

**brass**

# **Yorkshire Post Business Barometer**

Research study undertaken by Brass (formerly Brahm)

Summary of the annual research study of  
leading business owners and managing directors  
in Yorkshire and the Humber

**July 2010**

## 1.0 Introduction

This is the first Yorkshire Post Business Barometer which will provide an insight into the opinions and business confidence of a representative selection of company owners and managing directors working throughout Yorkshire and Humber. The research was undertaken on behalf of the Yorkshire Post by Brass (formerly Brahm), a corporate partner of the Market Research Society. This study was sponsored by Irwin Mitchell.

## 2.0 Background and Objectives

This report is a summary of the top line findings from the research. In this study, we consulted 200 of Yorkshire's top business leaders and polled them on a range of topics of relevance to their business. The research was carried out by conducting 10 to 15 minute telephone interviews between 7th May and 4th June 2010 and therefore also gauged specific reaction to the result of the general election which was held on 06 May.

The overall objective of this study is to provide strong, regular and respected views and commentary which can be tracked and monitored over time to produce trend data which can be benchmarked on an annual basis. Furthermore, the study provides the opportunity to capture opinion on specific or topical issues (in this instance, the general election result). The study is also intended to provide the following benefits:

- With signs that the country and the region is beginning to slowly move out of recession, a new coalition Government anxious and hungry for news of what is going to happen next, what other businesses are doing and what might impact on their own business. Survey and trend information is essential in these times, especially if it's bespoke to Yorkshire and Humber.
- Expertise: just as people want to know what's going to happen next, they're also keen for people with specialist knowledge to throw light on confusing or unsure situations, and to provide authoritative commentary and guidance. The findings of this survey will be used by the Yorkshire Post as a credible source of insight into business issues / sentiment in the region and shared with its readership.

The 10 to 15minute telephone questionnaire comprised of sections – trading conditions, R&D and innovation, resources, employment and skills, business support, communications and transport and political.

### 3.0 Profile

Selecting from a sample database of over 2000 potential target owners/managing directors of a mix of large, medium sized and small businesses, Brass was able to secure 200 telephone interviews from a pre prepared questionnaire.

The three tables below indicate the profile of the companies contacted in terms of (1) Number of Employees and how they match against the region's profile (2) the role of the interviewees taking part in the survey and (3) the profile of the industry sectors involved.

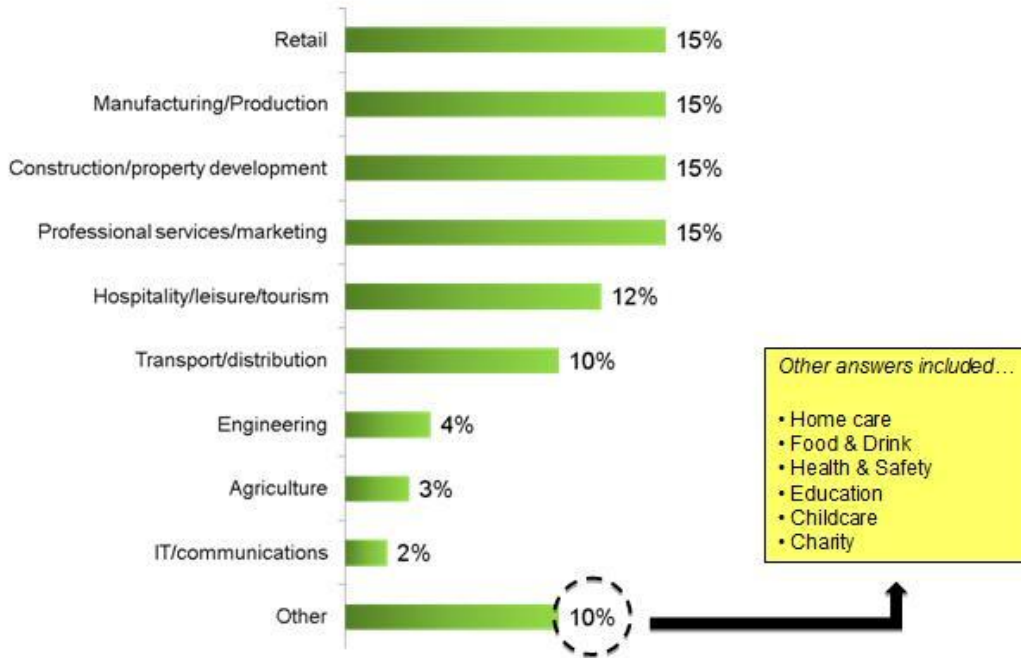
#### **Number of employees**

Number of employees	Total (%)	Total (n=200)	Yorkshire Actual (%)
Under 50	68%	136	
51 – 100	13%	25	
101 – 200	9%	17	
201 – 250	1%	1	
Over 250	11%	21	1%
<i>NET 1 – 100</i>	<i>81%</i>	<i>161</i>	<i>98%</i>
<i>NET 101 – 250</i>	<i>9%</i>	<i>18</i>	<i>1%</i>

#### **Role within business**

Role	Total (%)	Total (n=200)
Owner / Managing Director	81%	161
Financial Director	3%	6
Other board member	17%	33
None of these	0%	0

**Industry sector**



Although the survey sample of respondents doesn't match precisely the profile of the entire region as a whole in terms of the SIC(Standard Industry Classifications) categories, it does reflect a comprehensive spread of opinion with all sector views adequately represented. Only a few % points difference was noted in sectors such as construction and property, retail, professional services and hospitality and leisure and tourism.

This also applies to the geographic representation across the region where a fair spread of views were received from the major cities and surrounding conurbations (Leeds, Hull, Bradford, Wakefield and Sheffield), as well as other cities and towns (York, Harrogate, Doncaster, Barnsley, Huddersfield, Halifax and Scunthorpe). Rural locations were also represented, including Beverley, Scarborough, Hessle, Yorkshire Dales and North Yorkshire.

Of those questioned 91% were responding from their UK headquarters. 81% claimed to have up to 2 additional sites in the UK, 7% with 4 to 6 sites, 2% with 7 to 9 sites and 11% with over 10 sites.

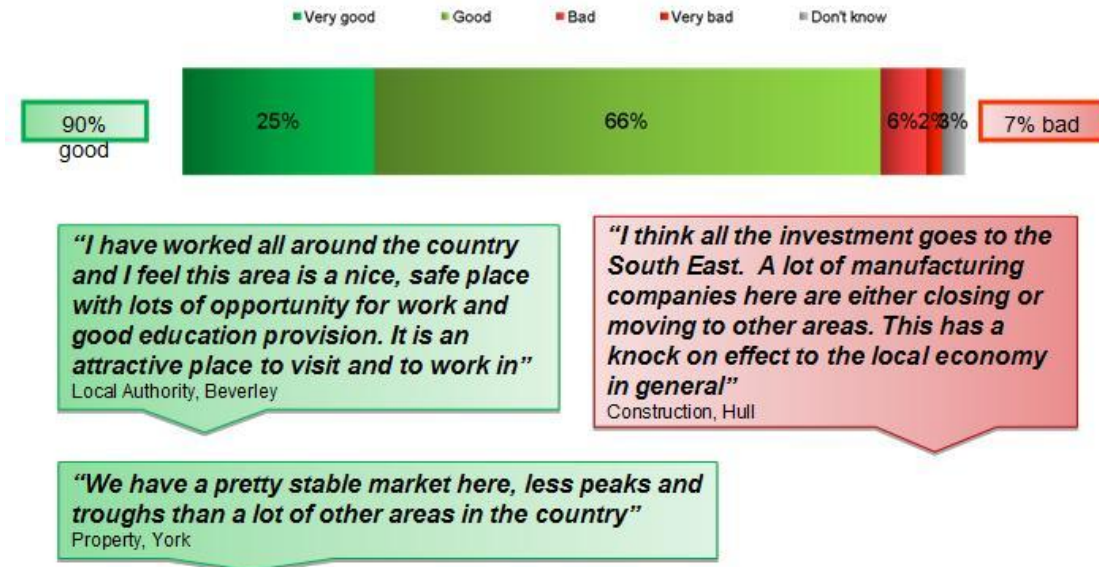
From analysis of the profile and the depth of the opinions captured the findings can be regarded as robust and representative of the sentiments and outlook of business in the region.

**4.0 The Findings**

4.1 Trading Conditions

Firstly, Yorkshire and Humber business leaders are extremely positive and proud of their region with 90% saying it is a good place to do business. Only 7% felt it was a bad place to do business.

**Business leaders are extremely positive about Yorkshire; there is an inherent pride in doing business in this region...**



There were many positive comments about being a “safe and stable” place to do business, based on a wide and diverse spread of manufacturing, professional services and retail and leisure industries – with no strong dependence on one sector such as the Midlands and the motor industry. The friendliness and work ethic of its people and the quality of life - the environment, closeness to the countryside and good education facilities were also commented upon as being positive reasons to do business in the region.

On the negative side, there were views expressed about lack of progress in addressing long term deprived areas and that “too much investment was concentrated in the south east of England” and much more needs to be done to increase manufacturing in our region.

When asked about trading conditions over the last 12 to 18 months, not surprisingly 49% said that it got slightly or a great deal worse with only 31% recording improved performance.

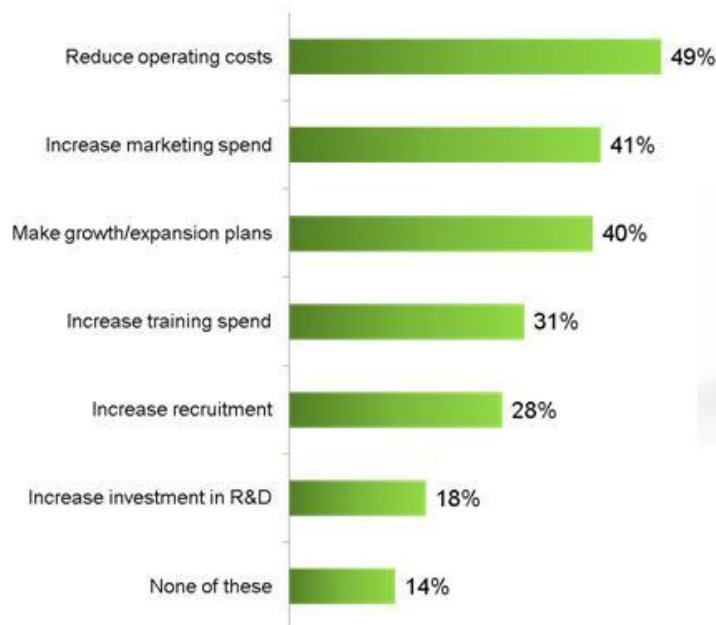
More encouragingly 45% believe that the financial performance of their business will improve over the next 12 to 18 months, 36% predict no change and 20% stated that it will get worse. It appeared that much of this sentiment was driven by the change in Government and the view that this might be more sympathetic to business than the last one. There was also a feeling that we are past the worst of the recession, although over one third still see no significant improvement in the coming year or so.

**Recent times have been tough on Yorkshire & Humberside businesses, but the outlook is more positive**



Despite some optimism in an improving economic landscape, 49% said that they would continue to reduce operating costs where necessary over the next 3 to 6 months, although the table below shows business leaders are intent on fighting back by increasing marketing spends (41%) or making expansion plans (40%).

**A range of proactive measures will be taken to boost business performance**

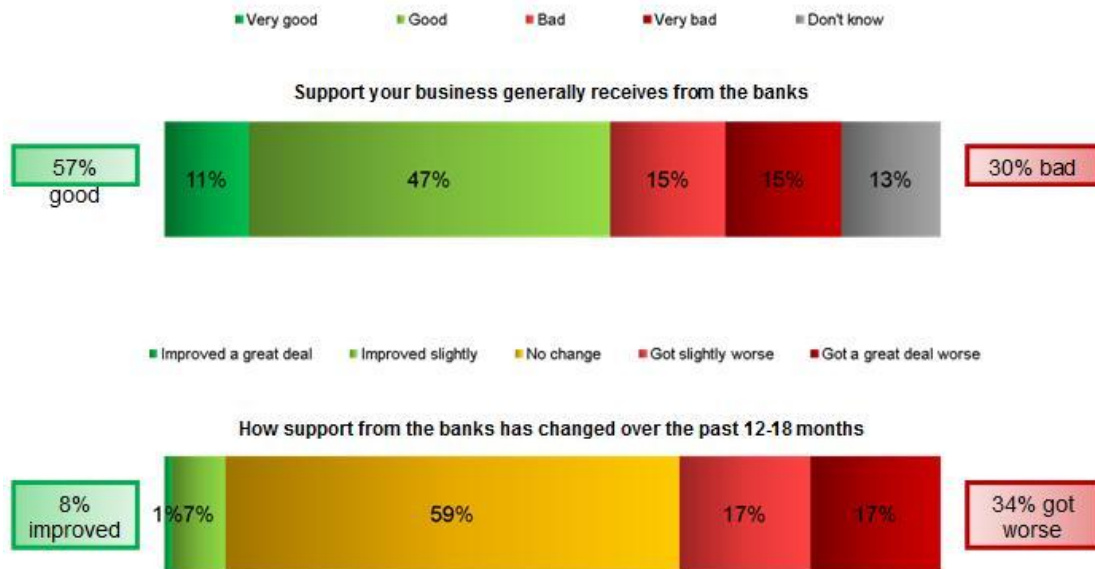


More worryingly, only 28% felt that they would be recruiting to expand the workforce. There is also a low intention to increase investment in training (only 31%) and less than one in five (18%) were considering increasing investment in R&D and innovation.

The general consensus is summed up by the comment of a Leeds based professional services provider *"We will stick to the knitting and what we know, keep costs under control and wait for the storm to blow over. If some new opportunities come our way in the process we will consider them but we won't be looking to make significant changes to our business model unless we are forced to"*.

The role of banks has been high on the media's agenda both as a major cause of the global recession and for being reluctant to support businesses despite large Government bail-outs. Our survey showed that, whilst there has been support from banks in general, for the majority of businesses (57% good versus 30% bad), there has been a downturn over the last 12 to 18 months - although the majority (59%) said it was about the same, 1 in 3 said it was worse with only 8% seeing any improvement.

**Support from the banks has remained fairly consistent over the past 12-18 months**

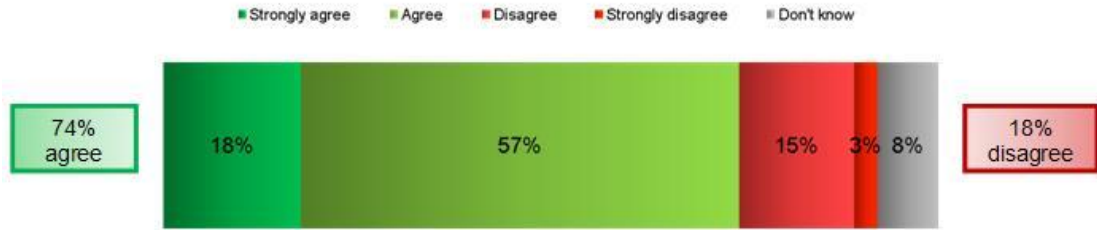


This seems to confirm the general view that the banks have been concentrating on rebuilding their balance sheets at the expense of providing credit to businesses. A number of business leaders talked about the decision making powers being transferred away from the local bank to higher authorities, which was resented in some cases.

**4.2 Resources, employment and skills**

Regarding resources, employment and skills, 74% of business leaders felt that the region has the necessary skills bank to draw on for their business. However, nearly 1 in 5 believed that there were skills deficiencies in their sector, although this isn't driven by any sectors in particular in this survey.

**3 out of 4 business leaders agree that Yorkshire has the necessary skills bank**



With regards to training 33% said that this was a major priority, reflecting the 25% who have increased spending on training over the past 12 -18 months and the before mentioned 31% who intend to increase spending on training over the next few months. However, as shown below, there are still 27% who do not see training as a priority and over 70% have not increased or have even decreased spending on training over the last 12 to 18 months.

**9 out of 10 Yorkshire & Humberside businesses have remained consistent or increased their investment in staff training**



When asked where business leaders went to seek help or advise to improve skills and employment in their business, a number of organisations were mentioned as shown in the table. In some cases businesses have links with more than one organisation and many have links with their own trade body or locally focused bodies.

Given the funding constraints likely to affect Colleges and Universities in the next few years there is scope for them to work even closer with business and industry to develop more specific and vocational training to improve the skills set within the region. Currently 25% of businesses claim to have strong links with Universities and 37% with Colleges. 37% of businesses currently use Business Link and Chambers of Commerce respectively as key advisors on matters relating to up skilling advice. Again, there could be scope for these bodies to offer more help to those not yet engaging with them on the skills agenda.

**Businesses in Yorkshire & Humberside have limited links with...**



... **Only 25%** of businesses have strong links with local universities



... **Only 37%** of businesses have strong links with Business Link



... **Only 37%** of businesses have strong links with local colleges



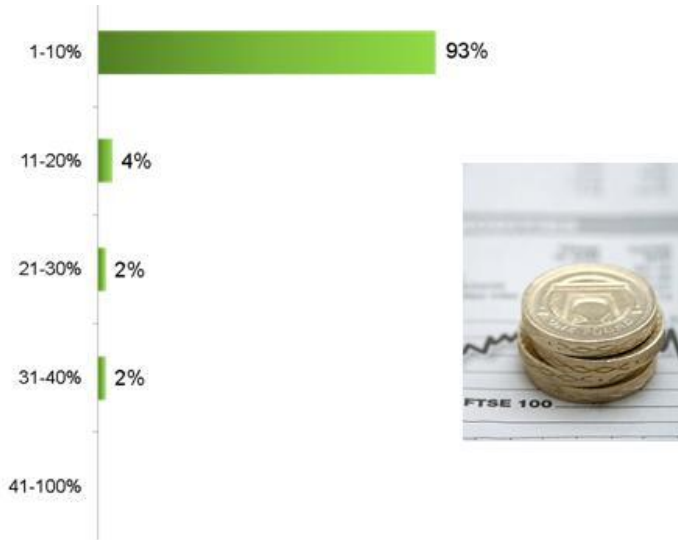
... **Only 29%** of businesses have strong links with Chamber of Commerce

Yorkshire businesses have limited links with other organisations as well, including Business and Education South Yorkshire, North East Lincolnshire Social Services, Yorkshire Forward and UK Trade & Investment

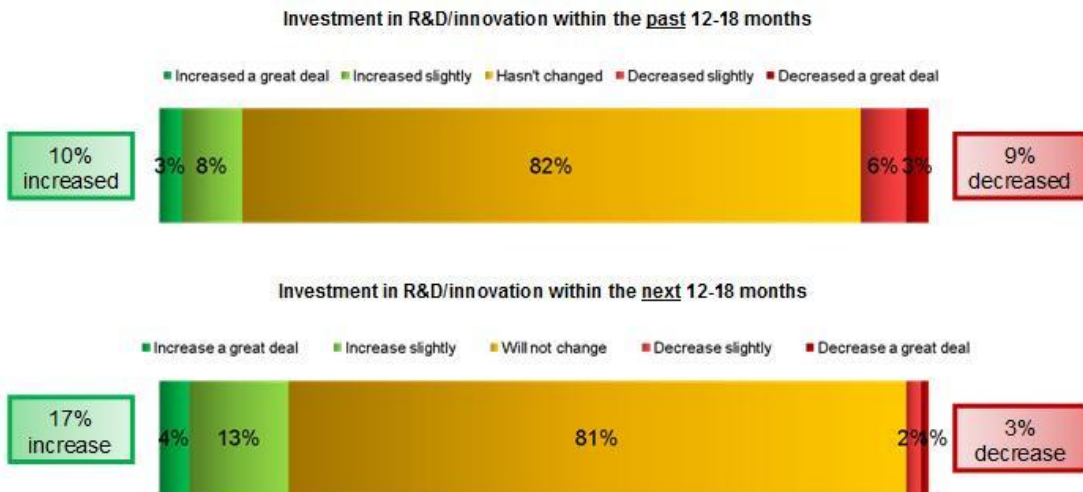
**4.3 R&D and Innovation**

Many business advisors and economists are recommending that to survive the impacts of the economic downturn businesses should be prepared to be more innovative and invest in research and development in order to develop new products and services. Our survey showed that right across the board, from large to small businesses and across all sectors, there was no great appetite to invest in this at this time. The tables below show that the vast majority of businesses invest less than 10% on R&D and that there are no plans for this to increase – over 80% will spend the same in the next 12-18 months, with just 17% indicating that they are likely to be investing more.

**A high proportion of Yorkshire & Humberside businesses spend only 1-10% of turnover on R&D / innovation**



**Investment in R&D / innovation remains consistent for Yorkshire & Humberside businesses**



**4.4 Business Support**

When asked where business leaders go for information or help on financial matters at times of uncertainty our sample indicated that they would seek advice from a variety of sources. 41% named banks as their primary port of call, despite some expressing strained relationships over the last 12 - 18 months. 27% named accountants and solicitors, followed by Business Link at 14%, Councils at 5% and Chambers of Commerce and Yorkshire Forward at 4% each.

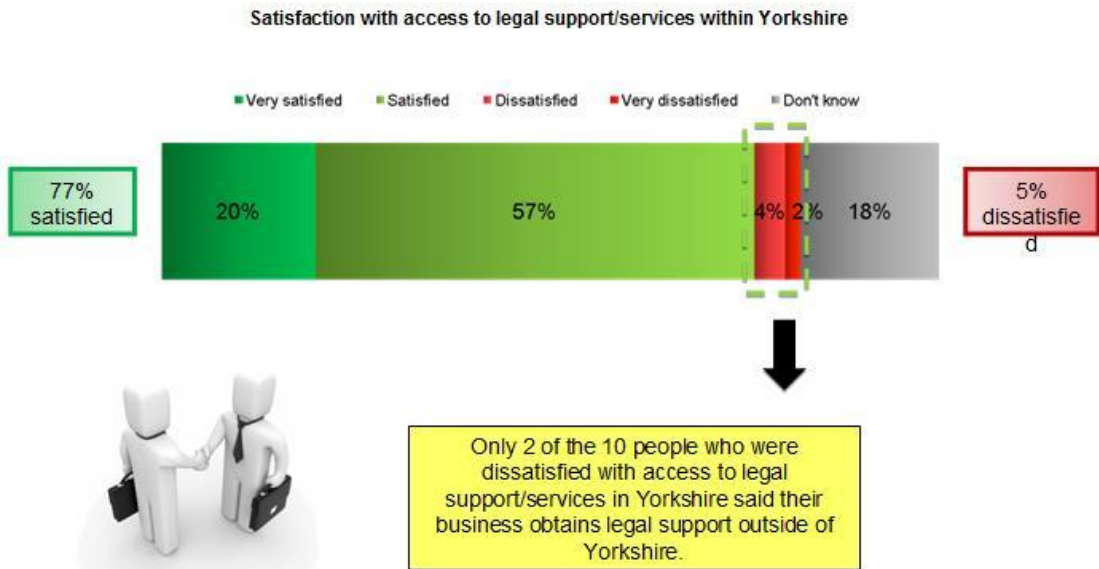
**4 in 10 businesses would go to banks / lenders for information or financial help**



**However, 18% didn't know where they would go / didn't know information and support was available**

We also asked a specific question about legal support in the region. 77% were either very satisfied or satisfied with only 5% being dissatisfied. Only 1 in 5 of those dissatisfied went outside the region for legal advice which reinforces the region's reputation as being well supplied with legal advisors.

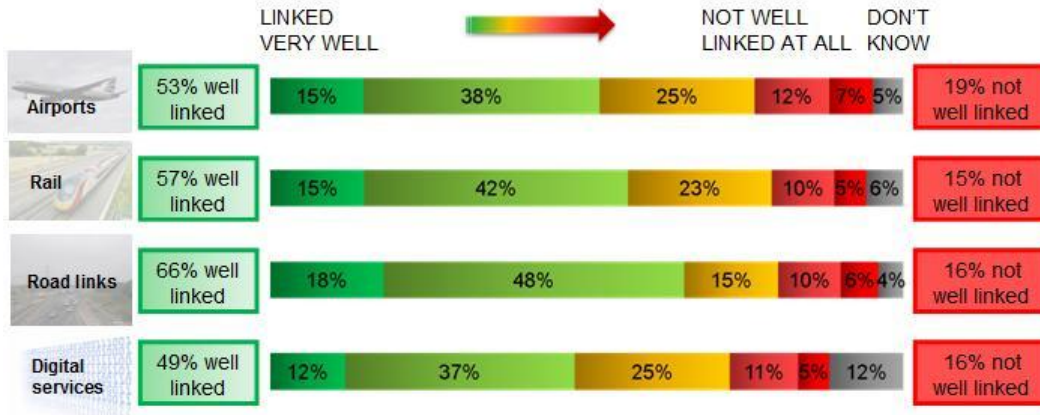
**Organisations in Yorkshire & Humberside prefer to use local legal support**



4.5 Communications and Transport

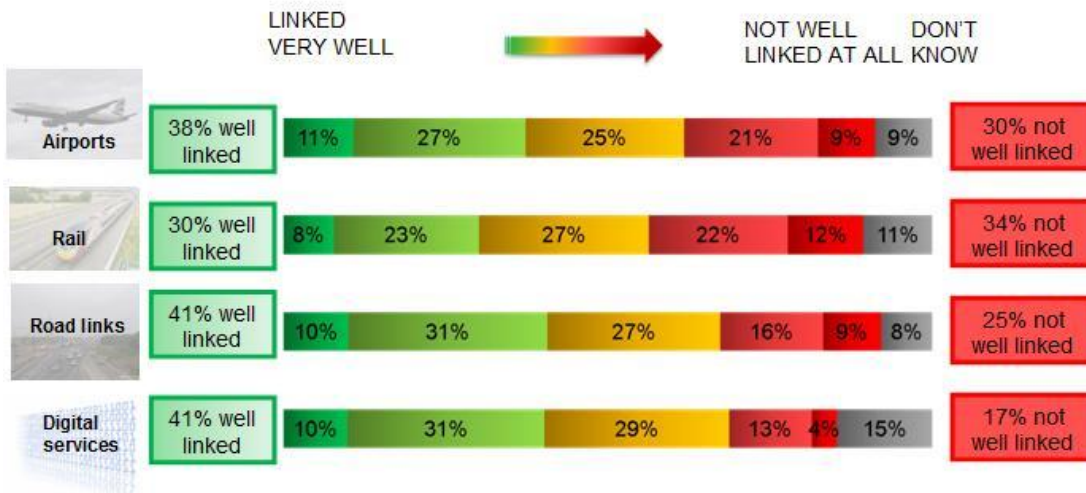
The two tables below indicate a general satisfaction with transport and communications links within other UK regions, but a marked decline was recorded when asked about links to other world markets. Airports, rail, road and digital links were all poor performers, with airport and rail links scoring particularly badly.

**Yorkshire is perceived as well linked to other UK regions, particularly by road.**



60 % of businesses, who are optimistic their financial performance will improve, feel that Yorkshire is well connected to other UK regions through digital services. This is significantly more than businesses who indicated their financial performance will get worse over the next 12-18 months with only 38% of such businesses feeling this way.

**... But not as well linked to other world markets**



4.6 Political

As the survey was undertaken straight after the general election on 06 May, the opportunity was taken to gauge immediate reactions to the new coalition Government and for business leaders to indicate what they were looking for from the new administration.

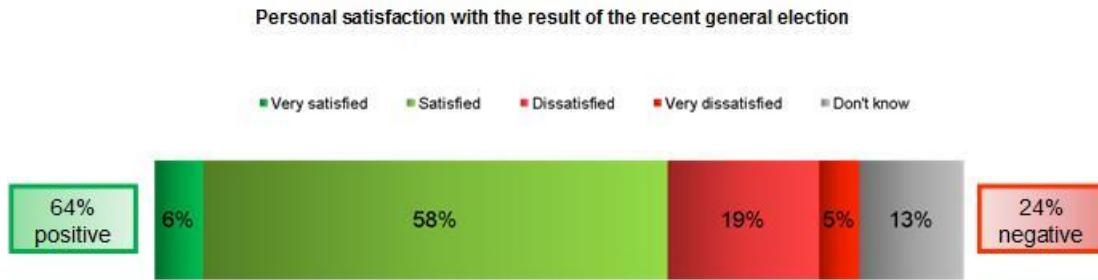
From the two tables below, business leaders clearly felt it was time for a change. 63% expressed dissatisfaction with the previous Labour government, with that figure virtually reversed (64%) for personal satisfaction with the election result and the establishment of the new coalition Government.

**Satisfaction with the Labour Government's business support prior to the election was fairly low...**

Satisfaction with the support your business received from the Government prior to the recent general election

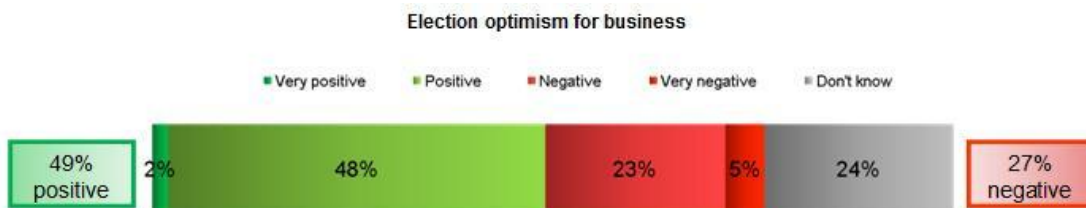


**Personal satisfaction with the election result is higher...**



Despite welcoming a change of government, business leaders remain concerned and uncertain about the future. Less than half (49%) are positive about the effects the change will have on their business, with 27% believing it will have a negative effect on them.

**... however more uncertainty prevails from a business perspective**



*"It needs a coalition to sort us out. We have to get our debt problems sorted out in order to raise confidence and get business back on track. I think they will address the debt"*  
 Manufacturing, Bradford

*"For the last 14 years, having a business has made me feel like the enemy, with all the rights on the side of the employees. I think this Government are more aligned to the needs of business. I think they will be more realistic and understand that we are creating wealth and employing people. I hope we will get more help"*  
 Construction, Scunthorpe

*"I don't see an increase in public confidence as is usual after elections. We are in a deep recession and it is going to take a lot of spending cuts to get right. I felt we needed a change of Government, but I am not sure the coalition is the answer. The "feel good factor" is not in evidence yet"*  
 Sport & Leisure, Doncaster

Typical comments from business leaders are as follows:

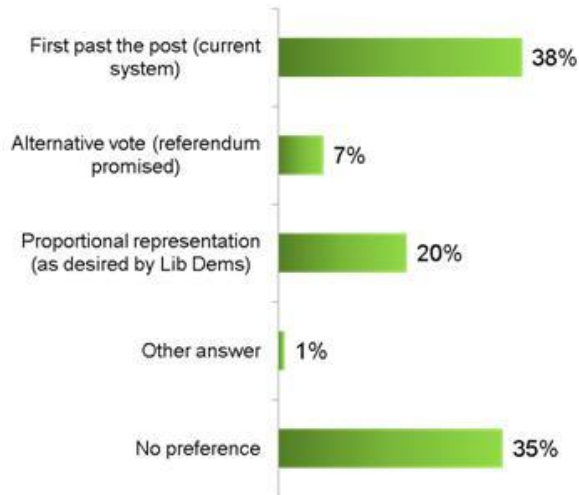
*"Initially things will be negative but later much more positive as there is a lot of mess to clear up before we can go forward again"* (Retailer – Batley)

*"We're going to see more companies going bankrupt over the next six months thanks to the banks and Government"* (Construction company – Doncaster)

*"I think we will see another two tough years as the Government tackle the deficit and then we will see growth and job creation again, but it's going to be difficult"*  
(Professional services company – Leeds)

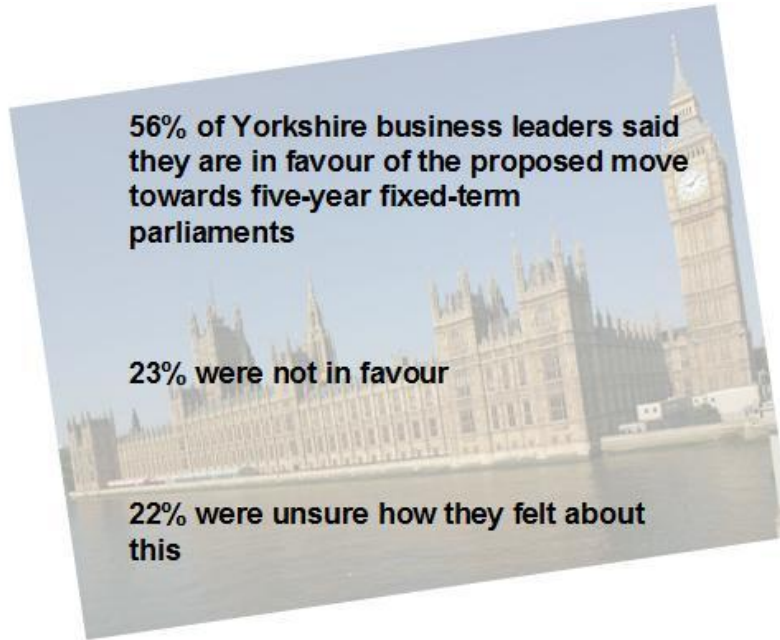
As electoral reform was much discussed in the election build up we took the opportunity to raise this with business leaders. Our sample showed that 38% were in favour of keeping the current first past the post system, with only 7% opting for the alternative vote proposal tabled by the Labour party. 20% selected proportional representation as favoured by the Lib Dems. However, a substantial 35% expressed no preference which suggests more information about the various electoral systems is required if the electorate is going to be convinced of a need to change. A referendum on electoral reform has now been set for May 2011.

### **Business leaders still support the first past the post electoral system**



However on the question of establishing a 5 year term Parliament there was majority support at 56%, with 23% not in favour and 22% undecided.

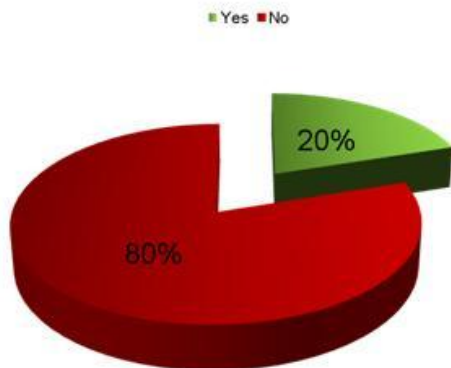
### **More than half of business leaders favour a move towards 5-year fixed term parliaments**



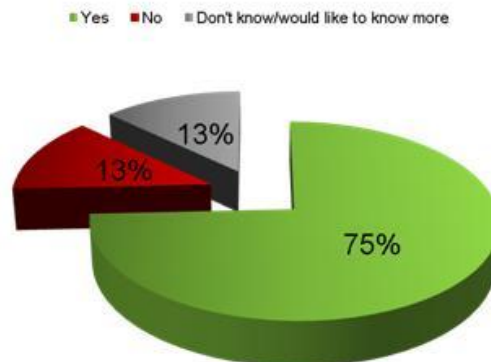
Business leaders were asked about their awareness of the city region concept and whether they were supportive of the idea. A high proportion (80%) were not aware of the concept, however of the 20% that were aware 75% were supportive.

This indicates the need for an education job to be undertaken, particularly with the recently announced changes to the role of the RDA and increased emphasis on Local Enterprise Partnerships (LEP).

**There is low awareness of the city region concept, however those who are aware of it show support for it ...**



A4. Are you aware of the city region concept (e.g. Leeds city region concept, Sheffield city region concept)?  
Base: All respondents (200)

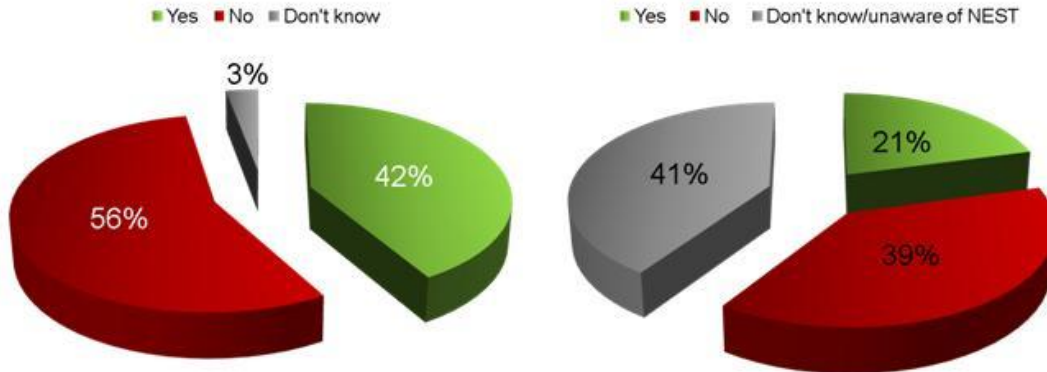


A4b. And do you support the city region concept?  
Base: All aware of the city region concept (40) \*LOW BASE SIZE\*

We also took the opportunity to ask business leaders about their preparedness for the introduction of PADA's National Employment Savings Trust (NEST). Findings revealed that 42% of businesses had

their own contributory pension scheme, leaving 52% without. A huge 80% of business leaders are either unprepared for or unaware of the introduction of NEST next year.

**Businesses in Yorkshire & Humberside are unprepared for the introduction of NEST**

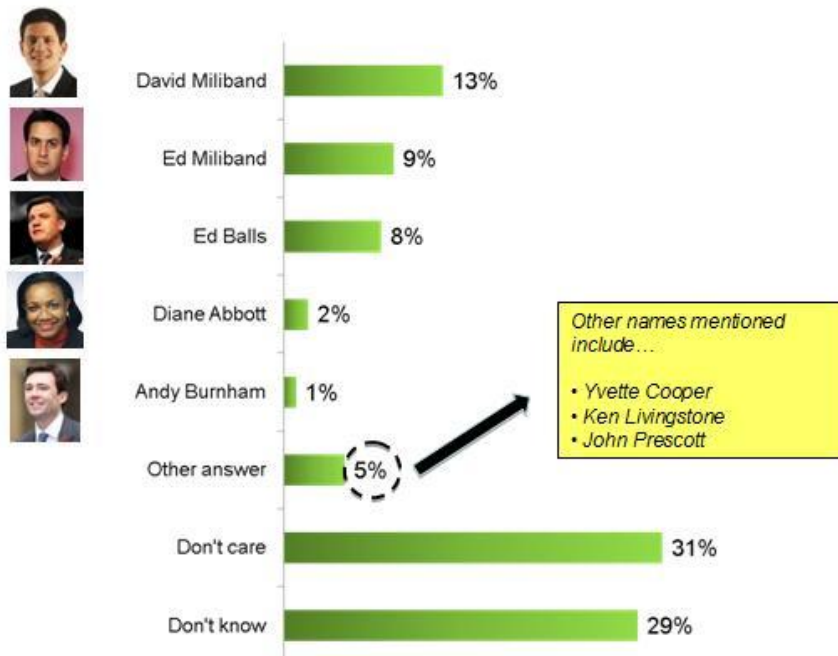


A5. Does your business currently offer a defined contribution pension scheme?  
Base: All respondents (200)

A5b. Is your business prepared for the introduction of PAPA's National Employment Savings Trust (NEST)?  
Base: All respondents (200)

We then asked business leaders about the new leadership campaign announced by the Labour Party. A surprising 60% said that they either did not know or care who should be the next Labour leader. Of those that did have a preference David Miliband (13%) was most popular, as indicated in the table below.

**Most business leaders don't know or care who the next Labour leader should be**

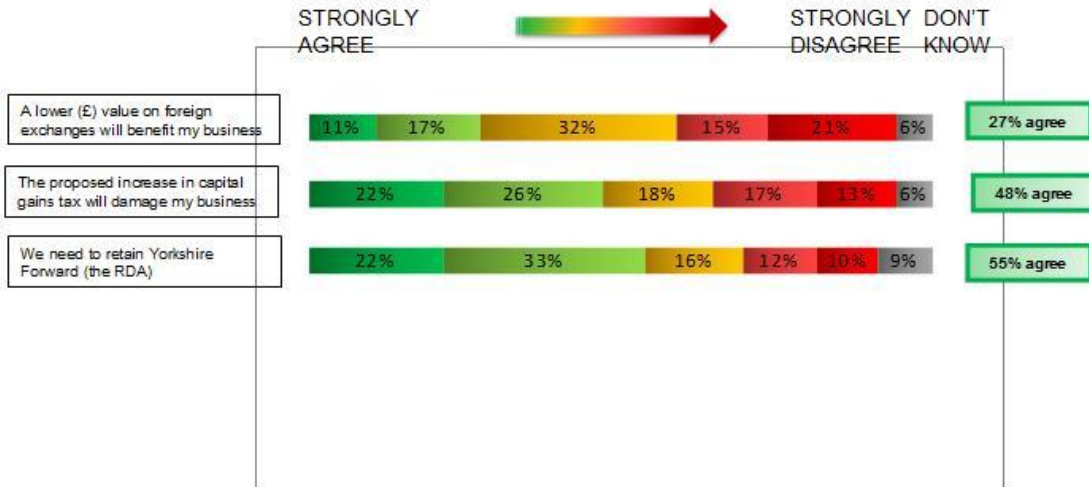


The table below indicates business interest and reaction to a number of issues which were discussed during the election and have been acted upon already by the coalition Government.

Perhaps the most significant is the support for the retention of Yorkshire Forward, the RDA, with 55% wishing to see it retained. Only 10% felt strongly that it should be abolished.

There was support for measures to raise Income Tax exemption for the first £10,000 earned (63%) and for the Government to start cutting the deficit by £6billion this year (65%). There was also strong support (77%) for the government to provide more assistance to businesses to raise skills in the workplace.

**Three quarters believe the Government should provide more assistance to raise skills levels**



Finally we asked our sample if there was one thing the Government could do to help your business. This collected a wide spread of views but the overwhelming sentiment was to help reduce costs by reducing taxation. 37% mentioned reducing tax in all forms and in this order of mentions – corporation tax, local business tax, fuel tax, NI contributions and VAT. Interestingly, 18% wished to see a reduction in 'red tape', particularly in the area of employee legislation. 13% wanted to see pressure being applied to banks to ease up credit for their business, with 13% wanting to see a reduction in public spending balanced by an equal 13% who wished to see public spending retained or increased.

**Cutting taxes and red tape are most important for Yorkshire & Humberside organisations**

Help topic	Total (%)
Reduce taxes	37%
Reduce 'red-tape'	18%
Banks could ease up credit for businesses	13%
Reduction in public spending	13%
Retention / increase in public spending	13%
Other	6%

## 5.0 Conclusions

The sample of business leaders reveals that they are happy to be based in Yorkshire and Humber, and that it has much to offer in terms of people and skills, quality of life and support services. The result of the general election and a new coalition Government is welcomed and in general there is a belief that we are past the worst of the recession. This is tempered with realism regarding tough decisions that relate to cutting the deficit and its dramatic impact on public sector spending. Despite this, the feeling is that business prospects over the next 12 to 18 months will improve, albeit slowly and gradually.

Since undertaking the survey the coalition Government has made a number of decisions which we can now review against the survey findings. The reduction to corporation tax, not increasing NI contributions & freezing local tax will all be welcomed. Although expected by many businesses, the increase in VAT will not.

The decision to wind up Yorkshire Forward will not be welcomed as there was broad support for this and the general opinion was that it has done a good job for the region overall. There is little awareness of the City Region concept and if these are to be part of, or linked in some way to the new Local Enterprise Partnership (LEP) thinking, then a considerable education job needs to be undertaken amongst business leaders to promote the benefits. This seems particularly relevant as the survey shows that those business leaders who have engaged with the City Region concept are very supportive.

The need to continue to reduce taxation is seen as the biggest thing government can do in order to allow business to flourish. This is followed by a need to cut red tape and regulation and for banks to release more credit to assist business. The desire to cut public spending was balanced equally by those who wanted to see it remain or grow, as many were fearful of the short term impact of cuts on existing and future public sector contracts.

Paradoxically, whilst the general sentiment is to release business from government intervention and control, business leaders do still look to the government for help with training support and in advancing the skills agenda.

Many leading entrepreneurs and business commentators have promoted the need for business to be more innovative and to develop new products and services. This notion does not appear to be on the agenda of the vast majority of businesses in the region, where an attitude of 'gritting it out' through the tough times with existing product portfolios appears to prevail.

Given that the majority of businesses do not claim to have close links with education colleges and universities, and links with other business support agencies are patchy at best, there appears to be an opportunity here to develop closer working relationships with businesses around improving innovation and product and service development. This could also be a focus of attention for the new Local Enterprise Partnerships.

The government has laid out its early plans to switch emphasis from the public to the private sector, and that the economic recovery will be private sector led through an export driven recovery. For the region's businesses to fully participate in that, business leaders' serious concerns about connectivity to global markets may need to be addressed.

A summary of the survey's key findings is below.

- Yorkshire is a good place to do business
- Expectations are for market improvement in next 12/18 months
- Broad support for Coalition and approach to addressing the deficit
- Business requires Government support and YF to be retained
- Low awareness of the city region concept
- Invest in skills and training a priority but low links with education bodies and business support agencies
- Lack of invest in R&D / innovation
- Need for improved links to other world markets
- Need for Government to cut taxes and red tape

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