

Understanding the Legal Needs of Small Businesses: legal problems, capacity and attitudes

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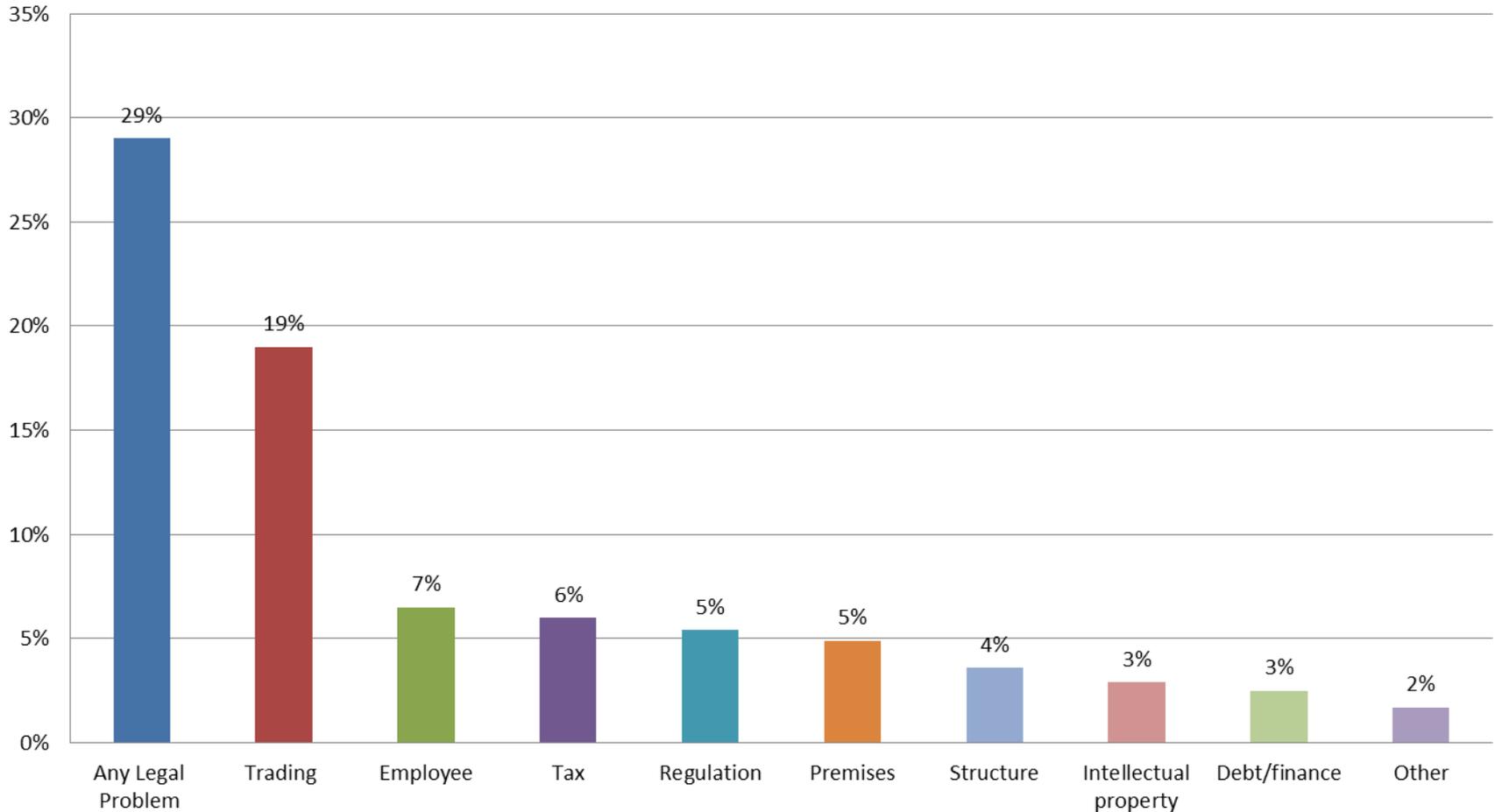
Aim and objectives

- Contribute to evidence base on **small firms'** use of legal services (benchmark survey 2013)
 - Set within context of LSB strategic objectives
- What are the legal problems that small firms face?
- How do they respond?
- What is their legal capacity?
- What is the impact and outcomes of legal problems?
- What attitudes do small firms' owner-managers have to risk, law and legal services
- How does the above vary by business and respondent characteristics?
- Some implications and conclusions

Methods and definitions

- Analysis of 10,528 individuals running small firms
- Surveyed in March 2015 by YouGov
- Weighted to UK business population
 - Employ between 1 -49 people
 - Covers all sectors and locations
 - Same 1,463 individuals also interviewed in 2013
- Provides largest survey of small firms' interactions with legal sector
- *Legal need* defined as problems that could potentially be resolved through a legal process – '*justiciable*'

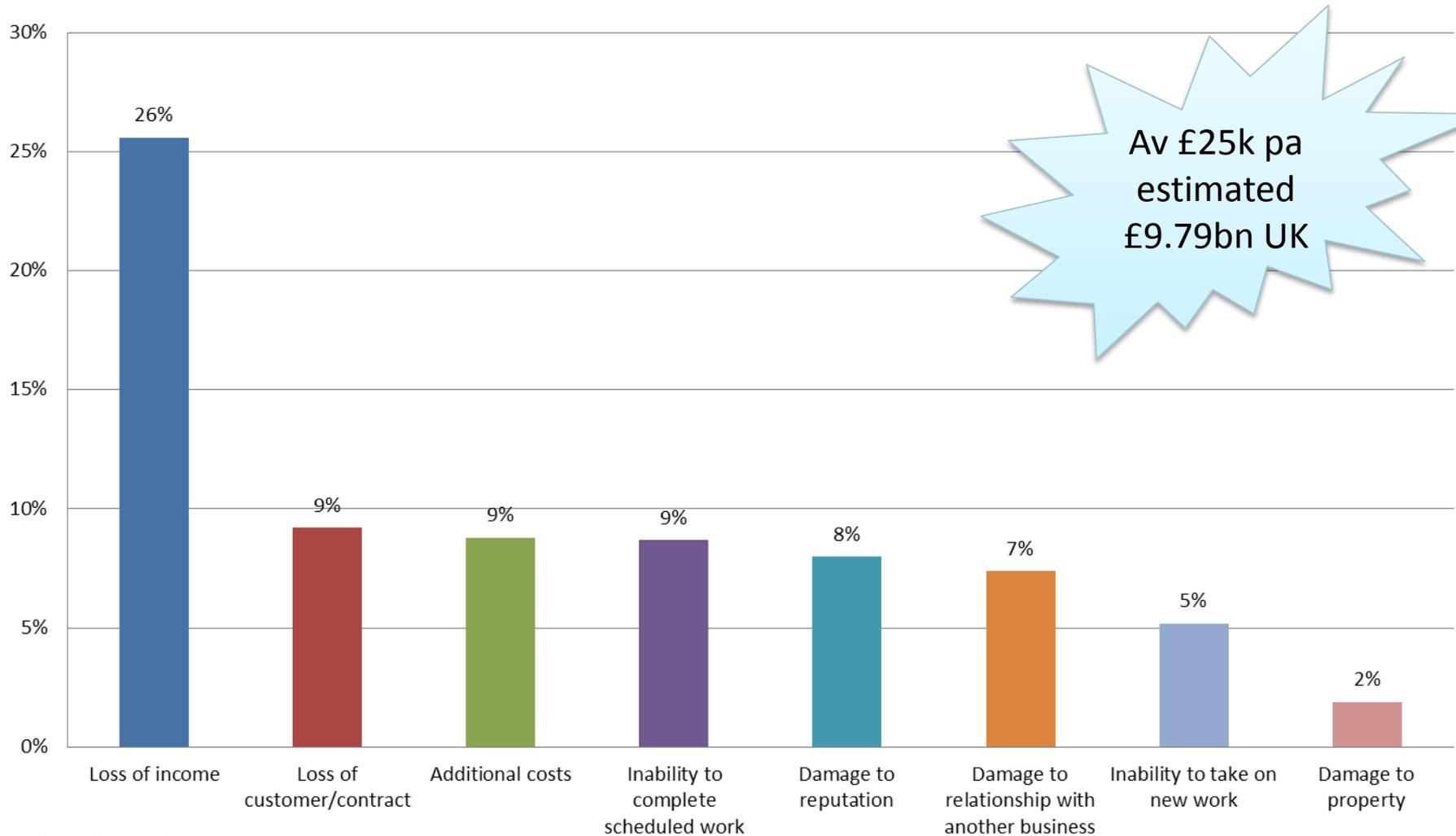
What are the problems faced by small firms?



Legal problems of small firms

- Average number of problems *13 per firm*
 - Mainly with other businesses
 - Down from average of *21* in 2013
- Positive relationship between a problem and:
 - Owner-manager characteristic (disability/ BME)
 - Serving both individuals and organisations
 - Having legal capacity
 - Size of firm
 - Though different peaks by size (eg IP vs Taxation)
- Range of impacts
 - stress related, physical and mental ill health...

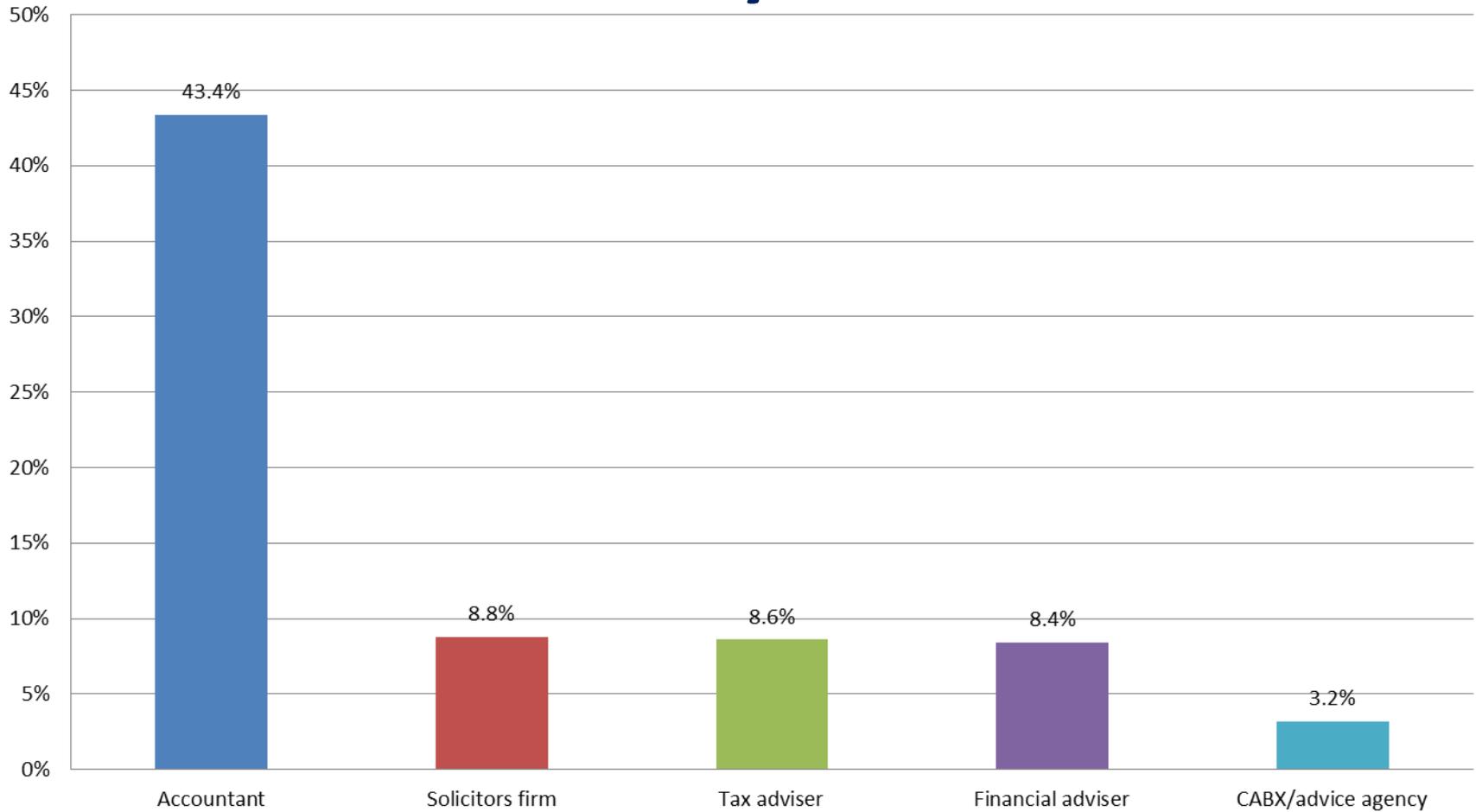
Impact of legal problems



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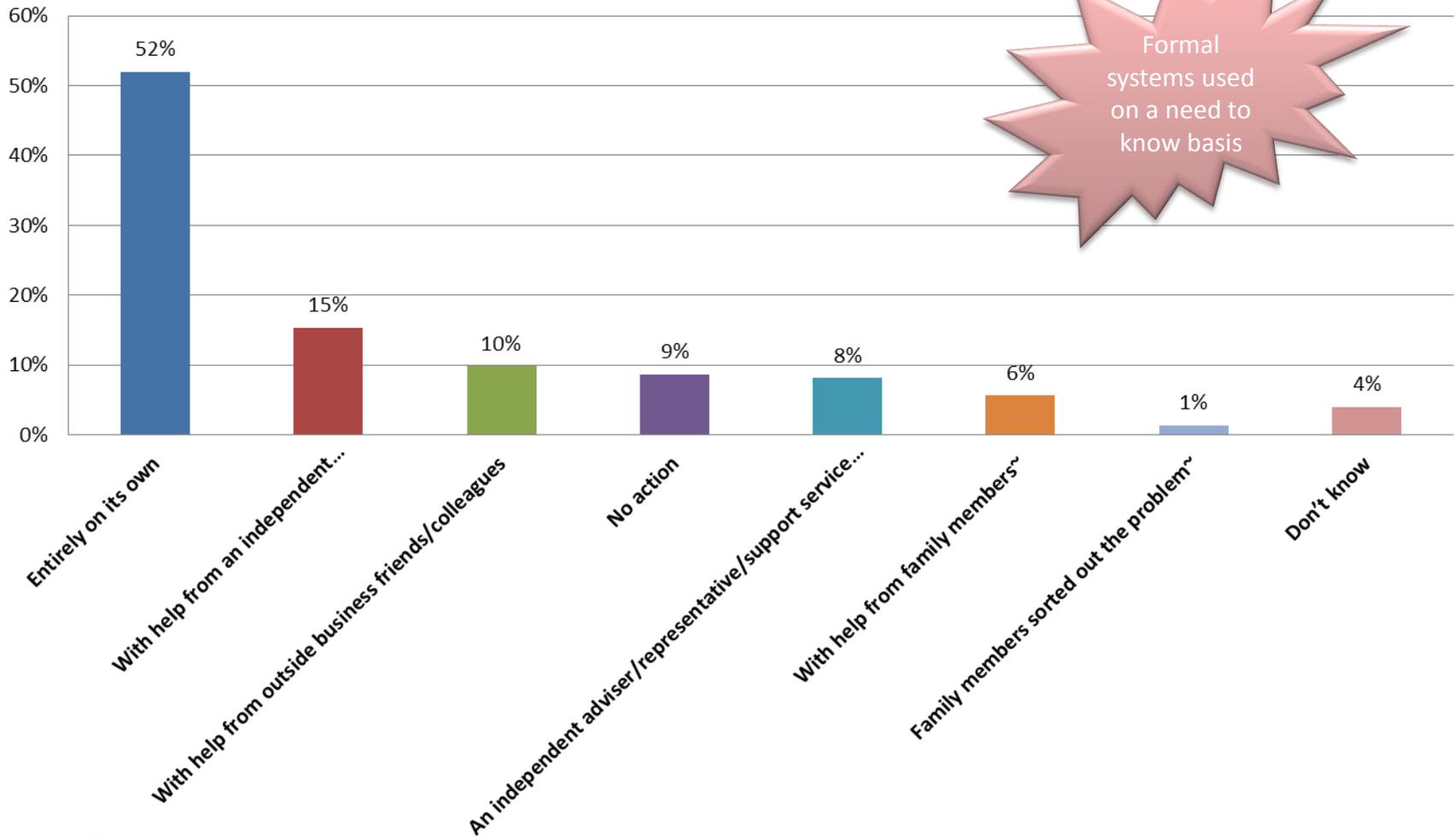
Top 5 business support services used in last year



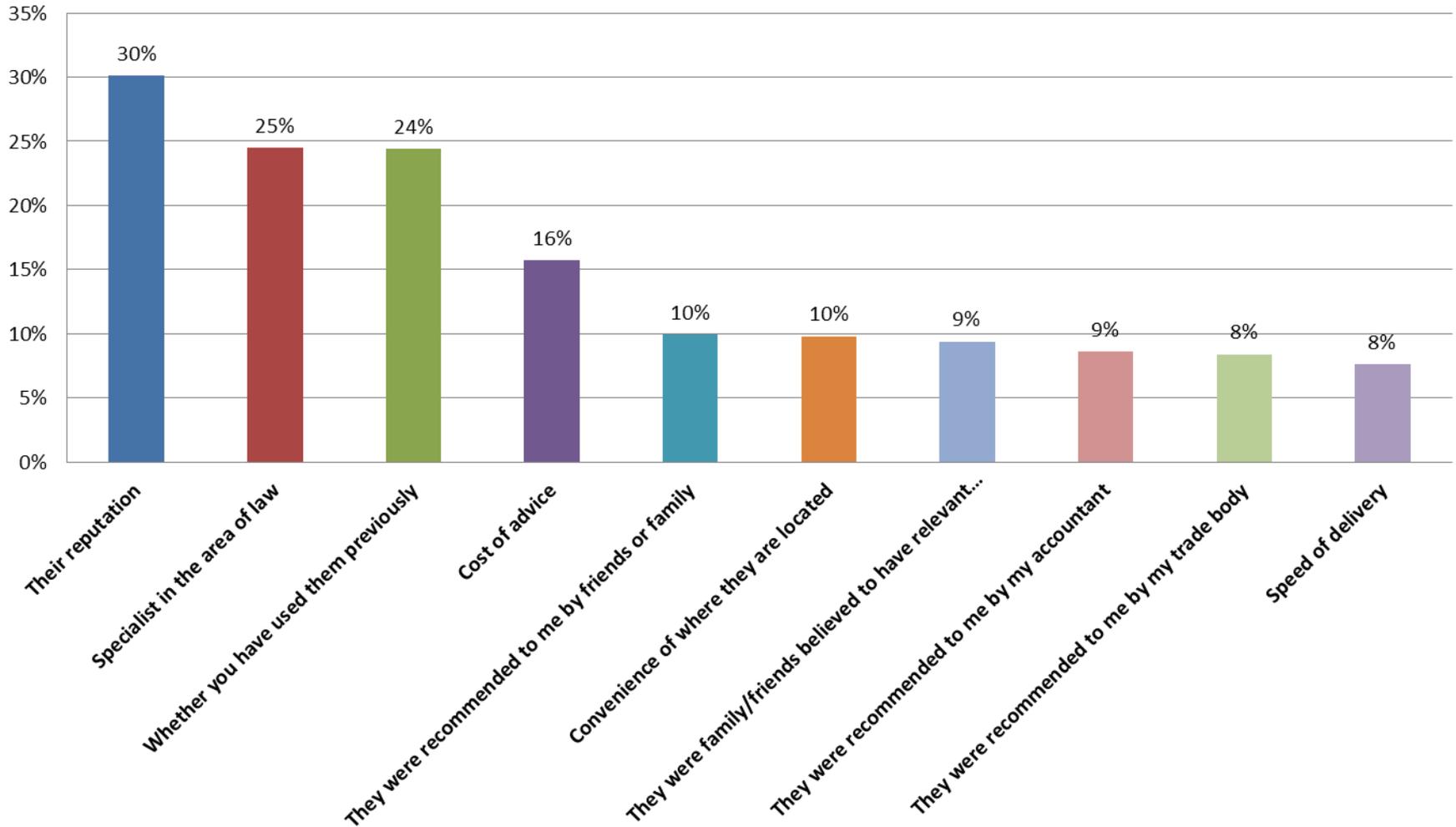
Legal capacity within sample

- Strong emphasis on self-help / informal sources
 - Absence of in-house capacity (5%) or retainers (8%)
 - +ve with size of firm
 - +ve with disability
 - + ve with having legal problem
- Suggests step-by-step approach
 - Lawyers relatively *unknown territory*
 - 20% with a legal problem drew upon legal service
- Preference for face-to-face
 - Although multiple ways of communications

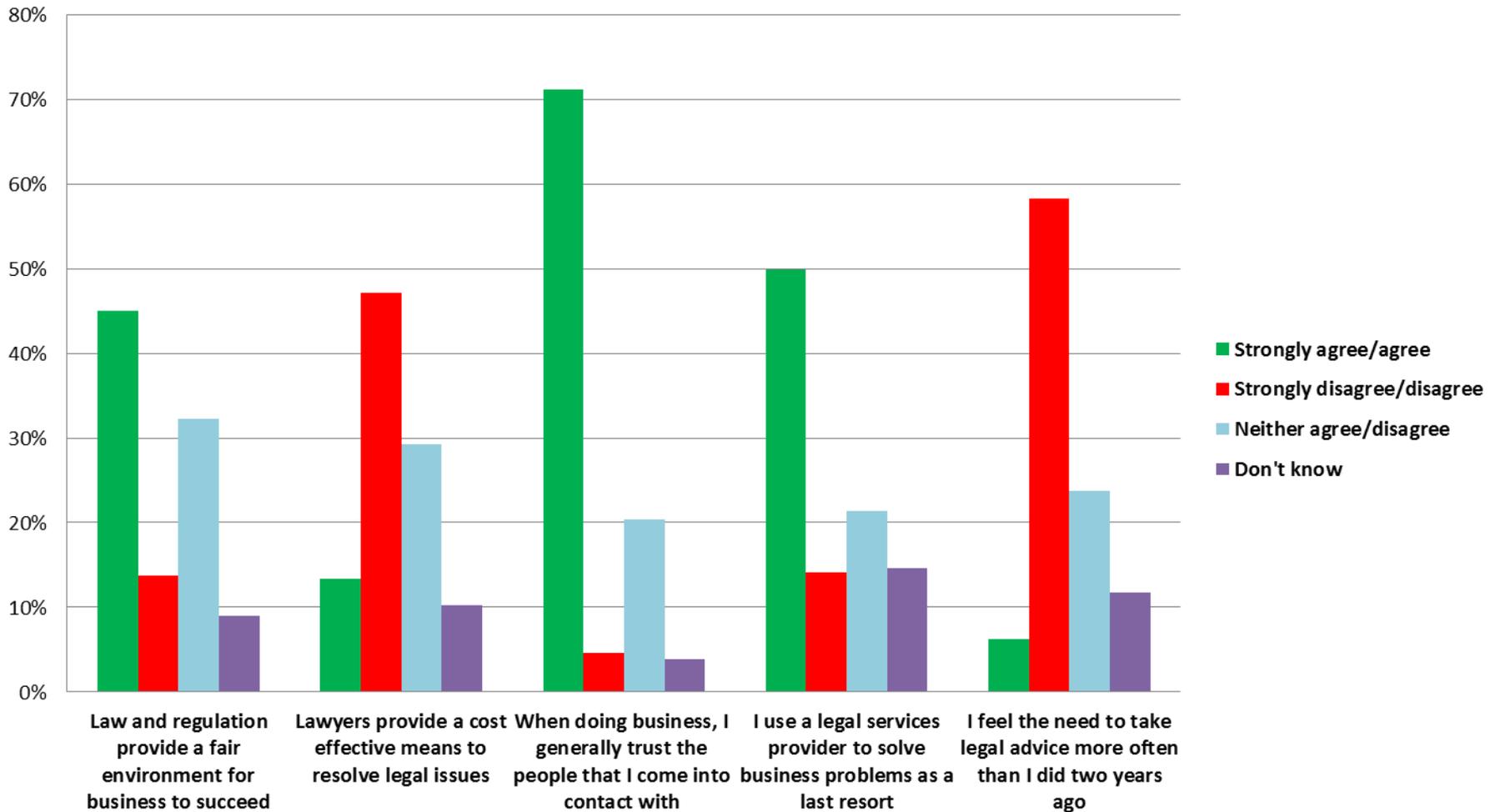
How business went about sorting out the most recent problem



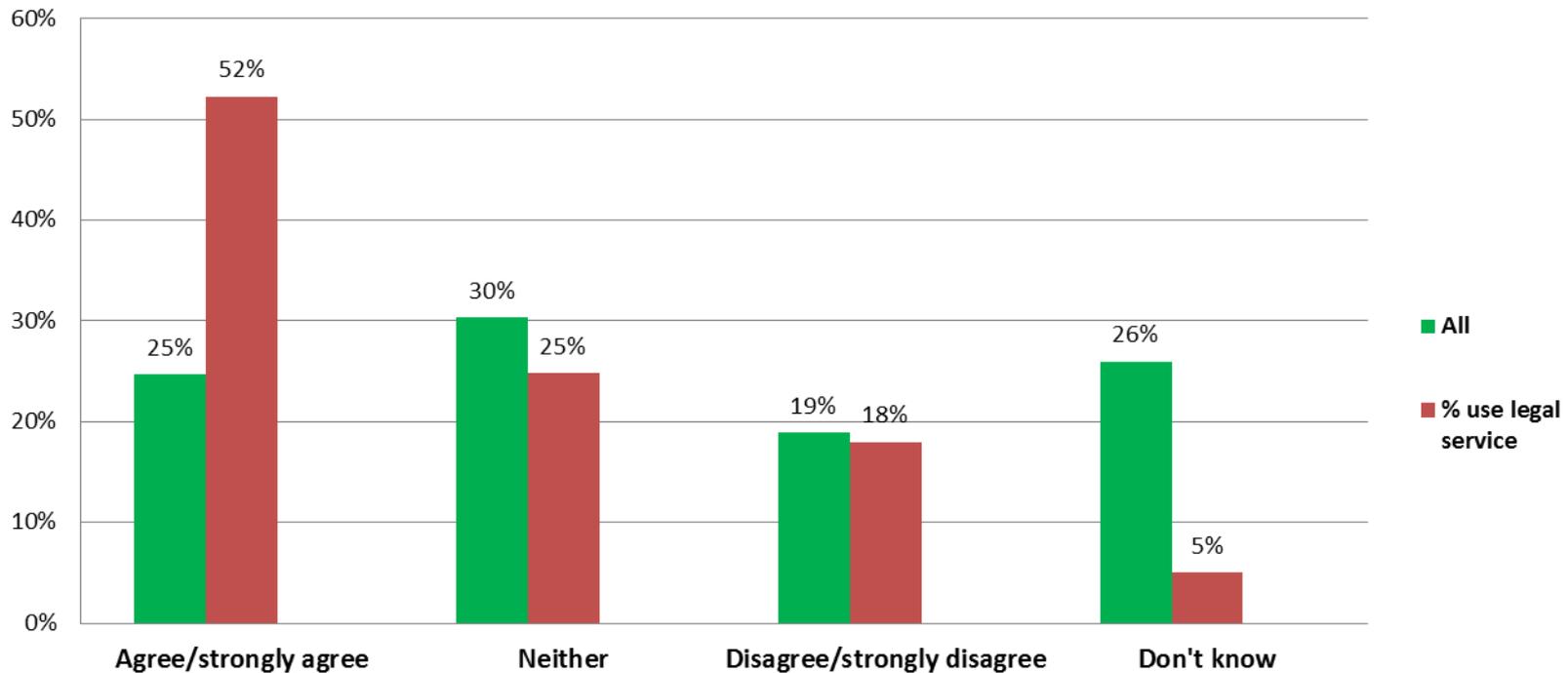
10 most important factors in choice of legal provider



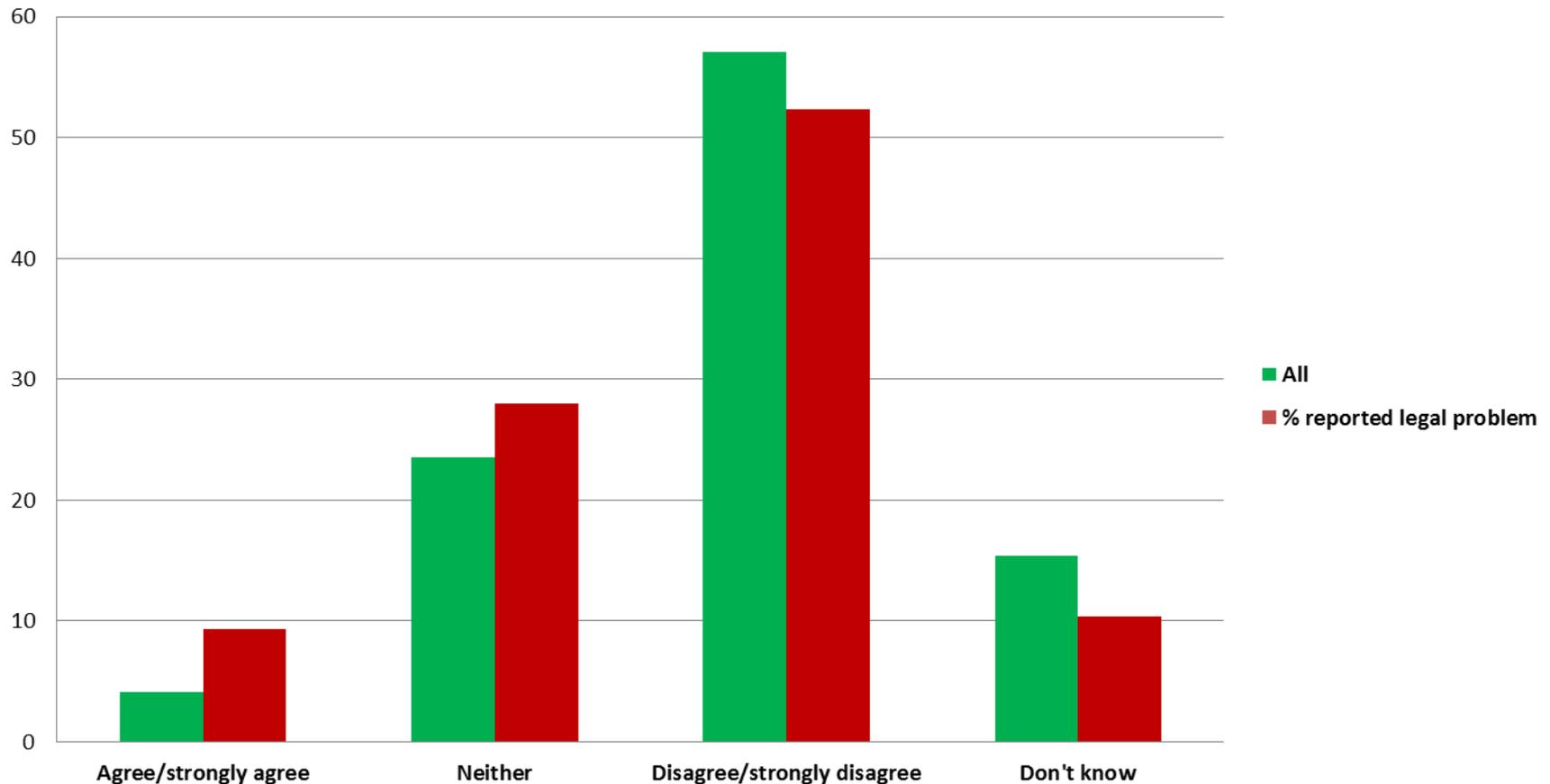
Perceptions of small business owners



When I need one, I find it easy to find a suitable legal services provider that I can afford



Not being able to find a suitable legal services provider when I need one has affected the growth of my business



Panel analysis 2013-15

- Same respondents 2013-15 (n=1407)
- Little change in legal capacity
- Decline in reported number of problems
 - 35% to 29%
- Decline in use of external providers
 - 74% to 59%
- Observed changes may be due to improving economic conditions

Conclusions

- Results provide new, detailed evidence on legal capacity, experiences and needs of small firms
- Suggests *caution of generalising* on small firms
 - Experiences *within* small firms population
 - eg. larger small firms; BMEs; O-M with disability; product markets
 - Growth firms reaching certain thresholds
- However, *little change* in attitudes over time
 - Linked to macro economic conditions
- Legal services *not part of day-to-day life of small firms*
 - Hence need for clarity in offerings from lawyers
 - Overcome small firms' perceptions; develop relational trust

Questions

Full Report: Blackburn, R. Kitching, J. and Saridakis, G. (2015) *The legal needs of small businesses An analysis of small businesses' experience of legal problems, capacity and attitudes*

<https://research.legalservicesboard.org.uk/wp-content/media/PUBLISH-The-legal-needs-of-small-businesses-20-October-2015.pdf>

<http://kingston.ac.uk/sbrc>