
February 2020

The Small Report 2020



peak b

peak b



peak b's goal is to boost small business confidence for the next decade. It brings people together in communities and uplifts them. It advocates for small businesses, no matter their sector, location or ambition level. It is changing perceptions of small business in Britain, moving the narrative on from negative messaging such as the "death of the high street", or declining confidence, which do not represent the reality of a record number of small businesses in the UK. peak b is now known as Small Business Britain.

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Foreword

There is much to think about as a small business in 2020. With Making tax digital, late payments, mandatory pensions, minimum wage, IR35, and of course Brexit, much is written in the news about issues small business face and it would be easy to think this is the daily overwhelming experience of a small business in the UK. In reality, the small business experience today is much richer and broader than a list of issues, and much more positive and rewarding too.

Businesses are in the most part thinking about their own work, lives and staff, thinking about the day to day and of course, to an extent, the future. They are remarkably buoyant and unendingly optimistic. They are not putting their lives and businesses on hold due to Brexit, although it is true that confidence has taken a dent in recent years. Largely they take their lead from local communities, largely they take their lead from their own customers.

Confidence is a complex thing to understand and monitor, and an even more difficult thing to influence and improve. It includes concerns about their own business and income and staff, concerns about their sector, about customer spend, about the wider economy and is broadly influenced by the tone and content of press and social media coverage. But despite reporting negative confidence, small businesses have every intention of pressing forward, the vast majority consider themselves ambitious and most have at least some focus on growth in the coming year.

Speak to a small business on a high street, on industrial estate, home based and e-commerce business or shared workspace, and you will in the main hear good news. If you, like 17.6 million others, took the opportunity to support a small business on Small Business Saturday 2019, the chances are both you and the business had a positive experience.

This does not ignore the significant challenges small business face or how hard it is to launch, grow and run a business. But the UK remains a phenomenal place to be a small business, and the 5.8 million who remain in business in 2019 are a great testament to that. That this number has continued to grow, by close to 200,000, even through undoubtedly tumultuous political and economic times, is a huge vote of confidence in the opportunities that the UK offers.

The next decade shows no signs of slowing down and we are excited about what these small, courageous, extraordinary businesses and people can achieve.

Michelle Ovens MBE
Director, peak b

peak b





Ninety-nine out of every hundred UK businesses are small businesses and their numbers continue to grow each year. In the last year alone, the UK has seen the population of small businesses rise by 197,000, and since 2000, there has been a net increase of 2.2 million. I expect this trend to continue as we see the gig economy grow. This is a great time to start and run a business in the UK.

Looking forward, unlocking productivity is a huge opportunity for small business: giving small businesses access to great banking and business support services could crack this, creating time savings for business owners, as well as opportunities for growth. Research from Oxford Economics (TSB's Boosting Local Business Report) shows that if all small businesses in Britain realised these productivity gains, it could deliver an up to £70bn boost to UK GVA. Even if only one in ten small businesses were to benefit from better banking and business support, the impact on our economy would be significant.

Amongst UK small businesses, beyond a business credit card and overdraft, there is a low take up of even basic services – such as business loans – that could significantly help business growth. To unlock the benefits of increased productivity, small businesses need: to be given access to the tools and advice needed in a digital age, regardless of where they are located; to benefit from fair fees and charges; to be protected should things go wrong. This is how we ensure small businesses benefit from increased productivity and business confidence.

The exponential growth of digital has left many businesses with gaps and the cost of recruiting and retaining this specific skillset can be challenging and often out of reach for small businesses. Small businesses need more access to advice, tools and services to give them the confidence to be more digital. Often, it is as simple as finding the time to invest in learning the skills required to make the most of digital opportunities as well as confidence around knowing how to do the right and most effective things.

There are some key technologies that small businesses should invest in for the near future: analytics tools that can help them understand their business (accountancy tools) and customers (CRM); any technology that makes their business more efficient and reduces costs should be considered to ensure they can remain

competitive on price; and social media and other digital methods to market their business and get to as wide a customer base as possible. There is improving support to customers to help them bridge this gap across several routes. For example, Enterprise Nation allow customers to complete a "Digital MOT" which identifies opportunities for a business and provides support on how to close the gaps.

Alongside digital opportunities, small businesses are resilient and will likely adapt to what customers want. I believe small businesses continue to play a significant role in local communities. They offer bespoke services that may not be scalable for a larger business. For example, the regeneration of high streets into a more sustainable model will feature more local and bespoke businesses rather than high street chains. Small businesses also retain key life-lines to rural communities where larger companies have withdrawn as they can no longer make their business viable.

As mental health continues to become an increasingly important subject in the public eye, it will no doubt impact small businesses. The impact on a small business potentially losing one or two members of staff for a prolonged period is considerable. Being able to understand and pro-actively support employees is critical to small business going forward. Small businesses can also make a difference by recruiting people who have suffered from poor mental health as people may feel more comfortable working in these environments rather than large corporates.

My advice for small businesses going into the next decade is this: Have a clear vision of where you want to go and the timeline for getting there, but be agile and willing to change direction quickly if you need to. Don't be complacent, what works now may not in the future so keep up to date with latest trends and learn from others' successes and mistakes. This is how you make the most of the next decade and use 2020 as your springboard for the future.

Catherine Douglas
SME Banking Director, TSB



The State of Small in the UK

Although 2019 brought its fair share of challenges for small businesses in the UK, the close of the year saw a record number, breaking 5.8 million for the first time ever. With a background of Brexit, consumer spending down and a tumultuous political climate, the spirit of entrepreneurship endured and continues to win out. More than 680,000 businesses were started in 2019, according to research by the Centre for Entrepreneurs. Britain's appetite to start-up shows no signs of waning.



"Once upon a time, you needed a sizable amount of capital to start a business. Things like premises, marketing and technology were prohibitive for too many. Now an increasing number of businesses can be started and flourish online; driven by a following on platforms like Instagram, without the need for servers and other costly upfront costs. Many celebrate the post-WWII revolution in choice for consumers, but with the growing opportunity for people starting a business, we are now seeing a similar revolution for work. We will see an increasing number of people can follow their dream and work on their passion and this should be celebrated."

Philip Salter, Founder, The Entrepreneurs Network

Familiar Themes & Brexit

When taking a temperature check on small businesses across the UK, the same familiar themes come up and the challenges of running a small business continue to be the same despite the economic back drop. People and cash flow continue to be the main focus and technology and digital continues to lack the focus it needs to realise its full potential to this sector. Surprisingly, or perhaps not, Brexit plays little part in the current thinking or future planning of most small businesses. Perhaps due to multiple delays, but more likely due to size and limited resources, most small businesses are pressing on with business as usual and hoping that the long-term impact to them can be minimised. With little or no internal strategic team to plan for Brexit, most small businesses cannot make further plans. The focus therefore is on doing what they do best – focusing on their business, their people and their communities.

That is not to say that Brexit has completely passed by small businesses. Although almost all when questioned said they planned to carry on regardless, there are still concerns, and experts agree that small businesses would likely take the brunt of any economic adversity. The key challenge for policy makers is to ensure that any economic hits are minimised and that small businesses are protected where possible.

Money & People

As it has been for all time, the big issues for small business continue to be money and people. The two areas that bring the greatest sense of success are also the two that continue to keep small businesses awake at night. Cashflow is critical for any business survival and arguably it is the people that make a small business. It is this that is top of mind for small businesses on a daily basis, and when speaking to peak b for this report. Cash for managing the day to day business still takes precedence over focus on long term growth when it comes to financial issues. Ensuring adequate access to funds is a constant juggling act and can crowd out focus on investing in the business's future and growth.

The issue of late payments is still looming for many small businesses in the B2B world. It has certainly been a focus for small business organisations, such as FSB and BCC, and progress has been made by government and the Small Business Commissioner. However, successes are few and far between and small businesses identify that there is a culture shift required to make a tangible difference: that is to a world where all businesses, large and small, pay their bills in 30 days without obstruction or barriers to procurement. However, many still see late payment from big businesses as a fact of life and there is a lack of optimism that the current situation can be changed. This is a great opportunity for policy makers and business to prove them wrong.

Although broadly small businesses are fairly contented with access to finance and their ability to recruit and retain staff, there is still considerable opportunity at a very basic level to drive growth for small businesses. Less than 50% of small businesses strongly agree that growth is critically important for their business. For many, growth is not a focus. This is having an impact on attitudes towards finance for the business. 52% of businesses have no financing at all for their business, with an overdraft being the most common (19%) source of business funding.

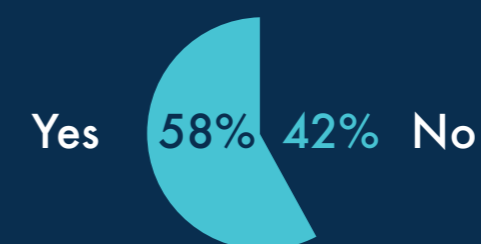
Why do small businesses not take up the arguably extensive options for finance available to them? There appears to be two key connected reasons: low appetite for risk, and muted focus on growth. After a tumultuous period, small businesses are keeping risk low, maintaining rather than growing, and in a sense "hunkering" down to ensure longevity and survival. This is playing out in recruitment too with many businesses still unsure whether they will be recruiting in 2020. Holding off recruiting to "see what happens" is another result of uncertainty. With a tight labour market and low unemployment, small businesses are struggling to recruit anyway, and this is one area where Brexit does factor more highly for small businesses. Any further difficulties to staffing, such as limiting skilled or unskilled workers coming into the UK, could exacerbate a challenge to recruitment that small businesses are already facing.

With confidence still in negative territory according to FSB's Small Business Index for a record period of time, it is not surprising that small business attitude to risk is so cautious. Holding off financing, holding off recruitment, are slowing down the potential growth of this huge part of the economy.

The focus for 2020 and beyond, for both small businesses and the institutions that support them, should be the rebuilding of this confidence. That will open up the path to more appetite for finance, and therefore for investing in people and new opportunities.



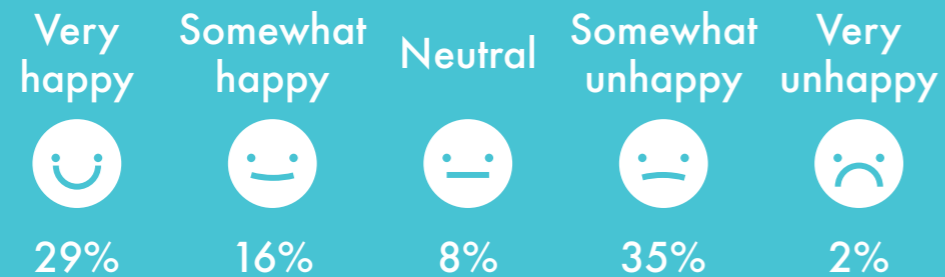
Q Do you have sufficient access to finance for your business?



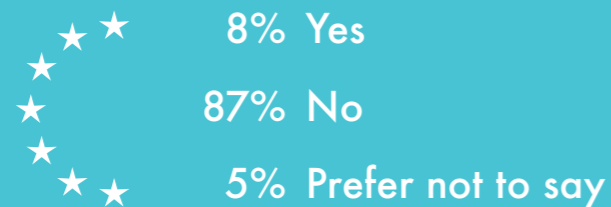
Sources of finance for your business:



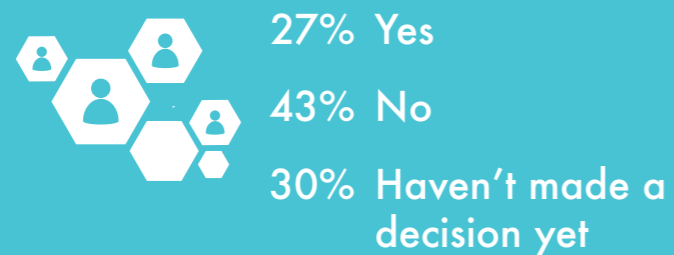
Q Are you happy with your ability to recruit and maintain staff?



Q Has Brexit impacted your ability to recruit and maintain staff?



Q Do you intend to hire staff next year?



"Constant changes in government policy over the years have been a big barrier to small business growth. We need to set the rules of the game and stick with them, so businesses can be confident in taking risks and going for growth.

Managing cash, the constant small business challenge, has been made harder by relentless increases in up-front costs over the past decade, and this has stunted investment risk, appetite and ambition. Costs like business rates, insurance premium tax, pensions auto-enrolment, the apprenticeship levy, immigration skills charge, and repeated changes to tax administration all take a toll. That's why we've been calling for lower up-front costs as for small businesses. If you are spending most of your cash on rules set by government, you are not able to put that cash into expansion.

HMRC have moved heaven and earth to try make life easier for businesses trading across borders in recent months, but are still pushing ahead with policies like Making Tax Digital and changes to IR35, which are causing so many businesses difficulty here at home at a time they need stability the most. People are at the heart of every small business, so recruitment is critical. In our research we found 73% of businesses said they had recruitment difficulties in the third quarter of 2019. With near full employment in many areas, there are labour markets where businesses say they can't even find people to train up. That's why immigration rules matter to small businesses – who need to be able to hire both locally and if needed, from overseas in the future.

To help small businesses realise opportunities in the future, we also need to create the best possible business environment. Don't talk about building infrastructure, but get on and do it! Digital, railways, airports, roads, and clean energy infrastructure are all going to be important. Costs, people, infrastructure and trade – these are the key to helping small businesses make the most of the next decade."

Dr Adam Marshall, Director General, British Chamber of Commerce

Local Communities and The High Street

Small businesses are at the very heart of their local communities. They not only provide employment, but support a wide-array of local initiatives; from festivals and celebrations, to charities and schools, to community centres and sports teams.

They are drivers of the economy, stimulating spend and creating local supply chains; therefore inextricably tying themselves in with the fortunes of their local economies.

This has been increasingly recognised, with an upturn in recent years in the awareness of and affection for local businesses; something that small businesses themselves have reported as a positive step forward. As both consumers and business clients give more thought to where they put their money, local businesses have an opportunity to thrive.

Inevitably, the discussion about local communities takes us to the high street. Much has been made over the past few years of the supposed 'death of the high street' and the need to 'save it'. Though there is widespread agreement that work needs to be done for town centres, in general this message jars with many small business owners.

The underlying negativity of the 'dying high street' rhetoric fails to acknowledge the damage this in itself can have on small business confidence. There have certainly been significant losses on the high street over the last two years, but these have tended to be larger businesses. In fact, in many cases small businesses have stepped in to fill the gap.

Although PwC reported record store closures in the first half of 2019, it also saw a growth of 4% in store openings amongst signs that entrepreneurs were making the most of new opportunities. The high street is far from dead.

Small businesses are in fact providing jobs for local people left bereft by rapid closures, providing unique products and services that would otherwise disappear from the high street.

There is significant evidence that it is the small business – focused on customer service, a good experience and innovation – continuing to drive footfall to town centres. Figures from Small Business Saturday 2019 reflect this trend, with a record-breaking 17.6 million people coming out to support their local independents on the day.

Small businesses do not want to maintain the high street out of nostalgia; they want to maintain focus-locations for the local people they know and serve; meeting points, support mechanisms and those special moments of connection and joy. This is the real value of the high street to local people, and recognising this and the contribution of small businesses to maintaining it should sit at the heart of this discussion.

There should be mechanisms to recognise the incredible value created by small businesses and there is an opportunity for policy makers to reward this hugely beneficial business behaviour.

Many small businesses and experts raise the issue of business rates and the burden it puts on small businesses before they have even sold anything. Small businesses are keen to play their role in society and contribute and understand the need for tax. However, business rates create a huge hurdle to overcome even before making a sale for local businesses. This is one area that must be addressed over the next decade.

There is clearly no simple solution to this long-debated problem. However, the positive and near-universal discussion around addressing this during the 2019 general election gives small businesses reason to be hopeful that there is progress to come.

Fundamentally, a sense that policy makers understand the challenges faced by the smallest of businesses – and in particular outside London or big urban areas – will give hope to the businesses that are pressing ahead, building and maintaining our local communities.

There is of course a personal touch within small businesses that often is difficult for big businesses to replicate. They often support their communities in numerous ways – employing local people, using local suppliers, as well as giving back to local communities and causes.

87%

of businesses think it is important for small businesses to play a role in communities

77%

of businesses think they benefit from this as well as the community



“Communities are so important for small business. Doing good is always good for business! This has been driven by a combination of things. There is definitely more public awareness about how businesses can help, for example, The Deal in Wigan.

Small businesses tend to be rooted in their local communities through the owners and staff, understand local challenges and want to help. They can more easily see the difference that they make, whether it be improving the local environment, contributing to local charitable causes, using local suppliers, employing people others are reluctant to, or simply supporting each other. For example, take one local business that has just one employee. When he recently was off sick unexpectedly for 3 months at the business's busiest time, they were faced with letting customers down and potentially losing them for good. A local supplier of the business rallied round and lent him an employee whenever they could and found some casual workers to try and tide them over. This is what small businesses do.

Small businesses are more willing to give local people and suppliers a chance when others wouldn't, for example, people a bit further from the workplace or who others might not consider. I know a local gardening/landscaping/handyperson business that recently employed somebody approaching 60. They describe him as their best worker ever. He had applied for 100s of jobs and despite over 40 years' relevant experience didn't even get an interview. This business gave him the chance and has never regretted it.”

Melanie Bryan OBE, Founder, WhyNotChange



“Our 2019 survey of business owners, senior decision makers, and employees found that the most popular way rural businesses interact with their local community is by being part of a local business network or group. Customers, clients and business partners are key in supporting rural businesses, with 59% of businesses thinking that 'buying local' is important in their community. In recent years there seems to have developed a much wider understanding that businesses and communities need each other to thrive – especially in rural areas.”

Jemma Clifford, Co-Founder, The Rural Business Group

Big Ambition

Although there is a limited appetite for risk, small businesses do on the whole (86%) consider themselves ambitious for their business – but that ambition may not take the form of financial growth. Ambition can be for social impact, for positive feedback, or even for just survival.

Post-election, and with the hope of a more stable few years post Brexit, there is considerable scope for small businesses to step a bit more outside their comfort zone and take up some of the opportunities that are just ahead of them, tapping into that ambition to drive business progress. Many small businesses express their desire to focus on new opportunities, such as digital and leadership skills, and an openness to trial new things like exporting or automation for their business. There is also considerable appetite to be more mindful as a business, looking after their own and their staff's mental and physical health and offering greater flexibility for workers.



“Not all small business founders have a wish to grow exponentially, and this shouldn't be seen as a negative. The real issue is when ambition goes unfulfilled. Quite often this is because of lack of understanding and skill. It is hard work to step back and take a look at making fundamental changes to the way a business is operating in order to grow. There seems to be a general underappreciation of the benefits of founders/chief execs spending time on their own personal development. It is no surprise that bigger and more successful companies are more than twice as likely to spend money and set aside time for managers to develop themselves. Business schools and other small business owners are great sources of information and development opportunities.”

Anne Kiem, Chief Executive, Small Business Charter



"It is very hard for a small business owner, who typically wears many hats – CEO, FD, marketing director and more – to take time out to strategise about growth opportunities. They tend to work in the business rather than on the business. To really grow a company, you need to take a step back and look for the best route. Few small business owners have that luxury. There should be more support for small firms from government. The cost and paperwork involved in employing people is punitive, most business owners won't take on more staff until the situation is desperate. This adds to the challenge of making time to plan for growth. There is no one to delegate to. If there was a government initiative that made it really cheap and easy for small businesses to take on people earlier, that would boost ambition.

Wearing these many hats does mean business owners need to make tough choices. There is a great quote that feels relevant to this. "Grant me the serenity to accept the things I cannot change, courage to change the things I can, and wisdom to know the difference." This should be the mantra of any small business owner. Worry about the things you can change, the aspects of your business that you have control over, and leave the worrying about macro-economic shifts to other people."

Rebecca Burn-Callander, Enterprise Journalist



How much do you agree with the statement "Growth is critically important for my business?"



43% Strongly agree

30% Agree

17% Somewhat agree

7% Neutral

3% Disagree

86%

of business owners consider themselves **ambitious** for their business.

7% do not.



Digital Slow Down

Although the last five years has seen a considerable focus on digital skills by government and private sector, still nearly half (47%) of small businesses do not think they have sufficient digital skills for their business. Looking at other measures of digital skills in recent months, such as the Lloyds Digital Skills Index, this area has largely plateaued. Although small businesses undoubtedly recognise that digital technology has much to offer and most will now have some form of online presence, the skills and investment that are required to “keep up” with changes and innovations in the market are widely considered too much for very small businesses, particularly as 75% do not have a digital expert in their business.

That said, there are encouraging signs of new initiatives for small businesses to super-charge the digital skills arena and reignite small business interest. The take up of online accounting, online banking and automated social media management, as well as the increase in the number of small businesses with a website are all encouraging signs that businesses are getting there, albeit slower than is ideal.

2019 saw optimistic new steps towards encouraging this further, such as the continuation of government’s Business Basics innovation programme to investigate and measure new ways of encouraging digital technology engagement in small business. BT launched its new Skills for Tomorrow programme, targeting support of one million small businesses in the next five years. TSB and Enterprise Nation delivered its digital MOT for small business, available on high streets across the UK. With more and more available for small business and within ready reach, there is reason to be optimistic that this is an area that will see considerable progress in the next decade.

Only 25% of small businesses have a specific digital expert in their business



53%

of small businesses agree or strongly agree that they have sufficient digital skills for their business.

47% of businesses do not.



33%

of small businesses have a plan to invest in technology for their business in the next year

Eternal Optimists

Despite reported low confidence, despite Brexit and economic concerns, and despite a muted approach to growth, small businesses do remain eternal optimists. They continue to expect to out-perform their sector and the economy; they continue to think the future will be brighter; and they continue to start-up in their droves, with 2019 another record year for new businesses. The UK continues to be a very attractive place to start and grow a business, despite its recent challenges rather than because of. Small businesses in such big numbers, close to 6 million now, drive much of the optimism in the economy and at the core of our local communities. In areas where small businesses are buoyant, the region thrives as a result. The incredible changes made in regions such as Grimsby, driven by local business support organisations like E-Factor and the return of vibrant entrepreneurs to the area, are testament to the impact the small business sector can have more broadly. The continued optimism of small businesses will likely lead to a more optimistic society as a whole.



"The focus of growth comes down to the vision and ambition of the owner (or owners). If they don't want to grow, they won't. If they do want to grow, they need to be in the mindset of learning, leveraging & developing themselves and their business. They also need a business that can grow (there are enough prospective customers and they can make a profit). In essence, I think it's a combination of owner ambition, followed by mindset and ability to develop skillsets (or delegate to those better skilled in those areas).

The businesses I hang out with are absolutely ambitious- it's intoxicating! External forces will always chip and build ambitions, and the reaction those ambitious people have to them. Saying "No" to some people enough times will make them stop, to others it's just fuel to the fire.."

Owen Conti, Director, Code 56



"Small businesses are being cautious in spending, which is understandable, but they have to keep marketing and promoting themselves and raising their profile. Social media is a curse as well as a blessing, but it does offer the opportunity for a business to showcase its vision and values in an era where consumers do care about the story behind brands and businesses. Businesses should form alliances locally, regionally and nationally and be bigger together. I think Britain will always have a strong entrepreneurial spirit. It seems to be in our DNA that we strike out on our own and are attracted to the idea of controlling our own destiny. My advice to small businesses is: Follow your arrow. It's like running a race. Don't worry about your rival in the next lane. Don't start looking at them and worrying about what they are doing. Run your own race and focus on what you can do and why you want to do it."

Elaine Pritchard, Founder, Caittom Publishing

"Reflecting on the last decade, in terms of UK productivity, unfortunately, it has been a story of stagnation and unfulfilled potential. However, I see the next decade as one of opportunity for small business.

At Be the Business we work with business owners to help them to make small practical changes that have a positive impact on their productivity. Improving productivity is about more than improving your bottom line. It can mean freeing up more of your time to work more strategically on your business, or being able to spend more time with your friends and family, or indeed more time to focus on your other interests in life.

Every week I get to hear good news stories from the business owners that have been through our programmes and have seen a positive change in their business and in their quality of life. Listening to these stories I can't help but be optimistic about the next decade."

Tony Danker, Chief Executive, Be The Business



Big Opportunities

With the hope of a spring back to positive confidence coming from leaving a period of deep uncertainty, many opportunities are opening up for savvy small businesses to take advantage of.

Leading The Way

Small businesses are often classically described as working “in” the business rather than “on” the business. Running multiple activities as a sole trader, or managing across different areas as a micro business, there is a natural gravitational pull for the business owner towards the day to day management of the business. This therefore tends to leave little time, or head space, for strategic planning, introspection or even, crucially, training. Most entrepreneurs are specialist in their business focus, be that plumbing, design or perhaps baking, with few having formal business skills education. This creates a gap, and of course an opportunity.

Much progress has been made in recent months on boosting the availability and attractiveness of leadership and management training for small businesses, with the benefits being much more understood by the businesses themselves. There is some way to go before this is mainstream in the small business community, and therefore offers a considerable growth area for those operating in the sector. The announcement in October of the launch of the Small Business Leadership Programme by the Department for Business, Energy and Industrial Strategy is a strong step forward in supporting this activity and 2020 should bring exciting developments. The Small Business Charter, representing small business focused business schools, has been leading the charge in this field for some years, with local business schools offering accessible and cost-effective opportunities for small businesses to take the first step towards impactful leadership and management training. The big challenge is to increase awareness of what is available, and the value of committing the time to the work.

For small businesses, the message needs to be heard and understood: taking time out of the business to focus on running it better will bring tangible value, will directly impact the bottom line, and will safeguard the business for the future, increasing the likelihood of longevity and success.



“In small businesses, it is the people that matter, the people that make the difference. Owners and managers make decisions about capital and infrastructure, but investing in the people is the big opportunity. Given people are your greatest asset in a small businesses, what is the strategy invest in them if you want them to be invested in you? So, small businesses need to think about making the most of their people in terms of their role, and this includes up-skilling and training.

We know the importance of effective management practices and employee engagement to all businesses, and small businesses are no exception. If a business wants to be more productive and profitable it needs to maximise its assets and resources, and employees can be overlooked in this respect. Recognising the importance of people and getting the right balance between management practice and employee engagement is what distinguishes small business leaders from small business managers.

It is a particularly challenging time for small business, and entrepreneurial optimism is important. A lot of the evidence tells us that there are tough times ahead, but it is those small business leaders that have a committed and engaged team that will be best placed to focus on seizing new opportunities for growth. Small businesses that are agile, can respond, can adapt will be the ones that continue to thrive and grow.”

Professor Tim Vorley, Sheffield Business School



“The key things that drive growth and ambition in a small business are leadership, management confidence and capability. We need to give small businesses confidence to make good business decisions. Leadership and management education is crucial to this. Entrepreneurs have a lot of enthusiasm, but levels of skill and education are pretty low and most are accidental entrepreneurs. Founders start with great ideas and then find themselves in growing businesses. Often they are afraid to bring in people better than them as they may take over. I think we can improve this by creating good role models for small businesses. Rather than using leading entrepreneurs to inspire people (think about who inspired you at school - the head boy not the head master!) use businesses much closer in experience, such as founders just two years ahead of where the business is. I think we need to create a network of businesses who are the next stage up, and really the opportunities of the next decade are all about real networks of businesses.

The other big opportunity for me is data analytics - taking the data that every business sits on and analysing it. For example, in a F1 car there are 300 sensors taking in data and being processed real time. This monitors the performance of a finely tuned machine. Likewise, small businesses should think about the sensors in their business, how they monitor them and what they do about them. Working with businesses on their data points will open up huge opportunities for doing things better. One might be as simple as modelling cash flow in the business to be more predictive. This allows you to not go to your bank last minute, but to prepare in advance. The power of this is so important. We have the ability now to analyse all of this data and impact the biggest issue for small businesses: cash flow cash flow cash flow! This is why analytics is so important.”

Professor Mark Hart, Aston Business School

Data Data Data

Long the focus of big business, data “on” the business has not classically been a big focus for small businesses as more pressing day to day activities and responsibilities naturally take focus. For most, the idea of “data” on the business feels remote and may make no sense at all. However, as automation and analytics become more mainstream, with commonly used software and even social media give in-depth analytical insight, the opportunities for super-charging the business’ activities and decision making are growing exponentially.

The first level of automation for most small businesses, and those seeing huge growth in recent years, are in online accounting, automated CRM and in managing social media. Automating the processing of these activities then leads to simple opportunities for data analytics, which when understood can open up cost saving or money-making prospects.

When asked about the key challenges for the business, almost all small businesses say cash flow is key. Cash is indeed still king for the smallest of businesses and understanding acutely where it is spent and what impact it has can mean the difference between comfort and crisis. Online accounting systems such as Xero and stock management / point of sale solutions such as Square both give insight in simple, easy to use formats that can be real “lightbulb” moments. Take the corner shop that can move around its high performing crisp product and see which location best drives upsell; take the analysis of monthly travel costs that can tell the business when to start reigning in or the drop in product sales that can trigger a marketing push; all are absolutely within reach of micro businesses or one-person-bands.

As more opportunities for automation arise, more easy-to-use data analytics will surface. This will likely be a huge new horizon for small businesses who can benefit from big business levels of insight at really accessible prices and functionality.



“The most impactful technologies for small businesses in the next few years, in particular in the construction sector, will be AI and robots. As a small business, investing in new tech is difficult and in particular deciding to invest in new-to-market companies and products is a huge risk. Help to fund this through leasing opportunities funded by government could ease this by buying in bulk and leasing back.

Additionally, an ability to try on or to have a test drive on a lease basis would help small businesses take the step into new technologies. This could be done like digger hire is done currently. The main impact on small businesses of advancing technology is reducing reliance on humans and reducing the environmental impact and need to travel. I believe it will have a significant impact in the next 5-10 years.”

Geoff Wilkinson, Managing Director, Wilkinson Construction Consultants Ltd



“Technologies, like automation, have the power to accelerate businesses within the small business market. Business process automation enables companies to do more with less by automating routine work to free up staff to focus their time where it matters most - delivering sales and customer service.

Too many small businesses are still managing their business on spreadsheets, e-mail and ‘cut and paste’ with all the limitations that involves. The small business market is already using automation in its marketing and accounting functions. However, automation’s capabilities extend far beyond this - so small businesses looking to excel should consider exploring its further applications.

While automating individual tasks or functions is a great starting point, as small businesses look to the next phase of development, they should extend their use of automation to its full potential. Tools are now available that will allow small businesses to create bespoke and complete operational systems without the big costs and risks of software development.

By weaving automation into the fabric of an organisation, small businesses can create a customisable, extendable system quickly and easily linking together operational processes - saving time, money and reducing the stress involved in managing the day-to-day tasks.

Small businesses are unique - with challenges and processes that are individual to their operations. While an “out of the box” automation solution may not immediately seem like a natural fit, the ability to shape and create your own processes, and develop a robust system all through automation means that it is a no brainer. Businesses that are growing fast, being modernised under new management or who like to stay ahead of the competition are leading the way in taking on these new technologies. We expect to see the creation of customised automated systems on the agenda for small businesses in 2020.”

Ian Gosling, Founder, Auto

Digital Silver Bullet

Even before thinking about data and analytics for the business, many small businesses still lag seriously behind in knowledge of and comfort with widely available digital technology. Rather than see this as a problem, this can be seen as the biggest open door to opportunity that small businesses have for the new decade.

There are literally thousands of reliable, tested, free or low-cost digital technology solutions for businesses that can save costs, increase profits and ease stress for business owners. Despite much activity in this area for a number of years, the engagement with digital skills has largely flat-lined for small businesses, with limited plans for expansion or development in this area for 2020 and beyond. In order to take the next step into more digital curiosity, ambition and confidence, the sector should and will see a number of interventions in the coming years that will help fire up the digital capabilities of all small businesses.

Government has continued its focus on this area, with its Business Basics innovation workstream focusing on identifying and testing ways to bridge the gap between digital skills training and small business take up. Schemes like the Small Business Charter's Leading To Grow initiative with business schools across England, offering free to access digital skill training and support, can make a significant difference in the propensity of small business to take up support. Businesses need to see others like themselves succeeding due to these interventions in order to commit the time to it themselves.

Likewise, the private sector is also stepping up with the BT Skills For Tomorrow programme making huge commitments to this sector. With free support and training for one million small businesses committed over the next five years, BT is looking to be a game changer in the sector. It will be a combination of private sector and government-led initiatives that is likely to move the dial for small business when it comes to digital skills. But when this comes to fruition, it will inevitably lead to a huge opening up of opportunity in other areas: export opportunities, growth opportunities, productivity gains, freeing up time for better balance and mental health, and connecting businesses that may otherwise feel isolated.

Digital skills can be the silver bullet for small business. The next decade will see that potential realised.



"In today's rapidly changing technology landscape, there are challenges all of us have to grapple with. Some businesses - large and small - have found it hard to adapt. Struggled to find time, energy and money to discover how to compete against more digitally savvy competitors. Many small businesses simply don't have resources available to invest in something that comes low down the priority list after all the stresses and strains of running the day-to-day. And as a result, confidence has been knocked. BT wants to empower people to feel more confident as we step into this new decade. This is why we have launched our completely free Skills for Tomorrow programme. We know that millions of people do not have the information or know-how they need to thrive in the digital world. And we want to help.

For some businesses, this is about learning how to build better relationships with their customers. For others, it's about discovering how to promote themselves, using SEO or social media. You can have the best products and services in the world, but if you don't know how to get your routes to market in today's digital economy, your competitors might have the edge.

Fundamentally, businesses want to know more about how to protect themselves and make sure their business, their staff, their customers and their data are safe online. By collaborating with other organisations such as Google Digital Garage, LinkedIn and peak b, BT is making training and information available to any business that wants to grow in confidence - and it's all completely free. We want to help create a movement for change. With the power of communications at its heart.

Businesses of all sizes have been closing High Street stores in recent years. Yet at a time when many of our High Streets are struggling, BT is back. After a 17-year absence, we're offering face to face customer service in all of our 600+ EE shops. We're here to help.

This is a sign of confidence. Confidence in our High Streets, and in our local communities. And confidence in the other businesses that make these communities so vibrant. So let's be optimistic as we face the new decade. We can make a better world, together."

Professor Kerensa Jennings, BT, Digital Impact Director

Good Work

Small businesses are big employers. Sixty percent of private sector employment comes from small businesses and they play a huge role in determining what work means to individuals. What has become increasingly clear in recent years is that the focus for business is not just work, but Good Work.

In a small business, the very nature of the business means a much closer relationship between the owners and workers. The personal connection often leads to a vested interest in staff wellbeing, over and above commitments as a boss and the value it brings to the business. Small businesses are acutely aware that providing good work for their staff can be a differentiator versus bigger employers, can drive customer engagement and loyalty, and can improve overall workplace harmony. The small business owner-manager is often doing this instinctively rather than as a strategic initiative, but the results are hugely beneficial.

As staff are increasingly looking for more meaningful work, and businesses see more case studies of this driving success, there is a great opportunity for other businesses to learn and implement more Good Work practices that can lead to great advantages to the sector overall. We already know that small businesses are more likely to give people a chance who may have struggled for employment elsewhere, or those furthest from the labour market. Opening up of incentives and rewards for this behaviour will only drive it as a greater trend, benefiting society as a whole.



"We predict a fast acceleration in businesses of every size widening their focus further beyond profitability. Which ironically, and wonderfully, will be a key ingredient to more success and profits. Small businesses have led the way in looking out for more than just themselves, historically this has often been altruistically driven, and whilst that values-based motivation will continue we are seeing a surge in business doing good also because it is good business - increasingly people want to buy from and work for 'good' businesses, so there is a powerful commercial imperative to have social commitments which are reflected in your brand narrative."

Danny Witter, co-Founder, Work For Good

We know that small businesses offer great flexibility for staff, with peak b research showing that 80% of small employers offer some form of flexibility. Greater flexibility in the workplace is absolutely going to be a key theme for the next decade, with businesses allowing their staff to flex around family commitments, travel challenges and even a "side hustle" business of their own. This is predicted to lead to greater staff retention and satisfaction, as well as a new understanding about what a job can mean to a member of staff. With close to full employment and small businesses reporting difficulty hiring in a competitive market, this can only help the small employer in the future.



"Small businesses already provide 60% of all private sector employment in the UK, creating most local jobs and disproportionately creating opportunities for those furthest from work. This is a trend that we can only see continuing into the next decade and look to Government to support more small business employment opportunities. However, labour costs are rising; with 1 in 4 small businesses now saying that labour costs are a barrier to growth. Reducing these barriers should be a priority. Fortunately, help is coming; for 2020 we are working with the Government to deliver an uprated Employment Allowance, which will cover the National Insurance costs of employing up to 4 people - as well as extra assistance for small employers to take on veterans and other groups. We hope to see further help for small businesses, the opportunity creators, as people better understand the role of small businesses as outlined in this excellent report."

Mike Cherry, National Chairman, Federation of Small Business

Focus on Mental Health

A great step forward for entrepreneurs in the recent months and years is the increased conversation around mental health. Much under-reported and under-recognised in the past, the stresses of running a business and the toll they take are having a light shined upon them like never before. Over and above this, the awareness of supporting good mental health in even the smallest workplace has taken a huge step forward. Initiatives such as FSB's "It's OK to talk about mental health" have been very beneficial for the sector and this is an area that will only continue to grow in 2020 and beyond.

Where once there was a stigma attached to discussing both physical and mental health, that stigma is being addressed by high profile leaders taking the stage to be open about their challenges, and importantly, how they addressed them.

Moving forward, this budding trend is set to grow with small businesses stating their intention to focus more on their and their staff's mental health in 2020. Businesses are looking at interventions to reduce stress, opportunities for support, and creating a better balance in their lives. When asked about goals for the future, ambition is not focused just on growth and profit, but also on mindfulness and happiness.



Driving Ambition

The classic image of an entrepreneur, highly ambitious, making deals, looking for finance and a high appetite for risk does not really ring true to the vast majority of the 5.8 million small businesses in the UK. Although 86% of small businesses consider themselves ambitious for their business, this is often about surviving and maintaining rather than new horizons. With the last two years marred by negative confidence in small businesses (according to FSB's Small Business Index), ambition has been muted and businesses have hunkered down rather than reached out. Turning this around could mean huge new areas of opportunity opening up for businesses.

In a sense, ambition sits behind the take up of many of the opportunities available for the new decade. It drives interest in new technologies, it drives curiosity about export, it underpins the take up of financing and motivates the drive for both new innovations and customers. If businesses can be motivated to feel more confident, to inspire more ambition, the rest will likely follow in its wake.

Inspiring ambition is of course a multi-pronged activity and many organisations, institutions and individuals can play a role here. Government can play a role by setting the tone for the decade; bringing more stability, less uncertainty and a sense that small business is a priority and will be supported.

Business support organisations can also play a significant role here, having regular in-depth interactions with small businesses themselves. Stimulating confidence, supporting decision making and offering inspiring role models will help ignite hope and ideas in small businesses right at the grassroots of communities. Local government can surely also play a role here too. Local interventions as well as macro-economic stability can both play important roles.

One key trend that all experts agree will grow is the use of and access to business mentors. Rather than looking at unrelatable high profile entrepreneurs for inspiration, small businesses should and will access real life experience from local businesses that are just a few years further along than them. Where once entrepreneurs were reluctant to reach out for help, in the future it will be seen as one of the absolute basics of starting and growing a business.

Fundamentally, not all businesses will be high growth, and many will not see that as success. But tapping into their ambition, the ambition that is right for them and their business, will open up new avenues to success, fulfilment and the promise of a brighter future.

"Our small businesses are a heroic part of the UK economy. And that speaks to an outstanding part of our national character, the guts to go for it. This is how we should look at ambition.

For a small business, ambition might mean running a business to look after my family and that is what "I" define as ambitious. Or that I want to create a business that to me is a dream but might seem a nightmare to others. It is why ambition defined through the narrow lens of revenue growth misses much in explaining the vitality, endurance and contribution of small businesses to the life of the nation. Profit is a consequence of purpose – creativity, making a difference and a can-do attitude that is vital in delivering jobs the length and breadth of the country.

From sole-traders to those on a mission to create tomorrow's market champions, we should celebrate the inspiring achievements that sustain our vibrant and diverse small business community. And, if I could give our small firms one piece of advice, it would be, be ambitious on your own terms – but make sure those terms are driven by an ambitious purpose."

Michael Hayman MBE DL, co-Founder, Seven Hills

Finance For Growth

Despite the UK arguably leading the world in opportunities for varied finance solutions for small business, 42% of businesses still do not feel they have sufficient access to finance. For many of these businesses, there is a lack of awareness of what is available, over and above a business overdraft or lending to the business personally. There is a big opportunity for the sector to be better educated on financing options for the business, as well as to use the business' data to better manage that cash to enable growth.

In order to make the most of these opportunities, there needs to be more take up by small businesses of local and regional business support. Either on the high street from banks or accountants, or tapping into Local Enterprise Partnerships or local business schools, more active engagement with business support can help small businesses understand what finance options are available to them, and a greater understanding of the risks involved. This can give them the confidence to reach out for more finance to enable growth.

Even a shift in the low take up of business loans currently happening in the sector could make a big difference. Opening up new capital to invest in value added business activities can boost productivity, growth and inevitably confidence. Investing in digital or business skills, investing in people and innovation are all routes to opening up greater opportunities for the future.

"A key issue for small firms is access to external finance. When looking to expand, small firms need the right resources in place for staff, employment costs, investment and innovation, but this requires the necessary funding. Growth finance includes core debt funding - loans, overdrafts and credit cards. It also encompasses alternative finance, such as peer-to-peer lending, equity finance ranging from angel funding all the way through to venture capital, asset-based finance, and private debt funding."

Mike Cherry, National Chairman, Federation of Small Business



Export Is Great

There has long been a sense that the UK's small businesses under-perform on export and that much opportunity is left un-exploited. There has been a considerable amount of focus on this in recent years from government, with initiatives such as the Exporting Is Great campaign, although uncertainty over Brexit has inevitably slowed progress. Successful small businesses however will put this uncertainty behind them and look to new horizons regardless. Small businesses can be agile and adaptable and those willing to venture out are likely to find new opportunities overseas.

Although many small businesses may find the infrastructure and perceived investment required to export as insurmountable hurdles, there are considerable opportunities to reach global markets without burdensome up-front costs. Amazon Marketplace for example offers a doorway into new markets: 2018 saw £2 billion of exports from UK Marketplace sellers. Now 8 out of every 10 sellers exports as well as selling in the UK. Platforms are a great asset for small businesses to utilise as a springboard into being a global retailer. The next decade will surely bring continued opportunities in this area and small businesses should make the most of all platforms that work for them.

Using new digital skills, with the support of mentors and local organisations, and with a more ambitious approach, there is a world of opportunities waiting for small businesses. 2020 is the perfect time to start on this export journey.

14% of small businesses currently report exporting - 86% say they do not

An additional 11% state they are intending to start exporting next year





"Digital skills are key to boosting productivity, helping small businesses maximise their output, growth and job creation, but we're significantly lagging behind. Productivity movement Be The Business found that the UK misses out on £18bn a year in lost productivity, and closing the UK's productivity gap could add £130bn in value to the economy.

Making headway on productivity sounds simple, and can be simple. If small businesses focus on investing in the growing digital economy and building their digital skills to be leaner and more flexible, they can grow and scale at low cost. Enhancing productivity not only means more profits for small businesses and greater insurance against economic uncertainties; it also boosts the UK economy and makes our country more competitive globally.

For our part, we have rolled out a number of programmes to help small retailers, life-long learners and the next generation crack the productivity puzzle through improving their digital skills. Our Amazon Academy and AWS Startup Garage programmes provide hands-on support to boost the digital skills of small businesses, our £1m SME Apprenticeship Fund helps small e-commerce businesses build a digitally-skilled workforce and our Amazon Future Engineer programme aims to inspire more young people to take up computer science careers.

In the digital age, the internet and technology have democratised the ability to set up and run your own business, enabling small businesses to have the same reach and access to the same innovations as global businesses. As long as you have a laptop, internet connection and a great product or idea, you can sell around the world."

Doug Gurr, UK Country Manager, Amazon

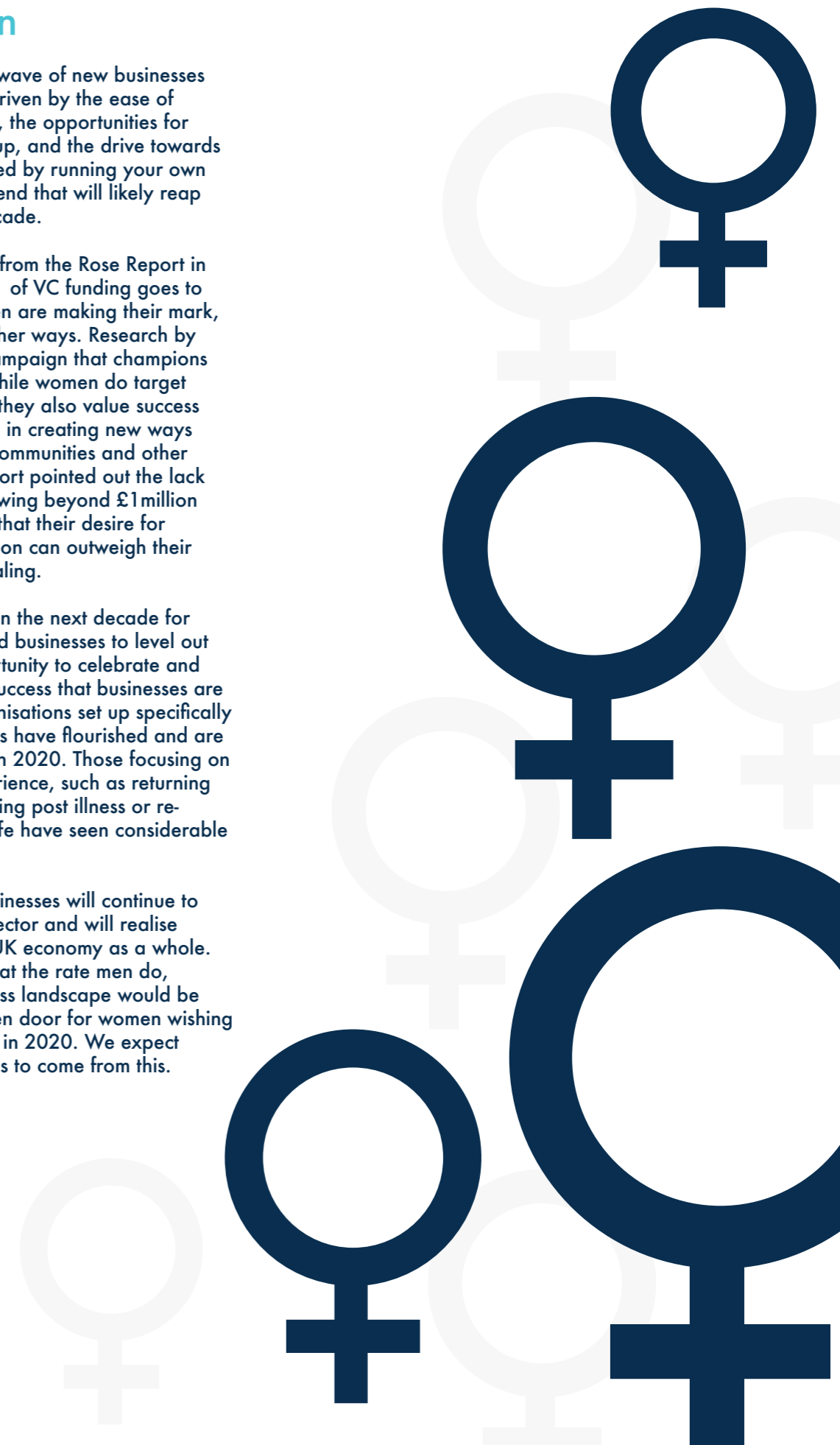
Led By Women

The last decade saw a tidal wave of new businesses starting up led by women. Driven by the ease of starting a business in the UK, the opportunities for support for women starting up, and the drive towards freedom and flexibility offered by running your own business, this is a growing trend that will likely reap big dividends in the next decade.

Despite the troubling insight from the Rose Report in 2019 that just 1p in every £1 of VC funding goes to female-led businesses, women are making their mark, and their voices heard, in other ways. Research by the peak b f:Entrepreneur campaign that champions female leaders shows that while women do target and value financial success, they also value success in creating meaningful work, in creating new ways of working and supporting communities and other women. Whilst the Rose Report pointed out the lack of female-led businesses growing beyond £1 million revenues, women also state that their desire for freedom and self-determination can outweigh their desire for investment and scaling.

There is clearly opportunity in the next decade for more investment in female-led businesses to level out the field. There is also opportunity to celebrate and inspire the other metrics of success that businesses are delivering on. Business organisations set up specifically to support women in business have flourished and are anticipated to grow further in 2020. Those focusing on particular points in life experience, such as returning to work post children, returning post illness or re-launching a career later in life have seen considerable take up.

Championing female-led businesses will continue to be a focus for much of the sector and will realise considerable returns to the UK economy as a whole. If women started businesses at the rate men do, the start-up and small business landscape would be transformed. There is an open door for women wishing to start and grow a business in 2020. We expect exciting and innovative things to come from this.





"I've noticed a growing trend in women who are no longer prepared to compromise, personally or professionally, and are seeking autonomy and fulfilment from having their own business. Whether transferring skills from previous roles or choosing to retrain altogether, many women are investing in a coach or mentor who can help them build confidence, create a plan for success and avoid reinventing the wheel.

The benefits of female communities are huge, both for your career and life in general. Taking the time to build strong and wide-reaching networks means you'll find it easier to access practical support and advice when you need it. If you run your own business, collaborating with like-minded 'sisters' leads to innovation and ensures you achieve your goals far more quickly than going it alone. And the good news is, it's something that women tend to be naturally good at.

When I left my corporate role to set up my own company twelve years ago, I only had my ex-colleagues, clients and friends to support me, which was great, but only took my business so far. I knew that to take it to the next level, I would have to go out and meet new people and so decided to join a number of networking groups. I quickly realised that the power of the collective is awesome. Not only do you get massive support, but you also have a group of people who have your back and who will recommend your services to others when appropriate. If you feel part of a tribe, for example a club, society or group, and invest time in building relationships within it, you will undoubtedly accelerate your potential and get satisfaction from helping others to do the same."

Antoinette Dale Henderson, Author of *Power Up* and Founder of *Leading With Gravitas* www.gravitasprogramme.com



Big Business and Big Government

A huge focus for business and government in 2019 was late payment practices and cracking down on big businesses. The Prompt Payment Code has not had the change to cultural practices largely hoped for, but moves by the government in 2019 to protect small businesses and cut down on late payments are hoped to bring more confidence in small business to trade with big businesses. Government has stated a willingness to lead from the front in this and continues to set significant targets for small business procurement.


Businesses have understandably been put off in the past by the complexity of big business and government procurement processes. Although still an issue, the focus on these practices, led by FSB and other industry voices, mean that the next decade should see a significant shift in behaviour. Strong leadership is required from the biggest organisations in the UK. It is a shift in attitude as much as one of payment terms. Many small businesses see themselves as powerless in the relationship to demand payment on time, as well as struggling to get even to the point of invoicing due to excessive procurement demands.

An approach to payment that sees big business understand the needs of small and act in a socially responsible manner will bring the big shift that the sector needs. This will then open up confidence and opportunity for small businesses to trade and grow.

Overall, it is time for small businesses to look up at the horizon. As the last period of negative confidence recedes, small businesses have much to be optimistic about. Building their skills, building better businesses that can withstand change and are ready to make the most of new opportunities, businesses will move into the next decade with a renewed spring in their step. Supported by local communities, government, big business supply chains and the general public, small businesses have every reason to be hopeful for 2020 and beyond.

Small Business Opportunity Checklist

- ✓ **Review your management skills**
Investigate opportunities to start investing in your leadership and management training with local business schools or training providers
- ✓ **Do a business data health-check**
Do you know how your business is doing? Start with simple analytics tools to look at cashflow, efficiency and performance. Take the opportunity to improve just one thing
- ✓ **Upskill your digital**
Take advantage right now of the opportunities for free digital skills training to improve your skills and those of your team on a range of business processes. Look at BT Skills for Tomorrow as a start
- ✓ **Showcase your good work**
As a small business, you are likely creating a flexible workplace for yourself and others and looking after your staff and the local community. Start telling others about the great work you do and make this a competitive advantage
- ✓ **Focus on mental health**
Starting with the business founder and encompassing all staff, checking in on mental health in 2020 will ensure the people remain at the heart of the business and thrive as the business does
- ✓ **Refocus on ambition**
Take the opportunity of a new decade to refocus on the business' ambition. Find a local mentor and look to take the next step with support from your network
- ✓ **Be open to new finance**
With a good plan and support from mentors, your bank and advisors, investigate whether there are financial options that could help fund a growth plan that is right for you
- ✓ **Consider export**
If you have a product or service that can be exported, take this opportunity to give it some serious consideration. Get advice from your local business organisations and speak to the Department for International Trade for support. Use your digital presence to take the first step into new markets
- ✓ **Be open to new big customers**
As big business and government become more small business friendly, look out for opportunities to get involved and check out the government's Contract Finder for opportunities over £10,000



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@smallbusinessbritain.uk

With thanks to TSB for supporting this research



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