A Framework for Benchmarking Small Business Consumers’ need for & use of Legal Services

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A REPORT TO THE LEGAL SERVICES BOARD

May 2012

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This report sets out a framework for benchmarking small business consumers’ need for and use of legal services. The framework will contribute to the Legal Services Board’s broad objective of establishing a basis for monitoring the impact of reform on the accessibility of, and confidence in, legal services. Our recommendations are framed by the OXERA segmentation model of the legal services sector (OXERA 2011), to facilitate the identification of remaining information gaps.

Basic Approach: A Tradition of Surveys
While we discuss a variety of approaches to assessing the accessibility of legal services, the framework we set out in this report is grounded in the tradition of ‘legal need’ surveys that originated in the United States’ recession of the 1930s. Over the years such surveys have been set within an increasingly sophisticated understanding of the need for legal services (Pleasence et al. 2001), although the concept of legal need remains contested. The most recent surveys are commonly centred upon the identification of, and investigation of responses to, ‘justiciable’ issues. These are defined by Genn (1999, p.12) as matters that raise legal issues, “whether or not [they are] recognised as being legal and whether or not any action taken ... involve[s] the use of any part of the ... justice system.”

The first legal need surveys, conducted in New Haven and Hartford, Connecticut, explored the need for and use of legal services by both the ‘resident public’ and ‘business public’ (Clark and Corstvet 1938). The surveys gave a first empirical insight into the extent to which people and businesses experienced legal matters, and were reported to have indicated the “failure of the lawyer to meet the social needs which justify the existence of [the] profession” (p.1275). Residents were found to have experienced an average of 0.76 legal matters during the preceding year, of which 35% led to outside advice being obtained (generally from attorneys). Businesses were found to have experienced many more matters, at an average of 3.97 per business, but obtained outside advice in relation to a lesser proportion (18%).

In the decades immediately following these first legal need surveys relatively few empirical studies were undertaken. However, interest grew in the 1960s and 1970s, stimulated by President Johnson’s ‘War on Poverty’. Since
then, such surveys have been undertaken in an increasing number of jurisdictions. In the past two decades, national legal need surveys have been undertaken in Australia, Bulgaria, Canada, China, England and Wales, Hong Kong, Japan, Netherlands, New Zealand, Northern Ireland, Scotland, Slovakia, Taiwan, Russia, Ukraine and the United States.¹ A number of regional surveys have also been taken, including, for example, in at least 16 of the 50 US states. However, in almost all instances these national and regional surveys have been concerned with the experience of individual citizens. Three ‘legal need’ tradition surveys have focused on the experience of businesses; one in Hong Kong in 2006 (Asia Consulting Group and Policy 21 2008) and two in the Netherlands in 2007 (Croes and Maas 2009, Croes 2012).² To these can also be added a recent survey to the Australian Department of Innovation, Industry, Science and Research (Orima Research 2010) and a scoping survey conducted commissioned by the Legal Services Board (AIA Research 2010).

Structure of this Report
The remainder of this report sets out the detail and the thinking behind our proposed approach to benchmarking small business consumers’ need for and use of legal services.

We begin by reviewing the options for defining and segmenting small businesses. We then explore the various types of justiciable issue that businesses face, set out how such issues relate to business phases and growth, and detail the findings of previous research into their incidence. Following this, we describe the range of legal and related services that are available and detail research findings concerning the use of such services by small businesses when responding to justiciable issues and problems. Finally, we set out the details and justification for our proposed approach to benchmarking small business consumers’ need for and use of legal services, and conclude with a summary and recommendations.

There are also two appendices to this report. The first two contain model survey questionnaires, one in short-form (tailored towards piloting or online delivery), and one in long-form (tailored towards face-to-face delivery and providing a resource from which sets and modules of questions can be drawn in future benchmarking exercises).

² Two surveys were conducted in the Netherlands. The first involved a relatively broad range of problems, while the second focused on “serious problems that could have led to legal proceedings or actually did.”
2

Defining Small Businesses

The most recent estimate of the total number of private sector businesses in the United Kingdom is 4.5 million, of which 3.9 million are in England (Department for Business, Innovation and Skills 2011). However, these figures hide an enormous diversity of business activity, form and size. Focusing on size, while 42% of employment is within enterprises employing 250 or more employees, 74% of all enterprises have no employees (Department for Business, Innovation and Skills 2011).

Within the context of this report, a particular concern is to provide a methodology to ascertain how those businesses that are least able to draw on significant internal resources, capacity or experience respond to the justiciable issues they face. Accordingly, the report is centred on smaller businesses, which generally have less scope to purchase specialist services, a narrower range of internally available competencies and skills, and fewer prior encounters with justiciable issues upon which to construct protocols than their larger counterparts (Asia Consulting Group and Policy 21 2008).

In setting out a methodology to reveal smaller businesses’ experiences of justiciable issues, and to benchmark their need for and use of legal services, it is necessary to first define precisely which businesses the methodology is directed towards. As is made evident elsewhere in this report, different considerations apply to studies of differently sized businesses.

In this section, we therefore outline the different definitions that have been used to identify and classify small and medium-sized enterprises (SMEs). We set out the evolution of definitions within the UK and EU context, and highlight those that are now used in the collation of statistics by key government agencies, and are most widely recognised by stakeholders. We then recommend a definition to frame the Legal Services Board’s benchmarking of business customers’ need for and use of legal services. This definition guides the methodological approach set out in the remainder of the report. Crucially, the definition is both operational and meaningful to stakeholders.

Defining Small Businesses
There is no single definition of a small business or SME, with definitions varying between different organisations that collect data on businesses, whether they are private sector organisations, government agencies,
or transnational bodies, such as the European Union (EU). Different private sector organisations and trade bodies can define their SME client markets based on criteria that meet their own requirements, while the statistical definitions and collation of data on SMEs for different statistical agencies in different countries, often reflect the different sectoral composition and structures of particular economies and the requirements of individual states.

For example, in economies with very large firms, such as the US, SMEs are defined to include much larger businesses than in economies with smaller firms. So, US government agencies generally define an SME (or ‘small business concern’) as having up to 500 employees, and in some segments of the manufacturing sector the US Small Business Administration includes businesses with up to 1500 employees in its small business concern definition.\(^3\) In contrast, in Hong Kong - an economy of smaller firms - manufacturing SMEs are defined as businesses having fewer than 100 employees, and other SMEs as having fewer than 50 employees (Greene & Mole 2006). Similarly, SMEs have been defined in the Netherlands as having fewer than 100 employees and a turnover of less than €23million (e.g. Roth 2011). Thus, the Hong Kong Survey of the Demand for Legal and Related Services by SMEs included manufacturing businesses with fewer than 100 employees and other businesses with fewer than 50 employees (Asia Consulting Group and Policy 21 2008), while the Dutch legal need surveys defined SMEs as businesses with fewer than 100 employees (Croes and Maas 2009).

In the UK, the earliest SME definition widely recognised by policy-makers and academics emerged from the Bolton Report (1971), which was the first detailed study into the structure of the British SME sector. The Bolton Report suggested that qualitative and quantitative measures could be used to examine and define the British SME sector. Three qualitative characteristics were proposed to define small businesses:

- The business is independent and not a subsidiary of a larger organisation
- The management style is personalised, simple and less hierarchical
- The business has a relatively small share of the market

The argument behind the use of qualitative criteria is that they reflect some of the key, non-quantitative characteristics of SMEs, which differentiate them from larger firms. These characteristics also highlight the uncertainty that smaller firms face, having a smaller customer base, limited access to resources, and the personal manner in which such businesses are managed by the owner (Greene and Mole 2006).

The Bolton Committee also suggested a quantitative definition to capture measureable aspects of small business characteristics, a definition that was

\(^3\) http://www.sba.gov/content/what-sbas-definition-small-business-concern
initially segmented based on sector, as with the Hong Kong example presented earlier (Table 2.1).

**Table 2.1. Bolton Report: Quantitative definitions of SMEs**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>Up to 200 employees</td>
</tr>
<tr>
<td>Construction</td>
<td>Up to 25 employees</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>Up to 25 employees</td>
</tr>
<tr>
<td>Wholesale Trades</td>
<td>Up to £200,000 turnover</td>
</tr>
<tr>
<td>Motor Trades</td>
<td>Up to £100,000 turnover</td>
</tr>
<tr>
<td>Retailing</td>
<td>Up to £50,000 turnover</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>Up to £50,000 turnover</td>
</tr>
<tr>
<td>Road Transport</td>
<td>Up to 5 vehicles</td>
</tr>
<tr>
<td>Catering</td>
<td>All excluding multiples and brewery-managed houses</td>
</tr>
</tbody>
</table>

Another milestone came in 1996, when the EU introduced a working definition of SMEs, subsequently updated in 2003 (with effect from 2005). The EU definition separates the SME sector into three specific categories, differing by employee head-count, turnover and balance sheet value (European Commission 2005). The firms must also be independent (non-subsidiaries) where no single shareholder controls more than 25% of the shares (Table 2.2).

The EU has not enforced the adoption of its SME definition by member states (European Commission 2005). The effect has been the partial acceptance of the definition across EU states. Still, businesses which seek financial support or participation in EU SME programmes must match up to the definition, and thus have fewer than 250 employees and fall within either the balance sheet or turnover thresholds.

**Table 2.2. European Union SME definition and segmentation**

<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>Employment</th>
<th>Turnover</th>
<th>Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>&lt;10</td>
<td>Up to €2m</td>
<td>Up to €2m</td>
</tr>
<tr>
<td>Small</td>
<td>&lt;50</td>
<td>Up to €10m</td>
<td>Up to €10m</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>&lt;250</td>
<td>Up to €50m</td>
<td>Up to €43m</td>
</tr>
</tbody>
</table>

Moving to the present day, the Department for Business Innovation and Skills (BIS) acknowledges that there are many definitions used to define and segment the UK SME sector. However, the most broadly recognised definition and segmentation, and the one used by BIS in its business research, follows the employment size banding of the EU definition (Greene and Mole 2006) (Table 2.3).
In addition to the definition used by BIS in its business research, there is a more detailed government SME definition based on sections 382 and 465 of the Companies Act 2006, as amended by The Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008 (Table 2.4). This definition concerns accounting requirements, and under it a small business is taken to have a turnover of up to £6.5 million, a balance sheet total of no more than £3.26 million and up to 50 employees. A medium-sized company has a turnover of up to £25.9 million, a balance sheet total of not more than £12.9 million and up to 250 employees.

**Table 2.4 SME definition under the Companies Act 2006**

<table>
<thead>
<tr>
<th>Enterprise Category</th>
<th>Employment</th>
<th>Turnover</th>
<th>Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>Up to 50</td>
<td>Up to £6.5m</td>
<td>Up to £3.26m</td>
</tr>
<tr>
<td>Medium</td>
<td>Up to 250</td>
<td>Up to £25.9m</td>
<td>Up to £12.9m</td>
</tr>
</tbody>
</table>

The Companies Act definition varies from the simpler BIS definition and the EU definition, in that it does not incorporate a separate ‘micro’ segment and, also, is technically concerned only with companies.

As indicated at the outset of this section, there are also various other definitions that are used for defining small businesses, such as that set out in the 2008 British Bankers Association Business Banking Code, though these have less recognition than the main governmental definitions.

**Adopting a Definition**

Given the very great differences in the profile of businesses in different jurisdictions, it is recommended that the Legal Services Board looks to United Kingdom small business definitions, rather than adopt one from overseas. The Hong Kong and Dutch surveys of the experience of justiciable problems adopted nationally recognised standard business classifications. It is recommended that the Legal Services Board do the same in this jurisdiction.

Owing to their relatively simple application, widespread recognition and common adoption in studies of SMEs (e.g. IFF Research 2011, British Chambers of Commerce 2011), we recommend that the EU consistent employment criteria-based definition adopted by BIS, along with its ‘micro’ (0-9 employees), ‘small’ (10-49 employees) and ‘medium’ (50-249 employees) segmentation, should frame the Legal Services Board’s benchmarking initiative. This would be an enterprise, rather than an establishment, based definition, to capture the
activities of a business unit as a whole, and not just at a branch, plant or subsidiary level. In exploring legal risk management and problem resolution strategies, it is likely that there will be significant correlation between different sections of single enterprises, with key decisions often being centralised. Nevertheless, as we detail in Section 5, it is important that benchmarking data collected from businesses are collected from appropriate sources, and these may extend downwards within businesses.

Single-person businesses, often referred to as self-employment, are included within the above definition. Although single-person businesses can also involve part-time, or intermittent activities, they make up a significant proportion of all enterprises and are likely to be among the least sophisticated in their understanding of the legal and regulatory framework within which the operate, as well the least able to independently deal with adverse justiciable issues. It is, therefore, recommended that data be collected to allow single-person businesses to be distinguished from other micro businesses within any sample of businesses.

It is also recommended that data be collected to allow distinction between businesses on the basis of turnover and balance sheet value. This will enable reporting to be undertaken using the EU definition, for more wide ranging comparability, and provide a more nuanced approach to distinguishing between types of business within future benchmarking exercises.

Finally, we recommend that the Legal Services Board first attend to the benchmarking of micro, and then small, businesses, as defined. There are two main reasons for this. First, as suggested above, it is the smallest businesses that are likely to face most difficulty in recognising the justiciable issues they face as justiciable, and in accessing legal services when needed. Second, as is detailed in Section 5, additional methodological challenges attach to the collection of comprehensive data from larger organisations. In short, as businesses become larger, there is less scope for collecting data through a single point of contact. Experience and knowledge become diffuse. Responsibilities narrow.

In summary, in relation to defining small businesses, the following is proposed.

- The employment criteria of the current EU/BIS definitions are used as the basis for defining and segmenting businesses for benchmarking.
- Definitions/segmentations should apply to businesses as a whole, not branches, plants or subsidiaries.
- Single-person businesses are included in the definition, with data collected to enable their identification.
- Data are collected on business turnover and balance sheet values, to enable analysis/reporting using EU definitions.
We live in a ‘law thick’ world (Hadfield 2010), in which the structure, relationships and activities of small businesses are set against a complex and extensive backdrop of law. This entails that many of the day-to-day and transformational issues and problems that small businesses face have a legal dimension. They are justiciable.

In this section, we set out a framework for understanding the justiciable issues that businesses face, illustrate the range of such issues, and set out findings from previous studies of the small business experience of justiciable problems.

A framework for Understanding the Issues that Businesses Face

There is an extensive literature concerned with describing and predicting the issues and problems that businesses face. As Phelps et al.’s (2007) review of the conceptualisation of the critical issues faced by growing organisations makes evident, much of this literature has conceived of organisations as analogous to organisms, which exist through a series of definable life stages, each of which involve “a predictable series of organizational crises” (Lippitt and Schmidt (1967, p.102). As Phelps et al. (2007, p.4) observe, this life cycle approach is “alluring” as it “simplif[ies] a myriad of facts associated with transformational change and reduce[s] the complex to a uniform, appealing, predictable and deterministic pattern.” In the context of justiciable issues, it also resonates with the association of distinct sets of problems with different life stages (Pleasence 2006). As ‘participation theory’ suggests, exposure to issues varies with form and level of participation in social and economic life (Van Velthoven and Ter Voert 2005). Thus, young people most often encounter problems with education, the police, rented housing and homelessness. As people become older, then problems with employment, debt and family violence come more to the fore. Next come problems involving family breakdown and children, and all the while problems linked to consumer activity increase. But, as retirement dawns, problem situations generally start to diminish, alongside decreasing complex social and economic interactions.

However, as Phelps et al. go on to describe, “there is a wide variety of transitional paths open to organisations” (p.5), including regression to previous
Consequently, as Levie and Hay (1998, p.25) concluded in their earlier review, the "organismic paradigm" is largely at odds with "disconfirming empirical evidence." The life cycle metaphor is therefore not necessarily useful to SME research (Orser et al. 2000).

That is not to say that particular types of change in the structure, relationships or activities of businesses are not associated with particular issues and problems, or that, more generally, a participation theory based analysis of issues and problems is inappropriate. Rather, it is to suggest that a situational rather than an organismic framework is more apt to business classification. In terms of growth, a focus on what Phelps et al. (borrowing Gladwell’s (2000) terminology) described as “tipping points … [that] must be successfully addressed if growth is to continue … make[s] no assumptions of linearity, predictability or sequence” (p.13).

So, the justiciable issues and problems that small businesses face might be expected to link more to their structure, activities, transitions and proximity to tipping points than their age, origins or ultimate destiny.

**Small Business and Justiciable Issues**

*Formation and Normal Operations*

Even before businesses form, complex legal issues can be involved in decisions around such things as business structure, ownership and funding. Formation itself is wrapped up with legal reporting requirements, and brings with it a host of legal responsibilities. And then, beyond that, once businesses commence trading, almost all aspects of their operation will involve justiciable issues which could give rise to justiciable problems.

At the heart of business, the provision and procurement of goods and services involves contracts that give rise to legal rights and obligations. Businesses also often sell goods or services through trade credit, but are often negatively affected by late payment from customers (Chittenden and Bragg 1997, Peel et al. 2000). This can often have knock-on effects on cash-flow, affecting the payment of affected businesses to suppliers. Larger, more resourced firms are dominant in business relationships and can delay payments, although business credit is important, as its extension to customers can help capture market share and improve customer retention (Chittenden and Bragg 1997). Wherever goods or services are procured or provided, the potential for negligence also exists, which links to justiciable issues around insurance, from legal risk-management (e.g. professional indemnity insurance, legal expenses insurance) to disputes around insurance claims.

Goods and services must also be produced and provided in accordance with often complex and wide-ranging regulations, whether set out in legislation or by regulating authorities (such as the Financial Services Authority).

Also associated with goods and services, justiciable issues may arise in relation to the protection of intellectual property, including brand names,
copyright and patents. There is also the possibility of infringement upon the property rights of others.

If businesses are not run from home, then justiciable issues accompany the purchase, lease (and leasing out of) and maintenance of business premises. Premises also generate health and safety issues relating to the working environment, with all workplaces requiring a risk assessment (Schmidt et al. 2007). There are also legal issues associated with visitors entering business premises, as there are with the sounds, odours and waste products that emanate from them.

In addition, as with individuals, businesses are potentially at risk of crime victimisation, from within and outside the business. As a small-scale survey of trade bodies conducted to inform this report indicated, crime victimisation is likely to be a very low level risk in many sectors. However, for some, such as retail, crime may be an everyday concern.

_Growth: Increasing Innovation, Organisational Complexity and Justiciable Issues_

Most SMEs do not seek growth, contrary to debates and promotions by governments and other stakeholders (Storey 2011; Scase and Goffee 1980). However, for businesses that grow, both the increased likelihood of reaching tipping points and participation theory suggest that an increase in exposure to justiciable issues and problems will follow.

The simple fact of growth can bring with it new forms of legal responsibility. For example, as businesses increase their turnover they become subject to government regulations around value added tax (VAT).

More significantly, when businesses first take on employees (and, to a lesser extent, when they increase the number of people they employ), this brings with it a legion of justiciable issues concerning employment contracts, employee rights, health and safety, insurance and taxation. Growth will also often require the obtaining or extension of business premises, which are inherently law related activities.

Also, it is common for businesses to seek growth through the expansion of geographical markets (Blackburn et al 2008), and where this involves overseas trading the legal environment of overseas markets can have an effect on exporting activities (Lu and Beamish 2001). For example, businesses have to cope with differences in what constitutes lawful practice in different

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4 A short online survey was conducted with a small purposive sample of trade associations to investigate which legal issues were of most concern to members, which were most and least commonly faced, and what types of legal services were provided/most appropriate for members facing problems. Thirty-three trade bodies, across 15 sectors, were invited to participate in the survey. Ten trade bodies, across 7 sectors, responded (30%), of whom 8 (24%) provided a full response. The organisations that provided a full response had memberships ranging from under 100 to 20,000 members, with between 10% and 90% being small businesses. The organisations estimated that they covered between 20% and 80% of businesses in their respective sectors.
jurisdictions (Neupert et al. 2006). And always, import and export raises excise and other tax issues.

Small business research has often drawn attention to the role of service and product innovation in growth, through increasing competitiveness and profitability as well as facilitating exporting (Higón and Driffield 2011, Porter, 1985; Eisenhardt and Tabrizi, 1995). However, maintaining and protecting niche products and services involves an array of legal issues. As indicated earlier, products and services may require patenting, trade marking, copyrighting and other formalisation of intellectual property rights (Hall et al. 2003). The more that businesses utilise intellectual property, the more they are open to disputes concerning the property rights of others. Complex intellectual property issues can also arise when businesses collaborate. This has particular relevance in the case of small businesses, which may have a particular need to liaise with other organisations in seeking to grow (McAdam and Marlow 2007).

Growth may also be sought through marketing, which is again associated with various types of justiciable issue, from data protection to advertising standards.

Finally, growth will sometimes act as a trigger for change in business structure or ownership. While this could involve anything from incorporation to an expansion of the ownership base though investment, all such change will raise legal issues.

Sale, Contraction and Termination
Small firms, which are innovative and high-growth are often purchased by larger firms to access products and technology and to substitute for the acquirers’ lack of ‘intrapreneurship’ (Cosh and Hughes 1994; Foreman-Peck and Nicholls 2008). The sale of such businesses inevitably involves (often complex) contractual arrangements, relating to issues such as ownership of assets, future involvement of original owners, the division of future profits and competition (e.g. Bruce and Picard 2006). The sale of businesses also raises tax related issues, all of which have a legal dimension.

Aside from the sale of growing businesses, all businesses will be passed on by their owners, or cease to exist at some stage, and again this inevitably involves legal issues (SBS 2004; Martin 2005). More traditional businesses, particularly family businesses, often face a more complex succession process, if passing a large share of the business to other family members. Legal issues can often be complicated by the conflation of family and business relationships (Lee et al. 2003).

In the event of business failure, bankruptcy and liquidation clearly have a heavy legal dimension. However, more generally, as businesses contract (or restructure), they can encounter a range of justiciable issues around, for example, debt (including insolvency), employment (e.g. redundancies), property (e.g. termination of leases), and breach of commercial and consumer contracts
(e.g. through inability to pay for or supply goods or services). Thus, there is no point in the lifetime of businesses at which they are not exposed to justiciable issues, and each change in structure, activities or fortune brings with it novel issues, in relation to which small businesses may have little or no internal experience to draw from.

**Past Surveys of Business Consumers’ Experiences of Justiciable Issues**

Having documented the types of justiciable issues that businesses face, we now turn to the evidence of past research that has investigated the business experience of justiciable issues. As indicated in Section 1, Clark and Costvet (1938) (Connecticut, United States), Asia Consulting Group and Policy 21 (2008) (Hong Kong) and Croes (2012) (the Netherlands) have all reported results from ‘legal need’ surveys of business consumers. The scope of these surveys is detailed in Table 3.1, and can be seen to be very much in tune with the content of the previous sub-sections. While the Connecticut survey was conducted in the 1930s, we include it to show the similarity of many of the issues faced by businesses at different times and in different jurisdictions.

<table>
<thead>
<tr>
<th>Issue Type</th>
<th>Connecticut</th>
<th>Hong Kong</th>
<th>Netherlands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up / ownership</td>
<td>✫</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading</td>
<td>✫</td>
<td>✫</td>
<td>✫</td>
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<tr>
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<td>✫</td>
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<td>✫</td>
<td>✫</td>
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<td>Business premises</td>
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<td>✫</td>
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<td>Finance (incl. insurance)</td>
<td>✫</td>
<td>✫</td>
<td>✫</td>
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<tr>
<td>Intellectual property</td>
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<td>✫</td>
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<td>Environmental / nuisance</td>
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<td>✫</td>
</tr>
<tr>
<td>Crime</td>
<td></td>
<td></td>
<td>✫</td>
</tr>
</tbody>
</table>

*Table 3.1. Issues included in previous surveys of businesses*

**The Connecticut Survey**

The Connecticut survey explored a range of both non-contentious ‘preventative’ issues and contentious ‘matters for adjustment’. On average, the 61 businesses sampled (‘neighbourhood enterprises’ distributed across low and middle class residential districts of New Haven) reported three non-contentious and one contentious issue as having occurred over the previous 12 months. This was a substantially higher rate of issue experience than was reported for individual citizens in the same study, although the margin of difference was relatively narrow in the case of contentious issues.

The most common non-contentious issues faced by businesses in 1930s Connecticut concerned taxes, property rental, government permits, insurance and loans. The sale and purchase of automobiles, payment terms, business ownership and incorporation were among the other non-contentious issues
mentioned. Non-payment for goods or services and disputes around delivery were the most common contentious issues reported, accounting for more than 80% of disputes. The remainder concerned accidents, rented property, improper billing, wages and loans.

The Hong Kong Survey
As with the Connecticut survey, the Hong Kong survey explored a relatively broad range of justiciable issues, though the number of issues detailed in the survey was greater (47) and it adhered to the more recent approach of the Paths to Justice surveys in, for example, focusing on “difficult-to-solve problems or disputes” (Asia Consulting Group and Policy 21 2008, p.324). The Hong Kong survey also differed from the Connecticut survey in its scale and the inclusion of larger businesses. Thus, 6% of the Hong Kong businesses had in-house lawyers, and 25% had ‘legal support arrangements’, predominantly through retainers. This legal capacity was associated with business size.

On average, the 1,813 small and medium sized businesses sampled reported 1.4 difficult-to-solve problems each, although the distribution of problems was far from uniform across the sample. Only a minority (30%) of businesses reported any difficult-to-solve problems over the preceding year, with a further 16% indicating they had experienced problems in the last 5 years (again these figures were higher than for individual citizens). However, the majority of businesses that reported problems had experienced multiple problems over the past year, and just over 3% of businesses reported having experienced 10 or more difficult-to-solve problems.

![Figure 3.1. Problems by type (Asia Consulting Group and Policy 21 2008, p.91)](image)

As is shown in Figure 3.1, the most commonly reported problems fell in a miscellaneous ‘money matters’ and a ‘business-related’ category. Together these
made up almost two-thirds of all reported problems. Reflecting the Connecticut survey findings, the money matters category problems were mostly comprised of issues around obtaining money owed. Others concerned insurance claims, and a small number were insolvency or bankruptcy related. Problems in the business-related category mostly concerned the quality of goods or services purchased or provided. A small number concerned management issues or 'partnership and other internal problems'.

Of the 4,311 problems reported in the Hong Kong survey, 67% were considered to be unimportant. Of the remainder, which were considered important, more than three-quarters involved money; the median sum being HK$25,000.

The Dutch Surveys
The Dutch surveys took a different approach to the earlier surveys, with the first focusing on use of legal services and experience of a broad range of “serious problems,” and the second focusing exclusively on a narrower range of “serious problems … that could have resulted in or did result in legal proceedings.”

The most common justiciable problems reported by businesses in the Dutch surveys concerned “payment for goods or services supplied”, followed by problems related to “quality, quantity or the delivery time of goods or services purchased” (Croes 2012). Reflecting the nature of the problems, the majority of the other parties involved in problems were other businesses, though around one in five problems were with members of the public. Employees could also constitute other parties, with 11% of SMEs reporting serious employment related problems in the past year (7% if looking only at problems that could have resulted in or did result in legal proceedings).

Also as with individual citizens, business characteristics were found to have a bearing upon the likelihood that problems were reported. So, reflecting their greater likely exposure to the “defining circumstances” (Pleasence 2006, p.29) of problems, larger businesses (in terms of number of employees and number of business locations) reported a greater number of justiciable problems. The same was also true of limited liability companies, companies affiliated with a trade association and companies “that were not entirely independent” (Croes and Maas 2009, p.177; Croes 2012). Linked to this, non-family businesses reported a significantly greater number of problems than others (Croes 2010), reflecting suggestions that family and non-family businesses approach dispute resolution differently (e.g. Gomez 2008, Croes 2010) Businesses with younger managers were also more likely to report problems (though this did not continue to frequency of problems)(Croes 2010). Problem incidence also appeared to link to business sector (Croes 2012).
AIA Research on Legal Advice and Small Businesses

In addition to the ‘legal need’ surveys outlined above, other enquiries have been undertaken into the experience of justiciable problems by businesses. Of particular relevance in the current context is the recent study by AIA Research into the legal advice needs and usage of small businesses, which included “an initial business survey … to scope the research” (AIA Research 2010, p.v).

![Figure 3.2. Issues that could require legal assistance faced by businesses at any point](image)

As is illustrated in Figure 3.2, a majority of the small businesses surveyed by AIA Research reported having experienced (at some point) issues related to business start-up, and also tax and regulation. Other relatively common issues concerned health and safety, employment, commercial contracts, consumer contracts, pensions, debt, trading, property, and intellectual property rights. Rarer issues included crime, discrimination and business sale.

In general, though, maintaining cash-flow, through obtaining timely payment for goods or services, appeared to be “the biggest single issue … for all small businesses” (p.3).

In line with our analysis above, the AIA research identified “significant differences” in the range of issues faced by businesses in different phases of development (e.g. issues related to business set up figure prominently only early on) and of different sizes, with some types of issue often arising only once businesses experienced some growth. For example, “once firms take on
employees and grow their business they are faced with additional problems not
least around the treatment of the employees themselves, but also health and
safety, property and other trading issues” (AIA Research 2010, p.ii).

The research also pointed to an important distinction between “more
everyday” and “more serious but very infrequent” issues (p.7). The latter may
rarely arise, “but can impact heavily on small businesses at particular moments
in time” (p.11). Such issues include business break-up and issues around
intellectual property.

Orima Research Study of Small Business Dispute Resolution.
The Australian Orima Research study of small business dispute resolution is also
relevant. While this study uncovered relatively low levels of business disputes,
the most common, by far, concerned “Disagreement over payment for goods or
services” and “other contractual issues.”

Supplementary Evidence from a Small Scale Survey of Trade Bodies
As indicated above, a small-scale survey of trade bodies was conducted to inform
this report (n=8). The surveyed organisations included over 50,000 members,
covering from around 20% to 80% of the 7 sectors from which they were drawn.
While not representative of all trade bodies, the survey results were fairly
consistent between respondent organisations, and with those of the above
surveys.

When asked to identify the justiciable issues most commonly faced by
member organisations (from a list of 11 types of justiciable issues), regulation
and employment issues were identified as among the three most common types
of legal issue facing member businesses by 6 of 8 organisations. Trading issues
were mentioned by 5 organisations, and injuries, finance/debt, insurance,
business set-up/ownership and intellectual property were each mentioned once.

Regulation and employment issues were never identified as among the
least common types of legal issue facing member businesses, along with business
set-up/ownership issues. Seven of the 8 organisations mentioned intellectual
property issues in this context, followed by crime, environmental/nuisance and
personal injury, highlighting the sector specific nature of some concerns.

When asked to identify the legal issues of most concern to their members,
7 of the 8 organisations referred to regulatory and employment related issues,
with trading, contract (including commercial contracts and ‘network
agreements’ singled out for mention) and health and safety issues also
mentioned on more than one occasion. Other issues mentioned concerned
business premises, professional indemnity insurance, governance and
intellectual property.

5 Supra, n.3.
Volumes of Claims in Tribunals and Courts
While tribunal and court claims provide only a very partial picture of the disputing landscape, they nonetheless give a fuller picture of the number of justiciable disputes pursued to an ultimate conclusion that cannot be resolved between the parties informally.

Reflecting the prevalence of and concern about employment related issues detailed above, 218,000 claims were made to Employment Tribunals in the 2010-2011 financial year. This represents an average of one claim per 5 businesses that had employees, although the distribution of claims across businesses is far from uniform, with number of employees a crucial factor.

As can be seen from Table 3.2, a good proportion of these claims concerned the Working Time Directive, with unauthorised deductions from pay, unfair dismissal, breach of contract and equal pay also figuring prominently (Ministry of Justice 2011a).

Table 3.2 Employment Tribunal Claims in 2010-11

<table>
<thead>
<tr>
<th>Type of Claim</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Time Directive</td>
<td>114,100</td>
</tr>
<tr>
<td>Unauthorised deductions</td>
<td>71,300</td>
</tr>
<tr>
<td>Unfair dismissal</td>
<td>47,900</td>
</tr>
<tr>
<td>Breach of contract</td>
<td>34,600</td>
</tr>
<tr>
<td>Equal pay</td>
<td>34,600</td>
</tr>
<tr>
<td>Sex discrimination</td>
<td>18,300</td>
</tr>
<tr>
<td>Redundancy</td>
<td>7,400</td>
</tr>
<tr>
<td>Disability discrimination</td>
<td>7,200</td>
</tr>
<tr>
<td>Age discrimination</td>
<td>6,800</td>
</tr>
<tr>
<td>Race discrimination</td>
<td>5,000</td>
</tr>
<tr>
<td>Written statement of terms and conditions</td>
<td>4,000</td>
</tr>
<tr>
<td>Transfer of an undertaking</td>
<td>1,900</td>
</tr>
<tr>
<td>Suffer a detriment/unfair dismissal - pregnancy</td>
<td>1,900</td>
</tr>
<tr>
<td>Part-time workers regulations</td>
<td>1,600</td>
</tr>
<tr>
<td>Written pay statement</td>
<td>1,300</td>
</tr>
<tr>
<td>Written statement of reasons for dismissal</td>
<td>930</td>
</tr>
<tr>
<td>Discrimination on the grounds of religion or belief</td>
<td>880</td>
</tr>
<tr>
<td>Discrimination on the grounds of sexual orientation</td>
<td>640</td>
</tr>
<tr>
<td>National minimum wage</td>
<td>520</td>
</tr>
<tr>
<td>Other</td>
<td>5,500</td>
</tr>
</tbody>
</table>

In the courts, businesses will have had an interest in the great majority of the 1,617,000 civil (non-family) proceedings started in the County Court, and the in excess of 50,000 High Court (including the Commercial Court) claims started in 2010 (Ministry of Justice 2011b). In the County Court, there were 1,231,171 money claims in 2010, just over half of which were issued through the County Court Bulk Centre. Although many money claims will have been brought by
larger financial companies, a significant number will have been brought by small companies. Tying in with this, the 2010 BIS Small Business Survey indicated that around 5% of SME employers had taken legal action for late payment within the past 12 months, with 28% reporting that they had done so at some point in the past (IFF 2011). This 28% figure, though, represents a decrease from 2006-2007; one that is mirrored by a decrease in claims brought in the County Court since 2006 (from 1,717,239) (Ministry of Justice 2011b).
Navigating the ‘law thick’ (Hadfield 2010) world in which small businesses operate can provide a test for even the most experienced firms. Small businesses tend to have a narrower range of internally available skills, relatively few prior encounters with justiciable issues upon which to construct protocols (Asia Consulting Group and Policy 21 2008), and less scope to purchase specialist services. The informality of many small business operations, while convenient for those running them and an attraction to many customers, can also result in breaches of regulations (Harris 2000). Small businesses are also, more generally, known to be resistant to legal regulations, due to the administrative burdens they impose (Blackburn and Hart 2002, SBRC 2008). This is particularly apparent in respect of the provisions of employment legislation, about which employers are often ignorant (Bacon and Hoque 2005). This includes the Working Time Directive, health and safety and the minimum wage (Druker et al. 2005). There has also been suggestion that sole traders, “with business responsibilities only to themselves, appear more willing ... to take calculated risks in terms of adherence to legislation and regulations. Any risks they do take are positioned as only likely to affect them” (AIA 2010, p.2).

Nevertheless, a broad range of legal advice, representation and support services is available to small businesses. In this section, we provide an overview of these services and then set out findings from previous studies of small business use of legal services.

**External Advice**
SMEs often seek legal advice, which is often embedded within wider networks of external advice gathering. The external advice sought by SMEs can emerge from a variety of sources. This can include the substantial series of flows of informal information and signals provided by customers, colleagues and friends through informal networks (Burt 2007), and support from public and quasi-public sector organisations (Johnson et al. 2007). The relationship between SMEs and external, formal business advice providers, is one that has changed over time, expanding markedly since the 1980s (Bennett and Robson 1999). External
organisations are often used to obtain specialist services that cannot be sourced from within a business, and are often needed in innovation (Johnson et al. 2007). Use of specialist services has also been associated with successful growth (Bryson et al. 1997; Johnson et al. 2007).

Apart from specialist consultants involved in training and innovation, accountants and solicitors provide the majority of external, formal advice to assist SMEs (Bennett and Robson 1999; Blackburn et al., 2010). This is often a consequence of the need to meet technical, audit and legal requirements by SMEs, tasks they cannot fulfil alone due to the necessary expertise required.

The use of advice, including legal services, by SMEs varies by sector, due to the varying nature of business activities. Bennett and Robson (2001) suggest that the sectors most associated with use of advice are publishing, mining, food manufacture, and chemicals/rubber/minerals manufacture. At the other end of the spectrum are textile and apparel manufacture, furniture and transport equipment.

Bennett and Robson (2001) argue that firms influenced by environmental issues are subject to organisational change and innovation, which require additional external assistance, to manage the instability created by change. In comparison, more ‘traditional’, less innovative sectors undergo less change and require fewer formal sources of advice, with the exception of routine professional advice.

The attitudes and satisfaction of owner managers towards external advice is mixed. For example, while Burke and Jarratt (2004) suggest that accountants are broadly viewed as competent suppliers of advice for compliance, they are not viewed as being adept in understanding the problems of individual businesses, or assisting them in strategic issues. Similarly, solicitors are viewed as agents that deal solely with legal issues, when they arise. Although this implies that these professionals are used only for technical matters, Leung et al. (2008) report from their Australian study that while accountants are the most commonly used source of advice, lawyers and solicitors are ranked higher in terms of the satisfaction received from their services. Thus, although many SMEs are reluctant to seek, and pay for, formal advice, what limited evidence is available suggests that solicitors are viewed as useful external advisors.

**Range of Legal Services**

A broad range of legal advice, representation and support services is available to small businesses. The most obvious type of law related service provider is the solicitors’ firm, of which there are more than 10,000 in England and Wales (Law Society 2011), providing services across a wide range of business related areas (Table 4.1) (Law Society 2010). Not all solicitors, of course, work within law firms, with around a quarter of solicitors holding practice certificates employed in other sectors. For example, more than 10,000 solicitors are employed in around 3,500 private sector businesses (albeit in larger businesses, when acting
as in-house lawyers). The majority of these businesses employ just one solicitor (55%), but 5% employ more than 10 and 0.1% more than 100 (Legal Services Board 2010).

While solicitors’ firms are the most obvious type of law related service provider, it is accountants that form the largest group of law related service providers to small businesses. There are now more than 275,000 professionally qualified accountants in the United Kingdom (Financial Reporting Council 2008), dwarfing the number of solicitors. Crucially, from a small business perspective, and as is detailed further below, accountants are also the main source of external professional support to small businesses. Thus, they play a particularly important role, not just in the delivery of legal services (as accountancy issues are fundamentally legal in nature⁶), but also in guiding small businesses to other

Table 4.1. Number of solicitors undertaking work in business related categories

<table>
<thead>
<tr>
<th>Area of Work</th>
<th>Solicitors</th>
<th>% with practicing certificates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural law</td>
<td>3,814</td>
<td>3.3</td>
</tr>
<tr>
<td>Aviation</td>
<td>528</td>
<td>0.4</td>
</tr>
<tr>
<td>Banking</td>
<td>5,410</td>
<td>4.7</td>
</tr>
<tr>
<td>Business affairs</td>
<td>20,696</td>
<td>17.9</td>
</tr>
<tr>
<td>Commercial litigation</td>
<td>16,681</td>
<td>14.4</td>
</tr>
<tr>
<td>Commercial property</td>
<td>20,176</td>
<td>17.5</td>
</tr>
<tr>
<td>Computer and IT law</td>
<td>3,890</td>
<td>3.3</td>
</tr>
<tr>
<td>Construction/civil engineering</td>
<td>2,705</td>
<td>2.3</td>
</tr>
<tr>
<td>Corporate finance</td>
<td>8,327</td>
<td>7.2</td>
</tr>
<tr>
<td>Employment</td>
<td>12,591</td>
<td>10.9</td>
</tr>
<tr>
<td>Energy and natural resources</td>
<td>1,727</td>
<td>1.5</td>
</tr>
<tr>
<td>Environment law</td>
<td>2,351</td>
<td>2.0</td>
</tr>
<tr>
<td>Financial and investment services</td>
<td>4,063</td>
<td>3.5</td>
</tr>
<tr>
<td>Insolvency and bankruptcy</td>
<td>3,591</td>
<td>3.1</td>
</tr>
<tr>
<td>Insurance</td>
<td>4,094</td>
<td>3.5</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>6,570</td>
<td>5.7</td>
</tr>
<tr>
<td>Liquor licensing/gambling</td>
<td>3,196</td>
<td>2.8</td>
</tr>
<tr>
<td>Maritime/shipping/admiralty</td>
<td>1,151</td>
<td>1.0</td>
</tr>
<tr>
<td>Media/entertainment law</td>
<td>2,440</td>
<td>2.1</td>
</tr>
<tr>
<td>Mediation – civil/commercial</td>
<td>1,965</td>
<td>1.7</td>
</tr>
<tr>
<td>Mergers and acquisitions</td>
<td>7,713</td>
<td>6.7</td>
</tr>
<tr>
<td>Planning law</td>
<td>2,477</td>
<td>2.1</td>
</tr>
<tr>
<td>Professional negligence</td>
<td>3,561</td>
<td>3.1</td>
</tr>
<tr>
<td>Taxation</td>
<td>4,550</td>
<td>3.9</td>
</tr>
<tr>
<td>Transport – road and rail</td>
<td>1,089</td>
<td>0.9</td>
</tr>
<tr>
<td>Travel and tourism</td>
<td>316</td>
<td>0.3</td>
</tr>
</tbody>
</table>

⁶Indeed, the Association of Chartered Certified Accountants is an approved regulator, under the Legal Services Board, of reserved probate activities within the accountancy profession.
legal services when there is a need. Indeed, accountancy bodies are considering how to build upon the trust developed in the provision of accountancy services as a base for extension into other fields of advice (Blackburn and Jarvis, 2010).

Other obvious legal service providers include barristers (who businesses can now instruct directly), patent and trademark attorneys (and agents) and licensed conveyancers.

Often the services provided by the types of professional and organisation detailed above will be non-contentious in nature, and many will be focused on legal risk prevention (e.g. employment law and broader legal ‘protection schemes’). Legal risk prevention is also central to the work of various (commonly unregulated) consultancy businesses, such as those operating in the employment and health and safety fields, offering law related services to businesses. Furthermore, there are a wealth of companies providing even greater relief from the legal and (law related) administrative burdens of running a business. For example, widely available HR and payroll support and property management services enable businesses to outsource entire areas of business administration. There are also a great many companies offering support in relation to contentious justiciable issues, the most prominent of which are debt collection and recovery firms.

Beyond these, legal services can also be wrapped up in the services provided by other organisations. For example, as with trade unions in the case of individuals, in addition to the representative function of business associations and trade bodies, such organisations frequently provide help in relation to legal issues faced by member businesses. A sizeable proportion even offer dedicated legal helplines.\(^7\) Then there are chambers of commerce, local enterprise agencies, Business Link and other not-for-profit and governmental organisations offering independent advice (e.g. ACAS). And, of course, as with individuals, businesses may choose to seek advice and other support of a legal nature from many sources that are not obviously able to provide it.

**Use of Legal Services**

In general terms, as the most recent BIS Small Business Survey indicates, a good proportion of businesses can be expected to obtain external advice for one matter or another over a period of a year, though this will not necessarily be in relation to justiciable issues. The BIS survey found that 49% of SME employers had obtained external advice within the past 12 months, with 37% of SME employers obtaining advice from an accountant (IFF Research 2011). Lawyers were utilised by 10% of SME employers overall, although this figure varied considerably by sector, with 17% of those businesses engaged in ‘other services’ using lawyers.

\(^7\) Seven of the 8 trade organisation surveyed to inform this report provided a telephone advice helpline, all of which covered legal issues. Three organisations also provided dedicated legal helplines.
Although lawyers were not the most utilised sources of advice in the BIS survey, a majority of the issues about which advice was sought appear to have had a legal dimension. This may link to a ‘market entry’ or ‘perception’ issue for the legal profession, as many owner-managers of SMEs choose to go to other professionals in the first instance, even with problems that ultimately may require a solicitor (see for example, NatWest SERTeam 2007).

Consistent with the BIS survey findings, the 1997 University of Cambridge Centre for Business Research (CBR) National Small and Medium Size Business Survey found that over a 3 year period 83% of SMEs had made use of an accountant, and 56% had made use of a solicitor (Bennett and Robson 1999). Growing firms were most likely to have sought external advice, and advice seeking was also linked to business size, with larger businesses more likely to have obtained external advice. Again, much external advice had an evident legal dimension, even if not from a lawyer.

In the remainder of this sub-section, we set out the findings from previous small business ‘legal need’ surveys along with the findings from AIA Research’s qualitative study for the Legal Services Board.

The Connecticut Survey
As indicated in Section 3, the Connecticut survey explored a range of both non-contentious ‘preventative’ issues and contentious ‘matters for adjustment’ (Clark and Corstvet 1938). The survey found that almost no outside help was obtained in respect of non-contentious issues (6% of issues). Outside help was most common in the case of tax returns, but even here it was reported on only 15% of occasions. In the case of contentious issues, more than half of issues led to advice being obtained. Advice was most common in relation to unpaid bills, owing to the predominance of these issues among ‘matters for legal adjustment’.

Outside advisors were most often privately practicing attorneys (80%), but advice was also sought from accountants, bill collectors, an insurance company, a city attorney and a notary public.

The Hong Kong Survey
The 2006 Hong Kong survey found that 12% of SMEs obtained legal services through a retainer agreement with an external legal services provider. Meanwhile, 6% of SMEs were found to have in-house lawyers (though this figure was much reduced for smaller SMEs), and 0.4% of owners/directors were lawyers.

The Hong Kong survey also found that action was taken to resolve just over two-thirds of ‘important’ justiciable problems (Asia Consulting Group and Policy 21 2008). Where no action was taken, it was most often because there was ‘no need’, or because of concerns about time (21%) or money (16%). Action was least common in the case of workplace injury/illness. Where action was taken, it

When seeking help, respondents frequently first sought support from ‘business friends’ (22%) or business partners (18%), with government departments (16%) and solicitors (15%) also figuring prominently. Other sources of initial support were courts, managers/employees, family and friends, debt collectors, politicians, building management companies, insurance companies, financial institutions, trade unions, or even the other side. As has been noted in the case of individual citizens (e.g. Pleasence 2006), subsequent support was increasingly likely to come from solicitors.

In all, “of the incidents with actions taken, about one-third (34%) [of businesses] obtained some assistance from outside parties” (Asia Consulting Group and Policy 21 2008, p.133). Lawyers were consulted on 20% of occasions, though legal advice was explicitly obtained from a variety of non-lawyer sources also. Lawyers were most commonly used in relation to intellectual property, renting and government related issues. They were less frequently used in relation to ‘business-related’ issues or labour disputes.

Around 11% of issues were taken to courts or tribunals. Very few issues were referred to mediation or arbitration.

The Dutch Surveys
Overall, 26% of businesses included in the first 2007 Dutch survey engaged a lawyer at some point during the year-long survey reference period (Croes and Maas 2009). A similar percentage made use of trade associations.

In relation to serious justiciable problems, explored through the second survey, collections agencies were the most commonly used “legal services provider”, followed by lawyers (18% of all engagements), court bailiffs and the courts. Other providers of legal services were noted to be accountants, mediators, trade organisations and the police.

In general, the use of lawyers was observed to be associated with the legal status and nature of businesses.

With regard to justiciable problem resolution behaviour, an association was found between the age of managers and the mobilisation of lawyers, with older managers less likely to make use of lawyers in resolving problems (Croes 2010). A link was also found between the educational attainment of managers and lawyer use, with higher educated managers more likely to mobilise lawyers (Croes 2010).

AIA Research on Legal Advice and Small Businesses
The AIA research for the Legal Services Board found that, as with individuals, when faced with justiciable issues, businesses often fail to recognise the legal dimension (AIA Research 2010). Thus, the AIA research suggested that the most
commonplace justiciable issues are most likely to be regarded as not requiring legal advice.

As with the Hong Kong study, The AIA research also indicated that, when support is sought about justiciable issues, those running small businesses will generally first look to friends, family, colleagues and associates. Those with business experience are also a common source of “quasi-legal advice” (AIA Research 2010, p.12), along with the Internet.

The AIA research also found that small businesses perceive formal legal advice as expensive, time-consuming, serious and a last resort. Consequently, it is more often sought “on a more reactive” (AIA Research 2010, p.15) basis. Nevertheless, the AIA research found evidence that businesses become more willing to use legal services once they have had experience of such services.

Some non-lawyer advisers, such as accountants, appear to be commonly relied upon to provide support in relation to justiciable issues.

The issues that legal services are most often used for concern commercial contracts, followed by business set up, employment, debt, business property and intellectual property.

Orima Research Study on Small Business Dispute Resolution
The Australian Orima Research study found that almost two-thirds of those small businesses that “had experienced a dispute and approached a third party to help resolve the matter” approached a lawyer (Orima Research 2010, p.18).
In this section we set out the various approaches that might be taken to investigating small business consumers’ need for and use of legal services. We then set out the key methodological considerations in implementing a ‘legal need’ style benchmark survey of small businesses, covering the development of a sample frame, sample size, mode of delivery, respondent selection, the choice between cross-sectional and longitudinal methods, and a strategy for piloting.

**Approaches**

Small businesses’ experience of justiciable issues and their use of legal services imprints on a range of individuals, organisations and institutions, each of which can provide some account of the experience. The individuals within businesses charged with dealing with justiciable issues have direct involvement in and knowledge of them. Those from whom support is sought interact with the businesses concerned and are cognisant of the issues raised and services provided. Processes that are used can involve administrators, adjudicators, arbitrators and mediators, each of whom will have an impression of the issues and their outcome. Where processes unfold within institutions then these too will hold a record of what passes. Thus, small businesses’ experience of justiciable issues and their use of legal services can be captured from many perspectives, with greater and lesser degrees of insight and objectivity.

While the rest of this report is concerned with setting out considerations and recommendations for the implementation of a benchmark survey of small business consumers’ need for and use of legal services, in this sub-section we briefly review a range of approaches that could be taken to investigating the need for and use of legal services.

**Surveys of small businesses**

A standard approach to obtaining information about experience and behaviour is to make direct enquiries of those concerned. Thus, much of our understanding of experience and behaviour comes from surveys.

As noted in Section 1, there is a tradition of ‘legal need’ surveys that stretches back to the 1930s, which while primarily centred on individuals, extends also into the world of business.

Legal needs surveys of businesses conducted in Hong Kong (Asia Consulting Group and Policy 21 2008) and the Netherlands (Croes and Maas 2009) have provided a clear indication of the types of justiciable issues
businesses face, their relative frequency and common forms of response to them (and how these vary by, for example, business type).

Importantly, these surveys, along with the recent BIS Small Business Survey (IFF Research 2011) have demonstrated that while the use of legal services is routine for some businesses, it is unusual for many. Much of the time this will reflect a lack of need, or a rational choice of approach. However, just as with individuals, it seems clear that some businesses do not make use of legal services because they do not recognise the need, or are unable, to do so. As we observed in the previous section, small businesses, in particular, are often ignorant of and resistant to legal regulations (Blackburn and Hart 2002, Bacon and Hoque 2005, SBRC 2008). Also, to apply Felstiner, Abel and Sarat’s (1981) framework for understanding the emergence and transformation of disputes, businesses have hurdles to overcome in naming, blaming and claiming in relation to the resolution of injurious experiences.

Surveys of those running businesses represent the only means to capture information about justiciable problems that are not conceived as legal, do not involve advice and do not involve formal process.

However, it is to be recognised that surveys have many limitations, not least of which is that they rely on people’s memories, which are demonstrably unreliable. This is particularly so in relation to less salient events (e.g. Tourangeau, Rips and Rasinski 2000) and the particular details of routine events (e.g. Thompson, Skowronski, Larsen and Betz 1996). Thus, in the context of the Civil and Social Justice Survey it has been demonstrated that some less serious and commonplace justiciable issues are quickly forgotten, while only the most memorable (such as divorce) are reliably recalled over reasonable periods time (Pleasence, Balmer and Tam 2009).

In addition, survey results can be distorted by ‘telescoping’, the social desirability of particular answers and satisficing behaviour. And this is on top of the methodological challenges of creating clear, unambiguous, conceptually valid, reliable and appropriately framed questions.

In the context of this study, it also needs to be recognised that the development of a business oriented legal need survey faces novel challenges, compared with individual oriented, legal need surveys. For example, constructing a sample frame of small businesses with good coverage is not straightforward. Also, the challenge of selling surveys to businesses is rather different to that of selling surveys to individuals. Furthermore, the size and structure of businesses can make selection of appropriate respondents difficult.

Nevertheless, surveys remain at the heart of social science and policy research owing to their ability to obtain comprehensive quantitative data directly from source. A ‘legal need’ survey of small businesses is consequently the best option for the Legal Services Board to benchmark small business consumers’ need for and use of legal services.
Qualitative interviews with small businesses

While surveys provide an excellent descriptive overview of their subject matter, they can struggle to explain the inner workings of the phenomena that they record. Qualitative interviews provide a commonly used means to delve deeper and to gain an understanding of processes and the causes of different behaviours. Qualitative interviews with small businesses could therefore produce rich information on their experience of, and response to, justiciable issues and should be viewed as a potential complementary element of a larger programme of work.

In isolation, of course, qualitative interviews would be unable to provide reliable information on the extent to which businesses face legal issues and how often businesses call upon professional services.

Data Collection from Legal Services Providers

In addition to business surveys and qualitative interviews with small businesses, it would be possible to obtain a wealth of data concerning small businesses’ need for legal services by investigating legal services’ case volumes and case details. This could be done by, for example, interviewing legal services providers (either quantitatively or qualitatively) or extracting data from case files or administrative systems.

These approaches were used with some success in the Legal Services Research Centre’s research on Community Legal Advice Centres and Networks (Buck et al. 2010), in a mixed method approach that included client surveys, qualitative interviews with advice providers and use of administrative data. However, in the present study, as with Buck et al.’s (2010) study, surveying legal services providers and obtaining legal services management data should be viewed only as complementary research strategies to surveying small businesses. While these approaches could yield valuable data on legal services providers’ perspectives of the types of issues businesses face and the need for and use of legal services, which could then be contrasted with the experiences and views of businesses, they could only ever provide a partial picture of business experience.

These approaches cannot get beyond the fundamental limitation that they exclude the many businesses that do not access legal services and the many problems faced by those that do, but about which legal advice is not sought. In addition, with businesses obtaining legal services from a huge variety of sources, and sometimes utilising multiple sources in parallel, the challenge of developing a comprehensive sample frame that spans the legal services sector cannot be overstated.

Data Collection from Tribunals and Courts

As detailed in Section 3, a large volume of business related disputes end up being the subject of formal processes, details of which are recorded by tribunals and
courts. So, in the same way that data collected from legal services providers can shed light on businesses’ legal needs and use of legal services, so too can data collected from tribunals and courts. However, again as with data collected from legal services, such data is restricted to those issues that involve formal process. This is a substantial limitation.

*A Note on Administrative Data/File review*

The Administrative Data Liaison Service ([http://www.adls.ac.uk](http://www.adls.ac.uk)) set up to support administrative data research in the UK sets out some of the main advantages and disadvantages of using administrative data, with Smith et al. (2004) making the generalisations set out in Table 5.1.

**Table 5.1. Advantages and Disadvantages of Using Administrative Data in Research.**

<table>
<thead>
<tr>
<th>Advantages of administrative data</th>
<th>Disadvantages of administrative data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Already collected for operational purposes and therefore no additional costs of collection (though costs of extraction and cleaning)</td>
<td>Information collected is restricted to data required for administrative purposes – limited to users of services and administrative definitions</td>
</tr>
<tr>
<td>Collection process not intrusive to target population</td>
<td>Lack of researcher control over content.</td>
</tr>
<tr>
<td>Regularly (sometimes continuously) updated</td>
<td>Proxy indicators sometimes have to be used</td>
</tr>
<tr>
<td>Can provide historical information and allow consistent time-series to be built up</td>
<td>May lack contextual/background information</td>
</tr>
<tr>
<td>Collected in a consistent way (if part of national system)</td>
<td>Changes to administrative procedures could change definitions and make comparison over time problematic</td>
</tr>
<tr>
<td>Subject to rigorous quality checks</td>
<td>Missing or erroneous data</td>
</tr>
<tr>
<td>Near 100% coverage of population of interest</td>
<td>Quality issues with variables less important to the administrator e.g. address details may well not be updated</td>
</tr>
<tr>
<td>Reliable at the small area level</td>
<td>Metadata issues (may be lacking or of poor quality)</td>
</tr>
<tr>
<td>Counterfactuals and controls can be selected post hoc</td>
<td>Data protection issues</td>
</tr>
<tr>
<td>Captures individuals who may not respond to surveys</td>
<td>Access for researchers is dependent on support of data providers</td>
</tr>
<tr>
<td>Potential for datasets to be linked to produce powerful research resources (see below).</td>
<td>Underdeveloped theory and methods.</td>
</tr>
</tbody>
</table>
As indicated, there is potential to use administrative data from legal services providers and courts. Without further exploration, however, it is not clear to what extent such data would be available, what information datasets contain and how complete and reliable records are.

**Developing a Sample Frame**
Having settled upon a business survey as the appropriate means to obtain a benchmark of small business consumers’ need for and use of legal services, it is necessary to design such a survey.

A requirement of any successful survey research is a viable and coherent sample frame. Importantly, it should provide good coverage of the target population. Under-coverage can result in biased estimates (e.g. de Leeuw et al., 2008) and contributes to total survey error (e.g. Groves and Lyberg, 2010). An important precursor to a benchmarking survey of small businesses is therefore the identification of a practical and representative sample frame for small businesses that can form the foundation for an evidence base to meet the Legal Services Board’s research objectives. However, obtaining a small business sample frame that is up to date and includes all businesses currently trading is not straightforward, especially given the high rate of business churn, as new firms are established and closed (Curran and Blackburn 2001). There is no simple alternative to the small-user postcode address file (PAF), commonly used for surveys of individuals (e.g. the Civil and Social Justice Panel Survey), which covers around 98% of the population. When selecting a data source for constructing a sample frame for a business survey, there is more of a need to balance currency, accuracy, coverage and extent (Curran and Blackburn 2001).

In this sub-section we discuss four large-scale sample frame sources, each potentially suitable for the conduct of a substantial representative survey of the legal needs of small businesses. We then look at smaller-scale business panels and the option of utilising trade body membership lists as survey frames for sector specific surveys.

**Large-Scale Sample Frames**

**Inter-Departmental Business Register (IDBR)**
The Inter-Departmental Business Register (IDBR) covers 2.1 million businesses, accounting for 99% of UK economic activity, providing access to business details (for example size, sector and location) across the UK. The Register is developed from data on businesses registered for VAT, businesses operating a PAYE scheme, and incorporated businesses registered at Companies House. Due to the acquisition of data being through government departments, often as a consequence of legal requirements, the dataset is of high quality. Annual renewal ensures that the IDBR is reasonably up to date and well maintained, following ONS standards. However, the limiting of the IDBR to businesses that are VAT registered, have employees or are incorporated, excludes some low turnover
partnerships and sole traders without employees (Bannock 2005), and this is problematic. For example, 2.9 million of the 4.5 million businesses in the UK are sole traders and more than 2.5 million of them have no employees (Department for Business, Innovation and Skills 2011). Furthermore, the mean turnover of businesses with no employees is under £65,000 (Department for Business, Innovation and Skills 2011), which is well under the threshold for VAT registration.

The IDBR data has hierarchical elements, with categorisation at local unit, enterprise and enterprise group levels. Local units are single plants or branches (i.e. they have a single mailing address). Enterprises can be comprised of a number of local units. Enterprise groups can be comprised of a number of enterprises.

The full disclosive version of the dataset includes 14 variables:

1. RU Reference number
2. Name
3. Trading style
4. Address and postcode
5. Telephone number (if applicable)
6. Legal status
7. Employment
8. Employees
9. Turnover
10. Classification (SIC2003)
11. Classification (SIC2007)
12. Region
13. VAT reference
14. PAYE reference

At the Local Unit Level, this data includes 12 variables:

1. Reporting Unit Reference
2. Enterprise Reference (for matching with Enterprise Level)
3. LU Reference
4. Class
5. Employment
6. Employees
7. LU Name
8. LU Address
9. LU Postcode
10. Trading Style
11. Legal Status
12. Region

This IDBR does not include email addresses, and although telephone numbers are included as a variable, they may not always be available. However, postal addresses are included. The use of this database for CAPI, CATI and postal
surveys is therefore relatively straightforward, but it is poorly suited to online surveys. The IDBR is the main sampling frame used for ONS business surveys.

It is important to note that non-departmental public bodies do not have full access to the extensive disclosive IDBR data, which includes firm contact details. It would be necessary for the LSB (or a contractor of the LSB) to obtain access to the IDBR disclosive data ahead of using it for sampling. Use of the available non-disclosure data as a sampling source is not practical as it is anonymised, so does not contain business contact details. As the dataset is tailored through the IDBR Data Analysis Service, forward planning is required to build the dataset acquisition time into any research plan (two weeks). There may be a delay in receiving the required dataset.

**Dun & Bradstreet (Marketing Database)**

Dun & Bradstreet is a credit rating agency that collects and maintains databases on businesses within the UK. The agency states it has a segmented list of active and dormant businesses, with 2.5 million active businesses. As this database is larger than the IDBR, this may reflect the inclusion of a greater number of partnerships and sole traders that may be missing from the IDBR. Dun & Bradstreet uses ‘multiple local data sources ’to compile its data. However, a 1998 report noted that the Dun & Bradstreet data “is probably biased ... towards the inclusion of a relatively higher proportion of expanding firms seeking finance than is true of the enterprise population as a whole. It is also known to underrepresent sole proprietors, partnerships and single-person self employed enterprises compared to the overall enterprise sector” (Cosh, Hughes and Wood 1998, p.3).

Data on companies in the Dun & Bradstreet Marketing Database include:

1. Address
2. Telephone
3. Business sector
4. Employment size
5. Turnover
6. Financial information
7. Associated holding companies and subsidiaries

Records also contain information on businesses’ sites, and detailed as branches or headquarters.

The variables available are similar to those in the IDBR, though, Dun & Bradstreet is a commercial provider, so information included in the database is not the product of force of law. However, in the context of the University of Cambridge CBR’s National Small and Medium Sized Business Surveys, the Dun & Bradstreet database was described as “a high quality database, kept up-to-date continuously” (Bennett and Robson 1999, p.5), as a result of data being used for credit rating purposes.
The core database can be supplemented with the Professional Contacts Database, which contains 4.5 million named individuals with titles across the Dun & Bradstreet Database. However, it is not specified if these named contacts are evenly distributed across all the included businesses. Despite this, telephone numbers are available for named individuals, which may make identifying SME decision-makers easier in a survey. The database also includes 500,000 email addresses, although, as this only constitutes 20% of the number of businesses on the database, the representativeness of any online survey using just these email addresses would be limited. The data is, though, appropriate for CAPI, CATI or postal surveys.

Dun & Bradstreet data figures prominently in government and academic research, forming the basis, as just indicated of the CBR's National Small and Medium Sized Business Surveys and the most recent BIS Small Business Survey (IFF Research 2011). The 1991 CBR survey was “the first comprehensive analysis of the UK small and medium sized firm (SME) sector since Bolton (1971)” (Kitson and Michie 1998, p.3). The BIS Small Business Survey is a large scale telephone survey used “to monitor key enterprise indicators” (IFF Research 2011).

There are no barriers to accessing Dun and Bradstreet data, other than financial, as it is a commercial data and credit rating agency.

**Experian (pH Megafie)**
The ‘pH Megafie’ contains Experian’s commercial business database, which is stated to have records for 5 million businesses, of which 3.7 million are ‘live’. The database is compiled from information sourced from various commercial organisations (Experian, Thomson, Market Location, Corp Data, Local Data company, Intelligent Data Service, B2 Group and Mardev), in addition to data from Companies House.

While the pH Megafie appears substantially larger than the IDBR, it is not clear how many non-active firms are included within the database. However, its size suggests that it may better represent partnerships and sole traders; though their commercial ‘visibility’ in databases may still reduce their representation in the pH Megafile.

Data on companies in the pH Megafile include:
1. Employment size
2. SIC
3. Director names
4. Job titles
5. Email addresses
6. Telephone numbers
7. Location
8. Turnover
These variables are comparable to IDBR data, although as Experian is a commercial provider, data is not the product of force of law. However, as a credit rating agency, Experian’s data should, as with Dun & Bradstreet’s data, be up to date.

As this dataset includes email addresses, telephone numbers and postal addresses, it would be possible to use either postal, CATI, or online survey techniques.

There are no restrictions on access to the pH Megafie as with the IDBR, other than financial, as Experian is a commercial data provider.

**Thomson (Database of Businesses)**

Thomson provide direct marketing services, are popular as a telephone directory provider to consumers, and report having over 2 million businesses in its database. This is a slightly lower number than in the IDBR, and much lower than the Experian and Dun & Bradstreet databases. This may indicate that the provider has a smaller database, or one that it is more accurate, with fewer dormant firms. Thomson maintains that it builds its database on the records of telephone companies and data from Companies House, in addition to other sources. This suggests details of smaller micro businesses excluded by IDBR might be included.

Variables in the Thomson Database of Business include:

1. Business Type
2. Decision-Maker
3. Employee Size
4. Firm Age
5. Website
6. Telephone
7. Email Address
8. Premises Type
9. Geographical Information
10. Financial Information.

These variables are again similar to those supplied by the IDBR, though Thomson is a commercial provider and so data is not the product of force of law. Thomson states that it has email addresses for 28% of its records, although it is not clear how they are distributed across the business spectrum. As with the Dun & Bradstreet Professional Contacts Database, this percentage is low in terms of representativeness. But, as the dataset includes postal addresses and telephone numbers, it would be an appropriate basis for CAPI, CATI and postal surveys.

There are no restrictions on access to the Thomson Database of Businesses, other than financial, as Thomson is a commercial data provider.
Small Business Panels
In addition to the large-scale sample frames described above, there are also a number of smaller scale small business panels available, used primarily for the conduct of omnibus surveys, which are discussed further below.

While the panels are intended to constitute a representative sample of small businesses, they do suffer from some shortcomings. In relying on panel membership, it is not clear whether all small businesses have an equal chance of inclusion or an equal likelihood of being willing to participate. In the case of Internet panels there is also a significant issue of coverage bias (e.g. see Groves et al., 2009), also discussed in relation to the large-scale sample sources above, where businesses are unable to participate because of email details or Internet facilities not being available. Three examples of panels are provided below.

ICM’s Business Vista panel
Market research company ICM administers the ICM Business Vista Panel, consisting of 10,000 UK decision-makers willing to take part in research. The panel is focused on proprietors, partners, directors, managers and other decision makers. The sample focuses on small office/home office/SMEs with two-thirds of the sample in SMEs. A full spectrum of business sectors is covered, with the sample aiming to be representative by sector and region.

Opinium Small Business Panel
Market research company Opinium administers the Opinium Small Business Panel of businesses with up to 49 employees. Online surveys of panel members are conducted with business owners, partners, directors or senior managers. Opinium can provide a sample of 300 small businesses, derived from its 30,000 member consumer panel. The samples are not representative of small businesses as a whole, with businesses with no employees making up only 50% of the sample. This is intended to avoid relatively small samples being dominated by such businesses. Spread across the UK, only the retail sector has a large enough base to investigate in isolation, though the panel covers a broad spread of sectors. More specifically, regarding number of employees, the remainder of samples are made up by 35% micro businesses (1-9 employees) and 15% small businesses (10-49 employees). Opinium also has a network of affiliate partners available should the sample size need to be boosted (for example, to include businesses up to 249 employees or to focus on specific industries).

YouGov SME and Small Business Panels
Market research company YouGov administers a panel of over 380,000 opted in members, which is drawn on for omnibus surveys of 500 SMEs (<250 employees) and 500 small businesses (<50 employees), as well as bespoke surveys. A broad spread of sectors is covered. The SME Business Omnibus goes to senior managers and above with decision-making responsibility. The sample
of 500 is split into 350 in small businesses and 150 in medium sized businesses. Due to the nature of the sample, it is not representative. The Small Business Omnibus has a similar sample definition and size but goes to organisations of less than 50 employees.

**Sector Specific Approaches**

Also on a much smaller scale than the IDBR and large-scale commercial sample sources detailed above, sector specific sample frames might be obtained through utilisation of business details held by regulatory bodies or trade organisations. For example, data held by the Law Society, extending to all solicitors’ firms and solicitors with practicing certificates, has been used as a basis for sampling within the legal services sector.

The small survey of trade bodies undertaken to inform this report found that all the organisations that participated had an interest in facilitating surveys of the legal needs of member organisations, and that all used email as a main communication channel, so opening up the possibility of CAPI, CATI, postal and online surveys.

There are advantages of utilising organisations such as trade bodies as intermediaries in surveys. As well as potentially providing sample frames neatly defined by business sector, the sponsorship of a respected body is likely to boost response rate (Bowling, 2005), even in the case of online surveys, which typically have low response rates (e.g. de Leeuw et al., 2008).

However, there are limitations to surveys conducted through trade organisations. First, such surveys are viable only in sectors with active trade organisations willing to facilitate a survey. While the response was positive from those organisations that participated in our survey, the majority of those invited to participate did not do so. Thus, trade organisations probably cannot be used to construct a comprehensive patchwork sample of all small businesses. They can, though, potentially provide sample frames for sectors of interest. Second, variations in the popularity of trade associations among potential members will have a significant impact on coverage error (Groves et al., 2009) Where coverage error is small, for example in the case of the CSJS/CSJPS, a sample frame describes the population well. However, as coverage error increases (for example, through membership of trade organisations extending only to a small proportion of potential members) so does coverage bias, which is a function of the proportion of those missing from the frame and, importantly, differences between those within and outside the frame (Groves et al., 2009). The concern is that those not covered differ in key ways from those who are. In the case of trade associations, membership may relate to characteristics of businesses that link to justiciable issue incidence or advice seeking behaviour. It is to be noted that all

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8 This is certainly the case in the CSJS, where those not covered include prisoners, gypsy travellers, hospital in-patients and those in the armed forces (e.g. see Pleasence et al., 2010). However, the high percentage covered negates much of the potential coverage bias.
of the trade bodies we surveyed provide support for their members facing justiciable issues, and some provided extensive legal services. Thus, the advice seeking behaviour of members could not be taken to be representative of businesses in the sectors concerned unless membership extended to the great majority of such businesses. In the case of our eight trade associations, estimates of the percentage coverage of businesses working in their sector varied from 20% to 80%.

*Developing a Sample Frame: Conclusions*

There is comparatively little recent commentary on the relative merits of the different large-scale business datasets. This may suggest a lack of interest in this issue by policy audiences, or it may simply reflect that researchers are more concerned with highlighting the structure of the SME selection within any chosen sample frame. The IDBR evidently provides a robust and reliable sample frame. However, issues around coverage lead us to conclude that a sample frame derived from one of the commercial database companies would provide the best option in the context of this report. Of these companies, we consider Dun & Bradstreet and Experian to be most likely to hold current, comprehensive and accurate data of the type required.

The variables within the Dun & Bradstreet and Experian data are similar, and similar to those within the IDBR, and new variables can be created to develop comparable data where needed. Both databases are also readily available for purchase. In Dun & Bradstreet’s favour is positive comment in large-scale academic research and its current use for the major BIS Small Business Survey. In Experian’s favour is perhaps greater coverage. Either would be an appropriate choice for an all-sector benchmark survey.

We also conclude that sector specific surveys could be appropriately delivered through regulatory or business organisations, provided that data covers a high percentage of businesses in any given sector.

For developmental and piloting work, we also propose that market research small business panels are worth considering, alongside omnibus surveys based on more extensive sample frames (as discussed further below).

*Sample size*

*Introduction*

A survey’s sample size should permit conclusions to be made with a level of uncertainty tolerable for key survey statistics within the cost constraints of the survey (Groves et al., 2009). It is not an arbitrary choice based on what other surveys have done, nor should it be calculated as a particular proportion of the frame population size (since sample size requirements are almost independent of population size (Groves et al., 2009)).

One common method of determining an appropriate sample size is to determine the sample size required to provide a predetermined standard error
for a specific key statistic (e.g. Cochran, 1977). For example, in the present study, a concern might be to produce a sample size large enough such that it provides a 95% confidence interval for the proportion of businesses using legal services within the sample of +/- 2% (e.g. of between 0.38 to 0.42, assuming an expected proportion on 0.4 using legal services). The equation and example calculations below demonstrate how to go about determining sample size in this way.

Calculation of Sample Size
There are two key variables in the calculation of sample size for surveys. The first is the margin of error, which is essentially the error one is willing to accept (sometimes referred to as the precision) for a key statistic. An example is given above, where the confidence interval of 0.38 – 0.42 would give a precision value of 0.02 (or 2%). The second is the alpha level, which is the risk one is willing to accept that the true margin of error exceeds the acceptable margin of error (i.e. the differences revealed by statistical analyses do not exist). Conventional values for alpha are 0.05 or in some cases 0.01. These would be entered in the equation below as 1.96 and 2.58 respectively (their Z-values).

These two key variables are illustrated in Cochran’s (1977) formula, which provides a simple starting point for sample size calculation. Equation 1 presents the sample size formula for simple random sampling, where the key statistic to be measured is a proportion.

Equation 1

Sample size calculation for proportions using simple random sampling

\[ n = \frac{Z^2P(1-P)}{(d)^2} \]

Where, \( n \) = sample size,
\( Z \) = Z statistic for the level of confidence (commonly 1.96 or 2.58 as discussed above),
\( P \) = the expected prevalence or proportion of the key statistic of interest (e.g. if legal services were used by 40% of businesses, \( P = 0.4 \)) and
\( d \) = precision (i.e. the acceptable margin of error for \( P \), with a value of say 0.02 indicating a confidence interval from 0.38-0.42 for a \( P \) of 0.4).

Groves et al (2009) (and the other papers/texts in the references) present slightly different arrangements of the formula, though the result is the same.

Some Simple Example Calculations

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9 Should you wish to carry out some simple sample size calculations, without needing to implement the formula above, a variety of online calculators are available (for example, http://sampsize.sourceforge.net/iface/index.html). Useful information on sample size calculation can be found in a number of texts, including (Bartlett et al., 2001; Cochran, 1977; Daniel, 1999; Groves et al., 2009; Lwanga & Lemeshow, 1991 and Naing et al., 2006).

10 The formula varies if the key statistic on which the calculation is made is continuous. Examples can be found in Bartlett et al (2001) and Groves et al., (2009)
Based on an alpha level of 0.05 (which equates to a Z value of 1.96 in equation 1\textsuperscript{11}), Table 5.2 sets out some example sample sizes that would be required to measure a key statistic, in this case the percentage of businesses using legal services, with varying levels of precision and for varying estimated percentages. For example, if one estimates that 40% of businesses use legal services, a margin of error of 2% (i.e. \(d = 0.02\) above) would involve level of precision between 38% and 42%. In this instance, using simple random sampling, with an alpha level of 0.05, a sample of 2,304 businesses would be required.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|c|c|c|}
\hline
Margin of error & 10% & 20% & 30% & 40% & 50% & 60% & 70% & 80% & 90% \\
\hline
1 & 3,455 & 6,137 & 8,050 & 9,197 & 9,579 & 9,197 & 8,050 & 6,137 & 3,455 \\
2 & 865 & 1,536 & 2,016 & 2,304 & 2,400 & 2,304 & 2,016 & 1,536 & 865 \\
3 & 385 & 683 & 897 & 1,025 & 1,067 & 1,025 & 897 & 683 & 385 \\
4 & 217 & 385 & 505 & 577 & 601 & 577 & 505 & 385 & 217 \\
\hline
\end{tabular}
\caption{Example sample size calculations using equation 1}
\end{table}

\textit{Other Considerations}

In reality, relatively few surveys follow simple random sampling, or for that matter (as in the current context) can be reduced to a single key statistic. With regard to final calculation of sample size, stratification, clustering and assignment of selection probabilities should all be considered jointly as they all have a bearing. With regard to key statistics, surveys of this type are typically designed to answer a variety of questions, with a variety of statistics. Each statistic is likely to have different requirements for precision and may only apply to subsets of the survey (as a consequence of the statistic only applying to some businesses or only some businesses being of interest). As a result, compromises are likely to need to be made on the sample design and sample size required to address research questions within budgetary constraints. Precision and power can diminish quickly.

Moreover, in practice, rather than determine the predetermined standard error for a key statistic, the survey may be constrained by the money available. In this case, the calculation is likely to estimate what standard error is possible (for what key statistics) given the constraints (Groves et al. 2009)

Where surveys do not follow simple random sampling, for example, where cluster or multistage sampling is used, a larger sample size is required to achieve the same precision. Put simply, this involves multiplying equation 1 by a design effect (e.g. see Cochran 1977 or Groves et al. 2009). The design effect should be considered if the sampling method progresses beyond simple random or systematic random sampling.

\textsuperscript{11} Note, if you wanted to be more confident, for example, applying an alpha level of 0.01, a Z of 2.58 would be required in Equation 1.
A finite population correction is also often introduced into equation 1 (e.g. see Barlett et al., 2001, Groves et al., 2009 or Naing et al., 2006). This has the effect of reducing the sample size required as the population decreases. However, as the frame population grows, this correction has a diminishing impact and would have no impact in the present study (given the very large number of micro businesses (almost four million)). As a result, it would not be required.

If more than one survey were conducted over time (i.e. in a repeated cross-sectional design), a further consideration would be correctly powering the surveys to allow changes in key statistics to be identified. For example, if we wanted to be able to identify a change in a key statistic, such as a 3% change in businesses using legal advice (from, say, 40% to 43%), a sample size of around 4,300 per survey would be required (with an alpha level of 0.05 (two-sided) and power of 80%).

**Mode of delivery**

In this section we provide some general guidance on choice of mode, followed by some information on the relative advantages and disadvantages of different modes. This is followed by a brief discussion of combining modes, tactics for increasing involvement and mode of administration from the small business perspective.

For general reading, Groves et al., (2009) provide an in-depth discussion on mode of administration. Useful information can also be found in de Leeuw, Hox and Dillman (2008) and Bowling (2005). Owens (2005) meanwhile, provides a simple introduction to some of the issues to be considered in choice of mode, including an overview of the advantages and disadvantages of different approaches.

**Choice of Mode of Delivery**

There are four main modes used to administer surveys: face-to-face, telephone, Internet (web based) and mail. Surveys also vary in whether they are interview based or self-administered. In practice, combinations of modes are also frequently used, for example, where a general Internet survey is supplemented by a face-to-face survey for certain hard to reach groups or sectors where you move to progressively more expensive modes to keep costs at a minimum, maximise response rates and include harder-to-reach (the 2000 US Census provides a large-scale example of this type of design).

In choosing a mode of administration, there are two basic issues to be addressed (Groves et al., 2009). What is the most appropriate method to choose

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12 This section does set out technical methods used for each mode, though these are available in a number of texts discussing survey methodology (e.g. Groves et al., 2009, Owens, 2005, Roberts, 2007).
for a particular research question? What is the impact of a particular method of data collection on survey errors and costs?

Key considerations include coverage and contact information on the sampling frame for each mode (certain modes are likely to have greater coverage/more complete contact information, as we saw in relation to the large-scale small business sample sources detailed above), the appropriateness of the topic for each mode (for example, in use of sensitive questions), cost constraints (different modes involve different levels of cost), acceptable levels of data quality/response rates (modes typically vary considerably in this regard) and the importance of timely results (some modes yield data quickly, others typically require extended fieldwork) (see Groves et al., 2009 or de Leeuw et al., 2008 for further details).

**General Advantages and Disadvantages of Different Modes**

**Face-to-face**

Predominantly conducted using Computer Assisted Personal Interviewing (CAPI), face-to-face methods usually yield the highest cooperation and lowest refusal rates (e.g. see Groves et al., 2009), with generally higher response rates than telephone surveys (Sykes & Collins, 1988; Bowling, 2005). They also usually have high coverage for sampling (Bowling, 2005) and allow for the longest questionnaires with high levels of complexity. As de Leeuw et al. (2008) suggest, it takes an assertive respondent to end an overly long face-to-face interview. Face-to-face surveys are generally regarded as producing the highest quality responses, partly as a consequence of having the interviewer present (Bowling, 2005, Cooper and Schindler 2001, Curran and Blackburn 2001), which can aid comprehension, reduce item non-response (Bowling, 2005) and make complete interviews far more likely (Groves et al., 2009; de Leeuw et al., 2008). Face-to-face is also normally regarded as the most flexible mode of administration (de Leeuw et al., 2008), as a range of collection methods can be integrated. For example, questions might include interviewer and respondent completion, as in the case of the 1996 British Crime Survey, which included a self-completion module on domestic violence to encourage disclosure of sensitive data (Mirrlees-Black 1996). With face-to-face surveys responses can also be recorded, show cards used and detailed open-ended questions employed.

The main disadvantage of face-to-face administration is that it is invariably the most costly mode of survey delivery. In addition, a longer data collection period will typically be required (due to fixing up the interviews,

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13 The interviewer conducts the questionnaire using a computer that displays what they should read to the respondent.
14 Though this relies on up-to-date addresses, with incomplete or out-of-date lists leading to sample bias (Bowling, 2005).
15 Note, that cost comparisons are also sensitive to the sample size (Groves et al., 2009) as methods vary in the relative contribution of fixed costs (independent of sample size) and variable costs (increasing with sample size).
conducting them and the travel requirements (Cooper and Schindler 2001)) and there is limited control over possible interviewer bias. As de Leeuw et al. (2008) put it, the greatest asset of face-to-face methods, the presence of an interviewer, can also be its greatest weakness. For example, respondents may under-report undesirable behaviours in the presence of an interviewer (social desirability bias (Bowling, 2005)), and where respondents are having difficulty with particular questions, interviewers may incorrectly prompt them. Similarly, interviewers’ own understanding may drive some of the data collected. For example, in the CSJS/CSJPS interviewers may include clearly criminal matters as problem types despite them falling outside the remit of the survey. However, some of these problems are alleviated by careful briefing of, and regular feedback from, interviewers, with the pilot stage particularly crucial in this regard. Crucially, successful face-to-face surveys rely on a well-trained and motivated field force and comprehensive field/survey management (de Leeuw et al., 2008).

**Telephone**

Administration of surveys by telephone is less expensive than conducting interviews face-to-face. This has made it the common method for CSJS style surveys in jurisdictions where face-to-face methods are not viable due to the distances involved (e.g. Canada, Australia). This mode is also widely used in surveys of SME owner managers across the UK, although survey fatigue is an issue (Curran and Blackburn 2001). For the general population, telephone surveys also have the advantage of the use of random digit dialling to produce a sample (though this itself introduces some sample selection bias (Bowling, 2005)), though this would not be feasible in the current study which would rely on an up-to-date list of telephone numbers (which may be problematic17). The data collection period for telephone surveys is typically substantially shorter than for comparable face-to-face surveys (Cooper and Schindler 2001). As with face-to-face surveys, interviewer administration is likely to aid in comprehension of questions and completeness of responses/quality of data more generally. As with face-to-face administration, issues around interviewer bias may remain (see above), though there is greater scope for supervision of interviewers for telephone administration (beyond simply briefing them).

While telephone survey response rates would generally be expected to exceed web-based and postal methods (Groves et al., 2009), they usually lag some way behind face-to-face methods. There are also constraints over the length18 of and to some extent the complexity of the questionnaire that can be

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16 This may be reduced to some extent with reassurances about confidentiality (though findings on this have been contested (Bowling, 2005)) and self-completion modules (e.g. see CSJS/CSJPS for sensitive questions).

17 Sample selection bias remains partly through differences in the ability/propensity of respondents to use the telephone (Bowling, 2005).

18 De Leeuw et al., (2008) suggest that as a rule of thumb telephone surveys can be conducted with an average length of 20-30 minutes. It should be noted though that CSJS type interviews are typically highly
used, and compared to face-to-face surveys, they are particularly prone to
termination (de Leeuw et al. 2008, Cooper and Schindler 2001), particularly in
the case of electronic and voice automated telephone surveys (Bowling, 2005).
However, Computer Assisted Telephone Interviewing (CATI\textsuperscript{19}) allows complex
routing to be hidden from interviewers and respondents (as with CAPI for face-
to-face administration).

Telephone methods are relatively inflexible as a consequence of their lack
of visual cues (de Leeuw et al., 2008), with related limitations in the degree to
which sensitive or complex issues can be addressed (without show cards/text in
front of the respondent, options for self-completion, etc.). They are also prone to
the same social desirability bias issues as face-to-face methods (Bowling, 2005).

Web-based

Beyond programming costs, web-based administration is likely to offer a low-
cost option. There are no paper, postage, mailing or data entry costs (when
compared with postal surveys) and no need for a large field force. While not an
immediate consideration, web-based surveys can also reach international
populations. Provided a suitable sample frame can be constructed, there is also
the opportunity to produce a far larger sample than for other modes (at little
increase in cost). Time required to implement web-based surveys is typically
short, and data can often be returned/analysed in real time. With suitable
programming expertise, complex routing and randomisation can also be
introduced into surveys, as well as more interactive elements (as unlike
telephone surveys, for example, online surveys can integrate visual aids (de
Leeuw et al., 2008), such as with CSJS developmental surveys). Issues around
item non-response can also be addressed through built-in prompting (Fricker et
al., 2005)\textsuperscript{20} and there are fewer issues regarding social desirability bias
(Bowling, 2005). As with postal surveys, online surveys are less intrusive and
more private than telephone or face-to-face surveys (de Leeuw et al., 2008).

A key disadvantage of online surveys is in the production of a suitable
sample frame and determining the extent to which computers are used (Bowling,
2005) (e.g. by different sectors in the present study). This may be accentuated by
a lack of complete email addresses (Bowling, 2005; Groves et al., 2009). These
issues may be less of a concern for a sample of businesses than for the general
public, though coverage issues will remain (de Leeuw et al., 2008).\textsuperscript{21} In the case

\textsuperscript{19}Telephone surveys may also use interactive voice response (IVR, also known as T-ACASI or telephone
ACASI (Groves et al., 2009)) in which recorded questions a played to respondents who use their keypad or
voice to respond.

\textsuperscript{20}Fricker et al., 2005 showed improvements over telephone surveys where prompting was used, though
Bowling (2005) observe that such measures do not prevent (and may increase) premature termination.

\textsuperscript{21}Though these could be far less of a problem for sector specific studies, particularly where contact could be
facilitated by representative bodies.
of the Dun & Bradstreet business data, for example, email addresses are available for only 20% of businesses.

Again, no interviewer involvement avoids potential interviewer bias, but may reduce quality and completeness of responses (e.g. Groves et al., 2009; de Leeuw et al., 2008)).

More generally, web-based surveys often yield very low response rates and are easy to terminate (de Leeuw et al., 2008). Moreover, while substantial complexity can be introduced, Internet surveys need to be relatively short.\(^{22}\) Where respondents complete online surveys, there may also be a tendency to rush through sections reducing data accuracy/completeness. However, the time taken to complete online surveys is easy to monitor. The ability of respondents to skim through online surveys can also be reduced to some extent in designing questions and page layouts, but not removed completely.\(^{23}\)

**Postal**

Postal surveys generally have the lowest cost of any method of administration, with the exception of some online surveys. Much of this low cost is driven by the fact that postal surveys can be conducted by a small number of researchers. A large survey organisation is not required to administer postal surveys, with no need for a field force. Moreover, lists of addresses for target populations may be more readily available than telephone numbers or email addresses (de Leeuw et al., 2008), with high coverage for sampling (as with face-to-face methods (Bowling 2005)). There may also be some advantages in accessing groups who might otherwise be difficult to reach through other modes. For example, in the current study, tradespeople who are generally working away from an office may be somewhat easier to locate by post, though this is not the same as engaging them. Postal surveys are also less intrusive, with less social desirability bias (Bowling, 2005), and have the potential for respondents to look up required information in their own time and potentially consult with others (de Leeuw et al., 2008).

\(^{22}\) Czaja and Blair (2005) suggested that 10-15 minutes is already a long time for an Internet survey, though de Leeuw et al (2008) note the potential for longer surveys for special groups, panel members and cases where the topic is particularly salient. Internet panels of small businesses or trade association sponsored online surveys are likely to fall under this definition.

\(^{23}\) A further potential disadvantage of web-based surveys (as compared to face-to-face) is an increased tendency for respondents to satisfice. Satisficing theory (e.g. Krosnick, 1991) involves the basic assumption of this theory is that optimal question-answering takes a considerable amount of cognitive work. A respondent must interpret the meaning and intent of each question, retrieve relevant information from his or her memory, integrate that information into a summary judgment, and then report that judgment taking into account the provided response alternatives (Tourangeau, Rips, and Rasinski 2000). While many respondents may perform these steps, other respondents might take cognitive shortcuts to reduce the required effort (and exhibit satisficing behaviour) (Heerwegh & Loosveldt, 2008). Heerwegh and Loosveldt (2008), for example, suggested that web survey respondents were shown to produce a higher "don't know" response rate, to differentiate less on rating scales, and to produce more item nonresponse than face-to-face survey respondents, resulting in data of poorer quality. Broad reasons may include issues around motivation, ability and task difficulty.

\(^{24}\) As with face-to-face methods, this relies on up-to-date addresses, with incomplete or out-of-date lists leading to sample bias (Bowling, 2005).
Perhaps the greatest disadvantage is the difficulty in engaging respondents, which results in low response rates, particularly when compared to face-to-face administration (e.g. see Groves et al. 2009). This problem may be reduced by reminders and sponsorship from a respected body (Bowling, 2005, Newby et al. 2003), but is likely to remain significant nonetheless. This is partly since completion is easy to terminate prematurely (de Leeuw et al., 2008). Postal methods also suffer from high item non-response within surveys (Bowling, 2005). While costs are reduced, it is also more likely that incentives will be required in order to encourage participation.

As there is no interviewer involvement in postal surveys interviewer bias is avoided, although another effect of this is a likely reduction in quality and completeness of responses (e.g. Groves et al. 2009; de Leeuw et al. 2008).

The data collection period for postal surveys is generally relatively long (certainly when compared to web-based and telephone administration) and there will be the need for a period of data entry once surveys are returned (which can result in additional errors). Significantly, postal surveys are by far the most restrictive with regard to complexity, length and routing (e.g. de Leeuw et al., 2008). They need to be relatively simple both to encourage participation and because respondents are relied on to follow routing instructions (as routing is not hidden as it would be for other modes).

**Overall comparison**

In very general terms, Table 5.3 (adapted from Owens, 2005) sets out a comparison between face-to-face, telephone, web-based and postal modes of survey administration on the basis of a number of key variables. Note, that this is a simple comparison, and the performance of different modes for each domain may vary considerably depending on the precise characteristics of a proposed survey.

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25 There has been a considerable amount of study examining the impact of mode of administration on a variety of aspects of data quality and on a range of additional sources of error. These include studies examining mode differences in acquiescence bias (i.e. tendency to say 'yes' to questions), primacy and recency effects, recall effects and length of response (among other sources, see Groves et al., 2009; de Leeuw et al., 2008; Bowling, 2005 for further information).
Table 5.3. Broad comparison of the advantages and disadvantages of different modes of survey administration.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Face-to-Face</th>
<th>Phone</th>
<th>Online</th>
<th>Post</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Costly</td>
<td>Moderate</td>
<td>Cheapest</td>
<td>Cheap</td>
</tr>
<tr>
<td>Speed</td>
<td>Slow</td>
<td>Fast</td>
<td>Fastest</td>
<td>Moderate</td>
</tr>
<tr>
<td>Response Rate</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Low/moderate</td>
</tr>
<tr>
<td>Contact</td>
<td>Address</td>
<td>Phone no.</td>
<td>Email</td>
<td>Address</td>
</tr>
<tr>
<td>Burden on respondent</td>
<td>Low</td>
<td>Moderate</td>
<td>Low/moderate</td>
<td>High</td>
</tr>
<tr>
<td>Control participation of others</td>
<td>Variable</td>
<td>High</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Length</td>
<td>Long</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Short</td>
</tr>
<tr>
<td>Sensitive questions</td>
<td>Poor</td>
<td>Moderate</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Long lists</td>
<td>Good</td>
<td>Moderate</td>
<td>Good</td>
<td>Poor</td>
</tr>
<tr>
<td>Open-ended responses</td>
<td>Best</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Poor</td>
</tr>
<tr>
<td>Questionnaire complexity</td>
<td>Best</td>
<td>Good</td>
<td>Best</td>
<td>Poor</td>
</tr>
<tr>
<td>Poss. interviewer bias</td>
<td>High</td>
<td>Moderate</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Combination of modes

It is possible to use more than one mode of survey administration. For example, as described above, face-to-face surveys may use a combination of interviewer and self-administration to address sensitive issues. Combining modes of survey administration may also provide a means to maximise response and minimise cost. So, for example, the Hong Kong business legal need survey (Asia Consulting and Group and Policy 21 2008) involved a postal screening questionnaire, telephone and/or face-to-face follow up for those completing the postal questionnaire, and telephone and then face-to-face contact for those not responding to initial forms of contact. The objective was to use the cheapest mode of data collection possible for each respondent.

A similar rationale lies behind the idea of conducting initial longitudinal survey fieldwork face-to-face, then switching to telephone for later waves. Groves et al., (2009) provides the example of the National Crime Victimization Survey in the United States for this.

In fact, mixed mode surveys have become increasingly common (some have referred to this increase as a revival (Heerwegh and Loosveldt, 2008)), in part due to the rise in web-based surveys, which are typically cost and time efficient (Couper 2000). However, they can lead to a confounding of selection
effects and measurement effects as a consequence of mode differences and result in poor quality data (Vannieuwenhuyze et al., 2010). Saskhaug et al. (2010) also suggest that while a switch to a self-administered mode such as IVR or the web can reduce measurement error, overall error may still increase as a result of dropouts during or after the mode switch. Nonetheless, mixing modes may become an option as the current project progresses. Should this be the case, Roberts (2007) provides an overview of the issues involved.

Tactics for increasing participation and response rates

Many surveys employ methods to increase the likelihood of participation. For the face-to-face CSJS, for example, incentives were introduced at the start of the second year of the continuous survey with the aim of improving response and minimising the need to reissue assignments. The incentives comprised a book of six postage stamps that were sent to each selected household with the advance letter, and a £5 voucher that was given to respondents on completion of interviews (Hanson and Sullivan 2008). The CSJPS uses the same incentive structure, and in both cases, use of incentives has been considered a success.

Newby et al. (2003) examined a number of tactics to increase participation with a group of Australian businesses. The study referred to postal surveys (which they suggested at the time were most efficient for SMEs despite low response rates), and evaluated the use of four strategies to increase participation; printing the survey instrument on coloured paper, telephone pre-notification, payment of a monetary incentive, and a follow-up mailing. They suggested that coloured paper had little impact, though the promise of payment resulted in increases in response rates and reduced item omissions. While not as great an effect as payment, pre-notification was also shown to increase response rates, as did follow-up mailings. The highest response rates were achieved by a combination of the three (excluding coloured paper). Significantly, however, this did not mean the combination of the three was most cost-effective. For example, if your interest was in completed questionnaires only, either pre-notification plus two mailings or a single mailing plus a monetary incentive would be most cost effective.

As Newby et al. (2003) suggest, decisions on tactics to increase response rate are likely to be a trade-off between financial resources, time available, need for unbiased (and quality) data and the size of the population being sampled. Most importantly, however, for the current study, both the CSJS and Newby et al (2003) highlight the potential for incentives (and other tactics) to increase participation and data quality.

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26 Where particular types of respondents tend towards particular modes. This is frequently cited as an advantage of mixed-mode designs as it may alleviate problems associated with non-response or non-coverage.

27 The influence of mode on response. The idea that a respondent may give different answers for different modes. This is a real problem for mixed-mode designs.
**Mode of Delivery: Conclusions and Recommendations**

Choice of mode of survey administration is important, bearing strongly on both quality and cost. Bowling (2005) suggests that the biasing implications of mode can have important ramifications for the validity of research results and the soundness of policy decisions stemming from research.

In the present study, if affordable, we would recommend a face-to-face survey, which would be likely to combine the highest data quality with the greatest potential for survey length, flexibility and complexity.

A postal survey would preclude complexity of questioning as in the long-form questionnaire appended to this report. Low response rates and the limited control over questionnaire completion also count against postal surveys.

The use of solely online delivery also seems hugely problematic for a representative sample of businesses, given the coverage issues discussed above. However, online delivery could be considered for (a) developmental and pilot work, where its low-cost and ability to see questions delivered in a form similar to face-to-face surveys is advantageous, (b) sector specific surveys through trade organisations, particularly where organisations have good within-sector coverage and email use is prevalent, and (c) use alongside face-to-face interviews along the lines of the Hong Kong survey, to reduce data collection costs for those respondents who are willing and able to provide data online.

Given the low cost of online surveys, were only a modest budget available for a benchmark survey, then an online survey could provide a reasonable sample size. However, two important considerations arise. First, the representativeness of the findings might be questioned. Second, and linked to the first consideration and of particular concern if the survey is to be used for monitoring purposes, is that results may influenced also by the changing pattern of electronic contact data availability.

A telephone survey would require question complexity to be reduced, as compared to a face-to-face or online survey, but would still allow for complex routing. Cost considerations may make telephone an attractive option, particularly as contact details are available across the full Dun and Bradstreet, Experian and IDBR datasets. It is to be noted that BIS Small Business Survey is delivered over the telephone (IFF Research 2011), demonstrating that telephone surveys can be substantial monitoring surveys. It is also to be noted that there are telephone small business omnibus surveys using large-scale business datasets as a sample source (e.g. the one conducted by IFF Research) which could provide an ultra-low cost of conducting micro surveys of business experience.

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28 Administered over the phone (using CATI), IFF’s omnibus includes 500 SMEs, with 100 sole traders, 150 with 1-9 employees, 150 with 10-49 employees and 100 with 50-249 employees. It covers a broad spread of sectors and can be weighted to all UK businesses on the basis of BIS statistics. The omnibus survey is administered monthly. It takes a week to run and three days more to obtain a dataset.
In relation to piloting, if a face-to-face mode of survey administration is to be used for main survey work, we do not consider telephone piloting to be a viable low-cost alternative to face-to-face piloting, as the form of questioning would need to be quite different. However, the online panels referred to in an earlier section and (even more so) online small business omnibus surveys using large-scale business datasets as a sample source provide an excellent cost-efficient alternative to early stage face-to-face piloting (though they cannot replace the formal pilot stage of a face-to-face survey conducted shortly ahead of main stage fieldwork).

**Respondent Selection**

A key issue in business survey design concerns the selection of individual participants. This is important as the choice of participants will determine the particular types of data and experiences that can be captured. Studies of SMEs often target the owner-manager or the managing director as the main respondent. The rationale for this practice is that SMEs operate more informal, less hierarchical and flexible management structures. The owner-manager or managing director is often the key decision-maker of the business, as principal owner. As controllers of businesses, they have the most complete understanding of the strategic and operational issues that affect businesses. They are also likely to be responsible for the acquisition of external services, along with the finance director, if the firm has one. In the context of this study, it is unlikely that many SMEs will have a dedicated legal services department, or in-house legal expert, to procure legal services advice.

In studies focusing on the consumption of accountancy advice (Blackburn et al. 2006), sources of advice on employment regulation (Anyadike-Danes et al. 2008) and professional services (Kitching et al. 2011), the views of the owner manager, as they key decision-maker, responsible for the strategic decisions, resource acquisition and problem solving are the most insightful and closely identified with the business.

Due to the diversity of firms in the SME sector (for example, by size, sector and business type) it would be difficult to compare and contrast the views of legal advice consumption from the perspectives of employees who occupy different organisational positions. Examining the owner manager as the key respondent across the survey facilitates comparison. Subsequently, it is recommended that the survey focus on owner-managers in the first instance.

However, an issue arises in the case of businesses that are too large for single individuals to have familiarity with all aspects of their operation. This is unlikely to be the case with micro businesses, and this bolsters our earlier recommendation that these form the starting point for the Legal Services Board’s activities in this area.

As we explain in Section 6, this also makes sense from a questionnaire design perspective. With larger businesses, not only might the need arise to
interview multiple respondents to capture the full range of experience of justiciable issues, but larger firms can be expected to experience large numbers of issues, making questions designed to enquire about relatively rare events inappropriate. The questionnaires set out in the appendices are therefore optimised for micro-businesses.

**Duration**

An important consideration is interview/questionnaire length and duration. It makes up one of four key elements of Bradburn’s (1978) model of response burden (frequency of contact, length of contact, required respondent effort and stress of disturbing questions). Groves, Cialdini and Couper (1992) go further, highlighting length as the most basic element of response burden, negatively correlated with response rate. As discussed in the section on mode of administration, different modes of administration lend themselves to longer interviews/questionnaires, though in all surveys excessive length can result in low cooperation rates (as you must give the respondent an honest appraisal of how long the interview/questionnaire is likely to take) and high rates of termination (de Leeuw et al. 2008).

For business surveys, it may be that survey length is an even greater issue (Hedlin et al. 2005), given that the time of those working in small businesses is likely to be scarce, especially when compared to a general population study where a significant proportion will be retired or not in employment. Consideration of appropriate survey length should be an important element of piloting.

The Small Business Research Centre’s (SBRC) experience suggests that it is possible to develop a questionnaire that takes one hour to complete, when face-to-face, although this depends on the topic under research. This time frame affects the number and complexity of the questions asked of the respondents. As with all survey types of SMEs, the limitation is the actual time that owner-managers are prepared to devote to the interview. Owner-managers are extremely time-poor and interviewers must be prepared for interruptions, cancellations of appointments and other unforeseen events. This is quite different from interviews with individual consumers of advice.

The SBRC’s experience suggests that it is possible to develop a questionnaire that takes 20 minutes to complete, by telephone, although this depends on the topic under research. This time frame affects the number and complexity of the questions asked of the respondents.

The SBRC’s experience suggests that it is possible to develop a questionnaire that takes 10-15 minutes to complete, online, although this depends on the topic under research. This time frame affects the number and complexity of the questions asked of the respondents.

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29 Questions perceived as disturbing, vacuous or time-wasting.
Beyond a Benchmark: Cross-sectional and Longitudinal Studies

A cross-sectional survey is a survey conducted at a single point in time. This allows various groups within the survey to be compared at this point. Cross-sectional surveys can be repeated, but each incarnation of a cross-sectional survey uses a different sample of respondents. In a longitudinal survey, information is collected from the same (panel of) respondents on more than one occasion. Predictably some respondents drop out, either because they cannot, or do not want to, participate or cannot be located, and are typically replaced by a top-up sample.

This sub-section gives some general guidance on choice of approach and sets out some advantages and disadvantages of each approach. There is also a short sub-section on the rationale behind moving to a longitudinal format in the CSJS.

General choice of approach

Ultimately, choice of approach is likely to be dictated by the research questions of a project, the viability of each approach for the population under investigation, funds/resources available and how quickly results are needed/how long projects can be funded for. Significantly, in the present study, business churn as new firms are established and closed (Curran and Blackburn 2001) may point to a cross-sectional design, as a longitudinal panel may be difficult to maintain.30

Advantages/disadvantages of different approaches

Cross-sectional study designs allow efficient comparison of a number of different variables at the same time. For example, determinants of legal issues among small businesses could easily be assessed in a single snapshot survey. In longitudinal studies there is a greater focus on detecting developments or changes in the characteristics/behaviour of respondents at both group and individual levels, as well as establishing sequences of events.

Both Rindfleisch et al. (2008) and Yee and Niemeier (1996) provide useful discussions of the relative merits of cross-sectional and longitudinal designs. Rindfleisch et al. (2008) examine the approaches with specific reference to systematic method error as a result of a single rater/single source (common method variance - CMV31) and the ability to infer causation from observed empirical relations (causal inferences – CI). Cross-sectional surveys are generally thought of as being weaker with regard to CI. This is because such surveys offer a snapshot of a single moment in time and do not consider what happens before or after the snapshot is taken. Generally, they conclude that, while longitudinal

30 Moreover, with a panel of small businesses, it may be that subsequent interviews need to be conducted with different employees, introducing a respondents effect.
31 E.g. variance that is attributable to the measurement method rather than to the constructs the measures represent.
studies may offer advantages in minimising CMV and maximising ability for CI, cross-sectional approaches are adequate in many situations. Specifically, they suggest that cross-sectional studies may be most appropriate for highly educated respondents, concrete constructs, diverse arrays of measurement formats/scales and studies rooted in theory. In contrast, longitudinal studies are suggested to be more appropriate where the temporal nature of phenomena is clear, where alternative explanations (are likely and) cannot be controlled for in a cross-sectional study and, importantly in the present study, where it is unlikely that intervening events (e.g. business churn) could confound a follow-up (Rindfleisch et al., 2008). Specifically, comparing repeated cross-sectional and longitudinal designs, Yee and Neimeier (1996) also highlight the increased statistical power of a longitudinal study over repeated cross-sectional surveys (partly since you can analyse ‘within subjects’). They also point to the likelihood of cross-sectional designs being preferable where it is more cost-effective to resample many new subjects rather than repeatedly sample the same group (which could be the case in a face-to-face survey where respondents tend to disperse between waves thus increasing fieldwork costs).

**Choice of approach in the CSJS/CSJPS**

The CSJS was a repeated cross-sectional survey, conducted in 2001, 2004 and continuously from 2006-2009.\(^{32}\) In 2010 the CSJS evolved into the CSJPS, moving from a cross-sectional to longitudinal panel design (see Pleasence et al. 2011). The rationale for this change was to address research questions that were proving difficult with the cross-sectional design. Key among these was the ability to see problems from start to end (and beyond), to more accurately measure actions and consequences. With the cross-sectional design, many problems remained on-going at the time of interview (around 45%), making it difficult to assess whether actions and (lack of) consequences, for example, were simply a result of a problem being in its early stages.\(^{33}\)

Advantages of a longitudinal approach were seen to include:

1. Greater potential to order life events.
2. Full history of problems and consequences (eventually) being determinable.
4. Comparisons over time being based on the same sample.
5. Follow-ups allowing for the possibility of experimentation.

Disadvantages of a longitudinal approach were seen to include:

1. In the case of the CSJPS, a smaller sample size than cross-sectional survey.
2. In the case of the CSJPS, a different reference period from earlier surveys.
3. New questionnaires at follow-up being resource intensive.

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\(^{32}\) Other surveys in the Paths to Justice/Causes of Action tradition also followed a cross-sectional format.

\(^{33}\) This is likely to be compounded by inevitable memory effects (see Pleasence, Balmer & Tam, 2008).
4. The requirement to maintain engagement between waves.
5. A concern that those dropping out from survey are systematically different.

The decision to move to the longitudinal design was ultimately taken to further develop lines of analysis from the CSJS, which had been run as a cross-sectional survey for a decade.

**Conclusion**

In the case of the business benchmark survey a real concern is that churn among businesses will impact unduly on panel integrity (See, for example, Cosh, Hughes and Wood 1998). Moreover, the nature of businesses ceasing to be a part of the survey may differ in important ways (e.g. business failure), which may link to core aspects of the survey. The CSJS moved to a longitudinal form after a decade, at which point there was a good understanding of patterns of experience and a diminishing return from cross-sectional surveys. Given that different position of the benchmark survey and the concerns outlined above, we therefore suggest that a cross-sectional survey would be the more prudent option.

However, consents should be obtained for follow-up to enable this choice to be revisited after the completion of the baseline survey.

**Piloting**

It is imperative that any survey is properly piloted. Piloting is necessary to ensure that interviews are appropriate in duration, CAPI programming works, interviewers/respondents are happy with the questions being asked, and that questions are being understood and answered.

**Summary of Our Proposed Approach**

In summary, in relation to defining small businesses, the following is proposed.

- A ‘legal need’ type survey is appropriate for the LSB’s objectives
- A survey of micro businesses would be the best starting point.
- The most comprehensive sample frame would be derived from one of the commercially available large-scale business databases.
- Dun & Bradstreet data has been used effectively in high profile research.
- A reasonable sample size would be 4,000 micro businesses.
- Sector specific surveys could potentially be run through trade organisations.
- Owner-managers/managing directors should be interviewed.
- If affordable the survey should be run face-to-face.
- Maximum interview duration should be around 1 hour.
- Mixed mode of delivery could extend reach and improve efficiency.
- Online surveys could appropriately be used for developmental work.
- The survey should be cross-sectional in the first instance.

34 CAPI programming should also be tested using dummy data.
In this section we describe our approach to the drafting of the short-form and long-form questionnaires set out in Appendix 1 and Appendix 2 to this report. We start by reviewing some general considerations that should inform the presentation of the survey to business respondents and have informed the drafting of the questionnaire. We then describe the core elements of the model questionnaires, before providing some detailed commentary on the construction of the long-form model questionnaire. Finally, we compare the problems and service categories used within the long-form model questionnaire with those in the Oxera Framework.

The model questionnaires described and set out in the appendices are not prescriptive; meaning that we do not recommend that they be implemented as they stand. The short-form model questionnaire is an example of what a developmental survey to test core questions might look like, although it could also be used as a stand alone survey to obtain key data relating to small business consumers’ need for and use of legal services. The long-form model questionnaire is not suggested to be in an optimal form. Rather, it has been designed to provide questions and question modules that are likely to be of interest to sponsors of surveys. These can be selected from in building up a questionnaire for implementation. As is detailed below, survey/interview length is an important consideration in the drafting of questionnaires, and this may be particularly so in the case of business people who may be taking time away from their business in order to participate.

Ultimate choices concerning which questions to include in any survey should be dictated, first and foremost, by policy interest and theory based hypothesis testing.

Framing and the Form of Questions
How surveys and questions should be framed is a key consideration of survey design. The manner in which questions are presented can have a profound effect on responses. Dillman (2006), in the context of survey mode effects, cites an example of the percentage of ‘single’ respondents declining significantly in an Internet compared to a telephone survey. Upon examining the form of the questions in the two surveys, he found that the telephone version was open-ended, asking respondents “what is your marital status”, whereas the Internet version presented a list of categories. The decline was a function of an increase in ‘divorced’ and ‘widowed’ in the Internet survey, information which many
telephone respondents would not think to offer without prompting, and a direct result of the question framing.

Even relatively slight differences have been shown to have a substantial impact on results within the context of surveys of justiciable problem experience. In the context of the *Paths to Justice* survey (Genn 1999) and CSJS (Pleasence 2006), care was therefore taken to avoid indicating to respondents that the surveys concern 'legal' issues. So, with the CSJS/CSJPS, the survey has been presented as being about problems of everyday life, and references to law, lawyers and legal processes restricted to a narrow set of questions specifically dealing with understanding and usage, all of which, importantly, occur after problem identification. The impact of framing a general population survey as being specifically about legal issues was recently highlighted by an experiment in which a survey was randomly presented to individuals as either being about 'different kinds of problems or disputes' or 'different kinds of legal problems or disputes'. It was found that the simple insertion of the single word 'legal' on just one occasion when introducing the survey (and at no part thereafter) led to a substantial decrease in the likelihood of problems being reported (from 63% to 51%, $\chi^2 = 13.88, p < 0.001$) (Pleasence et al. forthcoming).

As part of the same study, Pleasence et al. also demonstrated the impact of using a 'difficult to solve' triviality filter in asking about problems, providing different degrees of detail in setting out problems (for identification purposes) and setting out process elements in separate questions as opposed to lists. In each case significant differences were observed.

While business respondents are likely to be more sophisticated in their understanding of legal issues and processes than the general public, such respondents will still have preconceptions of what constitute legal issues that will tend to restrict thinking. We therefore suggest that legal framing be kept to an absolute minimum in introducing the benchmark survey. Problems should also be presented in law neutral terms. Evidently, issues and problems should be set out in non-technical language. Part of the survey design process is to ensure that issue descriptions are both easily comprehensible and limit reporting to issues likely to have a legal dimension.

We also suggest that no response linked triviality filter be used within problem identification (such as on the lines indicated above, which conflates problem occurrence and problem resolution strategy). While this may lead to the initial identification of a larger number (and in some cases very large number) of problems, the use of a severity scale, etc., can be used to choose problems for follow-up. Follow-up would, in any event, need to be restricted to a sample of identified problems.

In the model surveys, we introduce a degree of triviality filtering through a focus on issues 'that diverted or distracted you or anybody else within your business, in a significant way, from everyday work activities or responsibilities'.
Pilot work could usefully focus on appropriate ways to define/introduce problems.

As regards the identification of issues/problems and steps taken to deal with legal issues, sequences of questions are generally preferable to equivalent lists, not least because they constrain satisficing (Krosnick, 1991). However, lists (often presented on showcards in face-to-face survey interviews) can provide a far more economic means to collect data. In the questionnaires set out in the appendices, more than 100 problem scenarios are set out. Clearly, to present them individually would be far more time consuming than to present them in groups, carefully designed to guide respondents quickly to problems that are relevant. This has been the approach of all the Paths to Justice surveys and iterations of the CSJS/CSJPS.

Model Questionnaires

The Structure of the Model Questionnaires

Two model questionnaires are set out in the appendices to this report; a short-form and a long-form questionnaire. As indicated above, the short-form model questionnaire is intended to provide an example of a basic ‘no frills’ survey, or developmental survey to test core questions, while the long-form model questionnaire has been designed to provide a broad range of questions and question modules likely to be of interest to sponsors of legal need type surveys focused on businesses. The long-form questionnaire is not intended to represent the optimal survey, although were it to be implemented in full, it would provide a comprehensive dataset for exploring justiciable problem experience and the factors that lie behind different approaches to legal risk management, use of legal services in non-contentious matters, problem experience and responses to problems. The long-form questionnaire, as set out, is designed for face-to-face implementation.

Both the questionnaires share key elements of their structure. This common structure takes elements from the CSJS/CSJPS and combines them with new elements designed to reflect the different nature of business respondents and their likely experience.

The questionnaires commence by obtaining outline business characteristics. The long-form questionnaire, though not the short-form questionnaire, then investigates knowledge and awareness of legal services. Both questionnaires then arrive at core modules dealing, first, with businesses’ recent use of, and relationships with, professional services and, second, their recent experience of justiciable problems (in 14 categories (see below)). In exploring recent experience of justiciable problems, both questionnaires first look to quantify problem experience. The long-form questionnaire also collects information about the nature of all problems identified and the respondent business’s capacity to deal with each category of problem identified.
Figure 6.1. Recommended Survey Structure

- **O.** Outline business characteristics
- **K.** Knowledge and awareness of legal services
- **R.** Relationship with professional services
- **P1.** Problem identification
- **P2.** Sample
  - Basic capability, strategy, process, outcome
  - No problems
- **P3.** Remainder
  - Basic strategy
- **S./A./H.** Sub-Sample
  - Detailed strategy, use of legal services, objectives, outcomes, costs, reasons, regrets
- **D.** Additional characteristics & attitudes
The long-form questionnaire then collects basic information about the most recently experienced problems in each problem category, and aggregate information about the remainder (the number of specific problems asked about, either across all categories or within sample categories, is contingent on interview duration). This information spans nature, response, process, outcome and consequences. Detailed strategy, outcome and costs information is then collected for one sample problem. The short-form questionnaire just collects strategy and outcome details for one problem category. Both questionnaires conclude by collecting further business characteristics and exploring respondent attitudes.

**Detailed Description of the Long-Form Questionnaire**

The long-form questionnaire is comprised of a series of modules that each deal with a different aspect of respondent business experience.

**O Module:** Outline of business characteristics (for context and routing)
**K Module:** Knowledge and awareness of legal services
**R Module:** Recent use of, and relationship with, professional services
**P Module:** Problem experience (Basic descriptions of problems faced and responses taken)
**S Module:** Detailed problem resolution strategy (sub-sample)
**A Module:** Use of independent advice (sub-module of S module)
**H Module:** Hopes and outcomes
**D Module:** Additional respondent characteristics and attitudes

The questions of the O module, many of which are derived or adapted from the BIS Small Business Survey, are concerned with establishing basic business characteristics (to contextualise the remaining questions and for routing\(^35\)) and identifying whether the particular respondent is an appropriate individual to answer questions on behalf of the business. The precise rules for determining eligibility are not set out, as they will vary by business size structure. In the case of a survey of micro businesses (which we have suggested should be the starting point for the Legal Services Board’s benchmarking efforts), a simple rule based on whether the respondent has ‘good knowledge of the day-to-day operations of the business across all areas of its activity’ (O3) should suffice.

The O Module is also the appropriate place for questions aimed at providing guidance to respondents to limit responses to those with a jurisdictional bearing. For example, if a business has sites in various UK

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\(^{35}\)For example, questions around employees could be used to route businesses without employees/plans to recruit past the employment problems question in the P module, although initial problem identification problems take relatively little time and routing businesses past them creates a risk of inappropriate routing (e.g. on incorrect data entry)
jurisdictions, or in the UK and abroad, clear guidance will be necessary to limit information obtained to that of relevance to the survey objectives. For example, the experiences of a business site outside the jurisdiction of the survey may be relevant if the business within the survey jurisdiction controls, or has need to understand the legal issues of, the extra-jurisdictional site. No guidelines are presented here or in the model questionnaire, as this is a matter that would need to be considered in the particular context of any given survey implementation.

To quicken progress from the O to K module, non-essential questions could be moved to the D module (at the end of the questionnaire).

The K module is aimed at identifying respondents’ understanding of adviser types. It could be augmented to include questions to test knowledge of the law, or even to include hypothetical scenarios (such as those used in Wave 1 of the CSJPS) to establish understanding of both law and appropriate responses to problem situations.

The R module provides an overview of respondent businesses’ use of legal and related services over the survey reference period, which is 1 year within the model questionnaire. There are methodological and political considerations to be had in finalising the list of services in R1, and organisations in R11 (trade organisations) and R19 (government organisations). The critical question is R1, the drafting of which is complicated by potential respondent confusion around what types of service fall within each heading set out, and the need to balance detail and coverage.

Cognitive testing indicated that the current formulation was reasonably well comprehended, that appropriate organisations were considered to fall within headings and that the mix provided a reasonable balance between detail and coverage. The list could be reduced by removing licensed conveyancers (in particular) and patent/trademark attorneys and agents, and relying on the ‘other legal advice service’ category to catch these. However, cognitive testing suggests there is no need to trim the list further. Alternatively, the patent/trademark attorney and agent category could be split to reflect the regulatory framework. However, unless piloting indicates good usage, this may be impractical. Furthermore, it is questionable whether many respondents will appreciate the difference. Again, this was evident from cognitive testing.

Where use of services is identified, then the number of services of each type is established, along with the details of ‘other’ service types. Questions R3 and R4 establish (in aggregate for each category (accountant, legal services, other independent advice services, specialist support service)) whether there is a retainer type agreement and, separately, whether there is an intention to use the same service(s) in the future.

36 Details are set out in Appendix A2.
Some legal services identified through R1 will be part of the services offered by trade organisations in R11, and subsequent questions are designed to pick this up.

Question R5 is used to determine the category of issue that services are obtained in respect of. Unlike for the P Module problem identification questions, these are not constructed to limit data to justiciable issues. So, supplementary questions are asked to determine what percentage of the service concerned law and what percentage concerned ‘routine/non-contentious’ matters. Inevitably, answers to these questions will go beyond many respondents’ understanding. However, they will provide at least some indication of the use of non-traditional legal services to deal with legal issues. An option would be to provide prompting, with examples of relevant legal issues dealt with by service providers in the category, but this would increase interview duration somewhat.

The First section of the R module then moves to questions concerning mode of access and value of services. Similar sequences of questions to those asked of services are then asked of trade and government organisations.

The R module concludes with questions around the use of online legal services, and general approach to dealing with legal issues. These overlap the earlier questions, but this was thought the most appropriate way to ensure full disclosure.

The P module is constructed along very similar lines to the equivalent sections of the CSJS/CSJPS, and is aimed at identifying justiciable problems faced in the survey reference period. This is done by presenting respondents with lists (on showcards) of (122) problem descriptions in 14 categories:

- Trading
- Tax
- Crime
- Employment
- Workplace related injuries/illness
- Business premises
- Rented/leased out premises
- Debt/insolvency
- Insurance
- Intellectual property
- Government regulation
- Nuisance/environmental
- Business set-up and ownership
- Other
The words used to introduce problems were changed significantly following cognitive testing, which demonstrated the particular ambiguity of terms such as ‘problem’ in a business context.

Whenever a respondent indicates that problems have been experienced, a short series of questions (P2-P7) establishes the number of problems experienced, the capability of the business to deal with such problems, where responsibility for dealing with problems falls within the business, and how serious such problems are for the business. A loop of questions (P8-P26) then obtains further details of the two most recent problems faced.

Two issues arise here. The first is the appropriate number of problems to automatically follow-up in each category. The questionnaire is drafted for two problems, but this may need to be reduced to one problem if interviews could become overly long. Second, for businesses that experience many problems within a category the two most recent may well have only just commenced, in which case data would be largely incomplete.

One option would be for only concluded problems to be asked about. This also has the benefit of yielding fully usable data for all problems, as a complete strategy picture is available for concluded problems, rather than a provisional one. However, this approach runs a risk of no data being collected for low problem incidence businesses. Another option would be to have a severity threshold for follow-up, with reference to question P7 (which would have to be asked of all respondents). Only piloting will allow effective decisions in this area.

The P8-P26 loop of questions covers the nature of the ‘other side’ (although here there is an issue around whether there will always be an ‘other side’), the character and severity of problems, the strategy adopted to resolve problems, the type of external help sought (and success in obtaining help), mode of access to advice, Internet use, process, representation at court, outcome, consequences and, finally, dates.

Recognising that businesses may face many similar problems, a final series of P module questions asks for aggregate data for the remaining problems faced. Aggregate data is collected for strategy, sources of help, process and outcome.

Linked to the earlier issue identified in relation to high problem incidence businesses, there is a general issue (that will be capable of resolution only in light of pilot work) about whether to collect only aggregate data for such businesses. This would both limit interview duration and avoid difficulties identifying specific problems in a coherent manner. If this were the case, and in any event if there are businesses that experience large numbers of problems within single categories, analysis may have to be separately conducted for low and high problem incidence businesses, to avoid the formers’ problems being weighted downwards too much (to maintain the representativeness of the sample).
The S module collects information for one sample problem for each respondent business (that has faced problems). This information allows a detailed picture of problem resolution strategy to be built up. Respondents are first asked about communications with the other side. They are asked about help sought from ‘friends or colleagues working in other businesses’, external advisers, and the Internet, both in terms of what was looked for and what was obtained. For advisers, an additional module (the A module) provides questions about the first four sources of external advice, to obtain more detailed data regarding reasons for using the source, mode of access and cost. The S module then asks about additional problem resolution activity undertaken by businesses themselves. Finally, the S module asks about the reasons for strategy choices and regrets.

The H module, an independent series of questions in the S module, asks about hopes and outcomes in relation to the sample problem asked about in the S module. It aims to yield a monetary value for all problems.

The D module collects further information about the businesses surveyed, including turnover and diversity. Some of the data obtained is specifically intended for use in statistical models of experience and behaviour (e.g. details of business ownership and clients), and links to prior research findings and theorising. The D module (along with question O15) also explores whether concerns about the law inhibit growth. Finally the D module looks to establish businesses’ attitudes to risk (including legal risk), the law, legal processes and legal services.

**Categorisation of problems and comparison of problem categories with the Oxera framework**

*Problem Categorisation*

The types of justiciable issues and problems included in the model questionnaires (and their grouping) reflect our understanding of the justiciable issues and problems likely to experienced by small businesses. This has been informed by the broad academic literature on the activities and obstacles facing small businesses, the results of previous business ‘legal need’ surveys, the Oxera framework, the information provided by trade associations, comments of project reference group members, and comments made by businesses participating in cognitive testing.

The range of issues covered by previous surveys of the justiciable problems faced by businesses were set out in Table 3.1, but further detail is provided in Tables 6.1 to 6.3.

A detailed comparison of the approach taken in the questionnaires and the Oxera framework is provided in the next sub-section.
Table 6.1. Problems included in the Connecticut legal need survey

<table>
<thead>
<tr>
<th>Matters for adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise delivery dispute</td>
</tr>
<tr>
<td>Bills uncollected</td>
</tr>
<tr>
<td>Improper billings</td>
</tr>
<tr>
<td>Wage dispute</td>
</tr>
<tr>
<td>Accidents</td>
</tr>
<tr>
<td>Landlord-tenant disputes</td>
</tr>
<tr>
<td>Loans endorsed</td>
</tr>
<tr>
<td>Preventative transactions</td>
</tr>
<tr>
<td>Incorporation</td>
</tr>
<tr>
<td>Purchase of business</td>
</tr>
<tr>
<td>Instalment buying</td>
</tr>
<tr>
<td>Income tax buying</td>
</tr>
<tr>
<td>Other taxes</td>
</tr>
<tr>
<td>Government permit</td>
</tr>
<tr>
<td>Insurance</td>
</tr>
<tr>
<td>Investment</td>
</tr>
<tr>
<td>Loans received</td>
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<tr>
<td>Mortgage</td>
</tr>
<tr>
<td>Rent</td>
</tr>
<tr>
<td>Property arrangement</td>
</tr>
<tr>
<td>Automobile sale or purchase</td>
</tr>
</tbody>
</table>

Table 6.2. Problems included in the Hong Kong legal need survey

<table>
<thead>
<tr>
<th>“Business-related” (Trading)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of goods/services purchased</td>
</tr>
<tr>
<td>Quality of goods/services sold</td>
</tr>
<tr>
<td>Other disputes relating to business transactions</td>
</tr>
<tr>
<td>Disputes over fees charged by professionals</td>
</tr>
<tr>
<td>Negligence of company staff</td>
</tr>
<tr>
<td>Commercial contracts</td>
</tr>
<tr>
<td>Operation or management of business</td>
</tr>
<tr>
<td>Tax and regulation</td>
</tr>
<tr>
<td>Application for licenses</td>
</tr>
<tr>
<td>Fines imposed by government departments</td>
</tr>
<tr>
<td>Company regulations</td>
</tr>
<tr>
<td>Tax assessment</td>
</tr>
<tr>
<td>Occupational safety and hygiene</td>
</tr>
<tr>
<td>Employment</td>
</tr>
<tr>
<td>Employment contracts</td>
</tr>
<tr>
<td>Salaries and bonuses</td>
</tr>
<tr>
<td>Other terms and conditions of employment</td>
</tr>
<tr>
<td>Employee misconduct</td>
</tr>
<tr>
<td>Complaints made by employees</td>
</tr>
<tr>
<td>Workplace injury/health</td>
</tr>
<tr>
<td>Accidents affecting employees in workplace</td>
</tr>
<tr>
<td>Accidents affecting employees while on duty outside workplace</td>
</tr>
<tr>
<td>Health problems of employees caused by working environment</td>
</tr>
<tr>
<td>Health problems of employees caused by work arrangements</td>
</tr>
<tr>
<td>Business premises (rented)</td>
</tr>
</tbody>
</table>
Rental agreement  
Payment of rent  
Termination of rental agreement  
Recovery of rental deposit  
Repairs or maintenance  
**Business premises (owned)**  
Conveyancing  
Repairs or maintenance (communal)  
Repairs or maintenance (internal)  
Other property management issues  
**Renting out property**  
Rental agreement  
Default in payment of rent  
Termination of rental agreement  
Damage by tenants  
**“Other money matters”**  
Getting money back from debtors  
Money disputes with other companies  
Problems with creditors or debt collectors  
Insurance claims  
Insolvency / bankruptcy  
**Intellectual property**  
Application for patents, trade marks, service marks or copyright  
Violation of patents, trade marks, service marks or copyright  
Alleged violation of patents, trade marks, service marks or copyright  
Compliance with copyright/licensing requirements  
**Other**  
Hire of foreign workers / importation of labour  
Defamation

<table>
<thead>
<tr>
<th>Table 6.3. Problems included in the Dutch legal need surveys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment for goods/services purchased</td>
</tr>
<tr>
<td>Quality, quantity or timeliness of goods/services purchased</td>
</tr>
<tr>
<td>Payment for goods/services sold</td>
</tr>
<tr>
<td>Quality, quantity or timeliness of goods/services sold</td>
</tr>
<tr>
<td>Taxes or duties</td>
</tr>
<tr>
<td>Application for permits</td>
</tr>
<tr>
<td>Working conditions, wages or downsizing</td>
</tr>
<tr>
<td>Environmental pollution, odours or noise (pilot only)</td>
</tr>
<tr>
<td>Serious crime or fraud (2\textsuperscript{nd} survey only)</td>
</tr>
<tr>
<td>Liability/settlement of damages claims (2\textsuperscript{nd} survey only)</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

**The Oxera Framework**  
The model long-form questionnaire set out in Appendix 2 has been structured to provide data consistent with the Oxera ‘framework to monitor the legal services sector’, commissioned by the Legal Services Board in 2011. The same applies also for the limited range of questions incorporated into the short-form questionnaire set out in Appendix 1.
At the highest level of the framework, Level 1, the Oxera framework distinguishes between three types of non-natural legal person; ‘less sophisticated’ legal persons, ‘sophisticated’ legal persons and government bodies (Oxera Consulting 2011, p.17). In the context of the current project, the first two of these are relevant.

A key measure of ‘sophistication’ is suggested to be the presence of ‘an in-house legal team/employee’, with size of organisation a consideration when this is not known. Within the model questionnaire there are questions asking about legally trained/experienced staff working within respondent organisations, along with questions to ascertain organisation size (O module). In addition, there are questions to identify organisations’ prior experience of dealing with reported justiciable problems (P module), and to identify on-going relationships with external legal service providers (R module).

At the lowest level of the Oxera framework, Level 3, it distinguishes between for-profit and not-for-profit non-natural legal persons, and organisations of different size and with different turnover. Within the model questionnaire a single question establishes whether the respondent organisation is for-profit, and a further question establishes turnover (O module). As detailed above, organisation size is also captured.

Turning to types of law, the Oxera framework provides 13 categories of law relevant to non-natural non-governmental legal persons at Level 1, split into contentious and non-contentious at Level 2, with 35 contentious and 26 non-contentious types of law at Level 3 (Table 6.5).

The R module of the model questionnaire explores business’s use of legal services in relation to a set of 13 broad legal categories, which map directly (with one disaggregation) to 14 categories of justiciable problem around which the P module revolves. The 13 R module and 14 P module categories do not specifically distinguish between contentious and non-contentious issues, although all are potentially contentious. Within the 14 P module categories sit 122 narrowly defined justiciable problem types.

Comparing first the Level 1 categories within the Oxera framework and broad categories within the R and P modules of the model questionnaire, it can be seen from Table 6.4 that there is a substantial degree of consistency. The main differences relate to one or other of the frameworks aggregating corresponding categories, rather than substantive inconsistency. However, it is to be noted that there is no equivalent to the ‘other public and administrative law’ Oxera category within the model questionnaire, as this includes aspects of process rather than issue/problem areas.
Moreover, as is evident from Table 6.5, the model questionnaire maintains a greater level of detail, at the equivalent of Level 3, across categories. This is particularly so, for example, in the key area of ‘trading’ (which is primarily dealt with through the Oxera ‘consumer problems’ category).

Turning to types of legal activity, Level 1 of the Oxera framework draws a distinction between research and advice on transactional matters/document preparation, notarial activities, advice on (potentially) litigious matters, and representation. Level 2 sees these split into unreserved and reserved activities.

### Table 6.4. Oxera framework Level 1 and broad R/P module categories

<table>
<thead>
<tr>
<th>Oxera framework Level 1</th>
<th>Model questionnaire Broad justiciable problem categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crime - defence</td>
<td>Crime</td>
</tr>
<tr>
<td>Injury</td>
<td>Work related injuries/illness</td>
</tr>
<tr>
<td>Conveyancing</td>
<td>Business premises (and Leased out property)</td>
</tr>
<tr>
<td>Property, construction and planning</td>
<td>Employment (excl. work related injury/illness)</td>
</tr>
<tr>
<td>Immigration and nationality</td>
<td>Trading</td>
</tr>
<tr>
<td>Consumer problems</td>
<td>Intellectual property</td>
</tr>
<tr>
<td>Intellectual property rights</td>
<td>Tax</td>
</tr>
<tr>
<td>Corporate taxation</td>
<td>Debt/insolvency</td>
</tr>
<tr>
<td>Corporate structuring and finance</td>
<td>Insurance</td>
</tr>
<tr>
<td>Other business affairs</td>
<td>Government regulation</td>
</tr>
<tr>
<td>Other public and administrative law</td>
<td>Environmental/nuisance</td>
</tr>
<tr>
<td>Other</td>
<td>Other</td>
</tr>
</tbody>
</table>

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Turning to types of legal activity, Level 1 of the Oxera framework draws a distinction between research and advice on transactional matters/document preparation, notarial activities, advice on (potentially) litigious matters, and representation. Level 2 sees these split into unreserved and reserved activities.

### Table 6.5. Oxera framework Level 3 and detailed R/P module problem types

<table>
<thead>
<tr>
<th>Oxera Level 1</th>
<th>Oxera types of law</th>
<th>P module detailed justiciable problem types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crime</td>
<td>Motoring offences</td>
<td>Road traffic offences (staff)</td>
</tr>
<tr>
<td></td>
<td>Fraud and forgery</td>
<td>Theft/fraud (staff)</td>
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<td>Fraud/misrepresentation</td>
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<td>Intimidation/harassment</td>
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<td>Drug offences</td>
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<td>Blackmail</td>
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<td>Injury</td>
<td>Injury at work</td>
<td>Employee injury at work</td>
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<td>Road traffic accidents</td>
<td>Client/customer injury</td>
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<td>Slips and trips</td>
<td>Other person injury</td>
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<td>Employee illness caused by work</td>
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<td>Client/customer illness</td>
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37 Leased out property is a separate ‘problem’ category within the P Module of the draft questionnaire.
<table>
<thead>
<tr>
<th>Property, construction and planning / Conveyancing</th>
<th>Clinical negligence</th>
<th>Other person illness</th>
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<tr>
<td>Landlord and tenant</td>
<td>Terms of rental agreement/lease</td>
<td>Repairs/maintenance/provision of services</td>
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<td>Repossession</td>
<td>Boundaries/rights of way (rented property)</td>
<td>Recovery of rental deposit</td>
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<td>Repossession/threat of repossession</td>
<td>Boundaries/rights of way (owned property)</td>
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<td>Planning applications</td>
<td>Planning permission</td>
<td>Squatters</td>
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<td>Terms of rental agreement</td>
<td>Rent arrears</td>
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<td>Property finance</td>
<td>Termination of rental agreement</td>
<td>Damage caused by tenants</td>
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<td>Property leasing</td>
<td>Conveyancing</td>
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<td>Commercial conveyancing</td>
<td>Divorce</td>
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<td>Employment (excluding injury at work)</td>
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<td>Dismissal (or threat of dismissal)</td>
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<td>(exiting injury at work)</td>
<td>Redundancy</td>
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<td>Contract terms</td>
<td>Parental (including maternity) leave/pay or flexible working requests</td>
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<td>Pensions</td>
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<td>Other employment contract issues</td>
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<td>Other employment contract issues</td>
<td>Payment of wages/pension</td>
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<td>NI and visa issues</td>
<td>Adjustment to jobs/workplace for disabled workers</td>
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<td>Consumer problems</td>
<td>Complaints/grievances made by employees/job applicants (including allegations of discrimination and harassment)</td>
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<td>(Other business affairs)</td>
<td>Employment of non-EU nationals</td>
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<td>Sale of goods and services</td>
<td>Goods/services not as described/poor quality/fit for purpose (consumer)</td>
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<td>Hire purchase agreements</td>
<td>Late delivery (consumer)</td>
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<td>Time shares</td>
<td>Distance selling (consumer)</td>
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<td>Motor vehicles</td>
<td>Late or non-payment (consumer)</td>
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<td>Procurement</td>
<td>Disagreement over price (consumer)</td>
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<td>(Other business affairs)</td>
<td>Other contract problems/disputes (consumer)</td>
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<td>Debt collection</td>
<td>Problems trading internationally</td>
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<td>(Other business affairs)</td>
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<td>Intellectual property</td>
<td>Patents</td>
<td>Patents (protection)</td>
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<td>Patents (infringement)</td>
<td>Trademarks (protection)</td>
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<td>International taxation</td>
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<td>Corporate structuring and finance</td>
<td>Merger</td>
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<td>Mergers and acquisitions</td>
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<td>Joint ventures</td>
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<td>Privatisations</td>
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<td>Issuance of securities</td>
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<td>Corporate insolvency</td>
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<td>Business registration</td>
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<td>(Other business affairs)</td>
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<td>Debt</td>
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<td>Administration</td>
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<td>Company/Individual Voluntary Arrangement</td>
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<td>Debt relief order</td>
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<td>Bankruptcy</td>
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<td>Winding up</td>
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<td>Environmental:</td>
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<td>Noise, odour or other nuisances stemming from your business (i.e. caused by your business)</td>
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<td>Noise, odour or other nuisances interfering with your business (i.e. caused by others)</td>
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<td>General recycling and waste disposal (def)</td>
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<td>Land contamination (def)</td>
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<td>Land contamination (claim)</td>
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</tbody>
</table>
| Competition/regulation Licensing | Property damage caused by your business activities  
Damage cause to your business property by others (excluding criminal damage)  
**Regulation:**  
Mandatory licenses/permits/accreditation  
Product safety  
Other health and safety  
Data protection  
Import/export regulation  
Mandatory insurance  
Annual company accounts  
Audit  
Other government regulation |
|---|---|
| Other | Libel and defamation  
Compensation from fraud | Defamation  
Incorrect information held by a credit reporting agency  
Mismanagement of business money/ investments |
| Other public and administrative law | Judicial review  
Public inquiries |

Within the P module, questions P18, P18b and P19 address the procedural dimension of problem resolution. These have been drafted to capture the information required to match the Oxera categories. Information is collected on whether legal proceedings commenced, whether there was a court hearing and whether there was representation at a court hearing. Court proceedings and tribunal proceedings are dealt with separately to maximise consistency. Further detail is also available through the A sub-module of the S module (questions A1 and A2). For example, the type of help obtained from advisers – such as document preparation - is captured here, with information on use of the Internet to download documents also collected.
Summary and Recommendations

This report sets out a framework for benchmarking small business consumers' need for and use of legal services. The framework is grounded in the tradition of 'legal need' surveys that originated in the United States' recession of the 1930s. These surveys have become increasingly sophisticated and used around the world. However, only two recent legal need studies have focused on the business experience of law.

There are 4.5 million businesses in the UK, of which the vast majority are small. Indeed, 74% of all enterprises have no employees. There is no single or legal definition of small businesses or SMEs, with definitions varying between different organisations that collect data on businesses, whether they are private sector organisations, government agencies, or transnational bodies, such as the EU (EU). A key definition and segmentation was provided by the EU in 1996, and subsequently updated in 2003. This forms the basis for the current BIS definition and segmentation, which sees SMEs simply divided into those with up to 9 employees, those with between 10 and 49 employees, and those with between 50 and 249 employees.

**Recommendation 1**
The BIS definition and segmentation should be adopted for the purpose of the Legal Services Board's benchmarking of small business consumer's need for and use of legal services. Definitions should apply to businesses as a whole, not branches, plants or subsidiaries.

Single-person businesses make up a significant proportion of all enterprises and are likely to be among the least sophisticated in their understanding of the legal and regulatory framework within which they operate, as well the least able to independently deal with adverse justiciable issues.

**Recommendation 2**
Data collection for any benchmarking should be designed so that single-person businesses can be distinguished from other micro businesses.

Owing to the particular situation of micro businesses and the additional methodological challenges attach to the collection of comprehensive data from larger organisations, an initial focus on micro businesses would be prudent.

**Recommendation 3**
Initial research should focus on micro businesses, with larger businesses being incorporated as the research tools are proved and developed.
There is an extensive literature concerned with describing and predicting the issues and problems that businesses face. While analysis is often predicated on an a view that businesses have a typical life cycle, a situational rather than an organismic framework is more apt to an understanding of the legal issues that small businesses face. The justiciable issues and problems that small businesses face might be expected to link more to their structure, activities, transitions and proximity to tipping points than their age, origins or ultimate destiny.

Even before businesses form, complex legal issues can be involved in decisions around such things as business structure, ownership and funding. Formation itself is wrapped up with legal reporting requirements, and brings with it a host of legal responsibilities. And then, beyond that, once businesses commence trading, almost all aspects of their operation will involve justiciable issues that could give rise to justiciable problems.

Most small businesses do not seek growth. However, for businesses that grow, both the increased likelihood of reaching tipping points and participation theory suggest that an increase in exposure to justiciable issues and problems will follow.

Past surveys of legal need provide an indication of the incidence of justiciable issues within the small business context. The original Connecticut survey found that small businesses had faced an average of 3 non-contentious and 1 contentious justiciable issue over the previous 12 months. The most common non-contentious issues faced concerned taxes, property rental, government permits, insurance and loans. Non-payment for goods or services and disputes around delivery were the most common contentious issues, accounting for more than 80% of disputes.

The 2006 Hong Kong survey found that small and medium sized businesses experienced 1.4 difficult-to-solve problems over a single year. ‘Money matters’ (mostly comprised of issues around obtaining money owed) were the most commonly reported problems, with problems concerning the quality of goods and employment issues also common.

Again, the 2007 Dutch surveys found that problems concerning “payment for goods supplied or services” were the most voluminous.

The recent AIA research for the Legal Services Board found that maintaining cash-flow, through obtaining timely payment for goods or services, appeared to be “the biggest single issue ... for all small businesses.” Tax, health and safety, employment and contract issues were also reported as common.

A small survey of trade bodies conducted to inform this project found regulation and employment issues to be of greatest concern, with trading, contract and health and safety issues joining these as the most common.

Evidence from tribunals and courts supplements that provided by past research. Reflecting the prevalence of and concern about employment related issues, 218,000 claims were made to Employment Tribunals in the 2010-2011.
financial year. This represents an average of one claim per 5 businesses that had employees. 1,231,171 money claims were brought in the County Court in 2010.

Small businesses tend to have a narrower range of internally available skills, relatively few prior encounters with justiciable issues upon which to construct protocols, and less scope to purchase specialist services. The informality of many small business operations can also result in breaches of regulations. Small businesses are also, more generally, known to be resistant to legal regulations, due to the administrative burdens they impose. This is particularly apparent in respect of the provisions of employment legislation. There has also been suggestion that sole traders are more willing to take calculated risks around adherence to regulations.

A broad range of legal advice, representation and support services is available to small businesses. The most obvious type of law related service provider is the solicitors’ firm. However, accountants are the main source of external law related professional support to small businesses. Other legal service providers include barristers, patent and trademark attorneys (and agents) and licensed conveyancers. To these must then be added consultancy businesses providing law related services in fields such as employment and health and safety, along with companies providing more extensive law related support, in relation to such things as HR and payroll support and property management. There are also a great many companies offering support for contentious justiciable issues, the most prominent of which are debt collection and recovery firms. Legal services can also be wrapped up in the services provided by other organisations. For example, business associations and trade bodies frequently provide help in relation to legal issues faced by member businesses. A sizeable proportion even offer dedicated legal helplines. Then there are chambers of commerce, local enterprise agencies, Business Link and other not-for-profit and governmental organisations offering independent advice (e.g. ACAS). And, of course, as with individuals, businesses may choose to seek advice and other support of a legal nature from many sources that are not obviously able to provide it.

The 1997 University of Cambridge Centre for Business Research (CBR) National Small and Medium Size Business Survey found that over a 3 year period 83% of SMEs had made use of an accountant, and 56% had made use of a solicitor. Growing firms were most likely to have sought external advice, and advice seeking was also linked to business size, with larger businesses more likely to have obtained external advice. More recently, the 2010 BIS Small Business Survey found that 49% of SME employers had obtained external advice within the past 12 months, with 37% of SME employers obtaining advice from an accountant. Lawyers were utilised by 10% of SME employers overall, although this figure varied considerably by sector, with 17% of those businesses engaged in ‘other services’ using lawyers.
The early Connecticut legal need survey found that almost no outside help was obtained in respect of non-contentious issues (6% of issues). However, it was obtained in respect of more than half of contentious issues reported. The 2006 Hong Kong survey found that SMEs obtained assistance from outside parties in relation to around one-quarter of difficult-to-solve justiciable problems. A 2007 Dutch survey found that 25% of SMEs engaged a lawyer at some point during the preceding year. In relation to serious justiciable problems, collections agencies were the most commonly used legal services provider, followed by lawyers, court bailiffs and the courts. Other providers of legal services were noted to be accountants, mediators, insurers, trade organisations and the police.

As with the Hong Kong study also, the recent AIA research indicated that, when support is sought about justiciable issues, those running small businesses will generally first look to friends, family, colleagues and associates. The research also found that small businesses perceive formal legal advice as expensive, time-consuming, serious and a last resort. It also found that some non-lawyer advisers, such as accountants, are commonly relied upon to provide support in relation to justiciable issues.

Small businesses’ experience of justiciable issues and their use of legal services imprints on a range of individuals, organisations and institutions, each of which can provide some account of the experience. A variety of approaches can therefore be taken to investigating the need for and use of legal services. However, surveys of those running businesses represent the only means to capture information about justiciable problems that are not conceived as legal, do not involve advice and do not involve formal process.

**Recommendation 4**

A ‘legal need’ survey of small businesses constitutes the best option for the Legal Services Board to benchmark small business consumers’ need for and use of legal services.

A requirement of any successful survey research is a viable and coherent sample frame. Importantly, it should provide good coverage of the target population. However, obtaining a small business sample frame that is up to date and includes all businesses currently trading is not straightforward, especially given the high rate of business churn, as new firms are established and closed. There is no simple alternative to the small-user postcode address file (PAF), commonly used for surveys of individuals. A number of large-scale sample frame sources exist. The Inter-Departmental Business Register (IDBR) covers 2.1 million businesses, accounting for 99% of UK economic activity, though a much lesser percentage of businesses. However, the limiting of the IDBR to businesses that are VAT registered, have employees or are incorporated excludes some low turnover partnerships and sole traders without employees, and this is
problematic. For example, 2.9 million of the 4.5 million businesses in the UK are sole traders and more than 2.5 million have no employees. This IDBR does not include email addresses, and although telephone numbers are included as a variable, they may not always be available. However, postal addresses are included. Non-departmental public bodies do not have full access to the extensive disclosive IDBR data, which includes firm contact details. There are also commercial large-scale sample frame sources. Dun & Bradstreet and Experian, both credit rating agencies, collect and maintain databases on businesses in the UK. The main Dun & Bradstreet database holds details of 2.5 million active businesses, has been described by CBR researchers as being high quality and up-to-date, and has been used for both the CBR SME surveys and the BIS Small Business Survey. The Experian pH Megafile holds records of 3.7 million live businesses. While the pH Megafile appears substantially larger than the IDBR, it is not clear how many non-active firms are included within the database. However, its size suggests that it may better represent partnerships and sole traders; though their commercial ‘visibility’ in databases may still reduce their representation in the pH Megafile. Thomson, a provider of direct marketing services, also has a database of over 2 million businesses, smaller than the Dun & Bradstreet and Experian databases. All three large-scale commercial databases contain data that is similar to that in the IDBR.

In addition to large-scale sample frame sources, a number of market research companies maintain panels of small businesses. Furthermore, at a sector level, regulatory and trade organisations hold details of businesses. There are advantages of utilising organisations such as trade bodies as intermediaries in surveys. As well as potentially providing sample frames neatly defined by business sector, the sponsorship of a respected body is likely to boost response rate. However, the coverage of trade organisations is not always substantial, and members of such organisations may not reflect the wider business population in any given sector. Crucially, also, trade bodies generally provide support for their members facing justiciable issues, and some provided extensive legal services. Thus, advice seeking behaviour of member organisations could not be taken to be representative of businesses in the sectors concerned unless membership extended to the great majority of such businesses.

**Recommendation 5**

A sample frame derived from one of the commercial database companies would provide the best option for a benchmarking survey. Of the companies, we consider Dun & Bradstreet and Experian to be most likely to hold current, comprehensive and accurate data of the type required.
A survey’s sample size should permit conclusions to be made with a level of uncertainty tolerable for key survey statistics within the cost constraints of the survey. It is not an arbitrary choice based on what other surveys have done, nor should it be calculated as a particular proportion of the frame population size. One common method of determining an appropriate sample size is to determine the sample size required to provide a predetermined standard error for a specific key statistic. However, relatively few surveys (including this one) can be reduced to a single key statistic. Compromises are likely to need to be made on the sample design and sample size required to address research questions within budgetary constraints. In the context of multi-purpose surveys, sample size is a matter of art as well as science. The Hong Hong SME legal need survey had a sample size of 1,813, and the Dutch surveys around 2,000. The BIS Small Business Survey has a sample of 4,000. Experience with the CSJS/CSJPS suggests that while a sample size of 2,000 can provide a range of high-level estimates and illustrate some patterns of experience, a sample size of 4,000 can yield reasonably reliable and detailed results across a broad range of areas. However, if survey data is to be used to monitor change over time for key statistics, then further considerations come into play. Again, though, a sample size of around 4,000 would be adequate to identify modest changes in key statistics (e.g. 4,300 per survey for two surveys would identify a change in the percentage using legal advice from 40 per cent to 43 per cent with an alpha of 0.05 (two-tailed) and 80 per cent power).

**Recommendation 8**
A sample size of 4,000 would provide reasonable power to observe modest (though not small) changes in time for high-level estimates. It would also enable analysis at a reasonable level of detail.

In the context of the CSJS, a small sample survey was undertaken in 2001 to demonstrate the profound difference of experience of those living in temporary accommodation, as compared to the general population. In the context of a business-focused survey, a similar approach might be taken to explore the experience of medium sized businesses, which make up just 0.6% of SMEs, yet account for 20% of employment and 29% of turnover in the SME
sector. However, small businesses (excluding micro-businesses) may be less appropriate for such an approach, given their far broader range of legal forms, business structures and activities.

There are four main modes used to administer surveys; face-to-face, telephone, Internet (web based) and mail. Surveys also vary in whether they are interview based or self-administered. In practice, combinations of modes are also frequently used. In choosing a mode of administration, there are two basic issues to be addressed. What is appropriate, given the research question? What is the impact of a particular mode of data collection on survey errors and costs? In the case of the benchmark survey, data coverage is best for physical addresses and telephone numbers, with poor coverage for email addresses. Face-to-face surveys usually yield the highest cooperation and lowest refusal rates, allow the longest questionnaires and high levels of complexity, and are generally regarded as producing the highest quality responses. Telephone methods are relatively inflexible, and suffer from related limitations in the degree to which sensitive or complex issues can be addressed. However, they are economical, and provide an alternative should face-to-face prove unaffordable.

**Recommendation 9**

If affordable, we recommend a face-to-face survey, which would be likely to combine the highest data quality with the greatest potential for survey length, flexibility and complexity.

Constraining maximum interview length is an important consideration in the context of the business benchmark survey. The questionnaires set out in the appendices to this document therefore provide a full range of options for going forward. The short-form questionnaire is designed primarily for testing the novel and critical aspects of the survey, although it could be used as part of a low-cost representative survey were a substantial survey not a viable proposition. The long-form questionnaire is designed to provide questions and question modules that are likely to be of interest to sponsors of business focused legal need surveys. These can be selected from in building up a questionnaire for implementation. The number of times respondents would be presented with ‘loop’ questions should be set to yield an appropriate average and maximum interview duration.

Owner-managers/managing directors should be the first port of call for interviews in the case of small, and particularly micro businesses.

In testing elements of the survey, piloting should ultimately utilise the same mode of delivery as main-stage fieldwork. However, developmental and initial pilot survey work could utilise a lower cost mode of delivery. If main-stage fieldwork is to be face-to-face, we suggest that online developmental/initial pilot surveys are appropriate, given the possibility of presenting questions in a very similar form.
**Recommendation 10**
If main-stage fieldwork is conducted face-to-face, developmental and *initial* pilot survey work could appropriately be conducted online to reduce costs.

While a longitudinal survey would enable the experience of particular businesses to be tracked over time, a real concern is that churn among businesses will impact unduly on panel integrity. Moreover, the nature of businesses ceasing to be a part of the survey may differ in important ways (e.g. business failure), which may link to core aspects of the survey. A cross-sectional approach would be prudent, in the first instance – although consent to follow-up could be obtained from respondents to allow the issue to be reconsidered in the light of the baseline survey.

**Recommendation 11**
The survey should be run on a cross-sectional basis, though the option to move to a longitudinal form should be kept open until a follow-up to the baseline has commenced.
References


Genn, G. (1999)


This appendix sets out the text and routing of a model short-form questionnaire, optimised for a face-to-face or web administration. It is comprised of a series of sections that each deal with a different aspect of respondent experience.

**Section A:** Business characteristics  
**Section B:** Use of business support services  
**Section C:** Problem experience  
**Section D:** Problem resolution strategy (sub-sample)  
**Section E:** Aggregate resolution strategy (sub-sample)  
**Section F:** Additional characteristics and attitudes

While the survey derives many structural and content elements from well-established surveys of justiciable problems, and some elements have been subjected to cognitive testing, it has not been piloted and is largely untested. Given the uniqueness of the business context, the diversity of business respondents, and the broad range of issues and behaviours that the survey deals with, any implementation of elements of the questionnaire should be preceded by thorough piloting.

As with the questionnaire in the following appendix, a key issue is how many individual services and problems to ask (potential) loop questions about.

**Draft Pilot Survey of Small Business Use and Need for Support Services**

[NOTE: In the following questions [12 months] should be calculated from the month of interview. For example, if an interview is taking place in April 2012, then substitute ‘April 2011’]

**SECTION A. BUSINESS CHARACTERISTICS**

1. What is your position in the business?
   1. Owner
   2. Partner
   3. Director
   4. Other

2. Are you the most senior person in day-to-day control of your business?
   1. Yes
   2. No

3. [If Q2=2]
Do you have a good knowledge of the day-to-day operations of your business across all areas of its activity?

1. Yes
2. No

[IF Q3=2 THANK AND END]

4 Is your business a company, a partnership or are you a sole proprietor (also known as a sole trader)?

1. Sole proprietor/sole trader
2. Private limited company (Ltd)
3. Public limited company (PLC)
4. Limited partnership (LLP)
5. Partnership
6. Other (specify)

5 How many years has the business been trading?

YEARS/MONTHS

6 How many people work within the business, including yourself?

NUMBER

7 What is the main activity of your business? (i.e. what is made or done by the business?)

OPEN TEXT

8 Are you [If business contains >1 person (i.e. Q6>1) ‘or is anybody else within your business’] a qualified lawyer?

1. Yes
2. No

9 [If Q8=1]

What areas of legal specialism do you have within the business?

1. Contract
2. Tax
3. Crime
4. Employment
5. Personal injury
6. Property
7. Intellectual property
8. Regulation/competition
9. Business ownership
10. Other (specify)

SECTION B. USE OF BUSINESS SUPPORT SERVICES

10/11 Which of these independent professional services has your business made use of since [12 months] and at any time before that? Please exclude any services that are part of your business

[Two columns of tick boxes, one for past year (Q10), one for earlier than past year (Q11)]

1. Accountant
2. Tax adviser
3. Financial adviser
4. Solicitors’ firm
5. Barrister
6. Licensed conveyance
7. Patent/trademark attorney/agent
8. A legal helpline
9. Another legal service (specify)
10. Citizens Advice Bureau or similar independent advice agency
11. Debt collection/recovery service
12. HR/Employment service (includes outsourcing)
13. Other business support service (specify)
14. None of the Above

12 [ALL]

Do you have an on-going contract with any organisation to provide such legal services – in general, or of a particular type - as your business requires?

1. Yes
2. No

13 [If Q10=12]

Do you have on-going contract with an HR/Employment service?

1. Yes
2. No

14 [For each service identified where Q10=4-9]
In which areas did a service you have mentioned help your business in the past 12 months?
[Matrix of tick boxes with columns for each Q10 (4-9) item]

1. Trading (including commercial contracts)
2. Tax
3. Crime
4. Employment (excluding work related injury/illness)
5. Work related injury/illness
6. Business premises
7. Finance/insurance
8. Debt
9. Intellectual property
10. Government regulation/competition
11. Environmental/nuisance
12. Business set-up/legal-status/ownership
13. Other (specify)

15 [For each service identified where Q10=4-9]

What was the predominant means your business used to communicate with its [insert indicated Q10 item 4,5,6,7 or 9] over the past year?

1. In-person meetings
2. Telephone conversations
3. Correspondence by post
4. Through someone else
5. Texting
6. Email
7. Internet (excluding email)

16 [ALL]

How important are legal services to the running of your business?
1. Very Important
2. Important
3. Moderately Important
4. Of Little Importance
5. Unimportant

17 [ALL]

Including any services you have already mentioned, did your business use the Internet to do any of the following things in the past 12 months?

1. Download a contract
2. Download a standard terms and conditions template
3. Download another type of legal document template
4. Obtain information about the law/regulations
5. Obtain information about ways to resolve disputes
6. Obtain tailored advice about a legal issue
7. Start legal proceedings (e.g. using Money Claim Online)
8. Defend legal proceedings (e.g. using Money Claim Online)
9. None of the above

18 If [If business contains a lawyer, determinable from Q8, AND business > 1 person 'a non-legally trained staff member of'] your business encounters a legal issue as part of the business's normal activities (for example, around employee rights) which of the following is most likely to happen first?

1. Talk to lawyer in the business
2. Talk to another colleague in the business
3. Talk to a lawyer outside the business
4. Talk to someone else outside the business
5. Look for information/resources on the Internet

SECTION C. PROBLEM EXPERIENCE

The following questions are about different types of problems that your business might have faced over the past 12 months.

A problem is an issue that diverted or distracted you or anybody else within your business, in a significant way, from everyday work activities or responsibilities.

We are only interested in in problems that started since [12 months], or problems that started before [12 months], but were still happening at some point since [12 months]. We are not interested in problems which ended before [12 months].

Also, please only include problems faced by the business, not problems that you may have faced in your personal capacity.

19a Since [12 months], has your business faced any problems concerning the following? Indicate all that apply.

GOODS OR SERVICES PROVIDED TO YOUR CUSTOMERS
1. Not as described / not of satisfactory quality/fit for purpose
2. Late delivery
3. Late or non-payment
4. Disagreement over price
5. Distance selling consumer rights (e.g. Internet, telephone, mail order)
6. Other contract problems or disputes

GOODS OR SERVICES PURCHASED BY YOUR BUSINESS
7. Not as described / not of satisfactory quality/fit for purpose
8. Late delivery
9. Late or non-payment
10. Disagreement over price
11. Other contract problems or disputes
12. Supplier insolvent

FRAUDULENT/WRONGFUL TRADING
13. Fraudulent or wrongful trading (concerning insolvency)

PUBLIC TENDER
14. Unfair operation of a public tender

INTERNATIONAL TRADING
15. Problems trading internationally

19b And how many individual problems of these types has your business experienced in the past year?

NUMBER

20a Since [12 months], has your business faced any problems concerning the following? Indicate all that apply.

1. Liability for tax / amount of tax owed
2. Errors in your business tax return
3. Failure to maintain appropriate records (for tax purposes)
4. Failure to register/report changes when required (e.g. VAT registration, registration as a sole trader)
5. International taxation
6. Difficulty organising your business in a tax efficient manner

20b And how many individual problems of these types has your business experienced in the past year?

NUMBER

21a Since [12 months], has your business faced any problems concerning the following? Indicate all that apply.

1. Staff misconduct (including unauthorised absence and disciplinary procedures)
2. Dismissal (or threat of dismissal)
3. Making staff redundant
4. Parental rights (including maternity) leave/pay or flexible working requests
5. Payment of wages/pension
6. Working conditions
7. Employee injury at work
8. Other employment contract issues (including changes to contract terms)
9. Adjustments to jobs/workplace for disabled workers
10. Complaints/grievances made by employees/job applicants (including allegations of discrimination and harassment)
11. Employment of non-EU nationals

21b And how many individual problems of these types has your business experienced in the past year?

NUMBER

22a Since [12 months], has your business faced any problems concerning the following? Indicate all that apply.

RENTED/LEASED BUSINESS PREMISES
1. Rent arrears
2. Eviction/threat of eviction
3. Repairs/maintenance or provision of services by landlord
4. Terms of rental agreement/lease
5. Boundaries/rights of way
6. Recovery of rental deposit

OWNED BUSINESS PREMISES
7. Mortgage arrears
8. Repossession/threat of repossession
9. Repairs/maintenance of communal areas
10. Boundaries/rights of way
11. Planning permission
12. Conveyancing
13. Squatters

22b And how many individual problems of these types has your business experienced in the past year?

NUMBER

23a Since [12 months], has your business owed money to any creditors that it has been unable to pay?

1. Yes
2. No

23b [If 23a=1]

At any stage since [12 months] has your business been insolvent?

1. Yes
2. No

23c [If 23a=1]
At any stage since [12 months] has your business been threatened with or subject to any of the following?

1. Bankruptcy
2. Receivership
3. Administration
4. Winding up order
5. [If sole trader ‘Individual’, If not sole trader ‘Company’] voluntary arrangement
6. Debt relief order

24a Since [12 months], has your business faced any problems concerning the following? Indicate all that apply.

INFRINGEMENT OF YOUR BUSINESS’ INTELLECTUAL PROPERTY
1. Trademarks (e.g. brand name, business name, logo, slogan)
2. Copyright (e.g. text, software, sound recording, drawings)
3. Design right/registered design
4. Database rights
5. Patents
6. Disclosure of trade secrets

INFRINGEMENT OF INTELLECTUAL PROPERTY BY YOUR BUSINESS
7. Trademarks (e.g. brand name, business name, logo, slogan)
8. Copyright (e.g. text, software, sound recording, drawings)
9. Design right/registered design
10. Database rights
11. Patents
12. Unlawful obtaining of trade secrets

24b And how many individual problems of these types has your business experienced in the past year?

NUMBER

25a Since [12 months], has your business faced any problems concerning the following? Indicate all that apply.

1. Mandatory licenses/permits/accreditation
2. Product safety
3. Other health and safety
4. Data protection
5. Import/export regulation
6. Mandatory insurance
7. Annual company accounts
8. Audit
9. Other government regulation
And how many individual problems of these types has your business experienced in the past year?

NUMBER

Since [12 months], has your business faced any problems concerning the following? Indicate all that apply.

1. Technicalities of business start up
2. Change of legal status
3. Break-up of partnership
4. Partnership/shareholder disputes
5. Merger
6. Take-over of another business
7. Sale of business (in part/whole)
8. Joint venture

And how many individual problems of these types has your business experienced in the past year?

NUMBER

Since [12 months], has your business faced any problems concerning the following? Indicate all that apply.

1. Defamation
2. Incorrect information held by a credit reporting agency leading to the refusal of credit
3. Mismanagement of business money/investments by financial service
4. Advertising standards

And how many individual problems of these types has your business experienced in the past year?

NUMBER

SECTION D. PROBLEM RESOLUTION STRATEGY

[FOR ONE RANDOM PROBLEM TYPE FROM Q19a, Q20a, Q21a, Q22a, Q23a, Q24a, Q25a, Q26a, Q27a WHERE AT LEAST ONE PROBLEM REPORTED]

There now follow some questions asking about one type of problem that your business has faced

[SHOW ORIGINAL LIST FOR RANDOM PROBLEM TYPE]

Thinking of the most recent problem your business has faced of the types shown, which are the best descriptions?
MULTICODE

29 And again thinking of this problem, would you say this problem is now over or still on-going?

1. Now over
2. Most likely now over
3. Too early to say
4. On-going
5. Don’t know

30 Who is/was the problem with? (i.e. Who was the other side?)

OPEN TEXT

31 Thinking about at the time this particular problem first started, would you say:

1. The other side had done something wrong, or were at fault
2. The other side thought your business had done something wrong, or were at fault
3. Both
4. Neither.

32 Which, if any, of these descriptions best indicates the character of the problem? You can choose more than one option, or none.

1. Bad luck
2. Moral
3. Private to those concerned (i.e. not something to involve others with)
4. Criminal
5. Legal
6. Bureaucratic
7. Social
8. None of the above

33 Looking at this scale – where the top of the bar represents the most serious type of problem your business could possibly face, and the bottom of the bar represents the least serious – please mark on the scale where you would place this particular problem.

[SHOW SEVERITY SCALE]

NUMBER

34 Do any of the following descriptions reflect the ability of your business to deal with these types of problem?
1. Somebody in the business has specialist knowledge of the law and regulation in this area
2. The business has experience of dealing with problems in this area
3. Problems in this area are routinely handed over to an external professional/support service
4. No, none of the above

35 Which of these descriptions best indicate how your business went about sorting out the [problem]? Please tell me all that apply.
[MULTICODE BUT 1, 2 and 7 must be single codes]

1. Did nothing
2. Entirely on its own
3. With help from outside business friends/colleagues
4. With help from an independent adviser/representative/support service
5. Outside business friends/colleagues sorted out the problem (or are sorting it out)
6. An independent adviser/representative/support service sorted out the problem (or are sorting it out)
7. Don’t know

36 [If Q35 = 4 or 6]

And which of these types of adviser/representative/support service was it you got help from?

LEGAL
1. Solicitor’s firm
2. Independent barrister
3. Other organisation offering legal advice (including legal helplines) (specify)

FINANCIAL/TAX RELATED
4. Accountant
5. Other financial/tax adviser (specify)

SPECIALIST SUPPORT
6. Debt collection/recovery service
7. HR/Employment service
8. (Insurance) Loss adjuster
9. Other specialist support service (specify)

A TRADE/BUSINESS ORGANISATION
10. Trade body/professional association
11. Chamber of Commerce
12. Local enterprise agency
13. Other trade/business organisation (specify)

GOVERNMENT PROVIDED HELP
14. Business Link
15. Other government advice service (specify)

OTHER INDEPENDENT SOURCE OF HELP (specify)
And when you got help, what was the main communication method used?

1. In-person meetings
2. Telephone conversations
3. Correspondence by post
4. Through someone else
5. Texting
6. Email
7. Internet (excluding email)

And did your business **unsuccessfully** try to get help from any of the sources on this card?

LEGAL
1. Solicitor’s firm
2. Independent barrister
3. Other organisation offering legal advice (including legal helplines)

FINANCIAL/TAX RELATED
4. Accountant
5. Other financial/tax adviser

SPECIALIST SUPPORT
6. Debt collection/recovery service
7. HR/Employment service
8. (Insurance) Loss adjuster
9. Other specialist support service

A TRADE/BUSINESS ORGANISATION
10. Trade body/professional association
11. Chamber of Commerce
12. Local enterprise agency
13. Other trade/business organisation

GOVERNMENT PROVIDED HELP
14. Business Link
15. Other government advice service

OTHER INDEPENDENT SOURCE OF HELP

Did your business use the Internet or any leaflet, booklet or book to help sort out the problem?

1. Yes, Internet
2. Yes, leaflet, booklet or book
3. Yes, both
4. No

And did any of the following things happen as part of the problem or sorting the problem out?
1. Your business was contacted by a lawyer or formal agent (e.g. debt collection agency) of the other side
2. Conciliation, mediation or arbitration took place
3. A regulator or ombudsman became involved
4. The police became involved
5. A formal appeals service became involved
6. Tribunal proceedings commenced/a tribunal became involved
7. Legal proceedings commenced/a court became involved
8. There was a tribunal hearing
9. There was a court hearing
10. None of these

41 [If Q40 = 9]

And did a lawyer appear on behalf of your business at any court hearing?

1. Yes
2. No

42 [If Q29 = 1 or 2 (‘Now over’ or ‘Most likely now over’)]

You said earlier that the problem is (If Q29 = 1 ‘now over’, if Q29 = 2 ‘most likely now over’). Which of these descriptions best describes how the problem concluded?

1. Decision of a court/tribunal
2. Decision of a formal appeals service
3. Decision/action of an independent third party (e.g. the police, a regulator)
4. Agreement reached through conciliation, mediation or arbitration sessions, hosted by an independent person/organisation
5. Agreement reached through somebody who was acting for your business (e.g. solicitor or accountant)
6. Agreement reached directly between your business and the other side
7. The other side acted independently to sort out problem
8. Your business acted independently of the other side to sort out problem
9. The problem sorted itself out without your business or the other side doing anything
10. Your business is just putting up with the problem.
11. Don’t know

43 [If Q29 = 1 or 2 (‘Now over’ or ‘Most likely now over’)]

And, to what extent would you say the disagreement concluded in your business’s favour?
1. Completely in your favour
2. Mostly in your favour
3. Mostly not in your favour
4. Not at all in your favour
4. Don’t know

44 Did your business experience any of the things on this card as part of, or as a result of, this [problem]? Please just read out the numbers.

1. Loss of customer/contract
2. Loss of income
3. Additional costs (e.g. increased insurance costs)
4. Inability to take on new work
5. Inability to complete scheduled work
6. Damage to property
7. Damage to reputation
8. Damage to relationship with another business
9. Loss of employees
10. Had to cease trading
11. Change in ownership/structure of the business
12. None of the above

45 [If any consequences identified at Q44]

What would you estimate the monetary value of these consequences to be? If you cannot put it monetary terms, please say so.

POUNDS STERLING

46 Did you [If business contains >1 person ‘or anybody else within your business’] personally experience any of the things on this card as part of, or as a result of, this problem?

1. Stress related illness
2. Other mental health issue
3. Physical ill health
4. None of the above

47 And lastly on the subject of this problem, could you tell me when did the problem start?

MONTH/YEAR

48 [If Q29 = 1 or 2 (‘Now over’ or ‘Most likely now over’)]

And when did it conclude?

MONTH/YEAR
END OF INDIVIDUAL PROBLEM LOOP

SECTION E. AGGREGATE RESOLUTION STRATEGY

49  [If relevant ‘b’ number of random problem >1]

Thinking of the other problem(s) of this type that your business has experienced, on how many occasions did your company go about sorting out individual problems in each of these ways?

1. Did nothing
2. Entirely on its own
3. With help from only outside business friends/colleagues
4. With help from an independent adviser/representative/support service

50  [If relevant ‘b’ number of random problem >1 AND Q49 option 4>=1]

And on those occasions when your business obtained help from an adviser/representative/support service, what types of service were used?

LEGAL
1. Solicitor’s firm
2. Independent barrister
3. Other organisation offering legal advice (including legal helplines)
FINANCIAL/TAX RELATED
4. Accountant
5. Other financial/tax adviser
SPECIALIST SUPPORT
6. Debt collection/recovery service
7. HR/Employment service
8. (Insurance) Loss adjuster
9. Other specialist support service
A TRADE/BUSINESS ORGANISATION
10. Trade body/professional association
11. Chamber of Commerce
12. Local enterprise agency
13. Other trade/business organisation
GOVERNMENT PROVIDED HELP
14. Business Link
15. Other government advice service
OTHER INDEPENDENT SOURCE OF HELP

SECTION F. ADDITIONAL CHARACTERISTICS AND ATTITUDES

Finally, a few more questions about your business.
51  [If Q4 NOT 1]

Is your business a family owned business (i.e. majority owned by members of the same family)?

1. Yes
2. No

52  [If Q6>1]

In total, how many people are there involved in running the business?

NUMBER

53  What do you expect your business’s turnover to be in its current financial year?

POUNDS

54  And do you expect the business will make a profit in its current financial year?

1. Yes
2. No

55  [If Q54=Yes]

What do you expect the profit, after tax, to be in its current financial year?

NUMBER

56  And thinking about your business’s clients, how would you describe them?

1. Individual members of the public
2. Other businesses
3. Government
4. Charities
5. Other

57  And how many customers do you expect your business to have in the current financial year?

NUMBER

58  And how many suppliers do you expect your business to have in the current financial year?

NUMBER
59a  [If Q6=1 OR Q52=1]
Do you work full-time or part-time in the business?

1. Full-time
2. Part-time

59b  [If Q6>1 AND Q52>1]
How many of those running your business work part-time, overall?

NUMBER

60a  [If Q6=1 OR Q52=1]
How would describe your ethnicity?

[CURRENT STANDARD ETHNIC CATEGORIES]

60b  [If Q6>1 AND Q52>1]
How many of those running the business are white and how many black, Asian an minority ethnic?

WHITE NUMBER
BAME NUMBER

61a  [If Q6=1 OR Q52=1]
Do you have any long-standing illness, disability or infirmity? By long-standing I mean anything that has troubled you over a period of time or that is likely to affect you over a period of time?

Yes
No

61b  [If Q6>1 AND Q52>1]
How many of those running the business have a long-standing illness, disability or infirmity?

NUMBER

Finally, could you indicate the extent to which you agree with the following statements?

1. Agree strongly
2. Agree
3. Neither agree nor disagree  
4. Disagree  
5. Disagree strongly  
6. Don’t know  

62 You can't get ahead in business without taking risks.  
63 Sometimes, product or service quality is more important than profit margin.  
64 Being competitive involves taking shortcuts  
65 Law and regulation provide a fair environment for business to succeed.  
66 It is more important to comply with the spirit than the letter of the law  
67 Legal processes are essential for businesses to enforce their rights  
68 Lawyers provide a cost effective means to resolve legal issues
This appendix sets out the text and routing of a model long-form questionnaire, optimised for a general face-to-face survey of micro-businesses. It is comprised of a series of modules that each deal with a different aspect of respondent experience.

O Module: Outline of business characteristics (for context and routing)
K Module: Knowledge and awareness of legal services
R Module: Recent use of, and relationship with, professional services
P Module: Problem experience (Basic descriptions of problems faced and responses taken)
S Module: Detailed problem resolution strategy (sub-sample)
A Module: Use of independent advice (sub-module of S module)
H Module: Hopes and outcomes
D Module: Additional respondent characteristics and attitudes

While the survey derives many structural and content elements from well-established surveys of justiciable problems, and some elements have been subjected to cognitive testing, it has not been piloted and is largely untested. Given the uniqueness of the business context, the diversity of business respondents, and the broad range of issues and behaviours that the survey deals with, any implementation of elements of the questionnaire should be preceded by thorough piloting.

The questionnaire is not suggested to be in an optimal form. Rather, it has been designed to provide questions and question modules that are likely to be of interest to sponsors of business focused legal need surveys. These questions can be selected from in building up a questionnaire for implementation. Attention is drawn to the discussion of questionnaire/interview length in Section 6 above.

For implementation, an introduction to any questionnaire would need to be added, tailored to the sample, with framing designed to maximise interest and participation. Also, if a questionnaire was to be used within a panel survey, then questions would need to be added to secure permission for re-contact.

Finally, it is to be noted that the model questionnaire includes questions to identify whether the initial respondent in any business is able to answer detailed questions around legal issues faced by that business (in general and of specific types). If not, the details of competent respondents should be collected, either for substitution or partial follow-up. For partial follow-ups, a shorter
interview containing only those modules or series of questions of relevance should be used.

Where an initial respondent is not able to answer detailed questions around legal issues faced by the business, either in general (O3) or in relation to specific problem types within the P module (P5/P6), then, following determination of this fact, further questioning should be limited as appropriate.

Cognitive Testing
The main service use and problem identification questions were subject to cognitive testing with a small purposive sample of SMEs drawn from a range of sectors and ranging in size from single-person businesses to one business with 100 staff. This testing highlighted a number of issues that we have tried to address in the draft questionnaire set out below.

With regard to service use, the R1 (professional services) showcard list was generally regarded as easy to navigate, with the items being reasonably well understood. There was some uncertainty as to the technical distinction between some entries, such as patent attorneys and patent agents, suggesting there may be relatively little scope for effective further disaggregation. In any event, there is a careful balance to be struck between the inclusion of specific service types and the maintenance of an easily accessible (i.e. relatively short) list. Comments were made about the level of detail in showcards, with a clear preference for short lists that can be quickly scanned. A key issue to consider will be the level of usage of different types of legal service, and here piloting will provide critical information.

Also evident (even) from cognitive testing was that there are types of legal service that may be used relatively little in general, but quite frequently in specific business sectors or locations.

It is recommended that further developmental work be undertaken in this area, and that further and clear guidance be made available to interviewers to ensure consistency of respondent understanding.

With regard to problem identification, as with surveys of individuals, there is an issue around what constitutes a ‘problem’. Linking to the fact that what is anomalous for one business may be routine for another, what is regarded as problematic for one business will not necessarily be problematic for another. In light of cognitive testing, additional guidance was incorporated into the draft questionnaire to ensure that the idea of a ‘problem’ is understood to require some cost (not necessarily monetary) to a business. In particular, the phrase “By a problem I mean something that diverted or distracted you [or anybody else within your business], in a significant way, from your everyday work” was introduced, to provide an indication of a cost requirement and also act as a basic triviality threshold.

However, it should be recognised that no definition of, or guidance on, what constitutes a problem will eliminate the fact that there is a substantial
subjective element to problem recognition, and that some of this subjectivity derives from organisational structure. So, for example, the phrase just set out is sensitive to organisational structure and respondents’ roles and responsibilities. A single-person business may see an owner-manager diverted or distracted by numerous issues that fall within the day-to-day roles of staff of larger businesses.

Also, respondents queried what is the appropriate unit of measurement for problems, particularly in the context of high volumes and repeat ‘other sides’. So, for example, if an employee is repeatedly being late for work is that a single problem or multiple problems? The concern is that where businesses face large numbers or repeated instances of problems, respondents could report individual episodes, series of episodes, or even only series of episodes that led to an intervention.

Various comments were provided on how specific justiciable problems be described, which have informed the draft of the questionnaire that appears below. However, it is worth noting that criminal issues concerning employees were regarded, first and foremost, as employment issues. When taken with a general feeling that other crime was unrelated to legal service use, this suggests that the separate criminal problem category might be removed.

Finally, it is important that interviewers are briefed (and some form of guidance be added to the questionnaire in light of any piloting experience) to discourage respondents from reporting problems that are ‘problems for the business’ rather than justiciable problems. One of the employment problem types (parental leave/flexible working) was modified to include the word rights, as business owners were quick to talk of the logistical problems involved. For the purposes of this survey, it is imperative that reporting is restricted, as far as is possible, to justiciable issues. The draft text attempts to do this, but piloting and other testing should have an eye to consolidating upon work already undertaken.

As with service use, it is recommended that further developmental work be undertaken in this area, and that further and clear guidance be made available to interviewers to ensure consistency of respondent understanding.

All of those businesses that participated in cognitive testing had experienced problems within the past year. On average, one or more problems were reported in 3 problems categories, with most businesses reported a great many problems. The fewest problems reported was 3. This lends further weight to the suggestion in the main text that a pilot exercise is needed in order to establish likely levels of problem incidence, to inform decisions around problem selection and routing in the survey questionnaire.
Module: Outline of business characteristics

First I’d like to ask a few questions about [business name] and your role within the business.

**O1** Are you the most senior person in day-to-day control of the business?

Yes
No
Don’t know

**O2** What is your position or job title?

1. Owner
2. Partner
3. Director, and also shareholder
4. Director, but not shareholder
5. Other (specify)

**O3** [If O1=No]

Do you have a good knowledge of the day-to-day operations of the business across all areas of its activity?

Yes
No
Don’t know

**O3b** [If O3=No]

Is there anyone available for me to speak to who is the most senior person in day-to-day control of the business, or has good knowledge of the operations of the business?

Yes
No
Don’t know

[If O3b = No] Thank you for your time [INTERVIEW ENDS]
[If O3b = Yes] Thank you for your time [INTERVIEW ENDS, RESTART INTERVIEW WITH NEW RESPONDENT]

**O4** Is your business a company, a partnership or are you a sole proprietor (also known as a sole trader)?

PROBE TO ESTABLISH DETAIL

1. Sole proprietor
2. Private limited company (Ltd)
3. Public limited company (PLC)
4. Limited partnership (LLP)
5. (Unlimited) partnership
6. Private unlimited company
7. Other (specify)

05  [If O4>1]

Is your business majority owned by another business?

Yes
No
Don’t know

06a  How many sites in the UK does your business operate from?

NUMBER

06b  How many sites outside of the UK does your business operate from?

NUMBER

07  Does your business own or rent any business premises?

1. Yes, own
2. Yes, rent
3. Yes, both
4. No, neither

08  [If O7=No]

Can I just check, where does the business operate from?

1. Somebody's home address
2. Other (specify)

09  How many years has the business been trading?

YEARS/MONTHS

10  Has there been a change of ownership in the past year?

Yes
No
Don’t know

11  How many people work within the business [If (O6a + O6b)>1 ‘across all sites’]?

NUMBER
And excluding owners and partners, how many employees does your business currently employ [If (O6a+O6b)>1 ‘across all sites’]?

NUMBER

[If O12=0]

Also excluding owners and partners, has the business had any employees over the past year?

Yes
No
Don’t know

[If O14=No]

Which of the reasons on this card lie behind your business not having taken on any employees over the past year?

1. Insufficient demand to warrant recruitment
2. Cost of recruitment
3. Technical difficulty of recruitment
4. Cost of employing people
5. Concern over legal issues around employment
6. Concern over tax issues around employment
7. Other (specify)
8. Don’t know

What is the main activity of your business?

PROBE, IF NECESSARY

What is the main product or service of the business?
What is made or done by the business?
What material or machinery does that involve using?

RECORD SIC CODE / VERBATIM IF NOT CLEAR

Are you [If O11 > 1 ‘or is anybody else within your business’] a qualified accountant or lawyer?
1. Yes, lawyer
2. Yes, accountant
3. Yes, both
4. No, neither
5. Don’t know

O18  [If O11 > 1 AND O17 = Lawyer, Both]

Does your business have a legal department?

Yes
No
Don’t know

O19  [If O17 = Lawyer, Both]

Does a legally qualified staff member deal with all or some of the legal issues that arise within the business?

Yes, all
Yes, some
No
Don’t know

O20  [If O11 > 1 AND O19=All,Some]

Are you that person?

Yes
No
Don’t know

O21  [If O11 > 1 AND O17 = Lawyer, Both]

(O21 SHOWCARD)
MULTICODE

What areas of legal specialism do you have within the business?

1. Contract
2. Tax
3. Crime
4. Employment
5. Personal injury
6. Property
7. Finance
8. Insurance
9. Intellectual property
10. Regulation
11. Competition
12. Environmental
13. Business ownership
14. Other (specify)
15. Don’t know

O22  And how much does the business have to spend each year to cover the legal work done within the business?

POUNDS

O23  [If O11 > 1 AND O17 = Accountant, Both]

Does an accountancy qualified staff member deal with all or some of the accountancy related issues that arise within the business?

Yes, all
Yes, some
No
Don’t know

O24  [If O11 > 1 AND O17 = 2 (Accountant only)]

And does this person also deal with legal issues arising within the business?

Yes, all
Yes, some
No
Don’t know
K Module: Knowledge/awareness/historical use of legal services

In a moment I will ask you about your business’s recent use of specialist support services, and your business’s recent experience of a range of potentially disruptive problems that businesses commonly face.

But before that, I would like to ask you some more general questions that will provide context to your later answers.

K1 Thinking generally, where is the most appropriate source of advice to help deal with problems that arise concerning?

READ OUT

1. Non-payment for goods or services supplied by your business
2. A commercial contract
3. Theft from your business
4. Employees’ rights
5. An employee becoming ill because of work stress
6. A commercial landlord not providing services under a lease
7. A cash flow problem meaning your business is unable to pay its bills
8. The need for insurance
9. Protecting your business’s name or logo from being copied
10. Obtaining a necessary licence, permit or accreditation
11. Appropriate methods of waste disposal
12. Selling part of the business

OPEN TEXT (RECORD ONE ANSWER PER ITEM)

K2 (K2 SHOWCARD)

Which of these independent professional services has your business ever made use of? Please exclude any services that are part of your business.

MULTICODE

1. Accountant
2. Tax adviser
3. Financial adviser
4. Solicitors’ firm
5. Barrister
6. Licensed conveyance
7. Patent/trademark attorney/agent
8. A legal helpline
9. Another legal service
10. Citizens Advice Bureau or similar independent advice agency
11. Debt collection/recovery service
12. HR/Employment service (includes outsourcing)

13. Other business support service

K3  [If K2=8]

What legal helpline has your business used?

OPEN TEXT

K4  [If K2=9]

What other legal service has your business used?

OPEN TEXT
R Module: Use of/Relationship with professional services

I am now going to ask you about your business’s use of a range of professional and other business support services. Please exclude any services that are part of your business.

[NOTE: [12 months] should be calculated from the month of interview. For example, if an interview is taking place in October 2012, then substitute ‘October 2011’]

R1  (R1 SHOWCARD)

Since [12 months], has your business used any of the types of service listed on this card?

MULTICODE

1. ACCOUNTANT
2. LEGAL SERVICES
   a. Solicitors’ firm
   b. Barrister’s chambers
   c. Licensed conveyancer
   d. Patent/trademark attorney/agent
   e. Other independent legal advice service
      (including legal helplines)(specify)
3. OTHER INDEPENDENT ADVICE SERVICES
   a. Financial adviser
   b. Tax adviser
   c. Other independent advice service (specify)
4. SPECIALIST SUPPORT SERVICES
   a. Debt collection/recovery service (including factoring services)
   b. HR/Employment service (includes outsourcing)
   c. Property related support service
   d. Health and safety/other regulation related risk assessment service
   e. (Insurance) Loss adjuster
   f. Other specialist support service (specify)
5. NONE OF THE ABOVE

[R2 to R10 to loop for each service type identified in R1]

R2  How many [insert service type]s did your business make use of in the past twelve months?

NUMBER

R2a  [For each of ‘2e’, ‘3c’ or ‘4f’ if specified at R1, if corresponding R2=1]

What type of ‘other’ independent [legal service/advice services/specialist support] was it that your business used?
R2b  [For each of '2e', '3c' or '4f' if specified at R1, if corresponding R2>1]

What types of other [legal services/advice services/specialist support services] did your business use?

R3  [If R2>0]

Do you have an on-going contract (sometimes called a retainer) with a [insert service type] to provide such services as your business may require from time to time?

Yes
No
Don't know

R3a  [If R2=1 AND R3 NOT YES]

Had your business used the same [insert service type] in the past?

Yes
No
Don't know

R3b  [If R2>1 AND R3 NOT YES]

Had your business used the same [insert service type]s in the past?

Yes, all
Yes, but not all
No
Don't know

R4a  [If R2=1 AND R3 NOT YES]

Do you think that your business’s dealings with your [insert service type] will carry on in the future?

Yes
No
Don’t know

R4b  [If R2>1 AND R3 NOT YES]

Do you think that your business’s dealings with your [insert service type]s will carry on in the future?

Yes, all
Yes, but not all
No
Don’t know

R5  (R5 SHOWCARD)

Looking at this card, in which areas did your [insert service type](s) help your business in the past 12 months?

MULTICODE

1. Trading (including commercial contracts)
2. Tax
3. Crime
4. Employment (excluding work related injury/illness)
5. Work related injury/illness
6. Business premises
7. Finance and debt
8. Insurance
9. Intellectual property
10. Government regulation
11. Competition
12. Environmental/nuisance
13. Business set-up/legal-status/ownership
14. Other (specify)

R6  Thinking about the work that your [insert service type](s) did for your business in the past 12 months, what percentage of the work was concerned with specific problems/disputes, rather than routine/non-contentious matters?

NUMERIC 0-100

R7  And what percentage of the work would you say concerned law or regulations?

NUMERIC 0-100

R8  (R8 SHOWCARD)

Now looking at this card, which of these means did your business use to communicate with or obtain help from your [insert service type](s) in the past year? Please indicate all that apply, even if uncommon.

MULTICODE

1. In-person meetings
2. Telephone conversations
3. Correspondence by post
4. Through someone else
5. Texting
6. Email
7. Internet (excluding email)

R8a  [If R8=7]

How did your business obtain help via the Internet (REMINDER: other than through email)?

1. Chat
2. Instant messaging
3. Forum
4. Ask site
5. Blog
6. Social network

R9  (R8 SHOWCARD)

And which ONE means would you say was the main way your business communicated with or obtained help from your [insert service type](s) in the past year?

R10a  [If R4a = Yes or R4b = Yes, all or Yes, but not all]

How important is/are your [insert service type](s) to the running of your business?

1. Very Important
2. Important
3. Moderately Important
4. Of Little Importance
5. Unimportant

R10b  How satisfied have you been with the service provided by your [insert service type](s)?

1. Extremely satisfied
2. Very satisfied
3. Somewhat satisfied
4. Somewhat dissatisfied
5. Very dissatisfied
6. Extremely dissatisfied

R10c  Approximately, how much did your business pay for the services provided by your [insert service type](s) over the past year?

POUNDS

END OF SERVICE LOOP

R11  (R11 SHOWCARD)

Since [12 months], has your business obtained help from any organisations of the types listed on this card?
MULTICODE

1. A national business association (e.g. Federation of Small Businesses, Institute of Directors, CBI)
2. Trade body/professional association
3. Chamber of Commerce
4. Local enterprise agency
5. Business Link
6. Other similar business support organisation (specify)

[R12 to R18 to loop for each support organisation type identified in R11]

R12  [If any service identified at R1]
Was any of the help you received from the/a [insert organisation type] help that you have already mentioned receiving from an accountancy, advice or specialist support service?

Yes
No
Don’t know

R13  [If R12=Yes]
(R1 SHOWCARD)

Which type of accountancy, advice or specialist support service was it?

R14  (R5 SHOWCARD)

Looking at this card, in which areas did the/a [insert organisation type] help your business in the past 12 months?

R15  Thinking about the help that you obtained from the/a [insert organisation type] in the past 12 months, what percentage of it was concerned with specific problems/disputes, rather than routine/non-contentious matters?

NUMERIC 0-100

R16  And what percentage of the help would you say concerned law or regulations?

NUMERIC 0-100

R17  (R8 SHOWCARD)

Now looking at this card, which of these means did you use to communicate with or obtain help from your [insert organisation type] in the past year? Please indicate all that apply, even if uncommon.
R18  (R8 SHOWCARD)

And which ONE means would you say was the main way you communicated with or obtained help from your [insert organisation type](s) in the past year?

END OF SUPPORT ORGANISATION LOOP

R19  (R19 SHOWCARD)

In the last 12 months, has your business obtained help from any public sector organisations of the types listed on this card?

MULTICODE

1.  Her Majesty’s Revenue and Customs (HMRC)
2.  Police
3.  Local authority
4.  Environment Agency
5.  Health and Safety Executive
6.  UK Border Agency
7.  Export Credits Guarantee Department
8.  Criminal Records Bureau
9.  Insolvency service
10.  Driver and Vehicle Licensing Agency (DVLA)
11.  Department for Business, Innovation and Skills
12.  Department for Work and Pensions
13.  Department for Environment, Food and Rural Affairs
14.  Other government department/agency (specify)

[R20 to R26 to loop for each public sector organisation type identified in R19]

R20  [If any service identified at R19]

Was any of the help you received from the [insert public sector organisation type] help that you have already mentioned receiving from an accountancy, advice or specialist support service?

Yes
No
Don’t know

R21  [If R20=Yes]  

(R1 SHOWCARD)

Which type of accountancy, advice or specialist support service was it?

R22  (R5 SHOWCARD)
Looking at this card, in which areas did the [insert public sector organisation type] help your business in the past 12 months?

R23 Thinking about the help that you obtained from the [insert public sector organisation type](s) in the past 12 months, what percentage of it was concerned with specific problems/disputes, rather than routine/non-contentious matters?

NUMERIC 0-100

R24 And what percentage of the help would you say concerned law or regulations?

NUMERIC 0-100

R25 (R8 SHOWCARD)

Now looking at this card, which of these means did you use to communicate with or obtain help from the [insert public sector organisation type] in the past year? Please indicate all that apply, even if uncommon.

R26 (R8 SHOWCARD)

And which ONE means would you say was the main way you communicated with or obtained help from the [insert public sector organisation type] in the past year?

END OF PUBLIC SECTOR ORGANISATION LOOP

R27 [ALL]

In the past 12 months did your business use the Internet to do any of the following (including any service use you have already told me about):

1. Download a contract
2. Download a standard terms and conditions template
3. Download another type of legal document template
4. Obtain information about the law/regulations
5. Obtain information about ways to resolve disputes
6. Obtain tailored advice about a legal issue
7. Start legal proceedings (e.g. using Money Claim Online)
8. Defend legal proceedings (e.g. using Money Claim Online)
9. None of the above

R28 [If any Internet use identified at R27]
Are there any websites or online services that your business has found to be especially helpful when it comes to obtaining legal or regulation related materials?

Yes
No
Don't know

R29  [If R28=Yes]

Which ones are they?

OPEN

R30  And does your business have reference books or other printed materials to help understand legal or regulatory issues?

Yes
No
Don't know

R31  [ALL]

If [If business contains a lawyer, determinable from O17, AND business > 1 person 'a non-legal trained staff member of'] your business encounters a legal issue as part of the business's normal activities (for example, around employee rights) which of the following is most likely to happen first?

1. [Only if business contains a lawyer (from O17)] Talk to lawyer in the business
2. Talk to [other] colleague in the business
3. Talk to [List all R1 service types where R2>0]
4. Talk to [other] external adviser
5. Look for information/resources on the Internet
6. Other (specify)
P Module: Problem identification and basic problem data

The P Module is asked of all respondents and consists of initial (P1) problem identification questions and a follow-up loop whenever problems are identified. The follow-up loop includes a short sub-loop of questions for the most recent one/two problem(s) (to be determined in the light of pilot interview durations) identified in each category (P8-P26) and aggregate problem questions covering the remaining problems in each category (P27-P33).

I am now going to ask you about different types of problems (including disputes) that your business has faced since [12 months]. These may be problems that started since [12 months], or problems that started before [12 months], but were still happening at some point since [12 months]. We are not interested in problems which ended before [12 months].

By a problem I mean something that diverted or distracted you [If business contains >1 person ‘or anybody else within your business’], in a significant way, from your everyday work.

Also, please only include problems faced by the business, not problems that you may have faced in your personal capacity.

[There is one P1 question (or three for debt) for each problem category. Questions P2 to P33 form the basic problem loop and should follow each P1 question if P1=Yes]

P1tra First, I’m going to ask you about problems you may have faced over the past 12 months that concerned trading. [P1tra SHOWCARD][2 versions of showcard. Services only version for businesses identified in O module as being service only businesses]

Since [12 months], has your business faced any problems or disputes of the type shown on this card?

**Goods/services provided to your customers**
- Not as described /not of satisfactory quality/fit for purpose
- Late delivery
- Late or non-payment
- Disagreement over price
- Distance selling consumer rights (e.g. Internet, telephone, mail order)
- Other contract problems or disputes

**Goods/services purchased by your business**
- Not as described /not of satisfactory quality/fit for purpose
- Late delivery
- Late or non-payment
- Disagreement over price
- Other contract problems or disputes
- Supplier insolvent

**Fraudulent or wrongful trading (concerning insolvency)**
Unfair operation of a public tender
Problems trading internationally

Yes
No
Don’t know

P1tax Next, problems to do with tax

(P1tax SHOWCARD)

Since [12 months], has your business faced any problems concerning the types of things shown on this card?

- Liability for tax / amount of tax owed
- Errors in your business tax return
- Failure to maintain appropriate records (for tax purposes)
- Failure to register/report changes when required (e.g. VAT registration, registration as a sole trader)
- International taxation
- Difficulty organising your business in a tax efficient manner

Yes
No
Don’t know

P1cri Next, problems to do with crime

(P1cri SHOWCARD)

Since [12 months], has your business faced any problems concerning crimes of the type shown on this card?

Crimes committed by staff

Road traffic offence
Other offences
- Theft from/fraud against the business
- Criminal damage to business property
- Assault/violence in course of employment

Other crimes
- Theft from your business
- Dishonest obtaining of services from your business
- Fraud/misrepresentation against your business
- Criminal damage of business property
- Assault/violence against staff/customers
- Intimidation or harassment of staff/customers
- Drug offences on business premises or linked to business
- Blackmail
Yes
No
Don’t know

P1emp [If business has had employees during the reference period or is currently recruiting. Determined from O Module]

Next, problems to do with employment (excluding work related injuries)

(P1emp SHOWCARD)

Since [12 months], has your business faced any problems concerning the types of things shown on this card?

- Staff misconduct (including unauthorised absence and disciplinary procedures)
- Dismissal (or threat of dismissal)
- Making staff redundant
- Parental (including maternity) rights to leave/pay or flexible working requests (e.g. eligibility, terms, etc.).
- Payment of wages/pension
- Working conditions
- Other employment contract issues (including changes to contract terms)
- Adjustments to jobs/workplace for disabled workers
- Complaints/grievances made by employees/job applicants (including allegations of discrimination and harassment)
- Employment of non-EU nationals

Yes
No
Don’t know

P1inj Next, problems to do with work related injuries or illness (excluding staff sick leave for ailments unrelated to work)

(P1inj SHOWCARD)

Since [12 months], has your business faced any problems concerning the types of things shown on this card?

Injury occurring in the course of your business
- Employee injury at work
- Client/customer injury (by product, employees or on premises)
- Other person (by product, employees or on premises)

Illness resulting from your business
- Employee illness caused by work (e.g. stress-related illness, asbestosis, etc.)
- Client/customer illness (e.g. food-poisoning)
- Other person

Yes
No
Don’t know

**P1pre** Next, problems to do with business premises

(P1pre SHOWCARD)

Since [12 months], has your business faced any problems concerning the types of things shown on this card?

**Rented/leased business premises**
- Rent arrears
- Eviction/threat of eviction
- Repairs/maintenance or provision of services by landlord
- Terms of rental agreement/lease
- Boundaries/rights of way
- Recovery of rental deposit

**Owned business premises**
- Mortgage arrears
- Repossession/threat of repossession
- Repairs/maintenance of communal areas
- Boundaries/rights of way
- Planning permission
- Conveyancing
- Squatters

Yes
No
Don’t know

**P1ren** [If business has rented/leased out premises during the reference period. Determined from 07]

Next, problems to do with renting or leasing out property.

(P1ren SHOWCARD)

Since [12 months], has your business faced any problems concerning the types of things shown on this card?

- Terms of rental agreement
- Rent arrears
- Termination of rental agreement
- Damage caused by tenants
- Squatters
Yes
No
Don’t know

P1d1  Now, problems to do with debt.

Since [12 months], has your business owed money to any creditors that it has been unable to pay?

Yes
No
Don’t know

P1d2  [If P1d1=Yes]
At any stage since [12 months] has your business been insolvent?

P1d3  [If P1d1=Yes]
(Pd or Pd2 SHOWCARD [Pd2 for sole traders, as identified in O module])

(Pd ‘Company’ / Pd2 ‘Individual’) voluntary arrangement

At any stage since [12 months] has your business been threatened with or subject to any of the following?

- Bankruptcy
- Receivership
- Administration
- Winding up order
- [Pd ‘Company’ / Pd2 ‘Individual’] voluntary arrangement
- Debt relief order

P1ins  Since [12 months], has your business had any dispute or problem with an insurance company about the validity or amount of an insurance claim?

Yes
No
Don’t know

P1ip  Next, problems to do with trademarks, copyright and the like.

(P1ip SHOWCARD)

Since [12 months], has your business faced any problems concerning the types of things shown on this card?

Infringement of your business’ intellectual property
- Trademarks (e.g. brand name, business name, logo, slogan)
- Copyright (e.g. text, software, sound recording, drawings)
- Design right/registered design
- Database rights
Infringement by your business of others’ intellectual property
- Trademarks (e.g. brand name, business name, logo, slogan)
- Copyright (e.g. text, software, sound recording, drawings)
- Design right/registered design
- Database rights
- Patents
- Unlawful obtaining of trade secrets

Yes
No
Don’t know

P1gov Next, problems to do with government regulation.

(P1gov SHOWCARD)

Since [12 months], has your business faced any problems concerning the types of things shown on this card?

- Mandatory licenses/permits/accreditation
- Product safety
- Other health and safety
- Data protection
- Import/export regulation
- Mandatory insurance
- Annual company accounts
- Audit
- Other government regulation

Yes
No
Don’t know

P1env Next, problems to do with nuisance and environmental issues.

(P1env SHOWCARD)

Since [12 months], has your business faced any problems concerning the types of things shown on this card?

Nuisance
- Noise, odour or other nuisances stemming from your business (i.e. caused by your business)
- Noise, odour or other nuisances interfering with your business (i.e. caused by others)

Waste disposal/pollution stemming from your business
- General recycling and waste disposal
- Hazardous waste disposal
- Discharging trade effluent
- Air pollution
- Land contamination

**Waste disposal/pollution problems interfering with your business**
- General recycling and waste disposal
- Hazardous waste disposal
- Discharging trade effluent
- Air pollution
- Land contamination

**Property damage**
- Property damage caused by your business activities
- Damage cause to your business property by others (excluding criminal damage)

Yes
No
Don't know

**P1own** Next, problems to do with business set-up and ownership.

(P1own SHOWCARD)

Since [12 months], has your business faced any problems concerning the types of things shown on this card?

- Technicalities of business start up
- Change of legal status
- Break-up of partnership
- Partnership/shareholder disputes
- Merger
- Take-over of another business
- Sale of business (in part/whole)
- Joint venture

Yes
No
Don't know

**P1mis**(P1mis SHOWCARD)

And, can I ask you whether your business has faced any disputes concerning the types of things shown on this card?

- Defamation
- Incorrect information held by a credit reporting agency leading to the refusal of credit
- Mismanagement of business money/investments by financial service
- Advertising standards

START OF BASIC PROBLEM LOOP

P2  [If P1=Yes]
(RELEVANT P1 SHOWCARD)

Altogether, how many problems concerning [problem category] of the type on the card has your business faced since [12 months]?

NUMBER

P3  [If P1=Yes]
(SHOWCARD P3)

Do any of the descriptions on this card reflect the ability of your business to deal with [problem category] related problems of the types described?

1. Somebody in the business has specialist knowledge of the law and regulation in this area
2. The business has experience of dealing with problems in this area
3. Problems in this area are routinely handed over to an external professional/support service
4. No, none of the above

P4  [If business contains >1 person AND P2>0]

And who, within the business, is generally responsible for sorting out [problem category] problems?

1. Respondent
2. Another person within the business

P6  [If P4=2]

And are you able to answer questions about how particular problems are dealt with?

Yes
No
Don’t know

P7  [If P2>2]
(SEVERITY SCALE SHOWCARD)
Thinking about problems your business has experienced in this area – and looking at this scale, where the top of the bar represents the most serious type of problem your business could possibly face, and the bottom of the bar represents the least serious – please mark on the scale where you would place the most and least serious [problem category] problems that your business faced since [12 months].

PROMPT IF ONE OR MORE PROBLEMS ALREADY MARKED. You may move problems you have already marked on the scale if you want to.

ENSURE THE SHOWCARD IS MARKED CLEARLY WITH [problem descriptor] and ‘most serious’ and ‘least serious’ WRITTEN NEXT TO THE SCALE.

[The P8 to P26 LOOP to be asked of the costTWO most recent problems] [Only proceed through loop if P4=1 or P6=1]

P8  [If there is a relevant P1 showcard] (RELEVANT P1 SHOWCARD)

Thinking of the most recent (second most recent) [problem category] problem, which of these best describe it? MULTICODE

P9  And again thinking of the most recent (second most recent) [problem category] problem, would you say the problem is now over or still on-going?

1. Now over
2. Most likely now over
3. Too early to say
4. On-going
5. Don’t know

P10  Who is/was the problem with? (i.e. Who was the other side?)

OPEN TEXT

P11  Thinking about at the time this particular problem first started, would you say: [SINGLECODE] READ OUT

1. [The other side] had done something wrong, or were at fault
2. [The other side] thought your business had done something wrong, or were at fault
3. Both
4. Neither.
P12 Which, if any, of the descriptions on this card best indicates the character of the [problem category] problem? You can choose more than one option, or none. (SHOWCARD P12)

1. Bad luck
2. Moral
3. Private (i.e. not something to involve others with)
4. Criminal
5. Legal
6. Bureaucratic
7. Social
8. None of the above

P13 (SEVERITY SCALE SHOWCARD – To be developed on lines of that used in the CSJPS)

And looking at this scale – where the top of the bar represents the most serious type of problem your business could possibly face, and the bottom of the bar represents the least serious – please mark on the scale where you would place this particular problem.

PROMPT IF ONE OR MORE PROBLEMS ALREADY MARKED. You may move problems you have already marked on the scale if you want to.

ENSURE THE SHOWCARD IS MARKED CLEARLY WITH [problem descriptor] and ‘most serious’ and ‘least serious’ WRITTEN NEXT TO THE SCALE.

P14 (P14 SHOWCARD)

Which of these descriptions best indicate how your business went about sorting out the [problem]? Please tell me all that apply. MULTICODE (BUT 1, 2 and 7 must be single codes)

1. Did nothing
2. Entirely on its own
3. With help from outside business friends/colleagues
4. With help from an independent adviser/representative/support service
5. Outside business friends/colleagues sorted out the problem (or are sorting it out)
6. An independent adviser/representative/support service sorted out the problem (or are sorting it out)
7. Don’t know

P15 [IF P14 = 4,6] (P15 SHOWCARD)
MULTICODE

And which of these types of adviser/representative/support service was it?

1. LEGAL
   a. Solicitor's firm
   b. Independent barrister
   c. Other organisation offering legal advice (including legal helplines) (specify)
2. FINANCIAL/TAX RELATED
   a. Accountant
   b. Other financial/tax adviser (specify)
3. SPECIALIST SUPPORT
   a. Debt collection/recovery service
   b. HR/Employment service
   c. (Insurance) Loss adjuster
   d. Other specialist support service (specify)
4. A TRADE/BUSINESS ORGANISATION
   a. Trade body/professional association
   b. Chamber of Commerce
   c. Local enterprise agency
   d. Other trade/business organisation (specify)
5. GOVERNMENT PROVIDED HELP
   a. Business Link
   b. Other government advice service (specify)
6. OTHER INDEPENDENT SOURCE OF HELP (specify)

P15b [If P14 = 4, 6 Ask for Each Adviser Type Identified]

And thinking of the help you got from [P15 adviser type], what was the main communication method used?

1. In-person meetings
2. Telephone conversations
3. Correspondence by post
4. Through someone else
5. Texting
6. Email
7. Internet (excluding email)

P15c And altogether, approximately how much did your business spend on advisers/representatives/support services to help sort out the problem?

POUNDS

P16 (P15 SHOWCARD)
MULTICODE
And did your business **unsuccessfully** try to get help from any of the sources on this card?

**P17** Did you [If business contains >1 person ‘or anybody else within your business’] use the Internet or any leaflet, booklet or book to help sort out the problem?

- Yes, Internet
- Yes, leaflet, booklet or book
- Yes, both
- No
- Don’t know

**P18** (P18 SHOWCARD)

And can I check whether any of the following things happened/have happened)/ as part of the problem or sorting the problem out? [Interviewers to suggest careful consideration may be necessary]

[PROMPT: Contact includes any sort of contact - including meeting, telephoning or writing]

MULTICODE

1. Your business was contacted by a lawyer or formal agent (e.g. debt collection agency) of the other side
2. Conciliation, mediation or arbitration took place
3. A regulator or ombudsman became involved
4. The police became involved
5. A formal appeals service became involved
6. Tribunal proceedings commenced/a tribunal became involved
7. Legal proceedings commenced/a court became involved
8. There was a tribunal hearing
9. There was a court hearing
10. None of these
11. Don’t know
12. Refused

**P18a** [If P18 = 9]

And did a lawyer appear on behalf of your business at any court hearing?

- Yes
- No
- Don’t know

**P19** [If P9 = Now over or Most likely now over]

(P19 SHOWCARD)
You said earlier that the problem is [now over/most likely now over]. Which of these descriptions best describes how the problem concluded?

MULTICODE. CODE ONLY 1 FROM CODES 1 TO 9, PLUS CODE 10 IN ADDITION, IF APPROPRIATE.

1. Decision of a court/tribunal
2. Decision of a formal appeals service
3. Decision/action of an independent third party (e.g. the police, a regulator)
4. Agreement reached through conciliation, mediation or arbitration sessions, hosted by an independent person/organisation
5. Agreement reached through somebody who was acting for your business (e.g. solicitor or accountant)
6. Agreement reached directly between your business and the other side
7. The other side acted independently to sort out problem
8. Your business acted independently of the other side to sort out problem
9. The problem sorted itself out without your business or the other side doing anything
10. Your business is just putting up with the problem.
11. Don't know

P20 [If P9 = Now over or Most likely now over]

And, to what extent would you say the disagreement concluded in your business’s favour? PROBE FULLY

1. Completely in your favour
2. Mostly in your favour
3. Mostly not in your favour
4. Not at all in your favour
5. Don’t know

P21 Did your business experience any of the things on this card as part of, or as a result of, this [problem]? Please just read out the numbers.

1. Loss of customer/contract
2. Loss of income
3. Additional costs (e.g. increased insurance costs)
4. Inability to take on new work
5. Inability to complete scheduled work
6. Damage to property
7. Damage to reputation
8. Damage to relationship with another business
9. Loss of employees
10. Had to cease trading
11. Change in ownership/structure of the business
P22  [If P21=11]

Can you briefly describe how the ownership or structure of the business changed?

OPEN TEXT

P23  [If any consequences identified at P21]

What would you estimate the monetary value of these consequences to be? If you cannot put it in monetary terms, please say so.

POUNDS STERLING

P24  Did you [If business contains >1 person ‘or anybody else within your business’) personally experience any of the things on this card as part of, or as a result of, this [problem descriptor]? Please just read out the numbers.

1. Stress related illness
2. Other mental health issue
3. Physical ill health
4. None of the above
5. Don’t know

P25  And lastly on the subject of this [problem], could you tell me when did this problem start?

MONTH/YEAR

P26  [If P9 = Now over or Most likely now over]

And when did this problem conclude?

MONTH/YEAR

END OF INDIVIDUAL PROBLEM LOOP

P27  [If P2>2 ]

(RELEVANT P1 SHOWCARD)

In addition to the problems you have just told me about, how many other problems of the type detailed on the card has your business faced since [12 months]?  

ONE NUMBER PER PROBLEM TYPE

P28  [If P2>2 ]
Again thinking of the other [number] [problem category] problems, on how many occasions did your company go about sorting out problems in each of these ways?

1. Did nothing
2. Entirely on its own
3. With help from only outside business friends/colleagues
4. With help from an independent adviser/representative/support service

ONE NUMBER PER STRATEGY (TO TOTAL TO [NUMBER] from P27)

P29  [If P2>2  AND P28 option 4>0]
(P15 SHOWCARD)

And on those occasions when your business obtained help from an adviser/representative/support service, what types of service were used?
MULTICODE

P30  [If P2>2 ]

And again thinking of all the other [number] [problem category] related problems you have mentioned, on how many occasions did you [If business contains >1 person 'or somebody else within your business'] obtain information or resources from the Internet as part of sorting them out?

NUMBER

P31  [If P2>2 ]
(P18 SHOWCARD)

And for how many of the other [number] problems did each of the following happen?

ONE NUMBER PER SHOWCARD ENTRY

P32  [If P2>2 ]
(P19 SHOWCARD)

And thinking only of those problem that are now over, for how many of the [number] problems did each of the following happen?

ONE NUMBER PER SHOWCARD ENTRY
P33  [If P2>2]

And thinking only of those of the [number] problems that have concluded, what number concluded
READ OUT

1. Mostly in your business’s favour
2. Somewhat in your business’s favour
3. Mostly not in business’s favour
4. Don’t know

END OF BASIC PROBLEM LOOP
S MODULE: Detailed strategy, objectives and outcome

The S Module questions are asked about a sample of identified problems for which basic data has been collected. The number of problems asked about will depend upon the impact on overall interview duration. Selection will be restricted to problems of a minimum defined severity and be on a probabilistic basis with reference to problem incidence across categories. The S Module contains a sub-loop for each adviser/support service utilised (again to a maximum determined with reference to interview duration).

[S MODULE ONLY ASKED IF >0 PROBLEMS IN A CATEGORY WHERE P4=1 OR P6=1, and only such categories should be included for problem selection for main respondent]

I would now like to ask you some more detailed questions about how your business went about sorting out the/ONE problem that you have told me about.

I would like to ask about the [detailed problem descriptor]

S1 Did you [If business contains >1 person ‘or anybody else within your business’] personally talk or correspond with the other side about the [problem descriptor]?

Yes
No
Don’t know

S2 [If S1=Yes AND if business contains >1 person]

Who had responsibility for direct communication with the other side?

Respondent
Another member of staff

S3 [If S1=Yes]

MULTICODE

How did you/your business communicate with the other side?

1. Talked
2. Wrote
3. Emailed
4. Another form of communication
5. Don’t know

S4 [If S1=Yes]

(SHOWCARD)
What did you/your business **hope** to achieve in communicating with the other side?

MULTICODE

1. Explain what it was my business wanted
2. Find out what the other side wanted
3. Find out more about the problem
4. Prevent the problem getting worse/escalating
5. Sort out part of the problem
6. Sort out the problem
7. Other (specify)
8. Don’t know

S5  **[If S1=Yes]**  
(S4 SHOWCARD)

And what **did** you achieve?

S6  **[If S1=No]**

Did you [If business contains >1 person 'or anybody else within your business'] write to or otherwise **try** to communicate with the other side about the [detailed problem descriptor]?

Yes  
No  
Don’t know

S7  **[If S1=No]**

Did you [If business contains >1 person ‘or anybody else within your business’] receive any letters, emails or other communication from the other side about the [detailed problem descriptor]?

Yes  
No  
Don’t know

S8  **[If S7 = Yes]**

What was the communication from the other side for?  
PROBE FULLY  
MULTICODE

1. Asked that my business contact the other side
2. Asked that my business do something
3. Told my business that legal or other formal action might be taken against me
4. Other (specify)
5. Don't know

**S9**  \[\text{If } S1 = \text{YES OR } S6 = \text{Yes OR } S7 = \text{Yes}\]

In total, how much time did you [If business contains >1 person 'or anybody else within your business'] spend dealing with direct communication with the other side in relation to this problem?

HOURS/MINUTES

**S10**  \[\text{Ask all}\]

You said earlier that [answer to P14t option 3/5]. Can I just confirm whether you [If business contains >1 person 'or anybody else within your business'] discussed [detailed problem descriptor] with friends or colleagues working in other businesses?

1. Yes
2. No
3. Don't know

**S11**  \[\text{If } S10 = 1\]

When you [If business contains >1 person 'or anybody else within your business'] discussed the [detailed problem descriptor] with friends or colleagues working in other businesses, what was it hoped that they would do?

**MULTICODE**

**Information/advice**
1. Explain communications received by your business
2. Explain the legal position
3. Suggest/recommend how the problem could be resolved
4. Suggest/recommend where help could be obtained

**Practical assistance**
5. Obtain information/advice on behalf of your business
6. Help write letters or fill in forms
7. Communicate with the other side
8. Negotiate with the other side
9. Resolve the problem

**Other**
10. Other (specify)

**S12**  \[\text{If } S10 = 1\]

(SHOWCARD S12)
And what help did friends or colleagues working in other businesses actually provide?
MULTICODE

**Information/advice**
1. Explained communications received by your business
2. Explained the legal position
3. Suggested/recommended how the problem could be resolved
4. Suggested/recommended where help could be obtained

**Practical assistance**
5. Obtained information/advice on behalf of your business
6. Helped write letters or fill in forms
7. Communicated with the other side
8. Negotiated with the other side
9. Resolved the problem

**Other**
10. Other (specify)

**S13** [If S10=YES]

In total, how much time did you [If business contains >1 person ‘or anybody else within your business’) spend discussing the problem with friends or colleagues working in other businesses?

HOURS/ MINUTES

**S14**

In total, how much time did friends or colleagues working in other businesses spend providing practical assistance to your business to help solve the problem?

HOURS/ MINUTES

**S15** (SHOWCARD P15)

You said earlier that in dealing with [detailed problem description] your business was helped by [list P15 services [If none ‘no independent adviser, representative or support service’]]. Can I just check whether you obtained any independent advice or assistance from any other organisation of the type on this card to help solve the [problem descriptor]?

Yes
No
Don’t know

**S16** [If S15=Yes]

(SHOWCARD P15)

Which ones?
S17 [If ANY ADVISERS DETAILED: (P14 = 4 or 6) OR If S15=Yes]

How many of the following types of independent adviser, representative or support service did you obtain help from?

[List ON SCREEN each adviser type from P15 and S16 (combined)]

ONE NUMBER PER ADVISER TYPE

S18 [If ANY ADVISERS DETAILED: (P14 = 4 or 6) OR If S15=Yes]

And in what order did you first seek help from them?

[List ON SCREEN each adviser type as many times as indicated by S17]

ORDER EACH ADVISER INDICATED BY S17

[LOOP A1 TO A20 FOR FIRST FOUR ADVISERS, IN THE ORDER THAT THE RESPONDENT SOUGHT HELP FROM THEM]

I am now going to ask you for brief details of what help you obtained from [If S17 total > 1 add ‘each of’ [If S17 total >4 add ‘the first four of’)] the people/organisations you have mentioned helped you.

A1 But first, can I quickly ask why it was that you decided to seek help from [adviser 1]?

1. Adviser was recommended to the business [specify by who]
2. Adviser was under contract with business
3. Adviser had previously helped the business
4. Adviser was already known (although no previous help)
5. Came across adviser during online search
6. Came across adviser during other search

A2 What help did you hope to get from [adviser 1]?

MULTICODE

Information/advice
1. Explain communications received by your business
2. Explain the legal position
3. Suggest/recommend how the problem could be resolved
4. Suggest/recommend where help could be obtained

Practical assistance
5. Obtain information/advice on behalf of your business
6. Help write letters or fill in forms
7. Communicate with the other side
8. Negotiate with the other side
9. Issue legal proceedings  
10. Represent business in court  
11. Resolve the problem  

**Other**  
12. Other (specify)  

**A3** What did you actually get from [adviser 1]?

**MULTICODE**

**Information/advice**  
1. Explained communications received by your business  
2. Explained the legal position  
3. Suggested/recommended how the problem could be resolved  
4. Suggested/recommended where help could be obtained  

**Practical assistance**  
5. Obtained information/advice on behalf of your business  
6. Helped write letters or fill in forms  
7. Communicated with the other side  
8. Negotiated with the other side  
9. Issue legal proceedings  
10. Represent business in court  
11. Resolve the problem  

**Other**  
12. Other (specify)  

**A4** Did [adviser 1] suggest you get help from another source?  

Yes  
No  
Don't know  

**A5** If A4=Yes  

(SHOWCARD P15)  

Where did [adviser 1] suggest you get help from?  

**A6** [If A5 = an adviser type detailed in S17 (excluding current adviser if only 1 of that type)]  

Was this a/the [A5 adviser type] you have already mentioned?  

Yes  
No  
Don't know
A7  How much of the help that you needed to get from [adviser 1] did you get? PROBE FULLY

1. All
2. Most
3. Some
4. None
5. Don’t know

A8  How satisfied have you been with the help you received from [adviser 1]?

1. Extremely satisfied
2. Very satisfied
3. Somewhat satisfied
4. Somewhat dissatisfied
5. Very dissatisfied
6. Extremely dissatisfied

A9  Would you describe the help that the [adviser 1] provided as being READ OUT

1. Entirely legal in nature
2. Mostly legal
3. Partly legal
4. Not legal
5. [DO NOT PROMPT] Don’t know

A10 How did [If business contains 1 person OR (>1 person AND P4=2) ‘you’; if business contains >1 person AND P4 not 2 ‘your business’] find out about [adviser 1]?

1. Already knew adviser
2. Recommendation
3. Internet
4. Yellow pages
5. Advertisement
6. Other

A11 How did you first contact [adviser 1]]? PROBE FULLY

1. In person
2. Email/internet
3. Telephone
4. Post
5. Through someone else
6. Don’t know
A13 What would you say was the predominant method you used to communicate with [adviser 1]?

1. In person
2. Email/internet
3. Telephone
4. Post
5. Through someone else
6. Don’t know

A14 Which of the following best describes where [adviser 1] is located?

1. In the locality
2. In the region (e.g. North West)
3. In the United Kingdom
4. Overseas

A15 In total, how much time did you [If business contains >1 person ‘or anybody else within your business’] spend preparing materials for or communicating with [adviser 1]?

HOURS/MINUTES

A16 Did your business have to pay for the help it received from [adviser 1]? This includes where your business pays a subscription or regular amount for the help of [adviser 1]?

Yes, all
Yes, in part
No
Don’t know

A17 [If A16=Yes all OR Yes part]

Approximately, how much did you pay for the help you received from [adviser 1]? In the case of a subscription or regular payment, please provide an estimate of the amount within the subscriptions or regular payments that you would say covers the help you got from [adviser 1].

AMOUNT IN POUNDS

A18 [If A16=No]

Was the help you received from [adviser 1] freely available to any business?

Yes
No
Don’t know
A19  [If A16= Yes in part OR (A16 = No AND A18=No)]

Who [If A16=Yes part ‘else’] paid for the help you received from [adviser 1]?

OPEN TEXT

A20  [If A16= Yes in part]

How much did [A19 answer] contribute to the cost of the help your business received from [adviser 1]?

AMOUNT IN POUNDS

END OF ADVISER LOOP

[S19 and S20 TO BE ASKED OF EACH ADVISER IDENTIFIED AT P16 (unsuccessful attempts to obtain help)]

S19  [If any advisers identified at P16]

You said earlier that in dealing with [detailed problem description] your business unsuccessfully tried to obtain help from a [P16 service]. How did you contact (or try to contact) them?

1. In-person
2. Telephone
3. Post
4. Email
5. Other

S20  [If any advisers identified at P16 – ASK FOR EACH ADVISER TYPE]

And why were you unable to obtain help from a [P16 service]?

1. Couldn't get a convenient appointment
2. Kept waiting too long
3. Couldn't get through on the telephone
4. No reply to letter/email
5. Not able to provide appropriate help
6. Not willing to help
7. Too expensive
8. Other

END OF UNSUCCESSFUL ADVISER LOOP

S21  [If any advisers identified at P16]
In total, how much time did you spend trying unsuccessfully to obtain advice from [List P16 advisers]?

HOURS/MINUTES

S22  [If Internet use identified at P17]  
(SHOWCARD S22)

You said earlier that in dealing with [detailed problem description] your business used the Internet to help sort out this [problem descriptor], what was it hoped would be achieved?

MULTICODE

1. Identify an appropriate source of advice
2. Find a telephone number for an adviser
3. Find details of an adviser to see in person
4. Obtain information about the law/regulation
5. Obtain information about how to sort out the problem
6. Make use of online forms or documents
7. Have online service sort out the problem
8. None of these
9. Don’t know

S23  [If Internet use identified at P17]  
(SHOWCARD S23)

And can I ask what your business actually achieved by using the Internet to help sort out the problem?

MULTICODE

1. Identified an appropriate source of advice
2. Found the telephone number for an adviser
3. Found the details of an adviser to see in person
4. Obtained some of the information about law/regulation
5. Obtained all of the information about law/regulation
6. Obtained some of the information about how to sort out the problem
7. Obtained all of the information about how to sort out the problem
8. An online service sorted out the problem
9. None of these
10. Don’t know

S24  [If Internet use identified at P17]

What was the main website used?

OPEN

S25  [If leaflet, booklet or book use identified at P17]  
(SHOWCARD S25)
You said earlier that in dealing with [detailed problem description] your business used a leaflet, booklet or book, what was it hoped this would achieve?

MULTICODE

1. Identify an appropriate source of advice
2. Find contact details for an adviser
3. Obtain information about the law/regulation
4. Obtain information about how to sort out the problem
5. Other (specify)
6. None of these
7. Don’t know

**S26** [If leaflet, booklet or book use identified at P17]  
(SHOWCARD S26)

And can I ask what your business actually achieved by using a leaflet, booklet or book to help sort out the problem?

MULTICODE

1. Identified an appropriate source of advice
2. Found contact details for an adviser
3. Obtained information about the law/regulation
4. Obtained information about how to sort out the problem
5. Other (specify)
6. None of these
7. Don’t know

**S27** [If Internet and/or leaflet, booklet or book use identified at P17]

Thinking about the time you spent using [If P17 = Yes, Internet “the Internet”/P17= Yes, a leaflet, booklet or book “a leaflet, booklet or book”/If P17 = Both “the internet, a leaflet, booklet or book”] to sort out the [problem descriptor], how much time would you say you spent on this in total?

HOURS/MINUTES

**S28** Apart from any organisation or person you have already told me about, did any other organisation or person outside of your business do anything to help sort out the problem?

Yes
No
Don’t know

**S29** [If S28=Yes]
Did your business ask for this help in sorting out the problem?

Yes
No
Don’t know

S30  [If S28=Yes]

And can you tell me what type of person or organisation it was that helped?

OPEN TEXT

S31  [If S28=Yes]

What was it that the [S30 description] did?

OPEN TEXT

S32  And again apart from anything you have already told me about, did you [If business contains >1 person ‘or anybody else within your business’] **personally** do any of the things on this card as part of trying to sort out [detailed problem descriptor]?

1. Think about your business’s options
2. Obtain information
3. Collect/obtain evidence
4. Negotiate with the other side
5. Issue legal proceedings
6. None of the above

S33  [If P3=2-4]

Thinking about the time the problem first started, to what extent did [person responsible (taken from P4)] understand your business’s legal position?

1. Completely
2. Mostly
3. Partly
4. Not at all
5. Don’t know
6. Refused

S34  [IF S33 = 3, 4, 5]

To what extent do/does [person responsible (taken from P4)] now understand what your business’s legal position was?
1. Completely
2. Mostly
3. Partly
4. Not at all
5. Don't know
6. Refused

S35 [ASK IF S33 = 1 or 2 OR S34 = 1 or 2]

How did [person responsible (taken from P4t)] come to understand where your business stood, legally, at the time the problem first started? 
MULTICODE. 
DO NOT PROMPT

1. Talking to friends/colleagues in other businesses
2. Talking to family/other friends
3. Talking to an advisor
4. Talking to the other side
5. Information from the Internet
6. Information from a leaflet/booklet/book
7. Have had experience of similar problems
8. Other (specify)
9. Don't know

HOPES AND OUTCOME SECTION

Finally on this problem, I'd like to ask you a few questions about what your business hoped would happen and what did happen.

H1  When the [detailed problem descriptor] first started, what did your business hope would be the outcome?

1. The business would obtain money
2. The business would obtain property
3. The business would retain money
4. The business would retain property
5. Another sort of outcome

H2  [If H1=5]

Can you briefly describe what outcome the business hoped for?

OPEN TEXT

H3  [If H1=5]

Could you put a monetary value on what was at stake?

Yes
No
Don’t know

H4  [If H3=Yes]

POUNDS

H5  [If H1 = 1 or 3]
Was the money a lump sum or regular payments?
1. Lump sum
2. Regular payments
3. Both
4. Don’t know
5. Refused

H6  [If H5 = 1 or 3]
Approximately, What was the amount of the lump sum?
PROMPT: Roughly

POUNDS

H7  [If H5 = 2 or 3]
Approximately, What was the amount of the regular payments?
Please give a monthly amount.

POUNDS

H8  [ASK IF H5 =2 or 3]
How many months were the regular payments going to last for?

NUMERICAL
For the foreseeable future

H9  [If H5 = 2 or 4]
Approximately, what was the net value of the property?

POUNDS

H10  [If H5 = 1-5]
Would you say that the business got what it hoped for
READ OUT
1. Completely
2. In part
3. Not at all
4. Or is it too early to say?
5. Don’t know
H11  [If H10=2 or 3]

How much would you say that not completely getting what it hoped for cost your business?

POUNDS

END OF HOPES AND OUTCOMES SECTION

S36  [If business did nothing to resolve problem: S1=No AND S6=No AND S10=No AND S29=No/Missing AND (P14=1 AND S15=NO) AND P16=None AND P17=No]

Would it be fair to say that your business decided to do nothing to sort out [detailed problem descriptor]?

Yes
No
Don't know

S37  [If S36=Yes]

Why did your business do nothing to try to sort out the problem?
PROBE FULLY
MULTICODE

1. Would have had negative impact on reputation
2. Would have damaged relationship with other side
3. No dispute with other side/other side was right
4. Problem resolved without need to do anything
5. Not important enough
6. Would have taken too much time
7. Would have cost too much
8. Didn’t know the legal position
9. Didn’t know what to do
10. Would not have made a difference
11. Other (specify)
12. Don’t know

S38  [If business did not have legal staff (O20=2,4,5) AND No specialist advice sought (P15=None and S15=None)]

Why didn’t your business obtain specialist legal help to help deal with the problem?
PROBE FULLY
MULTICODE
1. Did not need legal help
2. Problem resolved without need to get legal help
3. Would have had negative impact on reputation
4. Would have damaged relationship with other side
5. No dispute with other side/other side was right
6. Not important enough
7. Would have taken too much time
8. Would have cost too much
9. No convenient advisers
10. Didn’t know where to get legal help
11. Would not have made a difference
12. Got advice before and not found it useful
13. Other (specify)
14. Don’t know

S39 [If business unsuccessfully sought advice sought (P16=Any)]

You said earlier that your business unsuccessfully tried to get help from [P16 services]. Why didn't you keep trying to get advice from them? PROBE FULLY MULTICODE

1. Didn’t need help
2. Problem resolved without need to keep trying
3. Would have had negative impact on reputation
4. Would have damaged relationship with other side
5. No dispute with other side/other side was right
6. Not important enough
7. Would have taken too much time
8. Would have cost too much
9. Would not have made a difference
10. Got advice before and not found it useful
11. Other (specify)
12. Don’t know

S39 [ASK ALL]

Do you now wish that your business had done something different to try to sort out the problem?

Yes
No
Don't know

S40 [If S39=Yes]

What do you wish had been done differently?
OPEN TEXT
D Module: Detailed characteristics and attitudes

Finally, I'd like to ask you a little bit more about your business.

D1  Is your business a family owned business (i.e. majority owned by members of the same family)?

    Yes
    No
    Don't know

D2  [If O9>20 years And D1=Yes]

    For how many generations has the business been in the control of the family?

    NUMBER

D3  [If O4=1 AND O11>1]

    You said earlier that the business is a sole proprietorship. Can I just confirm that there are no other managers involved in running the business except yourself?

    1.  There are other people making management decisions
    2.  There are no other people making management decisions
    3.  Don't know

D4  [If D3=1]

    In total, how many managers are there involved in running the business?

    NUMBER

D5  [If O4 NOT 1 AND O11>1]

    How many partners or directors are there involved in day-to-day running of the business, including yourself

    NUMBER

D6  [If O4=2-6]

    What percentage of the business [If O1=Yes ‘do you’, If O1=No ‘does the person in charge of the day to day running of the business’] own?

    NUMBER
D7  Approximately, what do you expect your business’s turnover to be in its current financial year?

POUNDS

D8  And do you expect the business will make a profit in its current financial year?

Yes
No
Don’t know

D9  [If D8=Yes]

What do you expect the profit, after tax, to be in its current financial year?

NUMBER

D10  And thinking about your business’s customers and clients, how would you describe them? Are they individual members of the public, other businesses, government agencies, or charities.

MULTICODE

1. Individual members of the public
2. Other businesses
3. Government
4. Charities
5. Other (specify)

D11  And how many customers do you expect your business to have in the current financial year?

NUMBER

D12  And what percentage of your customers are repeat customers?

NUMBER 1-100

D13  And how many suppliers do you expect your business to have in the current financial year?

NUMBER

D14  Does your business sell outside the UK?

Yes
No
Don’t know
D15  [If D14=No]

Does your business have plans to sell outside the UK in the future?

Yes
No
Don’t know

D16  [If D15=No]

Which of the reasons on this card lie behind your business not selling overseas?

1. Have never thought about it
2. Not interested
3. Cost of expanding production or sales
4. Technical difficulty of exporting
5. Concern over legal issues around export
6. Concern over tax issues around export
7. Other (specify)

D17  Does your business import goods or services from outside the UK?

Yes
No
Don’t know

D18  [If D17=No]

Does your business have plans to import goods or services from outside the UK in the future?

Yes
No
Don’t know

D19  [If D18=No]

Which of the reasons on this card lie behind your business not importing goods and services from overseas?

1. Have never thought of it
2. Cost
3. Difficulty of importing
4. Concern over legal issues around importing
5. Concern over tax issues around importing
6. Concern over quality control
7. Other (specify)
D20  Over the next two to three years, do you aim to grow your business?

Yes
No
Don’t know

D21  [If D20=No]
Which of the reasons on this card lie behind you not aiming to grow the business over the next few years?

1. There is no demand
2. It is difficult to recruit staff
3. Do not wish to grow
4. The nature of the business would change
5. There are too many legal complexities
6. Other (specify)

D22  [If R11=Any]‘You mentioned before receiving help from a business organisation, can I just check’] Is your business a member of any of the organisations or networks on this card?

1. A national business organisation (e.g. Federation of Small Businesses, Institute of Directors, Forum of Private Business, CBI)
2. A trade body/professional association
3. Chamber of Commerce
4. A network of independent businesses
5. Other business association (specify)

D23  Which of the following statements would you say best describes your business?

When problems arise there is
1. ALWAYS somebody the business can easily call upon to help.
2. USUALLY somebody the business can easily call upon to help.
3. RARELY somebody the business can easily call upon to help

And now a couple of questions about your business’s exposure to and attitude to risks.

D24  What is the percentage chance that your business will be sued for negligence in relation to goods or services supplied in the last year?

NUMBER

D25  What is the percentage chance that your business will be investigated by HMRC in relation to the current financial year?

NUMBER
I’m now going to read out a few statements about business. Please tell me how much you agree or disagree with each one.

**D26** You can’t get ahead in business without taking risks

1. Agree strongly
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Disagree strongly
6. Don’t know

**D27** Sometimes, product or service quality is more important than profit margin

1. Agree strongly
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Disagree strongly
6. Don’t know

**D28** Being competitive involves taking shortcuts

1. Agree strongly
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Disagree strongly
6. Don’t know

And now a few statements about law and regulation in Britain. Again, please tell me how much you agree or disagree with each one.

**D29** Law and regulation provide a fair environment for business to succeed.

1. Agree strongly
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Disagree strongly
6. Don’t know

**D30** It is more important to comply with the spirit than the letter of the law

1. Agree strongly
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Disagree strongly
6. Don’t know

D31 Legal processes are an essential means for businesses to enforce their rights

1. Agree strongly
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Disagree strongly
6. Don’t know

D32 Lawyers provide a cost effective means to resolve legal issues

1. Agree strongly
2. Agree
3. Neither agree nor disagree
4. Disagree
5. Disagree strongly
6. Don’t know

And lastly some basic demographic questions.

D33 INTRINSIC CAPABILITY

Could I ask what is (your) the highest educational qualification of the person / people in charge of running the business?

<table>
<thead>
<tr>
<th>Person 1</th>
<th>Person 2</th>
<th>Person 3</th>
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<tbody>
<tr>
<td>GCSE/O level</td>
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<td>A level</td>
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<td>Other</td>
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</table>

D34 Can I ask what age [If O1=Yes ‘you’, If O1=No ‘the person in charge of the day to day running of the business’] you are?

NUMBER

D35 [If D4>1 OR D6>1]

And thinking of the management team, how many fit into these age categories: ‘20-29’; 30-39; 40-49; 50-59; 60-65; 65+

D36 [If O1=Yes] Record respondent gender
D37  [If O1=No]

Can I ask whether the person in charge of the day to day running of the business is male or female?

1. Male
2. Female

D38  [If D4>1 OR D6>1]

And how many [managers/directors/partners] are female?

NUMBER

D39  Can I ask whether [If O1=Yes ‘you’, If O1=No ‘the person in charge of the day to day running of the business’] works full-time or part-time in the business?

3. Full-time
4. Part-time
5. Don’t know

D40  [If D4>1 OR D6>1]

And how many [managers/directors/partners] work part-time, overall?

NUMBER

D41  Can I ask how [If O1=Yes ‘you’, If O1=No ‘the person in charge of the day to day running of the business’] would describe [your/their] ethnicity?

[CURRENT STANDARD ETHNIC CATEGORIES]

D42  [If D4>1 OR D6>1]

And how many [managers/directors/partners] are black or minority ethnic?

NUMBER

D43  Can I ask whether [If O1=Yes ‘you’, If O1=No ‘the person in charge of the day to day running of the business’] have/has any long-standing illness, disability or infirmity? By long-standing I mean anything that has troubled [you/them] over a period of time or that is likely to affect [you/them] over a period of time?

D44  [If D4>1 OR D6>1]
And how many [managers/directors/partners] have a long-standing illness, disability or infirmity?

NUMBER