



strive

Placing micro and small business at the heart of inclusive growth

Unlocking the long term potential of the UK's micro and small business community

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Introduction

As the UK emerges from the Covid-19 pandemic, attention is turning to how we can stimulate the economic recovery whilst at the same time creating a more equitable society. This is challenging governments, public and private sector organisations to create pathways to more inclusive growth.

There are 5.94 million micro and small enterprises (MSEs) operating in the UK, representing over 99% of the total business population.¹ They are the engine of the economy, contributing over a third of the total revenue generated by the business community, and employing almost half of the working population.²



¹ This report aligns with the UK government definitions of micro business (1-9 employees) and small business (10-49 employees).
² Department for Business, Energy and Industrial Strategy, Business population estimates for the UK and regions 2020: statistical release (October 2020)

However, there are also many MSEs that face significant challenges to growth and long-term success – many of which have been exacerbated during the Covid-19 pandemic and subsequent economic lockdowns. According to official statistics, between April and December 2020 the average UK small business saw a 30% fall in turnover growth relative to the period before the pandemic began. Businesses in operation for less than a few years were particularly impacted, with turnover growth falling an average of 45%.³

Simply Business estimates that Covid-19 will cost the small business community upwards of £126.6 billion – double what was predicted at the beginning of the crisis.⁴

Recognising the importance of these businesses to both economic growth and communities across the UK, the Mastercard Center for Inclusive Growth, the philanthropic hub of Mastercard, is launching a nationwide initiative to bolster the digital and financial resilience and growth of British MSEs – Strive UK.

With philanthropic funding from the Mastercard Impact Fund, Strive UK aims to reach 650,000 MSEs across the country over the next three years, empowering them to succeed in the digital economy. In partnership with Enterprise Nation, Digital Boost and Be the Business, the programme will support micro and small business owners – including women and those from minority ethnic backgrounds – through free guidance, helpful tools, and personalised one-to-one mentoring. For example, this will include a data science powered 'One Stop Shop' for entrepreneurs with curated recommendations on support, resources and tools available to help them grow their business, as well as tailored support to identify and adopt the right digital tools for them.

To ensure that our efforts are complementary and additive to the support initiatives already available, and to understand which pain points for MSEs are most pressing, over the last few months we have spoken to over 75 individuals and organisations that understand and represent the UK's MSE community. From policymakers crafting government support schemes and regulation, to academics studying the business community, to private sector entities, local government bodies and non-profit organisations on the front line helping MSE owners recover from Covid-19 and grow their companies.

During this period, we have gained some important insights and perspectives into the challenges and opportunities facing MSEs and the entrepreneurial ecosystem of the UK. These insights have helped us design a programme to help these businesses overcome some of the most significant barriers they face whilst at the same time supporting broader political, regulatory and industry decision-making.

An important tenet of Strive UK is to share learnings with the entrepreneurial ecosystem and policymakers. For this reason we have distilled the insights we have gathered into an actionable report. This document sets out what we have heard from experts and how these insights will inform Strive UK's work to support micro and small businesses over the next three years. It also outlines some fundamental challenges that we cannot solve alone, in the hope that this work feeds into the broader debate about how government, regulators and industry can come together to secure the long-term growth and success of MSEs across the country.

³ Bank of England, *Impacts of the Covid-19 crisis: evidence from 2 million UK SMEs* (June 2021)

⁴ Simply Business, *The impact of Covid-19 on UK small business* (June 2021)

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Purpose and methodology

The support ecosystem for British MSEs is multi-faceted and complex, with a significant number of public, philanthropic, academic and private sector initiatives available to MSEs at local, regional and national levels.

Over the spring and summer of 2021, Mastercard conducted a series of qualitative in-depth interviews with expert organisations and thought leaders across the country to better understand the barriers and challenges facing the UK's MSE community and where additional support is needed. These interviews were crucial in informing Mastercard's understanding of where business needs are greatest and therefore where Strive UK can make the greatest impact.

During this period Mastercard, supported by FTI Consulting, conducted 75 interviews with individuals from the UK government, members of Parliament, devolved administrations, local authorities, regional chambers of commerce, Local Enterprise Partnerships (LEPs), trade bodies and representative groups, academics, non-profit organisations, and private sector companies. A list of participants who have agreed to be acknowledged can be found at the end of this report.

The insights and perspectives from these interviews have been distilled into this report. All insights are aggregated and anonymised, except where an interviewee has given explicit permission to be quoted.

What we learned

Through our conversations with MSE experts, policy makers, industry and thought leaders, we identified four key areas of opportunity where Strive UK can work to advance the long-term growth and success of British micro and small businesses:



Empower and support MSEs to take advantage of digital technology



Simplify the current MSE support ecosystem

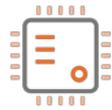


Encourage peer-to-peer mentoring and networking



Target resources at underserved segments of the MSE community





Empower and support MSEs to take advantage of digital technology

“The adoption of digital technology is a big part of solving the UK’s productivity gap”

Bim Afolami MP,
Chair of the All Party
Parliamentary Group
for Financial Markets
& Services

Never before has digitalisation played such a crucial role in facilitating business growth. During the Covid-19 pandemic, the rate of digital adoption increased dramatically as UK MSEs moved their services and operations online. According to a recent survey by the Enterprise Research Centre, around half of MSEs have prioritised introducing digital technologies in the last twelve months.⁵

More broadly, over two thirds (70%) of small and medium sized businesses believe that technology can improve their businesses. However, despite this, only 25% have fully adopted technology into their businesses.⁶

Many micro and small businesses still face significant barriers to the adoption of digital technology, including:

- **Lack of digital skills:** Many individuals, including business owners themselves, do not have the right skills to effectively integrate digital technology solutions into their businesses. Numerous organisations told us that micro and small businesses also struggle to find the time to effectively train and upskill themselves and their employees, or to move their analogue, legacy systems over to a digital alternative.
- **Access and cost:** For some MSEs in rural and harder to reach areas, a lack of strong or reliable digital connectivity and infrastructure acts as a significant barrier to the adoption of technological solutions including, in some cases, digital payments. We were also told that the cost of digital adoption – both real and perceived – means that many micro and small business owners delay and avoid upgrading their systems and processes, or fail to entrench technology, over the long-term.



⁵ Enterprise Research Centre, *State of Small Business Britain 2020* (December 2020)

⁶ Be the Business, *The UK’s Technology Moment – why 2020 can be the year that changed our trajectory* (September 2020)

- **Issues accessing support:** The options and guidance on digital technology available to MSEs can be complex and contradictory, and as a result many small businesses don't know where to start. In addition, while there is free guidance and support available, it is challenging to target these resources at MSEs who face digital or systemic exclusion.

Participants highlighted the importance of support providers proactively seeking out in need businesses, as opposed to waiting for these businesses to come to them. It was also suggested that a good way to make digital training more accessible and effective is to embed it into other forms of support rather than standing alone.

- **The business case for digital transformation has not been made:** There can be a lack of awareness among many MSEs about the benefits of using and integrating digital technology, often because the day-to-day benefits of digital solutions and services are not well-articulated. As Stuart Elford, Chief Executive at Devon & Plymouth Chamber of Commerce commented, "half the problem is some don't really know what digital is. They may think it just means having a website, whereas actually it means international marketing, supply-chain logistics and payments online".

According to a recent survey by Be The Business, over half (52%) of micro businesses do not want to increase technology adoption because "they are happy with our current process", while over a third (36%) "do not see the value the technology can bring".⁷

- **Challenges hiring digitally savvy and skilled employees:** We were told that although some MSE owners are keen to take advantage of the benefits of digital technology, they struggle to hire digitally savvy team members with the right skills to lead and support digital adoption and integration within the business. Many also find a lack of resources makes it difficult to both compete with large organisations for talent and retain highly skilled employees over the long-term.
- **Difficulties finding MSE-friendly products and services:** Although the number of MSE-focused digital and technology solutions is increasing, many still find it difficult to find products and services that are designed specifically for their unique circumstances and needs. Micro businesses, in particular, often find that the digital solutions available to them are designed for much larger organisations. This is reflected in the cost and complexity of many digital products and services and can act as a significant barrier to adoption.

Empowering MSEs with the tools and guidance they need to take advantage of digital technology to grow and expand their businesses is vital in supporting their long-term resilience and success. As Kevin Smith, Head of KPMG Private Enterprise – EMA, highlighted to us, the adoption of digital technology is now essential to business operations and gives MSEs a 'license to operate' in an increasingly digital economy.

Furthermore, as the UK looks to strengthen its global trading position, harnessing digital technology and enabling digital adoption is crucial for businesses - large and small - to expand their consumer base to international markets.

The government's Help To Grow: Digital scheme is a timely and important intervention that will support small businesses to better understand the options available to them and subsidise the cost of technology adoption. But several organisations told us that more can be done to support micro businesses and other organisations that are not captured by the government's scheme, and to help businesses develop the skills they need to make the most of the digital technology being offered.

⁷ Be the Business, *The UK's Technology Moment – why 2020 can be the year that changed our trajectory* (September 2020)



Simplify The Current MSE Support Ecosystem

“For smaller businesses, it’s always hard to navigate the business support landscape. There is a massive amount of support out there but it’s a patchwork – there is no uniform access or service”

Scott Knowles, CEO,
East Midlands Chamber
of Commerce

A frequent theme throughout our discussions was the crowded and fragmented nature of the MSE support ecosystem, which can make it extremely challenging, and time consuming for micro and small businesses to understand and navigate.

There are a significant number of resources, tools and services available to micro and small business leaders delivered at a local, national and regional level by central and local government, chambers of commerce, local enterprise partnerships (LEPs), not-for-profit organisations and the private sector. Increasing understanding and cutting through the complexity of these initiatives could help MSEs to optimise their businesses.

The abundance of programmes and initiatives means that many small businesses find it challenging to ascertain which programmes are best suited to their needs, or simply do not apply for support even though they are eligible. techUK told us that their research found that about 60% of small and medium sized businesses within the technology sector had either no knowledge of the government’s Kickstart Scheme or Research & Development (R&D) Tax Relief or had never pursued it, because they thought they were not suitable for it. Others highlighted that even well-established organisations and support groups can have trouble cutting through the noise and raising awareness of their programmes within the business community.

This complexity has led to a situation where some of the more digital and technology savvy (and generally larger) businesses have been able to benefit from the support available, while other digitally excluded or less technology-literate businesses (often on the micro and small side) have not, despite often being more in need of help. Louisa Harrison-Walker, Executive Director of Sheffield Chamber of Commerce told us that more could be done to simplify the learning and development pathway for small businesses in order to avoid *‘analysis paralysis’*.

"As the party of business, we need to do everything we can to support 0-5 employee businesses in getting back on their feet after the pandemic"

Gagan Mohindra MP,
Officer of the All Party
Parliamentary Group
(APPG) for Small and
Micro Businesses

The challenges faced by MSEs in navigating this environment are heightened by the fact that:

- **MSEs are time poor:** A number of organisations highlighted that micro and small businesses are very time poor, and almost entirely focused on the day-to-day of running their business. Many MSE owners and employees work long and unsociable hours which does not leave much time to research, understand and apply for support schemes or participate in training or mentoring programmes. Gagan Mohindra MP, an officer of the All Party Parliamentary Group (APPG) for Small and Micro Businesses, emphasised that "clear signposting of resources will be important for small businesses, particularly if you are a one-man band and don't have enough time to be searching for the best support".
- **MSEs are hard to reach:** Numerous representative organisations and business support groups told us they have difficulty in connecting with the micro and small business owners that need their help the most. In order to reach digitally or systemically excluded MSEs, including those from underserved communities, many stressed the importance of working in partnership with community groups, local chambers of commerce, non-profit organisations, and online platforms that MSEs already know and trust, who can help raise awareness of the support services available.
- **There is a lack of tailored resources for micro businesses:** Many interviewees noted that while there are many support schemes available to small and medium sized businesses, there are not many that are specifically targeted at micro businesses.
- **The MSE support ecosystem is becoming increasingly complex:** There are a huge variety of public and private sector products and support services available to micro and small businesses, many of which overlap in terms of their focus and offer. This can make it challenging for time poor MSEs to make an informed judgement on what is right for them, with many putting off decision-making altogether. There is opportunity for support providers to collaborate more closely and share knowledge and insights that enable them to streamline the system and offer more integrated and targeted products and services.





Encourage Peer-To-Peer Mentoring and Networking

“Purpose-driven businesses of all sizes have a huge amount to learn from each other, so it would be good to help them to connect to each other directly as they build and transition to more sustainable models”

Mary Pizzey, Research
and Programmes
Director, ReGenerate

One of the most beneficial aspects of participating in support schemes is the opportunity for businesses to learn from each other.

According to Sage, 93% of small and medium sized businesses think that mentoring can help them succeed. 70% of small businesses that receive mentoring survive for five years or more – double the rate compared to non-mentored entrepreneurs.⁸

In addition, enabling peer-to-peer mentoring and networking opportunities can help address some of the disparities within the business community by supporting micro and small businesses who would not otherwise have the network or the social capital to reach out to like-minded businesses themselves.

We also heard that trust can be a major barrier to some micro and small business owners seeking advice and support, with a number of organisations telling us that advice is more likely to be trusted from a peer over an authority figure.

Despite this, just over a quarter (28%) of the UK’s small business community currently make use of business mentors.⁹

The cost of some professional mentoring services also acts as a key barrier, while the time-poor nature of many micro and small businesses means it can be difficult to access mentoring at a time and in an environment that works for them. We heard that many micro and small business owners can find it hard to build and maintain strong links with their peers, and juggle mentoring and networking initiatives alongside their everyday work.

While nobody is in doubt about the value these programmes can bring, they must be built around the unique set of circumstances and commitments that each micro and small business owner faces. Focusing mentoring on an immediate issue or particular need, such as onboarding a new digital system, also has huge potential in demonstrating the tangible value and impact that mentoring can have.

8 Sage, Sage Business Navigators Guide to Mentoring (June 2014)
9 Sage, Sage Business Navigators Guide to Mentoring (June 2014)



Target Resources at the Underserved Segments of the MSE Community

Taking action to address inequalities of opportunity and access within the UK's micro and small business community presents an important opportunity for the public and private sector to deliver more inclusive growth across the country.

There was broad consensus throughout Mastercard's discussions of the need to target public and private sector resources at the micro and small business owners that need them the most. While there were a number of different demographics highlighted over the course of our conversations, female and Black, Asian, and minority ethnic business owners stood out as two clear groups where additional support is required over and above what is already available within the current support ecosystem.

Black, Asian, and minority ethnic led or owned businesses

Black, Asian and minority ethnic led or owned micro and small businesses are known to face particular challenges to growth. A 2020 report by the British Business Bank found that there are persistent disparities in business outcomes for business owners from ethnic minority backgrounds, with Black, Asian and minority ethnic entrepreneurs experiencing far worse outcomes on average. For example, Black business owners have median turnover of just £25,000, compared to £35,000 for White business owners.

According to the British Business Bank, access to finance, deprivation, education, and under-representation in senior workforce positions partially explain these disparities. However systemic disadvantages also play a role.¹⁰

This situation has been further compounded by the Covid-19 pandemic. According to research by the All Party Parliamentary Group (APPG) for Black, Asian and minority ethnic Business Owners on the impact of Covid-19, problems accessing the government's emergency support schemes was the key challenge for Black, Asian and minority ethnic led businesses during the pandemic. Almost two thirds (68%) of Black, Asian and minority ethnic business owners were unable to access any of the government's financial support measures, with respondents citing lack of access to information, issues with the qualification criteria, and challenges with completing applications as key barriers.¹¹

¹⁰ British Business Bank, *Alone, together – Entrepreneurship and diversity in the UK* (October 2020)

¹¹ All Party Parliamentary Group for BAME Business Owners, *BAME Business Owners Covid-19 Response - Voice from the Grassroots* (September 2020)

We heard this consistently throughout our discussions with both organisations that represent and work with Black, Asian and minority ethnic owned and led micro and small businesses, and local chambers of commerce trying to improve their reach across Black, Asian and minority ethnic businesses within their local communities.

Many highlighted the value of targeted support schemes, and the importance of recognising that the Black, Asian and minority ethnic community is not a homogenous group. Peer-to-peer engagement and mentoring initiatives that bring together micro and small business owners from the same ethnic background, and support programmes that account for different languages, cultural norms and communities, are also important in supporting Black, Asian and minority ethnic business leaders to overcome some of the unique barriers they can face.

The UK government publishes data on the number of minority ethnic led small and medium enterprises in the UK as part of their annual Small Business Survey: 6% in 2020, a figure that has not materially increased since 2015.¹² However, there is a lack of comprehensive, publicly available information about the size, shape, and challenges affecting the Black, Asian and minority ethnic micro and small business community and the impact of public and private sector support. This makes analysis about the scale of the challenges facing this particular group difficult to analyse and quantify, and is a gap that needs to be addressed.



¹² Department for Business, Energy and Industrial Strategy, [Longitudinal Small Business Survey 2020: SME Employers](#) (August 2021)

We believe there is a huge opportunity for the government and the private sector to combine insights and responsibly share data about the impact and scale of the challenges and opportunities facing minority ethnic owned and led small businesses. This will help drive evidence-based policymaking and ensure that the support ecosystem helps the UK's Black, Asian and minority ethnic business community to thrive.

Female-led or owned businesses

Despite accounting for half of the UK population, women are significantly underrepresented in the entrepreneurial community and face additional barriers compared to their male counterparts.

In 2020, just 17% of micro and small businesses were owned and/or led by women.¹³ That same year, the average median turnover for female entrepreneurs' businesses was a third of male entrepreneurs', and the median productivity of female owned businesses was less than half.¹⁴

Many of the organisations we spoke to identified female led or owned businesses as a group in need of additional support, particularly Black, Asian and minority ethnic entrepreneurs who may face combined challenges associated with being both female and from a minority ethnic background. According to the British Business Bank, 37% of Black female entrepreneurs did not make a profit in 2019, compared to just 16% of White male entrepreneurs.¹⁵

The primary challenges faced female owned or led businesses identified during our discussions mirrored the findings of the government-commissioned Rose Review of Female Entrepreneurship: access to funding, disproportionate caring responsibilities, digital skills, and a lack of mentoring and opportunities for networking.¹⁶

Numerous organisations told us that female owned and/or led MSEs particularly benefit from mentoring and opportunities to network with their peer group. Research has shown that men are more likely than women to know at least one other entrepreneur, which significantly improves the likelihood of that individual starting a business themselves.¹⁷ More traditional mentoring and network programmes also tend not to be suitable for working mothers with commitments and caring responsibilities outside of working hours.

We also heard from a number of individuals including Diana Chrouh, Chair of BAME Policy at the Federation of Small Businesses, that despite a number of initiatives underway within the private sector focused on supporting Black, Asian and minority ethnic female-led businesses, many overlap in areas of focus and are not joined up.

As with other segments of the MSE community, there is huge opportunity for greater collaboration within the private sector, and in partnership with the government, to streamline the support services available and develop evidence-based, targeted programmes that support female small business leaders to overcome the specific, unique challenges they can face.

¹³ Department for Business, Energy and Industrial Strategy, *Longitudinal Small Business Survey: SME Employers – data* (August 2021)

¹⁴ British Business Bank, *Alone, together – Entrepreneurship and diversity in the UK* (October 2020)

¹⁵ British Business Bank, *Alone, together – Entrepreneurship and diversity in the UK* (October 2020)

¹⁶ UK Government, *The Rose Review of Female Entrepreneurship* (March 2019)

¹⁷ UK Government, *The Rose Review of Female Entrepreneurship* (March 2019)

How Mastercard will help

As the UK turns from economic relief to economic recovery, British MSEs are going to need to change the way they do business. Changing customer preferences, new conditions due to Brexit and the Covid-19 pandemic, and an acceleration to digital have all prompted the need for MSEs in the UK to adapt and evolve.

Using the insights and perspectives gained through our in-depth discussions, the Mastercard Center for Inclusive Growth has designed a programme that will focus on the inclusive digitalisation of MSEs – including female and Black, Asian and minority ethnic owned and led MSEs – and tackle the barriers that are hindering these businesses from having successful and robust digital futures.

Strive UK will bolster the digital and financial resilience, and unlock the growth potential, of over 650,000 British micro and small enterprises over the next three years, through free guidance, helpful tools, and personalised, one-to-one mentoring.

The programme replaces the traditional 'top down' approach to advice with a hands-on, community focused approach, engaging relevant digital experts and on-the-ground organisations that already support micro and small businesses.

Strive UK takes into account new and existing MSE support programmes, including the UK government's 'Help to Grow Management and Digital' schemes, and will seek to organise the current ecosystem of existing programmes, so that MSEs can more easily and quickly identify the available resources and opportunities that are most relevant and impactful to them.



It will also address some of the gaps in the current UK entrepreneurial support landscape to ensure no MSE is left behind.

The programme will be comprised of six core components:

1. Building tailored learning journeys so MSEs have the skills to run and grow a business

We know from our conversations that UK micro and small businesses hugely value opportunities to access free, personalised training and guidance that can help them gain the skills and confidence they need to build their business. We also understand that these tools need to be as simple and effective as possible, and designed in a way that works for time poor businesses with demanding work schedules.

Working with Digital Boost, we will therefore provide a free, scalable, bite-sized version of the UK government's Help to Grow: Management scheme for those excluded from the government-led programme, designed to help them gain the right leadership, innovation, digital and financial management skills.

The programme, delivered online, will take organisations on a personalised learning journey built around the essential elements of Help to Grow: Management and user interests captured at registration. It will combine one-on-one mentoring, courses and workshops, culminating in a certificate of completion.

2. Driving digital technology adoption among MSEs

We also know that most MSEs would benefit from clear, easy to understand information and advice on how digital technology can benefit their business, as well as hands-on support to choose, onboard and/or integrate new products and services.

To help meet this need, we will work with Digital Boost to supplement the UK government's Help to Grow: Digital scheme by providing guidance and advice to help MSEs adopt new technologies.

The programme will support businesses that are too small to participate in Help to Grow, as well as providing wrap-around support for those that do qualify.

This programme will have three steps:

- I. The online programme will connect MSEs to digital experts who can support the business to understand the technology options available to them and provide free, personalised advice and impartial recommendations on digital adoption. These experts will recommend 'endorsed' digital solutions that are fit for purpose and tailored to individual business need.¹⁸
- II. Digital Boost will then connect MSEs to an expert mentor who can support the business with embedding the product or service and provide guidance on how to implement the technology successfully.
- III. The programme will encourage peer learning by inviting MSEs to participate in workshops and an online community that allow businesses to share their experiences and provide feedback on products and processes.

¹⁸ Endorsement means that the solution has been independently reviewed. This endorsement is defined by impartial, expert panels regularly convened by Digital Boost, supported by feedback and ratings from other MSEs.

3. Empowering Black, Asian and minority ethnic businesses

We know that Black, Asian and minority ethnic owned and led businesses are in particular need of additional, targeted support.

In partnership with Be The Business, Strive UK will therefore deliver an in-depth development programme focused on developing core business skills and offering tailored support around key business areas including finance, leadership, technology and supply chain development.

Alongside a scalable digital support programme, we will connect Black, Asian and minority ethnic businesses with experienced mentors who can support them with digital and leadership development, help them to navigate the complexities of the MSE ecosystem, and advise them on how to overcome any challenges they face.

In addition, we will support Black, Asian and minority ethnic leaders to build trusted networks through Entrepreneur Advisory Boards, established to support the Black, Asian and minority ethnic business community to collectively tackle business-critical issues such as digital or financial resilience.

We understand that earning the trust of this community will be key. Community outreach will be one of the key components of Be The Business' work, to ensure we are not only establishing trust but also designing the programme with the needs of these entrepreneurs front and centre.



4. Data science powered 'One Stop Shop' for MSEs to find support, resources and tools

One consistent theme throughout our discussions was the need to support time poor MSEs to navigate the complexities of the current national and local support ecosystem.

In partnership with Enterprise Nation, we will build a data-driven single source of support for MSEs to navigate and understand the existing private and public sector support available to them both regionally and nationally, and find resources, programmes and tools that can help them grow their business.

Enterprise Nation will deliver this through building additional content onto their current platform, which already connects over half a million MSEs each year to content, education resources, and expert advisers. The platform will include resources and support from across the public and private sectors and civil society.

MSEs visiting the 'One Stop Shop' will be able to quickly get a sense of what support they need and where and how to get it. We will also use machine learning, data science and analytics to test, learn and iterate to ensure the recommendations and signposting provided by the service is both highly tailored and impactful.

5. Data sharing and analytics

We have consistently heard that there is a lack of data available about the size and the scale of the issues facing UK MSEs, and the impact of targeted support initiatives.

We, together with our partners, are therefore committed to combining all of our anonymised programmatic data into an aggregated data lake. This will enable us to draw new insights into the actions and behaviours of British MSEs, which we will publish to help policymakers, business and community leaders, and industry's broader understanding of the UK's MSE landscape.

6. Bringing together the individuals and organisations on the front line of supporting MSEs

The insights and expertise we have gained over the last few months have been invaluable in supporting our work to design Strive UK. Going forward, we want to build on this and facilitate open, collaborative discussions about how we can all work together in support of the UK's micro and small business community.

We, together with Enterprise Nation, are launching the Strive Learning Network. We want to make this a forum where people and organisations can compare notes, share experiences and best practice and collaborate so that we can help improve the UK's entrepreneurial ecosystem together.

The challenges that require collaboration

"I would like to see new models of finance for micro businesses, which are distinctive models from the financing of medium and large enterprises"

Richard Burge, Chief Executive, London Chamber of Commerce and Industry

There are many deep-rooted, systemic challenges facing British micro and small businesses that no single organisation can solve alone.

The only way to make long term and meaningful impact at scale is through partnerships – between private sector companies, and with government and non-profit organisations – that operate across sectors, across silos, and across every community in the UK.

Over the last few months, we have uncovered four key areas where we believe a partnership approach can support micro and small businesses to further overcome barriers and unlock their growth potential.

1. Enabling access to finance

Accessing finance is a crucial part of establishing and growing any micro or small business. The inability to access sufficient finance, or finance at an affordable rate, can significantly hold back growth or prevent a business from getting off the ground.

We were told by a number of organisations that a lack of access to start-up and early-stage capital is one of the fundamental challenges facing British micro and small business owners. This challenge is particularly acute for Black, Asian and minority ethnic and female owned and led businesses, who typically face additional barriers to acquiring capital from mainstream financial services providers.

According to research by the British Business Bank, an inability to access finance is the reason why 39% of Black entrepreneurs and 49% of Asian and other ethnic minority entrepreneurs stop working on their business idea. In addition, 'discouragement' (where a business does not submit a formal application to a lender because of a fear of rejection) is ten times higher among Black African business owners than their White counterparts.¹⁹

Despite work underway within the financial services industry to address how these barriers to finance can be addressed, we also heard that MSEs continue to struggle to access lending products that are designed for larger businesses and not tailored to their specific needs.

19 British Business Bank, *Alone, together – Entrepreneurship and diversity in the UK* (October 2020)

The inability to access lending products means that, for many micro and small business owners, the lines between personal and business finance are often blurred. StepChange and the Money Advice Trust both explained that many entrepreneurs and micro business owners come to them for support after extending personal lines of credit such as credit cards or banking overdrafts in order to support business ambitions and growth, which can lead to significant financial challenges further down the line.

Simply Business states that over a third (35%) of small and medium sized businesses have borrowed money from friends or family over the course of the Covid-19 pandemic.²⁰

We need to come together – the financial services sector, policymakers and the small business community - to explore how we can better support micro and business owners to convert their social capital into financial capital, and spearhead innovation that can unlock wider access to finance.

For example, innovations like Open Banking have huge potential to support lending by improving the ability of lenders to accurately judge credit risk – especially for the smallest micro businesses and start-ups who may not have a comprehensive credit history – as well as providing access to a wider range of credit providers.

2. Driving data-led decision making

Micro and small businesses make up over 99% of the total business population,²¹ yet there is a lack of data-driven analysis into the shape, make-up and issues affecting the micro and small business community.

In order to develop products and services that can make the biggest difference to these businesses, a comprehensive understanding of the scale of the issues and challenges they face is required.

This is particularly pertinent for underserved groups in need of additional, targeted support. Diana Chrouh, Chair of BAME Policy at the Federation of Small Businesses, and Abena Oppong-Asare MP, Shadow Exchequer Secretary to the Treasury, both highlighted the need for improved data on the compounded challenges facing many Black, Asian and minority ethnic business owners, as well as whether the government's policies are moving the dial.

We believe there is an opportunity for the public sector to lead by example by achieving a world leading data sharing ecosystem. This must be underpinned by trustworthy data practices and recognised principles such as Mastercard's Data Responsibility Principles, which are grounded in the belief that individuals own their data, they should be able to control their data, understand how their data is used to benefit them, and be assured that they are receiving world-class privacy and security protections.²²

Working in partnership with entrepreneurial support organisations across the private and non-profit sectors, we urge the government to explore how aggregated and anonymised data that can benefit evidence-based decision making for the micro and small business community can be shared responsibly throughout the support ecosystem.

²⁰ Simply Business, [Coronavirus set to cost SMEs over £69 billion – with two fifths at risk of permanently closing](#) (May 2020)

²¹ Department for Business, Energy and Industrial Strategy, [Business population estimates for the UK and regions 2020: statistical release](#) (October 2020)

²² Mastercard's Responsible Data Principles can be viewed on the [Mastercard website](#)

“Most businesses don’t fail because of a lack of profits but because of a lack of cash management”

Andrew Goodacre,
Chief Executive, British
Independent Retailers
Association

3. Tackling late payments

Managing cash flow and managing late payments remains a long-term challenge for thousands of British MSEs. According to research by Pay.UK, in September 2019 UK small and medium sized businesses were struggling under a late payment debt burden of £23.4 billion, with over half of small business owners reporting being paid late.²³

The Small Business Commissioner was established by the government in 2017 to encourage a responsible payments culture and support small businesses to challenge bad practice and recover payments owed to them. We are hugely supportive of their work to tackle late payments on behalf of the micro and small business community, and its ongoing work across government and with the private sector to explore how innovation can tackle late payment practices.

In addition, initiatives such as the Good Business Pays campaign, of which Mastercard is a founding member, are doing vitally important work to expose poor practice and prompt commitments from leading businesses to pay their suppliers promptly and fairly.²⁴

It is incumbent on every private and public sector organisation to ensure it is set up in a way that enables MSE suppliers to be paid as quickly as possible, and digital payments technology can be a part of the solution.

We believe it is important that the government and agencies like the Small Business Commissioner lead by example by ensuring that micro and small businesses are aware of digital technologies that can enable fast and efficient payments, and by deploying digital solutions when working with micro and small business suppliers.



²³ Pay.UK, *Mental health cost of late payments* (January 2020)
²⁴ *Good Business Pays*

4. Supporting MSEs on their journey to sustainability

Large companies are increasingly prioritising inclusive and green growth and adapting to the demands of their expanding environmentally and socially conscious consumers, employees and investors. While micro businesses operate on a much smaller scale, they must do the same.

Moving to a more environmentally conscious, responsible business model will help micro and small businesses to remain relevant and competitive in the long-term. However, it does not come without cost or resource implications.

As Martin McTague, National Vice Chair for Policy & Advocacy at the Federation of Small Businesses told us, smaller businesses are increasingly looking for guidance and support on how they can pivot and invest in their businesses in order to meet consumer demands and keep pace with the scale of political and societal change.

With the government's 2050 net zero commitment on the horizon, we would like to see the UK's MSE support ecosystem come together to equip micro and small businesses with the guidance and tools they need to transition to net zero and meet new social, governance and environmental requirements.

These tools must be developed with MSEs front of mind, designed in a way that supports businesses to understand the value of more sustainable approaches, and allows them to integrate changes quickly, easily, and in a way that works for them.



Recommendations for further action

In order to build a truly inclusive post-pandemic economy, we need to come together to support the UK's micro and small business community to unlock its long term potential.

To do this we must adopt a collaborative, partnership approach that brings together the incredible range of expertise, resources and data sources from across the public and private sector, and directs them at the fundamental challenge of breaking down the barriers that these businesses can face.

We also believe that central and local government has an important role to play in helping micro and small businesses make the most of digitalisation – not only by working with the private sector, but also by becoming an early adopter of digital payments technology in their transactions with small business.

In particular:

- We believe the UK government has a proactive role to play in taking further steps to tackle the areas where micro and small businesses continue to struggle the most, including by taking more steps to bolster digital and financial resilience.
- We urge the UK government and the financial services industry to come together to undertake further work to explore how responsible data sharing and Open Banking solutions can improve access to finance for MSEs, with a particular focus on opening the doors to capital for female and Black, Asian and minority ethnic owned and led businesses.
- We would like to see the UK government and regulators facilitate a cross-industry conversation on how to improve the quality, availability, and depth of data and evidence on the size, scale, and challenges facing British micro and small businesses.
- We believe there is huge opportunity in private companies combining their efforts, pooling their resources, and sharing data and insights in support of the UK's micro and small business community. Not only would this help to address the concerns we have heard about complexity and overlap between support schemes, establishing private sector partnerships would enable micro businesses to access holistic, fully integrated support services.
- In order to ensure that the UK's smallest businesses are not left behind in the national drive towards net zero and a more resilient future, policymakers and the private sector must come together to explore the role that government, regulators, and the business community can play in supporting micro and small businesses on their sustainability journey.
- We would like to see the UK government and its agencies take proactive steps to build knowledge and understanding of the potential of digital payments technologies and the solutions that are already available, both within the micro and small business community and the public sector.

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**Abena Opong-Asare MP, Shadow Exchequer
Secretary to the Treasury**

**All Party Parliamentary Group for Black, Asian and
Minority Ethnic Business Owners**

All Party Parliamentary Group for Digital Skills
www.connectpa.co.uk/digital-skills-appg/

**All Party Parliamentary Group for Financial Markets
and Services**
www.apgfms.org.uk/

All Party Parliamentary Group on Fair Business Banking
www.appgbanking.org.uk/

**Bell Ribeiro-Addy MP, Member of the Women & Equalities
Committee & Officer of the All Party Parliamentary Group
for Black, Asian and Minority Ethnic Business Owners**

Be the Business
www.bethebusiness.com

Birmingham City Council
www.birmingham.gov.uk

Black Country Chamber of Commerce
www.blackcountrychamber.co.uk

Black South West Network
www.blacksouthwestnetwork.org

British Independent Retailers Association
www.bira.co.uk

Business West Chambers of Commerce
www.businesswest.co.uk

Cambridgeshire Chambers of Commerce
www.cambridgeshirechamber.co.uk

Capify
www.capify.co.uk

Centre for Entrepreneurs
www.centreforentrepreneurs.org

Confederation of British Industry
www.cbi.org.uk

Department for Digital, Culture, Media and Sport
www.gov.uk/government/organisations/department-for-digital-culture-media-sport

Devon & Plymouth Chamber of Commerce
www.devonchamber.co.uk

Digital Boost
www.digitalboost.org.uk

Dundee and Angus Chamber of Commerce
www.dundeeandanguschamber.co.uk

East Midlands Chamber of Commerce
www.emc-dnl.co.uk

Enterprise Nation
www.enterprisenation.com

Enterprise Research Centre
www.enterpriseresearch.ac.uk

Federation of Small Businesses
www.fsb.org.uk

Finance for Enterprise
www.finance-for-enterprise.co.uk

FinTech Scotland
www.fintechscotland.com

**Gagan Mohindra MP, Officer of the All Party
Parliamentary Group for Small and Micro Businesses**

Good Things Foundation
www.goodthingsfoundation.org

Greater Birmingham Chambers of Commerce
www.greaterbirminghamchambers.com

Innovate UK
www.ukri.org/councils/innovate-uk

KPMG

www.home.kpmg/uk/

Liverpool City Region Local Enterprise Partnership

www.liverpoollep.org

London Chamber of Commerce and Industry

www.londonchamber.co.uk

Manchester City Council

www.manchester.gov.uk

Money Advice Trust

www.moneyadvicetrust.org

ReGenerate

www.re-generate.org

Scottish Enterprise

www.scottish-enterprise.com

Scottish Government

www.gov.scot

Sheffield Chamber of Commerce

www.scci.org.uk

Sheffield City Region Combined Authority

www.sheffieldcityregion.org.uk

Sheffield City Region Local Enterprise Partnership

www.sheffieldcityregion.org.uk

Small Business Commissioner

www.smallbusinesscommissioner.gov.uk

StepChange

www.stepchange.org

Tech Nation

www.technation.io

techUK

www.techuk.org

Tees Valley Combined Authority

www.teesvalley-ca.gov.uk

Tees Valley Local Enterprise Partnership

www.teesvalley-ca.gov.uk/lep

The Big Issue Group

www.bigissue.com

UnLtd

www.unltd.org.uk

We Are Digital

www.we-are-digital.co.uk

Welsh Government

www.gov.wales

West Midlands Combined Authority

www.wmca.org.uk

About Mastercard

Mastercard is a global technology company in the payments industry. Our mission is to connect and power an inclusive, digital economy that benefits everyone, everywhere by making transactions safe, simple, smart and accessible. Using secure data and networks, partnerships and passion, our innovations and solutions help individuals, financial institutions, governments and businesses realise their greatest potential. Our decency quotient, or DQ, drives our culture and everything we do inside and outside of our company. With connections across more than 210 countries and territories, we are building a sustainable world that unlocks priceless possibilities for all.

[mastercard.com](https://www.mastercard.com)

Mastercard Center for Inclusive Growth

The Mastercard Center for Inclusive Growth advances equitable and sustainable economic growth and financial inclusion around the world. The Center leverages the company's core assets and competencies, including data insights, expertise and technology, while administering the philanthropic Mastercard Impact Fund, to produce independent research, scale global programs and empower a community of thinkers, leaders and doers on the front lines of inclusive growth.

[mastercardcenter.org](https://www.mastercardcenter.org)

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