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CONTENT ANALYSIS OF THE CHANGING BUSINESS RISK ENVIRONMENT OF THE UK'S SMALL AND MEDIUM ENTERPRISES (SMES)



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Oluwafemi Olatoye, PhD · Jacqueline Rawlinson · Uchenna Nweke, PhD
College of Leadership and Innovation

Society for Risk Analysis Europe
SRA-E (UK Chapter) Conference
King's Building, Strand Campus, King's College London
5th November 2026

Introduction

SMEs drive growth
Globally critical to economic growth and socio-economic development.

UK Context
-99% of UK Businesses, - 10% mortality rate in the first two years (UK Government Commercial Function, 2026).

Pressure environment
Operate under severe pressure in a dynamic, rapidly changing risk landscape.

This study
Five-year content analysis of the FSB Small Business Index (Q1 2021 – Q4 2025), tracking confidence from pandemic recovery through energy, inflation and tax changes.

Aim, Objectives & Research Questions

Aim
To conduct a content analysis of the changing business risk environment of the UK's Small and Medium Enterprises (SMEs)

OBJECTIVES

1. To identify factors responsible for risk changes to SME business operations
2. To assess the implications of risk changes on business confidence among SMEs
3. To develop an SME decision resilience framework to manage operational risks

RESEARCH QUESTIONS

RQ1: What contemporary factors drive risk changes to SME's business operations?

RQ2: How have these risk changes affected business confidence among SME's?

Literature Review: Key Concepts

SME Definition

Enterprises with <250 employees, annual turnover ≤ €50m or balance sheet ≤ €43m (EU Commission, 2003).

Risk Governance

Risk governance processes are integrative and dynamic (Klinke & Renn, 2021). Systematic risks (environment) + specific risks (market activities) can compound without adaptive capacity.

Adaptation Imperative

Unpredictable environments require proactive strategies to sense, anticipate and adapt rapidly (Terchila, 2025; Teece, 2017 dynamic capabilities).

Approach	Qualitative content analysis of archival / historical data
Source	UK Federation of Small Businesses (FSB) Small Business Index reports
Period	Q1 2021 – Q4 2025 (20 quarterly reports; post-pandemic longitudinal window)
Rationale	Archival data provide contextualised, longitudinal insight into risk exposure and confidence shifts (Cozzolino et al., 2021)
Process	Extracted SBI scores & key drivers → coded into 10 themes → risk matrix assessment by year

Data Overview: SBI Data

Small Business Index selected quarterly readings

Q1 2021

+27.3

Reopening rebound

Q1 2022

+15.3

Still positive

Q4 2022

–45.8

Energy shock low

Q1 2024

+5.5

First + since 2018

Q4 2024

–64.5

Sharp decline

Q4 2025

–71

Series low (post-COVID)

Content Analysis: 10 Themes

1. Inflation & general cost pressures
2. Energy & utility costs
3. Labour costs & employment taxation
4. Tax burden
5. Domestic economic conditions / demand
6. Access to finance & credit conditions
7. Revenue performance & trading conditions
8. Employment levels / workforce intentions
9. Sectoral divergence
10. Policy & political events

Risk Matrix Assessment

Low Medium High Dominant

Theme	2021	2022	2023	2024	2025
Inflation / cost pressures	Low	**Dominant**	High	Medium	Low–Med
Energy & utility costs	Low	**Dominant**	Medium	Low–Med	Medium
Labour costs / emp. tax	Low	Medium	Medium	High	High
Tax burden	Low	Low	Low–Med	Medium	**Dominant**
Domestic demand / economy	Medium	High	High	High	**Dominant**
Access to finance / credit	Low	Med–High	Medium	Medium	Low
Revenue performance	Medium	High	High	High	High
Employment levels	Medium	Medium	Medium	Med–High	High
Sectoral divergence	High	High	Med–High	High	High
Policy / political events	High	High	Medium	**Dominant**	**Dominant**

Implications of Findings

Most exposed sectors

Construction, hospitality and retail faced the highest risk exposure across the period.

Dynamic & policy-contingent

SME risk is not static. Resilience decisions must be adaptive rather than locked to fixed risk categories.

Firm-size matters

Disproportionate impact on micro-firms (1–9 employees). Policies designed for medium firms often miss the smallest businesses.

Fiscal sensitivity

Strong reaction to Autumn Budget and National Insurance changes. 82% of firms expected NI rise to impact their business (British Chambers of Commerce, 2025).

SME Decision Resilience Framework

Based on Teece (2017) dynamic capabilities: Sense → Seize → Transform, adapted to SME risk shocks.

SME Decision Resilience

SENSE	SEIZE	TRANSFORM
Identify opportunities & risks	Refine & seek new opportunities	Realign & reinvest
Energy, inflation & tax changes	Fiscal policy, grants, finance	Invest in tech & capabilities

↔ Continual Adaptation ↔

Conclusion

1. Longitudinal evidence shows SME risk exposure is highly dynamic and strongly shaped by policy and macroeconomic shocks.
2. Government policy has a decisive impact on SME performance and survival — especially for the smallest firms.
3. Construction, hospitality and retail are consistently more vulnerable; support design should reflect firm-size differences.
4. Rising SME confidence is a prerequisite for broader economic growth.
5. The proposed resilience framework advocates continual adaptation (Sense–Seize–Transform) rather than static risk categorisation.

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Thank you

Questions & Discussion

High Wycombe Campus
Queen Alexandra Road
High Wycombe
Buckinghamshire
HP11 2JZ

Aylesbury Campus
59 Walton Street
Aylesbury
Buckinghamshire
HP21 7QG

Uxbridge Campus
106 Oxford Road
Uxbridge
Middlesex
UB8 1NA

BUCKS NEW UNIVERSITY