

UK SME Survey 2024

**Key insights from AICPA® & CIMA®
members report**



Contents

2	Introduction
---	--------------

3	CIMA members and improving support for UK's SME
---	---

4	Key findings
---	--------------

5	Recommendations
---	-----------------

6	The current environment for SMEs
---	----------------------------------

6	Top emerging issues
---	---------------------

6	Top risks for SMEs
---	--------------------

7	Top policy challenges
---	-----------------------

8	Talent and skills
---	-------------------

10	STEM skills
----	-------------

11	Apprenticeships
----	-----------------

12	Productivity
----	--------------

15	Responsibility for tracking productivity
----	--

17	Drivers of productivity in SMEs
----	---------------------------------

18	Barriers to productivity
----	--------------------------

19	Drivers of productivity in SMEs
----	---------------------------------

23	Investment and growth
----	-----------------------

31	Conclusion
----	------------

32	Methodology
----	-------------

Introduction

Small- and medium-sized enterprises (SMEs) are the lifeblood of the UK economy.

Due to their size, SMEs can adapt and move quickly to chart new economic tides, which makes them vital to the UK economy's success in new economic fields.

SMEs account for over 99% of all businesses in the UK.¹ They also employ the majority of the UK workforce, making SMEs integral to the supply chains of both big businesses and the public sector.

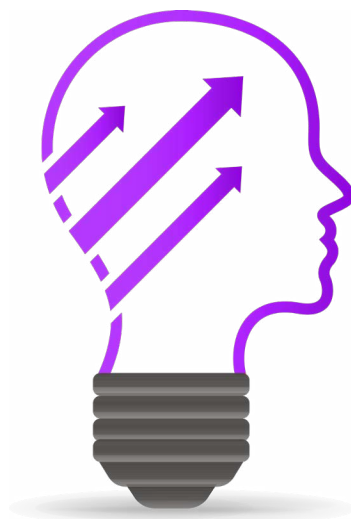
In 2023, UK SMEs contributed £2.4 trillion in turnover to the UK economy.² Without UK SMEs, the UK economy would not work. Strong and growing SMEs are vital to ensure the growth and dynamism of the UK economy and vital to spreading growth nationwide.

A central mission of the new government in the UK is to grow the economy.³ To reach that goal, supporting SMEs needs to be a key part of the policy platform and strategy, as UK Chancellor Rachel Reeves has detailed in her work on the everyday economy.⁴

SMEs can also be vital to new high-growth sectors such as technology because they respond more quickly than legacy companies to the changing needs of the world economy.

Many CIMA members in the UK work in or advise SMEs across the country. During the summer of 2024, we surveyed these UK members, asking them about a range of economic and business policy matters that affect SMEs.

This paper summarises their views and experiences, insights on the challenges SMEs are currently facing, and what policy responses would best help SMEs to grow and expand to support the wider UK economy.



¹ U.K. Department for Business & Trade. (5 October 2023). Business population estimates for the UK and regions 2023: statistical release [Accredited official statistics].

<https://www.gov.uk/government/statistics/business-population-estimates-2023/business-population-estimates-for-the-uk-and-regions-2023-statistical-release>

² Ibid.

³ "Mission-driven Government", *Labour's Manifesto*, The Labour Party, 2024.

⁴ Rachel Reeves, *The Everyday Economy (PDF)*, 2018.

CIMA members and improving support for UK's SME

In June and July 2024, CIMA conducted a survey of our members who work in UK SMEs (businesses up to 500 employees) or directly advise them on a range of policy areas. CIMA chose a threshold of up to 500 employees for SMEs because, at the time, the UK government was consulting on increasing this threshold to 500,⁵ and other competitor economies (including the US) define SMEs as up to 500 employees.⁶ The goal of the survey was to gather information on the current challenges facing their SMEs, what current government policies are helping to support their SMEs, and what additional policy responses might help their SMEs to grow in the future.

This survey was conducted during the UK general election 2024. It focussed on the following areas:

- The current economic and policy environment facing UK SMEs
- Skills and talent
- Productivity
- Tax
- Investment and growth

You can view the [full methodology](#) at the end of this report.

The survey responses from CIMA members indicated significant challenges to the UK SME environment. The data identifies key areas to address and recommendations for government action that would directly support the SMEs that are so vital to the UK economy.

⁵ <https://www.gov.uk/government/consultations/non-financial-reporting-review-simpler-corporate-reporting/non-financial-reporting-review-simpler-corporate-reporting#:~:text=This%20aligns%20with%20the%20commitment,and%20appropriate%20to%20company%20size.&text=The%20UK's%20system%20of%20corporate,large%20companies.>
⁶ <https://www.investopedia.com/terms/s/smallandmidsizeenterprises.asp#:~:text=SMEs%20in%20the%20U.S.,employees%20as%20a%20micro%20business.>

Key findings

SME environment

- Concern about geo-politics continues to be a key issue for UK SME business leaders, with over a third of respondents sighting this as their top concern.
- Inflation remains a continuing concern for members working in UK SMEs, with 34% of respondents listing it as a concern. It was the number one concern for respondents working in the smallest enterprises.
- Lack of skills and talent is the top risk facing UK SMEs, according to just over half of respondents.
- There is a need for more policy certainty to de-risk investment, with 70% of respondents in SMEs saying the lack of policy certainty is a current business challenge.

Talent and skills

- Just under a third of respondents believe their employees lack the necessary skillsets required to support the business in the next few years.
- The top skills deficiencies are leadership/management, technology, and communication skills.
- Developing current employees' and the future workforce's soft skills is a key need for UK SMEs.
- Size of enterprise, cost and time, and already having enough qualified employees are said to be the top three barriers preventing SMEs from offering apprenticeship training over the next 12 months.

Productivity

- Based on the survey results, responses demonstrate that UK SMEs have no standard way of measuring productivity.
- Nearly a third of respondents indicated that their SMEs do not track their productivity.
- Survey respondents indicated that responsibility of tracking productivity in their UK SME lies largely with management accountants (24%), CFOs (21%), and operations officers/ managers (18%).
- The members surveyed cited difficulties recruiting and retaining staff with the right skills and/or the shortage of staff with adequate management skills as factors hindering the productivity growth of their SMEs.
- Reduction of taxes and tariffs and addressing fiscal drag are the most helpful policies to improve UK SMEs productivity according to respondents.

Investment and growth

- Half of the members surveyed found current government policies ineffective; the Apprenticeship Levy is seen as the most beneficial policy among the existing options available to SMEs.
- The surveyed SMEs believe that government support packages and tax reforms policies are crucial for growth.
- Just above 4 in 10 of those surveyed (44%) believe that taxes (rates and/or administration) are proving to be a barrier to the growth and expansion of their SME.
- Reducing stamp duty, VAT, and boosting transport funding are the key to enhancing SME growth according to those surveyed.
- The respondents call for a simplified VAT system, better HMRC support, and clearer guidance to ease the administrative burden and improve UK competitiveness.

Recommendations

The UK government should consider the following measures as part of a broad package of support to grow the UK economy and the SME sector:

Addressing the current environment

1. To boost private investment, provide greater certainty and stability on regulation and taxation policy by setting out multi-year plans and minimising the number of changes over the long term.
2. Consider the impact of inflation, and limit policy measures that could be inflationary.

Talent and skills

1. Simplify the apprenticeship scheme, by reducing the costs and barriers which are hindering SME involvement.
2. Ensure the new Growth and Skills Levy is accessible and usable for SMEs.
3. Keep a focus on much needed soft skills when developing the future workforce.

Productivity

1. Improving productivity should be a focus of the government's economic growth mission and industrial strategy.
2. Recognise there is a 'known unknown', namely the lack of productivity data for a lot of smaller firms. Look at how government could incentivise smaller firms to access professional support to increase data collection, and thereby help them to manage their capital and labour investments more efficiently.
3. Ensure corporation tax remains competitive.
4. Look to reduce taxes and tariffs and address fiscal drag, as the fiscal conditions allow, to boost growth and investment by SMEs.
5. Move to create productivity hubs and skill clusters to boost innovation, investment, and growth as part of the industrial strategy.
6. Create a UK-wide productivity strategy to help address key gaps in the current approach.

Investment and growth

1. Ensure that taxation is not a barrier for SMEs to invest and grow their businesses, particularly those taxes that most affect SMEs such as employer's national insurance.
2. Provide tax stability to allow SMEs to have confidence in their ability to grow and invest.
3. Incentivise investment in green technologies and associated R&D, potentially through the National Wealth Fund.
4. Simplify the bureaucracy for UK companies (and especially SMEs) who rely on trade with the EU.
5. Simplify the schemes available to support business and make them accessible through a single portal to encourage adoption and boost awareness.
6. Recognise the barriers to SME investments in R&D such as access to capital and do more to boost take up through targeted support programmes.

The current environment for SMEs

Figure 1: Top five emerging issues

What emerging issues keep you awake at night?						
#	Small enterprise		Medium enterprise		Total SMEs	
1	Inflation	23%	Geo-politics	14%	Geo-politics	36%
2	Geo-politics	22%	High interest environment	12%	Inflation	34%
3	Climate change	22%	Inflation	11%	Skills and talent	32%
4	Skills and talent	22%	Skills and talent	10%	Climate change	31%
5	High interest environment	18%	Supply chain disruption	10%	High interest environment	30%

Top emerging issues

Geo-politics is the biggest emerging issue of concern among CIMA members who work with UK SMEs. It was a number one concern for those working in medium enterprises rather than smaller SMEs, however respondents working in both medium and small enterprises found this a pressing concern. Inflation was a close second to geo-politics. Inflation is still a concern for both small and medium businesses, however it is a more immediate concern of smaller enterprises.

Skills and talent are one of the top concerns for all the surveyed members who work in SMEs and in particular small businesses who indicate in the survey they are struggling to attract and retain talent.

Figure 2: Top three risks SMEs are facing today

What do you think the top three risks that your business is facing today?						
#	Small enterprise		Medium enterprise		Total SMEs	
1	Skills and talent	38%	Skills and talent	16%	Skills and talent	54%
2	Inflation	33%	Inflation	14%	Inflation	47%
3	Taxes	25%	Regulation	14%	Regulation	37%

Top risks for SMEs

Alongside the challenges SMEs are facing, we asked our members to identify and rank the top three risks their businesses are encountering. The three biggest risks identified were:

Skills and talent: According to the survey results, the most pressing risks revolve around the availability of skills and talent. Later in this paper, we explore the kinds of skills gaps SMEs are facing and what policies could help close those gaps. To better support SMEs, we need a growing talent pool possessing the skills SMEs need to expand and grow.

Inflation: While headline inflation may have gone away, it remains a concern for the surveyed respondents, with both those working in small and in medium enterprises listing it as a top-three risk. It is clear that its ongoing impacts are still lingering for many SMEs and policymakers should keep this under consideration.

Regulation and taxes: For those working in smaller enterprises, taxes were identified as a bigger risk, whereas those working for medium enterprises it was regulation. We then asked for the top three policy changes they currently face. Their responses to this question showed why both tax and regulation are among the top three concerns.

Figure 3: Top three policy challenges currently faced by the SMEs

What are the top three policy challenges faced by your organisation?						
#	Small enterprise		Medium enterprise		Total SMEs	
1	Lack of certainty and clarity in government policy	48%	Lack of certainty and clarity in government policy	22%	Lack of certainty and clarity in government policy	70%
2	The growing level and complexity of government regulation	39%	The growing level and complexity of government regulation	19%	The growing level and complexity of government regulation	58%
3	Changes to taxation policy	33%	Changes to taxation policy	11%	Changes to taxation policy	44%

Top policy challenges

The top policy challenge faced by those surveyed was the lack of policy certainty and clarity. This survey was conducted during the UK general election, and this may have helped contribute to the high scores here. However, in conversations with our members that have taken place both before and since the UK general election, this concern continues to be top of the list.

The growing level of regulation was the next top policy challenge for our members working in SMEs, followed by changes to taxation policy.

The new UK government plans to produce a business tax roadmap for the Parliament.⁷ While we wait to see full details and how a roadmap will work in practice, the hope is that this structured approach may, to some extent, address the current concern among SMEs over the lack of tax policy certainty. However, there are no measures being proposed at present that would fully address the growing level of regulation.

As the government develops their growth agenda and strategy for businesses, including SMEs, over the coming months, we would encourage a renewed focus on policies within the direct control of government that will help UK SMEs to thrive.

The subsequent sections of this report address survey findings per subcategory – skills and talent, productivity, and investment and growth – and include policy recommendations for government to consider as support for UK SMEs.

Recommendations

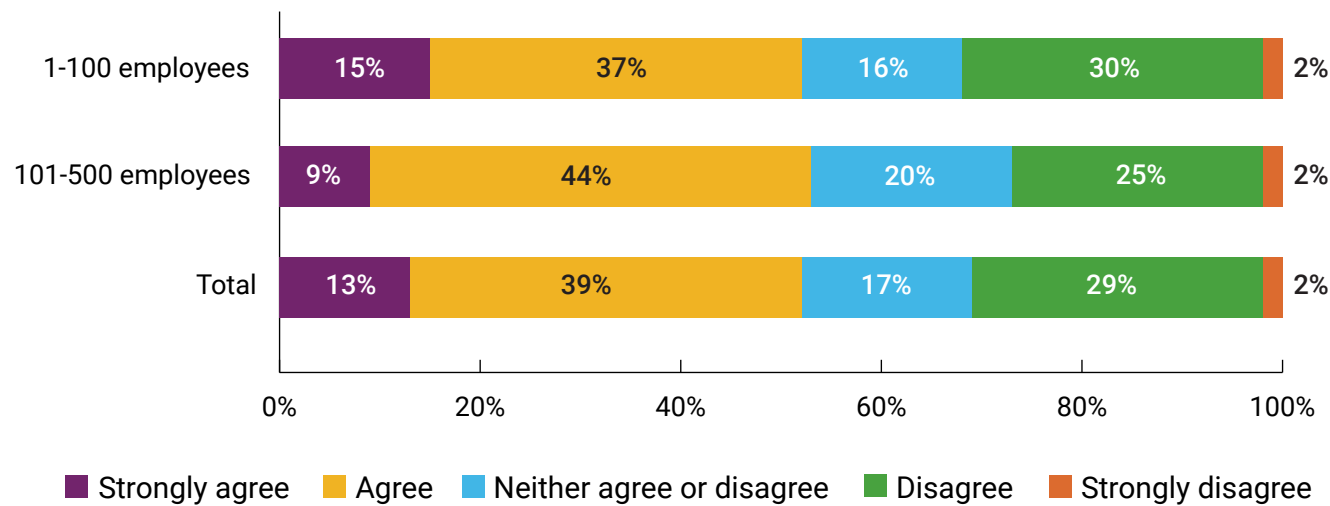
- To help address these challenges, UK SMEs face and mitigate and reduce these risks the government should
- provide greater certainty and stability on regulation and taxation by setting out plans years in advance and minimizing the number of changes to boost private investment; and
 - consider the impact of government policy on inflation, which remains high and limit actions which could be inflationary.

⁷ [‘Business Taxation,’ Labour’s Manifesto](#), The Labour Party, 2024.

Talent and skills

As the highest-ranked risk for UK SMEs, skills and talent policies that directly support SMEs have significant relevance for government consideration.

Figure 4: “I think our organisation’s employees have the skills needed to support the business over the next three years”



Just under a third of respondents believe their employees lack the skills required to support the business in the coming years.

This finding echoes the last Mind the Skills Gap Survey that AICPA & CIMA produced in 2023, which found that four in five surveyed SME employers identified skills gaps in their organisation over the past 12 months. The present survey shows that respondents working in UK SMEs still say they are facing significant skills and talent shortages both in terms of their current workforce and attracting talent.

However, more than half of respondents across small (53%) and medium (52%) enterprises believe that their organisation’s employees are sufficiently skilled to support their business over the next three years.

Our members identified the following skills that are currently lacking in their organisation.

Small (1-100)	Medium (101-500)
Leadership/management skills	Leadership/management skills
Technology skills	Technology skills
Communication skills	Communication skills
STEM skills (science, technology, engineering and maths)	STEM skills (science, technology, engineering and maths)
Other (please specify)	Finance skills
Finance skills	Other (please specify)
Literacy skills	Literacy skills
Numeracy skills	Numeracy skills

Leadership/management, technology, communication, and STEM were the top skill areas listed by the surveyed members. This also corresponds with the last Mind the Skills Gap survey which showed that 36% of surveyed SME employers said they had skills shortages in people management and leadership skills, and 33% said they faced skills shortages in soft skills.

When we asked our members what the most important skills for their current workforce were, again the top five skills identified could all be identified as soft skills:

Figure 5

Most important skills for the current workplace overall			
Rank	Small (1-100 employees)	Medium (101-500 employees)	Total
1	Problem-solving skills	Problem-solving skills	Problem-solving skills
2	Communication skills	Communication skills	Communication skills
3	Resilience/Adaptability/Flexibility	Resilience/Adaptability/Flexibility	Resilience/Adaptability/Flexibility
4	Interpersonal skills	Interpersonal skills	Interpersonal skills
5	Leadership skills	Leadership skills	Leadership skills

We looked into these soft skills more in other questions in the survey and found that current employees lack leadership and critical thinking skills, making these skills essential for prospective recruits. See figures 6 and 7.

The best performing soft skills possessed by current employees (resilience, problem-solving, interpersonal, and communication skills) remain the most important ones for prospective recruitment.

Leadership skills and critical thinking are rated by those surveyed as the worst performed skills among current employees (highlighted in blue in Fig. 6); however, these are the next most important soft skills for prospective recruitment after the top four (highlighted in blue in Fig. 7).

Figure 6

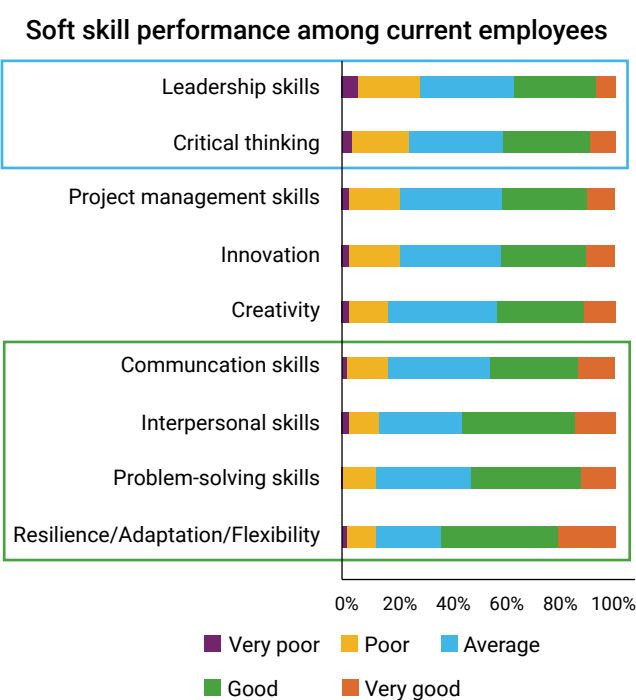
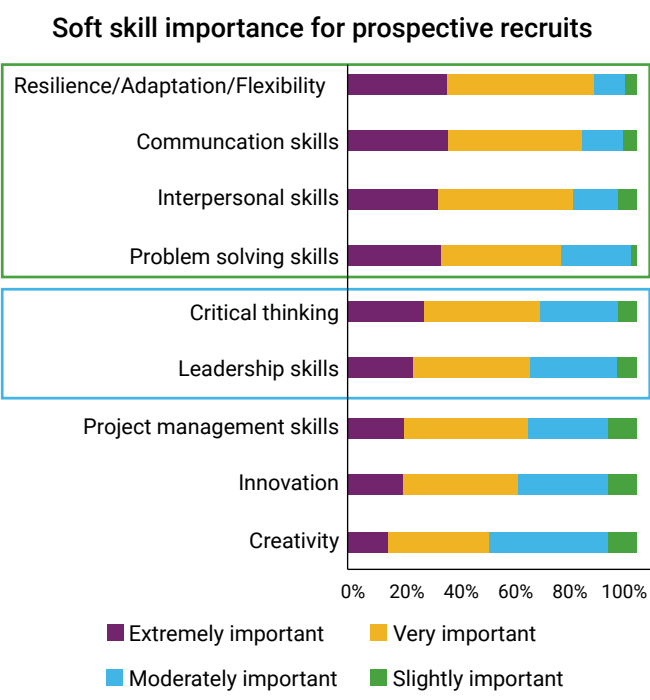


Figure 7



STEM skills

Recruiting for skills aligned with science, technology, engineering, and mathematics (STEM) represents another challenge for SMEs. Problem-solving, technical, and technological skills are the most important STEM skills for the workforce.

Figure 8

Skill importance for prospective recruitments		
Small (1-100 employees)	Medium (101-500 employees)	Total
Problem-solving	Problem-solving	Problem-solving
Technical skills	Technical skills	Technical skills
Technological skills	Technological skills	Technological skills
Critical thinking	Critical thinking	Critical thinking
Finance	Finance	Finance
Engineering	Engineering	Engineering
Maths	Science	Maths
Science	Maths	Science

Problem-solving, technical skills, and technological skills are top priorities for the workforce in both small and medium enterprises, with no substantial difference between the two. ‘Technological skills’ may feature in the top three because of an increasing use of AI, digital systems, tech-enabled platforms, and other emerging tools and technologies.

There is no substantial difference between small and medium enterprises when it comes to the most important STEM skills.

These findings from this survey complement the outcomes of an inquiry the former [All-Party Parliamentary Group \(APPG\) on Accounting for Growth](#) released earlier this year. The APPG findings found that problem-solving, critical thinking, technical, and technology skills were vitally important for UK industry and were the key skills that linked all the different STEM subjects and roles.

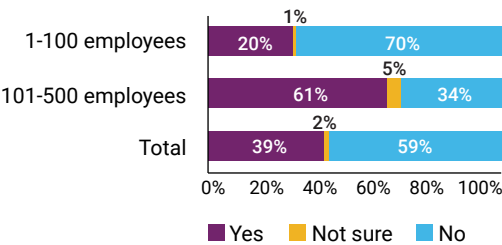
Apprenticeships

SMEs find apprenticeships difficult to access and utilise and therefore less appealing than they might be to larger organisations.

Size of enterprise, cost, and time are the top barriers preventing SMEs from offering apprenticeship training.

Figure 9

Employer participation in the UK Apprenticeship Scheme



Medium enterprises are participating in the UK Apprenticeship Scheme at a rate that is more than twice the rate for small enterprises (61% versus 29%). (See Fig.5.)

In the free text responses, the respondents shared the top possible barriers to participation in the UK Apprenticeship Scheme overleaf.

Company size (mostly mentioned by small enterprises)	'The business is too small to adequately support apprenticeships.'
Cost and/or time intensive	'Too time-consuming and too costly. The cost of accountancy apprenticeships is unaffordable compared to traditional providers.'
Qualified staff already employed	'All our staff are educated to degree level already, so we don't need the apprenticeship.'
On the job learning/training	'On the job training is offered to most employees in SMEs so I do not see apprenticeship training to be particularly relevant.'

The reasons 60% of respondents gave for their SME not offering apprenticeships were the lack of resources and the cost and time it takes to participate in apprenticeship schemes.

Indeed, the former [APPG on Accounting for Growth Inquiry into Apprenticeships and Skills](#) found many SMEs struggling with the bureaucracy of the scheme, the time involved, and lack of capacity to effectively take on an apprentice.

The new government is looking to change the Apprenticeship Levy to a Growth and Skills Levy, which would enable the levy to be used for other training. Because this change is developed by the new body, Skills England, we encourage it to ensure that changes to the new Growth and Skills Levy address the challenges that many SMEs faced under the Apprenticeship Levy. Improved access to the new and improved levy will boost skills and talent within SME organisations.

Recommendations

To help support SMEs upskill, reskill, and secure a talented workforce, the government should formulate changes to simplify the apprenticeship scheme to reduce the costs and barriers to SMEs involvement;

- ensure that the new Growth and Skills Levy is accessible and usable for SMEs; and
- ensure a focus on much needed soft and STEM skills when developing the future workforce.

Productivity

As the largest segment of UK employers, SME productivity drives the economy. Understanding elements affecting SME productivity can lead to more effective policy support for SMEs.

UK SMES have no standard way of measuring productivity.

Figure 10



The most common ways of tracking productivity in both small and medium enterprises are total labour cost as a percentage of turnover (41%) and revenue per employee (38%).

Last year AICPA & CIMA conducted a survey looking at public sector productivity in the UK and members from both the private and public sectors responded to it. This survey showed that revenue per employee and total labour costs as a percentage of turnover were the most common metrics used to measure productivity amongst the private sector respondents. The results from this survey of SME members show that they too use these to track productivity.

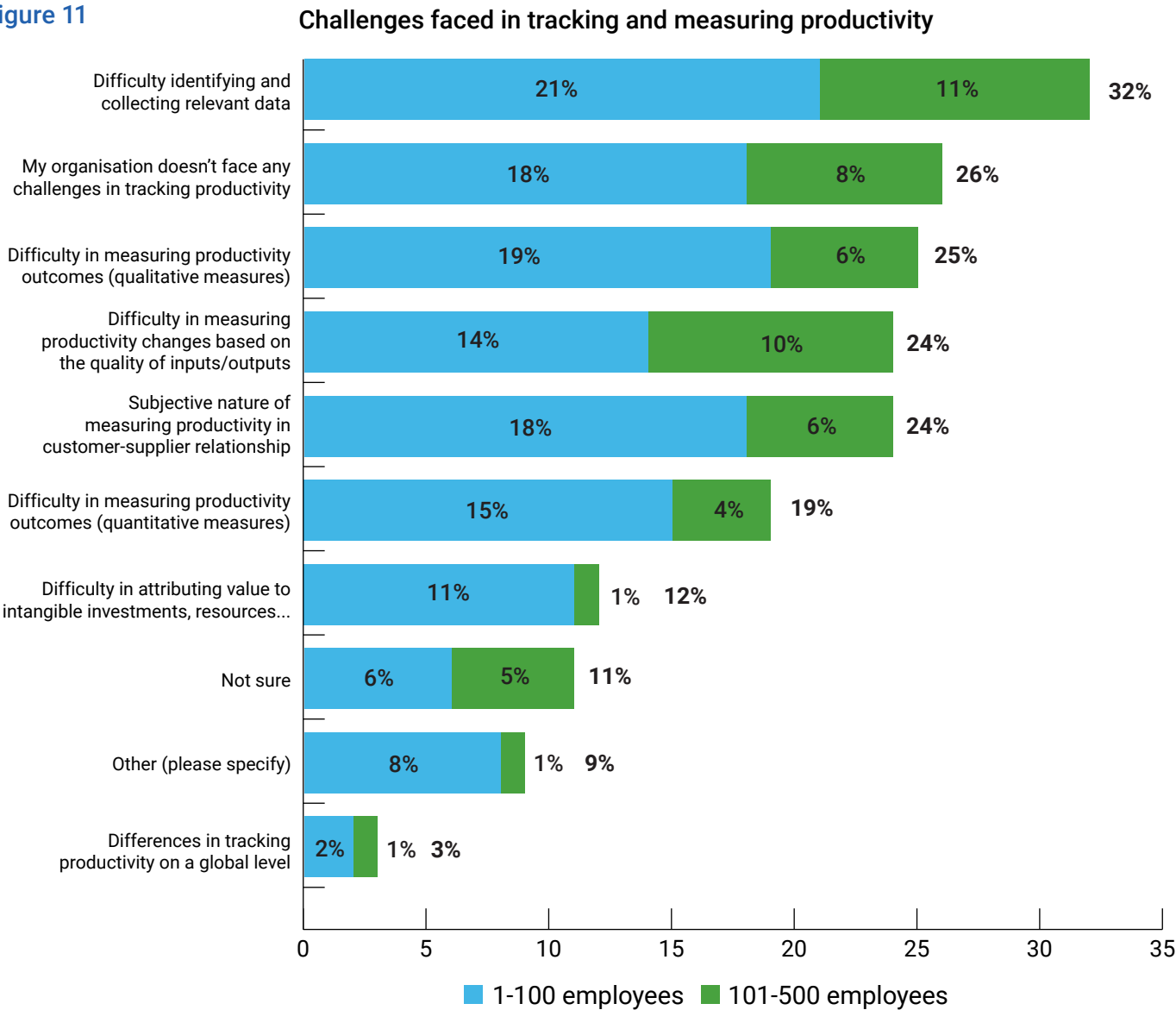
AICPA & CIMA UK SMEs survey, however, showed that 29% of those surveyed (23% of small enterprises and 6% of medium enterprises) do not track their productivity. This is a slightly higher figure than what private sector respondents said in our last survey, where 26% said their organisation did not track their productivity. However, it is still lower than in the public sector, where 53% of respondents said they did not track their productivity. The slightly higher figure in this survey compared to our last survey is likely because this survey purely focussed on members working in SMEs, whereas the other survey contained members across the private sector and bigger enterprises tend to track productivity more.

Sixteen percent of respondents mentioned 'other' ways of tracking productivity. The following are some the metrics mentioned:

- Actual working hours/days as a % of standard hours/days
- Earnings before interest and taxes (EBIT)
- Earnings before interest, taxes, depreciation, and amortization (EBITDA)
- Revenue per working hour
- Cost per activity completed/session delivered

Uncertainty around identifying and collating relevant data leads to difficulty in tracking and measuring productivity.

Figure 11



Identifying and collating relevant data (33%) is the biggest challenge faced in tracking and measuring productivity followed by

- measuring productivity outcomes – qualitative (26%);
- measuring productivity changes based on the quality of inputs/outputs (24%); and
- subjective nature of measuring productivity in customer-supplier relationship (24%).

Open text responses from the 'Other' category show mentions of the following challenges:

- Lack of resources, systems, and people
- Department for Business and Trade restricts tracking productivity as part of accreditation
- Not able to fix standard trackable KPIs across various business divisions

A quarter of surveyed respondents do not face any challenges in tracking productivity.

When this question was asked as part of the [Improving Public Sector Productivity](#) report, while many shared the same collection of challenges SMEs face, SMEs have more pronounced challenges than both the rest of the private sector and the public sector identifying and collating relevant data.



Responsibility for tracking productivity

Figure 12

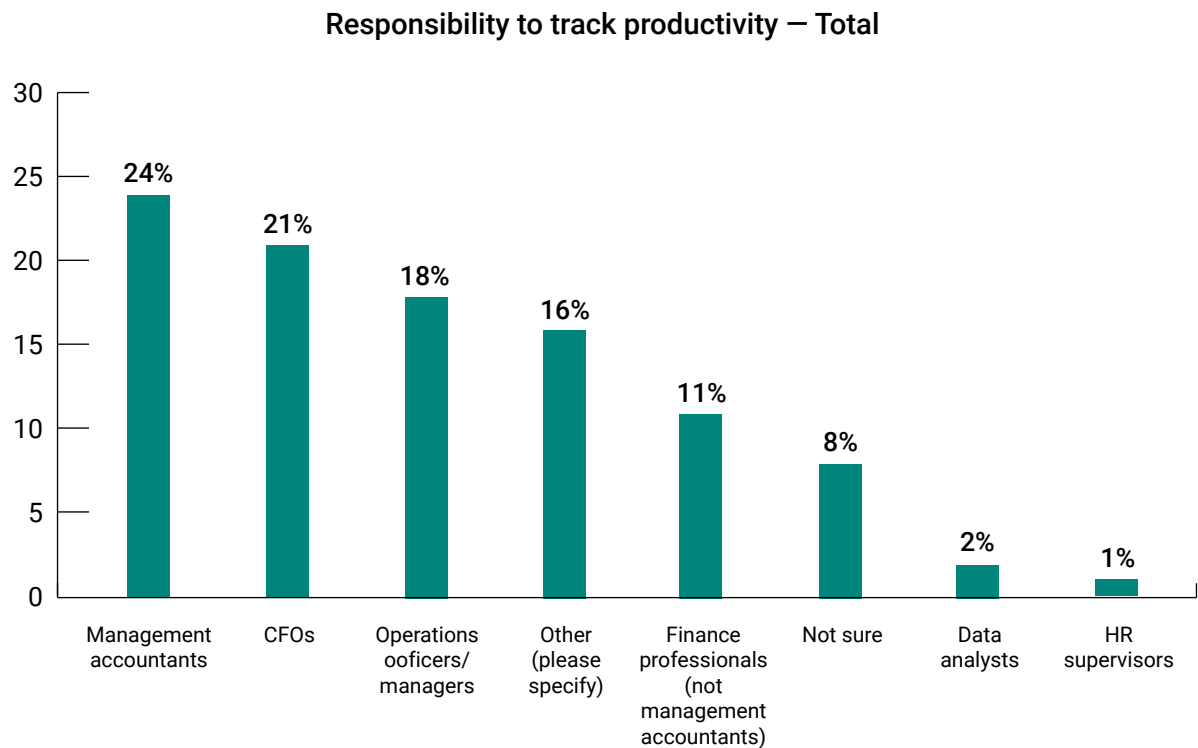
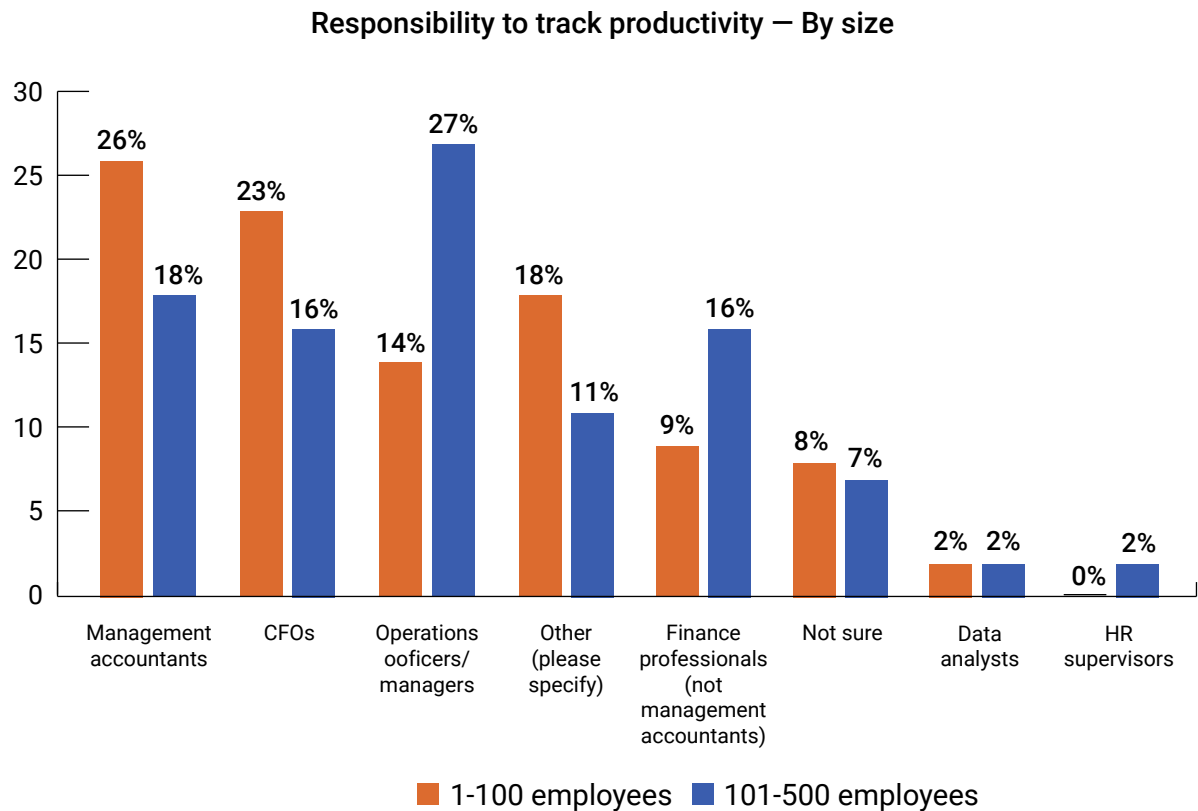


Figure 13



Management accountants (24%), CFOs (21%), and operations officers/managers (18%) are the positions most responsible for tracking productivity.

A third of surveyed respondents working for medium enterprises have operations officers/managers responsible for tracking productivity, followed by management accountants (18%), CFOs (16%), and finance professionals (16%).

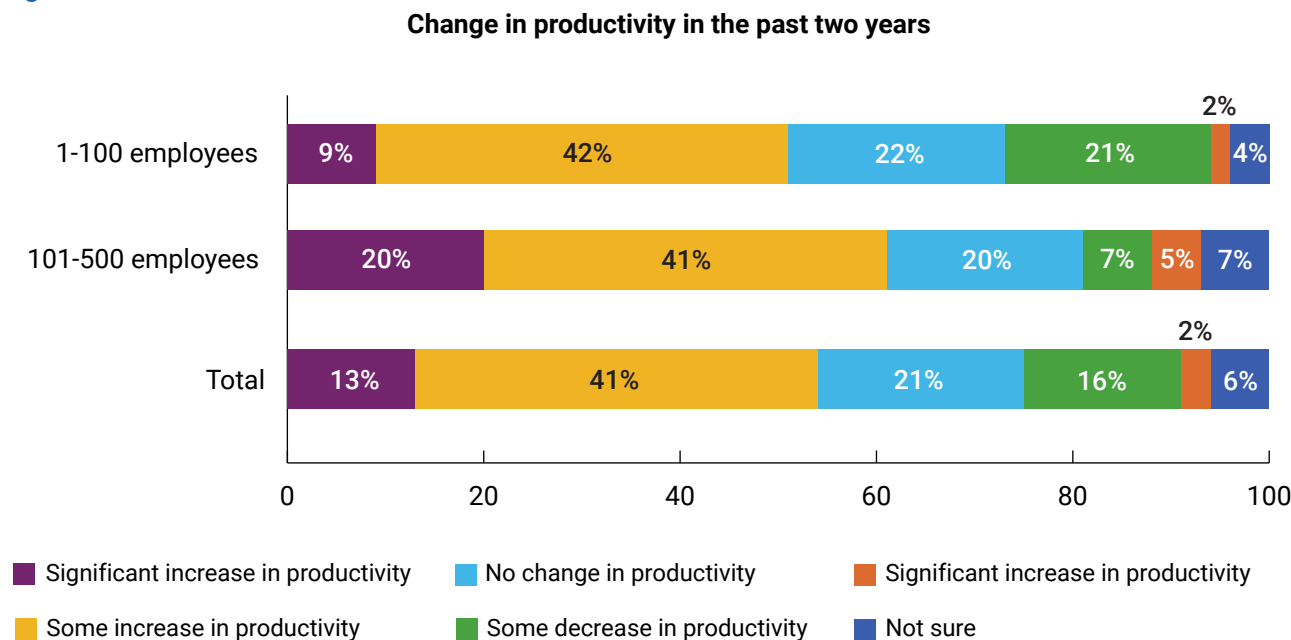
In small enterprises, this responsibility is more likely to lie with management accountants (26%) and CFOs (23%).

Fifty-six percent of people responsible for tracking productivity are related to/have a finance background i.e. management accountants (24%), CFOs (21%), finance professionals (11%).

These findings align with our last survey on productivity that found 40% of respondents from across the private sector said management accountants were responsible for tracking productivity in their organisation and finance professionals were predominantly responsible for tracking of productivity.

Medium enterprises reported a more significant productivity increase over the past two years than small enterprises.

Figure 14



More than half of surveyed respondents (53%) have experienced 'significant' or 'some' increase in productivity over the past two years.

Over the past two years, surveyed respondents from small enterprises have experienced a smaller increase in productivity (51%) than those from medium enterprises (61%).

Decrease in productivity is also higher in small enterprises (21%) compared to medium enterprises (7%).

Drivers of productivity in SMEs

Figure 15

Top five factors behind positive impact on productivity			
Rank	Small (1-100 employees)	Medium (101-500 employees)	Total
1	Organisation culture	Restructuring and organisational change	Organisation culture
2	New technologies	Organisation culture	Restructuring and organisational change
3	Hybrid working	Quality of management	New technologies
4	Quality of management	New technologies	Quality of management
5	Restructuring and organisational change	Strong recruitment and training	Hybrid working

The factors driving positive impact in productivity amongst surveyed small enterprises are different from those in medium-sized enterprises.

The biggest factor driving positive impact in productivity in medium enterprises, according to the survey, is restructuring and organisational change.

With new technologies and hybrid working being top factors, new ways of working are creating positive impact in productivity for small enterprises.

These results compare to when we last conducted these questions as part of the [Improving Public Sector Productivity](#) report. However, for surveyed members, restructuring and organisational change and culture are bigger drivers of improved productivity. For members in both the public and wider private sector, on the other hand, the biggest two drivers identified were hybrid working and new technologies.

Barriers to productivity

Figure 16

Top five factors behind positive impact on productivity			
Rank	Small (1-100 employees)	Medium (101-500 employees)	Total
1	Difficulty in hiring employees with the right skills	Difficulty in hiring employees with the right skills	Difficulty in hiring employees with the right skills
2	Inadequate management skills and suboptimal practices	Inadequate management skills and suboptimal practices	Staff retention
3	Staff retention	Lack of clear strategy	Inadequate management skills and suboptimal practices
4	Lack of clear strategy	Lack of skills to maximise opportunities of new technology	Organisation culture
5	Restructuring and organisational change	Strong recruitment and training	Lack of incentives for change
6	Organisation culture	Organisation culture	Lack of skills to maximise opportunities of new technology
7	Lack of incentives for change	Staff retention	Poor change management strategy
8	Difficulty in scaling up	Difficulty in securing funds for new initiatives and technologies for increasing productivity	Lack of clear strategy
9	Difficulty in securing funds for new initiatives and technologies for increasing productivity	Lack of incentives for change	Institutional rigidity
10	Poor change management strategy	Poor change management strategy	Difficulty in securing funds for new initiatives and technologies for increasing productivity

Recruiting and retaining staff with the right skills, and inadequate management, are hindering productivity growth of SMEs.

SMEs are facing difficulties in hiring employees with the right skills, which is the biggest barrier to them increasing productivity. With higher number of employees, staff retention is the second biggest barrier for medium-sized enterprises, while respondents cited inadequate management skills and suboptimal practices as major hinderances for small enterprises.

Poor management (inadequate management skills and lack of clear strategy) are holding back productivity growth in small enterprises. This helps explain why surveyed members are focussing on attracting talent with leadership and management skills and why it is their top skill shortage for both new and existing employees.

Members see a clear link between good management and improving productivity. Indeed, in our [Tackling the UK Productivity Puzzle](#) report we found that improvements in management practices will enhance productivity.

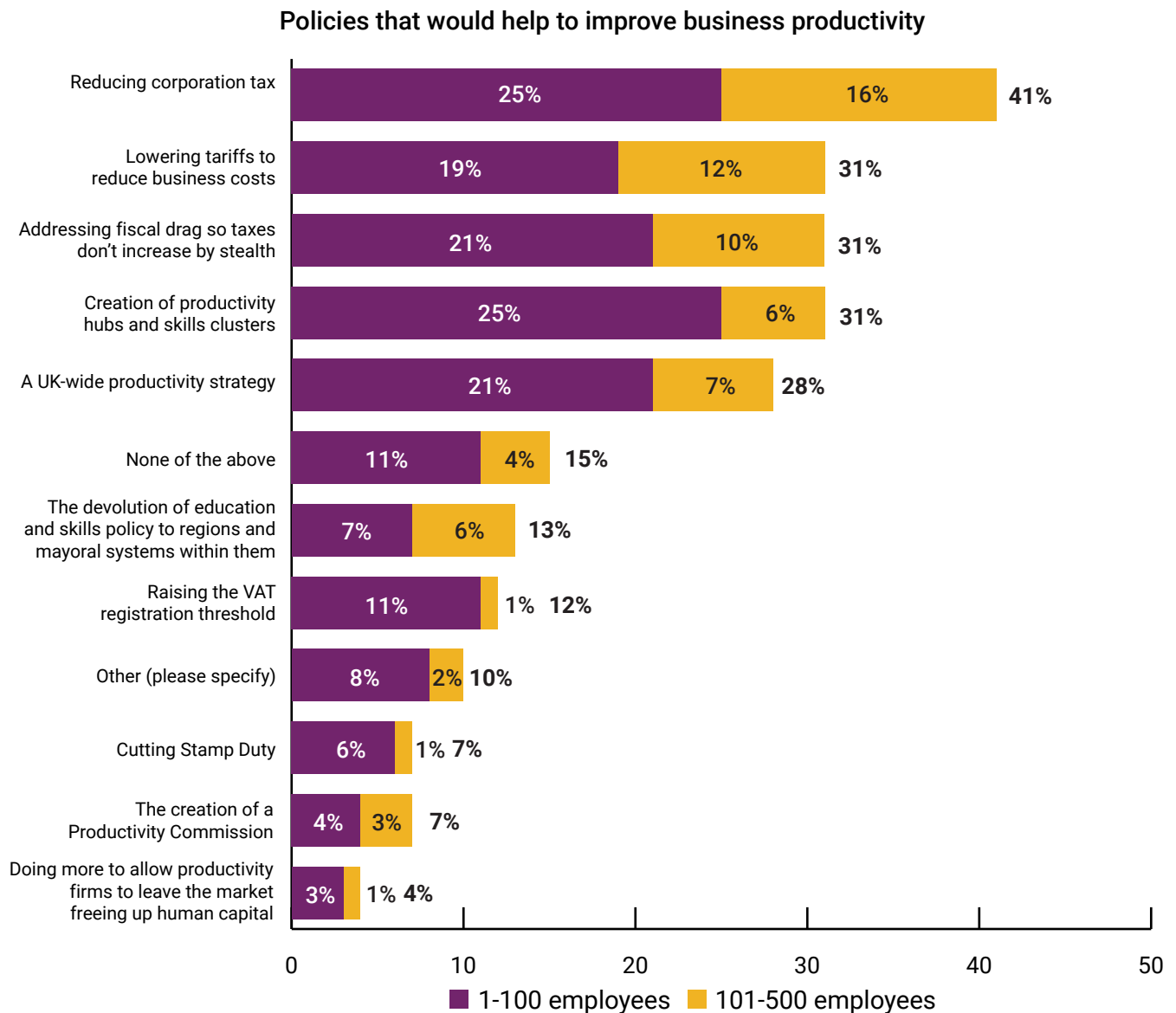
Recruiting staff with the right skills was the biggest barrier to productivity identified by both public and private sector respondents in our Improving Public Sector Productivity report. This view is shared by members in SMEs. This is one area where improved skills provision and training could really boost UK productivity across all areas of the economy.

Small enterprises do find difficulty in scaling up resulting in less productivity; something that's not faced as much by medium enterprises.

Government policies to help improve productivity

Reduction of taxes and tariffs and addressing fiscal drag are believed to be the most helpful policies.

Figure 17



Reduction in taxes and tariffs, as well as addressing fiscal drag, are believed to be the most helpful policies in improving business productivity.

In our [Productivity Lesson Learnt From The World – Tax and Productivity](#) report, we found that tax can have a significant drag on productivity depending on how the tax is set up and implemented, as well as on the levels of taxation. Within this report, we found that both personal, business, and property taxation can all affect productivity. The research found that both corporation tax and fiscal drag on personal taxes can harm productivity by reducing the flow of talent into a country, preventing more spending and investment into a country, and slowing entrepreneurship.

The findings from our surveyed members here demonstrate what was found during our study in tax and productivity.

As seen in Figure 17, after taxes, tariffs, and fiscal drag, the next most helpful policies are around skills and productivity strategies:

- Creation of productivity hubs and skill clusters (31%)
- A UK-wide productivity strategy (28%)

To improve business productivity, government should support SMEs with talent, funding, regulations, tax, and xEU market access.

Themes	Details	Quotes
Staff development/ Building skills	<ol style="list-style-type: none"> 1. Develop pool of qualified staff in various fields 2. School-level skills development 3. Effective management training programmes 4. Promoting CIMA 5. Supporting apprenticeships 	<p>'Help with technology training. Even basic computer skits for many are not there.'</p> <p>'Promoting CIMA as a qualification for strategic financial management'</p>
Financial support/ Easy loans/Funding	<ol style="list-style-type: none"> 1. Cheaper long-term business loans 2. Reducing interest rates 3. Funding initiatives focused towards SMEs and Start-ups 4. Grants/subsidies/incentives to employ/train staff 5. Funding apprenticeships 	<p>'Grants to new start-up businesses to fund a bookkeeper, compliance accountant, management accountant, part-time finance director for 18 months. It would reduce the Mime rate of start ups and could improve the dhve to encourage scale ups.'</p>
Economic stability/ Regulatory support/ Policies	<ol style="list-style-type: none"> 1. Less frequent change of policies/regulations 2. Simple, clear and streamlined polices 3. Clarity between different govt. depts. 4. Less bureaucracy and red tape 5. Reduce paperwork, improve HMRC services 	<p>'I think the most important is to streamline regulations. In the UK, there are far too many regulations for different sectors.'</p> <p>'Fund HMRC to improve their service; reduce paperwork, complexity of process, it is a car crash at present.'</p>
Reducing tax burden	<ol style="list-style-type: none"> 1. Reduction In corporation tax, employers NI 2. Increasing VAT threshold 3. Scrapping/changing IR35 rules 4. Stable tax regime 5. Controlling the unnecessary increase of minimum wage 	<p>'Government should concentrate on policies to enhance business profitability in SMEs. In pernoular, by reducing corporation lax and improving funding initiatives.'</p> <p>'Increase the VAT threshold by more than a token amount. The VAT threshold causes SMEs to deliberately restrict their business growth.'</p>
EU market access/ Infrastructure development	<ol style="list-style-type: none"> 1. Easy access to EU markets 2. Easier movement for talent 3. Improve broadband and transport infrastructure 4. Support to build brownfield sites 	<p>"Make it easier to trade with the EU; no doubt it will take time to have an impact, but time is of the essence.'</p>
Climate, R&D, technology	<ol style="list-style-type: none"> 1. Incentivlse investment in R&D & technology 2. Digital transformation – A.I. 3. Grants/incentives for climate initiatives 4. Claim on overseas labour 	<p>'Government should provide grants for climate initiatives (Green energy)'</p> <p>'Increase R&D back to where it was so we can have more cash to spend on developers and software.'</p>

In our SME survey, we asked members how government could help their businesses improve productivity. The previous table groups together the key themes from our members open text responses.

Broadly, there are six themes where government can help.

- Talent and Skills
- Financial Support
- Policy Stability and Regulation
- Tax
- Trade
- Technology

As the government develops its industrial strategy and plans to boost productivity, it should ensure that these key areas for SMEs are covered in its approach to supporting SMEs to promote economic growth.

Recommendations

To support SMEs in improving their productivity, the government should

- ensure that improving productivity is a focus of the government's economic growth mission and industrial strategy;
- recognise the 'known unknown' that is productivity data for a lot of smaller firms and look at how they can incentivise smaller firms to access professional support to increase data collection to help them manage their capital and labour investments more efficiently;
- ensure corporation tax remains competitive;
- look to reduce taxes and tariffs and address fiscal drag, as the fiscal conditions allow, to boost growth and investment by SMEs;
- move to create productivity hubs and skill clusters to boost innovation, investment, and growth as part of the industrial strategy; and
- create a UK-wide productivity strategy to help address key gaps in the current approach.

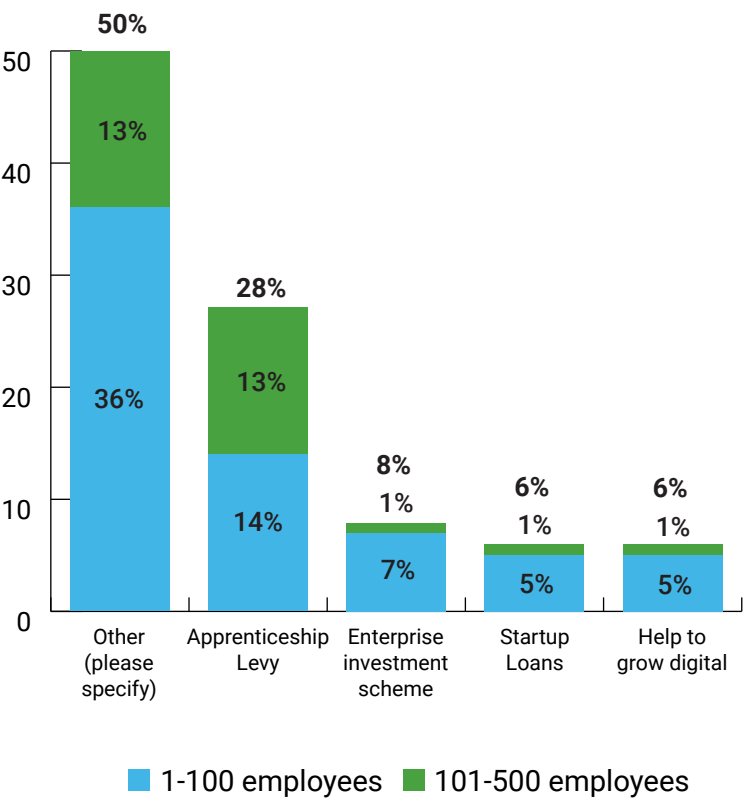
Investment and growth

Developing a strong SME environment entails government policy supporting SMEs to grow and expand. Alongside survey respondents’ answers to policy questions surrounding productivity, the survey asked further questions about the effect existing policies have on investment and growth.

Half of the surveyed SMEs found current policies ineffective; the Apprenticeship Levy is seen as the most beneficial policy among existing options.

Figure 18

Government policies currently helping SMEs business to grow







When asked which policies are currently helping SME business to grow, half of respondents (50%) chose “Other” policies. From the open text response, 56 out of 74 respondents indicated that none of the listed government policies are currently helping their SME business to grow.

The “Apprenticeship Levy”, with 27%, is recognised as the most beneficial among the listed policy options. Both small and medium enterprises have similar perceptions, with 14% and 13%, respectively.

Policies such as the “Enterprise Investment Scheme” (8%), “Start Up Loans” (7%), and “Help to Grow Digital” (6%) are seen as less helpful, indicating these policies are not widely regarded as impactful in supporting SME growth.

This survey was conducted during the 2024 UK general election. Therefore, the options given on policies were ones the government at the time had in place.

SMEs reported little to no impacts of current policies on their growth while highlighting the value of apprenticeships, financial incentives, and trade policies.

	<p>1. Low impact of current government policies: Respondents felt that current policies had little to no impact on their operations or growth. There's a sentiment that government support is either insufficient or not effectively communicated.</p>	<p>'I was not aware of some of these policies, which means that many small business owners will be unaware too. The information should be pushed out to the SME business owners. The current communication seems to be "let them search for help."</p> <p>'All these (policies) need to be listed in one place so they can be found and browsed. At the moment, you need to know something to access it.'</p>
	<p>2. Apprenticeships and Skills Development: Apprenticeships are seen as beneficial for training and bringing in new talent.</p>	<p>'We have been able to increase our in-house expertise using the apprenticeship scheme and develop our marketing offering with help to grow.'</p> <p>'We pay a lot by way of the levy but are unable to find apprentices in areas where we need them.'</p>
	<p>3. Financial Incentives and Tax Relief: Tax incentives like the R&D tax credit and EMI option schemes are crucial for productivity and growth. Funding and grants are essential but not always easily accessible.</p>	<p>'We take advantage of the tax incentives for innovation which in turn helps motivate the additional spend in this area.'</p> <p>'Grants on assisting with equipment upgrades and on projects has been beneficial with both capital and skills.'</p>
	<p>4. Export and Trade Policies: Trade policies and export support are vital for businesses dealing internationally. Post-Brexit trade barriers are a significant concern.</p>	<p>'We export over 90% of our turnover and deal in many diverse geographical areas, therefore any trade deals will hopefully benefit our efforts in these areas.'</p> <p>'Post-Brexit trade deals are very important to companies who export. Currently, there are barriers to trading with distributors in some countries due to prohibitive import duties that would not apply were we still in the EU (for example, South Africa).'</p>

Support needs to vary for enterprises of various sizes

Figure 19

Top three business-related policies that would most benefit UK SMEs						
#	Small enterprise		Medium enterprise		Total SMEs	
1	Provision of government support packages	48%	Focus on tax cuts	44%	Provision of government support packages	44%
2	Focus on tax cuts	34%	Provision of government support packages	33%	Focus on tax cuts	37%
3	Other	18%	Other	22%	Other	19%

Some more business-related policies emerging from the open-text responses “Other”	
Tax system reform and simplification	‘Focus on a strategy that produces fairness in the tax system. Public services need to be good; and if taxes need to rise then fine, but make that fair. Current system is screwed.’ – Member of Small enterprises (1-100)
Support for small enterprises and innovation	‘Grants to support investment in decarbonisation solutions and productivity improving equipment. More government spending on infrastructure.’ – Member of Medium enterprises (101-500)
Improved trade with EU and non-EU countries, focus on industrial strategy	‘A consistent approach to small business would help. Improved trade deals with EU and non-EU countries.’ – Member of Small enterprises (1-100)

In our SME survey, respondents affiliated with small enterprises reported a bigger need for government support packages (48%) than those in medium enterprises (33%).

Respondents working in medium enterprises place more importance (44%) on tax cuts than small enterprises (34%). This indicates that medium enterprises may be more focussed on reducing operational costs through tax relief.

SMEs believe that government support packages and tax reforms policies are crucial for growth.

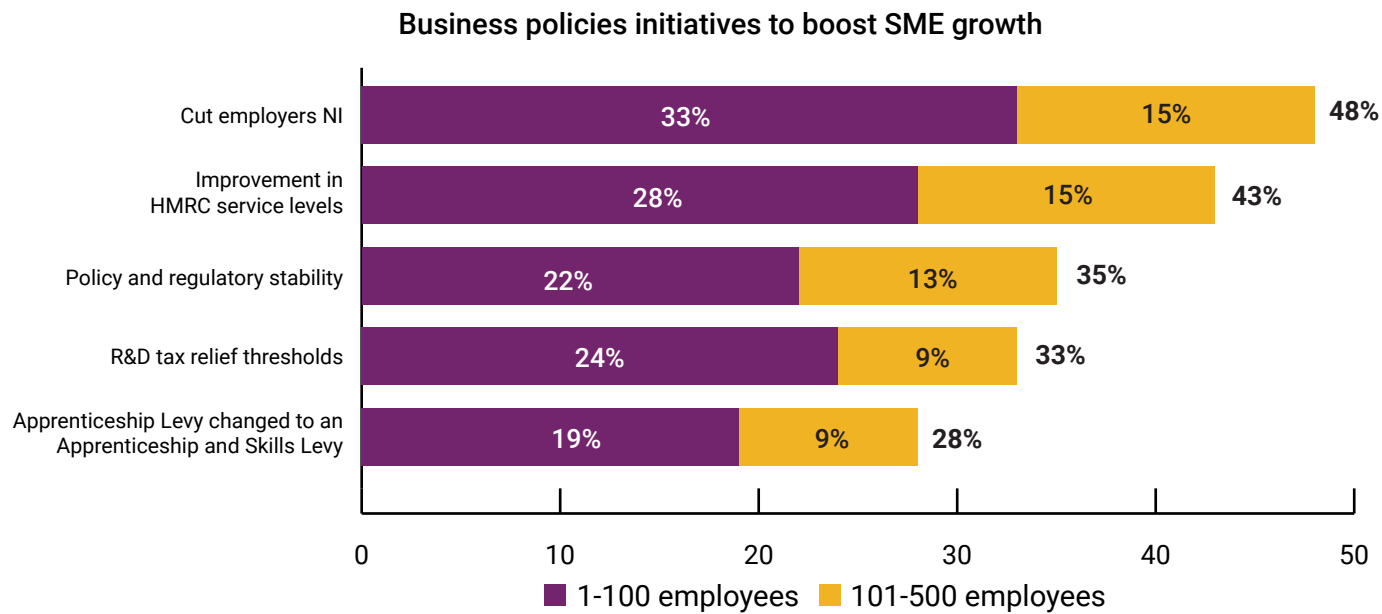
Why do you believe this government policy would best support your SME?		
	Key emerging themes	Quotes from the open-ended responses
Focus on Tax Cuts	Increased investment and growth	'A cross-section of areas, which incrementally would release cash into the business for investment.'
	Incentivise hard work and productivity	'Incentivised workers to work harder as they keep more of their salary.'
	Easing operational burdens	'SMEs can't possibly have in-house tax expertise, so we have to buy it in. Grants/access to specialists would alleviate this burden.'
	Competitiveness and economic growth	'High tax means less money in the pockets of investors, employees, owners, etc., which means less money in the economy which creates degrowth.'
Provision of government support packages	Access to skills development	'SMEs often lack skills and particularly time with fewer people and those people having to multi-task and wear more than one hat which may mean they are performing some roles that they don't have the necessary skills for.'
	Financial assistance and cash flow improvement	'The biggest problem faced by SMEs is cash flow issues to support R&D and other initiatives that can be supported through government grants.'
	Encouragement of business investment and growth	'It would encourage expenditure in the area. Investment in growth potential. Support for marketing and growth projects.'
	Access to professional advice	'Consultant costs are typically a big chunk of a business' Opex, anything that improves accessibility to professional support is great.'

Tax cuts allow SMEs to reinvest cash flow, motivate employees to boost productivity, reduce SMEs' operational pressures, and enhance competitiveness.

SMEs often face limited access to professional support, skills development, and free cash flow for R&D. They believe that government support packages can free resources for professional expertise and skills development, R&D, and incentives to support growth.

Surveyed respondents believe that cutting Employers National Insurance, improving HMRC services, and ensuring regulatory stability would boost their growth.

Figure 20



Business policies initiatives mentioned in the open-text responses	
Reduction of bureaucracy	<p>‘It’s essential to reduce bureaucracy, particularly in areas like packaging reporting, ensuring it remains reasonable and proportional. Also, the paperwork and bureaucracy surrounding import/export processes are excessively burdensome and need to be streamlined.’</p> <p>– Member of Small enterprises (1-100)</p>
Expansion of the digital voucher scheme	<p>‘Expand the digital voucher scheme to include startup accountancy support for 18 months.’</p> <p>– Member of Small enterprises (1-100)</p>

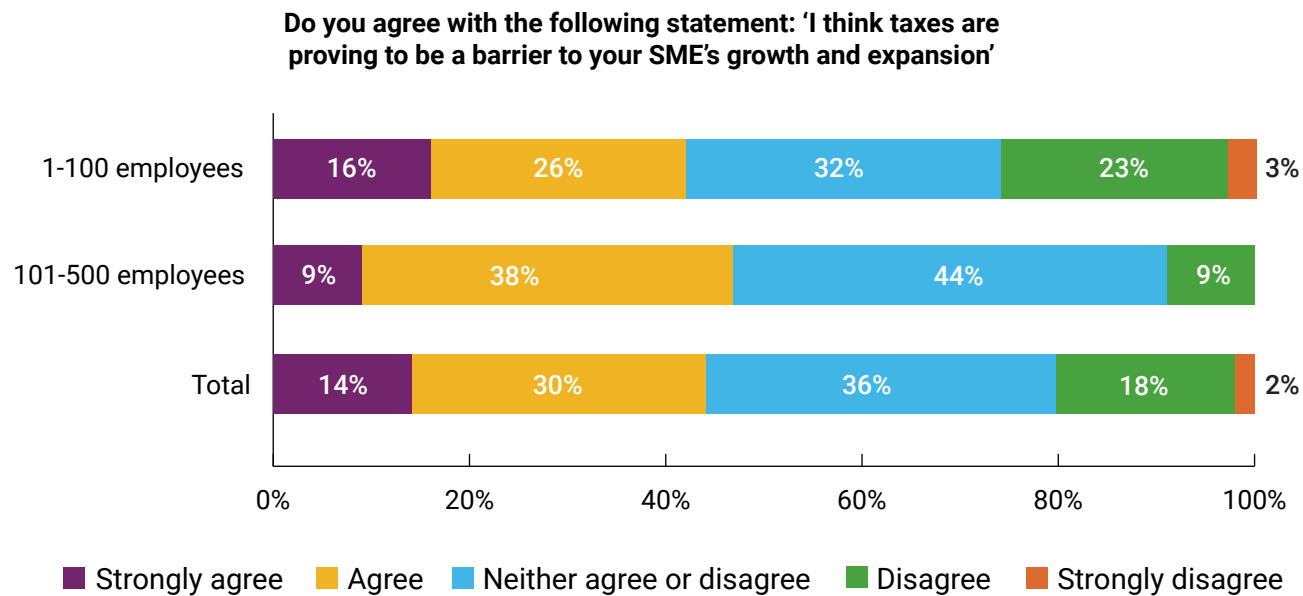
Cutting Employers National Insurance (48%) is seen as the most effective measure for boosting SME growth, with 33% of respondents representing small enterprises and 15% of respondents representing medium enterprises indicating this as a key lacking policy.

Improving service levels at HMRC is important for 44% of respondents, with a higher concern among small enterprises (28%) compared to medium ones (15%).

Thirty-five percent of respondents stress the importance of stable policies and regulations, indicating that consistency in the regulatory environment is crucial for SMEs planning and growth.

Four in 10 respondents surveyed (44%) believe that taxes are proving to be a barrier to their growth and expansion.

Figure 21



Respondents representing medium firms (47%) seem to be more affected by taxes as a barrier than respondents in smaller ones (42%).

More than a third of respondents working for SMEs “neither agree nor disagree” with the statement, which could suggest lack of clarity on the impact of taxes.

More respondents from smaller enterprises (26%) don’t see taxes to be a barrier to growth and expansion compared to medium enterprises (9%).

Taxes are proving to be a barrier to SME growth and expansion.

	Corporation tax	Employers NI	Business rates	Fiscal drag	Income tax
Insights	High corporation tax rates limit cash flow for reinvestment and growth, deterring some businesses from increasing profits due to reduced net returns.	Respondents note that Employers NI imposes substantial employment costs, restricting hiring and investment. Also, high Employers NI costs deter businesses from expanding their workforce.	Business rates are seen as outdated and costly, heavily affecting profitability and growth. Increasing rates can hinder business investment in new sites and expansion.	Fiscal drag lowers take-home pay for higher earners, potentially harming motivation and productivity, while SMEs find it harder to offer competitive salaries and retain top talent.	Income tax pressures drive higher wage demands, especially near higher tax bands, potentially causing dissatisfaction and loss of key high-earning staff.
Quotes from the responses	<p>'Corporation taxes massively strip out profits and thus cash we could reinvest back into the business stunting growth. You need cash to invest.'</p> <p>'Higher corporation tax rates disincentivise SME businesses from growing profit because it costs them more when they don't have the cash how to pay it.'</p>	<p>'SMES do not want to employ skilled workers because the employer NIC will increase due to high wages, impacting the revenue.'</p> <p>'This restricts the amount available for wages restricting recruitment and harming retention.'</p>	<p>'[Business] Rates are a significant cost and reduce availability of funds to invest in growth.'</p> <p>'[Business rates] Prevent businesses from expanding into new sites.'</p> <p>'The system relates to a world where businesses worked from premises. The world has changed. The system hasn't.'</p>	<p>'Scale Ups/start ups can't afford to rise the salary of their highest paid staff. These are also generally the most productive and important employees in a company. They will leave for larger companies unless Fiscal Drag can be addressed as they are struggling to live to their means.'</p>	<p>'Specially in the upper tax brackets, our senior staff just can't be [bothered]. They are earning such little money after tax they are struggling, and these are our most productive staff. If this continues we will lose our C Suite to larger companies who can afford to pay more.'</p>

Reducing stamp duty, VAT, and boosting transport funding are the key to enhancing SMEs growth.

Figure 22

Top three government policies to support SMEs						
#	Small enterprise		Medium enterprise		Total SMEs	
1	Reduce VAT	47%	Reduce Stamp Duty	24%	Reduce Stamp Duty	68%
2	Increase public funding for UK transport infrastructure	46%	Increase public funding for UK transport infrastructure	19%	Reduce VAT	65%
3	Reduce Stamp Duty	44%	Reduce VAT	18%	Increase public funding for UK transport infrastructure	65%

The top policy to support SMEs is reduction of stamp duty, with 68% of respondents favouring it. This perception is supported more by respondents representing small enterprises (44%) compared to those in medium ones (24%), indicating a greater financial burden on smaller enterprises.

Reduction of VAT was supported by 65% of respondents. This government policy was favoured more by those working in small enterprises (47%) than those in medium ones (18%), highlighting its greater burden on small businesses due to its impact on cash flows.

Increasing public funding for UK transport infrastructure was supported by 65% of respondents. Those working in small enterprises show higher support (46%) compared to medium ones (19%).

Respondents call for simplified VAT system, better HMRC support, and clearer guidance to ease administrative burden and improve competitiveness.

	Simplification of the VAT system for reduced complexity and admin burden	Improved HMRC support, with knowledgeable staff and better educational resources	VAT threshold adjustments to ease the burden	VAT registration makes SMEs less competitive compared to non-registered businesses	Neutral or no significant changes with VAT registration
Quotes from the responses	<p>‘VAT is ‘scary’ because there are so many exclusions, rules etc.’</p> <p>‘VAT registration is straightforward enough, but the admin burden is too much.’</p>	<p>‘HMRC helpline staff that actually know the VAT regulations and are prepared to put their responses to questions in writing.’</p> <p>‘More online training and access to information.’</p>	<p>‘Raise the threshold for sole traders.’</p> <p>‘Drop the threshold and “normalise” VAT.’</p> <p>‘Increase the threshold at which organisations have to register’</p>	<p>‘VAT makes SME businesses less competitive than their non-VAT registered peers.’</p> <p>‘VAT terrifies SMEs. VAT makes SME businesses less competitive.’</p>	<p>‘Not relevant. SMEs by scale will fall into VAT registration. The process is not difficult.’</p> <p>‘VAT Registration is straightforward enough.’</p> <p>‘Current support fine.’</p>

Recommendations

To support SMEs to grow and investment in their enterprises the government should

- ensure that taxation is not a barrier for SMEs to invest and grow their businesses, particularly those taxes that most impact SMEs such as employer's national insurance;
- providing tax stability to allow SMEs to grow and invest;
- incentivise investment in green technologies and associated R&D, potentially through the National Wealth Fund;
- look to address current issues in the trading relationship with the EU to simplify the bureaucracy and provide for easier trading relations;
- simplify the schemes available to support business and have them accessible through a single portal to aid take up and understanding; and
- recognise the barriers to SMEs investing in R&D such as access to free cash to invest and derisk this activity as much as possible to boost take up through targeted support programmes.

Conclusion

SMEs are the lifeblood of the economy. Boosting economic growth requires that they increase investment to generate the jobs we need nationwide. Our survey shows remarkable agreement between small- and medium-sized businesses on the need for the simplification of support schemes, the reduction of taxes on business and employment, and the development of skills clusters to grow in investment and grow SMEs. However, our members in SMEs doubt that their enterprises have the leadership, management, and soft skills to be able to capitalise on the growth opportunities available. SMEs need professional support to increase productivity to deliver the growth needed, and CIMA stands ready to support SMEs and the government to provide this.

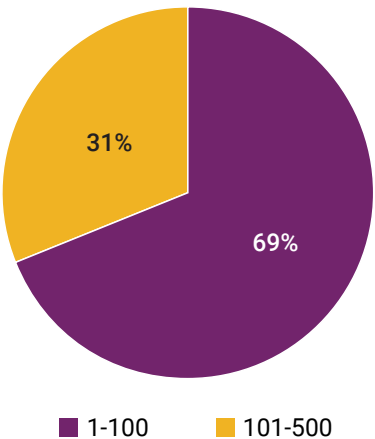
Methodology

This survey shows insights from CIMA members working in UK-based SMEs.

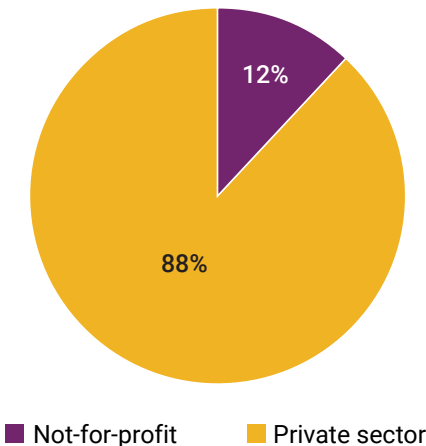
Research methodology and demographics

- An online survey was distributed to CIMA members working for SMEs in the United Kingdom.
- The final sample consists of a total of 149 complete responses: 130 (87%) from the Private sector, 2 (1%) from the Public sector and 17 (11%) from Non-for-profit.
- To ensure our insights are focused on SMEs, this report focusses on the responses from Private sector and Not-for-profit organisations, while excluding the responses from the Public sector.
- To enhance reach and response rates, the survey was distributed through social media and newsletters In addition to emails.
- The responses were segmented into two groups:
 - Small enterprises: 1 to 100
 - Medium enterprises: 101 to 500

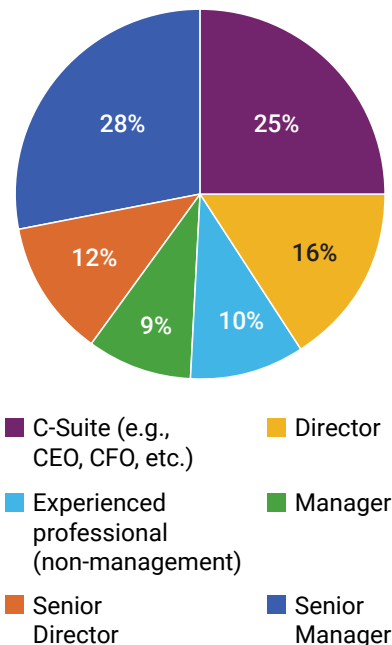
Small and medium enterprises



Industry sectors



Job roles





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