



# Quarterly Pulse Survey Findings

August 2023

# Summary of findings

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The Entrepreneur's Forum Quarterly Members Pulse Survey has highlighted that, despite key economic challenges, including inflation and rising interest rates, most members remain optimistic about their business's prospects for the coming 12 months.

100 entrepreneurs responded and 77% reported feeling optimistic or very optimistic which is consistent with the findings of our previous survey.

It is reassuring to hear that 80% of respondents expect to grow the turnover of their business in the coming 12 months, with 30% expecting revenue growth in excess of 20%. This is good news for the region especially as 60% of business owners surveyed stated they intend to increase their headcount to support their growth ambitions in the coming year.

Overall, 100 members of the Entrepreneurs' Forum took part in this survey which ran from the 7th to the 23rd of August and was conducted by Explain Market Research. Forum members are business owners, based in the north east of England, who have been trading for at least 2 years and turnover at least £250,000.

## Key points:

- ▶ Optimism levels remain high with 77% reporting feeling either optimistic or very optimistic about their business prospects in the coming 12 months.
- ▶ Revenue growth is expected to come primarily from existing markets (83%) and by the introduction of new products or services (59%).
- ▶ Recruitment is a priority with 60% of businesses reporting plans to increase headcount in the next 12 months, including 22% who are planning to grow staff numbers by more than 20%.
- ▶ 17% of members are considering acquisition to grow their businesses, whilst 18% are looking at international expansion.
- ▶ The biggest challenge remains building a great team to support growth ambitions. Over half of entrepreneurs said they found managing people to be a barrier to growth.
- ▶ Founders are in no rush to exit their businesses with only 8% looking for an exit within 3 years. Over half have no plans at all to exit.



# Business Confidence

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Entrepreneurs have confidence in their own abilities, products and services to navigate through the challenges faced by economic pressures such as higher interest rates.

Overall, our members remain optimistic about their business prospects for the upcoming year, with 77% feeling either optimistic or very optimistic. Only 5% of members are feeling pessimistic about their business's prospects, with no members stating they feel very pessimistic. These findings mirror those reported 6 months ago, albeit a 5% positive shift of those previously reporting feeling optimistic upgrading to very optimistic in this survey. There has been no change in the 18% neither optimistic nor pessimistic.



## Causes for optimism

Members who stated that they are feeling optimistic or very optimistic about their business's prospects, are feeling this way as they are experiencing an increased demand for their services, as well as anticipating greater investment and new client opportunities for the year ahead.

**“Demand for services has increased and there’s a visible pipeline of work for the next 12 months.”**

**“Our strategy as a group is being refined and we are building our central infrastructure in readiness for accelerated growth. Whilst the economy remains uncertain, the needs within our sector continues to grow and drive the business forward.”**



# Business Confidence cont.

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**“We have some really exciting investment opportunities this will give us operational space. We have a large customer base and are hoping to be able to develop our productivity.”**

**“We have a number of new contracts commencing and further framework opportunities in the pipeline.”**

**“We've spent a lot of time and effort putting a really strong management team together who are very capable.”**

**“Business is healthy and we have made changes to streamline processes so they are more efficient.”**

## Reasons for caution

The 18% of members who are feeling neither optimistic nor pessimistic, stated that they are feeling this way as the economy is simply too uncertain to forecast ahead for the year. Other members here stated that this was also due to increased costs, either from increased overheads and higher interest rates.

**“Very difficult to forecast if our core markets will recover and our diversification strategies are too early stage to be able to confidently predict their success.”**

**“Plenty new leads coming in but overheads are continually increasing.”**

**“High interest rate. Increased cost of material and labour, plus massive increased cost of energy.”**

**“This has been a tough year, and our market is sensitive to economic uncertainty.”**

**“There are some clear indications of a slowdown in business among some of our clients while many are reporting challenges around energy cost increases. That is having a knock-on effect on us on some products, though other new products show much promise.”**

For the five members who are feeling pessimistic about their business's prospects, high interest rates and declining consumer demand is leading to increased uncertainty for the year ahead.

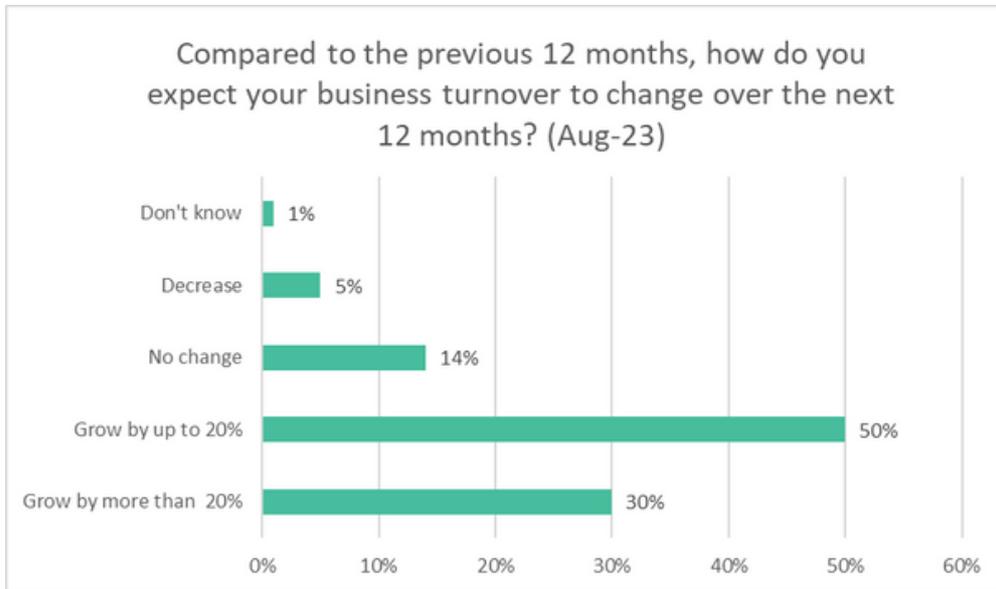
**“Inflation is dropping but so is consumer demand and interest rates are unlikely to drop while wage demands continue. Implication is a recession. Investor activity also poor especially in the North East and Tees Valley.”**

**“This has been our toughest trading period and I have no idea if/when things will get better.”**

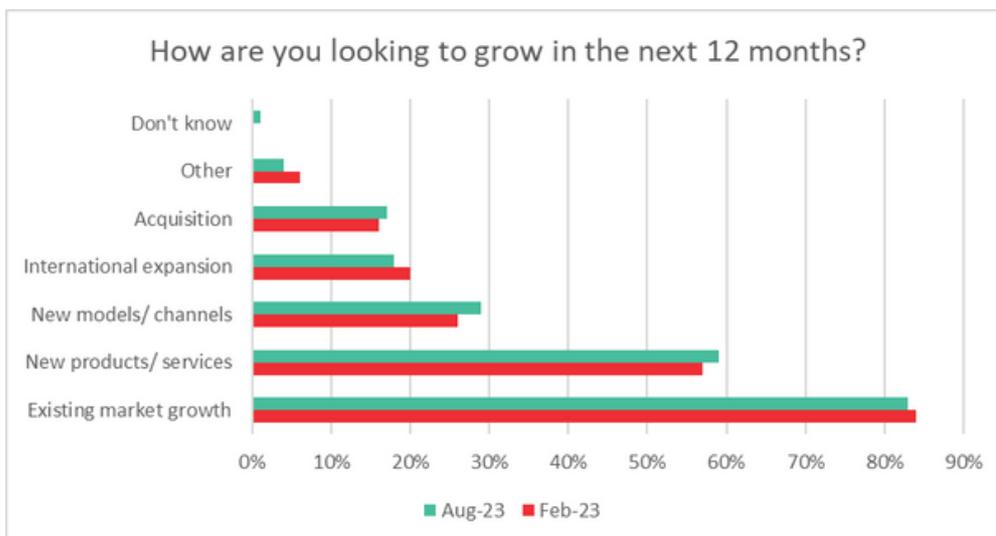


# Growth

We asked members about their turnover expectation for the coming 12 months and 80% told us they are anticipating an increase. This is consistent with the 77% response rate for business confidence.



We also asked how they expected to achieve their growth plans and found that the majority are planning on winning market share. Interestingly, the appetite for acquisition and international expansion remains strong with approximately 1/5 of our members considering these are growth paths in the coming year.



# Barriers to Growth

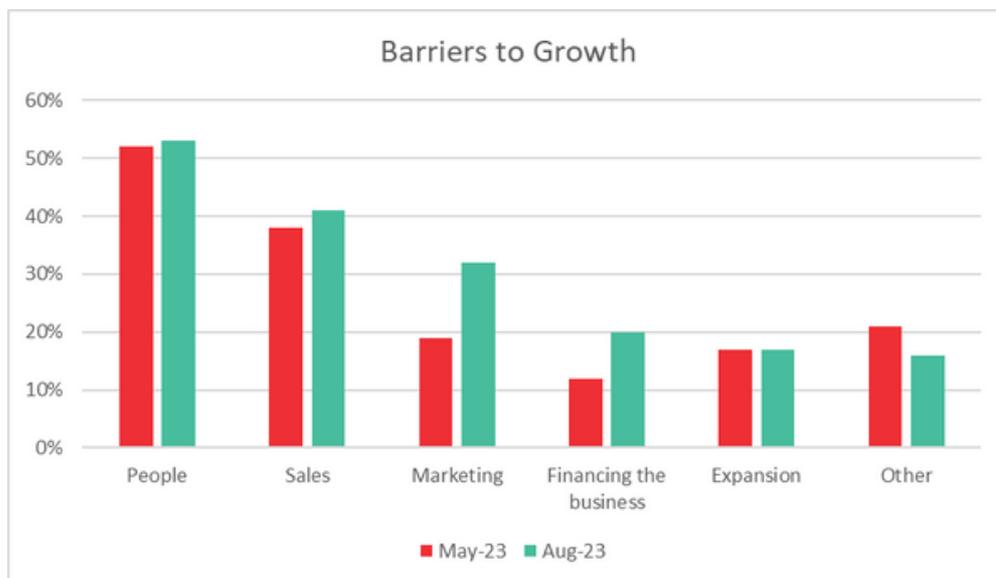
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We asked members to tell us what the biggest challenges are that they are currently facing in their businesses. Not surprisingly people comes top and we explore this in more detail below.

It is interesting to see the increase in members reporting challenges with marketing and financing the business, compared to the last quarter.

Marketing concerns may be an early warning sign that sales may not hit forecasts. Digging deeper, we found that whilst only 15% of members are finding it hard to identify new clients, nearly a quarter are experiencing difficulties converting leads into sales.

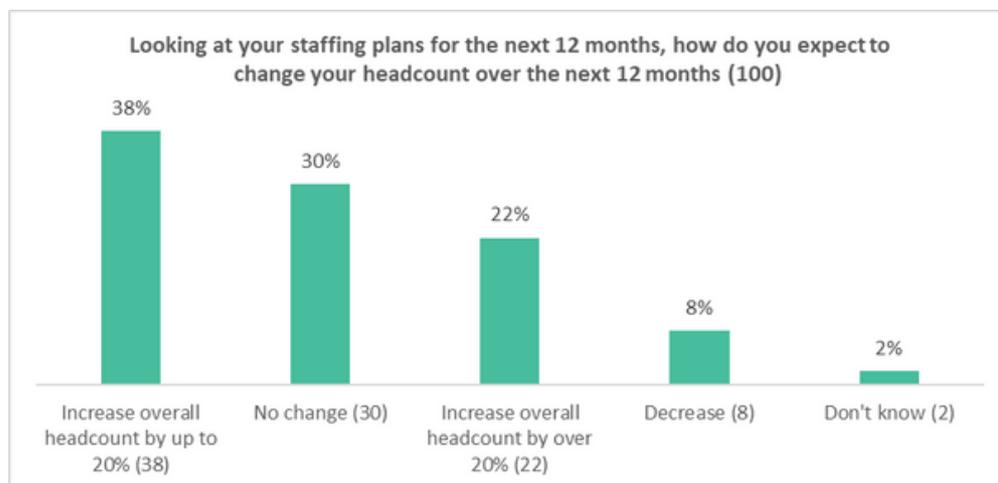
Cash concerns have increased this quarter with 20% saying financing the business is hard. This represents a significant increase from the previous quarter and may indicate the pressures on working capital of rising interest rates, higher input costs including wage bills. Raising external finance remains difficult but critical to fuel the scaling plans for high growth SMEs.



# People

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Job creation is anticipated from our members, with 60% saying they have plans to recruit in the next 12 months. 22% of those surveyed plan to expand their team by more than 20%.



Building a great team remains one of the biggest opportunities and challenges for entrepreneurs. Not surprisingly, over half (53%) of those surveyed said that people is one of their biggest challenges and we dug deeper to find out why.

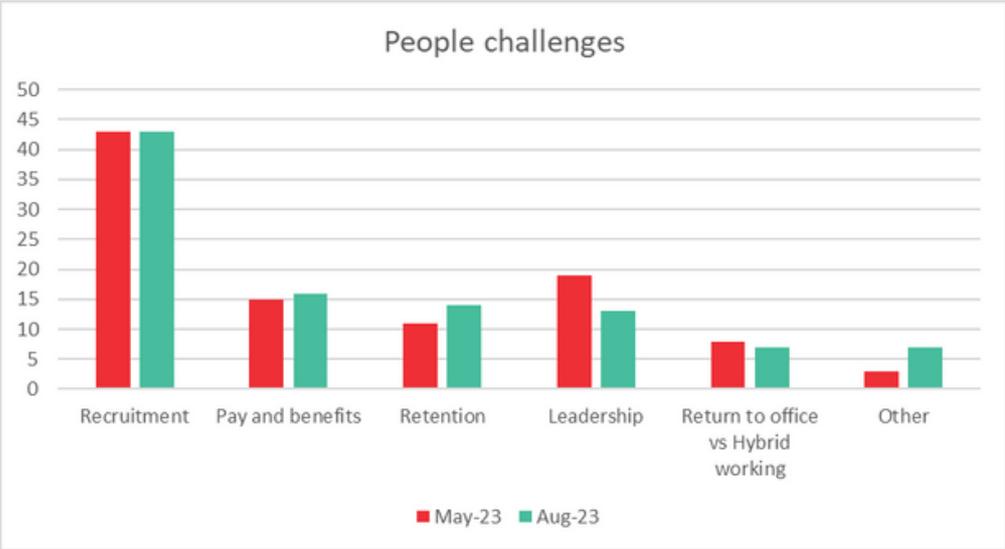
There are two key factors at play. The biggest concern is how to get the staff into the business in the first place with nearly 39% raising concerns about their ability to recruit.

Retaining staff once you have recruited them is also challenging with 14% reporting difficulties. This may be related to remuneration as pay rates and pressures of increased cost of living are affecting 14% of those surveyed.

We are pleased to see that concerns relating to hybrid working vs return to the office are not high on the agenda of entrepreneurs. Only 7% have raised concerns about this and this figure has decreased in every survey we have conducted since 2022.

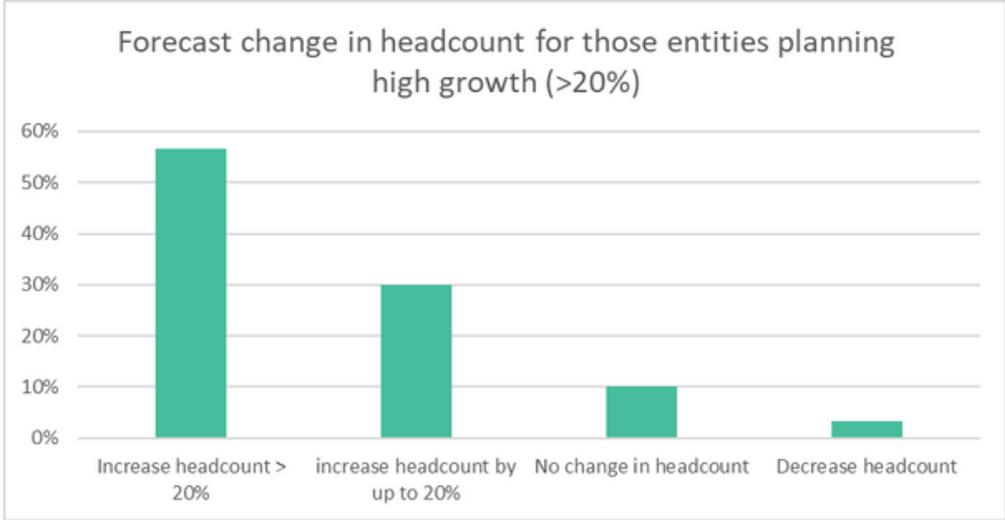


# People cont.



## Reasons for caution

We compared founders plans to increase staff numbers with their plans to grow turnover and found that while the majority of those planning high turnover growth also expect to recruit in high numbers, this was not always the case.



# Sales

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For those members who are experiencing sales challenges, converting leads into sales remains their greatest challenge. This has increased from 32% in May to 41% in August 2023. Identifying new customers is also a key challenge here, which has remained fairly consistent from when members were last surveyed.

Rising sales prices is a challenge which fewer members are now experiencing with this figure falling from 19% in May to 12% in August.



# Exit plans

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Overall, just over half of members have no exit plans for their main entrepreneurial business which remains fairly consistent from the last pulse survey. As well as this, there is a slight trend in members being less likely to exit their main entrepreneurial business in either the next 1-3 years, or in over three years, compared to when members were last asked this in May 2023. Other responses here, included exit plans in the longer term, specifically in 5 or 10 years.





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