



# The 2009 Report

This latest survey of Lancashire's 'commercial DNA' will play a key role in the encouragement and development of a more productive business environment across the Red Rose County.

Our study also provides a raft of reassuring insights into the entrepreneurial mettle of the county's business leaders as they steer their companies through a major recession.

The message that repeatedly emerges from the data is that, while some sectors are certainly hard hit by the downturn, the majority of Lancashire businesses are in a relatively strong competitive position.

Some are in non-cyclical sectors, such as public sector contracting, while others remain buoyant because they exercised traditional Lancashire prudence when trading conditions were more benevolent.

As a result, most of the businesses in our survey are well placed to press ahead with growth and development strategies that will enable them to take full advantage of the upturn when it arrives.

The survey involved some 150 businesses from 17 commercial sectors with turnovers ranging from less than £1 million to as much as £500 million.

It was carried out by a partnership of accountancy firm Moore & Smalley LLP, private sector lobby group Downtown Preston in Business, the Northwest Development Agency, the University of Central Lancashire, Freshfield, and Soap Media.

We would like to thank all those senior managers and entrepreneurs who set aside valuable time to complete our questionnaire.

Frank McKenna  
Chairman of Downtown Preston in Business



## 1.0 Company information

Respondents represented 17 commercial sectors with services, building & construction and finance comprising 54%. Of the remainder, manufacturing, retail and management consultancy accounted for a further 22%. Other sectors were catering equipment, digital creative, food & drink, hotels & catering, leisure, marketing, motor trade, skills & training, solicitors, technology and wholesale.

## 2.0 Financial data

The companies in the survey reported turnovers ranging from less than £1m to up to £500m. The vast majority (66%) were in the entrepreneurial sector of up to £10 million, with 3.7% of businesses representing the £200 million to £500 million range.

## 3.0 Sales and profit performance

We should be clear that Lancashire's business base has suffered extensively as a result of the downturn. However, it is heartening to report that the survey showed a clear majority of respondents with healthy sales and pre tax profit (PTP) performances.

Some 9% recorded sales growth of 140% or more compared to last year's figures, while 31% said sales had increased by over 100%. This must be balanced against 22.5% who said sales had risen by 10% or less and 13.5% reporting a fall in sales.

More than 40% of executives believed the Lancashire phrase "Turnover for vanity, profit for sanity" would best serve the global business environment and this was borne out in pre tax profit (PTP) figures that augur well for the profitability of Red Rose companies.

Some 18% said PTP had risen by 100% or more compared to last year's figure, while 13.5% had generated PTP growth of between 50% and 99%. PTP increases of between 1% and 49% had been experienced by 41% of respondents, with 27% seeing no increase, or a fall in PTP.

## 4.0 Business confidence

Confidence is key to economic performance. It was lack of confidence that propelled us into recession and recovery cannot happen until confidence returns. Well and good, then, that Lancashire business leaders are positive thinkers, with an overwhelming majority (85%) believing recovery will happen in two years or less and a similar figure (84%) reporting that they were either holding their own in the face of the downturn, or seeing positive growth.

There is little doubt about where Red Rose executives place the blame for the recession. Asked to identify the major causes of recession, 74% included UK banks and 63% US banks. Living beyond our means was also cited as a significant issue, with 59% of respondents also pointing to the UK credit culture as a major cause of the downturn. Almost one in two business leaders blamed the UK government and the US property sector, while the UK media did not escape unscathed, with 22% of respondents listing negative media coverage among recessionary drivers.

Asked to select the policies most likely to boost recovery, a majority of executives chose financial support for businesses (67%) and tighter regulatory controls (59%). Government spending (48%) and targeted tax breaks (44%) were also broadly supported options.

The uncertainty that affects commercial activity generally was reflected in our question on investment, with a slim majority of 52% expressing moderate confidence in making a major investment and a sizeable minority of 37% registering a lack of confidence.

Gordon Brown's and Alistair Darling's performance split respondents fairly evenly with 48% rating the government's handling of the recession as moderate, 44.5% as poor and 7.5% as bold and imaginative. Meanwhile, eight in ten business leaders said they believed the North West's more diverse economy means the region is in better shape to weather the recession, compared to the experience of the early 1990s.

### Sponsors



## 5.0 Research & Development (R&D)

Investing in R&D is critical to competitiveness, particularly in the high value-added sector that the Northwest Regional Development Agency wants to see flourish in Lancashire.

Not surprisingly, some 89% of business leaders agreed that R&D activity was either critically important or moderately important to business development. Encouragingly, 80% said this year's R&D spend was either similar or higher to last year, while 91% expected R&D investment over the next 12 months to be similar to or higher than this year's figure.

In view of this positive attitude to R&D, it was disappointing that the delivery of the government's flagship R&D tax credits scheme was perceived as unsatisfactory. 68% of businesses in the survey believed more could be done to make the system more effective, and 32% described the regime as ineffective.

## 6.0 People and Training

Despite fears of widespread job losses, a significant majority of Lancashire companies (78%) had either maintained their headcount at last year's levels or seen an increase in their workforce. Equally heartening was the outlook for the next 12 months, during which 59% expect staff numbers to remain stable and 33% anticipate recruiting extra employees.

Building an extensive pool of skilled labour continues to represent a major challenge for Lancashire businesses. Asked to indicate the most serious obstacles to recruitment, 64% cited a lack of skills, and 32% said they suffered from issues around remuneration. On-the-job training was the most common type of improving skills, with 64% of companies operating these schemes. One in two companies offered technical training, and the same proportion supported employees studying for professional qualifications.

Part of the skills gap problem appears to lie in the education system. Asked how well schools, colleges and universities prepared people for the workplace, 56% said adequately and 44% poorly.

## 7.0 Funding

In keeping with their self-reliant reputation, the county's senior managers and entrepreneurs prefer to fund development from their own profits. Some 88% had used this funding method, while 35% accessed bank loans or overdraft facilities. Public sector grant funding had been obtained by 15% of business in the survey, while 24% had applied for grants in the last three years.

The respondents favourite bank for business was HSBC which was used by nearly one in four companies, while NatWest customers accounted for almost one in five of respondents.

Although the banking sector has been broadly blamed for the recession, the survey did not reflect negativity among Lancashire's business and banking communities. 85% of companies said the recession had not affected their overdraft or loan arrangements, while only 11.5% said their relationship with their bank had deteriorated during the downturn. More than 70% said they used management information as an integral part of their operations, with 15% saying they only produced this data for the bank's use.

## 8.0 Red tape and legislation

Much has been made in the media about the adverse effects of the regulatory burden, but a majority of respondents (62%) said they had either not suffered, or suffered only marginally from increased red tape and regulatory changes.

Similarly, 65% of businesses in the survey reported that the compliance advice costs following new legislation had been nil or negligible.

## 9.0 Local issues

### Preston

Preston's Tithebarn project was overwhelmingly endorsed by the survey with 89% of businesses saying the development would be good for the city. However, only a small majority (52%) thought the project would come to fruition, while 57% did not consider Preston City Council to be business-friendly.

### East Lancashire

The proposed development of a major retail/commercial centre in Preston does not appear to have caused widespread concern in East Lancashire, with 89% of executives expressing the view that the scheme would not damage the East Lancashire economy. The rebranding of East Lancashire as Pennine Lancashire met with limited approval with only 40% of respondents saying the exercise had been successful.

### Blackpool

The management of Blackpool's regeneration as the nation's favourite holiday resort has produced a sceptical response with 61% of companies in the survey believing the programme was being handled poorly. This lack of enthusiasm was mirrored by the response to Blackpool's Talbot Gateway redevelopment scheme. Three in four business leaders in the survey believed the project would not help Blackpool at all, or only help slightly.

### County-wide pros and cons

Easy access to Lancashire's rural environment, efficient transport infrastructure and the county's central position in the UK were cited as the three most positive connotations of Lancashire as a business location. Availability of commercial space and low cost of premises were also seen as advantages, as was work/life balance and the proximity of major urban centres.

On the downside, Lancashire's biggest image problem was its 'behind the times perception' which was cited by 70% of respondents. A lack of an 'after 5' culture, traffic congestion and a skills shortage were also among the county's negative connotations.