

Rural business aspirations, obstacles and support: an analysis of the Longitudinal Small Business Survey 2015

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UK rural economies have often kept pace with or exceeded urban growth. They host firms active in all business sectors, and make important contributions to national and regional growth. Predominantly rural districts of England contributed an estimated £237 billion to England's GVA in 2015, whilst rural areas of Scotland support more firms per 10,000 adults than its urban areas. Rural economies are therefore in a strong position to contribute to plans to grow and re-balance our national economy. Despite their substantial contribution, greater definition is needed of the challenges and opportunities facing rural enterprises to inform economic and innovation policies and programmes. In this paper we draw on an analysis of 15,500 responses (of which 28 per cent are classified as rural) to the Longitudinal Small Business Survey 2015, to compare rural-urban business performance, barriers and use of business support services.

Key findings

- At the UK level, after controlling for profile variables such as age, size, sector etc., the performance (turnover and profit) of businesses operating from rural areas is not significantly better or worse than the performance of businesses located in urban areas outside of London.
- Rural firms were less likely than urban firms to expect growth in their number of employees in the next year but more rural firms with employees plan to make capital investments in their firm in the next three years. Urban employing businesses were more likely to introduce new working practices or improve their leadership capabilities.
- Competition in the market and red tape/regulations are the main obstacles to business success reported by urban and rural firms. Competition is of greatest concern to urban businesses, whilst regulation was the leading barrier identified by rural firms.
- Firms without employees report different obstacles across the UK's countries – for example Scotland's rural firms appear to have considerably worse experience in obtaining finance, whilst in England, Wales and Northern Ireland there is greater rural concern about taxation/ VAT/Ni/business rates, and with staff recruitment and skills.
- Accountants, General business advisers, and others were the main sources of external advice for urban and rural firms. Fewer rural than urban firms with employees had accessed business networks / trade associations. Yet rural firms without employees were more likely to have sought advice from business networks / trade associations and Consultants/ general business advisers.
- Information/ advice to manage their firms' finances was amongst the leading reasons for businesses in rural and urban areas to seek advice. However, only a very low proportion of rural and urban businesses had sought information or advice from banks and specialist financial advisors.

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- Whilst urban firms without employees sought advice on marketing at more than double the level of their rural counterparts, these rural firms were more than twice as likely than urban firms to seek advice to improve business efficiency or productivity. This should encourage those who point to the need to raise productivity amongst rural firms.
- In contrast, low numbers of the UK's businesses sought advice or information about innovation and exporting, in marked contrast to considerably higher proportions of rural and urban firms which plan to develop new products or services. Perhaps this suggests a need for refined advisory or information services on these activities.

Major obstacles to UK's rural and urban businesses

Major obstacles to businesses	Urban with employees	Rural with employees	Urban without employees	Rural without employees
Obtaining finance	6 th (23%)	7 th (21%)	5 th (17%)	5 th (18%)
Taxation, VAT, PAYE, National Insurance, Business rates	3 rd (43%)	3 rd (44%)	4 th (25%)	3 rd (28%)
Staff recruitment and skills	5 th (32%)	4 th (33%)	7 th (12%)	6 th (15%)
Regulations/red tape	2 nd (46%)	1 st (56%)	2 nd (31%)	1 st (44%)
Availability/cost of suitable premises	6 th (23%)	8 th (17%)	5 th (17%)	7 th (14%)
Competition in the market	1 st (51%)	2 nd (46%)	1 st (46%)	2 nd (40%)
Workplace pensions	8 th (21%)	6 th (25%)	8 st (8%)	8 st (6%)
Late payment	4 th (34%)	5 th (32%)	3 rd (27%)	4 th (26%)

Source: LSBS (2015): question G4 which of the following would you say are major obstacles to the success of your business in general?

Policy implications

At the UK level rural firms achieved similar performance to urban businesses in terms of turnover and profitability, having controlled for any differences in the profiles of rural and urban economies. Therefore these economies warrant equity of attention within the nation's economic growth plans and policies. However, significant variations in the plans, obstacles and use of support by rural and urban firms, and by those with employees and those with none, justify the need for tailored and rurally-proofed business policies and programmes. Future analysis by the *Rural Enterprise UK* team will explore changes over time in business performance and capabilities and seek to identify any important sub-regional variations in business profiles and circumstances.

Full paper link:

<http://www.enterpriseresearch.ac.uk/our-work/publications/?type=whitepaper-research>