



# SME State of the Nation Roundtable Report

A strategic insight and mitigation report into the current trends, challenges and opportunities currently facing UK SMEs.

August 2023

In partnership with



**NatWest**

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# Welcome

I'd like to take this opportunity to welcome you to the inaugural #SBS State of the Nation Roundtable Report, made in partnership with NatWest; an analysis of the current state of affairs for SMEs, an insight into some of the potential challenges they may be facing and an understanding of how businesses can go about mitigating them.

It's certainly choppy waters out there at the moment and I'm sure most people would agree when I say it's been a tough time for businesses recently, especially for SMEs, who form the backbone of our economy. With over 5.5 million SMEs in the UK, contributing a turnover of £2.1 trillion to the economy, it's clear that SMEs are the lifeblood of the UK financial system and that's why it's absolutely imperative to give them a platform to give a ground-up view of the current state of the nation so that key stakeholders know where to throw a lifeline to those that just need that little bit of support and nurturing to really take their business to the next level.

When I started #SBS Small Business Sunday in 2010, I hoped at the very least that it would provide a boost to some of the fantastic SMEs out there, but I could never have possibly imagined that it would grow and grow to become one of the UK's leading small business networks. Fast forward to 2023, and #SBS is now a 3,750 business-strong network dedicated to providing opportunities, a voice and a platform to pioneering SMEs from all over the UK.

That's why it was vital to bring members of the #SBS community, from a wide array of sectors and backgrounds, together for the inaugural #SBS State of the Nation Roundtable to share their insights, experiences and thoughts on the state of affairs for SMEs in the UK.

In what proved to be an eye-opening session, the #SBS Roundtable and this report have made it abundantly clear that SMEs have been put through the wringer and are looking to be considered. Our session laid bare the impact of having to navigate rising costs, difficulty in getting access to finance, red tape and macro instability, but what was equally clear, was that not all SMEs are simply treading water.

When there is chaos there is opportunity, and supply chain instabilities combined with macro disruption have compelled SMEs to adapt and pivot their offering to capitalise on opportunities that have cropped up. The Roundtable report also noted that the advent and development of cutting-edge technologies like Artificial Intelligence have the potential to level the playing field between SMEs and the big players more than ever before - allowing small businesses to think big!

It is my hope that this report will shine a light on the current state of the nation for SMEs, empower key stakeholders and small businesses to take action, and of course, provide a platform and voice to the millions of UK small businesses out there that form the cornerstone of our economy!



**Theo Paphitis, Chairman of Ryman,  
Robert Dyas, Boux Avenue, LGC  
and Small Business Champion**





## NatWest

**As the UK's leading business bank, NatWest strives to grow its presence and commitment to supporting SMEs - and collaboration and partnership are key.**

We work hard to support under-represented groups, including female founders and ethnic minority-led businesses, using our size, scale and expertise to help entrepreneurs from every walk of life to achieve their ambitions.

We know that those at the helm of a start-up can have several jobs to do at once - they're the CEO, Finance Director, HR Manager and more. Our Accelerator programme is designed to help them be all those things whilst supporting them in scaling their business at the same time.

Now is a great time to start a new business and become an entrepreneur. There's more support than ever in terms of access to networking and mentoring and investment. But we also understand that scaling up can sometimes be harder than it needs be, so we're committed to removing barriers to enterprise and helping future business success stories to start, scale and thrive.

Our Accelerator programme, which is one of the largest of its kind across the UK, supports entrepreneurs and small business owners to grow their businesses faster and further, we provide coaching, mentoring and access to a support network including peers and established businesses.

The programme works in conjunction with our wider ambitions for the economy, as promoting collaborative working with all parts of the entrepreneurial ecosystem, including initiatives such as #SBS Small Business Sunday, is crucial if we are to get the business environment and funding structures right for entrepreneurs and start-ups.

That's why #SBS Small Business Sunday is so inspiring and important. The initiative shines a spotlight on entrepreneurship, showcasing the passion and energy of small business owners, and this passion is often the encouragement others need to take their first steps into enterprise - and that's why we're proud to be a partner.

**Debbie Lewis**  
**NatWest Regional EcoSystem Manager,**  
**East Midlands & East of England**





# Research Methodology

The latest data from the Department for Business, Energy & Industrial strategy shows that of the 5.6 million private sector businesses in the UK, 5.5 million are classed as SMEs (0-49 employees).

## Who did we talk to?

We drew upon the depth of the #SBS Small Business Sunday network, a 3,750 member strong business community whose membership consists of businesses operating in a wide array of sectors across all corners of the United Kingdom.

In addition, we reached out to our 3,750-member network to carry out an analysis of the economic landscape, and this was achieved by conducting surveys in which a total sample size of over 750 SMEs was used to support our findings.

## Our Members

The infographic consists of six hexagonal icons arranged in three rows. Each icon is paired with a text box containing a statistic. The first row features a storefront icon (3750 small businesses) and a female icon (75% female members). The second row features a pound sign icon (£1 million turnover) and a group of people icon (0-30+ employees). The third row features a '#1' icon (UK's leading small business communities).

- 3750 small businesses in the network
- Over 75% female members in the network
- Turnovers ranging up to £1 million
- Represents businesses with 0-30+ employees
- One of the UK's leading small business communities



# Key Contributors

This report came to fruition thanks to a pivotal Roundtable event, which saw Theo Paphitis, creator of the #SBS Small Business Sunday network, invite six pioneering business owners from various fields to a working lunch session.



**Host - Theo Paphitis**  
Retail Entrepreneur & Creator of #SBS Small Business Sunday

## Supported by:



**Miles Kean**  
Executive Director,  
Coutts Bank



**Debbie Lewis**  
Regional Ecosystem Manager, East  
Midlands & East England, NatWest



**James Holian**  
Managing Director of Business Banking  
and International Retail, NatWest

# #SBS Businesses in Attendance



Exceed Events is a leading events company based in the North West of England. Currently fulfilling 1,000 events per year, providing award winning entertainment and brand activations to Corporate Events, Private Functions & Weddings. Specialising in online shopping, Trade Hut Direct is your go to destination for Home, Garden and DIY products.

**Chris Warbrick**  
Co-Founder of Exceed Events & Trade Hut Direct



Eleanor is the founder of Recommended, a platform for corporates to find diverse thought experts, speakers and trainers. She is an author at Penguin Random House and podcast host of Another Door podcast.

**Eleanor Tweddell**  
Founder of Recommended - Another Door



Keisha is the founder behind Teddo Play, a much-loved children's educational brand that produces a variety of fun, learning resources that aim to encourage conversations, spark intellectual curiosity and inspire a love of learning in children of all ages.

**Keisha Shah**  
Founder of Teddo Play



Waglt is a pioneering booking platform exclusively dedicated to dog-friendly venues, experiences, and services. Founded in 2020 by Nadia and her Cavalier King Charles Spaniel, Lola, Waglt aims to address the lack of convenient online options for dog owners to find and book dog-friendly places.

**Nadia Leguel**  
Founder of Waglt



Spice Kitchen is a small family business founded in 2012 by mother and son team Shashi and Sanjay Aggarwal. Spice Kitchen's array of beautiful tins and spice blends are sold across the UK in over 500 farm shops, delis and garden centres, as well as in John Lewis.

**Sanjay Aggarwal**  
Co-Founder of Spice Kitchen



Susan is the founder of The British Craft House, a multi-vendor platform that is home to the very best artists and creatives in Great Britain. Supporting hundreds of independent businesses, with not only an e-commerce platform but with a flourishing community that offers the advice and guidance necessary to help them grow and thrive online.

**Susan Bonnar**  
Founder of The British Craft House



# Executive Summary

This report shines a light on some of the most acute trends, risks and opportunities currently facing SMEs and highlights the need for businesses to be aware of the state of the economy as well as the need for SMEs to think big.

For the inaugural #SBS Roundtable report, Retail Entrepreneur & Creator of #SBS Small Business Sunday Theo Paphitis held a prestigious Roundtable event supported by NatWest Business, inviting 6 pioneering members of the #SBS network to give their experiences, insights and reflections on the current state of the UK economy for SMEs.

#SBS Small Business Sunday, created by Theo Paphitis in 2010, is a small business network dedicated to providing SMEs with a voice, platform and an opportunity to foster development and take them to the next level. #SBS Small Business Sunday has since become one of the UK's leading small business networks, with over 3,750 SMEs in the network.

This report explores and examines the current trends, threats and opportunities currently facing UK SMEs by delving into the impact of rising cost pressures, the accessibility of finance to SMEs, what the advent of Artificial Intelligence means to SMEs and finally, how can small businesses think big.

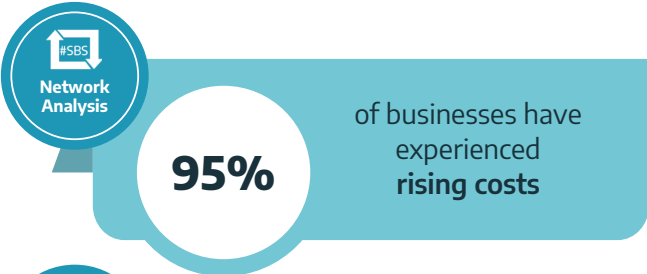


# Stats From Our Survey

## SMEs in the UK



## What SMEs are currently experiencing





# Topic 1 Navigating Rising Costs: The Impact of Cost Pressures on SMEs



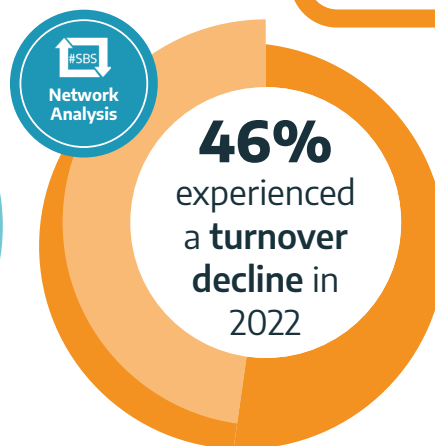
In 2022, the UK began to experience substantial increases in the rate of inflation, with the Consumer Price Index (CPI) rising from 5.5% in January 2022 and peaking at 10.7% in November 2022. (Source: ONS)

Our study, which involved conducting a survey and analysis involving the 3,750 member strong #SBS network, unveiled the true extent to which cost pressures resulting from Covid-19, supply chain instabilities and rampant inflation have impacted SMEs.

“Just when businesses thought they’d seen the tail end of the pressure that Covid had sprung upon them, they’ve been hit with a cocktail of direct and indirect cost rises. I think most people would agree when I say that it’s been a tough time for businesses recently - especially for SMEs.”

**Theo Paphitis**

**Retail Entrepreneur  
& Creator of #SBS**



## Which costs are SMEs seeing rise?



Our analysis aptly demonstrates that SMEs are experiencing both direct and indirect cost rises, meaning that even businesses without a significant physical presence and/or high fixed costs have been experiencing intense and sustained cost rises, which is an unprecedented pressure for many of these businesses.

**“Even online platforms, like mine, which have low running costs are experiencing increases.”**  
**Nadia Leguel**  
**WagIt**

**“I don’t have a lot of costs, but any that I do have are going up.”**  
**Eleanor Tweddell**  
**Another Door**

Furthermore, despite being a key pillar of the UK economy, our analysis demonstrates that many SMEs lack sufficient financial reserves to withstand substantial cost increases. With only a few months’ worth of funds to cover expenses, the impact of rising costs is compounded further, as that capital will cover less and less as prices rise - leaving them even more exposed to systemic shocks, such as Covid, where they are experiencing a sharp decline in turnover.

**“The UK is a consumer-led economy, and what SMEs are finding is that non-essential products and services have limited elasticity, and that’s absolutely decimating their sales.”**  
**Theo Paphitis**  
**Retail Entrepreneur & Creator of #SBS**

Fewer than  
**30%**  
 of SMEs have cash at bank or in hand to be able to keep the business afloat for more than 6 months worth of expenses

“The 350 SMEs on my platform are experiencing a decline in sales, as all their products are incredibly beautiful, but a significant proportion of them can’t be officially classed as being necessity products.”

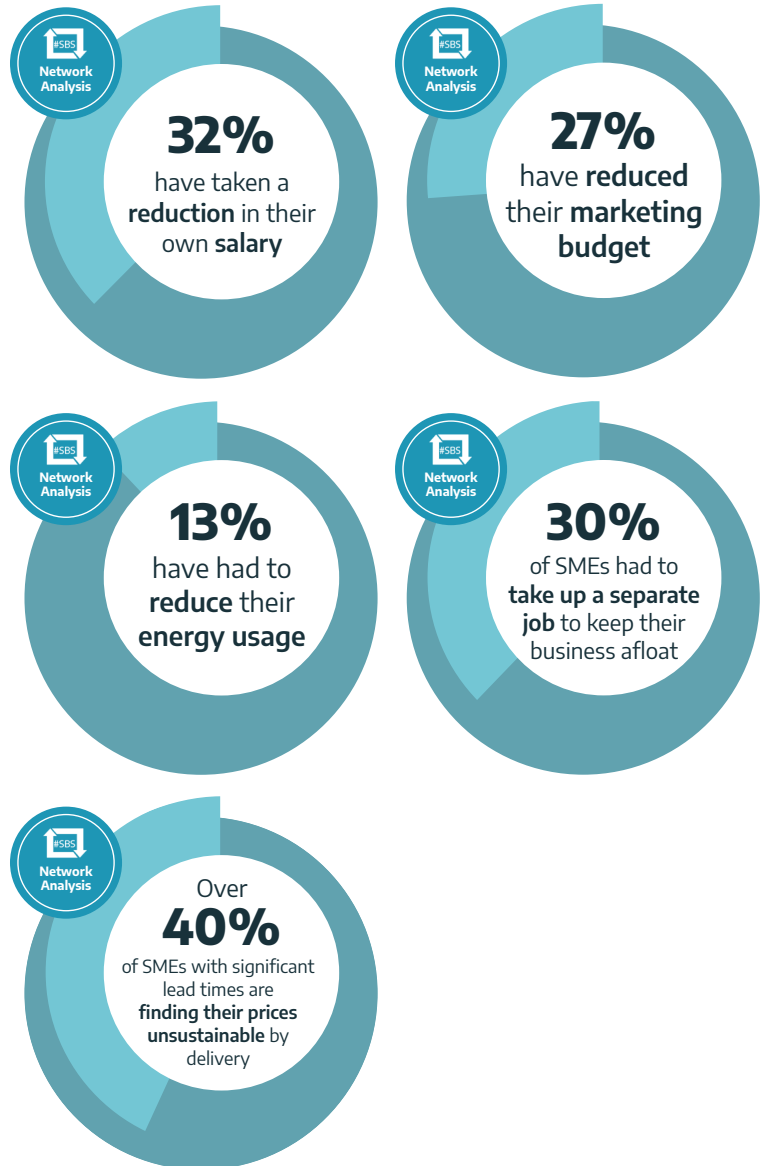
**Susan Bonnar**  
The British Craft House

“I want to keep my production in the UK because ultimately I want to support the UK economy in whatever small capacity I can. But, it’s important for the business to be sustained and to grow. Raising prices in the current cost-of-living crisis is a no-go as educational resources are sadly not classed as essentials despite how big a role they play in raising a future generation.”

**Keisha Shah**  
Teddo Play

Another veiled effect that SMEs are experiencing is the impact sustained cost rises are having on businesses with significant lead times. As a result of the rapid and sustained rise in prices, being able to give sustainable and effective quotes that are still competitive over a longer period is becoming increasingly difficult.

## Top 4 impacts for small business owners include



“75% of bookings through our events business are wedding bookings, which have on average an 18 month lead time from point of booking to the wedding day itself. So what we are finding is that we’re currently fulfilling bookings where the pricing was agreed 18 months ago, however, costs across the board have risen significantly since then - it’s a real rollercoaster to navigate through.”

**Chris Warbrick**  
Co-Founder of Events Business,  
Exceed Events & Online Retailer  
Trade Hut Direct

## International Trade

A concern voiced by the #SBS network was the impact that red tape, predominantly arising from the UK's withdrawal from the European Union, has had on SMEs trade and total turnover.

This concern is not limited to the #SBS network and has in fact been echoed by many firms across the UK. According to the British Chamber of Commerce following the end of the transitional period, 45% of firms in a new survey reported difficulties adapting to changes in rules for buying or selling goods brought about by the UK-EU Trade and Cooperation Agreement (TCA). (Source: British Chamber of Commerce).

**“There’s not much information out there about what you need to know to trade with Europe, and actually, there’s quite a lot of conflicting information out there which can make it really hard for a small business.”**

**“There’s been a level of complexity and a lack of knowledge over the last couple of years when it comes to exporting to the EU.”**

**Sanjay Aggarwal**  
**Co-Founder of Spice Kitchen**

**85%**

of



**Winners**

believe that **Brexit** has **negatively impacted** their business

**Over 25%**

of



**Winners**

believe that it is **easier to sell to non-EU countries** than EU ones following **Brexit**.

## #SBS Analysis

It is clear that the macroeconomic environment has, and continues to have, a severe impact on SMEs. Notably, our analysis has made it apparent that even businesses without significant fixed costs are experiencing cost rises across the board, leading to business owners having to take drastic measures just to stay afloat.

A significant proportion of SMEs whose key export markets were/are the EU have been struggling to get to grips with the new trading rules, and this coupled with increased cost pressures, has the potential to derail effective and previously profitable businesses.

Making government and key stakeholders aware of the cost pressures SMEs are facing needs to be a priority, as small businesses often don't have the cash reserves required to maintain their business operations for a continued period.



## Topic 2 Money, Money, Money! Fuelling Ambition: Raising Finance and Planning for Investment & Growth



**Despite SMEs making up 99% of the UK business population, smaller businesses can find it much harder than larger firms to gain access to finance, often because they don't have a track record of attaining and repaying credit - something lenders are looking for when reviewing finance applications.**

This inability or difficulty in gaining access to finance has several significant implications:

**Limited Growth Opportunities:** According to the World Bank, access to finance is a key constraint on SME growth, and is the second most cited obstacle facing SMEs when it comes to growing their business in emerging markets. (Source: WorldBank)

**Cash Flow Issues:** 34% of SME business owners experience late payments, so they have to rely on overdraft facilities to meet payment obligations, access to finance would relieve that burden and need to use overdraft facilities. (Source: smeloans.co.uk)

**Reduced Innovation:** An inability to gain access to finance constricts the cash flow of SMEs, and in some cases, causes an opportunity cost for businesses to choose between investing in innovating or spending it on maintaining the business.

“Almost every small business owner I've come across, demonstrated by all those in the #SBS network, are passionate entrepreneurs who are chomping at the bit to take their business to the next level. However, one of the problems they are finding is the cash - whether that be through finance or savings - to inject into spearheading their growth.”

**Theo Paphitis**  
**Retail Entrepreneur**  
**& Creator of #SBS**

# “Survive, not thrive.”

**Chris Warbrick**

**Co-Founder of Events Business, Exceed Events & Online Retailer Trade Hut Direct**

There's also evidence that SMEs eligible for finance are actively choosing not to seek it due to the perceived difficulty in obtaining it, and will only access it to survive, rather than thrive.

“We borrowed through COVID, but I find that there are two different types of borrowing, borrowing to survive and borrowing to thrive, and during Covid, it was certainly to survive, and we will still be paying this back for several years.”

**Chris Warbrick**

**Co-Founder of Events Business, Exceed Events & Online Retailer Trade Hut Direct**

## Barriers to investment for small businesses

#SBS Views

“I don't know where to start!”

“The time it would take to complete all the paperwork/online info/business plan”

“Confidence”  
“Getting in front of the right people”

“Time and knowledge”

“Having the time to create a robust business plan”

## Covid Finance



**27%**

**borrowed money** during the pandemic

of those...



**74%**

would **not** want to borrow money again

When assessing the accessibility of finance for SMEs, it's crucial to note that there are several barriers beyond finance acceptance criteria that prevent SMEs from obtaining or being able to access finance.

Up to 40% of entrepreneurs are neurodivergent and more work needs to be done to improve business support form filling and processes to help them thrive.

**Debbie Lewis**

**NatWest**

A significant proportion of the global population, notably entrepreneurs, are neurodiverse, meaning they may not be able to complete finance forms/traditional routes to finance as effectively and it's vital that awareness is raised around this issue.

## Key #SBS Stats



“Women are reportedly less confident around risk.”

“They’re often purpose-driven rather than numbers-driven. That can make it harder to lend money. So we’ve got lots to do, but we’re working on it. It’s going to change.”

**Debbie Lewis**  
NatWest

## #SBS Analysis

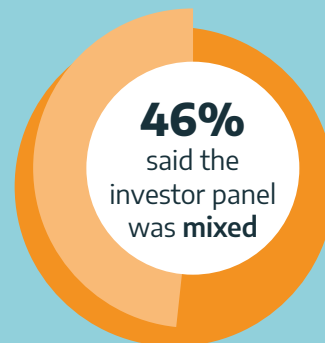
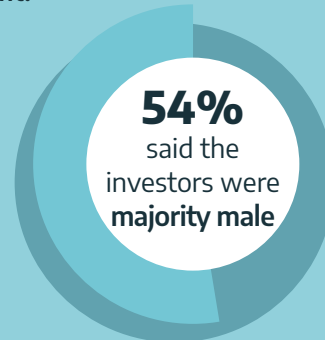
The #SBS State of the Nation Roundtable and analysis have revealed a concerning gender disparity in finance and investment. Of those who pitched for finance within the #SBS network, the majority encountered a male-dominated investment panel. This lack of diversity not only reduces investment opportunities for females but also dissuades females from pursuing finance opportunities at the expense of potentially catalysing innovation and business growth.

We propose that there is a laser-like focus on increasing the diversity of investor panels encompassing dimensions such as gender, age, ethnicity or socioeconomic background. Increasing the diversity of investor panels will likely increase the diversity and number of those pitching for investment.

## Finance & Representation

Another critical topic the #SBS State of the Nation Roundtable brought to light is the disparity between women and men asking for, and subsequently receiving finance and investment.

Of the #SBS Winners who have pitched for investment:



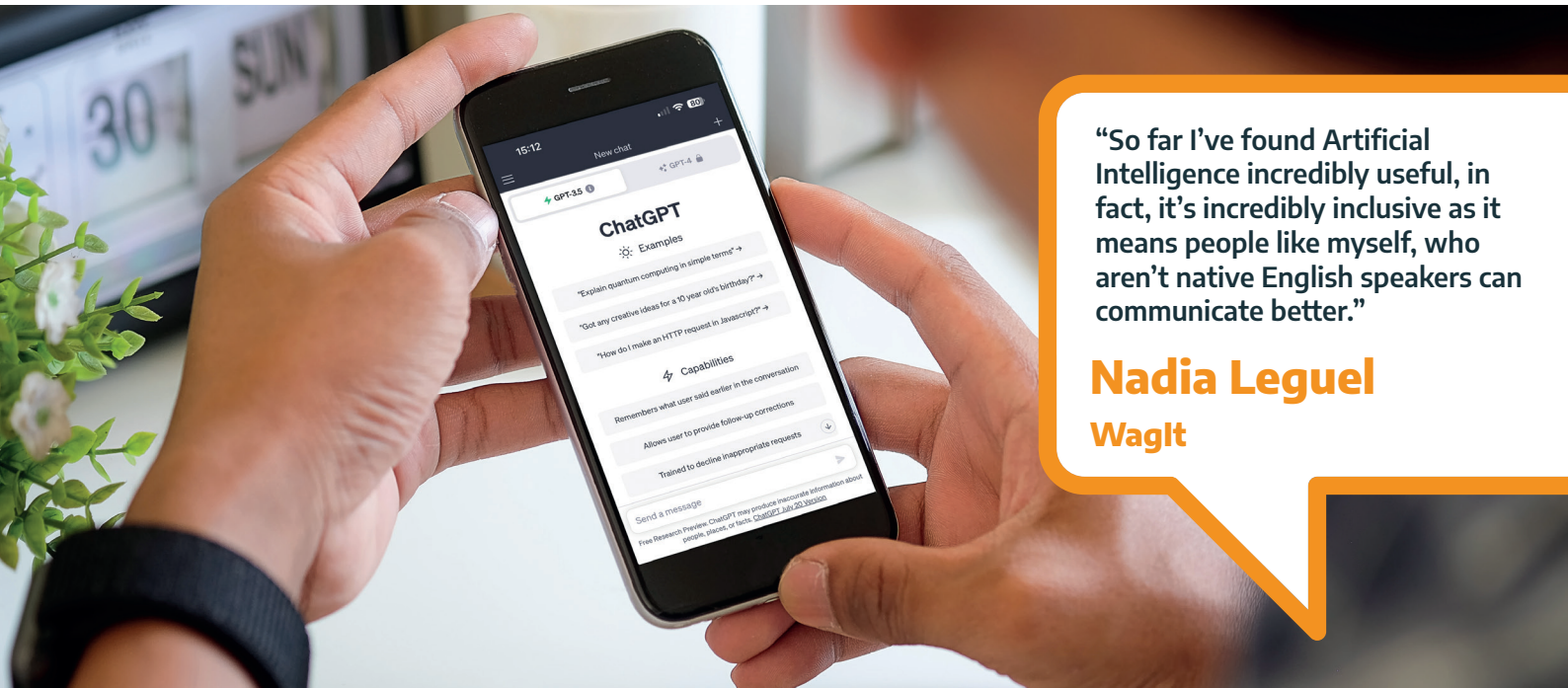
A significant proportion of our #SBS winners have never pitched for investment (74.7%), but, our analysis suggests that the majority of those who had pitched for investment found that the panel composition was male-dominated. Such a gender imbalance can have implications for diverse representation and equal opportunities in the entrepreneurial and investment landscape and has the potential to dissuade female entrepreneurs from thinking about accessing finance.

“When I’ve tried to raise investment, I’ve found that there are very few female investors.”

“Women and men aren’t equal in the way that they communicate and sometimes it can be difficult to navigate that.”

**Nadia Leguel**  
WagIt

## Topic 3 Decoding AI: Friend or Foe for Small Businesses?



“So far I’ve found Artificial Intelligence incredibly useful, in fact, it’s incredibly inclusive as it means people like myself, who aren’t native English speakers can communicate better.”

**Nadia Leguel**  
WagIt

Although Artificial Intelligence (AI) has been in development for several years, in 2022, a number of free generative AI programmes - such as Chat GPT - were released. Using Chat GPT as an example to aptly illustrate this rapid adoption, in the year since its release, over 100 million people have signed up and become monthly users. (Source: Reuters)

The discourse surrounding AI is increasingly varied and at times, contradictory. On the one hand, the potential it has to revolutionise local, regional and national economies is indisputable; it can automate processes and maximise businesses and individuals productivity, freeing up valuable time and resources.

However, as with anything new, there is fear and anxiety surrounding what is to come, and a recent report by Goldman Sachs captured the feeling of discomfort enveloping the increasing adoption of Artificial Intelligence whilst reporting that AI could replace the equivalent of 300 million full-time jobs. (Source: BBC, March 2023)

AI will be at least as important to the world as the internet in terms of how much it will change so many things at a global level.

**James Holian**  
NatWest



**43%**

are **already using** AI in their small businesses



**47%**

feel they need help in **safely integrating** AI into their businesses



**60%**

are **excited** by AI



## How are small businesses using AI?



## Friend or foe?

We asked our #SBS winners what they thought of the increasing mainstream adoption of AI, and here's what they had to say:



**40%**

of SMEs are scared by the thought of AI

**“It was scary initially, but it’s great.”**

**Keisha Shah**  
Teddo Play

**“I have mixed feelings about AI. On the one hand the ability it has to free up time and capacity is indisputable, but on the other, we risk losing that human touch and seeing a plethora of content - some of which can be absolute garbage.”**

**“It’s a shiny new object at the moment, and we all love shiny, but we need a bit more education on it.”**

**Eleanor Tweddell**  
Another Door

**“I think if AI is used in the right way, it can be a fantastic tool.”**

**Chris Warbrick**  
Exceed Events /  
Trade Hut Direct

## How are our #SBS winners using Artificial Intelligence?

“I’m dyslexic, so I use it for written content, then edit it. It speeds the process up.”

“Product descriptions, blog ideas. I never use it verbatim, I always change it to add my own voice but AI helps gather my thoughts and ideas.”

“As an author business, AI has revolutionised the way I create content, leading to significant improvements in productivity for my website and YouTube channel.”

“I’m not saying it can replace staff or another person, but used in the right way, it can certainly open up new skill sets, but ultimately at this stage, I think there needs to be more around the education of how it can be utilised in business.”

“For us, AI proved to be a game-changer when we were able to identify leakage and errors in our pricing models using it.”

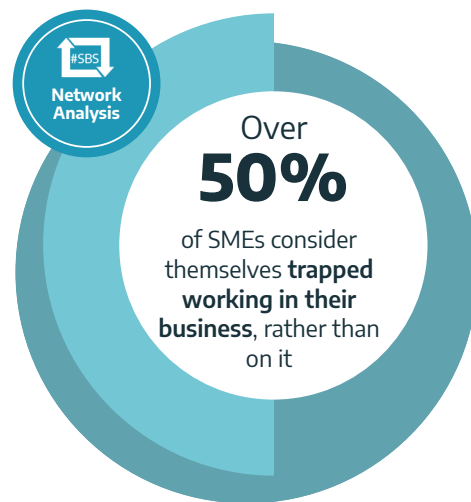
### Chris Warbrick

Co-Founder Exceed Events & Trade Hut Direct

“The potential AI has to revolutionise and help catapult small businesses to the next level is indisputable. Business owners can often find themselves trapped working inside their business rather than on it. The universal accessibility and adoption of AI translates to valuable time that can now be redirected to the development of their business rather than on day-to-day tasks that suck away all their time and creativity.”

### Theo Paphitis

Retail Entrepreneur & Creator of #SBS



## #SBS Analysis

Placing this in the context of UK SMEs, a significant number of small business owners can find themselves ensnared in the day-to-day operational tasks of their business rather than focusing on the strategic direction they plan to take.

Of the 5.5 million small businesses in the UK, 4.1 million operate without any employees meaning the owners are responsible for fulfilling all critical areas of the business - marketing, sales, operations or accounting, to name but a few.

The introduction and adoption of AI presents an opportunity to transform this and ultimately, level the playing field a bit more between larger and smaller businesses.

By leveraging AI solutions, SME business owners can streamline their operations and optimise repetitive tasks which would have otherwise required their time.

## Topic 4 Small Businesses Thinking Big



**THINK  
BIG START  
SMALL**

Owing to ever more interconnected local, regional and national economies, in today's unforgiving and competitive economic landscape, small business owners often find themselves facing challenges whilst trying to compete with larger organisations at the same time.

"Sometimes, the only thing standing between someone and their dream is themselves - and unfortunately, when it comes to small business owners I see a lot of fantastic, dedicated and determined people suffer from imposter syndrome."

**Theo Paphitis**  
**Retail Entrepreneur**  
**& Creator of #SBS**

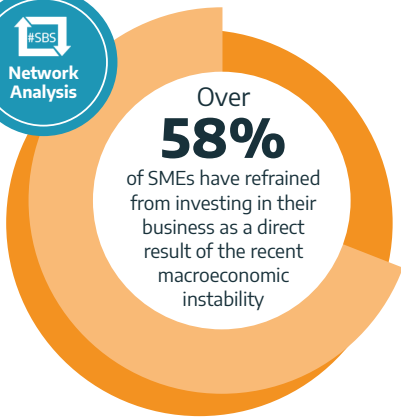
Almost  
**1 in 5**  
(17%)

trading businesses reported their overall performance increased in April 2023 compared with the same calendar month last year.  
(Source: ONS)

Business confidence has been put under immense strain owing to multiple macro-level events, which have inevitably fed down and dampened the outlook and confidence of SMEs across the UK.



Network Analysis



SMEs opting not to invest in their businesses doesn't just hurt them—it has far-reaching consequences for the entire UK economy. Consider this: when an SME decides not to hire additional staff, the potential employee loses out on a wage that could have been spent within their local community. This creates a further ripple effect, impacting businesses and individuals down the line. This underscores the significant negative impact of SMEs not investing in their growth, emphasising the need for further support.

## What can small business owners do to think big?

### 1. Being Agile: Using size to your advantage

SMEs have fewer layers of organisational bureaucracy than their larger counterparts and are often closer to the end customer, meaning they are able to utilise size to their advantage and adapt their offering and approach to best suit their evolving customer base.

### 2. Embracing the power of communities

Joining business communities like #SBS can be a real game-changer. These platforms provide a voice and a pool of resources to like-minded entrepreneurs and small business owners.

Engaging with similar entrepreneurs and SMEs can be absolutely vital in taking businesses to the next level as they can discover synergies and form partnerships that open doors that were previously closed.

### 3. Appreciating your impact as an SME

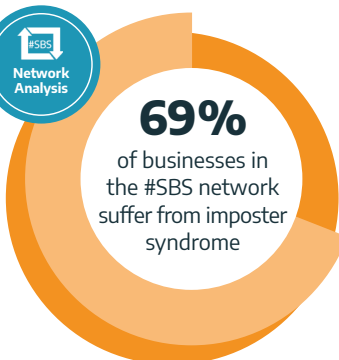
SMEs, constituting 99% of businesses, 61% of employment, and £2.1 trillion in turnover, are vital to the UK economy. Entrepreneurs must grasp their multifaceted impact, including job creation and community contributions, appreciating their journey and resilience to navigate challenges and continue making a meaningful difference.

“People need to back themselves more because there’s so much talent in the UK.”

**Miles Kean**  
Director, Coutts

“Right now, the biggest issue we’re hearing through our surveys is not necessarily interest rates - it’s the macro level of uncertainty that exists. All the issues we’re facing - whether that’s the impacts of Brexit, inflation, government, input costs - are reasons we think companies aren’t investing as much as we’d like.”

**James Holian**  
Natwest



“Small businesses often feel that they don’t have the right to play in the same arena as larger companies. In fact, I feel that small businesses can often have a competitive advantage by being closer to the customer and having the agility to pivot in different directions in-line with market trends quicker than larger firms who often have set systems, infrastructure and operating procedures in place. You don’t have to reinvent the wheel, but you can look at making the wheel run smoother and providing a better service and product to the end customer.”

**Chris Warbrick**  
Co-Founder of Exceed Events & Trade Hut Direct



## Conclusion: What can be done?

The #SBS SME State of the Nation Roundtable report has elucidated the current state of affairs for UK SMEs, and critically discusses and analyses the current trends, threats and opportunities they face. By conducting this comprehensive analysis, this report highlights several critical issues that demand awareness and action:

- This study has revealed the true impact that the myriad rising cost pressures are having on SMEs. Notably, it's apparent that across-the-board cost rises mean that SMEs which would have traditionally enjoyed lower costs are also bearing the brunt of rising prices, further demonstrating that now more than ever, SMEs are ripe for support.
- SMEs often don't have significant cash reserves or access to capital to be able to combat these cost rises, notably leading to over 32% of surveyed businesses having to cut their salaries just to stay afloat.
- Although the situation is improving, access to finance remains a challenge for small businesses. An inability to get credit has a significant detrimental impact on SMEs, notably stifling growth, innovation and sustainable business operations.
- The report highlighted a need for a more diverse group of investor options SMEs can pitch to. This study also discussed whether gender impacts SMEs chances of accessing finance.
- There is much to be celebrated when discussing the success of UK SMEs, but the barriers to growth are not insubstantial. Support provided by business communities like #SBS and upskilling through NatWest exposes businesses to opportunities and also to frameworks for managing risk.
- Given that SMEs account for 61% of UK employment and 7% of business turnover, it is in the wider interests of the government and stakeholders to ensure that there are as few barriers as possible restricting their growth. (Source: Parliament)
- The report underscores the effect that the macro environment is having on catalysing imposter syndrome and an overall dampening of confidence on SMEs in the UK economy.



## Report Recommendations

- **Support to Mitigate Rising Costs:** As a priority, the government and key stakeholders should explore support provisions to mitigate the impact rising costs are having on SMEs. Whether it be a support package, rate reductions, or even repayment term extensions, any help can go a long way in starting to remove some of the barriers holding SMEs back from supercharging their growth.
- **Streamline Access to Finance:** This report has made it apparent that vital finance can be inaccessible to SMEs, and that there are many barriers prohibiting them from accessing it. The legislative process, as well as awareness surrounding the types of finance SMEs are eligible for, needs to be reformed in order to ensure that:
  - a) Access to finance & investment is representative of the diverse makeup of the UK and is inclusive to neurodiverse entrepreneurs.
  - b) SMEs are aware of what is out there for them.
- There needs to be an **emphasis on educating SMEs** about finance, specifically whether it would suit their business model and catalyse growth, as this report has made it apparent that SMEs don't necessarily see the benefits of accessing finance.
- **Education and Training on AI:** It's largely undisputed that AI is going to revolutionise business. SMEs need to know how they can effectively use and incorporate AI into their business so that they can begin to level the playing field between them and their larger counterparts, and importantly, so that they can work on their business rather than in it. Therefore it is vital that there are low-cost or free accessible training and learning resources available to SME owners so that they can upskill and take advantage of AI.
- **Critically, in relation to AI, SMEs need to know:**
  - How and where they can access low-cost or free training and learning resources so that they can upskill and take advantage of AI. Google Digital Garage recently launched a series of insightful courses on understanding AI and how SMEs can implement it into their business.
  - A resource list of low-cost/free AI programmes that can be incorporated into their business.
- **Promote Business Communities:** Business communities can play a critical role in shaping SMEs strategic direction, providing growth opportunities for business owners and giving a platform to network and form partnerships with other like-minded businesses. Key stakeholders need to raise awareness to small business owners about free business networks like #SBS, which aim to provide opportunities to grow.
- **Address Gender Disparities in Finance:** Raising awareness around success stories centring around females receiving finance and achieving success, as well as increasing the number of female investors would reduce disparities in female entrepreneurs actively looking for and getting access to finance.
  - Strengthen female entrepreneurs' human capital by developing entrepreneurship and training opportunities.
- **Encouraging Innovation:** Increase the provision and awareness of government initiatives, whether that be training or support to foster an innovative environment from the ground-up for small business owners.
- **Exporting Advice:** When it comes to exporting internationally, there are often a plethora of intricacies involved, and the government and key stakeholders need to consider this as it will remove the barriers to trade that SMEs may be facing.
  - One such programme that we would recommend is the UK Export Academy's free training programme, which is designed to give SMEs the confidence and know-how to sell overseas.



## Closing Statement from Theo Paphitis

I'm glad to say that the inaugural #SBS SME State of the Nation Roundtable Report has made me even more fervent in my belief that SMEs are the cornerstone and lifeblood of our economy.

Whilst it is clear just how vital SMEs are, it's also apparent that they're experiencing barriers that are stopping them from thinking big; whether that be due to exponential and sustained across-the-board cost rises, unnecessary red tape arising from Brexit, an inability to access finance or because of a lack of confidence due to the macroeconomic situation. This study has laid bare not only the trends and challenges we are seeing but also the impact they are having on SMEs, and I hope that government and key stakeholders can provide that smidgen of support that can help catapult SMEs to the next level.

In times of chaos, there is also opportunity, and the advent of AI has provided an unparalleled opportunity to level the playing field between small businesses and their larger counterparts.

Entrepreneurship runs deep through the veins of the UK economy, and it is my hope that this report has shed some light on just how vital SMEs are and equally how important it is that we support, promote and develop them - allowing small businesses to think big!



Theo Paphitis, Chairman of Ryman, Robert Dyas,  
Boux Avenue, LGC and Small Business Champion





## About #SBS

#SBS Small Business Sunday, created by Theo Paphitis in 2010, has since become one of the UK's leading small business networks with there now being over 3,750 businesses in the community. As such, it's committed to providing small businesses with opportunities that help them upskill and take their business to the next level.

[www.theopaphitissbs.com](http://www.theopaphitissbs.com)