

# Weathering recession and surviving the upturn in Bradford

Findings  
Informing change

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How did Bradford's businesses fare during the recession and what issues have they faced through the economic upturn?

## Key points

- Bradford businesses were adversely affected by the recession in different ways depending on industry sector and business size. There was evidence that businesses had adapted well and been resilient in the face of difficult market conditions and rising costs, faring neither better nor worse than businesses nationally.
- Small businesses were most affected by the recession, and businesses with ten or fewer employees fared worst. Large businesses fared better but made more redundancies.
- The experiences of black and minority ethnic business owners during the recession were no different to those of other business owners. However, businesses in the most deprived areas fared worse than businesses in other areas.
- The majority of Bradford businesses did not have problems accessing loan finance during the recession, but businesses had strong feelings that the banks had not supported small to medium enterprises (SMEs) during the recession. Many businesses reported problems with working capital finance and customers going out of business because the banks had withdrawn facilities.
- One-third of businesses surveyed had received business support during the previous two years and a majority found it useful.
- Social enterprises were more resilient than private businesses during the recession, but many relied on public sector contracts. Two in three social enterprises depended on public sector contracts compared with one in three private businesses.
- Businesses were cautiously optimistic and felt well-placed to move forward and take advantage of the upturn. Almost half were planning to expand. Regeneration of the city was viewed as important.

## The research

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# Background

Economic recession often triggers a period of 'taking stock of things', or doing things differently, simply in order to survive. This happens at both a personal and at a business or organisational level. This research study looks at how businesses in Bradford district weathered the recession, what the key issues they had to deal with were, what support was available from the support networks and how businesses felt placed to take advantage of an economic upturn. The findings of the study are based on a review of secondary data, qualitative interviews and two quantitative surveys of a cross-section of businesses and social enterprises in the Bradford district.

## Impact of the recession

Bradford businesses have been adversely affected by the recession. SMEs were hit hardest and were more likely to experience a decline in business performance than larger companies with 50 or more employees. Half of the businesses surveyed experienced a decline in business performance during the recession typically through falling sales and reduced profits. However, nearly one-third managed to hold their performance at the same level, and one in five enterprises actually saw business improve.

Comparison of the performance of Bradford businesses with regional and national data (Ipsos MORI 2010) revealed that Bradford businesses' experiences of the recession were broadly in line with the experience of businesses nationally and across the Yorkshire and Humber region. The worst affected sectors were construction, where seven in ten businesses saw deterioration in performance, followed by the transport/storage/communications sector, where six in ten saw a deterioration. Businesses in the personal and public services sectors were least likely to have experienced a decline in performance and were most likely to have seen an improvement.

The survey of social enterprises found that they have been relatively resilient throughout the recession, with almost four in ten enterprises reporting an improvement in business performance over the previous twelve months compared with two in ten businesses in the private sector survey. Although social enterprises were more resilient, the majority of social enterprises in Bradford relied on public sector contracts. Consequently, they were pessimistic about the next twelve months in the face of public sector spending cuts. Despite this, eight in ten social enterprises felt 'well-placed' to take advantage of an economic upturn.

In the most deprived wards (10 per cent most deprived lower super output areas), 59 per cent of businesses saw a deterioration in their performance during the recession compared with 50 per cent in other wards.

Half of businesses indicated that costs had risen during the recession. The sectors worst affected were hotels/catering, retail/distribution and public/personal services. The elements of cost that had increased for the greatest proportion of businesses were transport, raw materials and energy.

## Finance and banks

Restrictions on the availability of finance have been at the heart of the recent recession. Surprisingly, most Bradford businesses surveyed said they did not have major problems accessing finance, but the increasing cost of finance and more stringent terms imposed by the banks were problematic. Businesses were critical of the way banks behaved during the recession, and many felt that the lack of support caused many viable businesses to close. Businesses criticised the way banks managed existing credit lines and almost half experienced more costly terms and conditions and felt that their relationship with local branches and the quality of services offered had deteriorated. As a result of increased pressure from banks a substantial proportion of businesses switched banking providers and negotiated fresh terms with a new financial institution.

Businesses expect to have problems maintaining cash flow for some time. During the recession, 52 per cent of businesses experienced cash flow problems and working capital financing was a problem.

## How businesses responded to the recession

The most common response by businesses to falling orders was to reduce labour costs and employee numbers. For some businesses redundancies were seen as a necessary action to ensure the survival of the business. Four in ten businesses surveyed had cut the number of employees as a result of the recession. The local picture corresponds to national data (Dolphin, 2009).

SMEs were less likely to have made staff redundant and this helped to protect employment in the district. While larger businesses fared better during the recession, they were more likely to make redundancies. Evidence from the interviews revealed that some companies reported job losses of 30 per cent. Only 33 per cent of small businesses with one to ten employees cut jobs compared with 47 per cent of those with 11 to 49 employees and 67 per cent of those with 50 or more employees.

Small and medium sized businesses make up the majority of businesses in the district, accounting for 99 per cent of businesses and 41 per cent of employment. By making fewer redundancies, SMEs reduced potential job losses in the district and this has been a factor in the district's resilience in weathering the recession.

Approximately one-third of businesses made other major strategic or operational changes as a result of the recession. These included adjustments to the marketing strategy (30 per cent) or other actions to reduce costs (70 per cent), such as downsizing, closing part of the business or moving to smaller premises. Businesses made efforts to develop new product markets and some were specifically targeting the emerging markets in South East Asia and South America.

## **Business support**

Less than half of Bradford businesses were satisfied with support services despite evidence suggesting that they have helped businesses weather the recession. When asked, just 44 per cent of businesses said they were 'satisfied' with business support services being offered in the area. One in three businesses had received business support in the past two years, which equates to around 5,000 businesses across the whole of the district.

Of the businesses that received support, 58 per cent found it useful. Business Link was the most used support service with three out of five businesses using Business Link services finding it useful. Business Link had a high level of awareness among businesses but the overall support offer was felt to be confusing with many businesses still not clear what support is available.

Larger businesses were more likely to have used Yorkshire Forward who, while used less frequently (23 businesses had used their services), attracted a high satisfaction rating, with 70 per cent of businesses finding their support useful. The Chamber of Commerce also attracted a favourable satisfaction rating, as 72 per cent of businesses found it useful.

Overall, Bradford businesses whose performance improved over the past two years were more likely to have received support than those who had seen performance deteriorate. However, the experience of manufacturing companies was the reverse of this.

When asked what support businesses would like to receive in the future, help with funding and grants was a requirement of 29 per cent of businesses. Marketing/sales support (23 per cent) and help to find new markets (19 per cent) were the next most important business support needs.

Unfortunately Regional Business Link services are to close by November 2011 and Regional Development Agencies, of which Yorkshire Forward is one, are to close by 31 March 2012 as part of government reorganisation.

## **Future prospects and confidence**

An overwhelming majority (92 per cent) of businesses indicated that they were either 'very well-placed' or 'fairly well-placed' to take advantage of the upturn in the economy. Of those surveyed, 29 per cent indicated that they were very well-placed. Nearly half of the businesses surveyed expected domestic sales to be higher over the next 12 months and, similarly, 46 per cent of exporters thought that their export sales would be higher.

Just under half of businesses (45 per cent) planned to expand their business operations over the next 12 months; 25 per cent planned to target new customers and markets and 20 per cent planned to introduce new products.

Financial/business services were most likely to be planning on expanding the business (67 per cent) followed by 51 per cent of manufacturers and 47 per cent of transport/storage/communications businesses.

Nearly one-third of businesses were either extremely or fairly reliant on the public sector. This dependency varied by industry sector but not by size of business. The sectors with the highest proportion of businesses being extremely reliant on the public sector were public/personal services (27 per cent), construction (19 per cent) and hotels/catering (15 per cent). By comparison, only 4 per cent of manufacturing companies were extremely reliant on the public sector.

At the time of the survey, Bradford businesses were optimistic, with 37 per cent expecting an improvement in the economic environment over the next 12 months and 42 per cent expecting the situation to at least remain the same. The qualitative interviews revealed a level of cautious optimism about the economy but no one felt the recovery would come quickly. Some businesses were bracing themselves in case there was a 'double dip'.

Businesses indicated a desire to be more involved in improving the district and wanted a genuine two-way dialogue between the public and private sectors. The partnership working that has been going on throughout the district was viewed as promising and businesses felt this should continue and be strengthened.

## Policy implications

The study has implications for how business support services are delivered locally and nationally in terms of what services are delivered and how they are tailored to the needs of companies in the light of public sector cuts.

In a recessionary period the natural response of businesses is to reduce costs. Measures that can help businesses with cost reduction would be most welcomed. Rising energy costs are a key concern for businesses and it is clear that they will continue to increase as the economy picks up. Improving energy efficiency and waste management are key issues nationally. Local partnering and sharing of best practice could help businesses with these issues and could improve competitiveness, as well as developing the green economy.

Lack of bank support for SMEs has had a negative impact on business to banking relations that will not be easily rectified without a significant change in strategy and tactics of the major banks. Lack of bank support is detrimental to the whole economy. As well as requiring more support from the banks generally, businesses need information and advice on the different types of working capital products available on the market and their suitability. For some businesses there will be a need to move outside the commercial banking arena as the key source of finance.

Local partnerships between public sector organisations and large companies provide opportunities for greater strengthening of the private business and social enterprise sectors. Such partnerships should look at how public and corporate procurement can be used strategically to promote private sector growth where possible. Public agencies need to ensure that businesses are consulted and given the opportunity to influence strategic economic decision-making in the district and across the city region.

## About the project

The research focused on the impact of the recession on Bradford business and enterprise. The main elements of the research design were:

- literature review and desk research;
- mapping exercise on the business support infrastructure;
- qualitative interviews with 30 key informants (26 businesses and four public sector organisations);
- quantitative surveys of 401 businesses and 100 social enterprises; and
- stakeholder engagement with key organisations in the district.

The primary research was undertaken between March and June 2010. The aims of the research were:

- To gather detailed evidence and data to establish the impacts of the credit crunch and ensuing recession on businesses and enterprises in the Bradford district.
- To provide robust evidence about how the recession has affected businesses in terms of business sector, age and size of business, ownership and geographic location.
- To map the initiatives and policies providing support to established and emerging local businesses, to gain an understanding of how successful these interventions have been and to identify significant gaps in support.
- To understand how different Bradford businesses have responded to the recession and how they are positioned to make the most of an economic upturn.
- To establish the short-, medium- and long-term effects of the recession on businesses and, given Bradford's economic positioning, identify key actions and policies that should be developed to support Bradford businesses in the future.

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## For further information

The full report, **Weathering recession and surviving the upturn in Bradford** by Masood Akhtar, Mark Clayton, Kathryn Watson and Alison J. Widdup, is published by the Joseph Rowntree Foundation. It is available as a free download from [www.jrf.org.uk](http://www.jrf.org.uk)

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