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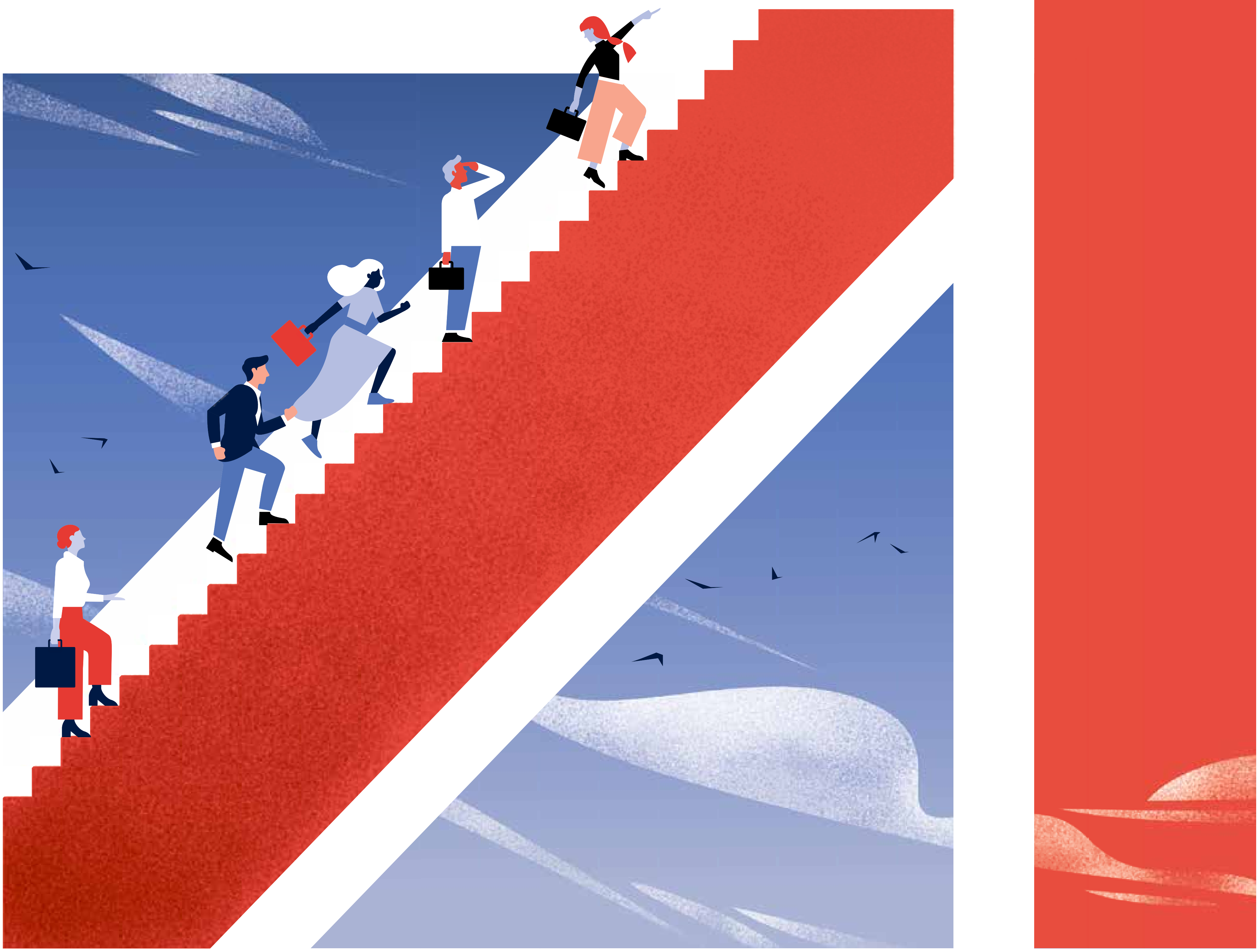
GROWING BRITISH BUSINESS



GROWING BRITISH BUSINESS

Distributed in THE TIMES

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LEADERSHIP

How to lead a high-growth business

Being able to learn from mistakes, adapt to changing conditions and show self-awareness are all common attributes of successful leaders at early-stage companies

Cath Everett

While there may be no one charted course to business success, few small to medium companies are likely to make it to a higher level without a growth leader at the helm.

In fact, effective leadership skills are widely considered to be one of the most important contributors to an organisation achieving its goals. While there is not necessarily a single type of individual destined to push their business inexorably to the top, there are nonetheless certain common characteristics that such growth leaders tend to exhibit.

On the one hand, points out Elke Edwards, founder and creative director of leadership development consultancy Ivy House, they are often "creative enthusiasts" or, put another way, ideas people with lots of curiosity and passion for what they do.

Growth leaders are also flexible and adaptable and "don't throw their toys out of the pram if something goes wrong", she says. Instead they learn from experience, thrive in uncertainty and adapt to changing circumstances. They take responsibility for their own actions, remain willing to take a risk and are not held back by fear of failure.

Such traits are important because the path to high growth is never a linear process, according to Simon Paine, co-founder and chief executive of the PopUp Business School, which is aimed at people wanting to start their own company.

He explains: "I've rarely met someone with a great business idea that the market is crying out for, who gets it right first time. Most people learn by their mistakes and making mistakes in business is no bad thing as it's part of the process."

Another common trait of growth leaders, on the other hand, is they are often natural salespeople. This means they are not only commercially astute, but also persuasive and able to pitch and sell their dream to others in a convincing way, whether they are potential customers, investors or new hires.

But such individuals do not necessarily have to be outgoing and gregarious. As Professor Jane Turner, pro vice chancellor for enterprise and business engagement at Teesside University, indicates: "With the sales piece, it's generally presumed you need to be an extrovert, but if you have authenticity combined with humility, honesty and passion, it's just as persuasive."

10'000 Hours/Getty Images

Also important, meanwhile, is having a clear vision and goals. These will be unique based on who you are as a leader, what your core strengths are, your values, belief systems, skills, experience and motivators.

While true growth leaders are usually individuals who know themselves well, Ms Edwards cautions: "One of the downsides of many entrepreneurs is they're not clear about their leadership blueprint. If they were, they'd realise they had gaps in certain areas that need to be filled with the right people. Alongside courage and belief, success is based on having enough humility to do just that."

Mr Paine agrees. "Most people see entrepreneurs as visionaries, but the reality is that the real success stories talk about the incredible people they surround themselves with," he says. "So you have to be able to engage people at different levels to ensure you get things over the line together, rather than just being an individual with a cracking idea and loads of drive."

In other words, having strong communication skills, an ability to build relationships with others and a desire to learn are all vital when creating and building a high-growth business. But these people skills need to manifest themselves in terms of management style too.

For example, in Mr Paine's view, old-fashioned command-and-control behaviours are "very damaging to creating an engaged company culture". Instead the focus should be on facilitating dialogue and collaboration to help establish trust and encourage accountability.

"Creating an environment of ownership and encouraging a teamwork approach are the only way to get high growth, so it's about an inclusive form of leadership," he says. "This means role modelling to show people they don't need to be afraid of getting things wrong, allowing others to take the lead and ensuring everyone has a voice."

But enabling such a situation, without feeling threatened yourself, requires self-awareness and a comprehension of your own strengths, limitations and self-limiting beliefs.

Professor Turner explains: "As a leader, the starting point is understanding yourself and what drives you as your belief systems and core values will pervade the whole company culture. So to be authentic, you need to understand your life story, what experiences, both positive and negative, have shaped you and, as a result, what your values are, so you can live by them."

Unsurprisingly then, growth leaders are much more focused on self-development activity and learning than their peers. This learning ranges from reading business books and listening to podcasts to attending courses and conferences, which also helps with networking.

Benefiting from the experience of both formal and informal mentors can prove invaluable, as long as new ideas are not simply consumed, but are also applied and tested to see if they work in the specific business context.

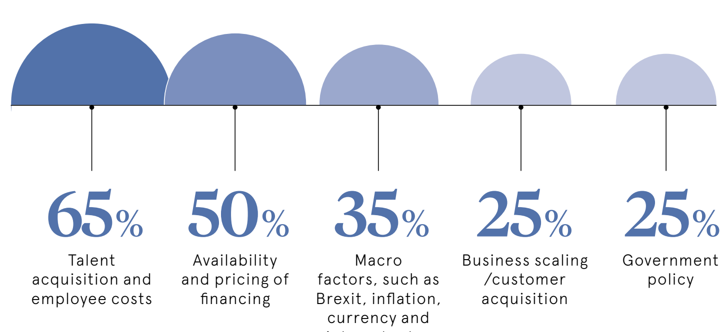
Ms Edwards says: "The number-one skill of a successful leader is being open to learning and behavioural feedback. If you're not asking what you could do better, you don't deserve success, but it tends to be here that egos get in the way."

Nonetheless, even though there may be certain common characteristics between growth leaders, the fact that each is a unique individual means there can never be a single, unequivocal blueprint for success, not least as both the business and the team they build around them will be unique too.

As Ms Edwards concludes: "There are definitely common traits, but they're not common to everyone. What generally stops a business growing though is that one individual can't do it all. They'll be great at some things, but not at others, so it's about building a great team, based on trust and accountability."

BIGGEST CHALLENGES FOR GROWING COMPANIES

Survey of UK small businesses deemed to be in the "growth stage"



FPE Capital 2018

TECHNOLOGY

Talent, cheap rents draw tech startups out of the capital

Gu/Getty Images

MediaCityUK, Manchester's international hub for technology, innovation and creativity, on the banks of the Manchester Ship Canal

From Bristol to Dundee, many regions outside of London are becoming hubs for technology startups in their own right

Rich McEachran

London has created more unicorns than any other European city. According to data released in June by Tech Nation and Dealroom, 13 new billion-dollar startups were created in the UK's leading tech hub in the previous 12 months.

While London leads the herd, other regions are playing a part too. Cambridge and Oxford have created ten unicorns between them, Manchester five, Edinburgh three, and Bristol and Leeds two each.

It's a similar picture for job openings in the tech sector. Separate Tech Nation research, which was carried out for the government's Digital Economy Council, found there were 1.7 million jobs advertised during 2018, spread throughout the UK. The place with the most openings outside the capital (164,000) was Manchester.

One of the key factors drawing talent to the north west is cheaper residential and commercial property, says Fabrizio Nicola-Giordano, managing director of Headspace Group. The provider of flexible working spaces for the tech and creative communities has its eye on the ball when it comes to sniffing out the best places to open new locations.

"Cheap property is such a big draw for startups of any kind. It's why East London and Berlin initially became so popular," says Mr Nicola-Giordano. "Plus, there's easy access to other UK tech hubs. Birmingham is nearby, while London is just a two-hour train journey away, and there are direct flights out of Manchester's airport to San Francisco."

As for Manchester's infrastructure, the city is benefiting from the Northern Powerhouse initiative. This has placed a big emphasis on innovation and research and development, particularly in the science fields.

"Another great example is that the city has been chosen, by Innovate UK, to be the Internet of Things City Demonstrator, a showcase of how internet-connected technology and data can be used to transform urban areas," says Mr Nicola-Giordano.

He adds that all this is underpinned by close links with local educational institutions. This is crucial for any UK tech hub wanting to retain talent once they have graduated.

One region that arguably struggles to keep hold of its young tech talent is Yorkshire and the Humber. Research by the think tank Centre for Towns shows that it's missing out on digital job opportunities, mainly due to its weak infrastructure, notably a transport network that needs updating and a patchy broadband service.

Despite this, there is cause for optimism. The region is already seeing startups in the property tech and travel tech space pop up and there's ample room for early-stage companies to grow as well, says Bethan Vincent, an entrepreneur and marketing director of York-based Netsells, a digital and mobile app design agency, and one of the city's biggest tech companies.

Ms Vincent believes that for cities such as York to become recognised UK tech hubs, it's important the local tech scene has opportunities to collaborate.

"York's future undoubtedly rests on more office and co-working spaces being provided. We have one of the lowest commercial vacancy rates in the UK and good quality offices are becoming increasingly hard to come by. Unless this is addressed, it will throttle the city," says Ms Vincent.

"Where there are co-working spaces, there are more opportunities to connect through networking events and organic spaces where relationships can thrive. Collaboration is key to bringing products and services to market."

Looking to the future, she would like to see York be involved in smart city initiatives. Milton Keynes is an example of making the transition to smart city status successfully. It's the testbed for both national and international smart mobility projects, and is home to BP Chargemaster and Red Bull Racing.

"The town is uniquely placed because it's in the middle of the Oxford-Cambridge arc and is an equal distance to two world-class centres of research, with access to excellent engineering and science talent," says Dr Jamieson Christmas, founder and chief executive of Envisics, an augmented reality company developing head-up displays.

"Its strong transport links and close proximity to funding in London means it's an ideal place to incubate technology companies of all sizes, especially startups that require flexibility and cost efficiencies to succeed."

Ms Vincent believes that as long as you bring together enough people in a particular area, it can have a snowball effect. "It's like a chain reaction," she says. "This is what Silicon Valley has been amazing at for decades, having the right people condensed in the right place."

Dundee: more than just 'three Js'

Long known for its jam, jute and journalism, trades on which it was built, Dundee has proved in recent times that it's more than just "three Js".

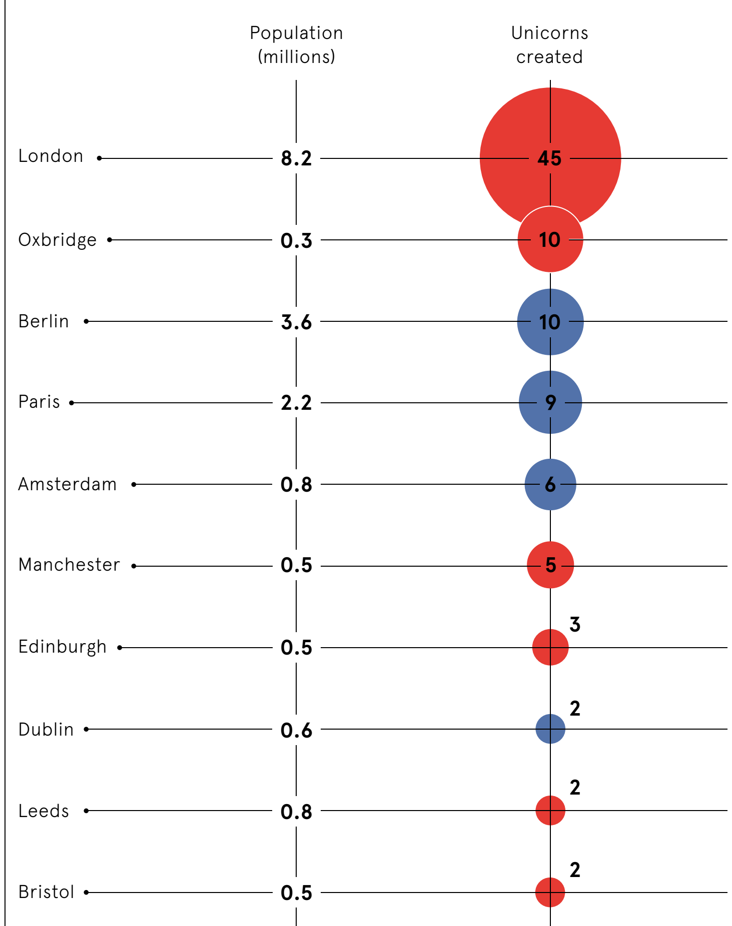
The city in east Scotland boasts a strong gaming industry. Rockstar Games, the developer behind the Grand Theft Auto and Red Dead Redemption series, was founded in Dundee as DMA Design. There have also been collaborations with spinouts from the local university, one of the UK's top institutions for life sciences. In 2014, a free mobile game Play to Cure: Genes in Space was released in partnership with Cancer Research, where players could analyse real cancer data.

Last year, Dundee's landmark £80-million V&A Museum of Design opened. Alongside exhibitions highlighting the city's gaming industry, it hosts design workshops, with the aim to foster collaboration and innovation. In addition, there are taster days when people of all ages can find out about cutting-edge video game technology and experiment with software and adaptive controllers.

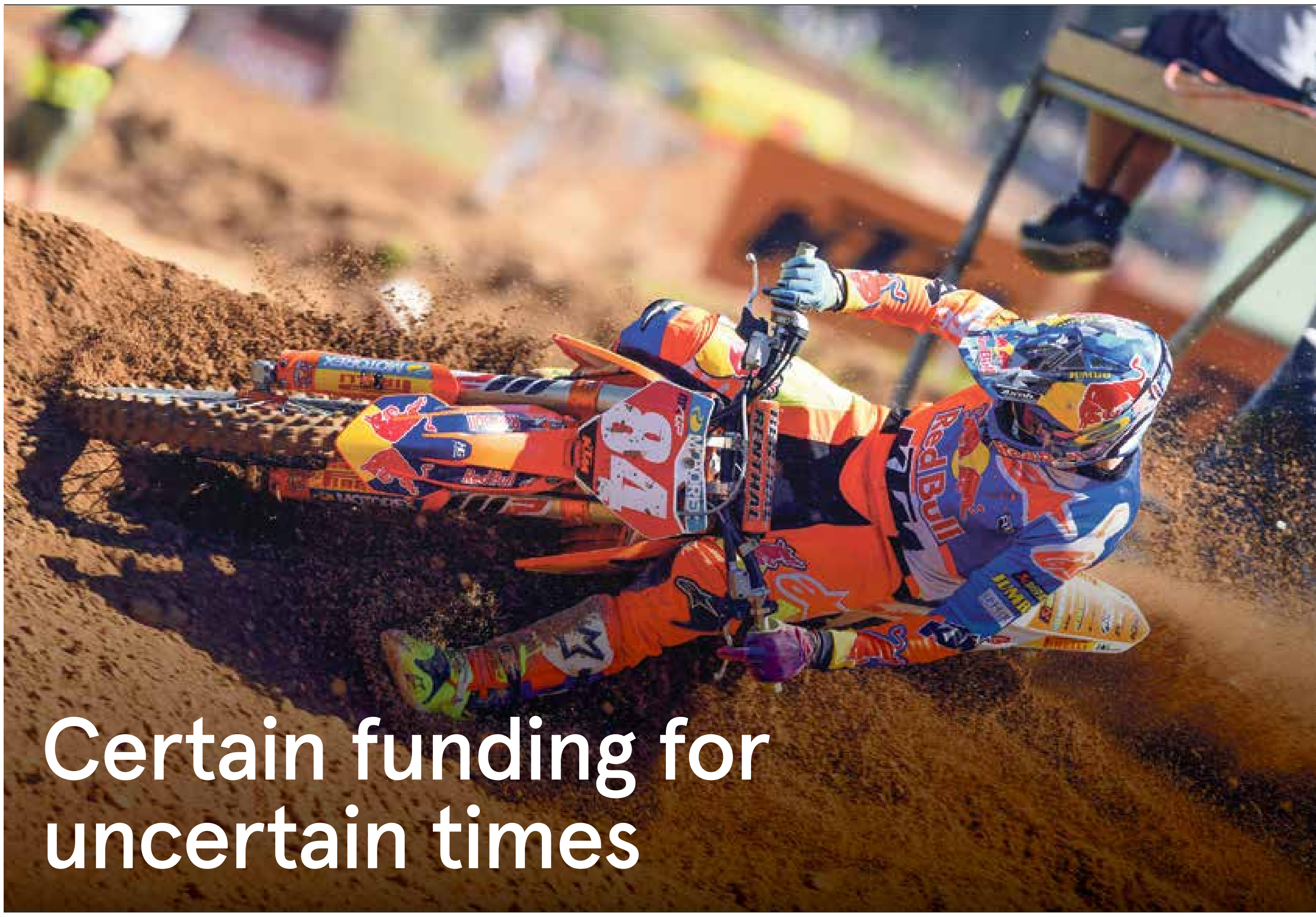
Dundee is part of the Scottish Cities Alliance, which is delivering smart city solutions around waste management and mobility.

THE UK HAS SIX HUBS WITH AT LEAST TWO UNICORNS

Number of unicorns – privately owned tech companies valued at more than $1 billion – created since 1990



TechNation/Dealroom 2019



Certain funding for uncertain times

It is a truism that the only constant in business is change. Couple that with the uncertain political and economic environment, and for ambitious businesses the need for predictability and certainty of funding has never been greater, says **Stuart Bates**, co-founder and commercial director at Praetura Commercial Finance

Liquidity tends to hit the high street first as the clearing banks look to strengthen their regulatory capital reserves and reduce risk. This is followed by a contraction of traditional sources of business finance, including overdrafts and bank loans, and a divestment of client portfolios.

In a volatile environment, more and more businesses are looking to their assets to finance their future. As a result, asset-based lending (ABL) has come to the fore in creating the predictability and stability that businesses need.

ABL unlocks high levels of working capital across all asset classes with invoice discounting at the core, supplemented by loans against stock, plant and machinery, and property. Cash-flow loans are also available, subject to EBITDA, to secure even higher levels of working capital. Without diluting equity, ABL provides certain funding for ambitious businesses.

Let's take a closer look at three very different businesses that share common ground: experienced management teams with a clear vision of the future.

Renthal is a global leader in the design, manufacture and sale of products for the motorcycle and cycle markets, including original equipment for Honda, Kawasaki and Suzuki for their performance motocross models. Almost 200 motorcycling world champions and six world mountain biking champions have used its products.

Henry Rosenthal, its co-founder, sought to buy back the business 12 years after selling it to Motorsport Aftermarket Group. Praetura Commercial Finance structured a £5.4-million transaction, comprising confidential invoice discounting, stock revolver, plant and machinery term loan, and cash-flow strip, enabling the business to regain independence from the group and power ahead.

Tom Wade, Renthal's managing director, says: "Since Renthal is a premium brand, we recognised that to buy back the business would require a strong quantum of debt funding. As business owners themselves, Praetura Commercial Finance were very commercial and made immediate decisions to get the deal over the line within a very tight timeframe. The ABL facility and cash-flow loan has given us the extra headroom we needed to get the business off to a flying start."

The Delivery Group is one of the UK's fastest-growing mail and ecommerce providers, including operations under the brands Secured Mail and CMS Network. The business was subject to a management buyout in 2018, supported by funding from Praetura Commercial Finance.

Since the buyout, The Delivery Group has pursued a strategy to expand its service range and geographical footprint, leading to its acquisition of ONEPOST (Postal Choices Ltd), with the opportunity to bring together two market leaders in the mail and ecommerce sectors.

Paul Carvell, chairman of The Delivery Group, says: "Having completed the management buyout with the support of Praetura Commercial Finance, their team was our natural first port of call for this acquisition. I was overwhelmed by the speed and clarity of Praetura's response. Their team had an excellent understanding of what we were looking to achieve and the streamlined due diligence process was conducted quickly to ensure the timescales for the transaction were met."

Praetura Commercial Finance delivered the facility to support the acquisition and beyond as the businesses drive volume through the network, and leverage the strong synergies and scale advantages in transport, processes, systems and technology.

As a result of the transaction, the group will have a combined annual turnover of £250 million, employ 500 staff across seven locations, and manage almost a billion items of mail and packages in the UK and internationally.

Raised Floor Solutions (RFS) was seeking to adopt an employee-owned model to futureproof the business and jobs within it. Praetura Commercial Finance provided a £2.5-million funding line, enabling the shareholders of RFS Group, the parent company, to transfer a 51 per cent majority shareholding of the business to an employee ownership trust (EOT), set up for the benefit of current and future employees.

Graham Hewitt, co-founder and managing director of RFS, says: "Praetura Commercial Finance proved to be very responsive throughout the process and the time from initial contact to completing the facility drawdown took less than four weeks.

"An EOT can be viewed as a direct alternative to a management buyout, but you are involving all your employees rather than a select few in the future of the business. The revolving facility delivered by Praetura Commercial Finance is an ideal structure in that it moves in line with the growth of the business, without the need to renegotiate terms. It also offers flexibility, without the ties and covenants of a traditional fixed-term bank loan."

All the companies we work with are in the process of change, seeking to navigate the next stage of growth. We are here to enable sustainable transformation, way beyond the initial transaction. It's about listening to clients continually, immersing ourselves in their world, building long-term relationships and understanding their needs as they evolve. Ultimately, it's about asking what's next?

UNLOCK THE VALUE IN YOUR BUSINESS ASSETS

DEBTORS

Confidential invoice discounting

up to **90%**

advance of eligible debts

STOCK

80–100%

of net orderly liquidation value (NOLV) 90-day realisation

PLANT & MACHINERY

Up to **85%**

ex situ 120-year valuation two to five years amortising loan

PROPERTY

Up to **75%**

of 180-day valuation three to five years amortising loan

CASH FLOW

Up to **36 months**

amortising loan multiples, subject to EBITDA

Praetura Commercial Finance is a dynamic, well-capitalised independent asset-based lender with a distinctive entrepreneurial outlook and a strong commercial appetite to fund ambitious UK businesses. Their experienced team delivers innovative working capital solutions for a variety of transactions, including acquisitions, management buyouts and buyins, refinancings, turnarounds and growth.

For more information please visit www.PraeturaCF.com

PRAETURA
COMMERCIAL FINANCE

ALTERNATIVE FINANCE

Eight ways to raise cash without the banks

Banks are still the main source of funds for small and medium-sized businesses, but the variety and popularity of alternative finance options are increasing

Emma Woollacott

PM Images/Getty Images

1. Crowdfunding

According to Statista, crowdfunding transactions are likely to hit £68.7 million in 2019, up more than 14 per cent on last year.

It's no way to find millions, with the average amount raised just £8,571, but it can be a quick and simple way for a small business to access funds. In one of the most notable crowdfunding successes of all time, Oculus started out looking for $250,000 on Kickstarter and ended up selling to Facebook for $2 billion.

The concept is simple: pitch your business idea on one of the many online platforms, such as Crowdcube, Seedrs, Indiegogo or LendInvest. In return, investors receive some incentive: usually shares, but occasionally early access to products.

Advantages include a lack of upfront fees, often along with a certain amount of publicity and the ability to test public response. On the downside, borrowers will need to put in a bit of work to make sure their idea gets visibility. Meanwhile, if the target isn't reached, any money that's been pledged will usually be returned to investors.

2. Peer-to-peer lending

Lending peer-to-peer works as a straightforward loan, except that the borrower is dealing with a large number of individual investors, rather than a single financial institution.

Interest rates tend to be lower than those of the banks and the application process is usually very quick; the money is often available within days.

On the downside, businesses must have at least two years of accounts filed with Companies House and a minimum annual turnover of £100,000.

There's also a bit of a shadow over the sector at the moment as major provider Funding Circle recently slashed its forecasts for revenue growth, while other providers have warned of problems and Lendy fell into administration.

Meanwhile, the Financial Conduct Authority (FCA) is tightening up the sector, banning investors from putting more than 10 per cent of their investable assets into peer-to-peer loans unless they've received regulated financial advice.

worawit_j/Shutterstock

3. Invoice finance

It isn't particularly new, but invoice finance has become increasingly mainstream over the last few years. Indeed, according to a poll of 1,000 business owners by MarketInvoice, it's the most popular funding route for small and medium-sized enterprises.

There are two types of invoice finance. Factoring involves selling invoices to a company which then manages the whole process of chasing and collecting payments. Invoice discounting sees the company doing this itself and is usually cheaper. Either way, the company has access to the money it's owed immediately. And it's often possible to use invoice finance for just one, particularly large or worrisome invoice, which is known as spot factoring.

26%

of SMEs favour invoice finance to boost growth and company valuation

The upside, of course, is a vastly improved cash flow, as long as things are going well. However, when a company gets into difficulty, invoice finance can potentially trigger a debt cycle and is sometimes seen as a sign of a company in trouble. It can also be more expensive than traditional banking.

fuyu liu/Shutterstock

4. Asset finance

Asset funding reached a record high in the UK last year, says the Finance and Leasing Association, with new business totalling almost £33 billion. There is now a wide range of options tailored for specific purposes.

What they have in common is they relate to the value of a business's physical assets, such as vehicles, machinery or other equipment.

Hire purchase and leasing are the two main types. With hire purchase, the borrower pays a deposit and owns the asset at the end of the term; with leasing, the asset is handed back. Through asset refinancing, it's possible to release cash by borrowing against an asset the business already owns.

Meanwhile, operating leases are often used for high-value assets. Rental payments are made throughout the term, but don't cover the full cost of the asset. At the end of the term, the borrower can buy the asset for a residual value set by the lender, minus the rental already paid.

5. Pension-led funding

Company owners or directors can finance their business using funds from their pension. An analysis by Clifton Asset Management found that in the last four years they've done so to the tune of £1.45 billion.

It's unique among business funding methods in that the interest paid on the finance provided is paid back to the pension, leaving the owner or director better off overall. There's also no requirement for a personal guarantee.

Loans can be taken against self-invested personal pensions (SIPPs) and small self-administered schemes (SSASs), and can be paid off at any time without charge. Loans must not exceed 50 per cent of the pension fund's value and they're generally recommended only when the pension pot is worth £50,000 or more.

£1.5bn

of pension funds have been used to finance businesses in the past four years


Rido/Shutterstock

6. Merchant cash advances

A relatively new concept, merchant cash advances are an alternative business finance option that's becoming increasingly popular among companies that use card terminals, such as retail and leisure businesses.

Borrowers can usually access up to a month's turnover and regular repayments are made as a percentage of each card terminal payment until the full amount has been paid off. This means companies generally only have to repay what they can afford, making it a particularly attractive prospect for seasonal businesses.

Payments are made automatically through an arrangement with the card terminal provider, resulting in a streamlined process. And merchant cash advances are relatively easy to access, as lenders generally don't need to run credit checks or check a borrower's accounts; they just need to confirm the borrower's volume of card payments with the terminal provider.

7. Credit unions

Not-for-profit organisations, credit unions traditionally offer savings and loans to members with something in common, such as a particular locality or industry, for example. There are more than 500 in the UK, with a list available from the Association of British Credit Unions.

Credit unions were originally aimed at individuals, but since 2012 have been allowed to extend their services to small and medium-sized businesses in the UK. Most now offer a range of business loans, such as startup loans, instalment loans, business credit cards and bad-credit commercial mortgages.

Interest rates are set by the FCA, with loans of more than £10,000 carrying an APR of 10.5 per cent, topping out at 42.6 per cent for loans under £1,000. Loans also carry a reducing balance interest rate, so the rate falls the day a payment is made and less interest is charged overall.

10.5%

interest rate on loans of more than £10,000

8. Grants

The good news is that there are hundreds of government grants available in the UK; the bad news is that the criteria are extremely tight and the application processes torturous. Many grants require matched funding from the applicant.

Stephen_Payne/Shutterstock

Grants for new businesses generally come in the form of equity finance, a direct grant or a soft loan. They're offered by local, national and European government, although of course the future of European Union grants is now in doubt.

Many sources of funding are highly local and specific; there are currently 170 opportunities listed at the government website https://www.gov.uk/business-finance-support. It's important to check the criteria thoroughly, as eligibility is likely to be severely restricted, perhaps requiring local hires or technology investment.

However, many businesses that have accessed government grants have flourished, including Swiftkey, the predictive keyboard app bought by Microsoft for a reported $250 million in 2016.

Commercial feature

Digital banking gives SMEs precious time

With small companies spending large chunks of their time on banking and admin, digital platforms, such as Tide, that lighten the load are proving crucial to enabling business growth

Owners of successful small businesses have historically been perceived to have master juggling skills. Offering a product that people want to buy is not enough; it falls to the owner to manage every aspect of the company, from marketing to sales, strategy, hiring, banking and admin. The latter two, in particular, are a necessary evil of doing business.

Of the 5.7 million small and medium-sized enterprises (SMEs) in the UK, 5.5 million are smaller companies that tend not to have a dedicated finance function. This means a huge number of business owners are doing their company's banking and admin themselves. According to research by Worldpay, small business owners in the UK spend 48 days a year on this area of running their company.

That equates to approximately a fifth of the working year that company owners aren't spending on trying to grow their business as they are bogged down by administrative tasks. Or, as is often the case, many lose their Sunday afternoons to doing expenses. The result is not only a drain on time and energy, but a damaging loss of productivity.

"It's not the best use of their time," says Oliver Prill, chief executive at Tide, the SME banking platform. "And by doing banking and admin in a technologically unsophisticated way, small businesses are also lacking a clear overview of their cash flow.

"Not having their cash flow under control is the biggest reason for small businesses failing, rather than any inherent business problem. Real-time visibility of cash flow at all times means you can act on any issues or challenges in a timely manner and not when it's too late."


Leigh Farme

Kate Holmes, Tide member, founder of Kitty Holmes

Since its official launch in 2017, Tide has become a market-leading business banking platform for SMEs by enabling them to reduce the time they were previously spending on banking and admin, as well as providing a crucial overview of cash flow. As a platform play, Tide offers e-money current accounts provided by PrePay Solutions and partners with other providers, such as Xero, Sage and Iwoca, to create a go-to place for SMEs that want to simplify the management of their company.

"This is a huge productivity boost waiting to happen," says Mr Prill. "A platform such as Tide provides easy-to-use solutions that free up time for small-business owners to focus on what they know best, thereby experiencing better productivity and in the end growing their company faster. We're passionate about SMEs; it's the only market we serve.

"We offer invoicing and expense management on the platform and a credit solution that's currently in beta with Iwoca where you enter three pieces of information, press a button and within a minute you get a credit decision. Everything we do is focused on providing a rich, usable set of tools and features for small businesses."

Tide doesn't only provide SMEs with technology solutions for banking and admin, it also supports its vibrant community of members by offering and facilitating advice, guidance and networking. It encourages members, such as accountants and lawyers, to provide tips on a wide array of topics, including master classes covering marketing, managing growth, funding, public relations strategy on a shoestring, and diversity and inclusion.

The company is also eager to further causes its members care about. Earlier this year, the Alison Rose Review of Female Entrepreneurship found that only 32 per cent of UK entrepreneurs are women. In response, Tide has committed to supporting 100,000 new female-led businesses start out by the end of 2023, and will run events showcasing female entrepreneurs, workshops with expert speakers and a mentoring scheme.

The UK banking landscape is set to change significantly as branches continue to close and digital propositions offer better support and services to SMEs. A healthy market is categorised by a multitude of different offerings and providers, and platforms that support SMEs will bring them together to save even more time for business owners.

"That means more tailored and easy-to-use solutions," says Mr Prill. This autumn, Tide will launch features that improve expense classification and online payroll, followed by more comprehensive credit solutions and sophisticated international payments. "We've built only 10 per cent of the platform we want to build. There's much more to come," Mr Prill concludes.

48

number of days spent each year by small business owners on banking and administrative tasks

32%

of UK entrepreneurs are women

100k

new female-led businesses to be supported by Tide by the end of 2023

FREIGHT BRITAIN

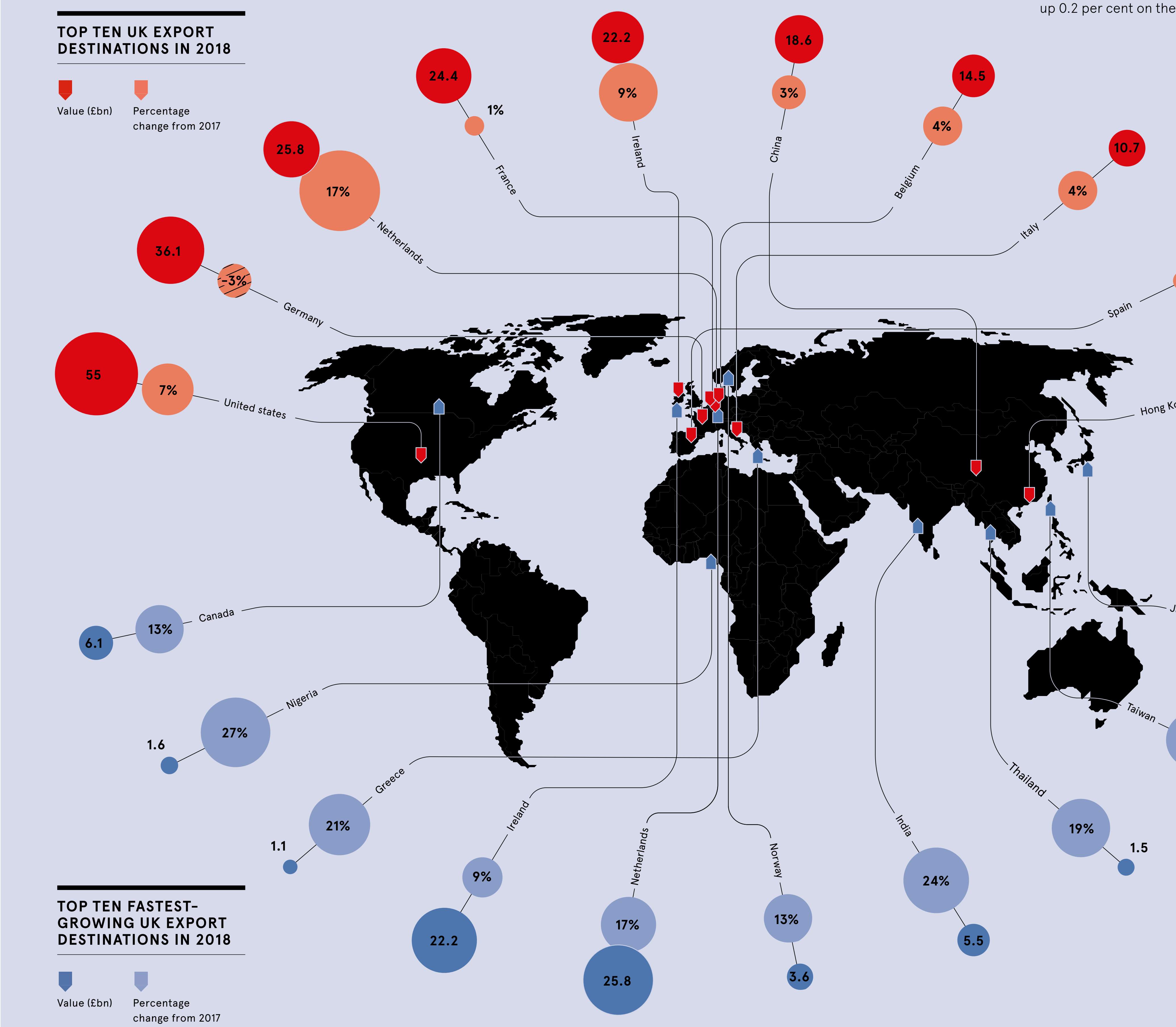
£35

value of UK export goo
up 3 per cent on the p

£27

value of UK export serv
up 0.2 per cent on the

The importance of exports to the national economy cannot be ignored, with outbound goods and services worth around a third of total UK GDP combined. This infographic explores the most valuable exports to come from the UK, and which countries are buying the most



Santander/UN Comtrade 2019

50bn
...ods in 2018,
...previous year

79bn
...vices in 2018,
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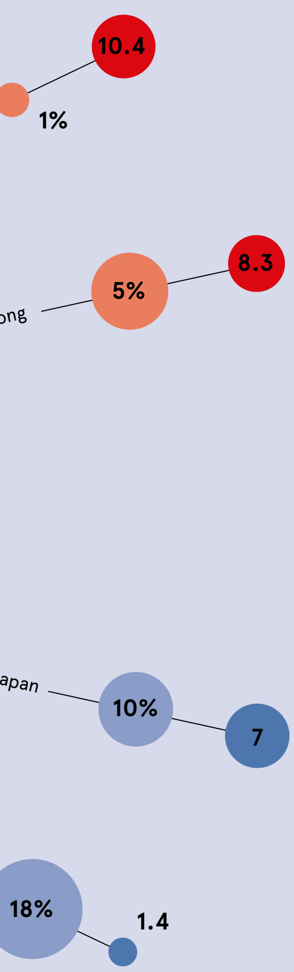


TEN BIGGEST UK EXPORT GOODS

Trade value of UK exports in 2018 worldwide

72.3 Nuclear reactors and machinery

54.6 Vehicles, other than railway or tramway

47.4 Precious/semi-precious stonesand metals

43.7 Mineral fuels, mineral oils and products

42.0 Motor vehicles

31.8 Gold, unwrought or semi-manufactured

31.8 Metals

30.0 Pharmaceutical products

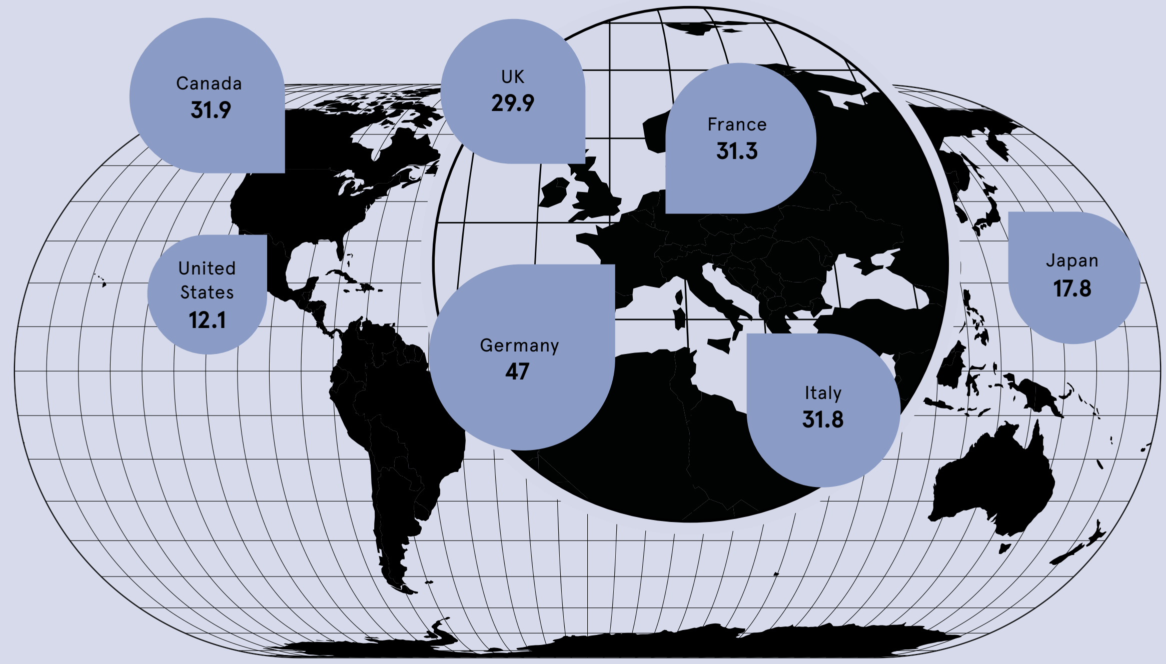
28.8 Electrical machinery and equipment

24.9 Turbo-jets/propellers and turbines

UN Comtrade 2019

WHICH G7 NATION RELIES MOST ON EXPORTS?

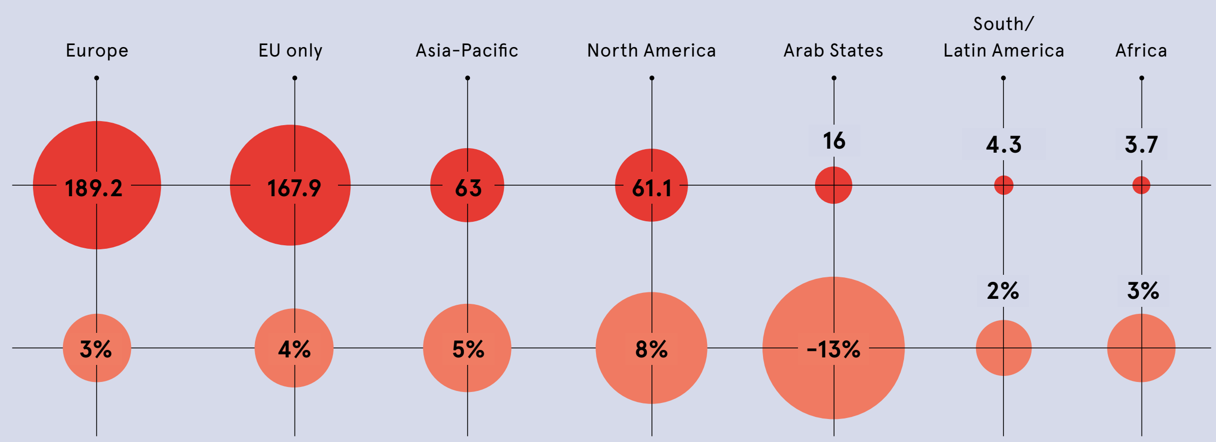
Exported goods and services as a percentage of GDP



World Bank 2019

LARGEST REGIONS BY UK EXPORT VALUE IN 2018

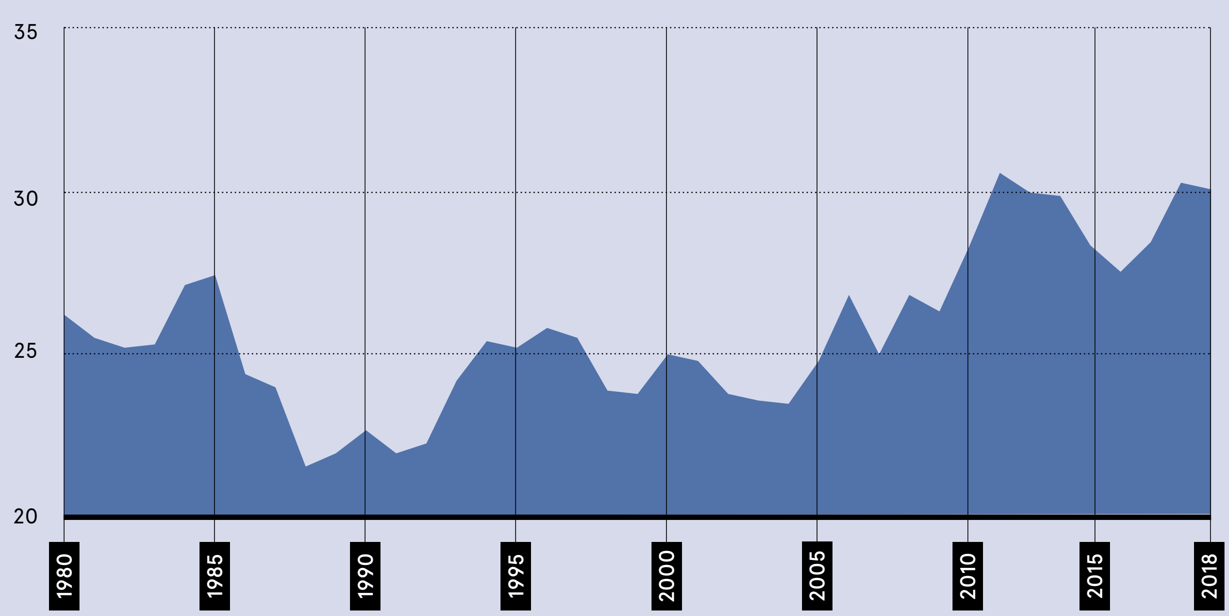
● Value (£bn) ● Percentage change from 2017



Santander/UN Comtrade 2019

UK EXPORTS TIMELINE

Exported goods and services as a percentage of GDP



World Bank 2019

STARTUPS

Warning signs for high-growth startups

Recognising when change is needed can be the difference between success and failure when it comes to small companies undergoing rapid growth and expansion

Karam Filfilan

Startup culture is all about being agile, fast moving and disruptive. At the outset, there is little room for processes or structure. To succeed and establish a competitor brand, high-growth startups must constantly break rules, reinvent themselves and travel where the market takes them.

This is easier to achieve when a company consists of co-founders and a couple of first-round hires. But as startups begin to scale and take on more employees, the very culture that helped them to succeed can become a hindrance.

Instead of focusing on disruption, chief executives can become bogged down in management processes, reporting lines and business structure, causing the expansion of a high-growth startup to stagnate and employee dynamics to change. So how can growing startups avoid this problem?

Evolutionary psychologist and Oxford University professor Robin Dunbar posited the idea that humans can only maintain relationships with up to 150 people at one time. Looking at the evolution of primates, he found that the size of our brains generally correlates to the size of our social circle, which is naturally capped at around 150 people. Coincidentally, this is the average size of most villages in the Domesday Book back in 1086. Go above this magic number and you lose the trust, shared history and mutual obligation needed to make relationships thrive; all traits key to helping businesses grow.

The low employee count at the beginning of a startup's growth strategy means "you can manage the system by peer pressure, whereas above 150 you need some form of top-down, discipline-based management system", according to Professor Dunbar.

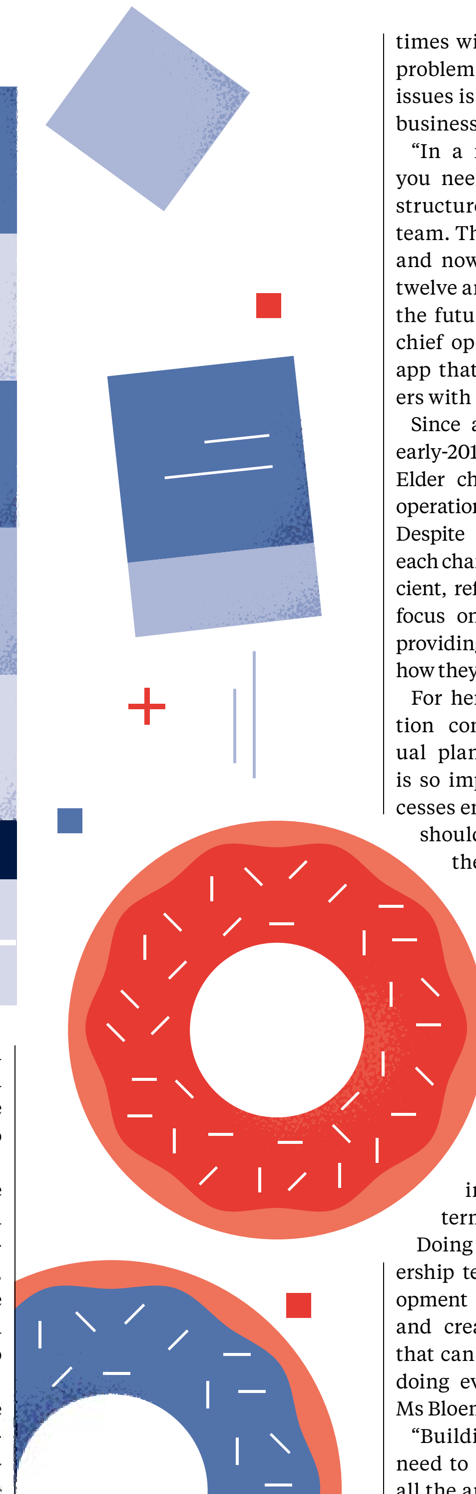
While some organisations have taken this philosophy to heart – outdoor clothing manufacturer Gore-Tex famously creates a new office each time a department reaches 150 people to avoid Dunbar's number – not all startups will need to reach that magic number of employees before feeling the pressure.

"First base for a startup founder is always going to be proving the demand for the product or service, that the target market can be reached and the business model is scalable," says Anthony Byrne, chief executive and founder of Dublin-based sales development agency Product2Market.

"The very moment this is even partially proven, I feel a founder's focus needs to be on building a team and operation that can scale the opportunity," he adds.

Making that transition from initial proof of product to rapid scaling can be disorientating, says Mandeep

> "You need to accept you will never have all the answers and that you will be constantly trying, failing and learning"



easy to needing more formal structures in place to ensure the whole team was aligned," says Mr Singh.

"My management style has become less informal and I've learnt the importance of over-communicating, again and again, to make sure everyone is aligned behind a set of core objectives. I believe structures should be built up step by step to avoid too much bureaucracy, too early," he says.

Trouva opened its first office outside London in 2017. Building the company's Lisbon office forced the high-growth startup to create processes for effective communication across time zones, as well as maintaining its culture and values, regardless of where its employees were based.

To do so, Trouva's leadership team turned to technology. The tech startup uses instant messaging platform Slack to manage day-to-day communication across teams and Google Hangouts for meetings.

"Leveraging technology to bring our people together has been crucial in maintaining a unified culture," says Mr Singh.

While it can be tempting for high-growth startups to believe the good times will never end, preparing for problems and looking for long-term issues is a vital part of ensuring the business continues to succeed.

"In a rapidly growing company, you need to constantly adapt the structures and capabilities of your team. That's not just about the here and now; that's about looking six, twelve and twenty-four months into the future," says Gemma Bloemen, chief operating officer of Elder, an app that matches professional carers with families of elderly people.

Since arriving at the business in early-2018, Ms Bloemen has seen Elder change the structure of the operational team three times. Despite the upheaval, she believes each change made the team more efficient, refining the leadership's team focus on immediate priorities and providing clarity for its employees on how they could help the startup grow.

For her, avoiding startup stagnation comes through this continual planning and structuring. "It is so important that the right processes enable innovation. Processes should allow people to focus on their jobs, drive innovation and grow the company," she says.

"Every startup will face adversity along the way. The key is to make sure you have a team that believes in the mission of the company, as when things get tough they know what the company is trying to do and what it's long-term goals are."

Doing so has required Elder's leadership team to focus less on development and more on recruitment and creating culture, a transition that can be hard for leaders used to doing everything themselves, says Ms Bloemen.

"Building a business is hard. You need to accept you will never have all the answers and that you will be constantly trying, failing and learning. Create this culture within your company by celebrating your people when they come back from mistakes or turn around processes that aren't working," she concludes.

81%

of UK startups are planning to increase the size of their workforce in 2019, down from 89 per cent in 2017

33%

say finding talent is extremely challenging, up from 26 per cent in 2017

Silicon Valley Bank 2019

INSOLVENCIES

What a rise in insolvencies means for business growth

A recent increase in the number of business failures is of course alarming, but it could in part reflect healthy levels of entrepreneurship

Ian Fraser

It's easy to forget that the UK has been living through what BBC economics editor Faisal Islam describes as "a decade-long Roadrunner moment [since] the trauma of the financial crisis".

The way he describes it, the economy ran off a cliff in October 2008 and has since been suspended in mid-air, with its cartoon legs a-swirling, sustained only by low interest rates, quantitative easing and other forms of governmental support.

The question, four months from the date when we are due to leave the European Union, is how much longer can UK business growth continue to defy gravity?

As yet there is little sign of business growth slowing. Indeed the number of UK startups reached a record of 663,272 in 2018, up 5.7 per cent on the previous year, according to the Centre for Entrepreneurs (CFE).

Even though statistics suggest that half to two thirds of startups may fold within three years, CFE director Matt Smith says this confirms "the resilience and confidence of entrepreneurs across the country, and the strengthening of London as Europe's leading startup hub".

However, at the other end of the spectrum, business failures have been ticking up too. According to the Insolvency Service, administrations across England and Wales rose by 26.8 per cent in the first quarter of 2019, against the same period in 2018, to reach their highest level since 2014.

And a survey from trade credit insurer Euler Hermes shows that UK business failures climbed by 12 per cent in 2018, against the previous year, and predicts a further 9 per cent increase in the current year.

Yet Euler Hermes warns that business failures would surge by 20 per cent in the event of a disorderly or no-deal Brexit, placing the UK among the top economies in the world where growth in business failure is concerned.

1 in 238

companies were liquidated in the 12 months ending March 2019

The Insolvency Service 2019

Matt Henderson, insolvency partner at accountancy firm Johnston Carmichael, says the numbers need to be taken with a pinch of salt. He stresses that, although they are rising, business insolvencies are still way below the elevated level they reached between 2009 and 2012 in the wake of the financial crisis.

"A 12 per cent rise year on year might look bad, but if it's from a historically low base, it's not that meaningful," he points out.

John Tribe, senior law lecturer at Liverpool University, says higher use of company voluntary arrangements, a mechanism currently favoured by retailers to negotiate cheaper rents from landlords, may also be distorting the picture.

But Mr Henderson adds: "That does not mean there are not worrying signs." He cites the collapse of Wolverhampton-based construction and government outsourcing giant Carillion in January 2018, which caused a domino effect among subcontractors.

> "Every recession is a good opportunity for some creative destruction so the worst-performing businesses can be flushed out and more dynamic businesses can pick up market share

"The behaviour of Carillion in reducing contract margins down to wafer thin levels meant it actually dragged down a whole sector," he says.

Construction has been further blighted by Brexit, which has led many businesses and public sector organisations to put building projects on ice.

There have also been higher-than-usual levels of corporate failures in the retailing, restaurants and services sectors. In retail, Debenhams and L.K. Bennett recently entered administration, following on from Maplin, Toys R Us and Poundworld in 2018, leading to unemployment, a surge in vacant units on UK high streets as well as problems for landlords.

Aside from the pressures of high business rates, inflexible landlords and the rise of online shopping, Julie Palmer, regional managing partner at Begbies Traynor, points to a generational shift that could spell curtains for the retailers' traditional business model.

"People in their 20s and early-30s lead more portable lives, and are less interested in accumulating CDs, DVDs or even clothes. They're less materialistic, tend to everything on their mobiles or tablets or the cloud. We're seeing the effects of that very dramatically in retail," she says.

In the restaurant sector, insolvencies soared to a record high of 1,442 in 2018, up 40 per cent on 2017, according to accountants Price Bailey. The drivers include Brexit-induced consumer numbness, weak management of some chains, an oversupply of restaurants as well as rising competition from delivery apps Deliveroo and Uber Eats.

But what if anything should the UK government be doing to keep more of the country's struggling firms from facing insolvency and ensure business growth can be sustained?

Ms Palmer is not convinced the government should do anything. She says the stimulus measures introduced after the 2008 global financial crisis, including ultra-low interest rates, quantitative easing and HM Revenue & Custom's time to pay scheme, have "left us with a hard core of 480,000 zombie businesses, none of which are going anywhere". She argues that this rump of stagnant enterprise is actually impeding UK business growth.

"Every recession is a good opportunity for some creative destruction so the worst-performing businesses can be flushed out and more dynamic businesses can pick up market share," says Ms Palmer. "But we delayed and probably softened what would otherwise have been a boom coming out of recession."

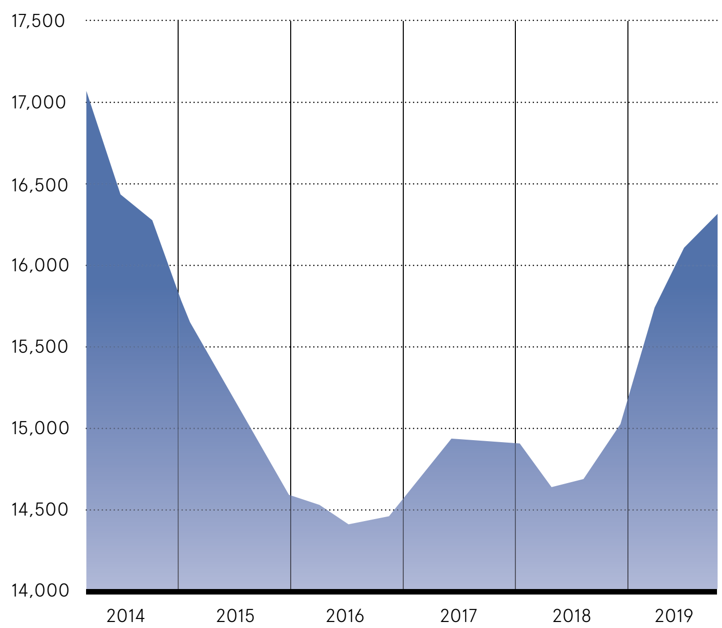
Mr Henderson agrees that a dose of Schumpeterian creative destruction is paradoxically beneficial for business growth. He says the fact that more than half of tech startups fail within three years "shows capital being put at risk and that people are optimistic about the future".

Christopher Furlong/Getty Images

Commercial feature

UK COMPANY INSOLVENCIES ON THE RISE

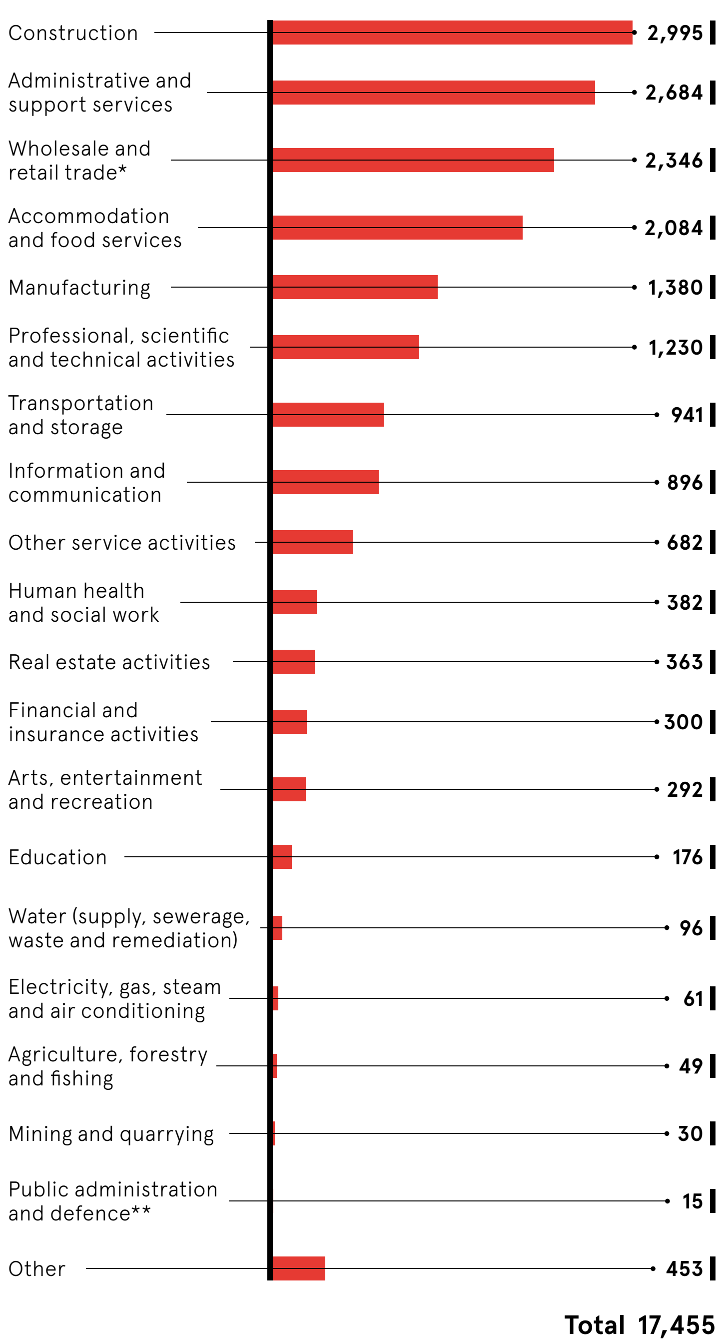
Seasonally adjusted number of insolvencies by quarter, rolling one-year sum



Thomson Reuters Datastream/The Insolvency Service 2019

INSOLVENCIES BY SECTOR

Total new company insolvencies in 2018 for England and Wales combined



*Includes repair of motor vehicles and motorcycles
**Includes compulsory social security

The Insolvency Service 2019

Collaboration and ambition can unlock UK business potential

Support for businesses at all stages, with a broad range of services including funding, is available to help launch national and international growth

Not-for-profit organisation The Growth Company is dedicated to economic development, inward investment, skills, employment and enterprise. In July 2019, it was appointed to run a series of national mentoring programmes by Be the Business, which will be rolled out via the nationwide network of growth hubs, including The Growth Company's own GC Business Growth Hub.

The news represents a culmination of success stories for the Greater Manchester-incepted organisation, of course, but more poignantly sheds light on recurring issues that domestic businesses are facing in the current climate, challenges that the hub has strived to help clients combat since 2011.

"When we founded the first Hub in the country, it was a display of how we could be a complete support infrastructure for businesses in Greater Manchester," recalls Richard Jeffery, the Hub's director of business growth. "We wanted to help companies to start, grow, scale and expand from here in the city, providing active programmes along the way by leveraging the best of private and public provision."

At that time, the overriding challenge for startups and early-stage businesses was access to finance, but the constantly evolving nature of the UK ecosystem has now veered towards challenges of access to skills, internal reinvestment planning, development of leadership teams and the integration of new tech in the digital era.

Mr Jeffery continues: "The focus is on how to apply modern day, applicable solutions to stage-centric challenges, often starting with one hook or problem they want help with, before delving into the wider workings of their business to instil much more widespread improvements."

There are now hubs all over the UK replicating our model, all well-networked cities with ambitious visions, complemented by a series of peripheral actors working together for the benefit of businesses

Much of what GC Business Growth Hub promotes revolves around collaboration, a notion Mr Jeffery believes can take budding enterprises from concept to international success. This process is ingrained into the facilitator's offering via an amalgamation of public and private partners that combine to provide full wraparound support when needed or more bespoke troubleshooting of individual needs if more applicable.

The resultant tailored programmes of support help small and medium-sized enterprises overcome specific barriers that are arresting their growth, can address all facets of a scale-up journey and help to create an ecosystem of aid for companies during their most pivotal developmental phases.

"I'm a massive believer in ecosystems and the Greater Manchester model is a great example of how entities can come together to assist burgeoning businesses," Mr Jeffery explains. "There are now hubs all over the UK replicating our model, all well-networked cities with ambitious visions, complemented by a series of peripheral actors working together for the benefit of businesses.

"Startup teams, scale-up teams, banks, private partners, all working together. The best of private and public at their disposal."

Collaboration then also applies to what will be promoted through the Hub's Be the Business affiliation: collaboration with each other via peer-to-peer support and mentoring to pinpoint opportunities both locally and further afield.

"There needs to be a big call to action around international opportunities," says Mr Jeffery. "We've all seen various forecasts for the UK, highlighting limited market growth projections, but there are still huge opportunities internationally and we want businesses to put that ambition at the heart of their growth plans."

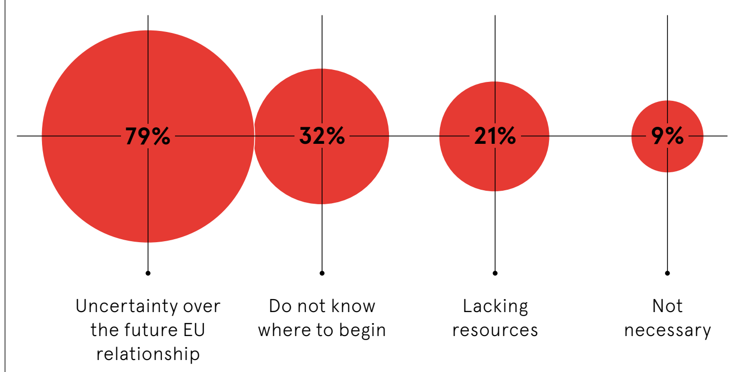
The recent launch of The Growth Company's international scale-up programme, delivered by the Hub in Greater Manchester alongside partners including KPMG, DWF, Santander and Manchester Airport, epitomises the level of support that is on hand for companies in Greater Manchester to make this leap.

It's not just about expanding market potential; it's a way to tackle domestic barriers to growth and to foster a more well-rounded business in the long term.

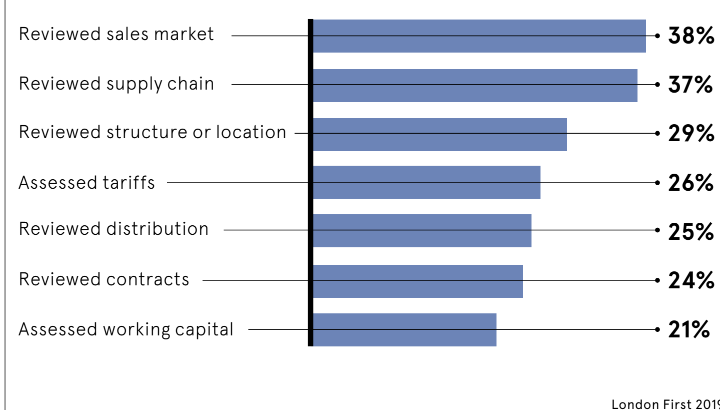
Mr Jeffery concludes: "The message gets lost sometimes, but when you become international, you become more productive and a better business. You learn from global players and competitors, and it forces you to improve. That then leads to better jobs and more exciting opportunities for your teams; a concern that has been at the forefront of our agenda since day one."

For more information please visit www.businessgrowthhub.com

WHY BUSINESSES ARE STRUGGLING TO PREPARE



CONTINGENCIES TRIGGERED OR PLANNED



BREXIT

What you can and can't control in Brexit

The ongoing uncertainties surrounding Britain's impending exit from the European Union have raised important questions for businesses trying to future-proof operations and supply chains, but some things are simply out of a decision-maker's control...

Michelle Perry

Can control

For more than three years, British business has faced creeping uncertainty as planned departure dates to exit the European Union pass by, the type of departure fluctuates and predicted outcomes shift. Since June 23, 2016 the only element that company leaders have been able to count on in terms of Brexit and business is ambiguity.

The impact of Brexit on business across industry sectors has resulted in significant costs due to contingency planning. For larger companies with greater resources, they have been able to plan earlier and for a longer disruption. In contrast, smaller companies with fewer resources cannot benefit from such flexibility.

But as Mats Persson, Brexit strategy leader at EY, says: "The question is how much cash do you want to potentially invest in an outcome that may not materialise? For the vast majority of companies, full mitigation would be uneconomical and would not be justifiable relative to all the other priorities they have to deal with."

With that in mind, business decision-makers have had to focus on the issues they can control. The most typical types of mitigating actions to do with Brexit and business fall into the following categories:

Preparing for a customs border
For the first time since the 1970s, it looks increasingly likely there will be a customs border between the UK and the rest of Europe. Business leaders must ensure they have basic capacity to trade across borders. This involves hiring customs experts who know how to fill out a customs declaration form accurately, understand the right classification of products and can implement systems to pay the right tariff as well as knowing what the right tariff will be.

Supply chain management
Mapping out the supply chain to make sure it can keep operating despite Brexit is something all businesses can and should do. Finding local suppliers may help some businesses, but switching suppliers, particularly for a strategic supplier, won't always solve the problem.

"You can't control everything in your supply chain, so you just have to figure out what are the moving parts that really matter and that you actually have some control over," Mr Persson says.

The emphasis should be on critical suppliers that supply core components or ingredients without which the business would cease to operate. Working closely with suppliers to find solutions that work for both parties is essential.

Stockpiling is an option for some, but many smaller companies will not have the facilities or cash to store extra stock and those with perishable goods simply won't be able to. It is ultimately a short-term fix. If there is a further delay, many businesses may skip this option next time because the costs are not insignificant.

Securing licences
Companies in sectors that rely on a single licence or approval to trade should ensure it is UK originated and valid for transfer to all EU member states so the business can continue to trade in Europe. The most typical licence will be the financial services passport. Again, the costs are significant, but without a licence to operate, the business will face greater costs in loss of trade and possibly reputational damage.

Fortifying the workforce
Freedom of movement will end on October 31 when, and if, the UK leaves the EU. The UK has nearly full employment, so recruitment will be tougher. Latest data published in June from the Office for National Statistics estimates the UK employment rate at 76.1 per cent, higher than a year earlier and the joint-highest on record. Companies should have already reviewed their workforce to understand staffing and training requirements in regard to Brexit and business. For EU nationals in the workforce, discussing the settled status option early on will help calm any concerns about the future both for employees and the employer.

> "You have to figure out what are the moving parts that really matter

Commercial feature

Can't control

Departure date and politics
Currently, October 31 is the next scheduled date for the UK to leave the EU. Based on past experience, this date could shift again. Company leaders, despite the best efforts of business lobby groups, cannot control, or even know definitively, what date the UK will leave the EU.

Businesses can't control when Brexit actually happens, which can make big decision-making on any costly contingency or relocation firstly risky for smaller companies. "This is also a big issue for multiple rounds of stockpiling. Many organisations cannot and don't want to keep doing this unnecessarily as it eats into their margins," says Allie Renison, head of EU and trade policy at the Institute of Directors.

Infrastructure
We have already had some experience of the delicate balance in infrastructure post-Brexit when earlier this year the government was forced to cancel a controversial no-deal Brexit ferry contract awarded to a company with no ships. Ports' ability to handle trade once we leave the EU is out of companies' hands.

"Companies can have the best supplier readiness plan in the world, but if the port or roads aren't ready, there is only so much they can do," Mr Persson says.

Type of departure
Even if the UK leaves the EU as planned on October 31, uncertainty prevails over how we will leave, possibly a chaotic departure with World Trade Organization rules or Brexit with a customs union. Question marks continue to hang over how businesses would even trade within the British Isles given politicians' failure to resolve the Irish backstop issue.

Also unknown is how long a no deal would last, how quickly mitigations being put in place by the UK and the EU will last, and how badly any breakdown in UK-EU relations as a result of a no deal will continue to affect terms of trade.

"This also makes judging how much the UK could unilaterally do to cut any burdensome EU regulations or changing tariffs difficult, since any changes would affect our starting point of (re)negotiation with the EU and our access to its market," says Ms Renison.

To minimise the anxiety of uncertainty prevailing in the current climate concerning Brexit and business, companies with the available capacity are eschewing the wait-and-see approach and embracing the chance to expand overseas. With the prospect of no deal ever closer, businesses are looking at setting up additional operations in locations such as the Republic of Ireland or mainland Europe.

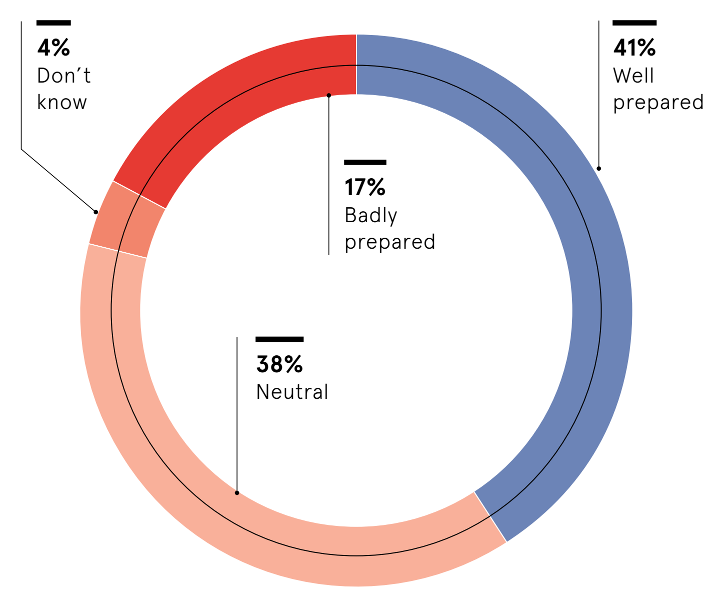
London-based boutique investment manager TAM Asset Management set up a second office in Spain so it can continue operating in the EU. "We are in a good position to be ready come October if there's a no-deal Brexit to operate within Europe with our own European-regulated entity," says TAM chief financial officer John Gracey.

Where Brexit and business are concerned the current mood is to leave nothing to chance. ●

> Companies can have a supplier readiness plan, but if the port or roads aren't ready, there is only so much they can do

HOW UK BUSINESSES RATE THEIR BREXIT PREPAREDNESS

Survey of senior decision-makers taken in late-2018



London First 2019

Capital and culture

BOOST&Co explains why culture is as important as capital when businesses are ready to seize opportunities for growth

If your company has an innovative product, an entrepreneurial team and a solid plan for growth, then why does organisational culture matter? It's a question increasingly being asked by businesses of all sizes, and an approach that the leading growth capital and working capital provider BOOST&Co built into its strategy from the start.

"In new, expanding businesses, you're forced to make a large number of decisions every day, from hiring new people and dealing with clients to pursuing new opportunities for growth," says Lance Mysyrowicz, partner at BOOST&Co, which offers loans of £2 million to £10 million to fast-growing small and medium-sized enterprises (SMEs) in the UK. "Taking these decisions without an overarching set of principles is difficult; you are likely to take the wrong decisions or just get lost along the way."

BOOST&Co's solution was to embed a strong organisational culture early in its development. The business worked with an organisational psychologist – a rare commodity in any firm – to identify, synthesise and structure its cultural tenets. These beliefs and attitudes were shared by the partners, who felt strongly that these should be reflected in all the company's day-to-day activities and people processes.

The partners settled on seven tenets: authentic, brave, curious, self-motivated, smart, interested and interesting. Such guiding traits are unique to each business, but the most important factor in defining a company's culture is ensuring that they are a true representation of the values of the business.

Once these have been defined, constant reinforcement is crucial to keeping a business's culture at the heart of everything it does. Embedding these attributes in people processes is a first step, from recruiting employees with the desired cultural tenets to evaluating their performance along these lines.

Establishing a strong culture is just one of the necessary elements of a fast-growing business. Promising SMEs often struggle to find the funding that will enable them to grow. A number of funding methods are available, the most frequently used being debt. Lending from traditional financial institutions often fails to meet the unique needs of these companies, but growth capital providers, such as BOOST&Co, can offer innovative products that are tailored to each client.

"We are able to provide more money, earlier in the life cycle of fast-growing businesses. This means SMEs can achieve milestones much more quickly than if they opted for traditional lending," says Mr Mysyrowicz. "Our products also mean that SMEs can access capital without equity dilution, something we know is important to most business owners."

The swift decision-making process that sets BOOST&Co apart from the banks enables fast-growing SMEs to seize opportunities for growth. They can invest in international expansion, extend their cash runway, fund larger contracts and carry out mergers and acquisitions.

BOOST&Co's regional presence across the UK accelerates this process. Its deal-makers, who are based in London, Manchester, Bristol and Cambridge, have strong networks in the local business community. Their expertise benefits the local economy in their respective regions through the investment they provide to the most promising local SMEs.

"We are different because we are independent," says Mr Mysyrowicz. "We look at SMEs on a case-by-case basis and make our own decisions without regard for rigid, traditional lending models. We use our collective experience to develop a deep understanding of the business models we assess and the opportunities for growth that they would like us to fund. A core part of this assessment is our view of the company's management team and the culture they have developed in their firm."

Ultimately, then, it comes back to organisational culture, and the undoubted benefits of establishing shared values and objectives in a talented team. Capital may be important, but only when it is allied to a strong culture do the ingredients combine to produce success.

For more information please visit boostandco.com

BOOST&Co

THE ADVANTAGES OF GROWTH DEBT, AS OFFERED BY BOOST&CO

	GROWTH DEBT	GROWTH EQUITY
Lower cost of capital	2-10% Equity dilution on sale or IPO	10-50% Equity dilution
Keep full control	✓ No board seat or voting rights	X Must agree with investors before making decisions
Quicker process	2-3 months	6-12 months
Shorter process	Capital amortising 3-5 years. Taking on too much debt may put strain on cashflow	On sale or IPO 5-8 years

> We are able to provide more money, earlier in the life cycle of fast-growing businesses. This means SMEs can achieve milestones much more quickly