

GENESIS MANIFESTO

A THEMATIC SUMMARY

NOVEMBER 2014



**KENSINGTON PALACE,
LONDON, W. 8.**

The launch of the SME/Micro Business Manifesto is timely, given that the General Election will be held in May 2015. All our Political Parties are formulating their Manifestos, so any contribution from the deliberations of the participants in the 'Genesis Initiative' will be welcomed. Our SME/Micro Businesses have played a major part in taking our country out of recession, so it is critical to develop and implement the right policy framework. The Genesis Initiative Manifesto is an attempt to bring relevant stakeholders together to identify the key strategic issues facing the SME/Micro Businesses in the United Kingdom. Contributors have included Academics working in the sector, SME Organisations and Politicians Cross Party who campaign for policies that support entrepreneurial initiatives. I would like to record my thanks to Mr Ross Coates, Mr Richard Smerdon and Professor Ken O'Neill for producing this Manifesto, and to PRS for Music for their sponsorship.

As Founder Patron of the Genesis Initiative I am proud to be associated with this exercise.

Foreword



It is my pleasure to commend the following paper to you. This manifesto is intended to provide an overview of Small and Medium sized enterprises in the United Kingdom as we approach the next General Election in 2015. Its goal is a simple one – that the arguments put forward in this paper will help foster a thriving SME Sector.

Much like previous endeavours, this manifesto is very much intended as a Small Business anthology compiled with the view of bringing together a diverse range of people of a business background and that of academia. The manifesto has been broken up into chapters with each chapter having a different author. It is fantastic to see returning names from the Genesis Initiative's first

manifesto nearly half a decade ago, such as Professor Ken O'Neill, Sir Ronald Halstead discussing Manufacturing and Bob Salmon on the Food Sector to name a few.

The document itself is supported by the Genesis Initiative and is the product of over two years work. Genesis Initiative is an all-party organisation with the aim of supporting the SME sector by bringing together entrepreneurs, academics and decision makers from all sides of the spectrum. Formed in 1999 it now boasts some 113 trade organisations and nearly 1 million members.

I would like to thank everyone that has been involved with producing the content of this manifesto ahead of what could be a momentous General Election. I do feel that I should specifically mention PRS for Music who have yet again sponsored the administration and research of this project. Without their continued support over the years this manifesto would not have been possible. I would like to recognise the Chairman of the Genesis Initiative, Cllr John May FCA who has yet again co-ordinated this project. Also to Ross Coates MBE and Richard Smerdon who have produced the Manifesto magnificently and co-ordinated the final document.

Lastly I would like to thank HRH Prince Michael of Kent who is the Patron on the Genesis Initiative for his continued support of this manifesto.

Brian Binley MP
Member of Parliament for Northampton South
Chair of the All Party Parliamentary Small Business Group

Foreward



I would like to start by commending the Genesis Initiative for their 2014/2015 manifesto. Genesis is an all-party political group containing members with an almost unrivalled knowledge, expertise and passion for SMEs and Micro Businesses. In my work as Chair of the All Party Parliamentary Group for Micro Businesses, I have worked closely with them and shared ideas over the last four years. Like me, the members of Genesis recognise that small and micro businesses are the lifeblood of the UK economy, and must be given maximum support to be allowed to flourish!

This manifesto sets out with clarity proposals that the Government should consider to further enable our SMEs and micros to grow. These are detailed and practical measures, written by real experts in the field. Sensible proposals on red tape, tax, access to finance and late payment, issues I am pleased to see addressed.

The manifesto was written as the UK economy emerged from a difficult recession. The current economic signs are good, with unemployment down, inflation low, and Britain forecast to experience the most rapid growth of any advanced economy over the next year. Small business owners in my constituency tell me that they are feeling more confident about their prospects – if the Government implements measures like those suggested in this manifesto, that confidence can be translated into what we all want to see – more jobs and prosperity for our local towns and people.

I would like to thank all of the authors for their hard work and contributions, particularly Ross Coates and Richard Smerdon who have worked tirelessly to bring the whole project together. I hope that the Government will look very seriously at all the proposals put forward.

Anne Marie Morris
Member of Parliament for Newton Abbot
Chair of the All Party Parliamentary Group on Micro Businesses

LIBERATING THE ENTREPRENEUR CREATING A PRO-BUSINESS ENVIRONMENT

THE THEMES OF THIS MANIFESTO

This manifesto, for the 2015 General Election, is prepared on behalf of the Genesis Initiative which is an all Party Political Group representing SMEs and micro businesses through their delegate organisations.

The aim of the organisation and the aim of this manifesto is to encourage Government to set the right pre-conditions for entrepreneurs to create employment and to grow their businesses profitably which, in turn, benefits the Exchequer and more locally the communities within which the businesses operate.

The organisation acknowledges the significant steps taken since the occasion of its first manifesto in 2010.

It is important that Government correctly monitors the appropriate legal framework with the right tax rates, and the right number and appropriate application of regulations. Equally the Government must recognise the limitations of its own role in the development of new and existing SMEs.

This manifesto emphasises the crucial importance that economic policy plays in entrepreneurship but, at the same time, the manifesto recognises there are no easy paths in existence to promoting entrepreneurship. High taxes and a heavy regulatory burden are seen by many to be the central weakness to the current business climate in the EU but political will to reform this is required.

This work comprises submissions from a wide range of individuals either from the business world or the academic world with a specific interest and knowledge in niche areas relevant to the SME sector and its development. The themes drawn from these contributions are set out below and provide a useful introduction to and summary of this manifesto:-

1. Creating the Right Regulatory Framework

It is essential that the Government sets the correct statutory and regulatory framework to not only encourage entrepreneurs but also to provide support and encouragement for the self-employed. There has been a huge increase in self-employment over recent years during the period of the recession. Self-employed tend to remain as micro businesses and, generally speaking, do not take on employees. Entrepreneurs tend to be on a mission to grow and develop businesses and in order to fulfil their aims and dreams, create employment.

It is therefore important that regulations and new statutory innovations are viewed from an angle of encouraging SMEs rather than making it more difficult for SMEs, more cumbersome and more expensive to set up a business and to maintain the business. There have been many comparative studies throughout the world as to the time and cost of setting up a new business and the time and cost of dealing with non-productive management activity. It is important that within the UK and within the EU the overall theme is a light touch regulation which encourages SME development.

2. Rebalancing the Rights of Employers and Employees

This manifesto acknowledges the strides already made in this area by the current coalition Government and a continued theme of rebalancing the rights of employers and employees should be pursued throughout the next Parliament. Much of the work detailed in current initiatives is yet to reach the consciousness of those in charge of small businesses and we would argue that the differentiation between very small/micro businesses and larger employers is a legitimate one. Very small businesses are not able to afford elaborate administrative structures to provide the advice and support needed for complex adherence to detailed legal requirements and, in particular, where those requirements are changing annually it consumes too much unproductive time and effort. The effect on SMEs is disproportionate.

Legislators should bear in mind that the majority of employers are SMEs which are not even incorporated entities and, in those circumstances, employment legislation literally relates to the rights of one individual against another in many situations.

The manifesto would applaud the tentative changes made with regard to the way that employment tribunals work, but more research is required with regard to the part played by the manipulation of the media by one party or the other before the cases are concluded and awards made by tribunals.

3. Preventing Regulation Acting As Inhibitor to SME Development

Without being industry specific, it is a fact that across the SME sector employment legislation brings with it the majority of regulations that businesses have to adhere to.

There are of course specific regulations relating to specific businesses such as the food sector or financial services (see specific contributions later in manifesto). There seems to be a continuing appetite to develop complex regulations in this regard which become ever more difficult for businesses to understand and adhere to. This line of travel makes it very difficult and expensive for the SME sector to keep up with regulations.

The more liberated any particular market is, the more likely it is that the business owner can focus more of his time, energy and intellectual capacity to building and developing a business and, in particular, providing additional jobs rather than being continually focussed on compliance. In these circumstances, this manifesto would wish to see a more vigorous examination of any new legislation and statutory instruments which impose new regulation on SMEs. We support a continuing drive to repeal and remove unnecessary or redundant regulatory provisions. New regulations must be gauged against strict criteria and be proportionate.

4. Tax and SMEs

This manifesto supports a simplified tax regime and simplified tax reporting requirements for SMEs below a certain size, again in order to reduce the burden and the amount of time in non-productive activity on the part of SME managers and owners.

A tax collection regime more in tune with the practices of other creditors and organisation would appear to be more business friendly. For many the current arrangements relating to the collection of tax are cumbersome, complicated and confusing and in many ways outdated.

5. SMEs Access to Finance

The big issue of the day is somehow to make more finance available to the SME sector in order to persuade SMEs to develop and expand. Subsequent to the banking crisis, the credit crunch and the recession, the SME sector is still carrying a significant chunk of historic debt and this at a time when there are competitive pressures to build and develop to take advantage of the improved market conditions. None of this is possible when at the same time there is pressure from the banking sector to collect money from SMEs and the individuals within them rather than to lend money. After six years of recession not many businesses are cash rich.

There are a number of new providers of finance emerging on the market outside the traditional banking sector and Government policy should focus on encouraging this development because, unless funding is made available to the SME sector, growth and development will eventually be derailed through lack of capacity and ability to provide services to the community at large. Risk management requirements in this area require constant review.

6. Education and Attitude to Risk

In our current society there is a tendency for too many to be risk averse whereas the spirit of small business is to take calculated risk in order to make profit and develop one's business. Attitude to managing risk is an important factor in whether businesses develop or stagnate. By its definition, a risk can go wrong and have disastrous consequences but without risk takers much less can be achieved.

Training and education support for the SME sector needs to be overhauled. At the current time training and support for setting up, running and maintaining a business is piecemeal, uncoordinated and provided by a range of different providers very variable in its quality and robustness and not always fit for purpose. Ongoing practical support for business, such as establishing a more coordinated and comprehensive educational support system is essential in order to enable start-ups to continue and operate successfully on an ongoing basis. Government initiatives should be at the centre of this.

Many SMEs are reporting a significant skill shortage in a variety of given areas of small business activity. The lack of educational achievement and general educational disorientation is going to hamper the development of the British economy in the years to come and requires urgent attention by future Government policies in the relevant sector.

7. Business Vehicles

It is only natural that after a recession individuals may be wary of setting up an SME. Statistics show that record numbers of people have declared themselves self-employed (see more detail later in manifesto), equally most of those are individuals who have set themselves up as consultants and employ no-one. To take the essential first step of employing staff is a big step to take and will require finance and capital. We believe in an establishment of a working committee to look at protecting the domestic assets of entrepreneurs to simplify the establishment, running and maintaining of limited companies

and to consider ring-fencing the liability of those individuals who take the risk of setting up a new venture which employs third parties. We believe that this would encourage more people of ability across all age ranges to put into practice their ideas and plans on an individual entrepreneurial basis.

We also propose a detailed study of the movement and ownership of capital in our society for the provision of this lies at the heart of new business.

8. European Union

In 2000 the European Union signed the 'Lisbon Strategy'. The apparent aim was to make the EU "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" by 2010. It went on "*the competitiveness and dynamism of businesses are directly dependent on a regulatory climate conducive to investment innovation on entrepreneurship*".

As Sweden's Prime Minister Fredrik Reinfeldt quoted in 2009 "*it must be said that the Lisbon Agenda, only a year remaining before it is to be evaluated, has been a failure*".

Subsequently the euro zone has been marred in financial and economic problems particularly amongst the southern European Member States.

At the current time our own Conservative Party has promised an in/out referendum in 2017 and this commitment is significant. Much of the regulation referred to above and, in particular, regulations relating to employment legislation and industry specific rules and regulations, emanate from the European Union and again much has been written about how democratic European Union structures are which lead the implementation of new rules and regulations in member states. Much of this work lies at the heart of so much devoted and tireless time spent by Genesis members. The problem is that many consider that the whole arrangement needs to be reformed.

Whatever the final result of the argument on both sides of the fence may be, it is crucial there is transparent and democratic examination of all proposals before they become Law. We would therefore urge the new Government to look at the revising of the current mechanisms in place and with regard to proposals emanating from the European Union for the purposes of reviewing legislative proposals.

9. Promotional Support for Exports

Increasing exports is essential to the country's future prosperity and Government support in promoting exports would provide proportionately large advantages to the UK economy were it to be successful.

In his section on "Manufacturing and Exporting", Sir Ron Halstead makes a powerful case for much greater investment and support in this area by Government particularly in the SME sector. Genesis supports this initiative and considers it should sit at the hallmark of any future General Election manifesto.

10. Infrastructural Development

In the light of the substantial increase in population in the United Kingdom, both through the birth rate and unprecedented levels of immigration, it has never been more essential for the infrastructure to be kept up to date.

Transport infrastructure is the most crucial for the development of business and, in particular, the SME sector requires efficient and cost-effective delivery times and the ability to be able to be mobile within the United Kingdom. At the current time this is becoming increasingly difficult to achieve in view of the fact that the infrastructure is outdated, under-resourced and inadequate given the numbers of people trying to utilise it.

Government investment in this area needs to be re-examined in order to provide a much more efficient, effective and up to date supportive infrastructure to facilitate small business and otherwise corporate activity.

11. Small Businesses Commission

This manifesto is not the first document to propose the establishment of a Small Businesses Commission. We propose this becomes legally constituted with the following remit:-

- (i) To examine all proposed legislation in regulations from the small business angle and to present the small business case to the Government whenever their legislative proposals or regulatory proposals which could affect the SMEs;
- (ii) To take control of small business training so as to provide a coordinated service provision, support and back-up for all those requiring this both in the initial stages of setting up an SME but also in ongoing duties to keep up to date with new tax proposals and other changes in modus operandi;
- (iii) To provide help and support to SMEs to obtain Government contracts;
- (iv) To act as the follow up for SMEs to benefit from export initiatives.

CONCLUSION

Our aim, as set out in the introductory section by Professor Ken O'Neil, is to encourage the development of a flourishing SME sector. This is not a new clarion call neither is it particularly original. One has, however, to be constantly mindful of the need to create a pro-business environment in terms of carefully watching Government and other administrative bodies' regulatory activity, managing the economic and financial environment and the Government's adoption, consciously or otherwise, of new regulatory commitments which could be beyond the ability and capacity of small businesses to absorb.

Our goal is to ensure that the contributions that now follow in this manifesto will move political debate in a pro-business, pro-entrepreneurial, self-employed direction.

A BRIEF SNAPSHOT OF THE PROPOSALS IN THIS MANIFESTO

1. A proportionate regulatory framework which differentiates the SME sector.

Proposed legislation relating to the conduct of business needs to be dissected by the proposed Small Business Commission to ensure that it does not impose unnecessary and complex regulatory burden upon business where such proposals do involve additional regulatory compliance consideration should be given as to whether the SME sector should be treated differently or exempted altogether.

2. A review of employment legislation which differentiates this sector.

All future employment legislation and regulation should be dissected as above to ensure that it does not add unnecessary regulatory burden to business and the SME sector in particular.

3. Easier and wider access to finance to enable the SME sector to develop.

Future regulatory activity should be restrained so as not to act as a disincentive to new organisations offering loans and financial support to facilitate SME development and expansion. This policy of facilitating development needs to be prioritised particularly whilst the traditional banking sector remains unable or reluctant to support SME development across the board.

4. Enhancement of training and educational support to facilitate the development of the SME sector.

All businesses and SMEs in particular only represent the sum total of the individuals that work with them and for them and training and education are a vital component to facilitate success in the medium to long term. Our manifesto contains more detailed proposals as to what this should comprise.

5. An approach to the European Union which reduces burdensome pieces of EU legislation and reduces challenges to SMEs within different sectors.

Much business legislation emanates from the European Union. MEPs and all those involved in the process need to focus their attention to ensure the regulatory burden is reduced.

6. The establishment of a small business commission.

SMEs need a focal point where all proposed legislation relating to business is vetted and where training is facilitated and coordinated and where the overall interests of SMEs are prioritised.

7. The prioritisation of export support.

The manifesto extols the importance of Government providing as much support as it can to enable the SME sector to develop its exports and range of contacts abroad.

CONTENTS of supporting papers Chapter headings and Authors

- 1. The significance of the SME sector**
Author: Professor Ken O'Neill
- 2. SME Facts and Figures , The scale of the sector in the UK**
Author: Professor Ken O'Neill
- 3. The significance of Sole Proprietors and Freelancers in the current UK economy**
Author: Professor John Stanworth
- 4. Business Banking for SMEs**
Author: Adam Tyler, CEO , NACFB
- 5. Manufacturing and Exporting**
Author: Sir Ron Halstead, President, the Engineering Industries Association
- 6. Market Traders, their role in the economy**
Author: Joe Harrison, CEO, The National Market Traders Association
- 7. Business Rates**
Author: Anne Marie Morris MP
- 8. Employment Law de-regulation**
Author: Tom Brass, Director of Institute of Interim Management
- 9. The Food Sector-how regulation affects SMEs**
Author: Bob Salmon
- 10. VAT: Specific proposals in respect of SMEs**
Author: Paul Gregory
- 11. Government Procurement in the SME sector**
Author: Graham Kennedy, Alexoria, member of Intellect
- 12. The Rural Economy**
Author: Dr Charles Trotman, Head of Rural Development, CLA
- 13. The EU Policy Dimension**
Author: Dr David Doyle
- 14. Corporate Governance for SMEs**
Author: Richard Smerdon

Genesis Manifesto 2014 biographies of contributors

Professor Ken O'Neill Ken is Professor Emeritus of Entrepreneurship and SME Development at the University of Ulster. He is a Director of the Genesis Initiative, Chair of the Centre for SME Development in the university's Business School and the School for Social Enterprises in Ireland. He sits on the Academic Advisory Council of the Chartered Management Institute, is a member of the Governing Body of Belfast Metropolitan College and of the International Small Business Congress as well as a non-executive director of a number of not-for-profits and SMEs. His most recent books are the co-authored *Understanding Enterprise, Entrepreneurship and Small Business* (Palgrave Macmillan, 4th ed., 2013) - shortlisted by the CMI as Management Book of the Year - and *Understanding the Social Economy and the Third Sector* (Palgrave Macmillan, 2nd ed., 2014) He was the first person to be awarded the Queen's Award for Enterprise Promotion – Lifetime Achievement Award (2005).

John Stanworth is Professor Emeritus at the Westminster Business School, University of Westminster. He is formerly Director-General of the Small Business Research Trust and long-time Executive Committee Member of the Labour Party's 'Labour, Finance and Industry Group' (LFIG).

Sir Ronald Halstead is currently President of the Engineering Industries Association and Chairman of the Conservative Foreign and Commonwealth Council. He was formerly Chairman and Chief Executive of the Beecham Group and Deputy Chairman of British Steel. He also did public service as Chairman of the Industrial Development Advisory Board and as a member of the Monopolies and Mergers Commission.

Ross Coates: Founding and managing partner of his own firm formed 20 years ago and now employing 45 staff. Entire career devoted to SME sector. Formerly active in political and public life. Married with 5 children.

Adam Tyler: Adam is currently the Chief Executive of the National Association of Commercial Finance brokers and is responsible for its 1150 members across the country who arrange in excess of £1 billion of new finance for business every month. He works directly with 120 lenders to business across the whole spectrum of commercial finance and is also part of various advisory groups on funding UK SME's.

Dr. David P. Doyle is a policy adviser specialising in EU financial services legislation. A former diplomat based on mainland Europe, spanning roles in both multilateral and bilateral assignments, is also a long-standing member of the Board of the joint MEP-EU industry body, The Kangaroo Group, and secretary to its Financial Services Working Group, based in the EU Parliament. He is actively involved in the Transatlantic Business Council (TABC), and acts as an EU policy expert on the European Council on Corporate Governance operated by the Conference Board, a non-profit think-tank.

Richard Smerdon is currently on-line tutor for the Financial Times Non-Executive Directors' Diploma course. He spent his career as a corporate finance lawyer with Osborne Clarke, latterly in Palo Alto, California, doing technology law. He has written and lectured extensively on company law and corporate governance.

Anne-Marie Morris MP Anne Marie is the Member of Parliament for Newton Abbot, having been elected at the 2010 general election. She is the Chair and founder of the All Party Parliamentary Group for Micro Businesses and is the Conservative Party Small Business Ambassador for the South West. Before entering politics she was a high flying businesswoman who went on to set up her own businesses mentoring micro businesses in the South West of England.

Joe Harrison has been Chief Executive of the National Market Traders Federation (NMTF) since 2007. He was President of the Stockport branch from 1995 to 2005, a member of the National Executive Board from 1998 and National President of the NMTF from 2004 to 2007. Joe started working on markets at an early age, working as a 'Saturday lad' on a fabric stall on Stockport Market from 14 years of age.

Tom Brass Tom was a former partner at KPMG. His 25 years' experience there included some eight years working with sovereign governments in eastern Europe and Africa to alleviate their sovereign debt problems, and a two-year secondment in Poland establishing a local office. Whilst in Poland, he helped found the British Polish Chamber of Commerce. After leaving KPMG, Tom established his own Interim Management practice, and in 2001/02 was involved in the formation of the Institute of Interim Management ("IIM"), a professional body for Interim practitioners. He remains a director of the Institute, with particular responsibility for policy and public affairs issues affecting Interims as micro-businesses. Tom's association with the Genesis Initiative began when the IIM joined the Senate in 2002 in support of its interest in small and micro-businesses, and he joined the Board in 2006.

Dr Charles Trotman Dr Charles Trotman is Senior Economist at the Country Land and Business Association, which represents 33,000 members in England and Wales. His main areas of responsibility include rural business development, SME and micro-business advice and telecommunications policy. Prior to joining the CLA in 2002, Dr Trotman worked in Brussels advising the EU and in London at the National Farmers Union.

Graham Kennedy is an experienced management consultant and founding Director of Alexoria. Alexoria helps technology organisations capitalise on opportunities that they're facing in the market. He is also Chair of the Institute of Consulting's London and South East Committee where he is focusing the committee's energy on activities that help consulting SMEs to grow.

Bob Salmon started and ran his own food business supplying two of the major supermarkets with a new product. After selling the business he was the food representative to UEAPME for the Forum of Private Business until that collapsed. He still provides a voice for small food businesses to both UK and European authorities to ensure food legislation is practical for SMEs.

Paul Gregory *Rapporteur* for the Genesis Initiative covering food issues, late payment and competition. First employed at the Bank of England, then in hot drinks vending. Founded three companies serving the food industry in disposables as a converter of cling film, and as a major supplier of re-usables to the microwave market. Now involved in regulation at UK and EU level.



'Fourteen supporting papers have been prepared by members of the Genesis Initiative which form the background to the Manifesto. They are of significant importance, prepared by people with profound knowledge of their subject matter and include topics such as: alternative banking solutions for SMEs, market traders, export support, business rates, VAT, employment regulation, government procurement, and facts and figures. The names and brief biographical details of the contributors are set out in this booklet, but the supporting papers themselves will be posted in pdf format to the Genesis website at www.genesis-initiative.org'