



Small changes for a big impact: **Solving the productivity puzzle**

A manifesto for change from Be the Business

Five policies for the next UK government to improve small business productivity and drive local, regional and national prosperity.

February 2024





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Foreword



Anthony Impey MBE, CEO, Be the Business

The UK's productivity – the pulse that powers economic growth and prosperity – has flatlined since 2008.

Every day, we feel the effects of this poor performance: our living standards are directly affected by this intractable problem, and we now find ourselves in a cost-of-living crisis that would have been curbed with greater economic output.

While it's uncomfortable to acknowledge, we cannot blame our poor productivity record on anyone or anything else: Brexit, the COVID-19 pandemic, the war in Ukraine, rocketing interest rates and the changing faces on the political stage have exacerbated the symptoms, but they are not the cause. For that, we must look closer to home.

In this document, Be the Business' first Manifesto, we establish the five most important areas of policy focus for the next government.

Some are relatively easy to adopt, others tackle more complex issues requiring behavioural change throughout the small business population – but all must be adopted by the next government if we're to resuscitate our productivity performance.

Each ask is based on Be the Business' position as a productivity expert. We collaborate on innovative programmes and interventions with the public and private sectors to inspire business leaders to see productivity as a tangible issue and act to address it.

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“ The next government has a huge task to accomplish if they are to revive the UK economy and restore it to its proper place as an economic force. While this seems challenging, there is also great opportunity.

Through our extensive research into the productivity performance of small business leaders across the G7, we have uncovered a *confidence-action gap* among UK business leaders: they're generally overconfident in their abilities, so they fail to take action to improve. Growth and prosperity are reliant on business behaviour, and this inaction is a deep and persistent brake on our economic potential.

There can be no underestimating the importance of closing this gap: it helps to explain the demand inertia towards business improvement, which should be viewed with the same criticality as the supply-side of the equation. All the attention of previous governments has been on adding to the supply-side without recognising that it's the demand-side that needs its attention. Doing so will be a crucial and defining step towards greater productivity, greater growth and prosperity.

The *confidence-action gap* is, of course, just one part of the solution to a complex problem, other elements such as: economic stability; progressive tax rates and low inflation; business-led, business-backed strategy; consistent investment; and a focus on upskilling; are all important too. But these are the usual suspects. They have formed the basis of productivity policy for decades. And they haven't worked, at least not enough. Changing that requires a focus on endemic behaviours and the attitudes that must change to unlock a better future.

The next government has a huge task to accomplish if they are to revive the UK economy and restore it to its proper place as an economic force. While this seems challenging, there is also great opportunity – opportunity to regain a growth trajectory and to make productivity improvement a natural, non-negotiable behaviour.

Anthony Impey MBE, CEO, Be the Business

Why Productivity Matters

“Productivity isn’t everything, but in the long run, it’s almost everything. A country’s ability to improve its standards of living over time depends almost entirely on its ability to raise its output per worker.

– Paul Krugman, 2008 Nobel Prize for Economics

Despite being one of the largest economies in the world, the UK has struggled to achieve significant productivity growth since 2008:

- From 1974 to 2008, the UK experienced a productivity surge, with an average annual growth rate of 2.3 per cent, but **since 2008, the growth rate slowed significantly** and has stayed around 0.5 per cent since.¹
- If the rate of production per hour worked had continued to grow at the same pace as it did in the 15 years prior to 2007, the UK economy would have been approximately **£300 billion larger today**.²
- For the average UK worker, that means their annual wage is £11,000 per year lower than it would be if earlier levels of productivity had been maintained.³
- **The UK has some of the most productive businesses in the world**, yet most UK employees work in firms with below average productivity.⁴

The role of the Small- & Medium-Sized Enterprise

Small- and medium-sized enterprises (SMEs) represent the beating heart of the UK economy. Found within every sector and industry, **SMEs employ up to 249 staff and account for 99.9 per cent of the UK’s 5.6 million businesses**.⁵

When two-thirds of those in work across the UK are employed by an SME,⁶ it’s clear why Be the Business is so focused on supporting business leaders to take action to increase their productivity.



The transformative potential of making even modest improvements to SME productivity is evident:

Our research shows that, if every SME employer found and maintained an annual one per cent improvement over a five-year period, this would **add £94 billion to the UK economy**.⁷

Through our work, we will elevate the value of businesses in our communities, safeguard jobs and improve standards of living for everyone.

To put the UK on the path to greater prosperity and an improved quality of life, we must commit to action.



1. Stephen Millard and Issam Samiri, NIESR, Why is UK productivity low and how can it improve? (26 Sep 2022)
2. Giles Wilkies, Institute for Government, Productivity: firing on all cylinders (3 Aug 2021)
3. Torsten Bell and Charlie McCurdy, Resolution Foundation, Wages are flatlining, p5 (22 Mar 2022)
4. ONS, Trends in UK business dynamism and productivity: 2023 (11 Dec 2023)
5. BEIS small and medium enterprises (SMEs) action plan: 2022 to 2025 (26 Jan 2023)
6. BEIS, Business population estimates for the UK and regions 2022 (6 Oct 2022)

7. Be the Business, G7 Productive Business Index, p62 (July 2023)

The Starting Point

At Be the Business, we've taken a radically simple approach to developing solutions that can boost business productivity.

Since our inception in 2017, our single focus has been to uncover real-world, practical actions that business leaders can take to improve their firm-level productivity. Through our evidence-led programmes and activities, we have added nearly **£500 million** to the UK's economy and supported real improvements and growth in SMEs across the country.

Our Impact

⚡ For those who participate in the Be the Business mentoring programme, **turnover is 14 per cent higher** and **employment is 9.7 per cent higher** in the year following support, compared to a similar set of firms that haven't been on the programme.⁸

⚡ Those who regularly seek advice, such as via a mentor, are on average **2.4 times more likely to undertake activity or investment** in management and leadership capabilities over the next 12 months.⁹

Our Lab Team bridges the gap between academic theory and practice by placing SMEs at the heart of our projects from the outset. Our research projects are designed to find and prove what works to drive growth in productivity. We are the only organisation that takes this approach to unearth new and exciting ideas and approaches. Our hands-on experience supporting business leaders in virtually every sector and region of the UK, combined with our data-led comparative research on what drives productivity globally, makes us experts in the field.

In particular, we know that businesses that are productive and high performing are commonly strong in five key areas:

1. Management and leadership
2. Technology adoption
3. Innovation
4. Training, development and HR
5. Operational efficiency

Any future UK government looking to drive growth and reverse the decades of decline of the UK economy must focus on these five drivers of productivity.

8. SQW, Evaluation of Mentoring Programmes, ppA8-9 (2022)

9. Be the Business, The Productive Business Index: Edition 6 (2023)



The Confidence-Action Gap

Be the Business' research has compared the responses and attitudes of UK business leaders to productivity-related activity with their G7 counterparts.¹⁰ We found that the UK is, in general, weaker than its peers on performance, and investment and improvement in capabilities linked to productivity.

Despite this underperformance, confidence amongst UK SMEs is high. This is a serious problem – we think we're better than we really are, and, because of that, we may be less likely to improve in areas that we know are drivers of productivity. In our G7 Productive Business Index (PBI) report, **we found a consistent gap between confidence and action among UK business leaders across the five key areas of productivity.** For example:

- **The UK ranks sixth out of seven** on capabilities including leadership and management, tech adoption and innovation, dropping to last place on HR and operational efficiency, compared to our G7 counterparts.
- And yet, **UK business leaders consistently report higher scores for confidence**, across the five key productivity areas.

This gap between confidence and action has significant implications for policy. Successive UK governments have fretted about productivity, but the policy response has mainly focused on the supply side – things like access to finance, tax incentives for R&D and investment, and other business support schemes.

While many of these interventions have value, the stagnant macroeconomic picture tells the tale – they haven't worked at scale. **To effect change there needs to be much greater focus on the demand side** – behavioural approaches that inspire and mobilise UK business leaders to set ambitious goals, take risks, innovate, and improve their value proposition, and make changes to their business models.

At Be the Business, addressing demand side issues has been integral to every intervention and initiative we've developed, which have all been built from the ground up with business leaders. As such we know how to engage them, stimulate interest, create an appetite for change, support business leaders to make those changes successfully, and ensure they maintain momentum, ultimately leading to better productivity.



Scan the QR code to download our **G7 Productive Business Index**

¹⁰. Be the Business, Be the Business G7 Productive Business Index (Jul 2023)

Five policies for the next UK Government

- 1** Refocus government policies towards generating demand for productivity-boosting business support and embed a culture of continuous improvement among SMEs.
- 2** Place ambitious SMEs at the heart of government policy and empower existing business support networks across the country to more effectively deliver support directly to small business leaders.
- 3** Bring together, in a timely and accessible manner, data already in existence from HMRC and ONS to tailor and target existing business support measures and achieve maximum impact.
- 4** Make the UK an AI superpower by investing in research to ensure that our global leadership is rapidly and successfully diffused across the SME population.
- 5** Create an independent statutory Productivity Commission, led equally by business leaders and economists, to monitor progress and make practical recommendations that drive improvements in the UK's productivity.

1. A shift to the demand-side: Seeking continuous improvement

The Policy

Invest in awareness campaigns that speak directly to small business leaders on the first step of their productivity journey and ensure clear 'next steps' are signposted after interventions to facilitate continuous learning and improvement.

The Impact

By making continuous learning for business leaders a central tenet of a government-led skills revolution, we can equip them with the tools they need to unlock the full potential of their businesses. This investment in knowledge and skills development will not only improve individual businesses but will also contribute to the overall prosperity and competitiveness of the UK economy.



Calling on governments to increase their focus on productivity is nothing new. As set out above, the UK's track-record of poor productivity is long-standing and entrenched. This indicates a deep behavioural challenge on the part of business leaders, who we know are confident in their abilities yet do not invest in improvements. Addressing this behavioural challenge also requires a radical shift in focus on the part of the government.

Be the Business is calling for a much greater government focus on the demand-side of business support, seeking to rebalance policies that have typically been weighted to the supply-side. We know that leadership and management skills, and successful technology adoption are key to improving productivity. Yet, we continue to see that the vast majority of business leaders are not engaging with or motivated by many of the traditional levers that have been pulled by previous governments.

Measures such as Help to Grow and a review of the pensions landscape to increase the access to finance, while well intentioned, are examples of adding additional supply to an already complicated and confusing landscape of business support without adequate investment and attention directed towards increasing awareness and demand among business leaders.

To overcome this demand inertia and generate real economic growth, we are calling on the next government to:

i. Challenge orthodoxy and prioritise demand-side initiatives

Rebalancing the government's focus on business support towards the demand-side is critical. This requires a significant attitudinal shift in government policy and within government departments so that business support efforts are more focused on driving demand. Previous governments have tended to focus on supply side measures regarding business support. However, without increasing demand at least evenly, this can distort the market and does not help business leaders seek out help. In fact, uptake of business support has halved since 2010.¹¹

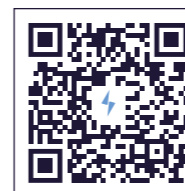
To support the demand-side, the next government will need to invest in top-of-funnel awareness campaigns that effectively communicate the direct benefits of programmes to business leaders. Such campaigns should recognise that different messages and channels will be required for different business segments: one size does not fit all. Efforts to boost demand should also be carefully evaluated, so that the business support landscape can learn how to most effectively drive take-up.

In addition, rather than adding to the crowded ecosystem, strengthening existing business support organisations and networks, already trusted by SMEs up and down the country, to communicate the benefits of hands-on help is key (see policy 3 for further details).

ii. Meet business leaders where they are

The UK's business leaders are hard-working and defiant in the face of adversity: they are ambitious, confident and willing to take risks. They are also time-poor and have fewer financial resources than their larger counterparts. For these reasons, all support and messaging must speak directly to their business needs, and interventions must be accessible in a variety of formats to reflect the diversity in size, scope and sector of businesses under the 'SME' umbrella.

For example, Be the Business research found that one in three business leaders do not want to grow their business but 90 per cent are looking for ways to improve their performance. This scale of ambition is indicative of business leaders' willingness to act and must not be left untapped. Understanding the people at the heart of British businesses is key to creating policies and support programmes that resonate and appeal to time-poor leaders. The government has a role in accumulating, sharing, and amplifying "what works" in truly engaging SMEs to take action on their productivity.



Scan the QR code to download our **Ambitions Beyond Growth** report

11. UK Government, Small Business Survey 2022: businesses with employees (Aug 2023)

iii. Create a business culture of continuous learning

At Be the Business, we have worked with over 16,000 business leaders and, through this work, we have learned that if you can motivate someone to take the first step, they'll likely take the second step and the third. Encouraging leaders on productivity journeys is key and is based on an understanding of the necessary behavioural changes that business leaders must undertake to improve productivity in their respective businesses.

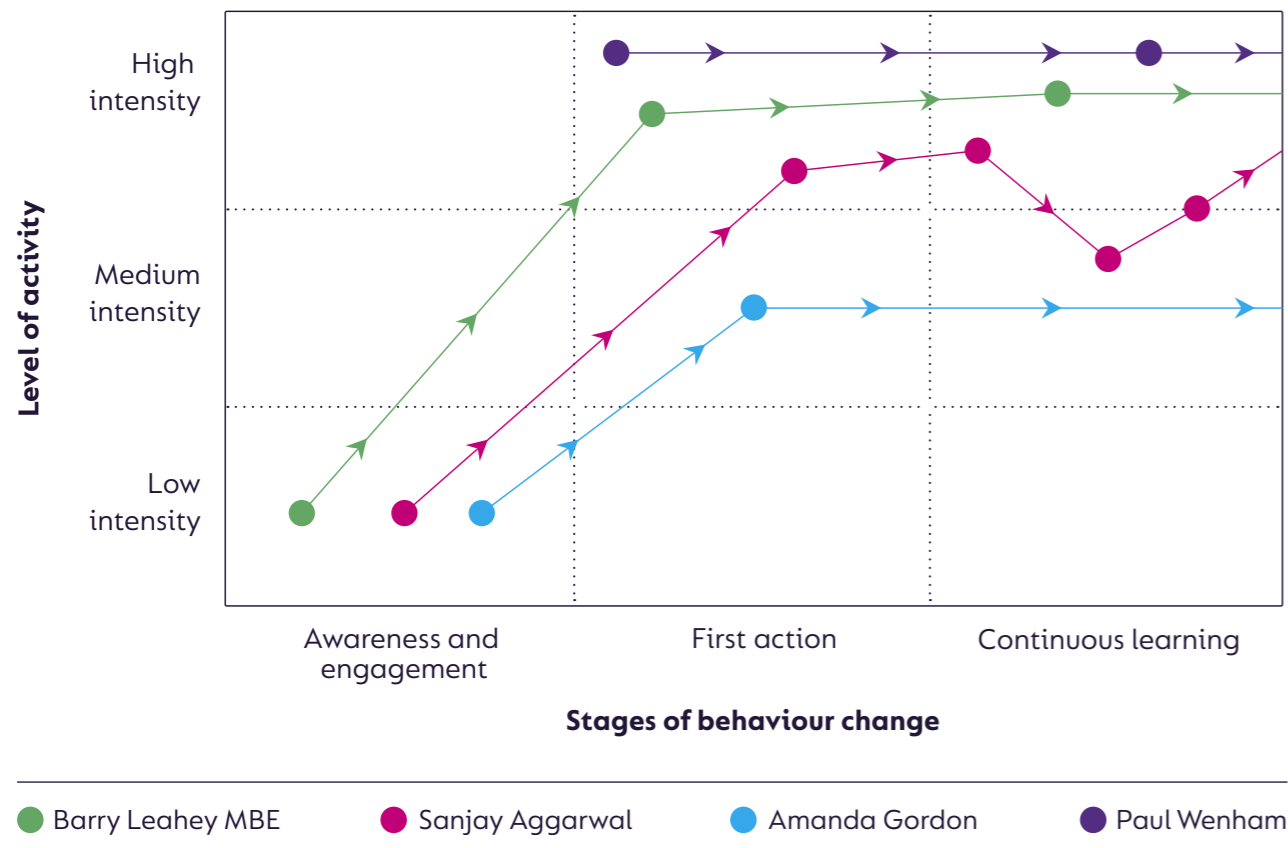
We have developed the **Journeys to Productivity Success for SME Leaders Model** which serves as a framework for enhancing productivity in small businesses. The model follows a clear progression, beginning with **raising awareness** among business owners about the significance of productivity to their operations. It then guides them towards taking **initial action** by implementing small yet measurable changes that yield positive impacts on their businesses. Lastly, it emphasises the importance of **ongoing improvement**, where businesses consistently make further enhancements to foster continuous growth and productivity.

However, it is important to acknowledge that while this model outlines common business journeys, every SME is unique, and there is no set path to follow. By placing skills, development, and continuous learning at the heart of business policy, with at least equal focus on demand- and supply-side policies, we will start to see the cumulative effects of productivity-enhancing interventions.

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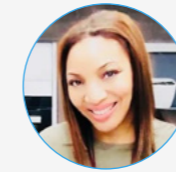
Journeys to Productivity Success for SME Leaders Model



Case study 2
Enhancing leadership



Sanjay Aggarwal, owner of Spice Kitchen, has always been someone to pick up the phone and ask for advice from a friend. At the start of his business journey, he relied on peer networks and continues to do so. However, he recognised the importance of enhancing his leadership abilities and took part in a regional Growth Catalyst programme, which introduced him to his long-time business coach. He then joined the high-intensity Goldman Sachs 10,000 Small Businesses UK programme before engaging in 12 months of mentoring support with Be the Business. Building on this action, Sanjay further demonstrated his commitment to continuous learning by requesting a Be the Business advisory board. Over a period of six months, he worked with a five-member non-executive director-style board to improve and grow his business.



Case study 3
Seeking support



Amanda Gordon, the creator of SmartFreeze, a business that provides an app for tracking leftovers and batch cooking, began her productivity journey by seeking support from Digital Boost. This platform offers entrepreneurs personalised guidance from business mentors, along with interactive master classes to promote the adoption of digital tools. After engaging with Digital Boost, Amanda took further action by enrolling in the Be the Business Mentoring programme, offered as part of Be the Business' partnership with Mastercard's Strive UK initiative. Amanda's mentor provided valuable insights and helped her prioritise key aspects of her business.



Case study 1
Peer-learning & becoming a mentor for Be the Business



Barry Leahey MBE, the President of Playdale Ltd, found inspiration in the export success of Maria Whitehead MBE, the owner of Hawkshead Relish, a business located just 10 miles from his own premises. This realisation sparked their joint productivity journey as they recognised the potential for learning from each other's experiences. Motivated by this, Barry embarked on an ambitious export drive that has since seen their products reach over 50 countries worldwide. To facilitate knowledge exchange, representatives from each company visited the other, actively seeking out processes and practices that could be replicated within their own operations.

One significant outcome was Hawkshead Relish adopting Playdale's use of visual aids throughout their business. Barry Leahey's commitment to continuous improvement extended beyond his own business achievements. He embraced the opportunity to give back to the business community by becoming a mentor for Be the Business, sharing his insights and expertise with other aspiring entrepreneurs and leaders, further fuelling the cycle of productivity growth.



Case study 4
Driving efficiencies whilst maintaining price point



Operating in the fiercely competitive manufacturing sector, Geometric Manufacturing faces the ongoing challenge of driving efficiencies while maintaining an attractive price point to attract and retain customers. To tackle this, director **Paul Wenham** recognised the need for strategic interventions. His journey began by participating in the Goldman Sachs 10,000 Small Businesses UK programme, a high-intensity first action designed to deliver practical education and comprehensive business support to high-growth small businesses.

Paul remained committed to pursuing continuous improvement. He actively participated in the high-intensity programme called Productivity through People, a 12-month initiative led by Be the Business. This transformative programme empowered business leaders with access to cutting-edge techniques, innovative thinking, and research-driven insights to revamp their businesses' productivity and working practices.

2. A business-centric approach: Strengthening existing networks

The Policy

The government should place SMEs at the heart of government policy, ensuring government departments are truly business-centric with input from businesses of all shapes and sizes. Further, by empowering existing networks that already foster trusted relationships with business leaders, policies and support can be more effectively developed and delivered in ways that resonate with business leaders.

The Impact

By supporting the Department for Business & Trade (DBT) to become a champion for SMEs, we can create an environment where these vital businesses are not only heard, but actively supported in their efforts to thrive. This will not only lead to greater economic productivity but also strengthen the social fabric of our communities, ensuring they remain vibrant and resilient in the face of future challenges.



To enable greater knowledge sharing, the next government should empower and incentivise existing regional and sector networks to apply a greater focus to productivity-enhancing interventions and supports. There is also a need to ensure the voices of business leaders, particularly SMEs, are heard at the centre of government.

Therefore, we are calling on the next government to:

i. Place SMEs at the heart of business policy

SMEs are the backbone of British communities, contributing significantly to local economies and social fabric. However, these vital business leaders often feel overlooked in favour of large corporations, a situation exacerbated by the pace of change in recent years.

Furthermore, recognising the deep connection between business leaders and their local communities, a direct line of communication between local and regional bodies and a DBT advisory group should be established. This formalised channel would provide critical feedback and insights from the ground, informing policy decisions and ensuring they are tailored to the specific challenges and opportunities faced by business leaders across the UK.

ii. Refocus Whitehall to be truly business-centric

The current focus of the DBT needs some careful recalibration towards practical, real-world priorities, ensuring that the department is equipped to address the immediate needs of the SME community.

A cornerstone of this reform will be the integration of diverse voices from the business world into the DBT's core decision-making process. We recognise the government's recent announcement to create a Small Business Council and encourage DBT to incorporate individuals with extensive experience in business creation, entrepreneurship, and industry-specific challenges, to ensure that the department directly receives relevant and detailed guidance.

This diffusion of practical wisdom could be well managed from within existing department budgets and will inform policy development, ensuring that it effectively responds to the evolving needs and concerns of the SME community.

iii. Empower existing networks

The next government should leverage the invaluable role played by existing independent and membership-based business networks across the UK. These entities, representing the full spectrum of SMEs across various business sectors and regions, possess a deep understanding of the diverse needs and challenges faced by their particular SME community. Yet our research suggests that only 20 per cent of business leaders engage proactively with a support network.¹²

Instead of duplicating efforts, a future government should prioritise strengthening these existing networks by providing them with enhanced resources, expertise, and research capabilities. This will enable the networks to engage better through more proactive outreach with the remaining 80 per cent of business leaders that don't currently engage with networks. They could offer more robust support to their current members and foster a thriving ecosystem of collaboration and knowledge sharing.

“ To enable greater knowledge sharing, the next government should empower and incentivise existing regional and sector networks to apply a greater focus to productivity-enhancing interventions and supports.

12. Be the Business, G7 Productive Business Index (July 2023)

3. A data-led strategy: **Empowering the business support system**

The Policy

The UK government already holds data on the activities and performance of businesses across the country. However, timely and fully accessible data is needed and this requires clear instructions and resources for His Majesty's Revenue & Customs (HMRC) and the Office for National Statistics (ONS) to share information more rapidly.

The Impact

The return on investment for government if it were to pursue this more holistic approach to business data would come in several forms:

- i. It would increase the pool of available evidence that the civil service and private sector could use for developing robust public policies.
- ii. It would achieve better value for taxpayers. With timely information decisions can be made quickly on the best allocation of resources towards those interventions that are working and reforming those that are not.
- iii. With better information to hand business leaders can more confidently take the necessary productivity improving steps within their business.



In order to successfully increase demand for business support and be able to meet leaders where they are, in the way they want, it's crucial that good data is made easily accessible, in a timely manner. We know that the *confidence-action gap* is holding SMEs back, therefore the next government must prioritise real-time measurement using this data to close it.

The government already collects and holds a vast amount of data regarding the activities and performance of businesses across the country. Currently, only a small proportion of that data is processed and released for public usage. Similarly, the release of that data for analysis by the public can be quite delayed, sometimes up to 10 months from its collection date.

This has a significant effect on the ability of policymakers to understand the impact that business support mechanisms are having on businesses. It further limits effective and agile decision-making regarding how best to reshape existing supports or how best to target new support when issues are identified in the released data sets.

Therefore, we are calling on the next government to:

- i. Give new ministerial instructions to HMRC and the ONS to share the relevant data with government agencies for processing.
- ii. Provide the necessary investments in resources for both HMRC and the ONS so that they have the personnel and technology capabilities to do these activities in a timely manner.
- iii. Encourage regional and sectoral business support networks to share their data on business engagement with interventions and support in real-time.
- iv. Bring the information together, publishing it regularly and in a timely fashion.

The benefits also extend beyond government. Timely and digestible data gathered by government would equip business leaders with valuable insights into their own performance. This would enable them to:

- Compare themselves to peers: Gaining insights into their relative performance against the broader sample allows businesses to identify areas for improvement and set realistic goals for growth.
- Identify potential for improvement: A deeper understanding of their own productivity metrics allows businesses to pinpoint areas where even small adjustments can lead to significant gains.
- Take action towards greater productivity: Equipped with data and knowledge, business leaders can confidently take the first steps towards implementing improvements, optimising workflows, and enhancing overall efficiency.

“ Timely and digestible data gathered by government would equip business leaders with valuable insights into their own performance.”

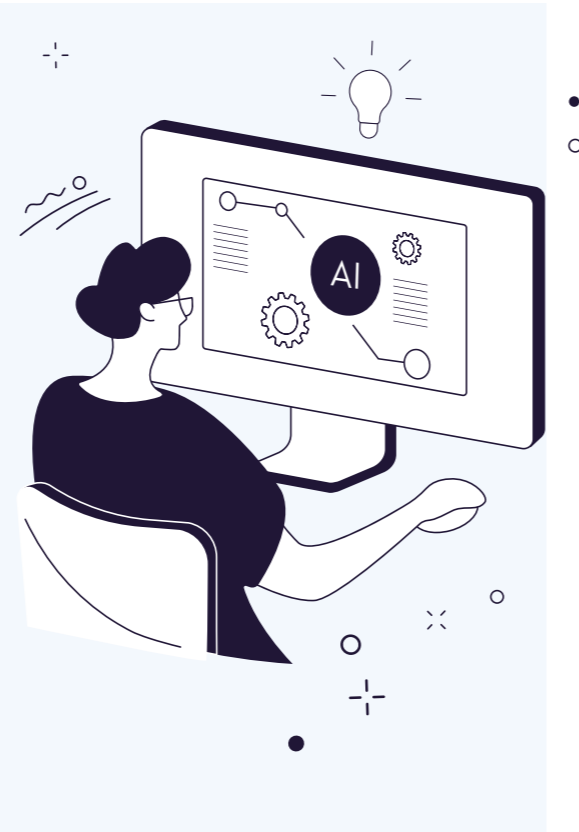
4. A pro-technology approach: **Making the UK an AI-adoption superpower**

The Policy

Commit to supporting Be the Business and other key players within the business support ecosystem to build on the UK's global leadership in artificial intelligence (AI) and undertake research to truly understand the benefits of artificial intelligence for SMEs, drive towards rapid and successful diffusion across the SME population and focus on upskilling the next generation of business leaders to effectively apply AI throughout their businesses.

The Impact

Successful adoption of technology is critical to improving productivity - introduction of technology, such as ERP and CRM, have been shown to create a productivity premium of around 25 per cent.¹³ With the potential to add billions in value to the UK economy with the effective adoption of AI, the benefits are enormous if SMEs are adequately supported and upskilled.



The COVID-19 pandemic served as a catalyst for change, forcing many industries and businesses to adapt and embrace new ways of doing business.

Our research found that, in February 2020, two-fifths of business leaders considered up-to-date technology an important enabler for their business. Following the pandemic, that increased to nearly half of business leaders who are aware that adopting technologies is critical to their success.¹⁴ However, we know that several barriers stand in the way of business leaders effectively adopting technology.¹⁵

Just as the economy began its recovery from the pandemic, the explosion in AI, driven by the recent boom in Generative AI, has added to the complex technology landscape for SMEs.

It has been suggested in research commissioned by Google, that AI could create over £400 billion in value for the UK economy by 2030.¹⁶ And in terms of AI startups and scaleups, private capital invested, and conference papers submitted, the UK is considered a world-leader.¹⁷

However, recent data from the ONS showed that only 16 per cent of UK businesses have adopted at least one AI technology, and 78 per cent don't believe AI is applicable to their business.¹⁸ This suggests that there is a lack of diffusion of AI technologies into the UK's SMEs and underscores a critical issue: business leaders are not fully aware of the scale of AI opportunity or how to embrace it. The risk is that at this critical juncture there is a growing divide between the best and the rest, with business leaders ill-equipped to harness the opportunity that AI presents for their business.

We therefore call on the next government to assist business leaders to better understand, adopt and implement AI in their businesses.

With the relatively recent widespread availability of AI tools and platforms, this is an area that Be the Business is committing to explore in greater detail over the next twelve months to identify:

- How AI has the potential to unlock innovation, automation, and productivity within SMEs
- How SMEs can use AI in a responsible and effective way
- The barriers that stand in the way of the effective diffusion of AI adoption across business processes
- How different sectors experience the potential of and barriers to AI adoption
- What support business leaders are looking for to successfully adopt AI into their businesses and ways of working
- How to connect our world-leading AI sector to the massive potential in the UK's small business market

This is linked to our call for a greater focus on demand-side measures outlined above, in terms of the investment needed to communicate the potential benefits and pathways to successful AI adoption to business leaders. Rapid diffusion of AI is needed throughout business processes in the entire business population if we are going to achieve an equitable distribution of the opportunities it creates.

It will be crucial for the next government to take a leading role in promoting the true benefits of AI to SMEs and equipping them with the tools and skills they need to succeed and to deliver sustained productivity growth for the UK.

13. ONS, Information and communication technology intensity and productivity (5 Oct 2018)

14. Be the Business, Pandemic to Productivity: 2020 to 2023 in comparison (Jun 2023)

15. Be the Business, The UK's Technology Moment (Sep 2021)

16. Public First, Google's Economic Impact in the UK 2023 (July 2023)

17. UK Government, National AI Strategy (Sep 2021)

18. ONS, Understanding AI uptake and sentiment among people and businesses in the UK (June 2023)

5. A long-term approach: Creating a Productivity Commission

The Policy

Introduce an independent statutory Productivity Commission, led equally by business leaders and economists and focused on practical recommendations and interventions that will have a direct impact on raising the UK's productivity.

The Impact

The commission's role would be to commit to long-term strategy for greater UK productivity. Given the much broader impact on the UK economy of consistent future reforms from a productivity commission, the potential benefits far outweigh the expenditure required to run a commission.



With the country's productivity lagging so significantly and persistently behind its G7 counterparts, the UK clearly requires a dedicated, practical and focused long-term strategy to boost productivity that is set apart from daily politics. At a strategic level, the relationship between government and business thrives on policy certainty. When business leaders have confidence in long-term, stable policies, it fosters trust and encourages investment.

We therefore echo recent calls from others in this space for the next UK government to establish a business-led Productivity Commission.

Independent from government and given a statutory framework to work within, the Productivity Commission will bring together independent experts to conduct, monitor and evaluate key issues and proposals focused on driving increased productivity. Inquiries will be grounded in all available evidence, open to public scrutiny and reported on to Parliament.

The Productivity Commission should be led equally by business leaders (crucially from businesses of all sizes) and economists. Moving from academic discussions to practical solutions, prioritising the voices and needs of SMEs is crucial. This involves having stakeholders with real business experience around the table inputting into policy development and implementation.

Our G7 counterparts France and Germany already have such commissions, as well as the Netherlands, Ireland, Australia and New Zealand. Our recommendation also echoes calls from The Productivity Institute for a similar commission.¹⁹

The Productivity Commission would adhere to a blueprint similar to the Office for Budget Responsibility (OBR) and the National Infrastructure Commission (NIC). The cost to government to operate such a commission would be relatively small. The OBR operates on an annual basis of less than £5 million,²⁰ and the NIC on less than £6 million.²¹ This is a fraction of the predicted economic gain that could result from the dedicated business-led focus of the Productivity Commission.

“ With the country's productivity lagging so significantly and persistently behind its G7 counterparts, the UK clearly requires a dedicated, practical and focused long-term strategy to boost productivity that is set apart from daily politics.

19. The Productivity Institute, The Productivity Agenda (2023)

20. OBR, Annual report and accounts 2022-23

21. National Infrastructure Commission, Annual report and accounts for the year ended 31 March 2023

Solving the Challenge

For many years, the UK's business leaders have not been able to achieve their full potential, held back by consistently low levels of productivity.

Based on our extensive legacy of working with business leaders and comparative research, we have used this document to set out the five key actions that the next government can take to boost the UK's productivity.

We believe that by:

1. Addressing demand-side challenges;
2. Collating and releasing real-time data;
3. Empowering existing business-centric networks;
4. Embracing AI and upskilling business leaders; and
5. Creating a business-led productivity commission to drive action

the UK can realise its potential to secure the highest sustained growth in the G7.

However, at Be the Business, we recognise the importance of bringing together government, as well as businesses large and small to address the UK's productivity challenge.

Crucially, it's not up to one group alone. To truly drive UK economic growth and realise benefits for everyone, SMEs, large corporates and policymakers have a role to play.

In particular, business leaders have a crucial role to play in embracing and demanding support that will take them on a journey of improved productivity and continuous learning. The support is out there, but there is a responsibility on all of us, and particularly the next government, to make it as accessible and impactful as possible, ensuring business leaders see the potential of investing time and energy in improving their operations.

If we want to close the confidence-action gap between the UK and our G7 counterparts, then making the case for why business leaders should care about productivity is front and centre of our mission at Be the Business – and should be a key aim for the next UK government.

Productivity improvements are the only route to delivering sustained growth, raising standards of living and building a secure future for all.



About Be the Business

Be the Business is the UK's leading expert on small business productivity.

Be the Business is an independent charity that inspires greater productivity, by connecting leadership teams to the relevant expertise needed to answer today's challenges. And we've taken a radically simple approach to developing the solutions that can boost business productivity.

Since our inception, our single focus has been to develop real-world, practical actions SME leaders can take to improve their business productivity. We know that taking time out from running a business to focus on what can be done to improve productivity can be hard.

That is why our programmes are hands-on, pragmatic and backed by quantitative and qualitative data gathered from the UK's SME community and those who have participated in a Be the Business activity.

Through our programmes and activities, we have supported 16,000 business leaders and added nearly £500 million to the UK's economy, as well as real improvements to the bottom lines of SMEs across the country.

For example, for those who participate in the Be the Business mentoring programme turnover is 14 per cent higher and employment is 9.7 per cent higher in the year following support, when compared to a similar set of firms that haven't been on the programme.²²

By combining peer-to-peer experience, the employee expertise found within our pioneering partners, independent business experts and our research and insights, we inspire leadership teams to create and deliver positive business change.

Collectively we're transforming the UK's productivity, raising the value of businesses in our communities, safeguarding jobs and improving standards of living.



Scan the QR code to **visit our website**

22. SQW, Evaluation of Mentoring Programmes, (2022), ppA-8-9



Notes





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