HIGH GROWTH BUSINESSES AND THEIR PERSPECTIVES ON EUROPE

Goldman Sachs 10,000 Small Businesses UK Programme

in association with Aston Centre for Growth, Aston University
Attitudes to ‘BrExit’

If there was a referendum tomorrow on whether the UK should remain in the EU, what result would be in the best interest of your business?

- 75% of the small businesses would vote for the UK to stay within the EU if a referendum was held now
- Only 6% would vote to leave the EU
- Just over half sell to customers in international markets

Businesses were asked to indicate which potential scenario concerning the UK’s relationship with the EU would have the biggest positive impact on their business prospects and which one the biggest negative impact

- 57% see withdrawal as having the biggest negative impact
- 54% see remaining in the EU, but with more powers returning to the UK, as having the biggest positive impact

In the discussions leading up to a UK referendum on membership of the EU, it is important to hear a spectrum of views from the UK business community. Small businesses have an important perspective on the question of the UK’s relationship with Europe; in particular, high-growth small business that are creating a large proportion of UK jobs, seeking new markets, and opportunities to export. The Goldman Sachs 10,000 Small Businesses Programme UK (GS10KSB) is well placed to ascertain the views of an ambitious group of fast-growing businesses. Participants in the programme were asked a range of questions on how their business interacts with the EU and their attitudes towards a possible withdrawal – a ‘BrExit’.

What impact would the UK’s renegotiation option have?

- 32% thought that renegotiation would have no impact on their business and 51% anticipated a positive impact
- When asked about specific impacts of the renegotiation there was clear concern about the negative impact on access to EU markets in general and skilled workers in particular
- There was an expectation by 2 out of 5 businesses that the renegotiations would lead to a more business-friendly regulatory environment yet 58% felt it would reduce their access to grants, government assistance, programmes and funding, 24% no impact.
- There was concern by some small businesses (40%) about their ability to attract investment from companies based in the EU as a result of the renegotiation of the conditions of the UK’s membership
- 2 out of 5 small businesses indicated that the overall competitiveness of their business might be weakened as a result of the renegotiation

1. The renegotiation option has, of course, not yet been agreed.
Doing Business in the EU

What proportion of your sales are from customers in the EU (ie: non-UK)?

- 63% <10%
- 21% 10-24%
- 10% 25-49%
- 6% >50%

Has this increased or decreased in the last 12 months?

- 34% Increased
- 14% Decreased
- 52% Unchanged

How important has access to the EU labour market been for the growth of your business?

- All participants
- 15% Important for growth

- Half (51%) the businesses have sales to international customers and of these the vast majority are to the EU
- For 63% of businesses these sales account for less than 10% of annual revenue
- For 16% of businesses over a quarter of their annual sales are from the EU

- A third of the businesses report that sales from the EU have increased while they have stayed the same for 52%.
- Almost a quarter say the EU market is important to growth

Have you recruited any members of staff from the rest of the EU in the last 12 months?

- 30% Yes
- 70% No

What type of staff have participants recruited?

- 82% Skilled
- 29% Managerial
- 28% Un-skilled (Manual)

How easy have you found it to recruit staff from the rest of the EU?

- 35% Didn’t find it easy
- 21% Found it easy

- In the last 12 months just under a third (30%) of the businesses had recruited staff from across the EU
- The vast majority (82%) of the businesses reported that these have been skilled workers and 30% reported that they have filled managerial positions from the rest of the EU

- For a significant minority (15%) access to the EU labour market has been important for the growth of their business

- 35% of businesses have not found it easy to recruit staff from the rest of the EU while 21% have found it easy with the remainder (44%) reporting that it is neither easy nor difficult
Regulatory environment

There is a very mixed reaction from businesses about the impact of the regulatory environment in which they operate in the UK. This is also the case when they are asked to assess the overall impact on their business of a range of EU policies.

Impact of EU policies

44% (+ve impact) 43% (no impact)
Over 2 out of 5 businesses see the ability to buy and sell products inside EU markets without taxes and tariffs on trade flows as a positive impact that EU policies have.

39% (+ve impact) 44% (no impact)
EU policies to assist the buying and selling of products in markets outside the EU without taxes and tariffs on trade flows as a result of trade agreements, are seen as positive by 2 out of 5 businesses.

29% (+ve impact) 50% (no impact)
Policies to create common product standards across the EU are viewed as positive by 29% of the businesses while 1 out of 10 businesses view these policies as having a negative impact.

23% (+ve impact) 43% (no impact)
Around 1 in 4 of the businesses view the development of European-wide sector specific legislation as having a positive impact on their business.

22% (+ve impact) 42% (no impact)
The attempt to create similar employment rights across the EU in areas such as working hours is viewed as positive by 1 in 4 of the businesses.

32% (+ve impact) 53% (no impact)
Policies designed to make it easier to recruit and transfer staff from across the EU are seen as positive developments by 1 in 3 of the businesses.

46% (+ve impact) 40% (no impact)
The ability to access EU funding streams (e.g., sector specific aid, Horizon 2020, EIB funds, local ERDF funds) is having a positive impact for almost half the businesses.

19% (+ve impact) 63% (no impact)
The ability to invest in other EU states without restrictions has had a positive impact on 1 in 5 of the businesses.

To what extent would you agree that business regulations create a ‘level playing field’ for your business?

- 15% Agree
- 38% Disagree

Over the last 3 years have regulations in the UK had any impact on the number of people employed by your business?

- 36% Yes
- 64% No

Was this an increase or a decrease in your employment levels?

- 40% Increase
- 60% Decrease

Over the last 3 years have regulations had any impact on your profit levels?

- 51% Yes
- 49% No

Was this an increase or a decrease in your profit levels?

- 88% Decrease
- 12% Increase

- When asked whether regulations in the UK had any impact on the number of people employed by their business 36% said yes
- Of those businesses reporting an impact 60% said that this had led to a decrease in staff while for 40% it had led to an increase

- When asked whether regulations in the UK had any impact on their profit levels 51% said yes
- Of those businesses reporting an impact 88% said that this had led to a decrease in profit levels while for 12% it had led to an increase

Regulation and ‘red tape’ are seen by many commentators as one of the biggest challenges facing small businesses in the UK. What is the attitude of the high growth small businesses to the regulatory environment operating in the UK and in particular the impact of EU policies?
Business challenges

What are the main obstacles to the success of your business? 3

- Recruiting staff (56%)
- Managerial skills and expertise (33%)
- Cash flow (32%)
- Competition (30%)
- Shortage of skills generally (28%)
- Not able to raise prices (19%)
- Taxation, VAT, PAYE, NI, Rates (18%)
- Obtaining finance (18%)
- Late payment (16%)
- Red tape (15%)
- The economy (14%)
- Availability of suitable premises (13%)
- Regulations (10%)
- No obstacles (4%)
- Pensions (3%)

- This group of high growth businesses reported that recruiting staff (56%) and skill shortages (28%) including managerial skills (33%), were the main issues holding back the success of their business.
- Cash flow is a major obstacle for 32% of the businesses and the related issue of late payment and obtaining finance is an obstacle for 18% of the businesses.
- The regulatory environment in the UK, which has been shaped in part by EU policies, is seen by some businesses (between 10-20%) as a major obstacle to their growth but this is less important than other factors.

High Growth Businesses and their Perspectives on Europe – A summary

- This group of high growth businesses in the UK are clearly in favour of remaining in the EU with 75% saying they would vote that way in a referendum. This rises to 82% among those businesses who are operating in international markets.
- Many of the businesses are trading in the EU as well as recruiting staff from across the EU and this is seen by many as being a crucial factor in their growth in the next 12 months.
- EU policies are more likely to be seen as having a positive impact on these businesses with a large group of businesses seeing them as having no impact.
- The major obstacle to growth is recruiting skilled staff and the EU labour market provides an opportunity for many of these businesses to address that challenge.
Goldman Sachs 10,000 Small Businesses UK Programme

The Goldman Sachs 10,000 Small Businesses programme is an investment by the Goldman Sachs Foundation to provide high quality, structured and practically focussed support to small business leaders who are seeking to grow their businesses with a view to growing economies. The programme is designed specifically for the leaders of established small businesses who have the ambition and the potential to generate substantial growth in their enterprises. Participants benefit from a full package of support with a strong focus on structured peer learning and the creation of communities of entrepreneurs.

Each participant undertakes the programme as a member of a cohort of 25 to 30 entrepreneurs. The core of the programme, undertaken by all participants, is a cycle of 12 modules each focused on a different aspect of business growth. The modules together constitute a coherent and comprehensive curriculum designed specifically for 10,000 Small Businesses UK. Over the course of the modules every participant develops a Business Growth Plan to guide the growth of their business beyond the programme. The core programme is supplemented by topical workshops, legal clinics, one-to-one mentoring and other support tailored to participants’ needs. The emphasis throughout is on learning that is practically applicable in participants’ businesses and on creating an environment of trust to encourage the intensive exchange of ideas and experience between participants. Over time, a unique national community of entrepreneurs has developed that is focused on growth and unified by the shared experience of having participated in 10,000 Small Businesses UK.

Methodology

The questions in this survey were designed to provide an independent view on many aspects of the ways in which this group of high growth businesses were connected to the EU in terms of trade and labour flows. Their attitudes to regulation and EU policies were sought and in particular their views on a potential UK withdrawal from the EU (‘BrExit’) was explored. It was important in the design of the survey that there was some consistency in the questions being asked of this group of businesses and other recent business surveys on the same topic. As a result identical questions to those used by the CBI (Confederation of British Industry), BCC (British Chamber of Commerce) and FSB (Federation of Small Businesses) in their business surveys on ‘BrExit’ were adopted.

An online survey of all participants on the Goldman Sachs 10,000 Small Businesses Programme UK was designed and implemented by the Aston Centre for Growth in August 2015. The survey followed Market Research Society guidelines and the anonymity of each participant was assured. In total 922 invitations were sent out via Survey Monkey and by the close of the survey 365 responses had been received representing a response rate of 40%.