



HR

Solutions

from worknest

HR SOLUTIONS SME BUSINESS SURVEY

SURVEY RESULTS
2022 - 2023





Introduction

Greg Guilford, HR Solutions CEO



In our 2022/23 SME Survey, we selected ten varied questions to understand the key themes while gathering quality, primary research. We surveyed businesses at the end of 2022 that fall into the SME bracket (fewer than 250 employees) across multiple industries, including manufacturing, education, care, hospitality, finance, energy, insurance, property, and pharmaceuticals.

With our survey now in its third year, we can see a clear shift in the mindset of SMEs. Financial performance and securing new business will naturally remain at the forefront of owner directors' minds, but as we know with the cost of living crisis, finances are arguably a higher priority than ever before.

We have included our recommendations for SME business owners to overcome these challenges, many of which involve SMEs looking inwards, and ensuring they have the right staff in place. With 69% of SMEs focusing on increasing turnover, forward planning and innovative thinking will be crucial for SMEs to succeed.

Greg Guilford
CEO



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About HR Solutions

HR Solutions is a multi award winning HR company, established in 2001 to provide expert outsourced HR, Payroll and Health and Safety consultancy and support to businesses.

Part of the WorkNest family, HR Solutions operates its head office in Kettering, Northamptonshire, supporting clients across a wide range of sectors and sizes, from small care agencies to multi national technology firms. Its team of expert consultants have extensive experience in the HR and Health and Safety sectors and have the ability to resolve any people issues that may arise.

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Executive Summary

Each year, our SME Survey provides a pulse check on the SME landscape. We take a look at how the previous year has impacted businesses, and we use our results to predict key factors for the year ahead, sharing insight on how to leverage opportunities, and overcome challenges.

The cost of living has had a landslide impact on businesses up and down the country. Aside from increased operational costs, SMEs must balance the subsequent effects of the economic crisis, which are manifesting in our everyday lives. The cost of living crisis is driving many of the key themes that we have identified in our survey, which are rising costs, employee retention and employee capability. With 51% of surveyed SMEs stating that rising costs will play a huge role in their business decision making over the coming twelve months, coupled with the threat of a recession and difficulties to recruit, 2023 looks to be painting a similar picture to that of 2022.



The **cost of living crisis** is driving many of the key themes that we have identified in our survey.

51%

predict rising costs will be a challenge for 2023

50%

stated employee retention will be the most important aspect of people management

70%

stated that available finance will have the biggest impact on their decision-making

Economic pressures are causing employees to evaluate their salaries and benefits and ask for more; organisations are offering pay increases and one off bonuses to support their teams; strike action in the transport and education sectors are impacting how and when employees can travel to work, and businesses are making tough decisions on restructures and redundancies.

How can SMEs address such challenges? Accurate organisational design is key for businesses. Having a clear plan in place will enable SMEs to make the right decisions, and ensure they have the right teams in place to grow their business and overcome any challenges.

Throughout this survey report, we can gain a glimpse into how SMEs think and intend to act going forward, and how we can help to ensure that 2023 is a year for growth and progress, despite the external factors which have the potential to raise significantly tough challenges for the UK market.

The changing SME landscape

Each year we aim to understand what makes SMEs tick. We have collated the data from our three SME Business Surveys, focusing on the main business challenges that SMEs believed they were likely to face in the upcoming year.



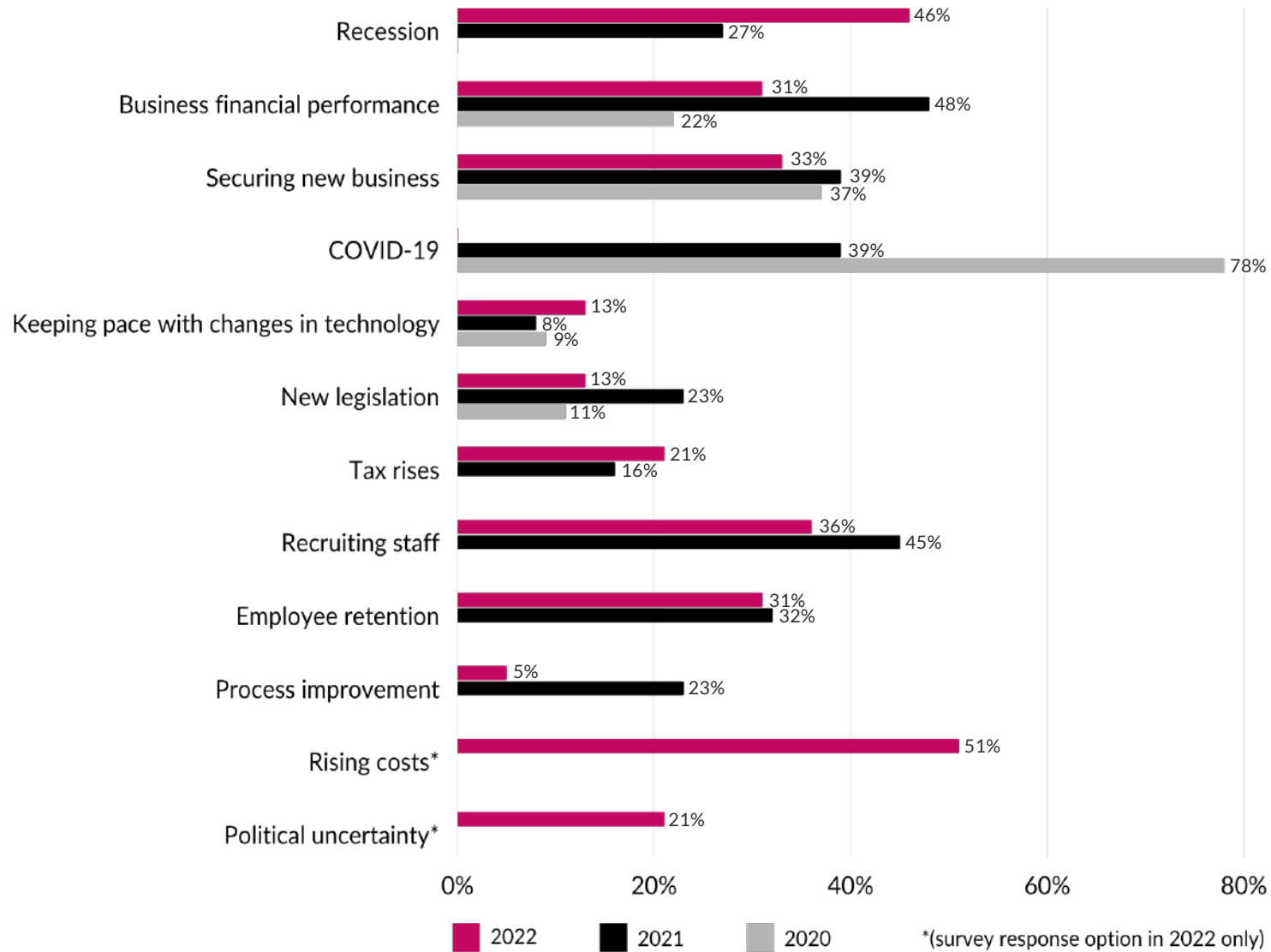
From the early days of learning how businesses could adapt to the changes brought in by Brexit, to a global COVID-19 pandemic, the last few years have been challenging for SMEs. The UK now finds itself on the verge of a recession which is highly likely to have impacted the survey data and swayed the statistics heavily towards a financial focus.

Business financial performance and securing new business have consistently been selected as key challenges throughout each of our SME surveys, and unsurprisingly, 46% of survey respondents selected a potential recession as one of the main challenges in 2023, closely behind rising costs, (51%).

Recruitment and employee retention remain key priorities for SMEs as they continue to focus on their people, as they did in 2022. A clear people strategy focused on talent attraction and retention will be crucial to succeeding.

Understandably, the threat of COVID-19 dominated our previous SME Business Surveys whereas a year on, not a single SME expressed their concern for it.

The main challenges facing SMEs for 2021, 2022 and 2023



51%
stated that rising costs would be a main challenge for their business in 2023.



Business Challenges

We asked SMEs what they forecast to be the three major challenges to their business over the next 12 months...

Rising Costs

We asked participants to select the three major business challenges they believed they would face, heading into 2023.

As we are all aware, the cost of living crisis is affecting employers and employees throughout the UK¹ which has been driven by rising costs and inflation². As a result of this, 51% of the vote for this area was for 'rising costs' being the main area of concern for SMEs.

Subsequently, many businesses have had to increase their prices, which could mean that they are less competitive with larger organisations. However, the UK level of inflation is expected to fall back from the middle of 2023 and continue to do so throughout the remainder of the financial year³.

Recession

Increasing costs and rising inflation throughout history tends to amount to one thing, a recession. Not surprisingly, our SME owners have expressed that they see recession as a major challenge for the next year (48%).

According to the independent Office of Budget Responsibility, the UK will technically remain in a recession for 2023, predicting an overall drop of 2% in GDP. The OBR predicts that the economy will grow in 2024, by 1.3%⁴.

Recruiting Staff

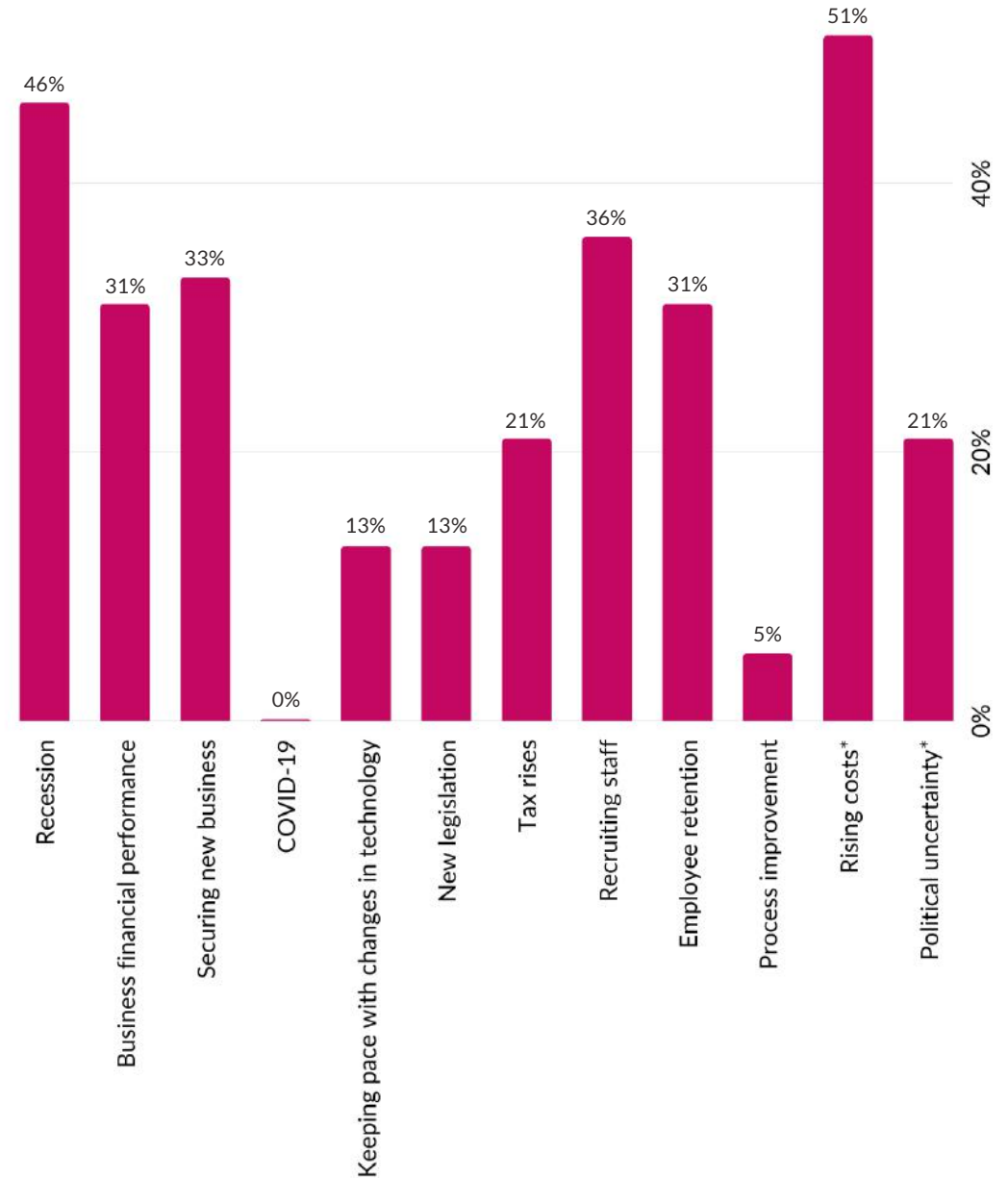
Recruitment has been an issue for businesses throughout 2022 and looks set to be the same throughout this year. With 33% of respondents stating recruitment may be a challenge, its important to take a deeper look at why employing people is proving difficult.

The UK is still in a candidate driven market⁵, meaning that candidates are demanding higher pay, making it increasingly difficult for businesses to bring the right people on board. Candidate demands coupled with an ongoing talent shortage due to the effects of the pandemic and 'The Great Resignation', mean recruitment is arguably more competitive than before.

In stark contrast to the previous two surveys, COVID 19 no longer remains a potential challenge for 2023. Businesses have learned to adapt and change to remain functional and profitable⁶.

*Figures correct as at 13 th January 2022.

What do you see as the three major business challenges to your business over the next 12 months?





Business Challenges Recommendations for 2023

Rising Costs

Rising costs can be difficult for SMEs to manage. With increased costs often comes increased pressure on businesses.

To help SMEs to manage their people challenges during the cost of living crisis, we've created a dedicated hub⁷ of resources, templates and guides.

Losing employees due to rising costs and competitors offering higher salaries? Consider implementing a reward and recognition strategy⁸. People are our most

important assets and there are many ways to retain top talent, aside from inflation beating pay rises.

If you need help managing costs from a people perspective, our expert team can guide you through options to balance rising costs and employee demands, offering commercially astute advice.

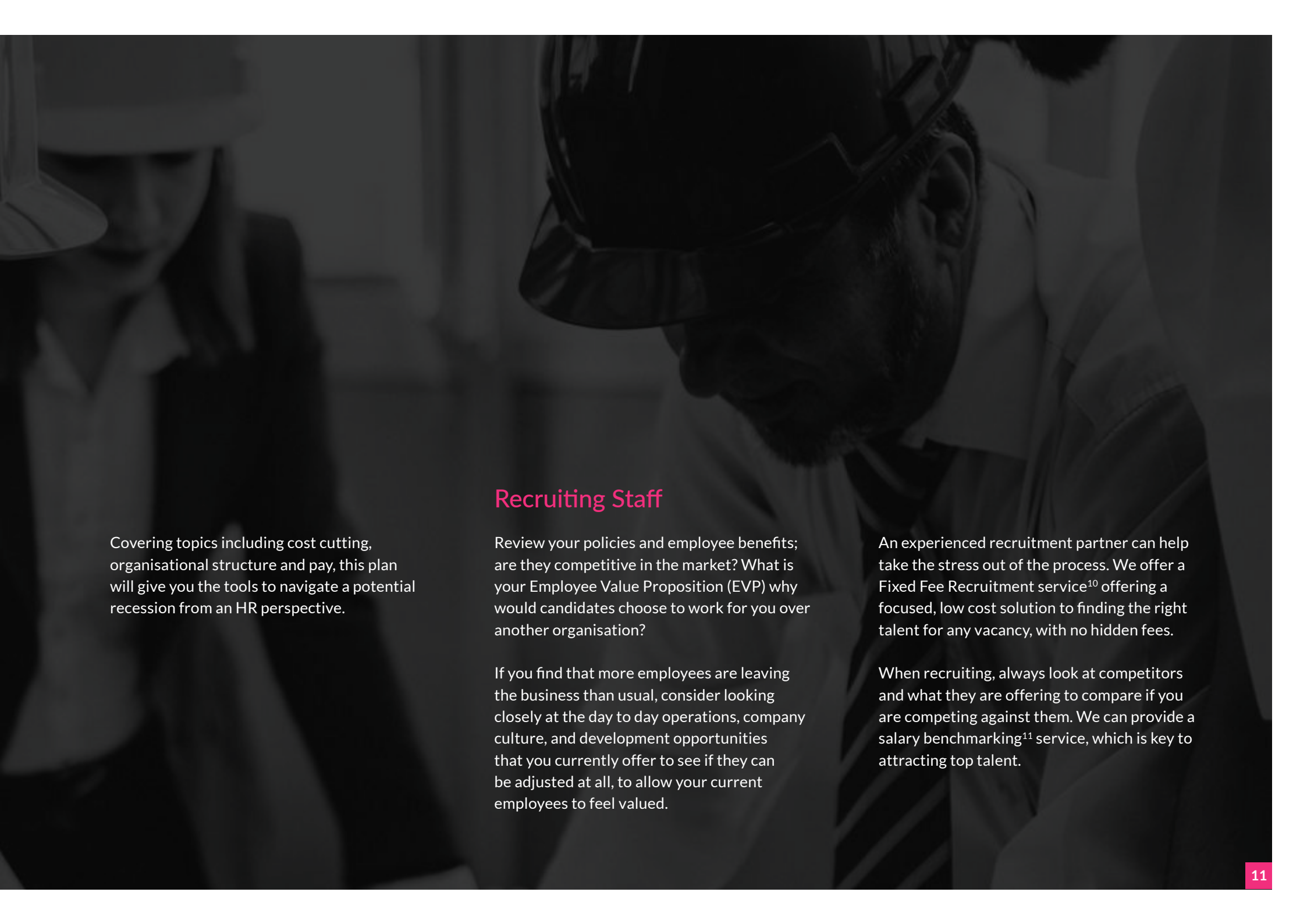
Recession

Managing your team and running a business during a recession can be extremely difficult.

There are a number of ways to handle uncertain times and the financial issues that the UK recession is likely to create.

We have devised a [ten point plan](#)⁹ to help you to manage effectively during a recession.

The ten point plan can be followed as a checklist to ensure that you are managing your team in a strategic and effective manner.



Covering topics including cost cutting, organisational structure and pay, this plan will give you the tools to navigate a potential recession from an HR perspective.

Recruiting Staff

Review your policies and employee benefits; are they competitive in the market? What is your Employee Value Proposition (EVP) why would candidates choose to work for you over another organisation?

If you find that more employees are leaving the business than usual, consider looking closely at the day to day operations, company culture, and development opportunities that you currently offer to see if they can be adjusted at all, to allow your current employees to feel valued.

An experienced recruitment partner can help take the stress out of the process. We offer a Fixed Fee Recruitment service¹⁰ offering a focused, low cost solution to finding the right talent for any vacancy, with no hidden fees.

When recruiting, always look at competitors and what they are offering to compare if you are competing against them. We can provide a salary benchmarking¹¹ service, which is key to attracting top talent.

Financial Challenges

We asked SMEs what they predicted to be the three biggest financial challenges to their business over the next 12 months...

Managing Costs & Cashflow

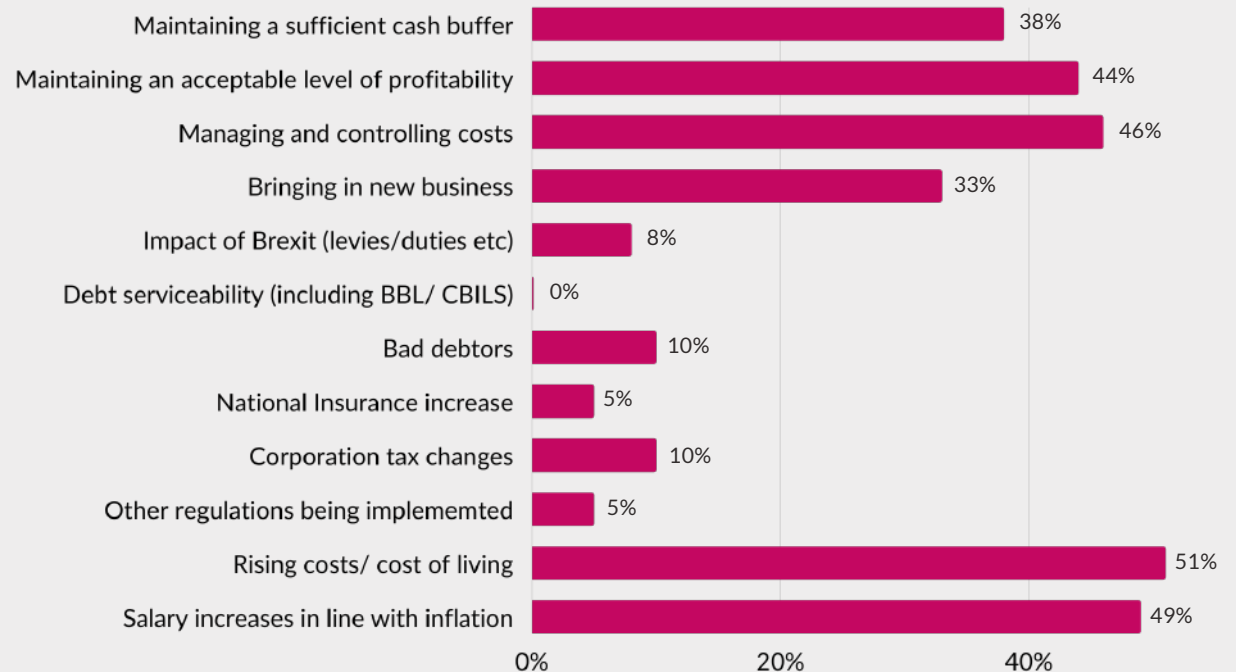
SMEs are being forced to adapt to the financial changes currently occurring throughout the UK.

46% of participants have stated that managing and controlling costs is a major financial challenge for 2023.

To effectively manage costs, 38% of SMEs have also highlighted that maintaining a sufficient cash flow is important to their operations and will continue to be throughout the year.

For many SMEs, margins can be tight and cash flow is the key to survival, allowing them to adapt and grow when an opportunity arises¹².

What do you see as the three biggest financial challenges to your business over the next 12 months?



Salary Increases

Interestingly, whenever we find ourselves struggling with costs or we feel that a recession is likely, many people will simply call for pay rises. This, however, is not always an easy option for a SME¹³.

Although smaller pay rises may be possible, 49% of survey participants see keeping their employee's pay in line with inflation as a financial challenge for the year ahead.

Strike action for payrises across various sectors is continuing, with transport, healthcare, education and postal strikes likely to cause disruption to employers and employees throughout 2023.

46% of participants stated that managing and controlling costs is a major financial challenge for 2023.

Profitability

Concerns surrounding increasing costs and employees that demand pay rises all take away from your bottom line, which in challenging times can become even more daunting. 46% of respondents stated that managing an acceptable level of profit could pose a challenge to them.

SMEs can remain profitable by approaching the current economic climate strategically. Setting budgets, upskilling your team, and focussing on employee benefits are just a few ways in which you can further support your team¹⁴ and remain profitable.



Financial Challenges

Recommendations for 2023

Managing Costs & Cashflow

To manage and control the costs associated with the business, SMEs will need to take an in depth look at all expenses.

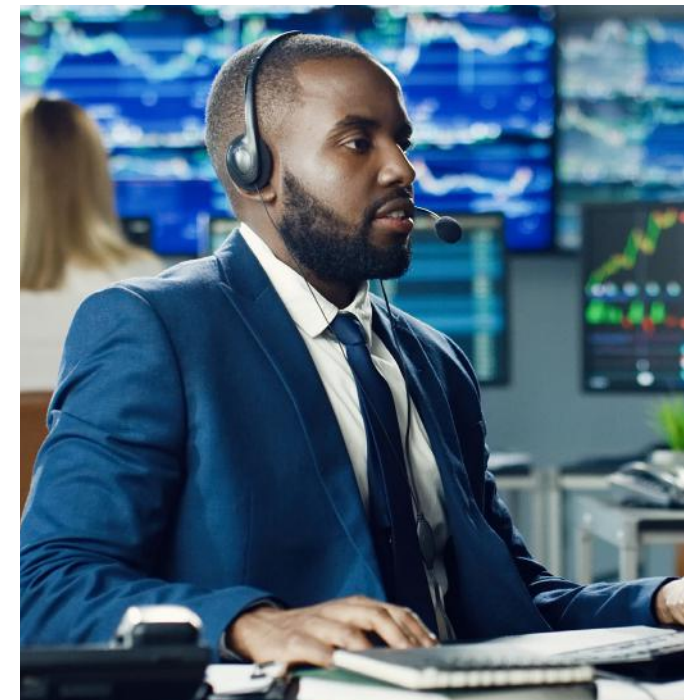
Analysing the production cost and areas in your control is a good starting point. If you deal directly with suppliers, consider if a conversation can be had to renegotiate pricing or contract terms.

It's important to note that costs can be reduced and better controlled without sacrificing quality.

To make the most of upcoming opportunities within such a changing market, SMEs will need

to have their cash flow working for them. We recommend running a monthly cash flow review to ascertain where the business is. If you have contract terms for payments, explore the option of reviewing the finer details and set the terms that work best for the business.

A big impact on cash flow for SMEs is late payments. Late payments have a knock on effect on the entire business so as we begin this new year, set out late fees/ consequences that will ensure your customers are paying on time, every time, which will of course impact cash flow positively.



Salary Increases

As we covered in one of our recent [HR webinars](#)¹⁵, [reward and recognition strategies](#)¹⁶ can lead to a high performing and engaged workforce. During this webinar, 27% of our audience stated they would offer a pay rise in 2023, and 77% intend to offer a one off bonus. We understand that bonuses or pay rises are not always a viable option, however, there are alternative options available.

We recommend considering the following options to support employees:

1. Consider offering a share save scheme
2. Implement an employee assistance programme
3. Rewards for purchases, e.g. offering employees a subscription to a benefits platform, such as My Staff Shop¹⁷
4. Employee cash plans which may include:
 - Dental treatment
 - Optician appointments
 - Physiotherapy
 - Counselling

To ensure your employees are paid accurately, consider salary benchmarking¹⁸, which will help you to understand what similar roles offer in terms of pay and benefits, specific to each sector and role.

Profitability

A business cannot survive without remaining profitable; therefore, prioritising income streams and generating new business will be crucial for SMEs.

During these challenging economic times, we recommend businesses approach the situation strategically and plan for the long term. Develop a clear business plan and align initiatives and team objectives to this plan so everyone is accountable for profits.

Short-term difficult decisions will need to be made, however, SMEs need to consider the impact that they can have over the months and years to come.

A good team will be the main driver of a SMEs profitability and we would suggest using the tools available to you wisely.

Upskilling and focusing on employee benefits are great ways to cost effectively ensure that top performers at the company remain motivated and are willing to produce results for the business.

People Management

We asked SMEs what they anticipated to be the three most important... aspects of people management over the next 12 months...

Employee Retention

50% of respondents stated that they believe employee retention is the most important aspect of people management, within their business.

Retaining employees is certainly an area of high importance as it can be costly to replace your top performers.

Replacing staff can be costly when you take into account the cost of recruitment, training and onboarding¹⁹. If your employees are not engaged or feel undervalued, consider the options to retain them and hold regular talks with them about how they are progressing at the company.

Consider your Employee Value Proposition (EVP); in this [short video](#)²⁰, we explain why a successful EVP is valuable to SMEs.

Employee Capability

Not only do they want to attract new talent to their businesses (33%), but SMEs are also keen to employ people who are capable of performing at a high level (44%).

The capability of your employees is crucial to the overall performance of the business²¹ and is therefore significant when recruiting.

High performing employees will know what is required of them and how they can continue to progress.

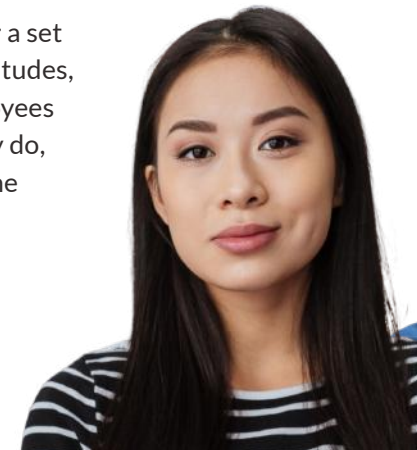
Understanding how employees approach a task and assessing their natural capabilities is useful for developing team members, ensuring roles are the right fit for their skills and experience.

Company Culture

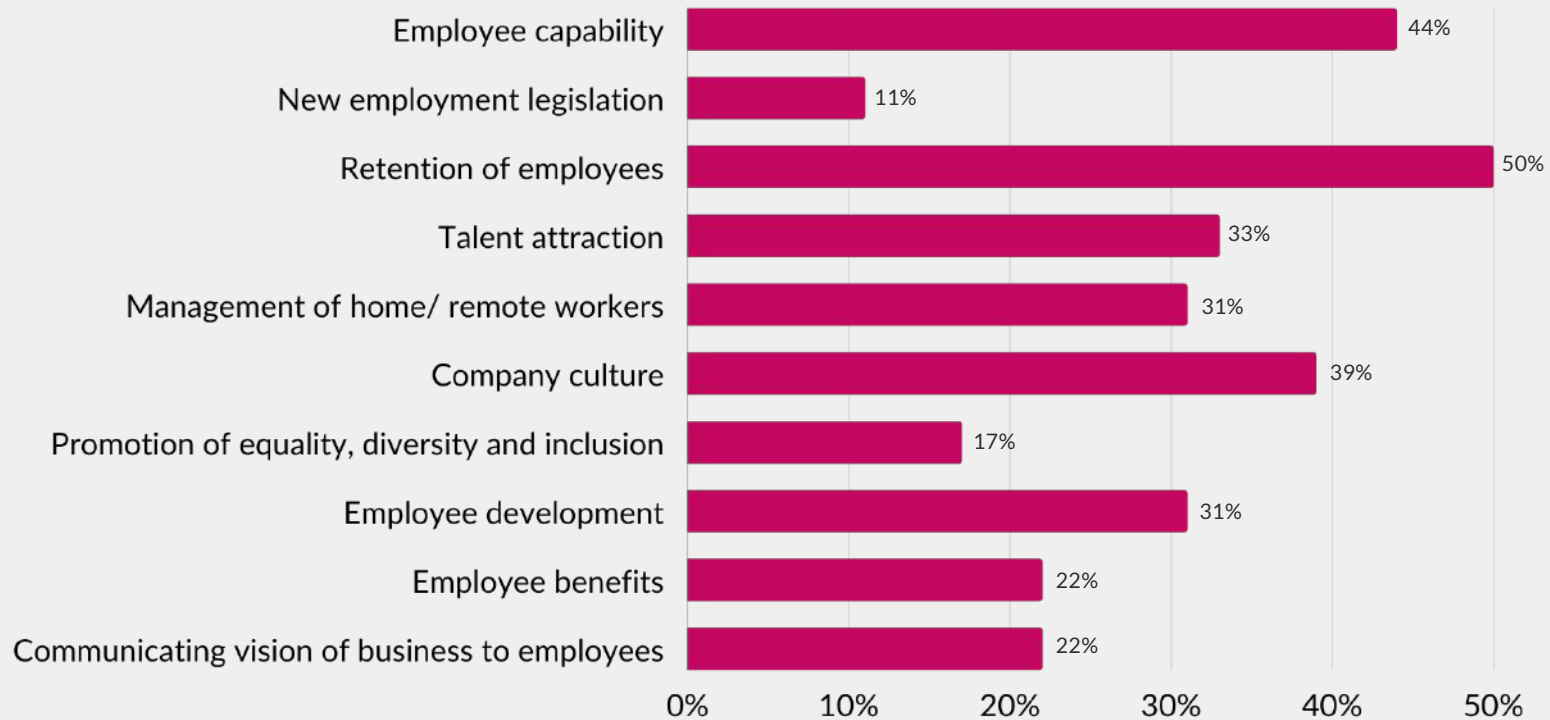
It is difficult to retain your highest performers who are more than capable of excelling in their roles. However, it is even more difficult to retain team members if they are not comfortable at work, or with the workplace practices at play.

From the survey data, we can see that company culture is the third most selected area of people management that SMEs feel is important, with 39% of the vote.

A good company culture or a set of shared values, goals, attitudes, and practices allows employees to enjoy the work that they do, and enjoy being a part of the business²².



What do you see as the three most important aspects of People Management over the next 12 months?



Employee retention is the most important aspect of people management for 2023, according to **46%** of responses





People Management Recommendations for 2023

Employee Retention

Retaining employees is far less expensive than recruiting. Consider developing a people plan that is in line with your business plan as this will enable your employees to develop and grow.

Employee rewards such as annual pay rises and bonus schemes are also a great way to keep your top performers happy and will reduce the likelihood of them leaving the business.

We have covered a wide variety of topics relating to employee retention in the last year, including our webinar²³ on the importance of keeping your top performers engaged and how retention is key to business success.

In a recent poll on the subject of reward and recognition, our audience told us that 48% believed a reward strategy could positively impact the number of employees they retain.

Employee Capability

Regularly assessing your employee's capability is a good way for them to improve. We recommend setting regular achievable goals alongside tests that could come in the form of project work, to allow them to show how suited they are for the role that they are in. From this, you may also find that they are overperforming and can be promoted to different positions, strengthening your business further.

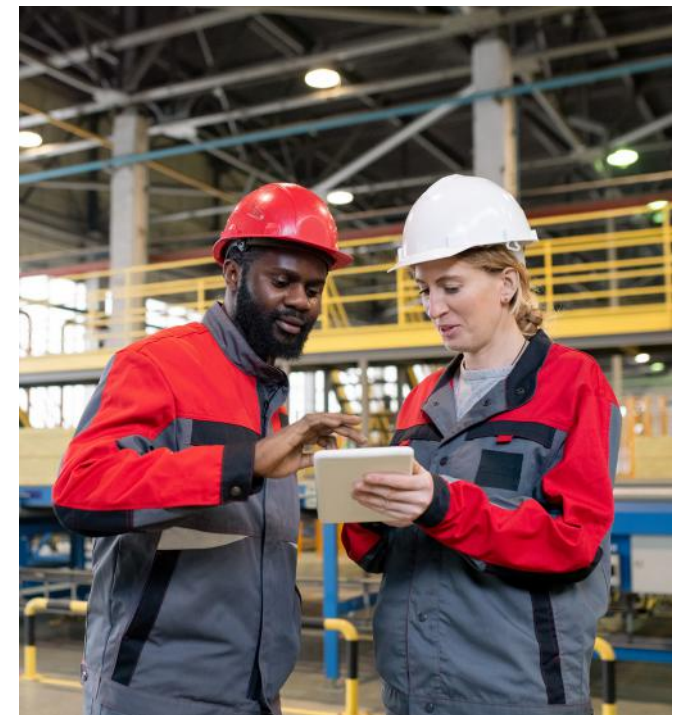
We also offer psychometric tests for clients on a HR retainer²⁴ with us, allowing you to gain a good insight into how your employees currently operate, or testing those at the interview stage to make sure they are suitable for the role.

Company Culture

If you get your company culture right and the business's values are aligned with the employees, this will help you to retain and attract top talent to the company.

To create a culture within your business²⁵ that makes employees want to stay, and potential candidates to join, we recommend the following steps:

1. *Showcase your team:* What does your team do? Who are they? How do they help the business?
2. *Behind the scenes:* Give the world an insight into your team by letting others see the day to day operations and how the company ticks.
3. *Recognise and reward:* Reward your top performers and showcase the fact that you train and develop those that need to make improvements.
4. *Company values:* Teach your employees the vision, mission, and values of the company through training and regular discussions.



Employment Law

We asked SMEs how confident they felt about Employment Law and how it can affect their business...

Employment legislation is often reviewed and changed and therefore, keeping up to date with this area is highly important. 44% of participants say that they are confident with the subject which is great to see, as employment law protects both business owners and their employees²⁶.

For your employees, employment law legislation ensures that they are not discriminated against, harassed, or unfairly dismissed and that if they are, they know the correct procedures to follow to resolve the issue²⁷.

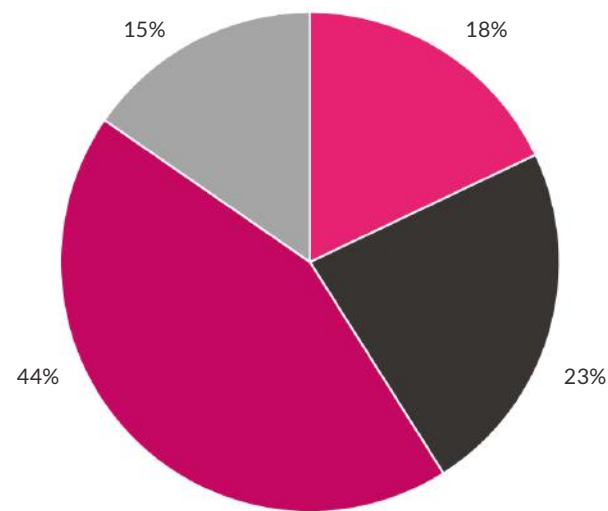
18% have highlighted that they need further support on employment law, with 23% being unsure.

An area which could bring some of the biggest changes to UK employment law is the Retained EU Law (Revocation and Reform) Bill. In a survey carried out by our parent company, Worknest, we found that 93% of HR professionals do not fully understand the implications of the EU reform bill, despite the implications that changes could have on all businesses throughout the UK, not just SMEs.

What is the EU reform bill?

As part of leaving the European Union, the 2018 European Union (Withdrawal) Act was introduced. This resulted in an agreement being made between the European Union and the UK to allow the UK to retain most EU legislation in its domestic legislation even after its departure from the Union.

How confident do you feel about Employment Law and how it can affect your business?



■ Need further support on legislation ■ Not sure ■ Confident ■ Very Confident

Fast forward four years, on 22 September 2022, the UK Government announced a new Bill - 'Retained EU Law (Reform and Revocation) Bill' that if passed, would overturn this position. It would mean that most retained EU laws would cease to remain in force according to a 'sunset clause' contained within it (a 'sunset clause' is a legal term that provides an expiry date once a Bill is passed into law).

Every clause within the Bill will require agreement, change or deletion. Should the amendments that are already put forward by the Opposition parties be accepted, the Bill will get re printed before the next stage, which is the report stage. It is at this point; the Bill returns to the House of Commons for further debate and further amendments proposed.

Employment Law Recommendations for 2023

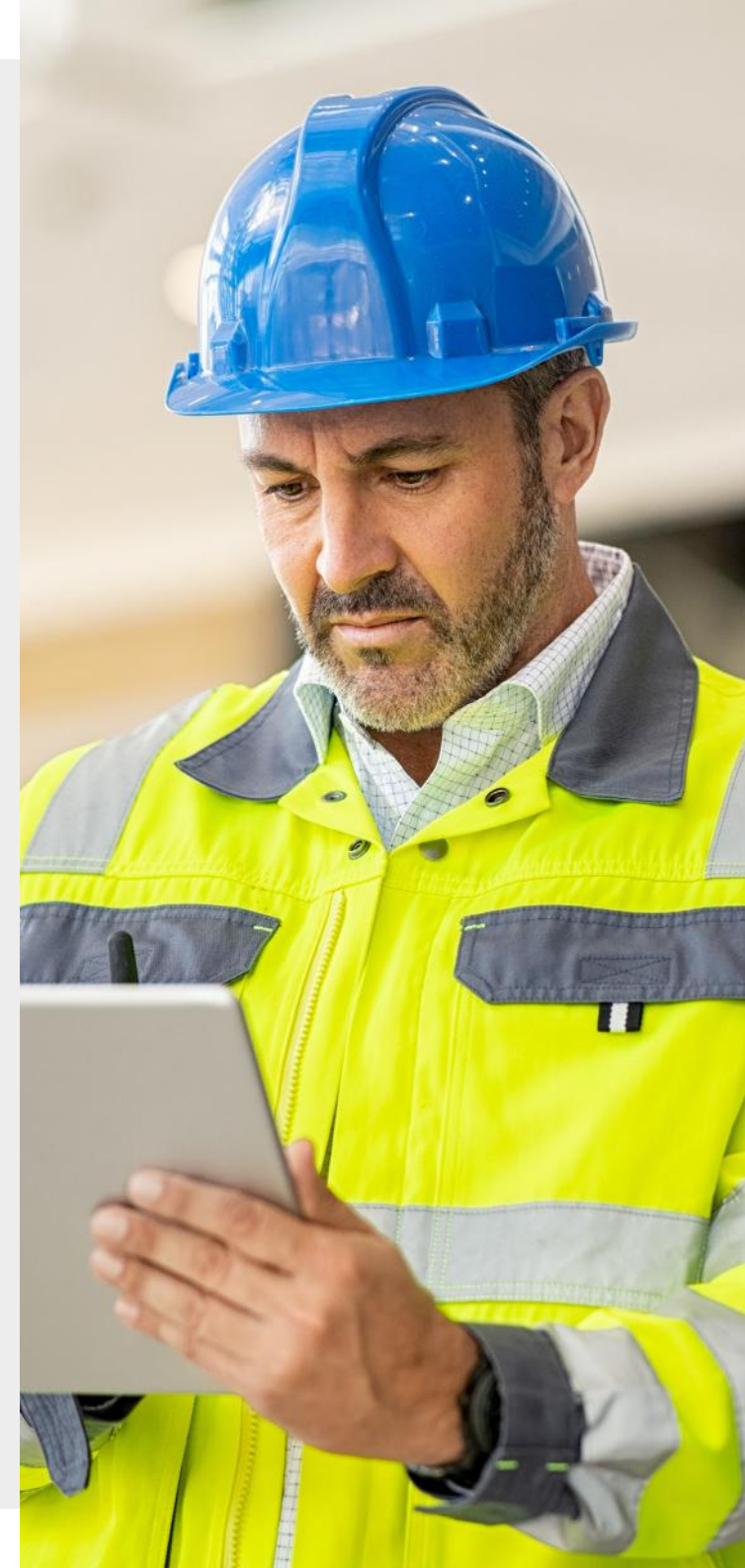
We recommend that if you are unsure about employment legislation, seeking expert advice and training should be a high priority. For employers, employment law governs what you can ask of employees, what you are entitled to provide, and what constitutes an employee's official rights at work.

If you need further guidance with the legislation, consider attending webinars and other learning sessions, or for a more in depth approach, seek employment law training. We offer various [employment law training courses](#)²⁸, delivered by our expert HR team.

One of the key areas of employment law in the coming months is the EU reform bill, which is predicted to have a huge impact on businesses.

We have created a dedicated Employment Law Reform Hub²⁹ to keep you informed and share guidance on what steps your business should take. In this hub we share news updates, and subject matter articles so that you can quickly stay updated, all conveniently in one place.

On 22 March 2023, we are hosting our virtual [Employment Law Seminar](#)³⁰ to bring you up to speed on past and future updates, which you can register for free of charge on page 20. Our team of HR experts can also help you to navigate existing and new legislation, to help ensure your business is protected.



Outsourcing roles for 2023

Payroll

Outsourcing business roles can allow a business owner to focus on the important things, such as making the business more profitable.

When we asked participants to select the area of their business that they would consider outsourcing, payroll was the highest response, with 68% of the vote.

This would suggest that SMEs are now focussing on the daily operations of their business and remaining profitable and see the cost of outsourcing payroll operations as a good investment, as this allows them to free up the time that they would have spent on this area of the company.

Outsourcing payroll during the current UK economic climate will allow business owners to focus their time on effectively running the day to day operations of their business³¹.

Recruitment

With the UK still in a candidate led market, many businesses are looking to outsource their recruitment efforts to save time, money, and resources³².

When we asked participants which areas they would consider outsourcing, recruitment made up 50% of the overall selections.

Outsourced recruitment can be a great way to actively search for the right candidates, allowing you to focus on the more important and pressing business matters³³.





When looking at resources within your business, which roles would you consider outsourcing?

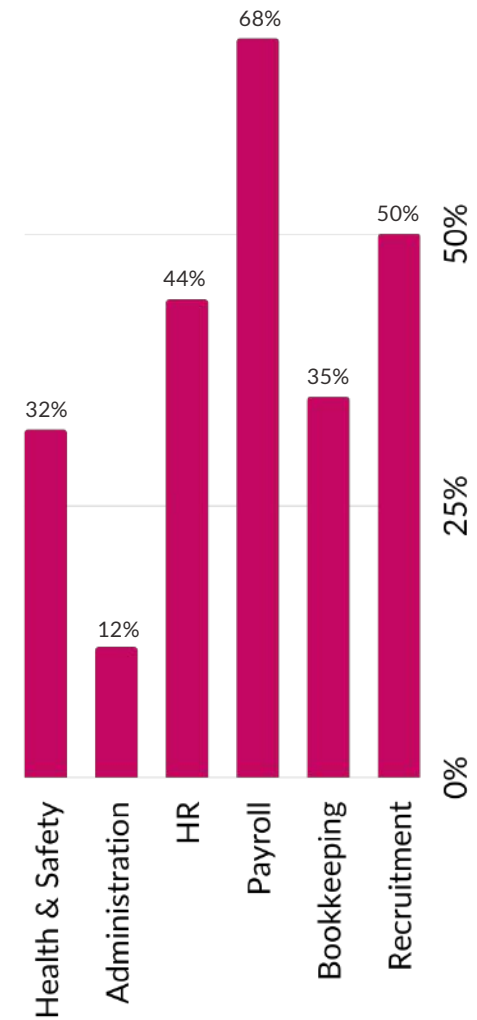
HR

44% of survey respondents stated that they would consider outsourcing their HR, a slight increase from our 2022 SME Business Survey, which saw HR selected 43%.

After such a challenging year with legislation changes, cost of living, and extra pressure on businesses to perform compliantly, outsourcing HR is a proven method to receive expert guidance and support, at a fraction of the price when compared to employing a full in house HR department³⁴.

68%

of participants believe that they would consider outsourcing their payroll in 2023.



Outsourcing Roles

Recommendations for 2023

Payroll

Outsourcing your payroll³⁵ will help you to manage your monthly and annual payroll with diligence and efficiency, saving you time and making your financial duties that much easier.

Our payroll service ensures that employees are paid accurately and on time, including statutory pay calculations for sick leave and maternity/paternity leave.

We support clients with their payroll across multiple sectors, from 10 employees, to 200 employees. As a HMRC recognised service provider, we are authorised to act as our clients' agent to complete and file PAYE.

Recruitment

Hiring the right person for the right role is key to business success. Recruiting a team member who does not have the skills or experience to perform well in their role will only prove costly to SMEs in the long run.

Our Fixed Fee Recruitment service³⁶ will manage your hiring process from start to finish and ensure that you only have to deal with the best suited applicants for your role.



HR

The Fixed Fee Recruitment service that we offer to SMEs covers:

- Job description
- Vacancy posting
- CV Filtering
- Interview scheduling
- Offers & Regrets Letters
- Fixed Fee Service

Outsourcing HR is an increasingly popular decision for SMEs. Our team will get to know your business, meaning you can leverage specialist outsourced knowledge as well as having an experienced support team, available to support with any HR query.

Our team of HR Consultants, Advisors and Administrators are supported by our HR Knowledge Managers who ensure they have the most up to date employment law guidance.

From complex employee relations queries to redundancies, our team can support you or your HR team through the difficult areas of HR, whilst ensuring you have an effective people strategy in place which will help you to retain top talent and develop your teams.

Find out about our [HR Packages](#)³⁷.

Decision Making

We asked SMEs what three areas will have the biggest impact on their decision making over the next 12 months...

Available Finances

The overall theme for 2023 so far is that SMEs are most concerned about the cost of living and increasing costs. Naturally, that theme has continued when it comes to decision making.

70% of the answers received show available cash and financing having the biggest impact on SMEs decision making, which is not surprising, given the current economic climate.

Backed up by the Federation of Small Businesses³⁸ who say “successful applications for financing have dropped sharply”, using finance options such as bank loans throughout 2023 looks set to be a potential issue for SMEs.

Profitability

Profitability is the second most common answer with 43% of the votes. Running a small business can be extremely challenging at times, with small margins making a huge difference when it comes to the profitability of the company.

Naturally, during a cost of living crisis, SMEs are likely to be concerned with the decrease in consumer spending³⁹.

However, despite the economic situation that the UK finds itself in, HSBC has recently revealed that from their forecasts, UK SMEs are forecasting increases in profits and revenues in 2023⁴⁰ which may offer some relief to concerned SME owners.

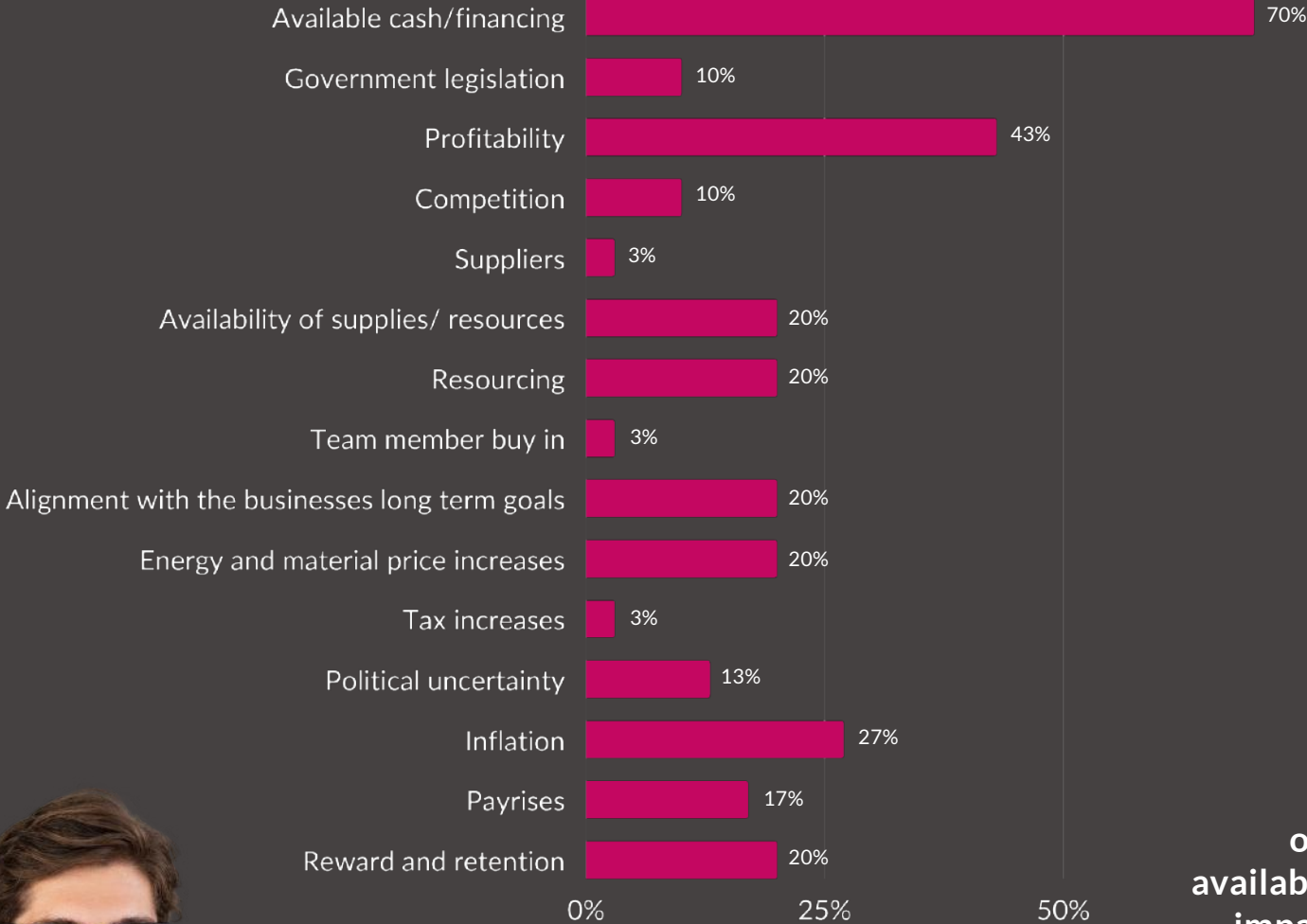
Inflation

When SMEs shared that they are concerned with available finance options and profitability, the conclusion can be made that one of the direct causes of these issues is inflation.

27% of the answers selected on the survey indicate that inflation is going to play a major role in the decisions that business owners are likely to take in 2023.

Although inflation does pose a very real threat to SMEs, many analysts have predicted that it will fall sharply from the middle of the year⁴¹, offering some refuge to SMEs, and ultimately this should enable more disposable income to the end consumer which is again, a good sign for businesses.

What three answers will have the biggest impact on your decision making over the next 12 months?



70%
of SMEs see
available finances
impacting their
decision making
the most in 2023.



Decision Making

Recommendations for 2023

Available Finances

Prioritise finance options early in the planning stages and if raising finance is proving difficult, review internal opportunities for raising revenue, such as switching things off that are no longer required or do not provide any ROI.

The number of staff on your payroll has a big impact on the company budget. Consider when reviewing additional roles if an outsourced solution would be more cost effective than a full time employee.

Consider also applying for grants as opposed to bank loans, if this is possible i.e. if your business has a positive impact on the local community.

Profitability

The cost of living crisis looks set to continue for the foreseeable future and it is, therefore, more important than ever for SMEs to have a strong focus on remaining profitable.

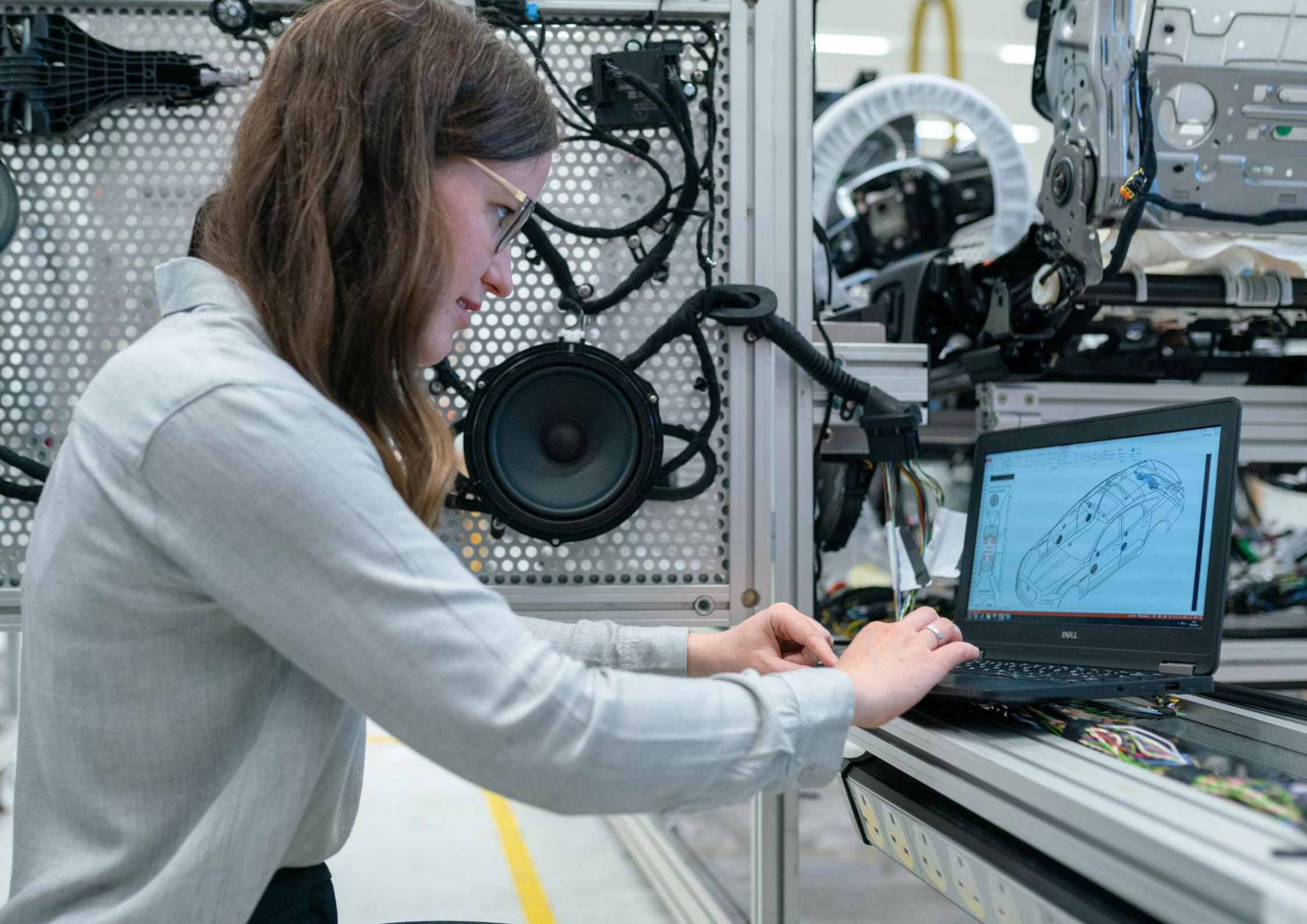
Key areas to remain profitable that we recommend are:

- Review your offering
- Review your pricing
- Reduce business wastage
- Purchase effectively
- Concentrate your sales effort
- Focus on your core customer base
- Review and remove areas with poor ROI

Inflation

Inflation looks likely to slow down towards the end of 2023, however, what can you do as a business to survive in the meantime?

Similarly to how you can increase the chances of your business remaining profitable, we recommend taking similar measures to tackle the UK's current level of inflation. Increasing prices, reducing overheads, and seeking new routes to market are the major steps we would recommend however, simply streamlining your product or service offering and your overall expenditure may also be a viable option.



Business Actions

We asked SMEs what three actions will they most likely take/experience over the next 12 months...



Increased Turnover

69% of participants have stated that they aim to increase their turnover throughout 2023.

This is a positive message and one that can be used to motivate other SMEs to realise that even in such uncertain times, businesses can still find ways to develop and grow.

Participants of the 2022 SME Business Survey are not alone with this opinion either, with a report from HSBC confirming that one in three business owners expects to see at least a 10% jump in profits this year, compared to 2022⁴².

Cutting Costs

With 52% of the votes, cutting operational costs is a popular decision that SMEs are going to take this year. Its important to consider, however, that reducing spend on training and development can negatively impact teams. Could this then be a reason you are not retaining your top talent?

Training your team can still be done at a reduced level⁴³ however, removing training all together may lead to a lack of employee retention and as mentioned previously in this report, it can be extremely costly to replace your top performers.

Additionally, 28% of respondents stated that they would consider a restructure in their organisation. Businesses need to ensure they are cutting costs in the right areas and not losing resource through redundancies which may be valuable to them in future. Redundancies are a complex area of HR and must be handled carefully which is why we recommend seeking expert advice.

Alternative Routes to Market

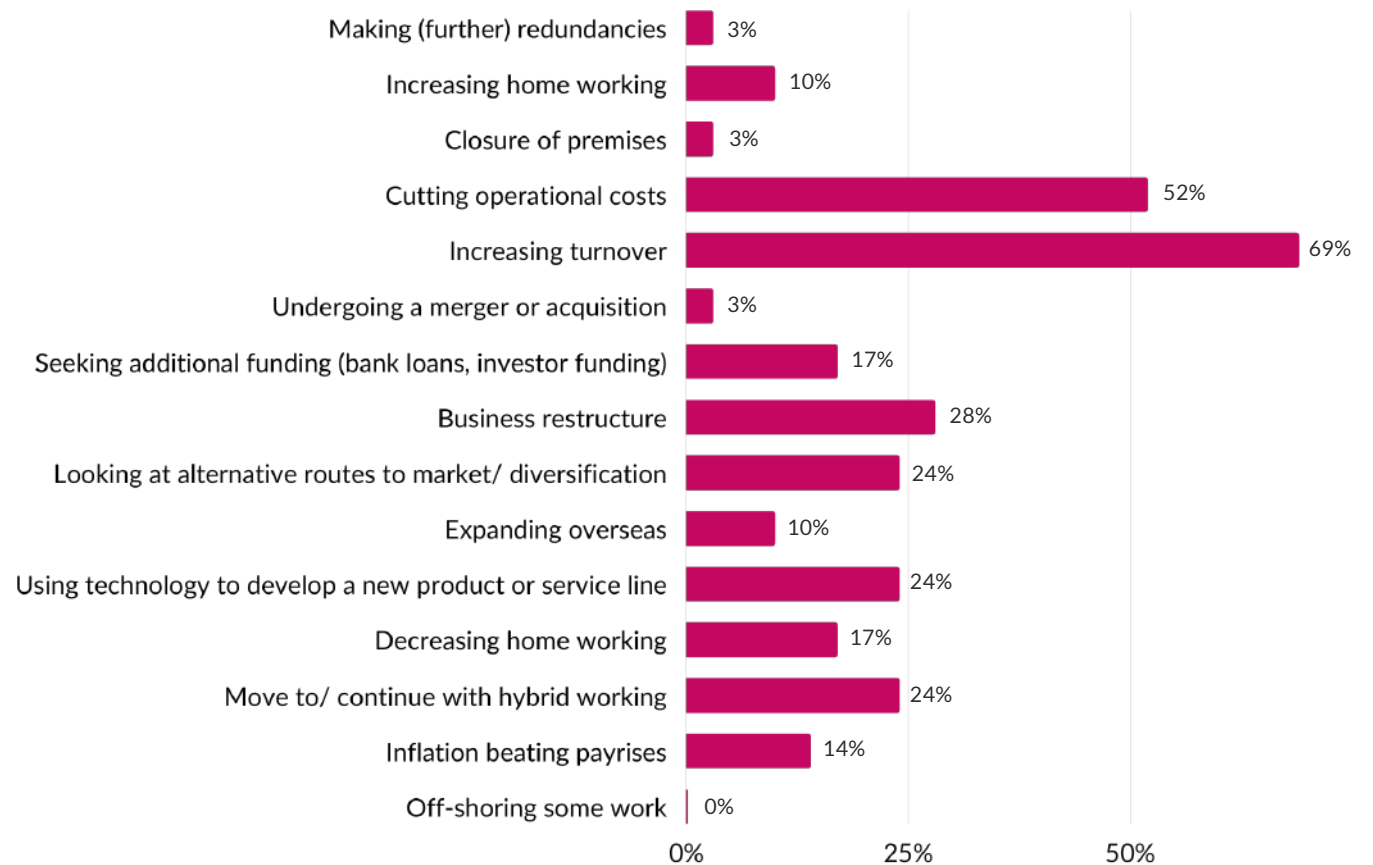
Taking alternative routes to market through product/service diversification is a great way to reduce costs, or increase margins compared with your existing product line or service offering.

Additionally, continuing with your product or service but expanding to new markets can also lead to rapid growth for SMEs⁴⁴.

As we continue through the year, SMEs should become proactive in spotting the opportunities presented to them and as 27% of the survey votes would suggest, taking alternative routes to market may turn out to become a catalyst for success in 2023.

27% of SMEs are looking to diversify in 2023.

What are the three most likely actions your business will take/experience over the next 12 months?



Increased Turnover

Increasing turnover will be the key to your business growth. As with any business, it all starts with a plan.

Set your goals, produce a business plan, and communicate those goals on a regular basis to make sure that all teams are aligned to the overall vision.

Consider taking these steps to help increase your turnover in 2023:

- Embrace new technology
- Invest in marketing
- Increase your online presence
- Create a solid company culture
- Innovate and stay ahead of the curve
- Focus on customer service and feedback

Cutting Costs

One of the most important aspects of cutting costs is planning and preparation. We recommend having a clear people strategy in place, which will help you to understand the risks and benefits of scaling down costs, whether that be through reducing training budgets, relocating staff to a different location or allowing them to work remotely, or restructures and redundancies.

If you are considering making redundancies, we recommend seeking expert advice. We recently held a webinar on how to manage an effective redundancy programme⁴⁵, which outlines the risks SMEs must be aware of, whilst providing the steps businesses need to take depending on the roles which are

at risk of redundancy. In a poll during the webinar, we found that 60% of our audience is looking to make redundancies, and 57% do not feel confident in carrying out a legally fair redundancy process.

Alternative Routes to Market

Regardless of company size, focusing on innovation is key to success. Look closely at what the market and your consumers need.

Analyse industry trends and review competitor activity. Leverage technology and capitalise on marketing opportunities. Allocate enough investment to trial new products and services, and closely monitor success.



Health and Safety

We asked SMEs what three aspects they see as the most important aspects of Health and Safety over the next 12 months...

Mental Health at Work

Mental health at work was by far the most selected answer when we asked SME owners what they believe will be the most important areas of Health and Safety (85%).

This is an increase from our 2022 survey, which saw mental health at work selected a total of 79%.

Mental health issues are more common than you might think, with one in four people in the UK expected to have a mental health problem during their lifetime⁴⁶.

While many SMEs and their employees favour hybrid/remote working, it can be harder for

people leaders and colleagues to identify when an employee may be struggling with their mental health⁴⁷.

Moreover, the ongoing economic pressures can also negatively impact mental health.

Statutory Compliance

Compliance is integral to business success. Failing to operate compliantly can land a business owner with anything from a fine to a prison sentence⁴⁸.

It is therefore no surprise that from our survey, 79% of the answers selected were for statutory compliance when we asked what SMEs see as the most important areas of health and safety for 2023.

Operating a business compliantly can become much easier by conducting regular risk assessments and getting a better understanding of the potential hazards within the workplace.

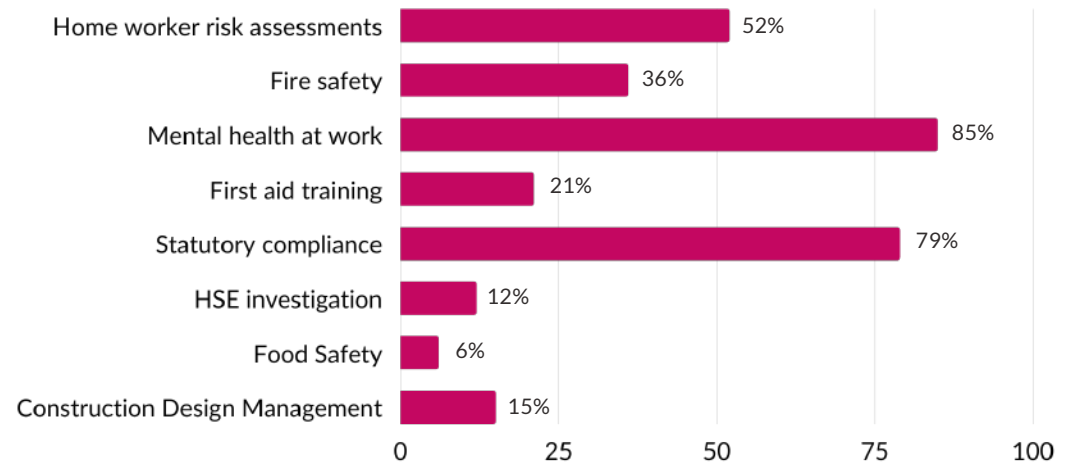
6% The importance of mental health at work has increased by 6% when compared to the 2022 SME Business Survey.

Home Worker Risk Assessments

Home worker risk assessments are also on the rise this year, with 52% of the answers selected on the survey.

This would suggest that hybrid working is no longer a temporary option as more businesses are realising the importance of conducting risk assessments, just as they would do for office based employees.

What three aspects do you see as the most important aspects of Health and Safety over the next 12 months?



Businesses should treat the working environment that an employee operates from within their home, the same as they would treat the office environment that they provide. Regular checks should be made, and steps taken to mitigate risks to all employees that have decided to work from home⁴⁹.

Employers are also required to supply the correct equipment such as computers and desks for the employee to successfully fulfil their role with the company.

Health and Safety

Recommendations for 2023

Mental Health at Work

Get trained on how to handle mental health at your workplace. Mental health first aid is important to understand exactly what procedures you need to follow to help support your team.

We currently offer Mental Health First Aid training courses as well as our newly added Mental Health Ambassador course to provide you with the knowledge to further support your employees.

Establishing a culture which prioritises health and wellbeing, can also help to improve mental health at work, and reduce absences driven by mental health illnesses.

Statutory Compliance

Appointing a Competent Person can help you to manage health and safety effectively for your business.

We offer three different levels of support for health and safety, including giving you access to our Competent Person to support you with the policies, training, and risk assessments based on your business requirements.

Having your health and safety in order will help you to avoid potential fines and even prosecution for directors.

Home Worker Risk Assessments

We recommend carrying out home worker risk assessments just as frequently as you would carry them out for office based staff.

Our team of health and safety consultants can support you with risk assessment templates and guidance on how to correctly reduce the risks for those that are working from home / remotely.

Importing and Exporting

45% of participants stated that their importing or exporting of goods will remain the same for 2023.

This is a real positive as it shows that, although prices are increasing in the UK, SMEs are still willing to trade within the UK rather than opting for potentially cheaper options such as importing goods from overseas.

Not only is it important for SMEs to source from the UK to help the economy, but also for consumers to do the same to decrease the effects that inflation and the cost of living are likely to have over the coming twelve months⁵⁰.

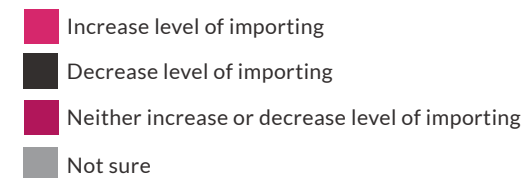
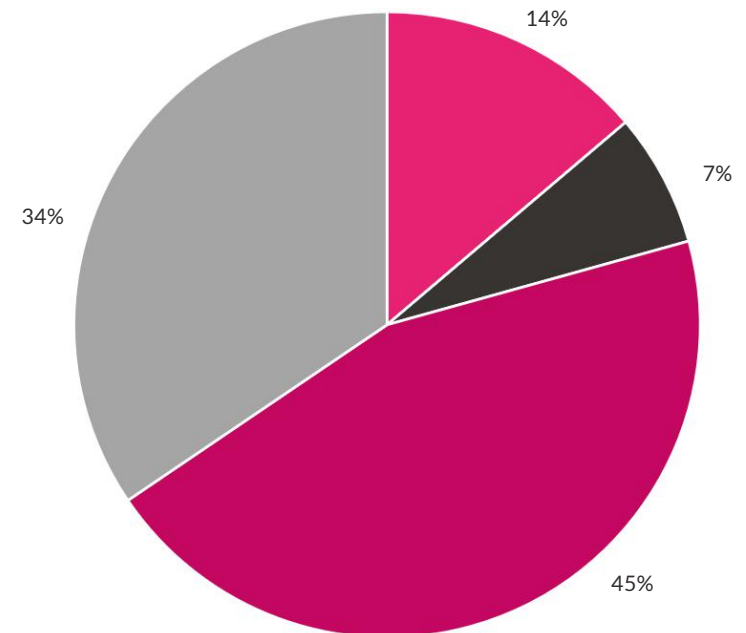
Recommendations for 2023

Distribution has been greatly disrupted in recent months with postal and rail strikes amongst others. SMEs also need to decide if the smartest financial option is to stay within the UK or to source from overseas.

Make sure that you research in depth before considering any movement of goods. Seek further support and guidance from the Department for International Trade⁵¹ which has been designed to help businesses export.

If you are sourcing your goods from the UK, keep in mind that the current economic situation is highly likely to impact the prices that are being passed over to you.

If you sell a physical product, do you feel that you will increase or decrease your product importing over the next 12 months?



Only **14%** of SMEs believe they will increase their level of importing throughout 2023.

We're here to help

If you are struggling with any of the issues that have been highlighted by our SME Business Survey, there are many options that we can help you with.

At HR Solutions, we pride ourselves on supporting SMEs across the country with their HR, Payroll and Health & Safety requirements. With expert guidance and support, our dedicated consultants are always available to tackle any issue you may come across.

Big enough to help, small enough to care.

Visit www.hrsolutions-uk.com

Call 0844 324 5840



We're proud to be Feefo Gold Service winners! Check out our [reviews here](#).



Virtual Employment Law Seminar

Join us for our annual employment law virtual seminar in which we will look at the upcoming developments in the world of HR that are likely to have an impact on how you manage your people in 2023. With an already challenging employment climate, and with potentially significant and challenging employment changes to come, HR Solutions and their team of qualified HR practitioners will guide you through the changes ahead.

In addition to exploring what lies ahead for business in 2023, we shall also cover the significant employment law developments from 2022 that have challenged many businesses since. We will share our thoughts on the best practical way in which they can be dealt with.

This free, 2 hour practical approach to employment law will help your business to plan and respond accordingly.

[Save your place today!](#)

Wednesday March 22nd 2023
10am - 12pm GMT

Register for seminar



Future Outlook for 2023

- Rising costs are going to present many challenges for SMEs in 2023. SMEs will need to strategically approach the next 12 months by looking at implementing employee reward incentives to help staff through this tough period.
- Increased costs and inflation pose a very real possibility of the UK entering a recession in 2023. SMEs will need to adapt to survive and keep their growth on track. Keeping up to date with key areas such as cost cutting, organisational structure and pay will give you the tools to navigate a potential recession from an HR perspective.
- Employee retention remains a key theme for 2023 and businesses will need to become proactive in reducing staff turnover. Salary increases in line with inflation are not always viable, however, SMEs need to remain competitive in their salary and benefits packages, or risk losing top talent to competitors as the cost of living crisis continues to grip the nation and drive employee decision making.
- Mental health at work must remain a high priority for SMEs, particularly with external factors including the cost of living crisis, which are likely to have an impact on employee wellbeing throughout the year.
- The theme for this SME Business Survey report has been widely dominated by financial areas and how SMEs can adjust to the rapidly changing economic situation that the UK finds itself in. Financing and bringing in additional funds will be a challenge for businesses in 2023 and therefore, SMEs must find ways to increase profitability where possible, without negatively impacting their customer relationships (i.e. raising prices).
- Throughout 2023, the focus for SMEs should be on maximising ROI and setting realistic targets that if achieved, will continue to see growth and development for both the business and its employees.

Your HR Resource Library

Following on from the key themes highlighted throughout this report, we have put together a list of helpful resources on areas that SMEs may require more support on...



Webinars on demand

<https://www.hrsolutions-uk.com/resources/videos-webinars-archive/>

HR Doc Shop

<https://www.hrsolutions-uk.com/shop/>

SME Video Series

<https://www.hrsolutions-uk.com/sme-video-series/>

Cost of Living Support

<https://www.hrsolutions-uk.com/hr-support-in-the-cost-of-living-crisis/>

Employment Law Reform Hub

<https://www.hrsolutions-uk.com/your-employment-law-reform-hub/>

Outsourced HR Services

<https://www.hrsolutions-uk.com/our-services/>

Payroll Services

<https://www.hrsolutions-uk.com/project-type/payroll-services/>

Health & Safety Services

<https://www.hrsolutions-uk.com/health-and-safety/>

Recruitment Services

<https://www.hrsolutions-uk.com/project-type/recruitment/>

HR FAQs

<https://www.hrsolutions-uk.com/hr-services/hr-frequently-asked-questions/>

Health & Safety FAQs

<https://www.hrsolutions-uk.com/health-and-safety/health-and-safety-frequently-asked-questions/>

Payroll FAQs

<https://www.hrsolutions-uk.com/our-services/payroll-services/payroll-frequently-asked-questions/>

Upcoming Webinars

<https://www.hrsolutions-uk.com/upcoming-webinars/>

Training Courses

<https://www.hrsolutions-uk.com/training-courses/>

Employee Development

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Appendix: Survey questions

Q1. What do you see as the three major business challenges over the next 12 months?

- Recession (46%)
- Business financial performance (31%)
- Securing new business (33%)
- COVID – 19 (0%)
- Keeping pace with changes in technology (13%)
- Tax rises (21%)
- Recruiting staff (36%)
- Employee retention (31%)
- Process improvement (5%)
- Rising costs (51%)
- Political uncertainty (21%)

Q2. How confident do you feel about Employment Law and how it can affect your business?

- Need further support on the legislations (56%)
- Not sure (23%)
- Confident (44%)
- Very confident (15%)

Q3. How up-to-date are you with Employment Legislation?

- Up to date/ on track (56%)
- Need further support on the legislation (28%)
- Not sure (15%)

Q4. What do you see as the three biggest financial challenges to your business over the next 12 months?

- Maintaining a sufficient cash buffer (38%)
- Maintaining an acceptable level of profitability (44%)
- Managing and controlling costs (46%)
- Bringing in new business (33%)
- Impact of Brexit (8%)
- Debt serviceability (0%)
- Bad debtors (10%)
- National Insurance increase (5%)
- Corporation tax changes (10%)
- Other regulations being implemented (5%)
- Rising costs/ cost of living (51%)
- Salary increases in line with inflation (49%)

Q5. What do you see as the three most important aspects of People Management over the next 12 months?

- Employee capability (44%)
- New employment legislation (11%)
- Retention of employees (50%)
- Talent attraction (33%)
- Management of home/ remote workers (31%)
- Company culture (39%)
- Promotion of equality, diversity and inclusion (17%)
- Employee development (31%)
- Employee benefits (22%)
- Communicating the vision of the business to employees (22%)

Q6. When looking at resources within your business, which roles would you consider outsourcing?

- Health and Safety (32%)
- Administration (12%)
- HR (44%)
- Payroll (68%)
- Bookkeeping (35%)
- Recruitment (50%)

Q7. What do you see as the most important aspects of Health and Safety over the next 12 months?

- Home worker risk assessments (52%)
- Fire safety (36%)
- Mental health at work (85%)
- First aid training (21%)
- Statutory compliance (79%)
- HSE investigation (12%)
- Food safety (6%)
- Construction Design Management (15%)

Q8. What will have the biggest impact on your decision making over the next 12 months?

- Available cash/ financing (70%)
- Government legislation (10%)
- Profitability (43%)
- Competition (10%)
- Suppliers (3%)
- Availability of supplies/ resources (20%)
- Resourcing (20%)
- Team member buy in (3%)
- Alignment with the business long term goals (20%)
- Energy and material price increases (20%)
- Tax increases (3%)
- Political uncertainty (13%)
- Inflation (27%)
- Payrises (17%)
- Reward and retention (20%)

Q9. Please select the three most likely actions your business will take/experience over the next 12 months

- Making (further) redundancies (3%)
- Increasing home working ()
- Closure of premises (3%)
- Cutting operational costs ()
- Increasing turnover (69%)
- Undergoing a merger or acquisition (3%)
- Seeking additional funding (17%)
- Business restructure (28%)
- Looking at alternative routes to market/ diversification (24%)
- Expanding overseas (10%)
- Using technology to develop a new product or service line (24%)
- Decreasing home working (17%)
- Move to/ continue with hybrid working (24%)
- Inflation beating pay rises (14%)
- Off-shoring some work (0%)

Q10. If you sell a physical product, do you feel that you will increase or decrease your product importing over the next 12 months?

- Increase level of importing (14%)
- Decrease level of importing (7%)
- Neither increase nor decrease level of importing (45%)
- Not sure (34%)





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