



Goldman  
Sachs

**10,000  
small  
businesses**

Generation Growth:

# The Small Business Manifesto

Unlocking the economic  
potential of UK small businesses



# Testimonials: The Importance of Small Business

“ We, as SMEs, are the backbone of the economy, fuelling job creation and driving innovation. Our nimbleness enables us to adapt rapidly, embracing everything from cutting-edge technology to sustainable practices. This agility is key in boosting local economies and fostering growth opportunities. We urge the next government to prioritise entities like ours to cultivate a prosperous, inclusive economic landscape. ”

**Rana Harvey**  
Managing Director of Monster Group & 10,000 Small Businesses UK Graduate

“ Every small business started in the UK is a vote of confidence in the future. A start-up ready to trade, a scale-up with the potential to grow. It's why the UK's productivity challenge can only be fully answered by liberating the potential of our small firms. To do so will require an unparalleled team effort between policymakers and the wider business support ecosystem. Working together, we can create the progressive conditions for a generation of growth. ”

**Michael Hayman MBE**  
Co-founder and Chair, Seven Hills

“ Why are small businesses important? We are the life-blood of the communities. We listen attentively to our customers and drive innovation, spot opportunities, foster competition and create jobs. Small business is essential for a diverse, thriving local economy. It's where the next giants are born that's why small businesses matter! ”

**Gurinder Dhillon**  
Founder of Otto Car & 10,000 Small Businesses UK Graduate

“ Small businesses are the heartbeat of our economy. It's imperative that the next government champions our needs, ensuring a thriving environment for sustained growth and prosperity for all. ”

**Byron Dixon OBE**  
CEO of Micro-Fresh International & 10,000 Small Businesses UK Graduate

“ Small businesses are central to the economy and where we all start. If we can do a better job of supporting their needs, and spotting and turbocharging successes, we will also generate larger competitive businesses and become a Greater Global Britain. ”

**Tom Adeyoola**  
Co-Founder, Extend Ventures

“ There remains persistent challenges in the UK to scaling up in terms of accessing markets, talent, finance and having the space to grow. This report Manifesto chimes with a range of research undertaken by the ScaleUp Institute and reflects on important areas to focus on as we head forward to 2025 and build solutions to foster business growth across the UK. ”

**Irene Graham OBE**  
CEO, ScaleUp Institute

“ We all rely on small businesses in our daily lives. They make up 99% of the 5.51 million UK companies – delivering jobs, growth and prosperity for millions of people. But they need and deserve more public attention – and crucially they need more help. Our message is clear: prioritise small businesses – and the whole economy will reap the benefits. We need action on tackling the skills crisis, reforming business rates, improving planning and a VAT system that incentivises growth. The BCC is pleased to support the Goldman Sachs 10,000 Small Businesses programme – a scheme which shows how big firms can help and support small businesses to thrive. Partnership working is essential. ”

**Alex Veitch**  
Director of Policy and Insights, British Chambers of Commerce

“ Only 1 in 3 UK entrepreneurs are female, equivalent to 1.1 million missing businesses. If we want to drive a new generation of growth, then we need to see more support for women-led businesses, with a policy environment that enables them to grow and prosper. ”

**Sahar Hashemi OBE**  
Founder of Buy Women Built

“ The UK provides a fertile ground for innovation to thrive, but a lack of sufficient patient capital continues to hold back some UK companies from scaling up and fulfilling their commercial potential. As the UK's largest domestic investor in UK venture and venture growth, we are increasing both access to, and availability of, long-term, patient finance, but more needs to be done to really help build the UK's innovation economy. ”

**Stephen Welton CBE**  
Chair, British Business Bank

“ Small businesses are essential to the UK economy, contributing 50% of UK GDP, pushing the frontier of innovation and creating jobs. Policymakers and the wider ecosystem must work together to support these SMEs and sustain the pipeline of future entrepreneurs through enterprise and financial management education in schools. ”

**Jill Pay**  
Chairman of The Gender Index

# Contents

Foreword	04
'Why SMEs Matter: The 'Productivity Heroes' That Can Reignite the UK Economy'	06
Small Businesses Owners Principles for Government	08
The Policy Asks of Small Business Owners	09
Key Headlines: Going for Growth	10
Talent & The Workforce: Combatting the Skills Crisis	12
Access To Finance: Fuelling the Engines of Growth	14
Taxation & Trading: Getting Growing	16
International Markets: The UK's Role in the World	18
Infrastructure: Curating an Environment for Growth	20
Climate Transition: Sustaining Business Sustainably	22
Artificial Intelligence: The New Growth Frontier	24
Methodology & Acknowledgements	27





# Foreword

**Charlotte Keenan**

Head of the Office of Corporate Engagement International, Goldman Sachs

Small businesses are the engines of UK growth and have the power to transform communities. But the life of a small business owner is fraught with uncertainty – not least in the current economic context. And when small businesses are unsure of their future, that should give pause to the communities, consumers and corporations who interact with them every single day.

This is not a niche part of our economy but 99% of all private sector enterprises, 61% of total employees and 53% of total turnover<sup>1</sup>. Without small businesses there can only be limited growth, vitality and resilience in the UK's story. As we look to seize future opportunities, it is small businesses that are poised to drive innovation and growth, and who can help to shape the landscape of tomorrow across every region of the country.

Of these businesses, more than a million have been operating for more than three years. Yet only 37% grew in productivity terms in 2022 and, just 3% are what can be termed 'Productivity Heroes'<sup>2</sup> – those who are growing their turnover at a faster rate than their headcount, while also increasing their number of employees.

This report is about exploring the economic potential of this small number of Productivity Heroes – just over 36,000 in the entire small business population – and what could be achieved if we were to support more companies to join their ranks.

It is imperative that policymakers continuously inquire about the nuanced needs of small businesses across the UK, while taking their lead from the Productivity Heroes who demonstrate best practice and can inspire a new generation of growth. Too often their voices have been overlooked in the corridors of policy making, yet it is these SMEs (Small and Medium Enterprises) who have an indispensable role to play in shaping the narrative and sparking UK productivity into life.

At Goldman Sachs, we have a proud history of recognising the importance of the UK's small business owners and helping them reach their full potential. Since launching our 10,000 Small Businesses (10KSB) UK programme in 2010 we have worked with over 2,200 business owners in collaboration with our academic partners. These business owners are from a wide range of sectors, right across the UK – what unites them is their unrelenting desire for growth. Growth in terms of revenue, jobs, profit, impact, and productivity.

But the speed and scale with which these businesses can grow is too often predetermined by uncontrollable factors: their location, or the gender or ethnicity of the founder – leading to barriers in accessing finance, infrastructure, and talent. Policy must therefore counteract these imbalances, facilitating sustainable growth. This focus would not just be to the benefit of small business owners themselves, but to the UK's shared prosperity.

This Manifesto has been developed through dialogue and research with our 10KSB UK alumni population. They are a significant sample of fast-growth small business leaders from across the country. They are the Productivity Heroes.

It is this cohort from which we should take lessons if we want to enable businesses in every corner of the country to grow at scale. As the findings of this report illustrate, the economic opportunity of doing so is too good to miss out on.

This is the moment to propel small businesses to the forefront of policy discussion and ensure that their needs are not only acknowledged but form the bedrock of policies that will help shape the UK's economic future.

That is why this Manifesto outlines the principles and policy suggestions of small business owners. It is not intended as an exhaustive document and seeks to build on the excellent explorations of relevant topics in the past. It aims to serve as a catalyst for dialogue that policymakers can extract insights and interrogate solutions from. Because what matters to small business owners matters to the whole country. With that lens, there is the potential to unleash a new generation of growth and propel the economy forward.

<sup>1</sup>Department for Business and Trade, 2023

<sup>2</sup>Hart, M and Bonner, K (2024) 'Productivity Puzzles, Long Tails and Productivity Heroes: developing a new focus for small business policy in the UK', ERC Insight Paper, February 2024



“There is the potential to unleash a new generation of growth and propel the economy forward.”

– **Charlotte Keenan**  
Head of the Office of Corporate Engagement International

**Roni Savage**  
Jomas Associates,  
London, 10,000 Small  
Businesses UK Graduate



# Why SMEs Matter: The 'Productivity Heroes' that can reignite the UK economy

The UK faces significant challenges, with macro-economic headwinds and stalling growth compounding a long-term productivity problem.

## The UK's Productivity Puzzle:

Since 2007, average annual productivity growth has been just **0.2%** compared with a **3.6%** average in the three decades following World War Two.<sup>3</sup> This recent sluggishness is in contrast to the years leading up to the global financial crisis, when UK productivity was growing at a faster pace than the US.<sup>4</sup>

With over **5.5 million** SMEs in the UK<sup>5</sup>, small businesses are key to reversing that trend. Of UK SMEs, **1.2 million** are established businesses, that are at least three years old and employ at least one person<sup>6</sup>. These businesses contribute over **£2 trillion** revenue to the economy, employing **9 million** people<sup>7</sup>. But many are trapped by stalling productivity:

**only 37%** just over **453,000** – of established businesses are achieving productivity growth – however this can happen in many ways (e.g. cutting headcount while revenue remains flat)

## 'Productivity Heroes'

Closer inspection of this group of established businesses uncovers a cohort of 'Productivity Heroes' that have been identified through new analysis of ONS data by our leading academic partners at the Enterprise Research Centre:

**3%** or **36,000** of the UK's 1.2 million established SMEs who are at least three years old, are '**Productivity Heroes**' who are creating jobs but growing revenue even more over a sustained 12-month period

They are a small but mighty coalition. On average, they increase revenues by **196%** and headcount by **29%** in a 12-month period, equating to **£4.9 million** in extra revenue and 4 additional jobs per business on average.<sup>8</sup> In 2021-22, they collectively contributed more than **£268 billion** to the UK economy – a contribution that grew by more than **£177 billion** combined compared with the previous year. Whilst this may partially be attributable to a post-pandemic bounce-back effect, it is consistent with a pattern of within year growth for this small group of firms going back to 2000.

## Productivity Over Time:

In recent decades, the proportion of Productivity Heroes has fluctuated. Since 2007-08 the number of established small businesses in the UK has grown by **50%** from **825,000** to **1.2 million**. Yet over the same time period the number of 'Productivity Heroes' has fallen and the number of businesses achieving productive growth has stayed the same. The table below shows the rate of 'Productivity Heroes' at key points since the turn of the millennium:

Year	Total # of established businesses	Total # of businesses achieving productivity growth	% of Productivity Heroes <sup>9</sup>
2000-01	676k	51.3% - 347k	2.3% (15.6k)
2007-08	825k	54.4% - 449k	4.8% (39.2k)
2010-11	882k	40.7% - 359k	2.7% (23.7k)
2018-19	1.13m	49.2% - 557k	3.3% (37.1k)
2021-22	1.22m	37% - 453k	3% (36.3k)

This suggests that it's easier than ever to start a small business in the UK. But it has become harder to sustain productive growth, and the little progress that has been made since the financial crisis appears to have stalled in recent years.

<sup>3</sup> National Institute of Economic & Social Research, Productivity in the UK: Evidence Review, June 2022

<sup>4</sup> National Institute of Economic & Social Research, Productivity in the UK: Evidence Review, June 2022

<sup>5</sup> Office of National Statistics, Business population estimates for the UK and regions 2023

<sup>6</sup> This data and all of the data relating to 'Productivity Heroes' has been supplied by our academic partners at the Enterprise Research Centre, including data taken from Hart, M and Bonner, K (2024) 'Productivity Puzzles, Long Tails and Productivity Heroes: developing a new focus for small business policy in the UK', ERC Insight Paper, February 2024

<sup>7</sup> See footnote 6 <sup>8</sup> See footnote 6 <sup>9</sup> See footnote 6

## A New Generation of Growth

Converting one established SME into a 'Productivity Hero' could add **4** new jobs and **£4.9 million** in revenue on average per business. Recreating an environment similar to the one before the financial crisis could have a profound impact.

Increasing the rate of 'Productivity Heroes' from the current **3%** to the 2007/08 rate of **4.8%**, could support **22,000** additional established SMEs to become 'Productivity Heroes':

These **22,000** additional 'Productivity Heroes' could deliver an additional **£106 billion** in private sector revenue (roughly 4.7% of the UK's annual GDP<sup>10</sup>) **and create an additional 88,000 jobs**

That is a huge opportunity that could deliver a new generation of growth, but SMEs need help to make it happen. That is why this Manifesto is being launched, leveraging the insights of the 10KSB UK community<sup>11</sup>:



Compared with similarly fast-growth small businesses, 10KSB UK graduates have a **23%** increase in productivity in excess of what they would have already achieved without participating in the programme



of alumni are increasing their turnover and **73%** are increasing their headcount

Many 10KSB UK alumni are already 'Productivity Heroes' or are close to being one, meaning they represent the perfect focus group to understand how productive growth can be achieved. This report collates the solutions that these fast-growth small businesses have asked for. They are the 'Productivity Heroes' of tomorrow, and their voices must be listened to.

## Who are the UK's 'Productivity Heroes'?

The most common sector for 'Productivity Heroes' was 'Business and Professional Services' with 40% (14,300 businesses) working in this space. Other common sectors include:



Wholesale & Retail (8,800 businesses)



Construction (3,800 businesses)

There is a variable presence of 'Productivity Heroes' across the UK:



Perhaps unsurprisingly the highest share is in London (8,200 businesses)



and the South East (5,200 businesses) respectively

The areas with the lowest share of Productivity Heroes aligns strongly with the regions and devolved nations at the heart of recent Levelling Up efforts:

- Northern Ireland – 1.2% (<500 businesses)
- Wales – 3.3% (1,200 businesses)
- North East – 2.8% (1,000 businesses)
- Scotland – 5.9% (2,100 businesses)

<sup>10</sup> Statista, Gross domestic product of the United Kingdom from 1948 to 2022, January 2024

<sup>11</sup> Following statistics taken from 10,000 Small Businesses UK: Engines of Growth Impact Report, December 2021 and ongoing impact analysis of the 10,000 Small Businesses UK programme conducted by the Aston Centre for Growth

# Small Business Owners' Principles For Government

## 1 Think With An SME Lens

- Small businesses are vital to the UK's economic prosperity and future growth – their perspective must be at the heart of the political conversation
- Small businesses should have a leading voice, with high-level representation across all areas of policy

## 2 Act For The Long-Term

- Provide certainty and stability, with policy that is set for the long-term
- SMEs are resilient and innovative – with their adaptability being most strikingly demonstrated through the pandemic – but policy should never stifle their growth and ambition, only accelerate it



## 3 Focus On What Works

- SMEs believe many elements of the current policy framework are working well, but often exist in isolation
- Continue with existing policies that small businesses say are working, and build on them to ensure they are delivered in a connected way

## 4 Amplify, Clarify and Educate

- High-quality educational support is proven to deliver growth in revenue, jobs, and productivity but many SMEs struggle to cut through the noise
- Make a concerted effort to raise awareness of existing support and expand educational programmes on key topics, particularly where policy changes may impact SMEs' operations



# The Policy Asks Of Small Business Owners:<sup>13</sup>

### General

1. Curate and publish a five-year National Small Business Plan with binding measurable public targets, co-authored by a new Small Business Commission comprising representatives from Parliament, industry bodies and small businesses
2. Host a series of 'missions' to establish why our G7 peers are better at scaling businesses than the UK and adopt best practice. For example, exploring the success of the Mittelstand in Germany and the Small Business Administration in the US
3. Provide a commitment to long-term, growth-led small business policy that puts the requirements of small businesses first and ensures stability

### Access to Finance

4. Increase the range of government-backed and government-supported financing options specifically targeted at small business leaders (e.g. differential interest rates, loan schemes, encouraging UK pensions schemes to back SMEs)
5. Ensure that any implementation of a UK sovereign wealth fund includes a commitment to including entrepreneurship as an area for spending
6. Work with the private sector to ensure the UK remains an attractive market to take businesses public and establish a meaningful pathway for ambitious small businesses who aim to do so
7. Invest in a prominent national campaign to increase SME leaders' awareness of the existing financing options they need to grow, especially for Women and Ethnic Minority business owners who are currently under-served

### Taxation & Trading

8. Reform business rates and invest further in the digitalisation of the system to facilitate more regular reviews, exploring differential rates by sector and discounts for high performing businesses and meaningful property improvements
9. Tackle the 'late payments' crisis that is disproportionately impacting SMEs, with an independent commissioner empowered to enact tougher penalties on those who miss payment deadlines

### Talent & the Workforce

10. Explore embedding enterprise in the mandatory secondary curriculum and place greater emphasis on general employability skills
11. Work closely with small businesses to support international recruitment and explore the potential for mutually beneficial visa waivers
12. Work with SMEs when developing any changes to employee rights to support talent retention and economic growth

### Infrastructure

13. Outline a clear strategy for digital growth, including a timely plan to upgrade the existing network and expand digital capacity
14. Conduct a small business-first review of the UK's product distribution and logistical infrastructure capacity
15. Explore the introduction of stricter vendor diversity quotas for both local and national government infrastructure projects to support the growth of small and diverse-led businesses

### Climate Transition

16. View small businesses as a key partner in helping the UK meet its net-zero objectives, setting an ambitious course and rewarding small businesses who meet their targets
17. Investigate new ways of helping SMEs weather the changing currents of the energy market, such as including the establishment of a public-backed energy generation company

### Artificial Intelligence

18. Help SMEs understand the risks and opportunities of AI by offering increased educational programming, training and guidance tailored to small businesses
19. Provide a springboard for growth through expanded financial incentives that encourage SMEs to take advantage of AI

### International Markets

20. Put SMEs at the heart of new meaningful trade deals and efforts to simplify red-tape with existing partners
21. Invest in greater amplification of the Department for Business & Trade's existing support programming for small businesses interested in exporting and find new ways to disseminate information more effectively

<sup>13</sup> These "Policy Asks" are based on surveying of the 10KSB UK community and have been formulated through analysis and discussion, moderated by Goldman Sachs, with 10KSB UK alumni, academic partners and third-party professionals in the UK small business ecosystem, including a roundtable discussion held on Monday 29th January 2024. They are a summary of the views expressed by small businesses surveyed and the "Policy Asks" do not necessarily represent the institutional views of Goldman Sachs. Full methodology relating to the survey can be found on page 24.



# Key Headlines: Going For Growth

The UK has over 1.2 million small businesses that have been operating for 3 years or more. Together they account for £2.1 trillion in annual revenue and employ around 9 million people.<sup>14</sup>

These established businesses are the engines of the UK economy – they drive innovation, productivity, and profit, and they will be essential to creating a new generation of growth.

To inform this manifesto, over 550 members of the 10KSB UK alumni were surveyed. These are fast-growth businesses who have shared their views on the existing small business policy landscape.<sup>15</sup> The general outlook is optimistic:



Despite challenges in recent years from changing trading conditions post-Brexit, the impact of the Covid-19 pandemic and the cost-of-living crisis, the majority (**68%**) believe the UK is a good place to run a small business.



**Rachel Jackson**  
Rachel Jackson London,  
London, 10,000 Small  
Businesses UK Graduate

However, recent turbulence in the UK economy and slow productivity growth has created a number of challenges. When asked to identify their number one priority for the next government, the following themes were the top five identified:

**20%**  
highlighted 'upskilling the UK workforce'

**19%**  
said 'improving access to finance'

**18%**  
said 'reforming business rates'

**14%**  
said 'making it easier for SMEs to trade internationally'

**7%**  
said 'improving the UK's digital infrastructure'

Whilst the UK's small businesses are ambitious and optimistic about their growth, to succeed they need support. To solve the productivity puzzle and be the best place in the world not only to start but also to grow a small business, the next government needs to create an environment for sustainable growth, informed by long-term policy commitments.

As part of the research for this report, 10KSB UK SMEs shared their number one message for the next government:

## Quotes From Other Members Of Our 10KSB UK Alumni Community

“ My number one message to the next government would be to emphasise the need for transformative and long-term business-friendly reforms that will positively impact the UK's economy, growth, and international standing, focusing on sustained investment in areas that can bridge the productivity gap and enhance the UK's economic position. ”

“ Create a long-term vision – stop short-termism based on election timelines – this should be about what's right for Britain not a politician's career and brand. ”

“ Look beyond start-ups to scale-ups. Take inspiration from Germany's Mittelstand. ”

## Small Business Owners' Key Policy Asks

- 1 Curate and publish a five-year National Small Business Plan with binding measurable public targets, co-authored by a new Small Business Commission comprising representatives from Parliament, industry bodies and small businesses
- 2 Host a series of 'missions' to establish why our G7 peers are better at scaling businesses than the UK and adopt best practice. For example:
  - Policies that have driven the success of Mittelstand in Germany, such as maximising the apprenticeship system, building trust and collaboration between employers and employees to ensure flexibility and security, focusing on exports and on growth in rural communities
  - The dedicated Small Business Administration in the US which is independent of the government but with a seat in Cabinet
- 3 Provide a commitment to long-term, growth-led small business policy that puts the requirements of small businesses first and ensures stability

<sup>14</sup> Figures provided by the Enterprise Research Centre, January 2024

<sup>15</sup> 10,000 Small Businesses UK is a comprehensive programme of business development and leadership support for small businesses with high growth potential, designed to help them achieve that potential. Piloted in late 2010 and launched in early 2011, to date, 2,226 entrepreneurs from across the country have graduated from the programme. The 10,000 Small Businesses UK programme is a partnership between Goldman Sachs, the Goldman Sachs Foundation and leading UK universities.

# Talent & The Workforce: Combatting The Skills Crisis

Talent is a key driver for productivity and growth. As such, supporting the existing workforce and developing the workforce of tomorrow are essential priorities for small business owners.

Access to a pipeline of future talent is a key barrier to growth for many SMEs.

**55%**

said they are currently unable to access the talent they need for their business

**Only 12%**

believe the education system is equipping young people for the future of work and **89%** believe enterprise skills should be embedded within the core secondary school curriculum

This negative perception may be linked to misconceptions around the knowledge the workforce of tomorrow needs to succeed and a greater focus on the soft skills that can make young people more employable. When asked what is the number one skillset young people need to be taught in schools:

**21%**

said 'General IT user skills (Word, PowerPoint, Excel)'

**19%**

said 'Financial management & accounting'

**19%**

said 'Presentation skills & public speaking'

Only **5%** would prioritise 'Coding' and 'Natural sciences and engineering' respectively, and just **2%** chose 'Foreign languages'. This view runs counter to the significant investment and recent campaigns focused on these topics and may be a symptom of an evolving workplace, where technological advances are eliminating the need for technical knowledge.

Schooling is just one element of the skills crisis, with vocational education, apprenticeships and lifelong learning all having a key role to play. For the purpose of this report we have not sought to replicate the outstanding research that has already been published by other organisations on these topics. But this does not mean that policy solutions to incentivise small businesses to further upskill their existing employees should be ignored.

Access to international talent is just as important as the challenges with the UK pipeline. While existing mechanisms can support growth, many feel there is still more that can be done:

**61%**

said they believe the existing Scale-Up Work Visa, could be useful to the future of their business in its current form

**91%**

said they believe the UK should prioritise mutual visa waivers with the European Union for sectors impacted by the restriction of free movement, such as Hospitality and Retail

## Quotes From Other Members Of Our 10KSB UK Alumni Community

“ Evolve the education sector to one that is fit for purpose. Teach more subjects that are relevant to 2023 and fix the issue of poor communication and soft skills from current students leaving education and entering the workforce. ”

“ In terms of the skills required in education, I think the most important one; helping people to critically decode and sort digital information. ”

“ It's infuriating that it's such a struggle to find hardworking full-time individuals who want to work in-house. We have tried to balance it for everyone and my team seem happy but it's the future recruitment that is a struggle as people just aren't applying for the roles in the numbers they used to, and everything has a caveat. ”

In addition to accessing new talent, SMEs have struggled with retention and management of the existing workforce. Rather than adding to the body of detailed work analysing the long-term impact of the pandemic on working practices, we asked small business owners what forward looking solutions they would favour

**61%** would in principle support the introduction of an employee bill of rights. When asked their views of what could or should be included:

**83%**

agreed with 'the statutory right to bereavement leave'

**65%**

agreed with increasing the minimum/living wage to align with inflation

**49%**

agree with banning zero-hours contracts

**77%**

agreed with banning 'fire and rehire' practices

**60%**

agreed with 'the right to 'switch off' from work at certain times'

**48%**

agreed with 'the right to flexible working'



**Kathy Caton MBE,**  
Brighton Gin, Brighton,  
10,000 Small Businesses  
UK Graduate

## Small Business Owners' Key Policy Asks

- 1 Explore embedding enterprise in the mandatory secondary curriculum and place greater emphasis on general employability skills
- 2 Work closely with small businesses to support international recruitment and explore the potential for mutually beneficial visa waivers
- 3 Work with SMEs when developing any changes to employee rights to support talent retention and economic growth



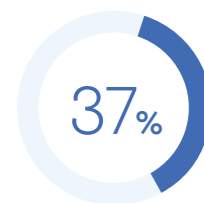
# Access To Finance: Fuelling The Engines Of Growth

Easy access to financing, regardless of gender, ethnicity, sector, or location is essential for small business growth and sustained UK prosperity.

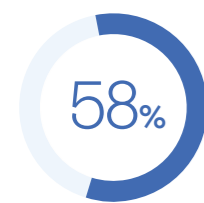
Yet a significant minority of fast-growth small businesses do not see the UK as the best place to secure investment.



When asked 'when accessing external finance in the future will you stay in the UK or are you more likely to move to other markets (e.g. the US)?' **42%** said they would look to stay in the UK, with **20%** sure they would look abroad

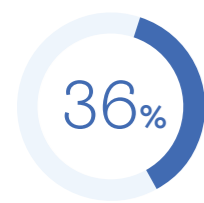


More than a third (**37%**) were unable to access the finance they need for their business in the UK



While only one in five would look abroad, the figures suggest that **58%** are not actively seeking investment in the UK. Further analysis is needed to identify what barriers are preventing these businesses exploring domestic financing options

There were meaningful variances in responses to this question by demographic, with women and ethnically diverse businesses less likely to have been able to access the finance they need



Ethnically diverse fast-growth small business owners are much more likely to look abroad (**36%** compared with the average of **20%**) - reflecting the higher barriers that they face in accessing the finance they need in the UK to date

We should also consider that these are the figures of small businesses who are defined as 'fast-growth' and we would expect that the barriers to finance for the wider small business population are even higher

Thinking of the long-term, many fast-growth small business owners want to build on this appetite for finance and take their business public, but are divided on where to do so:



would consider taking their business public. Of these, **44%** think the UK remains an attractive market for potentially taking their business public at some point in the future, with **26%** saying the UK is not attractive and **31%** being unsure, suggesting strong ambition if given the correct support

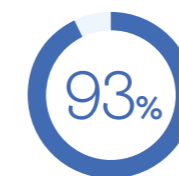


**Ada Jabaru,**  
Nistad Limited.  
London, 10,000 Small  
Businesses Graduate

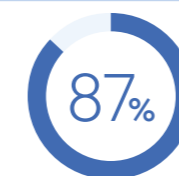
When thinking about potential policy solutions there are a range of ideas respondents would be supportive of:



support the establishment of a new equivalent of the Start-Up loan scheme to support the continuing expansion of established fast-growth businesses



support preferential Entrepreneurs interest rates for fast-growth small business owners



support the continuation of the Seed Enterprise Investment Scheme and Enterprise Investment Scheme

There is also appetite for private sector reforms, building on the 2023 Mansion House Accords:

**79%** said that as part of broader reforms, they think UK pension funds should commit to investing a certain percentage of their investments in fast-growth, UK based businesses

When it comes to national infrastructure to support spending and investment, **68%** support the establishment of a UK sovereign wealth fund with only **2%** being actively opposed

However, **73%** believe it is essential that any future UK sovereign wealth fund is legally committed to including entrepreneurship as an area for spending

## Quotes From Other Members Of Our 10KSB UK Alumni Community

“ Small businesses are over-taxed, and it is also relatively difficult to raise funds in the UK compared to the US. It is a hostile environment for growth. ”

## Small Business Owners' Key Policy Asks

- 1 Increase the range of government-backed and government-supported financing options specifically targeted at small business leaders, including:
  - The continuation of existing enterprise investment schemes
  - Introduction of a greater range of SME focused funding products such as differential interest rates and loan schemes for fast-growth small businesses, using the appropriate financial structures
  - Further reform of UK pension schemes by encouraging them to place a greater emphasis on supporting UK small businesses
  - Take lessons from international partners, for example, France or Italy, the only two of the top 10 markets in Europe where VCs closed more funding rounds in 2023 than in previous years
- 2 Ensure that any implementation of a UK sovereign wealth fund includes a commitment to including entrepreneurship as an area for spending
- 3 Work with the private sector to ensure the UK remains an attractive market to take businesses public and establish a meaningful pathway for ambitious small businesses who aim to do so
- 4 Invest in a prominent national campaign to increase SME leaders' awareness of the existing financing options they need to grow, especially for Women and Ethnic Minority business owners who are currently under-served



# Taxation & Trading: Getting Britain Growing

Taxation and supporting small businesses ability to trade are instrumental in developing an ecosystem that allows fast-growth small business owners to thrive.

Small businesses view 'late payments' as not only a symptom of the UK's productivity challenge, but a meaningful barrier to growth:

**41%**  
say the late payment crisis has impacted their growth

**89%**  
would be supportive of tougher legislation for big businesses on 'late payments', with companies who do not pay in time being subject to financial penalties

Among those who want to see legislative action against big businesses, **84%** would still be supportive if legislation applied to businesses of all sizes, potentially including their own.

Effective taxation and barriers to trading have long been a point of discussion for small business owners focused on growth. Business rates are particularly contentious: **18%** say that 'Business Rates Reform' is their top priority for the next government:

**53%** believe business rates for property should be evaluated more often than the current once every 3 years. Of those who believe there should be more frequent reviews **45%** believe they should be reviewed annually with **55%** saying every 2 years

When asked about broader reforms of the business rates system, there are a range of policy solutions small businesses would be supportive of:

**93%**  
support a business rates discount for meaningful property improvements

**72%**  
support a permanent cap on the headline rate

**78%**  
support the concept of differential business rates depending on the business sector (e.g. hospitality and retail)

**72%**  
a permanent, UK-wide business rates exemption for the first 24 months in a new property

**72%**  
support discounted business rates for growing SMEs with increased productivity potential

**69%**  
agree with stepped business rates aligned to reported business turnover



Ben Amanna,  
BoxRaw, Coventry,  
10,000 Small  
Businesses Graduate

## Quotes From Other Members Of Our 10KSB UK Alumni Community

“ We need to embrace failure, innovation, and enterprise. This is done very well through the EIS [Enterprise Investment Scheme] and SEIS [Seed Enterprise investment Scheme], but Entrepreneurs' Relief should be widened. At present all incentives, both taxation and possible income is set up to reward salaried work for large institutions. ”

## Small Business Owners' Key Policy Asks

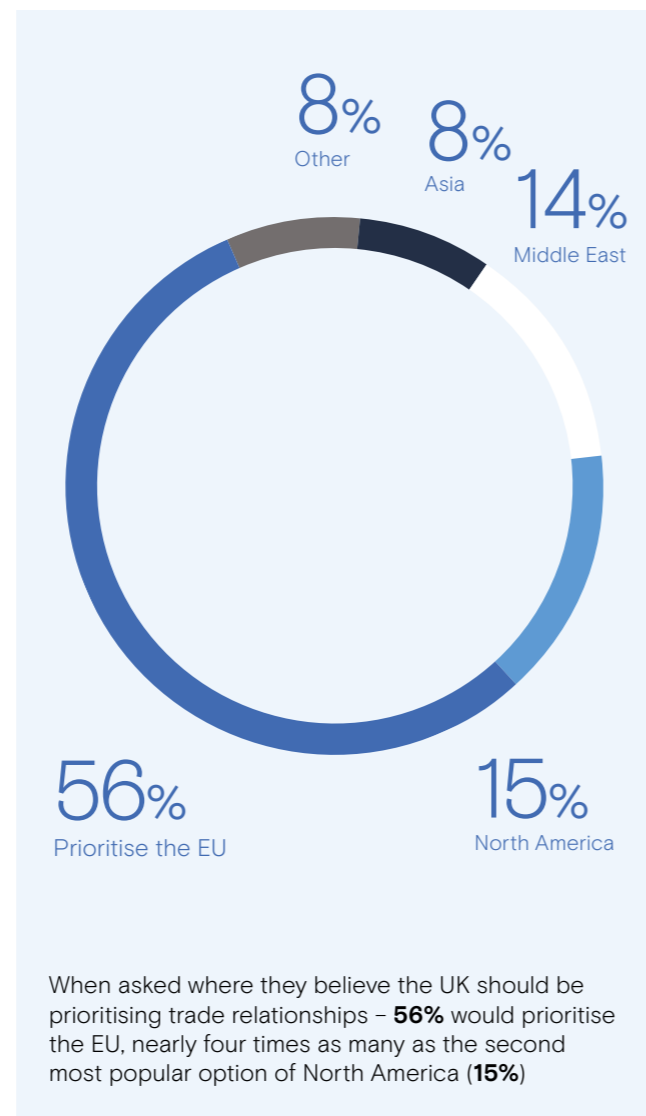
- 1 Reform business rates and invest further in the digitalisation of the system to facilitate more regular reviews, exploring differential rates by sector and discounts for high performing businesses and meaningful property improvements
- 2 Tackle the 'late payments' crisis that is disproportionately impacting SMEs, with an independent commissioner empowered to enact tougher penalties on those who miss payment deadlines



# International Markets: The UK's role in the world

Expansion to international markets, increased trade and access to global talent are vital ingredients for the UK's future growth, but small businesses need support to succeed.

Through Brexit, the pandemic and international conflicts, the last five years have featured significant uncertainty, impacting Britain's ability to compete internationally:



**Lauren York,**  
UK Locations, Leeds,  
10,000 Small Businesses  
UK Graduate



## Quotes From Other Members Of Our 10KSB UK Alumni Community

“ Please help us to trade internationally more – the one advantage of Brexit is that it should make British businesses more willing to actively export but we need help learning the ropes. ”

“ Ease visas please so we can hire people to do work, so that the economy can move again from the bottom up. ”

## Small Business Owners' Key Policy Asks

- 1 Put SMEs at the heart of new meaningful trade deals and efforts to simplify red-tape with existing partners
- 2 Invest in greater amplification of the Department for Business & Trade's existing support programming for small businesses interest in exporting and find new ways to disseminate information more effectively



# Infrastructure: Curating An Environment For Growth

National infrastructure is essential to creating the conditions for growth and supporting the innovation of small businesses.

Perhaps most importantly from a growth perspective, small businesses believe they have a role to play in supporting future government infrastructure projects:



think that local and national government should be liable to legally binding vendor quotas, ensuring they utilise SMEs and diverse-led businesses

When asked at what rate these quotas should be set:



believe the quota should be set at 20%



believe the quota should be set at 20%



believe the quota should be set at 30%

When asked about the state of national infrastructure, small businesses are focused on a digital future – putting it on an equal footing when asked whether the next government should prioritise investment in digital or physical.

When asked to select the one key infrastructure challenge impacting their business in the next 3 years, two clear priorities stood out:



selected digital capacity and the standard of the UK's network as their top priority



said distribution channels and logistics

Further to this, **13%** identified housing and social welfare capacity as the most important infrastructure challenge, **12%** said 'Childcare provision', and 'Planning reform respectively'



Despite recent media attention, 'transport and rail' (10%) and 'energy and grid capacity' (7%) ranked the least important, suggesting that although they may be important to the broader public, these policy areas may be less relevant to driving small business growth.

## Quotes From Other Members Of Our 10KSB UK Alumni Community

“ Support SMEs with far greater access to low-cost funding and stimulate the economy by supporting infrastructure projects. ”

“ Stop allowing local governments to form buying groups which bypass local SMEs in favour of buying from large companies. ”



**Lawrie Abercrombie,**  
Arcanum Information  
Security, Camarthenshire,  
10,000 Small Businesses  
UK Graduate

### Small Business Owners' Key Policy Asks

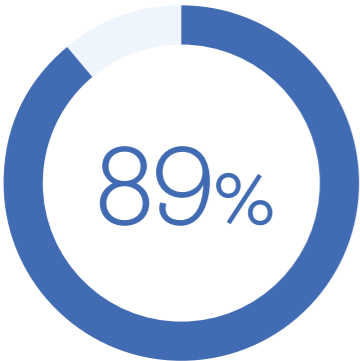
- 1 Outline a clear strategy for digital growth, including a timely plan to upgrade the existing network and expand digital capacity
- 2 Conduct a small business-first review of the UK's product distribution and logistical infrastructure capacity
- 3 Explore the introduction of stricter vendor diversity quotas for both local and national government infrastructure projects to support the growth of small and diverse-led businesses



# Climate Transition: Sustaining Business Sustainably

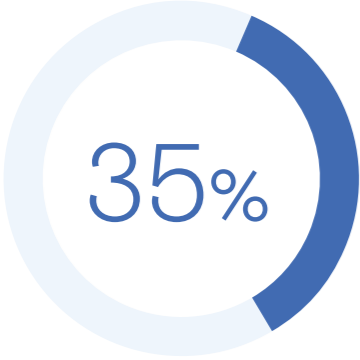
Many fast-growth UK small business owners see the climate transition not just as a challenge to be navigated but as a vital way they can grow their business in the long-term.

It is clear that small businesses are focused on the green agenda, however they need support to play their part fully:



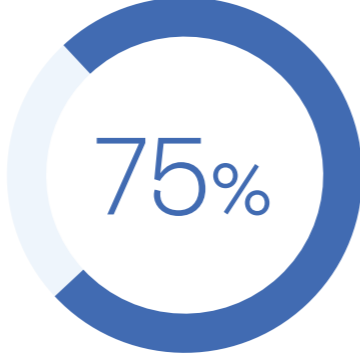
believe there should be greater financial incentives to businesses for producing and using clean energy

However, despite their ambition, they still face challenges in the cost of energy, with



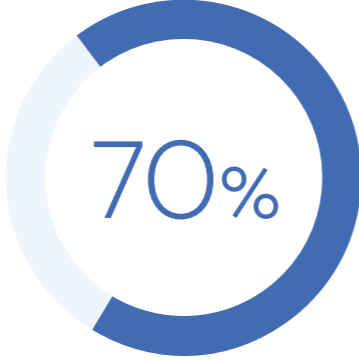
saying that this has restricted their growth in the past three years.

But they also believe there is an opportunity for the UK to respond:



think the next government should establish and invest in a new publicly owned energy generation company

These findings demonstrate that fast-growth small business owners think the UK needs to act quickly and embrace the opportunities climate transition presents:



don't think the UK is being ambitious enough in encouraging the transition to a net-zero economy

**Ricky Kothari,**  
Sticksology, London,  
10,000 Small Businesses  
UK Graduate'



Quotes From Other Members Of  
Our 10KSB UK Alumni Community

“ Take the race to net zero seriously. It presents huge opportunities, but we also need to plan and put the right measures in place to protect businesses and society from the fallout from the climate emergency. ”

“ Being green should be a legal requirement and it should be incentivised. ”

### Small Business Owners' Key Policy Asks

- 1 View small businesses as a key partner in helping the UK meet its net-zero objectives, setting an ambitious course and rewarding small businesses who meet their targets
- 2 Investigate new ways of helping SMEs weather the changing currents of the energy market, such as the establishment of a public-backed energy generation company



# Artificial Intelligence: The New Growth Frontier

The Artificial Intelligence revolution is already upon us and represents both a challenge and a key growth opportunity for many UK SMEs.

From speaking to fast-growth small businesses, it is apparent that AI is not a debate for the future – it is already having a profound impact on the way they work:

## 46%

currently leverage AI to optimise the performance of their business

## 80%

are either already specifically using generative AI tools such as Chat GPT, or plan to start doing so in the next 12 months

In the last 3 years, **11%** have hired new specialist employees to take advantage of the opportunities AI presents, while **3%** have laid off employees whose jobs have now been replaced

When asked about the main barrier they face when utilising AI, only **7%** said it was not relevant to their business, reinforcing just how critical AI can be to future growth

Importantly, **60%** identified the main challenge as a 'lack of understanding' around AI, demonstrating a greater need for education, guidance, and support. On that theme:

## 79%

believe there should be new financial incentives for small businesses to 'innovate new AI technology/products'

## 75%

of small business owners believe there should be new financial incentives for small businesses to 'adopt existing AI technology'



Charmaine Dugdale,  
1-2-1 Mentors Ltd,  
Exeter, 10,000 Small  
Businesses UK Graduate

## Quotes From Other Members Of Our 10KSB UK Alumni Community

“ AI is available for us to do a great deal more with the workforce we have but training in digital skills is still lacking and decided by people who are not on the ground. Do more listening to SMEs rather than big business – they have more money, but we do more. Support us and we will affect greater change and prosperity. ”

## Small Business Owners' Key Policy Asks

- 1 Help SMEs understand the risks and opportunities of AI by offering increased educational programming, training and guidance tailored to small businesses
- 2 Provide a springboard for growth through expanded financial incentives that encourage SMEs to take advantage of AI





## Methodology & Acknowledgements

The intention of this report is to amplify the voice of small businesses and give them a platform to share their insights on the challenges they are facing. The opinions and views expressed in this report do not necessarily reflect the institutional views of Goldman Sachs or its affiliates. Any logo used in this report is the property of the company to which it relates, is used here strictly for informational and identification purposes only and is not used to imply any ownership or license rights between any such company and Goldman Sachs. The content of this report does not constitute a recommendation from any Goldman Sachs entity to the recipient and is provided for informational purposes only. Goldman Sachs is not providing any financial, economic, legal, investment, accounting, or tax advice through this report or to its recipient. Certain information contained in this report constitutes “forward-looking statements,” and there is no guarantee that these results will be achieved. Goldman Sachs has no obligation to provide updates or changes to the information in this report. Neither Goldman Sachs nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report and any liability therefore (including in respect of direct, indirect, or consequential loss or damage) is expressly disclaimed. The report was produced by Goldman Sachs *10,000 Small Businesses* in partnership with: the Aston Centre for Growth; Saïd Business School, University of Oxford; Seven Hills Communications Ltd. The report is not a product of Goldman Sachs Investment Research.

There are two main data sources utilised in this report. The first is an online survey which was conducted between 15th November and 11th December 2023 and was sent to 1,848 members of the *10,000 Small Businesses* UK alumni community. In total, 566 small business owners, all of whom were graduates of the *10,000 Small Businesses* UK programme participated in the survey, representing a response rate of 30.6%. The survey was administered by Saïd Business School, University of Oxford on behalf of the *10,000 Small Businesses* UK programme.

Secondly, statistical analysis and external data relating to the broader state of the UK economy and productivity in particular were provided by Professor Mark Hart of the Aston Centre for

Growth and Enterprise Research Centre, and Dr Karen Bonner of the Economic Policy Centre, Ulster University. Both were assisted by Dr Neha Prashar of the Enterprise Research Centre. The statistical data used here are from the Office of National Statistics (ONS) and are Crown copyright and reproduced with the permission of the controller of His Majesty’s Stationery Office (HMSO) and Queen’s Printer for Scotland. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. The analysis upon which this report is based uses research datasets, which may not exactly reproduce National Statistics aggregates.

The analysis undertaken in this report and the ‘Policy Asks’ from small businesses that it contains are based on the above two data sources and have been formulated through analysis and discussion, moderated by Goldman Sachs leaders, with: the 10KSB UK alumni community; academic partners; and third-party professionals in the UK small business ecosystem, through a series of virtual and in-person conversations and roundtable discussions in 2023 and 2024.

While *10,000 Small Businesses* UK graduates represent a useful and valid sample of fast-growth SMEs from across the UK, we do not presume that *10,000 Small Businesses* UK graduates will speak to the experience of the UK small business community at large. The programme is specifically geared towards ambitious SME leaders with a proven track-record of growth over the last three years both in terms of revenue and profitability. In addition, as graduates of the *10,000 Small Businesses* programme, all alumni have had unique access to a comprehensive business education programme that has a proven transformational impact on participants.

*10,000 Small Businesses* UK is a comprehensive programme of business development and leadership support for small businesses with high growth potential, designed to help them achieve that potential. Piloted in late 2010 and launched in early 2011, to date, 2,226 entrepreneurs from across the country have graduated from the programme. The *10,000 Small Businesses* UK programme is a partnership between Goldman Sachs, the Goldman Sachs Foundation and leading UK universities.





#10KSBUK | @GS10KSmallBiz | [gs.com/10ksb-uk](https://gs.com/10ksb-uk)

© 2024 Goldman Sachs 10,000 Small Businesses UK. All Rights Reserved