



SMALL BUSINESS 2020:

INSPIRING GROWTH, INNOVATION AND AMBITION

A review of the FSB Policy Conference 2016



CONFERENCE IN NUMBERS

**“FSB IS A FORMIDABLE
CHAMPION”**

PRIME MINISTER DAVID CAMERON'S
MESSAGE TO c200,000 FSB MEMBERS

**#FSB2016
OVER
37 MILLION**

TWITTER IMPRESSIONS
USED IN 778 TWEETS
AND 2754 RETWEETS

**#FSB2016
TRENDED FOR
13 HOURS
ON TWITTER**

54 MILLION
MEDIA CIRCULATION REACH

1,318 VIEWERS

OF THE FSB LIVESTREAM,
129 DIFFERENT CITIES/REGIONS IN THE
UK AND 16 DIFFERENT COUNTRIES

**20 KEY
SPEAKERS,**

INCLUDING THE CHANCELLOR OF THE EXCHEQUER
GEORGE OSBORNE, JOHN CRIDLAND, LORD
ADONIS AND BARONESS NEVILLE-ROLFE

MESSAGE FROM THE CHANCELLOR OF THE EXCHEQUER



George Osborne
Chancellor of the Exchequer

I meet with a lot of small businesses in my role as Chancellor, and what never fails to impress me is the enormous amount of hard work and dedication required to create and grow a business.

Being an entrepreneur isn't easy, but the future of our economy depends on small business owners and the self-employed. You are the ones with the courage to set off on your own and take risks to create growth, opportunity and prosperity. So I want to make sure that we support you, and we listen to your advice to make sure that the Government makes the right decisions.

The FSB is a formidable champion for its members, working with us since we took office in 2010.

You told us what you need more than anything else is economic stability; I put that at the heart of my Budgets, Spending Reviews and Autumn Statements. We had to take difficult choices to get the public finances under control, and the result is that the UK has been one of the bright spots in the world economy in recent

years and we now have the highest employment rate in our history.

You told us to cut regulation; so we promised to remove £10 billion-worth over this Parliament. We have already moved to prevent vexatious claims, with changes to fees meaning we have cut employment tribunal claims by 80 per cent, and we've moved up the world rankings for ease of doing business.

You told us to build a more balanced national economy, and so we are investing in infrastructure – road, rail, energy and broadband all across the UK – the South-West, the Northern Powerhouse, and the new Midlands Engine. We're also devolving wide-ranging new powers to local areas – so local people have greater control over the decisions that affect them.

You told us you wanted help with labour costs to encourage new hires, and so we created the Employment Allowance, cutting the jobs tax by £2,000 per business – rising to £3,000 later this year.

We've made great progress in all these areas but I recognise there is still a lot more to do. I want us to have the most competitive business tax regime of any G20 economy, so I'm cutting corporation tax to 18 per cent by 2020, for small firms as well as large, benefitting over a million companies. At your 2015 National Conference, I backed your call for tax simplification, and announced the abolition of the annual tax return. You should be working for your businesses, not for the taxman. We will make the digital tax plans work; the prize will be paying a simple single business tax.

We are all on the same mission – a more prosperous, secure economy. That's why being part of a Government that backs business is so important to me. Thank you to FSB and your members for all you do for our economy.

FOREWORD



Mike Cherry
FSB Policy Director

I'm passionate about small business. I've spent most of my working life as a small business owner, in the timber and manufacturing industry, and have been a member of FSB for over twenty years.

In that time I've watched this organisation grow from strength to strength.

Today, FSB has reach, power and influence like never before. Decision-makers recognise this, and we are respected across every nation and region of the UK – whether it be with Ministers or parliamentarians in Westminster, Scotland, Wales and Northern Ireland, or indeed with local authority leaders up and down the country.

At the beginning of 2016, we are setting the small business policy agenda for the future and why we put together our second ever Policy Conference - 'Small Business 2020: inspiring growth, innovation and ambition'.

I'm delighted that as well as many FSB members and guests who joined us at the QEII Centre, thousands more watched online, via our live broadcast.

And the debate isn't over. Please continue to ask questions, let us know your ideas and let's work together to

support the 5.4 million small businesses and self-employed people driving the UK economy.

On 2 February we heard from FSB members, senior politicians, business leaders and policymakers. We explored how best to support high-growth businesses, to rebalance the economy right across the UK, to drive competition and innovation, and to nurture the entrepreneurs of the future.

I was pleased at the stellar line-up we achieved - including the Chancellor of the Exchequer, Lord Adonis, Chair of the National Infrastructure Commission, John Cridland, former Director-General of the CBI, now Chair of Transport for the North and Baroness Neville-Rolfe, Parliamentary Under Secretary of State and Minister for Intellectual Property.

When FSB speaks with its collective voice, politicians listen, as demonstrated by the Prime Minister's personal message, which can be found on page seven of this publication.

As every small business owner knows, small firms are nimble and adapt quickly to change. But to maximise returns, they also need to plan, whether they are a start-up, a scale-up, a sole trader, the self-employed, or a family unit. For each of these how do we inspire growth,

innovation and - most importantly of all – ambition in the next few years? The debate will continue, and we want everyone to take part so we find the best solutions:

- How do we give small business owners a platform to succeed and grow?
- How should Government change how it works? How should small firms interact with local government, licensing authorities, central Departments, or HMRC?
- What new tools does a business need to improve its productivity?
- What technology can transform the way we work in the next few years?
- How do we take the extraordinary entrepreneurial spirit we see in other cultures, not least in the US, and harness it here? And how do we spread that right around the UK?

Whatever the challenges, FSB will be front and centre as our members give voice to the broader business community.

Mike Cherry

SMALL BUSINESS 2020

On 2 February 2016, FSB hosted Small Business 2020 at the QEII Centre, London.

Aimed at inspiring growth, innovation and ambition, this special FSB Policy Conference set the scene for the future of small business in the UK, with exclusive content, speeches and wide ranging debate from parliamentarians, business experts and, most importantly, FSB members.

BBC Business Presenter Steph McGovern, who hosted the event, said: "I absolutely love getting out there and showing what we have got going on in the economy, which means I do spend a lot of time in small businesses. I don't think we show off enough of the great work that is going on, because let's face it you are the backbone of the economy.

I make it my mission to show off what you guys do and today is very much about making sure that you get as much support as possible and working out what the opportunities and challenges are."



MESSAGE FROM THE PRIME MINISTER

“Britain’s small businesses make a huge impact on all of our lives. You create the jobs we rely on, the growth we need, you’re focal points in our communities. That is why we in Government want to help you be even bigger and better by working through a long term economic plan that’s cutting taxes, reducing red tape, delivering infrastructure and boosting exports. But to go even further Government, business leaders, the Federation of Small Businesses and its members need to work together and that is what this policy

conference is all about. Taking on the challenges like the skills gap, like the problems with finance,

“FSB is a brilliant partner and a formidable champion for small firms, for start-ups and for sole traders – all 5.4 million of them.”

taking on the regions that aren’t fulfilling their full potential and turning those things into opportunities

for more apprenticeships and work placements, more access to funding and a more balanced economy. FSB is a brilliant partner and a formidable champion for small firms, for start-ups and for sole traders – all 5.4 million of them. Your evidence and input into policy making is invaluable. It means small businesses are not only the engine room of our economy, they are key partners in helping us make Britain the best place in the world to start, to finance and to grow a business.”



Prime Minister David Cameron addresses FSB Policy Conference

REBUILDING BRITAIN: LORD ADONIS SETS OUT HIS VISION

The UK is still ‘picking up the pieces’ after decades of underinvestment in infrastructure, according to Lord Adonis. The Transport Secretary in the previous Labour Government was appointed in 2015 by George Osborne to chair the Government’s National Infrastructure Commission.

Lord Adonis noted that the Commission would improve the speed of the decision making process, while at the same time ensuring the necessary investment. He added that this had suffered over previous Parliaments.

He told the audience that it would “focus debate and get things moving faster than they have in the past.”

He continued: “In the 70s we took a pretty negative approach to infrastructure and we are still picking up the pieces now.

“The reason why we’ve been able to take HS2 forward at such a pace is because there was strong cross party consensus behind it, which enabled it to overlap with the change of Government and ministers.”

Lord Adonis went on to outline the immediate issues for UK infrastructure, naming transport capacity in London, the Northern Powerhouse and energy storage as the three major priorities.

Adonis added, the focus for all these areas, would be on delivering quality projects, quickly and providing value for money.

Lord Adonis then went on to address an issue which was raised by many FSB members during the course of the conference: broadband services.

He said: “This is an important national priority. The reason why the National Infrastructure Commission isn’t looking at it in our early work -, though we will as part of our national infrastructure assessment - is because Ofcom itself is engaging with this issue very intensively at the moment.”

Concluding with an appeal to FSB

members, Lord Adonis indicated a desire to work with the business community in setting future infrastructure goals.

“I would welcome suggestions from the FSB, collectively but also from individual members as to priorities that you would wish us to pay attention to and we will be conducting the national infrastructure assessment in due course,” he said.



REBALANCING ACT: HOW TRANSPORT, SKILLS AND FINANCE CAN DRIVE COUNTRYWIDE GROWTH

As the Chancellor presses ahead with plans to turn his flagship Northern Powerhouse concept into reality, the region's businesses consider how to make it work for them.

Business experts and key figures involved in delivering the initiative debated the impact and the opportunities George Osborne's idea would create in the North during the first panel session of the conference.

Transport

Transport infrastructure was top of the list for the panel members with many citing examples of the inadequacy of current services and trumpeting a range of plans, from HS2 to a Trans-Pennine tunnel.

Opening proceedings, Transport for the North Chairman, John Cridland described his organisation as "the first physical manifestation of the Northern Powerhouse," which was trying to "create a one north vision for a one north economy."

The challenge for policy makers, he said, was to recognise that encouraging northern growth was "not about

spreading the growth of London to the rest of the country... It is about finding an organic growth model for each of the other cities in the country."

Highlighting the importance of improving transport links, Mr Cridland stressed the need for much greater "city connectivity," saying it would allow workers "to get to the high quality jobs that they can't get to because of poor transport links."

Skills

Despite his role, the Transport for the North Chair also recognised the limitations of infrastructure alone.

He said: "I am passionate about talent, because if you build infrastructure links but you don't raise people's aspirations in the north, you don't give them opportunities through education and skills to achieve their dreams. The transport links on their own won't be enough."

Echoing this view, HS2 Chairman Sir David Higgins said that during this period of change people were crying out for certainty over the planned improvements in transport links and on

how the skills gap would be addressed.

He continued: "While this hunger for certainty is daunting, it is also encouraging because what we are seeing is that people understand the hugely important role that HS2 will play in providing a quantum leap in both connectivity and capacity across the country."

The skills gap also featured highly for some other panel members. Lord Haskins, Chair of Humber Local Enterprise Partnership, identified the problem as one specific to the UK.

He told the audience: "Most businesses in this country, big and small, don't take skills very seriously. We have got to engage small businesses in the skills sector. We are pretty good at starting off businesses but what we don't seem to be as good at is being able to grow them like others do. That is a cultural thing."

Education

Building on this point, Eleanor McEvoy, FSB Member and Chief Executive of Budget Energy, suggested that training should be an ongoing process.





Eleanor McEvoy

She said: “Yes get the apprenticeships, yes get them started but keep up-skilling people all the time while they are at work. You can put the opportunity in front of them but they have to be willing to learn, and that is the most important thing.”

Heathrow CEO John Holland-Kaye, added a note of caution on the subject saying: “We should not be sending people into education for education’s sake. The idea that sending people on degree courses to upskill the workforce clearly has not worked.

“We have got people on the panel who show that you don’t need to go to university to be phenomenally successful. It’s all about helping people fulfil their potential.”

Finance

Responding to a question from the audience, the panel moved on to an issue affecting many small businesses; access to finance.

Lord Haskins commented on how the financial sector had changed and the impact those changes have had on the small business community.

“The over centralisation of banks and the reluctance of banks to let their



John Holland-Kaye

local bank managers make individual judgements about their customers is wicked in my view.

“It is all computer-driven. Judgement has gone out of the banking system and small businesses have been the ones who have suffered the most because of that.”



John Cridland



GROWING UP: HOW UK SMALLER BUSINESSES CAN TAKE THE NEXT STEP

Starting up a business is one thing, but scaling up and taking it to the next level is quite another, requiring a different set of skills and support.

With Britain lagging behind its international competitors when it comes to this crucial next stage, the second panel was focused on identifying the barriers to growth and finding solutions.

Irene Graham, CEO of the Scale-up Institute, confirmed that, despite the UK being a business friendly environment, scaling up was an area in which considerable improvement was required.

She told the audience: “The UK has become a fantastic place to start a business but we are not so good at enabling those businesses to grow and scale.”

She identified access to finance as one of the major issues presenting an

obstacle to growth for small companies.

Other panel members agreed, with many describing how the small business community was relying on informal financing arrangements.

Alternative finance

Outlining the reasons for this, Ron Emerson, Chairman of the British Business Bank said: “There is a fundamental problem with actually being aware of the different sources for finance out there for your business.

“For small firms, the banks aren’t that keen on lending and the businesses to some extent don’t trust banks anymore. Suddenly the bank changes its policy and withdraws the finance and it creates major difficulties. Many clients now are looking for alternative sources of finance.

“There is a lack of awareness of these

alternative sources which is holding the economy back.”

Vice President of the Institute of Chartered Accountants in England and Wales (ICAEW), Nick Parker, cited a recent ICAEW survey of small firms which found that 86 per cent weren’t looking for any finance over the next two years.

It also found that of those companies that were looking for finance, 69 per cent said they thought the only available source was the bank.

Mr Parker described the findings as “quite disappointing given that we have got a growing economy.”

Speaking from personal experience of growing a business, Frank Mukahanana, FSB member and CEO of QuidCycle described how in the early stages “access to finance is not that easy.”





Lord Adonis



Steph McGovern



John Cridland



Eleanor McEvoy



Baroness Neville-Rolfe



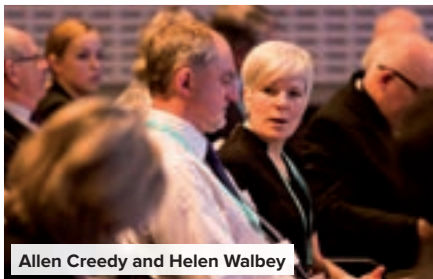
Irene Graham



George Osborne, Chancellor of the Exchequer and Mike Cherry, FSB Policy Director



Exhibition area



Allen Creedy and Helen Walbey



Alex Chisholm



Chancellor George Osborne



Prime Minister David Cameron addresses FSB Policy Conference



Claudia Harris



Rebalancing the UK economy session



High-growth, global future for small businesses session

He continued: “We had big ambitions in terms of what we could contribute, but access to finance was very difficult.”

Mr Mukahanana said he had turned to friends and family instead of seeking more formal support.

According to Mr Emerson that was an all too familiar picture in the small business world. He said: “Friends and family make up a large proportion of financing for the small business community. Around 70 per cent of small firms don’t bother at all with external finance.”

Support for growth

The panel agreed that while help is available it was not promoted effectively enough. This has led to many small businesses being unaware of the range of support they could access.

Government schemes were identified as useful but it was noted that they were often not open for long enough and were not targeted enough to have a lasting impact.

An audience member suggested that one reason why small businesses were failing to access finance was the language used by banks, which may be considered intimidating.

Ms Graham responded, highlighting the fact that many banks ran “specific programmes for women entrepreneurs, ethnic minority entrepreneurs and are really seeking to make sure that language and localism is really in play.”

She added: “I think there is more and more help out there. I think how we signpost businesses to support and how we dispel some of the myths is really important as well.”

Exports

Turning to exports, Mr Parker said that for many small companies this was on the “too difficult pile.”

In looking at how to address this, he explained how although 74 per cent of smaller businesses had websites, only 19 per cent were actually able to sell products through that website.



Ron Emerson

“Just by getting them to sell their products through the website,” he continued, “you might actually start doing something overseas.”

Summarising the current environment for small businesses, Mr Emerson concluded: “We are in a transition from a small business finance market dominated by four big banks to one where a far more diverse range of lenders exists.

“And there’s still a sense of, ‘maybe we can get that model back,’ but we can’t go back and we are transitioning. I think people are caught in the middle here of just not knowing where to go and what’s right for them and it’s a whole new world of availability. However, this can add as much confusion as it can add clarity and simplification”.



Frank Mukahanana, Edward Twiddy and Irene Graham

YOUNG UPSTARTS: HOW TO CREATE THE NEXT GENERATION OF BRITISH ENTREPRENEURS

With the traditional 'job for life' becoming ever more elusive and the increasing integration of global markets requiring unprecedented business flexibility, the advantage of an entrepreneurial economy cannot be overstated.

With this in mind, cultivating the UK's next generation of business leaders will be central to the country's future economic success.

Leading figures from both business and public life offered their insights on this issue in the third and final session of FSB's policy conference.

Claudia Harris, CEO of The Careers and Enterprise Company began proceedings by outlining the main reasons young entrepreneurs in the UK were being held back.

She identified a reluctance among schools and employers to work more closely together, difficulties in communicating to young people the necessary skills for business and significant discrepancies in careers provision across the country.

Ms Harris, added however that this was "a huge opportunity to better bridge the two worlds of education and employment."

"There are 700,000 published vacancies, a quarter of them related to the skills shortage, and yet youth unemployment is still three times the national average."

"Every young person leaving school today will need to be an entrepreneur and the majority of them will work for a small firm. Even those who will not work



for a smaller business will change jobs multiple times in their career. However, employers tell organisations, such as the FSB, that young people do not have the entrepreneurial characteristics to succeed in the workforce."

Soft skills

In addressing this perceived skills gap, Ms Harris suggested that some young

people were acquiring soft skills but needed encouragement and guidance to recognise them in order to be able to showcase them to employers.

This is why, she said, The Careers and Enterprise Company was advocating the use of a skills passport, in order "to help young people keep a record. These are skills that employers value, and they

need help to articulate that.”

Picking up on the importance of soft skills, Dr David Halpern, CEO of the Behavioural Insights Team, highlighted the need for schools to focus more on teaching them.

He said: “It’s about persistence – how do you handle it when your idea doesn’t work, how well do you relate to other people, are you empathetic?”

“It’s a challenge for our education system to really step up big time in relation to these skills. They may just be soft in one sense but they are very hard in terms of their consequences.”

It was these skills alongside other forms of support, continued Alex Chisholm, head of the Competition and Markets Authority (CMA), that were pivotal in turning a business concept into reality.

He said: “Ideas are easy. The hard thing is being able to turn that into a plan, and you need feedback and mentoring to do that.

“Being able to have someone you can talk to, for people not just starting a business but growing a business... that is very valuable.”

Mr Chisholm also noted that policymakers could either help or hinder entrepreneurship, and expressed his hope that the CMA was striking the right balance.

He said: “The challenge for us on the Government side is to make sure that the economic and regulatory environment in which new businesses are established are both welcoming and encouraging. He added this environment must not hold back consumer friendly innovation artificially.”

Entrepreneurial culture

Whatever the level of support, it was highlighted by FSB member and MD

of Kake, Kieran Miles, that having an entrepreneurial spirit was critical.

Describing his approach, he said: “having a disruptive attitude is a good thing if you want to try and make some movements in business, but I think alongside that disruptive mentality you also have to have that sense of reason as well.

“I think part of the entrepreneurial mentality is to just take things in your stride and move forwards.”

ACAS Chairman Brendan Barber agreed that mind-set was important, but suggested that the UK may have a cultural disadvantage.

“If they have had a business failure they are stigmatised rather than encouraged to say – ‘ok, what have you learned and how can you move and build another success on the back of an episode of that sort.’ So, I think there is a cultural issue there for sure and it starts with schools.”



Brendan Barber and Dr David Halpern



Steph McGovern and Claudia Harris



Claudia Harris, Alex Chisholm and Kieran Miles

EVERYTHING SHOULD BE BUSINESS-LED

Anna Soubry is the Member of Parliament for Broxtowe and currently Minister for Small Business.

Sadly unable to attend Small Business 2020 due to her work in Parliament, on delivering the Small Business Commissioner, FSB caught up with her in the weeks following the Conference.

“Everything should be business-led,” she declares. “The job of Government is to get out of the way when we are stopping good stuff happening, or step in when stuff needs to happen which we can drive through.”

Speaking from her office at the Department of Business Innovation and Skills, Ms Soubry is keen to address some of the most pressing issues facing FSB members at the moment.

On how businesses across the country can benefit from the Chancellor’s devolution drive, she identifies the opportunity to shape delivery that is available through the Local Enterprise Partnerships (LEP).

She says: “LEPs are the key to all of this and need to be business-led. Small businesses are just as important as any of the bigger businesses in the work of the LEPs and they’re the drivers of the Northern Powerhouse. Wherever it may be, small businesses should be in there.”

For businesses in rural communities, the challenges may be slightly different, with infrastructure a priority.

Ms Soubry acknowledges that broadband services are holding some areas back, saying: “It is quite right that there needs

to be a considerable upping of the game by everybody. It is not acceptable in 2016 that there are places that not only do they not have superfast broadband, but they don’t have a mobile phone signal. It’s disgraceful.”

Turning to the obstacles many UK firms face when scaling up, the Small Business Minister identifies knowing all the options for growth financing as a key issue.

She concludes: “It’s different horses for different courses, that is my thing and I think it’s important to make people aware that there are different ways to access money.

“So, it might be peer to peer lending, angels, crowdfunding and all these things... I would also like to see a growing role for the smaller banks as well, many of whom are small business orientated.”



Anna Soubry and Mike Cherry

THE FSB WOULD LIKE TO THANK THE FOLLOWING ORGANISATIONS FOR THEIR SUPPORT OF SMALL BUSINESS 2020

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AMBITION

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Experts in Business



○ Employ **15.6m** people



○ **£1.8 trn** turnover



○ Created **84%** of new jobs (2010-2013)



○ **55%** of 18-30 year olds want to **start a business**

