- Overall time spent on complying with regulations
- Sources of support – including reliance and expenditure on external business agents to ensure compliance
- Expectations of future regulatory burdens and reasons behind these



## Methodology

A total of 2,001 telephone interviews were conducted using Computer Assisted Telephone Interviewing (CATI) between 20th February and 26th April 2018. Interviews were conducted with the person responsible for legal and compliance issues and lasted an average of 20 minutes.

An initial stage of cognitive testing was undertaken to fully test questionnaire changes made since the previous wave. The survey was then put through a live CATI piloting phase with all interviews listened to by an OMB executive, and data analysis undertaken to check understanding (e.g. any questions with large numbers of ‘don’t know’ or counterintuitive responses).

The sample was sourced from the Dun & Bradstreet commercial business database. A stratified random sampling approach was used, with businesses selected based on industry sector<sup>1</sup>, size, and UK nation.

Table 1 details the profile of achieved interviews, by size and sector. 1,696 interviews were conducted with businesses in England, 55 in Northern Ireland, 155 in Scotland and 95 in Wales.

**Table 1: Achieved interviews – by size and sector**

Industrial Sector	Employees in Organisation					Total
	1-4	5-9	10-49	50-249	250+	
Agriculture/ Mining/ Energy	83	33	49	18	15	<b>198</b>
Manufacturing	27	36	76	52	38	<b>229</b>
Construction	58	45	48	16	14	<b>181</b>
Retail/ Distribution	80	75	94	32	28	<b>309</b>
Transport & Storage	33	36	77	28	28	<b>202</b>
Hotel/ Catering	24	39	88	18	36	<b>205</b>
Finance	42	27	61	22	34	<b>186</b>
Property/ Management/ Business Services	116	44	85	25	25	<b>295</b>
Administration/ Other Services	44	33	75	23	21	<b>196</b>
<b>Total</b>	<b>507</b>	<b>368</b>	<b>653</b>	<b>234</b>	<b>239</b>	<b>2,001</b>

To maximise longitudinal comparability and address any distortions caused by the sampling approach, interviews were weighted to the true profile of UK private sector

<sup>1</sup> The sample covered all industries, apart from some public administration and defence sector exclusions (SIC O, T, U).

businesses with at least one employee. Further details of this weighting approach are provided in the separate technical report.

In order to ensure that results can be tracked over time, the sampling, questionnaire design, fieldwork and weighting processes followed a similar approach to previous surveys. The questionnaire for the 2018 and 2016 survey waves focused on the company's experience of regulation in general rather than a specific law as per earlier survey waves. This reduces the ability to compare across surveys waves although several core tracking questions were retained to allow for longer time series comparisons.

### Reporting conventions

In a change to previous years' reporting conventions, results for businesses with 1-4 and 5-9 employees have been reported as a single 'micro' group.

Unless explicitly noted, all findings are based on weighted data. Unweighted bases (the number of responses from which the findings are derived) are displayed on tables and charts as appropriate to give an indication of the robustness of results.

The data presented in this report is from a sample of UK employers rather than the total population, meaning the results are subject to sampling error. Differences between sub-groups are commented on only if they are statistically significant at the 95% confidence level. This means that there is at least a 95% probability that any reported differences are real and not a consequence of sampling error<sup>2</sup>. Figures in tables marked with '\*' are significantly lower than the 2018 'total' result, while those marked '◆' are significantly higher.

Please note that results may not sum to 100% due to rounding and/or due to employers being able to select more than one answer to a question.

The terms 'business', 'firm', 'company' and 'employer' are used interchangeably throughout the report to avoid excessive repetition.

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<sup>2</sup> Strictly speaking, calculations of statistical significance apply only to samples that have been selected using a random probability sampling design. However, in practice it is reasonable to assume that these calculations provide a good indication of significant differences for quota sampling (as used for this research).

## 3. Business performance and key challenges

### Key findings

- More businesses (50%) reported that their sales turnover had increased than decreased in the last 12 months (18%); with more also taking on more staff (25%) than reducing their staff headcount (13%).
- Attracting and retaining customers was the biggest challenge faced (32%). Complying with regulation was cited by 17% of businesses.

### Business performance

Respondents were asked whether a series of business performance indicators applied to their business (compared to one year ago). Half (50%) of businesses had increased their sales turnover over the last 12 months, compared to a fifth (18%) that had reported a decrease. Businesses were also more likely to have increased (25%) rather than reduced (13%) their staff headcount.

In terms of other business behaviours, a third (32%) had increased their capital investment over the last 12 months, a quarter had started offering new products or services (27%) and a fifth (20%) had started working in new markets. A minority (6%) had increased the amount they export to other countries (of those that had exported in the last 12 months, this figure increased to 31%).

The likelihood of reporting against these measures increased with business size.

### 3. Business performance and key challenges

**Table 2: Business performance and behaviour – by size**

	Employees in Organisation				
	Total	Micro (1-9)	Small (10-49)	Med (50-249)	Large (250+)
<i>Base: All respondents</i>	<b>2,001</b>	875	653	234	239
Increased sales turnover	<b>50%</b>	49%	53%	64%♦	71%♦
Decreased sales turnover	<b>18%</b>	20%	15%	10%*	6%*
Increased staff headcount	<b>25%</b>	21%*	41%♦	51%♦	71%♦
Reduced staff headcount	<b>13%</b>	13%	14%	9%	10%
Increased capital investment	<b>32%</b>	30%	37%♦	50%♦	51%♦
Started offering new products or services	<b>27%</b>	25%	33%♦	38%♦	52%♦
Started working in new business markets	<b>20%</b>	19%	20%	28%♦	40%♦
Increased exports to other countries	<b>6%</b>	5%	10%♦	15%♦	14%♦

Business performance varied widely by sector. Hotel/Catering firms were least likely to report increased sales turnover (34%), and most likely to have reduced their staff headcount (18%). In contrast, those in the Finance sector were most likely to have increased both their turnover and staff headcount (58% and 38% respectively).

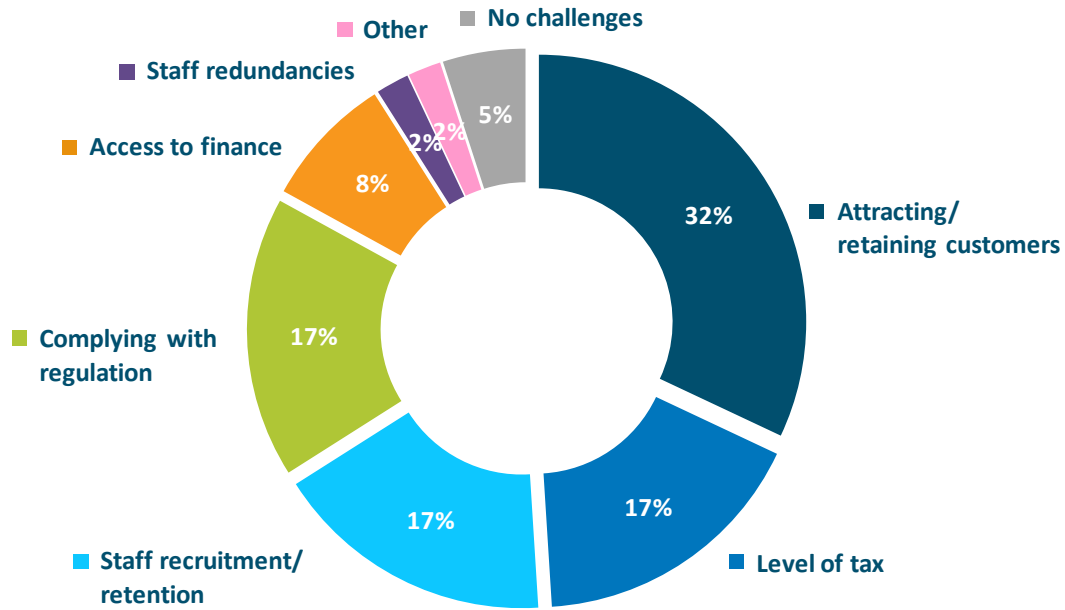
Firms in the North West of England were most likely to have increased their turnover (60%) and among the most likely to have increased their staff headcount (35%), along with those in the East Midlands and Northern Ireland (both 37%). Firms in Northern Ireland were also most likely to have increased their exports (12%) and started offering new products or services (46%), though they were also most likely to see a decrease in their turnover (26%). While those operating in the North East of England were most likely to have increased their capital investment (41%), they were also most likely to have reduced their staff headcount (25%).

## Business challenges

Respondents were read a list of six challenges which may affect their business, before being asked which of these was the greatest challenge.

Attracting and retaining customers was the most commonly mentioned challenge (32%), followed by level of tax, staff recruitment and/or retention, and complying with regulation (all 17%). Access to finance was only cited by one in ten (8%). A minority (5%) said there were no challenges.

**Figure 1: Greatest business challenge**



Base: All respondents (Base, Don't know)  
Total (2,001, 1%)

By sector, the most commonly mentioned challenges were; complying with regulation for Finance (49%), level of tax for Hotel/Catering (26%), staff recruitment and/or retention for Construction (25%) and attracting and retaining customers for Retail/Distribution and Transport/Storage (both 41%).

Businesses operating in Wales were more likely to identify complying with regulation as the greatest challenge (33%) than those in other regions. Firms in the North West were more likely to experience challenges in attracting and retaining customers (40%), whereas those in the East Midlands and West Midlands were more likely to find difficulty in staff recruitment or retention (24%).

### 3. Business performance and key challenges

The table below looks at these business challenges by the key business performance and behaviour measures. For those who said that attracting and retaining customers was the main challenge they faced, a quarter (25%) had seen a decrease in turnover. Businesses who cited complying with regulation as the greatest challenge were less likely to have started offering new products/services (17% compared to 27% of all businesses). Businesses who were challenged with access to finance were more likely to have started offering new products/services (37%) and started working in new markets (28%). For those whose greatest challenge was staff redundancies, over half (54%) had seen a decrease in turnover.

**Table 3: Greatest business challenge – by business performance and behaviour measures**

Business Challenges	Base	Business Performance and Behaviour Measures							
		Increased turnover	Decreased turnover	Increased headcount	Reduced headcount	Increased capital investment	Started offering new products/services	Started working in new business markets	Increased exports
<b>Total</b>	<b>2,001</b>	<b>50%</b>	<b>18%</b>	<b>25%</b>	<b>13%</b>	<b>32%</b>	<b>27%</b>	<b>20%</b>	<b>6%</b>
Attracting & retaining customers	588	45%*	25%◆	23%	15%	30%	31%	21%	6%
Level of tax	235	61%◆	14%	23%	10%	35%	25%	16%	5%
Staff recruitment/ retention	503	56%◆	13%*	35%◆	15%	40%◆	32%◆	23%	6%
Complying with regulation	383	51%	16%	21%	10%	29%	17%*	19%	7%
Access to finance	121	53%	13%	32%	16%	33%	37%◆	28%◆	10%
Staff redundancies	36	11%*	54%◆	36%	33%◆	24%	9%*	2%*	1%

### 3. Business performance and key challenges

As in the 2016 and 2014 surveys, businesses who said that complying with regulation was their greatest business challenge were asked a follow-up question to ensure that they meant compliance with regulation rather than administration around tax (and, if not, selected a different challenge). The question was asked because the Small Business, Enterprise and Employment Act 2015 excludes tax administration from the Business Impact Target. Her Majesty's Revenue and Customs (HMRC) has a separate programme for reducing the burden of tax administration. The figure shown here represents the number who felt complying with regulation excluding tax administration was their greatest challenge after clarification.

Table 4 below shows two sets of data for 2018, 2016 and 2014:

- After clarification: The corrected data after the tax administration clarification
- Before clarification: The original data before that clarification was made

Although attracting and retaining customers remained the greatest business challenge, this was less of a concern than in previous years, (36% in 2016 and 45% in 2014). The proportion of firms citing access to finance also continued the existing downward trend (from 12% in 2014).

**Table 4: Greatest business challenge – over time**

	After clarification			Before clarification		
	2018	2016	2014	2018	2016	2014
<i>Base: All respondents</i>	2,001	2,000	2,203	2,001	2,000	2,203
Attracting & retaining customers	32%	36%	45%	31%	36%	44%
Level of tax	17%	18%	17%	16%	17%	16%
Staff recruitment/ retention	17%	16%	9%	17%	16%	9%
Complying with regulation	17%	15%	11%	18%	17%	14%
Access to finance	8%	10%	12%	8%	10%	11%
Staff redundancies	2%	1%	3%	2%	1%	3%

# 4. Overall attitudes towards regulation

## Key findings

- Compliance with regulation was cited as the greatest challenge facing 17% of business. Although the most recent change in this measure (up from 15% in 2016) is not statistically significant, there does appear to be an upward trend from the 11% reported in 2014.
- There is a continuation of the downward trend in the proportion of businesses agreeing that the level of regulation in the UK is an obstacle to their success (40% agree, down from 49% in 2016).
- The proportion of firms expecting the burden of regulation to increase has remained static (53%, compared to 52% in 2016).
- The most important motivation for complying with regulation was simply to comply with the law (93% considered this essential or very important). This was closely followed by the need to maintain their reputation with customers (92%).

## Key measures of regulatory burden

Respondents were asked three questions around the burden of regulation, to create the following key measures:

- The proportion that believe complying with regulation is the greatest challenge to their business
- The proportion expecting the burden of regulation to increase in the next 12 months
- The proportion agreeing that the overall level of regulation in the UK is an obstacle to business success

As detailed previously, after tax administration was excluded, 17% of respondents believed compliance with regulation to be the greatest challenge facing their business. Although the most recent change in this measure (from 15% in 2016) is not statistically significant, there does appear to be an upward trend from the 11% reported in 2014.

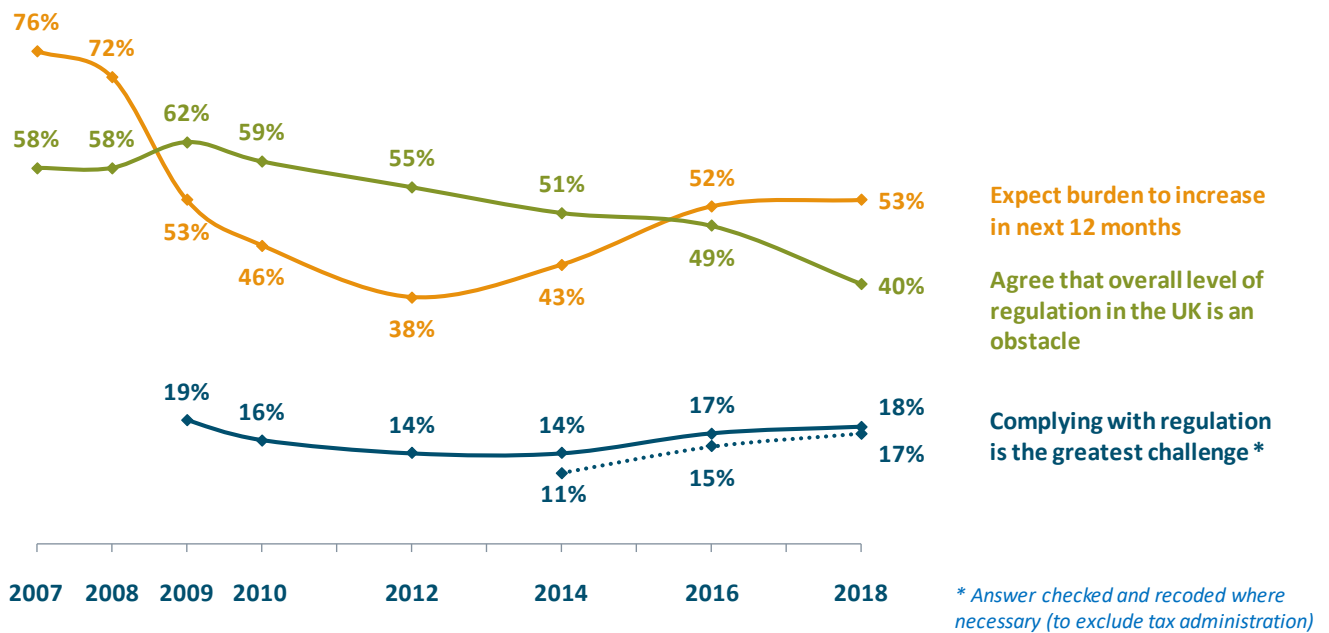
While the proportion of firms expecting the burden of regulation to increase in the next 12 months is consistent with that seen in 2016, the proportion agreeing that the overall level of regulation in the UK is an obstacle to business success has decreased (from 49% in 2016 to 40% currently). Interestingly, although the proportion disagreeing that the level of regulation is an obstacle to success has remained consistent (27% compared to 25% in 2016), the proportion who 'neither agree nor disagree' has increased (32% compared to 25% in 2016).



## 4. Overall attitudes towards regulation

Given that expectations of burden remain consistent and yet the proportion considering regulation an obstacle has fallen perhaps suggests that businesses have become more adept at dealing with regulations, and as such, while the overall burden of regulation might stay the same (or increase), this is less likely to be considered an obstacle.

**Figure 2: Key measures of regulatory burden – over time**



Base: All respondents  
2007 (1,000), 2008 (1,000), 2009 (1,000), 2010 (2,000), 2012 (2,294), 2014 (2,203), 2016 (2,000), 2018 (2,001)

The proportion of businesses citing complying with regulation as the greatest business challenge was consistent regardless of firm size but most prevalent among those in the Finance sector (49%) and in Wales (33%). Those agreeing that regulation is an obstacle to business success were also more likely to cite complying with regulation as their greatest business challenge than those disagreeing (25% vs. 11% respectively).

Large firms were less likely to agree that the overall level of regulation in the UK was an obstacle to their success (31%). Those operating in the Manufacturing and Finance sectors were most likely to agree that the level of regulation is an obstacle (50%), as well as those in the South West and Scotland (52% and 50% respectively). Businesses that had experienced an increase in the cost of complying over the last 12 months were twice as likely to consider complying with regulation an obstacle to business success (51% compared to 25%).

Businesses who agreed that the overall level of regulation in the UK was an obstacle to their success were also more likely to feel that the way a regulator behaves can affect their business. This was true for factors such as ease of compliance, cost of compliance and businesses' confidence that they are complying.

#### 4. Overall attitudes towards regulation

**Table 5: Key measures of regulatory burden – by size and sector**

Key Measures of Regulatory Burden				
<i>Table shows row percentages (Base: All respondents)</i>	<i>Base:</i>	Complying with regulation is greatest challenge	Agree overall level of regulation is an obstacle to success	Expect burden of regulation to increase in next 12 months
<b>Total</b>	<b>2,001</b>	<b>17%</b>	<b>40%</b>	<b>53%</b>
Micro (1-9)	875	17%	39%	53%
Small (10-49)	653	15%	44%	54%
Medium (50-249)	234	17%	45%	60%♦
Large (250+)	239	16%	31%*	60%♦
Agriculture/ Mining/ Energy	198	31%♦	46%	55%
Manufacturing	229	10%*	50%♦	59%
Construction	181	20%	46%	50%
Retail/ Distribution	309	16%	44%	53%
Transport & Storage	202	15%	43%	52%
Hotel/ Catering	205	9%*	41%	44%*
Finance	186	49%♦	50%♦	77%♦
Property/ Mgt/ Business Services	295	20%	35%	58%
Administration/ Other services	196	12%	32%*	50%

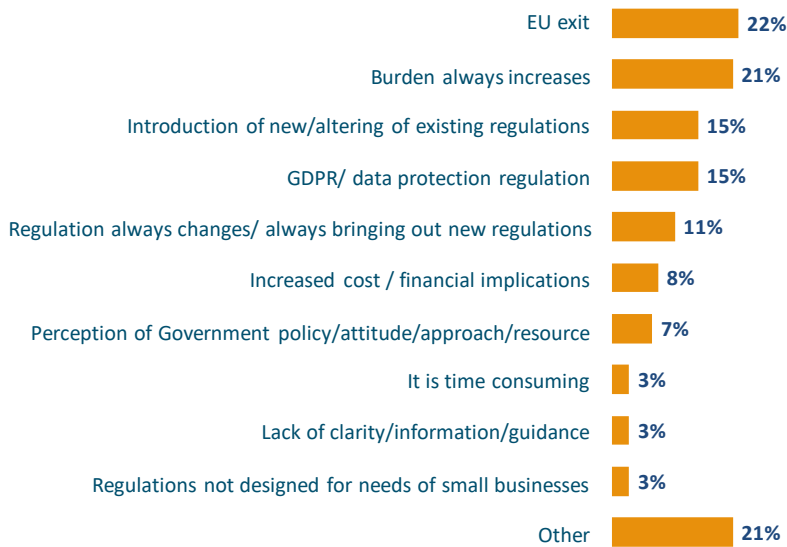
Medium and large businesses (60%) were more likely than small (54%) and micro (53%) to expect the burden of regulation to increase in the next 12 months. Finance firms and those in Scotland were also more likely than others to expect an increase (77% and 67% respectively). Those classified as innovative (had started offering new products/services or working in new markets) or high growth (had increased staff headcount or turnover) were also more likely to expect regulatory burden to increase (60% and 56% respectively, compared to 49% of others), as well as those that had exported in the last 12 months (31% strongly agreed that this would be the case, compared to 23% among non-exporters).

### Reasons for changes in regulatory burden

Respondents who said that they thought the burdens resulting from regulation in the next 12 months would decrease or increase were asked for their reasons why. Responses were recorded verbatim and have been coded into common themes. Please note that the proportion of businesses anticipating a decrease (3%) was significantly lower than the proportion that anticipated an increase (53%).

Figure 3 below shows coded responses for those anticipating an increase in regulatory burden. While a fifth (21%) had a general attitude that 'burden always increases', a similar proportion (22%) cited the EU exit, rising to 38% among those who had exported in the last 12 months. A significant minority (15%) made reference to General Data Protection Regulation (GDPR), and the same proportion expressed concerns around the introduction of new regulations or altering of existing ones more generally.

**Figure 3: Perceived reasons for regulatory burden increasing over next 12 months**



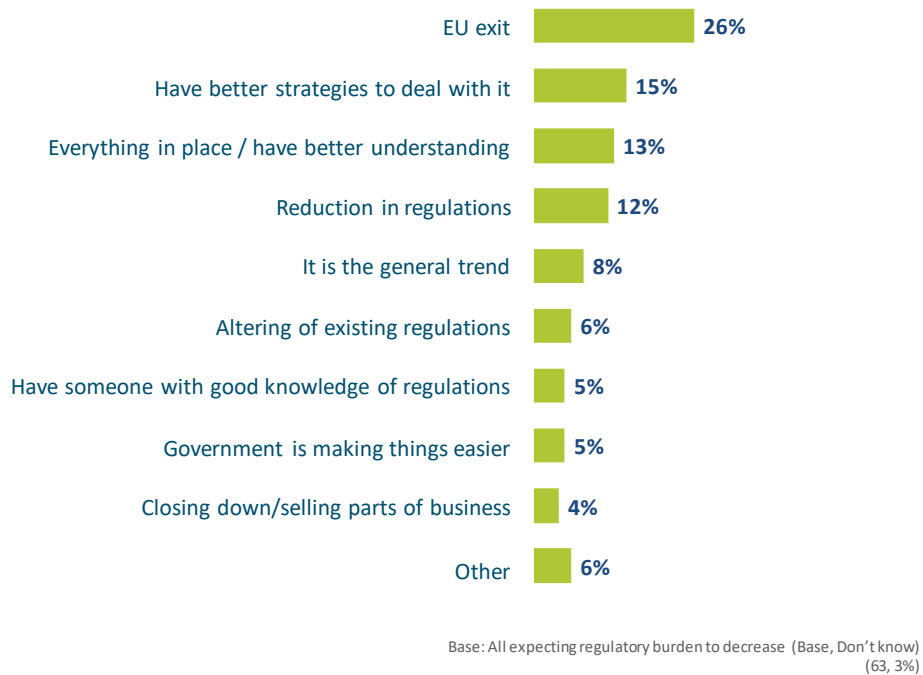
Base: All expecting regulatory burden to increase (Base, Don't know)  
(1120, 2%)

## 4. Overall attitudes towards regulation

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Figure 3 below shows coded responses for those anticipating a decrease in regulatory burden. EU exit was again a key theme, with a quarter (26%) citing this. However, just 9% of exporters within this group mentioned this as a reason. Respondents also commonly said that burden would decrease because they now had better strategies to deal with regulatory changes (15%) or had put everything in place to ensure compliance (13%).

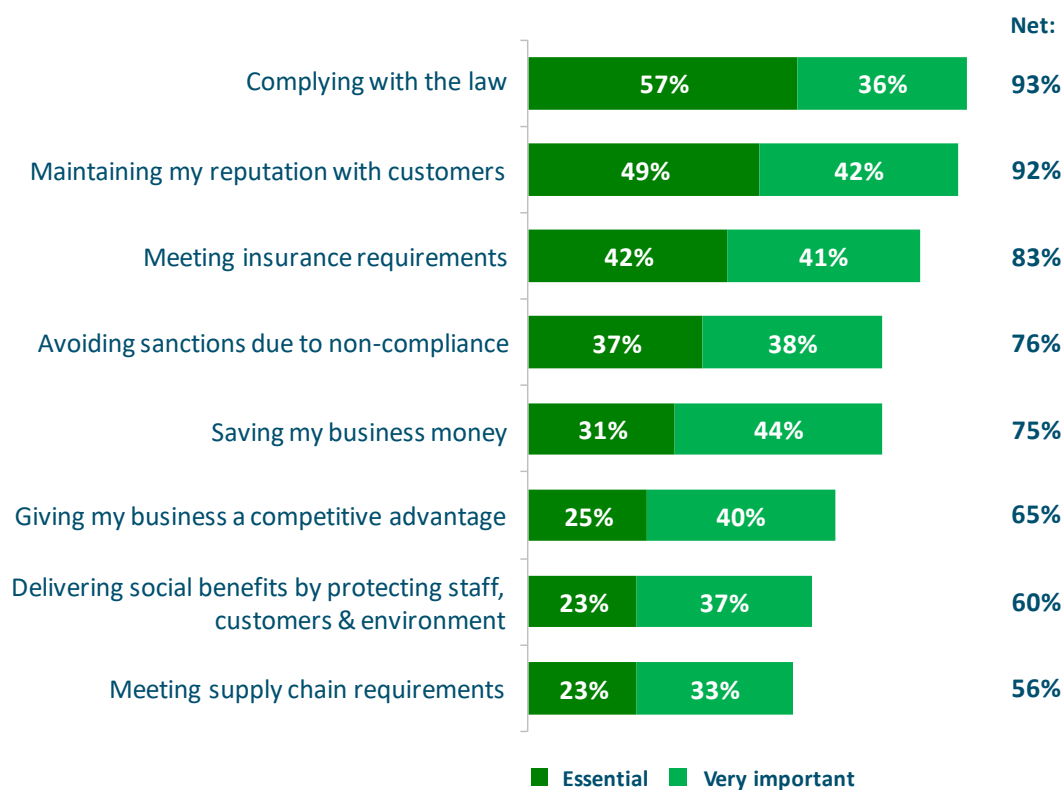
**Figure 3: Perceived reasons for regulatory burden decreasing over next 12 months**



## Factors in encouraging compliance

Respondents were asked how important several factors were in encouraging their business to comply with regulation. The most important was simply to comply with the law (93%), with more than half (57%) considering this essential in encouraging compliance with regulation, and a third (36%) considering it very important. This was closely followed by the need to maintain their reputation with customers (92%).

**Figure 4: Factors considered essential / very important in encouraging compliance with regulation**



Base: All respondents (Base, Don't know, N/A)  
(2001, 0%-2%, 0%-8%)

Respondents considered meeting supply chain requirements (56%) and delivering social benefits (60%) the least important factors, with fewer than a quarter (23%) considering these essential in encouraging compliance.

Micro firms generally rated all factors with lower importance than larger firms, particularly in terms of avoiding sanctions for non-compliance (74% of micro employers rated this essential or very important, compared to 83% of those with 10 or more employees) and meeting supply chain requirements (53% of micro compared to 66% of larger firms).

As detailed in Table 6, those operating in the Manufacturing sector were the most likely to place importance on giving their business a competitive advantage (82%) and meeting supply chain requirements (71%). All Finance firms interviewed considered complying with

#### 4. Overall attitudes towards regulation

the law an essential or very important factor in encouraging regulatory compliance, and this group were also the most likely to place importance on avoiding sanctions (87%).

**Table 6: Factors considered essential / very important in encouraging compliance with regulation – by sector**

	Total	Sector								
		Agri. / Mining / Energy	Manufacturing	Construction	Retail / Distribution	Transport & Storage	Hotel / Catering	Finance	Property / Mgt / Business Services	Admin. / Other services
<i>Base: All respondents</i>	<b>2,001</b>	198	229	181	309	202	205	186	295	196
Complying with the law	<b>93%</b>	92%	92%	93%	89%*	99%◆	91%	100%◆	92%	96%
Maintaining reputation with customers	<b>92%</b>	86%*	92%	92%	89%	98%◆	93%	94%	90%	95%
Meeting insurance requirements	<b>83%</b>	81%	83%	86%	83%	79%	89%◆	71%*	78%*	85%
Avoiding sanctions due to non-compliance	<b>76%</b>	77%	74%	70%	80%	81%	74%	87%◆	77%	72%
Saving money	<b>75%</b>	76%	79%	75%	81%◆	79%	84%◆	64%*	64%*	75%
Giving business a competitive advantage	<b>65%</b>	62%	82%◆	59%	68%	78%◆	59%	62%	61%	69%
Delivery social benefits	<b>60%</b>	56%	63%	57%	64%	53%	69%◆	49%*	50%*	67%
Meeting supply chain requirements	<b>56%</b>	58%	71%◆	54%	58%	60%	58%	38%*	51%	54%

Innovative businesses were more likely to consider gaining a competitive advantage an important factor in encouraging their compliance with regulation (75% rated this essential or very important, compared to 60% of non-innovative firms). The same pattern was evident among high growth businesses (69% compared to 61% of others) and those that had exported within the last 12 months (73% compared to 64% of non-exporters).

## 5. Effort of dealing with regulation

### Key findings

- Time spent on regulation increased with business size (micro firms spent on average 5 days per month compared to 30 days for large firms)
- The proportion reporting an increase in the cost of compliance over the last 12 months also increased with business size (51% of micro firms, up to 73% of large)

### Cost of complying with regulations

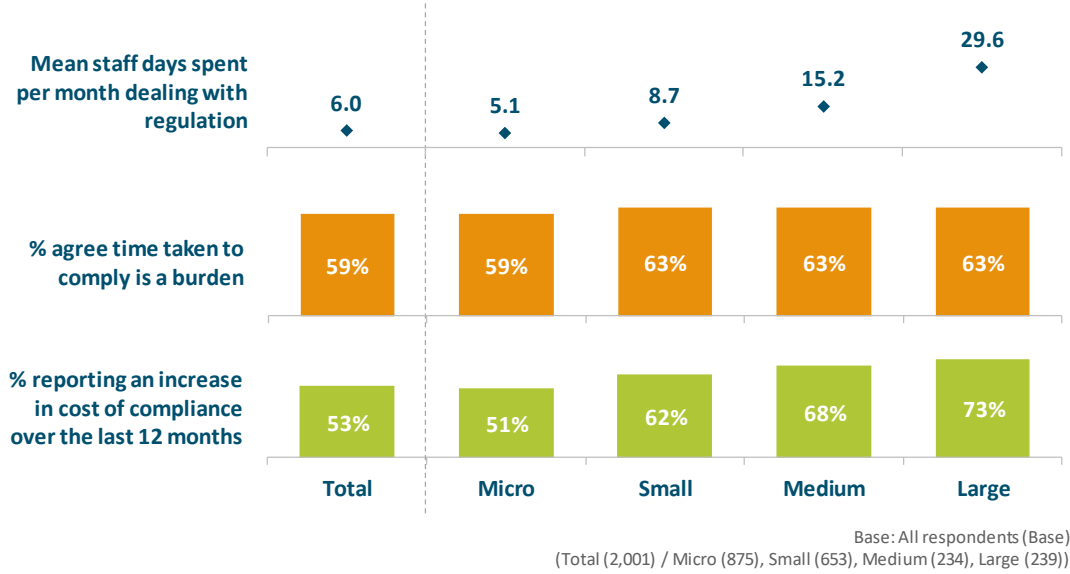
While the proportion of businesses perceiving regulation as an obstacle to business success has been steadily declining (to 40% this wave), more than half (53%, a similar proportion as the 52% in 2016) believed the total cost of complying with regulation had increased over the last 12 months; 30% believed this had increased a little, while 23% believed it to be a lot. Only 1% of businesses believed the cost had decreased. Likelihood of reporting an increase in the cost of regulation increased with business size, from 51% of micro firms to 73% of large.

Three-fifths (59%) agreed that the length of time it takes to go through the whole process of complying was a burden. Although there were no significant differences in this proportion by size of firm, the mean number of days<sup>3</sup> spent per month dealing with regulation increased with size, from 5.1 days for micro firms, 8.7 days for small, 15.2 days for medium up to 29.6 days for large.

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<sup>3</sup> The mean number of days has been calculated using the mid-point of the banded responses provided at question B2, e.g. 1-2 days was calculated as 1.5 days.

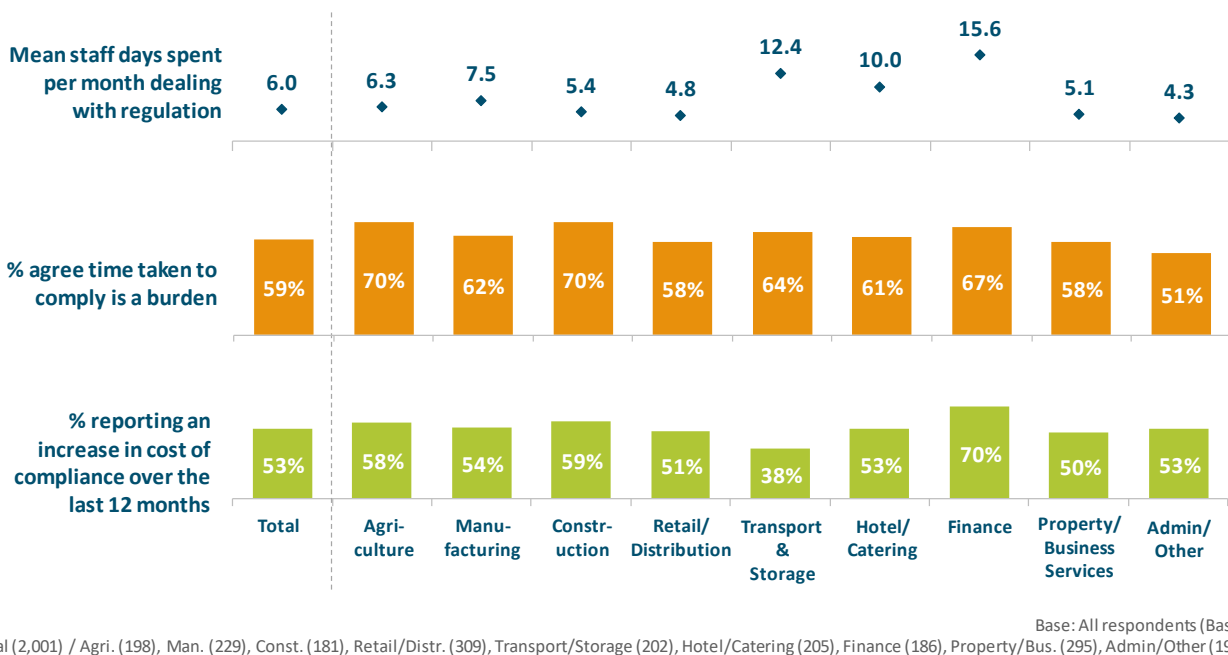
Figure 5: Cost of complying with regulation – by size



A third (32%) of businesses in the Finance sector reported spending more than 10 days dealing with, or learning to comply with, regulation; they were also more likely to report an increase in the cost of compliance over the last 12 months (70%). A significant proportion (22%) of those in the Transport and Storage sector also reported spending more than 10 days dealing with regulation, however these businesses were least likely to report an increase in the cost of compliance (38%).

While businesses in the Agriculture and Construction sectors spent fewer days on regulation (6.3 and 5.4 respectively), they were the most likely to agree that the time taken to comply is a burden (70%).

Figure 6: Cost of complying with regulation – by sector





Businesses operating in Wales were most likely to report an increase in the cost of complying with regulation over the last 12 months (66%). While those in the North East of England were least likely to report an increase in cost (44%), these firms reported spending the highest number of days per month (8.7) dealing with regulation. Businesses in Northern Ireland were most likely to agree that the length of time taken to comply with regulation is a burden (72%).

### Burden of regulatory activities

Respondents were read a list of activities that their company might undertake while complying with regulation and asked to what extent each was a burden.

Having to provide the same information more than once was considered the most burdensome activity (63%), followed by completing paperwork, filling out forms and keeping records on facts and figures (62%), keeping up to date with information about which regulations the business has to comply with (60%) and the length of time it takes to go through the whole process of complying (59%). The least burdensome activity was understanding the differences in regulation between England, Scotland, Wales and Northern Ireland (23%), primarily because a quarter (23%) did not consider this activity applicable to their business.

Although large firms were the least likely to perceive having to provide the same information more than once as a burden (56%), they were most likely to experience burden in understanding differences in regulation between England, Scotland, Wales and Northern Ireland (30%).

Other than understanding regional differences, businesses in the Agriculture/Mining/Energy sector were more likely than others to indicate that the list of activities were a burden to them, particularly dealing with inspections (65% agreed this was a burden, compared to 46% of all businesses interviewed).

**Table 7: Burden of regulatory activities – by size and sector**

<i>Table shows row percentages (Base: All respondents)</i>	% agreeing activity is a burden							
	<i>Base:</i>	Providing same info more than once	Completing paperwork	Keeping up to date	Length of time it takes	Being ready for inspections	Obtaining licenses	Understanding regional differences
<b>Total</b>	<b>2,001</b>	<b>63%</b>	<b>62%</b>	<b>60%</b>	<b>59%</b>	<b>46%</b>	<b>40%</b>	<b>23%</b>
Micro (1-9)	875	63%	62%	60%	59%	46%	40%	23%
Small (10-49)	653	61%	62%	59%	63%	45%	41%	22%
Medium (50-249)	234	63%	63%	67%♦	63%	49%	40%	25%
Large (250+)	239	56%*	59%	57%	63%	44%	39%	30%♦
Agriculture/ Mining/ Energy	198	76%♦	78%♦	72%♦	70%♦	65%♦	56%♦	25%
Manufacturing	229	68%	64%	58%	62%	40%	34%	21%
Construction	181	71%♦	69%	66%	70%♦	51%	49%♦	20%
Retail/ Distribution	309	61%	55%*	65%	58%	44%	42%	22%
Transport & Storage	202	58%	65%	63%	64%	54%♦	39%	34%♦
Hotel/ Catering	205	64%	69%♦	64%	61%	58%♦	48%♦	39%♦
Finance	186	59%	60%	64%	67%♦	50%	36%	28%
Property/ Mgt/ Business Services	295	62%	60%	63%	58%	40%	32%*	16%*
Administration/ Other services	196	57%	58%	44%*	51%*	44%	40%	23%

Businesses in Wales were more likely than others to consider keeping up to date (80%), completing paperwork (79%), dealing with inspections (63%) and obtaining licenses or permits (56%) a burden. Those in Scotland experienced more burden than others in having to provide the same information more than once (75%) and understanding regional differences in regulation (35%). Those in Northern Ireland indicated that the length of time it takes to go through the process of complying (72%) was the most burdensome aspect.

# 6. External support

## Key findings

- Most businesses (91%) used external support to help them in complying with regulation, with external business advisors/consultants the most common (64%).
- The main motivation for seeking external advice was to have more specialist knowledge (39%).

## Use of external support

The majority (91%) of businesses used at least one source of external support to help them in complying with regulation, the most prevalent being business advisors/consultants (64%) and official government or regulator websites (53%). Approaching half (46%) made use of trade associations or business organisations, and two-fifths (41%) conferred with friends, family or other personal contacts.

Although the proportion using external support did not differ significantly by size of firm, larger firms were more likely to make use of a variety of different sources. Perhaps owing to the more informal nature of the support, micro firms were just as likely as large firms to make use of family, friends or other personal contacts (42% and 38% respectively).

Firms operating in the Construction sector were most likely to make use of external support (98% used any form), particularly trade associations or business organisations (59%). While Hotel/Catering firms were the least likely to use external support (84%), almost half used more informal sources such as websites (49%) or personal contacts (48%).

**Table 8: Types of external support used – by size and sector**

<i>Table shows row percentages (Base: All respondents)</i>	Base:	Types of external support used					ANY
		Business advisers/ Consultants	Government/ Regulator websites	Trade associations / Business organisations	Friends/ Family/ Other personal contacts	Inspectors/ Regulatory officers	
<b>Total</b>	<b>2,001</b>	<b>64%</b>	<b>53%</b>	<b>46%</b>	<b>41%</b>	<b>29%</b>	<b>91%</b>
Micro (1-9)	875	63%	51%	45%	42%	26%	90%
Small (10-49)	653	68%	57%	48%	38%	43%♦	92%
Medium (50-249)	234	70%	65%♦	56%♦	32%*	43%♦	93%
Large (250+)	239	74%♦	76%♦	65%♦	38%	52%♦	94%
Agriculture/ Mining/ Energy	198	67%	51%	45%	48%	35%	93%
Manufacturing	229	60%	49%	39%*	40%	34%	88%
Construction	181	71%	48%	59%♦	42%	44%♦	98%♦
Retail/ Distribution	309	55%*	46%*	45%	40%	25%	88%
Transport & Storage	202	58%	53%	43%	40%	34%	91%
Hotel/ Catering	205	63%	49%	33%*	48%	37%♦	84%*
Finance	186	76%♦	64%♦	49%	37%	34%	93%
Property/ Mgt/ Business Services	295	68%	67%♦	49%	39%	24%	94%
Administration/ Other services	196	64%	48%	45%	42%	24%	89%

Businesses in the East Midlands were the least likely to make use of any form of external support to help them comply with regulation (82%). Firms in Wales were most likely to use external business advisers or consultants (76%). Those based in the North West were more likely to seek support from trade associations or business organisations (59%) or from personal contacts (57%) compared to the other regions. Businesses operating in Yorkshire & Humberside were more likely to make use of official websites (61%).

## Types of business agents used

Those that used external business agents to help them comply with regulation were asked which type of agents they used. Around nine in ten (93%) used an accountant, and eight in ten (82%) used an insurance company. A smaller proportion made use of health and safety consultants (53%), lawyers (52%) and fire consultants (43%).

Choice of external business agent varied by size of firm; use of an accountant was much more common among micro firms (94%), whereas larger firms were more likely to make

## 6. External support

use of lawyers (80%) and fire consultants (61%, compared to 38% of micro). While Finance firms were the least likely to use an external accountant, insurance company, or consultant to help them comply with regulation, almost two thirds (63%) made use of lawyers and half (52%) used other types of agents. Construction firms were the most likely to use a health and safety consultant (77%) and Hotel/Catering firms were most likely to use a fire consultant (67%).

**Table 9: Types of external business agents used – by sector**

<i>Table shows row percentages</i> (Base: All using external business agents)		Types of external business agents used					
		Base:	Accountants	Insurance companies	Health & Safety consultants	Lawyers	Fire consultants
<b>Total</b>	<b>1,357</b>	<b>93%</b>	<b>82%</b>	<b>53%</b>	<b>52%</b>	<b>43%</b>	<b>35%</b>
Micro (1-9)	564	94%	81%	48%*	48%	38%*	32%
Small (10-49)	454	89%*	83%	72%♦	68%♦	63%♦	45%♦
Medium (50-249)	167	88%*	85%	72%♦	82%♦	56%♦	54%♦
Large (250+)	172	76%*	82%	64%♦	80%♦	61%♦	52%♦
Agriculture/ Mining/ Energy	138	96%	90%♦	57%	55%	26%*	41%
Manufacturing	145	90%	88%	66%♦	53%	50%	43%
Construction	130	92%	86%	77%♦	50%	38%	33%
Retail/ Distribution	195	94%	80%	53%	49%	53%♦	34%
Transport & Storage	135	97%	82%	52%	44%	42%	44%♦
Hotel/ Catering	135	97%	89%♦	52%	60%	67%♦	23%*
Finance	142	78%*	55%*	26%*	63%♦	30%*	52%♦
Property/ Mgt/ Business Services	201	89%*	80%	40%*	54%	35%*	38%
Administration/ Other services	136	97%	77%	50%	48%	40%	34%

Other than Northern Ireland (88%) and the South East (89%), more than 90% of businesses in the 10 other regions that had used an external agent named accountants. Firms in the West Midlands were most likely to use an insurance company (89%). Two-thirds (65%) of businesses in London said they used a lawyer, 65% in East England used a Health and Safety consultant, and 68% of those in Northern Ireland used a fire consultant.

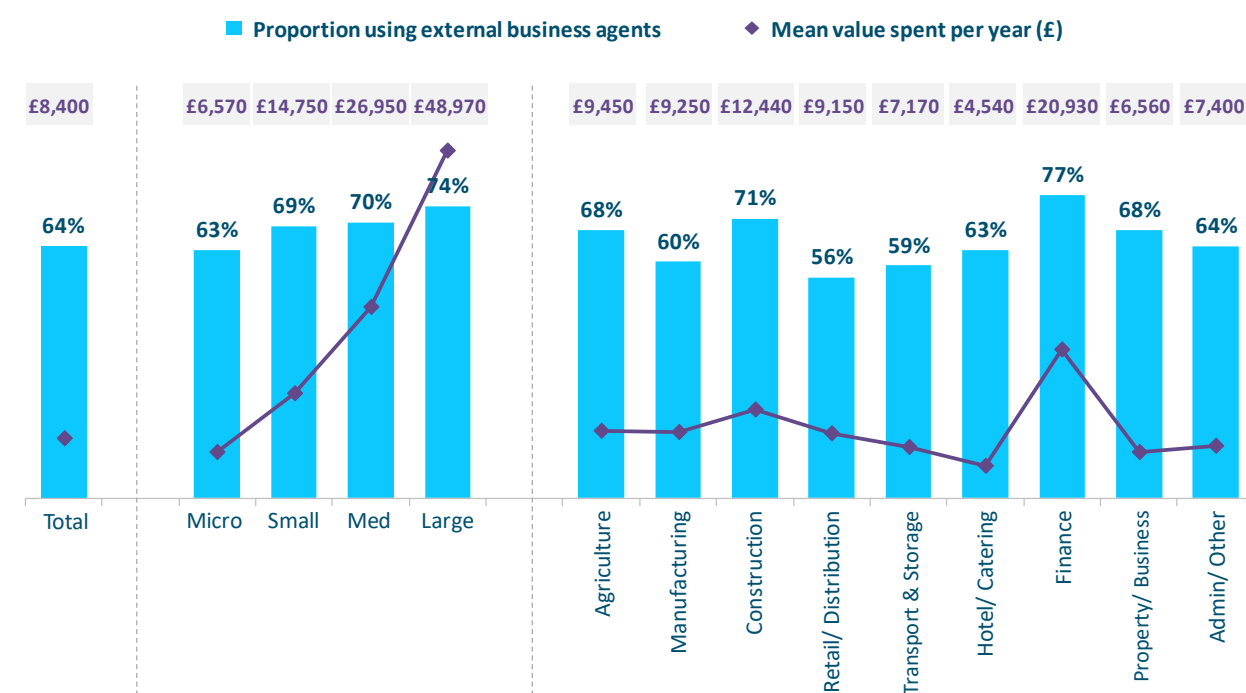
## Cost of using external business agents

Respondents were asked how much they had spent using external business agents to help them comply with regulations over the last year. The mean annual spend<sup>4</sup> was £8,400, and this increased with firm size, reaching £48,970 among large employers.

Businesses in Hotel/Catering reported the lowest mean spend (£4,540). Spend was higher among those in Construction (£12,440), and highest among those in Finance (£20,930). For the other sectors, mean spend varied from £6,560 to £9,450.

These figures reflect the fact that businesses in the Finance and Construction sectors were the most likely to use external business agents (76% and 71% respectively) and they were also more likely to report an increase in the cost of compliance over the last 12 months (70% and 59% respectively). Firms in the Finance sector were also the most likely to say that complying with regulation was their greatest challenge (49%).

**Figure 7: Cost of using external business agents – by size and sector**



Base: All respondents (Base)  
Total (2,001) / Micro (875), Small (653), Medium (234), Large (239) /  
Agri. (198), Man. (229), Constr. (181), Retail/Distr. (309), Transport/Storage (202), Hotel/Catering (205), Finance (186), Property/Bus Services (295), Admin/Other (196)

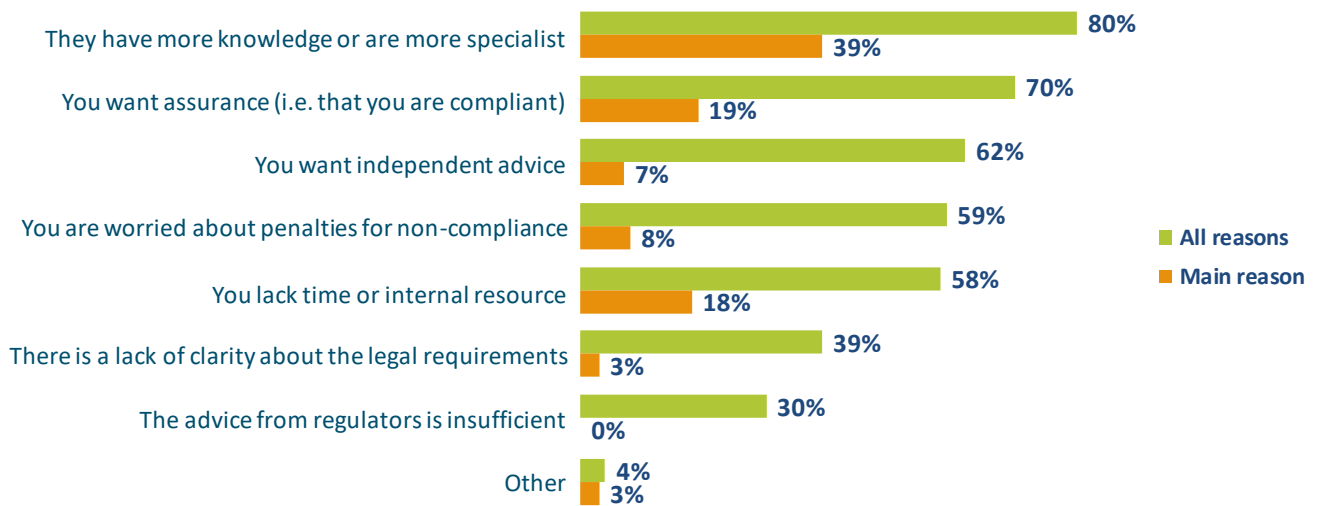
Firms that had exported goods or services in the last 12 months reported a higher annual spend (£11,888) on external support than those who had only sold within the UK (£7,330). Spend was particularly high among those that had increased their exports within the last 12 months (£14,377) compared to those that had not (£7,964).

<sup>4</sup> The mean annual spend has been calculated using the mid-point of the banded responses provided at question E4, e.g. £500-£999 was calculated as £750

## Reasons for using external business agents

Businesses were asked why they used external business agents, and if more than one reason was given, were asked for the main reason. Figure 8 below shows the responses given. The most frequently cited main reasons were the need for more specialist knowledge/expertise (39%), assurance (19%) and additional resource (18%). While three-fifths (59%) mentioned worries about penalties, only 8% said this was their primary reason for using external business agents. Similarly, while two-fifths (39%) referred to using external agents because of a lack of clarity around legal requirements, this was only the primary reason for 3%.

**Figure 8: Reasons for using external business agents**



Base: All using external business agents (Base, Don't know)  
(1357, 2%)

Large employers were the most likely to cite assurance as the main reason they had used external business agents (27% vs. 17% of micro), while micro employers were most likely to be safeguarding against penalties (9%, compared to 4% of large).

## 7. Perceptions of the Government's approach to regulating

### Key findings

- Perceptions of the Government's approach to regulating have improved significantly from 2016.

### General policy approach

Businesses were asked to rate the extent to which they agreed or disagreed with a series of statements about the Government's approach to regulating. Respondents were most positive about the purpose of regulation, with 57% agreeing this was clear. Slightly fewer agreed that regulation is fair and proportionate (44%), that the Government informs them of changes clearly and with sufficient warning (43%), and that it is easy to comply (40%).

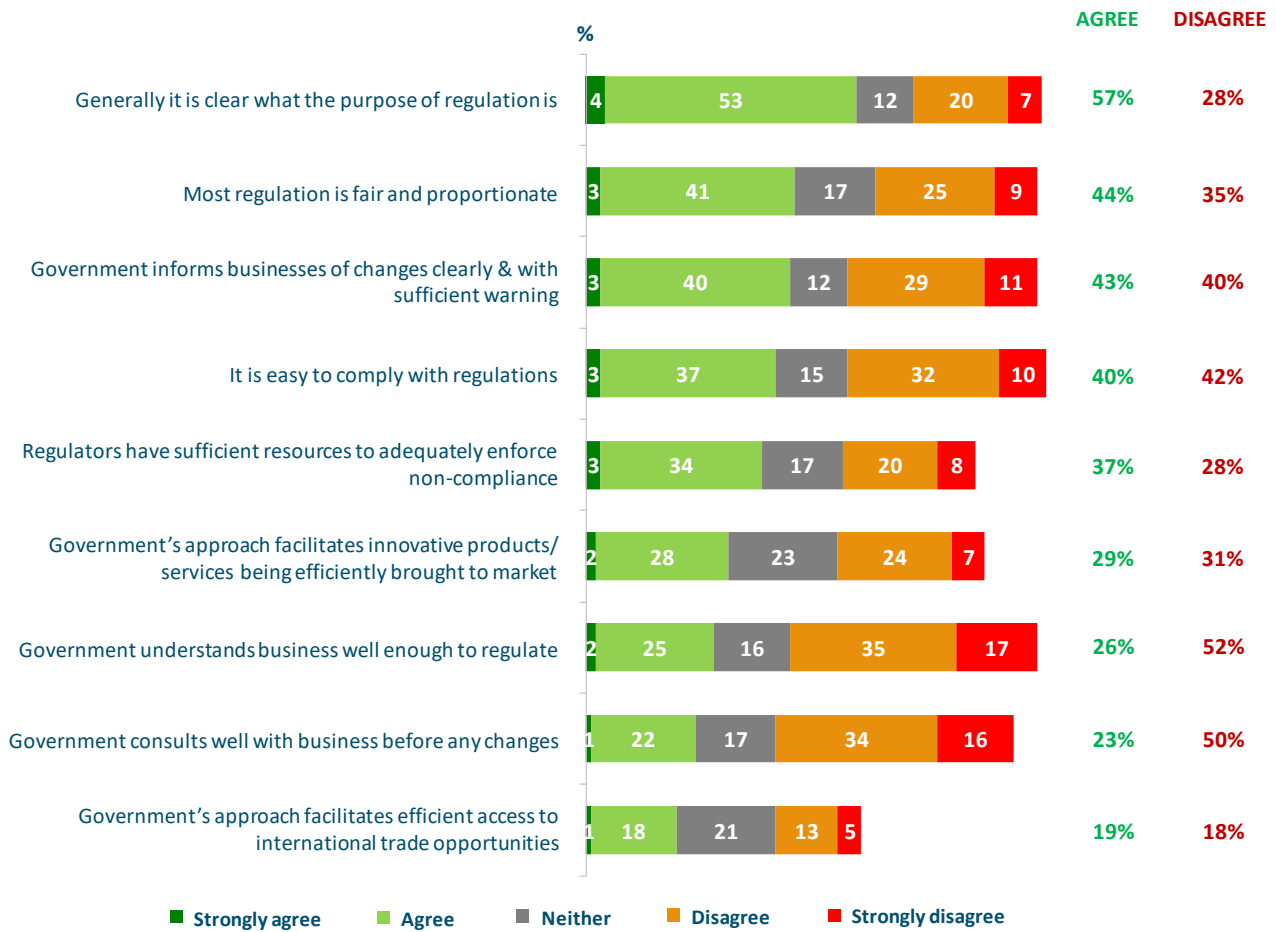
Only around a quarter agreed that the Government understands businesses well enough to regulate (26%) and consults well with them before any new regulation, or change to an existing regulation, is introduced (23%). While only a fifth (19%) agreed that the Government's approach facilitates access to international trade opportunities, this was primarily because 30% rated this aspect 'not applicable' (i.e. their business did not require access to international trade opportunities) and a further 11% gave a 'don't know' response. Almost three in every ten businesses (29%) agreed that the Government's approach to regulation facilitates innovative products/services being efficiently brought to market.

Across all nine statements, only a very small minority (1%-4%) agreed strongly.



## 7. Perceptions of the Government's approach to regulating

**Figure 9: Perceptions of the Government's approach to regulating**



Base: All respondents (Base, Don't know, N/A) (2001, 2% - 16%, 1% - 30%)

Larger businesses were generally more positive about the Government's approach to regulating (e.g. 75% of those with 250+ employees agreed the purpose of regulation is clear, 37% agreed that the Government consults well with businesses before changes). However, micro employers were more likely to agree it was easy to comply with regulations (41% agreed).

Compared with other sectors, firms in Finance were most positive about the clarity of regulation (64%), and the Government's approach to making regulatory changes (55% felt they were informed of changes clearly and with sufficient warning, and 31% agreed the Government consults well before changes). However, they were least likely to agree that it was easy to comply with regulation (31%). Construction firms were most likely to experience ease in complying with regulations (47%), and to agree that the Government's approach to regulation facilitates innovative products/services being brought to market (35%). Those in the Agriculture/Mining/Energy sector were less positive; only a third (36%) agreed they were informed of regulatory changes clearly and with sufficient warning and only a sixth (17%) felt the Government understands businesses well enough to regulate.

## 7. Perceptions of the Government's approach to regulating

Businesses' perceptions of the Government's approach to regulating have improved significantly since 2016<sup>5</sup>, and many of these attitudes are strongly correlated with the proportion agreeing that the level of regulation in the UK was an obstacle to business success (a measure that has also shown significant improvement since 2016). Those viewing regulation as an obstacle had a more negative perception of most aspects of the Government's approach to regulation.

Firms that had grown in the last 12 months (in terms of staff headcount or sales turnover) were less likely to agree that it is easy to comply with regulations (38%, compared to 43% of those who had not grown), but were more likely to agree that the Government's approach facilitates access to international trade opportunities (22%, compared to 16% who had not grown).

**Table 10: Perceptions of the Government's approach to regulating – over time**

	% agreeing	
	2018	2016
<i>Base: All respondents</i>	2,001	2,000
Generally, it is clear what the purpose of regulation is	57%	49%
Most regulation is fair and proportionate	44%	35%
Government informs businesses of regulatory changes clearly	43%	38%
It is easy to comply with regulations	40%	32%
Regulators have sufficient resources to adequately enforce non-compliance	37%	-
Government's approach facilitates innovative products/services	29%	-
Government understands business well enough to regulate	26%	21%
Government consults well with business before any changes	23%	19%
Government's approach facilitates access to international trade opportunities	19%	-

<sup>1</sup>- statements not asked in 2016

<sup>5</sup> Prior to 2016 these questions focussed on a particular area of law, hence time series comparisons before this point are not possible.

## 8. Dealing with regulators

### Key findings

- Businesses felt regulators' behaviour can have a significant impact on many aspects of compliance.
- A wide range of regulators were named as having had the most contact with individual businesses in the last year; the Pensions Regulator topped the list (8%).
- 72% agreed that the regulator they had identified as having the most contact with over the last 12 months provided helpful advice/guidance and 66% had confidence in it. A similar proportion (67%) agreed that guidance published is easy to locate.
- 23% felt that the process to appeal the regulator's decision was not easy and transparent and 34% felt that their regulator does not understand their business well enough to provide advice tailored to their circumstances.

### Impact of regulators' behaviour

Businesses were asked whether they felt the way a regulator behaves could impact their business in six different ways. Three-quarters (78%) agreed that regulators' behaviour could affect how confident they are that they are complying, how much it costs them to comply (74%) and how easy it is to comply (73%). A third (33%) said that regulators' behaviour could affect how they access international trade opportunities. However, this proportion rose to 56% among those who had exported in the last 12 months.

**Figure 10: Impact of regulators' behaviour**



Base: All respondents (Base, Don't know, N/A)  
(2001, 4% - 7%, 2% - 44%)

Large employers were the most likely to believe that the way a regulator behaves can affect how easy it is to comply (86%, compared to 72% of micro) and how willing their business was to invest in new products or areas (70%, compared to 63% of micro). By sector, Construction and Finance firms were the most likely to believe regulator behaviour can affect their confidence around complying (89% and 84% respectively), how much it costs to comply (83% and 85%) and their willingness to invest in new products or areas (74% and 72%). Those in the Transport and Storage sector were most likely to believe regulator behaviour can affect how easy it is for them to comply (79%), and those in Manufacturing were most likely to believe it can affect how efficiently they brought innovative products or services to market (66%), and how they accessed international trade opportunities (45%).

**Table 11: Impact of regulators' behaviour – by size and sector**

<i>Table shows row percentages</i> (Base: All respondents)	Base:	Aspect					
		Confidence of complying	Cost of complying	Ease of complying	Willingness to invest	Bringing innovative products/services to market	International trade opportunities
<b>Total</b>	<b>2,001</b>	<b>78%</b>	<b>74%</b>	<b>73%</b>	<b>63%</b>	<b>60%</b>	<b>33%</b>
Micro (1-9)	875	78%	74%	72%	63%	61%	33%
Small (10-49)	653	78%	75%	77%♦	62%	56%	33%
Medium (50-249)	234	76%	75%	77%	68%	63%	35%
Large (250+)	239	79%	80%♦	86%♦	70%♦	66%	34%
Agriculture/ Mining/ Energy	198	75%	79%	75%	64%	60%	33%
Manufacturing	229	81%	74%	77%	69%	66%	45%♦
Construction	181	89%♦	83%♦	73%	74%♦	63%	34%
Retail/ Distribution	309	76%	71%	73%	63%	59%	36%
Transport & Storage	202	74%	78%	79%	63%	61%	37%
Hotel/ Catering	205	76%	74%	69%	64%	64%	27%
Finance	186	84%	85%♦	75%	72%♦	64%	35%
Property/ Mgt/ Business Services	295	80%	77%	77%	58%	58%	33%
Administration/ Other services	196	70%*	67%*	68%	60%	56%	27%

Firms in Northern Ireland were most likely to agree that the way a regulator behaves can affect; the ease of complying (82%), their willingness to invest in new products or areas (87%) and how they access international trade opportunities (52%). Those in Scotland were most likely to agree that regulator behaviour can affect the cost of complying (89%)

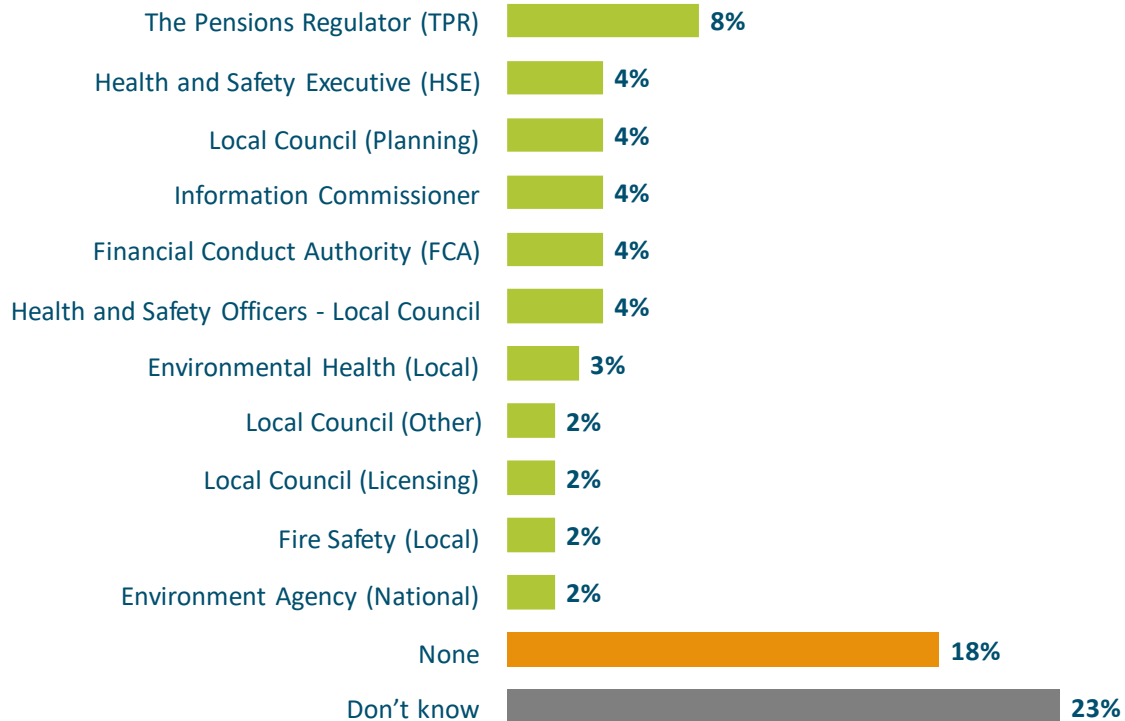
and how efficiently products and services are brought to the market (74%), whereas those in the South East were most likely to feel that it can affect how confident they are that they are complying (86%).

### Most commonly dealt with regulators

Businesses were asked which regulator they had had the most contact with over the last 12 months. Those that mentioned HMRC (7%) were asked to name another regulator with which they had had the most contact with. Figure 11 below details all individual regulators mentioned by at least 30 businesses. A wide range of names were mentioned, with the Pensions Regulator most common (8%). Coinciding with the introduction of automatic enrolment<sup>6</sup> and the staggering of dates (by size) at which firms were obliged to commence these pensions duties, micro employers were most likely to mention the Pensions Regulator as their main regulator (9%, dropping to 4% of large employers).

A quarter (23%) of businesses were not sure which regulator they had dealt with the most, and a fifth (18%) said they had not had contact with anyone in the last 12 months (although this dropped to just 4% of medium firms and 2% of large).

**Figure 11: Regulators with whom businesses had most contact with in last 12 months**



Base: All respondents (2,001)

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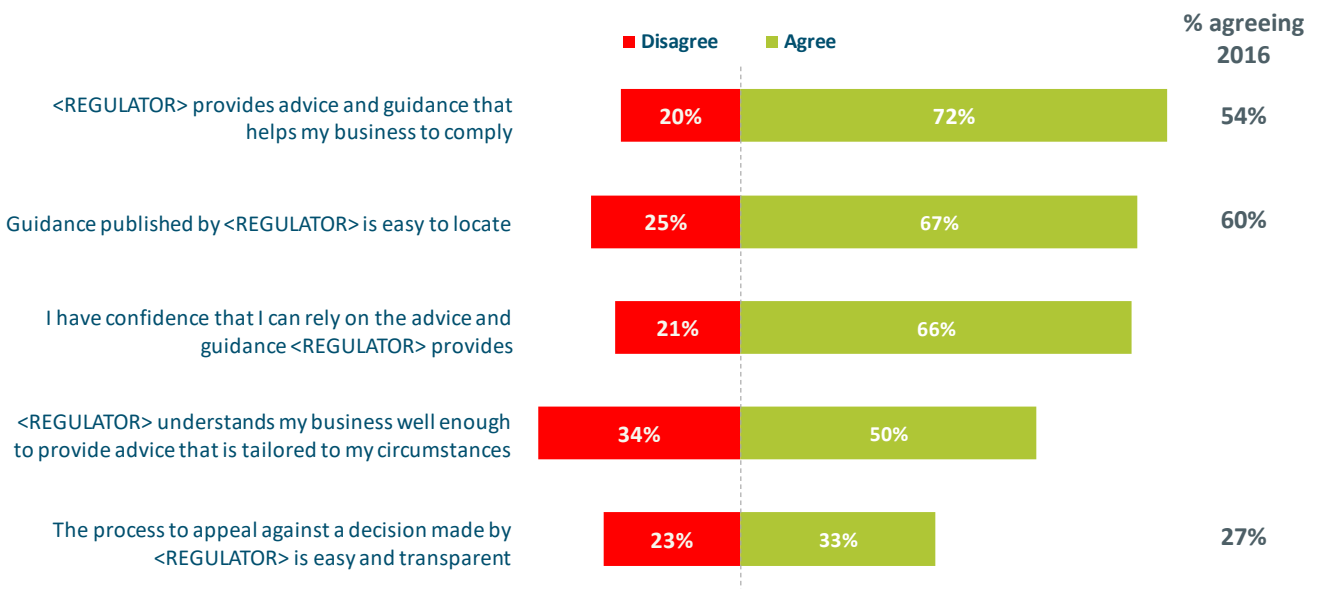
<sup>6</sup> Automatic enrolment is a requirement of employers with at least one member of staff to provide a workplace pension scheme and contribute towards it.

## Perceptions of main regulator

Businesses were asked a series of questions about the regulator they had identified as having the most contact with over the last 12 months. Almost three-quarters (72%) agreed that the chosen regulator provided advice and guidance that helped them to comply, and two-thirds agreed that the regulator’s guidance was easy to locate (67%) and that they had confidence in relying on this guidance (66%). Perceptions were more varied around whether regulators understand businesses well enough to provide tailored advice (50% agreed and 34% disagreed). While only a third (33%) agreed that their regulator’s appeals process was easy and transparent, 29% answered either ‘don’t know’ or ‘not applicable’ to this question, presumably because they had not experienced the appeals process (of those that expressed a view, 46% agreed and 32% disagreed).

Micro firms were least likely to agree that guidance was easy to locate and reliable (both 65%), and that the regulator was able to tailor advice to their circumstances (49%). Those operating in the Agriculture/Mining/Energy sector were least positive about the advice and guidance provided by the regulator they contacted most, with around half agreeing that this helped them to comply (54%), was reliable (50%) and was easy to locate (48%). Those in Finance were least positive about the appeals process (26% agreed this was easy and transparent) and were also less likely to say their chosen regulator understood them well enough to provide tailored advice (37% agreed this was the case).

**Figure 12: Perceptions of main regulator**



Base : All who have had contact with a regulator other than just HMRC in the last 12 months (1,301)

There is evidence of improvement since 2016 across each of the comparable measures, with businesses more likely to agree that their main regulator provided advice and guidance that helped them to comply (72%, compared to 54% in 2016), that the regulator’s

guidance was easy to locate (67%, compared to 60% in 2016) and that the process to appeal was easy and transparent (33%, compared to 27% in 2016).

## 9. Case Studies

### Innovative businesses

#### Profile

Innovative businesses were defined as those that had started offering new products or services or started working in new business markets in the last 12 months. While these firms tended to be slightly larger (43% had more than five employees, compared to 33% of other businesses) and younger (20% had been established less than 5 years, compared to 15% of others), they were more likely to have exported within the last 12 months (29%, compared to 14% overall). They were also more likely to be working in the Manufacturing and Property/ Management/ Business Services sectors and less likely to be in Agriculture/ Mining/ Energy, Construction or Hotel/ Catering than other firms.

#### Main Findings

Innovative businesses were more likely than others to have grown in the last 12 months in terms of their staff headcount, sales turnover, exports, and capital investment. They were more likely to cite access to finance, staff recruitment/retention and attracting/retaining customers as their greatest challenge, and less likely to report issues with the level of tax and complying with regulation. When considering factors that encouraged their business to comply, they placed more importance on maintaining their reputation with customers (55% rated this essential, compared to 46% of others), gaining a competitive advantage (33%, compared to 21% of others), and meeting supply chain requirements (27%, compared to 21% of others).

In terms of the cost of compliance, although innovative firms spent an average of 7.2 staff days per month dealing with regulation (compared to 5.4 days for other firms), they were no more likely to agree that the time taken to comply was a burden. Three-fifths (61%) reported an increase in the cost of compliance over the last 12 months (compared to 49% of other firms), and a similar disparity was evident in the proportion that believed regulatory burden would increase in the next 12 months. These firms experienced less burden than other businesses in terms of being ready for or dealing with inspections (41%, compared to 49% of others).

While innovative businesses were less likely to agree that the Government understands businesses well enough to regulate (23%, compared to 28% of others), they were more likely to agree that its approach facilitates innovative products and services being efficiently brought to market (32%, compared to 28% of others). These businesses were also more likely to feel that the way a regulator behaves can affect how easy it is to comply, the cost of complying, how confident they are that they are complying, how efficiently they can bring innovative products/services to the market, and how they access international trade opportunities.



### High growth businesses

#### Profile

High growth businesses were defined as those that had increased their staff headcount or sales turnover in the last 12 months. These firms tended to be slightly larger (41% had more than five employees, compared to 31% of other businesses) and younger (21% had been established less than 5 years, compared to 11% of others). High growth businesses were also more likely to be operating in Property/ Management/ Business Services and Administration/ Other services, and less likely to be in Retail/ Distribution than other firms.

#### Main Findings

As well as having increased their headcount or turnover, high growth businesses were more likely than other businesses to have exported in the last 12 months (22%, compared to 16% of others), increased the level of these exports, increased their capital investment, started offering new products/services and begun working in new business markets.

They were more likely to cite tax and staff recruitment/retention as their greatest challenge, and less likely to report issues with attracting and retaining customers. When considering factors that encouraged their business to comply, they placed more importance on gaining a competitive advantage (28% rated this essential, compared to 22% of others) and avoiding sanctions (40%, compared to 34% of others).

In terms of the cost of compliance, high growth firms spent an average of 6.6 staff days per month dealing with regulation compared to 5.3 days for other firms, and 62% agreed that the time taken to comply was a burden (compared to 56% of others). Over half (56%) reported an increase in the cost of compliance over the last 12 months (compared to 49% of other firms), and the same proportion believed regulatory burden would increase in the next 12 months. These firms experienced more burden than other businesses in terms of the length of time it takes to comply (62%, compared to 56% of others) and completing paperwork (64%, compared to 59% of others).

While high growth businesses were less likely to agree that the purpose of regulation is clear (55%, compared to 60% of others) and that is easy to comply (38%, compared to 43% of others), they were more likely to agree that the Government's approach facilitates efficient access to international trade opportunities (22%, compared to 16% of others). These businesses were also more likely to feel that the way a regulator behaves can affect the cost of complying, how confident they are that they are complying, how willing they are to invest in new products or areas, how efficiently they can bring innovative products/services to the market, and how they access international trade opportunities.



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