

# **Small Business Survey Scotland 2018**

**Office of the Chief Economic Adviser**

**December 2019**

# Small Business Survey Scotland 2018

## Office of the Chief Economic Adviser

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### **Experimental Statistics: data being developed.**

These statistics are currently being developed and have been published to involve users and stakeholders in their development and dissemination, and to build in quality and understanding.

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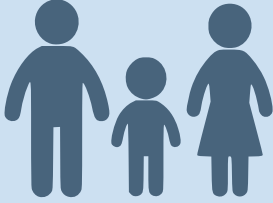
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# Small Business Survey Scotland 2018

73%



Family-owned

37%



Rural-based

15%



Women-led

21%



Process  
Innovators

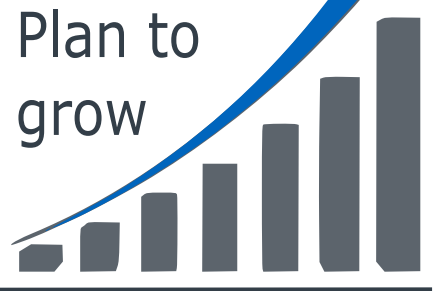
8 in 10



Pay the Living Wage

70%

Plan to  
grow



Exporters

44%



Rest of the UK

14%



Rest of the World

17%



Applied for  
external finance

34%



Increased **turnover**  
over the last 12 months

28%

believed that **leaving the EU**  
is an obstacle to the  
success of the business

# 1. Introduction and Key Results

## Introduction

This report sets out the findings from the Longitudinal Small Business Survey (LSBS) 2018 for Scotland<sup>1</sup>. It focusses on small and medium-sized enterprises with at least one employee (SME employers). It outlines the key characteristics of SME employers in Scotland and provides an overview of their perceptions on a range of themes including innovation, fair work and access to finance. In addition, the report provides an insight into business performance and outlook.

As at March 2018, there were an estimated 344,410 SMEs operating in Scotland, of which those with employees represented 31 per cent (106,000 enterprises)<sup>2</sup>. SMEs with employees accounted for 42 per cent of total Scottish employment and 36 per cent of turnover.

## Survey method and reporting

The survey for Scotland is part of a UK-wide large-scale telephone survey of 15,015 owners and managers of SMEs, commissioned by the Department for Business, Energy and Industrial Strategy (BEIS) and was conducted between July 2018 and January 2019. The survey is the latest of a series of annual and biennial Small Business Surveys dating back to 2003. From 2015 onwards, the survey introduced a longitudinal tracking element and is now carried out on an annual basis. The longitudinal element of the survey established a ‘panel’ of businesses that might be resurveyed in subsequent years. This is to allow for analysis of how combinations of factors affect business performance over time.

This report provides a snapshot of the state of SMEs with employees (defined as businesses with between one and 249 employees) surveyed in Scotland between July 2018 and January 2019. Enterprises with no employees have been excluded from the dataset on which this report is based. This is consistent with the reporting of the survey from 2015 onwards.

In 2018, 836 SMEs with employees took part in the survey in Scotland<sup>3</sup>. 481 businesses in Scotland had taken part in prior year surveys (“panellists”)<sup>4</sup> and 355 businesses were new to the survey in 2018 (“top ups”). The survey sample is

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<sup>1</sup> The UK ‘Small Business Survey 2018: businesses with employees’ report and data tables can be found here <https://www.gov.uk/government/statistics/small-business-survey-2018-businesses-with-employees>.

<sup>2</sup> These figures include registered and unregistered businesses (Source: Businesses in Scotland 2019) and exclude central and local government.

<sup>3</sup> Across the UK as a whole, 11,483 SMEs with employees took part in the survey.

<sup>4</sup> Of the 481 panellists, 440 (referred to as the “full panel”) had been interviewed in 2017 (some had also been interviewed in 2015 and/or 2016) and 41 (referred to as the “past panel”) had been interviewed in 2015 and/or 2016 but not in 2017.

stratified<sup>5</sup> by business size (micro businesses with 1-9 employees, small businesses with 10-49 employees and medium-sized businesses with 50-249 employees) and by sector (defined by Standard Industrial Classification (SIC) 2007).

The sample breakdown is presented in Table 1 below:

<b>Table 1: Sample Breakdown by Sector, Longitudinal Small Business Survey 2018, Scotland</b>				
<b>Sector (SIC 2007)</b>	<b>Micro (1-9)</b>	<b>Small (10-49)</b>	<b>Medium (50-249)</b>	<b>Total</b>
<b>ABDE Primary<sup>6</sup></b>	32	10	8	50
<b>C Manufacturing</b>	33	24	27	84
<b>F Construction</b>	44	26	8	78
<b>GHI Transport/Retail/Distribution<sup>7</sup></b>	102	136	49	287
<b>J Information and communication</b>	17	13	5	35
<b>KLM Business services<sup>8</sup></b>	52	35	15	102
<b>N Administrative services</b>	24	22	19	65
<b>PQRS Other services<sup>9</sup></b>	57	48	30	135
<b>Total</b>	<b>361</b>	<b>314</b>	<b>161</b>	<b>836</b>

The data have been weighted to ensure that the results are representative of the overall Scottish SME population. Because of changes in terms of sampling and changes to the questionnaire in 2018, data cannot always be compared with previous editions of the Small Business Survey Scotland.

In order to reduce the average interview length and therefore boost response rates, three cohorts (A, B and C) were created for the 2018 survey (Table 2). Respondents were randomly assigned to one of the three cohorts and some questions were only asked of one cohort although most questions went to all three cohorts. Throughout the report, it is made clear where questions have been asked to one of the cohorts only or the full sample.

<b>Table 2: Sample Breakdown by Cohort, Longitudinal Small Business Survey 2018, Scotland and UK</b>		
<b>Cohort</b>	<b>Scotland</b>	<b>UK</b>
<b>Cohort A</b>	273	3,877
<b>Cohort B</b>	277	3,818
<b>Cohort C</b>	286	3,788
<b>Total</b>	<b>836</b>	<b>11,483</b>

<sup>5</sup> A stratified sample is drawn from a number of separate smaller groups (strata) of the population, rather than at random from the whole population, in order to allow for a more representative sample.

<sup>6</sup> Agriculture, forestry and fishing (A); Mining and quarrying (B); Electricity, gas, steam and air conditioning supply (D); and Water supply, sewerage, waste management and remediation activities (E).

<sup>7</sup> Wholesale and retail trade (G); repair of motor vehicles and motorcycles (H); Transportation and storage; and Accommodation and food service activities (I).

<sup>8</sup> Financial and insurance activities (K); Real estate activities (L); and Professional, scientific and technical activities (M).

<sup>9</sup> Education (P); Human health and social work activities (Q); Arts, entertainment and recreation (R); and Other service activities (S).

Where possible, the report provides results disaggregated by size band (micro, small and medium-sized businesses) and sector and provides comparisons with the UK as a whole and prior year findings. Where comparisons are drawn between sub-groups (e.g. size band), findings are reported in terms of differences between a particular sub-group (e.g. micro firms) and the overall finding (SMEs as a whole). Due to smaller sample sizes for sub-groups, the survey's estimates may be affected by sampling errors and therefore apparent differences of a few percentage points between sub-samples may not reflect real differences in the population. Therefore, sub-group comparisons (e.g. Scotland vs. UK; 2018 results vs. 2017 results; size band; and sector) in the report are displayed only when the difference with the overall finding is statistically significant at 95 per cent confidence level<sup>10</sup>.

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<sup>10</sup> If the difference between two estimates is said to be statistically significant, it means that only in exceptional circumstances (1 in 20 times) would we expect the true difference not to be significant.



## Key Results

### Business Demographics

- 63 per cent were **urban-based** while 37 per cent of SME employers were **rural-based**.
- 28 per cent of SME employers were **home-based**.
- 15 per cent of SME employers were **women-led**.
- 73 per cent of SME employers were **family-owned**.
- Two per cent of SME employers were **Minority Ethnic Group (MEG)-led**.

### Trade Activities

- 14 per cent of SME employers had **exported goods or services outside of the UK** in the last 12 months, unchanged from the prior year.
- The proportion of SME exporters **exporting to EU countries** (77 per cent of SME exporters) and **non-EU countries** (73 per cent) was broadly similar. 20 per cent of SME exporters **exported to EU countries only**.
- 44 per cent of SME employers had **sold goods or services to the rest of the UK**.
- 21 per cent of SME employers had directly **imported goods or services** from countries outside the UK in the previous 12 months.
- A higher proportion of SME employers **imported from EU countries** (18 per cent) than **non-EU countries** (10 per cent).
- 57 per cent of SME employers imported goods or services from the rest of the UK.

### Business Practices

- 21 per cent of SME employers had engaged in **process innovation** (i.e. introduced new or improved processes for producing or supplying goods or services) in the last three years.
- 48 per cent of SME employers had arranged or funded **training** in the past 12 months.
- Eight per cent of SME employers offered formal **apprenticeships** in the past 12 months.

- 19 per cent of SME employers expressed an interest in, or bid for, any contract advertised by the public sector in the previous 12 months. 28 per cent had actually **done business for the public sector** in the previous 12 months.
- 28 per cent of SME employers had **used external information** or advice on matters affecting their business in the past 12 months.
- 78 per cent of SME employers paid all their employees aged 18 or over (excluding volunteers, apprentices and interns) the **Living Wage** as defined by the Living Wage Foundation.
- 1 per cent of SME employers were signed up to the **Scottish Business Pledge** and a further 16 per cent were aware of it but not signed up.

### **Access to External Finance**

- 70 per cent of SME employers in Scotland were **currently using external finance** at the time of the 2018 survey.
- The **most common** forms of **external finance currently used** by SME employers were credit cards (40 per cent of SME employers) and bank overdraft facilities (34 per cent).
- 17 per cent of SME employers had **sought external finance** in the last 12 months.
- Nearly two thirds of SME employers that had applied for finance (64 per cent) did so for **working capital or cash flow reasons**.
- The most common **forms of external finance applied for** were bank overdraft facilities (38 per cent of SME employers that applied for finance) and loans from banks and other financial institutions (32 per cent).
- 79 per cent of SME employers that applied for external finance were **successful in obtaining at least some of the finance sought** while 12 per cent did not obtain any.
- 12 per cent of SME employers were **discouraged borrowers** (i.e. they had a need for external finance in the last 12 months that they did not apply for).

### **Business Performance and Outlook**

- 21 per cent of SME employers that had been trading for at least one year had **employed more people** than a year previously. 66 per cent employed the same number and 12 per cent employed fewer.
- 23 per cent of SME employers **expected to employ** more people in 12 months' time, 68 per cent expected to employ about the same number and nine per cent expected to employ fewer.

- Of all SME employers that had been trading for at least one year, 34 per cent increased their **turnover** over the past year. 42 per cent had approximately the same turnover and 19 per cent had lower turnover.
- 38 per cent of SME employers **expected turnover** to increase in the next 12 months, 45 per cent expected turnover to stay approximately the same and 13 per cent expected turnover to decrease.
- 77 per cent of SME employers generated a **profit** in their last financial year.
- The most commonly reported **obstacles to the success of the business** were competition in the market (46 per cent) and regulations/red tape (45 per cent of SME employers). UK exit from the EU was noted as an obstacle by 28 per cent of SME employers.
- Of those SME employers that reported **UK exit from the EU** as a major obstacle to business success, an increase in the cost of EU imports was the most commonly reported difficulty already experienced (21 per cent) and the most commonly reported difficulty they expected to experience (34 per cent).
- 70 per cent of SME employers **aimed to grow sales** over the next three years, a ten percentage point increase from the prior year (60 per cent).

## 2. Business Demographics

### Age

In 2018, 10 per cent of SME employers in Scotland first started trading 0 to 5 years previously (i.e. between 2013 and 2018), 18 per cent started trading 6 to 10 years previously, 29 per cent 11 to 20 years previously, and 43 per cent more than 20 years previously.

### Legal status

Of SME employers surveyed, 61 per cent were private limited companies, 17 per cent were sole proprietors, eight per cent were partnerships and six per cent were private companies limited by guarantee (CLGs). Three per cent were charitable incorporated organisations, two per cent were industrial and provident societies and around one per cent each were limited liability partnerships, community benefit societies and unincorporated associations.

### Charity status

Eight per cent of SME employers in Scotland stated that they were registered as charities, higher than the figure in the UK as a whole (five per cent).

### Urban/rural location

In 2018, 63 per cent of SME employers were located within an urban area<sup>11</sup>, while 37 per cent were based within a rural area.

### Home-based businesses

In 2018, 28 per cent of SME employers in Scotland did not have a separate business premises to their home address, down seven percentage points compared to 2017 (35 per cent) and broadly similar to the proportion in the UK as a whole (25 per cent).

Small (15 per cent) and medium-sized (three per cent) firms were less likely than average to be home-based.

Home-based businesses were more common in the Information/Communication (51 per cent) and Primary sectors (51 per cent) and less common in the Transport/Retail/Distribution (21 per cent) and Manufacturing sectors (11 per cent).

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<sup>11</sup> Urban/rural locations are based on the Scottish Government Urban Rural Classification 2013-2014.

## Family-owned businesses

In 2018, 73 per cent of SME employers surveyed in Scotland were family-owned<sup>12</sup>, an increase of five percentage points from 2017 (68 per cent) and broadly similar to the figure in the UK as a whole (75 per cent).

Small (65 per cent) and medium-sized businesses (56 per cent) were less likely than average to be family-owned.

Family-owned businesses were more prevalent in the Primary (89 per cent) and Transport/Retail/Distribution sectors (80 per cent), and less prevalent in the Other Services sector (35 per cent).

## Women-led businesses

Women-led businesses are defined as controlled by a single woman or having a management team of which a majority were women.

In 2018, 15 per cent of SME employers in Scotland were women-led, down six percentage points from 2017 (21 per cent) and broadly in line with the proportion in the UK as a whole (17 per cent). Medium-sized businesses (six per cent) were less likely than average to be women-led.

A further 21 per cent of SME employers in Scotland were 'equally-led' (24 per cent in the UK as a whole), with an equal number of men and women in the management team. This proportion was broadly in line with the previous year. A further 11 per cent had a minority of women in the management team and 45 per cent were entirely male-led (both broadly in line with the UK as a whole at 10 per cent and 43 per cent respectively).

## Minority Ethnic Group (MEG)-led businesses

Minority Ethnic Group (MEG)-led businesses are defined as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from an ethnic minority.

Two per cent of SME employers in Scotland were MEG-led in 2018, broadly in line with the prior year (three per cent). The proportion in Scotland in 2018 was lower than that in the UK as a whole, at five per cent.<sup>13</sup>

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<sup>12</sup> Family-owned businesses are defined as majority owned by members of the same family.

<sup>13</sup> While there is a greater proportion of MEG-led businesses in the UK as a whole compared to Scotland, this is in line with the relative proportions of the working age population that are from a minority ethnic group in Scotland and the UK as a whole. For July 2018 - June 2019, 5.1 per cent of the working age population were from an ethnic minority in Scotland compared to 14.6 per cent in the UK as a whole (Annual Population Survey).

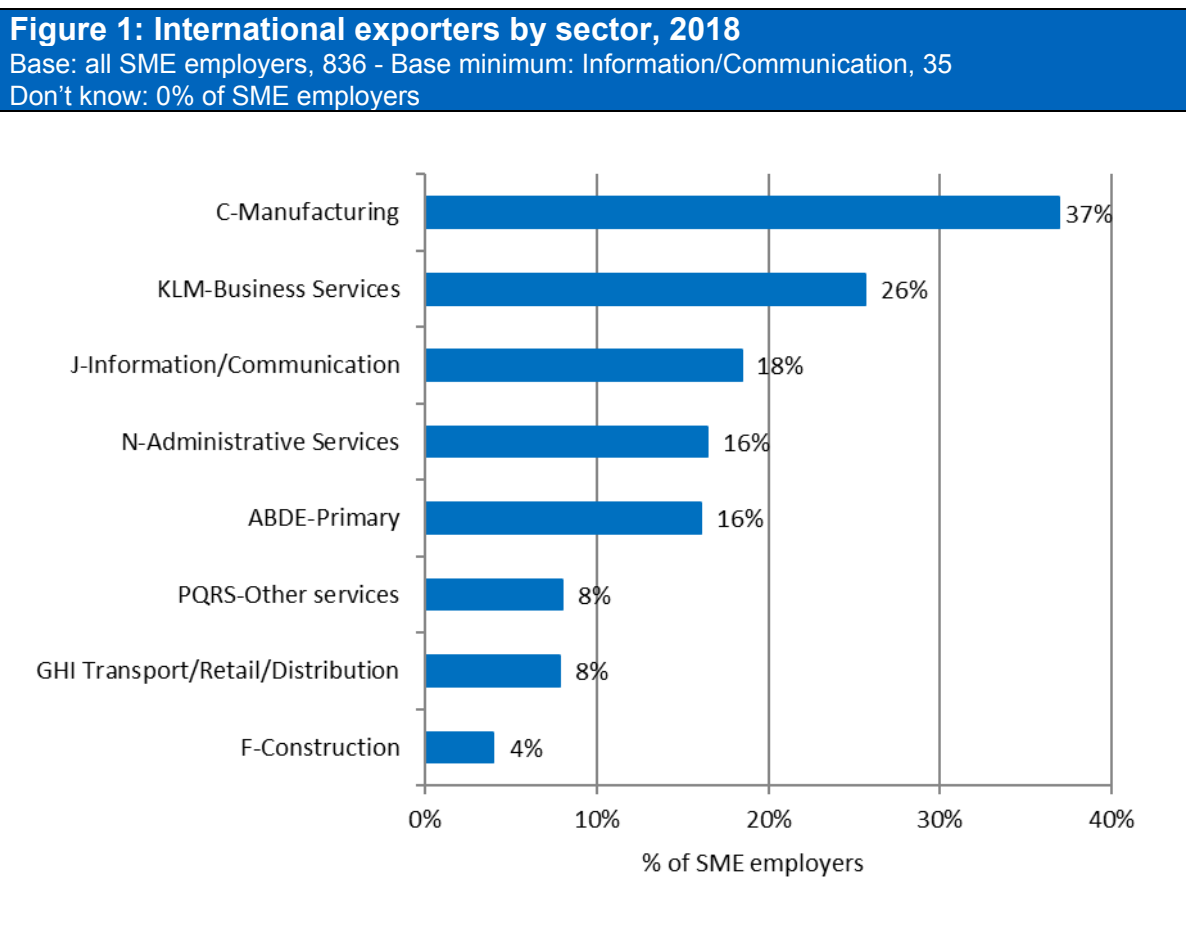
### 3. Trade activities

#### International exports

14 per cent of SME employers in Scotland reported that they had sold goods or services (including commissions, royalties and licences) internationally (outside of the UK) in the last 12 months, unchanged from 2017. In the UK as a whole, a higher proportion of SME employers (20 per cent) had exported goods or services internationally in the last 12 months, also unchanged from 2017.

The likelihood of exporting internationally increased with business size. Medium-sized businesses (33 per cent) were more likely than average to export.

International exporting was most common in the Manufacturing (37 per cent) and Business services (26 per cent) sectors. International exporting was least common in the Construction sector (four per cent) (Figure 1).



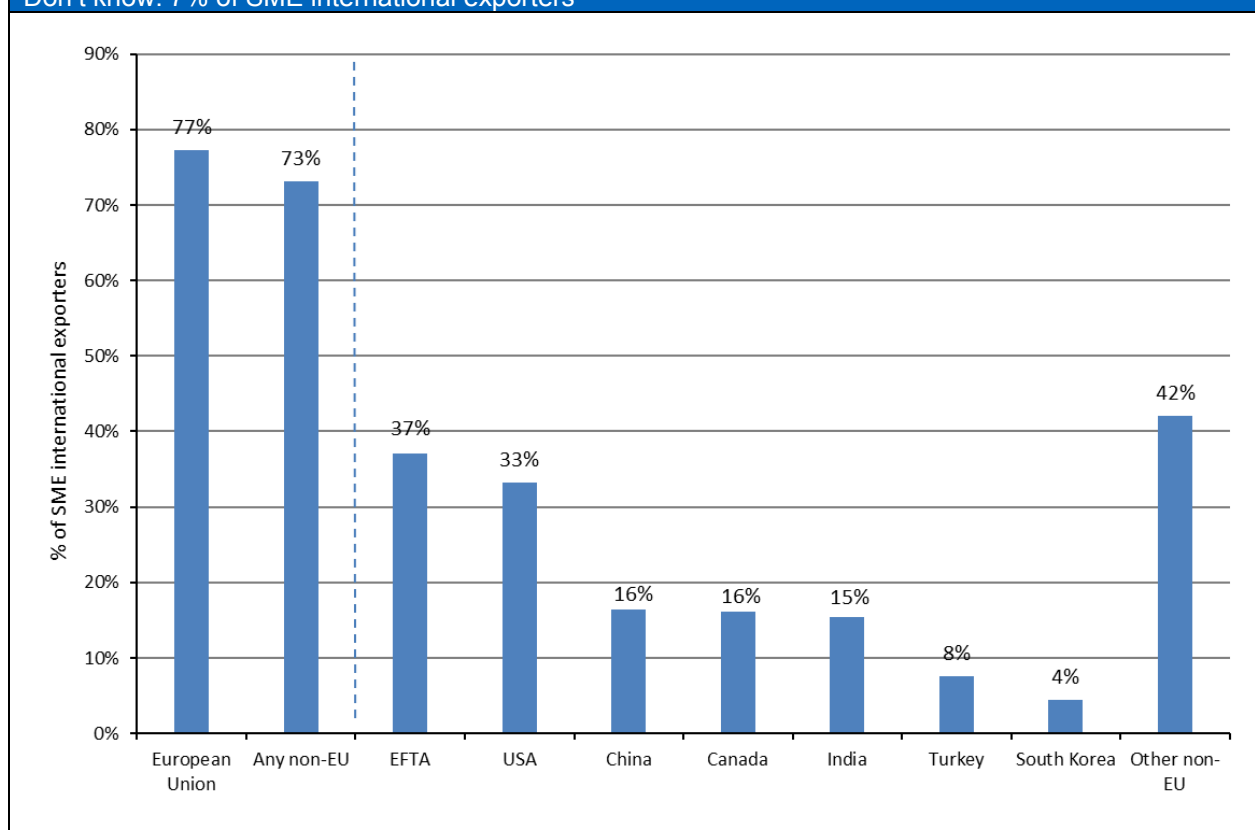
In Scotland, the proportion of SME international exporters exporting to European Union (EU) countries (77 per cent) and non-EU countries (73 per cent) was broadly similar. The proportion of SME exporters exporting to both the EU and non-EU

countries was broadly in line with the prior year<sup>14</sup>. In the UK as a whole, a higher proportion of SME international exporters exported to EU countries (78 per cent) than non-EU countries (67 per cent).

New for 2018, SME international exporters were asked for more detail on the non-EU markets they exported to (Figure 2). European Free Trade Association (EFTA)<sup>15</sup> countries were the most common non-EU export market, with 37 per cent of international exporters selling goods or services there, higher than the UK as a whole (25 per cent). 33 per cent of SME international exporters exported to the USA, lower than the UK as a whole (40 per cent). Some 16 per cent sold to China, 16 per cent to Canada, 15 per cent to India, eight per cent to Turkey, four per cent to South Korea, and 42 per cent to other non-EU countries.

**Figure 2: Destination of exports, 2018**

Base: SME employers that have exported internationally in the last 12 months, 144  
Don't know: 7% of SME international exporters

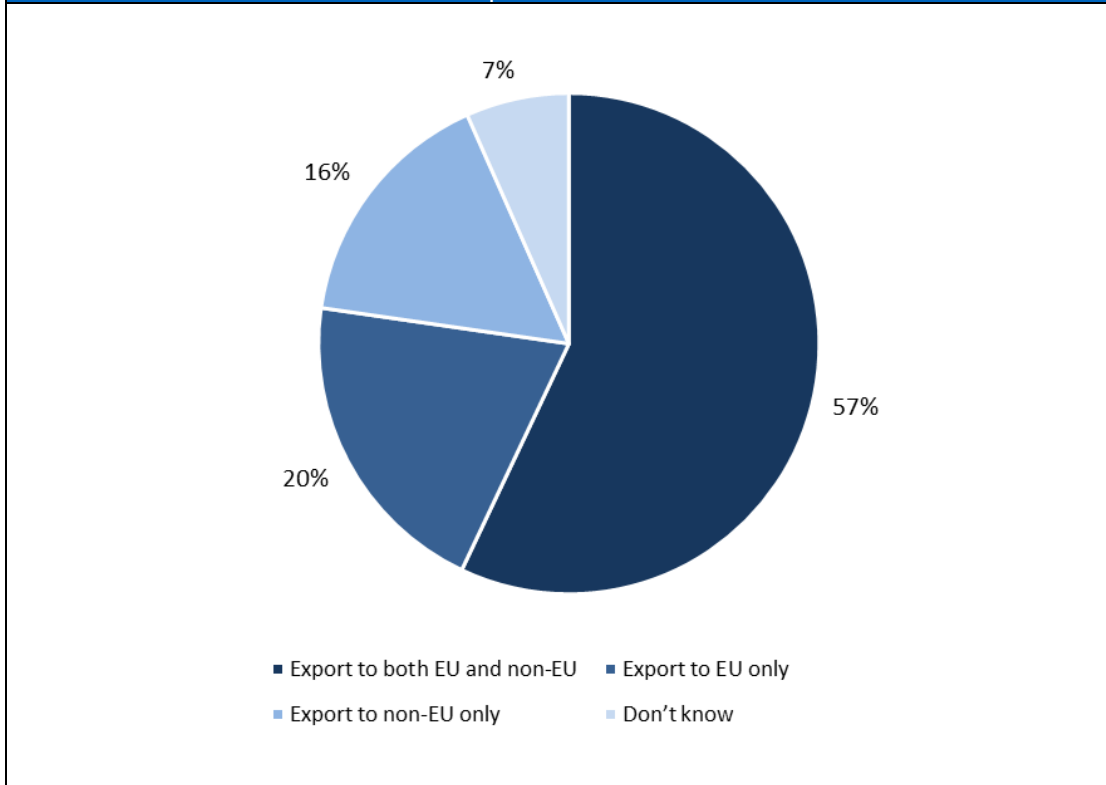


<sup>14</sup> Whilst Scotland saw a seven percentage point increase in the proportion of SME exporters that had exported to the EU between the 2017 (70 per cent) and 2018 (77 per cent) surveys, the increase was not statistically significant.

<sup>15</sup> The European Free Trade Association (EFTA) is the intergovernmental organisation of Iceland, Liechtenstein, Norway and Switzerland, set up for the promotion of free trade and economic cooperation between its members, within Europe and globally.

### Figure 3: Destination of international exports, 2018

Base: SME employers that have exported internationally in the last 12 months, 144  
Don't know: 7% of SME international exporters



20 per cent of SME international exporters in Scotland exported to EU countries only while 16 per cent exported to non-EU countries only. 57 per cent exported to both EU countries and non-EU countries (Figure 3).

The majority of SME international exporters in Scotland (85 per cent) were established exporters, exporting for more than five years. 13 per cent had been exporting for five years or less<sup>16</sup>.

For 55 per cent of SME international exporters in Scotland, exports accounted for less than quarter of their business' annual turnover. Exports accounted for between a quarter and half of turnover among 17 per cent of SME international exporters in Scotland, between half and three quarters of turnover for 12 per cent and over three quarters of turnover for a further 16 per cent.

Of those SME employers that were already exporting internationally, 57 per cent planned to increase their level of exports over the next few years.

Of those SME employers that were not currently exporting to countries outside the UK (86 per cent), the majority (94 per cent) reported that they had no plans to start exporting. Of those SME employers that were not exporting and had no plans to start, the majority (80 per cent) believed their goods/services were not suitable for exporting.

<sup>16</sup> 1 per cent of SME exporters did not know the number of years they have been exporting overseas.



## Exports to the rest of the UK

44 per cent of SME employers in Scotland reported that they sold goods or services to customers in other UK nations. This is an increase from 31 per cent in the prior year (2017)<sup>17</sup> but the same as the figure in 2016 (44 per cent). The figure in Scotland in 2018 was broadly in line with the figure for SME employers in the UK as a whole at 43 per cent.

Medium-sized firms (52 per cent) were more likely than average to have exported to the rest of the UK.

By sector, SME employers in Manufacturing (72 per cent), Information/Communication (69 per cent), and Business Services (66 per cent) were more likely than average to have sold goods or services to the rest of the UK. Whereas, SME employers in Transport/Retail/Distribution (33 per cent), Construction (32 per cent) and Other Services (22 per cent) sectors were less likely than average to have sold to the rest of the UK.

## International imports

21 per cent of SME employers in Scotland had directly imported goods or services from countries outside the UK in the previous 12 months, broadly in line with the proportion in the UK as a whole (23 per cent) and with the proportion in Scotland in the prior year (19 per cent). Medium-sized businesses (36 per cent) were more likely than average to import.

18 per cent of SME employers in Scotland had directly imported goods or services from the EU, broadly in line with the UK as a whole (19 per cent). 10 per cent had imported from non-EU countries in 2018, lower than the proportion in the UK (12 per cent).

## Imports from the rest of the UK

57 per cent of SME employers in Scotland reported that they bought goods or services from other UK nations (higher than the proportion in the UK as a whole at 33 per cent).

Medium-sized businesses (78 per cent) were more likely than average to have imported goods or services from the rest of the UK. By sector, SME employers in the Manufacturing (87 per cent) and Primary (74 per cent) sectors were more likely than average to import goods or services from the rest of the UK, whereas those in Other services sectors (45 per cent) were less likely.

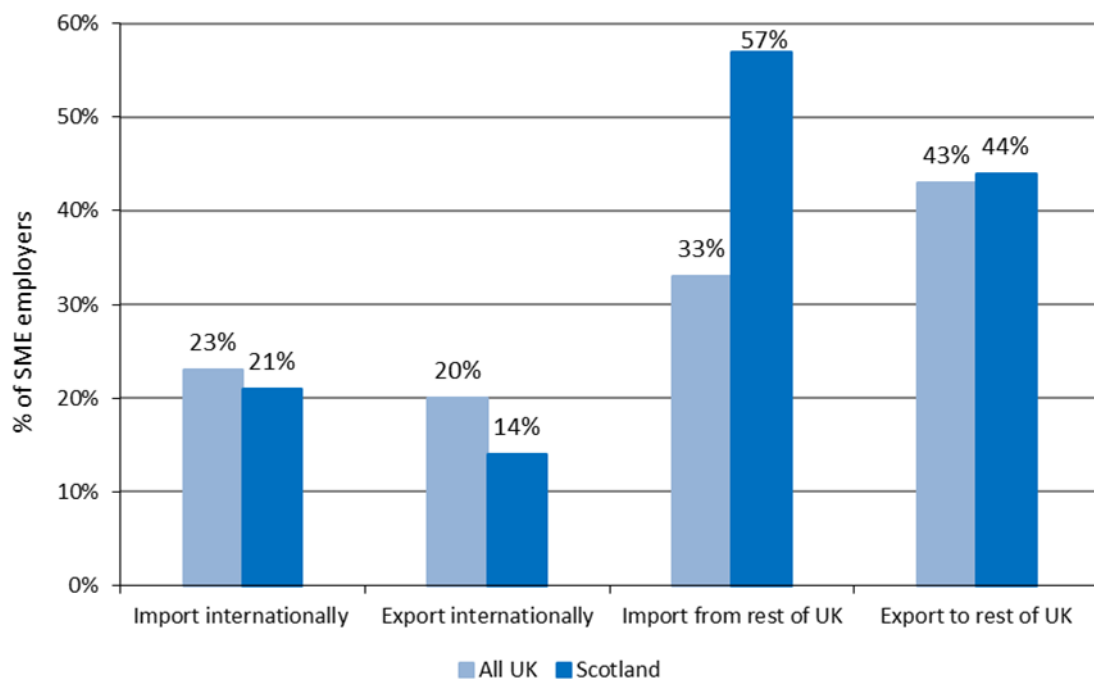
Imports, exports, and goods and services bought from or sold to the rest of the UK are summarised for Scotland and the UK as a whole in Figure 4.

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<sup>17</sup> Please note that while this increase in SME employers exporting to other UK nations was statistically significant, the change over the latest two surveys was partly influenced by the longitudinal element of the study and the increased number of 'top-ups' (businesses new to the survey) in 2017.

**Figure 4: Imports and exports by SME employers, 2018**

Base: SME employers, 836



## 4. Business Practices

### Innovation<sup>1</sup>

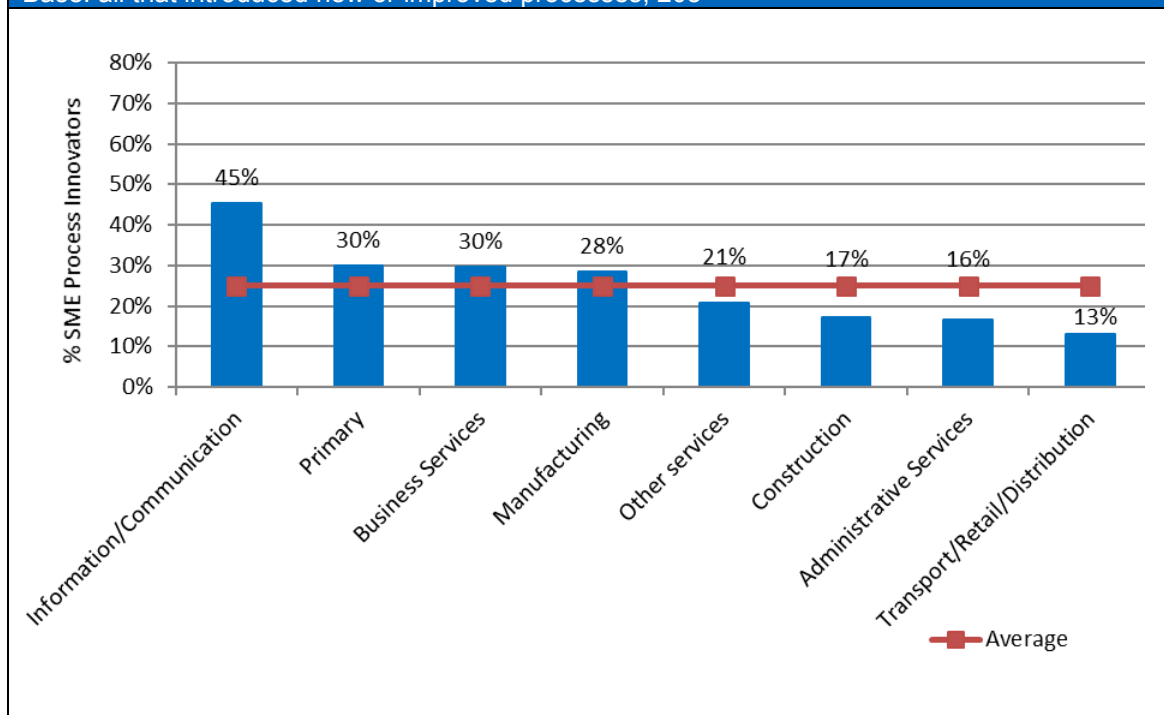
#### Process innovation

21 per cent of SME employers in Scotland introduced new or significantly improved processes for producing or supplying goods or services in the last three years, in line with the prior year (20 per cent) and consistent with the proportion in the UK as a whole (21 per cent). Of those SME employers that had introduced new or improved processes, 78 per cent introduced process innovations that were all just new to the business, while 22 per cent introduced at least some process innovations that were also new to the market.

Process innovation was more common amongst medium-sized firms (39 per cent). By sector, process innovation was higher than average in the Information/Communication sector (45 per cent) and lower than average in the Transport/Retail/Distribution sector (13 per cent). All other sectors were broadly in line with the overall SME average (Figure 5).

**Figure 5: SME employers introducing new or improved processes in the last 3 years**

Base: all that introduced new or improved processes, 208



<sup>18</sup> Figures for the good/service innovation are not shown for 2018. In prior year years, there were separate questions about goods and services. In 2018 a single question was asked ('Has your business introduced any new or significantly improved goods or services in the last three years?'). The drop in the proportion innovating goods or services between 2017 and 2018, and the profile of those doing so, suggests that most respondents interpreted this question in terms of goods only, not goods and services.

## Investment in R&D (cohort C only<sup>1-</sup>)

New for 2018, SME employers were asked if their business had invested in research and development (R&D) in the last three years. 16 per cent of SME employers had invested in R&D in the last three years, in line with the UK as a whole.

Medium-sized business (29 per cent) were more likely than average to have invested in R&D. By sector, SME employers in Information/Communication (35 per cent), Primary (34 per cent), and Manufacturing (32 per cent) were more likely than average to have invested in R&D. Least likely to have invested in R&D were those in the Transport/Retail/Distribution (four per cent) and Construction (zero per cent) sectors.

## Training

48 per cent of SME employers in Scotland had arranged or funded any training (off the job training<sup>20</sup> and/or on the job training<sup>21</sup>) in the past 12 months, broadly in line with the proportion in the UK as a whole (47 per cent). The figure in Scotland was broadly similar to the previous year when it stood at 51 per cent (in the UK as a whole, the proportion was lower than the prior year when it stood at 49 per cent).

Table 3 below shows the proportions of SME employers in Scotland that had arranged or funded any training in the past 12 months. Medium-sized and small businesses were much more likely than average to have arranged or funded training.

<b>Table 3 SME employers that had arranged or funded training in the past 12 months by size (%)</b>				
Base: all SME employers, 836				
	<b>Micro 1-9</b>	<b>Small 10-49</b>	<b>Medium 50-249</b>	<b>All</b>
<b>Any training</b>	42	73	91	<b>48</b>
<b>Off the job</b>	32	62	81	<b>38</b>
<b>On the job</b>	31	59	78	<b>37</b>

Figure 6 below shows the proportion of SME employers in each sector that had arranged or funded any training in the past 12 months. Businesses in the Manufacturing sector (62 per cent) and the Other Services (61 per cent) sectors were more likely than average to have arranged or funded any training, while businesses in the Transport/Retail/Distribution (37 per cent) sectors were less likely than average to have arranged or funded any training.

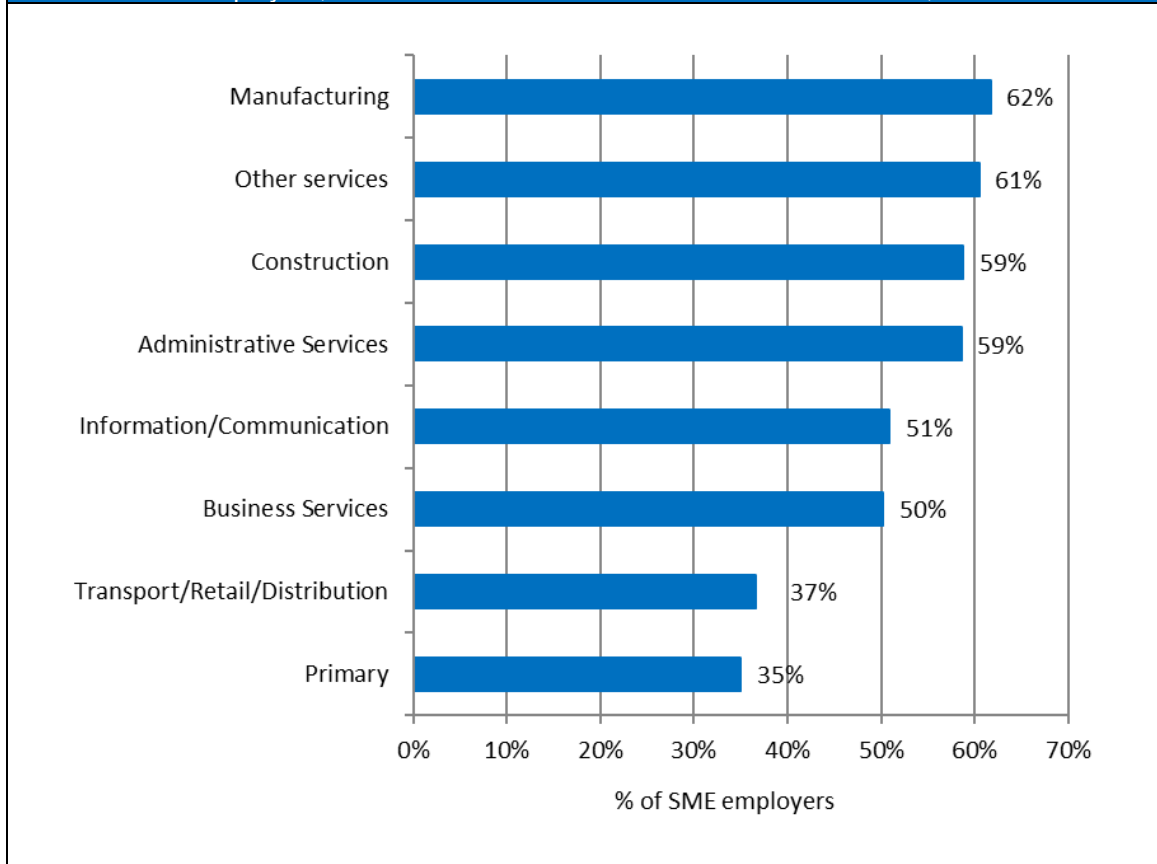
<sup>19</sup> For the 2018 survey, in order to accommodate demand for more questions in the questionnaire and reduce the average interview time, respondents were divided at random into three cohorts: A, B and C. Each cohort was asked their separate series of questions.

<sup>20</sup> Training away from the individual's immediate work position, whether on the same work premises or elsewhere.

<sup>21</sup> Activities that would be recognised as training by the staff, that relate not only to the sort of learning by experience which could take place all the time.

**Figure 6: SME employers that had arranged or funded training in the past 12 months by sector (%)**

Base: all SME employers, 836 – Base minimum: Information/Communication, 35



70 per cent of SME employers that offered training in Scotland had arranged or funded any training (off the job training and/or on the job training<sup>22</sup>) for managers in the business in the past 12 months, similar to the proportion in the UK as a whole (68 per cent)<sup>23</sup>.

Small businesses (80 per cent) were more likely than average to have arranged or funded any training for managers. By sector, businesses in Business Services (90 per cent) and Other Services (82 per cent) sectors were more likely than average to have arranged or funded any training for managers. Businesses in Primary (47 per cent) and Construction (53 per cent) sectors were less likely to have arranged or funded any training for managers.

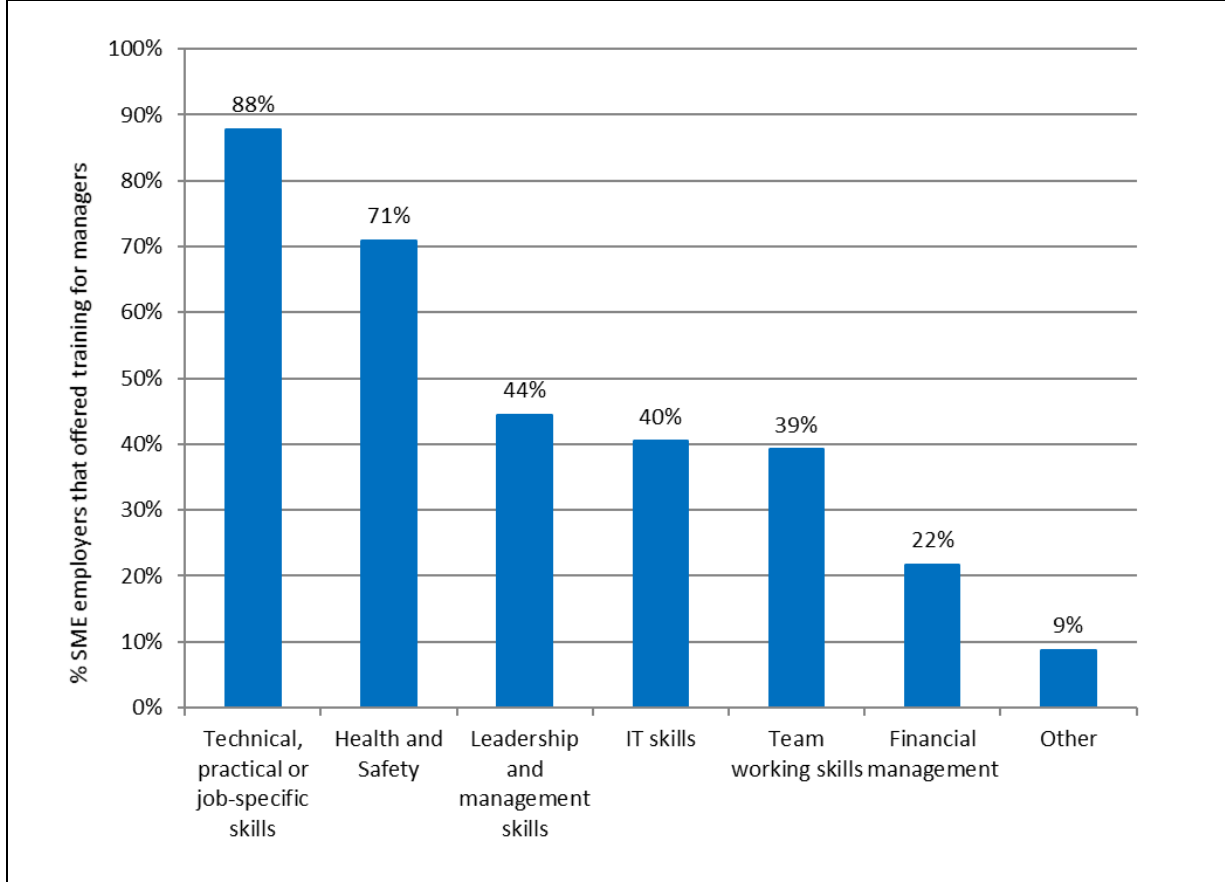
The most common forms of training that managers received were technical, practical or job-specific skills (88 per cent), health and safety (71 per cent) and leadership and management skills (44 per cent) (Figure 7).

<sup>22</sup> 14 per cent of SME employers that offer training reported that managers in the business received off the job training, 11 per cent informal on the job training and 44 per cent received both.

<sup>23</sup> In previous years, this question was asked to all SME employers. For the 2018 survey this question was asked to all SME employers that offered training, therefore it cannot be compared to last year's results.

**Figure 7: Types of training for managers (%)**

Base: all that offered training for managers, 411



### Apprenticeships<sup>24</sup> (cohort A only)

Eight per cent of SME employers in Scotland offered formal apprenticeships (i.e. apprenticeships that lead to a recognised qualification) in the last 12 months. This was broadly in line with the proportion in the prior year (12 per cent) the UK as a whole (12 per cent).

Small (26 per cent) and medium-sized businesses (36 per cent) were more likely than average to have offered formal apprenticeships in the last three years.

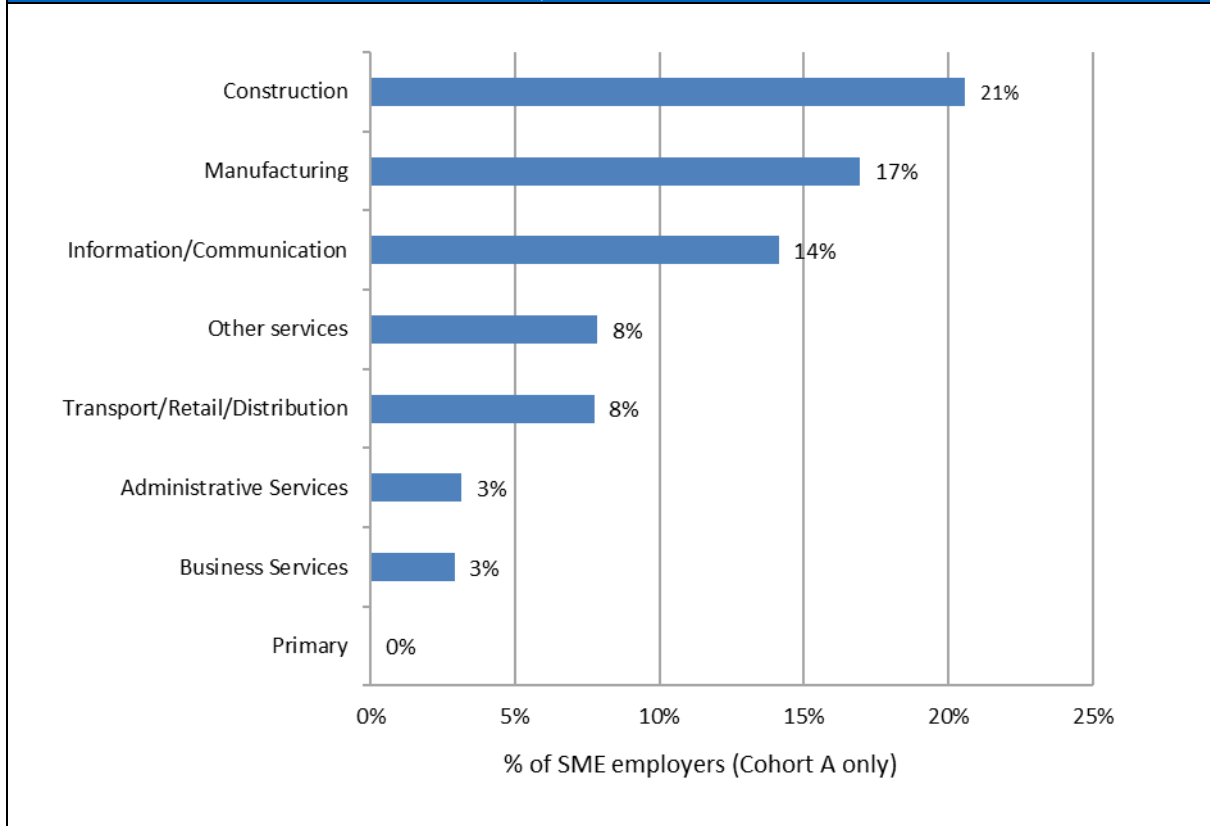
Apprenticeships were most common in the Construction sector (21 per cent) (Figure 8).

<sup>24</sup> Apprenticeships are paid jobs which incorporate on and off the job training designed towards an approved apprenticeship standard or framework. This section does not specifically refer to Scottish Modern Apprenticeships, as funded by Skills Development Scotland.

**Figure 8: Formal apprenticeships in the last 12 months by sector (%)**

Base: SME employers (Cohort A only), 273

Base minimum: Information/Communication, 12



An estimated 12 per cent of SME employers in Scotland intended to have an apprenticeship start in the next 12 months, in line with the UK as a whole.

### Business plan

In 2018, 35 per cent of SME employers stated that they had a formal written business plan which was kept up-to-date (broadly in line with the proportion in the UK as a whole, at 33 per cent). Small (49 per cent) and medium-sized firms (54 per cent) were more likely than average to have an up-to-date business plan.

### Working for the public sector (cohort B only)

In 2018, 19 per cent of SME employers in Scotland expressed an interest in, or bid for, any contract advertised by the public sector<sup>25</sup> (higher than the proportion in the UK as a whole, at 10 per cent). This was broadly in line with the proportion in 2016, when the question was last asked in this survey.

Businesses in the Information/Communication (64 per cent) sector were more likely than average to have expressed an interest in, or bid for a public sector contract, while businesses in Transport/Retail/Distribution (nine per cent) were less likely.

<sup>25</sup> 14 per cent of SME employers had bid and a further 5 per cent had expressed an interest but not bid.

28 per cent of SME employers in Scotland had actually done business for the public sector in the previous 12 months (higher than the proportion in the UK as a whole, at 23 per cent), broadly in line with the proportion in 2016 (30 per cent). By sector, businesses in Information/Communication (57 per cent) were more likely than average to have done business for the public sector in the previous 12 months.

The main customers within the public sector were local authorities (68 per cent of SME employers that worked for the public sector named them as their main client), Scottish Government (18 per cent), UK Departments of State (5 per cent), higher and further education institutions (three per cent) and the NHS (two per cent).

### **Business support**

In 2018, 28 per cent of SME employers had used external information or advice on matters affecting their business in the previous 12 months, broadly similar to the proportion in 2017 (32 per cent) and the proportion in the UK as a whole (26 per cent).

The most common reason for using information or advice was financial advice (accounting or general running of business), cited by 25 per cent of SME employers that used information or advice in the last 12 months (Figure 9). 13 per cent also cited financial advice (how and where to get finance)<sup>26</sup>.

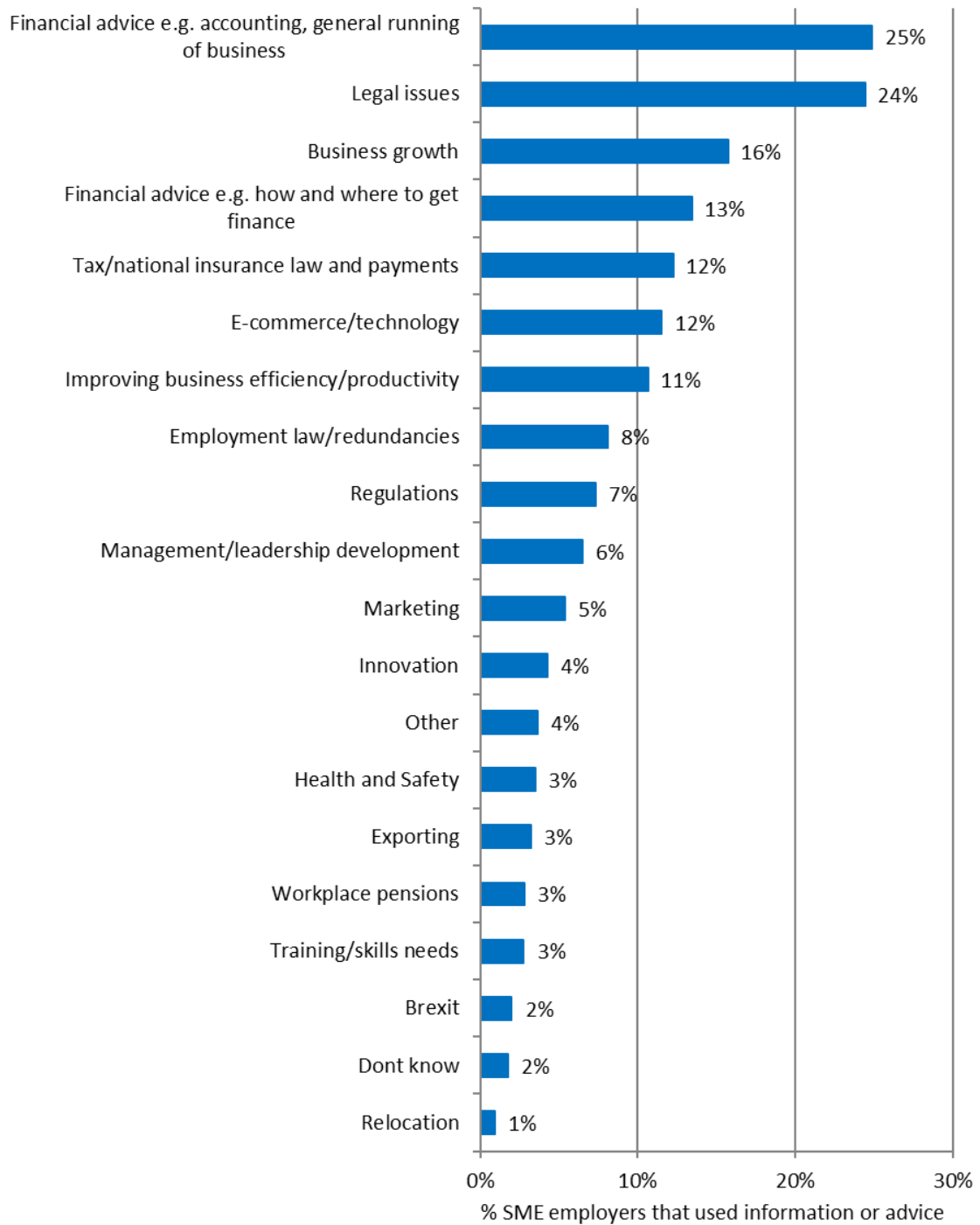
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<sup>26</sup> Please note that as businesses could choose more than one option for this question, these two figures (25 per cent and 13 per cent) relating to financial advice cannot be summed.



**Figure 9: Reasons for using information or advice (%)**

Base: all that used information or advice, 265



In 2018, the most common source of information or advice for SME employers in Scotland was their accountant, cited by 37 per cent of SME employers that used advice in the previous 12 months, followed by consultant/ general business advisor (34 per cent).

## Living Wage

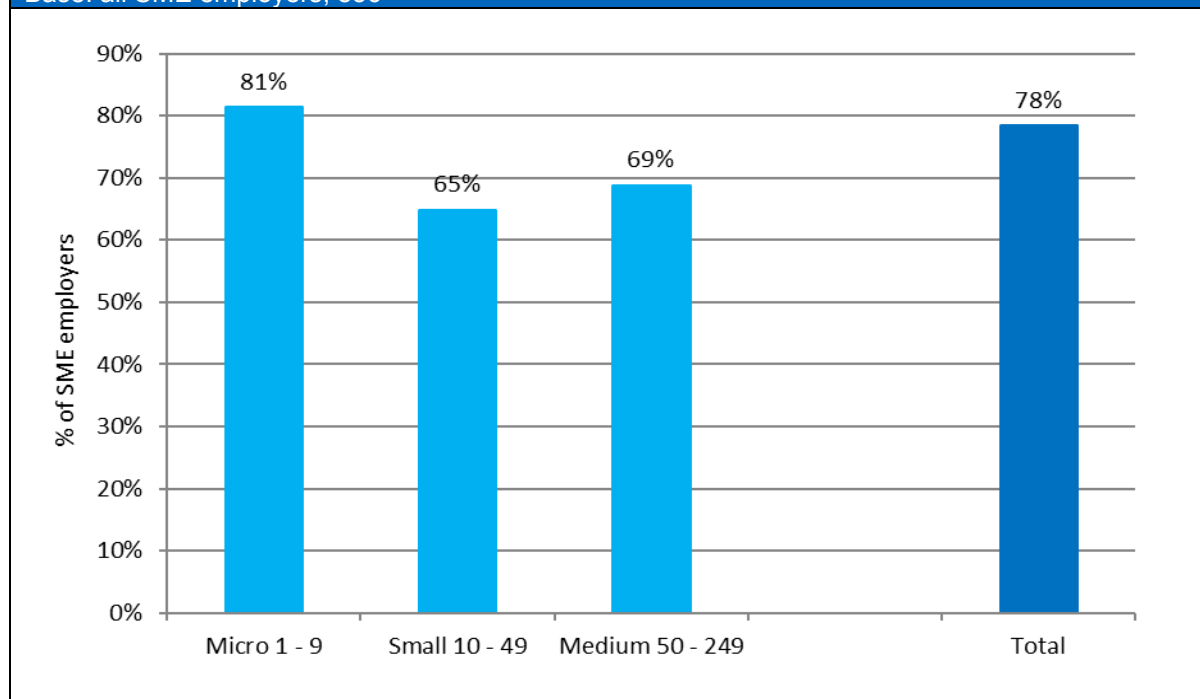
This section examines issues related to the payment of the Living Wage, as defined by the Living Wage Foundation. Businesses can choose to pay the Living Wage to all their directly employed staff, aged 18 or above, on a voluntary basis. At the time the 2018 survey began, the Living Wage was set at £8.75 per hour outside London and rose to £9.00 from November 2018<sup>27</sup>. It should be noted that the Living Wage, as defined by the Living Wage Foundation, is different from the National Living Wage which is the legal minimum wage for employees in the UK.

In 2018, 78 per cent of SME employers in Scotland paid all their employees aged 18 or over (excluding volunteers, apprentices and interns) at or above £8.75 per hour, the Living Wage as defined by the Living Wage Foundation at the time the survey began. This is an increase from 70 per cent in the previous year. 19 per cent of SME employers did not pay the Living Wage to all their employees, down from 28 per cent in 2017, and two per cent did not know. Small (65 per cent) and medium-sized firms (69 per cent) were less likely than average to pay the Living Wage (Figure 10).

**Figure 10: SME employers paying the Living Wage as defined by the Living Wage Foundation (%)**

Note: the Living Wage stood at £8.75 per hour for the 2018 survey.

Base: all SME employers, 836



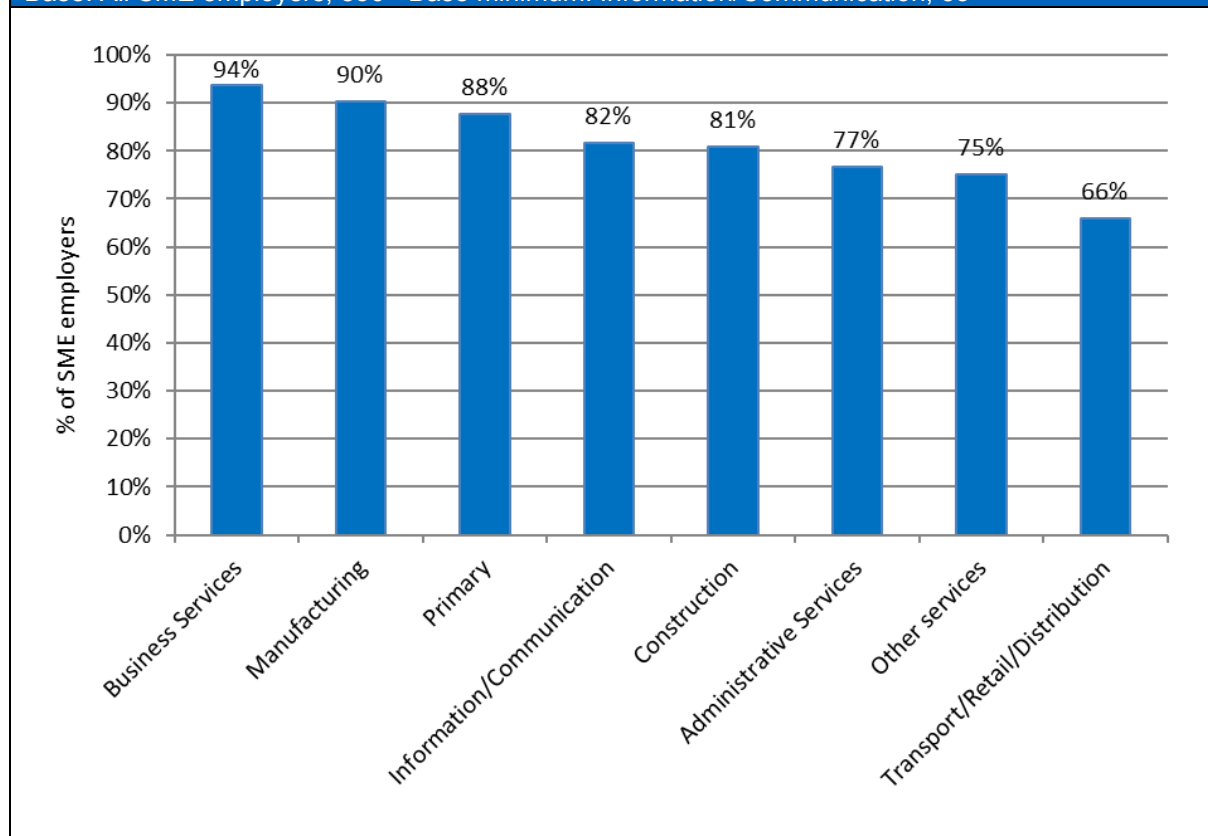
By sector, SME employers in the Business Services (94 per cent) and Manufacturing (90 per cent) sectors were more likely than average to pay the Living Wage. Businesses in the Transport/Retail/Distribution sector (66 per cent) were less likely

<sup>27</sup> Source: [Living Wage Foundation](#)

than average to pay the living wage. Figure 11 shows the proportions of SME employers paying the Living Wage by sector.

**Figure 11: SME employers paying the Living Wage by sector (%)**

Base: All SME employers, 836 - Base minimum: Information/Communication, 35



Of those SME employers in Scotland who were either paying the living wage or were unsure as to whether they were paying the living wage, five per cent stated that they received accreditation as a living wage employer from the Living Wage Foundation, slightly higher than the proportion in the prior year (three per cent). 89 per cent stated that they had not and six per cent did not know.

### Scottish Business Pledge

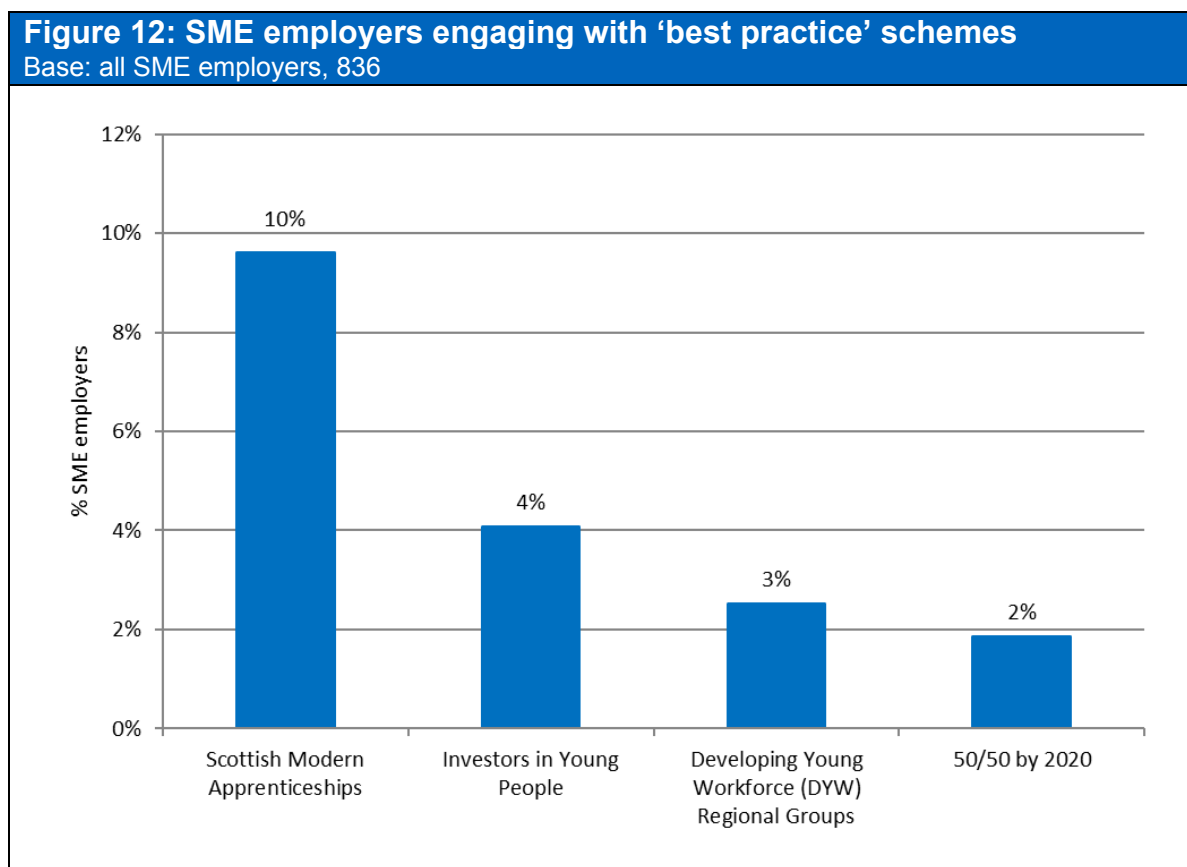
In 2018, 1 per cent of SME employers surveyed in Scotland were signed up to the Scottish Business Pledge. A further 16 per cent were aware of the Scottish Business Pledge but not signed up, while the vast majority were not aware of it (82 per cent).

### Engagement with local community

69 per cent of SME employers in Scotland considered their business to be actively involved in their local community, broadly in line with the prior year (65 per cent). Small firms were more likely than average to consider their business to be actively involved in their local community (77 per cent).

## Engagement with 'best practice' schemes

Figure 12 shows the proportions of SME employers that engaged with a range of 'best practice' schemes.



10 per cent of SME employers engaged with Scottish Modern Apprenticeships<sup>28</sup>, broadly similar to the proportion in the previous year (12 per cent). Just two per cent of SME employers were engaged with the 50/50 by 2020 gender balance commitment.

## Prompt Payment Code

Of those SME employers in Scotland who received trade credit, nearly half (47 per cent) engaged with the Prompt Payment Code, a significant increase from the previous year (35 per cent).

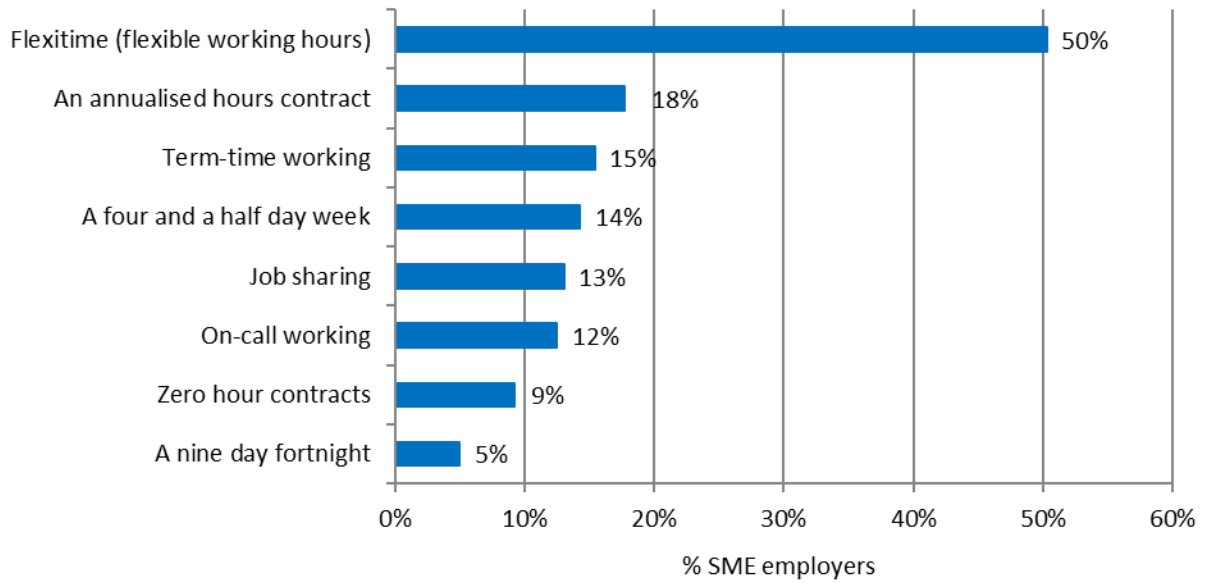
## Working hours arrangements

Figure 13 shows the proportion of SME employers offering a range of working hours arrangements to their employees. The most common working hours arrangement was flexitime, offered by half of SME employers. Nine per cent of SME employers offered zero hour contracts. 34 per cent of firms offered none of these arrangements to their staff.

<sup>28</sup> Modern apprenticeships with funding through Skills Development Scotland.

**Figure 13: Working hours arrangements available to employees (%)**

Base 2018: all SME employers, 836



## 5. Access to external finance

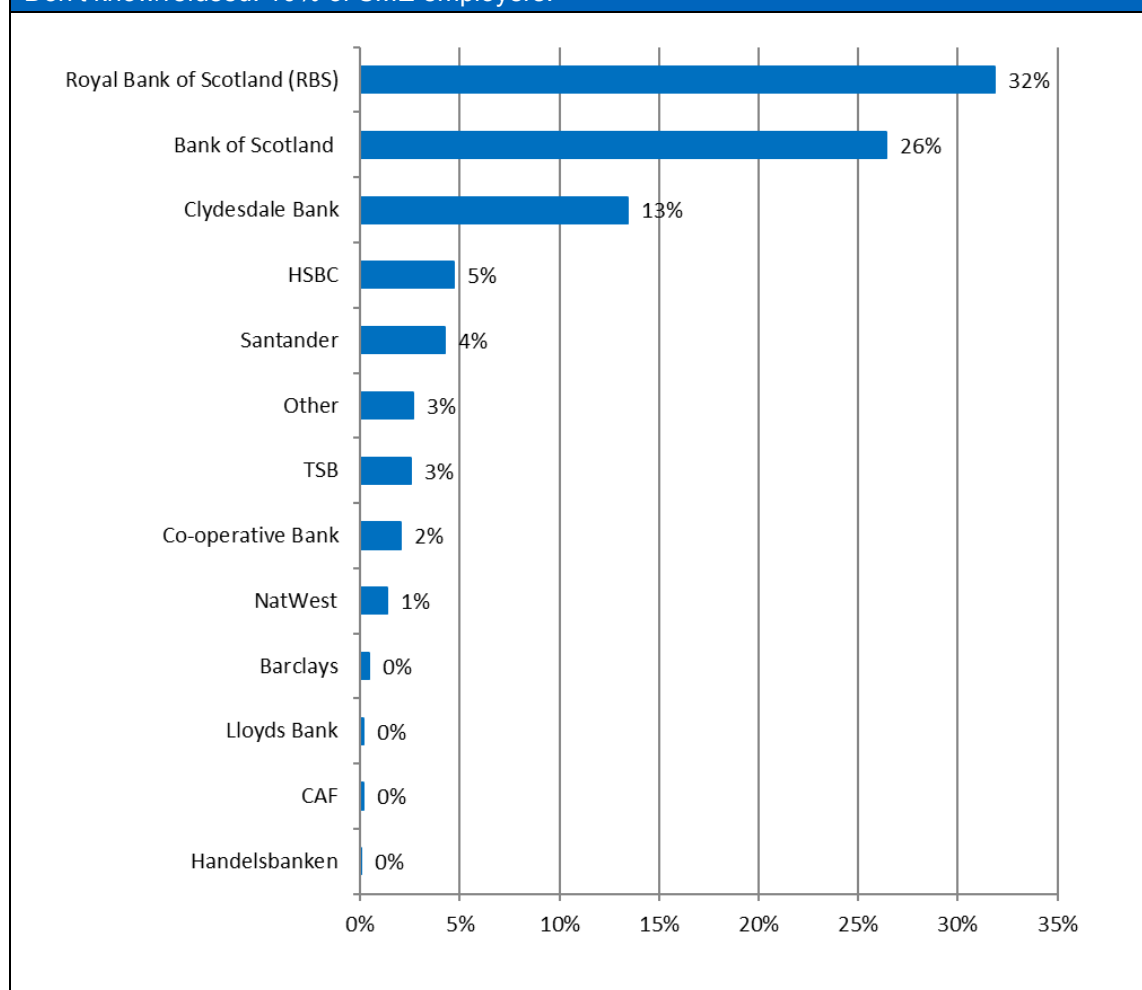
### Banking

The vast majority of SME employers in Scotland (94 per cent) used a current account in the name of the business as their main bank account and only a very small proportion of SME employers (one per cent) used a personal current account for business purposes<sup>29</sup>. These proportions were similar to those in the prior year and the UK as a whole.

Bank account switching rates amongst firms surveyed are low. Five per cent of SME employers had switched their main bank account used for business purposes in the previous 12 months, while 95 per cent continued banking with the same bank account<sup>30</sup>. These proportions were broadly in line with the UK as a whole and those in the prior year.

**Figure 14: Main bank or financial institution used for current account**

Base: Cohort C, top-ups with current accounts and panellists that switched, 549  
Don't know/refused: 10% of SME employers.



<sup>29</sup> Please note that this question was asked only to SME employers in cohort C, i.e. 286 businesses.

<sup>30</sup> Please note that this question was asked only to businesses that had been interviewed in 2017 (the "full panel"), i.e. 440 businesses.

Figure 14 shows the main bank or financial institution SME employers in Scotland were using for their current account in 2018. 58 per cent of SME employers in Scotland cited either the Royal Bank of Scotland (32 per cent) or Bank of Scotland (26 per cent) as their main bank.

### **Types of external finance currently being used**

70 per cent of SME employers in Scotland were using some form of finance at the time of the 2018 interview (higher than the proportion in the UK as a whole at 63 per cent). The proportion using finance was broadly in line with the figure in the prior year (72 per cent). 28 per cent of SME employers in Scotland were not using any of the types of finance asked about (33 per cent in the UK as a whole)<sup>31</sup>.

Figure 15 shows the types of finance SME employers in Scotland were using in 2018. The most common forms of external finance used were credit cards (40 per cent of SME employers) and bank overdraft facilities (34 per cent), which was 32 per cent and 29 per cent respectively for SME employers in the UK as a whole. The least common types of finance used by SME employers in Scotland were equity finance, at 3 per cent, and peer-to-peer lending, at 1 per cent (both 2 per cent in the UK as a whole).

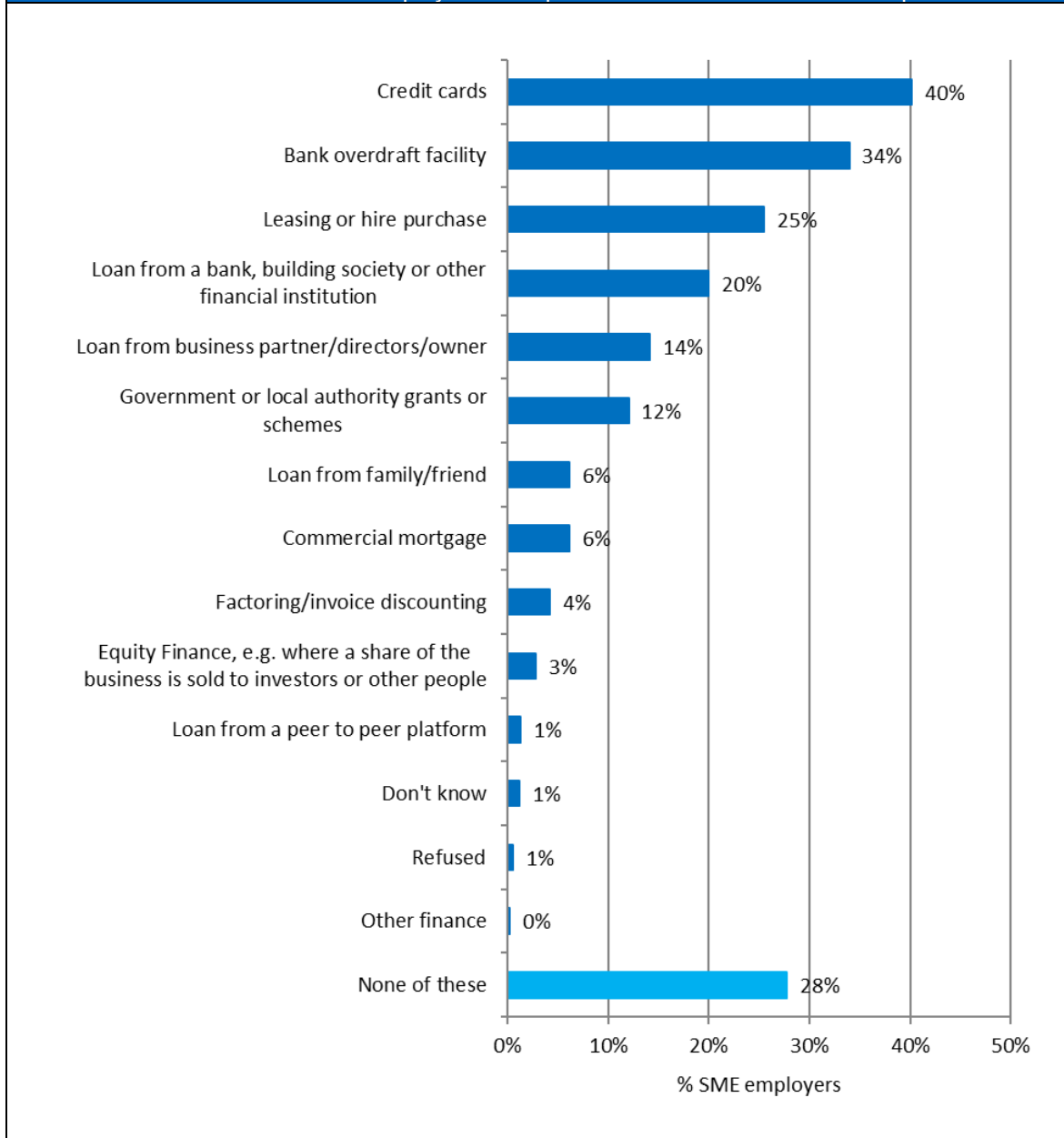
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<sup>31</sup> 1 per cent of SME employers in Scotland did not know if or which types of finance they currently used and a further 1 per cent refused to answer the question.

### Figure 15: Types of external finance currently used

Base: all SME employers, 836

Don't know/refused: 2% of SME employers. Multiple answers allowed across this question.



### Whether sought external finance in the last 12 months

17 per cent of SME employers in Scotland had sought external finance in the last 12 months<sup>32</sup>, higher than the proportion in the UK as a whole (12 per cent), but in line with the proportion seeking finance in the prior year (17 per cent).

Medium-sized businesses (23 per cent) were more likely than average to have sought external finance in the past 12 months.

<sup>32</sup> 11 per cent of SMEs sought external finance just once, while six per cent sought it more than once.



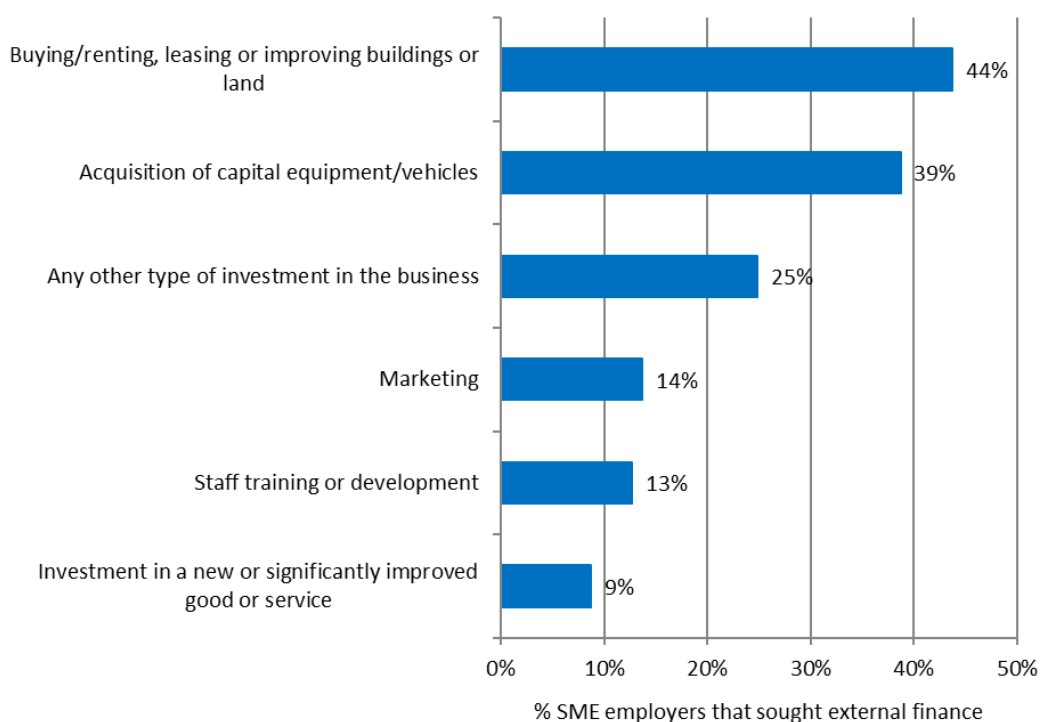
## Reasons for applying for external finance

Of those SME employers that had applied for finance in the last 12 months, 64 per cent had done so for working capital or cash flow purposes whilst 36 per cent had done so for other reasons, a change from 53 per cent and 47 per cent respectively in the prior year. Of those SME employers that had applied for finance for other reasons, the most common reason was for buying/renting, leasing or improving buildings or land (44 per cent). Figure 16 below shows the reasons for seeking external finance for those SME employers that sought finance for reasons other than working capital or cash flow.

### Figure 16: Reasons for seeking external finance in the last 12 months other than working capital/cash flow

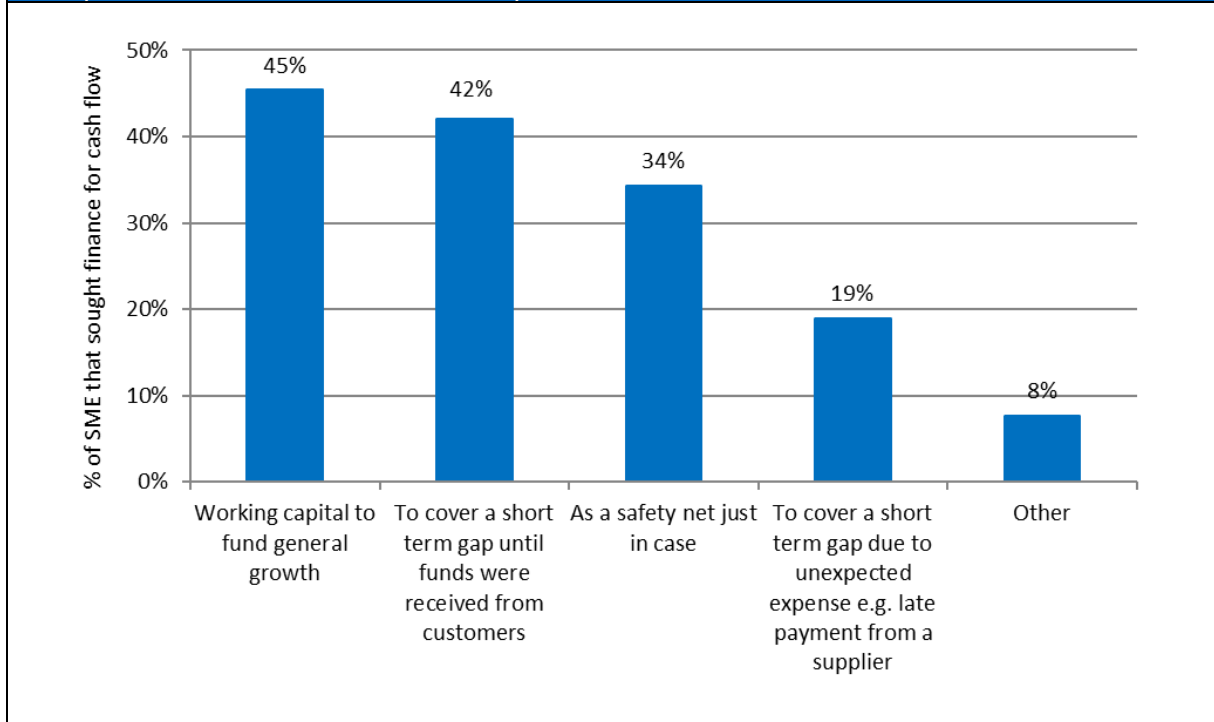
Base: all that sought external finance in the last 12 months for reasons other than working capital/cash flow, 77

Multiple answers allowed across this question.



The most common reason for seeking external finance for working capital/cash flow was to fund general growth (Figure 17), reported by 45 per cent of those SME employers that applied for this type of external finance, down from 62 per cent in 2017 and lower than the proportion for the UK as a whole (60 per cent).

**Figure 17: Reasons for seeking external finance for working capital/cash flow**  
 Base: all that sought external finance for cash flow, 92  
 Multiple answers allowed across this question.



### Type of external finance applied for in the last 12 months

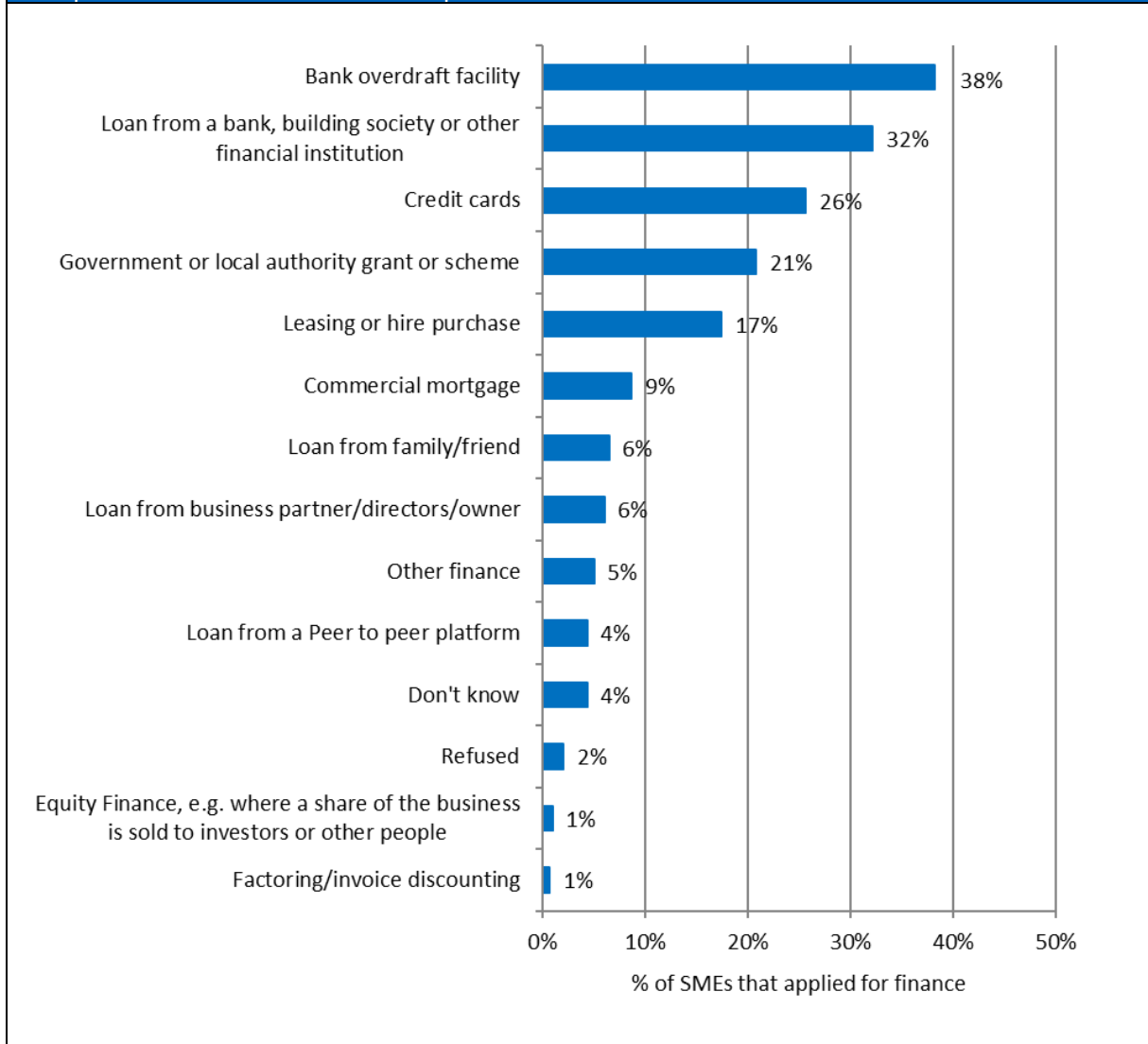
Broadly in line with the prior year and with findings for the UK as a whole, the most common forms of external finance applied for in 2018 were bank overdraft facilities (38 per cent of SME employers that applied for finance) and loans from banks and other financial institutions (32 per cent) (Figure 18).

There has been a 12 percentage point rise in the proportion applying for credit cards in Scotland (26 per cent) compared to the prior year (14 per cent), also higher than the UK as a whole in 2018 (15 per cent). 21 per cent of SME employers in Scotland had applied for a government or local authority grant or scheme, higher than the proportion in the UK as a whole (12 per cent).

**Figure 18: Types of finance applied for in the last 12 months**

Base: all that applied for finance in the last 12 months, 150

Multiple answers allowed across this question.



### Success in obtaining external finance

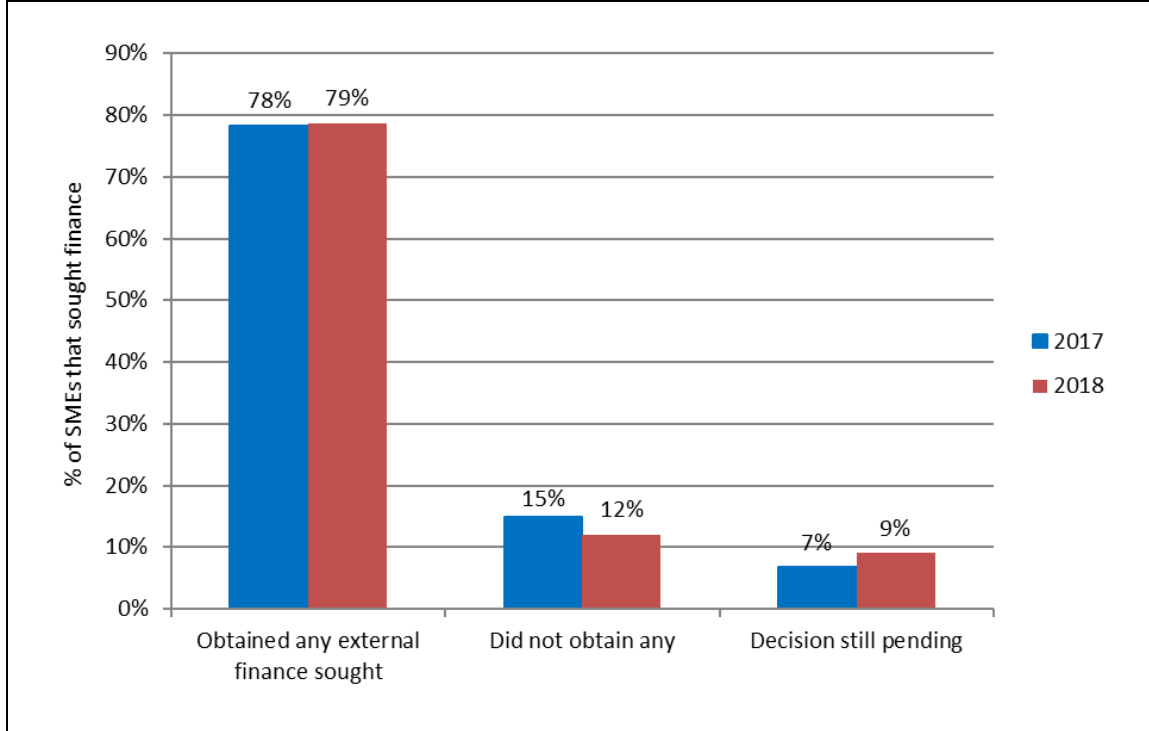
Regarding the final outcome of applications for finance, in 2018, 79 per cent of SME employers that applied for external finance in the previous 12 months were successful in obtaining at least some of the external finance sought, while 12 per cent did not obtain any. For the remaining nine per cent, the outcome of the application was still pending at the time of the interview. The success rate in Scotland was broadly similar with that in the UK as a whole, at 76 per cent. Success rates in Scotland were broadly similar across business size-band.

The success rate in obtaining external finance was broadly in line with 2017 (78 per cent). However, a higher proportion of applications were still pending in 2018 (nine per cent) and therefore it is not possible to make direct comparisons (Figure 19).

**Figure 19: Outcome of applications for external finance (%)**

Base 2018: all that sought external finance in the last 12 months, 150

Base 2017: all that sought external finance in the last 12 months, 133



### Amount of external finance sought

The most common amount of finance sought in the last 12 months was in the range '£10,000 to £24,999' (25 per cent of SME employers applying for finance) (Table 4).

**Table 4: Amount of external finance sought in the last 12 months (%)**

Base: all SME employers applying for finance, 150

Less than £10,000	10%
£10,000 to £24,999	25%
£25,000 to £49,999	11%
£50,000 to £99,999	15%
£100,000 to £249,999	15%
£250,000 to £999,999	9%
£1 million or more	6%
Don't know/Refused to answer	9%

## Amount of external finance obtained

The most common amounts of finance obtained in the last 12 months were in the ranges '£10,000 to £24,999' (22 per cent of SME employers who obtained finance) and '£100,000 to £249,999' (17 per cent) (Table 5).

<b>Table 5: Amount of external finance obtained in the last 12 months (%)</b>	
Base: all SME employers obtaining finance, 121	
Less than £10,000	7%
£10,000 to £24,999	22%
£25,000 to £49,999	14%
£50,000 to £99,999	13%
£100,000 to £249,999	17%
£250,000 to £999,999	8%
£1 million or more	7%
Don't know/Refused to answer	11%

## Discouraged borrowers

Discouraged borrowers are businesses that would like to borrow but do not apply.

12 per cent of SME employers in Scotland had a need for external finance in the last 12 months that they did not apply for (higher than the proportion in the UK as a whole, at eight per cent)<sup>33</sup>. This proportion is broadly in line with the figure in 2017 (13 per cent). Micro-sized firms (14 per cent) were more likely than average to have had a need for external finance in the last 12 months that they did not apply for.

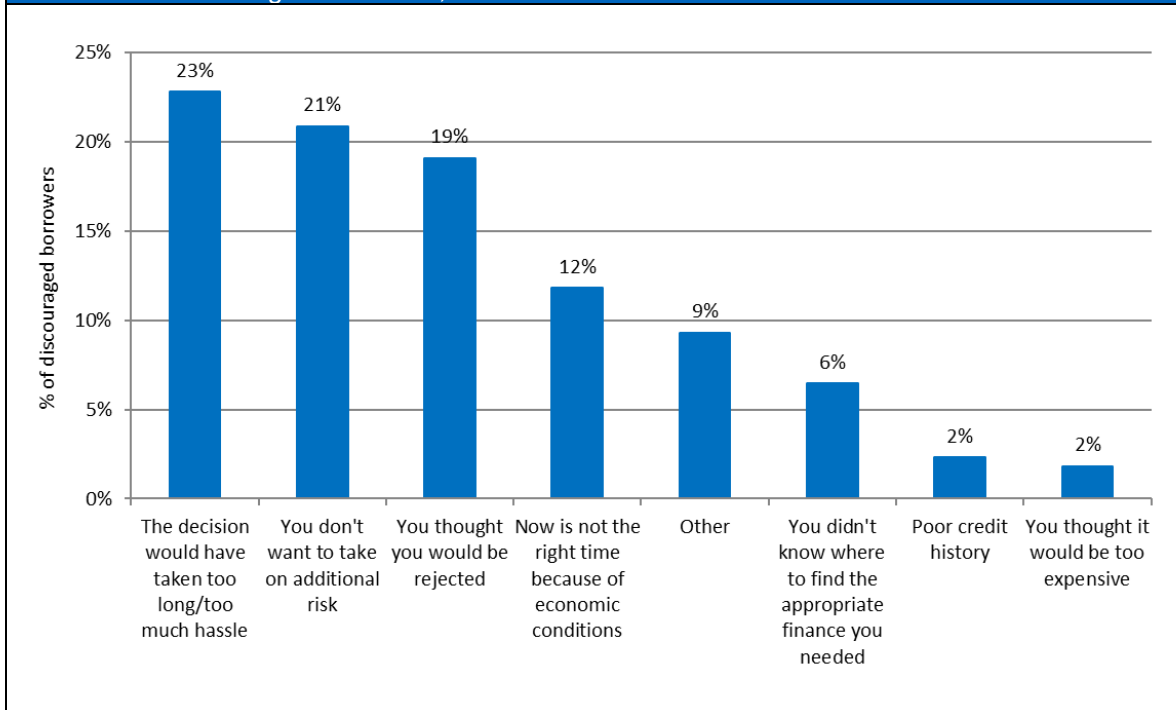
Of those SME employers that had a need for finance but did not apply, 23 per cent reported that the main reason for not applying was because they thought 'the decision would have taken too long/too much hassle', higher than the proportion in the UK as a whole (12 per cent) (Figure 20). This was followed by 'you don't want to take on additional risk' (21 per cent) and 'you thought you would be rejected' (19 per cent).

The proportion that reported they 'thought it would be too expensive' as their main reason for discouragement stood at only two per cent, down from 14 per cent in the prior year and lower than the UK as whole (11 per cent).

<sup>33</sup> This proportion includes those who had already applied for external finance in the last 12 months but who wanted more external finance that they did not apply for, as well as those that had a need for finance but did not apply at all.

**Figure 20: Main reason for discouragement**

Base 2018: Discouraged borrowers, 77



### Future intentions in approaching external finance

SME employers were asked how likely it was that they would approach external finance providers in the next three years. 24 per cent of SME employers said it was likely (10 per cent very likely and 14 per cent fairly likely) that they would approach external finance providers in the next three years, higher than the proportion in the UK as a whole (20 per cent) and broadly similar to the proportion in the prior year (27 per cent).

Small (30 per cent) businesses were more likely than average to report that they were likely to approach external finance providers in the next three years.

72 per cent of SME employers said that it was not likely that they would approach external finance providers in the next three years (28 per cent not very likely and 44 per cent not at all likely).

### Credit granting and late payment

In 2018, 52 per cent of SME employers in Scotland gave their customers trade credit, broadly similar to the proportion in the prior year (48 per cent) and higher than the proportion in the UK as a whole (45 per cent)<sup>34</sup>. Medium-sized businesses (81 per cent) were more likely than average to have given their customers trade credit.

Of those SME employers that granted trade credit to their customers, 59 per cent considered late payment to be a problem (40 per cent reported it was a small

<sup>34</sup> Please note that the questions around GIVING trade credit and late payment were asked to cohort A only. The questions around RECEIVING trade credit were asked off all SME employers.

problem whilst 19 per cent reported it was a big problem). 41 per cent reported no problems with late payment.

66 per cent of SME employers received trade credit from their suppliers, broadly in line with the proportion in the prior year (64 per cent) and higher than the proportion in the UK as a whole (58 per cent)<sup>35</sup>.

Small (75 per cent) and medium-sized businesses (85 per cent) were more likely than average to receive trade credit from their suppliers. Firms in the Manufacturing (89 per cent), Construction (81 per cent) and Transport/ Retail/ Distribution sectors (74 per cent) were more likely than average to receive trade credit from their suppliers. Businesses in the Administrative Services (54 per cent), Other services (41 per cent), and Information/ Communication (41 per cent) sectors were less likely than average to receive trade credit.

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<sup>35</sup> Please note that the questions around RECEIVING trade credit were asked of all SME employers.

## 6. Business Performance and Outlook

The survey captures the opinions of SME employers on how they performed in the past 12 months and what they expect for the coming year, in terms of changes in employment size and turnover.

### Changes to employment in the last 12 months<sup>36</sup>

Of all SME employers that had been trading for at least one year, 21 per cent employed more people than a year previously, in line with the proportion for the UK as a whole (22 per cent). 12 per cent had fewer employees and 66 per cent employed the same number, broadly similar to the UK as a whole (13 per cent and 64 per cent respectively).

Table 6 below shows the net balance of employment growth by business size. The net balance<sup>37</sup> is described as the overall proportion of businesses that increased employment minus the proportion of businesses that decreased employment, compared to a year ago. Therefore, a positive figure indicates that more businesses within that category increased employment levels than decreased. In 2018, micro, small and medium-sized businesses all showed a positive net balance of employment growth, with medium-sized businesses showing the greatest positive net balance.

Small and medium-sized firms were more likely than average to have employed more people than a year previously. By sector, SME employers in the Construction (33 per cent) and Administrative Services (34 per cent) sectors were more likely than average to have employed more people.

<b>Table 6: Numbers employed compared to 12 months ago (%) by size</b>				
Base: all SME employers trading for at least one year, 832 – Base minimum: Medium-sized businesses, 161				
	<b>Has more employees now</b>	<b>Same number</b>	<b>Has fewer employees now</b>	<b>Net balance - growth (% points)</b>
<b>Micro 1-9</b>	19	68	12	<b>7</b>
<b>Small 10-49</b>	27	60	12	<b>15</b>
<b>Medium 50-249</b>	35	48	15	<b>20</b>
<b>All</b>	<b>21</b>	<b>66</b>	<b>12</b>	<b>8</b>

<sup>36</sup> In the survey reports for 2016 and 2017 this section referred to panellists only (businesses who had taken part each year from 2015), and changes in employment were based on changes to what businesses had reported each year. The 2018 results are based on all respondents because in 2018 we asked the 'perceived employment change' question to all SME employers who had been in business for at least a year. This question cannot therefore be compared to the previous year's results.

<sup>37</sup> Net balances may not sum to total due to rounding.



## Expectations of employment in the next 12 months

23 per cent of SME employers in Scotland expected to employ more people in 12 months' time, broadly in line with the proportion in the UK as a whole (25 per cent) and with the proportion in the prior year (22 per cent). Nine per cent of SME employers in Scotland expected to employ less people, in line with the UK as a whole (nine per cent) and the proportion in the prior year (8 per cent). 68 per cent of SME employers in Scotland expected to employ about the same number, higher than the proportion in the UK as a whole (64 per cent) and similar to the prior year (70 per cent).

Small (29 per cent) and medium-sized (36 per cent) firms were more likely than average to expect to employ more people in 12 months' time.

## Changes to turnover in the last 12 months

Of all SME employers that had been trading for at least one year, 34 per cent increased their turnover (value of sales) over the past year. 42 per cent had approximately the same turnover and 19 per cent had seen their turnover decrease over the past year. These proportions were broadly in line with those in the UK as a whole.

Table 7 below shows the net balance of turnover growth by business size<sup>38</sup>. SME employers of all sizes showed a positive net balance of turnover growth (i.e. higher proportions of firms experienced turnover growth than those that experienced turnover reduction).

Small and medium-sized businesses were more likely than average to have seen their turnover increase over the past year.

**Table 7: Changes to turnover compared to 12 months previously (%) by size**

Base: all SME employers trading for at least one year, 832 – Base minimum: Medium-sized businesses, 161

SME employers that answered Don't know/Refused: 5%

	Increased	Decreased	Stayed the same	Net balance - growth (% points)
<b>Micro 1-9</b>	31	21	43	<b>10</b>
<b>Small 10-49</b>	45	12	37	<b>33</b>
<b>Medium 50-249</b>	51	13	30	<b>38</b>
<b>All</b>	<b>34</b>	<b>19</b>	<b>42</b>	<b>14</b>

<sup>38</sup> The net balance is described as the overall proportion of businesses that experienced turnover growth, minus the proportion of businesses that experienced turnover reduction, compared to 12 months ago. Therefore, a positive figure indicates that more businesses within that category experienced turnover growth than those that experienced turnover reduction.

## Expectations of turnover growth in the next 12 months

38 per cent of SME employers in Scotland expected turnover to increase in the next 12 months and 45 per cent expected turnover to stay approximately the same. These proportions were broadly in line with those in the UK as a whole. 13 per cent of SME employers expected turnover to decrease, higher than the proportion in the UK as a whole (10 per cent).

Medium-sized SME employers were more likely than average to expect turnover to increase (54 per cent).

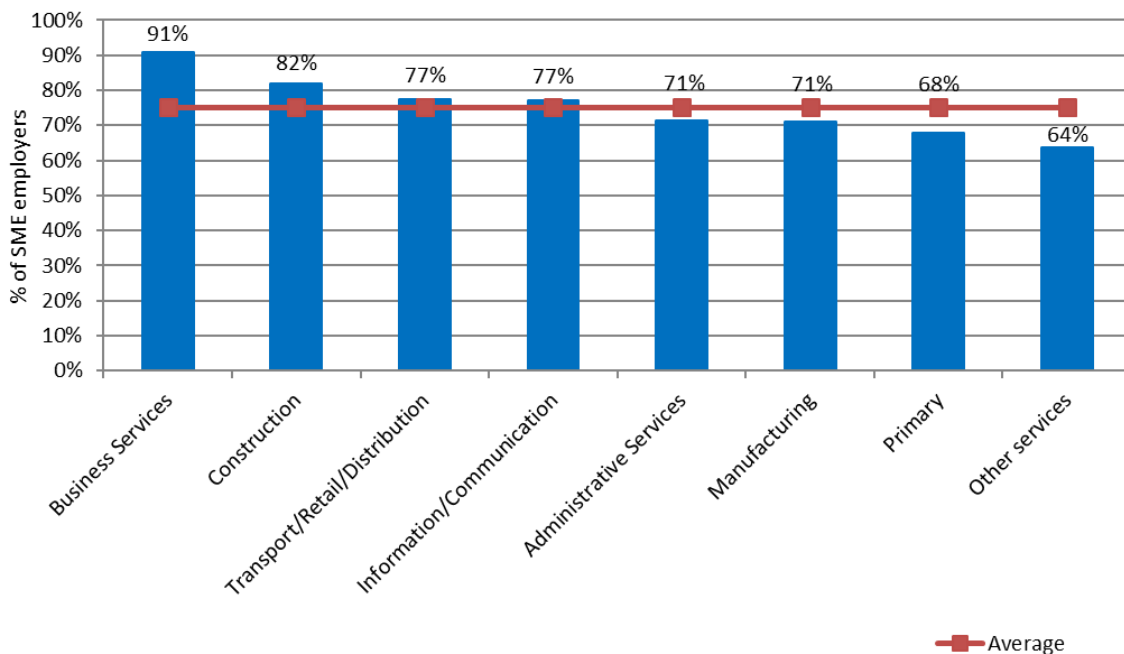
## Profit

77 per cent of SME employers in Scotland generated a profit in their last financial year, in-line with the UK as a whole (76 per cent) and broadly similar to the prior year (80 per cent). The proportion of SME employers generating a profit was broadly consistent across business size-band.

Businesses in the business services sector (91 per cent) were more likely than average to have generated a profit, whereas businesses in the other services sector were less likely than average to have made a profit (64 per cent). The results for all other sectors were broadly in line with the overall SME average (Figure 21).

**Figure 21: Whether generated a profit or surplus in the last financial year by sector**

Base: all SME employers, 836 – Base minimum: Information/Communication, 35  
SME employers that answered Don't know/Refused to this question: 3%



## Major obstacles to the success of the business (Cohort B only)

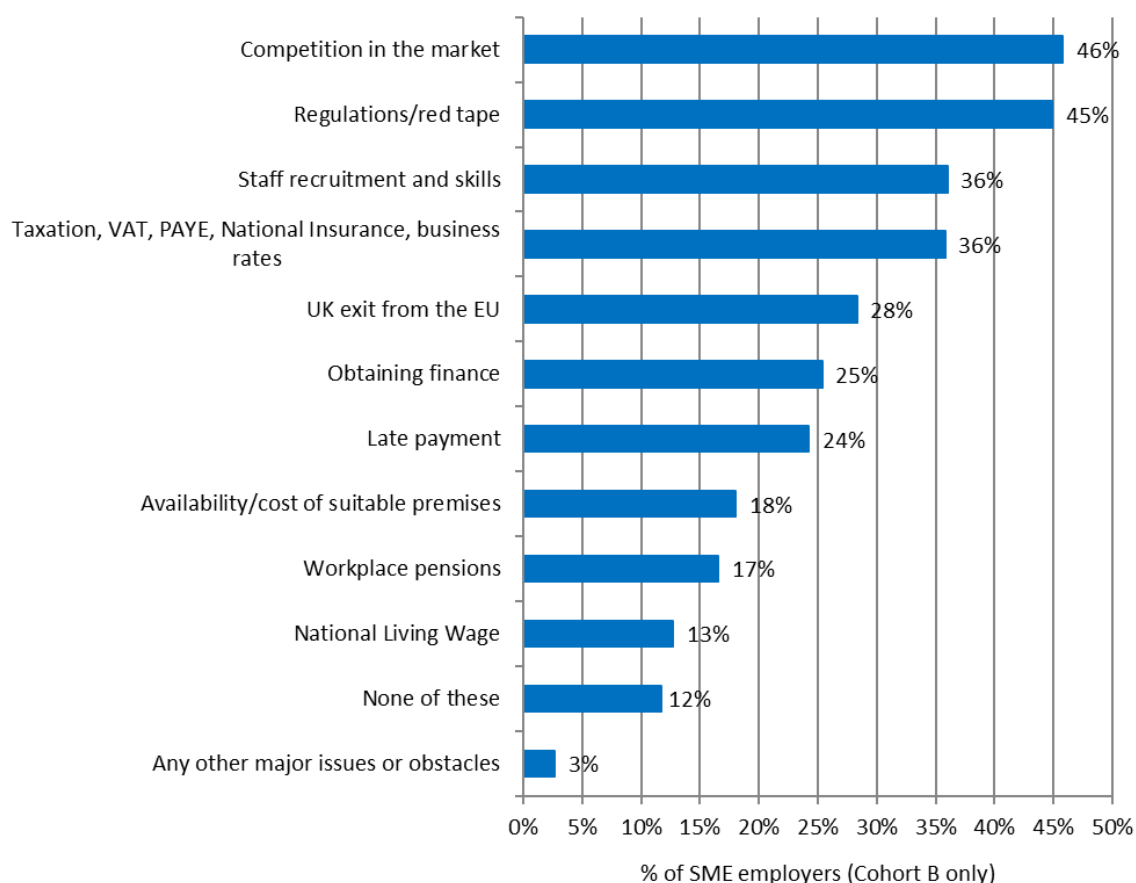
Respondents were read a list of issues and asked which, if any, represented major obstacles to the success of their business. In line with the prior year and the UK as whole, the two most commonly reported obstacles by SME employers in Scotland were competition in the market (reported by 46 per cent of SME employers) and regulations/red tape (45 per cent).

Other commonly reported obstacles included staff recruitment and skills (36 per cent), taxation/VAT/PAYE/National Insurance/business rates (36 per cent) and UK exit from the EU (28 per cent) (Figure 22). 25 per cent also reported obtaining finance as a major obstacle, higher than the UK as a whole at 17 per cent. Late payment as a major obstacle was reported by 24 per cent of businesses, down from 32 per cent in 2017 and lower than the UK as a whole (33 per cent).

**Figure 22: Major obstacles to the success of the business**

Base: SME employers (Cohort B only), 277

Multiple answers allowed to this question.



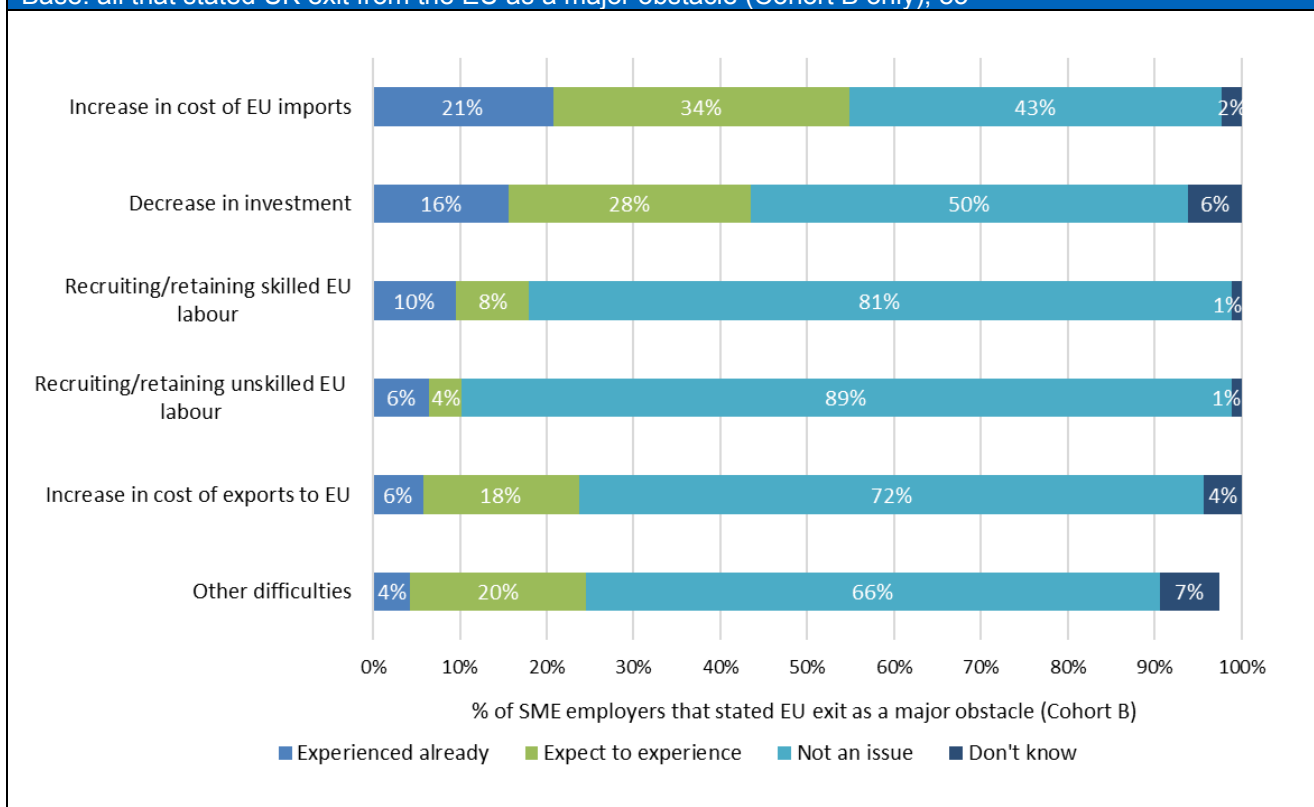
The proportion of SME employers in Scotland reporting UK exit from the EU as a major obstacle (28 per cent) was broadly in line with the prior year (30 per cent). The proportion of SME employers in the UK as a whole reporting this as a major obstacle increased over the latest year from 27 per cent to 29 per cent.

In a new question for 2018, those SME employers that reported UK exit from the EU as a major obstacle to the success of their business<sup>39</sup> were asked whether they had already experienced or expected to experience a number of specific difficulties (Figure 23)<sup>40</sup>.

In terms of difficulties already experienced, the most commonly reported answer was an increase in the cost of EU imports (21 per cent of SME employers reporting Brexit as a major obstacle), broadly in line with the UK as a whole (24 per cent).

An increase in the cost of EU imports was also the most commonly reported difficulty that SME employers expected to experience (34 per cent), in line with the UK as a whole (34 per cent).

**Figure 23<sup>41</sup>: Whether experienced difficulties as a result of UK exit from the EU, 2018**  
 Base: all that stated UK exit from the EU as a major obstacle (Cohort B only), 85



## Growth ambitions

70 per cent of SME employers stated that they aimed to grow sales over the next three years, an increase of ten percentage points from 2017 (60 per cent) and broadly in line with the proportion in the UK as a whole (71 per cent). Small (80 per

<sup>39</sup> 85 firms in Scotland (Cohort B) reported UK exit from the EU as a major obstacle.

<sup>40</sup> This question has changed from the prior year therefore it is not possible to draw comparisons with 2017.

<sup>41</sup> 'Other difficulties' does not sum to 100% as three per cent of businesses refused to answer the question.

cent) and medium-sized businesses (86 per cent) were more likely than average to have growth ambitions.

By sector, SME employers in the Administrative Services sector were more likely than average to report that they aimed to grow future sales (88 per cent), while SME employers in the Construction sector were less likely than average to report that they aimed to grow sales (57 per cent).

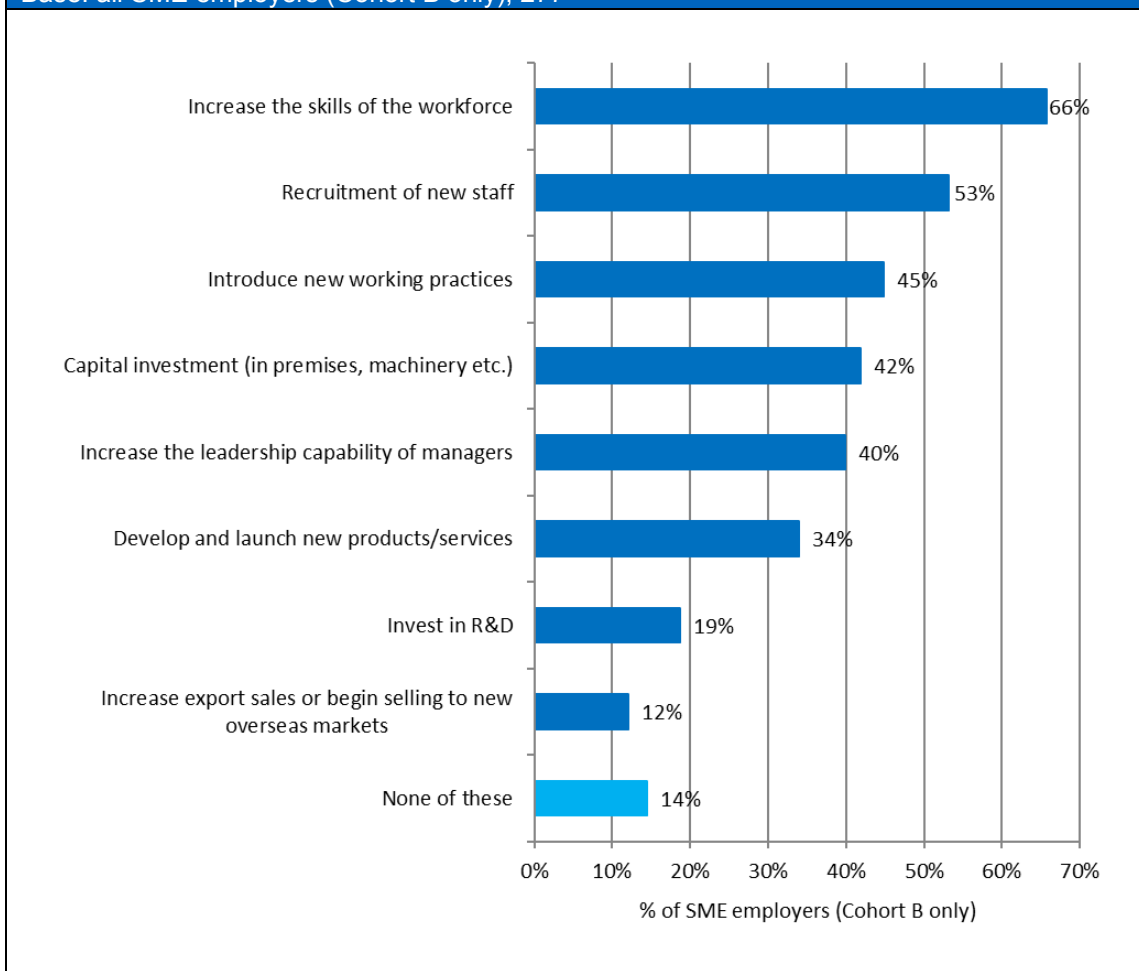
### Plans to undertake growth-related activities (Cohort B only)

SME employers were asked whether they planned to do any of seven growth-related activities over the next three years. The most commonly reported activity was 'increase the skills of the workforce', cited by 66 per cent of SME employers and seven percentage points higher than the prior year (59 per cent). The least reported activity was 'increase export sales or begin selling to new overseas markets', cited by 12 per cent of SME employers (Figure 24).

Small (81 per cent) and medium-sized (84 per cent) firms were more likely than average to plan to 'increase the skills of the workforce' over the next three years.

**Figure 24: Whether plan to do any of these growth-related activities**

Base: all SME employers (Cohort B only), 277



## Whether plans for growth-related activities have been affected by UK exit from the EU (Cohort B only)

Those SME employers who stated that they planned to undertake any growth-related activities<sup>42</sup> over the coming three years were asked whether their plans had been affected by the UK's exit from the EU. Those SME employers in Scotland with plans to develop and launch new products/ services (six per cent) and recruit new staff (six per cent) were most likely to have had these plans affected by EU exit. Five per cent of SME employers in Scotland with capital investment plans, four per cent of those with plans to introduce new working practices and three per cent of those with plans to increase export sales or begin selling to new overseas markets also stated that these plans had been affected by UK exit. These results were similar to those for the UK as a whole.

The proportion of SME employers reporting that none of these growth-related activities have been affected by the UK exit from the EU was 79 percent, broadly similar to the proportion in 2017 (84 per cent) and the UK as a whole (77 per cent).

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<sup>42</sup> SMEs were asked if they planned to undertake any of the following activities: increase the skills of the workforce; increase leadership capability of managers; capital investment; develop and launch new products/services; introduce new working practices; invest in R&D; increase export sales or begin selling to new overseas markets.

## **An Experimental Statistics publication for Scotland**

These statistics are currently being developed and have been published to involve users and stakeholders in their development and dissemination, and to build in quality and understanding. We would welcome user feedback.

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### **How to access background or source data**

The data collected for this statistical publication may be made available on request, subject to consideration of legal and ethical factors. Please contact [caroline.macfarlane@gov.scot](mailto:caroline.macfarlane@gov.scot) for further information.

### **Complaints and suggestions**

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