

IN THEIR OWN WORDS: SME CHALLENGES & TRENDS SURVEY, 2017

A qualitative survey which reports on the views of managers and senior executives of UK-based SMEs.

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EXECUTIVE SUMMARY

The UK Government publishes the **Small Business Survey** on an annual basis. The last report was published on 12th May 2016. This quantitative study is commissioned by the Department for Business, Innovation and Skills (BIS.)

In 2015 it involved 15,502 telephone interviews with small businesses on topics including: ambition and expectations of future performance, performance in terms of employment and turnover, access to finance, use of business support resources, capabilities, and barriers to business success.

The **Business Census** is an annual survey carried out by Company Check. The Business Census 2017 engaged 1,302 firms and used a combination of multiple choice and open questions to capture the sentiment of UK businesses.

To quote the Business Census 2017: “We’re a nation that likes statistics.” Large-scale quantitative business surveys are hugely valuable, however, alternative approaches to engaging with members of the SME community may yield fresh insights.

Qualitative studies are not about polling thousands of respondents, but capture stories, trends and context; in the case of this survey, taking a snapshot of the business lives of the people interviewed. Few surveys publish verbatim feedback on the activities and experiences of SMEs, so between April and November 2016, Purposeful Products sponsored and undertook a research project in which 17 managers, directors, CEOs and other senior staff employed by SMEs in England and Scotland were asked questions in 5 key areas. The data collection approach was 100% qualitative and sought to look at people, rather than percentages and at the businesses that exist “behind the numbers” of traditional quantitative studies. The objective was to capture the human voice that is easily lost in large-scale surveys, enabling respondents to communicate entirely ***In Their Own Words***.

The respondents were asked questions on the following subjects:

- The current trends and “hot topics” in their industries
- Current business priorities
- Upcoming projects of significance
- Business challenges and frustrations
- Organisational wins and successes over the past 12 months

To view the full set of questions, please see [Appendix C](#).

Some common themes emerged from the interviews, with businesses from *different* industries focused on similar strategic goals and facing comparable challenges in several areas, including:

- The desire to make improvements to drive their businesses forward. This included a focus on diversification, and looking beyond UK markets and existing methods of doing business.
- An increased focus on marketing, “brand” and customer perceptions.
- The need to navigate through a range of organisational “growing pains”, caused by factors such as:
 - A rise in staff numbers and a resultant increase in the complexity of internal processes.
 - A desire to modernise and upgrade software systems to increase productivity, streamline operations within and across departments, and to solve a variety of other business problems.

- Managing the intricacies of supply chains, distribution and logistics – salient topics for participants from several different industries.
- The perennial challenge of responding to and managing the impact of changes, whether driven by external or internal forces

The topic of fraud arose on several occasions and resources and tips to help you protect your business against fraud have been included in [Appendix A](#), along with other resources useful for SMEs.

This report will review each of these points in turn, from the perspectives of the participants.

1 INTRODUCTION

THE CLIMATE

2016 was an eventful year for businesses and the nation in general:

- The United Kingdom European Union membership referendum and the subsequent decision to leave the EU.
- Heavy cuts in government subsidies in the solar energy sector, resulting in severe job losses.
- The introduction of workplace pensions (Auto-enrolment) began on 1st January 2016 for businesses with less than 30 employees.
- Changes were announced in the Autumn budget to the flat rate VAT scheme, effective 1st April 2017, for those where VAT inclusive expenditure on goods is less than 2% of VAT inclusive turnover (or less than £1000.)
- The National Living Wage came into force in April 2016 and will increase in 2017.
- The Autumn Statement confirmed the government's commitment to reduce corporation tax to 19% from April 2017 and to 17% by 2020.
- Class 2 National Insurance Contributions (NICs) will be abolished from April 2018 as announced at Budget 2016.

The **Business Population Estimates Report** for 2016 stated that:

- At the start of 2016, 97,000 more businesses existed than in the 12 months' prior, a 2% rise and record 5.5 million private sector businesses in total.
- SMEs account for at least 99% of the businesses in every main industry sector. Small businesses (0-49 employees) accounted for 99.3% of all private sector businesses at the start of 2016 and 99.9% were small or medium-sized (SMEs) businesses with 0-249 members of staff.
- In 2016, SMEs accounted for 60% of all private sector employment in the UK (15.7 million people) and for small businesses these figures were 48% (12.5 million).
- The annual turnover of SMEs accounted for 47% of all turnover in the private sector, the equivalent of over £1.8 trillion, whilst for small businesses, the figure was just under £1.3 trillion (33%).

Please see [Appendix B](#) for a list of the surveys referred to in this report.

METHODS & PARTICIPANTS

- Seventeen employees of UK-based SMEs ranging from managers to senior executives were interviewed between April 2016 and November 2016.
- Participants received an email requesting permission to speak to them as part of a research project about the challenges faced by SMEs, which would be entirely anonymous.
- One-to-one discussions were carried out via telephone with the majority of the participants. Two individuals sent their responses by email.
- The industry sectors of the participants included 11 separate SIC codes. (Please see figs [1 and 1.1](#). below for further details.)
- The participants held 13 different job titles. (Please see figs [2 and 2.1](#).)

- The participants worked for organisations across 6 UK regions. (Please refer to figs [3 and 3.1](#))
- Fourteen men and three women took part in the survey. (Please see figs [4 and 4.1](#).)
- The number of staff employed by the businesses that the participants worked for ranged between 5 and 200. (Please see figs [5 and 5.1](#).)
- All the questions asked in the survey were open questions, which participants were free to answer as they saw fit.

A SUMMARY OF THE PARTICIPANTS IN NUMBERS

Before discussing the findings of this report, a summary of the participants will follow in tabular and graphical form:

Fig 1 - Sector / Industry of participants:

Sector / Industry of participants (by abbreviated SIC* code)	Count
Recruitment	2
Construction	3
Finance	2
Telecommunications	1
Wholesale	1
Distribution / Transportation	1
Environmental consulting	1
Membership organisations	3
Retail sales	1
Management consultancy	1
Business support services	1
Total	17

*SIC is the acronym for *Standard Industrial Classification of Economic Activities*.

Fig 1.1 - Sector / Industry of participants, bar chart:

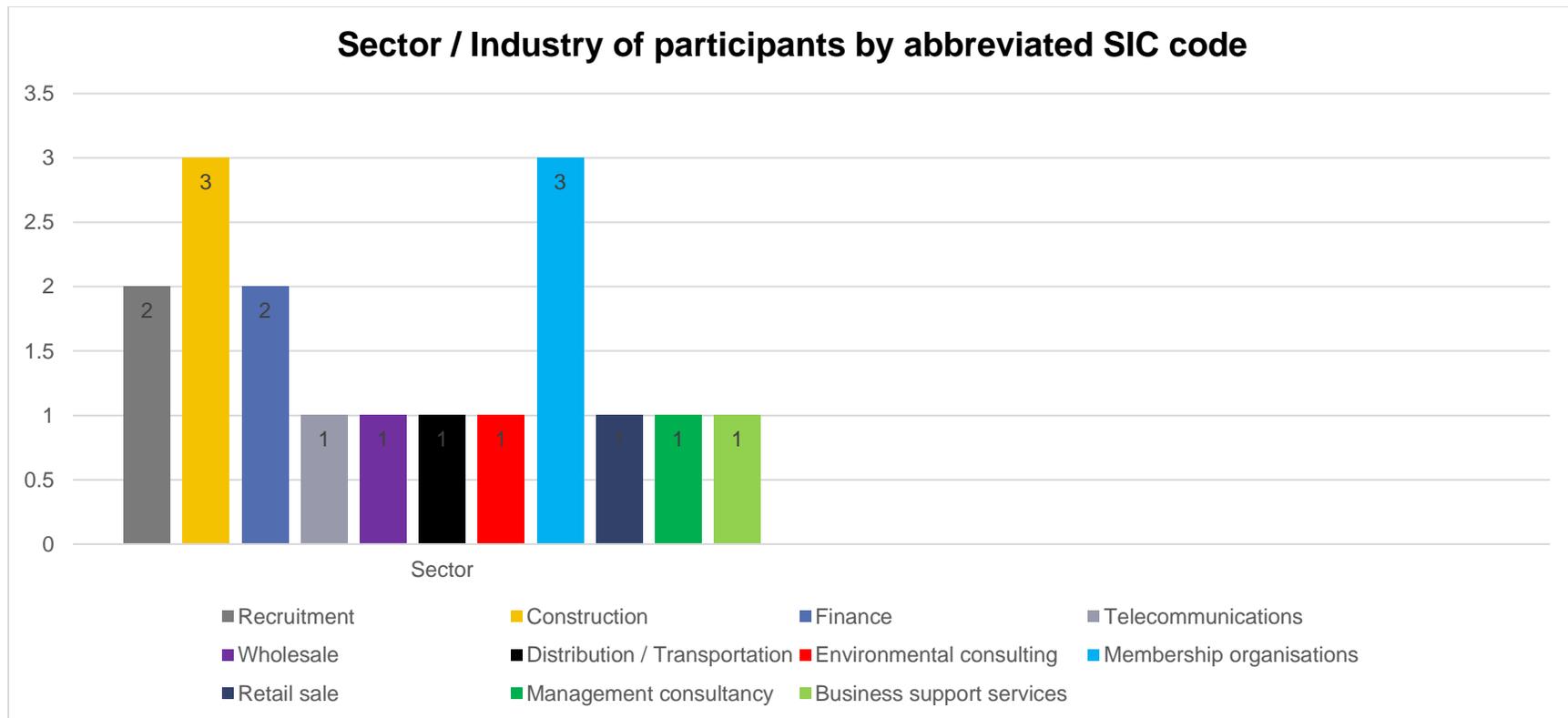


Fig 2 - Positions held by participants:

Positions held by participants	Count
Business Development Director	1
Business Development Manager	1
CEO	3
CTO	1
Director	1
Head of Business Development	1
Head of Digital	1
Director of Marketing	1
Head of Media	1
IT Manager	1
Managing Director	2
Senior Project Engineer	1
Technical Manager	2
Total	17

Fig 2.1 – Positions held by participants, bar chart

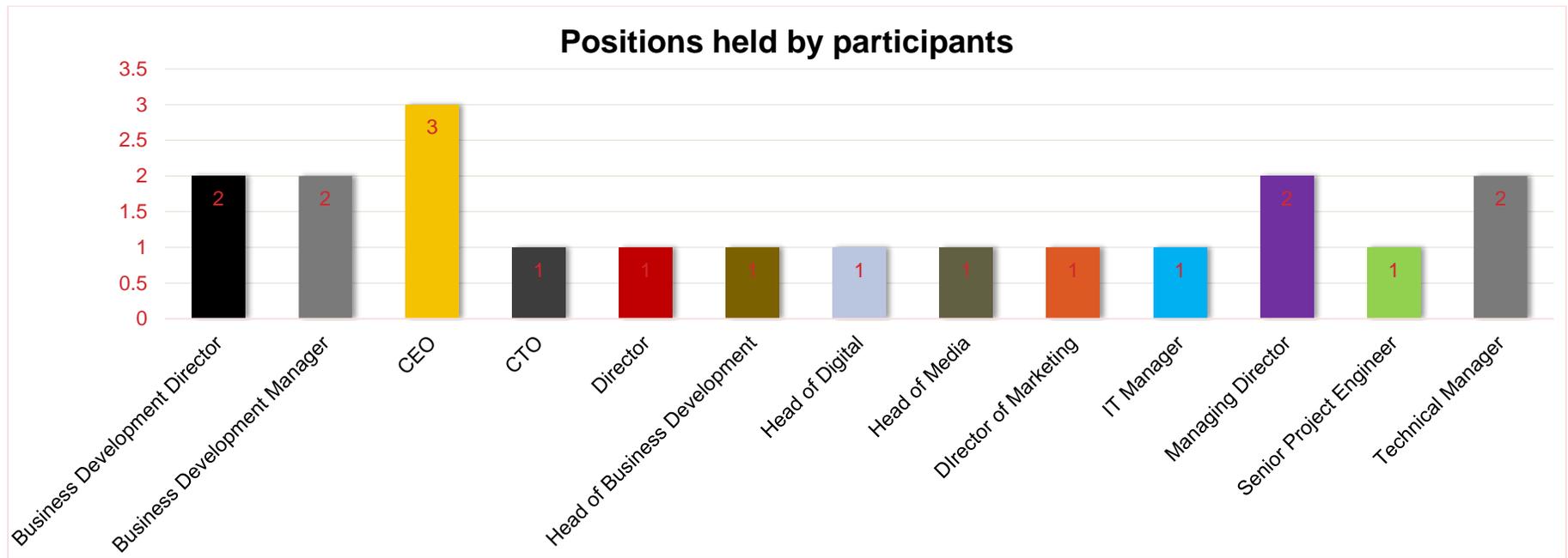


Fig 3 – Geographical location of participants' businesses (by head office)

Region	Count
Scotland	1
North East	1
West Midlands	1
East	3
South East	4
London	7
Total	17

Fig 3.1 – Geographical location of participants' businesses (by head office), pie chart

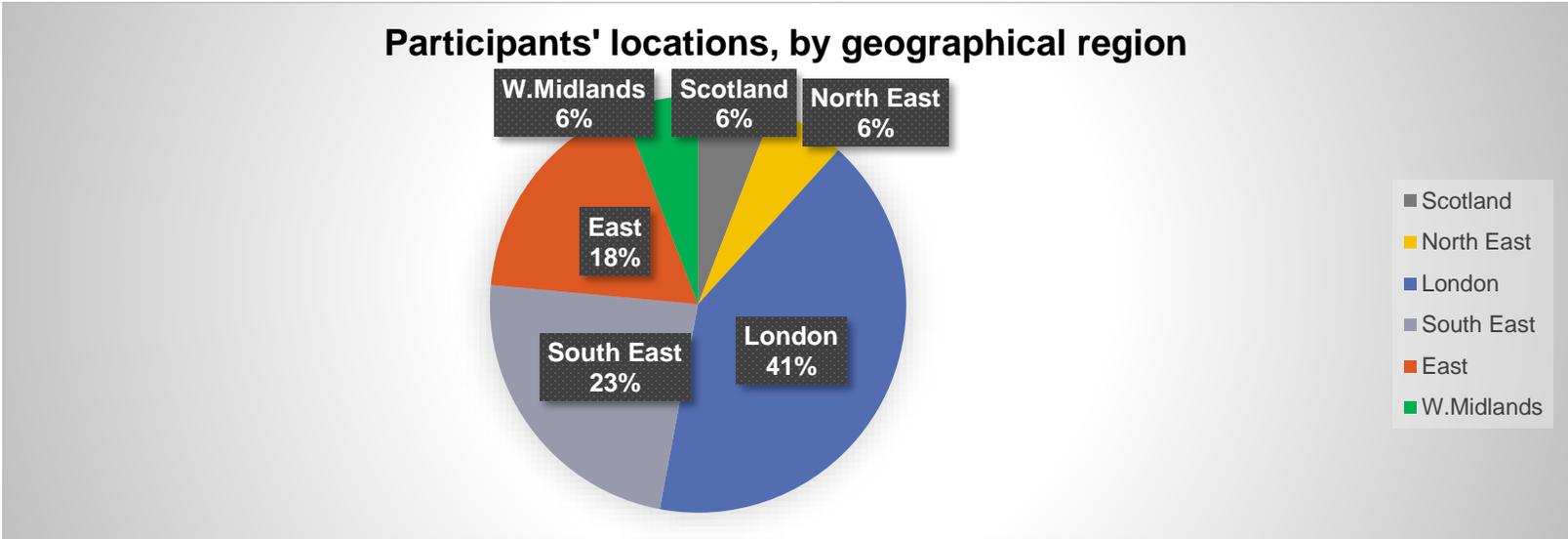


Fig 4 – Participants by gender

Gender	Count
Male	14
Female	3
Total	17

Fig 4.1 – Participants by gender, donut chart

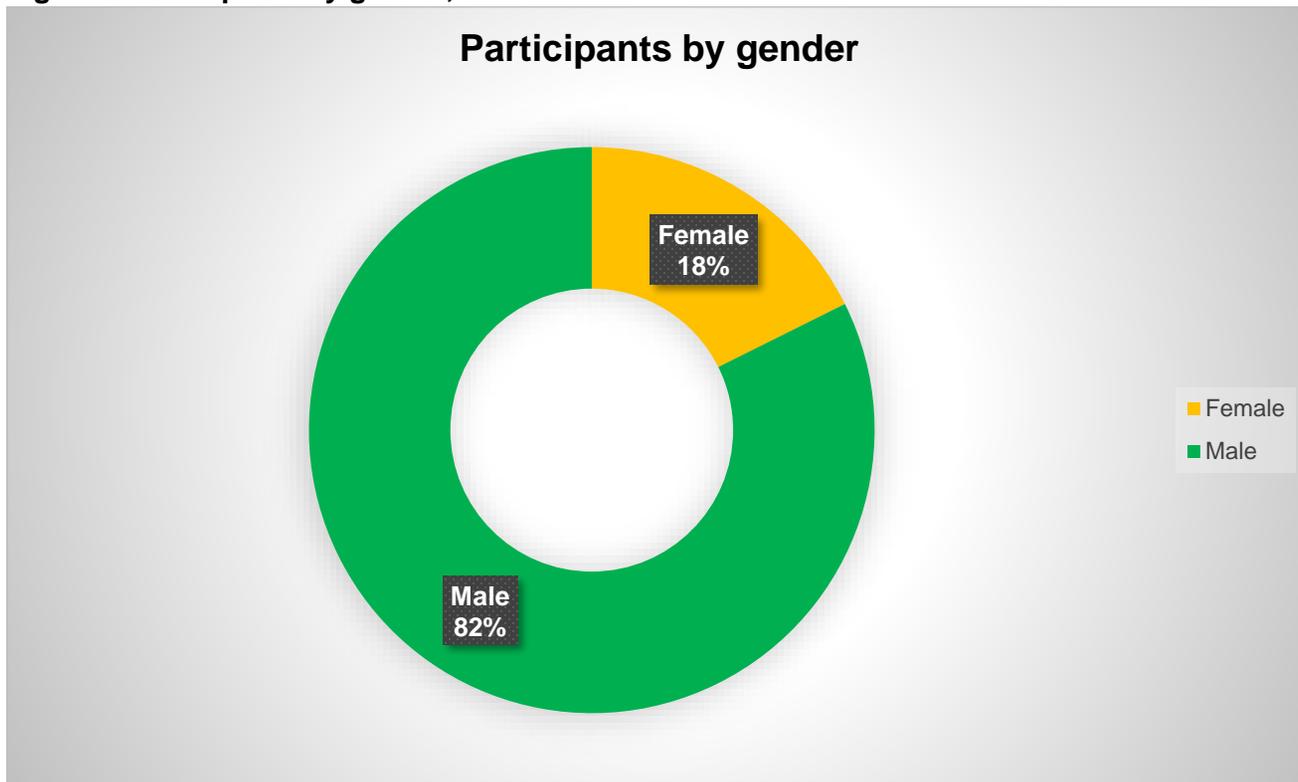
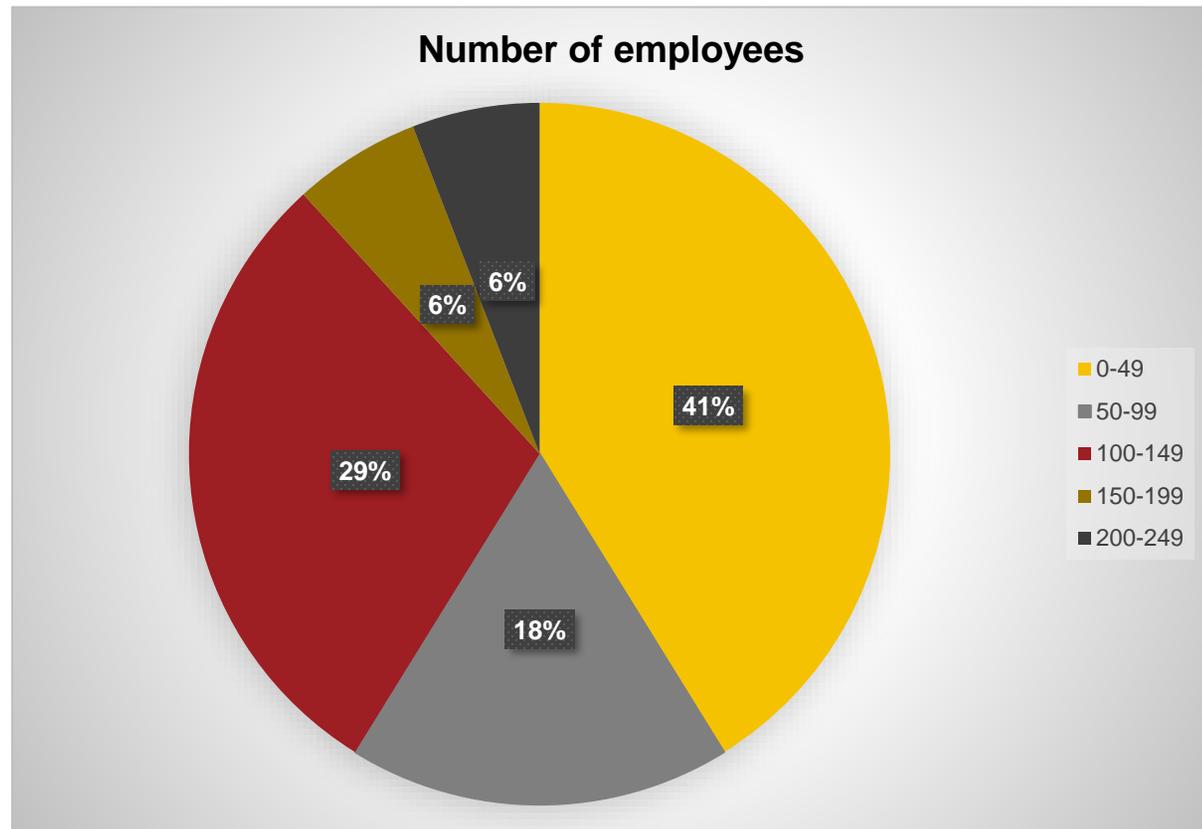


Fig 5 and fig 5.1 Number of staff employed at the participants' companies

Fig 5.1 – Pie chart

Fig 5 – Table

Number of employees	Count
0-49	7
50-99	3
100-149	5
150-199	1
200-249	1
Total	17



2 THE FINDINGS

Despite the variety of businesses that participated in this research, many of the challenges and frustrations described were very similar. Businesses continue to require support with several common challenges. The major trends identified are described here:

2.1 A STRATEGIC FOCUS ON DIVERSIFICATION AND GLOBAL TRENDS

"It's my role to be a visionary - to look at what's coming next." CEO, Membership Organisation

Plans for long-term growth and sustainability were on the minds of some of the participants, who spoke of intentions or existing plans to either grow, or safeguard revenue. Several strategies were discussed, including:

- Working with a network of partners to deliver services
- Diversification within UK markets
- Diversification into global markets
- The overhauling of existing business models

"We've been moving to an annual commitment model over the last 12-18 months and shifting the cadence of the business so we're less reliant on one-off project work." Head of Business Development, Telecommunications

One business was actively positioning themselves to solve problems that they anticipate will become more pressing issues in the market in the coming years.

"We've been looking at global trends and how the business can benefit from them." CEO, Wholesale

One company that had experienced turbulent times had survived by applying for funding, keeping overheads low, looking beyond the UK to Europe and Asia for new business opportunities and partnering with other businesses; forming joint ventures of sorts.

Several companies had been ingenious in using PR to educate and inform the public, or other businesses about issues with scams and "snake oil" within their industries. This had generated positive exposure for their companies and helped the businesses to establish themselves as trusted players in their markets.

2.2 AN INCREASED FOCUS ON MARKETING

On several occasions, participants spoke of an increase in the size of their marketing departments.

Some were leading their company's marketing efforts, establishing, or developing a social media strategy intended to raise the profile of the business. *Brand management*, visibility and *brand guardianship* were emphasised on several occasions.

“We’re focused on brand management, including building and maintaining the brand and making sure it has a consistent and positive public image.” CEO, Membership Organisation

Reaching customers

A range of methods were used for marketing, profile-raising and contacting customers, including:

- Email marketing, sending newsletters and the active building of mailing lists
- Organising events
- Running workshops
- The use of PUSH notifications (messages sent via SMS to customers' mobile phones)
- Social media (LinkedIn was mentioned most frequently by participants)
- The publishing of “thought pieces”
- The use of PR
- Making appearances in trade magazines
- Having articles published in newspapers
- Giving talks
- Attending (and presenting at) exhibitions

2.3 TECHNOLOGY PRESENTS MAJOR OPPORTUNITIES, CHALLENGES AND RISKS

“If it will help us do our jobs better, I want in.” CEO, Membership Organisation

In a nutshell, the theme of this section could be described as: “working hard to keep up with technological advances.”

None of the participants were specifically asked about technology, but the topics of IT, software and technological change frequently arose during interviews – o

.Often as sources of great frustration.

Despite the challenges posed by technology, businesses also identified it as a great opportunity for advancement. Software and technology play a huge role in everyday business life and participants aspired to have tools in place so they could realise a range of benefits, including streamlining and improving control over business processes, improving productivity and making better informed, data-driven decisions.

“At the moment, we’re overhauling all our business processes... We’re investing in purchasing new systems and keeping up with technological changes.” IT Manager, Recruitment Company

Twelve of the seventeen participants had recently bought, or were about to invest in new technology or a software upgrade. Several spoke of having websites refreshed or totally rebuilt to improve customer perceptions, or to expand the range of functionality, or services available to their online visitors. Website performance and reliability in terms of “up-time”, and page loading speeds were mentioned as a priority by one respondent.

The following software applications were mentioned by the people that were interviewed:

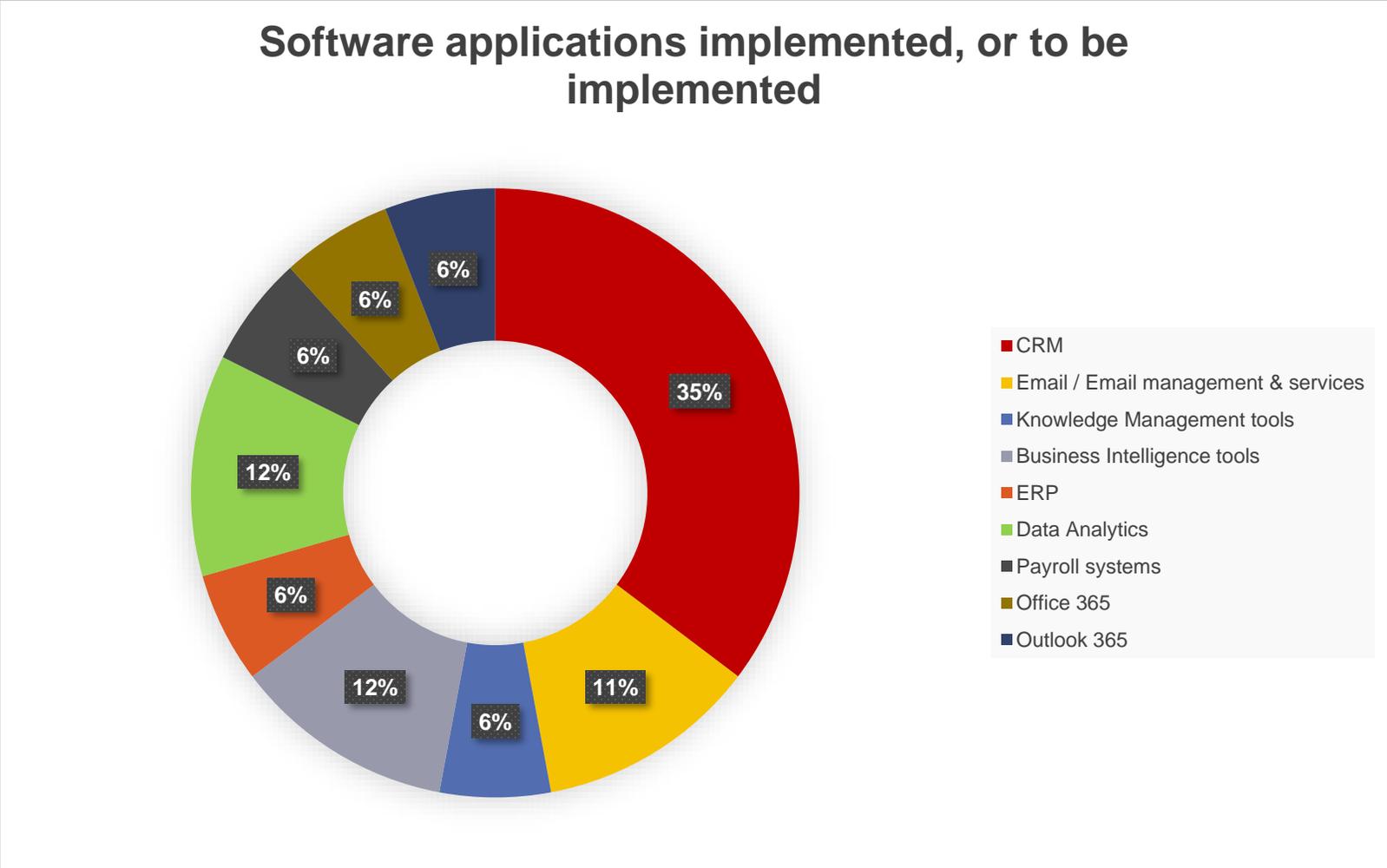
Fig 6 – Business problems and corresponding software solutions

Business Problem	Software solutions mentioned	# of times software was mentioned as a recently implemented, or proposed solution	Specific brands or companies named (if any)
How can we store, manage and share knowledge about customers centrally and ensure timely / automated follow-ups so that opportunities aren’t missed?	CRM (Customer Relationship Management)	6	Salesforce, Capsule CRM https://www.salesforce.com/uk https://capsulecrm.com
How can we make the best use of our data, generate reports or charts and identify trends? How can we begin to forecast ahead and become more proactive?	Business Intelligence (BI) software.	2	Tableau, Crystal reports https://www.tableau.com http://www.crystalreports.co.uk
How can we efficiently “join-up” and automate our core business processes / back-office functions?	ERP (Enterprise Resource Planning).	1	-
How can we generate business reports and dashboard visuals of the KPIs (Key Performance Indicators)	Reporting tools, Data analytics, and Management Information	2	Saber analytics http://www.saberperformancemanagement.co.uk/

that we have identified as being important?	System (MIS) tools.		
How and where should we store our data?	Simple, or larger databases.	2	Access database, Sequel (SQL Server) database https://products.office.com/en-gb/access https://www.microsoft.com/en-gb/sql-server/
How can we reduce errors and decrease the amount of manual work done by our back-office teams?	Payroll systems, products to manage / streamline accounts and credit control functions.	2	Safe Financials http://safe-financials.co.uk/
Where can we find a platform to help us organise customer outreach activities and coordinate events?	Outreach and event management.	1	Eventbrite www.eventbrite.co.uk
How can we share and manage company information, processes and news internally?	Document storage and article publishing.	2	Use of Wikis, Intranets
How can we store and extract documentation and information relating to past projects and events easily and efficiently?	Document storage and knowledge management.	1	SharePoint www.microsoft.office.com/sharepoint (Competitors: Confluence https://www.atlassian.com/software/confluence)
How can we automate and coordinate our social media plans and minimise manual effort?	Tools for social media management.	1	Hootsuite https://hootsuite.com/products (Competitors include: Buffer app, SproutSocial and Edgar)
How can we manage and protect our email data and email services from malicious software (malware), data leaks, data loss and external threats?	Security, continuity and archiving.	1	Mimecast https://www.mimecast.com/solutions/ (Competitors: Thunderbird https://www.mozilla.org/en-GB/thunderbird , Zoho mail https://www.zoho.com/mail , G Suite https://gsuite.google.co.uk)
How will we send and receive email?	Electronic communication products.	1	Migration of emails to Outlook 365 https://www.office.com/?omkt=en-GB
How will we create and store spreadsheets,	Office computing packages and	1	Office 365 (Competitors: G Suite, https://gsuite.google.co.uk)

presentations and other documents?	document creation.		
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Fig 7 – Software applications recently implemented, or to be implemented within the next 12 months



Planning and forecasting tools able to pull in data from different parts of the business and generate reports were highly valued.

Business Intelligence tools had helped one company to identify that a peak sales period was coming up. As a result, the company put a temporary freeze on staff annual leave during this period. On the other hand, businesses spoke of accumulating data, but experiencing difficulties in extracting and manipulating it for their own benefit.

“There’s lots of data in there, but we can’t easily get that data out.” Managing Director, Recruitment Company

Software solutions which increase back-office productivity and reduce paper-based admin work by streamlining payroll processes was something that both recruitment companies that took part in the survey were interested in, however one was considering ways to reduce the cost of storing large amounts of timesheet related data, whilst the other was planning a move to a new financial management system.

One director mentioned an increased focus on sales funnels and customer journeys and conversion rates from “Facebook click to purchase.” The ability to do this had not been fully implemented, but the tracking of customers’ online activities and customer engagement were being investigated as the next logical step for the business and a real win.

Other IT projects planned included breaking away from “on-premises” software and moving to cloud-based versions. Cloud-based software (Software as a Service, or SaaS) was identified as being far more cashflow-friendly for SMEs, decreasing up-front investment costs.

The “all-inclusive” nature of software upgrades was also described as a key benefit of leasing software, which “future proofs” businesses, whilst the data storage invariably included as part of the monthly, quarterly or annual subscription package was viewed as an additional benefit.

“It’s the difference between 60k upfront vs. £60k over 12 months.” IT Manager, Recruitment Company

Business efficiency and software appear to be intertwined, with businesses transitioning away from legacy systems and existing tools or workarounds that are “doing something simple” or “doing the basics”, (phrases that frequently arose during conversations), to tools able to resolve the business challenges outlined in this report.

Participants from the telecoms and construction industries stated that winning and closing new business, following up on leads and preparing new bids is a time-consuming activity. Attempting to locate past bids was particularly inefficient and painful without software to lend a helping hand. One company was using SharePoint as their knowledge management tool of choice.

“The proposals we complete could have hundreds of questions. We use SharePoint to share documents and to help us in the creation of our bids.” Head of Business Development, Telecommunications

“We don’t have a computerised system for [tenders], but we save the information in case the same questions are asked again.” Business Development Manager, Construction

There seemed to be three groups amongst the businesses spoken to:

1. Those, who in their own words were using “crude, paper based systems” or were dissatisfied with the amount of “paper shuffling” and manual processing still happening within their businesses. The consequences of which included lost documents, duplication of work, errors and wasted time.
2. Those who had systems in place that they were happy with.
3. Those with plans to upgrade systems, drive efficiencies and realise other benefits such as those listed in Figure 6.

“We couldn’t even think of providing [that service] with the systems we have.” Director of Marketing, Retail Sales

However, it was not uncommon for a single business to fall into all three categories simultaneously. Having all the right systems in place and optimised *at the same time* is a tough task to accomplish. Tools continually need to be replaced, fine-tuned or upgraded. This is in effect, a moving target and a process in a perpetual state of motion.

2.3.1 REALISING THE BENEFITS FROM INVESTMENTS IN SOFTWARE CAN BE A PAINFUL AND COSTLY PROCESS

There was a general sense that businesses are keen to invest in technology on one hand, whilst on the other they are wary of doing so because they are conscious of the hazards and expenses involved. Most lacked all the expertise needed to manage the process of change in-house.

“Software is a continual challenge.” Managing Director, Recruitment Company

“Our business struggles with IT.” IT Manager, Recruitment Company

Unfortunately, after the initial investment had been made, the path to the desired end-result had been far from smooth for the majority. Ten out of the seventeen participants recounted issues, “horror stories” or a general frustration with selecting, implementing and bedding-in new software applications.

“Eighteen months ago, we invested in a CRM that turned out to be complete rubbish.” CEO, Membership Organisation

Difficulties with achieving a return on investment were mentioned several times. Despite what was often a substantial initial outlay, plus additional license fees and mandatory support and maintenance costs, businesses had found that new software still required extra work (and expense) before they could extract the value from it.

Businesses were sometimes unaware of all the add-ons, extras and configuration work required to do this. This led to dissatisfaction as the true cost of their investment was not always clear from the outset. This news sometimes came to light as an unpleasant discovery later in the process.

“What we were not told about was all the effort that would be needed to get the data in [to the product.]” CEO, Membership Organisation

“License fees are a killer.” IT Manager, Recruitment Company

Some felt that there was a lack of generic software for smaller companies, stating that the costly “bells and whistles” emphasised in software vendors’ marketing campaigns were better suited to larger organisations that could afford the price tag that accompanied them.

One managing director created a powerful image when he described these expensive products as being “*on a shelf too high to reach*” for small businesses.

Two participants explicitly mentioned word of mouth as their go-to method for finding suitable software which was the right “fit” for their business. One had procured a cloud based CRM application through a recommendation and was satisfied with it.

2.3.2 FINDING THE RIGHT ASSISTANCE ADDS COMPLEXITY TO THE MIX

Once businesses recognise the need for outside help, next comes the matter of hiring in the right expertise to support them in replacing or upgrading their software.

“The only thing that keeps us sane is knowing it’s not just us going through these issues.” Director of Marketing, Retail Sales

Finding companies to provide assistance was described as both complex and expensive. SMEs spoke of the expensive consultancy fees associated with hiring consultancies and software houses. Participants were disillusioned with these considerable expenses, citing costs of £1000+ per day for customisation, or for consultants to be present on site, in addition to the “6 figure sums for products” still due to be paid, sometimes without any services built-in to pricing models.

When talking about hiring in help, there was a view that larger IT Consultancies are either unwilling, or unable to deliver their services in a manner that suits smaller businesses. Participants described being pushed through a cookie-cutter process that was not always suitable for them and lacked flexibility. Several participants said that large IT Consultancies “just did not get” the needs of smaller companies, and therefore, were unable to adapt, whilst smaller consultancies were described as being “more useful.” One company had called in an SME consultant to help them assess their requirements and make recommendations, however the hand off to a 3rd party software house for fulfillment, did not go to plan.

“With every project that doesn’t go well, I wonder what could have been done differently. I wonder if they [the consultancies] do the same.” Managing Director, Recruitment Company

“There have been a few false starts with companies used to dealing with big corporates and approaching the business with entrenched project management styles, [but the] in-

***house understanding of project management is just not there. It's not what we do.”
Director of Marketing, Retail Sales***

Several participants spoke about resisting the temptation of shiny objects and sales pitches, with one CEO speaking about the importance of focusing on the essentials, in order to see beyond sales representatives who are "selling the sizzle" of new and exciting products.

“[The consultancies] have oversold and underdelivered. Initially nothing is too much of a problem, but then the project turns into a disaster. You go to providers for help, not trouble... They sell you the dream before trying to optimise what you've got. There is far too little empathy with customers.” Managing Director, Recruitment Company

Some of the businesses with formal IT departments were adopting a hybrid approach; handling a proportion of IT projects in-house and outsourcing work which was too large in scope, or not their area of expertise to larger companies.

2.3.3 ENTERPRISE SOFTWARE VS. NICHE SOFTWARE

When selecting the right software, the landscape is complex, with a choice between the more expensive enterprise “Swiss Army knife” software which may be overkill for small organisations in terms of functionality, cost and time to implement, versus tools for specific purposes, often developed by smaller players in the software market. Although these products may perform tasks well, it can be difficult to integrate these stand-alone tools with other products used in the workplace.

“You think to yourself, ‘I've got a problem...’ so you buy that [product] - but the product you bought before doesn't ‘talk’ to it.” CEO, Membership Organisation

Some software providers are starting to partner up, providing basic integration between their tools to increase convenience for customers, and this practice is likely to continue. Tools such as Zapier, <https://zapier.com/> can be useful for integrating products, however, at present, few tools are capable of connecting a diverse range of products owned by different software providers.

2.4 RECRUITMENT OF STAFF TO SUPPORT EXPANSION

Hiring continues to be an inexact science and businesses are striving to make the recruitment process as effective as possible. Participants from the construction and wholesale industries commented on the challenges of finding staff with the appropriate experience.

“It can be difficult to find people with the right skills.” CEO, Wholesale

“There is a shortage of skilled workers... and competent, capable staff.” Managing Director, Construction

One company had adopted the tactic of using internal staff to identify and headhunt talent via LinkedIn and were combining this approach with the use of recruitment agencies.

The decision as to whether to focus on locating more expensive, but highly skilled employees, or to recruit more junior personnel was also discussed. One manager cautioned against short-term “sticking plaster” hires, noting that ultimately less experienced staff are not the strategic hires that will help a business move in the right direction.

2.5 REGULATORY COMPLIANCE BURDENS & POLICY CHANGES

The administrative burdens of regulatory compliance were voiced as a challenge or frustration by at least one third of those who took part in this study. Participants spoke of the strain of increased regulation, and of policy changes that make running a business more challenging.

“Policy changes are haphazard. Many of our competitors have gone out of business, or changed trades.” Senior Project Engineer, Consulting

Across several industries, compliance requirements and legislation were creating challenges for businesses. One participant spoke of businesses being expected to become "experts overnight" in a range of topics to satisfy various EU regulations.

In recent times, the introduction of VAT MOSS (VAT Mini One Stop Shop) rules for businesses that supply digital services to other EU member states had created much panic and uncertainty amongst business owners. In early 2016, the government issued a brief confirming that the rules would be simplified, with businesses earning under the VAT registration threshold of £82,000 becoming exempt.

“VAT MOSS could have collapsed many micro-businesses. The government miscalculated the numbers and the impact and who was in the markets – 250,000 small businesses were affected. It would have been a hugely onerous compliance burden for very little tax take. People feared that they would go out of business in order to comply with the government.” Head of Media, Consultancy

Winning new business was synonymous with “administrative slog” for those involved in business development activity. All three businesses in the construction industry commented on legal requirements such as SUDs (Sustainable Urban Drainage Systems), required when building new developments and the heavy admin required for compliance and when bidding for new business.

Several companies were ISO 9001 certified, requiring checks and protocols to be carried out, with additional re-auditing every three years.

“The government is constantly increasing administration on companies. The paperwork needed to do anything these days has grown out of all proportion.” Managing Director, Construction

“There is a target for 1/3rd of contracts to be awarded to small businesses, but it’s very hard to apply. You almost need a lawyer... It’s [also] hard to do business with 30-day payment terms. Big businesses like to pay late. If you’re a small business, it can take you under.” Head of Media, Consultancy

2.6 GROWTH DRIVES A NEED FOR MORE MATURE BUSINESS PROCESSES

Many companies were experiencing growing pains as staff numbers increased. As companies transitioned from a size where staff “know what’s going on” to one where communication had become more challenging, the need to disseminate information across the business, or across different departments in a timely and effective manner had become an important consideration.

“Communication across business functions is poor.” IT Manager, Recruitment Company

Ensuring that employees are well trained, with the right tools in place to perform effectively was also a concern. Having systems in place to support staff and to track the completion of tasks was front of mind for some.

“It’s quite hard as the company grows, people don’t realise who is waiting on who... If you ask someone to do something and assume it’s done, that’s a huge error of judgement.” Managing Director, Recruitment Company

“I’m thinking about ways to leverage my staff’s time.” CEO, Membership Organisation

The participants from the medium-sized businesses had identified a need for project management skills and formal reporting procedures. Several were putting (or had already put) systems in place to provide better visibility of progress and issues around the business and were starting to see positive results. The larger SMEs were also more likely to mention having an Intranet, or knowledge management tools to provide shared accesses to process-related documentation and to facilitate internal communication.

“Everyone knows where we’re going.” CEO, Wholesale

2.7 SUPPLY CHAINS, DISTRIBUTION AND LOGISTICS

The complexities of managing supply chains were actively discussed by four out of the seventeen participants dealing with the daily challenges of logistics and distribution. For these executives, safe and efficient passage of goods, inventory management and minimising human error were prime concerns.

“There are millions and millions of pounds wasted in inefficiencies, but we’re trying to improve. [Sometimes] items are not expected, goods are not ready to be received or the consumer is sent the wrong product. There are 6 billion barcodes being scanned globally every day. That is a lot of room for error! A container needs to go on a ship and

it needs to be the right ship and the right container, headed to the right country.” Head of Digital, Membership Organisation

Participants mentioned issues with “breaks” in supply chains, which enable counterfeit, dangerous and illegal products to enter them. This is a cause for serious concern when these products include electrical goods, pharmaceuticals and comestibles.

“The big problem that consumes us all the time is traceability and protecting the supply chain.” Head of Digital, Membership Organisation

The critical role of both customs and trading standards in verifying the legitimacy of goods was mentioned by several participants. One anecdote described a shipment of baby monitors from Asia not set to the correct frequencies for Europe, disrupting the function of mobile phone masts. This highlighted an unforeseen consequence of consumers’ abilities to purchase goods from international merchants, which may not meet local quality or safety standards - or be appropriate for local use.

“The Internet is taking away the buyer/seller relationship. The whole consultancy piece is missing.” CEO, Membership Organisation

2.8 HACKING AND CYBERCRIME

“Fraud affects 1 in 4 small businesses every year. Last year fraud losses to SMEs were estimated at £18.9 billion. It can happen to any type of business in many different ways, and no business is too small to be targeted. This means that the revenue, reputation and long-term health of your business could be at risk unless you take action.” **Action Fraud (the UK’s national reporting centre for fraud and cybercrime)**

Fraudulent acts committed against businesses arose as a topic of discussion, not only in relation to goods illegally entering supply chains, but in other guises too.

One participant raised the issue of **Dial Through Fraud (DTF)**, which occurs when fraudsters hack phone systems so that calls can be made without authorisation. Unfortunately, the victims are held responsible for the cost of the calls that have been made.

“There are businesses being charged for fraudsters dialing premium rate numbers in Cuba. If you get hit with a phone bill of £20,000, it can take you under. Many businesses are ignorant of the devices of these hackers and fraudsters.” CEO, Membership Organisation

Resources and tips to assist you in protecting your business from fraud and cybercrime have been provided in [Appendix A](#).

3 WINS AND SUCCESSES

The study also provided an opportunity for participants to review the successes enjoyed by their companies over the previous year. Companies' wins included:

- Increasing sales
- Survival through adaptation, for those who had experienced a difficult year
- Winning new contracts
- Forging partnerships within the community

“We’ve increased our sales by 5%.” Managing Director, Construction

- Charity fundraising
- Running high-profile public events
- Successfully acting as advocates for consumers
- Successfully lobbying for other small businesses
- Analysing business spend and reducing costs.

“We’ve renegotiated our per-minute call costs and saved £15,000.” IT Manager, Recruitment Company

- Succeeding at implementing new processes in-house, so that project milestones and reporting procedures were in place and working effectively
- Making advances with social media strategy
- Opening new offices
- Award nominations and wins for teams

“We’re utilising great content across multiple channels.” Director of Marketing, Retail Sales

4 CONCLUSIONS & RECOMMENDATIONS

“The old rules don’t necessarily apply.” Head of Media, Consultancy

The face of business continues to evolve and companies must continue to adapt for a range of reasons; including changing the way(s) in which they reach new customers and conduct business.

However, as one participant put it, there are some “predictable crunch-points” that exist for businesses as they mature.

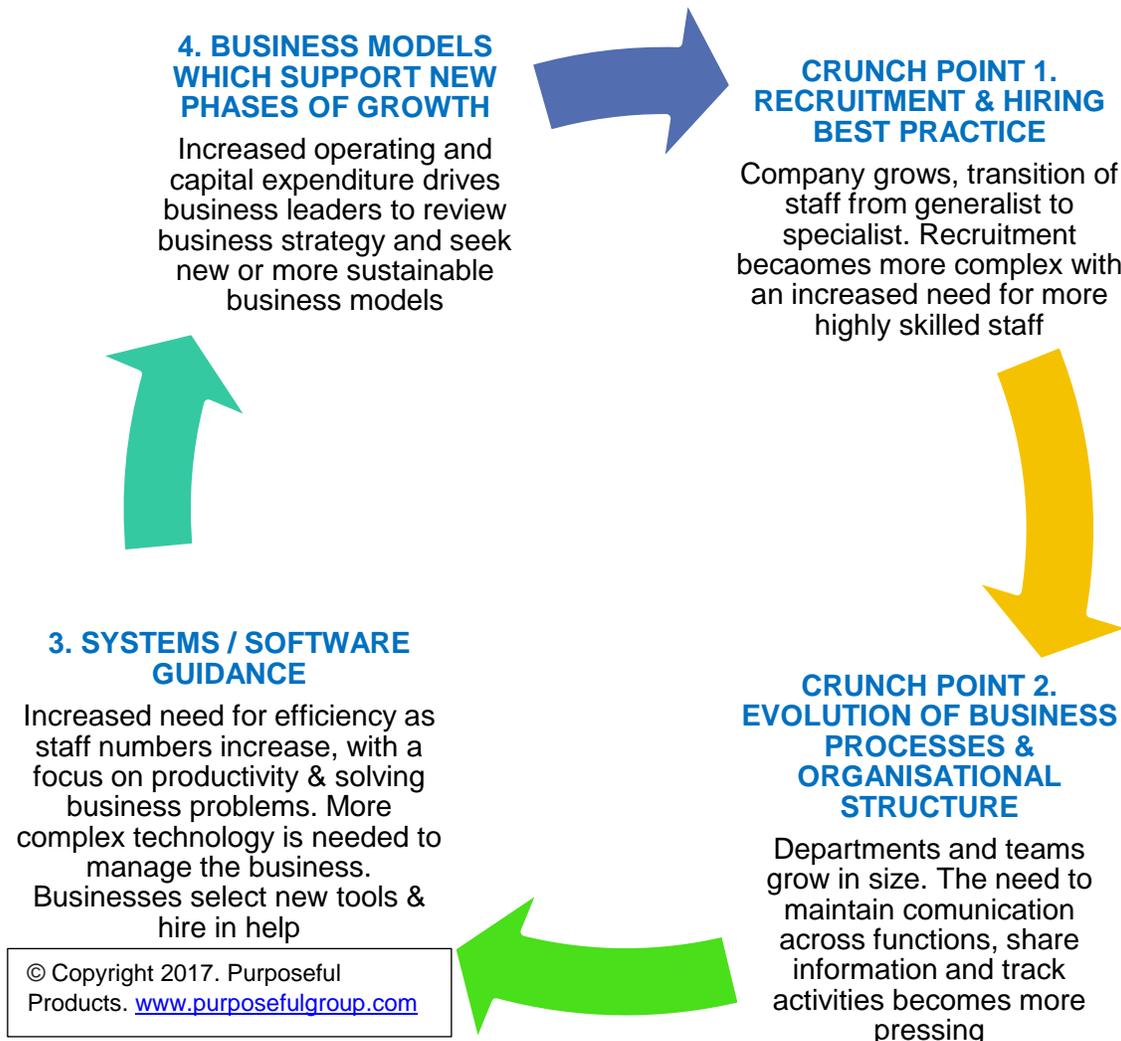
Common threads in the stories of businesses across a range of industries highlight similar challenges faced, regardless of business sector. SMEs not only have to put aside old ways of working due to external pressures driven by political, technological, social, legal and economic forces, (to name but a few key influences) but must also evolve as a direct result of their own growth.

The provision of support at these points would assist a range of small businesses and there appears to be a need to assist them as they experience:

- The **growing pains of expansion** and the transition of staff from generalist to more specialist roles, a need for new in-house skills and expertise, and **the growth of different business functions or departments**.
- A need for **more effective ways to communicate and share information** as staff numbers increase.
- **A desire to work more efficiently** with more staff on the payroll, and **a requirement for more complex technology and software** to manage more people, more complex internal processes and “new” business challenges, as they enter an unfamiliar phase of growth.
- **A need for tried and tested approaches** to selecting software and **carrying out due diligence** before investing in new technologies or appointing 3rd party consultancies.
- Increased operating costs which dictate that **business leaders continue to seek out and adopt new and more sustainable business models**.

These trends, which appear to be driven by company size, rather than industry sector, are described in Figure 8, *The consequences of growth cycle*:

Fig 8 – The consequences of growth cycle: suggested ways to support SMEs entering new growth phases



Given that this is a small study, one might ask whether these findings reflect trends in the wider world.

Purposeful Products believes that the technological trends observed quite accurately reflect the challenges encountered by small businesses on a much wider scale.

Over the last 5 years, there have been many news articles and reports published in different countries, including those from global research firms such as Gartner, which confirm that the transition to cloud-based software and the challenges faced when selecting software and making IT decisions are real and ongoing concerns for businesses.

In recent years, there have been announcements from Deloitte, PwC and other professional firms and software companies which indicate their interest in the profitable SME market, whilst research indicates that more and more businesses without mature or formal IT departments are making software decisions without specialist technical advice.

The “culture clash” sometimes seen when SMEs work with large businesses has also been documented. This creates a fresh set of challenges for both parties – difficulties that were mentioned explicitly by several participants in this study. (Please see Appendix D for references.)

How many SMEs are experiencing these exact same struggles? A great number will have already experienced these challenges and frustrations, and more will follow.

It is highly inefficient for millions of SMEs to continually “reinvent the wheel.”

This presents an opportunity for knowledge sharing. Support in simple forms; web based best practice tips, PDFs and guides covering tried and tested approaches to hiring staff, selecting software, addressing the common problems encountered whilst transitioning from a small to a medium sized business (or a medium-sized business to a large one), and assessing alternative business models which currently work within (or even across) business sectors would all help SMEs to “work smart.” It makes good business sense to learn from others, rather than through trial-and-error, saving businesses time and money (and a good deal of frustration) in the process.

With this in mind, Purposeful Products has published a *software buyer’s guide for SMEs*. This book will address the challenges faced at crunch point 3 in the consequences of growth cycle. Please see [section 6](#) for more details about the guide.

Further studies to: i) further investigate these organisational “crunch points” and ii) evaluate the ways in which SMEs would prefer to consume information and access resources would be beneficial.

Mastermind and networking groups do of course exist, however, centralised information covering these common themes and an increased focus on signposting places where SMEs can go to receive this type of advice would be valuable.

In some cases, solo and micropreneurs appear to have supportive online communities and arrangements such as accountability buddy pairing, which allows individuals to support each other, compare notes and share difficulties and solutions. It appears that the emphasis on practices like this seems to trail off as businesses become larger.

Business-buddy systems with large businesses supporting medium sized businesses and medium sized businesses supporting small businesses could be used to fast-track companies through the challenges to be faced at start of their next growth phase, or “crunch point.” Business “peers” of the same size in non-competing, or complementary industry sectors might derive benefits from sharing experiences, effective strategies and partnering on joint ventures for mutual benefit.

5 THANKS / ACKNOWLEDGEMENTS

With sincere thanks to all the people that took part in the study for their time and generosity in candidly discussing their opinions, business challenges and successes.

6 ABOUT THE AUTHOR

This report was sponsored and prepared by **Purposeful Products**, a consultancy that supports small businesses in managing software-related challenges and adopting Agile ways of working.

A business analyst, project manager and software delivery specialist by trade, Kay Kukoyi, the founder of Purposeful Products has spent over a decade supporting businesses in making key decisions, leading and working in technical teams to create commercial-grade software using Agile development methods, including mobile apps, websites and web based applications for clients of all sizes from SMEs to FTSE listed multi-national companies.

Kay is a qualified coach and in a previous life, she worked for a market research consultancy, interviewing members of the public, businesses, journalists and politicians.

She is the author of two business books for entrepreneurs and business owners; *Develop Your Idea!* and *Don't Hire a Software Developer Until You Read this Book*. Between them the books have ranked #1 in the Business Skills, Information Technology, Project Management and Reference book categories on Amazon.co.uk and appeared on more than 20 Amazon Top 100 Best Seller lists worldwide including #1 best seller rankings in the US, UK, Australia, Canada and Brazil.

Her 3rd book is a “software survival guide for SMEs,” which will launch in Spring 2017.

Inspired by the feedback from the businesses in this report, the book provides detailed information to assist readers as they go through the process of selecting software, implementing it in-house, and “bedding-in” the software within their businesses.

Written specifically to support SMEs, it includes a range of resources, including spreadsheets and templates and readers will be shown how to secure a return on their software investment in practical terms throughout the book.

The participants that took part in this study will receive a free digital copy of the book, however, if you were not a participant, but would like a copy, you can order an advance copy from Amazon.co.uk at the early-bird price of £3.99, <https://www.amazon.co.uk/dp/B06XG1XFL7> (UK), <https://www.amazon.com/dp/B06XG1XFL7> (US) which will be delivered directly to you by Amazon on launch day.



Fig 9 – Amazon.co.uk website. Purchasing & Buying business category, best seller list.

7 APPENDICES

APPENDIX A - RESOURCES FOR SMEs

Security related resources

"...Along with huge opportunities for SMEs trading online, there are risks, and more businesses need to ensure they are protecting themselves from cyber criminals. The financial losses associated with cybercrime are significant for small businesses as well as larger ones. Leaders of small businesses need to do more to protect themselves and their customers online." **Cyberstreetwise**

Cyberstreetwise PDF:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/273330/cyber_streetwise_open_for_business.pdf

Cyber Security Guidance for Business. This page includes training, ways to obtain certification for your business and advice on guarding against fraud: <https://www.gov.uk/government/collections/cyber-security-guidance-for-business>

Twitter: @cyberstreetwise, #becyberstreetwise

Web: www.cyberstreetwise.com

The National Fraud Intelligence Bureau (NFIB) and Action Fraud sit alongside each other. (Action fraud is the UK's national reporting centre for fraud and cybercrime):

<http://www.actionfraud.police.uk/small-businesses-know-your-business>

Telephone security checklist (with thanks to the FCS)

Take steps to protect your telephone systems from fraudulent use with this checklist, courtesy of the Federation of Communication Services (FCS.)

It is also recommended that you check your business insurance policy to assess the level of cover provided for victims of telephone and Internet-based fraud.

Telephone security checklist:

<https://www.dropbox.com/s/6mc9d6bpn22fcdd/FCS%20Security%20Checklist.pdf?dl=0>

APPENDIX B – SURVEYS REFERRED TO IN THIS REPORT

Below is a list of the surveys referred to in this report:

Small Business Survey 2015: businesses with employees:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/522364/bis-16-227-sme-employer-report.pdf

Small Business Survey 2015: businesses with no employees:

<https://www.gov.uk/government/publications/small-business-survey-2015-businesses-with-no-employees>

Master link to annual Small Business Surveys:

<https://www.gov.uk/government/collections/small-business-survey-reports>

The Business Census 2017 report:

<http://hub.companycheck.co.uk/business-census-2017/>

Business population estimates for the UK and regions 2016:

<https://www.gov.uk/government/statistics/business-population-estimates-2016>

APPENDIX C – THE DISCUSSION GUIDE

This is a copy of the “discussion guide” used to interview the managers and executives that took part in this survey:

- Please confirm your name and job title
- Please confirm the number of employees in your business and the number of departments that you have.
- What trends are you seeing in your industry sector at present?
- What do you feel are your most important tasks as [insert job title]?
- What are the most important projects that you are focused on at the current time?
- What are the most inefficient, costly, time consuming or frustrating tasks / processes dealt with by you or your staff?
- What are the three biggest challenges that your business faces at the current time?
- What challenges are you facing as your business grows? (If different from the question above.)
- Please discuss any successes, “wins” and progress made within your business in the last 12 months.

APPENDIX D – REFERENCES

References from the Executive Summary:

Changes that affected small businesses in 2016.

Flat rate VAT scheme changes: <https://www.gov.uk/government/publications/vat-notice-733-flat-rate-scheme-for-small-businesses>

To view all tax-related business topics, please go to: <https://www.gov.uk/topic/business-tax>

The Pensions Regulator: <http://www.thepensionsregulator.gov.uk/employers/staging-date.aspx>

Workplace pensions advice: <https://www.gov.uk/workplace-pensions-employers>

Feed-in Tariff (FIT) cuts: <https://www.gov.uk/government/news/changes-to-renewables-subsidies>

References from the Conclusions & Recommendations section:

Gartner Says by 2020 "Cloud Shift" Will Affect More Than \$1 Trillion in IT Spending:
<http://www.gartner.com/newsroom/id/3384720>

Special Report: Targeting New Buyers of IT: https://www.gartner.com/doc/3371317?srclid=1-3132930191&cm_sp=gi- -cysec- -srpage

Deloitte Propels into the SME Market:

<https://www.accountancyage.com/2016/06/22/deloitte-propels-into-sme-market-with-2-5m-accounting-services-investment/>

PWC and Sage Launch Global Alliance:

<http://www.pwc-myfinancepartner.co.uk/business-blog/pwc-and-sage-launch-global-alliance-to-target-sme-market/>

<https://www.accountancyage.com/aa/news/2426432/pwc-to-target-global-sme-market-with-sage-tie-up>

SaaS Industry Market Report: <https://financesonline.com/2016-saas-industry-market-report-key-global-trends-growth-forecasts/>

The Financial Times, Deloitte Targets SMEs with Cloud Based Service:

<https://www.ft.com/content/ac2c8ec8-36f2-11e6-9a05-82a9b15a8ee7>

APPENDIX E – FREE & LOW-COST TASK MANAGEMENT TOOLS

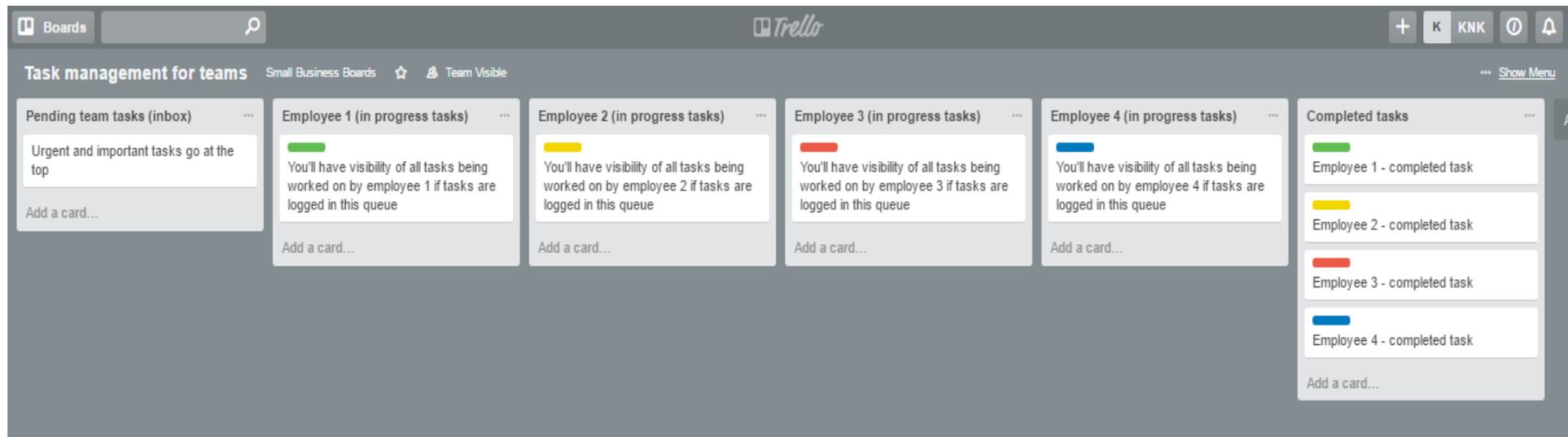
Popular with startups, Trello.com offers both free and paid plans to customers. I believe that Trello is greatly underutilised by SMEs. The “boards” they produce are great for both centrally located teams and those working across different offices. Trello is very easy to set up and manage and is 100% cloud based. The boards use simple drag-and-drop functionality to move tasks, known as “cards” from one column, or queue to another.

After reading my books, business owners from different countries have left reviews to say that they have started managing their business tasks and organising their team’s activities using Trello. Purposeful Products have created several sample boards useful for small businesses here:

Master link to all boards: <https://trello.com/smallbusinessboards>

These boards have been set up so that you can copy and make use of them – all that is required is a free Trello account. Screenshots of some of the boards are included below:

Task management for teams: <https://trello.com/b/kMIJbrXv/task-management-for-teams>

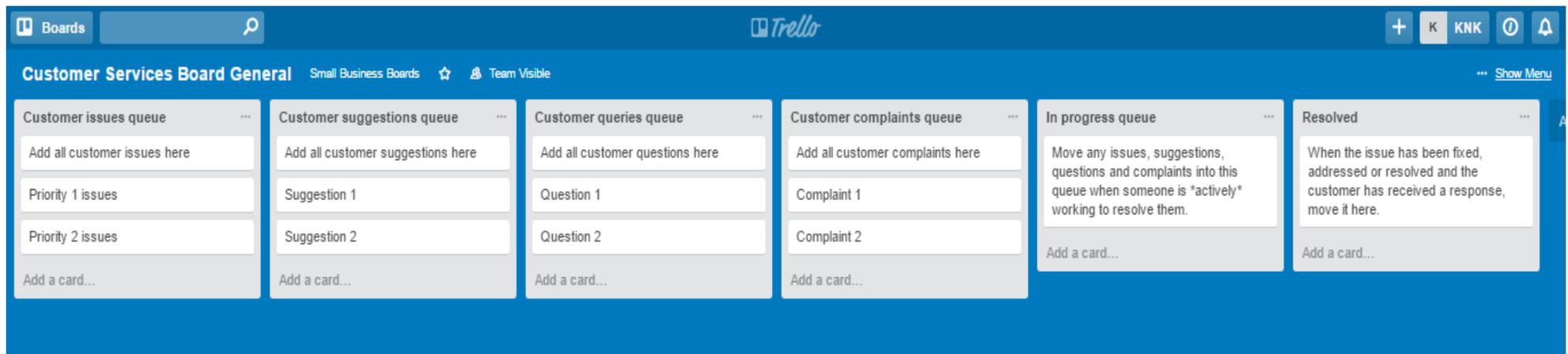


Task management board (general): <https://trello.com/b/VrZA5Avw/task-management-with-prioritisation>

(Board not shown here.)

Simple customer services board:

<https://trello.com/b/gnwnisuc/customer-services-board-general>



If you have any questions regarding these boards, please contact Purposeful Products:

<http://www.purposefulgroup.com/contact-us.html>