

Small Enterprise Research Report

Small Firms And Politics

October 2003



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Business

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Small Enterprise Research Report

Small Firms And Politics

October 2003 - Vol.1, No.1

Produced by The Research Team

The Research Team
based at
Open University Business School
Michael Young Building
Walton Hall
Milton Keynes MK7 6AA

Tel: 0190 865 5831
E-mail: b.porter-blake@open.ac.uk

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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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- 2 Competition: Small Firms Under PressureJanuary 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.

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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.

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The Research Team is particularly pleased to acknowledge the generous support provided by Lloyds TSB 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 TSB.

Report Author – Professor John Stanworth (University of Westminster)
Series Editor – David Purdy

HIGHLIGHTS

This is the first in 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 of this survey was on **Small Firms and Politics**. The principal findings were as follows:

- **Small business representation – organisations to which respondents subscribed, were, in descending order, professional bodies or institutes (51% of respondents), chambers of commerce or trade (36%), the Federation of Small Businesses (23%), the Institute of Directors (6%), the Forum of Private Business (5%), political parties (4%), the Confederation of British Industry (2%), and the Small Business Bureau (1%).**
- **Small business representation by respondent gender – Female owner/managers were less likely than their male counterparts to join chambers of commerce/trade, but were more likely to join political parties, the Institute of Directors or the Federation of Small Businesses.**
- **Small business representation amongst SME lobby groups – Analysis of the membership of the small firms political lobby groups, specifically the Federation of Small Businesses and the Forum of Private Business, reveals that the two bodies appear to have recruited with some success amongst the 5-9 employee micro-businesses. There may be something distinctive about this size of business which makes lobby group membership particularly attractive: at this stage in their development it seems likely that the challenges and frustrations of payroll administration and employees responsibilities really begin to engage.**
- **Prior small business representation – Sometimes non-member respondents had been members of organisations previously. Usually, the responses were considerably lower, typically by a margin of two-thirds, suggesting that memberships might be more stable than is often thought.**
- **Effectiveness of small business representation – The small business lobby groups stood out as the most effective for 63% of respondents, followed by Members of Parliament (12%).**
- **Small business lobby groups – It appears clear that the Federation of Small Businesses now has the lion's share of the specialist small firms membership cake and, by implication, the lobbying influence.**
- **Small business representation at cabinet level in government – Two-thirds of respondents (66%) felt that the post of Small Firms Minister should be elevated to a seat in the cabinet.**
- **Influence of personal and business issues when voting at elections – Around one-third (31%) of respondents claimed to vote at general elections on the basis of personal interests only, whereas a quarter (25%) claimed likewise for business interests. However, a further 38% claimed to vote on the basis of a mixture of the two. Thus 63% say that business interests influenced their voting behaviour, either completely or at least partly, suggesting that there are votes for politicians in the small business arena.**
- **Influence of personal and business issues at elections by gender – Women were noticeably more likely than the male respondents to take business issues into account in determining their voting behaviour. In fact 74% (compared to 60% for males) claimed to consider business factors, appearing consistent with their greater involvement in political memberships noted earlier.**

continued ...

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- **Democracy for business** – Businesses pay taxes but have no votes in general elections. **Women respondents were most active in intruding business interests into wider society**, with 58% of women compared to just 36% of men were of the view that businesses should have votes.
- **The benefit of government intervention to help small businesses** – Respondents had mixed feelings with just over half (55%) saying that intervention via such as grant aid and business advice is only 'sometimes' beneficial.
- **The benefit of government intervention to help small businesses, responses by gender** – Just 22% of men, but 32% of women, indicated that the answer was an unqualified 'definitely'.
- **The benefit of government intervention to help small businesses, responses by industrial sector** – There were quite marked sector differences, with 29% of manufacturers agreeing that government intervention definitely pays dividends, compared with, at worst, just 11% from the retail/distribution sector.
- **The benefit of government intervention to help small businesses, responses by size of firm** – Only 18% of the smallest firms (0-4 full-time equivalent employees) felt that government intervention could definitely be beneficial, compared with 30% of firms in the 20-49 employee range.
- **Does a change of political party in government make any real difference to small businesses ?** – Overall, 52% of the respondents said 'yes', against 42% who disagreed. **Proportionally, female respondents who agreed substantially outnumbered the males saying likewise** (68% saying 'yes', against 48% for the males).
- **Does a change of political party in government make any real difference to small businesses ? (sector differences)** – Retail/distribution respondents were the most likely to feel that a change could make a real difference (67% saying 'yes', against 30%). The manufacturing and business service respondents were fairly evenly divided.
- **A possible further 1% increase in employers' National Insurance (NI) contributions to benefit small firms** – A majority of respondents (59%) favoured a reduction of 1% in NI contributions, along with commensurate cuts in government spending, with a further 30% preferring no further change, and 8% prepared to accept an increase of 1% in NI contributions specifically to benefit small firms.
- **A possible further 1% increase in employers' National Insurance (NI) contributions to benefit small firms (by sector)** – Sectorally, the widest support in favour of a decrease was amongst the business services firms (71% of these would seek a cut).

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MANAGEMENT ISSUES

The emphasis of the 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 report addresses one or more highly topical small business management issues. In this survey we focus on **Small Firms and Politics**. The report is produced three times a year.

THE SAMPLE

This report is based on the responses received from a panel of over 350 small businesses situated in the northern, midland and southern 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. The precise distribution of firms varies from survey to survey, but typically over half of the participants employ fewer than 10 people.

RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during August-September 2003.

BACKGROUND

The report originates from a longitudinal investigation into the development of small firms undertaken by the University of Westminster (then the Polytechnic of Central London) on behalf of the Department of Education & Science, between 1988 and 1992.

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SMALL FIRMS AND POLITICS

Do small firms have a voice? If so, who speaks for small firms and does anybody listen? This is the key issue, which this survey set out to investigate.

Background

The issue of a voice for small business is an interesting one, particularly if viewed in an historic perspective, looking back to the 1960s when they almost certainly didn't – when only large businesses carried influence in the corridors of power. However, when the then President of the Board of Trade, the Rt. Hon. Anthony Crosland, asked entrepreneur John Bolton in July 1969 to chair a Committee of Inquiry on Small Firms, this was tantamount to recognising that small firms needed a voice.

But it was more than that. It recognised that earlier assumptions – that the small firm was simply a remnant of the first industrial revolution doomed to rapid extinction in the late 20th Century – were flawed. The fact that there is now a government minister with responsibility for small firms, accompanied by specialist small firms political lobby groups banging the drum for the sector, shows that things have moved on a great deal in the last 30 years.

Many of the early pioneers of the small firm's cause are now passing into history. John Bolton himself passed away earlier this year. As has Sir Charles Villiers, former head of the British Steel Corporation and then small firms' enthusiast in his retirement. Stan Mendham, pioneer and founder the Forum of Private Business, has recently retired from the field on health grounds. And Brian Wright, founder of the London Enterprise Agency (LEntA) back in the 1970s, has also retired.

All that remains of the original cadre of SME pioneers seems to be the legendary Graham Bannock (Research Director on the Bolton report) plus a small handful of pioneering academic researchers.

Time moves on and the voice that some only dared dream of 30 years ago has now become institutionalised as part of the political system. Or has it?

REPRESENTATIVE BODIES

The survey panel of small business owners were asked to identify representative organisations to which they subscribed. **Figure 1** shows that professional bodies and institutes were the most widely used, followed by chambers of commerce or trade, then the Federation of Small Businesses, the Institute of Directors, the Forum of Private Business, political parties, the CBI and, finally the Small Business Bureau.

Other bodies to which respondents said they subscribed included:

- British Association for Print & Communication
- Business Link Extra
- Durham Small Business Club
- Engineering Employers' Federation
- A local engineering group forum
- TEC (Training and Enterprise Council)
- A trade association
- Trafford Park Business Forum

Prior membership

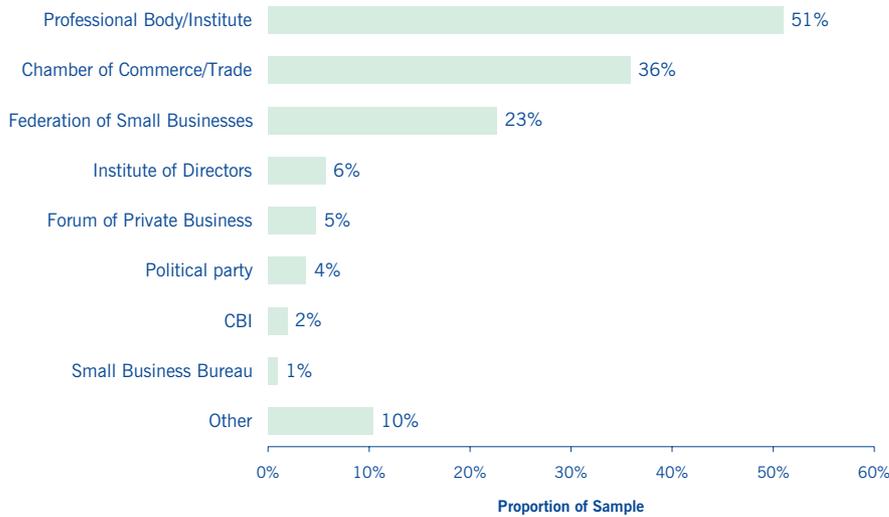
Respondents were not asked how long they had belonged to the various organisations, but they were asked to indicate where they had previously been in membership even if they were not currently. Usually, the responses (see **Figure 2**) were considerably lower than those in Figure 1, typically by a margin of two-thirds, although the memory may be inclined to fade regarding more distant memberships. Nonetheless, this would seem to indicate that organisational memberships may be more stable than is often thought.

However, there were exceptions. For instance, more respondents had left political parties than were currently members and, in the case of the Forum for Private Business, the response was the same, i.e., as many

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Figure 1 - Membership Of Representative Bodies



The 'traditional' representative bodies are being challenged by The Federation of Small Businesses

had left as were still currently in membership. The Federation of Small Businesses appeared markedly more successful by comparison in holding its members, and still had around three times as many members as it had lost.

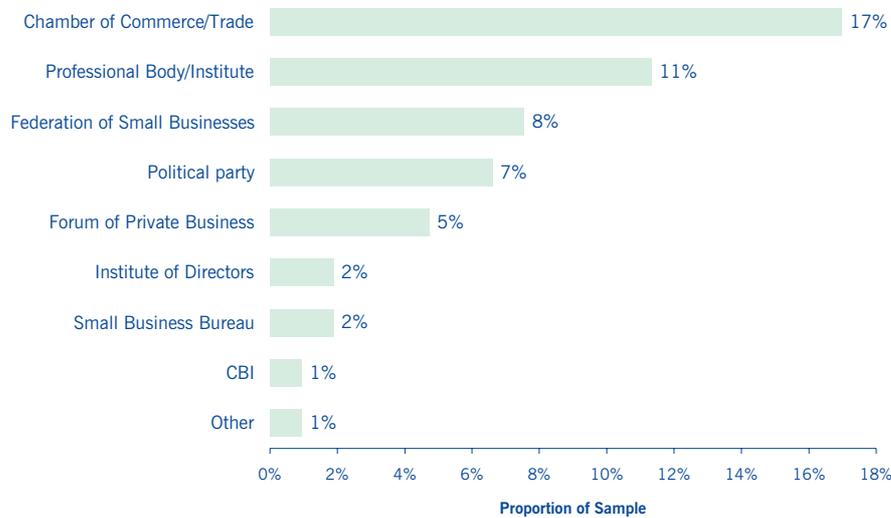
Figure 3 reveals some interesting gender differences in memberships. For instance, the female respondents were less likely than their male counterparts to join chambers of commerce/trade, but more likely to join

political parties, the Institute of Directors or the Federation of Small Businesses.

Recruitment Amongst Micro-businesses

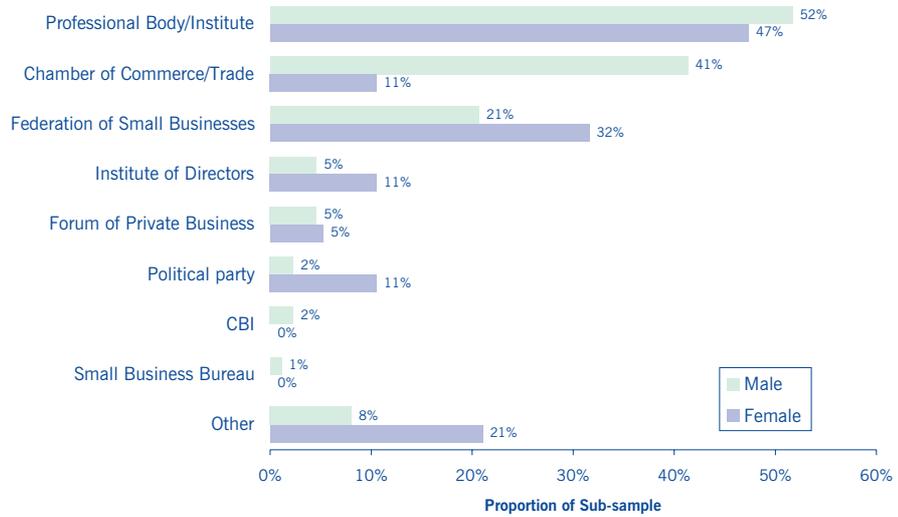
When considering the size of firm against membership of the two main small firms political lobby groups, namely, the Federation of Small Businesses and the Forum of Private Business (**Figure 4**), it was found that both groups were represented most heavily

Figure 2 - Former Membership Of Representative Bodies



**Figure 3 - Membership Of Representative Bodies:
Responses By Gender**

*Females
less inclined
to use the
local chamber of
commerce/trade ?*



amongst the 5-9 employee 'micro-businesses'. Both organisations recruited consistently lower numbers across all other size tranches. Perhaps there is something distinctive about the 5-9 employee business which makes lobby group membership particularly attractive? It may be that this is the stage in their development and growth where the challenges and frustrations of payroll administration and the responsibilities of taking responsibility for employees really begins to engage.

When asked to identify the most effective form of small business representation (Figure 5), the small business lobby groups stood out quite clearly with 63%, followed by members of Parliament with only 12%. Although general membership bodies such as the CBI and the Institute of Directors have small business sections and lobby on small business issues, the two active bodies specialising totally in small business issues are the Federation of Small Businesses and the Forum of Private Business.

**Figure 4 - Membership Of Representative Bodies:
By Employee Size**

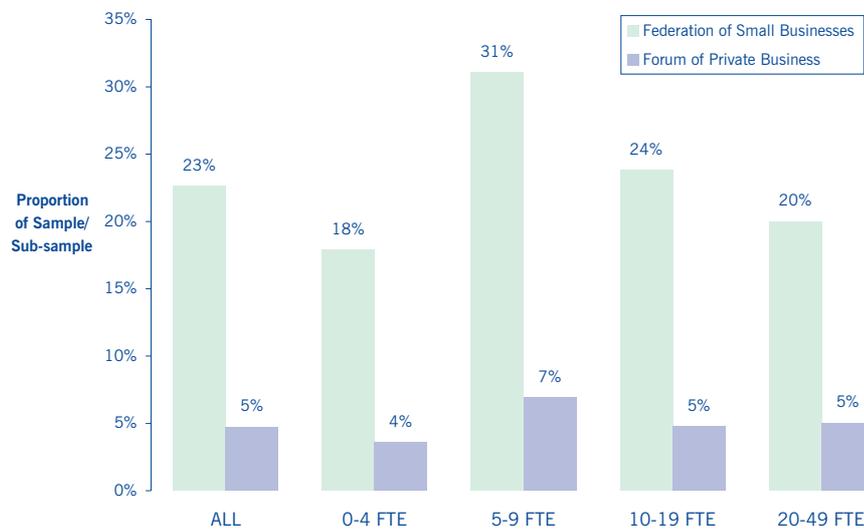
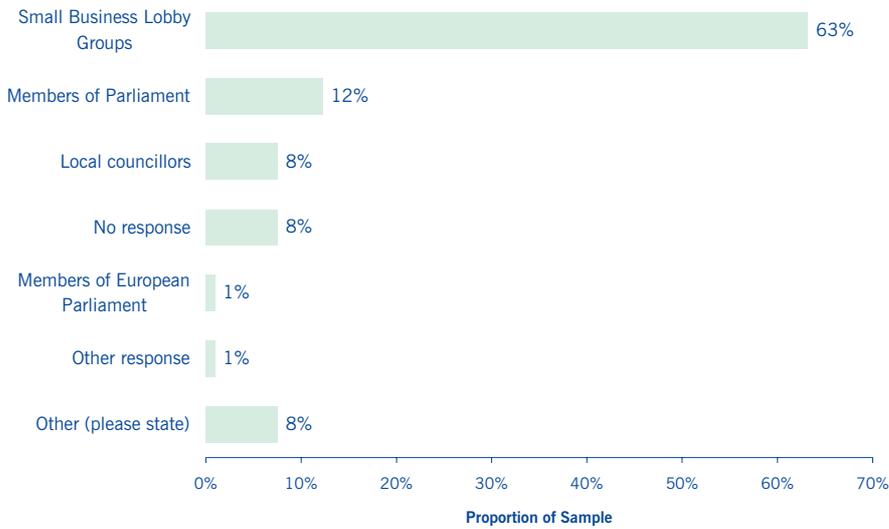


Figure 5 - Which Is The Most Effective At Representing Small Business Interests ?



Small business lobby groups are widely recognised

Other bodies to which respondents said they felt were the most effective at representing small business interest included:

- Chamber of commerce
- The European Commission
- Professional institute (respondent's)
- Trade associations

Many observers in the small business field will have followed, with great interest, the battle of the lobby group titans in recent

years. In the early nineties, the relative memberships stood at 50,000 for the Federation against around 25,000 for the Forum. The last decade, however, has witnessed fairly massive growth for the Federation, fuelled by the provision of services, against relative stagnation by the Forum which mainlines on its membership opinion surveys as a lobbying tactic (Figure 6). Thus, after a fairly hectic head-to-head membership battle, it appears clear that the Federation now has the lion's share of the

Figure 6 - SME Lobby Group Membership Levels Cited In The UK Press 1993-2003

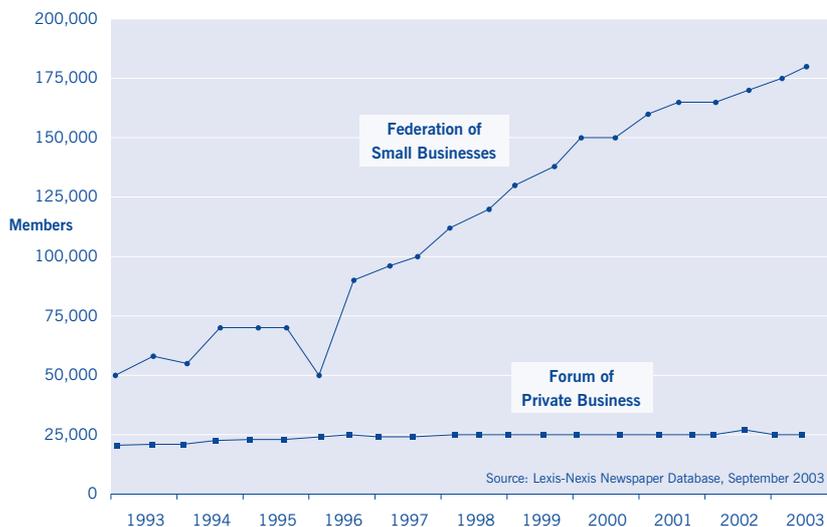
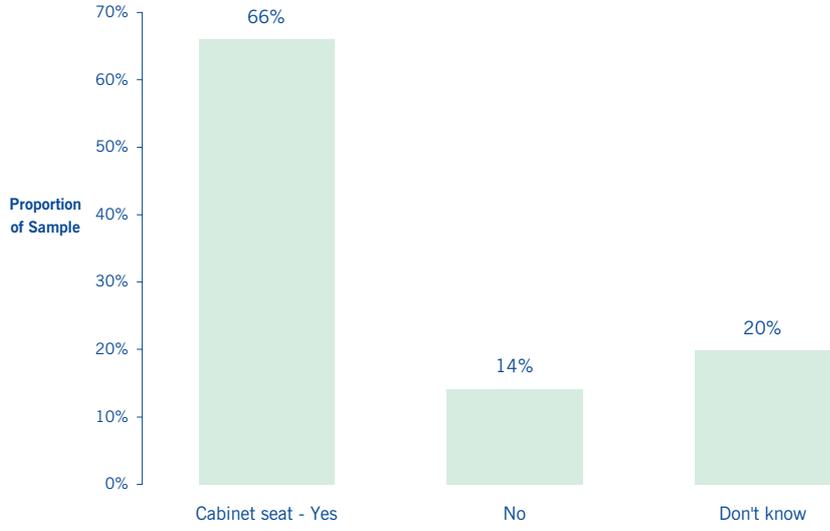


Figure 7 - Should The Small Firms Minister Have A Seat In The Cabinet ?

A strong majority of respondents seem to think so



membership cake and, by implication, the lobbying influence.

MINISTERIAL SEAT IN THE CABINET

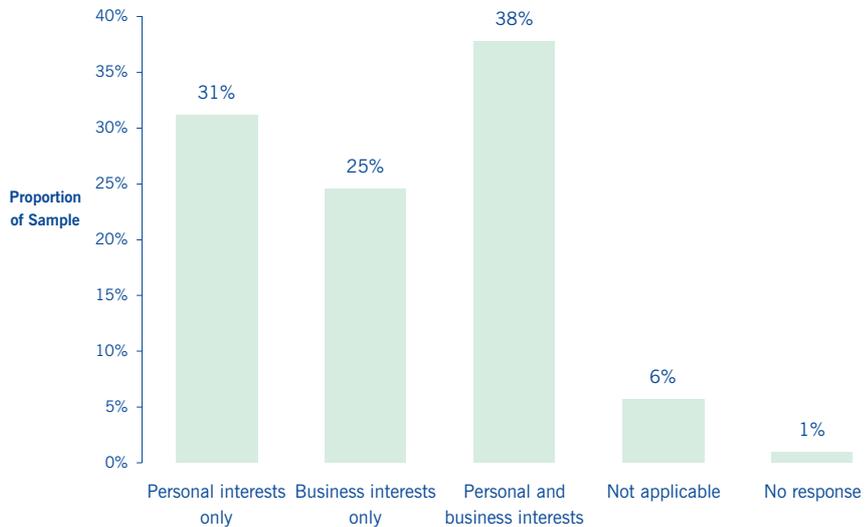
When respondents were asked if they felt that the small firms minister should be elevated to occupy a seat in the cabinet, two-thirds were firmly of that view that they would like this to be the case (Figure 7). This sentiment was consistent across the sectors and employee size tranches, and likewise

with varying age and gender of respondent. This finding would appear to indicate that, at a certain level, respondents did indeed feel that having a voice in political circles could yield results.

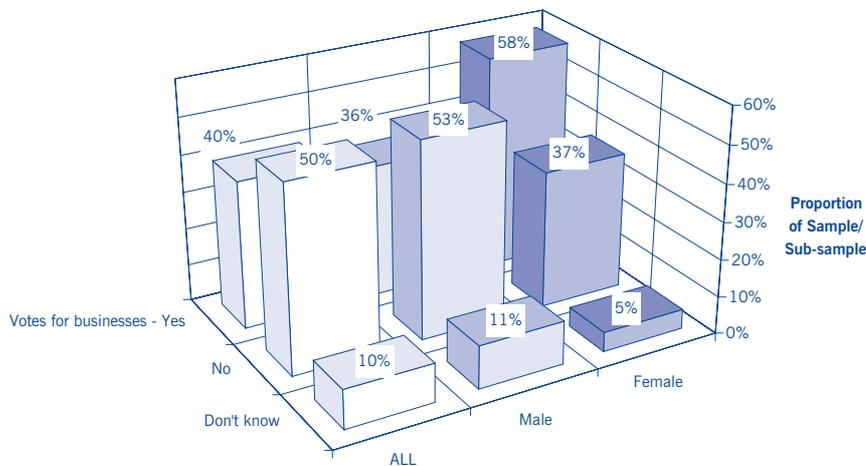
PERSONAL VOTING PRIORITIES

Figure 8 shows responses to a question on voting in general elections. What balance or mix of personal versus business interests influenced voting behaviour? Around one-

Figure 8 - Personal Priorities When Voting In A General Election



**Figure 9 - Should Each Business Have A Vote, Too ?:
By Gender**



third (31%) claimed to vote on the basis of personal interests only, whereas a quarter (25%) said that they voted on the basis of business interests only. However, a further 38% claimed to vote on the basis of a mixture of the two. Hence, we can say that a total of these 38% plus the 25% who voted solely on the basis of business interests, totalling 63%, reported that business interests influenced their voting behaviour, either completely or at least partly. Perhaps then, it can be said with some certainty, that there are indeed votes for politicians in the small business arena.

It was also found that women were noticeably more likely than our male respondents to take business issues into account in determining their voting

behaviour. In fact 74%, against just 60% for males, claimed to introduce business factors. This appears consistent with their greater involvement in political memberships noted above.

VOTES FOR BUSINESS

Businesses pay taxes but have no votes in general elections. Should this situation change ? Once again (**Figure 9**) women respondents were most active in intruding business interests into a wider society issue. In fact, 58% of women compared to just 36% of men were of the view that businesses should have votes. This links up with responses in Figure 8 when women again asserted the rights of businesses in voting behaviour.

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**Figure 10 - Should Each Business Have A Vote, Too ?
Respondents Saying 'Yes' - By Employee Size**

Support for business votes dwindles amongst larger firms

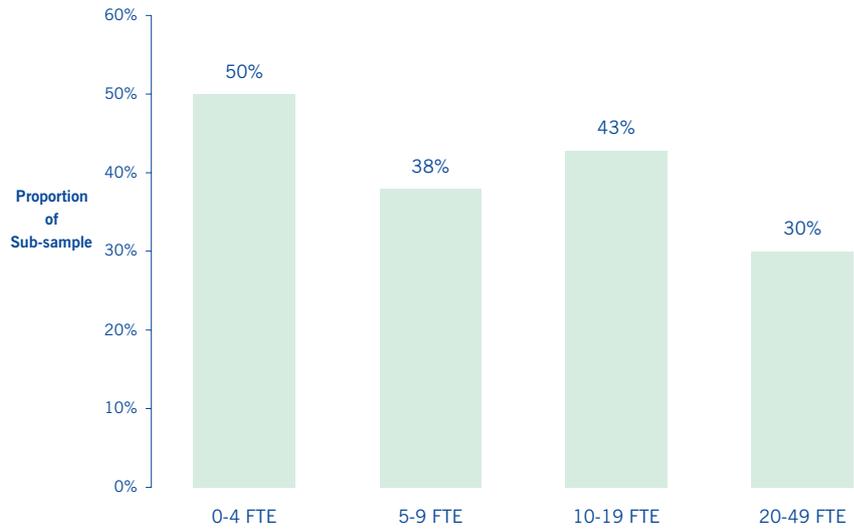


Figure 10 indicates a correlation between size of firm and feelings on the rights of businesses to vote, with smaller businesses taking a lead in asserting claims for voting rights. Further analysis showed a resistance to this idea from respondents in the business services sector accompanied by those aged 55 years and older.

CAN GOVERNMENT INTERVENTION BENEFIT SMALL BUSINESSES?

On the issue of whether or not government intervention can benefit small businesses, the respondents had rather mixed feelings with over half (55%) opting for 'Sometimes' (**Figure 11**). Just 22% of men but 32% of women felt strongly that the answer to this question was 'yes'. **Figure 12** demonstrates quite market sector differences here with 29% of manufacturers feeling that

**Figure 11 - Do You Think That Government Intervention Can Bring Any Real Benefit To Small Businesses ? :
By Gender**

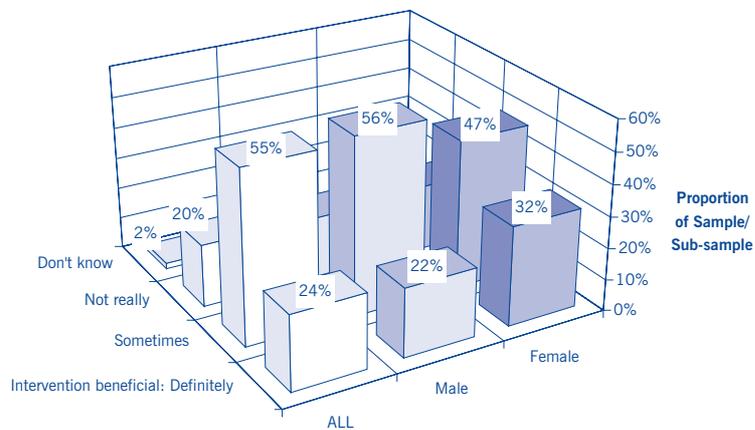
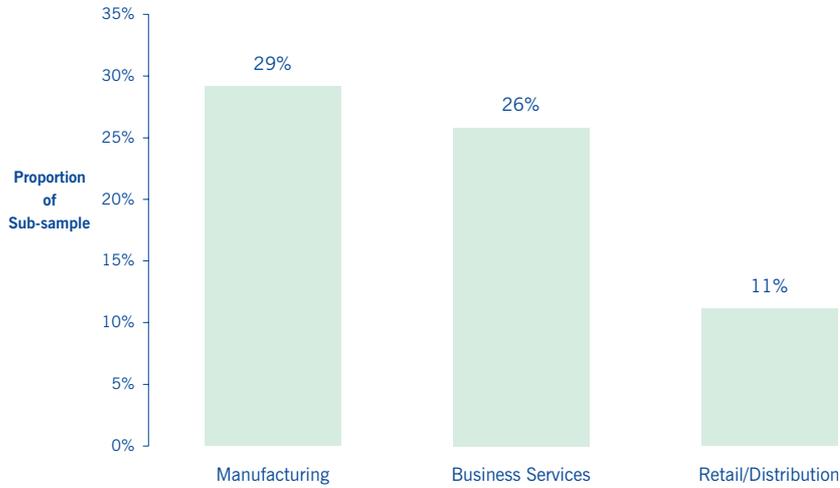


Figure 12 - Do You Think That Government Intervention Can Bring Any Real Benefit To Small Businesses?: Respondents Saying 'Definitely' - By Sector



government intervention can definitely pay dividends, compared with just 11% from the retail/distribution sector at the opposite end of the scale. It was also found that size of firm influenced responses here, with only 18% of the smallest firms (0-4 employees) feeling that government intervention could definitely be useful compared with 30% of firms in the 20-49 employee range.

CHANGE OF PARTY IN POWER

Figure 13 shows that respondents were fairly well divided on the issue of whether a change in political party in power substantially affected the lives of small business people. Women respondents, who in Figure 11 had shown greatest faith in the powers of government intervention, were also the most likely to feel that the complexion of a political party can influence the fortunes of small business.

Figure 13 - Does A Change Of The Political Party In Power Make Any Real Difference To Small Businesses?: By Gender

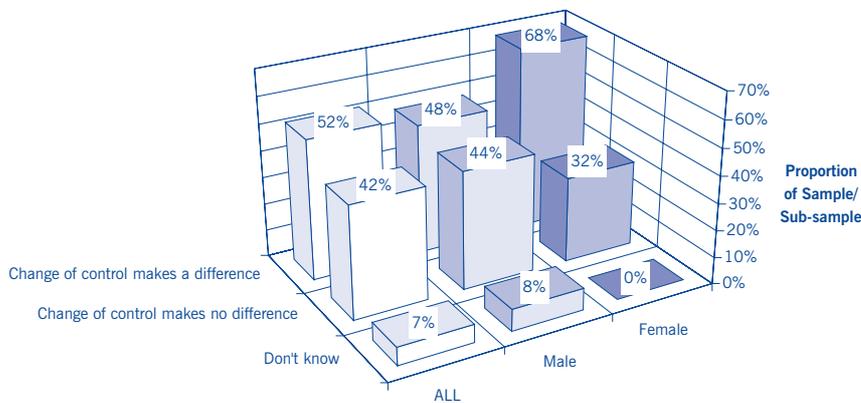
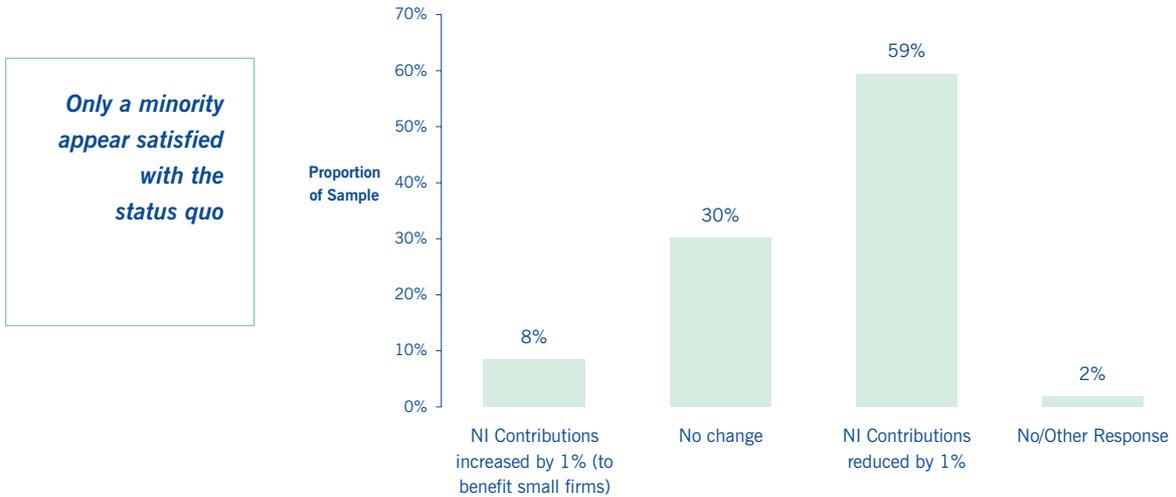


Figure 14 - Respondents' Preferences Towards Government Spending On Small Firms Via Further Changes In Business NI Contributions



Respondents from the retail/distribution sector had been least likely to believe in the positive effects of government intervention but turned out to be the most likely to feel that a change in political party really could make a difference to the fortunes of small business.

Health Service, Roads, Transport, Pensions, etc. What makes them think they can run my business ?”

“Government grants are to keep a small number of those firms/people on the grant gravy-train in business.”

INCREASES IN NATIONAL INSURANCE CONTRIBUTIONS

“Business National Insurance is definitely a stealth tax - the staff do not see it to understand its impact. The government should be more honest and put tax rises on the employee. But I doubt they would dare.”

When asked their opinions on the issue of a change in employers' National Insurance (NI) contributions ring-fenced to aid small businesses, the results in **Figure 14** demonstrate a large proportion in favour of no change or, even more popular, an actual reduction in National Insurance rates. Small businesses appeared to be favouring a 'hands-off' approach from government. This, however leaves politicians open to claims of 'not doing anything' to help small businesses. Perhaps t'was ever thus.

“Politicians aren't really interested in small firms. They pretend to be but are really just there for themselves. So we just have to help ourselves.”

“There is far too much government and EU legislation, regarding employee rights and health and safety. Employees are increasingly not responsible for their own actions.”

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TYPICAL COMMENTS FROM RESPONDENTS

“Government should concentrate on the big picture (taxes, Europe, etc.) and not interfere with businesses and how they are run. As recent history has shown, they can't run the

“The basis of legislation now is that everyone is stupid. Common sense on matters does not prevail.”

“Most banks overcharge SMEs for financial services, despite Bank of England interest rates being low. In our experience, grants funded through local councils are extremely hard to get for indigenous SMEs.”

“As far as this government is concerned, we are a sitting target for taxation and needless legislation and bureaucracy.”

“The Small Business Service, along with other groups purporting to lobby for small businesses, fail to focus on key issues such as late payment, The legislation in place is totally ineffective in resolving small business problems thus far.”

“Financial help (grants) for small business appears to be very well hidden. If you are busy in your business, searching for these is almost impossible.”

“The government must reduce red tape, interference and taxes both direct and indirect, if they wish to secure a steady growth platform.”

“Government should focus on reduction of red tape, officialdom, EU meddling and petty crime. Create an atmosphere to enable us to grow without direct grants, etc. Allow us to be the entrepreneurs that we try to be in spite of government ‘help’”.

“Normally, grant applications are too complex to complete and subsequently take too long to be given.”

“The DTI/SBS is one excellent example of understanding the needs of the small business at their Victoria Street office in London.”

“There has been no understanding of small manufacturers by any government in the last 30 years. I

think the final demise of this sector has now come, with dangerous consequences for the economy as a whole.”

“There is a need to stimulate manufacturing by British-owned and run firms as a matter of urgency.”

RESPONDENTS' COMMENTS

These commence in verbatim form on p.18.

REFERENCES: SMALL FIRMS AND POLITICS

The following references are offered as an aid to readers interested in seeking further information via the world-wide-web. The coverage is not intended to be definitive, and inclusion here should not imply either agreement or disagreement with the views expressed via these sources. Some web sites have appeared before, but there is usually a section noted with interests relevant to the theme of this report.

Special care should also be taken with material obtained from **outside** the UK, for example, the USA, where different legal issues may apply.

N.B. Some pages may contain links to other WWW pages offering related material. Tip: The WWW links were functional at the time of going to print, but the world wide web is in a state of constant change. So if later problems arise with a link, edit the link back to the 'home page' – e.g., truncate <http://www.bized.ac.uk/fme/xyz.htm> back to <http://www.bized.ac.uk/> – and look for a similar topic heading there.

● All-Party Parliamentary Small Business Group (APPSBG)

“The APPSBG is a cross party group of MPs and Peers, set up to provide a forum for communication between small businesses and their representative organisations and members of both Houses of Parliament. ... The group currently has over 430 members which it

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believes is the largest and most influential All-Party Groups in Parliament.”

www.smallbusinessgroup.org.uk/

- **The British Chambers of Commerce**

“The British Chambers of Commerce comprise nationally a network of quality-accredited Chambers of Commerce, all uniquely positioned at the heart of every business community in the UK. ... Currently over 135,000 businesses benefit from membership of Chambers in the Accredited Network, from growth-oriented start-ups to local and regional subsidiaries of multinational companies, in all commercial and industrial sectors, and from all over the UK. ... Whatever their size or nature of business, members of the British Chambers of Commerce have access to a range of benefits, all geared to helping them succeed and grow. With over 2500 staff, covering more than 100 locations, our network provides a ready-made management support team for any business, anywhere in the UK. ... At all levels, local, regional and national, the British Chambers of Commerce provide a powerful voice for business. Our regular surveys, consultations and reports provide grassroots business opinion and have strong influence on government ministers and officials, MPs, and other decision makers and opinion formers.”

www.chamberonline.co.uk/

- **The Confederation of British Industry (CBI)**

“Since 1965, the CBI has been UK business’s most powerful lobbying organisation. But it doesn’t stop there - the CBI is a vital source of expert advice and information, and a forum for the generation of ideas, best practice exchange and high-powered networking. The CBI represents companies from all sectors of UK business: small and large, from manufacturing to retailing, agriculture to construction, hi-tech to finance, transport to consultancy. Membership of the CBI is corporate: organisations and companies are

members, not the individuals nominated to represent them. With direct corporate membership employing over four million and a trade association membership representing over six million of the workforce ...”

www.cbi.org.uk/

- **The Conservative Party**

Includes Conservatives in the European Parliament (www.conservatives.com/ep_enterprise.cfm); see also Think Tanks for associated special interest groups.

www.conservatives.com/

- **European Union**

European Charter for small enterprises: “Objective: To create the best possible environment for small business and entrepreneurship”

europa.eu.int/scadplus/leg/en/lvb/n26002.htm

- **Federation of Small Businesses (FSB)**

“The FSB is the largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has over 185,000 members across 33 regions and 230 branches. On the member benefits side, it offers assistance and support 24 hours a day, while its lobbying arm - led by the Westminster Press and Parliamentary office - applies pressure on MPs, Government and Whitehall, lobbies politicians in their constituencies and puts the FSB viewpoint over to the media. The FSB is non-profit making and non-party political. One of the major benefits is the FSB’s legal helpline which operates 24 hours a day. Last year, the helpline received over 100,000 calls, the majority of calls on employment matters but also dealing with issues such as commercial contract, landlord and tenant and consumer affairs. The FSB also has Press and Parliamentary Offices in Glasgow, Cardiff and Belfast to lobby the devolved assemblies on behalf of members.”

www.fsb.org.uk/

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- **Forum of Private Business (FPB)**

“The Forum of Private Business was established in 1977 based on the model of the CFIB (Canadian Federation of Independent Business) which was itself based on the model of the NFIB (National Federation of Independent Business) in the United States of America. FPB is a not-for-profit pressure group, driven by its members. We are a research based group that helps and informs its members to become more secure and profitable through FPB products and services. We represent 25,000 businesses in the UK and more than 75,000 in Europe. FPB provides its members with a strong clear voice, through our representation of their business interests at local, national and European Government levels and to key policy makers.”

www.fpb.co.uk/

- **Institute Of Directors (IoD)**

“As a worldwide association of members, the Institute of Directors (IoD) provides a professional network that reaches into every corner of the business community. Our membership spans the whole spectrum of business leadership, from the largest public companies to the smallest private firms. Membership of the IoD is individual – each member joins the IoD in his or her capacity as a director. Members receive a variety of benefits including information, advice, training, conferences and publications to help them maximise their potential. They also have an influential organisation on their side – representing their concerns to government – and at their side – providing professional business support, wherever it is needed. All members have access to facilities in the heart of London and across the UK in the following cities: Edinburgh, Nottingham, Manchester, Birmingham, Belfast and Bristol.”

www.iod.co.uk/

- **The Labour Party**

Has the Labour Small Business Forum (www.labour-small-business-forum.org.uk/); see also Think Tanks for

associated special interest groups, like the Fabians.

www.labour.org.uk/

- **The Liberal Democrats**

www.libdems.org.uk/

- **Small Business Bureau**

This body formerly once had close ties with the Conservative Party, but it claims to have distanced itself in recent years. “Since our formation in 1976, The Small Business Bureau has: Established a close working relationship with Government Ministers and Westminster and European Members of Parliament; Established an effective Nationwide Policymaking role through our Policy Unit; Established an influential, informative newspaper ‘Small Business News’, which has a Nationwide circulation; In 1990 inaugurated the Annual National “Women into Business” Awards ceremony in Westminster; ... Campaigned successfully for the Loan Guarantee Scheme, the Enterprise Investment Scheme and Venture Capital Trusts. In addition the SBB took the lead in the elimination of the impact of Inheritance Tax on unquoted companies; In 1997 initiated the African Caribbean Westminster Initiative.”

www.smallbusinessbureau.org.uk/

- **Small Business Service**

Business support agency, and a division of the government’s Department for Trade & Industry: “The Small Business Service has a clear purpose and vision - we want to accelerate the drive to make the UK the best place to start and grow a business by 2005.”

www.sbs.gov.uk/

- **Think Tanks**

This source provides a comprehensive list of ‘Think Tanks’, including special interest groups allied to political parties, compiled by Vacher Dod Publishing, long-established political publishers.

www.politicallinks.co.uk/politics2/Directory/thinktanks.asp

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MANUFACTURING

Design, Printing & New Media

"Business national insurance is definitely a stealth tax - the staff do not see it or understand its impact. The government should be more honest and put tax rises on the employee-facing taxes. But I doubt they would dare !"

Environmental Machinery Manufacture

"[There is] Too much centralised power to people who don't understand what makes small business tick."

Fabrication, Welding, Machining, Special Purpose Machines

"Businesses and the business community is complex and there is an excessive tendency to over-simplify it and find a 'one size fits all' policy for such things as training, R & D support, advice, etc.

Secondly, the average business takes a number of years to establish but can be destroyed very quickly by extremes in the economic cycle.

Prior to the mid-1990s, UK governments and trade unions behaved too erratically, and the UK economy oscillated too much compared with our EU partners. Since then, [chancellors] Clarke/Brown have achieved relative stability in terms of interest rates and inflation, indeed some claim we are in a stronger economic position than our key EU partners. If we stay outside the euro will this stability be maintained ? Is Mr. Brown coming off the rails ?"

Graphic Design & Printing

"[There is] Far too much government and EU legislation regarding employee rights and health and safety. Employees are increasingly not responsible for their own actions."

Manufacture Diving Suits

"Government grants are to keep a small number of those firms/people on the grant gravy-train in business.

Government should concentrate on the 'big' picture (taxes, Europe, etc.) and not interfere with businesses and how they are run. As recent history has shown, they can't run the Health Service, Roads, Public Transport, Pension etc. What makes them think they can run my business ?"

Manufacturing Broom Clamps and Holders, Yard Scrapers

"Nobody is actually interested in SMEs, they pretend to be but are really there for themselves first. Se we just have to help ourselves."

Mechanical Installation and Maintenance Service

"Excessive increase in liability insurance premiums are an increased overhead which we find hard to absorb - cannot pass on in case: year 2004 / 2003 +32% !"

Office Chair Manufacturing/Refurbishment

"Most banks overcharge SMEs for financial services despite Bank of England interest rates being low. In our experience grants funded through local councils are extremely difficult to obtain for indigenous SMEs."

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MANUFACTURING continued

Pipework Fabrication	<i>"Bases of legislation now is nobody has any commonsense and everybody is stupid. Commonsense on matters does not prevail."</i>
Pneumatic Connectors/Valves	<i>"The increasing amount of bureacracy required to complete central government returns saps the energy and resources of smaller organisations. The opportunity to devote resources to pro-active commercial opportunities would be far more advantageous."</i>
Steel & Aluminium Fabrications	<i>"Reform of rating laws requiring contributions made by small businesses who do not enjoy economies of scale as with larger enterprises."</i>
Sub-contract Engineering Machining & Light Fabrication	<i>"There has been no understanding of small manufacturers by any government in the last 30 years. Alas I think the final demise of this sector has now come, with dangerous consequences for the economy as a whole."</i>
Textile Yarns	<i>"Even apparently relevant non-governmental organisations have little or no appreciation of small business objectives."</i>

BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"The SME sector is not fully appreciated by both local and national government even though the sector provides a significant proportion of national employment."</i>
Analytical and Consulting Chemists (Industrial)	<i>"We have enough quangos, e.g., ONE North East who may help foreign firms but seem to do nothing for businesses such as ours. Also they need to stimulate manufacturing by British-owned and run firms (as a matter of urgency)."</i>
Architect	<i>"I am 80 years old and still in practice as a 'sole trader' - never ever had any assistance, financial or otherwise ! Wot about the workers !"</i>
Architect	<i>"What is an SME ?"</i>
Audit Accountancy and Taxation	<i>"It would do all politicians good to be forced to experience the form-filling and bureacracy which stifles small business."</i>
Chartered Accountants	<i>"Politicians are responsible for putting in place the myriad of rules and regulations that business owners have to hurdle in any effort to produce wealth for the good of the economy generally. It is easier to put a rule or regulation in place than to remove it. Politicians over the years have always said that this would change but things are getting worse instead of better with more dictats from European politicians that ever."</i>

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BUSINESS SERVICES continued

Food Technology & Quality Consultant	<i>"Normally grant applications are too complex to complete and subsequently take too long to be given. The DTI/SBS is one excellent example of understanding the needs of small businesses at their Victoria Street offices in London"</i>
International Freight Forwarding Services	<i>"As far as this government is concerned we are a sitting target for taxation and needless legislation and bureaucracy."</i>
Legal and Debt Recovery Services	<i>"The government must reduce red tape, interference and taxes, both direct and indirect, if they wish to secure a steady growth platform."</i>
Management Consultancy	<i>"I think if businesses had a vote, political parties and local authorities would be more concerned about addressing the needs of small businesses. This could only be a good thing as small businesses are vital to the local economy."</i>
Public Relations	<i>"The government crows about helping small businesses but do little to make a difference where it matters."</i>
Tax and VAT Advice	<i>"The various agencies set up by successive governments have been a total waste of time and money, other than to provide people with limited ability with salaries far in excess of what they merit."</i>

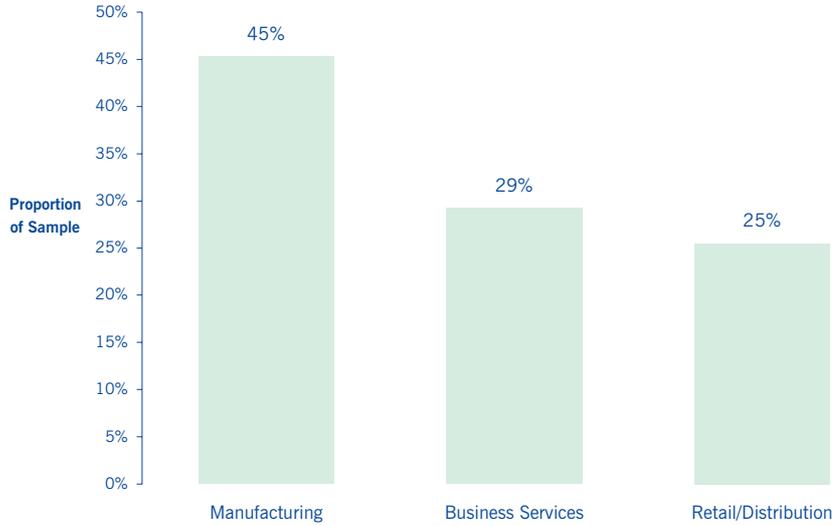
RETAIL & DISTRIBUTION

Computer System Reseller	<i>"The Small Business Service, along with other groups purporting to lobby for small businesses, fail to focus on key issues such as late payment. The legislation in place is predictably totally ineffective in resolving small business problems thus far."</i>
Gentlemen's Outfitting	<i>"Financial help (grants) for business development appears to be very well hidden. If you are busy in your own business, searching for the above help, is almost impossible."</i>
Hardware and Pet Store	<i>"[The] Political and social 'climate' is major affecter of small business. Governments should focus on reduction of Red Tape, officialdom, EU meddling and petty crime. Create an atmosphere to enable us to grow without direct grants etc. Allow us to be the entrepreneurs that we try to be in spite of government 'help'."</i>
Tool Plant & Equipment Hire, Sales & Repair Service	<i>"If you run your own business you are on your own. Banks attitude was 24 years ago: could I borrow money to open up a hire centre ? what do you know about the hire trade ? - nothing - then we cannot help you. Put you money where your mouth is and get on with it (I sold my house to live over my shop) ..."</i>

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**Figure 15 - Profile Of Sample:
Respondents By Industrial Sector**



APPENDIX 1 - ADDITIONAL INFORMATION

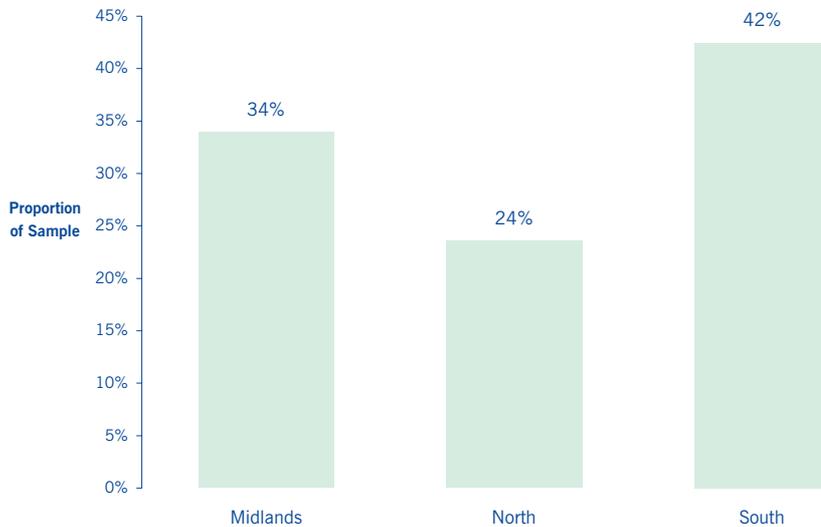
As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey.

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

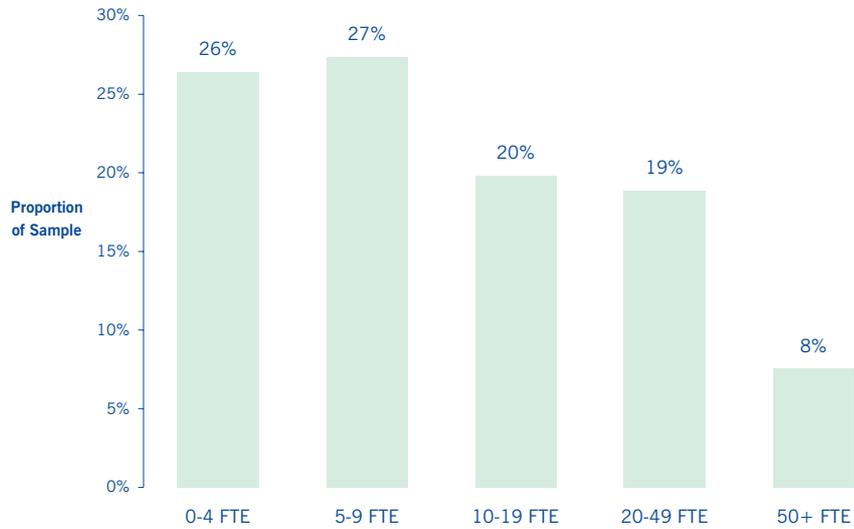
misinterpretation. Other variables have also included **region, sales growth, respondent age** and **sex**.

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 into manufacturing, business services, retail/distribution. Firms falling outside these 3 bands – which would otherwise be classified as ‘other’ – are allocated

**Figure 16 - Profile Of Sample:
Respondents By Region**



**Figure 17 - Profile Of Sample:
Respondents By Employee Size**



to the foregoing sector which offers the closest match.

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). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been **included** in the breakdowns for the **sectoral** and **regional** analyses, but have been **excluded** as a '50+FTE' band in the **employee-size** analyses (the 'All' band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

Distribution of firms

The highest proportion of respondents is in manufacturing (45%), see **Figure 15**.

The South region has the largest representation, with 42% of the sample's respondents, see **Figure 16**.

Manufacturing and business services firms in samples can tend to be larger, in terms of employees, whereas the firms in retailing/distribution may have fewer full-time equivalent employees. Likewise, the sample is biased towards the smaller businesses – but not the very smallest (sole traders), of which there is a preponderance amongst the small firms population generally. The employee size distribution for the sample is shown in **Figure 17**.

In terms of respondent age, they are predominantly 35 years or older, with the bulk between 45 and 64 years' old.

Finally, the sample is predominantly male (82%).

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Small Enterprise Research Report SMEs & POLITICS

Report 2003 No.1 - Sponsored by Lloyds TSB

*This questionnaire will take approximately 5-10 minutes to complete – most answers require only a single tick.
All information received will be treated in complete confidence. PLEASE RETURN AS SOON AS POSSIBLE.*

1a Workforce size - Please indicate the total number of people working in your business (including yourself):

Full-time A
Part-time (16 hrs/wk or less) B

1b Respondent age - Your age last birthday:

16-24 years A
25-34 B
35-44 C
45-54 D
55-64 E
65 or over F

1c Respondent gender - Your gender:

Male A
Female B

2 Small business representation - Please indicate which of the following organisations you or your business currently subscribes to, or has previously subscribed to:

Only one ✓ per row

*Now Formerly Never
(lapsed)*

A political party.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	A
A professional body/institute	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	B
Chamber of commerce/trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	C
Confederation of British Industry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	D
Federation of Small Business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	E
Forum of Private Business ...	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	F
Institute of Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	G
Small Business Bureau.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	H
Other (please state)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	I

1 2 3

3 Effectiveness of small business representation - Please indicate which ONE of the following in your view is the most effective at representing small business interests:

Just one ✓ only

Local councillors..... A
or Members of Parliament B
or Members of European Parliament.... C
or Small Business Lobby Groups D
or Other (please state) E

4 Small business representation in central government - Do you think that the Small Firms Minister should automatically have a seat in the Cabinet ?

Just one ✓ only

Yes A
or No B
or Don't know C

5 Personal voting priorities - When voting at general elections, which of the following are the most important when deciding to vote:

✓ All which apply

Your personal interests, as a parent, householder, etc. A
Your business interests..... B
Not applicable - e.g., tend not to vote C

6 Democracy for business - Businesses also pay taxes but have no vote in general elections. Should each business have a vote too ?

Just one ✓ only

Yes A
or No B
or Don't know C

7

Government intervention to help small businesses - Do you think that central government intervention, via grant-aid, business advice etc., can bring any real benefit to small businesses ?

Just one ✓ only

- Yes - Definitely..... A
- or Yes - Sometimes B
- or Not really C
- or Don't know..... D

8

Change of party in power - Based on the experience of the past decade or so, do you think that a change of political control makes any real difference to small businesses ?

Just one ✓ only

- Yes A
- or No..... B
- or Don't know..... C

9

Government spending on small firms - Please indicate which ONE of the following options, concerning a possible adjustment to National Insurance (NI) contributions, you would most prefer:

Just one ✓ only

- Business NI contributions increased by a further 1% specifically to help small firms A
- or No change to business NI contributions B
- or Business NI contributions reduced by 1% combined with commensurate cuts in government spending C

10

'SMEs and politics' - If you have any strong views, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services sector), then please comment:

Thankyou for your co-operation. Please return the completed questionnaire using the accompanying pre-paid envelope, to:

**Ms. Beverley Porter-Blake
The Research Team
based at
Open University Business School
Michael Young Building
Walton Hall
Milton Keynes MK7 6AA**

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