



Forum of Private Business (FPB) Preparing for Growth

Summary

The FPB surveyed 5,800 of its members during the first two weeks of September 2009 to find out when business owners expected their business to start to grow and the problems that they anticipated facing. The research also looked at what businesses wanted their elected representatives to do to support their business.

Businesses are cautiously optimistic about the future with 28% of businesses expecting to see an increase in sales and turnover in the next three months. Fewer than half of these businesses are looking to expand their businesses significantly during this financial year as many are worried about accessing the necessary capital to enable expansion.

The Christmas period will be vital for small and medium-sized businesses as at this stage more businesses will be recruiting than reducing staff numbers. Any recovery will remain weak until SMEs are confident that banks are prepared to lend to businesses wishing to expand and the threat of a double dip recession has been removed. These research findings as such appear to support recent CBI forecasts on the economy.

70% of businesses are actively developing their business but with an increased wariness of the bottom line. 48% of businesses frequently review their costs to get the most out of their supply chain, and a similar proportion concentrate on cash flow as a key element of their growth strategy. 38% would like support with marketing and using new media to expand the range and effectiveness of their sales drive, however half of businesses are uncertain whether this or other support can be found due to concerns over cost and difficulties about raising sufficient capital.

Even in areas such as training, where businesses could provide a large amount of training internally, the need for accreditation, the time poverty of owners and line managers and the need to take the business to new levels mean that there is also a cost implication to training for growth. Business process improvement was seen as a key area as businesses continue to look at the profitability of their business.

In terms of financial reporting, 37% of businesses feel that they are in better shape than in 2008, but feel that this is not recognised by lenders who are still focussed on funds for business survival. While some businesses are looking to survive rather than grow, business owners do not perceive that banks and financial institutions are prepared to lend to businesses that are looking to grow. One of the main areas where businesses felt that financial provision could be improved is greater flexibility in adapting terms and conditions to the changing needs of the business.

“We believe our business is well set up and well supported to cope with any changes and growth planned for the next 12 months.”
FPB member response

Timescale for growth

Businesses were asked when they anticipated the changes shown in the table below to occur to their business. 13% were already seeing an increase in sales/orders but businesses are wary about expanding in the current climate – only half of those seeing an increase are looking to expand and/or recruit staff. Overall the figures show that the Christmas period will be crucial to any recovery from smaller businesses making a significant impact on the economy.

Figure 1: Timescales for business development

	Now	Next 3 months	Next 6 months	Next year	Not relevant
See an increase in orders/sales	13%	15%	19%	47%	6%
Expand your business	7%	7%	11%	45%	31%
Recruit new staff	8%	9%	10%	37%	37%
Reduce staff costs / hours	26%	12%	7%	3%	52%
Amend your business / marketing plan	29%	20%	14%	10%	26%
Look to access further finance	12%	12%	10%	13%	53%
Review supply chain	28%	15%	10%	7%	40%

Based on these figures, around 170,000 of all UK small and medium-sized employers are seeing an increase in the orders or sales. Of these 170,000, 61,000 (37%) are currently expanding their business and 29,000 are looking to take on staff (17%). However 19,300 businesses will need to access finance within the next three months to ensure that these orders and sales are met.

For those who are confident of increases in sales over the next six months, a small proportion – equivalent to 12,900 firms – are currently looking to expand their business and a further 19,400 are looking to increase staff. Around 117,000 businesses will expand or recruit new staff in the next six months, however almost 290,000 will wait until the next financial year to expand their business significantly.

26% of businesses are currently looking to reduce staff costs or hours, this equates to around 311,500. This may not mean redundancies as shorter hours and limiting of benefits (expenses, pension, company car etc) all fit into this category. The trend does show that smaller employers expect to have made the majority of their planned reductions to staff costs within the next three months. Over half of small and medium-sized employers (52%) do not expect to see any further reduction in staff costs and hours.

It is anticipated that employment by small and medium-sized firms will begin to outstrip redundancies in the next three to six months providing that the business climate does not deteriorate significantly through banking or significant corporate failure.

Strategies for growth

Around 30% of businesses do not plan to introduce any strategy for business development or growth. Micro businesses are the most likely to look to grow their business in the next six months and the majority are expecting to do so by a concerted sales and marketing campaign.

The larger the business the more likely it is to concentrate on minimising cash flow problems, whilst smaller employers (those with fewer than 50 employees) are more likely to see a route to expansion in targeting customers in the UK.

Almost 40% of micro employees are looking to introduce some sort of new product or service to aid business development.

Figure 2: Time strategies for growth

	Total	9 or fewer employees	10 to 49 employees	50 to 249 employees
None - we will remain as we are	30%	34%	24%	38%
Introduce new products or services	38%	39%	37%	23%
Target new customers in the UK	52%	48%	54%	33%
Start or increase exports of products and services	12%	12%	14%	10%
Try to sell more to current customer base	47%	44%	51%	31%
Review/cut costs	48%	43%	52%	36%
Concentrate on cash flow	47%	44%	54%	54%
Improve customer satisfaction	45%	39%	50%	36%

Unsurprisingly, those in the construction industry are most likely to be looking to develop the business with a strategy that involves close attention to cash flow, with 63% making this a priority.

Those in the East of England (26%) and London (23%) were most likely to consider export markets as were manufacturers (17%) and wholesalers (15%). Retailers (59%) and manufacturers (57%) were looking to sell more to their current customer base.

Business support for growth

Business owners were asked how they intend to develop their business in the next six months. 28% of businesses felt that they did not need any advice or guidance.

Figure 3: Business support required and its availability

	Total	Support is available	Support is unavailable	Unsure of availability
None	28%	-	-	-
Cost-effective marketing	38%	42%	30%	29%
Use of new media to sell to customers	23%	46%	26%	29%
Advice on access to finance	19%	41%	37%	22%
Strategic planning	19%	51%	18%	31%
Time management	16%	51%	20%	29%
Financial planning	16%	54%	28%	19%
Quality management and processes	15%	47%	30%	23%
New product development	14%	53%	22%	25%
Credit information on other businesses	13%	46%	26%	28%
Support on redundancy issues	11%	46%	26%	28%
Risk management	11%	43%	30%	27%
Support on dealing with staff absence	10%	49%	21%	30%
Analysis of training needs	10%	50%	25%	25%
Support on recruitment issues	8%	45%	32%	23%

“I currently have the best team I have ever had in over 30 years of business. They are fully equipped and able to meet changes.”
FPB member response

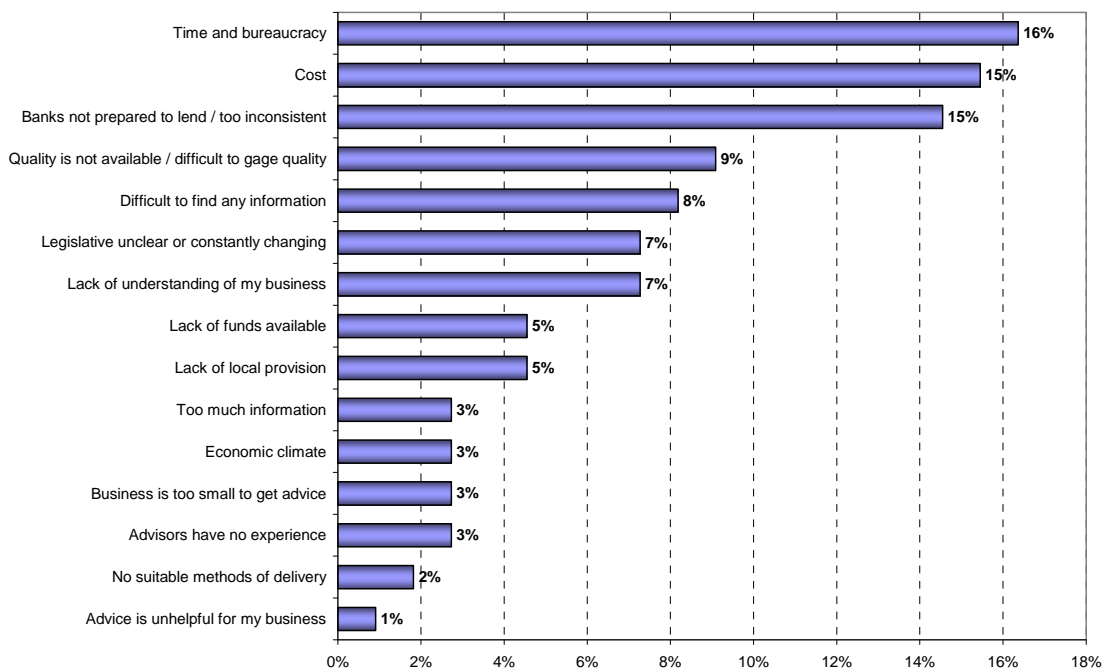
In around 50% of cases businesses were able to access all the support that they needed. Businesses interested in support for business process improvements are the most likely to be able to access support. Those areas of business support which are likely to change relatively quickly (such as access to finance or the legislation dealing with risk management) were least likely to be readily available to people.

Businesses were asked overall whether all the advice they needed was available not on each particular issue, however the major reasons given for whether or not support was available was as a result of factors that were not often linked to each support type. There were exceptions, people who needed marketing courses were more likely to be concerned with costs whilst those who were concerned with employment law were concerned that the advice provided would be aimed at larger companies or that it would need to be revised in the near future according to legislative changes. Financial advice and financial planning were seen as being impeded by the banks, both in the inconsistency of their support and the inexperience of local advisers.

At least 18% are unsure of the easy availability of each type of advice and guidance for their business. In most cases this is because the owner or manager has not had time to look or does not know where to look. Comments from business owners indicate that some are reluctant to use Business Link to signpost them to the correct provider due to previous bad experiences.

“Finance is not forthcoming at realistic rates, training and support monies are not easily accessed.”
FPB member response

Figure 4: Reasons why support is not easily available



“Hard to find where and when to get it; nobody seems to know if support is available.”
FPB member response

“There is support out there but confusion exists over quality and delivery.”
FPB member response

In the current economic climate, value for money is key as businesses are concerned that there is no easy way of gauging the quality of advisers in the current economic climate. Just over 1 in 3 mentioned cost, whether it was the difficulty to borrow finance (15%), the lack of funds available from inside the company (5%) or a more general concern over cost (15%). Time and the paperwork concerned with finding the right advisor was also a big issue, particularly as business owners find it difficult to find information on advice provision that they may not have needed before.

Training needs

55% of businesses felt that they do not currently need to increase the skill levels of their current staff, although a small number (just over 5%) did say that new staff would have to be trained.

Those that did state they needed training were asked about the sort of qualifications and level required. 6% stated a qualification level compared to 4% who indicated a preference for experience. 85% of qualifications indicated were NVQs.

Sales and marketing skills are high priorities for businesses particularly amongst small and medium sized employers that are looking to increase their turnover in the next few months. Much of the training provision is provided internally, indicating the importance of informal, highly specialist training provision.

13% are looking at making people multi-skilled within the workplace and so that their positions are more flexible, one company did indicate that this was for positive reasons (increase the services that they can provide) rather than taking up the responsibilities of people who have been made redundant.

Businesses are being held back by the lack of provision of basic skills and employability from formal education which they have to improve internally.

“I currently have the best team I have ever had in over 30 years of business. They are fully equipped and able to meet changes.”
FPB member response

“Appropriate vocational based qualifications seem best for our team and a company that is based around process and productivity..”
FPB member response

Figure 5: Types of training required and whether is available

	Number reporting skills issue	Whether is available				
		Yes	No, but we provide training internally	No training providers locally	The quality of the courses is not adequate	Do not know
Sales	29%	39%	38%	5%	9%	9%
Vocational training	18%	47%	12%	21%	18%	3%
Business process improvement	13%	46%	19%	4%	27%	4%
Multi-skilling / flexibility in job	13%	36%	32%	8%	16%	8%
Marketing including new Media	12%	22%	30%	9%	22%	17%
Technical and Professional skills	10%	60%	10%	15%	10%	5%
Basic skills	9%	33%	22%	0%	28%	17%
Employability attributes	9%	22%	28%	6%	22%	22%
Ongoing training/continuous improvement	8%	67%	13%	7%	7%	7%
Strategy and Management	6%	18%	5%	27%	23%	27%
Training related to legal changes	5%	55%	11%	22%	12%	0%
Industry specific computer skills	4%	43%	0%	29%	14%	14%

Courses in strategy and strategic management appear to be major skills gaps in the training provision, however this needs to be put into context as it referred to only around 3% of businesses in the sample.

Industry specific courses were less likely to be found locally, in ordinary times this would be no real issue as training provision could be done on a national level, however the cost of getting a trainer to come to the business is currently prohibitive for many businesses.

Ongoing training projects and training for legal requirements are relatively well covered as are “white collar skills” (technical and professional) which can often be delivered remotely, through the internet or distance learning.

Financial needs

4% of businesses have seen access to working capital improving in 2009, however almost 60% of businesses who have needed working capital (around 18% of the sample have not) have seen it worsen. Hardly any businesses have seen an improvement in access to finance for growth and 65% have seen this worsen.

77% of business have seen terms and conditions of lending worsen in the last calendar year, as businesses have had to provide more security to cover current lending levels and the price of security (houses etc) has dropped.

13% have seen the cost of finance improve during the course of 2009 despite the deteriorating economic climate, however in this time the Bank of England base rate has dropped by 1% from 1.5% to 0.5%. This is however unsurprising as the risk of lending to businesses will increase until any upturn is confirmed.

“I need help with debt collection. Money out is the biggest problem, catering sales good but you try getting money out of some of our customers.”
FPB member response

Figure 6: How finance has developed over 2009

	Improved	Stayed the same	Worsened	Balance
Access to working capital	4%	39%	58%	-54%
Access to finance for growth	1%	33%	65%	-64%
Terms and conditions of lending	2%	21%	77%	-75%
Cost of finance	13%	19%	68%	-54%
Process for chasing debtors	13%	58%	29%	-16%
Your internal financial procedures	37%	57%	6%	+32%

29% have seen the process for chasing debtors worsen but this is thought to be due to the lateness of customer payment rather than a procedure problem as the time spent in chasing later payers is time away from their business. 13% have improved their processes and overall 37% of small businesses have improved their internal financial procedures.

Accessing finance from banks has been seen as a significant impediment to business development. Using the same options as the Department of Business Industry and Skills (BIS), the FPB asked its members what were the main improvements that could be made to finance. Small businesses between 10 and 49 employees are thought to have suffered disproportionately during this recession and it is unsurprising that businesses in this category are more likely to want a range of improvements to be made.

Figure 7: How finance could be improved

	Total	9 or fewer employees	10 to 49 employees	50 to 249 employees
Not relevant	18%	16%	11%	8%
No improvement needed	17%	20%	18%	21%
Speed in drawing down funds	16%	14%	17%	10%
Cost	36%	36%	43%	38%
Impartial financial advice on the best solution for the business	23%	22%	27%	23%
Simplicity (do not want multiple parties involved)	26%	29%	31%	28%
Time spent complying with requirements of the funding	22%	19%	26%	21%

Customer service in replying to enquiries	9%	12%	9%	8%
Greater flexibility in negotiating and adapting the terms and conditions to meet the changing needs of the business	27%	26%	30%	28%
Greater competition/choice in the marketplace	20%	18%	23%	23%

Cost of lending is the key area in which finance could be improved for smaller firms with 36% stating this as an area they would like to see improved. Surprisingly those with a turnover of over £1 million were looking for more choice in the market, despite the complexity of moving their accounts.

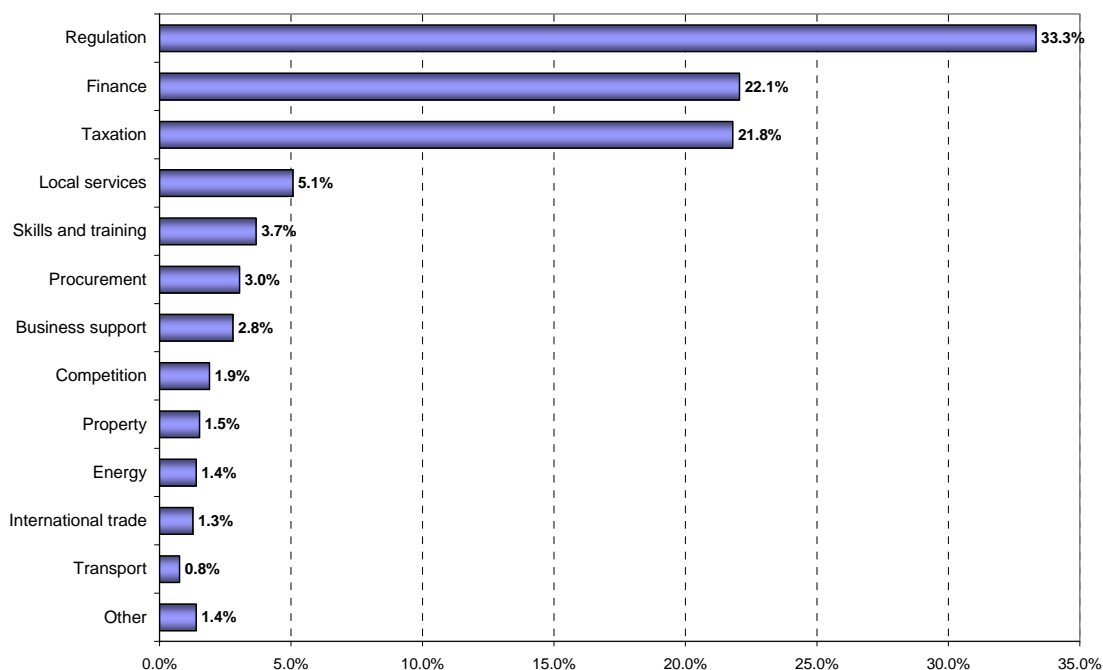
Customer service in replying to enquiries was less of an issue as many businesses are used to call centre operations, however businesses do want to speak to the decision-maker at the bank on key occasions and they have felt that this has not always been the case in the last 12 months.

Policy for growth

Business owners were asked about policy areas that they felt the Government should concentrate on. Many of the areas mentioned are those that the Government are already looking at. These include significantly reducing and even repealing legislation; improving access to finance for small businesses, including business for growth and making taxation simpler.

Unsurprisingly most comments focused on taxation, finance and regulation, as can be seen from the chart below:

Figure 8: Policy areas that FPB members want to see from their elected representatives



Businesses want government to focus on reducing red tape generally, with employment law and health and safety legislation and enforcement practices singled out in particular. In general business owners wanted to spend more time developing their business than checking conflicting regulations. Other than red tape, a significant proportion of businesses would like to see action taken against phoenix companies who go into administration and then set up with their assets in place shortly afterwards.

Access to finance for growing companies was a key theme that ran through the responses of those wanting action on finance, businesses are unsure if they can afford to develop their business including undertaking costly marketing or the expense of employing staff. 15% of those who mentioned finance as an issue indicated payment issues. 8% wanted to minimise late payment and better debt collection rules, however 7% wanted legislative changes to the terms and conditions of payment, particularly as larger firms seem able to change their payment terms relatively easily.

Business rates are the most frequently cited taxation issue with businesses feeling that they do not get value for money. 5% of businesses indicated that local issues were a problem (predominantly crime, waste collection and tariffs for parking). 16% would like to see general levels of taxation made more proportionate; it was felt that small and medium-sized employers bear the brunt of taxation as they cannot afford the advice to circumvent some taxes. 9% would like to see a taxation policy that made employing people cheaper with a reduction in National Insurance the main measure of doing this. Businesses would also like to see VAT remain at 15% beyond 1 January 2010.

Figure 8: Policy areas that FPB members want to see their elected representatives focusing on

Regulation		Finance		Taxation	
Cut general administrative requirements	40%	Improve access to finance	34%	Business rates	31%
Cut employment laws generally	15%	Reduce the cost of lending	16%	Cut taxation / Make it more proportionate	16%
Health and safety	8%	Minimise late payment/ improve debt collection	8%	Reduce National Insurance / Payroll taxes	9%
Reduce conflicting / duplication of legislation	6%	Payment terms	7%	Cuts to government	9%
Fewer new laws	5%	Improve access to grants and funding	7%	VAT	8%
Action against phoenix companies	4%	Hold banks to account	5%	Corporation Tax	6%
More balance between employer and employee	4%	Minimise bank charges	4%	Fuel rates	6%
Holiday	3%	Get banks to improve communication	4%	Simplify taxation	5%
National Minimum Wage	3%	Greater flexibility/understanding from banks	4%	Incentives for growth	3%
Make laws more proportionate	2%	Credit insurance for small businesses	3%	More support from HMRC	2%
Less interference from Brussels	2%	Speed of delivery of finance	3%	Tax incentives for R&D / investment	2%
Equalities and diversity	1%	Stop recourse to personal guarantees	2%	Stabilise taxation scheme	1%
Improve enforcement	1%	Other	4%	Other	2%
Pensions	1%				
Maternity/paternity	1%				
Redundancy	1%				
Environmental	1%				
Rogue traders	1%				



FPB action

The FPB is a not-for-profit organisation that is dedicated to helping its members operate profitably. This includes holistic business support by lobbying government, local authorities and institutions, signposting businesses to suitable providers and providing guides for businesses to meet the onerous legislative requirements that are put upon small and medium-sized employers.

- **Policy and lobbying activities**

The FPB has a dedicated team that lobbies on behalf of its members according to those members' needs.

Based on this research, the FPB is formulating its Pre-Budget Review to include:

- Improved use of public funds to support business growth, including
- A moratorium on legislation and a comprehensive regulatory review
- A reduction in the cost of employment for smaller firms looking to take on new staff
- Greater incentives for companies trying to develop their business
- Delaying the 17.5% VAT rise
- Automatic enrolment of businesses for Small Business Rate Relief
- Promotion and enforcement of the Prompt Payment Code, to protect smaller firms from large corporations.

- **Supporting growth**

With a range of products and services aimed at supporting growth, the FPB has developed business guides for helping business owners deal with day-to-day issues like compliance with health and safety regulations and employment law. A range of money-saving offers that include a unique telecoms deal, a range of business insurance products, merchant services, general purchasing and utilities deals. The FPB services are backed up with a business helpline and a comprehensive legal expenses insurance package.

Under its new 'FPB Business Builder' brand the FPB is offering a more proactive support for businesses wishing to grow and develop. This research will help formulate the exact services provided, but will include business coaching and mentoring, cost-effective marketing and dealing with financial barriers to growth.

- **Maintaining cash flow**

The FPB has a range of financial services aimed at maintaining cash flow and monitoring the supply chain. With access to our online Credit Control Guide and templates, together with our business monitoring and debt services, our members have a range of tools to allow them to make better informed business decisions and maximise their business potential.

- **Helpline**

The FPB provides members with a helpline for almost all their business needs. Our friendly in-house team can help members with health and safety issues or employment law queries and will also guide them to find the right support services for their business. Where our advisers do not immediately know the answer to a question, they will research the most appropriate alternatives and call the member back with possible solutions, so the advice given is tailored to the member's specific needs.