



An optimistic outlook  
The Hiscox DNA of an Entrepreneur Report 2015



## Foreword

### Innovating for growth

A new air of confidence pervades our seventh annual DNA of an Entrepreneur Report. Nearly two-thirds of the small businesses we spoke to are optimistic about the year ahead – they are innovating, expanding and exporting with real success. Where last year's report showed encouraging signs of recovery, this year's shows a genuine sense of buoyancy in many of the countries we surveyed.

We see this first-hand from the 268,000 small businesses we insure worldwide, who together have a turnover in excess of £42 billion. Combined, our small business customers have increased turnover by 18% year-on-year through a combination of hard work and determination.

Innovation is a particularly prominent theme this year. The rate of new products and services launched by small businesses has picked up markedly in the past year – and is set for further acceleration in the coming year. This is particularly heartening given that the part that small- and medium-sized businesses have to play in global innovation is well chronicled. They are a nursery for new ideas. With the freedom to pursue innovations that might never be sanctioned in a bigger company, small businesses consistently generate a disproportionately large number of the new patents granted globally each year and as that continues so does the chance that today's micro-business becomes tomorrow's top corporation.

Of course, not all in the garden is rosy. Many smaller companies still feel swamped by government bureaucracy, crippled by high taxation and constrained by inflexible labour laws. Policymakers should take heed. Small businesses are an important growth engine and in the current economic climate must be encouraged by what is possible rather than dissuaded by red tape.

Our findings gauge the hopes and fears of the small business sector, lay bare its biggest concerns and set out its agenda for supportive change. From the small businesses we insure worldwide, we know that the people we cover are as important as the businesses. Understanding their challenges, opportunities, wants and needs helps us to provide the products and services they need – both now and in the future. In the same vein, our hope is this report is also valuable for others involved in supporting, analysing or nurturing the vital small business community.

**Bronek Masojada**  
Chief Executive Officer, Hiscox

*Bronek Masojada*



# Executive summary

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## **Optimism levels reach three-year high.**

As many as 62% of small business owners and managers say they are positive about the year ahead when it comes to their business prospects. US respondents are the most positive at 69%, while the Dutch and, remarkably, the Spanish are not far behind, at 65% each. Only in France are the optimists in the minority at 43%, with no movement in optimism levels in three years. The feel-good factor of running your own business is most keenly felt by UK and US respondents, with 40% and 45% respectively saying they feel better off than a year ago.

**Innovation is the self-help solution.** Small businesses are increasingly viewing innovation as the best form of self-help. The proportion launching a new product or service has grown from 36% to 41% in the past year and for the year ahead, just over half (51%) say they are planning to introduce a new product or service. The urge to innovate is particularly strong among firms that export, with two-thirds (65%) having introduced a new product or service in the past year and 72% planning to do so in the year ahead. Innovation, expansion and exports are enabling many to capture the upswing.

**Revenue growth is accelerating... but profit growth is patchy.** Almost two-thirds (65%) of firms have experienced sales growth in the past year and a quarter (25%) report double-digit sales growth. The proportion seeing double-digit growth in their order book or workload has also risen, from 15% to 24%. However, a significant minority of small firms in Spain, the Netherlands and particularly France continue to see no growth in profit. The improvement in all three economies is relatively recent and may be taking time to filter down to smaller businesses.

**No signs of a hiring spree yet.** Nearly two-thirds of firms (64%) report no increase in employee numbers in the past year. Of the six countries surveyed, small businesses in Spain were more likely to have added to staff numbers than any other nationality. For the year ahead, almost two-thirds of firms (64%) plan to stick with their existing staff numbers and among the 22% that do plan to hire, the majority have openings for juniors, apprentices or interns – good news for school-leavers and those entering the jobs market.

**Government bureaucracy and direct taxation remain key bugbears.** Once again, these two issues top the list of concerns in most countries. The UK is an exception though, with issues around the education system coming first. The top three demands from small businesses overall are reduced direct taxation, simpler and fewer accounting rules, and stimulation of bank lending.

**The US is seen as being the most entrepreneurial country.** For the first time, we asked each country which of the six countries surveyed they thought was the most entrepreneurial, and the results were almost unanimous. Respondents in five of the six countries agreed it was the US. Spain came bottom in all six countries... including Spain.

# Pulses are beating faster

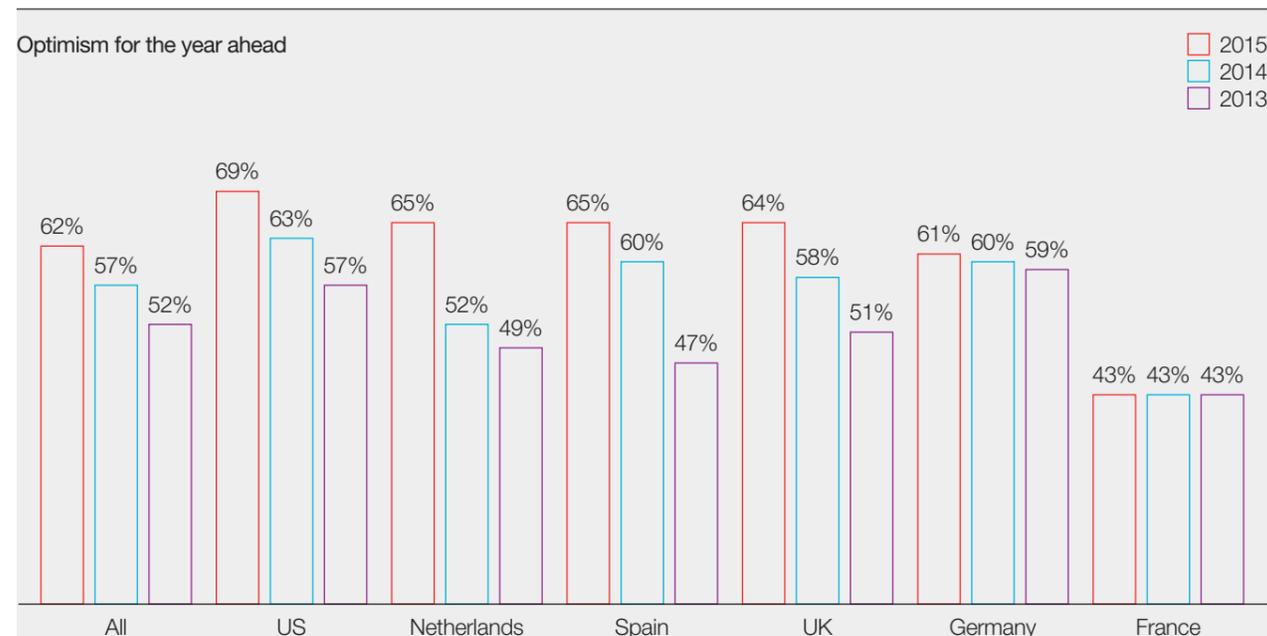
## Optimism reaches three-year high

The tentative pick-up in sentiment in last year's survey has flowered into outright optimism in five of the six countries surveyed.

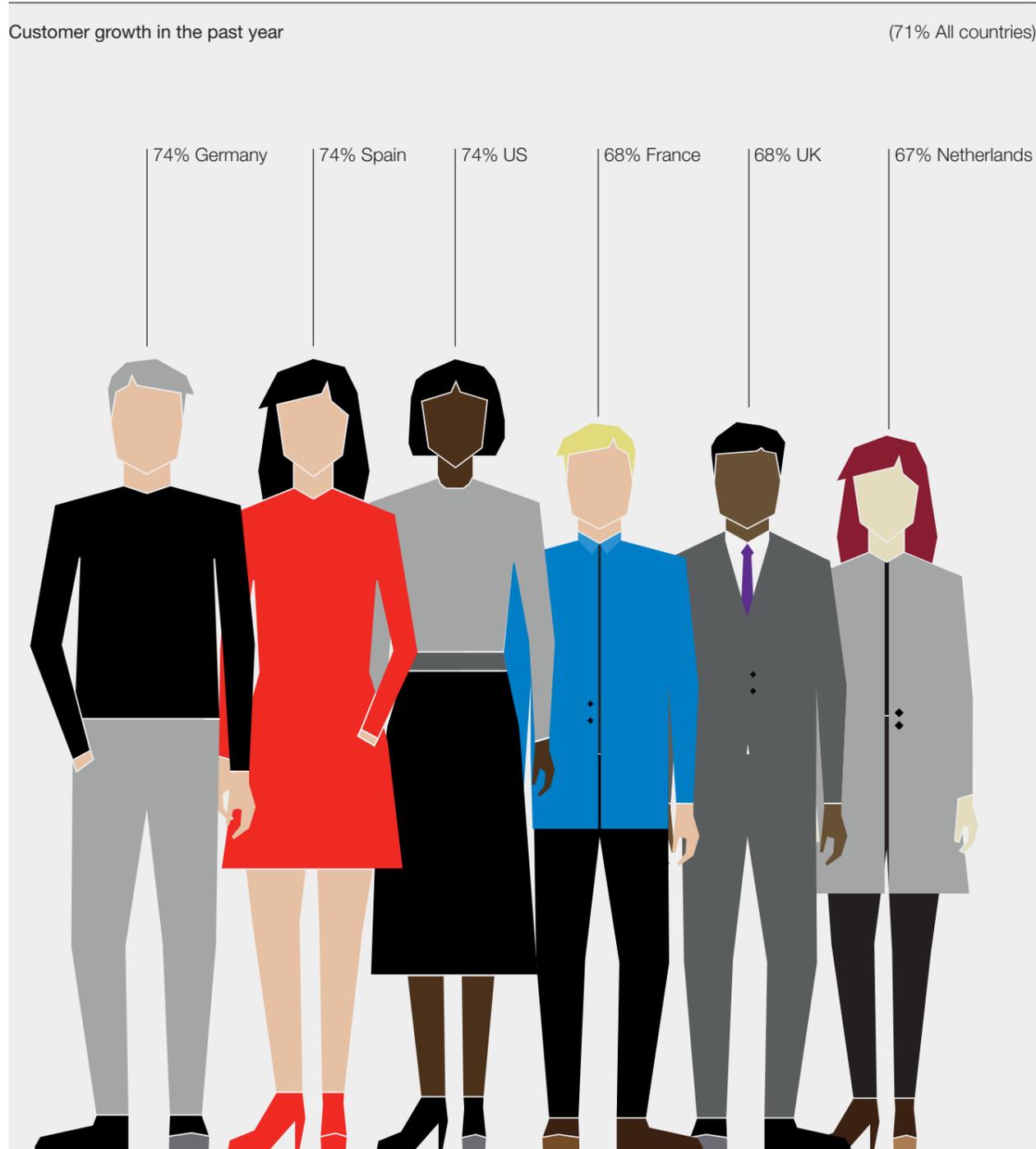
Overall, optimism levels are at a three-year high, with 62% of respondents saying they feel positive about the year ahead for their business compared with 57% a year ago and 52% two years ago. Only in France are the optimists in the minority, with no movement in optimism levels in three years.

The US looks to be the most buoyant, with 69% of respondents saying they are optimistic – 7% more than the global average. The Netherlands and, remarkably, Spain are close behind at 65% each. In both these economies the current reading marks a dramatic turnaround from the picture two years ago, and these figures provide support for the European Commission's current forecast of real GDP growth of 1.8% this year. This is according to European Economic Forecasts, published by DG ECFIN in spring 2015.

There is however a real distinction between those businesses set up before and after the 2008 downturn, with post-recession businesses thriving. Owners and managers of businesses set up since the downturn in 2008 are significantly more upbeat about their prospects than those in charge of older businesses (70% for post-recession businesses compared with 59% at older firms).



Almost three-quarters of firms (71%) report growth in new customers in the past year, compared with 59% a year ago. US, German and Spanish firms have been most successful in gaining new customers at 74% each.



### Revenue growth is accelerating

Around two-thirds of firms (65%) have experienced growth in the past year, and a quarter (25%) report double-digit growth in revenue (up from 16% a year ago). Encouragingly, the number reporting growth of 20% or more has doubled from 5% to 10%, and the proportion seeing double-digit growth in their order book or workload has risen from 15% to 24%.

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Growth in profit is generally more muted. One-in-three firms still report no growth in profit, and in France this figure rises to 43% of respondents. Across all six countries, the numbers experiencing double-digit profit growth have gone up in the past year from 15% to 22%.

### Job opportunities for apprentices and interns

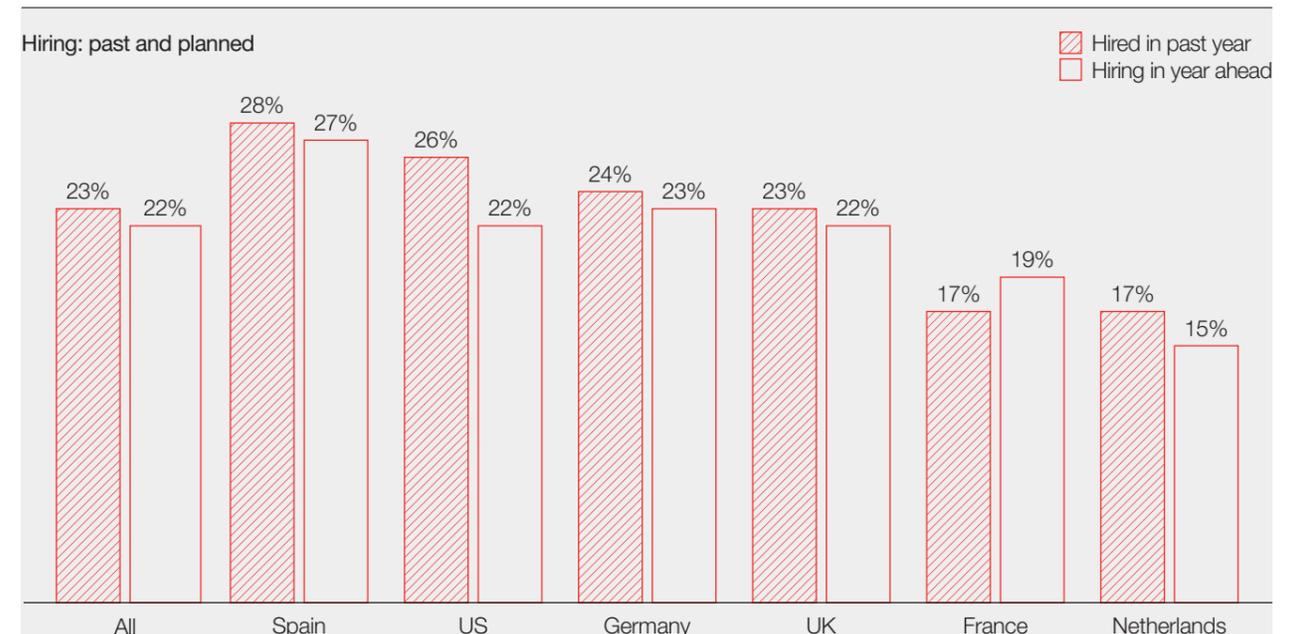
The improved outlook has yet to translate into a hiring spree at all levels. Nearly three-quarters of firms (73%) report no increase in employee numbers in the past year, similar to the previous year at 74%. Remarkably, a higher proportion of Spanish firms have seen an increase in employee numbers than any other nationality at 28%.

Spanish firms are also more likely to be hiring in the year ahead, with 27% anticipating headcount growth. A similar proportion of German, UK and US firms say they are likely to hire new staff at 23%, 22% and 22% respectively. In contrast, only 15% of Dutch firms plan to add to employee numbers.

### The best place to be an apprentice or intern? Germany.

Among the 22% of small firms that do plan to hire in the year ahead, 10% say they will be looking for junior people and 9% say they will be taking on apprentices or interns – good news for school-leavers and those entering the jobs market. Only 6% are looking to fill senior positions.

More than half (55%) of firms who say they plan to take on apprentices or interns will be paying them in full, with a further 26% paying them their travel and other expenses. Government schemes will ensure another 8% get payment or reimbursement of expenses. The best place to be an apprentice or intern? Germany, where 65% of firms will be paying them a full wage. The UK is not far behind at 61%. In both cases, the figures are based on a small number of respondents.

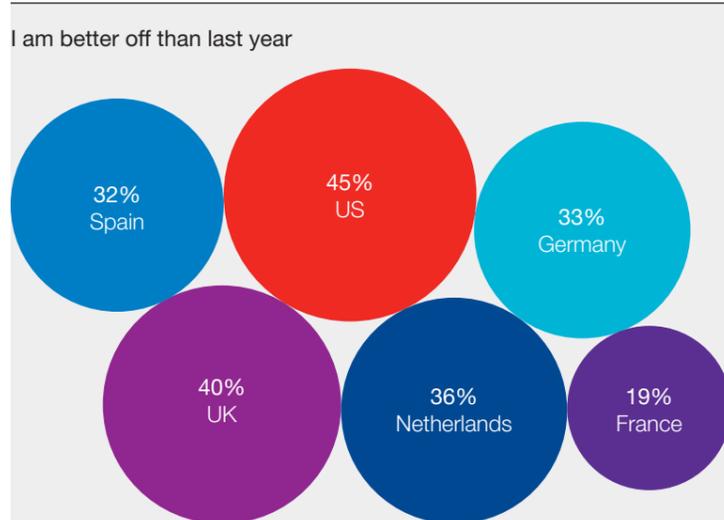


## But do we feel any better off?

The uplift in optimism has yet to be accompanied by a general feel-good factor among small business owners and managers. On the plus side, the number who say they feel better off than a year ago (36%) outweighs those who feel worse off (23%) by a clear margin, but nearly two-in-five respondents (38%) say there has been no change in their financial situation.

## Those who set up their business since the 2008 crisis are more likely to be feeling happier with life.

There are several indicators of increased wellbeing. For a start, it helps if you are operating in the US or UK – economies that have been in recovery mode for the longest time. Some 45% of US and 40% of British respondents say they are personally better off than a year ago, while in contrast only 19% of French respondents say they are better off.



In addition, it is clear that innovators who have launched new products in the past year and find bank finance easier to access are more likely to say they feel better off. Those who set up their business since the 2008 crisis are also more likely to be feeling happier with life.

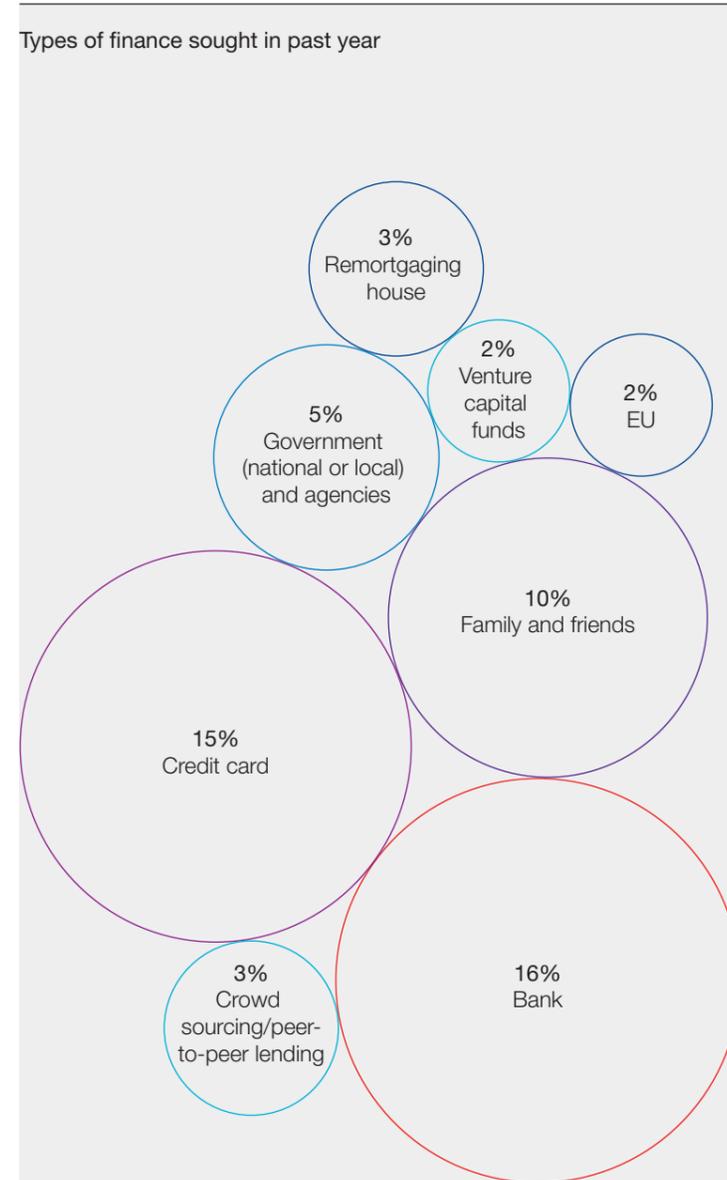
Owners and managers with the smallest businesses (those with a turnover of up to £100,000) are having the toughest time. Just over a third (34%) say they feel better off, but almost a quarter (24%) say they are worse off. The sense of prosperity generally rises with size of company.

## Bank funding getting more difficult on balance...

There is little evidence of easier access to credit. Nearly a fifth of respondents (19%) think that bank finance has become more difficult to access in the past year. Just 7% say it has become easier (rising to 11% in Spain) and the remainder say it has stayed the same or that it doesn't affect their business (which is the case for nearly half of the smallest firms in our sample). Dutch and French firms are the most negative on the availability of bank finance at 34% and 26% respectively.

## Spanish, French and German banks appear to be the most supportive of small businesses.

Despite that, one-in-six respondents (16%) say they have sought money from a bank in the past year and a further 15% are thinking of doing so in the year ahead. Spanish, French and German banks appear to be the most supportive; 25% of Spanish respondents said they turned to their bank in the past year, as have 22% of French and 19% of German respondents.



## ...so more small business owners get inventive when it comes to accessing finance

A clear indicator of the continuing squeeze on lending to small firms is the fact that 15% of small business owners and managers say they have used their credit card to help fund their business in the past year – and a further 8% are thinking of doing so. US and Spanish respondents have been particularly keen to borrow on their card, with 21% of respondents in each country admitting to doing so.

## US and Spanish respondents have been particularly keen to borrow on their credit card.

In addition, 10% have raised money from family and friends (with a further 8% thinking of doing so), 3% have turned to crowd-sourcing (with 9% more thinking of doing so) and 3% have gone as far as remortgaging their house.

## Steady pick-up in investment

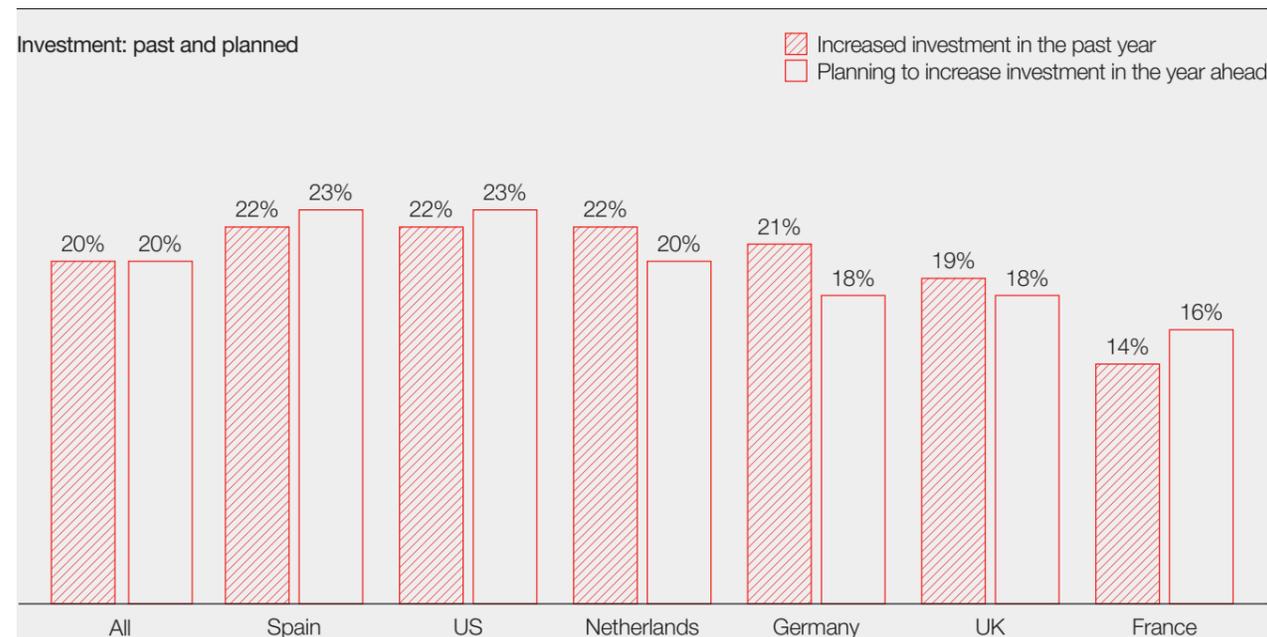
One-in-five (20%) increased investment in their business last year and the same proportion plan to do so again in the coming year. The proportion of firms expecting to cut investment in the coming year is 11%, which compares with 14% who say they cut spending last year. Nearly half of firms (48%) expect to hold investment levels steady in the year ahead.

In contrast, 28% of French firms say they have not invested in the past year or the year before and around a third (32%) are not planning to invest in the year ahead. This is disappointing for the French economy.

A quarter of the smallest firms in our sample (those with a turnover of up to £100,000) have not invested in their business in either of the past two years and are not planning to invest in the year ahead. This indicates that investment levels generally rise in line with the size of business.

## Investment levels generally rise in line with the size of business.

Spanish, Dutch and US firms are most likely to have increased investment in their business last year, and Spanish and US firms are most likely to do so again this year.



## Late payment cited as a big problem across Europe

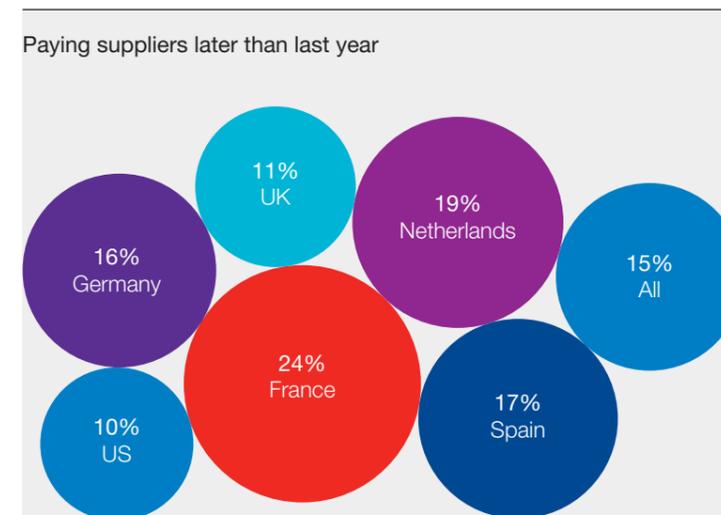
Late payment appears to be a particularly severe problem in parts of Europe. In France and Spain nearly half of respondents (47%) say their customers are paying later than they were, and in the Netherlands and Germany the comparable figure is 43%. More than a quarter (27%) of UK firms said late payment is a problem, despite repeated efforts by government to increase transparency on large companies' payment practices and toughen existing codes of practice.

## French and Spanish respondents are most likely to report cash flow problems as a result of late payments.

Interestingly, late payment is cited by fewer one-person and really small firms (those with between one and four employees) than by bigger ones. Those businesses that export are also more likely to be suffering from late payment by customers than non-exporting firms.

More than half (51%) of those firms suffering from later payments say it is having a 'significant impact' on their cash flow. A further third (33%) say it is impacting 'occasionally'. By country, French and Spanish respondents are most likely to report cash flow problems as a result of late payments (68% and 62% respectively), and by sector it is people in manufacturing and leisure/catering who appear to be the hardest hit.

However, small companies are no angels. For the first time we also asked companies whether they were paying their suppliers later than they were a year ago. Some 15% of respondents said 'yes', with the biggest offenders being French firms where nearly a quarter (24%) confess to paying later. Considerable numbers of Dutch, Spanish and German respondents (19%, 17% and 16% respectively) also said they were doing so.



## So what's keeping them awake at night?

Asked to select their 'biggest fear for the year ahead', nearly a quarter of respondents (23%) say they are concerned they might not be able to attract new clients (the figure rises to 27% among the smallest firms in the sample). However, these numbers are down on the previous year in all six countries surveyed. UK and Dutch firms are the most concerned about the flow of new clients (25% in both countries, but less than the 28% and 32% respectively reported for the previous year).

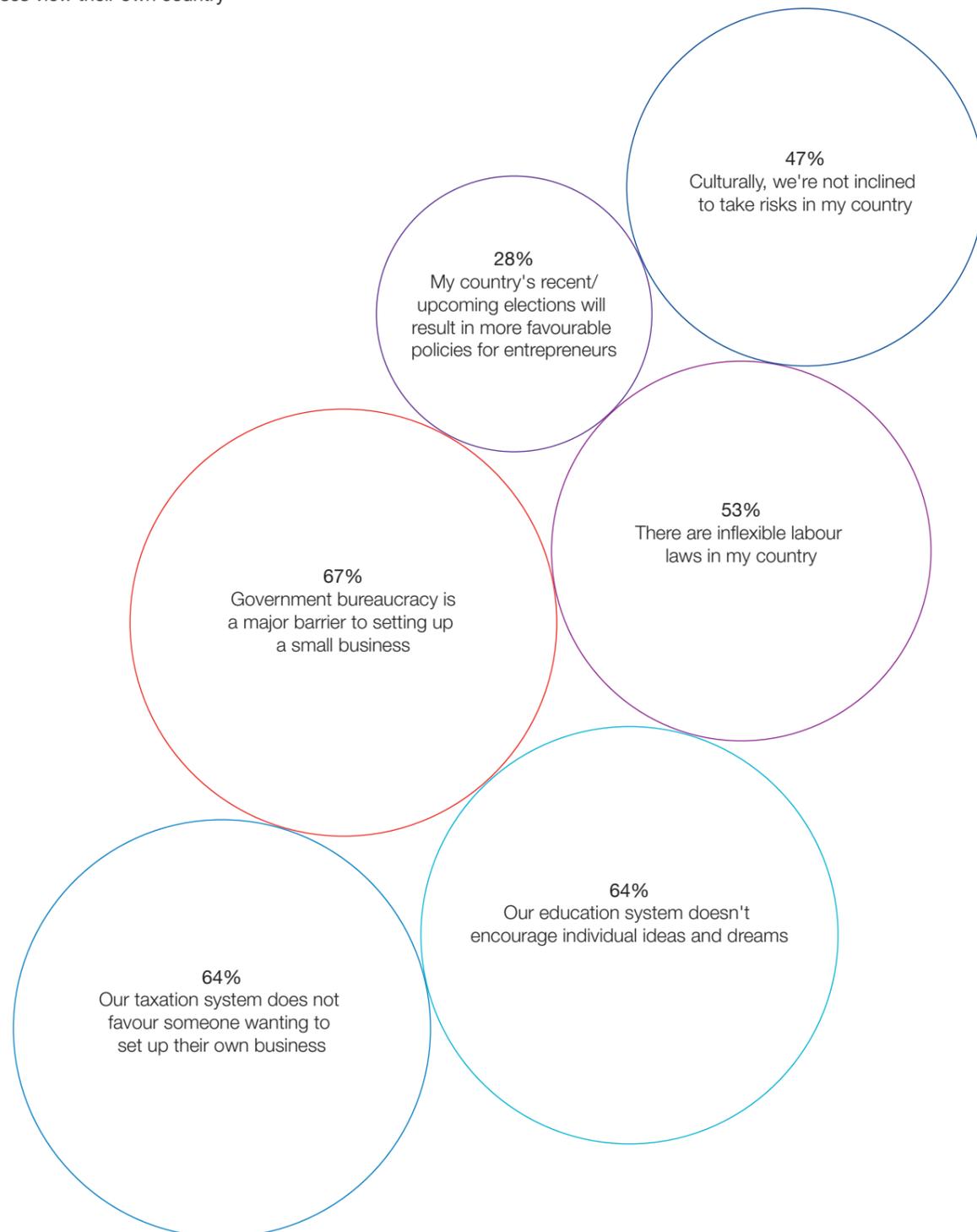
The second most widely mentioned concern is not being paid by clients (cited by 17% of firms). The possibility of not having the resources to keep the business going ranks third, mentioned by 11% of respondents. A different picture emerges from France, where 17% of firms say their biggest fear is that they will not have the resources to keep going.

## UK and Dutch firms are the most concerned about the flow of new clients.

Concern at having to pass on cost increases to customers is cited by 9% of respondents, up from 8% a year ago, suggesting that the deflationary era is slowly passing. This concern is particularly acute among bigger firms in the sample (17% of firms with a turnover of between £1m and £5m and 14% of those with a turnover of more than £10m).

# What's holding small businesses back?

How small businesses view their own country



## Rules, regulations and tax

The message is clear; governments are doing too little to help. Asked to agree or disagree with a series of statements about their own country, a substantial majority of all respondents (67%) agreed that 'government bureaucracy is a major barrier to setting up your own business'.

Complaints that 'our taxation system does not favour someone wanting to set up their own business' and 'our education system doesn't encourage individual ideas and dreams' also ranked highly, being cited by 64% of respondents each.

Nine-out-of-ten Spanish respondents criticised their government's bureaucracy and tax system.

There were, however, differing perceptions in each country. Nearly nine-out-of-ten Spanish respondents criticised their government's bureaucracy and tax system (89% and 88% respectively). In France, similar proportions cited the same two issues – but alongside 'the inflexibility' of their labour laws (86% in respect of each issue). Around three-quarters of French respondents also cited an 'education system that fails to encourage individual ideas and dreams' and agreed that 'culturally, we're not inclined to take risks in my country' (cited by 77% and 76% respectively).

Concerns relating to the education system were also mentioned by 73% of German respondents and ranked as the number one concern in the UK (cited by 57% of respondents).

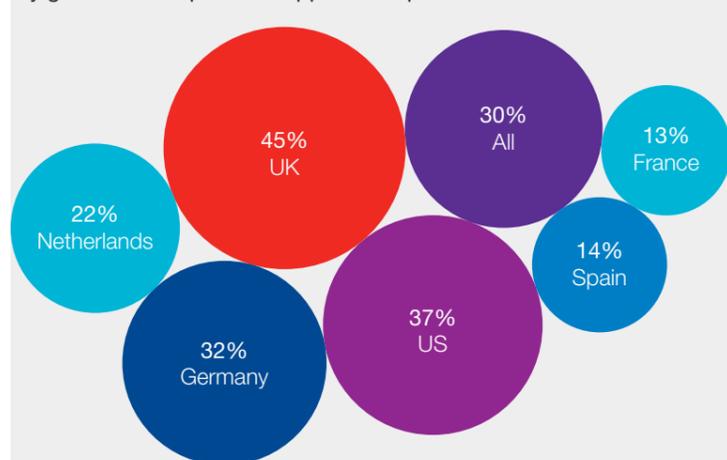
## Governments must do more...

Asked whether they believed their government's policies were supportive of entrepreneurs, only 30% of respondents said 'yes' or 'in most cases yes'. The British are the most content with 45% believing their government's policies support entrepreneurship.

## Larger companies are generally more likely to say things have improved.

In contrast, just over two-thirds of French (67%) and 70% of Spanish respondents say their government's policies are not supportive. Globally, a quarter (25%) of small business owners and managers say 'more can be done'.

My government's policies support entrepreneurs



There is a big divide when asked whether conditions have improved in the past five years. Nearly half (45%) of those who believe their government is supportive of entrepreneurship believe the political approach has improved in the past five years. The biggest proportion of them are in Spain, the UK and France. Larger companies (those with 20 to 50 employees) are generally more likely to say things have improved. However, the same proportion (45%) of those who say government is not supportive believe conditions have got worse.

## ...but there are encouraging signs

Will governments heed the message? There are certainly some encouraging signs. Among those who see their government as generally supportive, optimists far outweigh pessimists (46% versus 10%).

Among those who see their government's policies as generally unsupportive, there is a rough balance between optimists and pessimists in most countries. The one big exception is Germany. Here, 41% of respondents expect things to get worse, with only 7% saying they will get better. Overall, the Spanish, followed by the British, are most convinced things will get better (35% and 32% respectively).

## Red tape still too onerous

There is general consensus that government regulation consumes a disproportionate amount of the average small business person's week. The bad news from this year's survey is that the problem appears to have got worse, not better. The average amount of time spent dealing with red tape is now three hours 13 minutes per week – up from two hours 55 minutes a year ago. The average is boosted this year by a small rise in the number of people saying they spend more than five hours a week on government regulation. Only in Spain do people report spending less time on this than the previous year.

## The average amount of time spent dealing with red tape is now three hours 13 minutes per week.

UK and US small business owners get off relatively lightly – spending less than two-and-a-half hours a week on red tape. In contrast, French respondents say they spend more than five hours a week dealing with regulation – a figure that has risen by nearly three-quarters of an hour compared with the previous year.

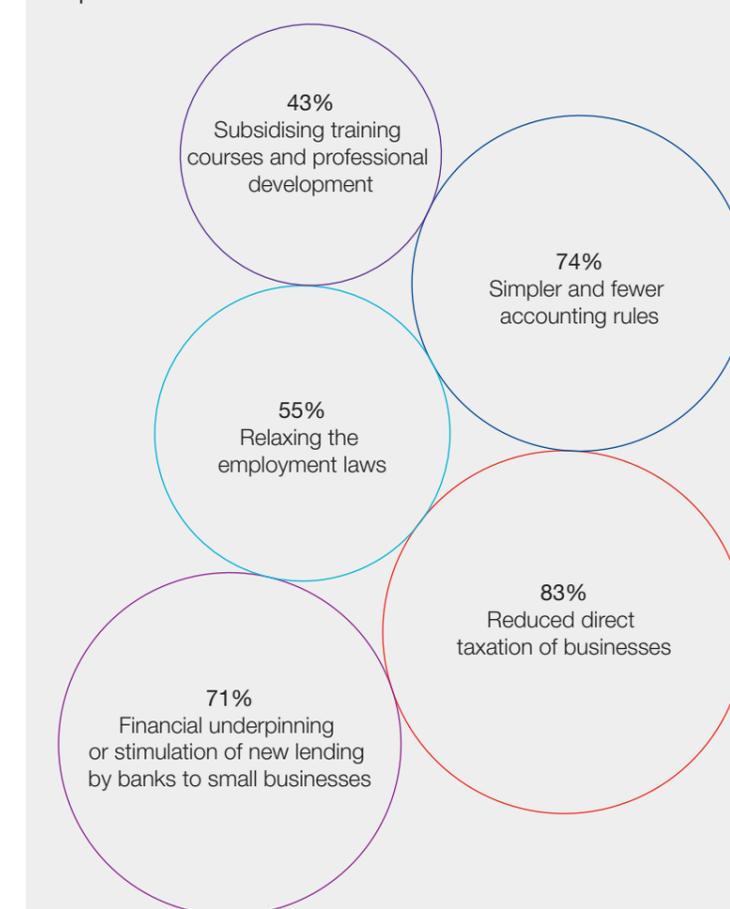
## So what should governments do to help?

Respondents were asked to choose from a menu of government policy options and rank the five they considered most important in encouraging small business growth. As in prior years, the wish list is dominated by three key changes.

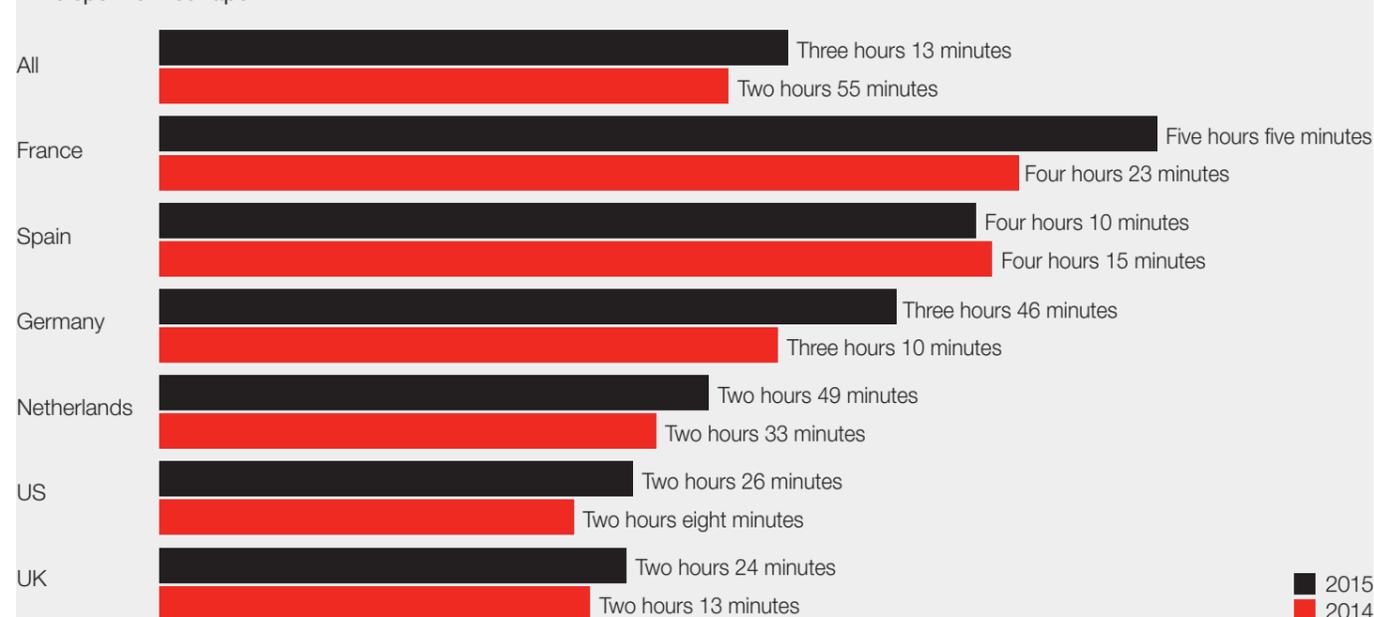
- Reduced direct taxation of business (mentioned by 83% of respondents).
- Simpler and fewer accounting rules (mentioned by 74%).
- Financial underpinning or stimulation of new lending by banks to small businesses (mentioned by 71%).

There were, however, some country variations. The French, Spanish and US respondents were far keener to see lower direct taxation of business. In France and Spain, relaxation of the employment laws came a clear second to lower tax in the wish list.

Entrepreneurs' wishlist



Time spent on red tape



# Firms turn to self-help through innovation and exports

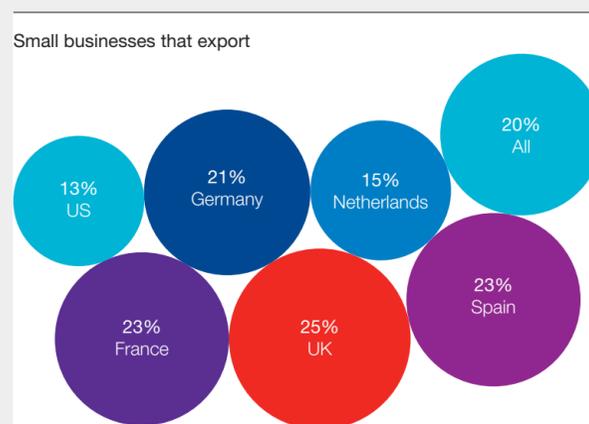
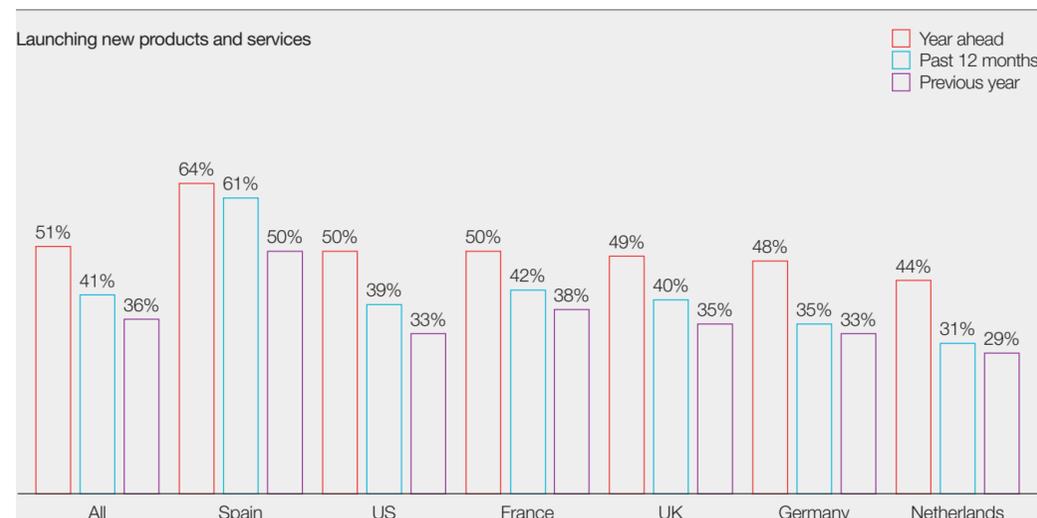
## More than half of firms plan to launch new products or services

One of the more dramatic findings of the survey is the jump in the number of firms engaged in launching a new product or service. Expanding the business through innovation is seen as the way ahead for an increasing number of small firms. A year ago, just 36% of respondents had introduced a new product in the previous 12 months, yet this year the equivalent figure is 41%. Now more than half (51%) plan to introduce a new product or service in the year ahead. At a time when funding remains scarce, and so many firms lack confidence in their own government to support the small business sector, this testifies to a determination to take matters into their own hands and innovate to grow.

## Spanish firms are the most innovative

Spanish respondents were by far the most actively engaged in developing new products or services in the past 12 months – with 61% reporting the introduction of a new product or service. In sectoral terms, retail/distribution and manufacturing were the most innovative globally – with 55% of the firms in these two sectors innovating. The bigger companies in our survey were typically the most active at developing new products – 57% of those with a turnover over £5m say they have innovated in the past 12 months, compared with just 37% of firms with a turnover of £100,000 or less.

Expanding the business through innovation is seen as the way ahead for an increasing number of small firms.



## Bigger firms invest in export markets

One-in-five firms surveyed is now exporting to other countries. UK firms are the most likely to be exporting (25%), followed by their French and Spanish counterparts at 23% each. US firms are bottom of the list with only one-in-eight (13%) saying they export. Dutch firms are also less likely to export with only 15% saying they export currently.

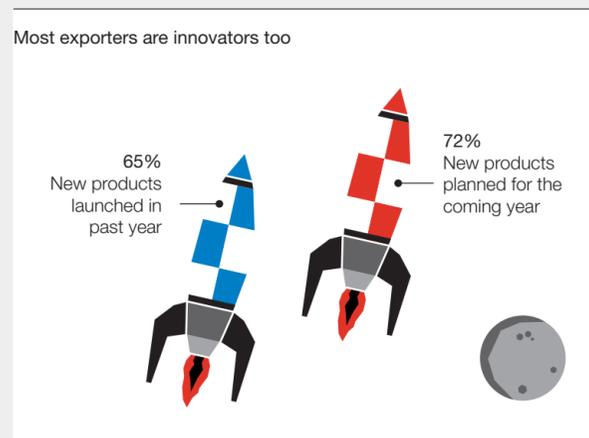
## Only 16% of the smallest firms export.

As with innovation, the propensity to export rises with the size of firm in the survey. Only 16% of the smallest firms (those with a turnover of up to £100,000) export. By contrast, half of those with sales of between £5m and £10m say they export. This may be a reflection of the additional costs and infrastructure required to penetrate overseas markets. Manufacturers (46%) and retail/distribution firms (36%) lead the way.

Among those that export, the highest proportion of export sales is found among French (34%), UK (32%) and Spanish (32%) firms.

## Go-getters combine innovation and exports

There appears to be a direct link between innovation and exports, reinforcing the view that these are both indicators of more aggressive, growth-oriented management. Two-thirds (65%) of firms that export have developed a new product or service in the past year, and 72% plan to do so in the coming year.



## Technology no threat to jobs – yet

Despite fears to the contrary, only 9% of firms say new technology will allow them to cut staff numbers in the near future and half of respondents say new technology will not affect them. The proportion rises among the bigger firms surveyed (those with between 20 and 50 employees). More than a fifth of these firms (21%) do see technology as a path to headcount reductions.

Surprisingly, the sectors where new technology appears the biggest threat to staffing levels are marketing/communications (14% of respondents here say technology will allow them to cut staff in the near future), manufacturing (13%), leisure/catering (12%), IT/media and financial services (11% each).

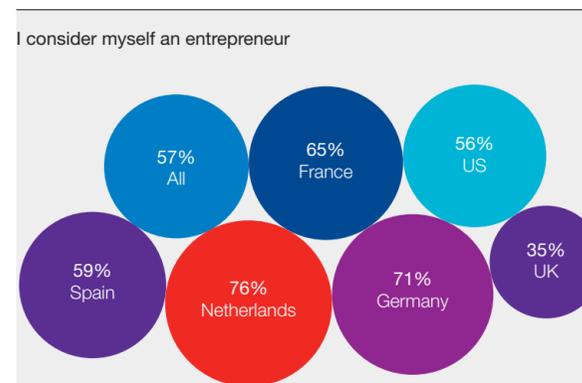




# What makes an entrepreneur?

## Self-belief

More than half (57%) of respondents consider themselves 'an entrepreneur' and nearly half (48%) say they always thought they would start their own business one day. Men are significantly more likely to agree with both statements than women. The Dutch, Germans and French are keenest to label themselves entrepreneurs (76%, 71% and 65% respectively), while the British are typically shy and retiring with just over a third (35%) wanting to assume the label of entrepreneur.



## Perceived entrepreneurial spirit

Ranking by French, UK and US respondents	Ranking by German respondents	Ranking by Dutch respondents	Ranking by Spanish respondents
1. US	1. US	1. Netherlands	1. US
2. UK	2. Germany	2. US	2. Germany
3. Germany	3. Netherlands	3. Germany	3. UK
4. Netherlands	4. UK	4. UK	4. Netherlands
5. France	5. France	5. France	5. France
6. Spain	6. Spain	6. Spain	6. Spain

## Self-made, not inherited

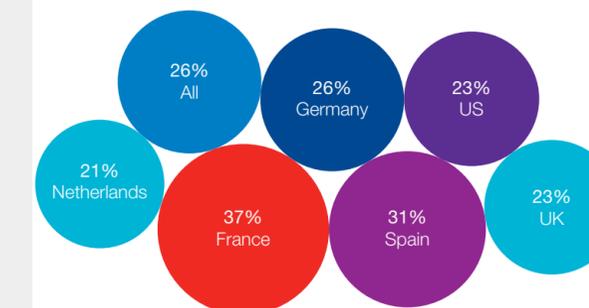
Only one-in-five (21%) say they were inspired by a parent who ran a business – although the proportion is slightly higher among women (23%). US respondents stand out with 41% of them saying they have been inspired by a role model to start a business (compared with 31% across the six countries).

Once again, three-out-of-five of respondents (59%) say that a university education can be an advantage to someone running a business. Spanish, US and German respondents were especially pro-university education as the foundation from which to run a small business (77%, 70% and 68% respectively). Again, the US respondents stand out for having attended some form of formal business education too – 46% of US respondents compared to 35% globally.

## Nothing better came my way

More than one-in four-respondents (26%) say they started their business 'because I couldn't find a suitable job'. The figure is as high as 37% in France and 31% in Spain. The proportion is also somewhat higher among women (28% compared to 25% of men).

## I started my business as I couldn't find a job



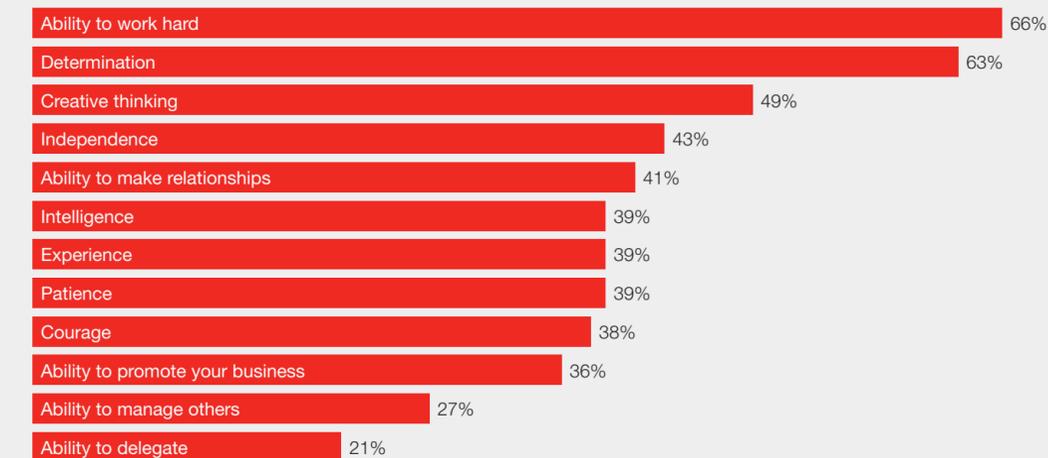
## Key attributes of an entrepreneur

Respondents were invited to pick out what they considered to be the top five attributes of an entrepreneur. The ability to work hard came well ahead of other strengths, with determination ranked second and creative thinking in third place. Interestingly, the ability to delegate came bottom of the list – with just one-in-five (21%) respondents selecting it.

There were some interesting differences in outlook between the different nationalities.

- The French and the Spanish both put 'independence' top of the list (followed by the ability to work hard).
- The Dutch also put 'independence' top with 'creative thinking' second.
- US and German respondents were both more likely to cite 'ability to work hard' followed by 'independence' and then 'determination.'

## Perceived attributes of an entrepreneur





### Hard work, long hours...

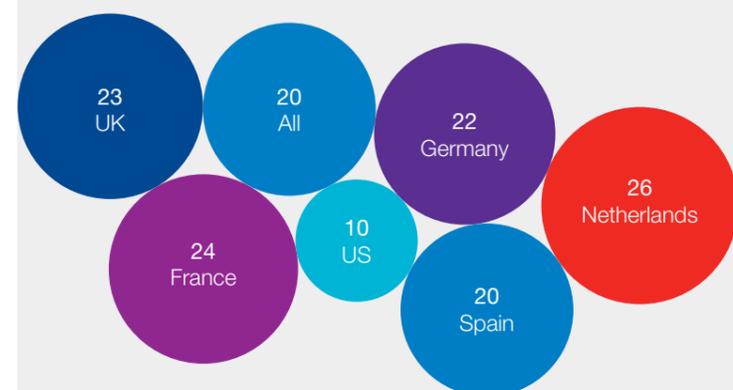
Small business owners and managers are a hard-working lot. Respondents said they put in on average just over 42 hours a week and nearly one-in-five (18%) works more than 60 hours a week. Extraordinarily, 1% of respondents say they top the 90-hour mark! Whether it is the result of improved trading or increased challenges, respondents say they are putting in an extra 19 minutes a week on average than a year ago.

Men work an average of 44 hours a week, while women reported an average of 39 hours. The difference may be explained by a greater proportion of women working part-time, though among one-person firms, many may be keen to work longer hours. A labour force survey in April this year by Eurostat found that nearly ten million people in Europe were 'underemployed'. This means those workers that are highly skilled but are not being utilised to their full potential – either because they are working in low paying jobs, low skill jobs or part-time. More than two-thirds of the 'underemployed' were women.

### ...but longer holidays this year

Reversing previous trends, respondents say they have taken nearly half a day more holiday in the past year than the year before (just under 20 days compared with 19-and-a-half the previous year). However, this is largely down to Dutch respondents saying they have taken two additional days off in the past year. Once again, the US take the shortest holidays – with an average of ten days off. One-in-five US owners and managers takes no holiday! A further 13% take only one to four days off.

Average number of days holiday a year



### ...and it still beats working for a multinational

Respondents were asked to rank five benefits of running or working in a small- or medium-sized business compared with being employed by a large company or multinational. Two-thirds cited 'more flexibility over working hours', in line with previous reports. This year it was followed by 'greater feeling of being in control of their life' (58%) and 'ability to work from home/other locations' (57%).

The results are broadly similar across countries, except that:

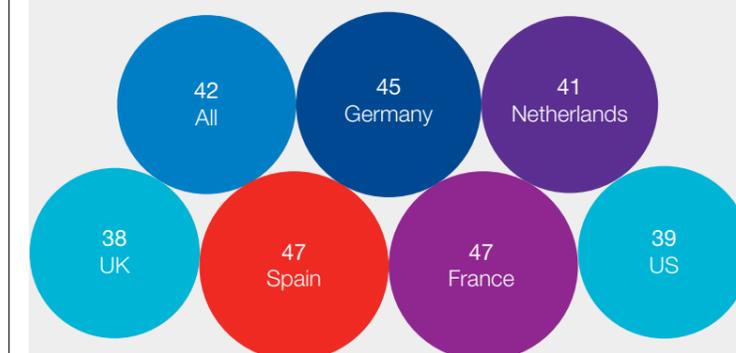
- Americans put 'opportunity to make more money' in the number three spot
- the French cite 'less stress' more often than any other benefit
- Germans put the 'satisfaction of feeling I am able to influence the direction of the business' second
- the Spanish cite 'flexibility over working hours' more than any other nation.

### Spare a thought for le patron and el padrón

The typical French and Spanish small business owner or manager is putting in far longer hours each week than most of his or her counterparts in the four other countries surveyed at 47 hours compared with the 42 hour average. So much for France's 35 hour week. More French and Spanish respondents also say they have missed one or more important social occasions in the past year because of work commitments. In contrast, the British put in 38 hours a week and the Americans, 39.

Sole traders and owners of the smallest businesses (those with a turnover of up to £100,000) put in fewer hours than their counterparts running bigger small businesses at just 38 hours. They were also significantly less likely to have missed an important social occasion – suggesting that working for yourself provides far greater flexibility. Some 11% of sole traders said they worked fewer than 20 hours and a further 16% said they worked less than 29 hours. In contrast, those running £1m-plus turnover businesses put in an average of 47 hours or more.

Weekly working hours



# Managing risks

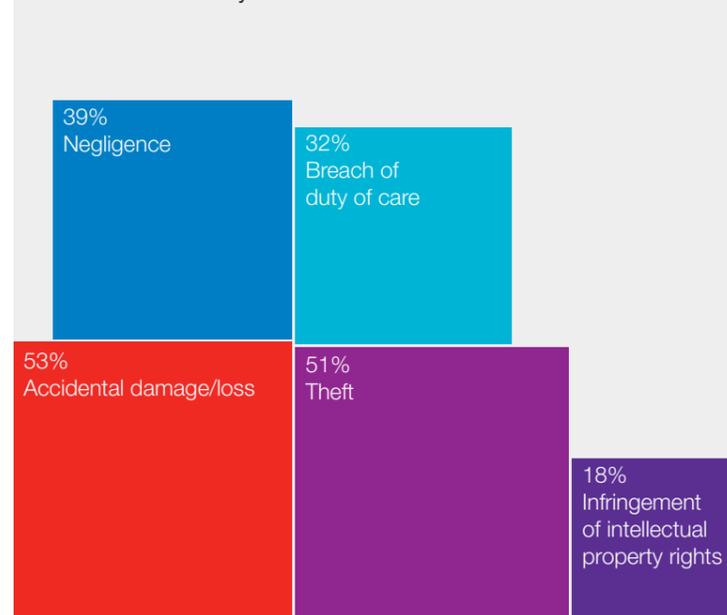
## Unnecessary exposure

As part of the report, we highlighted the five most common insurance claims made by Hiscox' small business customers (negligence, breach of duty of care, infringement of intellectual property rights, theft and accidental damage/accidental loss) and asked respondents if they were insured against them. Worryingly, around a fifth of respondents say they do not know whether they are covered for the first three categories.

A fifth of respondents don't know whether they have insurance cover for the areas where claims are most common: negligence, breach of duty of care and infringement of intellectual property rights.

In general, less than half of respondents say they have taken out relevant cover – the exceptions being for accidental damage (53% of all respondents) and theft (51%).

Common claims – are you covered?



## Big country-by-country differences

Awareness of these five key risks appears to vary significantly by country.

- **Accidental damage** – with the exception of the Netherlands (where only 45% of respondents say they are covered), half or more of all respondents say they have accidental damage insurance.
- **Theft** – nearly two-thirds of French firms (65%) say they are covered. Spanish (63%) and UK (51%) firms also rank highly here.
- **Negligence** – nearly half (47%) of UK and German small businesses are covered, but only 29% of Dutch ones.
- **Breach of duty of care** – again, UK and German small business owners and managers score highly (45% and 42% respectively), but more than half of French (66%) and Dutch (57%) respondents say they are not covered.
- **Infringement of IP** – this is an area of very low take-up. Only around one-in-five UK, German, Spanish and US firms say they are covered. More than 60% of German, French and Dutch firms say they are not covered. Nearly a quarter (23%) of respondents said they do not know whether they are covered here or not.

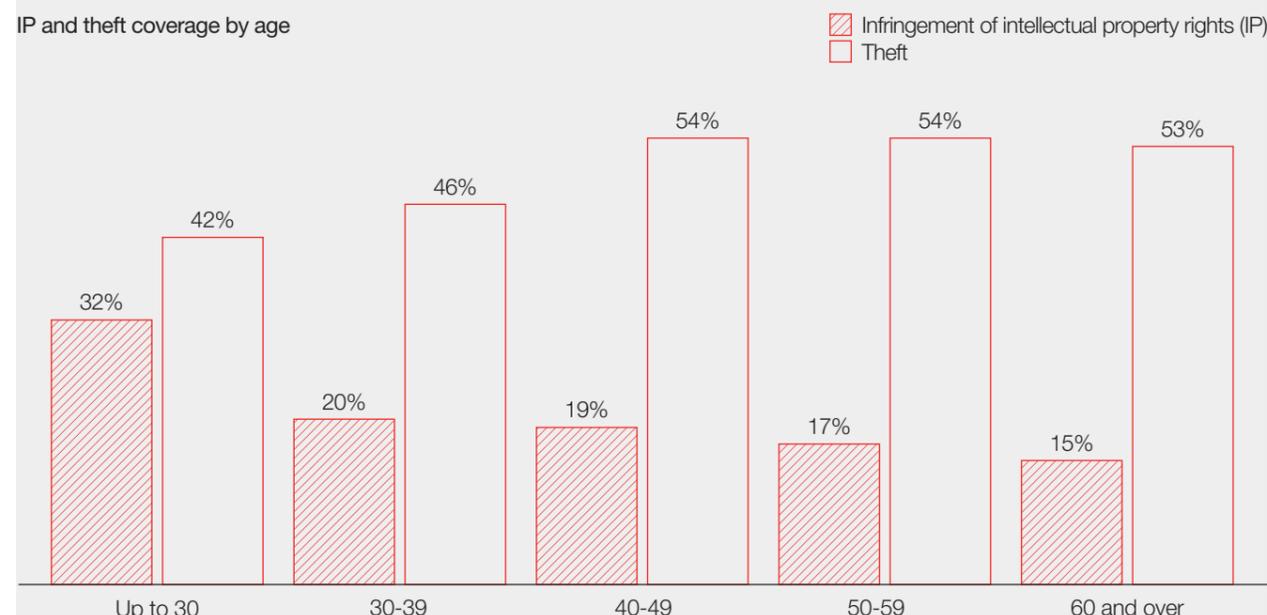
## Smallest companies have the greatest exposure

By and large, levels of cover for these five key risks increase by size of company. Only 26% of firms with a turnover under £100,000 said they are covered for breach of duty of care. In contrast, at the £5m to £10m turnover mark, more than half (53%) of firms are covered. A similar disparity is evident in all the other key claims areas. However, levels of cover among the very biggest cohort in our survey – firms with a turnover of £10m-plus – tend to fall away again.

Age also has a bearing on levels of cover in four of the five key claims categories, with older respondents significantly more likely to have taken out cover. The one exception is infringement of intellectual property rights where younger respondents (those aged up to 30 years old) appear to have far more awareness of the risks. Nearly one-in-three (32%) has cover in this area while for those aged 60-plus the comparable figure is less than one-in-six (15%).

Only 26% of firms with a turnover under £100,000 said they are covered for breach of duty of care.

IP and theft coverage by age



## High levels of exposure to risk...

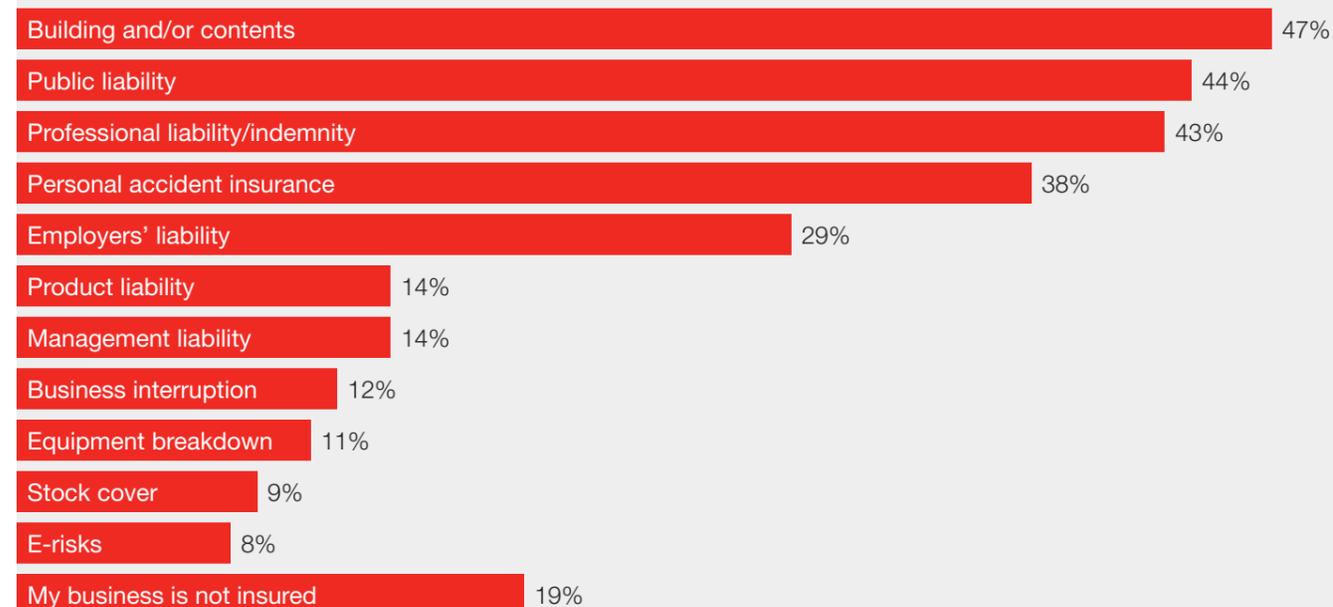
We also listed 11 common types of insurance and asked respondents to select which types they currently have. The results suggest small businesses are running unnecessary risks.

Buildings and/or contents cover is the most common form of insurance cover, but even here fewer than half of respondents (47%) are covered. Slightly fewer have public liability and professional indemnity cover (44% and 43% respectively). There is then a sharp fall in the numbers with cover for personal accident (38%) and employers' liability (29%). Most worryingly, one-in-five owners and managers (19%) say they do not have any insurance at all.

## One-in-five owners/managers (19%) say they do not have any insurance at all.

Unexpectedly, 29% of US firms are in this category. The most complacent industries are IT/media and marketing/communications, with 29% and 27% respectively saying they are without any insurance. Predictably enough it is the smallest firms that tend to be uninsured (28%), and a third of one-person firms have no cover of any kind.

### Types of insurance cover



## ...as confusion reigns

Recent years have seen a downward trend in the number of small business owners and managers saying they fully understand what insurance is available and what risks they can mitigate. That trend is maintained: barely a quarter (26%) of respondents this year say they understand what risks they can cover, though the figure is higher in the UK (31%), Germany (31%) and Spain (29%). One-in-12 respondents (8%) said they agree with the statement 'I do not understand what insurance is available to me and what risks I can cover', and 5% say they don't understand their policy. Only 14% buy essential cover for their property and transport, or what is required by law.

*'I do not understand what insurance is available to me and what risks I can cover.'*

A surprisingly small number receive risk management guidance from an insurer, broker or other source – just 14% overall. This figure is significantly higher in Spain at 27%.

## Non-payment by clients tops list of uninsured risks

As in previous years, we listed a dozen key risks and asked respondents which they saw as major risks to their business that they don't insure against. The one most widely cited was the risk of not being paid by customers. This was mentioned by 43% of respondents globally and by 46% of one-person firms. Reputational damage and the threat of being sued by a client/customer came next, cited by 22% and 21% of respondents respectively.

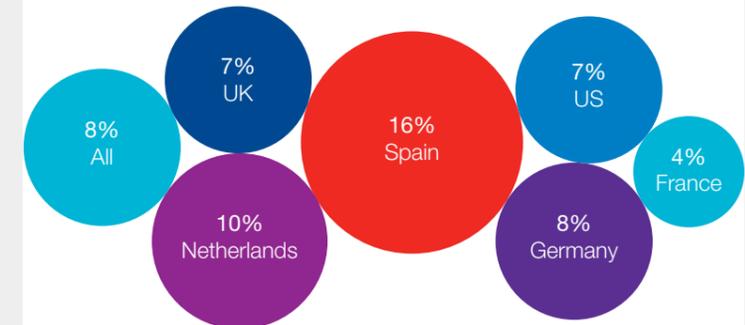
### Top five uninsured risks



## Growing awareness of cyber crime

Hacking or cyber crime is mentioned by around one-in-five (19%) respondents and ranks as the fourth most widely cited uninsured risk. This confirms a trend in recent years which has seen the number concerned with the threat of cyber crime steadily rising. Despite that trend, only one-in-12 respondents (8%) said they have any form of e-risks cover – though this figure is significantly higher in Spain, where 16% of respondents have e-risks cover, and among financial services firms generally, 15% of whom are covered.

### E-risks insurance by country



## Only one-in-12 respondents said they have any form of e-risks cover.

The World Economic Forum's Global Risk Report for 2015 ranked cyber crime alongside geopolitics, climate change and economic turbulence as one of the top business risks. While levels of awareness are clearly rising, they remain low among the very smallest of companies. Although one-in-five firms with a turnover of between £5m and £10m has cyber cover, that drops to just 10% in firms with a turnover of up to £100,000.

# Country profiles

A snapshot of each of the six countries participating in the survey.



## Country profile: UK



### Confidence returns

The pick-up in activity reported here a year ago has accelerated in the past year and confidence levels have risen sharply. More than 60% of respondents have experienced revenue and profit growth (64% and 62% respectively) and 22% are planning to take on new staff.

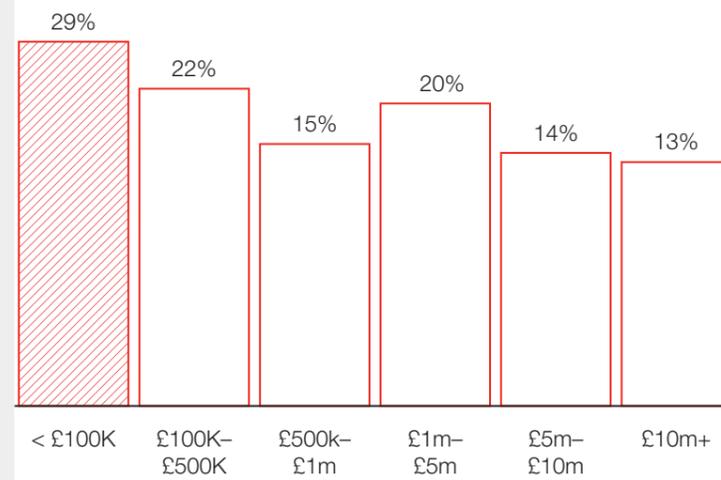
### Two-out-of-five say they personally feel better off than a year ago.

British small business owners and managers have become steadily more upbeat over the past two years, with nearly two-thirds (64%) saying they now feel optimistic about the year ahead. Two-out-of-five say they personally feel better off than a year ago. Only in the US is the feel-good factor more apparent than in Britain. The findings chime with recent surveys conducted by the Federation of Small Businesses and the Enterprise Research Centre in Birmingham. The latter found that the rate of growth among UK smaller companies was back to pre-recession levels.

### But the smallest businesses still feel fragile

One-in-four respondents (25%) said difficulty in attracting new customers was their biggest fear for the year ahead and the proportion is markedly higher (29%) among firms with a turnover of £100,000 or less. Similarly, optimism levels tend to be at their lowest among the smallest companies.

Biggest fear for the year ahead, by company turnover  
'I won't be able to attract new customers'



More than one-in-ten (11%) has turned to crowd-sourcing and peer-to-peer lending.

### Funding is still an issue.

One-in-six respondents (13%) says bank funding has become more difficult to access in the past year. That is more than twice the number (6%) who say it has become easier. Younger entrepreneurs (those aged up to 30 years old) have responded by turning to alternative sources of credit, with 24% borrowing from family and friends and 22% borrowing on their credit card. More than one-in-ten (11%) has turned to crowd-sourcing and peer-to-peer lending. That compares with just 2% of respondents across all age groups.

### Government policies seen as supportive

UK respondents stand out as far more content with their government's policies than other nationalities. Some 45% of respondents generally see government as supportive of entrepreneurs, compared to 30% on average across all six countries.

### Social media paradox

As a whole, British respondents are the least likely to be using social media in their business. Some 46% say their business does not engage with any social media activity. However, younger entrepreneurs are among the most avid users, with seven-out-of-ten (69%) using Twitter and four-out-of-five (80%) using Facebook.

### Looking for an exit

Of all UK respondents, 40% want to quit in the next five years. Nearly half of those (49%) say they will retire and the business will close.

### Shy of being labelled

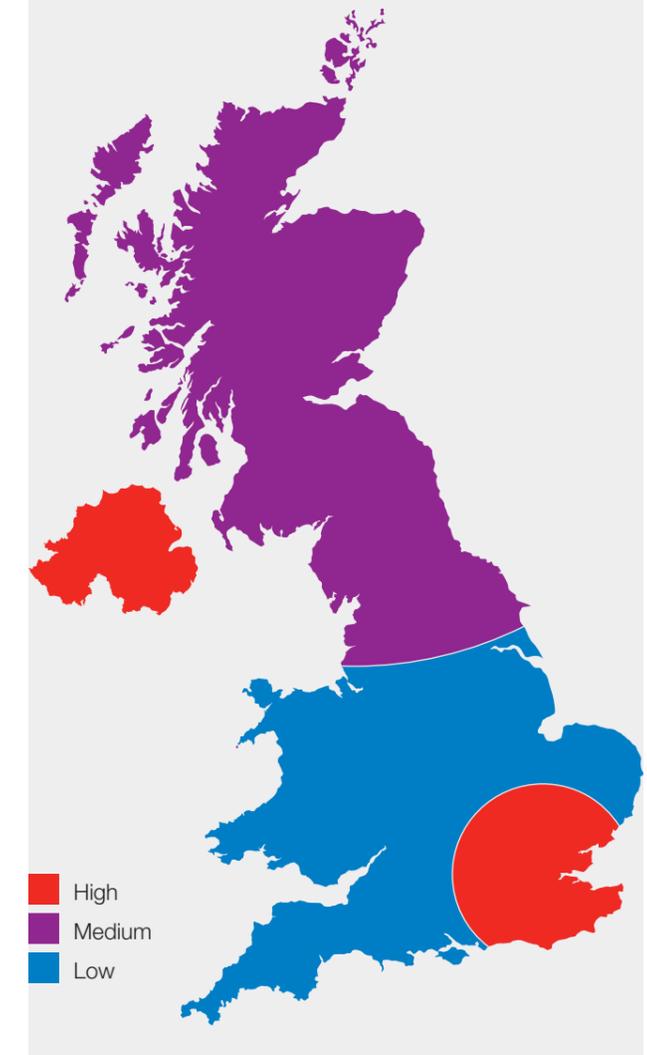
British small business owners and managers are less likely to call themselves entrepreneurs than their peers in the five other countries.

### A quarter of firms export

UK smaller businesses are more likely to be exporters, with one-in-four (25%) exporting compared with 20% globally.



Hiring intentions for the year ahead by region



### Shorter hours

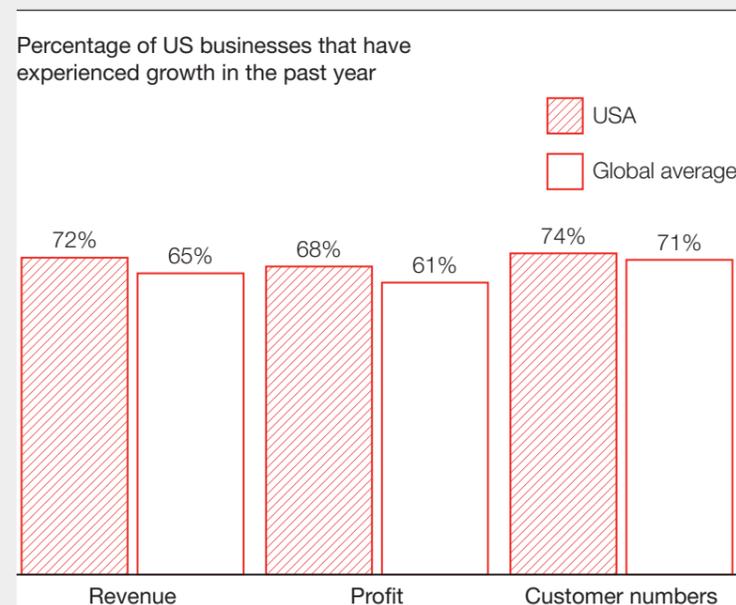
British entrepreneurs work the shortest hours – 38 hours a week.



## Country profile: USA



### US respondents top the survey for growth in revenue, profits and customers in the past year.



#### Riding the wave

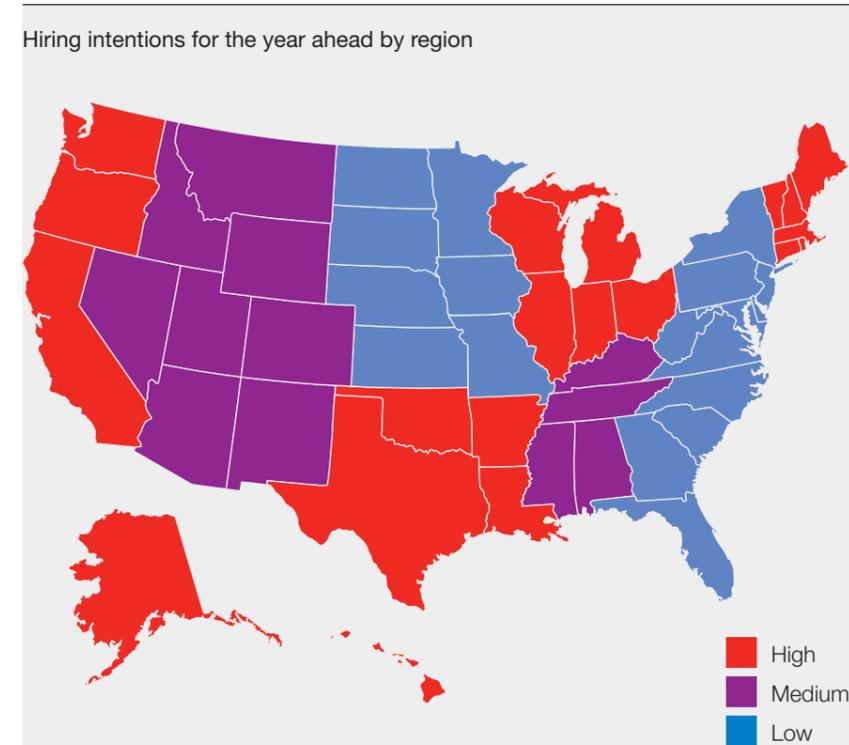
Small firms across America are now participating fully in an economic recovery that is six years old. US respondents top the survey for growth in revenue, profits and customers in the past year, with a stand-out 72% having lifted their sales in that period. More than a quarter (26%) have increased staffing levels. Some 45% of respondents say they are feeling better off than a year ago, compared to an average of 36% across all six countries.

#### Leading the growth league

While there are question-marks over the pace of growth after Department of Commerce figures showed second-quarter GDP growth coming in below estimates at 2.3% annualised, three-out-of-five firms (60%) say their order book is continuing to grow and 69% are optimistic about the year ahead. Nearly a quarter of firms (23%) say they are likely to increase investment in the business in the coming 12 months. Only Spanish firms match them on their investment intentions.

#### Dependent on the domestic market

US small businesses are much less likely to export. Only one-in-eight (13%) sells abroad compared with 20% globally.



US respondents are more likely to cite hard work as one of the key attributes of managing a small business and they appear to put that belief into practice.

#### But debt costs are an issue

Not surprisingly perhaps with the US Federal Reserve poised to lift interest rates, there is more concern about a rise in the cost of debt; 7% of US respondents cite this as a fear for the year ahead, compared to 5% of respondents globally.

#### Gender gap, but not as we know it

Women outnumber men in our US cohort at 53% to 47%. This is in sharp contrast to the picture globally where women make up just 38% of respondents.

#### Distinct attitude to business

US entrepreneurs are more likely to have been influenced to start their business by a role model – 41% compared to 31% globally. They are more likely to believe that a university education is useful for running a business (70% compared to 59% globally) and nearly half (46%) have attended a formal business course, compared to 35% globally. American small business owners and managers are also more likely to cite ‘the opportunity to make money’ as the number one benefit of setting up their own business.

#### Credit card funding

One-in-five US respondents (21%) has sought to borrow on their credit card to fund the business in the past year. That compares with an average of 15% globally. In addition, 11% are thinking of doing so in the coming year.

#### Hard work

US respondents are more likely to cite hard work as one of the key attributes of managing a small business and they appear to put that belief into practice. They take barely half the average number of days’ holiday each year – just over ten compared with 20 globally – and one-in-five takes no holiday at all. However, that is balanced by an average working week three hours shorter than the global average (39 hours compared with 42). US respondents are no more likely to say they missed an important social occasion in the past year than other groups.

## Country profile: France



### Stuck in a groove

There are tentative signs of a pick-up in France's small business sector but confidence remains low. Perhaps the most telling statistic is that optimism levels have now remained unchanged for three years. Just 43% of French respondents say they are optimistic about their prospects, well below the average of 62% across all six countries. The one encouraging sign is that the number saying they are definitely not optimistic has fallen sharply.

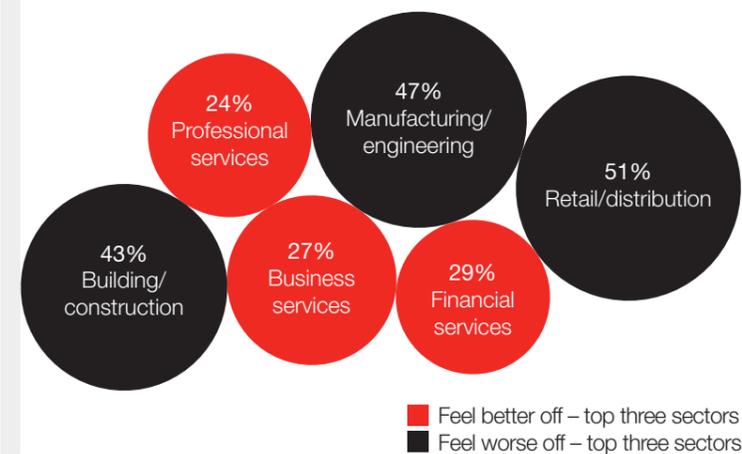
There has been a small increase in the proportion of French respondents reporting increased revenue and profit (now 54% and 51% respectively) and a bigger increase in the numbers reporting customer growth (68%, up from 55% the previous year). Order books have increased at 56% of firms surveyed. This may be taken as an indication of better things to come, which is the message of recent surveys from Insee, the National Institute of Statistics and Economic Studies, and forecasts from the likes of OECD.

However, 17% of French respondents say they fear not having the financial resources to keep going and more than a quarter (26%) say bank finance has become more difficult to access in the past year.

### Feeling the pinch

French small business owners are feeling the effects of stagnation in their own pockets. Nearly two-out-of-five (39%) say they feel personally worse off than a year ago. That is double the number saying they feel better off (19%). Only in France does such a feel-bad factor prevail. There is a real divide between those in the service industries and those in manufacturing or construction.

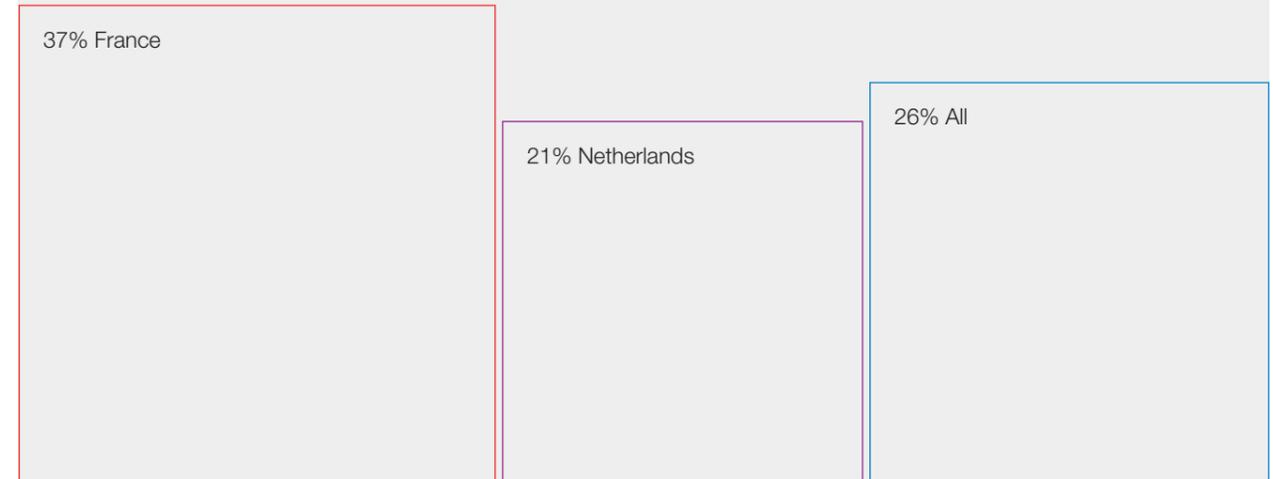
Percentage of French business owners who feel better or worse off than a year ago, by sector



Just 43% of French respondents say they are optimistic about their prospects.

### Accidental entrepreneurs

'I started my business as I couldn't find a suitable job'



### Hostile environment

An unfavourable tax system, excessive government bureaucracy and inflexible labour laws are cited as problems by 86% of French respondents. More than three-quarters agree that 'culturally we are not inclined to take risks' (76%) and that the education system 'does not encourage individual ideas and dreams' (77%). Lower direct taxation comes top of the French wish list (most especially in the financial services sector), followed by a relaxation of employment laws. Two-thirds of respondents (67%) believe their government is not supportive of entrepreneurs.

The education system 'does not encourage individual ideas and dreams'.

### Long hours

French business owners and managers work the longest hours (47 hours a week) along with Spain, but more than five hours of that is spent dealing with government red tape.

### Long holidays

French respondents take an average of 24 days' holiday a year. Only the Dutch take more time off.

### Late payments

French small business owners are more likely than any other nationality to say they are suffering from late payments – and also to admit they are paying their own customers later.

### Stress test

'Less stress' is seen as the number one benefit of running a small business, followed closely by more flexibility over working hours. Yet independence and the ability to work hard are viewed as the two most important attributes of a successful entrepreneur.

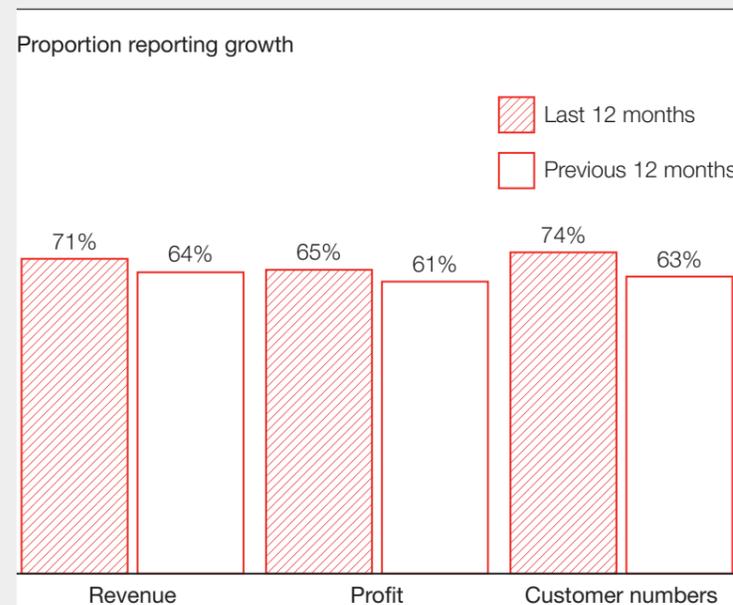
### Accidental entrepreneurs

A remarkable 37% of French small business owners say they started their own business because they 'couldn't find a suitable job'. They are least likely to have attended a formal business course at just 25%, compared to an average of 35%.

## Country profile: Germany



German small businesses export more widely, reaching an average of 9.5 countries.



### Moving up a gear

Germany's small business sector is experiencing accelerating growth. The proportion of respondents reporting revenue and profit growth is 7% and 4% higher respectively than a year earlier – when German growth was already outstripping most of the rest of Europe. Only the numbers from the US (and from Spain in the area of customer growth) compete with those from Germany.

German growth is already outstripping most of the rest of Europe.

### Manufacturers most bullish

The building and construction industry tops the list of sectors for revenue, profit and order book growth (with around nine-out-of-ten firms reporting growth in all three areas). Financial services and professional services are close behind. Manufacturers and engineers are the most bullish about their prospects, with 82% saying they are optimistic for the year ahead.

### Spending and staffing restrained

While German small business owners are least likely to be worried about having the resources to keep going, they are keeping a rein on investment spending and staffing. One-in-five respondents reduced spending last year, the highest proportion in any of the six countries, and one-in-eight (13%) plan to cut spending in the year ahead.

One-in-five respondents reduced spending last year, the highest proportion in any of the six countries.

Fewer than one-in-four firms plan to hire in the year ahead, with all but a small number of the jobs available going to juniors, apprentices and interns. The three biggest areas of jobs growth are set to be leisure and catering, building and construction, and manufacturing and engineering.

### Bank finance still tight

German respondents who say bank finance has become more difficult to access outnumber those who say it has become easier by more than four-to-one (21% to 5%). Nearly one-in-ten (9%) is thinking of remortgaging their house to raise finance – the highest proportion in any of the six countries.

### Exporting widely

While the proportion of firms that export is in line with the average at 21%, German small businesses export more widely, reaching an average of 9.5 countries.

### Long hours

German small business owners and managers view the ability to work hard as the key attribute of an entrepreneur (followed by independence and determination). Respondents worked an average of 45.5 hours a week in the past year compared to a global average of 42 hours. Nearly half (47%) worked more than 50 hours. They do, however, take slightly longer holidays – 21.6 days compared to a global average of 20.

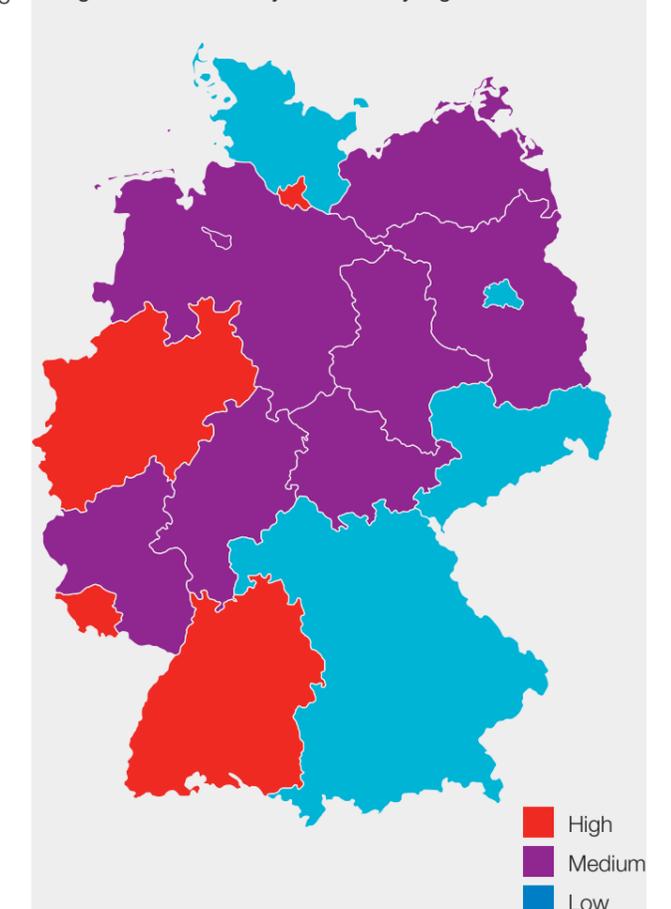
### Flexibility, autonomy

Asked what they see as the key benefits of working in a small business compared to a multinational, German respondents cite the flexibility to be able to work from home and the satisfaction of being able to influence the direction of the business above all else.

### Ich bin ein Unternehmer

More than any other nationality in our survey, German respondents are keen to assume the entrepreneur tag. Some 71% say they consider themselves to be an entrepreneur, compared with 57% globally. Paradoxically, only 42% say they always thought they would start their own business one day. This is the lowest proportion among all six countries.

Hiring intentions for the year ahead by region



### Irritation with Brussels

Germans, together with the French, stand out among their European peers for their concern over EU regulations. More than two-in-five respondents (43%) say rules coming out of Brussels are impacting on their business.

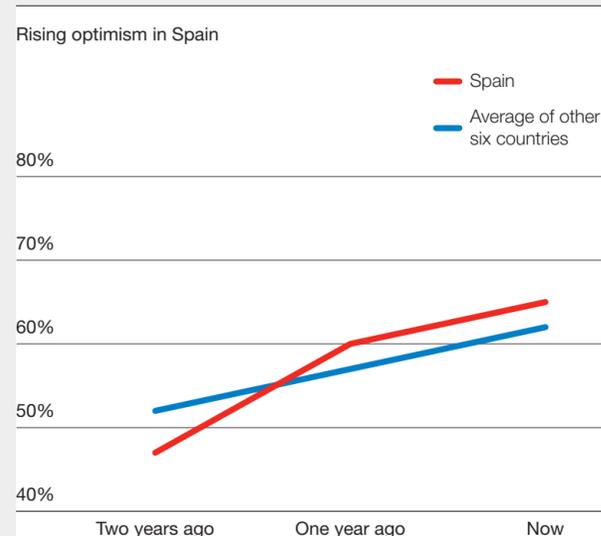
### Many planning retirement

A third (33%) of German small business owners and managers are planning an exit within five years. Of those looking to quit, nearly half (49%) will retire and allow their business to close.

### Wary of social media

While large numbers of German small business owners and managers use eBay and Amazon, they are slow to adopt most social media. A third of respondents (32%) rely on talking to people on the phone or in person and 18% say they are afraid of not being able to control social media (this compares with 12% of respondents across the six countries).

## Country profile: Spain



### The comeback kid

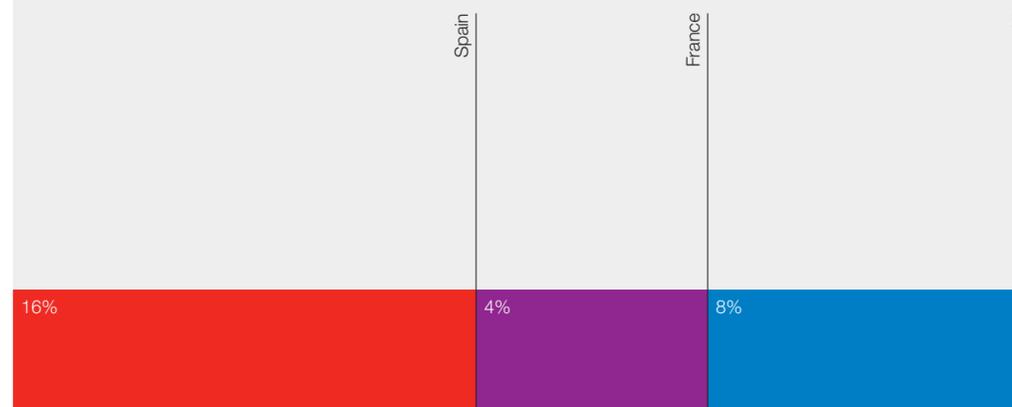
The remarkable recovery in the Spanish economy this year, with first-half growth at the highest rate for more than eight years, is reflected in the buoyancy of the replies from our Spanish respondents. The numbers reporting growth in revenue and profit are ten percentage points higher than a year ago, at 62% and 58% respectively. Spanish small businesses are more likely than their peers elsewhere to have grown their order book in the past year. Three-quarters (74%) report growth in customer numbers, up from 57% a year earlier.

### The numbers reporting growth in revenue and profit are ten percentage points higher than a year ago.

Spanish respondents are the most likely to have hired staff in the past year and the most likely to do so again in the coming year. Together with US respondents, they are the most likely to be investing more in the coming year. Over two years, they have gone from being less optimistic than average, to more optimistic than average.

### Cyber insurance

The Spanish are more likely to have protection



### Cash concerns remain

Despite the improvement in business conditions, 18% of Spanish respondents say they fear not having the resources to keep going in the year ahead. This compares with 11% globally. Late payment by customers remains an issue for nearly half of respondents (47%). A quarter (25%) have sought finance from a bank in the past year (compared with 16% of global respondents), more than a fifth (21%) have borrowed on their credit card, and 14% have sought finance from family or friends.

### Longest hours

Spain's small business owners put in an extra hour-and-a-half each week last year. Together with the French, they now work the longest hours – 47 compared to an average of 42 across all six countries. However, they are also the most likely to cite flexibility over working hours as a key benefit of running a small business.

### But still a decent lunch-break

More than half of Spanish respondents (52%) say they take a proper lunch-break, of over 30 minutes.

### Switched on to social media

Spanish small business owners and managers are much more likely to be using social media than their peers elsewhere (73% compared to an average of 61%) although nearly a quarter (24%) say they worry about using it from a business point of view.

### Chief bugbears

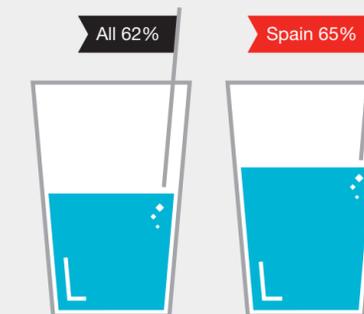
They are most likely to complain about their tax system and government bureaucracy. Two-out-of-five (41%) say their government's policies fail to support entrepreneurs. Reduced direct taxation is number one on the wish list.

### Entrepreneurial disconnect

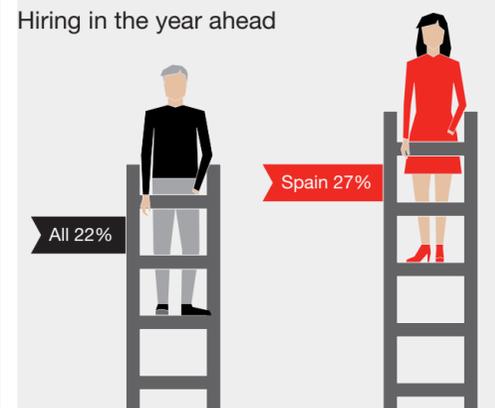
Spanish small business owners and managers were by far the most active innovators last year (61% compared to 41% globally) but consider themselves the least entrepreneurial nation (something which other countries agree with). Paradoxically, Spanish respondents are the most likely to say they always thought they would start their own business one day (57% compared to an average of 48%).

## A dramatic turnaround

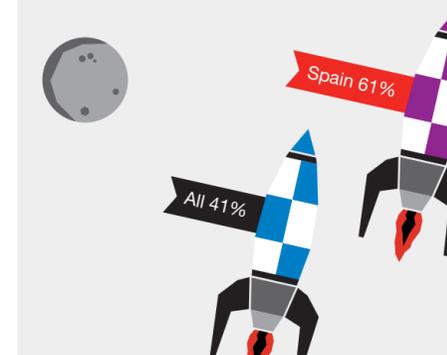
### Optimism



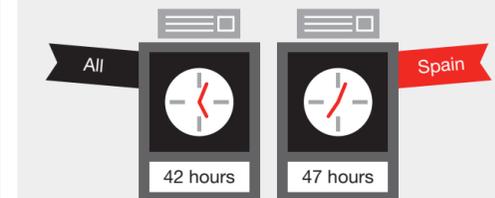
### Hiring in the year ahead



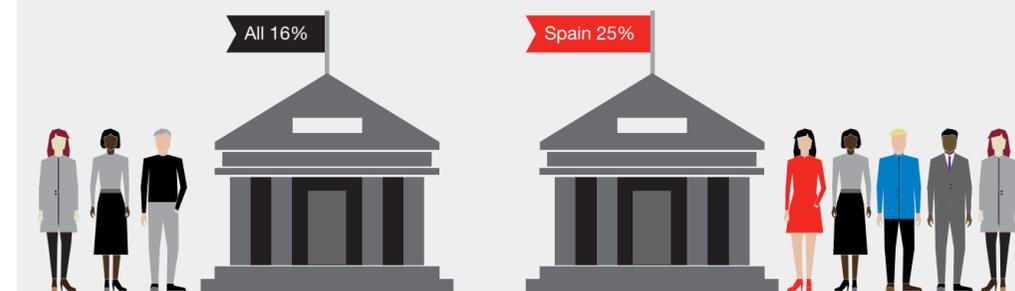
### Innovation with new products and services



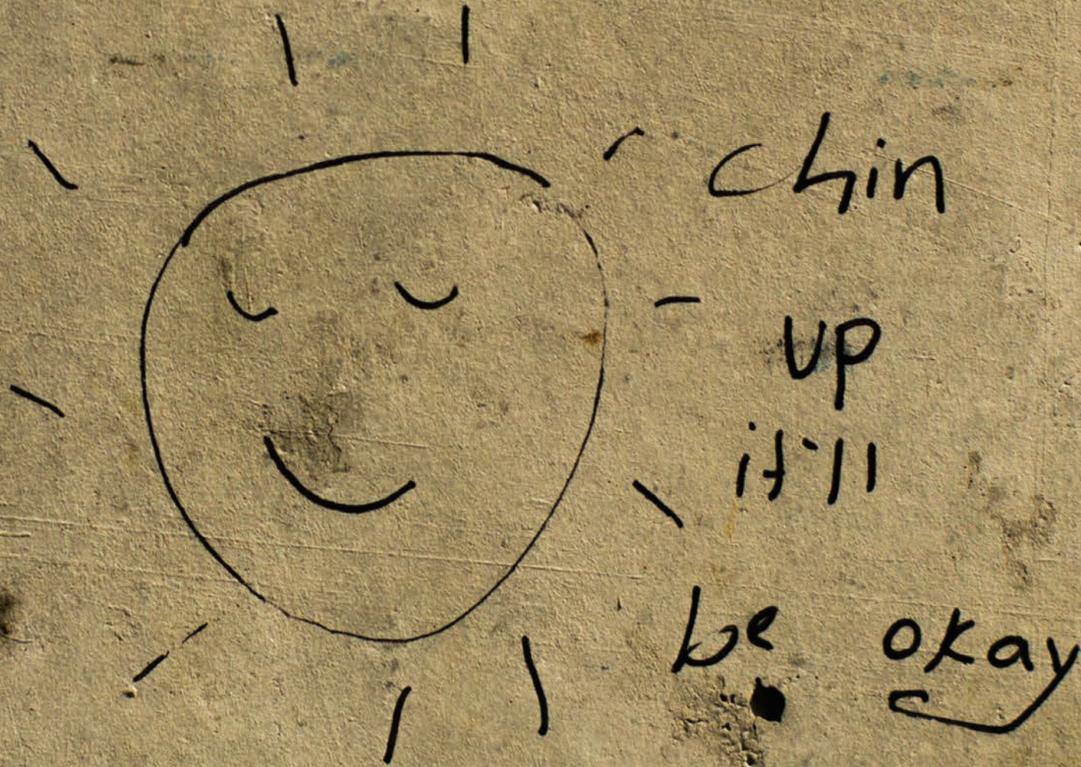
### Working longer hours



### Managing to borrow from the bank



Optimism amongst businesses in Spain and the Netherlands is second only to the US.



Country profile: **Netherlands**



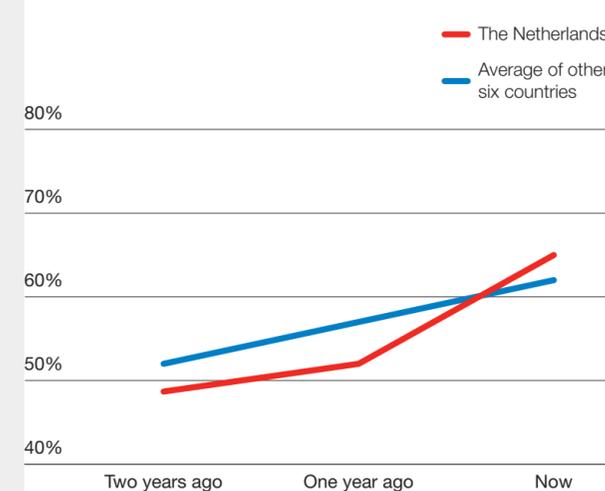
**Recovery boosts small business**

The recovery in the Dutch economy, which gathered momentum over the course of 2014, has clearly given the smaller business sector a much needed boost. Over two years, optimism levels have surged, with the building and construction industry leading the way. Here the proportion of owners and managers who say they are optimistic about the year ahead has almost doubled over the period to 74%.

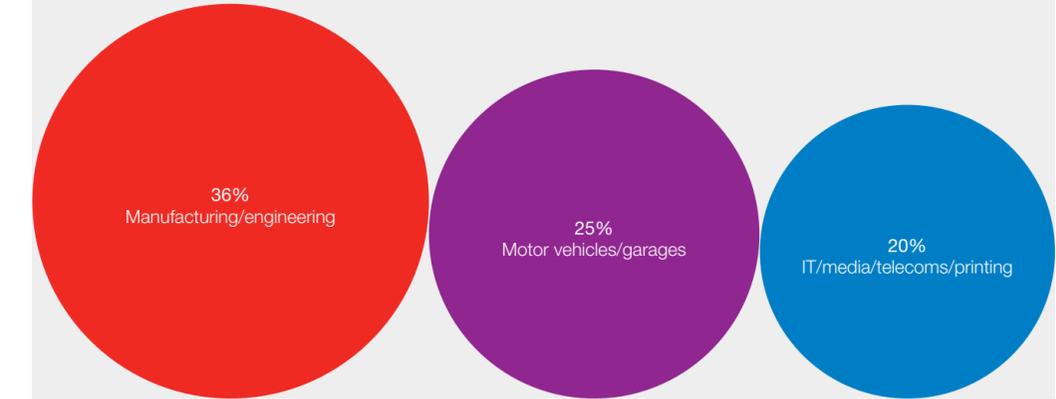
**One-in-four respondents still cites difficulty in attracting new clients as a concern.**

Revenue and profit growth among smaller companies remains below par at 60% and 57% respectively (compared to 65% and 61% on average across all six countries) but both figures are a full ten percentage points higher than a year ago. Order books are growing at the majority (57%) of companies although one-in-four respondents still cites difficulty in attracting new clients as a concern. Along with US and Spanish firms, Dutch firms are the most likely to have increased investment last year.

Rising optimism in the Netherlands



Planning to hire in the year ahead  
The new jobs are concentrated in three main sectors



**Funding difficult**

Dutch respondents are the most negative about the availability of bank lending. There is a stark divide between the 34% who say bank finance has become more difficult and the 2% who say it has become easier.

Surprisingly, only 15% of respondents say their company is engaged in exporting.

**Later payment**

An above average 43% of Dutch firms say they are suffering from later payment by customers. In the building and construction industry the figure rises to a remarkable 71%.

**Bottom of the export league**

Surprisingly, only 15% of respondents say their company is engaged in exporting. This is the lowest proportion among the five European countries in our survey.

**No hiring spree**

Dutch firms are the least likely to be hiring in the year ahead, with just 15% planning to take on new staff. Hiring intentions rise with the size of company – two-thirds (67%) of those in the £5m to £10m turnover bracket plan to take on new staff.

**Entrepreneurial**

Dutch business owners and managers are the keenest to label themselves entrepreneurs. Three-quarters (76%) happily assume the title. They also consider themselves the most entrepreneurial country in our survey, with a less risk-averse culture than any of the other European countries.

**The Dutch don't lunch**

Some 40% of Dutch respondents take less than half an hour off for lunch, 12% skip lunch entirely and 23% say the lunch question is not appropriate as their normal work hours exclude lunchtime.

**But they do take time off**

On average, Dutch small business owners took nearly two extra days' holiday last year, bringing their average time off to 26 days – a full six days more than the average for the six countries.

**Flexibility**

The prime attractions of running a smaller business are the ability to work from home followed by less bureaucracy and flexibility over working hours.

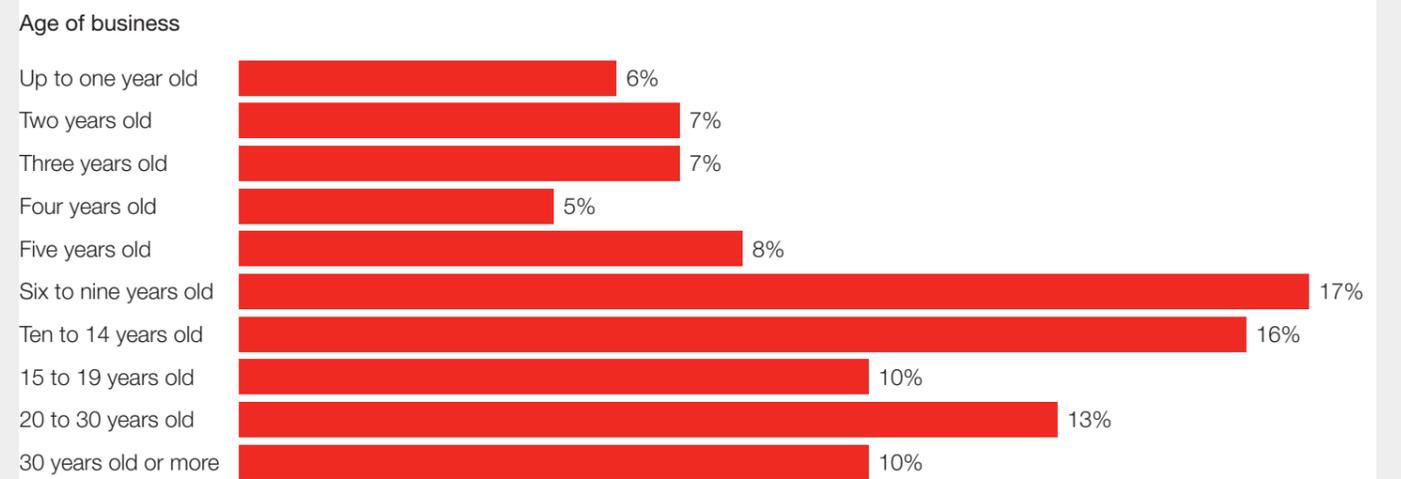
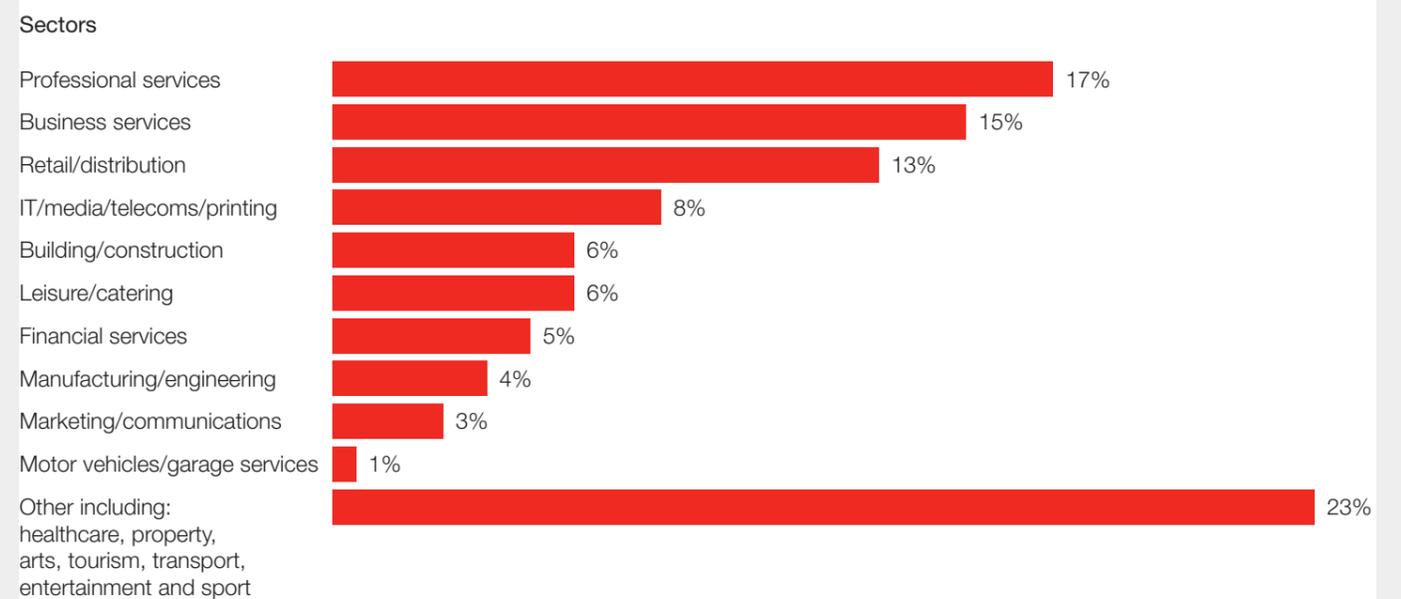
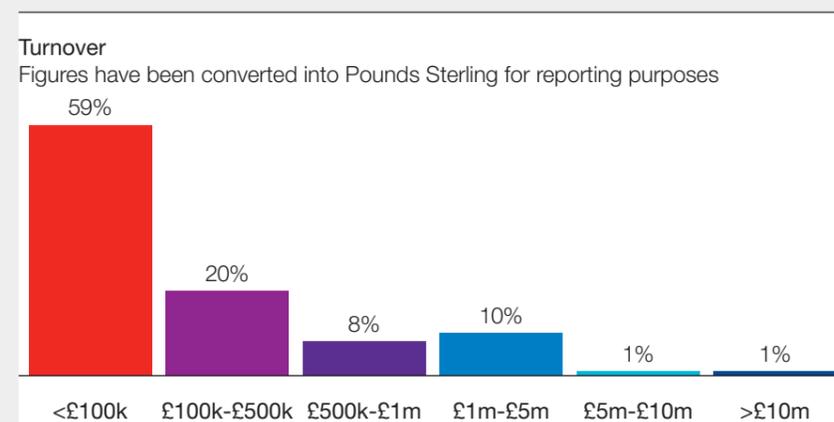
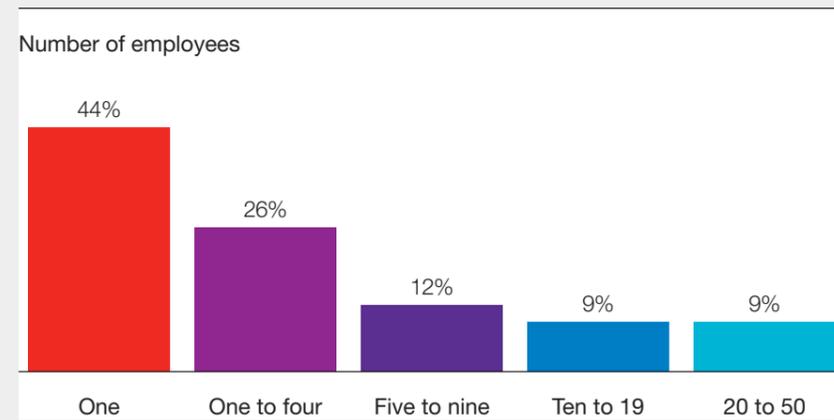
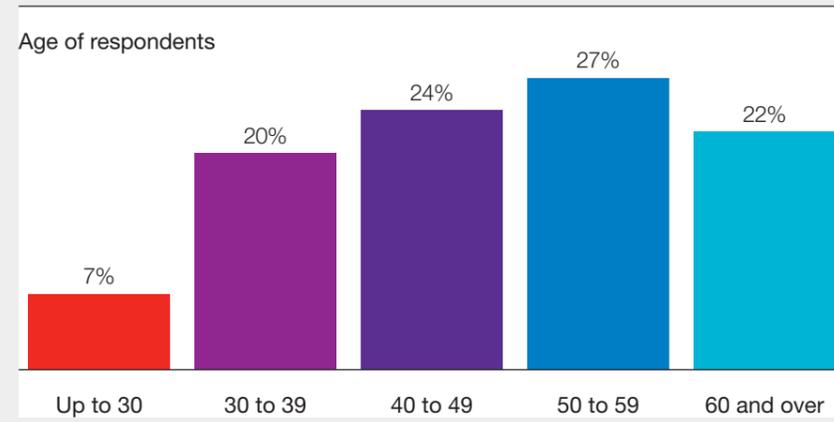
**Not for sale**

Dutch small business owners are the least likely to be considering exiting their business in the next five years – just 15% say they plan to do so.

# Methodology and profile of respondents

The sample for this study was provided by Research Now using their proprietary online panels. In total 4,140 business owners, founders or senior executives within companies with up to 50 employees were contacted (1,000+ from both the UK and the US and 500+ each from France, Germany, the Netherlands and Spain). Respondents completed an online survey between 22nd May and 15th June 2015.

Statistical accuracy: +/- 1% to +/- 2% for the whole sample of 4,140 and +/- 2% to +/- 4% for each country's sample except the UK and US - +/- 1% to +/- 3%. Some figures may not add up due to rounding.



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