

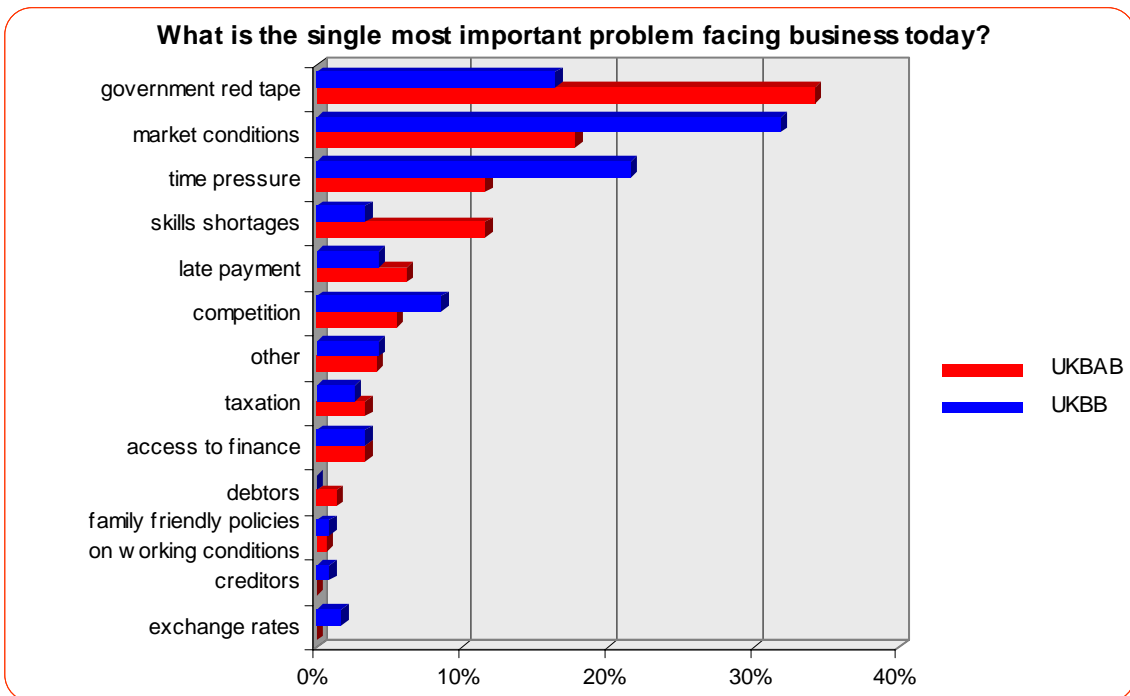
## UKBAB 57 May 2007 Analysis

For the May survey we invited panellists to give their views on what is the most important problem facing business today, what is important for stimulating business, 'micro-finance', clients and their personal professional development, the Small Business Forum, training plus, retirement and other work related questions.

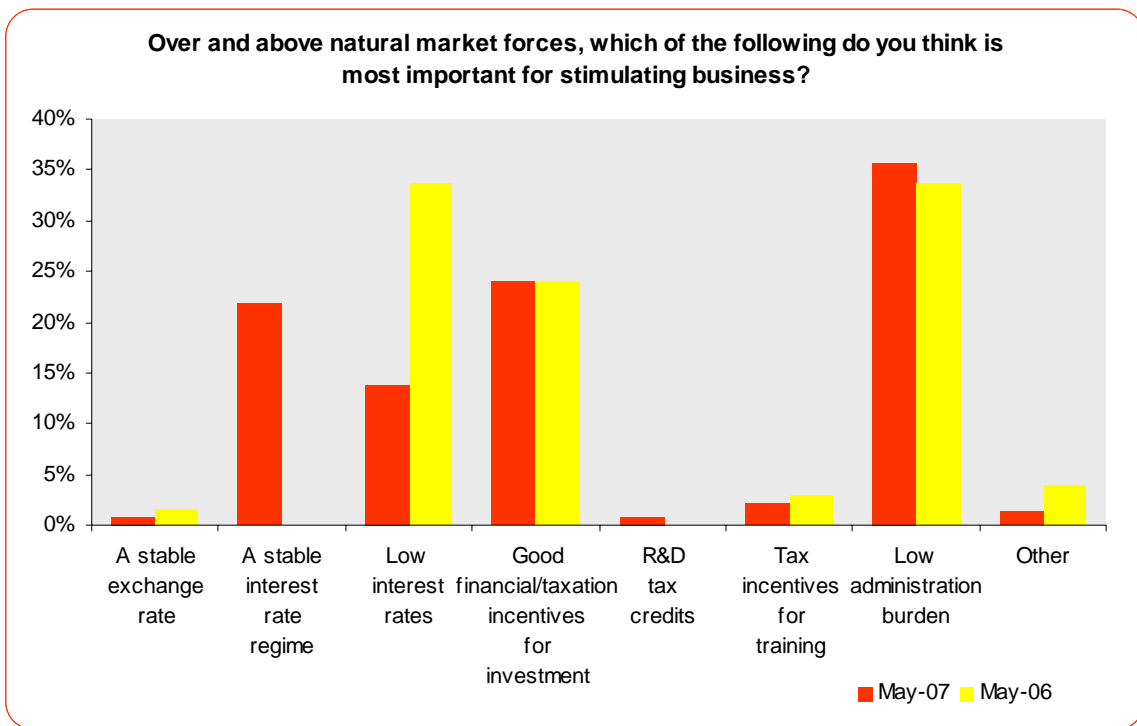
In total 146 Business Advisers responded to this Survey.

### Survey Findings

This month we took a look at views of "the single most important problem" for smaller businesses. Amongst UKBAB respondents, government red tape came out top with 34%, with market conditions second, 18% and time pressure/skills shortages joint third, 12%. In our parallel survey of smaller businesses, the UKBB, we asked what panellists think is the most important problem facing their own business today. Market conditions came out top with 32%.



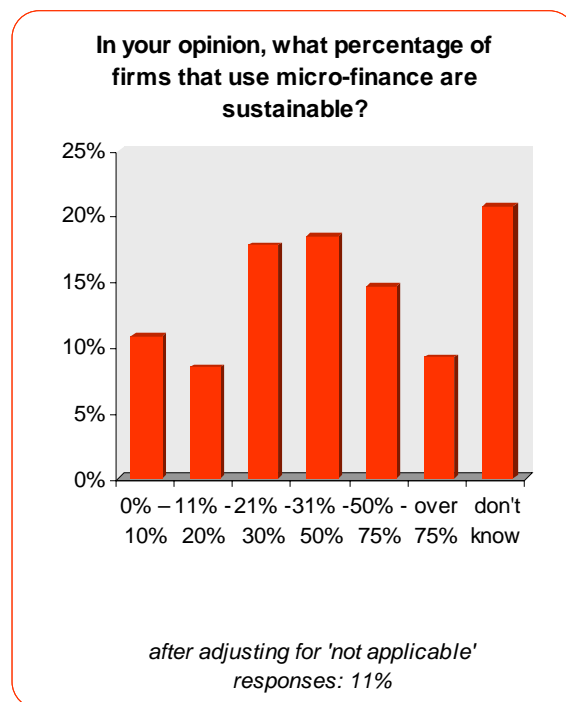
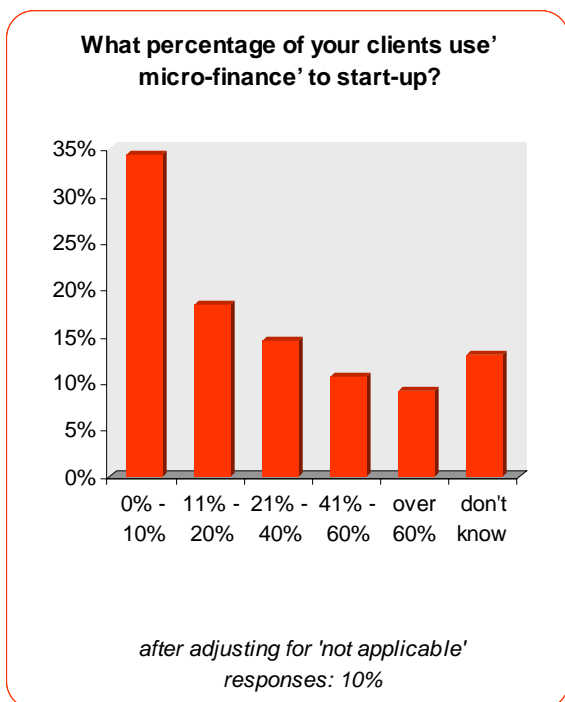
Business Advisers are well placed to appraise which factors in the business environment are the most important for businesses. When asked to select the single most important factor for stimulating business, 36% of UKBAB respondents chose a low administration burden, while 36% chose either a stable interest rate regime or low interest rates. Smaller businesses that were surveyed through the parallel UK Business Barometer also picked out the areas of interest rates and burden of administration as being important for stimulating businesses.



Government support to encourage micro-finance has been through three main initiatives: the Phoenix Fund, which closed in 2006 but was instrumental in funding 63 Community Development Finance Institutions (CDFIs) throughout deprived areas of the UK, and these are ongoing; through LEGI (the Local Enterprise Growth Initiative) and through the Small Firms Loans Guarantee (SFLG). Typical micro-finance clients are self-employed, often household-based entrepreneurs with low incomes, who do not have access to mainstream financial institutions.

31% of respondents to the UKBAB have less than 10% of clients using micro-finance to start their businesses, 39% say that between 11% and 60% of clients use micro-finance and 8% have more than 60% of clients financing start-ups this way.

Although 19% of respondents believe that less than 20% of firms using micro-finance are sustainable, 36% say that between 20% and 50% are likely to last, and 24% think that more than 50% will survive, after adjusting for 'not applicable' responses.

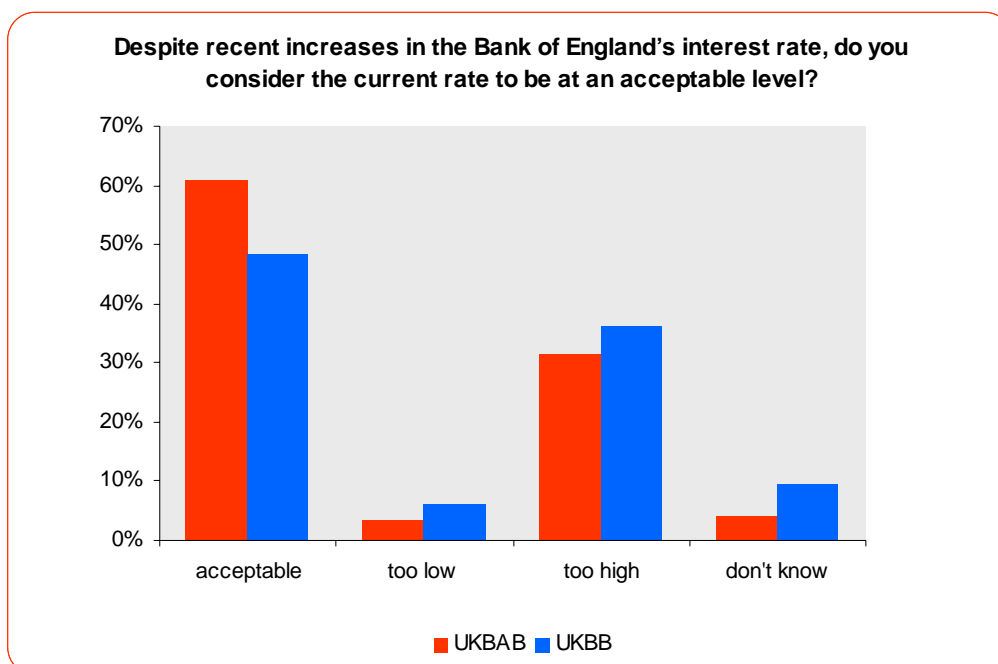


In the April survey respondents most frequently chose marketing/sales and management as the two areas of consultancy which would benefit their clients most. It seems that clients rarely take steps themselves to gain training or attend courses in these or any other areas since 71% of respondents say that less than 20% of their clients are actively involved in their own professional development and only 9% of respondents think that more than 40% of their clients undertake further formal professional development.



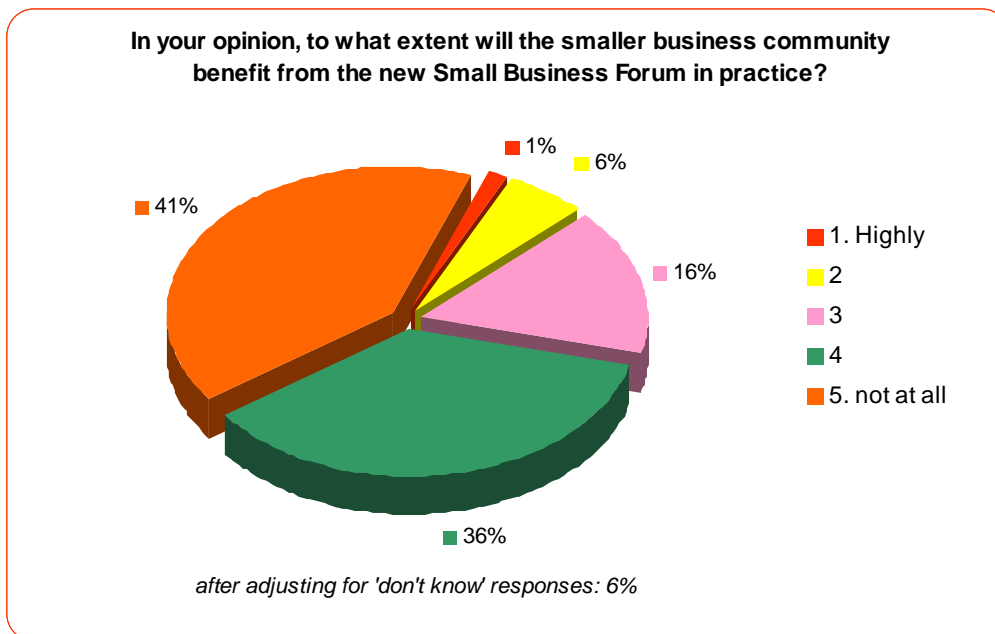
In May, the Bank of England raised its interest rate for the fourth time since July last year, reaching 5.5% - an increase of 1% over the period. With many financial sector economists predicting that a further increase is likely, panellists were asked whether they find the current level of interest rate acceptable. The same question was asked in the parallel survey of smaller businesses, the UKBB.

32% of UKBAB and 36% of UKBB respondents consider the current rate to be too high, although 61% of UKBAB and 48% of UKBB say that it is acceptable.



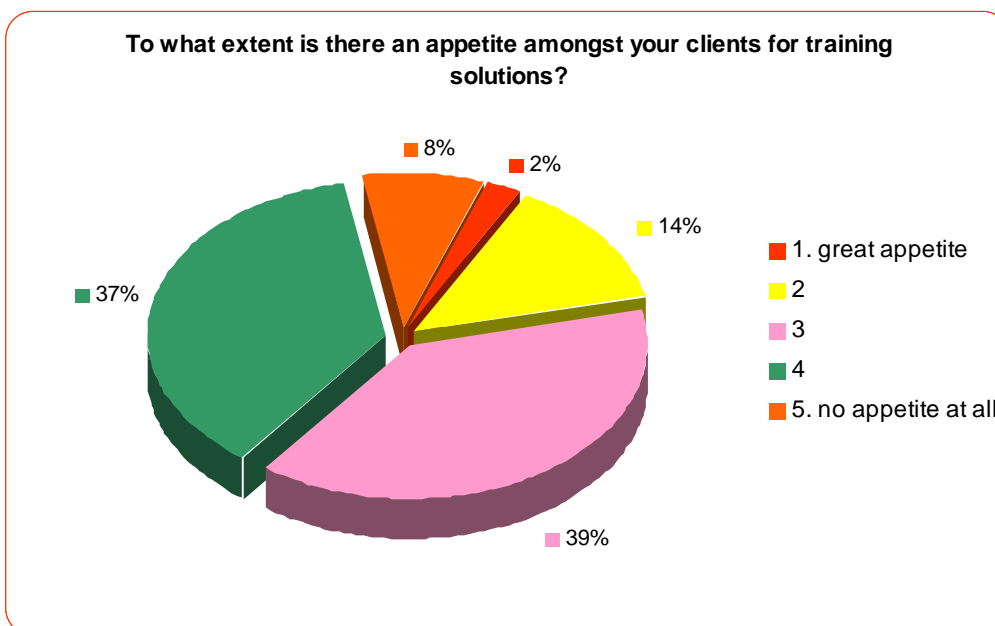
The first meeting of the Small Business Forum took place in May 2007. Minister for Industry and the Regions, Margaret Hodge, said that, "...it will be a new opportunity for me to regularly meet ten small business owners and each of the UK's main business membership bodies in an open and frank round table meeting." Panellists were asked to what extent the smaller business community will benefit from such a forum in practice.

Respondents were somewhat negative in their response to this – 77% said either not at all or, in effect, 'very little'.



"The development of economically valuable skills is the most important issue facing British businesses today," Sir Digby Jones, speaking at the British Chambers of Commerce (BCC) Annual Conference 2007, warned firms that time is running out for them to tackle the skills gap highlighted last year in the Leitch report. Panellists were asked to what extent there is an appetite amongst their clients for training solutions.

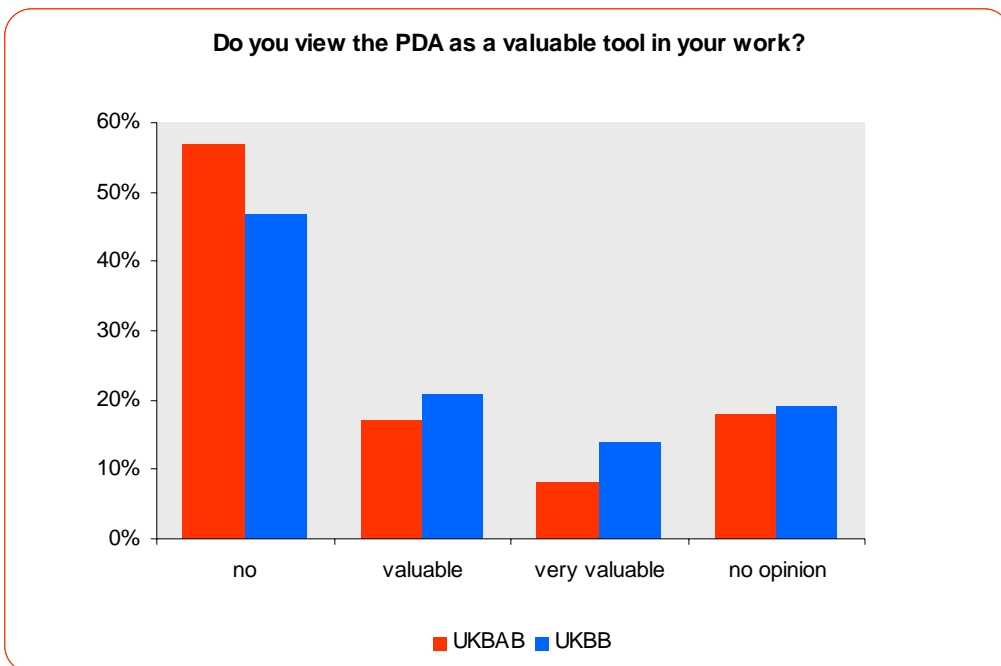
16% of respondents say there is a great or moderately great appetite for training solutions while 45% say there is little or no appetite at all.



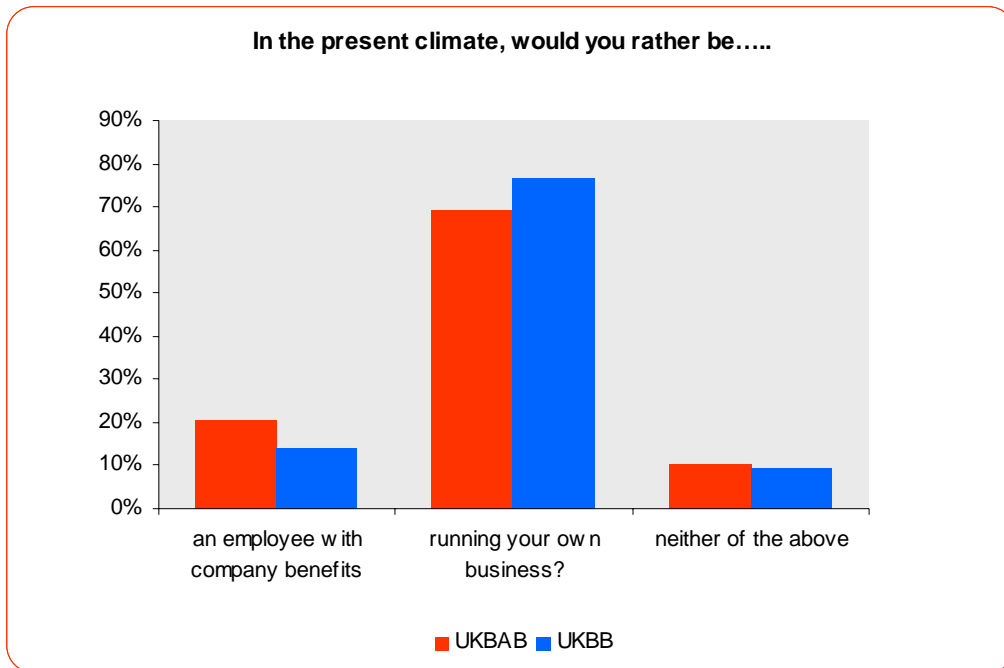
Supporting the findings of the previous question, for 63% of respondents, less than 25% of clients have planned staff training processes, while only 14% of respondents say than more than 50% of their clients provide planned training processes.



PDA's (Personal Digital Assistants) have been widely available in the UK for well over seven years now, and like other electronic devices they have massively increased in computing power and capability every year. Converts use them intensively, but amongst respondents to the UKBAB there is not such widespread enthusiasm. 57% said that the PDA was not a valuable tool for their work, although 17% find it valuable and 8% rate it as very valuable. Amongst the smaller businesses responding to the parallel UKBB survey, a smaller percentage (47%) said that the PDA was not a valuable tool for them.



Asked what they would rather be doing in the present climate, 69% of respondents said they would rather be running their own business while 20% said they would rather be an employee with company benefits. We asked the same question in the parallel survey of smaller businesses, the UKBB, and 77% of respondents to that survey also said they would rather be running their own business, while 14% said they would prefer to be an employee with company benefits.



It seems that state retirement age has little interest for either UKBAB or UKBB panellists, since 42% of UKBAB and 38% of UKBB respondents say they would like to retire as soon as possible, and 34% of UKBAB and 30% of UKBB respondents would like to go on working after state retirement age. The actual percentages that would like to retire at state retirement age were quite low: 8% of UKBAB respondents and 11% of UKBB respondents.

**Listed below are some of the personal views supplied in feedback received from respondents to Survey BaB57 May 2007**

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

"Market conditions" [Q1] covers the rapidly developing international competition in software and knowledge-based industries, particularly from India and China.

Re. the last question..... **“ If circumstances were to permit, would you..** 1. retire as soon as possible 2. retire at state retirement age 3. retire later than state retirement age 4. other

.....I retired aged 53, and very quickly got bored. I started my business, offering business advice to SMEs, almost six years ago. I'm now semi-retired planning to work up to 3 days per week, and have no intention of stopping!!

Whilst I would not wish to retire now I would significantly reduce my working week/year.

I am about to emigrate to Australia. Our major client wants to protect the loss of our skills, by employing us. We are going from company owners to employees. I would prefer to have remained a business owner, but the benefits of living in Aus outweighed all other considerations. Britain is a difficult place to do business. Late payments, cynicism, lack of government support to small businesses (I am a Business Advisor) and the glass ceiling all make Aus a much more attractive proposition. Not to mention better educational opportunities.

The burden of ill considered Government legislation is enormous. Business has largely absorbed the high cost of compliance for little or no benefit. However this largesse by the business community was undertaken with a background of low interest rates and relative prosperity. We are now entering rather less stable and uncertain times and compliance will now become an issue due to cost. We cannot and will not remain competitive on the world stage when we have burdens in this country which either don't exist or are largely ignored elsewhere. Increases in tax on top of the existing high costs will merely accelerate the decline. I am tired of complying with legislation which should never have been applied to my business in the first business and I am also tired of policies which pull everyone down to the level of the lowest common denominator - what is wrong with success? Without it no one would have anything!