

SUPPORTING SMEs

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BREXIT

Continental rift: Brexit takes its toll on SMEs

Six months on from the UK's withdrawal from the EU, small exporters nationwide are struggling to surmount the barriers this has created between them and their markets in Europe

Alasdair Lane

It was billed as the rebirth of UK plc, granting British businesses freedom from the high-handed bureaucracy of Brussels. But, for many SMEs with significant EU exports, Brexit feels less like a renaissance than it does the rocky road to ruin.

Engulfed by paperwork, taxes and unbearable added costs, some are having to shelve their EU operations indefinitely. Others, unwilling to lose their hard-earned customer base on the Continent, are battling through the red tape, desperate to salvage what business they can.

Donna Wilson, a London-based textile designer who runs an eponymous homeware business, is one of the latter group. She says that "selling to Europe used to be seamless. With the EU agreements in place, we didn't have to deal with customs and there were no hidden charges. It was a very easy experience for us and our customers."

Brexit has changed all that. Since January, the company's sales to the Continent, which used to account for about a quarter of its total revenue, have taken a serious hit. Delays to shipments have been partly to blame, but the import fees that have been thrust upon her customers are the main culprit.

"A buyer in Germany recently told us: 'Thank you so much. We love your work, but this is the last time we'll be ordering from you, as we have just been charged a 50% fee.' We put a lot of effort into providing an exemplary customer experience, so that hurt," Wilson says.

It's a pain that many British businesses are feeling. Although the UK secured a last-minute tariff-free trade deal in December, non-tariff barriers have since arisen. These have had a profound impact. The value of British exports to the EU was about 20% lower in the first quarter of 2021 than it was in the last quarter of 2020, according to the Office for National Statistics.

SMEs have borne the brunt of this decline. A survey of more than 1,400 small exporters by the Federation of Small Businesses (FSB) at the end of March 2021 found that 70% had suffered a shipment delay of some description since the start of the year, while almost a third had even lost consignments in transit to the Continent. As a result, 23% had temporarily stopped exporting to the EU. Despite such serious setbacks, the government has remained upbeat,



Daniel Lumpkin/EyeEm via Getty Images

promising that these have simply been "teething problems" that will ease over time.

Some trade experts are not so sanguine. James Sibley, the FSB's head of international affairs, says: "Changes to VAT, rules of origin and customs paperwork are related to our departure from the single market and customs union, transforming our trading relationship with the EU. These changes aren't going away."

But there is some optimism about the UK's ability to agree its own global trade deals. More than two-thirds of the FSB's members export to non-EU nations. While relatively

frictionless trade with the likes of Australia, New Zealand, the US and Japan might not wholly mitigate their losses in Europe, it is an exciting prospect, according to Sibley.

Meanwhile, the government has acknowledged the fact that SMEs have been struggling with post-Brexit barriers and created a £20m fund to support their exports to the EU. The money is not available to businesses that also trade outside Europe – something the FSB would like Whitehall to change.

For Forageplus, a supplier of dietary supplements for horses, seeking help from the state has been virtually fruitless. Kieren Brownhill, general

manager of the business, based in Flintshire, north Wales, laments its near total loss of EU sales.

"We've had no support at all," he reports. "The government basically told us: 'Phone the French Embassy.' It couldn't give us any further information and it didn't help us with choosing the right tariff codes for our products. We keep hearing about how we have a free-trade agreement. I don't know where that's coming from – it's nothing like what we've been experiencing."

Facing similar pressures, some small SMEs have taken the bold step of establishing a base on the Continent. Antos, a dog-food producer based near Kilmarnock, is one such business.

"We have had to move the whole export side of our UK business to within the EU," says the company's owner and MD, Antoon Murphy. "We simply haven't been able to efficiently provide for our European customers from here anymore, what with all the extra documentation that's now required."

Having acquired a warehouse and recruited a small workforce in the south of France, Murphy plans to spend half of the year on EU soil, overseeing the growth of his fledgling Continental operation, Nova Dog Chews, in person.

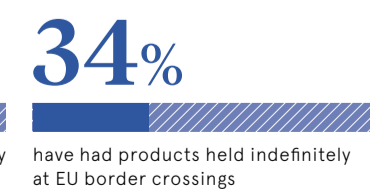
It's an option that several other UK entrepreneurs are considering. The German-British Chamber of Industry & Commerce, for instance, reports that about 250 British SMEs have contacted it in the past 12 months with a view to setting up shop in Germany.

Back in London, Donna Wilson has been making enquiries of her own. "We are looking at a place in Portugal, or maybe in Germany," she says. "That would need investment and a lot of time to organise – and it would eat into our margins. But we're thinking that this would be the way forward."

Having been obliged by the costs of Brexit to focus on the domestic market for the time being, she has a more immediate priority: the firm is planning to open a micro-factory in Dundee.

Wilson doubts that she will even bother attending her sector's big annual trade show in Paris this year, which was once key to winning new business on the Continent.

"Given all the uncertainty we now have about selling to customers in the EU", she says, "it just doesn't feel like that would be a good move at the moment." ●



Federation of Small Businesses, 2021



DIGITAL TRANSFORMATION

Get with the program

Incorporating digital technology into an enterprise of any size can be a dauntingly costly and complex exercise, but it's a vital investment in the future of the business

Chris Stokel-Walker

The past 16 months have shown the importance of digital technology to companies up and down the UK. As the Covid crisis forced the closure of commercial premises nationwide in 2020, enterprises of all sizes were forced to shift online. Four in 10 small firms responding to a recent poll by Cisco Systems said that they wouldn't have survived the year if they hadn't gone digital.

Even as offices start reopening and old ways of working return, some elements of pandemic practice will remain. But, with their budgets tighter than ever, many SMEs may be approaching further tech investments with some trepidation.

"You have to take a strategic stand and say: 'Look, if we're going to do this, it has to be all or nothing,'" says John Hargrave, chief operating officer at law firm BP Collins.

In 2018, the business started to adopt a more digital way of working as part of a four-year transition plan. "That sounds a bit Stalinist, but it isn't," he says. "It's just giving you the framework to grow."

When Hargrave was scoping out the firm's future digital requirements and how these would be met, he needed to forecast the business's medium-term growth trajectory.

"You first have to imagine yourself in four years' time as that bigger, better company, then look at the steps you need to take to get there," he says.

A firm that's gone through a similar set of exercises is digital marketing agency Emerging Communications. The company's commercial director, Rachel Clarke, has been overseeing the project. She observes that SMEs "by their very nature, often don't have a wide selection of choices with digital transformation. Budgets for custom-built digital platforms rarely exist, but there are options to choose from that can, to some degree, be tailored to your requirements."

Clarke scrutinised the company's communications needs carefully before entering any contract with a supplier. Emerging Communications has offices in both London and Shanghai, which means that many of her colleagues sit behind the

Chinese firewall of internet censorship. Because Google is banned in China, the firm adopted Microsoft's digital workspace platform.

"That option offered us broadly what we required and could be configured for some specific needs," says Clarke, who thought she'd made the right choice when commissioning a contract with Microsoft 365. It was only after the technology had been rolled out that she realised that it didn't work as well with the company's standard-issue Mac laptops as it would have done with PCs.

"In hindsight, we should have done some more research based on the hardware we'd be using, although I'm not sure that we'd have ended up making a different choice," she says, acknowledging that it might have proved a more serious difficulty for another firm in a similar position.

Hargrave believes that there is a tendency among SMEs to view digital transformation as a non-essential project, rather than as a business-critical priority.

"This is about future-proofing the business. It's also part of continuity planning," he says, referring to tasks such as procuring the right IT equipment to ensure that staff can work at home in an emergency – something that prepared BP Collins particularly well for the Covid lockdowns.

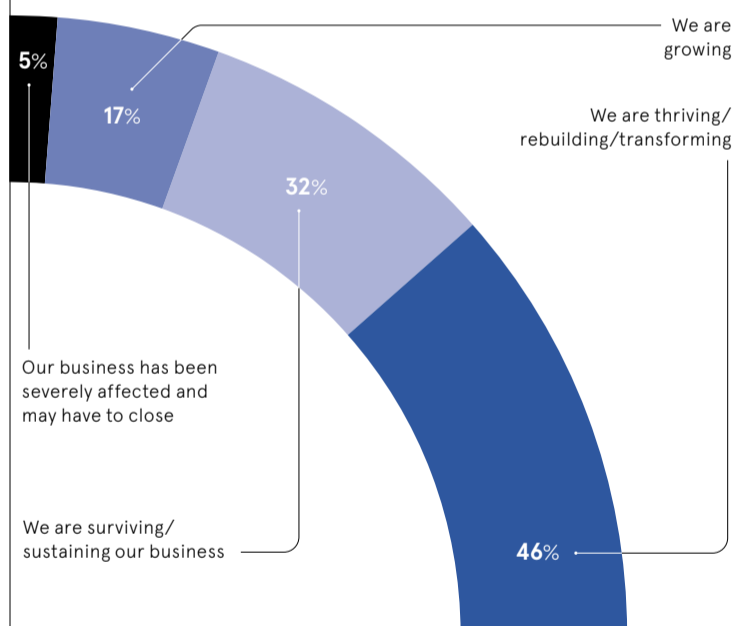
Presenting the importance of digital transformation in such terms can help in winning over sceptical colleagues, who are often those who hold the company's purse strings.



Persuading people to part with money when they think things are working already can be hard

'DIGITAL NATIVES' ARE WEATHERING COVID RELATIVELY WELL

How digital-native SMEs worldwide are describing the state of their businesses



Cisco Systems, 2020

Clarke acknowledges that "persuading people to part with money when they think things are working already can be hard. Budgetary constraints can be an issue. Fortunately, our CEO is very forward-thinking in this respect."

When BP Collins was selecting a provider of a public-private cloud server, it deliberately sought a similarly sized company. It's an approach that Hargrave would recommend to any firm considering an IT partner.

"It's important to match the size of your business to the size of your business," he says. "There's no point in going with a company for which you'd be among the smallest 10% of its clients. You need to be an important client to your provider, so you can get that meeting of minds."

Clarke adds that it's important to take the lead in this relationship, rather than being railroaded into accepting a solution that's poorly suited to your company's needs.

"We identified our own key working processes and what was important to us as a business," she says. "Then they helped us to identify the solution that best met our needs."

If Hargrave had his time over again, he would have embraced the digital revolution even sooner. "I think we could probably have started this six months to a year earlier and reaped the benefits of that," he says.

Striking when the appetite is there is one way to ensure a smooth digital transformation – so what are you waiting for? ●

OPINION

'SME growth happens where barriers are removed and connections are made'

SME growth happens, but not automatically. The reasons for this are partly specific (some firms aren't capable) and partly structural (the system works against them). Let's examine both.

Virtually all SMEs have things in common, unlike multinationals. A map of the world showing the locations of big corporations and illustrating all the connections between them would look like a bowl of spaghetti. Multinationals are connected everywhere. To customers, suppliers, partners and even competitors. They are connected to politicians, officials and central bankers. SMEs are poorly connected. Most of the connections they do have are related solely to current business.

Another glance at multinationals reveals their enviable ability to run at a loss. It is not unusual to hear a large corporation announce its return to profit after years of losses. How many SMEs could do that? SMEs operate closer to the break-even point and cannot think or plan further into the future than the profit line allows.

When it comes to structural challenges, the first assumption is that, because businesses all operate in the same markets, SMEs and corporations can prosper under the same rules. Yet, just as children are not merely small adults, SMEs are not merely small multinationals. Second is the assumption that SMEs are all the same. A sole trader startup is not the same as a 30-year-old firm with 200 employees. SMEs are as different from one another as people are.

Other structural barriers to the growth of SMEs include the limited availability of finance, the disproportionate burden of regulation and the challenges of recruiting and retaining talent.

Whether in business or in nature, growth might be described as the ability to overcome competition. The antidote to competition is innovation. Many SMEs are adept at innovation, which is often how they grow beyond startup and why they are snapped up by larger organisations. But maintaining innovation as a core competency is difficult. Innovation is a function of ideas, and ideas are a function of connections. With respect to Archimedes, few people have their best ideas on their own – most come from sparking off other

people. Connections are a vital component of sustained innovation.

The second specific challenge – living closer to break-even – is best met by cultivating agility. SMEs are often more agile than corporations because they can move quickly and decisively.

The structural barriers hindering SME growth can also be overcome, although not by all. Those who invest time and energy in relationships with banks and universities will see benefits, while those who utilise the power of their chamber of commerce or trade association can address regulatory imbalances, albeit slowly.

Most important is the recognition that SMEs represent a critical mass of organisations. They matter to each other (SMEs as a group do more business with SMEs than with large companies or the public sector) – and they understand each other.

SME growth, which has been a goal of economic development for decades, could be achieved with small supportive tweaks. Helping firms to connect more widely, working with banks to reduce risk aversion when assessing SMEs, encouraging universities to treat SMEs as a valuable career route – any of these could transform the percentage of SMEs that grow consistently.

The pandemic forced some of this on government, banks and large businesses. Those SMEs fortunate enough to retain a market and agile enough to continue serving it – or who have been innovative enough to access new markets – have shown that SME growth happens. And it happens where barriers are removed and connections are made. ●



John Mark Williams
CEO
Institute of Leadership & Management

Helping small business bounce back

The UK's economic development bank, the British Business Bank, is going above and beyond to help the UK's SMEs to get back on their feet after the pandemic

Last year was one of survival for the UK's small businesses, when access to finance was the lifeline that got them through the pandemic. The British Business Bank played a key role in supporting them through the crisis, and now, as we look towards a sustainable recovery, its focus is on small business recovery and growth.

Established in 2014, the British Business Bank is the UK's economic development bank, helping to drive small business growth. Working with finance delivery partners, the bank boosted its support to small business as the pandemic took hold. It provides a range of schemes, including Recovery Loans, Start Up Loans and equity funding programmes. Its Finance Hub is a source of impartial and independent advice information and support around small business finance options.

British Business Bank's chief commercial officer Patrick Magee says: "At the end of March last year we were supporting around 100,000 businesses with more than £8bn in finance. This year we're supporting 1.6 million businesses with £75bn. While the majority of businesses used the funds to help with cash flow, 8% used it to pivot, while 7% invested in digital technology. 19% haven't spent the money, but used it as rainy day funds to help them through what would otherwise have been a very difficult scenario. So we've helped them survive, and now we are helping them to thrive."

With the British Business Bank's latest Small Business Finance Markets report revealing that 21% of businesses expect to grow over the next 12 months, demand for funding is set to increase. Bounce Back Loans have been a crucial source of financial support during the pandemic and Pay As You Grow options for these will enable more flexible repayments as they become repayable.

Magee says: "If the business hasn't quite recovered but is still seeing a brighter future ahead, Pay As You Grow allows them to reduce their monthly repayments by paying interest only, take a repayment holiday, or extend the loan term. Given the fixed interest rate of 2.5%, I'd encourage any small business owner needing a bit more help over the next few months to consider these options as flexible ways to help their business survive and/or thrive."

In addition to debt funding options, the British Business Bank is one of the UK's largest investors in UK equity finance. Magee says: "We have our Enterprise Capital Funds, and the new Future Fund: Breakthrough is

SMALL BUSINESS FINANCE MARKETS REPORT 2020/21

Record level of smaller businesses sought external financial support

External financial support applied for by SMEs

2020 45%
2019 13%

£104bn
gross bank lending (excluding overdrafts) to smaller business, 82% higher than 2019

Surge in use of government-backed finance schemes and grants

Businesses using grant funding

2020 31%
2019 2%

25%
of SMEs using loans, up from 10% in previous years

External finance most often sought for cashflow

89%
of businesses seeking finance in 2020 did so because of the impact of Covid-19

Both cash balances and debt have risen

23%
of SMEs have spent all their facilities, and 19% had not spent any by Q3 2020

Moving towards recovery

21%
of businesses expected to grow over the next 12 months. More SMEs will look to grow as the economy emerges from lockdown

British Business Bank

expected to launch in summer, so for high-growth tech innovation, life sciences and other businesses requiring equity, we can support them through our equity programmes, to put them in a stronger place."

The outlook for new business growth is also promising. Demand for Start Up Loans has surged in the past year, with over 11,300 loans administered in 2020/21, a 33% increase in loan volumes compared with the previous financial year.

"During lockdown, people have had time to think about their lives, with many now taking their futures into their own hands by setting up their own business," says Magee. "Through our Start Up Loan scheme, we facilitate businesses to not only obtain finance, in terms of relatively well-priced loans, but also offer support with business planning and mentoring."

Augmenting the financial products and services on offer is the British Business Bank's Finance Hub, the 'go to' portal for help with finding the right

funding options and information on all aspects of business finance.

Magee says: "Every business journey is different, but the hub can help businesses navigate their way to the support they need. We are not just about access to finance, but about creating an ecosystem of information, support and investment, and signposting small businesses to the help they need to move onto the next stages of recovery and growth."

"We are very proud of the opportunities we've created for small businesses, and we hope that UK small businesses will be able to take advantage of the opportunities presented during the recovery."

For more information please visit british-business-bank.co.uk/finance-hub

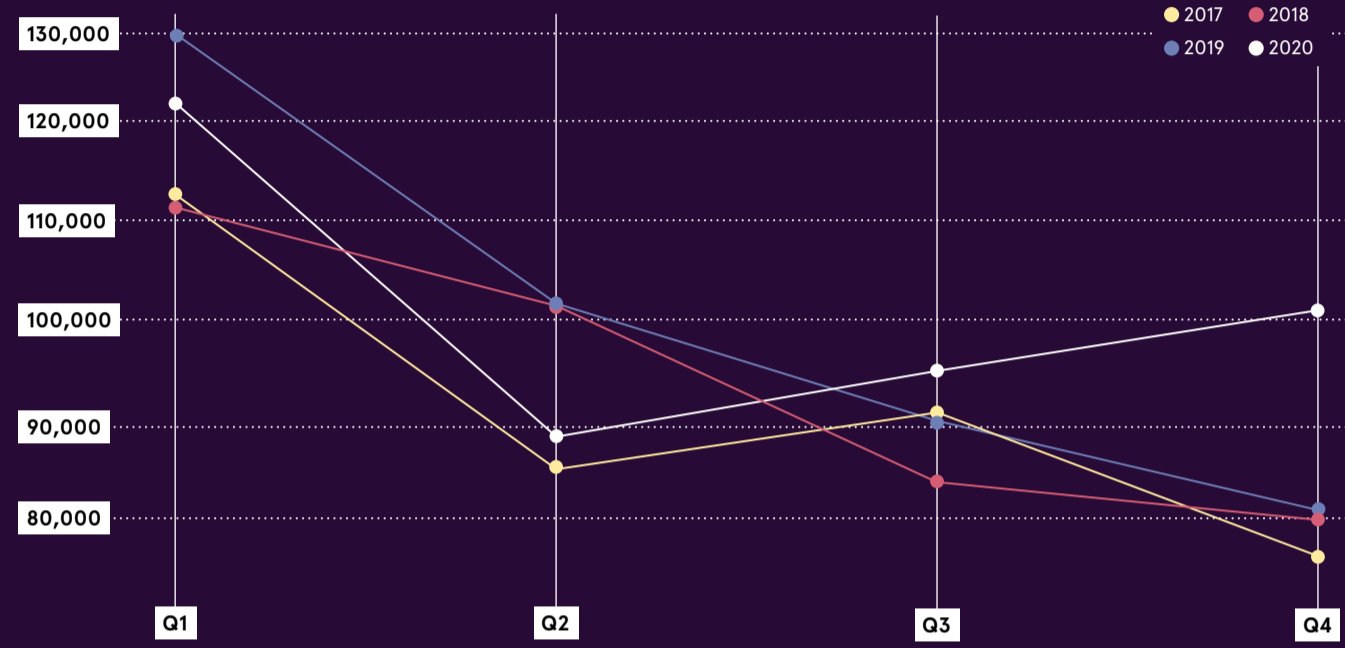


WHY SUPPORTING SMEs IS CRITICAL

SMEs are the backbone of the UK economy – their success matters to us all. Record numbers of small businesses have been established since the start of the pandemic. With their job security under strain, many people have set up companies for the first time. But statistics show that SMEs throughout the country have been hit hard by the Covid crisis. Research also indicates that more needs to be done to educate SME leaders about technology, thereby enabling them to handle the tools that will help their businesses to survive and thrive in the digital age.

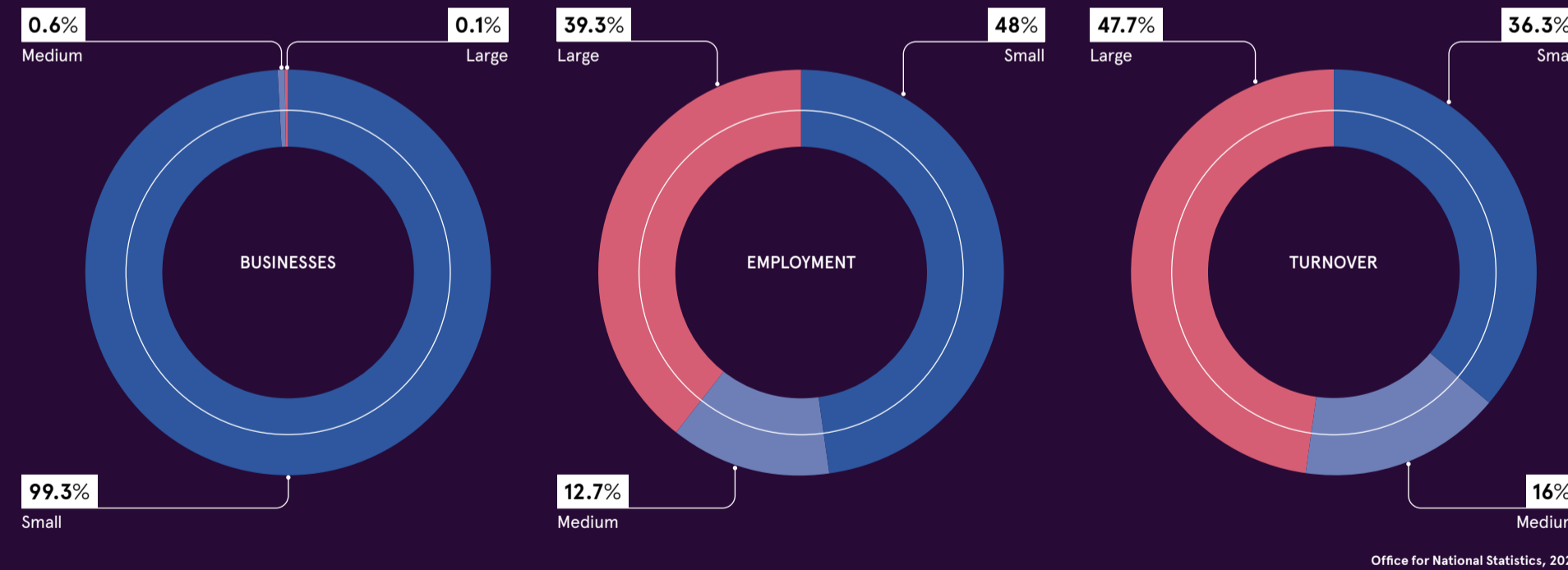
BOOM TIME FOR NEW SMALL BUSINESSES

Perhaps surprisingly, the number of businesses established in the UK during Q4 2020 was higher (by 24%) than the total recorded in Q4 2019 – and also higher than in any other quarter over the past four years



HOW VITAL ARE SMES IN TERMS OF EMPLOYMENT AND TURNOVER?

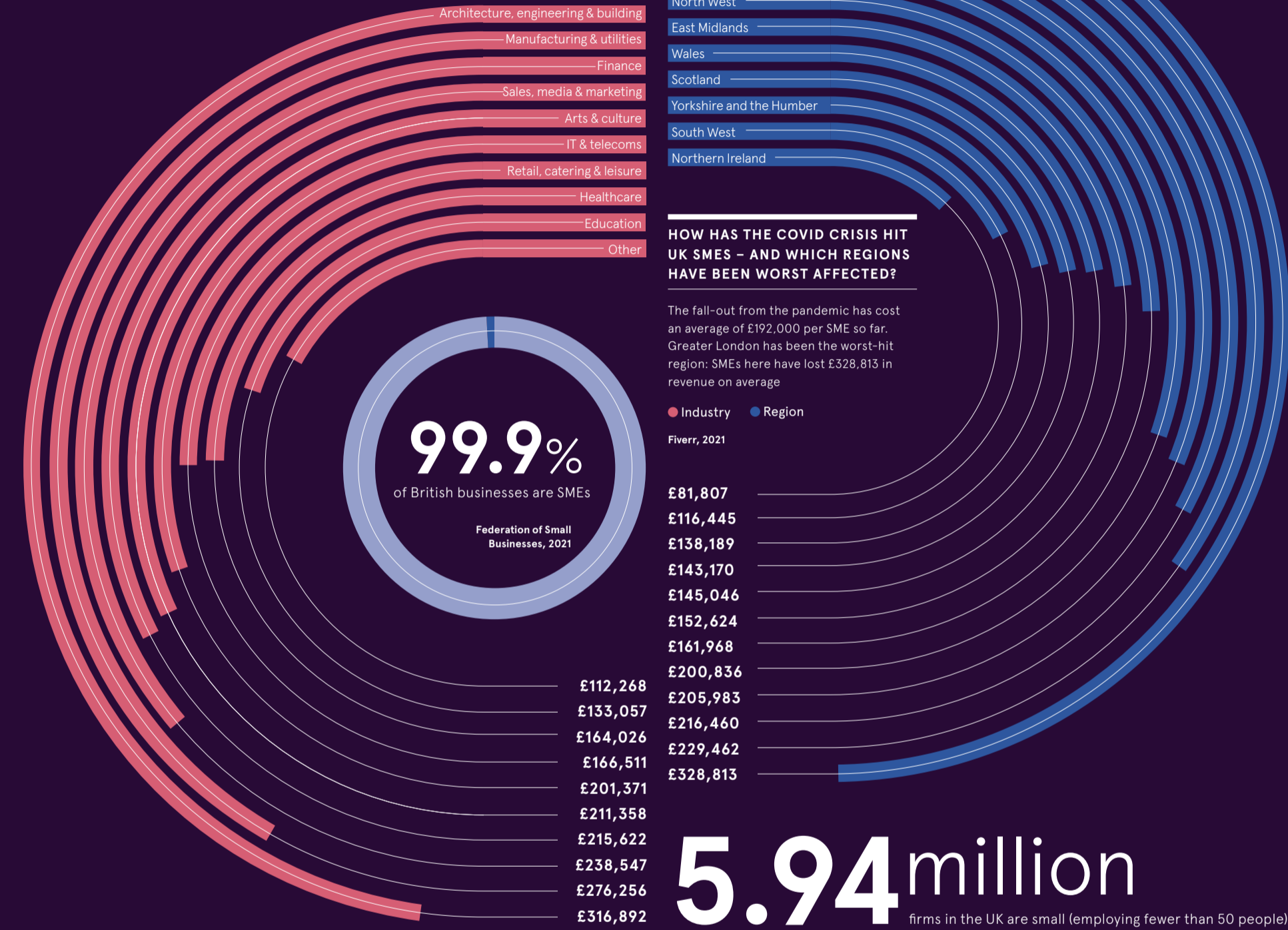
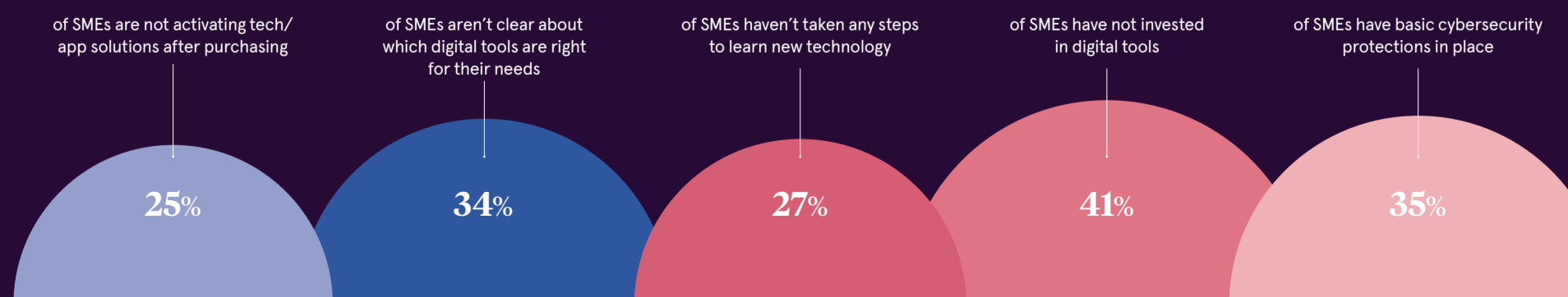
The contributions of different-sized businesses to employment and turnover in the UK private sector at the start of 2020



DO SMES POSSESS THE SKILLS AND TOOLS TO THRIVE IN THE DIGITAL AGE?

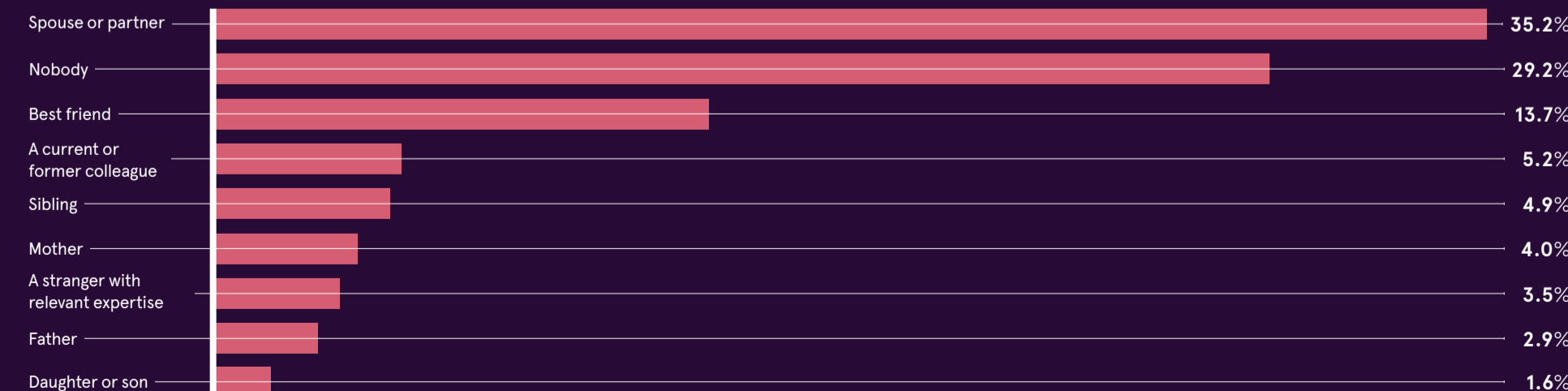
New research shows that a quarter of SME owners are buying digital tools but not activating them

Vodafone UK, 2021



WHOM DO SME LEADERS MOST WANT AS PARTNERS IN THEIR BUSINESSES?

Research conducted at the start of 2020 suggested that 64% of British workers wanted to set up a business, with 44% looking to earn more money and 42% keen to be their own boss





STARTUPS

Absolute beginners: tips for first-time founders

Starting a business is challenging enough even in normal times, but at least there is plenty of expert guidance on offer for the UK's brave new wave of novice entrepreneurs

Oliver Pickup

Ironically, nobody knows who invented the adage 'necessity is the mother of invention'. This ancient proverb has rarely been more relevant in the business world, given the pandemic's seismic impact on enterprises of all sizes. The Covid crisis has caused widespread job losses and limited the career prospects of millions of people. This has led many to start their own enterprises. In the 12 months

to March 2021, more than 810,000 businesses were incorporated in the UK, 22% up on the preceding year's total, according to Companies House. In Q4 2020 alone, 221,000 companies were established – the highest quarterly figure in a decade. Starting a business from scratch is no mean feat even when there isn't a pandemic. Fortunately, several successful entrepreneurs, acknowledging the help they received when they started, are willing to share their

insights with first-time founders. One such high-flyer is Markus Villig. As a secondary-school student in 2013, the Estonian had used a £4,300 loan from his parents and brother to start the business that would become pioneering transport company Bolt. In only five years, he would become the youngest CEO of a European 'unicorn', a privately owned startup valued at \$1bn (£720m). Villig's original plan had been to provide a digital platform for cab

users in Tallinn, his home city. The teenager hadn't passed his driving test (he still doesn't have a licence) and was frustrated by the capital's disorganised taxi facilities.

Today, Bolt is worth £1.2bn and has 1.5 million drivers in 40 countries. But it wasn't an immediate success, partly because Villig had trouble persuading people to adopt his pioneering technology at first.

"There was resistance from drivers, as they didn't understand how simple the system was," he recalls. "To combat this, I took to the streets myself, approaching them at taxi stands to pitch the idea and show them the simplicity of the technology and how it could benefit them."

Villig stresses the importance of clear, concise communication in marketing, adding: "Don't expect people to love your idea as much as you do from the get-go. I was faced with a tough market when I started Bolt, so I had to go out of my way to show that our common enemy was the private car. Once I began using this as my key message, we started

getting the taxi drivers on board."

He continues: "It's easy to over-think things. What I have found is that we humans like things to be simple. The simpler your business targets are, the better. At Bolt, we do our best to boil ours down to a few sentences."

Erica Wolfe-Murray, the author of a guide aimed at new entrepreneurs called *Simple Tips, Smart Ideas*, echoes Villig's advice.

"If you have a new idea for a product or service, do not expect everyone to understand it automatically. They won't," she says. "If you are thinking about launching a business, ask yourself: 'Why now?' If you can't answer that, or your response is just flannel, rethink everything. I've seen so many startups that were little or no different from other companies. It saddens me, because they can take a huge amount of effort to launch yet will often fail quickly."

Another common – and often fatal – error that new entrepreneurs commit is to treat the pursuit of financial success as the main reason for establishing a business, Wolfe-Murray suggests.

"So many companies focus on their offering and the money before they focus on their unique experience, possible trends and different ways of approaching markets," she says. "To start with, I always look at devising a business plan without involving money. The internal aspects of the company inform its strengths and weaknesses, while the external factors present opportunities and threats. This simple divide can often be overlooked, yet it is crucial to any business plan."

Wolfe-Murray adds that the process of evaluating weaknesses and what outside help might be needed

“Don't expect people to love your idea as much as you do from the get-go

to address them requires a key entrepreneurial skill: resourcefulness. "Do not underestimate the value of what and whom you know," she explains. "You can analyse and harness these elements to launch an original, smart business in ways that you may not have originally considered. Why copy others when your own assets give rise to a much richer offering?"

Wolfe-Murray warns that poor financial management is the "biggest pitfall" for new entrepreneurs. "It can take most companies up to three years before they get going, but that relies on regular customers and decent cash flow," she says. "Yet founders take their eyes off the ball because there is so much else to do apart from looking after cash flow. I often ask founders who manages the money in their households. If it's not them, they may not be used to doing the financial hard yards."

Hannah Bernard, head of Barclays Business Banking, agrees. She would encourage any new entrepreneur to keep money from their business separate from the funds in their personal account. This should make it more straightforward to track the company's cash flow and keep on top of supplier payments.

"It will help you to build up a business credit history, which could make it easier to access a loan – should you need it – as your venture starts growing," she says, stressing the need to keep a scrupulous record of all revenues and expenses.

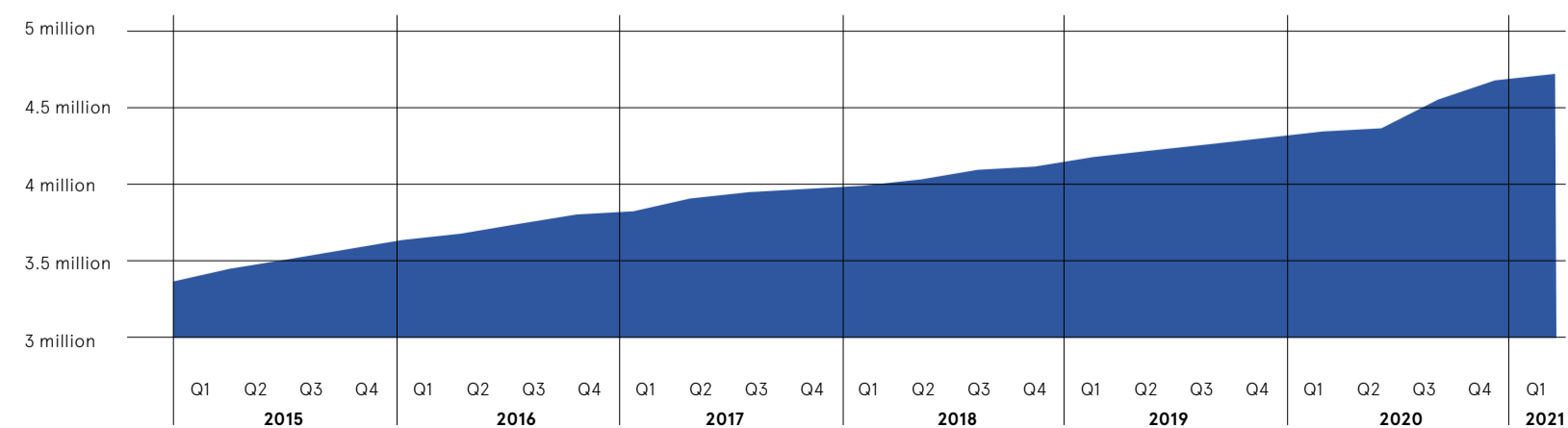
Bernard believes that most entrepreneurs will never be able to master every aspect of running a business, so they "should not be afraid to seek external help. A good place to start is online, where there are many free resources. The Barclays business hub, for instance, has tips covering aspects ranging from writing a business plan to building a team."

Wolfe-Murray offers a final word of encouragement to those pondering whether or not to start a new venture. "Britons have had an entrepreneurial startup culture for centuries – it's what we do very well. Small businesses are the bedrock of our economy. They enable inventive people to do things that intrigue and fulfil them," she says. "If you have a hankering to start your own venture, just do it." ●

BOOM TIME FOR BRITISH BUSINESS

Total number of businesses registered at Companies House

Companies House, 2021



Innovate UK EDGE Scaleup Programme participant Photocentric's MD Paul Holt (r) with his scaleup director advisor Chris Price-Jones

How innovative companies can tackle their top growth challenges

Innovation-driven businesses know that success hinges on small details, which makes them very particular about finding the right support, from the right people

Innovate UK EDGE's regionally-based innovation and growth specialists have been the first port of call for thousands of such businesses looking to accelerate their growth and scale. The service is a key part of the UK innovation agency Innovate UK's investment in business-led innovation. It offers high-potential small and medium size companies individualised, impartial guidance and access to useful resources to enable them to thrive.

Senior innovation and growth specialists Aldo De Leonibus and Viney Chauhan have provided leaders at some of the UK's most pioneering companies with intensive, funded support. They shared their experiences of overcoming common growth challenges.

Talent, internationalisation, finance and market validation

Innovate UK EDGE clients are typically visionary teams working to transform their industries or society. As these companies expand, an outsider's perspective can help identify how to build out the team with commercial expertise to accelerate growth.

Innovate UK EDGE helped TrakRap, a sustainable packaging company, to get the right people on board and scale.

"The technology was superb, but as a critical friend we identified where some extra commercial expertise could spur revenue growth and also how to find that management talent," says Chauhan.

De Leonibus acknowledges that it's not always straightforward: "It's about challenging leaders' mindsets. Deep down, they may know that changes are needed in the management team, but they need to hear it from someone they can trust."

Regarding funding and investment, De Leonibus regards equity finance as

important for meeting scaling ambitions and always considers how to enhance a client's appeal to investors. But he mentions caveats: "Equity finance can be leveraged to accelerate business growth, but can be costly if accessed too early. There are different sources of funding, such as grants, debt and R&D tax credits, that can help innovators along the way."

Specialists who know what makes innovative companies tick can help them find the right financial vehicle. "We want to look at why you need the funds, what you're hoping to achieve with them and appraise how much you actually need. Then we will help you negotiate a complex landscape."

Internationalisation also presents particular challenges. When Innovate UK EDGE worked with 3D LifePrints, it saw limitless potential. It provides pioneering 3D printed medical devices, products and services to customers including the NHS, research institutions and the private sector. Recently for example, it developed patient-specific surgical guides for highly accurate bone sarcoma resections.

"Businesses need to go where the fish are and for 3D LifePrints, this means North America. But such innovative businesses face hurdles there, in terms of an entirely different set of medical device regulations and intellectual property considerations," explains Chauhan. Thankfully, Innovate UK EDGE has extensive connections with associate

specialists in other countries to help enter such waters.

"Healthcare is a particularly regulated field, but we have been able to help the business hone its approach to a significant new market."

Last but not least, successful innovation means the widespread adoption of novel products and services. It can be tempting to hone the offer to perfection before taking it to market, but Chauhan believes this could be part of the reason that so many of them fail. It's far more important, he says, to prioritise development in collaboration with end users.

"When Dropbox launched, it had not yet been fully developed, but a short video helped it to garner a waiting list of 70,000 people. It's a good idea to educate and engage people early, even if that means you experience some initial embarrassment."

It appears that 'fail fast', part of a well-known mantra for disruptive businesses everywhere, remains valid advice. Luckily, Innovate UK EDGE's grasp of the details means that ambitious British innovators have somewhere to turn to invert the second part of the mantra and 'succeed often.'

For more information please visit www.innovateukedge.ukri.org



“It's about challenging leaders' mindsets... they need to hear it from someone they can trust

The neobank revolutionising business lending

Atom is pioneering a new model of retail banking, for both personal and business customers

It's long been clear that the traditional model of retail banking is broken but, as the rapid rise of neobanks shows, millions of consumers now want change.

These digital-first businesses have lower overheads than traditional banks as they do not have to splash out as much on property or people.

But there's a further step that some of them are making, to jettison unprofitable services and focus on delivering a smaller range of services more effectively and profitably for customers and themselves without cutting corners.

Along among the recent wave of new entrant banks, Atom is focused on making the chunkiest household and SME lending decisions as easy as possible. It has an enviable reputation as a digital mortgage lender, having helped UK homeowners with over £3bn of mortgage sales since 2017. And now it is on track to have £1bn of business lending on its balance sheet by the end of the year.

But the secret to its success is as much in what it isn't doing as what it has done. Atom is not a current account bank, and according to Edward Twiddy - its chief customer officer and co-founder - that is what makes it able to beat off the competition from both high street lenders and rival neobanks.

Giving more, taking less

The reason is that all of us - well, nearly all of us - pay nothing when we go to the cashpoint, buy our shopping on a debit card, or set up direct debits or standing orders. This is not the case for people who are not paying off their credit cards every month, or in and out of unauthorised overdrafts.

But in the UK the vast majority of people get current accounts for free, despite them being expensive to set up and run and much less valuable to the banks in terms of the free float of deposits that sit in them overnight and at the end of the month.

"There's a political debate to be had about whether competition is well served by having a zero-priced product at the heart of banking, but it will be a brave move to require the industry to start charging everyone for their debit card," says Twiddy.

"In the meantime, Atom's insight is that by taking the cost of current accounts away, it is freed up to offer better rates on savings accounts, mortgages or business loans, while investing more in digital innovation."

With lower costs and a simpler model, Atom becomes a strange kind of business - giving more to its customers and taking less. It is currently offering competitive rates in mortgages lending.



“We'll be here to make sure that the people who want to own their own homes and grow their businesses can find a bank for them

Shaking up business lending

Combine great mortgage rates with very competitive savings rates - Atom offers 0.85% on a 2 Year Fixed Saver - and the advantages for personal customers are clear. But while consumers are increasingly aware of the benefits offered by neobanks and are moving away from the idea of being banked with a single business in order to find

the best deal, Twiddy says that too many UK small businesses still miss out on the best opportunities.

"Mr Mainwaring is no longer the gatekeeper to any of us getting a mortgage, and everyone can get independent advice from a mortgage broker these days. This democratisation of decision-making and re-balancing of power between banks and consumers has some way to go yet, but it is at least further ahead in personal banking than in business banking."

Atom's own commercial lending is, like its mortgages, only sold through networks of independent brokers across the country. That might seem like an odd choice for a direct digital lender, but Twiddy explains: "While we might, at some point in the future, sell our mortgages and commercial loans direct to customers, we are very happy to go toe-to-toe with the biggest lenders in the country and to sell our loans through brokers who are not committed to sell an Atom loan and instead are there to inform and protect the customer."

Atom lends SMEs up to £5m a time with a typical loan size of around £800,000. It also guarantees transparent pricing, no loading of fees and no haggling - all areas in which traditional lenders score poorly.

It is perhaps not surprising that the neobank recently achieved a net promoter score of +88 in a recent survey of its business banking customers, highlighting customers' willingness to recommend it to others. UK high street banks typically score in the teens in such polls.

Positive and proactive

Atom also has a strong reputation for helping and supporting its customers with any questions or through bad times. During the pandemic, its positive and proactive approach came into its own for those customers who

needed help with repayments, whether they were businesses or mortgage holders. Atom was also approved to offer government-backed loans via the Coronavirus Business Interruption Loan Scheme and is now part of its successor, the Recovery Loan Scheme.

In addition, Atom recently announced a partnership with specialist business lender Funding Circle which will see another £350m of loans offered to UK SMEs this year. The aim is to make it simpler for SMEs to access finance, with applications taking an average of six minutes and lending decisions just nine seconds thanks to the use of advanced machine learning capabilities.

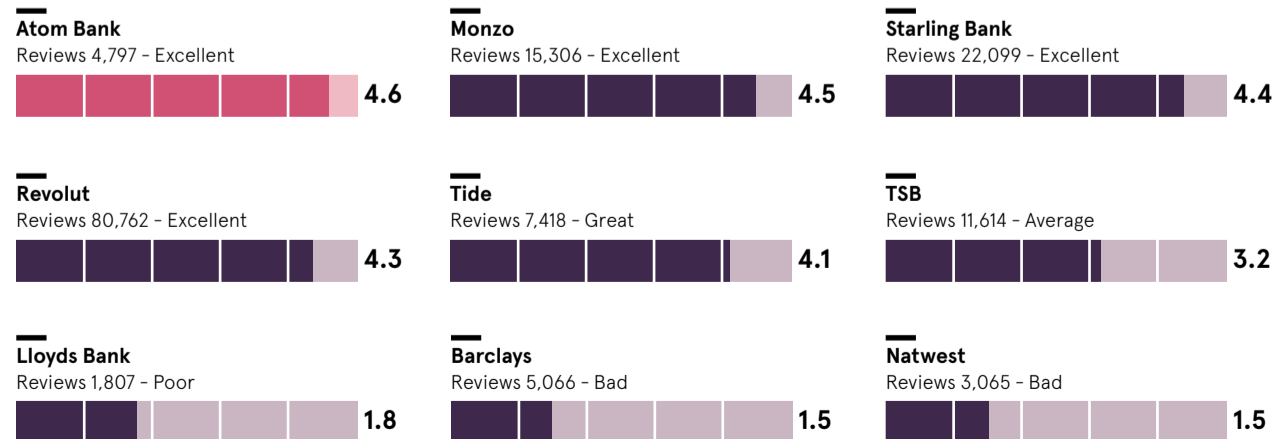
Atom has cut its teeth during one of the most turbulent periods ever in the UK. Coming out of that on the cusp of breaking even and with a resilient and contemporary technology stack now firmly in place, Twiddy believes the business is very well placed to play its role.

"At the heart of banking there's a solid truth that savers and borrowers both need a good deal and anything that gets in the way is a drag on them and on the economy. As other fintechs and payments specialists come to market and create more ways to manage the day-to-day buying of goods and services, we'll be here to make sure that the people who want to own their own homes and grow their businesses can find a bank for them."

For more information please visit atombank.co.uk



BANKING TRUSTPILOT REVIEWS MAY 2021



Trustpilot



Dougal Waters via Gettyimages

“Being able to make a practical contribution during the unfolding health crisis has lifted the spirits of the entire 30-strong workforce and made us all feel purposeful

than 80,000 free bottles of 88%-proof sanitiser to front-line NHS workers, police officers, homeless charities, GP surgeries and vulnerable people local to the business (based in the rural Surrey village of Albury) who have been unable to visit a supermarket or shop online.

"Being able to make a practical contribution during the unfolding health crisis has lifted the spirits of the entire 30-strong workforce and made us all feel purposeful, both as a team and as a business," McCulloch says. "Knowing that we were doing something positive gave us a tremendous lift when the Covid news was really bad. It helped to reinforce the fact that, far from being a faceless team of distillers based in a factory somewhere, we live, work and shop in this community."

Although the desire to support their local communities is clearly a prime motivation for SMEs, ensuring that businesses remain viable for the long term is, understandably, also a crucial consideration. Having hit on a successful brand extension almost by chance, Silent Pool Gin will continue producing its sanitiser for as long as there is a market, but it will be running its sideline on a commercial basis from now on.

In the first few weeks of the pandemic, various items of personal protective equipment were, just like hand sanitisers, in desperately short supply in the UK. Having purchased a 3D printer in 2019 to manufacture electronic components, Advanced Fibreoptic Engineering was well placed to help the NHS.

"After our printer supplier created a global website at the start of last year to help deliver 3D printed

visors to healthcare professionals around the world, we were really keen to get involved," says Mark Johnson, commercial director at the firm, which is based near RAF Brize Norton in Oxfordshire.

Johnson recalls that every member of the company's 50-strong workforce rose to the challenge of producing visor frames. "All of us like to feel that our work has meaning," he says. "There was clearly a strong sense of pride attached to helping the health service - particularly so for our engineers, whose expertise proved invaluable."

Johnson adds that the fact that "all of us helped out in a crisis" has unified the team and is likely to have made the company a more attractive employer, especially to younger jobseekers.

If the findings of the consumer survey by Oxford Economics and Intuit are anything to go by, the millions of people who've come to rely on local businesses during the pandemic will keep patronising them whenever possible. But will the altruism that so many SMEs have shown in the crisis also continue?

According to Alan Thomas, UK CEO at online insurance broker Simply Business, the desire among smaller firms to give back to communities is here to stay - but it is a two-way street.

"Covid is set to cost the country's SMEs £126.6bn in total. While this is a huge blow to the economy, it will have an even greater impact on the people behind these firms: the owners, who have families, livelihoods and dreams to protect," he says. "It's time for all of us to give back to the sector that did so much to support us last year." ●

LOCAL BUSINESS

Reach out to help out

Smaller businesses around the UK have supported their local communities in myriad ways throughout the Covid crisis - and their altruistic contributions haven't gone unnoticed by consumers

Virginia Matthews

It's often said that SMEs are the heartbeat of their local communities. Despite the problems that have blighted much of the business world over the past 16 months, many smaller enterprises in the UK have proved this by going the extra mile to support key workers and help the most vulnerable members of society during the Covid crisis.

The sector broke records in giving back to local communities in 2020, according to a report compiled in March 2021 by Oxford Economics and Intuit QuickBooks. In total, the nation's SMEs donated more than £6bn in cash and gifts in kind to a wide range of good causes. A further £11.4bn-worth of volunteering time was distributed among local schools and charities such as those delivering donated food to elderly and disabled people isolating in their homes.

With 43% of British consumers saying that they are more likely to shop locally than was the case before March 2020, the report's authors believe that the image of small businesses and their value to communities has improved dramatically.

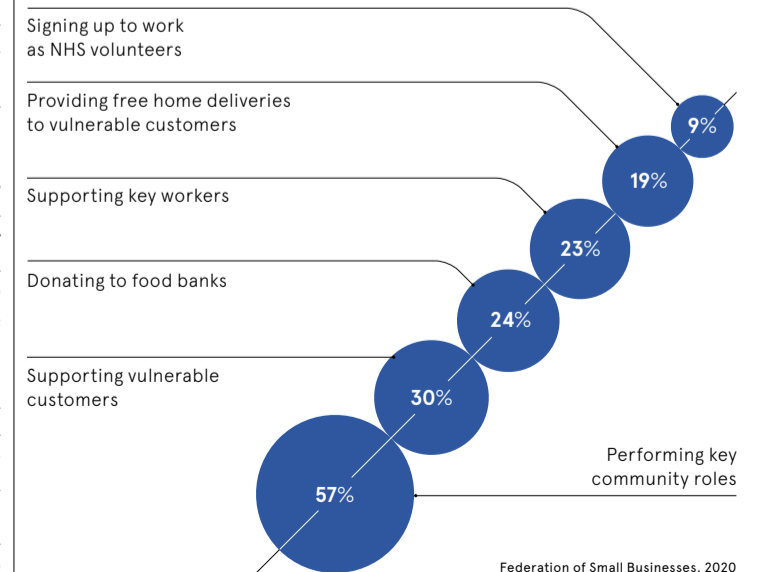
Tellingly, it was philanthropy, rather than the desire to look good, that drove many SMEs to help out when the crisis was at its height. The number-one motivation they cited to the researchers was the desire to "give back to society", particularly when it came to helping vulnerable people living alone during the lockdowns. Next came the ambition to support the "causes we feel passionate about", followed by helping to "develop the local community". Many business owners also reported that they had responded to their employees, who'd urged them to act.

While many independent firms have provided free food, drink and accommodation to NHS and other key workers, others have adapted their production lines to provide vital supplies. Spurred on by the nationwide shortage of hand sanitisers in the early days of the pandemic, Ian McCulloch, co-founder and director of Silent Pool Gin, resolved to put the by-products of distilling - which would normally end up in an anaerobic digester - to good use.

Over the past 16 months, he and his team have distributed more

LOCAL HEROES

Percentage of small business leaders in the UK who helped their communities in the following ways during the pandemic



Federation of Small Businesses, 2020

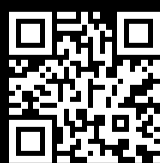
We're investing

£500M

in UK eCommerce
and taking 0% equity*

CLEARCO

[CLEAR.CO/TIMES](https://clear.co/times)



*seriously, we don't take equity.