

# Brexit can boost our agile SMEs

Uncertainty is no stranger to small businesses so they must forge ahead, writes [Robert Lea](#)

**K**ee calm and carry on. The UK's small and medium-sized enterprises are being encouraged to do just that until the uncertainties of the country's secession from the European Union recede.

Or to borrow from the famous quote of Donald Rumsfeld, the former US defence secretary, the known knowns can look after themselves while the unknowns could offer as many opportunities as they will challenges.

"Running an SME is all about uncertainty," says Suzi Woolfson, a senior partner at PwC, the global consultancy firm, who leads the firm's private business practice.

"SMEs manage their business in a state of uncertainty all the time. It is how they have got on, how they have thrived. It is all they have ever done."

The triggering of Article 50 does not in itself change anything for SMEs, Woolfson says, although she does fear that access to talent and the freedom of movement of personnel may become the sector's biggest headache, depending on where Brexit ends up.

"We don't know what the outcome of many things will be. My advice to SMEs would be to focus on what they already do very well: manage your cash, concentrate on your KPIs (key performance indicators) and keep engaging with your staff and your customers."

"And in these uncertain times, look at partnering and collaborating. Discuss with customers what it is that they want. Everyone is in the same boat. The great thing about SMEs is that unlike a large plc, they can move swiftly and with agility."

It is this nimbleness that SMEs should capitalise on, says Christos Tsinopoulos, senior lecturer in operations and project management at Durham University Business School.

"SMEs are agile by definition," he says. "My experience is that they are also competent, innovative, creative and competitive."

"Article 50 will mean many different things to different people. What we do know is there will be an increased number of uncertainties. "What will be crucial is the ability to innovate and develop new products."

By their very existence, UK manufacturing SMEs are strong at what they do, Tsinopoulos adds. "If they are manufacturing something



that people want to buy, that is not going to change."

One of the known knowns is the post-Brexit 15 per cent devaluation in sterling. His advice to SMEs is to map where they are in the supply chain and if they have an overseas exposure, look carefully at whether sourcing alternatives can be found without compromising quality. Currency hedging will need to be looked at, as will how the business is financed.

Collaboration with customers and suppliers will be key during the uncertainty. "Integration within a supply chain and innovation will both support competitiveness," Tsinopoulos says.

Another known known is the likely drying up of access to EU grants.

"It is not so much the availability of the pennies, as the ease of the mechanisms by which funding was accessed," Tsinopoulos says.

Woolfson adds: "There are a lot of grants available and they will be available for some time. But what it will do is make people look more carefully at what they need and what is available elsewhere."

One of the not wholly foreseen consequences of the devalued pound is the increase in international competitiveness of Britain's SMEs.

Mike Cherry, national chairman of the Federation of Small Businesses, says one third of his members are involved in imports and exports, with the vast majority currently exposed to the EU single market.

“Exporters are more likely to survive, innovate and grow”

"Small business exports have been on the rise since the referendum, with the lower value of the pound making UK goods and services more competitive," he says.

"We know that our members who export are more likely to survive, innovate and grow. As the UK leaves the single market, any agreement must maintain the current ease of trade with the EU and not lead to additional administrative or financial burdens."

"For a truly global Britain, we need the government to enhance specific support for small exporters to reach new customers and to negotiate ambitious UK-specific trade deals with large and emerging markets."

*Robert Lea is industrial editor of The Times*

# Why ambition is at the heart of business success

A healthy attitude to risk and a desire to be the best are essential qualities, writes **Tony Dawe**

With momentous political events in the UK and US, wars in the Middle East and tensions in the Far East, this year could be defined by many different titles. British business leaders agree, however, that 2017 is going to be the year of ambition.

They voiced their opinions in a survey by UBM, the event management company, on behalf of the National Business Awards 2017. It declares: "It is clear that business leaders have a word at the front of their mind in the year ahead: ambition. With it, they proclaim that 2017, along with the economic, political and social challenges that we may face, will be one of great success. Without it, organisations are destined for failure."

The National Business Awards are sponsored by Lloyds Bank and organised by UBM. This supplement was produced by *The Times* Special Reports team independently of the organiser and sponsor. Editor: Mark Barber 020 7782 5742

The report adds: "Anyone who is going to direct their organisation through the tough economic and political times ahead needs to have ambition at the heart of their leadership."

But how should we define ambition in terms of business? The most popular description among those surveyed was "a desire to succeed", followed by "striving to be the best" and "exceeding expectations".

Professor Andrew Godley, academic director at the Henley Centre for Entrepreneurship, says there is "a very clear correlation between attitude to risk and ambition", citing the vast amount of data available from the Global Entrepreneurship Monitor.

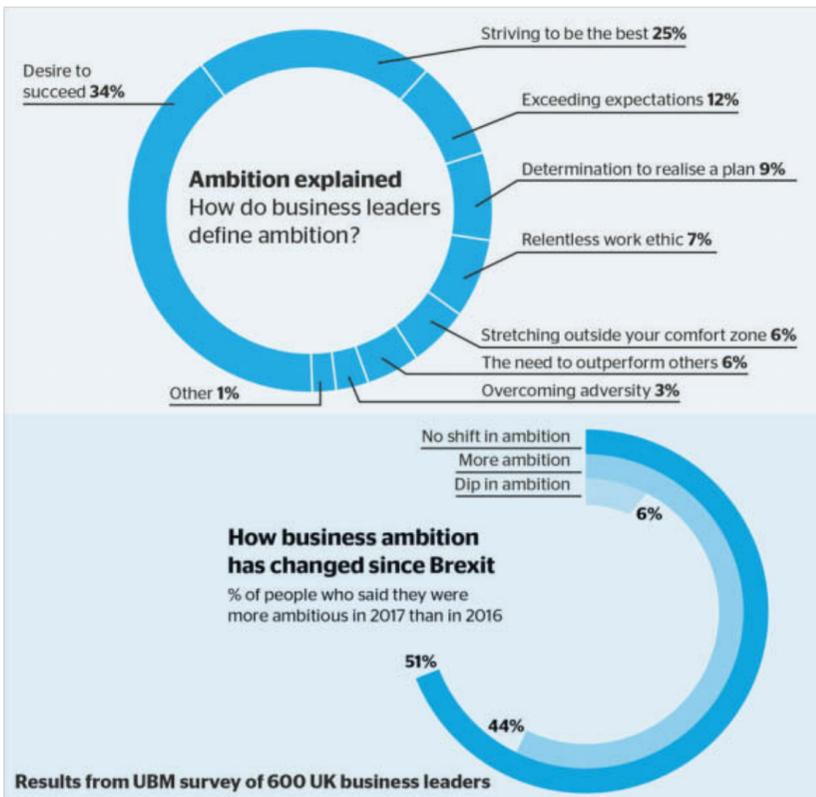
He says research shows that businesses in Scandinavia, Ireland and the UK, especially in London and the South East, have a much more open approach to encountering risk than those elsewhere in Europe.

Godley adds that risk often means a willingness to make decisions when the future is uncertain, and that two more indicators of ambition are a positive attitude towards exporting and globalisation and a willingness to seek extra funding to support growth.

"The outcome of ambition should be fast growth, allied to competence and high productivity."

There is increasing evidence that fast-growth businesses – also known as gazelles or scale-ups – contribute more to economic growth in terms of job creation and revenue generation than either big corporates or startups.

Simon Devonshire, the government's Entrepreneur in Residence, says: "I believe that scaling-up is potentially relevant to any type



**Leaders must have the will to follow their ideas through**

of business; of any age, size and industry sector. Delivering sustainable growth is as relevant to big corporates as it is to early stage startups."

"To Devonshire, the definition of ambition is straightforward. He says: "What I hear every day from businesses, especially from chief executives and founders, is ambition articulated by wanting to double their business."

"That's a good objective. But when I ask 'how are you going to do it?' some just look at their feet. I tell them it requires interventions, two a quarter, eight a year, that's not too demanding."

These interventions could be anything from appointing a dynamic member of staff and inviting a well-

known personality to visit the company, to launching a new product and seeking additional funding.

"Business leaders must have the will to grasp these ideas and follow them through – and that effort is not going to happen unless they have ambition," Devonshire says.

The UBM survey reaches the same conclusion: "For business leaders, the signals are clear. They need to empower their colleagues, employees and other business leaders into continuing their ambitious plans and growing their confidence. They have signalled that the challenges ahead only increase their motivation and enthusiasm for economic success this year."

## 'If it ain't broke, break it'

From mattresses to Mutley, if there is a market there is a disruptor, says **Mark Frary**

The accepted wisdom is that if it ain't broke, then don't fix it. But ask an entrepreneur and you may get a different answer. "Disruptors believe that if it isn't broken, then they should break it," says Abid Ismail, chief executive of Eve, an online retailer which has disrupted the market in buying mattresses by improving the traditional buying experience.

"You are in a shop and have to lie down on a mattress covered in plastic, there are people all around you and a shop assistant peering over you. Three weeks later, you get the mattress." Eve's key disruptive tactic is to let potential purchasers have the mattress in their own home for up to 100 days. "The best showroom is the home," Ismail says.

PetsPyjamas, founded in 2011, is another disruptive British start-up which has become a success in the growing market for luxury pet accessories.

Co-founder Karen Hanton, a serial entrepreneur who was also behind the launch of Toptable, says she believes disruption comes in one of two ways. "Entrepreneurs might either be arrogant enough to think there is a better way of doing something, or they jump on a trend."

PetsPyjamas is in the latter camp. On a trip to New York, Hanton noticed more residents owned smaller breeds of dog that could be looked after in an urban environment. "The guardians of these pets were young, stylish types willing to spend money to buy better accessories," she says.

Like Toptable before it, PetsPyjamas acts as an umbrella, bringing together an industry that is fragmented and relatively unsophisticated – at least in digital marketing terms. "There are a lot of people selling pet items who do it out of love for animals or have extended a hobby," Hanton says. "We are helping people who do not have a



When it comes to luxury pet accessories, PetsPyjamas appears to have it licked

gross plan for their business and act as a one-stop shop for customers."

The company has no plans to sit and stay; it has now launched a service for owners looking for holidays that are not just pet-friendly but "positively pet welcoming".

Hanton says it is important for entrepreneurs not to feel intimidated by deep-pocketed incumbents. "I don't mean you should take on everybody in a reckless way, but think about what it is possible to do. I can never compete with a Booking.com, for example — they do what they do brilliantly — but I am also not afraid of them because they are not doing what I do."

Graze, now a company with 500 employees and a turnover of £71 million, has shaken up the market for healthy snacks.

Anthony Fletcher, the chief

executive, says a laser-like focus on the consumer is vital, while being able to test and launch products quickly also helps disrupt legacy players.

"You can see what works online and the ramifications for failure are very low," he says. "It's not like a high street retailer giving shelf space to a new product or paying for advertising. We can launch a new product in 48 hours."

So how do the disruptors avoid being disrupted themselves? Agility, Fletcher says. "There are an awful lot of trends bubbling away. Will it be smartwatches or everyone ordering from Amazon by shouting at a speaker? The key is not trying to manage them all. Only when they are big enough and have traction should you respond. You can't pre-empt what the next big thing is — you just need to respond quickly."

### ADVERTISING FEATURE

## What can winning an award do for your business?



We've all been there. The latest email newsletter from your competitor drops into your inbox and they've got a new addition to their logo to show they've won an industry award. 'We could have won that', you think. But aside from gaining bragging rights over other businesses in your space, why should you or anyone in your business take the time to complete an application and enter an award?

At the Lloyds Bank National Business Awards we have seen first-hand how, even if you don't end up winning, simply entering your business for an award can help you think clearly about your achievements, reward your team, and take stock of how far you've come. Then there are the more tangible benefits – the increased PR exposure, access to fellow entrants at networking events, and a great night of celebration at the end!

But don't just take our word for it. We asked Lloyds Bank National Business Awards alumni what benefits they had seen. Anna Cusden, MD of Look Fabulous Forever, shortlisted for the Amazon Digital Business of the Year Award in 2016, writes:

"We were thrilled to be shortlisted for Amazon Digital Business of the Year. As a start-up e-commerce business selling makeup for older women, it was extremely gratifying to be recognised by one of the giants of e-commerce. It forced us to think about what we had achieved and also what our future plans might be. We took the whole team to celebrate on the night and while we didn't win, we made some great contacts at Amazon and beyond. There is much to be gained by entering something like the Lloyds Bank National Business Awards even if you don't win – nothing ventured, nothing gained!"

For Anna, entering the awards meant she increased the company's credibility, made valuable business connections and boosted her team's morale. There's also plenty of free marketing and PR to benefit from, as well as the opportunity to benchmark your business against others.

Myles Shaw, Managing Director of Carpet Runners UK, also shortlisted for the Amazon Digital Business of the Year, says: "I would recommend anyone that has a true passion for their business to enter these awards. It doesn't matter about the size of your business; what matters is that you are proud of what you have achieved."

Entering the Lloyds Bank National Business Awards offers you access to our top judges, networking events and over 1,200 business leaders. Every business that enters receives a personalised benchmark report – a valuable tool to drive improvement in the coming year. So what are you waiting for? No matter the size of your enterprise or the industry you work in, the Lloyds Bank National Business Awards has a category for every business story. To enter today, go to [www.nationalbusinessawards.co.uk](http://www.nationalbusinessawards.co.uk) And who knows? Those bragging rights could be yours next year...

## Disruptors who don't let the dust settle

Interflora has been in existence for more than 100 years but has faced increasing competition in recent years as florists went online. Bloom & Wild takes online ordering of flowers a step further, specialising in arrangements that can be delivered through the letterbox, so no-one has to stay in to receive them.

Estate agents rank alongside journalists and politicians as being among the most detested professions. Purplebricks, the online estate agent founded in 2014, is trying to change that. It offers a fixed fee selling service (£1,199 in London and surrounding area and £849 elsewhere), compared

with the average £3,000 fee paid to traditional agents.

Using Thread is like having your own personal fashion shopper on tap. When you sign up, you are asked to upload favourite pictures of yourself and asked questions about style preferences. From then on you get weekly emails with clothing suggestions from a personal stylist.

The financial sector has been ripe for disruption after centuries of little change. A number of challenger banks have emerged which promise to use technology to shake up the sector. Starling Bank has built its own mobile phone banking system and has

just started offering current accounts. Unlike legacy banks, it promises real-time information on your account status and access to a range of services, such as a currency exchange, via an app. If you lose your Starling credit card you can simply render it inactive using the app and turn it on again when you find it.

Amazon has been one of the most disruptive companies and, like many successful firms, continues to disrupt in many different areas: the Amazon Dash buttons let you reorder favourite products, its Alexa can be told to play music or order goods, and the Amazon Go physical shop has no checkouts.

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## National Business Awards 2017

# Growth is great, but not too fast...

**Owners who let their companies expand too quickly risk failure, writes**

**Laura Whateley**

**B**ooming demand for your new product or service requiring rapid company expansion is a problem that most startup bosses would dream of having. Far too many in this situation fail, however, because they mismanage growth. More than half of new businesses will not be trading within five years and many will struggle to become bigger companies.

According to research by Hitachi Capital Investment Finance, 27 per cent of SME owners do not plan to invest at all in their business over the next 12 months, not necessarily because they don't want to grow but because they have not considered how they are going to do so. Martin Vessey, of Business Doctors, the business advice service says growth will not happen naturally — you need to take steps to prepare and nurture it.

SMEs need to proceed step by step with a solid business model, according to Dr Luca Cacciolatti, senior lecturer at Westminster Business School.

“Organisations that scale up too fast then cannot keep up with the scale of operations will lose competitiveness, are out of the market and end up failing,” he says.

“Working with major suppliers and retailers, getting a contract with a big supermarket or national distributor for example, may be very appealing for an SME, but in the medium to long term things can backfire if the organisation doesn't have enough capacity to meet demand.”

Many SMEs fail to grasp that the moment their product enters the market, competitors will be attracted by its appeal to consumers. If growth is not managed, then a business will lose out to rivals who are better placed.

Cacciolatti stresses the importance of understanding what your customers perceive as value, not what your organisation perceives as value for your customers.

“I've worked with organisations that are producing good products, some of which are high quality. But what is the point of objectively high quality if consumers don't perceive its quality?”

Gousto, the recipe box delivery service, has grown rapidly from four to



**Mismanaging the rate at which you grow your business could result in the enterprise going pop**

more than 200 employees. Timo Boldt, founder and chief executive, says: “At Gousto, we encourage a total obsession with evaluating what our customers respond well to and to understand more about their feelings and emotions. It's these insights which allow us to continually invest time into making our product better.”

He says mentorship has helped him to grow his company more quickly, because constantly learning from

someone else's experience “is a must”. “I have more than ten mentors. A fast-growing business requires you to reinvent yourself all the time: they are priceless in helping you avoid mistakes and challenging your thinking.”

James Baddiley started Chillisauce, a travel and event company, from his bedroom with three friends from university. Without outside investment he has grown the company into a multimillion pound business.

“When a business is growing fast, scaling it can be challenging,” he says. He uses technology to do so. “As people adapt and become familiar with new technologies, communications and purchase habits, they develop higher expectations, so it is important not to become complacent”.

While planning is essential, planning too much can hold you back, believes Alastair Douglas, chief executive of TotallyMoney.com, the credit comparison site that has grown from making £172,000 pre-tax profit in 2014, to £1.8 million in 2015. “Flexibility is even more important, especially in the world of tech startups. By learning as we go, working in small steps and remaining agile we can react much faster to opportunities. This allows us to launch products our customers value more quickly than if we planned three years ahead like a big corporate.”

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