



OPEN FOR BUSINESS

HOW BUSINESS ADVICE FOR SMALL FIRMS AFFECTED THE COVID-19 RECOVERY

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WHO WE ARE

The Federation of Small Businesses (FSB) is the UK's leading business organisation. Established over 40 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation that's led by our members, for our members. Our mission is to help smaller businesses achieve their ambitions. As experts in business, we offer our members a wide range of vital business services, including legal advice, financial expertise, access to finance, support, and a powerful voice in government.

FSB is the UK's leading business campaigner, focused on delivering change which supports smaller businesses to grow and succeed. Our lobbying arm starts with the work of our team in Westminster, which focuses on UK and England policy issues. Further to this, our expert teams in Glasgow, Cardiff and Belfast work with governments, elected members and decision-makers in Scotland, Wales and Northern Ireland.

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84%

of small businesses **accessed business support advice** during the COVID-19 pandemic



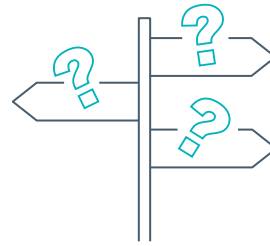
45%

of small firms who received business support advice say it **helped them survive pandemic**



17%

of businesses received **business support on digital adoption**



16%

of small firms who did not seek external business support advice said they **couldn't find the right assistance**



11%

of small firms who did not seek external business support advice said they **did not have time or resources or funds** for it



33%

of small firms said the support advice they received **did not help their business**

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FOREWORD

FSB has always been a supporter of levelling up.

Levelling up is what small business owners do when they start out on their own, take on their first employee, grow their business, and ultimately how they make a difference in their local community.

It is not always easy – and it can be particularly hard in the most economically challenging areas of the UK. There are not as many peers to ask, there is not the same ecosystem as in very prosperous places, and it is often difficult to know where to turn.

How can I better retain staff? Increase sales? Can I export for the first time? How do I take on that first employee? How do I take on more? Can I take advantage of any of these levelling up or net zero programmes I hear about on the news?

These are questions with answers, but too often small businesses cannot get access to them. This is where business support advice comes in. We have seen its value during the pandemic.

Thankfully, advice was accessible. Coming out of lockdown, I share the natural optimism of most small business owners that a strong recovery is possible. But that does not mean it will be easy. Especially not in the places where a strong, thriving private sector economy has been under pressure for far too long, and long before COVID-19.

We have an opportunity to make the current support better. Leaving the EU means we gain control of how money is spent. It is essential we continue to spend at least the same level of funds as the EU did. But we can also improve it so that businesses, especially in places where levelling up is most needed, can better access good, high quality advice.

The research in this report shows that business support helps businesses to comply with regulations and taxation, find financial assistance and business contracts, grow business, improve sales and even cope emotionally.

We also set out how Government should draw the right balance between streamlining existing support so it is easier to find, and not completely ripping up the old routes so that everyone who eventually found out how they worked before has to start again.

Together, we have the chance to get the business support landscape right and make levelling up a reality.



Martin McTague

National Vice-Chair (Policy and Advocacy)

KEY FINDINGS

Business support advice

- 84 per cent of small businesses reported accessing business support advice during the COVID-19 crisis compared to 16 per cent who did not seek external business support advice.

Private or trade-based business support advice

- 63 per cent of small businesses reported accessing free sources of private or trade-based business support compared to 34 per cent accessing paid sources.
- 27 per cent of small firms used accountants, 24 per cent trade associations and businesses and 18 per cent banks for free business support whilst 24 per cent used accountants for paid support.

Open-source or local sources of business support advice

- 43 per cent of small businesses reported using 'internet search', 32 per cent 'web-based advice', 25 per cent 'local councils and authorities' and 23 per cent 'peer-to-peer networks' as free local sources of business support advice.
- 'Peer-to-peer networks' and 'web-based advice' (2%) are also the highest paid open-source or local source of business support advice.

Central government or public sector sources of business support advice

- 50 per cent of small businesses reported receiving free support from the UK Government (including gov.uk), Scottish Government, Welsh Government and Northern Ireland Assembly. This was the highest in the North East (61%) and North West of England (53%).
- 8 per cent of small businesses reported receiving business support advice through 'Growth Hubs' and 7 per cent through 'Local Enterprise Partnerships' (7%).
- 23 per cent of small Scottish businesses reported using 'Business Gateway' (23%) and 13 per cent 'Scottish Enterprise'.
- 36 per cent of small businesses from Northern Ireland reported receiving support from 'NI Info'.
- 28 per cent of businesses from Wales reported using 'Business Wales'.

Impact of business support advice

- 45 per cent reported that business support advice they received helped their business to survive the pandemic.
- 33 per cent of small firms reported that the support advice they received did not help their business.
- 17 per cent of businesses who responded to the survey reported that they received business support advice focussed on digital adoption.

Business size

Businesses with no employees

- A significantly higher proportion of businesses with no employees said that the business support advice did not help their business.
- The highest numbers of those who reported that they did not need any support advice were also businesses with no employees.

Microbusinesses

- Microbusinesses were significantly more likely to report that they did not have time or resource to dedicate to business support advice.
- Microbusinesses were also more likely to report that the business support advice they received since the start of the lockdown helped their business to survive.
- The business support advice received from 'Growth Hubs' and 'Local Enterprise Partnerships' in England was the lowest among microbusinesses.

Small firms with more than 10 employees

- Small firms with more than 10 employees were significantly more likely to receive free business support advice from universities, local colleges and local educational establishments.
- This group was also significantly more likely to report that business support activity helped them to become more innovative and grow.

Geography

- 46 per cent of urban businesses compared to 42 per cent of rural businesses reported that the business support advice received since the start of lockdown helped them to survive the pandemic.
- 35 per cent of urban businesses stated that the business support advice did not help their business compared to 31 per cent rural firms.
- More rural businesses reported that the business support advice 'helped their business to become more productive' (7% rural vs. 4% urban) and 'grow' (6% rural vs. 4% urban) than urban businesses.
- Rural businesses are also significantly more likely to report that they have doubts about the benefits (14% rural vs. 7% urban) and relative value (13% rural vs. 6%) of business support or that they cannot afford business support (13% rural vs. 9% urban).

Small firms who did not receive business support

- 16 per cent (237 businesses) of 1451 businesses who took this survey reported that they had not received any business support advice since the start of lockdown. Of these, 95 per cent were businesses with no employees or microbusinesses.
- 45 per cent of these small firms said that they do not need business support advice whilst 16 per cent stated that they cannot find the right assistance for their business.
- 11 per cent reported that they did not have time or resource to dedicate to it or that they cannot afford it.
- 18 per cent expressed doubts about the benefits and the relative value of business support, compared to costs.
- 5 per cent of small firms reported that they have had negative experiences with external business support.

RECOMMENDATIONS

Business support advice landscape

- **UK Government should simplify the English business support landscape, making it easier for businesses of different sizes to navigate, whilst maintaining a local connection to LEPs and Growth Hubs.** This can be achieved by establishing one business support brand across England, e.g. Business England, covering all LEPs (in a similar fashion to that achieved in Scotland). More broadly, the Government will play a critical role in providing co-ordination and stewardship to bring together the many actors involved in the complex business support landscape.
- **UK Government should ensure that the level of funding for business support via UK Shared Prosperity Fund matches, or exceeds, those funds previously received under European Structural and Investment (ESI) funding, and that it continues to outpace similar EU funding schemes.** This will help to capitalise on the opportunities associated with Brexit and ensure adequate funding for LEPs and devolved systems of business support in the future. As we seek to adapt and refine our business support options, they should be adequately resourced to serve the small business population.
- **UK Government should introduce regional programmes and business support schemes in England to rebalance the variation in take-up across the UK as part of its Levelling up plans.** Of all the regions in England, small businesses in the North East are least likely to use free sources of trade-based or private support. More businesses in the North West stated that they cannot find the right assistance for their business. Rural businesses were significantly more likely to report that they have doubts about the benefits and relative value of business support advice, and less likely to see business support advice as affordable. This could be addressed through regional schemes and would align with the government's Levelling Up plans.
- **Governments in England, Scotland, Wales and Northern Ireland should continue to publish statistics on business support after the pandemic support ends.** Publishing data on business support would inform and improve the quality of business support provision across all nations. At the moment, there is not a comprehensive dataset assessing the business support landscape other than the statistics published about various coronavirus support schemes.
- **The UK Government should launch a second round of, or reopen, the Brexit Support Fund and expand the eligibility criteria to allow more businesses to benefit from the Fund.** There is still high demand from small firms for advice and support as they adapt to changes to the UK-EU trade relationship. FSB research from March 2021 shows that 45 per cent of businesses have sought professional advice on customs and 35 per cent on trade to deal with EU exit-related issues since the end of the transition period.¹ Reopening, or launching a second round of, the Brexit Support Fund would allow these firms to benefit from the government support and adapt to the new trade rules. The eligibility criteria for any future Support Fund should also be adjusted so that it is not just restricted to businesses that only trade with the EU. Previously, businesses that derived more than 90 per cent of their export-derived revenue from trade with the EU were locked out because they had exported occasionally to non-EU markets. These businesses are still overwhelmed by the volume of changes to EU trade and need support.

1 FSB COVID-19 Recovery Survey, 2021.

Self-employed

- **UK Government should explore ways to target the smallest businesses that are often left out or forgotten, particularly self-employed sole traders.** Business owners with no employees are far more likely to say that the business support advice they received did not help their business, and most likely to say they did not need any support. The Government could ring-fence business support advice for businesses with no employees given that they constitute the largest proportion of the UK's businesses.

Microbusinesses

- **UK government should make it easier for microbusinesses to access business support and advice through targeted schemes providing subsidies and incentives.** Microbusinesses seek support advice from a variety of sources, including accountants, Growth Hubs, LEPs, Business Gateway and so on. Many say they are unable to dedicate the time or resource away from the core business to explore external support options. In the future, making tax digital and other technologies could play an important role in targeting small businesses with the appropriate information they need at the right time in their business lifecycle. However, until this technological revolution achieves critical mass, it is essential that the government introduces targeted support mechanisms providing subsidies and incentives to support microbusinesses.
- **Growth Hubs and LEPs in England should target microbusinesses who need business support more than other sizes of business but are too busy to seek it.** The business support advice received from 'Growth Hubs' (10%) and 'Local Enterprise Partnerships' (9%) is at the same level amongst businesses with no employees and 10-49 employees whilst it is lower among microbusinesses (6% & 4%). This reflects the notion that many microbusinesses are busy 'firefighting' and struggling to engage with businesses support advice. Growth Hubs and LEP should aim to support more microbusinesses who are likely to benefit the most from this support.
- **Governments in England, Scotland, Wales and Northern Ireland should encourage universities and colleges, e.g. through funding or local authorities in England, to collaborate with microbusinesses.** Businesses with 10-49 employees lead in the use of free business support advice from 'universities' (7%) and 'local colleges and local educational establishments' (3%). This is significantly higher than for the other size of business (7% vs. 2% for businesses with no employees and 1-9 employees). As there are more microbusinesses in the UK than other larger sizes of business, local economies would benefit from more colleges and universities engaging with microbusinesses. Similarly, College Business Centres announced in the Skills for Jobs: Lifelong Learning for Opportunity and Growth White Paper should aim to address the needs of microbusinesses which will vary from those of the larger businesses.

Ethnic minority and women-led businesses

- **UK Government should provide targeted business support to ethnic minority and women-led businesses, e.g. through the Help to Grow: Management scheme.** Research shows that ethnic minority and women-led businesses have been disproportionately affected by the COVID-19 restrictions.² They are also more likely to rely on business support and advice from informal networks when running their businesses. This suggests that many ethnic minority and women-led firms will need targeted attention and specific business support in the months ahead, especially as traditionally many have often had a low engagement with mainstream support and advice. In Scotland, the Government has committed to creating Women's Business Centre to support women entrepreneurs.³ A similar centre could be created to help women-led businesses in England. The Government could also ring-fence a proportion of places for ethnic-minority - and women-led businesses on the Help to Grow: Management programme.

² <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2020/12/92744-ERC-State-of-Small-Business-2020-Final.pdf>

³ <https://www.gov.scot/publications/priorities-government-statement-26-2021/>

Research shows that driving increased female entrepreneurship and improving the productivity of women-led businesses by about 40 per cent could unlock around £50 billion of additional Gross Value Added (GVA) growth.⁴

Help to Grow

- **The Government should expand the eligibility criteria for the Help to Grow: Management Scheme by removing the requirement to employ at least 5 employees and reduce the participation fee from £750 to £250.** Smaller firms are likely to employ fewer management practices and require managerial human capital to perform well.⁵ Many small businesses experienced cash-flow problems during the coronavirus pandemic. Allowing more smaller firms to benefit from the Scheme and reducing the fee would help small businesses to recover from the impact of COVID-19 and boost the economy in the long-term.
- **The Government should expand the eligibility criteria for the Help to Grow: Digital Scheme by removing the requirement to employ at least 5 employees and increase the discount from 50 per cent to at least 90 per cent to claim up to £5000.** The criterion to have at least 5 employees will block many small businesses who need software the most from acquiring it via the Scheme. Many more small firms would be able to purchase software with more financial support. This is why the government should increase the Scheme discount up to 90 per cent to claim up to £5000. It should also expand the scope of eligible software in the future.
- **Similar to the Help to Grow Management and Digital Schemes, UK Government should create a “Help to Green” Scheme to help small businesses to decarbonise.** Many small businesses would like to become greener and reduce their waste. However, there are barriers that prevent small businesses from doing so. Such a scheme would allow businesses to find external sources of support or help them replace polluting equipment and materials through government vouchers.

4 <https://www.natwestgroup.com/news/2021/03/accelerating-sme-recovery-to-unlock-p140bn-boost-to-uk-economy.html>

5 <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2019/04/ERC-ResPap75-PengMoleRoper-Final.pdf>

INTRODUCTION

As UK businesses attempt to recover and grow in the aftermath of the COVID-19 pandemic, a question arises as to where they will seek business support advice from.

In early 2021, the UK Government set out its Roadmap to Recovery and its plan for growth ‘Building Back Better: our plan for growth’. These strategies have been underpinned by increased confidence in the efficacy and supply of a variety of new COVID-19 vaccines, consolidated by an ambitious plan for distributing and administering these vaccines throughout the UK, prioritising those at highest risk.⁶ For many small businesses, most of which have faced an unprecedented scale of disruption due to the COVID-19 pandemic, the Roadmap provided the first opportunity to think about returning to some kind of normality, and the practical actions they would need to take to ensure they can stand on their own two feet again.

In the shorter-term, many businesses are set to return to markets that have already changed over the course of the pandemic, with customers that have become used to behaving and engaging in different ways. New competitors may have emerged to fill these new niches. And some returning businesses may find it difficult to re-establish prior supply chain relationships, with many suppliers having diverted their offer towards new and less familiar products and services during the pandemic. Clearly, many small businesses will need to innovate and adapt to the new challenges and opportunities presented by a post-Covid world.

Understandably, during the COVID-19 crisis, UK Government has focussed resources on providing emergency support for UK businesses, keeping them alive until such time that the pandemic is under control and they can start to trade again which in this context could be framed as “business life support”. FSB has welcomed this emergency package of measures, without which countless small firms would have folded in the last year.

What does “business support advice” mean?

In this report, business support advice refers to external advice and information accessed and received by small businesses in matters relating to their business. The report does not cover access to tangible business support such as business loans, business rates relief or the Coronavirus Job Retention Scheme. It focusses on the business support advice sources accessed by small businesses during the coronavirus crisis and more traditional business support advice helping businesses to grow or become productive. The research results reflect challenges that businesses who were not eligible for any support from the government faced during the pandemic.

The results are also indicative of chronic issues that existed across the traditional business support ecosystem prior to the pandemic. This would include support – either paid or free – from a wide range of public bodies and private organisations, including government, local authorities and LEPs, lawyers and accountants, trade associations, banks and financiers, consultants and peers for both start-ups and established businesses.

Why does business support advice matter?

Research shows that business support and advice can help businesses to improve their productivity and enhance their attitudes and behaviours.⁷ Asking for advice about business growth and training has a positive impact on small business profitability.⁸ It can help businesses. Our research shows that business support helps businesses to comply with regulations and taxation, find financial assistance and business contracts, grow business, improve sales and even cope emotionally. These demonstrate that business support can play an important role in the lives of small businesses.

Longitudinal Small Business Survey (2015-2019) shows that the proportions of businesses seeking business support was consistently highest among larger SMEs.⁹ This, however, does not mean that smaller SMEs do not require or require business support less than larger businesses. Smaller businesses are generally time-poor and busy running their day-to-day businesses. They are unable to seek support whilst needing it perhaps more than other sizes of business. Research also shows that

6 <https://www.gov.uk/government/publications/covid-19-response-spring-2021/covid-19-response-spring-2021>

7 <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2020/12/ERC-ResReport-Business-Boost-Final.pdf>

8 <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2018/05/ERC-ResPap70-Gregson-et-al.pdf>

9 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/895768/LSBS_2019_panel_rev.pdf

small businesses who use a single source of business support are likely to ask questions and seek counsel beyond the speciality of their source.¹⁰ In a post-pandemic world, small businesses will need more business support than ever before as they seek to recover and contribute to the UK economy.

Where do small businesses need to go for business support?

It is critical that small firms know where to look for support and advice. However, the business support landscape in the UK is undergoing changes as the use of European Structural and Investment (ESI) funding for business support ends. As part of the EU, the UK's ESI funding allocation was worth around £2.1 billion per year on average, with around half of this figure (>£1 billion) earmarked for 'enhancing the competitiveness of SMEs', allocated via the European Regional Development Fund (ERDF). UK Government has committed to replacing ERDF, along with the European Social Fund (ESF), with a UK Shared Prosperity Fund.¹¹

This process threatens to further reduce the clarity about where small firms should go to find the most appropriate sources of business support. Therefore, when deciding how best to reallocate and redistribute funding via the UK Shared Prosperity Fund, the UK Government must acknowledge and take account of the routes to support with which small firms are already familiar.

Recent research by the Enterprise Research Council (ERC) highlighted the problems of the current business support landscape in England, suggesting it is “overly complex and lacks the coherence evident in other parts of the UK, particularly Scotland”. It also argued that that business support should be better tailored to underrepresented groups, with data showing variations in how and where SMEs access advice and support, based on location and background.^{12, 13}

What does this report seek to achieve?

FSB does not seek to replicate this ERC research, nor does this report seek to take a view about the specific types of business support that are most appropriate for individual businesses in different circumstances. Instead, this report seeks to understand where small firms are likely to seek business support advice in the aftermath of the COVID-19 pandemic, by looking at where they went for such support during the crisis itself. It also aims to feed into the government's plans on Levelling Up.

In October 2020, FSB asked 1451 small businesses about the business support advice that they accessed during the pandemic, and how this support helped them during the COVID-19 crisis. Using the data from the survey, this report explores the positive impact of business support activity for those that have taken advantage of it and, on the other side of the coin, the challenges that many have faced in accessing this important resource.

10 <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2018/05/ERC-ResPap70-Gregson-et-al.pdf>

11 <https://commonslibrary.parliament.uk/research-briefings/cbp-8527/>

12 <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2020/12/92744-ERC-State-of-Small-Business-2020-Final.pdf>

13 <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2020/12/ERC-ResReport-Business-Boost-Final.pdf>

BUSINESS SUPPORT ADVICE

The World Economic Forum's "eight pillars of an entrepreneurial ecosystem" provides a helpful lens to understand the UK's business support landscape. These include accessible markets, funding and finance, government and regulatory framework, universities as catalysts, human capital/workforce, support systems/mentors, education and training and cultural support.¹⁴

The emergency financial support provided by UK Government during the Covid-19 pandemic has, of course, played a vital role in keeping small businesses alive and accessing a number of these pillars. For example, the Government's Coronavirus Job Retention Scheme allowed businesses to continue to have access to human capital/workforce. It is also worth noting that the volume and quality of information on respective business support pages has vastly improved as a result of the pandemic.

Quotes from small businesses

"Business support activity gave us a reference source to check whether we were complying with regulations and that we were aware of any potential financial assistance."

Microbusiness, Scotland

"Business support activity helped me navigate winding the business down."

Microbusiness, South West of England

"Business support activity helped me navigate the grants and support available and keep me in touch with developments in relevant measures and actions for my business."

Microbusiness, Scotland

"Business support activity confirmed that I wasn't entitled to any financial support and therefore I would sink or swim on my own."

Microbusiness, Northern Ireland

"Business support activity helped my business be aware of current important changes and potential sources of financial support and how to apply for them."

Microbusiness, London, England

"Business support activity helped us to stay informed about changed business law and offers around COVID-19 regulations."

Microbusiness, South East, England

"Business support activity helped me to understand furlough payments and responsibilities."

Microbusiness, Wales

"Business support activity helped us understand a fast-changing environment, and deal with one legal threat plus appeal against draconian business rate valuation."

Small business (10-49 employees), South East, England

This, however, only tells part of the story. As small firms tried to adapt to the new normal, many continued to seek alternative and additional advice support via a wide range of sources, either free or paid, or a combination of both. 84 per cent of 1451 small businesses who took the survey accessed business support advice during the COVID-19 crisis. Only 16 per cent of small business did not seek external advice during this time.

The following sections outline the main sources of business support advice accessed during the COVID-19 crisis which fall under the eight pillars above:

- Private or trade-based sources
- Open-source or local sources
- Central government or public sector sources

¹⁴ <https://reports.weforum.org/entrepreneurial-ecosystems-around-the-globe-and-early-stage-company-growth-dynamics/section-2-entrepreneurial-ecosystems-similarities-and-differences-around-the-globe/#read>

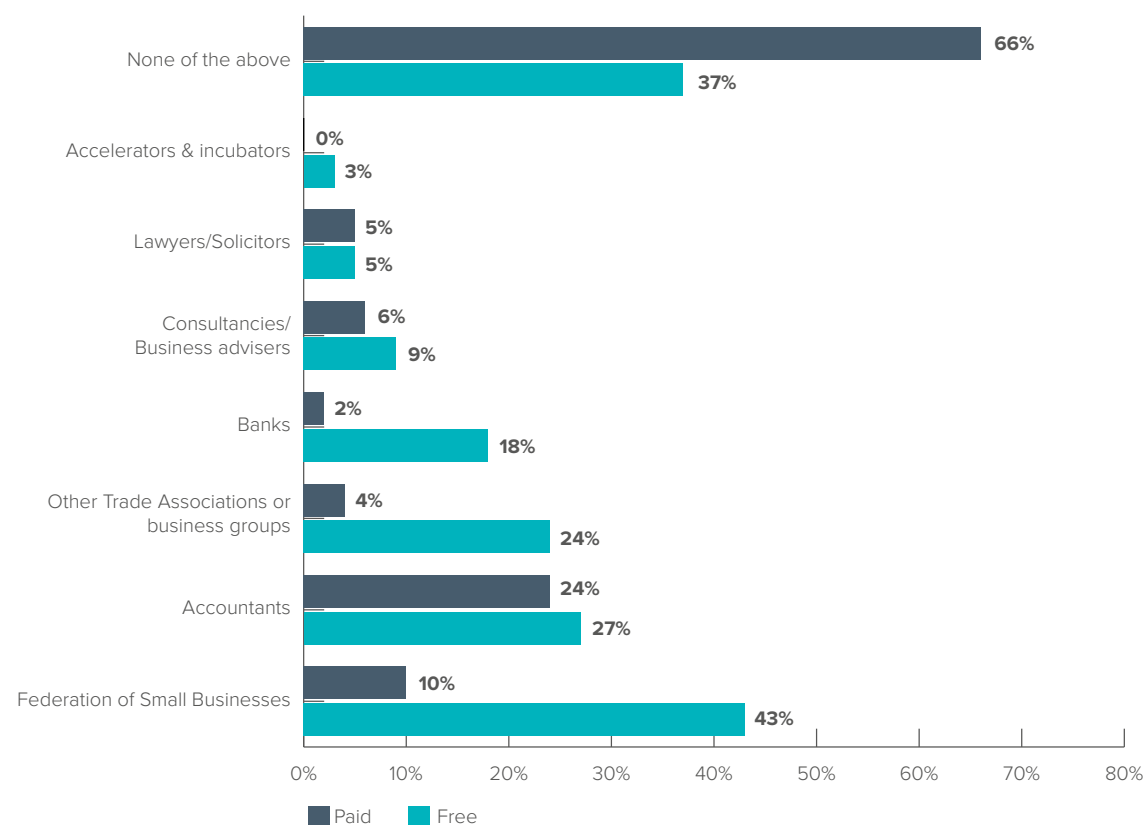
Private or trade-based sources

Private or trade-based sources of business support advice were among the most popular. Many FSB members sought business support from FSB directly, and this option was included in the data displayed in Figure 1 below. The popularity of this service among FSB members responding to our survey is clearly not representative of the wider UK small business community. However, it does highlight the important role that trade bodies can play in providing support directly, but also in advertising and steering members towards sources of support. In this regard, it is worth noting that much of the support offered by FSB during the pandemic was free and available to non-FSB members.

Figure 1 shows that, as one might expect, free sources of private or trade-based business support advice were most common among small businesses during the pandemic (63%), compared to paid sources (34%).

Figure 1: Free and paid business support advice from private or trade-based sources since the start of lockdown

Source: FSB COVID-19 Recovery Survey 2, 2020



Apart from FSB's own support offering, the most popular private or trade-based sources of free business support advice during the pandemic were accountants (27%), trade associations or business groups (24%), and banks (18%). Accountants (24%) were also, by some margin, the most popular sources of paid support during this time.

Business size

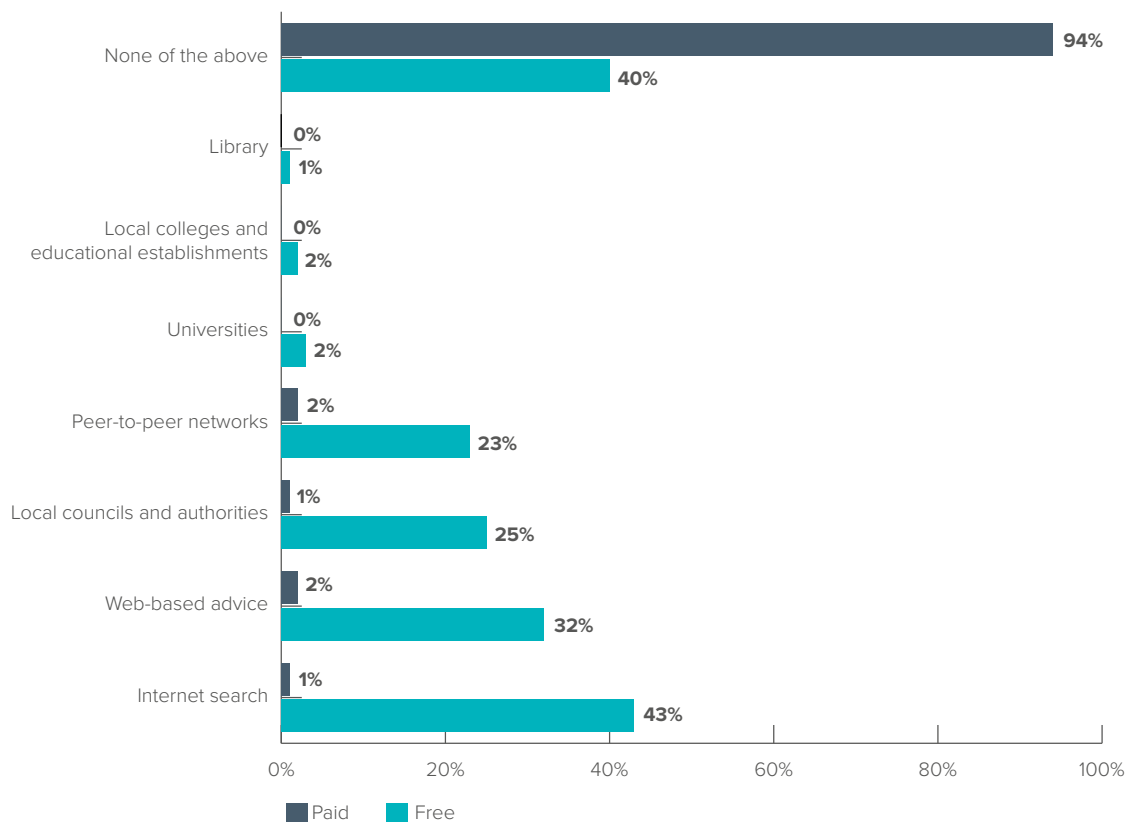
The size of business is an important factor determining access to a wide range of business support advice sources. Compared to microbusinesses, firms with more than 10 employees are significantly more likely to utilise 'Other Trade Associations or business groups' (34%), 'Banks' (29%) and 'Lawyers/Solicitors' (7%) as free sources of business support advice. Similarly, this group is more likely to use 'Accountants' (36%), 'Lawyers/Solicitors' (12%) and 'Consultancies/Business Advisers' (11%) as paid sources of support. This is most likely linked to the affordability of paid lawyer/solicitor services and the consequential free support from them.

Open-source or local sources

'Internet search' (43%), 'web-based advice' (32%), 'local councils and authorities' (25%) and 'peer-to-peer networks' (23%) are the most popular sources of free business support advice from open-source or local sources (Figure 2). The latter alongside 'web-based advice' (2%) is also the highest paid open-source or local source of business support advice.

Figure 2: Free and paid business support advice from open-source or local sources since the start of lockdown

Source: FSB COVID-19 Recovery Survey 2, 2020



Size of business

The use of open-source and local support sources once again varies by the size of business. 'Internet search' (53%) and 'web-based advice' (40%) are the most popular sources of free support advice amongst businesses with 10-49 employees whilst 'local councils and authorities' (27%) preferred by more microbusinesses (1-9 employees) as the local source of free support. At 3 per cent, the use of 'peer-to-peer networks' by businesses with 1-9 employees is the highest source of paid business support advice.

Businesses with 10-49 employees lead in the use of free business support advice from 'universities' (7%) and 'local colleges and local educational establishments' (3%). Interestingly, the number of these businesses receiving free support from universities is significantly higher than for the other size of business (7% vs. 2% for businesses with no employees and 1-9 employees).

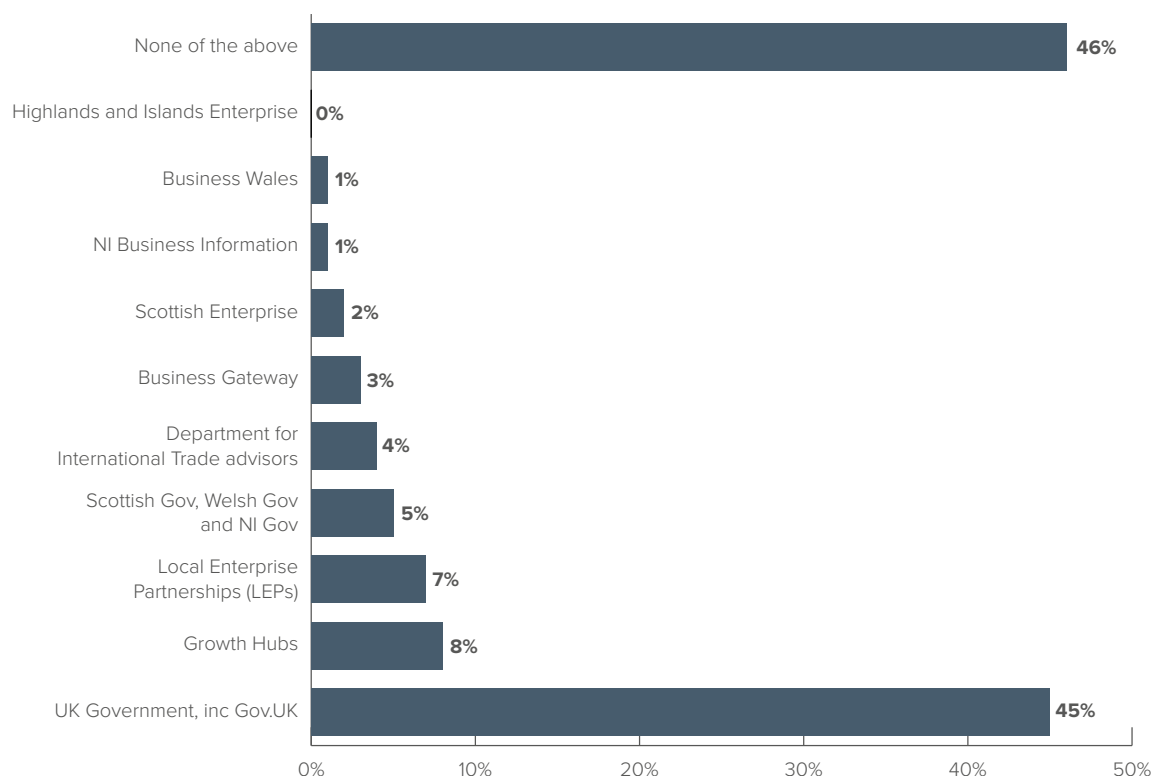
As there are more microbusinesses in the UK than other larger sizes of business, local economies would benefit from more colleges and universities engaging with microbusinesses. Local authorities should support microbusinesses to engage with local universities and colleges and find collaboration opportunities. Similarly, College Business Centres announced in the 'Skills for Jobs: Lifelong Learning for Opportunity and Growth' White Paper should aim to address the needs of microbusinesses which will vary from those of the larger businesses.

Central government or public sector sources

The research found that 50 per cent of small businesses who took part in the survey received free support from the UK Government (including gov.uk), Scottish Government, Welsh Government and Northern Ireland Assembly. This was the highest in the North East (61%) and North West of England (53%).

Figure 3: Free business support advice from central government or public sector sources since the start of lockdown

Source: FSB COVID-19 Recovery Survey 2, 2020



Nations

Although in much smaller numbers, many businesses in England also received support advice through 'Growth Hubs' (8%) and 'Local Enterprise Partnerships' (7%) (Figure 3). In Scotland, 'Business Gateway' (23%) and 'Scottish Enterprise' (13%) are the most popular public sector sources of business support advice. In Northern Ireland, 'NI Info' was reported as the source of support advice by 36 per cent of businesses whilst 28 per cent of businesses in Wales reported having used 'Business Wales'.

Size of business

The UK Government support including 'gov.uk' is significantly more popular among businesses with 10-49 employees (59% vs. 44% for businesses with no employees and 43% for businesses with 1-9 employees). The support received from the Department for International Trade advisors is also higher among this group of business (6% vs. 3% & 4%), most likely due to exporting and international trading.

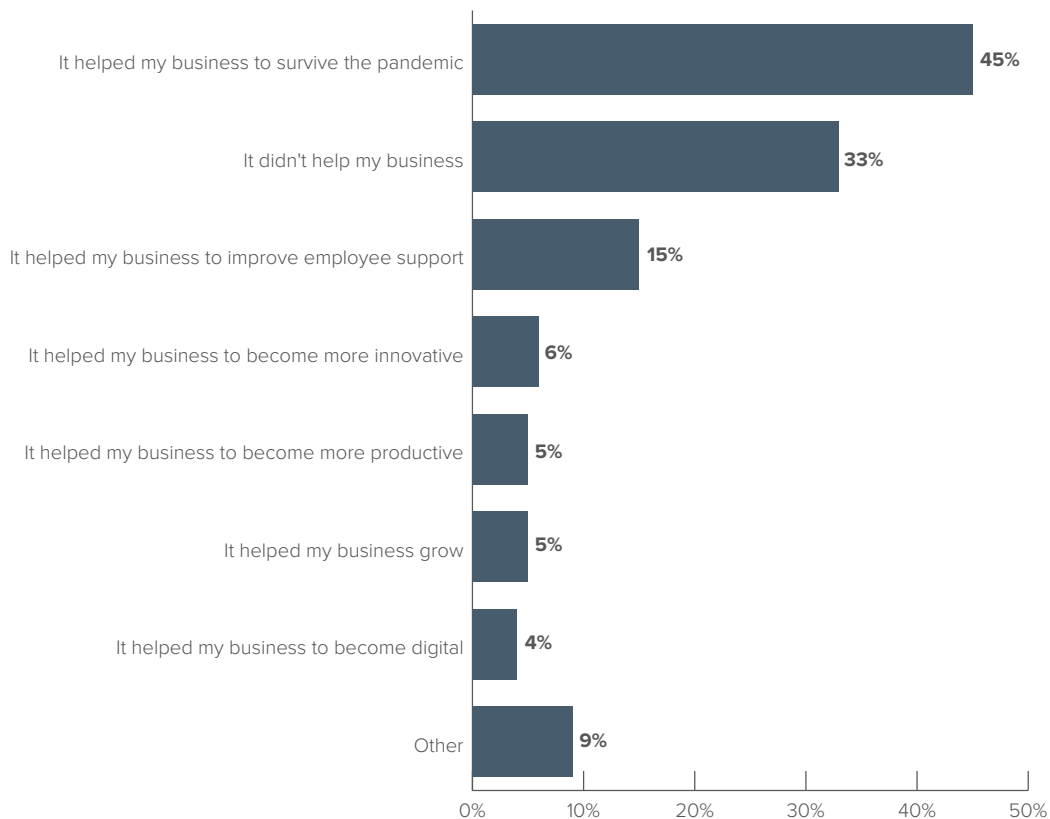
The business support received from 'Growth Hubs' (10%) and 'Local Enterprise Partnerships' (9%) in England is at the same level amongst businesses with no employees and 10-49 employees whilst it is lower among microbusinesses (6% & 4%). In Scotland, 'Business Gateway' (4%) is more popular among microbusinesses whilst 'Scottish Enterprise' (3%) is used slightly more by businesses with 10-49 employees.

THE IMPACT OF BUSINESS SUPPORT ADVICE

Of businesses that received business support advice since lockdown, 45 per cent reported that it helped their business to survive the pandemic (Figure 4). However, a large proportion of smaller firms (33%) also reported that the support did not help their business.

Figure 4: The impact of business support received since the start of lockdown

Source: FSB COVID-19 Recovery Survey 2, 2020



Alongside focusing on survival during the lockdown, some small businesses managed to become more innovative (6%), more productive (5%) and even grow (5%) through the received business support.

Digital adoption

17 per cent of businesses who responded to the survey reported that they received business support focussed on digital adoption. Digital business support with ‘marketing’ (6%), ‘web design and development’ (5%) and ‘digital skills’ (5%) were the most popular business support activities amongst these firms. 43 per cent of these small businesses used a ‘private company or consultancy’ for digital adoption.

Size of business

A relatively higher proportion of businesses with 1-9 employees reported that the business support advice received since the start of the lockdown helped their business to survive (48% for microbusinesses vs. 46% for businesses with 10-49 employees & 43% for businesses with no employees). A significantly higher proportion of businesses with no employees said that the business support activity did not help their business (38% vs. 30% for microbusinesses and 27% for businesses with 10-49 employees).

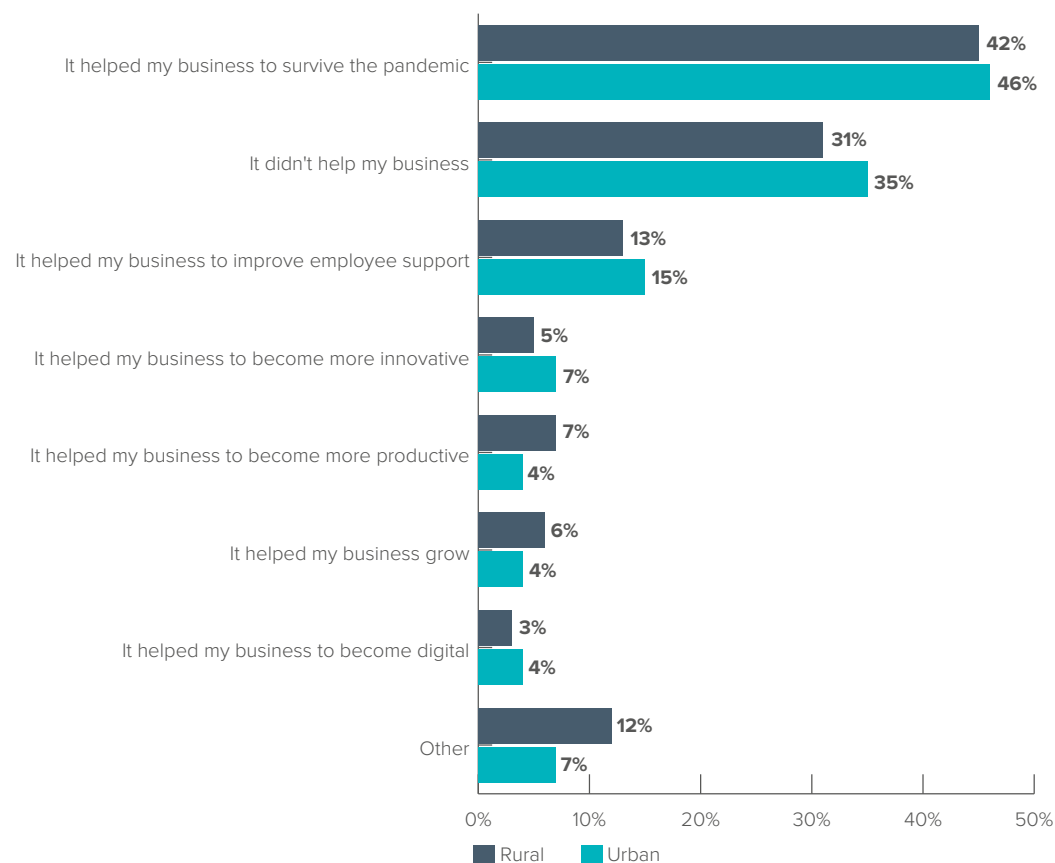
More businesses with 10-49 employees reported that the support helped their business to improve employee support (21% vs. 16% for microbusinesses & 12% for businesses with no employees¹⁵). This group was also significantly more likely to report that the support helped them to become more innovative (10% vs. 6% & 6%) and grow (13% vs. 5% & 4%) which indicates the existence of more resources in these businesses.

Area

Urban businesses (46%) were more likely than rural businesses (42%) to report that the business support advice received since the start of lockdown helped them to survive the pandemic (Figure 5). However, they were also more likely to state that the business support activity did not help their business (35% urban vs. 31% rural). Interestingly, more rural businesses reported that the business support advice 'helped their business to become more productive' (7% rural vs. 4% urban) and 'grow' (6% rural vs. 4% urban) than urban businesses. More rural businesses also used digital adoption support for 'marketing' purposes (7% rural vs. 6% urban).

Figure 5: The impact of business support activity since the start of lockdown by area

Source: FSB COVID-19 Recovery Survey 2, 2020



¹⁵ Businesses with no employees were able to furlough themselves or receive self-employment support which account for 'improvement in employee support'.

BUSINESS SUPPORT AND ETHNIC MINORITY- AND WOMEN-LED BUSINESSES

Research from the Enterprise Research Centre (ERC) shows that the COVID-19 crisis has disproportionately affected some SMEs, particularly ethnic minority- and women-led businesses, more than others. This has been explained by the fact that they are overrepresented in the sectors that have been more negatively affected by COVID-19 restrictions.¹⁶

A collaborative research report published by FSB and the Centre for Research in Ethnic Minority Entrepreneurship (CREME) *Unlocking Opportunity: The value of ethnic minority firms to UK economic activity and enterprise* found that ethnic minority-led firms more commonly relied on informal networks for business support when compared with the rest of the small business sector (especially amongst mixed and Black/Black British-led business).¹⁷ This was a key finding from FSB Scotland-University of Strathclyde research, too.¹⁸

Similarly, women-led businesses are also more likely to seek advice and support from informal networks and mentors.¹⁹ This suggests that many ethnic minority- and women-led firms will need targeted attention and specific business support in the months ahead, especially as traditionally many have often had a low engagement with mainstream support and advice.

Quotes from small businesses

"My business is still very new, so I am learning about the different types of support that might be available, but I haven't tapped into them as yet."

Microbusiness, South West, England

"Business support activity helped me cope emotionally."

Microbusiness, South East of England

"Business support activity helped me identify financial support available to my business, and clarify which of my business activities could take place at different stages of lockdown as guidance was incredibly unclear."

Small business (10-49 employees), Scotland

"Business support activity helped my business win a lucrative overseas contract."

Microbusiness, North West, England

"Business support activity helped my business understand how to use digital channel better - still working through to see effects."

Microbusiness, Scotland

"Business support activity helped us to maintain sensible pricing and avoid being forced into any foolish borrowing."

Small business (10-49 employees), South West, England

"Business support activity gave me practical advice in terms of how I could run my business."

Microbusiness, South East, England

¹⁶ <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2020/12/92744-ERC-State-of-Small-Business-2020-Final.pdf>

¹⁷ <https://www.fsb.org.uk/resource-report/unlock.html>

¹⁸ <https://www.fsb.org.uk/resource-report/starting-over-migrant-entrepreneurship-in-scotland.html>

¹⁹ <https://www.enterpriseresearch.ac.uk/wp-content/uploads/2020/12/92744-ERC-State-of-Small-Business-2020-Final.pdf>

SMALL FIRMS WHO DID NOT RECEIVE BUSINESS SUPPORT ADVICE

Of 1451 businesses who took this survey, only 16 per cent (237 businesses) reported that they have not received any business support advice since the start of lockdown. Of these, 95 per cent were businesses with no employees or microbusinesses.

45 per cent of small firms who did not receive any business support advice since the start of lockdown said that they do not need business support whilst 16 per cent stated that they cannot find the right assistance for their business. 11 per cent reported that they did not have time or resource to dedicate to it or that they cannot afford it and 18 per cent expressed doubts about the benefits and the relative value of business support, compared to costs. 5 per cent of small firms reported that they have had negative experiences with external business support.

Nations

Scotland had the highest proportion of small firms reporting that they do not need business support advice (52%) with England following at 45 per cent. Scottish businesses were also more likely to state that they cannot find the right assistance for their business (20%).

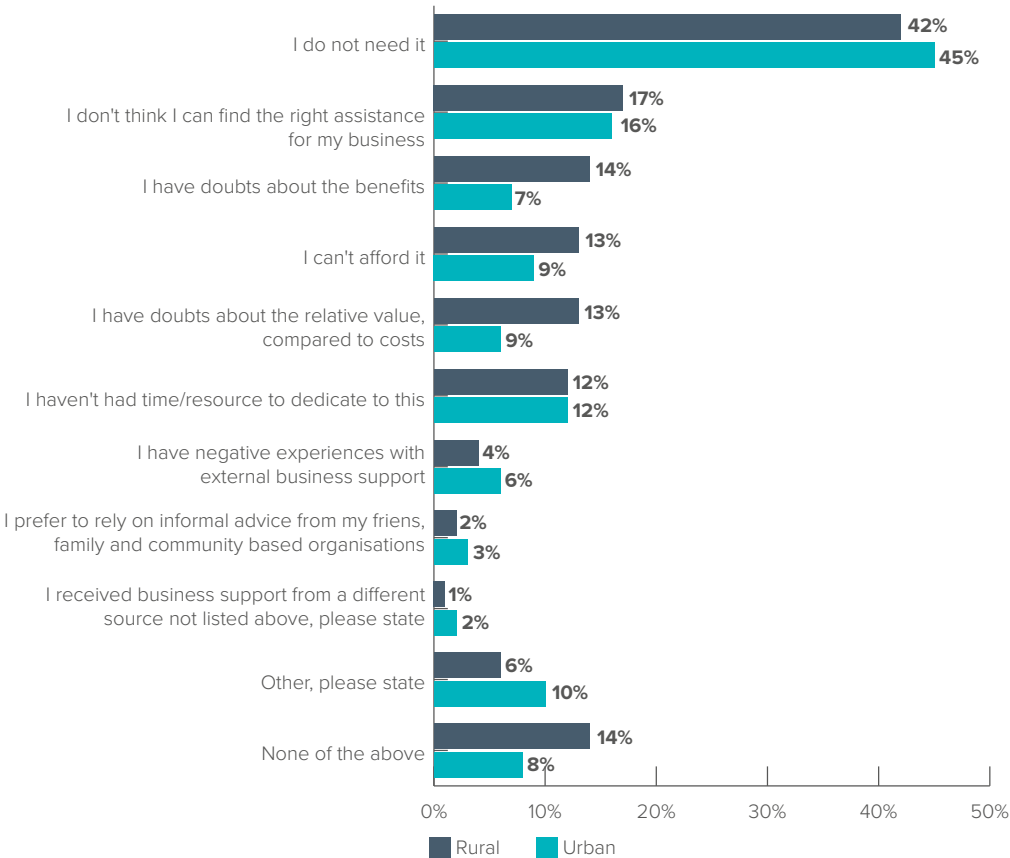
The highest proportion of small firms in the South West (55%), London (53%) and South East of England (48%) reported that they do not need business support. More businesses in the North West (43%) stated that they cannot find the right assistance for their business.

Size of business

The highest numbers of those who reported that they did not need any support advice were businesses with no employees. Microbusinesses were significantly more likely to report that they did not have time or resource to dedicate to business support (16% vs. 6% & 6%). This confirms the notion that microbusinesses are time-poor and would lack the capacity to search for business support opportunities and, therefore, need more help with accessing business support.

Figure 6: Small firms who did not receive business support advice since the start of lockdown by area

Source: FSB COVID-19 Recovery Survey 2, 2020



Area

Rural businesses are significantly more likely to report that they have doubts about the benefits (14% rural vs. 7% urban) and relative value (13% rural vs. 6%) of business support or that they cannot afford business support (13% rural vs. 9% urban). These businesses require more government support than urban businesses and would benefit from schemes targeted at such firms.

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