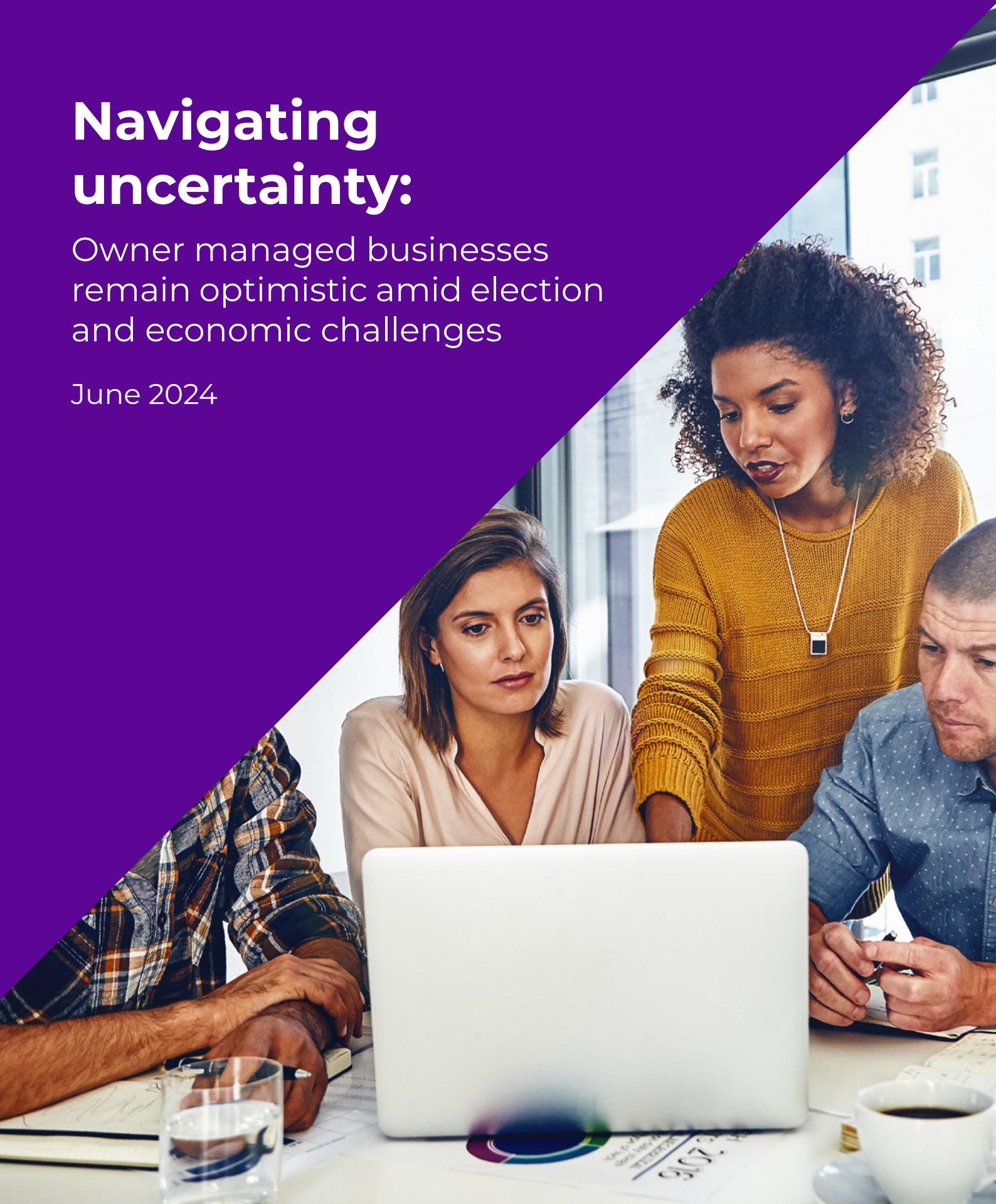




# Navigating uncertainty:

Owner managed businesses  
remain optimistic amid election  
and economic challenges

June 2024



# The business outlook on the year ahead

## Twice a year, Moore UK ask business leaders across the country to share their aspirations for the next six months and track business confidence.

Our latest Moore UK Owner Managed Business (OMB) survey, conducted in June 2024, reveals a nuanced picture of the current business climate among UK business owners. While there has been a slight dip in confidence from December 2023's high, largely attributed to sustained high business costs and uncertainties surrounding the upcoming General Election, the overall outlook remains positive. Despite these uncertainties, it's encouraging to see that businesses remain confident that they will meet profit and revenue targets for the year ahead.

## Key challenges and shifting concerns

High interest rates remain the most significant challenge for OMBs, though the concern has lessened compared to previous surveys. Inflation, while still a factor, is becoming less of an issue, but other cost pressures and staffing challenges persist. Notably, business costs and difficulties in staff retention and recruitment remain prominent hurdles.

Recruitment challenges are particularly impactful, with only a quarter of respondents reporting no difficulties in this area. This shortage is causing increased workloads, contributing to higher levels of absenteeism due to stress and burnout.

## Recruitment trends and technological adaptations

Despite recruitment challenges, fewer businesses plan to hire over the next three months. Instead, many are turning to alternative solutions like artificial intelligence (AI) and initiatives to boost staff morale. An impressive 62% of OMBs are already incorporating AI in their operations, with more planning to do so in the future. AI is seen as a potential remedy for recruitment woes, capable of automating routine tasks and allowing employees to engage in more creative and fulfilling work.

However, the adoption of AI brings its own set of risks. Business owners need to be aware of these challenges and recognise the importance of implementing robust processes and procedures to mitigate potential downsides.

## Cyber security and data protection concerns

Cyber security and data protection are top priorities for business owners, especially in light of the significant barriers they face in improving these areas, such as the lack of in-house expertise and the high costs of IT infrastructure and support. This focus is well-placed, as nearly a third of businesses reported experiencing cyber security or data protection issues in the past year. This underscores the necessity for businesses to enhance their defences to avoid vulnerabilities to cyber-attacks.





## Political climate and business sentiment

The forthcoming UK General Election is another source of uncertainty. Irrespective of the election's outcome, business owners want the next government to prioritise easing trade barriers with the EU and reducing Brexit-related red tape. These measures are seen as critical to fostering a more business-friendly environment and supporting growth.

## Conclusion

Our latest survey highlights a landscape of cautious optimism among OMBs. While challenges such as high business costs, recruitment difficulties and cybersecurity threats persist, businesses are adapting through technological advancements and strategic planning. The political landscape adds an additional layer of uncertainty, but the overall sentiment remains one of resilience and determination to thrive in the face of evolving challenges. As the year progresses, it will be crucial for businesses to stay agile and proactive in addressing both existing and emerging issues.

To gather the data for this report we surveyed 500 businesses with turnover between £1m and £30m in June 2024. Businesses were selected from across all sectors throughout the UK and in proportion regionally in line with ONS statistics for VAT registered and PAYE companies under 249 employees.

We'd like to thank everyone who took part – your feedback is much appreciated.



**Matthew Meadows,**  
Chair of Moore UK



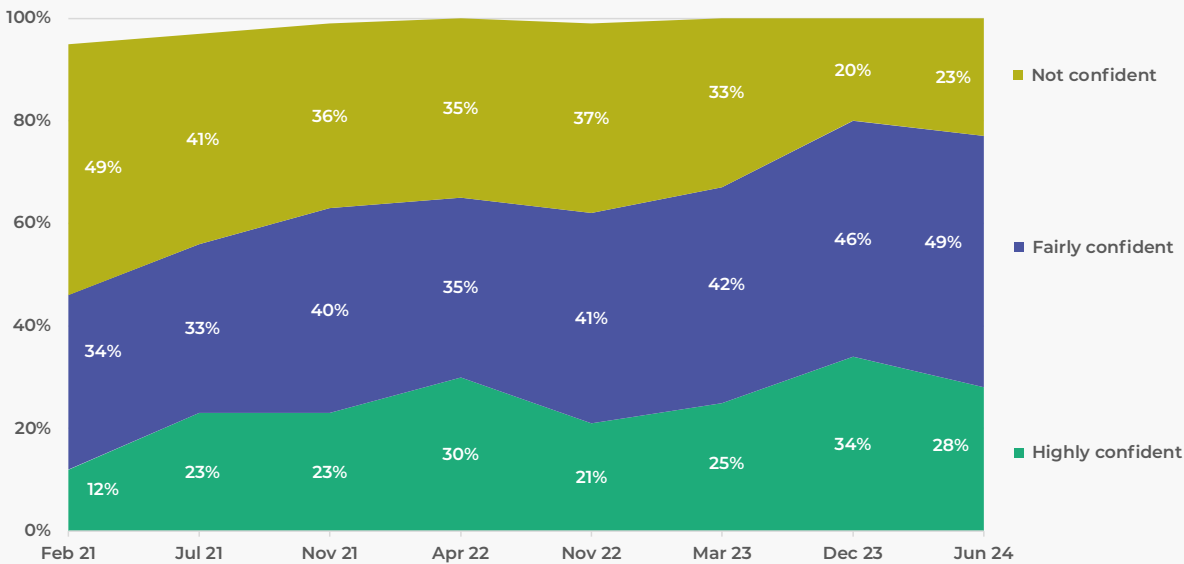
**Mark Lance,**  
CEO of Moore UK

# Confidence in the general outlook

Overall business confidence in the general outlook remains high, with more than two thirds (77%) saying they are confident about the year ahead, with almost a third (28%) highly confident about the future.

However, there's been a slight drop in business confidence from the previous survey (34% highly confident in December 2023 compared to 28% in June 2024) as Owner Managed Businesses (OMBs) continue to grapple with high interest rates, rising business costs and uncertainty around the General Election.

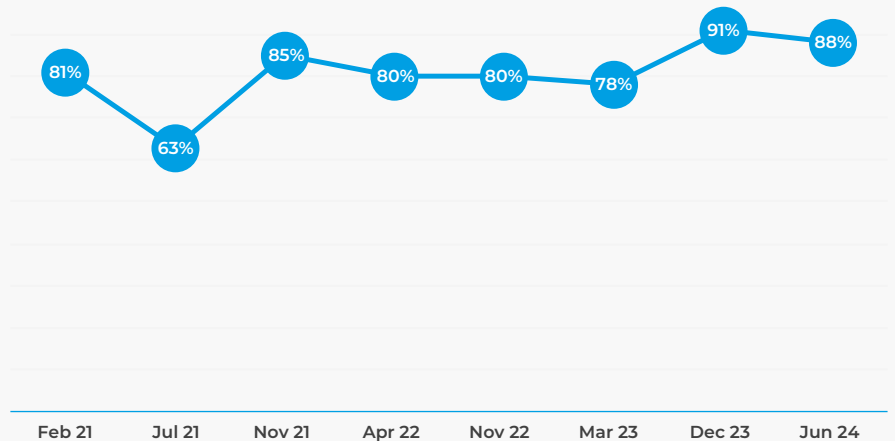
## Confidence in the general outlook



## Profitability

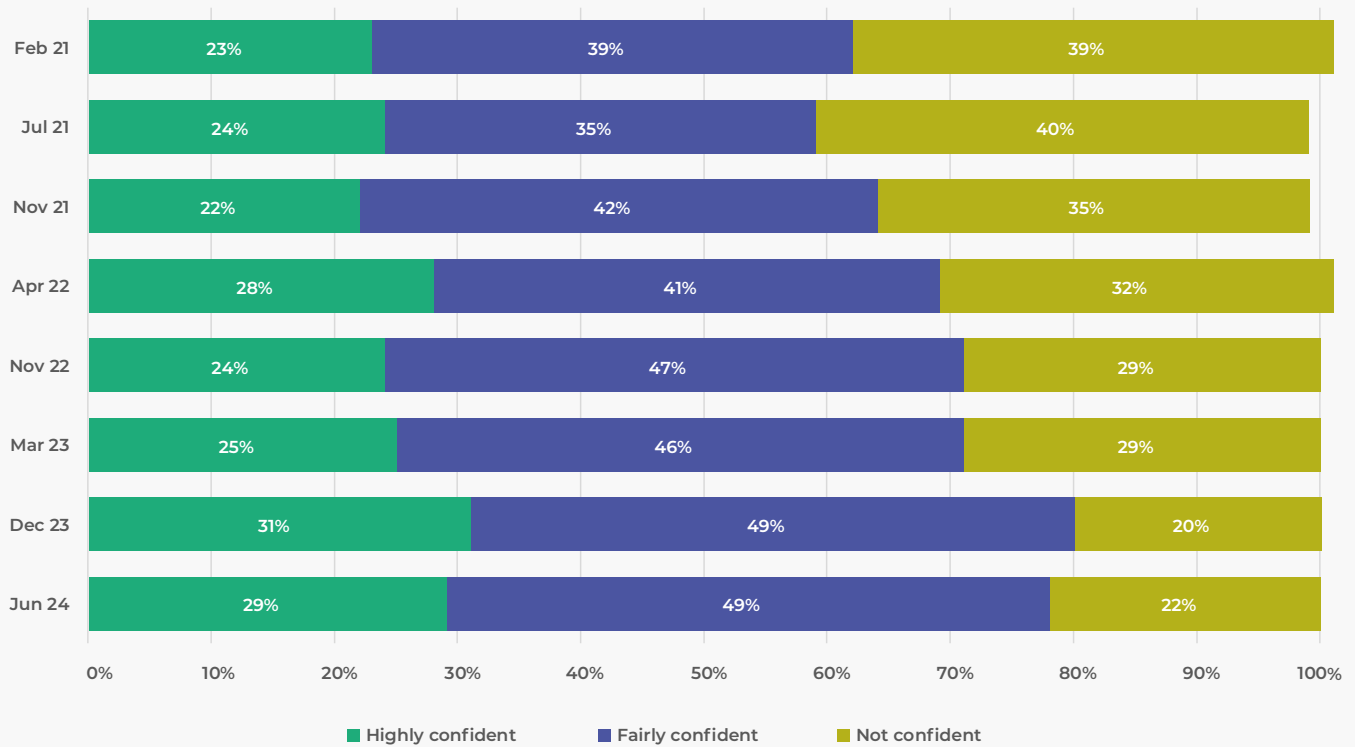
The number of OMBs expecting their profitability to increase in the next 12 months has dropped slightly to 88%, down from a high of 91% in December 2023.

## % of OMBs expecting profits to increase over the next 12 months



78% of OMBs say they are confident about meeting their profit targets in the year ahead, with almost a third (29%) highly confident in meeting their targets.

## Confidence in meeting profit targets



## What are your main business goals for the next six-12 months?



“Keep costs as low as possible.”

“Just continue along as we are, everything is running fine and business is good.”

“Grow into new markets, drive innovation and automation.”

“We hope to increase profits by 10%”

“Maintain current business level while reducing costs.”

“To keep morale in the workplace strong and to keep making profit and keep making sales.”

“To maintain current levels in the marketplace, increase the use of integration of AI chat tools, offer more expert training for staff in the workplace.”

“To maintain profit margins and keep our excellent workforce happy!”

“Our main business goal is to maintain revenue while keeping our costs in control as well as improve customer service with the help of AI.”

# Biggest challenges facing owner managed businesses in 2024

Rising interest rates remain the biggest challenge for owner managed businesses, but this has dropped considerably from 47% in December 2023 to 36% in June 2024 as the Bank of England continues to hold interest rates at 5.25%.

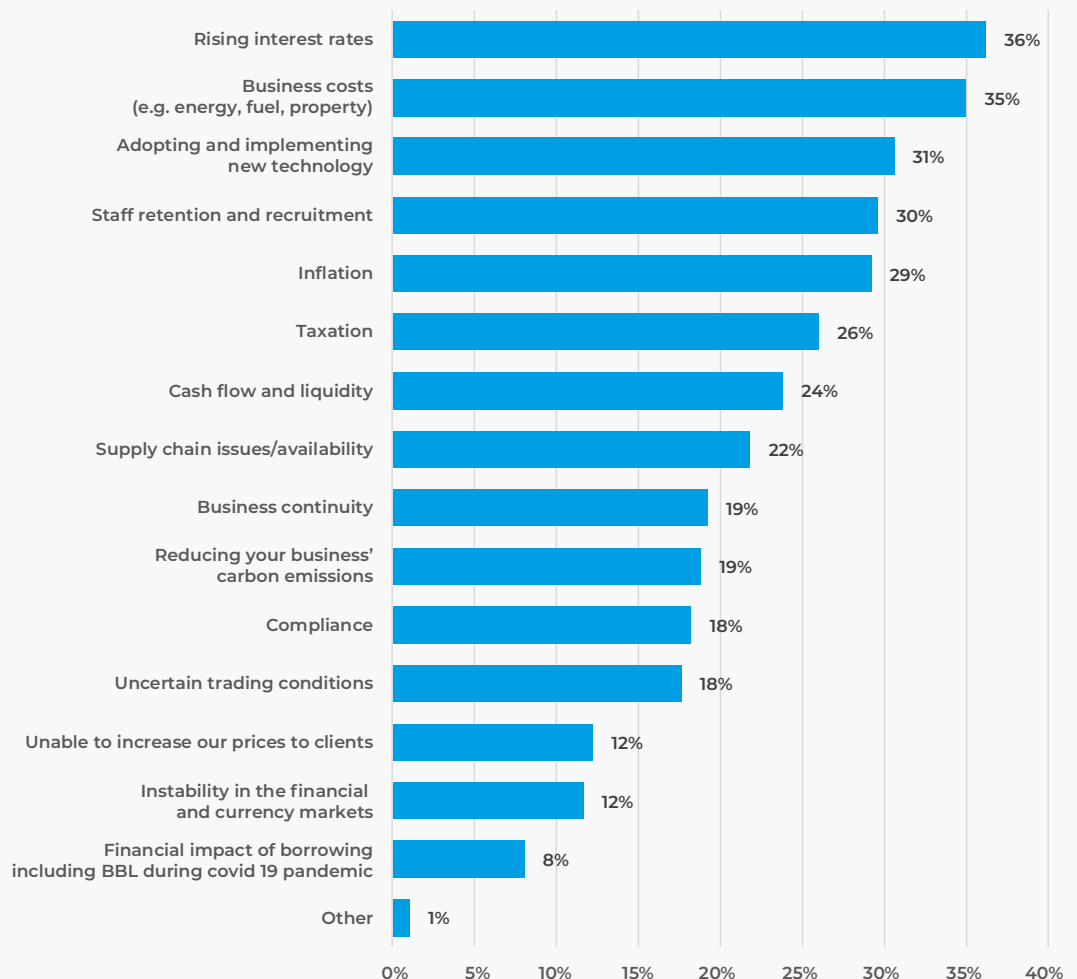
More than a third of business owners (35%) say that business costs (e.g. energy fuel and property) are a challenge, followed by adopting and implementing new technology (31%) and staff retention and recruitment (30%).

With a General Election looming, tax is becoming a bigger concern for business owners, with a quarter (26%) citing tax as a major challenge over the next few months compared to 21% in December 2023.

And while 29% of business owners say that inflation is a key challenge, this has continued to fall from a high of 37% in March last year.



## What are the biggest challenges facing your business in the next three months?



# Recruitment and retention

Challenges recruiting and retaining staff continue to hamper business growth with one in five business owners (20%) saying that they have had to turn new work opportunities down as a result and a similar number (21%) saying they have not met their growth targets. Only a quarter of firms (25%) haven't experienced any problems in this area.

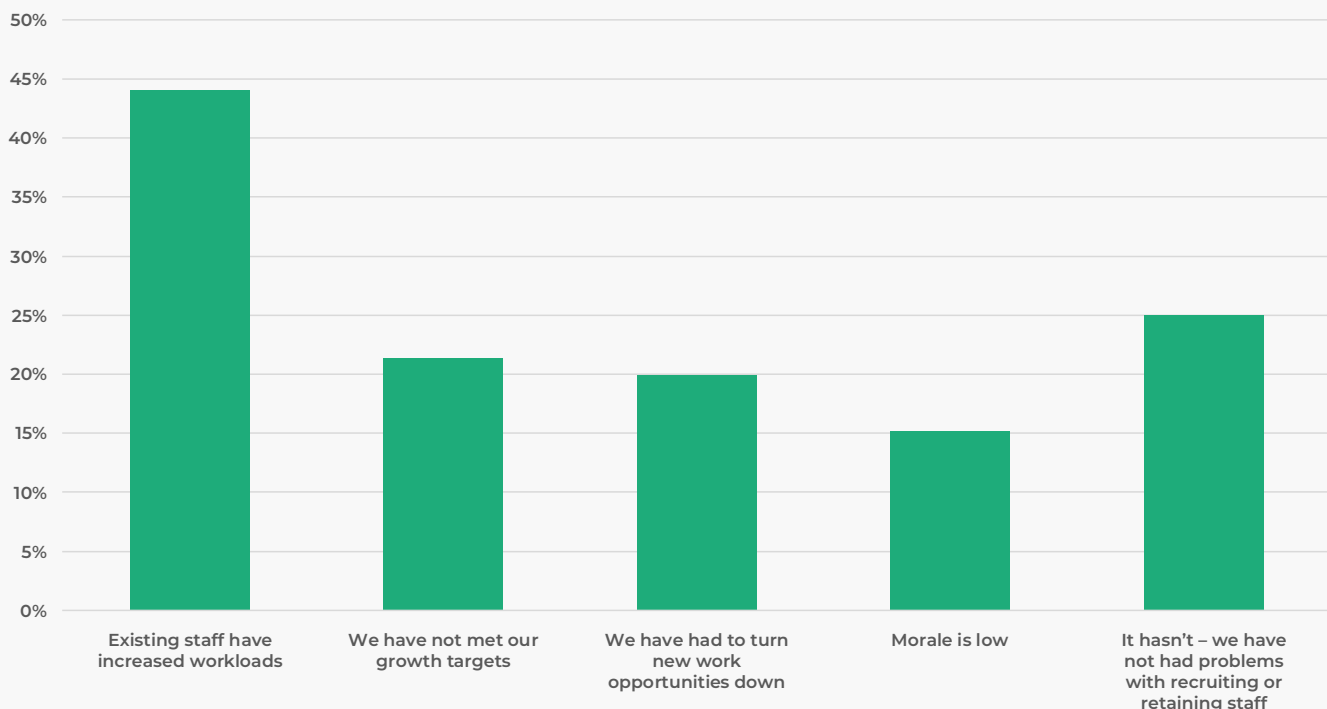
And it's existing employees who are bearing the brunt of difficulties recruiting and retaining staff, with 44% of owner managed businesses saying their existing teams have had to take on increased workloads as a result (up from 28% in March 2023.)

These stresses are bringing new challenges – 42% of business owners say they've been affected by increased levels of staff absenteeism at work over the past 12 months.

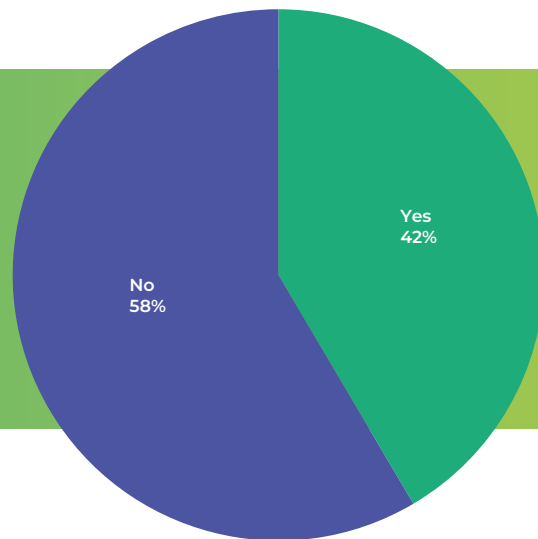
To reduce absenteeism, business owners need to focus on developing a positive workplace culture and strong employee value proposition to attract and retain talent.

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## To what extent have challenges with recruiting and retaining staff impacted on your business?



Over the past 12 months, has your business been affected by increased levels of staff absenteeism at work?

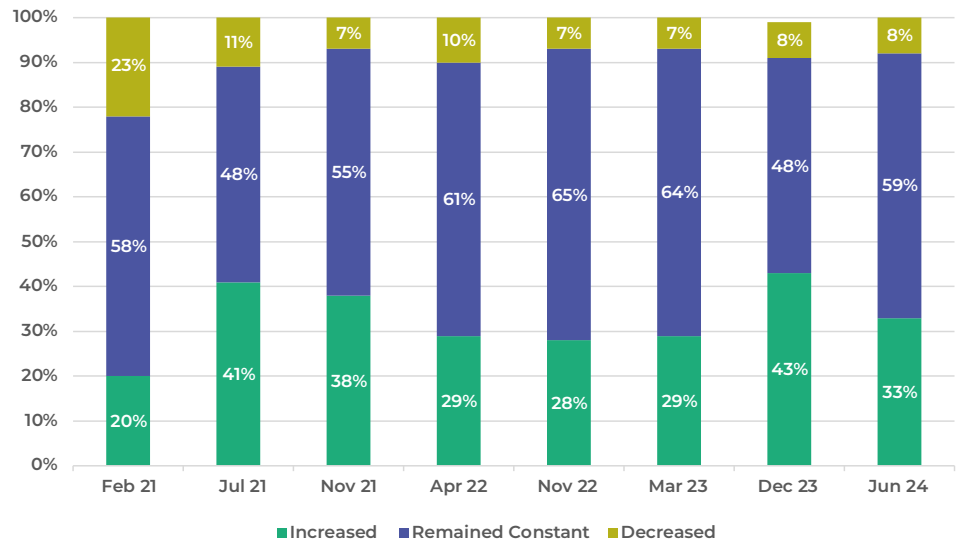


### Business owners look to alternative solutions to ease recruitment woes

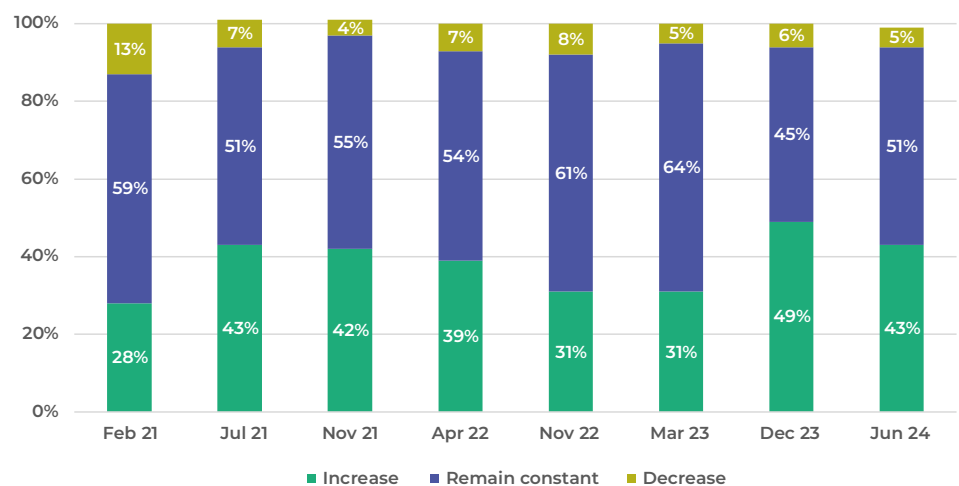
Even with recruitment and retention of staff remaining a significant challenge for many OMBs, business owners appear to be slowing down their recruitment activity – looking to improve morale amongst their existing teams and to use AI solutions to drive efficiencies within the business instead.

Just 33% of business owners say they increased their headcount over the past three months (down from a high of 43% in December 2023), and OMBs say they are less likely to be recruiting over the next three months too, with the only 43% planning to increase their workforce compared to 49% in December 2023.

Over the past three months, has your workforce...



Over the next three months, do you expect your workforce to...





## What are your main business goals for the next six-12 months?



“To manage staff retention and increase headcount.”

“Improve staff wellbeing.”

“My main business goal is to implement artificial intelligence into the business and lighten the workload on the staff.”

“To keep existing staff motivated and to try to promote better morale as they work under time pressure.”

“Our goal is to continue growth. We also need to keep current staff and so don't have any further issues with retention.”

“Retain skilled staff and decrease costs by 10%.”

“To enhance our skills and training opportunities for staff and to attract better talent by doing so.”

“Our business goal is to increase capacity through increased staff moral and labour productivity.”

“Continued growth including recruiting qualified staff to deal with client demand. Take steps to start introducing AI.”

“Keep my workforce happy.”

“Improve workforce satisfaction and retention of experience staff. Also to expand customer base and reduce overhead costs.”

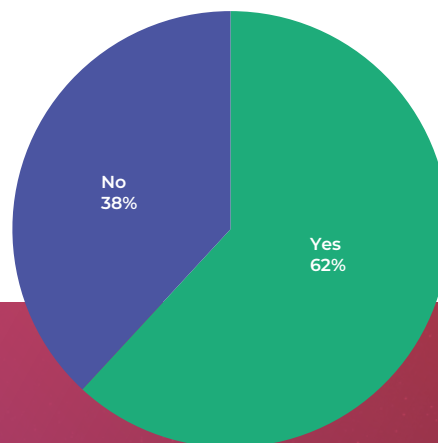
“Increase staff morale.”



# AI: Artificial Intelligence

With AI promising significant business benefits including improving customer engagement, reducing operational costs, and boosting efficiency, more than half (62%) of owner managed businesses are already incorporating AI into their business. Larger businesses (those with turnover between £5m and £30m were more likely to have adopted AI (70%) than smaller companies with less than £5m turnover (55%).

Is your business using AI?



## Where are you using AI in your business?

- “To compile data for reports.”
- “Coding assistance.”
- “To generate ideas for ads.”
- “Web chat services for customers.”
- “We’re piloting simple things like taking notes and summaries, but we’re planning an expansion into reducing workloads.”
- “For recruitment.”

## Where do you think AI would be most helpful in your business?

- “Report analysis.”
- “Research and development.”
- “Scheduling and forecasting.”
- “Simplifying admin tasks and reducing support staff costs.”
- “Taking over doing mundane tasks to free up staff time.”
- “To improve efficiency.”
- “Writing blogs and articles.”
- “Writing reports and fundraising bids.”

Many of those who aren’t already using AI within their businesses plan to do so in the near future.

## Could AI be a solution to recruitment challenges?

Businesses can leverage AI to achieve substantial benefits, including process automation, enhanced customer engagement, and cost reduction. And with OMBs continuing to face recruitment challenges, AI could prove to be an effective part of the solution.

## What are your main business goals for the next six-12 months?



“We intend to upgrade our IT infrastructure and incorporate AI models for our distribution.”

“AI is the future, and we must embrace it.”

“Implement AI to transform the business.”

“My main goal for my business within the next six-12 months is to increase clientele and make their experience easier using AI.”

“To leverage AI-driven analytics to optimize investment strategies and improve client portfolio performance, aiming to achieve a 15% increase in overall client satisfaction and asset growth.”

“To reduce marketing agency costs by the use of AI for copy creation and article and image creation.”

“To adapt to the use of AI and keep our customers coming back.”

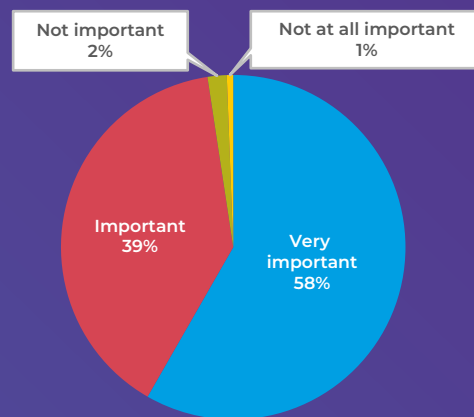
“We want to train staff in AI and cyber security and make them more knowledgeable about the new risks this technology poses.”



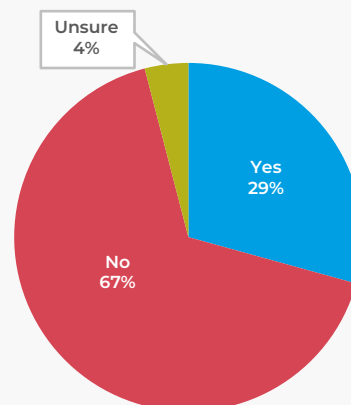
# Cyber security and data protection

With more than a quarter of businesses (29%) having experienced a cyber security or data protection issue in the past 12 months, it's reassuring to see that almost all OMBs take the issue seriously with (98%) saying cyber security and data protection are important to running their business.

How important is cyber security and data protection to running your business?



Has your business experienced a cyber security or data protection issue in the past 12 months?

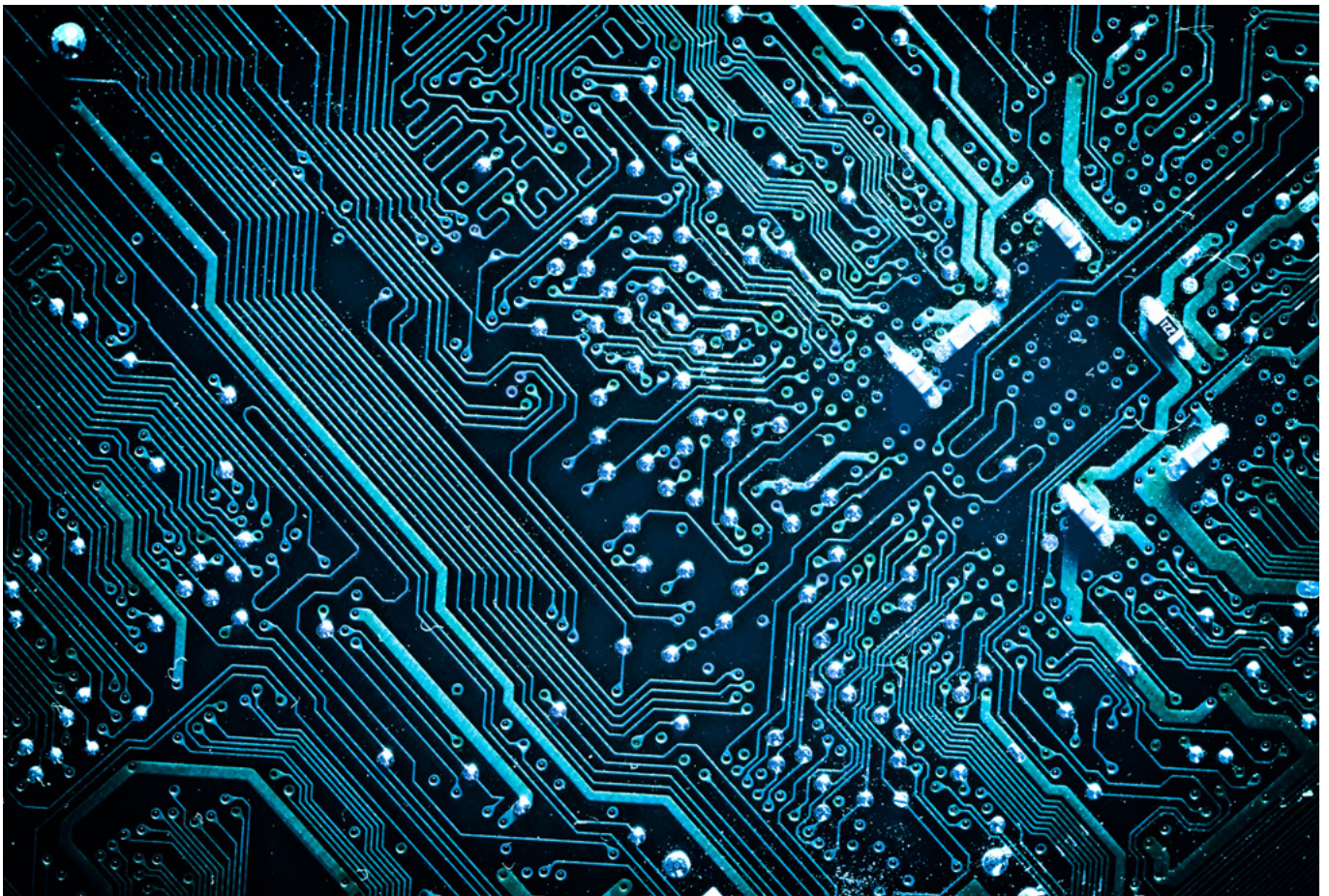
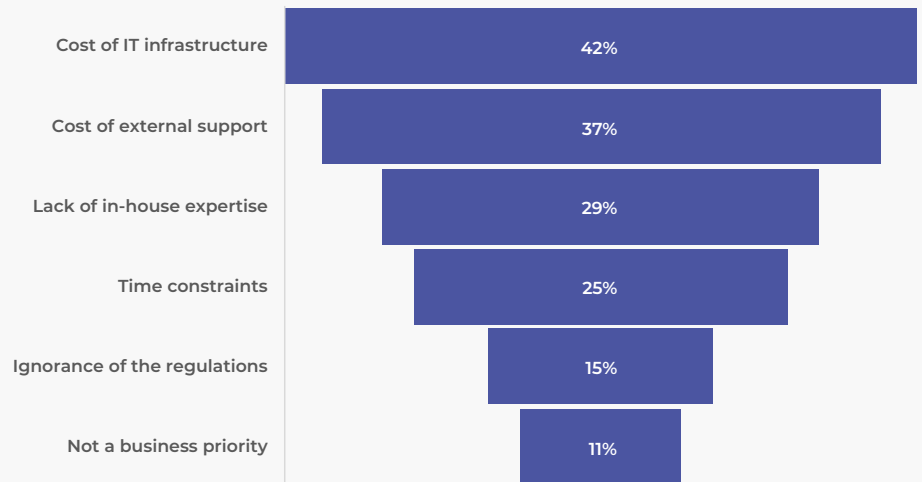


However, despite OMBs' willingness to take the issue seriously, business owners are facing significant barriers to improving cyber security or data protection. More than a quarter (29%) say they lack the in-house expertise needed, and 42% and 37% respectively cite the cost of IT infrastructure and the cost of external support as barriers to implementing the improvements needed.

Cyber-security is an ever-changing field, and businesses need to invest in the latest technology and expertise to stay ahead of criminals. With OMBs already under pressure from rising business costs there is a risk that business owners could leave themselves vulnerable to increasingly sophisticated cyber-attacks.

## What are the barriers to improving cyber security or data protection in your business?

Some OMBs may be underestimating the risks posed to the business by a cyber-attack. One in ten businesses (11%) say improving cyber security isn't a priority for them this year. Business owners who become too complacent may be putting their businesses at risk by misjudging the cost of successful cyber-attack and overlooking the need to invest in effective security measures.

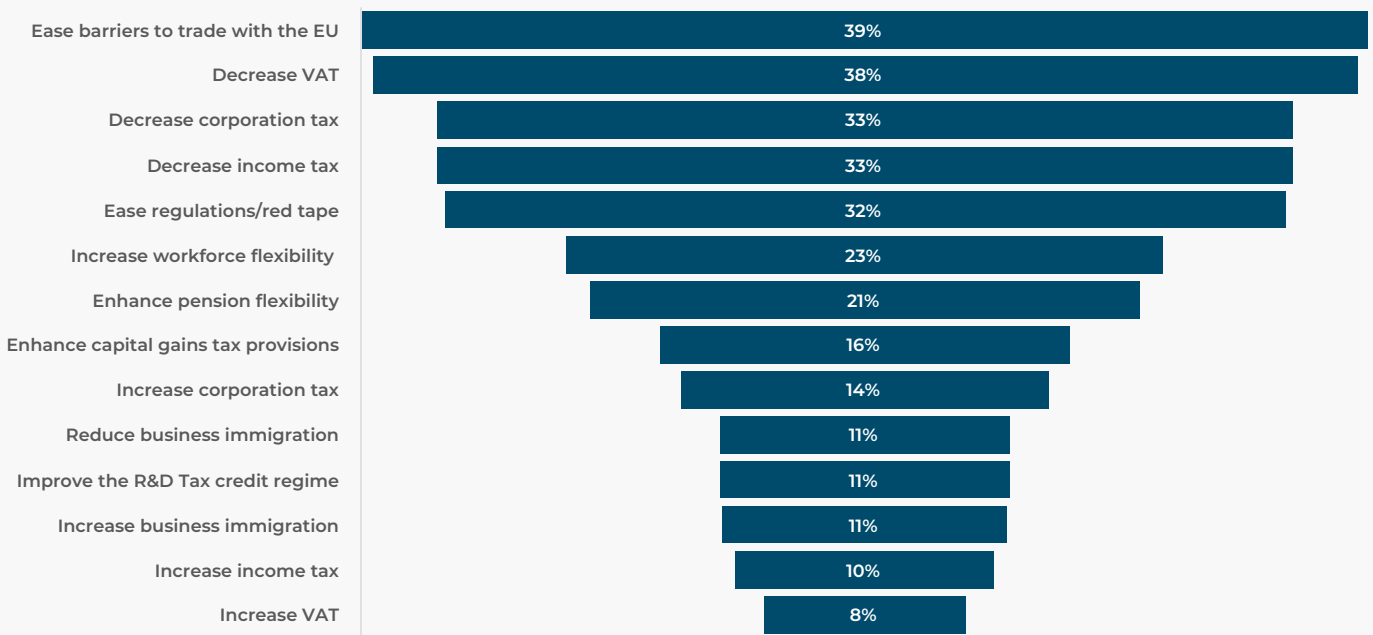


# Political climate and business sentiment

When it comes to the policies, business owners would like to see implemented after the General Election, reducing the barriers to trading with the EU was the most popular, at 39%.

Perhaps unsurprisingly, business owners would also like to see a reduction in taxes, with 38% calling for the government to reduce VAT and 33% for a reduction in corporation tax and income tax.

## Which policies would you like to see the government prioritise after the election?



## What are your main business goals for the next six-12 months?



“To survive long enough to see a new Government in place.”

“Wait and see until after the General Election, hopefully things will improve significantly.”

“We need better handling of dealing with Brexit in Northern Ireland (take away the border between NI and mainland GB).”

“Exporting to Europe is still our main focus.”

“In the next one to two months, we’ll be prioritising stability, ensuring we are stable following the election..”

“Our main goal is to keep our business running and being profitable in the current economic climate. We are also trying to keep ahead of any changes that we foresee happening with a change of government.”

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