

UKBB 111 August 2007 Analysis

In the August survey we invited panellists to give their views on the recent bad weather, wages, public procurement, the reduction in the number of bank and building society branches, late payment, bank charges, the smoking ban, investment in plant and equipment and personality traits that contribute to success.

About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the August survey, 122 respondents were drawn with the following population characteristics:

Sector			
Production & Manufacturing	Distribution	Services	Total
24%	9%	67%	100%

Turnover (£)			
< 1M	1M - 3M	> 3M	Total
66%	18%	16%	100%

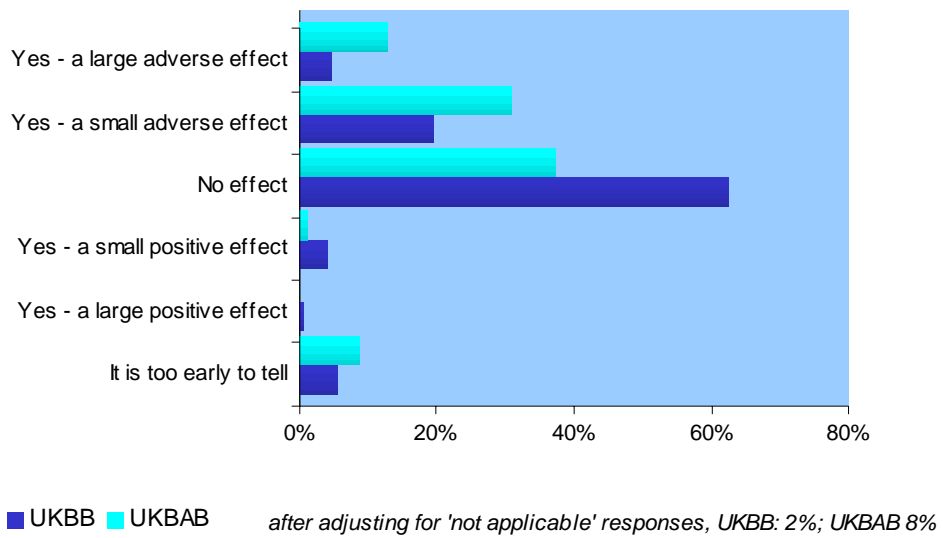
Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
61%	23%	9%	3%	4%	100%

Survey findings

In July 2007 over double the average rainfall for England and Wales was recorded, with consequent extensive flooding in many areas. The three month period from May to July this year has been the wettest since the records began in 1766. Fortunately, for 62% of respondents to the August UKBB the bad weather over this period has had no effect on their businesses, 5% reported a positive effect and 6% said that it is too early to tell. However, about a quarter, 25%, said that their businesses suffered.

Business advisers were asked whether the bad weather had an impact on their clients in the parallel survey of business advisers, the UKBAB. The results are shown in the chart for comparison with BB responses, and reveal that 43% of responding advisers have heard from clients that their businesses have been adversely affected – 13% rated this as a large adverse effect. 37% thought there was no effect on client's businesses and 17% said that it is either too early to tell or the question was not applicable to their type of advisory service or clients. One of the respondents to the UKBAB commented that some clients had suffered very badly while others had benefited so this respondents had not been able to provide an unequivocal response. Another UKBAB respondent's clients are located in a holiday area and their businesses are dependent on the tourism which was hit by the weather.

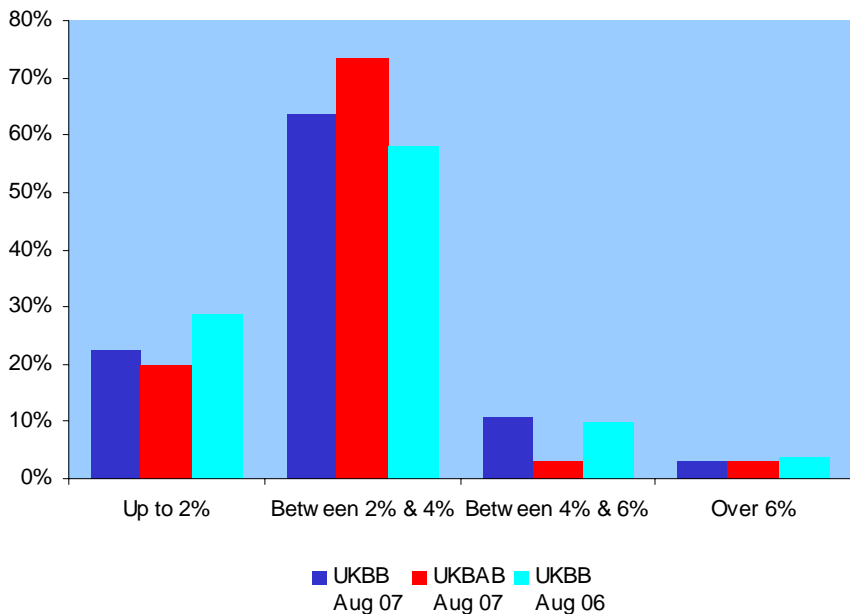
Are you aware of whether the recent bad weather has had an impact either directly or indirectly on your business?



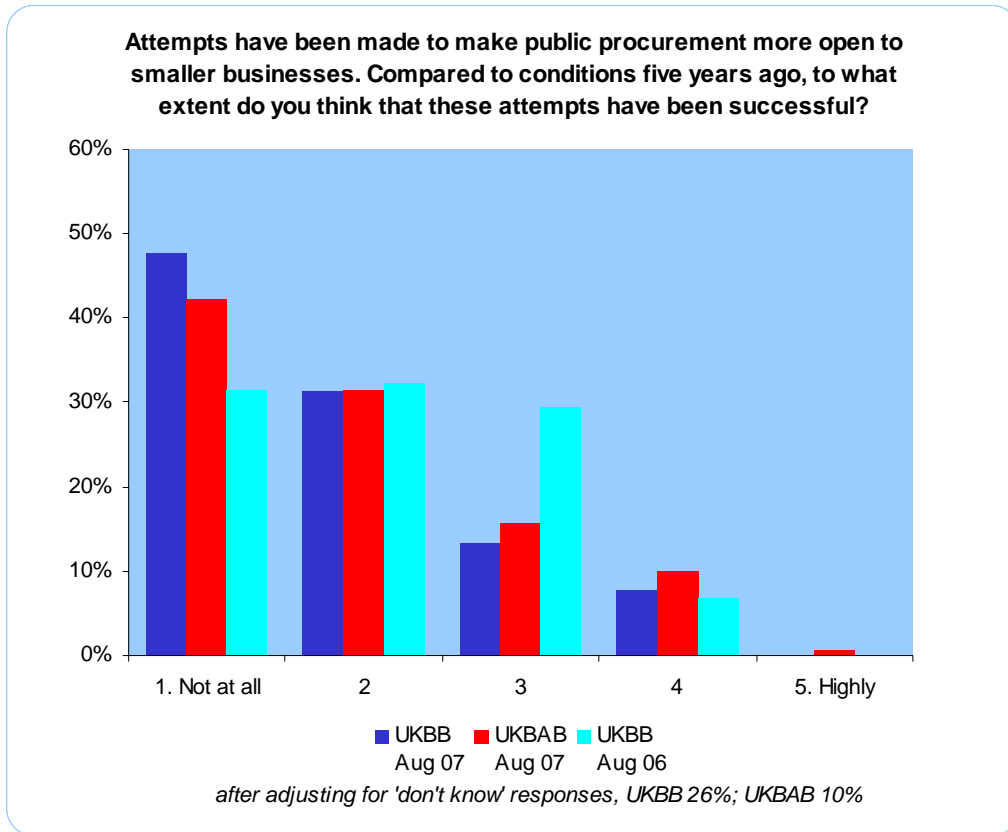
The recent increases in price inflation and interest rates have been finding their way through to wages and over the next 12 months respondents to the UKBB are more pessimistic than they were a year ago. 22% now expect wages to rise by less than 2% compared to 28% in August 2006, while 64% expect increases of between 2% and 4% compared to 56% last year. As in August 2006, only 14% expect wages to rise by more than 4%.

In the parallel survey of business advisers, the UKBAB, business advisers were asked how much they expected wages to rise across their client base over the next 12 months. Respondents were more pessimistic than UKBB respondents, with only 20% saying they thought rises would be less than 2% and 74% saying they thought the average would be between 2% and 4%.

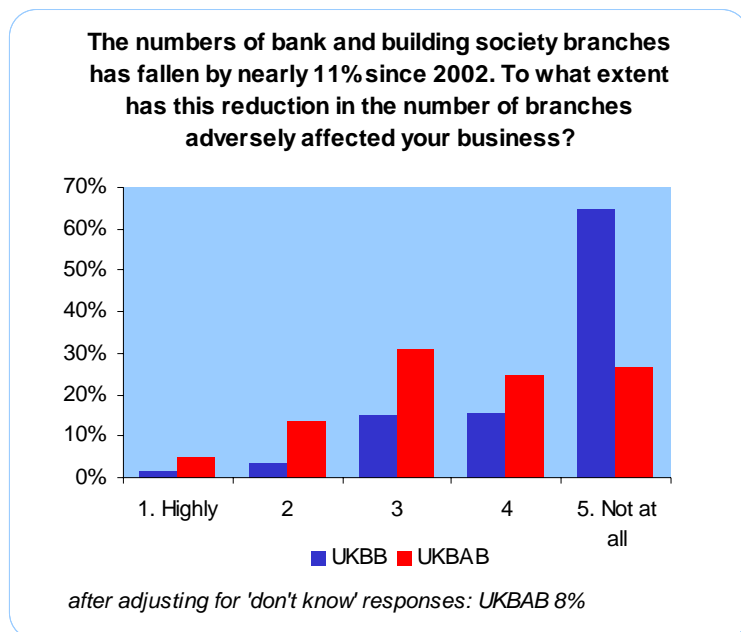
By how much do you expect wages to rise over the next 12 months?



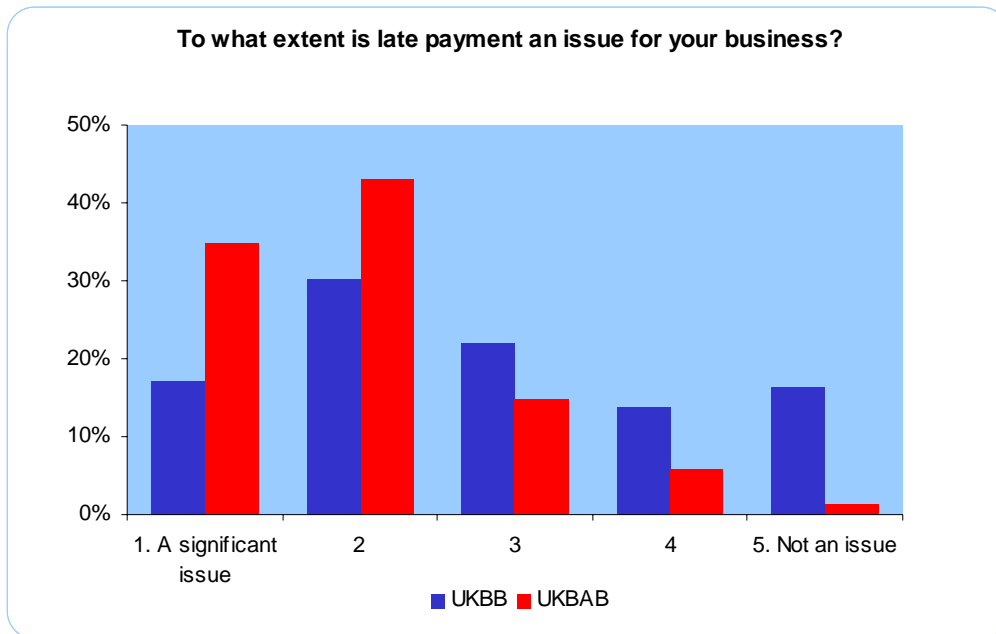
Involvement of smaller businesses in public procurement is still an issue. The UKBB included a question on this a year ago and comparing responses from the August 2007 survey with those from the August 2006 survey, respondents are even more firmly of the opinion that attempts to make public procurement more open to smaller businesses are unsuccessful. 79% said 'not at all' or 'not very' this year compared with 64% last year, after adjusting for 'don't know' responses. The same question was asked of business advisers in the UKBAB survey and 74% also thought that these attempts have not been at all successful, or not very successful.



80% of respondents to the UKBB say that the reduction in bank and building society branches has not affected their businesses at all, or very little, while 51% of UKBAB respondents, who are all business advisers, say that their clients businesses are hardly or not all affected by the reduction in numbers of bank and building society branches.

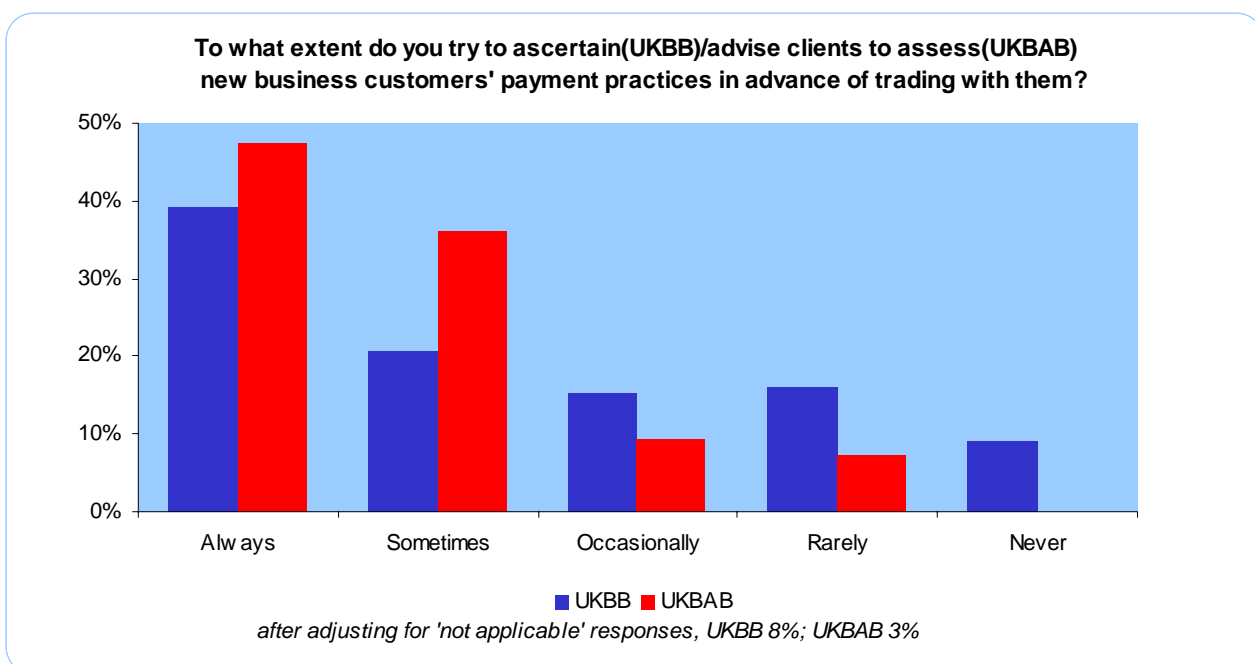


In spite of legislation allowing businesses to charge both interest and compensation for overdue payments, late payment continues to be a significant or considerable issue for 48% of respondents to the UKBB and also for the clients' businesses of 78% of respondents to the UKBAB, the parallel survey of business advisers. When this question was last asked, in February 2006, 60% of UKBB respondents said it was a significant or considerable issue for their businesses, so this months UKBB finding shows an improvement on then.



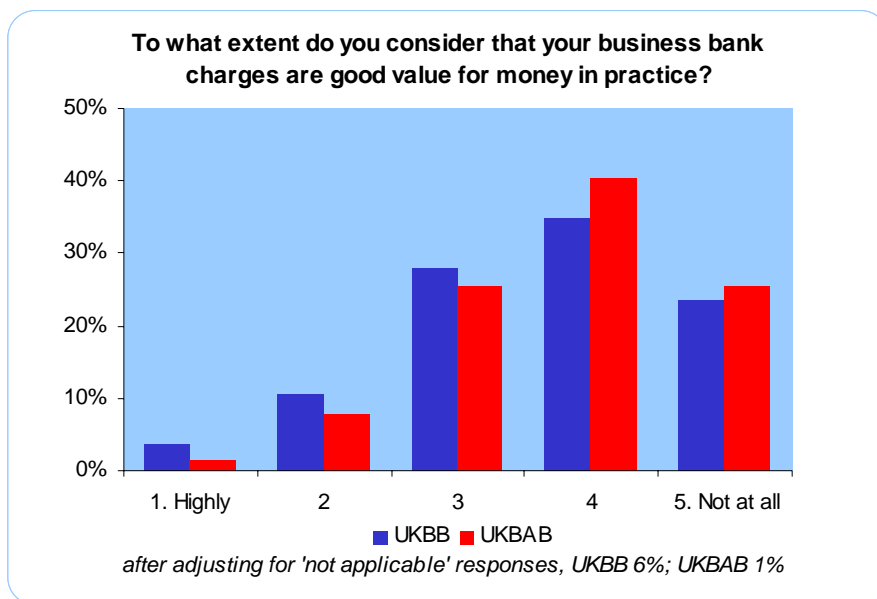
There is evidence to suggest that on average businesses are increasing the length of time they take to settle bills. To avoid being a victim of this, 39% of respondents to the UKBB always check on the payment habits of new customers before they agree to trade with them. 21% sometimes make the check and 15% occasionally do, but 25% rarely or never do (after adjusting for 'not applicable' responses).

In the parallel survey of business advisers, the UKBAB, panellists were asked to what extent they advise clients to assess potential new customers' payment practices before starting to trade with them. 47% do so always and 36% sometimes (after adjusting for 'not applicable' responses).



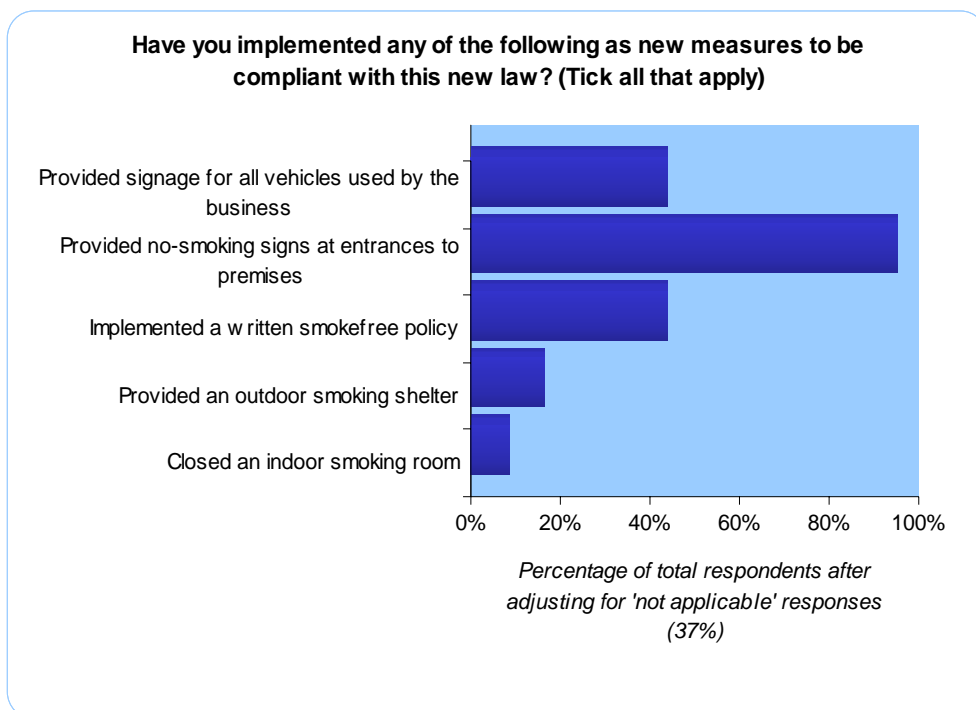
Bank charges have recently become a focus for attention for both personal and business customers. In August the Competition Commission published its provisional decision to lift the temporary price controls imposed in 2003 on the UK's four largest banks servicing small and medium-sized enterprises (SMEs). The controls required the four banks to make available to SMEs an account that offered an interest rate of at least 2.5 percentage points below base or free money transmission services, or both. Even with the controls in place, only 11% of UKBB respondents and 9% of respondents to the parallel survey of business advisers, the UKBAB considered, to a high or reasonably high extent, that business bank charges were good value for money (after adjusting for 'not applicable' responses).

Two respondents said that they used banks providing free banking - one of them had changed banks as a result of increased charges and reduced customer support by their original bank.

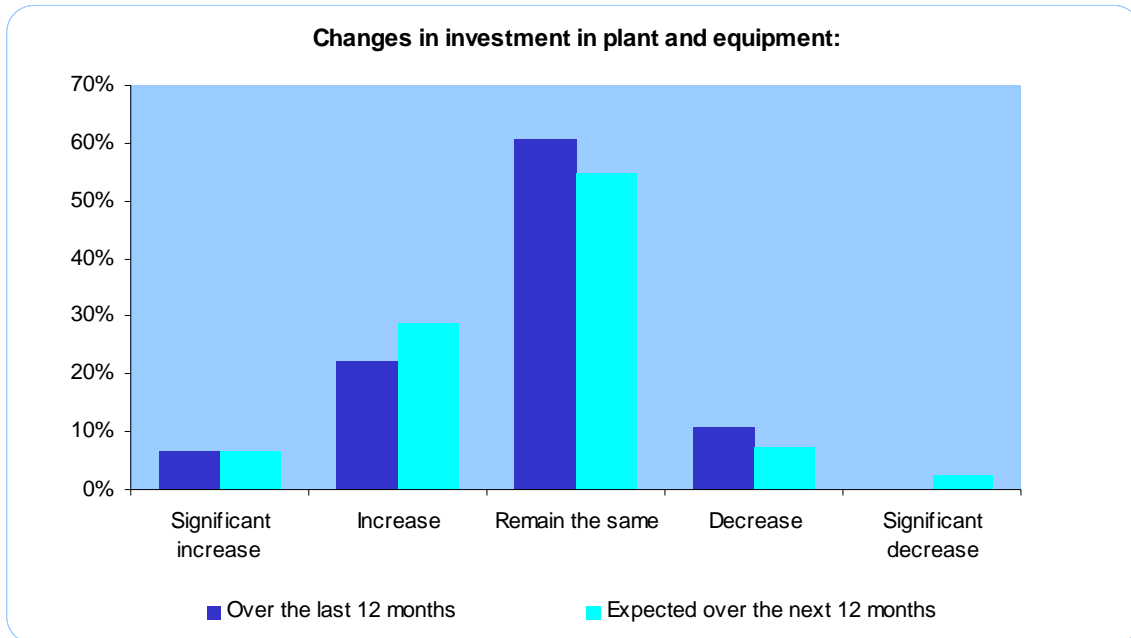


A new law effective from 1st July this year bans smoking from enclosed public places, which includes all workplaces with employees. There are penalties and fines for breaking this law, which is enforceable by local councils.

After adjusting for the 37% of respondents to whom this does not apply, 44% of respondents have implemented a written smokefree policy. 95% of respondents have provided no-smoking signs at entrances to their premises and 44% have provided signage for all business vehicles. Only 57% of those who closed an indoor smoking room also provided an outdoor shelter, although others provided a shelter outdoors even though they were not replacing one indoors.

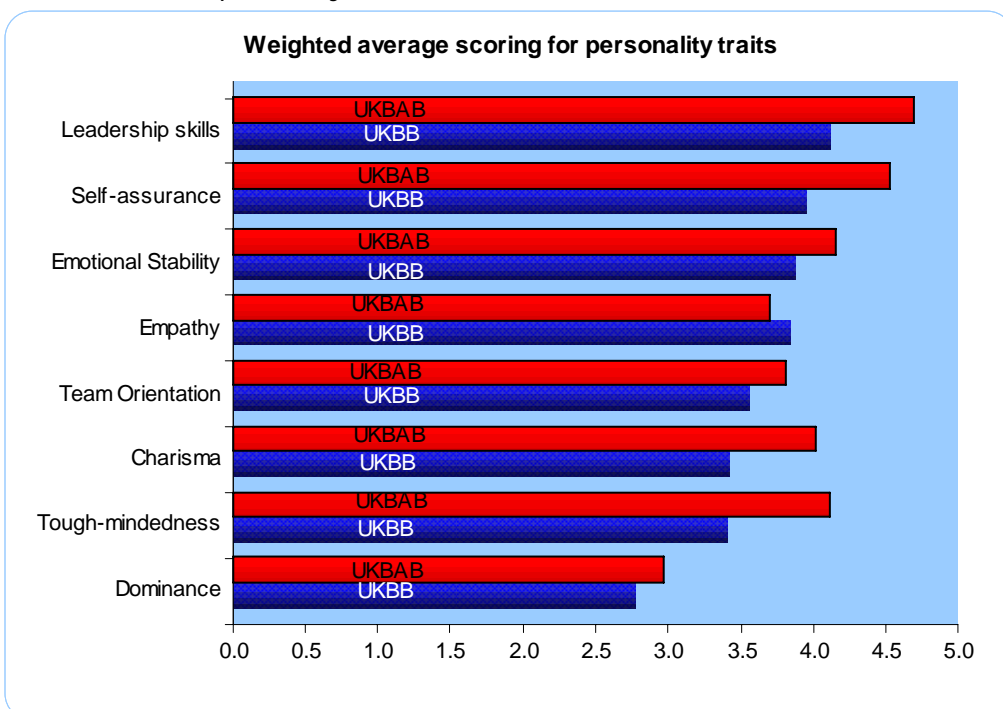


Two questions in the August Survey asked panellists about any changes they made in investment in plant and equipment over the last 12 months and any changes they are expecting to make over the next twelve months. There was a positive balance between the increases and the decreases in both the past year and for the coming year. Comparing the two time periods shows respondents to be a little more optimistic going forward, with a greater percentage expecting to make increases and a smaller percentage expecting to decrease this type of investment. .



Business success is very dependent not just on the marketplace but also on the quality of those running businesses. Psychologists have long been studying personality traits of successful people, in order to seek out those traits that are most vital in successful leaders. Discerning these traits is thought to be even more important as the rate of change in the business environment accelerates.

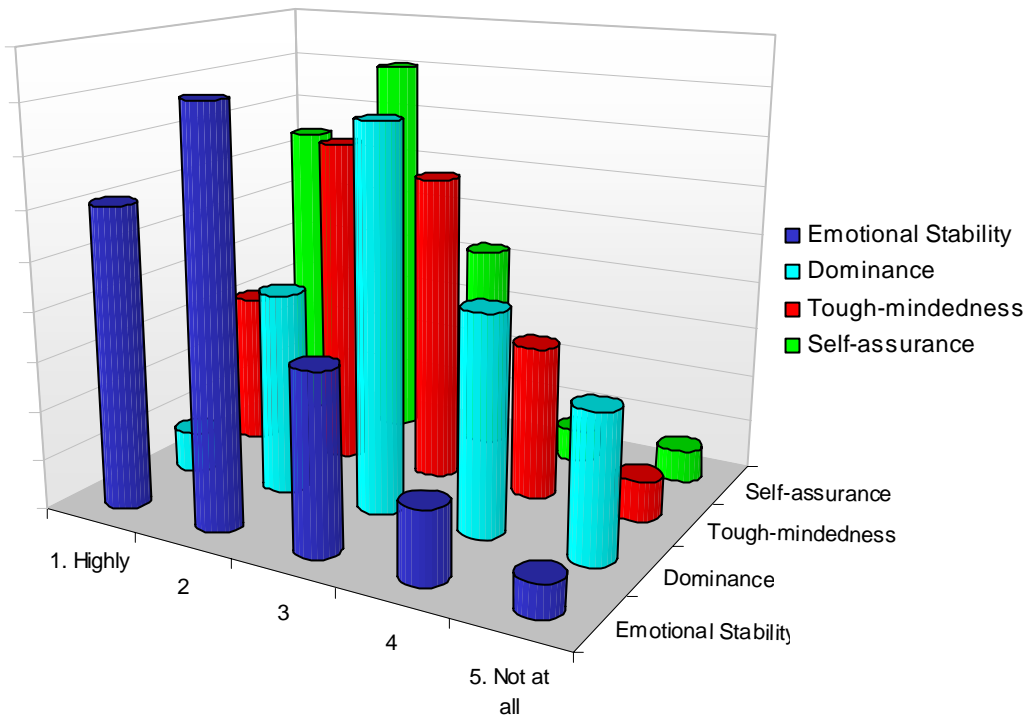
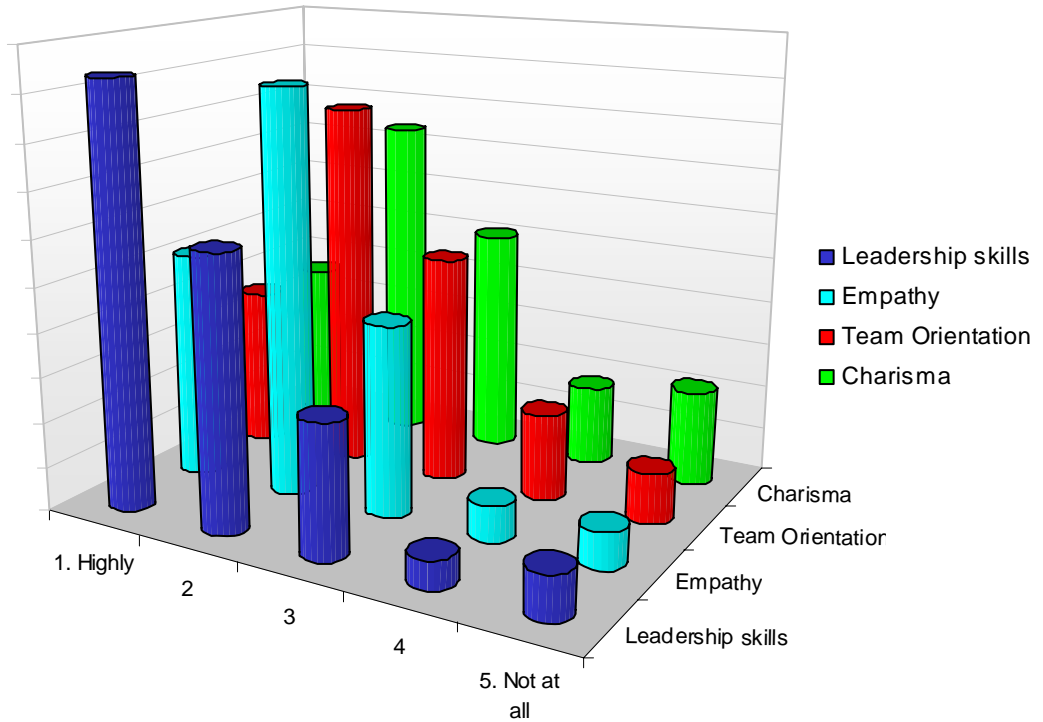
In the August UKBB survey we asked panellists to assess how much their own personality traits have contributed to their success in business and at the same time we asked the business adviser panellists of the parallel UKBAB survey to say how much the same sets of traits contribute positively to business success.



Several UKBB respondents sent comments saying they found this difficult to do subjectively, and the results of the two surveys - the UKBB 'subjective' assessment and the UKBAB 'objective' assessment - are shown together for comparison.

The two sets of results had much in common. The three personality traits that were rated most highly by both the UKBB and the UKBAB respondents were leadership skills, self-assurance and emotional stability. While UKBB respondents' 4th-rated trait was empathy, UKBAB respondents placed tough-mindedness 4th. Dominance was the lowest rated trait by both sets of respondents.

To what extent have the following personality traits contributed positively to your success in business?
Results from the UKBB Survey



Listed below are some of the personal views supplied in feedback received from respondents to Survey BB111 August 2007

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

On the bank charges, you have the choice to change banks, we changed to free banking as HSBC increased there charges and decreased there customer support.

Some of the personal skills relating to small business owners are essential especially if they are a married or partnership. My husband and I have had to work very hard since 2000 to find a stage where our positive skills can compliment the business and the negative ones do not affect the efficient running of the business. I run an awareness course that helps married and partners in business to understand and be aware of the issues and assist them to work out the personal challenges for the benefit of the business and avoid the one upmanship factor.