

The Sage Business Index
International Business Insights
October 2012



Executive summary

Welcome to the fourth Sage Business Index, a global measure of confidence across small and medium sized companies. Since our last Business Index in March 2012, we have extended the reach of the survey to include 10,861 businesses from 15 countries, this time adding Brazil, Poland, Portugal, Switzerland and Ireland. This has provided us with the clearest picture yet of the pressures and challenges faced by small and medium sized companies around the world.

With two years' worth of data at our disposal, it really has been fascinating to track the changing landscape and outlooks. While the message has come through loud and clear that small and medium sized companies have generally maintained their confidence in their own businesses and their ability to control their own destinies, the affects of the continued economic uncertainty have had a clear impact.

When asked about the global economy businesses feel that the economic outlook is slightly worse than at the start of this year, with an Index rating of 42.59 on a scale of 0 (declining) to 100 (improving), down from 43.95 in March. When it comes to their own country's economy there is more concern, with nearly a five point drop in the Index – from 47.26 in March 2012 to 42.47 this time – mainly due to the Eurozone countries. However, businesses' confidence in their own prospects paints a slightly more positive picture with an average Index score of 56.46 although this is down from 58.86 in March 2012. Again this drop appears to be mainly influenced by the situation in Europe.

We knew that when we did this Index the Eurozone crisis would indeed be a major factor in the results, so we took the opportunity to find out a bit more about its impact. Two thirds of businesses felt that the Eurozone crisis had some or significant impact on their business and only 15% felt that the Eurozone could continue in its current form.

So the very fact that in light of all this uncertainty, businesses still feel confident about their prospects in the next six months is a testament to their strength and resilience. Indeed nearly 70% of those we surveyed have been in business already for over 10 years and are clearly equipped to deal with the changing landscape.

Exploring this in more detail we asked businesses if they felt that they had adapted to the challenges of the economic environment over the last three years. Seven in 10 felt they had, and 88% of all businesses had made changes to this effect – from cutting operational costs (50%) to developing new products and services (33%).

Despite the many government initiatives across the world to help small and medium sized companies, almost seven in 10 businesses still feel that their governments are just not doing enough for them. What they feel would really make a difference to their ability to survive and thrive are reducing bureaucracy (43%), reducing business tax (36%) and providing more opportunity for skills development (31%). Of the bureaucracy, respondents felt that tax law (48%), labour law (47%) and public procurement procedures (32%) were the worst offenders.

As a global business with over six million customers, our duty is to support small and medium sized companies and we do this by providing products and services that take care of the basics, allowing them to achieve their business ambitions. The Sage Business Index is an important part of helping us to stay close to what our customers are saying and what they are experiencing. We hope that it also proves a useful guide to governments and other stakeholders to how we can all support these businesses better.

I would like to take this opportunity to thank all the businesses who took part in the Sage Business Index, as well as our customers who put their trust in us every day.

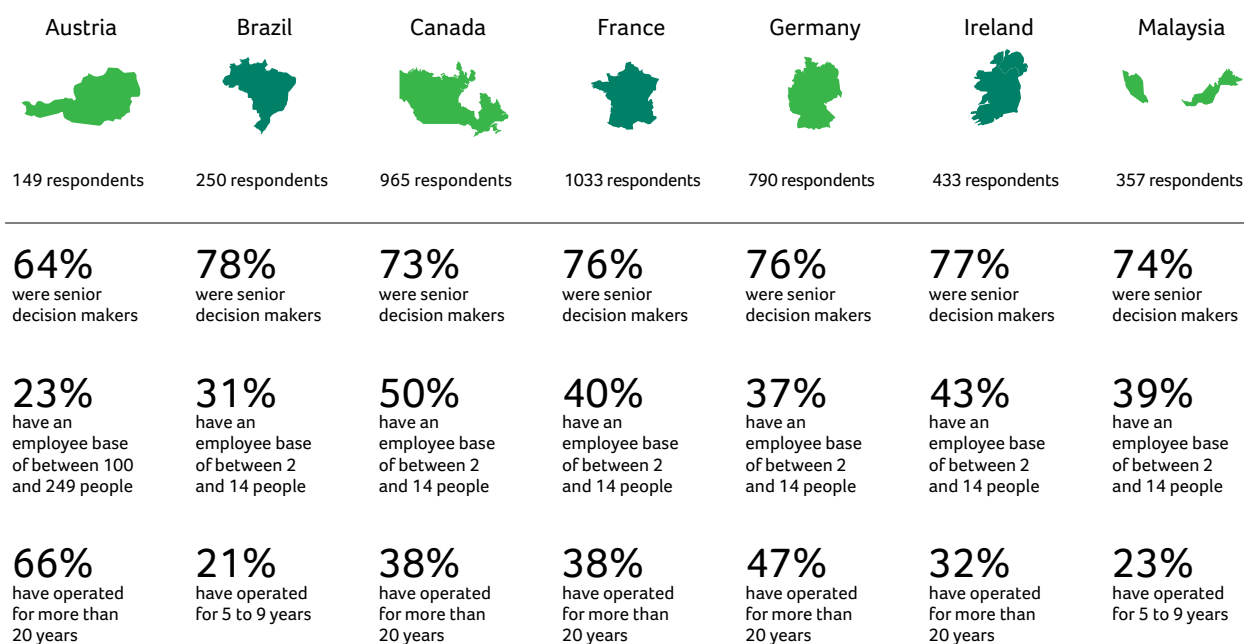


Yours sincerely

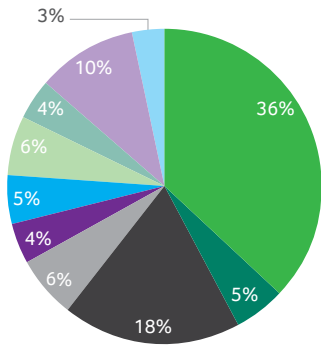
Guy Berruyer
Chief Executive, The Sage Group plc

Sample universe

The fourth Sage Business Index surveyed 10,861 small and medium sized companies from 15 countries across North America, South America, Europe, Africa and Asia over a two week period in September 2012. 59% of respondents were owners, directors or senior managers, with 48% male and 52% female. Half the businesses surveyed have between two and 24 employees, and 69% of the businesses have been in operation for over 10 years. Just 3% of businesses are less than one year old. Businesses came from a range of industries including services, construction, manufacturing, retail and finance.

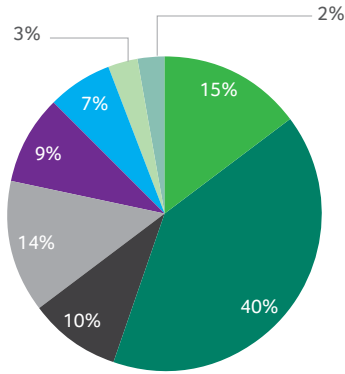


Which of the following best describes your position?



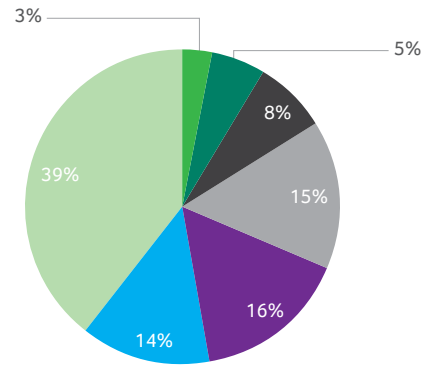
- Owner/founder/proprietor
- President/chairman/CEO/managing director/general manager
- Finance director/manager/accountant
- Payroll manager/clerk
- IT manager
- Senior manager (other)
- Mid-level manager (other)
- Junior level manager/team leader/supervisor
- Bookkeeper
- Executive assistant/clerical worker/shop

Overall size of business



- Only me
- 2 to 14
- 15 to 24
- 25 to 49
- 50 to 99
- 100 to 249
- 250 to 499
- 500 plus

Overall age of business



- Less than one year
- 1 to 2 years
- 3 to 4 years
- 5 to 9 years
- 10 to 14 years
- 15 to 20 years
- 20 years plus

Country	Respondents	Senior Decision Makers	Employee Base (2-14)	Operated > 20 Years
Poland	251	63%	24%	24%
Portugal	703	76%	52%	27%
Singapore	289	49%	26%	43%
South Africa	1879	79%	36%	33%
Spain	1284	57%	46%	44%
Switzerland	200	77%	40%	45%
UK	1357	79%	38%	46%
USA	921	79%	47%	53%

General confidence

“Taking real feedback from businesses, the Index provides an incredibly accurate picture of how small and medium sized companies are feeling, and that feeling is uncertainty.

“With a reversal of the small increase in general confidence felt in the Index in March, these latest figures show that businesses are still worried about global and local economic issues. However, there are some positives to be taken from individual markets. Confidence levels in North America, Brazil, the UK, South Africa and Asia seem to either be improving or are on a similar level to earlier this year.”

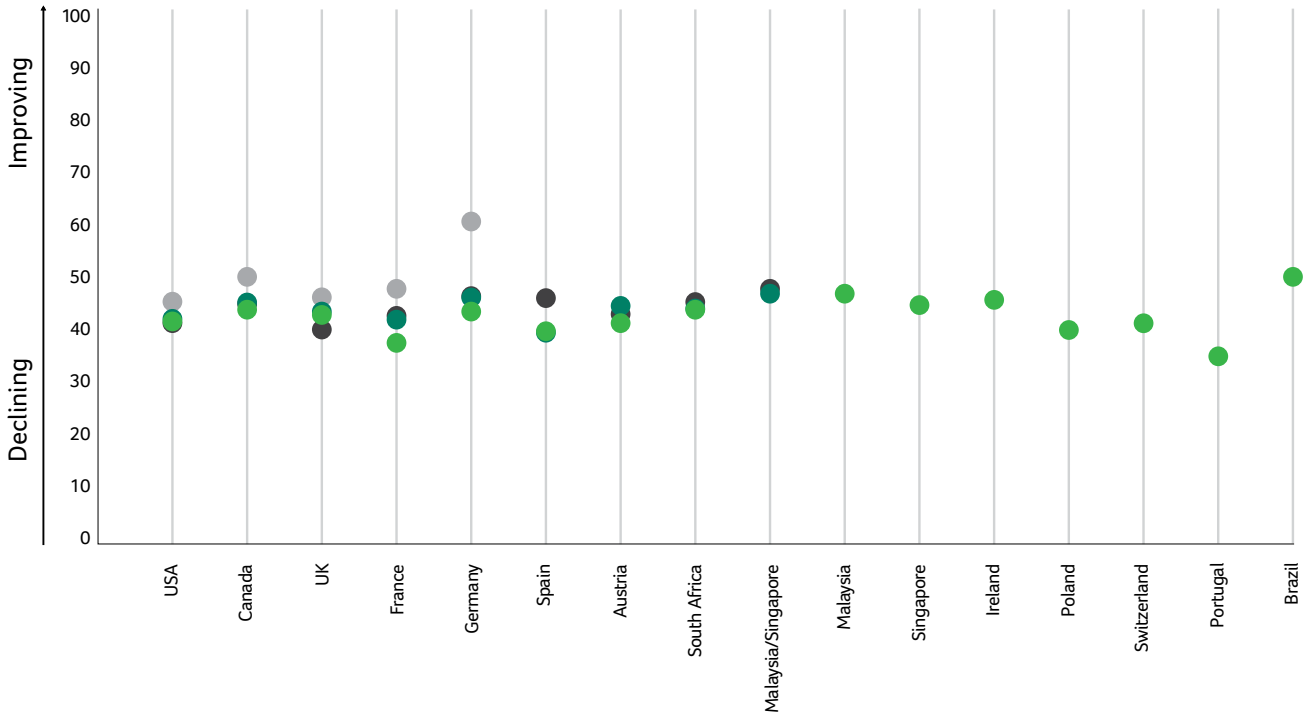
Guy Berruyer
Chief Executive, The Sage Group plc



Global economic confidence

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

● February 2011* ● September 2011 ● March 2012 ● September 2012



* 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)"

Businesses believe that the global economy is still in decline, marginally more so from March 2012 with the Index falling from 43.95 to 42.59. The Eurozone countries feel the most negative with Portugal registering a Global Economic Confidence Index score of just 35.36, while the only country to feel any improvement in the global economy was Brazil with a score of 50.65.

Global Economic Confidence Index

52.13*
February 2011

44.47
September 2011

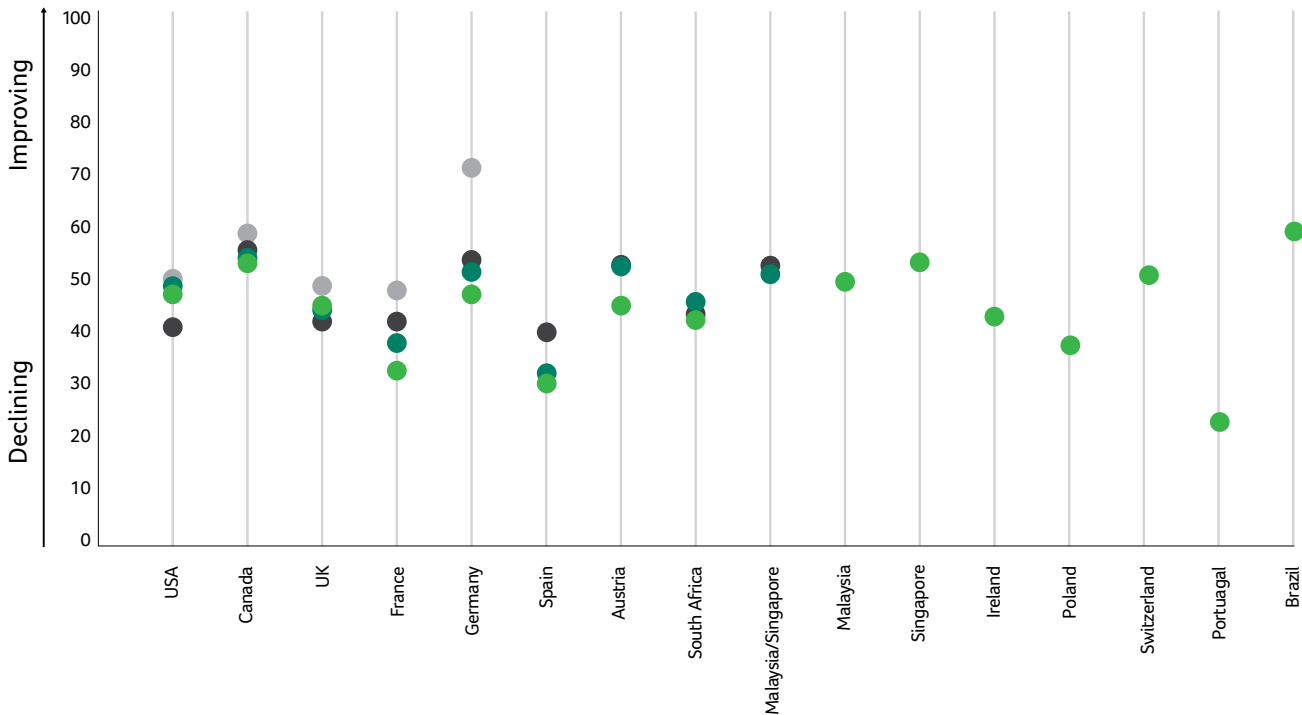
43.95
March 2012

42.59
September 2012

Country economic confidence

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

● February 2011* ● September 2011 ● March 2012 ● September 2012



* 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)"

There is a more noticeable change in country confidence with a drop of nearly five points from 47.26 in March 2012 to 42.47 this time – mainly as a result of the Eurozone countries most affected by the current crisis.

- Portugal at 23.55, Poland at 38.18, Spain at 31.7 (from 32.96 in March 2012) and France at 33.36 (from 38.81 in March 12) were most negative
- Germany and Austria have also fallen to 47.94 (from 52.08 in March 2012) and 45.3 (53.04 in March 2012) respectively, the first time in all four Indices where they have dipped below the neutral mark

- Although still negative, the UK's confidence (45.44) has risen half a point since March 2012 (44.91)
- US businesses' confidence in their country's economy has dropped back slightly from 49.28 to 47.86 since March, however this is still an improvement from September 2011 when it was down at 41.57
- Both Brazil and Singapore are confident that their country economies are improving with scores of 59.67 and 53.88 respectively.

Country Economic Confidence Index

57.17*
February 2011

47.11
September 2011

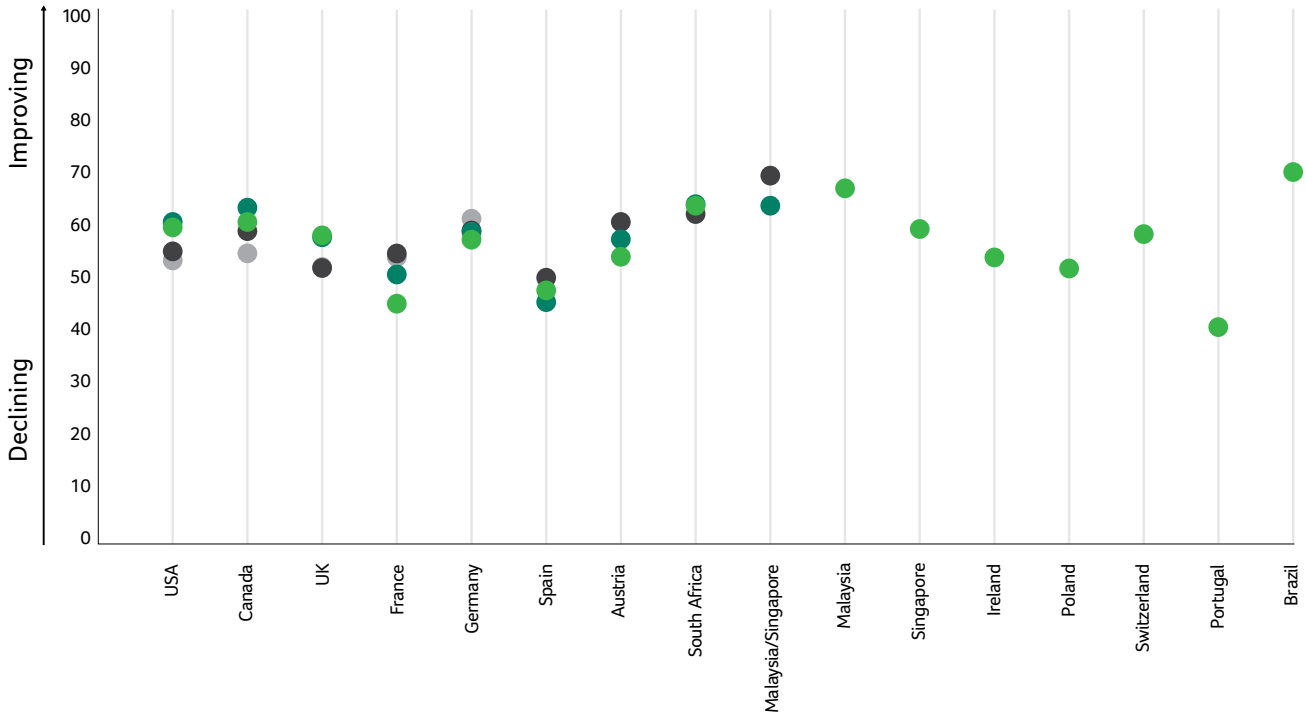
47.26
March 2012

42.47
September 2012

Business confidence

Do you feel more or less confident about the prospects for your business in the next six months?

● February 2011 ● September 2011 ● March 2012 ● September 2012



^o 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)"

Businesses continue to feel cautiously confident about their business prospects over the next six months with an overall score of 56.46, although slightly down from March 2012 (58.86), with some countries still in negative territory.

- France (45.55), Spain (48.12) and Portugal (41.06) were the only three countries registering a score below the 50 mark, while Germany's confidence levels have consistently dropped since the Index began (from 61.62 in February 2011 to 57.81 this time)
- The UK registered their highest confidence level since the Index began with a score of 58.46 in September 2012
- Brazil is by far the most confident with 70.31, followed by Malaysia with 67.2 and South Africa with 64.19
- Although slightly down from March 2012, the US and Canada are both substantially more confident since we first began the survey in February 2011. The US rose from 53.65 to 60.28, and Canada from 55.08 to 61.07.

Business Confidence Score

56.48* 57.88 58.86 56.46
 February 2011 September 2011 March 2012 September 2012

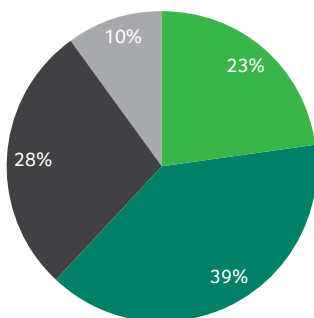
Impact of the Eurozone crisis



Across the board all countries responding to this question have experienced some impact from the crisis in the Eurozone*. Of course this has affected European businesses most, but elsewhere 38% of businesses in the US said they felt some or significant impact, 35% in Canada, 73% in Brazil and 71% in Singapore. Clearly, the problems are being felt beyond Europe's boundaries. Surprisingly in the UK 40% said that the Eurozone crisis has had no impact on their business.

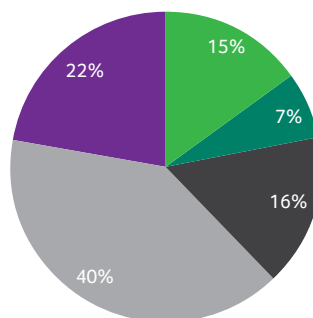
*South Africa did not take part in this question.

What impact has the Eurozone crisis had on your business confidence?



- No impact
- Some impact
- Significant impact
- Don't know

What do you think will happen to the Eurozone?



- The Eurozone will remain intact with no country exits
- The Eurozone will be dismantled entirely
- Countries with the most debt will exit
- The Eurozone will become a "two speed system"
- Don't know

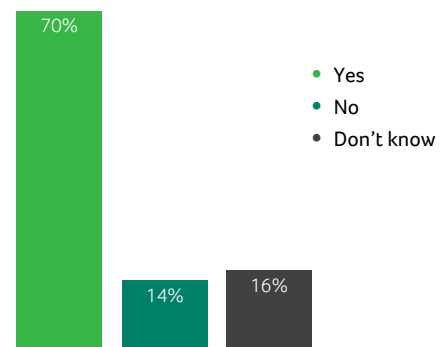
The majority of respondents think that the Eurozone will change – 40% appear to favour a two speed system (where some countries are more integrated than others); with only 7% thinking that the Eurozone could be dismantled entirely and 15% saying it would remain unchanged.

Coping with economic uncertainty

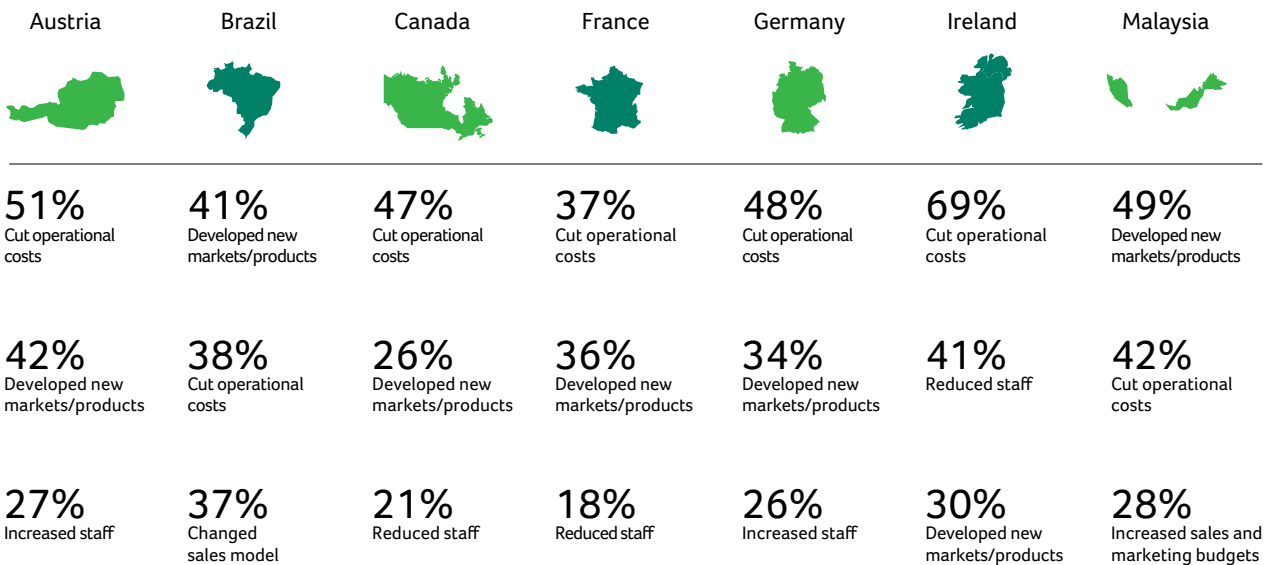
Around the world, the last three years have seen major economic fluctuations; as a result seven in 10 businesses have had to make changes to cope with this uncertain environment. Half have cut their operational costs, a third have developed new markets or products and 22% have had to cut staff.

- 88% of businesses have made changes to cope with the economic environment
- Counter intuitively 26% of German businesses and 27% of Austrian businesses increased staff
- Brazil (37%) and Poland (31%) have changed their sales models
- 24% of Singaporean businesses also found that outsourcing some key functions had helped them adapt to the economic environment.

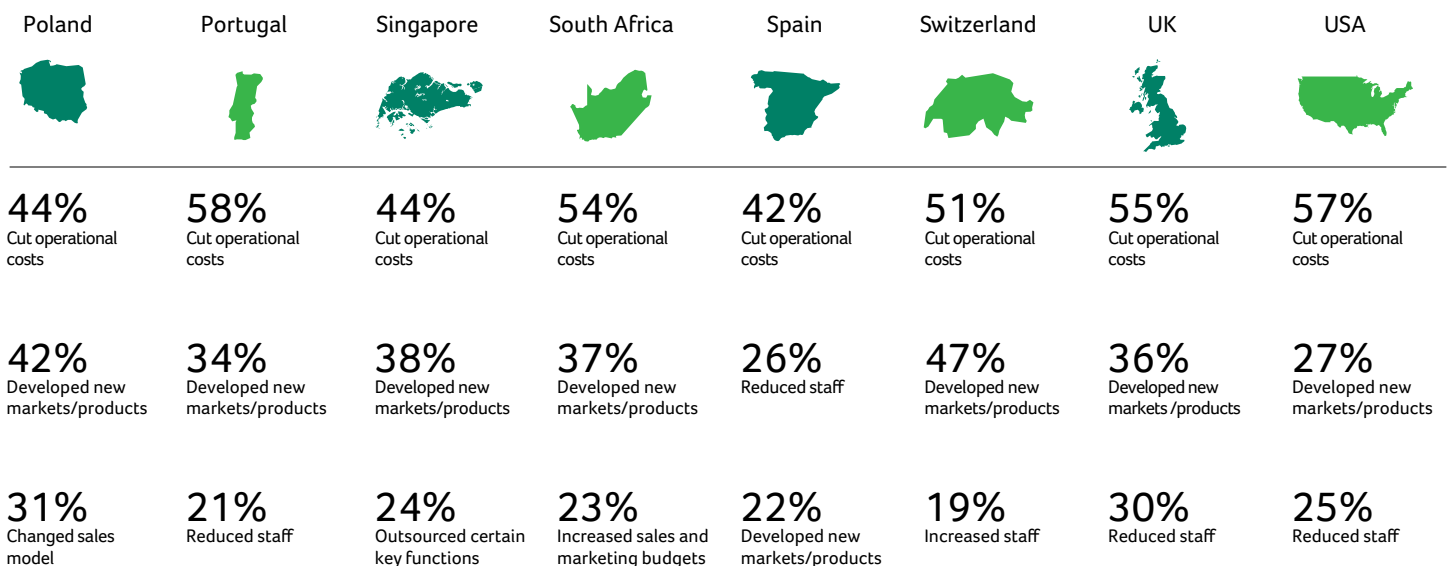
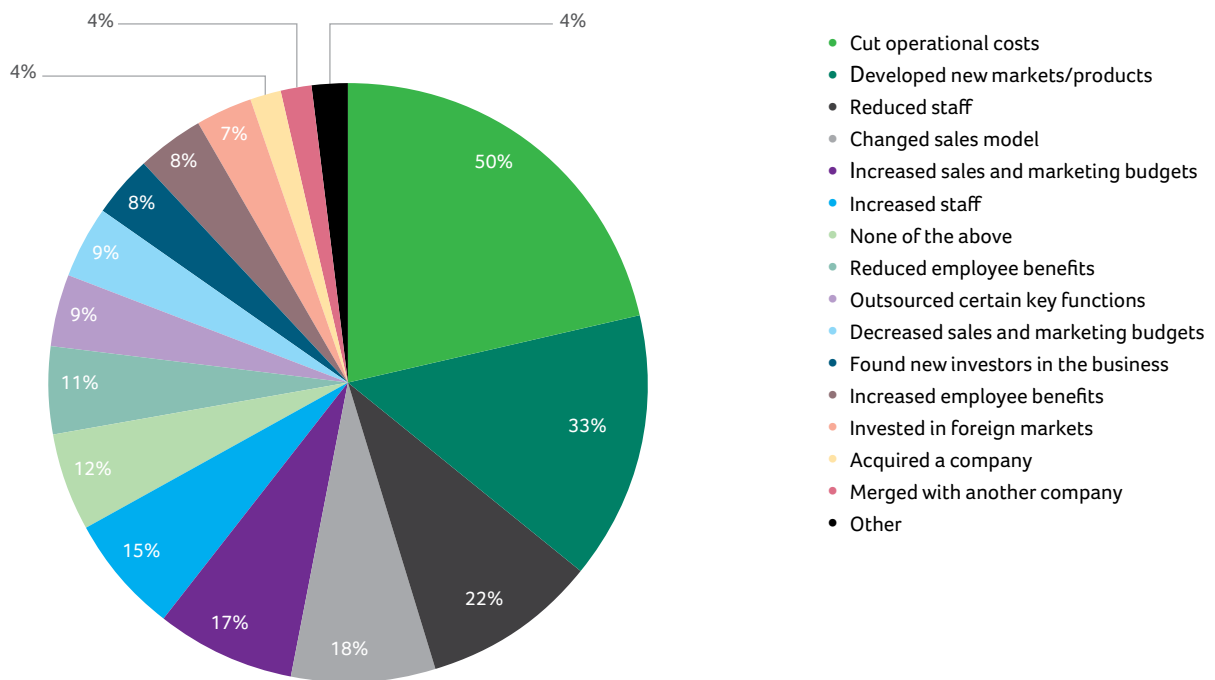
Do you think your company has adapted to the challenges of the current economic climate?



Top three changes by country:



What changes have you made to your business in the past three years as a result of the economic environment?

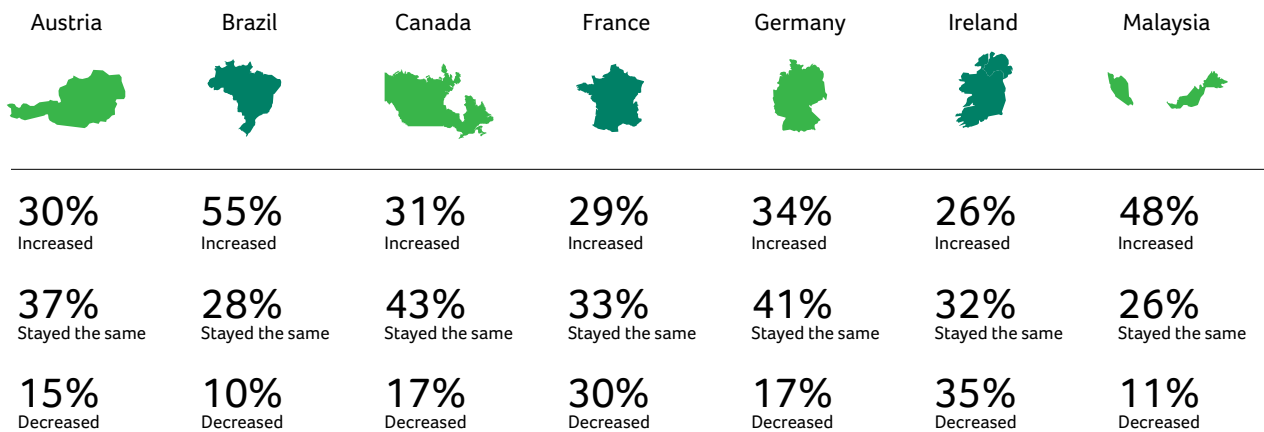


Changes to revenue and employee numbers

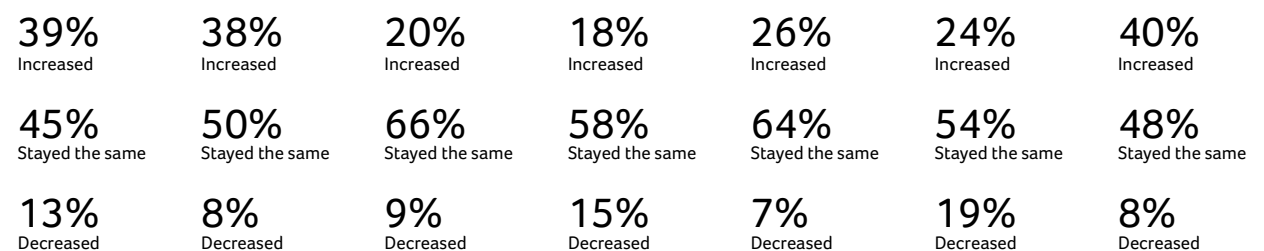
In the last six months nearly a third (31%) of the businesses surveyed said that revenue had increased with almost the same number (32%) saying revenue held steady.

- Portugal, Spain and Ireland all saw revenue decrease more than increase or stay the same – 51% in Portugal, 49% in Spain and 35% in Ireland
- 55% of Brazilian businesses and 48% of Malaysian businesses saw revenue increase – the highest of all the countries
- A quarter of businesses also said that they had increased employee numbers over the last six months with 57% staying the same
- Just 7% of German businesses reduced staff levels – the lowest percentage of all countries
- Just 15% overall reduced employee numbers.

Country breakdown of revenue*:



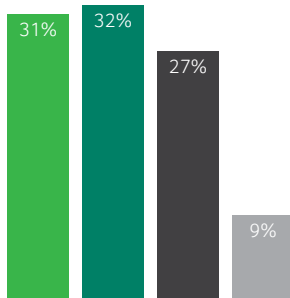
Country breakdown of employees*:



*Remaining businesses replied 'Don't know'

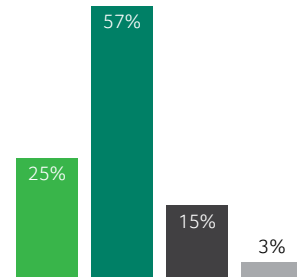
In the past six months has your revenue:

- Increased
- Stayed the same
- Decreased
- Dont know



In the past six months has the number of employees at your company:

- Increased
- Stayed the same
- Decreased
- Dont know



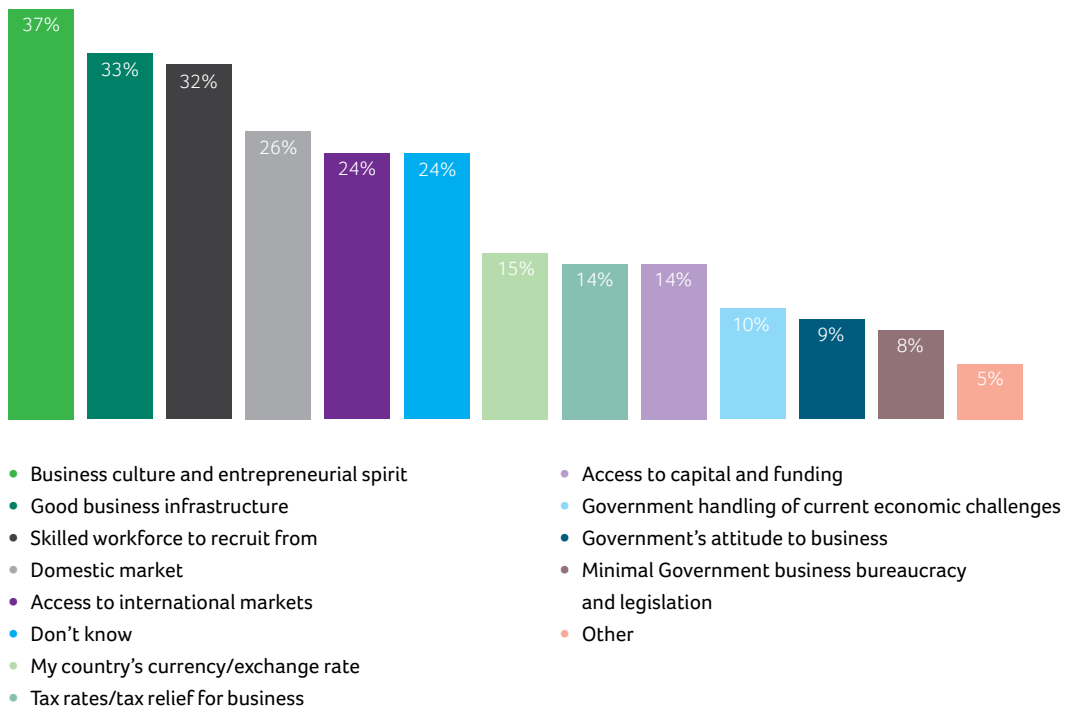
Country	Poland	Portugal	Singapore	South Africa	Spain	Switzerland	UK	USA
Increased	34%	15%	37%	39%	14%	27%	34%	35%
Stayed the same	27%	26%	26%	26%	29%	44%	35%	37%
Decreased	26%	51%	16%	21%	49%	22%	26%	21%
Dont know	13%	8%	21%	14%	8%	7%	5%	7%

My country as a place to do business – most favourable aspects

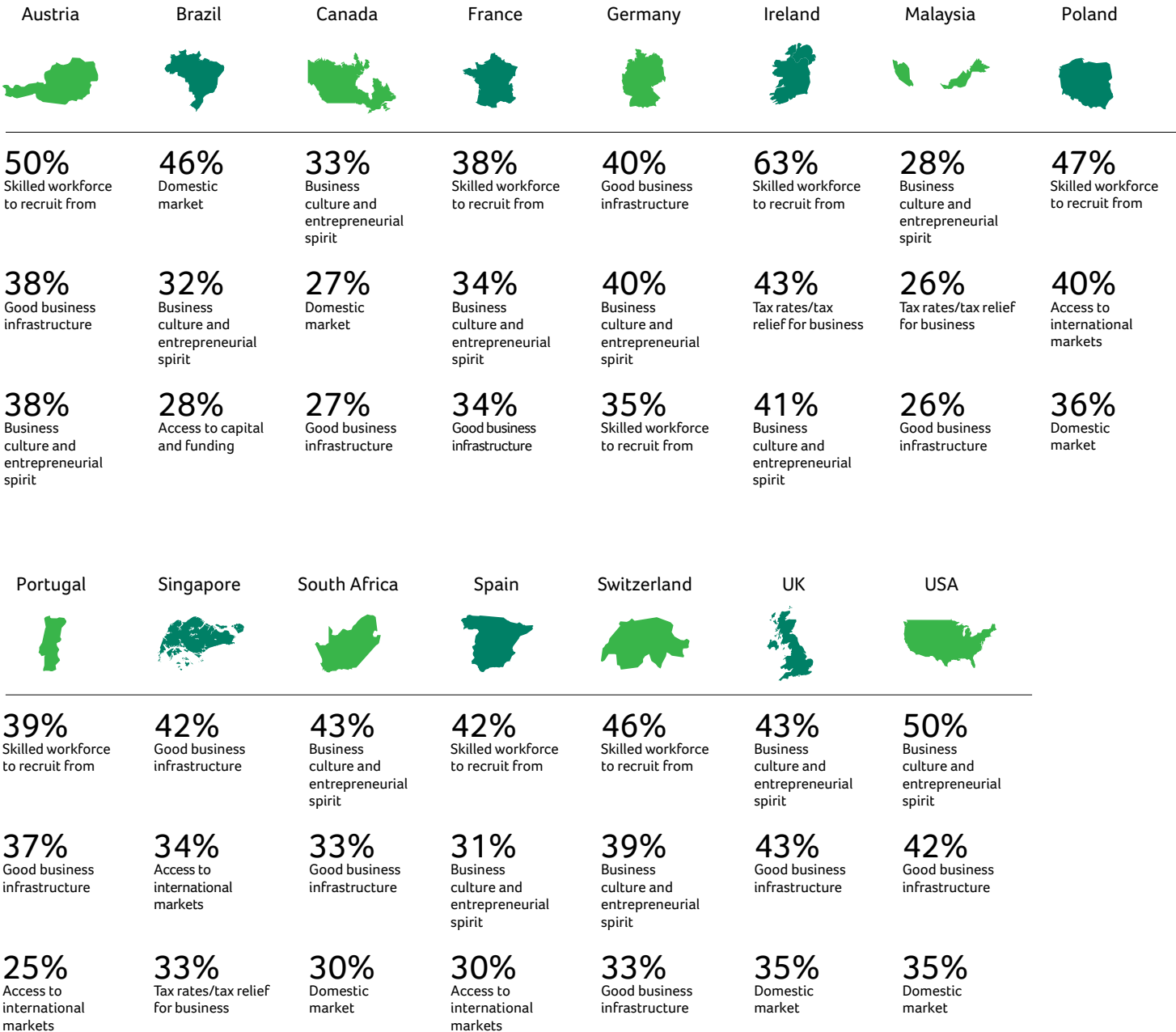
The majority of respondents said that the most favourable aspects of doing business in their countries was the business culture and entrepreneurial spirit. This was followed by a good business infrastructure in terms of IT and telecoms, and having a skilled workforce to recruit from.

- Ireland also cited tax rates and tax relief offered to businesses in their top three with 43% – as do Malaysian (26%) and Singaporean businesses (33%)
- Singapore and Germany said good business infrastructure was the most favourable aspect of doing business in their country (42% and 40% respectively).
- Brazil's top answer was its domestic market (46%)

Thinking of your country as a place to do business in, what are the most favourable aspects about it?



Top three aspects for each country:

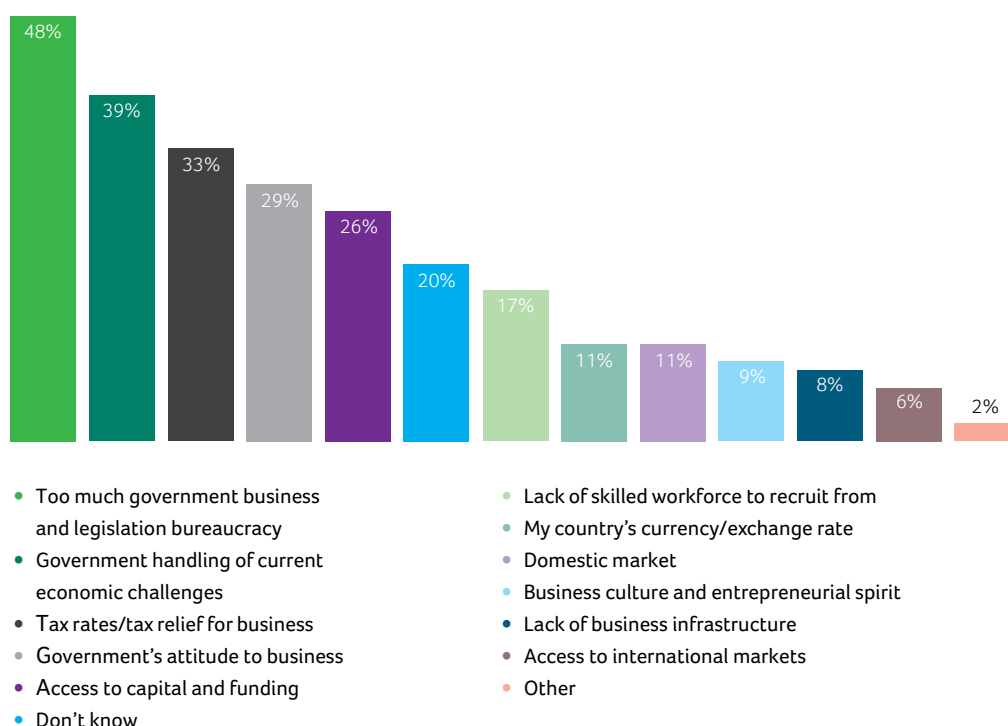


My country as a place to do business – least favourable aspects

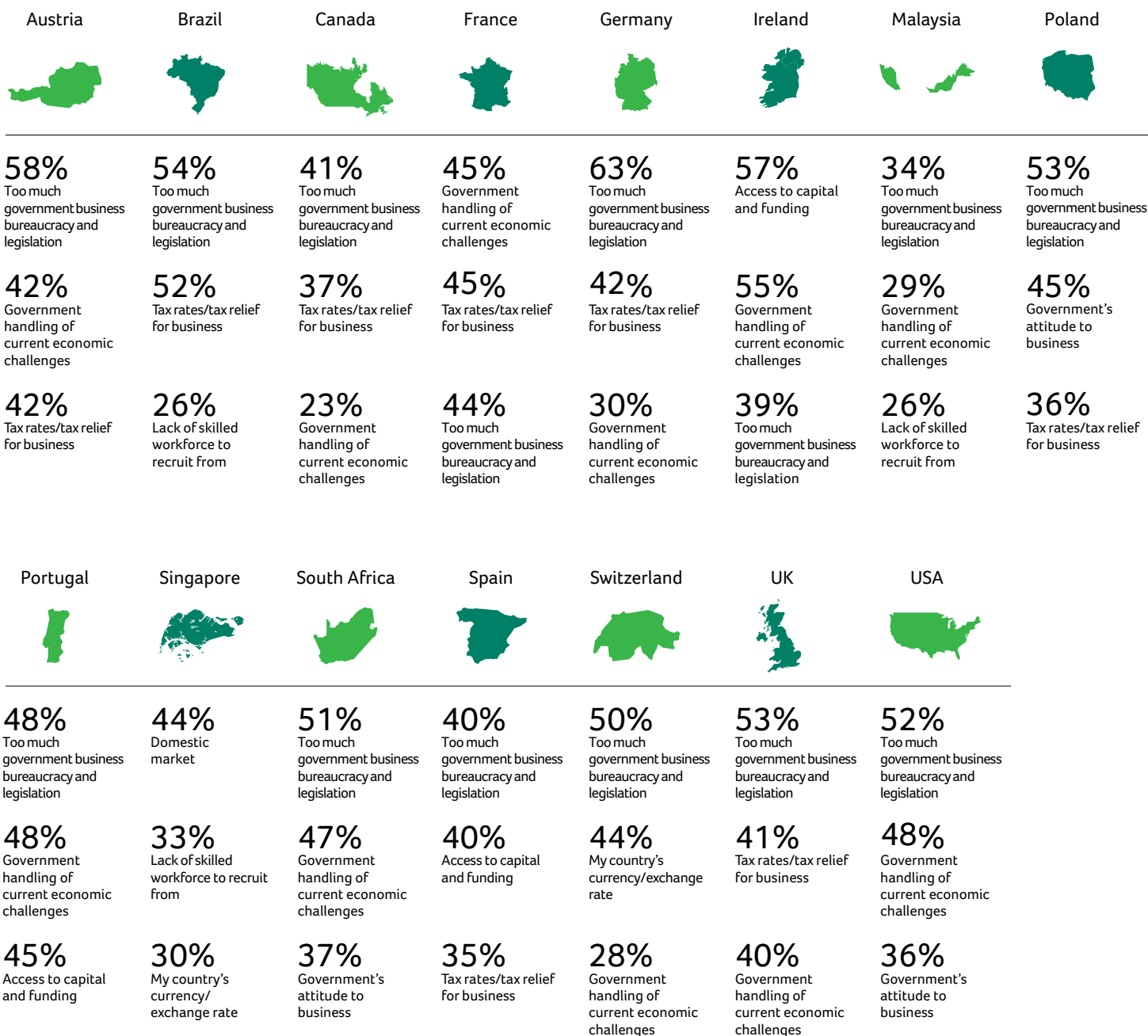
Nearly half the businesses we surveyed cited too much government bureaucracy as the least favourable aspect of doing business in their country. This was followed by government's handling of economic challenges and tax rates for companies.

- Spain and Ireland ranked access to capital and funding as their least favourable aspect (40% and 57% respectively)
- France cited government handling of current economic challenges as their least favourable aspect (45%)
- Domestic market was the top choice for Singapore (44%).

Thinking about your country as a place to do business in, what are the least favourable aspects about it?



Three least favourable aspects for each country:

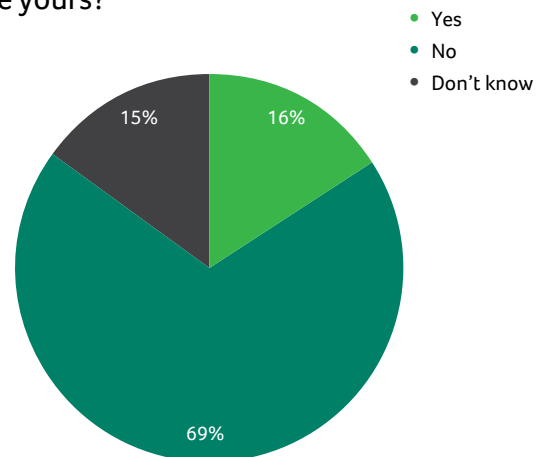


The role of the government

Almost seven in 10 businesses feel that their governments do not provide sufficient support for their businesses, despite the many initiatives around the world attempting to help small and medium sized businesses.

- Portugal (88%), Poland (85%) and Spain (83%) were the most dissatisfied
- Singapore was the only country to register positively, with 57% thinking their government is providing sufficient support
- Although still disappointed, the US and Canada were less than the average, with 53% in both feeling let down by their governments.

Do you think your Government provides sufficient support and advice for businesses like yours?

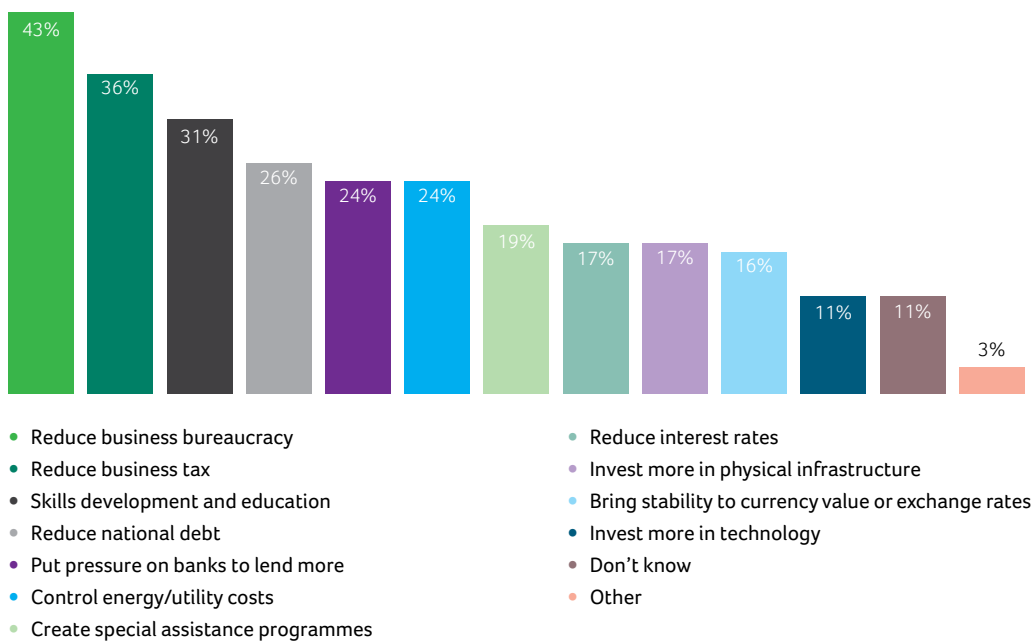


When it comes to what companies feel their Governments should be doing, it is to reduce business bureaucracy and legislation, decrease business tax and provide more opportunity for skills development.

- Less than a fifth (19%) overall felt that special assistance programmes were needed
- Over half (53%) of US businesses said that reducing national debt was the most important thing their Government could be doing
- 48% in Singapore cited more special assistance programmes – only Ireland (32%) and Poland (24%) also included this in their top three
- France (38%) and Germany (31%) also wanted their Governments to reduce national debt
- 46% of Irish businesses called for their Government to put pressure on banks to lend more
- Over half (59%) of businesses in Brazil want the Government to reduce business tax and reduce interest rates (49%)
- In South Africa skills development was cited as the most important with 46% selecting this option.

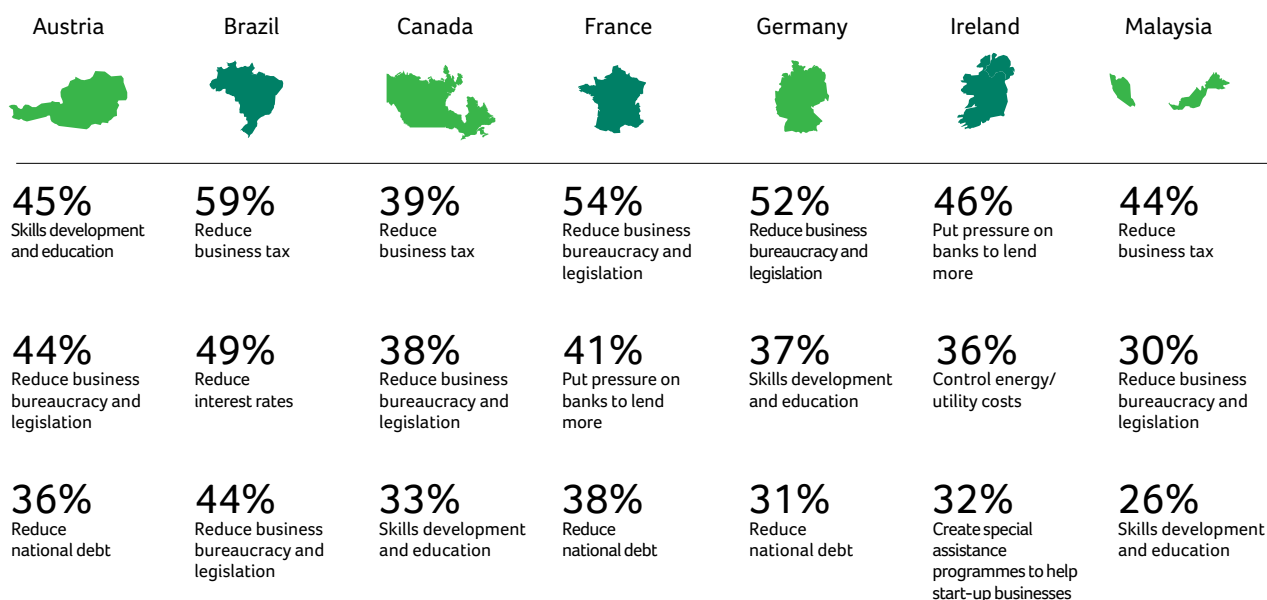


What do you think are the three most important things your Government should be doing to help business confidence in your country?



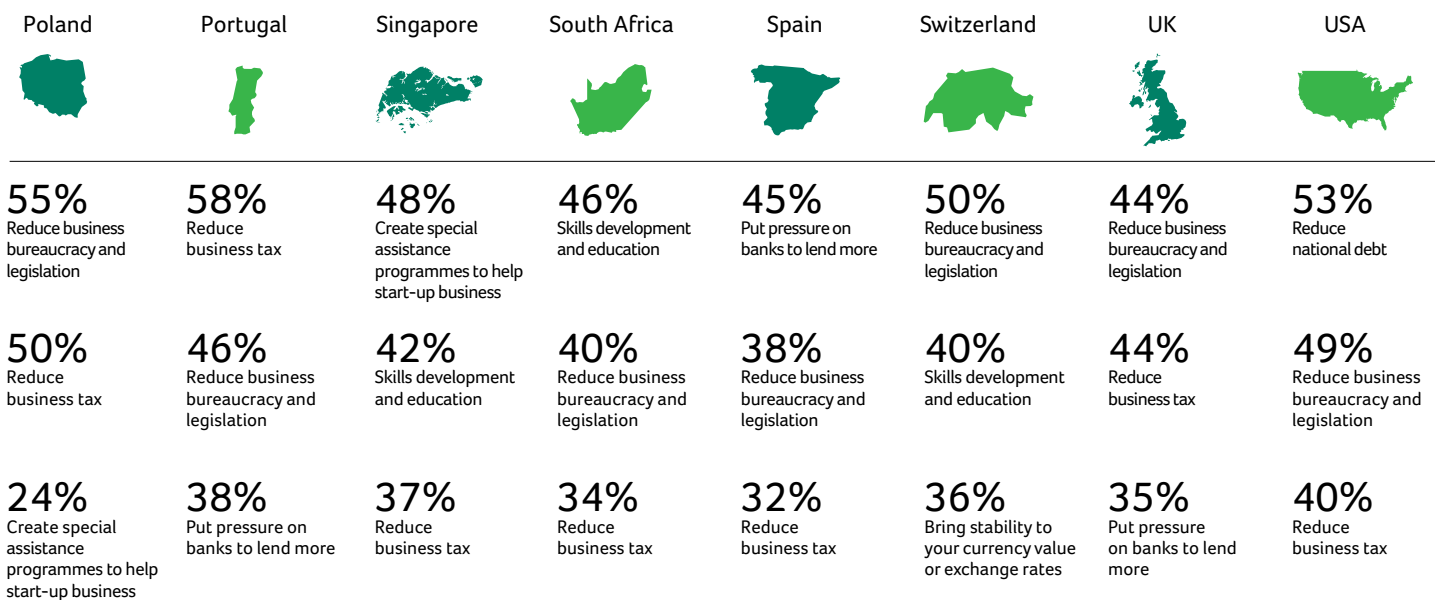
The role of the government

Top three things governments should be doing by country:



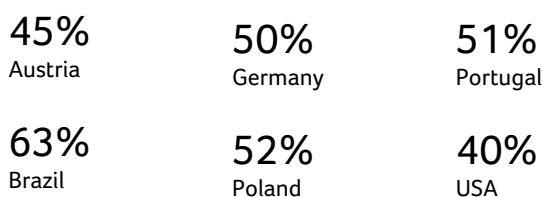
Delving into the reduction of bureaucracy, tax law was chosen as the most burdensome legislation, followed by labour law and procurement of, and tender procedures for, public sector contracts.

- Public sector tender procedures were a more prominent issue in South Africa (57%), Malaysia (49%) and Poland (47%)
- In the UK Health and Safety laws were highest with 30%, significantly more than in every other country
- Brazil was particularly vociferous on tax law, with 63% citing this as the most burdensome, the highest of all the countries
- In Spain and Malaysia, licensing procedures were highest with 27% and 26% respectively.



Most burdensome law by country:

Tax law



33%
Canada

Employee/labour law



Procurement/tender procedures for public sector contracts



Licensing procedures



Health and safety regulations

30%
UK

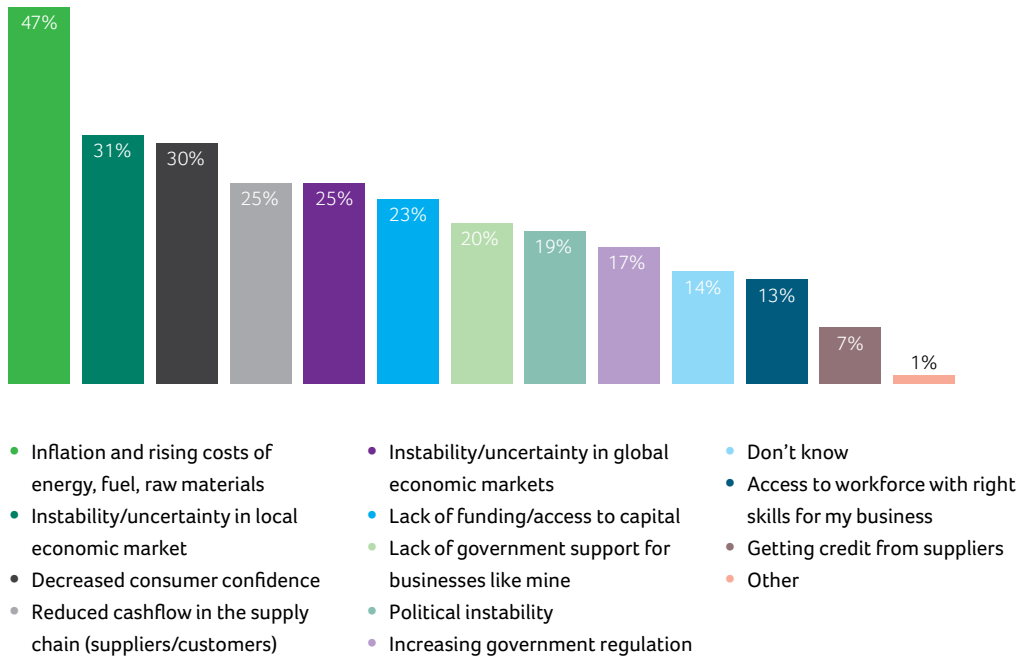
Business challenges



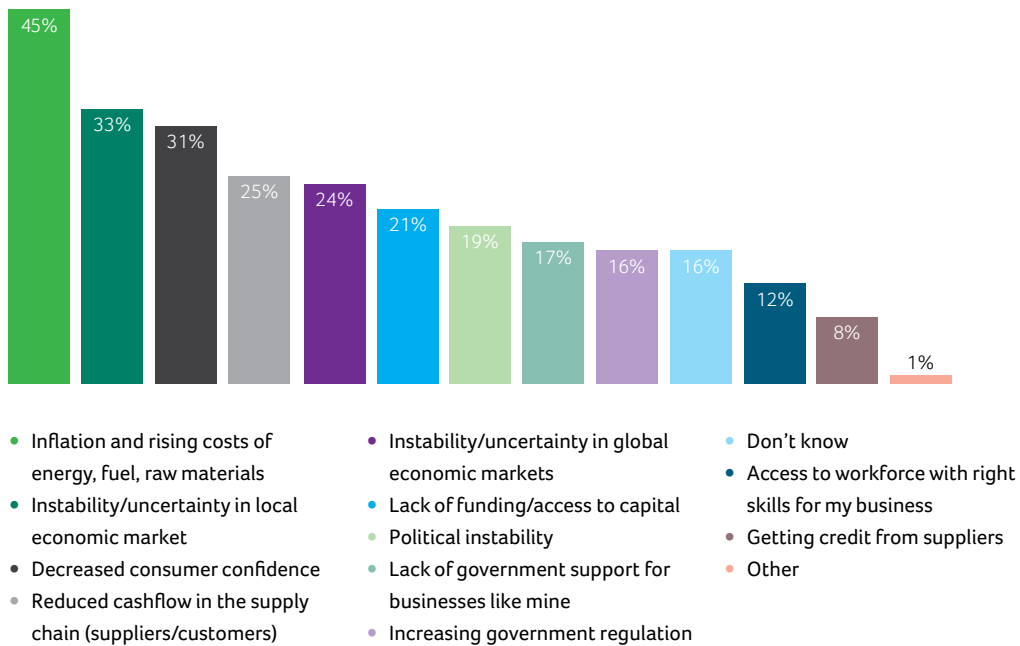
Businesses are currently most concerned by inflation and the rising costs of energy, fuel and raw materials, instability in local markets and decreased consumer confidence.

- French respondents included the lack of government support as one of their three biggest concerns (42%)
- In the UK reduced cashflow in the supply chain was a top three concern (41%)
- South Africa and Malaysia saw political instability as a top three concern (36% and 25% respectively)
- Spain's biggest concern was lack of funding or access to capital (44%)
- Switzerland cited instability in global markets as one of their top concerns (48%), also a top concern for Brazil (37%) and Singapore (54%) indicating their position as a key export hub to the rest of the world.

Thinking about the **current business conditions**, what are your top three concerns in relation to what is affecting your business confidence?



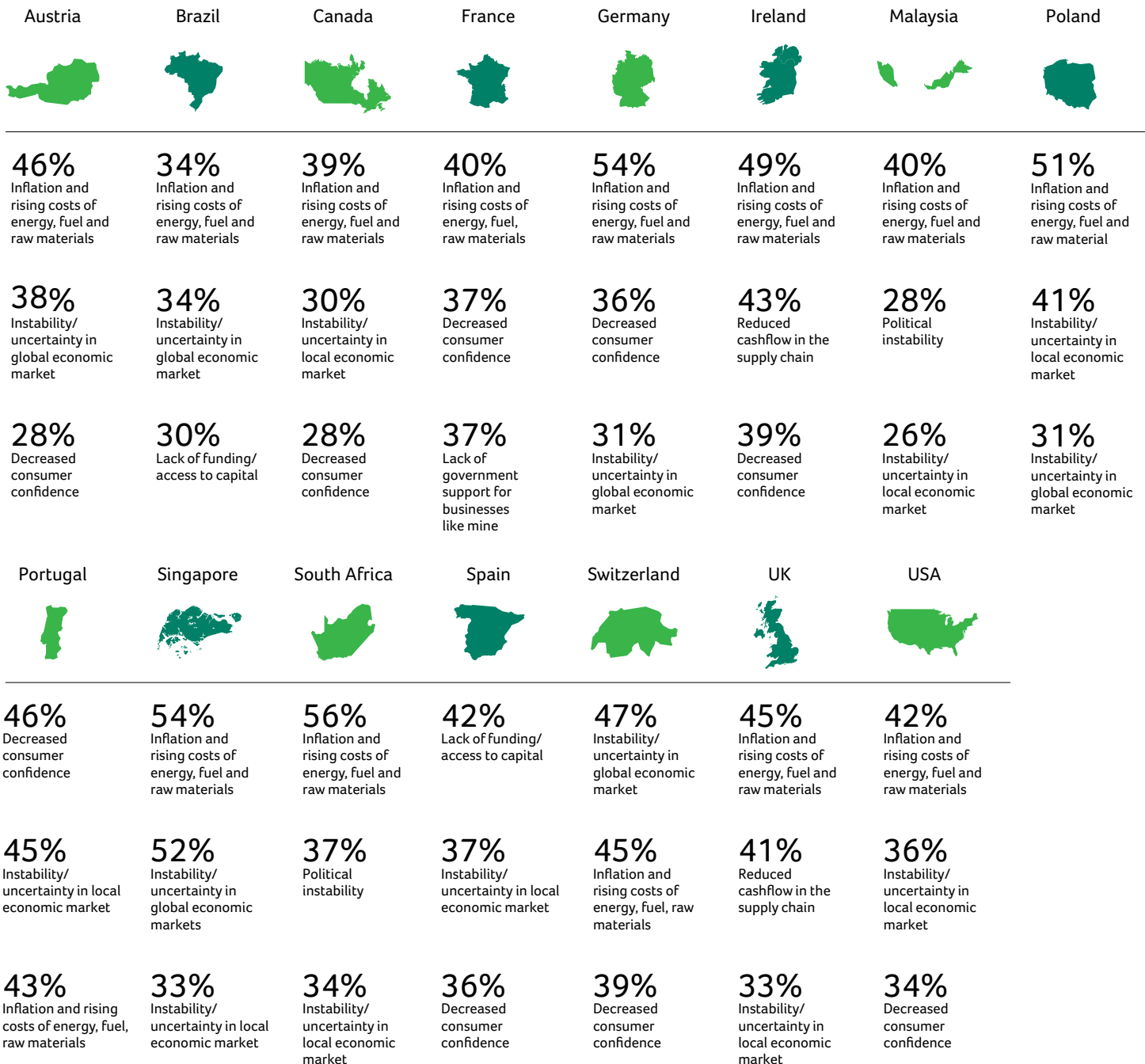
Thinking about the **next six months** what are your top three concerns in relation to what is affecting your business confidence?





Business challenges

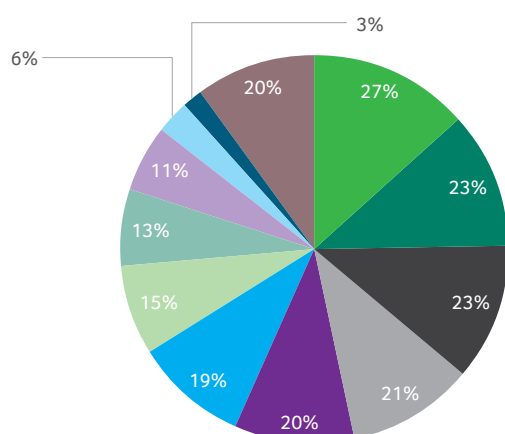
Top three concerns for the next six months by country:



Business plans for the next year

Looking forward to the next year, the majority of businesses said that they were planning for growth. Priorities included diversifying into new markets, investing in marketing, advertising and PR, launching new products or services, and increasing efficiency through investment in technology.

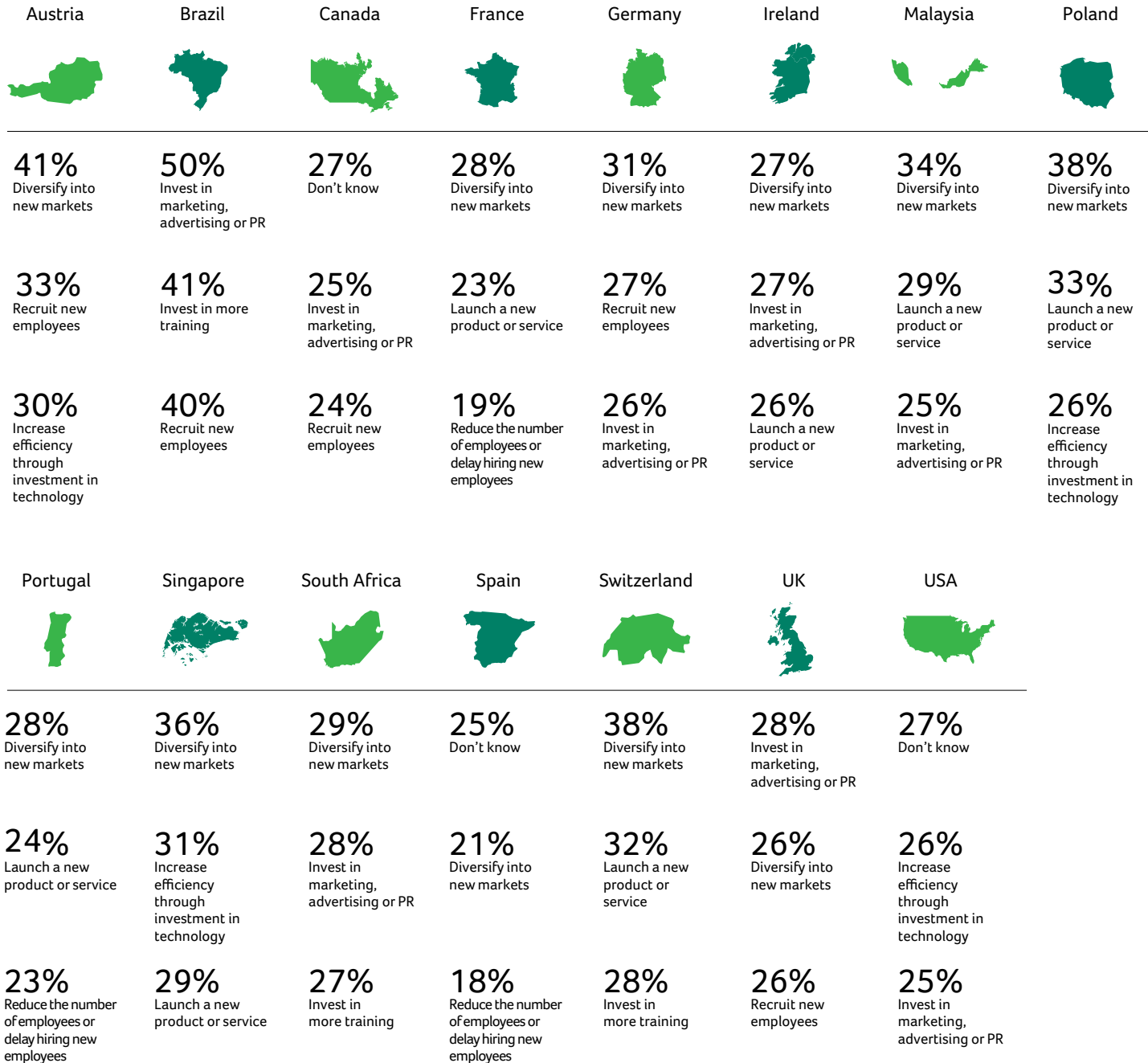
Which of the following do you plan to do in the next year?



- Diversify into new markets
- Invest in marketing, advertising or PR
- Launch a new product or service
- Increase efficiency through investment in technology
- Recruit new employees
- Invest in more training
- Reduce the number of employees or delay hiring new employees
- Raise funding/capital
- Expand the business into new export markets
- Close or sell the business
- Other
- Don't know

- Recruiting employees factored into the UK's top three plans with 26% planning to do so, similar in Germany (27%), Austria (33%) and Brazil (40%)
- The US (26%), Singapore (31%) and Austria (30%) are looking to increase efficiency through investment in technology
- Brazil (41%), Switzerland (28%) and South Africa (27%) selected more investment in training as one of their top three plans
- Only 6% of businesses said they were likely to close or sell their business and 15% said they would look to reduce employee numbers (this was highest in Portugal with 23% and Ireland with 20%)
- Three countries – Canada (27%), US (27%) and Spain (25%) all had 'don't know' as their top response.

Top three plans per country:



Survey methodology

Populus provided online interviews with 10,861 decision makers in businesses in the USA, Canada, Germany, Austria, Switzerland, France, UK, Ireland, Spain, Portugal, Poland, South Africa, Malaysia, Singapore and Brazil. The businesses were drawn from two sources:

- 7,958 respondents were drawn from Sage’s local customer databases across the UK, Ireland, USA, Canada, Germany, France, Spain, Portugal, 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.
- 2,903 respondents were drawn from a dedicated online panel of business people, which has 2.4 million members worldwide. 200-250 interviews were conducted in all markets apart from 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.

Note: In September 2011 and March 2012 we combined responses from Malaysia and Singapore due to the smaller sample sizes. In this fourth Sage Business Index, the number of responses we received meant that we were able to represent them separately.

Brazil, Ireland, Portugal, Poland and Switzerland are all new entrants into the September 2012 Sage Business Index.

*Index methodology

We have applied 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 one 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 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)”

About Sage

The Sage Group plc is a leading global provider of business management software to small and medium sized companies, creating greater freedom for them to succeed. Sage understands how and why each business is unique. We provide products and services that suit varying needs, are a pleasure to use and are secure and efficient. Formed in 1981, Sage was floated on the

London Stock Exchange in 1989. Sage has over six million customers and more than 13,600 employees in 24 countries covering the UK & Ireland, mainland Europe, North America, South Africa, Australia, Asia and Brazil. For further information please visit www.sage.com



About Populus

Populus is an opinion research and consultancy firm that specialises in understanding the views of the general public, customers, businesses and key stakeholders. Best known for its social and political research as pollsters to media organisations such as The Times, the BBC and ITV News, it conducts large, regular, research programmes for a wide variety of clients, such as large multinational companies in retailing, food manufacturing, pharmaceutical, financial services and communications sectors, to public institutions, membership organisations and NGOs.

Populus has significant experience in:

- one-to-one depth interviews with senior decision-makers and stakeholders (e.g. Members of Parliament, senior business executives, investors and analysts, specialist journalists, government advisers and civil servants, members of EU institutions, and leaders of NGOs and trade associations)
- constructing bespoke online panels for clients wishing to engage with their stakeholders, memberships, or consumers on a continuing basis
- employing call-centre based or access panel research both nationally and internationally for polling Business to Business groups, the general population and specific sub-samples of the public
- organising focus groups – including among hard-to-reach groups – to gain greater understanding of what drives opinion and motivates key audiences or to test messaging concepts and to use stimulus material.



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