



In association with 

Business Pulse Foreword

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We've seen everything this year: a stock market languishing in the doldrums, and some of the biggest banking and insurance names in the world disappearing overnight. We have seen some frantic headlines and nightmare predictions. It's a wild business world, which makes events like Small Business Week and the 2009 Business Pulse report all the more important.

Small Business Week brings together business experts from a range of government, business and independent organisations to create an opportunity to talk, take stock, find out what's really happening at the heart of the small business community; it gives us a valuable chance to take action and support businesses on their road to recovery. But to do that properly we need to know what's really happening out there: the 2009 Business Pulse does exactly that, with 7,200 respondents it is the UK's largest survey of small- and medium-sized businesses this year.

Last year it was unsettling to say the least for many owner-managers. This year we have the greatest admiration for UK businesses for getting through this tumultuous period. There are clear signs that businesses have innovated and adapted for the better to emerge stronger for the future. Small businesses are in no doubt that the entrepreneurial spirit of the UK will get us through.

We know that companies are beginning to get new customers through the door by embracing a phenomenon called 'business social networking'. Some members of our business social network, BT Tradespace, have seen a significant increase in sales over the last 'difficult' year – much of this due to the increasing role that building an effective online presence and social networking is having on capturing customers.

For all of us, managing costs has made us think even more about how we optimise our operations. And in many cases our customers have successfully reduced expenditure by embracing technologies that enable flexible working. We're working with more than 1 million businesses across the UK on how we can give them services that deliver greater value and cost predictability – and enable small businesses to compete irrespective of their size.

The 2009 Business Pulse report shows that there are seeds of optimism with almost half the respondents saying their businesses are operating better as a result of changes they've made during the downturn. And again, nearly half believe small businesses will innovate and diversify to create new industries as the UK emerges from the downturn. The old adage that behind every cloud there is silver lining still rings true.

The small business community is determined to survive the downturn and thrive. Despite the obvious knock to confidence, positivity about when the upturn will come is emerging and encouraging. The UK's smaller firms are innovating to succeed and now more than ever the right support and resources must be available to allow them to compete and prosper today and beyond.

Throughout Small Business Week and beyond, BT Business will continue to provide support to the small business community - to help them do what they do best and to help them survive and thrive.

Background to the 2009 Business Pulse

This year, over 7,200 small businesses have helped set the agenda for Small Business Week by contributing to the 2009 Business Pulse, the UK's largest ever survey of small businesses this year.

It was commissioned by BT Business, NatWest, British Chambers of Commerce, Business Link, ACCA, Growing Business, everywoman and supported by The Design Council and Prince's Trust.

The 2009 Business Pulse has measured the current health, drivers and inhibitors to successful business in the UK to understand the full impact of the recession on smaller enterprises and the resources and support structures needed to support this vital community on its road to recovery.

The survey reveals who is hardest hit by the recession, the extent to which businesses have adapted their operations in the face of new challenges and measures business confidence. It has given businesses and their people the chance to think about and say how much of an impact the recession is having on them, how well they are equipped to succeed at this time and how optimistic they are about getting through the downturn.

It gives business experts from a range of government, business support and independent organisations the chance to listen to the voice of small businesses in the UK and take action to support this vital community.

2009 Business Pulse: what is the impact of the recession on SMEs?

Thousands of businesses responded to our 2009 Business Pulse survey questions about the recession. The results are particularly important at this time because it tells us exactly what is happening and who is affected most by region, sector and other factors. It means that we don't have to rely on hearsay or doom and gloom reports because we now have the facts.

We asked businesses about a number of factors that showed how or if they had been hit by the recession, for example, had turnover increased or decreased? How has the downturn changed the way you operate for better or worse? Have costs increased? Are you still training staff? And many other questions that led us to compile our results.

48 per cent of businesses say that their turnover had decreased. However, 30 per cent said that the recession had not made any difference. In fact, 8 per cent said they had increased turnover by over 10 per cent in the last year! 45 per cent said that the downturn had had a positive effect on the way they operate; with 42 per cent citing better management of costs.

43 per cent said they were still training employees proactively in order to remain competitive. 36 per cent said they trained staff as they needed new skills or updates.

In summary, the facts are these: businesses in Wales, Scotland and the East of England say that they have been least affected by the recession. Businesses in the

North East, West Midlands, London and Northern Ireland say that they have been hardest hit.

Looking at sectors, insurance, business and professional services, technology, IT and telecoms sectors consider that they have not been hit so hard. Whereas financial services manufacturing and property sectors say that they have suffered significantly. And it appears that the medium-sized SMEs are doing best, particularly those with between 201-250 employees, with smaller firms being hardest hit.

And, in this recession, length of time in business and experience seems to matter a great deal with businesses who have been around for more than five years saying that they're doing OK, whereas business up to three years old are more concerned. Paradoxically, younger business people say they haven't been hit so hard, with those who have been around for a bit longer reporting that they have.

So, in this part of the survey you can see where businesses they are. Other parts show what people are doing that is working well and vice versa. We hope you find the information useful.

2009 Business Pulse: regional and country analysis

As part of a wider analysis of the 2009 Business Pulse, we have analysed the different experiences and opinions of a range of businesses by region. The regions and countries surveyed were:

- North West
- North East
- Yorkshire and Humber
- West Midlands
- East Midlands
- East of England
- South West
- South East
- London
- Northern Ireland
- Scotland
- Wales

Wales, Scotland and the East of England say that they are the least impacted by the recession, with West Midlands, London and Northern Ireland saying that they have been affected the most. Over 50 per cent of SMEs in the latter regions have seen a drop in turnover.

The South East, London and the North West are most optimistic about a forthcoming upturn, with East Midlands, the North East and Wales being the most pessimistic. Businesses in the North East, London and Scotland believe they are most equipped to succeed now and in the future, with the East Midlands, the South West and Yorkshire and Humber saying that that they are the least equipped.

53 per cent of respondents from the North East, more than in any other region, say they have changed the way they work for the better due to the current economic climate, and more of them have increased turnover compared with other regions. The North East was also at the top when it came to keeping training skills at the highest level for competitive advantage.

With regard to finance, the East of England had the lowest access to external finance, with only 17 per cent of its firms gaining finance in this way. The North East had the top level of external finance gained, at 25 per cent of firms, mainly obtained via Government schemes, friends and family, rather than banks. The banks had been most helpful to businesses in the East of England and Wales.

In terms of business advice, there is little to choose between the regions, but London, Northern Ireland and the North East are marginally keener on this type of business help.

More respondents from London and the North East consider business-advancing technology to be vital. The South West was the least keen on technology to help its businesses. London and Wales considered most that accessing faster broadband has had a positive impact on business. The Yorkshire and Humberside region was the most pessimistic about any technology contributing to its businesses. Web presence was considered most important to businesses in Northern Ireland. Londoners appreciated the value of social networking the most.

2009 Business Pulse: size of business analysis

As part of a wider analysis of the 2009 Business Pulse, we have analysed the different experiences and opinions of a range of businesses by the number of employees. The business sizes surveyed are:

- 1
- 2-5
- 6-25
- 26-50
- 51-100
- 101-200
- 201-250

Larger businesses who responded say that they have suffered least in terms of the impact of the recession, with many reporting increased turnover. They are also the most optimistic about a faster upturn and believe that they are best equipped to get through and succeed through the current downturn and beyond.

Larger SMEs are the most likely to have changed the way they operate in the current recession. Their strongest focus has been cost management. More smaller businesses have innovated their offer to customers; this may be due to flexibility borne out of size. Significantly more smaller business than larger have reported losing customers altogether; 54 per cent of all businesses up to five employees as opposed to only 30 per cent of all companies between 101 and 250 employees have reported this.

Larger businesses consider advice to be more important and the use of formal business advisers, such chambers of commerce, increases with the size of business. Smaller businesses are less likely to take the advice of their own employees but will respect that of peers such as other business owners. 63 per cent of the largest businesses say they have suffered from bad advice, for example, losing customers, staff confidence and money; yet they are still the keenest advocates of seeking business advice.

In terms of technology, larger firms have a more proactive attitude towards technology for business advancement – 57 per cent of businesses comprising 201 to 500 employees say this as opposed to only 37 per cent of businesses with two to five employees. And the larger the SME, the more benefit they are seeing from investment in technology across a range of factors, particularly merging all communications (voicemail, email, text, etc) into a single system. Larger firms also expect that faster broadband speeds will make a positive difference to their business. However, smaller businesses tend to be getting the most advantage from social networking.

With regard to finance, 59 per cent of sole traders and 41 per cent of businesses with between two and five employees say they simply don't have access to finance. Larger firms are more likely to say they can get it but it's just not enough. A significant number of the larger firms say they have raised finance from internal or private sources, 36 per cent of companies with 201 – 250 employees, and are much less reliant on banks than smaller companies.

In terms of the environment, 32 per cent of companies with 201 – 500 employees say that the downturn has made them more environmentally aware as a company. All companies of less than 25 employees were lower than the 20 per cent mark on this question. 47% of SMEs agree that climate change and the UK economy are linked but more of the larger SMEs agreed that it is important to take action now on climate change for the sake of the future of their business.

2009 Business Pulse: age of business analysis

As part of a wider analysis of the 2009 Business Pulse, we have analysed the differing experiences and opinions of a range of businesses by age of business. The business ages surveyed are:

- Up to two years
- Two to three years
- Three to four years
- More than five years.

Business that have been around for more than five years say that they have been least affected by the recession. However, it's the youngest business, of up to two years old, which are most optimistic about the coming upturn. The youngest businesses also consider themselves to be best equipped to succeed now and in the coming upturn.

In order to get through the recession, a higher number of older businesses have reported that they have cut back on staff costs such as salary and training. 51 per cent of younger businesses, aged up to two years, also consider that keeping training and skills at the highest level is a great competitive advantage, with only 41 per cent of businesses aged three to four years saying this.

More younger businesses also consider that selling goods or services online is very important. They also value social networking much more highly.

Only 28 per cent of businesses aged to two years say they have ready access to finance; 45 per cent of businesses aged more than five years, said that they enjoyed this. 59 per cent of businesses aged over five years say they sourced finance from a bank as opposed to only 46 per cent of businesses aged under two years.

2009 Business Pulse: respondents' age analysis

As part of a wider analysis of the 2009 Business Pulse, we have analysed the different experiences of people of varying ages who run small businesses.

The age groups we surveyed were:

- Under 25
- 25-30
- 31-40
- 41-45
- 46-55
- Over 55

Respondents aged under 25 felt that they had been least affected by the recession. The oldest respondents, those aged between 46 and 55, said that they had been most impacted. Again, younger people were more optimistic about a faster upturn and they also felt that their businesses are best equipped to succeed at this time and in the future.

Younger business leaders are far more likely to regard business advice as essential than their older peers; this might be because older respondents have more experience and are more likely to trust their own judgment. However, younger business people say they are not confident that they know the best places to obtain advice. Half of them say that they have experienced the negative effects of poor advice, compared to a much lower proportion of older groups.

Older respondents' turnover has recently suffered in comparison with younger people. 30 per cent of under-25s say that their turnover has, in fact, increased; only 18% per cent of those aged 46 and 55 have made this claim. Around a third more companies run by younger people say that they have managed costs better since the downturn than businesses run by older people.

More younger people also say that they are using technology to help them manage the effects of the recession. 46 per cent of under 30s say that they consider it essential to

be at the forefront of technology adoption as opposed to 35 per cent of 46 to 55 year-olds. Technologies considered the most vital by younger people are mobile devices for location independence and social networking. Interestingly though, it's the over-55s who consider most that faster broadband speeds have had a positive impact on their operations.

With regard to business funding, younger respondents are more likely to have access to funds from external sources but are worried that these funds might not be adequate. More older respondents are saying that they simply do not have access to funds. Older people are more likely to go to banks, whereas younger people use a wider array of funding sources, especially grants and Government schemes.

2009 Business Pulse: the gender analysis

As part of a wider analysis of the 2009 Business Pulse, we have analysed the different experiences of men and women who run small businesses. Of the 7,200 respondents, 64 per cent are men and 36 per cent are women.

The difference in one result by gender is quite striking; more women than men say that their businesses have been hit by the recession, and women say their businesses have been hit much harder. Women are also less optimistic than men about when an upturn will be with us and they also feel their businesses are less equipped to succeed.

There is significant agreement between the sexes on most aspects of their business at this time. But there are differences when it comes to technology; men are more likely to adopt new technology (41 per cent) than women (30 per cent). 35 per cent of women say that they will only bring in new technology 'if they have to', compared with 25 per cent of men who say this. However, more women appreciate social networking as a business tool: 22 per cent as opposed to 17 per cent of men.

When the survey looks at savings made through technology, it seems that women's reluctance to adopt new technology has caused them to miss out on savings reported by men. 33 per cent of men say their businesses have saved money through new technology, whereas only 25 per cent of women make this claim.

2009 Business Pulse: technology analysis

As part of a wider analysis of the 2009 Business Pulse, we have analysed the different experiences and opinions of a range of businesses by their attitude to a range of technologies:

- Faster broadband
- Better web site/eCommerce
- Mobile devices, Blackberry, etc
- Social networking
- Unified communications (merging voicemail, email, text, etc)
- Customer service software
- Security software

- Audio and video conferencing
- Down-the-line or internet IT support
- Mobile-phone software
- Private broadband network
- More telephone lines
- No technology!

Looking at attitudes towards technology as a whole, it can be seen that businesses who consider it essential to be at the forefront of technology are the ones who are saying that they have been least impacted by the recession. The survey also showed that the technology fans were most optimistic about an upturn and, by some considerable margin, that they are best equipped to succeed in the recession.

37 per cent of all businesses surveyed said they want to be at the forefront of technology and 34 per cent said that they would only use new technologies that had been tried and tested. This left only 29 per cent that would only bring in technology when needed. Regionally, the biggest technology fans are in the North East and London. The least likely regions to bring in new technology are Yorkshire and Humber and Wales.

30 per cent of businesses say that they have saved money through using technology. Even more, 32 per cent, say that they are using technology to network and obtain advice. Over a quarter (28 per cent), say that they have found more customers through use of technology.

The ‘killer’ technology that firms consider to most positively impact their business is faster broadband with 68% reporting that faster broadband will deliver business benefits. Many of the larger SMEs reported that this would help them be more competitive and enable much more flexibility through home working. Scotland and the South West considered most that accessing faster broadband has had a positive impact on their business.

Other technologies at the top of the list include better web sites and eCommerce capabilities and mobile devices. Social networking is ranked in the top quarter of valuable technologies and it is becoming extremely interesting to businesses. Many firms have started to use services such as Twitter and Facebook, as well as develop their own forums for a range of marketing and customer service activities. More SMEs in London appreciate the potential of what is possible with this relatively new phenomenon compared with other regions and countries surveyed.

2009 Business Pulse: how equipped are SMEs to succeed in the current climate?

We wanted to know how well equipped business think they are at this time to thrive, and how prepared they are for when things start to improve. We asked a number of questions, such as how they went about seeking advice, whether they have changed the way they work during the recession, if they were they using new telecoms, IT or other technology, how the technology was working out and how they are managing and finding finance.

48 per cent said that advice is essential to advancing their business, only 10 per cent said they don't need advice. 47 per cent of those who looked for advice took it from peers or other business owners and managers. 43 per cent said they used Government advisory services and 40 per cent said they use business organisations and chambers of commerce. Only 19 per cent said they took advice from their own employees.

61 per cent said that faster broadband speeds had had a positive impact on their business. 40 per cent said that better websites and ecommerce were benefiting them. Interestingly, 19 per cent said that social media, forums, Twitter, Facebook, etc, were having a positive effect; maybe only as little as year ago this factor would probably not have registered at all.

In terms of finance, 79 per cent of the sample said that it had not secured any external financing. Of those that had managed this, 55 per cent said that it had come from banks; 14 per cent said that it had come from friends and family.

Regionally, businesses that consider themselves best equipped to succeed are those in the North East, London and Scotland. Those most worried that they aren't suitably equipped are in the East Midlands, Yorkshire and Humberside and the south west of England. Looking at size in our survey, it's the larger businesses from our sample (201-250 employees) that consider themselves best equipped, and the smallest that don't believe they are.

In terms of sectors, technology, IT, telecoms, business and professional services and media firms all believe they are set up to succeed. Those in retail, distribution, transport, leisure, hospitality, construction, property and consumer services are worried that they might not have what they need to get through and start off on the right foot once we see an upturn.

Younger business people believe that they're best equipped at this time, as do younger businesses, up to two-years old.

2009 Business Pulse: the disability analysis

As part of a wider analysis of the 2009 Business Pulse, and BT's work on inclusion, we wanted to analyse the opinions of people with a disability in the small business sector. Of the 7,200 respondents, six per cent (around 430), said that they have a registered disability.

People with a disability generally consider that their businesses have been less affected by the recession but they think that the upturn is further away. They also believe that their businesses are equipped to succeed for now and in the future. In fact, a quarter of this group has experienced business growth during the recession as opposed to one fifth of others in the survey.

64 per cent of the people with a disability that responded to the survey said that their businesses are based at their homes, as against 46 per cent of other businesses and a large proportion, 36 per cent, of them are sole traders. They are more likely to use

formal sources of business advice and are happier with this advice than other respondents.

Business people with a disability are more likely to be at the forefront of technology in order to further their business, for example, more people with a disability considered video content on websites and social media to be important or very important (36 per cent) to their business than everyone else (26 per cent). However, it must be borne in mind that most of those with a registered disability who responded were men. In the overall survey, men were more likely to be better disposed towards technology.

With regard to finance, 26 per cent of people with a disability have been able to source external funding as opposed to 20 per cent of other people, with grants and Government schemes being the most likely sources of funding.

2009 Business Pulse: What are SMEs' views on the future?

We wanted to know how optimistic small businesses are at this time about the future. Amongst other questions, we asked them about their prospects over the next year, when they think the upturn will come, what expenditure they will prioritise to bring on growth, when do they expect to see profits rise again and what will success look like when the upturn comes?

The majority (64 per cent) considered that making a profit would be their main yardstick for success, with 61 per cent saying that they were confident or very confident about their prospects over the next year. 62 per cent said that they expected to see a significant growth in profit within 18 months. To facilitate growth, 54 per cent said this would come from marketing spend and 27 per cent said it would come from investment in technology.

75 per cent of respondents said that they considered we would see an upturn in the economy by the end of 2010. In fact, 35 per cent thought that this would come at the beginning of 2010, so there is a reasonable amount of optimism. The South East is most optimistic with Wales being the most pessimistic of all the regions about how quickly the upturn will come about.

Larger businesses in our sample were the most optimistic, with the smallest businesses being the most pessimistic. In terms of sector, the insurance, financial services and technology, IT and telecoms businesses believe the upturn is around the corner, with construction, property and public-service people thinking that it's much further off.

The youngest businesses, which have been around for less than two years, are most confident about a downturn; those who have been around the longest, over five years are least confident that the upturn is almost with us.

For more information about Small Business Week 2009 go to: www.sbw09.co.uk