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Strategies for Enhancing the Global Competitiveness of UK Small Businesses

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Introduction

The University of Wolverhampton is a civic institution with deep engagement across the West Midlands business community. Through executive education programmes, incubators, and knowledge transfer projects, we have supported more than 3,800 SMEs in the past decade. This submission draws on that experience and current research into the barriers and opportunities facing UK small businesses. We address each of the Committee's 15 questions and provide practical recommendations for a robust, coherent and measurable Small Business Strategy (SBS).

1. Strategy

Q1 – Key issues

UK SMEs face a perfect storm of structural costs, fragile cash-flow and sluggish productivity. Energy and rent spikes, a cliff-edge VAT regime and property-based business rates erode margins; bank-financing rejection rates near 45 per cent restrict growth capital, while late payment by large customers starves firms of working cash. These pressures, combined with weak management capability and patchy digital uptake, entrench the productivity gap that a national strategy must close.

Five interlocking barriers constrain SMEs:

1. High costs – energy, rents, business rates and a cliff-edge VAT threshold that discourages growth.
2. Restrictive finance – loan rejection rates near 45 per cent and limited equity options outside London.
3. Late payment – chronic cash-flow pressure as large customers stretch terms well beyond 30 days.

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4. Low management capability and slow tech take-up – a principal cause of the UK’s productivity gap.
5. Regulatory complexity – dispersed schemes and frequent rule changes drain owner-managers’ time.

Q2 – Amplifying the SME voice

Policy is still largely written by and for big corporates: rules shift rapidly, consultation groups skew large, and only a handful of departments run formal “SME tests.” Without a permanent seat at the table—a statutory council, departmental SME champions and a requirement to publish SME-impact statements—small-business evidence is crowded out and unintended burdens multiply.

Give small firms a permanent seat at the policy table by:

- Creating a statutory Small Business Council reporting to the Cabinet Office, with places reserved for micro-, family- and rural businesses;
- Embedding an SME champion in every major department, responsible for an “SME impact statement” on new rules;
- Applying a mandatory SME Test to legislation, mirroring the Family Test already used across Whitehall.

2. Starting a business

Q3 – Ease of start-up

Online incorporation can be done in hours, yet the real start-up journey stalls at money and know-how. New founders struggle to secure capital, master VAT and PAYE, or locate mentors outside London hubs. Added to that, a pronounced fear of failure—amplified by weak safety nets—dampens entrepreneurial appetite, particularly in left-behind towns.

Company registration is simple, yet early-stage founders face four significant headwinds: sparse start-up capital, complex tax registrations, limited access to mentoring outside major hubs, and a pronounced fear of failure. A *One-Click Company* portal that bundles incorporation, tax, insurance and IP checks into a single 24-hour process would cut red tape and signal cultural support for entrepreneurship.

Q4 – Levelling the playing field with large firms

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Yes: bargaining power is tilted. Large buyers dictate 60-day terms, bundle public contracts into outsized lots and wield price advantages from scale. Digital marketplaces magnify brand reach for giants, while small suppliers lacking tech or marketing muscle see margins and market share shrink. Levelling competition hinges on prompt-payment enforcement, SME-friendly contract design and targeted productivity support.

Level the field by enforcing 30-day payment across supply chains, recalibrating business rates so smaller premises are not penalised relative to online warehouses, and supporting collective purchasing or marketing cooperatives that give local independents scale advantages.

3. Supporting growth

Q5 – Public procurement and the Procurement Act 2023

The Procurement Act 2023 simplifies bidding and mandates 30-day payment, yet legacy hurdles persist: complex qualification packs, long frameworks that lock out new entrants and limited bid-writing capacity inside micro-firms. Unless contracting authorities unbundle lots and publish transparent pipelines—and unless SMEs receive hands-on bid coaching—government spend will continue to gravitate toward incumbents.

The Act simplifies bidding and mandates prompt payment; however, SMEs will only benefit if they can effectively navigate the system. Fund regional *Procurement Readiness Sprints* that help firms qualify, price, and assemble consortia, and publish league tables of departmental SME spend to drive accountability.

Q6 – Export support

Only about one in seven UK SMEs sells abroad. Customs paperwork, post-Brexit compliance costs and scant in-house export know-how deter all but the most determined. While UK Export Finance backs small deals, many owners are unaware of advisers, grants or missions. The gap is therefore less about the existence of schemes and more about usability, outreach and first-export confidence.

Less than 15 per cent of UK micro and small firms export. Expand International Trade Adviser capacity, embed Export Academy coaches in university incubators and lift the ceiling for state-backed export guarantees so fast-growing SMEs can insure larger contracts.

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A simple “try-exporting” micro-grant for first-time exporters would encourage thousands to enter overseas markets.

Q7 – High-street sustainability

One in seven retail units now stands vacant, a spiral fed by online competition, high fixed costs and fragmented property ownership that blocks coordinated reinvention. Independent retailers struggle with static rents, punitive rates and declining footfall, undermining local ecosystems where SMEs traditionally thrive. Town-centre revival demands pooled ownership vehicles, rates reform and omni-channel support for small traders.

Tackle vacancy and fragmented ownership through Town-Centre Investment Zones that pool property rights, allow joint renegotiation of leases and align rent with footfall. Introduce community right-to-buy bonds so local SMEs can acquire empty units at a discount, and scale digital-adoption vouchers that help high-street retailers blend physical and online sales.

4. Costs

Q8 – Cost pressures

Energy bills remain volatile and largely un-capped, raw-material costs stay elevated, wages must rise with living-costs, and interest-rate hikes have inflated the cost of overdrafts. Together these macro shocks compress liquidity, prompting owners to defer hiring, investment and innovation—unless targeted relief and efficiency incentives offset the squeeze.

Extend targeted energy-bill discounts to firms with fewer than 50 staff; launch zero-interest Green Efficiency Loans to fund insulation and on-site generation; and promote pooled purchasing clubs for utilities and key inputs.

Q9 – Tax and reporting

The tax code bristles with cliff-edges and complexity: the world-high VAT threshold freezes turnover just below £90k; business rates ignore profitability; Making Tax Digital adds quarterly tasks; and IR35 shifts have hit freelancers hard. Compliance costs divert precious management hours, suggesting simplification, tapering and better digital integration should be priorities.

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Smooth the VAT cliff by introducing a tapered rate for turnover between the threshold and £110k. Commit to no net increase in SME paperwork by offsetting every new data requirement with a simplification elsewhere. Roll out a single digital tax account that consolidates PAYE, VAT and corporation tax obligations.

Q10 – Adequacy of government support

Over 900 public schemes exist, yet the maze is so confusing that many owners never claim aid. Growth-hub capacity is uneven, mentoring supply outstripped by demand and high-profile digital-adoption vouchers were withdrawn after low uptake. The fundamental gap is navigability: a single, trusted front door and personalised guidance are still missing.

The current landscape is rich but confusing. Replace the patchwork with a Single Front Door, a triage service run jointly by local authorities, universities and chambers that matches firms to finance, skills and innovation schemes in minutes rather than weeks.

Q11 – Family-run businesses

Family firms confront all the above hurdles plus succession and governance headaches. Inheritance-tax uncertainty, informal management structures and reluctance to dilute family ownership make long-term planning tricky. Nearly half cite “red tape” as their top barrier, but tailored advice on succession, tax reliefs and professionalisation is patchy nationwide.

Family-owned SMEs need two things above all: succession planning and lighter paperwork. Offer succession-planning vouchers redeemable with accredited advisors, extend Business Property Relief certainty, and develop a *Family Business Governance Toolkit* distributed through accountants and banks.

6. Improving productivity

Q12 – Banking services and the Post Office framework

Branch closures have stripped many towns of relationship banking; the Post-Office network usefully handles daily cash but cannot advise on growth finance. Loan-approval rates lag OECD norms and SME owners often struggle to compare alternative lenders. Cash services are secure, but strategic financial guidance and credit remain weak spots

Post Office counters safeguard cash access but cannot provide growth finance. Scale Shared Banking Hubs to two hundred towns, require mainstream lenders to maintain relationship-

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manager capacity for SMEs, and expand the Bank Referral Scheme so rejected applicants are automatically matched to alternative lenders.

Q13 – Technology diffusion and Catapults

A long tail of firms still lacks Artificial Intelligence (AI), cloud software, digital accounting or basic automation. Cost, skills gaps and uncertain ROI slow adoption, while high-performing “frontier” SMEs pull away. Catapult centres and management-training schemes deliver strong results for engaged firms, yet awareness, capacity and geography limit their reach across the wider SME population.

Fund one thousand Management & Technology Partnerships that embed graduate talent in SMEs to deliver digital, AI or green pilots. Allocate a quarter of Innovate UK Catapult outreach budgets to SME-led projects and publish simple playbooks that translate research capabilities into turnkey solutions for smaller firms.

7. Implementation

Q14 – Coordinating central, mayoral and local action

SME-relevant levers are scattered across Treasury, DBT, DfE, DLUHC and more. With Local Enterprise Partnerships winding down, combined authorities and councils inherit functions unevenly. Absent a single owner for targets and data-sharing, initiatives risk duplication or omission, undermining delivery of a coherent national strategy.

Establish an Inter-Ministerial Small Business Growth Council co-chaired by HM Treasury and DBT ministers, with mayors as standing members. Devolve five-year *SME Growth Compacts* to combined authorities, bundles of skills, infrastructure and finance funding linked to clear SME growth targets.

Q15 – Metrics and monitoring

Business formation, three-year survival, labour-productivity, export share, public-procurement spend, late-payment days and vacancy-rate trends form a balanced scorecard. Yet today these data sit in separate silos, updated at different intervals and seldom reported together, making it hard for Parliament to track progress or hold departments to account.

Goal	Baseline (2024)	2028 Target	2030 Target
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New business registrations	810,000	10%	15%
3-year survival rate	58%	65%	70%
SME labour productivity (GVA/hr)	£34.50	£38	£40
SME export participation	14%	18%	22%
Government procurement to SMEs	26%	33%	35%
High-street vacancy rate	14%	12%	10%
Average days to pay SME invoices	37	25	≤20

Performance should be reviewed annually by the National Audit Office and debated in Parliament; departments missing interim milestones must publish remedial action plans.

Conclusion

A dynamic small-business sector is central to raising UK productivity, narrowing regional gaps and improving living standards. The recommendations above focused on cost relief, finance, fair markets, management capability and coordinated delivery from an integrated blueprint to unlock that potential. Our research team from the University of Wolverhampton stands ready to partner with government, local authorities and industry to turn this strategy into measurable progress on the ground.