



---

## The 2012 Hiscox DNA of an entrepreneur study

### **Losing sleep but not losing hope**

Many more small businesses declare themselves optimistic than pessimistic despite tough times last year.

The downturn has brought more stress; more women than men reported stress, sleeplessness and health problems.

Only 22% asked a business organization or elected representative for help. Of those just 3% turned to a national politician. In the EU countries, only 1% approached their MEP.



---

## Introduction

There is intense debate about how to secure an economic revival, but everyone agrees that small and medium sized businesses will be at its heart.

Our fourth study of the international 'DNA of an entrepreneur' across six countries shows that, despite a year of deepening economic gloom, most respondents were displaying more optimism. The exceptions were Spain – at the sharpest edge of the crisis – and France.

Across all countries, 48% of the small business respondents declared themselves optimistic about the year ahead while only 27% were pessimistic.

The resilience and self-belief within SMEs are evidenced by renewed commitment to work more efficiently and seek new opportunities. In five of our six countries, a substantial majority of respondents

reported gains in new customers.

Our study reveals significant differences on key issues between nations (which country has the most eager bloggers?) and also between men and women (guess who have fewer late payment problems?), and offers insights to analysts and policymakers. No one with any plan or even hope for economic recovery can afford to ignore this vital sector of the global economy.



*Bronek Masojada*

**Bronek Masojada**  
Chief Executive, Hiscox

---

## Profile of respondents

- 3,000 owners or partners in businesses with fewer than 50 employees, 500 each in the UK, US, Netherlands (NL), Germany (DE), France (FR), Spain (ES).
- Predominantly service-based (79%).
- 92% annual revenue up to \$1.54 million, 61% up to \$154,000.
- 41% one-person businesses, 73% fewer than five employees.
- 56% of respondents were men, 44% women.
- 54% of respondents were aged 40-59, 35% under 40.

---

## Methodology

The research was conducted for Hiscox by The Survey Shop. The sample was drawn from online panels and was contacted between 17th-26th July 2012. Statistical accuracy: +/- 1% to +/-1.5% for the whole sample of 3000, and +/- 2% to +/-4% for each country's sample of 500. Some figures may not add up to 100% due to rounding.

## Enduring optimism and self-belief

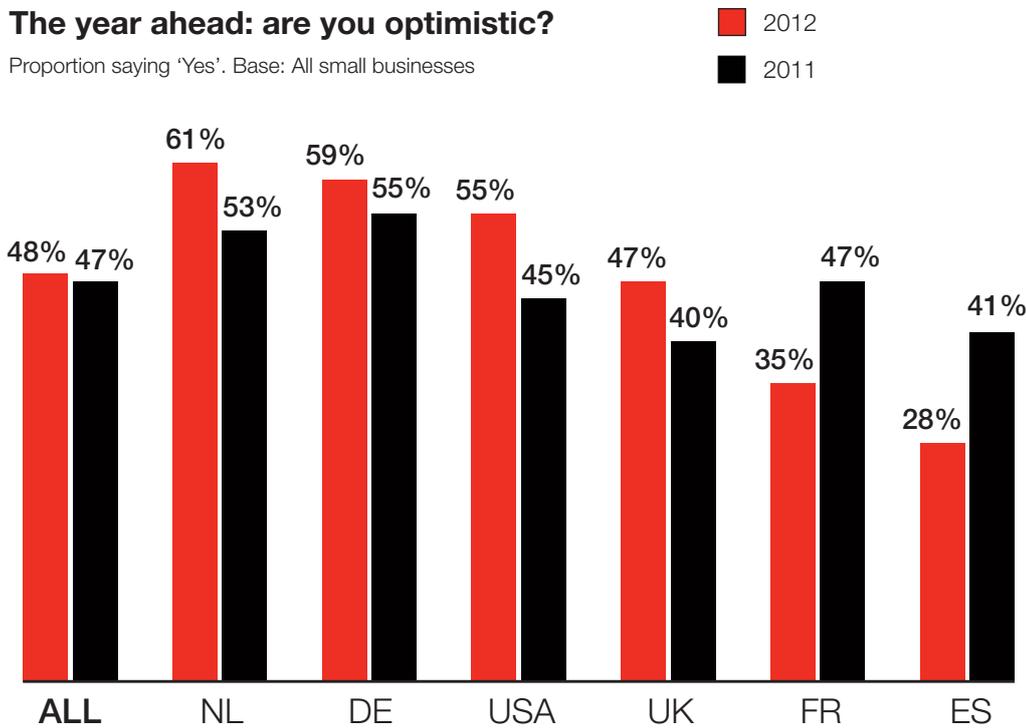
Our study explored the general mood and expectations of entrepreneurs in a tough economic year.

**Optimism persists.** Across all countries, 48% of all respondents answered 'yes' when asked if they were optimistic about the year ahead for their business, against 27% who answered 'no'. Four of the six countries showed increased optimism: UK up from 40% to 47%; USA up from 45% to 55%; Germany up from 55% to 59%; the Netherlands up from 53% to 61%. But optimism declined sharply in France, from 47% to 35%, and in Spain, from 41% to 28%.

**In five out of six countries a majority of respondents reported an increase in new customers:** the leader was Germany (72%) followed by the USA and the Netherlands (64% and 62%). The exception was Spain. However, this year's study found five out of six countries showing a decline in respondents reporting profit growth with Spain down from 54% to 33%. In the United States, exactly half (50%) of all respondents reported increased profits in the last 12 months: this was 11 percentage points higher than the comparable figure in our study last year.

### The year ahead: are you optimistic?

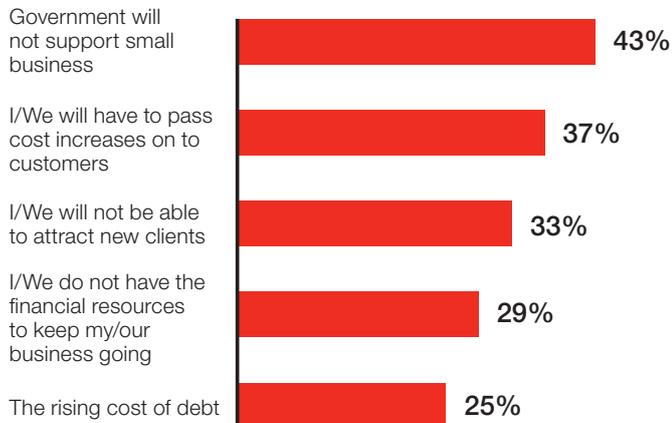
Proportion saying 'Yes'. Base: All small businesses



# Enduring optimism and self-belief continued

## The year ahead: biggest fears

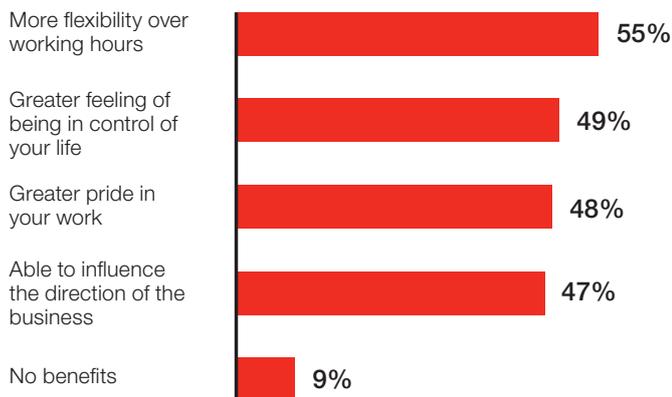
Base: All small businesses



As in our 2011 survey, the greatest single fear of small businesses for the year ahead is a lack of support from government. Across all countries this was cited by 43% of respondents (61% in Spain, 49% in Germany), and was followed by the fear of having to pass on cost increases to customers (cited by 37% in all countries). Inability to attract new clients remains a major fear (cited by 33% in all countries). Across all countries, 29% of respondents expressed the fear that they would not be able to keep their businesses going.

## Benefits of working in a small business compared to a large company

Base: All small businesses



Against this background, it is striking that more than **nine in ten respondents** (91%) found some benefit from running or working in an SME compared to being part of a large company or multinational. However, this figure contrasts with the much smaller total (39%) who thought themselves generally happier running their SME than they would be in a large company or multinational (see below). The most frequently cited benefits had a common thread of self-determination.

## Business minds and lives

**Increased stress was the biggest single personal impact of the downturn**, reported by 43% of all respondents. Perhaps significantly, this shows no increase on last year, although most SMEs are finding life tougher. As last year, there were wide variations between countries: 54% of Spanish respondents reported increased stress – more than double the 24% reported by the Dutch. Across all six countries, 31% of all respondents reported problems with sleeplessness. Nearly a quarter - 24% - of all respondents feared bankruptcy, but this figure reflected special anxiety in Spain, where the response was 53%. The next highest was the United States, with 21%.

**However, the downturn also strengthened the resolution of SMEs.** Three in ten respondents (30%) said that it had made them stronger and more determined to succeed and 31% said that it had spurred them on to work more efficiently.

**Average weekly working hours were 42.8 hours**, almost identical to our study last year. Again, the Germans had the longest working hours and the British the shortest.

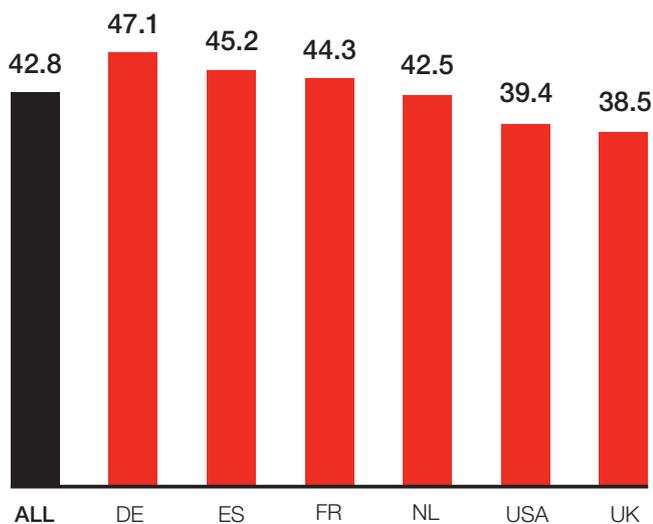
Despite deepening economic crisis for every country, **no fewer than one in five respondents (20%) said that it had not affected them at all.** A quarter of the Germans (25%) in our study made this response and almost one in three Dutch (32%).

**Nearly four in ten (39%) respondents expressed themselves generally happier in their SME than they would be as an employee of a large company or multinational.** This was especially true of the Americans (52%) and the British (54%), but not as much for the Dutch and the Spanish (each 27%). The national differences are intriguing, since the Dutch respondents recorded the lowest stress.

---

### Average hours worked per week

Base: All small businesses



---

## The eurozone crisis hits the United States

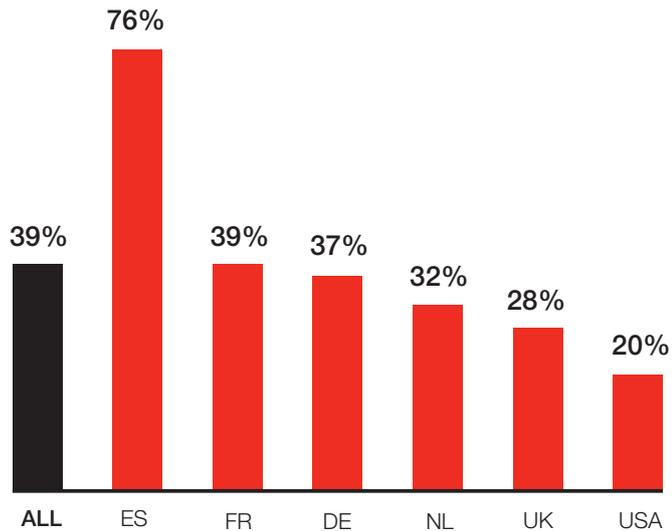
In the United States one in five respondents (20%) said that they had abandoned or suspended plans because of the eurozone crisis.

---

### Impact of threatened EU instability

Some plans have been put on hold or abandoned.

Base: All small businesses



Across all six countries, 12% of respondents said that some plans had been abandoned and 27% said that some plans were on hold because of financial instability in the European Union. These figures matched those in our study last year. However, there were significant differences between countries. More than three quarters (76%) of Spanish respondents said that the crisis had made them abandon plans or suspend them – up 14 percentage points on last year's study. But in Germany those unaffected rose from 54% in our 2011 study to 63%.

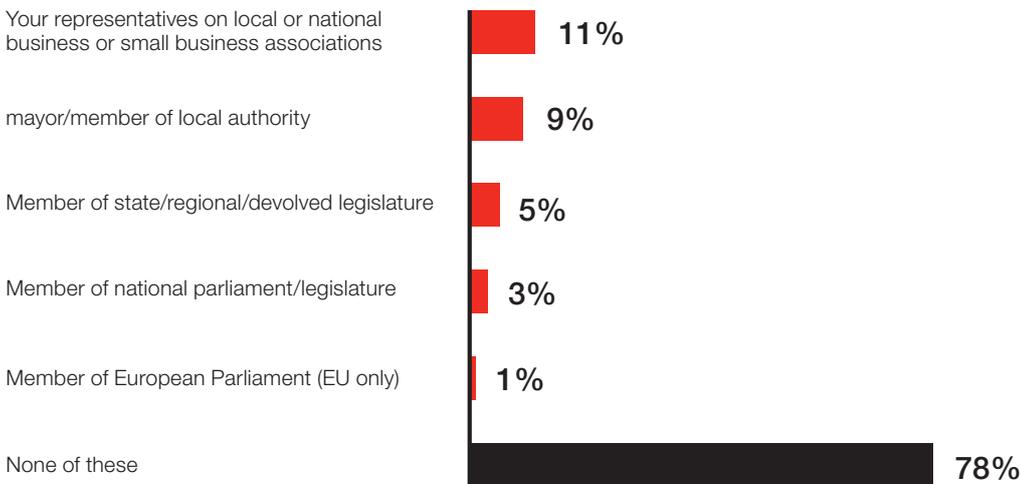
## Where do businesses go for help?

Fewer than a quarter of all respondents (22%) had asked for help on a business issue from any organisation or political representative. The most commonly used channel was business or small business associations – cited by 11% of all respondents. Next came a local politician or mayor (9%), followed by a member of a state, regional, or devolved legislature (5%), followed by a member of a national legislature

(3%). In the five EU countries, just 1% of respondents had approached a Member of the European Parliament for help on a business issue. These responses suggest that small businesses have little faith in seeking help from any representative, but that they might choose one on the basis of knowledge of their business or of local accessibility.

### Approached in the past year for help on a business issue

Base: All small businesses



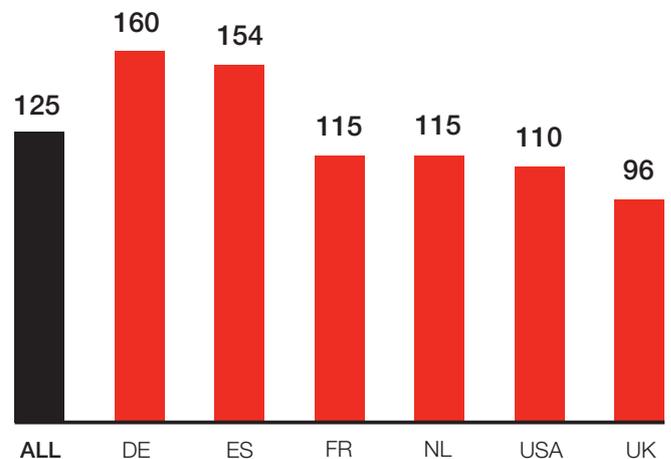
## Government – does it help or hinder?

More than two thirds (67%) of all respondents agreed that bureaucracy was a serious problem for people wanting to start a business, against 18% who disagreed. The Spanish were most critical of their bureaucracy (79% against 13%), the Americans least (55% agreed and 27% disagreed), while in Britain the figures were 61% against 16%.

In all countries, small businesses in our study spent an average of just over two hours each week (125 minutes) dealing with government regulation. National responses varied: an average of 154 minutes a week in Spain and 160 minutes a week in Germany compared to an average 96 minutes a week in the UK.

### Minutes each week dealing with government regulations

Base: All small businesses



## Labor and business

Despite the worsening economic situation, 75% of small businesses hope to avoid layoffs or even recruit new employees.

One in seven (15%) of all respondents were intending to take on new staff in the coming year (Germany 24%); last year's total was 20%. Asked to rate their newly-recruited school leavers and graduates, a majority of all respondents assessed them as good or excellent for keenness and motivation (63%), reading and writing (56%) and basic arithmetic (52%). But only 41% gave them these assessments for speaking different languages.

### Views of school and university leavers

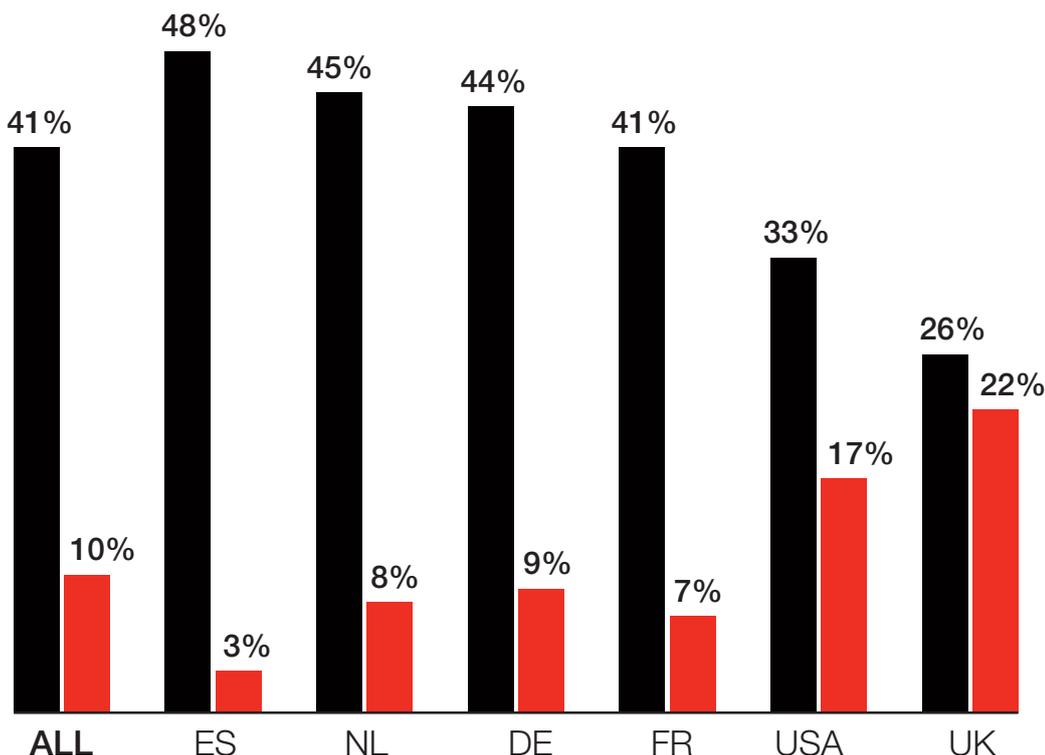
The chart shows the percentages all countries rated good or excellent.  
Base: All small businesses which recruited leavers (1,423)



### Language skills of school and university leavers

Base: All small businesses which recruited leavers (1,423)

- Excellent + good
- Not applicable



The British (26%) and the Americans (33%) gave fewest good/excellent ratings for language skills – but these countries led the list of those who thought language skills were ‘not applicable’ to their business.

---

## How is business promoted?

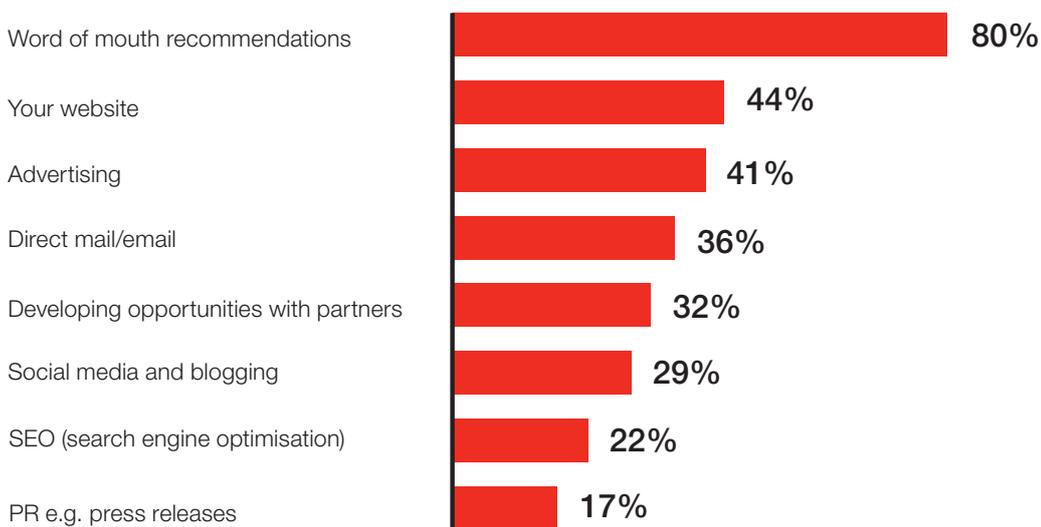
Eight in ten respondents (80%) put 'word of mouth recommendation' as the most beneficial means of promoting their business, the same figure as in last year's study. Their website (44%) took over from advertising (41%) in second place. Developing opportunities with partners and PR both had lower percentages than last year's study.

In total 29% of respondents were actively using social media for their business and a further 23% wanted to use it or were eager to learn. The main reason for using social media was to provide service and communication to customers (cited by 53% of users), followed by general communications, PR and marketing (51%) and prospecting for new customers (36%). However, 25% did not know if it would be useful and 24% had no belief in it. American respondents (35%) were those most likely to use social media for their business, followed by the Spanish (33%). The lowest users of social media were the Germans (21%) and the French (20%).

---

## What are the best techniques?

Respondents were asked to choose their top three.  
Base: all SMEs



---

## Computer-related threats

Our study asked respondents to evaluate three different computer-related threats in terms of risk to their own business. First came 'a computer virus attacking all or some of your computers' (cited by 41%). The next was 'theft or accidental loss of a computer or notebook or a data storage device' (32%). Third was 'online theft of private information relating to your business and/or your customers – also known as cybercrime' (27%). Spanish small businesses were alone in rating theft or accidental loss of hardware (36%) and cybercrime (33%) as greater risks than a computer virus (31%). American respondents had the greatest fear of cybercrime (34%), while the Germans (22%) and the British had the least (21%).

# Some national characteristics

## 1 Germany

- Average working week 2,825 minutes (47.1 hours)
- Weekly time spent on govt regulation 160 minutes
- Reporting increased profit last year 58%
- Optimistic about year ahead 59%
- Planning to employ more people 24%
- Reporting increased stress 42%
- Fear of personal bankruptcy 14%
- Happier in own business 39%

Lowest regard for social media and blogging.

## 2 UK

- Average working week 2,311 minutes (38.5 hours)
- Weekly time spent on govt regulation 96 minutes
- Reporting increased profit last year 41%
- Optimistic about year ahead 47%
- Planning to employ more people 11%
- Reporting increased stress 42%
- Fear of personal bankruptcy 20%
- Happier in own business 54%

Lowest regard for basic arithmetic and language skills of school leaver/graduate recruits.



## 3 USA

- Average working week 2,366 minutes (39.4 hours)
- Weekly time spent on govt regulation 110 minutes
- Reporting increased profit last year 50%
- Optimistic about year ahead 55%
- Planning to employ more people 14%
- Reporting increased stress 49%
- Fear of personal bankruptcy 21%
- Happier in own business 52%

Lowest approval of school leaver/graduate recruits for keenness and motivation.

## 4 Netherlands

- Average working week 2,548 minutes (42.5 hours)
- Weekly time spent on govt regulation 115 minutes
- Reporting increased profit last year 45%
- Optimistic about year ahead 61%
- Planning to employ more people 15%
- Reporting increased stress 24%
- Fear of personal bankruptcy 16%
- Happier in own business 27%

Highest regard for social media and blogging.

---

## Some national characteristics continued

---

### 5 France

- Average working week 2,656 minutes  
(44.3 hours)
- Weekly time spent on govt regulation 115 minutes
- Reporting increased profit last year 44%
- Optimistic about year ahead 35%
- Planning to employ more people 12%
- Reporting increased stress 44%
- Fear of personal bankruptcy 18%
- Happier in own business 37%

Highest rated recruits in basic arithmetic.



---

### 6 Spain

- Average working week 2,710 minutes  
(45.2 hours)
- Weekly time spent on govt regulation 154 minutes
- Reporting increased profit last year 33%
- Optimistic about year ahead 28%
- Planning to employ more people` 15%
- Reporting increased stress 54%
- Fear of personal bankruptcy 53%
- Happier in own business 27%

Highest fear (61%) of not being supported by government.

## Financial and insurance issues

Matching the findings of last year's study, only 10% of all respondents agreed that finance was easy to find for a new business, although the French (18%) were a little more upbeat.

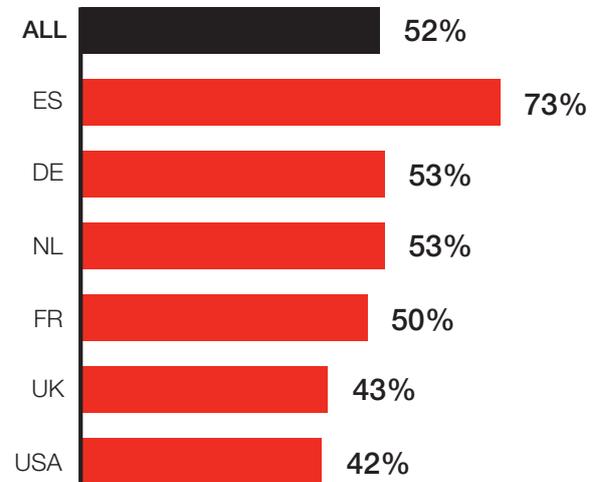
However, a majority (62%) of all respondents said that they had never asked to re-negotiate terms from a bank or other lender since the downturn began in 2008, again matching last year's study. The exception was Spain, where 56% had tried to re-negotiate borrowing. Around one in three (33%) of all respondents' requests were met in full, and another 41% were met in part: only 26% were refused altogether.

Just over half (52%) of respondents reported later payment from customers. This was in line with last year's study: as before, Spain (73%) was the exception. In the Netherlands, SMEs reporting later payments increased from 43% to 53% since 2011.

Individual customers were reported by 54% to be the worst payers, followed by small private companies (43%) and large private companies (28%). Other public sector bodies (25%) and government (19%) were cited least as poor payers. However, in Spain 36% reported later payment from government, and 39% cited other public sector bodies, ahead of large private companies (28%).

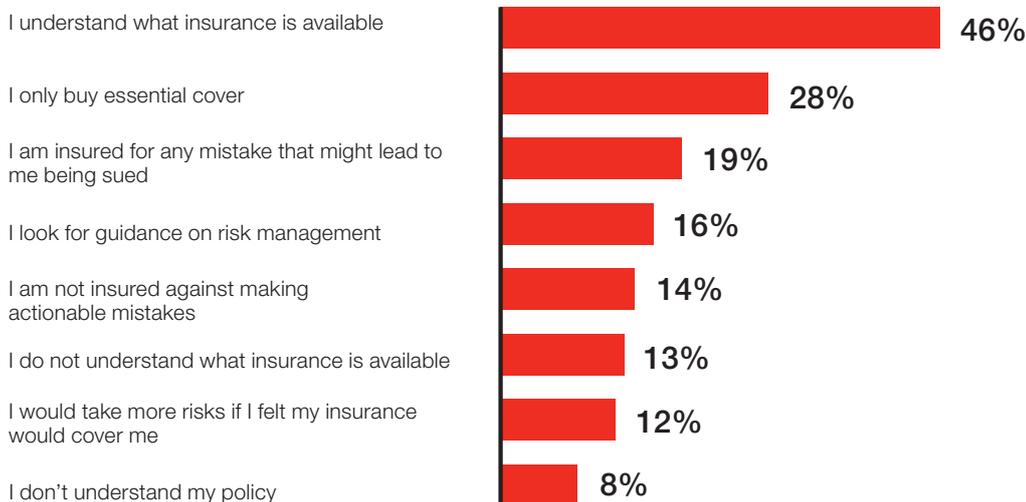
### Customers are paying later

Proportion saying 'Yes'. Base: all SMEs



### Which statements do you agree with regarding being adequately insured?

Base: all SMEs

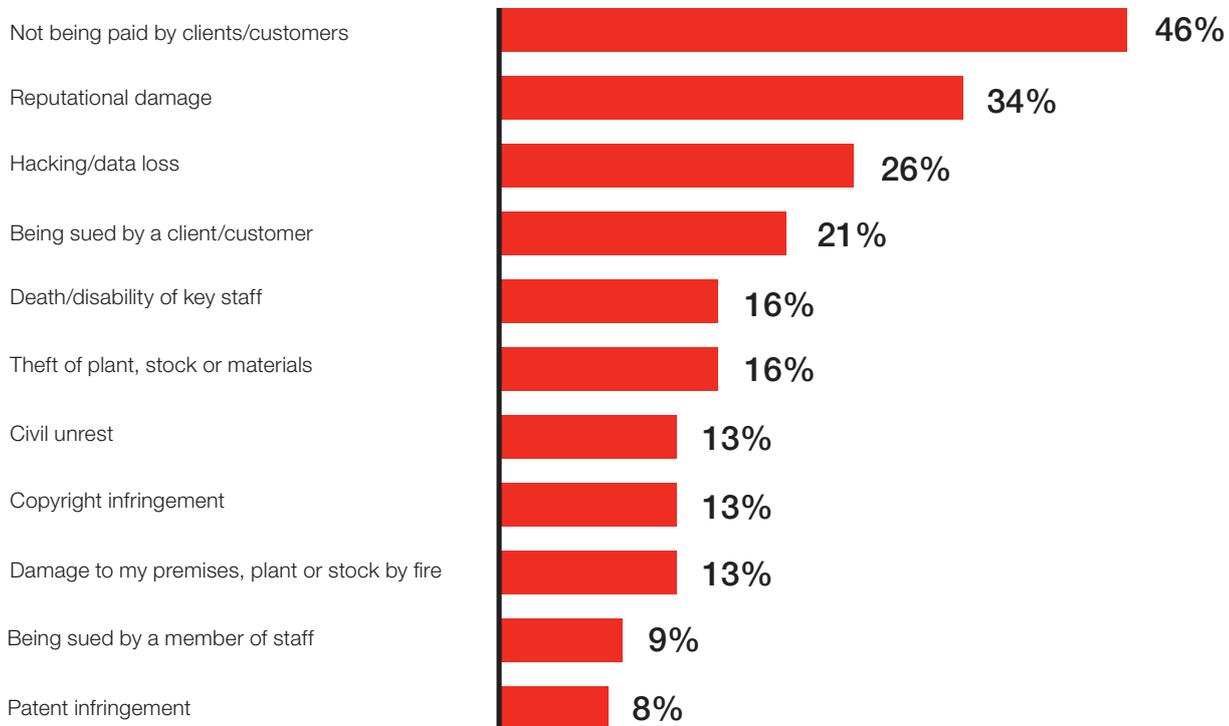


Just under half (46%) of all respondents thought they had a full understanding of all their insurance options, and, as in last year's study, the British were most confident (55%). Over a quarter of all respondents (28%) admitted to buying only essential or legally required cover for their business.

# Financial and insurance issues continued

## Major risks not insured against

Base: all SMEs



Just under half (46%) of all respondents listed not being paid by customers as their biggest uninsured risk. Reputational damage was cited this year by 34% as a major uninsured risk, followed by hacking or data loss (26%) and being sued by a customer (21%).

Among all respondents, 44% bought their insurance from a broker, compared to 19% who bought direct from an insurer by telephone and 13% from an insurer's website. Buying from a bank or through a price comparison website scored 12% each. However, 40% of French respondents bought direct by telephone. British SMEs were those most likely to buy online from an insurer's website (24%) or through a price comparison website (19%).

---

## Men and women

---

	<b>Men</b>	<b>Women</b>
Average working week (minutes)	2,696 (44.9 hours)	2,409 (40.1 hours)
Weekly minutes spent dealing with government regulation	141	102

---

<b>Attitudes</b>	<b>Men</b>	<b>Women</b>
	Yes/No %	Yes/No %
'Government bureaucracy a barrier to new business'	70/17	64/18
'Inflexible labour laws'	59/22	51/23

---

<b>Impact of crisis on personal life</b>	<b>Men %</b>	<b>Women %</b>
More stress	40	46
Sleeplessness	27	35
Less time for family/close friends	29	24
More health problems generally	18	23
<i>Is the crisis taking a bigger toll on women than men?</i>		

---

<b>Fears for future</b>	<b>Men %</b>	<b>Women %</b>
Government will not support small business	46	40
Not enough money to stay in business	26	33

---

<b>Negotiating with lenders</b>	<b>Men %</b>	<b>Women %</b>
Request met in full	29	38
<i>Are women better negotiators?</i>		

---

<b>Problems with late payments</b>	<b>Men %</b>	<b>Women %</b>
	55	49
<i>Are women better collectors?</i>		

---

<b>Likely to employ more staff next year</b>	<b>Men %</b>	<b>Women %</b>
	19	11
<i>Are women tougher on productivity?</i>		

---

## About Hiscox

Hiscox, headquartered in Bermuda, is an international specialist insurance group listed on the London Stock Exchange (LSE:HSX). There are three main underwriting parts of the Group – Hiscox London Market, Hiscox UK and Europe and Hiscox International. Hiscox London Market underwrites mainly internationally traded business in the London Market – generally large or complex business which needs to be shared with other insurers or needs the international licences of Lloyd's. Hiscox UK and Hiscox Europe offer a range of specialist insurance for professionals and business customers, as well as high net worth individuals. Hiscox International includes operations in Bermuda, Guernsey and USA.

For further information, visit [www.hiscox.com](http://www.hiscox.com).



**Contact:** Hunter Hoffmann, Head of US Communications  
**Email:** [hunter.hoffmann@hiscox.com](mailto:hunter.hoffmann@hiscox.com)  
[www.hiscoxusa.com](http://www.hiscoxusa.com)