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**POOR MANAGEMENT PUTS VIABLE START-UPS ON THE PATH TO FAILURE**

*New report from The Entrepreneurs Network sets key policies for the UK government to prevent unnecessary business failure.*

* 70 businesses are being created in the UK per hour on average, but up to 57 per cent of these new businesses collapse within five years;
* The focus should be on quality, not quantity, and on equipping fledgling business owners with the tools to help their businesses survive and thrive;
* Differences in management account for half the productivity gap between the US and UK. Management is as important as R&D and twice as important as IT for productivity. Productivity, in turn, is the biggest factor holding back pay growth in the UK;
* Improving the quality of British management is key to solving our productivity crisis.
* Closing the productivity gap between the top and bottom three quartiles would boost UK GDP by 270bn;
* Less than a third of SME employers provide training for managers;
* The report argues that fewer unnecessary failures will create a more competitive business environment, driving further improvements in efficiency and innovation benefitting wider society;
* The report calls on government to allow employees and the self-employed to benefit from tax breaks when they fund their own training.

Too often viable companies fail due to bad management even when the fundamental idea behind the business is sound, a report from The Entrepreneurs Network, as part of the Business Stay-Up Campaign, finds.

The straightforward business advice given by TV troubleshooters – from Mary Portas to Gordon Ramsay or Alex Polizzi – is supported by a body of academic research that finds good management is a better predictor of a firm’s success than R&D spending, IT spending or how skilled their workforce is.   
  
Whether or not firms consistently monitor and improve their processes, set and revise targets, and incentivise employees through merit-based hiring, firing and promotion procedures explains almost a third of the differences in productivity between and within countries.

The report recommends practical reforms to encourage greater investment in management capability to reduce the rate of unnecessary business failure. Put simply, when businesses are well-managed they create more jobs, pay higher wages, and sell better (and cheaper) products. Better managed workers aren’t just more productive and better paid, they’re happier too.

First, government should allow employees and the self-employed to benefit from tax breaks when they fund their own training. Currently, employers who fund work-related training will receive tax relief, but employees who fund their own training receive no tax benefit. Yet in a recent OECD paper, two-thirds of countries studied provided a deduction for costs incurred by work-related training from taxable income.

Second, we must reform the Apprenticeship Levy to allow firms to invest in improving the management firms in their supply chains by turning the levy into a broader training levy as advocated by the OECD. The recent reform to allow Levy payers to transfer up to 25 per cent of their Levy payments to fund apprenticeships for firms within their supply chain is welcome, but should go further and allow an additional 25 per cent to be transferred to firms in their supply chain, as business groups including the CBI have called for.

Third, government should use its convening powers to ensure SME owners get the information and advice they need to survive and thrive. Strengthening existing peer-to-peer networks and providing funding support to get new ones off the ground in underserved regions will help SMEs overcome the informational barriers to seeking out management training and adopting best practices.

But before wading in, government should identify what works by sponsoring randomised trials of promising training interventions. While there is strong evidence that better management leads to higher wages, higher employment and higher revenue growth, the evidence on specific programmes is patchier. Government should identify what works by sponsoring randomised trials of promising interventions.

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**Sam Dumitriu, Research Director at The Entrepreneurs Network and author of the report said:**

***“Not all businesses deserve to succeed, but they ought to be given a fighting chance. We need to equip more business owners with the skills they need to survive and, hopefully, thrive. That’s why we’re calling on the government to allow employees and the self-employed to benefit from tax breaks when they fund their own training. This is the norm across the OECD with two out of three nations providing a deduction for self-funded work-related training. It’s time the UK caught up.***

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**Notes to editors:**

*For further comments or to arrange an interview, please contact Annabel Denham (*[*annabel@tenentrepreneurs.org*](mailto:annabel@tenentrepreneurs.org)*; 07540 770774)*

The report “Business Stay-Up” will be live on The Entrepreneurs Network’s website from 00.01 on WEDNESDAY 23rd JANUARY 2019.

*The Entrepreneurs Network is a think tank for the ambitious owners of Britain’s fastest growing businesses and aspirational entrepreneurs. The Association of Business Executives is a not-for-profit organisation providing internationally-recognised qualifications and a worldwide professional association for business executives.*