

Net helps businesses beat recession

The internet is one innovation helping small business bosses deal with strategic decision-making and survive the current recession, according to results revealed by the latest UK Business Barometer and Business Adviser Barometer surveys.

These unique parallel quarterly surveys of small business owners and business advisers produced by the University of Nottingham Institute for Enterprise and Innovation (UNIEI) show some of the tactics businesses are using to adapt to the pressures of trading during the Credit Crunch. They also track growth forecasts, perceptions of the availability of external debt financing and other key factors.

In the new analyses, business people report a willingness to ‘pull together’ and collaborate with neighbouring firms to share costs and achieve efficiency gains. And they realise that to stay successful they must ‘innovate or die’. Many are now focusing more closely on internal financial and credit management systems and procedures to spot weaknesses that may be costing them money.

Other specific issues were polled as well. The current Business Barometer survey was interested in finding out whether the pace of de-stocking has slowed. Among those for whom stock control is a relevant issue, 73 per cent said that stock is at an appropriate level now, however 20 per cent still think their stocks are either ‘too high’ or ‘far too high’.

All these findings are in the latest from a decade-long series of regular surveys conducted by researchers at Nottingham University Business School. More than 120 Small business owners across many sectors nationwide contributed responses online. Results were aligned with those from 230 professionals who advise small businesses and entrepreneurs in a sister survey started six years ago.

Both groups of Barometer respondents provide regular trend data, views on selected topical issues and open comments to express their opinions. Feedback from participants – the majority of whom contribute regularly every quarter – also influences the questions asked in future Barometer surveys.

“This rich data and the accompanying qualitative attitudinal information analysed by our team reveals the experiences of real business people representing smaller enterprises – 98 per cent of UK business – as well as their expert advisers,” said Director of the UNIEI Professor Martin Binks. “The Barometers complement other quantitative surveys which speak for larger corporate businesses.”

The July UKBAB survey opened by asking business advisers whether they consider the recession to be acting as a drag on decision-making in business as people delay and avoid commitments in order to see how the climate develops, or whether the recession is making people more decisive.

Among respondents reflecting on what their clients are saying to them, 79 per cent thought the recession is impeding decision making to some extent, 14 per cent think that the recession is stimulating decision-taking. Since the last recession, a world-changing tool – the internet – has emerged. It may be having an effect on improving businesses’ ability to respond to current challenges.

More follows ...

In 1992, during the last serious UK recession, public access to the internet was in its infancy. Now the revolution in digital communications, online retailing and new business models represented by the web has created opportunities that many small business owners say are helping them cope with this recession.

Of those asked “To what extent do you feel that the internet is helping or hindering businesses’ strategic decision-making in the present recession?” 63 per cent of the small business community responding to the UKBB say it is ‘helpful’ or ‘very helpful’.

Among advisers answering the UKBAB, 52 per cent agreed with their client base. One business owner commented: “we are a start-up company and have only just launched our website [...] once we had our prototype product out there we [were] picked up by the ELDS [East London Design Show] which has numerous grants from EEC which can help support and keep us moving forward in the market...”

The latest Business Barometer surveys asked whether individual businesses have become more innovative, whether they thought other smaller businesses were becoming more innovative, and whether they thought a recession is an appropriate time for innovation.

Results were encouraging: 46 per cent of respondents confirmed their businesses have become more innovative, 43 per cent thought in general that smaller businesses seem to be becoming more innovative, and 51 per cent believe a recession is a time for innovation.

Among the business advisers who responded to the UKBAB, 48 per cent said smaller businesses generally seem to be becoming more innovative, and 49 per cent thought recession is a time for innovation.

When asked in the last quarterly Barometer surveys that ran throughout April whether “the ‘green shoots’ of recovery” were beginning to appear, over half of the panel didn’t think so.

This time, the balance of business growth reported by UKBB respondents over the last quarter was again negative by 4 per cent, remaining close to the April 2009 survey result. Over one third had experienced rapid change in the period: 15 per cent of respondents expanded by more than 5 per cent while 19 per cent declined by more than 5 per cent.

One respondent in manufacturing commented that the percentage level of decline is very large, reporting that that most of their customers are suggesting around a 30 per cent decline.

For anticipated next quarter growth, the balance is more strongly positive now than in April, with 46 per cent expecting to expand while 23 per cent expect to decline. The balance is positive by 23 per cent, compared to 18 per cent in April. Although several respondents expect to see lower growth over the next three months due to seasonal summer effects, one contributor expects their business to grow by considerably more than 100 per cent and another by 50 per cent.

Asked “How has your situation with regard to low market demand changed in the last three months?”, 38 per cent said their situation has worsened and 38 per cent have seen no change, while 24 per cent experienced an improvement. This result is more encouraging than in April, when 40 per cent said that market demand had worsened and only 18 per cent saw an improvement.

More follows...

Access to finance remains a great concern – 76 per cent of respondents said their situation with regard to lack of finance has stayed the same over the last three months, but 19 per cent found it has worsened for them compared with 24 per cent in April. Only 6 per cent perceived an improvement compared with 8 per cent in April.

In common with the last survey data collected in April, business people and the advisers consulted by them say little is being done to ease access to finance and credit despite numerous Government initiatives. Advisers report that 60 per cent of clients require more debt financing.

If *Dragons' Den* judges seem harsh, the conditions one must meet to gain financing and credit from banks and investors are no less rigorous. One adviser said: "Banks are now willing to consider propositions from existing customers but only if all the financial info is up to date (understandable) and that the borrowing can be adequately secured. There is no one out there willing to fund marginal/speculative propositions in any industry."

Having recovered significant ground between January and April, the index measure of business advisers' clients' ability to gain access to finance dropped back by 6 per cent in the last three months. The balance between the percentage whose clients' ability to gain access to finance has improved or improved significantly and those whose clients were unable to gain access to finance also deteriorated.

This declined from negative 42 per cent in April 2009 to negative 48 per cent in July 2009. Most of the change between the two results came from a decrease in the number of respondents who say that access to finance has stayed the same for their clients over the period.

Of the businesses themselves who responded to questions about access to finance, 36 per cent indicated they now require more debt financing from banks than prior to the recession, while 11 per cent say they actually need less. Those who do need help are irritated.

One Business Barometer panellist observed "I am seeing signs of banks raising interest rates and charges on loan facilities (without good reason other than profit motives) and particularly invoice discounting where they are reducing the days of debt they cover." Another contributor commented "Banks are still not lending money [...]"

Another was more forthright when speaking about several profitable high street banks declining their requests for a 70 per cent mortgage on a £217,000 new office building – despite the applicant having £250,000 in their bank account and forward orders representing a 25 per cent increase in sales and profits during the coming financial year. "It is devastatingly frustrating. The b*****ds who caused all these problems should put their hands in their pockets and help us successful businesses!"

So now – as businesses are under more pressure to keep costs low and reduce them where possible – owners and managers are turning their attention to eliminating inefficiency within their own financial and credit control processes, challenging their systems to work smarter. Some 62 per cent of UKBB respondents have found they need to monitor their procedures more closely.

Panellists of the UKBAB were asked to what extent their clients have been forced to monitor their financial and credit management procedures more closely; 88 per cent of Business Adviser respondents said this had happened to a 'high extent', or to a 'reasonably high extent'.

Many smaller businesses are finding there's strength in numbers. Out of the companies responding to the UKBB, only 23 per cent would not consider working together with neighbouring or like-minded businesses to share specific common costs. It was encouraging to find 22 per cent either do this already or have plans to do so, and that the remaining 55 per cent would consider it.

More follows...

Environmental concerns are leading to searches for reductions in energy usage and the costs of waste management, however one obstacle revealed by an answer to the question was the observation that “...because of certification needed for waste, you can’t combine waste, [to] save transport costs and carbon emissions.”

Advisers answering the UKBAB survey were asked how open their client businesses are to considerations of working together with other businesses in this way. Over 30 per cent said clients are receptive to such involvement to a high or relatively high extent, whilst only 12 per cent responded with “not at all”.

For those businesses relying on public sector clients, the outlook seems shaky. Apparent tightening of Government payment procedures is praised by one respondent – “Government spending and payment within 10 days are having a very positive effect.” Another says: “The big unknown is what is going on in the public sector – will the cuts impact on their purchasing or not?”

“As the latest date for the next general election is also getting ever nearer, public sector policy makers seem to be dithering more, as they try to fathom how changes may impact on them. In six months time, this could be particularly critical to my business.”

Other perceived anomalies in Government policy were pointed out: “The Government spends money in the wrong areas. For example they are expanding the Train to Gain brokers but capping budgets so there is no one for the brokers to refer to.”

The average of the results for the three month period to July 2009, for the number of people wanting to start a business, decreased from April 09 by 2 per cent (following an 18 per cent increase from September 08 to January 09 and a further 1 per cent to April 09). The balance between the percentage witnessing significant or slight increases and those witnessing significant or slight decreases in the number of people wanting to start a business moved from +21 per cent in April 09 to +11 per cent in July 09.

“The business world we left at the beginning of the recession is history and a new world, much more competitive, will appear once the recovery takes hold,” said one business person responding to the survey. “Managers and owners of SMEs will need to develop higher level leadership skills, become more creative and innovative in this new world in order to grow and prosper in the future.”

More information can be found at www.ukbb.ac and www.ukbab.ac, with results and analyses at www.ukbb.ac/analyses/09jul-BB123-analysis.pdf and www.ukbab.ac/analyses/Jul09BAB72-analysis.pdf.

The UNIEI team is always keen to welcome owners or managing directors of businesses with fewer than 250 employees to join UKBB survey panel. Business advisers wishing to contribute as panellists on the UKBAB project are also encouraged to sign up. Those interested should visit the appropriate Business Barometer website to register.

More information, including results and analyses, can be found on the web at www.ukbb.ac and www.ukbab.ac. Businesses and advisers wishing to contribute as panellists on the project should visit the appropriate Business Barometer website to register.

— Ends —

More follows...

Notes to editors: The University of Nottingham is ranked in the UK's Top 10 and the World's Top 100 universities by the Shanghai Jiao Tong (SJTU) and *Times Higher* (THE) World University Rankings.

More than 90 per cent of research at The University of Nottingham is of international quality, according to RAE 2008, with almost 60 per cent of all research defined as 'world-leading' or 'internationally excellent'. *Research Fortnight* analysis of RAE 2008 ranks the University 7th in the UK by research power. In 27 subject areas, the University features in the UK Top Ten, with 14 of those in the Top Five.

The University provides innovative and top quality teaching, undertakes world-changing research, and attracts talented staff and students from 150 nations. Described by *The Times* as Britain's "only truly global university", it has invested continuously in award-winning campuses in the United Kingdom, China and Malaysia. Twice since 2003 its research and teaching academics have won Nobel Prizes. The University has won the Queen's Award for Enterprise in both 2006 (International Trade) and 2007 (Innovation — School of Pharmacy).

Nottingham University Business School is one of the UK's leading centres for management education and ranks among the world's leading business schools in the 2009 Financial Times Global Top 100 MBA and Global Masters in Management ranking, and the Economist Intelligence Unit Which MBA. The School also ranks 1st in the UK and 28th globally in the Aspen Institute's 'Beyond Grey Pinstripes' ranking of the world's most innovative MBA programmes that lead the way in integrating social, environmental, and ethical issues into management education and research. The Business School has pioneered entrepreneurship teaching and research at Nottingham and The University won the 2008 Times Higher Entrepreneurial University of the Year award.

Nottingham was designated as a Science City in 2005 in recognition of its rich scientific heritage, industrial base and role as a leading research centre. Nottingham has since embarked on a wide range of business, property, knowledge transfer and educational initiatives (www.science-city.co.uk) in order to build on its growing reputation as an international centre of scientific excellence. The University of Nottingham is a partner in Nottingham: the Science City.

More information is available from **Rick Eagles** at the UNIEI on +44 (0)115 846 6869, richard.eagles@nottingham.ac.uk, or Media Relations Manager **Simon Butt** in the University's Communications Office on +44 (0)115 951 5793, simon.butt@nottingham.ac.uk