Orkney Business Survey 2014

A profile of Orkney business performance and gauge of confidence in the current economic climate

Orkney Islands Council

business gateway

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Introduction

The information that follows is based on responses to a business survey that was undertaken in February 2014 and which followed on from the first business survey carried out in early 2012.

The Orkney Business Survey 2014 was commissioned by Orkney Islands Council's Economic Development Unit and its Business Gateway using the 2012 survey as a baseline to provide an informed snapshot of:

- **business performance**
- **the current profile of Orkney businesses**
- **the level of confidence given the current economic climate**

A self-completion questionnaire was sent out to all identified organisations in Orkney and was made widely available through local press and websites/ social media using a web link.

The results of the survey will be used by Business Gateway and other public bodies to:

- provide support for policy changes relating to business development
- continue to build a base on which to develop a picture of business performance in the county year on year
- benchmark against businesses both nationally and in similar communities to Orkney

The survey was emailed to

1547 addresses

74 either were returned or opted out

370 completed

RESPONSE 25% RATE

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Survey responses

A diverse cross section of businesses responded to the survey.

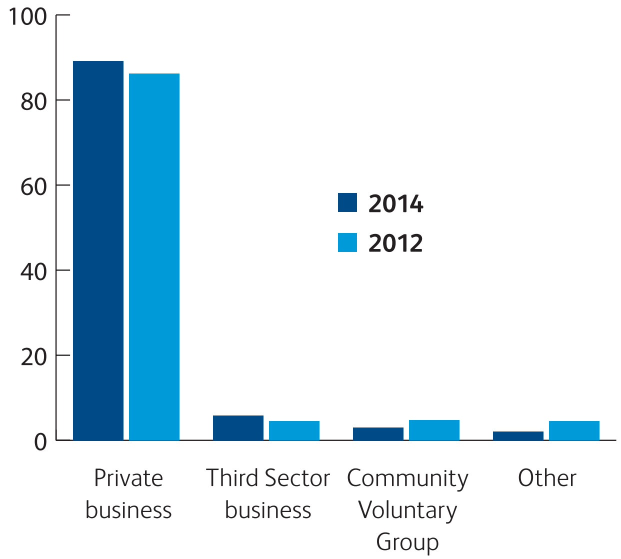
The majority of respondents were sole traders (**44%**, an **8%** increase on 2012) or partnerships (**22%**, a decrease of **5%** on 2012) with **22%** being registered limited companies.

Responses were received from:

Private businesses 89%

Third sector, community, voluntary and others 11%

Type of organisation (%)



- **13%** Accommodation and food service activities
- **10%** Agriculture, horticulture and agricultural contractors
- **8%** Arts, entertainment and recreation
- **9%** Crafts and textiles manufacture, creative industries
- **4%** Education, human health and social work activities
- **6%** Finance, legal, accounting, insurance and other professional services
- **1%** Fisheries, including aquaculture
- **5%** Food & drink manufacture/processing
- **4%** Information, communication and media
- **8%** Manufacturing, engineering and repair
- **11%** Service activities
- **5%** Renewable Energy supplies and services
- **12%** Retail and wholesale trade goods and services
- **4%** Transport, distribution, and storage

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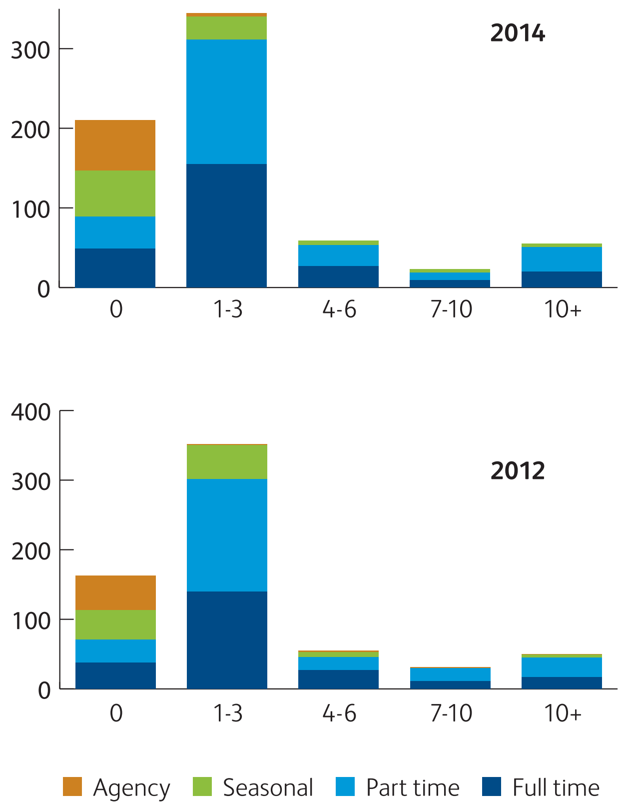
Employment, skills and recruitment

Number of employees

As was the case in 2012, the majority of businesses in Orkney employ between 1 and 3 part time and between 1 and 3 full time members of staff, based in Orkney as demonstrated below



Compared to 2012, there is a small increase in the number of full-time employees from part-time whilst seasonal and agency staff numbers are almost the same.

Skills and training

Respondents were then asked to categorise their workforce and **83%** stated that some or all of their employees were skilled.

Over a third (**37.5%** compared to the **30%** in 2012) of businesses have funded or arranged off-the-job training for their employees over the last 12 months.

Cost and lack of time were the major factors that restricted the amount of training provided with both at nearly **30%** in all cases, although in 2012 cost was the main restriction at **55%** of all cases. Limited staff resources and lack of finance were the next biggest restrictions whilst almost 4 in 10 businesses stated that there were no barriers to providing training (the figure was 3 in 10 in 2012 so it would appear that the training situation shows a slight improvement).

Main barriers to providing training

- ☑ Cost
- ☑ Lack of time
- ☑ Limited staff resources
- ☑ Lack of finance

4 in 10
BUSINESSES HAVE NO TRAINING BARRIERS

Other notable barriers mentioned in this section were:

- Travel costs to and from the outer isles
- Specialist requirements for training outwith Orkney
- Removal of the Air Discount Scheme for business use

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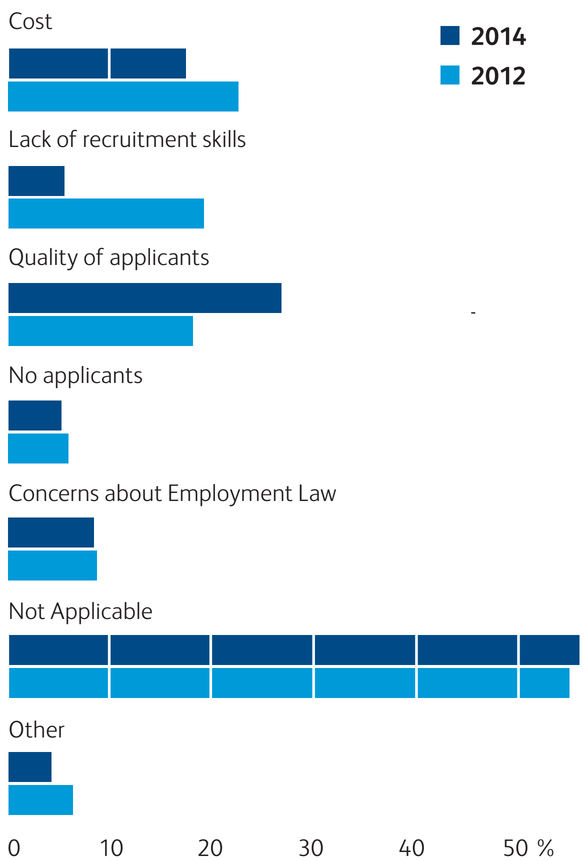
Barriers to recruitment

Respondents were asked to comment on barriers they have experienced in relation to recruitment and the results can be seen below.



In 2014 the biggest barrier is the **quality of applicants** whilst the biggest barrier in 2012 was **cost**.

As was the case in 2012, just over half of businesses stated that they were a member of a local industry group or national organisation.

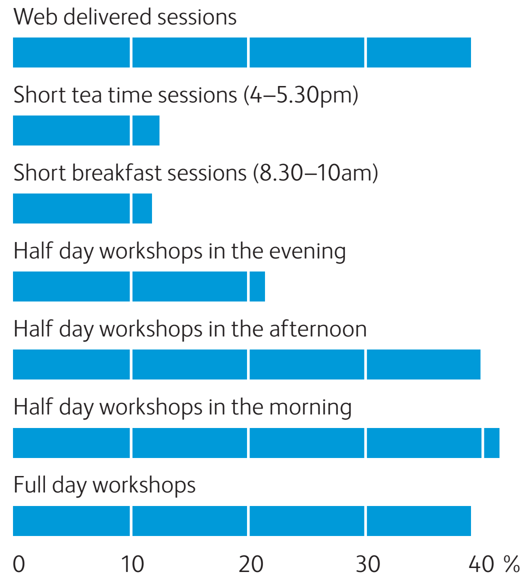
Respondents were asked for their thoughts on the highest priority training workshops presented by Business Gateway. The top four, in order of importance are: Marketing, Profitability, IT for business, and Customer Care.

Top priority training workshops:

1. Marketing
2. Profitability
3. IT for business
4. Customer care

What format of workshops suits you best?

The table below shows the workshop format that best suited respondents – **38%** stated that they would be interested in delivery of workshops online.



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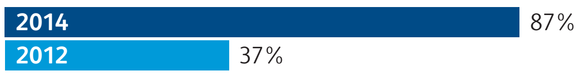
Business Support

Business Gateway was the most used support service (47%).

Business Gateway was the most used support service (**47%**), with Orkney Islands Council a close second (**42%**) and local education services third (**26%**). Just over **16%** of businesses had approached Highlands and Islands Enterprise.

Awareness of Business Gateway as a local support service



87% (a 37% increase on 2012) of respondents are aware of Business Gateway as a local support service, making it the most recognised support body, closely followed by Orkney Islands Council, Highlands and Islands Enterprise, Local Education Services and Voluntary Action Orkney (also showing an increase from 2012). Skills Development Scotland, Scottish Rural Payments & Inspections Directorate and Scottish Agricultural College are recognised but to a generally lesser extent.

Business Performance

Considering the extremely challenging economic climate that has endured since 2012, the continuing high levels of performance and optimism locally has still bucked the national trend over the survey period and bodes well for the Orkney economy as whole.

An encouraging

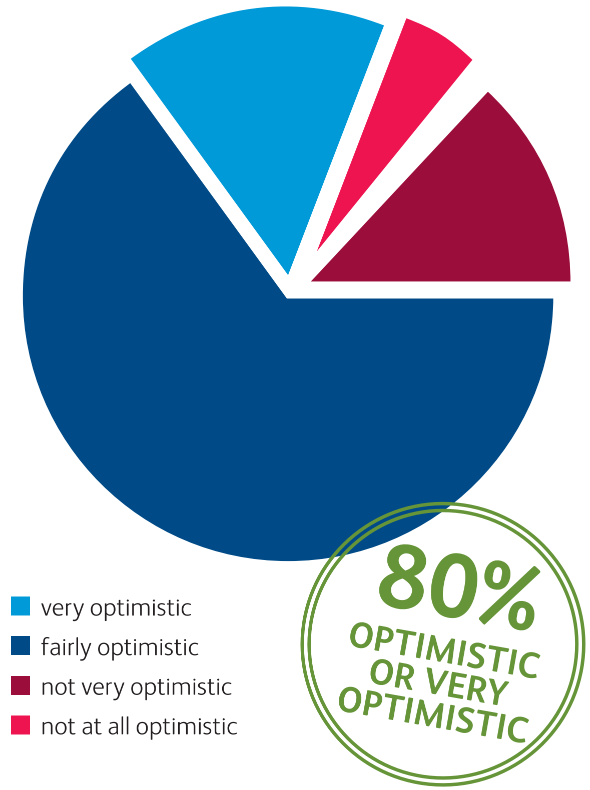
7 out of 10

responding businesses made a profit in the last financial year

A healthy 76% of respondents stated that their turnover had either stayed the same or increased during the last 12 months – on a par with the 2012 response.

As was the case in 2012, **4 out of 5** respondents said that they felt either fairly optimistic or very optimistic about the prospects for their business in the coming year. **Just over 3%** said that they did not feel at all optimistic. There were more positive than negative comments as to why respondents felt the way they did – the negative comments were mostly long-term structural concerns whereas the positive comments reflected a more immediate analysis of the current trading position.

How optimistic are you for the prospects of your business in the coming year?



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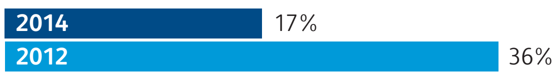
1 in 3

have no development plan or are not in a position to implement one

63% of respondents will or would like to implement a development plan in the next three years. The four main areas highlighted are premises improvements, market development, website development and product development.
28% of businesses did not have a development plan with another **8.5%** not in a position to consider implementing one.

Respondents with a documented quality system in place



Just over 17% of respondents have a documented quality system in place compared to **36%** in 2012 which would indicate that there has been a significant drop in engagement with these systems. The majority of those who answered positively use HACCP or ISO with a handful implementing their own industry standard or an in-house system.

Which of the following best describes your business's strategy for the next 3 years?

- We are already implementing our development plans
- We will soon be ready to implement our development plans
- We would like to implement our development plans but are nervous about the current economic climate
- We are not in a position to consider implementing our development plans
- We do not have development plans

Just over half of businesses said that they are taking steps to achieve greater energy and operational efficiency. Respondents stated that cost was the main barrier to achieving better energy efficiency. This, combined with over a third of respondents to the question stating that they have done all they can or are restricted by the type of buildings they occupy or the type of vehicles they use and so on, helps to explain why the number of businesses engaging in improved energy efficiency has not increased, as might have been expected, since the 2012 survey.

There has been no increase in the number of businesses engaging in improved energy efficiency

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Funding and Development

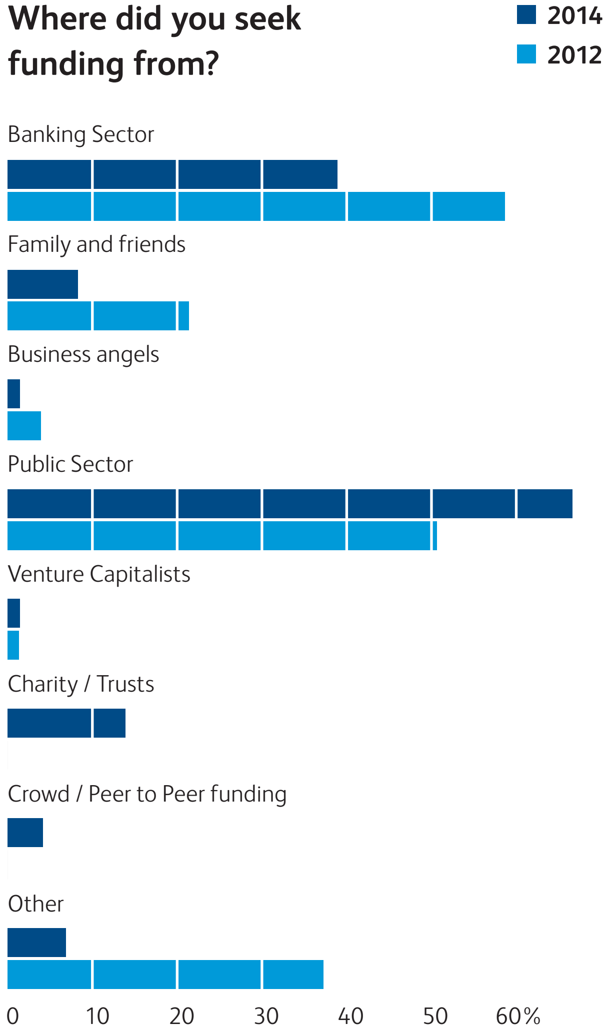
Overall, there was an **improvement** in businesses achieving access to funding of **6%** from the 2012 figures. This was combined with a drop in the number of larger projects planned since the last survey which would suggest that there are more, smaller projects which are equally important for business development being undertaken by respondents.

More projects have been able to go ahead in 2014 with **16% more respondents** finding the funding process less difficult than in previous years. Those who found the process less difficult stated that the application process was straightforward, they benefitted from good bank support and had support with their business plan. Public sector bodies were the most successful source of funding with banks in second place and it would seem that bank funding restrictions have eased somewhat over the last year or two for commercial projects.

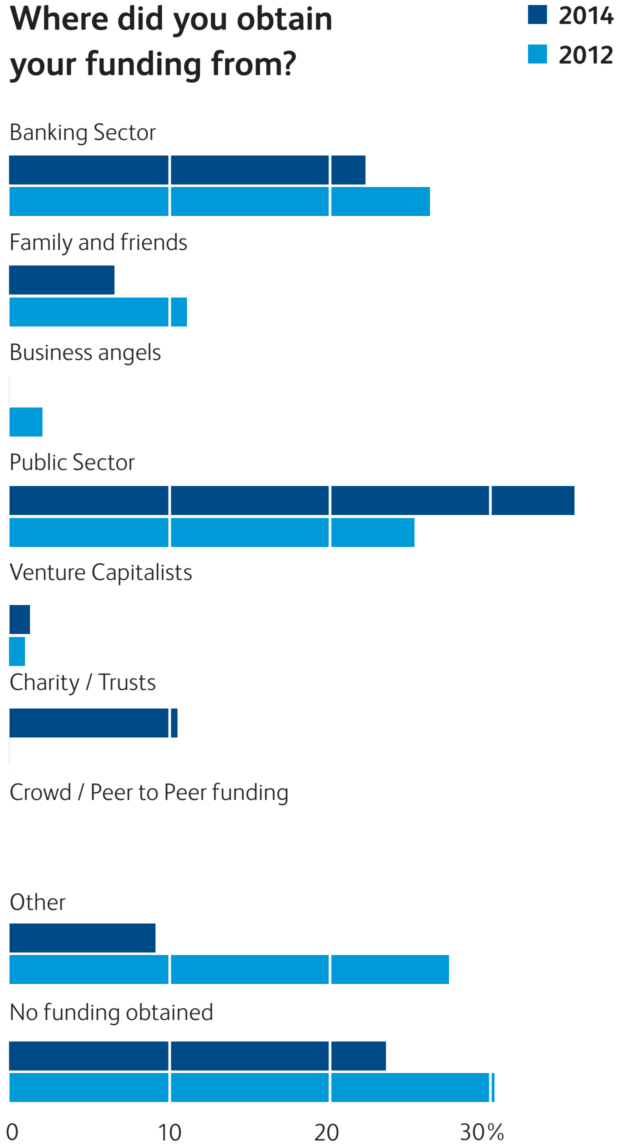
For the businesses who did not achieve their funding targets, the result was that **42%** of their projects either did not go ahead or went ahead but later than planned and at a much reduced level.

In the 2014 survey, peer to peer funding is a new category in this section with **4%** of respondents choosing this method to attempt to raise funds.

Where did you seek funding from?



Where did you obtain your funding from?



Sales and Marketing

In the last 12 months, 75% of respondents stated that they had increased or maintained the amount of time and resources spent on sales and marketing with 18% stating that they do not carry out any marketing activities.

It's encouraging that, as was the case in 2012, **7 out of 10** businesses see opportunities to increase their sales over the coming 12 months with over a third of these committed to allocating more time and resources during that time in order to achieve increased sales.

Areas highlighted as presenting opportunities for increasing sales:

- ☑ Web/Social media development
- ☑ Trade show attendance
- ☑ Product development
- ☑ Improved marketing strategies
- ☑ Diversification

Half see social media as critical or important

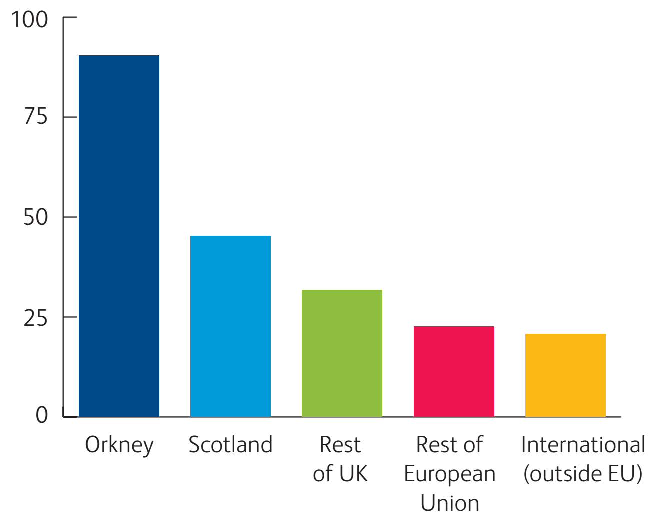
In 2012, **two thirds** of businesses did not believe that they carried out market research but in 2014, half of respondents stated that they do compare themselves to their competitors.

Almost all respondents stated that they use email and/or the internet in the daily running of their business with two thirds using a marketing/information website and one third using an online trading website (where goods/services can be ordered or purchased). Lack of broadband connectivity and slow dial up connection are a problem still and are a great source of frustration for a small number of businesses not able to use email or the internet in their daily running because of this.

Almost half of respondents view social media as critical or important for their business which constitutes an increase of **15%** on the number of businesses engaged with it in 2012.

The following table highlights the significant trading opportunities for Orkney businesses worldwide with almost a quarter of surveyed businesses currently selling their products or services in the European Union and/or to international markets outside it.

Markets currently sold to in 2014 (%)



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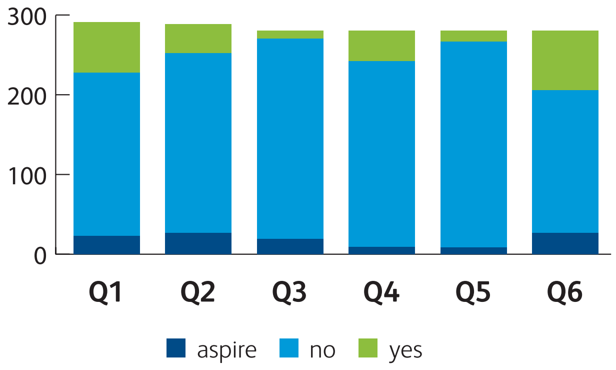
Business innovation

Under the heading of Business Innovation, respondents were asked to reply to the following questions:

Does your organisation....

Q1 Conduct research and development (R&D)?
Q2 Know about R&D tax incentives, innovation grants etc?
Q3 Develop patents, copyright, trademarks?
Q4 Work with University or Research organisations?
Q5 Employ graduates and or recently qualified research students?
Q6 Undertake new product development?



Whilst the majority of responses are negative there is an encouraging proportion of businesses embracing innovation:

1 in 5
carrying out Research and Development

1 in 4
carrying out Product Development.

For those who aspire to undertake some or all of these activities...

1 in 5
stated that they cannot do so at the moment due to financial constraints whilst

1 in 3
cited lack of internal resources and lack of knowledge as barriers to carrying out these activities.

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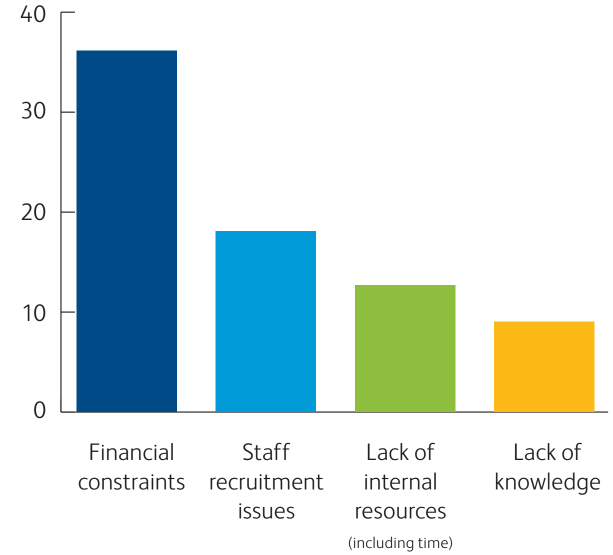
Strategy and Forward Planning

Around half of respondents have a business plan with nearly half of these having it written down.

Just under 38% of businesses have a marketing or financial plan with only a third of those having a written marketing plan and **4 out of 10** having a written financial plan.

Just over 40% of respondents stated that there were no specific barriers to their business undertaking market research and planning activities. The remainder of respondents identified the following constraints.

Specific barriers to business planning and market research (%)



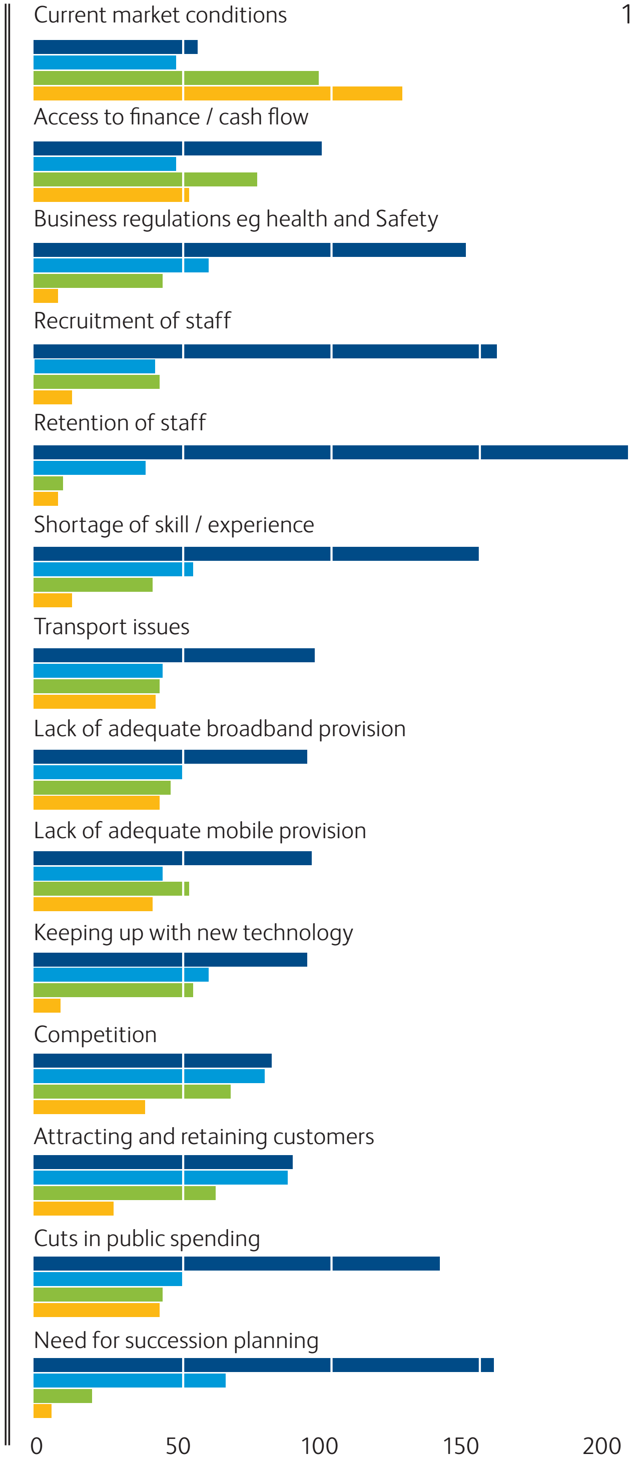
6 out of 10

businesses plan to grow over the next year

6 out of 10 businesses plan to grow in the next 12 months despite two main issues which are perceived to constrain business performance currently, namely, Current Market Conditions and Financial Issues. Other constraints are shown below and right:

Graph right:
To what extent are the following currently constraining your business performance?

- Not at all
- To a small extent
- To some extent
- To a large extent



Summary Points

Introduction

- **370** organisations completed the survey in 2014
- **89%** from private businesses and **11%** from community voluntary groups, third sector and others

Employment, skills and recruitment

- Most businesses employ between 1 and 3 staff
- **83%** of employees are categorised as skilled
- There has been a **small increase** from part-time to full-time staff since 2012
- Nearly **one in four** businesses carry out staff training
- The **biggest barrier** in relation to recruitment is quality of applicant

Business Support

- **87%** of businesses are aware of Business Gateway as a support service

Business Performance

- **80%** of respondents are optimistic about their prospects for the coming year
- **7 out of 10** businesses made a profit in the last financial year
- **More than half** of businesses saw an increase in turnover in the last 12 months

Funding and Development

- There has been an improvement of **6%** in access to funding since 2012
- More projects have been able to go ahead in 2014 with **16%** more respondents finding the funding process less difficult than in previous years
- There has been a **drop** in the number of larger projects planned since the last survey
- Bank funding restrictions have eased somewhat over the last year or two for commercial projects
- In the 2014 survey, peer to peer funding is a new category in this section with **4%** of respondents choosing this method to attempt to raise funds

Sales and Marketing

- **75%** of respondents stated that they had increased or maintained the amount of time and resources spent on sales and marketing
- **7 out of 10** businesses see opportunities to increase their sales over the coming 12 months
- almost **a quarter** of surveyed businesses currently sell their products or services in the European Union and/or to international markets outside it
- **two thirds** of respondents are using a marketing/information website with one third using an online trading website
- Almost **half** of respondents view social media as critical or important for their business

Strategy and Forward Planning

- Around **half** of respondents have a business plan
- **6 out of 10** businesses plan to grow in the next 12 months
- The biggest **constraints** affecting business performance are access to finance/cashflow, current market conditions, time constraints and staffing issues

6 in 10
BUSINESSES PLAN TO GROW THIS NEXT YEAR

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