

UKBB 99 August 2006 Analysis

The themes of the 99th UK Business Barometer Survey were: drawing on MPs and/or councils for business help, the July heat wave, corporate social responsibility, wages, keeping in touch with work whilst on holiday, sales strategy, how entrepreneurs are regarded, how business failure is regarded, public procurement for smaller businesses, the driving force behind small business and what makes panellists most irate when trying to run their businesses successfully.

About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the August 2006 survey 133 respondents were drawn with the following population characteristics:

Sector			
Production & Manufacturing	Distribution	Services	Total
25.6%	7.5%	66.9%	100.0%

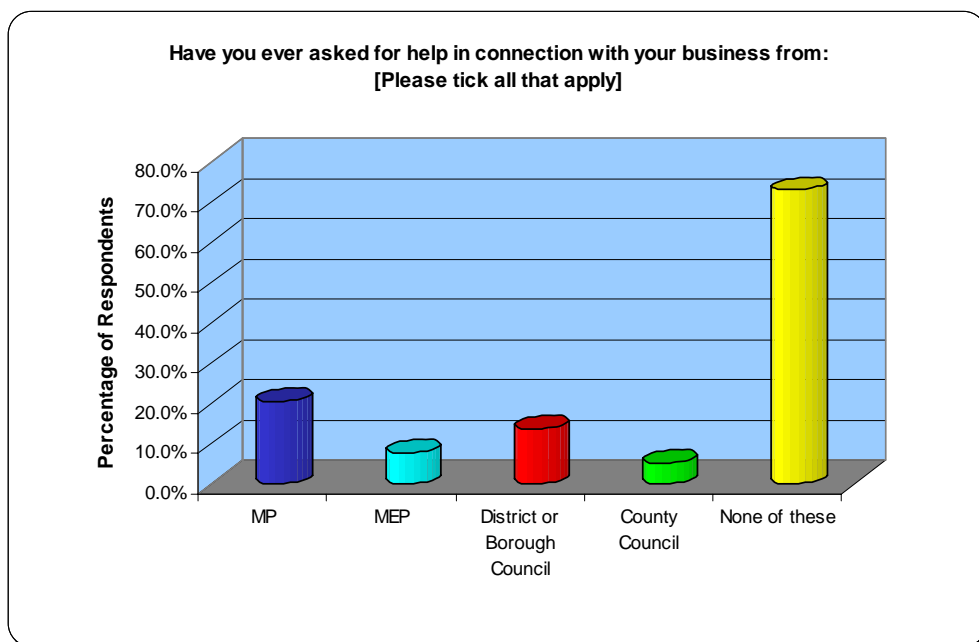
Turnover (£)			
< 1 M	1M-3M	>3M	Total
69.2%	17.3%	13.5%	100.0%

Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
60.9%	24.1%	6.8%	3.0%	5.3%	100.0%

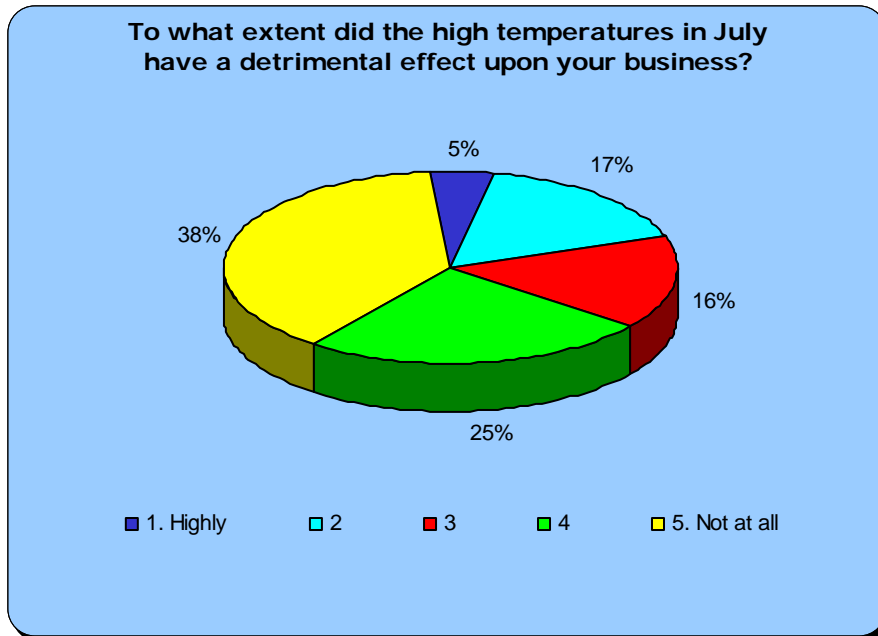
Survey findings

From time to time in this survey we ask panellists who they look to for business guidance, from amongst those whose main business is giving advice to businesses, including those set up by government to do so. How many businesses look for direct help from politicians and/or local government is an aspect we haven't previously explored, but this month we asked panellists if they have ever turned to any of those bodies.

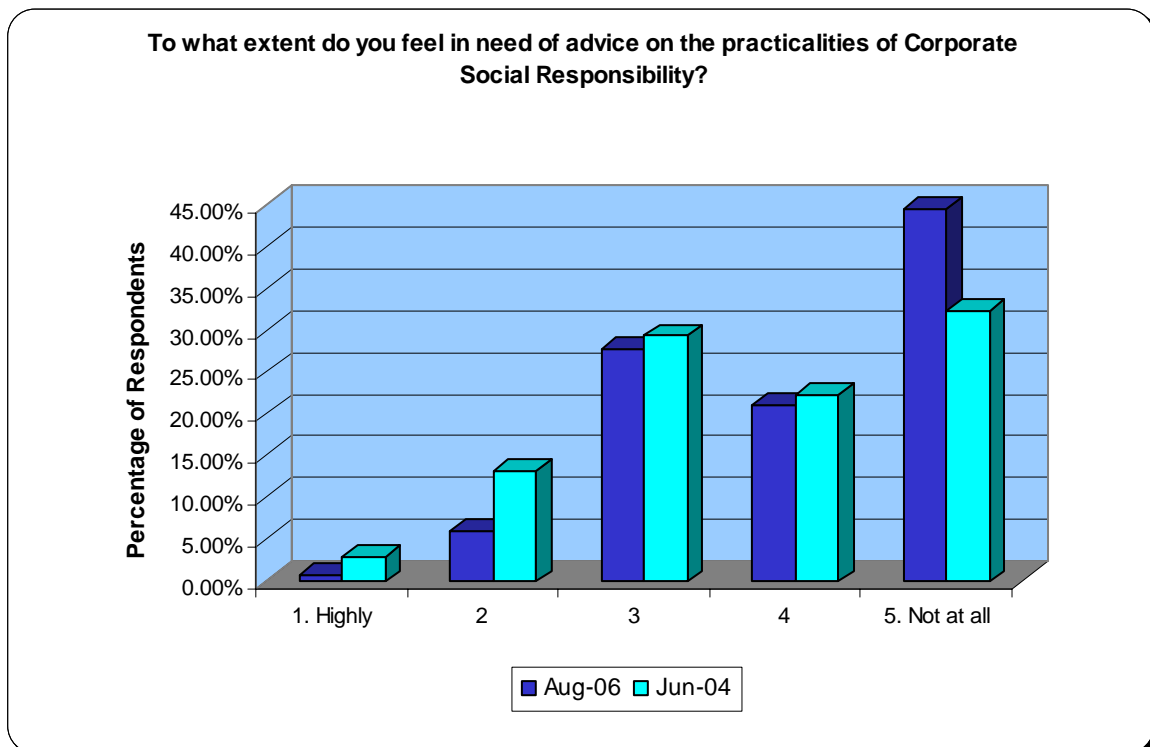
A large majority of respondents, 73%, said that they had never asked any of them for help, but amongst the 27% who had approached at least one of them, 20% of total respondents had been to an MP and 14% had contacted a district or borough council. County councils had been approached by less than 5% of respondents.



The UK Met office confirmed that July 2006 was the warmest month on record across the UK, compared to July UK data going back to 1914. The monthly UK sunshine total was over 50% above the July average. Previous, comparatively recent, record warm summers have occurred in July 1983 and August 1995, so many businesses were ill-prepared for such an event this year and over a fifth of respondents to the survey admitted that the high temperatures had a highly, or relatively highly detrimental effect on their businesses. 63% of respondents were able to say that their businesses either did not suffer at all because of the high temperatures, or only suffered slightly.



Compared to June 2004, fewer respondents feel in need of advice on corporate social responsibility. In 2004, 16% of respondents felt that they needed advice to a great or fairly great extent compared with 7% this time, and 44% now say they need no advice at all compared with 32% last time.

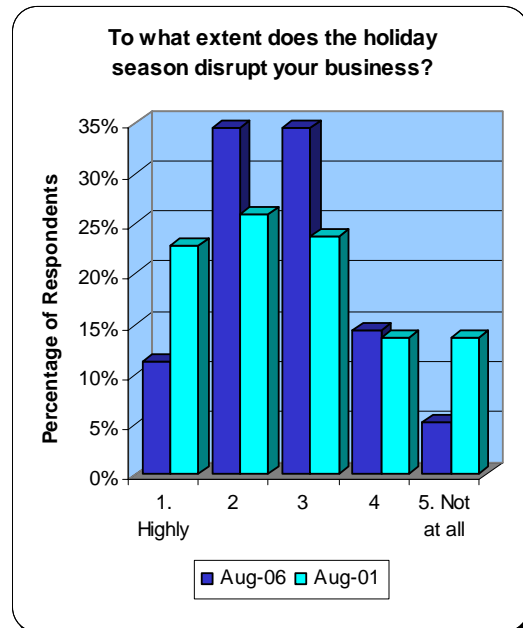
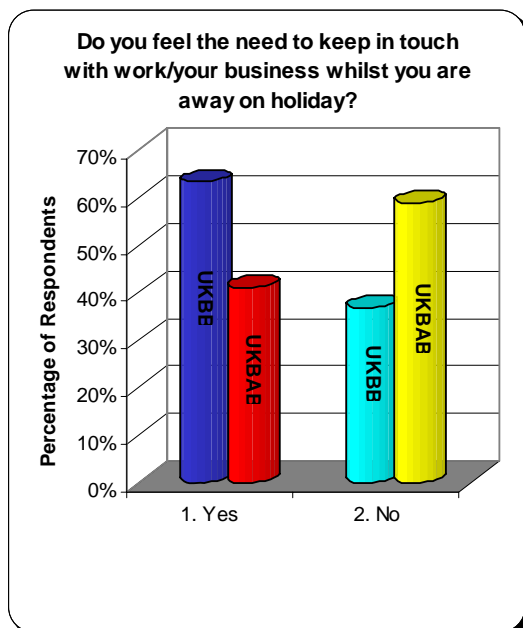


Recently reports have suggested that wage increases are being held down by an increase in the supply of labour from new accession countries. 28% of respondents expect increases in the next year to be less than 2%, and 56% expect increases to be between 2% and 4%. Only 14% expect wages to rise by more than 4%.



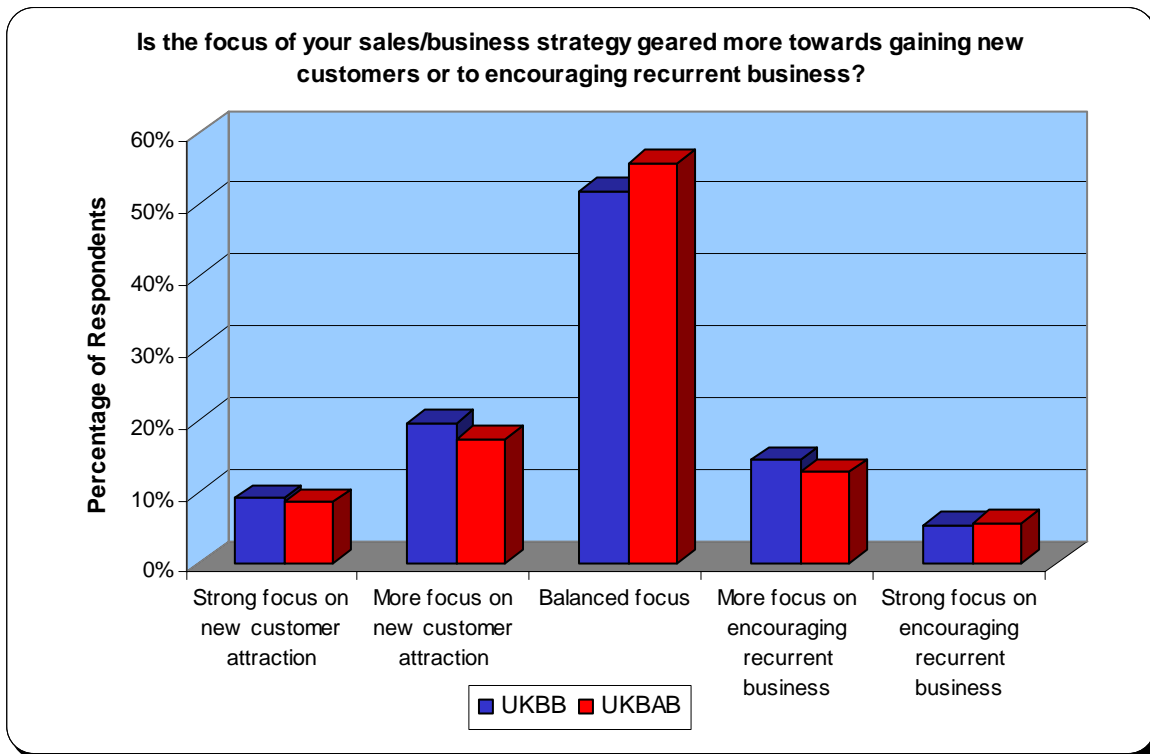
Getting away for a break is necessary for continued good health and efficiency in the workplace, but 63% of respondents to the UKBB feel the need to keep in touch with their business when away on holiday. The same question was put in the parallel survey of business advisers, the UKBAB, and amongst these respondents fewer felt unable to stay out of contact for the duration, but it was still a sizeable minority of 41%.

46% of respondents to the UKBB view the holiday season as either highly or reasonably highly disruptive to their business. In 2001 when this question was last asked, the response over these two categories was fairly close, totalling 49% of the respondents to that survey.

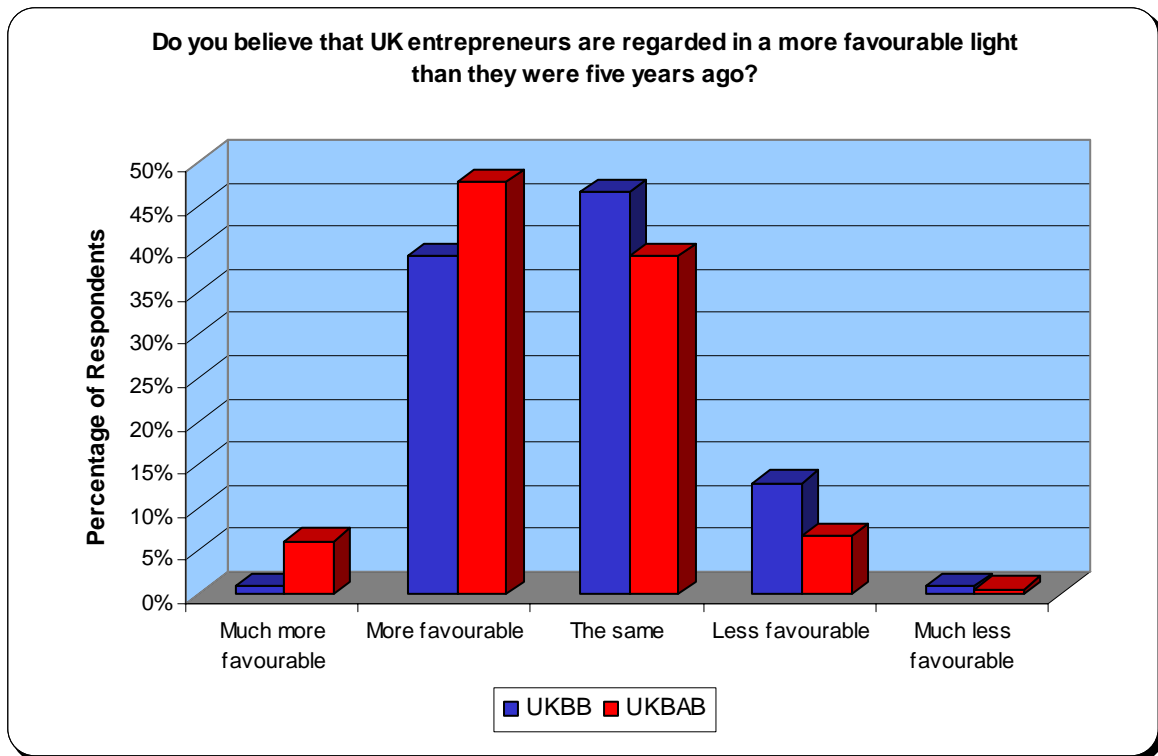


The UKBB survey asked if the smaller businesses that make up the panel focus their sales strategy more towards gaining new customers than to selling to existing customers. 29% look more for new customers but 20% are more interested in their existing customer base for future sales. Just over half of the respondents try to maintain a balance between the two. A respondent who runs two businesses commented that one business constantly seeks new clients while the other business services current clients.

A similar question was also put to the business advisers responding to the UKBAB survey. They were asked if their business strategy was focused on gaining new customers or encouraging recurrent business. From this group of respondents, 56% said that they focus on maintaining a balance, while 26% look more for new customers and 18% encourage more recurrent business.

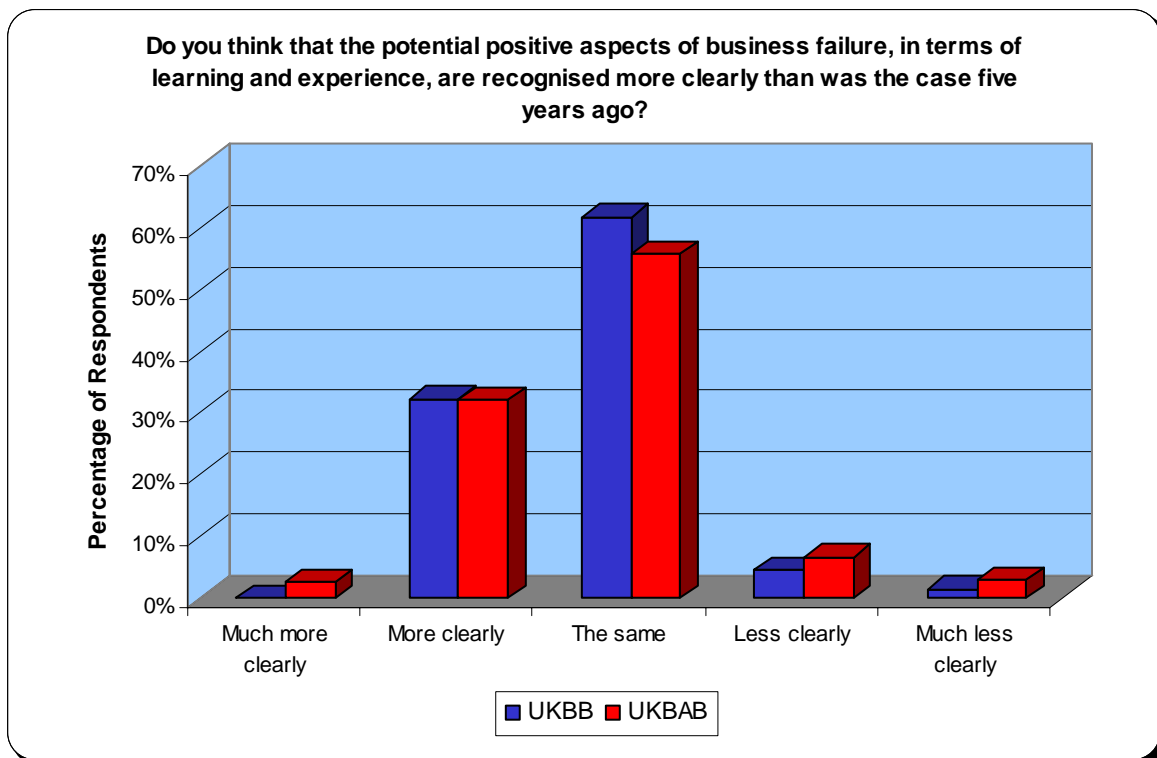


Although 47% of respondents believe that there has been no change in general opinions about UK entrepreneurs, 40% of the small businesses that respond to the UKBB believe that UK entrepreneurs are regarded more favourably now than they were five years ago. Only 14% think that entrepreneurs are looked on less favourably. UKBAB panellists were asked the same question, and were a little more upbeat in their overall response, with 54% believing that entrepreneurs are regarded more favourably and only 7% taking the opposite viewpoint.



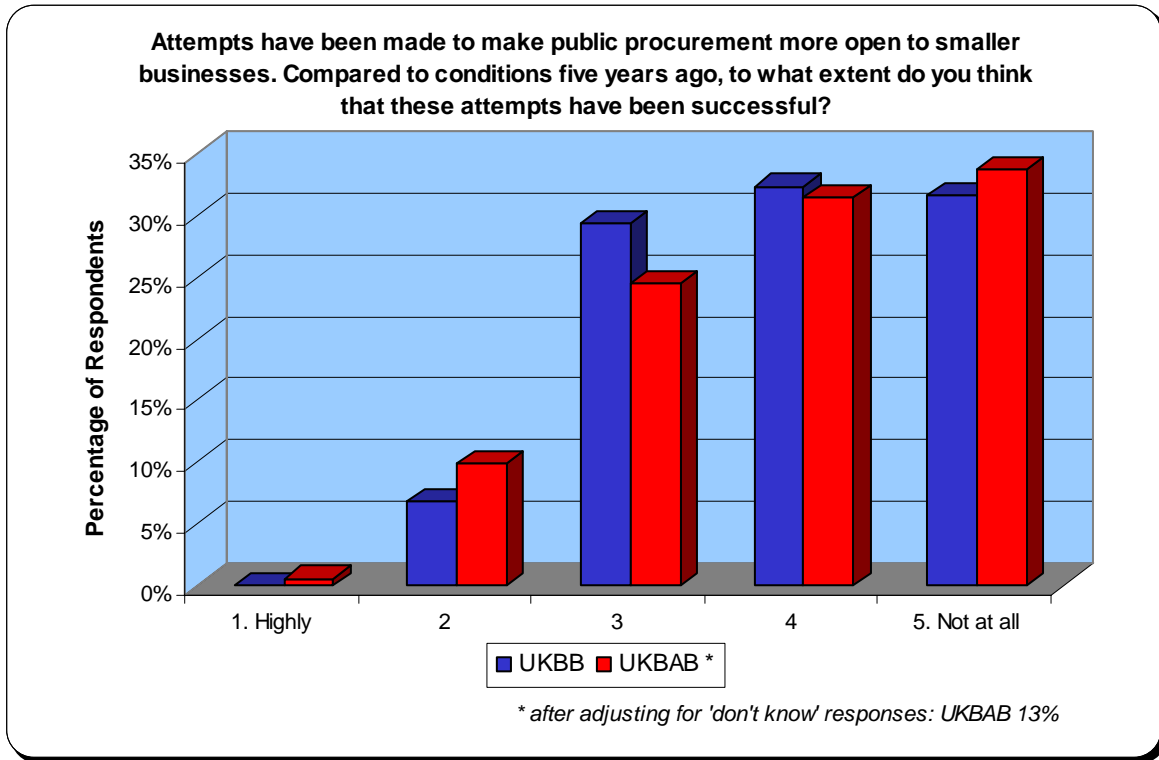
In recent years there have been government attempts at lessening the impact on UK growth of the stigma of bankruptcy, for example the Enterprise Act 2002 introduced some softening in penalties for 'honest' bankrupts, allowing earlier discharge and consequently enabling a 'Fresh Start'. In the USA, there is a certain amount of protection provided by bankruptcy legislation (Chapter 11), allowing managers to continue trading while filing for bankruptcy, and to reorganise their company with the ultimate possibility of saving it from closure, preserving jobs and paying back creditors. The reputation of an entrepreneur in the US can be saved if he/she shows that they have learnt from their mistakes - business failure is seen as a necessary part of learning and subsequent success.

The UKBB and the UKBAB surveys both asked if the potential positive aspects of business failure, in terms of learning and experience, are recognised more clearly than was the case five years ago. 32% of UKBB respondents and 35% of UKBAB respondents think this is recognised more clearly, to a greater or lesser degree, while 6% of UKBB and 10% of UKBAB actually think that this recognition is less clear or much less clear than five years ago.

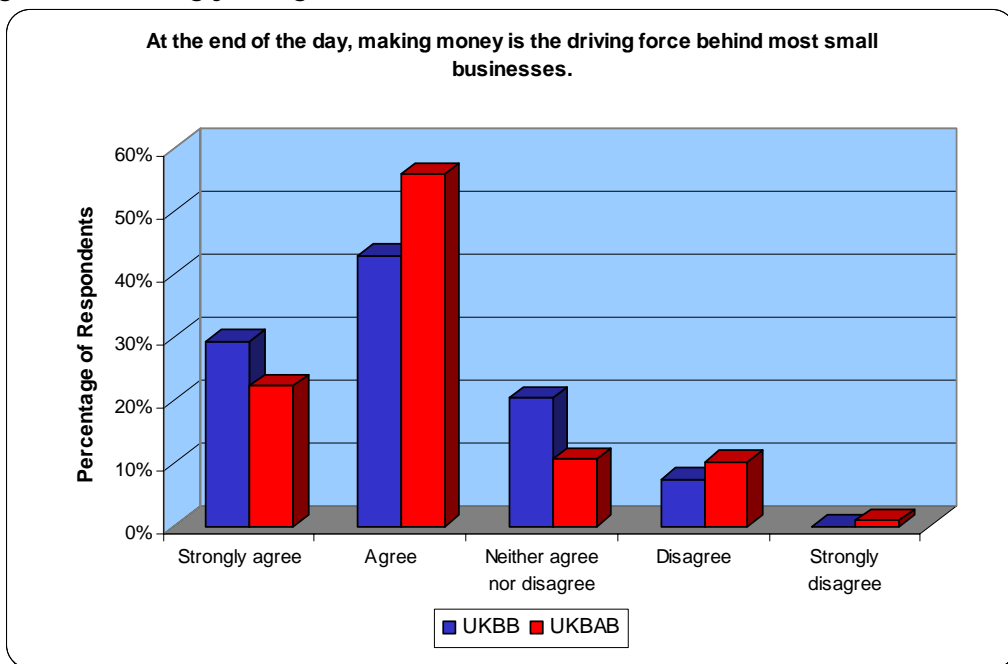


The Office of Government Commerce and the Small Business Service have been tasked to improve opportunities for small and medium sized businesses in competing for government contracts. So far their efforts have made little impression on the respondents to the UKBB and the UKBAB who were both asked the same question on this topic. Only 7% of UKBB and 9% of UKBAB respondents thought the attempts had been highly or reasonably highly successful compared to five years ago, while 64% of UKBB and 57% of UKBAB respondents thought they were not at all or only slightly successful.

More specific problems for smaller businesses have been indicated through the survey comments facility. One takes the view that where public sector departments are competing with private sector companies for contracts, the procurement/tendering process can be made so difficult that the contract will end up in-house. Another has problems with preferred suppliers, which tend to be relatively large organisations. As a smaller contractor, our respondent is often asked to work with a preferred supplier as an employee, which reduces the respondent's profit, but increases the cost to the project owner because of the mark-up put upon the respondent's input.

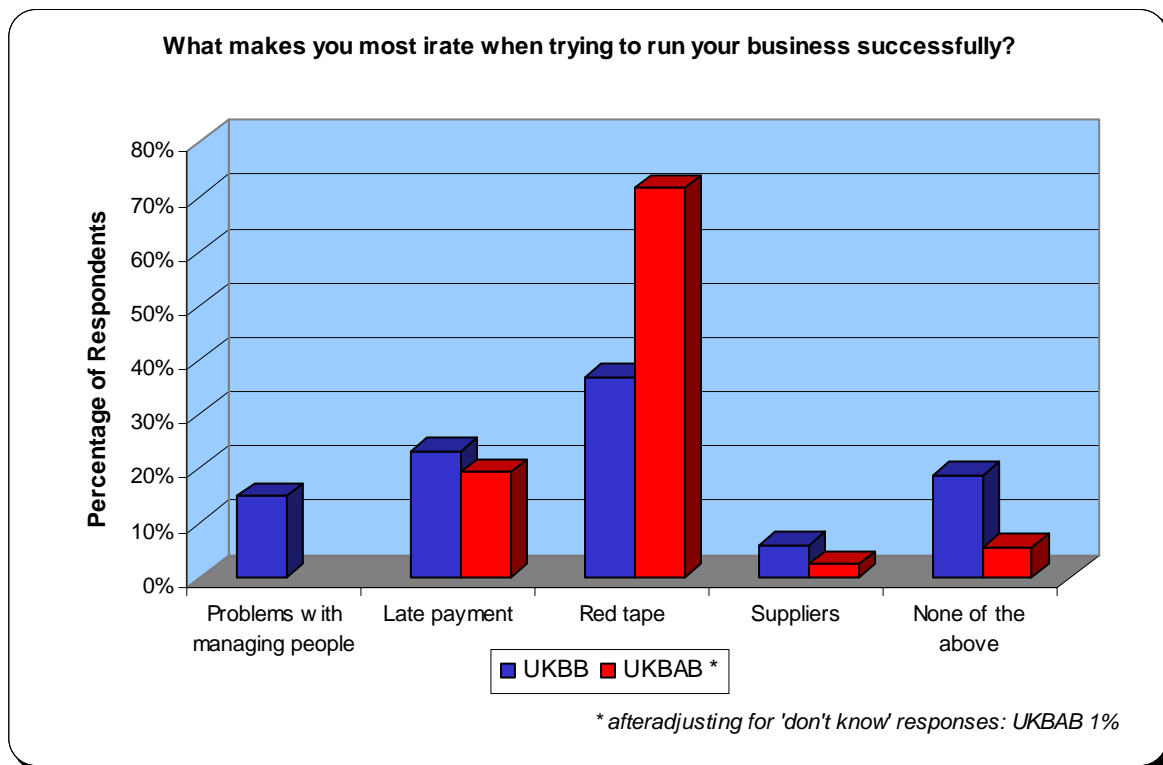


A question which might have provoked a near unanimous reaction has returned a surprisingly wide spread of responses. Asked whether they agreed with the statement that at the end of the day, making money is the driving force behind most small businesses, 29% strongly agreed and 43% agreed, but 20% neither agreed nor disagreed, while 8% disagreed. UKBAB respondents were asked the same question and 78% either strongly agreed or agreed, while 11% disagreed or strongly disagreed.



Is there such a thing as 'business rage'? If so, what causes it? Respondents to the UKBB are angered by different things. 37% said red tape most bothered them, but late payment came in second with 23%. Managing people and suppliers cause the most anger for 15% and 6% respectively. 19% said that none of these things make them most irate when trying to run their business successfully, but one respondent clarified their answer through a comment saying that bad debts made them most irate, and another respondent said that finding reliable, hard working and honest new staff is their biggest bugbear. A third finds procrastinating clients the most irritating aspect of their business.

In the UK Business Advisers Survey, respondents were asked what makes their clients most irate. The list of choices excluded 'managing people'. 72% of respondents said red tape and 19% said late payment made their clients most irate. Only 2% thought that suppliers caused anger and 6% said that none of these things make their clients most irate when trying to run their businesses successfully.



Listed below are some of the personal views supplied in feedback received from respondents to Survey BB99 August 2006

Comments are listed under sector headings.

Views expressed are those of individual panellists and may not represent those of the University.

Business Services

Trying for local government work, but the cost of a Surety Bond out ways any benefit.

Re: Q 8. Do you believe that UK entrepreneurs are regarded in a more favourable light than they were five years ago?

Much more favourable, more favourable, the same' less favourable, Much less favourable

- I believe entrepreneurs are often regarded with envy and suspicion within the UK markets, but admired by overseas companies

**Re: Q 12. What makes you most irate when trying to run your business successfully?
problems with managing people**

Late payment

Red tape

Suppliers

None of the above

- clients procrastination is the most irritating aspect of my business

Procurement for small businesses has been given lip service to. Despite more availability of information etc. when it comes down to it, you are still judged on size and the buyers will still go with what they have had before.

Re: Q. To what extent do you feel in need of advice on the practicalities of Corporate Social Responsibility?

The most popular answer to this question is "Not at all" - is this because the respondents know plenty about CSR or because they don't understand/see the point of it? It would be worth exploring this further in future surveys.

Other

I think entrepreneurs in the UK fail to be recognised because we focus still on failure and less on celebrating success. Investors and business in the UK is somewhat risk averse and in your question about what drives businesses I think the predominant situation is staying in business!

The most frustrating item question was easy to answer - the number of rules and regulations (most of them ill thought out) in the UK is slowing business down. When you add to that the fact that small business in the UK carries out most of the country's tax collection, social security support and are asked to provide huge amounts of information and statistics I'm surprised we have a manufacturing industry at all.

Re: Q9. Do you think that the potential positive aspects of business failure, in terms of learning and experience, are recognised more clearly than was the case five years ago?

Much more clearly

more clearly

The same

Less clearly

Much Less clearly

Ref. Question9 - People try and put a positive slant on a business failing but at the end of the day you cannot afford to be part of a failed business.

Production & Manufacturing

Re: Q 12. What makes you most irate when trying to run your business successfully?

problems with managing people

Late payment

Red tape

Suppliers

None of the above

- Bad Debts