

UKBAB73 October 2009 Analysis

The UK Business Adviser Barometer seeks to shed light on how advisers perceive that 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 the survey is deliberately kept short, but additional comment on problems facing business is invited as part of the survey submission and is reported within the analysis.

There are many activities designed to encourage, advise and support new and growing businesses. This quarter's survey asks questions on the sourcing of new ideas and seeks to learn about the ways in which findings from activities undertaken and lessons learned by advisers are disseminated to others. Also included are three questions on the reporting of enterprise and entrepreneurs by the media plus the usual quarterly trends questions.

The total number of business advisers taking part in the October survey was 216 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 17th November 2009.

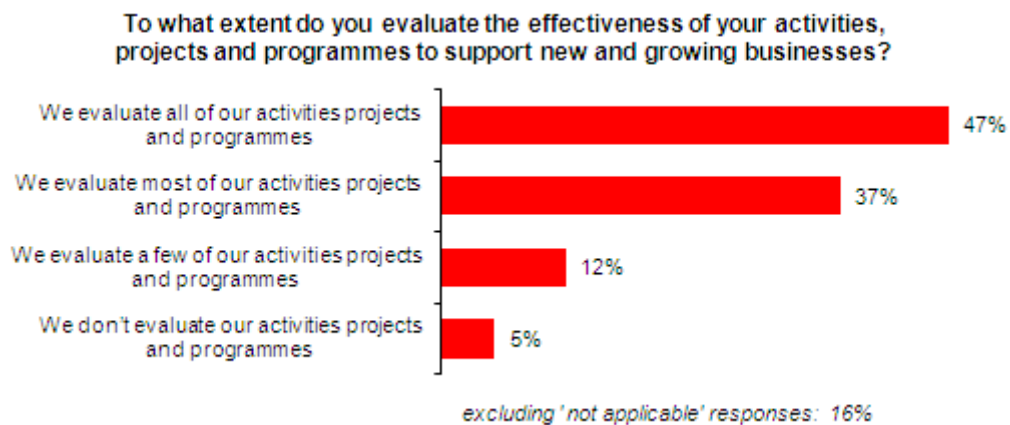
Survey Findings

UKBAB panellists are all business advisers but they come from a wide variety of skill bases, including one or more of the following areas of expertise:

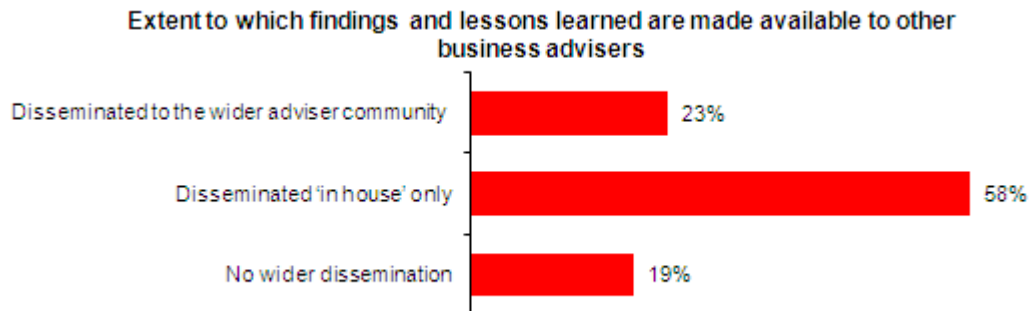
Accountancy	Business Planning
Finance	ICT
Legal	Manufacturing Processes
Marketing	Quality
Sales and Purchasing	Workforce Development

The advisers also use a great variety of techniques to deliver advice, such as one-to-one contact, online interaction, and training. The first two questions of the October 2009 survey investigated the extent to which the panellists examine and analyse the usefulness of the support they offer, and how much they share the results of so doing.

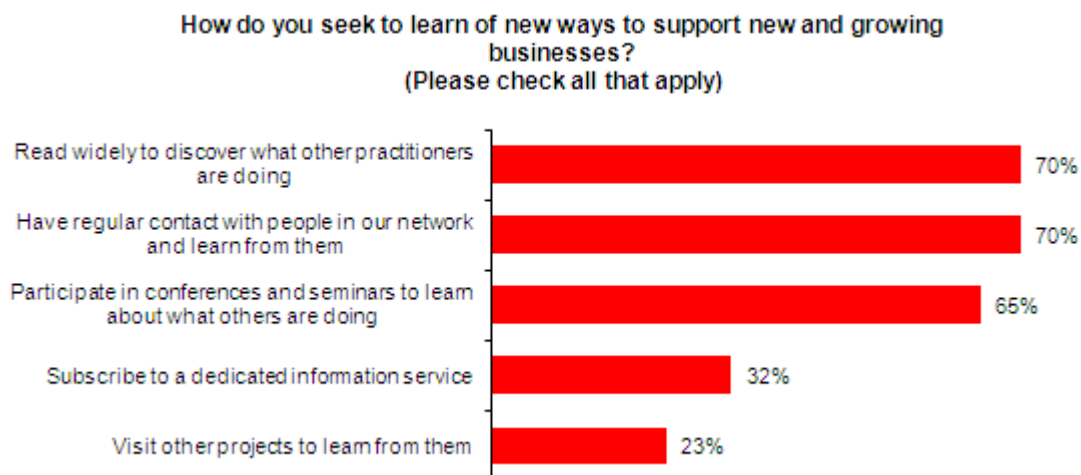
The survey found that 47% of panellists who run activities, projects or programmes evaluate the effectiveness of everything they carry out, while 37% evaluate most of their support undertakings.



Only 23% say that findings are shared outside their own organisations although 59% do disseminate their conclusions 'in house'. More use is made of findings by those respondents who evaluate all of their activities, projects and programmes – 67% circulate conclusions 'in house' and 26% disseminate them to the wider adviser community.



Keeping pace with new ways of business support can be done in several different ways and most respondents use more than one channel of communication to do so. The most common ways are by reading widely (70%), by networking with other people (70%) and by participating in conferences and seminars (65%).



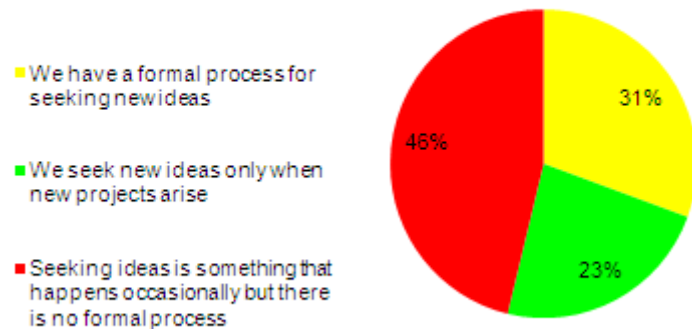
Contributors were invited to recommend newsletters, websites and other sources which they find helpful in finding new ideas for business support. The following table lists the ideas sent in:

<ul style="list-style-type: none"> Access to European projects through the <u>Leonardo da Vinci fund for Partnerships</u> - encouraging visits. UK National Agency is Ecotec, Birmingham. See www.leonardo.org.uk 	<ul style="list-style-type: none"> On line communities such as: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Training Zone</td> <td>LinkedIn</td> </tr> <tr> <td>HR Zone</td> <td>About.com</td> </tr> <tr> <td>McKenzie newsletter</td> <td>RapidBI</td> </tr> </table> 	Training Zone	LinkedIn	HR Zone	About.com	McKenzie newsletter	RapidBI
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<ul style="list-style-type: none"> Enterquest Cobweb Bad News for Business Advisors e-letter is extremely useful. 	<ul style="list-style-type: none"> Fully-subsidised help: Business Link and the Business Link web-site, www.businesslink.gov.uk 						
<ul style="list-style-type: none"> Federation of Small Business produce excellent information on a bi monthly basis Start Your Own Business Magazine 	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td> <ul style="list-style-type: none"> www.bl.uk www.businesslink.org.uk www.bni-europe.com </td> <td> <ul style="list-style-type: none"> www.own-it.org www.nfea.com </td> </tr> </table>	<ul style="list-style-type: none"> www.bl.uk www.businesslink.org.uk www.bni-europe.com 	<ul style="list-style-type: none"> www.own-it.org www.nfea.com 				
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<ul style="list-style-type: none"> The International Council for Small Business ICSB and its European counterpart ECSB The East of England Observatory The Chartered Management Institute CIPD 	<ul style="list-style-type: none"> We work closely in partnership with a London based Business College and share ideas and experiences with them. We therefore both gain. 						

46% of respondents have no formal process for seeking new ideas for business support but do seek new ideas occasionally, and 31% have a formal process in place.

The remaining 23% only search for new ideas when new projects arise.

To what extent is the seeking of new ideas to support new and growing businesses a continuous activity?

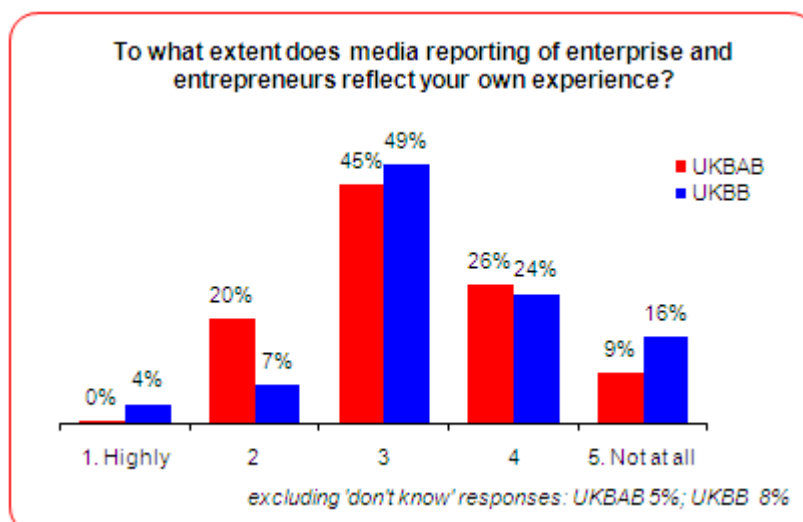


excluding 'not applicable' responses: 7%

Several observations were made in response to this question:

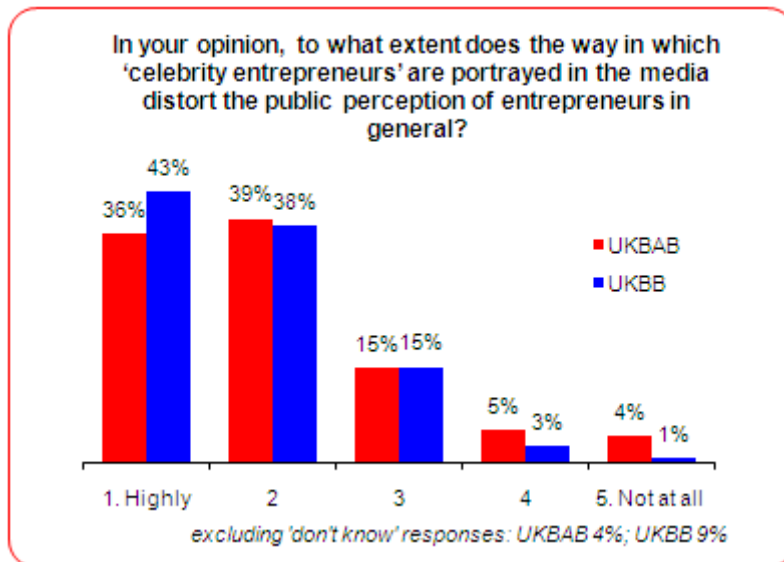
- "The problem isn't the lack of new ideas; it is the lack of funding to implement them."
- "...we are constantly seeking new ideas for supporting new and growing businesses but have no formal systems for doing so. Usually it is not the idea that is new, just the way in which it can be applied."
- "...we continuously seek ideas, but do not have a formal process. To have a formal process for this I would consider stifling the generation of ideas. To generate ideas requires all types of thinking, then a formal process can be undertaken once the ideas have been generated to harness their delivery."
- "Seeking new ways to support businesses is a continuous process - but it is based on the experience and current practice of a team of some 30 advisors, rather than a formal process. Q4 options are too narrow."

Business advisers are well placed to acquire an in depth knowledge and experience of enterprise and entrepreneurs and, asked to what extent media reporting reflects their experiences, only 20% were able to say that it does so highly or reasonably highly while 35% said that it does not reflect their experience at all, or not much. The same question was asked of the participants in the parallel survey of smaller businesses, the UK Business Barometer, and only 11% of these thought media reporting reflected their experiences.



Considering how 'celebrity entrepreneurs' are portrayed in the media, the survey asked participants to say whether they thought this distorted the public perception of entrepreneurs in general. 75% thought this was the case to a high or reasonably high extent while only 9% thought this didn't happen at all, or not much. Over 80% of respondents to the UKBB thought reporting of 'celebrity entrepreneurs' distorted public perception of entrepreneurs in general.

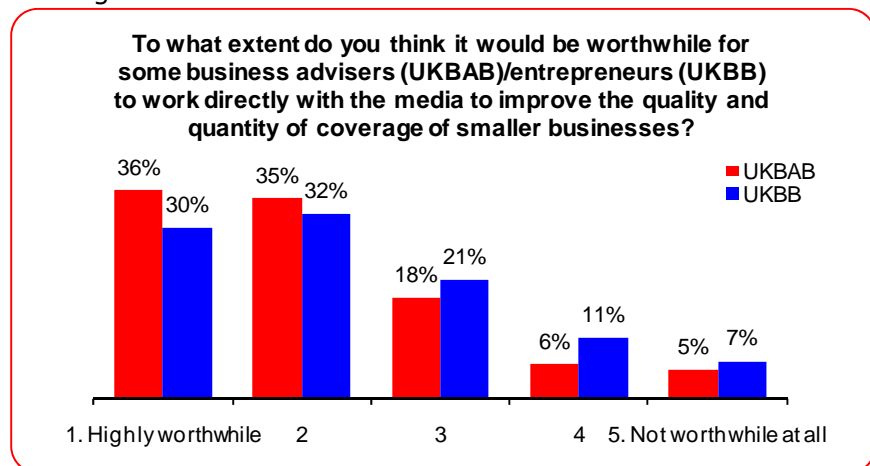
However, one respondent said "I work with schools, raising awareness of business enterprise to students under the age of sixteen and I believe the 'celebrity entrepreneur' has had a positive impact with this group."



Media coverage of smaller businesses is therefore felt to be distorting both in terms of the reality of enterprise and of entrepreneurs in general by many of the respondents to this survey and to the UKBB. One respondent went as far as to comment "Media are increasingly revealing themselves as the politico/business that they really are. Unless it is 'green' or fashionable in another way (e.g. celebrity based) they just aint interested in the world of business. With the exception of programmes like Radio 4's 'the bottom line' and even this has its moments."

Over 70% of respondents said that they thought it would be highly worthwhile or reasonably worthwhile for some business advisers to work directly with media to improve the quality and coverage of smaller businesses.

The UKBB survey asked smaller businesses how worthwhile it would be for some entrepreneurs to work with the media towards the same ends. A smaller but still significant percentage said it would be worthwhile, to a high or reasonably high extent, although 18% said it would be not, or not very, worthwhile.



Some UKBAB respondents had reservations:

- "As long as the advisers are not all high fliers, as you need advisers who deal with the small/very small businesses to have input or you end up with public perception being distorted as in [the preceding question]. I do get people thinking that it is easy to make the business work without adequate research and other inputs".

Others suspected that the media would be less than enthusiastic:

- "Smaller business advisors are small businesses themselves. The Main obstacle to involvement with the media is that they are earning their living and don't have time to spend on such unpaid projects."

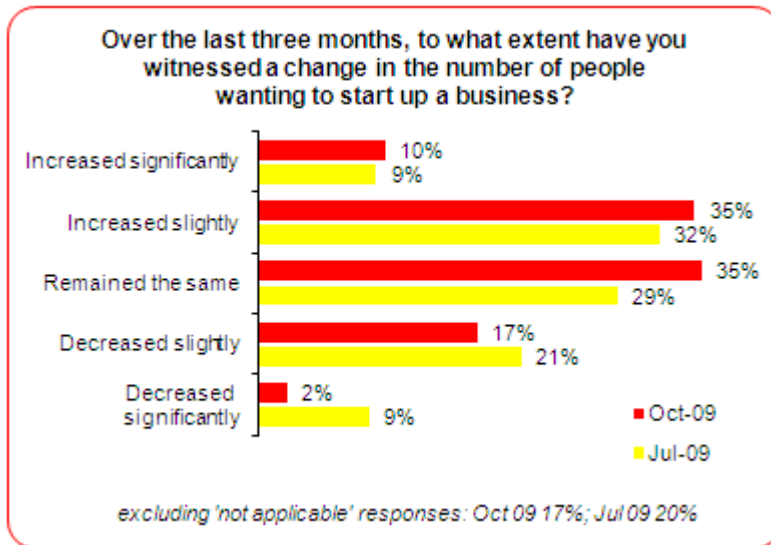
Trends Questions

The indicator of changes in numbers of clients seeking business advice over the past 3 months showed a small increase of just over 1% compared with a 9% decrease over the previous three months to July 2009. 33% of respondents reported no change in numbers.

The number of advisers experiencing increases in enquiries continued to outpace the number experiencing decreases in enquiries, by 40% in the three months to October compared with 37% in the three months to July.



The average of the results for the three month period to October 2009 for the number of people wanting to start a business, increased between July and October 09 by 7% (following a 2% decrease in the three months to July 09).

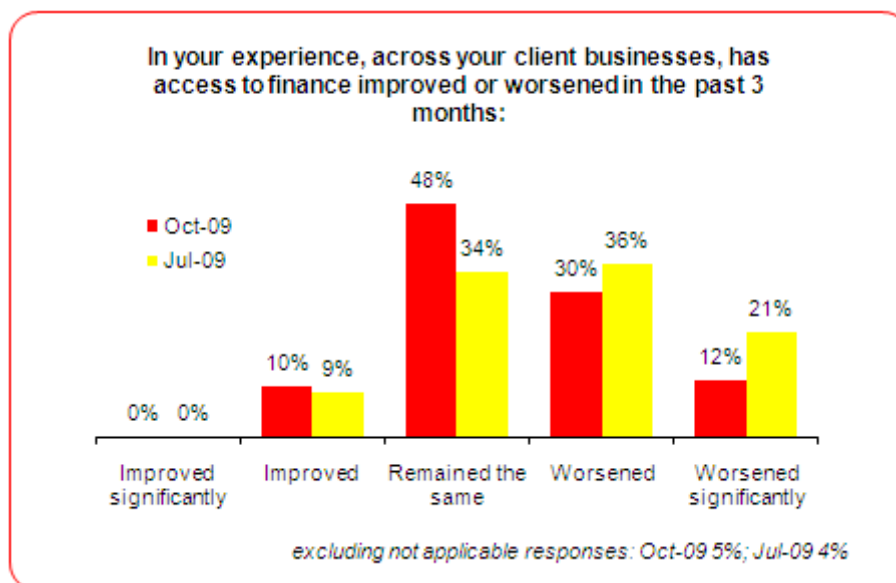


The balance, which tends to be volatile, between the percentage witnessing significant or slight increases and those witnessing significant or slight decreases in the number of people wanting to start a business moved from +12% in July 09 to +25% in October 09.

The following comments offered by two contributors may (or may not) give a flavour of the current state of new business activity:

- "As far as new business enquiries, things are not good. There are fewer enquiries than before and many are simply trying the same ideas where others have failed before them."
- "The 'quality' of business start ups has decreased over the last 6 months and many of the referrals from Job Centre Plus are completely inappropriate. Some are told that Business Link has grants for them and others just don't stand a chance!"

Having dropped back by 6% in the three months between April and July, the index measure of clients' ability to gain access to finance improved by 11% between July and October. 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 was less negative, improving from -48% in July 2009 to -30% in October. Most of the change between the two results came from an increase in the number of respondents who say that access to finance has stayed the same for their clients over the period.

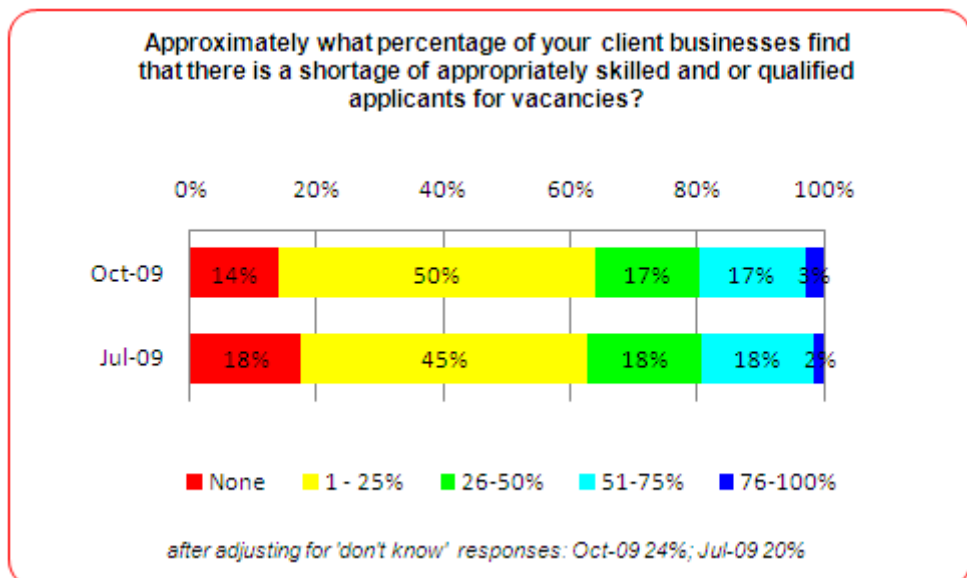


The question on access to finance triggered several written opinions:

- Finance is worse than ever - there is so much bluff in the press and government hiding the truth - that is what I am hearing loud and clear. Promised support is not turning into real support.
- Finance is still the 'roadblock' to recovery. Once again attention must be drawn to the difference between government rhetoric and actuality with regard to the availability of credit for start-ups and helping SME's to survive. Despite all the talk, banks ARE NOT LENDING, the banks are hiding under a cloak of action but at the same time putting up insurmountable conditions for the guarantees for loans. One of our clients, for example, was asked not only to put up his own home as collateral, with an equity value of £150,000 but also his mothers house!!!!!! all for a 6 month £50K start up loan.
- Liquidity has returned somewhat to the banking system. Therefore there is funding for existing businesses with a good track record. No funding whatever seems to be available for start ups.
 What is not publicised in the media is the responsibility that small businesses have for producing up to date accounts in order a lender can really assess where the business is and where it is going.
 All too often the banks are blamed for declining a proposition when it is the business that has not prepared its proposition in a professional manner
- The way government grants are promoted and distributed is distorting the economy. They offer grants which turn out to be retrospective, but are only offered where needed. Businesses used to be able to meet the shortfall between what they could afford and the cost of the item / service / project with a bank loan - and had to carry the interest on the loan. Now these loans are unavailable, a business either has to borrow or raise capital elsewhere - they cannot fund it themselves because if they did they'd be ineligible for the grant. If they cannot meet the shortfall, they do not get the grant and the item / service / project does not go ahead. Not going ahead damages the company in need of the item / service / project and also the companies they would have bought from. This restricts the economy. There is another point too. Where a grant is awarded, it is retrospective and therefore the goods or services have already been purchased before the money is forthcoming. But the grant is awarded to pay for those same goods and services that have already been paid for - which seems to me to be impossible - how can you pay for the same thing twice? It is either bought or not bought. To remedy both these failings - grants should be awarded prior to purchase so that the companies can go out and buy what they need. By switching to 'before-purchase' payments, government would be demonstrating trust in the public / business community - which might go some way to restoring our trust in government!

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

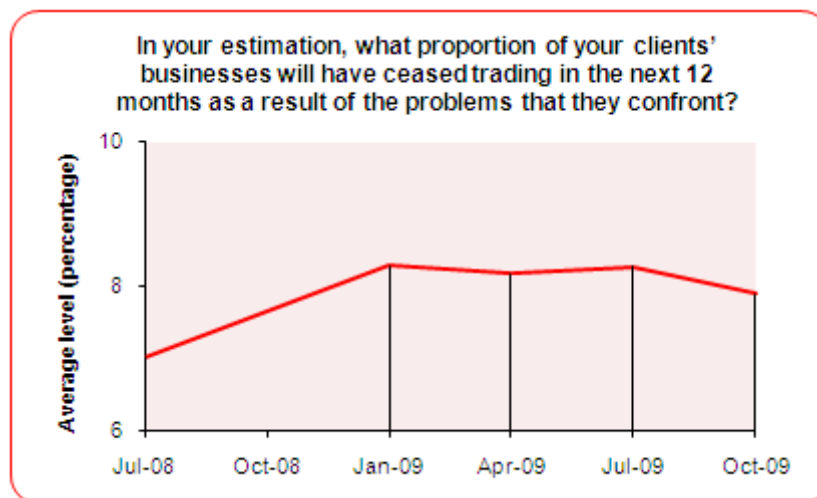
In the July 09 survey, the average overall percentage of clients experiencing



shortages of appropriately skilled applicants was 24.9% and by October it had moved up to 25.5%. A respondent commented "If there is a skills shortage it is for people with common sense, a good work ethic and communication skills....."

At the time of the July 2009 results, Advisers were still pessimistic about the continuance of their clients trading over the next year. The index had dropped a little between January and April, following an increase of 18% between July 08 and January 09 but over the next three months to July it almost regained its January level. The most recent three months has seen a 4½% decrease in the index.

14% of Advisers consider that none of their clients will close over the next year, but 62% thought that up to 10% of their clients might cease trading. The expected higher numbers (over 11%) of business cessations were virtually static at 25% in both July and October 09.



Listed below are some of the more general personal views supplied in feedback received from respondents to Survey BAB 73 October 2009.

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

- a general election can't come fast enough!
- Businesses want people to be skilled on work ethic not being up skilled for the sake of it - there is a serious lack of work ethic at all levels - also even grads are coming out with such low standards of reading and writing it is questionable how they get into Uni in the first place. This cost employers time and money when times are tough.
- If there is a skills shortage it is for people with common sense, a good work ethic and communication skills. There is a vast oversupply of graduates and college leavers with irrelevant vocational qualifications who cannot contribute to the world of work in SMEs.
- if you are going to ask (Q12) what proportion are going to cease then you should also ask what proportion are going to expand ... I anticipate up to 10% of my client base are currently expanding rather than contracting.
- Question 12: I think that businesses that go out of business is because they do not confront problems - in the correct manner!
- The Business Support Simplification Agenda is creating as many problems as it solves. The loss of long-standing successful Enterprise Agencies (with direct contact and relationships built with businesses) in exchange for Business Link Call Centres and Advisers who do not advise\coach\counsel\mentor and train but merely do brief 'diagnostics' and then 'signpost' - usually to expensive 'providers' - is the worst possible scenario in a recessionary business climate.

