

The background of the cover is white, decorated with several large, overlapping, organic shapes in various shades of green and teal. These shapes resemble stylized leaves or petals, creating a modern and natural aesthetic. The colors range from light lime green to dark forest green.

THE SAGE BUSINESS INDEX 2011

International small
business insights

sage

Introduction

Welcome to the Sage Business Index – International Small Business Insights report.

At Sage we are privileged to have more than 6.3 million companies as our customers, ranging from small business to mid-sized and larger organisations. The conversations we have with our customers and the feedback they provide gives us unique insights into their business environment, both locally and globally. We conduct regular research to better understand the business landscape in each country, the challenges and opportunities they face and how we can help them with the business software and services that we provide.

This report is based on responses from thousands of small businesses in France, Germany, Spain, the UK, the United States and Canada. Conducted in November and December 2010, the research investigated business confidence and opinions on the economy, attitudes on their country as a place to do business, views on

the role of government in business, the challenges ahead and the role of technology.

Consequently a compelling picture of small businesses across these countries has emerged, comparing and contrasting the issues these organisations face. It reveals that whilst confidence appears to be returning, this is not universal and though businesses in each country face a variety of issues particular to their geography there are also common challenges, especially around government bureaucracy, legislation and a lack of access to funding.

The report also covers how small businesses think their governments are tackling the economic issues that face them and how they support small businesses, the outlook for employment and concerns about overheads, costs and revenues. Entrepreneurial spirit and culture are shown to be alive and well and the report points to how the key driver for adopting new technologies is to improve business efficiency.

We have presented the report in a factual manner, giving businesses a voice to raise awareness of their business life. We hope you value seeing what they have to say.

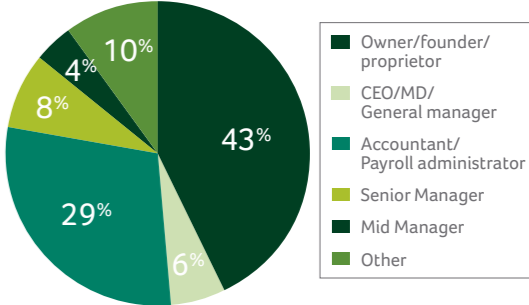
The report, plus additional content, can be accessed at www.businessindex.sage.com which includes social media tools to receive future research and discuss the findings. We intend to conduct research on a regular basis both more globally and also to investigate specific areas in depth, creating a long term index of the business environment.

Sample Universe

The Sage Business Index polled a total of 6,455 businesses across Western Europe and North America plus a further 7,000 in parallel research in Spain.* The majority of respondents, except in the UK, were the owner/founder or CEO/General Manager. 76% had between 1 and 19 employees. On average 10% of

businesses were less than 3 years old, 6% were between 3 and 5 years old, and 45% of businesses were more than 20 years old. The responses to the survey came from businesses across multiple sectors with slightly higher proportions from manufacturing, construction, retail and services.

Which of the following best describes your position?



Germany	France	UK
Of the 1,602 respondents, 60% of them were either the owner/founder or CEO/General Manager and 12% accountant/payroll administrator. Some 74% of businesses who replied had an employee base of between 1 and 19. Of the businesses, 5% were less than 3 years old, 5% between 3 and 5 years old with 45% of them having operated for more than 20 years.	Of the 2,096 respondents, 48% of them were either the owner/founder or CEO/General Manager and 15% accountant/payroll administrator. Some 76% of businesses who replied had an employee base of between 1 and 19. Of the businesses, 20% were less than 3 years old, 8% between 3 and 5 years old with 39% of them having operated for more than 20 years.	Of the 1,510 respondents, 40% of them were either the owner/founder or CEO/General Manager and 43% accountant/payroll administrator. Some 70% of businesses who replied had an employee base of between 1 and 19. Of the businesses, 9% were less than 3 years old, 7% between 3 and 5 years old with 40% of them having operated for more than 20 years.
Canada	US	Spain*
Of the 584 respondents, 52% of them were either the owner/founder or CEO/General Manager and 37% accountant/payroll administrator. Some 87% of businesses who replied had an employee base of between 1 and 19. Of the businesses, 10% were less than 3 years old, 8% between 3 and 5 years old with 43% of them having operated for more than 20 years.	Of the 663 respondents, 50% of them were either the owner/founder or CEO/General Manager and 34% accountant/payroll administrator. Some 74% of businesses who replied had an employee base of between 1 and 19. Of the businesses, 7% were less than 3 years old, 4% between 3 and 5 years old with 56% of them having operated for more than 20 years.	In Spain, Sage conducted separate, in depth research during the same time period with 7,091 small businesses. Whilst these businesses were questioned on more detailed issues relating to doing business in Spain they were also asked the same questions as The Sage Business Index research relating to business confidence, the economy, and their country as a place to do business. These responses have been included.

The small business universe

- In the US there are **29.6 million** small businesses
- In the UK there are **4.8 million** small businesses
- In France there are **5.2 million** small businesses
- In Canada there are **2.38 million** small businesses.
- In Germany there are approximately **3.67 million** small businesses
- In Spain there are **3.3 million** small businesses

Sources: Office of Advocacy, U.S. Dept. of Commerce, Bureau of the Census, U.S. Dept. of Labor, Employment and Training Administration; Industry Canada, June 2008; UK department of Innovation & Skills October 2010; German Institute of Midmarket Research 2010; IPSOS France 2010; Ministerio de Industrio, Turismo y Comercio 2010.

In some cases percentages in graphs and text do not add to 100. This is either because respondents were given the option to answer more than one question, or they opted for a "no opinion" or "no difference" answer. Charts and averages only include Spanish data where specifically stated.



Business Confidence and the Economy

The index reveals that there is a mixed picture across the globe when it comes to business confidence and how businesses in each country feel about the state of their economy.

- Germany is the most confident of the countries surveyed - (55% of Germans are more confident – only 9% less confident)
- France, the UK, US and Canada all quite similar and evenly split on this issue, with the UK being marginally the least confident

Spain is the least confident about business prospects with 36% stating no difference in comparison to last year and 30% feeling less confident. Only 12% feel more confident about future business prospects

41%

are more confident

40%

think it will stay the same

19%

are less confident

“As we move into 2011 we should start to see reasonable recovery.”

UK small business

“Small businesses were the ‘heart and soul’ of the US economy. ‘Big money’ operations have destroyed them with impunity and without significant consequences particularly in the areas of finance. More investment is needed in small businesses who can feel some of the business and economic recovery.”

US small business

“Business confidence is slightly better. But every time we seem to move forward some businesses take advantage of the fact we are moving forward, we have no control over gas prices, water, insurance and banks. All of these businesses charge what they feel like without any opposition.”

Canadian small business

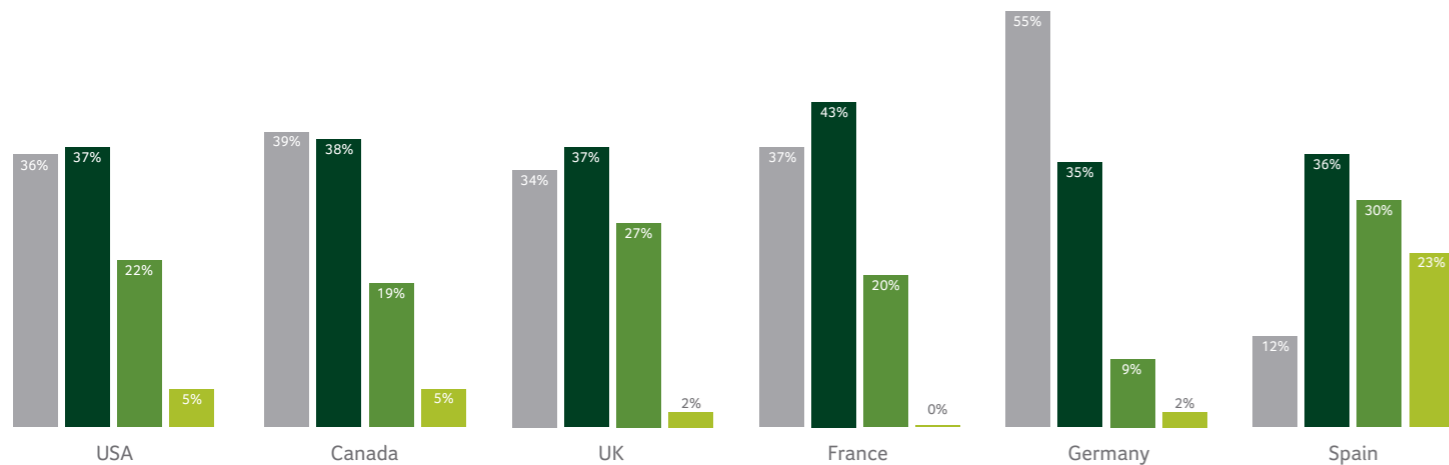
An average of 53% think their country’s economy is recovering slightly or significantly

Vast majority of these state say it is ‘recovering slightly’.

Germany is the most positive

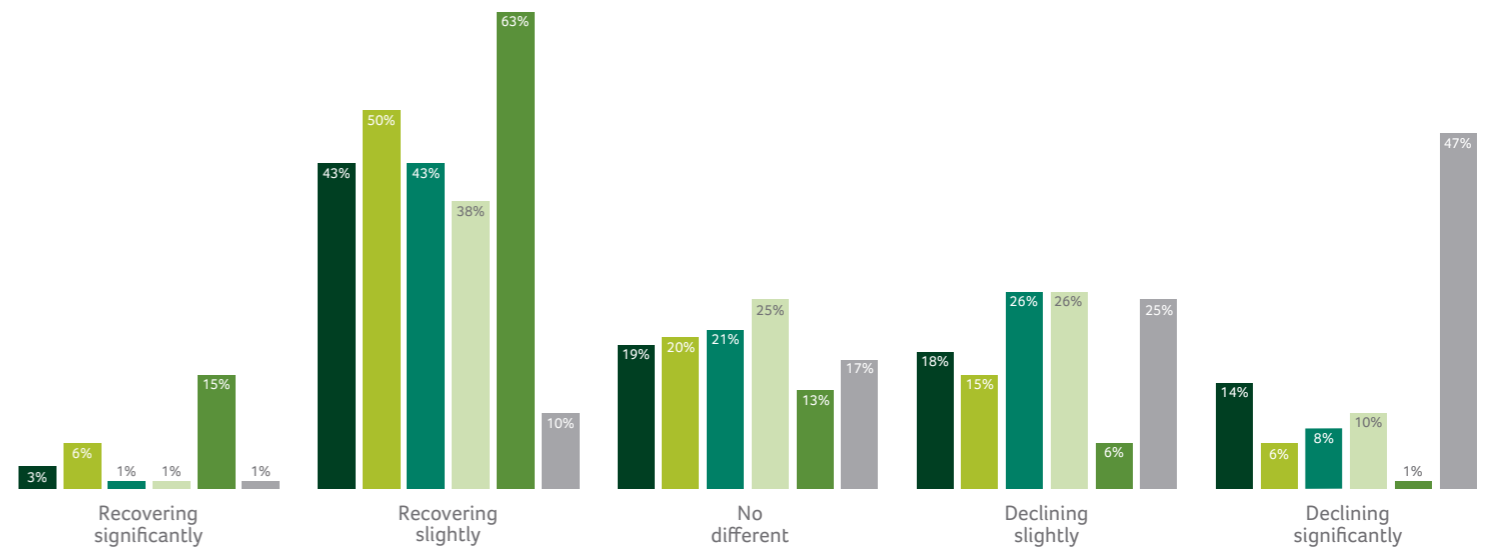
78% think their economy is recovering slightly or significantly versus 56% in Canada, 46% in US, 44% in UK, 39% in France.

Compared to this time last year do you feel more or less confident about your business prospects in the year ahead?



More confident No difference Less confidence No opinion

Do you feel like your country’s economy is now recovering or declining?



US Canada UK France Germany Spain

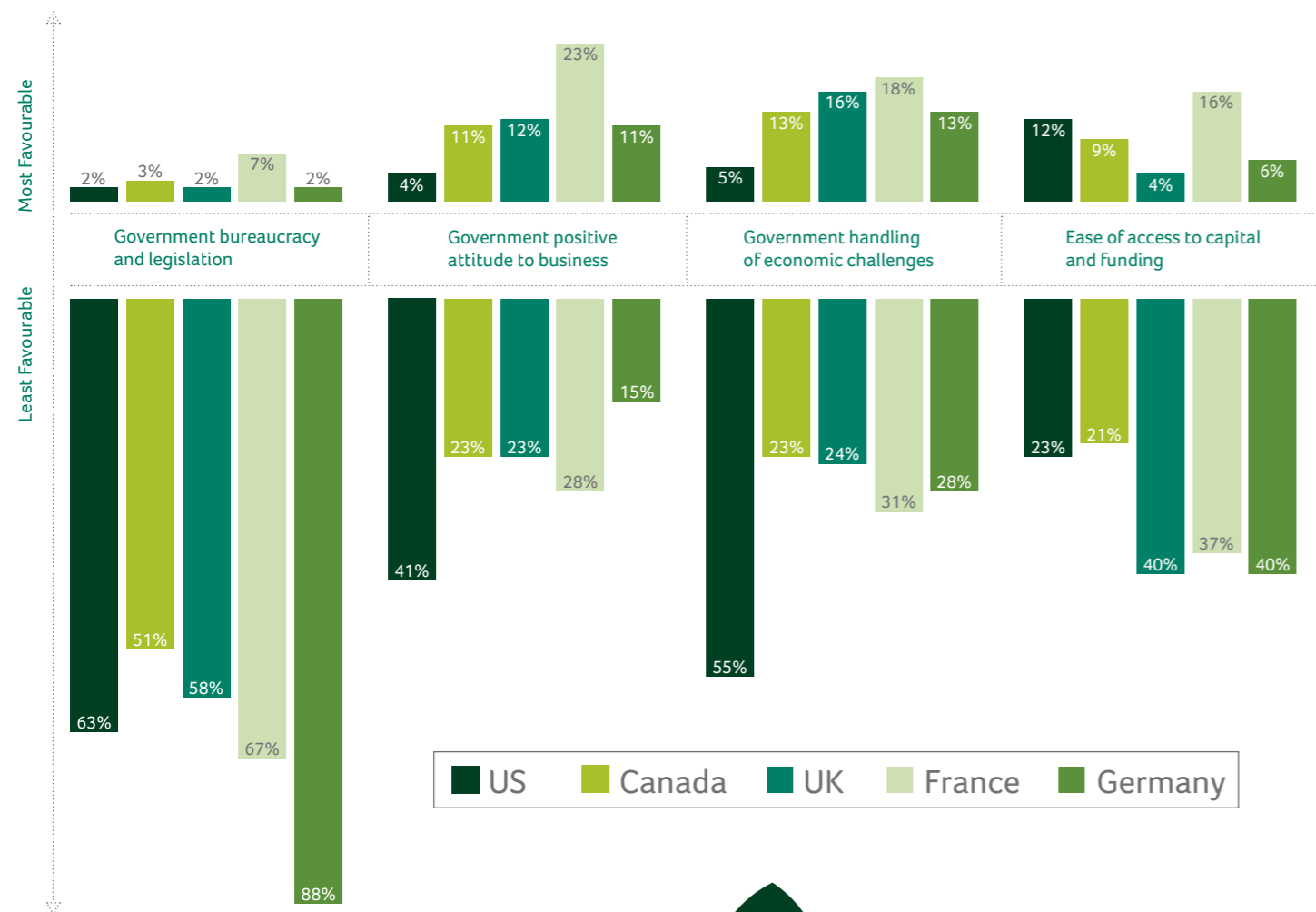
Your country as a place to do business

All countries surveyed thought that their business culture and entrepreneurial spirit were the best factors about their country as a place to do business in. This was the most commonly selected answer with over 40% choosing this in Canada, France and the UK, 53% in the US and 55% choosing this as an answer in Germany.

Germany and France rate the importance of international markets higher than the UK. France, the US and the UK selected extensive domestic markets as the 2nd highest favourable aspect with 42%, 27% and 25% citing this (respectively). This was significantly higher than Germany where only 15% selected this. Canada selected their currency/exchange rate as 2nd most favourable aspect (23%).

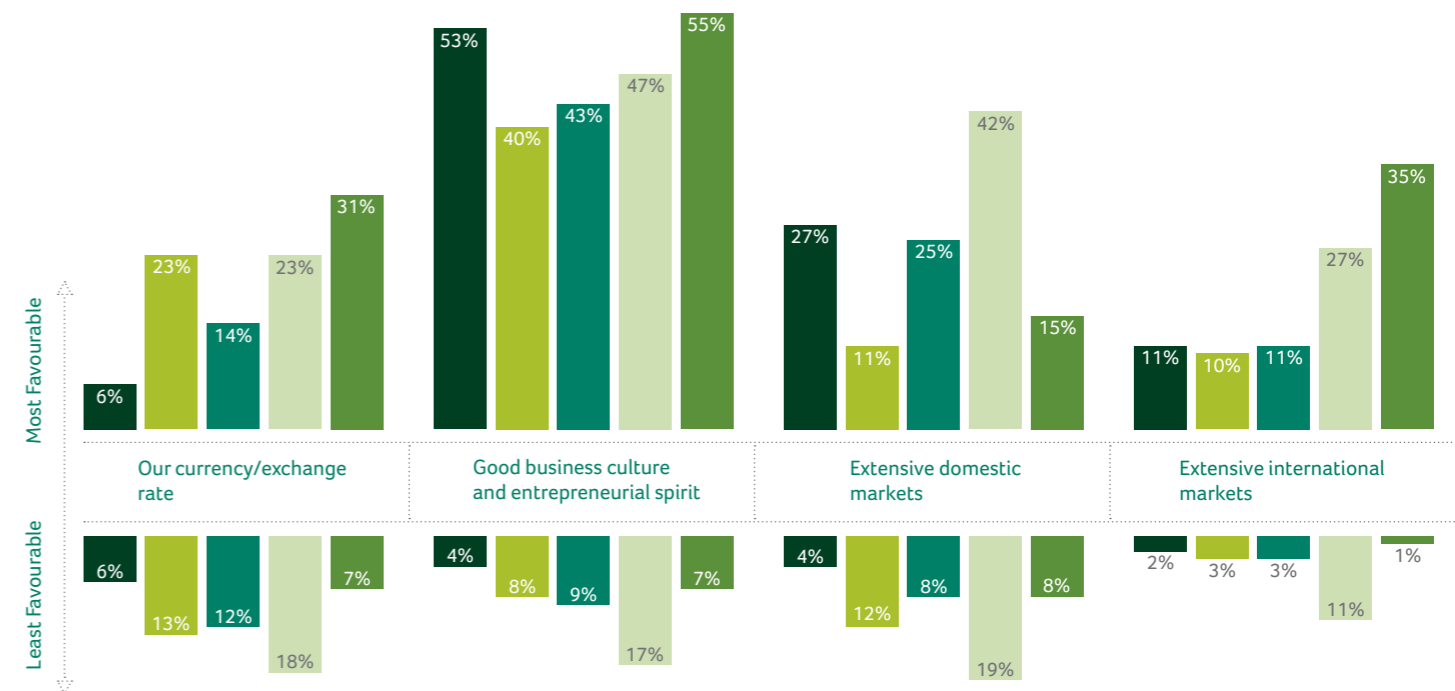
There was unanimous agreement that bureaucracy and legislation are the least favourable aspects about doing business, with the UK, France and Germany rating access to capital as the second least favourable aspect.

Thinking of your country as a place to do business, what are the most favourable/least favourable aspects



"As long as business is based around a major centre, there is lots of support available for those businesses. But those in rural areas are totally neglected. Any business in rural areas have technology infrastructure as major stumbling blocks to being able to do any business internationally. Many businesses still have dial-up service only, and have to pay long distance charges to even get that"

Canadian small business



■ US ■ Canada ■ UK ■ France ■ Germany

"Small business in the UK is being strangled by the banks refusal to lend under government guarantee schemes and the government's total ignorance of life outside Westminster."

UK small business

"Small businesses were the 'heart and soul' of the U.S. economy. 'Big Money' operations have destroyed them with impunity and without significant consequences, particularly in the areas of finance - where are the locally owned banks?"

US small business

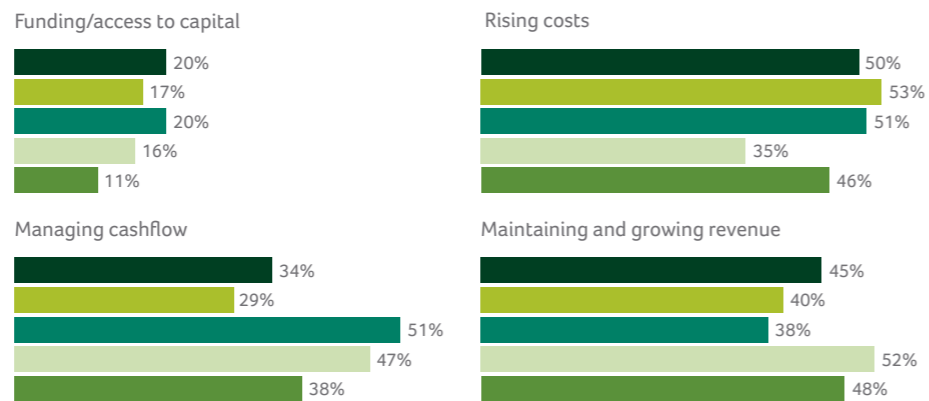
Business challenges and future plans

The Sage Business Index paints a compelling picture of businesses across two continents worrying about overheads, costs and revenues and knowing they have to address expenditure, grow their business and find new customers. That said, many businesses acknowledge their own country possesses the entrepreneurial spirit needed to progress in 2011.

Across the board, the top three biggest business challenges are maintaining/growing revenue, controlling rising costs and gaining new customers

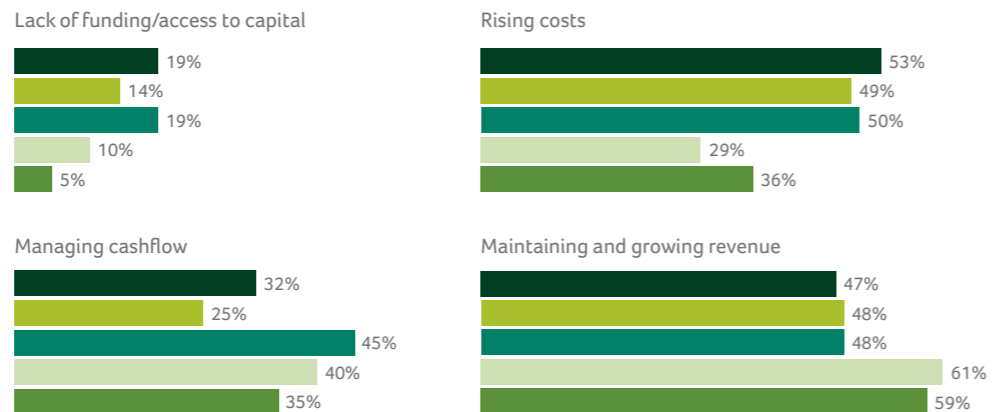
Maintaining/growing revenue	52%
Rising costs	43%
Gaining new customers/ accessing new markets	39%
Managing cashflow	35%
Competition	20%
Recruiting employees	18%
Lack of funding/ access to capital	13%
Investing in technology	9%
Investing in innovative product & services	8%

Over the past year what have been the biggest challenges you have faced?



■ US ■ Canada ■ UK ■ France ■ Germany

Over the next year, what do you envisage being your biggest business challenge?



■ US ■ Canada ■ UK ■ France ■ Germany

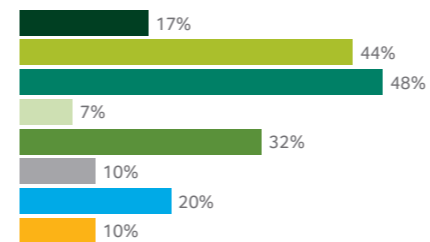
Looking forward over the next year, these factors are still viewed as the biggest challenge with slight changes within them – maintaining or growing revenue is seen as an increasing challenge. In terms of how these challenges impact their future plans reducing expenditure was seen as the highest priority by all (around 50% cited this in each country). This was followed by monitoring finances more closely and investment in sales and marketing, which we cited as 2nd or 3rd by all.

From the data, only two countries within the survey emerged as champions of new product innovation – France and Spain. 36% of French small businesses will look to launch new products in 2011 and even more in Spain, where 41% will do this.

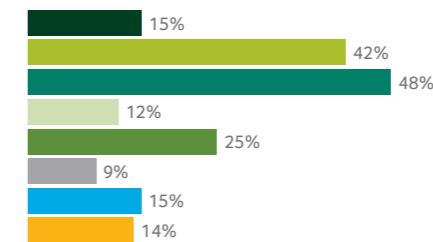
Which of these do you plan to do next year?

In terms of how these challenges impact their future plans reducing expenditure was seen as the highest priority by almost all. This was followed by monitoring finances more closely and investment in sales and marketing.

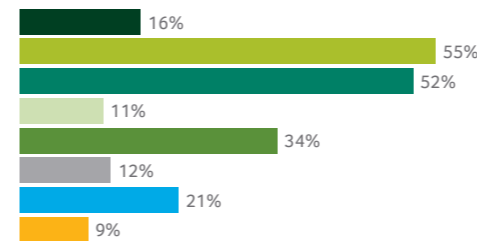
US



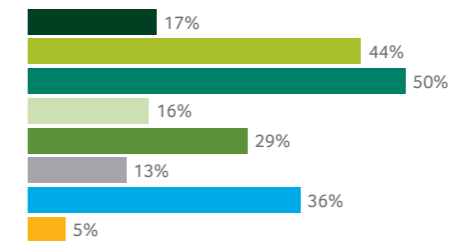
CANADA



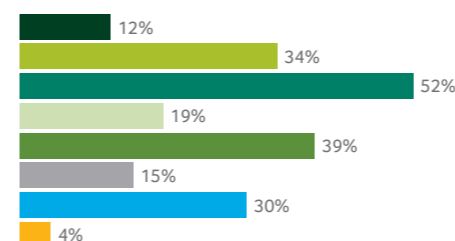
UK



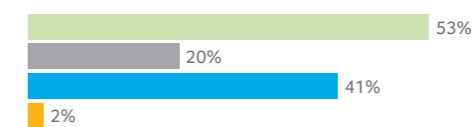
FRANCE



GERMANY



SPAIN



- Raise funding/capital
- Monitor finances closely
- Reduce expenditure
- Invest in training
- Invest in sales & marketing
- Increase technology spend
- Launch innovative products & services
- Consider closing/selling business

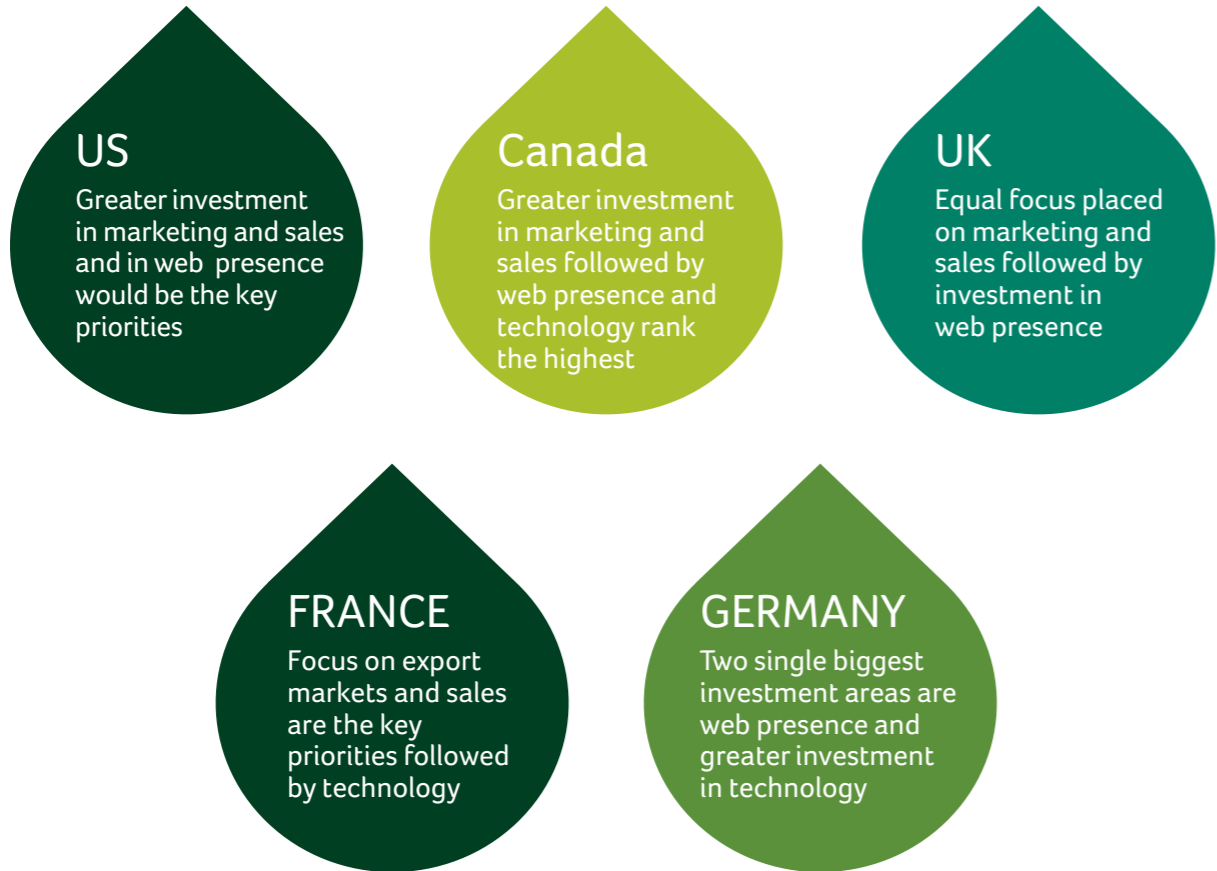
Recruitment plans

	US	Canada	UK	France	Germany	Spain
Plan to recruit new employees	13%	19%	14%	23%	26%	17%
Plan to reduce number of employees or delay hiring	17%	14%	16%	8%	5%	0%

In Germany and France more businesses surveyed are planning to recruit than reduce employee numbers

Priorities for business development/investment if the business had more budget

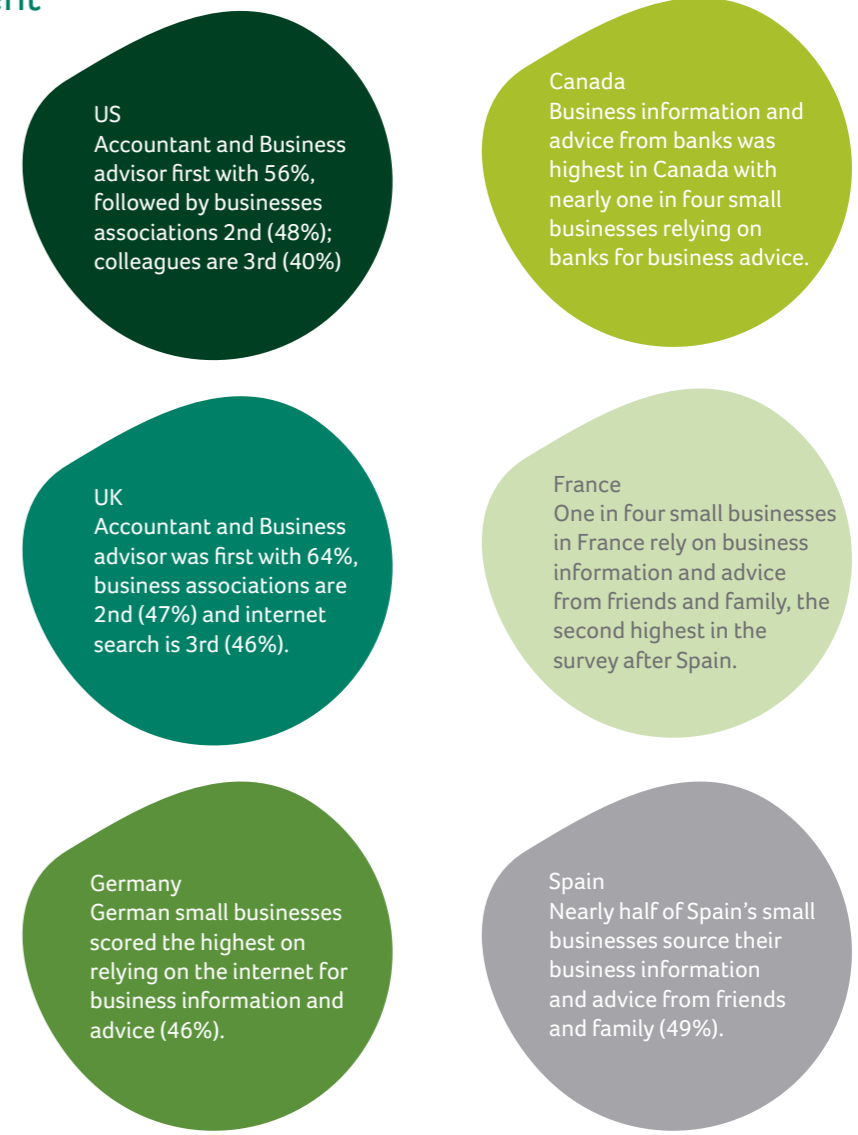
When asked about where they would spend more if they had additional budget, the small businesses questioned gave the following priorities:



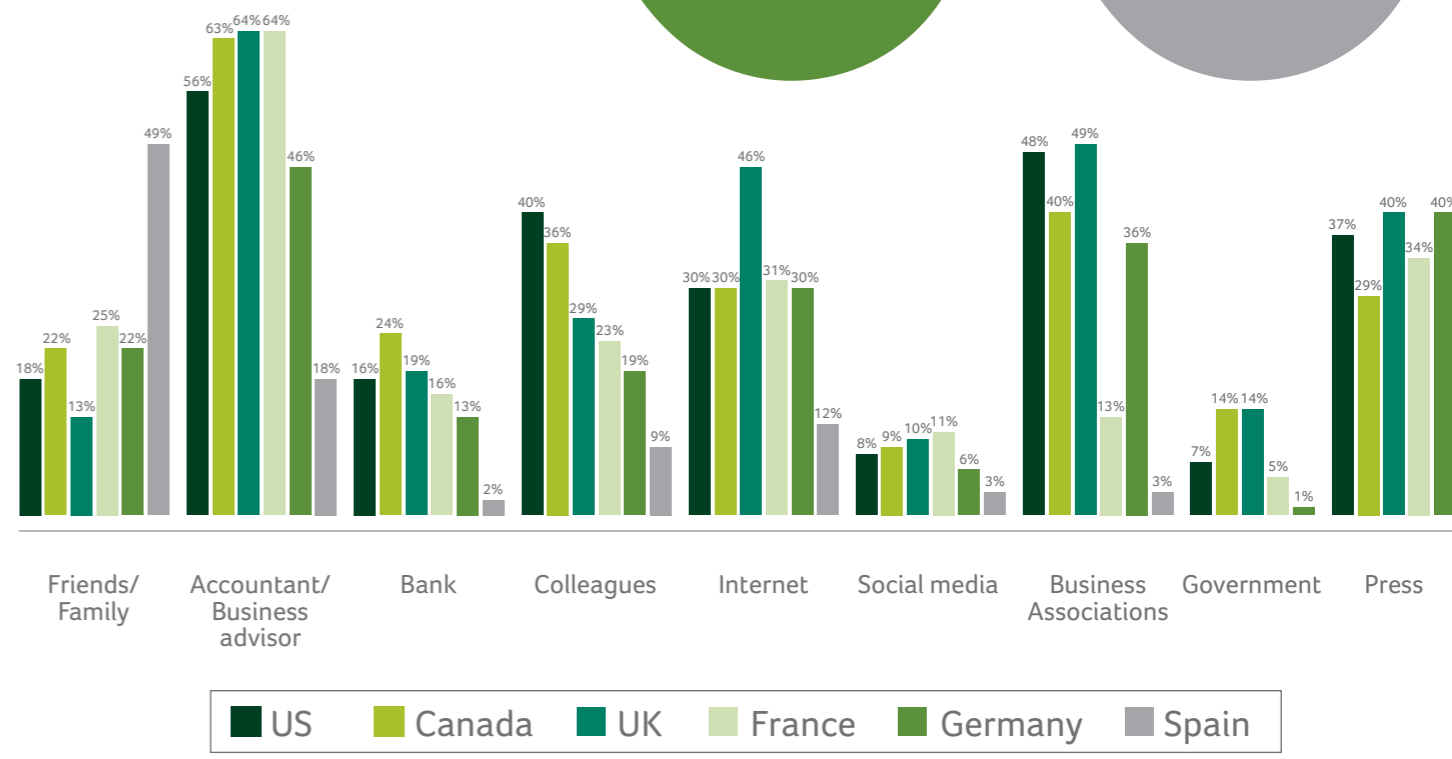
Business advice and development

In terms of where do businesses turn to in order to find out more information about running their businesses, there was a clear trend of businesses looking to their accountants and business advisors as their primary source for business information and advice.

Banks were seen as only moderately important as a destination to get business advice (average 16%). Interestingly, in all cases social media, networking sites and blogs are relatively low (11% or less) – although internet searches are relatively high in terms of percentage who selected that as an answer but no more than 3rd overall.



What sources do you most rely on for business information & advice?



The role of Government

All countries surveyed rate reduction in bureaucracy and legislation added to reducing business tax as the first and second priorities for government to help businesses (with the highest response to this being 83% of German respondents wanting government to reduce bureaucracy).

- In the US reducing national debt was equal second highest priority with 48% of respondents selecting this – which is a far higher response rate than any of the other countries on this issue (Germany 31%, France 30%, Canada 26% and UK 18%)

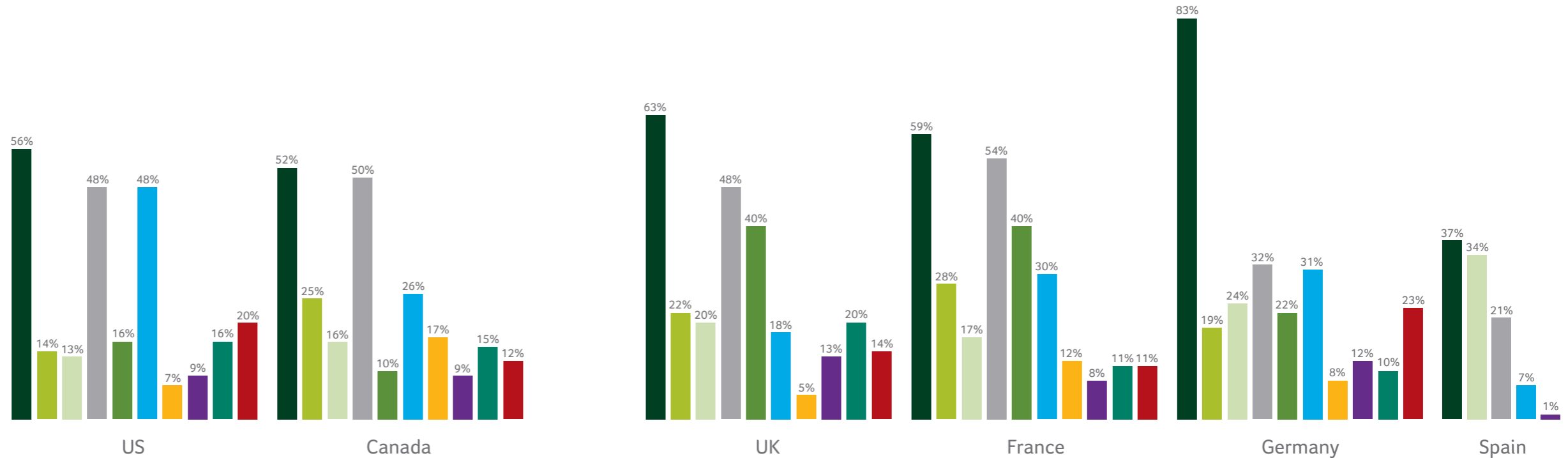
- France and UK small businesses selected pressuring banks to lend more as the 3rd most important priority for their governments

- Germany has a significantly higher view than other European countries that government needs to bring stability to their currency, whilst in Canada there is also a significant call (from 25% of respondents) for special assistance programs to help start-up businesses

- In Spain reducing bureaucracy and legislation scored the highest with 37%, with reducing business tax at 34% followed by increasing financial stimulus into the economy at 21%

- Investment in technology infrastructure was not ranked highly in our survey. In all countries, except Germany, investment in physical infrastructure is viewed as a higher priority than in technology infrastructure. Small businesses in the UK also think that this is a significantly more important priority than small businesses in Germany and France

What do you think your Government should be doing to help your business?



“The government has placed so many punitive restrictions and taxes on businesses, that many jobs are being outsourced overseas to countries where this is not an issue. Until we have a more business friendly environment we are going to continue to haemorrhage jobs.”
Canadian small business

“The Government should reduce employers’ costs which in my opinion would favour hiring and also reduce labour costs which would promote the economy.”
French small business

“The Government should increase its attention to small and medium-sized enterprises that are not addressed by the export driven economy. It is vital that the promotion of small and medium enterprises should be encouraged. Currently, most subsidies go to large companies. We face bureaucratic hurdles and the negative attitude of the banks towards individuals and small businesses.”
German small business



The Role of Technology

Technology will certainly have a role to play in 2011 for small businesses across the globe but Sage's index found that there is a degree of reticence by some small businesses for implementing or investing in new technology and the picture is mixed across the countries surveyed.

Small businesses want technological support for where they think it will support the growth of their businesses.

The single biggest driver for technology use in the survey was for improving business efficiency

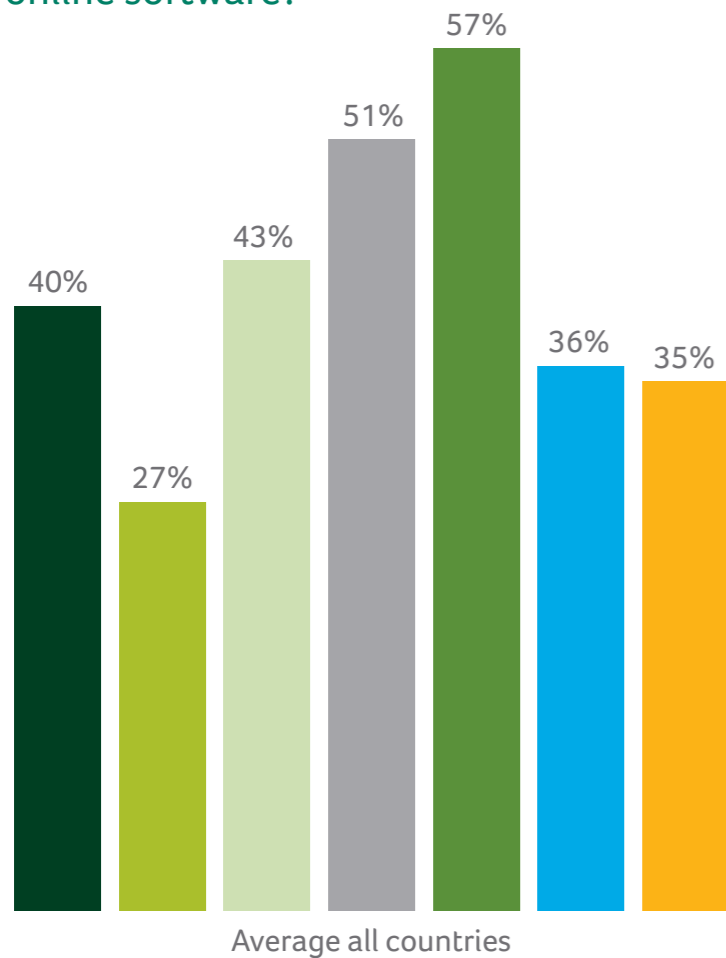
- Both UK and French small businesses plan to increase their use of the internet and online software next year (58% and 62% said yes respectively). The USA found 55% saying they would do this

- In Germany, 60% said they do not plan to do so

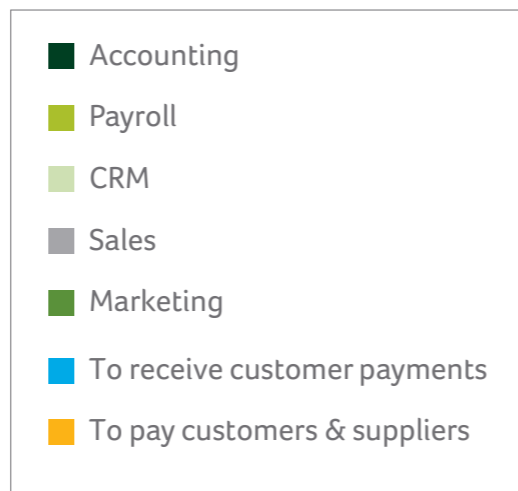
- The UK, USA, Canada all see marketing as a key area for the use of technology (67%, 66%, 64% respectively)

Why do you plan to increase use of the internet and online software?	US	Canada	UK	France	Germany
Make my business more efficient	67%	71%	72%	44%	34%

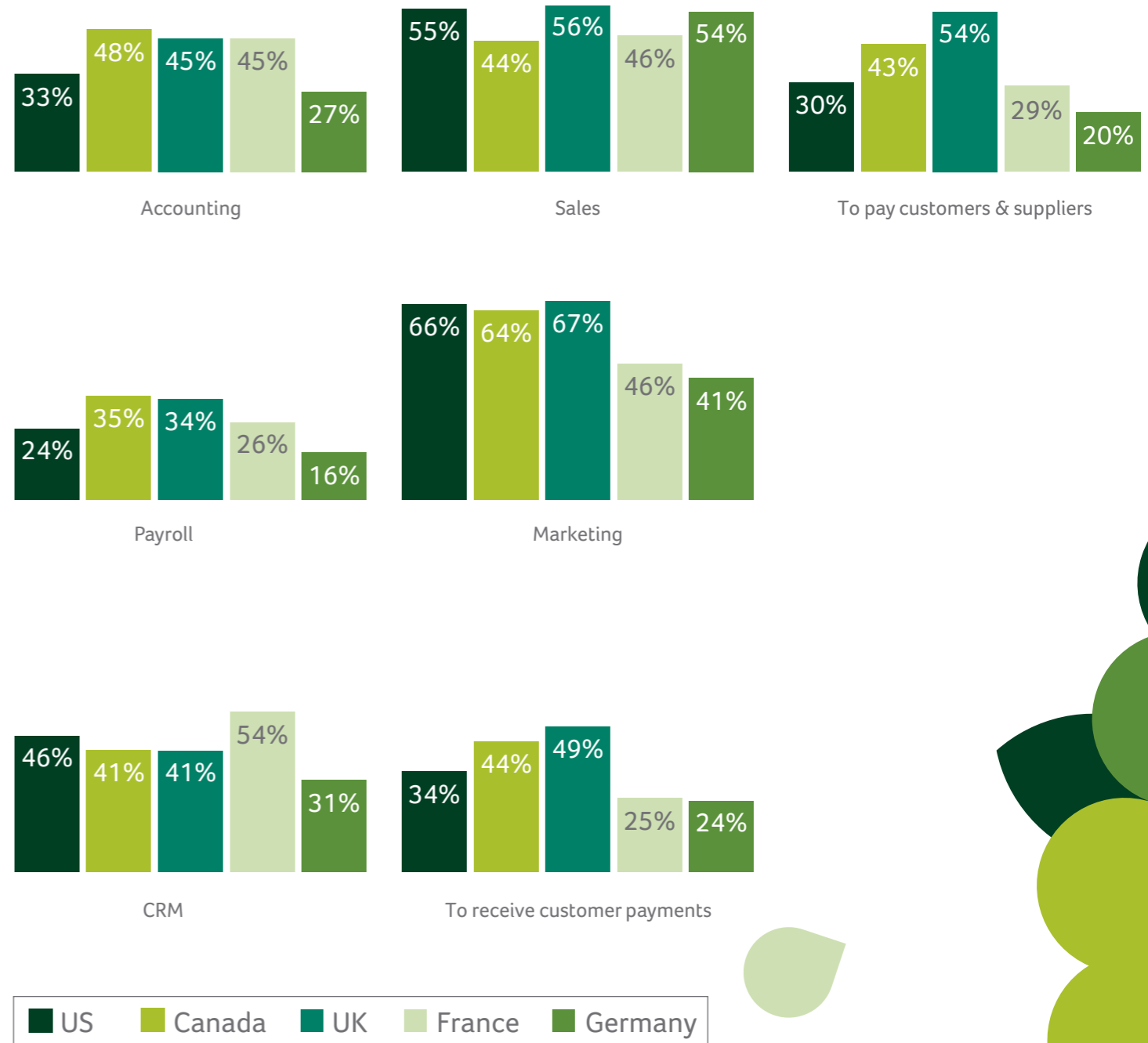
In what areas do you plan to use the internet and online software?



Many companies will use and invest in online software and the internet but mainly for CRM, marketing and sales



In what areas do you plan to use the internet and online software?



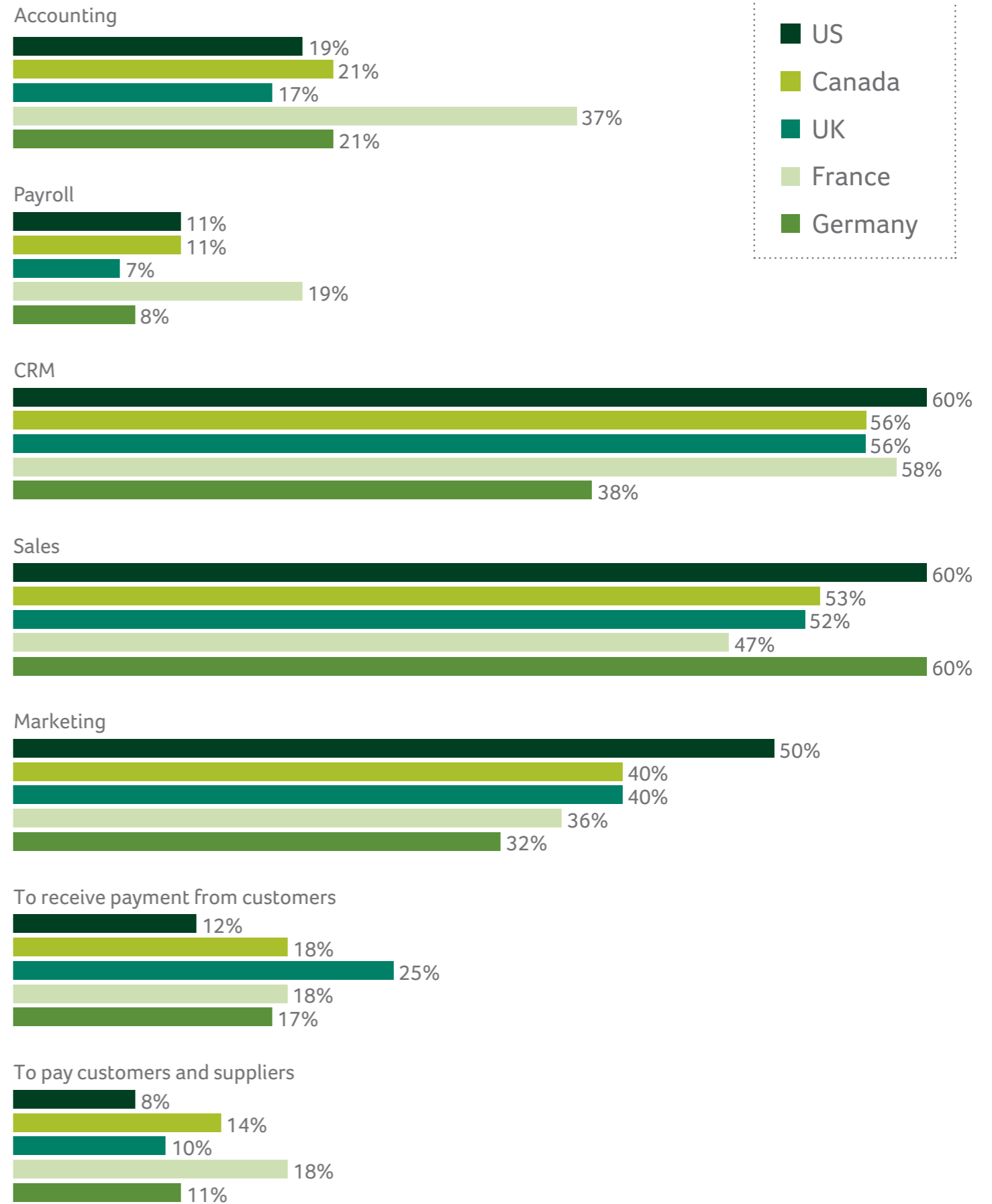
The story of mobile from the 6,455 plus small businesses surveyed shows that many companies are yet to fully use this channel in their business operations. Where they currently see it helping in 2011 is in supporting customer relationship management (CRM) and for marketing.

Do you plan to use mobile technology in 2011?



Remaining percentages per country opted for a no opinion answer.

In what areas do you plan to use mobile technology & devices?



www.businessindex.sage.com

