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**Small Business Research Trust,  
School of Management,  
The Open University,  
Walton Hall,  
Milton Keynes.  
MK7 6AA**

**Tel: 0908 655831**

## WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

## THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

## INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

## PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

## SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

**John Stanworth, Emeritus Professor,  
University of Westminster**  
<http://www.westminster.ac.uk/schools/business>

**David Purdy, Visiting Fellow,  
Kingston University**  
<http://business.kingston.ac.uk/sbrc>

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Quarterly Small Business Management Report  
ISSN 0968-6444

1993 (Vol.1)

- 1 Surviving The Recession .....February 1993
- 2 Using Your Time .....June 1993
- 3 Management Style ..... September 1993
- 4 Financial Management .....December 1993

1994 (Vol.2)

- 1 Purchasing ..... March 1994
- 2 Quality Standards & BS 5750 .....June 1994
- 3 Management Succession.....August 1994
- 4 Customers & Competitors . November 1994

1995 (Vol.3)

- 1 Information Technology..... March 1995
- 2 Holidays.....June 1995
- 3 Company Vehicles.....August 1995
- 4 Pricing Policies..... November 1995

1996 (Vol.4)

- 1 Training ..... March 1996
- 2 A Day In The Life .....June 1996
- 3 Financial Management ..... September 1996
- 4 Tax Compliance .....December 1996

1997/8 (Vol.5)

- 1 'Europe' & Small Businesses ... March 1997
- 2 Employee Recruitment.....July 1997
- 3 Information Technology..... October 1997
- 4 Business Support Agencies.. January 1998

1998/9 (Vol.6)

- 1 Entrepreneurship..... May 1998
- 2 Work & Stress ..... September 1998
- 3 Employment Strategies.....December 1998
- 4 Small Firms & The Environment .. Mar 1999

1999/2000 (Vol.7)

- 1 The Impact of Holidays .....June 1999
- 2 Late Payment ..... September 1999
- 3 Management Development .December 1999
- 4 Exit Routes..... March 2000

2000/01 (Vol.8)

- 1 E-commerce .....June 2000
- 2 Sources of Finance ..... September 2000
- 3 Transport & Government ....December 2000
- 4 Government & Regulations .....April 2001

2001/02 (Vol.9)

- 1 Marketing & Sales.....July 2001
- 2 The Human Side of Enterprise ..... Oct 2001
- 3 Health Issues ..... January 2002
- 4 Premises.....April 2002

2002 (Vol.10)

- 1 Networking in Business .....August 2002
- 2 The Euro .....December 2002

Lloyds TSB & Research Team  
Small Business Management Report  
ISSN 1478-7679

- 3 Crime Against Small Firms ..... June 2003

Lloyds TSB & SERTeam  
Small Enterprise Research Report  
ISSN 1742-9773 No.2 (Vol.1) onwards

2003-04 (Vol.1)

- 1 Small Firms And Politics .....October 2003
- 2 Pensions ..... February 2004
- 3 Work-Life Balance..... July 2004

2004-05 (Vol.2)

- 1 Education & Enterprise .....October 2004
- 2 Made in Britain ..... February 2005
- 3 Management & Gender Differences..... July 2005

2006 (Vol.3)

- 1 Local or Global ?.....January 2006
- 2 Managing IT ..... May 2006
- 3 Networking in Business .... September 2006

2006-07 (Vol.4)

- 1 Owner-Manager Flexible Working..... December 2006
- 2 The Ageing Workforce..... April 2007
- 3 Travel & Transportation..... August 2007

2008-09 (Vol.5)

- 1 The London 2012 Olympic And Paralympic Games..... April 2008
- 2 Competition: Small Firms Under Pressure.....January 2009

## WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

## LIABILITY DISCLAIMER

The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

## HIGHLIGHTS

This is the fourth of a new series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail, distribution and business services. The focus for this survey was **financial management**.

- *Book-keeping in our small firms is mainly the responsibility of a full-time employee (36 per cent); the owner(s) (30 per cent) or a part-time or freelance employee (18 per cent). A spouse does the job in 7 per cent of firms but only 5 per cent use an accountant for book-keeping. Larger firms are more likely to use a full-time employee.*
- *41 per cent of owners look after debtor control themselves, more in smaller firms. In most other cases it is a full-time employee's responsibility. Part-time employees do this work in only 9 per cent of firms and accountants or others, including factors, in only 5 per cent.*
- *Although few firms use accountants for book-keeping or debtor control, 94 per cent or more use professional accountants in some capacity - mainly for auditing (78 per cent), preparation of accounts (60 per cent) and general advice (40 per cent). Firms in the South seem less likely to seek advice from accountants than those in the Midlands and North. 13 per cent use an accountant for meetings with banks.*
- *74 per cent of respondents had at some time prepared a business plan (more among larger firms and least among retailers). Only about half of those with a plan revise it regularly.*
- *72 per cent of all respondents produce regular cash flow projections, 63 per cent produce a budget for costs but only 55 per cent produce one for revenues. Although the smallest firms (0-4 employees) are least likely to produce any of these reports, about half do cashflow and cost budgets. Only 34 per cent of these very small firms produce revenue budgets, though many respondents seem not to fully understand the differences between these various reports.*
- *77 per cent of all respondents claim to check monthly performance against budget and most (89 per cent) that prepare cashflow projections amend them as necessary. Again, the smallest firms are least likely to check and update budgets.*
- *48 per cent of respondents supply regular financial information to their bank and probably most that have borrowings do so. Of those supplying information, 84 per cent thought it had improved the banking relationship. Of those that did not supply regular information, only 5 per cent thought it would make a material difference if they did so.*
- *The most frequently mentioned subjects for comment in this survey were on the importance of financial controls and problems of late payment and debtor accountability.*

## TABLE OF CONTENTS

Figure 1 - Book-keeping Responsibility: By Employee Size.....	4
Figure 2 - Debtor Control Responsibility: By Employee Size .....	5
Figure 3 - Professional Accountancy Services Used: By Employee Size .....	5
Figure 4 - Professional Accountancy Services Used: By Region.....	6
Figure 5 - Preparation Of A Business Plan In The Past: By Employee Size.....	7
Figure 6 - Preparation Of A Business Plan In The Past: By Region .....	7
Figure 7 - Internal Financial Information Used: By Employee Size.....	8
Figure 8 - Internal Financial Information Used: By Region .....	8
Figure 9 - Monthly Performance Checked Against Budget: By Employee Size.....	9
Figure 10 - Cashflow Forecasts Amended: By Employee Size.....	10
Figure 11 - Regular Provision Of Information To The Bank: By Employee Size.....	10
Figure 12 - Improvement In Bank Relationship/Supply Of Information: By Region .....	11
Figure 13 - Bank Relationship For Firms Not Supplying Information: By Sector .....	11
Figure 14 - Bank Relationship For Firms Not Supplying Information: By Size.....	12
<b>Addendum - Additional Information About Sample, Responses &amp; Interpretation .....</b>	<b>19</b>
Figure 15 - Industrial Sector: By Region .....	19
Figure 16 - Region: By Employee Size .....	20
Figure 17 - Industrial Sector: By Employee Size.....	20
Figure 18 - Turnover Comparison 1993 vs 1992: By Employee Size .....	21
Figure 19 - Turnover Comparison 1993 vs 1992: By Region.....	21
Survey Questionnaire.....	Appendix

## ACKNOWLEDGEMENTS

The Small Business Research Trust wishes to thank all responding firms for their time and effort involved in participation in the production of this Management Report.

The Trust acknowledges the help provided by Graham Bannock & Partners Ltd, David Purdy, The Open University and The University of Westminster in designing the survey, processing data and analysing the results.

The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds Bank plc in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds Bank plc.

## MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds Bank/Small Business Research Trust Management Report will address one or more highly topical small business management issues. In this survey we focus on ***financial management***.

Past surveys have covered:

- No.1 Surviving The Recession***
- 2 Using Your Time***
- 3 Management Style***

It is planned to cover the following management issues in future:

- ***Purchasing***
- ***Ownership Succession***
- ***Marketing & Sales***
- ***Personnel***

## THE SAMPLE

This report is based on responses received from a panel of 350 small businesses situated in the Northern, Midland and South-Eastern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. Over half of the participating firms employ fewer than 10 people and over one-third of the firms are less than 5 years old.

## RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during October 1993.

## RESPONSIBILITY FOR BOOK-KEEPING AND DEBTOR CONTROL

**Book-keeping** - Our panel of small business respondents were asked to indicate who was responsible for keeping their books of accounts. The most common solutions were: a full-time employee (36 per cent); the owner or a business partner (30 per cent) and a part-time employee or freelance (18 per cent). For 7 per cent of respondents a spouse was responsible for book-keeping, only 5 per cent used an accountant.

As would be expected, in the smallest firms the owners are most likely to be personally responsible for book-keeping (46 per cent of the owners of the 0-4 employee size band) but even in firms with 10 or more employees the owners did the books in almost a quarter of firms (Figure 1). The percentage of firms with a full-time employee responsible for the books rose from 20 per cent in the 0-4 employee size band to 55 per cent in the 20-49 size band.

**Debtor control** - The owners of many firms (41 per cent overall), and particularly those in the smallest size band (69 per

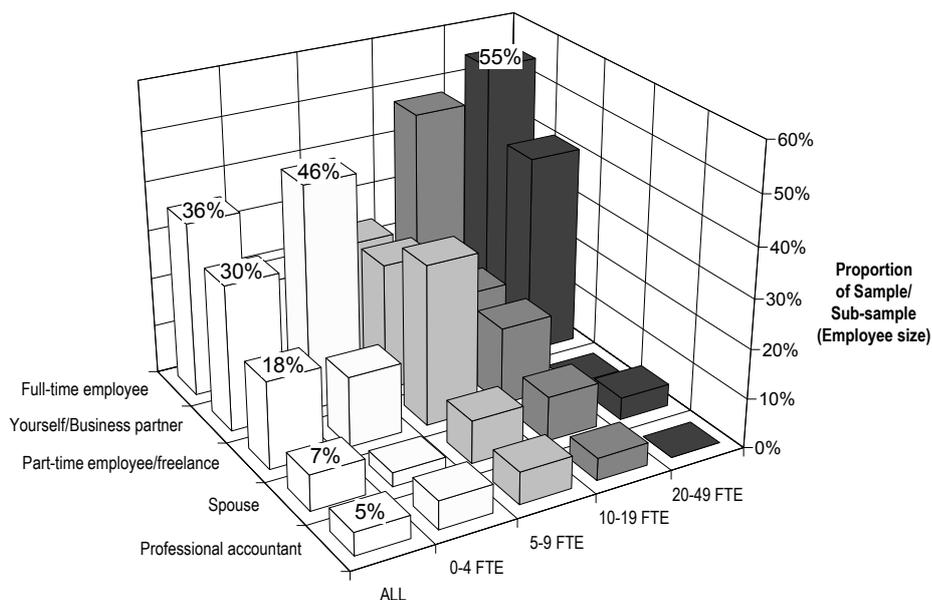
cent), look after debtor control themselves. In 77 per cent of all firms, the owners, spouse or full-time employee chase payments or otherwise take responsibility for debtor control. Part-time employees/freelancers are used by 9 per cent but relatively few firms, 3 per cent or less, use someone else (all but one of these were using a factoring company) or a professional accountant to control debtors (Figure 2).

Most of the significant differences between sector and region in the location of responsibility for book-keeping and debtor control seem to be related to average firm size (a profile of respondents is described in the addendum located towards the end of the report).

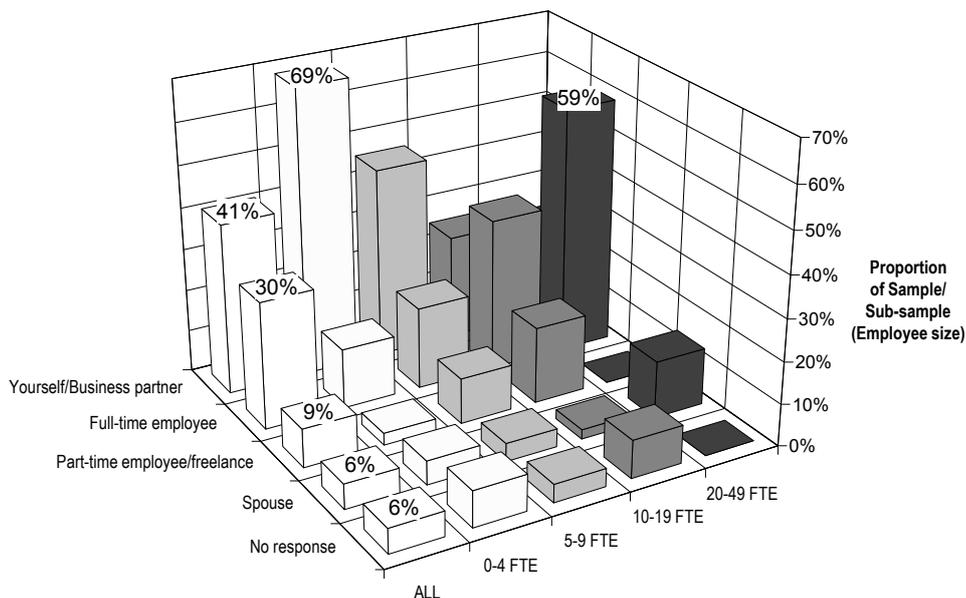
## USE OF PROFESSIONAL ACCOUNTANTS

Even though few firms use accountants for book-keeping or debtor control, 94 per cent or more in all regions did make use of a professional accountant for other purposes. And of the remainder who didn't, all but one of the respondents were providers of accountancy services themselves. Firms in business services

**Fig 1 - BOOK-KEEPING RESPONSIBILITY: BY EMPLOYEE SIZE**



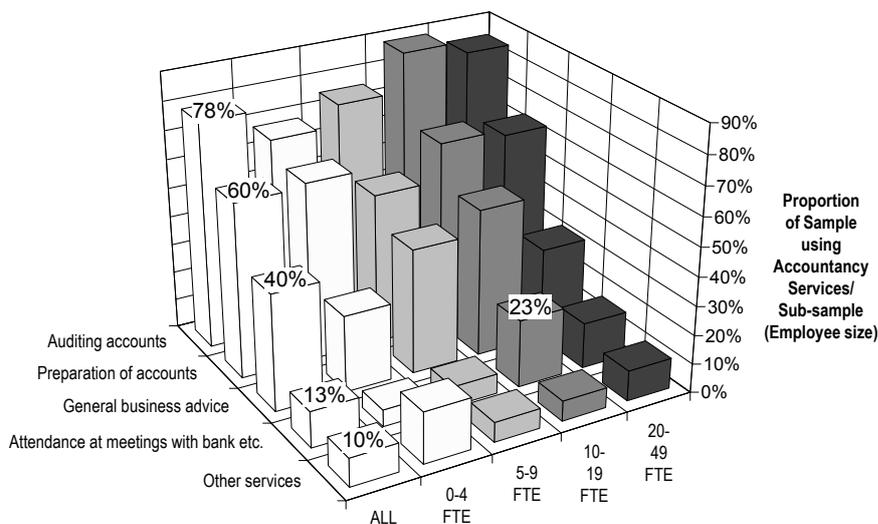
**Fig 2 - DEBTOR CONTROL RESPONSIBILITY: BY EMPLOYEE SIZE**



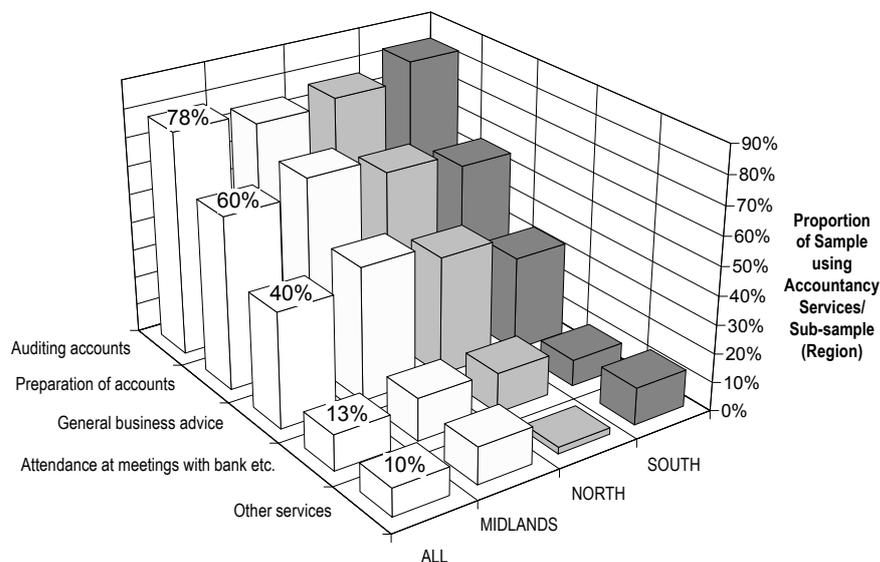
and the largest firms (over 20 employees) were least likely to use an accountant, some of these firms presumably having their own qualified staff, but even in these cases the proportion using an accountant was 80 per cent or more.

The most common services obtained from accountants are auditing (78 per cent) and preparation of accounts (60 per cent). It might be expected that the smallest firms (0-4 employees) are least likely to use accountants for either purpose since over half of these firms were

**Fig 3 - PROFESSIONAL ACCOUNTANCY SERVICES USED: BY EMPLOYEE SIZE**



**Fig 4 - PROFESSIONAL ACCOUNTANCY SERVICES USED: BY REGION**

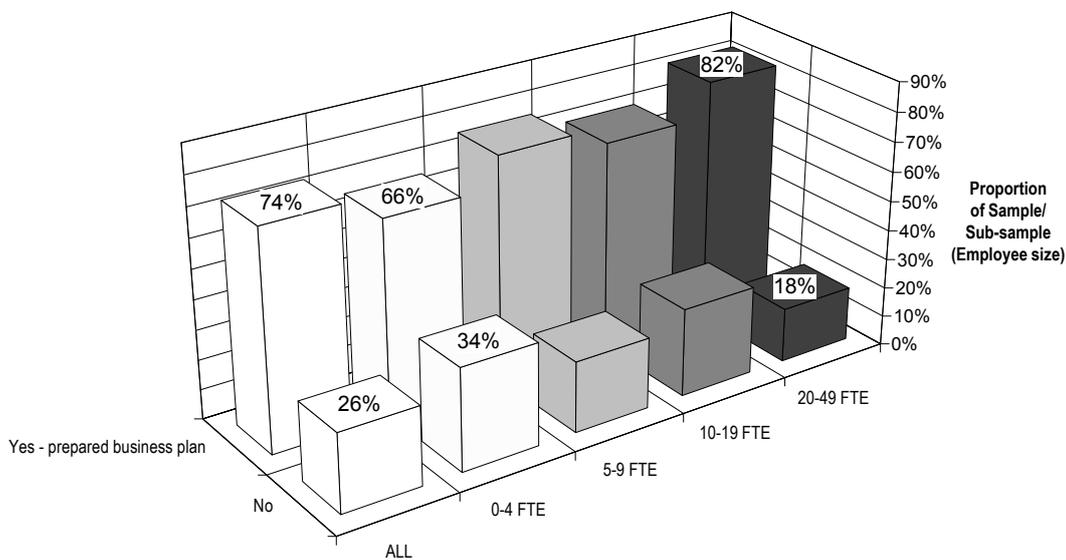


unincorporated and without any legal necessity for audited accounts (Figure 3). Even in this lowest size band, however, more than 60 per cent of respondents used an accountant to prepare or audit accounts. There was only a slight tendency for larger firms to use these types of accounting services to a greater extent, though this unexpected result is to be explained by the presence of some large partnerships in our sample.

The third most used service of accountants is for general business advice (40 per cent of all respondents). Firms in the South (33 per cent) seem least likely to seek advice from accountants and those in the Midlands (46 per cent) most likely (Figure 4).

Firms in the South (9 per cent) were also least likely to use an accountant for meetings with banks etc., the corresponding average for all respondents was 13 per cent. Ten per cent of respondents used accountants for "other" purposes; these included taxation, preparing wages and cashflow statements. One firm indicated that its accountant attended the Annual General Meeting to explain the accounts.

**Fig 5 - PREPARATION OF A BUSINESS PLAN IN THE PAST: BY EMPLOYEE SIZE**

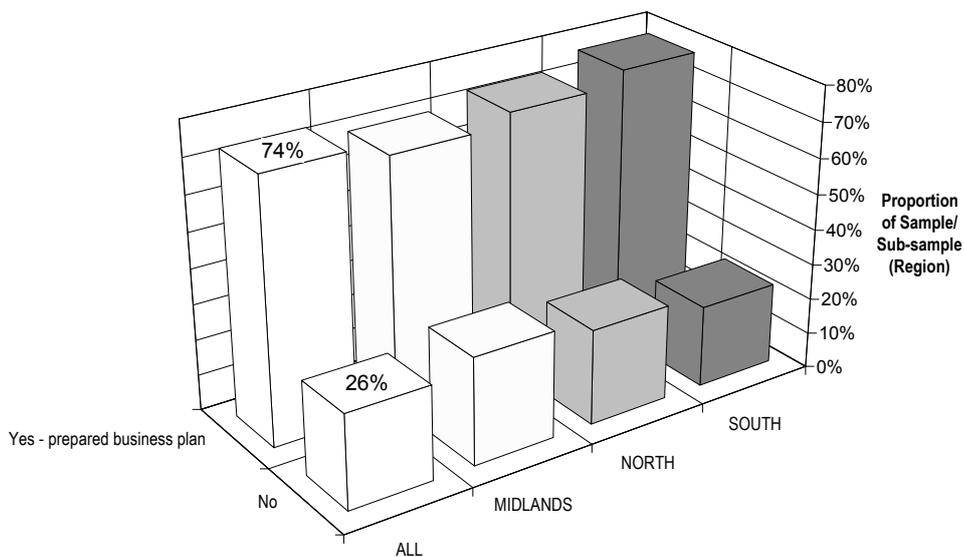


**USE OF BUSINESS PLANS**

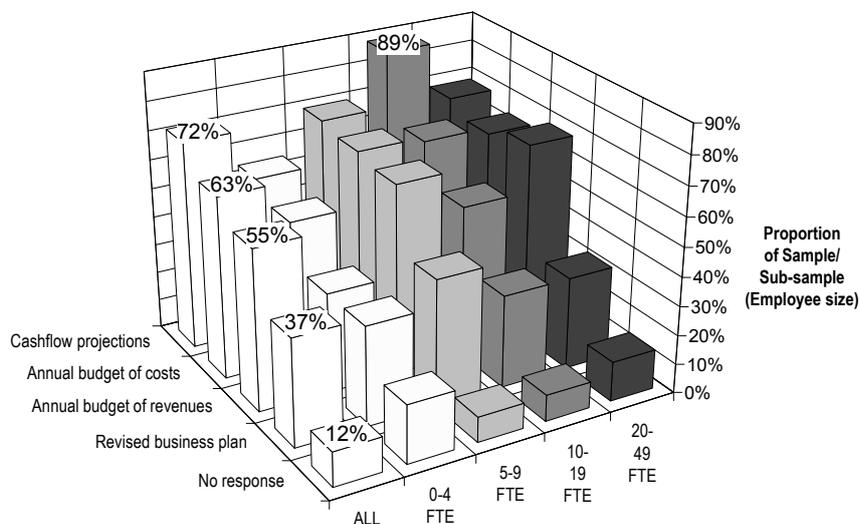
Almost three quarters of respondents (74 per cent) have, at some time, prepared a business plan, 66 per cent of the smallest firms and 100 per cent of the small number of firms with 50 or more

employees (Figure 5). Retailers were the least likely to have prepared a business plan but there were no significant differences between regions (Figure 6).

**Fig 6 - PREPARATION OF A BUSINESS PLAN IN THE PAST: BY REGION**



**Fig 7 - INTERNAL FINANCIAL INFORMATION USED: BY EMPLOYEE SIZE**

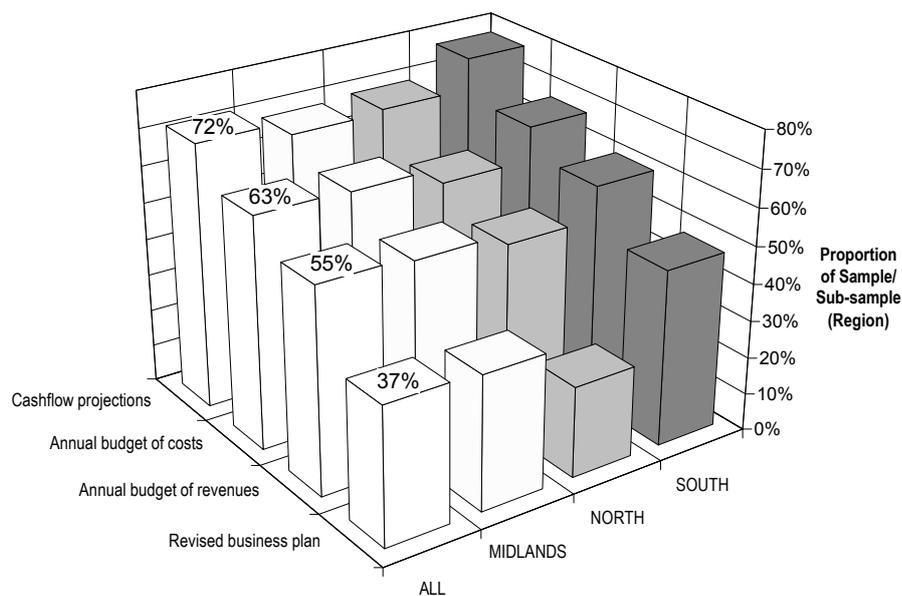


### INTERNAL FINANCIAL INFORMATION

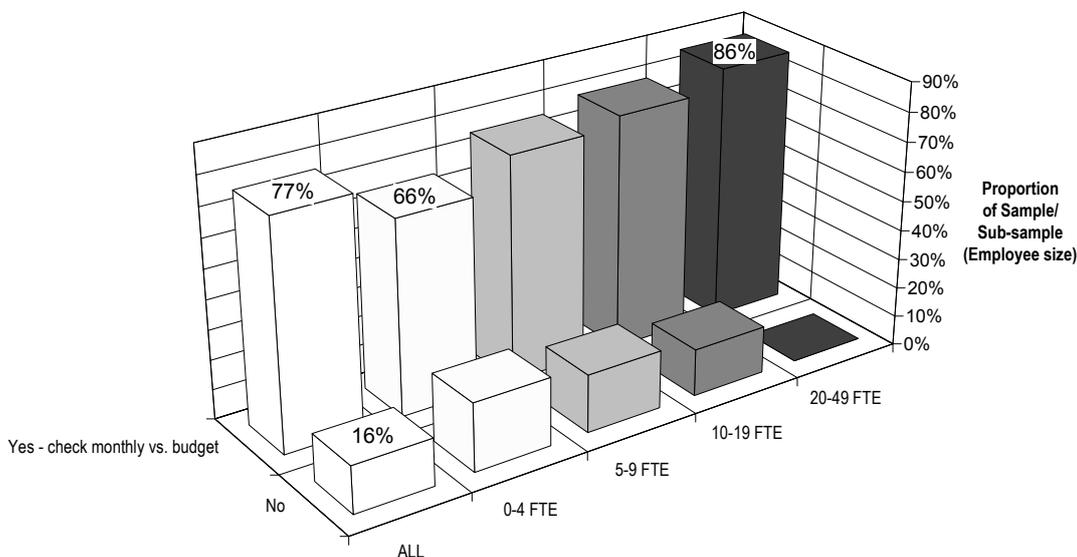
Among the regularly produced planning and monitoring reports, cashflow projections (72 per cent of all respondents) and annual budgets of costs (63 per cent) were most widely used. A

small majority of respondents (55 per cent) also produced annual budgets of revenues. The smallest firms (0-4 employees) were least likely to produce any of these reports, however one-half produced cashflow forecasts and almost one-half produced cost budgets. Only 34

**Fig 8 - INTERNAL FINANCIAL INFORMATION USED: BY REGION**



**Fig 9 - MONTHLY PERFORMANCE CHECKED AGAINST BUDGET: BY EMPLOYEE SIZE**



per cent of those in the lowest size band also budgeted revenue, presumably on an accruals basis, that is to say attributing them to the period in which they are earned (whereas cashflow statements relate to periods in which revenues are received). There was quite a high non-response rate (20 per cent in the lowest employee size band and 12 per cent overall) to this question suggesting that many respondents did not understand the differences between these various reports.

Although, as we have seen, 74 per cent of all respondents had produced a business plan at some time, only 37 per cent or half produced a regularly revised plan. Firms in the 10-49 employee size bands were least likely to revise their business plans on a regular basis (Figure 7). Firms in the South were most likely to revise their business plans (47 per cent) and those in the North least likely (24 per cent) (Figure 8).

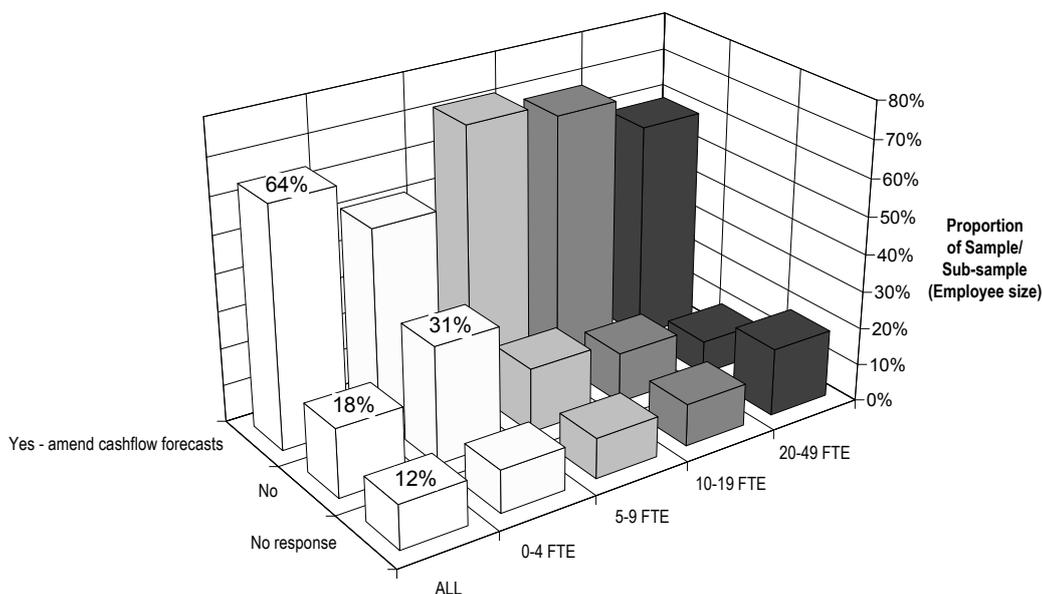
## PERFORMANCE CHECKS

Some 77 per cent of all respondents claimed that they checked monthly performance against budget (Question 7, see Figure 9). This is actually more than the 63 per cent who prepared cost budgets or 55 per cent who indicated that they prepared revenue budgets in response to Question 6, however this discrepancy is explained by the much higher response rate to Question 6.

Some 64 per cent of respondents, a large proportion (89 per cent) of the 72 per cent that prepared cashflow projections, amended their cashflow forecasts as necessary (Figure 10).

In general, the larger the firm the higher the proportion of respondents that checked their performance against budget and revised cashflow projections. Retailers were noticeably less likely to amend cashflow forecasts than respondents in other sectors, but the proportion of retailers which checked performance against budget was near to the average. Retailers being largely cash-based businesses are, of course, less

**Fig 10 - AMEND CASHFLOW FORECASTS: BY EMPLOYEE SIZE**

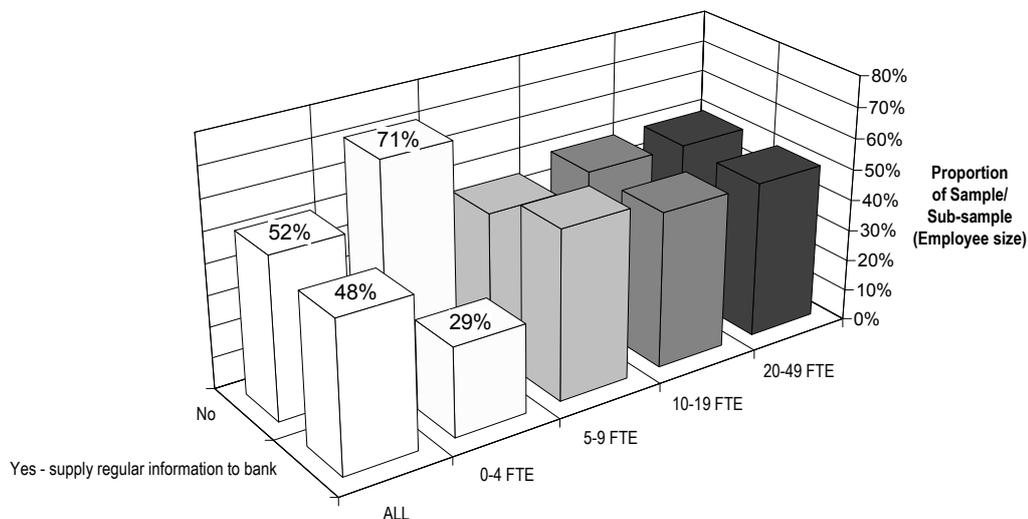


concerned with differences between sales and cashflow and the late payments which trouble firms in other sectors. There were few significant differences between sectors, though firms in the Midlands seem less likely to amend cashflow forecasts than those in other regions.

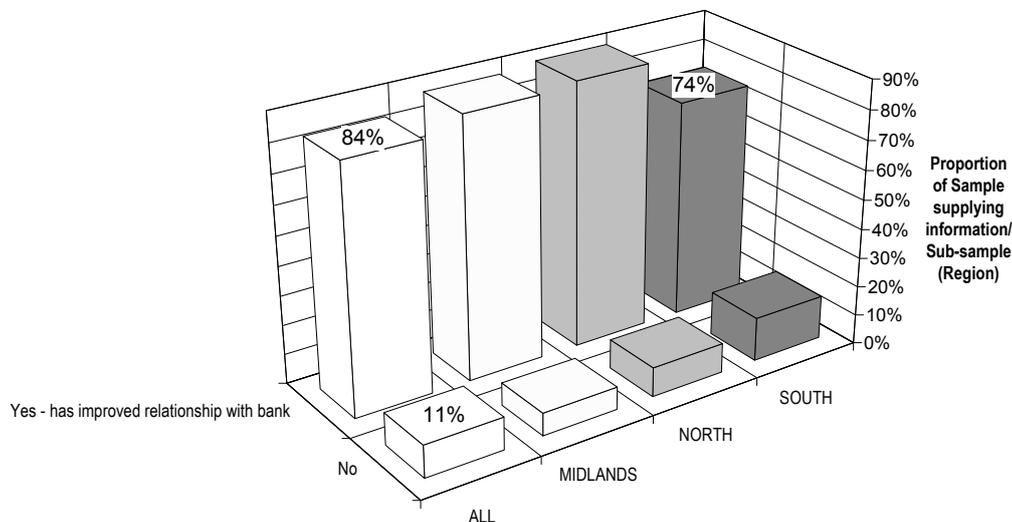
**PROVISION OF INFORMATION TO BANKS**

Respondents were asked if they provided regular financial information, such as monthly management accounts, to their bank. Less than half (48 per cent) did supply such information, but it has to be

**Fig 11 - REGULAR PROVISION OF INFORMATION TO THE BANK: BY EMPLOYEE SIZE**



**Fig 12 - IMPROVEMENT IN BANK RELATIONSHIP FOR FIRMS SUPPLYING REGULAR INFORMATION: BY REGION**

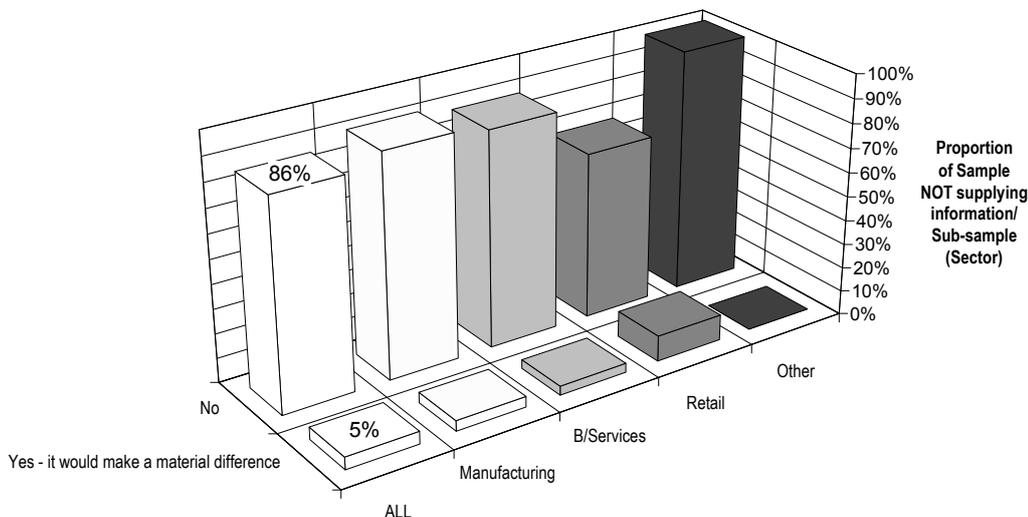


borne in mind that most of those that replied to this question were probably not borrowing from the bank. Other surveys have shown that at least 40 per cent of small firms (and a larger proportion of the smallest firms) are not net borrowers from their bank. In fact, the proportion of firms providing information rose with firm size -

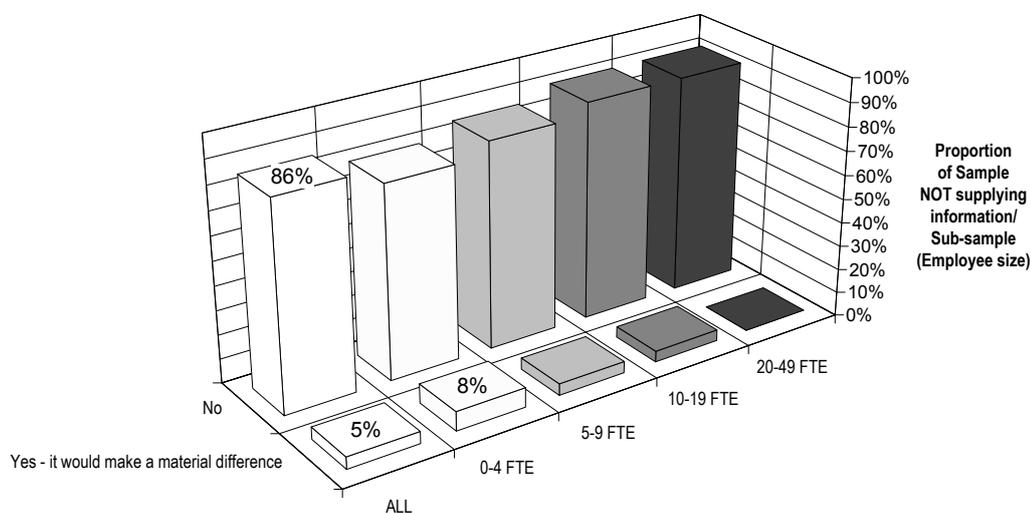
from 29 per cent for firms with 0-4 employees to 50 per cent or more for firms with 5-49 employees (Figure 11).

Of all respondents supplying information, 84 per cent thought that it had improved their relationship with the bank. This proportion was lowest in the South (74 per

**Fig 13 - EFFECT ON BANK RELATIONSHIP FOR FIRMS NOT SUPPLYING REGULAR INFORMATION: BY SECTOR**



**Fig 14 - EFFECT ON BANK RELATIONSHIP FOR FIRMS NOT SUPPLYING REGULAR INFORMATION: BY EMPLOYEE SIZE**



cent) and highest in the Midlands (88 percent) and the North (90 per cent; Figure 12).

Of all respondents that did not supply information few thought it would make a material difference if they did. In fact, only 5 percent of all these respondents thought it would make a material difference; only 4 per cent in manufacturing but twice as many in retailing (11 per cent; Figure 13). Larger firms were even less likely to think that supplying information would improve the banking relationship though more smaller firms did not respond to this question, suggesting that they were not sure what the effect would be (Figure 14).

## RESPONDENTS' COMMENTS

Respondents with strong views were invited to comment on financial planning or business management, especially if they felt that there were aspects not fully appreciated by important sections of the business community such as government help agencies or the financial services. Well over one third of respondents chose to make a comment.

The two most frequent subjects for comment were the importance of financial controls and the problems of late payment and debtor accountability. On the first of these one respondent wrote:

*"As an M.D. of a growing company... I am certain that lack of, or poor, bookkeeping AND financial control is at the root of nearly all small firm financial problems. A small firm must... do its own."*

Several respondents emphasised that financial controls were indispensable:

*"Essential for survival and smooth running of business."*

Several also emphasised the importance of cash:

*"There are 10 key items, the first is 'cash', the last item is 'cash', and all the other items are 'cash'."*

There were very few proponents of business planning as distinct from financial control and planning. One respondent wrote *"planning is a waste of time and money"*, while several said planning was difficult or impossible in a volatile environment (though one seemed to imply that volatility increased the need for planning).

The second most frequent subject for

comment was late payment and debtor accountability:

*"Cashflow prediction is often thrown into jeopardy by larger companies exploiting credit terms."*

*"Government should speed up the process of litigation. Our biggest problem is the long time it takes to recover bad debts through the courts."*

*"Limited companies still seem able to get away with running up high supplier bills, living a rich life and then going bust leaving sole traders and partnerships with unrecoverable debts..."*

Government comes in for other criticism both for its lack of understanding of small business problems and for the burden of administration that it imposes:

*"Government and civil service [are] totally out of touch. [They] Keep increasing demands and expect business to become more competitive."*

Help agencies were not viewed favourably (though there was one favourable reference to a 'TEC', a Training and Enterprise Council):

*"They are totally useless unless specialised."*

*"The information from agencies is limited and bureaucratic."*

There were as many comments on banks as on the two previous items, but these comments were roughly balanced between favourable and unfavourable.

*"Banks appear unable to understand the requirements of*

*small businesses and charge exorbitant costs for any minor service they perform."*

*"Perhaps small businesses should take time to try to understand the parameters around which their bank managers can operate and what is required of them as customers. With such an understanding we have managed to negotiate free banking, and have a good relationship with the bank."*

## MANUFACTURING

Cast Aluminium Architectural Items	<i>"Just the old small business gripe, that as individuals running all aspects of our businesses, which in larger organisations would be undertaken by a number of individuals... A fact not appreciated by such organisations as Inland Revenue, VAT and often bankers."</i>
Computer Hardware and Software	<i>"Planning is a continuous process."</i>
Computer Stationery and Business Forms Printers	<i>"By being in a position to regularly supply necessary financial information promptly we have normally been successful in obtaining what we need."</i>
Equipment Installation	<i>"I think the government should bring in laws to make companies pay after 30 or 60 days nett."</i>
Equipment Maintenance. Garage Equipment Supply and Maintenance	<i>"We are in the process of developing a business plan with assistance from [the local] TEC."</i>
Fabrication, Welding, Machining, Special Purpose Machines	<i>[Financial management/business planning:] "Essential, particularly in our line of activity which is a multitude of ever-changing one-off activities."</i>
Manufacture of Transformers and Associated Assemblies	<i>"Controlling the business finances is a relatively simple matter. In my experience 'Professional Financial Advisers' unnecessarily complicate and cloud the issues with jargon."</i>
Manufacturing	<i>"[Respondent's bank] They've been very good to us really - and will listen if we have problems."</i>
Pipe Supports for Oil Refineries, Power Stations, Processing Plants etc.	<i>"Extremely important to enable prompt or quick responses to fluctuations."</i>
Printers	<i>"Government should speed up the process of litigation. Our biggest problem is the long time its takes to recover bad debts through the courts."</i>

Printing, Graphic Design, Copy Service	<i>"Business planning: limited value as sales/turnover is uncertain. Banks are unhelpful. Late payers [are] uncontrolled because there is no legal enforcement in place."</i>
Publishing	<i>"As an M.D. of a growing company... I am certain that lack of, or poor * Bookkeeping AND * Financial control is at the root of nearly all small firm financial problems. A small firm must, I repeat must, do its own."</i>
Repairs to Electric Motors	<i>[Financial management/business planning:] "Essential for survival and smooth running of business."</i>
Self-adhesive Label Printers	<i>"The law on 'debtor accountability' seems woefully weak, i.e. where firms go out of business and start up again on the same premises."</i>
Toys/Educational Products	<i>"There is a significant difference between the interests of 'The City' and that of manufacturing industry which government neither understands nor addresses. Unfortunately government tends to identify the two as synonymous."</i>

## **BUSINESS SERVICES**

Accountancy, Audit, Tax & Management Consultancy	<i>[Financial management/business planning:] "Essential tools for any business. Often ignored by those who need services most."</i>
Analytical and Consulting Chemists (Industrial)	<i>"Government and civil service [are] totally out of touch. [They] Keep increasing demands and expect business to become more competitive."</i>
Architect	<i>"How can we manage financially or plan business in such a volatile market."</i>
Architectural Design and Project Management	<i>"Now that we have fully computerised our management accounts, monthly updates are much less time-consuming. Our bank [named] are appreciative and complimentary."</i>
Audit Accountancy and Taxation	<i>"Cash flows, budgets and the like are of no use if the annual accounts are two years out of date."</i>
Consultant Naval Architects & Marine Engineers	<i>"There are 10 key items. The first is 'cash', the last is 'cash', and all the other items are 'cash'."</i>
Design Consultancy - mainly Packaging	<i>"Despite a streamlined workforce, made especially necessary because of the recession, the government agencies still are unrealistic in their expectation of the time required to collate and file the ever increasing amount of data and returns imposed on small businesses."</i>
Food Technology & Quality Consultant	<i>"As a small limited company, the costs and time required on auditing accounts by professional accountant are out of proportion with the task."</i>
Graphic Designers	<i>"I have often felt that I could not obtain basic business advice when I needed it. Once I changed accountants to a big-name firm the level and quality of willing advice improved dramatically [named]. The bank's only offer of advice turned out to be a visit from their insurance/pensions salesman ! [named]"</i>

Legal and Debt Recovery Services	<i>"Banks appear unable to understand the requirements of small businesses and charge exorbitant costs for any minor service they perform."</i>
Market Research	<i>"We run a positive cashflow and have no overdraft, but the balance sheet is weak on assets, as the nature of our business is such that we don't need them. Yet despite being a growing and increasingly profitable company we are considered a 'bad risk' by most institutions - except our local bank !"</i>
Microfilming Bureau Service	<i>"There is no real help out there from: Local Authority, Small Business Advice (token only). You're on your own."</i>
Outplacement Consultancy	<i>"We believe that an understanding of basic financial planning would prevent many small business owners from running into trouble. Three month plus payment policies adopted by numerous large organisations, including government bodies, can also severely affect cashflow. This could form the basis of special legislation designed to benefit the small business owner."</i>
Professional Chartered Accountants. Accounting, Audit, Taxation Advice	<i>"I am not always sure that business in general is aware of all the types of government and EC help that is available. Perhaps the bank can play a role in this."</i>
Promotions - Marketing and Outdoor Events/Exhibitions	<i>"Nobody appreciates the effort and problems suffered in business (small business especially) - unless they have experienced it ! I include the 'bank' !"</i>
Refrigerator & Air Conditioning Sales & Service	<i>"As a business we have to invoice clients for services - but banks do not !"</i>
Storage and Management of Business Records	<i>"Perhaps small businesses should take time to try to understand the parameters around which their bank managers can operate and what is required of them as customers. With such an understanding we have managed to negotiate free banking and have a good relationship with the bank."</i>
Telephone Marketing and Telephone Sales Company	<i>"Business planning is now done on a short term basis only, i.e. 3-6 months. Very limited help or opportunities come from government agencies or financial services. The information from agencies is limited and bureaucratic."</i>
Textile Marketing	<i>[Q5] "[A] Strategy for Survival [has been] in place for 18 months... uncertainty about the future of the economy means we cannot plan meaningfully for any long term objectives at present.</i>  <i>Payment is our biggest problem -</i>  <i>a) The despicable tactics [adopted] by so many companies to delay honouring their obligations is nothing short of criminal. Government please note, you won't get our vote next time... unless you take positive and urgent action to outlaw these contemptible practices, no doubt learnt from smart business schools. We would like to see Europe-wide laws to tighten controls on late payments, similar to those described by your participants in Survey No.3. We find losing a credit rating is quite effective in concentrating the minds of our customers.</i>

continued...

continued ...	<i>b) We provide a service. Our workload has increased very substantially, partly due to the reduction in staff in our customers, but equally because our business has become very much more complex. We are now forced to re-examine our ways of charging to properly reflect this. This is a problem when working on a fixed commission rate."</i>
Training Consultancy	<i>"An accurate picture of cashflow, on a daily basis, is vital to the survival of a small business such as ours."</i>
Training Management & Development	<i>"I feel we could do better, the only time we look at this matter seriously is when there is a need to purchase further capital items."</i>

## RETAIL AND DISTRIBUTION

Communications Wholesaler of Telecom Installation Equipment	<i>"More help needed for small businesses to achieve BS5750 and to make it affordable to everybody."</i>
Computer Data Communications Solutions in PC/Mainframe Environment	<i>"Banks adopt an adversarial stance in meetings - [they] are generally patronising and faces change so often, and without warning, that you cannot hope to gain a good working relationship."</i>
Electrical Distributors	<i>"Yes, we produce monthly management accounts using the gross margin calculated by our computer system. Annual budgets are produced and reviewed on a regular basis. Did have a bank manager that could not differentiate between management accounts and the balance sheet produced by our computer."</i>
Stockists of Iron Bars	<i>"It is fine to have business planning, but, in a small company... it is all done by myself and mainly carried in my head. The time that this falls down is if (as happened) I am ill. To their credit, the bank, the accountants, our staff, our suppliers and our customers all rallied round with their support. Excess paperwork and too many meetings, too much planning to me are a waste of valuable time and money."</i>
Supplier of Computer Systems for Business	<i>"Health &amp; Safety plus employment regulations are now over the top. Visits by DSS/Inland Revenue/Customs &amp; Excise and Inspectorates are now ridiculous in frequency. Are there too many people employed by these agencies? The income generated must be far less than the cost of achieving it. This is aside from the demotivational effect and the real reduction in earning power of the companies being investigated."</i>
Suppliers of Hygiene Chemicals Equipment	<i>"Cashflow prediction [is] often thrown into jeopardy by larger companies exploiting credit terms."</i>
Tupperware Sales and Distribution	<i>"I would like to have the time to work to a financial plan/ budget but to the small businessman this would be a luxury."</i>
Wholesale Button Merchants	<i>"We feel that a change for the better is occurring in the last quarter."</i>

## OTHER

Broadcast & Corporate TV Production & Provision of Technical Facilities	<i>"Government help agencies seem to be geared up to assist only the long term unemployed or school leavers, leaving those who do not come into these categories to get their own businesses started."</i>
Colour Cosmetic Products Manufacturer and Retailer	<i>"The importance of a manufacturing base is not appreciated by financial institutions or the government."</i>
Hire, Sales and Service of Fork Lift Trucks	<i>"Planning is a waste of time and money."</i>
International Freight Forwarding Services	<i>"Our single biggest problem is getting people to pay on time !"</i>
Management Development Courses/Consultancy	<i>"Don't see how a business can survive and be in control without them !"</i>
Office Cleaning. Industrial Cleaning	<i>"As far as the government are concerned the small business is only there as an unpaid tax collector."</i>
Plumbers & Heating Eng.	<i>"Legislation [is] required to help small firm[s] with cash flow."</i>
Training of Engineering Skills	<i>"[I have] Concern about the lack of government assistance to small and medium companies who retain money in the company account with the aim of updating equipment and expansion, especially unlimited companies - the company could be paying up to 40% tax. A saving for growth system similar to a PEP or TESSA would provide finance for updating machinery and equipment and expansion. This could lead to an increase in employment and a more efficient and up-to-date work force. If not used for this the normal tax penalties could apply."</i>
Transport. Sameday/overnight Collection and Delivery of Parcels	<i>"Limited companies still seem able to get away with running up high supplier bills, living a rich life and then going bust leaving sole traders and partnerships with unrecoverable debts - a major difficulty when budgeting and managing finance."</i>

## ADDENDUM - ADDITIONAL INFORMATION

As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey, No.4.

The analyses involve key variables, and **industry sector, region and employee size** are those most frequently used as they are reasonably reliable indicators and less prone to misinterpretation.

**Industrial sectors** - based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped accordingly into manufacturing, retail/distribution, business services and 'other' bands.

**Regions** - firms are also classified according to their physical location, namely, North, Midlands and the South.

**Employee size** - finally, firms are placed in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent

of a full-time employee (FTE, full-time equivalent).

## DISTRIBUTION

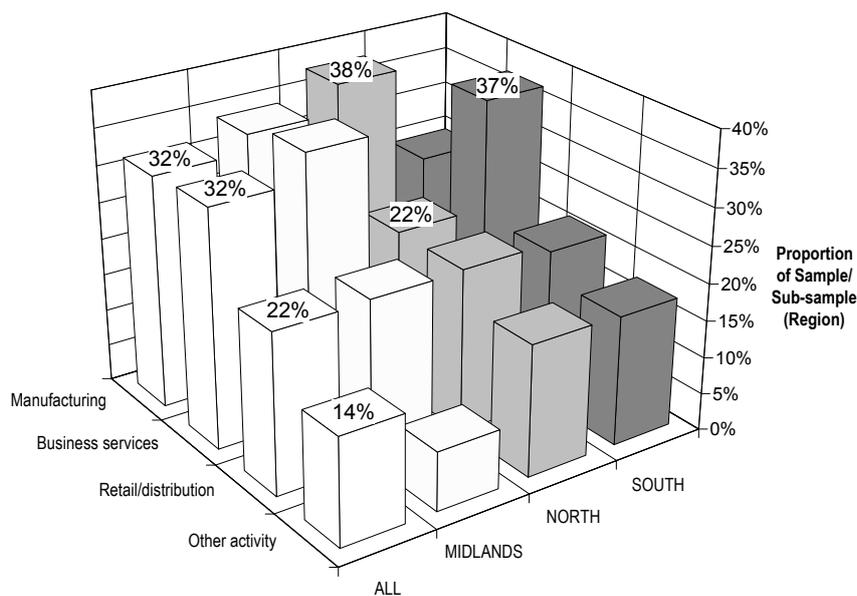
Overall, there is an equal proportion of manufacturing and business services firms (each 32 per cent), with another 22 per cent in retail/distribution and 14 per cent in other activities (Figure 15).

Regionally, though, there is some variation. For example, there is a slightly higher proportion of firms engaged in **business services** in the **South**, but fewer in **manufacturing**. In the **North**, however, the emphasis of these two sectors is reversed.

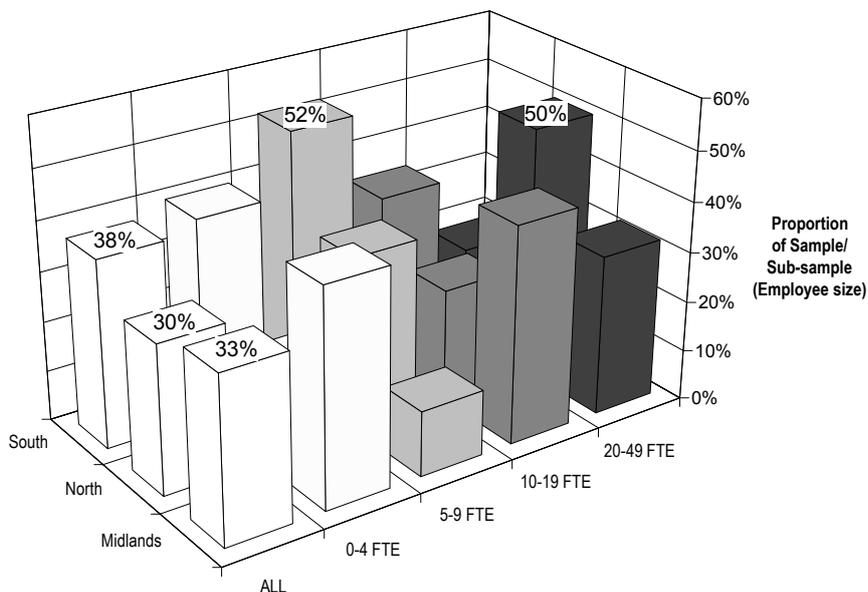
Also, the sub-sample in the **South** has a greater proportion of **smaller firms** (especially in the 5-9 employee band), whereas the emphasis in the North is towards the larger, 20-49, size band businesses (Figure 16).

Finally, Figure 17 illustrates that the **manufacturing** firms in the sample tend to be **larger**, in terms of employees, whereas the **business services** and the firms in **retailing/distribution** tend to

Fig 15 - INDUSTRIAL SECTOR: BY REGION



**Fig 16 - REGION: BY EMPLOYEE SIZE**

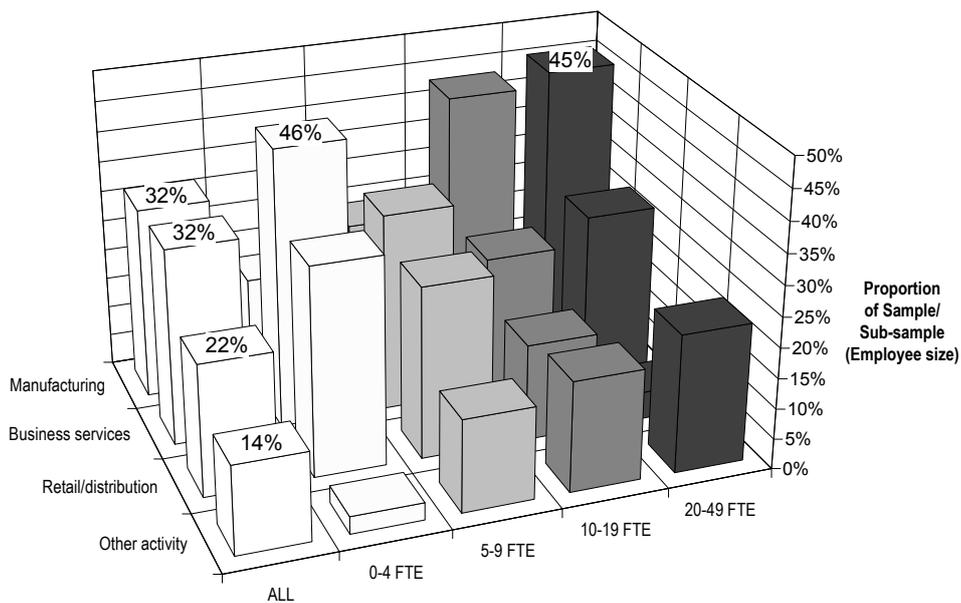


have fewer full-time equivalent employees.

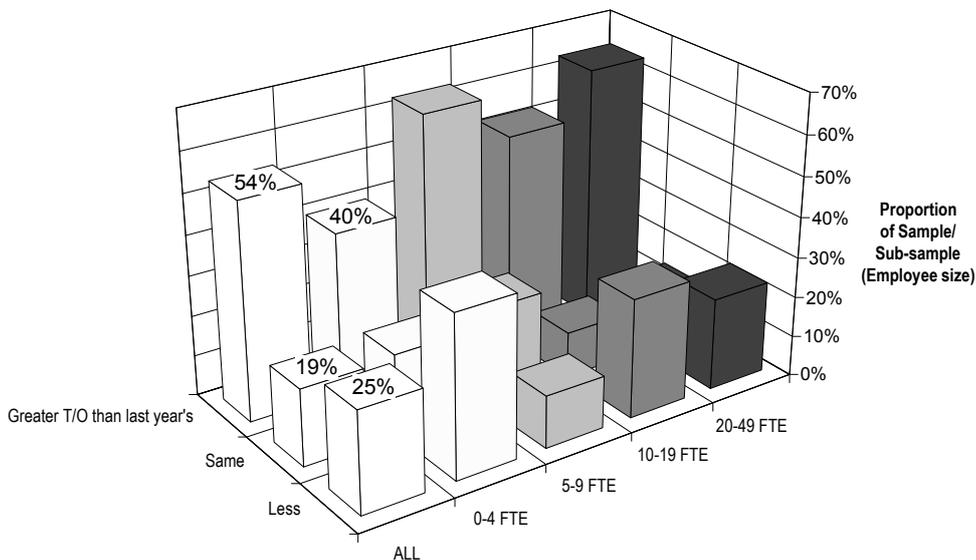
**Turnover change** - given that the economy is suffering from the effects of a recession, the overall panel of firms might be considered 'buoyant' in that 52 per

cent of the respondents in survey No.1 reported a year-on-year increase in sales turnover (comparing the final quarters of 1992 and 1991), in contrast to 23 per cent reporting no change, and 21 per cent reporting a fall in turnover.

**Fig 17 - INDUSTRIAL SECTOR: BY EMPLOYEE SIZE**



**Fig 18 - TURNOVER COMPARISON 1993 vs 1992: BY SIZE  
Firms Reporting An Increase (comparing 3rd quarters)**

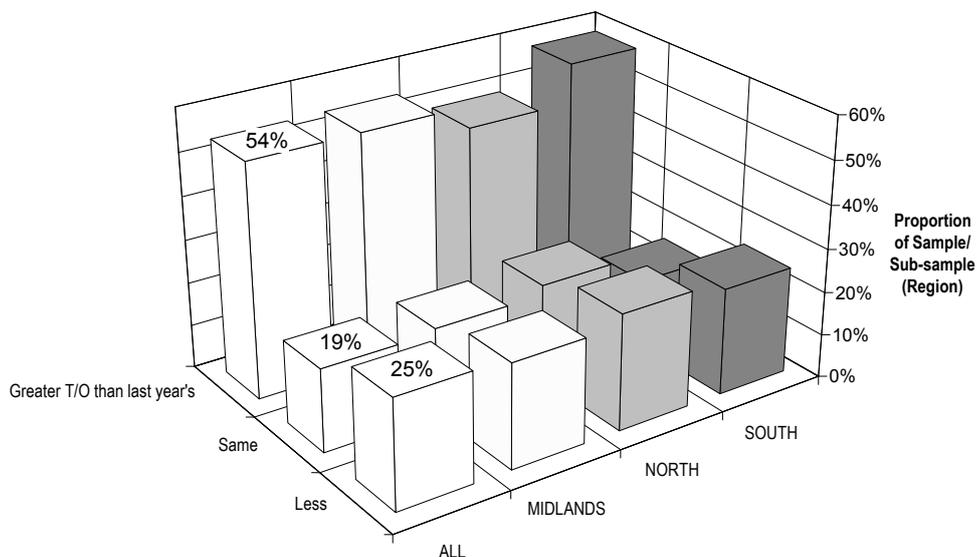


This latest survey, comparing the third quarters of 1993 and 1992, produced similar responses, namely 54 per cent reporting sales turnover 'up', 19 per cent 'same' and 25 per cent 'down' (Figures 18 and 19).

**INFLUENCES ON OVERALL RESPONSES**

Samples of firms in surveys very often exhibit some unevenness in their distribution, but if this is known then such influences can be taken into

**Fig 19 - TURNOVER COMPARISON 1993 vs 1992: BY REGION  
Firms Reporting An Increase (comparing 3rd quarters)**



consideration. For example, with our sample, some regional variations may be more likely to occur as a result of other factors in a particular region's sub-sample - such as the predominance of larger firms in say manufacturing, or similarly, smaller firms in business services - rather than from any other characteristic associated with different areas of the country.

## PRESENTATION OF RESPONSES

Following a key variable analysis of all responses received by a certain date, histograms are created for the purpose of illustrating where interesting differences or similarities have materialised.

Unless deemed of value, and also for the sake of clarity, 'no responses' or ambiguous responses are usually omitted from the histograms, although they are used when calculating any percentages. For example, if the responses to a question are 75% 'yes', and 20% 'no', then these will be shown accordingly in the histogram. However, the remaining 5% 'no responses' will usually be excluded.

## IMPLICATIONS OF FINDINGS FOR OWNERS/MANAGERS OF BUSINESSES

**Growth trends** - for those businesses with aspirations for significant growth, then certain employee size analyses exhibit trends which may contain possible 'pointers to the future'.

For example, Figure 1, indicating the responsibility for book-keeping vs. size of firm, shows an increasing tendency for the task to shift **from the business owner** (46% for 0-4 employee firms, falling to 16% for 10-19 employee firms), **to a full-time employee** (20% for 0-4 size firms, rising to 55% in 20-49 firms).

Whilst this particular trend might be obvious to someone who has already experienced the change, it may be less so for an owner/manager who hasn't. It

should be noted that such trends indicate **changing probabilities**, rather than absolute **certainties**.

Also, apparent inconsistencies in key variable trends may be due to the prevalence of some other factor in a particular sub-sample.

An example of this can be found in Figure 1, illustrating the responsibility for book-keeping, where the 'Yourself/ Business partner' responses for the 20-49 employee firms apparently buck the downward trend (vs. increasing firm size) with an unexpected 41 per cent indicating that they personally handle their own book-keeping. Further investigation revealed that a third of these respondents worked in accountancy firms, which probably explains, at least in part, why such a high proportion of this larger employee size band responded in this way.



# Lloyds Bank

Lloyds Bank/Small Business Research Trust  
**Quarterly Small Business Management Report - No.4**

*This questionnaire will take approximately 5 minutes to complete - most answers require only a single tick. All information received will be treated in complete confidence. PLEASE DESPATCH AS SOON AS POSSIBLE.*

**1** Compared to same quarter last year, are your sales for the CURRENT quarter (July to September 1993):

Greater than last year's .....  A

Same.....  B

Less.....  C

**2** Is your firm:

A partnership .....  A

Sole proprietorship .....  B

Limited company.....  C

Other (please state): .....  D

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## MANAGEMENT ISSUE No.4: Financial Management

**3** Bookkeeping and debtor control - who does these ?

*Just one ✓ in each column*

	<i>Book-keeping</i>	<i>Debtor Control</i>	
Yourself/business partner.....	<input type="checkbox"/>	<input type="checkbox"/>	A
Spouse.....	<input type="checkbox"/>	<input type="checkbox"/>	B
Full-time employee .....	<input type="checkbox"/>	<input type="checkbox"/>	C
Part-time employee/freelance.....	<input type="checkbox"/>	<input type="checkbox"/>	D
Professional accountant.....	<input type="checkbox"/>	<input type="checkbox"/>	E
Other (please state):	<input type="checkbox"/>	<input type="checkbox"/>	F

---

**4** a) Professional Accountant - do you use one ?

Yes.....  A

No .....  B

b) If you use a Professional Accountant (skip, if not) - which of the following services do you use him/her for:

Preparation of accounts  A

Auditing accounts  B

General business advice  C

Attendance at meetings with bank etc.  D

Other (please state):  E

---

**5** Have you at any time prepared a written business plan setting out your business objectives ?

Yes .....  A

No .....  B

**6** Do you regularly produce:

Cashflow projections  A

An annual budget of costs  B

An annual budget of revenues  C

A revised business plan  D

**7** Performance checks:

*Just one ✓ for each question*

	Yes	No	N/A
Do you check monthly performance against budget ? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> A
Do you amend cashflow forecasts as necessary ? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> B

**8** Your bank - do you provide regular financial information, such as monthly management accounts, to your bank ?

Yes .....  A

No .....  B

a) If 'Yes' - do you think this has improved your relationship with the bank ?

Yes .....  A

No .....  B

b) If 'No' - would you expect it to make any material difference to your relationship ?

Yes .....  C

No .....  D

**9** Financial management or business planning - If you have any strong views about these, especially if you feel that any aspects are not fully appreciated by important sections of the business community (such as the government help agencies or the financial services), then please make a brief comment

\_\_\_\_\_

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