



RESEARCH REPORT

THE AMBITIOUS ENTREPRENEUR: TACKLING YOUR BARRIERS TO GROWTH

September 2021

IDEAS | PEOPLE | TRUST

BDO

CONTENTS

INTRODUCTION	1
KEY FINDINGS & TRENDS	2
Don't let uncertainty halt your growth potential	2
2021 ushers in valuable business learnings, agility and resilience	4
Creativity alone cannot sustain innovation: focus on planning & commercialising innovation	5
Unlock the power of a values-based, ethical talent strategy	6
Cash flow is king: funding can plug the gap	7
Financial management & storytelling go hand-in-hand	9
Navigating the funding landscape: maintaining control vs. maximising growth	11
Demystifying venture funding and growth capital for entrepreneurs	12
Take a Rethink approach to reduce bias in strategic planning	13
Tap into a strategic sounding board to add value as your business grows	14
CONCLUSION	15
ABOUT BDO: IDEAS, PEOPLE, TRUST	16
MEET THE TEAM	17



INTRODUCTION

To say 2020 was one of the most challenging years for businesses is an understatement. Then the start of 2021 brought another lockdown to the UK, forcing many businesses to close their doors for months and struggling to find new ways to do business amidst COVID-19. Despite the enormous challenges, the past year has unlocked the resilience and agility of many ambitious, entrepreneurial businesses looking to achieve high growth.

As 2022 approaches, there is cause for optimism. We are seeing more business leaders setting ambitious revenue growth goals, entering new product categories, planning expansions into new markets and working to improve their financial operations to ensure their **growth plans can be fully realised**. So, it's mission-critical that businesses can take full advantage of strategic expertise, guidance and resources to understand where their business currently stands, how they can optimise processes and systems to inform real-time decision making and, ultimately, scale the business effectively.

In this research study, we will explore the various barriers to growth that ambitious, entrepreneurial businesses in the UK face as they look to build, grow and scale their business, as well as how their challenges and priorities have changed since the pandemic. We will also examine the role and value of strategic guidance and support on a company's ability to drive revenue growth, develop and launch new products/services, boost customer satisfaction, access funding and retain top talent.

MARK SYKES
HEAD OF ENTREPRENEURIAL BUSINESS
BDO



SURVEY METHODOLOGY & OBJECTIVES

We surveyed over 225 ambitious, entrepreneurial businesses in the United Kingdom to gauge the barriers to growth they have experienced in 2020, while also looking to get a view into how they plan to approach their corporate strategy and growth plans in 2021-2022. The survey was fielded in September 2021 and targeted ambitious, entrepreneurial businesses with a total of 11 to 250 employees. More specifically, the survey targeted the following job functions/roles within these businesses - founders, owners, partners, CEOs, Finance Directors and CFOs.

KEY FINDINGS & TRENDS

Don't let uncertainty halt your growth potential

Although COVID-19 restrictions were lifted earlier this year, ambitious, entrepreneurial businesses still feel some trepidation and uncertainty when it comes to implementing their business strategy for 2021-2022. This is supported by our study's findings, which found that 39 percent of ambitious, entrepreneurial businesses see COVID-19 as the biggest risk to their business in the coming year. In contrast, other risks such as Brexit (10 percent), slow economic growth (4 percent) and business interruption (9 percent) fell much lower on the list of risks. This isn't surprising considering over half (54 percent) of the respondents said they had to close their business for a period of time during the pandemic.

Given that COVID-19 threw many businesses into 'fight or flight' mode throughout 2020 and early 2021, it's understandable that confidence levels may be lower than they were pre-pandemic. Our study's findings support this, with 75 percent of the respondents saying they lack confidence that their strategy is future-proof and can withstand socioeconomic challenges.

Why is it important to future-proof your strategy? With the challenging economic times, volatile world events and fast changing technology, it's become much harder to predict when and where new risks will emerge. This can leave your business more vulnerable than ever. Having a future-proof strategy will help your business be more resilient and ready to tackle risks as they arise.

Now that we have explained why your business must future-proof your strategy, let's explore some ways to do this. At the core, this means that your business must be alert, agile and ready to adapt your business models, products and services to the rapidly changing market. Are your core products/services threatening to become obsolete as a new way of working has emerged post-pandemic? How do you future-proof those soon-to-be-obsolete products to be relevant and valuable to your customer base? Does your business have a full grasp on the regulatory landscape and how to deal with regulatory changes? In this situation, your business may need help with your compliance and risk management procedures.

Rather than let the challenges of COVID-19 overwhelm them, some ambitious, entrepreneurial businesses have become resilient and found ways to adapt and evolve their business models. And it's proven worthwhile. A good example of a business that came out of 2020 with greater resilience is MNB Precision. The Coventry-based company is a provider of manufacturing and precision engineering services to leading companies, with a focus on the oil and gas, aerospace, power and rail sectors.

We spoke to **Managing Director of MNB Precision, Luke Benton** about how the business was affected by COVID-19 and how it quickly reacted and adapted to the situation. Here's what he said:



“ We hit the COVID-19 challenge head on and started looking at what we could do to support the medical sector. We offered the services of MNB in the Dyson ventilator challenge, received several enquiries and ended up supplying Dyson with pre-production parts – we enabled them to get their pre-production parts manufactured and into their testing facility. It gave a huge boost to the team on the shop floor. Even when we got the initial enquiries, you could feel the uplift in mood. It was like night and day.

When we started making the parts for Dyson, it was phenomenal the way our people took to it and wanted to do their best because they wanted to be part of the fight against this unseen enemy. It's sending shivers up my neck now, thinking about it. We produced close to 500 parts for Dyson, ranging from really small to decent-sized medical items. The teams had to react to working with different sizes of parts, quicker lead times and the larger batch sizes. Their dynamism was incredible to watch.

We can take a hit on profit as long as we can protect our skilled workforce – because without them, there is no profit in the future. ”

Although only 10 percent of the respondents said Brexit poses the biggest risk to their business in the next year, some economists have warned that Brexit might negatively impact ambitious, entrepreneurial businesses in the UK. More specifically, they fear that the impact of the pandemic and global supply chain challenges have masked the underlying impact of Brexit and kicked the issues further down the road.

BDO'S FREEPORT HUB
www.bdo.co.uk/en-gb/insights/freeports

BDO'S POST-BREXIT PLANNING HUB
www.bdo.co.uk/en-gb/brexit-deal



CHART 1 What poses the greatest risk to your business in 2021-2022?*

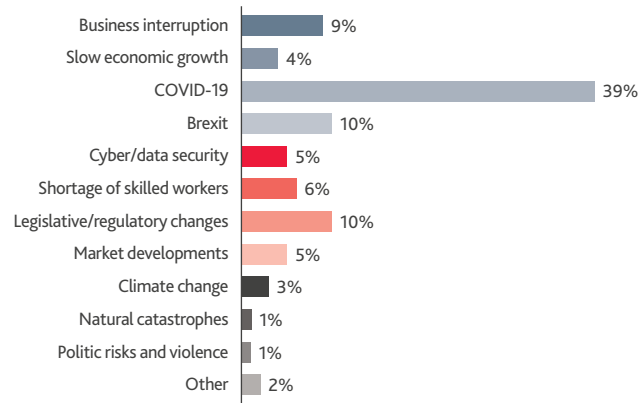
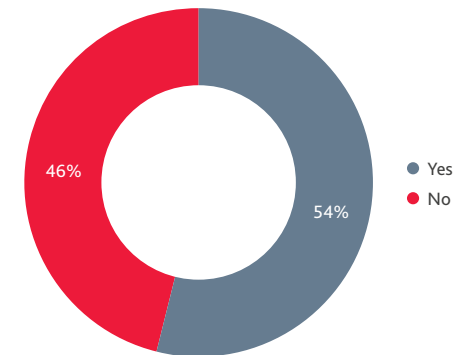


CHART 2 Did you have to close your business for any period of time during the pandemic (2020-2021)?



Vicky Price, former joint head of the UK's Government Economic Service, told the UK Trade and Business Commission that **"small businesses are particularly affected"** by Brexit red tape and logistical issues caused by Britain leaving the European Union and that they can't afford the lawyers and advisers employed by big companies. Now consider the repercussions if businesses lack sufficient knowledge of Brexit trade deals and legislation and its effect on their business. As our study finds, this is the situation for over half (54 percent) of ambitious, entrepreneurial businesses who said they only know Brexit legislation/trade deals 'somewhat well' but still need to do more research. Worse yet, another 20 percent admitted they have very little knowledge, but don't see it as a top priority and 4 percent said they don't have any knowledge and are unsure of where to start.

CHART 3 How confident are you that your corporate strategy is future-proof and can withstand socioeconomic challenges?*

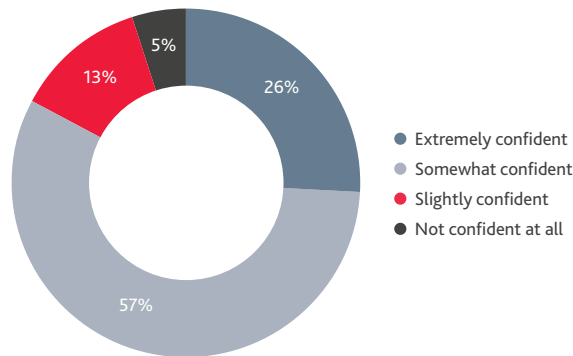
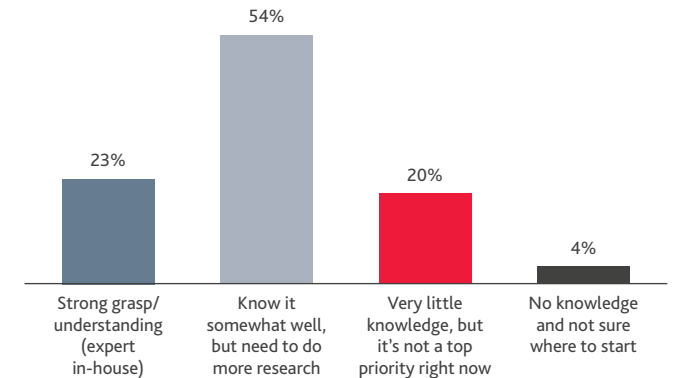


CHART 4 How well do you understand all of the Brexit trade deals and legislation – and how it affects your business?*



*Figures may not add to 100% due to rounding.

2021 ushers in valuable business learnings, agility and resilience

After a challenging 18 months, many ambitious, entrepreneurial businesses have found themselves in a unique situation. You have experienced many business hardships due to the pandemic and have come out on the other end stronger, more resilient and with a host of lessons learned along the way. Most importantly, you have learned how to readjust your business models to adapt to a virtual-only operational model, and in the process, you have seen productivity levels and efficiency rise among your workforce.

Hopefully, you have a much deeper understanding of what your business is capable of achieving when it's put to the test (i.e. COVID-19) and, as a result, you're better equipped to be more efficient, agile, productive and resilient. We saw this as many ambitious, entrepreneurial businesses shifted their operational models from in-person to fully remote and virtual working models. Your employees and customers adjusted rather well to these changes. And despite fears that this would decrease employees' productivity and efficiency, many ambitious, entrepreneurial businesses saw the exact opposite.

Now as you have become more in-tune with what works for your business and how to adapt and evolve through market challenges and business hardships, it's likely affected your mindset and approach to managing costs and budgeting. After 18 months, you have certainly become more comfortable with how you manage your company's finances and what budgets you're willing to approve. This is supported by our study's findings, which found that 59% of businesses expect to be more stringent now in approval of department budgets and expenses – demonstrating their focus on keeping control of the savings and benefits achieved through lock down. On top of this, 13 percent confirmed they will be less stringent, further reinforcing their growing agility and resilience.

CHART 5 Will you be more or less stringent in approving department budgets and expenses in the next 12 months?

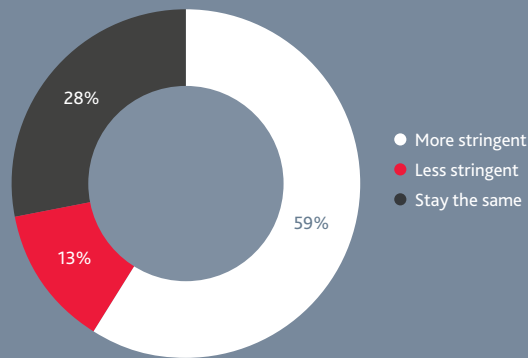
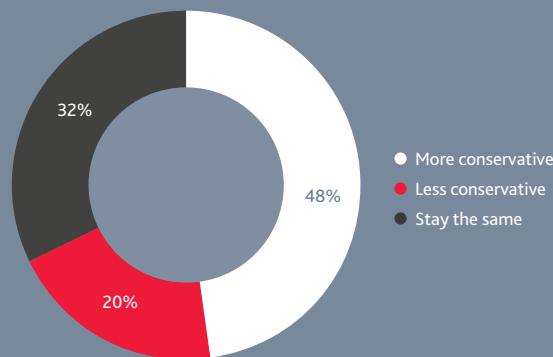


CHART 6 Will you be more or less conservative with the level of risk you take with the business in the next 12 months?



Our study's findings show another warning sign of business resilience when it comes to the level of risk ambitious, entrepreneurial businesses are willing to take in 2021-2022. For example, 20 percent of the respondents said they're willing to take more risk in the next 12 months, while 32 percent don't plan to make any changes. Could this be an indicator that the leaders of ambitious, entrepreneurial businesses have failed to adapt their operating models following the turbulence of the past 18 months? And if so, how might this impact their ability to bounce back?

Creativity alone cannot sustain innovation: focus on planning & commercialising innovation

Innovation plays an integral role in helping ambitious, entrepreneurial businesses maintain a competitive advantage. Our study's findings suggest that ambitious, entrepreneurial businesses plan to make innovation a core part of their growth strategy, with 76 percent saying they're likely (to some degree) to test out new business ideas/innovation in 2021-2022. Of this 76 percent, 28 percent said they're extremely likely, while 6 percent are somewhat likely and 42 percent are slightly likely to test out new ideas.

It's a positive sign that many ambitious, entrepreneurial businesses are placing a high emphasis on coming up with creative ideas, which is certainly an important element of driving innovation. However, creativity alone cannot sustain innovation. This is where planning and commercialisation are of utmost importance if your business wants to convert your creative ideas into long-term revenue growth. Unfortunately, this is something many ambitious, entrepreneurial businesses often struggle to execute.

To commercialise innovation, you must make a significant investment in the necessary research and development to take your creative ideas from conception to execution to revenue generation. To make this happen, it's important that your business takes the necessary steps to protect your intellectual property through patent box tax relief and fund innovation through R&D tax credits.

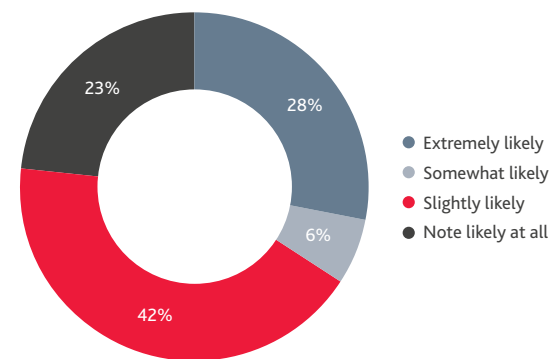
One example of a business that is making innovation a core part of their business strategy is Milexa Group, a pioneering surface design company. The business designs and manufactures innovative wallpaper and flooring products for homes and businesses. It currently has two brands: MuralsWallpaper and Atrafloor. Selling purely through e-commerce, Milexa serves customers around the world, exporting to over 60 countries in 2020.

We spoke to **Richard Wilde, Founder and Chief Executive of Milexa Group**, about how the company is using innovation to adapt to changing customer needs.



“Operationally, on the production side, it's been quite easy to scale up. We invested around 18 months ago in a digital wallpaper production line. It's the only one in the UK and there are only three in the world. This increased our capacity overnight about 18-fold. It brought other benefits as well. We could manufacture much quicker, get product to the customer much quicker and it increased our margin.”

CHART 7 How likely are you to test new business ideas/innovation in 2021-2022?*



*Figures may not add to 100% due to rounding.

Unlock the power of a values-based, ethical talent strategy

Employees are the heart of ambitious entrepreneurial businesses but also one of the most common sources of growth constraint. They are integral to creating an exceptional customer experience, ensuring the day-to-day operations run smoothly, building and launching new products/services and driving innovation. But fostering an engaged workforce takes a lot more than hiring and paying wages.

In today's highly competitive job market, employees want to feel fulfilled in their roles, make an impact within the organisation, feel engaged and motivated to do great work, find a greater purpose and ultimately, feel that their personal values are aligned with the company's mission and values. Now consider this: [Microsoft's 2021 Work Trend Index](#) recently found that 41 percent of workers are considering quitting or changing professions this year. Meanwhile, [a study by HR software provider Personio](#) found that 38 percent of the surveyed employees in the UK and Ireland planned to quit in the next six months to a year.

According to [Daniel Marsden, CEO and Co-Founder of Lounge Underwear](#), there is a real value to building a strong workplace culture.



“If you go back 18 months or a year, it was harder than it is now in terms of recruitment. This is where the real value of building a culture within the business comes in. For younger people, I don't think it's about how much they will be paid. It's more, what's the package? What's the lifestyle? What's the culture? They are looking for so much more than just money. As cliched as it sounds, our culture is so family-orientated in regards the staff – everyone is really close, good friends. That's part of what people are looking for – it's a fulfilment feeling, rather than just getting paid.”

Given these trends, we were surprised to see that only 13 percent of ambitious, entrepreneurial businesses see hiring and retaining top talent as a top priority for growing their business in 2021-2022. Failing to build a purpose-driven and values-based culture could leave your business with high employee turnover. When good employees leave your business, they take a considerable wealth of knowledge and experience with them – and this could directly affect customer/business relationships.

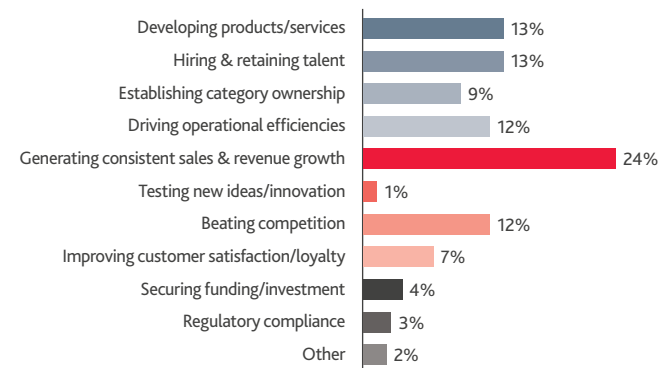
In recent years, environmental, sustainability and governance (ESG), corporate social responsibility (CSR) and similar ethical considerations have become leading factors in the hiring and retention of talent, particularly millennials and Gen Z. This younger generation of employees are evaluating companies and job offers based on how 'green' and ethical the company is. This is no exaggeration, as an August 2020 study by Censuswide found that 72 percent of multigenerational employees in the UK were concerned about environmental ethics.

Unfortunately, these two areas – CSR and ESG – are often overlooked by ambitious, entrepreneurial businesses as they end up being lower on their priority lists, behind revenue growth, customer retention and product development. This is further evidenced by the data from the Censuswide study, which found that 83 percent of the respondents said their workplaces weren't doing enough to address climate change.

Meanwhile, some businesses exaggerate their actual commitment to these values as a means of attracting top talent. A common roadblock you may face is finding a way to embed these considerations into your workplace culture and communicate these values to both your existing workforce and prospective candidates. So, you may find it relatively easier to revamp your

operational processes, create a starting point for your workplace culture *and* attracting talent away from larger businesses. This could be a huge mistake for your business, especially if you're aiming to secure funding to help your business achieve high growth. Venture capital firms, for example, often look specifically for businesses that are prioritising sustainability and socially responsible practices to add to their portfolio – and will even increase the total funding they're willing to make accordingly.

CHART 8 What is the top priority for growing your business in 2021-2022?





Cash flow is king: funding can plug the gap

The fact is that cash is king. Businesses must ensure they have a positive cash flow to manage all aspects of the business, while also allowing them to plan for future growth. Even if your business is profitable, it's easy to get caught in a tricky situation if you fail to manage cash flow. However, our study's findings suggest that this is easier said than done, with 29 percent of ambitious, entrepreneurial businesses saying they expect cash flow to be the biggest hurdle to growing their business in 2021-2022. This was the number one response, followed by growing sales and revenue (16 percent) and changing systems and processes (11 percent).

There is also an emerging trend of large corporates seeking to diversify their portfolios by investing in ambitious, entrepreneurial businesses. This doesn't necessarily result from a desire to change the way those businesses operate. Rather, large corporates see ambitious, entrepreneurial businesses as innovation hubs and alternative ways to enter new markets or sectors. So, if your business wants to be considered as a strong candidate for investment from a large corporate, then you need to pay closer attention to your cash flow.

According to **Mark Sykes, Head of Entrepreneurial Business, BDO:**



“ One way to ease your cash flow problems and simultaneously attract funding is to understand your business cost drivers and develop a robust set of forecasts and a financial model. What does this entail? For one, your cash flow forecast should clearly illustrate your business model, including how revenue flows, seasonality effects on income potential over time, distinct income streams, how those incomes have been affected, expected costs and what type of investment would be required to get back to a state of 'normal.' No business environment is static and risks will vary depending on circumstances.

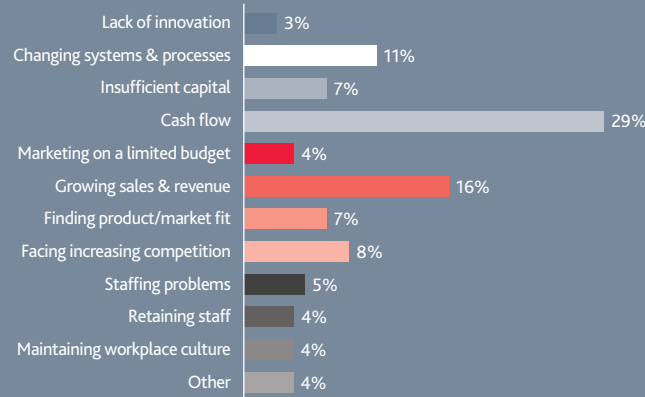
It's also essential to embed those forecasts into your business reporting to track progress and control spend. Well developed business reporting gives management early indications of when you're veering off track or likely to hit funding and cash flow issues. ”

If you're unfamiliar with cash flow forecasting and financial modelling, then it will be difficult to gauge what 'good' looks like. And you likely won't have the knowledge to determine if your forecasts and budgets are fit for purpose? This is where it will be highly beneficial to tap into the **cash flow forecasting and modelling expertise** of BDO to make the process much easier for you.

Given the business challenges created by COVID-19 and the ripple-on effect of cash flow, funding is a viable way to plug cash flow problems. This is evidenced by our study's findings, which found that ambitious, entrepreneurial businesses plan to access a variety of different funding options in the next 12 months, including government-backed loans and grants (73 percent), bank loans (57 percent), private equity investment (43 percent) and venture capital investment (38 percent).

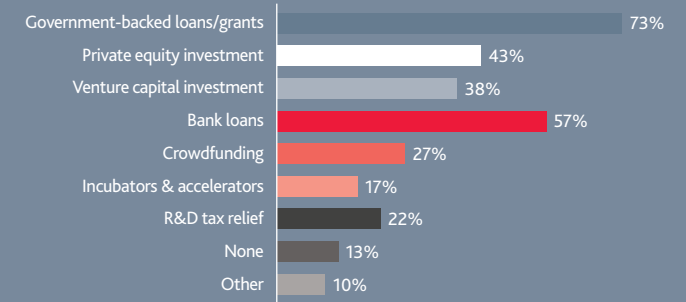
How can funding help address cash flow problems and best position your business for future growth? For one, it can speed up your COVID-19 recovery by providing you with working capital to aid in the day-to-day functioning of your business. Funding will also allow your business to hire the necessary talent to build exceptional products/services, reduce customer churn and create a purpose-driven workplace culture. Now as your small business looks for opportunities to grow in 2021-2022, expansion into new markets may be necessary to stay competitive. Funding will allow your business to plan and set up the necessary infrastructure when setting up a new office in a new geographic market, such as applying for business licenses, hiring regional staff, setting up local payroll systems and more.

CHART 9 What do you expect to be the biggest hurdle to growing your business in 2021-2022?



NOTE Figures may not add to 100% due to rounding.

CHART 10 What type of funding are you most likely to access in the next 12 months?



NOTE Figures may not add to 100% due to multiple responses being selected.



Financial management & storytelling go hand-in-hand

Managing the financial function within an ambitious, entrepreneurial business can come with its own set of challenges. We know you may not have the budget to hire a dedicated CFO or Finance Director who can lead the charge in all areas of financial operations. The data from our study suggests that this may make it difficult for businesses to plan accordingly. For example, 43 percent of ambitious, entrepreneurial businesses said they haven't created financial planning past six months. And only 13 percent make their financial plans over a year in advance.

If financial planning is too reactive, this can make it difficult to properly anticipate and project what's necessary for your business to achieve its growth goals. This is the case for many ambitious, entrepreneurial businesses, as our study found that 68 percent of the respondents lack confidence about their ability to scale their finance function in line with their business growth goals. More specifically, 10 percent said they're somewhat confident in their ability to do so, while 37 percent are only slightly confident and 21 percent admitted they aren't confident at all.

We're certain ambitious, entrepreneurial businesses never thought storytelling mattered in the larger scheme of financial management. But if your business decides to seek funding in the next 12 months – be it from the government, private equity investors, venture capital firms, banks or elsewhere – it's critical that you can create a compelling and comprehensive financial narrative. For example, investors will want to get an accurate view into your operational cash flow and EBITDA growth potential. In addition to telling your financial story in a compelling way, it's vital that all data presented is accurate, provides more than a historical context (to include forecasts) and reflects all revenue streams and assets. This could mean the difference between attracting the right investors and struggling to secure funding, which could affect your company's ability to achieve high growth.

On top of this, 25 percent of ambitious, entrepreneurial businesses don't feel they have the expertise, resources and bandwidth to secure private equity or venture capital investment. This includes the ability to demonstrate their value proposition, analyse performance data, attract the right investors and develop a compelling financial narrative. These are all important elements of the funding process, but without strategic guidance from experts who have helped businesses secure funding, it's possible that mistakes will be made and a weak financial story will be told to investors. This could cause delays in securing funding, which could further exacerbate cash flow and operational problems.

The combination of these stats indicates that ambitious, entrepreneurial businesses aren't very well versed in financial planning or storytelling. This could be problematic given that 43 percent of ambitious, entrepreneurial businesses plan to seek private equity investment and 38 percent plan to seek venture capital investment in the next 12 months. You will need a clear understanding of the different types of funding available, how each differs, the advantages and disadvantages of each funding option as well as the entire process and materials needed to pitch investors. We understand there is a lot to sift through when going through your funding journey. If you don't have a full grasp or knowledge on these matters, you should look to an advisory firm to support you in your funding journey.

KEY STEPS FINANCE LEADERS SHOULD TAKE WHEN PREPARING FOR INVESTMENT



- Plan to invest in a strong finance function, led by a competent and experienced CFO or Finance Director
- Tell a compelling financial story about your operational cash flow and EBITDA growth potential
- Demonstrate the quality of your management team
- Illustrate business performance in quantifiable terms (KPIs)
- Go beyond historical financial data; provide forecasted projections
- Make sure there are no errors in financial statements regarding treatment of revenue streams or the valuation of assets
- Utilise the necessary **finance and accounting technology** to support your finance function
- Don't go it alone: call on external advisers with experience in helping ambitious, entrepreneurial businesses secure funding

Remember that both types of investors – private equity and venture capital – have set objectives and timelines to realise their investment. At the same time, it's common for ambitious, entrepreneurial businesses to confuse the intentions of different funding sources – venture capital (risk), private equity (growth) and banks (lower risk). So, it's important that the type of investment you pursue aligns with what your business is trying to achieve and your own personal objectives as the leader of the organisation. Taking strategic advice and having a reputable advisor to help you navigate through all the options can be tremendously valuable in demystifying the private equity journey.

CHART 11 How far in advance do you prepare your financial planning for the business?

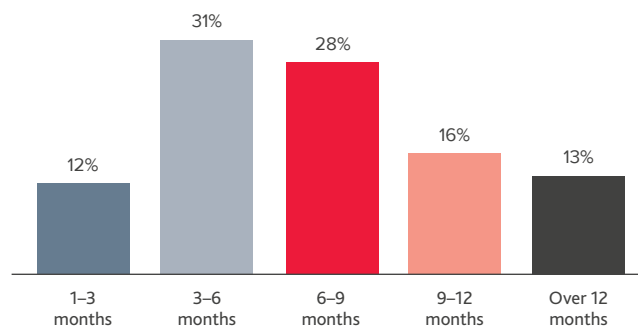


CHART 12 How confident are you in your ability to scale your financial function in line with your business growth goals?

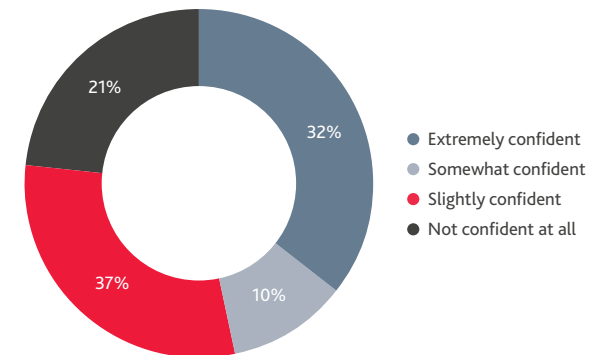
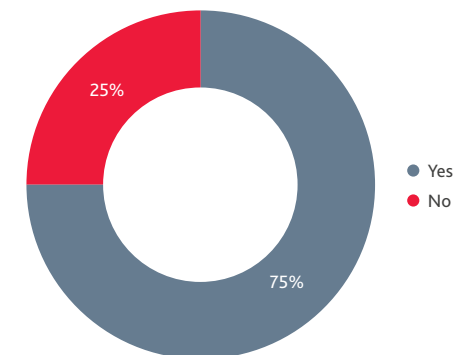


CHART 13 Do you feel you have the expertise, resources and bandwidth (i.e. finding right investors, demonstrating value proposition, analysing data, developing financial narrative) to secure venture capital or private equity investment?



Navigating the funding landscape: maintaining control vs. maximising growth

It can be a complex and confusing process to find the right source of funding to match your business profile and the level of risk you're willing to take. Banks are averse to risk, so they aren't always keen to invest in ambitious, entrepreneurial businesses. On the other hand, venture capital firms are known for taking more risk and, as such, they're willing to take more risk in investing in less established businesses, new markets and new ideas. Private equity firms, meanwhile, tend to be more focused on investing in businesses that have shown high growth rates (or strong potential) and will invest to help take these businesses to the next level.

When we asked ambitious, entrepreneurial businesses about the most important factor when deciding what type of investment is best for their business, the top three responses were maximising growth trajectory (26 percent), maintaining control over business operations (26 percent) and keeping a majority stake/ownership (18 percent). These findings are indicative of the struggle that many ambitious, entrepreneurial businesses face when it comes to seeking funding. Often, funding is essential to grow the business, but company founders and managing directors are less than willing to give up control over business operations and relinquish an equity stake in the business. Conversely, private equity and venture capital firms often want and expect to be actively involved in how their portfolio businesses operate, which can sometimes feel invasive to the leaders of ambitious, entrepreneurial businesses.

So, it's important that ambitious, entrepreneurial businesses know what the different private equity and/or venture capital investment offers entail, what type of support they want and what they would be willing to sacrifice before they decide. We recommend that your business not rush into funding and think about if you're open to evolving your management structure to achieve the next level of growth. The less willing you are to relinquish control or allow your investors to be involved in your operations, the more likely you are to limit your agility and future growth.

CHART 14 Which one of the following factors is most important to you when deciding what type of investment is best for your business?





Demystifying venture funding and growth capital for entrepreneurs

When your business shows strong growth potential and depending on your stage of evolution, it's likely that you will have several competing offers from either venture capital or private equity firms. So, it's especially important to perform your due diligence to make sure you accept the right funding offer from the right investor. While investors will certainly vet your business strategy and performance, it's equally important that you do your own research on potential investors. Considering you will be working with an investor for upwards of five years, you want to make sure it's the right fit on both sides.

However, when an equity deal process fails, it can be very frustrating for both management and the prospective investor. In most cases, both parties have expended significant amounts of time and effort. That's why it's beneficial to gain insight into how venture capital and private equity works and establish whether it's the right option for your business, how you go about getting the right deal, how to best work with your investors and finally, how you prepare the business for an exit event.

So, how can your business judge if a potential equity investor is right for your business? We have outlined some key questions you should ask before you decide which investor is best suited for your business.

10 QUESTIONS TO ASK BEFORE CHOOSING POTENTIAL EQUITY INVESTORS



- 1 Will the investor give your business enough focus, while still having a sufficient appetite for follow-on funding?
- 2 Can the investor provide details of the returns made from their last fund?
- 3 How strong is the investor's sector expertise (i.e. total number of deals, strength of relationships with industry executives and non-executives, understanding of sector challenges)?
- 4 If private equity, how much control over business operations are you willing to give up to investors?
- 5 Is there a maximum percentage of equity investment you are comfortable relinquishing to an investor?
- 6 Who will be the primary point of contact within the investment firm?
- 7 What level of involvement does the investor plan to take in your business?
- 8 Will the investor expect a board seat?
- 9 What kind of support are you looking for and can the investor provide? For example, you may be looking for help to build out your sales and finance teams. Perhaps you may need help in improving your product development and innovation capabilities or expanding into new markets.
- 10 How much success does the investor have in providing the type and level of support that you want?

In addition to the above questions, our eBook, ['Demystifying the Complex World of Private Equity'](#), offers useful tips and insights that will help you make the right choice.

Take a Rethink approach to reduce bias in strategic planning

It's likely that the supply chains, workforce, sales and financial health of ambitious, entrepreneurial businesses will all have been impacted by the events of the past 18 months. Even if business leaders have managed to navigate the turbulence and even thrive post-pandemic, it's highly probable that new challenges will arise in 2022.

As entrepreneurs steer their businesses and people through all the changes, they may want to rethink all aspects of their business – from the business model and strategy, downward. However, this can be a challenge if an entrepreneur's focus is on managing the day-to-day operations – taking their focus and time away from focusing on the strategic vision and growth planning.

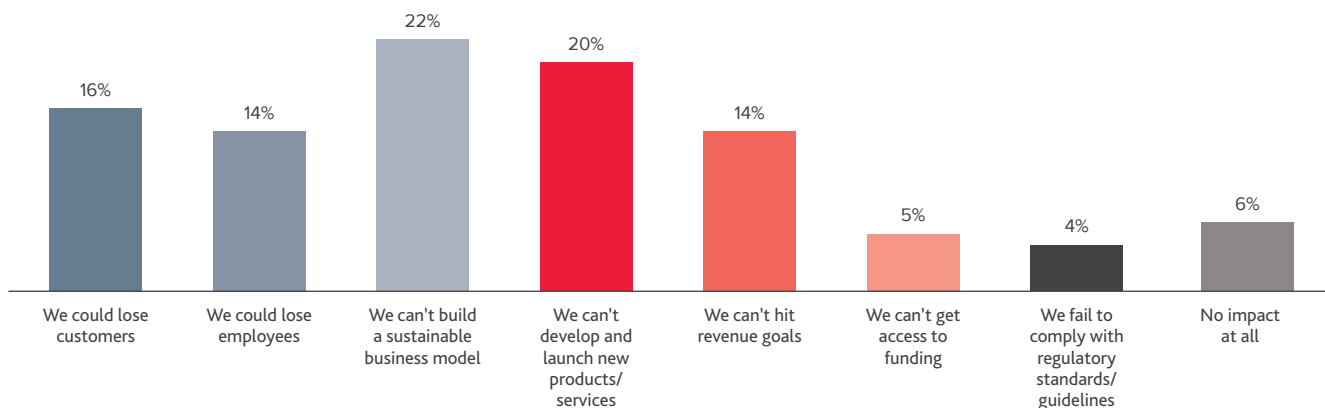
When we asked ambitious, entrepreneurial businesses about the worst effect a lack of strategic guidance could have on their business growth, 22 percent feared it would prevent them from building a sustainable business model. Another 20 percent expressed concerns that they wouldn't be able to develop and launch new products/services and 16 percent worried it could lead to a loss of customers. Meanwhile, 14 percent of the respondents have concerns that a lack of strategic guidance could result in the loss of employees and another 14 percent worry they will struggle to achieve their revenue goals.

In reality, business owners often display a sense of bias when developing their business strategy. So, a great strategy, from their perspective, only reflects their areas of interest – be it sales or market-focused. But a successful business must look across all areas of the business, including finance, people, operations, product, sales, marketing and governance. Otherwise, you could find your growth strategy is missing key elements and will fail due to lack of capacity or quality issues.

At BDO, we work side-by-side with entrepreneurs and industry leaders. During the COVID-19 pandemic, we developed **Rethink as a global framework** to help businesses navigate the new reality and encourage a new way of managing business priorities, addressing issues and leveraging thinking. There are three distinct stages of the Rethink framework – React, Resilience and Realise.

The Rethink model looks at the following areas – people, purpose, performance, productivity, place, processes and profit – as being necessary to reduce the impact of bias. The framework also looks at where challenges may exist and ensures the strategy addresses these key areas. In working with many ambitious, entrepreneurial businesses, we have seen first-hand how common it is for businesses to assume that the business world is now in the 'realise' stage because we're no longer required to wear face coverings indoors and can now meet in public. But in reality, the 'realise' stage says that a business is only in this stage when future business needs are anticipated, areas for transformation are clearly identified, people are engaged and invigorated and the business is meeting or exceeding market expectations. The shortcut to thinking businesses are in the 'realise' stage, without really thinking about how their business needs to adapt and change, will lead to undelivered potential and failure.

CHART 15 What is the worst effect that a lack of strategic guidance (i.e. business operations, revenue growth, funding, talent acquisition/retention and compliance) could have on your business growth?*



*Figures may not add to 100% due to rounding.

Tap into a strategic sounding board to add value as your business grows

We asked ambitious, entrepreneurial businesses how they seek strategic guidance on matters related to business operations, revenue growth, funding, talent acquisition/retention and compliance. As our study found, 21 percent of ambitious, entrepreneurial businesses hire consultants on a freelance or part-time basis. You may be using a local accounting firm or freelance accountant because you need to be lean with your staffing. While this may make sense at the early stages of building your business, it can often become a barrier to future business growth.

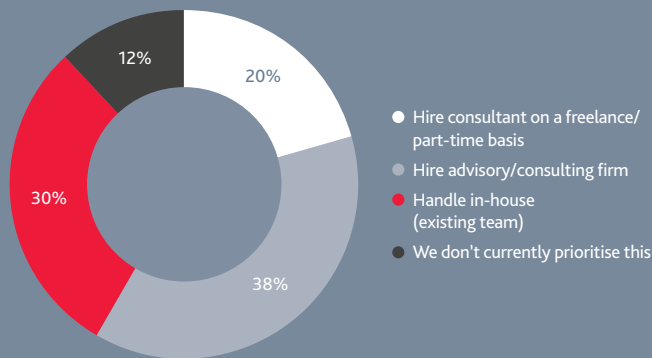
This is the scenario in which Aeroservices found itself. As a leading 'nose to tail' manufacturer for the commercial aviation sector globally, the company had concerns that their existing local accounting firm lacked the depth of technical expertise and strategic insight to help the business scale.

In particular, Aeroservices was most concerned with the capabilities of their previous advisor in the following areas:

- ▶ Providing a comprehensive and accurate assessment of record keeping and suitable adjustments
- ▶ Advising on complex adjustments (an area they struggled with previously)
- ▶ Understanding the varied HMRC requirements and meeting deadlines

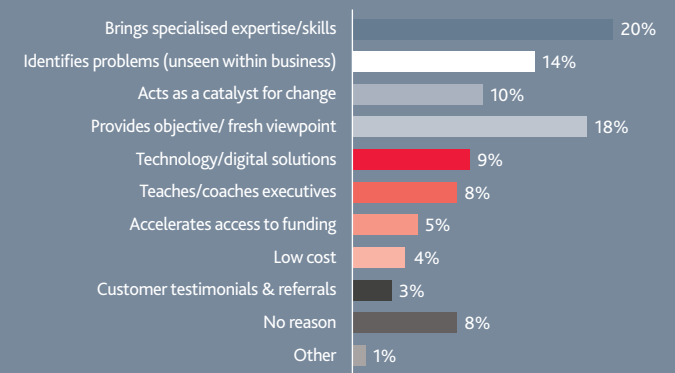
So, the company sought out BDO's guidance to help them regain control of their business, while also strengthening its operational efficiencies and supporting its international expansion plans. As a result, Aeroservices was able to open a new office in Dubai, which resulted in annual net profit growth of 10 percent.

CHART 16 How do you seek strategic guidance on business operations, revenue growth, funding, talent acquisition/retention and compliance?



Now consider this: 38 percent of the respondents said they hire an advisory firm to help with strategic growth planning. And the number one reason an ambitious, entrepreneurial business would be willing to hire an advisory firm is that it brings an objective, fresh viewpoint (18 percent). Meanwhile, 20 percent place a high value on an advisory firm's specialised expertise/skills and 14 percent care that an advisory firm can identify problems that were unseen within the business. This indicates that more businesses are realising the role and value of advisory firms in helping businesses drive operational efficiencies, improve their finance function, maximise growth and scale the business.

CHART 17 What is the number one reason you would be willing to hire an advisory/consulting firm?



What's more concerning is that 12 percent of ambitious, entrepreneurial businesses simply don't prioritise strategic planning at all. Over the last year, most businesses have been in survival mode. But as COVID-19 restrictions have begun to be lifted and life begins to resume back to some semblance of normalcy, businesses are now shifting out of that survival mode and driving full speed ahead towards growth. Not taking the time to sense-check your strategic planning with a reputable adviser could set your business back and make it easier for your competitors to gain an advantage.

READ AEROSERVICES CASE STUDY HERE
www.bdo.co.uk/en-gb/the-ambitious-entrepreneur/case-study-aeroservices





CONCLUSION

From our study's findings, one thing is crystal clear – ambitious, entrepreneurial businesses remain optimistic in their goals for business growth in 2021-2022. When businesses take a strategic approach and seek out guidance from a competent and knowledgeable adviser, the potential for high growth can only increase.

Yet, your business should be aware of key lessons as you begin to map out your growth plans for 2021-2022. First, you shouldn't try to take the shortcut route to growth. Your plans must look at the full picture and identify areas that are ripe for improvement.

We strongly advise that you don't rush things. Identify the right resources and budgets needed for success and don't leave anything to chance or luck. Most importantly, make informed decisions based on data and keep track of how your business is performing in real-time. At the same time, don't try to control every single element of your business as this could limit your growth potential.

Now while growth strategies often focus on sales and product development, it's important that you develop a clear strategy to attract, retain and engage your talent in a way that brings them a greater sense of purpose and reflects a shared commitment to your values. This will be key to growing your business, or you could see a large portion of your employees quitting soon and worse yet, you could lose out on potential investor opportunities.

Remember that, as a leader, you cannot do it all on your own – hire the right people with the right expertise and skills and let them do what they're best at doing. Delegating will become essential as your business grows.

For **Julie Chen, CEO and Co-Founder of The Cheeky Panda**, it was a constant struggle to find the balance between thinking strategically about her business and dealing with operational changes and challenges presented by the past 12 months. But bringing in the right people with the right expertise has been key. Julie adds:



“ It is quite hard. I juggle a lot, particularly when the business is growing fast. I would like to spend more time on strategy and efficiency. But we are hiring experienced people who have gone through the journey before. Giles Brook, who was CEO of Vita Coco and grew the business to £300m in the last 10 years, is joining us as a non-executive director. With people like this joining the business, who have done FMCG before, that may help me focus on things that I can do best. As the business has grown, I've learnt that we need to balance passion with experience. ”

Finally, make sure that your decision making isn't too narrowly focused. Ask for help and encourage trusted partners to challenge you on your plans – it will only make your plans stronger and help you reach and even exceed your growth goals. And don't be afraid to make mistakes and learn from them. The lessons learned will give you a new perspective and help you anticipate potential challenges that could arise in the future.

ABOUT BDO: IDEAS, PEOPLE, TRUST

BDO LLP

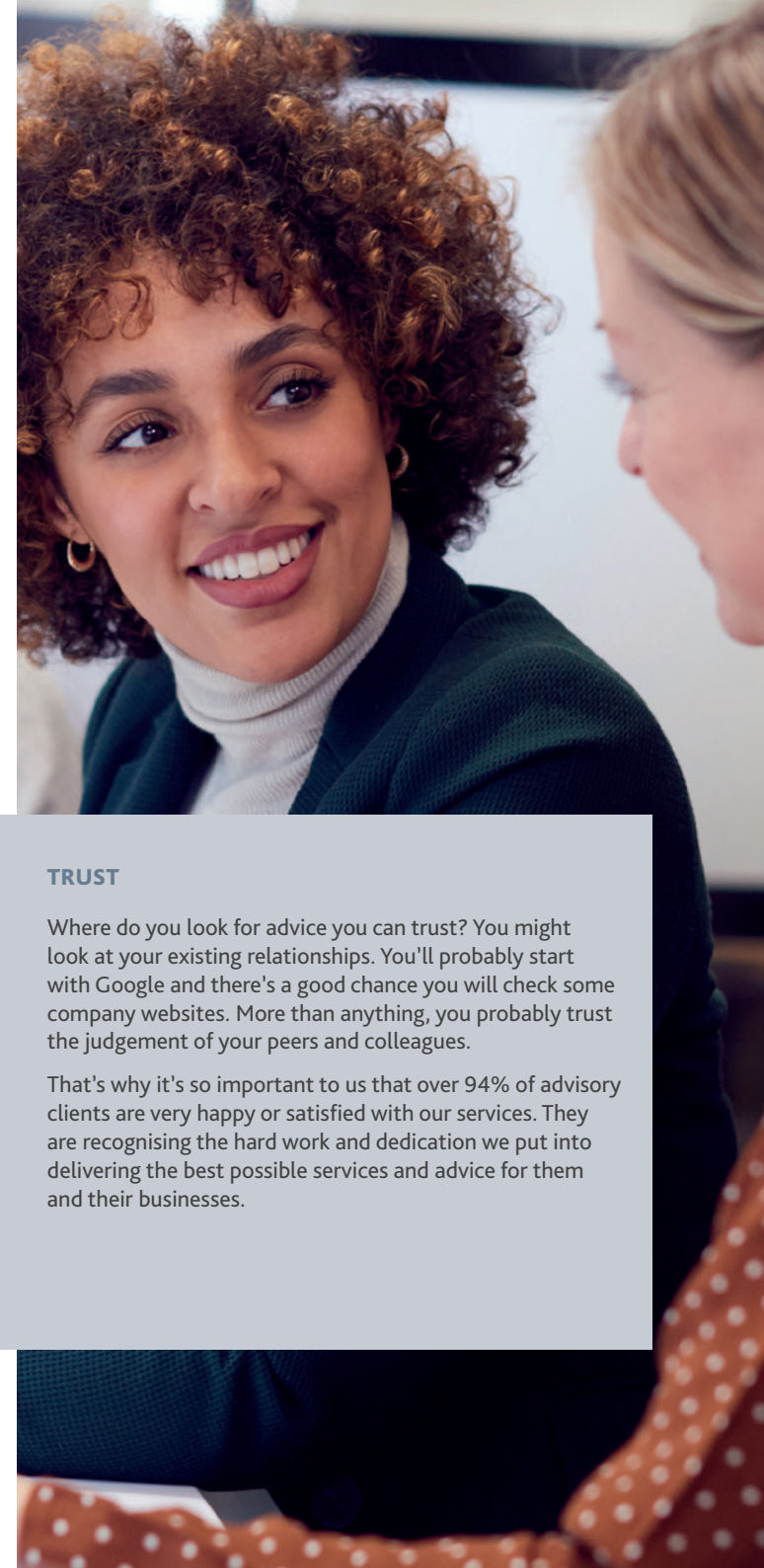
Accountancy and business advisory firm **BDO LLP** provides integrated advice and solutions to help businesses navigate a changing world.

Our clients are Britain's economic engine – ambitious, entrepreneurially-spirited and high-growth businesses that fuel the economy.

We share our clients' ambitions and their entrepreneurial mindset. We have the right combination of global reach, integrity and expertise to help them succeed.

BDO LLP operates in 18 offices across the UK, employing 6,000 people offering tax, audit and assurance, and a range of advisory services. BDO LLP is the UK member firm of the BDO international network.

The BDO global network provides business advisory services in 167 countries, with 91,000 people working out of 1,658 offices worldwide. It has revenues of \$10.3bn.



IDEAS

Every business starts with an idea and your ideas drive your business or company forward.

We listen to our clients, helping them identify their best ideas. We work with them to accelerate the great ideas and turn them into practical measures.

We also place smart thinking and innovation at the heart of our work for you. Our culture encourages entrepreneurial thinking because that generates the practical advice and insights that make a difference to our clients' businesses.

PEOPLE

Working with BDO means having a strong, professional relationship directly with the people that serve your business. Access to someone who has real world experience and a track record that can only be achieved through dedication and commitment.

We aren't cogs in a machine and we don't treat you like one either. Like each of our clients, we are individuals and we don't do "off the shelf". We build a team of sharp thinking and smart working people that meet your challenges with you. That is what it takes to make a difference to our clients.

Some of us do wear grey suits but we don't think that matters.

TRUST

Where do you look for advice you can trust? You might look at your existing relationships. You'll probably start with Google and there's a good chance you will check some company websites. More than anything, you probably trust the judgement of your peers and colleagues.

That's why it's so important to us that over 94% of advisory clients are very happy or satisfied with our services. They are recognising the hard work and dedication we put into delivering the best possible services and advice for them and their businesses.

MEET THE TEAM

To learn more about how BDO can help your business maximise its growth potential, get in touch with your local contact.



**NATIONAL HEAD OF
ENTREPRENEURIAL BUSINESS**

MARK SYKES
mark.sykes@bdo.co.uk



SCOTLAND

ANDREW MCNAMARA
andrew.mcnamara@bdo.co.uk



NORTH WEST

LAURA STUFFINS
laura.stuffins@bdo.co.uk



YORKSHIRE AND NORTH EAST

GARETH LYNTON JONES
gareth.l.jones@bdo.co.uk



MIDLANDS

SUK AULAK
suk.aulak@bdo.co.uk



EAST ANGLIA

EMMA L SMITH
emma.l.smith@bdo.co.uk



LONDON

ANDY HUDDLESTON
andy.huddleston@bdo.co.uk



THAMES VALLEY

IAN MCBANE
ian.mcbane@bdo.co.uk



THAMES VALLEY

CLARE HAWTHORN
clare.hawthorn@bdo.co.uk



SOUTH EAST

DUNCAN BERRY
duncan.berry@bdo.co.uk



SOUTH WEST

PAUL GRIFFEE
paul.griffee@bdo.co.uk



TECHNOLOGY ADVISORY SERVICES

KATHERINE O'CARROLL
katherine.o'carroll@bdo.co.uk

FOR MORE INFORMATION:

MARK SYKES
NATIONAL HEAD OF
ENTREPRENEURIAL BUSINESS

+ 44 (0)7791 397544
mark.sykes@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms. BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms. Copyright © September 2021 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk

