



The Hiscox DNA of an  
entrepreneur report 2017  
*An air of confidence*

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This is the ninth edition of the Hiscox DNA of an entrepreneur report. The findings of this study are based on responses from more than 4,000 owners and senior executives in businesses with fewer than 50 employees across Europe (France, Germany, The Netherlands, Spain and the United Kingdom) and the USA.

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# Contents

Foreword	2
Executive summary	4
Business confidence	7
Employment	13
Finance	15
Brexit	18
External factors	20
What makes an entrepreneur	23
Personal finances	29
Managing risk	31
Country-by-country	34
Methodology and profile of respondents	41

# Foreword



2	Foreword
4	Executive summary
7	Business confidence
13	Employment
15	Finance
18	Brexit
20	External factors
23	What makes an entrepreneur
29	Personal finances
31	Managing risk
34	Country-by-country
41	Methodology and profile of respondents

## Riding the upswing

There is a vibrant feel to this, our ninth annual DNA of an entrepreneur report. That vibrancy is apparent in the record numbers reporting growth in revenues and customer numbers. It is reflected in the rising level of optimism in most of the six countries surveyed. And it is there for all to see in the numbers who say their personal financial situation has improved in the past year.

But one of the most encouraging findings in the report is the evident progress of so many 'millennials' – those in their 20s and 30s. These are the movers and shakers on whom we will depend for much of our economic growth in the coming years. They are the new blood in the business world, and the report shows that most are not only prospering but are confident about what the future will bring.

The important role played by small businesses has been chronicled many times on both sides of the Atlantic. In the US, small businesses have generated nearly two-thirds of net new jobs over the past two decades. In the UK, they account for 60% of all private sector employment. They drive growth and innovation, and they have a big impact on the prosperity of their local community.

Their numbers have been swelling in recent years in line with a rising trend in start-ups. This is hugely positive. But it is often forgotten that these are risk-takers – people who are often prepared to stake house and home, work long hours and forego income in order to turn an idea into reality. As the report shows, many rely on outside income to help fund the early stages of their business. It also shows how dependent many are on one large customer. A recurrent complaint is that governments are not doing enough to support them. This is no bed of roses.

At Hiscox, we have a long track record of helping entrepreneurs manage their risks, insuring around 480,000 small businesses worldwide. Together they have a turnover in excess of £70 billion. It is vital for us, and important for them, if we can understand the pressures they face and anticipate their requirements going forward so that we can refine our products and services accordingly. But it does more. By opening a window into the world of the entrepreneur, it offers rare insights into the attitudes and behaviour of those shaping the business world of tomorrow. As such, it should be essential reading for policymakers and others that have an interest in supporting or promoting the well-being of the small business community.



*Bronek Masojada*

**Bronek Masojada**  
Chief Executive Officer  
Hiscox

Statistics quoted from the US Small Business Administration and the National Federation of Self Employed and Small Businesses.

# Executive summary



2	Foreword
4	Executive summary
7	Business confidence
13	Employment
15	Finance
18	Brexit
20	External factors
23	What makes an entrepreneur
29	Personal finances
31	Managing risk
34	Country-by-country
41	Methodology and profile of respondents

## A very good year for most

Two-thirds (67%) of firms report growth in revenue. The figures are highest in the US (72%), where both investment spending and export activity have surged, and Spain (71%). More Dutch and French firms (67% and 62% respectively) also report growth in sales, underlining the recovery in the eurozone. By contrast, there are signs the UK is coming off the boil slightly: 61% of firms here report revenue growth, although the number reporting higher profits is up (p8).

### Outlook positive

Seven out of ten firms (71%) report growth in new customers, and optimism is still on the rise in the US, France, Spain and The Netherlands. The UK, however, is once again an outlier. Here optimists are down from 60% to 55% of respondents. Worsening exchange rates and the fear of having to pass on cost increases are having a dampening effect on UK small businesses (p9).

### The political factor

The proportion of UK and US respondents saying political instability is having an impact on their business has jumped from 22% to 31% and from 31% to 36% respectively. The numbers are significantly higher in France and Spain but are moving in the opposite direction – down from 54% to 43% in France and from 64% to 57% in Spain (p21). At the same time, there has been a drop in those who see Brexit as a negative for their business (p19).

### Easier credit but alternative funding on the rise

In the US, the numbers saying credit has got easier now outweigh those that say it has got more difficult (14% versus 13%). This is a turnaround on a year ago. Across Europe, the numbers reporting easier credit conditions have generally risen in the past year. The biggest firms in particular are finding it easier to borrow. However, more small business owners are by-passing the banks. There has been a sharp rise in the numbers turning to crowd-sourcing, venture capital, re-mortgaging their house or raising money from family and friends. One in ten US firms now raises money from non-bank lenders such as debt funds (p16).

### High level of business concentration a concern

One in six small businesses (16%) relies on its biggest customer for half or more of its revenue. The average figure is around a quarter of revenue (25.5%). However, that masks wide variations. Business concentration is most acute in the transport and business services sectors (where the average firm relies on one customer for 34% and 32% of its business respectively) (p11).

### Millennials head feel-good table

Younger entrepreneurs are doing particularly well. Half of under-30s (50%) and 46% of those aged 30 to 39 say they are better off than a year ago. That contrasts with a third or less of older respondents. In some countries, notably Spain, the gulf between the generations is wider still. Not surprisingly given the age factor, businesses set up since the 2008 financial crisis are more likely to say they feel better off than older ones (43% to 32%) (p30).

## Widespread use of mentors

Nearly a third (31%) of small business owners and managers have had a personal mentor. The practice appears most widespread in the US and Spain, where 45% and 35% of respondents say they have been mentored, and among the under-30s (where 55% have been mentored versus 24% of over-60s). Nearly all those who have used mentors (94%) say the experience was either 'very useful' or 'quite useful' (p28).

## Livewire core of serial entrepreneurs

Just over a quarter (26%) of respondents currently operate more than one small business. The highest figure for these serial entrepreneurs is in Spain (35%). They are a dynamic bunch: they make up more than a third (35%) of those planning to introduce a new product in the year ahead and nearly half (48%) of exporters. They are mainly to be found among the under-40s and those running the larger companies in our survey (p28).

## Mounting threat of cyber attack

One in eight firms (13%) has suffered a cyber attack, up from 11% the previous year. In the US and Germany, it is around one in six (16% and 15% respectively). Among those who have suffered a cyber attack, the proportion saying it resulted in a serious loss has nearly doubled this year – from 26% to 48% (p10).

## Shorter hours

Small business owners and managers are working shorter hours than a year ago (less than 41 hours a week on average versus 42 the previous year). This is true in all six countries surveyed. The biggest fall is in the US, where an average week's work has fallen from over 40 hours to just under 38. It is the younger respondents that have trimmed their working week the most. Under-30s now say they work just over 35 hours a week. That compares with nearly 41 hours the previous year (p25).



**72%**

US small businesses are booming: nearly three out of four (72%) **lifted sales** in the past year.



**61% and 59%**

Signs the UK is coming off the boil slightly: the numbers reporting **higher revenues (61%)** and **order books (59%)** slip back.



**35%**

**Serial entrepreneurs:** more than a third (35%) of Spaniards have their fingers in more than one paella.



**27 days – 3.5 more than the rest**

Pass the sun cream... the Dutch took an average **27 days' holiday** in the past year, three-and-a-half days more than any other nationality.



**74%**

Warum nicht? Nearly three quarters of German respondents (74%) are **happy to call themselves 'an entrepreneur'**.



**Up by 15%**

A post-presidential election effect? France has seen the sharpest jump in **optimism levels** – from 41% of respondents to 56%.

# Business confidence



2	Foreword
4	Executive summary
7	<b>Business confidence</b>
13	Employment
15	Finance
18	Brexit
20	External factors
23	What makes an entrepreneur
29	Personal finances
31	Managing risk
34	Country-by-country
41	Methodology and profile of respondents

## A confident outlook

The recovery in the eurozone and the continuing strong showing of the US economy are clearly filtering down to the small business sector. Two out of every three firms in our survey are riding the upswing and confident in where they go next.

Some 67% of respondents report revenue growth in the past year. There has been a particularly strong showing in the US, where 72% report growth in sales. Increasing numbers of US firms are now generating double-digit growth (see US in focus, p40). An increasing proportion of Spanish, Dutch and French firms (71%, 67% and 62% respectively) also report growth in sales.

By contrast, there are signs of a slight slowdown in the UK where 61% of firms report growth in revenues compared with 64% a year ago. The figures mask wide regional variations, with a dramatic improvement in Northern Ireland and Wales offset by a downturn in the West Midlands (see UK in focus, p39). In Germany, revenue growth also fell slightly from 70% to 68% last year.

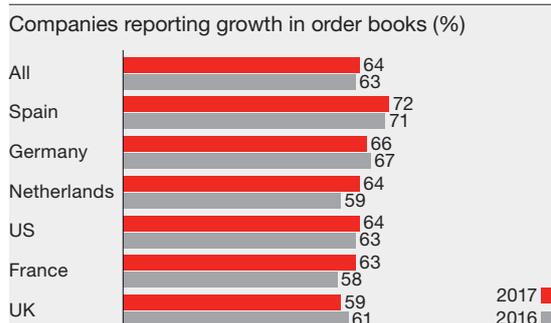
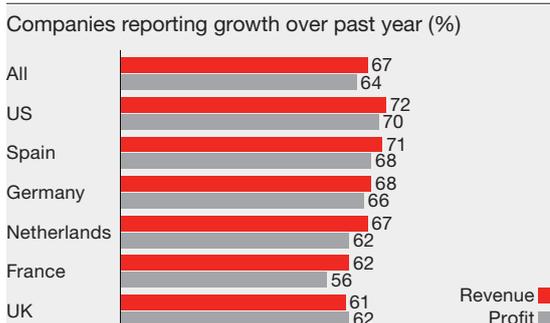
As in prior years, the percentages reporting profit growth are slightly lower than for those reporting revenue growth. The UK is the exception: some 62% of firms here say they have lifted profit in the past year.

Financial services firms top the list of those reporting growth. Nearly four out of five increased both turnover and profit. The next best performing sectors were construction/property/energy and food/drink/travel/leisure.

### And it's set to continue

The indicators are generally positive. Seven out of ten firms (71%) report growth in new customers. The overall figure has been steady for the past two years – but there has been a particularly sharp improvement this time in The Netherlands (up from 66% to 73%).

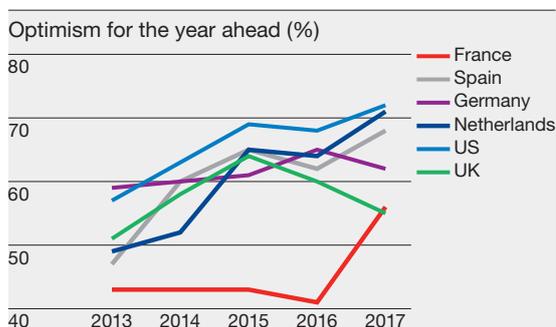
Order books also continue to grow at around two-thirds (64%) of firms. The numbers reporting a bigger workload have jumped sharply in France (from 58% to 63%) and The Netherlands (from 59% to 64%). Again, there is a slight reduction in the proportion of UK firms indicating expanded order books – from 61% to 59%.



## Optimism still rising in four of the six countries

Optimism is still on the rise in the US, The Netherlands, Spain and France – with a particularly sharp rise in France (where 56% of respondents profess themselves optimistic about the year ahead compared with just 41% a year ago) and The Netherlands (71% compared with 64%). The highest reading is in the US, at 72%. That compares with an average across the six countries of 64% (up from 61%).

The UK, however, is once again an outlier. Here there has been a five percentage point decline in the proportion of optimists (from 60% to 55%) and a six point rise in those who say they are ‘not optimistic’, to 23%.



Globally, those in financial services are the most likely to say they are optimistic (77% of them compared with 62% the previous year). Manufacturing is not far behind at 67% (up from 57%).

The larger firms in our survey are once again the most bullish on prospects. At the bottom level – firms with a turnover of up to £100,000 – around three out of five firms (61%) say they are optimistic, the same figure as the previous year. But at the top end (firms with a turnover of £10 million-plus), the figure rises to four out of five – 80% compared with 74% the previous year.

## Gender and age matter

More men are optimistic (66%) than women (61%). There is also a marked age bias in the numbers: the under-40s are more likely to be optimistic than their older peers (73% of those aged 30 to 39 are optimistic compared with 57% of those aged 60-plus).

Those running younger businesses, set up since the downturn in 2008, are also more likely to be optimistic about the coming year: 70% of them compared with 60% for those at the helm of older businesses.

## Reasons to be cheerful... or not

For the first time we asked respondents to tell us why they were upbeat on the year ahead. ‘New customer wins’ tops the list everywhere apart from the UK (where it comes a narrow second). ‘Steady/improving demand’ comes a close second (and tops the list in the UK). Spanish and US small business owners are more likely than the rest to cite ‘a new product breakthrough’.

In both France and the US, a number of small business owners cite ‘favourable tax changes’ – 27% in France and 21% in the US. French and US respondents also top the list of those mentioning a supportive government, at 28% and 20% respectively (see External factors, p21).

Among the pessimists, ‘weaker demand’ gets the blame more often than any other reason – though Dutch firms are more concerned about pressure on their prices and margins. A remarkable 45% of Spanish pessimists cite lack of support from their government.

In the UK, ‘worsening of exchange rates’ is mentioned by 27% of respondents – more than twice the average for the other five countries. This doubtless reflects the sharp fall in the Pound since the Brexit referendum.

Can Britain’s small businesses turn that to their advantage? The proportion of UK small businesses that export has fallen from 24% to 22% over two years. However, the proportion of sales made up by exports has increased from 27% to 33% – suggesting that those firms that do export are building volume. And, encouragingly, the percentage of non-exporters planning to export in the coming year has doubled – to 6%.

Across the six countries as a whole there has been a slight decline in the number of smaller firms that export. Among firms with up to four employees, the proportion has fallen from 20% to 19%. Among sole traders the figure is down from 14% to 13%. By contrast, the proportion of businesses with between ten and 50 employees that export has risen sharply, from 28% to 35%.

## Top six reasons for optimism

1. New customer gains.
2. Steady/improving demand.
3. New product breakthrough.
4. Easier to increase prices/expand margins.
5. Favourable tax changes.
6. My government is more supportive of small business.

## Investment remains steady

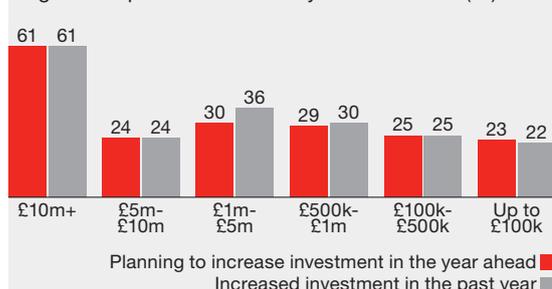
A quarter of firms (25%) have increased investment in the business in the past year, marginally up on the previous year's tally (24%). The same number (25%) plan to lift investment in the coming year – a significant increase on the 22% who said they planned to a year ago.

The US leads the way (see New dynamism is the US, p11). Only Spain's small business sector can claim to be investing at anything like the same rate: 31% of Spanish firms lifted their investment spending in the past year and 28% plan to increase spending in the year ahead.

The proportion of UK firms planning to increase capital spending in the year ahead, 20%, is now the lowest figure among the six countries.

One of the most encouraging signs for the year ahead is the proportion of the largest companies in our survey (those with a turnover of £10 million-plus) that are investing. More than three-in-five (61%) have increased investment in the past year. That compares with just 22% of the smallest companies (turnover sub-£100,000) and an average of 25%. Some 61% of the largest companies plan to lift investment again in the coming 12 months (see chart below).

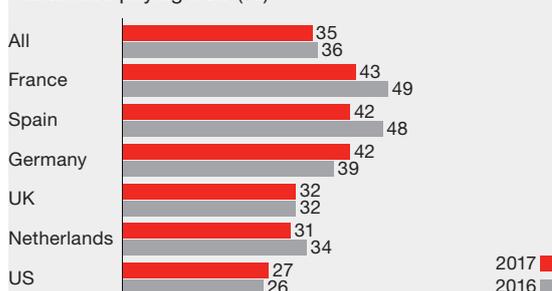
Largest companies lead the way on investment (%)



## Late payments problem won't go away

The number of firms suffering from late payment by their customers has fallen in France, Spain and The Netherlands but has increased in Germany. However, it remains a high percentage in the first two of those countries (at 43% in France and 42% in Spain). In The Netherlands, the proportion has fallen from 34% to 31%.

Customers paying later (%)



The number of US firms reporting a 'significant impact' on their cash flow from late payment has risen from 42% to 63%. In Germany the figure is up from 40% to 44%.

More than half of the bigger firms are more likely to report late payment issues – 57% of firms with a turnover of £5 million or more. This compares with an average of 35% across firms of all sizes in the six countries.

The proportion of firms admitting to paying their suppliers later than they were a year ago has risen from 14% to 17%. French firms continue to be the worst offenders (23% say they are paying later) but in the US the percentage has doubled to 18%. The largest firms by turnover are also more likely to be paying their own suppliers later – nearly half (48%) say they are doing so.

## Fears for the year ahead

Asked what their biggest fears are for the year ahead, concern at not being able to attract new customers tops the list in the UK, US, Spain and The Netherlands – even though the great majority of firms in these countries report strong growth in new customers (see right). Most worried are those in professional services and business services.

The number one concern in France and Germany is not being paid by some clients. This fear is particularly prevalent among the construction/property/energy and transport industries.

In the UK, the fear of having to pass on cost increases to customers is now cited by 14% of respondents – up from just 8% two years ago – and again reflecting the sharp decline in the exchange rate which is pushing up input costs.

## Mounting cyber threat

The threat of cyber attack has become a material issue for a mounting number of firms. It is mentioned by 8% of US, German and Dutch firms and by 7% of UK ones. In each case, the figure represents a substantial increase on one or two years ago. Overall, the cyber issue is mentioned by 6% of respondents, double the number a year ago. Financial services firms and those in the technology/media/telecoms industry are most likely to cite the cyber threat.

In all, around one in eight firms (13%) say they have suffered a cyber attack, up from 11% the previous year. The figures are highest in the US (16%) and Germany (15%). Among those who

## Top three fears for the year ahead

### France

1. Not being paid by some clients.
2. Government will not support small business.
3. Not being able to attract new clients.

### Germany

1. Not being paid by some clients.
2. Not being able to attract new clients.
3. Government will not support small business.

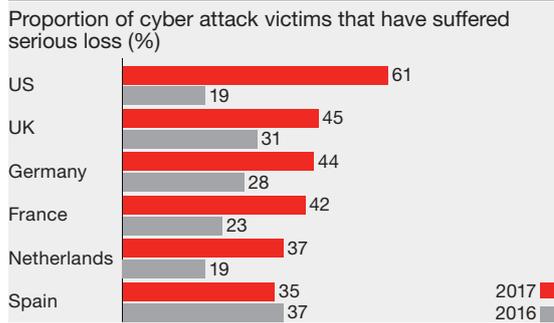
### Netherlands, UK and US

1. Not being able to attract new clients.
2. Not being paid by some clients.
3. Having to pass increases onto customers.

### Spain

1. Not being able to attract new clients.
2. Not being paid by some clients.
3. Not enough financial resources to keep the business going.

have suffered an attack, the proportion saying it resulted in a serious loss has nearly doubled this year – from 26% to 48%. Only in Spain has the number fallen (see chart below).



## New dynamism in the US

US firms stand out from the rest – in two respects.

First, they are investing for the future with some confidence. Nearly a third of US firms (31%) say they lifted the amount they invested in the business in the past year – up from 22% a year earlier. A similar proportion (33%) plan to lift capital spending in the year ahead, too.

Second, there has been a surge in the number of US small businesses that export – 20% compared with 11% a year ago. That is still less than the average across the six countries (21%) but there has also been a doubling in the number of non-exporters in the US that now plan to export (from 3% to 7%). On average, exports now constitute 28% of sales compared with just 18% two years ago.

## Business concentration a concern

One in six small businesses (16%) relies on its biggest customer for half or more of its revenue. This is a measure of the vulnerability many small firms have to live with day by day.

For the first time, we asked firms to tell us what proportion of their turnover was accounted for by their leading customer. The average figure is around a quarter (26%), with US, UK and Dutch firms at one end of the spectrum (at 27%, 27% and 26% respectively) and French and Spanish firms at the other (23%).

However, the averages mask some wide variations. Business concentration is most acute in the transport/distribution and business services sectors (where the average firm relies on one customer for 34% and 32% of its business respectively). Exporters are more likely to be over-exposed to one large customer than non-exporters as are older businesses. That may reflect the fact that some older business owners are winding their business down as they approach retirement.

Not surprisingly, one-person operations are more likely to be exposed to customer concentration. One client accounts for nearly 29% of the average sole trader's revenue. The proportion falls as the size of firm increases (for those with between five and nine employees the average is just under 22%) but then rises again for firms with ten-plus employees and the largest firms in our survey where the average figure is more than 24%.

Revenue from largest customer (%)



## Slowdown in new product development in Europe

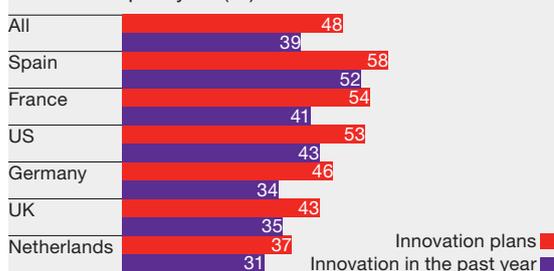
A hallmark of the past two years' surveys has been the pick-up in new product development. This year's responses suggest a minor reversal of that trend. The proportion of firms overall who say they developed or introduced a new product in the past year is down from 41% to 39%.

Only US firms can claim to be stepping up investment in this area. Some 43% of them say they have developed/introduced a new product in the past 12 months, up from 36% a year ago. For the year ahead, more than half of US firms (53%) plan to launch a new product. This compares with 48% who said the same a year ago.

In Europe, the picture is very different. The proportion of respondents that have innovated in the past year is down in every country. Spanish small businesses still appear the most committed to product development – 52% have introduced a new product in the past year – though that is down from 60% a year ago. Dutch firms are least likely to have introduced or launched a new product (only 31% have done so in the past year).

The Dutch are also bottom of the table when it comes to plans for the year ahead. Just 37% of them expect to develop or introduce a new product, down from 43% the previous year. Spanish and French firms top the table (at 58% and 54% respectively), though again the figures are marginally down on the previous year. Overall, 48% of firms expect to launch a new product in the coming year. That is down from 51% a year ago.

Innovation: plans for the year ahead vs. actual in past year (%)



# Employment



2	Foreword
4	Executive summary
7	Business confidence
13	<b>Employment</b>
15	Finance
18	Brexit
20	External factors
23	What makes an entrepreneur
29	Personal finances
31	Managing risk
34	Country-by-country
41	Methodology and profile of respondents

## Jobs growth accelerates

The economic recovery is finally being translated into solid jobs growth in the small business sector. One-in-six firms (16%) in our report has added staff in the past year, up from 13% a year earlier.

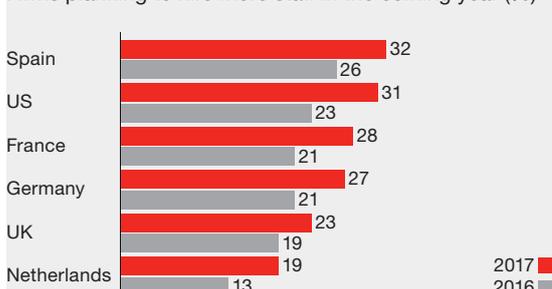
Top of the recruitment table this year is Spain, where nearly a fifth of firms (19%) have hired new people. The next best outcomes are in the US and UK (where 16% of firms have recruited) followed by Germany and France (15% each). The number of new managerial posts also appears to be significantly higher than a year earlier in every country other than Germany. There, a third of those taken on in the past year are apprentices. In the US there has also been a big jump in the number of interns taken on. They represent 26% of the total, double the figure for the previous year.

The financial services and pharmaceuticals sectors emerge as the biggest hirers over the past year. After allowing for the number of firms that have reduced staff, a net 13% of firms in both sectors added to staff numbers.

### Omens are positive

Encouragingly, hiring plans for the year ahead show a significant rise on a year ago. More than a quarter of firms (27%) say they intend to hire more staff in the coming year, up from the 21% who said they were going to last year.

Firms planning to hire more staff in the coming year (%)

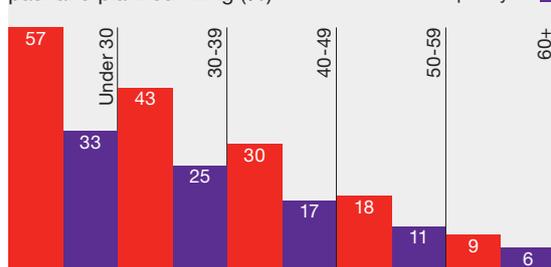


Big firms are more likely to be hiring than smaller ones. While only one in six (16%) of the smallest firms (with turnover of less than £100,000) say they plan to hire staff in the year ahead, the figure rises to 45% for those with a turnover of between £500,000 and £1 million and to 79% for those with a turnover in excess of £10 million.

For the first time we asked those firms that were planning on hiring how many new positions they were intending to fill. Nearly a third of the US firms (31%) and 28% of British ones said they were planning on hiring ten or more people. In the other four countries, the great bulk of firms were planning to recruit between one and four people.

Younger entrepreneurs lead the way. It is the younger age groups in our survey that are most likely to be recruiting in the year ahead – and by a significant proportion. This mirrors the findings on well-being (see Millennials head the well-being table, p30).

Entrepreneurs by age: past and planned hiring (%)



### Are the robots about to take over?

The percentage of respondents who expect technology to allow them to cut staff numbers in the future remains low, at 14% (compared with 10% in 2016). But it has more than doubled in the US in the past year from 8% to 18% and risen from 8% to 12% in the UK.

Not surprisingly, the threat to jobs is highest in the financial services and manufacturing sectors: 28% and 24% of firms here reckon technology will help cut staff numbers in the future.

# Finance



2	Foreword
4	Executive summary
7	Business confidence
13	Employment
15	Finance
18	Brexit
20	External factors
23	What makes an entrepreneur
29	Personal finances
31	Managing risk
34	Country-by-country
41	Methodology and profile of respondents

## Signs of easier credit conditions

The significant number of respondents saying bank funding has become more difficult has been a steady feature of recent reports. But this year's responses suggest banks are beginning to loosen their purse strings.

In the US, for example, the numbers who say credit has got easier now outweigh those who say it has got more difficult (14% compared with 13%). That marks a dramatic turnaround compared with a year ago when only 7% thought credit conditions had eased compared with 17% who thought they had got more difficult.

Across Europe, the number of respondents reporting easier conditions has generally risen in the past year. The one exception is Spain. Taking the six countries as a whole, more firms still say bank funding has become more difficult than think it has become easier, but the gap has narrowed significantly. A year ago, a net 15% of respondents said bank funding had become more difficult (22% found it more difficult and 7% found it easier); now that figure has shrunk to just 8%. The number that say they lack the finance to fund new product development has fallen sharply – from 37% to 27%.

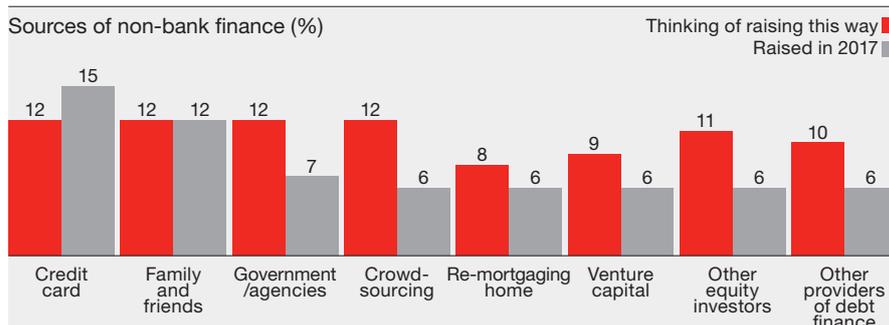
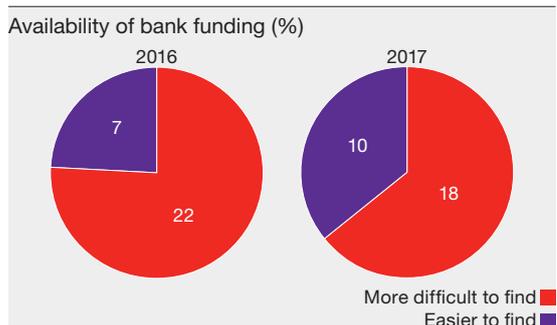
One group of respondents is clearly getting better treatment. Among the largest firms in our survey – those with a turnover in excess of £10 million – 30% say credit has become easier compared with just 15% who say it has got more difficult.

### More turn to non-bank sources

The proportion of firms that actually raised money from a bank has fallen slightly in the past year – from 16% to 14%. That may be because an increasing number are tapping non-bank sources of finance.

In the US, the figure has risen from 4% to 10% with 16% saying they are thinking about raising money this way (up from 11%). In the UK, the number that have used crowd-sourcing has doubled to 6%.

The proportion of respondents who have used crowd-sourcing or peer-to-peer lending in the past year has doubled from 3% to 6% and a further 12% say they are thinking of raising money through this route in the year ahead.



The proportion of US and UK firms tapping the venture capital market has also increased sharply (from 3% to 10% in the US and from 2% to 5% in the UK). In Spain and The Netherlands, the numbers who say they are thinking about seeking to tap VC funds has more than doubled (from 4% to 9% in Spain and from 3% to 8% in The Netherlands).

Significant numbers of firms are also raising money from non-bank providers of finance such as debt funds. Some 10% of US firms and 6% of German ones have raised money through this route in the past year and at least one-in-ten US, UK, German and French firms is contemplating doing so in the year ahead.

In the US, France and Germany there has been a notable increase in the numbers raising money by re-mortgaging their house in the past year (from 3% to 9% in the US for instance) and in those who are thinking of re-mortgaging (up from 5% to 9% in both the UK and The Netherlands). Credit card usage remains high, while the numbers considering tapping family and friends for capital in the coming year has risen sharply in all six countries (it is up from 8% in 2016 to 12% now).

One conundrum: just as the UK prepares to quit the EU, British companies have found their appetite for EU funding. Some 6% of UK firms say they have tapped the EU for funding in the past year, up from 2% a year ago, and a further 9% are thinking of doing so (up from 7%).

### **Just under half of younger businesses now rely on outside income**

The proportion of small business owners who have set up in the last four years drawing on outside income to help them finance the development of their business has risen from 40% to 45% in the past year. In the US, the number has shot up – from 44% to 55%. There have also been big increases in the UK (from 40% to 46%) and Germany (from 40% to 44%).

### **Equity still hard to access**

Despite the increasing interest in crowd-sourcing, raising new equity is still a challenge.

In a new question this year we asked respondents whether they agreed with the statement 'It is hard to attract investors into small businesses'. Around three-quarters of French, German and Spanish respondents readily agreed (74%, 71% and 83% respectively). But it will disappoint policymakers in the UK and US that half of respondents there also agreed.

# Brexit

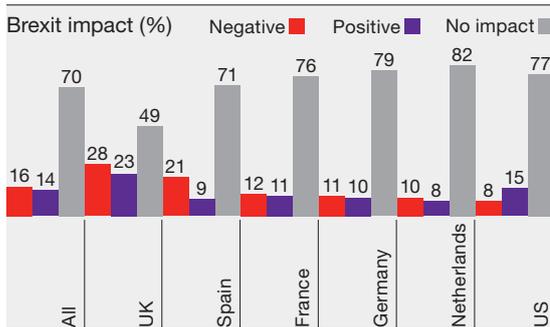


- 2 Foreword
- 4 Executive summary
- 7 Business confidence
- 13 Employment
- 15 Finance
- 18 Brexit
- 20 External factors
- 23 What makes an entrepreneur
- 29 Personal finances
- 31 Managing risk
- 34 Country-by-country
- 41 Methodology and profile of respondents

## Divide in attitudes

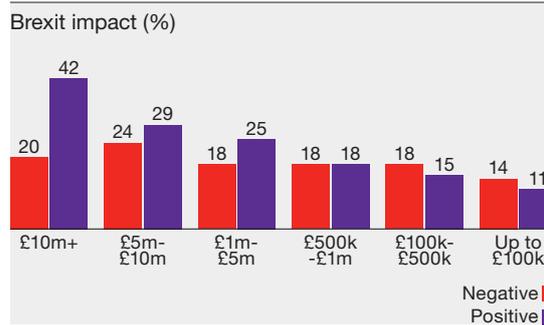
A year ago, when asked what impact Brexit might have on their business, a net balance of firms in all six countries said ‘negative’ (20% negative to 9% positive). Now the gap has narrowed: 16% still see Brexit as a negative but 14% see it as a positive. Over two thirds (70%) believe it will have no impact.

While a net 5% of UK small firms still see Brexit as a negative, a net 7% of US firms now believe it will be good for their business. In France, Germany and The Netherlands, there is now only a small net ‘negative’ view on Brexit where a year ago the ‘negatives’ outweighed the ‘positives’ by up to 16%. Only in Spain is there still a large net balance of firms saying Brexit is bad for them (see chart below); but even here the numbers seeing a positive out-turn have doubled.



### Muscle counts

There is a marked size bias in the results. Enthusiasm for the opportunities Brexit might offer rises with the size of company. The larger companies in our survey are much more likely to view Brexit as a positive than the smaller (see chart, middle column).

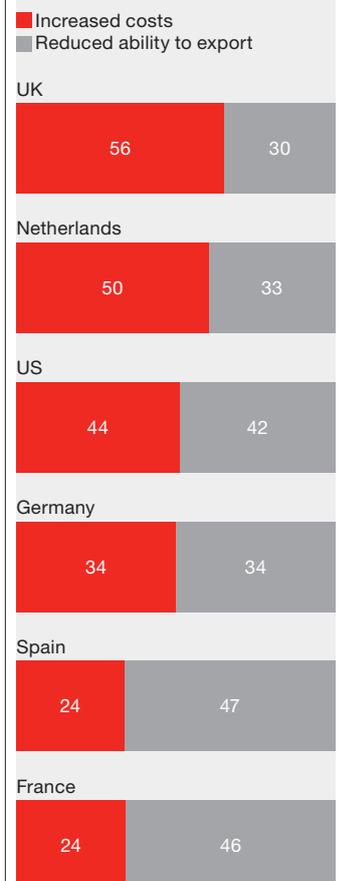


Overall, the implication of the figures is that more firms are demonstrating their entrepreneurial spirit and can now see ways of exploiting Brexit.

### Added costs the key factor

In France and Spain the key negative to Brexit is the threat it poses to exports. But in the UK, the US and The Netherlands, it is the increase in costs that counts. British firms are nearly twice as concerned on the costs front as on the export front – 56% to 30%. This doubtless reflects the fall in Sterling since the Brexit vote in June 2016.

### How those who see Brexit as a negative say it will affect them (%)



# External factors



2	Foreword
4	Executive summary
7	Business confidence
13	Employment
15	Finance
18	Brexit
20	External factors
23	What makes an entrepreneur
29	Personal finances
31	Managing risk
34	Country-by-country
41	Methodology and profile of respondents

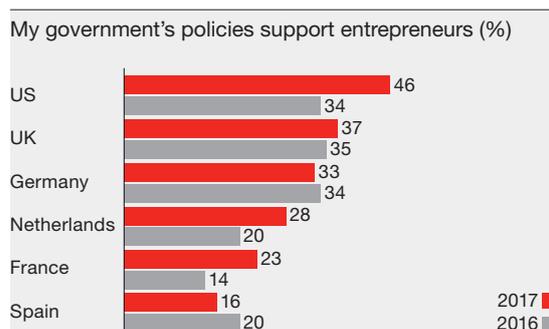
## Politics colouring business attitudes

There has been a dramatic shift in the way businesses in France and the US view their government. The biggest change is in France, where 23% of respondents now agree that government policies are supportive of entrepreneurs (compared with 14% the previous year). The numbers are also higher in the US, up from 34% to 46% (see US in focus, p40).

There has also been a seven-point fall in the proportion of US respondents who say their government's policies are not supportive of entrepreneurs – to 28%.

French and US small business owners are also more confident than others that government support will change for the better in the next five years. Among those that consider their government supportive, 72% of French respondents and 57% of US ones believe things will get better still. Even among those French small business owners who think their government is unsupportive today, nearly half (48%) think things will improve in the coming five years. That is up from just 23% a year earlier.

There are mixed messages from the UK. While the percentage of UK respondents who say their government is supportive of entrepreneurs has risen from 35% to 37% (but remains well down on the 45% registered in 2015), the numbers who say government support has got worse in the past five years has also risen markedly (from 35% to 42%).



### Tax remains number one issue

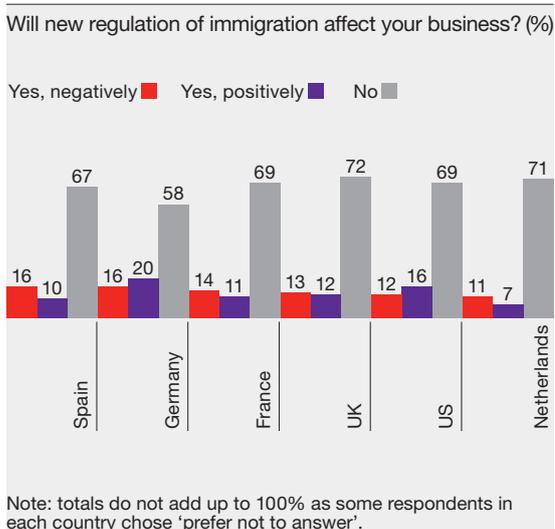
Well over half of all respondents continue to complain that the tax system in their country does not favour someone wanting to set up their own business (62% compared with 65% the previous year). But, mirroring the more benign view of government policies, the percentages have come down in the US (from 59% to 54%) and France (from 85% to 77%). There has also been a fall in The Netherlands (from 60% to 55%) and, more grudgingly, Spain (from 88% to 85%).

There is also slightly greater tolerance of government bureaucracy. It is still seen as a major barrier but the numbers citing this issue are down from 55% to 51% in the US, from 82% to 78% in France and from 88% to 83% in Spain. Inflexible labour laws are still a big issue in France, but the numbers are down from 84% to 76%.

### Political instability a worry in the UK and US

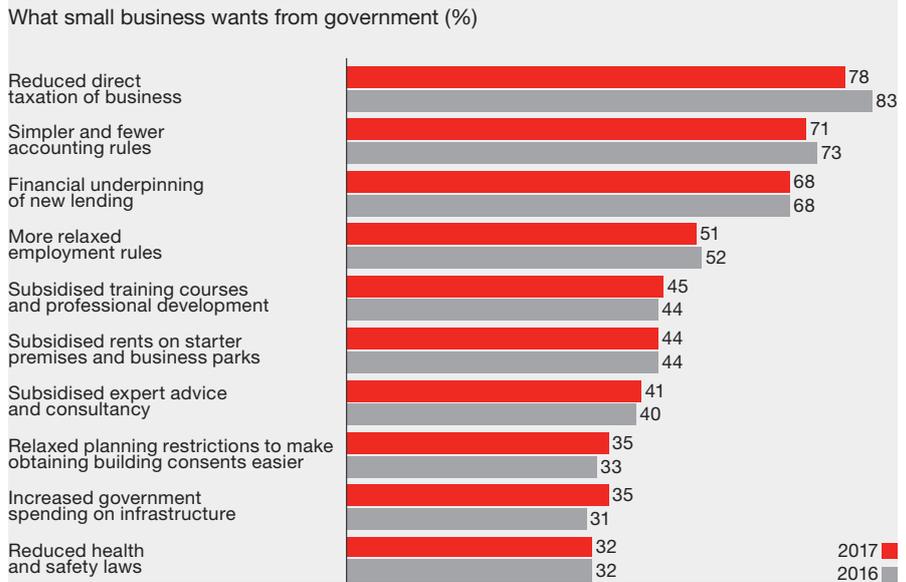
The proportion of respondents saying political instability is having an impact on their business has jumped in the UK and US (from 22% to 31% in the former and from 31% to 36% in the latter). By contrast, the numbers in France and Spain are significantly lower (43% compared with 54% in France, and 57% compared with 64% in Spain).

For the first time, we asked respondents what impact tighter immigration laws might have on their business. The overriding finding is that they won't have an impact – perhaps not surprising given that 68% of the sample is small businesses with four or less employees. However there is a net negative in France, Spain and The Netherlands but a marginal positive in the US and Germany (see chart below). Despite Brexit, 72% of UK respondents say a tightening of the immigration rules will not impact their business, while the remainder are pretty evenly split between those who see it as a negative and those who see it as a positive.



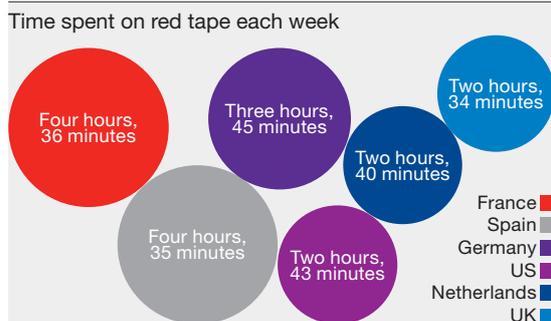
### Subtle shift in 'what we want from government'

The top three demands are unchanged (reduced direct taxation, simpler and fewer accounting rules and financial underpinning of new lending to small businesses) but support for the first two has waned somewhat. Further down the table there is an increase in the numbers mentioning 'relaxed planning restrictions to make building consent faster and easier to obtain' (35% up from 33%) and 'increased spending on infrastructure' (again 35%, up from 31% the previous year).



### More red tape in the US

There is a sharp rise this year in the average time US small business owners and managers say they spend dealing with government regulations – from two hours 18 minutes a week to two hours 43 minutes. French respondents still spend the longest time dealing with red tape – four hours 36 minutes a week – but things are getting better. Two years ago the figure topped five hours. Their only challengers are the Spanish, at four hours 35 minutes, up from four hours 12 minutes two years ago.



Despite government efforts to reduce red tape, the amount of time spent by the average UK small business continues to rise – from two hours 24 minutes a week two years ago to two hours 34 minutes today.

# What makes an entrepreneur



2	Foreword
4	Executive summary
7	Business confidence
13	Employment
15	Finance
18	Brexit
20	External factors
23	<b>What makes an entrepreneur</b>
29	Personal finances
31	Managing risk
34	Country-by-country
41	Methodology and profile of respondents

## What makes an entrepreneur

### A self-confident tone

Three-out-of-five small business owners and managers (60%) are now happy to see themselves as ‘an entrepreneur’. More than half (52%) say ‘I always thought I would start my own business one day’. In each case, the numbers have grown steadily over the past two years.

Three-quarters of Germans (74%, up from 70%), 70% of Dutch respondents and two-thirds of Americans (67%, up from 60%), consider themselves an entrepreneur. The figures for France and Spain are 65%. UK respondents are, as ever, more modest: just 36% think of themselves as entrepreneurs.

There is a significant increase this year in the US, Germany and Spain in the numbers saying ‘I always thought I would start my own business one day’ – 61% in Spain (up from 53%), 55% in the US (up from 50%) and 50% in Germany (up from 43%). Overall, men are more likely to agree with this statement than women (54% compared with 48%).

Those running the biggest firms in our survey (with a turnover of £10 million-plus) have a greater sense of their own destiny than those running smaller firms. Three-quarters of them (76%) say they always thought they would start their own business. That is up from 55% the previous year.

For all this evident self-confidence there is a significant minority of respondents who say they only started their own business ‘because they couldn’t find a suitable job’. The total is up from 26% to 30%. The numbers are highest in Spain (38%) and France (37%) but have also jumped markedly in the US (from 22% to 29%), The Netherlands (from 19% to 23%) and the UK (from 25% to 28%).

### Role model influence important

There is an increase this year in the numbers saying they were inspired either by a parent who ran a business or by another role model. Those influenced by a parent make up 26% of the total (up from 23%). There is a particularly sharp jump in the US (33% compared with 26% last year).

Those influenced by another role model who successfully ran a business make up 35% of the total (up from 33%). They include fully half of Americans (50%). Women are more likely to have been influenced by a role model than men (38% compared with 34% of men).

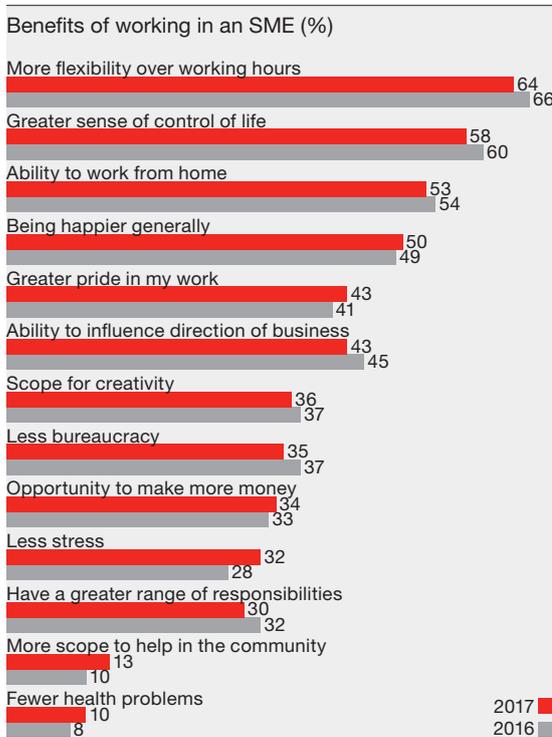
### We don’t need no education

While the majority (56%) of respondents globally agree that a university education ‘can be an advantage to someone running a business’, a surprisingly large number (44%) of those in charge of the largest firms in our survey say it can be a hindrance. That compares with just 12% of the full survey group.

Scepticism about the value of a degree has risen across the board. More than twice as many Americans say a university education ‘can be a hindrance to someone running a business’ (16%, up from 7% the previous year). By contrast, 45% of American respondents say they have taken a formal business course at a college or university – twice the proportion in Germany, where the numbers have fallen from 29% to 22% over the past two years.

## Benefits of working in a small company

What are the key attractions of owning or running a small business? Respondents cite the same top three benefits as last year – flexibility over working hours, a sense of control over their lives and the ability to work from home – but this year many more mention ‘less stress’ and ‘more scope to help in the community’.



## More time off

Is it a product of economic recovery? Or a shift to part-time working? Small business owners and managers are working shorter hours than a year ago. This is the case for all six countries surveyed. The average across the six countries is down from 42.03 hours to 40.68.

The biggest fall is in the US, where the average working week has fallen from over 40 hours to just under 38. The Spanish work the longest hours (45.16) followed by the Germans (44.64) and the French (44.36). For the first time in the history of this study the British working week is not the shortest.



It is the younger respondents that have trimmed their working week the most. On average, the under-30s now say they work just over 35 hours a week. That compares with nearly 41 hours the previous year. But the numbers are skewed by a dramatic jump in those saying they work less than 20 hours a week – now 15% compared with 5% a year ago. There has been little change among those aged 50 and over.

Men have reduced their working week by around an hour-and-a-half (from 44.14 to 42.67 hours on average). That is still five hours more than the average for women (down from 38.6 to 37.5 hours). Many more women than men appear to work part-time: 10% of them work less than 20 hours (compared with 7% of men) and a further 14% work between 20 and 29 hours (compared with 7% for men).

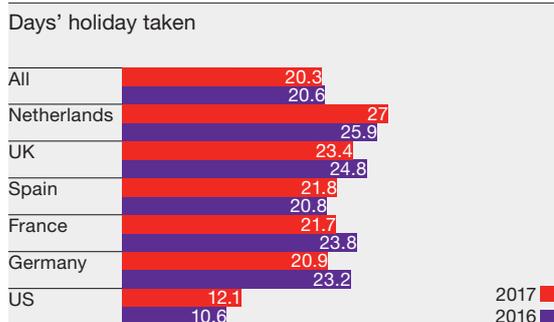
## Americans discover holidays

The average number of days' holiday taken by our respondents is little changed on the previous year – at 20.3 compared with 20.6 – but there have been some major changes at the country level (see chart, p26).

Americans finally appear to have become more holiday-conscious. Echoing the shorter hours now being worked, Americans are now taking an extra day-and-a-half off each year – 12.1 compared with 10.6 the previous year. However, one reason for this is a sharp fall in the number of US respondents saying they take no time off at all – down from 22% to 17%.

The US tally of 12 days off still pales into insignificance by the side of the Dutch who took an average of 27 days off this year, up from just under 26 the year before. By contrast, the Germans have reduced their days off from over 23 to just under 21, less than any nation other than the US. This is despite a sharp rise in the number of days German women now take off, which has brought them up to parity with their male counterparts (see Germany in focus, p36).

The UK average, of 23.4 days, was roughly a day-and-a-half less than the previous year. The figure is depressed by a small number of respondents in Northern Ireland who took fewer than ten days' holiday in the past year. Then there is France where the average time off has dropped sharply by two days – from 23.8 days to 21.7. However, the average figure for France masks wide regional differences. In the North East, business owners and managers took only 19 days off. In the Paris region, they took 24.5 days off. They know how to have a good time in Paris.



One change this year: the 'holiday gap' between the sexes has narrowed. Men took an average 21.5 days off this year while women took 18.5, two-thirds of a day more than before. This has reduced the holiday gap from 4.3 days to just under three days.

The report also reveals that young entrepreneurs are taking shorter holidays. Having trimmed their working week (see p25), the under-30s are making up for it by taking less time off – just short of 18 days on average this year. Those aged 50 to 59 took 19.8 days and the over-60s just short of 25 days.

### Nicely set up for retirement

The proportion of respondents planning on exiting their business in the next five years remains constant at around 30%. However, this year's figures reveal a sharp drop in Spain – over two years it has fallen from 23% to 15%. This is the lowest figure among the six countries. The UK remains the highest, at 40%.

Economic recovery and booming stock markets appear to have changed the numbers elsewhere too. Around 13% of our respondents say they plan to retire within the next five years. A significant number of them, 29%, say the reason for retiring is that 'I have earned enough to afford a comfortable retirement'. That is up from 23% a year ago. In the UK, the proportion is a remarkable 37%.

While retirement or outright sale remains the favoured exit route, there has been a marked increase in the numbers talking of floating their companies from 2% to 4%, particularly in the UK and The Netherlands (though the percentage remains low overall).

### Handing over to family or employees

Of those planning to exit, more than one in five (22%) intends to hand the business over to their family or employees. In the US, the number has jumped from 24% to 29% in the past year. More Germans want to hand their business over to their family (13% compared with 9% two years ago), while 16% of Dutch respondents intend to hand over to employees (compared with 11% last year).

Among those planning to sell, there is a marked drop in the numbers who intend to set up another business (from 20% in 2016 to 16% now). This is particularly apparent in Germany where the number has halved – from 20% to 10%.

### Larger firms lead with succession planning

Firms are much better prepared for the hand-over when the boss departs. There has been an increase across the board in the number of respondents saying they have succession planning in place (24% compared with 19% a year ago). Best prepared are Americans (33% compared with 21% a year ago) followed by the British (26%, up from 23%).

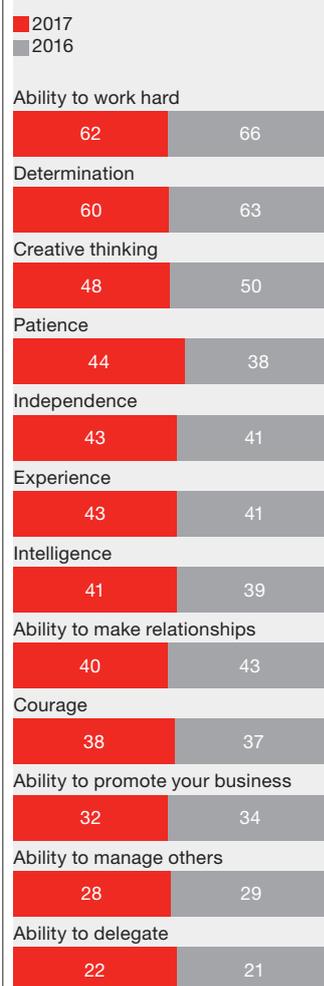
Large companies (20-50 employees) are way better prepared than the rest. More than half (51%) of business owners and managers here say they have succession planning in place. That compares with 38% the previous year. Many more firms with between ten and 19 employees also have succession planning in place this year: 44% compared with 29% the previous year.

The same picture emerges when companies are analysed by size of turnover. Those with a turnover of £10 million or more are nearly twice as likely to have succession planning in place as those with a turnover of between £500,000 and £1 million (64% compared with 34%). Only 17% of firms with a turnover of under £100,000 have done any succession planning.

### Key attributes

Significantly more respondents cite patience and intelligence this year among the key attributes required to run an SME. Ability to work hard and determination still head the list (see chart).

Perceived attributes of an entrepreneur (%)



## The most entrepreneurial countries

Which country has the greatest entrepreneurial spirit? This year, respondents tend to have more belief in their own country's claim to the title.

The Germans and Dutch have both promoted themselves to number one in the table (as seen through their own eyes) while the French have promoted themselves from fifth to fourth. UK and US respondents already saw themselves as the most entrepreneurial – and still do.

Spain is ranked lowest in every table – including, once again, the Spanish one.

## Perceived entrepreneurial spirit

### Ranking by Dutch respondents

1. Netherlands
2. US
3. Germany
4. UK
5. France
6. Spain

### Ranking by French and US respondents

1. US
2. UK
3. Germany
4. France
5. Netherlands
6. Spain

### Ranking by German respondents

1. Germany
2. US
3. Netherlands
4. UK
5. France
6. Spain

### Ranking by Spanish respondents

1. US
2. Germany
3. UK
4. Netherlands
5. France
6. Spain

### Ranking by UK respondents

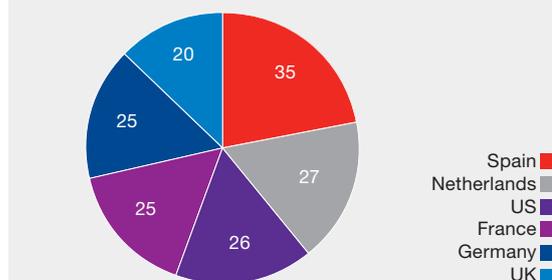
1. UK
2. US
3. Germany
4. Netherlands
5. France
6. Spain



## Serial entrepreneurs: business dynamos

In a first-time question, we asked respondents how many small businesses they had founded, owned or controlled during their career. The average is 1.85, with the highest figure among Spanish entrepreneurs (2.19). Just over a quarter (26%) currently operate/run more than one small business. Again, the highest figure is in Spain (35%), the lowest in the UK (20%).

Entrepreneurs running more than one small business (%)



These 'serial entrepreneurs' are a dynamic bunch. Two examples: they make up more than a third (35%) of those planning to introduce a new product in the year ahead and nearly half (48%) of exporters.

By and large, they have youth on their side. Nearly half of the under-30s (47%) and 35% of those aged 30 to 39 say they are involved with more than one company. By contrast just 15% of the over-60s say the same. Serial entrepreneurs make up nearly a third (32%) of businesses started since the downturn in 2008.

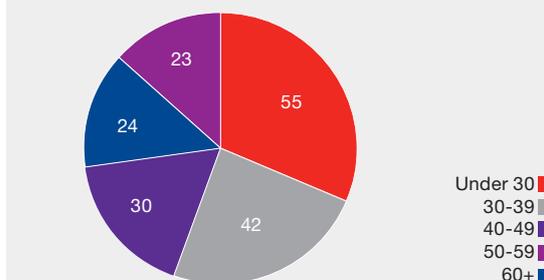
Intriguingly, they are most likely to be found among those running the larger companies in our survey. Some 58% of those owning or managing a firm with a turnover of £5 million or more say they are involved with another business. That compares with just 22% in the bottom category – businesses with a turnover of up to £100,000.

Those working in financial services or manufacturing are significantly more likely to be operating more than one small business (39% and 34% respectively).

## Have you had a mentor?

Younger business owners and managers are much more likely to say 'yes'. Younger business owners and managers are much more likely to have used a mentor than their older peers (55% of under-30s compared with 24% of over-60s). There is a steady decline in those who have used a mentor as you go up the age range.

Use of a personal mentor by age (%)



Size of company is also a key indicator. While only 28% of respondents in the smallest firms (those with a turnover of up to £100,000) say they have used a mentor, 61% of the biggest firms (turnover £10 million-plus) have done so. Use of mentors is highest in the US and Spain (45% and 35% of respondents respectively). That compares with 21% in France and 23% in the UK.

Nearly all those who have used mentors (94%) say the experience was 'very useful' or 'quite useful'. It is a pity then that more business owners and partners have not turned to mentors. Just 29% of them say they have used a mentor. That contrasts with 40% of senior managers who have done so.

The number that act as mentors are smaller (24%) than those who have been mentored. But, again, the figure is highest in the US and Spain (31% and 28%). Contrary to what one might expect, readiness to act as a mentor drops away with age.

While 40% of the under-30s say they provide mentoring, only half as many over-40s do so.

# Personal finances

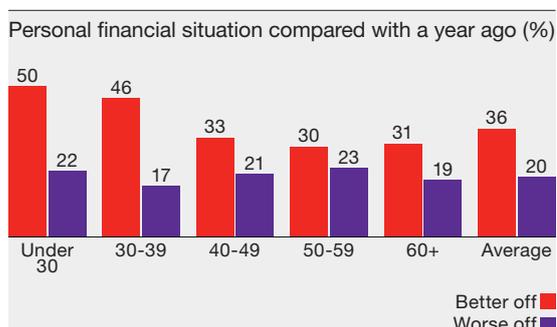


2	Foreword
4	Executive summary
7	Business confidence
13	Employment
15	Finance
18	Brexit
20	External factors
23	What makes an entrepreneur
29	<b>Personal finances</b>
31	Managing risk
34	Country-by-country
41	Methodology and profile of respondents

## Millennials head the well-being table

A new generation of young entrepreneurs is coming through and they appear to be doing rather well.

Asked to describe their personal financial situation compared with a year ago, half of under-30s (50%) and 46% of those aged 30 to 39 say they are better off. That contrasts with a third or less of older respondents.



In some countries, most notably Spain, the gulf between the generations is wider still (see Spain in focus, p38). Not surprisingly given the age factor, those who have set up their business since the 2008 financial crisis are more likely to say they feel better off than those at the helm of older businesses (43% to 32%).

Across the six countries, the gap between those who say they are better off and those who say they are worse off has widened in the past year – from 13% to 16%. Some 36% say they are better off (up from 35%) while 20% say they are worse off (down from 22%).

The pick-up in Europe's economy has clearly coloured the way small business owners feel about their personal finances. There has been a marked increase in the numbers saying they feel better off in The Netherlands, Spain and

France – though there is still some catching-up to do in France where only a quarter of respondents feel better off. The highest figure in Europe is in The Netherlands, at 43%.

After a prolonged boom, it is hardly surprising that 45% of American respondents say they are better off than a year ago – up from 41% the previous year. There appears to be a direct correlation with company size in the US: while only 38% of those running the smallest businesses (sales of up to £100,000) feel better off, three-quarters (75%) of those at the top end of our survey – businesses with £10 million-plus turnover – most certainly do.

There is a somewhat gloomier picture in the UK where 31% say they are better off compared with 36% the previous year and 40% two years ago. However, the 'better-offs' still outweigh the 'worse-offs' here by eight percentage points.

It matters what business you are in. Those in financial services are most likely to feel better off – 46% of them – a reflection of the strong showing of the sector in the past year. Those in the pharmaceuticals and construction/property/energy sectors are also pretty pleased with life (41% and 40% respectively say they feel better off).

Those in retail and wholesale are most likely to be gloomy. More than a quarter (26%) say they are worse off than a year ago.



# Managing risk

2 Foreword

4 Executive summary

7 Business confidence

13 Employment

15 Finance

18 Brexit

20 External factors

23 What makes an entrepreneur

29 Personal finances

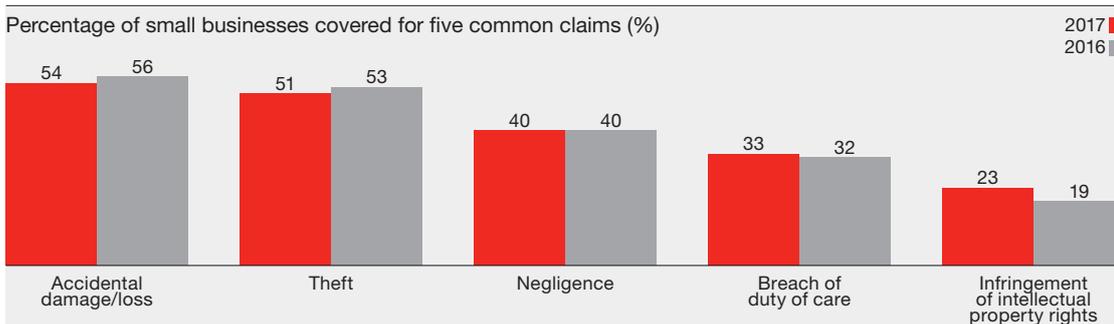
31 **Managing risk**

34 Country-by-country

41 Methodology and profile of respondents

## Insurance coverage is patchy

Small businesses continue to take unnecessary risks by failing to insure in key areas. Coverage for five common insurable risks faced by small businesses remains patchy. The five areas, detailed in the table below, constitute common areas of claims made by Hiscox's customers.



In three of the five areas, fewer than half of small business owners are taking out cover, and the numbers generally are static at best. The one major exception is infringement of intellectual property (IP), where the proportion of respondents with cover has risen from 19% to 23%. There has been a rise in all six countries, with the biggest increases in the US, Germany and Spain (up around a quarter to 25% in each case).

There are wide variations in levels of awareness. British and German companies are more likely to have negligence cover (48% in the UK, 43% in Germany) than the rest. There is a similar story in breach of duty of care (45% and 39% respectively).

Spanish and French companies are ahead of the rest in theft cover (63% and 61% respectively), an area where the number of UK firms covered has fallen this year from 54% to 48%.

Dutch firms lag the rest in four of the five areas. The one exception is breach of duty of care – where French firms prop up the table (only 16% of them are covered, barely half the average across the six countries).

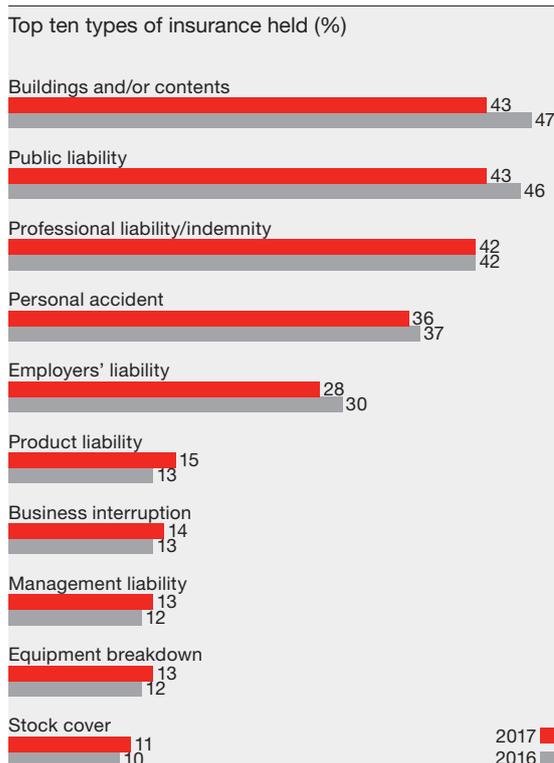
### Top ten types of insurance held

We again asked small business owners and managers what insurance they currently held. The results reveal a surprising fall in the number with buildings and/or contents insurance. Overall, the number is down from 47% to 43%, with falls in the US (from 38% to 32%), Spain (from 57% to 49%) and the UK (from 50% to 44%).

There is a similar fall in the number with public liability insurance (from 46% to 43% overall). In the UK, the numbers covered are down from 61% to 55%; in Spain they are down from 72% to 68%.

The third most widely held form of insurance is professional liability/indemnity. Here the number has held steady, with a big increase in Spain, from 21% to 27%, offset by falls in Germany (from 46% to 41%) and the US (from 42% to 38%).

One notable area of growth is product liability. Overall, the numbers are up only 2% – from 13% to 15%. But there have been sharper jumps in Spain (from 15% to 20%), the US (from 13% to 16%) and France (from 9% to 12%).



Interestingly, one-in-four US small businesses (25%) still says it does not have insurance – though that is down from 29% two years ago. Across all six countries, the number without insurance of any kind is down 1% at 17%.

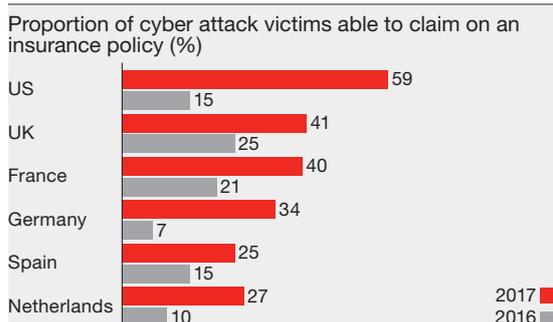
### Cyber cover still outside top ten, but more claim

While the threat of a cyber attack is recognised by an increasing number of respondents (see Business confidence, p10), relatively few firms have embraced insurance in this area. Overall, the number with cyber and data cover is up from 8% to 9% this year.

Spanish respondents are the most likely to be covered (17% say they have cyber and data insurance). Some 10% of US small businesses also say they are covered. Financial services and TMT firms are most likely to carry cyber and data insurance – 15% of them in each case.

However, despite the relatively low proportion of firms that have cover in this area, there has been a dramatic rise in the number that say they have been able to make an insurance claim in respect of a cyber attack.

Overall, among firms that have suffered an attack, 42% say they were able to claim – up from just 16% a year ago. The numbers making claims are up in every country (see chart below).



# Country-by-country



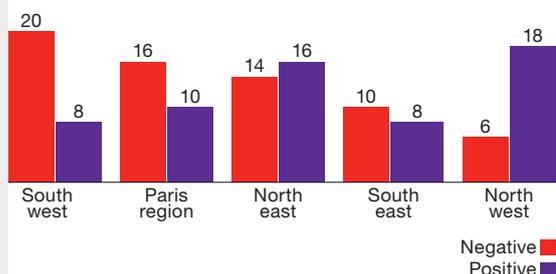
# France in focus

## Brexit

Many commentators see Paris – along with Frankfurt – as a winner from Brexit. Large numbers of financial professionals are expected to relocate there once Britain leaves the EU's single market. But Parisians don't seem so certain.

Asked what they expect the impact of Brexit will be on their business, 16% of respondents in the Paris region see it as a negative while 10% see it as a positive. Only in the north west region is there a significant net balance of 'positives' (18% are positive compared with 6% who are negative).

What will Brexit mean for your business? (%)



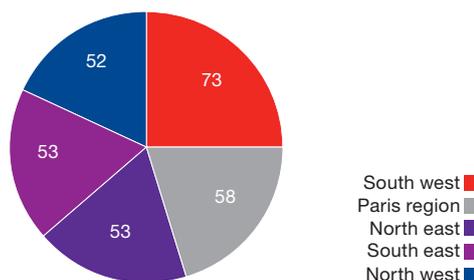
The findings contrast with the enthusiasm for Brexit apparent among the larger French companies in the survey. Firms with between ten and 19 employees are markedly more likely to be positive about Brexit than negative (32% versus 20%). For those with between 20 and 50 employees, the top end of the size range, the picture is even starker: 33% are positive about Brexit while only 14% are negative.

Four sectors are on balance positive about the effect of Brexit: financial services, professional services, manufacturing and food/drink/travel/leisure.

## Firms in the south west are booming

Is it the Airbus factor? Firms in the south west region top the French growth tables – and by some margin. Nearly seven-out-of-ten firms in the south west have increased their revenue in the past year (versus a French average of 62%) and even more, 73%, have lifted profits (versus an average of 56%). More than four-out-of-five (81%) report growth in new customers (versus an average of 69%).

Firms in the south west leading profit makers (%)



## Feeling better off?

The upturn in the French economy has still to filter through to the well-being of the average small business owner or manager – and women are clearly having a tougher time of it than men.

Asked to describe their personal financial situation, a quarter of French respondents (25%) say they feel better off than a year ago while 30% still say they feel worse off. This marks a significant improvement on the 2016 figures but still leaves France bottom of the well-being league.

However, there is a distinct difference in the experience of the sexes. Among the men, the numbers who feel better off and those who feel worse off are roughly the same (29% versus 28%). But nearly twice as many women feel worse off than better off (34% versus 18%). This may be a reflection of part-time working: one-in-six French women works less than 30 hours a week.

# Germany in focus

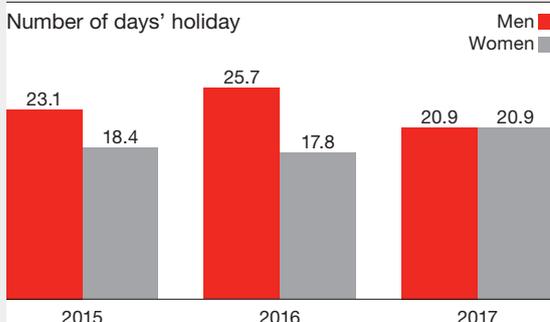
## Steady growth

Having led the recovery in the eurozone, German firms continue to report steady growth, but the pace has slowed (68% report higher sales this year, down from 70% before). The number saying they are optimistic for the year ahead has also slipped back from 65% to 62%. On the plus side, almost one in six firms (15%) added staff last year, up from 11% the year before.

## German women get holiday parity

There has been a surprisingly sharp fall in the number of days' holiday German small business owners take, from an average of over 23 days to under 21. Two factors explain the fall. First, the numbers taking more than 35 days has fallen from 16% to 11%. Second, there has been a modest rise in the numbers taking nine days or less off a year: from 9% to 11%.

But the most striking feature of the results is that women now enjoy parity with men in terms of holidays. In 2016, German men spent nearly eight days more on holiday than their female counterparts (25.7 days versus 17.8). This year, there is gender equality – with both sexes taking an average of 20.9 days. Are they suddenly going away together?

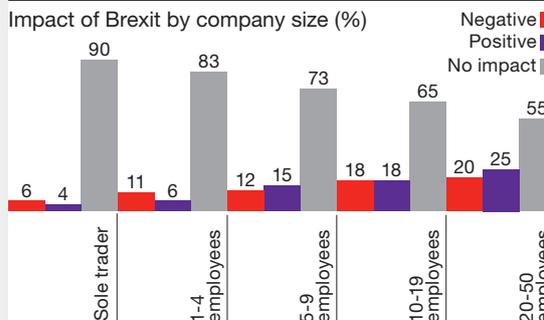


## Brexit

There is a balance between those that believe it will have a negative impact on their business and those that believe it to be positive. Nearly four-fifths of firms say it will not affect their business whatsoever. Two sectors – transport and leisure – are still clearly nervous about the outcome (the 'negatives' outweigh the 'positives' by 21% to 11% in the former and by 25% to 11% in the latter).

In financial services, it is a different story altogether. Here, the 'positives' outnumber the 'negatives' two-to-one (18% versus 9%).

The bigger German companies in our survey are much more likely to view Brexit as an opportunity than the smaller ones (see chart below).



## I am an entrepreneur

German small business owners are more convinced than most that they are entrepreneurs. Nearly three-quarters (74%) now identify with the statement 'I consider myself to be an entrepreneur'. This is the highest figure for any of the six countries in our survey.



## Netherlands in focus

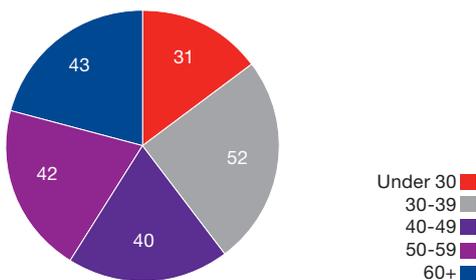
### Catching up with the rest

A year ago, the number of Dutch small businesses reporting growth was below the average for the six countries in our study. This year, the number is either in line with, or ahead of, the average in all areas other than profit growth – where 62% of Dutch respondents report growth in the past year compared with an average across the six countries of 64%.

Dutch firms appear to have enjoyed a particularly sharp spurt in new customers, with 73% reporting growth, up from 66% a year ago. The figure is highest in south Netherlands (77%).

These results help explain why 43% of Dutch respondents now say they feel better off than a year ago. The figure is second only to the US (45%).

Feeling better off than a year ago (%)



### Brexit

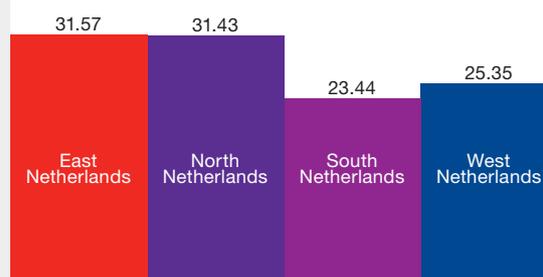
Overall, Dutch small business owners are sanguine about the likely impact of Brexit. The great majority (82%) say it will have no impact at all. The remainder are split (10% see it as a negative, 8% as a positive).

But in four sectors respondents are much more likely to see Brexit as a potential opportunity: transport and distribution (where the 'positives' outweigh the 'negatives' by 31% to 8%), food/drink/travel/leisure (18% to 6%), manufacturing (13% to 6%) and financial services (17% to 13%).

### The holiday divide widens

Small business owners in north and east Netherlands are much more likely to be out of the office than their peers in the south and west. They take around 31.5 days' holiday every year, some way ahead of the 27 days average for the country as a whole and six to eight days more than in the other two regions (23.4 average in the south, 25.4 in the west). The holiday time divide is nothing new but it has widened markedly in the past year. This is explained by a sharp rise in the numbers in the east of the country taking 35 days or more each year (from 18% to 26%) and a similar fall in the south, from 18% to 12%.

Number of days' holiday by region





# Spain in focus

## Spain's small business sector is thriving

This is now the third year running that Spain has registered strong growth in our report. In most of the key business growth areas, Spanish respondents either lead the way or come second to the US.

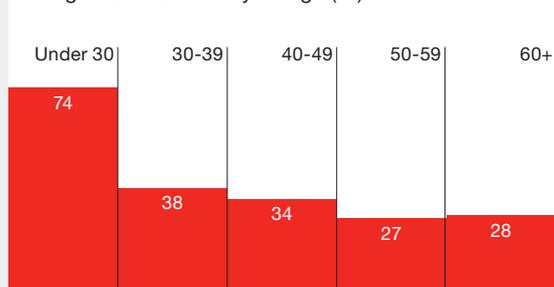
More than seven out of ten small firms in Spain (72%) report growth in their order book or workload. That is six percentage points ahead of the next best country, Germany. Spain also tops the table for the numbers reporting growth in customer numbers (76% versus an average across the six countries of 71%). The south is the fastest growing region.

## Under-30s are prospering

It is a common feature of this year's report: the under-30s are most likely to say they are feeling better off than a year ago. But in the case of Spain, the gulf in well-being between young entrepreneurs and their older peers is a good deal wider than elsewhere.

Remarkably, the proportion of Spain's under-30s that say they feel better off has doubled from 37% to 74%. That is half as many again as the average across the six countries (50%). By contrast, the figures for the over-50s and over-60s – 27% and 28% respectively – are below the survey averages (30% and 31%).

Feeling better off than a year ago (%)



Those in financial services (58%), business services (50%) and food/drink/travel/leisure (47%) lead the way in the well-being table.

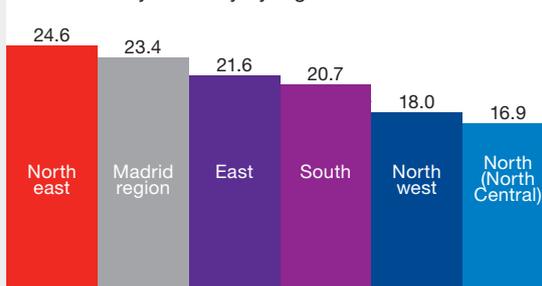
## High reliance on credit cards

Spanish small business owners are up there with their US counterparts in using their credit cards to help fund the business. Nearly a quarter (23%) say they have raised money this way in the past 12 months – the same as in the US. That is nearly twice as many as in Germany (12%) and four times as many as in France (6%). A further 11% are thinking of raising money on their credit card in the coming 12 months, up from 8% a year ago.

## Wide variations in holiday time

If you are looking for a lot of time off, do not work in Bilbao or Vigo. In the north (North Central) and north west regions of Spain, the average small business owner or manager takes an average of just 17.5 days holiday each year. By contrast, in the north east, they take 24.6.

Number of days' holiday by region



The variation between the regions is explained entirely by the numbers taking 30 days or more. In the north east, more than two-in-five respondents (41%) take more than 30 days off. In the north (North Central) region, it is just one-in-five (20%).



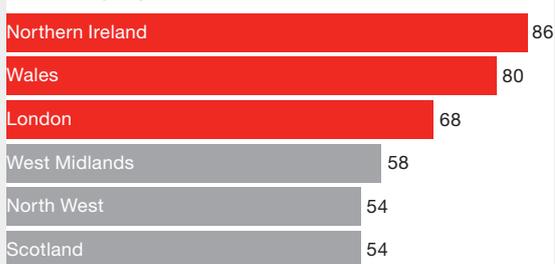
## UK in focus

### UK pauses for breath

The report shows the UK economy pausing for breath after two years of good growth. While three in five small businesses (61%) still report sales growth, that is down from 64% the previous year.

Behind the national figures, however, there are wide regional variations. The proportion of firms in Wales reporting growth in sales has jumped from 59% to 80%. In Northern Ireland, 86% of firms now report growth in sales, compared with 60% a year ago. London and Scotland also boast a rise in the numbers reporting higher sales – although in Scotland’s case the rise is only from 50% to 54%, leaving it bottom of the growth table alongside the North West. All other regions have experienced a fall. The West Midlands has seen the numbers reporting growth drop from 72% to 58%. East Anglia/East Midlands has seen a ten-point drop from 69% to 59%.

Numbers reporting growth in sales: best/worst performing regions (%)



### Transport bears the brunt

Despite these figures from Britain’s manufacturing heartland, more than two-thirds of respondents in the manufacturing industries (69%) report higher sales – the same number as the previous year. The proportion reporting growth in orders is, however, down from 70% to 66%.

The sector that accounts for much of the fall in the national figures is transport and distribution. Here the numbers reporting sales growth are materially down on a year ago – 44% versus 66% – and there has been a similar decline in those reporting rising order books (from 69% to 46%).

Retail and wholesale appears to be going through a similarly rough patch: the numbers here reporting growth in orders is down from 66% to 52% and the proportion that are optimistic about the year ahead has fallen below 50% (it is now 49% versus 54% a year ago). The construction and leisure sectors also report a downturn in workload.

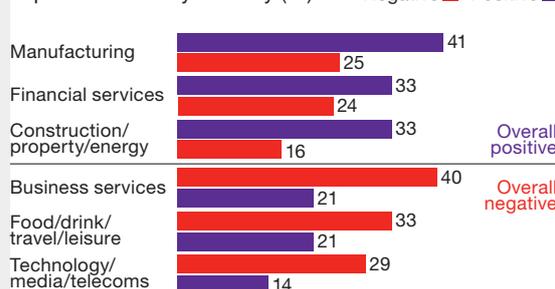
Optimism levels are down in six of the ten regions. That includes Wales, one of the star performing regions over the past year (optimists now make up just 46% of the total, down from 69%), East Anglia/East Midlands (53% versus 63% before) and London (52% versus 60% before).

### Political instability a mounting issue

The rise in the number of respondents citing political instability among the negative factors affecting their business is particularly marked in the West Midlands, Scotland, Wales, London and the South East. In manufacturing, 40% of UK respondents now agree that ‘political instability is affecting my business’ (up from 27% a year ago). In financial services, the proportion has nearly trebled, from 13% to 38%. In business services, it is up from 18% to 34%.

It is tempting to turn to Brexit when it comes to these results. But while more respondents see Brexit as a negative than a positive (28% to 23%), a net 17% in construction/property and 16% in manufacturing see it as a positive (33% versus 16% in the former, 41% versus 25% in the latter).

Impact of Brexit by industry (%)





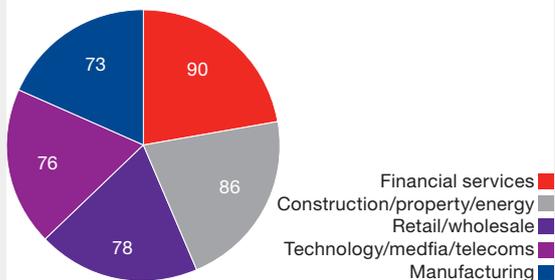
# US in focus

## Evidence of accelerating growth

The rate of growth among US small businesses appears to have accelerated in the past year. Among the 72% of US respondents who say they have lifted top-line revenue, the number generating double-digit growth has expanded from 25% to 32%. There is a similar story on profits, with 31% of firms reporting double-digit growth compared with 24% a year ago.

Around four out of five firms in the Pacific and East South Central regions report revenue growth (80% and 78% respectively). Two sectors are particularly hot (see table below): financial services (where 90% have lifted revenues) and construction/property/energy (86%).

Top five performing sectors: revenue growth (%)



## Not so worried about big government

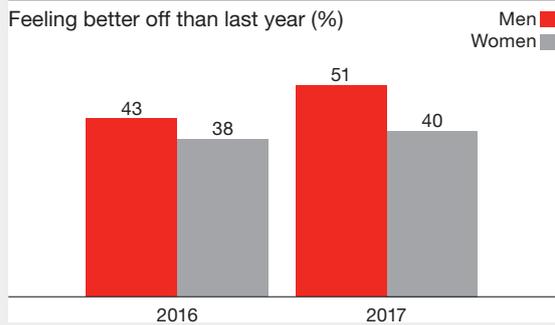
Small business attitudes towards government policies have transformed. A year ago, a net 1% of US respondents said 'no' when asked whether their government's policies were supportive of entrepreneurs (35% saying 'no' compared with 34% saying 'yes'). This year, there is a net balance of 18% who consider government policies are supportive (46% versus 28%). The Pacific region shows the greatest shift in attitudes, with 55% now approving of government policies compared with just 34% a year ago.

US small businesses are also relaxed about the possible tightening of immigration. Over two-thirds (69%) say it will have no effect but a small net balance considers such a move would be positive for their business (16% versus 12%).

This contrasts with the rising numbers saying political instability is having a negative impact on their business – 36% up from 31% a year ago.

## Who feels better off?

More men feel better off. Asked about their personal financial situation, more than half of US men running small businesses (51%) say they feel better off than a year ago. The figure for women is just 40%. This is more than double the gap of a year ago when the equivalent figures were 43% for men and 38% for women.



There is also a pronounced age bias in the results. Nearly three out of five (58%) of those under 40 feel better off. At the over-50 level, the figure falls to 35%.

## Turning to non-bank sources of finance

American business owners have been the most active in embracing alternative sources of finance in the past year. Three times as many (9% versus 3%) have raised money by re-mortgaging their house, 10% have used crowd-sourcing (compared with 4% the previous year), 14% have turned to family and friends (up from 11% the previous year) and 11% have brought in other equity investors. Nearly a quarter (23%) borrow on their credit cards to help fund the business, a figure that has been fairly constant for three years.

## US regions

**New England**  
Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut

**Mid Atlantic**  
New Jersey, New York, Pennsylvania

**South Atlantic**  
Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia, Washington DC

**East South Central**  
Alabama, Kentucky, Mississippi, Tennessee

**West South Central**  
Arkansas, Louisiana, Oklahoma, Texas

**East North Central**  
Illinois, Indiana, Michigan, Ohio, Wisconsin

**West North Central**  
Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

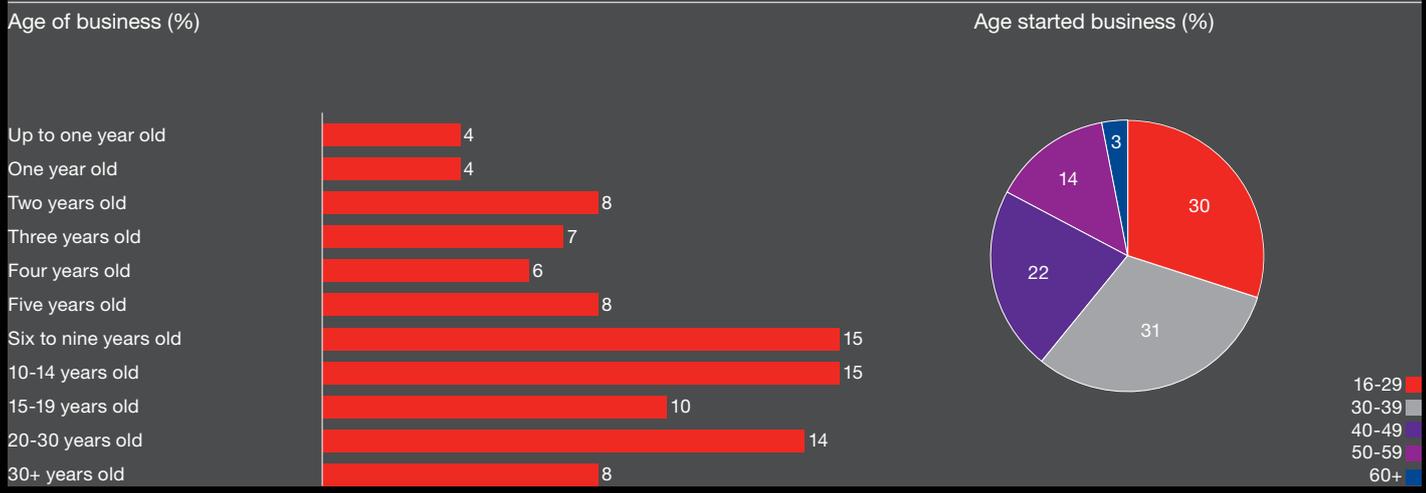
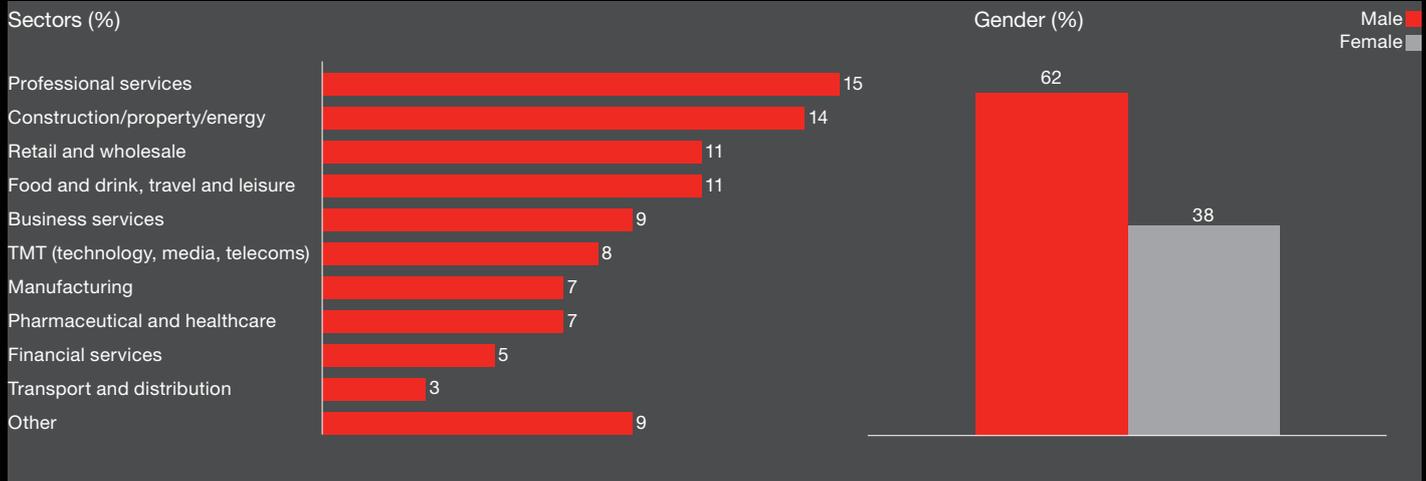
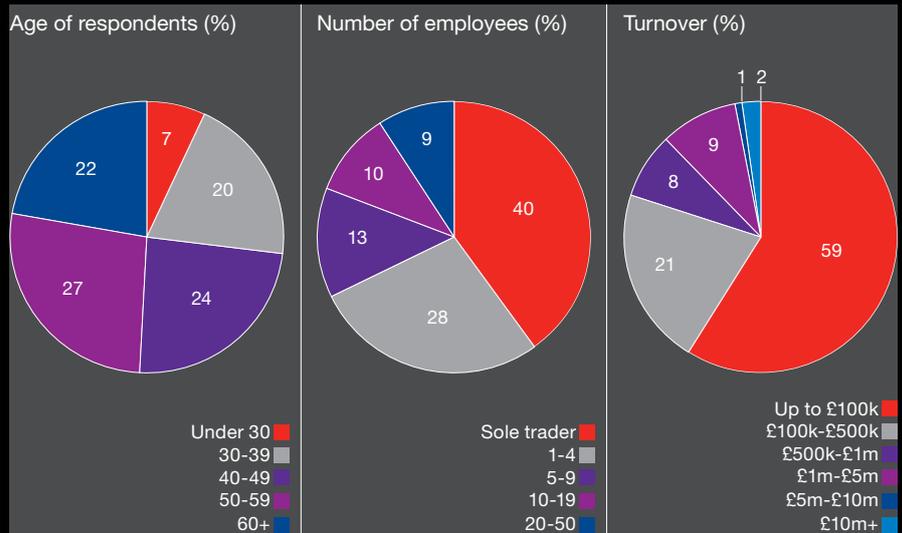
**Mountain**  
Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

**Pacific**  
Alaska, California, Hawaii, Oregon, Washington State

# Methodology and profile of respondents

The sample for this study was provided by Research Now using their proprietary online panels. In total, 4,039 business owners, founders or senior executives within companies with up to 50 employees were contacted (1,000+ from the UK and the US and 500+ each from France, Germany, The Netherlands and Spain). Respondents completed an online survey between 10th May and 6th June 2017.

Statistical accuracy: +/- 1% to +/- 2% for the whole sample and, for the country samples, +/- 1% to +/- 3% for the UK and US and +/- 2% to +/- 4% for the other country samples. Some figures may not add up due to rounding.



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