



Small Business Community Value

Valuing the wider contribution of
small businesses to the economy

indeed



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

Foreword

Here at peak b, we champion and campaign for the UK’s small business community, from the established five-hundred-year-old family business to the one-woman band just starting out. Across this spectrum, one thing has been clear for some time: there is huge value brought to communities and the economy that is largely invisible; the small business contribution to the UK is much, much bigger than top line revenue or GDP figures would suggest.

Although many acknowledge this value, due to its largely intangible nature, it is not easily measured. The result is that often times small businesses do not get the credit for this contribution. This could be considered “CSR” activity, and for many larger companies that is exactly where this sort of contribution would be assessed. However, we have found that less than 5% of small businesses have a CSR programme – they just do this stuff anyway without fanfare or promotion.

When we spoke to small businesses for our Creators report earlier this year, it was clear that small businesses are not always keen to promote the work they are doing to support communities, the environment or their staff, and can feel uncomfortable “blowing their own trumpet”. Well, we think it is about time that they got the recognition they deserve for the vast work they do to support the lives and wellbeing of us all. In order to enable that recognition, there needs to be a sense of scale – a clear idea of the value currently under-recognised. This is what this report aims to start uncovering.

We will be the first to acknowledge that this is not a simple task and there is much more work to be done here. This is an inexact science and further work will be done in coming months and years to continue the process of understanding the real contribution of small businesses. That said, we hope you will agree that this is a worthwhile goal and in this research we are making good progress in the right direction. We welcome all support to continue championing the value of small businesses, so encourage you to get in touch and let us know how you can help.

Small businesses really are the heart and soul of the nation. Let’s make sure they are getting all the credit they deserve.



Michelle Ovens MBE
Director, peak b



We are proud to continue Indeed’s support for the small business community through our ongoing partnership with peak b.

The importance of small businesses in communities has never been more prevalent with this latest report showcasing how, in times of uncertainty, small businesses are not only continuing their levels of support in their local communities but increasing it.

The significant role of small businesses in the UK can never be underestimated which is why at Indeed we are passionate about helping people find jobs and we fully support the role that community plays in terms of hiring diverse talent and fostering inclusive working environments.

We look forward to continuing to champion the power of small businesses and the significant impact they have.

Bill Richards
UK Managing Director, Indeed



Small Businesses are the driving force of the UK economy and this insightful research by peak b is a welcome window into the impact that small businesses have on the social and environmental health of their communities. TSB is committed to helping small businesses start, run and grow and it is hugely encouraging 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 and are very proud to support peak b’s work.

Catherine Douglas
Business Banking Director, TSB



Executive Summary

peak b launched the Small Business Impact Programme for 2019 to look at the wider impact of small businesses on society. Following on from the first two reports, Small Business Opportunity Creators and Small Business Community Impact 2019, this the final report of the 2019 programme focuses on measuring that impact, putting a number on the value.

In order to dig into this value, peak b asked over 500 businesses to assess the time, money and opportunity cost of the support they give to community organisations, people outside their business and their staff. This self-assessment looked at the kind of support given, an estimate of the value of the time spent, as well as detail on financial support going into communities. Businesses also shared insight on how their approach to work, such as flexibility for staff, has a broader impact as well as the impact of their approach to health, mental health and the environment.

When looked at in aggregate, the time given by small businesses across the UK and the estimated value of that time, we see a "hidden" contribution of £15bn in small business time and effort. On average, small businesses that support organisations and initiatives in their community (83% - Small Business Community Impact report 2019) are spending around 10 hours a month on these activities. This cuts across a range of undertakings: sharing skills, training, volunteering, taking part in community events and fundraising. On average, businesses are valuing their time at £27 an hour, which takes into account the value of their skills, the market value of that time and the contribution that their skills make. For some businesses this will be

significantly higher, such as legal or financial advice, but this average represents the broad cross-section of the sector.

This contribution is not just exclusively from the larger small businesses. The peak b research found that businesses with one employee are still stepping up to contribute and in fact the size of the business has very little impact on its propensity to contribute locally or the value the business places on its time.

One aspect of small business behaviour that is harder to value financially however is their approach to their staff. Flexibility, offered by 80% of small businesses (Small Business Community Impact report 2019), gives immense intangible value to staff, with 86% saying it helps with work-life balance. There are benefits to family life, to childcare and ease of travel, but also small businesses are supporting (25%) their staff to develop their own entrepreneurial ambitions on the side. This contribution to the quality of life has considerable worth to the staff involved, and more widely to the community they live in. It is not just flexibility, but also in recruitment that small businesses are making their mark. Those businesses with



"Small businesses are at the heart of our communities through their volunteering efforts, supporting local charities and schools as well as their willingness to employ labour market disadvantaged groups.

With the right support to overcome pressures like business rates and employment costs, small firms can continue to be agents of social change, and their contributions to local communities should not go unnoticed.

It's great to see that this is being highlighted by peak b and this can hopefully reignite the charge needed to awarding greater recognition to the small firms who do so much for our communities and the economy."

Mike Cherry, National Chairman, Federation of Small Businesses (FSB)

more than one member of staff are highly likely to hire someone further away from the labour market - such as returners (people out of work for several years), those over 65, or those with mental or physical health

issues. This is creating value in a number of ways: reducing the welfare bill, reducing local unemployment and increasing spending locally, as well as the impact on local mental health of giving people opportunities. The biggest areas where small businesses are stepping up are in returners and mental health, with 44% of small businesses saying they had hired at least one person in these categories and 15% more than one person.

Small businesses are concerned about more than just the people locally: they are also making big strides in supporting a healthy local environment. A significant 86% are recycling and reusing materials whilst 75% are working on reducing waste. The close relationship and co-dependency of small

businesses on their local community leads to a vested interest in the longevity and sustainability of their local environment too. This all contributes to a pattern of good corporate citizens, providing not just work but Good Work and good deeds.

The overall picture is one of a significant level of activity being undertaken by small businesses with hidden value - time given to train and support, skills shared, flexibility offered and the environment and health supported, therefore reducing the strain on local services. We can value time and training financially, and we can assess the level of contribution. But there is clearly a value way above this that we cannot value, namely the quality of life that is positively impacted by a vibrant small business community.

There has been over the course of this year, incorporating insight from the first two reports in the Small Business Impact Programme series, a shift to more focus on local and more focus on community. There is some indication that this is at least in part a response to concerns and uncertainty over Brexit. Rather than specifically focused on the impact of Brexit itself, small businesses have deep concerns about the divisions the issue has created in society and have responded by increasing their support of local people and communities, working to bring people together and support each other. This is regardless of political views or expectations of economic impacts. Their proximity to their neighbours, local businesses and local impacts mean that a much bigger concern to small businesses is keeping and building on strong community ties.

This all suggests that, going into 2020, small businesses will play a key role in building strong and supportive, functioning and healthy communities across the UK. We will examine this more in the Small Report 2020 where we lay out the big themes and opportunities for small businesses for the future.

Small businesses value the time they spend supporting their local community at £3,240 per year

Adding Value Through People

Small businesses are all about people: even those businesses with just one employee recognise the value of people to both business and community. Throughout this research, a strong trend has been seen in the time and care going into training and supporting people in the business and in the wider community.

Although hiring staff is acknowledged as one of the most challenging parts of growing a business, this is also the point where small businesses are contributing in significant ways to the wider economy. Small businesses with staff are highly likely to be giving opportunities to local people who may find it difficult to get jobs elsewhere. We can see in the research that giving opportunities to young people (over 70%), those returning to work after an extended period out of work, such as parents (44%) and individuals with mental health issues (44%) are priorities for small business and delivering considerable value to the economy. The cost of youth unemployment, the long term unemployed and caring for mental health issues in the community is significant and small businesses are determined to play a role in addressing this.

Small businesses are not just providing work, but they are providing Good Work: work that allows for work life balance, family life, childcare, ease of travel and even for staff to develop their own entrepreneurial ambitions on the side. The supportive nature of small businesses can really be seen here. As 80% of businesses provide some form of flexibility for workers, there is increasing variety in how this flexibility is delivered. It may be in hours worked, it may be the option to work from home or remotely, or it may be flexing around key personal needs for the worker, such as managing a caring role. While small businesses could not put a "value" on this benefit to staff, they acknowledged that above and beyond being good for employee morale and reducing staff churn, for many the time with loved ones and reduced stress was almost priceless.

Over
70%
give opportunities to
young people

A number of small businesses also acknowledge their staff's own desire to contribute to their community, and this plays out in opportunities (for 30% of small businesses with staff) to volunteer locally. On average, workers are given two days per year to volunteer, which is in addition to training or other community activities.

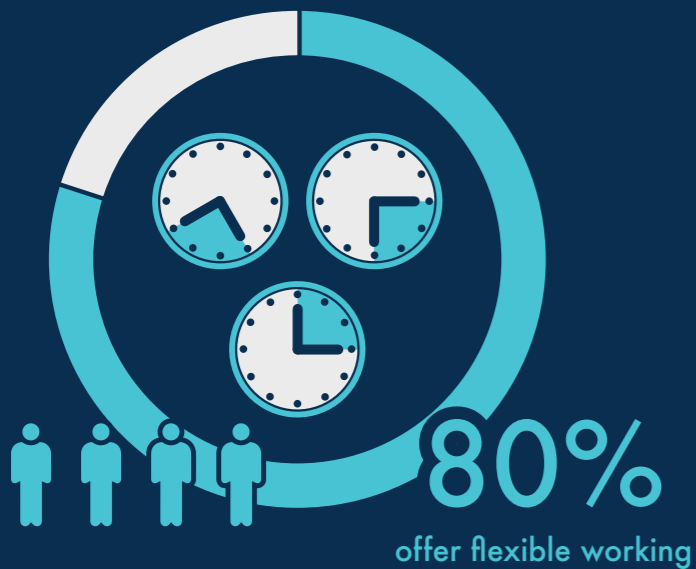
As well as full time staff, small businesses are also playing a regular role in internships and work experience in their locality, with an average of two per year offered per business, typically lasting a week each. Businesses are also providing training for both their staff and people outside the organisation, at 34 hours a year and 18 hours a year respectively. There is no charge for this as it part of the overall package of support given by small businesses, often without a plan or expectation of reward.

The overall story is one of tremendous people-focused value being generated by small businesses across the UK. Whether it is the recruitment, training, flexibility or opportunities offered, small businesses show acute awareness of the need to create opportunities for individuals, and the importance this plays in productive, functioning community centres.

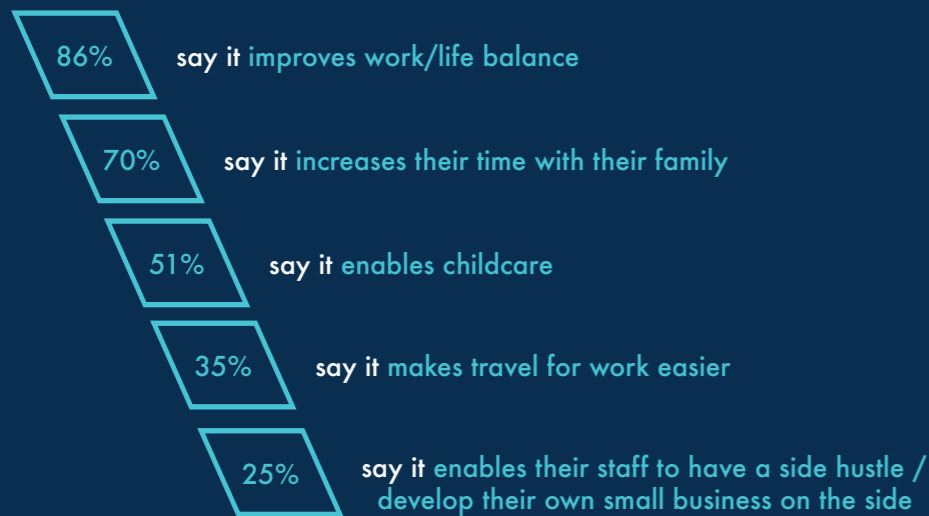
Small businesses on average offer 2 work experience placements per year, lasting around 5 days each

Small businesses spend 34 hours a year training staff, the equivalent of nearly 5 days or a full week, or approximately half a day a month

They also spend 18 hours a year training people who are not on staff, giving their skills back to the community: this tends to be specific to their business skills, e.g. accountants training in finance skills, florists training in flower arranging etc



For those small businesses with staff, 80% offer flexible working (Small Business Community Impact 2019. This research shows that on average 4 staff are taking this up and the benefits they realise make a significant difference to their employee's lives:



29.4% of businesses give their staff opportunities to volunteer: this is around 13 hours or about 2 days annually.



“At The Supper Club we are seeing more and more scale up founders put a clear health & wellbeing strategy in place. This is enabling them to attract and retain more staff as well as building a more engaged and productive team. What we found through recent events is that the key is to have options– some like flexible working or ability to work from home, some like to have time for their ‘side hustle’ or for additional training or volunteering and some love to have yoga lessons! The key, we have seen, is to tailor as much as possible to the individual, one size doesn’t fit all!”

Emma-Jane Flynn, Managing Director, The Supper Club



OPPORTUNITIES

For small business { Small businesses are clearly providing considerable value to their staff and people outside the organisation. This gives them a competitive advantage both in competing for staff with larger organisations and demonstrating integrity to customers. This should be highlighted in small business communications to maximise these benefits

For central government { A Small Business Allowance, giving a National Insurance break to small businesses who hire staff further from the labour market, would go a long way to acknowledging the great value small businesses are bringing with their hiring approach

For local government/ organisations { Promotion and reward of the role small businesses are playing in supporting local prosperity, employment and skills should be taken up by local councils in communications and even in opportunities for business rates reduction

Adding Value Through Local Organisations

The fact that small businesses contribute to local communities is much acknowledged and documented in the Small Business Community Impact reports 2018 and 2019. What has not been addressed before is valuing this contribution and highlighting the hidden value contributed by small businesses.

Many businesses told peak b that they had looked at options for measuring their impact before – triple bottom line, customer feedback, staff feedback – but had largely failed due to complexity and time constraints. There has generally been a sense of holding back from celebrating contributions from a reticence to “blow their own trumpet” or appear disingenuous in some way. As most (95%) of small businesses do not have a CSR policy, much of the activity is informal and “just happens”, exacerbating the measurement challenge.

The challenge with a lack of measurement is that it leads to a lack of awareness, and policy makers, press and the general public therefore are not giving the hard-working small businesses of the UK the credit they deserve. As part of this research, peak b asked small businesses to dig a bit deeper into their activities, to size in hours the time they commit to local organisations, and to put a value on that time. This preliminary step gives us a starting point to value the work done and gives a sense of the scale of activity. On average, it is now clear that businesses (even those with one employee, the owner manager) are spending 10 hours a month on wider, community-based activities. These encompass charities, schools, hospitals, local sports team, business organisations and more. In aggregate, this amounts to a huge £15 billion of hidden value – time and skills that small businesses are not paid for, but freely give to create a better world for their families, staff and neighbours.

There is a clear trend towards community in small businesses and this significant hidden value is in fact getting bigger year on year. 93% of small businesses have either continued or increased their support of local organisations this year, with strong indications that there is no sign of this waning as a trend.

With the continued uncertainty in the economy and lingering ambiguity around Brexit, there is a clear message from small businesses that there is a need to double down in their efforts to work with their neighbours and regional communities. There is a definite expectation that this trend will continue into 2020 and peak b anticipate a strong movement towards community values which will be explored further in the Small Report 2020.



Businesses spend on average 10 hours a month supporting community organisations such as:

Charities (88%)

Schools (49%)

Local business groups (36%)

Small businesses on average value this time at £27 per hour, which has an annual value of £3,240 = value per business given to community organisations (a potential total value to the UK of £15bn in time and skills)

In many cases (67%) small businesses believe the community organisations they support could not get the expertise they share elsewhere, making it extremely valuable to the community

Small businesses are also giving financially



with nearly half giving cash, on average
£502 per year

Although nearly half of small businesses have continued their support of community organisations consistently this year, **42% have increased their support**. Only 7% have decreased their support. Overall, small businesses are giving more back, a very positive trend

The majority of businesses state that **Brexit** has had no significant impact on their activities with the local community. However, businesses state that the negativity and division the Brexit debate has caused has led them to be more aware of the importance of community, and **in many cases led to an increase in community support**. This is more likely to be in the form of time and skills than increased cash as there is a concern about consumer and business spend post Brexit



“Sole-traders and freelancers make up the majority of small businesses in the UK. Building a business, finding clients and ensuring one is delivering successful business outcomes is certainly a balancing act and can sometimes be an up-hill battle.

Furthermore, many of these one-man/ one-women bands are limited in time, resource and are unlikely to be hugely profitable if at all, for the first few years.

However it is more common than not that small business owners want to put personal values at the heart of their businesses and the benefits of integrating a demonstrable social purpose are hugely valuable. Not only does a donation through product or service sales to a local charity, several hours of volunteering per month or ensuring a business is run sustainably have an impact on local communities, but it offers a commercial and personal value to the business owner. Thus, making successes from those up-hill battles even more rewarding.”

Veronica Bamford-Deane, Managing Director, Work For Good

OPPORTUNITIES

For small business { Small businesses have a big opportunity to be recognised for the work they do in communities, as well as the financial contributions they make. Taking part in initiatives such as Work For Good or sharing details of the work they do locally can create a considerable competitive advantage for businesses with local customers

For central government { Recognising the “hidden” value generated by small businesses is a key step forward in giving small businesses the credit they deserve. Elevating the national conversation around small business, celebrating success and including small business in policy decisions relating to communities will bolster the small business community both financially and emotionally

For local government/ organisations { As for central government, highlighting local success and contributions will strengthen the local business community, increasing confidence and financial success. Local government can also look at opportunities to encourage and support this behaviour in small businesses to continue to grow their impact

Adding Value Through Health & Environment

The embedded relationship that small businesses have with their local communities leads to a vested interest in a healthy environment and healthy people. When small businesses do well, so does the community – and this works in reverse too. Small businesses told peak b that supporting the environment was a top priority for them, with 86% recycling and reusing materials and 75% reducing waste. When asked to value the benefits these activities bring, small businesses tended to see the value in increased footfall, higher house prices, increased spend in town centres and a general sense of wellbeing in the area. Though not a measurement in itself, it supports the overall welfare of people and places. It is clear that villages, towns and even cities would be worse off without this contribution from small businesses.

It is not just the health of the environment that concerns small businesses. The physical and mental health of local people is also high on their minds. Over and above their concern for their staff, which has been examined earlier, there is a marked concern for the wider health of the community. Through their close local relationships, they tend to be front line to pick up where there is a need for support in physical or, more commonly, mental health. With 40% of businesses undertaking activities to support local mental health, there is clearly a huge amount of work being done in this area that is perhaps missed by conventional measures of healthcare and social care.

As small businesses are increasingly happy to step up to work on mental health, there is an opportunity for local and national policy makers to see the business community as a means to increase support locally without increasing public spending. This is an area ripe for more insight, reflecting the increased interest nationally in social prescribing. As this area grows, the acknowledged input from small businesses can also grow and peak b anticipates this will be a continued trend into 2020 and beyond.



Small businesses are very concerned with contributing towards a healthy local environment with

Recycling and reusing materials (86%)

Reducing waste (75%)

Reducing energy and water usage (43%)

Reducing carbon footprint (38%)

This concern for health is also reflected in their approach to people in the community: 40% of businesses undertake activities to support mental health in the community. Activities include:

Supporting parents

Addressing loneliness

Reducing stress

Focus on wellbeing

Giving people time & space

Small businesses are also working on and encouraging sport to address mental health, which is also having an impact on physical health. 22% say they undertake activities to improve physical health in the community. This includes physical activities that also contribute towards the environment, such as litter picking, and activities to support schools, children and adults, such as coaching and supporting local sports teams



OPPORTUNITIES

For small business

As customers increasingly value a positive approach to the environment and mental health, highlighting the existing work the small business undertakes will have benefits in attracting and maintaining customers with shared values

For central government

Small businesses that make positive contributions to the environment and mental / physical health should be able to offset some of their investments in these areas, potentially as tax incentives. Even a small recognition of the work undertaken by small businesses would give a significant signal to businesses that this is valued and encourage this behaviour in others

For local government/ organisations

Promoting the good work of local businesses, in particular where it improves the living conditions for local people, can be highlighted through local and national communications to increase interest and investment in the local area. Those areas with lower local activity in these areas can work with the local business community to improve conditions without significant public spending

The State Of The Nation: The Small Report 2020

The next decade, starting in 2020, will bring a considerable number of opportunities to small businesses across the UK, as well as big changes to technology, people and the environment. In order to prepare the small business community and those that work with it, peak b is launching The Small Report 2020 in early 2020 to address these opportunities and challenges to allow small businesses to start the decade on the front foot, able to weather storms and take advantage of new prospects as they arise.

This insight will come from sector experts, entrepreneurs, policy makers and much more, brought together in one big report and event to engage and enthuse. peak b will be undertaking a series of interviews, surveys and bringing in expert reports to provide a concise view of what to expect both in the next 12 months and over the coming 5 years.

Although the lack of clarity currently around Brexit brings considerable uncertainty to the economy, small businesses expect to still be operating into the coming decade and will want to make the most of their potential. Key trends that peak b has noted in the last year, such as a return to community, reaping the rewards of looking after staff, flexibility and digital skills will surely be part of these trends. Wider trends such as artificial intelligence, data usage and an increased concern for the environment will also be addressed in the report.

If you would like to take part in the peak b Small Report 2020, please contact research@peakb.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 research@peakb.uk

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With thanks to Indeed and TSB for supporting this research

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