

“Welcome to the **European Business Survey**, in its ninth year. Building on our knowledge of the attitudes, plans and trends of Europe’s business owners, we explore how, in these...

Grant Thornton 



...more buoyant times, businesses are meeting the challenges of skill shortages, the e-commerce business environment and expansion at home and abroad.

From a mailing of SMEs in 19 countries, resulting in over 5,000 respondents per year, Grant Thornton and Business Strategies Limited have pooled findings to build nine years of trend data, which provides an unrivalled annual barometer of this important sector.

Over the history of the European Business Survey, external agencies, including EU and national government policy-making departments have used the Survey as an important source in their decision making processes.

If you are interested in exploring more detail on the Survey, please contact your nearest partner in Europe, listed at the back of this report, or contact Sue Palmer, International Director of Marketing Communication at Grant Thornton in London on +44 (0)20 7728 2692.”

Ludo Gribling, partner, who along with professional colleagues worldwide, provides business advice to business owners to help them realise their ambitions through the successful management of their business.

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At the beginning of 2001, European Small and Medium Sized Enterprises (SMEs) are more optimistic about the future than they have been since the European Business Survey began.

The continued growth in the world economy, combined with a period of broad economic stability across Europe, provides the backdrop for the over-arching climate of optimism revealed in this year's Survey. Despite predictions about a downturn in prospects over the medium term, the US economy continued to grow strongly and the rest of world also saw further expansion during 2000, even though the US has weakened since. Even the rise in commodity prices, and the oil price in particular, has failed to dent confidence.

This optimistic picture has resulted in more ambitious plans for investment and expansion. Many SMEs are planning to take advantage of the positive business environment by capitalising on the value of their businesses. More businesses are planning to invest, and more to sell up.

SMEs ambitions have also fuelled their desire to expand into foreign markets and develop e-commerce strategies.

With the economic picture strong and employment levels high, skill shortages are now seen as the main constraint on expansion for Europe's SMEs.

Since the current Survey was conducted, in late 2000, the underlying economic situation has probably weakened and it remains to be seen how well these plans can be brought to fruition.

The first part of this report presents an overview of the findings of the 2001 European Business Survey. It focuses this year on some of the issues raised above. The second part of the report provides a summary of how the results vary from country to country and in EU, euro-zone and non-EU groupings, looking at each question in turn. The appendices provides a brief overview of the ownership and management profile of respondents, together with an outline of how the Survey is carried out.

Key findings from the European Business Survey 2001

1 Business expectations – a climate of optimism

- European SMEs are more optimistic than in any previous European Business Survey
 - However, price rises are now anticipated over the coming year
 - Confidence in future turnover and profits is also encouraging increased expectations of investment – in everything from training to new buildings
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2 Planning for the future – confidence breeds ambition

- Business plans for the coming year are more ambitious than ever before in the EBS
 - Almost two-thirds of European SMEs expect to develop new markets, with joint ventures and acquisitions significantly more popular
 - Finances seem to be largely in place to support these plans, whilst more firms expect a change of ownership than last year, particularly through trade sales
-

3 Exporting – the desire to expand

- Optimism about exports is now at its highest level since 1996
 - The proportion of exporting SMEs has increased, with exports increasing to all parts of the world
 - The desire to expand is the driving force behind the decision whether or not to export, followed by limitations of the home market and unsolicited demand
-

4 E-commerce – reaching new markets

- 45 per cent of EU SMEs now have an e-commerce strategy in place
 - SMEs in Ireland, the UK and Austria are most likely to have an e-commerce strategy, with SMEs in Poland, Italy and Belgium the least likely
 - The main reason for businesses to develop an e-commerce strategy is reaching new markets and customers. Other major reasons cited include keeping up with competitors, being associated with new technology and efficiency
-

5 Skill shortages – constraining SME growth

- Skill shortages have become a key problem for SMEs across the whole of Europe - and is now the primary short-term constraint upon the expansion of European SMEs
 - SMEs in Ireland, Portugal and Greece are experiencing the worst skill shortages
 - Skill shortages are most apparent amongst technical/production staff and IT/e-commerce staff
-

6 Market analysis and planning for growth

- Past experience is the primary means used by companies to assess their market place
 - Just over half carry out some monitoring of their competitors
 - Formal business planning amongst SMEs varies between countries surveyed, proving more prevalent in Poland, Sweden and Ireland
-

Overview of findings

1 Business expectations – a climate of optimism

Key findings

- European SMEs are more optimistic than in any previous European Business Survey (since 1993)
- However, price rises are now anticipated over the coming year
- Confidence in future turnover and profits is also encouraging increased expectations of investment – in everything from training to new building

European SMEs are highly optimistic about 2001...

The strength and relative stability of most European economies through the year 2000, provides the backdrop for the air of confidence and optimism that emerges from the results of the 2001 European Business Survey.

The euro has begun to bed down and the expectation of policy loosening in the wake of its introduction, has contributed to rising optimism. In addition, the weak currency has helped exporters in the euro-zone. The optimism, however, is a more general phenomenon in countries outside this area and has not been dented by rising fuel prices. In the nine years of the Survey, European SMEs have never been so optimistic. Amongst the 10 indicators of optimism for the coming year included in the Survey (ranging from turnover to advertising), all are at an all time high apart from exports and selling prices.

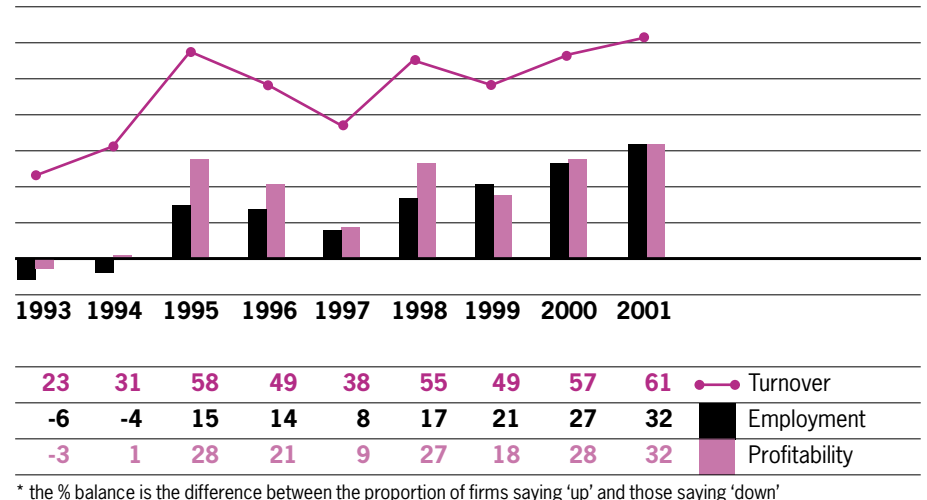
As can be seen in figure 1, the key indicators of turnover, employment and profitability have exceeded all previous years. The optimism is a continuation of the trend apparent in last year's Survey, a

growing financial confidence that clearly proved to be justified. The improvement is just as marked for non-euro as euro countries. The employment balance, in particular, has seen consistent growth over four consecutive years and over the nine years of data we can build up a clear picture of the growth in optimism following the upward arc of an economic cycle.

A growth in confidence is apparent in the majority of the European countries surveyed. In Spain and Portugal, SMEs are less optimistic about turnover growth than last year, having

become over confident perhaps in response to the introduction of the euro. In Poland too, SMEs have become less optimistic, as the hard realities of restructuring continue to hit home. Polish SMEs even predict that employment levels will fall next year. Germany once again is the least optimistic country in terms of turnover, as it continues to deal with restructuring issues in the former East Germany. Greece, Sweden and Ireland emerge as the most optimistic, continuing the positive outlook that was evident in these countries last year.

Figure 1 – Business expectations of SMEs (EU % balance*)



* the % balance is the difference between the proportion of firms saying 'up' and those saying 'down'

...though price rises are anticipated.

A significant balance of European SMEs expects selling prices to increase over the coming year, with a sharp increase compared to the previous four years. This dramatic development is illustrated clearly in figure 2. It provides one of the contributory reasons for the anticipated growth in turnover over the coming year. However, in other respects it is a rather surprising result. Rising prices imply pressure on inflation, a trend which is not yet apparent across European economies.

Ireland, the Netherlands and Scandinavian countries anticipate the highest price rises, with Austria and Germany the lowest. However, SMEs in Germany have completely changed their views, as have those in France and Italy. The balance of German SMEs has swung from -15 to +8, France from 0 to 24, and Italy from 11 to 30. This suggests that these key countries, all in the euro-zone, have changed their perception of how prices are under pressure, whereas the UK balance remains almost constant.

SMEs expect to invest more...

The confidence in future turnover and profits is also stimulating optimism about investment. Figure 3 shows that a very clear pattern is evident across Europe. SMEs have developed much stronger intentions with regard to investment in new buildings, plant and equipment and in research and development (R&D) than at any other time in the Survey's history.

For the second year in a row Germany, Austria and Finland provide the main exceptions to the rule, with significantly less confidence in

Figure 2 – Selling price expectations of SMEs (EU % balances*)

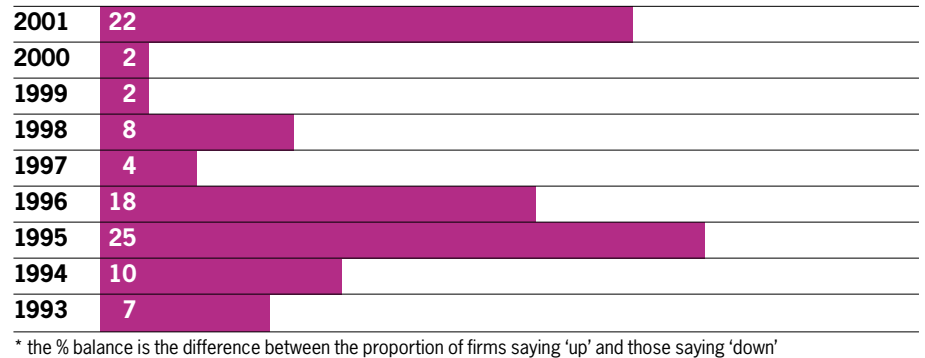
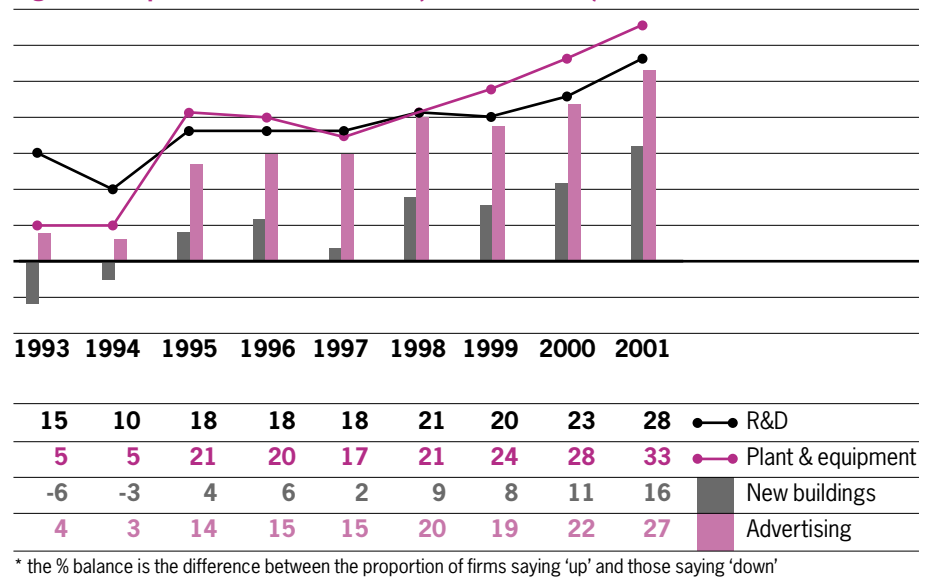


Figure 3 – Expectations for investment (EU % balances*)



investment growth. SMEs in Finland even anticipate declining investment in new buildings for the coming year.

...even in advertising.

European SMEs anticipate that advertising budgets will increase this year. The EU advertising balance in 2001 is 27 per cent, an increase from 22 per cent in 2000. Back in the 1994 Survey the balance was only 3 per cent. SMEs in

Poland and Greece are particularly certain that their advertising will increase over the coming year. With a climate of optimism reflected even in an expected increase in advertising, the next chapter looks at what impact this has had upon the plans of European SMEs.

2 Planning for the future – confidence breeds ambition

Key findings

- Business plans for the coming year are more ambitious than ever before in the EBS
- Almost two-thirds of European SMEs expect to develop new markets, with joint ventures and acquisitions significantly more popular
- Finances seem to be largely in place to support these plans, whilst more firms expect a change of ownership than last year, particularly through trade sales

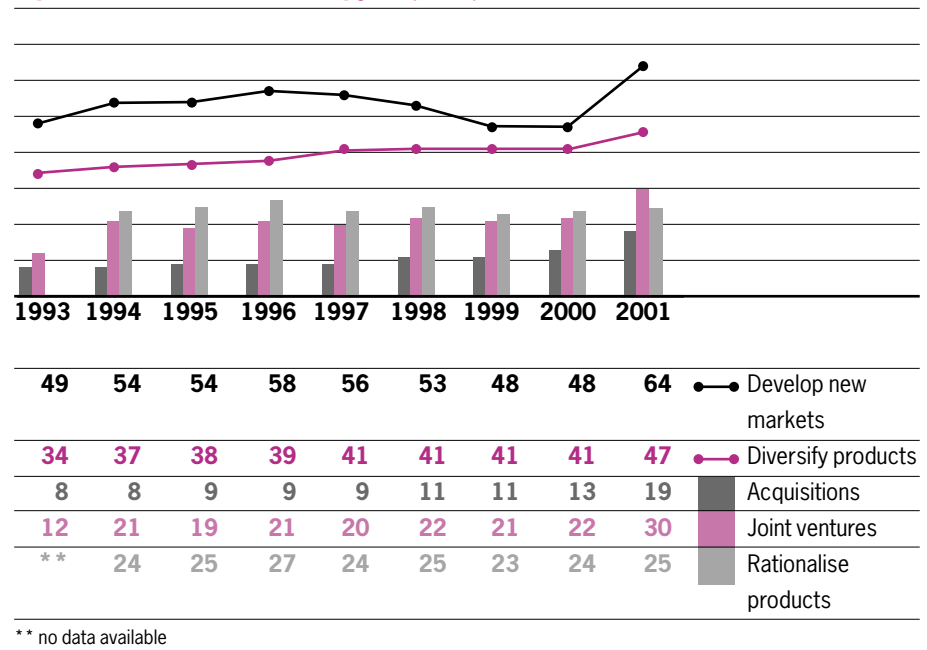
Expansion plans are ambitious...

Perhaps the most significant result of the greater confidence in company performance and future investment, is that SMEs appear to be becoming significantly more ambitious in their expansion plans. Last year, the apparent increase in optimism was not reflected in business plans. This year, however, as can be seen in figure 4, SMEs are showing less caution.

...with most SMEs developing new markets.

The most obvious change is the dramatic increase in companies seeking to develop new markets, something that almost two-thirds of companies anticipate doing over the coming year. This theme will be explored further in section 3. Also worth noting is the increased expectation of expansion through involvement with other companies. The proportion of SMEs expecting to acquire new companies has risen from 13 per cent in 2000 to 19 per cent this year, whilst those anticipating involvement in joint ventures or strategic alliances is up from 22 per cent to 30 per cent. Acquiring new companies is a popular

Figure 4 – Plans over the coming year (EU %)



plan in Greece, France, the Netherlands and Norway, whilst joint ventures or strategic alliances is frequently cited in Luxembourg, Turkey, Greece and the Netherlands. We can expect SMEs across Europe to be much more ambitious in 2001. Only SMEs in Belgium are less likely to anticipate developing new markets than last year.

Funding for plans is largely in place...

We have asked SMEs every few years about sources of finance and whether they are adequate to support plans for the business over the next three years. This year, almost two-thirds of SMEs in the EU (65 per cent) claim that current finance sources are sufficient for this purpose.

...with overdrafts the most common source of funds.

Overdrafts have been consistently the most common source of external funds for SMEs, closely followed by loans. However, as seen in figure 5, companies making use of both overdrafts and loans has declined a little since 1994. This year's Survey reveals that leasing or hire purchase has become more frequently used over the past three years, as has factoring. External equity has declined in importance, and along with grants or awards, represents a relatively minor source of funding.

A consequence of the increased confidence that lending institutions have in the economic situation is a shift in emphasis from shorter term loans (less than three years) to longer term (over five years). As can be seen in figure 6 the proportion of firms receiving a loan for less than 3 years has fallen from 16 per cent in 1996 to 13 per cent in 2001. In contrast 17 per cent of SMEs made use of a loan of over 5 years in 1996 compared to 19 per cent in 2001.

More firms expect ownership to change...

Whilst the funding situation is more secure, companies are clearly anticipating a more fluid situation this year in relation to company ownership. In last year's Survey 43 per cent of SMEs anticipated a change in company ownership, a proportion that has remained broadly stable since 1998. This has now risen to 50 per cent across the whole of Europe, a significant development, and a product of the strong economic situation.

Figure 5 – Sources of external funding (EU %)

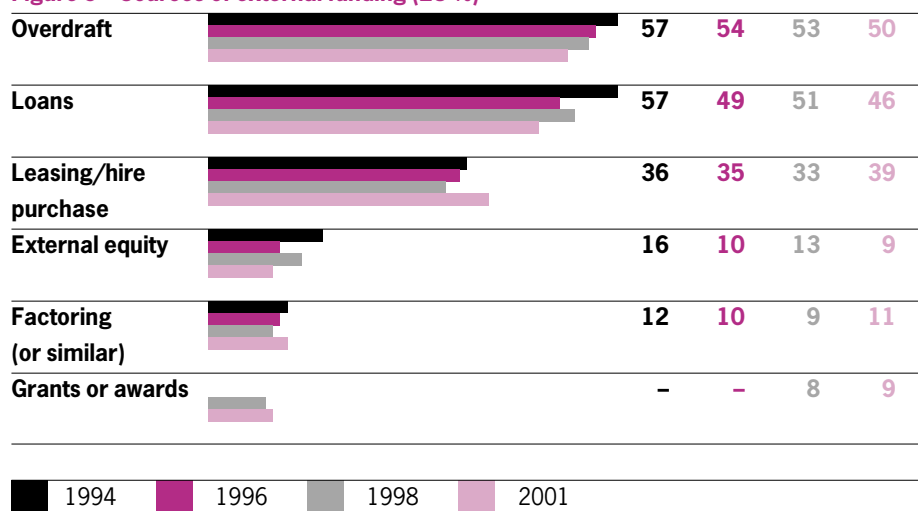
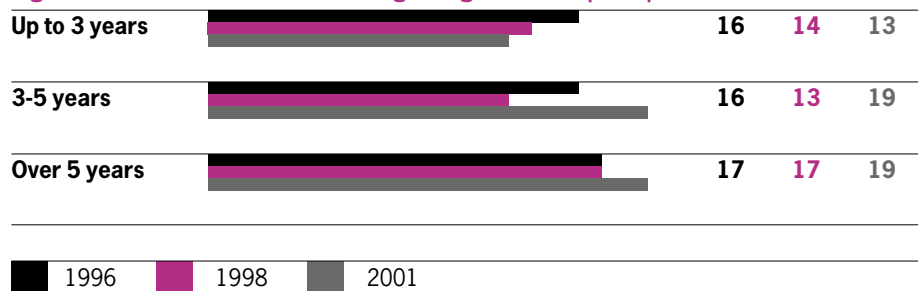


Figure 6 – Sources of external funding – length of loans (EU %)







As figure 7 shows, one type of change is driving this trend, and that is the trade sale, possibly reflecting SMEs' increased confidence in the value of their businesses. Indeed across the EU the trade sale has now become the most popular form of ownership change, overtaking passing the business on to the next generation of the family.

...with family businesses in decline.

It would seem that with the strong economic situation, business owners are more likely to want to cash in on their company than to retire from the business by passing it on to a new generation. Indeed, this seems to be part of a wider cultural change taking place within Europe. Although there has been no change this year in the proportion of SMEs anticipating passing on the business to the next generation of the family, over the past four years the proportion has declined significantly. Big changes, in particular, are taking place in Ireland and Greece, where we have seen a substantial fall in the proportion of SMEs anticipating passing the business on within the family.

The pattern of decline in the popularity of passing the business on to the next generation may reflect widening opportunities available to offspring, combined with a more open market in trade sales. Greater mobility has probably hastened children's choice to move into new areas of work and there is less pressure on them to enter the family business if its value can readily be realised.

Figure 7 – Anticipated changes in company ownership (EU %*)

Trade sale		29	28	29	35
Pass on to next generation		40	38	31	31
Bring in private equity investors		17	18	20	17
					
	* % of those not expecting an ownership change				

3 Exporting – the desire to expand

Key findings

- Optimism about exports is now at its highest level since 1996
- The proportion of exporting SMEs has increased, with exports increasing to all parts of the world
- The desire to expand is the driving force behind the decision whether or not to export, followed by limitations of the home market and unsolicited demand

Optimism about exports has recovered...

In the 1999 Survey exporters were adversely affected by fluctuations in exchange rates and considerable financial turbulence, particularly in the Asia/Pacific countries and Eastern Europe/Russia. Since 1999, as can be seen in figure 8, export expectations across the EU have recovered significantly. The rise in expectations clearly reflects a general optimism rather than a specific euro effect and is therefore the result of continued worldwide growth. This optimism is shared by all countries in the Survey, with the exception of the UK, where exchange rates are a particular problem.

This does not yet represent a full recovery in confidence in exports. Export expectations is the one indicator of business optimism that is not at a maximum in this year's Survey.

...with more SMEs exporting...

There has been a rise in the proportion of SMEs involved in exporting. As can be seen in figure 9, last year 45 per cent were involved in exports. In 2001 that proportion has risen to 50 per cent, indicating a broad recovery of confidence in export markets, after the instability of the late 1990s. Though again in 1996 and 1997 the figure was higher at 54 per cent.

Figure 8 – Export expectations (EU % balances *)

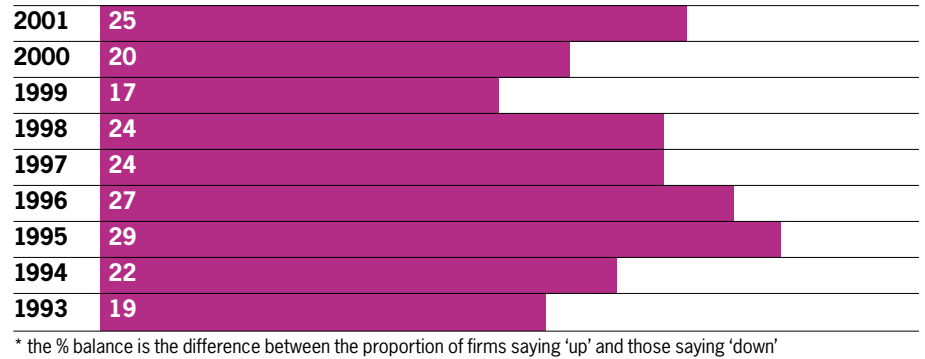
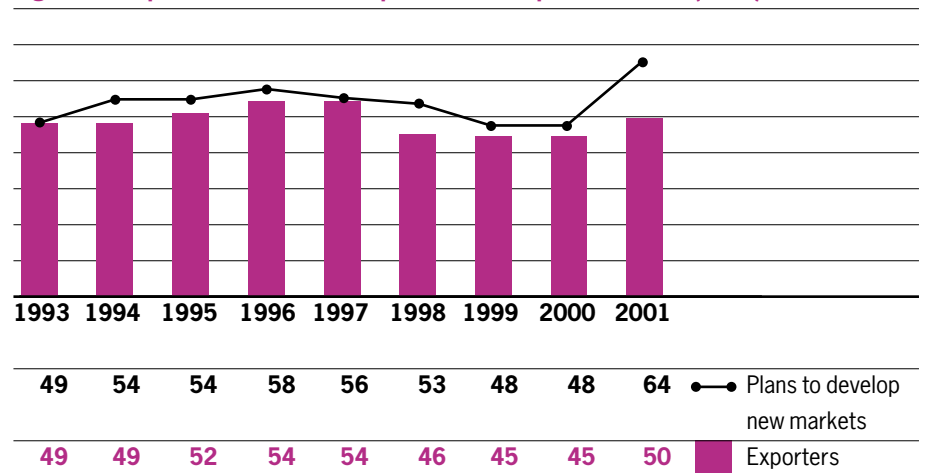


Figure 9 – Exporters and firms with plans to develop new markets (EU %)



Looking at country-by-country analysis of the export data (see figure 10) we can see wide variation in the proportion of SMEs which export. In Turkey over two-thirds of SMEs are involved in export, in Norway the proportion is one-third. In general, larger countries are less likely to be heavily export oriented: their domestic markets are bigger. Norway is the most obvious exception to this, where the oil industry has for a long time meant an overvalued exchange rate which discouraged other exports. Clearly countries such as Turkey and Greece have also focused directly on export business as a way of producing growth in otherwise relatively undeveloped economies.

...and more firms planning to develop new markets.

The recovery of confidence is also reflected in the significant increase in the proportion of companies with plans to develop new markets. As discussed in the previous chapter, this has increased dramatically, with almost two-thirds of SMEs planning to develop new markets over the coming year. This represents the most expansionist outlook in the nine years of the Survey.

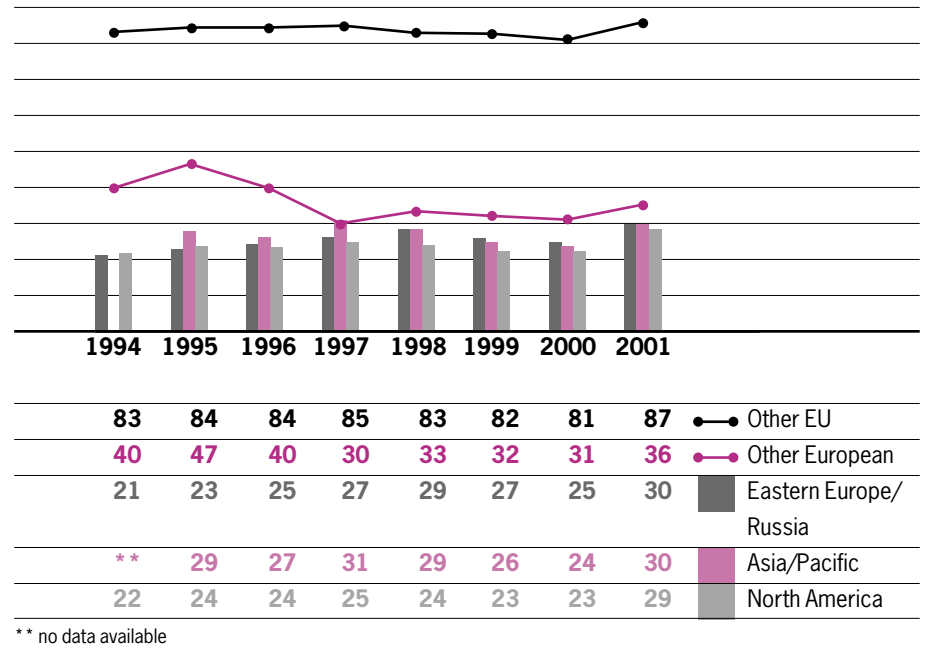
Exports are increasing to all parts of the world.

So where are these new markets likely to be? If we look at figure 11 we can see that whilst exports are increasing to all the regions of the world listed, the balance of destinations of exports is not changing in any significant way.

Figure 10 – SMEs which export

60% and over	50-59%	40-49%	Less than 40%
69 Turkey	59 Luxembourg	49 France	33 Norway
66 Austria	58 Belgium	49 Sweden	
63 Greece	57 Poland	49 United Kingdom	
	57 Finland	46 Portugal	
	55 Netherlands	45 Switzerland	
	55 Denmark	42 Germany	
	54 Ireland	41 Spain	
	52 Italy		

Figure 11 – Destination of exports (% of EU exporters)



The main destination of exports is within the EU. Even intra-EU trade has increased significantly, with the proportion of EU exporters exporting to other EU countries rising from 81 per cent in 2000 to 87 per cent in 2001.

The decision to expand drives the decision to export...

The desire to expand the business was by far the most frequently cited positive factor. Figure 12 indicates that 39 per cent cited the desire to expand, the other two most important factors being the limited size of the home market and unsolicited demand.

Interestingly, factors that might help to explain the revival in interest in exporting, such as the introduction of the euro, more stable exchange rates and the growth of the internet/e-commerce, are not considered important by many respondents.

...whilst fear of non-payment is the main reason not to export.

A far less clear picture emerges from the factors affecting the decision not to export (see figure 13). Each of the 11 factors listed were considered important by 10 per cent or more of respondents to this question. Fear of non-payment was regarded as the most important factor, but only by 18 per cent, followed by the cost of transport and bureaucracy.

Exporters tend to do better.

Figure 14 shows that in the 2001 Survey a balance of 69 per cent of exporting SMEs in the EU expect turnover to increase compared to 50 per cent of non-exporters. In addition, exporters have grown more confident since 2000, whilst non-exporters have become less confident.

The simple implication is that exporters are doing better. However, it must also be pointed out that exporting SMEs tend to be the larger, more mature SMEs. They are more likely to have survived the early, difficult years of being a small business, possibly providing an explanation as to why they might be doing better financially.

Figure 12 – Factors affecting decision to export (Survey %)

Desire to expand business	39
Limited size of home market	29
Unsolicited demand	22
Increased domestic competition	16
Other	11
The Single European Market	9
Competitor's export success	6
The Internet/e-commerce	5
Exchange rates	4
The introduction of the euro	3
Help from government agencies	2

Figure 13 – Factors affecting decision not to export (Survey %)

Fear of non-payment	18
Cost of transport	17
Bureaucracy	15
Unsuitability of product	12
Adequate domestic demand	12
Tariffs or other trade barriers	12
Other	12
Setting up cost	12
No help from government agencies	11
Language barrier	10
Exchange rates	10

Figure 14 – Turnover expectations for exporters and non-exporters (EU % balance*)

Exporters	69	65
Non-exporters	50	52

2001 2000

* the % balance is the difference between the proportion of firms saying 'up' and those saying 'down'

4 E-commerce – reaching new markets

Key findings

- 45 per cent of EU SMEs now have an e-commerce strategy in place
- SMEs in Ireland, the UK and Austria are most likely to have an e-commerce strategy, with SMEs in Poland, Italy and Belgium the least likely
- The main reason for businesses to develop an e-commerce strategy is reaching new markets and customers. Other major reasons cited include keeping up with competitors, being associated with new technology and efficiency

E-commerce has become part of company strategic thinking...

SMEs are certainly not being left behind in the e-commerce revolution. Indeed, last year's Survey showed that the vast majority of European SMEs are making use of the internet and e-mail and that changing information and communications technology has become the most important issue for Europe's SMEs as they enter the 21st century.

This year's survey focused on the extent to which e-commerce is now entering into company strategic thinking. The results show that approaching half (45 per cent) of European SMEs now have an e-commerce strategy.

...with Irish SMEs leading the way.

SMEs in Ireland are the most likely to have an e-commerce strategy – 63 per cent have one in place, with firms in the UK and Austria not far behind. Figure 15 shows that there is considerable variation between countries having an e-commerce strategy. Polish SMEs are the least likely to have an e-commerce strategy. This is less to do with the extent to which they are making use of the internet, evident from the last year's Survey results, and more to do with whether they are embracing e-commerce within their strategic thinking.

Figure 15 – SMEs with an e-commerce strategy (%)

50% and over	40-49%	30-39%	Less than 29%
63 Ireland	49 Germany	39 Sweden	29 Italy
59 United Kingdom	46 Switzerland	38 Finland	17 Poland
56 Austria	45 Spain	36 Turkey	
	43 France	33 Luxembourg	
	43 Greece	33 Portugal	
	42 Denmark	31 Belgium	
	41 Netherlands		
	40 Norway		

The desire to reach new markets is the driving force...

The 2001 EBS also sought to find out what factors either encouraged or discouraged businesses in developing an e-commerce strategy. As figure 16 indicates reaching new markets/customers is the prime factor encouraging SMEs to develop an e-commerce strategy. This suggests that e-commerce is being strongly viewed as providing an opportunity for business growth. The other important reasons cited are “keeping up with competitors”, “being associated with new technology” and “efficiency”.

...whilst no one single factor discourages the formation of an e-commerce strategy.

On the other hand there was no one strong single reason for companies not developing an e-commerce strategy. It is clear that SMEs are not being put off unduly by concerns about security, a shortage of skills, or by a lack of evidence regarding the effectiveness of e-commerce.

Instead “uncertainty about the size of their customer base” and inappropriate products/service were the most frequently cited reasons for being discouraged from developing an e-commerce strategy. Figure 17 shows that at least one in five, but less than one in three cited the following reasons for being discouraged: “security fears”, “insufficient market research about the effectiveness of e-commerce”, “a shortage of relevant skills” or “cost implications”.

Figure 16 – Main issues which encourage businesses to develop an e-commerce strategy (Survey %)

Reaching new markets/customers	63
Keeping up with competitors	40
Being associated with new technology	36
Efficiency	33
Speed of delivery/payment	18
Costs of purchasing	7
Press/media coverage	7
Costs of delivery	6
The euro	3

Figure 17 – Main issues which discourage businesses to develop an e-commerce strategy (Survey %)

Uncertainty about size of customer base	37
Inappropriate products/service	35
Insufficient market research	29
Security fears	29
Shortage of relevant skills	25
Cost implications	20
Currency/exchange rate issues	4
Press/media comment	2

Uncertainty about the size of the customer base is the most important constraint for most countries. However, in Portugal and Spain SMEs are most concerned about security. SMEs in Portugal, along with those in Ireland and the UK, also rank insufficient market research as the most significant issue, whilst those in Luxembourg, the Netherlands and Denmark are most worried by having inappropriate products or services.

E-banking is most prevalent in Finland.

The Survey reveals clear evidence of considerable country-by-country variation in the use being made of e-banking facilities by SMEs across Europe. As can be seen in figure 18, in countries such as Finland and the Netherlands almost every business has switched to using e-banking. On the other hand in France and Greece less than a quarter have made the transition. Across the EU an average of 58 per cent of businesses are using e-banking.

It is interesting to compare the rather different country-by-country picture that emerges if we compare the pattern of SMEs with an e-commerce strategy with those using e-banking. There appears to be little correlation between the two. The reasons for the country variations are a combination of the extent to which a country's banks have developed and marketed the use of e-banking and the extent to which SMEs have chosen to move away from more traditional methods of banking and adopt the new technology.

Figure 18 – SMEs using e-banking facilities (%)

80% and over	60-79%	40-59%	20%-39%
96 Finland	79 Denmark	59 Luxembourg	39 Turkey
91 Netherlands	76 Spain	57 Italy	24 France
82 Austria	73 Germany	53 Ireland	21 Greece
81 Belgium	65 Norway	49 Portugal	
	64 Poland	48 Sweden	
	62 Switzerland	45 United Kingdom	

5 Skill shortages – constraining SME growth

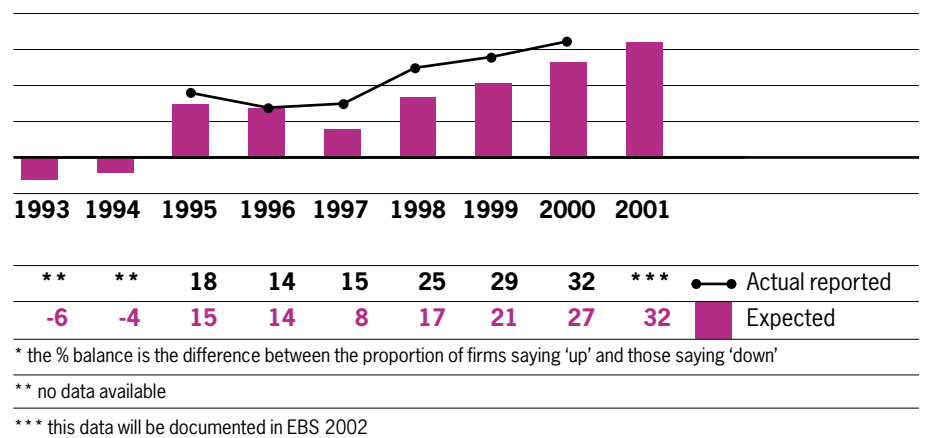
Key findings

- Skill shortages have become a key problem for SMEs across the whole of Europe – and is now the primary short-term constraint upon the expansion of European SMEs
- SMEs in Ireland, Portugal and Greece are experiencing the worst skill shortages
- Skill shortages are most apparent amongst technical/production staff and IT/e-commerce staff

Employment growth gets even stronger...

European SMEs are more optimistic about employment levels than at any point since the beginning of the EBS nine years ago. Figure 19 shows that a balance of 32 per cent of EU SMEs expect employment to grow over the coming year, compared to 27 per cent in last year's survey. Since the 1996 Survey respondents have also been asked to report what actually happened with regard to employment in their firm over the past year. The results have always shown how SMEs exercise caution when predicting future levels of employment. The actual levels reported for the previous year have almost always shown greater growth. Reported employment growth for 2000 shows no exception to this trend. The question is, will the steep increase in expected growth be matched by reality in 2001?

Figure 19 – Expected and reported employment changes (EU % balance)*

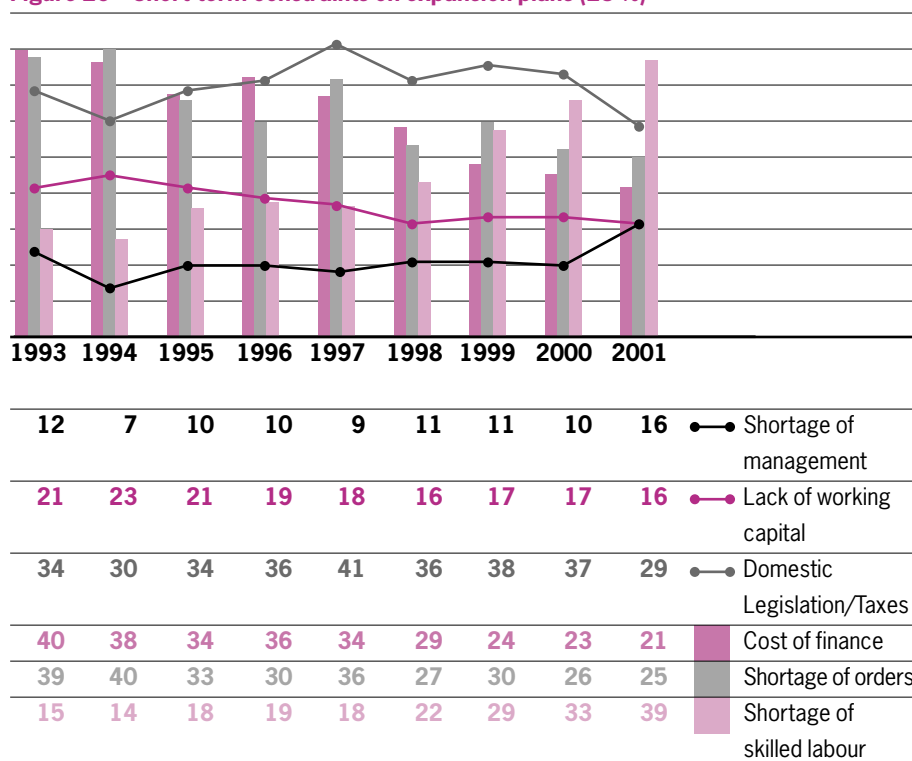


...so skill shortages are constraining expansion plans...

With employment levels around Europe at their highest since the EBS began, skills issues have come increasingly to the fore amongst European SMEs. Indeed, the 2001 EBS indicates that a shortage of skilled labour has now become the primary short-term constraint upon the business expansion plans of SMEs.

Across the EU, 39 per cent of SMEs cite a shortage of skilled labour as a constraint on their ability to expand. This represents a significant increase on last year's figure of 33 per cent, and on the lowest figure of 14 per cent in 1994. If we look at what has happened to the other short-term constraints upon expansion (see figure 20), we can see that they are mostly considered less important in this year's Survey. Domestic legislation/taxes, which was considered the most important short-term constraint last year by EU SMEs, was cited by only 29 per cent, compared to 37 per cent in the 2000 Survey. A shortage of orders, which will represent the most important constraint in lean economic times, is cited by only a quarter of SMEs. The cost of finance, a particular problem when interest rates are high, is cited by only 21 per cent, reflecting the low rates of interest and general economic stability apparent in Europe.

Figure 20 – Short-term constraints on expansion plans (EU %)



...as well as a shortage of management.

The only other growing constraint on expansion plans is a shortage of management. In the current Survey, 16 per cent of firms cited a shortage of management as a short-term constraint on expansion, compared to 10 per cent in the 2000 Survey. This is essentially a different aspect of the same problem. Amongst the skill shortages companies are experiencing, a shortage of

management is a part (though not the most significant part) of the problem. We take another look at this issue later in this section.

The worst shortages are in Ireland...

So where in Europe are these skill shortages most apparent? Well, across the EU as a whole 56 per cent of SMEs say that they have a skill shortage. The country-by-country data reveals that a shortage of skills is a significant problem in every European country surveyed, though as we can see in figure 21 there are considerable variations in the proportion affected. The worst skill shortages are being experienced by SMEs in the smaller, faster-growing economies, Ireland, Portugal and Greece, by over 70 per cent of SMEs.

...and amongst technical/production staff.

The 2001 Survey also asked firms what type of staff are most affected by skill shortages. The clear answer is that skill shortages are most apparent among technical/production staff. However, figure 22 shows that serious skill shortages are also evident among IT/e-commerce and sales staff. Management and administrative staff are considered less important as

Figure 21 – Experiencing a skill shortage (Survey %)

70% and over	55-69%	45-54%	Less than 44%
75 Ireland	67 Spain	52 Switzerland	39 Denmark
74 Portugal	61 Netherlands	52 Italy	35 Finland
71 Greece	58 Belgium	51 Turkey	30 Luxembourg
	58 United Kingdom	51 Sweden	
	58 Austria	46 France	
	55 Germany	46 Norway	
	55 Poland		

Figure 22 – Areas of skill shortage (Survey %*)

Technical/production	47
IT/commerce	35
Sales	32
Business management	13
Financial management	10

* % of those experiencing a skill shortage

It is an interesting point of note that skill shortages are stronger amongst core staff involved in production or technical areas rather than amongst staff required for expansion of a business, such as IT or sales. Management and administrative staff are considered less important as

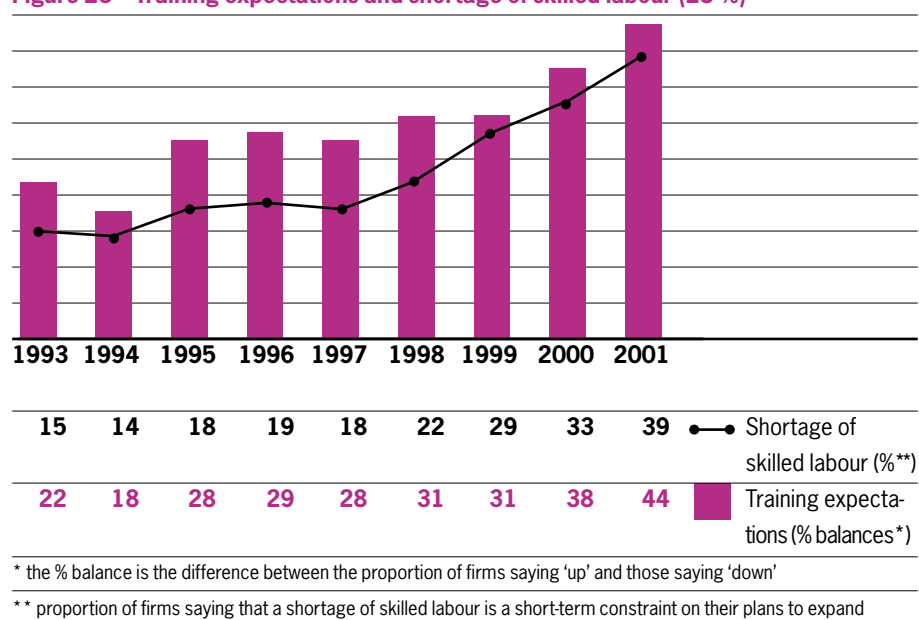
areas of skill shortage, but taken in conjunction with the result that a shortage of management is considered a constraint upon business expansion, there is clearly a skills issue amongst management as well.

Training plans are increasing.

With the continuing rise in skill shortages, SMEs are stepping up their intentions to invest in training, to the highest level ever recorded in EBS. A balance of 44 per cent of EU SMEs expect training to increase over the coming year, compared to a figure of 38 per cent last year and 31 per cent in the 1999 Survey (see figure 23).

To meet their high skill shortfall, Irish SMEs are most likely to increase training (a balance of 66 per cent). There must be some concern, however, about whether all SMEs are taking the problems of skill shortages seriously enough. In particular, SMEs in three of the larger European economies are least optimistic about increasing their investment in training: UK (32 per cent), Germany (36 per cent) and France (38 per cent). In these countries relatively high proportions – 58 per cent of UK SMEs, 55 per cent of German SMEs and 46 per cent of French SMEs – are experiencing skill shortages.

Figure 23 – Training expectations and shortage of skilled labour (EU %)



6 Market analysis and planning for growth

Key findings

- Past experience is the primary means used by companies to assess their market place
- Just over half carry out some monitoring of their competitors
- Formal business planning amongst SMEs varies between countries surveyed, proving more prevalent in Poland, Sweden and Ireland

Past experience is the primary means used to assess the market place.

A particular focus for the 9th European Business Survey was the way in which market analysis and business planning take place. It sought to find out how companies assess their marketplace, whether they prepare formal business plans and if so, how they review or assess their own plans.

The chief result is perhaps unsurprising, but nonetheless interesting, that largely informal methods are used by SMEs to assess their market place. Almost three-quarters of firms base their assessment of the market place largely on past experience, in many cases in combination with other means of assessment. Just over half say that they carry out some form of monitoring of their competitors. The results can be seen in figure 24.

Amongst the more formal approaches, 27 per cent claim to use market research and 13 per cent, slightly more than one in eight, use independent consultants or advisors.

Figure 24 – Means of assessing the market place (Survey %)

Based on past experience	72
Monitoring competitors	52
From market research	27
From trade associations	25
Subscriptions to reports	16
From consultancy/advisors	13

Figure 25 – Preparing a formal business plan (Survey %)

70% and over	60-69%	50-59%	Less than 49%
77 Poland	66 United Kingdom	59 Greece	49 Turkey
73 Sweden	66 Denmark	59 Finland	48 Belgium
71 Ireland	65 Norway	56 Italy	46 Portugal
	63 Austria	53 Germany	44 Spain
	63 Netherlands		41 France
	60 Switzerland		33 Luxembourg

Most SMEs prepare a formal business plan...

As far as formal business planning is concerned, 58 per cent of SMEs surveyed say that they prepare a formal business plan. As can be seen in figure 25 there is some variation between countries, with SMEs in Poland, Sweden and Ireland the most likely to draw up a formal business plan.

...and a slight majority review the plan's performance.

Of those who have prepared a formal business plan, just over half review that plan's performance. As can be seen in figure 26, only a slightly smaller proportion discuss the plan with consultants or advisors, but only 37 per cent carry out any assessment of the risk of any plans.

Having undergone a formal planning process it is perhaps surprising that only just over half of European SMEs go on to review that process, so that they can potentially learn lessons for the following year.

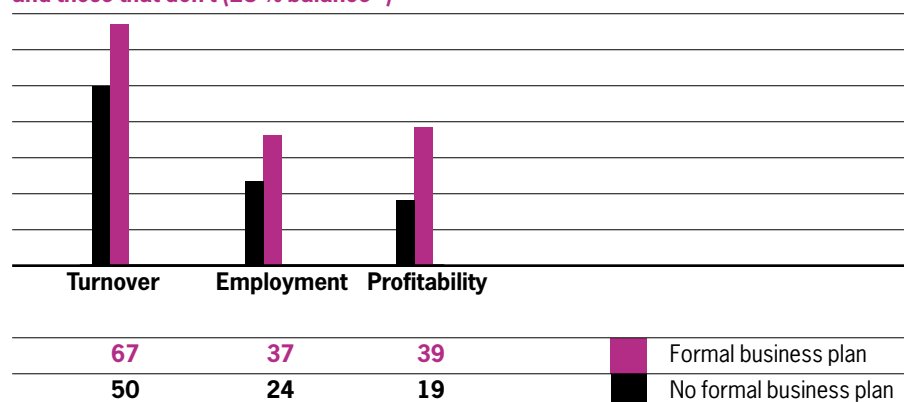
Do formal business planners do better?

As was discovered in relation to SMEs that export, companies that prepare formal business plans tend to have higher expectations than those that don't. In the 2001 Survey a balance of 67 per cent of EU SMEs that prepare a formal business plan expect turnover to increase, compared to 50 per cent of those that don't. We could deduce that this is something to do with the fact that they prepare formal business plans. However, once again SMEs that prepare formal business plans are more likely to be the larger, more mature SMEs. It could well be the case that these factors are rather more important than the formality of the business planning that a company prepares.

Figure 26 – Reviewing the formal business plan (Survey %)

Reviewed your plan's performance	53
Discussed plan with consultants/advisors	45
Assessed the risk of any plans	37

Figure 27 – Business expectations of those that prepare formal business plans and those that don't (EU % balance *)



* the % balance is the difference between the proportion of firms saying 'up' and those saying 'down'

Countries summary: Introduction

This part of the report presents the detailed survey statistics of each country which participated in the European Business Survey. Including a table for each question referred to earlier in the report, the results also provide four sets of average statistics for SMEs in:

- EU countries which have adopted the euro, ie in the euro-zone

- EU countries outside the euro-zone
- All EU countries
- All participating countries

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

appear in order of the questions as they appear in the questionnaire. Each table is accompanied by a short commentary that highlights the key points. These should be read in conjunction with the overall analysis presented in the first half of the report.

2001 Questionnaire

This is an outline of the questionnaire, copies of the full version are available from jennie.linnett@gtuk.com or +44 (0)20 7728 2692

1a	Would you describe your enterprise as owner-managed?
1b	Would you describe your enterprise as a family business?
1c	How many people participate in the management?
1d	How many members of the founding families currently work in the business?
1e	What percentage of the equity is held by members of the founding families?
1f	What relationship has the current MD/CEO to the founders of the business?
2a	Is your enterprise: Privately owned, Publicly owned, A partnership, A subsidiary, Other?
2b	What type of shareholders do you have?
2c	How many years has your enterprise been in operation?
3	What is your main area of activity?
4	What is your turnover at annual rates (including subsidiaries)?
5a	How many people do you employ (including subsidiaries)?
5b	In the past year has the number of people you employ: increased, decreased, remained the same?
6a	Does your enterprise have other locations?
6b	Where are your other operations located?
7a	Do you export?
7b	If yes, where?
7c	If yes, what percentage of your turnover do you export?
7d	If yes, how many years have you been exporting?
7e	Please indicate the three main factors affecting your decision on whether or not to export
8	Please indicate the trend you expect over the coming year in the following areas: turnover/output, employment, profitability, exports, selling prices, investment in plant & equipment, investment in new building, training, R&D, advertising.
9	What are the main constraints on your ability to expand the company?
10	What plans do you have for the coming year?
11a	Do you anticipate any change in the ownership of the business?
11b	If yes, what sort of change do you anticipate?
11c	What sources of external funding do you use?
11d	Are sources of finance sufficient to support plans for next 3 years?
12	Please indicate the approximate average payment period for your sales invoices at the present time.
13	What impact do you think the introduction of the euro will have on your business in the future?
14a	Has your business an e-commerce strategy?
14b	What are the three main issues which either encourage or discourage your business in developing an e-commerce strategy?
14c	Does your business use e-banking facilities?
15a	Does your business have a skill shortage?
15b	If yes, in what areas?
16a	In what way do you assess your marketplace?
16b	Do you prepare a formal business plan?
16c	If yes, tick the appropriate box if you have: discussed this plan with consultants/advisers, assessed the risk of any plans, reviewed your plan's performance.
Questions that are covered in Appendix A on page 53	

Change in the number of people employed in 2000

The year 2000 was once again a year of employment growth amongst European SMEs. More firms reported employment growth than in any of the past five Surveys, though growth was only marginally faster than in 1999. Continuing last year's trend, SMEs in Turkey reported a fall in the number of people employed, but this year this was also the case in Poland.

- SMEs in Spain once again reported the highest increase in the number of people employed, with a balance of 62 per cent compared to last years' 56 per cent.
- Other countries with significantly high employment balances are Greece, France and Sweden.
- The balance of Belgian and Dutch SMEs experiencing employment growth increased notably in 2000, after a disappointing 1999.
- The countries that saw a slowdown in growth in 2000 are Germany, Luxembourg, Portugal, Norway and Poland.

Q5b – Change in the number of people employed over the past year (%)

	Increased	Decreased	Same	Balance*
Austria	47	22	31	25
Belgium	46	10	41	36
Finland	39	8	51	31
France	54	10	36	44
Germany	41	24	34	17
Ireland	55	17	25	38
Italy	45	13	40	32
Luxembourg	37	11	48	26
Netherlands	48	11	39	37
Portugal	49	12	37	37
Spain	70	8	22	62
EU (euro) average	48	15	36	33
Denmark	39	16	43	23
Greece	56	8	37	48
Sweden	56	13	30	43
United Kingdom	48	21	30	27
EU (non-euro) average	49	18	32	31
EU average	48	16	35	32
Norway	40	20	39	20
Poland	32	41	26	-9
Switzerland	50	12	38	38
Turkey	31	33	34	-2
Survey average	47	17	34	30

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

Q5b – Reported employment change (EU % balances*)**

2000	32
1999	29
1998	25
1997	15
1996	14
1995	18

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

** 2001 data will be documented in EBS 2002

SMEs with other operations

Q6a/b – SMEs with other operations (%) and the location of these operations (%*)								
	SMEs with other operations	In your country	Other EU	Eastern Europe/Russia	Other European	Asia/Pacific	North America	Other
Austria	43	68	23	18	8	8	6	3
Belgium	37	56	22	9	21	4	4	7
Finland	40	82	13	13	5	3	2	0
France	46	88	12	3	6	6	8	6
Germany	31	84	12	10	9	2	3	3
Ireland	49	66	36	4	9	7	16	3
Italy	27	88	19	8	15	11	11	6
Luxembourg	34	33	67	11	22	0	0	0
Netherlands	46	64	30	8	11	9	8	6
Portugal	38	93	5	5	0	0	2	5
Spain	30	86	23	3	12	5	6	13
EU (euro) average	35	80	18	8	10	5	7	5
Denmark	30	78	22	10	10	2	5	2
Greece	46	82	6	27	9	3	4	0
Sweden	47	79	24	8	20	7	7	3
United Kingdom	54	87	10	2	4	7	9	2
EU (non-euro) average	49	84	13	6	8	6	8	2
EU average	40	82	16	7	9	6	7	4
Norway	38	77	20	4	8	10	4	1
Poland	51	89	4	8	4	1	2	2
Switzerland	30	55	27	11	15	12	12	3
Turkey	51	88	3	3	6	0	0	2
Survey average	40	81	15	7	9	6	7	4

* of SMEs with other operations

Forty per cent of SMEs surveyed have operations in other locations, a significant increase on the 31 per cent reported in the 2000 Survey. In terms of the balance of locations, this year has also seen an increase in the proportion with locations in non-EU European countries.

- SMEs in the UK are the most likely to have other operations followed by those in Poland and Turkey.
- Other countries which are less inclined than average to have other operations are Denmark, Switzerland, Germany and Luxembourg.
- As per last year, Spanish and Italian SMEs are least likely to have other operations.
- SMEs in Luxembourg unsurprisingly are most likely to have other operations elsewhere within the EU and 'other' European countries, with Greek and Austrian SMEs most likely to have operations in Eastern Europe/Russia.
- Swiss and Italian SMEs are more likely to have other locations in Asia/Pacific and North America, though Irish SMEs have the strongest links with North America.

SMEs which export and export destinations

Q7ab – SMEs which export(%) and export destinations (%*)

	SMEs which export	Other EU	Eastern Europe/ Russia	Other European	Asia/ Pacific	North America	Other
Austria	66	86	54	34	21	17	5
Belgium	58	95	17	26	15	9	10
Finland	57	78	60	28	20	17	7
France	49	85	19	28	29	24	32
Germany	42	92	39	40	28	31	14
Ireland	54	93	16	16	22	28	12
Italy	52	85	24	37	32	32	21
Luxembourg	59	100	38	38	13	13	13
Netherlands	55	92	35	40	40	29	33
Portugal	46	85	4	24	13	19	41
Spain	41	84	13	22	12	17	37
EU (euro) average	50	88	28	32	25	25	20
Denmark	55	91	31	38	34	34	15
Greece	63	52	53	35	16	13	22
Sweden	49	89	31	57	30	27	17
United Kingdom	49	91	29	45	49	49	28
EU (non-euro) average	51	85	33	45	40	39	24
EU average	50	87	30	36	30	29	21
Norway	33	87	20	26	26	26	23
Poland	57	77	50	15	7	16	6
Switzerland	45	94	21	21	37	43	16
Turkey	69	63	35	22	18	17	23
Survey average	50	86	30	34	29	29	21

* of SMEs with other operations

The proportion of SMEs that export has risen in the 2001 Survey to 50 per cent from 45 per cent in 2000. In addition there has been a rise in the range of destinations SMEs are exporting to. For example, the proportion that are exporting to Eastern Europe/Russia, has increased from 25 per cent to 30 per cent in 2001. Even the proportion exporting to other countries within the EU has increased to its highest level in the history of the Survey. The balance of exports to the range of destinations above, however, has remained relatively stable.

- Turkish SMEs are the most likely to export followed by Austrian SMEs, whilst those in Norway and Spain are the least likely to export, continuing the trend of recent years.
- SMEs that are most likely to export to Eastern Europe/Russia are those in Finland, Austria, Greece and Poland.
- A higher proportion of UK SMEs export to Asia/Pacific and North American countries than those in any other country.

Q7b – Exports to other EU countries (EU %)*

2001	87	
2000	81	
1999	82	
1998	83	
1997	85	
1996	84	
1995	84	
1994	83	
1993	86	

* % of EU SMEs which export

Percentage of SMEs' turnover exported*

There has been some change in the proportions of turnover exported by SMEs this year. In line with the broad increase in the proportion of SMEs involved in export, the proportion of SMEs exporting more than 25 per cent of turnover has increased from 31 per cent in 2000 to 35 per cent this year. There has been an equivalent fall in the proportion exporting between 1 and 5 per cent of turnover.

- SME exporters in Denmark and the Netherlands are the most likely to export more than a quarter of their turnover.
- Greek, French and UK SMEs are the least likely to export more than a quarter of their turnover.

Q7c – Percentage of SMEs' turnover exported (%*)					
	Exporting	1-5%	6-10%	11-25%	Over 25%
Austria	66	30	13	14	41
Belgium	58	24	19	14	41
Finland	57	35	17	13	35
France	49	35	18	19	28
Germany	42	28	20	19	32
Ireland	54	30	14	18	36
Italy	52	23	15	19	41
Luxembourg	59	38	0	25	38
Netherlands	55	21	13	16	51
Portugal	46	35	9	9	44
Spain	41	28	20	22	30
EU (euro) average	50	29	17	18	35
Denmark	55	23	9	12	54
Greece	63	38	18	15	26
Sweden	49	20	23	25	31
United Kingdom	49	34	17	20	28
EU (non-euro) average	51	31	17	20	31
EU average	50	28	17	18	37
Norway	33	26	13	21	39
Poland	57	33	18	15	34
Switzerland	45	24	15	16	43
Turkey	69	23	16	23	38
Survey average	50	29	17	18	35

* % of SMEs which export

Q7c – SMEs which export over 25 per cent of turnover (EU %*)

2001	37
2000	31
1999	32
1998	35
1997	35
1996	35

* of SMEs which export

Number of years that SMEs have been exporting

About half of the SMEs have been exporting for over 10 years, though a third have been doing so for less than 6 years. Countries with the most exporting experience include the Netherlands, Belgium, Luxembourg, Denmark and the UK, all countries where 60 per cent of exporters or more have been doing so ten years or more.

The least experienced countries are Spain, Turkey, Portugal, Finland and Greece, where less than 40 per cent have 10 year's experience or more.

Almost one in five SMEs in Norway and Spain, report that they have come to exporting only in the last two years.

Q7d – Number of years that SMEs have been exporting (% of SMEs which export)					
	0-1	1-2	3-5	6-9	10+
Austria	2	6	14	21	56
Belgium	1	2	16	14	65
Finland	3	7	26	28	36
France	1	13	23	19	42
Germany	5	9	23	16	46
Ireland	1	4	16	28	52
Italy	4	7	20	15	52
Luxembourg	6	–	6	19	56
Netherlands	–	10	6	11	71
Portugal	3	10	26	21	34
Spain	4	15	28	23	29
EU (euro) average	3	8	20	18	48
Denmark	–	3	12	19	66
Greece	4	13	26	16	38
Sweden	6	7	21	16	49
United Kingdom	3	4	16	16	60
EU (non-euro) average	3	6	18	16	56
EU average	3	7	20	18	51
Norway	7	11	21	16	42
Poland	2	5	24	33	36
Switzerland	1	6	15	17	58
Turkey	6	10	25	27	33
Survey average	3	7	20	19	49

Factors encouraging SMEs to export

The three most frequently cited factors encouraging SMEs to export, when deciding whether or not to do so, are the desire to expand the business, the limited size of the home market and unsolicited demand. Greek, Turkish and Irish SMEs were particularly strong in suggesting that the desire to expand was an important factor. Across the countries surveyed there are, however, some significant variations.

- In most countries the desire to expand the business was most frequently cited as an encouraging factor, whereas SMEs in Austria, the Netherlands, Denmark and Poland cite the limited size of the home market.
- SMEs in a number of countries place a stronger emphasis on increased domestic competition as an encouraging factor rather than unsolicited demand. They are Greece, Ireland, Poland, Portugal and Spain.
- Exchange rates featured in the top three factors in Ireland.

Q7e – Main factors which encourage SMEs to export (%)

	Increased domestic competition	Limited size of home market	Competitors export success	Help from government agencies
Austria	20	36	9	1
Belgium	16	36	4	2
Finland	16	45	1	3
France	9	13	4	2
Germany	12	15	5	2
Ireland	12	47	7	8
Italy	18	23	5	1
Luxembourg	7	22	7	0
Netherlands	13	32	14	0
Portugal	16	31	7	1
Spain	17	28	7	2
EU (euro) average	15	25	6	2
Denmark	14	48	11	4
Greece	23	43	6	1
Sweden	11	33	3	2
UK	16	30	5	2
EU (non-euro) average	16	34	6	2
EU average	15	28	6	2
Norway	10	28	3	3
Poland	37	51	6	2
Switzerland	10	25	15	1
Turkey	24	30	11	14
Survey average	16	29	6	2

Q7e (continued)

	Desire to expand business	The Internet/e-commerce	Exchange rates	The introduction of the euro	The Single European Market	Unsolicited demand	Other
Austria	34	7	2	6	27	25	14
Belgium	38	2	2	5	11	20	11
Finland	47	4	2	5	14	37	5
France	38	7	6	7	12	20	11
Germany	24	4	5	6	15	21	9
Ireland	52	5	19	8	8	10	8
Italy	46	5	4	2	8	26	9
Luxembourg	26	4	11	15	30	30	15
Netherlands	25	5	0	3	4	16	25
Portugal	42	3	1	2	4	14	12
Spain	39	5	0	3	9	5	8
EU (euro) average	37	5	4	4	11	20	10
Denmark	43	5	0	3	14	27	8
Greece	63	9	6	3	12	20	11
Sweden	33	6	1	2	6	31	14
UK	45	6	4	2	5	21	12
EU (non-euro) average	44	6	3	2	6	23	12
EU average	40	5	4	4	10	21	11
Norway	29	5	0	1	8	19	9
Poland	45	2	3	0	7	9	15
Switzerland	26	5	5	3	8	27	8
Turkey	56	2	6	0	7	37	11
Survey average	39	5	4	3	9	22	11

Factors discouraging SMEs from exporting

The three most frequently cited factors discouraging SMEs from exporting, when deciding whether or not to do so, are fear of non-payment, cost of transport, and bureaucracy. However, this was not a clear cut outcome, with every factor listed being cited by at least one in ten SMEs across all the countries surveyed. The result is considerable variation in results between countries.

- In most countries fear of non-payment was considered the most important discouraging factor, though in Ireland, Belgium and Sweden, the cost of transport was considered more important.
- Greek, Polish and Turkish SMEs were most likely to blame the absence of help from government agencies as the reason for being discouraged from exporting.
- The setting up cost was the most frequently cited factor in France whilst in the UK it was exchange rates.
- In Denmark, adequate domestic demand was seen as the main discouraging factor, whilst Swiss SMEs (as non EU members) were most likely to cite tariffs or other trade barriers.
- It is perhaps interesting that EU members, Austria and Finland should cite tariffs and other trade barriers as significant discouraging factors, compared to other EU countries.

Q7e – Main factors which discourage SMEs from exporting (%)

	Adequate domestic demand	Unsuitability of product	No help from government agencies	Language barrier
Austria	4	9	8	20
Belgium	14	13	10	8
Finland	11	14	4	16
France	16	12	10	13
Germany	5	8	5	13
Ireland	19	25	9	15
Italy	11	14	16	9
Luxembourg	19	7	15	4
Netherlands	17	16	4	6
Portugal	9	7	16	4
Spain	12	10	16	7
EU (euro) average	11	12	10	11
Denmark	24	18	1	10
Greece	10	6	35	5
Sweden	16	8	1	16
UK	16	18	8	11
EU (non-euro) average	16	15	9	11
EU average	13	13	10	11
Norway	17	14	7	4
Poland	6	5	35	9
Switzerland	5	5	8	8
Turkey	18	17	26	8
Survey average	12	12	11	10

Q7e (continued)

	Cost of transport	Setting up cost	Exchange rates	Fear of non-payment	Bureaucracy	Tariffs or other trade barriers	Other
Austria	24	7	2	27	21	20	15
Belgium	24	11	5	23	13	8	14
Finland	20	11	7	24	16	24	5
France	20	21	5	18	13	7	14
Germany	14	4	5	18	14	13	7
Ireland	29	22	13	24	10	5	12
Italy	12	10	3	21	14	11	12
Luxembourg	19	22	4	30	37	7	19
Netherlands	22	3	5	13	11	10	25
Portugal	14	12	3	22	10	8	12
Spain	17	11	2	18	10	7	8
EU (euro) average	17	11	4	20	14	11	11
Denmark	16	13	4	18	16	13	13
Greece	15	10	6	30	17	13	15
Sweden	20	18	8	11	14	11	13
UK	20	15	26	13	16	11	13
EU (non-euro) average	19	15	18	15	16	11	13
EU average	18	12	9	19	14	11	12
Norway	16	15	4	9	10	8	15
Poland	14	16	21	28	14	14	10
Switzerland	16	6	13	15	21	26	8
Turkey	13	4	18	18	18	21	14
Survey average	17	12	10	18	15	12	12

Expected trends for the coming year

European SMEs are more optimistic than in the nine year history of the European Business Survey. Optimism about turnover, employment and profitability growth for the coming year is at a high, whilst optimism about exports is at its highest since 1996. However, expectations of selling price increases have jumped this year from a 2 per cent balance to 22 per cent – to the highest levels since 1995.

- SMEs in Greece, Sweden and Ireland are particularly confident about turnover growth over the coming year.
- German SMEs are the least optimistic about turnover growth, and are no more optimistic than last year.
- Polish SMEs forecast a worrying fall in employment over the coming year, compared to the modest growth forecast last year.
- SMEs in Ireland and The Netherlands lead the way with regard to forecasting selling price increases.
- Turkish SMEs are by far the most confident about export growth, with Luxembourg and Swiss SMEs the least optimistic.

Q8 – Expected trends for the coming year (% balances*)					
	Turnover	Employment	Profitability	Exports	Selling prices
Austria	55	23	28	32	5
Belgium	62	29	18	23	16
Finland	65	28	36	27	32
France	64	43	24	22	24
Germany	43	16	14	20	8
Ireland	78	43	60	34	46
Italy	62	33	30	31	30
Luxembourg	74	37	22	11	22
Netherlands	74	50	54	22	45
Portugal	59	24	29	22	26
Spain	63	32	25	26	32
EU (euro) average	59	30	27	26	24
Denmark	59	26	40	26	14
Greece	87	52	64	36	19
Sweden	79	63	61	28	32
United Kingdom	58	30	36	21	16
EU (non-euro) average	66	37	44	25	19
EU average	61	32	32	25	22
Norway	65	23	51	20	39
Poland	63	-15	38	30	21
Switzerland	62	34	40	18	13
Turkey	61	25	15	46	13
Survey average	61	30	33	26	22

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

Q8 (continued)

	Investment in plant & machinery	Investment in new buildings	Training	R&D	Advertising
Austria	17	6	49	26	33
Belgium	28	8	44	18	19
Finland	12	-8	45	40	22
France	34	16	38	24	19
Germany	13	0	36	19	22
Ireland	51	39	66	32	32
Italy	51	25	50	38	29
Luxembourg	56	26	52	19	18
Netherlands	41	17	44	31	31
Portugal	30	15	42	34	29
Spain	43	22	54	33	32
EU (euro) average	33	14	46	29	26
Denmark	25	8	59	29	27
Greece	57	40	50	44	48
Sweden	39	13	61	28	41
United Kingdom	30	21	32	22	23
EU (non-euro) average	34	20	42	25	29
EU average	33	16	44	28	27
Norway	25	15	47	21	17
Poland	43	17	51	40	49
Switzerland	33	6	46	23	24
Turkey	32	13	48	52	35
Survey average	34	15	45	28	28

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

Q8 – Advertising expectations for the coming year (EU %)

2001	27
2000	22
1999	19
1998	20
1997	15
1996	15
1995	14
1994	3
1993	4

The broad financial optimism amongst SMEs is reflected in the highest investment balances recorded so far in the EBS. Across Europe as a whole more SMEs anticipate investment growth in plant and machinery, new buildings, training, R&D and advertising this year than in any of the previous 8 years of the Survey.

- Luxembourg, Dutch and Belgian SMEs are significantly more optimistic about investment in plant and machinery than last year, whilst Spanish, Greek and Polish SMEs are less confident than they were last year. Greek SMEs however, remain the most optimistic.
- SMEs in all countries expect an increase in the training of their employees over the coming year, only those in the UK are slightly less optimistic than they were last year.
- There has been a substantial increase in expectations regarding R&D growth in Turkey, with significantly increased expectations in Ireland and Sweden.
- An increase in advertising is most widely anticipated in Poland, Greece and Sweden.

The main short-term constraints on expansion plans

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	8	20	32	25	44	7
Belgium	12	12	14	21	42	15
Finland	16	12	20	36	30	20
France	14	16	16	14	46	21
Germany	7	13	32	33	39	8
Ireland	17	28	11	24	49	14
Italy	11	12	23	19	42	18
Luxembourg	7	15	7	19	70	19
Netherlands	9	22	18	15	39	13
Portugal	13	5	33	15	42	20
Spain	13	8	29	13	46	19
EU (euro) average	11	14	24	22	42	15
Denmark	20	20	16	34	19	14
Greece	11	7	45	14	35	30
Sweden	19	20	15	24	47	18
UK	11	23	11	33	27	15
EU (non-euro) average	13	21	16	30	31	17
EU average	12	16	21	25	39	16
Norway	19	11	23	18	29	23
Poland	3	10	57	36	13	42
Switzerland	10	20	25	19	46	14
Turkey	13	19	48	45	26	27
Survey average	11	16	24	25	37	17

European SMEs now consider a shortage of skilled labour the most important short-term constraint on expansion plans. For the previous five years, domestic laws/taxes were considered more important. Domestic laws/taxes are now considered the second most important followed by a shortage of orders and the cost of finance. A shortage of management is the only other short-term constraint to have become more important compared to last year.

- A shortage of skilled labour is considered the biggest problem in Luxembourg, where skill shortages clearly represent a serious constraint on expansion. Irish, Swedish, Swiss, French and Spanish SMEs are also particularly concerned about skills shortages. Comparatively few Polish and Danish SMEs consider it a short-term constraint.
- There is considerable country variation in concern about domestic laws/taxes, which is not too surprising given the prevailing differences in local tax rates and legislative requirements across Europe. Two-thirds of French SMEs consider domestic laws/taxes a short-term constraint, indeed they still believe it to be the most important one. On the other hand only 8 per cent of SMEs in Ireland consider it a constraint and 11 per cent in Finland, the Netherlands, Spain and Norway.

Q9a (continued)					
	Exchange Rates	Domestic laws/taxes	EU legislation	Costs of R&D	Other
Austria	0	20	9	9	13
Belgium	6	32	5	7	18
Finland	3	11	3	12	7
France	5	66	7	4	9
Germany	2	31	10	5	10
Ireland	8	8	3	10	14
Italy	2	47	3	10	11
Luxembourg	0	30	15	15	15
Netherlands	3	11	8	3	20
Portugal	4	28	5	12	16
Spain	3	11	2	8	12
EU (euro) average	3	34	6	8	12
Denmark	4	30	7	7	10
Greece	8	30	1	8	15
Sweden	2	12	5	3	16
UK	13	15	10	5	19
EU (non-euro) average	9	18	8	5	17
EU average	5	29	7	7	13
Norway	1	11	1	8	18
Poland	13	50	3	14	13
Switzerland	6	17	5	4	10
Turkey	10	34	5	11	7
Survey average	5	28	6	7	13

- The cost of finance is a particularly important short-term constraint in Poland, Turkey and Greece and SMEs in the same three countries are also particularly concerned about a lack of working capital.
- SMEs in Turkey, Poland and Finland are particularly concerned about a shortage of orders.

The main long-term constraints on expansion plans

Q9b – The main long-term constraints on expansion plans (%)

	Manage- ment succession	Export limitations	Cost of finance	Limited market demand	Shortage of long term finance	– Equity	– Loan
Austria	19	3	18	30	19	18	7
Belgium	16	3	11	24	11	5	4
Finland	24	1	13	31	14	9	5
France	16	6	13	17	23	18	8
Germany	14	1	24	31	28	19	14
Ireland	23	12	14	28	10	3	5
Italy	19	5	19	19	20	8	9
Luxembourg	22	15	7	22	19	15	7
Netherlands	18	3	12	12	6	3	2
Portugal	14	3	20	39	18	14	9
Spain	14	2	16	36	21	10	12
EU (euro) average	17	4	18	26	20	12	9
Denmark	21	3	12	26	16	9	5
Greece	10	3	28	19	19	11	7
Sweden	20	1	12	27	13	6	4
United Kingdom	27	6	12	31	11	6	5
EU (non-euro) average	24	4	13	28	13	7	5
EU average	19	4	16	27	18	11	8
Norway	9	1	18	36	17	10	8
Poland	9	5	44	59	42	25	19
Switzerland	18	2	18	25	20	10	11
Turkey	9	16	37	33	36	17	13
Survey average	18	4	18	28	19	11	9

Q9b – Long-term finance constraints (EU %)


2001		16	18
2000		17	20
1999		17	20
1998		20	18
1997		25	21
1996		25	21
1995		24	22
1994		25	25
1993		26	22

Cost of finance Shortage of long-term finance

Q9b (continued)

	Domestic laws/taxes	EU legislation	Costs of R&D	Accessing new markets	Other
Austria	20	12	5	37	8
Belgium	31	7	4	21	14
Finland	15	3	15	40	7
France	59	11	6	23	6
Germany	28	11	5	28	8
Ireland	12	5	10	28	12
Italy	37	4	9	33	11
Luxembourg	26	19	11	22	7
Netherlands	11	10	5	18	27
Portugal	22	3	11	30	14
Spain	8	3	6	29	12
EU (euro) average	30	7	7	29	10
Denmark	26	11	9	18	13
Greece	19	2	12	34	13
Sweden	17	6	6	26	20
United Kingdom	16	14	6	28	17
EU (non-euro) average	17	11	7	27	17
EU average	26	8	7	28	12
Norway	16	3	7	15	14
Poland	44	4	16	47	9
Switzerland	15	7	5	28	10
Turkey	28	6	11	41	4
Survey average	26	8	7	29	12

Q9b – Long-term constraints (EU %)

2001		26	21
2000		24	23
1999		27	26
1998		30	25
1997		33	28
1996		30	24
1995		32	29
1994		31	26
1993		26	28

Domestic laws/taxes

Accessing new markets

While concern about availability and cost of finance are at an all time low, accessing new markets is now considered the most important long-term constraint on expansion plans across Europe closely followed by limited market demand and domestic laws/taxes. Shortage of long-term finance, the cost of finance and management succession follow as other significant constraints, with management succession increasing in importance this year.

- Polish SMEs are most concerned about accessing new markets as a long-term constraint upon expansion plans, followed by those in Turkey and Finland. Indeed Polish SMEs are also more likely to cite the cost of finance, limited market demand and the shortage of long-term finance than the rest of Europe.
- French SMEs continue to be particularly focused on the impact of domestic laws/taxes in constraining expansion plans, whilst at the other end of the scale, few Spanish, Dutch or Irish SMEs consider them a problem.
- Management succession is a growing concern this year, particularly in the UK, Finland and Ireland.

Plans for the coming year

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	70	19	4	28	54	30	6
Belgium	48	19	4	25	40	28	4
Finland	63	18	10	35	48	36	5
France	67	26	8	25	52	30	3
Germany	57	14	4	26	49	20	9
Ireland	72	17	3	30	55	23	6
Italy	66	15	3	31	42	32	10
Luxembourg	56	19	0	44	44	37	0
Netherlands	67	25	4	38	56	18	13
Portugal	63	12	4	26	54	31	12
Spain	58	14	1	20	44	32	12
EU (euro) average	62	17	4	28	48	28	8
Denmark	56	21	7	35	47	3	6
Greece	81	35	5	39	34	77	5
Sweden	61	19	5	29	48	7	18
United Kingdom	68	21	4	34	46	16	7
EU (non-euro) average	67	22	4	34	45	19	8
EU average	64	19	4	30	47	25	8
Norway	54	24	17	31	19	26	13
Poland	78	13	6	28	60	41	12
Switzerland	57	12	4	26	53	20	5
Turkey	89	7	1	40	61	47	4
Survey average	64	18	5	30	47	26	8

In line with the optimistic mood already documented, SMEs have become significantly more ambitious in their plans this year compared to last year's Survey. Almost two-thirds of European SMEs view the development of new markets as a future plan, compared to just under half last year. Other frequently cited plans are diversifying the product range, joint ventures/strategic alliances and rationalising the product range. All these plans have seen significant increases in importance this year, apart from

rationalising the product range with a modest increase.

- SMEs in Turkey, Greece and Poland have the highest expectations for developing new markets. Belgian firms have the lowest expectations, though 48 per cent still expect to develop new markets over the coming year.
- Turkish and Polish SMEs are also more likely than others to anticipate diversification of the product range, particularly when compared to Norway where only 19 per cent anticipate diversification.

- Joint ventures/strategic alliances are most widely anticipated in Luxembourg, followed by Turkey, Greece and the Netherlands.
- There continues to be considerable variation between SMEs in different countries regarding rationalising the product range. Over three-quarters of Greek SMEs anticipate rationalising their product range, compared to only 3 per cent in Denmark.

Anticipated changes in business ownership – timescale

This year's Survey sees a significant increase in the proportion of SMEs anticipating a change in ownership. The balance is rather more skewed however, towards the longer term compared to last year. Fourteen percent of businesses anticipate a change in 6 or more years, compared to 11 per cent last year.

- SMEs in Denmark, Finland, Poland and Sweden have the highest expectations of change in ownership, whilst those in Spain have the lowest.
- Norwegian, Polish and French SMEs are the most likely to anticipate a change in business ownership in the short-term, 1-2 years.
- Over the longer term, Denmark and Finland are the most likely to anticipate change.

Q11a – Anticipated changes in business ownership (%*)				
	Yes: in 1-2 years	Yes: in 3-5 years	Yes: in 6 or more years	No
Austria	15	20	19	45
Belgium	18	19	9	51
Finland	18	26	21	35
France	27	21	7	42
Germany	15	19	19	46
Ireland	12	19	15	51
Italy	15	17	11	55
Luxembourg	11	22	4	63
Netherlands	17	17	16	51
Portugal	18	13	7	61
Spain	8	8	11	72
EU (euro) average	16	18	13	51
Denmark	14	22	31	32
Greece	19	12	7	59
Sweden	18	25	18	39
United Kingdom	10	23	18	48
EU (non-euro) average	13	22	18	46
EU average	15	19	15	49
Norway	32	17	8	42
Poland	32	27	3	34
Switzerland	14	18	19	48
Turkey	13	18	8	61
Survey average	16	19	14	49

* of those expecting a change

Q11a – SMEs anticipating a change in business ownership (EU %)

2001	49
2000	43
1999	43
1998	43

Anticipated changes in business ownership

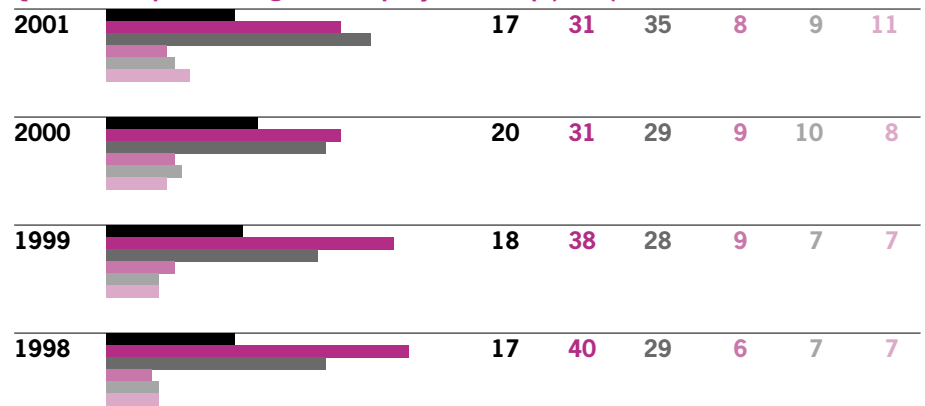
Q11b – Anticipated changes in business ownership (% of those who anticipate a change)







	Anticipating change	Trade sale	Pass to next generation of family	Bring in private equity investors	Management buy-out	Flotation	Sale to employees	Other
Austria	54	27	43	13	6	5	6	10
Belgium	46	33	29	19	3	6	4	21
Finland	65	35	35	17	12	6	13	13
France	55	37	14	30	9	9	3	18
Germany	53	25	44	14	9	9	9	8
Ireland	46	44	24	16	17	7	9	6
Italy	43	20	44	27	10	8	5	10
Luxembourg	37	10	30	20	30	0	0	10
Netherlands	50	50	25	5	16	11	5	9
Portugal	38	16	48	20	2	9	13	13
Spain	27	31	31	19	3	3	13	11
EU (euro) average	47	29	36	20	9	8	7	12
Denmark	67	51	25	14	4	3	15	12
Greece	38	7	30	23	7	59	0	2
Sweden	61	57	22	5	9	9	10	10
United Kingdom	51	48	18	11	23	8	10	8
EU (non-euro) average	53	47	21	11	16	12	10	9
EU average	49	35	31	17	11	9	8	11
Norway	57	32	23	20	4	6	13	11
Poland	62	17	10	45	11	10	5	19
Switzerland	51	26	29	12	27	4	17	12
Turkey	39	21	25	24	10	43	1	6
Survey average	49	33	29	18	12	10	9	11

Trade sales have superseded passing the business to the next generation of family as the most widely anticipated change in business ownership across Europe. In four years, passing the business to the next generation of family has declined significantly in importance.

- Trade sales are expected to particularly prevalent in Sweden, Denmark and the Netherlands amongst SMEs, whilst very few SMEs in Greece anticipate a trade sale.
- SMEs in Portugal, Germany and Italy are most likely to anticipate passing the business on to the next generation of family, with those in Poland and France least likely to.
- Polish SMEs are more likely to anticipate bringing in private equity investors than any other type of change and this option is also popular in France.
- Flotation is the most widely anticipated change in both Greece and Turkey whilst management buy-outs are particularly popular in Luxembourg and Switzerland.

Q11b – Anticipated changes in company ownership (EU %)



	Bring in private equity investors
	Pass on to next generation
	Trade sale
	Sale to employees
	Flotation
	Management buy-out

Sources of external funding

The three most common sources of external funding, in order of importance, are overdraft, loans and leasing/hire purchase in that order of importance. This order has remained consistent since 1994. This year only leasing/hire purchase has increased significantly in importance.

- There is considerable variation in use of overdrafts across Europe. Over 70 per cent of firms in Italy, Denmark, Ireland and Sweden use overdrafts (and are less likely to use loans), compared to SMEs in Spain.
- The biggest users of loans are Greece, followed by Germany, Austria, Finland and France.
- Leasing/hire purchase is a particularly important source of funding in Ireland, Spain, France and Portugal.
- Factoring is a particularly important source of funding to French SMEs, whilst external equity is of some importance to Polish SMEs.

Q11c – Sources of external funding (%)

	Overdraft	Leasing/hire purchase	External equity	– Institutions
Austria	42	39	1	1
Belgium	37	25	12	8
Finland	46	27	15	6
France	36	47	7	3
Germany	47	43	5	3
Ireland	70	48	19	12
Italy	78	41	7	3
Luxembourg	22	33	15	11
Netherlands	17	31	11	8
Portugal	16	47	7	6
Spain	8	48	15	7
EU (euro) average	47	41	9	5
Denmark	73	25	13	9
Greece	23	15	10	7
Sweden	70	29	10	6
UK	59	42	11	8
EU (non-euro) average	58	35	11	7
EU average	50	39	9	6
Norway	59	29	14	7
Poland	34	41	28	21
Switzerland	43	29	15	7
Turkey	30	25	14	10
Survey average	49	38	11	6

Q11b (continued)

	– Individuals	Factoring	Loans	– up to 3 years	– 3-5 years	– over 5 years	Grants or awards
Austria	0	6	65	19	20	34	8
Belgium	3	4	56	14	30	28	14
Finland	2	14	64	16	28	20	11
France	2	32	63	14	42	20	11
Germany	2	2	66	19	28	30	7
Ireland	6	14	39	7	12	20	10
Italy	4	17	17	5	8	10	10
Luxembourg	4	11	44	15	7	33	15
Netherlands	3	3	50	15	17	28	9
Portugal	1	10	48	31	12	7	6
Spain	7	15	58	18	19	15	10
EU (euro) average	3	12	50	14	22	21	9
Denmark	4	7	24	4	10	17	7
Greece	2	8	68	43	10	9	12
Sweden	6	3	37	9	13	14	6
UK	3	7	34	9	11	18	10
EU (non-euro) average	4	6	37	12	11	16	9
EU average	3	11	46	13	19	19	9
Norway	7	6	51	10	13	30	1
Poland	7	6	37	31	8	1	5
Switzerland	7	2	32	11	11	10	2
Turkey	4	13	19	18	3	1	1
Survey average	4	10	44	14	17	18	8

Are sources of finance sufficient to support plans for next 3 years?

The majority of firms across Europe believe that their sources of finance are sufficient to support plans for the next 3 years.

- Around three quarters of SMEs in Ireland, the UK and Belgium are confident that current sources of finance are sufficient to support plans for the next 3 years.
- Less confident are SMEs in Greece, Poland and Turkey, who are less likely than average to believe that they have sufficient finance to support plans for next 3 years.

Question 11d – Are sources of finance sufficient to support plans for next 3 years? (%)			
	Yes	No	Don't know
Austria	70	11	15
Belgium	73	9	13
Finland	71	20	8
France	61	21	12
Germany	61	18	18
Ireland	75	8	13
Italy	59	19	18
Luxembourg	56	7	22
Netherlands	67	7	16
Portugal	58	16	21
Spain	55	27	16
EU (euro) average	63	17	16
Denmark	69	16	13
Greece	39	41	10
Sweden	72	12	14
United Kingdom	74	10	13
EU (non-euro) average	69	14	13
EU average	65	16	15
Norway	64	16	17
Poland	29	54	14
Switzerland	69	12	13
Turkey	31	47	18
Survey average	62	19	15

Average payment periods for sales invoices

Q12 – 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	33	15	37	32	6	5	1	4	–
Belgium	52	5	11	20	26	22	10	4	–
Finland	28	15	46	32	4	1	2	–	–
France	56	11	6	17	16	22	15	8	1
Germany	30	23	34	29	7	3	2	2	–
Ireland	60	3	8	15	22	23	14	8	2
Italy	78	4	3	7	11	20	16	27	10
Luxembourg	49	7	4	30	33	11	7	4	–
Netherlands	44	2	19	34	29	9	2	2	1
Portugal	68	5	6	15	19	15	12	18	10
Spain	70	6	5	14	13	15	17	22	8
EU (euro) average	54	11	16	19	13	14	10	12	4
Denmark	33	6	33	44	11	4	–	–	–
Greece	88	1	3	7	5	11	20	32	21
Sweden	36	6	20	60	9	4	–	1	–
United Kingdom	47	5	10	30	29	16	6	1	0
EU (non-euro) average	48	5	14	34	21	12	6	4	2
EU average	52	9	15	24	16	13	9	9	3
Norway	30	15	34	38	8	4	–	–	–
Poland	45	5	20	34	16	11	6	4	2
Switzerland	45	2	10	45	27	8	2	3	0
Turkey	58	3	7	28	21	17	10	8	6
Survey average	51	8	16	26	16	13	8	8	3

Perhaps as a further indicator of the buoyant mood of the times, the average period for the payment of invoices for Europe's SMEs continues to fall.

Greece and Italy continue to have the longest payment periods, while Finland, Germany, Norway and Sweden, enjoy the shortest.

Noticeably, SMEs in Scandinavia, have relatively short payment periods.

Q12 – Average payment periods (EU days)

2001	52
2000	54
1999	55
1998	59
1997	62
1996	62
1995	64
1994	66
1993	65

Impact of the introduction of the euro

The weakness of the euro against other currencies has clearly had an impact on the opinions of SMEs regarding the introduction of the euro. Although there has been a marginal increase this year in the proportion of EU SMEs that are positive about the euro, there has been a significant increase in those that are negative, from 6 per cent to 12 per cent. The proportion of SMEs that believe that the euro has had no effect has fallen significantly.


- On average, SMEs in euro countries are more positive than last year about the euro, whilst SMEs in non-euro EU countries are somewhat less positive than last year.
- However, it is interesting to note that in non-euro EU Greece SMEs are once again the most positive about the introduction of the euro.
- On balance (positive minus negative), within the euro-zone, SMEs in Germany and France are the least positive about the euro, whilst outside the euro-zone, SMEs in Turkey (outside the EU) and the UK share this view.

Question 13 – Impact of the introduction of the euro (%)

	Positive	Negative	None	Don't know
Austria	35	9	36	20
Belgium	33	12	37	16
Finland	52	15	26	7
France	25	15	38	21
Germany	23	12	33	32
Ireland	47	19	21	10
Italy	29	8	40	23
Luxembourg	48	18	26	7
Netherlands	30	14	35	21
Portugal	43	8	34	15
Spain	36	5	39	19
EU (euro) average	30	11	35	22
Denmark	51	1	36	10
Greece	67	4	12	17
Sweden	35	2	36	27
United Kingdom	29	19	31	21
EU (non-euro) average	32	13	30	20
EU average	33	12	34	21
Norway	23	3	35	39
Poland	29	4	27	38
Switzerland	11	10	29	33
Turkey	21	15	14	49
Survey average	32	11	33	24

Q13 – Impact of the introduction of the euro (EU %)

2001		12	33
2000		6	32
1999		9	33
1998		7	30
1997		8	31

 Negative  Positive

Businesses with e-commerce strategies and use of e-banking facilities

Forty three per cent of the SMEs surveyed say that they have an e-commerce strategy. A greater proportion of SMEs is using e-banking facilities. There does not seem to be any correlation between countries where a high proportion of businesses have an e-commerce strategy, and those with a high proportion using e-banking facilities.

- Businesses in Ireland and the UK are the most likely to have an e-commerce strategy, those in Poland the least likely.
- The vast majority of businesses in Finland and the Netherlands use e-banking facilities, whilst less than a quarter do so in Greece and France.

Question 14a/c – Businesses with e-commerce strategies and that use e-banking (%)		
	Businesses with an e-commerce strategy	Businesses using e-banking facilities
Austria	56	82
Belgium	31	81
Finland	38	96
France	43	24
Germany	49	73
Ireland	63	53
Italy	29	57
Luxembourg	33	59
Netherlands	41	91
Portugal	33	49
Spain	45	76
EU (euro) average	41	64
Denmark	42	79
Greece	43	21
Sweden	39	48
United Kingdom	59	45
EU (non-euro) average	52	46
EU average	45	58
Norway	40	65
Poland	17	64
Switzerland	46	62
Turkey	36	39
Survey average	43	58

Issues which encourage/discourage businesses from developing an e-commerce strategy

Q14b – Main factors encouraging SMEs in developing an e-commerce strategy (%)

	Reaching new markets/customers	Speed of delivery/payment	Efficiency	Costs of delivery	Costs of purchasing	Being associated with new technology	Keeping up with competitors	The euro	Press/media comment
Austria	77	14	29	1	8	50	57	4	15
Belgium	40	20	27	6	4	21	38	4	3
Finland	59	14	47	9	7	18	47	3	5
France	49	16	11	11	8	24	34	4	6
Germany	70	15	22	3	10	40	54	4	21
Ireland	72	21	55	7	9	31	46	9	5
Italy	62	14	32	2	4	47	29	3	4
Luxembourg	48	11	22	15	11	22	33	7	0
Netherlands	52	28	44	8	5	18	37	3	7
Portugal	56	18	33	3	3	40	32	1	4
Spain	66	15	32	5	6	48	32	4	5
EU (euro) average	61	16	29	5	7	37	40	4	9
Denmark	54	12	36	9	7	31	38	4	2
Greece	71	41	32	7	12	37	14	8	6
Sweden	55	23	51	6	9	27	31	2	3
United Kingdom	70	17	46	8	8	35	41	2	4
EU (non-euro) average	66	20	44	8	9	34	36	2	4
EU average	63	18	34	6	7	36	39	3	7
Norway	63	15	48	7	13	18	36	2	3
Poland	73	29	12	10	8	39	62	4	8
Switzerland	63	17	28	7	7	46	48	0	15
Turkey	62	14	17	8	6	38	29	1	5
Survey average	63	18	33	6	7	36	40	3	7

SMEs in every country surveyed consider the desire to reach new markets/customers as the main factor encouraging them to develop an e-commerce strategy. The other main factors cited are keeping up with competitors, being associated with new technology and efficiency.

- Irish and Swedish SMEs are most likely to consider efficiency an important factor encouraging the development of an e-commerce strategy. French and Polish SMEs are least likely to consider efficiency important.
- Greek SMEs consider speed of delivery/payment a particularly important factor.
- Press/media comment is considered a particular encouraging influence in Germany, Austria and Switzerland.

Q14b – Main factors discouraging SMEs in developing an e-commerce strategy (%)

	Uncertainty about size of customer base	Security fears	Shortage of relevant skills	Cost implications	Insufficient market	Inappropriate products/ service	Currency/ exchange rate issues	Press/ media comment
Austria	47	35	23	24	28	41	4	3
Belgium	35	23	15	24	25	28	1	2
Finland	42	30	25	18	28	37	1	3
France	38	21	27	20	29	25	3	3
Germany	47	28	22	22	24	42	4	2
Ireland	30	35	41	30	45	32	8	2
Italy	43	22	22	11	20	38	1	1
Luxembourg	26	26	22	37	19	37	11	0
Netherlands	32	34	36	14	32	43	2	3
Portugal	33	37	25	24	37	22	2	1
Spain	32	38	21	12	31	28	2	1
EU (euro) average	40	28	24	19	27	35	3	2
Denmark	34	16	13	11	22	49	2	1
Greece	46	31	38	19	40	14	2	1
Sweden	40	34	27	16	22	39	4	1
United Kingdom	22	36	32	30	39	37	7	4
EU (non-euro) average	29	33	30	25	34	36	5	3
EU average	37	29	26	21	29	35	4	2
Norway	39	14	27	20	30	38	3	2
Poland	48	45	20	21	47	32	5	1
Switzerland	45	34	24	20	20	43	5	1
Turkey	30	22	13	7	22	29	4	1
Survey average	37	29	25	20	29	35	4	2

While SMEs are quite clear about their motivations for developing an e-commerce strategy, they have a broader view on the factors which act to discourage them from developing an e-commerce strategy.

Overall, in order of importance, uncertainty about the size of customer base, inappropriate products/services, security fears and insufficient market research about the effectiveness of e-commerce (both 29%) and cost

implications are the main factors which discourage SMEs from developing strategy in this area.

- In Ireland and the UK, insufficient market research is the most important factor, while inappropriate products is the main discouraging factor in Luxembourg and the Netherlands, with security worries preventing over a third of SMEs in Portugal and Spain from developing e-commerce strategies.

Businesses with skill shortages and areas of shortage

Q15a/b – Businesses with skill shortages (%) and areas of shortage (% of SMEs with skill shortages)

	SMEs with a skill shortage	IT/commerce	Adminis-tration	Technical/production	Financial management	Sales	Business management	Other
Austria	58	17	2	57	2	45	9	11
Belgium	58	21	15	60	5	28	8	7
Finland	35	64	15	15	19	34	17	2
France	46	41	10	31	18	31	12	2
Germany	55	16	10	61	4	34	8	15
Ireland	75	34	16	47	7	33	13	7
Italy	52	40	8	35	17	27	21	6
Luxembourg	30	38	38	13	13	13	13	0
Netherlands	61	16	7	64	6	36	6	17
Portugal	74	36	5	69	7	31	6	9
Spain	67	26	10	61	5	34	3	12
EU (euro) average	56	29	10	50	9	32	11	9
Denmark	39	28	9	58	6	34	6	15
Greece	71	44	16	39	26	49	10	6
Sweden	51	43	9	48	10	28	14	12
United Kingdom	58	39	9	43	5	24	19	16
EU (non-euro) average	56	40	10	45	9	29	16	14
EU average	56	33	10	48	9	31	13	11
Norway	46	76	13	15	12	19	17	10
Poland	55	61	8	28	32	49	12	3
Switzerland	52	22	8	60	5	30	13	12
Turkey	51	34	26	34	25	57	19	2
Survey average	55	35	10	47	10	32	13	10

The majority of SMEs across the countries surveyed (55 per cent) say that they are experiencing a skill shortage. Overall, SMEs identify the skill areas most affected as technical/production staff. Serious skill shortages, however, are also evident amongst IT/e-commerce and sales staff. There are some interesting variations between countries:

- Three-quarters of SMEs in Ireland are experiencing skill shortages, the greatest proportion in any of the countries surveyed, followed by Portugal and Greece. SMEs in Luxembourg and in Finland are least likely to be experiencing such shortages.
- In most countries shortages of technical/production staff are the main problem, though this is not the case in Finland, France, Italy, Luxembourg, Norway and Poland where IT/commerce staff represent the main shortage. In Greece and Turkey sales staff are considered the primary shortage.
- Financial management skills are a particular problem in Poland, Greece and Turkey.

Ways in which SMEs assess their marketplace

Q16a – Ways in which SMEs assess their marketplace (%)

	Based on past experience	From trade associations	From market research	Monitoring competitors	Subscriptions to reports	From consultancy/advisors
Austria	68	22	31	76	42	23
Belgium	58	22	21	50	4	9
Finland	86	17	26	42	10	5
France	60	17	17	44	7	14
Germany	74	43	23	80	31	17
Ireland	79	23	39	41	20	15
Italy	67	10	27	50	5	13
Luxembourg	70	15	19	26	4	22
Netherlands	69	28	25	43	20	11
Portugal	73	19	30	37	8	12
Spain	74	23	31	38	16	16
EU (euro) average	70	23	26	54	16	14
Denmark	79	36	19	50	13	10
Greece	72	23	44	32	15	10
Sweden	83	33	20	43	10	6
United Kingdom	83	31	30	45	15	12
EU (non-euro) average	81	31	28	44	14	11
EU average	73	26	26	51	15	13
Norway	75	7	25	37	7	7
Poland	43	26	25	82	32	6
Switzerland	65	36	23	65	28	14
Turkey	64	7	51	49	9	7
Survey average	72	25	27	52	16	13

European SMEs use various methods of assessing their marketplace, singularly and in combination. The results show that, in the main, SMEs are confident about applying past experience. This largely informal means of assessment is used by the majority of SMEs in every country surveyed apart from Poland, Germany and Austria who monitor competitor activity as the prime means of assessing their marketplaces – a method which, on average, is carried out

by over half of Europe's SMEs. As far as the more formal means of assessment are concerned, such as through trade associations or market research, there is a fair amount of variation in their usage between countries.

- Around a quarter of Europe's SMEs use intelligence from market research and trade associations to assess their marketplaces, with Turkish SMEs being the biggest customers of market research (French SMEs the

least likely to use this method) and German SMEs being the biggest user of trade associations (Norway and Turkey the lowest users of this source).

- Austrian, Luxembourg and German SMEs are more likely to use consultants or advisors than their counterparts in other countries.

Assessment/review procedures for formal business plans

More than half of European SMEs have a formal business plan. Of those, just over half review their plan's performance and slightly less than half discuss this plan with consultants/advisors. Over a third assess the risk of their plans.

- SMEs in Poland, Sweden and Ireland are most likely to have a formal business plan, with Luxembourg and French SMEs least likely.
- High usage of formal business plans is not a predictor of whether firms in a particular country actually assess or review the plans that they prepare. Spanish SMEs are most likely to say that they discuss their plans with consultant/advisors, followed by SMEs in the Netherlands and Luxembourg.
- There is considerable country variation in the likelihood of SMEs reviewing their plans performance – around three-quarters of SMEs in Austria and the UK carry out a review, whilst in Greece, Italy and Poland this activity drops significantly.

Question 16b/c – Assessment/review procedures for formal business plans
(% of those with a formal business plan)

	SMEs with a formal business plan	Discussed plan with consultants/advisors	Assessed the risk of any plans	Reviewed your plans performance
Austria	63	56	34	78
Belgium	48	46	50	48
Finland	59	47	33	40
France	41	48	36	64
Germany	53	48	42	66
Ireland	71	49	35	61
Italy	56	40	23	29
Luxembourg	33	67	44	67
Netherlands	63	69	58	60
Portugal	46	46	24	52
Spain	44	79	42	34
EU (euro) average	53	50	36	51
Denmark	66	38	42	54
Greece	59	60	26	24
Sweden	73	42	40	38
United Kingdom	66	42	39	75
EU (non-euro) average	67	43	38	61
EU average	57	47	37	55
Norway	65	38	33	42
Poland	77	23	59	33
Switzerland	60	47	39	69
Turkey	49	34	26	39
Survey average	58	45	37	53

Appendix A

Q1a – Would you describe your enterprise as owner-managed? (%)			Q1b – Would you describe your enterprise as a family business? (%)		
	Yes	No		Yes	No
Austria	87	13	Austria	61	39
Belgium	73	26	Belgium	66	34
Finland	84	15	Finland	68	31
France	82	17	France	63	37
Germany	89	10	Germany	57	42
Ireland	68	30	Ireland	47	52
Italy	93	7	Italy	53	46
Luxembourg	67	30	Luxembourg	56	37
Netherlands	63	37	Netherlands	41	58
Portugal	93	7	Portugal	56	43
Spain	89	10	Spain	56	43
EU (euro) average	85	14	EU (euro) average	57	42
Denmark	73	25	Denmark	35	64
Greece	94	6	Greece	68	31
Sweden	82	17	Sweden	51	49
United Kingdom	78	21	United Kingdom	48	51
EU (non-euro) average	80	19	EU (non-euro) average	50	50
EU average	84	16	EU average	55	45
Norway	77	22	Norway	46	53
Poland	63	36	Poland	13	86
Switzerland	83	17	Switzerland	55	44
Turkey	73	26	Turkey	75	25
Survey average	82	17	Survey average	54	46

Q1c – How many people participate in the management? (%)				Q1d – Number of members of the founding families currently working in the business as a director (%)					
	1	2-5	5 or more	0	1	2	3	4	5 or more
Austria	20	70	10	9	54	18	6	0	0
Belgium	10	79	10	27	31	23	7	1	2
Finland	18	74	7	26	45	18	4	3	1
France	19	73	8	21	44	21	4	1	0
Germany	16	78	6	14	44	27	5	1	1
Ireland	6	50	43	21	28	31	8	5	3
Italy	13	77	9	7	50	22	9	5	2
Luxembourg	19	67	15	30	30	19	0	4	4
Netherlands	11	65	24	40	32	11	4	2	0
Portugal	12	80	8	4	33	42	15	3	2
Spain	9	73	17	14	54	18	5	3	0
EU (euro) average	14	74	11	16	44	23	6	3	1
Denmark	16	77	5	33	44	11	2	0	0
Greece	5	75	20	8	30	41	13	3	1
Sweden	9	80	10	31	38	15	5	3	3
United Kingdom	1	54	45	20	23	32	12	5	3
EU (non-euro) average	5	63	32	22	29	28	10	4	2
EU average	11	71	18	18	39	25	8	3	1
Norway	14	70	16	29	51	2	1	1	0
Poland	11	73	14	36	14	13	4	1	1
Switzerland	18	71	10	15	50	16	6	2	0
Turkey	6	77	16	11	33	20	6	2	1
Survey average	11	71	17	18	39	23	7	3	1

Q1d – Number of members of the founding families currently working in the business as a senior manager (%)						
	0	1	2	3	4	5 or more
Austria	13	18	7	4	0	0
Belgium	35	11	8	3	0	0
Finland	35	18	11	2	2	0
France	28	16	6	4	1	0
Germany	13	15	8	2	0	0
Ireland	28	12	6	2	1	1
Italy	7	19	13	4	2	1
Luxembourg	30	7	7	0	4	0
Netherlands	44	12	8	3	0	0
Portugal	10	15	10	4	1	1
Spain	13	20	10	3	2	0
EU (euro) average	18	16	9	3	1	0
Denmark	35	13	11	1	1	1
Greece	10	20	15	9	3	0
Sweden	37	13	8	4	1	1
United Kingdom	32	9	3	1	0	1
EU (non-euro) average	31	11	6	3	1	1
EU average	22	15	8	3	1	1
Norway	32	22	8	5	2	1
Poland	35	3	1	0	1	1
Switzerland	20	23	10	2	1	1
Turkey	10	24	25	5	6	1
Survey average	23	15	9	3	1	1

Q1d – Number of members of the founding families currently working in the business in any other role (%)

	0	1	2	3	4	5 or more
Austria	13	14	11	3	0	2
Belgium	32	12	8	1	1	0
Finland	34	16	5	3	1	1
France	28	10	4	1	1	1
Germany	12	14	9	3	0	2
Ireland	25	12	5	1	1	1
Italy	7	15	7	3	2	3
Luxembourg	33	22	4	0	0	0
Netherlands	42	15	5	2	0	1
Portugal	8	5	2	3	2	4
Spain	12	15	9	5	2	2
EU (euro) average	17	13	7	3	1	2
Denmark	35	21	3	1	0	1
Greece	10	12	10	2	2	3
Sweden	39	8	4	1	0	2
United Kingdom	31	7	3	1	1	1
EU (non-euro) average	31	9	4	1	1	2
EU average	22	12	6	2	1	2
Norway	32	11	6	2	0	1
Poland	34	5	1	1	1	2
Switzerland	19	12	6	2	1	1
Turkey	13	9	3	2	1	1
Survey average	22	12	6	2	1	2

Q2a – Type of enterprise (%)

	Privately owned	Publicly owned	Partnership	Subsidiary	Other
Austria	56	3	27	11	6
Belgium	44	4	44	14	3
Finland	86	1	1	7	5
France	83	1	5	10	1
Germany	58	1	28	5	10
Ireland	77	8	6	7	1
Italy	71	2	17	2	7
Luxembourg	44	0	22	33	4
Netherlands	37	5	43	19	4
Portugal	99	0	1	0	0
Spain	92	0	3	3	2
EU (euro) average	69	2	18	6	5
Denmark	64	1	2	18	13
Greece	89	3	3	3	1
Sweden	79	9	0	12	3
United Kingdom	85	4	1	1	8
EU (non-euro) average	83	4	1	5	7
EU average	74	3	13	6	6
Norway	73	2	5	10	9
Poland	59	3	4	2	35
Switzerland	75	0	13	11	5
Turkey	21	4	62	2	9
Survey average	71	3	14	6	7

Q2b – Type of shareholders (%)

	Executives	Private individuals	Public companies	Institutions	Family members	Not applicable	Other
Austria	16	14	10	1	49	10	9
Belgium	22	14	18	7	41	7	7
Finland	43	30	11	3	43	2	3
France	24	18	5	6	60	2	12
Germany	24	18	2	2	44	13	8
Ireland	35	22	6	7	39	3	6
Italy	19	23	12	1	38	1	3
Luxembourg	41	15	7	4	22	4	15
Netherlands	14	12	10	9	25	17	20
Portugal	35	13	10	1	51	3	4
Spain	16	36	11	1	49	1	2
EU (euro) average	23	20	9	3	44	6	7
Denmark	46	12	26	1	10	4	7
Greece	39	26	13	2	61	3	1
Sweden	59	14	12	4	24	1	8
United Kingdom	38	25	3	7	49	9	5
EU (non-euro) average	42	22	8	5	42	6	5
EU average	29	21	8	4	43	6	6
Norway	39	24	24	3	36	2	5
Poland	21	46	20	13	11	11	12
Switzerland	34	19	3	4	41	9	10
Turkey	12	19	3	7	67	1	2
Survey average	29	22	9	4	43	6	7

Q2c – Number of years enterprises have been in operation (%)				
	0-5	6-15	16-25	over 25
Austria	10	20	10	61
Belgium	2	20	15	62
Finland	4	35	17	43
France	1	44	16	39
Germany	13	30	9	47
Ireland	3	27	19	49
Italy	7	21	21	51
Luxembourg	4	30	19	48
Netherlands	1	23	14	62
Portugal	10	33	24	33
Spain	10	27	25	37
EU (euro) average	7	28	17	48
Denmark	6	22	18	53
Greece	4	24	30	41
Sweden	16	23	19	42
United Kingdom	3	20	22	54
EU (non-euro) average	6	21	22	50
EU average	7	26	18	48
Norway	24	21	13	41
Poland	6	51	8	34
Switzerland	4	16	19	60
Turkey	3	30	30	36
Survey average	7	27	18	48

Q3 – Main area of activity (%)

	Manufacturing	Construction	Financial services	Retailing	Other services
Austria	42	4	0	32	23
Belgium	35	10	2	26	26
Finland	38	9	3	23	26
France	33	12	1	34	19
Germany	44	3	1	20	30
Ireland	30	6	3	18	42
Italy	49	9	1	11	29
Luxembourg	22	26	4	30	15
Netherlands	33	10	2	15	37
Portugal	44	6	0	33	17
Spain	38	15	2	26	19
EU (euro) average	41	8	1	22	27
Denmark	44	10	2	13	31
Greece	50	1	0	35	14
Sweden	34	10	1	28	27
United Kingdom	34	7	4	10	45
EU (non-euro) average	37	7	3	16	37
EU average	40	8	2	20	30
Norway	39	6	0	37	17
Poland	42	15	2	25	16
Switzerland	46	9	0	23	20
Turkey	83	1	3	3	10
Survey average	41	8	2	20	28

Q4 – Turnover at annual rates – including subsidiaries (%)

	£0-1.9	£2-4.9	£5-9.9	£10-24.9	£25-49.9	£50+
	million	million	million	million	million	million
Austria	32	32	11	15	4	5
Belgium	23	27	30	14	2	4
Finland	39	39	12	7	1	1
France	30	35	15	12	3	2
Germany	40	36	12	8	1	2
Ireland	19	25	19	23	7	5
Italy	38	32	19	8	2	1
Luxembourg	26	19	30	15	4	7
Netherlands	17	25	18	26	8	6
Portugal	20	24	10	8	3	19
Spain	39	34	18	6	2	1
EU (euro) average	33	32	17	11	3	3
Denmark	31	30	18	13	3	4
Greece	31	26	17	14	6	6
Sweden	34	33	17	9	5	1
United Kingdom	13	31	29	22	4	1
EU (non-euro) average	20	31	24	18	5	2
EU average	29	32	19	13	3	3
Norway	46	22	13	12	5	2
Poland	1	6	20	41	17	11
Switzerland	45	30	12	10	0	1
Turkey	55	16	10	8	3	5
Survey average	30	30	18	14	4	3

Q5a – Number of people employed – including subsidiaries (%)

	1-10	11-25	26-50	51-100	101-200	201-250	251-500	501+
Austria	12	27	29	13	11	1	2	4
Belgium	10	28	31	15	9	1	1	3
Finland	20	34	23	11	8	1	2	1
France	6	34	28	17	8	3	3	2
Germany	14	36	24	13	8	2	1	2
Ireland	8	28	19	20	15	3	5	0
Italy	11	44	26	12	6	1	1	0
Luxembourg	15	22	15	19	22	0	0	4
Netherlands	7	21	25	25	13	7	1	1
Portugal	6	39	27	16	7	1	1	0
Spain	7	37	32	14	4	1	3	1
EU (euro) average	11	36	26	14	8	2	2	1
Denmark	7	36	30	16	7	1	1	1
Greece	6	32	23	23	8	3	3	2
Sweden	9	43	26	14	4	2	2	1
United Kingdom	2	12	25	30	22	4	4	1
EU (non-euro) average	5	22	25	25	16	3	3	1
EU average	9	32	26	18	10	2	2	1
Norway	14	42	26	9	5	1	3	1
Poland	1	6	14	24	45	6	3	0
Switzerland	9	49	21	12	5	2	2	0
Turkey	5	21	25	16	16	4	7	7
Survey average	8	31	25	17	11	2	2	1

Appendix B: Sample profile

The fieldwork for this survey was carried out in October 2000. Postal questionnaires in the relevant domestic language were sent out to SMEs in all fifteen EU countries, together with Norway, Switzerland, Turkey and Poland. Approximately 50,000 questionnaires were despatched and 5152 replies received. An outline of the English version of the questionnaire can be found on page 21.

The average response rate for the 2001 Survey was 10.7%. Response rates by country vary considerably.

Those interested in obtaining the full methodology should contact Adam Swash at Business Strategies Limited (+44 (0)20 7630 5959).

Table A1 – Breakdown of responses by country (unweighted %) 2001

	Responses	% of total	Sample size	Response rate
Austria	142	2.8	1,500	9.5
Belgium	222	4.3	2,000	11.1
Finland	152	3.0	1,000	15.2
France	380	7.4	7,000	5.4
Germany	701	13.6	8,000	8.8
Ireland	155	3.0	1,000	15.5
Italy	704	13.7	6,000	11.7
Luxembourg	27	0.5	300	9.0
Netherlands	114	2.2	1,500	7.6
Portugal	147	2.9	750	19.6
Spain	262	5.1	3,000	8.7
EU (euro) average	3006	58.3	32,050	9.4
Denmark	135	2.6	1,000	13.5
Greece	145	2.8	850	17.1
Sweden	251	4.9	1,500	16.7
United Kingdom	846	16.4	7,000	12.1
EU average	4383	85.1	42,400	10.3
Norway	184	3.6	1,500	12.3
Poland	191	3.7	1,700	11.2
Switzerland	220	4.3	1,500	14.7
Turkey	174	3.4	850	20.5
Survey average	5152	100.0	47,950	10.7

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