

MAY 2010 EDITION — REPORTING ON FINDINGS FROM QUARTER 2 - APRIL 2010

## The Barometer Project

Developed in The University of Nottingham Institute for Enterprise and Innovation (UNIEI), UKBB and UKBAB are on-line surveys operating in parallel with each other collecting the views of both businesses and advisers on a wide range of subjects.

Surveys are open to anyone active in either of the two 'communities' and allow a comparison of their views on the same issues, thereby providing a useful indication to government of how policies and other government measures are impacting upon businesses.

To view current and previous analyses documents and for further information, please visit the [UK Business Barometer](http://www.ukbb.ac) at:

[www.ukbb.ac](http://www.ukbb.ac)

and/or the [UK Business Adviser Barometer](http://www.ukbab.ac) at:

[www.ukbab.ac](http://www.ukbab.ac)

Alternatively, contact

[admin@ukbb.ac](mailto:admin@ukbb.ac)

**Welcome to the report on the 2nd quarter survey of the Barometer Project for 2010. A total of 288 panellists responded to the UKBB and UKBAB questionnaires; included here is a full analysis of the UKBB findings together with a selection of panellists' comments.**

*A full list of questions for each of the two surveys is given below.*

### UK Business Barometer – Q2 2010

1. How confident are you that the UK economy will improve over the next twelve months?
2. Do you think a hung parliament would... [improve/worsen economic prospects]?
3. Of the following, which do you believe will have the greater influence upon the outcome of the election? [media or manifesto]
4. To what extent have your pension arrangements been adversely affected by the recession?
5. As an alternative to private sector advice and support, to what extent do you think national, regional and local government should play a direct role in business support?
6. In order to facilitate benchmarking for your business, to what extent would you be prepared to divulge information on the following\*:- [profit margins, remuneration, wages and salaries]

Plus the five regular questions asked with a view to revealing trends in growth, skills, finance, and market demand as they apply to your business.

[Over the past 3 months has your business [expanded/declined],  
Over the next 3 months do you expect your business to [expand/decline]  
Lack of Finance, Skills Shortages, Low market demand,]

### UK Business Adviser Barometer – Q2 2010

1. How confident are you that the UK economy will improve over the next twelve months?
2. Do you think a hung parliament would... [improve/worsen economic prospects]?
3. Of the following, which do you believe will have the greater influence upon the outcome of the election? [media or manifesto]
4. To what extent have your pension arrangements in client businesses been adversely affected by the recession?
5. As an alternative to private sector advice and support, to what extent do you think national, regional and local government should play a direct role in business support?
6. In order to facilitate benchmarking for your business, to what extent would you be prepared to divulge information on the following\*:- [profit margins, remuneration, wages and salaries]

Plus the five regular trends questions.

[over the past 3 months has the number of clients seeking advice increased, over the last 3 months have you witnessed a change in the number wanting to start up a business, access to finance, shortage of skilled or qualified applicants, In your estimation, what proportion will have ceased trading in the next 12 months]

## UKBB 126 April 2010 Analysis

The UK Business Barometer seeks to shed light on how smaller businesses are coping with the current state of the economy. Questions are focused on topical issues and the survey is deliberately kept short, but additional comments on problems facing business are invited as part of the survey submission and they are reported within the analysis.

This quarter's survey asked panellists for their views on the prospects for the UK economy, the prospect of a 'hung' parliament, actual policy proposals versus media interpretation, pension arrangements, government provided business support, and benchmarking their businesses, plus the usual quarterly trends questions.

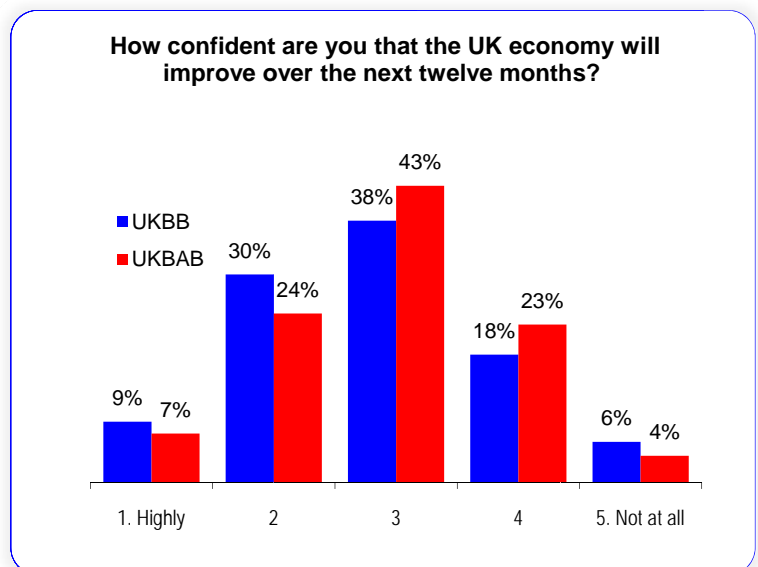
### Survey Findings

In the run-up to a general election much attention is inevitably given to how different political parties would influence the UK economy. Many commentators were saying that this election was 'different' because the outcome was less predictable than for many previous elections and at least one commentator predicted that internet-based social media would influence greater numbers to vote than did previously and would also influence how votes would be cast, for the first time. Against this background, responses to the question about confidence in the improvement of the UK economy could be seen as a judgement in both business and political terms.

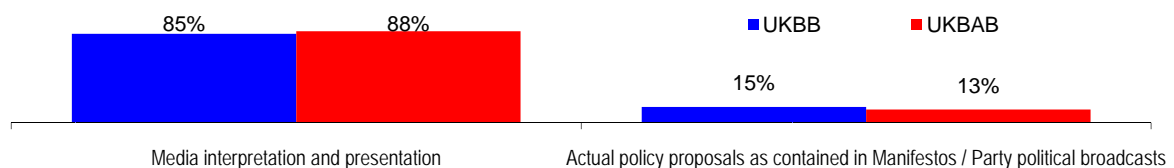
One respondent commented "I don't think it will make any difference economically which type of government we have for the next 18 months. I feel that it's what happens in 2-3 years that will have the biggest impact on our position in the UK."

Whilst only 6% of UKBB respondents are not at all confident that the UK economy will improve over the next twelve months, 39% are highly or reasonably highly confident of its improvement and the average rating (from '1.Highly' to '5.Not at all') was 2.8, on the positive side of the midway point.

The same question was put to UK Business Adviser Barometer panellists. Amongst this group 43% opted for the scale midpoint and the average rating was closer to it too, at 2.9.

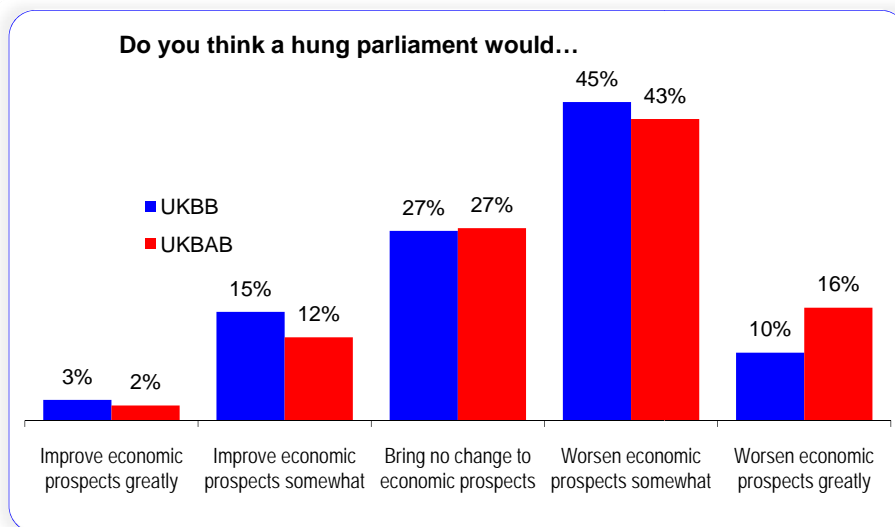


85% of UKBB and 88% of UKBAB respondents believe that media interpretation and presentation will have a greater influence on the outcome of the election than actual policy proposals as contained in manifestos or party political broadcasts.



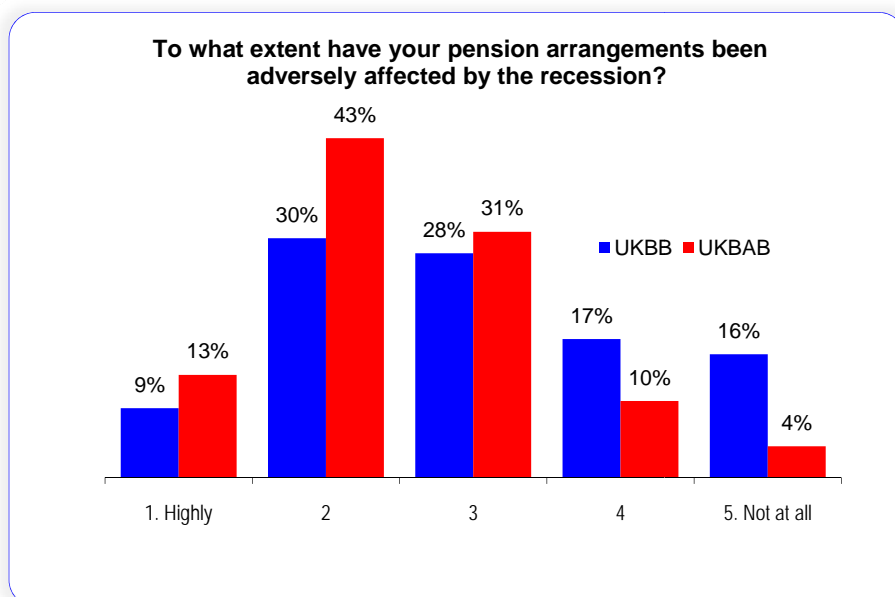
When asked what impact a hung parliament would have on economic prospects, 55% of

UKBB respondents thought that it would worsen them, either somewhat or greatly. UKBAB were asked the same and 59% said the economy would worsen greatly or somewhat if there was a hung parliament. Relatively few respondents from each survey thought a hung parliament would have a positive effect on the economy but one UKBB respondent commented that it “depends entirely on how parliament is hung and what, of the range of policies on offer, they are able to do.”



It has been reported that by the end of 2009, UK pension schemes recovered the ground they lost in 2008, although in real terms, compared with the Retail Price Index, they made no gain on average over the past three years. About one third of respondents to the UKBB say that their company pension arrangements have not been adversely affected by the recession, or have only been slightly adversely affected, but 39% have experienced adverse effects to a high or fairly high extent.

UKBAB panellists were asked about their clients' pension arrangements. More of these fared worse than UKBB respondents. 56% say clients have experienced adverse effects to a high or fairly high extent while only 14% say that their company pension arrangements have not been adversely affected by the recession, or have only been slightly adversely affected.

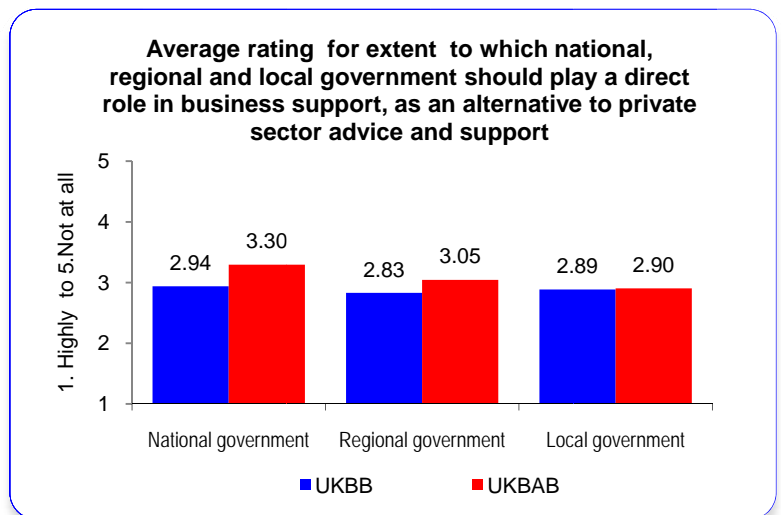


Over the period October 2008 to March 2010 the government migrated over 3000 different publicly funded business support schemes to a new system of around 30

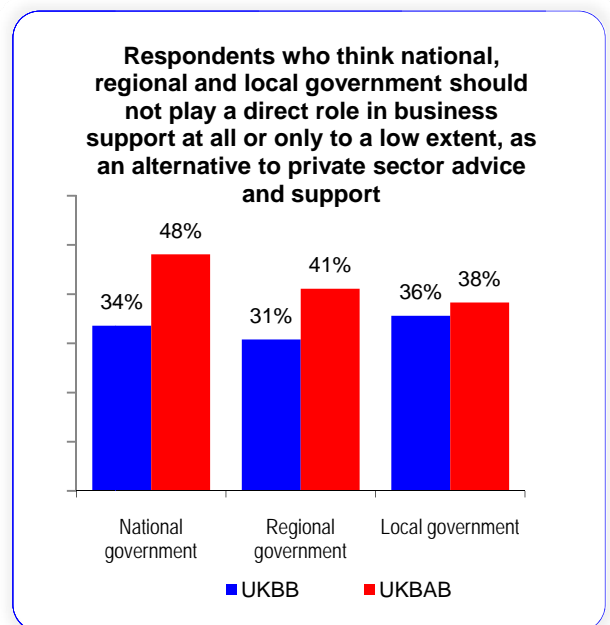
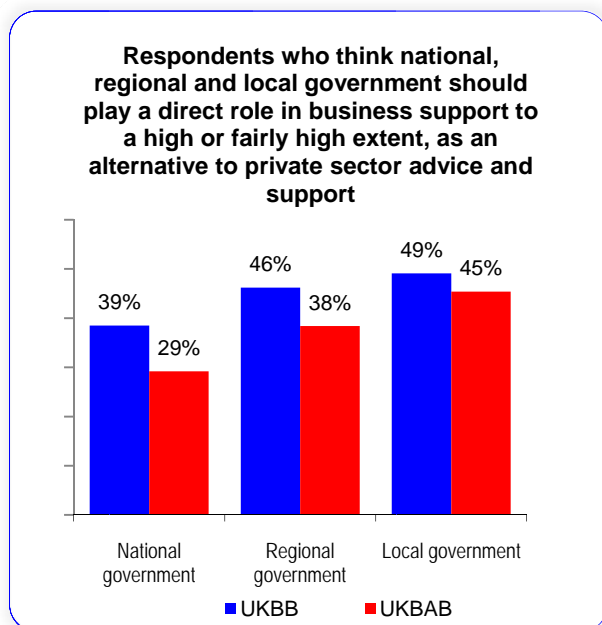
schemes, under the title 'Solutions for Business'. These are provided through local, regional and central government departments, and private and third sector provision is also brokered through Business Links.

The April survey sought to find out to what extent survey participants thought government at each level should play a direct role in business support. The same question was asked in the UK Business Adviser Survey. Responses were spread widely across the possible range in both surveys, and were also closely matched between the two surveys.

The least popular direct source on average, with respondents to both surveys, was national government. UKBB respondents on average preferred regional government to local government, while the reverse was true for UKBAB respondents.



Local government clearly gained the most support from those who responded with scale points 1 (High) or 2. Amongst those who responded with scale points 5 (Not at all) or 4, local government was also the most unpopular with UKBB respondents and national government was the most unpopular with UKBAB respondents.



UKBB respondents offered the following comments related to this topic:

- I feel that there needs to be some support for the manufacturing sector so that companies can recover and start employing personnel.
- support should in principle be closest to small businesses i.e. local - but this depends on local government having the right skills. Because they tend not to does not mean that the in principle case is wrong. In my experience the most

effective support comes from industry clusters and associations e.g. at one time the Engineering Forum and NADCAT were very good for members.

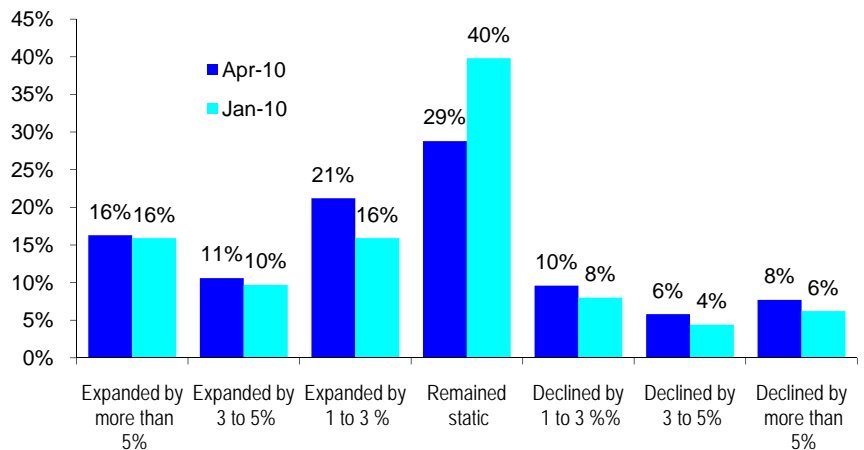
- Whilst I believe that government has a responsibility to support business, particularly this year, it is very important that it ceases to operate business support organisations on the current target-driven, quasi-commercial basis. I have taken up local business support and my company works alongside a national business support agency: in both cases, it seemed that role reversal occurred halfway through the interaction, with the business side suddenly having to support the agency operatives in their quest to tick boxes and prepare reports. Civil servants are obliged to 'make' a certain amount of money by selling services - having already paid our taxes, this is an insult.

I fully understand the extent to which the government is now strapped for cash, but I also know that it is possible to provide environments that facilitate business growth without spending a pile of money on marketing, endless layers of management and the creation of inadequate and unnecessary 'services'.

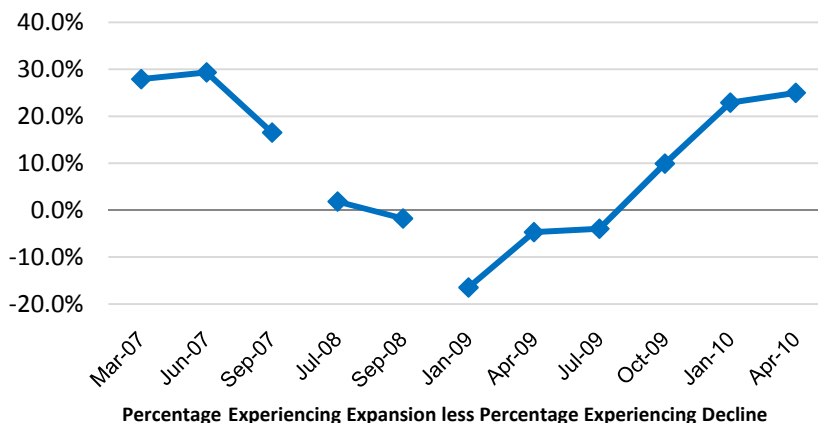
### Trends Questions

Over the last quarter 27% of respondents experienced rapid change: 16% of respondents expanded by more than 5% and 8% declined by more than 5%. The average index was level with that in January 2010, following a 9% growth in the previous quarter.

**Over the last 3 months, has your business:-**

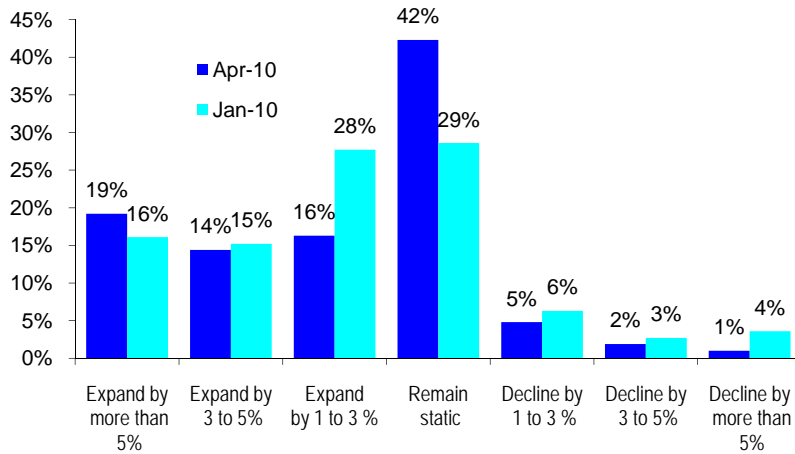


**Last Quarter Growth**



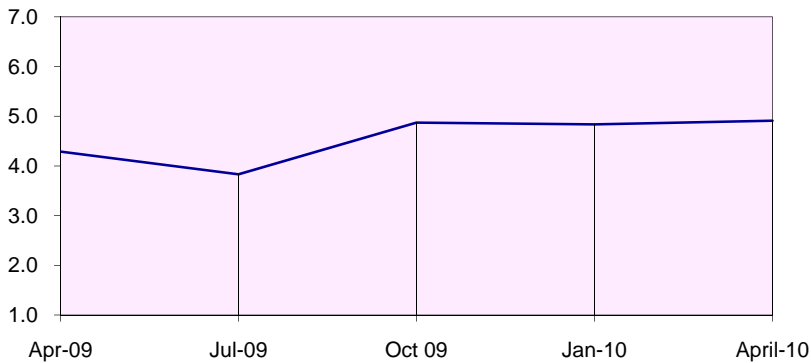
The balance of growth amongst UKBB respondents over the last quarter increased from 23% in the January survey to 25% in the April 2010 survey, the third positive balance since July 2008.

**Over the next 3 months, do you expect your business to:**



Over the next quarter just over four out of ten respondents expect their business to remain static in terms of growth. Less than 10% expect business to turn down in the next three months and 49% expect positive growth.

**Expected growth over the next three months**  
Average level of indicator  
(1 -Decline by more than 5% to 7 - Expand by more than 5%)



The positive balance between those expecting to expand and those expecting to decline is 42%, compared to 46% in the January survey; however the average indicator shows a small increase of 1.5% since January.

respondents, although one is pessimistic:

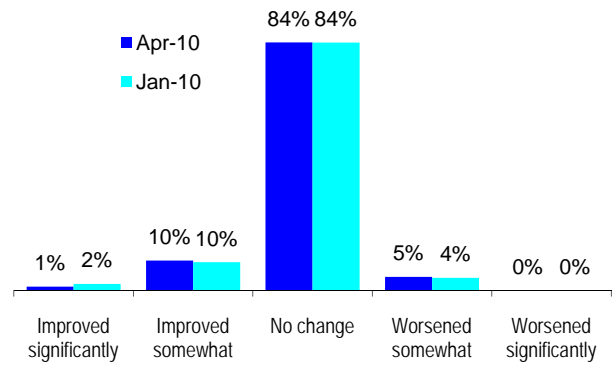
Very positive comments on the future were made by some

- As a new business we have just received our first big order which will put us into a profit situation for the first time in 2 years of developing our business
- Independent motor vehicle repairer and VOSA test station... We are benefitting from a reluctance of vehicle owners to pay main dealer prices. Also the vehicle parc as far as repairs and sales is concerned is getting older and falling into our scope of care that we can give to such vehicles. Alongside our Classic car interest, we are able to take on tasks dealers wouldn't consider. We are building a new site twice the size to cope with expected demand.
- I have taken on a MAJOR [.....] contract from 1 April, 3 year contract, plus 1 year renewal, plus a second 1 year renewal.....
- With the election, the public sector has gone into purdah, plus local authorities are looking at how to cut expenditure, thus the amount of work being put out to tender has reduced. The threat of a hung Parliament and therefore slower or ineffective policy making will have a major impact on future workstreams with national government and their agencies although local authorities and European funding should be less affected.

The overall situation with regard to skills shortages has been virtually static over the last three months for respondents to this survey.

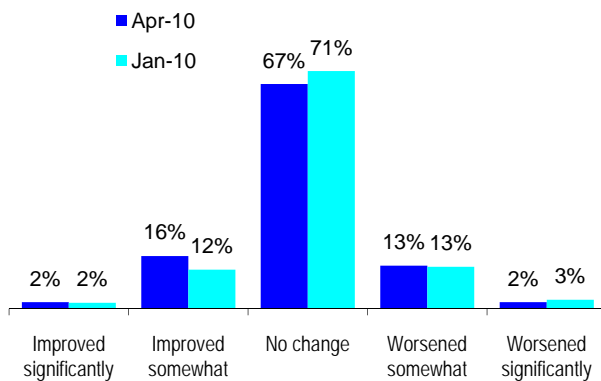
84% of respondents said that the skills shortage situation in their own business had not changed in the last three months but 11% reported an improvement in their position compared with 12% in January, while 5% said that their situation had worsened over the last three months, compared with 4% in January.

**How has your situation with regard to skill shortages changed in the last 3 months?**



after adjusting for 'not applicable' responses: 14%

**How has your situation with regard to lack of finance changed in the last 3 months?**



67% of respondents say that their situation with regard to lack of finance has stayed the same over the last three months, and 15% have found that it has worsened for them compared with 16% in January.

However 18% have perceived an improvement compared with 14% in January.

The average index shows a rise of 1.9% since January, following a rise of 2.2% in the quarter ended January 2010.

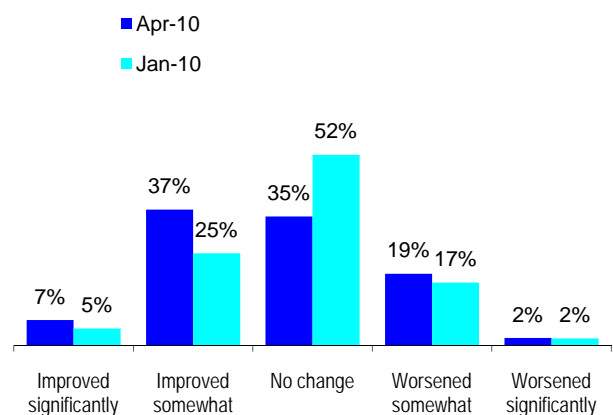
With regard to low market demand, 44% have experienced an improvement, compared with 30% in January. 35% have had no change but 21% of respondents say that their situation has worsened during the last three months, compared to 19% in January.

These changes produce an improvement of 4.4% in the average index since January.

One respondent shared their market demand experience:

"We provide UK and International Payroll alongside global HR and various other business outsourced solutions. Because we have several revenue streams and make sure that we develop and implement at least two

**How has your situation with regard to low market demand changed in the last 3 months?**



new products per year we have so far escaped the recession.”

**Listed below is another more general personal view supplied in feedback received from a respondent to Survey BB 126 April 2010. The view expressed is that of an individual panellist and may not represent those of the University.**

- It's been pretty much business as usual for the past 10 years, although I am becoming increasingly frustrated with the likes of HMRC for sending me pointless communications via post (i.e. filing reminders when I've already filed etc), must be costing a fortune, what a waste of money...tax payers money.

Comments were also received in connection with a question in the survey related to a possible benchmarking exercise. This question has not been further analysed within this report (results can be seen on the web page [www.ukbb.ac/UI/surveys.aspx](http://www.ukbb.ac/UI/surveys.aspx) ).

### **About the respondents**

The UK Business Barometer surveys the people running small and medium size businesses. This analysis is based on submissions to the April 2010 Survey, made up to 4<sup>th</sup> May 2010. 104 respondents were drawn with the following population characteristics:

<b>Sector</b>			
Production & Manufacturing	Distribution	Services	Total
34%	10%	57%	100%

<b>Turnover (£)</b>				
< 1M	1M - 3M	> 3M	Unspecified	Total
67%	15%	18%	1%	100%

<b>Number of Full-time Employees</b>						
1-10	11-20	21-50	51-100	100+	Unspecified	Total
61%	16%	13%	4%	5%	1%	100.0%