

Small Business: Moving Forward 2023

2 Budget and What We Need Next





Small Business Britain, Square, and Clearpay are teaming up to help small businesses during these challenging times by finding out what they are doing to overcome challenges, particularly in the digital world, and share the best insight to help businesses move forward. This insight is being shared in monthly papers in the first quarter of 2023 and in a report to be launched in April 2023. This is the second paper in the series.

We have surveyed over 1,000 businesses and spoken at length to many small businesses to see how they have managed the challenges of the last year, how they are looking to the future and thinking about growth, and how they have adapted to manage the turbulent times.

In this paper, we look at ways Government and society can intervene to support small businesses and help them move forward in 2023. With the budget around the corner, eyes turn to Government to take a lead in rhetoric even if spend is not fiscally possible.

As winter continues, small businesses are hunkering down, preparing for difficult times, but looking towards the spring in the hope it will bring more opportunity.

Our research shows that there is a clear nervousness amongst small businesses and many are looking to the Government, media, big businesses and wider society for reasons to be optimistic. In our research with over 1,000 businesses, nearly 40% think they will either not grow or actually decline in 2023. As optimism and expectation of success can play a key driver in growth, this raises the concern that if small business sentiment does not turn around, they will not be in a position to be a key part of the driver for recovery that the economy needs.

There are concerning signs that small businesses are delaying growth plans for their business. 17% of businesses have delayed expansion and 13% have delayed hiring. Delaying business investment and expansion may feel necessary in the short term to manage cash challenges, but over time, these decisions could lead to medium and long term slowdown in growth and recovery overall.

Small businesses continue to face significant financial challenges. Energy costs continue to be a top concern for businesses and there is scepticism amongst businesses about whether Government support for energy bills is sufficient, particularly with scheduled changes to the support package at the start of April.

Even with these financial hurdles, small businesses are still not looking externally for finance to support the business. 36% are relying on working capital in the business and a further 28% are dipping into their own personal finances to support the business. 35% do not plan on sourcing any finance at all. There is a nervousness about taking risk, and concern about rising interest rates. If businesses continue to avoid investing in their future, there will inevitably be an impact on business growth and success: a concerning trend for 2023.

However, some businesses have managed to overcome the challenges they are facing and are looking to the future with a positive plan for growth. These businesses are reporting increased optimism across the board, which has led to better decision making.

Jasmin Barlow-Wilkinson, founder of *The Home Made Café*, told us,

“The media are a bit of a challenge for us and it is amazing how quickly people can be swayed into a different mindset. The hospitality industry relies on people going out and feeling good. I feel like we have done ok and been luckier than a lot of other places. I did have to work my socks off though. I had the mindset - I was determined to not let my years of hard work be wasted.

I changed the till to Square over lockdown for the cafe so people have the option to order from the tables and that has been a game changer. It made things a lot easier and it is easier for me to see what has happened each day - I'm more in control of seeing what has gone on.

My advice to small businesses is to prepare yourself for the rollercoaster. You have to be adaptable and be able to think on your feet all the time.”

Despite the upcoming Budget, small businesses don't seem to view the Government as having a role to play in their success right now. Only 7% of businesses in our research received support from the Government in the last year, a sharp contrast to during the pandemic when programmes such as Furlough, Bounce Back Loans, Self-Employment Income Support Scheme (SEISS), local council grants and more meant that many turned for the first time to Government support, either locally or at a national level. **Small Business Britain** research at the end of 2021 showed 67% of businesses turning to government for support, a big shift in just a year.

Although the pandemic may be mostly in the rear-view mirror, economic challenges remain and small businesses are now required to survive without big support packages. Most small businesses agree that direct financial intervention from the Government cannot be indefinite, so what can the Government do to support businesses in this difficult time?

From our research, there are three key areas that can be addressed:

1. **Confidence**
2. **Digital skills and technology**
3. **Training and staff**

Confidence

With the focus on a potential recession, the message small businesses (and their customers) are receiving is that things are bad and times are tough. Businesses find this unhelpful and are looking to the Government, media, influential voices and their supply chain for a more positive story. As small businesses take a lead from the businesses they trade with in their supply chain, and we know from our [previous white paper](#) that many businesses have never revisited or renegotiated those supply chain contracts, there may be an opportunity for collaboration and intervention in supply chains to drive more confidence and optimism.

Even in a flat economy, there are always areas of opportunity. Some businesses continue to do well, new businesses are starting and there are encouraging signs that inflation is starting to decrease. Businesses need to hear more about areas of opportunity, not just challenges, in order to create plans for growth and create the jobs and contribution to GDP that small businesses have historically played such a big role in.

Digital Skills and Technology

The announcement of a new Government department, the Department for Science, Innovation and Technology, suggests a renewed focus on technology and innovation, as does the Chancellor's goal of creating a Silicon Valley in the UK. However, small businesses are wondering how this will relate to them and whether there is an opportunity in 2023 to bring these key innovation drivers into this conversation.

Small businesses, like Jasmin, have found digital skills and technology to be transformational to their business, but we know from our research that 54% of small businesses have not invested in their or their staff's digital skills or added new technology in the last year. There is a big gap here and an opportunity with a new departmental focus to fill it.

Training and Staff

Staffing remains a key issue for businesses with well reported talent shortages and small businesses in particular experiencing challenges in growing staff skills or recruiting sufficiently qualified staff for their business. Jasmin went on to say to us:

“I think that there could be more help for small businesses with regards to training, finding staff. People seem a bit lost since COVID and it feels like we have to get everything going again. It can be really costly to cover a business and then also train people. Apprenticeship schemes work really well for us and we have to use them based on the agreement we have with the council. The Government could really help with that system - creating jobs through supporting that.”

Small businesses need support in finding skilled staff, training staff and also in knowing what to focus on and when: in short, there is a strong need for mentoring for small businesses in this area. Often businesses find that they have a need but are not clear on how to address it. Intervention with mentoring in this area can help unlock potential.



Rachel Marshall
Founder, *Uniquely Local Experiences*

Rachel Marshall, founder of *Uniquely Local Experiences*, told us:

"We are wanting to grow the business, but the sales will not support the growth we need in terms of recruiting staff. We are unsure as to how we can achieve this growth. There is too much work for one person but not enough money coming in to support a full-time member of staff, but if we had a full-time member of staff we could attract more experienced providers and grow our offering and increase sales.

It is very lonely being a small business owner. It's difficult to know who you can talk to about the big decisions that you have to make. Friends and family are a good sounding board but maybe don't have the experience to offer sound advice."

This is not just about Government intervention. Access to mentoring, skills and digital technology, as well as a renewed optimism, can also come from the private sector too.

Small Business Britain, Square and Clearpay have lots of support, help and advice for small businesses.

- **Small Business Britain** offers free expert mentoring year round and regular training in digital skills.
- **Square Seller Community** is a free online resource where you can connect with and get advice from other business owners to find solutions for your business.
- Similarly, **Clearpay's Small Business Guides** provide free tools and tips to help you grow your business.

What is clear is that there is a need for more: much more.

Small Business Britain, Square and Clearpay will be bringing you more inspiration and advice each month to help businesses navigate this challenging time. Keep an eye out and stay in touch.

You can find out more about the partnership and ensure you are the first to hear about help and advice on the Small Business Britain newsletter on the website at **www.smallbusinessbritain.uk**

With thanks to **Square** and **Clearpay** for their ongoing support for this work.

