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SMEs and red tape: A view from the trenches

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Abstract:

Red tape has come to mean excessive bureaucracy or rigid conformity to the rules. It is the bane of many small businesses yet, at the same time, it is red tape that provides competitive advantage. Red tape creates barriers to entry for competitors. It provides assurances for potential customers. It protects consumers, employees and shareholders. When red tape is flouted it can have serious consequences, for example, with the pink batts scheme. This paper explores whether red tape is the curse of small business or whether the application of regulatory controls is the problem. Most people want to obey the rules but when the rules are poorly or inconsistently expressed, compliance can be difficult. When regulations seem punitive or knee jerk, businesses lose confidence. When a government helpline offers neither help nor advice, frustration sets in. Small business owners share their red tape frustrations and give suggestions for positive change.

Keywords: Red tape, SMEs, competitive advantage, rules, regulations

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