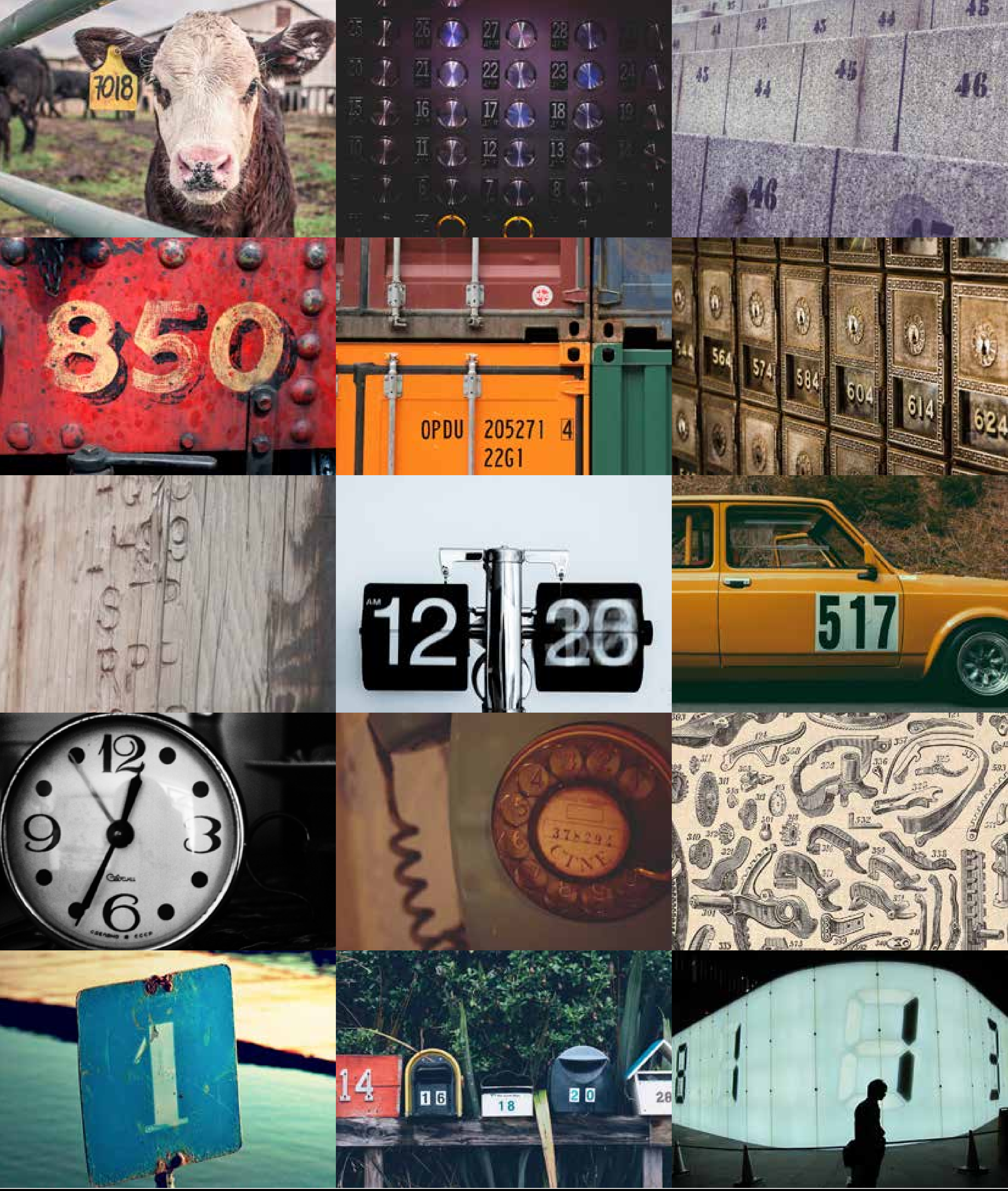


The Hiscox DNA of an Entrepreneur report 2016

Small businesses in numbers

HISCOX

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

Contents

Advancing with confidence and ingenuity

There is a strongly bullish tone to this our eighth annual DNA of an Entrepreneur report. For the first time in many years, the majority of small businesses in all six countries are advancing in lock-step, with rising revenues, growth in new customers and improving order books. Investment has beaten expectations, particularly in continental Europe. While new job creation has lagged the upturn in the past year, one-in-five firms says it intends to hire in the year ahead.

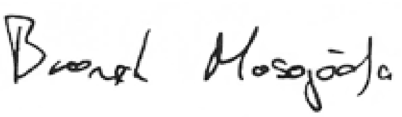
Our own experience mirrors these findings. We have been offering small business insurance for more than 20 years and now insure around 366,000 small businesses worldwide. In the past year, the small businesses we work with have increased their combined turnover by 11%, to £51 billion. This is the second year running where we have seen our small business customers generate double-digit growth. It is noteworthy that in the UK their wage pot has also grown by 10% compared with a 3% reduction in the prior year.

Several themes stand out in this year's report. The larger firms we contacted are unquestionably doing better than the smallest, which continue to find bank funding difficult to access. Many are responding with the ingenuity that is characteristic of entrepreneurs and turning to alternative sources of finance – some good (peer-to-peer lending and crowd funding, for example) and some not so good (credit cards).

The report reinforces the message that small business owners and managers see long hours and hard work as the key to success. Nearly half say they always expected to start their own business one day, and those same people feature prominently among those working the longest hours. But it is striking that, for the majority, money is not the prime motivator. Flexibility over where and when to work and the feeling of being in control of their lives – these are the key considerations that keep them on their chosen path.

There is much in this year's report for policymakers to absorb and consider. While the overall tenor of the report is positive, large numbers of the business owners and managers we spoke to see their government as unsupportive and more than a third say political instability in their country is having a negative impact on their business. This should be of concern to us all. Small businesses play a critical role in economic growth and repeated studies have shown they regularly account for two-thirds or more of new jobs created.

The findings in this report are certainly important in helping us at Hiscox understand the many issues our small business customers face, not least in their vulnerability to cybercrime where one-in-ten respondents reports an attack. There is a wealth of information on attitudes and lifestyles as well as the hard financials. All is important in helping us tailor our services to meet our customers' needs. But above all we hope the report helps promote a better understanding of what makes small businesses tick among those who have a role in supporting and sustaining this all-important sector.



Bronek Masojada
Chief Executive Officer, Hiscox

Executive summary

STRONG GROWTH CONTINUES, BUT OPTIMISM LEVELS SLIP BACK

Two-thirds of firms report growth in revenue with all six countries contributing to the upswing. There is a sharp rise in the number of Spanish and French firms enjoying revenue growth (69% and 60% respectively). More than three-out-of-five firms (63%) also report an improvement in forward orders. However, there is a more guarded view on the year ahead with optimism levels declining marginally in all but one country. The exception is Germany, where optimism is at its highest for four years (65%). In contrast, just 41% of French respondents are positive about the year ahead.

HIRING REMAINS PATCHY

The proportion of companies taking on new staff has fallen from 21% to 13% year-on-year, and one-in-ten firms say they have cut staffing levels. However, hiring intentions for the year ahead are more enthusiastic with 21% planning to increase headcount and only 4% expecting headcount to reduce. The most active recruitment markets are Spain (where 26% of firms are planning to increase headcount) and the US (23%). The proportion of UK firms planning to hire is 3% lower than a year ago at 19%.

LARGER COMPANIES LEAD THE WAY

There is a marked difference between the growth rates reported by the biggest companies in our study (those with a turnover in excess of £10 million) and those towards the lower end of the range. More than four-fifths of the biggest firms (85%) report increased revenues. The equivalent figure for firms with sales of £100,000 or less is 61%. There is a similar picture for profits. Unsurprisingly, larger firms are also more likely to have hired new staff in the past year, more likely to innovate and find it easier to borrow.

MORE FIRMS LOOK TO ALTERNATIVE SOURCES OF FUNDING

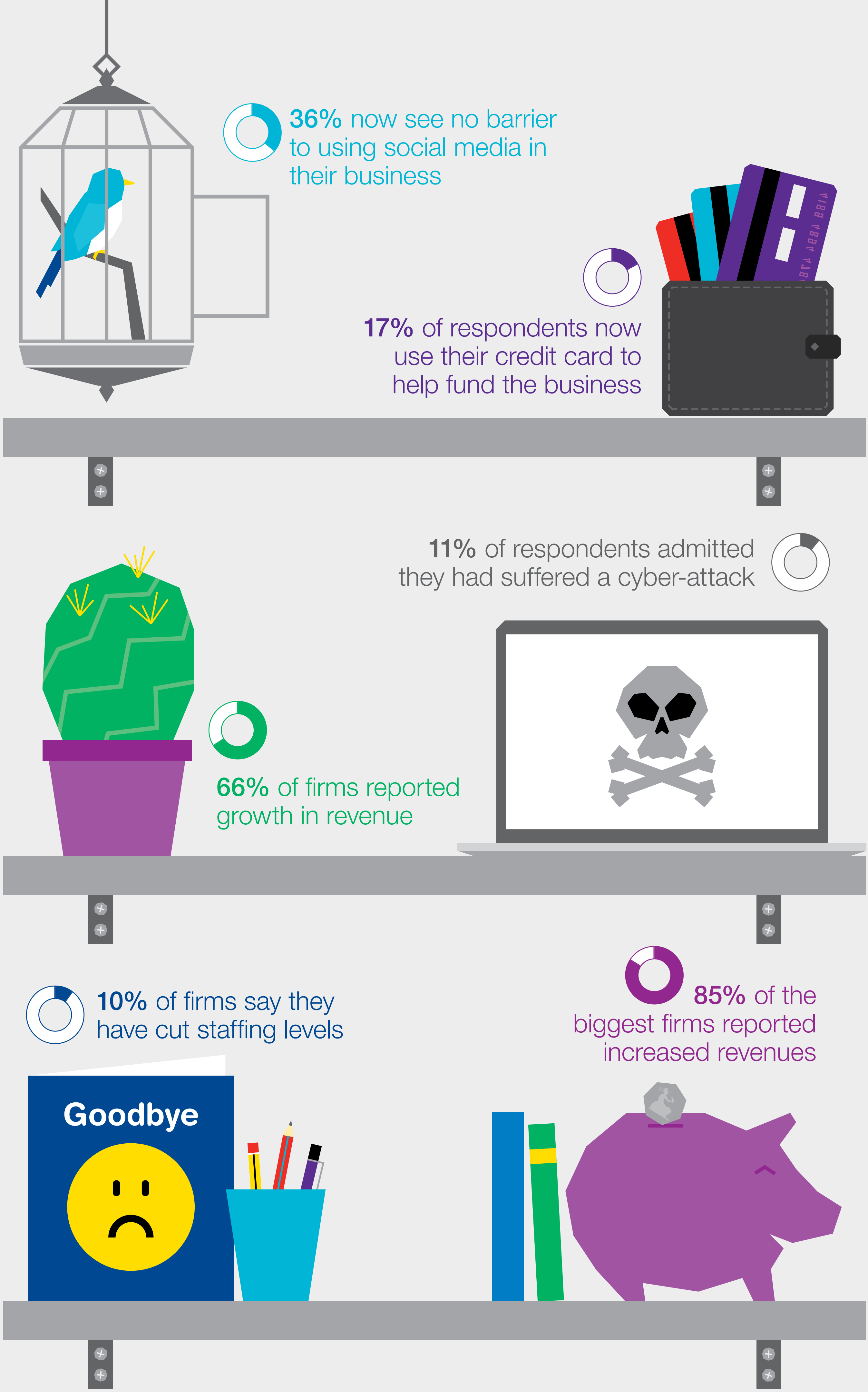
There is no sign of an easing in credit conditions for smaller companies with 22% of respondents saying bank funding has got more difficult to access (up from 19% a year ago). One-in-six respondents (17%) now uses their credit card to help fund the business, while one-in-ten is contemplating turning to crowd sourcing and peer-to-peer lending sites in the coming year. Around one-in-six (17%) firms with a turnover in excess of £10 million is contemplating raising finance in this way – four times as many as last year (4%). For the first time, the study also reveals that 40% of those who have set up their business within the past four years are relying on income from outside sources.

THERE IS RISING ACCEPTANCE OF SOCIAL MEDIA

More than a third (36%) of small business owners and managers now see no barrier to using social media in their business. Dutch and US respondents are the most positive (at 45% and 40% respectively). Younger respondents are most likely to embrace social media. The proportion of under-30s who are afraid they might not be able to control social media has fallen from 16% to just 6% in the past year.

MORE THAN ONE-IN-TEN HAS SUFFERED A CYBER ATTACK

For the first time in this study, 11% of respondents admitted they had suffered a cyber-attack while a further 8% said they did not know. Of those who had suffered an attack, 26% said it had resulted in a serious loss to the company, but only one-in-six of those (16%) had been able to make an insurance claim. Just 8% say they have e-risks insurance.



36% now see no barrier to using social media in their business
17% of respondents now use their credit card to help fund the business
11% of respondents admitted they had suffered a cyber-attack
66% of firms reported growth in revenue
10% of firms say they have cut staffing levels
85% of the biggest firms reported increased revenues
Goodbye

Business confidence

The major pick-up in growth recorded in 2014 and 2015 has been sustained in 2016, but despite a third year of growth the outlook is more clouded.

Two-thirds (66%) of small business owners and managers report growth in revenue in the past year, and all six countries contribute to the upswing.

There is a sharp rise in the number of Spanish and French small businesses reporting a rise in revenues (69% in Spain compared with 62% the previous year and 60% in France compared with 54%). Countries at a more mature stage in their growth cycle are also seeing continued strong growth. Seventy percent of US and German companies report revenue growth, little changed on the previous year and the equivalent figure in the UK is 64%, the same as for 2015.

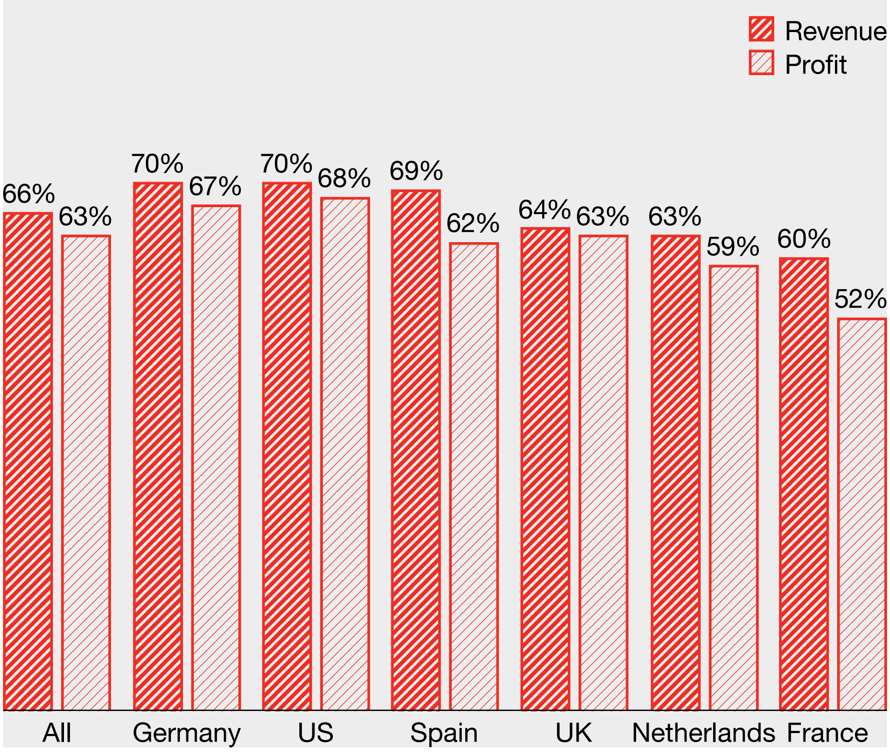
Three sectors lead this growth trend: financial services (with 76% of companies reporting revenue growth), food/drink/travel/leisure at 72% and technology, media and telecoms at 71%.

Like previous years, profit growth lags revenue growth. In every country, the number of companies reporting growth in profit is lower than for those reporting revenue growth, the most marked difference being in France (52% for profit growth compared with 60% for revenue growth).

Encouragingly, 70% of respondents report growth in new customers. Similar to last year, it is German, US and Spanish companies that have done best in attracting new customers (74%, 73% and 73% respectively).

Like previous years, profit growth lags revenue growth.

Percentage of companies reporting growth over past year

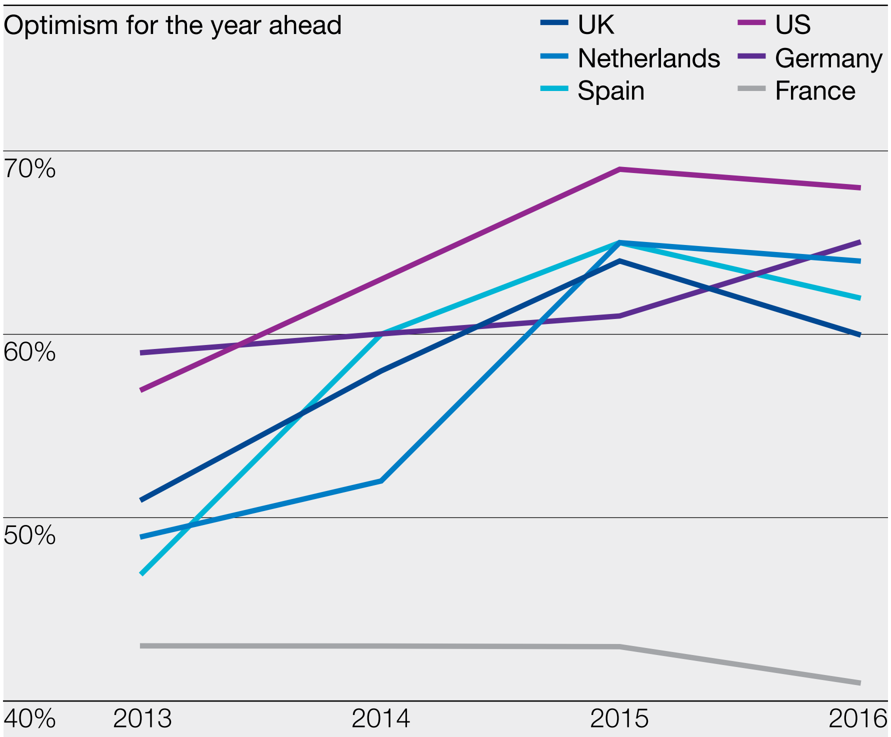


As for forward order books, 63% of companies report growth. The highest figure for all six countries is in Spain (71%), suggesting the recovery there continues.

Optimism levels have fallen back marginally from the previous year in all but one of the countries surveyed (see chart opposite). The exception is Germany, where optimism is at its highest level in four years, at 65%. The sharpest fall is in the UK, where 60% of respondents are optimistic about the year ahead – a small decline from 64% in 2015. It may be relevant that the survey was conducted as the UK's referendum on membership of the European Union was in full swing. France continues to see the lowest optimism levels with just 41% of respondents feeling positive about the year ahead.

Among global exporters, optimism levels are marginally lower (65% vs 68%). There has also been a marked reduction in optimism in certain industries – financial services, manufacturing and retail/wholesale. Only in business services and transport has there been any improvement in sentiment (see top chart on page 10).

There is a marked difference between the growth rates reported by the biggest companies (those with a turnover in excess of £10 million) and those towards the lower end of the range.



More than five-out-of-six firms (85%) with a turnover of £10 milllion or more say they have increased revenues, compared with 70% the previous year. However, only three-out-of-five firms (61%) with sales of £100,000 or less report revenue growth, not materially changed from the previous year's 59%. There is a similar picture for profits, where 77% of the biggest firms report growth compared with 59% of the smallest.

This gap in performance looks set to continue. The largest companies are markedly more, not less, optimistic about the year ahead; nearly three-quarters of them (74%) say they are optimistic, up from 64% a year ago.

'The bigger the better' phenomenon has been noted in previous years of this study, but this is one of the most marked illustrations of it to date.

More positively though, business investment has beaten expectations. A year ago, just one-in-five business owners/managers (20%) was planning to increase investment in their business and 36% were planning either to cut investment or invest nothing at all. However, investment proved more buoyant than anticipated as nearly a quarter (24%) of respondents say they have increased investment in the past year and only 34% have either cut back on investment or invested nothing at all.

Businesses on the Continent are behind the better-than-expected investment figures. There has been a reduction in the numbers saying they have not invested in either the past year or the previous one – from 28% to 20% in France, 14% to 10% in Germany, 16% to 10% in Spain and 17% to 14% in The Netherlands. Investment spending largely rises in line with turnover.

For the year ahead, more than one-in-five small companies (22%) expect to increase investment. The most buoyant market for new business investment is Spain where 28% of respondents plan to invest more in their business in the year ahead.

When it comes to hiring, the proportion of companies recruiting new staff in the past year is down from 21% to 13%. This is despite indications in last year's survey that more than a fifth of firms (22%) were planning to hire new staff. This year, a similar proportion (21%) again say they plan to expand staffing levels… though whether expectation matches reality remains to be seen.

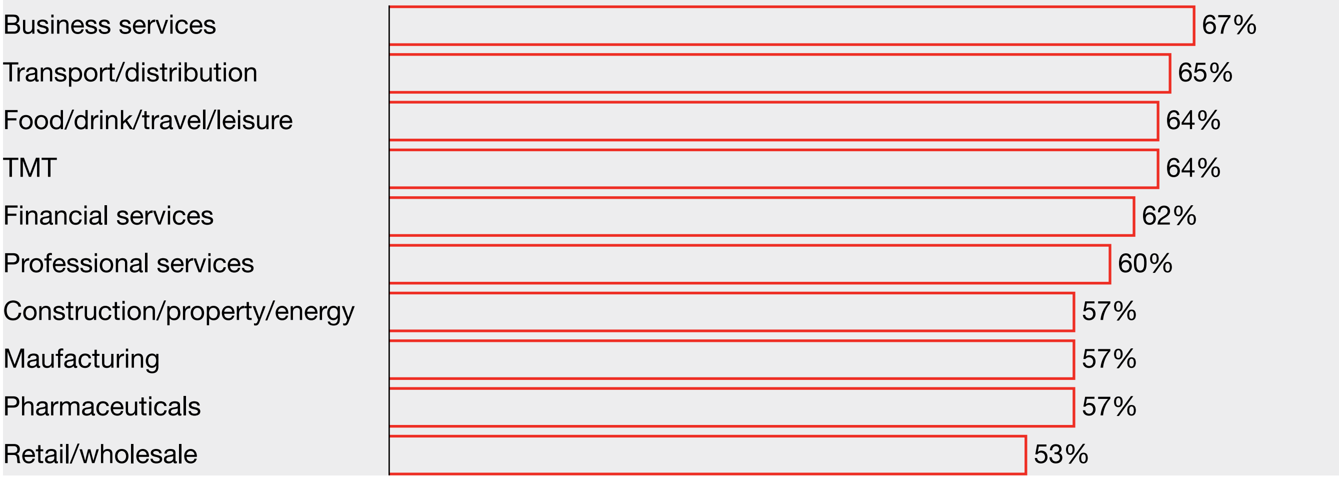
On the face of it, net recruitment in the past 12 months has been modest. While 13% of respondents have increased staff numbers, 10% have cut back. However, it is the larger firms in our survey that have been net recruiters, and given we do not know how many staff have been hired the actual number of new recruits could be higher than it appears at first glance. Nearly a third (32%) of firms with a turnover of £1 million or more say they have hired new people in the past year, while 19% reduced numbers (see middle chart on page 10).

Spanish companies top the list of recruiters, with 18% saying they have hired new people in the past year. Better still, a third of Spanish respondents say they have hired senior people, the highest proportion of any country. In the UK, more than half (52%) of those taken on are junior staff. That compares with an average across all six countries of 37%.

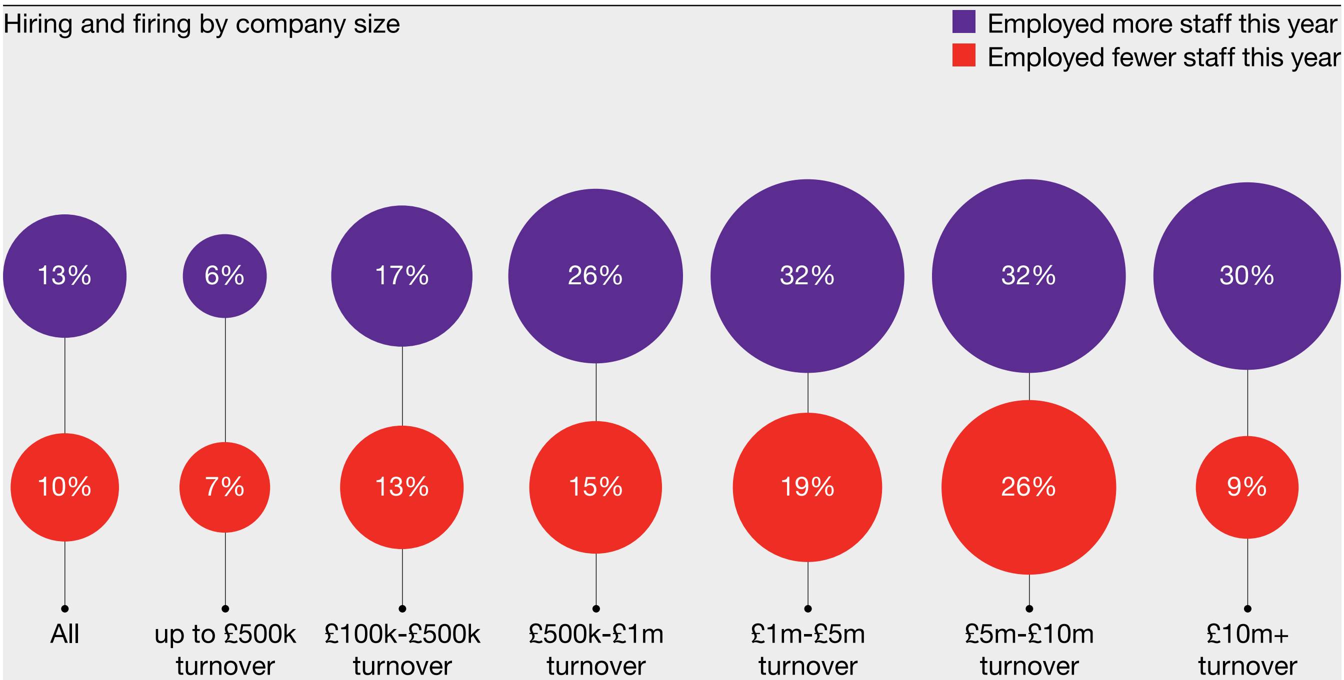
Hiring intentions for the year ahead are markedly more bullish. While one-in-five companies (21%) plans to hire, only 4% are cutting back. The most active recruitment markets look to be Spain (where 26% of firms plan to increase headcount), the US (23%), and France and Germany (at 21% each). By contrast, the percentage of firms planning to hire in the UK is down three percentage points from 22% to 19%.

So do small business owners feel better off? When asked to comment on their personal financial situation, only the Dutch are markedly more enthusiastic than a year ago, with 41% saying they feel better off compared with 36% in 2015. In the UK, the comparable figure is 36% (down from 40%), and in the US it is 41% (down from 45%) (see bottom chart on page 10).

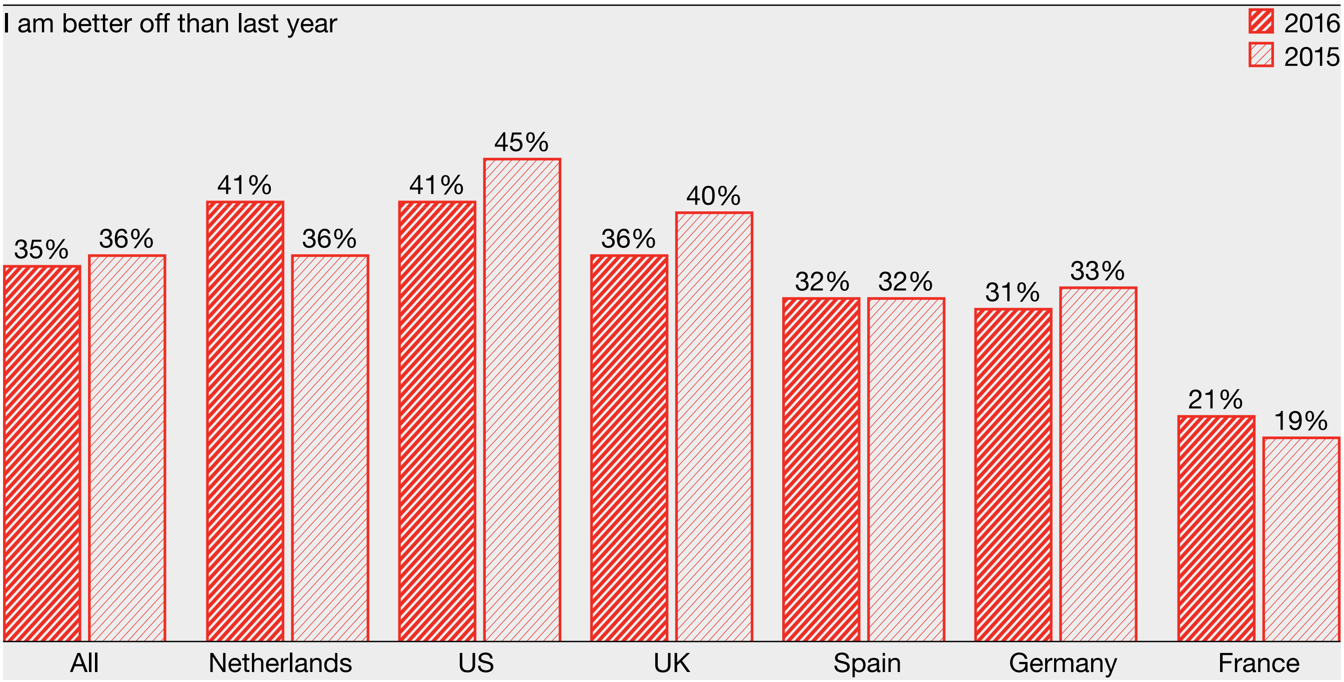
Optimism levels by industry

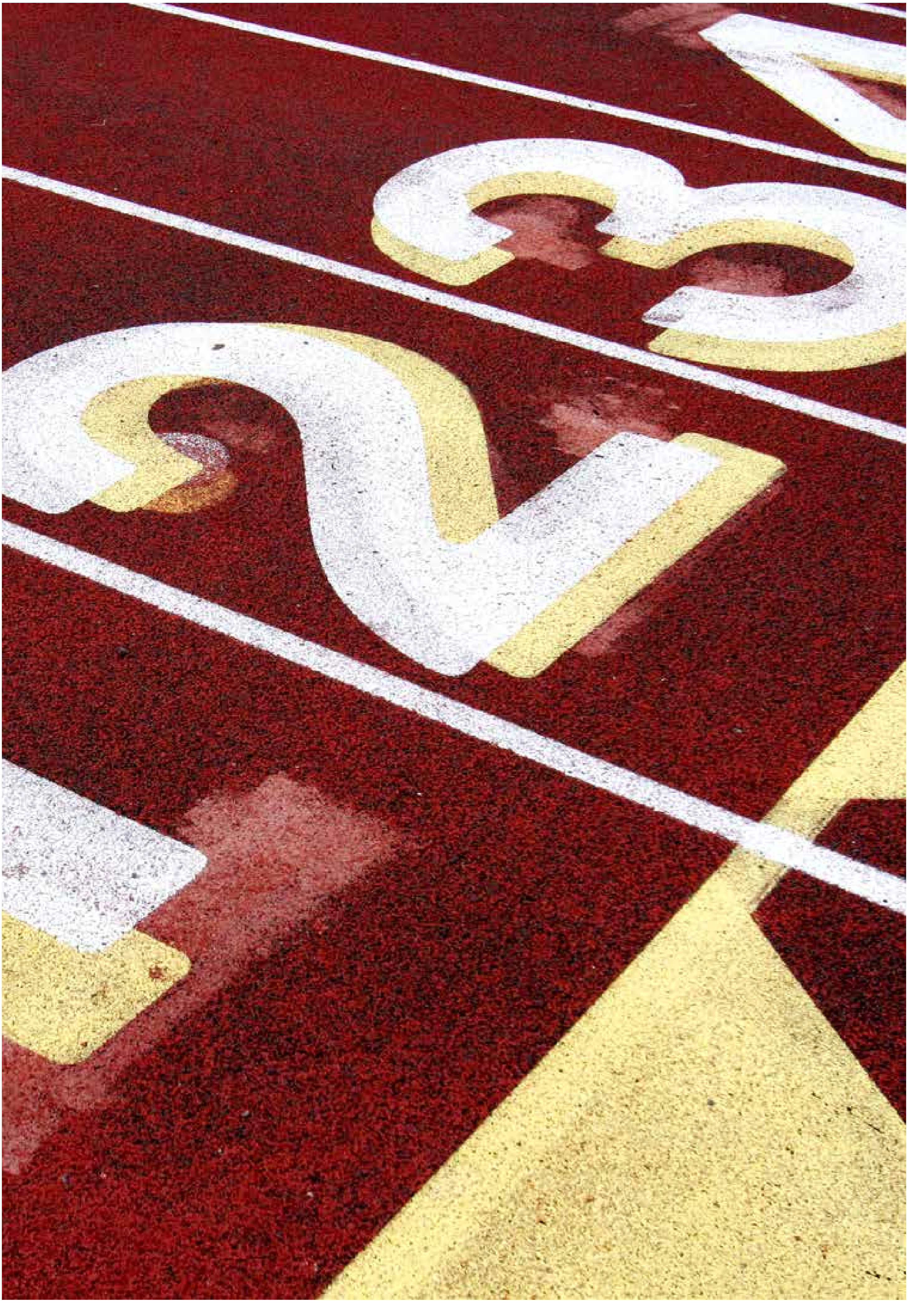


Hiring and firing by company size



I am better off than last year



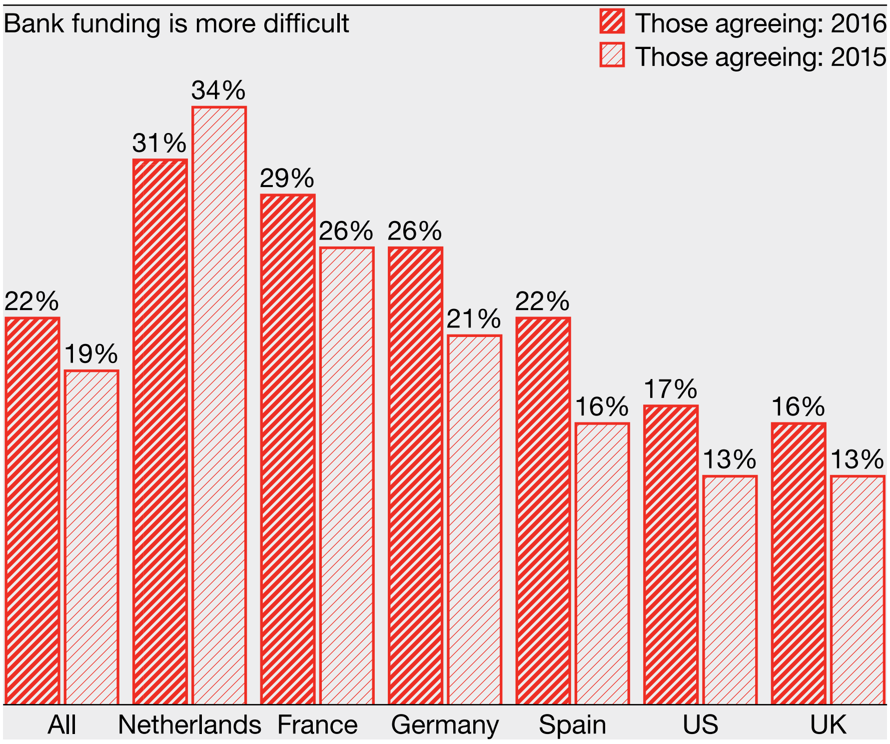


Finance

At a time when central banks are doing all in their power to deter commercial banks from sitting on spare cash, it might be expected that small- and medium-sized companies would be finding it easier to borrow. Sadly, this year's report shows little sign of that happening.

While the proportion of respondents who say they have sought finance from a bank has remained steady at 16%, the numbers who say bank funding has got more difficult to access has risen from 19% to 22%. Only 7% say credit has become easier, the same as last year. Dutch business owners remain the most negative on this issue (31% say gaining access to bank funding has been more difficult, compared with 34% in 2015).

The situation appears to have deteriorated for most companies in our survey – all except the very biggest. Businesses with a turnover of £10 million and over are markedly less concerned by credit availability than a year ago: the proportion saying credit has become harder to access has fallen slightly from 23% to 21%, while those saying it is now easier has almost doubled, from 7% to 13%.



With bank funding still difficult, the number of firms turning to alternative sources of funding is on the up. One-in-six (17%) respondents now uses their credit card to help finance the business, up from 15% last year. The numbers are also significantly higher in Spain (24%) and the US (23%). Only The Netherlands bucks the trend, with use of credit cards falling from 6% to 4%.

Family and friends are another source of funding for small business owners. In the past year, 11% of respondents have turned to their nearest and dearest for support. That is little changed on the previous year's 10% but in Spain the figure has increased more than in the other countries, from 14% to 17%. The number of firms using crowd sourcing and peer-to-peer lending sites has stayed the same in the past year. But the numbers thinking about using these channels to raise funds has grown in France (from 9% to 14%), Germany (from 10% to 12%) and Spain (from 5% to 8%). Around one-in-six (17%) firms with a turnover in excess of £10 million is contemplating raising finance in this way – four times as many as last year (4%).

It is a similar story with venture capital. While the overall number of firms seeking investment from venture capital funds is little changed in the past year (at 3% of the total), the numbers contemplating raising money this way has increased substantially in the US (from 8% to 11%), France (from 4% to 10%) and the UK (from 4% to 6%). Among firms with a turnover of over £10 million, interest has more than doubled (from 5% to 11% of the total).

In addition, 4% of respondents say they have remortgaged their home in the past year to raise finance (up from 3% the year before) and a further 6% are contemplating doing so in the coming 12 months.

The proportion saying bank finance is harder to access is up from 19% to 22%.

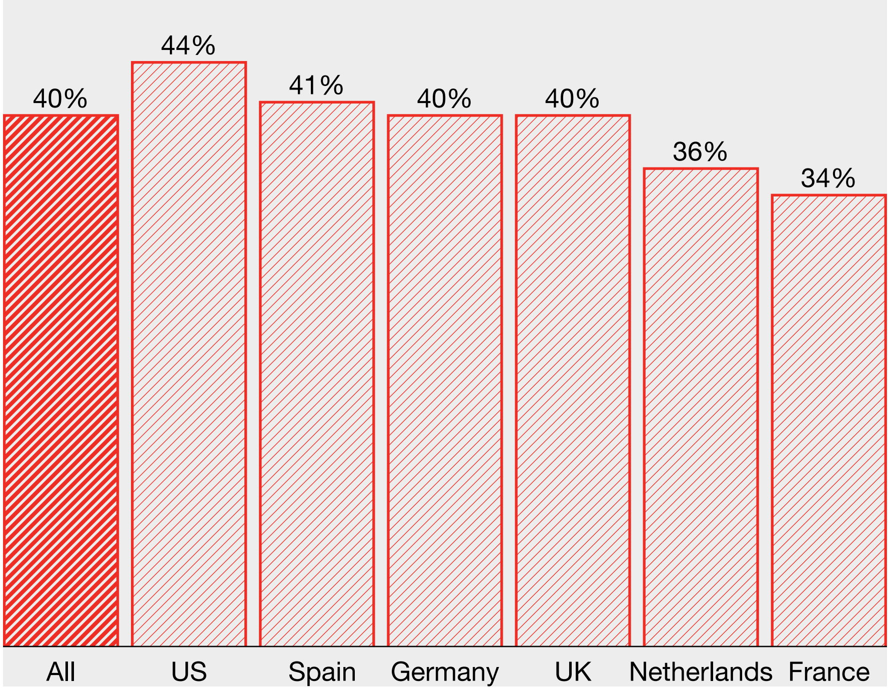
Access to finance is not the only problem small business owners face; the impact on cash flow caused by late payments is another. The proportion of respondents reporting a problem with late payments from customers has held fairly steady at 36% (35% in 2015), but there are marked variations by country. The number of Dutch small business owners and managers saying their customers are paying later has fallen sharply, from 43% to 34%, and the number has also come down in Germany, from 43% to 39%. In contrast, the UK figure is up from 27% to 32%.

For the first time, we asked small business owners who had set up their business within the last four years 'Are you drawing on other income (from other work/sources) in order to finance yourself to develop your business?' Remarkably, two-out-of-five said 'yes'. In the case of firms that export, the number was nearly three-out-of-five (59%).

American small business owners are most likely to be supporting themselves from outside sources (44% of them), while their French counterparts are least likely to be doing so (34%).

The practice is especially common among the under-30s (46% of them draw on other income) and, more surprisingly, the over-60s (58%). More than half the owners of mid-sized companies, with a turnover of between £1 million and £5 million, say they part-fund themselves from sources other than their business.

Drawing on other income
Businesses set up in the last four years



Newer American small business owners are most likely to be supporting themselves from outside sources.

Brexit

More than half of UK small firms say Britain's departure from the EU, so-called 'Brexit', will have no impact. But for a significant minority the effect is likely to be negative.

Our survey was conducted before the outcome of the June referendum was known, but we invited all respondents to tell us what would be the impact on their business of a possible Brexit. In the UK, 31% of small business owners and managers said it would be negative, while 17% said it would be positive. Reassuringly, more than half (51%) expected it to have no impact.

The degree of concern over Brexit largely increased with the size of company. At the top end – companies with a turnover of £1 million-plus – 43% said Brexit would hurt their business. Increased costs and reduced ability to export were cited as the principal negatives.

Predictably, exporters were far more likely to show concern than non-exporters (43% expected a negative impact compared with 26% for non-exporters). Around a quarter of UK companies (24%) in the survey export and EU countries make up six of the top seven destinations for their exports.

There were marked divergences between sectors and regions in the UK. The business sectors most worried about Brexit were technology, media and telecoms (41%), professional services (39%) and food, drink, travel and leisure (38%). In contrast, 29% of respondents in financial services were positive about Brexit, far outweighing those who were negative (18%). A similar picture emerged from the pharmaceutical industry, where a net 11% came out as positive.

Given the sharp geographic divide in the leave/remain vote, it is not surprising that London emerged as the region most hostile to Brexit. Nearly half (47%) of London-based respondents viewed the impact of Brexit as negative. The capital was closely followed by other bastions of the remain vote, Scotland and Northern Ireland (36% and 33% respectively). The South/South West, North East/Yorkshire and East Anglia/East Midlands boasted the largest proportion of respondents expecting a positive impact from leaving the EU (23%, 21% and 20% respectively).

Brexit clearly worries a number of Britain's trading partners. It is seen as a negative in every European country surveyed.

The number of small business owners in Spain who viewed Brexit as a negative was not far short of the UK tally, at 29%. That helps explain, perhaps, the precipitate fall in the Spanish stock market immediately following the UK referendum (see top chart opposite).

The fact that a substantial number of small business owners in three of Britain's trading partners - Germany, Spain and The Netherlands – cited the need to alter their investment plans should surely be of concern to the UK (see middle chart opposite).

The findings also indicate that political instability is a key concern. Well over a third (36%) of business owners and managers say political instability in their country is having a negative impact on their business (see bottom chart opposite).

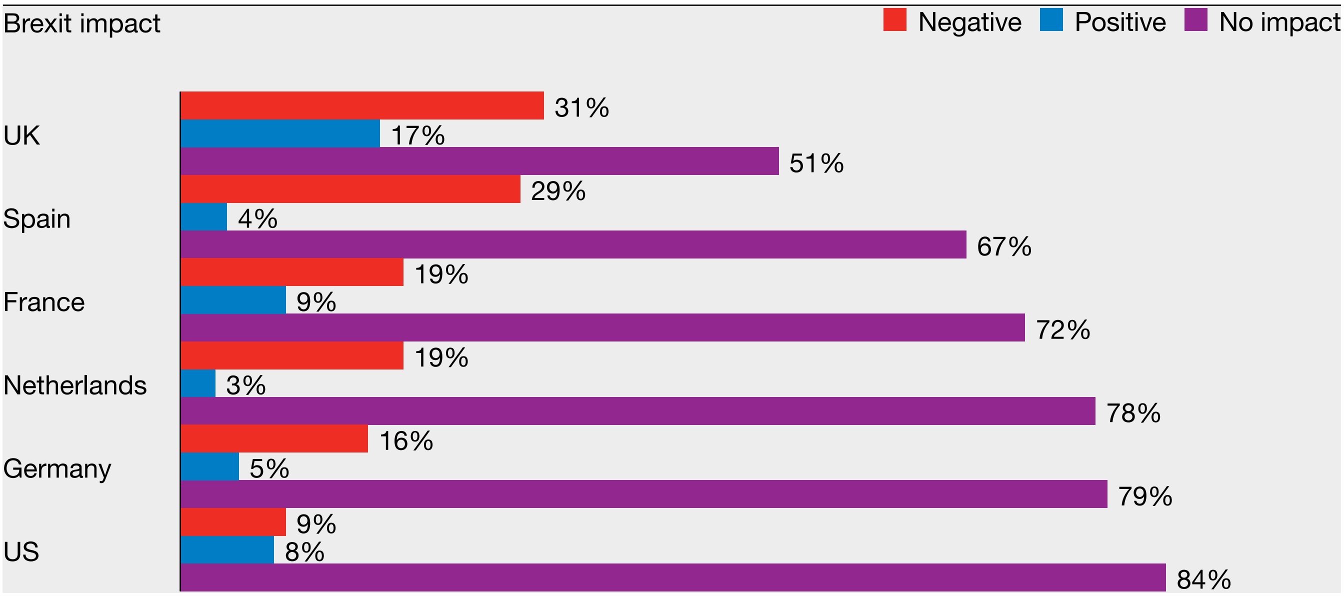
This year, for the first time, political instability was included among the list of issues that might affect the year ahead. That so many respondents ticked the box should give politicians pause for thought.

Spain's small business owners appear the most concerned, with nearly two-thirds (64%) saying political instability is hurting their business. Given the long-running political stand-off in their country that is not necessarily surprising. They are joined by more than half of French respondents (54%), a reflection perhaps of their government's troubled attempts to push through a reform agenda. Significant proportions of Dutch, German and US respondents are also concerned about political instability at 36%, 31% and 31% respectively.

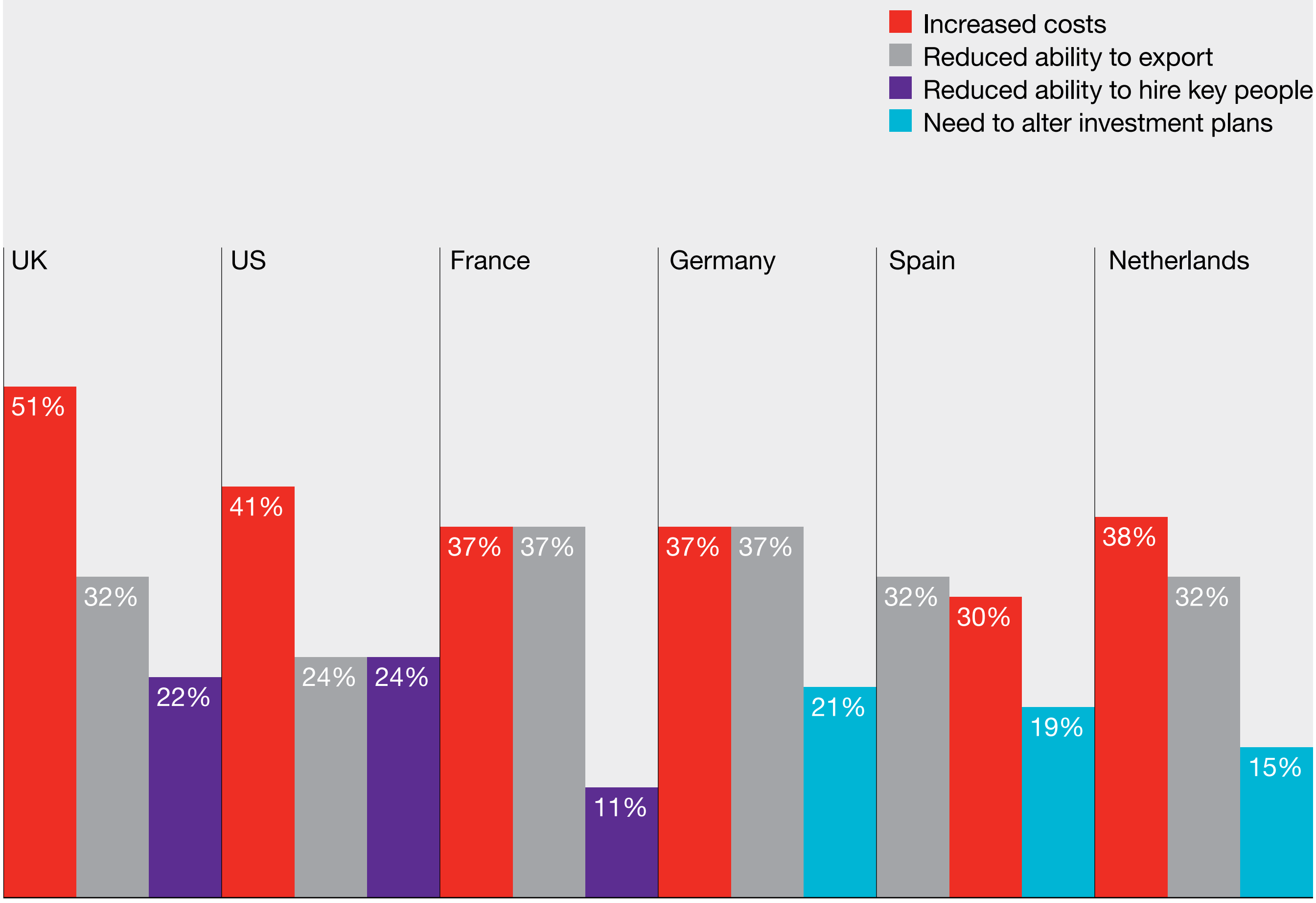
However, the stand-out country is the UK. Despite the fact that our research was carried out against the backdrop of Brexit, only 22% of Britons mentioned this issue as a negative factor.

Exporters were far more likely to show concern than non-exporters.

Brexit impact

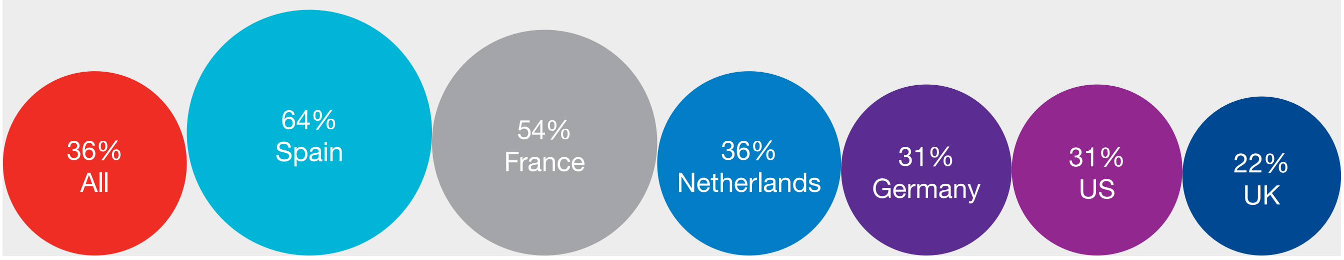


How those who see Brexit as negative say it will affect them



Political instability is having a negative impact on my business

Percentage agreeing



Entrepreneurial spirit

Not only is political instability a concern, so is government support for entrepreneurs. Just 28% of respondents globally said 'yes' or 'in most cases yes', when asked whether they believe their government's policies are supportive of entrepreneurs – little changed on the previous year's 30% (see top chart on page 18).

French respondents continue to be the least enamoured of their government, with 68% saying 'no', up 1% on last year.

There have, however, been two sharp country swings in sentiment, in the UK and Spain. In the UK, the proportion agreeing that their government is supportive has collapsed from 45% to 35%, though the impending referendum and the introduction of the National Living Wage may have coloured thinking to some extent. Just as worrying, of these, just a third (33%) expect the situation to get better in the coming five years, down from 61% the previous year.

In Spain, by contrast, the proportion seeing government policies as supportive has risen from 14% to 20%, with those answering 'no' or 'in most cases no' falling from 70% to 59%. That still leaves Spain with the second highest tally of government critics (behind France and ahead of The Netherlands on 49%) but the modest improvement in Madrid's approval rating is surely ironic. Spain was in constitutional turmoil between inconclusive elections in December 2015 and further elections at the end of June 2016. The figure does however reflect the improving business conditions in Spain noted elsewhere in the report.

Small businesses have a clear view on what governments could do to stimulate growth among small companies. Respondents in all six countries again pick reduced direct taxation as their number one wish, but there are some interesting country differences.

In France, relaxation of the employment laws is a clear second, while German and Spanish respondents look for stimulation of new lending by banks to small businesses and are the only two countries to pick increased infrastructure spending among their top five demands. A relaxation in health and safety rules is mentioned by UK and US respondents.

Simpler and fewer accounting rules is another prominent demand in all six countries. The smallest businesses in our survey (those with a turnover of up to £100,000) are the keenest advocates of such a move.

SMALL BUSINESS WISH LIST

France
1. Reduced direct taxation.
2. Relaxation of employment laws.
3. Simpler accounting rules.
4. Stimulation of lending.
5. Subsidised rents on starter premises or business parks.

Germany
1. Reduced direct taxation.
2. Stimulation of lending.
3. Simpler accounting rules.
4. Relaxation of employment laws.
5. Increased infrastructure spending.

Netherlands
1. Reduced direct taxation.
2. Simpler accounting rules.
3. Relaxation of employment laws.
4. Subsidised rents on starter premises.
5. Stimulation of lending.

Spain
1. Reduced direct taxation.
2. Stimulation of lending.
3. Relaxation of employment laws.
4. Simpler accounting rules.
5. Increased infrastructure spending.

UK

1. Reduced direct taxation.
2. Simpler accounting rules.
3. Stimulation of lending.

4.= Reduced health and safety laws.
4.= Subsidised rents on starter premises.

US
1. Reduced direct taxation.
2. Simpler accounting rules.
3. Stimulation of lending.
4. Relaxation of employment laws.
5. Reduced health and safety laws.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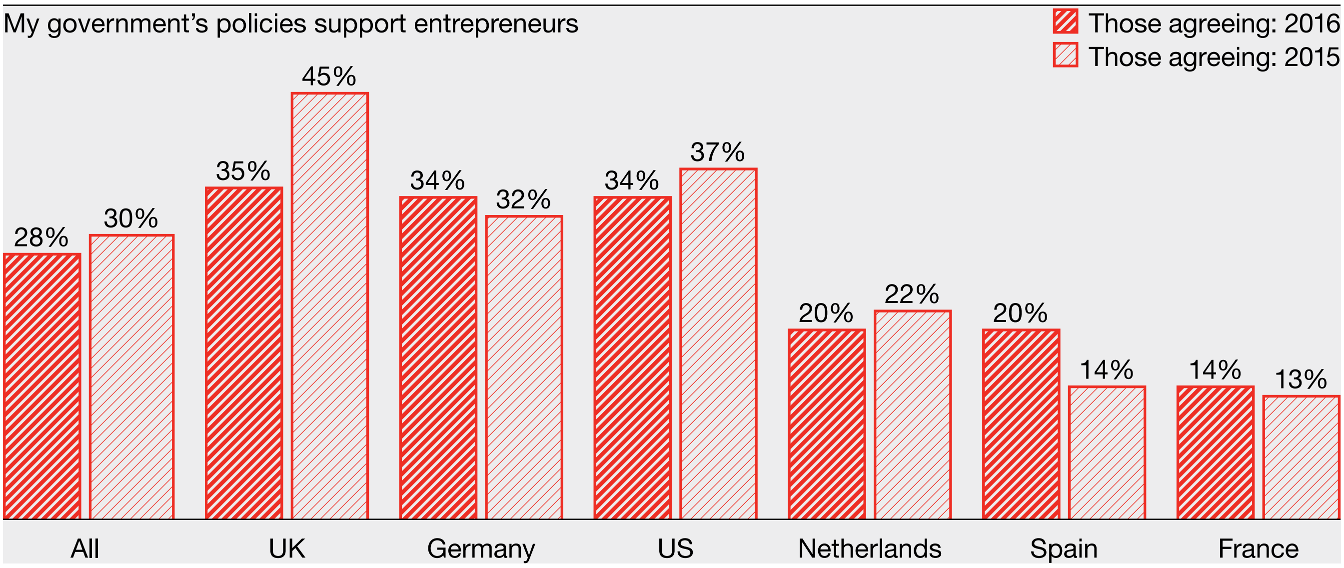
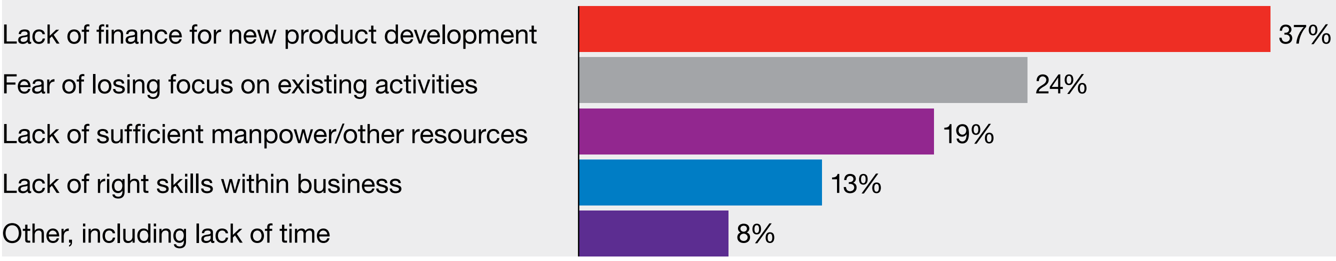
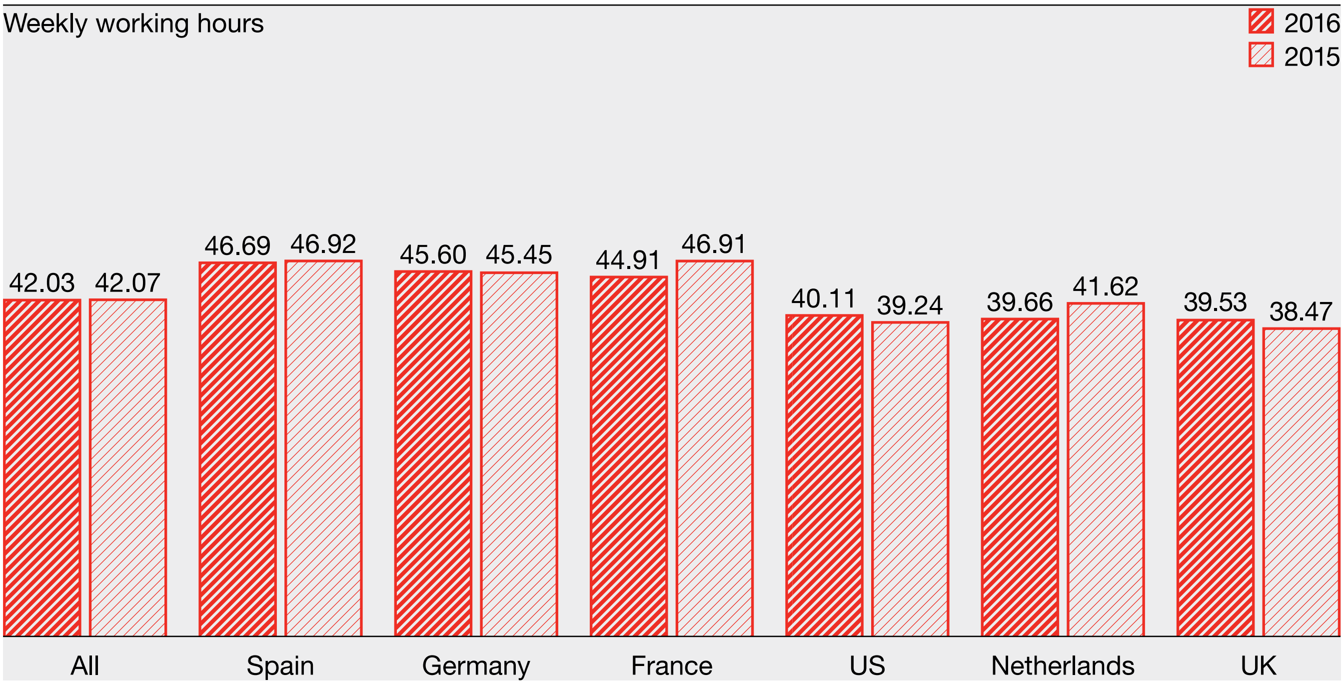
My government's policies support entrepreneurs



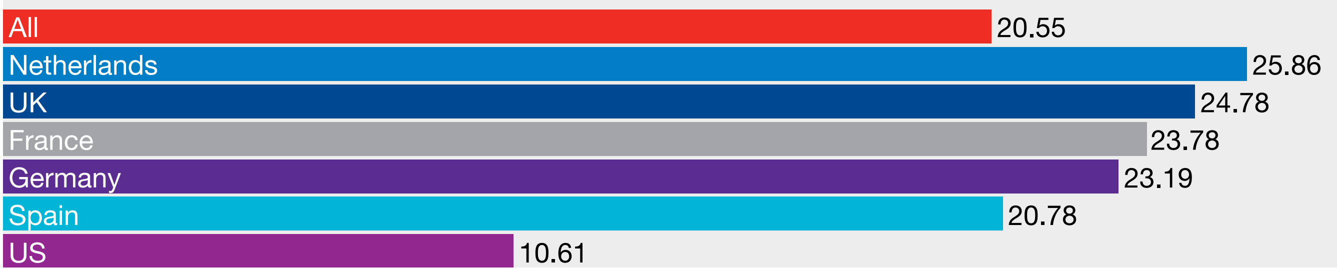
Perceived barriers to innovation



Weekly working hours



Average number of days holiday per year



Innovation looks to have stalled. A year ago, just over half of respondents said they planned to introduce a new product or service in the coming 12 months, but in the event only 41% did so – the same number as the prior year.

Increases in the number of innovators in France (up from 42% to 45%) and The Netherlands (up from 31% to 34%) were balanced out by declines in the UK (from 40% to 39%) and the US (from 39% to 36%). Spanish firms remain far and away the leaders in this area, with 60% introducing a new product or service in the past year (compared with 61% in 2015).

For the coming 12 months, significantly more French and Spanish firms say they plan to introduce a new product or service (56% and 67% respectively), but elsewhere the numbers are either flat or marginally down. So what are the barriers to innovation? Why do so many firms that plan to introduce a new product fail to do so?

Lack of funding is one major barrier (see second chart down opposite). Having asked for the first time what firms perceive to be the barriers to innovation, lack of funding was the number one answer in every country, with nearly half (47%) of Spanish respondents citing this as a reason. It was followed by concern that new product development would result in a lack of focus or that the firm simply lacked the manpower to manage the process. 'Lack of time' also figured prominently.

Women were more likely than men to cite lack of finance as a barrier (40% compared with 35% for men) but they were much less concerned at the danger of losing focus (21% compared with 26% for men).

There are many benefits to living the entrepreneurial lifestyle. This study has found that money is not a prime motivation. Non-financial considerations top the list of benefits of working in a small business compared with a multinational. This year more respondents cited the ability to work from home/other locations above more flexibility over working hours, which ranked top last year. Similar to last year though, these are closely followed by a greater feeling of being in control of their life.

The 'opportunity to make more money' is again a long way down the list, selected by just a third of respondents (33%). Among the under-30s, an ability to take greater pride in their work comes out top, while at the other end of the age spectrum, the ability to work from home narrowly beats flexibility in working hours and less bureaucracy.

The life of a small business owner is not without hard work. Average hours worked each week are little changed year-on-year at 42.03 (2015: 42.07) and once again it is the Spanish who are putting in the most hours, at 46.69. In contrast, hours worked in France and The Netherlands have dropped sharply – from 46.91 hours to 44.91 in France and from 41.62 to 39.66 in The Netherlands. Similar to previous years, the British work the shortest hours, at 39.53 (see third chart down opposite).

The ability to work from home narrowly beats flexibility in working hours and less bureaucracy.

BENEFITS OF WORKING IN A SMALL BUSINESS

All
1. The ability to work from home/other locations.
2. More flexibility over working hours.
3. Being in greater control.

France
1. Being in greater control.
2. More flexibility over working hours.
3. Opportunity to make more money.

Germany
1. Less bureaucracy.
2. More flexibility over working hours.
3. Less stress.

Netherlands
1. The ability to work from home/other locations.
2. More flexibility over working hours.
3. Less bureaucracy.

Spain
1. The ability to work from home/other locations.
2. Being in greater control.
3. More flexibility over working hours.

UK
1. More flexibility over working hours.
2. The ability to work from home/other locations.
3. Being in greater control.

US
1. The ability to work from home/other locations.
2. More flexibility over working hours.
3. Being in greater control.

ATTRIBUTES REQUIRED TO RUN AN SME

All
1. Ability to work hard
2. Independence
3. Determination
4. Courage
5. Ability to manage others

France
1. Ability to work hard
2. Independence
3. Courage
4. Ability to delegate
5. Ability to manage others

Germany
1. Ability to work hard
2. Courage
3. Creative thinking
4. Independence
5. Ability to delegate

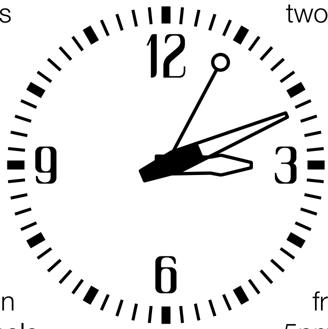
Netherlands
1. Independence
2. Courage
3. Creative thinking
4. Ability to work hard
5. Ability to make relationships

Spain
1. Independence
2. Ability to manage others
3. Ability to work hard
4. Courage
5. Determination

UK
1. Ability to work hard
2. Determination
3. Experience
4. Independence
5. Creative thinking

US
1. Independence
2. Ability to work hard
3. Determination
4. Creative thinking
5. Courage

Spanish practices



For the first time, this year we asked Spanish respondents whether they took a full two hours for lunch on a regular basis. Of those who said they took 'more than 30 minutes' for lunch, nearly two-thirds (63%) confessed to taking the full two hours. The practice is most common in smaller firms – either sole traders (66%) or those running businesses with four employees or fewer. Spanish shop-keepers are most likely to observe the full two-hour break.

Nearly three-quarters (73%) of those in retail and wholesale say they take the full two hours – probably because shops traditionally close from 1.30pm until 5pm. Only a third of those in transport and distribution do the same.

Hours worked tend to rise with the size of company – though that may reflect the presence of part-time workers among sole traders. The average sole trader works 37 hours a week, while the average owner or manager in a company with 20 to 50 employees puts in nearly 48 hours. Men's hours have gone up, from 43.93 to 44.14; women's are down, from 39.03 to 38.62. And the toughest industry to work in? Transport and distribution, where average hours top 48 per week.

There are also variations in the amount of time respondents take for lunch. More than half of French and Spanish respondents say they take half an hour or more (52%). In contrast, three-in-five British and Dutch respondents (62%) say they either take less than half an hour or skip lunch entirely. Those working in the largest companies in our survey are most likely to take a substantial break for lunch (43%).

The study shows that small business owners are taking longer holidays, especially in Britain and Germany. Respondents took an extra half-day's holiday in the past 12 months, averaging 20.55 days off compared with just under 20 before (19.94). The Dutch once again took the most days off (25.86), but the biggest changes in behaviour were in Britain and Germany. The British took an average of 24.78 days off compared with 23.35 the previous year, and the Germans took a full day-and-a-half more than before (23.19 days vs 21.6). One-in-five British respondents and one-in-six Germans now take 35 or more days off a year (up from 17% and 11% respectively). Spain ranks bottom of the European holiday league, with an average 20.78 days off, but, as ever, it is the US that stands out with an average of just 10.61 days holiday a year (see bottom chart on page 18). More than one-in-five American small business owners or managers (22%) say they take no holiday at all.

But what does it take to become an entrepreneur? The obvious answer is a mix of attributes, but the 'ability to work hard' is cited, as last year, by 66% of respondents. 'Determination' is again mentioned by 63% of respondents but fails to make it into the top five in France, Germany or The Netherlands. 'Independence' is prominent in every country list, and only among UK respondents does 'courage' fail to make it into the top five. There is also a marked reduction in the number of UK, US and German respondents citing 'intelligence', and the attribute fails to feature in the top five in any country.

While more than half of small business owners and managers say a university education can be

PERCEIVED ENTREPRENEURIAL SPIRIT

Ranking by Dutch respondents
1. United States
2. Netherlands
3. Germany
4. United Kingdom
5. France
6. Spain

Ranking by German and Spanish respondents
1. United States
2. Germany
3. United Kingdom
4. Netherlands
5. France
6. Spain

Ranking by UK respondents
1. United Kingdom
2. United States
3. Germany
4. Netherlands
5. France
6. Spain

Ranking by US and French respondents
1. United States
2. United Kingdom
3. Germany
4. Netherlands
5. France
6. Spain

an advantage to someone running a business (57% compared with 59% last year), only around a third have formally studied on a business course at a college or university (34% compared with 35% in 2015).

Nearly half of business owners (49%) say they always thought they would start their own business one day. Intriguingly, the same people figure prominently among those putting in the longest hours. They make up 53% of those working up to 59 hours a week, 57% of those working up to 69 hours, 61% of those working up to 89 hours, and 67% of the small number who say they work 90 hours or more. Destiny and determination, it would seem, go hand-in-hand.

These driven entrepreneurs are prominent among the youngest group in our survey (accounting for 56% of the under-30s) and in sectors such as property and construction (55%), retail and wholesale (57%) and food/drink/travel/leisure (58%). The findings also indicate that more men are likely to say they always thought they would start their own business than women (52% compared with 45%).

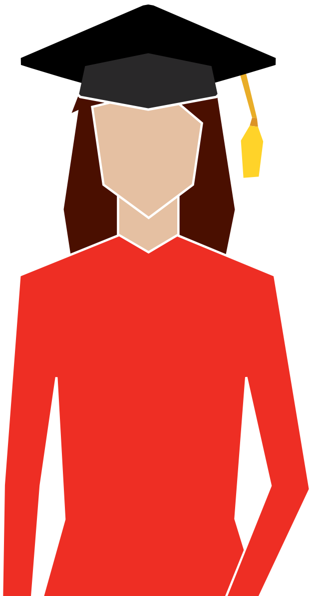
The proportion of respondents who say they were inspired to start their own business by the example set by parents or other role models has also increased. Parental influence explains why 23% of respondents started their own business (up from 21% last year), while 'other role models' is mentioned by 33% of respondents (up from 31%). The figure is significantly higher in the US (45%).

Once again, more than one-in-four (26%) say they started their own business because they couldn't find a suitable job.

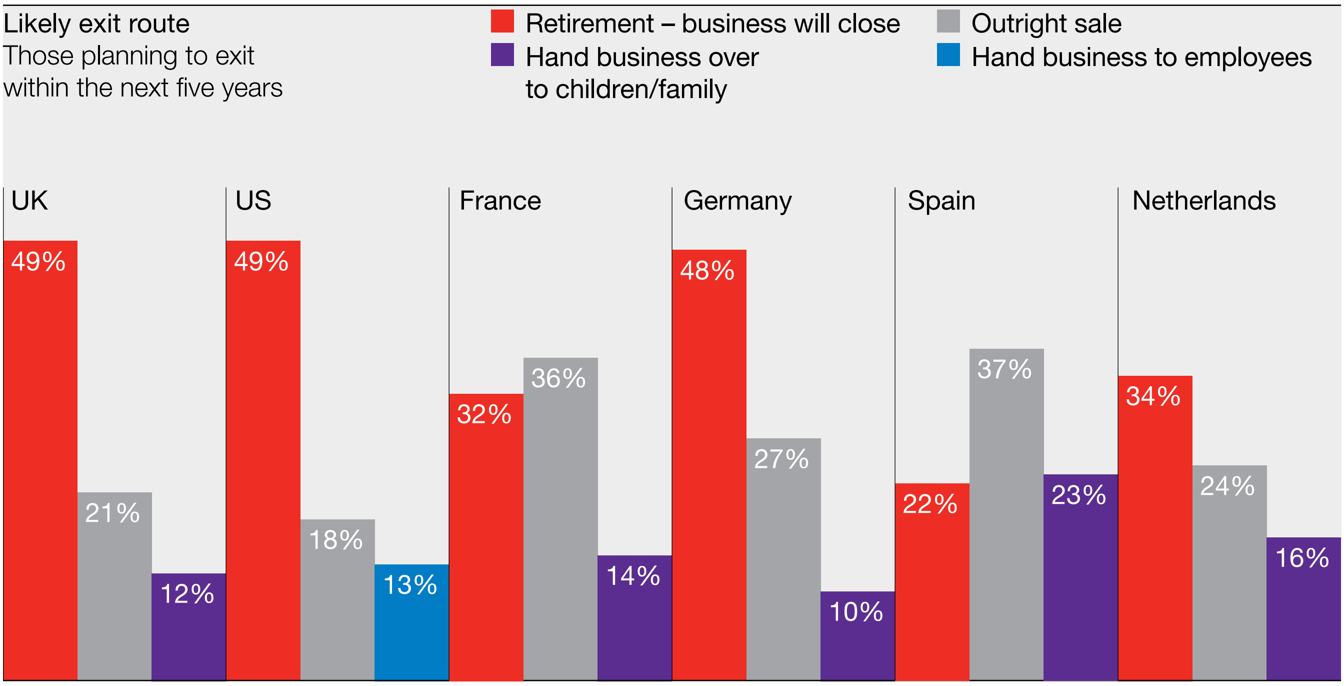
When asked 'which country has the greatest entrepreneurial spirit?', respondents in five of the six countries are agreed: it is the United States. There is only one dissenting country, the UK. This year, British respondents have narrowly chosen themselves as the lead entrepreneurial country, relegating the US to number two.

Once again, everyone agrees that Spain is the least entrepreneurial – despite the overwhelming evidence in this report to the contrary.

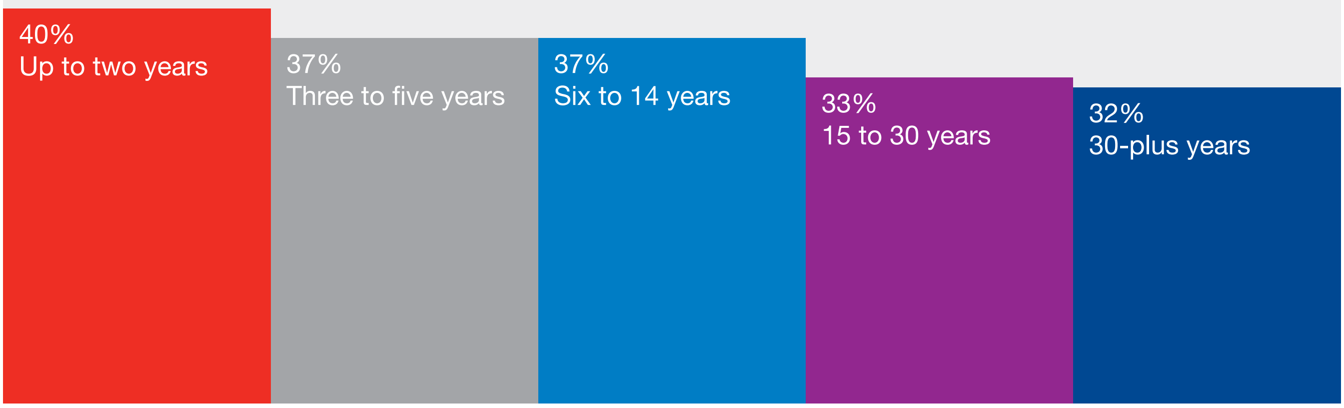
Only around a third have formally studied on a business course at a college or university.



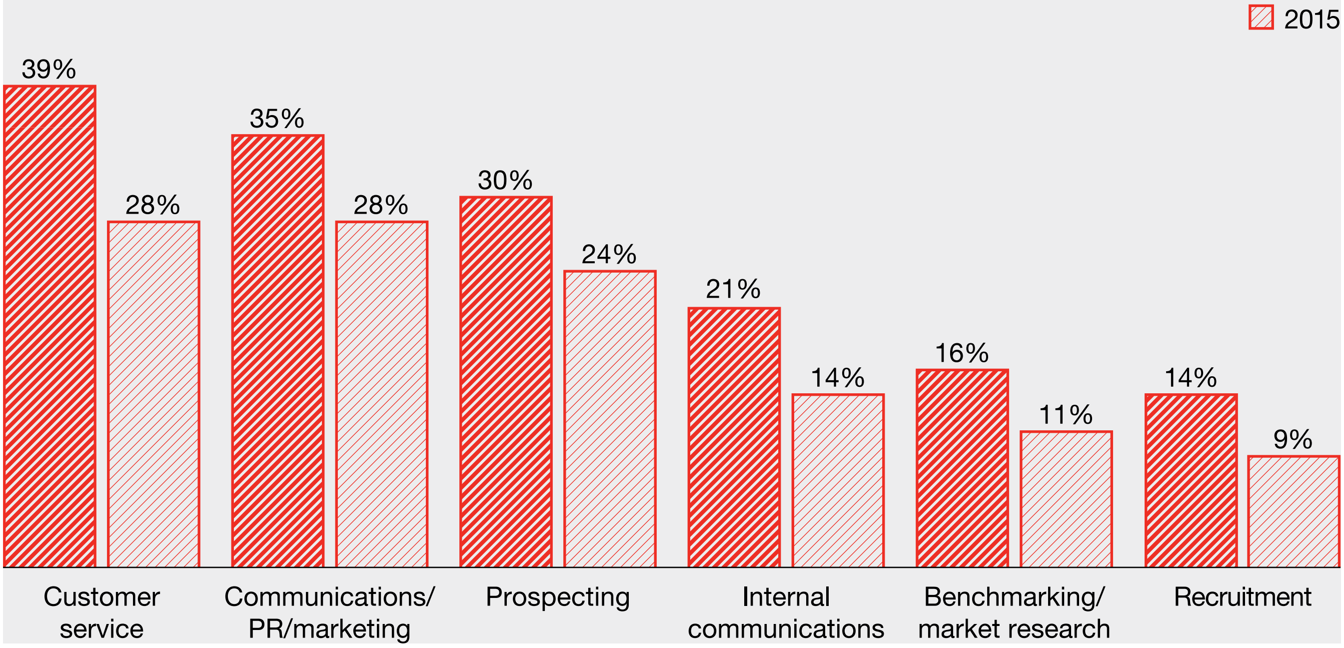
Likely exit route
Those planning to exit within the next five years



'I see no barrier to using social media'
By age of business



Use of social media



For the first time, this year we asked about succession planning. A remarkable two-thirds said they had no plan in place, and 70% or more of those aged 40 to 60 fell into this category.

Succession planning appears to be worst among sole traders (where just 7% have any type of plan in place) and firms with up to four employees (21%). It is best among the largest firms in our sample, which are those with between 20 and 50 employees (38%). French companies are least likely to have succession planning in place, closely followed by their Spanish peers, with 79% and 78% respectively answering 'no'. For many small business owners, there is simply too much to do in the present to plan properly for the future.

We also examined exit strategies and a steady 30% said they were looking to exit their business in the next five years, the same proportion as last year. The number is highest in the UK, at 41%, but there has been – from 42% to 30% of business with turnover between £5 million and £10 million and from 32% to 26% of £10 million-plus companies.

Small companies are increasingly embracing social media, with 36% of respondents now saying they 'see no barrier to using social media' within their business compared with 34% the previous year. Dutch and US respondents are the most positive (at 45% and 40% respectively). Similarly, the proportion of those saying they are afraid they will not be able to control social media has fallen from 12% to 9%.

Not surprisingly, the leading advocates are to be found in the under-30 age group. The proportion of under-30s who are afraid they might not be able to control social media has fallen from 16% to just 6% in the past year. Those who have set up their business within the past two years are also more likely to embrace social media. Two-in-five see no barrier to using social media (see middle chart opposite).

Owners of larger businesses are more likely to want to exit than their smaller counterparts.

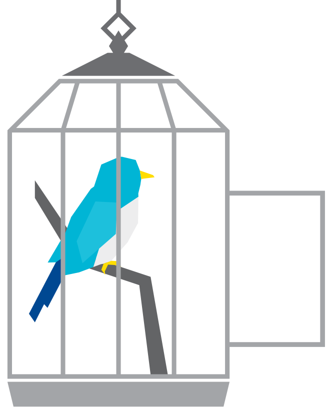
an increase in the number of Dutch business owners looking for an exit – 20% of the total compared with 15% the prior year. More respondents aged 60 and over are considering an exit this year (58% compared with 51% last year).

Just 19% of business owners looking to get out of their business have succession planning in place. That is more than the proportion among those with no plans to quit (15%) but still surprisingly low in the context of exit planning. The answer may lie in the likely exit route many expect to take. Large numbers in the UK, US, Germany, The Netherlands and France expect to retire and, with it, close their business (see top chart opposite).

Owners of larger businesses are more likely to want to exit than their smaller counterparts but their numbers have fallen in the past year

Adoption of social media has increased sharply at both ends of the size spectrum – sole traders at one end and businesses with a turnover in excess of £10 million at the other. Women are more likely to say they see no barrier to using social media than men (39% of women versus 35% of men).

A rising proportion of small firms now use social media for a variety of business functions. There has been a sharp rise in the deployment of social media as a customer service tool, in communications and marketing, and as an aid to prospecting in all six countries (see bottom chart opposite). Nearly half (47%) of Spanish respondents say they now use social media in their customer service operations. Overall, Spanish firms emerge as the biggest users of social media in each of the functional areas identified.



Adoption of social media has increased sharply at both ends of the size spectrum.

Managing small business risks

Based on the experience of Hiscox's customers, the five most common insurance claims made by small businesses are for negligence, breach of duty of care, infringement of intellectual property (IP) rights, theft, and accidental damage. However, cover for key risks remains patchy with many firms leaving themselves unnecessarily exposed.

Only a minority of those surveyed have insurance for all five areas, and levels of cover vary widely between countries and industries. While more than half (56%) of respondents are covered for accidental damage, less than one-in-five (19%) has cover for intellectual property (IP) infringement. The one piece of good news is that levels of cover have generally crept up in the past year.

Accidental damage

This has seen the biggest uptick in demand over the past year, with 56% of respondents now saying they are covered compared with 53% the previous year. The increase owes much to the US and Germany where the proportion of policyholders has grown from 52% to 57% and 53% to 56% respectively. The highest levels of cover are in Spain and the UK (59% of respondents).

Theft

More Spanish, UK and US firms are now covered for theft (67%, 54% and 48% respectively) and, unsurprisingly, transport and distribution firms are most likely to have insurance in this area (69% globally).

Negligence

Coverage in this area is marginally higher than last year (40% compared with 39%) but once again there are significant numbers of business owners and managers who say they don't know whether they are covered. The highest proportion is in Spain, at 26%. Globally, pharmaceutical companies are most likely to be covered, at 57%.

Breach of duty of care

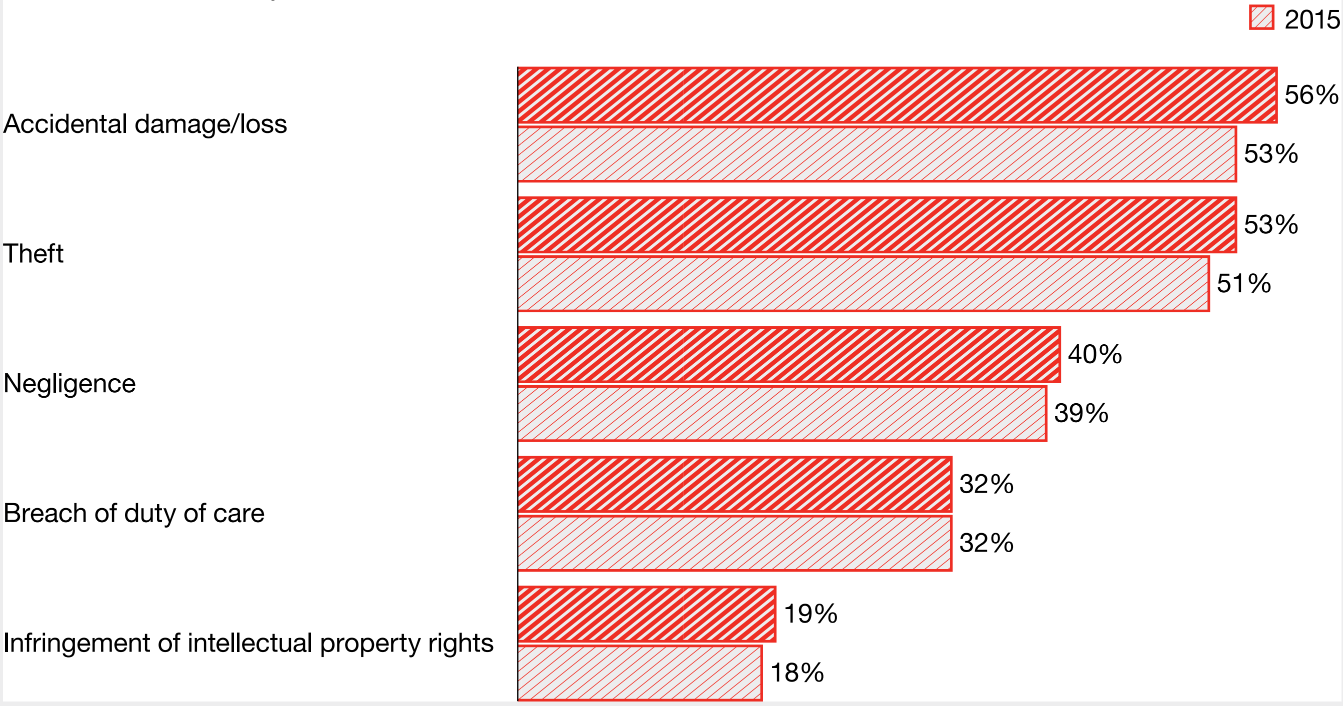
Nearly a third (32%) of firms has cover in this area, but awareness of the risk varies dramatically by country. In the UK and Germany, nearly half of respondents say they have cover (46% and 44% respectively) but in France the figure is just 12%. One fifth of respondents say they don't know whether they are covered.

Intellectual property infringement

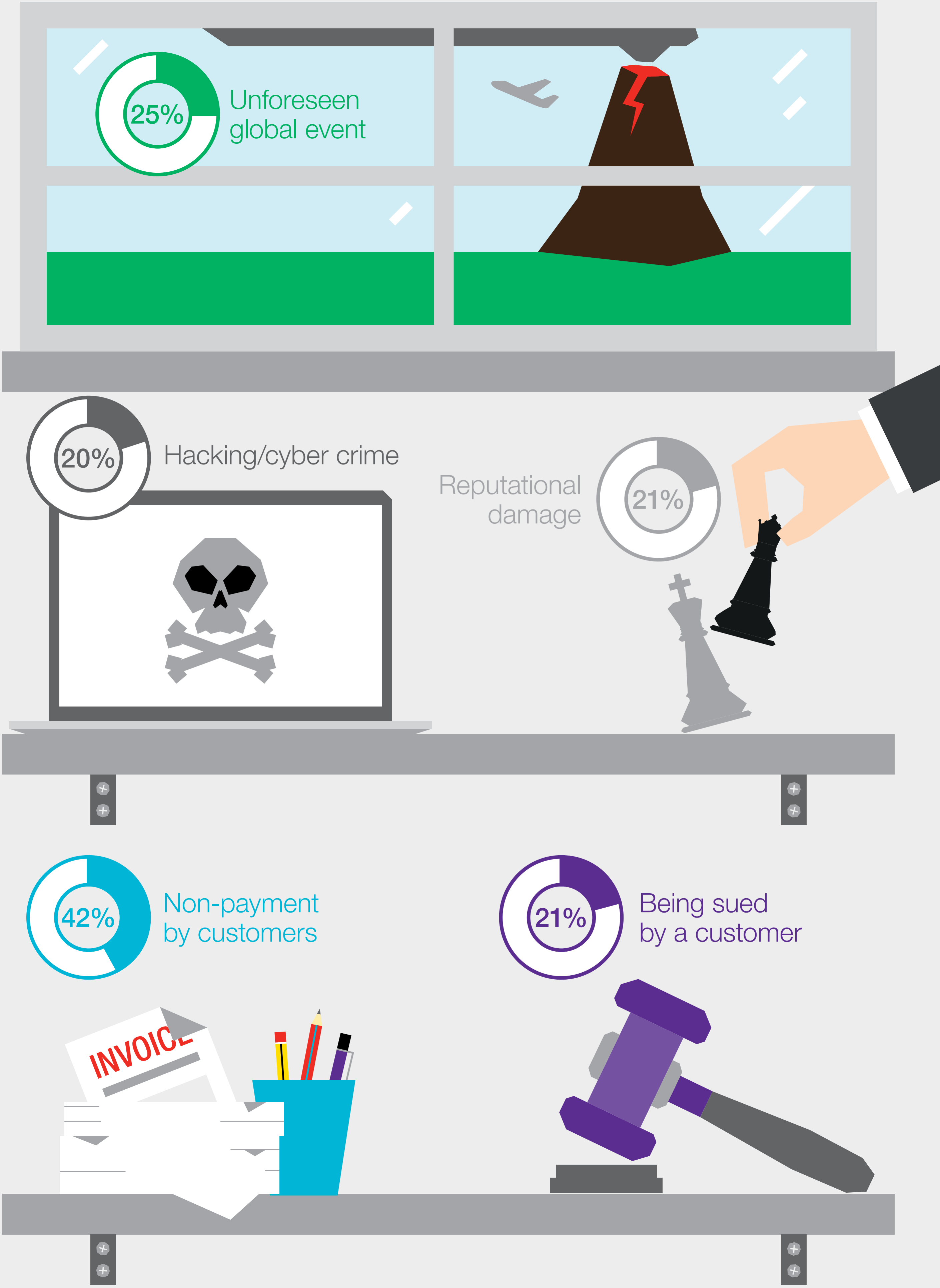
There have been modest advances in the proportion of firms covered in the UK, US and France (now at 22%, 19% and 17% respectively), offset by a small decline in the number of Dutch firms covered (from 16% to 14%). Once again, there are significant numbers of 'don't knows'; 28% of respondents in Spain and 25% in the US. Property, construction and energy firms are particularly more likely to have insurance in this area now than a year ago (21%, up from 11%).

Once again, smaller companies are generally the most exposed to the highlighted risks. This is true in all five categories. Generally, levels of cover rise with the size of the company, however there is an anomaly at the very top of the scale (those businesses with a turnover of over £10 million) where there appears less inclination to buy cover (see chart on page 26).

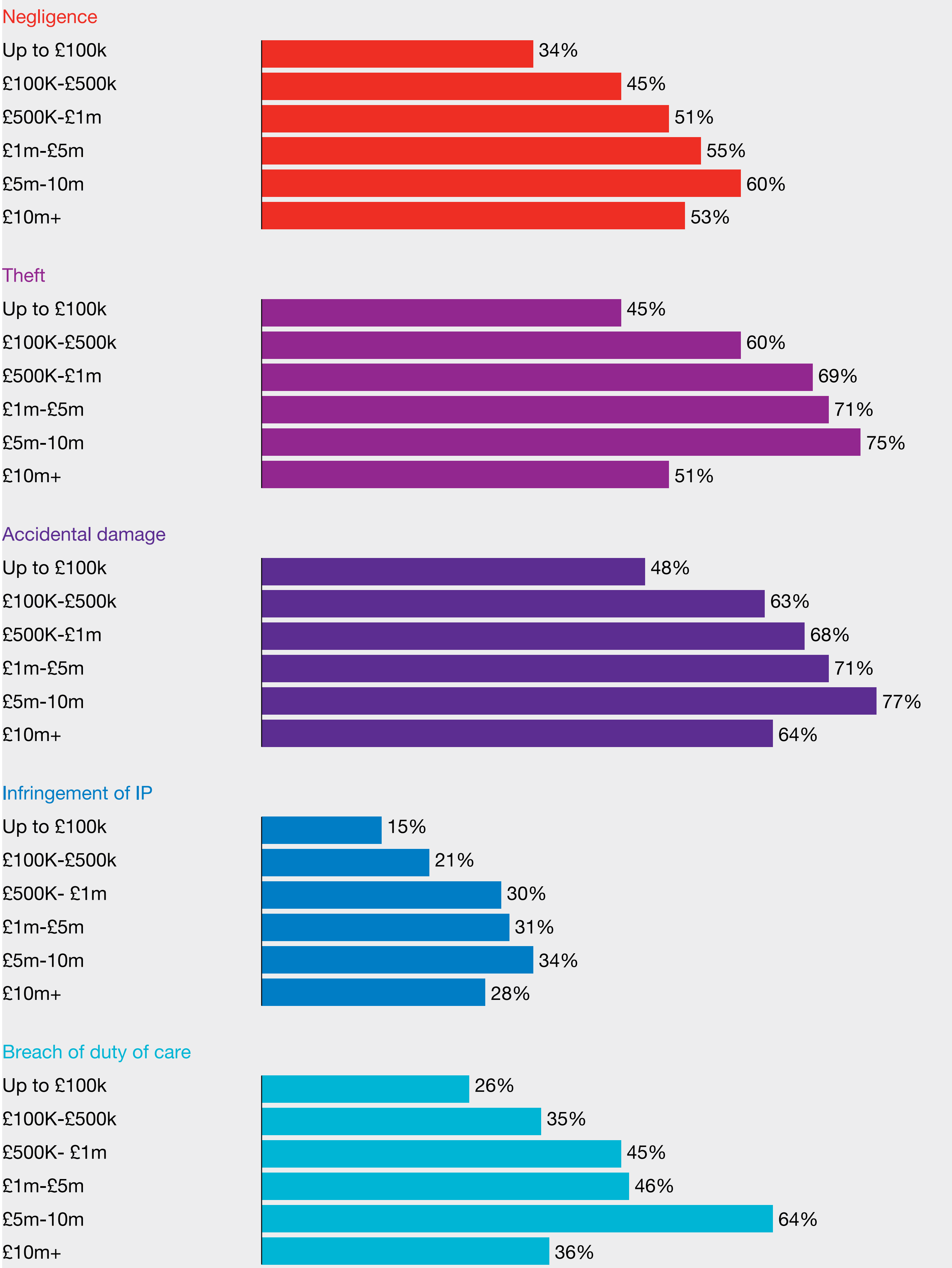
Common claims – are you covered?



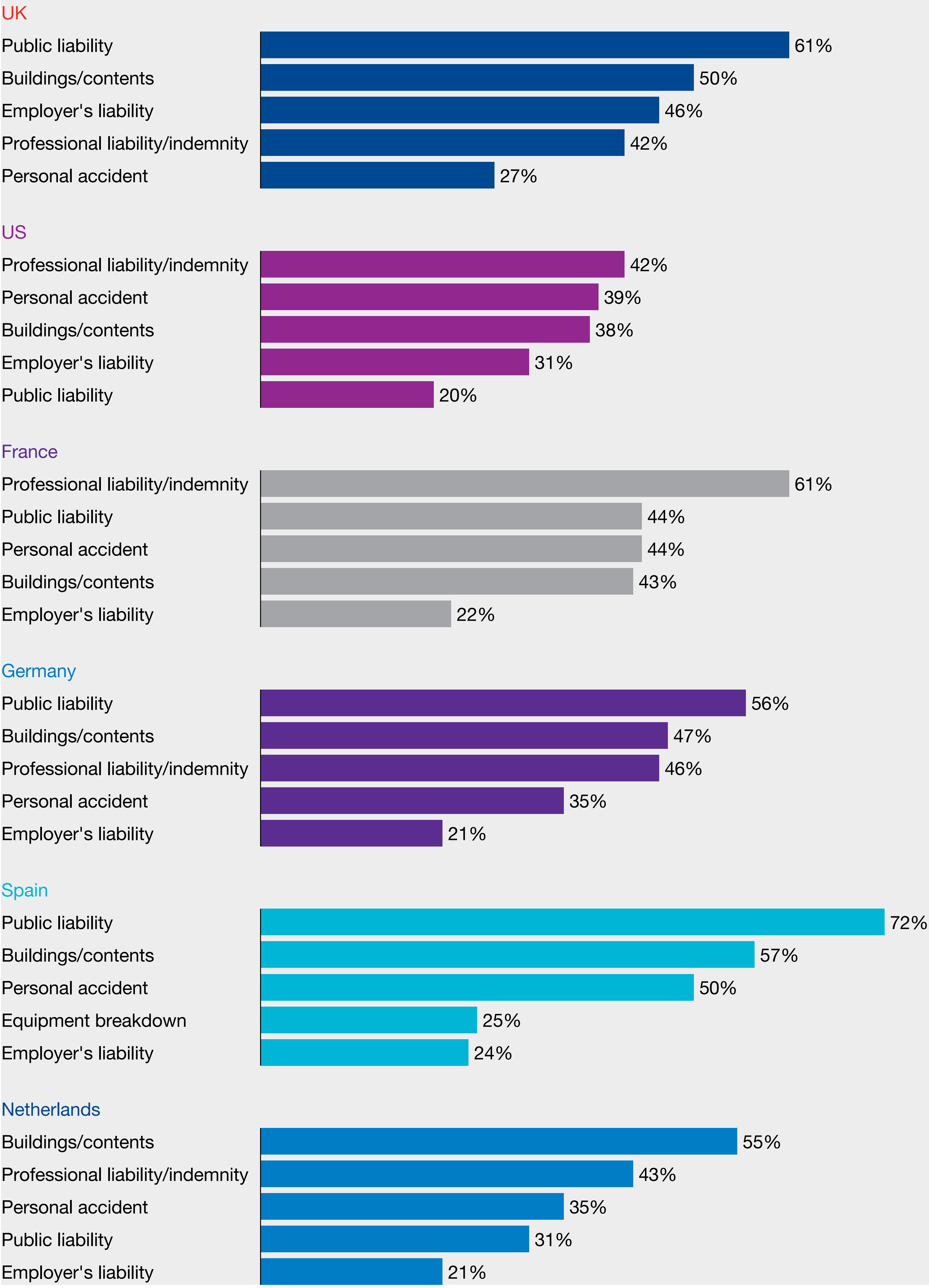
Most widely cited major uninsured risks



Cover by size of company



Top five types of insurance by country



MIND THE GENDER GAP

They say that men will never ask for directions, but they are certainly more likely to ask for insurance cover – according to these findings. In four of the five categories, significantly more men say they have taken out cover than women. The biggest gender gaps are in negligence (43% for men compared with 36% for women), accidental damage (58% against 52%) and breach of duty of care (34% against 28%). Only in the area of IP does the gender gap disappear.

AGE DIFFERENCES

Younger business owners and managers (those under 30) are generally less likely to have cover for any of the five key risks. Perhaps many of them are just too busy getting a company off the ground.

The one exception to this is IP. Here, the under-30s are way ahead of their older peers (with 29% of them having cover compared with just 17% of 50-59 year-olds). Heightened awareness of the risks here, coupled with a greater propensity to run IP-dependent businesses, may provide the explanation.

Looking at the country comparisons, overall UK firms are best insured, while many Dutch and US firms keep risk in-house. Against a list of 11 common types of insurance, nearly a fifth of respondents (18%) say they have no cover at all.

Of those who do have cover, there are five types of insurance that dominate the list: public liability, buildings/contents, personal accident, professional liability/indemnity and employer's liability. However, take-up for these products is different in each country; for example, personal accident cover is held by exactly half of Spanish firms but little more than a quarter of UK firms (27%) and public liability insurance purchasing varies between 20% in the US and 72% in Spain (see chart on page 27).

Manufacturing, transport/distribution and pharmaceuticals are the best insured sectors and at the other end of the scale is business services.

We also asked respondents to highlight major risks to their business against which they were not insured and for the first time we included 'an unforeseen event such as a pandemic or economic crisis' in the list of options from which to choose. Non-payment by customers topped the list in all six countries (42% of respondents) for the second year running, followed by the danger of an unforeseen event (25%). The risk of reputational damage and being sued by a customer both ranked third (21%) (see graphic on page 25).

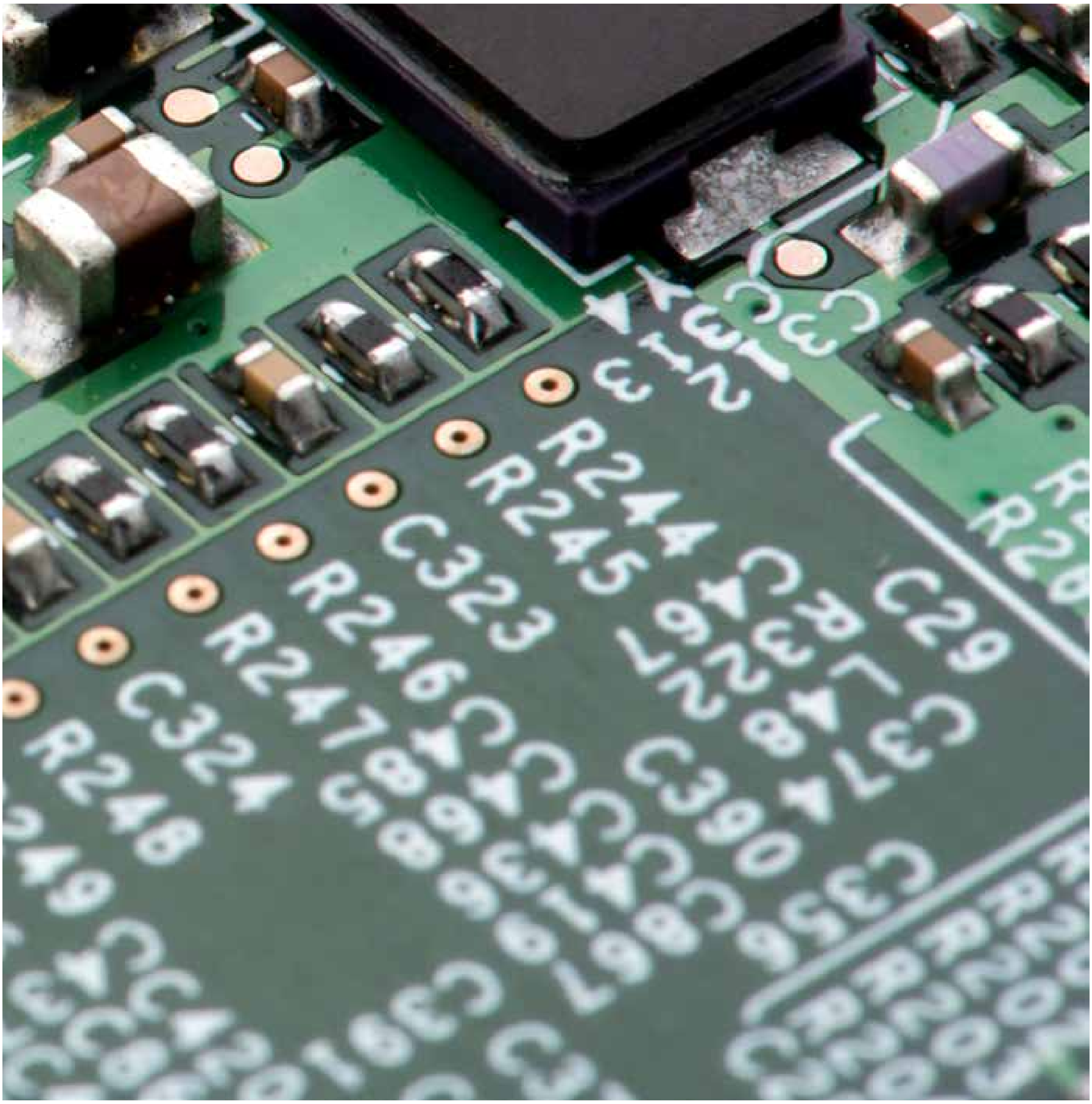
The construction and transport industries are the most concerned at the risk of non-payment by customers – at 51% and 49% respectively. The impact of an unforeseen event is mentioned most often by respondents in the transport (31%), retail/wholesale (31%) and food/drink/travel/leisure sectors (29%).

For the first time, we asked respondents whether they had ever suffered a cyber-attack. More than one-in-ten (11%) said 'yes', with a further 8% confessing that they did not know. German companies were most likely to have suffered an attack, with 14% saying 'yes'.

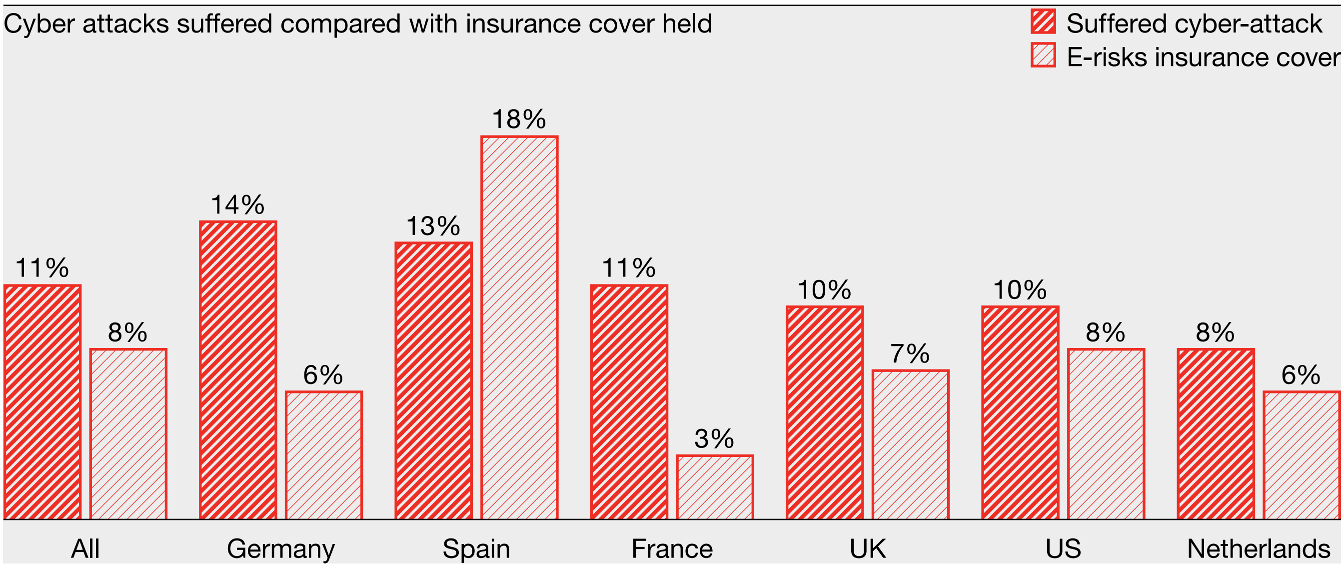
Of those who had suffered an attack, 26% said it had resulted in a serious loss to the company. The figure was higher still in Spain (37%) and the UK (31%). But only one-in-six of those who had suffered a cyber-attack (16%) had been able to make an insurance claim. This figure was highest in the UK (25%) and France (21%).

Of those who had suffered an attack, 26% said it had resulted in a serious loss to the company.

The numbers reveal a disconnect in cyber between awareness and protection (see chart opposite). Only 8% of respondents – the same proportion as the previous year – say they have e-risks insurance (though Spanish companies are way ahead at 18%). Despite this, one-in-five admit that cyber-crime poses a major risk for which they are not insured.



Cyber attacks suffered compared with insurance cover held



Countries in focus

UK in focus

For a second year running, nearly two-thirds (64%) of British respondents report increased revenue, with a similar number (63%) reporting higher profits, too. The biggest firms in our survey did best: 86% of those with a turnover of £10 million-plus increased revenues.

The best performing sector was financial services, where more than three-quarters of firms (76%) increased both revenue and profit. The West Midlands emerges as the best performing region: 72% of firms here increased their revenues over the past year.

The outlook, however, is marginally more clouded. Optimism levels in the UK have fallen back a fraction after three straight years of improvement, although 60% of small businesses are still upbeat about the coming 12 months, compared with 64% the previous year. In addition, 23% say they are 'not sure' what the year holds.

There is evidence of some slight cooling in the economy elsewhere, too. The proportion of UK respondents planning to hire in the year ahead has declined marginally, from 22% to 19%. Manufacturers are keenest to recruit, with 27% saying they intend to hire, followed by the technology, media and telecommunications (TMT), and construction sectors at 24% each. The most active regions for recruitment look to be the North West and London, where 27% and 24% respectively are in hiring mode.

Similarly, the number of firms planning to either lift or sustain their investment in the business has come down marginally, from 65% to 61%. The hottest region for investment is Northern Ireland, where four-out-of-five firms say they will either sustain or increase investment in the year ahead.

Reduced confidence may reflect the uncertainty caused by the EU referendum. Prior to the vote, nearly one-in-three firms (31%) expected Brexit to have a negative effect on their business and a fifth (18%) said it would force them to alter their investment plans.

Although the study was conducted before the vote took place, the responses reflect the deep regional divide that became apparent in the referendum result. Across the country, it was the bigger firms in our survey that were most concerned by the impact of Brexit.

Seventeen percent of all respondents saw Brexit as a positive, with the most widely cited benefit (mentioned by 61% of them) being reduced regulatory burden. This was mentioned most often by respondents in the retail and wholesale (70%), business services (67%) and TMT (67%) sectors. More than two-in-five (41%) of pro-Brexit respondents expected life outside the EU to increase their ability to trade more freely.

Worryingly, late payers are back. Many more UK respondents report late customer payments this year – 32% compared with 27% – and in some regions the increase is more marked. Interestingly, there has also been a modest increase in the number of companies admitting they are paying their suppliers later than they were 12 months ago (14% versus 11%).

One of the more striking findings this year is the sharp decline in UK small businesses' faith in government. The numbers who see government policies as supportive of entrepreneurs are now roughly balanced by those who see them as unsupportive (35% versus 34%). The previous year saw a 20% margin in favour of those who liked what they saw in Whitehall. The shift has been especially marked in two regions: the North West and Wales. In the former, the numbers who see government policies as supportive have halved, from 54% to 26%. In Wales the figure is down from 47% to 25%. These were both regions that voted overwhelmingly for Britain to leave the EU.

The expected impact of Brexit

- Very strongly negative
- Generally negative
- Marginally negative
- No overall impact

Customers paying later

US in focus

Despite an economic recovery that is now into its seventh year, America's small business owners and managers are far from euphoric. Asked to describe their personal financial situation, only two-in-five (41%) say they feel better off than a year ago. That compares with 45% in 2015. At the same time, there has been a rise in those who say they are no better off (from 34% to 37%).

This deterioration in wellbeing is particularly acute in four regions: East South Central, East North Central, West North Central and Mountain. The sharpest reduction in the number of those who consider themselves better off than before is in East North Central (from 51% to 37%). The numbers feeling worse off there have doubled – from 11% to 23%.

For all that, the overall level of optimism across the US remains little changed on a year ago (68% say they are optimistic against 69% before). Industries recording the highest proportion of optimists are TMT (76%) and financial services (72%). Least optimistic are those engaged in manufacturing (57%). The New England region is the least positive about the year ahead (56% are optimistic). Female respondents are once again more optimistic than their male counterparts (70% versus 65%).

America's small business sector certainly has cause to feel upbeat. In key measures such as growth in revenue, profit and new customers, US respondents are at or about the top of the country tables. Only in the area of order books, do they come second – to Spain. But even in this area the numbers reporting growth have increased in the past year (from 60% to 63%). The two sectors demonstrating the most widespread growth are financial services and TMT. The retail/wholesale sector has the greatest number of respondents reporting growth in customer numbers (78%). Manufacturing tops the list for growth in forward orders (72%).

Nationwide, 23% of small firms intend to take on staff in the year ahead, roughly similar to the previous year. In the Mid-Atlantic region, however, the number has jumped from 15% to 28%, making it the best region for job-seekers (see map opposite).

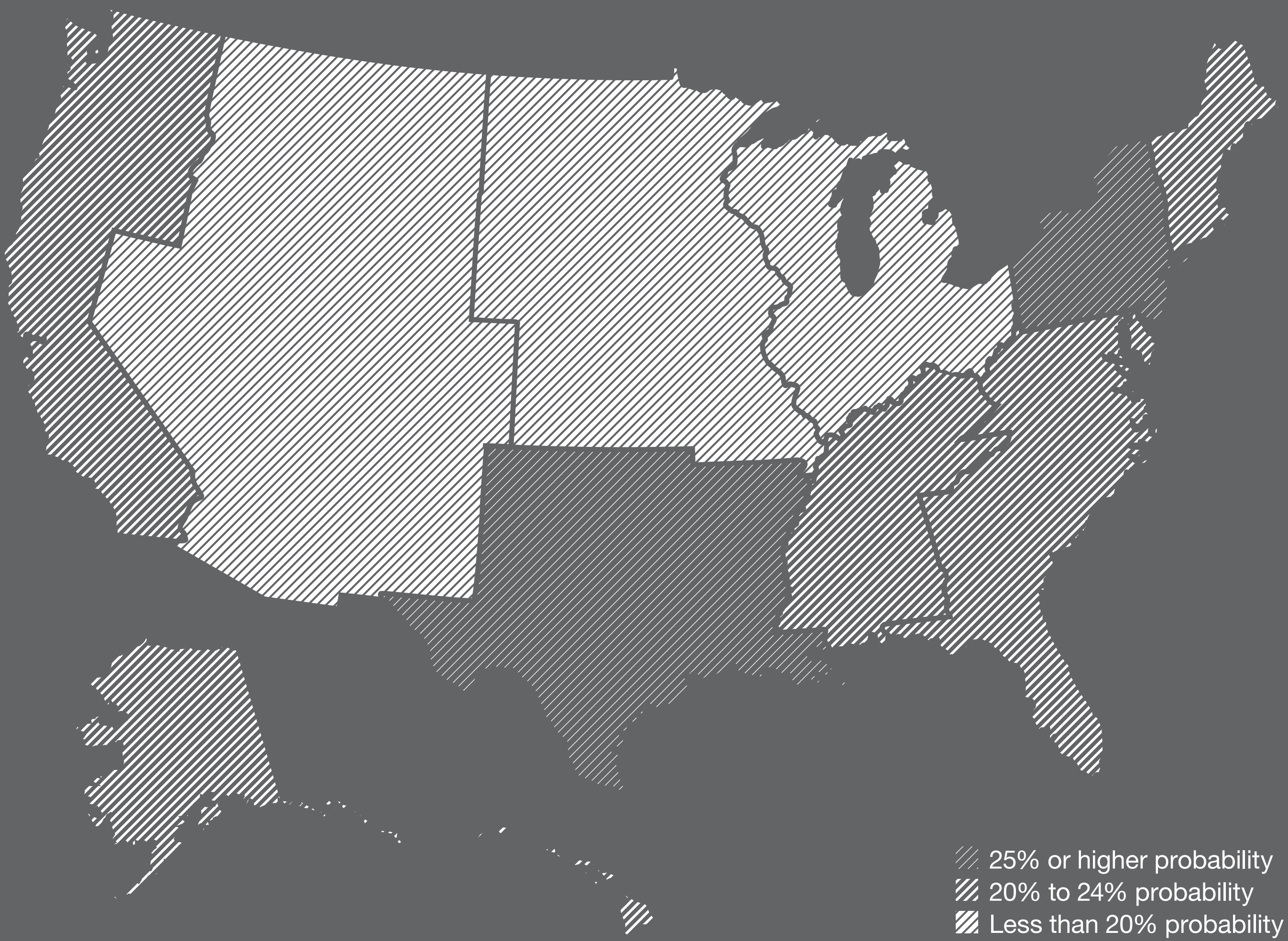
There has been a fall-off in the number of small firms investing in innovation. Across the country, the proportion reporting they have launched a new product or service in the past year is down from 39% to 36%. Those figures mask much sharper falls in certain regions. In New England only 30% of respondents introduced a new product or service, down from 53% the previous year. The number planning to introduce a new product in the coming year is down from 67% to 46%. There are similar falls in the Pacific, East South Central and West North Central regions.

One reason may be lack of finance (see bar chart opposite). The proportion of US respondents who say bank finance has become more difficult to access has risen from 13% to 17%. It has almost trebled in New England (from 9% to 26%) and doubled in Mountain (from 8% to 19%) and East North Central (from 10% to 19%).

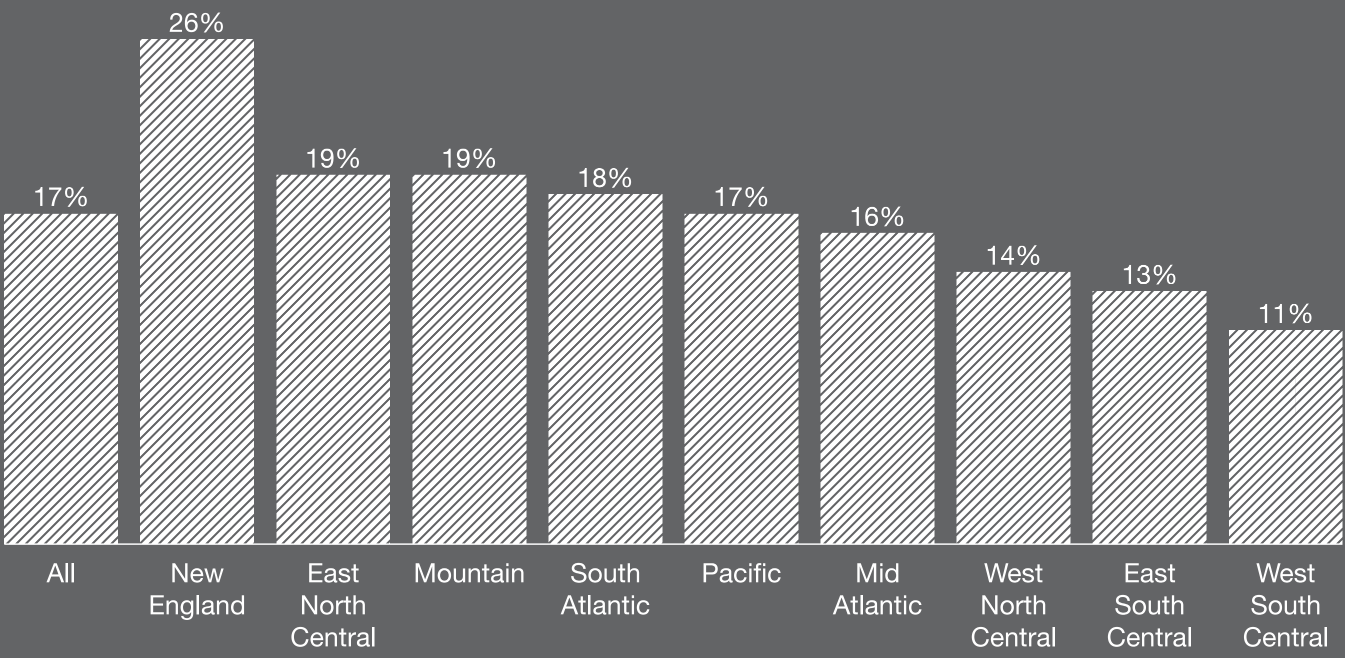
Americans stand apart from their counterparts in other countries for their sense of conviction, the sources of inspiration on which they have drawn and the investment they have made in education.

Half (50%) now say they always thought they would start their own business one day, up from 45% a year ago. That sense of certainty is highest in the West South Central region, where it is held by 60% of respondents compared with 53% a year ago). Americans are also most likely to say they were inspired to run a business by role models or other people they knew who successfully ran businesses (45%, up from 41% last year) and more likely to have taken a formal business course at a college or university (44% compared with an average 29% across the six countries).

Likelihood of taking on staff in coming year



Bank funding harder to find



Spain in focus

There is a fascinating dichotomy within the Spanish survey results. On the one hand, Spain's small business sector is clearly growing fast with more than two-thirds of firms reporting growth in revenue, customers and order books. On the other, there are mounting concerns over the availability of bank funding, with nearly half of Spanish respondents (47%) citing lack of finance as the greatest barrier to innovation and substantial numbers even saying they fear not having the resources to keep going.

The impressive upturn apparent in last year's report has carried through into 2016. All sectors are sharing in the improvement but it is TMT and business services that are leading the way with more than three-quarters of firms reporting revenue growth (79% and 76% respectively). There is a similar picture in forward orders. The pharmaceutical businesses in the Spanish cohort logged still higher growth in both revenue and forward orders (92% and 83% respectively) but represent too small a sample to be thoroughly reliable.

Spanish firms were the most active recruiters last year, with nearly a fifth (18%) adding to staff numbers. The TMT and food and drink sectors led the way (32% and 30% respectively hiring new people). For the year ahead, 26% of firms say they plan to hire. Firms in the North East and the North and Northern Central regions are the most bullish recruiters (29% in each case say they plan to recruit). There has also been a big pick-up in hiring intentions in the North West, with 26% of firms saying they will hire (up from 17% a year ago). There is less good news in the East, South and North and Northern Central regions where hiring intentions have fallen.

On the funding issue, past surveys have shown Spanish businesses less concerned than most others. This year, that has changed. There has been a sharp rise in the numbers saying bank finance has become more difficult to access – from 16% to 22% (see bar chart opposite). The problem appears most acute in the North West, where 29% of respondents say credit has tightened, and in the food/drink/travel/leisure sector (32%).

Nearly a quarter (24%) of small business owners are now using their credit card to help fund the business. This is the highest number in the report. Some 17% have turned to family and friends for help, again the highest figure across the six countries. The numbers thinking about crowd sourcing and peer-to-peer lending have nearly doubled (from 5% to 8%).

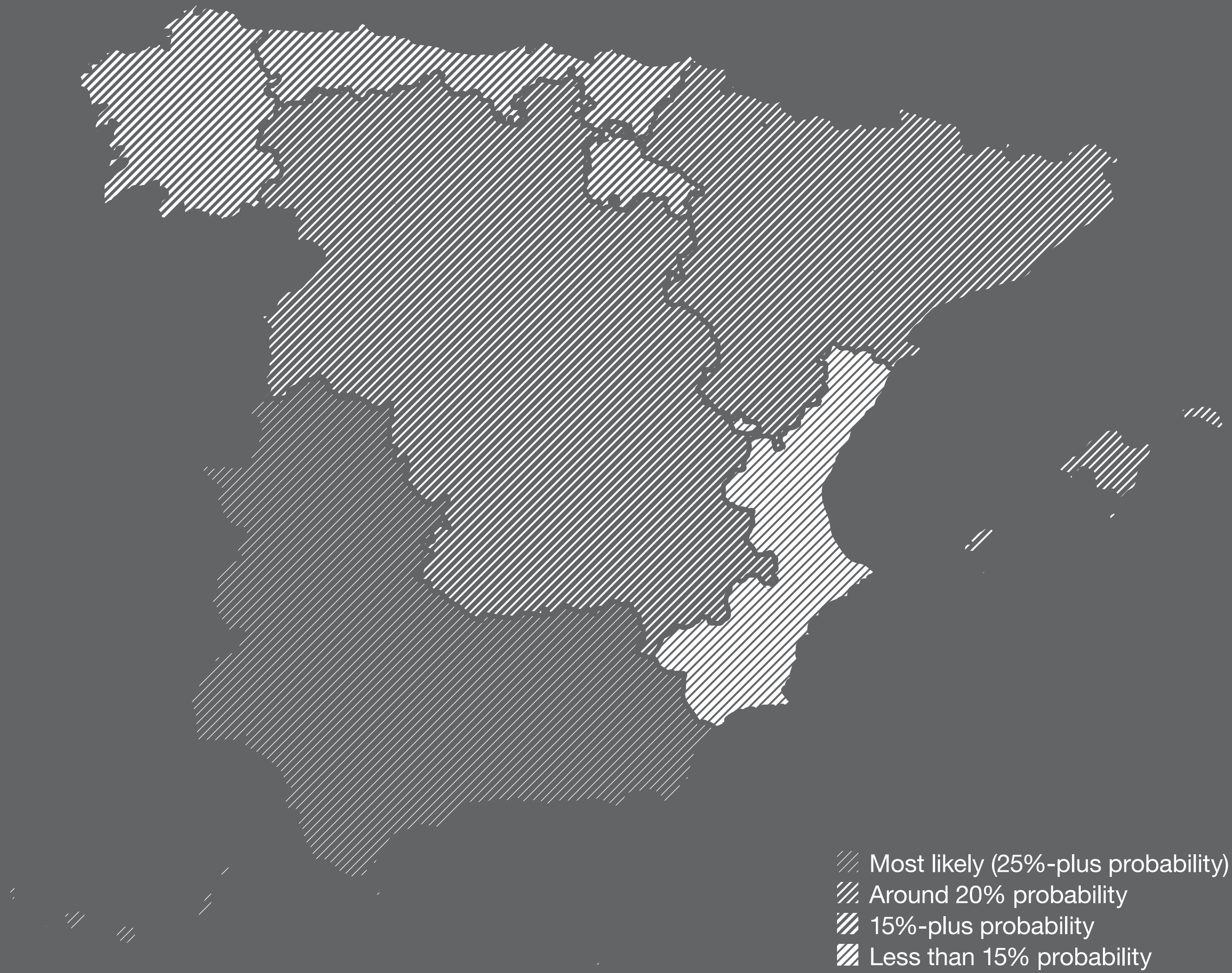
Later payment by customers remains a pressing issue for almost half (48%) of respondents. Two-thirds (64%) of those say it is having a damaging effect on their business. Overall, one-in-six small business owners (16%) fears that the company will not have the financial resources to keep going. In some regions the figure is substantially higher. In the South, it has doubled from 13% a year ago to 27%. In the North and Northern Central regions it is up from 17% to 25%. By contrast, business owners in Madrid and the East appear significantly more relaxed about funding for the year ahead.

The report busts one big myth. While the Spanish are seen by other nationalities (and even themselves) as the least entrepreneurial of the six countries surveyed for the report, they in fact score top marks in many of the areas that denote forward-thinking management. Spanish respondents top the list in areas such as innovation and planned investment, and while the proportion of firms that currently export (23%) is marginally less than that in the UK, France and Germany (24% each), the numbers planning to start exporting (9%) is higher than in any of the other countries.

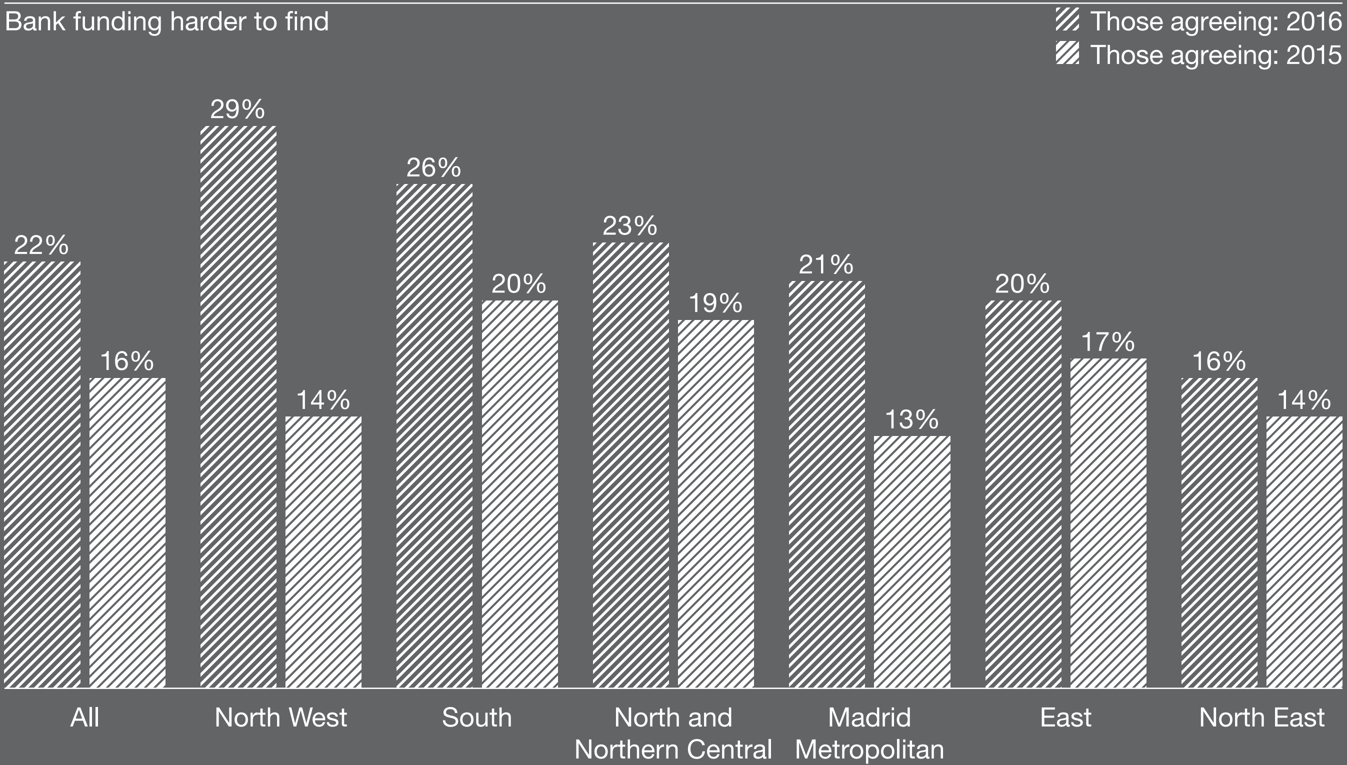
They also appear more tech-savvy. Twice the average number of firms (20% compared with 10% across all six countries) expect new technology to allow them to cut staff numbers in the near future. In the South, the figure is 27% (see map opposite). More Spanish small businesses have e-risks insurance than in any other country in the survey (18%, up from 16% the previous year).

For all that, Spain's small business owners and managers are still big lunchers. More than half (52%) take in excess of 30 minutes each day and a further 8% say they usually have a business lunch. Of the 30 minutes-plus lunchers, nearly two-thirds (63%) take two hours or more. Long lunches however are balanced by shorter holidays than in any other country than the US.

New technology will allow me to cut staff numbers in the near future



Bank funding harder to find



France in focus

There are signs of an accelerating recovery in France. While the rise in the number of companies reporting revenue growth (60% versus 54% before) is not matched by a significant improvement in profitability (52% say profits are up, little changed on the previous year's 51%), there has been a modest improvement in forward order books with 58% of firms saying their workload has grown compared with 56% in 2015.

There has also been a small improvement in 'feel good' factor. More than a fifth of respondents (21%) now say they feel better off than a year ago, though there are significant differences by region. They are still outnumbered by those who feel worse off (36%).

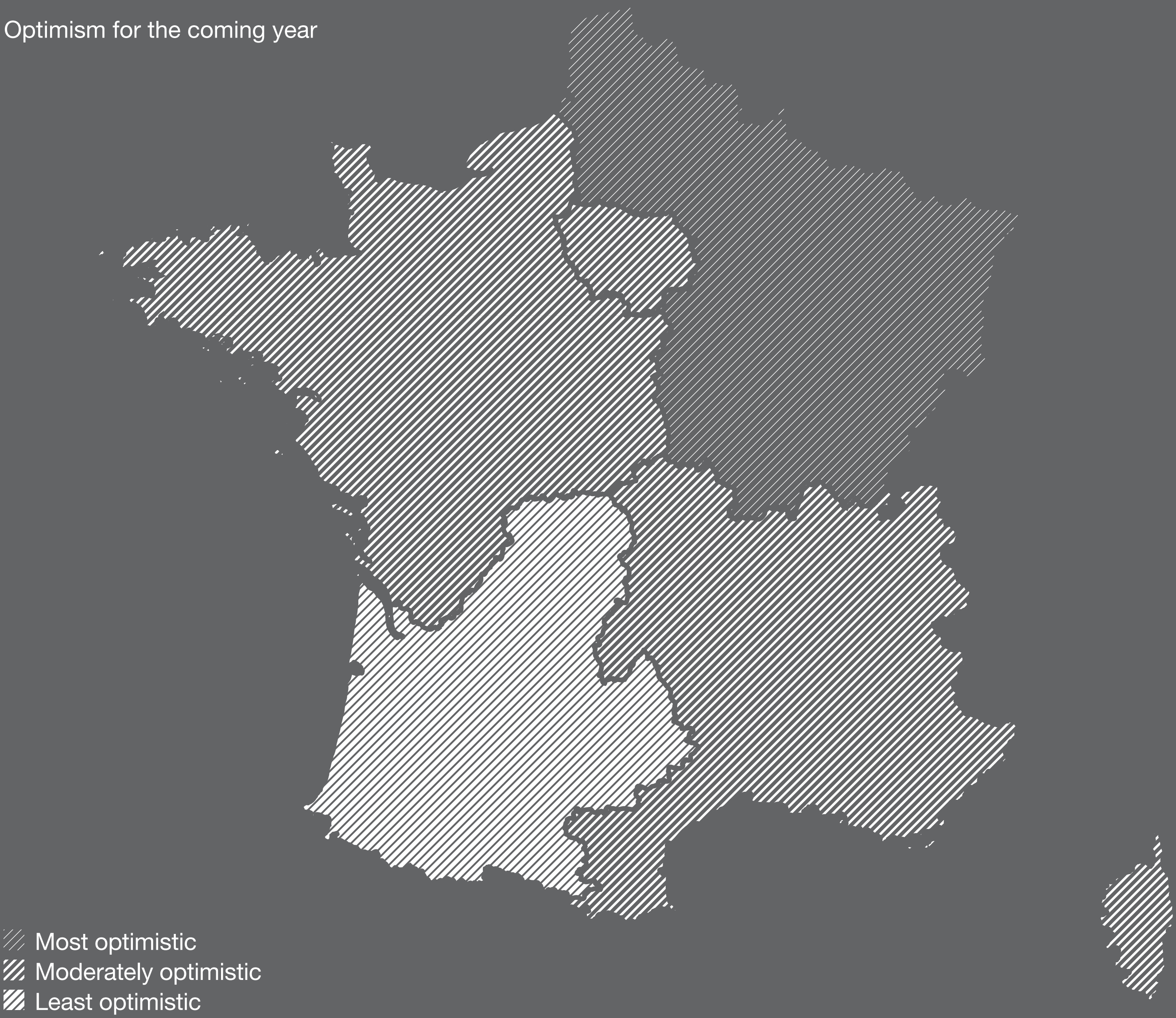
In common with most other countries in our survey, optimism levels have tailed back in the past year (from 43% to 41%). The difference with France is that they were already about 20% lower than the average for all six countries. The sharpest fall is in South West France, where barely a third (34%) of respondents now say they are optimistic about the coming year (compared with 41% the previous year).

Perhaps the most encouraging sign is that optimism levels broadly rise with the size of company. While the smallest firms have yet to join fully in the recovery, half or more of businesses with a turnover of between £1 million and £5 million and £10 million-plus expect a better year ahead (53% and 50% respectively).

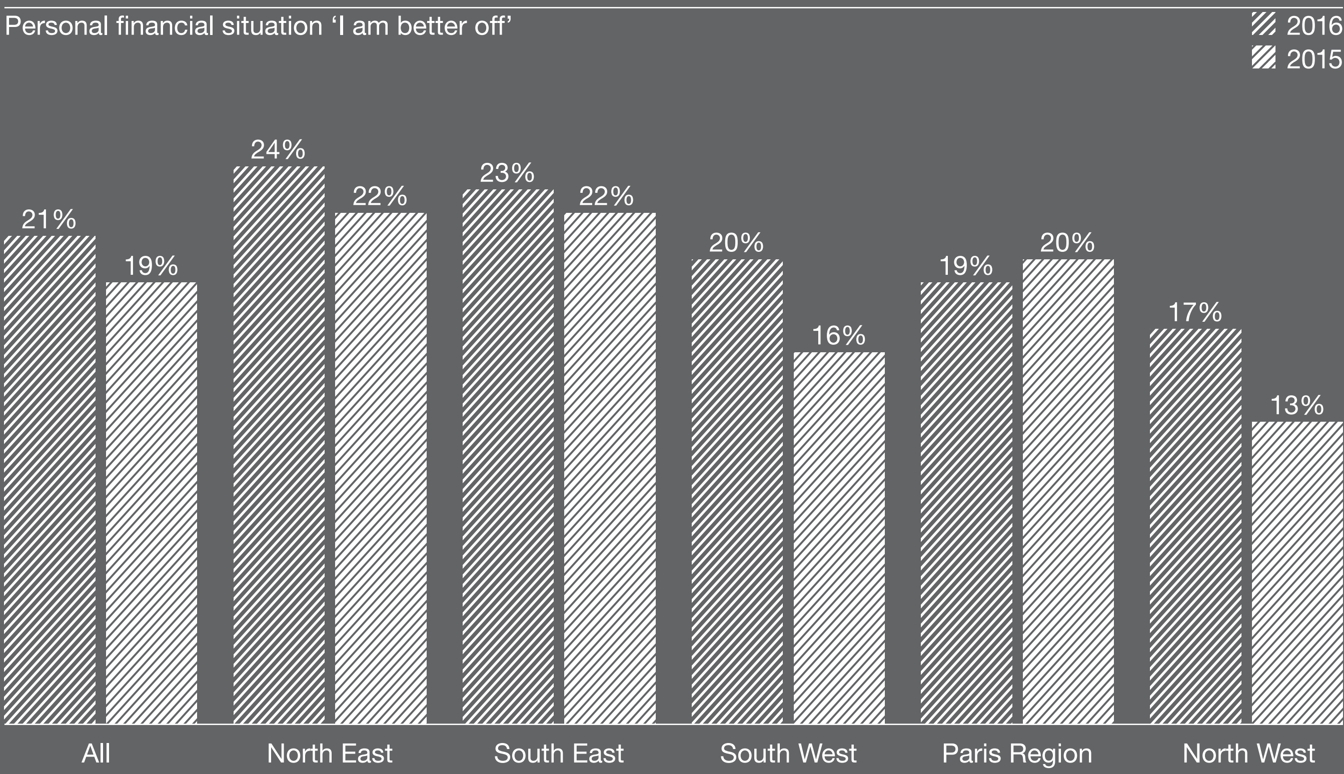
Despite the upturn, France's small business owners and managers have limited faith in their government. The number one business fear, cited by a fifth of respondents (20%), is that 'the government will not support small businesses'. That marks a big jump on the previous year's 15%. Respondents in the South East region are most likely to tick this box (23%).

Asked if they think their government's policies are supportive of entrepreneurs, more than half of respondents say an outright 'no' (53% versus 51% in 2015). In financial services and the transport/distribution sectors the figure is substantially higher (79% and 75% respectively). Smaller businesses with a turnover of under £100,000 are markedly more likely to say 'no' than bigger ones (56% compared with 30% of companies with a turnover of between £5 million and £10 million). Younger entrepreneurs (aged up to 30) appear more frustrated than most: 65% question the government's support for small businesses (compared with 47% for the 50-59 age bracket).

Optimism for the coming year



Personal financial situation 'I am better off'



Germany in focus

Germany's small business sector is booming. Germany tops the table for revenue growth, along with the US, with 70% of respondents growing their turnover in the past year. Around one-in-ten firms (11%) reports growth in excess of 20%. More than three-quarters of businesses in financial services, professional services, manufacturing and food/drink/travel/leisure has generated revenue growth in the past year.

Exporters are doing particularly well. Four-fifths of them (80%) report growth in sales compared with 69% of non-exporters. Once again, the bigger companies (those with turnover of £10 million-plus) lead the way; some 83% have put on sales. Younger businesses set up since the recession of 2008 are tending to outperform older ones (80% of them have generated growth compared with 66% of pre-recession businesses).

Germany stands out as the one country in our report where the number of companies saying they are optimistic continues to grow (65% versus 61% before). The number of firms reporting growth in their order books is up from 64% to 67%. The one region that was lagging a year ago – the South – has caught up with a vengeance. The proportion of firms here reporting an increase in profits and orders has jumped ten percentage points (to 69% for profits and 68% for orders).

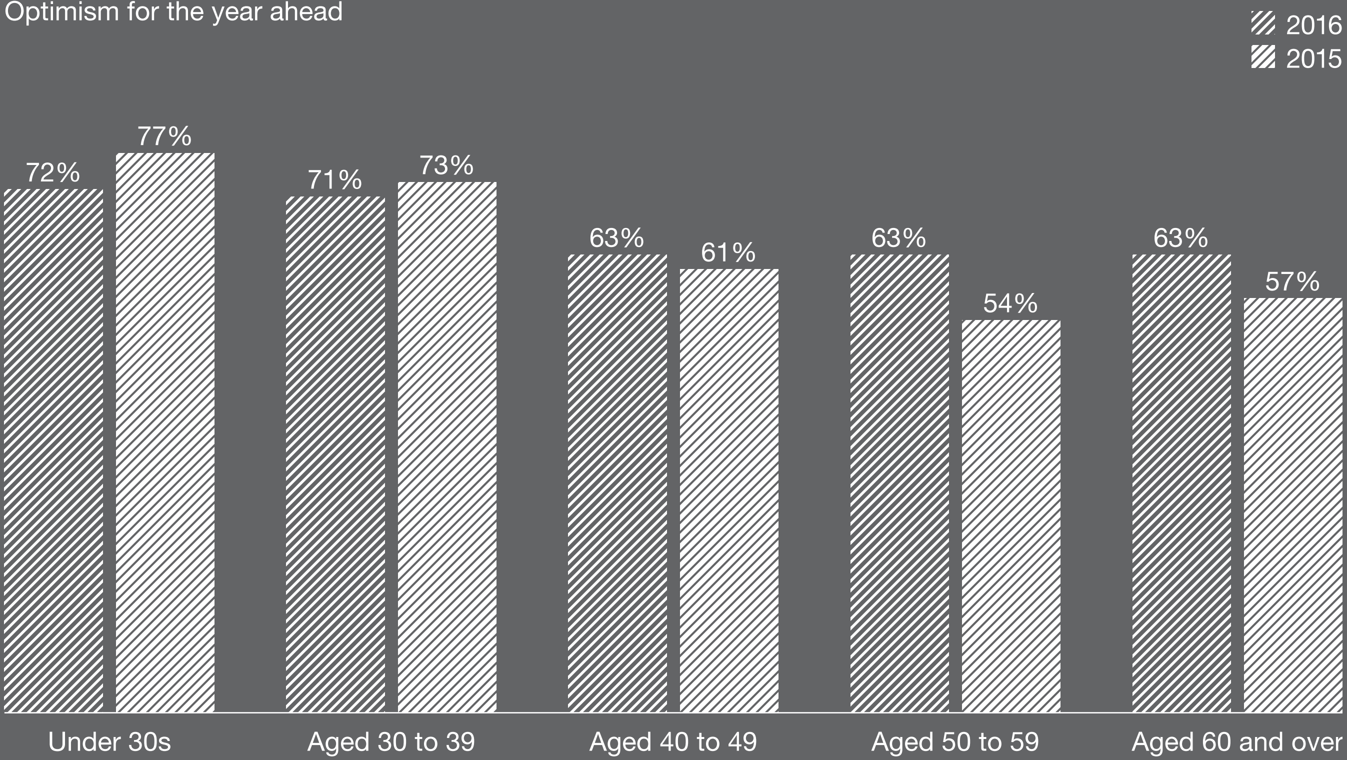
Younger business owners and managers are significantly more optimistic about the year ahead than their older peers. This may reflect the fact they are running younger businesses, which on the whole are growing faster than more mature ones (see chart opposite). Surprisingly, the proportion of German respondents saying they feel better off than a year ago has fallen slightly, from 33% to 31%.

One area of concern for the year ahead is costs. The proportion of firms worried that they might have to pass cost increases on to customers is up from 11% to 14%. There has also been a sharp jump in the numbers who say they might not be able to access the required amount of credit to keep on growing (9% versus 4% before). That concern is most pronounced in the South, where it is cited by 12% of respondents (up from 3% before).

I am better off than a year ago

Most likely to agree
Some agreement
Least likely to agree

Optimism for the year ahead



Netherlands in focus

There is a generally positive tone to the Dutch survey results. Overall optimism levels have held up (64% of respondents are optimistic compared with 65% before) and there is a marked rise in the numbers saying they feel better off than a year ago (41% versus 36%). In the East Netherlands, the 'better-offs' have jumped from 30% of the total to 49%.

The region is also enjoying the best of the economic recovery. Overall, 63% of Dutch small businesses lifted their revenues in the past 12 months. Nearly as many (59%) increased profits. In the East Netherlands, the comparable figures are 69% and 68%, a jump of 10% or more in each case.

More than a quarter (26%) of Dutch firms say they invested more in their business in the past year, the second highest figure in the report. The proportion of transport and distribution businesses that increased investment doubled to 39%. In manufacturing, the number rose from 36% to 41%. There was limited investment in people, however. Only 10% of firms say they added to staff numbers while 7% say they cut them.

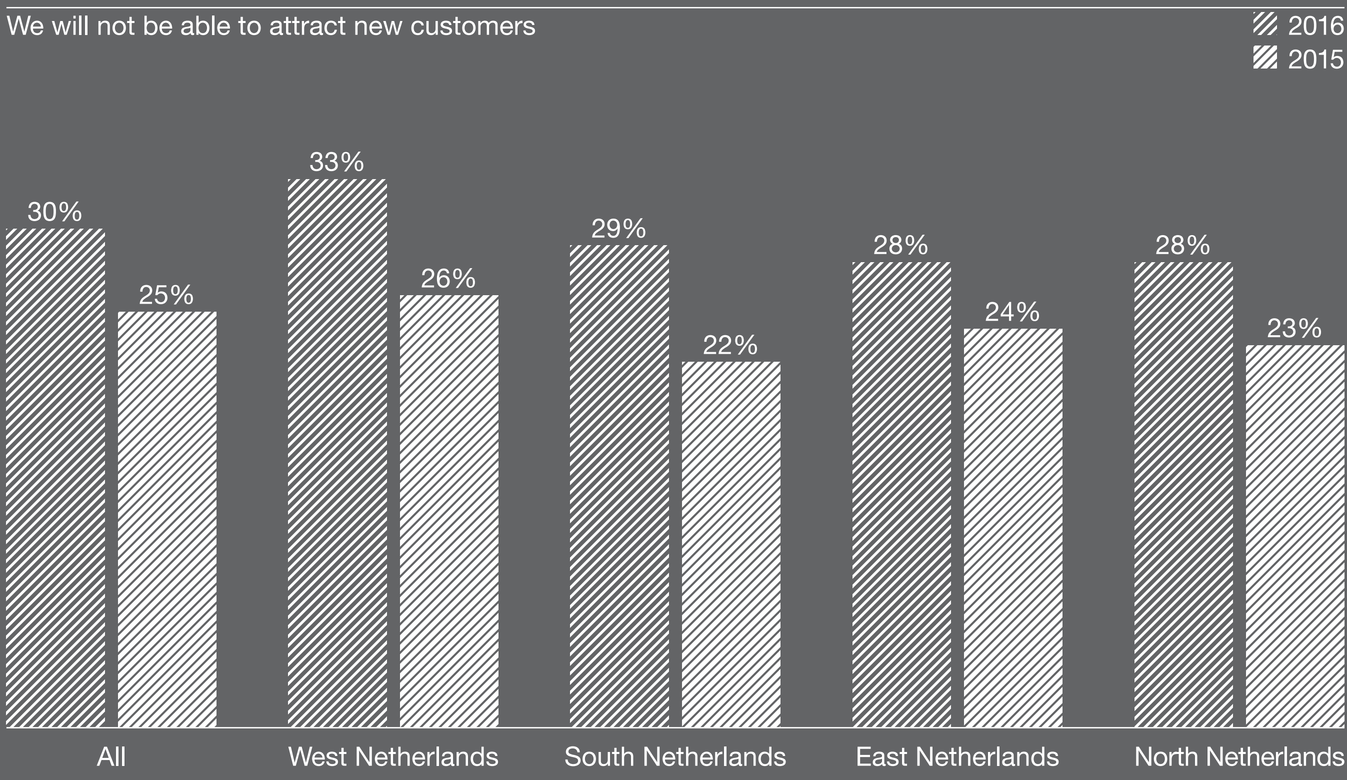
There is a growing minority of businesses with concerns about the year ahead. There is a marked rise in the numbers saying their biggest fear is not being able to attract new customers (from 25% to 30%). This fear is most prevalent in the West Netherlands region, which accounts for just over half of the Dutch companies surveyed for the report (see bar chart opposite). In the South Netherlands, one-in-eight small business owners and managers (13%) fears not having the resources to get through the next 12 months (up from 5%).

The Netherlands stands out as the only country in our report where credit conditions appear to have eased. The proportion of respondents saying 'bank funding has become more difficult' has fallen from 34% to 31% while the numbers saying it has become easier is marginally up, at 3%. However, in some sectors conditions have clearly worsened. Nearly four-out-of-five transport and distribution companies (78%) say bank funding has become more difficult to access, more than double the previous number (33%). They do, however, represent a substantially smaller sample than last year. Many manufacturers and construction/property businesses are also experiencing tighter credit conditions (56% and 47%) respectively.

Adding to staff numbers in 2016

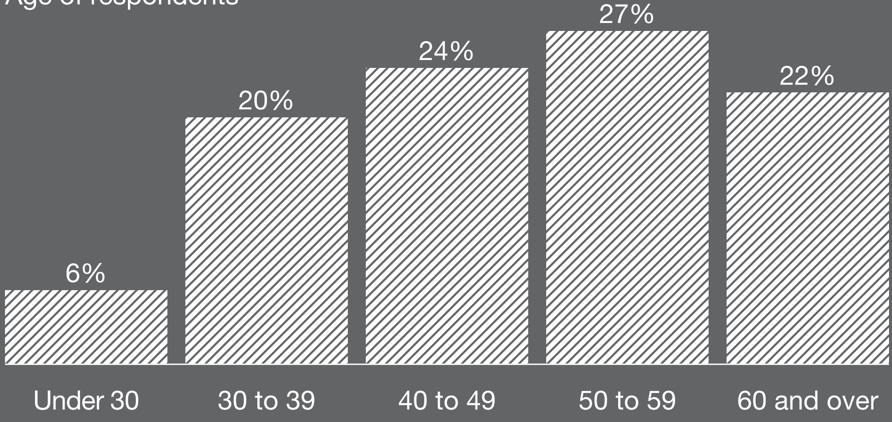
Increase of 5% or more
Increase of less than 5%
Reduction in staff

We will not be able to attract new customers

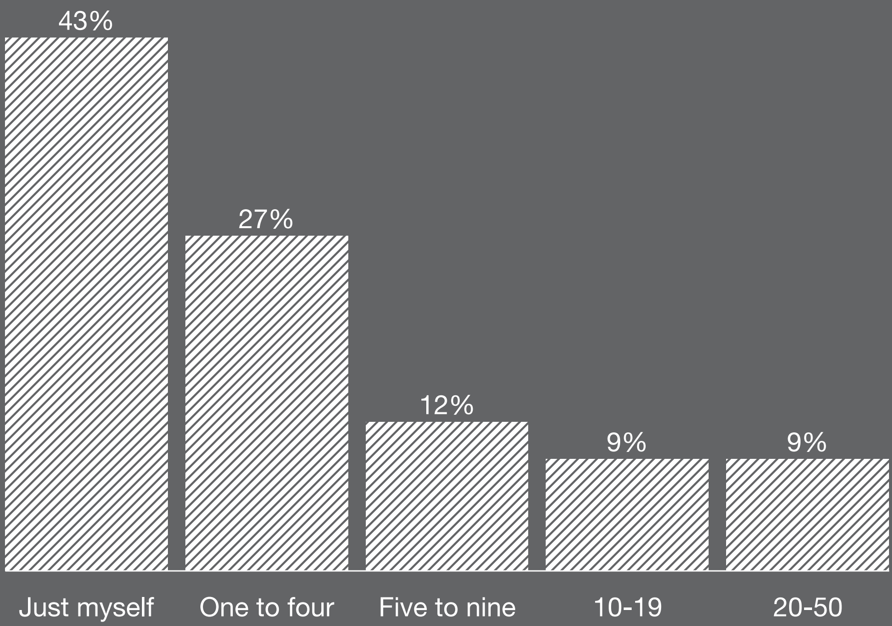


Methodology and profile of respondents

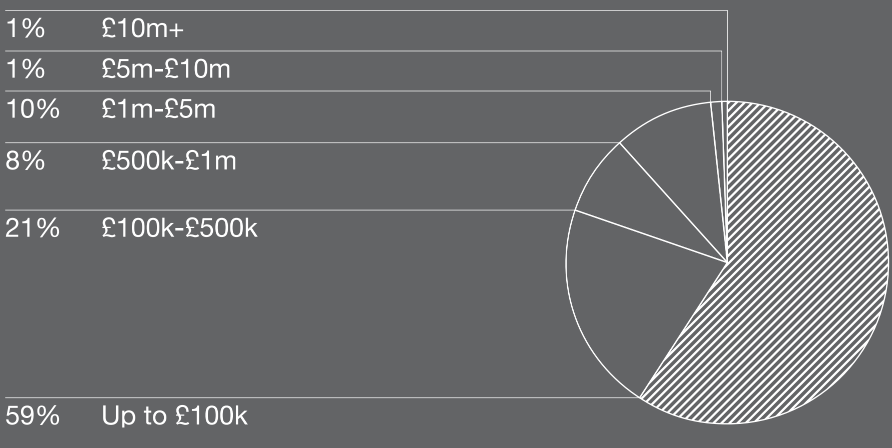
Age of respondents



Number of employees



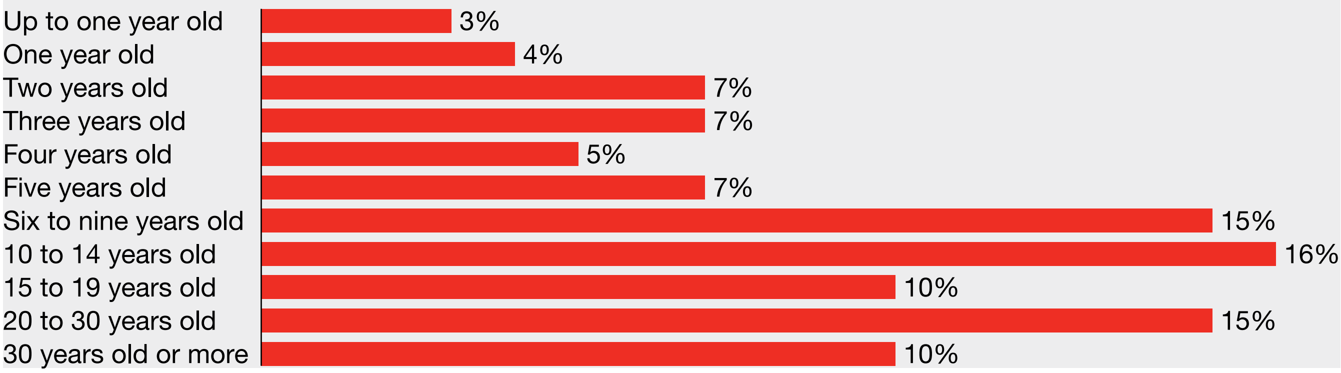
Turnover



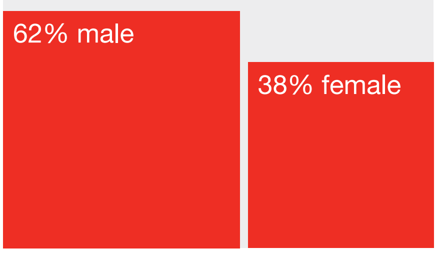
The sample for this study was provided by Research Now using their proprietary online panels. In total 4,062 business owners, founders or senior executives within companies with up to 50 employees were contacted (1,000+ from the UK and the US and 500+ each from France, Germany, The Netherlands and Spain). Respondents completed an online survey between 9th May and 6th June 2016.

Statistical accuracy: +/- 1% to +/- 2% for the whole sample of 4,062 and +/- 2% to +/- 4% for each country's sample except the UK and US - +/- 1% to +/- 3%. Some figures may not add up due to rounding.

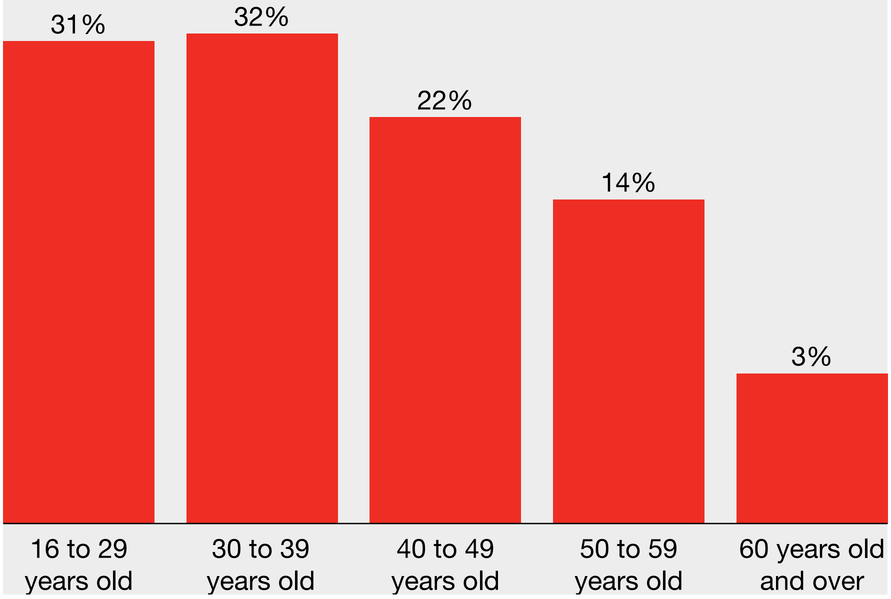
Age of business



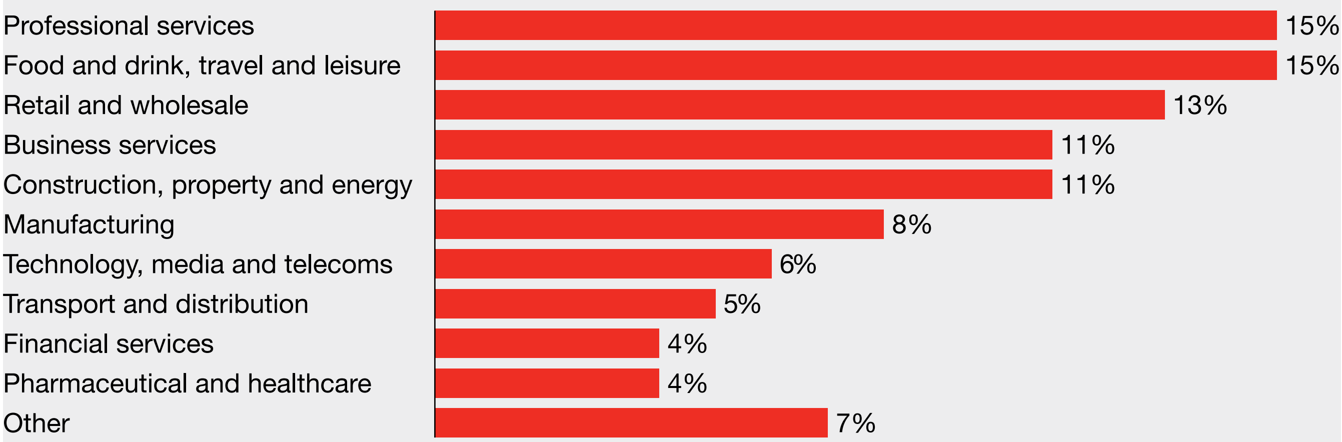
Gender



Age started business



Sectors



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