Rural Enterprise UK

Small Rural Firms in English regions

Analysis and key findings from UK Longitudinal Small Business Survey, 2015

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Rural Enterprise UK

- A five year research, enterprise and implementation initiative aiming:
  - to analyse and disseminate evidence of growth opportunities and challenges for businesses in UK's rural areas
  - to identify solutions to overcome impediments to raising productivity in rural areas and foster rural business development and growth.

The LSBS analysis

- A survey conducted Oct-Dec 2015 focusing on recent performance, future plans and expectations
- BEIS offered the anonymised responses to Newcastle University, to undertake rural:urban analyses
- 15,500 small businesses across the UK
- 13,500 in England - 27% rural according to official rural:urban classification
- A UK wide rural-urban analysis has been commissioned by and submitted to BEIS and Enterprise Research Centre
- First year of a longitudinal / panel survey, repeated in 2016

England's Local Enterprise Partnerships from Postcode: Rural and Urban Categorisation

Region	Local Enterprise Partnership	NO. of Enterprises	
		Urban	Rural
East Midlands	Derby, Derbyshire, Nottingham and Notti, Greater Cambridge & Greater Peterborough, Greater Lincolnshire, Leicester and Leicestershire, Northamptonshire, Sheffield City Region, South East Midlands	741	394
East of England	Greater Cambridge & Greater Peterborough, Hertfordshire, New Anglia, South East, South East Midlands	1,073	621
London***	Coast to Capital, London.	1,954	5
North East	North Eastern, Tees Valley.	322	111
North West	Cheshire and Warrington, Cumbria, Greater Manchester, Lancashire, Liverpool City Region,	1,148	252
South East	Coast to Capital, Enterprise M3, Oxfordshire LEP, Solent, South East, South East Midlands, Thames Valley Berkshire, Thames Valley, Buckinghamshire.	1,829	761
South West	Cornwall and the Isles of Scilly, Dorset, Gloucestershire, Heart of the South West, Swindon and Wiltshire, West of England.	1,054	795
West Midlands	Black Country, Coventry and Warwickshire, Greater Birmingham and Solihull, Stoke-on-Trent and Staffordshire, The Marches, Worcestershire.	904	328
Yorkshire & the Humber	Greater Lincolnshire, Humber, Leeds City Region, Sheffield City Region, York and North Yorkshire.	823	288
Total		9,848	3,555

Source: LSBS (2015)

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Table 1 Distribution of firms by profit and urban-rural classification

Did you generate a profit or surplus?	Number of Enterprises	
	Rural	Urban
Yes	79.3%	76.4%
No	14.6%	17.8%
Total	3,667 (100%)	8,190 (100%)

Source: LSBS (2015): profit is statistically significant response using Chi-square test (χ^2: $p<0.05$).

Table 2 Distribution of firms by turnover and urban-rural classification

Annual turnover	Number of Enterprises	
	Rural	Urban
Less than £82,000	54.8%	64.5%
More than £82,000	32.5%	23.7%
Total	3,667 (100%)	8,190 (100%)

Source: LSBS (2015): turnover is statistically significant response using Chi-square test (χ^2: $p<0.05$).

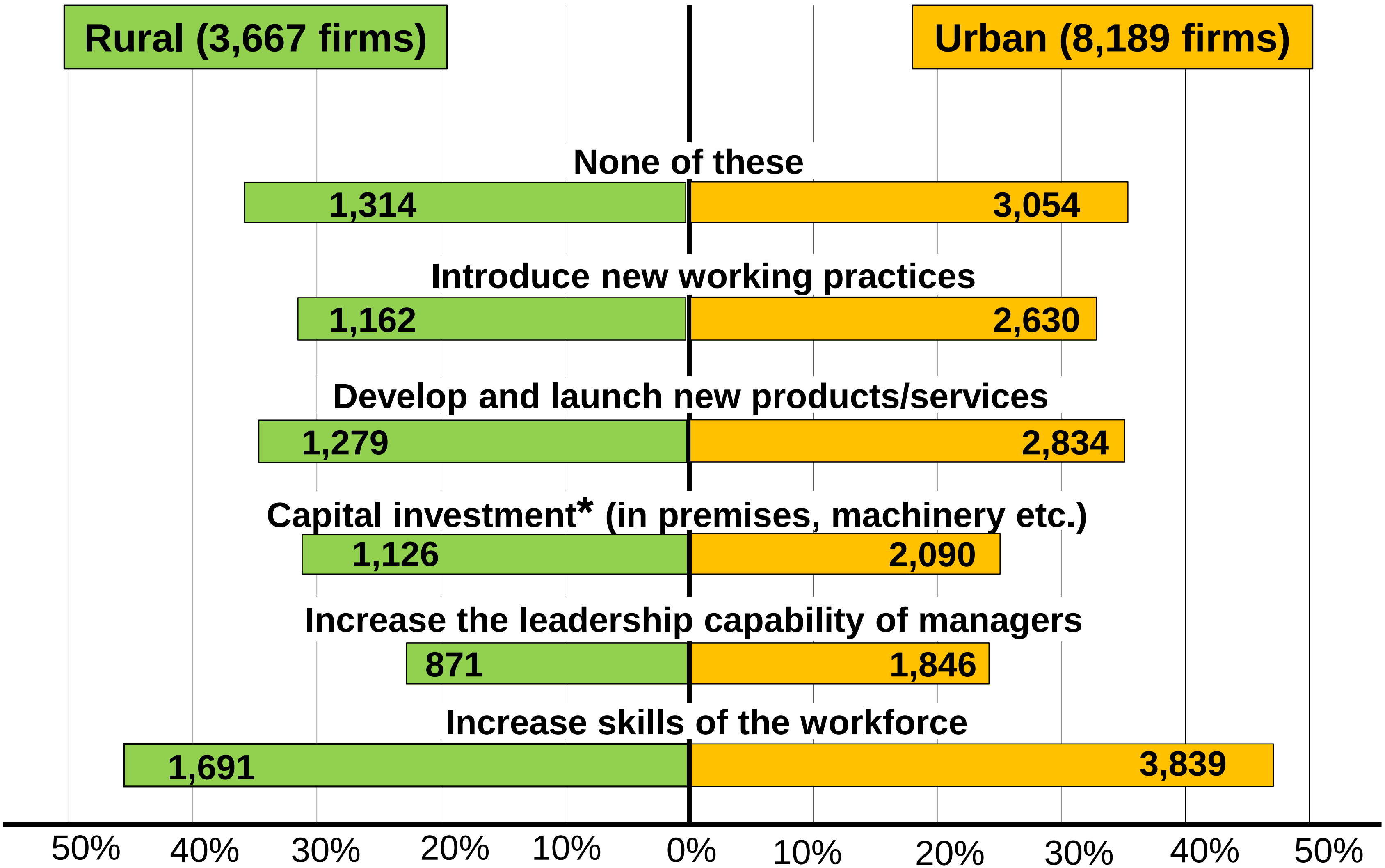
Rural-Urban Businesses' Performance: Propensity Score Matching (PSM) analysis

- England's rural firms have lower £turnover than urban firms; **BUT** have higher profitability

- Use of information/advice shows **NO** significant difference between rural and urban firms

- Most regions display **NO** significant differences in firms' £turnover or profit/loss, or levels of use of advice between urban and rural firms. However, there are regional variations:
  - Yorkshire & Humber (Y&H) – rural firms have higher £turnover than the region's urban firms
  - South West England (SW) - rural firms have higher levels of profitability than the region's urban firms
  - West Midlands (WMids) and Y&H - more rural than urban firms sought advice or information

Businesses' Plans for Next Three Years: England



Source: LSBS (2015)

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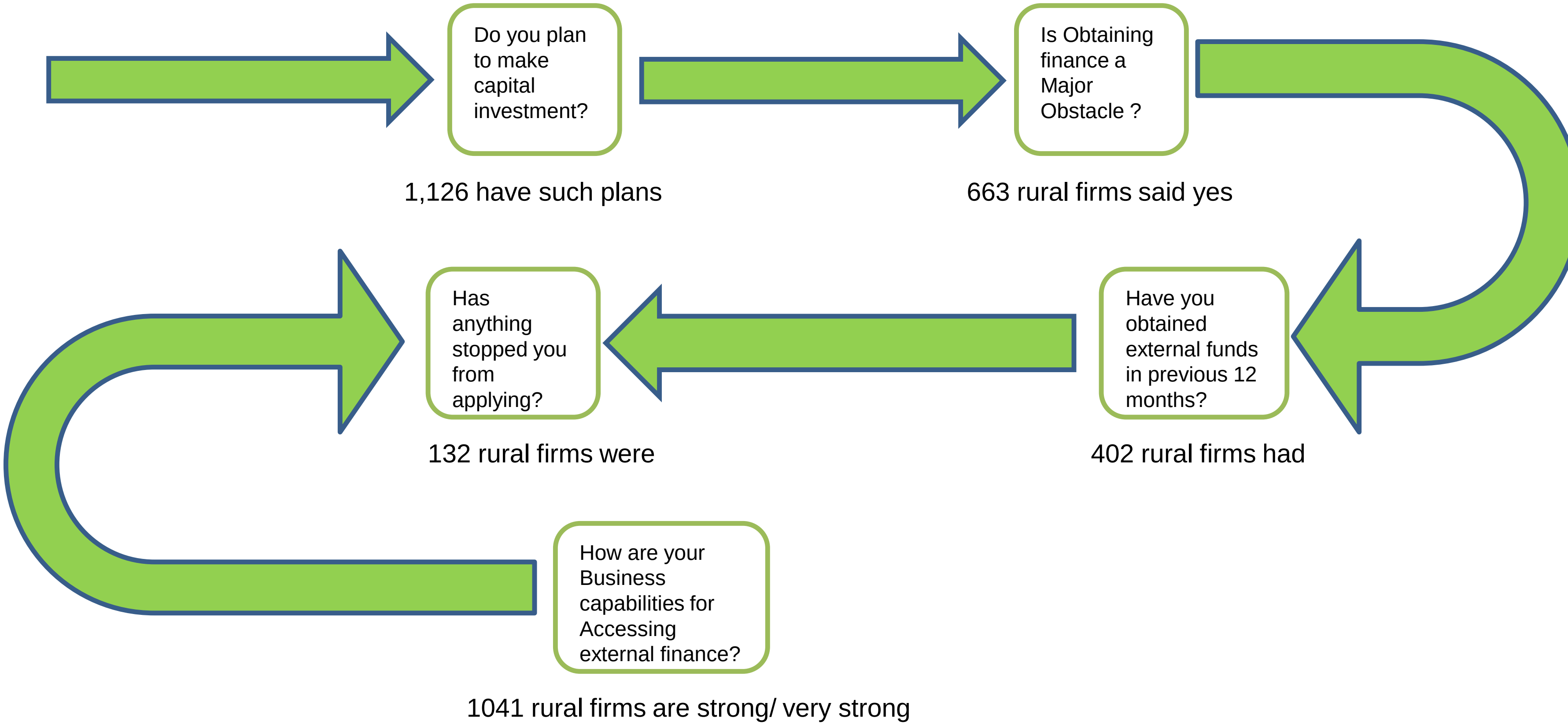
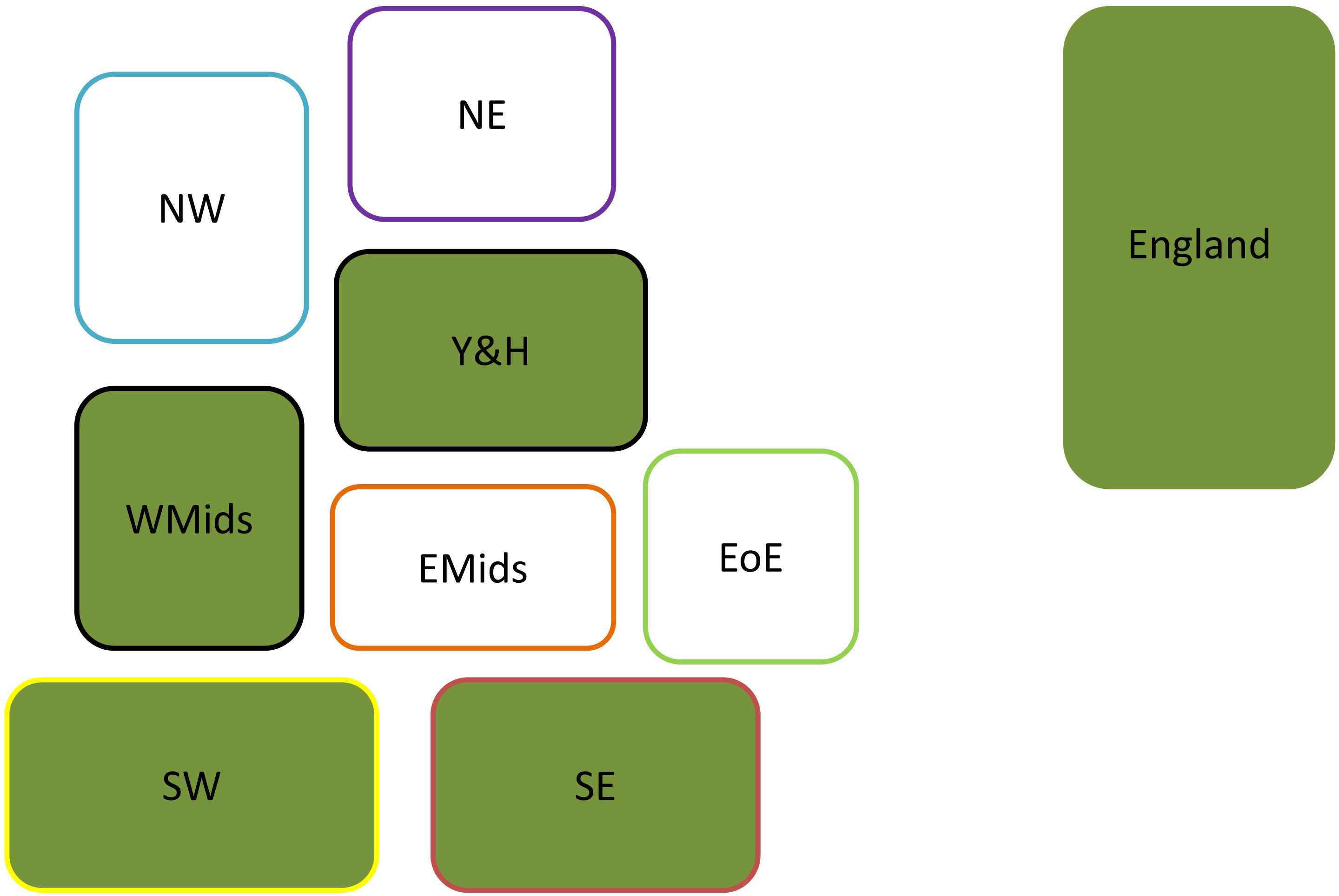
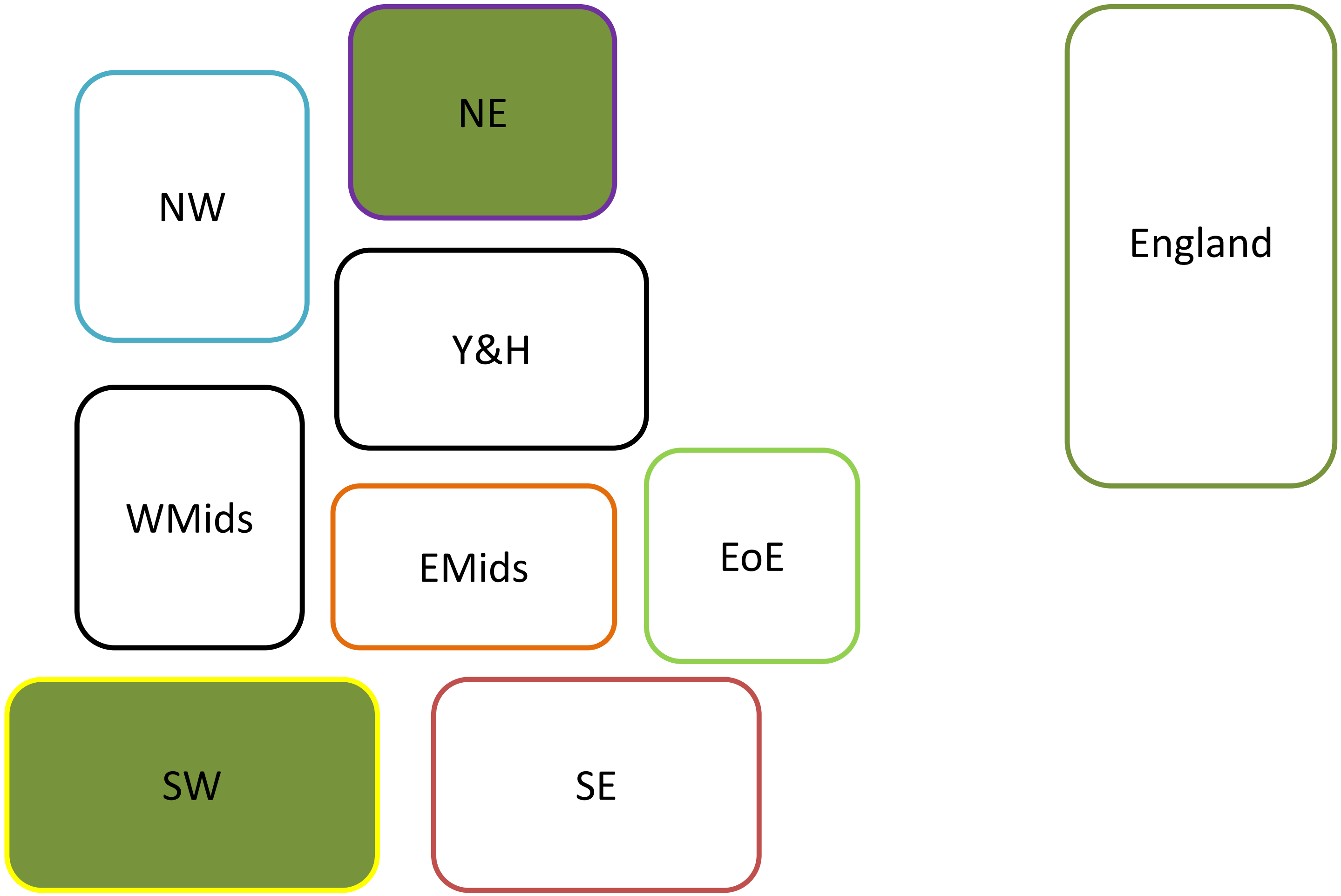
Investment and finance trail



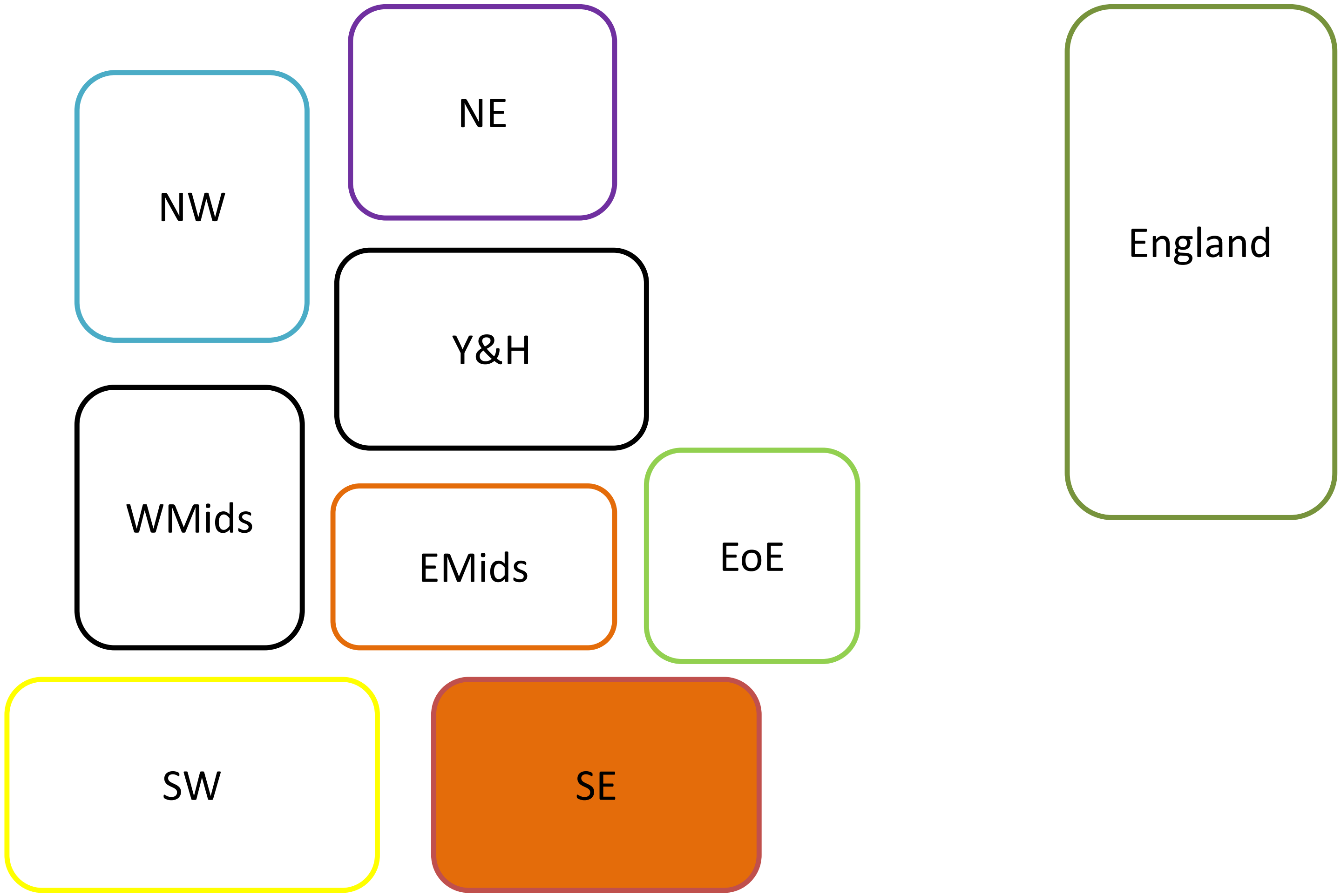
Plan to make Capital Investments?



Is Obtaining finance a major obstacle?



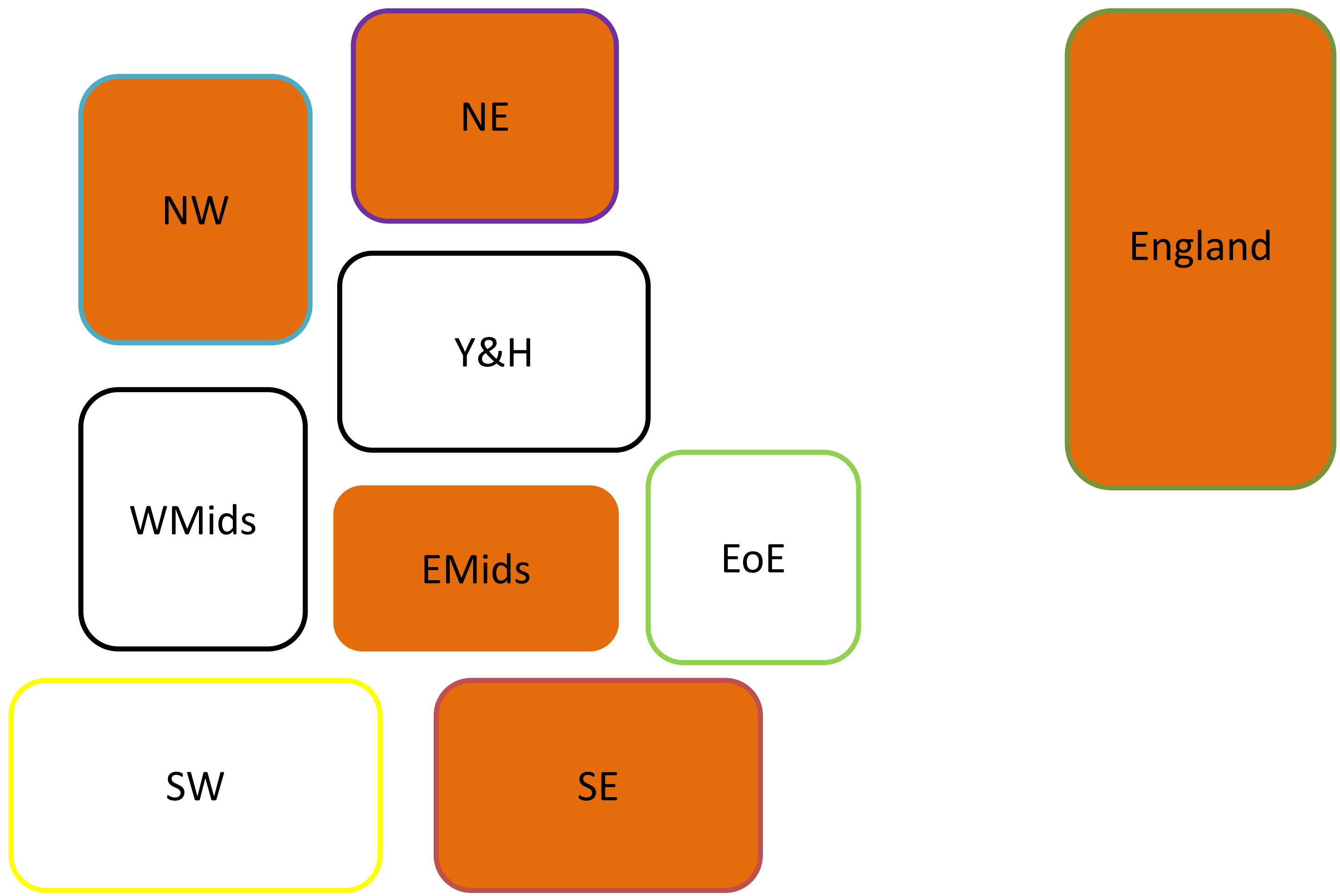
Have you sought external funds?



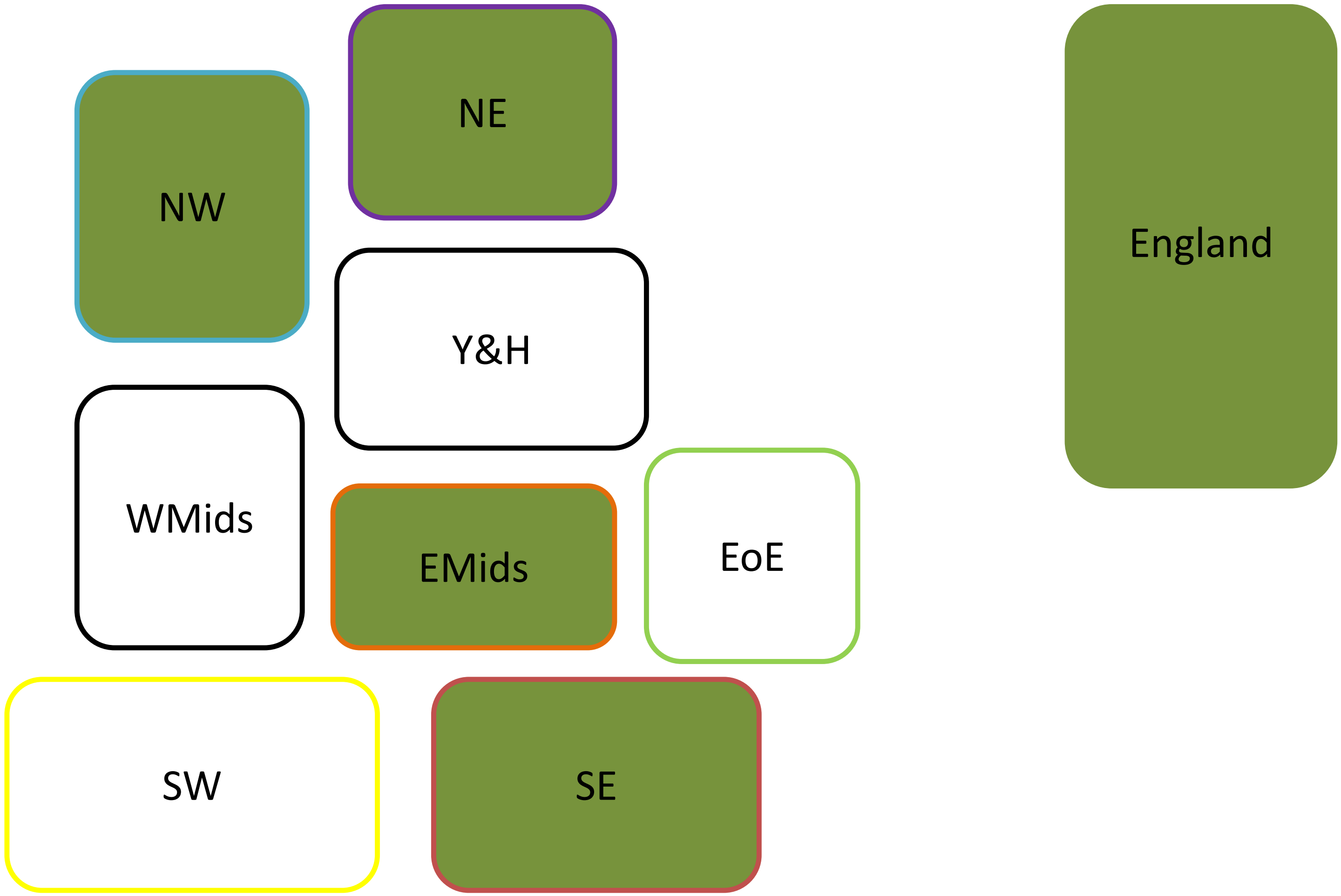
Reasons for seeking external finance

Reasons for seeking finance	Number of Enterprises		Total
	Rural	**Urban**	
Working capital, cashflow	175 (43.6%)	550 (51.8%)	725 (49.6%)
Buying land or building/building premises	76 (19.0%)	95 (9.0%)	171 (11.7%)
Improving building	37 (9.2%)	60 (5.6%)	97 (6.6%)
Acquiring capital equipment or vehicles	166 (41.3%)	367 (34.6%)	533 (36.4%)
Research and Development	6 (1.5%)	56 (5.3%)	62 (4.2%)
Acquiring intellectual property	1 (0.1%)	13 (1.2%)	14 (1.0%)
Protecting intellectual property	0 (0%)	9 (0.8%)	9 (0.6%)
Training/staff development	2 (0.5%)	31 (2.9%)	33 (2.3%)
Buying another business	2 (0.5%)	5 (0.5%)	7 (0.5%)
Marketing	6 (1.5%)	60 (5.7%)	66 (4.5%)
Debt consolidation	3 (0.7%)	28 (2.6%)	31 (2.1%)
Moving premises	3 (0.7%)	10 (0.9%)	13 (0.9%)
To fund expansion in the UK	16 (4.0%)	63 (5.9%)	79 (5.4%)
To fund expansion overseas	1 (0.2%)	12 (1.1%)	13 (0.9%)
Hiring staff	3 (0.7%)	25 (2.4%)	28 (1.9%)
Start up business/in order to start trading	6 (1.5%)	43 (4.1%)	49 (3.4%)
Management buy out/buy in (MBO/MBI)	2 (0.5%)	12 (1.1%)	14 (1.0%)
Business recovery	2 (0.5%)	27 (2.5%)	29 (2.0%)
Other	49 (12.2%)	109 (10.3%)	158 (10.8%)
Don’t know	3 (0.7%)	34 (3.2%)	37 (2.5%)
Total	560	1,609	2,169

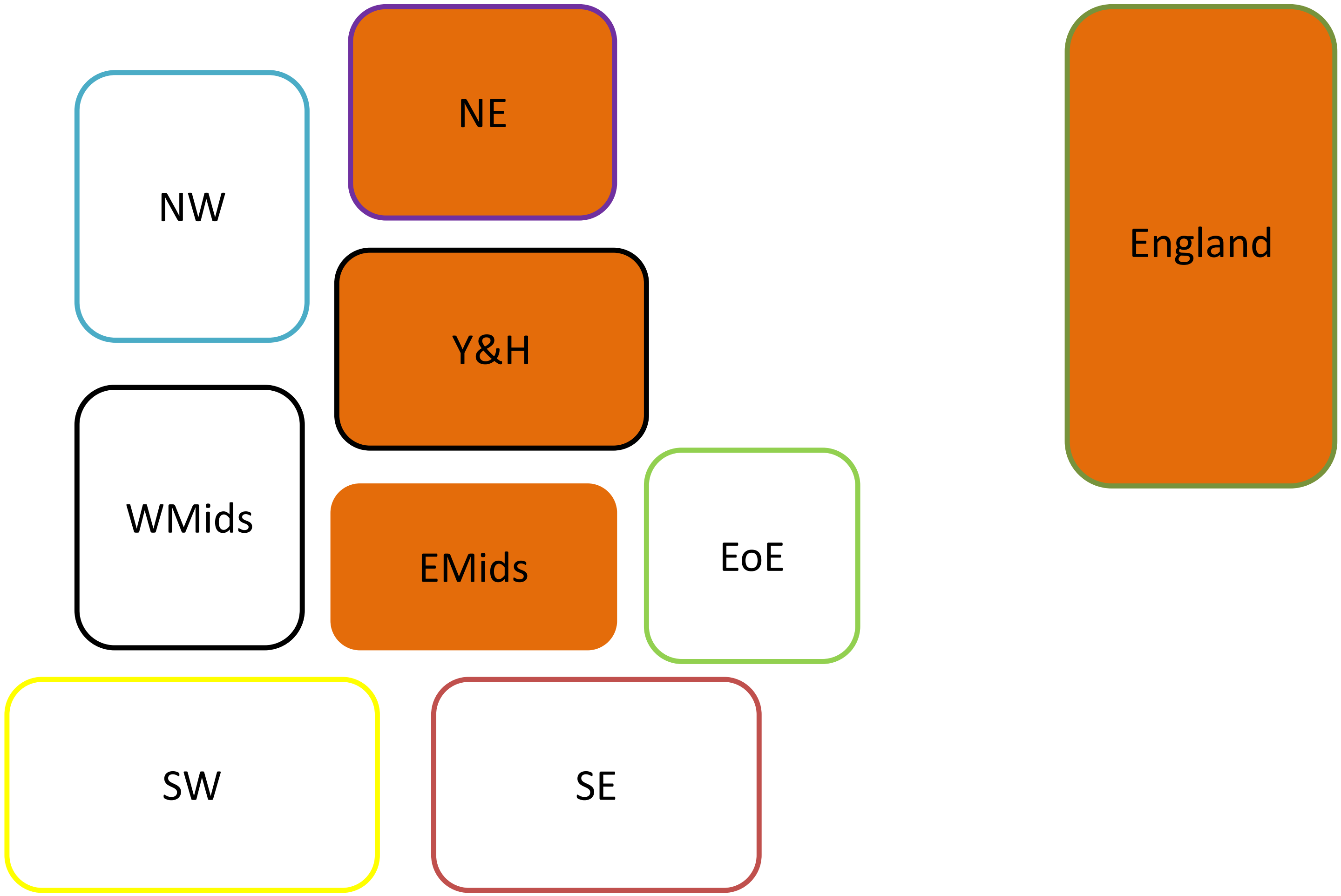
External funds secured: £<£25,000



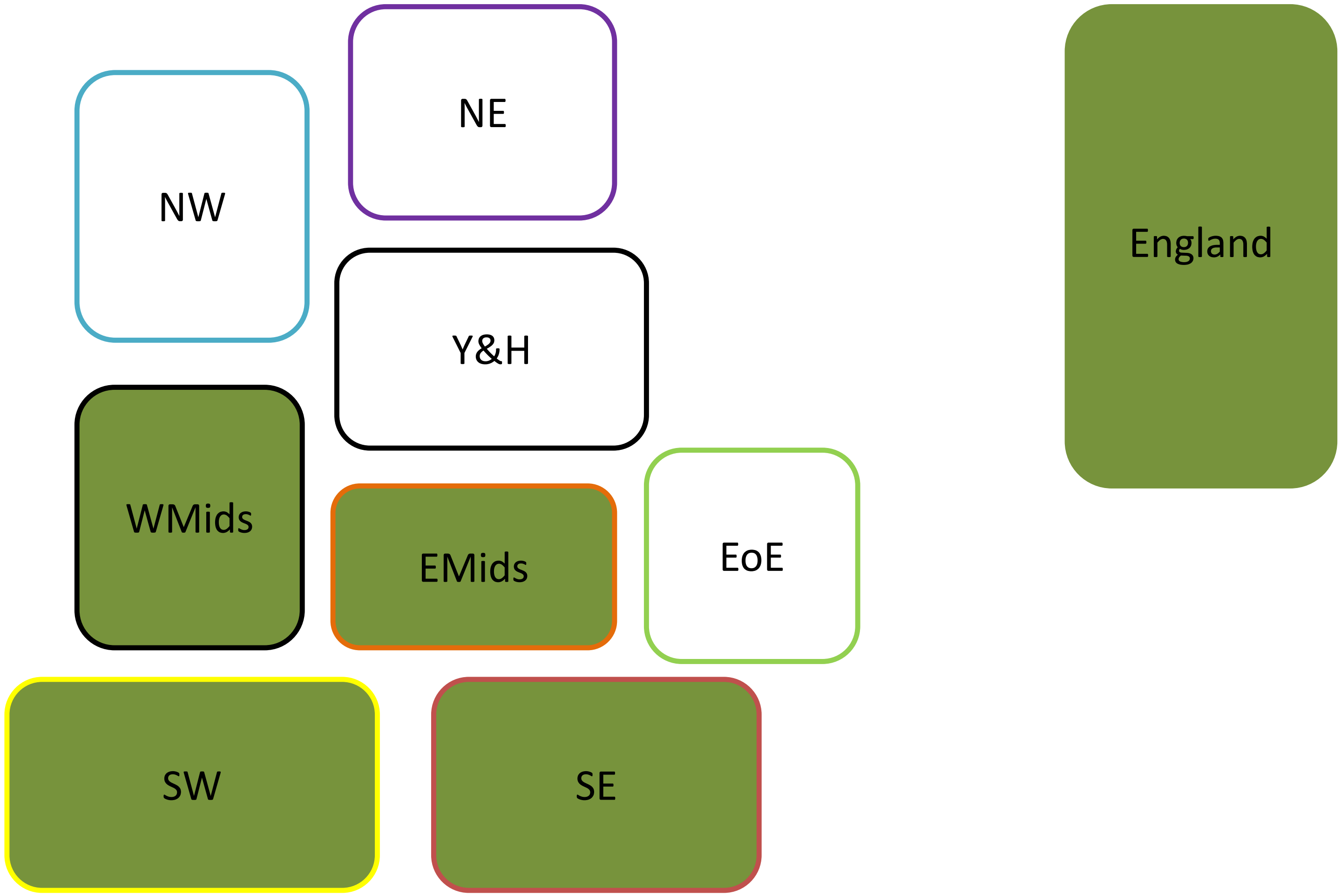
External funds secured: £100k to £2million



Has anything stopped you applying?



Ability to apply for finance: Very strong or strong?



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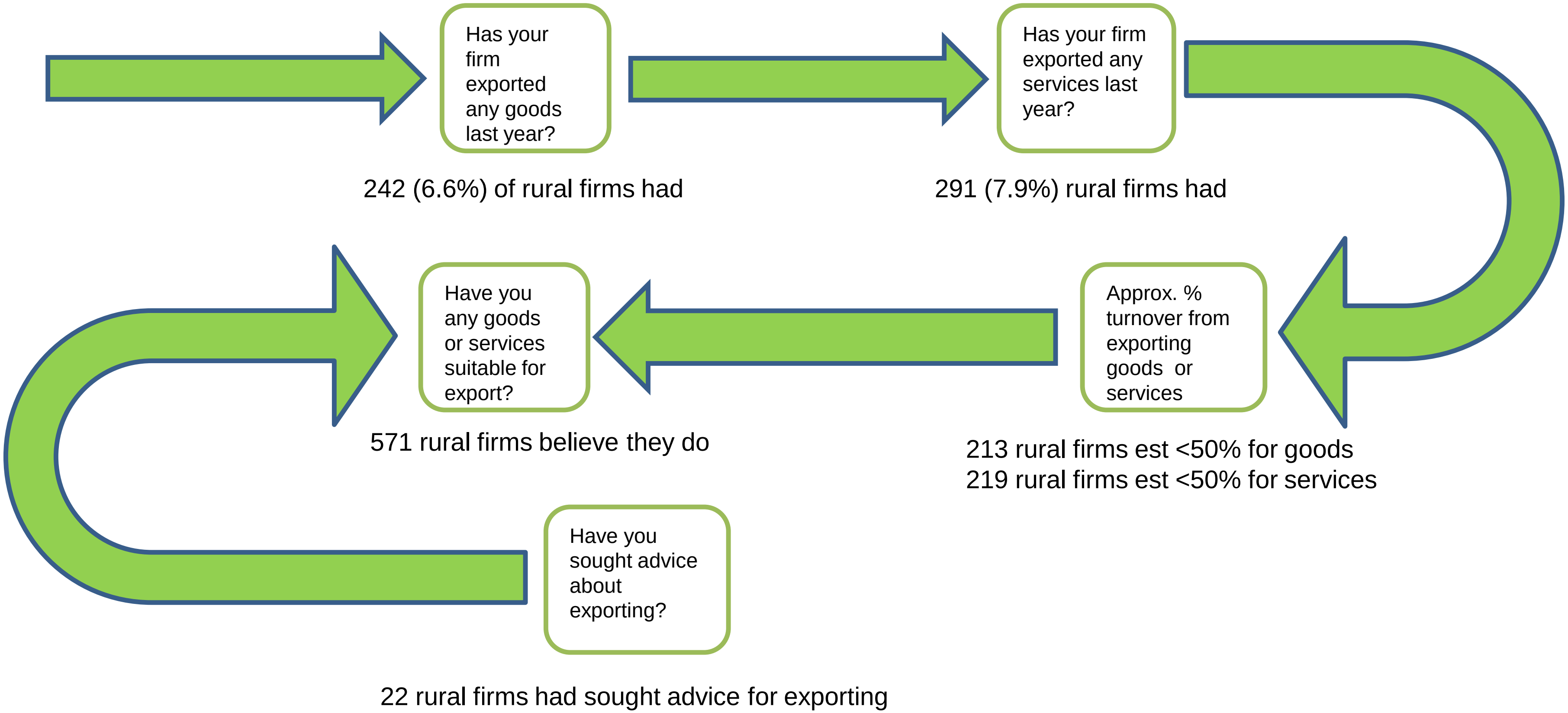
Exporting trail



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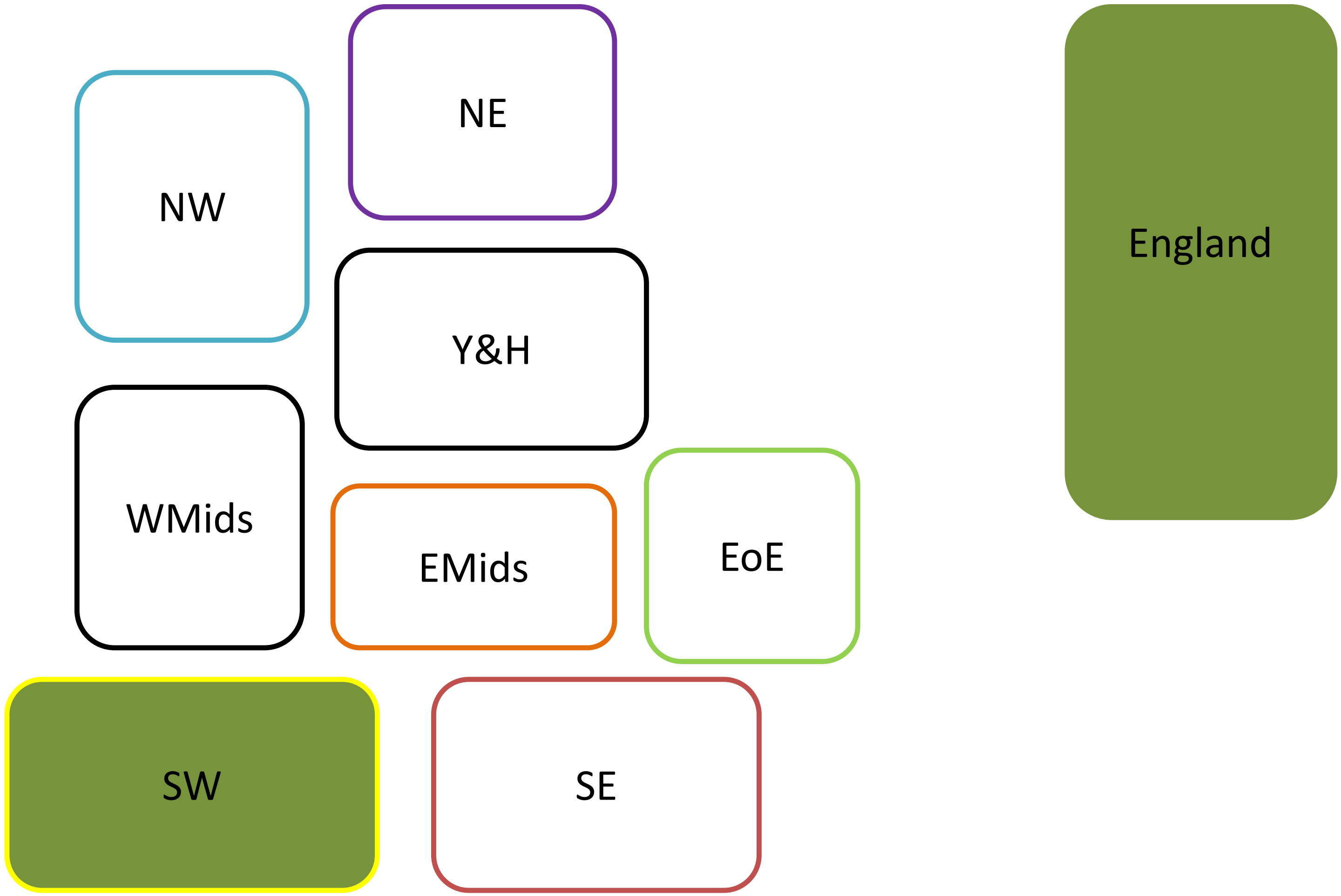
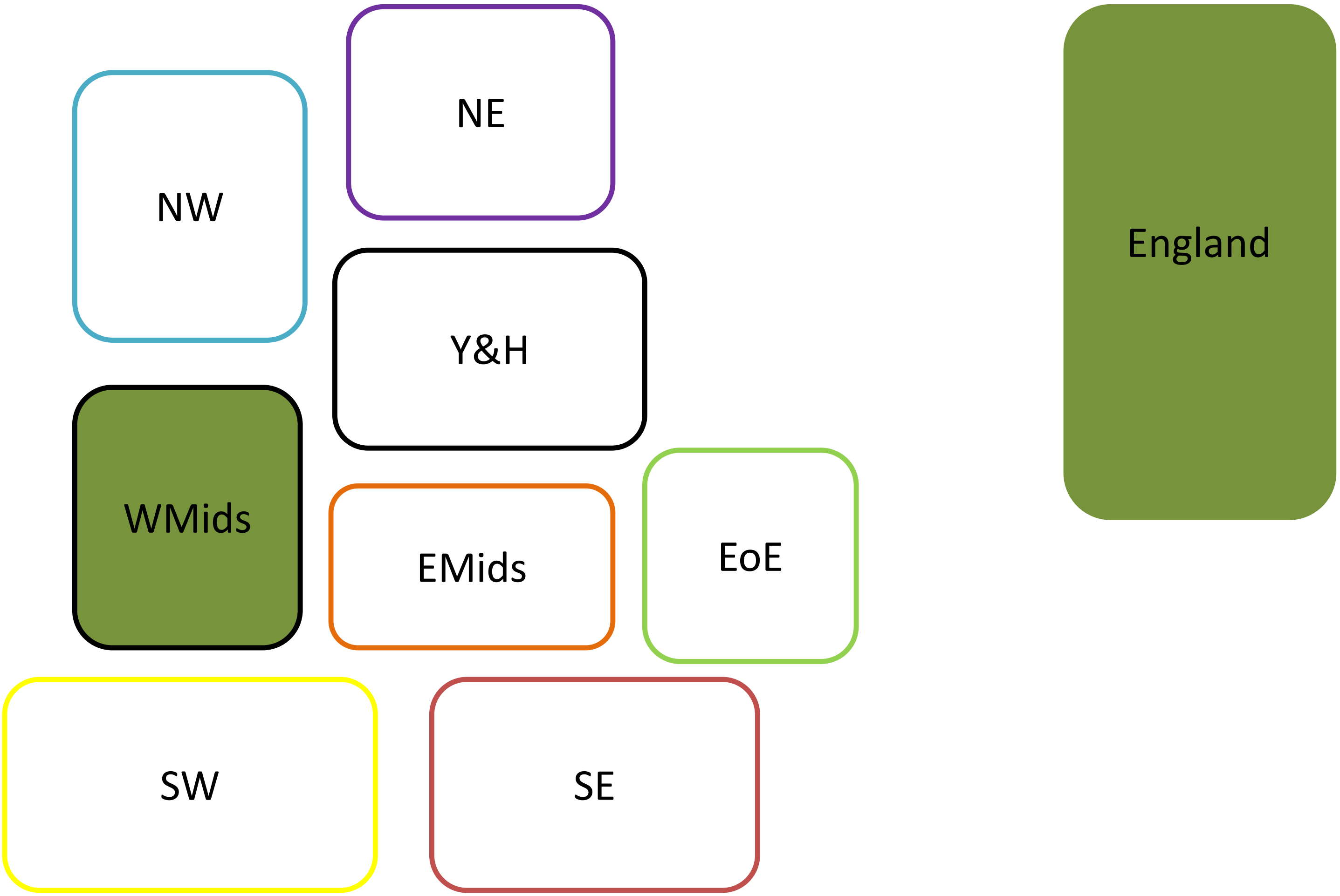
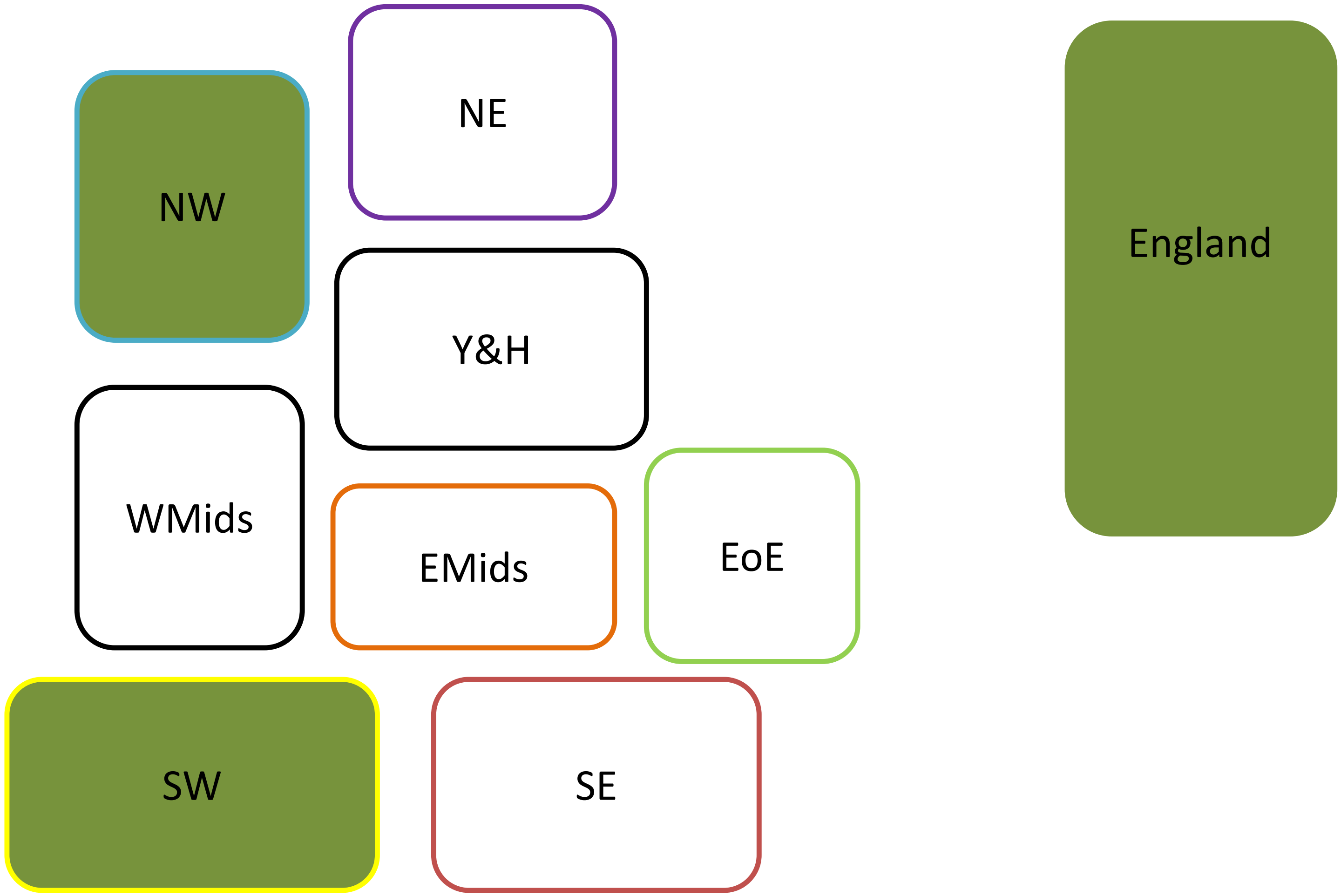
Has your firm exported goods?



Has your firm exported services?



Do you have goods or services suitable for exporting?



Innovation trail

Introduced any new or improved goods / services in last 3 years?

Goods: 688 (18.8%) of rural firms had
Services: 1109 (30.2%) of rural firms had

Introduced any new or improved processes in last 3 years?

Processes: 704 (19.2%) of rural firms had

Were any goods or services new to market?

430 (31.6%) of rural firms said at least some were new

Did your firm cooperate in the innovation process?

79.5% rural firms cooperated with others

How are your business capabilities for developing new products and services?

1736 (47.3%) said they were strong / very strong

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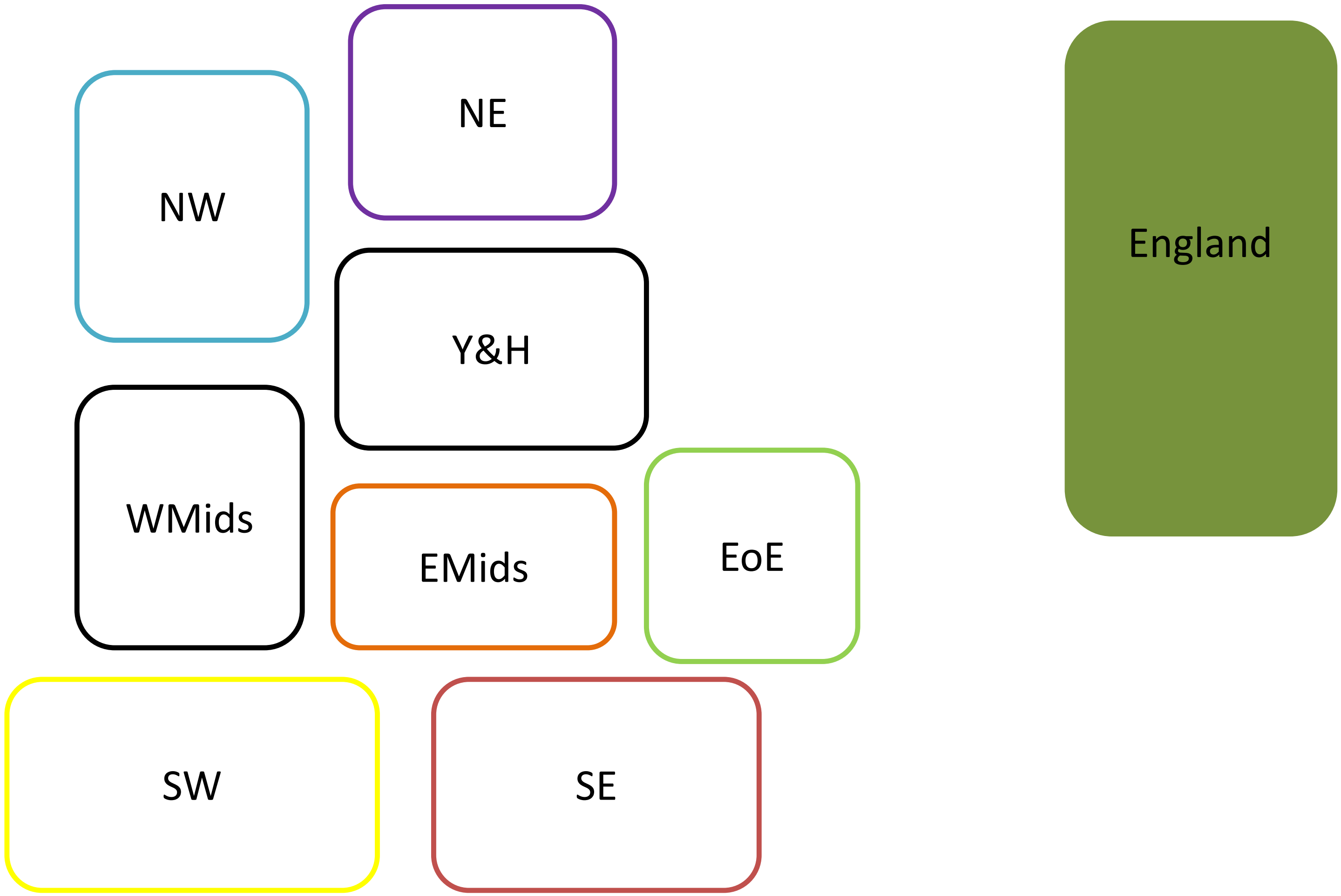
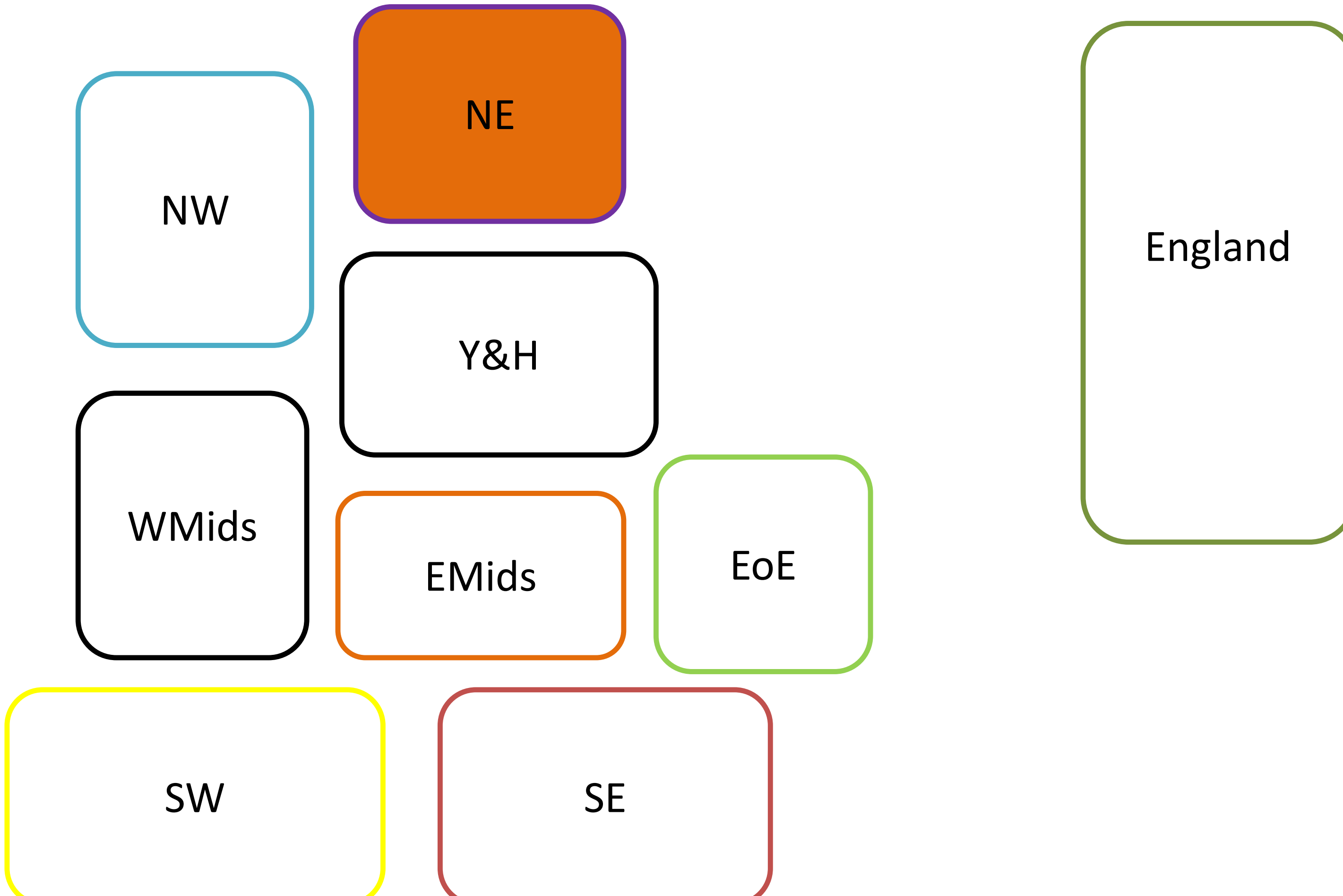
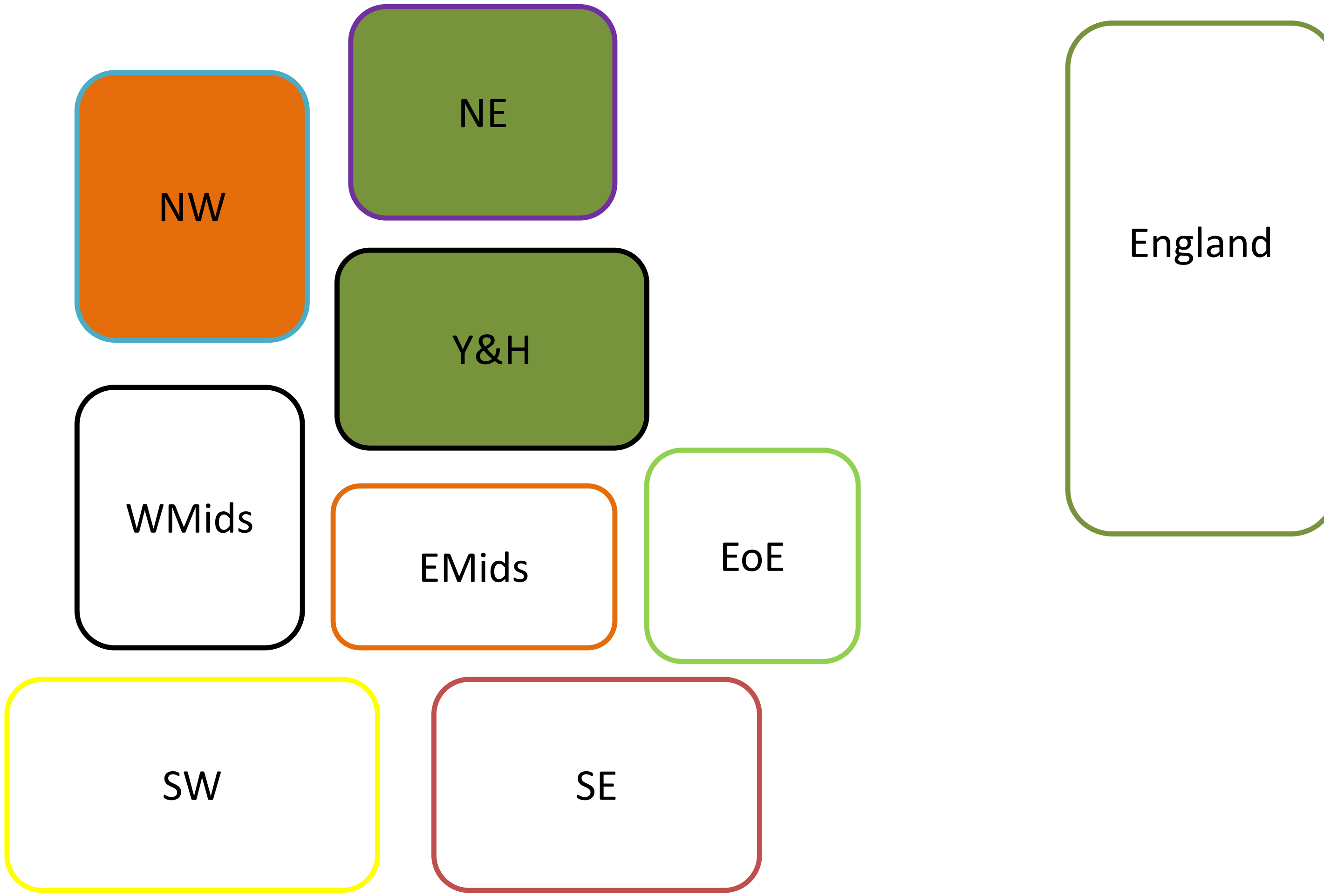
Have you introduced any new or significantly improved goods in the last 3 years?



Have you introduced any new or significantly improved services in the last 3 years?



Have you introduced any new or significantly improved processes in the last 3 years?



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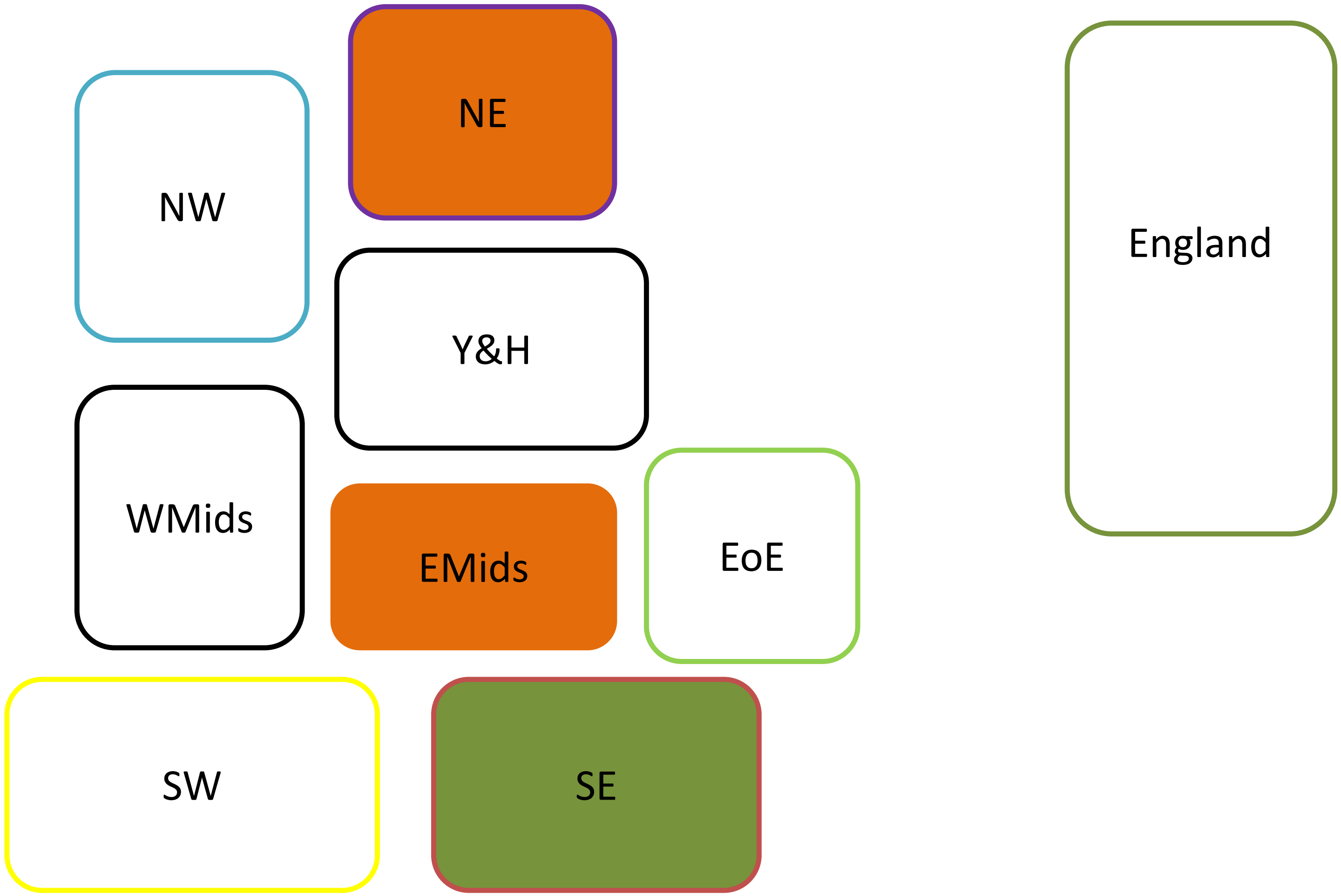
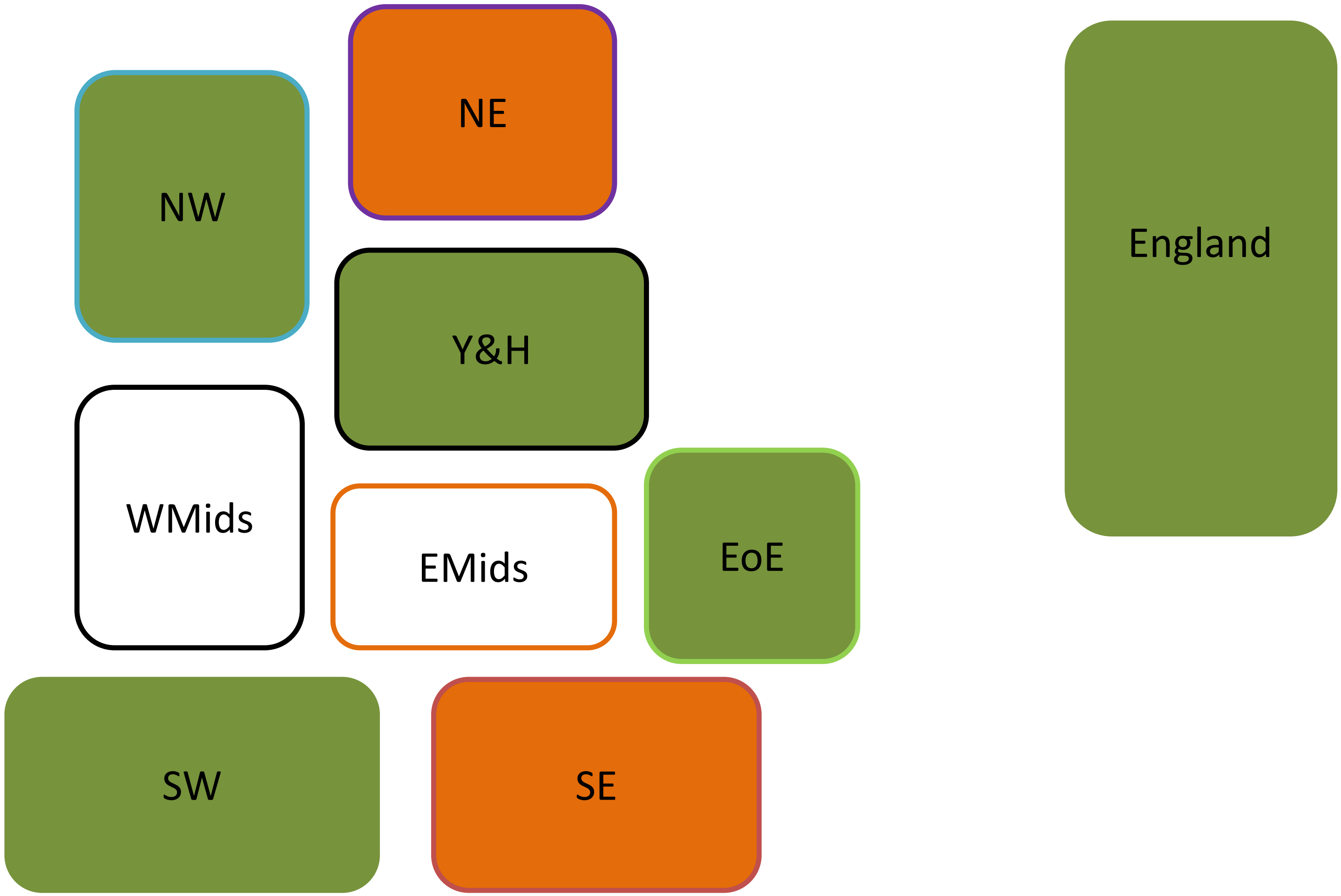
Were any goods or services new to the market?



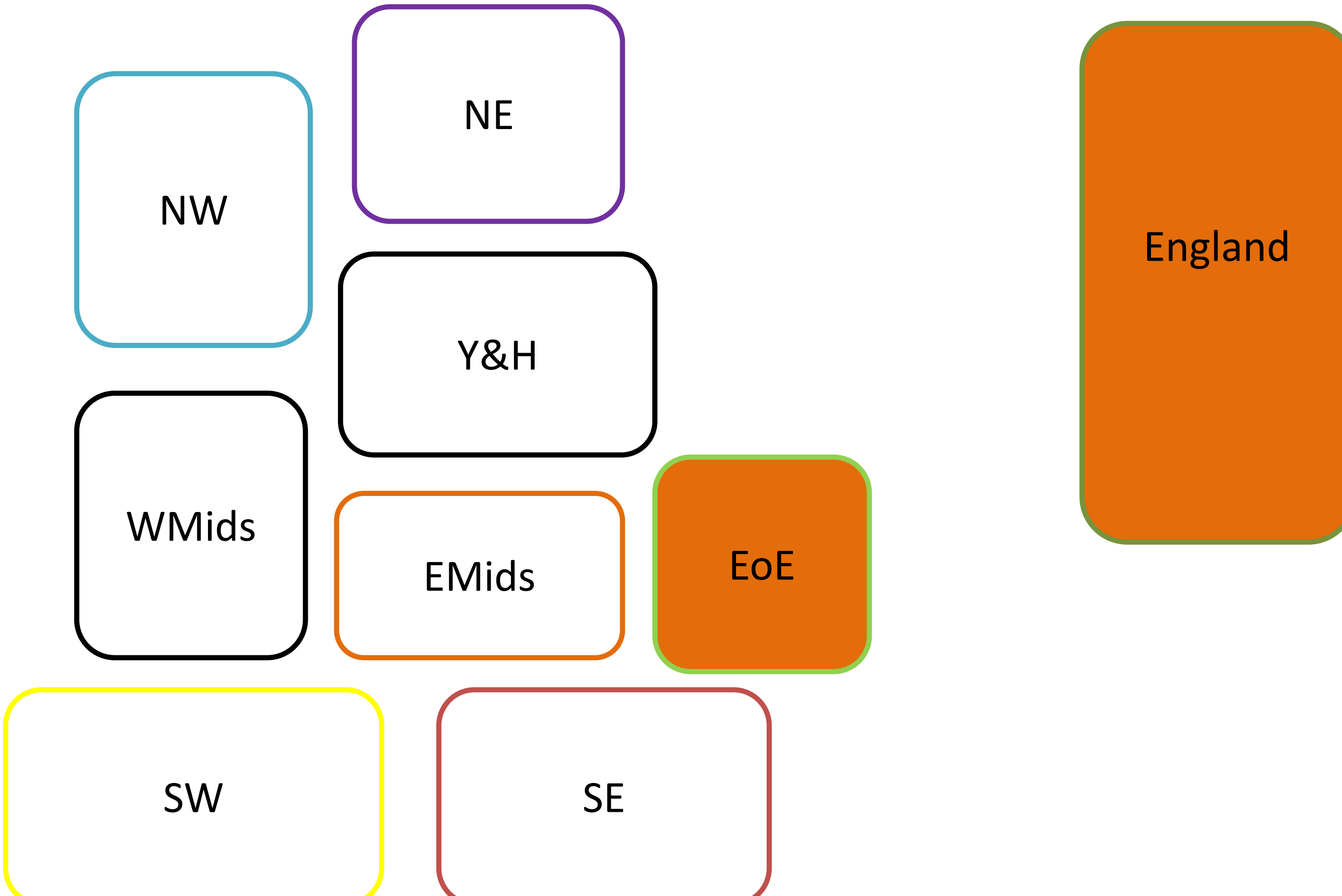
Did you cooperate with anyone in the innovation process?

Did your introduction of new goods, service or process innovations involve co-operation with any of the following?	Number of Enterprise		Total
	Urban	Rural	
Other businesses with your enterprise group?	836 25.3%	395 25.1%	1231 25.2%
Suppliers of equipment, materials, services or software?	1602 48.5%	805 51.2%	2407 49.4%
Clients or customers from the private sector?	1262 38.2%	627 38.7%	1889 38.7%
Clients or customers from the public sector?	874 26.4%	385 25.8%	1259 25.8%
Competitors or other businesses in your industry?	685 20.7%	362 23.0%	1047 21.5%
Consultants, commercial labs or private R&D institutes?	365 11.0%	195 11.5%	560 11.5%
Universities or other higher education institutions?	329 10.0%	131 8.3%	460 9.4%
Government or public research institutes?	181 5.5%	86 5.5%	267 5.5%
None of these	718 21.7%	323 20.5%	1041 21.3%

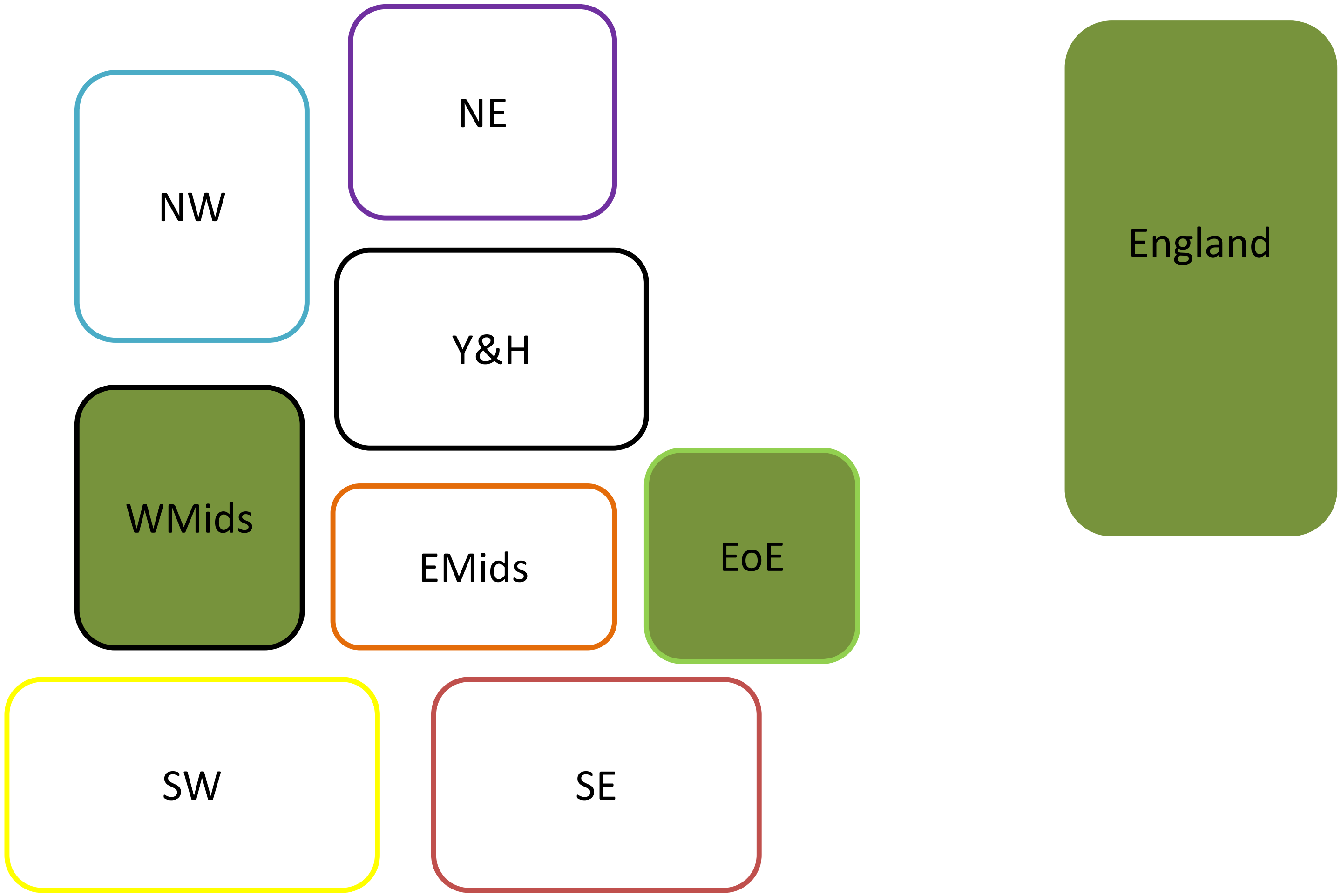
Do you have a capability for developing and introducing new products and services?



Reason for using advice: e-commerce and technology?



Reason for using advice: improving business efficiency?



Rural Enterprise UK

- Aiming to grow a national partnership

- Supported by an advisory group with representation from:
  - BEIS
  - Defra
  - Federation of Small Businesses
  - Rural Services Network
  - Scottish Government
  - Scotland's Rural College

Keen to hear your views on future direction of analysis!