

SME SPOTLIGHT

In the effort to kick-start Britain's economy the SME market especially faces some tough times ahead. The Journal asked a selection of experts from both business and academia for their thoughts on how businesses of all shapes and sizes can flourish in this current climate.



**GUY
ASTON**

**Business Director
for Mid-Corporate
Solutions, Huthwaite
International**

It is very clear that since the recession of 2008, the world has changed. Every seller will tell you that customers are more reticent to spend than they have been for many years. In short, it is tough out there! For the high growth Mid-Corporate it may even be tougher.

Pre-recession, the market was full of organisations looking to buy. The seller's skill was to differentiate his or her own product as the one that brought most value to the customer. The typical under resourced Mid-Corporate was very busy trying hard to meet this demand and convert the many leads and enquiries into business; laudable behaviour given the market place. Very few smaller organisations had the resource luxury to sit back and invest long-term in planning future business and actively building long term, they didn't need to as the business was there to be had right now.

The market has changed and those cash flush buying organisations are as rare as a pink rhinoceros. The well learned differentiation skills cannot be brought to bear on opportunities if the opportunities don't exist. Competitive advantage is great once you get into a competitive situation!

The word we are hearing from the Mid-Corporate Marketplace today is proactive. "Our skills" they say, "are built upon reactive situations, handling leads and enquiries. If we are to survive, we need to go out and create enquiries. We need proactive skills."

In our language, they need early cycle selling skills that focus onto creating a mind set for change in the customer's head, for until they realise that the status quo is unacceptable, they will not be receptive to talking new solutions. The day of the 'talking brochure' is truly past, what is needed now is a consultative skill set to facilitate customer advance towards an acceptance of change and a move to action.

This level of skill will require a change of ethos for many organisations, which if it is to be achieved will demand a change in behaviour from not only its sales people, but its marketing personnel too.

The market is not going to change very much in the foreseeable future and the more astute Mid-Corporates are already reviewing how they sell and market into this changed world.



**JOHN
WALKER**

**National Chairman,
Federation of Small
Businesses**

The Government is relying on the UK's 4.8 million small businesses to kick-start the economy and strengthen the recovery. With 52% of small businesses reporting a fall in profits in 2009 and affordable finance still difficult to access, this will present a challenge.

However, it is possible for your business to drive the recovery. It's time to go back to basics and analyse what you do well, where you can improve, as well as looking at what has changed in the market you operate in to make the most of the opportunities around you.

Take the time to consider what you do well – could it be the service you offer, marketing expertise or how environmentally friendly you are, and compare to your closest competition. An honest and fair appraisal may give you a new hook to grow your business. While looking at what you're good at, you should also consider where your weaknesses lie. Looking at where you can improve, may also show you areas where you can make cost savings.

This honest evaluation will allow you to look at the bigger picture of the market you operate in and spot any gaps or opportunities which may have arisen from a competitor's misfortune or technological developments. Most importantly, keep on top of market trends and buying habits – it might help you to

spot a niche to take advantage of if you are quick enough to action.

Today's business world is challenging and fast-moving and it is important that you are aware of all the different factors which influence your business environment. These changes can bring the threat of more competition, but will undoubtedly bring great opportunities.



**STEVE
ROPER**

**Professor of Enterprise
and Director of the
Centre for SMEs,
Warwick Business
School**

Although the worst of the recession is behind us the UK recovery still looks fragile. High levels of domestic indebtedness in both the government and household sectors also present massive challenges and are likely to mean that UK demand remains weak. Medium-term prospects elsewhere, however, look brighter with growth rates in Continental, Middle East and Asian markets likely to be stronger than those in the UK. For UK SMEs seeking to grow and rebuild profitability these market trends mean grasping new opportunities, diversifying their products and clients and increasing their exporting. So, perhaps the first key theme for the recovery is the need for SMEs to remain vigilant, close to customers and to be prepared to grasp new opportunities when they arise. This may mean investing in market research, design or innovation.

Diversification may also be necessary for some firms, with academic research showing a strong link between diversification and profitability. UK public sector purchasing, in particular, is

likely to contract in future so diversifying into other UK or export markets may make sense.

Exporting may offer some of the best opportunities through 2010 and 2011 as predictions suggest international market growth will be much stronger than that in UK. For some firms the move into exporting – or the challenge of exporting to new countries – is clearly a complex issue with the need to consider logistics, currency fluctuations and long-distance customer relationships. Excellent on-line tools are available which can help. For example, Google working with partners including UK Trade & Investment (UKTI), HSBC, Royal Mail, and the Institute of Export (IoE), have developed Export Adviser, which can help to identify customers and overcome the major barriers to exporting. UK Trade and Investment themselves can also provide excellent help and support.



**PAUL
TANNER**

Corporate Sales Director, Granta Design Limited

The next few years for any SME will definitely be challenging, but opportunities remain for well-focused businesses. The key to driving growth will be in building a strong and differentiated value proposition for your product or service that relates to genuine customer needs. This value proposition must then be clearly articulated to the correct audience within your customer base.

At Granta Design, we have been giving close consideration to how we meet this challenge. We are the world leader in materials information technology – software used by engineering

enterprises such as NASA, Rolls-Royce, GE, Honeywell, and Boeing to manage complex property data relating to materials (e.g., metals, plastics, and composites) and to make better decisions about the use of those materials during design. This is a niche area, albeit a critical one in the engineering process. As a Cambridge University spin-off business with highly technical products, it would be all too easy for us to focus primarily on the quality of the scientific and engineering features in those products. A key risk is that we fail to relate these to the business benefit that they can deliver – faster time to market, reduced risk, and lower costs.

We have been working hard to make sure that we understand the real customer problems and needs that represent the connection between the technical capabilities of our products and these high-level business drivers. We have invested in training and upskilling our sales team, helping them to work with customers to diagnose these needs, to feed back into the development of our value proposition, and then to deliver this proposition clearly and concisely to clients. Our team is becoming more adept at identifying and working with the right customer contact points – involving more of the key stakeholders in the problems that our technology can address. This approach is helping us to move towards a model of valued business partner for our clients, rather than simply purchaser-vendor. For a technically complex product such as ours this is especially critical, avoiding unnecessarily long sales cycles and cost for us, and helping the client to specify and implement a system that delivers greater benefit, earlier.

The SPIN® course that Huthwaite International ran for my team was the catalyst for this upgrading of our Sales talent. We are now

embedding SPIN® firmly in our systems and processes. We believe that the result will be a sustainable positive impact on our business, both in terms of sales success and delivering customer value. With focused sales resources, improved understanding of customer needs, and clear communication about the real value that your business can deliver, there is no reason why SMEs cannot survive and indeed thrive in these uncertain times.



**DAVID
FRITH**

Associate Partner, Corporate Finance Deloitte LLP

Since the summer of 2007, the SME sector has found a succession of challenging factors threatening its future success and this uncertainty is set to continue.

Our experience is that cost control and cash retention remain the top priorities of business but we can also detect a shift to more expansionary policies, in particular moving into new markets and products. At times such as these winning companies do tend to focus more obsessively on exploiting their strengths and are prepared to take bold decisions to grow at the expense of their rivals. Cost cutting is not simply about maintaining cash flow, but also should look to create a newer, leaner, flexible and more effective operating model for future growth and therefore must sit alongside long-term strategic planning.

In creating this winning position there are four clear areas for action:

- To strengthen the balance sheet with an eye beyond survival to capacity to take opportunity.

- To optimise performance, not just on costs but more how they compete in the market for customers.
- To build confidence among their stakeholders – to create conditions supportive to decisive action.
- To take steps now to position the business for the future – with access to growth and a winning business model – capturing the opportunities which turbulence will generate.

The individual areas for action are well understood by most: what will distinguish the winners will be the preparedness to take action, seeking advice where necessary, which is broader, deeper and executed with greater urgency. The change in economic conditions is profound – those prepared to take equally profound action in their businesses will emerge as the winners in these challenging markets – and beyond.

And finally, don't overlook your own balance sheet in seeking to raise funds for growth. Whilst most of the corporate world has been reducing its dependence on external debt by taking the easy wins from their own operations, it is estimated that there is still something of the order of £60 billion tied up in unproductive working capital across the UK. Consequently, growth funding can often emerge from an in-depth review of working capital practices, going beyond simple debtor and creditor terms, to a full review of the business model, supply chain logistics, invoice processing times and taxation efficiency. Improving financial controls often provides a business with the platform for improved performance and cash generation. Simple, but focused, KPIs can help a management team focus on the right areas of the operations for balance sheet improvement.