

AUGUST 2009 EDITION — REPORTING ON FINDINGS FROM QUARTER 3 - JULY 2009 – BAB72

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 Adviser Barometer](http://www.ukbab.ac) at:

www.ukbab.ac

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

www.ukbb.ac

Alternatively, contact

admin@ukbb.ac

Welcome to the report on the 3rd quarter surveys of the Barometer Project. A total of 354 panellists responded to the UKBAB and UKBB questionnaires; included here is a full analysis of the UKBAB findings together with a selection of panellists' comments.

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

UK Business Adviser Barometer- Q3

1. Do you consider the recession to be acting as a drag on decision making as people delay and avoid commitments in order to see how the climate develops or is the recession making people more decisive?
2. As a consequence of the recession, to what extent have you seen a change in your clients' requirement for external debt financing from banks or other sources?
3. To what extent have tighter financial conditions forced clients to monitor their own financial and credit management procedures more closely?
4. To what extent do you feel that the internet is helping or hindering businesses' strategic decision making in the present recession?
5. "The need to adopt a more innovative mindset may be greater in a recession in terms of products, processes, how we do things and who we deal with." With which of the following statements do you agree?
6. To what extent do you find that businesses are open to considerations of working together with neighbouring to share specific common costs for example supplies, transport, security?
7. It has been reported that the recent downturn has seen the spreading of economic activities across national borders. to what extent have you seen a growth in such internationalisation amongst your clients?

Plus the five regular questions revealing trends in requests for business advice, numbers wanting to start up a business, access to finance, shortage of skilled/qualified applicants and numbers likely to cease trading.

UK Business Barometer – Q3

1. At this present time, do you consider your current level of stocks to be appropriate?
2. As a consequence of the recession, to what extent has there been a change in your requirement for external debt financing from banks (including overdraft) or other sources?
3. To what extent have tighter financial conditions forced closer monitoring of your own financial and credit management procedures?
4. To what extent is the internet helping or hindering your strategic decision making in the present recession?
5. "The need to adopt a more innovative mindset may be greater in a recession in terms of products, processes, how we do things and with whom we deal." From the following statements, please tick all those with which you agree.
6. Would you consider working together with neighbouring/like minded businesses to share specific common costs for example supplies, transport, security?
7. It has been reported that the recent downturn has seen the spreading of economic activities across national borders with businesses shifting into international markets. To what extent do you engage with customers/suppliers from outside the UK?

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.

UKBAB72 July 2009 Analysis

The UK Business Adviser Barometer reports the views of advisers on how smaller businesses are coping with the current state of the economy and provides information to enable the designers and implementers of business support policy to be more effectively informed. Questions are focused on topical issues and additional comment on problems facing business are invited as part of the survey submission and reported within the analysis.

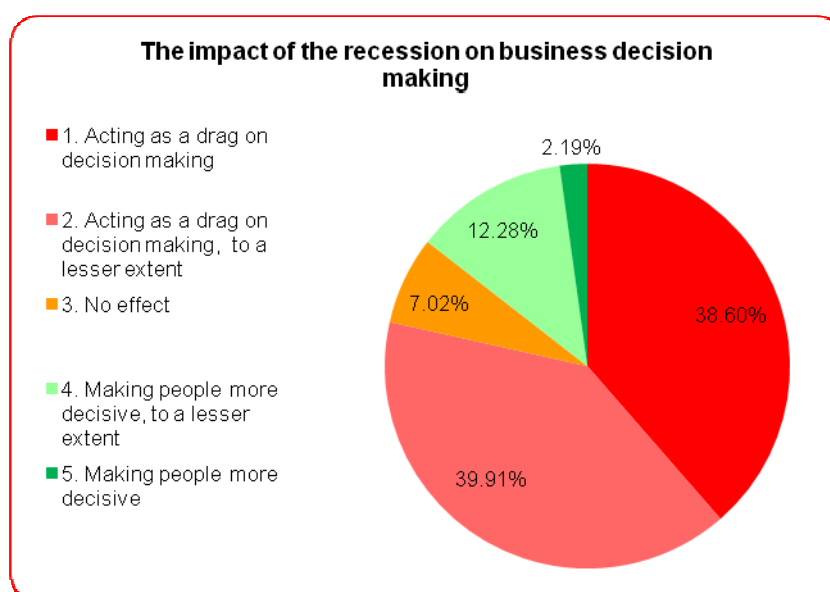
This quarter's survey sought views on a range of current issues including a question on whether the recession is making people more or less decisive in business. Other topics include external debt financing, finance and credit management procedures, the internet in the present recession, adopting a more innovative mindset, working with neighbouring/like minded businesses, and customers/suppliers from outside the UK. The UKBAB trends questions were also included.

The total number of business advisers taking part in the April survey was 228 and as usual real-time results were published to the website during the course of the survey. This analysis is the outcome of further examination of the results up to 11th August 2009.

In our last survey (April 2009), we picked up on whether the 'green shoots of recovery' were beginning to appear. 69% of our panel did not think so, and when the preliminary estimate GDP figures for the second quarter (April – June 09) were published in late July, it provided some confirmation of this. Output in the UK economy had fallen by 0.8% in the second quarter, and by 5.6% compared to a year ago.

Survey Findings

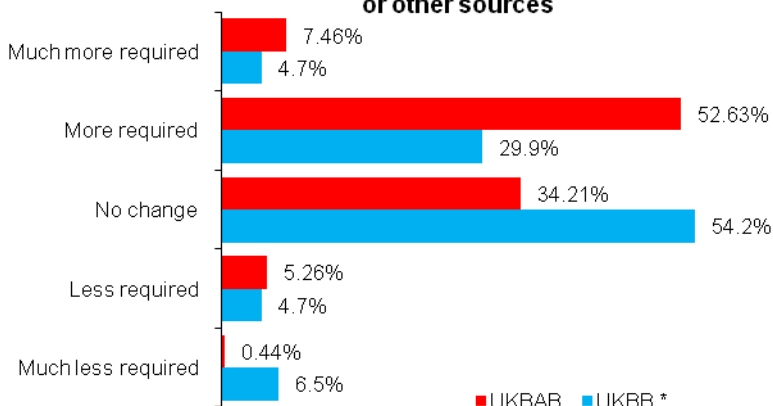
Part of the danger of the economy settling into a 'vicious circle' during a recession arises because decisions can be deferred due to rapid changes in economic factors. Business advisers are likely to witness the problems confronting businesses faced with the need to make adjustments and decisions in their way of operating. The July survey opened by asking whether panellists 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. 79% think that the recession is impeding decision making to some extent but 14% think that the recession is stimulating decision-taking.



The UK banking sector is now beginning to report results for the first half of 2009. Many businesses are still finding a lack of availability of credit and the tough conditions experienced over the last two years have made an impact on the way many businesses seek financial resources.

60% of the respondents to the UKBAB say that clients require more debt financing from banks as a consequence of the recession. The UKBAB survey runs in parallel with the UKBB – a quarterly survey of smaller businesses, and 36% of UKBB respondents now require more debt financing from banks than prior to the recession, while 11% actually need less.

Extent to which there has been a change in the requirement for external debt financing from banks (including overdraft) or other sources

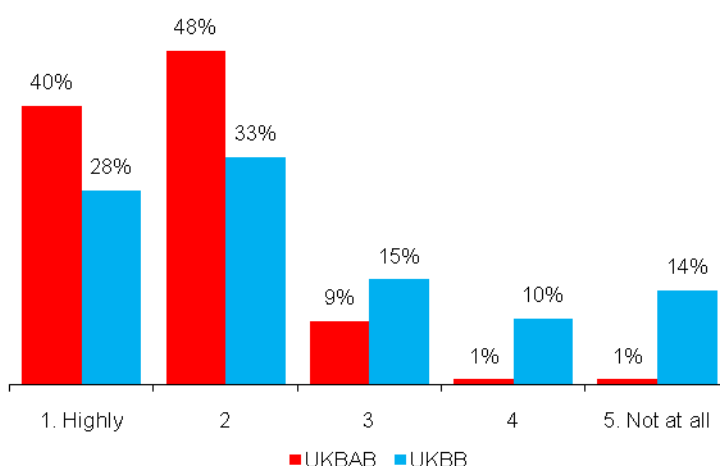


* After adjusting for UKBB 'not applicable' responses: 14%

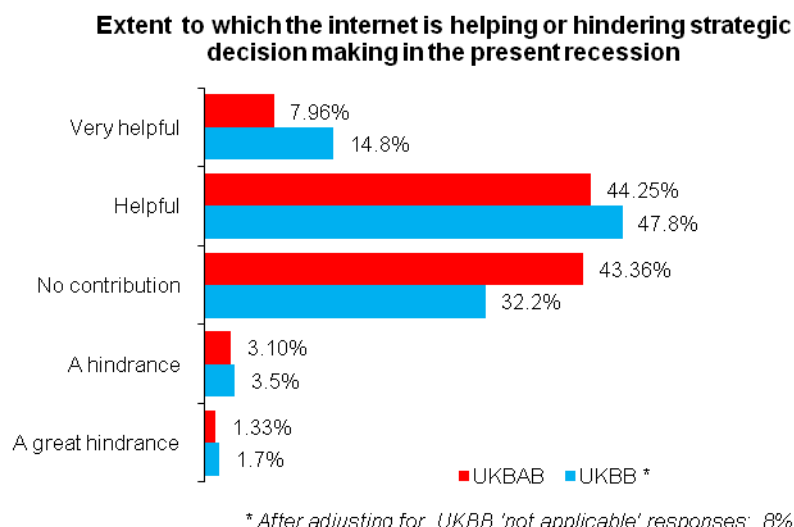
Panellists of the UKBAB were asked to what extent their clients have been forced to monitor their financial and credit management procedures more closely. 88% of Business Adviser respondents said this had happened to a high extent, or to a reasonably high extent.

The effect of tighter financial conditions, for 62% of respondents to the UKBB, has been to force them to monitor financial and credit management procedures much more closely. A further 25% of respondents have also increased checks, but to a lesser extent.

Extent to which tighter financial conditions have forced closer monitoring of financial and credit management procedures



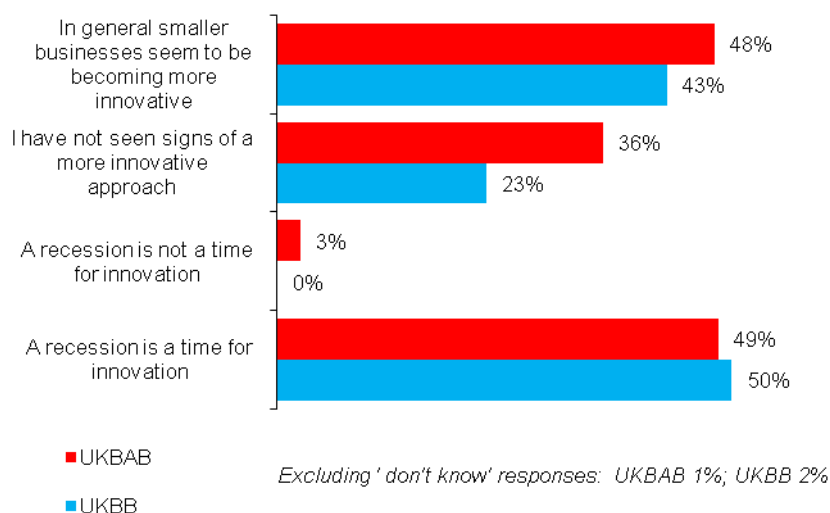
A majority of both UKBAB and UKBB respondents feel that the internet has been helpful in strategic decision making during this recession. 52% of UKBAB respondents say it has been helpful or very helpful, and 63% of UKBB respondents agree. Only 4% of UKBAB and 5% of UKBB respondents think the internet is a hindrance.



Many sources of wisdom and advice have offered views on the opportunity for innovation provided by the recession. "The need to adopt a more innovative mindset may be greater in a recession in terms of products, processes, how we do things and with whom we deal." In this context, the survey asked whether smaller businesses were becoming more innovative, and whether a recession is an appropriate time for innovation. In the UKBB survey, businesses were also asked whether they themselves, as individual businesses, have become more innovative

Results were encouraging: 48% of respondents said that smaller businesses generally seem to be becoming more innovative, and 49% thought that a recession is a time for innovation.

Among the smaller businesses who responded to the UKBB, 46% confirmed that their own businesses had become

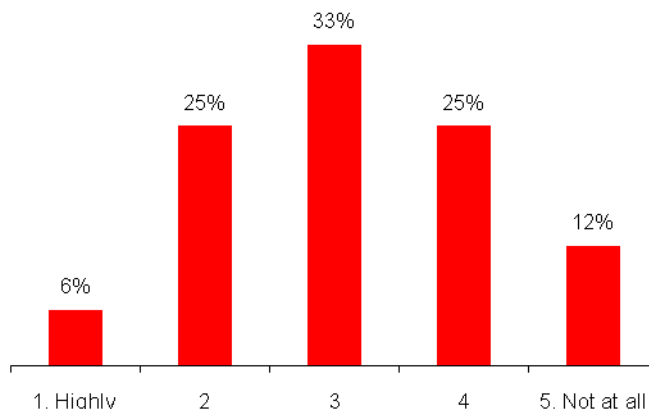


more innovative, 43% thought in general smaller businesses seem to be becoming more innovative and 51% believe that a recession is a time for innovation.

At this time businesses are under more pressure to keep costs low and to reduce them where possible. In addition environmental concerns are leading to searches for reductions in energy usage. Sharing common costs between neighbouring or similar businesses would be one way to reduce overheads, and 88% of respondents find that businesses are open to doing this, although only 31% say this is so to a high or reasonably high extent.

Out of the companies responding to the UKBB, only 23% would not consider working together with neighbouring or like-minded businesses to share specific common costs. It was encouraging to find that 22% either do this already or have plans to do so and that the remaining 55% would consider it.

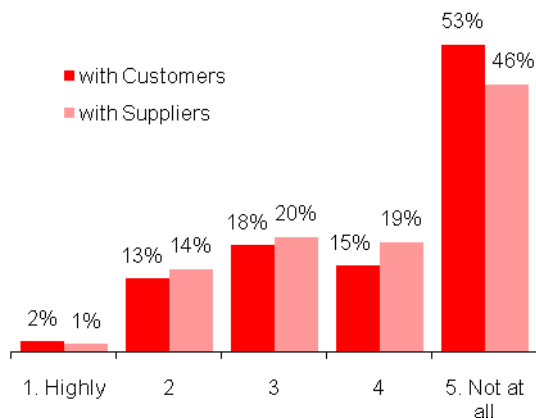
To what extent do you find that businesses are open to considerations of working together with neighbouring/like minded businesses to share specific common costs for example supplies, transport, security?



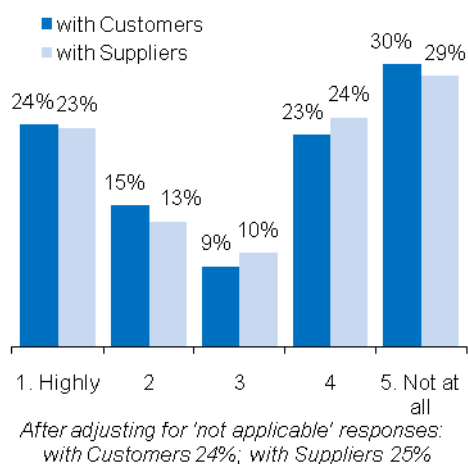
It has been reported that the recent downturn has seen the spreading of economic activities across national borders with businesses shifting into international markets. The UKBAB asked business advisers "To what extent have you seen a growth in such internationalisation amongst your clients in terms of engaging with more customers outside the UK or more suppliers outside the UK?" The UKBB asked smaller businesses "To what extent do you engage with customers/suppliers from outside the UK?"

UKBAB respondents have generally not seen much growth in international trading with close to half responding 'not at all' in terms of both customers and suppliers and only 15% seeing growth to a high or reasonably high extent in both cases.

Extent to which UKBAB respondents have seen a growth in internationalisation amongst their clients in terms of engaging with more customers outside the UK or more suppliers outside the UK



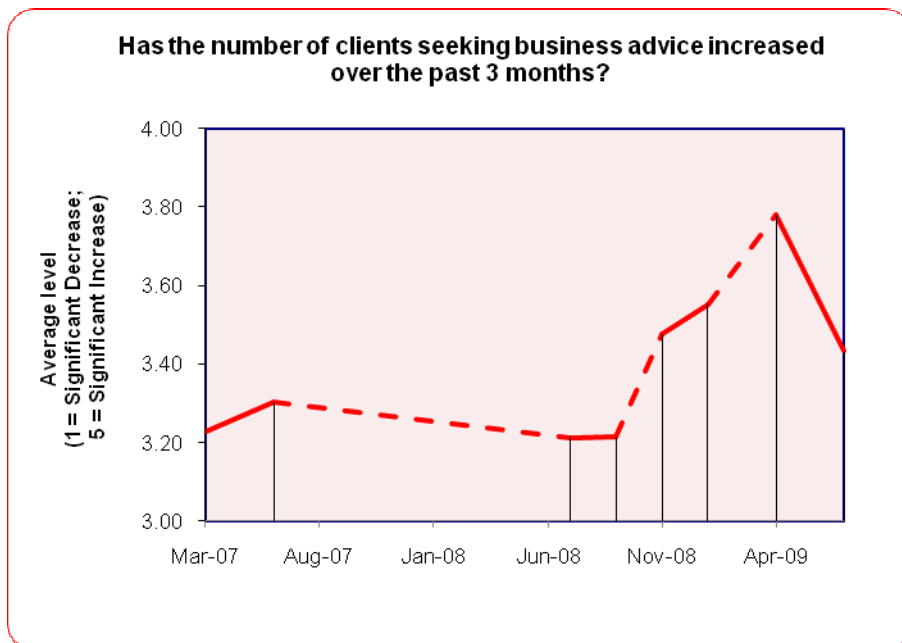
Extent to which UKBB respondents engage with customers/suppliers from outside the UK



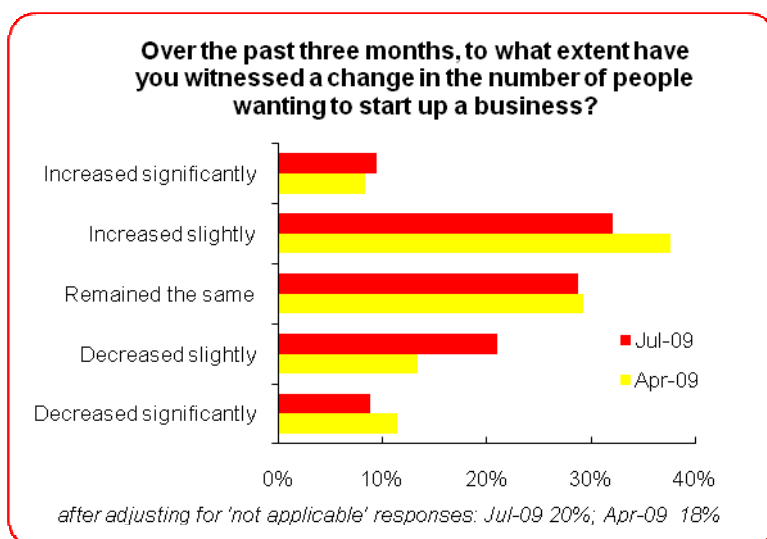
Trends Questions

The indicator of changes in numbers of clients seeking business advice over the past 3 months showed a 9% decrease compared with the three months to April 2009. 24% of respondents reported no change in numbers.

The number of advisers experiencing increases in enquiries continued to outpace the number experiencing decreases in enquiries, but by 37% in the three months to July compared with 60% in the three months to April.

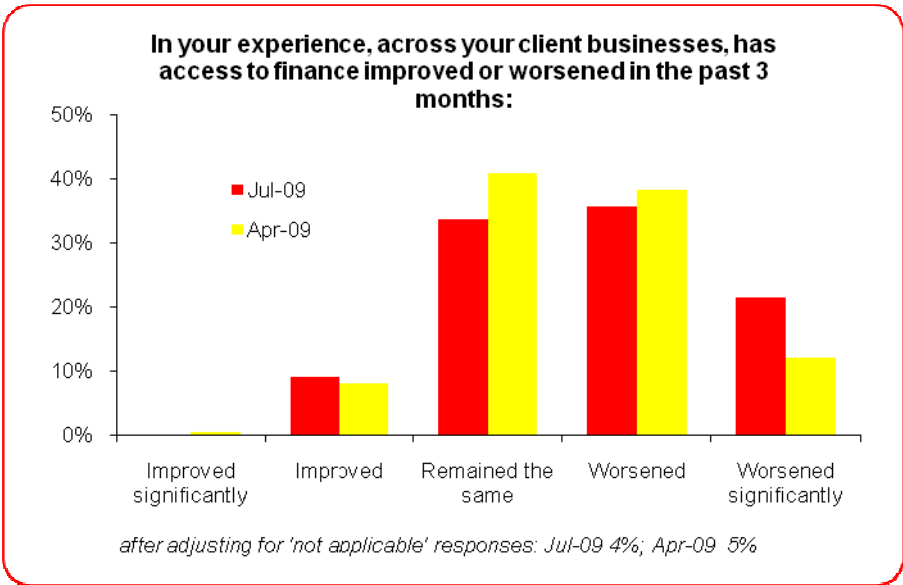


The average of the results for the three month period to July 2009 for the number of people wanting to start a business, decreased from April 09 by 2% (following an 18% increase from September 08 to January 09 and a further 1% to April 09).



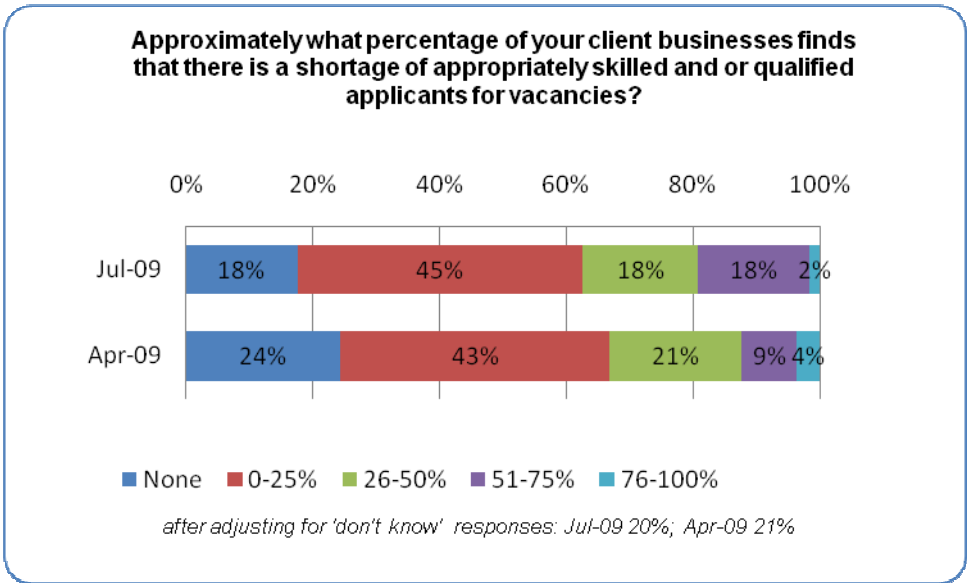
The balance between the percentage witnessing significant or slight increases and those witnessing significant or slight decreases in the number of people wanting to start a business moved from +21% in April 09 to +11% in July 09.

Having recovered significant ground between January and April, the index measure of clients' ability to gain access to finance dropped back by 6% 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' ability to gain access to finance worsened or worsened significantly also deteriorated, from -42% in April 2009 to -48% 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.



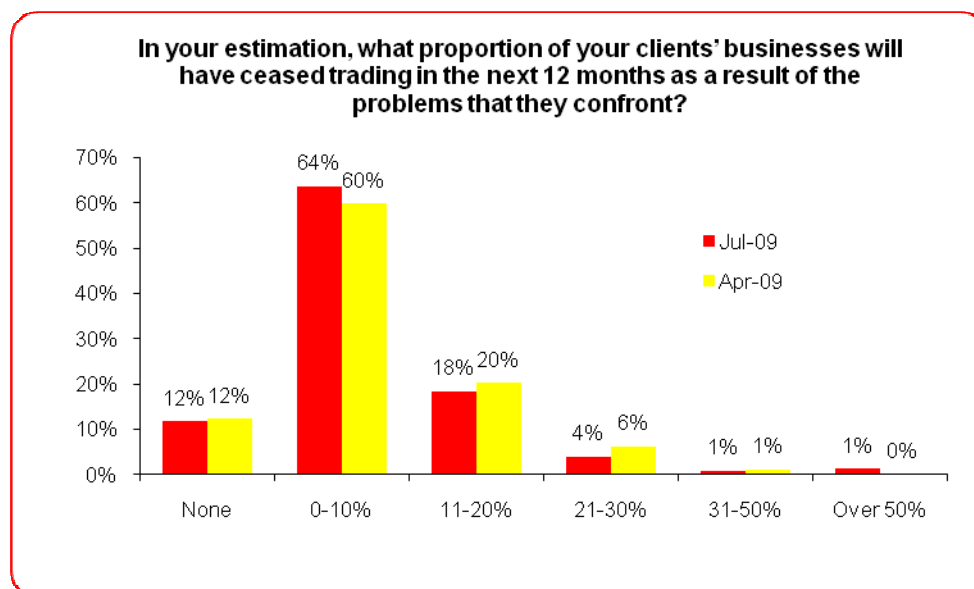
There was a small increase in the shortages of appropriately skilled or qualified applicants for vacancies between the April 09 and July 09 surveys.

In the April 09 survey, the average percentage of clients experiencing shortages of appropriately skilled applicants was 22% and by July it had moved up to 25%.



In the April 2009 results, Advisers were still pessimistic about the continuance of their clients trading over the next year. The index had dropped a little by 1% from the January results, following an increase of 18% between July 08 and January 09 but over the past three months it has almost regained its January level.

12% of Advisers still consider that none of their clients will close over the next year, but 64% thought that up to 10% of their clients might cease trading. There was a 3% drop in the expected higher numbers (over 11%) of business cessations, 25% in July 09 compared with 28% in April 09.



Listed below are some of the more general personal views supplied in feedback received from respondents to Survey BAB 72 July 2009.

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

Question	Response
1	In an economic downturn as severe as this it's both inspirational and positive to think in the correct way that encourages confidence and actions: It's not what the market is doing, rather it's what you are doing in the market !!
1	I've put "no effect" as my answer to Q1, as some clients are more decisive, but others are more cautious!
1	Recession is a barrier to decision making and an excuse to put off. ... clients and prospects are often too crisis focused to look for or listen to opportunities.
2	No funding for new start ups 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. Business Angels are also very conservative despite there being plenty of money available from this sector
2	The business situation has improved over the past three months for most people I meet, especially as the Banks are more inclined to lend money.
2	The question you asked re-requirement for additional funding is somewhat spurious as most businesses I have seen would like to retain their current financing agreements but banks are calling in loans / facilities or shortening their lending terms. This therefore requires businesses to go and seek additional lending to make up the shortfall. This is not the question you ask and I would ascertain it would skew your results.
2	the stealth changes in funding from government sources has significantly impacted on my

	clients, e.g. reduced R&D Grants, Bus link policies and reduced access to finance, more difficult access to funding, Even the forestry commission is losing funds and causing supplier layoffs /business closures. There is less finance available just at a time when it is needed most!! the Princes trust has seen a reduction of funding that could have assisted in young enterprise, The Pinetree trust have increased their APR on enterprise loans, every turn there are increased difficulties in funding availability and it is getting worse not better there is too much spin and no assistance. when will this Government be honest about the challenging and problems that they have caused and continue to cause.?
2	There is a demand for finance but the issue is securing finance and securing it at a non prohibitive rate whether from banks or other sources.
2	There is still great difficulty in obtaining finance from banks, this has now been 'officially' recognized by the CBI. Until credit becomes more easily available business expansion cannot take place, without credit the recession will last longer than it needs to. The highest level of government, i.e. the Prime Minister and Chancellor, do not know what is actually going on in the 'high street' and do not understand how the banking system is working against SME's. Government seems to think if they say credit is available, it actually is, they are bemused by their own rhetoric and business suffers.
6	Companies are interested in collaborating together to reach new markets, particularly if the market cannot be serviced by any of them on their own.non competing companies are interested in collaborating to offer a better service to their customers.
7	Re: Q7 - the opposite seems to be true with businesses concentrating on the local market, especially for suppliers. Businesses are often cutting the costs of marketing and procurement by using local, often less expensive, advertising rather than national/international media which is seen as very expensive.
8	The reason we have seen a change in the number of people asking us for advice is because we are heavily reliant on the business link system in the north east and they have just decided that clients have to make a 30% contribution towards the cost of our service - that was free a few months ago i may add. Most of our clients are looking for capital to start up and not able to pay for our help.
11	The governments false promises, impossibly difficult access to governmental assistance is making it worse as businesses have to waste time chasing assistance that is time consuming, expensive and often comes to nothing. Skills shortages are less as there is a glut of staff but the underlying issue is that we do not put the brightest people through technical colleges but rather send wholesale to university which is no use to industry and means with the European system we are falling behind on technical skills, whilst laying off those few with skills, meaning we are falling so far behind. We are rapidly heading to a situation where we will not compete with Europe and this will shrink the home market, even the small businesses are starting to see this.
12	Those that could possibly cease trading are relatively new businesses in highly speculative areas - good punt in a boom period but high risk in a recession
	After an initial hesitancy, most of my clients have now recovered their posture and determination and are making rough headway through the turmoil.
	A mix of those surviving better (with enhanced management and marketing skills) and those less well (with low skills) holding their own with external encouragement.
	Adequacy of working capital seems to be the key management issue at present - helped by more stability of payment promises than we might expect in this phase of the recession
	All the financial questions are about saving costs. What about some questions regarding making money?
	I am having great success advising my clients to increase their prices - between double and five-fold in most cases. virtually every one of them has been severely undercharging for ages!
	Answers are more difficult to obtain as clients are less willing to discuss these types of issues. Not sure if this is protectionism or not wanting to appear as if they are having difficulty.
	Banks have caused this recession and they have since profited from it!
	Clients who "bury" their heads in the sand, doing nothing and ignoring problems will not survive. But nor would they survive in the "good" time either!
	Difficult to comment because I have too few current clients for the percentage figures to have much meaning
	Funding for business support and advice and major changes in support systems are making it harder for businesses to access good quality advice when they need it. More and more target-driven box ticking and less emphasis on the real job of helping businesses is going on in the larger support organisations. Cut the numbers of qangos

	mopping up the funding on administration. Simplify support systems and access, and give more of the funding to the front line advisers out there doing a difficult and critical job for a pittance.
	I have seen increasing evidence in the last three months of organisations delaying payment of invoices and/or not paying at all.
	Inland revenue repayments now taking considerably longer leading to more hardship among the clients.
	Job Centres are unrealistically encouraging people to start businesses. A huge number of people are starting a business simply because they cannot find a job but their heart is not in it and they are not realistic.
	Legislation in the pipeline is going to be very unhelpful to allowing companies and businesses ride the recession and look at growing their business and employing more staff. e.g. pensions.
	My experience is in the Hull and East Yorkshire area. The floods of two years ago have meant a huge amount of insurance company money has been pouring in to the local economy for builders, allied trades and furniture and carpet suppliers. The picture in the area is probably distorted by this as compared with the UK generally. That process is now coming to an end. On the other hand, the caravan manufacturing industry which was almost wiped out by the severe curtailment of borrowing late last year seems to be getting back in to its stride and rehiring employees made redundant at the time.
	Please add more "Don't know" options. Some of the areas you ask about, I don't personally have experience of. Next time, ask some more questions about marketing and sales - how this is changing/developing with the recession?
	Retail clients seem to be finding it hardest with a significant drop in on-line sales over the past 3 months.
	Small businesses need more support financially and less red tape to get to survive the recession
	The impact of the recession seems to be going down the supply chain from the big to small companies, and it is the smallest companies who are now feeling the drop in business. I see no sign of an upturn coming among my clients. The cost of making staff redundant is a significant factor for 2 of my clients. Looking to go into administration as they cannot afford to pay redundancy. Cash flow forecasting and cash management are key to survival at present. My most popular service is helping in this area.