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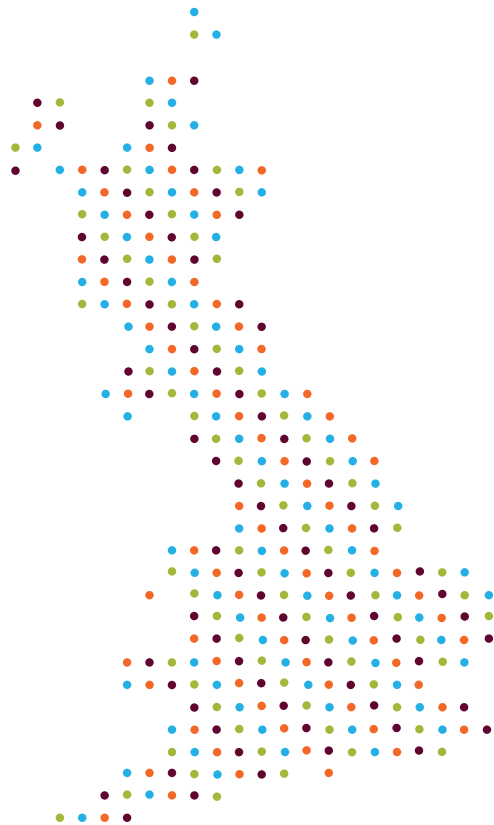
Business School



2011

Quarterly Survey of Small Business in Britain

*Special topic: information and
computing technologies*



Summary

The pace of recovery for Britain's small firms has been checked and it seems not just by bad weather. Almost as many report sales down as up and many are pessimistic about the beginning of 2011. Manufacturers are more positive, but hotels & restaurants are far more negative. Scotland had the worst final quarter of 2010 while the West Midlands region was most pessimistic about the prospects for early 2011. Inflationary pressures and the effects of the VAT rise are evident, especially in retailing. Small firms expect a three year trend of employment cuts to continue into the first quarter. Most small firms expect to use or invest in ICT technologies this year, with relatively larger and more entrepreneurial firms taking the lead in social networking, smartphones and cloud computing.

- For the first time in 18 months, the small firms' sales balance has dipped, with only marginally more small firms reporting increased sales than those reporting a fall. Sales expectations for the current quarter are also down, with almost as many expecting a fall as a rise.
- Small manufacturers are going against the trend, with better sales performance than in the previous survey. They are out-performing other sectors, and are also the most optimistic about their immediate prospects.
- Retailers and construction firms report improved sales performance, but the balance for these sectors remains negative. Small hotels & restaurants report particularly poor performance, with the bad weather at the end of 2010 playing its part. Though they remain pessimistic about prospects for early 2011, these sectors are not as negative as at the same time last year.
- More small firms cut than increased employment and investment over the past year, with both balances being more negative than in the previous survey. Employment expectations have also become negative for the first time in a year. Investment intentions remain negative, though there is some improvement from the previous survey.
- Inflationary pressures are reflected in a continuing rise in the balance of firms that increased their average selling prices over the past year. The VAT rate rise has contributed to a bigger jump in the balance of firms expecting to increase prices during the first quarter.
- The economic climate is again the top business problem, and by an increased margin, ahead of cashflow and payments issues. Inflation and the cost of inputs is creeping up the ranking of problems, though only to sixth place so far.
- Most small firms expect to use or invest in new information and computing technologies in 2011. Around a quarter of sole traders, rising to over half of firms with 20 or more employees, expect to create or update their business website. Relatively larger firms are also more likely to use or invest in a range of other ICT technologies, including new business software.
- Firms which rate themselves as most entrepreneurial are three times as likely as the least entrepreneurial to use social networking sites such as *LinkedIn* and *Facebook*. They are also four times as likely to expect to buy new smartphones during the year and seven times as likely to expect to use cloud computing.

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