



GROWING PAINS: **Typical Mistakes** **That Hold Growing** **SMEs Back**

Find out how financial challenges impact growth based on research of over 4,000 UK businesses, and how you can overcome them

The journey from a small business to a medium-sized enterprise (10-100 employees) represents a critical inflection point. Your business has survived the startup phase, established market presence, and begun to scale. But growth brings financial challenges many business owners aren't ready for.

When your company scales, your financial systems often struggle to keep pace. What worked at 5 employees often breaks down at 25. Processes built for £250K in revenue won't work at £1M.

Our research, based on comprehensive data from managers and decision-makers at over **4,000 UK-based businesses**, reveals that many small to medium-sized enterprises (SMEs) are caught in a dangerous middle ground – too large for the informal financial practices that sustained them in the early stages, yet lacking the robust financial infrastructure of larger corporations.

This report uncovers the most common financial mistakes that hold growing businesses back – and shows how to fix them. You'll learn where businesses get stuck, what those mistakes cost, and how the right mix of expert support and modern tools can help you break through.

Growth isn't easy. But it's how you build a business that lasts.

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The most common financial ***MISTAKES THAT HURT GROWTH***

As businesses grow, minor issues become major risks. Financial processes that once held together start to fray under pressure. Our research reveals three financial mistakes that consistently hold SMEs back as they scale—and what happens when those issues go unaddressed.

MISTAKE 1

Poor cash flow management

MISTAKE 2

Late or incorrect tax filings

MISTAKE 3

Limited financial visibility

1

Mistake 1: Poor cash flow management

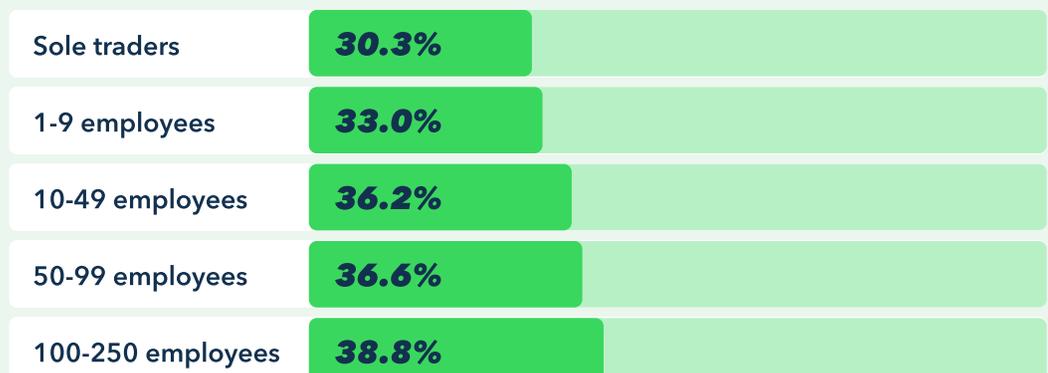
Scaling brings complexity—more clients, more invoices, and more delayed payments. As a result, tracking cash flow becomes significantly harder. Many businesses find themselves profitable on paper, but unable to cover day-to-day costs in reality.

Our research highlights that over a third of growing businesses report difficulties tracking cash flow—36.2% of companies with 10-49 employees and 36.6% of those with 50-99 employees identify it as a significant challenge. The problem intensifies as businesses scale, affecting 38.8% of companies with 100-250 employees (compared to 30.3% of sole traders).

I

Which of the following, if any, are the challenges you/your business faces with regards to business finances and accounting?

Keeping track of cash flow



These growing difficulties in tracking overall cash flow can be traced, in part, to a critical underlying issue: many businesses also struggle with accurately monitoring their expenses. The data shows cash flow challenges worsen with scale, while a closer look reveals that poor expense tracking can be a key contributor to these blind spots.

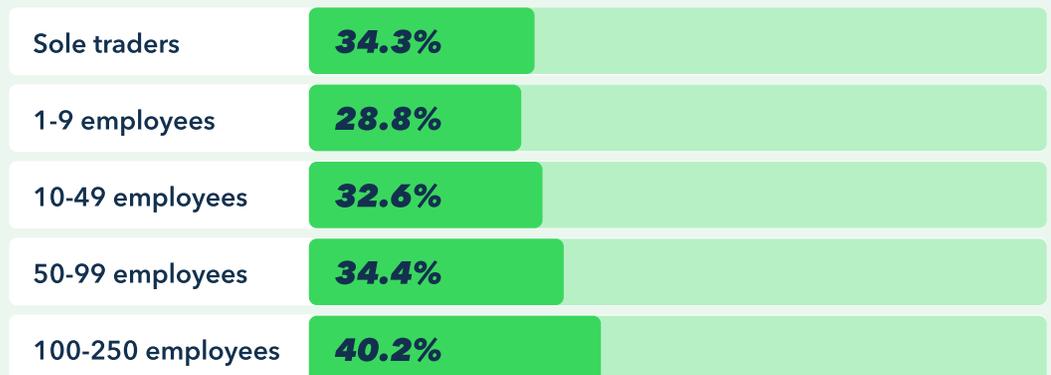
Approximately one-third of SMEs struggle in this area, with 32.6% of businesses with 10-49 employees and 34.4% of those with 50-99 employees citing it as a persistent challenge.



II

Which of the following, if any, are the challenges you/your business faces with regards to business finances and accounting?

Keeping track of expenses

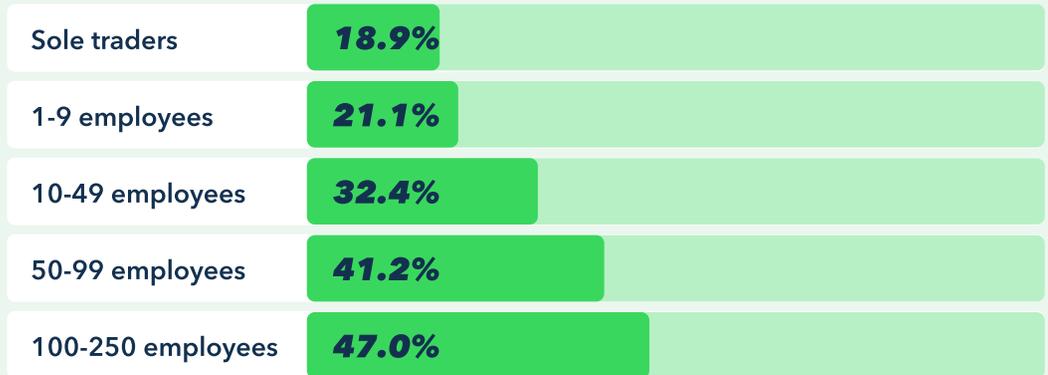


This issue is worsened by a lack of professional support. Only a minority of growing SMEs use accountants specifically for cash flow management. As a result, many businesses are left guessing—and vulnerable to running out of cash at critical moments.

Only 32.4% of businesses with 10-49 employees work with accountants specifically for cash flow management. Even among larger SMEs with 50-99 employees, less than half (41.2%) use dedicated cash flow management services.

To the best of your knowledge, which of the following accounting services does your business use?

Cash flow management



Interestingly, only 28.8% of businesses in the Architecture, Engineering & Building industry and 30.6% of those in the Manufacturing & Utilities sector use cash flow management services—despite these industries often having high capital expenditures. By contrast, 43.7% of IT and Telecoms SMEs and 40.9% of Financial Services businesses rely on cash flow management services from their accountant.

Together, these issues—struggling to manage cash flow, limited visibility over expenses, and not using cash flow management services from accountants—create a self-reinforcing cycle that can jeopardise a company's financial stability as it scales.



2

Mistake 2: Late or incorrect tax filings

As businesses grow, tax compliance becomes more complex—more taxes, more deadlines, more paperwork. Each stage of scaling introduces new obligations, from VAT to PAYE. Without a robust financial setup, even capable teams start falling behind.

As a result, our data reveals a clear pattern of increasing tax compliance issues as businesses scale. This indicates that many SMEs don't upgrade their tax systems or processes fast enough to keep up—leading to missed filings and costly penalties. These penalties drain capital, reduce confidence, and distract leaders from growth. And as the data shows, the bigger the business, the higher the price of getting it wrong.

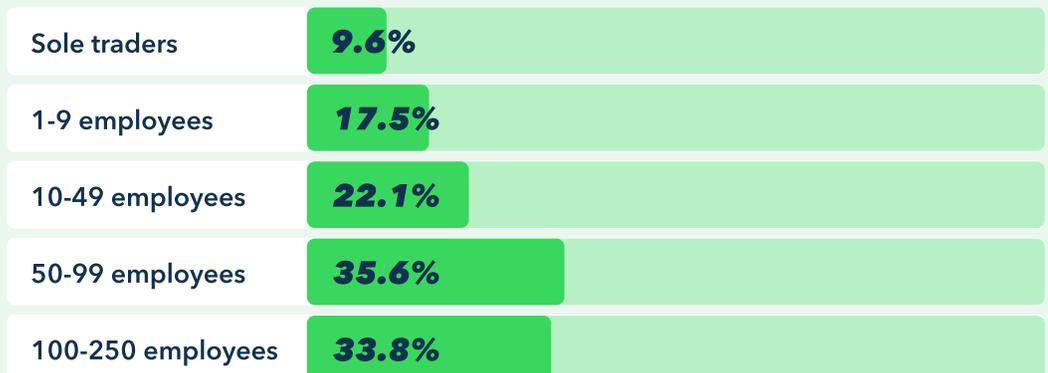
Filing taxes on time is just the first step to remaining compliant. Unfortunately, this remains a persistent challenge across the board. Nearly a quarter (24.3%) of businesses with 10-49 employees struggle with timely tax filings, rising to 32.6% for businesses with 50-99 employees.

Late or incorrect filings cost SMEs precious time, peace of mind, and money. According to our data, the larger the business, the greater the likelihood that they'll have to pay a tax penalty. While only 9.6% of sole traders report having paid tax penalties, this figure rises dramatically to 22.1% for businesses with 10-49 employees and jumps to 35.6% for those with 50-99 employees. In other words, one in three medium-sized businesses are hit by tax penalties.

1

Has your business ever had to pay a tax penalty (e.g. for late filing, incorrect filing, etc.)?

Yes



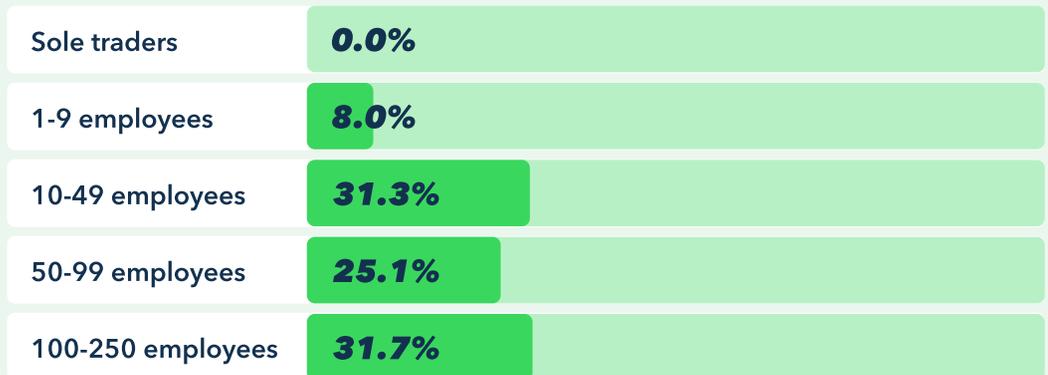
As the business grows, so does the financial risk—and the costs of getting it wrong. The data reveals a sharp escalation in penalty amounts: while most sole traders pay under £1,000, 31.3% of businesses with 10-49 employees who have faced penalties paid between £5,001-£10,000, while 5.2% paid between £20,001-£50,000.

For medium-sized businesses with 50-99 employees, the penalties become even more severe—29.6% paid between £10,001-£20,000, and 11.7% paid between £20,001-£50,000.

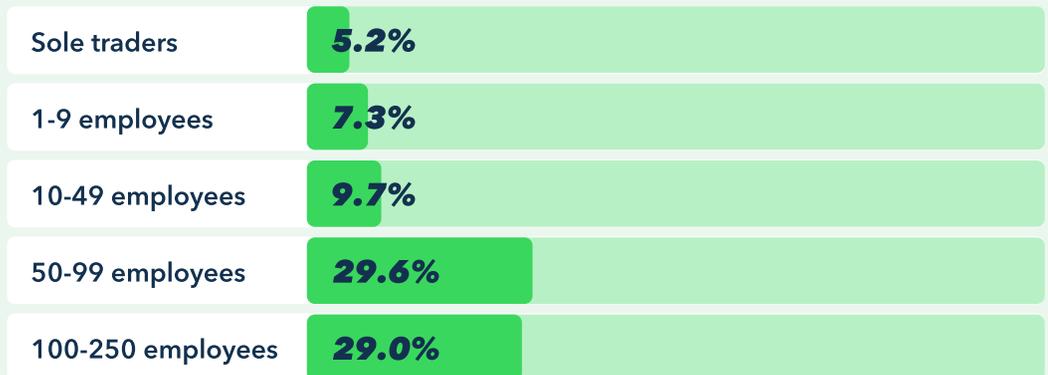
II

If yes, how much did it cost?

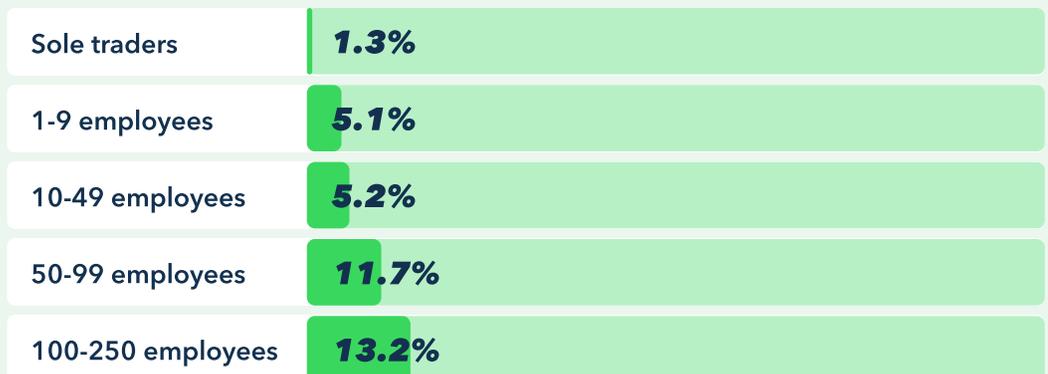
£5,000 - £10,000



£10,001 - £20,000



£20,001 - £50,000



Digging deeper into the data, the numbers reveal that SMEs in the HR (38.3%), Financial Services (35.7%), and IT & Telecoms (31.6%) sectors are most likely to have to pay tax penalties. Meanwhile, those in the Arts & Culture (10.6%) and Retail, Catering & Leisure (18.1%) industries are least likely to be penalised. This suggests that sectors with more complex payroll, benefits, or compliance requirements may be more exposed to making costly mistakes—making robust financial systems and support even more critical.

These figures highlight the true cost of falling behind on compliance. Every penalty is capital lost—money that could have otherwise funded new hires, product development, or expansion. Over the course of a business's lifespan, medium-sized businesses (50-99 employees) spend an average of £11,008 on tax penalties alone. Unlike other expenses, these mistakes bring zero return.

£11,008 AVERAGE SPEND
on tax penalties for businesses with
50-99 EMPLOYEES

Tax compliance risks grow alongside your business. Without the right systems and support, minor oversights turn into major financial setbacks, draining capital and confidence just when SMEs need them most.



3

Mistake 3: Limited financial visibility

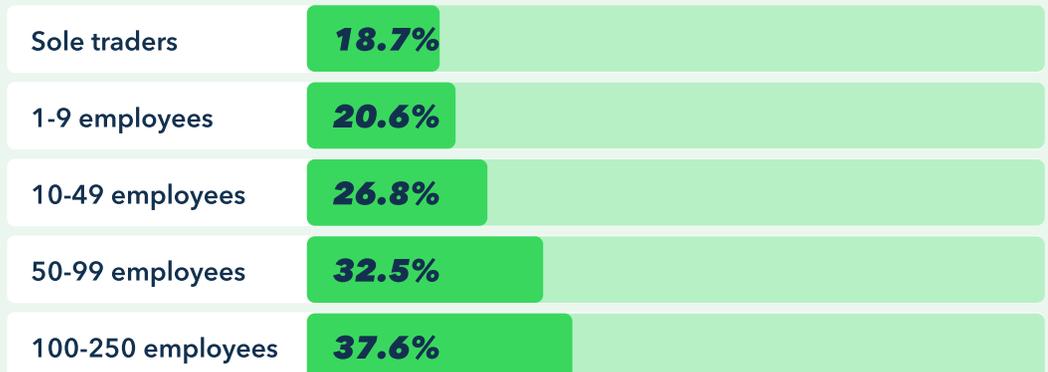
As businesses scale, the volume and complexity of financial data increases. However, many SMEs still rely on systems designed for much smaller operations. Without a clear view of profitability, performance, and risk, leaders make decisions in the dark. This makes it almost impossible to plan effectively—and creates serious long-term consequences.

So why is this? According to our data, many growing SMEs struggle to understand their business's financial position at any one given moment. They don't know which areas of the business are most profitable—meaning they can't double down on what's generating the greatest return. This is particularly true for Architecture, Engineering & Building companies, with only 23.4% reporting that they understand which areas of the business are most profitable.

I

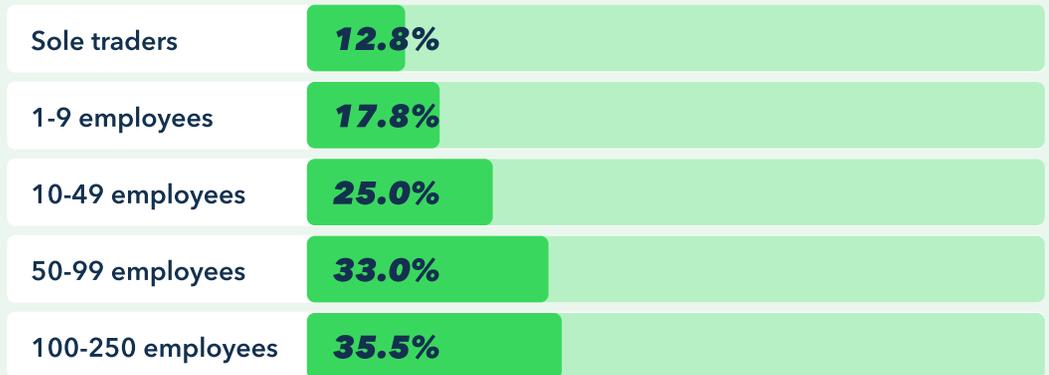
Which of the following, if any, are the challenges you/your business faces with regards to business finances and accounting?

Understanding which areas of the business are most profitable



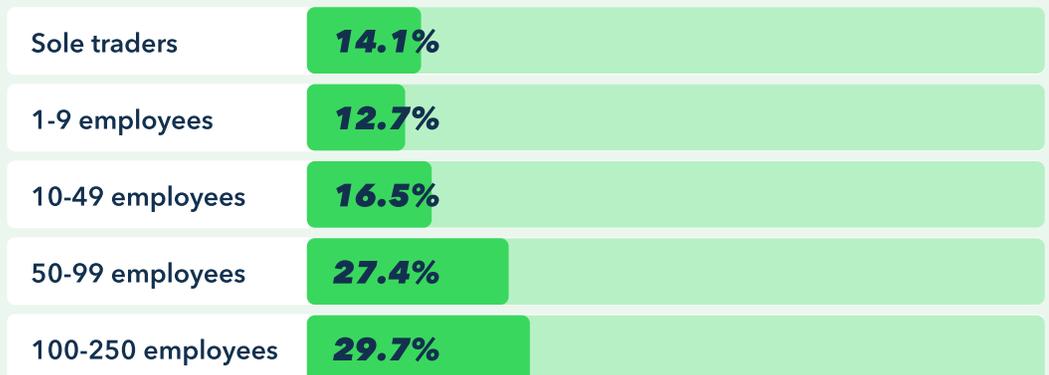
This is perhaps unsurprising, given the number of SMEs that aren't sure how to use financial reports for effective decision-making. Only one in four businesses with 10-49 employees and one in three companies with 50-99 employees can use financial reporting to inform their decisions. This has a massive impact on their ability to scale. The insights these companies need to unlock growth are there, if only they could understand what the data is telling them.

Understanding how to use financial reports for effective decision making



However, understanding the data is only half the battle. Even when leaders can interpret reports, they still need to trust that the numbers are accurate and up to date. Unfortunately, our data reveals a second compounding issue: inconsistent record-keeping. Nearly one in three businesses with 50-99 employees struggle to keep reliable financial records. Looking specifically at the Retail, Catering & Leisure industry, just 16.5% of all businesses keep consistent records. Unsurprisingly, this severely impacts leaders' ability to make confident, correct decisions.

Inconsistent record-keeping



Our data shows that a large percentage of SMEs struggle with understanding which areas of their business is profitable, using financial reports to fuel decision-making, and keeping consistent records. This limited visibility has a serious effect on long-term financial planning.

Businesses may be able to track day-to-day cash flow, but they struggle to forecast beyond the next quarter. Our data shows this problem persists even among companies earning millions. Indeed, long-term financial planning presents perhaps the most widespread challenge across revenue brackets.

Approximately 44.3% of businesses earning between £500,001-£999,999 cite this as a significant hurdle—a critical transition point where many growing businesses struggle to plan beyond immediate cash needs. This challenge remains consistent even at higher revenue levels, with 41.9% of businesses earning £1M-£4.99M and

40.8% of those earning
£5M-£10M still struggle with
long-term **FINANCIAL PLANNING**

These visibility gaps create a serious barrier to sustainable growth. Without clear insights into which products, services, or customers drive profitability, businesses often make expansion decisions based on the top line. However, when decisions are based on revenue alone, there's a risk of scaling low-margin areas that look successful on the surface but undercut profitability over time.

Lacking financial visibility doesn't just delay growth—it drains momentum. Over time, it creates a widening gap between where the business is and where leaders think it is. What's more, when leaders can't see what's working, they hesitate. Planning stalls, investment slows, and opportunities slip away.

The message is clear: without financial visibility, growth becomes guesswork.



The cost of **FINANCIAL MISTAKES**

Financial mistakes don't always show up immediately—but they always come with a price. For some businesses, it's lost revenue. For others, it's wasted time, poor decisions, or stalled momentum. Often, it's all three.

In this section, we unpack the real cost of financial missteps, drawing on data from thousands of UK SMEs. These are the hidden drains on growth—and how they stack up as you scale.



01

Lost revenue due to accounting errors

02

Time wasted on financial admin

03

The hidden cost: stress and leadership fatigue

1

Lost revenue due to accounting errors

No SME likes lost revenue. However, not all lost revenue is the same. When it's because you tried to create a new product or venture into a new market, this is understandable. These types of risks are part and parcel of growing a business. Conversely, losing revenue due to avoidable mistakes—like accounting errors—is infinitely more painful.

Unfortunately, our research shows that as businesses scale, so does the risk of them making costly accounting mistakes. That's because growth brings more transactions and more complexity. In other words, more room for error. These mistakes have a catastrophic impact on a business's ability to scale. They lead to penalties that quietly bleed revenue, hurt margins, and stall momentum.

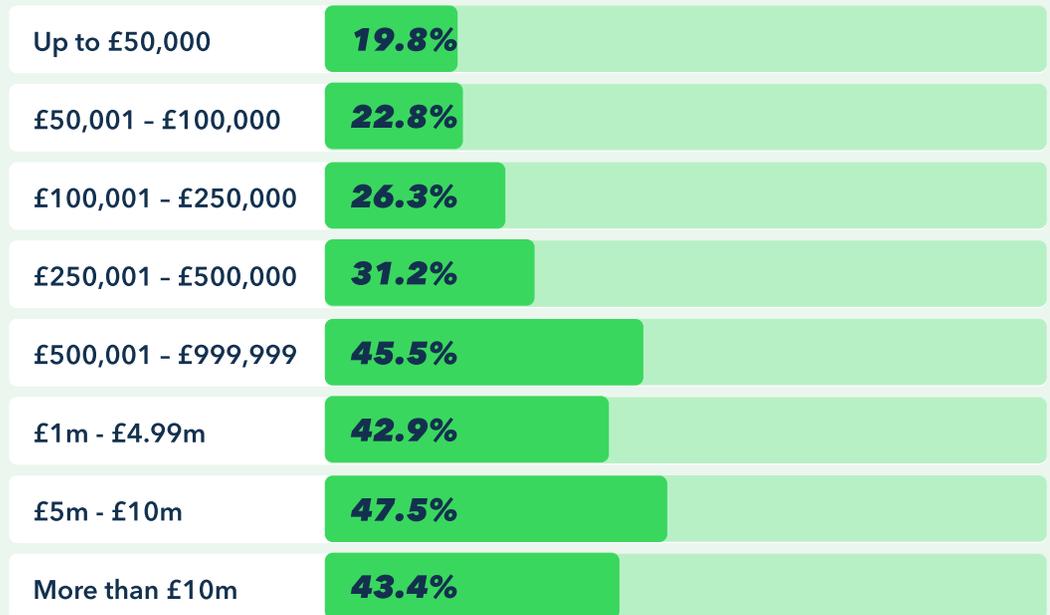
Our research reveals a clear correlation between business size and accounting mistakes. Only 19.8% of businesses that generate up to £50,000 have made an accounting mistake. However, nearly half of medium-sized businesses report making significant accounting errors, with 45.5% of businesses earning £500,001-£999,999 acknowledging mistakes like payroll errors, incorrect expense records, or tax payment issues.

I

Has your business ever made any other accounting mistakes (i.e. payroll errors, wrong expense record, incorrect tax payment, etc.)?

By size (revenues)

Yes



Interestingly, our data reveals that 43.4% of businesses in the Financial Services industry have made an accounting mistake, whereas only 24.6% of those in the Retail, Catering & Leisure sector have done the same. This is surprising given that financial services businesses are generally expected to have stronger internal controls and greater accounting expertise.

The financial impact of these errors can be substantial. Among businesses with 50-99 employees who experienced accounting mistakes, 24.7% incurred costs between £10,001-£20,000, while 10.5% faced even steeper costs ranging from £20,001-£50,000. For larger SMEs with 100-250 employees, these figures rise to 25.7% and 11.5% respectively. That's money that could have funded new hires, product development, or market expansion—gone.

But it doesn't stop at penalties or corrections. Accounting errors often lead to a ripple effect: missed tax deductions, underbilling, incorrect pricing, and delayed invoices. Over time, these small leaks can quietly erode profit margins and compromise cash flow. Our data found that businesses in high-growth sectors like IT, Legal, and Financial Services are particularly vulnerable to these revenue leaks as they scale.

If you take a look at the data, you might come to the conclusion that accounting mistakes are just a cost of scaling. However, that's simply not true. These mistakes are entirely avoidable, which makes them even more frustrating for growing SMEs.

With structured processes, the right tools, and professional accounting support, businesses can catch errors early (or avoid them altogether). Without that support, even small issues can snowball into revenue-draining problems.

Every accounting mistake represents more than just loss revenue—it's a missed opportunity to reinvest in growth, innovation, or talent.

2

Time wasted on financial admin

SMEs can't avoid financial admin. However, they can avoid wasting time by doing it efficiently. Disappointingly, our research shows that many SMEs waste excess time on low-value financial admin tasks—time they should be spending elsewhere.

According to our data, this time burden intensifies as businesses grow. While 69.8% of sole traders spend less than 2 hours weekly on financial management, medium-sized businesses face a much heavier burden. Over a quarter of SMEs with 10-49 employees spend 6-10 hours a week on admin—while 5.9% spend 30 hours or more. That's the equivalent of a part-time role spent just managing the numbers.

Meanwhile, businesses with 50-99 employees spend even more time on routine financial admin.

24.2%

Spend 6-10 hours weekly
on financial management

5.3%

Spend more than 30 hours weekly



22.5%

Spend 11-15 hours

14.8%

Spend 16-20 hours

Our data clearly shows that SMEs are spending excessive time on everyday financial management. However, that burden may not just come from routine tasks. The research indicates that this might be in part due to the time required to correct accounting errors.

In the previous section, we explored how these mistakes drain revenue. Now, let's examine how correcting these mistakes costs precious time.

According to our survey, 26.6% of businesses with 10-49 employees that experienced accounting errors spent 6-10 hours correcting those mistakes. Meanwhile, 12.8% spent 11-15 hours and 8.4% spent 16-20 hours fixing accounting errors. For businesses with 50-99 employees, 25.5% spent 6-10 hours on error correction, with 16.9% spending 11-15 hours and 10.2% spending 16-20 hours.

20% of companies in the Sales, Media & Marketing industry spend 16-20 hours weekly correcting mistakes. Meanwhile, 8.6% of SMEs in the Architecture, Engineering & Building industry spend 26-30 hours each week correcting accounting errors, more than twice the average across all sectors. These figures suggest that certain fast-moving or project-based industries may struggle more with error-prone processes—costing them not just money, but significant time that could be spent on growth.

Unfortunately, this time investment represents a significant opportunity cost for growing businesses. Hours spent on routine financial tasks or error correction are hours not spent on business development, strategic planning, or customer relationships.

To put this into perspective, if the leadership team of a medium-sized business with 50 employees spends 10-15 hours weekly on financial administration, this effectively means the company loses 25-30% of their strategic capacity.

Routine financial admin is unavoidable—but it can be completed efficiently with the right tools, processes, and professional support. However, SMEs shouldn't be spending valuable time each week correcting preventable accounting errors. This has a huge drain on teams' productivity and keeps individuals from focusing on higher-value strategic activities. It's a constant drag on growth.



3

The hidden cost: stress and leadership fatigue

We've seen how financial mistakes can cost SMEs time and money. But there's another cost that's harder to quantify, and just as damaging: the toll on leadership. As businesses grow, financial concerns become an increasingly significant source of stress, creating a hidden cost that doesn't appear on a balance sheet.

30% OF LEADERS in businesses with **10-99 EMPLOYEES** are losing sleep over **ACCOUNTING WORRIES**

In revenue terms, 31.4% of leaders in businesses generating £250,001-£500,000 and 31.3% of those generating £500,000-£1M report disrupted sleep due to financial worries.

This stress doesn't just stay in the background—it affects how leaders show up and make decisions on a daily basis. Financial concerns significantly impact leadership confidence. 37.8% of leaders of businesses with 10-49 employees, 41.6% of those with 50-99 employees, and 44.1% of leaders in all IT & Telecoms businesses say they lack confidence in financial matters. That lack of confidence creates hesitation in making important strategic decisions. In turn, this hesitation stalls growth.

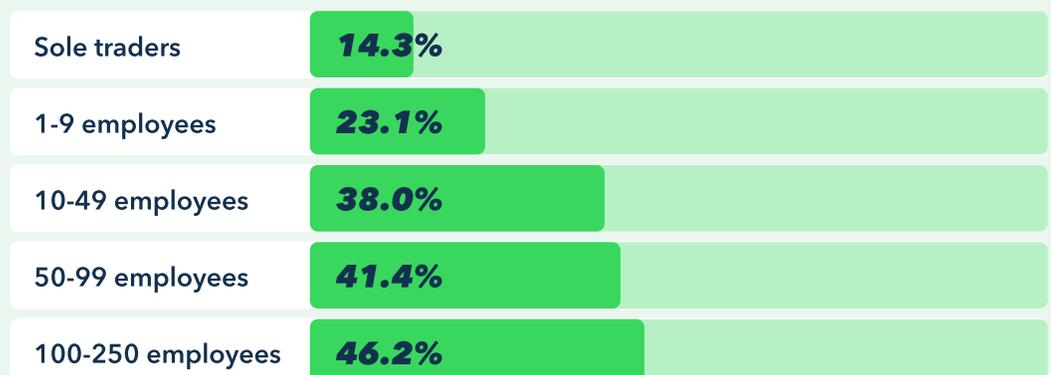
Worryingly, the effects go beyond confidence and into business performance. Financial anxiety isn't just a personal issue for leaders—it's a commercial one. Our data shows that accounting concerns have led to negative business consequences for 38.0% of businesses with 10-49 employees and 41.4% of those with 50-99 employees. That figure rises even higher among businesses generating between £500,001-£999,999, with 46.3% reporting tangible negative outcomes from financial uncertainty.

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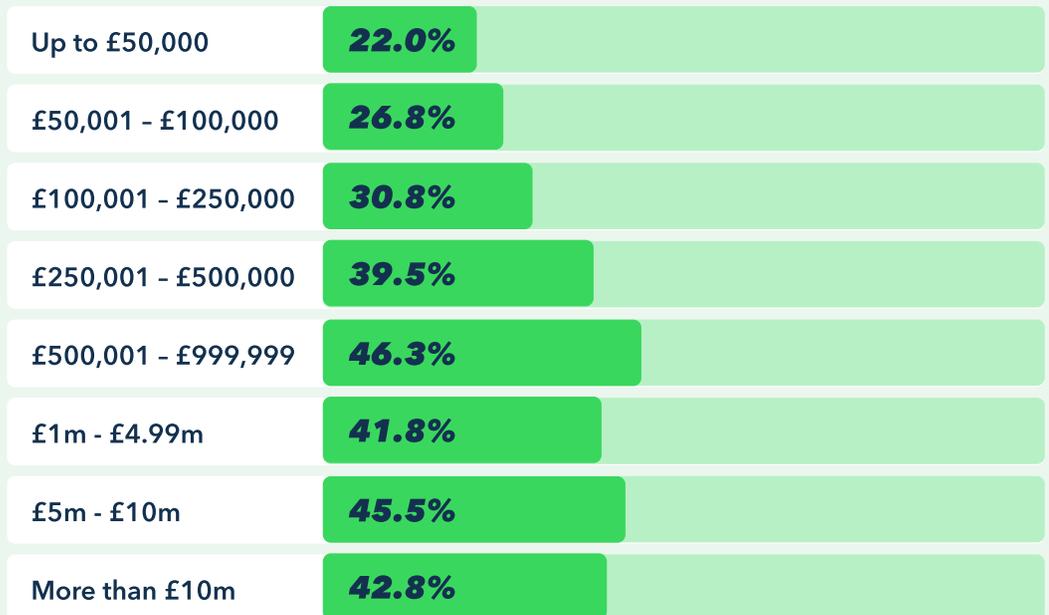
Do the leaders in your business experience any of the following in relation to your concern about making accounting mistakes?

Negative business impact

By size (employees)



By size (revenues)



These numbers suggest that the transition from a small to medium-sized enterprise is particularly vulnerable to financial stress-induced setbacks. As responsibilities increase and decisions carry more weight, the pressure intensifies—and the risks of getting it wrong grow alongside it.

Stress creates a damaging cycle: leadership fatigue leads to poorer decision-making, which creates more financial issues, which further increases stress. Breaking this cycle requires not just better systems, but also expert support.



ACCOUNTANTS AND AI: How SMEs can overcome financial growing pains

So, what separates the SMEs that scale from those that stall? Our research points to two essential ingredients: expert financial support and AI-powered technology.

Accountants bring experience and judgment. AI adds speed and insight. Together, they create a financial foundation that scales with you—one that's robust enough to handle today's challenges and flexible enough to scale with tomorrow's growth.

This section explains how accountants and AI help businesses move faster, make better decisions, and scale with confidence.

01

Working with
an accountant

02

Implementing AI and
automation-powered technology

1

Working with an accountant

As your business moves beyond the startup stage, financial complexity ramps up quickly—and many teams find they can't keep up. This is where accountants can help. They help you understand not just where your money went, but where it should go next. While you focus on growth, they safeguard your finances and help you make more informed decisions.

It's no surprise, then, that nearly all medium-sized businesses (89.1-93.5%) that use accountants recommend them to others. So how exactly do accountants help SMEs scale with confidence?



Driving revenue growth: On average, SMEs using professional accounting services increase their revenue by 11.5% compared to those that don't.



Strengthening profit margins: 42.7% of businesses with 50-99 employees say working with an accountant has had a significant impact on their profit margins.



Saving time: SMEs save an average of 9 hours per week on finance management by using an accountant.



Improving cost management: Working with an accountant has made a 'Significant' impact on cost management for 36.2% of businesses that earn £500,001-£999,999 per year.



Ensuring regulatory compliance: Nearly half of businesses surveyed that earn above £500k in revenue say that their accountant has made either a "Significant" or "Transformational" benefit in terms of regulatory compliance.



Enhancing business planning and strategy: Over 40% of businesses above £5M in revenue say accountants have materially improved their ability to plan and grow strategically.



Reducing financial stress: 41.4% of SMEs with 10-49 employees and 40.7% of those with 50-99 employees report a significant impact on stress reduction.

If you'd like to learn more about the impact that accountants have on growing SMEs, read our 'Accounting for the SMB Economy' report in full [here](#).

2

Implementing AI and automation-powered technology

Accountants play a critical role in helping SMEs make sense of their finances. But without the right systems behind them, they can spend too much time manually handling low-value tasks. That's where automation and AI come in—freeing up both time and headspace for better decision-making.

AI-powered tools like QuickBooks Advanced are transforming how SMEs manage their finances. From streamlining reporting to automating payroll and forecasting, these tools amplify what accountants can do, while dramatically reducing the time spent on manual admin. The result? More insights, less effort—and more time to focus on growth.

Our data reveals that many SMEs are already putting AI to work in specific, high-impact areas:



Financial reporting: 46.4% of businesses with 50-99 employees use AI to generate more accurate, timely reports.



Budgeting and forecasting: 42.1% of businesses with 50-99 employees use AI to improve projections and scenario planning.



Payroll automation: 44.2% of businesses with 10-49 employees and 40.5% of those with 50-99 employees use AI to streamline payroll processes.



Cash flow management: 43.6% of businesses with 10-49 employees and 44.3% of businesses with 50-99 employees use AI for cash flow management.



VAT submissions: 37.6% of businesses with 50-99 employees are automating tax compliance using AI tools.

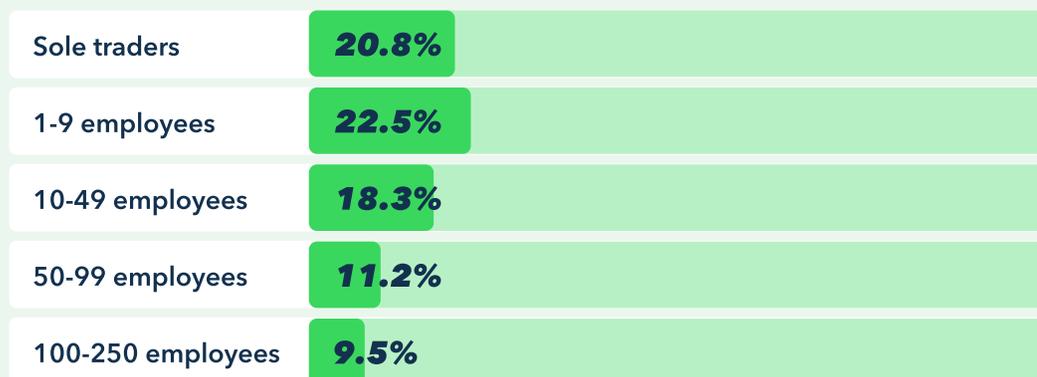
Not only do these tools reduce errors, but they also save SMEs a huge amount of time. Our data shows that AI-powered solutions are helping medium-sized businesses with 50-99 employees reclaim 6-10 hours each week. That's more than a full working day handed back to the team. Even smaller SMEs with 10-49 employees are seeing meaningful gains, with many saving 3-5 hours a week.

Interestingly, the time-savings grow with size.

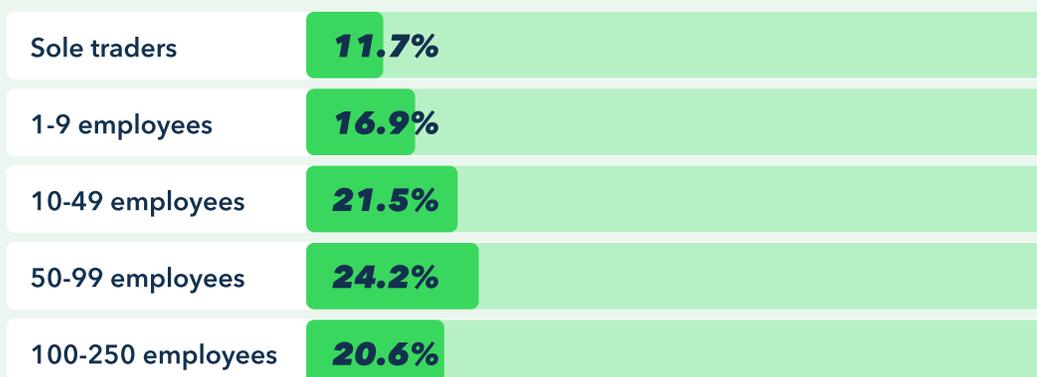
I

How much time do AI tools save your business each week?

1 to 2 hours



3 to 5 hours



6 to 10 hours

Sole traders	6.5%
1-9 employees	9.2%
10-49 employees	20.2%
50-99 employees	27.1%
100-250 employees	22.4%

But here's the surprising part: many businesses still haven't made the leap. While over half (51.3%) of larger medium-sized businesses have adopted AI tools, fewer than one in three (29.9%) of smaller companies have done the same. The pattern holds across revenue brackets too—only one in five businesses earning under £250,000 use AI for financial management, compared to one in three earning £500,000–£999,999.

There's also a significant gap across industries. While 54.3% of businesses in the Financial Services sector have embraced AI for accounting tasks, just 11.7% of Arts & Culture, 20.6% of Retail, Catering & Leisure, and 22.5% of Architecture, Engineering & Building companies have done the same.

These figures indicate that the adoption gap is already creating winners and losers. Some businesses are racing ahead with automated, data-driven finance. Others are stuck in slow, manual processes—and the gap is widening every quarter.

The question isn't whether your business can afford AI-powered financial tools. With today's accessible cloud solutions, the real question is: can you afford to be left behind?



Don't let growing pains ***HOLD YOU BACK***

Our research highlights three recurring hurdles for growing SMEs. As transaction volumes climb, scaling companies lose control over their cash flow. Tax compliance grows more complex—and the likelihood of making costly errors increases. Leaders lack visibility as their team manually completes financial tasks across disconnected systems. This approach is both time-consuming and error-prone, causing significant leadership stress.

Thankfully, we've also outlined the perfect solution: combining expert advice from accountants with smart, AI-powered tools. Accountants bring strategic insight, while AI delivers speed, accuracy, and real-time data.

Building a stronger financial foundation doesn't mean overhauling everything overnight. It means knowing where your pressure points are—and putting the right support in place.

Here's how to get started:

1 Identify what's holding you back

- Pinpoint your biggest points of financial friction—whether it's cash flow, compliance, reporting, or long-term planning
- Review whether your systems and processes can scale with your business
- Track how much leadership time is spent on admin instead of growth

2 Bring in expert financial support

- Ask whether your business needs strategic accounting advice—not just bookkeeping.
- Look for accountants with experience in your industry and growth stage.
- Remember: more than 80% of businesses using professional accounting services would recommend them.



3 Use technology to save time and unlock new insights

- Invest in AI tools that reduce manual work and minimise errors.
- Choose systems that integrate finance with operations for a complete view of performance.
- Use real-time dashboards to track key financial metrics and make faster decisions.

4 Build a culture of financial clarity

- Make financial reviews a regular part of leadership discussions.
- Give each department clear accountability for their financial performance.
- Invest in financial literacy training for key managers—especially in fast-growing teams.



5 Keep evolving your financial strategy

- Revisit your financial setup every 6–12 months as the business grows.
- Benchmark against similar-sized companies to stay competitive.
- Make space for experimentation (tools, pricing, financing approaches, etc.).

Put the right foundations in place now, and growth becomes a lot easier to manage going forward.

How QuickBooks Advanced **SUPPORTS SCALING BUSINESSES**

With the right support and systems, growing pains don't have to hold you back. This is where QuickBooks Advanced comes in. QuickBooks Advanced helps you stay in control as financial demands multiply. It combines powerful automation with real-time insights—so you can reduce admin, improve decision-making, and scale with confidence.

Automate repetitive tasks like invoicing and payroll. Forecast cash flow to avoid surprises. Turn financial data into strategy with real-time dashboards and reporting tools. Give your accountant the tool to deliver more value, spending less time on manual work and more time guiding growth.

Start building the financial engine your business needs to overcome its growing pains.

[Book your free demo today](#)



**#1 RECOMMENDED CLOUD
ACCOUNTING SOFTWARE***

*January 2024 survey based on 506 UK Accounting professionals.
Verify at quickbooks.intuit.com/uk/verify/