

The G7 Productive Business Index: Putting productivity in context

July 2023



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01 Foreword



Foreword



Anthony Impey MBE
CEO, Be the Business

There are things I know for a fact: one is that the leaders of the UK's small- and medium-sized businesses are some of the most impressive, hard-working and resilient in the world. Never more so, than in the extremely challenging climate they've been navigating in recent years.

In my regular visits to small businesses across the country, I have seen for myself the huge contribution they make, both within the economy and society. They are an important employer of local people, with two thirds of those in work across the UK working for a small business.¹ And their dedication to their businesses often means they take on risks that most of us wouldn't even consider, such as using their family home as collateral for a loan or extending a mortgage to provide essential capital and cash flow. This bravery should not be overlooked.

But, as a nation, our productivity lags our competitors. This isn't just an unfortunate statistic. The UK's productivity underperformance is nothing short of a national emergency: it is at the root of many of the country's challenges and has a real-world impact on the living standards and earnings of workers across the country.

In everyday terms, the gap in earning power between UK and German households stood at around £500 in 2008. Today, largely due to poor productivity growth, the gap has grown to £4,000². We find ourselves in the face of persistent economic headwinds: inflation is high and the spectre of further recession looms – and a gap of £4,000 seems insurmountable.

However, it needn't be that way. But, to change, attitudes need to shift and we need to take action that will make a tangible difference.

This research is based on rich data, enabling a comparison of the attitudes and investment priorities of UK businesses with our counterparts across G7 countries. Within the half-a-million data points, one message stands out: our confidence doesn't match our ambition and we're not doing enough of what we need to do to drive change.

Continues >

¹ Gov.uk, Business population estimates for the UK and regions, 2022

² Resolution Foundation, March 2023, retrieved from: [resolutionfoundation.org/press-releases/15-years-of-economic-stagnation-has-left-workers-across-britain-with-an-11000-a-year-lost-wages-gap](https://www.resolutionfoundation.org/press-releases/15-years-of-economic-stagnation-has-left-workers-across-britain-with-an-11000-a-year-lost-wages-gap)

Foreword

For example, compared to peers in other countries, UK business leaders:

- Highly rate their ability in leadership and management but commit far less to developing it.
- Believe in the importance of technology and digitisation but invest less in it and less in training their staff to use it.
- Prize their ability to innovate but devote less time to the relationships that are often so important to realising the benefits.
- Say they have the least difficulty in hiring talent but invest far less in HR and the systems required for effective people development.
- Consider their operations to be as efficient as competitors but dedicate less focus to measuring and improving efficiency and productivity.

What this research tells us is that UK business leaders report consistently higher scores for confidence, but lower scores (generally) for undertaking the activities that are most highly correlated with productivity improvement. Confidence is important. It indicates untapped potential. But in the UK it's not matched by ambition when it comes to activity and investment.

But there is hope. Hope in the small changes that small- and medium-sized business leaders can make to create tangible and significant impact. Every business has the potential, through simple improvements, to increase productivity by 1%. Many could do much more – our own work with thousands of business leaders across our programmes has yielded an increase in turnover of 18.5% on average for each business.

And the prize is sizeable. If every small employing business is able to make 1% improvements over a five-year period, this would add £94 billion to the UK economy annually.³ That's equivalent to over half the annual budget for NHS England. And that is the kind of game-changing step we need to take to supercharge our productivity. We can't wait any longer.



Anthony Impey MBE

“Confidence is important. It indicates untapped potential. But in the UK it's not matched by ambition when it comes to activity and investment. There's much we can learn from our G7 counterparts to help us turn around the UK's lagging productivity.”

“If every small employing business is able to make 1% improvements over a five-year period, this would add £94 billion to the UK economy annually.”

³ Calculations based on Be the Business analysis of business turnover and population estimates of UK SMEs with 1-249 employees sourced from Business population estimates for the UK and regions, 2022, accessed at www.gov.uk/government/statistics/business-population-estimates-2022



02 Executive summary



Executive summary

Examining productivity across the G7 paints a complex picture, with unique national contexts influencing the findings through a mix of cultural, economic and social factors. By collecting the data, and analysing key indicators, Be the Business has identified what the key drivers of productivity are across different countries.

In the UK, we have much to learn from the strengths of our G7 counterparts, in particular the US, which leads the G7 Index.

Through years of working with business leaders to help them improve their operations, we know that small, targeted changes based on informed observations and a willingness to learn can open up a path to success. This report collates learnings from the strengths and weaknesses of each G7 country to identify useful behaviours that will encourage new, productivity-enhancing practices among British businesses.

In the UK, we have much to learn from the strengths of our G7 counterparts, in particular the US which leads the G7 Index.

THE UK'S POSITION

The UK is in sixth place overall, confirming the lagging trajectory we've seen since 2008.

- This is driven by a lack of investment and improvement, both past and intended, across the five capability areas of the PBI – management and leadership, technology adoption, innovation, HR and operational efficiency.

The UK ranks fourth on confidence.

- While a clear sign of untapped potential, the key to unlocking it is a step-change in investment and improvement measures among UK firms.

The UK ranks fifth on performance, which measures trading conditions and company sentiment.

- The UK's highest response in the performance question set relates to selling prices, with 43% of businesses increasing prices for goods and services in the previous quarter, second only to Germany. While an indicator of performance, in the context of significant inflationary pressures, it's unlikely these increased prices are purely an indicator of productivity.

Executive summary

The gap between confidence and capabilities

To address the productivity crisis and help the UK to rise through the rankings, we need to focus on areas which are proven to deliver productivity gains:

MANAGEMENT AND LEADERSHIP

UK RANKING: 6

- Two-thirds (67%) of UK business leaders report confidence in the professional management skills in their senior team, second only to the US on 73%.
- However, the UK ranks sixth or seventh in all questions regarding investment in management capabilities, including training, strategic planning and mitigating risks.
- We know management and leadership capabilities are a key driver of productivity. While it's encouraging to see high confidence in the UK, this appears to be creating a sense of complacency and a lack of investment in this critical area.

TECHNOLOGY ADOPTION

UK RANKING: 6

- Half (49%) of UK business leaders believe they use e-commerce effectively, behind the US (59%), Canada (54%), and Italy (53%).
- Yet only a third (32%) plan to increase digital training for employees in the next 12 months, and just a quarter (26%) plan training for managers. In contrast, almost half of US (49%) and French (47%) businesses will increase training for their staff.
- Both management and leadership and digital skills are crucial for the effective adoption of technology. Other countries are investing in their people, but once again the UK's confidence in technology seems to be at the expense of training both staff and management.

Executive summary

INNOVATION

UK RANKING: 6

- UK business leaders are confident in their ideas, with 63% agreeing they are good at implementing new ideas quickly, behind only the US on 72% and Italy on 65%.
- However, the UK scores poorly on actual steps to invest or undertake activity to capitalise on these new ideas and drive them to success.
- For example, fewer than a quarter of UK businesses (24%) plan to form relationships with external parties to drive innovation in the next 12 months, half as many as the US (48%).

OPERATIONAL EFFICIENCY

UK RANKING: 7

- The UK lags particularly when it comes to operational efficiency, ranking seventh with a score of 108.3, 6.5 points behind Japan, its nearest rival, and 15 points below average.
- This is in contrast to healthy confidence levels with 55% of UK respondents agreeing that their operations are efficient compared with competitors.
- Once again, without the activity and investment to back up this confidence, the UK remains on a difficult path.

TRAINING, DEVELOPMENT AND HR

UK RANKING: 7

- As above, the UK reports high levels of confidence in skills. It is the least likely of all G7 nations to report difficulties recruiting the talent needed to succeed.
- In contrast, looking at activity carried out over the past year, the UK is least likely to report increased investment in HR systems and processes, with just 23% of respondents doing so, compared to 37% of French businesses, and least likely over the next 12 months to introduce new initiatives to improve employee motivation, invest in new systems or increase focus on employee performance reviews.
- Once again, the gap between confidence and investing in capabilities is tangible.

The UK's confidence combined with a lagging intent to invest or undertake activity is a crucial, missing piece in understanding the productivity puzzle. Learning from our G7 counterparts is invaluable in showing us where we can make the most impact. Similarly, raising our ambition and making positive changes across targeted areas has the power to positively affect the entire UK business ecosystem and change our trajectory.

Moreover, it represents an enormous opportunity for business leaders, who, with a few small changes and increased ambition in these key areas, will start to see a positive impact on their bottom line.



03 The approach



The approach

Since 2017, Be the Business has inspired thousands of business leaders to transform the way they work, through bespoke programmes connecting them to curated expertise. This has directly resulted in hundreds of millions of pounds worth of gross value added through increased productivity.



Over this period, we have been studying the UK's lagging productivity. Today, we can say with a high degree of confidence that we understand the key drivers of productivity. We know that there are certain practices that drive a productive, high performing business:

- 1 Management and Leadership:** Does the business have a plan for its future and a strategy to get there?
- 2 Technology Adoption:** Is technology, in various guises and even at the simplest levels, embraced?
- 3 Innovation and Ideas:** Are the conditions fostered to create and test new ideas that will enhance the business?
- 4 Training, Development and HR:** Is the environment to learn and improve built into company systems and structures?
- 5 Operational Efficiency:** Is there a constant focus on improving elements of everyday performance?

The approach

The UK Productive Business Index (PBI) focuses on micro, small- and medium-sized businesses, which we define as employing between two and 249 employees. This is the group that's most often overlooked by policymakers, yet accounts for almost two thirds of those employed in the UK.⁴ We track changes in investment in the five key areas noted above, as well as general operating conditions, barriers to growth and expectations for the future. We also record confidence levels of leaders' skills in the five areas identified above, although this does not contribute to the overall Productive Business Index.

The data we collect is analysed and combined to produce our Index:

- **Business Performance** measures trading conditions and company sentiment
- **Business Capability** assesses activity in the five areas that drive productivity improvements
- In both Performance and Capability, we assess the **current** situation, as well as asking about **future** expectations and plans for improvements
- We then produce a **BUSINESS PERFORMANCE INDEX** and a **BUSINESS CAPABILITIES INDEX**
- These are combined to form our overall **PRODUCTIVE BUSINESS INDEX**

[Our sixth PBI report](#) was published in May 2023, following our initial publication in February 2021.

We have collected over a million data points, which we use to inspire business leaders on their productivity journey and share with government and others to support their activity.

This G7 special edition aims to further contextualise the UK's productivity landscape.

The international data is weighted to match our UK sample, but it is not representative of each country's SME business population. This is because we wanted to compare apples with apples. We wanted to show a UK SME audience how their equivalents overseas act, removing variables such as size distribution and sector which make direct comparison more challenging.





04 Setting the scene



Setting the scene

Since the financial crisis of 2008, the UK has struggled to regain momentum when it comes to productivity. Entrenched low productivity has held down growth, even in the face of current high employment.

This matters because higher productivity means higher living standards. As the economist Paul Krugman said: “Productivity isn’t everything, but, in the long run, it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.”

In recent years, a combination of global forces – COVID-19, war in Ukraine, volatile energy prices, skills shortages, rising inflation and interest rates – have been identified by business leaders and government alike as reasons for low growth. However, it is an inescapable truth that all the G7 countries face the same factors, although in varying degrees. This begs the question: **what underpins the performance of the UK in comparison to other leading economies?**

What influences productivity?

The UK’s persistently low productivity growth has been described as “a puzzle”, but if this is accurate, it is one with several solutions. There are a number of known drivers – from economic policy, including levels of capital investment, education and skill levels, to the quality of physical and digital infrastructure. These levers can be pulled, but it can take a long time for improvement to materialise. Company practices are another set of drivers that can lead to swifter changes. These are the levers that make our businesses more efficient and drive higher output without increasing effort levels.

Management capabilities within businesses are one area with a proven link to higher productivity. It’s estimated that about a quarter of the UK’s productivity gap with the United States could be down to poor management.⁵ Embedding best practice for management and leadership in UK businesses could make a significant difference to UK productivity. The need to improve can be seen across small, medium and large businesses – this isn’t exclusively an “SME problem”. However, with 99.9% of the UK business population categorised as an SME,⁶ moving the needle here offers the greatest potential impact.

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In reality, we observe that the businesses we work with on a daily basis are embedding management practices. Firms that have made improvements to their productivity by working with Be the Business typically cite well-known elements of management and leadership, such as regular performance reviews and target setting, as having a transformative effect on their business.

When looking at the UK’s relative position among G7 countries, it’s important to examine areas that diverge from the competing nations. We know that since 2010, there has been a steady decline in the number of UK business leaders who look outside their firm for advice and support.⁷

⁵ World Management Survey (2014); Nick Bloom, Stephen Dorgan, John Dowdy, and John Van Reenen

⁶ UK Government, Business population estimates for the UK and regions 2022: statistical release (2022)

⁷ BEIS longitudinal SME survey 2021

Setting the scene

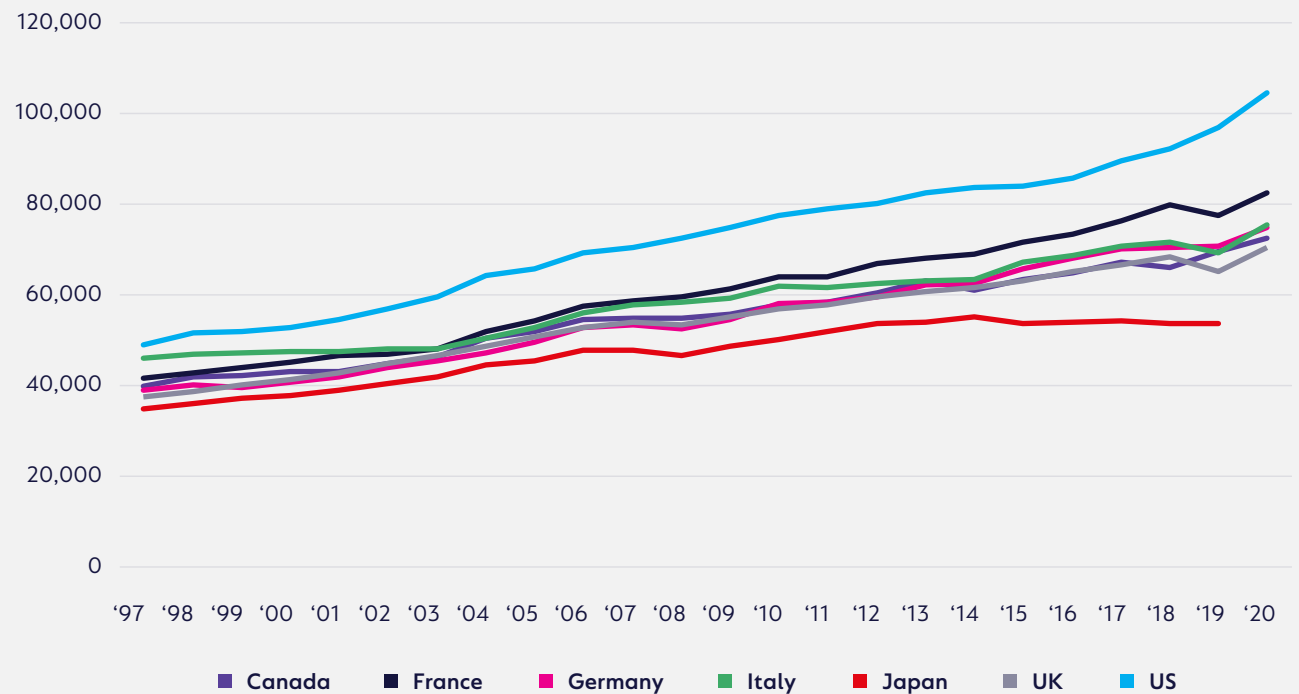
We also know from analysis of our most recent [UK Productive Business Index](#), that businesses which seek help report stronger performance and are doing more to build capabilities linked to higher productivity.

In 2021, the Office for National Statistics' (ONS) estimates of international productivity placed the UK sixth out of seven for output per worker, 10% lower than the G7 average, on available data. The best performer on this measure is the US, which records almost 1.5 times higher output per worker than the UK. This gap is not only significant but has widened further since 2008.

Our report looks to add context to these rankings, while keeping a narrower focus on the SMEs which make up 61% of the UK's total employment population.⁹ We explore differences at the firm-level between performance, capabilities and confidence, seeking to identify what the UK can learn from other G7 countries. **What comparisons can we make and what takeaways are there for UK business leaders?**

Figure 1: Annual output per worker, G7 1997-2020⁸

Annual output per worker, whole economy, current price (CP) in GBP



⁸ ONS, International comparisons of UK productivity (ICP), final estimates: 2021

⁹ Gov.uk, Business population estimates for the UK and regions, 2022





05 Headline findings

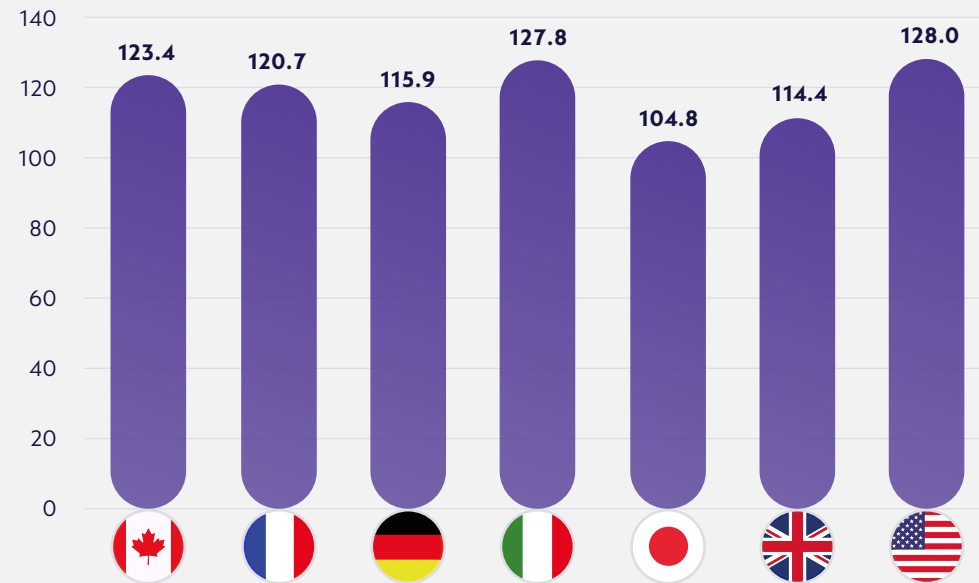


Headline findings

G7 PRODUCTIVE BUSINESS INDEX

The UK places sixth overall in our Productive Business Index. The Index combines recent performance (past three months), expected performance (next three months) and increases of activity to improve capabilities, both historic (past 12 months) and planned (next 12 months). This positions our SMEs in the same place the ONS records, with Italian and Canadian businesses performing better.

Figure 2: G7 Productive Business Index

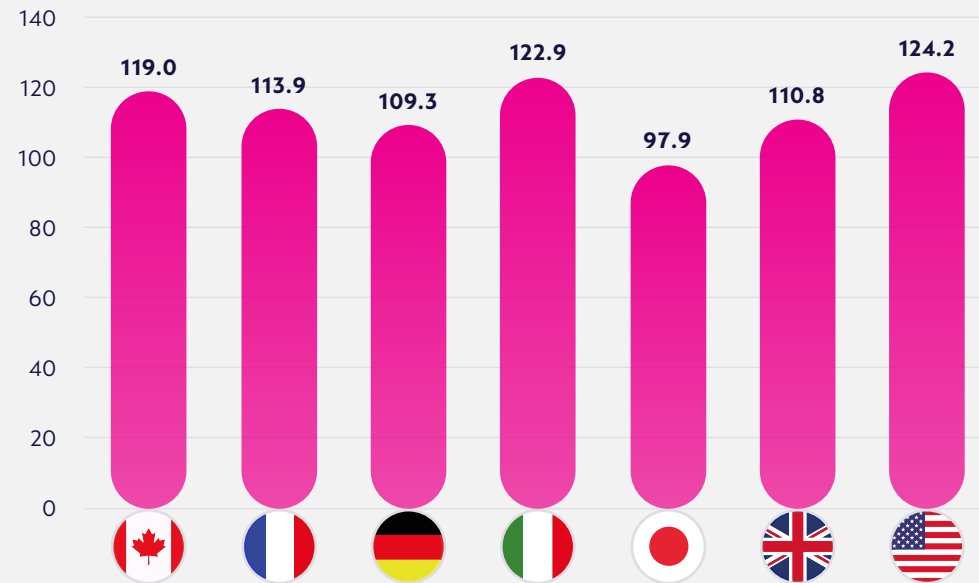


Headline findings

G7 BUSINESS PERFORMANCE INDEX

In the Business Performance Index, the UK ranks fifth out of seven, ahead of Japan and Germany (which entered a technical recession in Q1 2023). The US reports the highest performance, just ahead of Italy.

Figure 3: G7 Business Performance Index

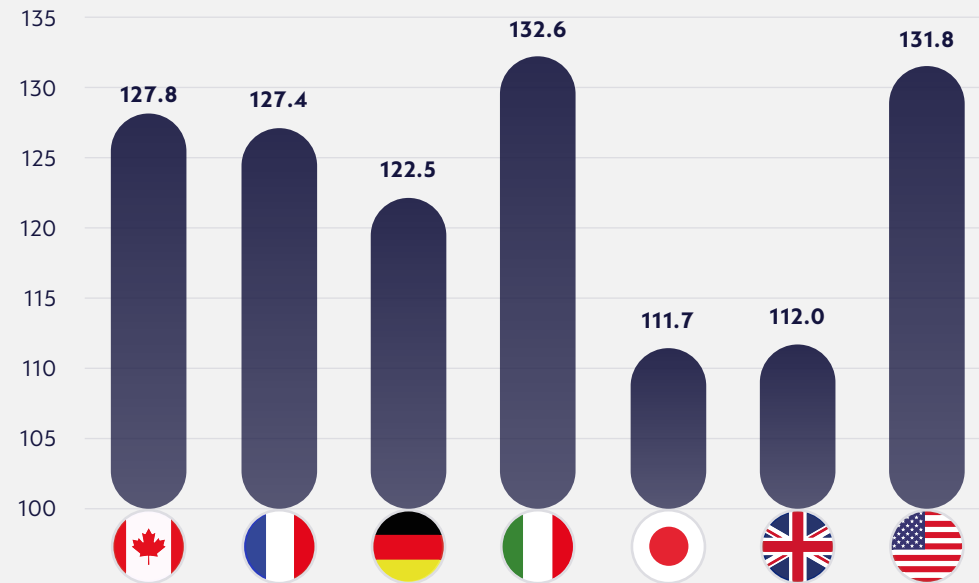


Headline findings

G7 BUSINESS CAPABILITIES INDEX

The Business Capabilities Index is designed to provide a view of the fundamentals of business productivity. Much as in the Business Performance Index, the US and Italy top the rankings. But here the UK places sixth, significantly behind all other nations except Japan, where it is only marginally ahead.

Figure 4: G7 Business Capabilities Index





06 United Kingdom – a deep dive



United Kingdom – a deep dive



G7 RANKING: 6

The UK is fourth for confidence, fifth for business performance and sixth for capabilities, highlighting a disconnect between self-reported confidence and action. Long-term prospects of higher firm-level productivity will depend on more UK SMEs learning from international counterparts.

What’s happening in the UK?

The UK data shows a clear gap between confidence and capabilities. The UK ranks fourth on confidence measures despite a sixth place ranking overall. However, the UK’s confidence across the five capability areas sits in contrast to its self-reported performance and lack of intent to invest or undertake activity to make positive changes. This highlights a risk that many UK SME leaders may be unaware that their equivalents in the G7 are more actively investing in areas that boost productivity. Without improvements to the five capability areas, the UK’s lagging productivity is likely to remain. There is an opportunity to learn from the strengths of our G7 counterparts, particularly the US, in terms of raising the ambitions of UK small-and medium-sized businesses and encouraging concrete improvement action.

KEY STATISTICS

- On openness to advice, the UK lags: **18% of UK business leaders don’t regularly speak to anyone at all** – sixth in the rankings
- UK output per worker is **10% lower than the G7 average**, except Japan for which data isn’t available¹⁰
- The US enjoys **1.5 times higher output per worker** than the UK¹⁰

	SCORE	G7 RANKING
PRODUCTIVE BUSINESS INDEX	111.4	6
BUSINESS PERFORMANCE INDEX	110.8	5
BUSINESS CAPABILITY INDEX	112.0	6
• MANAGEMENT & LEADERSHIP	116.5	6
• TECHNOLOGY ADOPTION	111.0	6
• INNOVATION	111.6	6
• HR	112.5	7
• OPERATIONAL EFFICIENCY	108.3	7
CONFIDENCE AVERAGE	3.585	4
ONS ANNUAL OUTPUT PER WORKER FOR 2021 (GBP)	£70,253	6

10 ONS, International comparisons of UK productivity (ICP), final estimates: 2021



United Kingdom – a deep dive



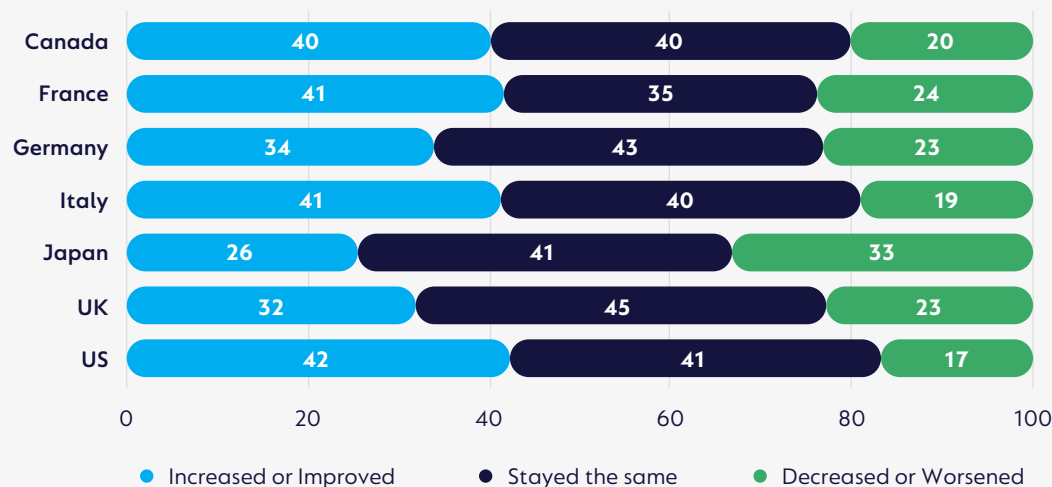
PERFORMANCE

The UK placed fifth in the G7 for business performance. Typical of this is the 32% of UK business leaders who report an increase in revenue over the past three months, versus 42% in the US which ranked highest in this area. When asked about what will happen in the next three months, 35% of UK business leaders believe they will see an increase in revenues, versus 49% in the US, with Canada, France and Italy also all over 40% and showing more optimism.

The UK's highest response in the performance question set relates to selling prices, with 43% of businesses increasing prices for goods and services in the previous quarter, second only to Germany.

However, such increases are likely a sign of significant inflation and not simply improved performance. More positively, 37% of the UK sample expects volume of orders to rise in the next quarter, ranking third in the G7, behind the US (48%) and Canada (42%).

Figure 5: Changed revenue performance (past three months) (%)
Excluding normal seasonal patterns, to what extent have revenues changed over the past three months?



United Kingdom – a deep dive

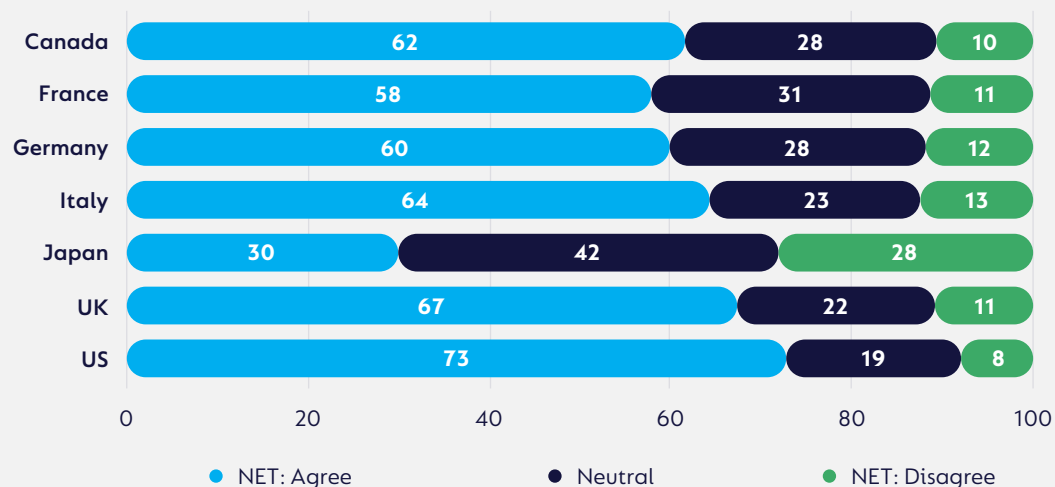


MANAGEMENT & LEADERSHIP

The confidence of UK business leaders appears when asked about the extent of faith in the professional management skills in their senior team. The UK reports 67% of respondents having confidence, second only to the US on 73%.

UK leaders also rank second in the G7 for confidence in their management teams' commercial awareness (67%). Similarly, 53% of UK business leaders believe they are prepared for unforeseen events, behind the US on 62% and Italy on 60%.

Figure 6: Confidence in professional management skills (%)
Our management team has the right blend of professional management skills



United Kingdom – a deep dive

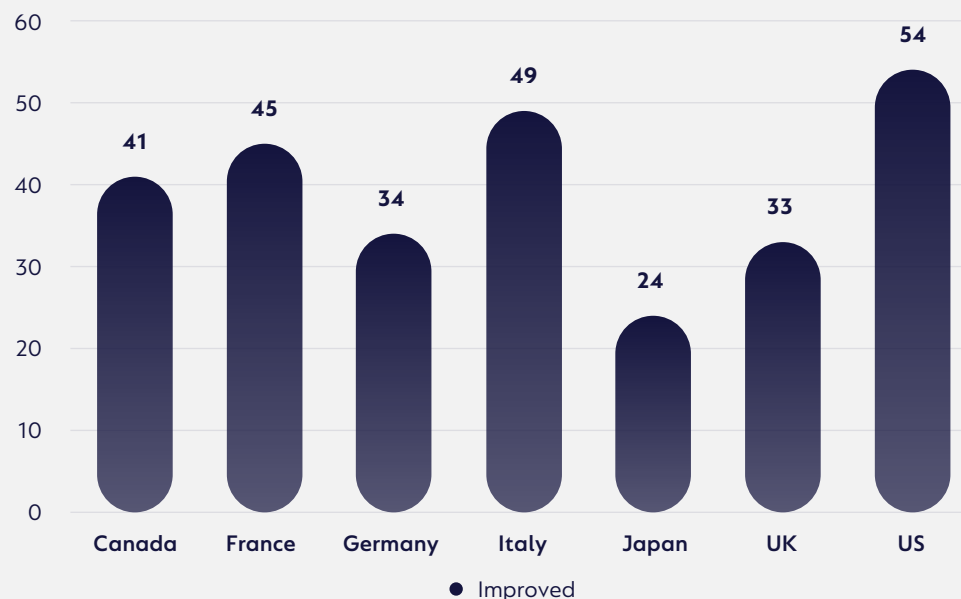


This management confidence is somewhat undermined when activity to boost management capability is assessed. Against every question regarding activity to increase management capabilities over the previous 12 months, the UK ranks sixth of seven.

This includes training activity, strategic planning, and mitigating risk. With little action to back up the confidence expressed by UK leaders, this is an urgent area for improvement. Encouraging business leaders to be open to making small changes to their business is key.

Only one third (33%) of UK leaders report improving their general management skills via training or mentoring in the past 12 months, compared to 54% of US respondents, with similarly high numbers of Italian (49%) and French (45%) business leaders doing so.

Figure 7: Improved general management and leadership skills (past 12 months) (%)
General management and leadership skills within the company (past 12 months)



United Kingdom – a deep dive



When considering activity in the next 12 months, a similar story is seen – the UK occupies sixth place on almost every criteria. Again, UK leaders are less likely to increase activities to boost management skills than the rest of the G7 (with the exception of Japan). In only one question do UK businesses rank fifth – activities to increase commercial or business decision making. Here, 30% of respondents plan to do more, ahead of Germany on 29% and Japan on 25%.

Only 27% of UK business leaders expect to increase activity related to crisis and risk mitigation, with all other countries bar Japan seeing percentages above 33%, and the US leading on 41%. The UK is also significantly less likely to increase activity to improve financial forecasting – only one third (33%) plan to do so, compared to almost half (49%) of US businesses, and 46% of French and Italian companies.

The same pattern can be seen on intent to invest time in strategic planning, with the UK coming in low behind its European counterparts on 34%, second to last with Japan on 33% and the US striding ahead on 47%.

Against every question regarding activity to increase management capabilities over the previous 12 months, the UK ranks sixth of seven.



United Kingdom – a deep dive



TECHNOLOGY ADOPTION

When it comes to confidence in use of technology, the UK sits comfortably mid-table. UK leaders are more likely than most (at 64%) to say their employees have the digital skills they need to do their jobs, behind only the US (73%) and Italy (66%).

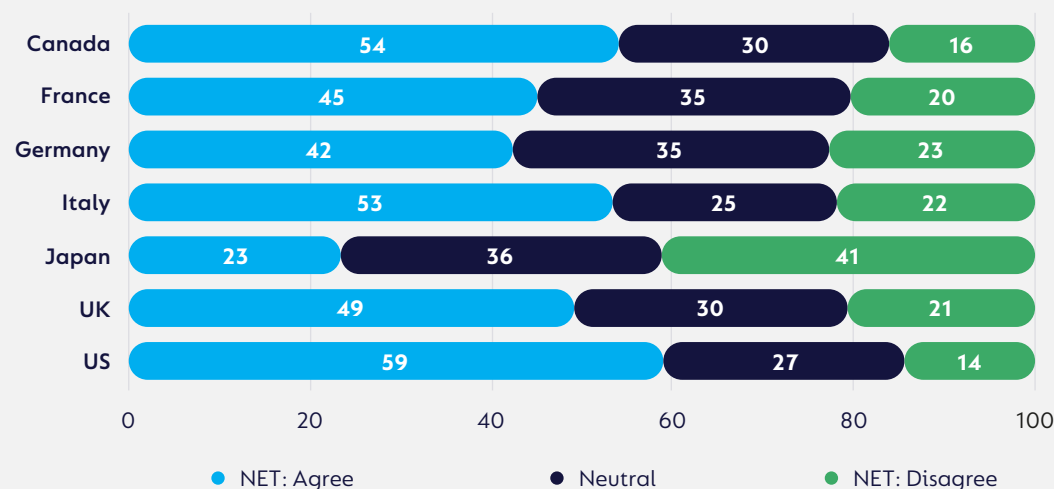
They also place fourth for confidence in use of e-commerce, with 49% of UK businesses believing they use it effectively, behind 59% in the US, 54% in Canada, and 53% in Italy.

This is in stark contrast to existing research which shows low levels of technology adoption and a significant need for digital upskilling among the UK workforce.

As in other areas, UK businesses are behind others when it comes to developing digital capabilities. Just 28% said operational software increased their digital readiness over the past 12 months compared to almost half (47%) of Italian firms.

Figure 8: Confidence in effective use of e-commerce (%)

We effectively use e-commerce (taking orders, payment, fulfil delivery using our own system or online marketplace)



[Training in digital skills](#) is another area of weakness applying to both training of employees and management. A third (32%) plan to increase digital training for employees in the next 12 months, and just a quarter (26%) plan training for managers. In contrast, almost half of US (49%) and French (47%) businesses will increase training for their staff.

While it's positive that British business leaders feel they have the right skills within their businesses, it's clear that there's more to do to drive improvements and develop capabilities. In order for technology to be adopted successfully, we know that strong management and leadership and digital skills are needed across all levels of the team.

United Kingdom – a deep dive

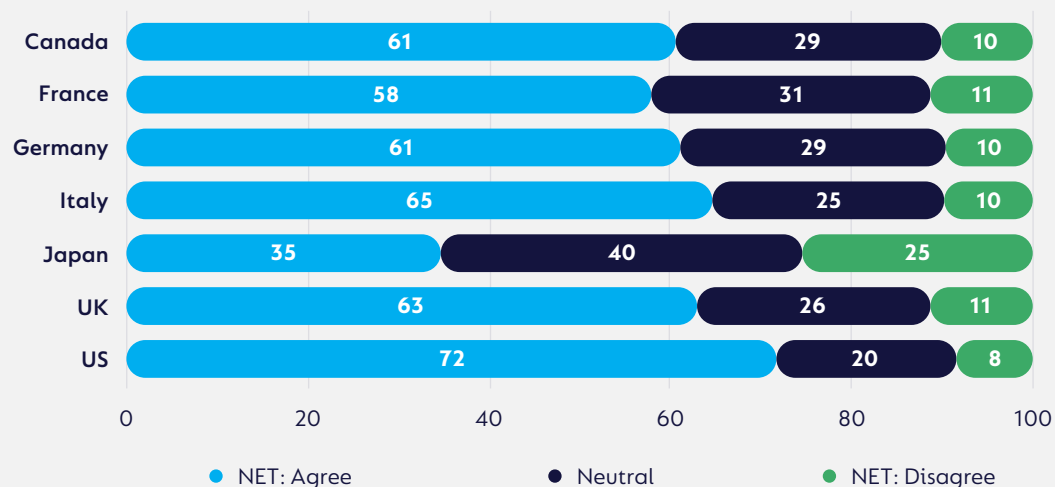


INNOVATION

UK businesses leaders are comparatively confident in their ideas. When asked about their company's ability to generate new ideas, the UK places third with 64% agreeing that they are good at this. Similarly, 63% of leaders agree that their company is good at implementing new ideas quickly. However, when it comes to accessing the funding needed to turn ideas into reality, it drops sharply with only 38% confident in this area.



Figure 9: Confidence in implementing new ideas quickly (%)
Our company is good at implementing new ideas quickly



United Kingdom – a deep dive

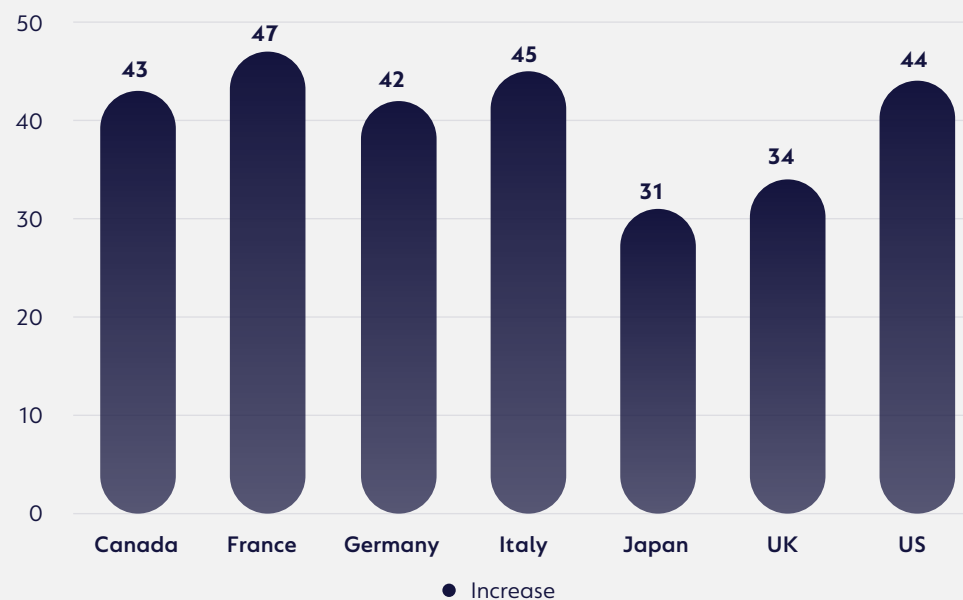


Looking at capabilities linked to innovation, UK business leaders rank sixth out of seven in almost every question asked. Again, it is on developing ideas that they deviate, placing fifth for time spent developing ideas for prototyping over the past 12 months.

UK firms are less likely to introduce new internal processes in the previous year, placing sixth of seven. In addition, fewer than a quarter (24%) plan to seek to form relationships with external parties to drive innovation in the next 12 months, half as many as the US (48%). There's much we can learn from other areas of the G7 to drive successful innovation across the UK.

Figure 10: Increased activity to introduce new internal process (past 12 months) (%)

What level of activity have you conducted to introduce new internal process (e.g., ways of working, shift patterns, staffing) over the last 12 months?



United Kingdom – a deep dive

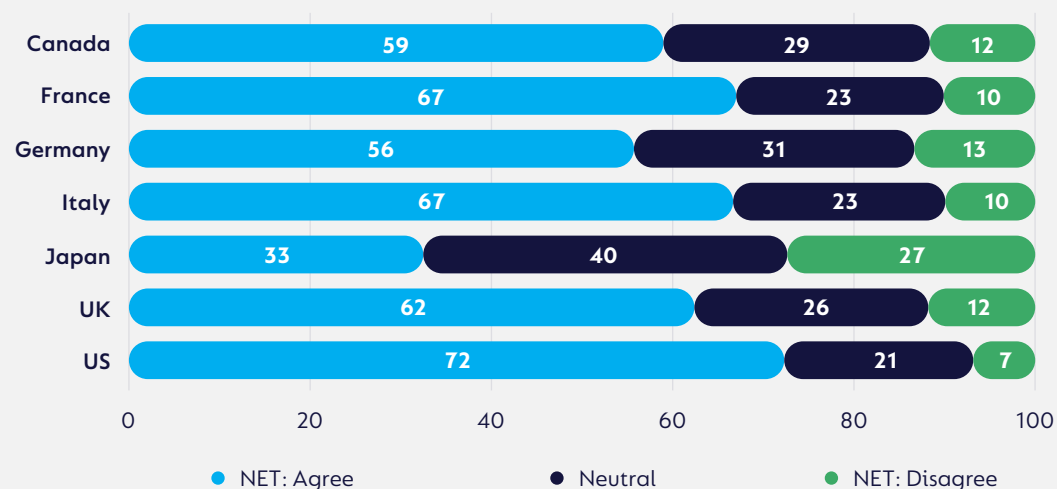


TRAINING, DEVELOPMENT & HR

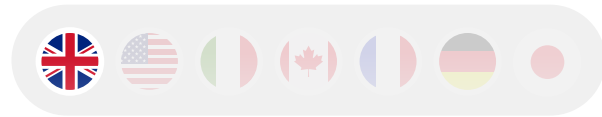
The picture is mixed in terms of the confidence of UK business leaders in their skills and HR practices. While recruitment challenges in the UK are a long-standing issue, the UK is actually least likely of all G7 nations to report difficulties recruiting the talent needed to succeed. Similarly, 62% of UK business leaders report having the skills and talent they need to succeed, but only 56% of German firms agree.

Of more concern is UK confidence that they have an effective HR leader within the business (only 44% of UK leaders report this) and their assessment that they offer a good career path for young people – just 47% of UK respondents agreed with this statement, compared to 64% of Italian businesses and 63% of US businesses.

Figure 11: Confidence in skills and talent (%)
We have the skills and talent we need to succeed



United Kingdom – a deep dive

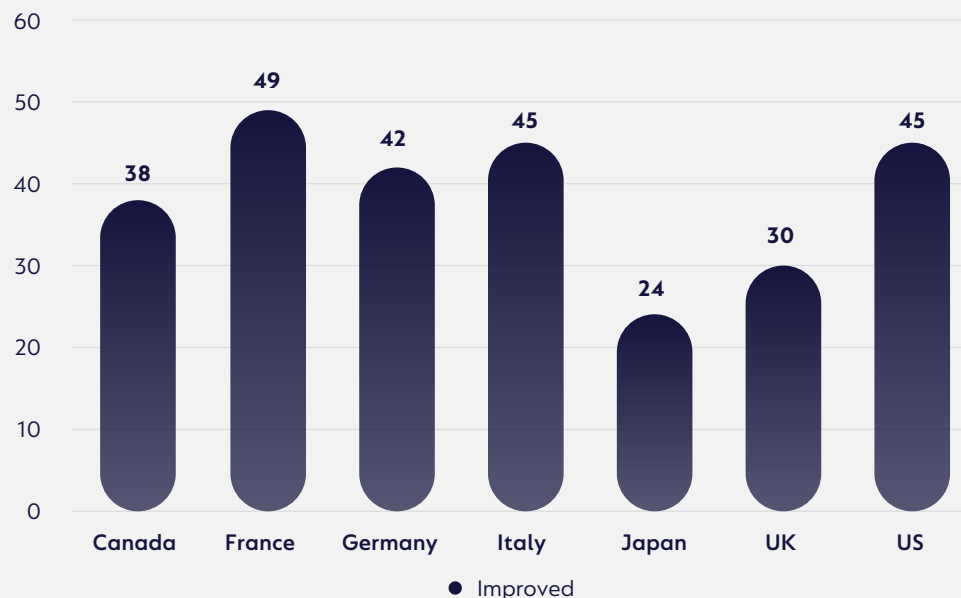


The ambivalence in confidence also carries through to capabilities. Here the UK comes bottom, seventh out of seven. Looking at activity carried out over the past year, the UK is least likely to report increased investment in HR systems and processes, with just 23% of respondents doing so, compared to 37% of French businesses.

When asked about increases in training and development for employees, the UK lags on 30%, compared to France leading on 49%. Similarly, in terms of increased focus on support for staff welfare, the UK comes sixth on 32%, compared to Italy in first on 47%.

Figure 12: Improved HR effectiveness as a result of training (past 12 months) (%)

How has your company's effectiveness at HR changed as a result of training and over the last 12 months?



United Kingdom – a deep dive

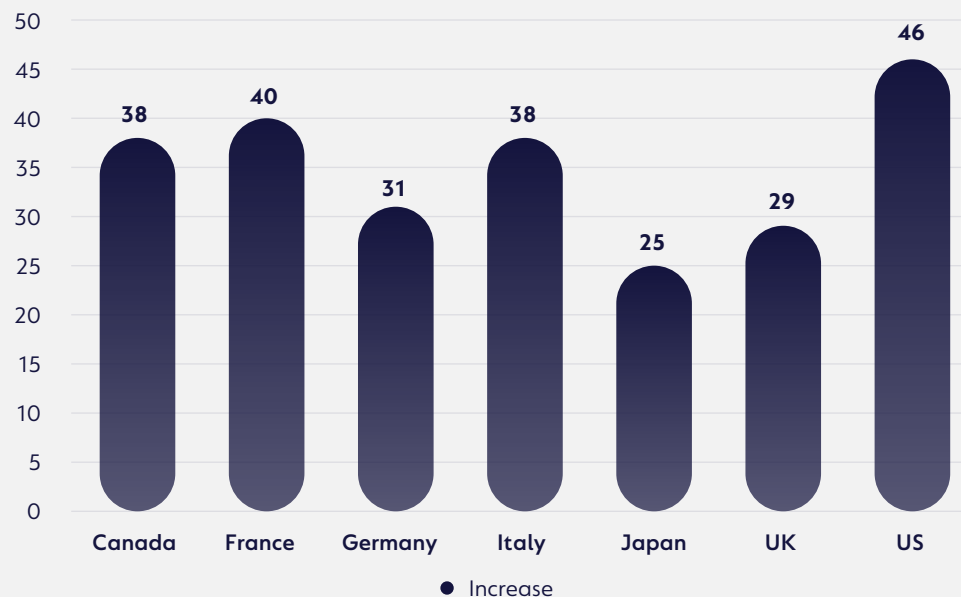


Planned activity to boost capabilities mirrors the picture for activities carried out in the past 12 months. The UK is least likely of all G7 nations to introduce new initiatives to improve employee motivation, invest in new systems or increase focus on employee performance reviews.

This reflects the skills findings within the technology adoption question set, with UK leaders showing belief that they have the right skills in their business. Unfortunately, this isn't translating into action to capitalise on those skills and drive improvements.



Figure 13: Change in activity over the next 12 months on initiatives to improve employee wellbeing (%)
What level of activity or investment will you conduct for support for employee welfare over the next 12 months?



United Kingdom – a deep dive

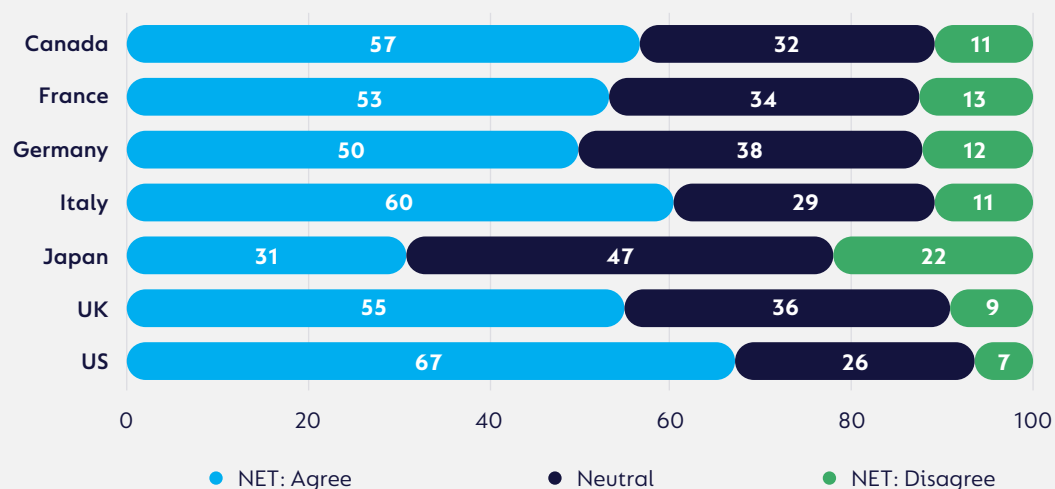


OPERATIONAL EFFICIENCY

The UK lags particularly when it comes to operational efficiency, ranking seventh with a score of 108.3, 6.5 points behind Japan, its nearest rival, and 15 points below average. This is contrasted with healthy confidence levels – 55% of UK respondents agree that their operations are efficient compared with competitors, while 52% agree they can accurately measure their productivity and identify where improvements are needed.

One area of notable confidence is meeting customer expectations – 72% of our UK sample agree this is the case, just behind the US on 75% and ahead of France and Germany, both 62%, possibly a product of the UK's strong service culture.

Figure 14: Confidence in efficient operations compared to competitors (%)
Our operations are efficient compared with our competitors



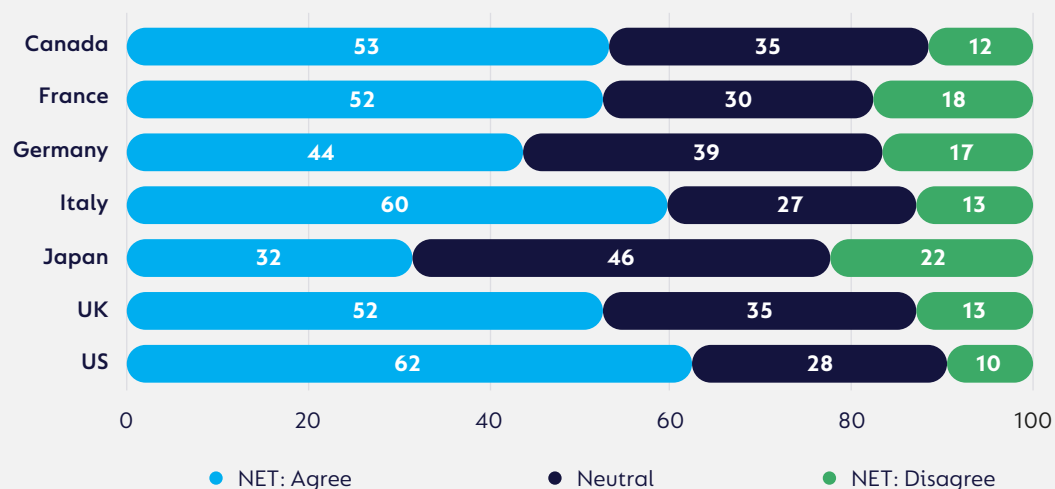
United Kingdom – a deep dive



Taking a closer look at improvements in capabilities in the past 12 months, UK firms are least likely to have introduced any new initiatives to measure and improve efficiency and productivity, sitting at the back of the G7 alongside Japan, both with just 24% of leaders taking action. They sit significantly behind top ranking country US, where almost twice as many businesses have been active (46% increased activity in the past 12 months).



Figure 15: Confidence in accurately measuring productivity and identifying where improvements are needed (%)
We can accurately measure our productivity and identify where improvements are needed



United Kingdom – a deep dive

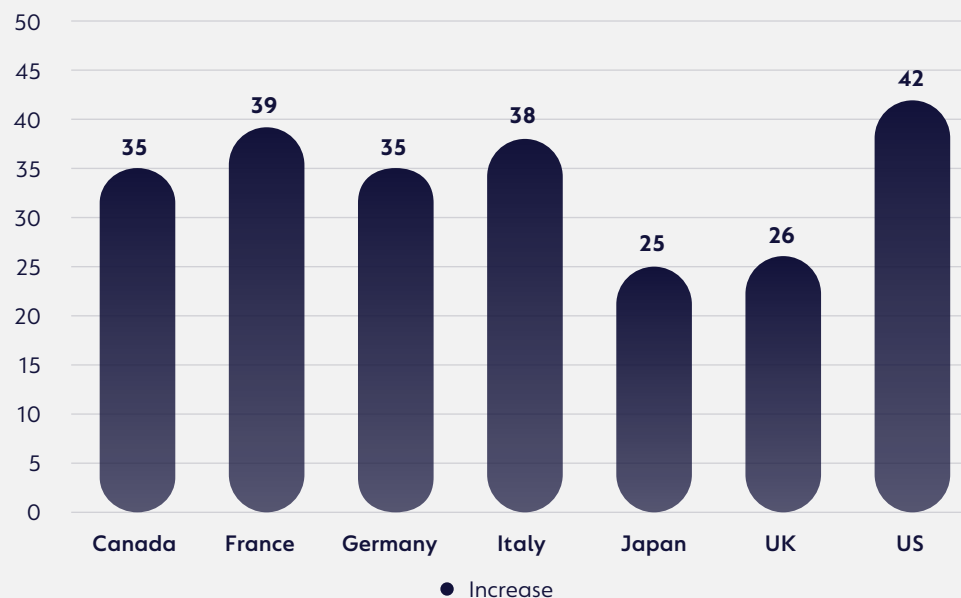


When it comes to intent to take action on operational efficiency capabilities, such as initiatives to measure staff and business productivity, the UK ranks sixth with 26% of business leaders planning to increase activity over the next 12 months, compared to 42% in the US.

Similarly, only 28% of UK business leaders intend to use data to improve operations, compared with the US and Italy on 42%. We know that measurement and use of data are key drivers of achieving efficiency and the UK has ground to make up.

These findings show a clear narrative of UK business confidence, not matched by ambition or intention to undertake activity and investment. It seems there is much we can learn from our G7 counterparts – explored in subsequent country profiles.

Figure 16: Change in activity over the next 12 months on initiatives to measure staff and business performance (%)
What level of activity or investment do you think you will make in initiatives to measure staff and business performance over the next 12 months?



United Kingdom – a deep dive



What is the UK doing well?

The UK is confident in a number of key areas. Confidence can be a good thing – self-belief is powerful. However, an alternative way of putting it is that we are good at complacency. The gap between a confidence score which puts us in fourth place, and the levels of activity and investment demonstrated and intended, is stark, and comes through in headline productivity levels.

What the UK is also waking up to, and this is reflected in our biannual PBI series, is the need to evolve skills and invest in staff. This is evident when asking leaders about offering staff opportunities to develop their skills and careers; the UK reports 59% of business leaders doing so. This puts the UK fourth but with no significant margin among the top four: US on 62%, Italy on 61%, and Canada and Germany on 60%.

Yet, once again, on investment in capabilities, the UK drops back near the bottom of the G7 pack.



Cliff Brereton

CEO of UK-based Datahone, a scale-up developing smart sensors and software to improve factory performance

“A lot of the companies that provide widgets to Jaguar Land Rover, or Rolls Royce Aerospace, or the F1 community, they’re typically owned by an older guy who’s thinking ‘Do I need to learn a new trick? Do I really need to invest in that?’

So, as a country, we’ve allowed our skills to get older and therefore those skills become rare. And if those skills become rare, they demand higher money, and if they demand higher money, they retire early. It’s a vicious circle.”



07 United States – a deep dive



United States – a deep dive



G7 RANKING: 1

The US is a consistent leader across most measures, and it often leads with distinction. It tops the G7 table on performance and consistently rates highly for business capabilities, especially management skills and operating efficiency.

KEY STATISTICS

- 49% of US business leaders **expect revenue increases in the coming quarter** – only 35% of UK leaders do
- 49% of US business leaders **plan to increase financial and performance forecasting over the next 12 months** – compared to only 33% of UK leaders

	SCORE	G7 RANKING
PRODUCTIVE BUSINESS INDEX	128.0	1
BUSINESS PERFORMANCE INDEX	124.2	1
BUSINESS CAPABILITY INDEX	131.8	2
• MANAGEMENT & LEADERSHIP	136.5	1
• TECHNOLOGY ADOPTION	129.3	3
• INNOVATION	128.9	2
• HR	131.2	2
• OPERATIONAL EFFICIENCY	132.8	1
CONFIDENCE AVERAGE	3,859	1
ONS ANNUAL OUTPUT PER WORKER FOR 2021 (GBP)	£104,376	1

United States – a deep dive



What's happening in the US?

US businesses show remarkable confidence and positivity, but for the most part this is borne out by putting in the work that drives higher results. US leaders are by some stretch the most confident of all the G7 nations, placing first across areas.

Looking at past and planned activities to improve capabilities, as well as performance, tells a similar but slightly more nuanced story. Past activity is strong but planned activity underlines clear ambition within US businesses to improve.

Some of the differences between the UK and the world's largest economy are startling. When asked how good companies are at implementing new ideas quickly, 72% of US businesses said they are confident in this, 9% clear of the UK in third place (63%). On accessing the right level of funds to implement innovation, 56% of US leaders say they can, compared with 47% in Italy and only 38% in the UK. This suggests structural issues in the ability of UK SMEs to access finance relative to other leading economies.

US confidence is not only reflected in the confidence ranking but through all questions asking about prospects and optimism. For example, 72% of US business leaders believe they have the right skills and talent to succeed, compared to 62% of UK business leaders. Similarly, on HR capabilities, the US shows significantly greater intent to invest in training and development (US 43% vs UK 29%) and support for employee welfare (US 46% vs UK 29%).

The US retains its number one ranking on operating efficiency, topping the G7 on confidence across all measures and demonstrating strong intent to invest in capabilities. For example, 42% of US business leaders plan to increase investment in initiatives to measure staff and business performance versus 38% in Italy and just 26% in the UK.

The outlier against the US trend is on technology capabilities, showing a drop down to third place. Italy appears to be more invested. For example, when asked about investment in e-commerce over the forthcoming year, 44% of US leaders confirm an increase in expected investment versus 48% in Italy.

The US retains its number one ranking on operating efficiency, topping the G7 on confidence across all measures and demonstrating strong intent to invest in capabilities.

United States – a deep dive



What can the UK learn from the US?

The UK could learn emphasis on management skills and operational efficiency from the US. US business leaders rate their management skills highly – just like British leaders, but they also plan to keep building their skills even though they are starting from a high base.

More UK businesses could measure like the US. Only 52% of UK businesses are confident that they can accurately measure their performance. This compares to 62% of US businesses being able to measure and identify where improvements are needed.

The ease of accessing finance to fund innovations sets the US apart from the UK. While the UK government has introduced measures to increase business investment via the super deduction for investment in plants and machinery, it is clear that business leaders need the process of accessing finance to be made easier and less daunting.



Emma Thorp

Chief Growth Officer at US-based RBW Consulting, a strategic consultancy for life science and registered B Corp

“One of the best parts of our work in the US is accountability. We’re always driving the message that you haven’t got one person at the top making all the decisions: our people are responsible for their own areas, and they really care about the impact of the decisions they’re making.

You’ve got to treat everybody as individuals, with good systems and processes that set everyone up for success in their own management. But remember that we’re not dealing with robots: all human beings want to work in really different ways.”



08 Italy – a deep dive



Italy – a deep dive



G7 RANKING: 2

Italy consistently holds the US's feet to the fire in most categories, which is a fascinating comparison given the difference in geography, and lower output per worker as measured by the ONS.

KEY STATISTICS

- 48% of Italian business leaders **are planning increased investment in e-commerce** – compared to 34% of UK business leaders
- 66% **believe technology investments have achieved the expected benefits** – compared to 55% of UK business leaders
- 60% of Italian businesses are **confident in measuring and identifying where improvements are needed** – versus 52% of UK business leaders

	SCORE	G7 RANKING
PRODUCTIVE BUSINESS INDEX	127.8	2
BUSINESS PERFORMANCE INDEX	122.9	2
BUSINESS CAPABILITY INDEX	132.6	1
• MANAGEMENT & LEADERSHIP	131.4	2
• TECHNOLOGY ADOPTION	135.6	1
• INNOVATION	132.0	1
• HR	132.5	1
• OPERATIONAL EFFICIENCY	131.7	2
CONFIDENCE AVERAGE	3.720	3
ONS ANNUAL OUTPUT PER WORKER FOR 2021 (GBP)	£75,193	3

Italy – a deep dive



What's happening in Italy?

Italy is well known as a large hub for luxury goods, both within Europe and globally. Their manufacturing sector is strong, rivalling China and other growing Asian economies. [A post-pandemic resurgence](#) of the leisure and luxury goods sector could be an explanation for strong results.

As with the US, confidence and optimism is clear. When asked about preparedness for unforeseen events, 60% of Italian business leaders believe they are, compared to 35% in Japan and 53% in the UK. On other confidence measures, Italian business leaders think they have the right blend of professional management skills (64%), 53% believe they are effectively using e-commerce, complemented by 66% saying their technology has achieved expected benefits.

Italy tops the rankings on technology capabilities with 48% planning increased investment in e-commerce and 40% in data mining and analysis, compared to 34% and 23% respectively for UK business leaders.

65% of Italian leaders are confident that their company is good at implementing new ideas swiftly, with nearly half (47%) confirming they have access to the funds needed to innovate, second only to the US on both metrics. The country continues to ride high, topping the rankings on plans to increase development of new prototypes (47%) and introduce new internal prototypes over the coming 12 months (46%).

It is particularly notable that Italy tops the European rankings consistently, placing higher than France, Germany and the UK on every Index angle. Only on revenue over the past three months does Italy share second place with France, with 41% of business leaders in the two countries reporting an increase. Similarly, on expected future revenue, Italy sits beside France once again in the third spot behind the US and Canada.

“The company is progressing well, I think that in the last 12 months there has been innovation trying to keep up with the times, with technology and with the changes related to the pandemic.”

Board level manager, micro business, business administration and support services

Italy – a deep dive



What can the UK learn from Italy?

Again, we turn to measurement with 60% of Italian businesses confident in measuring and identifying where improvements are needed, versus 52% of UK business leaders.

Italy is also ahead when it comes to intended investment in technology and on HR practices (14% ahead on e-commerce, 17% ahead on data mining and analysis). It is also 14% ahead on training for both management and employees to improve digital awareness and skills.

It is arguable that these two factors have contributed significantly to the country's post-COVID-19 turnaround, as evidenced in our survey.

“Things are going well for my company. The last twelve months, thanks to the impact of COVID-19, has increased my revenues due to the development of e-commerce.”

Owner, micro business, arts, entertainment and recreation

“Technology is our forte and we are using it to make ourselves known.”

Managing director, small business, education

“We have built a fully robotised line to become an industry leader.”

Director, medium business, manufacturing



09 Canada – a deep dive



Canada – a deep dive



G7 RANKING: 3

Canada consistently sits mid-table across most measures in third place. But like the UK, it's confidence outpaces capabilities.

KEY STATISTICS

- 62% of Canadian business leaders **agree their management team has the right blend of professional management skills** – compared to 67% of UK business leaders
- 39% intend to **carry out training and development over the coming year** – 10 points higher than UK leaders
- 44% of Canadians intend to **develop new commercial prototypes in the coming year** – versus 32% of Brits

	SCORE	G7 RANKING
PRODUCTIVE BUSINESS INDEX	123.4	3
BUSINESS PERFORMANCE INDEX	119.0	3
BUSINESS CAPABILITY INDEX	127.8	3
• MANAGEMENT & LEADERSHIP	130.2	3
• TECHNOLOGY ADOPTION	124.9	4
• INNOVATION	128.4	3
• HR	126.1	4
• OPERATIONAL EFFICIENCY	129.4	3
CONFIDENCE AVERAGE	3.759	2
ONS ANNUAL OUTPUT PER WORKER FOR 2021 (GBP)	£72,350	5

Canada – a deep dive



What's happening in Canada?

There is steady optimism among Canadian business leaders: more than four in 10 (42%) expect increased revenues in the coming quarter, and 62% of those asked believing their management team has the right blend of professional management skills.

When it comes to technology, despite an overall lower capability score in this area, Canadians show confidence, with 54% believing they effectively using e-commerce, second only behind the US.

Outside of investment in technology, six in 10 (60%) Canadian business leaders offer staff development opportunities, with 59% saying they have the skills and talent they need. This reflects a global pattern of prioritising the workforce. 39% intend to carry out training and development over the coming year.

Canada performs well when it comes to planning innovation and pushing on with new commercial ideas. 42% have developed new ideas to prototypes in the last twelve months, second only to Italy on 48%. Looking forward, 46% of Canadians intend to launch services in the coming year, topping the table.

There is steady optimism among Canadian business leaders: more than four in 10 (42%) expect increased revenues in the coming quarter.

Canada – a deep dive



What can the UK learn from Canada?

Canada performs strongly when it comes to investment in staff and skills, particularly when compared to the UK. 39% of Canadian companies intend to invest in training and development for staff over the next 12 months, compared to 29% of UK business leaders. When asked about support for staff, and welfare programmes, the difference is entrenched, with Canada reporting 38%, the UK 29%.

Canadians appear to be able to teach the UK something regarding new commercial ideas. Their confidence, both in their past record and intentions going forward, demonstrates a resilience that the UK lacks.



KC Goundiam

CEO of Canadian company Bee2Bmatch, an algorithm-based matchmaking platform for businesses to network with clients and suppliers across the globe

“Don’t just jump into [it] ... don’t do social media just because that’s what you think you have to do. Go back to basics, back to business planning. Then within business planning you have to have the runway to be able to execute the mission and the vision and plan 12, 18 months of investment. Don’t plan three months then call the digital expert and tell them after six months, I haven’t seen results, so I’m going to pull the plug.

It’s like getting fit: you don’t go to the gym and expect to have a six pack in three months. You take the time it needs. When you take a step back and you look at digital, it should be embedded in your business and it should be looked at a very strategic level. So it’s about objectives, not tactics.”



10 France – a deep dive



France – a deep dive



G7 RANKING: 4

Mid-table is an accurate representation of the French performance when it comes to productivity and their approach to securing it. However, France sits comfortably amongst its European counterparts across all measures, and reflects other analyses such as the [OECD](#). However, French growth as a proportion of GDP has slowed in recent decades, and our data gives a good indication of why.

KEY STATISTICS

- France **ranks second for improved digital readiness**, in part thanks to digital skills training for both employees and management over the last 12 months
- Almost half (49%) of French businesses **improved training for employees in the past 12 months**
- France leads on flexible working – 50% **improved HR effectiveness with it in the past year**, compared with 43% of UK firms

	SCORE	G7 RANKING
PRODUCTIVE BUSINESS INDEX	120.7	4
BUSINESS PERFORMANCE INDEX	113.9	4
BUSINESS CAPABILITY INDEX	127.4	4
• MANAGEMENT & LEADERSHIP	128.6	4
• TECHNOLOGY ADOPTION	129.5	2
• INNOVATION	126.1	4
• HR	128.6	3
• OPERATIONAL EFFICIENCY	124.4	4
CONFIDENCE AVERAGE	3,580	6
ONS ANNUAL OUTPUT PER WORKER FOR 2021 (GBP)	£82,350	2

France – a deep dive



What's happening in France?

French figures reveal a very mixed picture. When it comes to staff skills, 67% of French business leaders are confident that they have the right skills, joint second with Italy, behind only the US on 72%.

Two in five (39%) French leaders intend to invest in initiatives to measure staff and business performance over the next 12 months, well ahead of the UK (26%), and not far behind the US (42%). When it comes to staff wellbeing, four in 10 (40%) intend to increase activity to support employee welfare, second behind the US (46%). However, intention to develop new ideas for commerciality is low, with 39% saying they will – ranking fourth behind Italy (47%), Canada (44%) and the US (44%).

Over half (53%) believe they are competitively efficient, but they sit behind Italy (60%) and the UK (55%). Similarly, when it comes to measuring productivity, 52% of French business leaders believe they are good at it, as in the UK, but Italy (60%) and the US (62%) outflank them comfortably.

However, French business leaders are very likely to use regular support or advice, with 93% doing so in some form, with only Italian business leaders more actively seeking support (97%). This is also 11 points higher than the 82% of UK business leaders regularly using advice.

When it comes to technology, France ranks second when asked about intention to invest in e-commerce over the coming 12 months, with 46% planning increased activity, behind only Italy at 48%. 37% of French companies have invested in data mining or analysis tools over the past 12 months, second in the rankings. There remains commitment to it when asked about the forthcoming year too.

The confidence findings suggest that the French appetite for optimism is more modest when compared to countries ranking ahead of them.

French business leaders
are very likely to use regular
support or advice, with 93%
doing so in some form.

France – a deep dive



What can the UK learn from France?

The primary learnings from France relate to investment in skills. French firms are most likely of any country to have increased investment in training for employees (49% in the past 12 months) and specific digital training for employees and managers alike. For the UK, which shows confidence in this area but a lack of action, taking France's lead would be beneficial.

Similarly, with 93% of French leaders regularly taking support or advice, this is another area to develop in the UK to build an increased openness to taking help and making changes.

“The biggest opportunity is the current context, aid to help employers train their employees is important. We work in a fast-growing sector.”

Owner, small business, education

“The biggest challenge is recruitment. The impact is the development of the company in the medium and long term. To remedy this, we propose adapting schedules and we offer teleworking and bonuses on results.”

Managing director, small business, education

“An investment in technological equipment has allowed us to increase our customer radius.”

Director, small business, property



11 Germany – a deep dive



Germany – a deep dive



G7 RANKING: 5

There exists a curious contradiction between Germany’s high output per worker and the rest of our measures, through which the country is either fifth, or starkly behind the competition. Our analysis comes as Germany has entered a technical recession following a weak period during which its GDP contracted significantly.

KEY STATISTICS

- 60% of German leaders think **management has the right mix of skills** – 7% behind the UK
- 69% think **employees have access to the technology they need to improve their productivity** – higher than the UK on 64%
- 39% believe they can **access funds to innovate** – compared to the UK on 38%

	SCORE	G7 RANKING
PRODUCTIVE BUSINESS INDEX	115.9	5
BUSINESS PERFORMANCE INDEX	109.3	6
BUSINESS CAPABILITY INDEX	122.5	5
• MANAGEMENT & LEADERSHIP	122.5	5
• TECHNOLOGY ADOPTION	122.7	5
• INNOVATION	122.1	5
• HR	124.0	5
• OPERATIONAL EFFICIENCY	121.1	5
CONFIDENCE AVERAGE	3,584	5
ONS ANNUAL OUTPUT PER WORKER FOR 2021 (GBP)	£74,817	4

Germany – a deep dive



What's happening in Germany?

Germany is the fourth largest global economy and Europe's largest, so the economic contraction currently being experienced has a knock-on effect.

Our data raises some interesting questions. When looking at innovation, only one third (33%) of German businesses have increased development of new commercial ideas for prototyping in the last twelve months, compared to 48% in nearby Italy. Regarding plans for the forthcoming year, 36% share increased intent again compared to 47% in Italy.

When it comes to staffing, there is a level of confidence with over half (56%) of those asked saying they have the skills and talent to succeed, compared to 62% among British business. 60% confirm they offer staff opportunities, almost level with the UK, at 59%. However, 43% of German business leaders plan to increase investment in training and development, significantly more than the 29% of UK businesses.

Only half of German businesses (50%) believe their operations to be efficient when compared to competitors, in contrast to 55% of British companies. 44% think they can accurately measure efficiency, compared to 52% of UK business leaders. So, while productivity is falling away, it appears German leaders know it, but they are taking action. And, crucially, the intent to invest into the future outstrips British businesses.

Only half of German businesses (50%) believe their operations to be efficient when compared to competitors.

“Modernisation is lagging behind. It could happen that the gap to the competition becomes too big. Too little liquidity in production.”

Director, small business, property

Germany – a deep dive



What can the UK learn from Germany?

Germany's productivity when compared to European neighbours has shown a persistent decline in recent years, despite being a [leader in digitisation](#). Economists point to the country's structural shift to services as slowing progress, but what our data indicates is that when it comes to grasping hold of the future – through investment in staff, tech, and using data – Germany is falling behind its G7 counterparts, even if it continues to outperform the UK.

However, one area unique to Germany is the equal importance it places on training managers and teams in digitisation. While managers in every other country prioritise employees over leaders, 40% of German SMEs will increase training for both groups in the next year.

“Our company could work much more efficiently if the management did not constantly hinder efficiency with new ideas.”

Managing director, small business, wholesale

“The working environment has become difficult due to sharply increased purchase prices (raw materials, transport, energy, supply chain). Rising purchase prices with stagnant customer budgets lead to declining margins. We expect sales to rise in some cases, but profits to fall.”

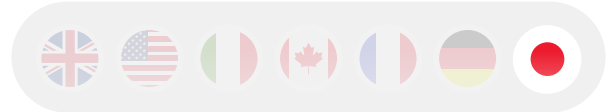
Owner, micro business, manufacturing



12 Japan – a deep dive



Japan – a deep dive



G7 RANKING: 7

The third largest economy in the world by GDP, and home to the world’s fifth largest stock exchange, Japan has a reputation for technological innovation and advanced manufacturing. After a period of deflation, Japan is largely perceived as having got its momentum back and is diversifying its base through rapid digitalisation and accelerated structural reforms. Our figures seemingly show a lag on this reversal of fortune.

KEY STATISTICS

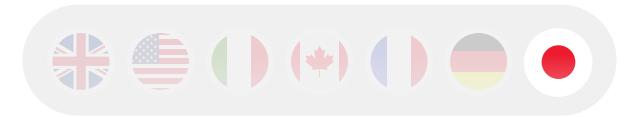
- **14 points** – the difference between Japan’s PBI and the G7 average
- 25% of Japanese business leaders **intend to invest in e-commerce in the coming year** – compared to 34% in the UK

	SCORE	G7 RANKING
PRODUCTIVE BUSINESS INDEX	104.8	7
BUSINESS PERFORMANCE INDEX	97.9	7
BUSINESS CAPABILITY INDEX	111.7	7
• MANAGEMENT & LEADERSHIP	113.6	7
• TECHNOLOGY ADOPTION	108.5	7
• INNOVATION	105.0	7
• HR	116.4	6
• OPERATIONAL EFFICIENCY	114.8	6
CONFIDENCE AVERAGE	2,961	7
ONS ANNUAL OUTPUT PER WORKER FOR 2020* (GBP)	£53,650	7

* No data available for Japan in 2021



Japan – a deep dive



What's happening in Japan?

On the face of it, in summary, Japan is struggling. Ranking seventh in all categories except for HR and operational efficiency where it is sixth, Japan lags the rest of the G7 sharply on the PBI, 14 points below the average. It is not only that it consistently comes at the end of the table, but also the extent of the differences: 15 points below average on technology; 17 points below average on innovation; and 16 points below average on performance. Moreover, confidence is extremely low across the measures.

What we can see is that one third (30%) of Japanese business leaders expect to see improved revenues in the coming quarter, just 5% behind the UK in sixth place.

When it comes to management and leadership, confidence is low, and the difference is stark. Only 30% agree they have the right professional management skills, 28% behind France in sixth place. This can be seen again when asked about effective use of e-commerce: 23% of Japanese leaders agree, compared to 42% from the next country up, Germany. However, it is worth considering if there are cultural factors at play when answering survey questions like this.

What can the UK learn from Japan?

When it comes to the headline HR figure, Japan is 4 points ahead of the UK, 112 to 116 respectively, leaving the UK in seventh place. Otherwise, the UK, although running close to Japan on some measures, such as skills and talent and intention to invest in the workforce, is better placed to look to other G7 countries for inspiration.

What we can see is that one third (30%) of Japanese business leaders expect to see improved revenues in the coming quarter, just 5% behind the UK in sixth place.



13 Where do we go from here?



Where do we go from here?

The strength of the UK's economy is in its resilient SMEs, evidence of which we see time after time in our PBI reports and the conversations we have with business leaders. The headwinds are strong, but they adapt, and as seen when compared with international competitors, the UK keeps its tail up, reporting high confidence. SMEs are positive about their future at a time when headlines are full of economic woes.

But resilience and self-belief only gets a business so far. The UK is also ambitious, we have opportunity, and we don't like to tread water. Some of the statistics are stark when presented against a global backdrop: sixth out of seven for business capabilities is not representative of the talent, determination, and sheer graft we see in business leaders every day.

HR and operational efficiency are two embedded weak areas for UK. We see it throughout our PBI series; we see it reflected at us when comparing with international counterparts.

Our experience tells us that addressing our productivity lag will require efforts by multiple actors. There is a sense of overconfidence through the UK data – assertions that revenue will increase, that ideas are being adopted, that staff are being taken with the company. However, UK business leaders need to be honest with themselves about how much of this is translating into tangible action and a willingness to really work on their business and not just in it.

Business leaders must not be afraid to reach out to others. Seeking advice and support from others is a strength. It not only allows a business leader to get ideas, tips, and new ways of doing things, it allows one to look up; to take a step out of the everyday machinery of running a business, and to spot the chances on the horizon. The UK severely lags when compared to other G7 countries: only 22% regularly speak to a business adviser, compared to 31% in US; and 18% don't get any regular advice or support at all.

Business leaders and membership organisations cannot be afraid of holding the mirror up. They must take an honest look, measure effectively, engage with the findings and make changes. In 2017, the then Bank of England chief economist, Andy Haldane, [accused bad managers](#) of undermining productivity and therefore holding back business. He compared them to most people thinking they are a better driver than they are, saying that most firms believe that are being highly productive.

We see this in our data. When asked if they can accurately measure operational efficiency, five out of seven countries replied with confidence above 50%. But this doesn't mean that business leaders are actually measuring productivity or taking action to move the dial. Without action, the productivity stagnation is likely to continue.

“I have an advisory board composed of very diverse people in different countries that I turn to for advice. And in my network I have all sorts of people, whether it's chambers of commerce, government or private sector. I'm not shy asking for help if I need it or I have specific asks.”

Canada, KC Goundiam, CEO, Bee2BMatch



14 Time for action



Time for action

1 Small business leaders must be empowered to drive continuous activity and champion productivity.

One hour a month can change the way you work

Even a 1% improvement to how businesses operate can generate significant impact over time. This can start with small but meaningful actions like spending one hour a month dedicated to working on your business. For example, activities SME leaders can undertake with minimal time burden include talking to a mentor, or reviewing business performance data to identify areas for improvement.

The evidence: Maintaining 1% improvements over a five-year period would add over £65,000 in profit to the average SME (1-249 employees), adding £94 billion to the economy annually.¹¹

Even a 1% improvement to how businesses operate can generate significant impact over time.

Talk to other leaders and unleash collective brilliance

Running a business can often feel isolated, making it challenging to address certain issues with your employees. Engaging in conversations with fellow business owners can help combat imposter syndrome and lead to actionable steps that enhance productivity. By tapping into external perspectives within your network, you can foster the diffusion of best practices, confront common challenges head-on, and celebrate collective successes.

The evidence: Business leaders who actively seek external advice are up to three times more inclined to plan additional investment in capabilities associated with higher productivity.¹² While 82% of UK business leaders regularly turn to someone for advice or support, the numbers are much higher in Italy (97%), France (93%) and Canada (92%).

Running a business can often feel isolated, making it challenging to address certain issues with your employees.

¹¹ Calculations based on Be the Business analysis of business turnover and population estimates of UK SMEs with 1-249 employees sourced from Business population estimates for the UK and regions, 2022, accessed at www.gov.uk/government/statistics/business-population-estimates-2022

¹² Be the Business, Productive Business Index 6, 2023

Time for action

Prioritise your growth and train yourself first

It is common for leaders to prioritise the wellbeing and development of their employees, sometimes neglecting their own skills development. Some even believe they are effective managers without the need for formal training. However, SME leaders must recognise the importance of putting “their own oxygen mask on first” to maximise their ability to drive improvements in productivity throughout their organisation.

The evidence: Over the next 12 months, 32% of UK business leaders plan to increase training of employees to improve digital awareness and skills, compared to only 26% planning to increase training of management. In contrast, 40% of German business leaders plan to increase training equally for management and employees.

It is common for leaders to prioritise the wellbeing and development of their employees, sometimes neglecting their own skills development.

SME leaders must recognise the importance of putting “their own oxygen mask on first” to maximise their ability to drive improvements.



Time for action

2 Larger companies should take proactive steps to foster collaboration and encourage small business leaders on their productivity journey

Unlock the potential in supply chains and SME customers

The UK is home to some of the world's most productive organisations, but there is currently too little diffusion of their best practice to SMEs when compared to other leading economies. Large businesses should leverage their power to convene and inspire productivity in their supply chains and among their customers. If every large business (250+ employees) mentored 40 SMEs a year over a five-year period, this would reach every SME employer in the country.

The evidence: In 2022, the UK had 7,675 businesses with 250 or more employees, and 1.44 million SMEs (1-249 employees). If each large business supported 40 businesses in their supply chain or customer base each year, every SME in the country will have reached within 5 years.

The UK is home to some of the world's most productive organisations, but there is currently too little diffusion of their best practice to SMEs.



If every large business (250+ employees) mentored 40 SMEs a year over a five-year period, this would reach every SME employer in the country.

Time for action

3 Government must supercharge productivity with a clear SME vision and tangible action

Set out a clear vision for UK SMEs

The government should match the confidence shown by UK business leaders and lead with action. In lieu of an industrial strategy, businesses up and down the country are looking for stronger leadership and greater economic clarity from the government.

The evidence: Only one fifth (21%) of UK business leaders go to the Government directly for guidance to improve the productivity of their business. Driving this number up is key to action.¹³

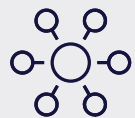
The government should match the confidence shown by UK business leaders and lead with action.

Support effective productivity journeys by connecting high quality provision

To better support business leaders, the government should consolidate and connect the most relevant and effective support programmes. If a business leader takes up government-funded support, they should always be presented with relevant options to continue their improvement efforts.

The evidence: In 2016-17, the government provided support to businesses across 107 different interventions, administered by eight different government organisations.¹⁴ Key barriers to finding training for business leaders include the search being too time-consuming, training being too expensive and learning opportunities lacking relevance to the business or sector.

To better support business leaders, the government should consolidate and connect the most relevant and effective support programmes.



We now have over 1.5 million SME data points from the Productive Business Index.

But data without action takes us nowhere. Talk to us to find out more: partnerships@bethebusiness.com

¹³ Be the Business, Pandemic to Productivity (2023)

¹⁴ National Audit Office, "Department for Business, Energy & Industrial Strategy: Business support schemes", Page 9, available from: www.nao.org.uk/wp-content/uploads/2020/01/Business-support-schemes-Summary.pdf



15 Model and methodology



Model and methodology

Survey data

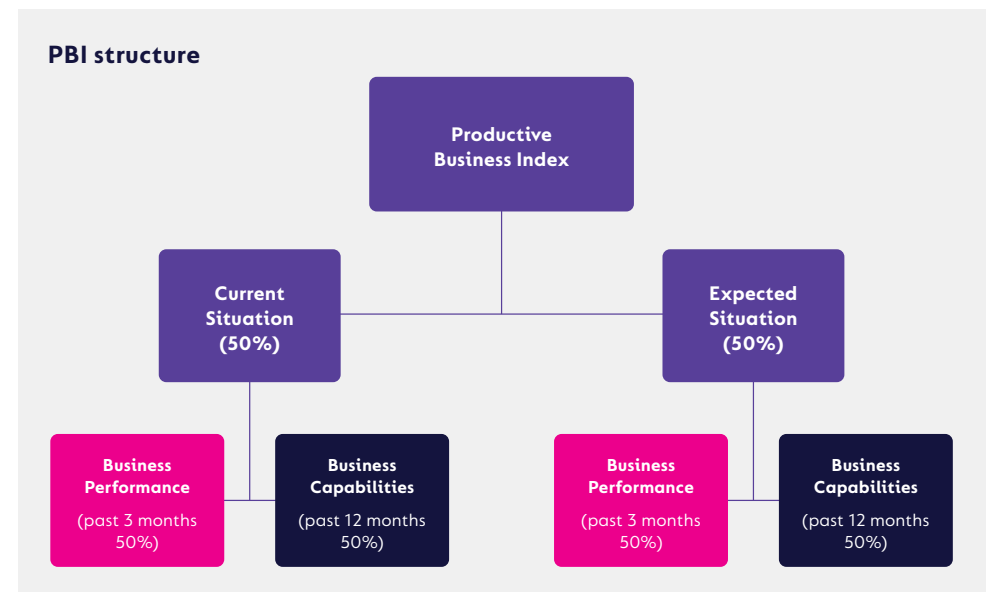
The data inputted to the model is derived from:

- A survey of 1,179 senior decision makers in UK businesses, working in companies of 2-249 employees. The UK survey was conducted by Opinium between 1st and 14th March 2023.
- A survey of 500 senior decision makers in businesses in Canada, working in companies of 2-249 employees. The international surveys were conducted by Opinium between 20th March and 3rd April 2023.
- A survey of 500 senior decision makers in businesses in France, working in companies of 2-249 employees. The international surveys were conducted by Opinium between 21st and 25th March 2023.
- A survey of 500 senior decision makers in businesses in Germany, working in companies of 2-249 employees. The international surveys were conducted by Opinium between 21st March and 11th April 2023.
- A survey of 500 senior decision makers in businesses in Italy, working in companies of 2-249 employees. The international surveys were conducted by Opinium between 21st and 22nd March 2023.
- A survey of 500 senior decision makers in businesses in Japan, working in companies of 2-249 employees. The international surveys were conducted by Opinium between 21st March and 11th April 2023.
- A survey of 500 senior decision makers in businesses in the United States, working in companies of 2-249 employees. The international surveys were conducted by Opinium between 20th March and 25th March 2023.

Data has been weighted to be representative of previous Be the Business surveys.

The Productive Business Index Model

The Productive Business Index (PBI) is an index of SME growth and innovation that can track how the business community is performing over time. The PBI measures both performance and expectations of business performance, and the actions that businesses have taken or plan to take to drive sustainable growth in the future.





Inspiring greater productivity

Be the Business is an independent, not-for-profit organisation, with a single goal; to help business owners and leaders improve the performance of their business.

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