

# How well do you understand your microbusinesses?

Research from Shared Intelligence

# Context and early findings

Microbusinesses are businesses which employ a total of nine, or fewer employees.

- The sector is incredibly diverse, split by region, sector, aspirations, and many other factors.
- In general the sector has seen considerable growth, growing faster than all other sizes of business.
- Despite this, the sector has a number of challenges, which hold the sector back from its true growth potential – these are areas where microbusinesses need support.
- While some support is available from a range of organisations, the offer is fragmented, can be overwhelming and may not address the real issues.

# The challenges facing microbusinesses

## Funding

- Traditional sources of funding such as from banks, have become increasingly difficult for microbusinesses to access.
- The funding landscape is fragmented and inconsistent with a number of different organisations providing different types of funding. This is often not specifically targeted at microbusinesses.
- Funding requirements differ depending on a business's type and lifecycle, with businesses at the set up and development stage needing different support to those which are more established.

## Employment, HR and Capacity

- Microbusinesses can struggle to find, attract and retain talented employees and there is concern about the recruitment process being very expensive and time consuming.
- Often microbusinesses have skills in some areas of running the business – but need support to improve their skills in other areas.
- There are limited opportunities for microbusinesses to connect, learn and share knowledge.

# The challenges facing microbusinesses

## Marketing and Communication

- Many find it difficult to advertise their products to the right potential customers, and found it particularly difficult during COVID-19 to get recognised.
- As new markets become saturated, microbusinesses find it more difficult to attract the attention of customers and increased digital accessibility brings greater competition.
- A lack of digital skills and digital capabilities within microbusinesses both before and during the pandemic has had a substantial impact on the resilience of the business.

## External Issues

- Connectivity and suitable digital infrastructure is a significant hinderance on microbusinesses across some rural areas.
- There is a difference in the amount and types of support available for microbusinesses in rural areas and urban areas – there is more support from incubator and accelerator models in London and the South East compared to most areas.
- Within cities, higher rent and operation costs are often an issue for a new microbusiness, while in rural areas, there are challenges around being able to access appropriate office space.
- Regulation, licencing, fees, and a complex tax system, can impact on growth potential.

# How can councils respond to these challenges

Funding	Employment, HR, and Capacity
<p>Ensure opportunities to access funding is suitable for growth needs and business stage at a local, sub-regional or national level. This might be through banks to venture capitalists, government funds to local government loan schemes.</p> <p>This requires councils to understand their own microbusinesses base and the funding which can be accessed.</p>	<p>Support businesses through signposting towards support organisations. The range of support on offer is extensive and can be difficult to navigate. Councils can offer assistance to microbusinesses through their convening role, holding information on microbusinesses and the business support organisations in their area that match requirements.</p>
Marketing and Communication	External Issues
<p>Work with partners to ensure that microbusinesses can find and access the types of support they need, whether that is in advertising their products or digital upskilling.</p> <p>Play to strengths by providing support in areas such as procurement, promoting opportunities and breaking down contracts so they can be accessed by microbusinesses.</p>	<p>Work with the market to plug gaps for example in creating co-working spaces through the repurposing of high street units, working with infrastructure providers and local banks. Councils can ensure that the business support infrastructure within their area offers an end-to-end service.</p>

# Existing support offered to microbusinesses

In considering these challenges our report details existing support organisations. These range across:

- Accelerators
- Business support organisations
- Enterprise Agencies
- Incubators
- Local Enterprise Partnerships
- Private businesses such as accountants, solicitors etc.
- Trade Bodies
- Universities

# What does this mean for the role of councils?

Councils can encourage the wider business ecosystem through a number of areas such as:

- Setting the strategy with partners and developing the evidence base.
- Working with partners across geographies to ensure an end to end offer.
- Setting a framework for business support infrastructure and closing gaps in provision.
- Supporting and coordinating investment that can address shortfalls.
- Providing accessible information and contacts.

# Case Studies

Examples of councils providing these types of support can be found in our case studies for example:

- Buckinghamshire Business First supports and coordinates investment, including from the council.
- Staffordshire regularly convenes a group of business support partners to ensure collaborative working across the support landscape.
- Hull are currently consulting with stakeholders to understand the priorities of their microbusinesses.
- Leicester have set up a hub to coordinate support across the creative industries.