

Grant Thornton International  
Business Strategies Ltd



EUROPEAN  
BUSINESS SURVEY  
Prospects and Issues  
for SMEs

Spring 1998 – Number 6



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## **INTRODUCTION**

The beginning of 1998 sees the European business climate in a continuing state of flux: the European Union (EU) contemplates the implications of further expansion, the major economies of Europe continue to emerge from recession or from the effects of major political change; and the preparations for economic and monetary union have advanced further, as most EU countries strive to achieve the convergence criteria. All of these are affecting the way in which European companies perceive the business environment.

The European Business Survey, a comprehensive study of business confidence, attitudes and trends among European small and medium-sized enterprises (SMEs), has tracked the changing business climate in Europe over the past six years. The 1998 Survey was carried out prior to the market crash in South East Asian economies, however this should not have damaged the expectations of European SMEs unduly, as the Survey broadly reports a distinct increase in optimism compared to last year. The Survey is conducted jointly by Grant Thornton International and Business Strategies Ltd.

### **The Sample**

All fifteen EU countries are covered, together with Malta, Norway, Switzerland, Turkey and, for the first time, Poland. Postal questionnaires were sent in the domestic language of each country, with companies in the Brussels region of Belgium being sent both Flemish and French language versions. In Switzerland, questionnaires used the languages appropriate to the cantons. A copy of the English version can be found in the appendices of this report.

Almost 50,000 questionnaires were dispatched and 5,776 replies received. This makes the Survey one of the most comprehensive to be carried out on a European scale. The main sample consisted of companies with turnover of between 1m and 10m ECU. In addition, some private companies with a turnover of between 10m and 100m ECU are included. Forty four per cent of the responses were from companies with between 1 and 25 employees and only 3 per cent of the sample had more than 500 employees. This field work was carried out towards the end of 1997.

### **The Survey**

As in the previous Surveys SMEs were asked about the structure and management of their business, as well as their prospects, constraints and plans. With the Survey now in its sixth year, the answers to these questions are building an invaluable database of trends which are central to understanding the development of European business activity.

We also ask questions of a topical nature. In particular, we have again included a question on sources of external funding. This year we also asked questions relating to family businesses, changes in business ownership, monitoring business performance and how firms are responding to the information technology implications of the Year 2000 and the Single European Currency.

### **The Report**

Part A of the report provides a general overview of the findings for the EU as a whole, with some country comparisons. Part B provides results and some commentary for all the participating countries in detail. The Appendix provides a breakdown of responses by country, turnover, employment and sector.

For each country the results of the Survey were weighted according to both their industrial structure and their size, to ensure that the results are representative. It is the weighted results, which enable us to make comparisons between the countries represented in this report.

## **Acknowledgements**

We are very grateful for the continued financial support and encouragement from the Department of Trade and Industry in the United Kingdom. Finally, we would like, as always, to thank all those who gave their time to complete the questionnaire. Without them, there would be no report, nor the opportunity to provide opinion formers throughout the EU with key data on the vital SME sector. The results, we believe, show that the time they have taken has been of great value.

Space prevents our discussing here all the detail from the Survey, such as the results for particular industries. Those interested in accessing this detail should contact Bridget Rosewell at Business Strategies +44 (0)171 630 5959 or Sue Palmer at Grant Thornton +44 (0)171 728 2738.

## **KEY POINTS**

### **Economic Situation**

Small and Medium-sized Enterprises (SMEs) in Europe have become more optimistic. They are more optimistic about turnover growth in 1998 than in any of the five previous Surveys except for 1995, whilst expectations for employment growth are at their highest for any year of the Survey. Companies in every country in the Survey expect to see an increase in exports over the next twelve months, with a similar strength of optimism as last year. Germany continues to be the least optimistic country, with neighbouring countries such as Belgium, France and Luxembourg also affected by lower than average levels of optimism.

With an upturn in turnover expectations, prices are expected to rise slightly more than last year, but remain subdued. Expectations of profitability on the other hand, have leapt back up and in the current Survey are only marginally below the level of optimism of the 1995 Survey.

Plans to invest in plant & equipment and buildings are higher than in any of the past five years, although there is some considerable variation between countries. German SMEs are on balance expecting a decline in investment, whilst Poland and Turkey are strongly optimistic. Every single country in the Survey is anticipating increases in spending on training, R&D and advertising, with the highest average levels of optimism so far.

Average payment periods have fallen marginally compared to last year, with average payment periods at their lowest in Finland and Poland and at their highest in Greece and Italy.

More businesses feel that their main competition is local or regional, rather than national or EU-wide. Growth in competition within the EU over the past five years has not been perceived by European SMEs to have increased as significantly as the growth in either local/regional or national competition.

### **The Businesses**

A small majority of businesses in the Survey, 56 per cent, describe themselves as family businesses, although in three quarters of businesses, one or more members of founding families work as directors. The continuing importance of the founders of businesses and their families, is demonstrated by the fact that in all but 19 per cent of surveyed firms in the EU, the current Managing Director or Chief Executive Officer is the founder or related to the founders of the business.

In the 1998 Survey, 46 per cent of firms said that they export, compared to 54 per cent in the 1997 Survey, which is the lowest figure for the six years of the Survey. The range of destinations remains broadly similar, although the number of firms exporting to Eastern Europe continues to grow year on year, with 30 per cent of exporters now involved in the Eastern European/Russian markets.

Improvements to profitability mean that European SMEs seem to be relying to a lesser extent on external sources of finance, and EU companies are more confident in 1998 than they were two years ago, that current finance sources will support plans for the next three years. Of external sources, overdrafts and loans continue to be the most frequently used forms, both used by half of the firms surveyed.

A wide variety of indicators are used to monitor business performance across Europe. Sales and profit & loss accounts are the two most frequently used indicators, by 70 per cent and 69 per cent of businesses respectively. The majority of companies across the EU were found to prepare management accounts on a monthly basis.

EU SMEs are not yet fully prepared for the IT implications of either the Year 2000 or the Single European Currency. Sixty eight per cent of EU businesses said that they have considered the IT implications of the Year 2000, and only 35 per cent said that they had acted upon the issue. Fifty per cent of businesses said that they have considered the IT implications of the Single European Currency, whilst only 11 per cent of EU businesses said that they had acted upon the issue.

## **Future Plans**

With optimism strong amongst European businesses, their short term plans are more ambitious than in any of the six previous surveys. The proportion of companies intending to develop new markets over the coming year has increased significantly to just over two-thirds, whilst the popularity of diversification has increased year on year since the first European Business Survey in 1993. Even the proportion of SMEs planning to acquire new companies over the coming year has increased significantly.

There is less concern expressed in this year's Survey about short term constraints to business expansion. Indeed, the proportion of firms that considered a shortage of orders as an important short term constraint has fallen away to just over a quarter from a peak of 40 per cent. It is domestic laws and taxes that continue to be seen as the most serious short term constraint, whilst skills shortages represent the one area of broadly increasing concern amongst European SMEs.

European SMEs are considerably more optimistic regarding long term constraints on expansion than they were last year. In particular, concerns about the cost and availability of finance are now clearly a declining trend.

There is conflicting information regarding the attitudes of SMEs across Europe to the impact of the introduction of the Single European Currency. Two fifths of respondents do not know what the impact of the Single European Currency will be on their business, while in general, SMEs are both slightly less positive and marginally less negative about it than in last year's Survey. The most positive outlook on the impact of the single European currency comes from companies in Ireland, Greece, Austria, Finland and Denmark, while companies in Germany and the Netherlands are considerably less optimistic than the rest, with similarly low balances of positive versus negative opinions in Switzerland and Norway, both non-EU countries.

Marginally more EU firms are anticipating a change in ownership than in 1996. Forty three per cent of SMEs expect a change in ownership in the future, compared to 40 per cent in 1996, when we last asked this question. Passing the business to the next generation remains the most frequently anticipated change. Over the next two years, a very high 40 per cent of Polish businesses anticipate a change in ownership compared with the EU average of 14 per cent.

## PART A

### 1 ECONOMIC SITUATION

#### Business Expectations

*This section addresses the general business situation facing SMEs in the countries covered in the Survey, and explores how this situation has developed over the past six years. The discussion is based upon analysis of the questions relating to firms' expectations over the coming twelve months in terms of, amongst other things, turnover, employment, profitability and investment.*

*Firms were asked whether their expectations of certain aspects of their business would be 'Up', stay the 'Same', go 'Down' or whether the information was 'Not Applicable'. Some of the Survey results are summarised in terms of a 'balance' statistic, which is the difference between the proportion of respondents saying 'Up' and the proportion saying 'Down'. The EU results for each year refer to those countries which were members at that time.*

**Table 1.1 – Expected business trends for the coming year in the EU (%)\***

Prospects	Up	Same	Down	N/A	% bal*
Turnover	64	26	9	0	+55
Employment	30	53	3	0	+17
Profitability	45	34	18	1	+27
Exports	28	18	4	28	+24
Selling prices	26	46	18	2	+8
Investment in new plant and equipment	34	35	13	8	+21
Investment in new building	21	24	12	29	+9
Training	35	41	4	10	+31
Research & development	24	30	3	25	+20
Advertising	28	47	8	8	+20

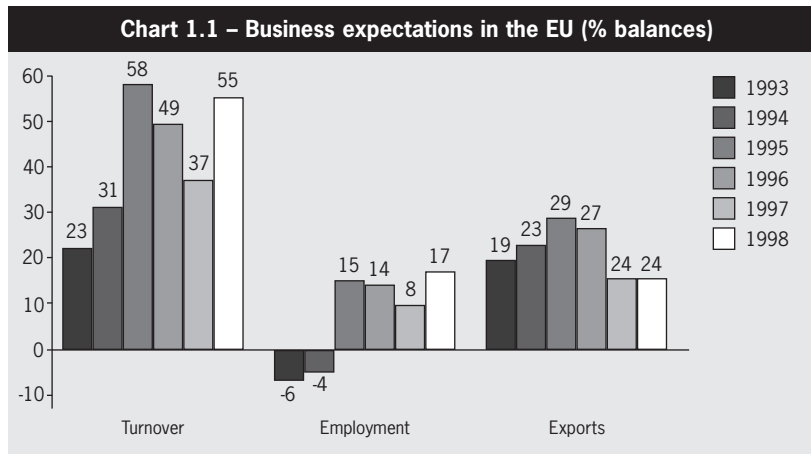
\* the percentage balance is the difference between those saying "up" and those saying "down"

#### ***Turnover, exports and employment***

The Survey shows that **SMEs in the EU are more optimistic about their prospects for turnover for the coming year than they were last year.** In fact, they are generally more optimistic about prospects than in any of the five previous surveys except for 1995. In this 1998 Survey, 64 per cent of companies stated that they expect turnover to rise, with only 9 per cent expecting it to fall. Consequently, a balance of well over half of firms expect an upward trend in turnover, which compares with a figure of just over a third in 1997.

**In every EU country, companies expecting to see a rise in turnover in 1998 outnumber those expecting a decline.** However, as might be expected with countries at different stages in the economic cycle, there are considerable variations. Germany continues to be the least optimistic and appears to impact on the views of its neighbours: France, Austria, Switzerland, Belgium and Luxembourg.

Firms' expectations for exports continue to be positive, with the strength of optimism at a similar level to last year. Twenty eight per cent of companies in the EU expect to increase their export volume over the coming year, whilst only 4 per cent are predicting a fall. On balance, **companies in every country in the Survey expect to see a rise in exports over the next twelve months.** The intensity of optimism concerning firms' export expectations is relatively evenly spread across the countries in the Survey, although rather weak in Luxembourg and Malta. However, expectations are still below those for 1995 and 1996.



On average, SMEs' expectations for employment growth in the coming year are higher than in any of the five previous Surveys. A balance of 17 per cent currently expect employment to go up, compared to a balance of 8 per cent last year and the previous high of 15 per cent in 1995.

Although the overall picture concerning employment is positive, there are considerable variations in employment expectations between the countries in the Survey. While increases in employment are strongly anticipated in Turkey, the UK, Finland and Denmark, employment is expected to decline in only one country – Germany, compared to five countries last year.

The Survey also asked how employment has actually changed over the preceding twelve months. For the EU as a whole, over a third report no change, whilst 22 per cent report a decline: 2 percentage points higher than last year. However, the proportion of SMEs reporting increased employment over the past year climbed 3 percentage points, to 37 per cent. Consequently, the overall balance of 15 per cent saying that employment had risen, is not very different to last year's Survey.

The table below compares SMEs' reported employment changes over the past year with expectations for employment made in the previous year's Survey.

**Table 1.2 – Expected and reported employment changes compared: Survey averages (% balances)\***

	1995	1996	1997	1998
Reported	+18	+14	+15	–
Expected	+15	+14	+8	+17

\* the percentage balance is the difference between those saying "up" and those saying "down"

In 1995 and 1996, the proportion of SMEs forecasting an increase in employment was a reasonably accurate reflection of the actual outcome reported in the following year. In 1996 however, SMEs became significantly less confident that their workforce would increase over the forthcoming year. Yet in 1997, the Survey results showed little change in the balance of SMEs reporting employment growth compared to the previous two years. It will be interesting to see whether the increased confidence in the prospects of employment growth for 1998 is justified.

A breakdown of the Survey results according to firm size shows that larger companies are more optimistic about their turnover and export prospects than are small and medium sized companies. A balance of 80 per cent of larger firms are confident that turnover will increase in the coming year, compared to 58 per cent of small firms. This is not the case, however, regarding employment prospects. Small companies are marginally more optimistic than larger companies, with medium sized companies the least optimistic.

The Survey also shows that manufacturing firms are slightly more optimistic regarding turnover than service firms, with balances of 63 per cent and 59 per cent respectively. Construction firms are considerably less optimistic with a balance of 34 per cent anticipating turnover growth over the forthcoming year.

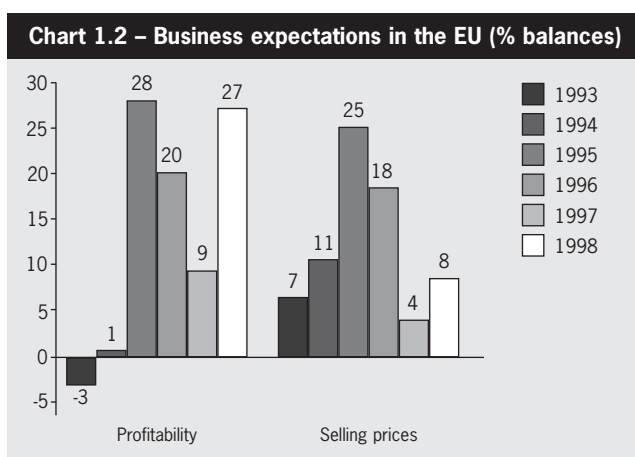
Table 1.3 – Expected business trends for the coming year (% balance) *						
	Size band			Industrial Breakdown		
	Small	Medium	Large	Manufacture	Construction	Services
Turnover	56	70	80	63	34	59
Employment	18	14	17	19	6	19
Profitability	27	49	58	38	9	29
Exports	23	34	43	39	8	21
Selling prices	9	17	5	14	0	9
Investment in new plant/equipment	22	37	50	33	6	23
Investment in new building	9	13	14	9	3	12
Training	31	48	60	33	22	34
Research & Development	20	31	42	30	9	19
Advertising	21	29	45	24	10	24

### *Profitability and selling prices*

EU firms anticipate that the average level of prices will increase in the coming year. With firms becoming more confident again about overall demand, as revealed by the increase in turnover expectations, their price expectations have increased modestly. A balance of 8 per cent of firms anticipate that prices will increase over the coming year, compared to 4 per cent in last year's Survey. Thus, **the upward pressure on selling prices has increased slightly, but is still very low.**

There continue to be some marked differences amongst EU countries as far as prices are concerned. Five EU countries once again expect selling prices to fall during the coming year, while 10 EU countries anticipate price increases. In general, countries with weaker expectations concerning turnover are those which expect to see price falls over the next twelve months.

SMEs in Germany stand out, with a balance of 21 per cent anticipating price reductions over the coming year. Firms in France, Luxembourg, Austria and Belgium are also anticipating price reductions. Conversely, firms in Ireland are expecting the strongest price increases, followed by SMEs in the UK, Portugal and Sweden.



**Expectations of profitability have leapt back up again in the EU for 1998.** A balance of 27 per cent of firms expect an increase in profitability over the coming year, a figure only marginally behind a high of 28 per cent in 1995. Not surprisingly, the strongest growth in profitability is expected in countries where firms expect stronger growth in turnover in the coming year.

The overall picture remains positive across the EU, with profitability expected to decline over the next twelve months only in Germany. By contrast, SMEs in Ireland and the UK expect the largest increases in profitability over the coming year.

**Investment**

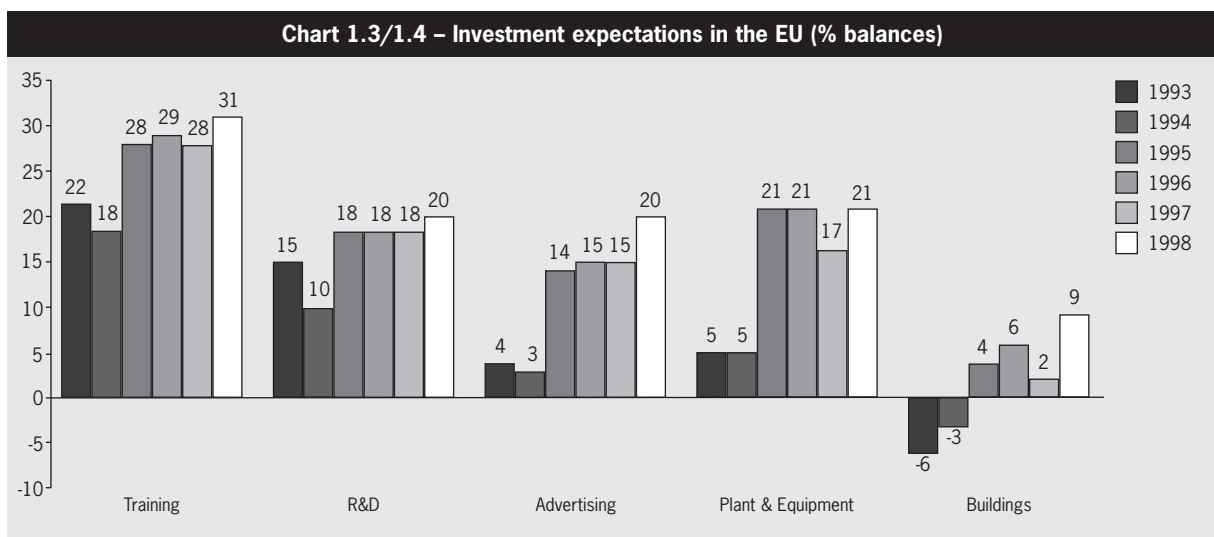
With the expected boost to the growth of company turnover, and more especially profitability, firms in the EU are confident that they will be able to increase plant & equipment and building investment over the next twelve months. In fact, **expectations for investment in plant & equipment and buildings over the coming year are as high or higher than in any of the past five Surveys.** Specifically it is investment in buildings that is expected to be significantly higher than previous years.

There are of course some notable national exceptions. Firms in both Germany and Austria expect to reduce investment in plant & equipment and buildings over the coming year, whilst those in Finland, Germany, France and Luxembourg anticipate a reduction in investment in new buildings. The biggest increases in investment, on the other hand, are expected in Greece, Denmark, Portugal and Ireland.

**Training, research & development and advertising**

Firms across the EU also expect to increase levels of spending on training, research & development and advertising over the coming year to a greater degree than in any of the previous Surveys. With significant growth in company profits expected and concern about skills shortages increasing (see Chart 3.2), **firms are showing an increased commitment to training their employees.** Only 4 per cent of firms in the EU expect to spend less on training in 1998 than they did in 1997, compared to 35 per cent who are expecting to spend more, giving a balance at a higher level than any of the past five Surveys. Firms in every country in the Survey expect, on balance, to increase spending on training.

Research and development (R&D) activities are expected to increase over the coming year. On balance, 20 per cent of firms expect to increase spending in this area, 2 percentage points up on the last three Surveys, and the highest so far.



Continued **growth in advertising spending is also expected in the EU over the next twelve months and at a considerably faster rate than forecast in any previous Survey.** On balance, 20 per cent of firms anticipate increases in expenditure on advertising, compared to 15 per cent in the last Survey, and, as with R&D and Training expenditure, these are the strongest results in the six years of the Survey.

## Payment Periods

*In the 1998 Survey, as in previous years, SMEs were asked about payment periods: whether customers had become slower to pay for goods and services over the past year, and the average payment period for sales invoices.*

### *Average payment period*

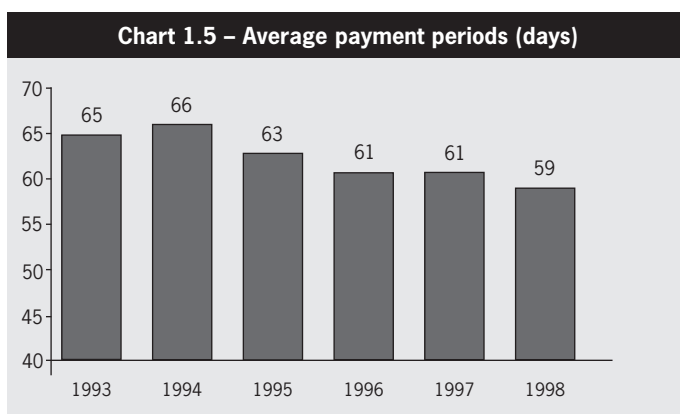
The Survey reports that, on average, firms in the EU had to wait 59 days to receive payment for invoices over the past year. This is a slight improvement on the average payment period of 61 days reported in last two years' Surveys and the 63 days reported in 1994. Thus, **SMEs across Europe are finding that average payment periods are currently on a falling trend.**

15-29 days	30-44 days	45-59 days	60-74 days	75-89 days	90-199 days
Finland	Austria	UK	Belgium	France	Italy
Germany	Denmark		Ireland	Greece	Portugal
Poland	Luxembourg				Spain
	Netherlands				Malta
	Sweden				
	Norway				
	Switzerland				
	Turkey				

There continue to be considerable variations in average payment periods amongst the individual countries in which SMEs were surveyed. Ten countries experienced a fall in average payment periods, while four have seen payment periods lengthen. The biggest improvement was seen in Greece where the average payment period decreased by 8 days, whilst in Germany and the Netherlands it fell by 4 days. Conversely, average payment periods increased by a remarkable 12 days in Portugal.

### *Speed of payment*

While 42 per cent of SMEs in the EU reported that their customers were less prompt at paying over the past 12 months, representing a slight improvement on last year's Survey, over half perceived the situation to have remained the same or to have become better. This is consistent with the small decline in average payment periods.



## Competition

*Firms were asked for the first time in the 1998 Survey, about where they consider their main competitors are located and how this has changed over the last 5 years.*

The Survey shows that **more firms felt their main competition was local or regional, than national or EU-wide**. Forty four per cent of firms surveyed in the EU considered their main competition to be local or regional, as opposed to 35 per cent that felt their main competition was national and 13 per cent in the EU. Only 6 per cent of firms suggested that their main competition was outside the EU. If we look at the analysis by country we find that on balance, only in four countries (United Kingdom, Italy, Ireland and Belgium), was national competition felt to be stronger than regional or local. While significant proportions of firms engage in trade with the EU, this is not yet where they think their main competitors are. This is perhaps not surprising given that small firms are more likely to be local.

Competition was seen to have increased across every country and at every geographical level over the past five years. However, the general feeling was that over the past five years the increase in national competition has been more significant than that in local or regional competition. Interestingly, **growth in competition within the EU was not considered to have increased as significantly as either the growth in local/regional or national competition.**

Table 1.5 – Area of competition which has increased most over the past 5 years		
Local/Regional	National	In the EU
Germany	Denmark	Austria
Greece	Finland	Belgium
Spain	France	Luxembourg =
Sweden	Ireland	
Malta	Italy	
Norway	Luxembourg =	
Poland	Netherlands	
Turkey	Portugal	
	UK	
	Switzerland	

Table 1.5 shows a breakdown by country of which area of competition has increased most over the past five years. Only Austria, Belgium and Luxembourg have perceived the most significant increase in competition to have been in the EU, and these are three of the smaller countries within the EU.

## 2 THE BUSINESSES

*This section looks at some structural issues surrounding SMEs in Europe. It begins by looking at the structure of business management, with a specific focus on founding family involvement in business. It then considers the export profile of businesses, followed by the use of performance indicators and the preparation of management accounts. The section concludes with an investigation of how businesses are handling two important IT issues: the Year 2000 and the Single European Currency.*

### Business Management

The 1998 Survey shows that 85 per cent of SMEs across the EU describe themselves as owner managed, however only just under one fifth have one lone manager, while the vast majority, almost three-quarters of companies, have between 2 and 5 people in management. The proportion of firms that are privately owned stands at just over three-quarters, whilst under one in ten responding firms are partnerships, a proportion which has been in decline since 1994 when the figure was 16 per cent. The majority of SMEs, 61 per cent, are over fifteen years old, with just under one in ten being young firms less than five years old. Over the six years of this Survey there has been relatively little variation in most of these proportions.

While family members are the most frequently cited type of shareholder of SMEs in the Survey, the proportion of family shareholders has declined since 1995 when the question was first asked. **Fifty six per cent of firms surveyed describe themselves as family businesses**, significantly less than the 85 per cent which think of themselves as owner-managed. However, members of founding families hold 51 per cent or more of the equity in just over two thirds of the firms in the Survey. Only in the UK, Denmark, Poland and Switzerland were family businesses in the minority, with Polish businesses the least family-oriented.

Over two-thirds of EU firms surveyed were founded by either one or two people, with 38 per cent of firms being set up by one sole person. Only 7 per cent of firms were founded by more than 4 people together. About half the businesses over 25 years old were founded by one person, while less than a quarter of young businesses are. This may reflect a tendency for businesses founded by groups to be sold rather earlier, or it may mean that more recently there has been a greater shift to team working.

Age of business	1	2	3	4 or more	Don't know
0-5	22	28	20	25	5
6-15	25	33	16	21	3
16-25	36	34	15	11	4
Over 25	49	26	7	10	6

Table 2.2 gives some impression of the extent to which members of founding families continue to work in the business that they have begun. It shows that **in three quarters of businesses, one or more members of founding families work as a director** and in 27 per cent of businesses one or more members of founding families work as a senior manager.

	1	2	3	4	More
Directors	42	22	6	2	1
Senior Managers	16	8	2	1	0
Other	11	5	2	1	2

It is interesting to note that **in only 20 per cent of surveyed firms, is the current Managing Director or Chief Executive Officer not a founder or related to the founders of the business.** In half of the businesses the MD or CEO is a person who founded the business, with 18 per cent second generation and 6 per cent third generation. Overall in 74 per cent of SMEs across the EU, the MD or CEO founded the business or is related to one of the founders (see page 28).

Having been founded by one person does not mean that management teams do not exist: 69 per cent of SMEs founded by one person have teams of between 2 and 5 people. Nor does the involvement of founding families have much impact on the ability to grow. However, the higher the number of members of founding families involved, the more likely SMEs are to maintain stable employment levels. This suggests that family businesses may well be one way of providing stability to the business base of individual countries.

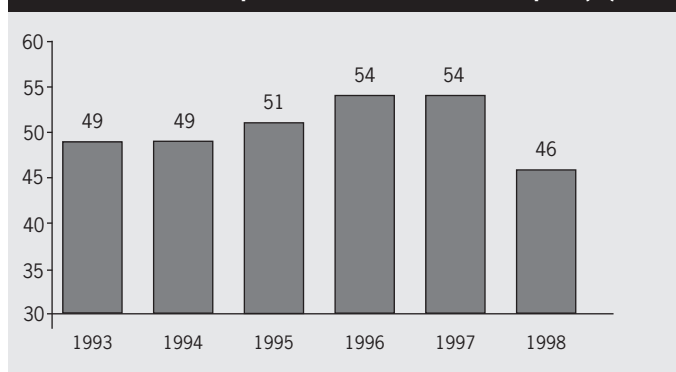
**Table 2.3 – Employment performance of family businesses over the last 12 months (%)**

No. of directors from founding families	Increased	Decreased	Same
0	35	26	34
1	37	24	35
2	38	17	38
3	37	19	40
4	39	11	44
More	36	17	43

### Export Profile

In the 1998 Survey only 46 per cent of EU firms said that they export, a considerable drop on the proportion last year and the lowest figure for the six years of the Survey. With all the countries in the Survey included, the figure is lower at 44 per cent. The prime contributors to this fall have been Denmark, Italy, Luxembourg, Malta, the Netherlands, Norway, Spain and Turkey. The only countries to have seen an increase in the proportion of firms who export, compared to the last Survey, are France, Portugal, Sweden, the UK and Switzerland.

**Chart 2.1 – Proportion of EU firms which export (%)**



The EU continues to be the major destination for exports with 84 per cent of EU exporters exporting to other EU countries, although this does represent a 2 point decline on last year's Survey. **The number of firms exporting to Eastern Europe continues to grow year on year, with 30 per cent of exporters now involved in the Eastern European/Russian markets.**

The proportion of firms exporting to North America remained static this year at 25 per cent. However the Asia Pacific region dropped back to 29 per cent as an export destination, having risen last year.

The proportion of firms exporting to “Other” European countries, recovered a little to 33 per cent after the substantial decline of the past two years. In 1995, 47 per cent of firms exported to these countries.

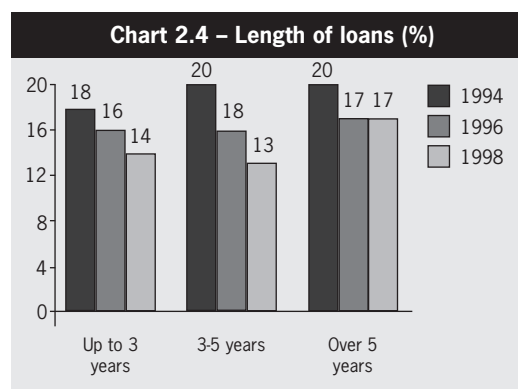
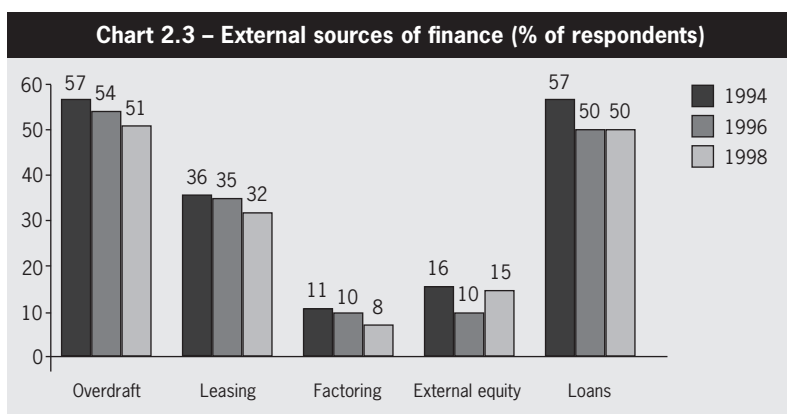


In terms of proportion of turnover, the majority of companies export less than a quarter of their turnover, with 36 per cent exporting more than a quarter. These proportions have remained fairly steady over the three years this question has been asked, with a marginal trend towards exporting an increasing proportion of turnover.

### External Sources of Finance

*In two questions asked previously in 1994 and 1996, firms were asked to identify their sources of external finance and suggest whether these will support company plans for the next three years.*

The results of the 1998 Survey suggest that **European SMEs’ financial position is strong**. There are a number of ways this can be looked at. **First, they seem to be relying to a lessening extent on external sources of finance**. Of the five key sources of external finance, only external equity is being used more than in 1996 and even this represents a decrease in use compared to the 1994 Survey. The use of overdrafts and leasing has declined most since the 1996 Survey, both by 3 percentage points. **Overdrafts and loans continue to be the most frequently used sources of external finance, both used by half of the firms surveyed.**



It is interesting to note that external sources of finance are in decline within the context of considerably increased optimism regarding investment for next year, so it **appears that companies are both willing and able to find the necessary finance internally** rather than externally. This is consistent with greater optimism about turnover and profitability.

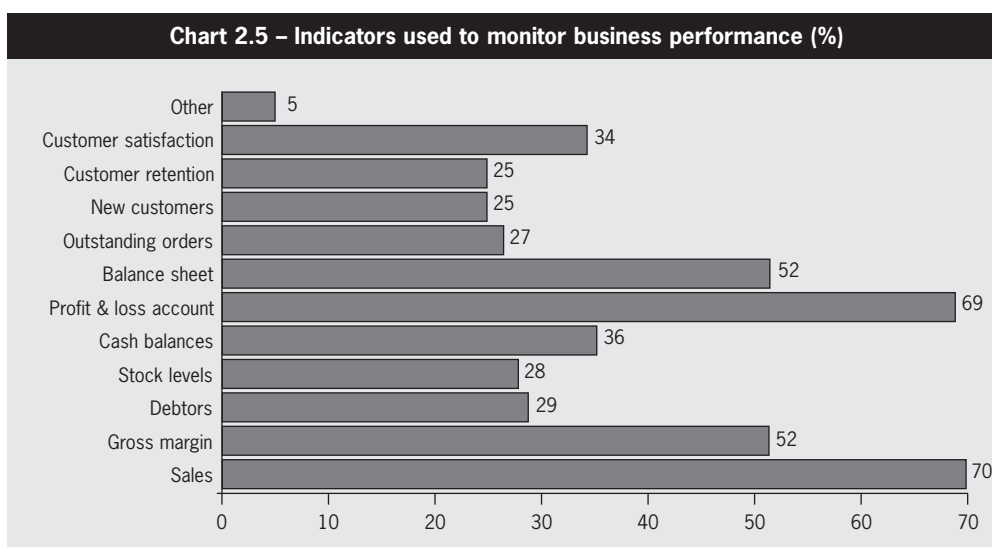
Whilst the use of loans has moderated since 1994, it is the use of 3-5 year loans that has declined the most. In both 1994 and 1996 loans of the three different types of length were utilised fairly evenly, whereas the trend now seems to be towards the use of longer term loans. Greece and Portugal are the biggest users of short term loans, whilst Austria and Germany use long term loans the most.

**EU companies are more confident in 1998 that current finance sources will support plans for the next three years.** Just under two-thirds of companies surveyed (64 per cent), said that current sources of finance would support three year plans, compared to 55 per cent in 1996.

### Performance Indicators and Accounting Practice

In two new questions in this year's Survey, companies were asked about the indicators they use to monitor business performance and the frequency with which they prepare management accounts.

A wide variety of indicators are used to monitor business performance across Europe. **Sales and profit & loss accounts are the two most frequently used indicators, by 70 per cent and 69 per cent of SMEs respectively.** Gross margin and balance sheets are also both used by more than 50 per cent of SMEs. It is perhaps surprising that so much use is made of balance sheets compared to cash monitoring, while it is impressive that a significant proportion look at customer satisfaction.



**Table 2.4 – Most frequently used indicator to monitor business performance**

Sales	Profit & Loss Account	Balance Sheet
France	Austria	Belgium
Greece	Denmark	Luxembourg
Ireland	Finland	Spain =
Italy	Germany	
Netherlands	Spain =	
Portugal	Sweden	
Spain =	Netherlands	
Malta	UK	
Norway	Poland	
Turkey	Switzerland	

There is considerable variation between countries regarding the types of indicator used to monitor business performance and the table below lists the countries by most frequently used indicator. In addition there is considerable variation between countries regarding the use of all indicators, for example, the proportion of companies using a profit and loss account in the UK exceeds the EU average for every indicator, whereas there is below average usage of all indicators in Denmark.

**Over half of SMEs across the EU prepare management accounts on a monthly basis.** Twenty five per cent produce accounts on a quarterly basis, while only 4 per cent do not produce such accounts at all. Only in Italy and Switzerland are management accounts most frequently prepared on a quarterly basis.

## IT Issues

*The introduction of a Single European Currency and the Year 2000 have IT implications for businesses throughout Europe and provided the subjects of two topical questions in this year's Survey: have businesses considered the implications and if so, have they done something about it.*

The Year 2000 is drawing closer and the world press has picked up on concern among IT specialists that businesses are failing to respond quickly enough to the warnings that many computer systems have not been programmed to deal with the date change from 1999 to 2000. The findings of this Survey bear out these concerns in many European countries. **Sixty eight per cent of SMEs in the EU say that they have considered the IT implications of the Year 2000.** Businesses saying they have considered the implications, outnumber those saying they haven't, by two to one. However, **only 35 per cent of EU businesses say that they have acted upon the issue.**

SMEs in the United Kingdom have the best record for having considered and acted upon the issue, whilst in Malta and Turkey less than half the responding businesses have considered the issue. Perhaps the main cause for concern is that in a substantial country such as Germany, only 55 per cent of firms have considered the issue and 22 per cent acted upon it.

	Year 2000	Single European Currency
Considered	68	50
Acted upon	35	11

The introduction of a Single European Currency is also imminent for a number of EU countries, with considerable commercial and IT implications, although clearly the implications are more limited in non-participating countries. Across the EU, **50 per cent of SMEs say that they have considered the IT implications of the Single European Currency, whilst only 11 per cent of EU businesses say that they have acted upon the issue.**

Businesses in Austria and Belgium have the best record for having considered and acted upon the issue, with over 70 per cent of respondents having considered the IT implications of the SEC. Unsurprisingly, the non-EU countries surveyed have considered the implications least, although the response in Poland has been comparable to a number of EU countries. Among the EU countries, businesses in Germany and Spain have considered the issue least, and the smallest proportion of businesses have acted upon the issue in Greece and Sweden.

### 3 FUTURE PLANS AND CONSTRAINTS

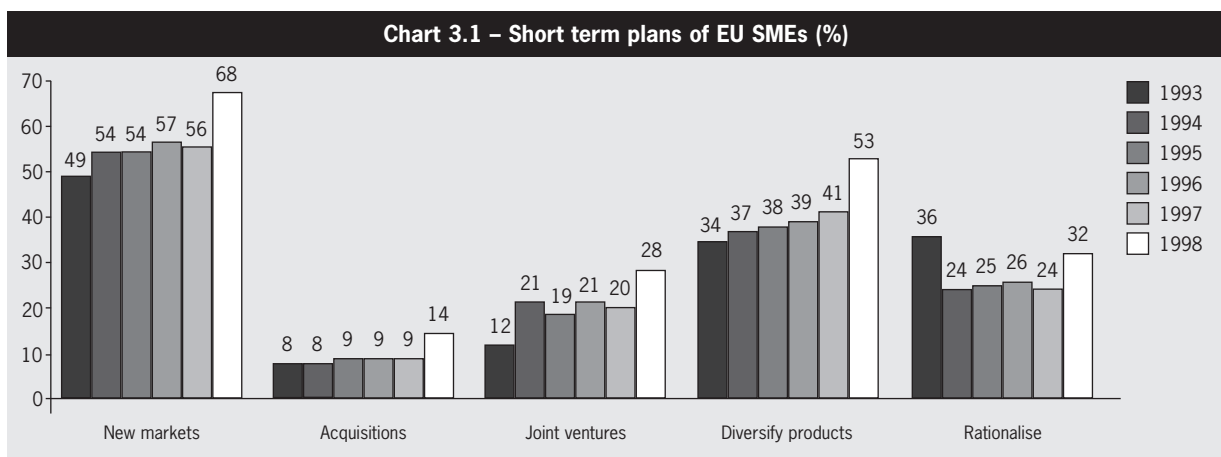
Against the background of their business expectations, small and medium-sized enterprises throughout Europe are making plans for the future. This section of the report explores the plans that are being made, both in the short and longer term, as well as businesses' perceptions of the constraints that have an impact on these plans.

#### Short Term Plans

The general increase in optimism which is the key feature of this year's Survey, manifests itself clearly in Europe's small and medium sized companies' short term plans. **The proportion of SMEs intending to develop new markets over the coming year has increased significantly to just over two-thirds**, thus continuing as the most popular short term plan. The extent of the broad European recovery during the 1990s can be seen if we compare this with the 1993 Survey, when the proportion of companies intending to develop new markets was below a half.

Diversification of the product range has similarly become more popular, cited by 12 per cent more SMEs than last year. It is the second most popular short term plan, with more than half of the surveyed companies planning to diversify their product range over the next twelve months. **The popularity of diversification has increased year on year since the first European Business Survey in 1993.**

Almost a third of companies, on the other hand, report that they intend to rationalise their product range during the coming year. This represents an 8 percentage point increase on last year, but does not match the proportion of companies contemplating rationalisation in 1993.



Following four relatively static years with around a fifth of companies planning to enter into joint ventures, the 1998 Survey shows a notable surge in activity. **Twenty eight per cent of companies are planning to enter into joint ventures or strategic alliances**, suggesting that companies are starting to take fuller advantage of the opportunities of cross-border joint ventures.

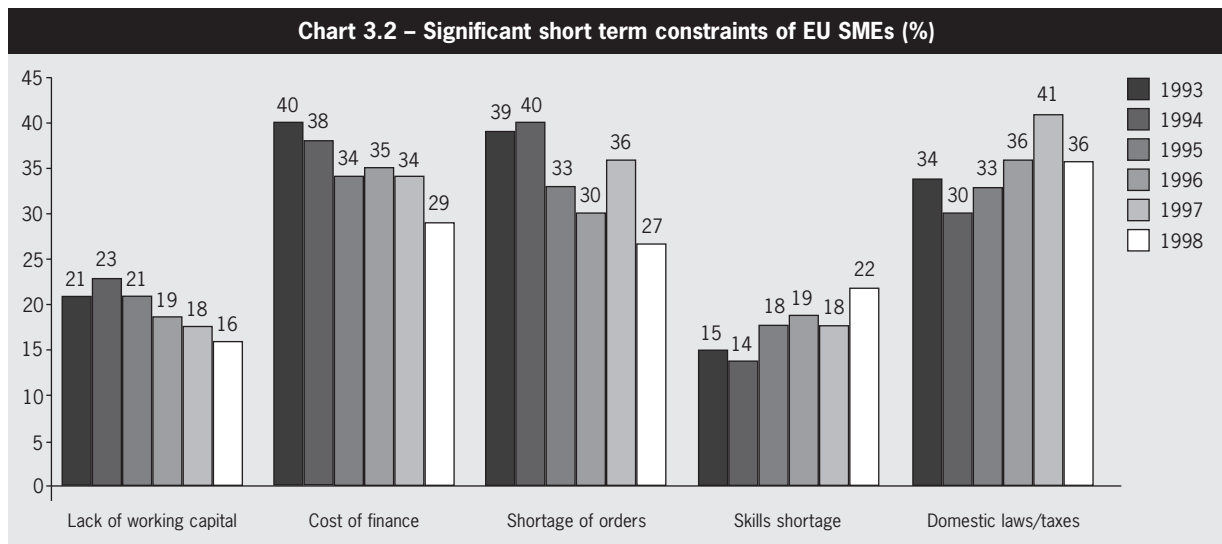
**Even the proportion of SMEs planning to acquire new companies over the coming year has increased significantly** for the first time over the six years of the Survey. Fourteen per cent of companies are considering acquisitions in 1998, compared to 9 per cent in last year's Survey.

## Short Term Constraints

Concerns among European firms about short term constraints on the ability to expand have relaxed significantly compared to last year, in line with their optimism about prospects. In particular, **the proportion of SMEs that consider a shortage of orders as an important short term constraint has fallen away to just over a quarter**, having jumped up significantly in 1997. It does, however, still remain the most serious short term constraint in more countries in the Survey than any other issue, with firms located in Germany, Sweden and Switzerland expressing above average concern about it.

Table 3.1 – Most often mentioned short term constraints				
Management shortage	Cost of finance	Shortage of orders	Shortage of skilled labour	Domestic Laws/Taxes
Ireland	Greece	Denmark	Netherlands	Austria
UK =	Portugal	Finland	Norway	Belgium
	Spain	Germany		France
	Turkey	Luxembourg		Italy
		Sweden		Poland
		UK =		
		Malta		
		Switzerland		

In terms of an EU average, **domestic laws and taxes continue to be seen as the most serious short term constraint** on the business activities of European firms, with 36 per cent of respondents reporting this to be the case. This, however, represents a fall in the proportion following consistent increases over the last four Surveys. There continues to be considerable variation in opinion regarding this issue across the countries surveyed. SMEs in France and Belgium are most concerned, whereas concern about domestic taxes in the UK and Norway was expressed in only 7 per cent and 9 per cent of firms, respectively.



Concern over the cost of finance and a lack of working capital both continue to ease. Concern about the cost of finance was cited in only 29 per cent of EU firms as a short term constraint, compared to 40 per cent in 1993, whilst 16 per cent cited a lack of working capital.

**Skills shortages represent the one area of broadly increasing concern amongst European SMEs.**

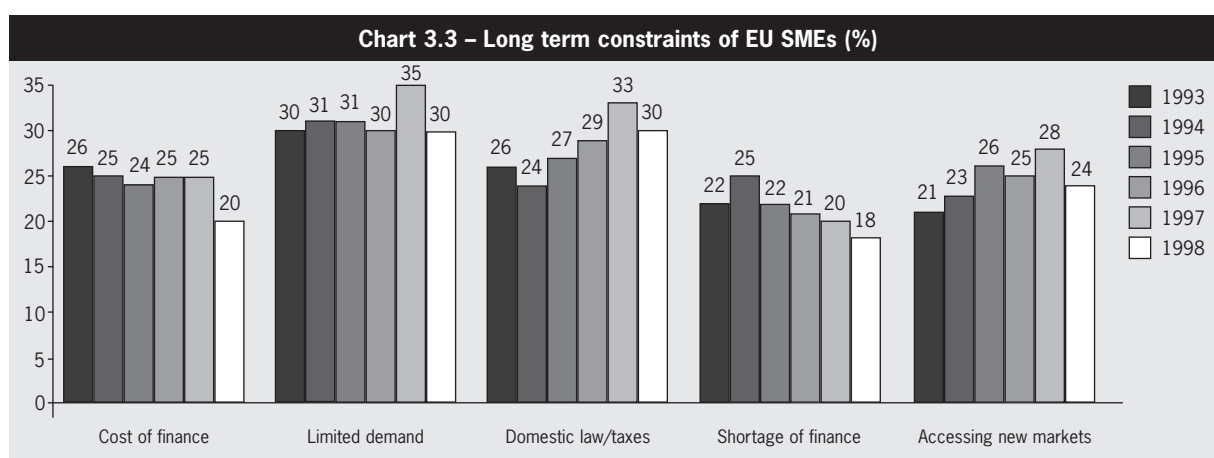
A shortage of skilled labour was cited as a short term constraint by 22 per cent of firms, 4 percentage points up on last year's Survey. The increasing skill requirements of the expanding service sectors are well documented and a parallel increase in concern amongst SMEs is to be expected. It is interesting to note too, an increase in concern compared to last year about the shortage of management, suggesting that skilled managers are being ever more highly valued. In Ireland and the UK a shortage of management was even considered the most important short term constraint on expansion plans.

**Long Term Constraints**

European SMEs are considerably more optimistic regarding long term constraints on expansion than they were in the 1997 Survey, although last year had seen significant increases in concern across a number of issues. Limited demand continues to be cited as the most important long term constraint. This is the case in 11 of the 20 countries surveyed and jointly the most important in a further three. An average of 30 per cent of respondents in each country believe that this will constrain the long term prospects of their business, compared to 35 per cent of SMEs last year.

Table 3.2 – Most often mentioned long term constraints on expansion					
Management Succession	Cost of Finance	Limited Market Demand		Shortage of Long term	Domestic Laws/Taxes Finance
Ireland =	Greece	Austria	Spain	Poland	Belgium
UK =		Denmark	Sweden	Turkey	France
		Finland	UK =		Germany =
		Germany =	Malta		Italy
		Ireland =	Norway		
		Luxembourg	Switzerland		
		Netherlands			
		Portugal			

Whilst an average of 30 per cent of respondents consider domestic legislation and taxes a long term constraint on expansion, there is considerable variation in concern regarding this issue from country to country. It is of particular concern in Belgium, France, Germany, Italy and Poland. This constraint had become more serious over the last four years, but the latest result shows that concern has dropped in 1998.



Accessing new markets declined in importance as a long term constraint to firms in 1998 and in no country is it the prime cause of concern. Given that the number of firms exporting has been on the decrease this points to the current strength of domestic markets within the EU.

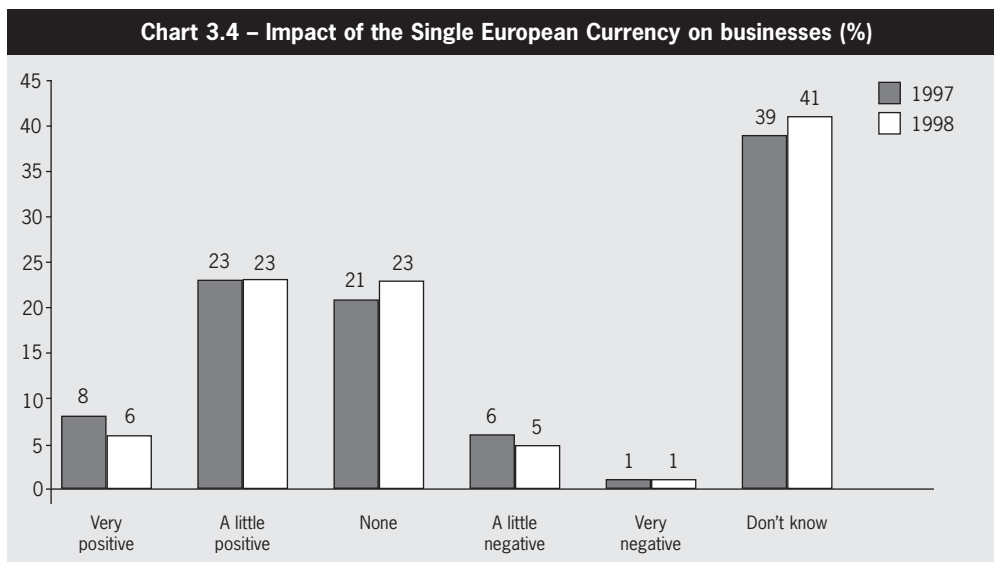
**Concerns about the cost and availability of finance are now clearly on a declining trend.** Only one in five SMEs consider the cost of finance a constraint compared to a quarter last year, whilst 18 per cent consider a shortage of finance a constraint compared to 20 per cent last year.

Of the other types of long term constraint cited by EU firms, only the issue of management succession is significant, with 13 per cent of firms expressing a concern. It is only a serious cause of concern in Ireland and the UK.

### The Single European Currency

For the second year in succession, companies were asked about their expectations concerning the impact of the introduction of the single European currency on their business.

The 1998 results suggest that on average SMEs across Europe are **slightly less positive and marginally less negative about the impact of the introduction of the Single European Currency than in last year's Survey**, with an increase in agnosticism and in the belief that it will have no impact. Over 40 per cent do not know what the impact will be.



There continue to be significant differences between countries' perceptions of the possible impact of the introduction of the Single European Currency. By grouping country responses into three categories in Table 3.3, it has been possible to identify the most significant category response for each individual country in the Survey. In no country was the balance of opinion negative.

The patterns of change in opinion to be discerned amongst countries in the Survey, are very complex. As with last year, the balance of opinion of respondents from 11 countries is that they do not know what the impact of the introduction of the Euro will be on their business. Agnosticism unsurprisingly continues to be strong in the non-EU countries, but also in Germany, Italy, the Netherlands, Portugal, Spain and Sweden.

Countries such as Belgium, Denmark and Greece which were strongly pro-Euro have become slightly less so, whilst Portugal which was on balance reasonably positive last year, has become very agnostic. Ireland remains strongly pro the Single European Currency.

Table 3.3 – Perceived impact of the introduction of the Euro on business			
Positive impact*	No perceived impact**	Uncertain of impact***	
Austria	Luxembourg	Germany	Spain
Belgium	UK	Italy	Sweden
Denmark		Malta	Switzerland
Finland		Netherlands	Turkey
France		Norway	
Greece		Poland	
Ireland		Portugal	

\* those countries where the positive balance is greater than either the “don't knows” or “no effect”

\*\* those countries where “no effect” is largest category

\*\*\* those countries where “don't know” is largest category

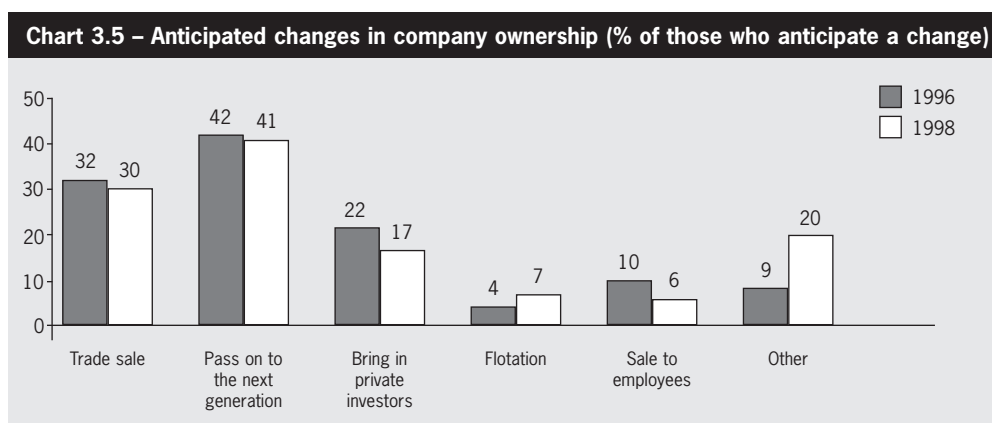
Austria and France, having been primarily agnostic, have become more positive, Finland also has become more positive. UK firms having been the most negative in last year's Survey, are now considerably less so.

Luxembourg has seen a strong rise in the belief that the introduction of the Euro will have no impact. Norway on the other hand strongly believed last year that the Euro would have no impact, whereas there has since been a polarising of opinion as well as a strong rise in agnosticism.

### Ownership Plans

*SMEs were asked whether they anticipate a change in ownership in the short and long term and, if so, what form that change would take. This was a repeat of the question asked in the 1996 Survey.*

According to the Survey, 43 per cent of EU firms anticipate a change in ownership, three percentage points higher than in 1996. Those companies that anticipate change are fairly evenly spread in terms of whether they think this would take place over the short, medium or long term. Fourteen per cent expect a change of ownership within 2 years, 16 per cent between 3 and 5 years time and 13 per cent in 6 years or more. In Poland, where companies were being surveyed for the first time, a very high proportion, 40 per cent, are anticipating a change of ownership within 2 years. Spanish firms have the greatest sense of stability of ownership.



The most notable difference in anticipated changes in company ownership between the 1996 and 1998 Surveys, is the increase in the ‘other’ category. Eight per cent of this category in 1998 are accounted for by those companies anticipating a management buy-out. There has also been an increase in the proportion of companies anticipating flotation, particularly in the UK and Luxembourg, with Greek firms still strongly anticipating flotation. Selling to employees on the other hand is less widely anticipated, with a particularly notable decrease in Ireland.

## PART B

This section of the report presents the detailed Survey statistics. There is a table for each question referred to in Part A showing the results for all the countries in the Survey. The tables have been grouped according to the analysis presented in Part A but, for ease of reference, they have been labelled with the question numbers used in the questionnaire. The questionnaire itself is presented in the Appendix.

Each table is accompanied by a short commentary which highlights the key points. These should be read in conjunction with the overall analysis presented in Part A.

### 1 ECONOMIC SITUATION – BUSINESS EXPECTATIONS

<b>Q8 – Expected trends for the coming year (% balances*)</b>					
	<b>Turnover</b>	<b>Employment</b>	<b>Profitability</b>	<b>Exports</b>	<b>Selling</b>
Austria	55	16	31	31	-11
Belgium	47	12	22	26	-5
Denmark	61	35	36	22	17
Finland	76	36	43	28	19
France	51	11	17	28	-12
Germany	25	-14	-1	21	-21
Greece	71	22	44	20	14
Ireland	71	33	55	25	30
Italy	60	22	28	30	11
Luxembourg	45	4	21	4	-9
Netherlands	61	27	32	24	12
Portugal	59	23	30	24	25
Spain	68	29	30	25	19
Sweden	67	27	46	30	21
United Kingdom	69	37	55	18	26
<b>EU average</b>	<b>55</b>	<b>17</b>	<b>27</b>	<b>24</b>	<b>8</b>
Malta	34	2	5	6	25
Norway	80	29	68	13	32
Poland	74	22	64	22	25
Switzerland	43	17	24	28	-29
Turkey	81	40	49	42	57
<b>Survey average</b>	<b>57</b>	<b>17</b>	<b>29</b>	<b>24</b>	<b>9</b>

\* the difference between those saying “up” and those saying “down”

#### Q8 – Expected trends for the coming year (% balances\*)

- SMEs in Europe are more optimistic about their growth prospects in the current year than they were in last year’s survey. Continued growth in turnover, profitability and employment are widely anticipated, with highest expectations in Turkey, Norway and Finland. German companies remain the least optimistic, with the balance of opinion being that employment will fall and profitability will decrease.
- France, Austria, Switzerland, Belgium and Luxembourg are also generally less optimistic than average and it is these countries, along with Germany, that expect selling prices to fall in 1998. Malta is the one exception, where general expectations are low, but selling prices are expected to increase.
- Companies in all countries, on balance, anticipate a rise in exports during the coming year. Expectations are weakest in Malta and Luxembourg, and strongest in Turkey, followed by Austria, Italy and Sweden.
- While the average expectation for selling prices is low, there is a great disparity between countries; from SMEs in Ireland who are most certain that selling prices will rise, to Switzerland who are most certain they will fall.

<b>Q8 – Expected trends for the coming year (% balances*)</b>					
	<b>Investment in plant &amp; equipment</b>	<b>Investment new buildings</b>	<b>Training</b>	<b>R&amp;D</b>	<b>Advertising</b>
Austria	-2	2	38	16	27
Belgium	5	4	28	15	5
Denmark	34	20	50	25	32
Finland	13	-8	39	33	21
France	10	-5	27	17	6
Germany	-2	-7	17	10	19
Greece	38	23	31	31	37
Ireland	33	27	49	18	23
Italy	34	9	34	32	17
Luxembourg	15	-4	32	14	22
Netherlands	21	12	26	21	15
Portugal	34	22	18	15	15
Spain	27	15	32	23	27
Sweden	27	5	59	16	37
United Kingdom	27	16	42	17	22
<b>EU average</b>	<b>21</b>	<b>9</b>	<b>31</b>	<b>20</b>	<b>20</b>
Malta	21	18	10	2	15
Norway	25	8	37	18	31
Poland	50	38	54	28	48
Switzerland	12	-7	23	19	23
Turkey	57	32	44	38	36
<b>Survey average</b>	<b>24</b>	<b>10</b>	<b>32</b>	<b>21</b>	<b>22</b>

\* the difference between those saying "up" and those saying "down"

### **Q8 – Expected trends for the coming year (% balances\*)**

- Improved prospects for business growth in 1998 are expressed through increased expectations of capital investment amongst Europe's SMEs, particularly in the area of plant and equipment. Only Germany expects to reduce investment in both plant and equipment and new buildings.
- SME expectations are particularly high regarding increases in spending on training. Companies in Sweden, Poland and Denmark are the most confident, with Malta, Germany and Portugal the least optimistic.
- Businesses in all countries are also positive about increases in spending on R&D activities and advertising. Higher spending expectations in R&D are strongest in Turkey, Finland, Italy and Greece, whilst expectations regarding advertising are at their highest in Poland, where the industry is still in relatively early stages of development. French and Belgian SMEs have the weakest intentions for increasing their investment in advertising.

## EMPLOYMENT TRENDS AND PAYMENT PERIODS

Q15b – Change in number of people employed over the past year (%)				
	Increased	Decreased	Same	Balance
Austria	40	30	29	10
Belgium	26	28	39	-2
Denmark	44	12	37	32
Finland	46	11	38	35
France	33	22	37	11
Germany	27	40	32	-13
Greece	38	18	38	20
Ireland	52	11	27	41
Italy	39	20	39	19
Luxembourg	12	20	62	-8
Netherlands	18	22	50	-4
Portugal	28	18	47	10
Spain	51	13	32	38
Sweden	38	21	33	17
United Kingdom	46	18	27	28
<b>EU average</b>	<b>37</b>	<b>22</b>	<b>37</b>	<b>15</b>
Malta	24	17	55	7
Norway	56	11	29	45
Poland	38	29	29	9
Switzerland	40	28	31	12
Turkey	45	12	37	32
<b>Survey average</b>	<b>37</b>	<b>22</b>	<b>36</b>	<b>15</b>

Q16a – Change in the promptness of payments (%)				
	Better	Same	A little worse	A lot worse
Austria	3	49	43	5
Belgium	6	49	37	7
Denmark	16	73	7	2
Finland	15	72	10	3
France	6	50	33	9
Germany	2	32	48	18
Greece	8	35	37	18
Ireland	11	62	23	4
Italy	9	35	40	15
Luxembourg	4	35	42	9
Netherlands	10	63	24	2
Portugal	8	38	38	13
Spain	29	58	11	1
Sweden	10	62	25	1
United Kingdom	9	64	21	4
<b>EU average</b>	<b>10</b>	<b>46</b>	<b>32</b>	<b>10</b>
Malta	0	25	51	24
Norway	7	84	8	0
Poland	26	30	34	9
Switzerland	5	31	52	10
Turkey	11	53	29	8
<b>Survey average</b>	<b>11</b>	<b>46</b>	<b>33</b>	<b>10</b>

### Q15b – Change in number of people employed over the past year (%)

- On balance, SMEs across Europe experienced employment growth last year, although in four countries: Germany, Luxembourg, Netherlands and Belgium, more firms had decreased rather than increased the number of people employed.
- Norway has the greatest proportion of enterprises experiencing employment growth, followed by Ireland and then Spain.

### Q16a – Change in the promptness of payments (%)

- There was no strong change in the situation regarding the promptness of payment across Europe over the past year. Around half the companies felt that the situation was unchanged, although more felt that the situation had worsened than improved.
- The countries where the balance of feeling (ie those experiencing better or the same promptness in payment, less those finding the situation a little or a lot worse) was that speed of payments have improved over the last year, were Spain, Denmark and Finland. Malta, Switzerland and Germany on the other hand experienced the worst deterioration in the promptness of payments, with no companies in Malta suggesting that the situation had improved.

<b>Q16b – Average payment period for sales invoices (days)</b>									
	<b>Average</b>	<b>7-14</b>	<b>15-29</b>	<b>30-44</b>	<b>45-59</b>	<b>60-74</b>	<b>75-89</b>	<b>90-119</b>	<b>120+</b>
Austria	38.8	12	24	30	12	7	7	1	1
Belgium	53.2	5	12	21	20	24	10	6	1
Denmark	31.9	8	31	46	9	2	0	0	0
Finland	27.4	16	47	27	9	1	0	0	0
France	62.6	6	8	16	14	20	21	13	2
Germany	33.8	14	33	31	11	5	2	1	1
Greece	77.0	3	7	8	14	11	21	18	18
Ireland	57.8	2	3	25	22	28	11	5	1
Italy	80.8	2	4	8	11	16	14	26	17
Luxembourg	55.5	4	6	25	21	18	9	9	0
Netherlands	40.9	5	21	35	22	12	2	0	0
Portugal	70.1	4	4	13	15	18	10	23	6
Spain	74.1	5	6	13	10	15	12	26	11
Sweden	35.7	4	20	60	12	2	1	0	0
United Kingdom	48.7	4	10	27	29	16	6	2	0
<b>EU average</b>	<b>59.3</b>	<b>6</b>	<b>13</b>	<b>20</b>	<b>15</b>	<b>14</b>	<b>10</b>	<b>13</b>	<b>7</b>
Malta	69.1	1	11	14	15	10	12	18	10
Norway	32.5	5	39	41	7	4	1	1	0
Poland	31.2	14	37	29	5	4	2	1	0
Switzerland	48.6	2	8	39	28	11	7	2	1
Turkey	48.4	4	19	32	17	12	6	6	3
<b>Survey average</b>	<b>57.1</b>	<b>7</b>	<b>15</b>	<b>21</b>	<b>14</b>	<b>13</b>	<b>10</b>	<b>12</b>	<b>6</b>

#### **Q16b – Average payment period for sales invoices (days)**

- SMEs in the southern, Mediterranean countries experience the longest delays in receiving payment on sales invoices. Italy has the longest average payment period at over 80 days, followed by Greece, Spain, Portugal and Malta.
- The situation is worst in Greece regarding the proportion of companies with an average payment period of over 120 days, followed closely by Italy.
- The Scandinavian and Northern European countries have the speediest record in their average payment periods for sales invoices. In Finland the average payment period is 27 days, followed by Poland with 31 days and Denmark and Norway with 32.
- Payment periods are higher than the Survey average in France, Greece, Ireland Italy, Portugal, Spain and Malta.

## COMPETITION

Q12a – Main competitors (%)					
	Local/ regional	National	In the EU	Other European	Other
Austria	43	31	19	4	2
Belgium	26	34	29	2	8
Denmark	47	31	17	2	2
Finland	42	42	11	1	2
France	39	28	22	4	7
Germany	57	32	9	1	1
Greece	50	33	9	1	3
Ireland	33	37	20	4	5
Italy	34	42	15	2	6
Luxembourg	46	26	26	2	0
Netherlands	43	35	18	1	1
Portugal	44	36	9	4	2
Spain	57	35	6	1	1
Sweden	47	36	14	0	1
United Kingdom	32	42	14	2	9
<b>EU average</b>	<b>44</b>	<b>35</b>	<b>13</b>	<b>2</b>	<b>4</b>
Malta	69	16	9	1	2
Norway	58	31	9	0	2
Poland	49	35	12	0	1
Switzerland	38	28	22	5	7
Turkey	52	24	10	4	4
<b>Survey average</b>	<b>45</b>	<b>35</b>	<b>13</b>	<b>2</b>	<b>4</b>

Q12b – Trends in main competition over past 5 years (% balances*)					
	Local/ regional	National	In the EU	Other European	Other
Austria	29	20	36	17	8
Belgium	23	32	37	10	11
Denmark	41	42	25	9	5
Finland	42	51	31	14	9
France	30	33	31	10	9
Germany	39	36	28	17	6
Greece	41	39	33	16	10
Ireland	50	52	32	12	10
Italy	27	35	17	7	9
Luxembourg	27	33	33	6	0
Netherlands	40	45	35	14	13
Portugal	46	48	24	14	20
Spain	40	37	19	5	6
Sweden	46	39	30	13	13
United Kingdom	24	37	20	8	18
<b>EU average</b>	<b>34</b>	<b>38</b>	<b>24</b>	<b>1</b>	<b>10</b>
Malta	57	34	17	11	6
Norway	46	34	30	3	7
Poland	76	75	23	18	13
Switzerland	20	32	30	16	10
Turkey	44	33	15	7	6
<b>Survey average</b>	<b>37</b>	<b>40</b>	<b>24</b>	<b>11</b>	<b>10</b>

\* the difference between those saying "increased" and those saying "decreased"

### Q12a – Main competitors (%)

- The main competitors to SME's across Europe tend to be local or regional, followed closely by national ones. Thirteen per cent of firms feel that their main competition is in the EU.
- The countries where the national competition is felt to be stronger than the regional or local competition, are the United Kingdom, Italy, Ireland and Belgium.
- The countries where the feeling is strongest that the main competition comes from across the EU, are Belgium and Luxembourg. Spain, on the other hand, feel least that the main competition comes from the EU.

### Q12b – Trends in main competition over past 5 years (% balances\*)

- The general balance of opinion across every country and regarding every geographical level, is that competition has increased over the past five years. It is particularly felt that competition has increased at the national level.
- Following the political changes during the 1990s, Poland has experienced the greatest increase in local/regional and national competition over the past five years, whilst countries such as Switzerland, Belgium and Austria have experienced the smallest increase.
- The countries with the greatest consciousness of the rise of the EU as the main competition are Belgium, Austria and the Netherlands. Turkey, Malta and Italy however, are least aware of any increase in competition from the EU.

## 2 THE BUSINESSES – BUSINESS MANAGEMENT

Q3a – Number of people who founded the business (%)						
	Don't know	1	2	3	4	More
Austria	4	52	26	9	4	4
Belgium	4	41	29	11	4	9
Denmark	5	52	25	10	3	6
Finland	11	25	25	15	11	14
France	13	43	23	9	3	7
Germany	2	48	28	11	4	7
Greece	0	35	41	10	7	5
Ireland	3	43	33	13	4	3
Italy	4	39	30	13	7	7
Luxembourg	14	28	32	15	4	6
Netherlands	6	55	29	4	3	1
Portugal	1	23	32	18	12	13
Spain	2	23	29	23	14	8
Sweden	19	32	28	8	3	9
United Kingdom	8	35	38	8	6	5
<b>EU average</b>	<b>5</b>	<b>38</b>	<b>31</b>	<b>12</b>	<b>7</b>	<b>7</b>
Malta	8	36	30	15	8	2
Norway	2	32	28	26	1	11
Poland	4	24	17	8	7	31
Switzerland	4	44	28	14	6	4
Turkey	1	11	25	17	13	33
<b>Survey average</b>	<b>5</b>	<b>37</b>	<b>30</b>	<b>12</b>	<b>7</b>	<b>9</b>

### Q3a – Number of people who founded the business (%)

- Thirty seven per cent of European businesses have been founded by just one person, the highest average for the number of business founders. However, in Greece, Luxembourg, Portugal, Spain, the UK and Turkey, businesses founded by two or more people are more common.
- In Spain and Norway, over 20 per cent were founded by three people against an average of 12 per cent, while Finland, Portugal, Spain and Turkey have over 10 per cent founded by four people (average 7 per cent).
- In both Poland and Turkey about a third of SMEs were set up by more than four people, the legacy of rather different economic systems and attitudes toward individual entrepreneurial activity. Finland and Portugal also have a somewhat higher than average number of companies with more than four founders.

Q3b – Is the enterprise a family business? (%)		
	Yes	No
Austria	64	36
Belgium	71	28
Denmark	42	57
Finland	58	42
France	55	45
Germany	59	40
Greece	77	22
Ireland	59	40
Italy	55	42
Luxembourg	54	46
Netherlands	64	36
Portugal	62	38
Spain	61	38
Sweden	52	47
United Kingdom	47	51
<b>EU average</b>	<b>58</b>	<b>41</b>
Malta	65	35
Norway	59	40
Poland	23	75
Switzerland	46	53
Turkey	72	27
<b>Survey average</b>	<b>56</b>	<b>43</b>

Q3c – Number of members of founding families currently working as directors (%)						
	0	1	2	3	4	more
Austria	12	33	18	3	1	0
Belgium	28	38	18	5	0	1
Denmark	24	51	14	3	0	0
Finland	26	43	14	7	2	0
France	36	32	19	4	1	0
Germany	17	51	22	4	1	1
Greece	4	43	33	7	2	1
Ireland	9	30	37	14	2	3
Italy	9	46	23	9	4	1
Luxembourg	20	37	27	4	0	0
Netherlands	17	51	17	4	2	0
Portugal	8	29	31	16	8	4
Spain	9	56	17	5	1	1
Sweden	43	33	4	1	1	0
United Kingdom	21	29	28	9	5	1
<b>EU average</b>	<b>16</b>	<b>44</b>	<b>22</b>	<b>6</b>	<b>3</b>	<b>1</b>
Malta	10	30	32	13	6	1
Norway	17	61	5	0	0	0
Poland	40	11	12	2	0	0
Switzerland	22	43	15	4	1	0
Turkey	2	39	27	13	7	1
<b>Survey average</b>	<b>17</b>	<b>42</b>	<b>22</b>	<b>6</b>	<b>2</b>	<b>1</b>

### Q3b – Is the enterprise a family business? (%)

- The majority of small and medium-sized enterprises across Europe (56 per cent) consider themselves to be family businesses. Greece has the most family businesses, followed by Turkey and Belgium.
- Less than half of SMEs in Denmark, Switzerland and the UK are family businesses, while Poland shows the lowest proportion of family businesses, having emerged from a state-owned regime.

### Q3c – Number of members of founding families currently working as directors (%)

- Most of the businesses surveyed still have a member of the founding family as a director. Over two fifths have one family director and just under a third have between 2 and 4 family members as directors.
- SMEs in Portugal have the largest number of directors who are members of the founding family, with the highest proportion of businesses with 3 or more family directors. Other countries with on average high numbers of founding family members as directors include Ireland, Turkey and Malta.
- Forty three per cent of SMEs in Sweden have no founding family members as directors, the highest proportion amongst the surveyed countries, closely followed by Poland and then France. In Belgium, Denmark, Finland, the UK and Switzerland, over 20 per cent of businesses have no members of founding families involved as directors.
- In Norway, businesses (61 per cent) are most likely to have just one director who is a member of the founding family, with no incidence of SMEs where there are 3 or more family directors.

Q3d – Equity held by members of the founding families					
	None	1 to 15%	16 to 25%	26 to 50%	51% or more
Austria	13	3	1	8	70
Belgium	18	4	2	6	69
Denmark	24	0	2	6	63
Finland	18	2	2	2	74
France	32	4	1	4	57
Germany	14	2	2	7	73
Greece	4	4	4	18	71
Ireland	9	2	3	7	74
Italy	8	3	3	11	70
Luxembourg	20	6	2	8	55
Netherlands	20	1	1	4	62
Portugal	7	3	0	7	79
Spain	9	4	5	14	63
Sweden	34	2	1	6	47
United Kingdom	20	3	3	8	62
<b>EU average</b>	<b>15</b>	<b>3</b>	<b>3</b>	<b>9</b>	<b>67</b>
Malta	11	4	1	12	64
Norway	13	0	5	22	54
Poland	42	2	3	2	29
Switzerland	17	4	2	3	70
Turkey	5	2	1	5	81
<b>Survey average</b>	<b>16</b>	<b>3</b>	<b>3</b>	<b>9</b>	<b>65</b>

Q3e – Relation of current MD/CEO to the founders (%)					
	Founder	Second generation	Third generation	None	Other
Austria	38	23	8	18	7
Belgium	45	19	9	20	4
Denmark	44	13	5	29	6
Finland	48	10	3	33	2
France	34	15	8	37	2
Germany	51	15	12	15	3
Greece	58	31	5	6	0
Ireland	58	19	4	15	0
Italy	52	24	5	11	3
Luxembourg	24	36	4	26	0
Netherlands	31	19	9	31	5
Portugal	56	13	5	18	4
Spain	60	19	3	13	1
Sweden	24	21	4	41	5
United Kingdom	47	11	6	29	3
<b>EU average</b>	<b>50</b>	<b>18</b>	<b>6</b>	<b>19</b>	<b>3</b>
Malta	48	25	8	9	1
Norway	27	36	5	5	23
Poland	46	2	0	46	1
Switzerland	44	18	6	25	2
Turkey	70	17	2	8	1
<b>Survey average</b>	<b>50</b>	<b>17</b>	<b>6</b>	<b>20</b>	<b>3</b>

### Q3d – Equity held by members of the founding families

- In almost two thirds of enterprises across Europe founding families hold equity of 51 per cent or more. This is a higher percentage of businesses than consider themselves to be family businesses.
- Poland has the highest percentage of businesses where no equity is held by founding families and the lowest number of businesses where founding families hold 51 per cent or more equity. Sweden and France each have a relatively high percentage of firms, over 30 per cent, whose founding families no longer hold any equity.
- The largest proportions of businesses where founding families hold 51 per cent or more of equity can be found in Turkey, Portugal, Finland and Ireland, whilst Greece has the lowest proportion of businesses where no equity is held by founding families.

### Q3e – Relation of current MD/CEO to the founders (%)

- In half the enterprises across Europe, the Managing Director or Chief Executive Officer is the founder of the business, and in only one fifth of the enterprises is the MD or CEO totally unrelated to the founder. In 23 per cent, the MD/CEO is second or third generation.
- Businesses in Poland and Sweden are least likely to have an MD or CEO who is related in some way to the original founder of the enterprise. Conversely, businesses in Greece, Turkey, Norway and Malta are most likely to have an MD or CEO who is related to the founder.
- The country with the greatest continuity of family owned businesses is Germany, where 12 per cent of MDs/CEOs are third generation relatives of the founder.

## EXPORT PROFILE

Q11a – SMEs which export and export destinations (%)							
	Exporting	Other EU*	Eastern Europe/ Russia*	Other European*	Asia/ Pacific*	North America*	Other*
Austria	60	72	67	29	22	24	15
Belgium	62	93	21	23	15	13	12
Denmark	45	93	16	43	27	18	9
Finland	51	73	56	39	17	8	7
France	59	87	26	36	33	24	29
Germany	42	92	42	45	36	24	12
Greece	45	48	52	22	17	18	24
Ireland	42	85	30	33	31	28	21
Italy	47	92	18	15	13	27	17
Luxembourg	37	100	22	27	1	1	0
Netherlands	47	90	24	29	25	18	17
Portugal	44	82	6	26	7	16	50
Spain	33	81	14	19	19	14	44
Sweden	47	88	30	45	18	15	14
United Kingdom	46	86	25	40	44	43	34
<b>EU average</b>	<b>46</b>	<b>84</b>	<b>30</b>	<b>33</b>	<b>29</b>	<b>25</b>	<b>24</b>
Malta	20	64	26	13	13	25	51
Norway	30	82	40	22	35	17	13
Poland	35	51	72	15	15	11	11
Switzerland	50	92	33	35	35	29	18
Turkey	49	58	42	16	27	12	28
<b>Survey average</b>	<b>44</b>	<b>82</b>	<b>32</b>	<b>31</b>	<b>28</b>	<b>23</b>	<b>23</b>

\* of those which export

### Q11a – SMEs which export and export destinations (%)

- Belgium has the highest proportion of SMEs which export, with Austria and France close behind. Malta has the lowest proportion with only one in five SMEs involved in exporting.
- All exporting companies in Luxembourg trade within the EU. In Belgium, Denmark, Germany Italy and Switzerland over ninety per cent of SMEs trade within the EU. Greece has the lowest proportion of companies exporting to countries within the EU, indeed lower than the proportions of non-EU countries.
- Unsurprisingly it is those countries bordering Russia and Eastern Europe, such as Austria, Poland and Finland, that have the highest proportion of exports to these areas. The UK has the highest proportion of SMEs exporting to the Asia/Pacific and North American markets.

<b>Q11b – Percentage of SMEs' turnover exported (%)*</b>				
	<b>1-5</b>	<b>6-10</b>	<b>11-25</b>	<b>25+</b>
Austria	26	24	16	33
Belgium	23	16	15	46
Denmark	20	19	22	40
Finland	37	14	21	27
France	27	18	18	38
Germany	29	19	18	34
Greece	43	16	16	25
Ireland	29	21	12	38
Italy	21	17	19	43
Luxembourg	43	15	10	32
Netherlands	21	23	15	41
Portugal	36	15	12	37
Spain	29	18	24	28
Sweden	28	15	22	35
United Kingdom	25	14	25	36
<b>EU average</b>	<b>27</b>	<b>18</b>	<b>19</b>	<b>36</b>
Malta	23	0	3	74
Norway	42	18	13	27
Poland	28	20	27	25
Switzerland	20	17	11	52
Turkey	23	29	15	33
<b>Survey average</b>	<b>27</b>	<b>18</b>	<b>19</b>	<b>36</b>

\* of those which export

#### **Q11b – Percentage of SMEs' turnover exported (%)\***

- The majority (two thirds) of exporting firms in Europe export less than a quarter of their turnover, with 27 per cent exporting less than 5 per cent.
- Almost three quarters of exporting firms in Malta report that exports account for more than 25 per cent of their turnover, with Swiss and Belgian exporters also seeing a significantly higher than average proportion of their turnover apportioned to exporting.
- In Greece, Luxembourg and Norway, SMEs tend to export only a small proportion of their turnover. Forty three per cent of respondents in both Greece and Luxembourg exported only between 1 and 5 per cent of their turnover.

## EXTERNAL SOURCES OF FUNDING

Q6a1 – Sources of external funding (%)						
	Overdraft	Leasing/ hire purchase	Factoring (or similar)	External equity	Loans	Grants or awards
Austria	35	30	0	2	72	15
Belgium	43	19	6	18	63	10
Denmark	79	20	4	8	36	3
Finland	46	20	4	12	68	11
France	46	38	19	8	59	13
Germany	48	41	1	18	73	8
Greece	35	13	4	6	63	9
Ireland	77	45	9	9	43	13
Italy	86	32	16	8	24	7
Luxembourg	41	4	8	16	27	2
Netherlands	83	16	4	21	45	1
Portugal	19	4	2	12	53	6
Spain	14	40	8	17	59	10
Sweden	7	28	2	5	59	2
United Kingdom	70	41	8	17	43	10
<b>EU average</b>	<b>53</b>	<b>33</b>	<b>9</b>	<b>13</b>	<b>51</b>	<b>8</b>
Malta	77	9	6	6	31	1
Norway	77	22	3	8	67	3
Poland	28	28	4	31	43	2
Switzerland	38	22	1	20	46	5
Turkey	7	27	6	25	39	0
<b>Survey average</b>	<b>51</b>	<b>32</b>	<b>8</b>	<b>15</b>	<b>50</b>	<b>8</b>

### Q6a1 – Sources of external funding (%)

- Overdrafts and loans are the two key sources of external funding for SMEs. There is considerable variation in the use of overdrafts. They are most frequently used in Italy and the Netherlands and least used in Sweden and Turkey. Loans are most used in Germany and Austria and least used in Italy and Luxembourg.
- Ireland, the UK and Germany are the chief users of leasing/hire purchase as a source of external funding, whilst Poland and Turkey are the prime users of external equity.
- Factoring (or similar) and grants or awards are the least important source of funding across Europe, yet vary considerably in their use from country to country. Nineteen per cent of French businesses use factoring (or similar), compared to none in Austria. Firms in Austria on the other hand are the most likely to benefit from grants or awards, followed closely by France and Ireland.

<b>Q6a2 – Length of loans (%)</b>			
	<b>Up to 3 years</b>	<b>3-5 years</b>	<b>Over 5 years</b>
Austria	16	9	38
Belgium	8	20	32
Denmark	7	7	19
Finland	10	18	33
France	8	23	22
Germany	17	16	34
Greece	35	7	2
Ireland	7	10	20
Italy	7	7	8
Luxembourg	2	6	19
Netherlands	9	9	26
Portugal	34	9	3
Spain	19	14	10
Sweden	22	11	16
United Kingdom	9	11	20
<b>EU average</b>	<b>14</b>	<b>13</b>	<b>17</b>
Malta	6	13	11
Norway	5	25	30
Poland	33	2	4
Switzerland	15	8	14
Turkey	24	3	2
<b>Survey average</b>	<b>15</b>	<b>12</b>	<b>16</b>

<b>Q6b – Will current finance sources support plans for the next three years? (%)</b>					
	<b>1994 Yes</b>	<b>1996 Yes</b>	<b>1998</b>		
			<b>Yes</b>	<b>No</b>	<b>Don't know</b>
Austria	52	52	81	11	7
Belgium	70	59	65	24	9
Denmark	82	71	82	9	6
Finland	–	65	83	14	3
France	42	46	67	15	10
Germany	59	55	67	18	11
Greece	39	65	50	28	11
Ireland	57	66	80	10	9
Italy	50	52	56	24	16
Luxembourg	58	40	57	11	4
Netherlands	70	69	80	12	6
Portugal	60	44	53	31	10
Spain	51	47	56	25	14
Sweden	69	64	71	10	9
United Kingdom	66	61	73	14	9
<b>EU average</b>	<b>54</b>	<b>55</b>	<b>64</b>	<b>20</b>	<b>12</b>
Malta	62	52	55	17	26
Norway	–	–	82	7	6
Poland	–	–	41	48	7
Switzerland	–	61	65	16	13
Turkey	–	–	46	50	1
<b>Survey average</b>	<b>54</b>	<b>55</b>	<b>62</b>	<b>22</b>	<b>11</b>

### Q6a2 – Length of loans (%)

- Loans with terms of 5 or more years are the most common type of loan finance used by SMEs in the Survey, although there is considerable variation between countries. Austrian, German, Finnish and Belgian businesses are the most likely to make use of long term loans.
- Short term loans, those for periods of less than three years, are used most by SMEs in Greece, Portugal and Poland. Together with Turkey, less than 5 per cent of surveyed firms in these countries are using long term loans.

### Q6b – Will current finance sources support plans for the next three years? (%)

- Since 1994 there has been a significant increase in confidence amongst SMEs that current finance sources will be sufficient to support plans over the next three years. Austrian companies have experienced the biggest increase in confidence over the period, with only Portugal, Belgium and Luxembourg reporting lower confidence.
- SMEs in Finland, Norway, Denmark, Austria, Ireland and the Netherlands express the greatest degree of confidence that current sources of finance will provide the funding to support plans for the next three years.
- Businesses in Poland and Turkey have the lowest confidence in current sources of finance being sufficient to support their plans over the next three years, followed by Greece, Portugal and Malta.

## PERFORMANCE INDICATORS AND ACCOUNTING PRACTICE

Q7a – Indicators used to monitor business performance (%)						
	Sales	Gross margin	Debtors (accounts receivable)	Stock levels (inventory)	Cash (bank balances)	Profit & loss account
Austria	46	30	21	23	24	74
Belgium	65	52	28	25	32	69
Denmark	49	48	9	11	8	68
Finland	70	79	32	38	55	89
France	79	78	38	42	68	76
Germany	70	58	36	25	33	77
Greece	78	47	37	45	28	56
Ireland	76	59	37	33	45	74
Italy	64	38	17	16	25	54
Luxembourg	61	40	40	21	53	45
Netherlands	80	56	24	27	30	70
Portugal	80	45	30	32	18	61
Spain	62	28	19	19	22	62
Sweden	71	47	12	25	27	91
United Kingdom	82	69	49	41	65	88
<b>EU average</b>	<b>70</b>	<b>52</b>	<b>29</b>	<b>28</b>	<b>36</b>	<b>69</b>
Malta	73	22	21	21	24	66
Norway	70	62	37	41	39	86
Poland	73	49	55	47	42	75
Switzerland	59	57	56	34	56	79
Turkey	66	27	18	33	25	50
<b>Survey average</b>	<b>70</b>	<b>51</b>	<b>31</b>	<b>29</b>	<b>37</b>	<b>69</b>

### Q7a – Indicators used to monitor business performance (%)

- Sales and profit and loss accounts are the two most widely used indicators of business performance. Sales is an indicator used most in the UK and least in Austria. Profit and loss accounts on the other hand, are most used in Sweden and least in Luxembourg.
- Businesses in Finland and France are significantly more likely to use gross margin to monitor their performance than in other countries. Indeed it is the most important indicator in Finland. Firms in Malta use gross margin the least as a business performance indicator.
- Surprisingly few SMEs in Europe monitor debtors, stock levels and cash balances, with fewer companies in Denmark using these indicators of business performance than in any other European country. SMEs in Denmark fall at or below the average in their use of every other single business performance indicator.

### Q7a – Indicators used to monitor business performance (%)

	Balance sheet	Outstanding orders	New customers	Customer retention	Customer satisfaction	Other
Austria	55	24	17	21	35	5
Belgium	71	24	22	17	38	2
Denmark	34	7	19	12	28	1
Finland	73	10	17	23	39	5
France	52	16	27	22	30	6
Germany	58	51	20	26	37	4
Greece	59	16	27	6	35	3
Ireland	39	13	20	21	27	6
Italy	31	26	19	18	27	4
Luxembourg	73	21	24	6	34	7
Netherlands	33	41	31	33	43	6
Portugal	63	35	21	31	34	3
Spain	62	12	26	33	34	3
Sweden	60	27	21	18	38	2
United Kingdom	65	30	37	37	42	7
<b>EU average</b>	<b>52</b>	<b>27</b>	<b>25</b>	<b>25</b>	<b>34</b>	<b>5</b>
Malta	37	11	24	19	36	1
Norway	51	12	25	27	36	4
Poland	65	36	35	41	46	5
Switzerland	65	31	20	16	43	4
Turkey	49	14	25	38	34	2
<b>Survey average</b>	<b>52</b>	<b>27</b>	<b>25</b>	<b>26</b>	<b>35</b>	<b>5</b>

### Q7b – Frequency of preparation of management accounts(%)

	Monthly	Quarterly	Annually	Never
Austria	63	22	14	1
Belgium	41	29	14	14
Denmark	69	19	9	2
Finland	58	24	12	1
France	71	18	8	2
Germany	62	13	9	13
Greece	66	18	10	3
Ireland	53	27	13	2
Italy	32	46	16	3
Luxembourg	58	2	22	13
Netherlands	54	19	22	0
Portugal	60	19	15	2
Spain	43	29	25	1
Sweden	62	22	10	1
United Kingdom	79	13	6	0
<b>EU average</b>	<b>55</b>	<b>25</b>	<b>14</b>	<b>4</b>
Malta	45	23	24	5
Norway	79	14	5	0
Poland	42	18	23	9
Switzerland	38	40	18	2
Turkey	60	24	10	2
<b>Survey average</b>	<b>54</b>	<b>25</b>	<b>14</b>	<b>4</b>

### Q7a – Indicators used to monitor business performance (%)

- Balance sheets are the third most important indicator of business performance used by European SMEs. Italy and Denmark use them the least, whilst almost three quarters of firms in Finland, Luxembourg and Belgium use balance sheets to monitor performance.
- Outstanding orders is an indicator used particularly by German SMEs and used very little in Denmark and Finland.
- Businesses in the UK and Poland are more likely than in other countries to monitor new customers, customer retention, and customer satisfaction as business performance indicators, while Belgium, Denmark, France, Greece, Luxembourg, Sweden, Malta and Switzerland show greater concern for new customers than about customer retention.

### Q7b – Frequency of preparation of management accounts (%)

- In the majority of European SMEs, management accounts are prepared on a monthly basis, although there is considerable variation between countries.
- In Italy and Switzerland, the most common practice is to present management accounts on a quarterly basis.
- In no country is it standard practice to produce management accounts purely on an annual basis, although in Spain, for a quarter of enterprises, this is the case. This is also broadly the case in Malta, Poland, Luxembourg and the Netherlands.
- Belgium, Germany and Luxembourg are the countries with the highest proportion of companies that never produce management accounts. In the UK, the Netherlands and Norway virtually all companies produce management accounts.

## IT ISSUES

<b>Q18 – Have you considered or acted upon the IT implications of the Year 2000 (%)</b>			
	Considered		Acted
	Yes	No	
Austria	50	27	41
Belgium	78	18	34
Denmark	71	22	45
Finland	71	21	28
France	70	28	28
Germany	55	38	22
Greece	66	26	23
Ireland	73	23	31
Luxembourg	53	35	20
Netherlands	65	32	33
Portugal	68	27	26
Spain	66	26	32
Sweden	79	18	42
United Kingdom	86	12	63
<b>EU average</b>	<b>68</b>	<b>26</b>	<b>35</b>
Malta	45	45	24
Norway	59	32	43
Poland	58	38	29
Switzerland	64	30	38
Turkey	41	36	7
<b>Survey average</b>	<b>65</b>	<b>28</b>	<b>35</b>

<b>Q18 – Have you considered or acted upon the IT implications of the single European Currency (%)</b>			
	Considered		Acted
	Yes	No	
Austria	70	21	25
Belgium	71	23	24
Denmark	44	40	6
Finland	53	29	7
France	61	33	14
Germany	41	44	11
Greece	46	35	3
Ireland	58	33	15
Luxembourg	58	26	11
Netherlands	61	31	15
Portugal	58	23	6
Spain	41	37	11
Sweden	45	42	5
United Kingdom	46	46	6
<b>EU average</b>	<b>50</b>	<b>37</b>	<b>11</b>
Malta	21	57	1
Norway	26	60	1
Poland	46	42	6
Switzerland	27	60	6
Turkey	26	43	2
<b>Survey average</b>	<b>48</b>	<b>38</b>	<b>10</b>

### Q18 – Have you considered or acted upon the IT implications of the Year 2000 (%)

- On average 65 per cent of European SMEs in the survey have considered the IT implications of the Year 2000 and only 35 per cent of the total, state that they have acted upon them.
- Eighty six per cent of SMEs surveyed in the UK have considered the IT implications of the Year 2000, with 63 per cent of responding businesses having acted upon them, the highest proportions for any country in the survey by a considerable margin.
- Malta has the highest proportion of firms, 45 per cent, that have not considered the IT implications of the Year 2000. Turkey is the country with the lowest proportion of businesses to have acted upon the implications, followed by Luxembourg, Germany and Greece.

### Q18 – Have you considered or acted upon the IT implications of the single European Currency (%)

- Half of surveyed SMEs in the EU have considered the IT implications of the Single European Currency, whilst 37 per cent have not considered the issue. On average only 11 per cent of businesses have actually acted upon the implications.
- Companies in Austria and Belgium are most prepared for the IT implications of the Single European Currency, with roughly a quarter of companies having acted on the implications.
- Unsurprisingly the least prepared countries are amongst the non-EU ones surveyed, with only 1 per cent of companies in Malta and Norway having acted upon the IT implications. Amongst the EU countries, Spain and Germany have the lowest proportion of firms to have considered the implications, whilst Greece and Sweden have the lowest proportion of firms to have acted.

### 3 FUTURE PLANS AND CONSTRAINTS – SHORT TERM PLANS

Q9 – Future plans for the coming year (%)							
	Develop new markets	Acquire new companies	Divest companies	Joint venture/alliances	Diversify product range	Rationalise product range	Other
Austria	71	16	8	25	53	29	4
Belgium	70	16	4	29	58	31	3
Denmark	61	21	4	31	60	3	7
Finland	68	16	5	35	27	42	8
France	74	17	5	25	61	42	4
Germany	70	13	5	27	58	25	9
Greece	59	17	3	29	70	66	2
Ireland	65	13	4	30	50	22	4
Italy	69	13	1	32	39	29	7
Luxembourg	65	3	7	26	64	35	0
Netherlands	60	15	2	31	57	26	11
Portugal	68	12	3	30	52	35	19
Spain	67	3	2	19	52	37	13
Sweden	66	14	3	32	52	12	9
United Kingdom	75	23	5	36	50	17	6
<b>EU average</b>	<b>68</b>	<b>14</b>	<b>4</b>	<b>28</b>	<b>53</b>	<b>32</b>	<b>8</b>
Malta	62	16	1	43	51	9	8
Norway	64	20	7	30	19	30	6
Poland	64	17	4	21	58	49	19
Switzerland	76	9	5	44	64	18	6
Turkey	86	5	4	35	50	3	5
<b>Survey average</b>	<b>68</b>	<b>14</b>	<b>4</b>	<b>28</b>	<b>53</b>	<b>32</b>	<b>9</b>

#### Q9 – Future plans for the coming year (%)

- Developing new markets is the most popular short term plan amongst SMEs in Europe. Businesses in Turkey stand out as the most likely to venture into new markets in the short term, followed by Switzerland, the UK and France.
- Companies are more likely to be contemplating entering into joint ventures or strategic alliances over the coming year, than acquiring new companies or divesting companies. UK firms have the highest expectations of acquiring new companies, whilst firms in Switzerland and Malta are the most likely to enter into joint ventures or strategic alliances.
- Over half Europe's SMEs expect to diversify their product range over the coming year. Only in Norway and Finland is the desire to diversify weaker than that to rationalise the product range. In Greece, diversification is the most widely cited of all plans.

## SHORT TERM CONSTRAINTS

<b>Q10a – The main short term constraints on expansion plans (%)</b>						
	<b>Lack of capacity</b>	<b>Management shortage</b>	<b>Cost of finance</b>	<b>Shortage of orders</b>	<b>Shortage of skilled labour</b>	<b>Lack of working capital</b>
Austria	8	22	27	24	17	8
Belgium	18	11	18	21	14	17
Denmark	15	13	14	33	14	9
Finland	5	13	13	27	25	17
France	9	9	14	31	16	18
Germany	7	9	36	38	20	11
Greece	7	10	51	17	26	31
Ireland	10	32	15	16	25	15
Italy	8	6	35	24	28	17
Luxembourg	8	6	14	33	30	17
Netherlands	8	12	15	17	21	12
Portugal	15	12	30	20	22	24
Spain	10	9	41	26	19	13
Sweden	8	12	10	34	21	9
United Kingdom	8	25	14	25	23	19
<b>EU average</b>	<b>8</b>	<b>11</b>	<b>29</b>	<b>27</b>	<b>22</b>	<b>16</b>
Malta	9	9	26	29	20	19
Norway	16	21	26	18	44	9
Poland	5	14	41	18	21	33
Switzerland	7	13	29	34	17	16
Turkey	32	27	42	12	40	39
<b>Survey average</b>	<b>9</b>	<b>12</b>	<b>30</b>	<b>26</b>	<b>22</b>	<b>18</b>

### Q10a – The main short term constraints on expansion plans (%)

- After domestic laws and taxes, the cost of finance is seen as the most serious constraint on the short term expansion plans of Europe's SMEs. However, only one in ten companies in Sweden view cost of finance as a constraint. Businesses with a significantly above average concern about the cost of finance are in Greece, Turkey, Spain and Poland. With the exception of Spain, these countries also express above average concern about lack of working capital.
- A shortage of orders and a shortage of skilled labour are seen as significant constraints by 26 per cent and 22 per cent of European companies in the survey, respectively. German SMEs are most concerned about a shortage of orders, and Turkish SMEs least. Enterprises in Norway and Turkey see the shortage of skilled labour as a major constraint on short term expansion.
- A lack of capacity and a shortage of management are regarded as serious short term constraints on business activities in Turkey. A shortage of management has also been identified as the most serious constraint in Ireland and the UK.

<b>Q10b – The main short term constraints on expansion plans (%)</b>					
	<b>Exchange rates</b>	<b>Domestic laws/taxes</b>	<b>EU legislation</b>	<b>Costs of R&amp;D</b>	<b>Other</b>
Austria	6	32	7	10	12
Belgium	5	57	11	4	6
Denmark	6	22	4	5	10
Finland	4	22	3	11	8
France	6	63	10	7	12
Germany	4	36	10	8	8
Greece	15	34	4	11	4
Ireland	13	18	7	6	11
Italy	6	50	3	10	9
Luxembourg	10	18	14	4	12
Netherlands	5	16	9	4	16
Portugal	5	24	4	13	13
Spain	2	26	5	11	8
Sweden	5	27	8	2	9
United Kingdom	15	7	9	5	13
<b>EU average</b>	<b>7</b>	<b>36</b>	<b>7</b>	<b>8</b>	<b>10</b>
Malta	7	26	4	1	9
Norway	17	9	7	5	9
Poland	15	51	1	11	9
Switzerland	13	26	10	8	5
Turkey	27	23	4	7	5
<b>Survey average</b>	<b>8</b>	<b>36</b>	<b>7</b>	<b>8</b>	<b>10</b>

#### **Q10b – The main short term constraints on expansion plans (%)**

- Domestic laws and taxes are seen by SMEs as the most serious short term constraint on business activities in European countries. While 36 per cent of respondents consider this factor as a short term constraint, attitudes differ markedly between countries. Companies in France, Belgium, Poland and Italy are particularly concerned about domestic laws and taxes, whilst those in the United Kingdom and Norway are least concerned.
- In comparison, concern over exchange rates, EU legislation, cost of R&D and “other” constraints is considerably weaker. The most notable exception is the concern in Turkey over exchange rates. EU legislation is reported most often as a constraint by SMEs in Luxembourg, followed by Belgium, France, Germany and also Switzerland, even though it is not an EU member itself.

## LONG TERM CONSTRAINTS

Q10 – The main long term constraints on expansion plans (%)												
	Management succession	Export limitations	Cost of finance	Limited market demand	Shortage of long term finance	– Equity	– Loan	Domestic laws/taxes	EU legislation	Costs of R&D	Accessing new markets	Other
Austria	10	0	21	32	15	12	5	24	4	3	26	5
Belgium	9	3	11	24	13	9	6	51	8	4	24	3
Denmark	12	1	9	25	11	6	5	23	5	7	16	10
Finland	14	1	10	36	9	5	3	19	5	10	30	11
France	11	11	11	28	15	11	4	48	9	8	25	7
Germany	10	2	29	34	26	18	12	34	15	7	26	7
Greece	13	6	36	20	25	14	13	25	3	9	33	1
Ireland	25	6	11	25	9	4	5	13	8	5	22	7
Italy	14	4	25	29	23	6	8	38	5	8	24	7
Luxembourg	16	4	12	44	14	12	4	14	16	2	16	4
Netherlands	14	1	6	18	7	2	3	15	11	5	15	14
Portugal	11	3	15	36	10	2	5	15	4	7	29	12
Spain	11	4	24	36	19	7	8	22	6	5	24	5
Sweden	11	1	10	33	10	6	2	31	8	4	20	9
United Kingdom	24	4	13	24	11	6	5	8	10	5	19	12
<b>EU average</b>	<b>13</b>	<b>4</b>	<b>20</b>	<b>30</b>	<b>18</b>	<b>9</b>	<b>8</b>	<b>30</b>	<b>8</b>	<b>6</b>	<b>24</b>	<b>7</b>
Malta	10	11	13	36	11	4	8	21	2	1	23	9
Norway	11	5	8	44	7	4	3	24	5	5	19	7
Poland	12	3	33	35	47	27	16	44	2	11	34	5
Switzerland	11	4	19	31	21	11	11	24	9	9	25	7
Turkey	15	6	36	24	47	19	27	21	4	5	31	3
<b>Survey average</b>	<b>13</b>	<b>4</b>	<b>21</b>	<b>30</b>	<b>20</b>	<b>10</b>	<b>8</b>	<b>30</b>	<b>8</b>	<b>7</b>	<b>25</b>	<b>7</b>

### Q10 – The main long term constraints on expansion plans (%)

- Limited market demand is considered one of the two key constraints on expansion plans over the long term. It is of most concern in Norway and Luxembourg, and least in the Netherlands and Greece.
- A shortage of finance is felt most keenly as a constraint on business development in Turkey and Poland and to a lesser degree in Germany and Greece. SMEs in these four countries also regard the cost of finance as a significant constraint.
- Management succession is considered to be a particular problem in Ireland and the UK, whilst export limitations are not seen as a significant constraint to long term expansion, except to a modest extent in France and Malta.
- Domestic laws and taxes are considered the joint highest most serious constraint upon the long term expansion plans of European Union SMEs, although to varying degrees from country to country. Enterprises in Belgium, France and Poland are particularly concerned about domestic laws and taxes, whilst those in the UK are relatively unconcerned.
- Problems in accessing new markets are a concern amongst a quarter of respondents and this is significant in all countries. SMEs in Poland and Greece find this of greatest concern, whilst businesses in the Netherlands, Luxembourg and Denmark are least concerned.
- SMEs in Luxembourg and Germany are the most concerned regarding the potential constraints posed by EU legislation. Of countries within the EU, Greece, Austria and Portugal are least concerned.

## THE SINGLE EUROPEAN CURRENCY AND OWNERSHIP PLANS

Q17 – Impact of the introduction of the Single European Currency (%)						
	Don't know	Very positive	Little positive	None	Little negative	Very negative
Austria	28	5	37	25	1	2
Belgium	30	9	23	27	8	1
Denmark	25	14	23	35	2	0
Finland	23	9	32	29	6	0
France	25	12	24	33	4	1
Germany	51	1	15	24	6	2
Greece	37	21	22	7	8	3
Ireland	33	18	26	10	10	1
Italy	42	3	31	21	2	0
Luxembourg	31	4	21	39	4	0
Netherlands	41	8	16	22	11	1
Portugal	47	3	30	9	8	1
Spain	47	5	23	22	3	0
Sweden	44	8	26	20	2	0
United Kingdom	25	7	24	33	8	2
<b>EU average</b>	<b>40</b>	<b>6</b>	<b>23</b>	<b>23</b>	<b>6</b>	<b>1</b>
Malta	54	7	14	19	3	3
Norway	58	6	9	23	2	2
Poland	48	6	26	15	3	0
Switzerland	52	2	10	26	7	2
Turkey	50	4	20	18	4	1
<b>Survey average</b>	<b>41</b>	<b>6</b>	<b>23</b>	<b>23</b>	<b>5</b>	<b>1</b>

Q5a – Anticipated changes in business ownership (%)				
	Yes: in 1-2 years	Yes: in 3-5 years	Yes: in 6 or more years	No
Austria	12	21	16	45
Belgium	15	18	9	54
Denmark	10	21	23	45
Finland	18	22	18	42
France	26	17	8	46
Germany	12	15	21	52
Greece	12	16	12	58
Ireland	10	18	19	49
Italy	15	18	11	53
Luxembourg	20	16	4	60
Netherlands	12	25	17	45
Portugal	13	10	7	68
Spain	5	8	5	81
Sweden	19	20	13	45
United Kingdom	13	21	16	49
<b>EU average</b>	<b>14</b>	<b>16</b>	<b>13</b>	<b>56</b>
Malta	11	8	14	66
Norway	18	8	10	62
Poland	40	10	5	37
Switzerland	14	15	17	51
Turkey	15	14	8	63
<b>Survey average</b>	<b>15</b>	<b>15</b>	<b>12</b>	<b>55</b>

### Q17 – Impact of the introduction of the Single European Currency (%)

- On average, two fifths of respondents do not know what the impact of the Single European Currency will be on their business. Unsurprisingly, companies in countries outside the EU tend to be the most agnostic.
- The most positive outlook regarding the impact of the single European currency comes from companies in Ireland, Greece, Austria, Finland and Denmark
- Within the EU, companies in Germany and the Netherlands are considerably less optimistic than the rest, with similarly low balances of positive versus negative opinions in Switzerland and Norway, both non-EU countries.
- While nearly a quarter of SMEs overall do not expect the Euro to have any impact on their business, the proportion rises to a third or over in Denmark, France Luxembourg and the UK. Conversely, less than one in ten SMEs in Greece and Portugal expect there to be no impact.

### Q5a – Anticipated changes in business ownership (%)

- A small majority of SMEs across Europe (55 per cent) anticipate no change in ownership in the future.
- Spanish enterprises have by far the greatest confidence that there will be no change in ownership of their business in the future, with Polish enterprises the least confident. Forty per cent of enterprises in Poland anticipate a change of ownership within the next two years, followed by businesses in France, where the figure is just over a quarter.
- Enterprises in Denmark, Germany and Ireland had the greatest expectations of long term (6 or more years) change in business ownership.

<b>Q5b – Anticipated changes in business ownership*</b>							
	<b>Trade sale</b>	<b>Pass on to next generation</b>	<b>Bring in private equity investors</b>	<b>Management Buy Out</b>	<b>Flotation</b>	<b>Sale to employees</b>	<b>Other</b>
Austria	29	56	10	6	4	7	3
Belgium	32	30	34	5	5	3	15
Denmark	38	30	11	5	2	21	6
Finland	46	22	15	9	1	5	18
France	31	23	25	8	7	6	23
Germany	25	52	10	9	5	8	12
Greece	21	44	24	2	30	4	4
Ireland	29	39	12	12	6	5	7
Italy	18	47	27	4	6	3	12
Luxembourg	5	35	45	5	11	15	0
Netherlands	36	53	6	8	1	5	4
Portugal	22	54	8	6	0	1	17
Spain	34	44	18	2	0	3	0
Sweden	52	23	4	11	5	4	11
United Kingdom	48	23	15	15	17	7	7
<b>EU average</b>	<b>30</b>	<b>41</b>	<b>17</b>	<b>8</b>	<b>7</b>	<b>6</b>	<b>12</b>
Malta	19	35	12	12	4	4	15
Norway	21	42	32	3	3	12	10
Poland	3	20	33	12	14	4	24
Switzerland	26	39	17	10	1	14	8
Turkey	10	43	18	8	16	6	9
<b>Survey average</b>	<b>27</b>	<b>39</b>	<b>19</b>	<b>8</b>	<b>8</b>	<b>6</b>	<b>12</b>

\* of those which anticipate a change in ownership of the business

### **Q5b – Anticipated changes in business ownership\***

- Passing the enterprise to the next generation is the most anticipated change in ownership of SMEs in Europe, with more firms in Austria expecting this change than in any other European country. To a slightly lesser extent a significant proportion of companies in Portugal, the Netherlands and Germany also expect this change. However, in Poland, Finland, France, Sweden and the UK fewer than a quarter of businesses expect this change.
- Trade sale is considered the second most likely change in the ownership of SMEs. In Sweden, the UK and Finland, a trade sale is most widely anticipated
- Bringing in private equity investors was considered the most likely change in the future ownership of businesses in Luxembourg, Belgium and Poland, whereas in Sweden, the Netherlands and Portugal it is relatively insignificant.
- Amongst the less popular options for the future ownership of businesses across Europe, there are some exceptions in specific countries. Management buy-outs are considered most likely in the UK, flotations in Greece and sale to employees in Denmark.

## OTHER TABLES

Q1a – Would you describe your enterprise as owner-managed? (%)		
	Yes	No
Austria	86	14
Belgium	73	25
Denmark	85	15
Finland	80	19
France	63	37
Germany	87	12
Greece	97	3
Ireland	81	17
Italy	91	8
Luxembourg	64	35
Netherlands	81	18
Portugal	90	9
Spain	92	6
Sweden	77	21
United Kingdom	75	24
<b>EU average</b>	<b>85</b>	<b>15</b>
Malta	82	16
Norway	86	13
Poland	53	47
Switzerland	82	17
Turkey	72	27
<b>Survey average</b>	<b>82</b>	<b>17</b>

Q2a – Is your enterprise (%)					
	Privately Owned	Publicly Owned	Partnership	Subsidiary	Other
Austria	76	1	13	8	2
Belgium	49	2	35	11	3
Denmark	20	60	2	12	5
Finland	81	1	1	11	7
France	70	1	2	25	1
Germany	86	1	3	5	4
Greece	87	0	5	2	1
Ireland	84	2	4	7	2
Italy	77	2	12	2	5
Luxembourg	46	0	19	35	0
Netherlands	67	0	10	17	2
Portugal	44	1	50	1	4
Spain	92	2	4	2	1
Sweden	71	4	0	18	6
United Kingdom	78	5	2	12	3
<b>EU average</b>	<b>77</b>	<b>2</b>	<b>9</b>	<b>8</b>	<b>3</b>
Malta	74	1	17	4	4
Norway	80	1	3	11	6
Poland	59	1	10	2	27
Switzerland	73	6	9	7	4
Turkey	23	3	65	1	8
<b>Survey average</b>	<b>75</b>	<b>2</b>	<b>10</b>	<b>7</b>	<b>5</b>

Q1b – How many people participate in the management (%)			
	1	2-5	More than 5
Austria	18	75	6
Belgium	18	74	7
Denmark	28	68	5
Finland	19	76	3
France	18	73	7
Germany	22	74	3
Greece	14	81	5
Ireland	5	68	24
Italy	21	72	5
Luxembourg	14	73	4
Netherlands	22	70	5
Portugal	16	79	3
Spain	19	73	4
Sweden	15	73	10
United Kingdom	2	66	30
<b>EU average</b>	<b>18</b>	<b>72</b>	<b>8</b>
Malta	16	69	15
Norway	31	61	7
Poland	16	76	6
Switzerland	17	78	6
Turkey	3	77	18
<b>Survey average</b>	<b>18</b>	<b>73</b>	<b>8</b>

Q2b – What type of shareholders do you have? (%)					
	Executives	Private individuals	Public companies	Institutions	Family members
Austria	54	27	5	1	40
Belgium	11	14	10	2	55
Denmark	53	21	11	3	12
Finland	41	31	8	4	27
France	19	23	13	7	44
Germany	76	23	3	1	28
Greece	36	18	3	0	63
Ireland	25	22	4	4	53
Italy	17	30	15	1	35
Luxembourg	27	16	22	4	32
Netherlands	22	17	3	4	29
Portugal	27	31	4	1	35
Spain	16	34	7	1	50
Sweden	59	13	14	6	17
United Kingdom	37	33	10	12	39
<b>EU average</b>	<b>33</b>	<b>27</b>	<b>8</b>	<b>4</b>	<b>39</b>
Malta	9	27	2	3	49
Norway	38	21	17	4	43
Poland	15	52	12	8	11
Switzerland	48	30	6	5	32
Turkey	28	16	2	5	60
<b>Survey average</b>	<b>33</b>	<b>28</b>	<b>9</b>	<b>4</b>	<b>37</b>

Q2c – How many years has your enterprise been in operation (%)				
	0-5	6-15	16-25	Over 25
Austria	7	25	16	51
Belgium	7	30	21	38
Denmark	8	21	28	42
Finland	7	40	18	34
France	8	19	27	44
Germany	9	25	14	50
Greece	5	28	25	37
Ireland	2	35	23	36
Italy	7	27	20	45
Luxembourg	4	36	21	39
Netherlands	4	13	21	61
Portugal	10	33	17	37
Spain	12	38	18	30
Sweden	2	12	17	65
United Kingdom	8	28	18	43
<b>EU average</b>	<b>9</b>	<b>28</b>	<b>19</b>	<b>42</b>
Malta	8	45	17	27
Norway	4	44	13	36
Poland	19	50	4	24
Switzerland	3	34	16	47
Turkey	8	42	28	20
<b>Survey average</b>	<b>9</b>	<b>30</b>	<b>19</b>	<b>41</b>

Q13a – Does your enterprise have other locations (%)			
	No	1-2	More than 2
Austria	52	29	16
Belgium	65	16	14
Denmark	67	16	15
Finland	61	23	14
France	49	25	18
Germany	76	17	7
Greece	70	21	2
Ireland	67	20	10
Italy	69	16	10
Luxembourg	59	25	8
Netherlands	73	19	7
Portugal	61	11	25
Spain	80	12	6
Sweden	60	24	14
United Kingdom	50	26	21
<b>EU average</b>	<b>66</b>	<b>19</b>	<b>11</b>
Malta	73	13	11
Norway	78	13	8
Poland	45	16	39
Switzerland	64	23	10
Turkey	42	24	10
<b>Survey average</b>	<b>64</b>	<b>19</b>	<b>13</b>

Q13b – In which other locations do you have other operations? (%)						
	Other EU Countries	Eastern Europe/ Russia	Other European Countries	Asia/ Pacific	North America	Other
Austria	13	15	1	2	6	5
Belgium	22	4	3	3	3	5
Denmark	10	2	3	3	3	7
Finland	7	5	3	1	1	7
France	17	5	2	4	6	5
Germany	6	4	3	3	4	5
Greece	2	9	1	1	0	4
Ireland	19	0	0	2	5	4
Italy	11	3	3	4	4	8
Luxembourg	37	0	8	0	4	4
Netherlands	13	1	2	3	2	6
Portugal	7	1	1	2	2	8
Spain	3	0	0	1	1	8
Sweden	13	4	6	1	2	13
United Kingdom	23	3	3	6	10	8
<b>EU average</b>	<b>11</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>7</b>
Malta	4	4	1	0	2	11
Norway	3	1	3	3	1	11
Poland	4	20	1	1	0	19
Switzerland	13	6	2	7	4	7
Turkey	24	17	8	11	5	12
<b>Survey average</b>	<b>11</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>8</b>

## APPENDIX

### METHOD

#### Sample sizes

Just over 49,000 questionnaires were sent out in September 1997 to SMEs in the 20 participating countries. A total of 5,776 responses were received, giving a response rate of 11.8 per cent. The response rate for the EU as a whole, 11.3 per cent, is higher compared to last year's Survey, when the response rate was 10.0 per cent.

Response rates by country varied considerably. Denmark and Ireland had the highest response rates with 20.9 per cent, as opposed to Sweden last year. The response rates from Portugal, Sweden, Turkey and Finland were also very good. The responses from Austria, France, Germany, Italy, Luxembourg, Spain and United Kingdom were below average.

Table A1 gives an unweighted country-by-country breakdown of how the responses were spread. The table shows that the UK supplied the highest proportion, almost 14 per cent of the total of responses.

<b>Table A1 – Breakdown of responses by country (unweighted %) 1998</b>						
	<b>Responses</b>	<b>% of total</b>	<b>Sample size</b>	<b>Response rate</b>	<b>Response rate last year</b>	<b>Change</b>
Austria	129	2.2	1,500	8.6	8.5	–
Belgium	235	4.1	2,000	11.8	8.6	+
Denmark	209	3.6	1,000	20.9	16.3	+
Finland	166	2.9	1,000	16.6	19.6	–
France	638	11.00	7,000	9.1	7.4	–
Germany	718	12.4	8,000	9.0	7.3	+
Greece	127	2.2	850	14.9	15.6	–
Ireland	209	3.6	1,000	20.9	16.8	+
Italy	669	11.6	6,000	11.2	11.2	–
Luxembourg	30	0.5	3,000	10.0	15.3	–
Netherlands	208	3.6	1,500	13.9	12.1	+
Portugal	147	2.5	750	19.6	10.2	+
Spain	244	4.2	3,000	8.1	8.4	–
Sweden	262	4.5	1,500	17.5	22.7	–
United Kingdom	805	13.9	7,000	11.5	8.9	+
<b>EU average</b>	<b>4,796</b>	<b>83.0</b>	<b>42,400</b>	<b>11.3</b>	<b>10.0</b>	<b>+</b>
Malta	88	1.5	750	11.7	21.6	–
Norway	143	2.5	1,000	14.3	12.6	+
Poland	246	4.3	1,700	14.5	–	–
Switzerland	207	3.6	1,500	13.8	11.2	+
Turkey	296	5.1	1,700	17.4	14.7	+
<b>Survey average</b>	<b>5,776</b>	<b>100.0</b>	<b>49,050</b>	<b>11.8</b>	<b>10.4</b>	<b>+</b>

#### Methodology

Only companies with a turnover of between 1m and 10m ECUs, plus some private companies with a turnover of between 10m and 100m ECUs were surveyed. These definitions were used as they are part of the EU Commission definition of small and medium sized firms, which are more normally described in employment terms as those of between 10 and 499 people. This criterion could not generally be used to select a sample. The sample was accessed from specialist databases, but even so there is some evidence that subsidiaries may be defined as independent companies in some samples, since some 6 per cent turned out to be in this category. They were by no means all concentrated in the larger size bands.

<b>Table A2 – Proportion of responding companies by turnover band* (unweighted %)</b>						
	<b>0-2.9</b>	<b>3.0-6.9</b>	<b>7.0-13.9</b>	<b>14.0-34.9</b>	<b>35.0-69.9</b>	<b>70+</b>
Austria	27	56	10	5	1	2
Belgium	34	33	18	10	2	3
Denmark	39	28	17	10	3	3
Finland	81	13	4	2	0	0
France	11	13	27	31	11	7
Germany	34	33	21	8	3	2
Greece	34	29	1	7	2	7
Ireland	36	34	18	9	2	2
Italy	34	35	21	7	2	2
Luxembourg	28	31	24	3	7	7
Netherlands	31	40	13	12	3	2
Portugal	35	25	13	9	3	15
Spain	78	12	5	3	0	1
Sweden	21	30	23	14	9	3
United Kingdom	12	30	23	24	7	5
<b>EU average</b>	<b>30</b>	<b>29</b>	<b>19</b>	<b>14</b>	<b>4</b>	<b>4</b>
Malta	59	21	10	5	4	2
Norway	46	28	9	11	4	4
Poland	3	8	24	36	16	14
Switzerland	42	32	14	8	2	2
Turkey	63	18	7	7	3	1
<b>Survey average</b>	<b>32</b>	<b>27</b>	<b>18</b>	<b>14</b>	<b>5</b>	<b>4</b>

Table A2 details the breakdown of the company responses in each of the turnover bands in the questionnaire. It shows that the vast majority of responses came from firms in the smallest two bands. In fact 59 per cent of all the responses received came from firms with a turnover of less than 7m ECUs.

<b>Table A3 – Proportion of responding companies by employment band (unweighted %)</b>								
	<b>1-10</b>	<b>11-25</b>	<b>26-50</b>	<b>51-100</b>	<b>101-200</b>	<b>201-250</b>	<b>251-500</b>	<b>501+</b>
Austria	23	40	23	12	1	0	2	1
Belgium	30	31	21	9	5	1	2	2
Denmark	22	33	22	11	8	1	1	2
Finland	27	29	25	15	4	0	1	0
France	9	14	24	18	18	6	6	6
Germany	17	31	25	15	7	2	2	2
Greece	15	26	25	17	12	3	2	0
Ireland	20	34	24	11	8	1	2	1
Italy	25	32	21	14	6	1	1	1
Luxembourg	7	43	30	7	7	0	0	7
Netherlands	21	34	21	13	8	1	1	1
Portugal	30	21	18	19	6	0	6	1
Spain	46	32	13	6	2	0	0	0
Sweden	14	28	23	13	13	1	4	3
United Kingdom	8	14	21	21	19	5	8	4
<b>EU average</b>	<b>19</b>	<b>26</b>	<b>22</b>	<b>15</b>	<b>10</b>	<b>2</b>	<b>3</b>	<b>2</b>
Malta	41	21	17	8	4	1	1	7
Norway	25	39	17	9	4	1	1	4
Poland	2	13	1	18	24	7	17	9
Switzerland	16	38	24	13	6	0	2	1
Turkey	8	23	23	20	12	4	7	4
<b>Survey average</b>	<b>18</b>	<b>26</b>	<b>22</b>	<b>15</b>	<b>10</b>	<b>2</b>	<b>4</b>	<b>3</b>

Table A3 shows that 66 per cent of returned questionnaires came from companies with up to 50 employees, and only 1 per cent from those enterprises with more than 500. The replies came in from all sectors of the European economy. The greatest response came from firms in the Service sector.

<b>Table A4 – Proportion of responding companies in each sector (unweighted %)</b>			
	<b>Manufacturing</b>	<b>Construction</b>	<b>Services</b>
Austria	19	11	71
Belgium	25	7	68
Denmark	28	11	61
Finland	36	7	57
France	36	8	57
Germany	34	12	54
Greece	38	1	61
Ireland	26	4	69
Italy	38	5	56
Luxembourg	28	7	66
Netherlands	18	13	70
Portugal	28	8	65
Spain	32	11	57
Sweden	34	9	57
United Kingdom	34	8	59
<b>EU average</b>	<b>33</b>	<b>8</b>	<b>59</b>
Malta	43	5	52
Norway	30	1	69
Poland	41	12	47
Switzerland	33	19	48
Turkey	87	2	11
<b>Survey average</b>	<b>36</b>	<b>8</b>	<b>56</b>

Table A4 shows that 56 per cent of all responses were from firms in the Service sector, 36 per cent from Manufacturing and 8 per cent from Construction.

<b>Table A5 – Breakdown of responses by sector (unweighted %)</b>				
	<b>Small</b>	<b>Medium</b>	<b>Large</b>	<b>Total</b>
Manufacturing	26.4	8.3	1.2	35.8
Construction	6.5	1.6	0.2	8.3
Services	47.5	6.9	1.4	55.9
<b>Total</b>	<b>80.4</b>	<b>16.8</b>	<b>2.8</b>	<b>100.0</b>

Table A5 shows how the responses were structured. It shows a combined size band and sectoral breakdown using the definitions used by the EU Commission's own statistical agency, Eurostat, in Enterprises in the European Community (1990).

### ***Weighting***

Firms were classified into different size bands on the basis of the number of employees in the firm, and these size bands correspond to those used in previous Surveys. Small firms are defined as those with between 10 and 99 employees; medium sized firms as between 100 and 499 employees; and the largest firms in the sample as those with more than 500 employees. SMEs were therefore defined as those companies with between 10 and 499 employees. In the weighting process, the numbers of what are defined as micro firms, those with between 1 and 9 employees, were discounted from the analysis.

The industrial breakdown was done using the system of NACE codes, which split economic activity into 9 different categories. Manufacturing firms include those firms from Energy & Water Supply, Chemicals, Metals & Minerals, Engineering & Vehicles and other Manufacturing sectors. The Construction sector is an entity in its own right. The Service sector is therefore defined as those firms engaged in activities in the Distribution, Hotels & Catering, Transport & Communications, Financial & Business Services and Other Services categories.

The Survey results in the main body of this report were weighted together. This was done to ensure that differences in response rates or types of mailing lists used did not affect the representativeness of the results. The results were weighted for each of three factors. Within each country, a weight was applied for each of the three main industrial sectors and size bands. Then the results for all countries were weighted together according to the relative size of the countries.

***Technical note concerning the tables***

It should be noted that in the tables referring to mutually exclusive questions (ie those where a respondent could only logically provide one answer given a number of options – eg yes/no questions) some of the rows do not sum to exactly 100 per cent. This is due to rounding and because some of the tables use different bases to that of the whole survey sample.

# Grant Thornton International & Business Strategies Ltd

## European Business Survey 1998



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1a Would you describe your enterprise as owner-managed?

- yes  no

1b How many people participate in the management?

- 1  2-5  more than 5

---

2a Is your enterprise:

- privately owned  publicly owned  a partnership  
 a subsidiary  other

2b What type of shareholders do you have?

- executives  private individuals  public companies  
 institutions  family members  n/a  
 other

2c How many years has your enterprise been in operation?

- 0-5  6-15  16-25  over 25

---

3a How many people founded this business?

- don't know  1  2  3  4  more

3b Would you describe your enterprise as a family business?

- yes  no

3c How many members of the founding families currently work in the business as:

- |                 | 0                        | 1                        | 2                        | 3                        | 4                        | more                     |
|-----------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Directors       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Senior managers | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

3d What percentage of the equity is held by members of the founding families?

- None  1 to 15%  16 to 25%  26 to 50%  51% or more

3e What relation is the current MD/CEO to the founders?

- founder  second generation  third generation  
 none  other

---

4 What is your main area of activity?

- manufacturing  construction  financial services  
 retailing  other services

---

5a Do you anticipate any change in the ownership of the business?  
 yes – in 1-2 years       yes – in 3-5 years       yes – in 6 or more years       no

5b If yes, what sort of change do you anticipate?  
 trade sale       flotation  
 pass to next generation of family       sale to employees  
 bring in private equity investors       management buyin  
 management buyout       other \_\_\_\_\_

---

6a What sources of external funding do you use?  
 overdraft       loans:  
 leasing/hire purchase       up to 3 years  
 factoring (or similar)       3-5 years  
 external equity from:       over 5 years  
 institutions       grants or awards  
 individuals

6b Do you believe your current sources of finance will provide the funding to support your plans for the next three years?  
 yes       no       don't know

---

7a What indicators do you use to monitor the performance of your business during the year?  
 sales       balance sheet  
 gross margin       outstanding orders  
 debtors (accounts receivable)       new customers  
 stock levels (inventory)       customer retention  
 cash balances (bank balances)       customer satisfaction  
 profit and loss account       other \_\_\_\_\_

7b Do you prepare management accounts:  
 monthly       quarterly       annually       never

---

8 Please indicate the trend you expect over the coming year in the following areas:

* In volumes	Up	Same	Down	Not applicable
Turnover/output*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Profitability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exports*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Selling prices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment in plant & equipment*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment in new building*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
R&D*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Advertising*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

---

9 What plans do you have for the coming year? Do you plan to:

	Inside the EU	Eastern Europe	Other Euro countries	Other countries
Develop new markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Acquire new companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Divest companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enter into joint ventures/ strategic alliances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Diversify product range	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rationalise product range	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

---

10 What are the main constraints on your ability to expand the company?

In the short term	In the long term
<input type="checkbox"/> lack of plant capacity	<input type="checkbox"/> management succession
<input type="checkbox"/> shortage of management	<input type="checkbox"/> export limitations
<input type="checkbox"/> cost of finance	<input type="checkbox"/> cost of finance
<input type="checkbox"/> shortage of orders	<input type="checkbox"/> limited market demand
<input type="checkbox"/> shortage of skilled labour	<input type="checkbox"/> shortage of long term finance
<input type="checkbox"/> lack of working capital	<input type="checkbox"/> equity <input type="checkbox"/> loan
<input type="checkbox"/> exchange rates	<input type="checkbox"/> domestic legislation/taxes
<input type="checkbox"/> domestic legislation/taxes	<input type="checkbox"/> EU legislation
<input type="checkbox"/> EU legislation	<input type="checkbox"/> costs of R&D
<input type="checkbox"/> costs of R&D	<input type="checkbox"/> difficulties in accessing new markets
<input type="checkbox"/> other	<input type="checkbox"/> other

---

11a Do you export?  yes  no

If so where?

<input type="checkbox"/> other EU countries	<input type="checkbox"/> Eastern Europe/Russia	<input type="checkbox"/> other European
<input type="checkbox"/> Asia/Pacific	<input type="checkbox"/> North America	<input type="checkbox"/> other

---

11b If yes, what percentage of your turnover do you export?

<input type="checkbox"/> 1-5%	<input type="checkbox"/> 6-10%	<input type="checkbox"/> 11-25%	<input type="checkbox"/> over 25%
-------------------------------	--------------------------------	---------------------------------	-----------------------------------

---

12a Are your **main** competitors:

<input type="checkbox"/> local/regional	<input type="checkbox"/> national	<input type="checkbox"/> in the EU	<input type="checkbox"/> other European	<input type="checkbox"/> other
---	-----------------------------------	------------------------------------	--	--------------------------------

---

12b How has this competition changed over the last 5 years?

	Increased	Same	Reduced
Local/regional	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In the EU	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other European	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

---

13a Does your enterprise have other locations?

no

1-2

more than 2

13b In which other locations do you have other operations?

other EU

Eastern Europe/Russia

other European

Asia/Pacific

North America

other

---

14 What is your turnover at annual rates (including subsidiaries)?

£0-1.9 million

£2-4.9 million

£5-9.9 million

£10-24.9 million

£25-49.9 million

£50+ million

---

15a How many people do you employ (including subsidiaries)?

1-10

11-25

26-50

51-100

101-200

201-250

251-500

501+

15b In the past year has the number of people you employ:

increased

decreased

remained the same

---

16a Have customers become slower to pay over the last year? Is it:

better

the same/unchanged

a little worse

a lot worse

16b Please indicate the approximate average payment period for your sales invoices at the present time:

7-14 days

15-29 days

30-44 days

45-59 days

60-74 days

75-89 days

90-119 days

120+ days

---

17 What impact do you think the introduction of the single European currency will have on your business?

don't know

very positive

a little positive

none

a little negative

very negative

---

18 Have you considered, or acted on, the Information Technology implications of the following?

Year 2000

Have considered

Have taken action

yes  no

yes  no

Single European currency

yes  no

yes  no

---

Please complete below, if the address information on the covering letter is incorrect. This information is only used to update our database.

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