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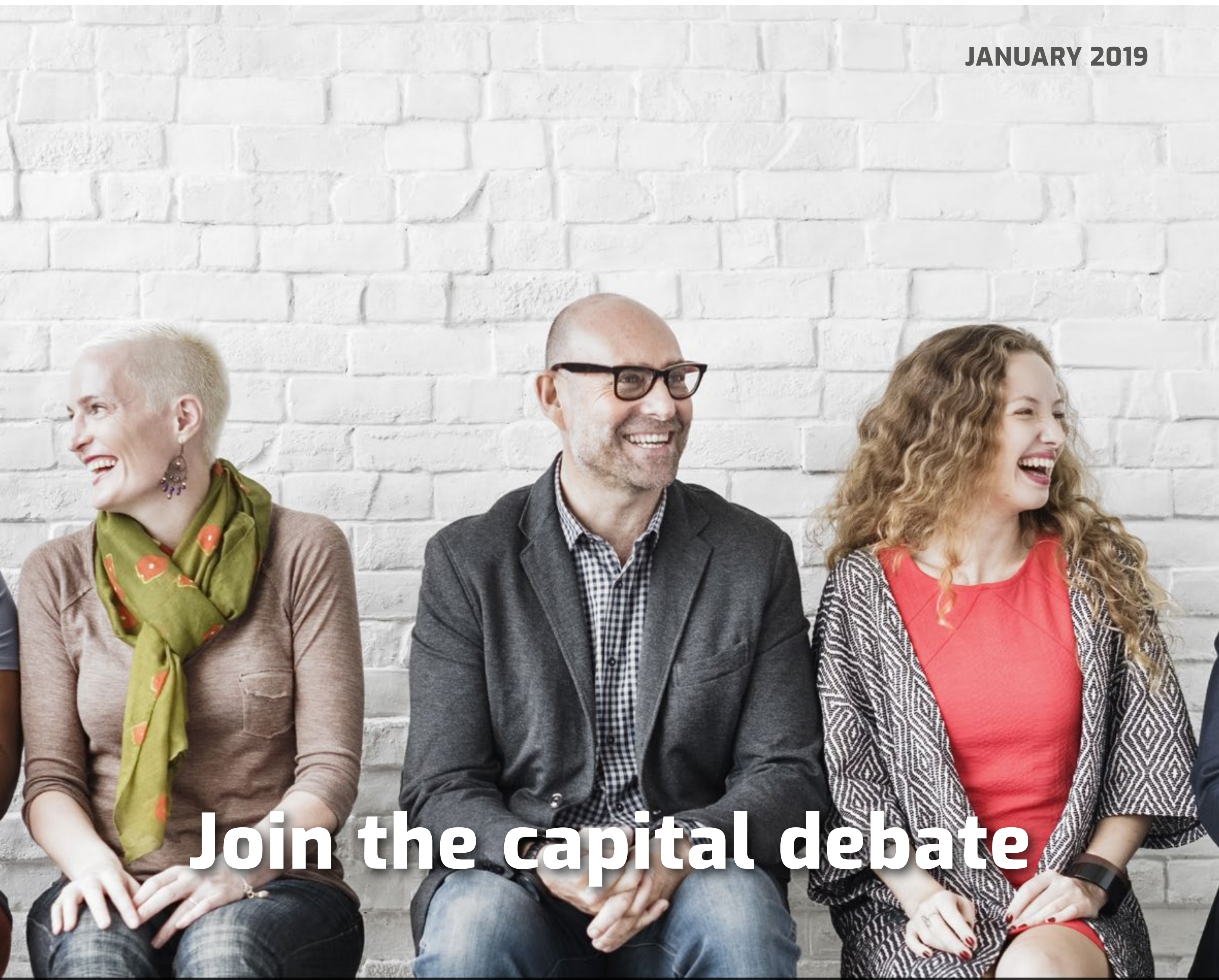
100 STORIES OF GROWTH

INSIGHTS FROM ENTREPRENEURS

JANUARY 2019



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100 STORIES OF GROWTH

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INSIGHTS FROM ENTREPRENEURS

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ABOUT THE CAMPAIGN

The 100 Stories of Growth campaign has spent the last 12 months finding out how and why founders of small and medium-sized companies are committed to achieving success.

We've spoken in detail to over 250 company founders and CEOs aged 23 to over 60 from diverse sectors across the UK about what it takes to scale a business well.

Our two parallel lines of investigation have focused on qualitative and quantitative research. Through our quantitative research study we've taken a detailed temperature check of what capital means to scale-up business leaders. It's not just about hard cash or finances. But just as importantly, it's emotional wellbeing and mental health, human and intellectual capital that help make balance sheets thrive.

100 Stories: we've also interviewed 100 founders and CEOs about what's worked, what hasn't and how they've managed to keep an eye on the prize. Their inspirational and motivational stories are published regularly on 100stories.co.uk. Together, this unique collection of stories forms a candid and revealing resource for anyone interested in finding out what types of capital are needed to succeed as a scale-up company founder in the UK today.

The campaign is led by Intelligent Partnership along with lead partners BGF, The London Stock Exchange Group, Smith & Williamson and The Clubhouse. More than 15 public and private sector supporters are backing the campaign to help create improved outcomes for the UK's high-potential,

The 100 Stories Community

Source: 100 Stories of Growth - Capital at Work

FOREWORD

Developing the confidence to succeed

Growing a successful business today takes a massive amount of grit, determination and drive. While it's true that many company founders share these enviable qualities, they often face a huge spectrum of challenges every day. Some of those experiences are recurring nightmares, others are very welcome surprises, while many appear totally out of the blue.

Focused entrepreneurs tend not to crumble even in the face of the toughest knockbacks though. They're a resilient and persistent bunch. Entrepreneurs who have a keen focus on success, powered by heaps of optimism, ambition and resourcefulness.

The founders of small and medium-sized enterprises (SMEs) are rightly celebrated as UK growth heroes. After all, what other type of company can boast 20% year-on-year staff and turnover growth as scale-up companies can? So it's no surprise that they're courted by policymakers, investors and professional services advisers alike for their seemingly Midas-like qualities.

53%

of entrepreneurs say growing their business has been one of the toughest experiences of their life

Recognising the need for support

Underneath this veneer of strength, the reality of scaling a business in the UK can be exhilarating yet bleak at the same time. It's a rollercoaster of optimism and pessimism. High-octane peaks of self-belief, followed by plummeting drops to the depths of self-doubt. So what does it take to brave out one of the most challenging business journeys?

The UK scale-up community offers great support programmes and initiatives that provide entrepreneurs and their teams with the tools and guidance to help them succeed. Entrepreneurs themselves and professionals in the wider SME ecosystem need to embrace these valuable support mechanisms as widely as possible. And they shouldn't hold back from asking for more help where certain areas need to be improved. But with the extra effort that's put in, the benefits could be very positive.

While we'll explore the idea of capital in greater detail throughout this insights report, it's worth mentioning here how fully considering capital at work in its

broadest sense – covering emotional, human, intellectual and financial capital – shows how we can offer great support to growth-focused entrepreneurs.

Taking part in the capital debate

Now that the UK has largely solved the access to finance conundrum, more venture capitalists, crowdfunders and financiers are eager to fund UK SMEs. Very often, attractive offers of investment or finance mean that entrepreneurs are increasingly taking on investment at a very early stage.

But without a more developed foundation of resilience that entrepreneurs tend to build up over time, many have to learn very quickly how to deal with very eager providers of capital while also running their own companies. Achieving this combination can be rather daunting for entrepreneurs.

As the 100 Stories of Growth campaign has evolved, it has become increasingly clear that the SME investment ecosystem needs to prioritise founder education and development about wellbeing and mental health linked to the pressures of taking on financial capital. That's why we've launched the Don't Lose It initiative – helping the investment community to engage more supportively and proactively in founders' wellbeing and mental health.

Capital providers and other advisers can help entrepreneurs manage certain emotional and mental health aspects associated with running a business by understanding when best to take on external capital and from which sources. For their own part, entrepreneurs should fully understand what their own professional and personal risk-reward equation will look like when they raise capital.

Entrepreneurs will also help alleviate the stress associated with growing a business by focusing on greater clarity about financial management and planning, and prioritising investment provider due diligence when they consider investment options. Where the financial capital raised is patient by definition, and meets an entrepreneur's growth timeframe, this combination improves the positive experiences of growing a business.

We know that the human capital aspects of growing a business are perhaps the most important. It is people who run and make businesses succeed. So a strong focus on fostering a company-wide entrepreneurial mindset, suitably incentivised senior management teams and commitment to peer learning are vitally important.

As nearly two-thirds of the entrepreneurs we've spoken to in the campaign are actively exporting, there should be more focus on growth by nurturing and developing even more international relationships. The strong connections fostered with people in all markets go a long way to improve companies' growth ambitions.

INTRODUCTION

Capital at Work:
shifting the focus for success

Understanding the evolving nature of capital in contemporary capitalism has become a hotly debated theme in recent years. As developing and developed economies have rapidly changed during the internet age, so too has the very notion of what capital is. But the big question is just how much businesses, investors, governments – and of course accountants – are up to speed with real-life capital.

The classical economic definition of capital tells us that conceptually it's any form of asset that can enhance our power or ability to do economically useful work. We've been taught to consider land or natural resources, labour and capital goods as the key factors of production. And generally, the payment for capital is interest or profit.

However, if we consider capital as an input in the production function, are we overlooking new and emerging forms of capital that have wholly different qualities and even personalities?

The 100 Stories of Growth – Capital at Work campaign has investigated the notion of what capital means for high-potential scale-up businesses in the UK. Those companies are often described as the lifeblood of the UK economy, creating wealth, jobs and national optimism as credible antidotes to sluggish productivity. They form a hotbed of innovation and invention, brought to life by enthusiastic and highly ambitious individuals who stake a huge amount professionally and personally to make their ideas shine.

During 2018 the campaign team has talked in detail to over 250 UK-based growth-focused and scale-up entrepreneurs. Through complementary quantitative and qualitative research studies we have

Guy Tolhurst, Founder, Intelligent Partnership asked these business leaders to share their ideas and beliefs about a specific blend of capital. That mix includes emotional, human, intellectual and financial capital.

What has become crystal clear about these investigations is that people – not corporate machines – run companies. Real people with highly developed intellects and business acumen. Motivated, enthusiastic and talented business leaders that are creating new products and services that benefit all of us in some way or another.

We've confirmed in our research that growth and scale-up company founders are resilient individuals. The more successful ones are working hard collectively to push the UK up the international scale-up country rankings, where the country currently languishes around 13th place.

To be fully prepared to grow a business, an entrepreneur needs to develop resilience. This elusive quality can only be built up systematically over time, with space to experiment, freedom to make mistakes and opportunities to try again.

Business leaders need the resources and people to support them, to help create an entrepreneur's toolkit designed to deliver sustainable successes. At times though – like for anybody – pressures intensify and they have to be vented in some way. Without support and assistance, company founders can feel lost and unsupported, and pressure can take its toll at work and at home.

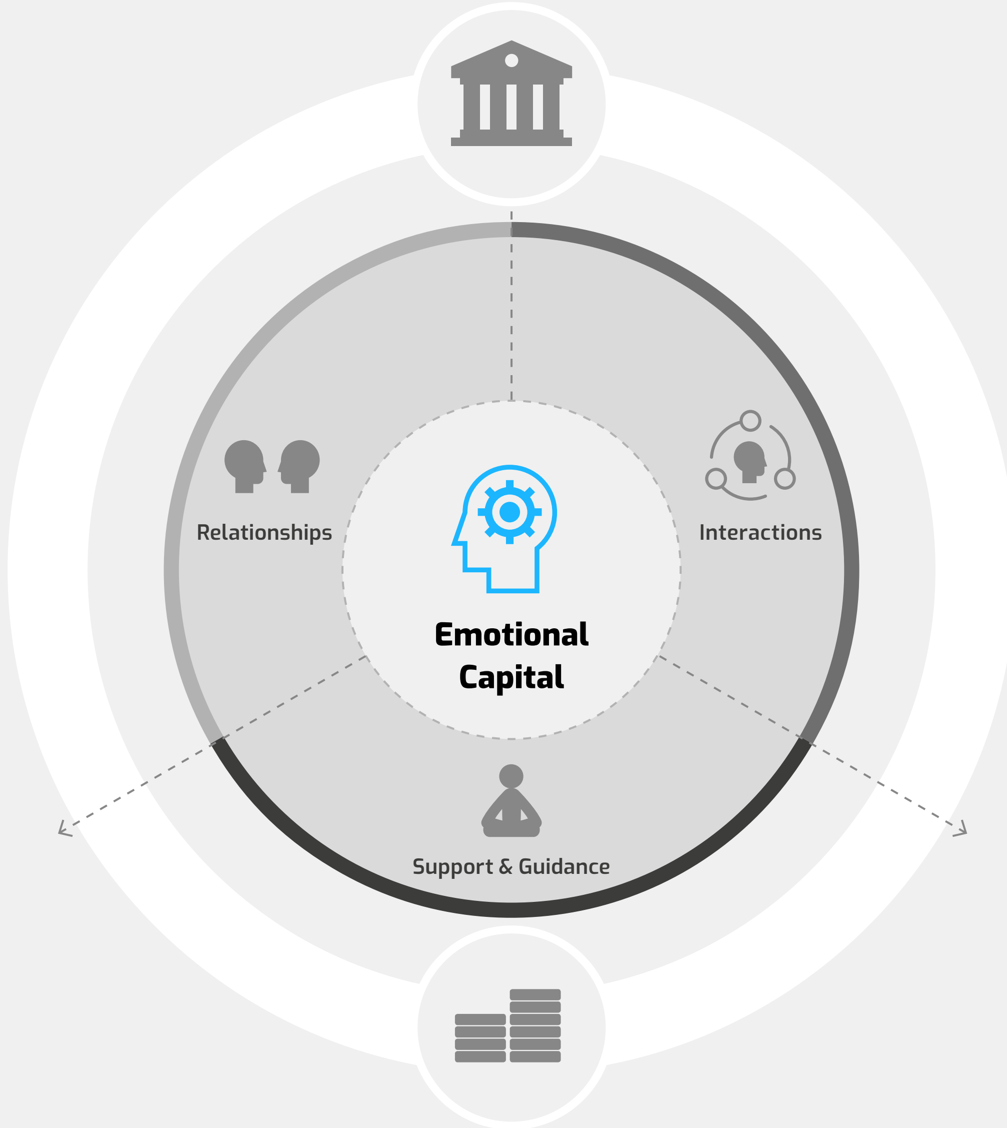
To be fully prepared to grow a business, an entrepreneur needs to develop resilience. This elusive quality can only be built up systematically over time.

When the 100 Stories of Growth – Capital at Work campaign kicked off, it became clear that human capital – the people behind companies and individuals linked to a myriad of daily business decisions – is just as important if not more so than financial capital.

That said, as the campaign has matured and built up greater trust within the SME founder community, we believe that wellbeing, emotional resilience and good mental health are the essential elements of any scale-up company founder's success. Collectively, the elements can be viewed as emotional capital. While these topics have typically been examined on the periphery of mainstream debate in the SME community, we believe that they should form the starting point of an examination into how to effectively deploy capital at work.

Emotional capital shapes entrepreneurs' experiences

How the golden thread of wellbeing and mental health connects every part of an entrepreneur's growth journey:



- **Emotional Capital:** prioritising entrepreneurs' wellbeing and mental health at all stages of the journey.
- **Human Capital:** interactions, relationships, support and guidance offer the best value to entrepreneurs.
- **Financial Capital:** trust, alignment of interests and understanding from investments and capital.

Four key stages on the road to success

1 Lifting the veil on **entrepreneurs' wellbeing** and mental health

2 **Your people** will drive **your success**

3 Aiming for perfect **alignment of interest** with capital providers

4 The emotional end-game and **legacy fulfilment**

Any growth-focused or scale-up entrepreneur is central to the success or failure of their business. That journey is likely to be much more enriched and successful if a company founder receives support, encouragement and advice from the right stakeholders at the right time. This support may come from mentors, investors, their teams and their families. Rather than focusing on a shared burden though, we should offer support as a joint responsibility.

Our quantitative and qualitative research reveals that focusing on wellbeing and good mental health creates the best foundations for business success. As founders and business leaders make professional and personal decisions in growing their businesses, we have to acknowledge the emotional factors in every decision they make.

Throughout this report we show that wellbeing, good mental health and strong human interactions form the basis of good business practice for fast-growing UK companies. This golden thread links every part of a founder's growth journey.

62%

of entrepreneurs feel they would have been more supported if they shared experiences with founders in the same boat

How to navigate this report

In the first section, we highlight founders' experiences of wellbeing and mental health as they have progressed on their growth journey.

Opening the lid on what is often considered to be a private topic, our research reveals the darkest hours that entrepreneurs have faced. Also, where they could have benefited from more professional and personal support, and crucially, where they would like to see more available support in the future.

Next, we examine how people in all forms are the vital element of human capital. They are the ones who make sure that all types of businesses – including tech-centric enterprises – communicate well and run smoothly. And the ones that make the best decisions. We explore which interactions, relationships, support and guidance offer the best value to entrepreneurs. We also investigate where and why they seek most encouragement, and how they build their management and fully functioning teams.

With the right relationships, expert support and teams in place, we discuss how entrepreneurs are confidently growing their operations at home and abroad.

Then we seek to define the human face of financial capital. Trust, alignment of interests and understanding form the basis of effective and rewarding investments and financing. But looking beyond the cash element, we show that responsible providers of financial capital create beneficial partnerships – not just transactions – by backing the person and not just the company.

And looking to the future, we explore how founders would like to fulfil their long-term ambitions, and personal and professional legacy goals – all intrinsically emotional contracts. This type of success can only be achieved if wellbeing, good mental health and emotional support are maintained throughout the growth journey.

EMOTIONAL CAPITAL

Lifting the veil on entrepreneurs' wellbeing and mental health

A growth or scale-up entrepreneur's journey is often a story of great optimism, enthusiasm and boundless energy early on. Their business has typically succeeded at the start-up phase: the business model is proven, revenues are flowing in and even more growth is on the cards. So what's not to celebrate?

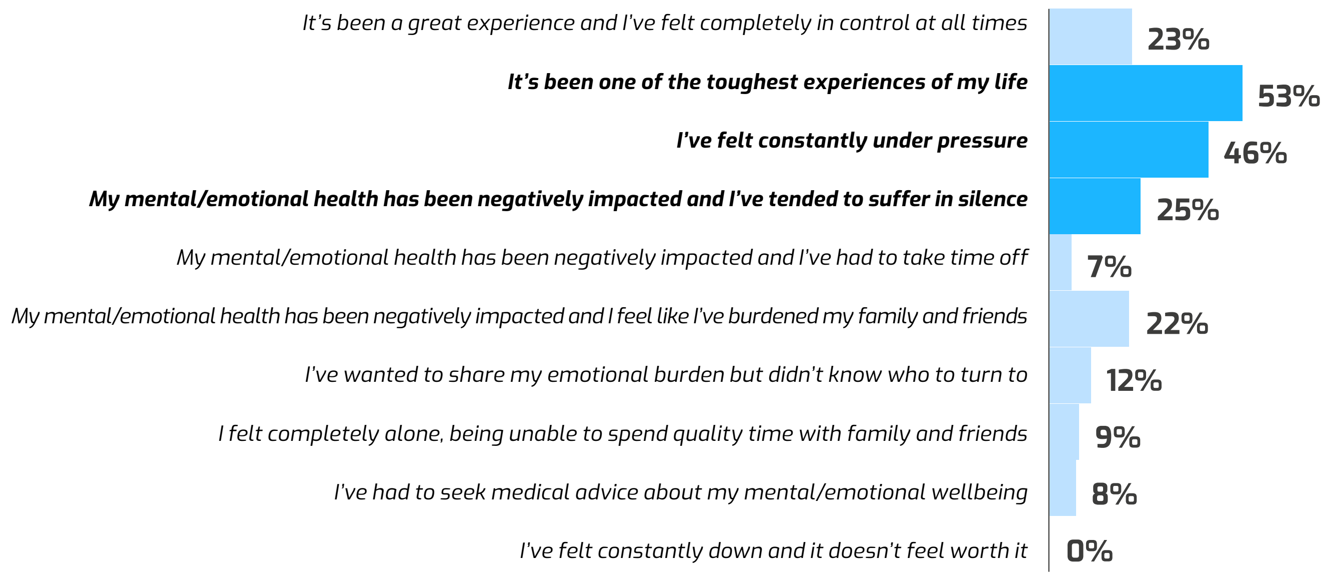
Such a rosy view of the facts may be true for a limited and lucky group of founders and business leaders, but the reality can be much bleaker at times.

Here's how one founder frankly summed up their rather grim experience of growing their business:

"Sleepless nights. Hair started to go dull and dry. Not enough time with kids. Marriage fell apart."

It's a huge stress growing a business

While you've been growing your business, which of the following statements best matches your experience?



Source: 100 Stories of Growth - Capital at Work

Revealing founders' darkest experiences

Our research indicates that entrepreneurs' wellbeing and mental health may be tested to the extremes more often than we're aware. While they've been growing their business, the pressures mount and take their toll for many.

More than half (53%) of company founders tell us that growing their business has been "one of the toughest experiences of my life" and a further 46% say they have "felt constantly under pressure". It is concerning that what probably started out as a positive company growth journey for many has descended into the realms of negative superlatives. The pressures that entrepreneurs feel are seemingly relentless – they're a testament to an undercurrent of potential wellbeing and mental health issues.

Many company founders and CEOs are generally considered to be resilient leaders by almost everyone who surrounds them. They take the roles of leader, supporter and business controller. So, it may come as little surprise that a quarter (25%) of respondents in our research acknowledge they've had poor mental health in the past but have "tended to suffer in silence". They feel they have to be strong in public.

We were insolvent. An angel investor that had put debt into the company was sending us winding-up orders every month. We couldn't make payroll, were behind on PAYE and VAT, and it was the day of our Christmas do. I was on the brink. I just wanted to run away.

A week before my parents had just given me £25k inheritance as my gran had died a few months earlier. Without telling my wife, I put all the money into the company to make payroll and pay for the Christmas do.

I had a terrible evening. I couldn't enjoy it. I hated myself for not telling my wife what I'd done."

— SIMON SWAN, FOUNDER, HIRING HUB

For other respondents in our research, they have wanted to communicate their wellbeing and mental health concerns, but 12% of them "didn't know who to turn to". What may be an even more concerning research finding is that some entrepreneurs say they have been so immersed in running their business that they have neglected their wellbeing altogether. The chart on page 20 reveals all of the experiences that entrepreneurs have faced while running their business.

Another entrepreneur echoes the sentiment about self-reliance – finding time to focus on yourself is often the last thing on a list of work-life balance priorities:

"I have found the major changes that a fast-growing business inevitably goes through, such as significant hires, departures and changes can often cause huge uncertainty and stress.

"A stress and workload that really encroach into my personal life, which at times might be problematic in conjunction.

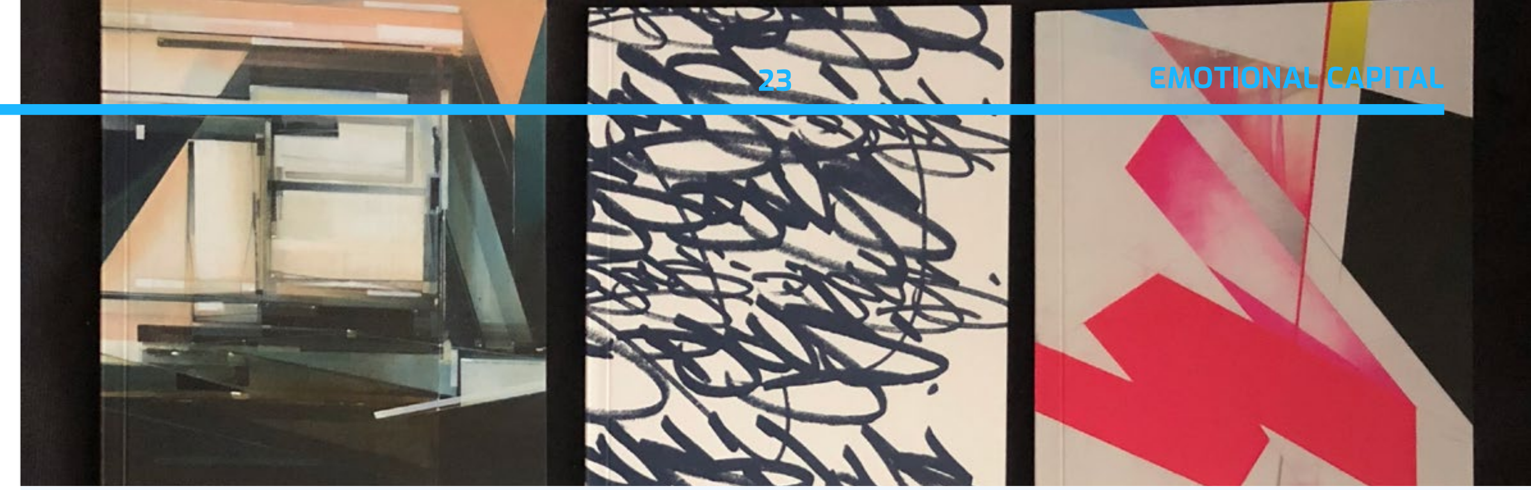
"This can often make me feel completely alone, without anyone to speak to about my feelings as professional and personal issues become so intertwined.

"Ultimately, it creates a lot of stress that cannot be relieved very easily, especially as often there is a sense that I have chosen this life."

Long-term impact on wellbeing and lack of attention to good mental health are factors which can manifest themselves in acute episodes, in some cases leading to a so-called meltdown or longer-term mental health complications. While this topic often remains under-discussed in detail, Michelle Morgan, founder of designer pyjama brand Pjoys, very bravely shares her inspirational story with the 100 Stories of Growth campaign (see page 23).

45%

of founders say they "felt constantly under pressure"



PJOYS

THE FEMALE FOUNDERS

When work pressure took their toll on founder Michelle Morgan

Michelle Morgan had landed a dream ad agency job in London's bustling Soho where she met her future business partner Sam Conniff Allende. Following a five-year stint selling soft drinks, trendy trainers and must-have mobile phones to teenage consumers, they designed a plan to create their own business.

Fast forward 17 years, Livity is an award-winning and multi-million pound turnover business. Morgan says that it is probably more true to its mission and purpose than it has ever been: creating a more positive life for young people.

Pressures start to take their toll

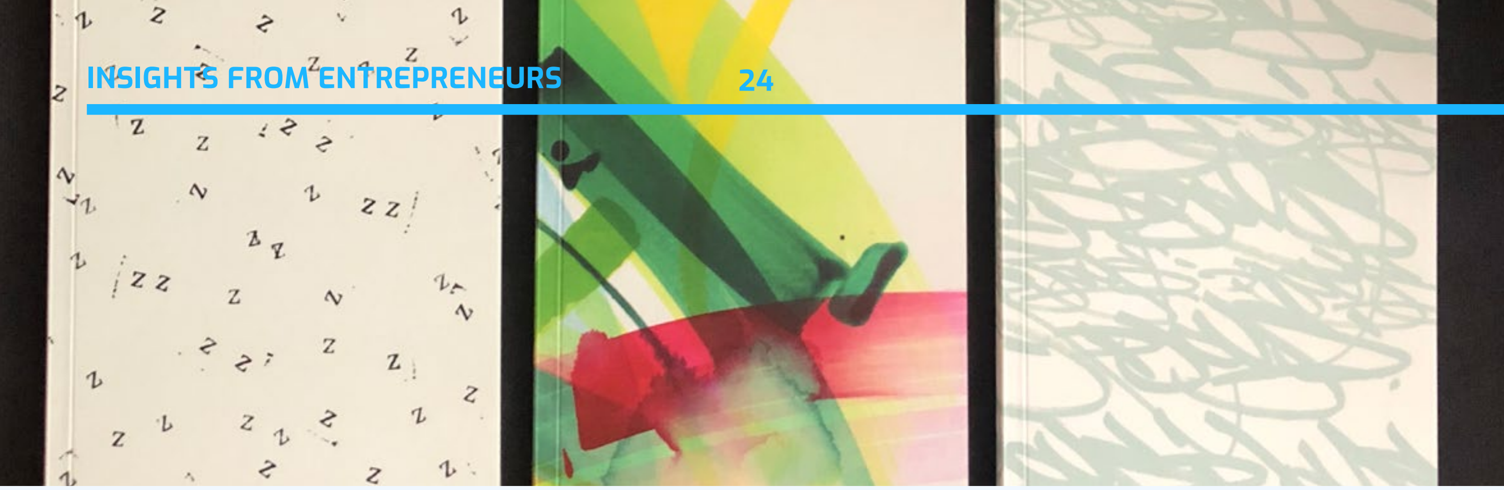
In 2016, Morgan led the company through a social investment deal. "We got to a stage where we wanted to grow the impact of the business and potentially evolve the model," she explains.

But something terrible happened at the end of that year. "Then, 105 days after closing that deal, I burned out violently, both physically and mentally," she says. "I really wasn't very well at this stage. I sat on the stairs with everything happening around me and I thought: 'I literally can't go on.'"

So Morgan called her GP surgery and was amazed to get an appointment – her doctor wanted to see her in 15 minutes.

In search of a work-life balance

Morgan says that she couldn't have grown Livity without her husband providing invaluable support. And even though his career was taking off internationally, he still found time to share childcare responsibilities for their teenage daughter who was very busy with extra-curricular activities.



Then during time off during the Christmas 2016 holidays, Morgan had time to consider her wellbeing and mental health. "I had this huge realisation that I wasn't just burned out physically and mentally, but my passion for Livity had utterly burned out as well."

Confronting the evil twins

Anxiety and depression can been viewed as a malevolent duo, says Morgan. "I think 'evil twins' is a great way of describing them," she says. "I sometimes feel that the evil twins still tap me on the shoulder on the regular basis, even though I'm on the other side of recovery."

At that time, she felt that her energy was spent and she was consumed by "hollowness and helplessness". Sometimes, she adds, it was difficult to get out of her pyjamas.

A new style of entrepreneurship

When she surrendered to depression and gave it a name, Morgan talked about medication options with her doctor. "I really didn't want to have to get my head around medications and being numb," she says.

But she found a solution in another form of therapy. "I reached the crossroads where brilliance meets madness. The pyjamas represented the depression and being stuck, unable to move forward. But it suddenly became my inspiration".

"I am now so mindful about Pjoys, my new business," explains Morgan. "That's my ambition. I work really hard not to work hard. Slowly but joyfully."

Taking time to find your real self

There's a lot of truth in the idea that talking about wellbeing and mental help people to spot the signs and make helpful interventions.

A lot of people describe mental health acceptance as coming out and there are more people who are coming out with their mental health stories,

"I think I'm stronger for it. I'll be a better businesswoman for it and I'll probably be a better leader if I ever build a company that needs to be led again."

"Anxiety and depression can be viewed as a malevolent duo. I think 'evil twins' is a great way of describing them."

— **MICHELLE MORGAN,** FOUNDER, PJOYS

What support could the SME community have offered its business leaders?

Hindsight is an extremely useful part of any entrepreneur's development, helping them to build out their professional and personal tool kit. It can be extremely cathartic, allows self-reflection and provides much-needed comfort.

Whether through psychotherapy, life coaching or a confidant, learning from a challenging wellbeing or negative mental health experience can inform the present and help people to resolve any future issues before they may escalate again. It may be possible that many entrepreneurs have experienced difficult emotional times in the past, but suffered in a climate of less transparency as the lid on the mental health debate remained firmly closed.

Today, wellbeing and mental health have become part of a more high-profile debate. And rightly so. We asked entrepreneurs to tell us what could have helped them manage any wellbeing and mental health challenges that they've encountered before.

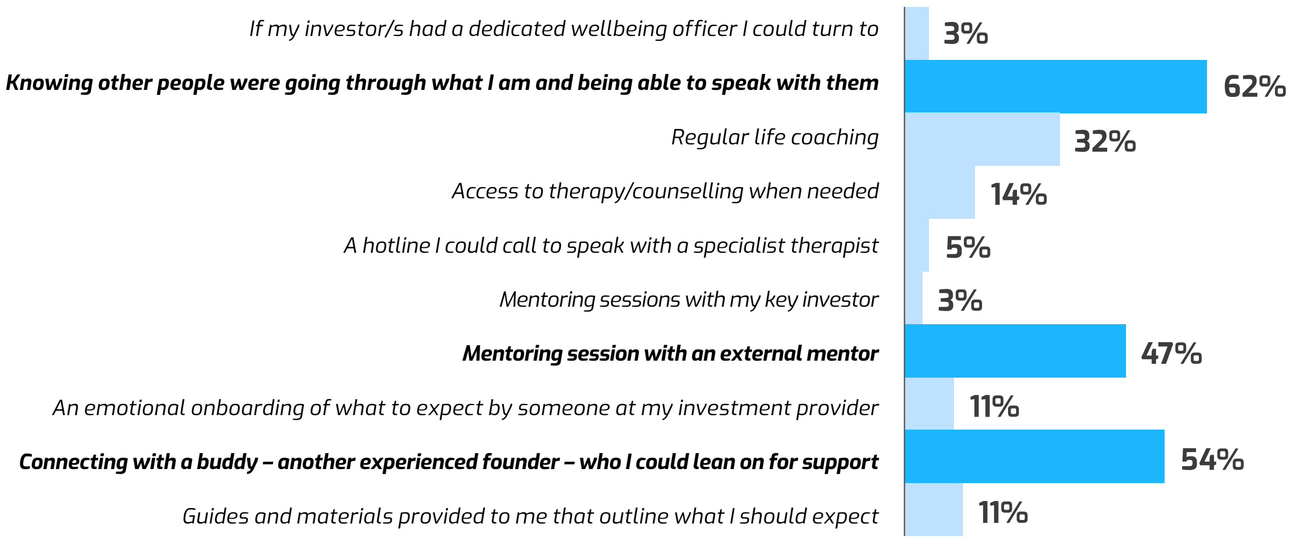
In general, they agree that more human contact and empathy from other people who shared their experience would have been highly beneficial.

A resounding 62% of respondents agree that "knowing other people were going through what I am and being able to speak with them" was greatly important. Feeling isolated or different from your peer group or wider community can be a very damaging experience for anyone, in all walks of life. Talking to people with similar work and life journeys is clearly enormously helpful to all of us.

We know that suffering in silence can be a very negative approach, which many respondents in our research tell us they realise. So again, human contact of some form is therefore very important. Some 32% of entrepreneurs feel they would have benefitted from "regular life coaching". A further 54% of respondents in our research would have liked "connecting with a buddy – another experienced founder – who I could lean on". And 47% of them say that sessions with external mentors would have been very helpful. The following chart (see top page 26) shows what founders believe that they would have done differently.

What entrepreneurs would have done differently

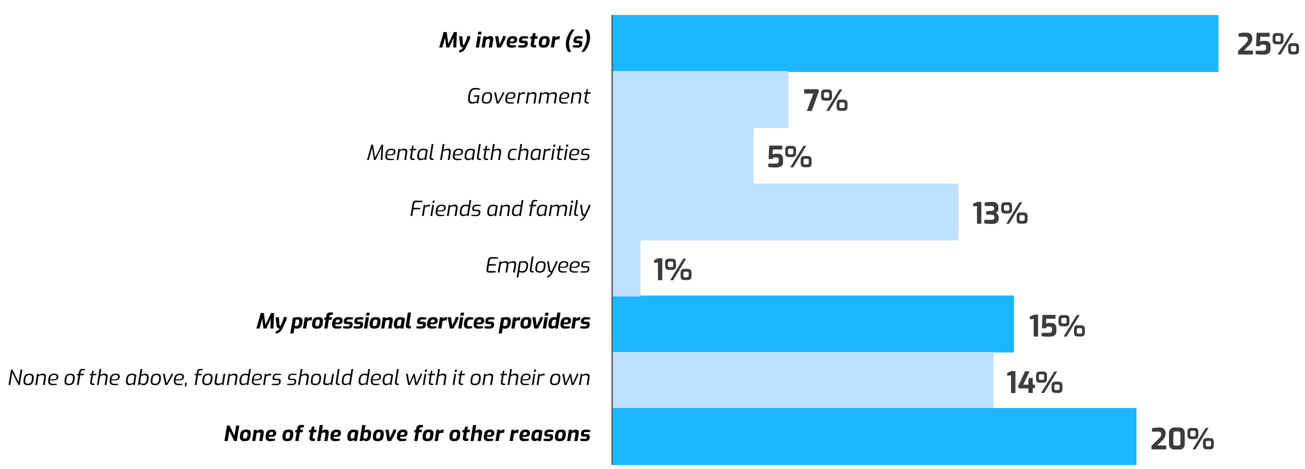
Thinking back to your toughest times, what would have helped?



Source: 100 Stories of Growth - Capital at Work

Where entrepreneurs need more help

Looking ahead, where would you like to see more mental/emotional health support come from?



Source: 100 Stories of Growth - Capital at Work

"I don't think I suffered as much as some. In fact, I'm glad I went through it as I am stronger now and better for it."

— A COMPANY FOUNDER

Company founders and leaders understand the merits of sharing their experiences with their peers. That's why many of them regularly meet up with like-mined founders to share valuable insights and support in private and safe entrepreneur groups. But as one founder tells us, company growing pains never seem to go away:

"I don't think I suffered as much as some. In fact I'm glad I went through it as I am stronger now and better for it.

"Meeting other leaders who were having to 'make it up as they went along' was a huge help. It has, however, become tougher as we have become more successful. I now feel more isolated than ever before."

For many entrepreneurs, relationships with their capital providers can be rewarding or challenging, but often intense. The very nature of running a business that's backed by financial capital is a factor that we believe should be taken very seriously by founders seeking funding, their investors and financiers, and indeed everyone in the SME community.

One entrepreneur tells us how a lack of alignment with their own investor has been stress-making:

"The biggest pressure is having investors who do not understand your business and so have unrealistic expectations or are very damming if difficult areas don't go to schedule. Also, they expect high performance from an under-resourced and under-capitalised management team, which is often impossible to deliver consistently."

Building resilience through support and experience

While understanding the root cause of wellbeing and mental health issues is critical, shedding light on where entrepreneurs would like more support going forward will help shape the debate.

The bottom chart on page 26 shows that founders have identified three core sources of support to help alleviate the pressure of growing a company. At a professional level, they would like to see more support from their investors and from government. And on a personal level, friends and family are an important source of support.

25%

of entrepreneurs would like more wellbeing support from investors in the future

Uncovering the pressures that come with funding

As we highlighted earlier in this report, the access to finance debate championed by government and the wider SME investment community has, on a positive note, opened the flow of capital to fast-growing UK companies.

It would appear that the extra funding comes with pressure, but wellbeing support for investee companies may be lacking. The concept of wellbeing experts at investment providers is a nascent development at forward-looking companies such as Octopus. We believe that responsible investment and finance providers need to focus just as much on the people running businesses, and their wellbeing, as they do on the potential profits that their clients generate for them.

With reference to personal support, the campaign's extensive conversations with entrepreneurs reveal that family and friends are a vital part of any support mechanism. And this reliance is set to continue for many of them. They conclude that it's clearly not about sharing strategic decision-making or human capital concerns at the breakfast table. Instead, it's about having reliable and loving support mechanisms in their lives to help them chase their dream to grow their business.

But life is about choices and we can't always achieve the work-life balance that favours everyone around us. The stark reality is that running a high-potential business means difficult decisions have to be made, as one company founder explains:

"Success in one area usually can come with sacrifices in other areas, usually your private life. The pressure from work can add stress to the work-life balance, not seeing loved ones as much and they have to do some of the heavy lifting from a home-life perspective."

As discussed earlier in this report, resilience is the X factor that many successful fast-growth entrepreneurs share. So it is unsurprising that many find the inner strength and drive to cope with diverse events, often in very close succession, as one female founder shares with us:

Money's run out, your partners set up in competition, the office has just been broken into and drivers' pay stolen. And a violent 6'6" man threatens you with extreme violence after sacking him for running over an elderly lady on her scooter. This was just one week of my first year in business.

Those experiences gave me sleepless nights and I was pregnant at the same time. Over 26 years, I've built up resilience and it's been a blessing. Brexit, down trade, fraud, and theft – they're all a cinch in comparison. It's all about resilience. And having a plan B because the stress of an inescapable corner is toxic."

— KATE LESTER, FOUNDER, DIAMOND LOGISTICS

Many founders we have spoken to during the fascinating process of building the 100 Stories of Growth campaign have remarkable energy and spirits. Before we move on to talking about human capital – the people who make high-potential businesses function – two founders tell us how they approach wellbeing and emotional capital in their daily work.

GOUSTO

THE DIGITAL TRANSFORMERS

Emotional resilience is key

Gousto founder and CEO Timo Boldt has overcome numerous scale-up challenges thanks to the company's strong values, people-focused culture and unequivocal commitment to organic growth.

Leaving his lucrative job in the investment world, Boldt created recipe box company Gousto, delivering fresh, measured ingredients and recipes directly to homes. He decided Gousto was a winning idea as "there is a real need for more sustainably sourced food".

Gousto's commitment to producing impact beyond just financial returns is supported by a strong set of company values, known as its three ownership principles: "Dream, Deliver, Care". These principles permeate all elements of the company culture, from job interviews to salary reviews. Boldt believes this has helped the company attract the best people who have helped Gousto "punch above our weight".

However, Boldt has made many sacrifices along Gousto's scale-up journey. He didn't take a salary, had to make very tough decisions, and transformed the company's leadership team. "All of this has been immensely painful and quite emotional," he explains.

"It all comes down to our people and how they help the business to scale."

— TIMO BOLDT, GOUSTO

Boldt highlights the importance of "resilience" and "organisational robustness" to help handle these inevitable scale-up hurdles. He believes strong company values have provided the company with essential organisational direction and togetherness during tough times.

CRANBERRY PANDA

THE INNOVATORS

How to nurture and retain the best people

Founder Jonathan Hall says that his company's "purpose is to create happiness, one job at a time". Not just for his clients but also for the hopeful applicants his team meets every day.

As the debate about wellbeing and mental health issues in the workplace intensifies – and rightly so – Hall is setting an admirable example for other scale-up companies by looking after his staff.

Hall points to some key initiatives that aim to help achieve his people's happiness. His company has invested in a mental health coach who comes to the office once a month to spend an hour with each employee. "It's completely confidential and they can talk about anything they want, whether it's work, home or personal," he says.

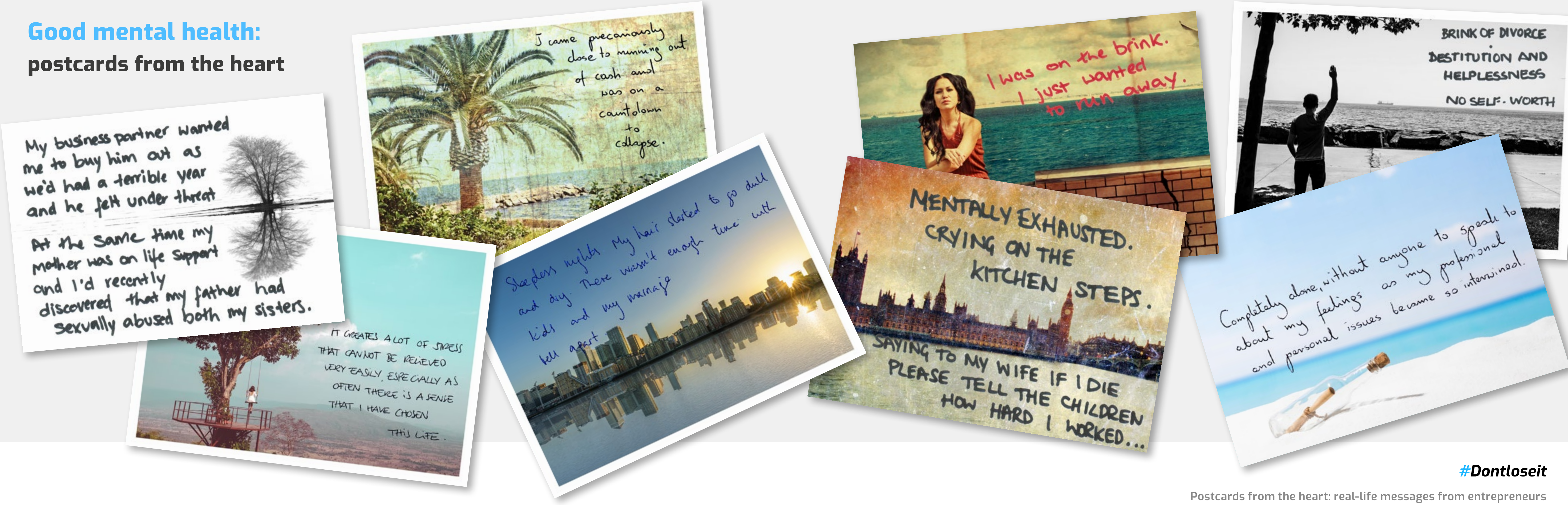
And it's easy for management to keep track of how the team is feeling. The company uses a system called Officevibe, an online sentiment tracker that looks at everything from general happiness and wellbeing, to how well you get on with your co-workers.

The London-based recruiter is set to increase its turnover by 60% and double its headcount to 30 this year. Hall believes that finding good people – and keeping them – is the key to Cranberry Panda's success. That's why he's invested in creating a culture where employees feel supported and inspired to thrive.

"They can talk about anything they want, whether it's work, home or personal."

— JONATHAN HALL, CRANBERRY PANDA

Good mental health:
postcards from the heart



#Dontloseit

Postcards from the heart: real-life messages from entrepreneurs to coincide with World Mental Health Day on October 10, 2018

Don't forget the goose that lays the golden egg

As the 100 Stories of Growth campaign has evolved, it has become increasingly clear that the SME investment ecosystem needs to prioritise founder education and development about wellbeing and mental health. That's why we've launched the Mindful Investor initiative – helping the investment community to engage more supportively and proactively in founders' wellbeing and mental health.

Raising vital awareness about entrepreneurs' mental health

To coincide with World Mental Health Day, the 100 Stories of Growth campaign raised important awareness about entrepreneurs' mental health and wellbeing through with a dedicated research study. The reaction to the study was very positive. More than 130 company founders shared their experiences about their mental health and wellbeing while running and growing their businesses. The research highlighted an acute need to talk more about the very challenging experiences that many founders face today.

These key findings reveal real need for greater support right across the UK SME community:

53%

of founders say that building their business has been one of the toughest times of their lives

25%

say their mental or emotional health has been negatively affected but they've suffered in silence

26%

of founders would like to see more support from the investment community

THE WELL-TRODDEN PATH TO BUSINESS SUCCESS AND SALE

WORDS BY **JOHN MORRIS AND NICK TRAVIS**
Partners, Smith & Williamson

John Morris (left) and Nick Travis, **Partners, Smith & Williamson**

The UK excels in the international rankings for start-up companies, but when it comes to scaling to headier heights, a very small number of them succeed. John Morris and Nick Travis, partners at Smith & Williamson, present a detailed and robust roadmap that will help entrepreneurs achieve their scale-up ambitions.

Britain is a hotbed of start-up activity. For a multitude of reasons, many of the start-ups formed in the last 10 years have been unable to survive the course. Some that have found their way have flourished and thrived – and might now be considered as scale-ups. A select few can even boast their unicorn status.

The pace of change is clearly increasing. Those entrepreneurs that dare to dream bigger are able to exploit new technologies and markets to build large companies. Each one employs hundreds and even thousands of people, helping to change the world, one company at a time.

It is vital to understand the obstacles a fast-growth company will encounter, as well as the determinants of success.

At Smith & Williamson, we advise strategically on financial management, tax and corporate finance for a growing stable of entrepreneurial and scale-up businesses. We provide both advisory and compliance services, and offer busy founders the peace of mind they need to maximise their potential. To do this properly, it is vital to understand the obstacles a fast-growth company will encounter, as well as the determinants of success.

Businesses that achieve scale and long-term success share distinct characteristics: vision, strong leadership, an enthusiastic and effective management team, great products or services, and a clear value proposition. These businesses typically challenge the status quo, finding a better way to achieve their goals and overcome their competition.

Lessons learned from entrepreneurs and founders

From *Vision To Exit: The Smith & Williamson Guide to Building and Selling a Business*, published by Harriman House, draws on Guy Rigby's 40 years of experience of working with entrepreneurial businesses and their founders.

Guy has led our Entrepreneurial Services team for the last 10 years. During his career as an owner, investor, mentor and adviser, he has seen success and failure, joy and despair, good-luck stories and horror stories. Guy has found that, with only the very occasional exception, there are clear reasons why businesses succeed or fail.

Drawing on the rich content in From Vision to Exit, the following excerpts highlight many of the key areas that are vital to business success. Scale-up entrepreneurs will derive great benefit from these insightful and succinct points of guidance. Taken together, they provide a highly practical blueprint for a scale-up roadmap.

The six building blocks for scale-up excellence

1 VISION AND STRATEGY

Define your vision	Describe in one or two sentences what you want the business to look like in three years' time.
Identify four or five factors	that are critically important to achieving your three-year aims. What does success really hinge on?
Identify your tactics	for year one, such as important actions that will ensure your future success.
Consider what could go wrong	and include tactics that will reduce or manage these risks.
Involve your senior team	to yield additional insights and ideas.
Remember	that a well-developed strategy achieves nothing without effective implementation.
Allocate time	at management meetings to ensure that the big picture is not forgotten.

2 PRACTICAL FINANCIAL MANAGEMENT

Make sure that you	– or someone you trust – are keeping the financial score in your business. Don't penny-pinch on the management of your financial position.
Keep proper 'books of account'	electronically or otherwise, so that accurate financial data can be extracted easily and efficiently.
Prepare integrated budgets and forecasts	to predict your expectations for the business. Challenge your assumptions and beware of errors and omissions.
Prepare monthly management accounts	and review these against your budgets and forecasts. Investigate variances and consider whether corrective action is required.
Implement daily or weekly reporting	to keep management abreast of key financial developments and KPIs. Use this information as a management tool to help you run your business.
Monitor the key financial ratios	in your business and investigate any unexpected changes.
Control and protect your assets	and, where possible, build reserves to strengthen your balance sheet. Don't forget your intangible assets.
Choose your customers carefully	and keep your debtors under control. Our debtors deliver the cash that drives your business.
Prioritise areas for investment	Make investments that will increase the capability or profitability of the business, helping you towards the attainment of your vision.

3 FROM ENTREPRENEUR TO LEADER

Clarify role definitions and expectations	Ensure that everybody understands their role and is adequately qualified and trained to carry it out.
Develop trust through delegation	Don't be a hero or a meddler. Trust in people to make decisions and allow them to do their job.
Go away	Get away from the daily routine of the office operations: network, meet potential partners and customers; take time out to strategise.
Consider your instinct	Always pay attention to your first thoughts, your instant responses.
Seek out and consider the opinions of others	There is always more than one view. Be flexible and open your mind to the wider possibilities.
Balance thinking and debate with data	Carry out your detailed research and base your decision-making on firm foundations. Try to be objective and unbiased.
Never defy your instinct	Think of a time when you ignored your instinct. Remember how it felt and what happened

4 THE BOARD AND MANAGEMENT TEAM

Have you hit a glass ceiling?	Consider the management changes you should make to overcome this.
Don't underestimate the importance of a senior finance person	Always hire the best person you can afford for the job.
Don't try to build your dream team overnight	Take your time.
Consider areas where non-executive directors could bring benefits	Get a great chairman.
Remember the personality types	Don't suffer dominance, bullying or yes-men.
Regularly evaluate your team	and the individuals within it.
Don't waste time	in unproductive or poorly planned meetings.

The six building blocks for scale-up excellence

5 SALES AND MARKETING

It's your products and services	market positioning and business model that will determine your long-term success. Don't start your marketing until these are tested and in place.
Identify your target audience	and develop your marketing strategy to reach and influence them.
Create a value proposition	that clearly sets out the benefits of buying your product or service.
Remember	that one-off marketing activities rarely add any value, so develop a sustainable programme.
Identify your channels	to market and consider how to access these using your own or third-party resources.
Marketing and sales are central	to your business. Recognise this in the way you develop and structure your teams.

6 BUSINESS SUCCESSION AND SALE

Choose your successor with care	If there's a suitable candidate, promote from within rather than going outside.
Don't ignore the option of keeping, rather than selling, your business	– why sell the best business you'll ever own?
If you decide to sell	appoint experienced advisors early. Work with the experts and take their advice.
Remember that buyers do detailed due diligence	Take time to prepare and make sure your business stands up.
Listen to the market	and avoid being a forced seller. Only sell when the marketplace is ready to buy.
Share bad news early	It will be difficult for a buyer to chip your price if you've already disclosed your problems.
Wait for the buyer's offer	and never disclose your price.

Smith & Williamson

For further information or to understand how the Smith & Williamson team can help you and your business, please contact:

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Bernhard Niesner, Founder, busuu

Photography: Andrew Urwin

HUMAN CAPITAL

73% of companies that are equity-backed have grown their headcount by more than 20% over the last 12 months

Your people will drive your success

High-growth business leaders across diverse sectors agree that without the right people supporting them that their company wouldn't succeed. But building those relationships and effectively managing a myriad of human interactions every day takes a huge amount of skill, focus and of course emotional tenacity.

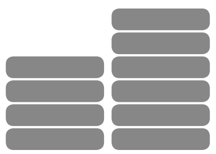
What we have found in our quantitative and qualitative research is companies that seek and raise external capital are generally – but not exclusively – more able to fund key hires thanks to increased investment power than those that rely on their cashflow to fund hires.

Our research shows that nearly three-quarters (73%) of companies that are equity-backed have grown their headcount by more than 20% over the last 12 months, compared with 61% of all respondents. More than four in five (81%) of equity-backed companies are confident that they "will grow our UK headcount by 20% or more over the next 12 months", compared with 67% of all respondents.

There is clear evidence of growth and scale-up companies' varying abilities to create valuable employment opportunities irrespective of their financial capital position. However, we believe that there needs to be improvements across the board in terms of how some groups of people actually figure in their growth plans.

We identified three distinct groups of entrepreneurs in our research.
We're comparing companies that are:

1



EQUITY-BACKED

backed by at least one round of commercial equity funding

2

DEBT-FINANCED

those that have raised a minimum of £20,000 of debt finance

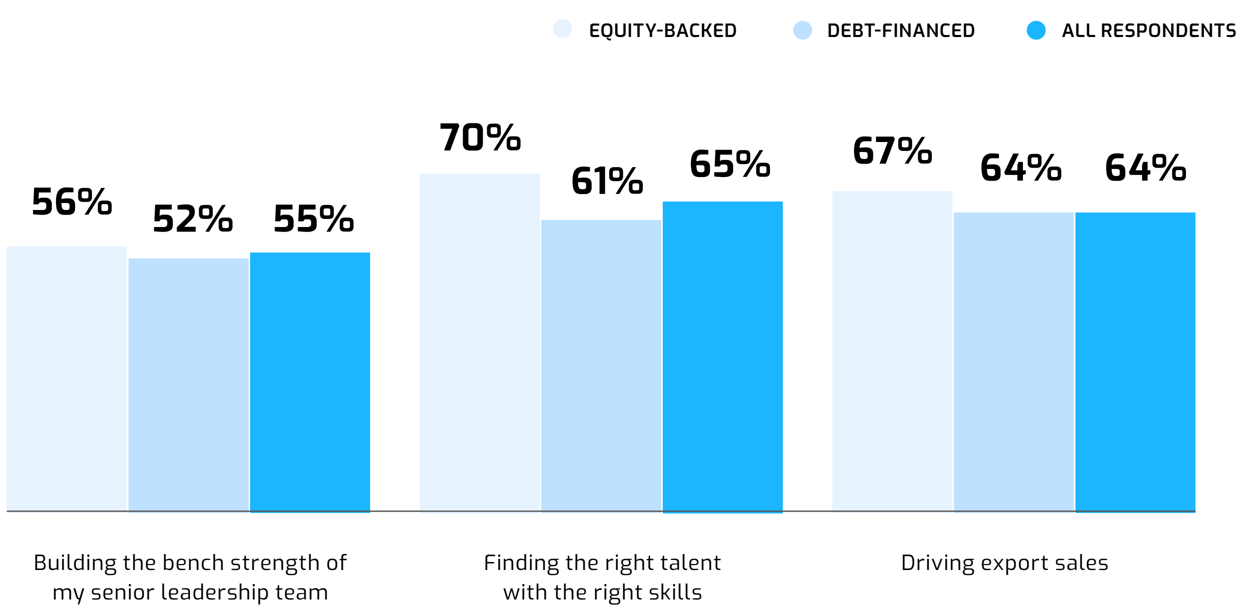
3

ALL RESPONDENTS

the entire cohort of founder and business leader respondents

People make companies scale

Top three most positive scale-up drivers for company founders



Source: 100 Stories of Growth - Capital at Work

"Capital investment in talented and engaged people is the one true currency we use to expand our business across our global footprint."

— ADAM RUBINS, CEO, WAY TO BLUE

The chart on the previous page shows how these three groups compare when it comes to their level of agreement about the top three scale-up drivers for their business. While 70% of equity-backed companies agree that "finding the right talent with the right skills" has had a positive impact on their growth journey, only 61% of debt-backed and 65% of all respondents agree with this assertion.

We believe that all groups across the board need to focus on increasing their positive perceptions about talent as key scale-up drivers. While the quantitative research findings are encouraging, they fall a little short of what founders and business leaders have told us in detailed qualitative interviews. These detailed interviews formed the basis of their stories in the 100 Stories element of the campaign.

While we highlight room for improvement in the search for and acquisition of skilled talent, we believe that many companies may be undervaluing other members of their teams even more so – namely their senior management teams.

The chart on page 40 also illustrates that the majority of each group agree or agree strongly that "building the bench strength of my senior leadership team" is a key scale-up driver. But with agreement levels at 56% for equity-backed, 55% for all respondents and just 52% for debt-backed companies, this leaves an uncomfortably large proportion of respondents in each group that do not single out senior management as crucial to their success.

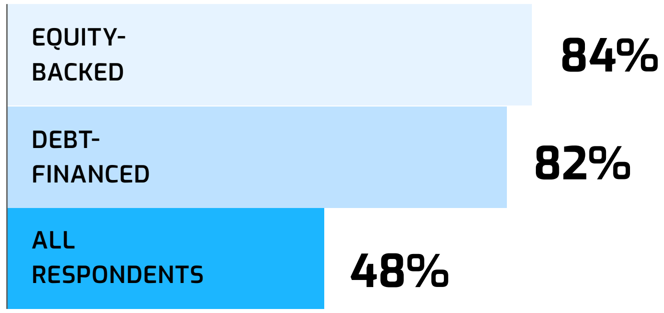
The other top-three scale-up driver across all three groups is "driving export sales" (see chart on page 40). There is much more consensus about export sales: 67% of equity-backed respondents cite it while 64% of both debt-backed and all respondents opt for this driver. We understand that investment in export sales and senior management are logically very closely connected, but would like to see a more balanced approach between the two.

In order to grow their exports, the single most popular export driver across the board is "developing local market, non-UK, relationships". And capitalised companies are much more likely to acknowledge such human interactions than all companies in the general research cohort. Just under half (49%) of equity-backed respondents and 43% of debt-supported agree while just 28% of all respondents agree. Again, there is considerable room for improvement when it comes to nurturing international business relationships.

To add valuable context to these positive growth drivers, we also asked each group whether they found that a lack of access

Finding the support that comes with financial capital

> **"We agree there is value of strong boards and external advisers in scaling our business."**



Source: 100 Stories of Growth - Capital at Work

to credit or funding has had a negative impact on their growth. Just over a third of each group (36% for debt-backed, 38% for equity-backed and 39% all respondents) agreed that some form of credit or funding crunch has been a problem. This is good news for the flow of capital into growth-focused businesses, but shows that some businesses have at some stage experienced issues relating to access to funding.

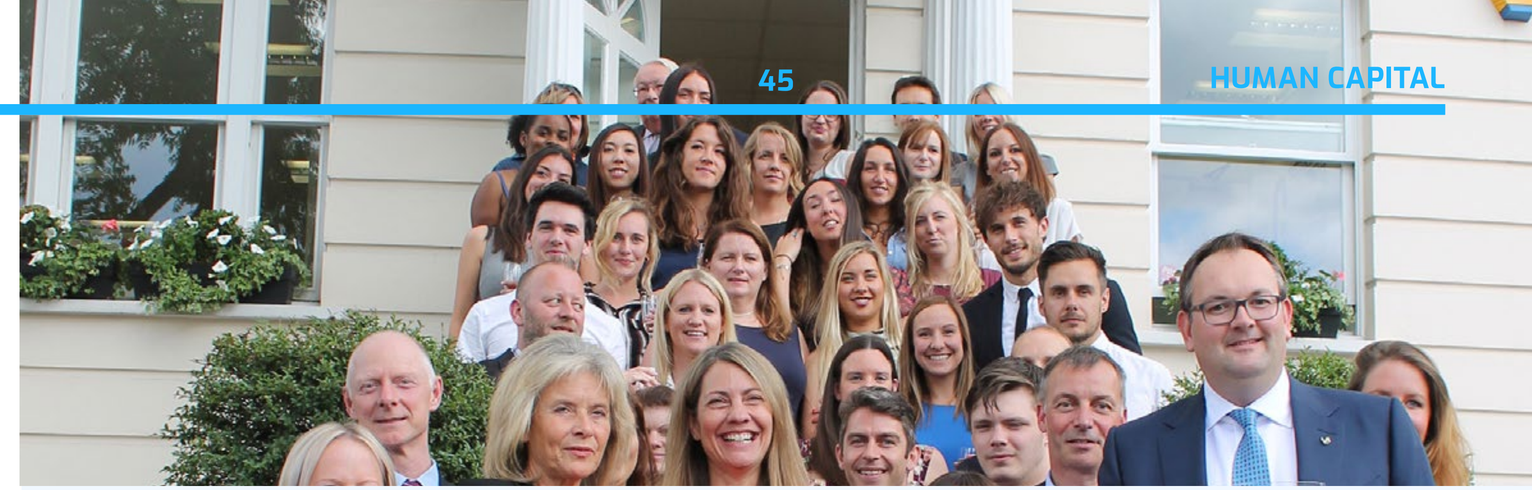
Capitalised companies favour external relationships

Our research shows that financially capitalised companies are more likely to experience the value of strong boards and external advisers in scaling their business compared with all respondents. Some 84% of equity-backed and 82% of debt-financed respondents agree that board members have been positive sources of support, compared with just 48% of all respondents.

The general cohort of respondents has scored the people who help grow their businesses much lower than their counterparts that have secured funding. This trend goes to show the positive input and impact of external financial capital providers prioritising, recommending or valuing experienced advisers and supporters for growing businesses.

The second highest scores show a split in opinion in which groups of individuals are most supportive. Nearly two-thirds (65%) of equity-backed businesses believe their investors provide vital support to help them scale up. For debt-backed respondents, the same proportion (65%) believe that it's non-executive directors who add the most value for their growing businesses.

The big question is whether companies that have not raised capital are missing out on the highly supportive and creative people interactions that can, in many cases, help to boost their growth. We believe there is significant mileage in the idea that companies that prefer to grow with a degree of self-sufficiency are indeed missing out on the great support available to them in the SME community.



MATRIX APA

THE INVENTORS

Replacing a poorly performing team

Founder and CEO Charlie Bradshaw started his product design and manufacturing business Matrix APA at 19.

But over 20 years later he's come a long way on his human and emotional capital journey, placing team values and cultural fit at the heart of his success.

"The journey towards understanding human capital has been the most fascinating part of scaling up my business."

For Bradshaw it was a huge emotional decision to make when he was compelled to replace his C-grader team with higher-performing A-graders. He was on the train home one Sunday 10 years ago after another intensive weekend at Cranfield University's Business Growth Programme for founders. Right then, it dawned on him he had the wrong team.

Bradshaw convinced his wife to quit her high-profile HR job and join him. The company invested in performance management and people management, prioritising values and cultural fit in the recruitment phase.

Today, he spends two days a week in the office, where he splits his time between his management team, and acting as the company's values and culture champion.

"I'm a great founder and motivator but I'm not a great CEO," he reveals. "I rely on my three senior managers to drive the direction of the business."

"Growing at 40% revenue a year, the growing pains mean that we'll probably need a full-time CEO," he adds.

In his angel investor role, Bradshaw shares his experience of emotional capital,

Public sector: could do better

Before we examine how some companies have worked to create impressive cultures, it's interesting to examine how much business leaders in our research see support from the public sector on their growth journey. The findings suggest there is a communication disconnect between companies and government agencies.

It would appear that publicly funded organisations have more work to do as positive scale-up supporters for company founders. Equity-backed respondents scored these groups more positively than either debt-backed or all respondents did. But focusing on equity-backed respondents, the levels are very low. None of them cite the British Business Bank in our research as a known beneficial source. Just 5% of this group agree that Local Enterprise Partnerships are supportive, and almost double the number (9%) – still a very small proportion – choose international trade missions as beneficial sources of SME growth.

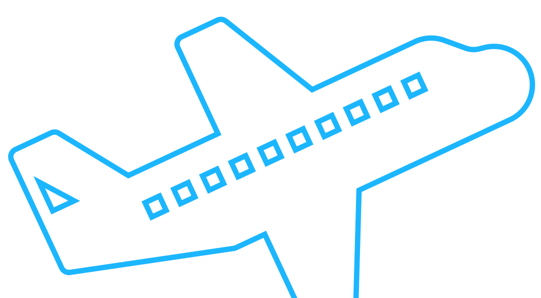
Why cultural alignment in your team is crucial

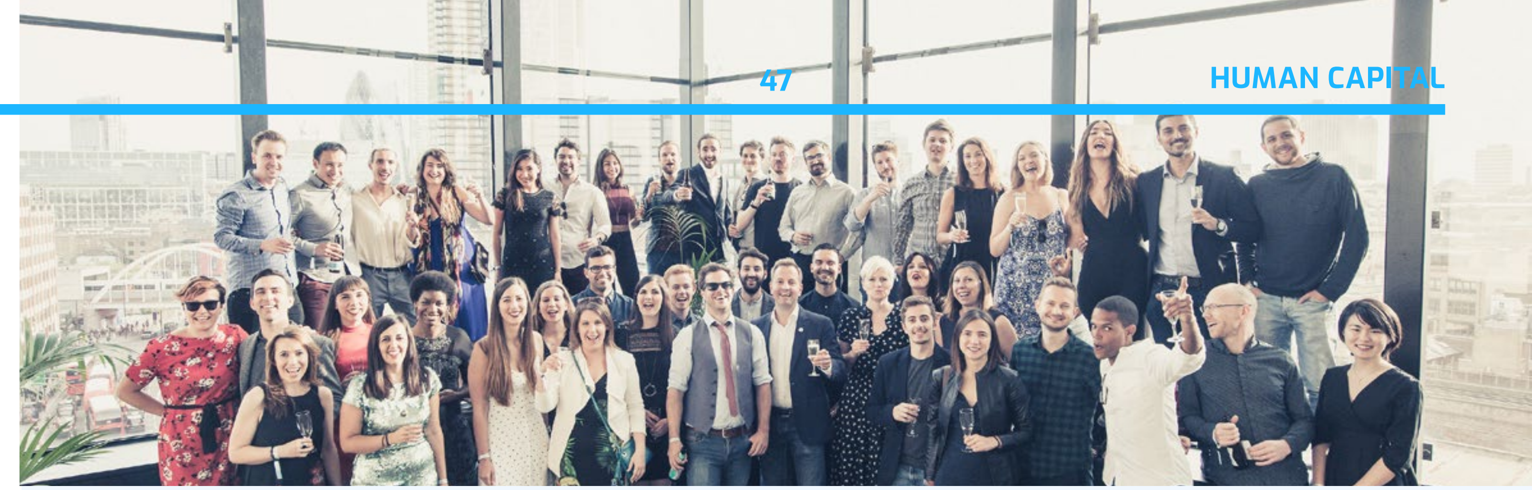
The human capital journey runs most smoothly when shared values and cultural alignment have been defined early on, the majority of entrepreneurs tell us. Their collective challenge is to surround themselves with talented, diverse groups of people who share their vision and desire to make their ideas into a success story.

But as Matrix APA (page 43) and busuu (page 45) show, sometimes company founders have to take several steps back to move forward to achieve great cultural alignment and to find the people to help them grow.

9%

of entrepreneurs think international trade missions help them scale





BUSUU

THE EXPORTERS

How to achieve cultural balance

After the language-learning global leader busuu relocated from Madrid to London in 2012, its team grew rapidly from 10 to 50 people in just a year. But problems were brewing. So too were a huge amount of emotional and business challenges for founder and CEO Bernhard Niesner and his team.

One of the problems was that the company had grown in an organic way without proper cultural alignment.

A technology shift played its part too. The company launched before mobile apps had taken the market by storm. So its online platform had to be completely redesigned. And it was back to the drawing board for busuu to create a mobile-first business.

Revenues were tanking, its fundraising process fell through and busuu had just three months of cash left. "Not only did we have to cut team members but a lot of people decided that the company wasn't for them, and rightly so," says Niesner. "Then we suddenly went from 50 people to 15 in a couple of weeks. It was a tough time when we had to basically build up the company from scratch. I got coaching to really define our values for myself and for the business."

Niesner says that he "probably underestimated" the importance of the right culture for the business. As the founding team grew the company, its culture wasn't articulated well enough, he says.

Today, busuu has ingrained a solid culture to help guide its 100-strong staff. It has grown 67% year on year and is at cash breakeven.

Niesner has been on a big professional and professional journey. Back in 2014, his CEO approval rating struggled at around 35%, but now he has a 95% rating on Glassdoor.

CAPITAL AT WORK: HUMAN CAPITAL

WORDS BY **ADAM BLASKEY**
Founder, The Clubhouse

The world of work has changed and businesses are growing faster than ever before, so we need to be flexible and agile to succeed. Adam Blaskey says that innovations in mobile technology and cloud computing over the past decade have been the fundamental drivers behind this acceleration – enabling disruptors to launch in record time and businesses to adapt or change as required.

As the world of work has changed, where and how we work and meet has also changed. The most innovative and successful businesses today are using a range of solutions, and often in conjunction with one another. If your company's corporate HQ is located out of town, how do you attract the best talent and enable your most important people to work and meet efficiently and productively while working remotely?

At The Clubhouse, we look after over 400 fast-growing SMEs and larger corporates to whom we provide the smarter, more cost-effective alternative to a London office. Are you really going to win a deal and impress clients by meeting in a coffee shop when a business members' club, such as The Clubhouse, can give you everything you need to run your business? And how do you reinforce your corporate image and what your business stands for at the same time?

Photography: Andrew Urwin

Adam Blaskey, Founder, The Clubhouse

Located in some of London's most prime locations, the key difference at The Clubhouse is the level of service we provide to members and guests in order to offer everything they need to run their business. With one aim, which is simply to make our members and their businesses more successful, human capital is vital and at the heart of everything we do. As a founder, you come up with the idea, concept and vision, but it's really down to your team and a shared passion to turn that vision into reality.

Since we launched in 2012, we have seen first-hand how a number of our members' businesses have grown phenomenally on the back of the solution that we offer. The founder of one of our first members – AirPortr is an innovative company that allows you to check in your bags from your doorstep which they deliver to the airport is a great example – met his CMO across a hot-desk at The Clubhouse.

We embarked on a cultural enquiry programme to ensure we really understand the values and behaviours that drive and motivate the high-performers in our company.

Similarly, two successful technology consultants left a large corporate to start their own business. Today, Altius is a hugely successful IT consultancy, which helps businesses to harness their data and use it to understand, model and predict business performance. The company now employs over 100 people. We also love to work with our members where we can. Altius provides The Clubhouse with an immensely valuable, bespoke solution that allows us to use our wealth of data to make more informed business decisions. But at the heart of the growth of these great businesses and our own is human capital.

As a business we have spent a lot of time to try and create a fantastic culture, so our team are inspired by what we do and share the passion I have for the business.

We have had clear corporate values since day one – our four Ps are premium, productive, professional and personable. Then 12 months ago, we embarked on a cultural enquiry programme to ensure we really understand the values and behaviours that drive and motivate the high-performers in our company.

Today we have a set of individual values and behaviours, which we also recruit on and use to develop our people. This gives a great framework to ensure that each individual's values and behaviours align with our corporate values. Without these being in sync, moving forward together to fulfil our aim and achieve the vision for the business would be almost impossible.

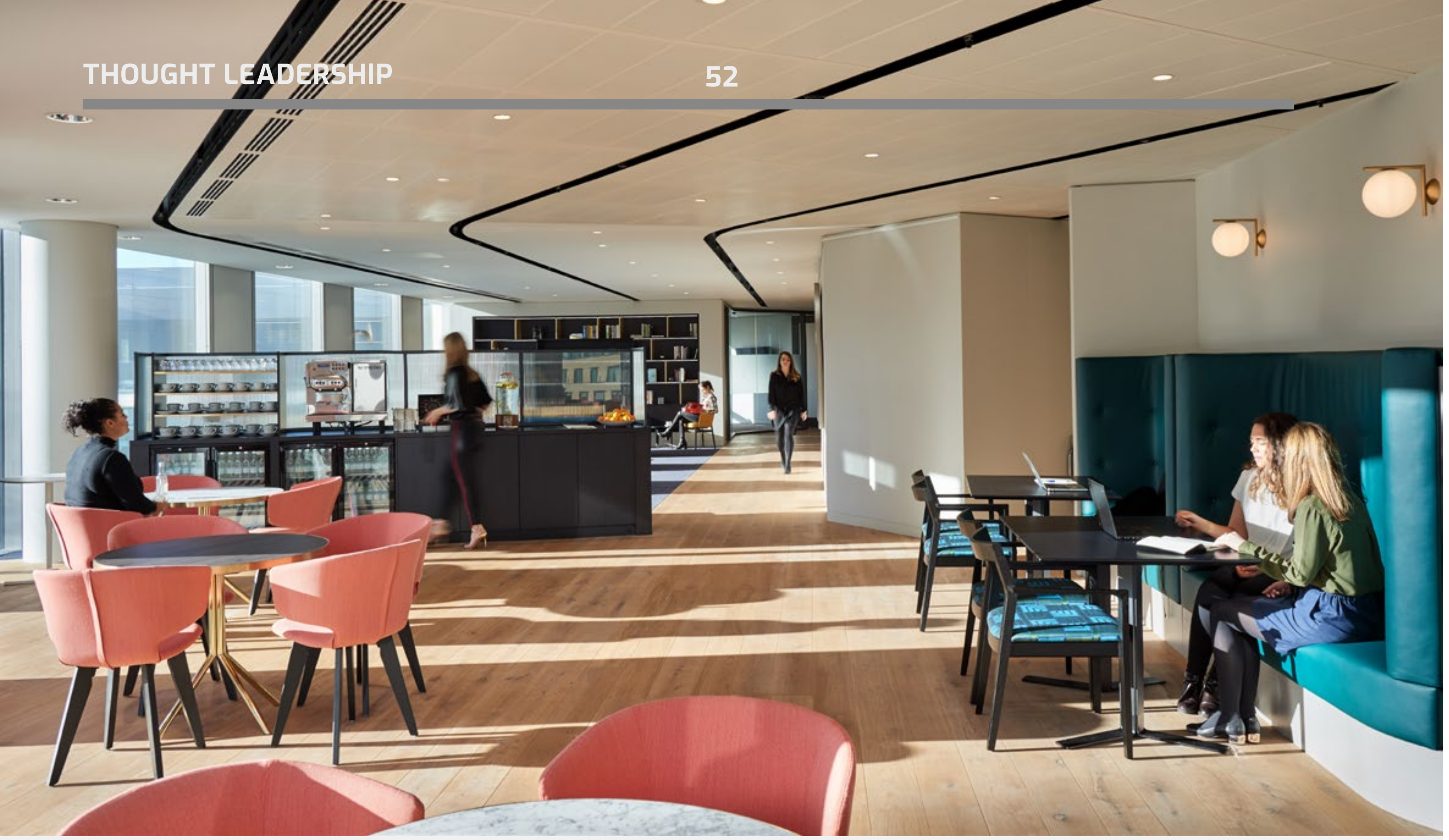
Looking after your human capital is probably more important now than ever before.

All business leaders focus on financial capital to grow companies – and of course growth capital in this sense is vital to expand our businesses, open new locations, hire more people and to invest in technology – but sustainable, long-term growth is only achieved by also focusing on human capital.

We make sure we inspire the people who work for us so they continue to develop personally and professionally. We want them to work productively and to come up with their own solutions when faced with challenges, helping to drive the business forward and to retain them for as long as possible. All business leaders must work much harder on their human capital to lead and manage our teams.

Looking after your human capital is probably more important now than ever before: we live in a global business environment where our teams are often made up of people from many different backgrounds and cultures, with different demands and expectations. At the same time, we hear that millennials want a range of experiences rather than a job for life.

Technology means we are always on, always connected with nowhere to hide. So working nine to five is certainly a thing of the past. The impact of social media means that we must also pay huge attention to stress and mental health to ensure people aren't overwhelmed and burn out. While we don't want to be complacent and a certain amount of 'stretch' means we work harder, innovate and move forward, mental health is higher on the agenda than ever before. So we must also work on understanding emotional intelligence and awareness in order to



be more mindful of ourselves and how we respond rather than react to others.

To this end, reinforcing or enhancing our human capital is not about on-the-job training, such as sending people on sales training courses, but much more about how to create a high-performing culture where people feel valued, and have a sense of purpose and confidence to rise to the challenge. It is crucial to nurture a growth mindset where people can also develop resilience to face the pressures we face in an ever-faster-moving world, especially one in which businesses launch, grow and expand at faster rates than ever before.

Only by focusing much more on human capital as a component of growth capital will we create the entrepreneurs and business leaders of tomorrow, who can think differently, innovate and create the world's most successful businesses.

THE CLUBHOUSE

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Julia Elliot Brown, Co-founder and CEO, Upper Street

Photography: Andrew Urwin

FINANCIAL CAPITAL

Aiming for perfect alignment of interest with capital providers

We've talked extensively to founders and business leaders at fast-growing SMEs in the UK to find out what the optimum capital journey looks like for their businesses. While there's no one-size-fits-all approach to funding a growing or scaling business, there are some very common themes that company founders and financial capital providers should consider.

It's no surprise that people and open and supportive relationships with capital providers often form the basis of success. Many founders have told us that they have only sought investment or finance from capital providers whom they like and respect. They've also preferred capital partnerships where there is mutual understanding and a shared vision of their business. We've heard all too often how weak financial capital foundations have a tendency to crumble.

The prospect of sitting across the table from someone you trust for the next five or seven years after completing a funding round is extremely important for many founders. This is especially true for those that have built up a solid track record of running a well-capitalised business.

Who's raised equity and debt in the 100 Stories community?

EQUITY

38%

of all respondents have raised **equity**

£8,765,117
AVERAGE

82% MALE

36% FEMALE

DEBT

59%

of all respondents have raised **debt**

£14,113,059
AVERAGE

55% MALE

45% FEMALE

Source: 100 Stories of Growth - Capital at Work

HiB

THE ESTABLISHED

Driving success with long-term banking relationships

HiB grew its revenues from £8-9m before and after the global financial crisis to £21m in 2017. Managing director Robert Ginsberg says "we achieved growth because of strong relationships with our customers".

Importantly, Ginsberg says the company worked with its long-standing relationship lender Lloyds Bank to roll-out a growth-focused invoice factoring programme, by raising working capital against its receivables.

HiB's regular sales and purchasing patterns supported this finance option. This financing took the company's growth to another level, thanks to the good understanding with their relationship bankers. In fact, in 28 years of operation, HiB has only had a couple of relationship managers at Lloyds.

In general, people and relationships have helped us grow and scale up, Ginsberg explains.

> **"Our area sales managers have long-term relationships with our customers and that has created trust in our company."**
>
> — **ROBERT GINSBERG,** HiB

In July 2017, HIB appointed operations and logistics directors at the company's main base – an 85,000 square-feet distribution centre in Tamworth in the Midlands – both directors had started 20 years ago as warehouse staff.

Crucially, the company values its staff and their wellbeing. "If you look after your employees, they'll look after you," Ginsberg says.

raising equity is

20% easier

for companies that qualify for tax-advantaged investment

Tamworth-based luxury bathroom furniture supplier HiB fostered a long-term programme of invoice financing with Lloyds Banks to help more than double its revenues. Here's how a culture of strong relationships has boosted HiB's sales (see page 55).

Deal or no deal: don't jump in too soon

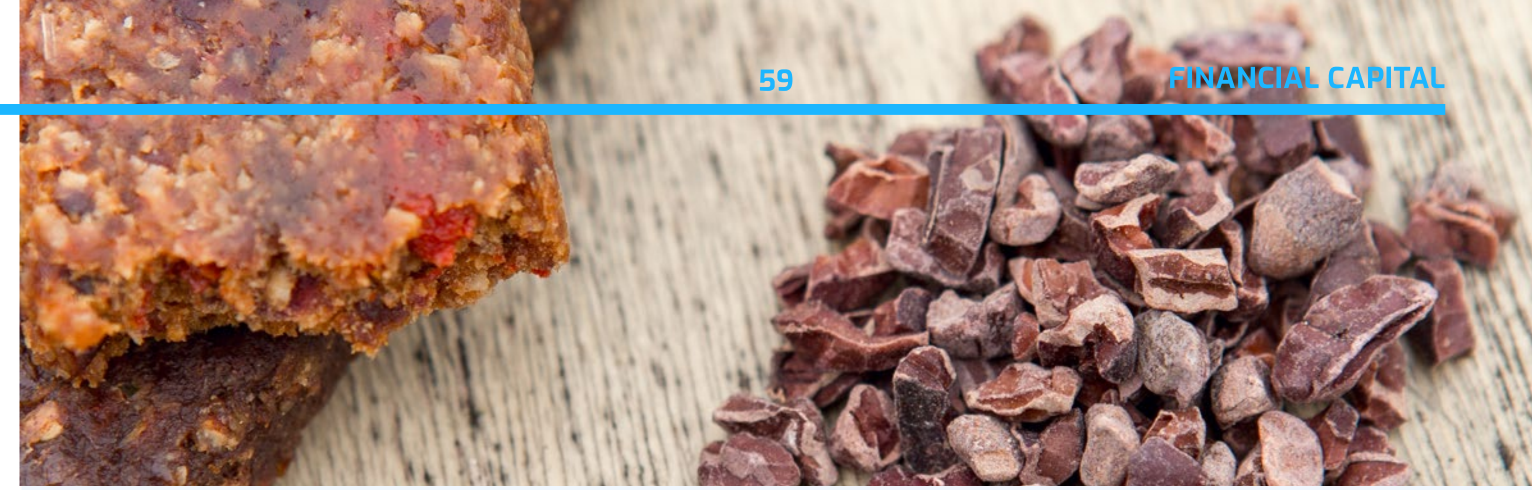
Another important lesson that founders and capital providers should acknowledge is not to do a deal unless it really makes complete sense. The allure of an offer of cash may seem irresistible to ambitious, growing companies. But many founders tell us that the temptation to transact in haste will likely impact them negatively over time.

Again, it comes down to that vital alignment of interest between a company founder and an investor or financier. And all-important trust. Often these talks fall at an early hurdle mainly because of disagreement over valuations or forecasts.

As discussed earlier in this research report, taking cash too early in a scale-up process can be extremely stressful on a personal level and potentially very constraining on a professional level. We believe younger and less-experienced entrepreneurs should tread carefully when considering offers of financial capital.

They should always consider the balance of capital providers' expectations and the support they will offer a founder in any funding deal.

Julianne Ponan is the founder and CEO of West Molesey, Surrey-based allergen-free snack maker Creative Nature. She tells us that remaining confident and working towards the best funding options have great merit (see Creative Nature story on Page 57).



CREATIVE NATURE

THE INVENTORS

Holding out for the best capital recipe

Founder and CEO Julianne Ponan used all her savings to set up vegan-friendly superfoods company Creative Nature. And despite being rejected by dozens of investors, the company's sales of allergen-free products have soared with various retailers including Tesco and health food chain Holland and Barrett.

But finding the right recipes for her food products has been as much about trial and error as her search for the right type of funding. Ponan honed her recipes and won two gold stars at the Great Taste Awards, the only cold-pressed food company ever to do so. By 2014 the company was in profit, but was not growing as fast as Ponan wanted. She decided it was time to seek external investment.

"I went to a few angels and they laughed at our forecast. They said it was ridiculous and we could never launch into a supermarket on our own. And one investor even called me a little girl," Ponan explains.

Today, the company's range is sold in most major UK supermarkets. And with the help of the Department for International Trade, it exports to various countries including Switzerland, Malta and Denmark. Ponan has her eye on even more markets, including the US.

The company has a run rate of £1.4m and is looking to hit £1.8m by the end of the 2018, and in 2019, according to Ponan, is "looking at hitting £3m". She was even in the enviable position of turning down investment from Deborah Meaden on the BBC's Dragon's Den. "It wasn't the right valuation and would've hindered our growth."

Waiting for the right capital has paid off. In September 2018, Creative Nature exceeded its £350,000 target on crowdfunding platform Seedrs, giving the company a pre-money valuation of £5.5m. And the supermarket deals continue to flow in.

18% of men but 40% of women think it's difficult to know where to source equity from

Financial planning: always have a plan B and plan C

A key lesson learned by multiple company founders in our research is to seek out aligned capital providers that understand their vision and sector. And also capital providers that are willing and technically able to commit their capital for a mutually acceptable funding time period.

We've heard many stories from high-growth company founders about clicking well with an investor or being impressed by a financier's track record. All very good foundations, but immediate attraction needs to be backed up with more robust due diligence by any founder, especially when the funding stakes are high.

As much as capital providers carry out due diligence on companies, we believe that companies should also undertake similar research into their capital providers. This type of financial capital due diligence is intrinsically part of good financial planning. It is important for founders to have those transparent and communicative relationships with any financial partner.

Sometimes though, poor communication, unexpected outcomes and lack of credible investment or finance options can be have devastating effects. A complete surprise for online designer footwear company Upper Street's investor was enough to end in the business cease trading (see Upper Street story on page 59).

While financial planning is certainly a very valid requirement for all entrepreneurs, our research findings indicate that there needs to be more of level playing field for women and men.

Raising capital: bridging the male/female divide

While both male and female respondents in our quantitative research study ranked equity funding as a top-three driver of the company's scale-up success, some differences exist. We've observed a more bullish approach to raising equity among men compared to women.

Many women entrepreneurs we have spoken to tell us that they have felt they have to convince, mainly male, prospective investors about how they will manage the downside risks associated with growing their business. Conversely, male entrepreneurs report that they are often encouraged to be bullish or optimistic by prospective investors when they discuss their growth plans.

THE FEMALE FOUNDERS

UPPER STREET

Good financial planning can safeguard a company's future

The future was looking bright for upmarket online bespoke shoe design business Upper Street as the company continued to scale. But lack of robust financial planning and an unexpected funding crunch would eventually take their toll.

The company's principal investor Venrex Investment Management had invested about £750,000 alongside £250,000 from the British Business Bank. Upper Street had raised another £230,000 from a crowdfunding round. And Venrex was about to invest even more in the company.

"But at the 11th hour Venrex didn't follow on with its funding," explains CEO and co-founder Julia Elliott Brown. Any further investment would have taken Venrex over its Enterprise Investment Scheme threshold.

But Venrex hadn't realised until the last minute that investing in Upper Street wouldn't be technically possible. Elliot Brown and her co-founder and sister Katy Chandler made the very tough decision to close the company.

> **"When you've got investors, customers, friends and family, and suppliers who are the ones investing in you and putting their faith in you, and then it doesn't work. This can be very tough for entrepreneurs."**
>
> — JULIA ELLIOT BROWN, UPPER STREET

While Elliott Brown says she had written "a really comprehensive business plan", it had focused less on financial forecasts. "We didn't really have a quick enough plan B or plan C when Venrex decided not to follow on their money," she says.

Capital-raising experiences: entrepreneurs' top choices

Ease of securing different capital

	M	F
1	Debit and credit cards	Leasing
2	Leasing	Factoring and invoice discounting
3	Equity (high-net-worth/angel investors)	Equity (high-net-worth/angel investors)

Best experience of capital types used

	M	F
1	Leasing	Debit and credit cards
2	Investment: friends and family	Tax advantage investment (EIS, VCTs)
3	Equity (high-net-worth/angel investors)	Equity (high-net-worth/angel investors)

M Male F Female

Source: 100 Stories of Growth - Capital at Work

80%

of women think investors should prioritise funding companies with the greatest growth prospects

The capital-raising experiences infographic shows that male and female entrepreneurs have relatively similar experiences about how easy it to tap equity funding or leasing contracts. But our research has revealed that twice as many men as women find it as easy to secure equity crowdfunding and grants.

While it is not clear if men have easier access in reality to equity investments, they may have more choice. Just 18% of men say that they find it difficult to know where or from whom to source equity – but 40% of women entrepreneurs believe that this is the case.

Investor focus is one resounding area where both male and female founders would like to see more support. More than four in five (81%) of women and 73% of men say they would like to see investors prioritise their funding to companies with the greatest growth prospects.

> **"We had big ambitions from day one and didn't just want to sell to friends, so we started talking to business angels early and raised £1m."**
>
> — VIRGINIE CHARLÈS-DEAR, FOUNDER, TOUCANBOX

THE POWER OF PEER LEARNING: WHY FOUNDERS NEED CRITICAL FRIENDS

WORDS BY **EMMA-JANE PACKE**
Managing Director, The Supper Club

The Chancellor announced £20m of investment in business networks at the Conservative Party Conference 'to enable small businesses to learn from each other and from world-leading firms'. He also recognised the need for mentoring and management training for SMEs, pledging another £11m to help 10,000 businesses by 2025 and calling upon 100 corporate mentors to support it.

It will be really interesting to see exactly how the Chancellor intends to spend this money because it could help to address a paralysing obstacle to growth – making the right decision at the right time.

According to The ScaleUp Institute's 2017 Review, 70% of scaleups cite the ability to better access peer networks, effective leadership development programmes and mentorship schemes as essential. Executive education and mentoring from corporates are valued, but they often lack authentic entrepreneurial insight.

We have seen the impact of entrepreneur-led peer learning on scale-ups for 15 years (the average sales growth of our members is 34%). Our members use their network and peer learning to understand the problems they need to solve and how to solve them. We know from talking to over 1500 members since our foundation that leadership and management are make or break factors. We know that a strong management team enables founders to work on the business, not in it.

What is very clear is that entrepreneurs are much more receptive to learning from peers who have started and scaled businesses – because they understand the pressures and pitfalls. When entrepreneurs get together, they are very open and honest about their successes and failures; what they're excited about and what they're worried about. In this circle of trust they share meaningful, practical advice that helps them sleep better at night knowing what they are going to do the next day.

Founders need critical friends and radical candour from entrepreneurs and investors who understand their challenges. They need to feel accountable to peers to help them make better and more timely decisions that lead to breakthroughs. Founders also need regular prompts to act on advice and insight from their network. Active management of this process, live and online, has the most impact and it's where investment should be deployed.

In our *Way To Grow* report this year, we called upon the UK's SME finance community to help founders understand different funding solutions and the value that comes with them. Some of our members, who have also contributed to 100 Stories of Growth, shared their insight and hindsight to give founders more confidence in using finance to scale.

We want fewer businesses to fail and more to scale. We believe that entrepreneur-led learning can help more business owners to thrive in the SME investment community.

It's important that the Chancellor, and those who fund scale-ups, understand how entrepreneurs can help each other make better decisions for themselves and their businesses.

THE SUPPER CLUB

For further information or to understand how **The Supper Club** team can help you and your business, please contact:

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DESTINATION SUCCESS?

The emotional end-game and legacy fulfilment

With all of the physical, emotional and intellectual effort that goes into setting up and building a business, there has to be a long-term payoff for entrepreneurs. So, if there is a unified objective that all the entrepreneurs we've spoken to on the campaign share, it has to be that amazing feeling of seeing your idea take flight and soar to new heights. It's the validation and buy-in to their business ideas from their teams and their markets that make the years of graft and stress well worth it.

Right across the 100 Stories of Growth campaign and in this research report, company founders have confirmed their unswerving commitment to scaling great businesses. That said, we know that the peaks and troughs that shape these journeys are full of human and emotional capital highs and lows. Periods of intense optimism, followed by spells of self-doubt, fear of failure and intense personal challenges.

Such a potentially chequered growth journey logically means keeping the end-game in sight is so vitally important. Otherwise, why would any entrepreneur take to this arduous route in business?

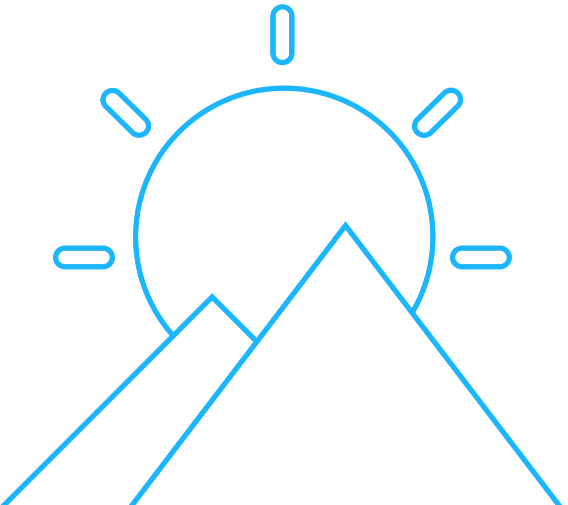
Is it all worth the effort?

We asked company founders and CEOs to tell us why they set up their business and continue to focus on scaling it. With so much emotional capital at stake – and as we know considerable impact to many people's wellbeing and mental health along the way – what would they like to achieve?

Almost of half (49%) of all respondents in our research say that their key legacy objective is to achieve "a sense of personal achievement and dream fulfilment". This sentiment speaks to the much-discussed theme that entrepreneurs very often – but not always – embark on journeys that are fuelled by passions and personal quests in life.

Wrapped into those personal goals and ambitions, family matters play a central role. We know from multiple in-depth interviews with founders and CEOs that they would not be able to do what they do without great support to achieve a work-life balance. So, it makes perfect sense that they want to include their families in their success. Slightly less than half (45%) of all respondents say they want to achieve "long-term financial security for my family".

We've heard from scores of founders and CEOs who've taken part in the campaign that their intense belief in or commitment to their business idea has continued to motivate them when others may have called it a day. While personal achievement and success are truly admirable, we have identified that many scale-up entrepreneurs have much broader objectives beyond their family's future.

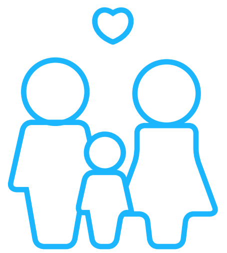


49%

of entrepreneurs' key legacy objective is to achieve a **"sense of personal achievement and dream fullfilment"**

45%

of entrepreneurs want to achieve **long-term security** for their families



When the stakes become higher

When an entrepreneur's legacy objectives also includes many others – the people they work with and for and live with and for – the impact also scales up from a personal ambition to a much greater consideration. But we know from detailed conversations with founders and CEOs that including more people who are likely to benefit from a business' success can also intensify the emotional stress that's involved.

There is a considerable responsibility and burden intrinsically wrapped up in achieving business success. When everything is going well it's happy days. But when the challenges mount, founders and CEOs have to think the impact that poor trading results will have on their employees, investors, customers and suppliers and families.

Many founders and CEOs are squarely focused on delivering success for those around them. Nearly two-thirds (63%) of them tell us that they are working to build "a company that provides long-term security for its employees and lasting benefits for other stakeholders". Out of all of the legacy objectives that we asked our research respondent about, this one scored the highest.

We know that scaling a business takes a whole team and supportive professionals to make a dream a reality. So what are company founders and CEOs doing to push the UK up the international scale-up rankings from 13th place and to offset the uncertainty that comes with the Brexit process? Well, more than half (55%) of all respondents tell us that they are working towards being "responsible for a global leading company or brand".

We know from our in-depth interviews that even company founders who have an eye on exiting their business are mindful of their team's and stakeholders' future outcomes. While the end-game can be very different, the emotional investment that goes into achieving these outcomes can be priceless.

PROMOTING THE FINANCE ECOSYSTEM

WORDS BY **CLAIRE DORRIAN**
UK Equity Primary Markets – London and the South, London Stock Exchange

Today the phrase 'financial ecosystem' is sometimes overused but it is a concept that we all need to continue promoting. Claire Dorrian says that improving the UK's interconnected financial system to better support ambitious scale-up companies access long-term equity finance is absolutely critical.

Some might argue it's utopian to expect a seamless transition from nascent finance stages through to public markets, but progress is being made. We're seeing financial market participants, alongside ourselves, working together and taking ownership to create a fertile environment for growth companies. This collaboration provides SMEs the ability to climb the funding ladder by offering practical mentoring and advice, access to expert networking and a supportive risk culture to incubate companies.

In a perfect world scale-up organisations would have access to a seamless chain of finance, practical mentoring and advice, expert networks and a supportive risk culture. This needn't be a utopia. We've seen examples where market participants take ownership and work collaboratively to bring these elements to today's growth companies – and it really works.

The UK is a great place to start a business and the number of new UK companies is at a record high,[1] but the odds are

[1] StartUp Britain http://startupbritain.org/startup-tracker/

Claire Dorrian, UK Equity Primary Markets - London and the South, London Stock Exchange stacked against scaling companies. This has invited a plethora of services and financial incentives aimed at start-ups and more recently to scale-ups from both the private and public sector. But the water is now muddy with optionality and the risk that companies disengage at a time when they need the support and finance most.

According to Beauhurst there are 3,856 unique visible scale-up businesses in the UK.

In order to engage effectively with these leaders of tomorrow I aim to look at each element of the so-called ecosystem and explore ways in which we can ensure collaborative solutions that make a real and lasting impact for years to come.

Here's a quick look at the elements of an ecosystem for growth:

The chain of finance

At London Stock Exchange Group (LSEG), we know the importance of joining up the funding chain. Supporting small companies with the right funding throughout the stages of their development will help build the next leaders of our economy – driving real economic growth and creating the jobs of tomorrow.

In order to be able to start, scale and keep UK companies in the country, we need to be able to work with the entire marketplace to enable a seamless transition for companies moving from one source of finance to the next.

Through our regional UK advisory teams, we're working with entrepreneurs and founders on their capital-raising strategies. Some companies will choose to take private finance, some will choose to sell their businesses and others will look to public markets like AIM and the main market for long-term patient capital to fund their growth.

In order to be able to start, scale and keep UK companies in the country, we need to be able to work with the entire marketplace to enable a seamless transition for companies moving from one source of finance to the next. Actively working together through referrals, joint projects and missions is key to providing movement from the initial stages of finance through to advanced. Alongside this, companies need business support and advice to prepare for their next phase of funding.

Practical advice and mentoring

LSEG is leading the way in providing practical advice and mentoring for earlier-stage businesses on raising finance for growth. Our ELITE programme is designed to prepare companies for their next stage of the scale-up journey, helping them navigate funding options and ultimately prepare them in a sustainable way for external investment and continued business growth. Companies that complete the 18-month programme also have access to ELITE's private placement platform which has helped businesses like eToro, which recently raised £100m.

Access to expert networks

Collaboration is absolutely key and the convening power we have as a global financial markets infrastructure group means we have the platform to bring together companies – public and private – investors from angels to venture capital and private equity, institutions, as well the expert advisory community that exists around fundraising.

We've seen a significant benefit from bringing people together to share their experiences, and believe it's critical for growth companies to be able to access this network to capitalise on their growth plans.

A supportive risk culture

The UK is often criticised for its inability to promote success stories, a lacklustre risk appetite and a culture that is unsupportive of business failure. This is why Intelligent Partnership's 100 Stories of Growth campaign is critical in showcasing the success of Capital at Work. Providing role models and shining a light on today's shining stars to inspire growing companies across the UK and indeed the world to have the ambition to scale up and go for growth.

Investor sophistication is ever-increasing in the UK around cutting-edge sectors like tech and healthcare. Our recent *Finance for Fintech* research report shows that London brings together internationally focused companies and global capital.

Is it actually working?

Ecosystems exist at various levels and can sometime appear to work in siloes rather than in a connected way. Siloes can, and do, exist in regions, sectors, finance types and in demographic groups. The key to unlock the functioning of the UK ecosystem as a whole – to be able to pass from one ecosystem or silo to the next effortlessly – can only be done if each network has the know - how, the access and the contacts to share knowledge and support company growth.

In its 23 years, AIM has helped over 3,800 organisations raise almost £110bn.

In relying on a collaborative partner-led model there is a risk of networks reverting back to siloes in order to get their job done and the collaborative and strategic thought comes second. By championing best-in-class cases, where companies have accessed funding effectively, we show the ecosystem is working. These cases demonstrate that there is mutual benefit to collaboration and should inspire not only management teams but other members of the wider community. Examples include Van Elle (ELITE to AIM), LoopUp (Future50 to AIM), FreeAgent (Crowdfunding to AIM), Joules or FeverTree (PE to AIM).

AIM has established itself as the world's leading growth market. Its success is a credit to the community of advisers, investors, policymakers and of course the ambitious community of companies that has joined the growth market. In its 23 years, AIM has helped over 3,800 organisations raise almost £110bn.

Throughout its long history London Stock Exchange Group has always been about bringing people together as part of an ecosystem to support and finance the growth of the brightest companies in the UK and beyond.

London Stock Exchange Group

For further information or to understand how the London Stock Exchange team can help you and your business, please contact:

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CONCLUSION

The UK is a great place to grow and scale a business today

The UK is a great place to grow and scale a business today. Entrepreneurs in every part of the country are making their impressive dreams a reality, tapping into the great supply of talent and energy from all corners of the globe. They are selling their ideas to the investment and financial communities, raising vital funds to take their businesses to even greater heights. Many company founders we've spoken to have their sights firmly set on global success, helping the UK to dispel concerns that it will continue to lag the leaders in the international scale-up rankings.

Every day, their enthusiasm, drive and commitment are evident in the small and medium-size enterprise community. These entrepreneurs are creating truly motivational and inspirational stories for everyone to share.

We know that many entrepreneurs have overcome severe challenges and cleared difficult hurdles – and have become stronger and more prepared to excel along the way. Other founders and business leaders are finding their feet, trying to build up that all-important resilience that comes with learning from mistakes and failures. This takes time and energy. And founders need to feel they are being heard and supported.

Across the 100 Stories of Growth campaign, we have investigated in detail how the shifting emphasis of capital is shaping scale-up entrepreneurs' experiences. Some areas are working very well, but other aspects need more attention and care.

The campaign team has talked to over 250 growth-focused and scale-up entrepreneurs. Our quantitative and qualitative research studies have focused on business leaders' experiences, ideas and beliefs about a specific blend of capital: emotional, human, intellectual and financial capital.

At the heart of every scaling business is a very human story. People who strive to bring their ideas to life. They're creating jobs, increasing value for their financial providers, and boosting the nation's wealth and optimism. Many are helping the wider economy to understand how to achieve productivity gains that many established industries simply cannot replicate.

At the heart of every scaling business is a very human story. People who strive to bring their ideas to life. They're creating jobs, increasing value for their financial providers, and boosting the nation's wealth and optimism.

We have to remember that entrepreneurs are real people. And if we remind ourselves of this at all times, we can help them create an entrepreneur's toolkit that will deliver optimum outcomes and success for all. We have to understand that people need assistance, guidance and advice as they grow their businesses. We also know that company founders and business leaders need to look for the right kind of help, from the right people at the right time on their scale-up journey.

Lifting the veil on entrepreneurs' wellbeing and mental health

Our research finds that greater awareness and open discussion about entrepreneurs' wellbeing and good mental health are very important. While each individual will of course find their own way of dealing with any challenges they face, the SME ecosystem shares a responsibility to provide support and understanding. We have to remind ourselves on a regular basis that we are dealing with the people behind a business. Some will sail through with few problems, but others will encounter a much more challenging journey. If we can work together to acknowledge and support everyone's needs in the way that we are able, we'll lay the foundations for fully functioning human interactions that we're part of every day.

Creating effective relationships to drive success

We have heard time and again that people run businesses, not technology, spreadsheets or algorithms. When we've spoken to entrepreneurs about what has driven their success, they almost all agree that their teams, advisers, financial capital providers, and professional services partners are to thank. Investing in talent and great professional human relationships has served the vast majority of founders and business leaders very well. The SME business community should continue to place these solid relationships at the core of all quality decision-making processes, not least when it comes to committing to long-term financial capital deals.

Aiming for perfect alignment of interest with capital providers

Our research shows that with more cash in the system, it's very important to understand the motivations behind those offers. Many founders have told us how they have searched intently for the right capital partnerships. Walking away from a deal is totally justifiable if it doesn't fully appeal or if the financial capital comes with strings that will end up becoming an unwelcome complication in the future. Knowing your investor or your acquirer is just as important for entrepreneurs as it has always been for reputable capital providers looking to understand the people and the companies they choose to back. Good, solid relationships pave the way for long-term successful outcomes that many entrepreneurs are focused on achieving.

The emotional end-game and legacy fulfilment

With all of the effort, emotional capacity and energy that go into growing a successful business, people are motivated by a tangible result. That can be to see their company expand to new horizons, as part of a lifelong journey. For others, they chase a specific goal to work towards. We've found that many scale-up entrepreneurs want to create a bright future for them and their family. But the emotional stakes are much greater for a large number of entrepreneurs who want to create stellar outcomes and legacies for their teams and stakeholders. We believe that the emotional energy that goes into running a business can deliver great results when nurtured and supported well.

We hope that this research report will go some way to helping entrepreneurs, their teams and all of their stakeholders to identify what works in their particular situation and where more focus may be needed. The UK's scale-up community has the potential to deliver scalable benefits to all of the communities where businesses operate. With a concerted, joined-up and human approach, those benefits have every potential to deliver long-term sustainable benefits for all.

INSPIRING ENTREPRENEURS ARE DRIVING PROGRESS

WORDS BY STEPHEN WELTON
CEO, BGF

At a time of great uncertainty, BGF's strength comes from its diversity and its determination to enable growing businesses of all shapes and sizes to reach their potential, says BGF CEO Stephen Welton.

They say change is the only constant and looking back at the last year or so, that has certainly been the case. While on one side, technological progress is transforming our lives, creating new industries and with them, a wealth of opportunities – on the other side, we are navigating increasingly uncertain waters.

As we head towards Britain's exit from the EU in 2019, an exact vision of the future is hard to imagine.

We might naturally assume that such uncertainty would be bad for business. But as we've seen at BGF over the past 12 months, entrepreneurs and small business leaders across the country are not deterred by a lack of clarity. They are instead determined to make the most of the opportunities it might present. In 2018, BGF has on average made one investment per week, bringing our overall investment to more than £1.7bn across 250 companies.

Stephen Welton, Chief Executive Officer, BGF

A time of great transformation

The business environment is evolving, even down to the very ways we define success.

There seems to be a renewed confidence in the impact that innovative, scaling businesses can have on the world around them.

Leaders are no longer satisfied with just a healthy balance sheet, they're also striving to make a positive difference to society and power progress in the UK.

Indeed, innovation and supporting R&D have been a clear focus for the government, as seen in its welcome Industrial Strategy and the new deals being brokered to support Britain's prowess in emerging areas, such as artificial intelligence (AI).

We heard in April of a deal between government and industry, in which 50 leading businesses have contributed to the development of a £1bn plan to put the nation at the forefront of AI.

Our technology success

Britain's tech industry is certainly flying. The latest reports from Tech Nation suggest that the digital tech sector grew 2.6 times quicker than the rest of the economy between 2016 and 2017.

This growth is reflected across many of BGF's portfolio businesses, in particular our earlier-stage group, which is in large part driven by digital. Take for example Trouva, which is creating an online marketplace for global bricks-and-mortar boutiques.

But we must not forget that fast growth – and the progress it brings with it – is not merely seen in the technology sector, because technology increasingly drives all businesses and sectors in one way or another.

I can say with confidence that the bright sparks of innovation and productivity can be seen vividly from all sectors. From manufacturing and energy, to business services, hospitality and healthcare, we are a nation of passionate and ambitious creators.

The importance of diversity

For the UK to build a sustainable economy, it must create and support a diversity of businesses across all regions. We can't put all of our eggs in one basket and with such a wide range of skills and talent in every corner of the country, there is no reason we should. Having more strings to our bow will bring resilience and will help us to meet any economic hurdles that this age of uncertainty might throw up.

The bright sparks of innovation and productivity can be seen vividly from all sectors. From manufacturing and energy, to business services, hospitality and healthcare, we are a nation of passionate and ambitious creators.

I'm delighted to say this diversity is illustrated by the companies BGF is supporting. Look at PPS, a Midlands-based packaging manufacturer weening industry off single-use plastic, or the spectacular structures achieved by advanced timber technology company Accsys. Everywhere we look there is invention and at BGF, we're excited and inspired to support this with investment, experience and advice.

The future may be uncertain, but one thing is clear – with such an inspiring crop of innovative, scaling companies, based in all corners of the UK – the future is bright.

BGF
Invested in Growth

For further information or to understand how the BGF team can help you and your business, please contact:

www.bgf.co.uk

RECOMMENDATIONS FOR SUSTAINED GROWTH

Following our detailed investigations into the perfect blend of contemporary capital for scaling small and medium-sized businesses, we believe that investing in the owner of the business is as important as their balance sheet.

The alignment of expectations, depth of relationships and well-being of founders creates a solid foundation for sustained success and contributes to a healthier economy.

1. CAPITAL MUST BE PATIENT

Investment is a sign of confidence in a founder, and supported entrepreneurs are likely to feel more confident about growing their businesses. Pressure to grow too quickly can undermine that confidence, so capital must be patient and it must come with practical support.

2. PRIORITISE WELLBEING

We would like everyone in the SME investment community in the UK to understand how stress in founders can escalate into self-destructive behaviour. We recommend mental health first-aid training for SME investment teams and all advisers to entrepreneurs, to recognise the signs and highlight the support that is available to them – whether it's financial or emotional.

3. SUPPORT LEADERSHIP CAPABILITY

Many younger and less experienced entrepreneurs have had less time to build up professional and personal resilience before they secure funding to accelerate growth. With a shorter runway to investment we believe it's in the interests of the investment, finance and professional services communities to coach, mentor or recommend networks to help them build leadership capability.

4. PROMOTE PEER LEARNING

The Chancellor has recognised the role of peer learning and mentoring in building leadership and management capability. We believe that the SME investment community should promote and collaborate with peer networks to provide access to founders at all stages of the scale-up journey and a trusted space to share their challenges.

5. BETTER ACCESS TO TALENT

Company founders and CEOs need to recognise the importance of building a high-performing senior team and succession planning. It's what investors and financiers buy into and instils confidence in sustainable growth. The SME investment community can work with relevant partners to educate founders and provide access to the right executive talent.

6. AN ENTREPRENEURIAL MINDSET

A strong senior management team enables founders to work on the business, not in it. We applaud those investors who are supporting founders with identifying talent, but they have most impact when they have an entrepreneurial mindset and understand the challenges and opportunities of a 21st century economy. The SME investment community should put forward NEDs and chairmen with entrepreneurial experience who founders will be more receptive to.

7. DRIVE EXPORT GROWTH

As the UK transitions to a post-Brexit era, founders and CEOs need access to international networks to find partners, talent and customers to drive export growth. We recommend that the SME investment community works with the Department for International Trade to provide opportunities to learn about new markets, how to enter them, and make the right connections.

8. SHARE LEGACY GOALS

Company founders and CEOs should prepare for their legacy by aligning their senior management and other key stakeholders so that their company has great potential to succeed for the long term.

9. NOT ALL CAPITAL IS CREATED EQUAL

Too often, entrepreneurs are so flattered by investor interest or relieved to secure funding that they live to regret accepting the first offer. Company founders and CEOs should undertake investor, financier and acquirer due diligence before entering into important agreements. Investors and financiers need to be responsible with their capital, ensuring they are the right partner and it's the right time for the business.

10. PROMOTE FINANCIAL LITERACY

Robust financial management and planning enables company founders and CEOs to make better strategic decisions. Business owners must be responsible for their own financial literacy but supported by the SME investment community.

7 DISTINCT CHARACTERISTICS

FUELLING SME GROWTH

Company founders turned storytellers across seven key company characteristics share valuable insight into how they've deployed all Capital at Work to navigate their growth and scale-up journeys.

THE INVENTORS

businesses that have developed new products

THE ESTABLISHED FOUNDERS

businesses that are well established and growing steadily

THE INNOVATORS

businesses that have developed new services/business models

THE EXPORTERS

businesses that are significant exporters

THE DISRUPTORS

businesses that have challenged incumbents in their sector

THE FEMALE FOUNDERS

businesses that have been established and grown by women

THE DIGITAL TRANSFORMERS

businesses at the vanguard of true digital innovation

“Having the right solution for the market, access to that market and the right human capital to execute it, backed by the right form of financial capital, is the right recipe for success.”

— **ARNAB BASU,** CEO, KROMEK

The big campaign mission

We're inspiring and motivating all high-potential UK SMEs to find that perfect blend of funding along with human, intellectual and emotional capital to excel.

We're showing how companies need the right expert advice and support to help them grow, create jobs and wealth, and boost optimism.

We're revealing how SME ecosystem investors, professionals and advisers need to play a vital part of this success story.

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