



THE SAGE BUSINESS INDEX

SEPTEMBER 2011

International
Business Insights

sage

Executive summary

Welcome to the second Sage Business Index – International Business Insights report. This report follows on from our first study of global and local economic confidence amongst businesses which was reported in February 2011. We have extended the geographic scope of the research to include insight from South Africa, Austria, Malaysia and Singapore, on top of the UK, France, Germany, Spain, the United States and Canada which were surveyed last time. We have also added depth to our questions and expanded the size of businesses to include organisations with up to 500 employees.

More than 10,000 small and mid-sized businesses completed the survey in late July and early August 2011, answering questions on business confidence, providing opinions on the economy, stating attitudes on their country as a place to do business and giving views on the role of government in business and the challenges they face. As this is the second survey we are now able to provide an index measurement of confidence over the first six months of 2011 and assess how this has changed during the course of the year. Consequently we are able to present a unique and compelling picture of the business landscape across the 10 countries.

The world is a rapidly changing place and the global economy has certainly seen tough going over the last couple of years. During the fieldwork we saw crisis in the Eurozone and the lead up to the US's credit rating being downgraded, all unprecedented events affecting economies across the world. And this is reflected in the results.

However, tenacity and resilience are part of small and mid-sized businesses' DNA and despite the wider economic circumstances they are focussing on what they need to do to continue managing their businesses. The majority of them had not only increased or maintained their revenues over the last six months but they are also positive, albeit cautiously, about the next six months, even though confidence in global and local economies is generally on the decline.

One issue that remains is the belief that governments are just not providing sufficient support and advice for businesses. Business bureaucracy and legislation is still of great concern and the results are enlightening when it comes to which regulations countries are battling most.

On a positive note we were encouraged by the fact that when asked about future plans there is a forward looking attitude with plans to invest and grow. But there are some major challenges ahead, including for many the



rising costs of fuel, utilities and raw materials and finding staff with the relevant skills for their businesses, as well as maintaining and growing revenues.

Sage is fortunate to count over six million businesses as our customers. From a personal perspective the data in this report is reflective of what I hear from our customers and I hope that you find value and interest in what they have to say about their world. We pride ourselves on understanding them and on not forgetting our own roots as a start-up business, founded 30 years ago this year. It is through this understanding that we aim to help our customers gain greater insight into their business activities and to support them with the tools they need to better manage the everyday tasks and processes that are the lifeblood of business.

So it is with this in mind that I would like to thank all our customers for putting their trust in us, and especially thank the businesses who took part in the research for their time and for providing their opinions.

Yours sincerely

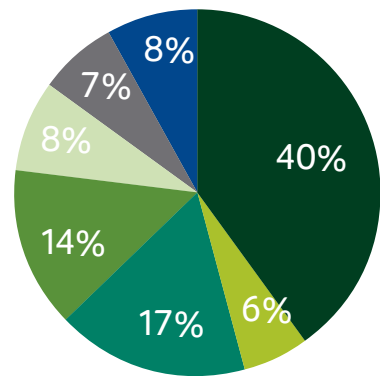
A handwritten signature in black ink, appearing to read 'Guy Berruyer'. The signature is fluid and cursive, written over a white background.

Guy Berruyer
CEO, The Sage Group plc

Sample universe

The second phase of the Sage Business Index polled a total of 10,006 businesses across the US, Canada, UK, France, Germany, Austria, Spain, South Africa and Malaysia/Singapore. Nearly two thirds (63%) of respondents were owners and senior management, with 67% of all companies employing between one and 24 employees and the remaining 33% between 25 and 500 employees. Just over half of the business surveyed had been operating for more than 15 years, but just 16% had been in business for less than five years. The responses to the survey came from businesses across a wide range of sectors from construction to services, retail, IT and manufacturing.

Which of the following best describes your position?



- Owner/Founder/Proprietor
- Senior Manager
- CEO/MD/General Manager
- Mid Manager
- Junior Manager
- Employee
- Other

Average overall business age

Business Age	All sample
Less than five years	16%
Between five and 15 years	31%
Over 15 years	51%
Don't know	2%

Germany



51% were owner/founder/proprietors
 30% were between five and 15 years old
 75% have an employee base of between one and 24
 58% have operated for more than 15 years
 12% were less than five years old

US



37% were owner/founder/proprietors
 22% were between five and 15 years old
 65% have an employee base of between one and 24
 65% have operated for more than 15 years
 11% were less than five years old

Austria



59% were owner/founder/proprietors
 32% were between five and 15 years old
 78% have an employee base of between one and 24
 53% have operated for more than 15 years
 14% were less than five years old

Canada



51% were owner/founder/proprietors
 31% were between five and 15 years old
 83% have an employee base of between one and 24
 48% have operated for more than 15 years
 20% were less than five years old

France



24% were owner/founder/proprietors
 26% were between five and 15 years old
 53% have an employee base of between one and 24
 55% have operated for more than 15 years
 18% were less than five years old

South Africa



33% were owner/founder/proprietors
 39% were between five and 15 years old
 60% have an employee base of between one and 24
 42% have operated for more than 15 years
 19% were less than five years old

Spain



31% were owner/founder/proprietors
 37% were between five and 15 years old
 54% have an employee base of between one and 24
 37% have operated for more than 15 years
 24% were less than five years old

Malaysia/Singapore



28% were owner/founder/proprietors
 38% were between five and 15 years old
 61% have an employee base of between one and 24
 26% have operated for more than 15 years
 35% were less than five years old

UK



43% were owner/founder/proprietors
 28% were between five and 15 years old
 72% have an employee base of between one and 24
 56% have operated for more than 15 years
 15% were less than five years old

“Tenacity and resilience are part of small and mid-sized businesses’ DNA and despite the wider economic circumstances they are focussing on what they need to do to continue managing their businesses.”
GUY BERRUYER

For more information on the methodology please see page 18

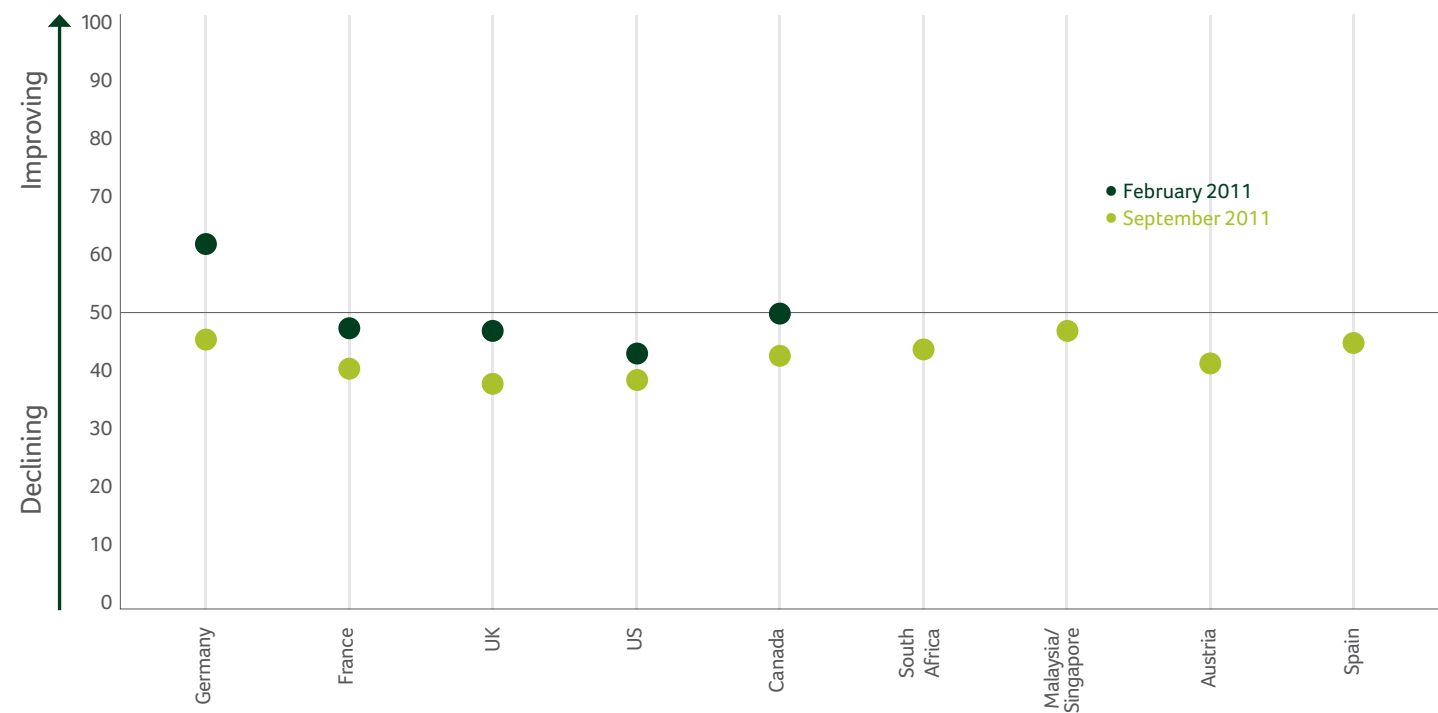
Global economic confidence

As this is the second Sage Business Index, we are now able to apply an index methodology which allows us to measure the changing mood of the businesses surveyed in relation to business and economic confidence.

The index is based on a scale of zero to 100 where 0 means a significant decline, 100 means a significant improvement, and 50 means it is no different.

“I’m confident there will be a recovery, but it is years down the road.” US

Do you feel that the global economy is improving or declining?



Broadly, the index reveals that the countries surveyed felt that the global economy is declining, unsurprising taking into account the major economic events happening around the time of the survey fieldwork. The index score for this survey stands at **44.47** compared to the last index, which revealed a more hopeful tone with an index score of **52.13***. However, this last score is pushed up by Germany which scored **61.07** in February. US, UK, and France feel the economy is in decline while Canada remains unchanged in its outlook.

- All countries are very evenly matched, all with index scores between **40** and **46** points, bar Malaysia/Singapore that had a score of **48.38**

- The UK and the US are the most pessimistic of the countries surveyed with a country index scores of **40.65** and **41.53** respectively
- Germany and Spain are the least negative about the global economy with index scores **46.94** and **46.61** respectively
- Overall the smallest businesses (**under 25**) are the most negative about the global economy, with a total index score of **42.58**, compared to an index score of **46.90** for companies between **25** and **100** people. Medium-sized businesses (**100 to 500**) are the least negative with a score of **49.36**

Global Confidence Score

52.13*

February

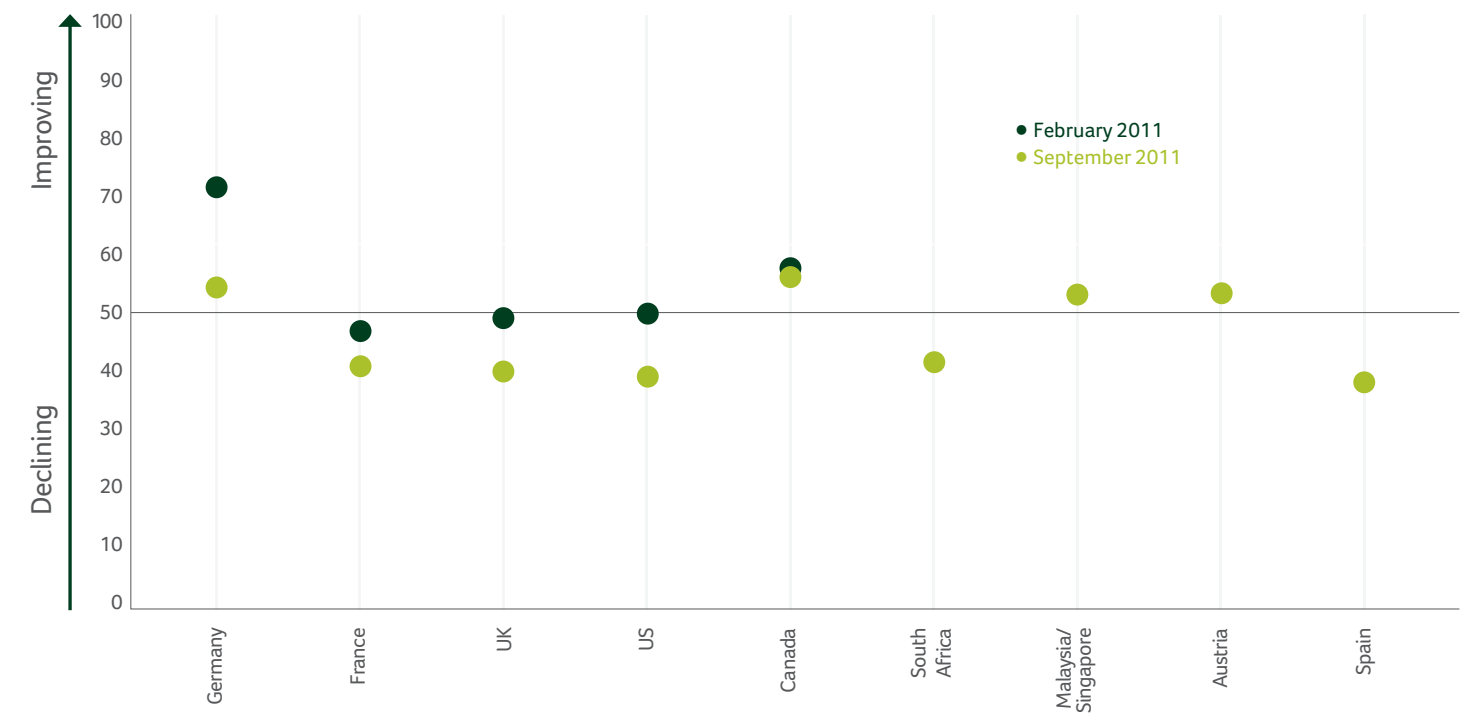
44.47

September

* Index scores have been derived from Feb 2011 data. Answer options in this study, and their index score weighting, were: "It is recovering significantly (100)", "It is recovering slightly (75)", "It is no different (50)", "It is declining slightly (25)", "It is declining significantly (0)"

“I think the economy in Canada is in a better place than most countries. I hope our Government continues on a similar path and has learned from other countries’ mistakes.” CANADA

Do you feel your country’s economy is improving or declining?



When it comes to whether local country economies are improving or declining, the picture is decidedly mixed. Overall the index score of **47.11** shows a feeling that individual country economies are declining, but only slightly and certainly less so than the global economy. However, looking at the last index, at the time countries felt that their economies were on the up with an index score of **57.17*** seeing a recovery, albeit a small one.

- Canada is by far the most confident about their local economy with an index score of **56.09**. This is in stark contrast to their neighbours in the US whose score of **41.57** showed that they strongly believe their economy is in decline

- Despite the relatively large decline from the last index in Germany, it is still one of the most positive countries with a score of **54.08**, this is followed by Austria with **53.21**
- In Europe, the UK (**42.41**) and Spain (**40.43**) are the most affected by the economic decline
- South Africa is generally downbeat about their local economic prospects with a low score of **44.1**
- Malaysia and Singapore are still seeing some improvement with a score of **53.26**

Country Confidence Score

57.17*

February

47.11

September

* Index scores have been derived from Feb 2011 data. Answer options in this study, and their index score weighting, were: "It is recovering significantly (100)", "It is recovering slightly (75)", "It is no different (50)", "It is declining slightly (25)", "It is declining significantly (0)"

Business in the last six months

Despite the general sentiment of economic decline both globally and locally, the real business picture over the past six months has been fairly positive with most SMEs, over two thirds (69%), reporting they have maintained or grown revenues.

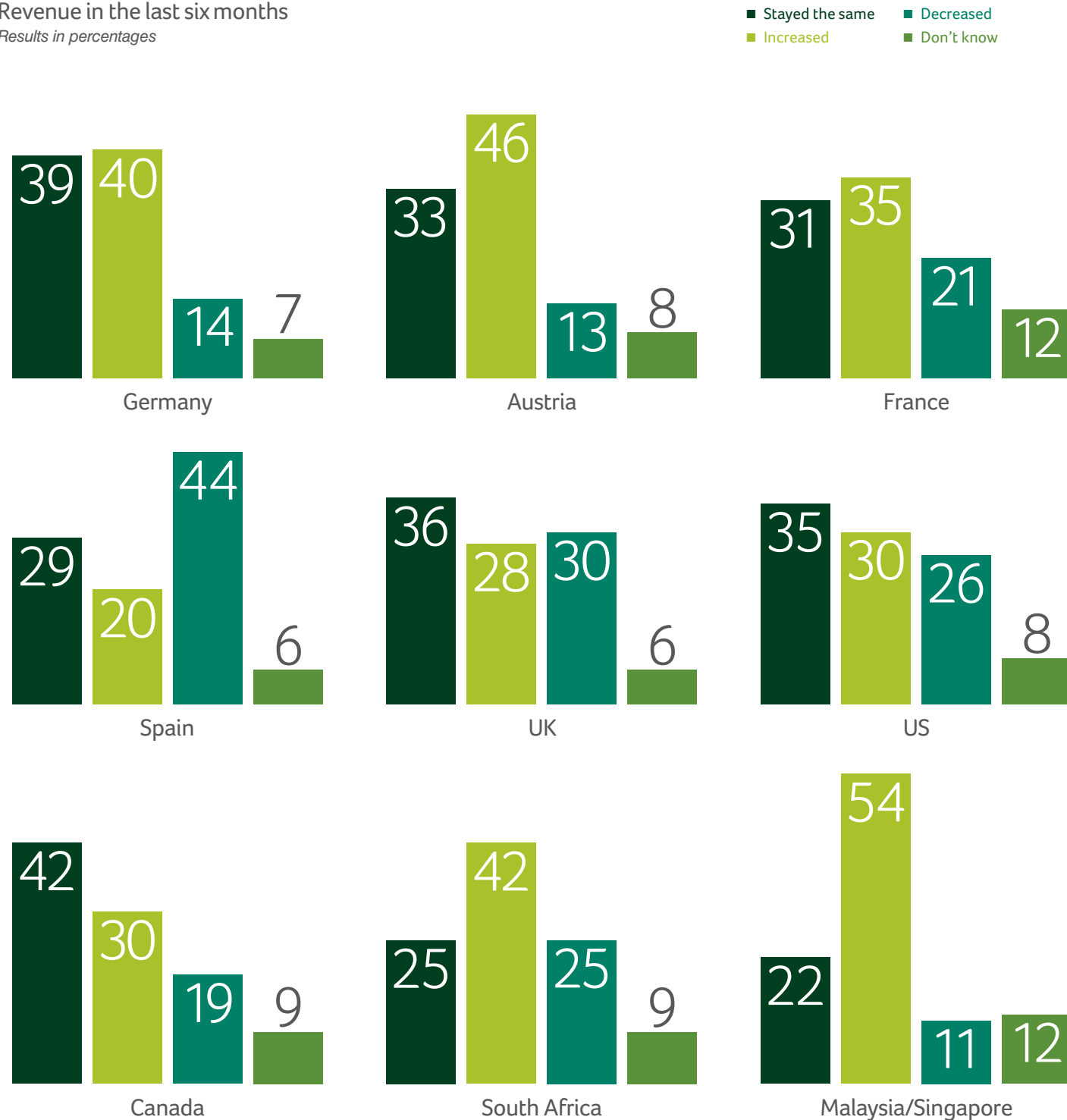
- Spain is the only exception where 44% have seen a decrease in revenue
- Germany and France have seen business grow more than stay the same

- Austria and Malaysia with Singapore appear to have fared best 46% and 54% reporting growth

Few SMEs have seen a decrease in employee numbers and in most cases numbers have remained constant.

Revenue in the last six months

Results in percentages



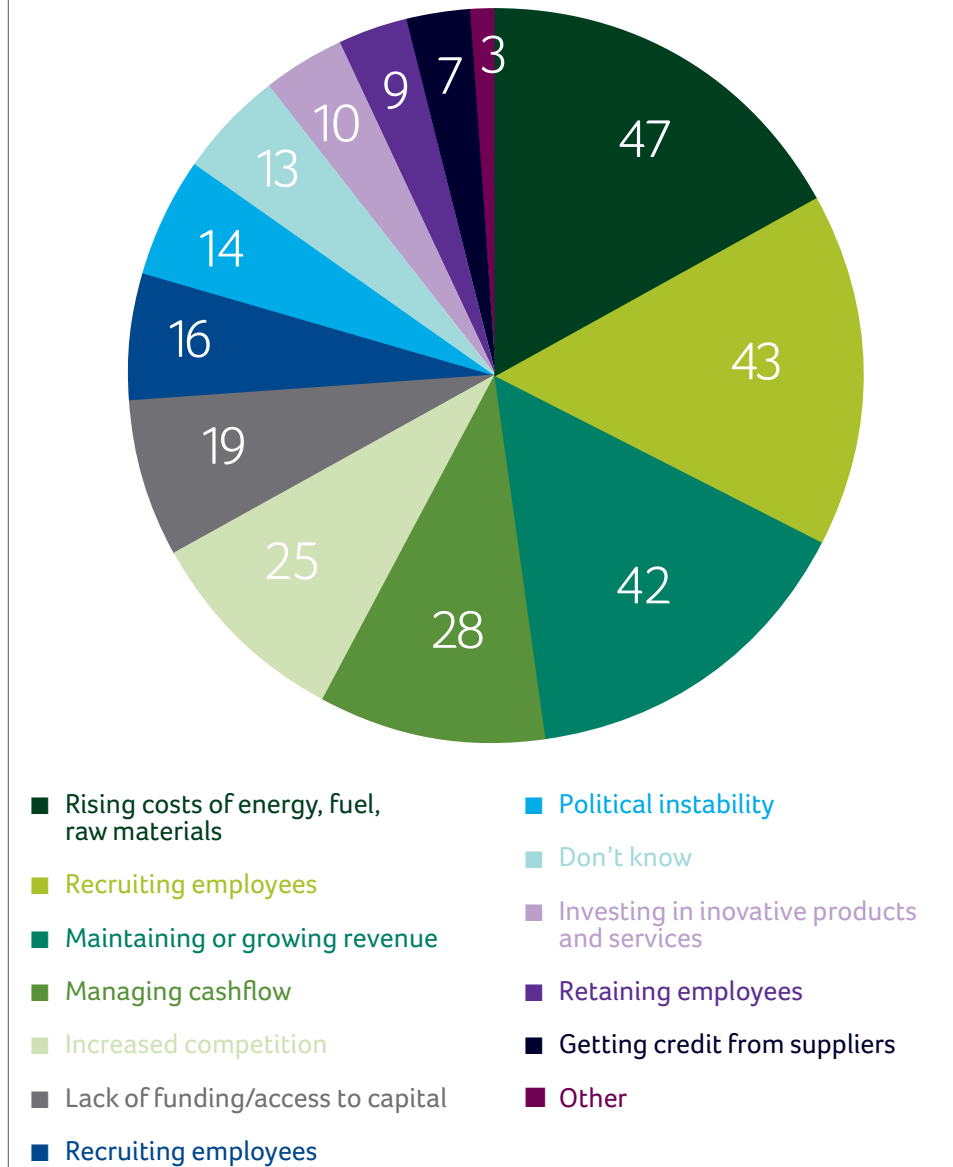
Business challenges

The biggest overall challenge faced by small businesses (47%) relates to rising costs of fuel, utilities and raw materials. This is a slight change from what they thought would be their biggest challenge in the previous index – maintaining or growing revenue (which the majority managed to do).

- South Africa (53%), the UK (52%) and Malaysia/Singapore (46%), were the most challenged by rising costs of fuel and raw materials. By contrast, Spain and France reported feeling the least affected of all countries on rising prices
- In all countries except UK and Spain, less than 20% indicated that lack of capital or access to funding was a problem. In Spain, this was a problem for a quarter of small businesses
- Over a third of French businesses saw increased competition as a major challenge
- South Africa was the only country to see gaining new customers or accessing new markets as their chief business challenge (47%)
- In Malaysia/Singapore, over a quarter saw recruiting employees as a challenge
- The US stands out with one in five small businesses seeing political instability as a major business challenge

Overall business challenges in the last six months

Results in percentages



“At the moment it’s just about trading water/ maintaining the status quo until everything calms down.” UK

“As SMEs, we rely on niche markets, but these must be continuously found.” GERMANY

Business outlook

Respondents from the last Sage Business Index were mostly cautiously optimistic for the coming six months with an index score of **56.48***. This time, although this optimism has only marginally improved, with an index score of **57.88**, when you take into consideration the much more negative sentiment of decline in global and local economies, this improvement is fairly significant.

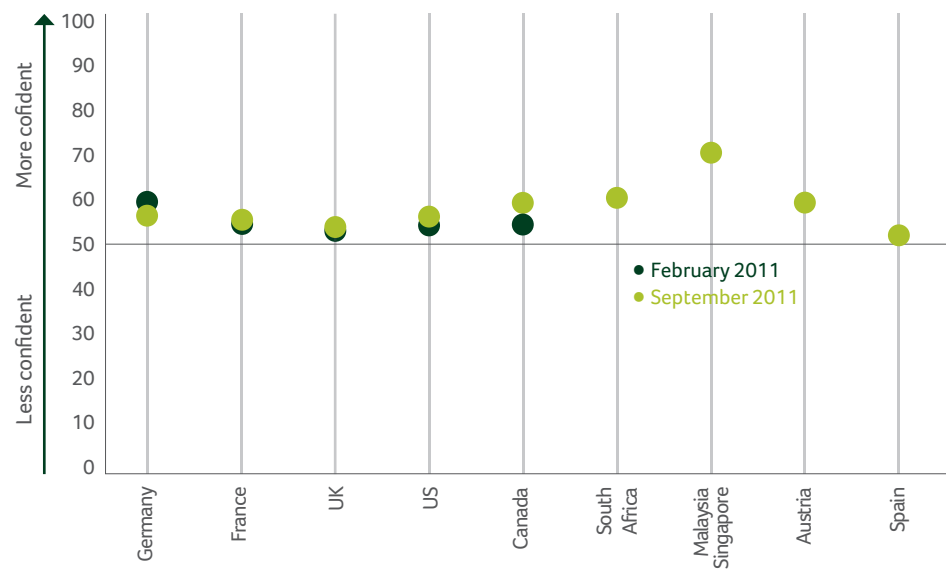
- Businesses in Malaysia and Singapore are strongly positive about prospects with a rating at **69.70**, along with South Africa at **62.58**
- Germany demonstrated more confidence for business prospects – this was only marginally down from the last Sage Business Index
- Confidence is slightly improved in France, and broadly the same in the UK
- US attitudes towards future prospects have moderately improved
- The exception remains Spain, where there is no significant change in confidence levels looking ahead

Challenges

Expected challenges over the next six months centred overall on maintaining and growing revenue with **46%** of respondents expressing this concern - in line with the findings of the last report. This was followed closely and in equal measure (both at **43%**) by the burden of rising costs of energy, fuel and raw materials, and the difficulty involved in gaining new customers and accessing new markets.

- Rising costs are of particular concern to South Africa (**48%**), UK (**45%**) and Germany (**42%**) that are feeling the sting at a time when budgets are being squeezed
- Malaysia/Singapore saw accessing new markets and gaining new customers as their biggest challenge

Compared to six months ago are you more or less confident about your business prospects?

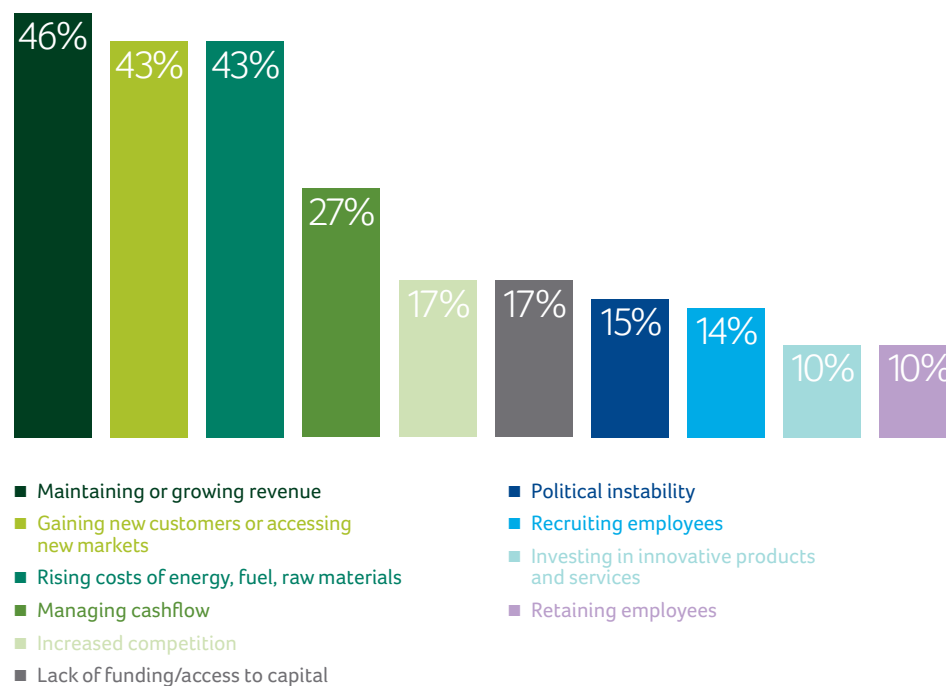


Business Confidence Score



* Index scores have been derived from Feb 2011 data. Answer options in this study, and their index score weighting, were: "More confident (75)", "No different (50)" and "Less confident (25)".

Biggest business challenges over the next six months



Future Plans

According to the findings, businesses are focusing on the future with investment plans - a third of all respondents (**33%**) said they plan to invest in sales and marketing, **31%** diversifying into new markets and **24%** launching new products and services. In February 2011, investing came in as the third most cited intention with **50%** of businesses looking to reduce expenditure and monitor finances in the immediate to mid-term.

- Nearly half of Austrian businesses said sales and marketing was a priority for investment, while Germany saw diversifying into new markets as their priority (**41%**)
- For France, investing in sales and marketing came low down on priorities, instead they are more interested in diversifying into new markets (**28%** as opposed to **18%**)
- Overall **22%** saw investing in new technology to improve efficiency and investing in training as key for the future, with the US and South Africa most likely to select this option
- Malaysia/Singapore responses were far higher than any other country in terms of expanding their businesses into new export markets (**26%**)
- A quarter of businesses in South Africa and Germany plan to recruit new employees, with **27%** in Austria and **26%** in Malaysia/Singapore also planning recruitment drives
- South Africa was also keen to invest in more training (**32%**)
- Nearly one fifth (**18%**) said they did not know what they planned to do

Top three plans

Germany

1. Diversify into new markets
2. Invest in sales and marketing
3. Launch innovative products and services

Austria

1. Invest in sales and marketing
2. Diversify into new markets
3. Launch innovative products and services

France

1. Diversify into new markets
2. Launch innovative products and services
3. Recruit new employees

Spain

1. Launch innovative products and services
2. Diversify into new markets
3. Invest in sales and marketing

UK

1. Invest in sales and marketing
2. Diversify into new markets
3. Launch innovative products and services

US

1. Invest in sales and marketing
2. Increase efficiency through investment in technology
3. Diversify into new markets

Canada

1. Invest in sales and marketing
2. Diversify into new markets
3. Recruit new employees

South Africa

1. Invest in sales and marketing
2. Diversify into new markets
3. Launch innovative products and services

Malaysia/Singapore

1. Invest in sales and marketing
2. Diversify into new markets
3. Expand the business into new export markets

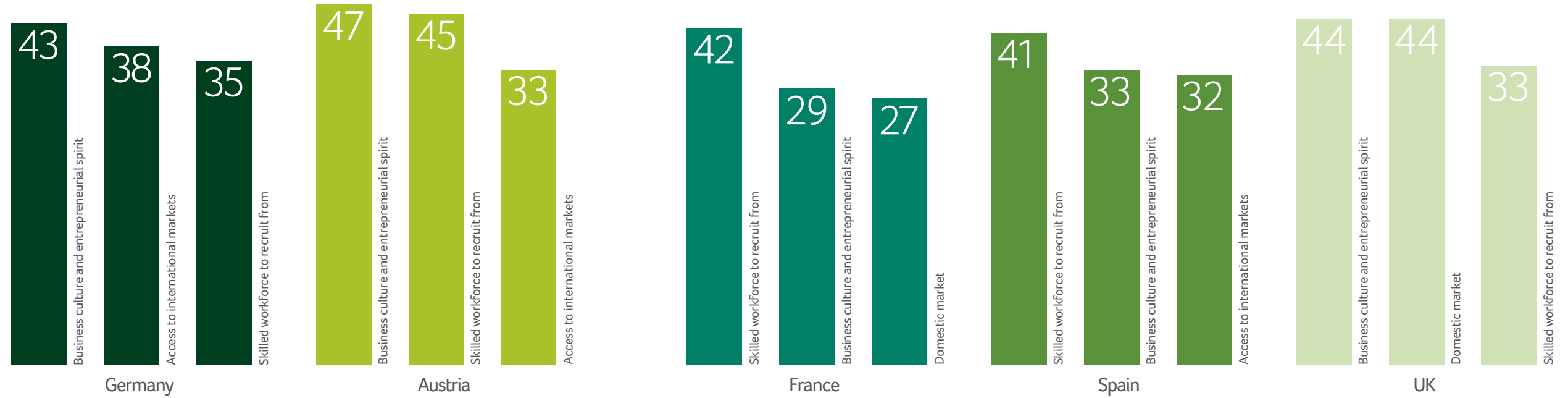
“Those who are more innovative, adaptable, and efficient will survive.”
US

“Expansion is the focus - remaining vigilant on the day to day.”
CANADA

Your country as a place to do business

All countries surveyed still cited business culture and entrepreneurial spirit as the most favourable aspect of doing business within their country. This was the most commonly selected answer across all markets with **45%** choosing this (the exception being France and Malaysia/Singapore). The US (**59%**) rated this as most important, closely followed by South Africa (**49%**) and Austria (**47%**).

Most favourable aspects of your country as a place to do business
Results in percentages



23%

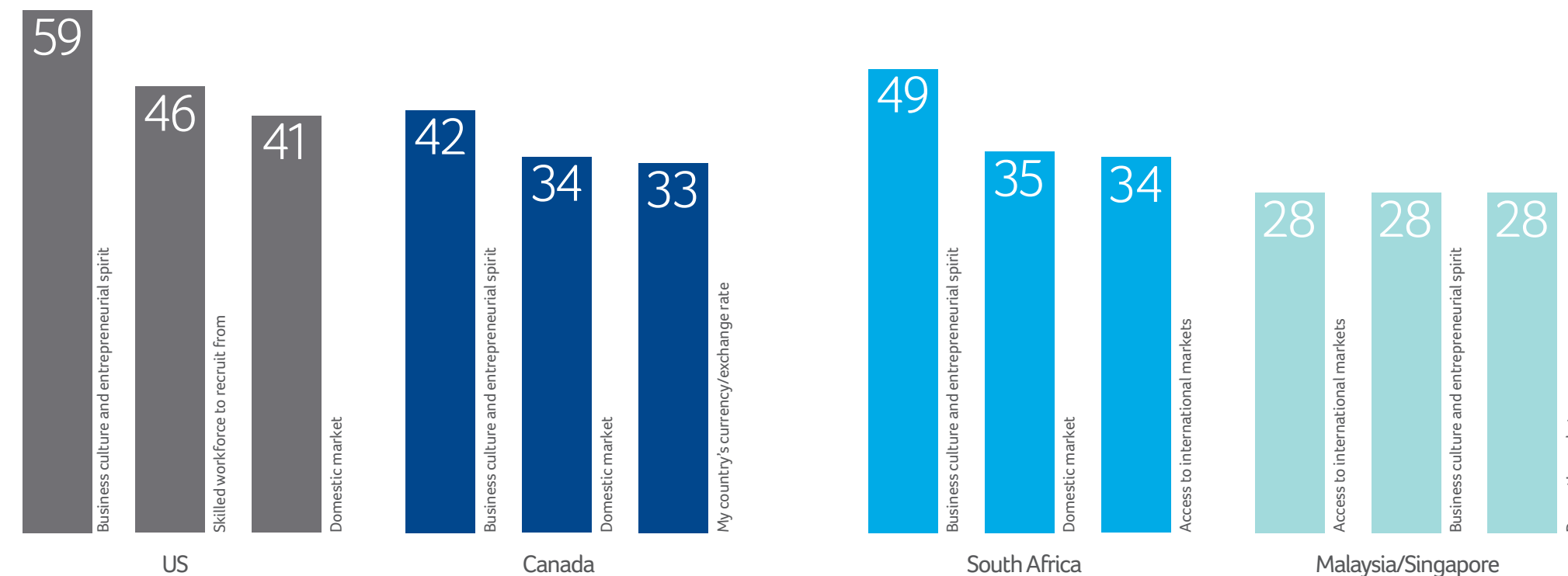
said they did not know what the most favourable aspect of doing business in their country was

45%

said business culture and entrepreneurial spirit was most favourable

33%

stated domestic market as being most favourable



“Mainly I think the attitude and entrepreneurial spirit in some South African people. Their ability to fight against the odds or difficulties.”
SOUTH AFRICA

“Many inventors and entrepreneurs, as shown on Dragon’s Den.”
UK

“There are incentives for new business and opportunities.”
MALAYSIA

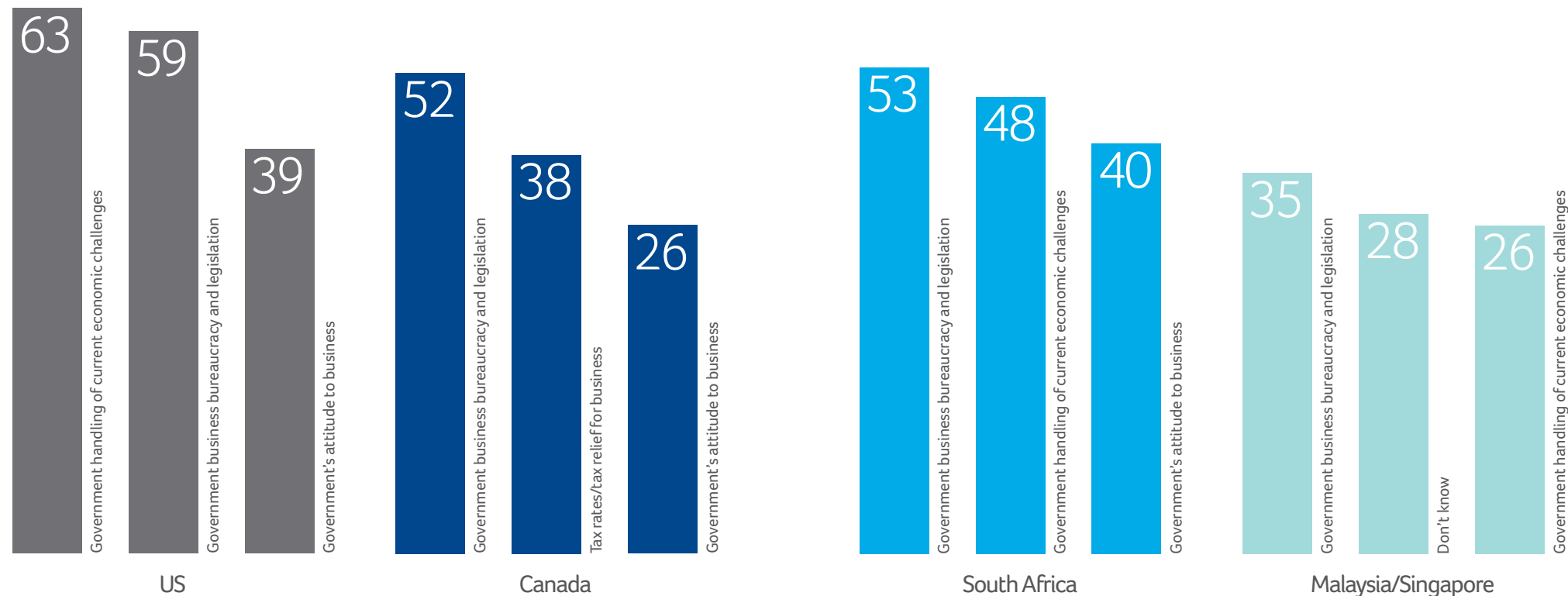
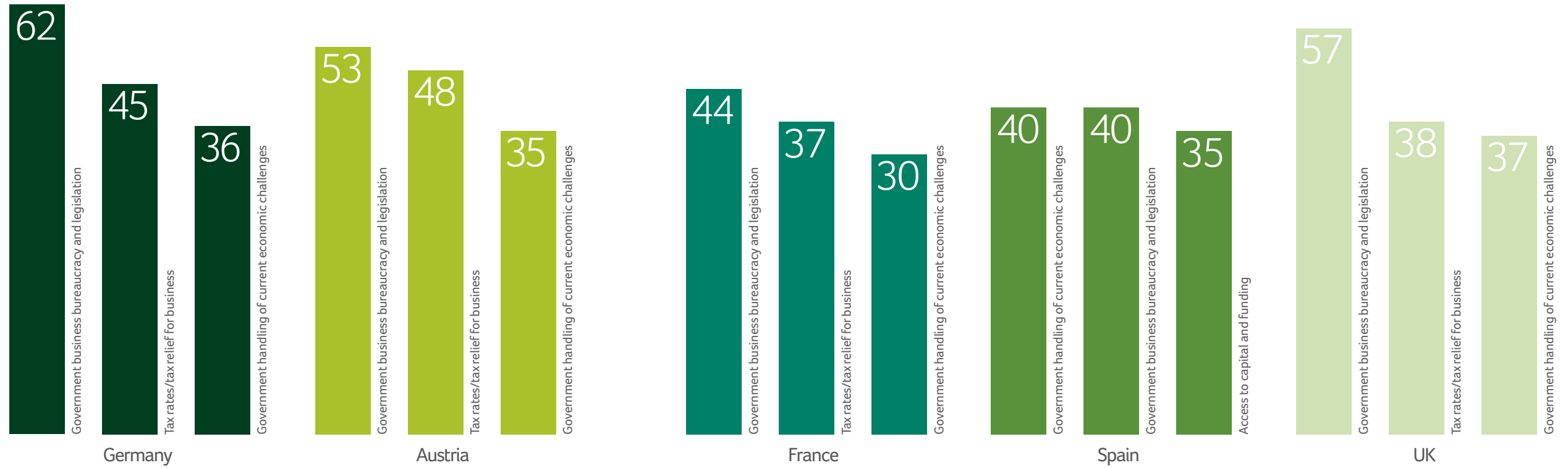
Your country as a place to do business

Government bureaucracy and legislation still tops the list of the least favourable aspects of doing business with over half selecting this option. The only exception to this is the US who placed Government handling of economic crisis as the least favourable aspect. For the majority of countries this was the second most selected option, moving up one place from the last report replacing access to capital. As in the US, South Africa (48%) and Spain (40%) were also concerned with their Government's handling of the economic crisis.

- Tax rates was the third most selected option, 48% of Austrian small businesses and 45% of German businesses feeling most strongly about this
- A prime concern for South African businesses is the lack of skilled workforce with 39% of businesses opting for this selection
- This time access to capital was only selected by 22% of businesses, with Spain the most affected at 35%, closely followed by the UK at 34%
- At the same time, there appears to be a high level of apathy around least favourable aspects in certain regions with US, Canada and UK logging a higher number of "no opinions"

"The national debt must be reduced as quickly as possible. The business location must be made more lucrative for companies. The shortage of skilled labour must be addressed. Access to credit must be made more simple."
GERMANY

Least favourable aspects of your country as a place to do business
Results in percentages



"Small businesses are the backbone of this country. There is little or no support for the small business people in this country." US

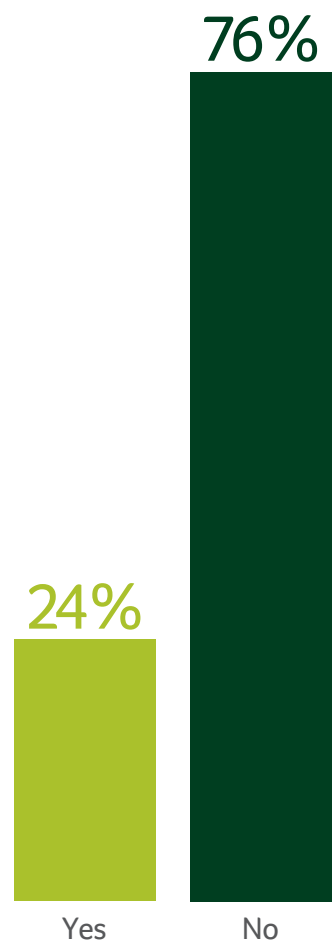
"An enterprising spirit should be encouraged so that people are not too scared to create projects that generate wealth." SPAIN

The role of government

With over half of small business surveyed putting government bureaucracy and legislation as the least favourable aspect to doing business in their country, it appears that there is a lot more governments need to do to support this community. An overwhelming 76% felt that their governments do not provide sufficient advice and support for small businesses. This was highest in South Africa, with 87%, followed by Spain at 85%.

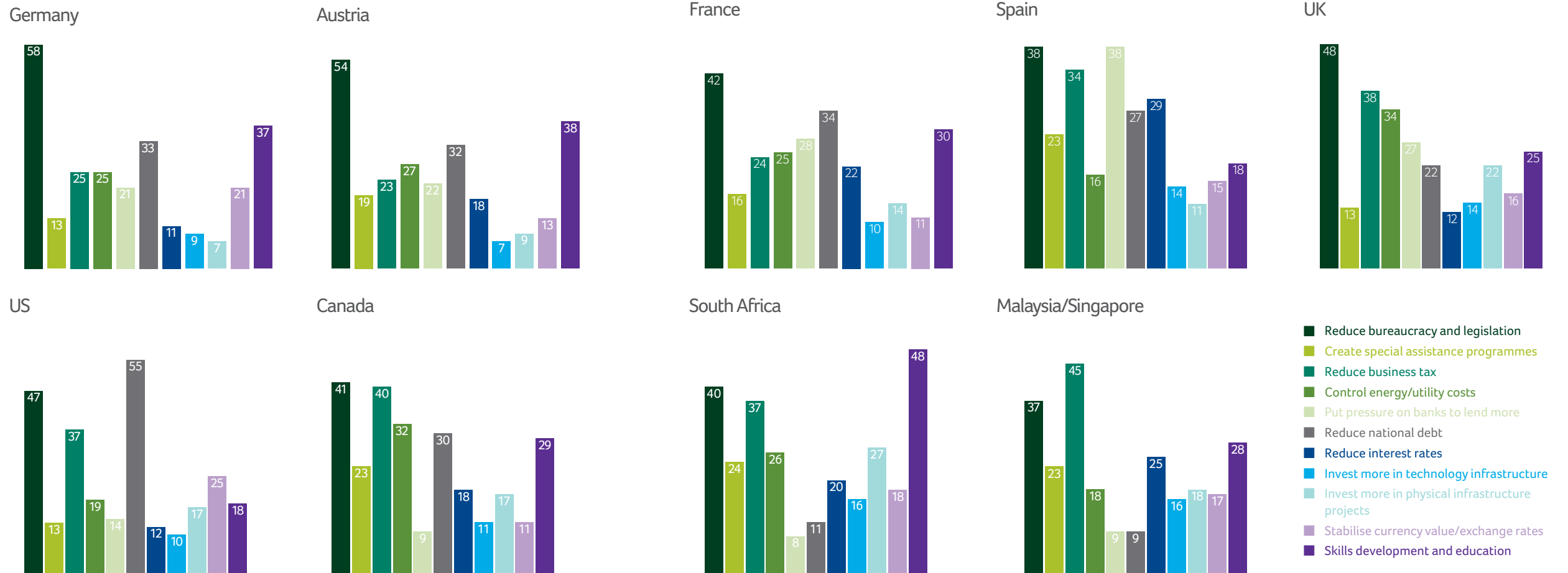
Smaller businesses were also more likely to display dissatisfaction with government support with three quarters of businesses under 100 people answering negatively compared to two thirds of businesses over 100 people.

Do you think your government provides sufficient support and advice?



What do you think your government should be doing to help your business?

Results in percentages



Most burdensome legislation within government business bureaucracy

Considering government bureaucracy and legislation was such a nascent theme from the last Sage Business Index, this time we wanted to delve a bit deeper and find out which regulations were the most burdensome for small businesses.

Country	%
Germany	%
• Tax law	76
• Employee/labour law	43
Austria	%
• Tax law	60
• Employee/labour law	49
France	%
• Tax law	54
• Employee/labour law	48
Spain	%
• Licensing procedures	45
• Procurement/tender procedures for	34
UK	%
• Health and safety regulations	50
• Employee/labour law	46
US	%
• Tax law	59
• Employee/labour law	29
Canada	%
• Tax law	47
• Employee/labour law	28
South Africa	%
• Employee/labour law	62
• Procurement/tender procedures for public sector contracts	53
Malaysia/Singapore	%
• Procurement/tender procedures for public sector contracts	53
• Licensing procedures	43

“Every challenge is an opportunity for those willing to be creative and take the risk. All challenges can be overcome through entrepreneurship.” SOUTH AFRICA

“The economy in our country would be in much better shape if the state and banks placed a little more (or at least an equal amount of) importance on small and medium businesses than on large ones.” FRANCE

Survey methodology

Populus provided online interviews with decision makers in businesses of one to 500 employees in the UK, USA, Canada, German, France, Spain, South Africa, Malaysia, Singapore, Austria. Fieldwork was undertaken in a four week period over July and August 2011. The **10,006** businesses were drawn from two sources:

- **6,675** respondents were drawn from Sage's local customer databases across the UK, USA, Canada, Germany, France, Spain, South Africa, Malaysia, Singapore and Austria. Sage's local operating companies sent an email invitation to participate to specially selected databases with a survey link provided by Populus. In Malaysia and Singapore, customers were invited to participate via a letter which included the details of how to enter online. All responses were collected centrally by Populus.
- **3,331** respondents were drawn from a dedicated online panel of business people, which has **2.4 million** members worldwide. **500** interviews were conducted in all markets aside from South Africa, where **300** were conducted, and Austria, Malaysia and Singapore where research was undertaken via Sage local operating companies, as above. A random sample of respondents whose profiles met the client criteria were invited to take part in the survey, ensuring a spread of business sizes and industries. Respondents were then asked a screener question to ensure that they were a decision maker at their business.
- Owing to the size of the sample audiences, the responses for Malaysia and Singapore were collated.

*Index Methodology

As this is the second Sage Business Index, we are now able to apply an index methodology which allows us to measure the changing mood of the businesses surveyed in relation to business and economic confidence. The index is based on a scale of zero to 100 where 0 means a significant decline, 100 means a significant improvement, and 50 means it is no different. For the business confidence question the scale translates to below 50 as less confident and over 50 is more confident, 50 is no different.

We retrospectively applied this index methodology to the countries (apart from Spain) that took place in the first business survey in February 2011 (US, Canada, UK, Germany and France) where the questions were asked as follows:

- "Do you feel your country's economy is recovering or declining?" and "Do you feel the global economy is recovering or declining?" Index scores have been derived from this data where answer options in this study, and their index score weighting, were: "It is recovering significantly (100)", "It is recovering slightly (75)", "It is no different (50)", "It is declining slightly (25)", "It is declining significantly (0)"
- "Are you more or less confident of your business prospects over the next year?" Index scores have been derived from this data where answer options in this study, and their index score weighting, were: "More confident (75)", "No different (50)" and "Less confident (25)"

Additional notes:

To take into account the changing business and global conditions, some of the questions and answer options in the September Business Index have been updated from those presented in the February Index Business Index.

Seasonal factors and factors relating to the time of the financial year have not been accounted for.



The Sage Group plc is a leading global supplier of business management software and related products and services, principally for small to medium-sized enterprises. Formed in 1981, Sage was floated on the London Stock Exchange in 1989. Sage has 6.3 million customers and 13,400 employees worldwide. We operate in over 24 countries covering the UK, Europe, North America, South Africa, Australia, India and China. For further information please visit www.sage.com



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