

# Red tape may have a silver lining for micro businesses: new study

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Credit: Karen Arnold/public domain

Small business owners who complain about excessive regulation may be overlooking the business benefits it brings, according to a new study from the University of Bath.

Often perceived as a costly burden that hinders success, the reputation of [regulation](#) may have suffered from research that has failed to give businesses the chance to reflect on the [positive effects](#) that exist alongside the costs.

Researchers from the Centre for Governance, Regulation, and Industrial Strategy in the University's School of Management questioned over 700 micro firms (of 0 to 9 employees) in the English holiday accommodation sector and found that for these small businesses, success requires a more rounded analysis than just [financial performance](#).

When the burden and benefits of regulation are explored independently, the researchers suggest that regulation may trigger significant benefits, which could include new business opportunities and strategies; protection of existing markets for small businesses by acting as a barrier to new start-ups; and ensuring a level playing field across the industry.

"Regulation is generally thought to benefit society at the direct cost of the small business owner, but it can bring positives too, particularly as many of these businesses are measuring success not just by financial performance, but very personal measures derived from a desired lifestyle," explained Dr. Marc Betton, researcher at the University of Bath.

"There is a more complex relationship between regulation and micro [firm performance](#) when broader goal-based measures are included—and that requires more exploration," said Betton, who helps to run a family caravan park business in the south west.

Research to date has focused on the financial impact of regulation on micro firms—the cost of acquiring and installing regulatory required equipment, changes to processes following regulatory change, and the time diverted to researching and understanding regulation—all of which are felt to disproportionately affect micro firms with fewer resources than larger firms.

"Small businesses are enduring hardship and face an uncertain future in the face of COVID-19 closure and the ensuing recession, and we can only empathise with the many business owners who are already losing their livelihoods. For those businesses that survive and can hopefully soon re-open, there will be a new slew of regulation to make their business COVID ready that will likely come at a cost, not least the likelihood of running below capacity to enable social distancing," said Dr. Rob Branston, Senior Lecturer in Business Economics at the University.

"Our previous research shows many [small businesses](#) can struggle to access and correctly interpret guidance, and that must be extra difficult at the moment when announcements are made without the detail. But they may find their struggle with regulation and red tape pays off in the long run."

Seventy percent of businesses focused on English holiday accommodation are micro firms, including B&Bs, self-catering, and caravan parks, and they operate in a highly regulated sector.

Regulation—designed to ensure that businesses comply with minimal standards in the public interest—covers everything from who can be employed and on what terms, to the way buildings are designed and constructed, to how food is prepared, grown, and sold.

Despite accounting for 96 percent of all businesses in the UK economy

micro-firms are often overlooked or deliberately excluded from [business](#) studies on regulation in favour of those with a greater number of employees. Yet, according to Branston, these firms are the backbone of the economy and are vital to restoring its health through the COVID crisis.

"Owner-Manager Perceptions of Regulation and Micro-Firm Performance: an exploratory view" is published in the journal *Competition & Change*.

**More information:** Marc E Betton et al, Owner–manager perceptions of regulation and micro-firm performance: An exploratory view, *Competition & Change* (2020). [DOI: 10.1177/1024529420926082](https://doi.org/10.1177/1024529420926082)

Provided by University of Bath

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