ORKNEY BUSINESS SURVEY 2012

What are the future prospects for business in Orkney?

Orkney Islands Council's Economic Development Unit and its Business Gateway Service set out to answer this question earlier this year through its Orkney Business Survey. Nearly **400 local companies** took part, answering questions on their turnover, the size of their workforce and their plans for future development.

The survey was developed with the help of local industry groups and made available online and via the Business Gateway Service.

The information gathered in the survey will be used to **identify the key issues and challenges** facing our local businesses and will help the development and **efficient use of available support resources**.

The key findings are presented in this document.

Four out of **Five** respondents said that they felt either **fairly optimistic** or **very optimistic** about the prospect for their business in the coming year.

Survey Responses

- **379** organisations completed the survey
- **87%** from businesses, **13%** from third sector, community, voluntary and others

A diverse cross section of businesses responded to the survey. Responses were received from:

Private businesses

87%

Third Sector, community, voluntary and others

13%

The majority of respondents were either:

sole traders

36%

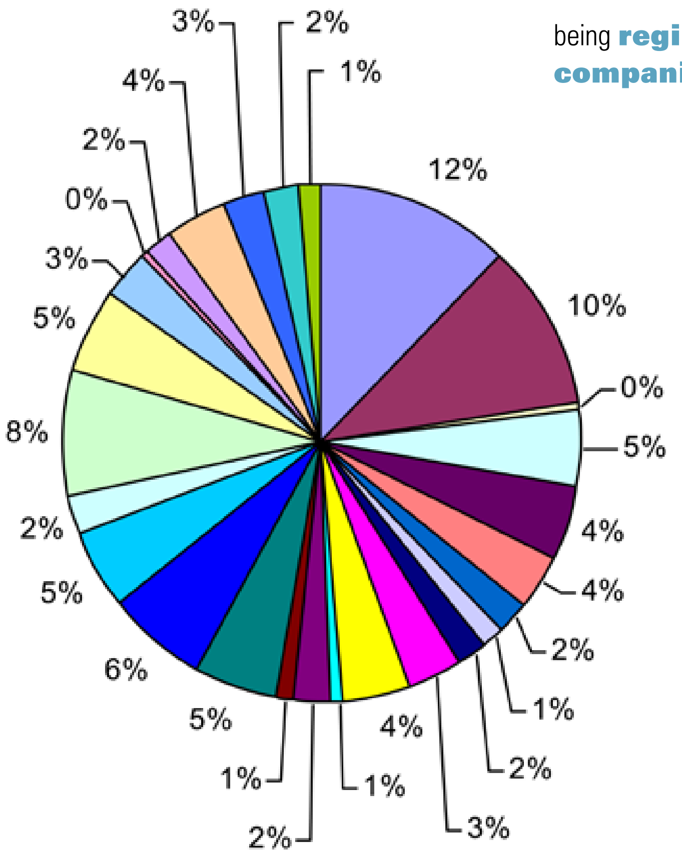
or **partnerships**

27%

with almost a quarter

24%

being **registered limited companies**.

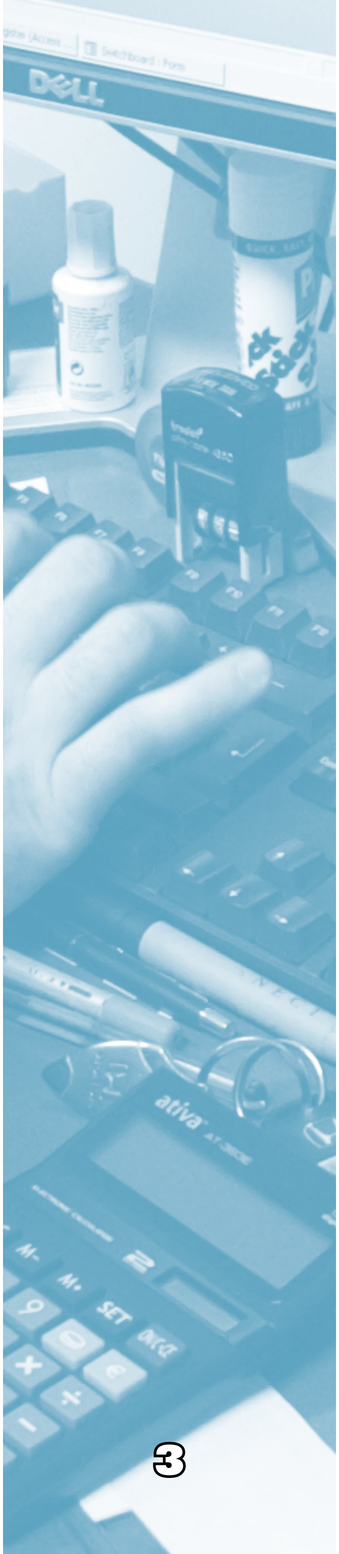


- Accommodation and food service activities
- Agriculture, horticulture and agricultural contractors
- Aquaculture
- Arts, entertainment and recreation
- Crafts and textiles manufacture
- Education, human health and social work activities
- Engineering and manufacture of machinery and equipment
- Financial, legal, accounting and insurance
- Fish catching
- Food & drink manufacture/processing
- Information, communication and media
- Jewellery manufacture
- Manufacture of other products
- Motor Vehicle Sale, hire and repair
- Other professional, scientific and technical activities
- Other service activities
- Renewable Energy supplies and services
- Repair and installation of machinery and equipment
- Retail trade goods and services
- Specialised consultancy
- Transport, distribution, and storage
- Waste collection, treatment and disposal activities
- Wholesale trade goods and services
- Construction related activities
- Tourism
- Third sector
- Other (please specify)

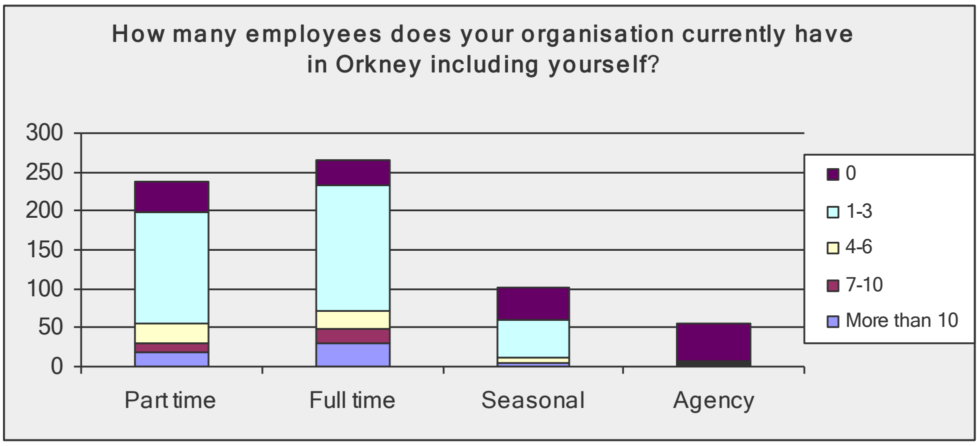
Note:
results are rounded up or down to whole numbers, and therefore the 2 results showing as zero percent are < 0.5% of the total

Employment, Skills and Recruitment

- Most businesses employ between **1-3** staff
- **84%** of employees are categorised as skilled
- Nearly a **third** of businesses carry out staff training
- The biggest barrier experienced in relation to recruitment is cost



The majority of businesses employed between **1 and 3 full time, part time and seasonal staff**, based in Orkney as demonstrated below.



Respondents were asked to categorise their workforce and **84%** stated that some or all of their employees were skilled.

91% of respondents stated that they do not currently participate in any nationally funded training or apprenticeship schemes such as Modern Apprenticeships or other professional accreditation. However nearly a third of businesses have funded or arranged off-the-job training, in some form, for employees within the last 12 months.

Cost was a major factor that restricted the amount or type of training offered (**55%** of cases), as was time and lack of access. Almost 3 out of 10 businesses stated that there were no barriers to providing training.

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

Business Support

- Nearly **80%** of businesses have approached various agencies for help and support over the last year
- **80%** of respondents said they were either fairly or very optimistic about prospect for their business in the coming year
- **80%** of organisations' turnover has either stayed the same or increased over the past 12 months

More than **50%** of businesses have approached Business Gateway and/or the Council, including Education Services, in the last 12 months for help and support, with around a fifth also approaching Highlands & Islands Enterprise. Businesses have also approached other support agencies including Scottish Government Rural Payments and Inspections Directorate, Voluntary Action Orkney, Scottish Agricultural College and Skills Development Scotland, though the numbers contacting these agencies were generally lower.

Most businesses approached these agencies for help and support (**79%**), but around half of those surveyed were also seeking funding.

Just over half of businesses stated that they were a member of a local industry group or a national organisation.

Business Performance

80% of those surveyed stated that their turnover had either stayed the same or increased over the past year. Four out of five respondents said they felt either fairly optimistic or very optimistic about the prospects for their business in the coming year. Only **2%** said they did not feel at all optimistic. These figures were fairly evenly spread across all sectors; the five highest and lowest results were given from the following sectors (these figures only provide an indication due to often low sample numbers at this level of analysis):

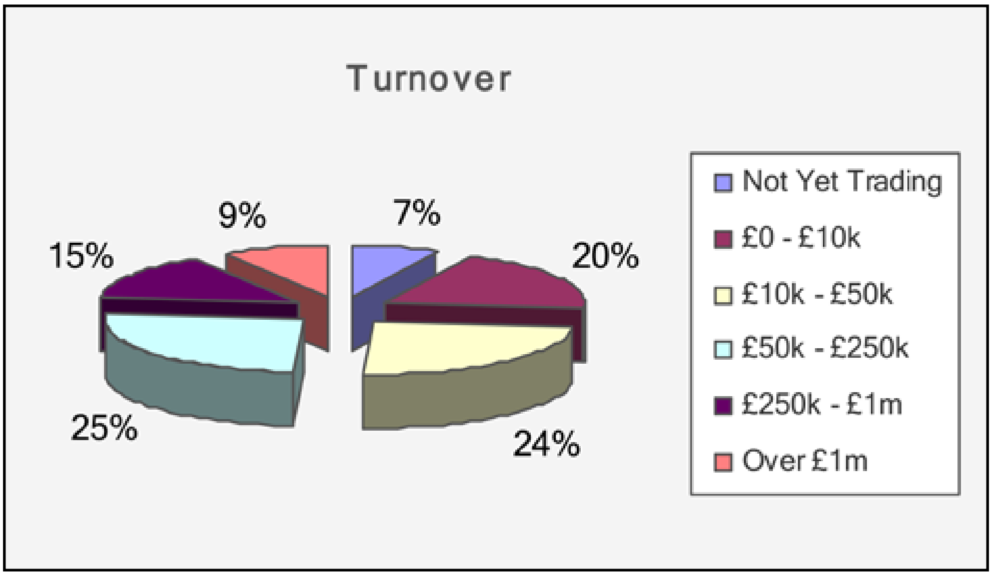
Sector	Turnover stayed the same or increased in last year (% of respondents)	Very or fairly optimistic for business prospects over coming year (% of respondents)	Number of respondents
5 Highest			
Aquaculture	100	100	2
Engineering & Manufacturing of Equipment	100	100	6
Financial, legal & accounting	100	100	4
Renewable Energy	100	100	11
Specialised Consultancy	100	89	9
5 Lowest			
Third Sector	91	91	11
Transport, distribution & storage	60	80	10
Retail trade goods & services	67	61	18
Information, communication & media	50	64	11
Repair & installation of machinery & equip	33	50	3

Business Performance (Continued)

- **9%** of businesses surveyed stated their turnover to be over £1m
- **20%** of businesses stated their turnover to be less than £10k, with tourism, accommodation and food service sectors showing the lowest levels.
- Nearly **60%** said they are taking steps to achieve greater operational efficiency, but only half are trying to achieve greater energy efficiency

Considering the extremely challenging economic climate that businesses have recently been faced with, the high levels of performance and optimism locally probably bucks the national trend and indicates reasonable grounds for optimism within the Orkney economy.

Half of respondents' sales income is in the mid-band ranges of between
£10k – £50k
or **£50k - £250k**
with 28 businesses stating their turnover to be **over £1m**.
7% are not yet trading.



Most sectors show a broad range of turnover bands with **15** out of the **25** sectors displaying at least one business with turnover of **over £1m**.

At the lower end of the scale, businesses in the tourism, accommodation and food service sectors show the lowest levels of turnover in the last financial year. Given seasonal trading patterns, this is to be expected.

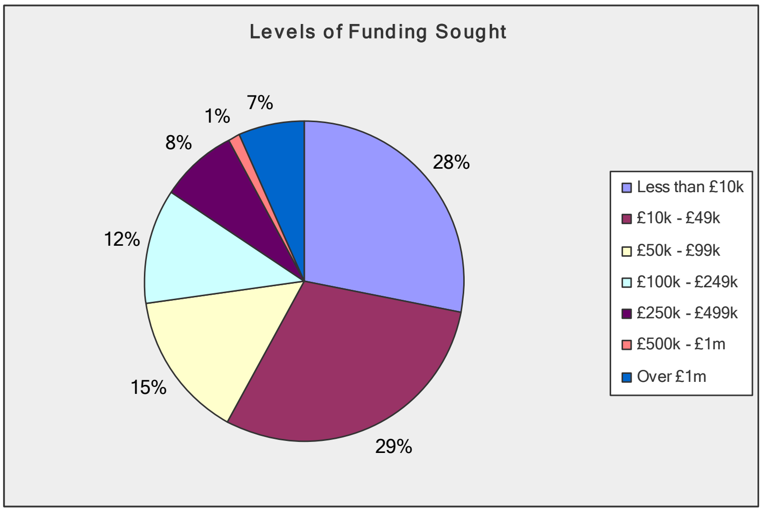
Almost **50%** of businesses are already implementing development plans or will soon be ready to implement them. Nearly **one third** of businesses do not have a development plan and **7%** are not in a position to consider implementing one. Unsurprisingly, those businesses who stated they are optimistic about the prospects for their business in the coming year are primarily those already implementing or just about to implement their development plans.

Just over **a third** of businesses said they work within an industry quality system. Nearly **60%** said that they are taking steps to achieve greater operational efficiency, but **only half** said they are taking steps to achieve greater energy efficiency.

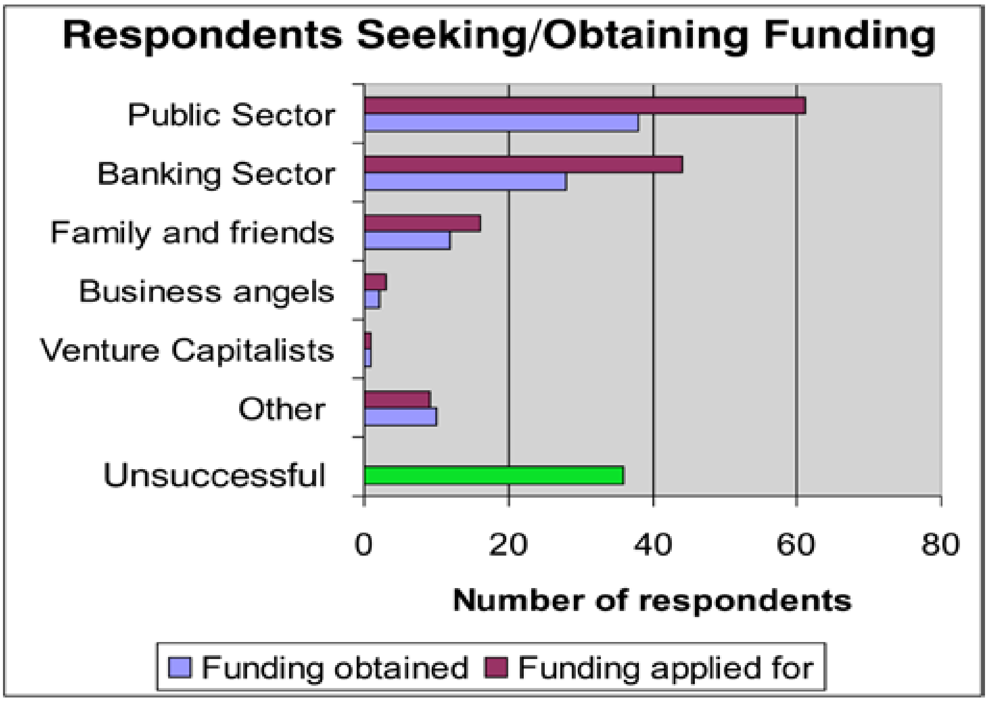
Funding & Development

- A **third** of businesses have tried to access funding over the past year, mostly under £50k.
- **Most** businesses seeking funding approached the public and banking sectors
- **Over half** of respondents found it either more difficult or much more difficult to obtain funding.
- **15%** were not at all satisfied with their finance provider
- Almost a **third** of respondents stated that development did not go ahead as a result of lack of funding

Over the past 12 months **a third** of businesses surveyed have tried to access various levels of funding, as follows:



Funding was sought and obtained variously from the following sources:



On average respondents sought funding from 2 different sources. Over **two thirds** of those who obtained funding were either very satisfied or fairly satisfied with the finance provider, but **15%** were not at all satisfied. Most respondents stated that they found it either more difficult or much more difficult to obtain funding than previously (**54%**), with only **2%** stating that it was much easier.

Only half of those surveyed sought advice on where to source funding.

Of the respondents who were unable to obtain funding, almost **a third** stated that the development did not go ahead as a result. Just **under half** of those who were unsuccessful said that the development did go ahead but either later than planned or at a reduced level.

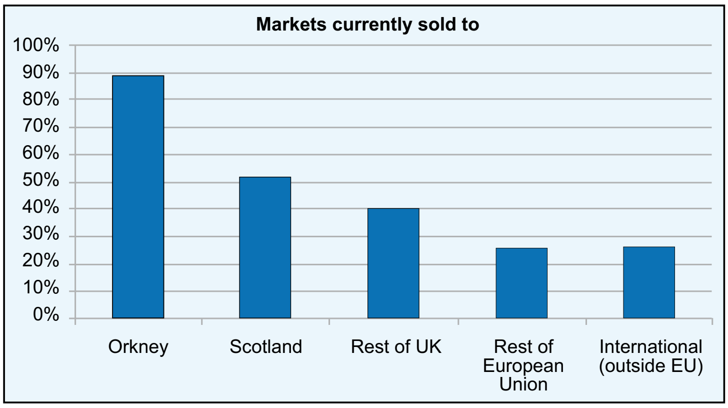
Sales & Marketing

- Over a **quarter** of surveyed businesses are currently selling in the EU and/or to international markets outside EU
- **35%** of organisations have increased their sales and marketing effort over the past year
- Nearly **70%** of respondents believed there were opportunities to increase sales
- Only **23%** of businesses carry out trading activity using their website
- Just over a third of respondents use social media for their business
- The minority of businesses conduct research and development

Over the past 12 months, **35%** of respondents stated that they had increased the amount of time and resources expended on sales and marketing. **Four out of ten** respondents said their level of effort had stayed the same. **17%** said they did not carry out marketing activities. More than **two thirds** of businesses believe that there are opportunities to increase sales, and **43%** will commit more time and resources over the following 12 months towards achieving that outcome.

Highlighting the significant trading potential which exists for Orkney businesses in international markets, **over a quarter** of surveyed businesses are currently selling their products or services in the European Union and/or to international markets outside the EU.

Further detail is given right (respondents were asked to include all markets that apply):

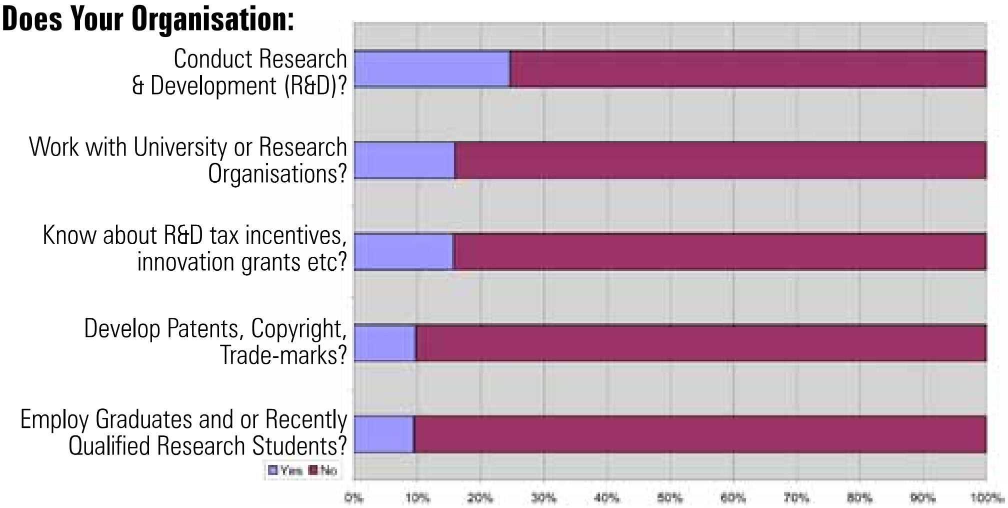


Almost **100%** of respondents stated that they use email and/or the internet in their business. Whilst **64%** of businesses own a marketing or information website, only **23%** carry out trading activity using their website (where goods/services can be ordered and purchased). Just over **a third** of those surveyed use social media (eg Facebook, Twitter etc) for business use.

40% of respondents felt that there were no barriers to undertaking these activities, but this could just indicate a perception of no benefit from such actions. However, almost **a quarter** cited lack of knowledge, financial constraints and lack of internal resources as barriers to carrying out these activities.

Respondents were asked to answer yes or know to the following five questions with the majority of responses returned negative:

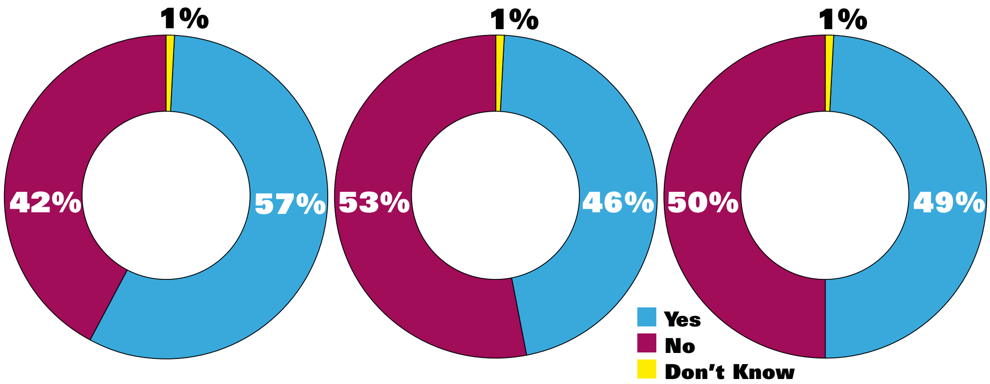
Does Your Organisation:



Business Planning

- **57%** of respondents have a business plan
- **Two thirds** of businesses do not believe they carry out market research
- The **biggest constraints** affecting business performance are access to finance/cash flow, current market conditions, transport issues and cuts in public spending

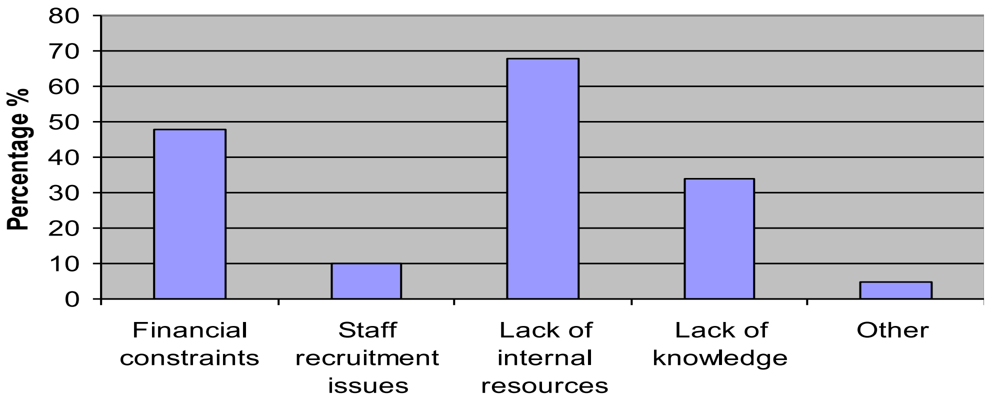
Current Business Plan **Current Marketing Plan** **Current Financial Plan**



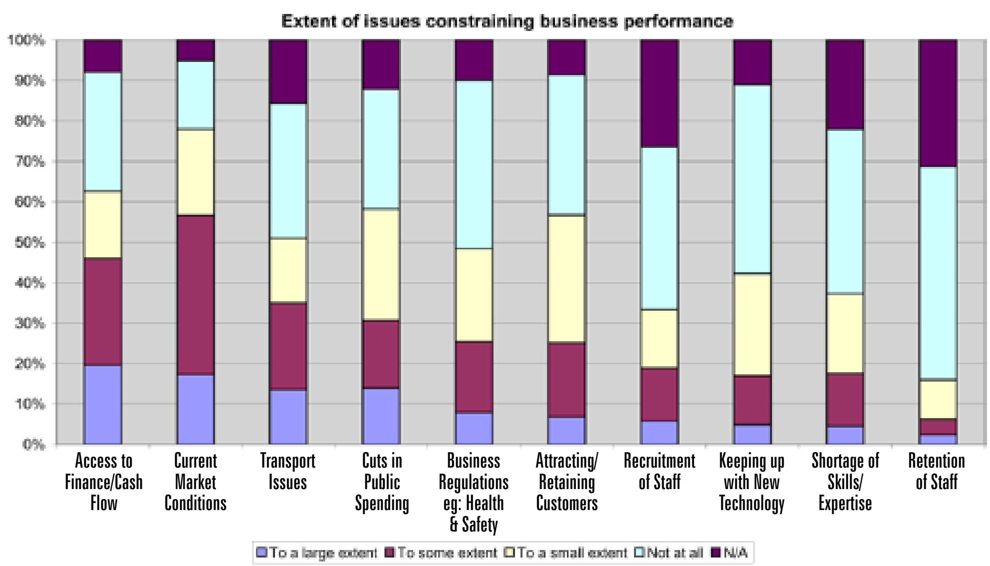
Two thirds of businesses said that they carry out no market research. However **3 in 5** businesses stated that they do benchmark against their competitors so are effectively engaged in some form of market research.

Almost **40%** respondents stated that there were no specific barriers to their company undertaking market research and benchmarking activities. The balance of respondents identified the following barriers:

Specific barriers to undertaking marketing research and benchmarking activities



Respondents were asked to what extent certain issues were constraining business performance and the results can be seen in the stacked column chart below:



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