

## UKBB 117 May 2008 Analysis

In the May 2008 survey we asked panellists to anticipate how Mervyn King's announcement on interest rates might impact on their businesses. Other questions included problems facing respondents' businesses, the government's approach to regulation, public sector contracts, employee assessment and links between business and universities.

### About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the May 2008 survey, 113 respondents were drawn with the following population characteristics:

Sector			
Production & Manufacturing	Distribution	Services	Total
21.2%	8.8%	69.9%	100%

Turnover (£)			
< 1M	1M - 3M	> 3M	Total
65.5%	20.4%	14.2%	100%

Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
60.2%	24.8%	8.0%	2.7%	4.4%	100%

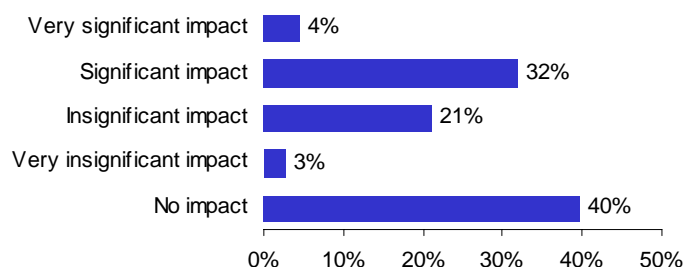
### Survey findings

The first three questions of the May 2008 survey were concerned with the impact on business from the latest Bank of England report on inflation (published mid-May 2008) and the decision of the Monetary Policy committee not to reduce bank rate in May (and also subsequently, during the period of the survey, in June).

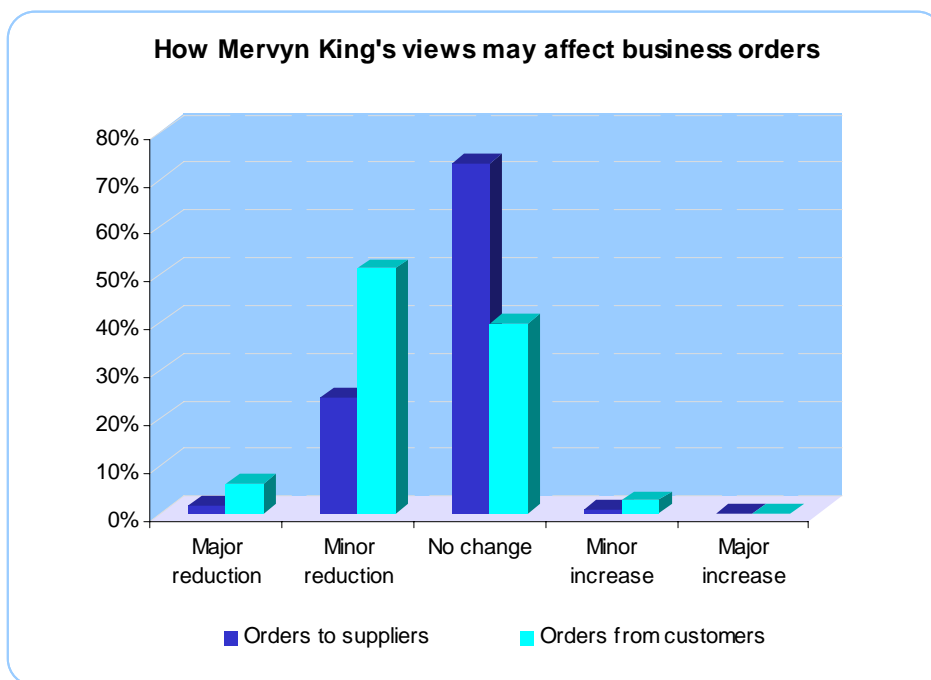
Referring to the May 2008 Quarterly Inflation Report, Mervyn King said "We are travelling along a bumpy road as the economy rebalances. Monetary policy cannot, and should not, try to prevent that adjustment". This has been interpreted by many as an indication from Mervyn King, the governor of The Bank of England, that there is not likely to be another cut in interest rates for two years.

The first question asked panellists 'In itself, how significant would the effective removal of interest rate reductions impact upon your business?' Although 40% of respondents think that there would be no impact on their businesses, 36% of respondents are clearly concerned by the situation because 32% think there would be a significant impact and 4% think there would be a very significant impact on their businesses. One respondents commented that the impact on his/her business would be large and positive, because of his/her significant cash surplus.

#### **In itself, how significantly would the effective removal of interest rate reductions impact upon your business?**

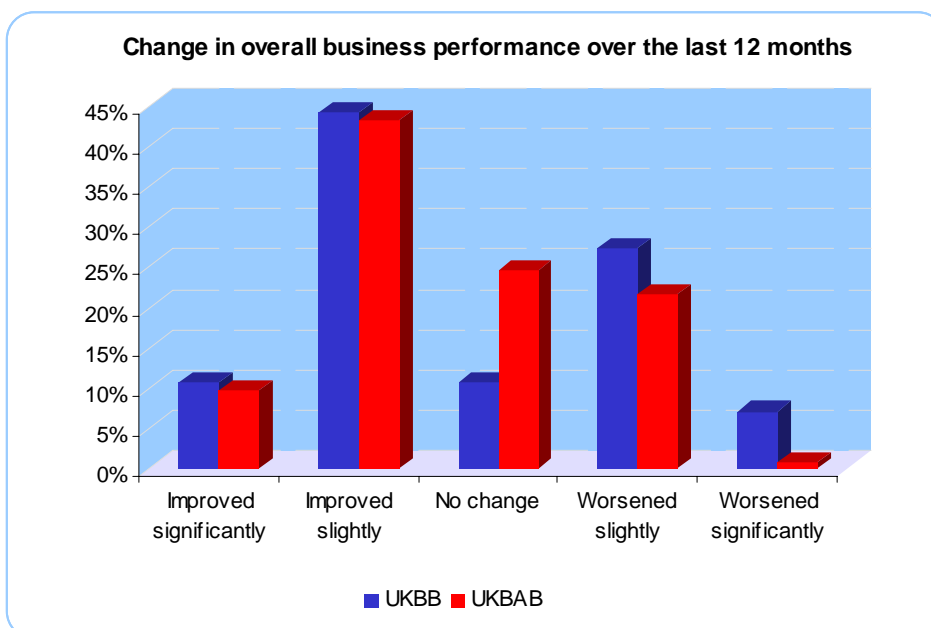


Order levels, both with suppliers and from customers, are major indicators of firms' expectations of performance. In terms of orders from suppliers, the vast majority (73%) say they are not expecting to change their short term plans although 24% say they will make minor reductions in order levels. However, respondents were less optimistic about orders from customers: 51% expect minor reductions and 6% expect major reductions.



### Business Performance over the last 12 months

Over half of the responding businesses say that their overall performance has improved over the last 12 months. 11% say the improvement is significant and 44% say they have slightly improved. Against this, 27% have found that business performance has worsened slightly and 7% say it has worsened significantly. In the parallel May 2008 survey of Business Advisers, the UKBAB, advisers were asked how their client's overall business performance changed over the last 12 months. UKBAB results were fairly similar to UKBB results on the positive side, although advisers were slightly more upbeat in the sense that 25% said there had been no change, and only 22% said there had been any degree of worsening in clients' performances.

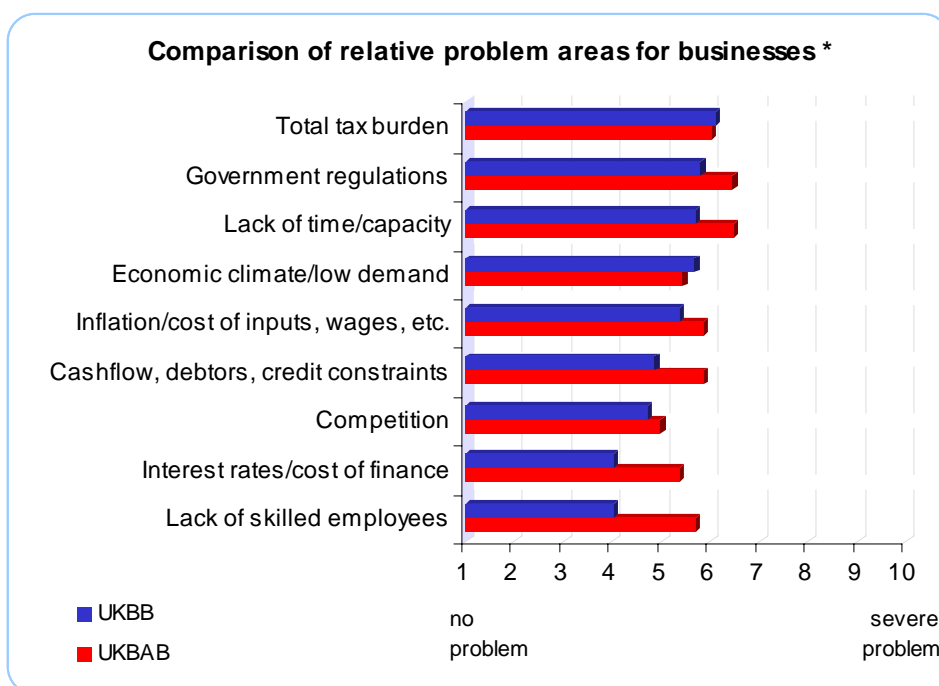


## Potential Problem Areas for Businesses

Panellists were asked to rate potential problem areas for their businesses on a scale from 1 (no problem) to 10 (severe problem). The parallel survey of business advisers, the UKBAB, put a similar question, asking advisers to rate the same problem areas for their clients' businesses.

The problem areas which emerged as the greatest overall for UKBB respondents were the total tax burden, followed by government regulations, while the economic climate/low demand came fourth, after lack of time/capacity. Interest rates and the cost of finance plus lack of skilled employees were the areas of overall least concern.

Business advisers tended to choose higher ratings across the board, but comparing the relative final overall ordering of the different problems areas, UKBAB respondents produced lack of time/capacity as giving the most concern, with government regulations following and the total tax burden in third place.



\* Responses averaged across respondents to this question

Respondents were also asked if their businesses were facing any problems other than the areas covered above. Some of the 22 responses received were very specific to the business sector in which the business operates, e.g. sudden changes in NHS remuneration rates and claw back with no notice; problems facing the packaging industry in the face of increasing environmental anxieties. Others were very concerned with fuel price increases, slower economic growth and the impact on personal disposable income. The comments contributed have been published on the survey results page: [www.ukbb.ac/UI/surveys.aspx](http://www.ukbb.ac/UI/surveys.aspx) (click on **BB117 - May 2008**).

## The Regulatory Environment

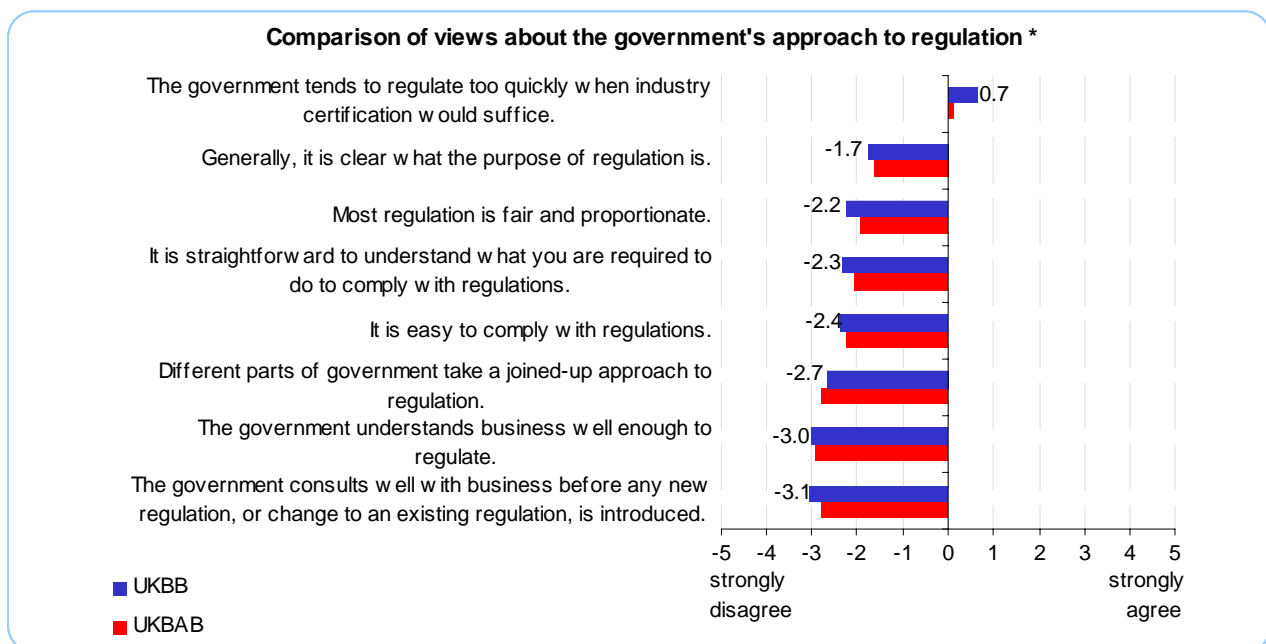
The Better Regulation Executive (BRE) was established within the government's Cabinet Office in May 2005, to lead a programme of regulatory reform. BRE was transferred to the Department for Business Enterprise and Regulatory Reform (BERR) when it was established in June/July 2007.

Respondents were invited to give their views, by answering on a scale from 1 (strongly disagree) to 10 (strongly agree), about a number of aspects relating to the government's approach to regulation. The same question was asked of business advisers responding to the parallel UKBAB survey.

There were only small differences between the average responses of the two sample populations. The chart below indicates how far the average views differ from the neutral position of 'neither agree nor disagree'.

UKBB respondents on average agreed that "the government tends to regulate too quickly when industry certification would suffice" to a greater extent than UKBAB respondents did. With a UKBB sample average of 6.2, this indicates a fairly mild extent of agreement.

On all the other aspects queried, average responses were negative, particularly to the statements "the government understands business well enough to regulate" and "the government consults well with business before any new regulation, or change to an existing regulation, is introduced". On these two aspects over 40% of UK responses were at the extreme of 'strongly disagree'.



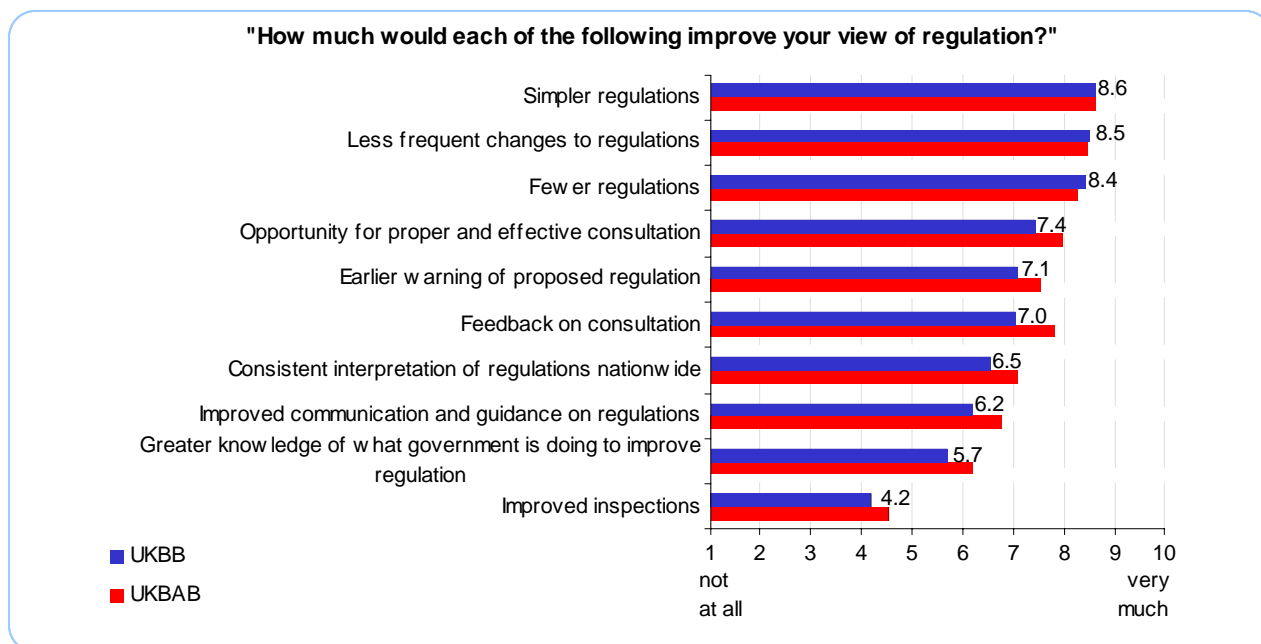
\* Responses averaged across respondents to this question

## Improvement to the Regulatory Environment

Panellists were asked for potential ways of improving their views on regulation and this was also asked of the business advisers. Again responses were sought on a scale from 1 (not at all) to 10 (very much).

The highest levels of consensus amongst respondents and between the two (UKBB and UKBAB) surveys were for simpler regulations, less frequent changes to regulations and for fewer regulations and these three choices were also the most looked-for improvements to the regulatory environment.

The option least favoured by respondents to both surveys was improved inspections – the average responses level from the UKBB was 4.2 and 20% responded “not at all”.



The table below sets out the percentages of respondents who did not select ‘not at all’ as their response to each of the options, showing that every option would have substantial support at least to some degree.

	UKBB	UKBAB
Less frequent changes to regulations	100.00%	99.70%
Opportunity for proper and effective consultation	100.00%	98.70%
Simpler regulations	99.10%	99.70%
Fewer regulations	99.10%	99.70%
Earlier warning of proposed regulation	99.10%	98.30%
Feedback on consultation	99.10%	98.70%
Consistent interpretation of regulations nationwide	97.30%	98.70%
Improved communication and guidance on regulations	94.70%	97.30%
Greater knowledge of what government is doing to improve regulation	92.00%	94.00%
Improved inspections	80.50%	86.90%

Respondents were invited to add their own thoughts on other ways in which government regulation could be improved. 18 statements were received including suggestions to make more measures voluntary, de-regulate as a matter of policy, consultation with the different types of business (retail, sole traders, corporation) before agreement and implementation, avoid gold-plating EU regulations, more support and provision of funding, grants etc for SMEs, and reinforcing fewer, simpler and joined-up thinking. . The comments contributed have been published on the survey results page: [www.ukbb.ac/UI/surveys.aspx](http://www.ukbb.ac/UI/surveys.aspx) (click on **BB117 - May 2008**).

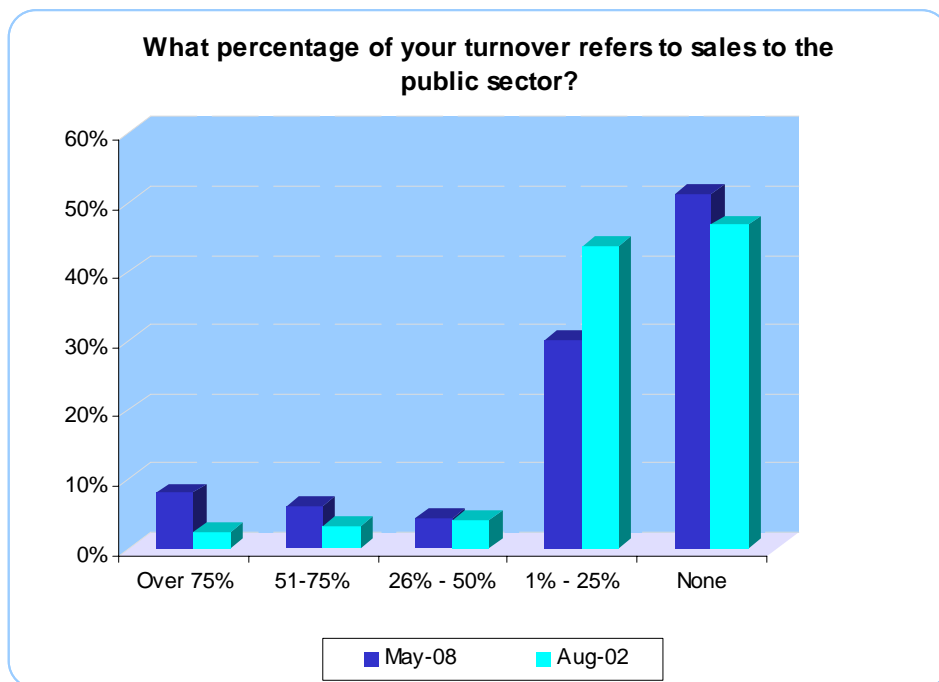
## Access to Public Sector Procurement

The Department for Business, Enterprise and Regulatory Reform (BERR) has announced that small businesses can get access to the Supply2Gov public sector contracting website for free. Businesses registering between 1 May and 31 July 2008 will be able to access public sector contracts valued under £100,000 throughout the whole of the UK and Northern Ireland from the supply2.gov.uk site.

This move is to continue supporting the government's intention to facilitate smaller businesses in becoming public sector suppliers. This has been part of government strategy since 2001, when the government announced plans to encourage smaller businesses to participate in the supply chain for the public sector. This was followed up in 2002 with the publication of a leaflet on the benefits of tendering with smaller suppliers ("Smaller Supplier...Better Value?").

The UKBB surveyed panellists in both 2001 and 2002 to find what proportion sales to the public sector comprise of turnover – there was little difference between the results in the two years.

The question was repeated in the May 08 survey. Compared with August 2002, there has been a small upwards shift. 14% now derive 50% or more of their turnover from sales to the public sector, compared with 6% on August 2002. Although the percentage who have no sales to the public sector has also risen, from 47% to 51%, firms whose public sector sales provide between 26% - 50% of their income remain at 4%.



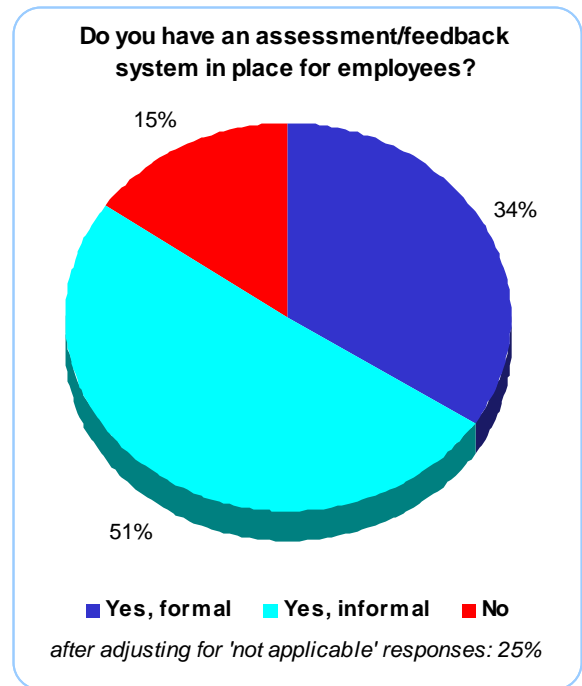
The survey question raised several additional comments and ideas. One respondent said that in rejecting their company's tenders, the public sector was not at all helpful, merely giving a one line response "Not Accepted". Another said that all bids over £100k are charged for and beyond the reach of many SME – more work needs to be done to help SMEs partner on projects. One idea was to introduce a minimum percentage of public sector business that must be contracted with SMEs.

## Employee Appraisal

Simon Jones, chief executive of Investors in People, recently stated that employees want better support from their managers alongside clear, effective feedback on their performance.

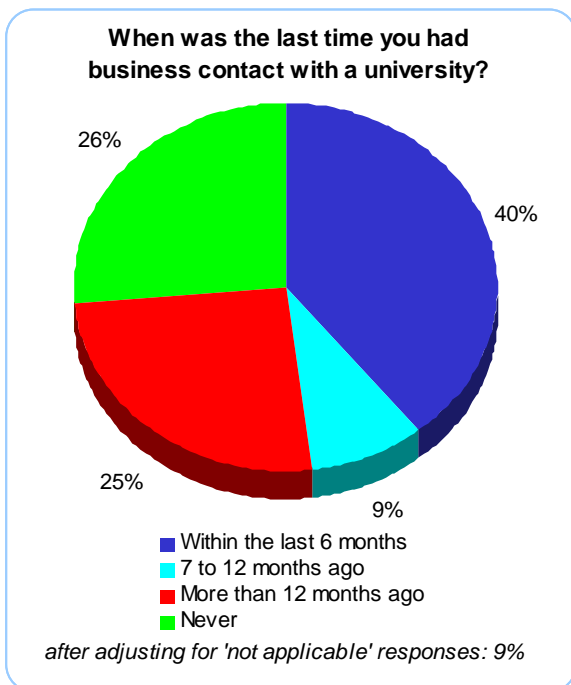
Amongst the businesses responding to the May 2008 UKBB survey, 26% said that they have a formal assessment/feedback system in place for employees, while 38% said that they have an informal appraisal system.

25% say it is not applicable and 12% do not have an appraisal system at all.



## Business/University Links

A consultation to build stronger and more flexible links between business and universities was launched in April by Minister of State for Higher Education, Bill Rammell.



The UKBB found that 26% of the respondents to the May 2008 survey had never had a business contact with a university, although 40% had a contact within the last six months. This shows a widening spread of business/university contact over the last five years.

A related question was asked in October 2003, nearly five years ago ("Not including this survey, how often in the last two years, have you been contacted by or had reason to contact a university in your region on business related issues?"). 47% responded with 'never' in that survey.

**Listed below are some of the personal views supplied in feedback received from respondents to Survey BB 117 May 2008  
Views expressed are those of individual panellists and may not represent those of the University.**

We need a law like the USA has whereby a minimum percentage of public sector business MUST be contracted with SMEs.

This would increase innovation by encouraging the public sector (eg MoD, NHS, Network Rail) to be a sponsor of demonstrators and production prototypes of innovative products from SMEs

As I do not expect my clients to be borrowing to fund additional costs - rather that I expect them to be investing part of their gross profits in their own businesses for future high returns - I see no change. If they did need to borrow, and as long as there are assets to borrow against, my financial colleague has some very attractive short term loan products for them, especially in the current climate!

Supply2Gov seems a good idea. In practice they want to charge for all bids over £100k. Much of the work is over £100k This means many SME are too small to effectively compete for this business. Much more work needs to be done to help SMEs partner on projects. Govt needs to invest in helping SMEs compete for projects "hands on" and 'roll up sleeves' approach, instead of behaving like over paid accountants who've never had to survive in the cut and thrust of the commercial marketplace.

Questions [were] more complex [than usual], and took longer to fill in. Need to keep the detail under control.