

Ambitions Beyond Growth

Responding to the diversifying needs
of the UK's SME population



Foreword

by Anthony Impey MBE, CEO, Be the Business



Our understanding of the UK's vast small and medium-sized business leader (SMEs) population needs to be re-evaluated. The people running are complicated, exhibiting a range of different approaches to leading, and do not all conform to the stereotype of a growth-obsessed entrepreneur. In fact, 32% of business leaders do not want to grow their business' turnover. But 89% are always looking to improve their business.

This apparent paradox is actually a reflection of the different types of ambition that business leaders have.

While many are looking for growth in turnover, profit or their own income, they are also ambitious to improve their work/life balance, their business' resilience and sustainability, as well as wellbeing and reward for their employees.

However, looking at the initiatives, programmes and institutions designed to support businesses, you might be forgiven for thinking that all leaders align to the version of entrepreneurs vividly represented in media through the contestants in *The Apprentice* and *Dragon's Den*. The UK Government's flagship SME support scheme, launched in the 2021 Budget, is the Help to Grow initiative. Also available are Growth Hubs, 'Growing Pain' white papers on SME performance, Manufacturing Growth Programmes and SME Growth Funds. We've also been guilty of this at Be the Business, initially naming one of our productivity programmes Mentoring for Growth.

In emphasising growth above other ambitions business leaders have, the SME business support ecosystem, including government, may be missing the opportunity to engage and support a broader range of businesses that have the potential to increase their output.

In helping businesses achieve a wider range of ambitions, we can support and increase the productivity of more firms and achieve growth outcomes, because many of the actions that support specific ambitions will also have positive business effects. This is particularly important at the moment, where increasing pressures on business, including supply chain disruption and rising input costs, make running a successful business even more challenging.

It's time we help business leaders meet the ambitions they hold beyond growth!

Research methodology

Quantitative

1,000 sample, Business owners, leaders and directors, 1-249 employees. 10-minute survey, conducted by Opinium, covering:

- Broad ambitions for their businesses
- Priority ambitions
- Actions taken and planned to achieve ambitions
- Barriers to achieving ambitions
- Use and interest in sources of support

Qualitative

10 x 30-minute interviews with members of Be the Business' Business Leader Community conducted by C-Space

Interviews covered:

- Hopes, ambitions, plans and objectives
- What 'growth' means for them and their businesses
- Business support – use, attitudes and ideal sources

1. The limits of growth

The biggest single finding of the quantitative research is that one in three (32%) UK SME leaders do not want to increase the turnover of their business. This equates to 480,000 businesses being led by people motivated by something(s) besides growth¹. However, this does not mean that just under one in three business leaders are unambitious. For the past two years, standing still from a growth perspective would be seen as a positive outcome for many leaders². In fact, 82% of those who do not want to grow are always looking to improve their business, highlighting that the general perception of 'growth' is very narrow.

At first glance, this seems to be either a paradox or a research error; but it is neither. It is a measure of the diversity and heterogeneity of business leaders, who are as complex and multi-faceted as the businesses that they operate. Almost all are working to improve their business, but improvement is not just about growth – it can mean many different things.

Understanding what 'improving my business' means for different leaders is important because there are many broader benefits from having a better and more successful SME population.

We asked business leaders to tell us, in their own words, what the ambitions for their business are. 'Growth' and related terms like 'expand' or 'increase' are prominent, but there are also numerous other groups. The pandemic casts a significant shadow, with a lot of mentions related to 'recover' and 'retain.'

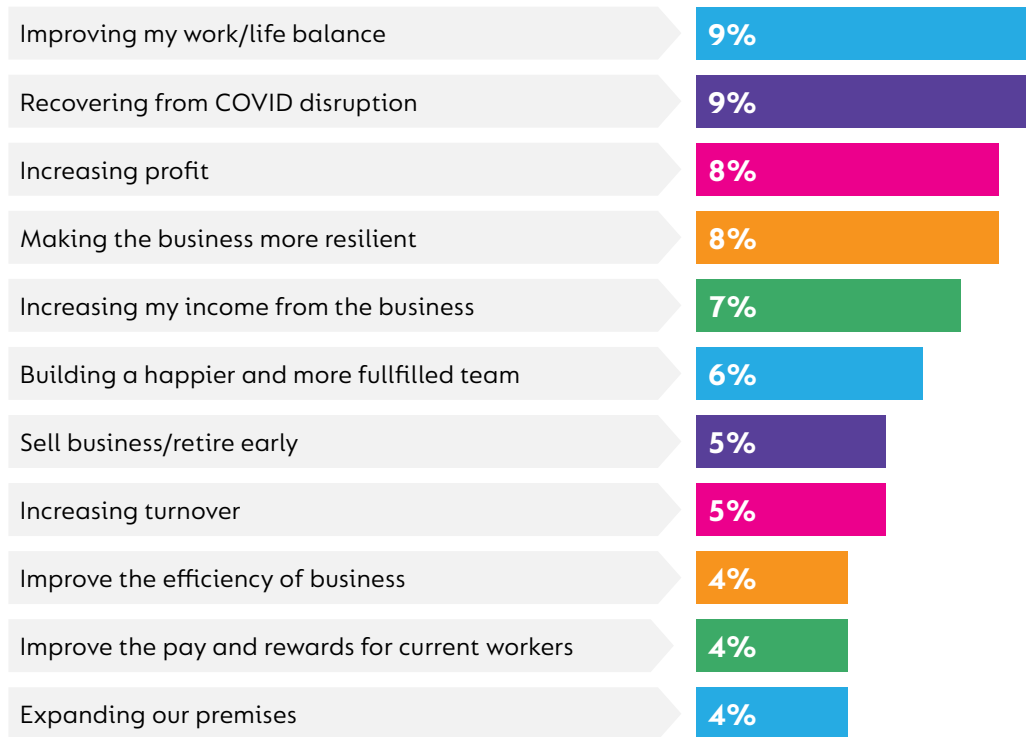
There are also some for whom 'survive' and 'maintain' are ambitious enough. This further emphasises the importance of business security and economic confidence for small business leaders. While some focus on their employees and building good careers for them, thinking of retirement or selling their business or handing it on as a legacy, other SMEs remain dogged by the fear of further upheaval and the loss of long-term value.

This diversity of ambition, and the broad groups, can be clearly seen in the data from asking leaders what their most important ambitions are in the next two to three years.

¹ The UK has 1.5 million businesses with at least 1 employee – Office For National Statistics Business Population Survey
² [The impact of coronavirus: Where do firms go from here?](#) – Be The Business

Figure 1

Which of these ambitions would you say is most important to you over the next 2-3 years?



2. Being ambitious vs having ambitions

While the quantitative data and qualitative interviews uncovered a group of leaders who self-identify as having ambitiousness as a character trait, there is a second group of leaders who channel their ambitions towards specific objectives.

This distinction may not seem particularly significant, but there are important differences between the groups and in the kinds of triggers or subjects that would interest them. We have called the two groups The Classically Ambitious and Focused Improvers.

The Ambitious

Generally ambitious for everything – more likely to have goals across Personal, Business, Operational and Employee categories. They want to be successful and are open and hungry for help and support to help them achieve. They are likely to be younger leaders (< 35 years old), but not exclusively, and well-networked within the SME business support ecosystem.

“Am I ambitious? Yes, and it’s partly an ego thing. Like being proud of having the best coffee around, being known for something.”

“As a business, we’re brimming with ambition. There’s loads of stuff we want to bring to market.”

The Focused Improvers

Looking to improve their business but focused on specific aims and goals. Their ambitions are likely to be in one group or type of ambition rather than across all of them. These leaders are more likely to be a little older (>55 years), but their businesses cover all sectors, sizes, and types of business.

“I want to buy a second pub.”

“A larger café or a book borrowing service. Adding to the business, like a recycle service.”

“I’ve changed from being ambitious in my younger days. Now I’m older, I have ambition, but it’s about achieving a specific thing rather than just being the best.”

The differences between the two groups are important because interventions and support could reach more of these leaders by reflecting the specific types of ambition rather than the generics of ‘growth.’

“We only get talked to about growing”

3. Five major ambition themes

Understanding the full breadth of business leader ambition reveals that the focus of current business support on growth is missing opportunities for both individual businesses, but also the UK as a whole.

In supporting the different, specific priorities that leaders have for their businesses, there are likely to be significant wider productivity, social and environmental benefits for the country as a whole.

The five biggest ambitions for businesses were:



Resilience

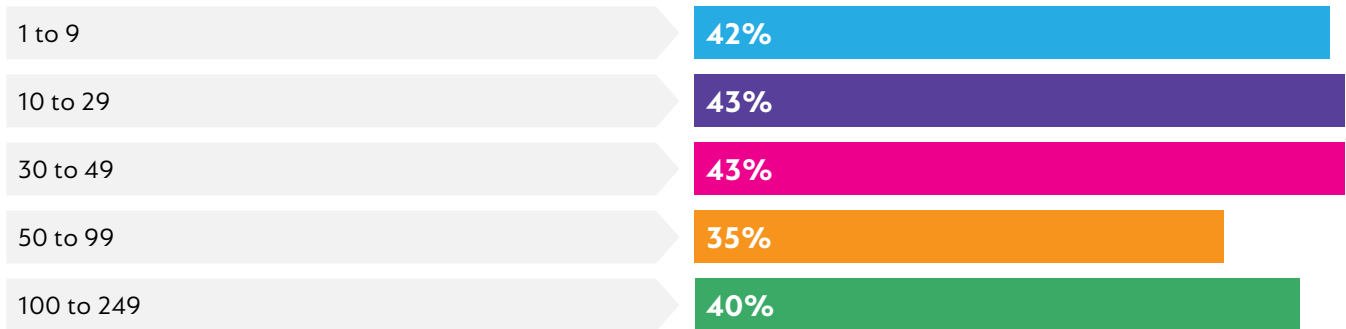
The impact of Brexit transition, Covid, the lockdowns and supply chain disruption has brought resilience to the top of many business' agendas. These challenges, coupled with modern management practices, just-in-time supply chains, global reach and lean operating models, has also highlighted the fragility of business.

42% of leaders want to make their business stronger and more resilient. The numbers are very consistent across all ages and sizes of business.

Figure 2

Proportion of business leaders who want to make their businesses stronger and more resilient

More resilient business by number of employees



The ambition to build business resilience is ubiquitous. The same percentage of business leaders (46% respectively), regardless of the impact of Covid, wanted to build resilience.

The question for these leaders, as it is with every corporate or government, is how to increase resilience without building in excessive cost or redundancy into operations and making them unprofitable. Indeed, some of the actions that improve resilience, such as increasing stock levels and shortening supply chains, may increase costs and reduce profitability, therefore providing little additional benefit apart from that resilience.

However, there are other actions that can strengthen businesses, aiding resilience as well as having wider benefits. In the last six months, Be the Business' Productive Business Index has found business leaders increasing their efforts in improving planning and operations³. A ten-point increase in the number of businesses undertaking strategic planning from 43% to 53% between Q1 2021 and Q1 2022, as well as increases in the number of businesses able to measure productivity (from 46% to 53% between Q1 2021 and Q1 2022) and taking action to improve efficiency (22% to 28% Q1 2021 to Q1 2022). Further analysis of the first four Index waves identified correlation between businesses that reported "being prepared for anything," and business performance indicators.

Better Work/Life Balance (for the business leader)

The hours and dedication required to run a business are well documented. So, perhaps, it is not surprising that improving their work/life balance is a major ambition for all types of business leader.

Figure 3

% of business leaders with ambition to improve work/life balance by age

By age of leader

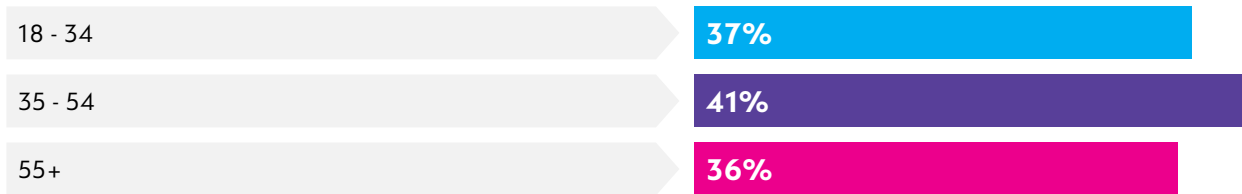
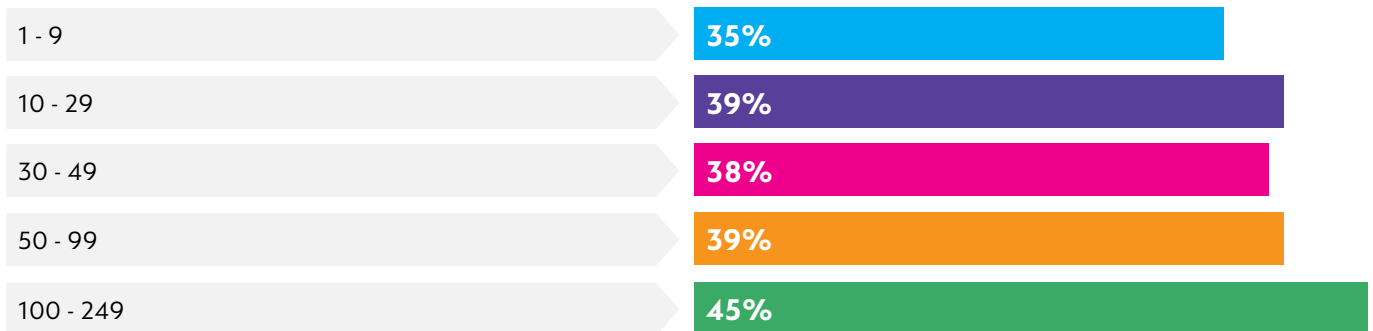


Figure 4

% of business leaders with ambition to improve work/life balance by number of employees

By number of employees



There are few differences by age or size of business until you reach companies with over 100 employees. There is also not a trade-off between profit and work/life balance – with 44% of those with ambitions to grow profit also looking to improve their work life balance.

The pressures of the last three years on business leaders have been extreme. For people who were already managing the demands of running and leading a business, the impact of Covid, lockdowns, supply chain disruption and now rising input costs has been huge. However, we also know that a lack of headspace and overwork was an issue for business leader pre-pandemic.

One of the surest routes to being able to improve work/life balance is improving the efficiency and resilience of a business. Latest analysis from the ONS suggests that output per hour of French workers is 18 per cent higher than among British workers.⁴ This in effect means, French workers produce as much in four days as the average UK worker does in five. Increasing productivity presents a significant opportunity for business leaders, and their employees, to maintain or increase output, while reducing the number or hours worked. Indeed, the trend of a four-day working week is growing in popularity among UK Business leaders. Recent Be the Business findings identified that seven per cent of business leaders were already adopting this way of working, with a further one in five actively considering it, up from five per cent implementing and 17 per cent considering, when the questions were asked a year before.

Improving profitability

42% of business leaders have ambitions to improve their profitability, giving support to Sir Martin Sorrell's view that "Turnover is vanity. Profit is sanity." These leaders are focused on improving the value within the business.

There are few variations in ambitions to improve productivity by size of business, with micro (1-9 employees) businesses 42%, small (10-49 employees) 40% and medium (50-249 employees) 45%. Sectors do show some significant differences: with Transport (53%) and Construction (47%) being significantly higher than office-based business leaders, particularly Finance and Insurance (29%). This in part can be attributed to greater exposure in these sectors to rising input costs.

The actions business leaders identified to achieve this improved profitability are more likely to be around improvements in productivity and efficiency (39%) than looking to increase turnover (30%). The focus on efficiency is particularly visible among older leaders: only 31% of leaders aged 18-34 have it as a priority, rising to 39% for 35-54 and up to 47% for the over 55s. The current state of the business only makes a small difference: 48% of businesses badly hit by Covid want to improve their efficiency, but so do 39% of businesses who are booming and have grown strongly through Covid.

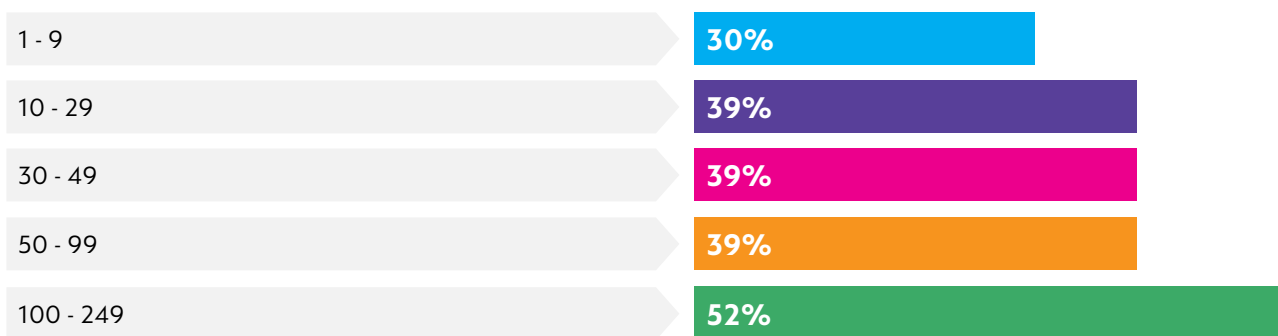
Employee Wellbeing

There has been a great deal written about 'The Great Resignation,' the number of people who, post-covid, have had or decided to re-evaluate their career choices. Businesses across countries and sectors are finding that people are making new choices for work and their lives. As businesses seek to recover from covid, staff retention, wellbeing and rewards are becoming ever more important for businesses big and small. Be the Business have seen this in the four waves of their Productive Business Index and it is a major theme in both the qualitative and quantitative research. Overall, 38% of business leaders want to have happier and more fulfilled teams and this rises to more than 50% in firms with over 100 employees.

Figure 5

% of businesses with ambition for happier employees by size of business

Happier employees by size of business



"I want to make sure that employees have good wellbeing and can achieve what they want to."

"To create a happy team who can make sure it [our growth] happens and be part of the success."

A similar proportion (39%) of businesses want to be able to increase pay and rewards for their current employees. While age made little difference to wanting to improve wellbeing, it is the younger leaders who are more likely (44% 18-34 vs 36% for 55+) to want to increase pay.

However, when it comes to hiring more staff, the numbers are lower. Only 32% of businesses want to hire more staff, with over two thirds of all businesses (68%) saying they do not want to have to deal with the admin and HR hassle of hiring more people. That is still true of 62% of those who want to significantly grow their turnover, demonstrating how much the perceived burdens of hiring can act as a brake on ambition. Crucially, it is this group who will need to boost their productivity to grow sales without growing their headcount. The figures are largely flat across all sizes of business, with larger firms with over 100 employees still finding hiring burdensome.

Numerous studies link improved employee engagement with business performance. Gallup’s Q12 international meta-analysis⁵, showed that businesses with high employee engagement report 22% higher productivity, along with other important benefits including: customer satisfaction, safety, profitability, absenteeism and product/service quality.

Furthermore, engaged employees are more likely to stay with a business, even through hard times⁶. As ‘The Great Resignation’ continues, retaining staff and their skills will be increasingly important for businesses.

Businesses improving the happiness and wellbeing of their employees can expect to also enjoy significant wider business benefits.

Sustainability

A significant, although lower number of leaders, are looking to improve the sustainability of their business (29%). The importance placed on sustainability is higher among younger leaders, with 35% of 18-34 but only 27% of 35-54 and 28% of 55+ having the same ambition.

“Our ambitions are our current strategy – to embrace sustainability and diversity in everything we do.”

FIGURE 6

% of leaders with ambition to make their business more sustainable

By age of leader



There are no significant differences by size of business and, with the exception of a few hard to abate sectors such as mining and utilities and construction, most sectors are also at similar levels.

These numbers represent both an opportunity and a huge challenge. The SME Climate Hub, a global initiative, launched during COP26 in Glasgow by the We Mean Business coalition, UN Race to Zero and others has resources, links and a pledge page, committing the business to halve their emissions by 2030, reaching net zero by 2050 and reporting on their progress every year. So far only 3,141 UK businesses have made the commitment, less than 1 per cent of the total business population.⁷

5 [Gallup Organisation, Employee Engagement Meta-analysis](#)

6 [Institute for Employment Studies](#)

7 [UK Business Climate Hub](#)

While this is just one example, it is indicative of the bigger challenge. For the UK to achieve Net Zero, it will take everyone and every business. It cannot be achieved just by the big corporates. However, the pressure from large companies to move SMEs in their supply chain towards Net Zero is currently insufficient, leading to a lack of action from small business leaders. So, very quickly, we need to offer better support to those businesses looking to reduce emissions and improve sustainability: we need to convince the remaining 70% of businesses that sustainability is important for them too. Without them, we will not reach Net Zero.

While there is well established links between reducing waste and saving costs, additional evidence is needed to draw clearer links between improved sustainability and business performance. Indeed, for SMEs working with larger corporates, they may find that improved environmental performance becomes a procurement requirement as those larger businesses seek to reduce their Scope 3 emissions (the indirect emissions from a company's activities, usually from the supply chain and the use by customers of the company's products or services).

4. The implications for SME support

Understanding the breadth and diversity of ambition among SME leaders shows that the narrow stereotype of growth-obsessed alpha entrepreneurs is unreflective of the reality. It also shows that in defaulting to 'growth' as the trigger and objective for business support, we are missing the opportunity to engage and help a huge number of UK businesses.

We believe that the implications of this understanding are:

For Be the Business:

- Undertake further research to identify a fuller set of events which may prompt, or trigger, business leaders to seek out business support
- Identify and carry out experiments to test the extent to which alternative language to 'growth' (for example, 'improvement') encourages action and leads to positive productivity and growth (by all definitions) outcomes

For leading firms which are implementing initiatives to support business customers and their supply chains to meet the ambitions outlined in this report:

- Where growth is the focus of initiatives, test messaging and incentives linked to broader sets of ambitions
- Partner with organisations to evaluate the outcomes of any initiatives. This will increase understanding of their impact and add to the evidence base of what encourages business leaders to make changes to how they operate their businesses
- Stronger management and leadership capabilities have a proven link to successfully adopt new processes. Firms should include a leadership component in initiatives intended to create behaviour change, in order to maximise the likelihood of success and support additional productivity and growth outcomes.

For the business support ecosystem:

- Position support in multiple ways to engage a broader range of businesses.
- Where the business support ecosystem is offering advice and support around meeting the business ambitions outlined in this report, they should:
 - Evaluate the uptake of growth and non-growth focused support to determine if particular language or framing proves more appealing to SME leaders
 - Evaluate outcomes to determine if growth and non-growth focused support result in differing levels of success in terms of productivity outcomes
 - Evaluate SME participant data to understand differences between those leaders who access growth and non-growth focused programmes (e.g. demographic data, leadership characteristics and learning preferences)
 - Consider embedding a leadership and management skills component in all programmes for SME leaders to increase the likelihood of successful adoption.

For Government:

- Collect and publish evidence showing if there are significant differences in the profile of business leaders who access Government-funded growth and non-growth focused programmes (e.g. via Growth Hubs etc.)
- Undertake experiments to understand whether messaging around specific business ambitions can be effective in recruiting for the growth focused programmes it funds e.g Help to Grow: Management.

Appendix

SME case studies

Tara – Owner of a bicycle retail outlet

As she has got older, Tara feels that her outlook and approach to running her business has evolved from being ambitious for everything to having specific and achievable ambitions or goals.

Her goals have also shifted from being more personal, such as being the best, excelling at everything and earning a larger salary to broader, more external things, such as keeping her shop open, paying her employees more and enjoying her job on a daily basis:

“We want to identify businesses that we might not have done work with before, such as hotels, and encourage them to discuss fleets of bikes and possibly sell or service them.”

“I quite like the idea of educating the young and passing on skill sets.”

“I would like to see growth in certain offerings that we have, whether it’s that we’ve got two mechanics now and we then have four mechanics in the future.”

Tim – Owner of several cafes and restaurants

Tim distinguishes between his personal aims and the ‘normal/conventional’ business motivation, claiming that the latter is often mainly around financial gain:

“It’s not my ambition to be rich, but to live comfortably and to serve the community. I know that sounds quite cheesy.”

“There can be a certain amount of arrogance in the words. When people or companies say they’re ambitious, it’s to sell more products, to make more money.”

While ‘being ambitious’ can be seen through the lens of pursuing financial goals, for Tim, it’s the ambitions around serving the community and being proud of the service he offers that are strongest:

“Ambition is always closely matched with finance and money, but I would say that I am ambitious to have the best coffee – and to offer a great environment.”

Stephan – Owner of a hospitality and events business

An established business for over 20 years, Stephan’s ambition for his business is to ensure its long-term financial security and make the business more visible:

“Ambition, for me, is to retain our contracts, retain our staff and increase our turnover.”

“We want to grow organically and slowly. Really, it’s about growth and hitting the revenue we had pre-pandemic.”

“We want to make the business more available, more noticeable. Visible.”

Mardon – MD of a fine art trading company

An established company, trading for more than 15 years, the pandemic and now the war in Ukraine have hit the business hard. He wonders if this has been made worse because they weren't ambitious enough before the crises:

"I wouldn't class ourselves as the most ambitious company in our industry."

"If we were more ambitious, we would probably have been in a better place now."

"There's nothing wrong with the word 'ambitious' itself."

For Mardon, ambition seems to be as much about the confidence to take risks as having the goals. A second sense is the degree/scale of the goals:

"Staff turnover has always been high in our business, so for us to have better staff care would be a plus."

"The ambition to diversify. To broaden the types of art we offer."

"NFTs are relatively new in the market. So, for us, the ambition would be to specialise in NFTs, which we are not currently."

Kirsty – Co-owner of a pub

Kirsty and her husband bought a pub as a going concern, albeit in poor condition, a few years ago. They had improved the pub and its business before Covid-19 hit:

"We turned the business around. It was always our ambition to have three pubs, and once we learned what we'd done right, what we'd done wrong and what mattered, it became a plan. It became a real, measurable plan that we could put in place."

"It was the ambition to plan, and we woke up one day going, 'the timing's right. The plan is in place, off we go'."

During the pandemic they had to pivot: maintaining local marketing, changing to more of a food offer and adapting their plan. Now the second pub is in their sights, so their original plan is still alive:

"You see that financial growth; you see financial stability for your family. Then you will have the ambition."

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