

How To Start & Restart

Small Business Britain
TSB Business

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Small Business Britain is the UK's leading champion of small businesses, supporting all 5.5 million small businesses in the UK – no matter their background or circumstances, their location, their sector or their ambition. Through a series of reports, events and campaigns, Small Business Britain champions, inspires and accelerates small businesses in the UK to foster growth and increased confidence.

Foreword

Michelle Ovens CBE

In my view, the UK is a fantastic place to start and grow a business.

Despite economic challenges over the last few years – and granted there have been many – we remain part of a fantastically entrepreneurial society, a nation that supports the dreams and goals of small business owners, and a low regulation, low tax and low barriers to entry world for small business.

For these reasons, it is no surprise that we continue to see a phenomenal number of businesses starting, in an incredible range of sectors and innovations. We always see a spike in businesses starting in a downturn, with job losses triggering entrepreneurial ambitions and a need for extra cash stimulating the side hustle economy.

But what we have also seen in the last years is the fatigue businesses have felt from navigating crisis after crisis. Brexit, COVID, energy crisis, cost of living crisis, inflation and interest rates – for many businesses this has been a bridge too far and the doors have been metaphorically or literally shut.

For those businesses persevering, with little economic sunshine anticipated for early 2024, there needs to be a restart to find that entrepreneurial zeal that was so exciting and empowering when the business started.

Rather than slugging away at a tired business model, founders have the opportunity to reinvent, reinvest and restart their beloved business and make 2024 the most exciting year yet.

It can be hard to see new opportunities when entrenched in business practices that are well worn in, when there is a way things have always been done. Businesses often make a plan when they start, but most never return to it or make a new plan years down the road.

Having a plan – even one you do not stick to – can make all the difference to moving forward. Aim for the stars, and you might just end up on the rooftops.

Some things can be more obvious to businesses starting afresh too as they are not encumbered by years of experience, or failure. Being able to throw off past experience, and see failure as a learning experience, is critical to restarting the business in the most positive light.

What we saw during the pandemic was a remarkable transformation in business: in fact, a forced restart for many businesses. We talked about pivoting and reinventing, and we saw a transformation in digital skills. Businesses had to find a new way of operating to take into account the challenging circumstances we found ourselves in. It was very... entrepreneurial.

Equally, we saw many businesses taking a long hard look at their finances for the first time in many years. Creating a new business plan – as if you were indeed starting from scratch – was for many the clarity they needed to rebuild the business during and post-pandemic.

However, as we have returned to “business as usual” and the various economic crises have cut deep, we have stopped restarting and rethinking business: we have instead become focused on survival. Businesses are looking more at selling, growing the top line only – very understandably – and less about running the business well.

In my view, the two work best together. What will make a great business in 2024? What does a business owner need to thrive?

In this report, we address both of these to help business owners whether they are starting up or looking to restart and reboot.

A great business gets help early; it reaches out for support and makes the most of everything available to help them. It acknowledges where it has gaps – and does not always try and fill them itself. Knowing where you have skills, and where you can invest in your own skills, is critical. So too is knowing when to get someone else to step in.

I think to thrive in 2024, having a self-awareness and openness to help and advice, coupled with an acute eye on sustainability and the opportunities of AI, are crucial. Businesses that can do these things have the best chance of success, whether they are starting now or have been going for years. Even family businesses, handed down for generations, can learn much from the new entrepreneurs – much as the new starters can benefit from the wisdom of experience.

Be open, be honest, and be curious. Most of all, be brave and be bold. 2024 is going to be a great one.

Foreword

Small businesses should seize the opportunity of 2024

Adeel Hyder, TSB

Introduction

As 2024 unfolds, there are grounds for guarded optimism that the conditions for small businesses to thrive are slowly beginning to take hold.

At TSB, we remain committed to supporting small businesses and helping them to flourish. We're proud of our track record in paying our own small business suppliers quickly, and we are determined to help our small business customers get paid on time too.

The tailored proposition we offer our business banking customers is also designed to support owners as they seek to establish and grow their business; whether that's through our new partnership with Superscript to offer tailored SME insurance or our new Fixed Rate Bond to help businesses benefit from the higher interest rate environment.

Economic green shoots

The UK economy is starting to show some early signs of recovery after the challenges of the pandemic and the cost-of-living pressures of recent years; while the economy is believed to have been in mild recession in the second half of 2023, it is expected to grow by 0.9% in 2024 (NIESR). Inflation is on a downward path, and this is reflected in increased consumer confidence with **GfK reporting that consumer confidence improved in January 2024 to reach a two year high**. Although overall economic growth remains sluggish, some sectors of the economy are bouncing back – and this creates space in which smaller businesses can thrive.

The outlook is not without ongoing risk and uncertainty. In particular, interest rates are higher than we have been used to in recent years, and their future path is unclear. But small businesses are continually proving their resilience and adaptability, and I firmly believe this will be the case again.

Artificial intelligence, real opportunities

One of the biggest opportunities for small businesses in 2024 lies in the use of artificial intelligence (AI). Last year, it was possible to talk about AI as the 'coming thing' or the 'next big thing'. By now, it is clear that AI has arrived with a bang. Small businesses potentially have a lot to gain from carefully targeted deployment of AI. Equally, if they allow themselves to be left on the starting block, this could turn out to be an expensive mistake. Though we should be alert to the impact AI will also have on the future of cyber security for businesses.

Some owners are understandably not sure where to start. I can only say that the best thing to do is to jump in and give it a go. AI can help you automate tasks, analyse data, generate insights, and enhance your creativity. For example, you can use AI to help you write a business plan, an export strategy, or a product launch proposal. Used appropriately, AI can augment and accelerate what you can do, and help give you a competitive edge.

The UK's SME support ecosystem

Running a small business can be a lonely experience and it will sometimes feel as if the weight of the world is on your shoulders. But it doesn't need to be like that: you are not alone on your journey!

In reality, the UK is blessed with an exceptional ecosystem of small business support. Organisations like Small Business Britain, Be the Business, and the Small Business Commissioner can supply advice and guidance, and there is also a wide range of Government support available, in the shape of tax incentives and start-up loans for new businesses. Don't underestimate the network of your fellow entrepreneurs, either. They are not all competitors, and indeed other business owners can offer a community of like-minded and supportive people, who are often grappling with the same problems. Many who have successfully overcome hurdles in their early days are only too eager to support those who are just getting started.

Conclusion

With the trials and tribulations of Covid behind us, and the cost-of-living challenge receding, the year ahead is an opportunity to look to the future with growing confidence. Although there is still the potential for geopolitical events to throw a spanner in the works once again, there are plenty of reasons to be optimistic.

Small businesses have an almost unlimited potential to grow, innovate, and prosper – and the support and resources to help you along the way. As Marc Benioff, the CEO of Salesforce, recently said, “the combination of economic recovery and AI has the potential to create a golden age of innovation and prosperity”. I couldn't agree more, and I hope to see the UK's SMEs leading the charge to this golden age.

How to Start

Experienced businesses have shared their best advice for success in your business right from the start. The top 5 tips are:

1. Get help early

Most start-ups have no idea how much free help and support is out there, communities to engage with, free mentoring and support with their key need – sales and marketing. Go and get help!

2. Think about sustainability

It is becoming table stakes for a business, so have a plan from day 1 and save yourself time, investment and changes later!

3. Get a network

Speak to experienced businesses and find out how 66% are more confident now than when they started! Talking to experienced businesses will give invaluable help in avoiding pitfalls, sustaining optimism and growing in confidence.

4. Automate as soon as you can

Experienced businesses all say they wish they automated earlier!

AI, automated marketing, communications, process management and a whole range of functions can massively speed up how your business operates. Maximise productivity and do more with less right from the start!

5. Always plan to export

Even if that means export outside your local community! See your market for the biggest size it can possibly be. Plan for reaching more and prepare accordingly.

How to Restart

Experienced businesses have shared their best advice for success in reinvigorating your business and recapturing that start-up spirit. The top 5 tips are:

1. Invest in your personal skills

75% of entrepreneurs say this was the key factor in their start-up success, but many do not invest past that point. You are the keystone of the business, so invest in your skills.

2. Build a new business plan as if you were starting from scratch

Except this time you have the benefit of experience. Most businesses never write a plan after their start-up phase, but experienced businesses say this has the biggest impact on their future success. Do not do it alone – get help from a mentor, your bank and accountant and go for it!

3. AI is going to change your business

The opportunities with AI have exploded in 2023 and continue to grow daily. The chances are you are not making the most yet of the productivity gains available so now is the time to explore what it can do for your business.

4. Talk about it

Mental health and isolation is shared as one of the biggest challenges of running a small business, and when you are not feeling strong mentally, your business can suffer. Equally, when you are feeling good, your business can benefit. Talk to friends, family, business peers and professionals to boost your mental health in 2024.

5. Remember the passion you had when you started

Speak to your network to bring it back: what drove you to start? How far have you come? What is coming next? Let's relight the fire.

Executive Summary

Starting a business is exciting, a buzz, a thrill! It is also terrifying and risky – and most feel like they are jumping without a safety net.

Running a business over time can be rewarding, enriching, inspiring and personally uplifting – but it can also bring stress, worry, repeated hurdles and over time deplete those optimistic start up feelings.

For 2024, Small Business Britain is bringing a new start: whether you are starting your business from scratch, or looking for a fresh restart for the New Year, there are things we can learn, apply and gain from listening to each other, and working together.

New businesses can use the experience of more established businesses in a number of ways: get a mentor to advise on pitfalls; to focus on the key parts of their business earlier; and to bring in impactful activities such as automation right from the start.

Experienced businesses can likewise learn from new businesses as they are reminded why they started in the first place. Years of economic challenges have piled pressure on businesses and many have moved to hunkering down to survive rather than looking outward with hope and excitement. Stepping back and thinking like a start-up can help to find new opportunities, and bring a spring back in their business step.

The Power Of Personal Skills

Over 75% of businesses tell us that personal skills are the key driver of success at the start. Those skills that you bring to a business are a core part of what makes you unique – and why you are the right person to run that business.

However, over time businesses move away from personal skills and founders do not invest in their own development. In fact, the thing small businesses think will most likely impact their future performance is economic conditions. Small businesses are moving away from focusing on what they bring and are allowing the impact of external forces to take over.

As a small business owner, you are the business's biggest asset. Looking after that asset has to be the biggest priority. The biggest factor in your future performance is, by a long way, you. So invest in you.

Many businesses say their digital skills, management skills and more stop developing once they leave a formal employee environment. Address this right from the start: if you are starting up, make a plan to continually invest in your skills and development. Get a good group of people around you and be accountable. Your future business self will thank you.

74% of small businesses say personal skills are a key driver of success when starting a business.

Financing From The Start

Regardless of what stage of the business journey they are at, it is true that British small businesses are risk averse when it comes to cash. There is a really low appetite for debt at the start with a massive 73% relying on their own personal funds to get going. At 10%, the next biggest funder is friends and family, where perhaps the risk feels lower than going to a bank. Only 6% have received a bank loan to start up and even less a Government-backed start-up loan.

Over time, however, businesses do become more confident and more likely to look for finance. What happens then is there is just not enough available, or the perception is there is little for small businesses. A higher number currently have debt than was the case a few years back, with 19% now having a bank loan, due to the Bounce Back loan scheme during the pandemic.

Aside from grants (which are always popular as lower risk), external finance or investment is the most sought after finance for businesses in the future at 18%.

The challenge most businesses find however is how to access this finance. Who do they go to? How do they attract investment?

Over time, growing confidence and skills in external investment is critical to opening up growth opportunities for small businesses.

A Government-backed scale up loan would be welcomed here by businesses. It would feel less risky than a regular bank loan, particularly if they needed to give a personal guarantee. This could open up those small but significant new paths for businesses keen to restart.

Along with the actual cash, the other impactful part of this process is creating a business plan. Looking externally for funding will mean creating a business plan for your business – something many businesses have not done since they started.

“Just go for it. And don’t be scared to fail because failure is part of growing.”

Emma Boatman, Founder, Boatman Admin Services

42% of small businesses need help creating a business strategy

The Importance Of A Plan

49% of businesses think that a good business plan will make all the difference to the next 12 months. However, 42% need help with creating that business strategy.

Over time, businesses tend to have a better support network and are better at reaching out for help. Even so, many businesses do not do so until they are in a crisis, when arguably it is much harder to help them.

As a start-up, it is much more likely to be on your radar to write a business plan as a starting point to launching your business. This is something more experienced businesses would do well to recall and revisit regularly as they go.

Having a plan, even one you veer away from, can keep you motivated, focused and achieve more than you would without a goal to aim for.

Automate, AI and Being Productive

By a long way, the most common thing we heard from experienced businesses is that they wish they could tell their less experienced selves to automate earlier. Many hours and days and weeks are lost when a business is starting out doing things the long way.

Lessons learnt over time help the business, but if there is a way to short cut the learning curve on this, businesses can save themselves a lot of cost and time.

Automation for small business has in the past been focused mostly on marketing, social media, email automation, which have been the low hanging fruit.

Over time, finance and accounting automation and insight into the business has grown too. Sending and chasing invoices automatically, stock refreshing automatically, just two in a range of simple things that businesses develop over time.

This is only going to accelerate in 2024 with AI becoming a huge force for small businesses. Many small businesses are increasingly aware that AI can play a role for their business, but most do not know exactly how yet. There is a growing sense that it can offer opportunities, and there is a tangible sense of excitement about those opportunities, but small businesses are going to need help to understand and maximise the impact.

Almost all businesses we spoke to for this report stated they felt that AI would shape the future of their industry, even if they did not know exactly how yet.

With this in mind, and the insight of experienced businesses to lead them, new start-ups should develop business strategies that maximise AI from the outset. Incorporating the extra fire power that AI can bring – at a very minimum, like having an extra assistant in the business – can supercharge the business's progress.

Small businesses have seen exponential growth in their use of AI through tools like ChatGPT and Design.AI. This creates speed in processes, such as writing copy for products or marketing, or creating visual images.

But it also opens up capacity and opportunity. Instead of writing one social media post at a time, AI can create endless posts. It can copy language, style, imagery and more.

It can create documents at a moment's notice; it can give insight into new areas of the business using vast amounts of shared data from the web; it can cut through decision making in the business if you are stuck.

It does not, however, work in isolation and small businesses stress a fear for relying on this with experts warning businesses off replacing key functions with AI. It can supercharge a business, but needs sense checking, making right for the specific business or purpose, and also needs to be made future looking.

New and experienced businesses need to keep in mind that these AI services are inherently backwards looking – basing their insight off past data.

What businesses need to do in 2024 is look forwards to create a brighter future. AI can help with this, but it is the businesses themselves that are going to create this.

So whether you are new to the world of entrepreneurship, or an old hand at running a business, there is an exciting path ahead in 2024. It is powered by personal skills and AI; it is aware of financial opportunities and driven by a solid plan.

It is optimistic about the future. It is building the future.

“Do your research. Be very sure that people want what you are planning to offer, but don't be scared of doing something differently. It absolutely is possible, you have to believe wholeheartedly in what you're doing. Don't allow people to put you off if you're sure the market is there for what you're doing. There will be obstacles but you can overcome them, trust your instincts”.

Sam Chetwood, Founder, Cece & Me

Sustainability

“Don’t rush into starting. Spend time making sure it’s exactly how you’d want things to be. I wanted everything to be as sustainable as possible, so just think carefully about how you can make things tie in with your own ethos.”

Keith Hunt, Owner, Our Precious Earth

Sustainability is a huge area of opportunity for entrepreneurs, and one that should be grasped by both hands by small business owners particularly in the early stages of starting up. Intertwining environmental mindfulness and social responsibility into a business from the start brings a wealth of opportunities, including all important economic ones.

Being a sustainable business is a way of tapping into emerging trends, future-proofing your business in a volatile market and above all, doing the right thing.

“Be ethical in everything you do. Build the right reputation and be as sustainable as you can.”

Kirsty Heywood-MacDonald, Heywood-MacDonald Accountancy

Sustainability as an opportunity

At Small Business Britain we champion that sustainability is absolutely a catalyst for growth, and rather than being an area that entrepreneurs should shy away from, or something they look to include later down the line it’s something that should be embedded into business operation from the start.

Focusing on sustainability from the outset can help entrepreneurs reap real rewards, both in the short and long term.

By getting ahead of the game and focusing on sustainability from the word go, you are setting yourself up with a solid foundation for the future. You are better preparing your business to overcome future challenges, such as being obligated to share your sustainability plan, or weathering storms in the form of energy crises.

Take Bev Toogood for example, co-founder of home brewing company Almost Off Grid. After prioritising sustainability from the outset, the company is now almost fully ‘off grid.’ By generating energy for their business through solar panels and heat pumps, during the summer 2022 energy crisis, they paid only fifty pounds a month in energy bills.

When we spoke to business owners ahead of this report, nearly 40% of them shared that they did not consider sustainability when they started out. However, after speaking in depth to many entrepreneurs, the general sense is that many wished they had thought about it earlier. Many also shared that simply by becoming an entrepreneur, they experienced a shift in environmental consciousness and began by default to make more ethical choices.

Sustainability to help cut costs and build reputation

We know there can be resistance around implementing sustainable practises within business due to, understandable, concerns around initial costs and investments and limited access to finance. Whilst it's true that larger scale investments such as solar panels or heat pumps do come with an initial cost (although one that will almost inevitably save you money after a few years due to an ever-shrinking payback period), there are many ways that sustainability can save you money from the outset.

If, for example, you are starting a service business then working from home, or working fewer days in an office can drastically reduce your impact on the environment by automatically reducing carbon emissions from travel, whilst also saving you money on transport costs.

If you are setting up a product business and need to send packages, using second hand cardboard boxes not only avoids the need for new ones to be produced, but will most likely cost you significantly less.

What's more, by sharing with your customers why you have made the decision to do this, and that it is rooted in sustainability, in turn helps to build your brand's reputation.

We also know that it's what the majority of consumers want. Last year Small Business Britain carried out research with 2000 consumers, nearly two thirds of whom (61%) said that the sustainability credentials were important to them.

99% of UK businesses are small or medium sized companies and make up 50% of total business emissions.

Small businesses as a driver of change

With 2023's COP28 culminating in a landmark deal between 200 countries committing to transition away from fossil fuels, sustainability has never been higher on the agenda.

99% of UK businesses are small or medium sized companies and make up 50% of total business emissions according to the British Business Bank. As the UK looks to transition away from fossil fuels eyes will be on businesses to help drive the charge, and as an entrepreneur starting out, you can help lead that charge.

Even if sustainability wasn't a consideration when you started out, it now brings a fantastic opportunity to refocus – it is sunny uplands territory in a world with little obvious opportunity in 2024.

It can bring new purpose to your business, breathe fresh life into your ideas and help you realign with your audience, or attract a new one!

Small businesses, with their inherent agility and strong community ties, are uniquely positioned to embrace sustainability not as an obligation, but as a strategic advantage.

“Take the risk, it’s well worth it. There’s no other experience like it, and it’s really important to go for it because otherwise you’ll always wonder what if, and don’t give up at the first hurdle!”
Bala Croman, Founder, The Chocolate Cellar

5 things entrepreneurs can do from the start to be more sustainable (and can also pivot to now regardless of when they set up and still gain some advantage!):

1. Incorporate sustainability into the business plan from the beginning.

By developing a comprehensive business plan which includes achievable sustainability goals and strategies, you will be able to remain focused on it.

2. Do some research into responsible sourcing and supply chain practises.

By selecting suppliers and partners with sustainable practises and ethical standards from the start, you are helping to avoid problems later down the line; it is more difficult to switch suppliers once relationships are already established.

3. Prioritise energy efficiency from the outset.

When setting up a business, build energy efficiency into your plan (it will most likely save you money too!). This doesn’t have to mean you install solar panels straight away, it could be as simple as shopping around for a sustainable energy tariff.

4. If you have staff, or are planning on recruiting from the outset, try to embed a sustainable workplace culture from the start.

Fostering a culture of sustainability within the organisation by educating and engaging employees will ensure that you create a team that shares your values and therefore creates more impact.

5. Embrace and implement green technologies from the get-go.

Look into green web hosting, and how to reduce the carbon footprint of your website. Consider using refurbished phones and laptops for your business operations instead of buying them new (another great cost-saving technique!).

With so much to consider when starting a business, adding sustainability into the mix may understandably, feel like it adds to the overwhelm. But hopefully you can see that it doesn't have to, and it can actually add to the excitement.

In a business landscape where opportunities can feel few and far between, the world of sustainability is full of them.

Even if you have been running your business for a while now, building these plans and processes in as part of a “restart” will also bring you significant benefits. It is never too late to start being sustainable, and never too late to reap the rewards.

Skills

Where are the skills gaps for small business?

53% want help with Sales and marketing

32% want help with finance

34% want help with digital skills

Skills are ‘the thing’. So often referenced as what businesses ‘need’ or should be ‘getting’, ‘building’ and ‘investing’ in.

But when businesses are starting up - maybe one-person led, or with tiny teams with broad, multi-functional roles - it can be a challenge to define what skills are even needed, and often overwhelming to find time and space to focus on these areas. For many small businesses these challenges can persist as they grow and scale.

Yet when the impact of ‘up-skilling’ is felt in a small business – for both start-ups and those looking to scale or re-set their direction- the value can be phenomenal. Everyone wishes they’d had these skills earlier!

“Be in it for the ride because you can’t possibly know what you’ll get from it”

Colette Safhill, Founder, Goat Drinks & Myth Drinks

Key Skills

Small businesses have a lot to do, and often do not have the skills to do all of it. While owners may be specialist in their business area, most will lack understanding and experience in some core aspects of running a business, which can sometimes leave them scrambling to fill in the gaps.

For example, half of small businesses told us that they wished they had more help with sales and marketing when starting out, and over a third (35%) with business planning and finance (32%).

When small businesses have been running for a while they place increasing value on these skills; over half (53%) of established businesses still want more help with sales and marketing.

And finance remains a big focus, with 32% continuing to want help with this, and 34% of businesses wanting support with digital skills. Business strategy especially becomes viewed as far more critical, with 49% thinking this will be key to aid future performance. At the start-up stage this strategic focus is lower – only 19% attributed success to a good business plan, and interestingly far more (31%) put it down to luck!

Clearly as businesses grow and scale there can be a benefit to going back to ‘start-up mode’ and interrogating, and potentially rethinking, the business plan.

And while there is understandably a natural process of trial and error for early-stage companies, it is important they are heavily focusing on planning, even when these plans will likely evolve. Planning properly can help to minimise this as much as possible. For example, certain areas like sustainability, which should be baked into a business from day one can, typically be left out.

People Power

While there are certain key skills that start-ups tend to need, their success can be driven by the skills the founder brings in many ways. Almost three quarters (74%) of entrepreneurs attribute their own personal skills as the main factor driving success when starting up. It was the most common answer by a long way in our survey asking small businesses about the roots of their growth.

Yet rather than investing intentionally in developing these skills, they are often gained in start-ups on an ad-hoc basis depending on what opportunities come along. As businesses mature, the emphasis on skill development also tends to fade and the day-to-day business takes over.

This is perhaps unsurprising. Many barriers can exist around upskilling – lack of time and prioritising the ‘urgent’ over the ‘important’. Small business owners do of course carry a lot on their shoulders. But the reality is that spending time ‘on’ the business, rather than ‘in’ the business’ is vital to success.

For businesses that are going through the ‘re-start’ process, re-focusing on the founder’s skills and that of the team is critical. People are, after all, the most important part of a business and nurturing talent is vital. With the nature of small businesses - and the wider world beyond - constantly changing, this habit for learning must become a mainstay of the business culture.

“Speak to as many people as you can and ask them for their advice and opinions. Nothing is worth being awake at night and worrying about. Deal with it in the morning. Write down what you’re good at, and what you’re not so good at, and build on what you ARE good at.”

Emily Beckloff, Founder, International Elf Service

“Be confident in your idea, be confident in what you want to do, and do your research.”

Kathryn Hibberd-Little, Founder, The Mug Tree Tea Room

Agile learning

More awareness of skills can make running a business more efficient and more manageable. For example, over time businesses tend to learn that outsourcing elements that are not core to the business is better for productivity, mental health, and overall business success.

But this learning curve needs to become shorter for start-ups, and businesses that are in 're-start' phase need to re-examine their skills and systems to make sure they are as effective and streamlined as possible.

Artificial Intelligence clearly presents a huge opportunity here. Small businesses at every stage would be wise to invest in understanding and using this powerful tool – it could pay off significantly.

As well as AI, there are other simple ways to boost your business, such as the huge amount of bite-sized, learning opportunities out there that can be accessed flexibly and for free.

For example, online training programmes and stand-alone learning sessions, offered by the likes of Small Business Britain - such as the Small and Mighty programme - that have been specifically designed to help microbusinesses grow.

And as businesses scale they can become eligible for schemes such as the Government's Help to Grow Management program, that offers small businesses the chance to gain training and mentoring from leading business schools at a fraction of the usual cost.

A little help from friends

Yet our research indicates that start-ups can be reticent to reach out for help and support, and there is a concerning sense that entrepreneurs can often feel 'on their own' to figure things out.

Only one fifth sought out support with fundamental areas like setting up a website, registering as a business, HMRC filing and sales and marketing.

When start-ups do access help it is often informally and from those closest to them - a third (35%) turn to family and friends. Encouragingly more than a quarter (27%) feel they are helped by their local community.

Drawing on support from other business owners can really make a difference – a powerful symbiotic relationship that can help everyone involved and strengthen the community.

Joining a peer network – whether it is locally, or online - can be invaluable not only in finding sources of support and camaraderie, but in discovering those fantastic nuggets of insight – solving the elusive 'you don't know, what you don't know' quandary.

This can help avoid the common pitfalls that businesses invariably make early-on, or provide rapid trouble-shooting, short-cuts and 'hacks'. Of course, mistakes can never be eliminated, and is all part of the start-up process. But picking the brains of those who have 'been there and done that' means you can dodge problems and avoid wasting time and resources.

“Always be willing to speak to people. I’ve learned a lot from customers who are in different walks of life, whether it’s entrepreneurial or otherwise, you learn by talking to people and most people are really happy and willing to share ideas and to talk about what they do and to support you.”

Ian McBain, Owner, Tythorne Garden Design

Mentoring

1/3 of small businesses would have found mentoring helpful at the beginning

27% of small businesses do not receive any business support at all

Worryingly only 23% of entrepreneurs get a mentor when starting out, despite this being one of the most helpful things small businesses can do for themselves. A third (37%) say they would have found this helpful.

Too often we seek help when we find ourselves flailing a bit, but from the start businesses really need to gather a team of go-to people for support. Ideally this should include a mentor who has experience in areas that the founder doesn’t, who can offer regular support, accountability, and guidance.

As small businesses progress, their sources of support shift – a third say they would now like a mentor, and fewer (29%) are reaching out to family and friends. More positively half (52%) are turning to business organisations and 27% enlisting experts like accountants.

Yet 27% still tell us that they do not receive any business support.

It seems that ensuring that start-ups and scale-ups can build the right skills is a ‘skill’ in itself. Founders must learn what they need to super-charge their business, and how to go about getting this – from accessing the latest tools and technology, enlisting the right support, and carving out the space and time needed to build capability.

There is clearly a gap for the business support eco-system to step up and give ‘start-ups’ and ‘scale-ups’ more to succeed. From the private-sector and government, to family, friends and the local community – we all have an important role to play and skills and support to offer.

Skills guidance for Start-ups

1. Pledge to continuous learning. Hone your skills relentlessly
2. Look after the heart of your business – you and your team
3. Connect with industry experts - their wisdom could be your guiding star
4. Embrace your local community and the help you can offer each other
5. Lean on your support systems – and don't forget them

Guidance for restarting businesses

1. Re-invest in yourself. And re-build it as a habit
2. Re-evaluate your business plan. Take time on it and make sure it matches your ethos
3. Re-connect with your initial pillars of support – they are still there for you
4. Engage mentors – new and old
5. Super-charge your business with AI and the latest technology

A.I.

For the first time in seven years of these reports, we are starting to talk about AI as a real opportunity for small businesses.

In fact, it is likely the biggest opportunity for productivity and business growth that small businesses will see in 2024.

This has gone from being something far off in the future to being available on all desktops and phones, thanks to some consumerising interventions from initiatives such as OpenAI and Inflection AI. ChatGPT and a host of fast following products have brought rapidly changing and vastly democratising technology to even the smallest of businesses.

If you start a business in 2024, AI will be part of your plan. Much like digital technology more broadly has become second nature to small businesses – getting a website, having an email, presence on social media – using the power of AI to springboard a business out of the starting blocks will be baseline requirements going forward.

Similarly for businesses looking to re-start, get a spring back in their step, and realise new opportunities – look no further than AI to do precisely that.

Best characterised as a helping hand, the best personal assistant you ever had, AI uses the collective knowledge of the internet to spark ideas, find solutions, super-size workflows and much, much more.

We would be remiss in this report if we left out this generational shift in how business works. All businesses we spoke to about this research said they believed AI is going to create a shift in their industry – regardless of what that industry is. This is absolutely going to happen, and it is happening fast. The key for small businesses is to catch up and catch on.

For new businesses, the question will be how is this relevant to me and how do I start?

This is an ideal time to look at automation and AI as you are developing business processes from scratch. It is worthwhile sitting down with your business plan and asking yourself:

- How can I use AI to speed things up?
- How can I use AI to do more for the same amount of work?
- How can I use AI to bring information into the business at a rapid rate?

Small businesses have shared a number of examples of how they have used AI to date to change their business fortunes, and this is just scratching the surface of the opportunities:

1. Using ChatGPT as an assistant to ask questions to when you are stuck, e.g. How do I create a social media plan? How do I hire an accountant? How do I sell online?
2. Using a text generator to create multiple pieces of content to speed up marketing, e.g. creating press releases; social posts based on a style and goal; writing emails to customers in the style of the company's brand.
3. Using an image generator to create content for websites, social media and other promotion, saving cost and time on graphic interventions.
4. Getting ideas for new directions for the business, e.g. asking an AI tool how to export to another country or what businesses like yours do to grow sales.
5. Using AI to create business processes for the business: to enable delegating and time away from the day to day, creating written processes can enable outsourcing or delegating within the business.
6. Making a website accessible: AI tools can create mirror websites that are more appropriate for user access needs, e.g. for screen readers, for those who need a different contrast, and more, widening the audience for your web presence considerably.
7. Taking over your customer engagement: AI driven chat bot responders can take over your customer questions to some extent, reducing your time to respond and increasing your customer responsiveness – important in a competitive economy.

Starting your business with an eye on how AI can supercharge your progress will give you a huge headstart. Reducing costs, reaching more people, responding faster are all competitive advantages for your business, and all can be accessed by the smallest of businesses already.

If you are looking for an extra boost, to re-start your business, you would do well to invest time in auditing your business processes and looking for areas for potential automation and AI intervention.

Taking a step back, assessing areas for better productivity, is an activity that is often overlooked as businesses get more entrenched in a certain way of doing things, and focused on surviving in a difficult economic period.

But taking this time will almost definitely bring results.

One thing to be very aware of however is the limitations of AI, certainly at its nascent stage of exploding onto the consumer and small business market.

Asking small businesses and experts for key watch-outs, they shared the following:

Do not generate text and use without reviewing: often language is Americanised, context can be off, and nuance may be wildly off message for you. See it as a stimulator and short cut to generating content, but for detailed review by the business before usage.

AI is inherently backward looking: it uses data from the past to predict and create. This can be problematic if you are looking to create something innovative and new. It can also be problematic where you are looking to change perceptions of something – a product, service or group. Reviewing the prompts you put to AI can help with this and detailed review of the outputs will be essential.

Further to this point, bias in society may come out in AI content, which could create problems for you. Well known examples of damaging bias stereotypes are creating male surgeons and female nurses; black criminals and white judges. Language can also be outdated and include stereotypes and what would now be considered offensive terminology. Remember that the world has come a long way since content started to be created and over-lay your own approach to the world on whatever AI generates.

AI is not a replacement for real people. It can help with maximising your impact per person, but does not work well in isolation without human intervention (...at the moment...).

Fundamentally, starting and growing a business from 2024 onwards is going to involve AI.

In a world of limited economic opportunities – high inflation remains, consumer spend is flat, bills are still high – AI offers the biggest, most accessible and realisable opportunity for new and established businesses.

Let's start 2024 with a spring in our step – an AI generated boost – and see where it might take us.

Methodology

We surveyed 1,000 small businesses in Q3 of 2023 and interviewed 40 small businesses in person for this report.

Location

7.3%	Scotland
3.2%	England (North East)
7.6%	England (Yorkshire & the Humber)
2.4%	Northern Ireland
8.4%	England (North West)
7.7%	England (East Midlands)
6.6%	England (West Midlands)
5.5%	Wales
7.4%	England (East of England)
12.3%	England (Greater London)
20.3%	England (South East)
11.0%	England (South West)

Sector

26.2%	Other
24.9%	Café, Restaurant or Retail
10.5%	Arts and Recreation
9.1%	Health and Beauty
6.4%	Administration & Support Services
6.4%	Professional & Scientific
5.8%	Information and Communication
2.4%	Finance & Insurance
2.4%	Manufacturing
1.7%	Tourism & Travel
1.3%	Wholesale Trade
1.0%	Accommodation
1.0%	Construction
0.4%	Primary (fishing, farming, mining, etc.)
0.4%	Transport & Storage
0.2%	Energy

Age

< 1 year	7.2%
1 - 2 years	14.1%
3 - 5 years	27.4%
6 - 10 years	25.4%
> 10 years	25.9%

Size

Number of people working in the business	
60.1%	1
34.6%	2-9
1.1%	25-49
0.1%	50+

If you would like to know more about this research, or would like to get involved with future reports, please do get in touch.

You can reach us at: **hello@smallbusinessbritain.uk**

With thanks to TSB for supporting this research

We are committed to accessibility and this report is available in other formats - please do get in touch.