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May 2019



# Small Business Community Impact 2019



peak b

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peak b

peak b is the campaigning organisation for small business. peak b runs national campaigns to work with, support and engage with small businesses across the UK. With deep knowledge and access into the small business sector, peak b are the acknowledged experts into all things small. If you want to understand, engage with or help to support the UK's 5.7 million small businesses, then do get in touch at [hello@peakb.uk](mailto:hello@peakb.uk)

# Foreword

For much of the last 12 months, through Brexit, stories of high street decline and plummeting small business confidence, you would be forgiven for thinking that the world of small business in the UK is a torrid place. Times are complex and surely small businesses are feeling the pinch.

With this back drop, peak b is following up on its hugely positive and popular Small Business Community Impact report with further insight into how small businesses are really acting, feeling and engaging with their communities. And it may not be the story you were expecting.

Following in a similar vein to the findings of our March 2019 report, Small Business Opportunity Creators, it seems small businesses are refusing to be brought down by the more crushing of small business headlines and refuse to let this lead to a decline in how they treat their staff and communities. In fact, in almost all cases, small businesses are doing more and seeing more benefits to communities than in 2018, which is a cheering thought in these complex times.

At peak b, we campaign for and champion the long tail of small businesses in the UK and so it continues to be critically important to us to understand and celebrate the many ways small businesses are benefiting the wider economy. While not oblivious to the challenges of an un-resolved Brexit crisis, cyber security threats, high street job losses, the demise of pubs and even the impact of bad weather, we see it as our role to uncover the value added by small businesses, and highlight the great wealth of positive opportunity they create.

We do continue to be a nation of small businesses, built by them, supported by them, employed by them and bolstered by them. This Small Business Community Impact research continues to reaffirm this and we hope you take something positive from the insight and, like peak b, work towards building a stronger small sector for 2020.



Michelle Ovens MBE  
Director, peak b



We are proud to continue Indeed's support for the small business community through our ongoing partnership with peakb.

Our mission at Indeed is simple: we help people get jobs. Most employment happens through small businesses, and as this research shows, small businesses are integral to a healthy and thriving economy. Furthermore, they are a huge engine of growth in the UK economy.

Small businesses are both agents for social change and opportunity creators. The significant role this large community plays in the UK in terms of hiring diverse talent within communities and fostering inclusive working environments should not be underestimated.

We hope this is just the start of continued recognition for the small businesses across the country. We look forward to continuing to champion this work throughout 2019 and working with peakb to encourage more optimism across the small business community into 2020 and beyond.

Bill Richards  
UK Managing Director, Indeed



Peak b's research into the impact small businesses have on local communities is a welcome insight into the significant wealth and positive contribution they bring to not only their local towns and villages but also the wider economy. The report also consistently highlights the importance of these businesses to the social and environmental health of these communities, which is something TSB is passionate about and proud to support.

Small businesses are the driving force of the UK economy and we must do everything we can to help them start, run and grow their enterprises. It's really encouraging therefore to see that despite the day-to-day challenges facing small business owners, combined with the current environmental and political factors, these entrepreneurs continue to engage and invest heavily not only in their communities, but also in the people who make up these local communities.

Our ambition is to understand how we can help small businesses to thrive and make a real difference to their local communities and wider economies. Our own business is full of thousands of local people serving small local businesses and communities right across Britain. We want to continue to help connect, inspire and drive local engagement so that small businesses receive the support and recognition they really deserve.



Richard Davies  
Commercial Banking Director, SME Banking TSB

# Executive Summary

For the second year, peak b has run extensive research into the small business sector, with this the second of three reports for 2019. Over 1,000 small businesses were surveyed to understand their values and approach to community, people and the economy. As for the Small Business Community Impact report of 2018, we continue to see a consistent message from small businesses: that people, community, values and Good Work are not just nice to have, but paramount to the success and longevity of the small business sector.

Focusing on a broad set of goals, small businesses are weathering the current political maelstrom and local economic challenges by honing in on what is really important to them: creating a living, creating stability for staff, making sure that work is meaningful and flexible. A subtle difference, but businesses are most likely to be focused on creating a living for themselves and staff (71%) rather than purely focusing on profit (60%), suggesting a tilt toward valuing stability and ensuring longevity over growth.

In fact, the role of the community in the world of small business has gone up significantly with 70% now thinking small businesses have a critical or important role to play, up from 60% in 2018. There is a tendency seen in the past for businesses to hunker down when times get tough, but instead we are seeing more collaboration, more reaching out and more connectedness coming through. It seems that 2019 is

bringing out the best in business. Staffing has always been seen as one of the top concerns for small businesses, and the responsibility that brings is never taken lightly. The small are continuing to focus on local when finding their staff, supporting local employment and training, and ultimately local economy security. Despite stories of doom in press and reports, small businesses continue in their trend to overwhelmingly (73%) keep or consider keeping a member of staff if they no longer needed them, regardless of economic consequences. This is a startlingly large number that could be seen as a negative in terms of productivity and good business practice. However, to the staff that feel that job security, it is almost priceless.

There has been much made in the last year of the flexibility offered by small businesses in the small business and HR press, and our research continues in this growing theme. Now 80% of businesses, up from 70% in 2018, offer flexible working to their staff. This involves flexible hours, working from home, work share and a general sensitivity to responding to the needs of staff. Flexibility continues to be a key differentiator for small businesses over large when it comes to recruiting and maintaining staff. In a low unemployment market place, being able to offer flexibility and critically a strong understanding of staff needs will help small businesses continue to compete for skills and talent.

A real sense of optimism is detected in this year's results that perhaps is counter to expectations. When looking at the impact of small business on the broader community, there has been an increase in many positive community impacts. Whether it is growing training opportunities, reducing unemployment and poverty, improving school standards and house prices, small businesses are much more positive than in 2018. Clearly there is more than just a return to supporting communities; small businesses are seeing the benefits realised locally.

This is not of course done in isolation. Small businesses are working together to drive this forward momentum. 31% now see their local business community as connected, up from 21% in 2018. This positive move towards more working together will continue to pay dividends in local impact and local support networks.

With many businesses not reaching out for support beyond the local, as over 70% still rely on friends and family for support, these local mechanisms are critical. They do however perhaps risk missing opportunities for expertise, growth, finance and greater effectiveness.

This characteristic in small businesses is often blamed for the notorious low productivity in the "long tail" of businesses in the UK. Whilst being careful not to discourage the positive actions of small businesses that have led to this – providing long term security for their staff, contributing in non-financial ways to the community – there is still scope for further external

support that could make a considerable contribution to small business impact. Only 7% reach out to local councils or banks respectively, and less than 2% reach out to central government. These channels can offer expert, focused and often free advice and support for small businesses, and there is clearly scope for this to be better accessed. There is an onus on the wider sector to ensure this expertise is reaching the businesses that could best benefit.

Overall, it is a hugely positive picture for communities to be taken from small business feedback for the 2019 Small Business Community Impact research. Businesses are more focused on community and people, they are keen to work together and they are realising the benefits to their local network.

Businesses are not being held back or passing on hardship to their staff or wider stakeholders. They are striving forward and continuing to deliver huge often un-recognised value to the economy.

## Research Findings

# Small Business Vision and Values

- ▶ Focusing on profits (60%) still comes second to building better lives – providing a living for self and others (72%)
- ▶ Creating a livelihood out of a passion or hobby scores high at 54%
- ▶ 52% of respondents want to establish relationships or help the community
- ▶ What is clear is that small businesses are still, and in many cases even more, focused on a much broader set of goals than just profit and are keen to make a difference to their world and communities
- ▶ Flexibility, freedom, passion and opportunity are all driving businesses to get started, rather than a pure drive towards building, scaling and creating financial benefit

## What are your ambitions for your business?

### SCOTLAND

Provide a living for yourself and others	76.27%
Generate profit	61.02%
Create a livelihood out of a passion/hobby	54.24%

### NORTHERN IRELAND

Provide a living for yourself and others	62.64%
Generate profit	81.82%
Create a livelihood out of a passion/hobby	45.45%

### ENGLAND (WEST MIDLANDS)

Provide a living for yourself and others	65.31%
Generate profit	48.98%
Create a livelihood out of a passion/hobby	40.82%

### WALES

Provide a living for yourself and others	69.44%
Generate profit	61.11%
Create a livelihood out of a passion/hobby	52.78%

### ENGLAND (SW)

Provide a living for yourself and others	76.19%
Generate profit	62.86%
Create a livelihood out of a passion/hobby	60.00%

### ENGLAND (NW)

Provide a living for yourself and others	74.55%
Generate profit	69.09%
Create a livelihood out of a passion/hobby	50.91%

### ENGLAND (NE)

Provide a living for yourself and others	74.29%
Generate profit	60.00%
Create a livelihood out of a passion/hobby	57.14%

### ENGLAND (YORK/HUMBER)

Provide a living for yourself and others	67.27%
Generate profit	56.36%
Create a livelihood out of a passion/hobby	50.91%

### ENGLAND (EAST)

Provide a living for yourself and others	64.52%
Generate profit	61.29%
Create a livelihood out of a passion/hobby	61.29%

### ENGLAND (EAST MIDLANDS)

Provide a living for yourself and others	82.09%
Generate profit	52.24%
Create a livelihood out of a passion/hobby	64.18%

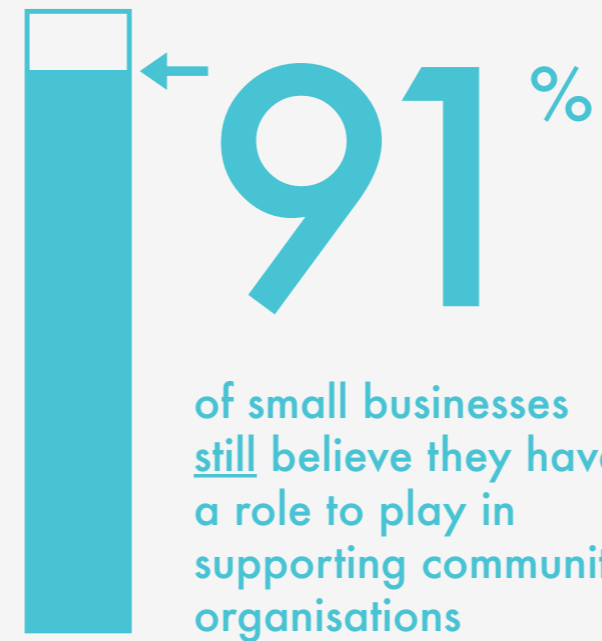
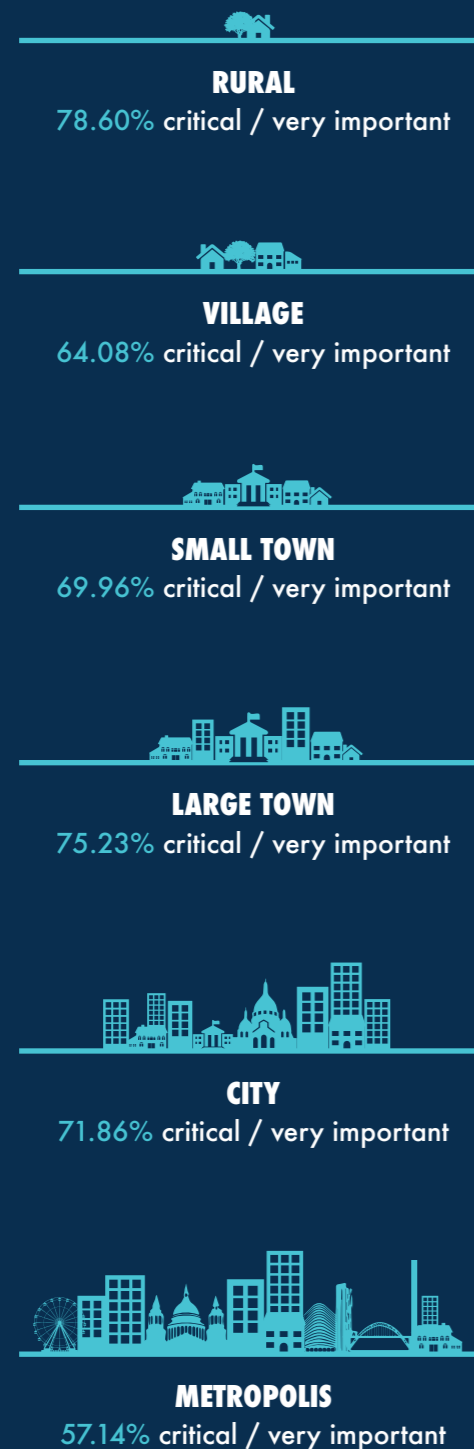
### ENGLAND (LONDON)

Provide a living for yourself and others	66.22%
Generate profit	60.81%
Create a livelihood out of a passion/hobby	39.19%

### ENGLAND (SE)

Provide a living for yourself and others	71.55%
Generate profit	57.76%
Create a livelihood out of a passion/hobby	56.03%

# To what extent do small businesses have a role to play in local communities?



- ↑ 70% think this is very important or critical, up from 60% in 2018, suggesting a continued shift towards local and community for small businesses
- ↑ And 83% are actively getting involved versus 77% in 2018
- ↑ Charities, at 80%, are still the biggest beneficiaries of this, but schools (43%) and special interest groups (33%) are also benefiting
- ↑ Volunteering time and contributing skills continues to grow as an activity at 88% in 2019 versus 79% in 2018
- ↑ And it is becoming more regular – 53% saying it is a regular activity versus 44% in 2018

## OPPORTUNITIES

- For small business { As customers and staff increasingly value passion and values in a business, there is an opportunity for small businesses to highlight their existing behaviour as a competitive advantage
- For central government { Recognition of success across a number of factors, not just profits or productivity, would better reflect the value of the long tail of small businesses often overlooked by Government. This can be recognised through communications, awards, funding and procurement practices
- For local government/ organisations { Recognising the huge numbers of small businesses contributing to local infrastructure and economies will bolster regional confidence and grow this existing good work. Local recognition of community work, financial incentives (such as grants, rates reduction or local procurement) to give back to the community and high profile stories of local heroes will go a long way to driving this continued behaviour in the future as well as growing it in less well served communities

Research Findings

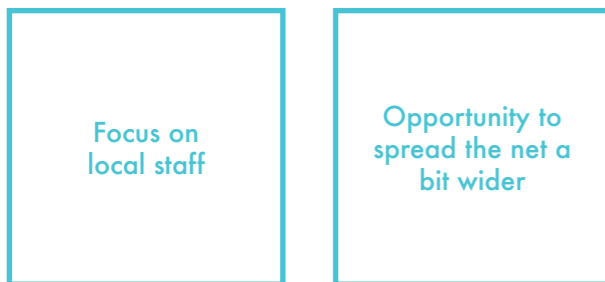
# It's All About People

Staff are being recruited locally, reinforcing the local focus of small businesses:

**64%** recruit via friends, family, local community or via local contacts

Although 24% are advertising roles on social media, only 14% are reaching more widely on a recruitment website to hire staff

There is a clear trend:



Why do small businesses give those furthest from the labour market a chance? Key responses: people, chance, help, support - it is in the nature of a small business to find a way to support if they can

skills right older people best opportunity job make help  
 community chance business need training best person  
 job people applicable give believe support  
 provide work local staff good recruit

73% of businesses have or would consider keeping on a member of staff even if they did not economically need them any more, continuing the trend from 2018

Despite economic concern and negative confidence in small businesses in the last year (see FSB Small Business Confidence Index 2018-19) the tendency to support staff in times of hardship has not declined at all

Training remains important to small businesses, with 78% still providing formal or informal training for their team

Flexibility has become even more important to small businesses as now 80% of them, up from 70% in 2018, now offer flexible working to their staff, a trend that seems to be going nowhere

...And staff are really appreciating it! When asked, businesses state that they believe being a Good Business makes all the difference to their staff

... Flexible working includes variable hours, opportunity to work from home, work share and really responding to the needs of their staff

### OPPORTUNITIES

- For small business { The focus on people, flexibility and local community support does provide a competitive advantage for small businesses in a tight labour market where there is low unemployment and competition for skills. Differentiating by working environment and approach is much more achievable for a small business than competing on salaries. Small businesses not offering flexible working can learn from those that are that it improves staff retention and loyalty and respond accordingly
- For central government { Recognition and reward for small businesses offering flexible working as a way back into work for those returning from long term unemployment, sickness or a caring role in the form of a National Insurance holiday would be welcomed by small businesses
- For local government/ organisations { Recruiting locally is still a strong preference for small businesses that can be better supported by local organisations. Articulating the benefits of working for local, flexible and supportive small businesses can build a regional brand and attract additional talent and investment into a region, which can be supported by local government and local business organisations

Research Findings

# Growing Community Value

Despite external threats and pressures, small businesses are much more optimistic about their local business environment:

- 25% see it as **thriving** ↑ up from 22% in 2018
- 29% see it as **collaborative** ↑ up from 26% in 2018
- 31% see it as **connected** ↑ up from 22% in 2018

35%	believe small businesses improve local training opportunities	29% in 2018
28%	believe small businesses reduce local unemployment	24% in 2018
18%	believe small businesses increase local house value	15% in 2018
17%	believe small businesses increase local school standards	14% in 2018
14%	believe small businesses reduce local poverty rates	11% in 2018

Small businesses still predominantly turn to **friends and family for support** with a huge 70% stating this is their support mechanism

There is still very little appetite for support from the public sector with just 7% turning to local councils and less than 2% turning to central government

Even **banks** are not a primary channel for business support at just 7%

There is huge opportunity for more expert business support to reach small businesses  
There is clearly an opportunity to get support from these sources that is valuable, expert and often free to small businesses that is not yet being fully exploited

## OPPORTUNITIES

For small business

Building on the growing realisation of positive local results driven by the small business sector, accessing expert and inexpensive support will make a significant difference to the bulk of businesses still relying solely on friends and family for advice. Reaching out to local and national organisations, such as LEPs, trade bodies such as FSB, government sources such as the BEIS Helpline and experts on the local high street such as local bank branches will pay significant dividends in cost savings and efficiency improvements

For central government

Supporting regional networks, such as LEPs and Growth Hubs, regional support projects and local support mechanisms such as the Small Business Charter and business schools will help to get the much needed business support to the hard to reach small businesses that are currently relying solely on friends and family. This will impact positively the productivity in the long tail of small businesses in the UK

For local government/ organisations

Supporting and identifying ways to grow the clear value identified by small businesses that is delivered to the local economy – in reducing unemployment and poverty, in growing house values and school standards – should be a focus of local mechanisms to support small business. Recognition of the tangible results a thriving small business community can bring and efforts to support that, such as investing in training, promotion and driving footfall to small businesses, will have a proven wider impact on the community more broadly



## What Comes Next: Measuring Value

There is clear irrefutable evidence that small businesses are adding huge value to communities and the economy that is not being measured. This is apparent not just from the peak b reports Small Business Community Impact and Opportunity Creators, but also in other sector publications including the recent Small Business Big Heart report from FSB.

In order to properly recognise, and therefore encourage, support, stimulate and replicate this incredible value, we do need to find ways to measure and recognise it. This has often been overlooked by reporting as it is the harder to reach data – the less tangible, the less obvious statistics.

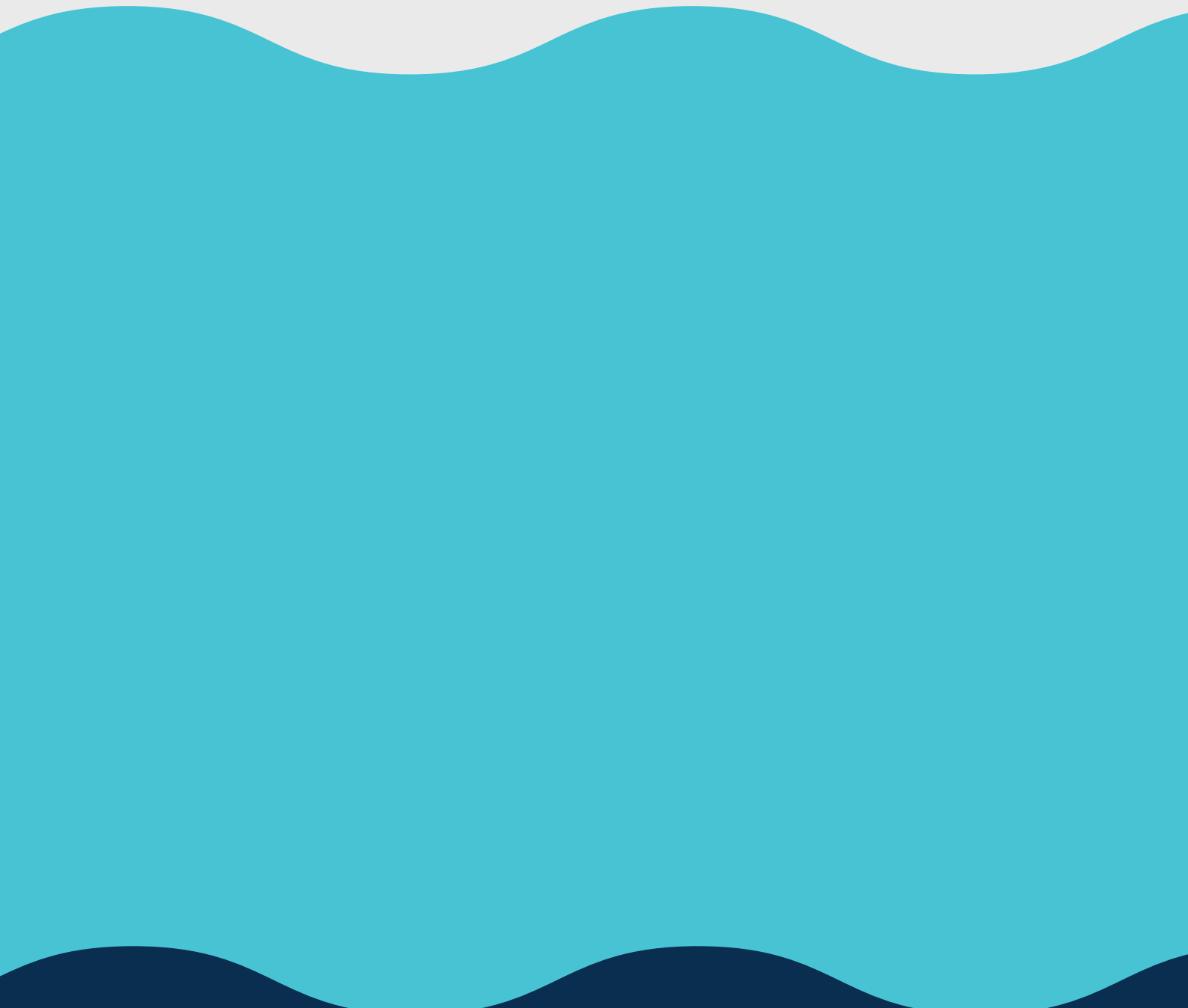
To start the process of this measurement, the third report in this Small Business Impact Programme series for 2019 will focus exclusively on measuring value. Over the year, peak b will survey businesses to get to the heart of what value their activities bring, over and above revenues and hard employment figures. This report will be shared in September 2019 and start the process of appropriate recognition to the hard working small businesses in the UK.

If you would like to know more about this research, or would like to get involved with future reports, please do get in touch. You can reach us at [hello@peakb.uk](mailto:hello@peakb.uk)

With thanks to Indeed and TSB for  
supporting this research



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