Business Heroes Barometer
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Small and medium sized businesses (SMEs) are the lifeblood of the UK economy, contributing significantly to GDP and employment. Cabinet Minister Francis Maude recently said that SMEs have a crucial role to play in the “growth of the UK economy and often they will be the most flexible, the quickest to respond and the most imaginative”. Often overshadowed by the attention given to larger companies during the economic downturn, SMEs are in fact our unsung heroes, critical to turning around the economy.

As part of its Business Heroes campaign, Cisco commissioned Loudhouse to conduct some research amongst small and medium enterprises (SMEs) reviewing the highs and lows of 2010 and highlighting business expectations for 2011. The research evaluates the current business climate, exploring the role of Government and opportunities such as London 2012 in shaping expectations. Furthermore, the research also identifies what makes a business hero, finding that attitude is everything and that business success really does come in all shapes and sizes.

The Cisco Business Heroes Barometer was conducted by Loudhouse during January 2011. 500 business owners and directors from companies employing between 10 and 100 staff were surveyed online.

A range of sectors and regions were represented in the survey as shown in Figures A and B.

The Business Heroes Barometer finds SMEs optimistic about the year ahead and confident about their role in driving the UK out of the recession. Fortunes are mixed, however, and the research identifies the characteristics of businesses that managed to increase their revenues in what many consider to have been a hostile trading environment during 2010.
The research also finds SMEs less than satisfied with the Coalition government and a prevailing sense of SME community, with the feeling they would do better to rely on each other than the Government. Key highlights from the research include:

**SME solidarity**
- Just 18% of SMEs believe they have fared better under the Coalition than under the previous Labour Government.
- 61% of SMEs think the Government does not fully appreciate the contribution of SMEs to the UK economy.
- 56% believe SMEs would do better to rely on each other rather than the Government.
- Only 30% of SMEs would stay in the UK if they had the choice to relocate – the USA and Australia being the most popular alternatives.
- 39% of SMEs are aware of Government plans to give 25% of contracts to SMEs but only half (50%) will factor this into plans.
- 41% see the Olympics as a great opportunity for UK SMEs to generate business – just 6% have already tendered, with 19% unaware that they could and 25% not knowing how to go about it.

**The SME superpowers**
- 60% think that SMEs will drive recovery from the recession.
- 44% of SMEs increased their revenues in the last 12 months – these are our Business Heroes.
- Two thirds (66%) of SMEs are optimistic about their business prospects for 2011.
- Beyond financial measures, SMEs see satisfied customers (73%) as the key measure of success.
- 57% of SMEs plan to recruit more people in 2011.

2010 was certainly a challenging year for many UK businesses, and the fact that 44% of SMEs managed to grow their revenue in that climate is testament to the heroic mentality of many smaller businesses.

**Figure C: Business Heroes – characteristics**

Business Heroes (those who grew their revenue in 2010) are:

- **Finance savvy:** Effectively manage their finances (59% versus 44%)
- **Networkers:** Effectively maintain professional networks (46% versus 31%)
- **Tech embracers:** View technology as an enabler of change (71% versus 62%), see more benefits of technology and are more likely to be investing in mobile access, video conferencing and social media applications.
- **Long term thinkers:** Better able to plan a year or more ahead (79% versus 71%) and invest to innovate/grow (55% versus 34%)
- **Connecting digitally:** Are more likely to advertise online (70% versus 64%) and to use social media to support marketing/sales (49% versus 41%)
- **Investors in their people:** In 2011 heroes will invest more in training/development (74% versus 60%), will recruit more people (73% versus 43%) and think equal opportunities are more relevant now (36% versus 24%)
- **Supporting mobile/flexible working:** Invest in technology to support mobile/flexible working (72% versus 64%)
- **Optimistic:** More optimistic about 2011 (83% versus 52%)

NOTE: Heroes are those that grew their revenue in 2010. These are compared to those who did not grow their revenues in 2010.
Despite Government rhetoric about small businesses being the engine room for economic growth, the reality at the SME “coal face” is that too little is being done at a Government level to support SMEs and that their contribution to the economy is going largely unrecognised by the Government.

Figure 1 shows that only 18% think SMEs have fared better under the Coalition government compared to the previous government, whilst 35% think they have actually fared worse. SMEs think that the Government could better support them in a number of ways, most notably by bringing VAT back to 17.5%, mentioned by 63% of respondents. More than half of SMEs (56%) believe they would do better to rely on each other rather than the Government whilst 61% consider that that the Government does not fully appreciate the contribution of SMEs to the UK economy. The harsh reality is that, for the most part, UK SMEs feel let down by the Government and will turn to their peers in the absence of Government support. This sentiment is so strongly felt by some SMEs that only 30% would stay in the UK if they had a choice to relocate – with USA (15%), Australia (14%) and Germany (11%) the most popular alternatives.

In November 2010, government ministers announced that a quarter of UK central government procurement is to be directed to SMEs. Only 39% of SMEs are actually aware of this opportunity, and when made aware, half (50%) of businesses say they will factor this into their business plans. Beyond this, London 2012 has been widely promoted as a source of business opportunity for businesses of all sizes.

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Clearly more can be done to improve levels of awareness and understanding of the tendering process for SMEs and, in doing so, enhance enthusiasm for the very real business opportunities that London 2012 presents.
The SME superpowers

While business headlines in 2010 were dominated by doom and gloom with stories of banking collapses, economic bailouts, big city bonuses and BP, UK SMEs have also come under the media spotlight. Although business failure has been the reality for some SMEs, the media has focused more strongly in recent months on the contention that SMEs will play a key role in driving the UK out of recession.

2010 does appear to have been a year of mixed fortunes for SMEs, with Figure 3 showing how 2010 panned out in terms of headcount, sales volume and profitability compared to 2009. Although more than half of businesses (52%) reported stable headcount, an encouraging 30% increased their staff numbers in 2010. Furthermore, when we consider all important sales volumes, the picture is even more positive, with 44% claiming to have increased sales volumes during 2010, and just 19% reporting a slump. Profitability presents a more complicated picture with many factors at play, but once again the overall view is one of a stable, if not improving, picture. With talk of a double dip recession and the “age of austerity” abounding, it appears that, for now at least, SMEs are not just focused on survival, many in fact are focused on success.

Beyond financial measures, businesses look at factors such as customer satisfaction (73%) and employee engagement (49%) suggesting that definitions of success are rounded rather than linear.

Against this backdrop, there is a good level of support for the notion that SMEs will drive recovery from the recession, with 60% of respondents agreeing that this is the case. SMEs are quick to acknowledge the benefits of being a smaller business, with Figure 4 showing the key ways in which companies of their size are in a better position to prosper during an economic downturn. Most notably, flexibility (56%), agility (54%) and better customer service (49%) are things that SMEs believe set them apart from their larger counterparts. It is also good to see that two thirds (66%) of SMEs describe themselves as optimistic about their company prospects for 2011 suggesting that many feel the worst of the recession is over.
Understanding how the characteristics and behaviours of businesses that boosted their sales during 2010 compare to those of those who didn’t provides an interesting picture of SME success.

44% of SMEs managed to boost their sales volumes during an economically challenging year. This is no mean feat and these businesses essentially make up the Business Heroes in this survey.

Success breeds success, and it is no surprise that our Business Heroes are more optimistic about 2011 than other businesses (83% compared to 52%) and are more likely to be investing to innovate and grow (55% compared to 34%) rather than taking a more risk-averse stance. It is not a case of doing one thing really well that singles out a Business Hero, but rather taking a holistic view of business that encompasses finance, customer focus, technology and people amongst other things and being focused on doing the best with these possible given market and internal constraints.

In the Business Heroes Barometer, respondents are asked to rate their business against other companies in their industry sector using a scale of 1-7 where 1 is “poor”, 4 is “average” and 7 is “excellent”. Across all areas of performance range from the management of finances, to operational efficiency, sales and marketing and innovation, our Business Heroes are more confident in their performance than other SMEs.

With people arguably the most important company asset, there are notable differences in how Business Heroes approach the development of their staff. Figure 6 shows just some of the ways in which Business Heroes outperform other SMEs in their approach to their people. The most striking differences relate to plans to recruit more people (73% of Business Heroes do compared to 43% of other SMEs) although there is also a stronger focus on training, flexible working and equal opportunities amongst our Business Heroes than the general SME community.

Figure 6: Rating of aspects of business performance (% rating 6 or 7)

- Overall business performance
- How effectively manage finances
- How effective recruit/retain people that help grow business
- How efficient operational processes are
- How innovative and creative company is
- How effectively maintain professional networks to help grow business
- How effectively sales and marketing help grow business
- How effectively use and exploit technology

Heroes: 54% 59% 52% 49% 49% 46% 43% 38% 34%
Non-heroes: 40% 44% 40% 39% 38% 31% 28% 28% 24%

Figure 6: Business Heroes – people

- In 2011, we will invest in more training/development
- In 2011, we plan to recruit more people
- In 2011, we will invest in technology to support mobile/flexible working
- We consider that we have a diverse workforce
- We think offering flexible working is critical to attracting and retaining the best staff
- Compared to 2 years, we consider equal opportunities to be more relevant when employing staff

Heroes: 74% 73% 72% 64% 55% 36% 24%
Non-heroes: 60% 43% 62% 56% 48% 36% 24%
Over the next 12 months, 68% of businesses plan to invest in technology to support mobile/flexible working suggesting that talk of enhancing flexibility is being backed up by investment in the tools to enable this to effectively happen.
Technology traits of Business Heroes

The last five to ten years have seen an explosion in the technology tools and solutions that are available to companies of all sizes to improve the way they do business. Business Heroes are better able to see the areas in which technology investment can make a substantial impact on business performance, as shown in Figure 7. Enabling collaboration is seen as the key benefit of technology by both Business Heroes and other SMEs, followed by improving the customer experience and facilitating flexible / mobile working. Perhaps most striking is that at a more general level, Business Heroes are more likely to view technology as an enabler of change (71%) compared to 62% of other SMEs.

Respondents were asked which technologies they had already adopted or would seriously consider adopting. Figure 8 shows that across all SMEs, the area most likely to be invested in is network / infrastructure (54%), followed by mobile access to organisation systems (38%) and video conferencing / multi-media applications (32%). With collaboration a key benefit from investing in technology, it is encouraging to see SMEs beginning to embrace tools that support collaboration efforts, indeed 51% of SMEs already use web conferencing and online collaboration tools.

Over the next 12 months, 68% of businesses plan to invest in technology to support mobile/flexible working suggesting that talk of enhancing flexibility is being backed up by investment in the tools that will enable this change. Business Heroes are more likely to be doing this (72%) than other businesses (64%), although ensuring flexible working encouraging now seems to be the norm rather than the exception in SMEs.
Conclusions

At Cisco, we’ve always believed that small business is big business. Whatever the state of the economy, whatever they do and wherever in the country they’re based, SMEs provide the foundation of virtually every economy in the world today. And as the Business Heroes Barometer has shown for the UK, the majority of them are doing well. Encouraging news indeed and testament to some of the great work being done across the sector.

So what have the 44% of SMEs that increased their revenue in the last 12 months been getting right? As the research has shown, Business Heroes are those SMEs who:

- **Invest in people** – 73% intend to recruit more staff in 2011; 74% intend to invest more in training and development
- **Embrace technology** – 55% intend to invest in IT/Network infrastructure in 2011; 35% intend to invest in video conferencing/multimedia communications and 25% intend to invest in cloud computing/open source software
- **Recognise the importance of flexibility** – 72% plan to invest in technology to support mobile/flexible working
- **Connect digitally** – 56% monitor what their customers are saying about them via social media; 49 per cent are using social media to support sales and marketing activity

That said, alongside this growth and optimism sits the fact that 61 per cent of these businesses feel that the Government does not fully appreciate their contribution to the economy, a worrying thought and one that implies a growing ‘engagement gap’ between a highly productive sector and the administration above it. With SMEs functioning as the engine room of the economy, there’s a clear need to ensure these businesses feel valued and incentivised.

Fortunately, the news is not all bleak. Government-led SME-specific initiatives that aim to provide smaller businesses with opportunities to do business with the public sector already exist. For our part, Cisco is keen to encourage excellence among SMEs – our recent Business Heroes competition is just one of the ways in which we recognise companies that have shown their resilience and made their mark in the face of adversity. Our British Innovation Gateway (BIG) initiative that we’re working on with the Government is another.

We believe the key to completing the circle, and taking initiatives beyond announcement and into tangible implementation, is collaboration. From technology to sustainability, international expansion to successful start-ups, there are great businesses of all shapes and sizes all over the country.

Finding ways for SMEs, larger businesses and Government to work more closely, learn from each other and leverage mutually beneficial opportunities is the only path to long term economic recovery and the onus falls on all three parties equally. Fortunately, from what we’ve seen so far, it looks like the interest and willingness is already there. The only way is up.

**DAVID CRITCHLEY**
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