

Challenges and opportunities for UK owner managed businesses in 2022:

A survey from the Association of Practicing Accountants

Date launched: 14th February 2022

Date closed: 14th March 2022

Total responses: 335

Introduction

In the two years since the first lockdown the owner managed business sector has had to cope with an unprecedented amount of uncertainty as it dealt with the pandemic. While the full economic impact of Covid has yet to be quantified two things are clear from the analysis in our latest survey of this sector:

- 1) Significant uncertainty remains
- 2) Those businesses who have survived are generally now more resilient and more optimistic about the future

As we noted in our last survey there is no 'one picture' of the impact of the pandemic on these businesses. For every restaurant that has closed there is a facilities management company that has thrived. For every high street that has been impacted there are cloud based retail start-ups that have gone from strength to strength.

Nonetheless it is clear that across all economic sectors there remains huge uncertainty as the continued impact of the pandemic and Brexit together with raising inflation and cost of living compounded by the economic impact of the war in Ukraine present new challenges for this vital economic sector. We are not yet out of the woods.

Owner managed businesses form the backbone of the UK economy accounting for the vast majority of all businesses by number. They are also vital to economic recovery. This research report is an assessment of the challenges they now face. It captures a representative sample of the aspirations and concerns of these entities as they seek to navigate a post-Brexit / post-pandemic landscape. Our findings should help inform Government thinking on where business support should be prioritised.

The Association of Practising Accountants (APA) is a Managing Partner led network of 19 leading business and professional advisory firms meeting the needs of owner managed businesses and the real economy. APA member firms collectively advise and support well over 14,000 businesses with turnover up to the hundreds of millions. Our clients produce goods and services which help drive and jobs and growth across the UK and internationally.

British businesses face huge challenge and also opportunity in the coming months. This report provides a snap shot of the current landscape.

Methodology

Between 14th February and 14th March a client survey was dispatched by the Association of Practicing Accountants through its network of member firms. In total 335 clients responded to the consultation across 15 sectors and 11 regions of the UK.

Headline findings – Uncertainty economic headwinds threaten recovery

- 87% think that inflationary pressures will limit their growth over the next 12 months
- 64% report that rising energy costs are impeding their ability to deliver now
- 43% report that Brexit had either had a negative or very negative impact on their business against 4% who reported a positive impact
- 59% report that staff recruitment and retention is now presenting more of a challenge than 12 months ago with only 3% reporting this is now less of a challenge
- 62% are focused on surviving or sustaining their business against 33% who are looking to grow over the next 6 months

Headline findings – however the overall picture is more optimistic than 12 months ago

- 81% of owner managed business report that they are in better shape for the future than before the pandemic
- 82% of respondents were either very or somewhat confident that they would be able to access the finance they needed over the next 6 months
- 79% think that overall the UK Government response to Covid has been either very or quite effective
- 48% report that it is either likely or very likely they will make significant capital investment in their businesses in 2022 / 23.

A snapshot of the views of owner managed businesses

The following verbatim quotes from owner managed businesses who participated in our survey provide a snapshot of the breadth of challenge facing this economic sector:

Inflation and the cost of living

“The construction industry needs help, we have worked tirelessly throughout Covid and now seem to be facing the toughest challenges with price rises and taxation. Our country depends on the construction industry and the government need to support it.”

“We are concerned that we are not in a position to raise the salaries of important staff with a cost of living crisis looming - surely now to be made even worse by the war in Ukraine.”

“Brexit coupled with raging inflation is and will be an economic disaster. I doubt that I will still be trading in 12 month’s time.”

“There are potential recessionary headwinds building including costs, energy, tax and interest rates. Ukraine crisis will not help.”

A snapshot of the views of owner managed businesses

Brexit

“Post-Brexit, moving agricultural goods in and out of the EU (our large and prosperous neighbouring market) continues to be an expensive, risky and time-consuming nightmare. Equivalence (eg UK & EU Rules and Standards) should have been agreed much the same as the EU has with Norway and Switzerland. Also, the Northern Ireland situation will otherwise remain insoluble. Brexit was necessary but to make trade so difficult was not.”

“Life has become way more expensive due to Brexit - most of our materials are sourced or come via the EU.”

“Not being able to bring skilled workers from outside the UK due to Brexit rules (is challenging).”

“Brexit has had a huge negative impact on us as we are affected by the free movement of people coming to join our school from the EEA.”

A snapshot of the views of owner managed businesses

Energy prices

“Energy prices are crippling us and the cost of food for running a hospitality business as well means that we have many challenges ahead this year. I would be surprised if we make a profit this year.”

“Rising energy costs as well as other inflationary pressures are increasing costs in our sector, but some of our larger customers are resisting price rises and threatening to withdraw their support. as a medium sized business with large suppliers and large customers there is a squeeze!”

Tax policy

“The hike in NI is the wrong policy at the wrong time. It is too soon to impose this on businesses in the wake of Covid, especially businesses who were negatively impacted by it.”

“We are a capital-intensive business and greater tax breaks such as super deduction have made the decision to go ahead easier. This in turn allows us to grow quicker and more productively.”

A snapshot of the views of owner managed businesses

War in the Ukraine

“After two years working around Covid, we now have a very volatile situation emerging in Ukraine that will very definitely affect confidence.”

“The war that has started with Russia's invasion of Ukraine will increase costs in most sectors for the unforeseeable future.”

Uncertain trading conditions

“In our specific sector the order intake is lumpy and cash flow issues are the biggest factor at the minute. Underlying trade and business fundamentals are good but the various economic pressures such as wage inflation, supply chain, Brexit and covid impacts are all making trading much more difficult in the short term.”

A snapshot of the views of owner managed businesses

Uncertain trading conditions

“Our ability to meet people remains impaired. Some customers do not want service providers to enter their office for support & especially not for business development. The travel industry is depleted. There will be a long hangover from the pandemic and we think it will force us to continue to work remotely for some time.”

“The compounding effects of covid, energy prices and labour shortages will actively destroy our business and the industry.”

“In the retail sector consumer confidence is lacking. In the older age groups, there is a hesitation about being out and about.”

“Uncertainty linked with repeated lockdowns and potential future ‘variants of concern’ leaves our business with a degree of wariness over the medium term.”

A snapshot of the views of owner managed businesses

Uncertain trading conditions

“At our stage as a business, it's a fact that a few challenging months at any point - due to any factor - can knock us off course. But at the same time, it's possible to get back on track quickly with a few more positive months. As such, we're coming out of an unusually slow start to 2022, but it's impossible to say how that will translate to spring and beyond - Covid has knocked those usual business cycles out of rhythm.”

“As a service business we are impacted by pressures on big corporate brands - there's huge uncertainty in the market caused by COVID, Brexit labour shortages, the Great Resignation etc.”

Conclusions and recommendations for policy makers

The overwhelming feedback from the owner managed sector is that just when the economy looked as though it was getting back on its feet post-Covid / Brexit the triple whammy of inflation, cost of living and increased energy prices have created significant new uncertainty compounded by the political situation in the Ukraine.

While many owner managers are now feeling more resilient than they were before the pandemic, challenging economic headwinds mean that there is unlikely to be anything approximating 'business as usual' for some time. Based on these findings we think Government should:

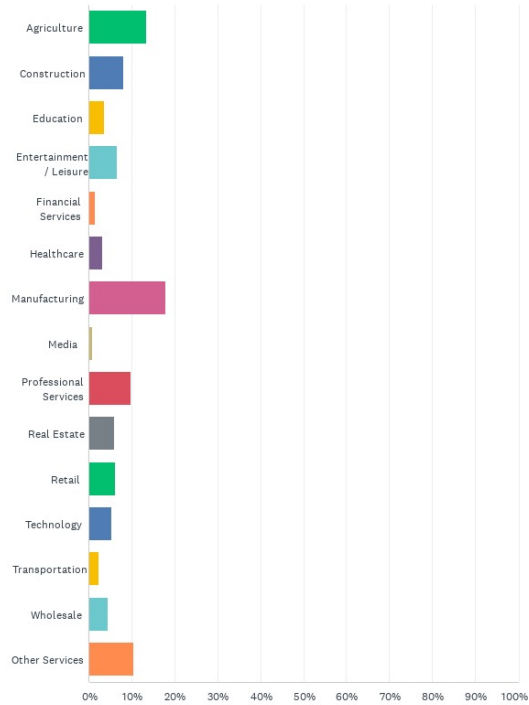
- Take a more realistic view of our future trading relations with Europe recognising that labour shortages coupled with an altogether more challenging export environment pose a real threat to recovery
- Recognise that uncertainty remains across many sectors of the economy and that businesses want reassurance as well as clear and unambiguous advice and support
- Adopt a flexible approach to business policy which recognises the many challenges facing owner managers and which prioritise the sustainable growth of this sector

The APA stands ready to play its part and will continue to monitor the landscape for owner managed businesses over the coming months as the economy gets back up and running.

Detailed findings

Q1: How would you classify your business by sector?

Answered: 335 Skipped: 0



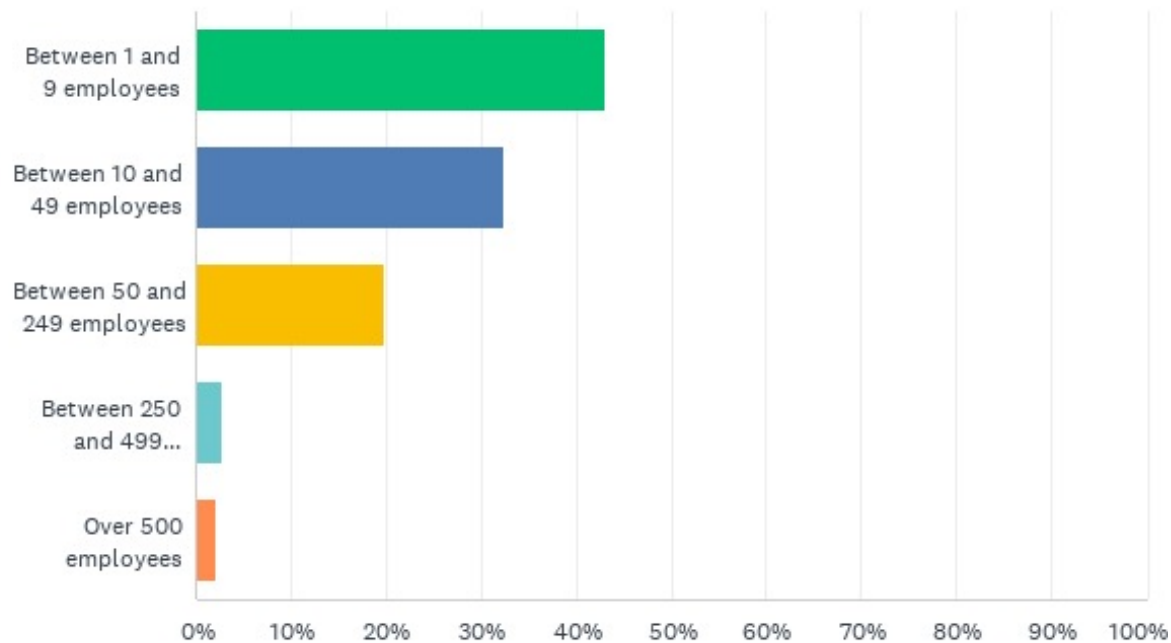
Q1: How would you classify your business by sector?

Answered: 335 Skipped: 0

ANSWER CHOICES	RESPONSES	
Agriculture	13.43%	45
Construction	8.06%	27
Education	3.58%	12
Entertainment / Leisure	6.57%	22
Financial Services	1.49%	5
Healthcare	3.28%	11
Manufacturing	17.91%	60
Media	0.90%	3
Professional Services	9.85%	33
Real Estate	5.97%	20
Retail	6.27%	21
Technology	5.37%	18
Transportation	2.39%	8
Wholesale	4.48%	15
Other Services	10.45%	35
TOTAL		335

Q2: What size is your business?

Answered: 334 Skipped: 1



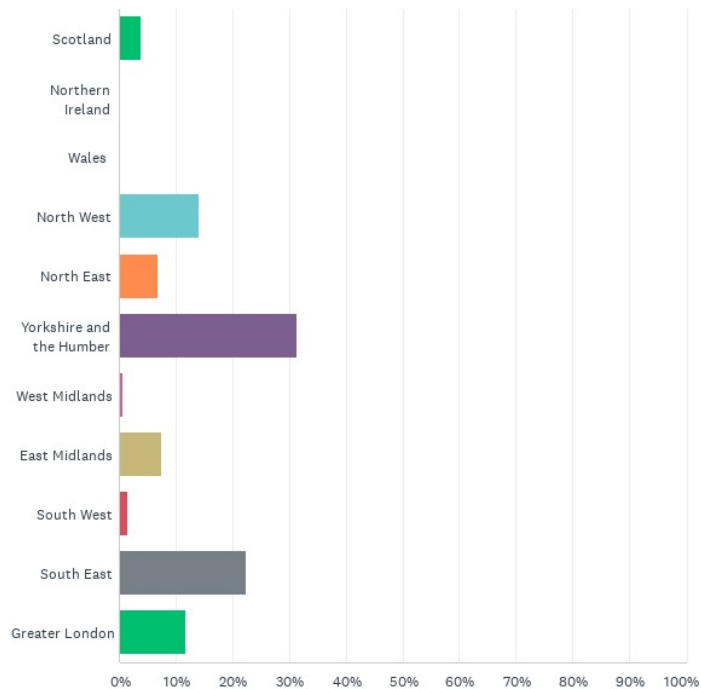
Q2: What size is your business?

Answered: 334 Skipped: 1

ANSWER CHOICES	RESPONSES	
Between 1 and 9 employees	43.11%	144
Between 10 and 49 employees	32.34%	108
Between 50 and 249 employees	19.76%	66
Between 250 and 499 employees	2.69%	9
Over 500 employees	2.10%	7
TOTAL		334

Q3: In which region of the UK are you headquartered?

Answered: 335 Skipped: 0



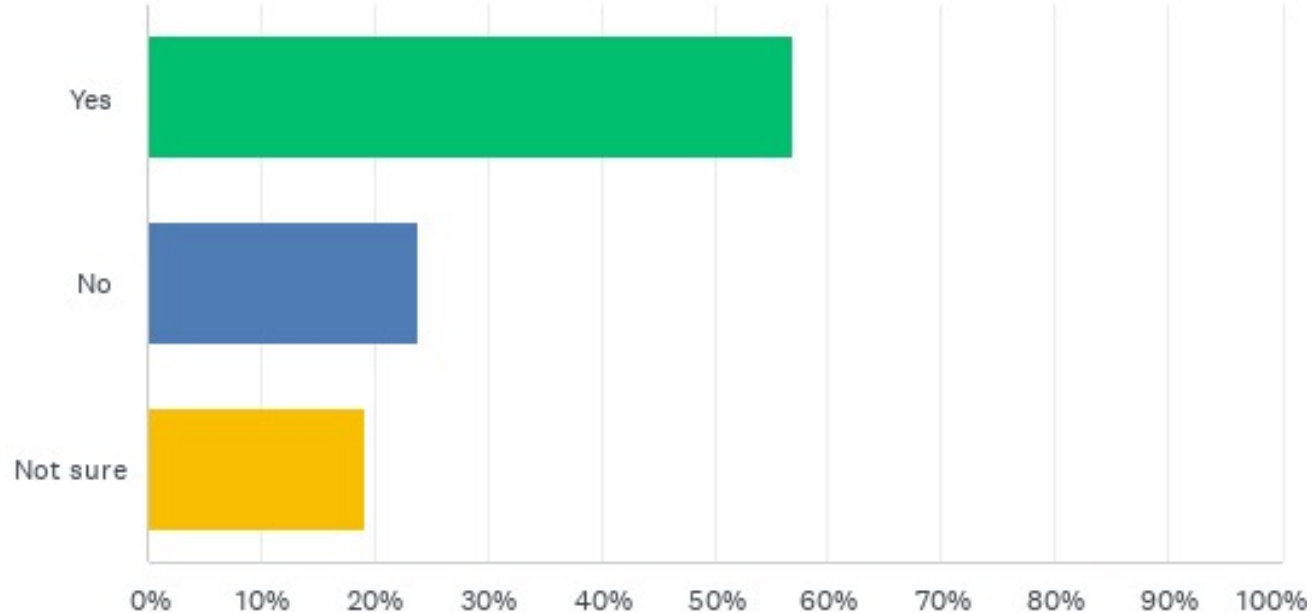
Q3: In which region of the UK are you headquartered?

Answered: 335 Skipped: 0

ANSWER CHOICES	RESPONSES	
Scotland	3.88%	13
Northern Ireland	0.00%	0
Wales	0.30%	1
North West	14.03%	47
North East	6.87%	23
Yorkshire and the Humber	31.34%	105
West Midlands	0.60%	2
East Midlands	7.46%	25
South West	1.49%	5
South East	22.39%	75
Greater London	11.64%	39
TOTAL		335

Q4: Do you feel your business is fundamentally in better shape for the challenges of the future now compared to three years ago?

Answered: 335 Skipped: 0



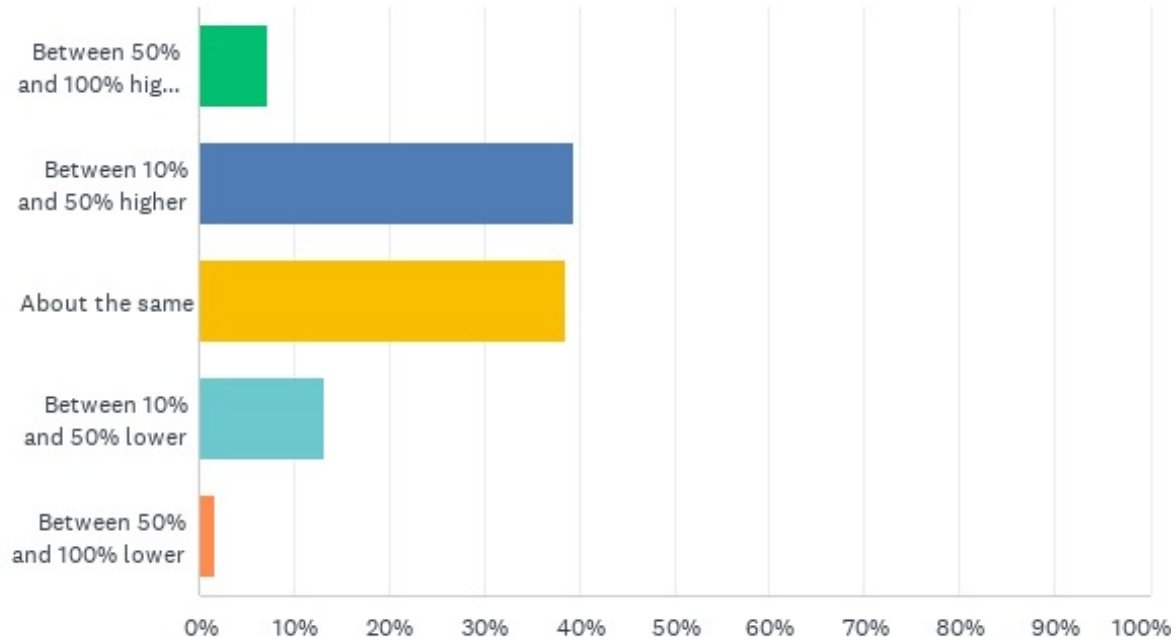
Q4: Do you feel your business is fundamentally in better shape for the challenges of the future now compared to three years ago?

Answered: 335 Skipped: 0

ANSWER CHOICES	RESPONSES	
Yes	57.01%	191
No	23.88%	80
Not sure	19.10%	64
TOTAL		335

Q5: What do you anticipate your turnover to be in 2022 relative to last year?

Answered: 335 Skipped: 0



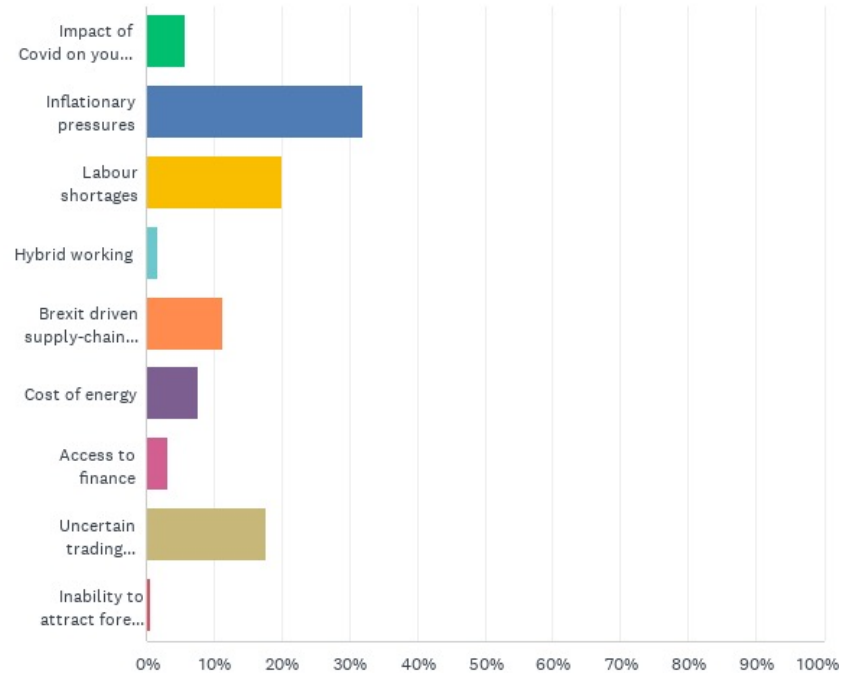
Q5: What do you anticipate your turnover to be in 2022 relative to last year?

Answered: 335 Skipped: 0

ANSWER CHOICES	RESPONSES	
Between 50% and 100% higher	7.16%	24
Between 10% and 50% higher	39.40%	132
About the same	38.51%	129
Between 10% and 50% lower	13.13%	44
Between 50% and 100% lower	1.79%	6
TOTAL		335

Q6: What is the biggest challenge you face as the economy gets back on its feet?

Answered: 310 Skipped: 25



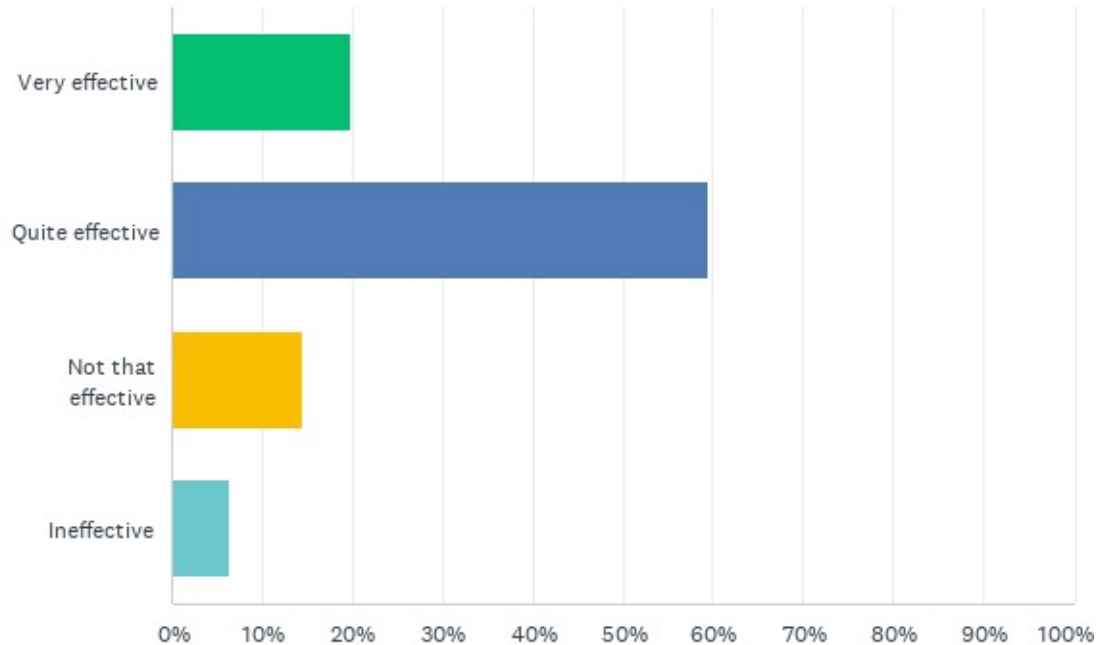
Q6: What is the biggest challenge you face as the economy gets back on its feet?

Answered: 310 Skipped: 25

ANSWER CHOICES	RESPONSES	
Impact of Covid on your business	5.81%	18
Inflationary pressures	31.94%	99
Labour shortages	20.00%	62
Hybrid working	1.61%	5
Brexit driven supply-chain issues	11.29%	35
Cost of energy	7.74%	24
Access to finance	3.23%	10
Uncertain trading conditions	17.74%	55
Inability to attract foreign labour	0.65%	2
TOTAL		310

Q7: Looked at in the round how effective do you think the UK Government response to Covid has been?

Answered: 333 Skipped: 2



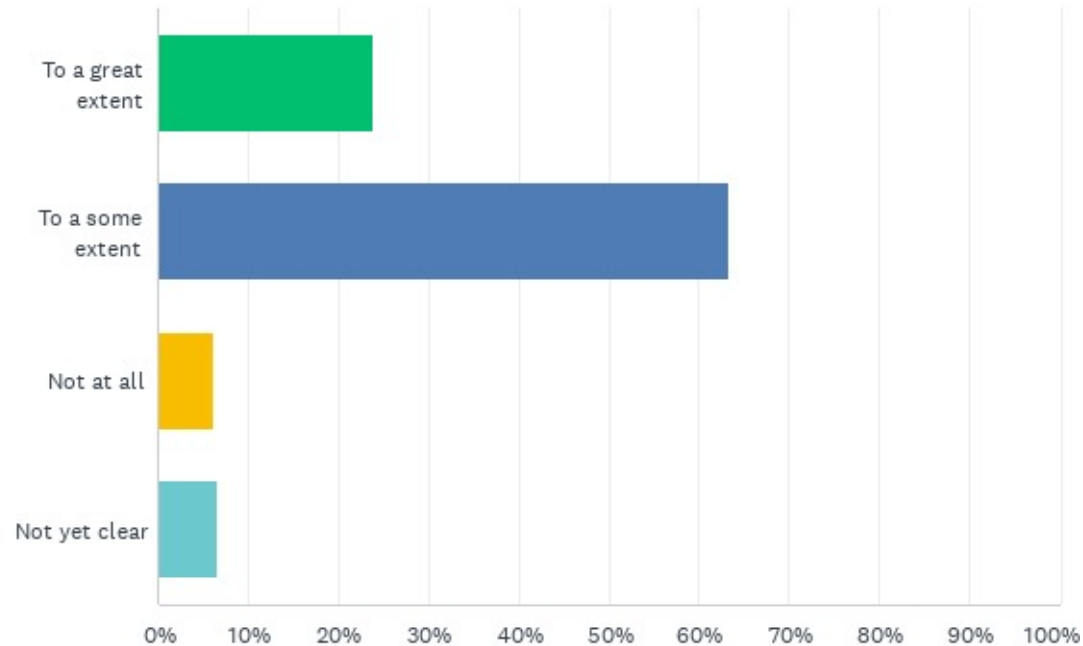
Q7: Looked at in the round how effective do you think the UK Government response to Covid has been?

Answered: 333 Skipped: 2

ANSWER CHOICES	RESPONSES	
Very effective	19.82%	66
Quite effective	59.46%	198
Not that effective	14.41%	48
Ineffective	6.31%	21
TOTAL		333

Q8: To what extent are inflationary pressures over the next 12 months likely to impede your business growth?

Answered: 335 Skipped: 0



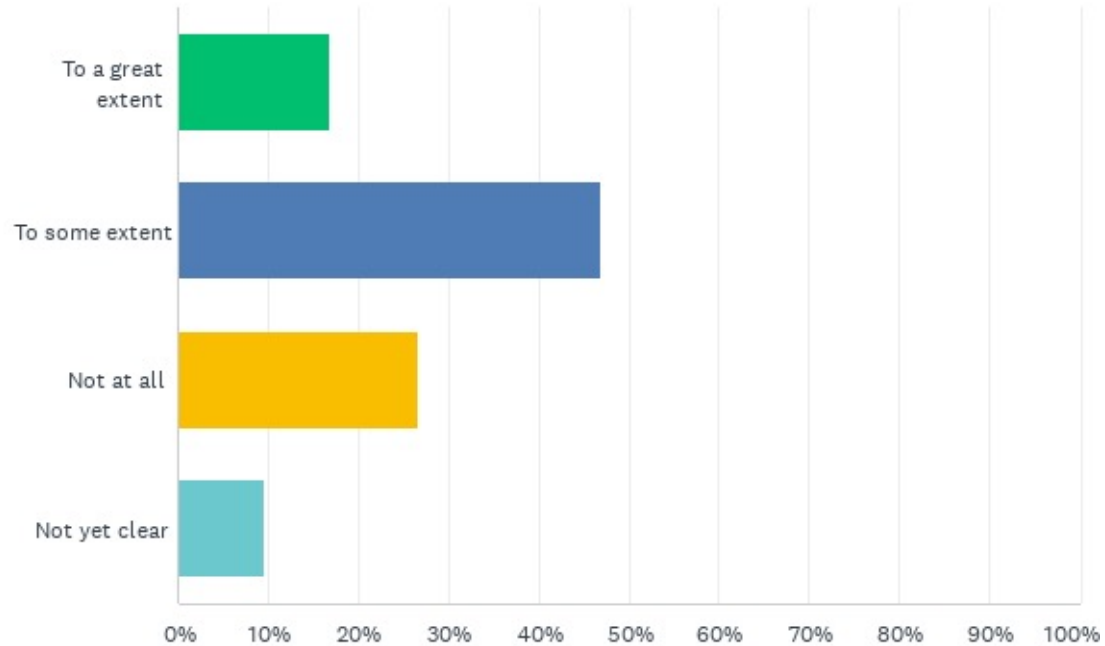
Q8: To what extent are inflationary pressures over the next 12 months likely to impede your business growth?

Answered: 335 Skipped: 0

ANSWER CHOICES	RESPONSES	
To a great extent	23.88%	80
To a some extent	63.28%	212
Not at all	6.27%	21
Not yet clear	6.57%	22
TOTAL		335

Q9: To what extent are rising energy costs impeding your ability to deliver?

Answered: 334 Skipped: 1



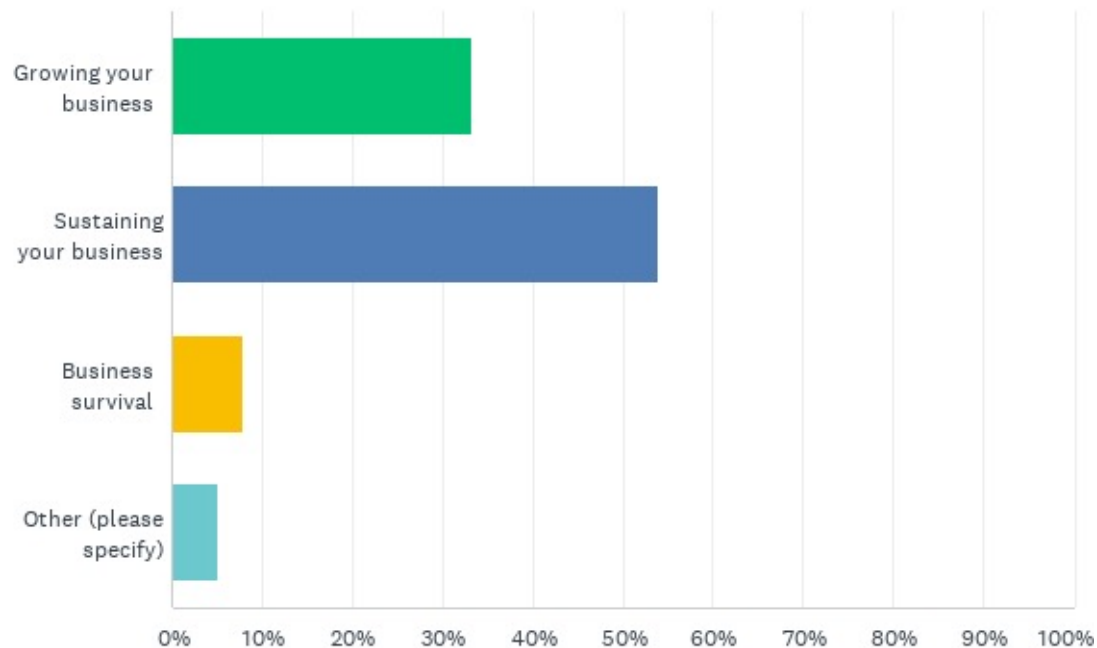
Q9: To what extent are rising energy costs impeding your ability to deliver?

Answered: 334 Skipped: 1

ANSWER CHOICES	RESPONSES	
To a great extent	16.77%	56
To some extent	47.01%	157
Not at all	26.65%	89
Not yet clear	9.58%	32
TOTAL		334

Q10: What is likely to be your main priority over the next 3-6 months?

Answered: 334 Skipped: 1



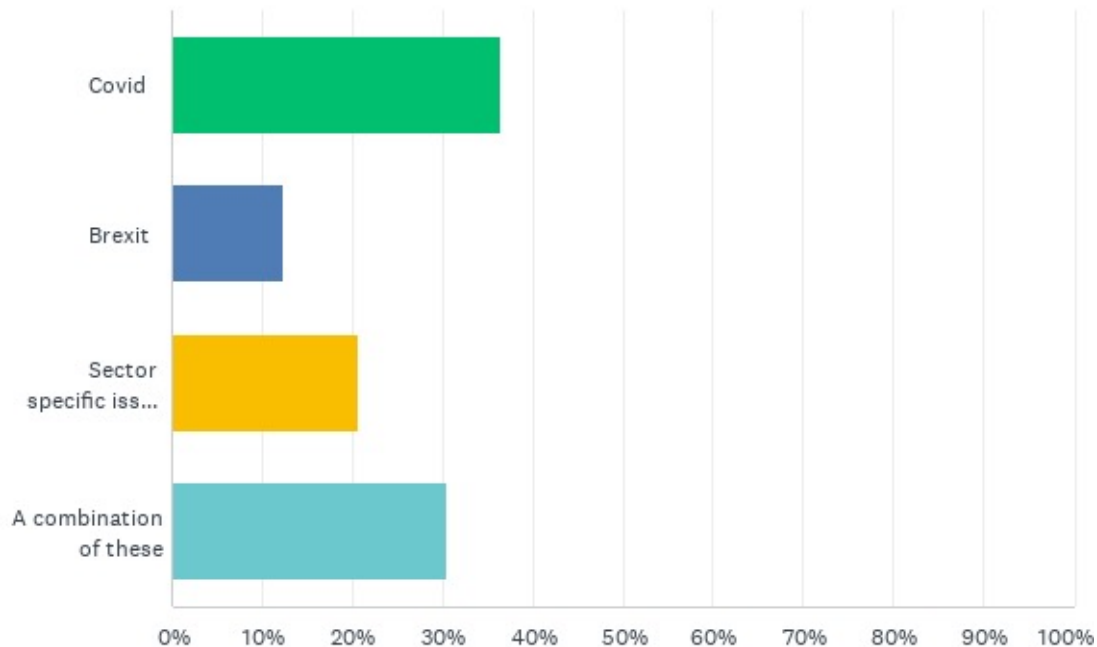
Q10: What is likely to be your main priority over the next 3-6 months?

Answered: 334 Skipped: 1

ANSWER CHOICES	RESPONSES	
Growing your business	33.23%	111
Sustaining your business	53.89%	180
Business survival	7.78%	26
Other (please specify)	5.09%	17
TOTAL		334

Q11: What has caused the most challenge to your business over the last 18 months?

Answered: 334 Skipped: 1



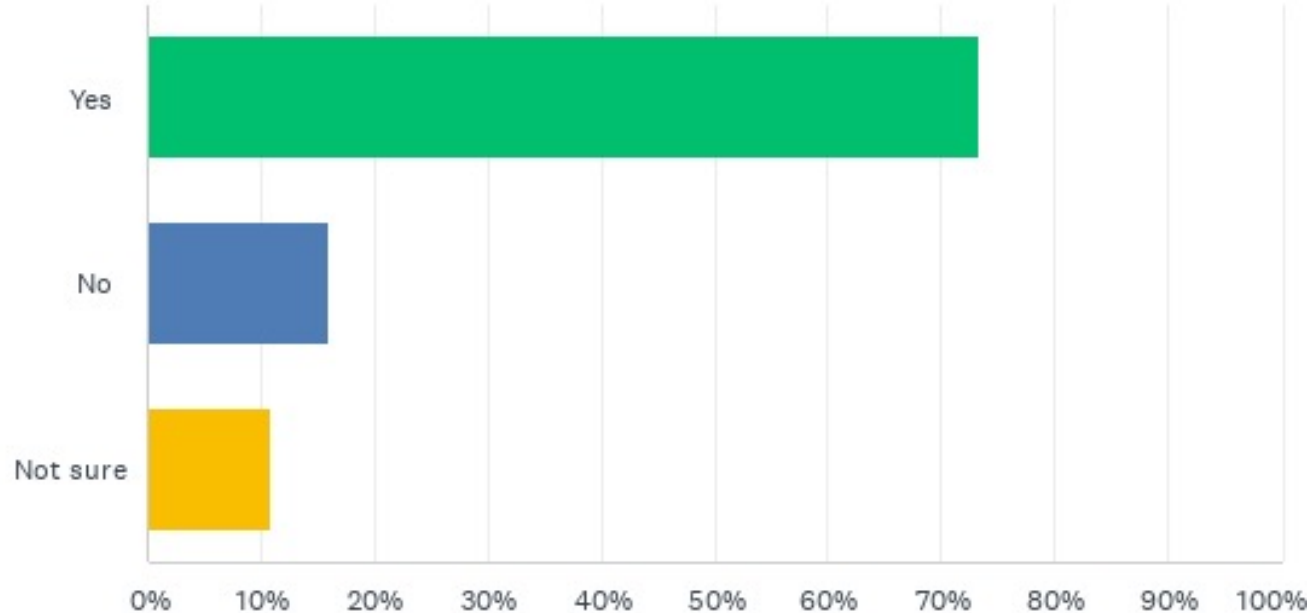
Q11: What has caused the most challenge to your business over the last 18 months?

Answered: 334 Skipped: 1

ANSWER CHOICES	RESPONSES	
Covid	36.53%	122
Brexit	12.28%	41
Sector specific issues	20.66%	69
A combination of these	30.54%	102
TOTAL		334

Q12: Would your business have survived the last 2 years without the Government backed support that was made available?

Answered: 333 Skipped: 2



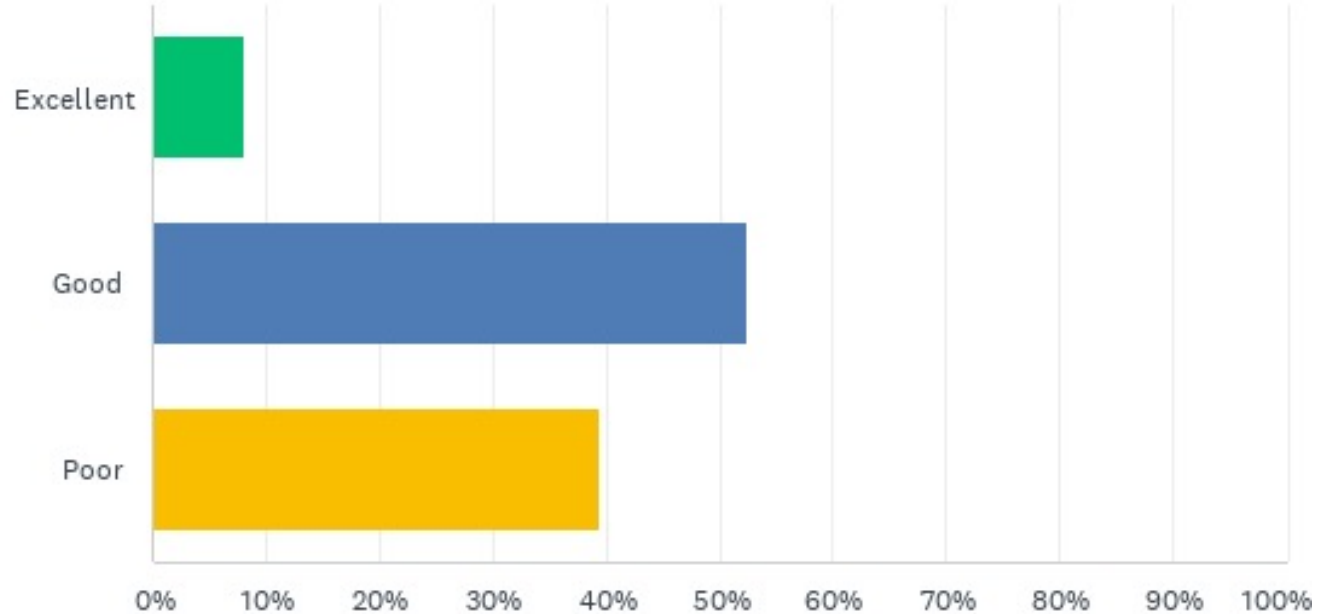
Q12: Would your business have survived the last 2 years without the Government backed support that was made available?

Answered: 333 Skipped: 2

ANSWER CHOICES	RESPONSES	
Yes	73.27%	244
No	15.92%	53
Not sure	10.81%	36
TOTAL		333

Q13: How would you rate current government support to the owner managed sector?

Answered: 332 Skipped: 3



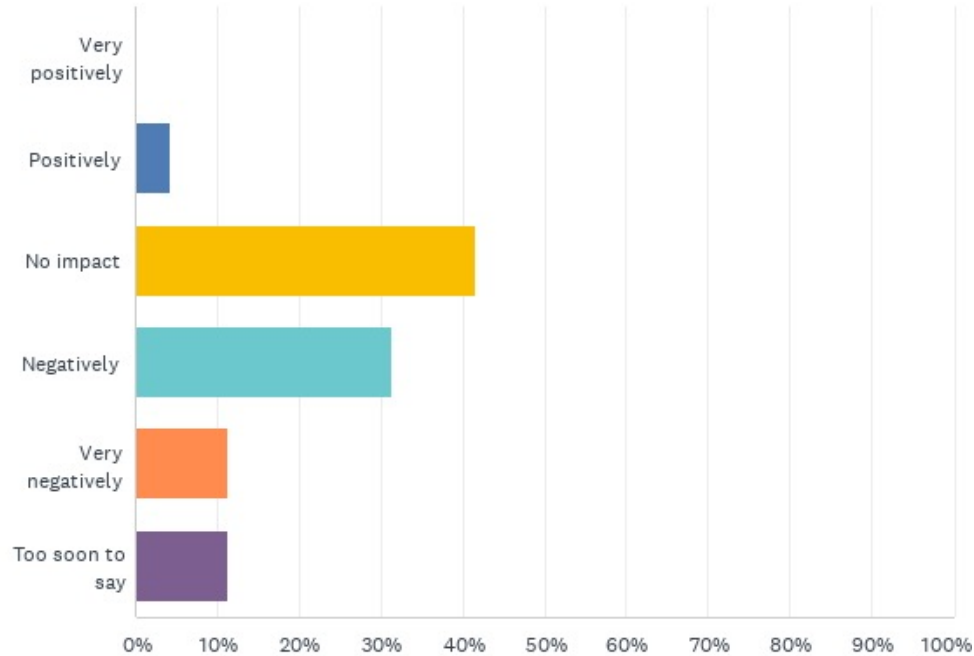
Q13: How would you rate current government support to the owner managed sector?

Answered: 332 Skipped: 3

ANSWER CHOICES	RESPONSES	
Excellent	8.13%	27
Good	52.41%	174
Poor	39.46%	131
TOTAL		332

Q14: How has the UK departure from the EU impacted on your business in the 12 months since the formal transition period ended?

Answered: 335 Skipped: 0



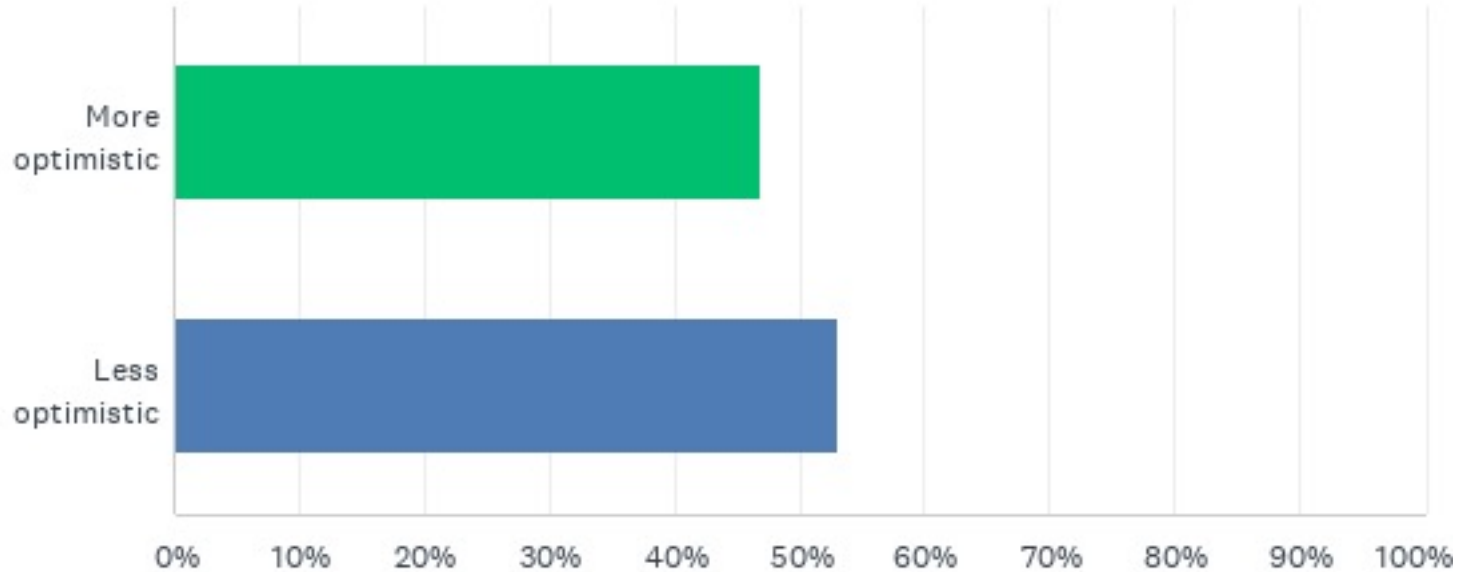
Q14: How has the UK departure from the EU impacted on your business in the 12 months since the formal transition period ended?

Answered: 335 Skipped: 0

ANSWER CHOICES	RESPONSES	
Very positively	0.30%	1
Positively	4.18%	14
No impact	41.49%	139
Negatively	31.34%	105
Very negatively	11.34%	38
Too soon to say	11.34%	38
TOTAL		335

Q15: On balance are you more or less optimistic about our long-term economic prospects now that we have left the EU?

Answered: 332 Skipped: 3



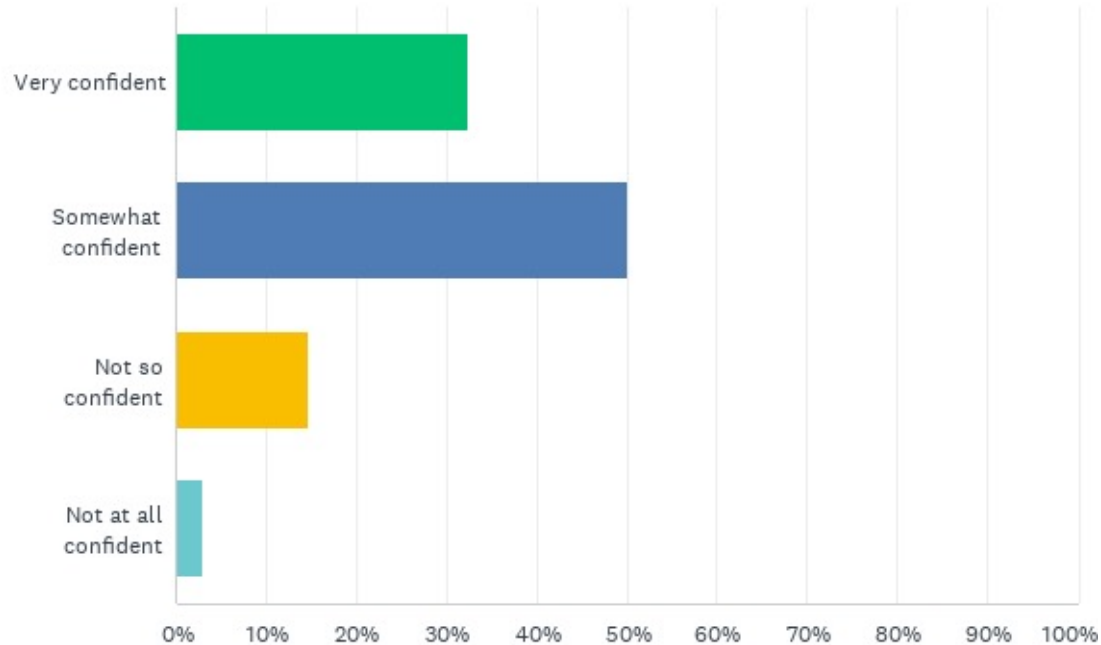
Q15: On balance are you more or less optimistic about our long-term economic prospects now that we have left the EU?

Answered: 332 Skipped: 3

ANSWER CHOICES	RESPONSES	
More optimistic	46.99%	156
Less optimistic	53.01%	176
TOTAL		332

Q16: How confident are you that you will be able to access the finance you need over the next 6 months?

Answered: 334 Skipped: 1



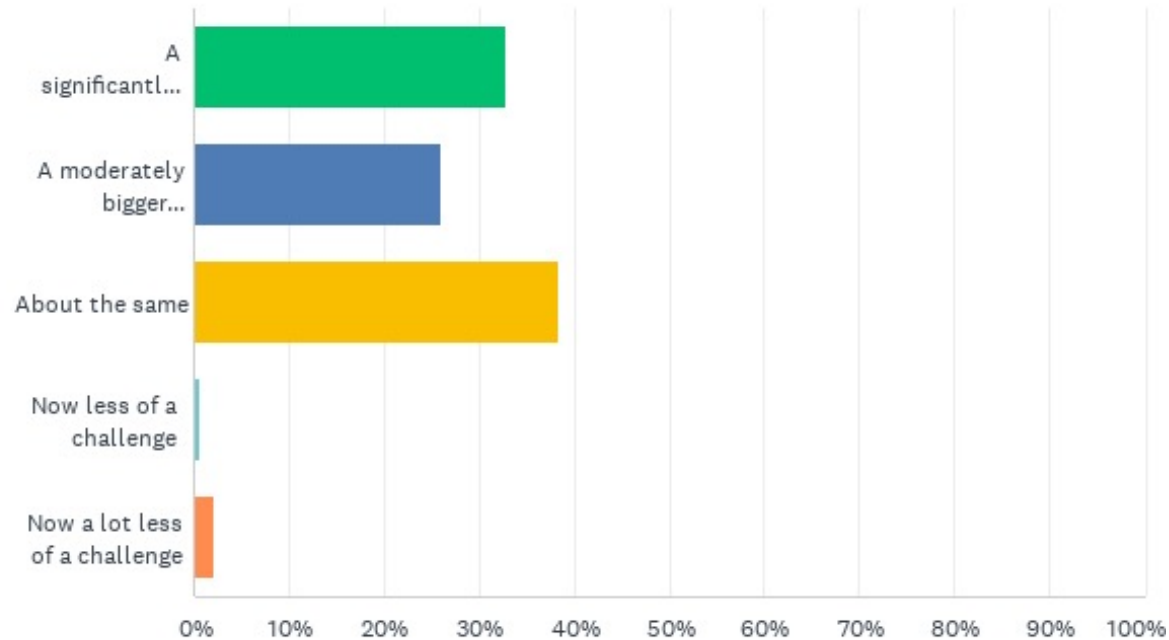
Q16: How confident are you that you will be able to access the finance you need over the next 6 months?

Answered: 334 Skipped: 1

ANSWER CHOICES	RESPONSES	
Very confident	32.34%	108
Somewhat confident	50.00%	167
Not so confident	14.67%	49
Not at all confident	2.99%	10
TOTAL		334

Q17: How big a challenge is staff recruitment and retention compared to 12 months ago?

Answered: 331 Skipped: 4



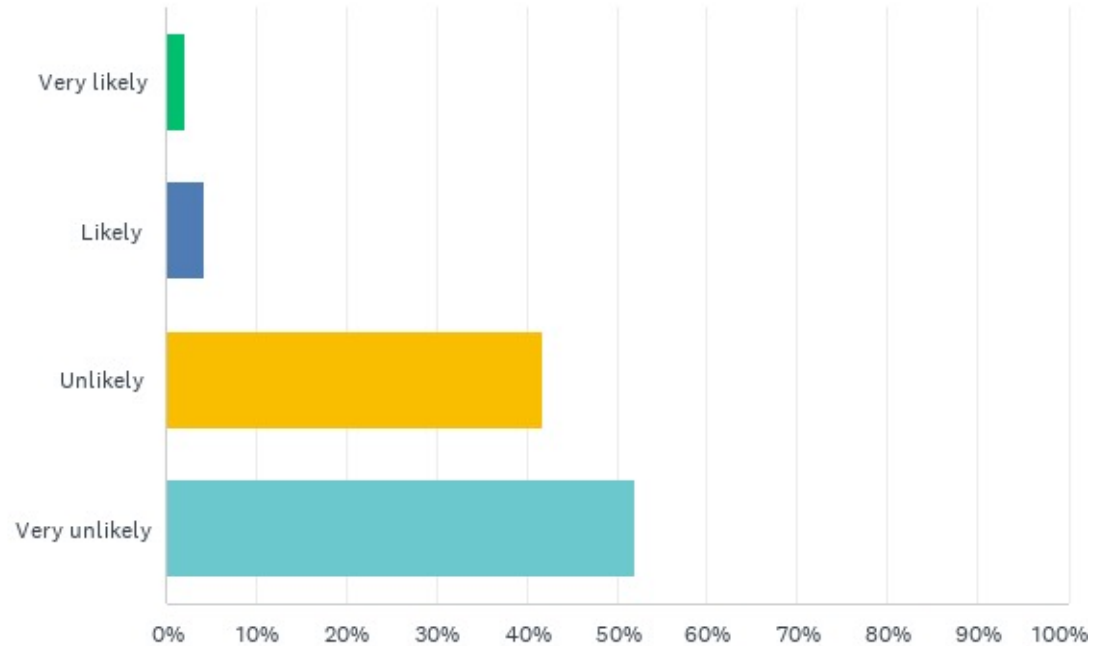
Q17: How big a challenge is staff recruitment and retention compared to 12 months ago?

Answered: 331 Skipped: 4

ANSWER CHOICES	RESPONSES	
A significantly bigger challenge	32.93%	109
A moderately bigger challenge	25.98%	86
About the same	38.37%	127
Now less of a challenge	0.60%	2
Now a lot less of a challenge	2.11%	7
TOTAL		331

Q18: How likely is it that you will have to make redundancies in the next 3-6 months?

Answered: 333 Skipped: 2



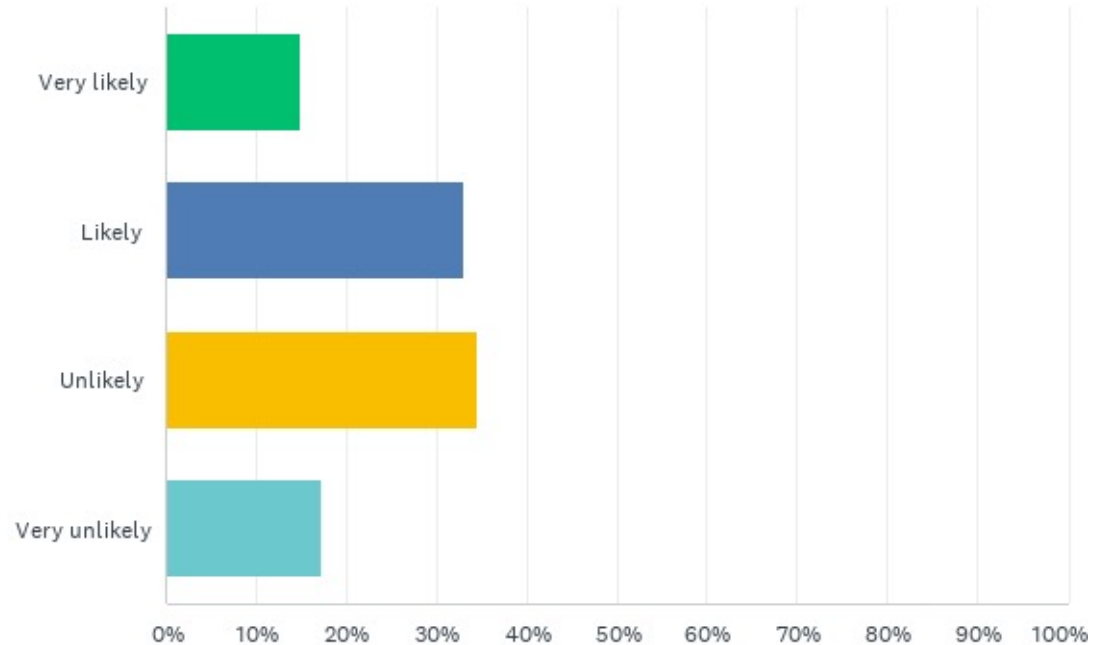
Q18: How likely is it that you will have to make redundancies in the next 3-6 months?

Answered: 333 Skipped: 2

ANSWER CHOICES	RESPONSES	
Very likely	2.10%	7
Likely	4.20%	14
Unlikely	41.74%	139
Very unlikely	51.95%	173
TOTAL		333

Q19: How likely are you to make significant capital investment in your business over the next 12 months?

Answered: 335 Skipped: 0



Q19: How likely are you to make significant capital investment in your business over the next 12 months?

Answered: 335 Skipped: 0

ANSWER CHOICES	RESPONSES	
Very likely	14.93%	50
Likely	33.13%	111
Unlikely	34.63%	116
Very unlikely	17.31%	58
TOTAL		335

Q20: To what extent do you rely on your auditor to provide you with additional business advice and support?

Answered: 296 Skipped: 39

ANSWER CHOICES	RESPONSES	
To a large extent	11%	33
To some extent	62%	184
Not at all	27%	79
TOTAL		296



**For more information on
this survey please contact:**

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