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Building the foundations of a **better business environment**

Foreword

Small and medium-sized businesses (SMEs) are the backbone of the UK economy. They employ the majority of the private sector workforce, anchor local high streets and supply chains, and are the primary engine of the locally driven growth that the UK economy depends on.

The government regional growth agenda recognises that economic decisions work better when shaped by local needs. CIMA has consistently advocated for a stable, competitive and proportionate business environment in which SMEs can invest, recruit and improve productivity. Everyday business and finance leaders make decisions that influence investment, employment and organisational performance, giving them a unique perspective on the practical barriers and opportunities facing businesses and public services across the country.

To add timely evidence to this policy debate, CIMA has commissioned research bringing together the views of SME business leaders, MPs and members of the public. The findings show where perspectives align, where they diverge and what that tells us about how policies that support investment and growth can create a better business environment.

Our findings show there is strong public support for locally driven growth and high levels of trust in local business employers. When growth is framed through local employers, public expectations of personal benefits rise sharply, suggesting that the instinct behind the government's local growth agenda resonates with the public. However, policy has yet to create the conditions that SMEs need to grow. Business leaders are still focused on the immediate pressures of managing costs, navigating weak consumer demand and keeping their businesses running. The ambition to invest, hire and innovate is there, but the environment in which to act on it is not.

This research report identifies not just the conditions needed for SMEs to move from 'survival mode' to 'growth mode', but the gap in attitudes and perceptions between business leaders and policymakers. The report itself is the foundations of a series of reports designed to identify how growth can be achieved for SMEs in the UK.

Key insights

CIMA commissioned this report to establish an evidence base for what a better business environment actually requires, bringing together the views of SME business leaders, MPs and members of the public.

The findings land at a moment of genuine political opportunity. The public may be open to greater local decision-making, and trust is strengthened where businesses contribute to local growth, but the business environment in which SMEs are operating is not yet giving them the optimal platform for growth. Most importantly, the report findings suggest that the policy conversation is not yet fully aligned with what businesses say they need.

An integrated perspective

512
SME business leaders

100
MPs

2,079
members of the public

Three findings stand out

1. **Most SMEs are prioritising resilience over growth.** Almost half are not actively pursuing growth over the next year (45%) and a further 1 in 4 SME business leaders are focused on survival.

2. **The barriers holding SMEs back are not the ones dominating the policy conversation.** Taxation is cited as the primary constraint on long-term SME resilience and growth, yet the political debate remains focused on energy and innovation. Weak consumer demand – cited as the key challenge SMEs face in their ability to grow – uncertainty over policy direction and regulatory complexity are all similarly underweighted in the conversation among policy makers.

3. **Where the government recognises the challenge, the policy response is inadequate.** Only 32% of MPs believe the government is performing well on tax competitiveness and 75% agree the regulatory burden on SMEs is disproportionate. Political awareness has not yet resulted in the targeted policy response that businesses need.

The evidence points to four key levers needed to build a better business environment

1
Reform the tax system to reward investment and growth.

Publish a five-year business tax roadmap, reduce employment-related taxes and review the thresholds and rates that actively discourage businesses from scaling, and ensure the tax system does not create disincentives to grow and invest.

2
Strengthen business and consumer confidence.

Place consumer spending power alongside cost reduction as a first-order policy concern and incorporate demand-side conditions into all local growth strategies while maintaining sustainable public finances.

3
Deliver targeted, practical support calibrated with the needs of SMEs.

This includes reinstating the Growth Accelerator Scheme, simplifying the regulatory environment, improving access to finance and establishing a long-term productivity framework (including publishing a long-term UK Productivity Strategy with regional and national deliverables, and establishing a Productivity Commission to oversee delivery). Together these measures would help align policy with the tangible improvements that will make growth possible.

4
Rebuild the relationship between SMEs and the government.

Policy development should better reflect the experience of SMEs, with greater opportunities for them to engage in the policymaking process. Government should ensure that communications show more clearly how national or regional growth policies translate into practical support and a more predictable operating environment.

Section 1

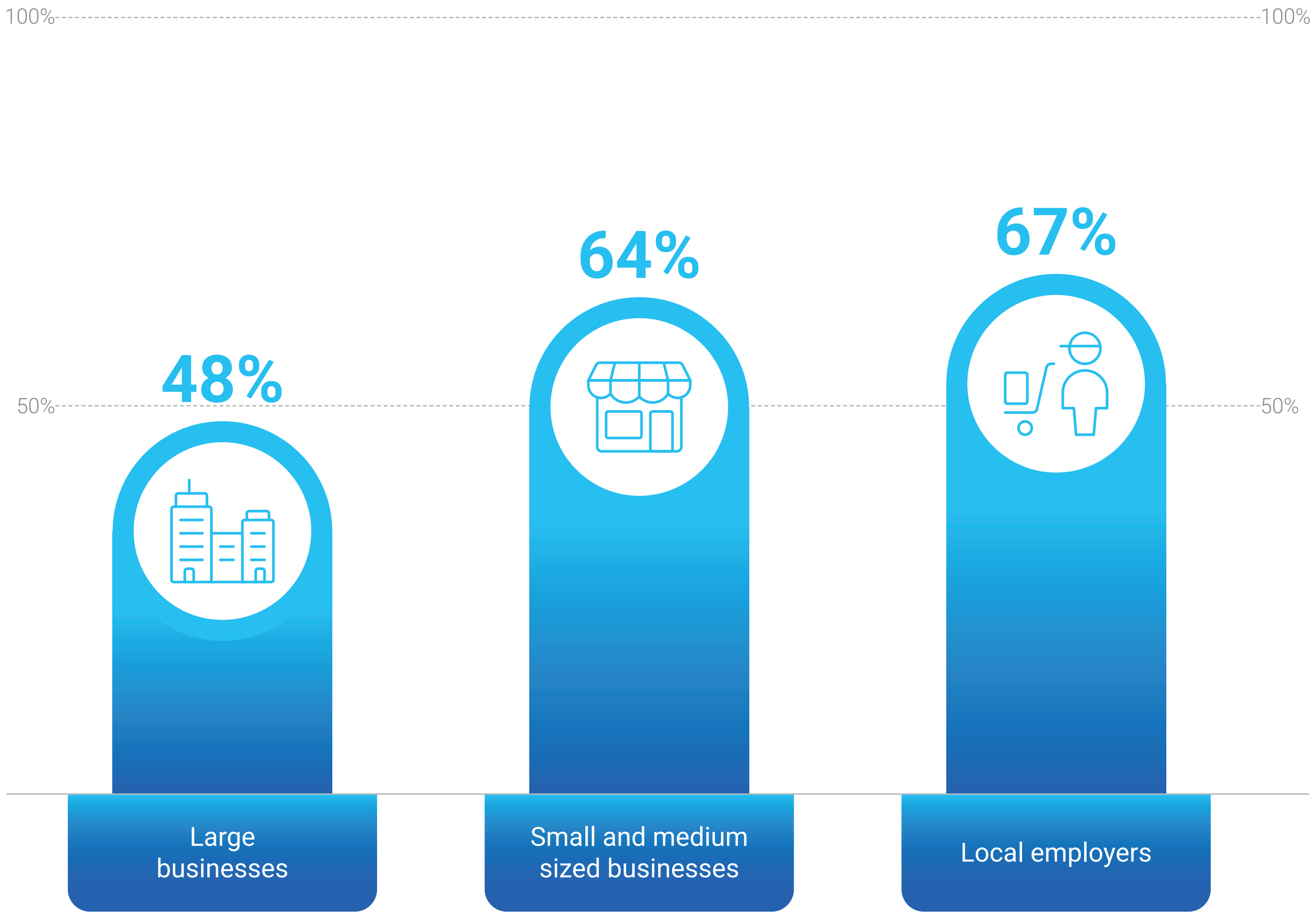
The state of play:
Broad support for locally driven growth in principle but SMEs report an operating environment that does not enable growth

There is genuine public support for locally driven growth across the UK (65% of the UK public think that regional leaders should be given greater control over local decisions), and strong trust in businesses as the institutions best placed to deliver it. Unfortunately, SMEs don't feel they are currently operating in the policy and economic conditions needed to realise their growth ambitions.

Public support for local economic decision-making is strong and that support sharpens further when growth is connected to local employers. 65% of the public believe local leaders should be given greater control over economic decisions. When growth is connected to local employers specifically, 67% of the public believe that local employers profiting will benefit them personally.

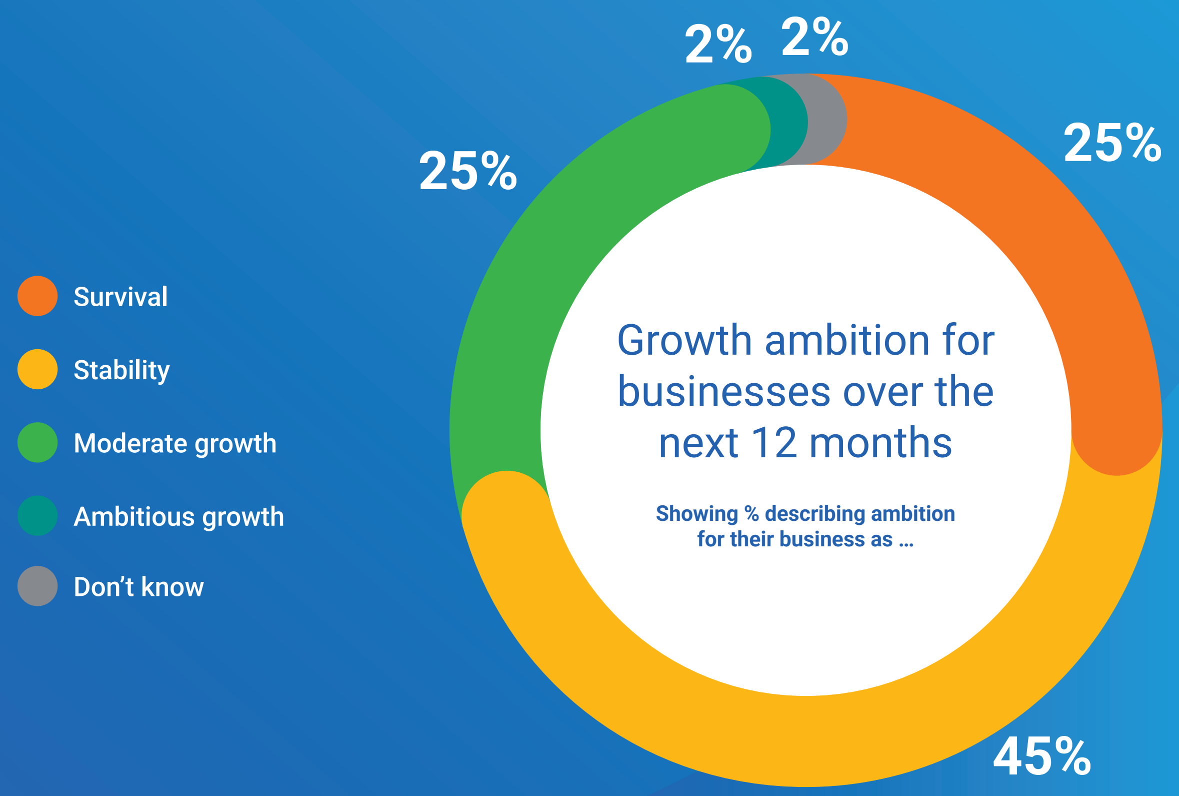
Expected impact of growth on people

Showing % of the public who say each of the following experiencing growth would have a positive impact on them personally.



When it comes to trust, SMEs lead every other institution. 81% of the public trust local and small businesses to support the growth and resilience of businesses in their area, ahead of community organisations and charities (69%), universities and further education colleges (60%), and banks and financial institutions (48%). National Government sits well behind (27%). This is the foundation on which a credible regional growth agenda must be built.

The public's confidence in SMEs as engines of growth is not matched by the reality that most SMEs are not actively pursuing growth over the next 12 months:



A quarter (25%) of SMEs describe their ambition over the next 12 months as survival, and a further 45% as stability, meaning the majority are not focused on growth. 1 in 4 are targeting moderate growth over the next 12 months, and only 2% of SMEs are targeting ambitious growth.

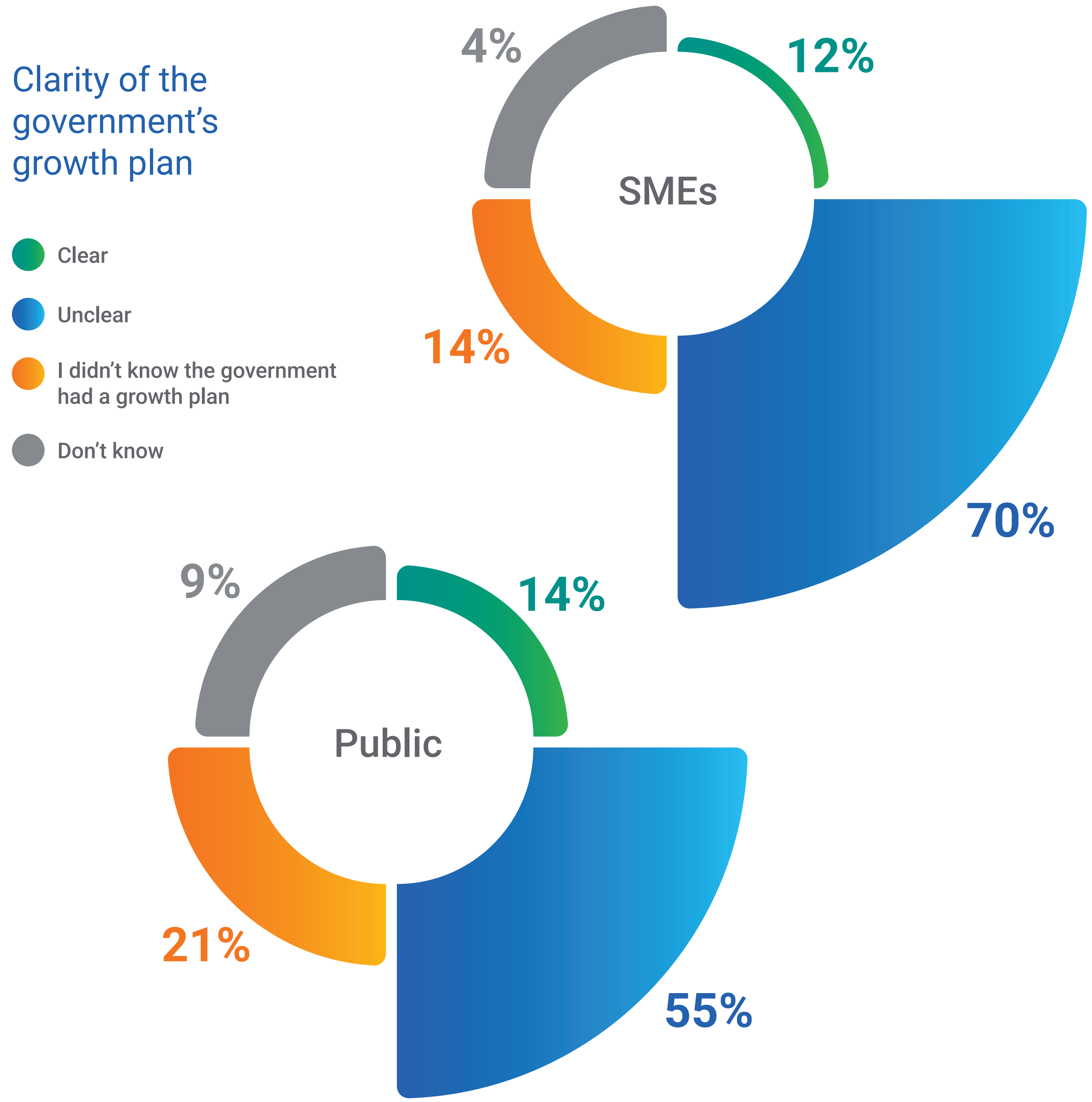
The government has made growth its central economic ambition. However, SME confidence is weakest in the areas that ambition depends on – hiring the right people, creating stable and long-term jobs and being able to scale operations.

This focus on staying afloat is most acute among micro businesses (0-9 employees), where 26% are focused on survival compared to 12% of small and medium firms (10-249 employees).

The 45% of SMEs currently focused on stability represent the single biggest opportunity. With the right conditions, particularly on tax, consumer demand and regulatory simplicity, a meaningful proportion of this group could shift their focus toward growth.

The public expects SMEs to deliver growth but many businesses do not feel the policy landscape adequately supports those growth ambitions.

The government's growth plan is not yet clear to many SMEs and the adopted growth policy and narrative does not resonate with the businesses it is designed to support.



At the time of fieldwork, 70% of SMEs found the government's growth plan unclear, and a further 15% were unaware that a plan existed at all.

This suggests that the government's policy language – 'productivity, innovation, scaling' – is not currently cutting through to the majority of SMEs.

Communications should show more clearly how national or regional growth policies translate into practical support and a more predictable operating environment. For example, if the immediate reality is one of businesses managing costs, mitigating strategic risks, and trying to stay solvent, then there is a risk that MPs and policymakers are speaking to a growth-stage audience while most SMEs are focusing on the day-to-day realities of running a business.

Section 2

The challenges facing SMEs: Key barriers to growth and the disconnect between SMEs and policymakers

With many SMEs not actively focused on growth over the next 12 months, it is critical to have a clear understanding of the pressures that can constrain investment, employment and productivity. Our findings identify four connected barriers that prevent SMEs from building the platform they need to grow.

1. Tax is the front-of-mind challenge preventing businesses from growing and scaling

Employment-related taxes are the prominent concern of businesses. SMEs identify the business and employer tax framework as the biggest barrier to long-term growth. A stable tax and fiscal environment (62%) and reduced employment-related taxes and costs (56%) are seen by SMEs as the highest priorities for creating favourable conditions for growth.

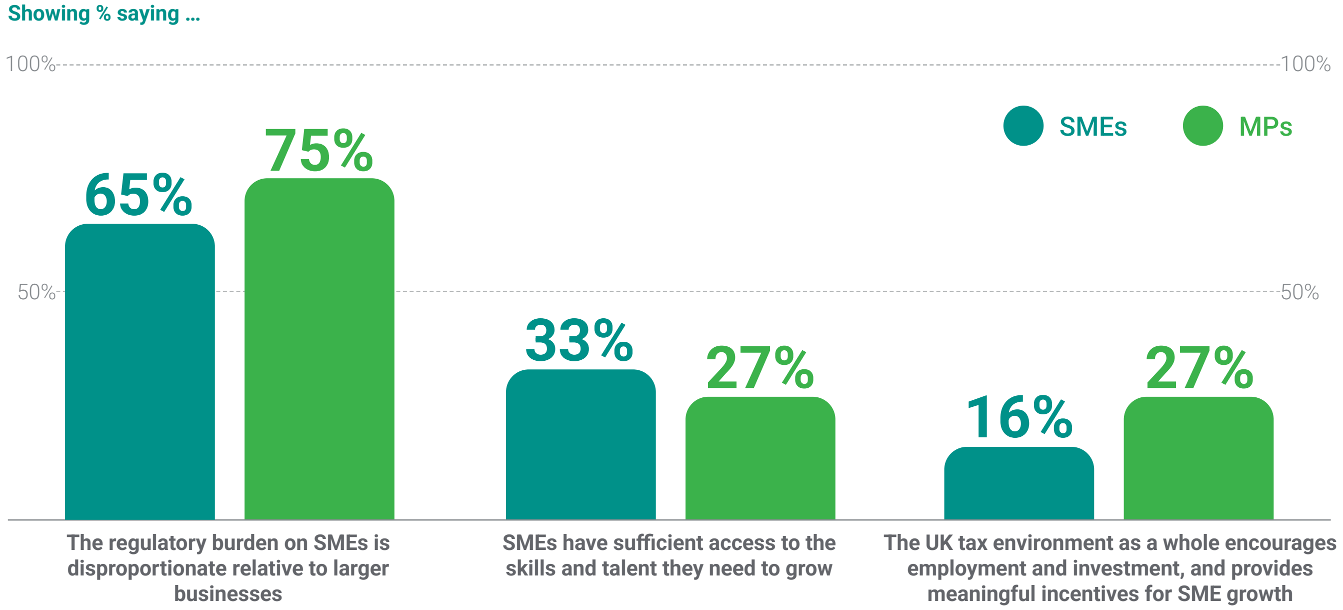
In open responses about what would most help local businesses, tax dominated the narrative: business rates, employer National Insurance and the overall tax burden account for the largest share of responses. National Insurance was repeatedly linked to decisions about recruitment and pay (including frozen hiring and suppressed wages).

What one thing would most help businesses in your local area to grow?

The weight SMEs place on tax reform is not matched by confidence that government is delivering it. Only 15% of SMEs believe the government is creating a competitive and efficient tax environment and a similar 16% agree that the current tax system creates meaningful incentives to invest and grow.

The views of SMEs and policymakers are not always aligned and the consequences of that gap are significant for policy design. Whilst there is some convergence between SMEs and MPs on certain issues, on others, the gap is wide.

Views of the current operating environment for SMEs



There is partial recognition among MPs that more needs to be done to create a better policy environment for business – less than 1 in 3 believe the government is performing well on tax competitiveness – but that acknowledgement has not yet translated into the structural reform SMEs are asking for. A tax system that penalises hiring and discourages scaling is a key obstacle between where most SMEs are now and where growth becomes possible.

2. Weak consumer demand is widely seen by SMEs as a significant but underappreciated barrier to growth

Strengthening consumer demand and domestic market confidence is one of the most direct levers available to the government for unlocking SME growth. Two in three SMEs (64%) identify weak consumer demand as at least a moderate challenge – ranking it as the most commonly cited major challenge ahead of regulation, employment costs and policy uncertainty.

SMEs make the connection directly: when asked what one thing would most help businesses in their local area to grow, more consumer spending power sits alongside tax reduction as a top response. This points to a clear and actionable policy agenda, one that pairs cost-side reform with measures to strengthen the revenue environment in which SMEs operate. A growth strategy that addresses both sides of that equation would give businesses the confidence they need to invest, hire and scale.

3. Regulatory complexity, compliance burdens and policy change weigh heavily on SMEs

The volume and complexity of regulation and compliance requirements is the second most cited challenge to SME growth. 75% of SMEs cite the volume and complexity of regulation as a challenge and 65% agree that the regulatory burden on businesses like theirs is disproportionate relative to larger businesses - a structural unfairness built into a compliance environment designed without the constraints of a smaller business in mind.

Frequent changes in government policy compound this problem for business: 71% of SMEs identify shifting policy as a challenge in their ability to grow and improve productivity, making it harder to plan investment or hire with any confidence.

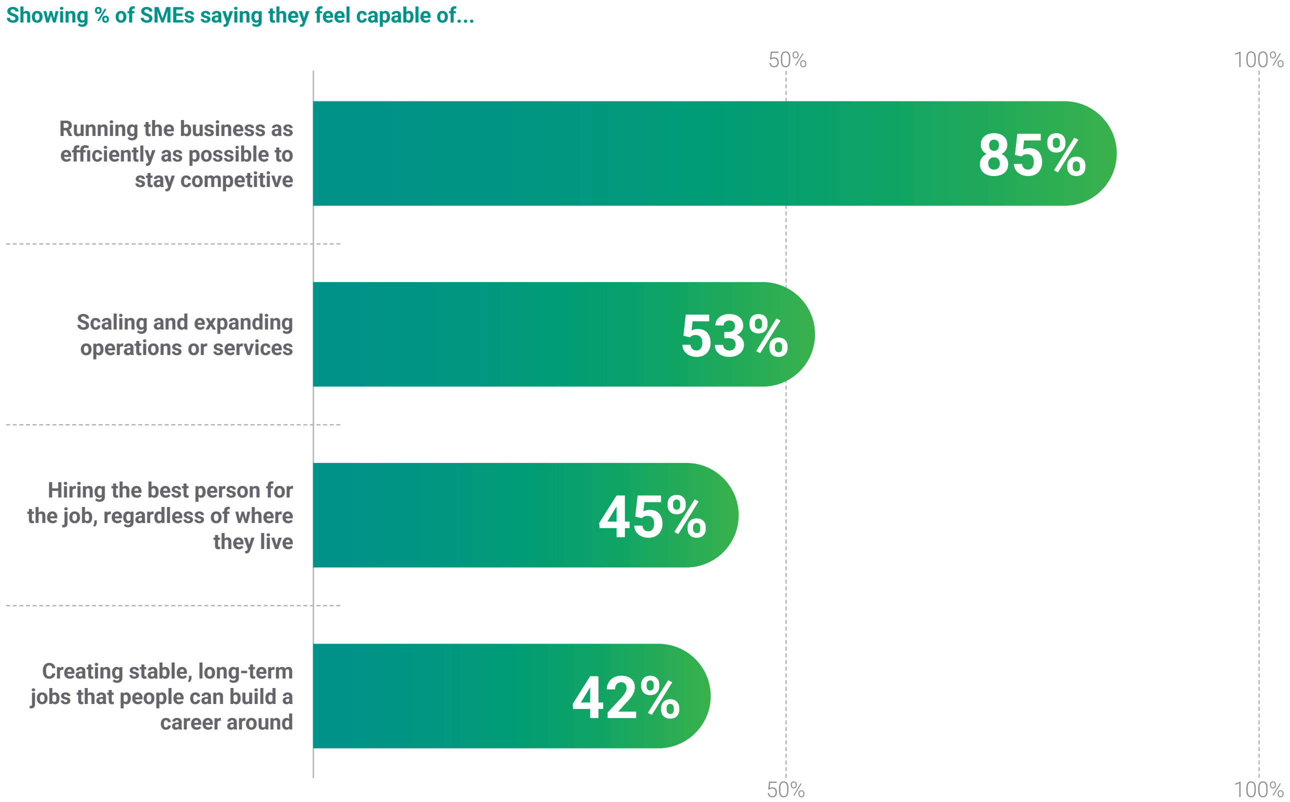
Again, MPs appear to recognise this challenge – 75% agree the regulatory burden on SMEs is disproportionate relative to large businesses, and reducing the regulatory and compliance burden ranks as the top priority for MPs when asked what would create favourable conditions for business growth.

4. SMEs and MPs have differing views on the importance and timing of skills policy

Skills are central to long-term SME growth - and the data shows that when businesses are in a position to pursue growth, skills investment follows. SMEs who are targeting growth are more likely to rank skills investment as a priority (44%) than those focused on stability or survival (37%), and 60% of growth-oriented businesses prioritise people investment overall. Looking to the future, two in five SMEs (39%) prioritise investing in lifelong learning in their long-term as a top three priority for the UK business environment, underlining that skills are recognised as a structural necessity for growth across the SME population.

However, the majority of SMEs are currently prioritising resilience over growth - and this is directly reflected in how they feel about their ability to hire, create jobs and scale. Only 42% feel able to create stable long-term jobs, 45% feel able to recruit the right people, and 53% feel capable of scaling their operations. For this group, skills investment is not the immediate priority - it is an aspiration that depends first on a broader operating environment that enables growth.

Reported capability amongst SMEs in delivering business functions



The data shows that MPs do not appear to recognise the priorities and realities SMEs are facing. Nearly half of MPs (46%) cite skills shortages as a top-three barrier to SME resilience, compared to only 11% of SMEs. For the majority of businesses focused on survival and stability, skills shortages rank as a lower priority compared to managing costs, navigating weak consumer demand and keeping the business running.

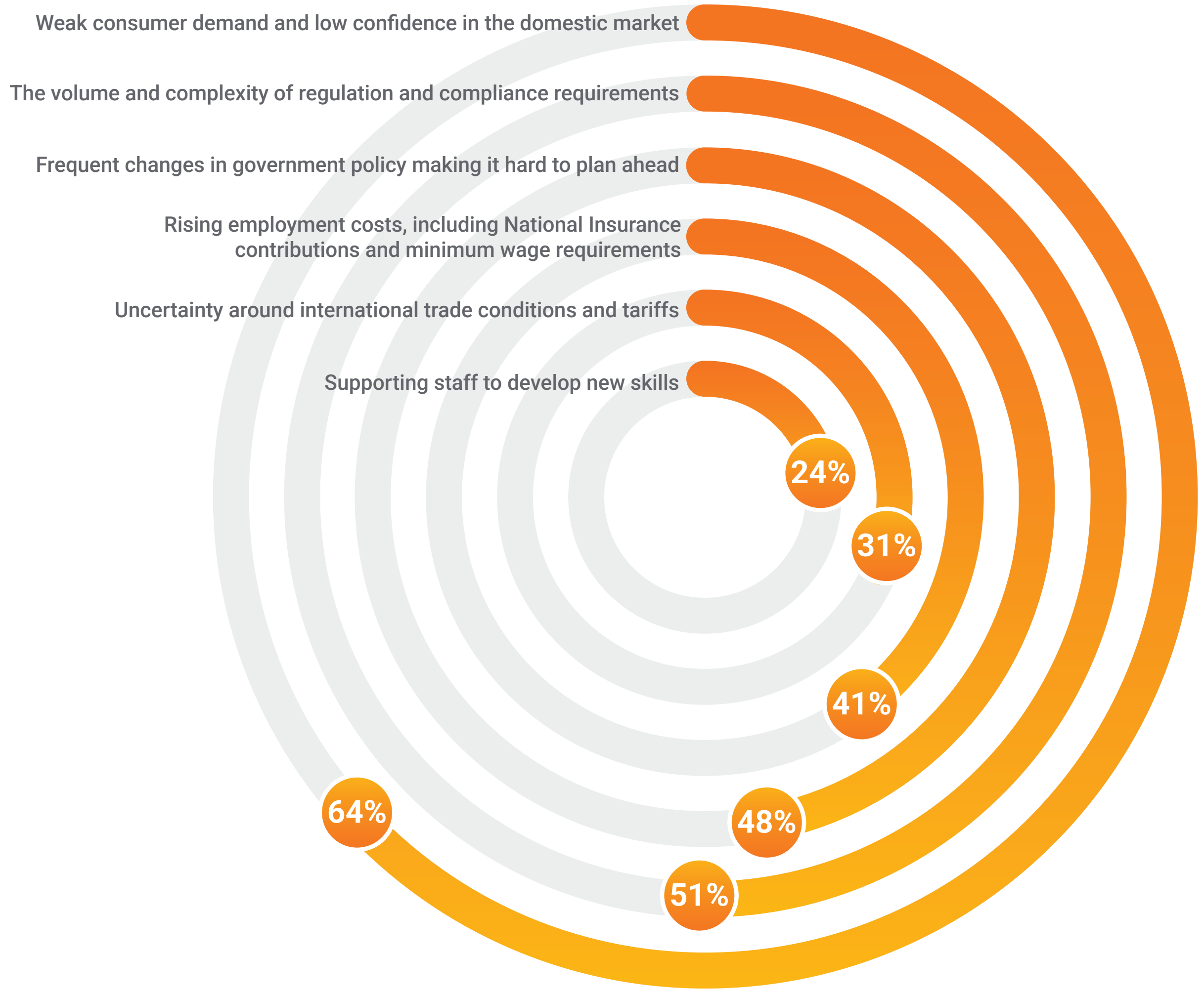
The policy implication is clear: skills support must be targeted and differentiated. For SMEs focused on survival and stability, the priority is removing the cost and demand barriers that are limiting their capacity to invest in their workforce. For those already pursuing growth, direct investment in people, training and capability is what will allow them to scale. Ultimately, there is recognition that skills are necessary for a growth economy, but unlocking that investment across the wider SME population depends first on creating the conditions in which more businesses can move beyond resilience.

Building the foundations of a better business environment for SMEs

The evidence points to a clear and actionable agenda for building a business environment in which SMEs can invest, hire and grow. As with the challenges facing SMEs - spanning tax, consumer demand, employment costs and policy design - the foundations needed to build a better business environment are interconnected. Addressing them in combination, rather than in isolation, creates the conditions for a step change in SME growth and productivity. This includes pairing immediate measures that strengthen business and consumer confidence with longer-term structural reforms that build the platform SMEs need to scale.

Challenges facing SMEs

Showing % of SMEs who report each of the following as a major or moderate challenge



CIMA has consistently argued that the cumulative burden of employment taxes, business taxation and regulation can act as a constraint on hiring, investment and growth.

Building on CIMA's established work on SME growth, we recommend action in four connected areas: a clear and stable tax system redesigned to reward investment and growth; targeted support calibrated to what SMEs are actually experiencing; and a regulatory and business policy landscape that supports business growth and considers business and consumer confidence alongside supply-side reform.

1. Reform the tax system to enable the conditions for SMEs to invest, hire and grow

Tax is the lever SMEs most want government to pull: 62% cite a stable tax environment and 56% cite reduced employment-related taxes as top three priorities. This finding is consistent with CIMA's prior findings, which identified the UK tax environment as a structural drag on SME growth and investment, with tax thresholds, VAT cliff-edges and marginal rates actively discouraging businesses from scaling. The political case for reform is already there: only 32% of MPs believe the government is performing well on tax competitiveness, compared to just 15% of SMEs. What is missing is the ambition to match that awareness with structural change rather than incremental adjustment.

CIMA is calling on government to:

- Publish a rolling five-year business tax roadmap covering corporation and business taxation, capital allowances, R&D reliefs and personal taxation, giving SMEs the long-term certainty they need to plan and invest with confidence.
- Reduce employment-related taxes and address fiscal drag to lower the cost of hiring and encourage workforce expansion.
- Undertake a review of the tax thresholds, VAT rules and marginal tax rates that actively discourage businesses from growing or individuals from taking on additional new roles.
- Ensure future tax changes do not discourage investment or growth for businesses.

2. Strengthen business and consumer confidence

SMEs report that one of the most significant challenges to their immediate ability to grow and improve productivity is weak consumer demand. 64% identify weak consumer demand and low confidence in the domestic market as a challenge. While MPs tend to focus on supply-side barriers – energy costs, skills shortages, regulatory burden – SMEs are pointing to a demand environment that is not currently generating the conditions for business growth. SMEs themselves make the connection directly: alongside tax reduction, more consumer spending power features prominently when SME business leaders are asked what one thing would most help businesses in their local area to grow.

CIMA is calling on government to:

- Assess the combined effect of tax and spending decisions on business and consumer confidence, while maintaining fiscal sustainability and a stable tax framework. Recognise that the conditions in which SMEs can grow their revenues are directly connected to the financial confidence of the customers they serve.
- Require place-based growth strategies to consider business and consumer confidence alongside skills, infrastructure and investment.
- Publish a clear multi-year SME policy roadmap that brings together demand-side conditions alongside tax, regulatory and productivity reform, giving businesses the forward visibility they need to plan investment and growth with confidence.

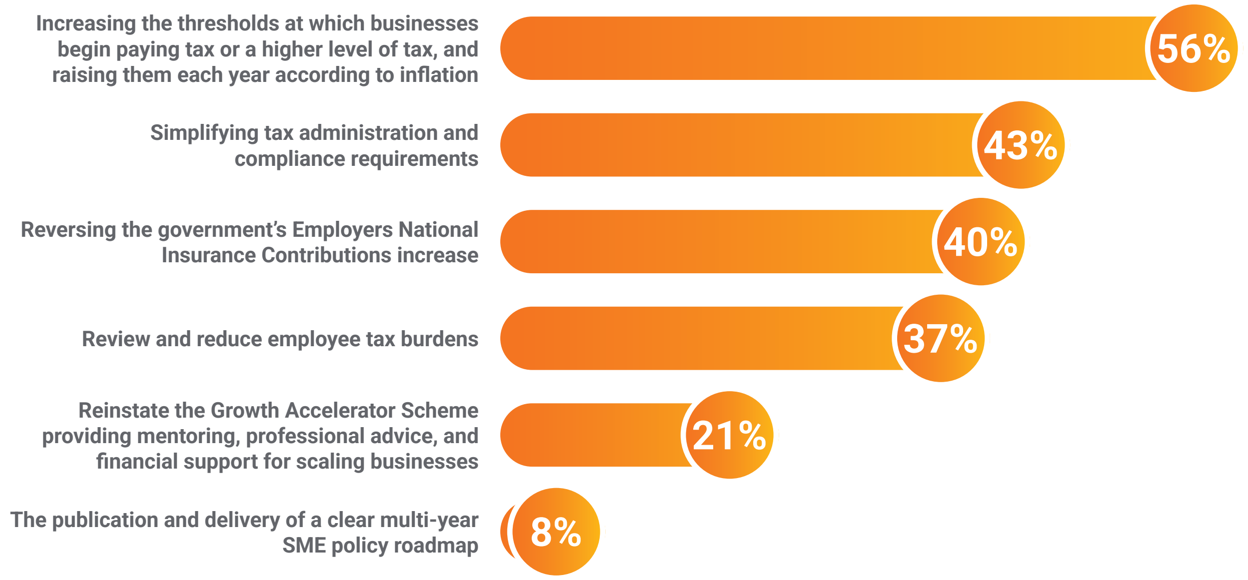
3. Deliver targeted, practical support that reflects the needs of SMEs

SMEs are confident managing the operational demands of running their business but confidence drops sharply when it comes to the activities required for growth: only 42% feel capable of creating stable, long-term jobs, 45% of hiring the best person for the job and 53% of scaling and expanding operations. The gap between operational competence and confidence in growth is an opportunity for targeted support by government. 84% of SMEs agree that government growth announcements rarely translate into tangible support and only 50% are confident that their business can make productivity improvements over the next few years.

Overall, tax relief dominates as the priority policy ask, but there is also desire for practical support and guidance that encourages businesses to move their focus from stability to scaling and growth. Specifically, there is strong support for improved access to affordable finance and the reinstatement of a Growth Accelerator Scheme. A clear multi-year SME policy roadmap – providing the forward visibility that survival and stability-focused businesses need to plan - is cited by 8% of SMEs in this survey as a priority.

Support for business

Showing % of SMEs selecting each of the following as top 3 policy priority



CIMA is calling on government to:

- Reinstate and modernise the Growth Accelerator Scheme and strengthen the Business Growth Service providing coaching, mentoring and specialist financial advice and support to SMEs seeking to grow.
- Publish a long-term UK Productivity Strategy supported by an independent Productivity Commission to coordinate policy across skills, investment, innovation and infrastructure.
- Establish employer-led Productivity Hubs in every Strategic Authority area – bringing together businesses, training providers, colleges, universities and other education providers alongside local government to coordinate workforce planning and skills investment – while bringing regional growth to post-16 skills planning and commissioning to Strategic Authorities, supported by the UK-wide Productivity Strategy and Commission.
- Deliver policies that communicate with the business sector and show more clearly how national or regional growth policies translate into practical support and a more predictable operating environment.

4. Rebuild the relationship between SMEs and government

The evidence shows a potential disconnect between how policymakers and SMEs perceive the barriers to business growth. The data shows that MPs rate government support on SME priorities significantly higher than SMEs themselves do. For example, over half (53%) of MPs think that the government is supporting SMEs well to compete internationally, compared to only 18% of SMEs who think the same. MPs are also more likely than SMEs to rank issues like energy/operational costs in their top three barriers to SME growth (64% of MPs versus 35% of SMEs). Where policymakers are indicating a greater focus on system-wide issues, SMEs are more likely to rank ongoing political and policy uncertainty (28% of SMEs versus 17% of MPs) and a disconnect between policymakers and the realities of running a business (33% of SMEs versus 16% of MPs) in their top three barriers to building long-term resilience.

Policymakers must do more to understand the key priorities for business, and be willing to translate that understanding into core policies that build the confidence and investment needed to support growth. This needs to be an iterative process, that is accessible and relevant. Bodies such as CIMA can support that engagement and feedback, but by bringing SMEs themselves closer to the policymaking process, the needs of SMEs are more likely to be addressed. National and regional growth policies are more likely to translate into practical support, and create the conditions for growth. Government must demonstrate that people with expertise in running a business are actively helping to shape the agenda moving forward. This simple change will create a more responsive and agile government that can rebuild the connection between the experience of SMEs and what is done to support them.

As an immediate step towards more business focused policymaking, CIMA recommends that the government:

- Demonstrate its commitment to SMEs by putting the Small Business Regulatory Taskforce on a statutory footing, as the SME Commission, with regular publications, an online portal for evidence submissions, and an expanded terms of reference to include tax policy and reforms to tax administration (a key barrier to SME growth).
- Alongside bringing business insights to government policymakers, the Commission should ensure that government guidance and policies are communicated clearly to SMEs, in a manner that explains their practical implications, the support available and how businesses can access it.

CIMA stands ready to work with government, Strategic Authorities and the SME community to turn this evidence into action.

Appendix

Methodology:

This report draws on three distinct datasets to provide a comprehensive view of the UK's growth landscape, designed and delivered by FGS Global. By combining the perspectives of the general public, SME business leaders, and Members of Parliament, we are able to identify where these groups align and where their priorities disconnect.

- To capture the public's view, a nationally representative online poll of 2,079 UK adults was conducted between 17th and 19th July 2026. The data was weighted by age, gender, region, and socio-economic grade to ensure the findings accurately reflect the sentiment of the wider UK population.
- The business perspective was gathered through an online poll of 512 SME owners and directors, conducted between 17th and 22nd July 2026. This sample spanned a range of small and medium-sized businesses and was weighted to be representative of UK SME company sizes. This allows for a detailed look at how business sentiment varies between micro-businesses and larger medium-sized firms.
- Finally, we surveyed a panel of 100 Members of Parliament between 2nd and 26th July 2026 to understand the political outlook on growth. This online poll was weighted to be representative of the House of Commons by political party, providing a baseline for comparing the priorities of policymakers against the lived experience of the public and the business community.

The polling was conducted ahead of Andy Burnham taking office as Prime Minister, providing a baseline read of public, business and parliamentary sentiment at the start of the new administration, and a foundation for tracking how the policy environment for SMEs develops under the Burnham Government.

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