

Grant Thornton International
Business Strategies Ltd



**THE EUROPEAN
BUSINESS SURVEY**
Prospects and Issues
for SMEs

Spring 1999 – Number 7

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INTRODUCTION

The outlook for the European business climate in Spring 1999 is less positive than it was a year ago. 1998 saw considerable international financial turbulence, largely affecting emerging markets around the world. European countries mostly experienced fairly robust economic growth during the year, but the prospects for 1999 would seem to be less rosy as the effects of the financial turmoil feed through to businesses in Europe.

Economic and monetary union (EMU) arrived at the beginning of the year, with the introduction of the euro in eleven of the twenty countries covered in this Survey. For SMEs in these countries a three-year transition period follows, as businesses prepare for the introduction of euro banknotes and coins on 1st January 2002, with the full withdrawal of national currencies six months later.

Within this economic context the European Business Survey takes a comprehensive look at business confidence, attitudes and trends among European Small and Medium-sized Enterprises (SMEs). The Survey is conducted jointly by Grant Thornton International and Business Strategies Ltd and has tracked the changing business climate in Europe over the past seven years. The sequence of annual data, the size and wide coverage of the Survey, mean that it is a unique source of information regarding changing trends amongst SMEs, and one of the most comprehensive Surveys to be carried out on a European scale.

As in the previous six years, the Survey asked companies about the structure and management of their business, as well as their prospects, constraints and plans. We also asked questions of a topical nature. In particular, we have gained a further understanding this year, of the impact which the euro will have on businesses inside and outside the euro area. In addition, we asked questions about business use of computers e-mail and the internet.

The first part of the report provides a general overview of the findings for the EU as a whole, with some country comparisons. The second part provides detailed results and some commentary for all the participating countries. The Appendix includes some additional tables and a brief outline of how the Survey was carried out.

Space prevents our discussing here all the detail from the Survey, such as the results for particular industries and the full methodology. 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).

We are very grateful for the continued financial support and encouragement from the Department of Trade and Industry in the United Kingdom. As always, we would like 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.

KEY POINTS

1 Business environment

- SMEs believe that the introduction of the euro will increase competition.
- The business expectations of European SMEs are lower than last year, but only moderately so.
- Expectations of increased selling prices are at their lowest for the seven years of the Survey.

2 Trade

- The proportion of SMEs involved in export, which fell last year, has failed to recover.
- Non-EU European countries and the Asia/Pacific market have declined in importance as export destinations.
- Export growth expectations are at their lowest level for the seven years of the Survey.

3 Finance & investment

- SMEs are much less concerned about the cost of finance as a constraint on company expansion than they were in 1993 when the Survey began.
- The average payment period for sales invoices has fallen once again this year to 55 days.
- Investment expectations are at a seven year high.

4 Employment issues

- European SMEs are more optimistic regarding employment growth than they have been in any of the previous years of the Survey.
- A shortage of skilled labour is increasingly seen as a short term constraint on company expansion plans.
- Training expectations are strong and a higher proportion of staff are receiving formal training than five years ago.

5 Company plans

- Developing new markets continues to be the most frequently cited future plan, though this is on a declining trend.
- There has been a slight increase in the proportion of SMEs considering a change in business ownership.
- The vast majority of European SMEs have scheduled the introduction of the euro for price lists, invoicing, bank accounts and payments, but have not made changes to their business strategies.

6 Use of computers and the internet

- There has been a dramatic increase in the proportion of SMEs using e-mail and the internet over the past two years.
- Sweden and Austria have the highest levels of computer usage at work, with Turkey and Portugal the lowest.
- The majority of SMEs are satisfied with their computer safety controls, with one in ten dissatisfied.

OVERVIEW OF FINDINGS

1 BUSINESS ENVIRONMENT

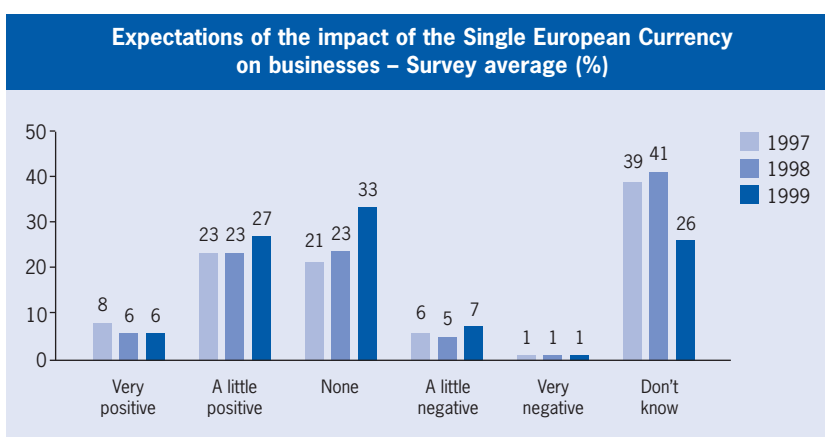
Key points

- SMEs believe that the introduction of the euro will increase competition
- The business expectations of European SMEs are lower than last year, but only moderately so
- Expectations of increased selling prices are at their lowest for the seven years of the Survey.

The introduction of the euro

The introduction of the euro is easily the most important change to the European business environment to have taken place since the European Business Survey began seven years ago. In the run up to 1st January 1999, there was considerable discussion across the European media regarding the adoption of the euro by 11 of the countries within the EU and much speculation about what the impact of its introduction might be.

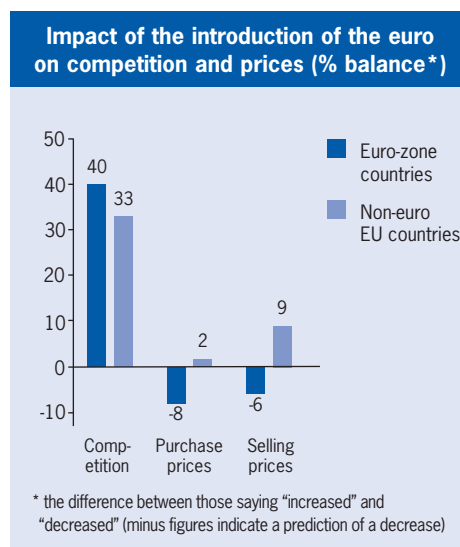
The 1999 European Business Survey asked SMEs both inside and outside the euro-zone a series of questions regarding the introduction of the euro, seeking to understand what impact the new currency would have on their business. The results were published in December 1998 in a separate brochure. This report includes a summary of those results.



European SMEs are broadly positive about the impact of the introduction of the euro. The Survey results indicate that they are more positive about the euro and they are now clearer about what they think about the euro. The proportion of SMEs saying that they “don’t know” what impact the Single European currency will have on their business, has fallen significantly compared to last year’s Survey. Instead, there has been a rise in those who believe the impact will be broadly neutral.

Impact of the introduction of the euro on competition in general (% balance)					
Luxembourg	61	Finland	36	Turkey**	25
Greece*	56	Spain	36	Malta**	24
Austria	47	Portugal	34	UK*	24
Germany	47	France	33	Poland**	18
Belgium	46	Switzerland**	33	Norway**	17
Ireland	44	Netherlands	31	Denmark*	14
Italy	40	Sweden*	30		

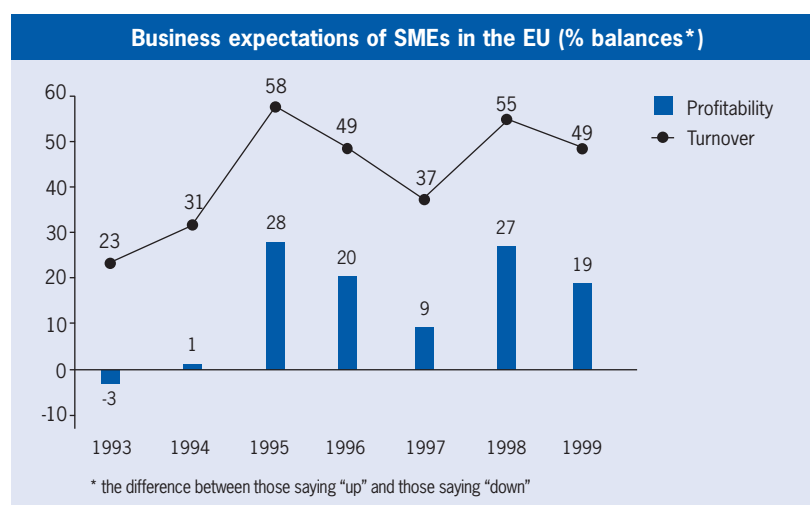
* Country in the EU, but did not adopt the euro on 1.1.99
 ** Country not within the EU

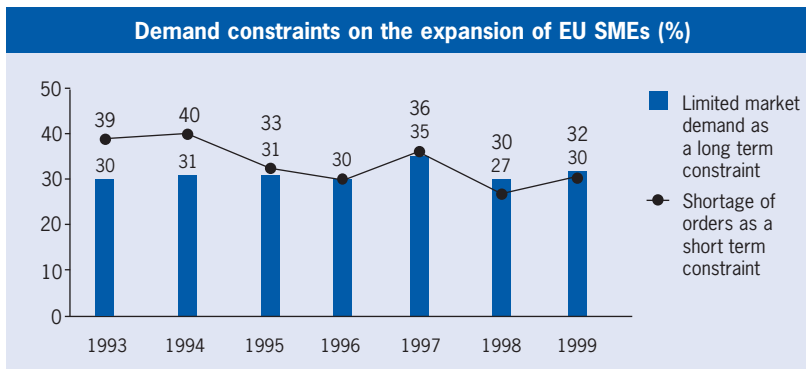


The above chart shows that SMEs, particularly in the euro-zone, believe that the main outcome of the euro will be a general increase in competition compared to prices. Within the euro-zone SMEs in Luxembourg are the most certain that competition will increase, whilst Dutch SMEs are the least certain. Outside the euro-zone, Greek SMEs are the most convinced that competition will increase, with Norway and Denmark the least.

Business expectations

European SMEs remain generally optimistic about the future, in spite of the financial crises that took place in many of the emerging market economies during the course of 1998. Expectations regarding turnover and profitability over the coming year are down on last year's Survey. While some European SMEs may have been touched by the financial turmoil elsewhere in the World, on the whole, business expectations remain strong. SMEs in Greece and Ireland are the most optimistic regarding their future, whilst, once again, German SMEs are the least optimistic.

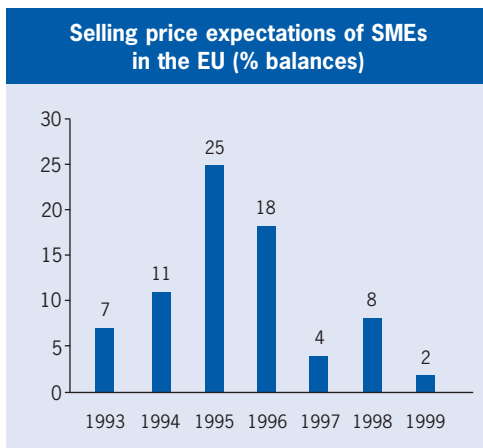




The business environment and specifically the level of demand, play a key role in any company expansion plans. SMEs cite a shortage of orders as the second most important short term constraint on company expansion and limited market demand as the primary long term constraint. The percentage of SMEs citing these demand issues as constraints on expansion has increased, though only marginally, compared to last year's Survey.

Prices

European SMEs, on balance, feel that there will be little change in selling prices over the coming year. In fact expectations of price increases are at an all time low for the seven years of the Survey.



SMEs in Turkey, Norway and Poland have the highest expectation of increased selling prices, while a fall in selling prices is most expected by SMEs in Luxembourg and Austria.

The questions regarding the impact of the introduction of the euro on purchase and selling prices revealed that, on the whole, SMEs felt that no strong effect would be experienced compared with other issues, in particular, competition. However, the balance of opinion slightly favoured a reduction rather than an increase in prices. Indeed, SMEs within the euro-zone were certainly more prone to believe that prices would go down, whilst those outside the euro-zone were more likely to believe that they would go up. These, however, were relatively modest trends.

2 TRADE

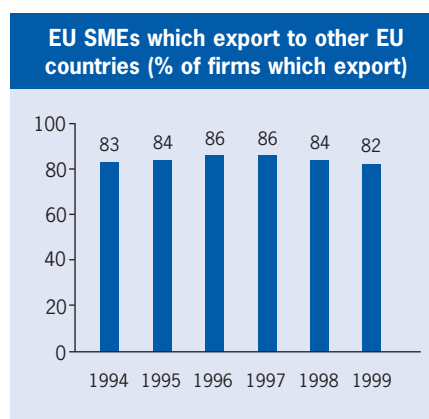
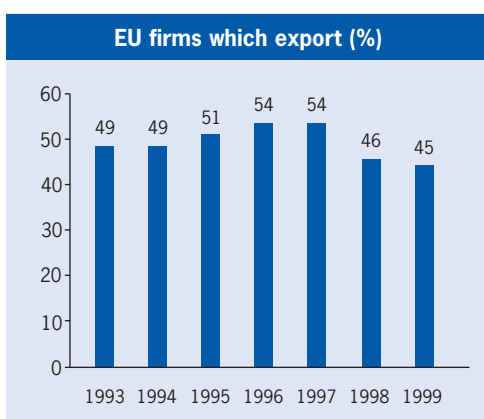
Key points

- The proportion of SMEs involved in export, which fell last year, has failed to recover
- Non-EU European countries and the Asia/Pacific market have declined in importance as export destinations
- Export growth expectations are at their lowest level for the seven years of the Survey.

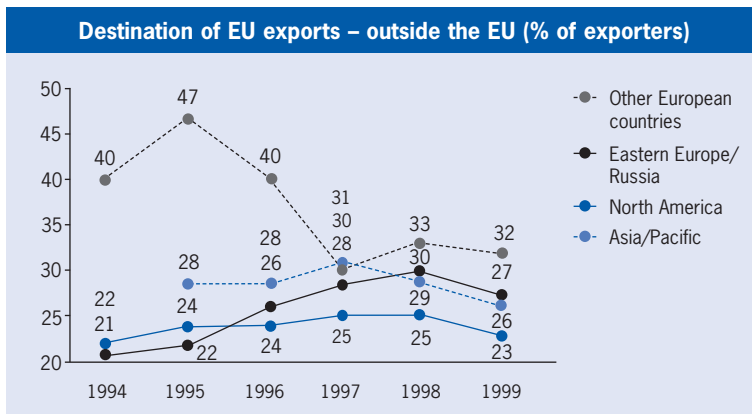
Export profile

The proportion of firms reporting that they were involved in the export of goods or services fell significantly in last year's survey and this year there has been no recovery. In the 1997 Survey, 54 per cent of EU firms were reported to be involved in export. Now the figure has fallen to 45 per cent.

Since the latter half of 1997 there has been considerable financial turbulence and significant fluctuations in world exchange rates. Exporters have clearly been affected by these fluctuations and the resulting general decline in world trade. Small and medium sized firms tend to be more vulnerable to these than larger firms. As one would expect, smaller firms tend to be less likely to export, and those that do, tend to focus on a smaller range of destinations. If a firm is dependent on one export market, then a change in the exchange rate may mean that their goods become uncompetitive, and as a result they are compelled to stop exporting altogether.



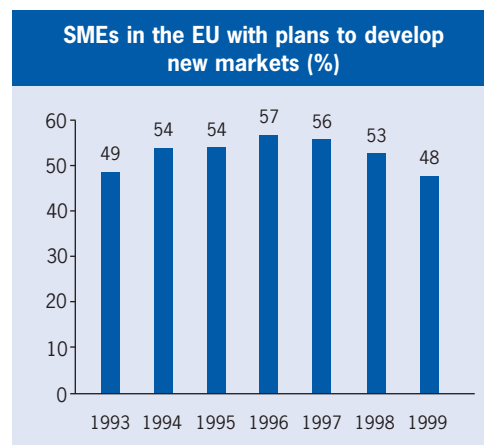
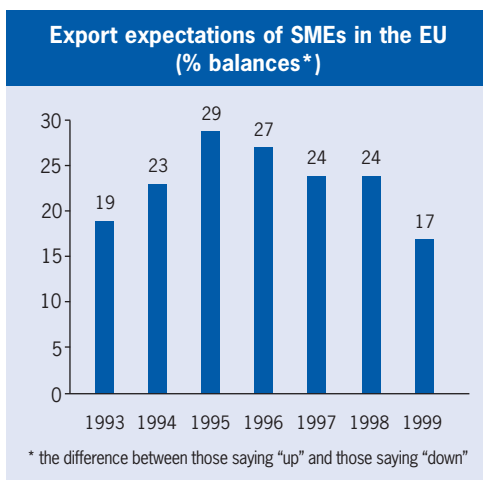
As in previous Surveys, other EU countries represent by far the most important export destinations, though they too have marginally declined in importance over the past two years.



With the expansion of the EU prior to the 1996 Survey, other European countries declined significantly as export destinations. They now account for a relatively stable proportion of exports: just below a third of the total. The Asia/Pacific countries, Eastern Europe/Russia, and North America, however, have all declined in importance as export destinations over the past year. The crises in a number of economies from Japan to Russia have had an impact on exports to those destinations, which has shown up in this year's results.

Future of exports

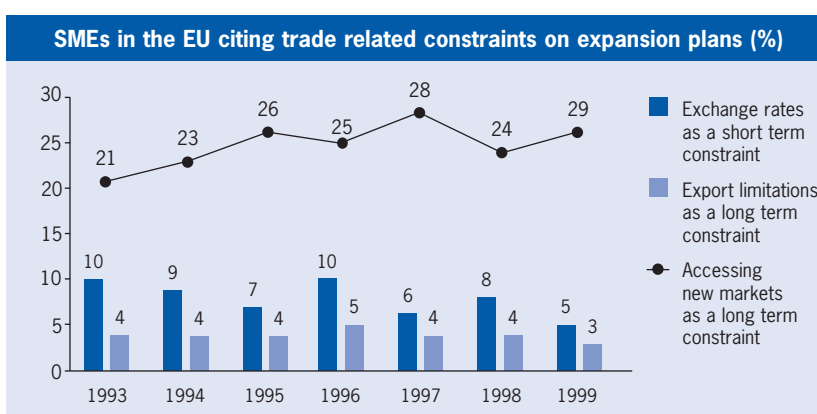
The export expectations of European SMEs remain positive for the coming year. However, the balance of companies expecting growth is at its lowest level for the seven years of the Survey. In addition, the proportion of SMEs with plans to develop new markets is also at its lowest level, suggesting that the recent turbulence in markets around the world is continuing to discourage SMEs from contemplating entering into export, or from expanding their export portfolios.



If we look in more detail at the plans to develop new markets, we find that across the Survey as a whole 36 per cent of SMEs are looking to develop new markets inside the EU, 10 per cent in Eastern Europe, 8 per cent in other European countries and 14 per cent in other countries (outside Europe).

SMEs in Poland, Greece and Finland are the most likely to plan to develop Eastern European markets, whilst SMEs in Turkey, Malta, Italy and the UK were most likely to be focusing on markets outside Europe.

Given the trends discussed so far, it is therefore unsurprising that accessing new markets is perceived as a significantly more important constraint upon company expansion than last year. Twenty nine per cent of SMEs surveyed consider accessing new markets a long term constraint on expansion. In contrast however, whilst exchange rates may be a very real reason for withdrawing from export markets, they are not perceived as an important constraint on short term company expansion.



As we saw earlier, the proportion of SMEs involved in export, exporting to countries within the EU, has been modestly declining over recent years. However, this is expected to change in the future. Survey results indicate that a significant proportion of SMEs anticipate that the introduction of the euro will mean an increase in trade with countries within the euro zone, the euro making it easier to access new markets within the currency area. This is, however, in contrast to the fact that enterprises do not tend to expect an increase in trade with non-euro countries.

Impact of the introduction of the euro on trade with euro countries (average %)

	Increase	Same	Decrease	Don't know
EU euro countries	31	28	1	22
EU non-euro countries	28	32	4	23
All EU countries	31	29	2	22
Survey average	30	28	2	23

3 FINANCE & INVESTMENT

Key points

- SMEs are much less concerned about the cost of finance as a constraint on company expansion than they were in 1993 when the Survey began
- The average payment period for sales invoices has fallen once again this year to 55 days
- Investment expectations are at a seven year high.

Finance

On January 1, 1999, with the start of economic and monetary union (EMU) and the arrival of the euro, the European Central Bank set one interest rate for the whole of the euro-zone. Given that this meant the convergence of a wide range of rates in the 11 different countries, the cost of finance will have changed for most SMEs in Europe. The table below gives the balance of opinion of which way interest rates were expected to go with the introduction of the euro, in each country. Even SMEs in most of the non euro-zone countries felt on balance that the euro would affect interest rates in their countries.

Impact of the introduction of the euro on interest rates (% balance ***)					
Poland**	34	Denmark*	0	UK*	-24
Germany	28	France	-4	Spain	-37
Netherlands	18	Turkey**	-9	Greece*	-44
Switzerland**	16	Finland	-11	Portugal	-44
Malta**	4	Belgium	-12	Italy	-50
Luxembourg	3	Norway**	-12	Ireland	-61
Austria	1	Sweden*	-15		

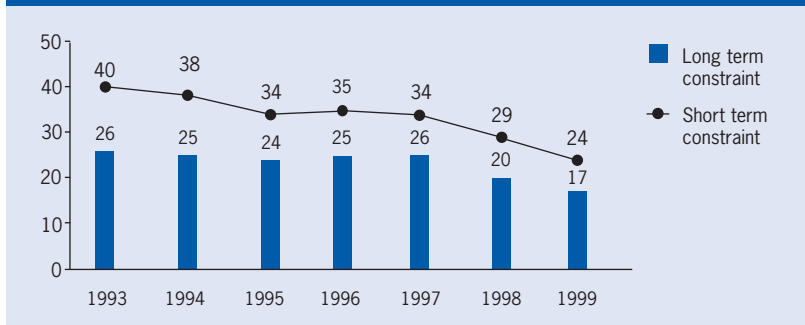
* Country in the EU but not adopting the euro on 1.1.99

** Country not within the EU

***The difference between those saying "increase" and those saying "decrease", minus numbers indicate expectation of a decrease in interest rates

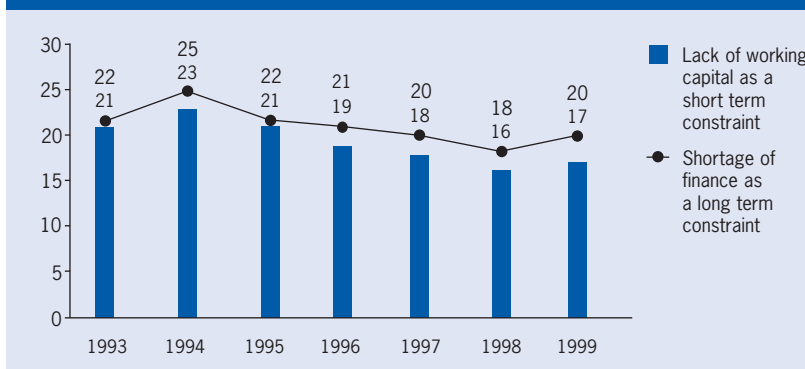
The balance of opinion in SMEs across all the countries surveyed, was that interest rates are more likely to decrease than increase. This broadly downward trend in interest rates is reflected in the Survey results showing that SMEs are less concerned about the cost of finance as a constraint upon expansion. In particular the cost of finance is considered of less importance as a short term constraint. In 1993 the cost of finance was seen as the most important short term constraint on expansion. In this year's Survey, domestic laws/taxes, a shortage of orders and a shortage of skilled labour are all seen as being more important.

EU SMEs that consider the cost of finance as a constraint on expansion (%)



In contrast there has been a very slight upturn in the proportion of SMEs considering a shortage of finance as a constraint on long and short term expansion, after a number of years of easier access to finance. However, in comparison with the rating given for other constraints to company expansion, a shortage of finance/working capital does not rank as a major problem.

EU SMEs that consider a lack of working capital and a shortage of long term finance as constraints on expansion plans (%)



Payment periods

Average payment periods for sales invoices have shortened significantly over the seven years of the Survey. In 1993 the average payment period across the EU was recorded as 65 days. In the current Survey this now stands at 55 days. Finland continues to have the lowest average payment period, with Greece exchanging places with Italy as having the longest average payment period.

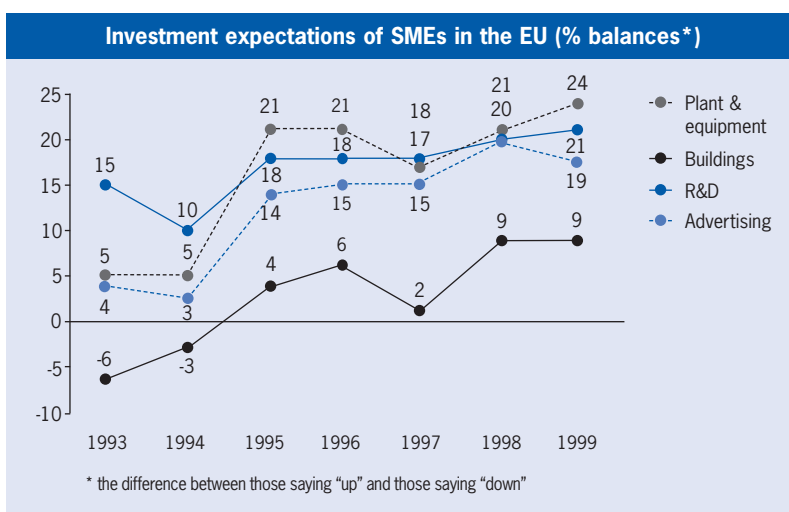
Average payment periods				
15-29 days	30-44 days	45-59 days	60-74 days	75-89 days
Finland	Austria	Belgium	Portugal	Italy
	Germany	France	Spain	Greece
	Netherlands	Ireland	Malta	
	Denmark	Luxembourg		
	Sweden	UK		
	Norway	Switzerland		
	Poland	Turkey		

It is interesting to note the differences between perceptions and reality with regard to payment periods. When asked whether they think that customers have become slower to pay over the last year, approximately half indicated that they had remained the same, but many more felt that they had worsened than got better. This has been the consistent response in each Survey. Yet in answer to the question indicating the approximate average payment period for sales invoices, average payment periods have declined fairly consistently year-on-year.

Public sector employers are seen as the slowest paying customers, while few SMEs consider multinationals to be the slowest. This pattern reflects that in the 1997 Survey. Looking at company size, small enterprises are seen as the slowest payers, followed by medium and then large companies, a different pattern to the one in 1997. This might suggest that larger enterprises are operating improved payment practices compared to two years ago.

Investment

With finance becoming cheaper to obtain and availability of finance not considered a serious problem, investment expectations across the EU and indeed across the Survey as a whole, are at a seven year high.



This is particularly the case with plant & equipment, which tends to be the most important component of investment. Only the balance for advertising expectations is fractionally down on last year. These positive investment expectations, bode well for the future health of European SMEs.

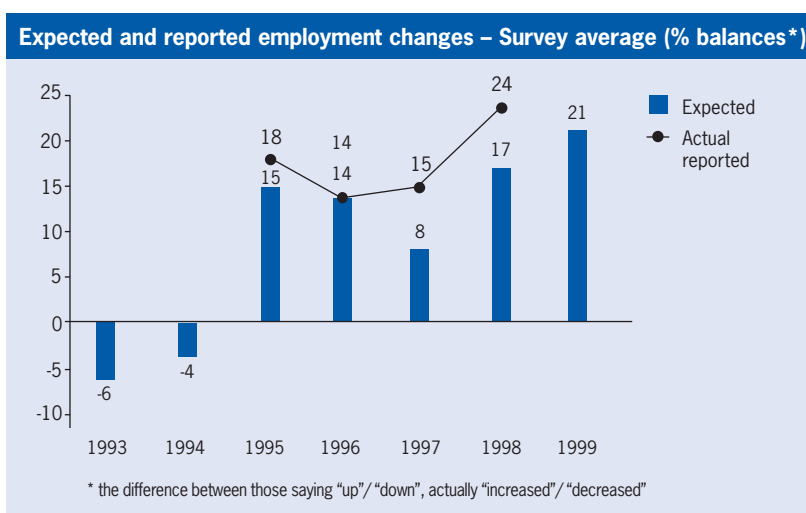
4 EMPLOYMENT ISSUES

Key points

- European SMEs are more optimistic regarding employment growth than they have been in any of the previous years of the Survey
- A shortage of skilled labour is increasingly seen as a short term constraint on company expansion plans
- Training expectations are strong and a higher proportion of staff are receiving formal training than five years ago.

Employment trends

More European SMEs report an increase in employment over the past year than in the previous three years. A balance of 24 per cent of SMEs indicate that actual employment levels increased during 1998, up from the 15 per cent balance recorded for 1997. In addition, firms are more optimistic regarding employment growth than they have been in any of the previous years in the Survey. It is interesting to note that in the previous two years, SMEs tended to underestimate employee growth.



Looking at employment costs however, the balance of opinion amongst European SMEs is that the introduction of the euro will result in these increasing. There are two possible reasons for this. First, the salary transparency brought about by the introduction of the euro may have an impact on the cost of labour. Second, European Monetary Union may have created a perception among SMEs that the possible harmonisation of employment legislation will bring about higher employment "taxes" than their existing domestic laws demand.

Impact of the introduction of the euro on employment costs (% balance ***)					
Portugal	40	Italy	11	Denmark*	2
Ireland	38	Malta**	11	Sweden*	2
Greece*	33	Netherlands	9	Belgium	-1
UK*	25	Luxembourg	8	Finland	-1
Spain	20	Germany	6	Poland**	-2
Turkey**	15	France	4	Switzerland**	-2
Austria	12	Norway**	4		

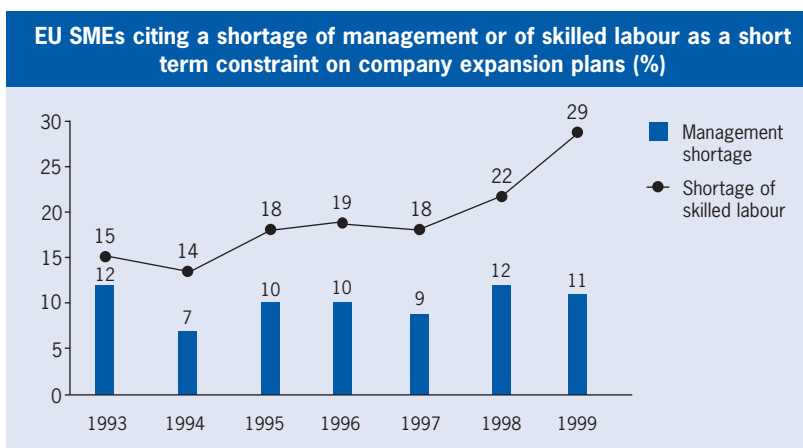
* Country in the EU but not adopting the euro on 1.1.99

** Country not within the EU

*** The difference between those saying "increase" and those saying "decrease", minus numbers indicate expectation of a decrease in employment costs

Skills & training

European SMEs are increasingly citing a shortage of skilled labour as a short term constraint on company expansion plans. It would seem, however, that the problem is not specifically at management level, as there has been no equivalent increase in the proportion of SMEs considering a shortage of management as a short term constraint.

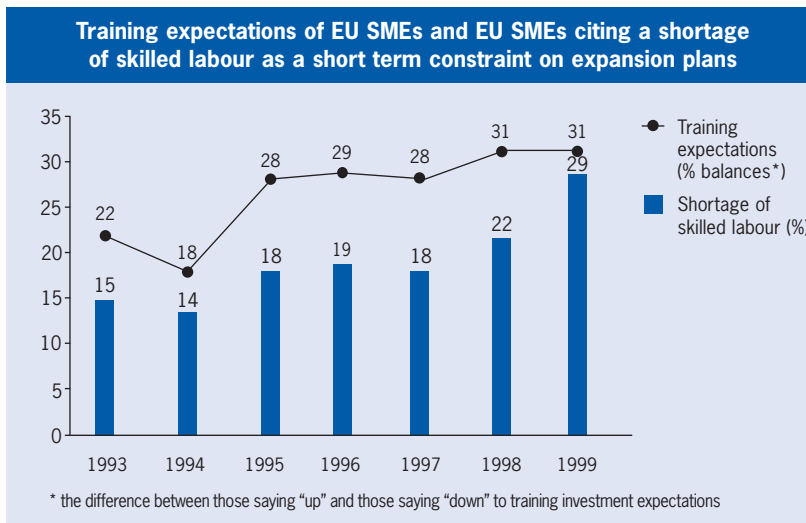


Alongside this increase in concern about a shortage of skilled labour, there has also been an apparent increase in the amount of training SME staff are receiving. In the 1994 Survey SMEs claimed that an average of 16 per cent of their staff had received formal training over the past year. In the current Survey this figure has risen to 23 per cent.

Proportion of staff who received formal training over the past year				
>30%	26-30%	21-25%	16-20%	10-15%
Turkey	UK	Germany	Belgium	Portugal
Finland	Norway	Netherlands	Luxembourg	Italy
Poland	Sweden	Switzerland	Malta	Greece
Denmark	Austria	France		
	Ireland			
	Spain			

We can see from the table above that the Survey results by country reveal some significant variations in the amount of formal training carried out by SMEs in different countries. Formal training receives a particularly strong emphasis in countries such as Turkey and Finland, yet a much lower emphasis in Italy and Greece.

So, given the increase in concern about the shortage of skilled labour, what are the expected trends in training? Compared to other forms of investment, training has been consistently seen as a priority over recent years. This year is no exception and the balance of EU SMEs expecting an increase in training over the coming year is at 31 per cent, equalling last year's all time high for this particular activity.



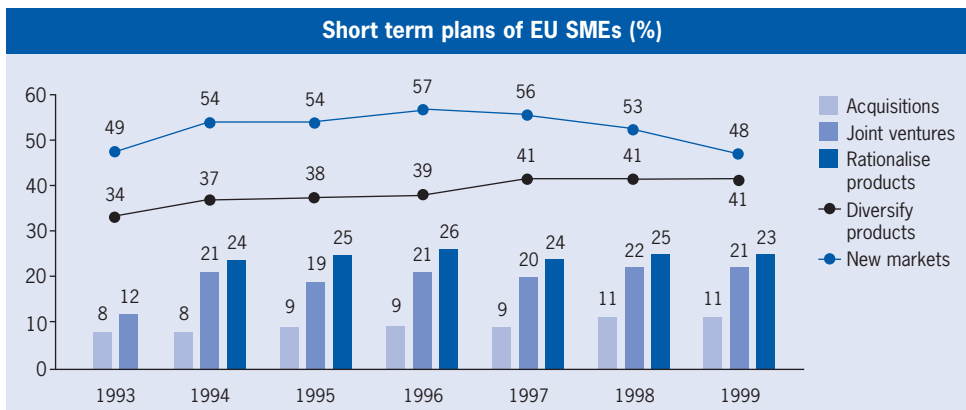
5 COMPANY PLANS

Key points

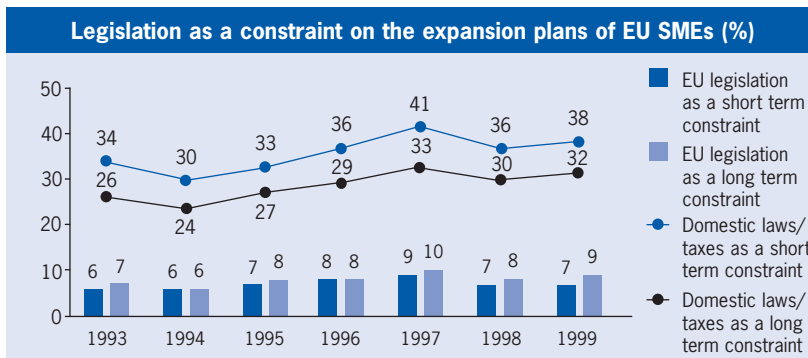
- Developing new markets continues to be the most frequently cited future plan, though this is on a declining trend
- There has been a slight increase in the proportion of SMEs considering a change in business ownership
- The vast majority of European SMEs have scheduled the introduction of the euro for price lists, invoicing, bank accounts and payments, but have not made changes to their business strategies.

Short term plans

In the countries summary section we note the decline in the proportion of SMEs planning to enter new markets over the coming year, a trend which has now been a feature of the Survey for the past three years. As far as trends in other company plans are concerned, the results for 1999 are largely consistent with previous years. A slight decline is apparent in the proportion of SMEs intending to rationalise their product range and in those considering joint ventures.



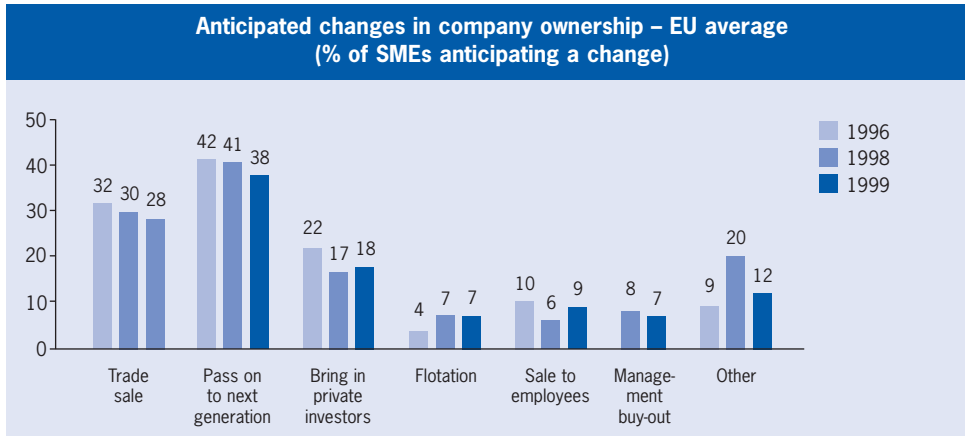
SMEs continue to see domestic laws and taxes as key constraints on company plans to expand, particularly over the short term. EU legislation on the other hand is seen as a constraint by a relatively low proportion of companies.



Ownership plans

The proportion of companies considering a change in ownership has increased marginally since the 1996 Survey when 40 per cent of SMEs anticipated a change. This year the figure has risen to 43 per cent.

If we look at the type of ownership changes anticipated, then passing the firm on to the next generation remains the most popular option, followed by a trade sale. Both of these however, have declined slightly in importance over the last few years, with a sale to employees increasing in importance this year. Some companies clearly consider more than one option when contemplating a change in company ownership.



Planning for the euro

The introduction of the euro continues to involve a significant amount of planning for many European SMEs both inside and outside the euro-zone. All SMEs within the euro-

zone are affected, yet the Survey results show that a significant proportion of SMEs in countries outside the euro-zone are also preparing for the new currency.

SMEs in the euro-zone are planning to introduce the euro sooner, rather than later. The Survey shows that the majority of businesses plan to be prepared well in advance.

Price lists appear to represent the first stage in the process, with 1999 the most frequently cited year for their introduction in euros. For invoicing, bank accounts and payments, the year 2000 is most frequently cited. It is interesting to note that when the Survey was

Timescale for the introduction of the euro – euro-zone/non-euro EU countries (%)

	1998		1999		2000		2001		Don't know	
	euro	non-euro	euro	non-euro	euro	non-euro	euro	non-euro	euro	non-euro
Price lists	2	1	34	14	31	12	12	6	16	55
Invoicing	1	1	30	15	34	11	15	7	17	56
Bank accounts	1	4	27	15	34	9	15	7	19	55
Payments	1	1	26	16	35	11	17	7	18	54

carried out in the Autumn of 1998, around a quarter of SMEs did not have a timetable for the introducing the euro.

Unsurprisingly non-euro EU countries are rather less sure about the timescale for the introduction of the euro (and indeed even whether they will introduce it at all). However a significant minority (roughly one third) have made plans for the introduction of the euro.

SMEs on the whole have not amended their company strategies in response to the introduction of the euro. Our Survey results show that only 16 per cent of European SMEs have made changes to their business strategy. There are two possible reasons for this. First, some SMEs may be playing a waiting game - they are not yet clear about what the full implications of the euro will be, so they have postponed amending their strategies. Second, other SMEs may not view the introduction of the euro as significant enough to merit a change in company strategy. Although there are technical implications (such as the adaptation of IT systems), they expect to take the introduction of the euro in their stride.

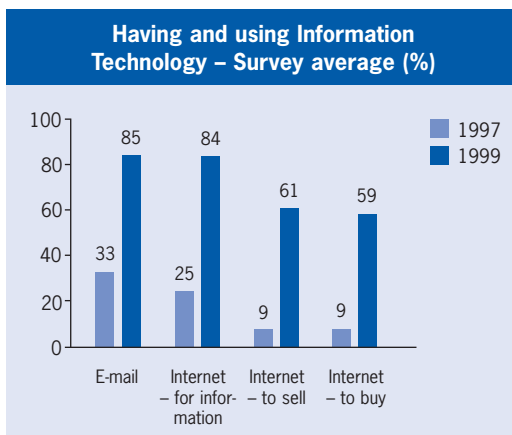
6 E-MAIL, THE INTERNET & USE OF COMPUTERS

Key points

- There has been a dramatic increase in the proportion of SMEs using e-mail and the internet over the past two years
- Sweden and Austria have the highest levels of computer usage at work, with Turkey and Portugal the lowest
- The majority of SMEs are satisfied with their computer safety controls, with one in ten dissatisfied.

E-mail and internet usage

Over the past two years the proportion of European SMEs using e-mail and the internet has increased dramatically. The majority of companies now not only use the internet for information, but also use it to buy and sell goods and services.



The spread of e-mail use has also been very wide. Poland has the lowest proportion of SMEs with the facility to use e-mail, but this still represents almost three quarters of those companies surveyed. The Netherlands has the highest proportion of SMEs with an e-mail facility, yet most other countries are not far behind.

SMEs that have or use E-mail			
94-95%	90-93%	80-89%	70-79%
Netherlands	Ireland	Belgium	Austria
Finland	UK	Denmark	Portugal
Sweden	Malta	Switzerland	Luxembourg
Norway	Italy	Greece	Poland
	Spain	Turkey	
		France	
		Germany	

Whilst the vast majority of European SMEs are using e-mail, as yet only 31 per cent have a site on the World Wide Web. This situation however, is likely to change very quickly. A further 32 per cent of SMEs surveyed said that they planned to create a web site over the next 12 months, with only 26 per cent stating that they had no plans to do so.

SMEs that have a site on the World Wide Web			
>40%	30-39%	20-29%	10-19%
Sweden	Switzerland	Germany	Greece
UK	Italy	Austria	Portugal
Denmark	Poland	France	
Netherlands	Finland	Spain	
	Ireland	Malta	
	Turkey	Belgium	
	Norway		
	Luxembourg		

Use of computers

There is considerable variation in the usage of computers at work across Europe. The table below gives the rank of the most frequently cited proportion of staff using computers at work, by category. The countries in which the highest proportions of staff tend to use computers are Sweden, Austria, Poland, the UK and Denmark. SMEs in Turkey have the lowest level of computer usage, followed by Portugal. Ireland and Luxembourg do not feature in the table below as they do not rank highly in any category.

Staff using computers at work – most frequently cited proportion range			
0-25%	26-50%	51-75%	>75% +
Turkey	Italy	Greece =	Sweden
Portugal	Spain =	Netherlands	Austria
France	Poland =	Sweden	Poland =
Greece =	Belgium	UK =	UK =
Spain =	Germany	Malta	Denmark
	Switzerland	Norway	Finland

SMEs satisfied with computer security controls within their business (% balance*)			
>65%	50-65%	35-49%	<35%
Switzerland	Netherlands	Italy	Germany
Sweden	France	Ireland	Austria
Finland	Portugal	UK	Spain
Denmark	Greece	Malta	Turkey
Poland		Belgium	
		Luxembourg	
		Norway	

* the difference between those saying "satisfied" and those saying "dissatisfied"

Computer security controls

On balance many more businesses are satisfied with the computer safety controls within their business than dissatisfied. Across the Survey as a whole, 54 per cent of SMEs said they were satisfied compared to 10 per cent that said they were dissatisfied. There was considerable variation in opinion from country to country. As can be seen in the table below, SMEs in Switzerland were the most satisfied and those in Turkey the least.

COUNTRIES SUMMARY

This section of the report presents the detailed Survey statistics on a country by country basis. It includes a table for each question referred to in the first half of the report, and gives the results for each of the countries in the Survey, and four sets of average statistics for SMEs in:

1. The group of EU countries that have adopted the euro
2. The group of EU countries not adopting the euro
3. The countries of the EU
4. All the countries surveyed

The questionnaire used for the survey appears at the beginning of this section. Tables to questions 1 to 5a inclusive form Appendix A and provide a profile of respondents by structure, size, management etc. The remaining tables appear in the order of questions as they appear in the questionnaire. 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 the first half of the report.

European Business Survey 1999 – Questionnaire

- 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
- 1c Would you describe your enterprise as a family business?
 yes no
- 2a Is your enterprise:
 a partnership privately owned publicly owned
 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
- 3 What is your main area of activity?
 financial services manufacturing construction
 retailing other services
- 4 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
- 5a How many people do you employ (including subsidiaries)?
 1-10 11-25 26-50 51-100
 101-200 201-250 251-500 501+
- 5b In the past year has the number of people you employ:
 increased decreased remained the same
- 5c Please state the approximate percentage of staff who have received formal training over the past year:%
- 6 a Do you export? yes no
 If so, where?
 other EU countries E Europe/Russia other European
 Asia/Pacific North America other
- 6b If yes, what percentage of your turnover do you export?
 1-5% 6-10% 11-25% over 25%
- 7a Does your enterprise have other locations?
 no yes, 1-2 yes, more than 2
- 7b Where are your other operations located?
 other EU E Europe/Russia in your country
 Asia/Pacific North America other European
 other
- 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 buildings* | <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 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"/> cost of R&D | <input type="checkbox"/> difficulties in accessing new markets |
| <input type="checkbox"/> other | <input type="checkbox"/> other |

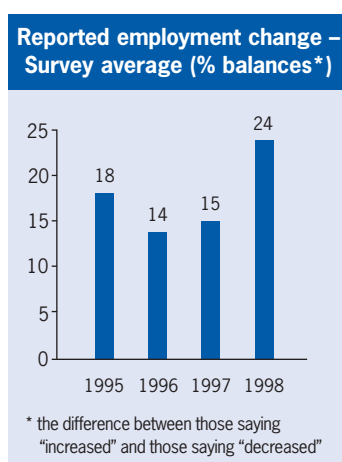
- 10 What plans do you have for the coming year? Do you plan to:
- | | Inside the EU | Eastern Europe | Other Euro countries | Other countries |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Develop new markets | <input type="checkbox"/> | <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"/> |
- 11a Do you anticipate any change in the ownership of the business?
- yes – in 1-2 years yes – 3-5 years yes – in 6 or more years no
- 11b If yes, what sort of change do you anticipate?
- flotation trade sale
 sale to employees pass to next generation of family
 management buy-out bring in private equity investors
 other
- 12a Have customers become slower to pay over the last year? Are they:
- better the same/unchanged a little worse a lot worse
- 12b 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
- 12c Which type of customers on average have the longest payment periods?
(please tick the most important category for you)
- public sector retailers multinationals
 small enterprises medium enterprises large enterprises
- 13a Do you or others in your business have, or use:
- | | Have | Frequently use | Sometimes use | Never use |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| E-mail | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Internet – for information | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| – to sell | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| – to buy | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
- 13b Does your business have a site on the World Wide Web? don't know
- yes no, but plan to over next 12 months no, have no plans
- 13c What proportion of your staff use computers in their work?
- 0-25% 26-50% 51-75% more than 75%
- 13d Are you satisfied with the computer security controls within your business?
- very satisfied a little satisfied neutral
 a little dissatisfied very dissatisfied
- While 11 countries will be adopting the Euro in 1999, we are asking the questions below so that we can understand the impact which the Euro will have on all businesses inside and outside the Euro area:
- 14a What impact do you think the introduction of the Euro will have on your business? don't know
- very positive a little positive none a little negative very negative
- 14b Have you made any changes to your business strategy to take account of the introduction of the Euro?
- yes no
- 14c What impact do you think the introduction of the Euro will have on your business in the following areas:
- | | Increase | Same | Decrease | Don't know |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Interest rates | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Payment periods | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Domestic trade | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Trade with Euro currency countries | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Trade with non-Euro currency countries | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Employment costs | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Purchase prices | <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"/> |
| Competition in general | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
- 14d When do you expect to introduce the Euro for:
- | | In 1998 | In 1999 | In 2000 | In 2001 | Don't know |
|---------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Price lists | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Invoicing | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Payments | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Bank accounts | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Question 5b – Change in the number of people employed in 1998 (%)				
	Increased	Decreased	Same	Balance*
Austria	32	30	38	2
Belgium	31	22	47	9
Finland	46	9	45	37
France	47	10	43	37
Germany	36	28	36	8
Ireland	68	9	23	59
Italy	40	15	45	25
Luxembourg	51	15	34	36
Netherlands	25	22	51	3
Portugal	43	13	43	30
Spain	61	8	31	53
EU (euro) average	42	19	39	23
Denmark	47	12	40	35
Greece	41	13	44	28
Sweden	49	23	27	26
UK	50	18	32	32
EU (non-euro) average	46	15	37	31
EU average	43	18	39	25
Malta	25	22	52	3
Norway	55	9	35	46
Poland	41	29	30	12
Switzerland	41	20	39	21
Turkey	34	18	47	16
Survey average	42	18	39	24

* the difference between those saying “increased” and those saying “decreased”

Change in the number of people employed in 1998

1998 was, on balance, a year of employment growth amongst European SMEs, with more firms experiencing an increase in employment than in the previous three years. A significantly higher proportion of enterprises reported that the number of people employed had increased (42 per cent), rather than decreased (18 per cent).



- The balance of opinion in every country surveyed is that employment increased during the course of 1998.
- Ireland has the highest proportion of SMEs reporting employment growth (68 per cent), followed by Spain, Norway, Luxembourg and the UK.
- A higher proportion of SMEs in Austria than in any other country, experienced falling employment levels in 1998 (30 per cent), followed by Poland Germany, and Sweden.

Q5c – Staff who received formal training over the past year (%)	
Austria	28
Belgium	19
Finland	37
France	22
Germany	25
Ireland	28
Italy	14
Luxembourg	18
Netherlands	25
Portugal	15
Spain	26
EU (euro) average	23
Denmark	32
Greece	11
Sweden	29
UK	30
EU (non-euro) average	25
EU average	23
Malta	18
Norway	29
Poland	35
Switzerland	24
Turkey	39
Survey average	23

Staff who have received formal training over the past year

Just under a quarter (23 per cent) of SME staff across Europe have received formal training over the past year. This question was previously asked in the 1994 Survey, when the figure was lower at only 16 per cent. A similar question was also present in the 1995 Survey, asking “what proportion of staff have you paid for training over the past year”. The average figure given was also 16 per cent. These results would therefore seem to confirm the continuing expectations amongst SMEs of increases in the volume of training, throughout the seven years of the Survey.

- Turkish SMEs reported the highest average proportion of staff (39 per cent) to have received formal training over the past year, followed by Finland and Poland.
- SMEs in Greece reported the lowest levels of formal training for staff (11 per cent), followed by Italy and Portugal.

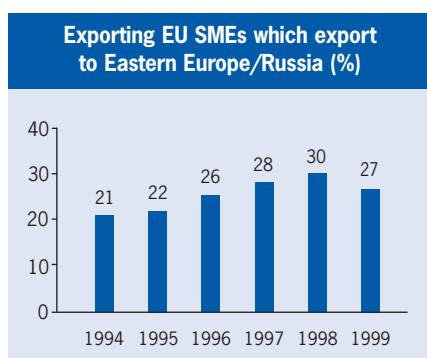
Q6a – SMEs which export and export destinations (%)							
	Exporting	Other EU*	Eastern Europe/Russia*	Other European*	Asia/Pacific*	North America*	Other*
Austria	54	78	48	30	15	11	14
Belgium	55	96	17	19	15	16	10
Finland	53	68	61	31	15	13	9
France	43	85	19	24	20	20	35
Germany	42	87	40	39	31	23	18
Ireland	51	91	13	13	9	18	11
Italy	53	84	25	29	25	24	22
Luxembourg	52	88	23	17	14	9	17
Netherlands	56	92	35	46	34	21	23
Portugal	43	84	4	18	6	19	29
Spain	32	77	9	20	12	16	42
EU (euro) average	44	85	27	32	24	22	22
Denmark	36	95	26	53	23	18	19
Greece	49	31	38	32	14	5	20
Sweden	43	84	23	50	26	29	9
UK	47	86	22	36	50	42	29
EU (non-euro) average	46	69	27	37	34	26	25
EU average	44	82	27	32	26	23	24
Malta	33	61	8	9	7	6	43
Norway	25	93	16	16	17	21	12
Poland	47	49	70	4	3	4	3
Switzerland	48	94	27	20	28	31	15
Turkey	49	59	38	10	8	14	28
Survey average	43	81	28	31	24	22	23

* % of those which export

SMEs which export and export destinations

Eastern Europe/Russia has declined as a market for SME exporters in the EU for the first time in six years. Indeed financial turbulence in emerging markets has affected exports to most destinations. Overall only 43 per cent of SMEs surveyed are now involved in export, a significant fall compared to two years ago. Other EU countries are by far the most important destination of all exporting countries in the Survey, followed by Other European Countries (31 per cent) and Eastern Europe/Russia (28 per cent). North America and Asia/Pacific represent key export destinations only in the UK.

- SMEs in the Netherlands are the most likely to export (56 per cent), followed by Belgium and Austria. The least likely are SMEs in Norway (25 per cent), Spain and Malta.



- In Belgium 96 per cent of SMEs involved in export are exporting to other EU countries, whilst the figure is only 31 per cent in Greece.
- SMEs in Poland and Finland are the most likely to export to Eastern Europe/Russia,
- SMEs in Denmark and Sweden are the most likely to export to other European (non-EU) countries.

Q6b – Percentage of SMEs' turnover exported (% of those which export)					
	Exporting	1-5 %	6-10 %	11-25 %	Over 25 %
Austria	54	28	21	9	41
Belgium	55	19	19	17	43
Finland	53	30	14	20	33
France	43	32	22	16	28
Germany	42	31	21	14	31
Ireland	51	27	19	11	41
Italy	53	28	17	18	34
Luxembourg	52	51	17	17	9
Netherlands	56	14	17	13	54
Portugal	43	38	16	7	38
Spain	32	38	17	17	27
EU (euro) average	44	30	19	16	34
Denmark	36	28	12	19	38
Greece	49	46	15	26	8
Sweden	43	23	19	19	34
UK	47	33	13	16	35
EU (non-euro) average	46	37	13	20	27
EU average	45	31	18	16	32
Malta	33	29	12	6	52
Norway	25	26	25	15	34
Poland	47	49	6	22	23
Switzerland	48	29	14	10	44
Turkey	49	35	15	18	31
Survey average	43	32	18	16	31

Percentage of SMEs turnover exported (of those which export)

The responses to this question were relatively consistent over the previous three Surveys. The 1999 Survey however, shows that not only has there been a decline in the proportion of exporting SMEs, but those which are exporting are tending to export a slightly lower proportion of their turnover. The proportion of SMEs exporting more than 25 per cent of turnover has declined significantly in 1999. Just under a third of SMEs surveyed (32 per cent) export 5 per cent or less of their turnover.



- SME exporters in the Netherlands are the most likely to export more than a quarter of their turnover (54 per cent), along with those in Malta (52 per cent).
- SME exporters in Greece (8 per cent) and Luxembourg (9 per cent) are the least likely to export more than a quarter of their turnover.

Q7a/b – SMEs with other operations and location of these operations (%)								
	SMEs with other operations	In your Country	Other EU	Eastern Europe/Russia	Other European	Asia/Pacific	North America	Other
Austria	28	66	20	22	0	3	4	1
Belgium	30	74	32	4	13	3	12	1
Finland	37	74	23	26	11	7	9	7
France	35	92	15	2	2	4	5	4
Germany	24	77	21	13	3	6	12	2
Ireland	31	69	35	0	3	3	9	2
Italy	19	94	13	6	6	6	5	2
Luxembourg	33	34	68	10	22	27	27	0
Netherlands	24	47	49	9	6	20	11	5
Portugal	33	93	11	0	5	2	2	7
Spain	23	86	31	7	9	10	7	10
EU (euro) average	27	82	22	8	6	6	7	4
Denmark	33	91	23	3	1	3	5	3
Greece	16	71	11	24	6	7	0	8
Sweden	43	73	29	10	15	4	5	2
UK	43	79	13	4	3	11	17	3
EU (non-euro) average	33	79	13	7	3	8	11	3
EU average	27	82	19	7	4	7	8	4
Malta	24	71	12	4	2	3	6	9
Norway	27	81	17	5	3	3	6	5
Poland	45	87	0	12	0	12	0	1
Switzerland	33	73	27	8	6	10	10	0
Turkey	31	85	6	2	4	1	1	8
Survey average	27	83	18	7	4	6	7	3

SMEs with other operations and location of these operations

Just over a quarter (27 per cent) of SMEs surveyed have more than one location. In most cases these are within the same country, otherwise the most common location is within the EU. The exceptions to this are SMEs in Luxembourg and the Netherlands, which are more likely to have other locations elsewhere in the EU than within their own country.

- SMEs in Poland are the most likely to have operations in other locations (45 per cent) followed by SMEs in Sweden and the UK.
- Greek (16 per cent) and Italian SMEs are the least likely to have other operations.
- SMEs in Luxembourg are the most likely to have operations in other EU countries, and Greek SMEs the least likely. From outside the EU Polish SMEs are the least likely to have operations within the EU area.
- Finnish SMEs are the most likely to have locations in Eastern Europe/Russia.

Q8 – Expected trends for the coming year (% balances*)					
	Turnover	Employment	Profitability	Exports	Selling Prices
Austria	36	1	5	21	-19
Belgium	58	28	22	22	-2
Finland	57	22	31	18	15
France	52	28	22	19	-6
Germany	33	4	5	12	-11
Ireland	81	49	59	25	18
Italy	53	23	16	25	1
Luxembourg	45	24	5	12	-25
Netherlands	65	40	39	24	11
Portugal	54	13	40	18	9
Spain	66	36	27	16	19
EU (euro) average	48	20	18	18	-1
Denmark	56	27	34	22	27
Greece	85	40	44	23	22
Sweden	61	36	43	19	19
UK	36	21	12	3	6
EU (non-euro) average	56	29	26	13	15
EU average	49	21	19	17	2
Malta	56	30	29	14	7
Norway	45	30	32	11	41
Poland	62	30	49	23	31
Switzerland	54	26	28	18	-12
Turkey	63	22	25	32	42
Survey average	49	21	19	17	3

* the difference between those saying "up" and those saying "down" (minus figures indicate a prediction of a fall)

Expected trends for the coming year

European SMEs remain optimistic about their growth prospects for the coming year, despite the economic crises in South East Asia and Russia during 1998. Whilst expectations of growth in turnover and profitability are down compared to last year, expectations regarding employment growth are higher. Expectations of growth in exports and selling prices are at their lowest levels since the Survey began in 1993.

- SMEs in Ireland and Greece are the most optimistic on balance about growth prospects: Ireland in terms of employment and profitability and Greece with regard to turnover.
- German SMEs once again appear to be the least optimistic, although they are actually rather more optimistic than last year, with positive balances for growth in turnover, employment and profitability.
- The highest expectations for growth in exports over the coming year are amongst SMEs in Turkey, followed by Ireland, Italy and the Netherlands. SMEs in the UK are the least optimistic on exports, followed by Norway, Germany and Luxembourg.
- There are considerable variations amongst the countries surveyed, in expectations about future selling prices. SMEs in Turkey, Norway and Poland strongly expect growth, whilst the balance of SMEs in Luxembourg, Austria, Switzerland, Germany and Belgium anticipate falling selling prices.

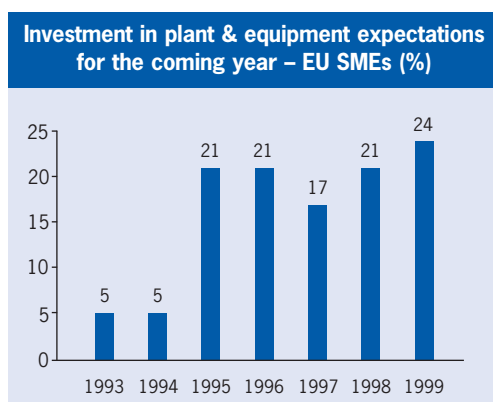
Q8 – Expected trends for the coming year (% balances*)					
	Investment in plant & machinery	Investment in new buildings	Training	R&D	Advertising
Austria	3	-11	24	7	24
Belgium	15	10	30	20	14
Finland	4	-17	24	29	16
France	24	2	31	19	6
Germany	2	-4	19	11	17
Ireland	51	21	49	19	29
Italy	43	16	38	33	22
Luxembourg	34	2	33	13	23
Netherlands	23	18	41	26	22
Portugal	36	14	36	24	29
Spain	42	19	41	22	24
EU (euro) average	23	7	32	20	19
Denmark	31	15	40	22	26
Greece	42	28	32	41	40
Sweden	30	6	52	18	32
UK	11	8	30	13	16
EU (non-euro) average	24	16	33	24	25
EU average	24	9	31	21	19
Malta	28	23	27	11	24
Norway	27	7	43	11	18
Poland	35	30	51	11	48
Switzerland	18	-2	27	23	17
Turkey	36	26	41	31	29
Survey average	24	9	32	21	20

* the difference between those saying “up” and those saying “down” (minus figures indicate a prediction of a decrease in investment)

Expected trends for the coming year – continued

The broad optimism regarding growth prospects for the coming year amongst European SMEs, also translates into positive attitudes towards growth in investment, training, research & development (R&D) and advertising. Overall expectations in all these areas are very similar to last year, though expectations within the EU for investment in plant &

equipment and R&D are at their highest levels since the Survey began.



- Expectations of increased investment in plant & machinery vary considerably. They are high in Ireland, Italy, Spain and Greece, but very low in Germany, Austria and Finland.
- SMEs in Poland, Greece and Turkey have particularly high expectations regarding investment in new buildings, yet the balance of SMEs in Finland, Austria, Germany and Switzerland expect investment to fall.

Q9a – The main short term constraints on expansion plans (%)						
	Lack of plant capacity	Management shortage	Cost of finance	Shortage of orders	Shortage of skilled labour	Lack of working capital
Austria	5	11	29	24	21	15
Belgium	9	13	18	24	31	17
Finland	13	9	13	33	27	19
France	11	11	11	19	25	23
Germany	5	10	31	40	29	9
Ireland	13	28	12	19	41	13
Italy	11	7	25	32	31	22
Luxembourg	9	10	34	16	53	23
Netherlands	8	10	17	16	26	14
Portugal	16	6	29	21	35	32
Spain	14	9	28	23	32	16
EU (euro) average	10	10	24	31	30	16
Denmark	14	22	16	23	26	14
Greece	9	13	47	15	29	27
Sweden	14	17	11	34	35	14
UK	7	18	11	38	25	13
EU (non-euro) average	9	17	24	28	27	18
EU average	10	11	24	30	29	17
Malta	12	9	31	38	17	23
Norway	16	16	18	21	32	9
Poland	0	13	45	34	9	26
Switzerland	13	11	26	32	29	13
Turkey	25	23	50	40	39	41
Survey average	10	11	25	30	29	17

The main short term constraints on expansion plans

After domestic laws and taxes, shortages of orders and skilled labour emerge as significant short term constraints on company expansion plans, with the sharpest rise in concern about shortages of skilled labour since the beginning of the Survey in 1992. Other key concerns are the cost of finance and a lack of working capital.

- A shortage of orders is considered a major short term constraint in Germany, Turkey, the UK and Malta compared with less of a problem in Greece, Luxembourg and the Netherlands.

EU SMEs citing a shortage of skilled labour as a short term constraint on expansion plans (%)



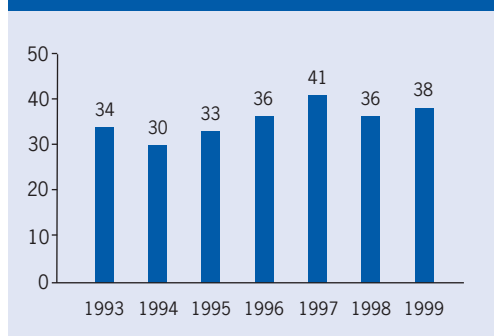
- A shortage of skilled labour is a particular problem in Luxembourg.
- Cost of finance is of less importance than last year, except among firms in Turkey, Greece and Poland.
- Turkish SMEs are generally the most concerned about the short term, particularly about a lack of working capital and plant capacity.
- A management shortage remains a key problem in Ireland.

Q9a – The main short term constraints on expansion plans (%)					
	Exchange rates	Domestic laws/taxes	EU legislation	Costs of R&D	Other
Austria	3	39	12	4	8
Belgium	2	59	6	6	10
Finland	6	20	5	7	12
France	2	69	8	8	10
Germany	3	35	11	6	9
Ireland	13	13	5	7	12
Italy	3	57	4	11	9
Luxembourg	0	28	11	9	7
Netherlands	1	10	9	7	21
Portugal	4	28	4	8	21
Spain	2	21	3	9	14
EU (euro) average	3	41	7	8	11
Denmark	6	19	4	4	15
Greece	14	27	1	12	16
Sweden	5	25	6	6	14
UK	16	12	12	5	16
EU (non-euro) average	14	18	7	7	16
EU average	5	37	7	7	12
Malta	4	21	2	4	8
Norway	5	14	2	3	14
Poland	24	47	1	2	21
Switzerland	5	22	7	5	7
Turkey	26	28	4	5	11
Survey average	5	37	7	7	12

The main short term constraints on expansion plans – continued

- Attitudes towards domestic laws and taxes vary considerably from country to country. Sixty nine per cent of French SMEs consider domestic laws/taxes a constraint on expansion, with SMEs in Belgium, Italy and Poland also seeing it as a major constraint. On the other hand, only a small proportion of SMEs in the Netherlands (10 per cent), the UK, Ireland and Norway view legislation/taxes as a short term constraint.
- EU legislation is perceived as being a short term constraint on expansion plans in

EU SMEs citing domestic laws/taxes as a short term constraint on expansion plans (%)



only 7 per cent of SMEs surveyed, with those in UK and Austria marginally the most likely to cite it.

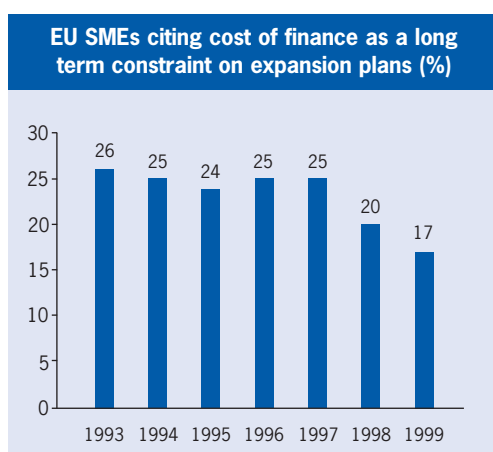
- In euro-zone countries, exchange rates are seen as a relatively insignificant short term constraint, with the exception of Ireland. In other European countries, SMEs in Turkey and Poland, and to a lesser extent those in the UK and Greece, regard exchange rates as a significant constraint on expansion plans.

Q9b – 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
Austria	11	3	21	31	33	23	9
Belgium	14	5	12	27	9	3	4
Finland	12	5	8	19	1	15	4
France	13	1	22	35	25	20	9
Germany	12	5	35	29	25	17	9
Ireland	26	4	12	26	9	3	3
Italy	13	5	18	35	25	12	10
Luxembourg	19	6	27	38	13	13	0
Netherlands	15	4	6	23	9	2	7
Portugal	11	5	18	47	20	9	12
Spain	15	2	16	38	16	6	8
EU (euro) average	13	3	16	33	21	13	8
Denmark	26	0	14	19	13	10	3
Greece	12	5	35	29	25	17	9
Sweden	14	1	10	33	10	7	3
UK	27	6	9	32	8	3	4
EU (non-euro) average	22	5	18	29	14	9	5
EU average	15	3	17	32	20	12	7
Malta	7	16	21	44	14	3	8
Norway	10	2	11	45	7	5	2
Poland	8	15	19	47	35	16	16
Switzerland	12	4	19	36	21	13	12
Turkey	23	11	42	41	49	24	28
Survey average	15	4	18	33	21	13	8

The main long term constraints on expansion plans

Limited market demand is considered to be the most important long term constraint on company expansion plans, closely followed by domestic legislation/taxes and difficulties in accessing new markets. A shortage of long term finance and the cost of finance are also relatively important factors. The cost of finance, however, has declined radically in importance since 1997 as a long term constraint on expansion plans.

- SMEs across Europe relatively consistently cite limited market demand as the main long term constraint on the ability to expand. SMEs in Poland and Portugal, express the most concern in this area, and those in Denmark and Finland, the least.



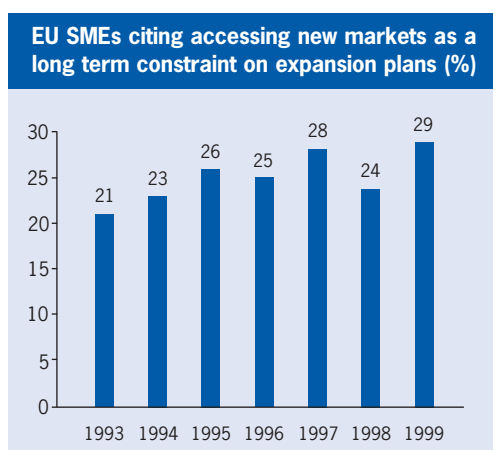
- A shortage of long term finance is considered to be of greatest importance in Turkey and Poland.
- The cost of finance is a key long term constraint on expansion in Turkey, Germany and Greece, but of little importance in the Netherlands, Finland and the UK.
- Management succession is considered a long term constraint primarily in the UK, Denmark and Ireland.

Q9b – The main long term constraints on expansion plans (%)					
	Domestic laws/taxes	EU legislation	Costs of R&D	Accessing new markets	Other
Austria	36	17	7	34	8
Belgium	51	7	3	21	7
Finland	20	8	8	33	9
France	59	9	8	26	9
Germany	31	12	5	30	8
Ireland	13	5	7	26	11
Italy	44	5	9	33	9
Luxembourg	25	19	4	48	10
Netherlands	16	12	7	19	19
Portugal	22	5	2	30	17
Spain	20	4	7	33	13
EU (euro) average	35	8	6	29	11
Denmark	23	8	5	13	11
Greece	22	1	8	35	14
Sweden	25	8	5	27	18
UK	14	13	6	28	16
EU (non-euro) average	18	8	6	28	15
EU average	32	8	7	29	11
Malta	15	3	3	35	9
Norway	17	4	3	17	11
Poland	42	2	5	44	10
Switzerland	18	9	6	29	8
Turkey	23	6	6	45	4
Survey average	32	8	6	29	11

The main long term constraints on expansion plans – continued

Problems accessing new markets are seen as a long term constraint on expansion plans by more SMEs than in any previous Survey. EU legislation, costs of R&D and export limitations, on the other hand, are seen as constraints on company expansion by only a small proportion of SMEs in most countries surveyed.

- Domestic laws and taxes are seen as a long term constraint on expansion plans by the majority of SMEs in both France and Belgium and are also seen as a significant problem in Italy and Poland. There is a notable difference between firms citing domestic laws and taxes as a problem in euro and non-euro EU countries.



- SMEs in Luxembourg, Turkey and Poland are particularly concerned about difficulties in accessing new markets.
- The only countries in which SMEs consider EU legislation as having any particular significance as a long term constraint are Luxembourg and Austria.

Q10 – Plans for the coming year (%)							
	Develop new markets	Acquire new companies	Divest companies	Joint ventures /strategic alliances	Diversify product range	Rationalise product range	Other
Austria	42	6	3	17	36	22	7
Belgium	49	15	2	27	43	24	3
Finland	45	8	2	23	27	28	4
France	57	19	3	17	47	28	4
Germany	40	9	4	18	42	14	5
Ireland	58	11	1	22	48	13	7
Italy	54	9	2	22	37	28	8
Luxembourg	60	4	4	23	42	22	3
Netherlands	59	22	3	27	51	24	13
Portugal	46	8	2	20	47	22	15
Spain	48	4	1	15	43	26	11
EU (euro) average	47	11	3	19	41	22	7
Denmark	30	17	2	18	35	1	6
Greece	51	16	5	27	34	67	6
Sweden	36	16	4	24	35	10	11
UK	57	14	2	29	41	11	8
EU (non-euro) average	51	16	3	26	38	27	7
EU average	48	11	3	21	41	23	7
Malta	48	6	1	28	30	7	5
Norway	28	10	6	17	9	9	4
Poland	45	5	1	8	57	47	16
Switzerland	39	7	2	21	44	14	4
Turkey	63	3	1	21	49	3	5
Survey average	47	11	3	20	41	23	7

Plans for the coming year

Developing new markets continues to be the most frequently cited future plan amongst European SMEs, closely followed by diversifying the product range. Rationalising the product range and entering into joint ventures or strategic alliances are the other key future plans.

- The ambition to develop new markets is most common amongst SMEs in Turkey, Luxembourg, the Netherlands and Ireland. SMEs in Norway and Denmark are the least likely to be contemplating new markets over the coming year.
- The second most common plan for the coming year amongst SMEs, is the diversification of their product range. The majority of SMEs in both Poland and the Netherlands are planning to diversify their product range over the coming year, whilst in Norway, the figure is as low as 9 per cent. Norwegian SMEs tend to be generally relatively modest about their plans for the future.
- In Greece over two-thirds of SMEs plan to rationalise their product range, yet in Denmark the proportion is only 1 per cent.
- Entering into joint ventures or strategic alliances is the remaining important future plan amongst SMEs, particularly in the UK and Malta, although acquiring new companies is of some importance in a few countries: the Netherlands and France in particular.

Q11a – Anticipated changes in business ownership (%)				
	Yes: in 1-2 years	Yes: in 3-5 years	Yes: in 6 or more years	No
Austria	9	28	14	48
Belgium	18	17	7	57
Finland	13	25	15	44
France	29	17	5	47
Germany	11	21	17	50
Ireland	8	18	15	58
Italy	14	15	9	61
Luxembourg	9	19	0	69
Netherlands	13	19	11	57
Portugal	14	10	7	66
Spain	7	8	9	75
EU (euro) average	15	17	11	55
Denmark	11	20	23	44
Greece	6	16	8	65
Sweden	19	20	14	45
UK	11	19	18	52
EU (non-euro) average	9	18	16	54
EU average	13	17	12	55
Malta	8	8	9	73
Norway	21	18	9	51
Poland	40	8	1	51
Switzerland	11	21	13	53
Turkey	11	10	4	74
Survey average	14	17	12	55

Anticipated changes in business ownership – timescale

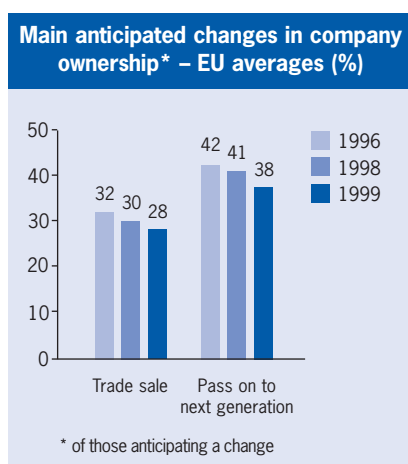
This year's survey results indicate that 43 per cent of SMEs anticipate a change in the ownership of their business. This figure has increased marginally since the first appearance of the question in 1996, when the proportion was 40 per cent.

- Expectations of a change in ownership are highest among SMEs in Finland, Denmark and Sweden and the lowest amongst those in Spain, Turkey and Malta.
- Polish and French SMEs are the most likely to be expecting a change in business ownership over the short term.
- Enterprises in Poland are by far the most likely to anticipate a change in ownership within 2 years and Danish SMEs the most likely to expect change in 6 or more years.

Q11b – Anticipated changes in business ownership (% of those who anticipate a change)								
	SMEs anticipating a change	Trade sale	Pass to next generation of family	Bring in private equity investors	Management buy-out	Flotation	Sale to employees	Other
Austria	51	35	40	10	0	0	10	15
Belgium	42	21	25	36	7	1	4	24
Finland	53	43	33	15	9	3	8	13
France	51	31	20	33	6	10	6	18
Germany	49	22	53	10	6	6	9	8
Ireland	41	27	35	15	11	10	7	8
Italy	38	15	47	28	3	2	6	12
Luxembourg	28	5	13	44	43	23	11	0
Netherlands	43	35	29	3	10	8	5	24
Portugal	31	24	43	20	0	2	4	14
Spain	24	35	44	17	0	2	9	12
EU (euro) average	43	27	40	18	6	5	8	12
Denmark	54	42	27	16	4	4	23	10
Greece	30	5	47	38	0	25	7	7
Sweden	53	50	20	7	9	7	16	13
UK	48	48	18	9	16	12	11	10
EU (non-euro) average	43	37	27	16	11	14	13	9
EU average	42	28	38	18	7	7	9	12
Malta	25	13	35	25	4	9	15	12
Norway	48	25	20	20	2	3	30	12
Poland	49	12	7	28	3	10	4	42
Switzerland	45	23	40	19	13	3	15	12
Turkey	25	21	30	19	8	13	5	17
Survey average	43	27	38	19	7	7	9	12

Anticipated changes in business ownership

Amongst SMEs expecting a change in business ownership, passing the business on to the next generation of the family continues to be the most popular option, followed by a trade sale and then bringing in private equity investors. As can be seen in the chart below, the proportion of SMEs expecting to pass the business on to the next generation or to be involved in a trade sale, have decreased slightly since the 1996 Survey. It is interesting to note that of the SMEs anticipating a change in ownership, many are considering more than one option.



- SMEs in Germany, Italy and Greece are the most likely to be passed on to the next generation, those in Poland and Luxembourg the least likely.
- Trade sales are most widely expected in Sweden (half of SMEs anticipating a change), followed by the UK and Finland. Yet in Greece and Luxembourg, only 5 per cent expect a trade sale.
- Bringing in private equity investors is most often cited in Luxembourg, Greece and Belgium.

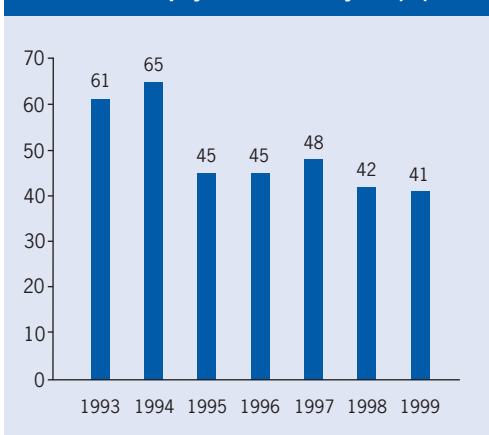
Q12a – Change in the promptness of payments over the last year (%)

	Better	The same/ unchanged	A little worse	A lot worse
Austria	2	48	47	2
Belgium	6	52	31	10
Finland	6	77	13	2
France	8	56	30	2
Germany	3	42	40	14
Ireland	11	64	21	2
Italy	8	39	40	12
Luxembourg	12	20	51	13
Netherlands	7	64	26	2
Portugal	6	42	42	10
Spain	27	60	10	1
EU (euro) average	8	49	32	8
Denmark	12	77	8	0
Greece	3	17	50	24
Sweden	5	70	20	4
UK	7	62	25	4
EU (non-euro) average	7	50	30	9
EU average	8	49	32	9
Malta	1	31	34	32
Norway	8	73	12	4
Poland	7	33	48	10
Switzerland	7	49	39	4
Turkey	3	35	54	8
Survey average	8	49	33	9

Change in the promptness of payments over the last year

Almost half of the SMEs surveyed believe that the promptness of payments has remained unchanged compared to last year. While many more SMEs believe that payment periods have worsened rather than improved, fewer EU SMEs than ever before in the Survey believe that customers are slower to pay their bills. This compliments the downward trend in average payment periods across the EU recorded from the responses to Q12b.

EU SMEs saying that customers have become slower to pay over the last year (%)

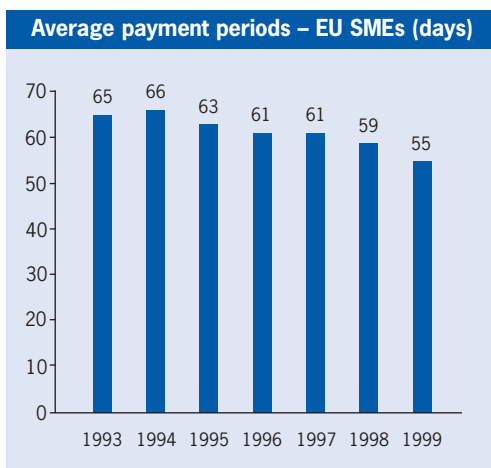


- SMEs in Spain are the most positive about the change in the promptness of payments over the last year, with 27 per cent of firms indicating that the situation has improved.
- SMEs in Greece, Malta and Luxembourg are the most concerned that payment periods have worsened.

Q12b – Average payment period for sales invoices – days (%)									
	Average (days)	7-14 days	15-29 days	30-44 days	45-59 days	60-74 days	75-89 days	90-119 days	120+ days
Austria	34.2	14	27	29	18	6	1	0	0
Belgium	51.7	7	8	25	23	15	13	5	1
Finland	26.4	15	51	28	2	3	0	0	0
France	57.6	7	7	20	16	20	14	9	2
Germany	34.8	12	31	34	10	6	2	2	0
Ireland	57.2	1	7	21	25	24	11	6	1
Italy	81.3	2	2	9	9	19	16	28	14
Luxembourg	49.5	7	10	23	29	15	6	6	0
Netherlands	43.7	2	16	37	28	10	3	1	1
Portugal	67.4	5	7	17	14	17	9	22	7
Spain	71.8	4	4	13	12	20	16	20	9
EU (euro) average	54.3	7	15	26	12	13	9	11	5
Denmark	32.7	7	33	41	9	3	0	1	0
Greece	87.2	3	2	8	6	14	12	25	27
Sweden	37.0	4	18	60	10	2	1	0	1
UK	46.2	5	9	33	30	12	4	1	1
EU (non-euro) average	57.0	4	11	27	19	11	6	8	9
EU average	55.4	7	15	24	14	13	9	11	6
Malta	73.8	4	4	15	17	10	11	21	16
Norway	30.6	11	33	45	3	3	0	0	0
Poland	39.8	15	28	26	11	8	1	0	7
Switzerland	47.7	1	11	38	29	11	4	2	2
Turkey	51.6	4	11	32	21	13	6	8	2
Survey average	54.5	7	15	25	14	13	8	10	5

Average payment period for sales invoices (days)

The downward trend in average payment periods of sales invoices for European SMEs continues, and is now down to 55 days. There is considerable variation, however, in average payment periods amongst individual SMEs and between different countries.



- SMEs in Finland experience the shortest average payment period (26 days), followed by Norway and Denmark.
- Greek SMEs experience the longest average payment period (87 days), followed by Italy, Malta and Spain.

Question 12c – Type of customers with longest payment periods (%)						
	Public sector	Retailers	Multi-nationals	Small enterprises	Medium enterprises	Large enterprises
Austria	32	14	3	14	22	3
Belgium	29	8	6	20	14	14
Finland	11	19	7	30	10	15
France	31	13	10	15	9	14
Germany	21	10	6	23	20	10
Ireland	11	17	4	34	14	11
Italy	24	12	4	15	16	22
Luxembourg	42	12	12	9	12	7
Netherlands	12	9	4	33	22	8
Portugal	25	15	3	14	16	18
Spain	36	7	13	5	13	20
EU (euro) average	25	10	7	18	16	16
Denmark	20	10	5	16	13	13
Greece	15	23	4	21	20	5
Sweden	15	5	7	28	12	19
UK	15	5	14	19	14	21
EU (non-euro) average	16	12	9	19	15	15
EU average	23	11	7	18	16	15
Malta	34	14	1	10	13	20
Norway	29	10	5	15	9	21
Poland	29	9	5	21	22	12
Switzerland	24	12	4	22	17	9
Turkey	12	18	1	22	24	18
Survey average	24	11	7	18	16	15

Type of customers with longest payment periods

Almost one-quarter of SMEs suggest that public sector customers take longer to pay than those in the retail and manufacturing sectors. A marginally higher proportion of SMEs think that small enterprises take longer to pay invoices than medium and large enterprises.

- Finnish, German, Irish, Dutch, Greek and Swedish SMEs believe that small enterprises have the longest payment periods.
- UK firms believe that large enterprises have the longest payment periods. SMEs in Italy, Malta, Norway, Portugal and Spain all believe that large enterprises have longer payment periods than small enterprises.
- Greek SMEs believe that retailers have the longest payment periods.

Q13a – Use of e-mail and the internet (%)				
	E-mail	Internet for information	Internet to sell	Internet to buy
Austria	77	72	51	51
Belgium	89	85	62	63
Finland	94	88	55	53
France	80	78	58	57
Germany	80	79	62	60
Ireland	93	87	56	57
Italy	91	91	64	63
Luxembourg	73	81	59	57
Netherlands	95	92	74	75
Portugal	75	78	48	50
Spain	91	88	61	62
EU (euro) average	85	84	61	60
Denmark	87	86	70	59
Greece	81	85	60	56
Sweden	94	93	69	68
UK	92	89	63	55
EU (non-euro) average	88	87	63	56
EU average	85	84	61	59
Malta	92	88	53	64
Norway	94	89	72	71
Poland	72	94	67	59
Switzerland	83	81	56	56
Turkey	81	77	43	43
Survey average	85	84	61	59

Use of e-mail and the internet

The vast majority, 85 per cent, of European SMEs now have use of e-mail, compared to only 33 per cent in 1997. A similar proportion also have use of the internet for information (84 per cent). Approximately six out of ten SMEs across Europe, on the other hand, are using the internet to buy and sell.

- SMEs in the Netherlands (95 per cent), Finland, Sweden, Norway and Malta were the most likely to have use of e-mail and those in Poland (72 per cent) and Luxembourg the least likely.
- Norway and the Netherlands have the highest proportion of SMEs that use the internet to buy or sell and Turkey and Portugal the lowest.

Q13b – Businesses with sites on the World Wide Web (%)				
	Don't know	Yes	No, but plan to over next 12 months	No, have no plans
Austria	16	26	28	25
Belgium	2	23	42	30
Finland	2	34	41	22
France	1	25	34	39
Germany	17	29	28	23
Ireland	2	32	38	27
Italy	5	36	32	23
Luxembourg	3	31	25	41
Netherlands	2	41	27	31
Portugal	5	11	32	50
Spain	11	25	39	22
EU (euro) average	9	31	31	26
Denmark	2	42	33	19
Greece	7	18	48	19
Sweden	4	58	21	15
UK	1	45	29	24
EU (non-euro) average	3	36	35	21
EU average	8	31	32	26
Malta	2	24	37	33
Norway	1	31	34	33
Poland	0	36	32	32
Switzerland	7	38	29	21
Turkey	3	32	42	19
Survey average	8	31	32	26

Businesses with sites on the World Wide Web

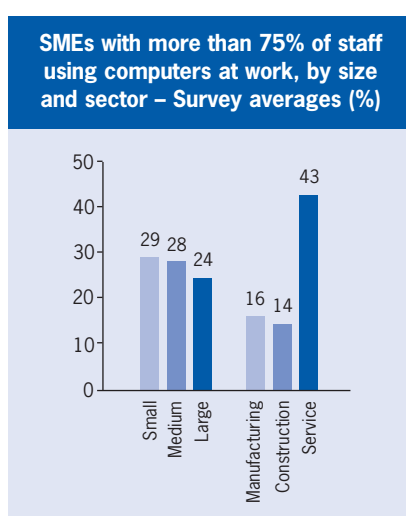
Just under one-third (31 per cent) of European SMEs now have a site on the World Wide Web.

- SMEs in Sweden are the most likely to have a web site, followed by the UK, Denmark and the Netherlands. Portuguese and Greek SMEs are the least likely to have a web site.
- SMEs in Portugal, Luxembourg and France are the most likely not to have plans at all to have a web site.

Q13c – Proportion of staff using computers in work (%)				
	0-25%	26-50%	51-75%	More than 75%
Austria	30	15	11	44
Belgium	43	20	9	27
Finland	34	19	9	37
France	46	18	10	25
Germany	37	20	12	30
Ireland	39	18	10	34
Italy	43	22	11	23
Luxembourg	43	18	12	27
Netherlands	34	18	17	30
Portugal	60	12	5	21
Spain	45	22	11	22
EU (euro) average	41	19	11	28
Denmark	29	16	12	42
Greece	45	19	19	16
Sweden	26	12	14	47
UK	28	15	14	43
EU (non-euro) average	34	16	16	33
EU average	40	19	12	28
Malta	41	9	13	35
Norway	39	15	13	33
Poland	26	21	11	43
Switzerland	34	20	10	36
Turkey	69	13	6	11
Survey average	40	19	12	29

Proportion of staff using computers in work

In 41 per cent of European SMEs, more than half of the staff use computers at work. There is considerable variation in computer usage by industry. Unsurprisingly, SMEs in the service sectors are more likely to have more than 75 per cent of staff using computers, than SMEs in manufacturing or construction. Interestingly small firms were more likely to have more than 75 per cent of staff using computers, than larger firms.



- SMEs in Sweden, Austria, the UK and Poland are the most likely to be computer oriented with the highest proportion with more than 75 per cent of staff using computers.
- SMEs in Turkey and Portugal are by far the most likely to have only between 0-25 staff using computers in work.

Q13d – Satisfaction with the computer safety controls within your business (%)						
	Very satisfied	A little satisfied	Neutral	A little dissatisfied	Very dissatisfied	Balance *
Austria	16	20	53	9	0	27
Belgium	11	37	42	6	2	40
Finland	11	65	17	6	2	68
France	7	60	24	5	1	61
Germany	14	22	51	7	2	28
Ireland	32	23	36	7	1	47
Italy	5	61	14	5	13	48
Luxembourg	10	34	41	5	3	36
Netherlands	7	64	20	8	1	62
Portugal	14	50	17	7	3	54
Spain	16	25	43	11	3	27
EU (euro) average	11	43	33	6	4	43
Denmark	24	52	14	5	3	68
Greece	20	33	40	2	1	50
Sweden	9	65	20	5	0	69
UK	31	23	36	7	1	46
EU (non-euro) average	27	31	33	5	2	51
EU average	14	39	34	6	4	43
Malta	26	24	42	5	1	44
Norway	16	32	40	10	2	36
Poland	23	53	17	8	0	68
Switzerland	13	62	19	4	1	70
Turkey	14	22	38	9	5	22
Survey average	14	40	33	6	4	44

* the difference between those saying "satisfied" and those saying "dissatisfied"

Satisfaction with company computer safety controls

A new question for the 1999 Survey indicates that a slight majority (54 per cent) of SMEs are satisfied with their computer safety controls, and a further third are neutral about the issue.

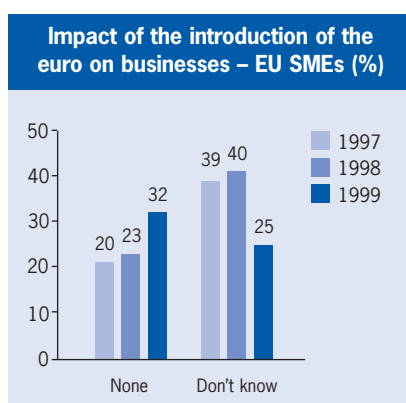
- SMEs in Switzerland, Sweden, Finland and Poland are the most likely to be satisfied with their computer safety controls.
- The highest levels of dissatisfaction with computer safety controls are apparent in Italy, where 18 per cent are dissatisfied, followed by Spain (14 per cent) and Turkey (14 per cent).

Question 14a – Impact of the introduction of the euro (%)						
	Don't know	Very positive	A little positive	None	A little negative	Very negative
Austria	14	7	30	42	6	0
Belgium	11	17	31	32	7	1
Finland	12	16	38	28	5	0
France	20	8	24	35	8	2
Germany	30	2	19	39	9	1
Ireland	19	12	39	17	10	1
Italy	24	2	37	29	6	0
Luxembourg	4	13	39	31	13	0
Netherlands	20	8	26	34	11	2
Portugal	27	11	36	22	3	0
Spain	24	4	42	27	3	0
EU (euro) average	25	5	28	33	7	1
Denmark	24	7	19	44	4	0
Greece	33	25	23	10	6	2
Sweden	30	5	18	40	5	1
UK	20	5	22	36	13	4
EU (non-euro) average	25	12	22	29	9	2
EU average	25	6	27	32	8	1
Malta	49	8	18	21	3	1
Norway	26	3	19	49	3	0
Poland	35	1	27	36	1	1
Switzerland	37	2	17	38	6	1
Turkey	35	1	13	41	6	1
Survey average	26	6	27	33	7	1

Impact of the introduction of the euro

SMEs in the EU seem to be clearer about what they think about the euro than they have been over the past two years: only 25 per cent of EU SMEs say they “don’t know” what the impact of the introduction of the euro will be. Instead there has been a significant rise in those who believe the impact will be broadly neutral (32 per cent).

- There are widely differing opinions across the countries regarding the impact of the introduction of the euro, yet in every country the balance of opinion is positive.



- SMEs in the countries not signed up to the euro tend to be less enthusiastic about the whole project, with Greece providing the notable exception.
- SMEs in Finland are the most positive, on balance, about the introduction of the euro, followed by those in Portugal and Spain.
- SMEs in Germany are the least positive of the euro countries and Turkey and the UK the least positive of the non-euro countries.

Question 14b – Changes to company business strategies to take account of the introduction of the euro (%)		
	Yes	No
Austria	10	89
Belgium	30	68
Finland	37	62
France	16	82
Germany	8	90
Ireland	39	59
Italy	21	76
Luxembourg	48	52
Netherlands	24	76
Portugal	16	81
Spain	24	74
EU (euro) average	17	81
Denmark	8	91
Greece	10	89
Sweden	14	84
UK	19	80
EU (non-euro) average	15	84
EU average	17	82
Malta	4	93
Norway	3	96
Poland	7	92
Switzerland	10	89
Turkey	5	92
Survey average	16	83

Changes to company business strategies to take account of the introduction of the euro

Only 16 per cent of European SMEs have made changes to their business strategy to take account of the introduction of the euro. There are two possible reasons for this. First, some SMEs may be playing a waiting game – they are not yet clear about what the full implications of the euro will be, so they have not yet amended their strategies. Second, other SMEs may believe that company strategies do not actually need to be altered – they expect to take the changes in their stride, and although there will be technical implications, strategies will remain largely unaffected.

- SMEs in Luxembourg, Ireland and Finland are most likely to have made changes to their business strategies.
- SMEs in countries outside the EU: Norway, Malta and Turkey are least likely to have made changes to their business strategies.
- The UK leads the group of non-euro EU countries in changing their business strategies.

Question 14c – Impact of the introduction of the euro on: (% balance*)									
	Interest rates	Payment periods	Domestic trade	Trade with euro countries	Trade with non-euro countries	Employment costs	Purchase prices	Selling prices	Competition in general
Austria	1	0	-1	35	0	12	-23	-22	47
Belgium	-12	-6	-1	37	-5	-1	-14	-10	46
Finland	-11	-2	3	34	0	-1	-14	-3	36
France	-4	-4	1	26	5	4	-10	-10	33
Germany	28	11	-3	29	-2	6	-6	-15	47
Ireland	-61	-5	6	38	-7	38	12	13	44
Italy	-50	-8	-1	32	2	11	-5	-4	40
Luxembourg	3	-2	5	34	6	8	-2	-24	61
Netherlands	18	0	-2	22	-2	9	-6	-7	31
Portugal	-44	-3	1	36	8	40	4	3	34
Spain	-37	-10	4	36	-5	20	4	6	36
EU (euro) average	-10	0	-1	30	0	9	-6	-8	40
Denmark	0	2	-1	21	-2	2	-1	-1	14
Greece	-44	-15	-1	46	-5	33	9	7	56
Sweden	-15	1	2	23	-4	2	-14	-9	30
UK	-24	1	-2	12	2	25	12	-1	24
EU (non-euro) average	-27	-4	-1	25	-1	23	9	2	33
EU average	-13	-1	-1	29	0	12	-3	-6	38
Malta	4	-1	3	24	-2	11	5	4	24
Norway	-12	-2	0	16	-4	4	-6	-1	17
Poland	34	7	3	33	-5	-2	32	29	18
Switzerland	16	7	-1	13	-1	-2	-14	-19	33
Turkey	-9	-2	0	12	0	15	6	-1	25
Survey average	-11	-1	-1	29	-1	11	-2	-6	37

* the difference between those saying "increased" and those saying "decreased" (minus figures indicate a prediction of a decrease)

Impact of the introduction of the euro

Increased competition is expected to be the most significant impact of the introduction of the euro. Unsurprisingly, expectations are slightly stronger within the euro-zone group of countries. An increase in trade with euro countries is the second most important impact. On 1st January 1999 the European Central Bank set a single interest rate for the whole of the euro-zone. SMEs in euro and non-euro countries expected interest rates to fall. These expectations have been borne out.

- Amongst the euro countries, SMEs in Luxembourg are the most certain that competition will increase and Dutch SMEs the least certain. Outside the euro-zone, Greek SMEs are the most certain, with Norway and Denmark the least convinced.
- Countries in the euro-zone tend to be more optimistic regarding an increase trade.
- SMEs in Ireland, Italy, Greece, Portugal, Spain and the UK strongly anticipated a fall in interest rates with the arrival of the euro. On the whole, businesses in non-euro EU countries were more likely to think that interest rates would decrease.
- Most SMEs across Europe accept that, on balance, the introduction of the euro is likely to mean an increase in employment costs. In only four countries: Poland, Switzerland, Belgium and Finland, does the balance of opinion sway towards a decrease in employment costs and two of these countries are outside the EU.

Question 14d – Timescale for the introduction of the euro (%)

	For price lists					For invoices				
	1998	1999	2000	2001	Don't know	1998	1999	2000	2001	Don't know
Austria	3	51	26	12	4	4	57	25	10	2
Belgium	4	43	35	12	5	7	47	27	10	5
Finland	1	36	41	14	7	1	37	42	12	6
France	1	38	33	15	8	3	40	30	12	8
Germany	0	30	33	20	14	1	33	30	16	15
Ireland	3	42	31	11	10	5	44	25	7	12
Italy	1	27	41	11	15	1	33	37	7	15
Luxembourg	6	52	21	12	6	3	58	23	10	3
Netherlands	1	36	30	24	8	1	38	28	19	8
Portugal	2	27	34	14	20	3	34	31	9	19
Spain	3	32	34	13	16	5	37	32	11	15
EU (euro) average	1	30	34	15	17	2	34	31	12	16
Denmark	1	16	6	2	60	2	12	13	2	58
Greece	0	5	19	16	52	0	9	21	16	47
Sweden	0	11	22	8	53	1	15	19	8	51
UK	1	20	8	2	58	2	17	8	2	59
EU (non-euro) average	1	15	11	7	56	1	14	12	6	55
EU average	1	28	30	13	23	2	31	28	11	23
Malta	0	7	10	1	67	0	10	9	1	66
Norway	0	8	8	2	70	0	4	10	1	71
Poland	0	12	8	1	71	0	13	7	3	69
Switzerland	1	22	11	3	50	1	19	14	4	51
Turkey	1	17	20	6	31	3	19	20	6	30
Survey average	1	27	29	13	25	2	29	27	11	25

Question 14d – Timescale for the introduction of the euro (%)

	For payments					For bank accounts				
	1998	1999	2000	2001	Don't know	1998	1999	2000	2001	Don't know
Austria	0	35	35	19	7	0	37	33	17	7
Belgium	3	39	35	15	5	4	41	32	15	6
Finland	1	31	42	17	8	1	33	40	17	8
France	1	32	35	16	10	1	33	35	15	10
Germany	0	27	33	22	16	0	30	31	20	16
Ireland	3	44	30	11	11	3	45	27	10	13
Italy	0	23	43	12	17	1	23	43	11	17
Luxembourg	3	38	30	21	6	6	45	22	16	7
Netherlands	1	36	30	23	9	5	39	28	16	9
Portugal	2	23	32	18	23	2	28	28	16	24
Spain	1	24	35	17	21	2	24	35	15	21
EU (euro) average	1	26	35	17	18	1	27	34	15	19
Denmark	1	22	8	2	56	3	16	11	1	57
Greece	1	6	16	17	50	1	7	14	17	50
Sweden	0	16	21	9	48	0	13	20	7	54
UK	2	21	9	2	55	6	19	7	2	56
EU (non-euro) average	1	16	11	7	54	4	15	9	7	55
EU average	1	24	31	15	24	2	25	30	14	25
Malta	1	10	8	2	65	1	7	6	1	71
Norway	0	11	7	2	66	1	8	7	1	69
Poland	0	12	6	1	72	0	13	3	1	75
Switzerland	1	25	12	6	47	2	29	11	3	44
Turkey	1	15	20	6	32	1	15	21	6	32
Survey average	1	23	30	15	26	2	25	29	13	27

APPENDIX A – ADDITIONAL TABLES

Q1a – Would you describe your enterprise as owner-managed? (%)		
	Yes	No
Austria	91	8
Belgium	70	28
Finland	81	19
France	79	21
Germany	85	15
Ireland	78	22
Italy	92	8
Luxembourg	75	25
Netherlands	63	36
Portugal	94	5
Spain	91	9
EU (euro) average	85	14
Denmark	75	23
Greece	98	2
Sweden	79	20
UK	79	21
EU (non-euro) average	85	15
EU average	85	14
Malta	81	19
Norway	81	17
Poland	60	40
Switzerland	84	16
Turkey	72	23
Survey average	85	15

Q1b – How many people participate in the management? (%)			
	1	2-5	More than 5
Austria	33	66	1
Belgium	20	72	7
Finland	21	73	6
France	22	73	5
Germany	27	69	3
Ireland	6	77	15
Italy	21	75	3
Luxembourg	16	73	11
Netherlands	19	69	11
Portugal	20	76	1
Spain	18	74	7
EU (euro) average	22	72	5
Denmark	19	74	5
Greece	7	85	8
Sweden	14	76	9
UK	2	69	29
EU (non-euro) average	7	74	19
EU average	19	72	8
Malta	13	77	9
Norway	16	77	7
Poland	20	65	14
Switzerland	14	80	5
Turkey	6	75	18
Survey average	19	72	8

Q1c – Would you describe your enterprise as a family business? (%)		
	Yes	No
Austria	58	36
Belgium	61	36
Finland	58	39
France	57	41
Germany	60	39
Ireland	45	53
Italy	55	42
Luxembourg	54	43
Netherlands	38	56
Portugal	57	37
Spain	62	35
EU (euro) average	57	40
Denmark	38	59
Greece	78	20
Sweden	47	50
UK	42	54
EU (non-euro) average	53	44
EU average	56	41
Malta	64	34
Norway	45	52
Poland	18	76
Switzerland	57	41
Turkey	63	31
Survey average	55	42

APPENDIX A continued

Q2a – Type of enterprise (%)					
	Privately owned	Publicly owned	Partnership	Subsidiary	Other
Austria	75	0	24	9	1
Belgium	48	2	33	15	4
Finland	82	2	0	11	5
France	78	1	8	16	1
Germany	75	1	29	8	7
Ireland	79	1	5	14	2
Italy	68	1	21	4	5
Luxembourg	58	0	31	12	4
Netherlands	55	7	6	28	7
Portugal	98	0	0	0	1
Spain	94	0	1	2	1
EU (euro) average	76	2	16	9	4
Denmark	79	2	2	10	9
Greece	89	0	9	2	1
Sweden	77	4	0	20	3
UK	84	3	3	2	8
EU (non-euro) average	85	2	4	3	6
EU average	78	2	14	7	5
Malta	81	1	12	4	2
Norway	75	2	7	11	5
Poland	54	0	19	5	26
Switzerland	76	2	12	9	2
Turkey	23	1	69	1	5
Survey average	77	2	15	7	5

Q2b – Type of shareholders (%)							
	Executives	Private individuals	Public companies	Institutions	Family members	Not applicable	Other
Austria	50	17	6	1	35	6	4
Belgium	14	17	13	4	44	8	9
Finland	36	37	13	5	38	2	9
France	31	20	6	6	50	3	12
Germany	27	31	4	2	38	9	5
Ireland	25	19	6	5	42	6	5
Italy	18	28	11	1	33	2	2
Luxembourg	14	33	7	7	33	0	12
Netherlands	20	12	7	9	24	18	14
Portugal	24	22	5	1	51	2	2
Spain	14	36	9	1	46	0	0
EU (euro) average	27	27	8	3	38	5	5
Denmark	49	15	12	3	12	5	9
Greece	24	18	5	0	69	0	0
Sweden	58	13	14	4	17	2	9
UK	37	34	3	7	39	7	5
EU (non-euro) average	36	26	5	4	43	4	4
EU average	28	27	7	3	40	5	5
Malta	10	22	3	2	57	8	4
Norway	39	27	17	3	27	5	5
Poland	27	39	17	5	10	14	16
Switzerland	50	33	6	2	30	2	3
Turkey	27	18	1	4	60	2	1
Survey average	28	28	7	3	39	5	5

APPENDIX A continued

Q2c – Number of years enterprises have been in operation (%)				
	0-5	6-15	16-25	25+
Austria	1	32	13	53
Belgium	6	26	25	43
Finland	11	37	18	33
France	9	46	16	27
Germany	7	31	13	49
Ireland	9	36	26	28
Italy	6	23	24	46
Luxembourg	3	32	26	37
Netherlands	4	27	14	54
Portugal	7	42	20	28
Spain	14	32	19	35
EU (euro) average	7	31	18	43
Denmark	6	27	21	44
Greece	2	29	29	40
Sweden	5	27	17	49
UK	7	28	23	41
EU (non-euro) average	5	29	24	41
EU average	7	31	19	42
Malta	14	29	22	33
Norway	10	30	16	42
Poland	21	65	1	11
Switzerland	9	21	19	48
Turkey	4	44	25	26
Survey average	7	32	19	41

Q3 – What is your main area of activity?					
	Manufact- uring	Construction	Financial services	Retailing	Other services
Austria	36	3	1	29	29
Belgium	35	9	1	29	25
Finland	32	10	2	28	27
France	32	17	2	31	17
Germany	36	4	1	27	31
Ireland	31	4	1	22	40
Italy	50	13	0	10	24
Luxembourg	10	21	3	38	28
Netherlands	32	19	2	13	34
Portugal	50	7	0	26	14
Spain	37	15	0	25	22
EU (euro) average	39	10	1	23	26
Denmark	21	10	4	22	42
Greece	57	1	0	32	10
Sweden	26	9	1	33	31
UK	28	9	6	9	48
EU (non-euro) average	36	7	4	18	35
EU average	39	9	1	22	27
Malta	35	4	2	22	35
Norway	30	14	2	34	20
Poland	41	17	6	25	11
Switzerland	34	13	0	24	28
Turkey	75	10	1	3	10
Survey average	38	10	1	23	27

APPENDIX A continued

Q4 – What is your turnover at annual rates (including subsidiaries)? (%)						
	£0-1.9m	£2-4.9m	£5-9.9m	£10-24.5m	£25-49.9m	£50m+
Austria	41	45	8	4	1	0
Belgium	36	34	15	10	0	4
Finland	53	30	9	4	0	4
France	44	31	11	8	3	3
Germany	42	32	13	7	3	3
Ireland	43	29	17	7	2	1
Italy	42	34	17	5	1	1
Luxembourg	46	29	14	1	7	4
Netherlands	27	33	18	12	6	4
Portugal	30	14	5	10	0	27
Spain	59	25	8	5	2	0
EU (euro) average	43	31	13	7	2	3
Denmark	43	26	12	7	5	6
Greece	49	22	12	6	1	6
Sweden	32	31	19	8	5	4
UK	25	41	19	10	2	2
EU (non-euro) average	36	33	16	9	2	3
EU average	42	31	13	7	2	3
Malta	73	13	7	2	1	1
Norway	48	26	14	9	1	1
Poland	1	13	16	30	20	13
Switzerland	48	28	13	7	2	2
Turkey	72	10	2	7	2	1
Survey average	43	31	12	7	3	3

Q5a – How many people do you employ (including subsidiaries)? (%)								
	1-10	11-25	26-50	51-100	101-200	201-250	251-500	501+
Austria	20	50	21	5	2	0	1	0
Belgium	19	40	25	7	4	0	1	4
Finland	29	31	21	10	3	0	1	4
France	9	42	31	8	4	1	2	3
Germany	18	40	27	6	4	1	1	3
Ireland	13	48	27	5	4	0	1	2
Italy	15	47	29	6	2	0	0	0
Luxembourg	14	32	35	5	4	0	1	7
Netherlands	9	42	32	6	6	1	1	3
Portugal	18	42	21	8	5	0	3	2
Spain	19	40	29	7	2	1	1	1
EU (euro) average	16	42	28	7	3	1	1	3
Denmark	12	47	20	6	4	2	4	3
Greece	14	45	33	4	2	0	1	0
Sweden	13	42	26	7	4	1	1	5
UK	6	26	49	7	6	1	1	3
EU (non-euro) average	10	36	38	7	5	1	1	2
EU average	15	41	30	6	4	1	1	2
Malta	45	27	19	3	2	0	1	1
Norway	11	53	23	10	2	2	0	0
Poland	2	29	67	0	1	0	0	0
Switzerland	16	50	24	4	3	0	1	2
Turkey	10	33	43	6	3	1	2	2
Survey average	15	41	31	6	4	1	1	2

APPENDIX B – SAMPLE PROFILE

The field work for this Survey was carried out in October 1998. Postal questionnaires in the relevant domestic language were sent out to SMEs in all fifteen EU countries, together with Malta, Norway, Switzerland, Turkey and Poland. Approximately 50,000 questionnaires were dispatched and 7,072 replies received. A copy of the English version of the questionnaire can be found at the beginning of the countries summary section on page 22. SMEs are defined in line with the current EU definition as companies with between 10 and 250 employees.

The average response rate for the 1999 Survey was 14.3 per cent, the highest response rate in any of the years of the Survey. Response rates by country vary considerably. Malta had the highest response rate with 28.4 per cent. The response rates from Finland, Ireland, Sweden and Portugal were also very good.

Breakdown of responses by country (unweighted %) 1999				
	Responses	% of total	Sample	Response
Austria	163	2.3	1,500	10.9
Belgium	254	3.6	2,000	12.7
Finland	272	3.8	1,000	27.2
France	594	8.4	7,000	8.5
Germany	922	13.0	8,000	11.5
Ireland	256	3.6	1,000	25.6
Italy	818	11.6	6,000	13.6
Luxembourg	38	0.5	300	12.7
Netherlands	213	3.0	1,500	14.2
Portugal	151	2.1	750	20.1
Spain	317	4.5	3,000	10.6
EU (euro) average	3,998	56.5	32,050	12.5
Denmark	184	2.6	1,000	18.4
Greece	131	1.9	850	15.4
Sweden	368	5.2	1,500	24.5
UK	1,075	15.2	7,000	15.4
EU (non-euro) average	1,758	24.9	10,350	17.0
EU average	5,756	81.4	42,400	13.6
Malta	218	9.0	750	28.4
Norway	208	2.9	1,500	13.9
Poland	324	4.6	1,700	19.1
Switzerland	263	3.7	1,500	17.5
Turkey	308	4.4	1,700	18.1
Survey average	7,072	100.0	49,550	14.3

Those interested in obtaining the full methodology should contact Sue Palmer at Grant Thornton +44 (0) 171 728 2738, or Bridget Rosewell at Business Strategies +44 (0) 171 630 5959.

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