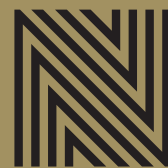


# Entrepreneurs' Survey 2012

A regional perspective of the Yorkshire and Humber region



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chartered accountants  
creating business solutions



N A B A R R O  
CLARITY MATTERS

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# Foreword

Government initiatives and the work being carried out by strategic bodies, including Local Enterprise Partnerships (LEPs), which are aimed at stimulating the economy and facilitating the growth of SMEs, mean nothing without the commitment of their owners and managers.

This report helps to unpick what, in the opinion of regional SMEs, is and is not working. One of the most prominent findings of the survey is the vast amount of initiatives that are not known about in the SME business community. In a region, such as Yorkshire and Humber, which depends on its SMEs for growth, this situation has to change.

The survey results are vital to understand the current position of SMEs in the region and how they see their businesses developing. The results also raise a number of questions about how closely the Government's strategy ties in with the ambition of SMEs in this region. It is difficult to develop a real entrepreneurial culture, which creates wealth and jobs, if by its very nature its ambitions are driven by lifestyle priorities or risk averse attitudes.

As the Chairman of one of the four LEPs in Yorkshire and also of Finance Yorkshire, I am committed to supporting SMEs in their growth ambitions. It is, therefore, crucial to help business people in general see the immense advantages of becoming more entrepreneurial, in order for them personally to become successful business owners, for the benefits that will fall to their local workforce and for the economic growth of the Region. I think this survey goes some way to casting light on this and hope that Government will take notice of its findings.



**James H Newman**

Chairman of the Sheffield City Region LEP  
Chairman of Finance Yorkshire

At times when sales are growing rapidly, the majority of businesses need to find additional finance to fuel their expansion. This can range from investment in R&D, recruitment, new premises, additional plant and machinery, new products, IT services and training as well as vehicles for the more client-facing employees.

The impact created from such investment increases competitive advantage, improves margins and enables businesses to stay ahead of their competitors. It also opens up opportunities for new products to new clients in new international markets. However, if confidence is lacking, owner managers will sit tight and not take these steps, reducing the possibility of further growth in the long-term. Reading through this survey there are two key factors which appear to be hampering businesses from carrying out such investment. Firstly, there is little appetite from businesses for raising finance to fund growth plans because of the nervousness in the market place. Secondly, there are numerous sources of finance available to owner managers, but this landscape of funding lacks cohesion, and faced with such confusion, they tend to approach the more traditional access routes, such as banks and friends to secure finance.

Both of these must change in order for the UK economy to grow. Venture capital and loan funds, as well as other sources of finance, are vital elements of the support structure for businesses. These organisations work alongside each other, as well as the banks, to provide funding support.

Hundreds of small and medium-sized businesses have found additional gap funding with organisations such as Finance Yorkshire. However, more needs to be done to enable thousands of companies to access all forms of finance in a simple and efficient way. Greater cohesion and increased collaboration to untangle the financial landscape must be a key priority for all, as all will benefit.



**Alex McWhirter**

Chief Executive  
Finance Yorkshire

# Introduction

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## **GOVERNMENT POLICY – IS IT WORKING?**

In the Entrepreneurs' Survey 2011, we commented on the challenge set by the Coalition Government of making this decade the most entrepreneurial in the UK's history; calling for an enterprise-led economy with the vast majority of the country's enterprises being SMEs.

We reported on the key factors affecting enterprise and entrepreneurship in the Region, focusing on areas where Government strategies were targeted together with key opportunities and challenges for SMEs.

A year on and we look again at these areas and consider whether Government strategies and further measures introduced to support economic growth (including those introduced during the last 12 months) are beginning to have an impact. We also report on the key trends and again highlight key priorities for the Region.

The report looks at how some of the companies showcased last year have progressed and at the successes and challenges which they have faced over the last 12 months. In addition we include 2 new case studies.

“I want this to be the year where people can think yes, I can do it, that we can get as many viable businesses as possible off the ground, that people can have a go, and that we see a whole new wave of entrepreneurs who start small but think big.”

Rt Hon David Cameron MP, Prime Minister at the launch of the StartUp Loan programme alongside Lord Young's independent report on Enterprise – 28 May 2012

Government  
Initiatives are not  
reaching SMEs

03

Ambitious  
entrepreneurs are  
thin on the ground

# Key findings and trends

04

## **IMPACT OF GOVERNMENT INITIATIVES**

### **Communication failure**

During the last year, the Government has launched numerous further initiatives aimed at stimulating economic growth for SMEs. However, 65 per cent of respondents have not even heard of these initiatives. Of those who have tried to access funding or take advantage of the benefit of the schemes, the feedback was generally positive. This suggests that the support is useful, but is not filtering through sufficiently to the SMEs in the Region.

## **FUNDING**

### **The drive to de-gear**

27 per cent of respondents highlighted access to funding as a key issue, compared with 44 per cent last year. There continues to be little appetite for raising finance to fund growth. Only 50 per cent of those who had tried to borrow money cited expansion or growth plans as the reason (50 per cent citing restructuring existing debt or assisting with poor cash flow).

Notwithstanding the Government's initiatives aimed at stimulating non-bank funding, respondents who had looked for funds had followed traditional lines, with 60 per cent provided through own funds, 23 per cent by a bank and only 7 per cent from new investors. Of the 24 per cent who had tried to raise funds from a bank, 63 per cent were successful, suggesting that where banks are approached, they are not "closed for business".

## **SMEs**

### **Gazelles versus lifestyle owner**

In last year's survey, we questioned whether the Region's SMEs were mostly self-employed small business owners rather than true entrepreneurs. We tested this theory and the findings led us to conclude that there are very few true entrepreneurs. There is evidence of growth in profitability but little evidence of ambitious visionary plans for substantial growth.



## **JOBS CREATION**

### **Not the role for SMEs?**

There has been some positive feedback on SME employment figures with 54 per cent of respondents employing 5 people or fewer compared with 74 per cent last year. However, 77 per cent still employ fewer than 10 people (compared with 86 per cent last year), suggesting a measure of progress but with little evidence that the new jobs the Government is hoping for from the SME sector are being delivered in the Region.

## **THE FUTURE**

### **More planning required**

SMEs in the Region are not planning for the future with only 49 per cent producing a business plan and of those most are only for one year. It is difficult to see how these companies will fulfil growth potential.

## **INTERNATIONAL EXPANSION**

### **Small appetite**

31 per cent of respondents see new markets as providing opportunity in the next 12 months with 35 per cent placing international expansion as a high priority. This is similar to the 34 per cent expressing an interest in exporting in the last survey. However, 65 per cent are still intending to rely on growth from the domestic market. There appears to be an interest in international expansion, but few are motivated to pursue it, with only 4 per cent listing export as the best opportunity for their business in the next 12 months. Notwithstanding the further Government initiatives launched to stimulate export, the findings are in line with results achieved last year, evidencing little export growth.

## **MENTORING**

### **Underused opportunity?**

Only 38 per cent of respondents had been contacted by any form of mentoring service, notwithstanding numerous Government initiatives to support SMEs through mentors. Disappointingly, 42 per cent of respondents were not even aware of the Government's mentoring initiatives. Again, the message on Government incentives is not getting through.

# Funding

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In last year's survey we highlighted the Government's expectation that much of the growth in the Region (and across the UK economy) needs to come from successful businesses developed by entrepreneurs. The Government has followed through on this by introducing a significant number of further initiatives which are intended to support smaller businesses with their growth plans. Many of these initiatives are aimed at improving the availability of funding to developing SMEs.

One of the critical needs for a business to grow is the availability of finance. It enables growth opportunities to be seized as they arise, be it through developing and introducing new products and services, investment in capital equipment or through expansion into new markets (domestic and international).

## CONCERNS

This year we asked businesses to highlight the main concern anticipated during the forthcoming 12 months. The key issue highlighted by 27 per cent of the respondents was access to funding. Last year this was cited by 44 per cent of the respondents. To put the statistics into perspective, the next biggest concern in both years was the impact of customers, cited by 23 per cent of the respondents in both years.

## ACCESS TO FUNDING – PROGRESS

Does this mean that entrepreneurs have made progress in gaining access to funding or does it simply mean that there is reduced appetite to raise new finance to embark on growth projects? To enable us to answer this question we asked businesses three further questions:

- Have you tried to borrow new money from a bank or from other sources?
- Were you successful at raising new funds?
- What were you trying to raise new funds for?

The responses were quite startling. Firstly because virtually all funding was sourced from banks or family and friends. Secondly only 24 per cent of businesses had tried to borrow new money from a bank and only 10 per cent had tried to borrow from other sources. Of the 24 per cent who had tried to raise funds from a bank, 63 per cent of those proposals were successful. Interestingly, only 50 per cent of the respondents who had tried to borrow new money attributed the reason for doing so as expansion or growth plans. The remaining 50 per cent cited restructuring existing debt or to assist with poor cash flow.

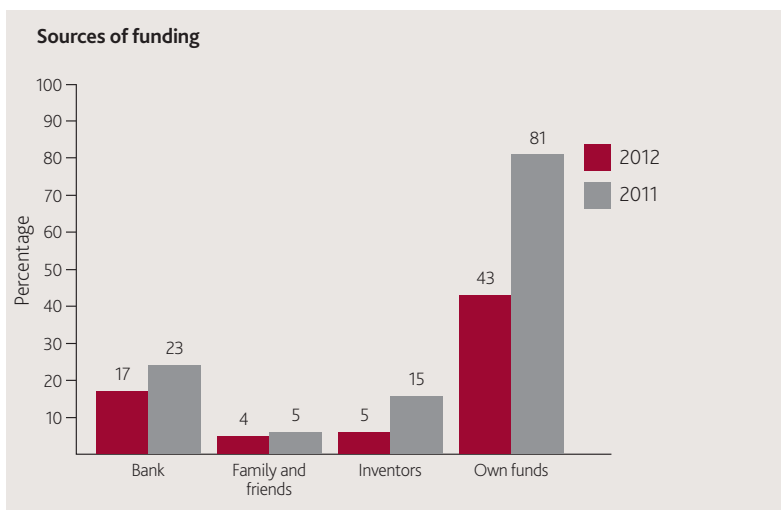


It appears from the findings that there is little appetite for raising finance to fund growth plans. The confidence to embark on such projects has clearly been knocked by the continued fragility of the economy, a general lack of confidence in financial institutions and the demanding requirements of the banks in particular.

Collaboration with multiple funders combining a variety of funding options was suggested as a potential solution to the challenging environment for raising finance in last year's survey. The funding structures referred to by respondents, however, followed traditional lines with 60 per cent of funding provided through own funds, 23 per cent by a bank and only 7 per cent from investors.

### SUMMARY

In summary, the availability of funding remains a key challenge to businesses in the Region and the initiatives launched by the Coalition Government have so far had little impact. This is covered more fully in the section on *Impact of Government Initiatives*. Confidence needs to be restored if entrepreneurs are going to invest for growth. Clearly this will take time.



# Fabric of the Region

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## **THE GAZELLE VERSUS THE BUSINESS OWNER**

We commented on enterprise culture in last year's survey and concluded that the Region needed more highly aspirational Gazelles. We questioned whether the Region was in fact dominated by self-employed small business owners rather than true entrepreneurs. We tested this further and this year's results led to the conclusion that there is an unwillingness to take on the attributes to develop a growth business, suggesting that the Region has many more business owners than Gazelles.

Again, few businesses have looked (or intend to look) for capital for growth.

When asked why they locate in Yorkshire and Humber, most respondents gave lifestyle reasons rather than reasons evidencing business advantage. The only exception being that some respondents consider the Region's central location and travel links to be relevant, supporting the view that high quality infrastructure will influence location decisions. If the Region is to become more competitive infrastructure quality will need to improve. The Region must, therefore, take every opportunity to access the Government's enhanced programme of initiatives to invest in UK infrastructure.

There seems to be little appetite to relocate for strategic gain, with 92 per cent of respondents confirming that their present location is as good for business as any.

Somewhat surprisingly, only 8 per cent of respondents were considering a move to the Enterprise Zones in the Region to access the tax advantages available in those Zones.

## **BUSINESS PLANNING**

More than half questioned do not have a written business plan; of those that do, most typically plan for only one year. It is difficult to see how these companies will fulfil their potential to grow when there appears to be so little forward thinking and planning for growth.

## **MENTORING**

Interestingly, 23 per cent of respondents have accessed business mentoring advice and of those most found it useful. A number cited the main benefits as utilising outside expertise to help develop plans and access new markets. As indicated later (in the section headed *Impact of Government initiatives*) only 38 per cent of those surveyed had been contacted by a business mentoring service.

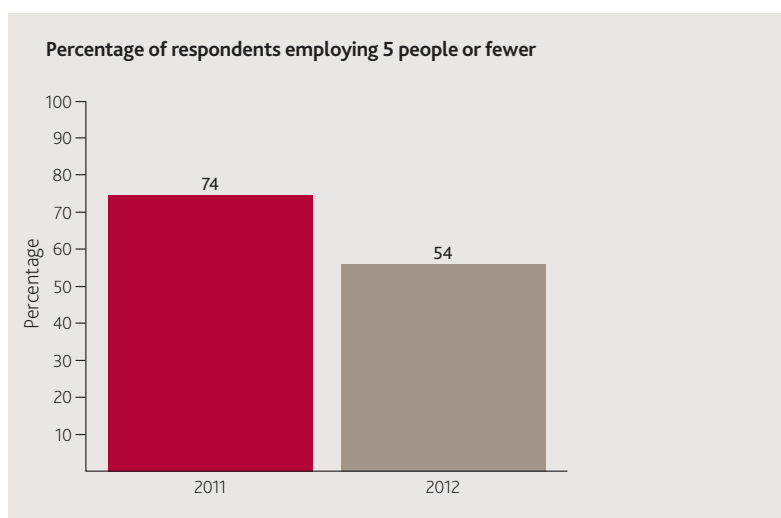
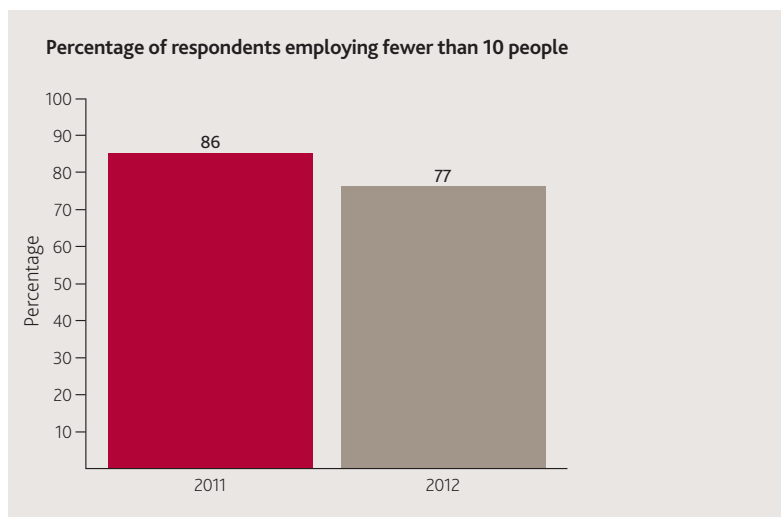
If markets and opportunities are to be developed, evidence would suggest mentoring has a part to play. The delayed Business Coaching for Growth Programme will need to deliver. We look forward to measuring its impact next year.

### THE JOBS DEFICIT – PROGRESS

The Government is relying on SMEs to produce the growth needed to deliver job creation and the innovation necessary to refocus from a public to a private sector led economy.

54 per cent of respondents employ 5 people or fewer (compared with 74 per cent last year) and 77 per cent of respondents employ fewer than 10 people (compared with 86 per cent last year). This suggests a small measure of progress but still begs the question, how are SMEs going to address the jobs deficit speedily?

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Our observation is that none of the Government initiatives targeted at SMEs incentivise job creation and it is, therefore, unlikely that, in the foreseeable future, the SME sector will make the level of contribution to job creation that the Government is hoping for.

# Case studies – 12 months on

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## LITTLE HELPER

Little Helper designs and manufactures fun, funky and safe children's products and distributes high quality, inspirational children's furniture and nursery goods. Based in Sheffield.

### Key achievements

- Business increased by 35 per cent
- Acquired exclusive distribution rights on a new brand of 3D play carpets and nursery rugs
- Launched two new products
- Taken on a new distributor in Australia
- Increased efficiencies through a new order processing system
- Increased headcount with a new administrator
- Won two new awards for Fun Pod

### Key opportunities

- Sourcing and manufacturing own brands for retailers

### Key challenges

- Cash flow – particularly in relation to international trade

### International trade

- Currently exporting to Australia, USA and Eire
- In the process of signing an agreement relating to Little Helper products in China
- About to sign distribution agreements for Scandinavia and Germany

### The future

- Continued innovation and new product launches
- No perceived improvements to Government policy to help SMEs

### Mentoring

- The introduction of mentoring has been good and there seems to be some help for exporting
- About to work with Growth Accelerator/Winning Pitch.



## FAN FRAMES

Fan Frames Limited own the legal licensing rights with eleven football clubs to design, develop, import and distribute official eyewear products. Based in Hull.

### Key achievements

- Won an investment competition called "Taming the Dragon"
- Officially launched Fan Frames at the SMMEX exhibition at Wembley Stadium
- Secured licences for 11 football clubs in the Premiership, Scottish Premiership and Championship
- Launched the sunglasses range, trialling with JJB sports and independent opticians
- Developed an optical range due for launch in October 2012
- Doubled staff from 3 to 6 people
- Good support from the region – from For Entrepreneurs Only in Hull, Sirius and Acorn

### Key opportunities

- In talks with major retailers

### Key challenges

- Terrible experience with the banks, with promises not delivered

### International trade

- Currently exporting to USA and Australia and across Europe
- Manufacturing bases in China and achieving greater sales from e-commerce site

### Investment

- Significant amount of investment into the business from family and friends
- Small loans from banks

### Mentoring

- The Goldman Sachs programme made a massive difference for Fan Frames; everything is now properly planned with a mission statement and exit plan.



### **TAILORMADE CONFERENCE MANAGEMENT**

TCM offers a variety of conference management services to all those involved in planning and organising events nationally and internationally. Based in York.

#### **Key achievements**

- Moved into bigger premises
- Increased headcount

#### **Key opportunities**

- One of the main reasons for growth has been that key clients have cross-referred TCM to other parts of their business

#### **Key challenges**

- Obtaining finance and getting paid by customers
- Some debts have taken a long time to resolve

#### **Investment**

- Secured bank finance, but at a higher price than hoped for

#### **Mentoring**

- Difficult for non high-growth companies to get on mentoring schemes
- TCM carries out its own improvement programmes through the Alternative Board

#### **The future**

- Forecasting double digit growth for the next 6 months
- In September 2012 TCM will be taking on a new unit so it can host meetings and events as well as organise them. If the meeting centre goes well TCM will need more people
- TCM has worked harder on growth by referral and recommendations
- The company prides itself on going the extra mile to offer a service that other agencies do not.



### **VERYPC**

VeryPC is a UK manufacturer of Desktop, Server, Storage and OEM products supplying UK homes, educational institutes, businesses, and managed web services throughout the world. Based in Sheffield.

#### **Key achievements**

- Survived a very difficult year
- Became leaner and more agile
- Established sister company Iceotope

#### **Key challenges**

- Hit very hard by the floods in Thailand – lost competitive position on hard disc drives as a result
- Hit by insolvencies and bad debts – thanks to being wary and suspicious VeryPC was able to spot a few potential problems, so made some recoveries on bad debts and made it through some tough trading conditions
- A large proportion of the business was in storage products but this part of the business evaporated overnight. VeryPC could no longer be competitive because of competitor pricing

#### **The future**

- Progressing areas of the business which were not affected by the floods and refocusing efforts to solid state discs
- VeryPC is now in recovery; storage is starting to sell again and the disc crisis is over
- There is currently less competition than before the flood. Some competitors failed as a result of the crisis in the market and those that survived have failed to adapt and are now having to increase their prices. VeryPC is therefore able to be competitive.

# International



## **BREAKING INTO OVERSEAS MARKETS – REBALANCING THE ECONOMY**

UKTI's strategy "Britain Open for Business" (launched in May 2011) was at the heart of the Government's drive to promote growth through trade and investment to rebalance the economy. The emphasis of the strategy is on practical support to SMEs to assist them in selling more goods and services overseas.

Over a year on, what impact is this strategy having on our Region?

## **NEW PRODUCTS AND INTERNATIONAL MARKETS**

31 per cent of those questioned see new markets as providing opportunity in the next 12 months and 35 per cent place expanding into new markets as a high priority. This is similar to the 34 per cent who expressed an interest in exporting last year. 35 per cent of respondents currently export, leaving 65 per cent reliant on the domestic market for growth.

The survey asked for comments on whether certain development matters were a high or low priority. Developing and introducing new products and/or services together with expanding into new markets were the areas indicated by most respondents to be of very high priority. However, when asked where the best opportunities are anticipated over the next 12 months only 4 per cent listed export.

The findings suggest an appetite for international expansion but with few appearing to be motivated to implement such a plan. Perhaps this reflects a lack of incentives and/or barriers for regional SMEs to access overseas markets contrasting recent evidence that larger companies have achieved significant growth in export sales.

## **UKTI SUPPORT**

Only 5 per cent of respondents had received Government support through UKTI. All of those respondents found the support of UKTI helpful. Indeed the experience of most of those who have accessed support from UKTI was positive, suggesting that UKTI generally delivers good quality practical support, but that the support is only filtering through to a small number of SMEs in the Region.

### EXPORT MARKETS

Most of those operating internationally export to more than one country. Europe and North America are still the favoured locations. Of particular note is that, of those exporting, only 7 per cent export to China, notwithstanding the emphasis over recent years placed on the opportunities in that region.

### NEED FOR INTERNATIONAL GROWTH

35 per cent of businesses reported that they were finding market conditions harder than last year, although 67 per cent indicated an upturn in turnover and 62 per cent saw profits rise (over three-quarters of those saw rises of less than 25 per cent).

Reasons given to explain why, despite trade being harder, further export markets were not planned, included the huge time commitment, disruption and risk coupled with the cost of expansion and limited resources available. The Eurozone crisis and continued economic uncertainty were also cited by a number of respondents.

Overall, the findings suggest some moderate growth but predominantly this is in the domestic market. However, on the basis that international trade is a key driver of dynamic growth, more needs to be done in the Region to create further access and encouragement to approach UKTI needs to be fostered.

The availability of funding and stability in the Eurozone may also continue to be key in driving international expansion and growth.

However, the findings also suggest that our entrepreneurs may be content with small, incremental growth and do not share the Government's ambitions for them. This has implications for Government strategy which relies on the SME sector to rebalance the economy and address the jobs deficit.

In November 2011, the Government launched a National Export Challenge to get 100,000 more SMEs exporting by 2020. UKTI has launched new support networks for SMEs and an Export for Growth prize. An export guide for partner organisations to brand and give to customers has been produced and a programme has been developed to link high-potential firms to trade finance and venture capital. Other initiatives include "Open to Export" and "Catalyst UK" networks.

# Impact of Government initiatives

“This Government is determined to make the next decade the most dynamic and entrepreneurial in Britain’s history.”

Mark Prisk, MP

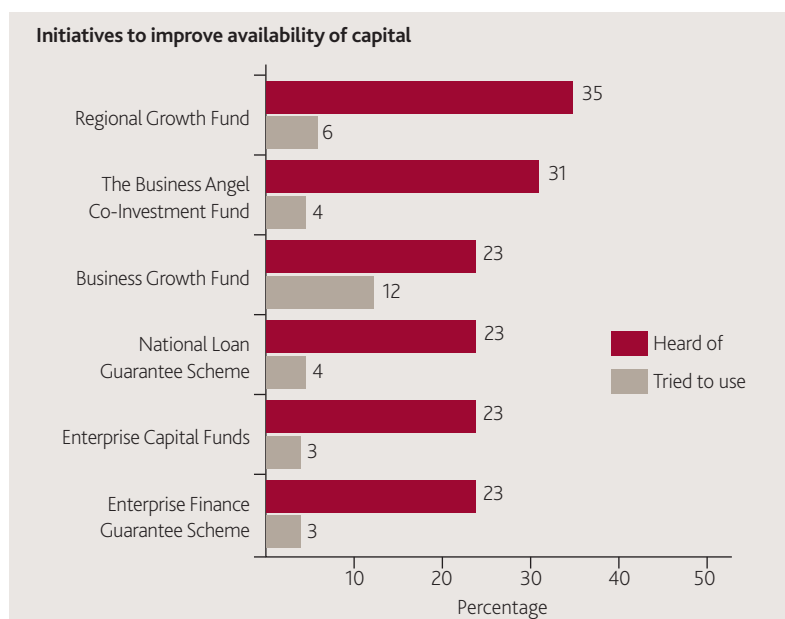
In last year’s survey we referred to the Government setting the challenge of making this decade the most entrepreneurial in the UK’s history. In order to achieve this, various initiatives had been introduced. These included:

- Increasing and extending EIS tax relief
- Extending the Enterprise Finance Guarantee Scheme for a further four years
- Introducing a number of schemes specifically aimed at supporting the development of businesses including
  - On-line advice (e.g. the new StartUp Hub)
  - Mentor scheme through the Mentoring Gateway
  - Business Coaching for Growth initiative

Subsequently, a range of further initiatives has been launched which have focused on four key areas (see section headed *Further Government initiatives introduced since the last report*):

- Encouraging banks and other funders to lend more to SMEs
- Introducing further tax breaks to encourage investment (to encourage collaborative fundraising with the more traditional sources)
- Growth via international expansion
- Business mentoring and coaching.

At a time when SMEs have found it difficult to implement growth strategies, in part because of the challenging funding environment, the initiatives introduced to stimulate activity are welcome. We therefore asked businesses whether they had heard of the initiatives and whether they had tried to use or access them. The findings are summarised as follows:



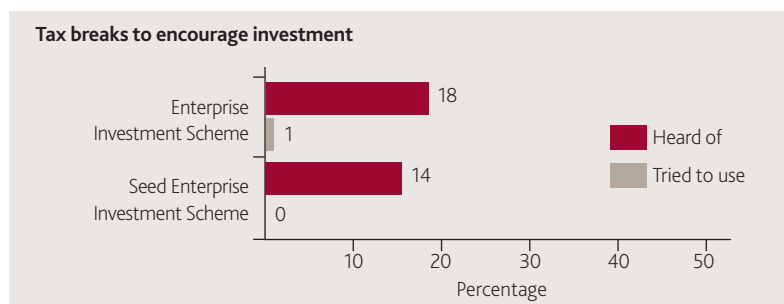


The overwhelming conclusion from this is that amongst businesses in the Region there is a low level of awareness of the initiatives that have been made available during the period to stimulate growth in SMEs. This also supports the findings referred to in the funding section of this report, in that there appears to be a low level of confidence and enthusiasm to embark on growth projects. This has severely restricted the number of proposals to raise new funds that have been introduced to funders. It follows, therefore, that there has been a very low take up of the funding available under the initiatives set out above.

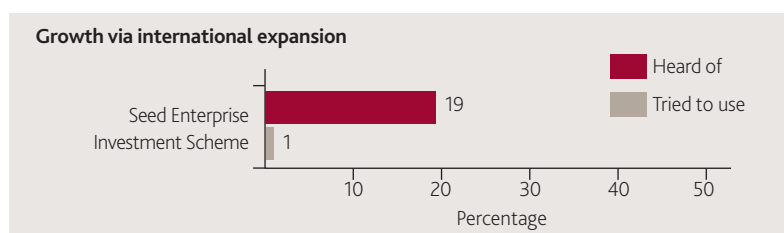
For example, the Enterprise Finance Guarantee Scheme which is now into its third year appears at the bottom of the table both for awareness and also for being accessed. This scheme is nonetheless set to be extended for a further four years.

Clearly the funding initiatives are yet to have any significant impact on the Region's economy.

It is evident that there has been little appetite for businesses to consider opening up their funding options by approaching a wider audience given the low response rate to the usage of funding which provides investors with a tax break. However, it is early days for the Seed Enterprise Investment Scheme as it was only launched in April 2012. It will be interesting to see its impact during the forthcoming 12 months.



Again there is poor awareness and little interest in using the funding option available for overseas trading. It should be noted, however, that only 35 per cent of businesses covered by this report (see the section headed *International*) currently have export activities and this will necessarily be reflected in these statistics.



**MENTORING AND COACHING**

Finally, we asked businesses whether they had been contacted by a business mentoring service in the last 12 months. Only 38 per cent had been contacted, but there were delays in launching the Business Coaching for Growth initiative (planned for January 2012 and launched in May 2012) and so this scheme still has considerable opportunity to have an impact.

The most disappointing overall statistic is that 42 per cent of respondents were not aware of any of the Government's initiatives. This is a cause for considerable concern as these initiatives have been introduced specifically to support and stimulate activity at the SME level. Government needs to consider how to address this.

# Government initiatives highlighted in 2011 report

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## **CREDIT EASING**

- extending the Enterprise Finance Guarantee Scheme for the next four years

## **FINANCING AND GROWING A BUSINESS**

- extending the lifetime limit for Entrepreneurs' Relief from capital gains tax from the first £2 million to the first £10 million of gains
- increasing and extending Enterprise Investment Scheme tax relief

## **REGIONAL GROWTH**

- creation of a national network of Technology and Innovation Centres (announced in October 2010)
- establishing 22 new Enterprise Zones
- introducing a package of tax reforms to reduce rates of corporation tax, increase the threshold for national insurance contributions and providing a national insurance holiday for Regional new businesses
- specialist support for manufacturers (with the Manufacturing Advisory Service being relaunched in January 2012)
- discussion at regional level between the Government's UK Trade & Investment Department and Local Enterprise Partnerships on trading internationally

## **PROCUREMENT**

- introducing measures aimed at ensuring 25 per cent of Government contracts will go to SMEs

## **BUSINESS INFORMATION AND ADVICE**

- introducing a number of tailored business solutions including: on-line advice (e.g. the new StartUp Hub); a mentor scheme through the Mentoring Gateway; and the targeting of established SMEs with high growth potential through the Business Coaching for Growth initiative (to be launched January 2012)

## **REGULATION**

- committing to a cut in regulation – introducing a 'one in, one out' rule to reduce regulatory burden.

# Further Government initiatives introduced since the last report

## CREDIT EASING

Comprising a package of initiatives to ease the flow of credit and provide finance to businesses that do not have ready access to capital markets including:

- National Loan Guarantee Scheme – to lower cost of bank loans for smaller businesses with turnover of up to £50 million
- Business Finance Partnership – making an initial £1 billion available to help businesses raise funds through non-bank sources
- StartUp Loans – provision of £10 million for low levels of capital for 18 to 24 year old entrepreneurs
- Bank of England's loans to High Street Banks – cheap cash loans to stimulate cheaper lending to consumers/businesses
- establishment of an industry working group to develop access to non-bank lending channels – led by BIS

## FINANCING AND GROWING A BUSINESS

- Seed Enterprise Investment Scheme offering 50 per cent income tax relief and a CGT holiday in 2012-13. EIS and VCT also simplified
- extension of small business rate relief holiday and deferral of part of the increase

## REGIONAL GROWTH

- Regional Growth Fund – third round making a further £1 billion available with the first two rounds of RGF (totalling £1.4 billion) allocated to 219 bidders
- 100 per cent capital allowances in certain Enterprise Zones including Sheffield and Humber
- Enterprise Zones around BAE Systems' sites including in the Humber

## PROCUREMENT

- publication of medium term plans setting out Government procurement needs
- simplification of the procurement process and introduction of lean procurement processes

## INNOVATION

- investment of an additional £75 million in technology-based SMEs

## BUSINESS INFORMATION AND ADVICE

- an improved easy to use Business Link website ([www.businesslink.gov.uk](http://www.businesslink.gov.uk)) and a helpline
- GrowthAccelerator, a 3 year tailored coaching programme to support SMEs with high growth potential
- a mentoring course – creating a wide network of business mentors ([www.mentorsme.co.uk](http://www.mentorsme.co.uk))
- investing £1.8 million in Get Mentoring, an initiative to recruit and train volunteer members.

# Case study

## Oakworth Homes Ltd



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Over the last 6 years John Capper has taken Oakworth Homes Ltd, a company which designs, manufactures and erects timber frame buildings typically for the self build and commercial developer sectors, from a start-up into a noteworthy business with a turnover of £1.8 million.

John thinks that the success of Oakworth Homes comes from being a great team, having good quality products, solid company values and sustained investment in its sales pipeline.

During start-up Oakworth Homes got involved with the regional "High Growth Start-Up Yorkshire" – a programme driven by Yorkshire Forward. John explains that he had a negative experience through using the scheme: "the programme seemed to connect you with consultants who didn't seem very passionate about helping our business to grow, just keen to collect fees so we left the scheme and looked to our own advisors for support."

He continues: "whenever I have tried to raise development funding over the last 6 years, regardless of success, I have always been told that funding is only available to viable businesses. I completely understand this. However, I can't help but wonder how many businesses are viable in a recession. Even banks are receiving handouts to allow them to continue to trade."

John adds: "grants appear to be virtually non-existent currently and we are not finding any support in terms of business rate savings."

Oakworth Homes was initially funded by personal finance and has since received funding from both Chris Rea as an Angel type investor and from The Enterprise Finance Guarantee (EFG) scheme. John explains that "additional funding, necessary for the development of the business, was very difficult to obtain due to the banks' constant requests for a charge over my family home on the promise that, should the business fail, they would provide me with a personal mortgage to cover any charge. I feel that this is just unethical".

"It is possible that we will have a need for further funding in the next 12-18 months to cover investment into other product manufacturing lines. If successful, this will help us to create jobs, which is very important in the current economic climate."

Oakworth's shareholders are investing in the company because they see a business with good growth potential and good values and, in part, on the basis they will benefit from EIS relief.

In these difficult times, John sees Oakworth's biggest challenge going forward as the company's alignment with the construction industry due to the industry's requirement for development funding on each project.

In order to continue to grow, its customers need to raise cash in order that they can fund the development of land on a commercial or self-build basis. Building houses in the UK is currently at an unsustainably low level. If building continues at the current rate, it will take over 250 years to replace the country's housing stock, even before we start to deal with the housing shortage.

One of Oakworth's key opportunities comes from its timber frame construction product, which is widely recognised as a sustainable "green" method of construction. Construction legislation in the form of the "Code for Sustainable Homes" is striving to improve the quality of homes built in the UK and addresses elements from the basic sourcing of ethical and sustainable materials to the health and well being of how we live in these houses. Timber frame construction is a key element in helping to achieve this code for sustainable homes standard which is helpful for Oakworth's continued development.

John feels that one of the main ways that the region can help entrepreneurs and business start-ups is by increasing access for cash. He says "this is vital to allow businesses to get up and running and create jobs in the region".

# Case study

## Aptamer Diagnostics



Dr Arron Tolley is CEO of Aptamer Diagnostics (AD). AD is a Contract Research Organisation (CRO) created from the need for faster, more accurate and diverse requirements for diagnostic devices and reagents. Sister company, Aptamer Solutions, makes nucleic acid aptamers, best thought of as DNA-based antibodies, for use in the life sciences industry.

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AD was incorporated in 2008 and started trading in 2011. Its projected turnover for 2012 is £100k and it currently employs four people. AD was a small business operating from a home built lab funded by friends and family. It recently won Technology Strategy Board funding of £232k to support work on developing potentially game-changing diagnostics in collaboration with SHARP. Further family and private investments, obtained through attending local seminars for entrepreneurs, took AD to the next level. All shareholders are investing on the basis they will benefit from EIS relief.

Arron believes Aptamer's expertise and innovative proprietary technologies are the main reasons for its success: "Our expertise spans many areas of industry and sets us apart from the competition. We have almost outgrown our current laboratory and office space within a three month period and without advertising. Currently, cash flow is restricting our expansion."

Aptamer was founded in Leeds and moved to York to base the business within excellent facilities provided by Food and Environment Research Agency (Fera).

Arron explains the role the region played in starting the business:

"While Yorkshire has only a small number of 'commercial' biotech companies, it has a relatively strong

reputation in the field, partly due to the strength of the University of York and Fera. By placing ourselves in the commercial space at Fera we have access to hundreds of potential customers / collaborators, excellent laboratory space and support services."

Initially, Arron found obtaining specialist support from the region difficult:

"The support we did find was hit-and-miss, mainly due to people's inexperience in this sector. Members of the Yorkshire Association of Business Angels (YABA) informed us of the opportunity to present at Venturefest which we subsequently won.

"I don't feel we faced more challenges than we would have in any other region. There would have been more support in areas such as Oxford or Cambridge (with larger amounts of 'start-up' biotech activity); however, once past the initial hurdles I believe the process would be very similar. But I did find the organised funding seminars a minefield to navigate. Advice from presenters from local funding organisations, while helpful, is usually geared towards their own interests".

Arron's view on Government initiatives to help entrepreneurs is that there is an expectation that the Government should provide support, monetary or otherwise, at practically every stage. "There is a fundamental difference between the Government supporting those with a good business concept,

strong management team and realistic financials and offering support to 'everyone with an idea', I think any more Government 'help' will divert money and resources where they may not be required. Entrepreneurs are often thrown in at the deep end with limited business skills, to face a 'menagerie' of advisers, all declaring their services are essential to make the business a success. While all of these are hugely important, entrepreneurs need to obtain the basic skills to avoid incurring heavy start-up costs due to engaging these professionals in the wrong order or at a time when their services are not adding value". Regionally, Arron believes that steps could be taken to make genuinely unbiased business advice available, outside that offered by organisations such as angel networks, their associates and VCs.

Arron plans to source funding to expand AD and purchase equipment.

He expects to retain a base in the region for the next 3-5 years.

"Marketing with a restricted budget will be our biggest challenge, as will financing the international collaborations we are regularly offered. We are able to participate in multiple high-growth potential diagnostics development projects and may require additional funding to realise these goals. Competition is growing but we do not see a significant increase for the next five years – by then I believe we will already be an established brand."

# Methodology



The research was carried out during July 2012. Ant Marketing, an independent agency, was commissioned to conduct telephone interviews with senior decision-makers at owner-managed businesses established in the last ten years in the Yorkshire and Humber Region, to obtain their views on a variety of issues including: key opportunities and challenges, growth, international expansion, funding, priorities and the Region.

In total, 78 companies were interviewed. To ensure a balance of views companies were chosen from throughout the Region across a range of business sectors. In addition, in depth interviews were conducted with a number of the Region's entrepreneurs which have been included as case studies in the report.

This report was launched in September 2012 at MADE: The Entrepreneur Festival in Sheffield.

We are grateful to all those who participated, for giving their time and sharing their views.

## GLOSSARY

**BIS** – Department for Business Innovation & Skills

**CGT** – Capital Gains Tax

**Enterprise Zone** – A designated geographical area in which businesses enjoy favourable incentives

**EIS** – Enterprise Investment Scheme

**Gazelle** – Fast growing company

**Region** – Yorkshire and the Humber

**RGF** – Regional Growth Fund

**SME** – Small and Medium Enterprises

**UKTI** – UK Trade and Investment

**VCT** – Venture Capital Trust

## About us



N A B A R R O  
CLARITY MATTERS

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Barber Harrison & Platt (BHP) has a specialist Entrepreneurial Advisory team made up of some of the region's leading specialist advisors. The team has developed its skills and experience over decades of supporting many of Yorkshire and the Humber's leading entrepreneurs through all stages of growth and development. In addition, BHP has developed in-depth sector knowledge of a number of the region's key business activities.

The firm has particular expertise in supporting entrepreneurs in developing their businesses through:

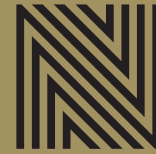
- Planning for growth
  - business planning and forecasting
  - strategic business planning
- Supporting growth including
  - tax planning
  - outsourcing (accounts and payroll)
  - management information
- Funding growth
  - raising finance

BHP's team of specialist advisors works with entrepreneurs to fulfil their ambitions by providing both practical hands-on financial and commercial support as well as advising on business strategy and planning.

Nabarro is a major commercial law firm renowned for its positive and practical approach to our client's business needs. It operates in a number of industry sectors and legal disciplines with a single aim: to deliver the highest quality legal advice as clearly and concisely as possible, no matter how complex the situation.

Nabarro has a designated entrepreneurs group which is focused on the needs of the entrepreneur community, having been closely involved with young growing companies and their investors for many years.

We understand the needs of entrepreneurs, so no matter how complex the situation we offer plain, unequivocal advice, not pages of jargon. We have developed various products that aim to make the process as straightforward as possible, whether it's raising equity capital or bank finance or seeking advice on such issues as the Enterprise Investment Scheme, share incentive plans, employment law, protecting intellectual property rights, terms of business, real estate contracts and dispute resolution.



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