

The five habits of highly effective companies



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A report from **BDO**Drive; designed to help your business succeed.

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Executive summary



Business success does not come of its own accord.

The way in which businesses operate has dramatically changed. The rise of technology and access to information has meant agile-minded entrepreneurs can grow cutting-edge businesses overnight. It took the telephone 75 years to notch up 50 million users. Facebook did it in three and a half years, and the Angry Birds mobile app did it in just 35 days¹. The use of technology and a better connected society, generally, has meant businesses can become global overnight.

Indeed, these opportunities continue to increase, despite ever more complex political and socioeconomic climates. With Brexit, the country is moving into uncharted territory. The direction of travel posed by the exit from the European Union has already raised concerns in the business community. Carolyn Fairbairn, Director-General of the Confederation of British Industry, says: "Leaving the EU will be a highly complex process, and all sectors of the economy are making their priorities clear in order to get it right."

But, despite this uncertainty, there are still countless opportunities available, and many emerging businesses are taking advantage of them with "record numbers reporting rises in revenues and customer numbers" in 2017². To understand what was driving success in these businesses, BDO commissioned research among some of the UK's most successful companies.

The results offered an interesting insight into the world of innovators, founders, change drivers and owner/managers alike.

One common theme that emerged from our findings was that like highly effective people, highly effective businesses share specific traits and follow common pathways to greatness.

They all:

- ▶ Have a clear road map, but stay flexible
- ▶ Invest in productivity and innovation
- ▶ Learn from peers
- ▶ Focus on sales growth
- ▶ Recruit the right team

These are the habits we have coined as 'The five habits of highly effective companies'. This report summarises the findings of our survey, and includes advice from many of the business leaders who were interviewed, as well as from some of the advisers that helped drive the strategy behind the success.

MARK SYKES

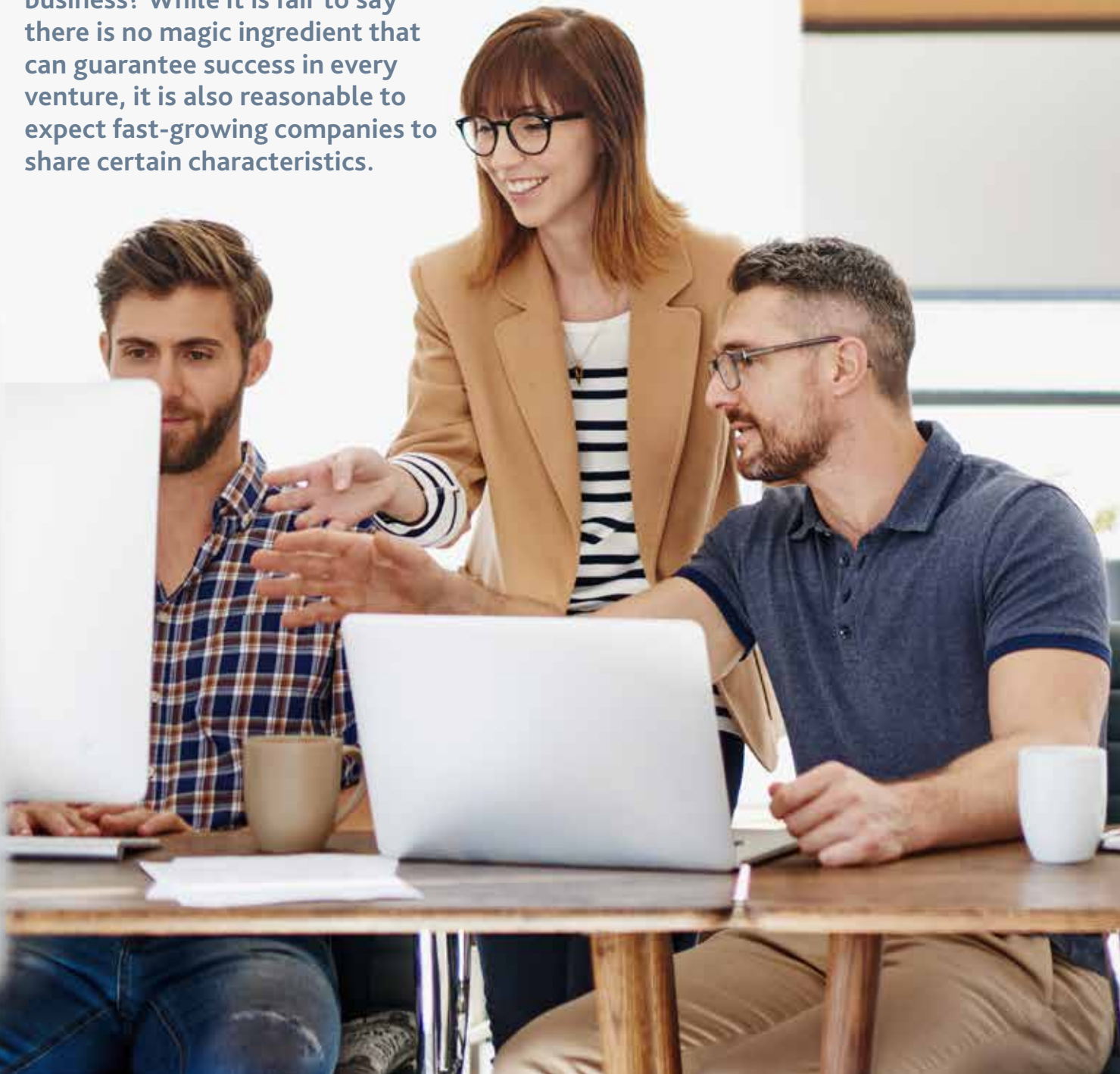
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1. BDO, 2017: Where next? A new economy. Available at neweconomy.bdo.co.uk.

2. Hiscox, 2017: The Hiscox DNA of an entrepreneur report 2017. Available at www.hiscox.co.uk/dna-of-an-entrepreneur/index.html.

Introduction

What does it take to build a successful business? While it is fair to say there is no magic ingredient that can guarantee success in every venture, it is also reasonable to expect fast-growing companies to share certain characteristics.



Geographical spread of respondents



- Midlands ■ London ■ South East England
- North West England ■ North East England
- South West England ■ Scotland ■ Wales ■ Northern Ireland

Respondents by sector



- Manufacturing ■ Real estate & construction
- Retail & wholesale ■ Technology ■ Professional services
- Healthcare ■ Entertainment & recreation ■ Financial services
- Leisure & hospitality ■ Infrastructure & transport ■ Other

To see what these characteristics might be, BDO interviewed a selection of 250 small and mid-market enterprises (SMEs) that have all seen more than 20% year-on-year growth for the last three years. For comparison, the UK's average growth in gross added value (GVA) was 19% over five years, from 2010 to 2015.³

Geographically, the spread of our respondents roughly mirrored GVA distribution across the UK⁴, with the Midlands, London and the Southeast in the lead and Northern Ireland at the end.

Sector-wise, the respondents represented a broad spread of industries, with Manufacturing, Real Estate & Construction, and Retail & Wholesale jointly making up almost two-fifths of the sample, and a further 35% not belonging to any of the major sectors.

We asked these businesses several questions about their success, and encouraged debate around their biggest challenges. As might be expected, the responses were varied, but they did reveal five common features.

3. As detailed in the House of Commons Library briefing paper number 05795, 16 December 2016: Regional and local economic growth statistics.

4. Ibid.



HABIT 1

Have a clear road map, but stay flexible

Q1. Do you have a clear road map setting out the main plans and goals for the next few years, which is regularly reviewed and monitored against performance?



■ Yes, up to date
 ■ Yes, but not up to date
■ Undisclosed
 ■ No, but it would be useful
■ No, it's not relevant

Knowing your direction of travel is clearly important for highly effective businesses. Among the high-growth company leaders questioned, 64% said they had a clear, up to date road map and a further 7% had a plan even if it was not up to date.

Only 14% said they thought a road map would not be relevant to their business. Most, though, agreed with the sentiment expressed by the CEO of an award-winning recruitment agency, who said: "Have a vision and a plan. Don't go at it blindly. Have a clear strategy and strong value proposition as to what you are doing." Recent research accentuates how important the connections between direction, strategy, goals and purpose are to an organisation's sustained performance.⁵

But while a road map was felt to be a fundamentally useful tool, more than 80% of respondents who had a plan stated the need to be flexible with it.

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Have a vision and a plan. Don't go at it blindly. Have a clear strategy and strong value proposition as to what you are doing.

The importance of malleability is emphasised by the Harvard Business Review (HBR), which recommends business leaders should "assume the plan is a work in progress."⁶

A strategic plan is not a set-and-forget instrument. "It's a living and breathing document that guides decision making and helps marshal resources," says the HBR.⁷

5. Nautin, Thierry, 2014: The aligned organization. McKinsey & Company.

6. Kenny, Graham, 21 June 2016: Strategic plans are less important than strategic planning. Harvard Business Review.

7. Ibid.

Agility is key in a fast changing world, and by considering multiple scenarios in advance, companies can consider the consequences, sensitivity and volatility in the organisation. Running various "what if" scenarios means that businesses can adapt much faster and make the right decisions when uncertainties arise in the business world. With the advent of cloud based reporting, businesses can also see and react much quicker to warning signals in their underlying performance, and having considered outcomes, they are better able to anticipate the consequences of their decisions.

Scenario planning uncovers a range of near inevitable routes your businesses will take, and can help you prepare for an eventuality.

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...there needs to be a structure in place for where the business is going, but owners should not be frightened to change, to adapt.

The key point, wholeheartedly supported by BDO, is that there needs to be a structure in place for where the business is going, but owners should not be frightened to change and to adapt. The road map is a guide and a framework to work within. It is not a cast-iron arrangement.



BDO ADVISER VIEWPOINT

Regular, robust strategic reviews will lead to better planning, every time

“
An effective planning process not only ensures there is robust conversation as the plan is being developed, but also that the plan is effectively communicated and monitored after it has been put together.

JEREMY HAYLLAR
Head of Business Advisory for
BDO*Drive* Solutions

Creating a road map is a continuous process that leaders need to embrace to be accountable (and ensure others are accountable).

Sometimes the questions being asked in the strategy review process are not incisive enough to challenge the assumptions behind the plan, and to ensure the plan is flexible enough to deal with changes in the business environment.

To help you consider this, we've put together a list of traditional strategy review questions, as well a list of more incisive questions to challenge the assumptions behind the plan.



Traditional strategy review questions

VISION, PURPOSE AND ADVANTAGE	GROWTH	OPERATIONS AND RESOURCES
<ul style="list-style-type: none"> ▶ What will the business look like in five years' time? ▶ What is the purpose of the business? ▶ What are the competitive advantages of the business? 	<ul style="list-style-type: none"> ▶ What are your financial objectives for the next one, three and five years? ▶ What are your top three growth opportunities? ▶ What are the top three actions central to achieving these goals? ▶ What markets will you operate in? ▶ What is your customer value proposition for each market? 	<ul style="list-style-type: none"> ▶ What operational systems and processes must you excel at to deliver value to customers? ▶ What people and resources do you need to execute your strategic plan? ▶ What are your key milestones for growth? ▶ Who will be responsible for driving business growth and achieving milestone events?

Second stage, robust review questions

COMPETITORS	ORGANISATIONAL CAPABILITY	STRATEGIC FOCUS	PEOPLE AND OPERATIONS
<ul style="list-style-type: none"> ▶ What are competitors doing to increase market share? ▶ What do you know about your competition's leadership and key people? ▶ Could a competitor conduct merger or acquisition activity, or form alliances to enter your segment? 	<ul style="list-style-type: none"> ▶ Do you have the right people in the right roles, and do they know what they are accountable for? ▶ Can your sales force win in existing and new market segments? ▶ How will technology help you to execute strategy? 	<ul style="list-style-type: none"> ▶ Are you focused on your key market segments? ▶ Can your people state what your strategy is in a few simple phrases? ▶ Does your plan have a few (three or four) strategic priorities? 	<ul style="list-style-type: none"> ▶ Has the strategic plan been broken down into one-year operation plans and quarterly initiatives? ▶ Does each business unit or function have the right kind of people and resources to implement these plans and initiatives? ▶ Does everyone know what they are accountable for?

HABIT 2

Invest in productivity and innovation

There are many ways to grow profits in a business. For example, you can develop national or international markets, acquire other businesses, divest non-profitable areas or outsource non-core functions.

The fast-growing businesses we surveyed did all these things, to a greater or lesser extent. But the one habit that emerged above all others was a focus on productivity and innovation. Over 67% of our respondents, when asked 'where do you see your profit growth coming from?', focused on driving productivity and innovation in some fashion. This is roughly three times higher than the next-best profit-boosting measure: developing UK markets, which scored 19%.

In fact, focusing on productivity and/or innovation was as popular amongst respondents as all other profit-enhancing strategies put together.

OECD data indicates that between 30% and 60% of successful SMEs are doing well because of their innovative traits. Innovation is realised by these companies either "through creating or re-engineering products or services to meet new market demands, introducing new organisational approaches to enhance productivity, or developing new techniques to expand sales," the OECD says.⁸

Sectors at a glance

Looking across sectors, however, the need for innovation and productivity can vary. In our survey, companies in the Financial Services and Leisure & Hospitality industries, for example, tended to prioritise developing new UK markets over productivity or innovation.

In Manufacturing and Technology, however, the need to focus on productivity and innovation is notably higher. British manufacturers, for example, are being challenged to embrace what is known as Industry 4.0.

Q2. Where do you see profit growth coming from?



- Driving productivity
- Developing UK markets
- Driving innovation to launch new products or services
- Adopting technology to drive productivity
- Buying other products, brands or companies
- Exiting non-profitable ventures
- Other

8. OECD Observer, June 2000: Small and Medium-sized Enterprises: Local Strength, Global Reach. Available at www.oecd.org/cfe/leed/1918307.pdf.



What are the mechanisms being employed to drive productivity and innovation?

One tool that works well is "taking and tailoring ideas from other sectors and niches," says the CEO of a fast-growing technology company in the South West.

Business leaders' natural intuition is to view growth through the lens of their markets and products, according to high growth expert and author David Thomson. "Social networks, careers and financial assessments often are confined to an industry or industry group," he says.¹²

But some of the most successful businesses on our list highlight the value of keeping one eye on wider trends and other industries.

This has been demonstrated by numerous BDO clients developing apps. "Many are taking ideas from other industries and using them to solve niche problems within their own markets," comments Anoop Rehal, **BDO**Drive Solutions Director at BDO.

Another approach highlighted by our survey was the opportunity to use technology and management practices to continue to drive productivity.

Investing in systems opens the door "for creating new products and services, rather than cutting costs and limiting innovation," says the CEO of a successful technology company in the North West. "It gives a company tools to continue to rapidly introduce products into the market, fuelling additional growth. Thinking of your business as a system is key to determining its successes."

The opportunities available in technology can take many forms, according to our respondents, including investing in IT infrastructure, streamlining processes and systems, or optimising business supply chain structures, customer management or market research.

This involves boosting productivity through the integration of new technologies, such as automation, cyber-physical systems, the Internet of Things and artificial intelligence. BDO research⁹ shows UK manufacturers are still grappling with Industry 4.0.

Although 59% know it will have a big impact on the sector, only 8% have a significant understanding of Industry 4.0 processes.¹⁰

In retail, meanwhile, "online markets mean that stores look to increase productivity to improve their profits."¹¹

This pressure means that the high street retail sector continues to look for ways of driving up sales, and "innovation is urgently needed to bring consumers into the stores or the free fall off the precipice will accelerate."

9. BDO, 15 June 2016: *Industry 4.0 Report*.

10. BDO, 15 June 2016: *Industry 4.0 Report*.

11. Loeb, Walter, 24 April 2017: Why Productivity In Retail Stores Matters. Forbes. Available at: www.forbes.com/sites/walterloeb/2017/04/24/why-productivity-in-retail-stores-matters/

12. Thomson, David, June 2010: Mastering the 7 Essentials of High-Growth Companies: Effective Lessons to Grow Your Business.

HABIT 3

Learn from peers

Effective business leaders are made, not born. And one of the factors that helps in the making is having access to sound business advice.

An overwhelming majority of high growth businesses stated that they looked to peers to get business advice. The only sector in which peers were not the most esteemed source of business advice appeared to be Technology. Of the companies interviewed in this sector, 42% preferred to rely on professional advisers, versus just 25% for peers.

“**Finding the right mentor is important - and it is often more than simply making sure they have strong commercial skills. You need to find someone who you can connect with, and who can challenge you, introduce you to new connections, and invest their time in making you and your business succeed.**

JEREMY HAYLLAR
Head of Business Advisory for BDO Drive Solutions

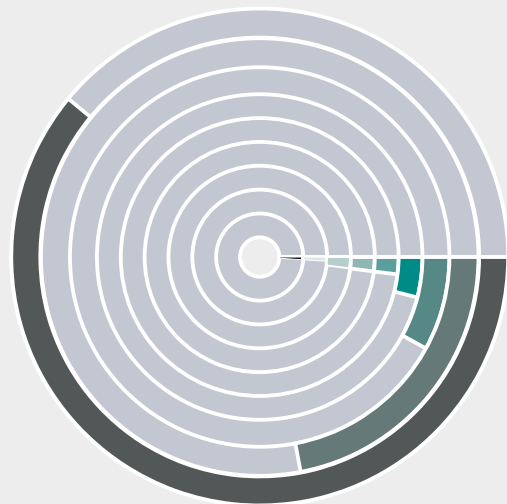
Mentors were more widely used by younger business founders, with more than 50% under the age of 35 reporting using a mentor, compared to 20% over the age of 60.

“The benefits that suitable advisers can offer have been far-reaching in our experience,” comments Hayllar.

Of the respondents we surveyed, five common themes emerged as key motivators for using external advice:

- ▶ Finding and incorporating strategic advice from customers, alliances, partners and current market influencers
- ▶ Enabling leadership teams by educating them on growth principles and wider strategic targets
- ▶ Bringing fresh ideas to stimulate innovation and revitalise the business
- ▶ Balancing views to guide and challenge
- ▶ Managing roadblocks, freeing up time and energy to focus on essentials

Q3.1. Where do you currently get business advice from?



■ Peers ■ Professional advisers ■ Non-executive directors
■ Internet ■ Other channels ■ Seminars ■ Trade shows
■ Local press ■ Social media

Business leaders also had a clear view of the type of adviser they reached out to. Accountants were the first port of professional advice by far, cited by about half of the sample.

Relying on external accountants makes sense as accountancy teams are able to provide independent viewpoints and consultancy capabilities.

Lawyers, business coaches and non-executive directors were also commonly turned to for external advice.

Q3.2. Which of the following professionals would you most likely turn to for business advice?



■ Accountant ■ Other ■ Lawyer
■ Business coach ■ Bank ■ Leadership team

In the almost 33% of cases where respondents said they would turn to another source of professional advice, the most commonly cited option was 'industry insiders'.¹³

This further highlights the message that effective leaders need guidance from those who understand the workings of industry and the routes to navigate the intricacies.

As a business grows it requires different levels of servicing and has different needs and requirements. This is where providing the right advice at the right time, from industry specialists, can make a real difference to the success of the organisation.

"It is no longer realistic that one person has access to all the knowledge and experience a business needs," comments Mark Sykes, Partner and Head of the **BDO**Drive Solutions team at BDO. "Investment in technology has enabled us to better connect the dots from across the specialists in our business, so clients access genuine expertise without the loss of personal client service. Forward-thinking businesses are also recognising that a wider ecosystem of specialists, in areas such as technology, human resources, funding and legal, is just as critical as the internal team."

It can be lonely at the top

One of the common themes accountants see when first meeting owner-managers is the drive and ambition behind their ideas. But what most people don't realise is how hard and lonely it can be at the top. Peer mentoring can alleviate this issue, while also offering external points of reference and providing a helpful sounding board.

“People may love your enthusiasm, but you need to realise it's your labour of love and nobody else's, so you will have to make it work.”

If you are unable to bounce your ideas off someone for reassurance, having to put a lot of time into the business can be quite stressful. "People may love your enthusiasm, but you need to realise it's your labour of love and nobody else's, so you will have to find a way to make it work", comments Sykes.

¹³. Industry insider was defined as a professional advisor who has held two or more long term C-suite level roles within sector leading institutions.

HABIT 4

Focus on sales growth

Knowing where to focus your immediate efforts is a tricky business, even for very effective businesses.

Circumstances dictate that you may need to drop everything and improve profitability at one point in time, then change tack to deal with recruitment at another.

It is not surprising, then, that our sample provided a wide range of answers to the question: what will your business focus on over the next year? Building new markets, improving profitability and recruiting the right team were all important goals, cited by 13%, 11% and 10% of the sample, respectively.

But if there was one aim that stood out above all others, quoted by almost a quarter of those interviewed, it was driving sales growth.

It isn't surprising that driving sales growth is a key focus for many of the ambitious companies we interviewed. Delivering year-on-year growth, as our respondents have been doing, encourages a mentality geared towards continued development, but while strategies to help you increase your customer base and boost revenue are a good thing, growth alone isn't enough to support and sustain a company if the right conditions aren't met.

“**Businesses often prepare a forecast and then leave it in a drawer. What is of more value is to consider forecasts for different scenarios and see where the strains might be.**”

We asked some of our sample what they felt were the biggest problems they faced when growing. Despite their differing circumstances, 50% of our respondents all encountered one key failing: not being prepared for the growth they experienced. "It is important to have the infrastructure in place before you grow," says the owner of one fast-growing business.

This is where scenario setting can prove really useful. "Building robust three-way forecasts is essential for growing businesses," says Sykes. "To avoid over-trading, it is critical to have clear visibility of funding requirements, headroom and working capital requirements."

Q4. Where will you focus your efforts in the next year?



■ Driving sales growth ■ Building new markets
■ Improving profitability ■ Recruiting the right team
■ Building and protecting the brand

This could be as simple as considering where sales growth is going to come from. For example, is there a growth opportunity within a new market or product? Or is there an opportunity to move to an online or e-commerce platform?

A long-standing issue that BDO has seen in businesses at all stages of their life cycle is that it is important to grow but more important to understand how growth is going to be sustained (e.g. will you need funding or more staff?). There are many fundamental business issues that need to be understood to maintain future growth and not collapse.



Consider the following takeaways as you strive to grow your own company

We asked some of our emerging businesses what their toughest learnings were. Here is what they had to say:

SITUATION

"We overreached without properly gearing ourselves. It was an oversight that could have easily been managed."

TIP

"Analyse your position to understand where you are exposed," says a high-growth technology CEO.

SITUATION

"New upgrades on phone and tablets platforms meant we had to update our technology, but the updated platforms were incompatible with some of our other products and features."

TIP

"Take time to consider your investment in infrastructure and don't be afraid to change tack as times progress," was the advice from a growing technology company.



SITUATION

"We were dependent on a single third party to drive sales. No longer able to use the channel, we were left completely in the dark and unprepared. We were forced to develop our own channels. Although a lot of our original buyers found their way back to us through our rigorous online integrated marketing campaigns, it would have been easier if we had done it the right way from the off."

TIP

"Create your own dedicated buyer following and where possible, create your own sales platform, too," says the owner of a retail chain.

TIP

"Don't put all your eggs in one basket," says the founder of a fashion brand. "When expanding, don't just focus on driving existing products into new markets, but also use the time to focus on building new products."

SITUATION

"We didn't realise a number of our products were ultimately based on a trend and we weren't sufficiently diverse to survive a hard-hitting slump in sales."

BDO ADVISER VIEWPOINT

A plan for growth is important, but focusing on execution is key to success.

Many businesses fail not because of the strategy or growth plan, but because they executed it poorly or because sustained growth was not planned for. There are many fundamental business issues that need to be understood to maintain future growth and to reduce the risk of collapse. To overcome this, get into the habit of asking yourself these questions:

- ▶ Is the leadership team regularly assessing the business environment?
- ▶ Does the business have the resources or capability to deliver the strategy?
- ▶ Do our people know what the strategy is?
- ▶ Are our leaders actively involved in measuring and monitoring strategy implementation?
- ▶ Are our strategic objectives broken down into manageable projects?
- ▶ Are our people held accountable for their performance?
- ▶ Do our people have the information they need to make effective decisions?
- ▶ Do we have the right people with the right skills, knowledge and experience to achieve our plan?
- ▶ Are we helping our people to deal with change effectively?

Finding the answers to these questions will help you to avoid the pitfalls of poor execution.



HABIT 5

Recruit the right team

Businesses may be created by just one or two founders, but to become highly effective they need a robust team. One of the key themes to emerge from the report was the need to be surrounded by the right people.

Of the 150 respondents surveyed, 21% wished they had more wisdom relating to human talent. Talent is a big concern to growing businesses, especially in sectors that rely on people with advanced skills sets, such as technology.

The skills gap

West Midlands Safari Park Managing Director Ivan Knezovich says: "It is an ongoing challenge to find people with the sort of high-level technical skills required to help implement and maintain the kind of advanced systems we want to keep introducing, to aid our future growth."¹⁴

Overall, 48% of UK employers expected a shortage of suitable candidates to fill permanent jobs in 2017, according to the Recruitment & Employment Confederation.¹⁵

ManpowerGroup, in its recent Talent Shortage Survey, reported that employers are experiencing the highest global talent shortage since 2007, with more companies than ever turning to training and development to address skills shortages.¹⁶

The inner circle

While recruitment is crucial at every level, nowhere is it more important to have the right team than at the top.

According to David Thomson, Founder and Chairman of The Blueprint Growth Institute and recognised high-growth academic, exceptional-growth company boards are not just packed with investors, as one might think. "Rather, they balance investors and management team leaders with customers, alliance partners and one or more high-growth company CEOs," he says¹⁷, to get a balanced and holistic set of skills.



This thinking demonstrates the need to understand your core skill sets and choose those individuals who complement you and fit your team. "The additions need to be able to add what you can't," says the owner of one South East healthcare company. "Once you've found them leave them to do what they do best."

In addition, and perhaps contrary to the popular belief that one leader is the leader, we found leadership in our high-growth companies often comprised two partners working closely together. This supports Thomson's theory that often the best leadership dynamics were based on duos or two individuals who complement each other.

"The inside-facing executive is typically the Chief Operating Officer; the outer-facing executive is typically the Chief Executive Officer. Together they make swift decisions—and quickly correct their mistakes. Most important, they have real trust in and respect for one another," Thomson says.¹⁸

Hence if you are carrying the weight of your company's aspirations on your own, consider finding a partner who shares your ambitions and can lead from the front with you.

Recruiting and retaining

A case made by many of our respondents is that as well as looking at your own workforce, securing the right wider external team is also critical.

But based on the responses to our survey, the talent shortage often reaches outliers too. A Scottish manufacturing business owner, for example, comments: "Good professional advice can be hard to find, be that with accounts or a solicitor. Sometimes searching a bit harder or paying the price is the only option, but it's worth it in the end."

In response to this challenge around accessing good professional advice across the UK, BDO launched **BDOdrive**, which makes the expertise of one of the top global firms of accountants available to SMEs. "Smart use of technology allows much more responsive service and more communication channels, but we recognise the personal business adviser will always be the key to real client support," says Sykes. "Therefore, we've also invested in our teams across the UK, helping them focus on the issues businesses face in today's world."

14. BDO 2017 Worcestershire Growth Barometer

15. Press release, 20 December 2016: UK employers face growing candidate shortages in 2017. The Recruitment & Employment Confederation.

16. ManpowerGroup: 2016-2017 Talent Shortage Survey.

17. Thomson, David, June 2010: Mastering the 7 Essentials of High-Growth Companies: Effective Lessons to Grow Your Business. Wiley, ISBN: 978-0-470-61062-6.

18. Ibid.



MILLENNIAL FUTURES

By 2025 millennials will make up the majority of the workforce. Understanding and integrating the working practices of this diverse and tech savvy group will play a large part in the retention of these individuals. Career progression, travel, access to the right technology and personalised training are top of the wish list for these individuals for their careers, and 53% of Millennials would be more likely to accept a job if the employer used the same technologies they do.¹⁹

BDO ADVISER VIEWPOINT

Finding the right people

"Finding and keeping the right people in the right positions, doing the right activities, is a core task that business leaders need to own. The ability to build a pipeline of potential leaders who can develop the future strategy of the business is a core capability that all leaders need to have and retain control over," comments Jeremy Hayllar, Head of Business Advisery for **BDO**Drive Solutions.

This is best illustrated by a quote from David Ogilvy, founder of the global advertising company Ogilvy & Mather, who used to give new managers a set of Russian dolls. Inside the smallest doll was a note that said: "If each of us hires people who are smaller than we are, we shall become a company of dwarfs. But if each of us hires people who are bigger than we are, we shall become a company of giants."

Also worth noting is that approaches to retaining talent are changing. Money is important, but passion and the opportunity to create and drive your own ambitions are more necessary than ever. "It is about creating a greater purpose than just growing the profits of the company," comments Sykes. "We see businesses do this first by investing in their own brand and cultural identity, but second by increasingly focusing on greater causes that customers, suppliers and staff can all get behind. For example, one of our most successful clients has chosen to focus on positioning itself as being the champion of the small business, and so links what staff are doing to supporting the future businesses of the UK."

**“
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People are looking at work in a different light, and looking for a more balanced, rewarding career. They want companies that offer more than a job. BDO has noticed a change in what newly established, fast-growing companies are offering, for example: flexible working, creative breakout sessions and ways to invest in the business are common place for new and growing businesses. Companies must look at how they intend to attract the right talent.

Top three tips

Nine out of ten respondents in our sample were keen to provide feedback beyond the scope of our survey. Not all the insights that they provided fell into the habits identified. We highlighted the top three tips that came to light from these discussions.

MARRY YOUR VISION TO STRONG LEADERSHIP

A lot of business highlighted the need for strong leadership to help a business stay on course.

As McKinsey & Company notes: "Sales leaders face a dizzying array of issues and opportunities to manage, often at speeds that seemed unimaginable even a few years ago. But by focusing on what really matters, sales leaders can break away from their competitors."²⁰

Two out of five of entrepreneurs and founders in the survey stated the need to ensure leadership is committed to the vision at hand. A Scottish engineering business explains there is a great risk that returns get diluted if you don't "believe in your vision and commit to it."

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20. Mahdavian, Mitra; Hatami, Homayoun; Valdivieso, Maria; and Yee, Lareina, May 2016: The sales secrets of high-growth companies. McKinsey & Company. Available at: www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-sales-secrets-of-high-growth-companies.



GOVERNMENT: SUPPORTIVE OR OVERLY LEGISLATIVE?

Our report found that over 35% of respondents felt supported by the Government and suggested utilisation of schemes becoming available to help drive your growth. But a further 37% stated the government needed to do more, and petitioned for growing businesses.

UK business bodies have called for the Government to pay more attention to the needs of fast-growing companies. Last year, the Centre for Economics and Business Research and fund manager Octopus said the Chancellor should do more to support high-growth small businesses, or HGSBs.

Simon Rogerson, CEO of Octopus, says: "The Government has done a great job of supporting entrepreneurship in this country but more needs to be done for this tiny group of companies that are punching well above their weight."²¹

One of the biggest highlights of recent years has been the UK's inability to help scaleup companies. We have one of the biggest pools of entrepreneurs but they are not supported when they are ready to scale up, unlike in the US or Europe. A good example of this is Israel, which is seeing a boom in tech start-ups due to government initiatives and support schemes such as the introduction of 'innovation visas' for foreign entrepreneurs in July 2017.

The major concerns around the approach being adopted by the Government centre on mounting legislation and red tape. Among the concerns, tax remains top of the list. Well over half of our respondents continue to feel that tax systems in the UK don't support growing companies. Many more state the time spent dealing with regulatory admin is increasing at an exponential rate. This sentiment was echoed once again in the Hiscox report, which found that "despite government efforts to reduce red tape, the amount of time spent by the average UK small business continues to rise, from two hours 24 minutes a week two years ago to two hours 34 minutes today."²²

02

RESEARCH YOUR MARKET AND YOUR PRODUCTS

Four out of ten businesses we surveyed reported growth in new markets. Commenting on this success, several businesses highlighted the need to keep a tight handle on demand when moving into new markets. In Cambridge, the finance director of one technology business says it is important to "really understand your market" to make sure there is a genuine need for products.

Customer and market-driven research were also listed as the best way to ensure your ideas and products service demand. Many of those surveyed harvest the opinions of customers before releasing products onto the market.

With the advent of social media, you now have more platforms to communicate with customers. Taking advantage of this is a useful way to gain market research and insight. Beta testing is the norm now, and often a prerequisite. The advent of technology has meant that the evolution of ideas is always progressive. An idea quickly snowballs. Apps, for example, have provided access to a simplistic way of concentrating on a niche market, while allowing for continued evolution of delivery and concept.

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21. Centre for Economics and Business Research, 14 March 2016: Where does your city rank? Octopus publishes new league table as it calls on the Chancellor to get behind high growth small business.

22. Hiscox, 2017

Conclusions

It is a challenging time to run a business. UK business leaders will be all too aware of this as they survey the growing competition, consequences of new legislation and the impact of Brexit. But there are big opportunities ahead for companies able to innovate and rise to the challenge.

Understandably, economic headwinds have affected most companies. But there is something reassuringly steady, foundational and inspirational about these habits to achieving exceptional growth potential. Based on our research, it would be reasonable to assume highly effective companies would:

- ▶ Have a clear road map for growth
- ▶ Have leaders who learn from their industry peers and are guided by their accountants
- ▶ Invest in productivity
- ▶ Focus on sales growth when not preoccupied by more pressing matters
- ▶ Work hard to acquire the right staff and advisers

Naturally, these are not hard and fast rules. A company does not need to undertake all of them to be successful. But they are intuitively good practices for any business that wants to be highly effective. The more you can make them habits in your business, the more likely you will be to succeed.

BDODrive

Times are challenging, but there are more avenues and opportunities for businesses to grow and be successful.

BDO understands first-hand the difficulties of a growing business and a changing structure. It can be hard but the important point is to focus on the opportunities. Being able to change and understand the market is key to success.

BDODrive is BDO's solution for SMEs, emerging and high growth businesses looking for advisers. It is our way to provide companies, especially those that are privately owned, with a specialist tailored advisory service that can grow with the business. We don't just provide compliance or accounting services. We aim to understand you and your business's goals and objectives, and use our experience to help advise you.

Using technology and expertise, **BDO**Drive can:

- ▶ Help you navigate the rules and regulations of doing business
- ▶ Make the day to day easier by streamlining your processes
- ▶ Prepare you for the challenges ahead
- ▶ Use business data to provide key insights in real time
- ▶ Provide an agile, flexible solution that can change as your business evolves over time

At the core of this is a long-term relationship as a trusted adviser and a core part of your team.

To find out how we can help, contact us now.

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