

SMEs

Limiting Burdens, Targeting Support





CONTENTS

Foreword by Alan Leaman, Chief Executive MCA	3
Introduction	4
SMEs: need for segmentation	6
SMEs, regulation, quasi-regulation and creativity	8
Supporting SMEs	12

About the MCA and this policy briefing

The Management Consultancies Association (MCA) is the representative body for management consultancy firms in the UK. Our member companies comprise around 60% of the UK consulting industry, employ more than 30,000 consultants and work with over 90 of the top FTSE 100 companies and almost all parts of the public sector.

The MCA's tough entry criteria and rigorous Code of Practice mean that MCA member companies are widely acknowledged to provide high quality services to their clients. Many of their achievements are recognised in the annual MCA Awards.

Management consultancy creates value for organisations and the wider economy through improved performance, achieved by providing objective advice and implementing business solutions. The UK consulting industry is amongst the best in the world and a vital part of the business landscape. To find out more visit www.mca.org.uk.

The MCA's new **Think Tank** will gather the unique insights of management consultants into front line business realities and feed them into debates on public services, the economy and the business environment. Its current Growth Programme consists of a series of roundtables and reports focusing on how the UK can improve its economic performance and maximise growth.



FOREWORD

It is easy to be a supporter of SMEs. It is more difficult to deliver policies and action that will support them.

Much has been accomplished in recent years. As many have commented, the spirit of enterprise is thriving in modern Britain, greatly stimulated by new technologies and reduced barriers to entry. The Coalition government has also signalled that it wants more taxpayers' money to be spent with SMEs.

Many of the MCA's member firms are SMEs themselves, and we know the important part they play in our industry in driving innovation, enhanced competition and greater choice for clients. Many consulting firms, of all sizes, also expect more of their future clients to be SMEs than in the past, reflecting the changing balance of our economy and the developing needs of these businesses.

But, as this MCA Think Tank report argues, we should looking beyond the welcome and strong consensus that SMEs are an important engine of economic growth.

Paul Connolly, Think Tank Director, and his team suggest a more nuanced approach is now needed. Interventions would benefit from a thorough segmentation of the SME population, and the greater understanding of their differences (as well as what they have in common) that would follow. We should look at regulation afresh from the point of view of the SME. There are still many more things that the public sector could do to give SMEs greater access to public procurement opportunities. And there would, we think, be great advantage in bringing all the various public support funds together to maximise their impact.

This is potentially a vast and unwieldy topic, so the special focus in this paper is both helpful and constructive.

The MCA Think Tank draws on the experience and expertise of the UK's best management consulting firms, a brilliant resource. All them have a special understanding and knowledge of this sector. We are grateful to those who participated in this project, which is part of a wider programme of roundtables and publications on the topic of growth.

Alan Leaman
Chief Executive
Management Consultancies Association





Acknowledgements

The MCA would like to extend its thanks to the following contributors:

- Graham Russell, Better Regulation Delivery Office
- Ben Farn, Capita
- Paul Winter, Concerto Partners
- Stephen Foot, Concerto Partners
- Matt Watt, EY
- Ravi Gidoomal, Grant Thornton
- Chris Tattersall, Grant Thornton
- Alwin Magimay, KPMG
- Christel Wolthoorn, KPMG
- Stewart Johns, Prederi
- Kirsty Birks, Propaganda
- Christine Downton, Roth Observatory International



This paper on Small and Medium-Sized Enterprises is part of the Management Consultancies Association Think Tank Growth Programme. It is based on a roundtable held on 20 February, 2014. It also draws extensively on a range of other interviews with leading management consultants.

In addition to a variety of senior MCA representatives, many of them SMEs¹ in their own right, the roundtable was attended by Graham Russell, Chief Executive of the Better Regulation Delivery Office, a function of the Department for Business, Innovation and Skills. The BRDO is committed to upholding the principles of better regulation, limiting the burdens on business and thus supporting growth.

The subject of SMEs and their importance to growth is enormous, controversial and even complex territory.

The greater part of the UK's employment base is in the SME "sector". BIS estimates that it accounts for 59.3% of private sector jobs.² Hence, policy makers see SMEs as a significant potential engine of growth. BIS's Industrial Strategy accents their role, and the recent document, *Small Business, Great Ambition*, is evidence of the importance the Government places on this portion of the economy.³

It is fair to note, however, that policy pronouncements on SMEs have, over the years, been as varied in emphasis as the "sector" itself. Some analysts argue that growth will come from the proliferation of more SMEs. They emphasise the need to support start-ups and to help SMEs in general. Some see ambitious SMEs as more important. They stress the identification of high-growth potential within the sector. Others back a combination of these elements.

Yet other commentators find the emphasis on SMEs per se unhelpful. They suggest that the focus should be on high growth industrial and service

¹ Throughout the paper, we use the BIS definitions of the various types of SME, namely that all are under £25m turnover and that micro-enterprises employ 0-9 staff, small ones 10-49, and medium-sized 50-249.

² See BIS website, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/252175/13-92-business-population-estimate-2013-stats-release-4.pdf

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266212/bis-13-1313-small-business-great-ambition-FINAL.pdf

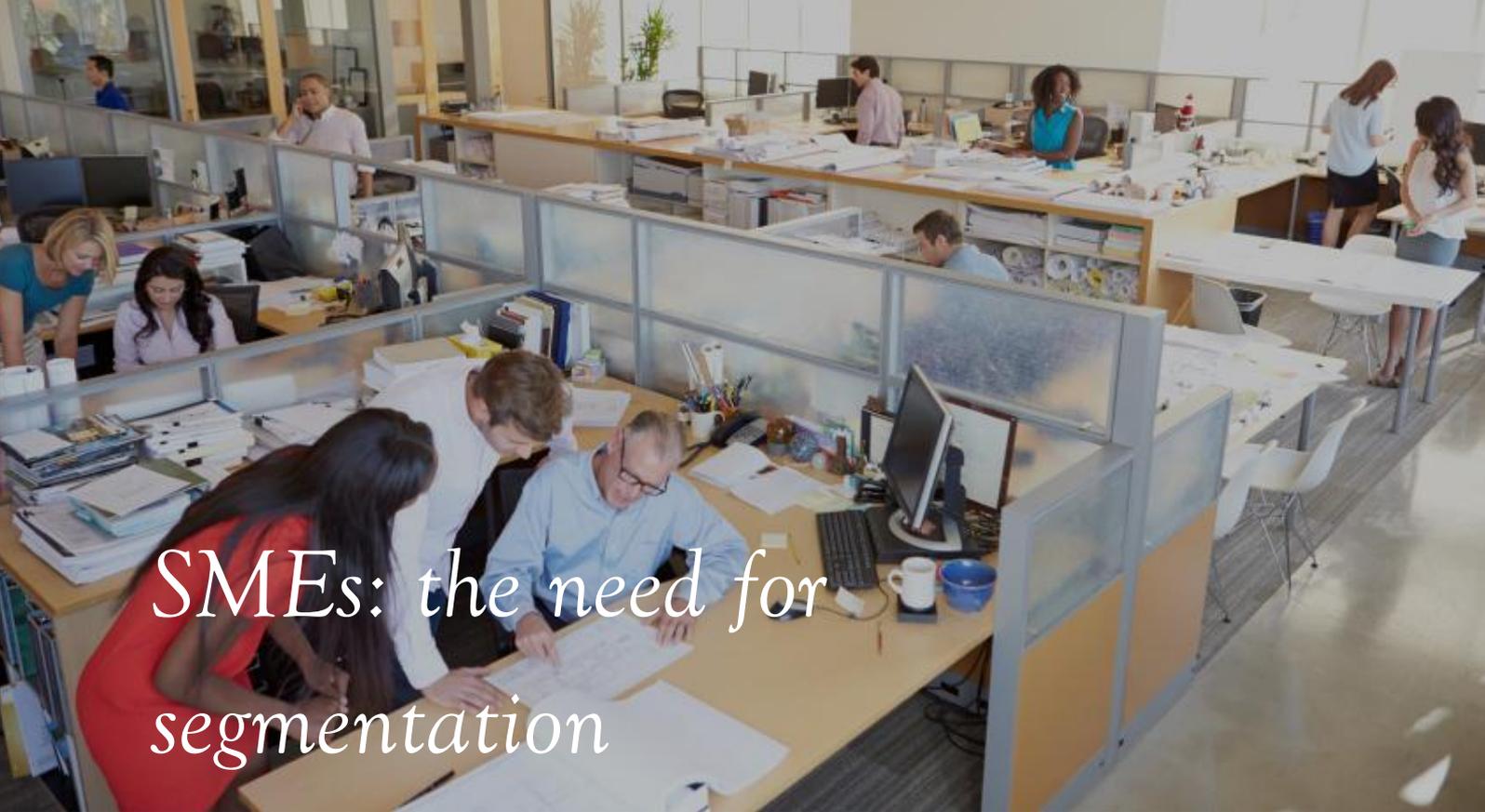


sectors, irrespective of size, with small and large employers, domestic and foreign investments, all accorded equal importance. They note that though accounting for about 99% of UK firms and employing around 24m people, SMEs produce only just under half of the economic activity in the UK.⁴ They argue that the focus on SMEs is too wide-ranging and generic. It is meaningless, they suggest, to talk about a "sector" which comprises a local builder, a well established regional manufacturer, or the latest high-value Digital insurgent. They believe it is accordingly far better to focus on issues such as skills, on what constitutes an enterprise culture, or on a set of "target" economic outcomes, rather than on the wide-ranging concept of the SME.

This paper does not challenge the relevance of SMEs to growth. That relevance is assumed. Consultants understand the importance of SMEs to the effective operation of the economy, not least because of how important they are in consulting. As one of our contributors quipped, SMEs are often real Subject Matter Experts (*SMEs are SMEs*). Their deep understanding of particular sectors and topics is often complemented by a capacity for innovation. This phenomenon – of innovative insurgent SMEs challenging market leaders – is plainly a vital feature of competition and of a healthy capitalism.

So instead of questioning the relevance of the policy focus on SMEs, this paper instead suggests ways that focus can be strengthened through consideration of certain specific sub-topics. These include the tension between regulatory and quasi-regulatory compliance and business creativity, and the nature of entrepreneurship. Further, the paper deliberately eschews some commonplaces of the debate. The challenges SMEs face in the complexities of the tax and employment regimes have been explored at great length elsewhere. And while the paper touches on SME funding, in particular the various forms of government-funded or facilitated support, we have not rehearsed in detail the well documented issues associated with access to credit from banks in the aftermath of the Credit Crunch. Rather, we have targeted issues that are less well explored and those on which the perspectives of management consultants, as advisers to SMEs and as SMEs in their own right, are especially instructive.

⁴ Ibid



SMEs: the need for segmentation

SMEs are very diverse. From a micro-enterprise, such as a plumber or a newsagent, to a regional manufacturer employing two hundred people; from a small local accountancy firm or estate agent, to the latest Digital entrepreneur: the term SME embraces a wide range of entities.

And it is an ever-changing landscape. BIS estimates that 500 000 new enterprises were created last year.⁵ However, it also estimates that the net growth in SME numbers was much lower than this, indicating relatively high failure rates. Furthermore, over 99% of SMEs are in fact micro and small enterprises.⁶

Government sometimes connects SME success to both growth promotion and the "rebalancing" the economy. It cites the creation of numerous private sector jobs since 2010 in the context of reductions in the public sector as evidence of that rebalancing.⁷ This is certainly true and stems from a mix of causes. These clearly include the establishment of new businesses, of varied types.

How sustainable these new enterprises will prove in practice is difficult to predict. For example, one trend with which the MCA is familiar (and which is not always reported as a positive development) is the creation of micro-businesses, often with one employee, comprising people who have moved from the public sector into being independent contractors, interims and consultants. The relevance of such enterprises to growth more widely may be limited. In common with the local shop or the small plumber, their potential will often be inherently constrained. Their owners may have no ambitions to grow significantly and take on new staff.

Hence, when thinking about more substantial contributors to growth, Government sometimes discounts micro-businesses, and even many small and medium sized businesses, in favour of those businesses within the SME definitions that want to expand, that are seeking new markets or an increased share of existing ones, and are recruiting.

Of course, these "growers", as BIS term them, are difficult to pin down.⁸ They represent a considerable variety of growth appetites and a range of

"Government's treatment of SMEs in policy, regulatory and administrative terms is generic. It's great that there's a focus on small and medium-sized enterprises. But the needs of the corner shop, the Digital entrepreneur and the medium-scale manufacturer are all very different"

Stewart Johns, Prederi

⁵ See *Small Business, Great Ambition*.

⁶ BIS website, op cit.

⁷ See Gov.uk, <https://www.gov.uk/government/news/private-sector-employment-indicator-for-may-to-july-2013-statistics-published>

⁸ See Small Business Survey (2012), May 2013



needs. BIS surveys suggest that over half of SMEs seek to grow in 2014.⁹ But this growth may simply be a function of the economic cycle, may be marginal (and therefore not necessarily job-creating) or may indeed represent a long-term strategy to increase size, turnover, profitability and employment. A small manufacturer may wish to take on a few additional workers if demand picks up, but may be just as likely to shed them if demand declines. The owners of a Digital insurgent may not aspire to be an SME in the medium term. They may want their venture to be the next Facebook – or simply to vanish altogether after its short-term Digital solution has been superseded by the “next big thing”. An inventor may want a brief spurt of growth, followed by the opportunity to sell their business to a leading global giant. The long-term growth implications of each of these models differ. The diverse business landscape these models embrace will likewise encompass varying needs in terms of government support, access to credit, and business development advice.

Recommendation 1.

The Government should attempt a more thorough segmentation of the SME landscape. This would help ensure its growth interventions, as well as potentially everything from tax to regulatory policy, are suitably adapted to the needs of its targets. Management consultants have the necessary expertise to support this effort and would be willing, through the MCA, to offer pro bono assistance.

This process of segmentation could benefit from (and in turn benefit) initiatives such as GrowthAccelerator, which we will consider in a later section.

Structural factors may differentiate those SMEs with long-term growth appetite from those with either no appetite or only an immediate and cyclically driven one. The business model for plumbers is, for the most part, one of micro-enterprises. But there may be less tangible factors in play. These include personal ambition and an individual business leader’s tolerance of risk. Participants in this project linked these factors with the concept of “entrepreneurship”. Some felt that government policy should be focused on fostering an enterprise mindset. Active segmentation of SMEs could help identify where this mindset was most likely to be found and in need of support. Focusing on this part of the SME market could also have the collateral benefit of helping identify economic sub-sectors that can best respond to the demands of the modern economy.

“There is a strong case for a more detailed segmentation of the group described as SMEs, with ministers establishing clear links between the segments and their growth needs, and the policy options pursued”

Ben Farn, Capita

“Middle-sized, owner-managed firms, are well placed to innovate. With Digital systems reducing the costs of risk-taking, they are able to move more quickly and more cheaply than before and are unconstrained by the governance structures of large PLCs. These owner managers understand the relationship between their actions, image and brand. They’re genuine entrepreneurs because they are their business”

Kirsty Birks, Propaganda

⁹ *Small Business, Great Ambition*



SMEs, regulation, quasi-regulation and creativity

Almost all discussions about SMEs suggest that regulation is problematic. Large enterprises complain about the burden of regulatory requirements. Where it is disproportionate, poorly designed or outmoded, regulation can inhibit them from growing or creating jobs. But many big players will also welcome the broad thrust of regulation. At its best, it can create a market standard that ensures consumers and businesses alike are protected from rogue, incompetent or criminal elements. And in any case, large enterprises have suitably staffed compliance departments. By contrast, even proportionate regulatory requirements can impose huge burdens on a small entrepreneur, who may face, in the words of one of our panellists, the choice between watching Coronation Street and filling out yet another form. And what a large enterprise may see as quality guarantees and protection in a well designed regulation may be an insuperable barrier to entry for an aspirant new business.

Since the Hampton Review¹⁰ of the regulatory system, the UK has led the world in regulatory reform. The Coalition Government has reinforced this. It has introduced a range of better regulation and deregulation initiatives. These include: the Red Tape Challenge, where businesses identify troublesome regulatory requirements; the principle of One in Two Out, in which for every new burden a department imposes on business it must scrap two existing ones; the Primary Authority initiative, in which business multiples and trade associations receive a coordinated regulatory package from a single local authority, rather than competing interpretations of the law from all of the local authority areas in which they operate; and the Growth Duty, which requires regulators to think about what they can do to support economic growth.

The issue of business and regulation is examined extensively elsewhere, and we need not consider every aspect of it here. However, there are some regulatory issues on which our participants cast interesting light. In particular, they focused on what might be called "quasi-regulation". This term embraces state/enterprise interactions which, though not regulatory as such, have certain characteristics in common with regulatory compliance regimes, and also those burdens imposed by non-state actors that have a regulatory character (and may indeed have their origins in legal requirements).

"Government has helped small businesses comply with regulation through initiatives like Better Business for All. In this, we are essentially assisting them in managing their risks. This has applications to other aspects of risk-control, such as business planning, prioritisation and investment. Participants in this initiative accordingly report collateral benefits in improvement in how they manage the full range of their risks"

Graham Russell, BRDO

¹⁰ <http://www.bis.gov.uk/files/file22988.pdf>



Few would quibble with the principles of better regulation – that regulation should be risk-based, proportionate, integrated, have a compelling justification, and be as minimally burdensome as possible. Nor would many dispute the soundness of the Government’s aim to make regulators understand that they can critically impact growth and develop a pro-business mindset. But the devil is in the detail and in the execution.

Graham Russell at BRDO pointed to work that his organisation was carrying out to help small businesses comply with regulation. This disclosed some interesting lessons, especially the analogies that exist between managing compliance and managing a business more generally.

BRDO has made significant efforts to understand business perspectives. However, it is fair to say that there was considerable scepticism among the other participants in this Think Tank project as to whether all other regulatory and government organs had made this effort. Moreover, the range, scale, duplication and timetabling of the body of compliance requirements create burdens for businesses, especially SMEs.

Recommendation 2

The Government should investigate the possibility of developing bespoke regulatory timetables for SMEs

Participants touched on a range of these regulatory burdens in the widest sense of the term – and not just those generated by government departments. Access to credit is a well documented problem. But even the difficulties confronting SMEs when setting up a bank account can be onerous.

Other burdens can include the compliance requirements businesses face in order to participate in initiatives that, theoretically at least, are intended to benefit them.

For example, the current Government is committed to shifting more of its procurement spend to smaller firms. The distance that government procurement needs to travel to realise this ambition is still, some years on from the pledge, considerable. (The MCA has recently seen figures from the Cabinet Office which indicate that ConsultancyOne, the procurement framework for management consulting, has made little difference to ministers’ SME spend ambitions.) And the need for departments to work harder to ensure prompt payment of suppliers, since failure to do so can prove exceptionally burdensome on smaller players, is well documented.

But of equal import here are the burdens associated with complying with the requirements for participation in frameworks, bidding processes, or supplier lists. These are often established with the best of intentions, but their burdens fall disproportionately on small firms. For firms to qualify for such frameworks, they may have to spend many hours preparing bid documentation and putting in place a range of policies and procedures. And it is extremely questionable whether all of the required paperwork is directly relevant to understanding their suitability for inclusion within frameworks or their ability to undertake certain types of work satisfactorily.

This is also true of quasi-regulatory regimes, such as the ISO schemes. These internationally approved business assessments are sometimes identified by government and other bodies as proxies for compliance. Possessing such a standard may secure a firm a low regulatory risk-rating and an accordingly less burdensome inspection regime. It may be essential

“There’s nothing worse for a business than discovering that as well as having to complete its annual returns, it has to prepare for an inspection, then another one, then file its VAT return, and so on. Big firms have departments that manage this kind of burden for them, but small ones can get tied up in knots, especially in the period from November to New Year. Some coordinated timetabling of requirements might help spread and ease the burden.”

Paul Winter, Concerto Partners

“One of the biggest burdens in setting up our business were the ridiculous, irrelevant and risk-averse procedures associated with setting up a bank account, even one where we didn’t need an overdraft facility. By contrast, HMRC’s processes were quite sensible and proportionate.”

Stewart Johns, Prederi

“The ISO processes can be extremely good at focusing a business in on what it actually does. But they can also create their own industry. In one of our ISO audits, an inspector noticed a bottle of Tipex. They asked our administrator how they disposed of it. She said she didn’t know as it had not run out – in fact she had never used it. This was recorded as “no policy for Tipex disposal”. We need to preserve the useful bit of what these processes do, but weed out what’s burdensome, invasive and irrelevant”

Stephen Foot, Concerto Partners



for inclusion in a framework or approved supplier list, or for identification as meeting expected industry or professional norms.

At their best, the ISO frameworks require businesses to examine themselves in detail and understand fully what they are about. At their worst, they are tick box exercises.

Recommendation 3

BRDO, potentially with the assistance of MCA members, should look at the degree to which non-state regulatory requirements, from those associated with opening a bank account to the disciplines of the ISO process, are informed by sound risk principles and are sympathetic to and supportive of genuine business needs, especially where they impact SMEs.

Enlightened regulation seeks to work with the incentives that already apply in the private sector. So does any risk-based evaluation of compliance. Regulators should understand that law-abiding businesses already have a significant vested interest in compliance and work with that.

Understanding this means regulators and other compliance bodies have to "get inside" the mindset of businesses. The trouble is that the compliance outlook and the business outlook do not necessarily mix. The former is inevitably analytical and investigative, risk averse and methodical. The latter, at its best, is risk-taking and creative. The gap between both is narrowed where the state itself becomes more entrepreneurial.

Think Tank participants suggested that many creative people are deterred from becoming entrepreneurs because they see it as an enormous hassle. So much compliance activity seems to surround running a business that it can mask the fundamental creativity successful business activity relies on. This may mean that a disproportionate number of dogged individuals, who can grin and bear regulation, are attracted to business, while creative types choose other walks of life.

Recommendation 4

*BIS should lead a project on the regulatory and other interfaces between government and business, under the title *The Entrepreneurial State to establish how far government understands and is sympathetic to the business mindset and needs and factors them into compliance requirements for everything from regulation to procurement frameworks.**

The disconnection between the regulatory and business perspectives can produce numerous tensions.

However, one area where business creativity seems to be flourishing is in Digital. Here "bedroom entrepreneurs" are producing innovations cheaply and quickly. They may have little regard for regulatory frameworks, indeed may be circumventing, even ignoring them. In a recent MCA Think Tank discussion on Digital, participants observed that Digital "natives" regarded certain aspects of regulatory compliance, and even concepts such as ownership rights and patenting, as outmoded or even irrelevant to the realities of their business.

"I come from a family of restaurateurs. Our motto was "Don't kill the customer". We knew, without regulation, that doing so might just be bad for business."

Paul Winter, Concerto Partners

"We often work with entrepreneurs who are so switched off by the regulatory mindset, they don't even see the value of the really important regulations and constraints that can have serious repercussions for them - such as Data Protection or Intellectual Property Rights - they might think they can use any photo on their website or approach anyone with a marketing call or email"

Christine Downton, Roth Observatory International



Recommendation 5

As part of our forthcoming Year of Digital, the MCA offers to work with BIS on examining the suitability of the range of assumptions inherent in the current regulatory system to the Digital economy and in particular to the needs of the small insurgents who drive much of the innovation in the sector



Supporting SMEs

MCA firms provide an array of support to SMEs. Many of their interventions directly enhance the prospects of those entrepreneurial SMEs that have been highlighted as critical to growth. Our members boost their confidence, furnish missing capability, or even facilitate the access to partners or finance that these ambitious enterprises need to get to the next stage of their development. The MCA's report on the value of consulting estimates that the return on investment, in terms of the growth potential afforded as result of consultants' interventions, versus the cost of hiring them, is as high as six to one.¹¹

Propaganda supported Boost Drinks, an SME in the functional drinks market in developing its brand strategy. The aim was to unlock incremental volume and value growth in an increasingly competitive and congested market space. Propaganda applied its bespoke brand differentiation methodology to help Boost accent what was different and strong about its product and reputation in going to market. Through establishing a credible brand alternative to the premium industry incumbents, Boost has gone on to establish itself as the second largest energy drink in the UK and no.12 in the wider soft drinks market. This has delivered a growth in turnover from a base of £9.6m in 2008 to a projected £27m in 2012.

Even the most ambitious and well connected SMEs can face barriers to getting into new markets, especially when they are just starting out. MCA members are helping them overcome these problems.

Roth Observatory International supported Starcount in its search for a Global PR agency. Starcount is an online platform that aggregates fans' social media content related to celebrities or brands, recognises their fan status and rewards them accordingly. This produces unique data and insights that can be monetised for brands, talent and media partners. Founded by Drew Thomson with former Tesco boss Sir Terry Leahy having recently joined Clive Humby and Edwina Dunn (Tesco Clubcard creators) at Starcount, the company had ambitious targets and growth plans. However, PR agencies can often be averse to working with start-ups, even those with high calibre of management. Roth Observatory International was able to cut through any potential issues, highlighting the Starcount proposition and opportunity, and to deploy its deep, specialised knowledge in the PR agency sector. The exercise, from needs assessment to shortlisting of quality candidates was completed in less than 15 days.

¹¹ See MCA, Value of Consulting, <http://www.mca.org.uk/reports/insight/value-of-consulting-report>



MCA members are also involved in helping well established and successful SMEs redesign and refocus their strategies in the face of new challenges.

In 2010, **Concerto Partners** provided support to help refocus the strategy of Publishing Business (PubBiz) one of the most established and successful independent London publishers. When the company bought an independent title, Mayfair Times, it deployed its traditional revenue model of contract publishing fees in a publication that was ordinarily funded by advertising. With advertising revenues falling and in the context of pressure on the survival of print media in general, PubBiz faced significant challenges. Concerto Partners designed a new strategy for the business. Despite the recession, the strategy helped the company increase revenues, with the autumn 2010 issues of Mayfair Times being the most profitable in the magazine's history, while print production costs decreased by at least 10%. The company became more directed, structured and better organised but did not lose its unique personality and appeal.

Many of our larger members provide support well beyond traditional consultancy. Some of this support reinforces the importance of segmenting SMEs and focusing on entrepreneurship.

EY's Annual Entrepreneur of the Year Awards¹ recognise many outstanding individuals. Though winners come from businesses of all sizes, many run SMEs, typically from high-growth "gazelles" with a compound annual growth rate of 20% plus. Simon Gray of Boost Drinks (see Propaganda case study) was a regional finalist. EY also maintain the Accelerate Network. This is a free resource for entrepreneurs offering access to business expertise and peer to peer learning. For more information on the Awards see http://www.ey.com/UK/en/About-us/Entrepreneurship/Entrepreneur-Of-The-Year/UK_EOY_Home and for the Accelerate Network see <http://www.ey.com/UK/en/About-us/Entrepreneurship/Entrepreneur-Of-The-Year/Accelerate---Overview>

Some of our members' offerings help SMEs address the challenges associated with access to finance.

KPMG has launched The C2FO Market, a new digital supply chain finance platform to UK business. The C2FO Market is transforming the business to business loan principle, acting as a "private exchange" between buyers and their suppliers who use the marketplace to increase profit and accelerate cash transfers between themselves, giving SMEs access to a new source of working capital. Existing supply chain relationships are enhanced and strengthened without the SME becoming a debtor to the larger enterprise.

BIS and other government departments offer an array of funds and support to SMEs and start ups.

Grant Thornton, together with other private sector partners, run GrowthAccelerator, on behalf of the Department for Business, Innovation and Skills. GrowthAccelerator targets high growth businesses and provides them with the support they need to maximise their potential. It aims to assist with strategy development, identify routes to funding and investment, support innovation, improve the utilisation of human resources and build effective leadership teams. For more information on how it works, please see www.growthaccelerator.com. Grant Thornton also run the Manufacturing Advisory Service at www.mymas.org



The targeted nature of what GrowthAccelerator provides is very welcome and starts to address the segmentation issue raised earlier. However, the wider range of government support available is complex, thinly spread and comprises different funding categories, from direct government aid, tax incentives, to special borrowing initiatives.¹² Some of these mechanisms have complex eligibility criteria. The consolidation of the various funds into a single pot, or some form of entitlement summary, broken down by business type, would be a very desirable development.

Recommendation 6

Government should consider the consolidation of the various SME support funds into a smaller number of pots. It could provide businesses with clear summaries of the support entitlement appropriate to their sector, type and needs. GrowthAccelerator and other sources of insight and expertise could be enlisted to support consolidation.

One area where government and management consultants can work together is on ensuring that SMEs get appropriate help with business development, organisational design and efficient self-management.

The Government has launched a new Growth Vouchers scheme. In this, businesses bid for support of up to £2 000 to purchase advice on:

- finance and cash flow
- recruiting and developing staff
- improving leadership and management skills
- marketing, attracting and keeping customers
- making the most of digital technology

These are all areas where MCA members have great expertise.

Think Tank participants noted that the £2000 entitlements might go further if consolidated. Ten businesses with similar needs – for advice on the latest Digital trends or on better financial management – could pool their Vouchers and buy a high-quality course. However, the randomised nature of the allocation of the Vouchers would make this difficult. The risk is that the Vouchers end up being spent on small amounts of low-grade advice and support and not on meaningful quantities of high quality advice.

Recommendation 7

BIS and the MCA should work together to investigate ways in which the Growth Voucher scheme could be used to support collaboration between businesses with similar advisory needs. The role of Local Enterprise Partnerships in coordinating this collaboration should be considered. The MCA will examine the prospect of substantially discounted rates for advice and support purchased in this way

“Government’s attempts to control markets and set standards, often with the best intentions, don’t always work. So the randomised element in the Growth Vouchers is an interesting and novel departure. However, it may prove counterproductive if it means fairly meaningless sums get distributed in ways that can’t help the most ambitious of the medium-sized entrepreneurs. We should look to see if some loosely managed consolidation is possible”

Ben Farn, Capita

“Pooling Growth Voucher resources would be a route to funding high quality courses and sessions, building on many similar initiatives”

Christine Downton, Roth Observatory International

¹² See BIS, *SME Access to Finance Schemes*, April 2013

Management Consultancies Association

5th Floor, 36-38 Cornhill

London

EC3V 3NG

T +44 (0) 20 7645 7950

E info@mca.org.uk

© Management Consultancies Association 2014

www.mca.org.uk