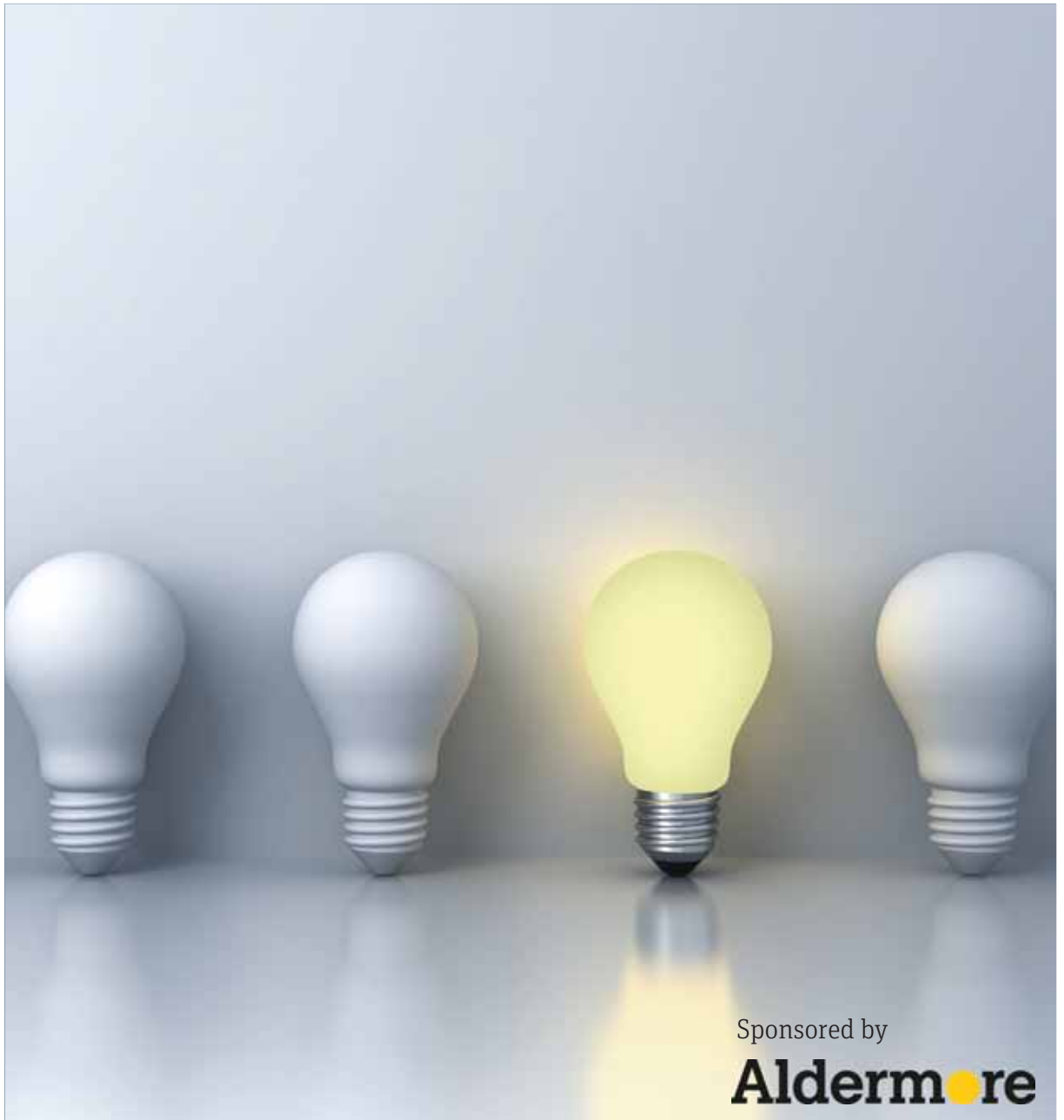


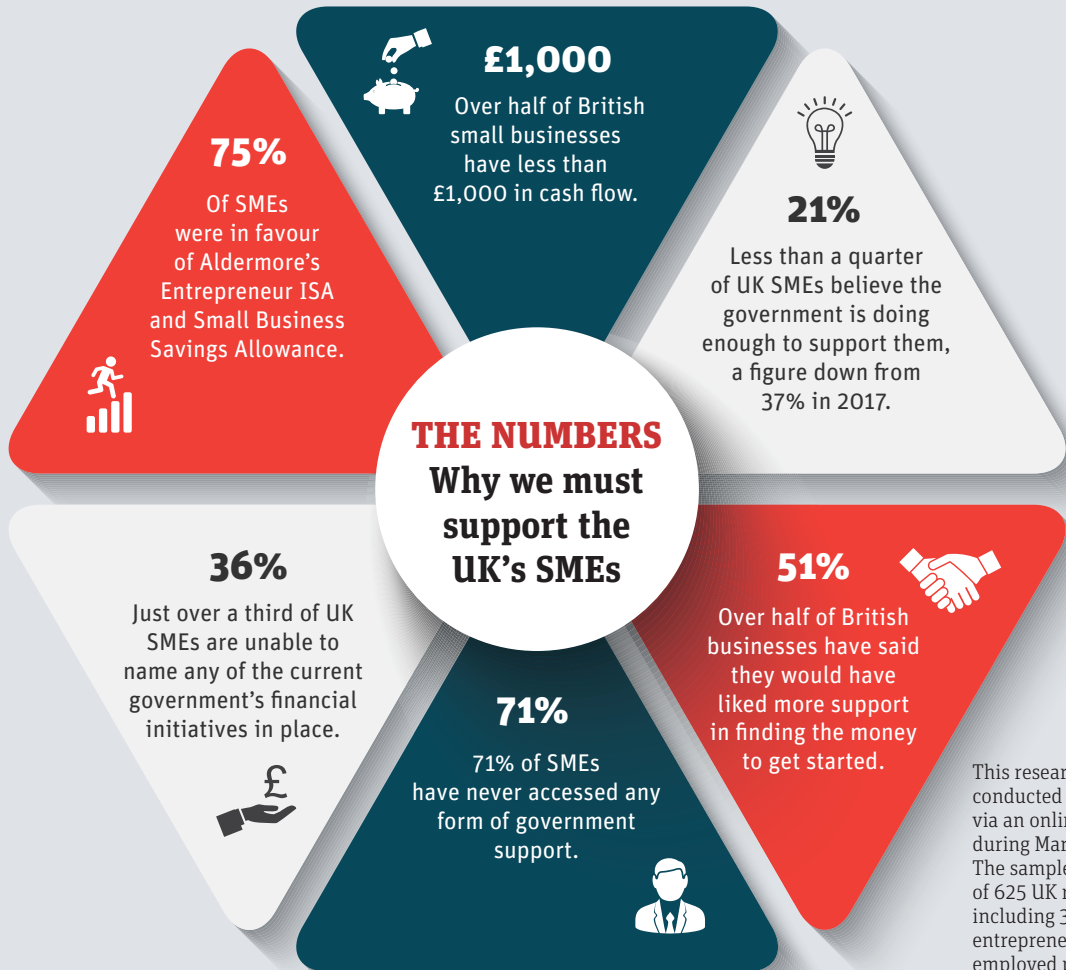
The backbone of the British economy

How can the government support more entrepreneurs?



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Aldermore

The UK's SME community now totals over 5m businesses and they are major drivers of economic activity. Recent research from Aldermore revealed:



This research was conducted by Toluna via an online panel during March 2018. The sample consisted of 625 UK residents, including 325 entrepreneurs, self-employed people and business owners.

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Contents

3 / Introduction

4 / Round table discussion

6 / Testimonials

When it comes to UK business, to dare is to do

Ewan Edwards, head of savings at Aldermore, outlines the company's campaign to support more small to medium-sized enterprises and grow the UK economy



Don't be fooled by the name. Small to medium-sized enterprises are the lifeblood of the United Kingdom's economy. From 2017-2018, SMEs – which employ 250 staff or less – accounted for 5.5m (96 per cent) of all UK businesses. Fostering an environment which enhances entrepreneurship, then, should be a priority for any government.

As well as creating jobs, SMEs are important to national growth and overseas trade. As seedbeds for innovation, they generate competition between companies and bring new trends to the fore. Products and services are scaled up, as SMEs provide the launch pads for the economy of the future – one themed by technology and, despite some politics, globalisation.

SMEs in the UK need to be equipped with the tools – adaptable access to finance, a secure but not stifling regulatory framework, and a positive relationship with international trading partners – to thrive and flourish in the modern world. At Aldermore delivering on these tools represents the core principle of our “Support More Entrepreneurs” campaign, with which we are lobbying government to do exactly that. As a company, we're passionate about making it easier for those with great ideas to get started and be able to maintain and develop their business.

We're calling on the government to make this happen by proposing two new schemes to assist SMEs: the Entrepreneur ISA and the Small Businesses Savings Allowance, both of which offer the backing in areas where start-ups and SMEs need it the most. The Entrepreneur ISA would follow a similar model to the Help-to-Buy ISA that has been helping first-time buyers to get on the property ladder. It would allow people to save tax efficiently towards their venture with the added incentive of a government-funded bonus on top, when they start their own business.

With research showing that one in three UK employees are considering starting their own business or entering the “gig economy” in the next two years, there is a significant opportunity for the government to encourage start-ups and give more targeted support to existing SMEs.

The Small Business Savings Allowance, meanwhile, would allow sole traders and small businesses to earn interest from savings every year. All businesses, ultimately, need an initial injection of capital to help them get off the ground, and a reserve for when times are tough. The Small Business Savings Allowance would allow SMEs to keep the interest on their business savings free from tax, and would contribute to supporting this component of the UK plc. The government already showed its intent towards personal savers in 2016 with the establishment of a Personal Savings Allowance, where individuals receive up to £1,000 of their savings interest without being taxed; at Aldermore we believe it's time to apply the same principle to SMEs.

As part of Aldermore's campaign, we are meeting with parliamentarians, journalists and, of course, the entrepreneurs themselves. This engagement will inform insight, and hopefully, pave the way for better business practice in the UK.

Aldermore and the New Statesman gathered industry experts, parliamentarians and entrepreneurs to discuss the challenges involved in starting and growing a business

Unlocking the power of SMEs

The fortunes of the United Kingdom's overall economy are tied to its 5m small to medium-sized enterprises (SMEs). Yet the conversation around the economy is too often bottle-necked towards traditional high street banks and big businesses. And while the politics involved in those spheres is important, a truly thriving economy should expand access to finance rather than permitting monopolies.

But for all the optimism involved, the reality is that starting and growing a business can be difficult. What financial support is available? What are the regulations to be aware of? These are some of the challenges that formed the basis of a round table discussion in Westminster.

Anneliese Dodds, Labour's Shadow Minister for the Treasury, said in her opening address that supporting and sustaining the UK's SMEs needs to represent a consensus for policymakers. "This subject is very important across the

spectrum." Dodds added that it was "crucial to keep the most innovative businesses in the UK" and to ensure that they are able to resist being bought out, especially when targeted by foreign competitors. "How do we help them to resist that big offer from across the pond?"

Dodds suggested that more government support, within the context of tying entrepreneurship into the Industrial Strategy, could help UK SMEs with some of the problems they are encountering in terms of cash flow and advice. Nodding to Germany's *Kreditanstalt für Wiederaufbau* (KfW) – a state-owned development bank – Dodds said that as well as offering equity, government could assist SMEs with "a coordinated strategy around skills and apprenticeships".

Aldermore's head of savings Ewan Edwards argued that start-up funding and low awareness of existing government support accounted for two of the most significant barriers for the UK's

aspiring SMEs. Concordantly, he explained, the bank has been working on two innovative solutions to offset "the frustrations that SMEs face". The introduction of an Entrepreneur ISA and a Small Business Savings Allowance, Edwards said, "could help more would-be businesses to save to start rather than borrow to start". He continued: "Start-up capital is a big hurdle and financial resilience is very low among SMEs. Aldermore research found that over half of SMEs are holding less than £1,000 in cash savings. And 51 per cent of them would have liked more support finding the money they needed to get started."

The legacy of the 2008 global financial crisis, the Liberal Democrats' Baroness Susan Kramer noted, is themed by caution. She gave the example of the Royal Bank of Scotland allegedly refusing loans





to start-ups, which she claimed the bank did while “not even providing a formal rejection letter because it didn’t want that to be added to the banks’ statistics”, and called for the government to clamp down on such practices. Kramer said: “We need to make sure that the government is on the side of small businesses if they are let down.”

Another Lib Dem peer, Baroness Lorely Burt of Solihull, lamented the Coalition government’s decision to discontinue Business Link – a state-funded guidance service for businesses managed by HM Revenue and Customs and operated over telephone – in 2011. She suggested a more up to date incarnation of Business Link – “perhaps a sort of business doctor service” – could help to troubleshoot for SMEs. But Burt acknowledged that there were some limitations attached to the idea. “What qualifies

someone to actually be a business doctor in the first place? Equally, should it be funded with taxpayers’ money, or should it come directly from the businesses [as a tax]?”

With regard to government procurement opportunities, the Institute of Economic Affairs’ Julian Jessop, although “concerned about asymmetric powers”, insisted that there would need to be a “high hurdle” to justify “asking taxpayers to subsidise an activity”. He clarified: “We need to protect smaller suppliers, but I would be wary of government favouring small businesses if they aren’t actually up to the scale of the project.”

For Mark Wright, director of Climb Online and a past winner of the reality TV show *The Apprentice*, entrepreneurship was “less about politics and more about running the actual business”. While he conceded that the UK’s decision to leave the European Union “may have some knock-on effects”, he believed that the most positive thing that a government could do to help SMEs would be to offer more clearly defined sources of advice. He said: “I think about how to pay the rent and motivating my staff. Day-to-day troubleshooting for my business is what I want.” Simply Lunch’s managing director, Sam Page, agreed. He described his experience of trying to export his business to Norway as “crazy”, owing to the “minefield” of regulations he faced. In the end, Page enlisted the help of an external consultant to help him achieve what he had set out to, which proved “very expensive”, and he “felt like we could have benefited from some clearer guidelines on this process from the start”.

Aldermore research found that nearly three quarters of UK SMEs have never accessed any form of government support, claiming that

it was too difficult to find information about schemes. Andy Chamberlain, deputy director of policy and public affairs at the Association of Independent Professionals and the Self-employed, warned that this inertia was standing in the way of the UK’s economic growth. “Most of our members don’t want to grow. The regulatory burden puts them off.” The gap in entrepreneurial knowledge, he added, represented an opportunity for “trade associations to step up” to offer “a one-stop workshop for advice”.

The editor of Medianett, Beth Fisher, drew the room’s attention to “structural inequalities” and called for the introduction of “more standards” when it came to lending practice. She said: “Female entrepreneurs receive 44p for every pound that men have in business finance; we need to ensure that everyone gets the same support.”

Ultimately, the round table discussion concluded, the sustainability and growth of the UK SME sector would be dependent on a more active role from government and trade bodies. While regulatory policy was floated, the real enthusiasm from the room came in favour of more support, in terms of wider access to finance and more mentorship. As Aldermore’s group managing director Carl D’Amassa put it: “It is important that the UK’s SMEs have the right level of support in place to help them achieve their goals. Previously, SMEs had access to ‘client-facing advisers’ who provided the necessary business management support. The lack of this service has created an educational gap. The government needs to create advice centres where SMEs can easily access all they need to know about how to run a business.”

Successful start-ups share their stories and discuss whether an Entrepreneur ISA and a Small Business Savings Allowance would have helped them grow in the early stages of their journey

How a helping hand could go a long way



Alex Wheeler and Tom Hutton,
co-founders of A&T Electrical and Building Services

“After being self-employed for over ten years each as independent sub-contractors, we decided to take the plunge and start a business. Any support that the government can provide to help small businesses we would welcome with open arms. With any small business, getting it off the ground and building up a pot that can help you through the difficult times is the key to success.

The biggest challenge was moving from being self-employed to building up a client base as a limited company. Selling your business to clients and encouraging them to trust you to carry out the work can be tough, but when the first

client comes through, you’re able to showcase work you can do. It’s a big confidence boost.

Our first piece of advice would be to ensure that you have a good accountant working for you, so you don’t have to focus on finances on a daily basis. This allows us to concentrate on securing business and planning for the future. Secondly, don’t be afraid to explore the new and unknown. Without taking risks you’ll never reap the benefits, so always have belief in yourself that you can do it.”



Miho Aishima,
founder of Aishima

“Aishima helps organisations to build brands for purpose and social change. We work with clients from the initial stages, devising strategy

and concepts, through to the final design of the visual identity. Projects can range from a complete rebrand for a social enterprise that is scaling up to reach more people, to a branding workshop for a start-up accelerator programme.

I started my own company so I could provide small businesses and start-ups with a social focus with a strategy and research-led approach to branding that you would normally only get with larger organisations and charities, but within a budget that would work for them.

At the start it was hard to find like-minded people I could chat with about work. Still, with a little initiative, you can make a change. I created a monthly meet-up called ‘Rye Here Rye Now’ with another designer friend and through this we have been able to meet many inspiring creatives from across London and beyond. My business



was entirely self-funded with personal savings. However, I think an Entrepreneur ISA or Small Business Savings Allowance could be helpful for others who have an idea and are hesitating because they feel they could never afford to get their ideas off the ground.”



Emily Mayne,
founder of
Someday
Designs

“Design-led
online interior

and lifestyle store Someday Designs is a pioneer of modern, minimal living with a beautiful collection of relaxed, understated furniture and homewares. Each item is selected for its timelessness, quality and usability. Working as a design collective, we are both collaborators and makers. Equally passionate about supporting and collaborating with

emerging and renowned British and Scandinavian designers, as well as crafting beautifully designed in-house collections.

For the last 15 years, I have worked in the design and interiors industry as a retail buyer specialising in furniture and lighting for well-known department stores in the UK. In 2012, I took the opportunity to have a two-year sabbatical, working in Australia as a retail and design consultant for a number of interior boutiques and brands. I’ve always had the ambition to set-up my own business, but felt too nervous to take the leap of faith required. I was totally inspired during my sabbatical – working with individuals who had an idea or passion. Building this into a business gave me invaluable experience and confidence to do it myself. I’ve launched the brand on a very lean model and currently using our life savings, which is scary. Having a pot to use as a buffer to put towards stock, branding and as a contingency to dip into would be very beneficial and undoubtedly help us to grow faster.”



Daniel
Featherstone,
founder of Made
for Drink

“Made For Drink
was inspired by

different drinking cultures around the world. We make intensely delicious bar snacks that pair beautifully with a drink. We have two award-winning products in market at this stage: Duck Fritons (crispy morsels of free range duck skin, made for a glass of IPA) and Chorizo Thins (slices of authentic Spanish chorizo gently roasted until crisp, made for a glass of Rioja).

Starting a business is a journey, not a destination. Be prepared for the highs and lows that will inevitably come along. Be cautious to not to get

carried away when things seem to be running along smoothly. Never take your eye off the prize. Money is always important. It’s the route to expansion and growth and when you’re starting out, there’s not usually much of it.

An Entrepreneur ISA and a Small Business Savings Allowance would help massively. I could spend a long time talking about this but it’s just such a simple solution for so many reasons that prevent business getting started and off the ground.”



Tskenya
Sara Frazer,
founder of
TSKENYA

“TSKENYA offers
more immersive

footwear in niche sizes 8-13 (UK), which is free from gendered marketing to support the LGBTQ+ community. We sell shoes in this size range that are affordable, trendy and that are impossible to find in high-street shops.

Growing up I was bullied for having larger sized feet and subsequently had to wear ‘boys’ shoes. This affected my confidence and self-esteem, and I wanted to create a brand that could support others in a way that they had not been supported before.

I think class issues have proved to be a huge challenge. Not having ample finances to set up a fashion brand and to do all the things you want to do with your idea is tough. But the spirit of being resourceful has been what has helped me make the brand what it is today.

As a working-class young person trying to make a difference, the support of an Entrepreneur ISA would have been more than helpful. I am so pleased to hear that things like this exist, so that all types of people can get involved in the spirit of entrepreneurship.”

The bank backing Britain's go-getters

At Aldermore we believe in people who turn an idea into a reality. Those with enterprising ambition who develop dreams into innovations. That's why we are lobbying the Government through our **#SupportMoreEntrepreneurs** campaign, because we back you.

www.aldermore.co.uk

www.supportmoreentrepreneurs.com

Aldermore
Banking for the Bold

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