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July 2011

Growth potential

Andy Coyne reports from a discussion between Insider's class of entrepreneurs for this year and advisers about the main issues affecting business growth.

What is the main barrier to growing your business at the moment?

Dr Kevin Hard: We are growing quite fast. The main challenge we face in our industry, which is backed by government



subsidies, is any uncertainty in the market. That makes my job harder because I have to look after a lot of people. There are always pressures in a fast-growing company - that balance between cash and recruitment. We're recruiting quite fast and have to have training processes in place.



Alistair Pritchard: The critical factor is finding the right people. Despite what you read about there being lots of people looking for work, finding the right people with the right skills is pretty tough and retaining them is also hard. People seem to be more keen to explore options these days than they did a few years ago. It's a question of keeping them motivated.

Dr Adrian Steele: There are two main issues for me. The first is macroeconomic confidence. I feel at the moment we are teetering on the brink of an inventory led shutdown of demand in the UK, like what happened in 2009. And the banks and HM Revenue & Customs are propping up excess capacity in the market by supporting loss-making businesses. We could do with losing some of that capacity. It's hard to say it but that needs to happen.

John Nollett: We've expanded outside the UK and we struggle with sales and marketing expertise in foreign countries and getting support for that. There's no-one who specialises in our specialist area of automotive so we have to do it all ourselves. The other area is education. Engineers have to be able to read drawings and make calculations, but we are finding that the people coming out of education aren't numerate. We're having to do that basic stuff instead of real training.

Andrew Gilbert: We're quite fortunate in our sector that there is a lot of growth. There has been a big shift towards people using the sort of services we provide. There is a lot written in the papers about cloud computing, and bank finance has not really been a problem so far. The challenge is where we go from here and how we fund it. Future growth typically won't be fundable through conventional finance.

Paul Jenkinson: We work with a lot of smaller businesses and the issue is confidence. Companies are pausing to get their ship in order. Finance has been an issue but businesses that can get in the right position and are investment ready will get the money. The angel market is also very well positioned in this country and there are other types of finance out there.

Miles Plumb: What comes out of conversations we have with our clients are the issues of finding the right people and a general feeling of a lack of confidence. Most of our clients are entrepreneurs and tell us that there are opportunities out there but you have to search much harder to find them.

Matthew Tucker: In October 2008 the construction industry just stopped. We've had to look at new markets and opportunities. We have found between 15 and 20 blue-chip clients who give enough work to sustain us. The other big issue for us is people constantly asking for a cheap price.

Danielle Asano: I don't really want to complain about the banks because we have done really well and we are making a healthy profit. It has been a tough market. I agree with the others here about confidence. People have sat tight in their jobs and that creates a chain of events in terms of other people moving. But the situation is changing and more people are moving jobs.

What are the experiences of the businesses represented here with regard to obtaining finance for working capital or other purposes? Are there indications of the access to finance climate improving?

Gilbert: It comes down to relationships. We changed banks because the guy at our old bank just didn't understand the business. The bank we are with now understands the business and is enthusiastic about it. Some bank managers have to write papers on everything and want budget plans for the next two to three years. My business changes on a quarterly or even monthly basis, so trying to write a budget for the next three years is nigh on impossible. It helps if you've got a good track record. It's not easy but you can find finance.

Steele: The issue with banks has been the risk and reward mix. Banks are keen to lend money but they are not prepared to take any risks with any businesses they are not already involved with. Many banks are very supportive for refinancing purposes but to get money for new things means getting over more hurdles.

Tucker: The main issue for me with the banks is that because I'm associated with the construction world I'm a big risk and the computer says no.

Hard: I'm looking forward to the day when bank finance is easy to get hold of because I've never experienced that.

Plumb: If the bank isn't enthusiastic, then you look elsewhere.

Gilbert: In any other area of business you would play suppliers off against each other but people tend to stick with their banks.

Jenkinson: They are chasing sectors. But it's important when you go to the bank that you prepare well and have a good business plan. If the bank doesn't understand your business, then it probably won't take the risk.

Are initiatives such as the government's Business Growth Fund of interest? Would you be prepared to give up equity in return for funding?

Gilbert: Private equity comes with challenges. It's expensive money and the structure of the deal is somewhat challenging too. They are obviously in it for a return. A part of my business is the culture and I suppose the fear is that a private equity company might change that culture. You hear some great stories but you also hear scare stories. It's a tough call and one I'm on the fence with at the minute.

Tucker: We have looked at taking external funding. But I would rather acquire some of my competitors to increase my market share and then have an exit strategy later on. But I would definitely give equity away.

Steele: Yes I would (give up equity). There is a huge amount of private equity money building up and if you are looking at fast growth you would probably have to involve private equity because the banks don't have the appetite in that area.

Jenkinson: Part of the secret for me is trying to understand the right type of finance for a business at any given point in its life cycle. They all have a part to play but for more explosive growth, debt funding just doesn't work.

Also in: July 2011

- **Power erupts**

The nature of power is always an interesting topic for discussion but to Insider it is also a barometer of the state of the regional economy. As you will see from this year's Power 100, public sector figures, who used to dominate this annual ranking, barely feature in the list now; it's the movers and shakers from the private sector (especially those with influence above and beyond their own company) who are in the ascendancy.

- **Regional bias**

The prospects for trade with China swing in the Midlands' favour, provided businesses get to grips with cultural differences, says Insider's Sam Metcalf.

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