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SME Success: Winning New Business



In welcoming the fourth report of the SME success series, 'Winning New Business', I would like to extend my thanks once more to Professor David Gray and Professor Mark Saunders, and to Catherine Farrant for their continuing efforts in producing this research, which remains pivotal to providing recommendations for SMEs.

The first report highlighted the main concerns and opportunities facing SMEs, exploring how they themselves defined success; the second discussed the key issue of access to bank finance; while the third report focused on generating social capital.

This fourth report concentrates on the importance of winning new business. After all keeping existing and winning new business is vital for the growth of all UK enterprises and the economy as a whole. SMEs in particular are the lifeblood of our economy; key enablers of business success.

The innovation and entrepreneurial nature of SMEs is shown through their growth in recent years. Over the past three years in particular, we have seen an increasingly vibrant and diverse market for SMEs. In 2015, the SME market provided 15.6 million jobs in the UK; growing at its fastest rate since the economic downturn. For two thirds of SMEs, performance has also improved in the same period growing in turnover and profitability by generating new sales through new and existing business, and by maximising the opportunities of exporting.

This research indicates that SMEs are succeeding in winning new business by using a full range of techniques centred on well-established business principles and working closely with clients and businesses to maximise opportunity. Our case studies highlight examples of enterprises that have capitalised on opportunities; bringing benefits not only to their clients and their own business, but to other businesses as well. This virtuous circle of fostering businesses relationships - sharing best practice, innovative techniques and entrepreneurial ideas - is harnessing impressive returns in winning business.

All SMEs need to be aware of the opportunities available for winning new business. I hope that the valuable recommendations in this report will inspire SMEs to further explore their potential through utilising the strategies and techniques used by others for continued business success.

Sir Michael Snyder
Senior Partner
Kingston Smith LLP
March 2016

There are approximately 5.4 million businesses in the UK that employ less than 250 people. Together, they provide a total of 15.6 million jobs, equating to approximately 60% of the private sector workforce in 2015. However, while SMEs are of importance, it is their durability that can be considered of greater significance. The precarious nature of SME existence has been well documented. Only about 62% of small businesses are still trading after the first three years of initial start-up. After five years, fewer than 42% of businesses will have survived. Put simply, small businesses are more likely to fail than larger businesses. Indeed, other than size per se, the higher likelihood of failure is what distinguishes small from large businesses.

A large number of businesses, however, not only survive but actually prosper. This current study focuses on SMEs that have been in business for at least three years and have five or more employees. In particular, it explores both their performance and the ways in which they win new business in relation to their orientation to external and internal environments. This in turn highlights more effective strategy decisions for these businesses and may further be used to inform better policy decisions for government. A return of over 1,000 questionnaires completed by SME owners/managers or senior employees, 15 in-depth interviews and six focus groups makes this one of the largest studies ever into winning new business involving UK SMEs.

To request a copy of the full report, please email
smesuccess@ks.co.uk



Winning New Business: In Brief

Turnover and profitability is higher than three years ago for approximately **two thirds** of SMEs.



SMEs whose owners and/or managers **are older**

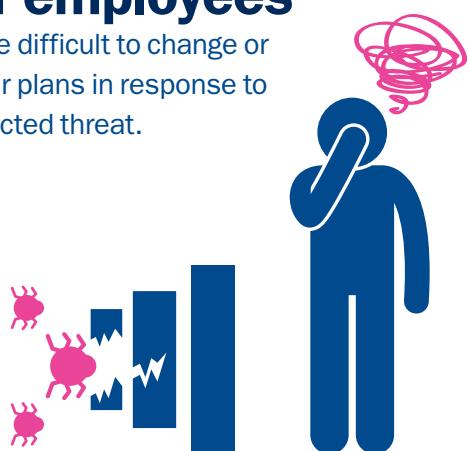
are significantly more effective at managing existing relationships...



...and those who **are younger** are significantly more effective at social media networking.

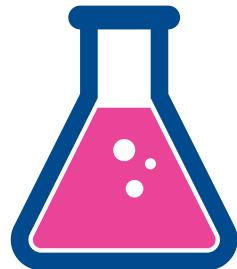
SMEs with **fewer employees**

find it more difficult to change or adjust their plans in response to an unexpected threat.



Over two thirds

of SMEs consider developing and selling new products/services to both new and existing customers as important.



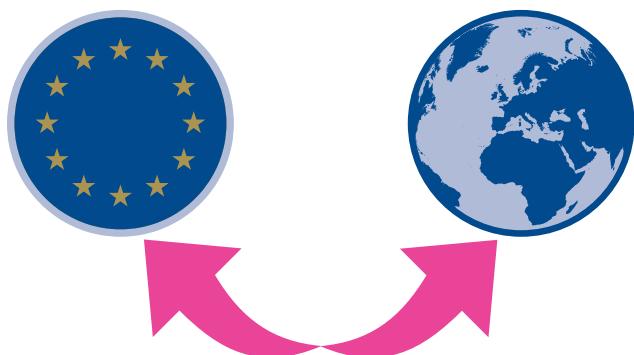
However

less than half

consider they are effective at this.

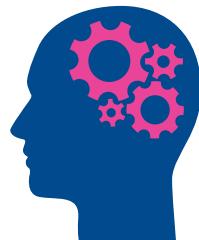
Over half

of SMEs export; virtually all to both the EU and to the Rest of the World.



SMEs whose owners and/or managers are **aged 35-49**

are significantly more likely to recognise, assimilate and apply the value of new knowledge.



Key finding

Performance

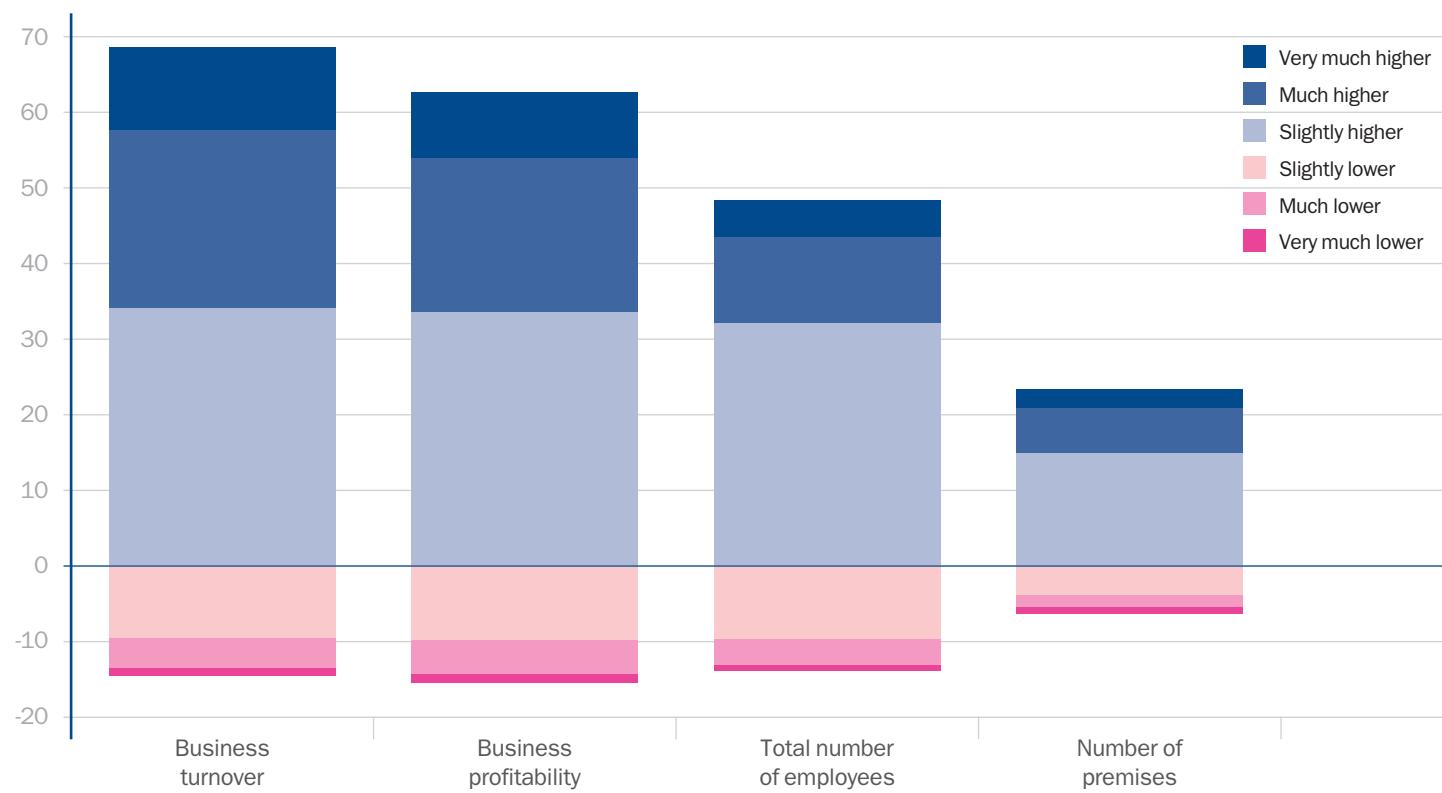
Business performance has improved over the past three years throughout the UK for the majority of SMEs surveyed. Turnover and profitability have increased and many are employing more people. Some businesses choose to 'get ahead of the curve' taking on highly skilled staff in anticipation of winning new projects.

BUSINESS PERFORMANCE HAS IMPROVED FOR OVER TWO THIRDS OF SMEs COMPARED TO THREE YEARS AGO

- Turnover and profitability is higher for approximately two thirds of SMEs
- Nearly half of SMEs have increased their staff numbers
- SMEs whose turnover, profitability and/or number of employees are higher sell significantly more products and services
- SMEs whose turnover and/or profitability are higher are significantly more likely to be entrepreneurially and market orientated
- Improvement in business performance does not differ significantly between London and South East and the rest of the UK
- Business turnover compared to three years ago differs significantly between sectors. Those sectors in which the largest proportions of SMEs consider it to be higher are Information and Communication, Finance and Insurance Activities and Transportation and Storage. Those sectors in which the largest proportions of SMEs consider it to be lower are Education, Accommodation and Food Services and Other Service Activities.

SMEs' performance compared to three years ago (%)

(excludes SMEs whose performance stayed about the same)



Project Five Limited



Business type: Information and Communication

CEO: Steve Coburn

projectfive is an outsource IT support company based in Surrey. Founded in 2002 by CEO Steve Coburn, the company, with 27 full-time employees, has over 250 customers - most are small businesses employing up to 30 people. The work might involve taking over the client's frontline helpdesk/customer relationships or managing development projects or both. Turnover growth has averaged 61% year on year since 2008, with turnover for the last financial year being £1.2million. The target for the current financial year is £1.6m and for the following year £2.2m. To meet these ambitious targets, **projectfive** has often had to over-recruit to build capacity for doing the work, so profitability can be quite 'lumpy'. But that's part of the strategy. Last year **projectfive** won 'Best Reseller for Small Businesses in the UK' receiving their trophy in front of 4,000 guests from TV personality Rob Brydon.

Winning new business means winning new clients and greater penetration of sales into existing clients. **projectfive** estimated the average cost of IT that a small business should spend is £2,500 per employee per year. **projectfive** then measure how much their customers are spending with themselves and how much with other suppliers. They can then offer new services to get a higher proportion of that spend. Steve comments: '*Our role is to get them to understand what an organisation of a similar size should be spending. If they choose to underspend (to save money) they need to understand the consequences of this.*' They can choose to spend more and have good IT, or less, but will need to adjust their expectations of IT downwards.

The company has a strategy to achieve a £5m turnover within five years. To achieve this, targets are allocated against **projectfive's** market of small, medium, large and extra large customers. These targets are reviewed every month at Board meetings and every quarter a team meeting maps progress, after which they go out go-karting, or tenpin bowling.

"WINNING NEW BUSINESS MEANS WINNING NEW CLIENTS AND GREATER PENETRATION OF SALES INTO EXISTING CLIENTS"

Building the **projectfive** brand is central to the company's success. '*No amount of talking can break your computer. I just have to hope that you remember us when it breaks.*' There are many outsourcing IT competitors. So Steve keeps a colour-coded log in Outlook: green for new business; blue for new products and services; orange for current clients; black for brand and strategy; red for working on efficiencies and cost; yellow is personal. A tool within Microsoft exports the results into Excel as a dashboard, so Steve can see how many of his appointments have been green, blue etc., so he can analyse where he is spending his time.

Projectfive is a purpose led organisation that espouses the values:

- To help people
- To make friends and
- To stand out

This goes through everything they do. To stand out, most of the company's competitors have the colour blue in their brand so **projectfive** chose orange, the colour at the opposite end of the spectrum. The company's recruitment partner goes and finds staff who match these values. Steve comments that have-do-be is what most of the population think. '*So if I had a million pounds, I'd do more charity work and I'd be a good person.*' But for **projectfive** it's the other way round. '*If I was a good person, I'd end up doing more charity work and I'll probably have a successful life (and have £1m in the bank). We change our behaviour and trust we'll get a reward at the end of it.*'

This happened recently. One of their clients was taken over by a large company that was able to do all of **projectfive's** work. Effectively they had lost the contract. In considering how to respond, Steve returned to the company's core values of helping people, making friends and standing out. So, free of charge, six of **projectfive's** staff worked on the IT handover. The weekend before handover, the client team that were doing the project went home at four in the afternoon, while the **projectfive** staff worked until four in the morning. On the Monday morning the whole system worked. It was such a success that the client pledged to never work on a similar project again without involving **projectfive**. '*Keeping to core values meant we turned an averagely profitable client into a fantastic client with a pipeline of work.*'

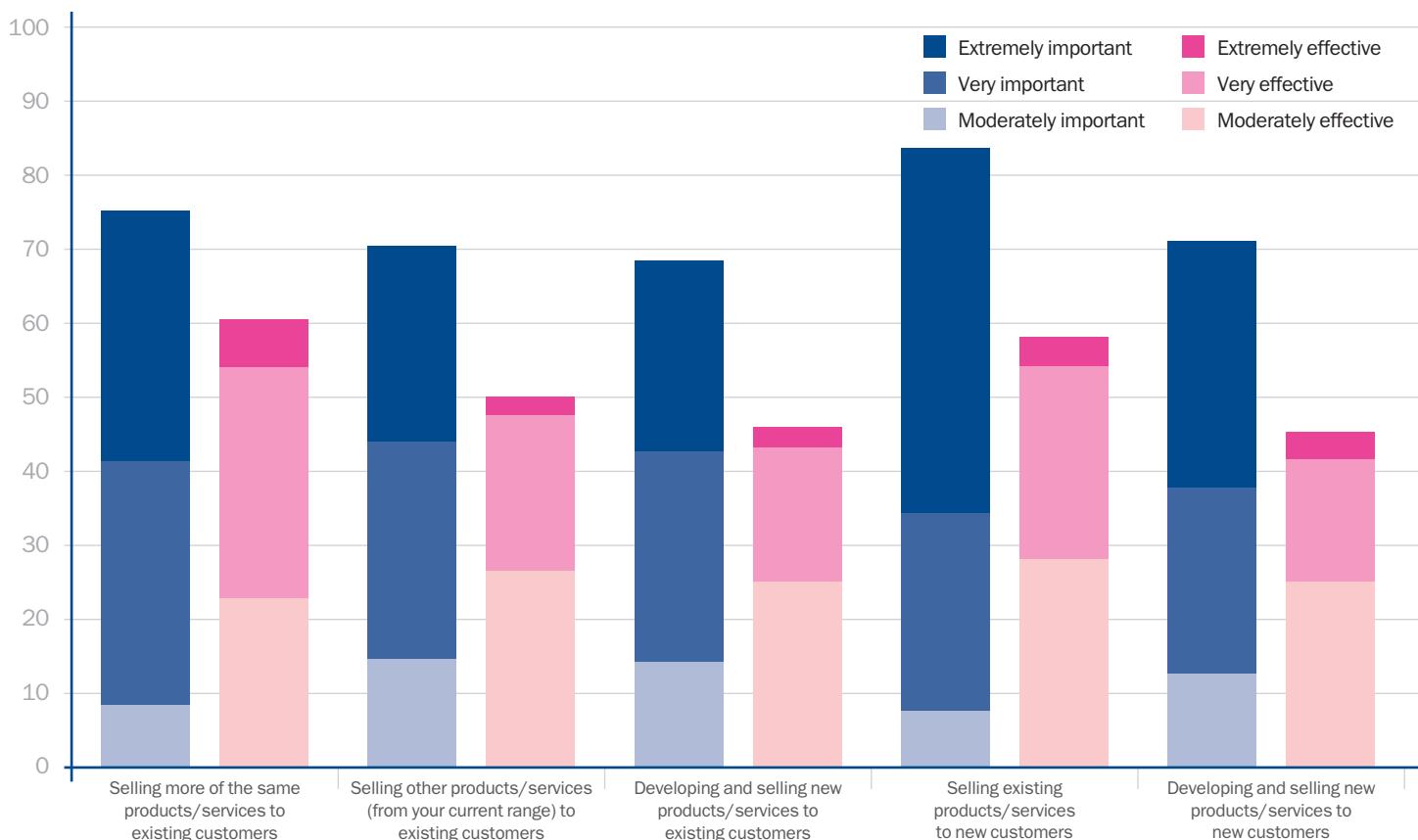
Generating New Sales

Generating new sales for products/services is crucial to the survival and growth of all businesses. The SMEs surveyed believe that the most important ways to generate new sales are by selling existing products/services to both existing and to new customers. Developing and selling new products/services to both existing and new customers is considered less important. Noticeably SMEs rate their effectiveness at generating new sales as lower than its importance to them, although, those who are proactive in their market place consider themselves more effective at selling.

SMEs CONSIDER THE MOST IMPORTANT SOURCES FOR GENERATING NEW SALES ARE FROM SELLING EXISTING PRODUCTS/SERVICES TO NEW AND EXISTING CUSTOMERS

- SMEs consider generating new sales by developing new products/services is less important than selling existing products/services
- Over two thirds of SMEs consider developing and selling new products/services to both new and existing customers is important. However only less than half consider they are effective at this
- SMEs that are more effective at generating new sales are significantly more likely to be entrepreneurially and market orientated and have greater skills and capabilities.

Importance and effectiveness of different ways of generating new sales (%)



Tatanka Future Limited



Business type: Information and Communication

Managing Director: Thom Gibbons

Tatanka Future Ltd provides telecommunications consultancy for SMEs with a focus on businesses that employ between 20 and 40 staff. Typically, they will have invested in communications technology already but need to have better systems and processes. To do this, they look for an outsourced partner to help them. Managing Director Thom Gibbons has over 20 years experience in sales and has an emotional attachment to winning new business. Clinching a sale is a matter of pride: '*With any sales person there's a little bit of ego in there as well*'. Sales are about making someone else agree with what you say. '*There's a psychological driver behind that. It gives you an adrenalin boost*'. Apart from the financial benefits of winning new business, there is also the matter of peer endorsement. '*It's a nice feeling when people recognise that your business is doing well*'.

"IF YOU KNOW WHAT MOTIVATES THEM [CUSTOMERS], WHAT CHALLENGES THEM AND YOU HAVE A SOLUTION, YOU WILL OVERCOME WHATEVER CHALLENGE THERE IS FROM YOUR COMPETITION"

Winning new business often means generating new sales from existing customers. For example, Thom sold a mobile phone contract to one customer who came back a year later and asked him to manage their landlines for them. But to do this you have to get to know your customers face-to-face, to '*see the whites of their eyes*'. Knowing the customer makes it easier to talk about multiple products and services.

For example, Thom received a call from a small company whose workers clean data centre buildings in the City of London. The CEO was printing job cards and then taking a train to physically take them to all the City sites her staff cleaned. A lot of time and effort! Thom recommended digital pen technology with which their customers signed the job card and that digital pen created a completed pdf which was sent back to the office via a connected device. This neat solution brought further business from this customer: managing the company's telecommunications infrastructure. The digital pen technology was rolled out across other parts of the business.

Since it is easier to retain customers than to win new ones, the aim is to keep 90% of existing customers in any one year. Here, one of the major challenges, of course, is competition, particularly from the large technology suppliers. The way to meet this is through the consultancy sales process. Know your customers and their 'pain points' and stresses with technology. '*If you know what motivates them, what challenges them and you have a solution, you will overcome whatever the challenge there is from your competition*'.

"CLINCHING A SALE IS A MATTER OF PRIDE"

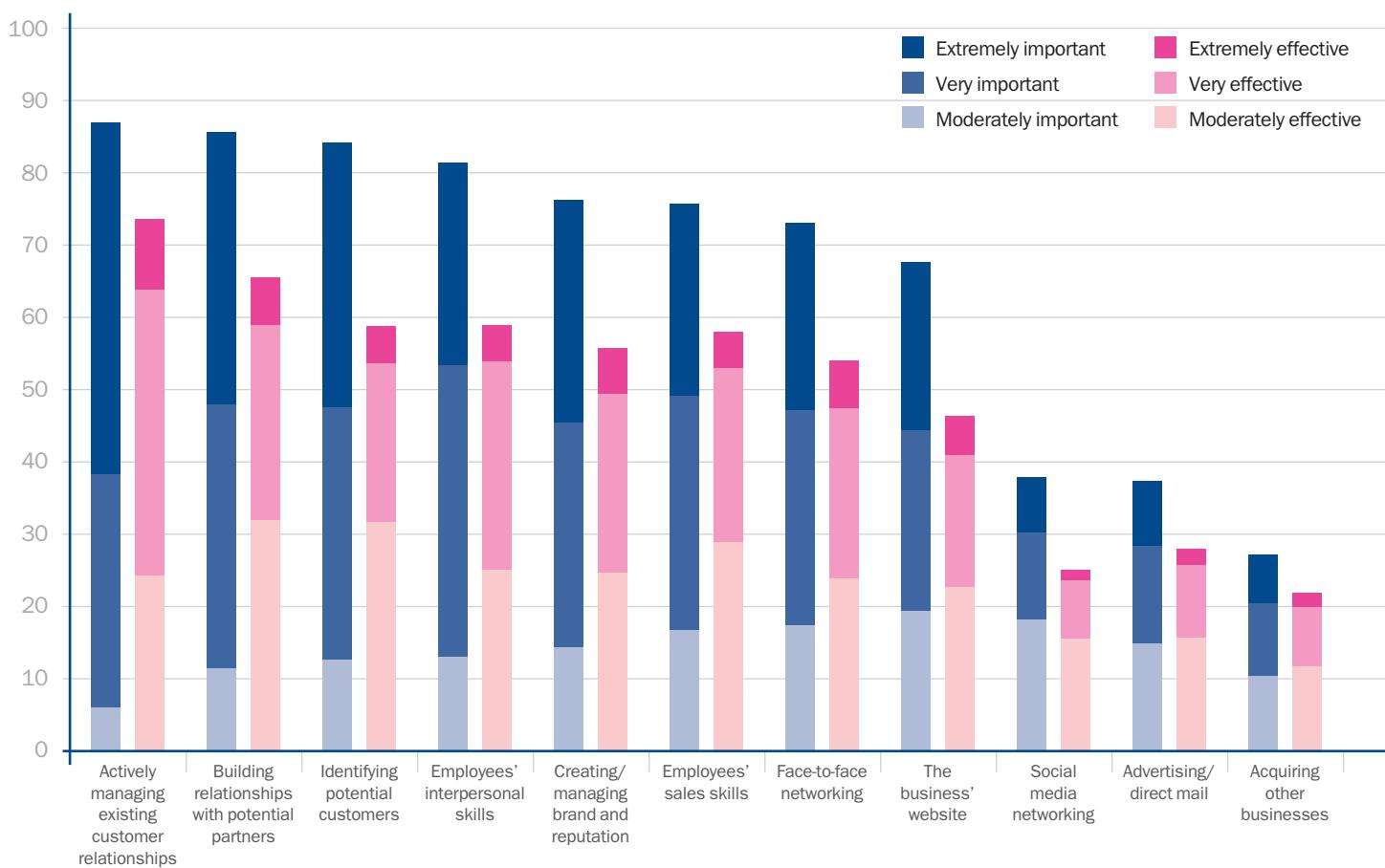
Enablers for winning new business

Actively managing existing customers, and building relationships with new customers, are both crucial to SMEs winning new business. The SMEs surveyed, like those responding in previous SME Success reports, continue to emphasise the importance of interpersonal and sales skills and of face-to-face networking to winning new business. Traditional factors supporting winning new business are considered far more important than social media based networking; SMEs recognise and emphasise the importance of having and actively using their business website.

SMEs CONSIDER BUILDING AND MANAGING RELATIONSHIPS WITH NEW AND EXISTING CUSTOMERS ARE MOST IMPORTANT TO WINNING NEW BUSINESS

- SMEs appreciated and understood the importance of customer focused enablers when it came to winning new business, however rated their effectiveness at actually carrying out these tasks as lower – they knew what they needed to do, it just wasn't happening as much as it should
- SMEs rate the importance of networking and advertising for winning new business as less important than customer focused enablers
- Although face-to-face networking is less important to those surveyed, it is still viewed as more important than social media networking
- SMEs rate their effectiveness regarding the use of networking and advertising for winning new business as less than their importance to them
- SMEs whose owners and/or managers are older are significantly more effective at managing existing relationships than those who are younger; the latter are significantly more effective at social media networking.

Importance and effectiveness of enablers for winning new business (%)



Chapters Financial Limited



Business type: Finance and Insurance Activities

CEO: Keith Churchouse

Chapters Financial, established in 2004, is a chartered firm of financial planners, providing independent financial advice to private and corporate clients (especially SMEs). The Chapters Financial team comprises five people, including founder and CEO Keith Churchouse. Recent growth has been strong with an increase of over 50% in the last three years. Much of this has been ploughed into building a new business for the sector – SaidSo, an online, financial planning website, launched in 2015, aimed at lower age groups rather than the traditional Chapters Financial 50+ age profile. SaidSo takes a low-cost, semi-automated approach to financial planning and is gaining a lot of interest. Keith wants to prove to the industry that there are alternative solutions alongside the old model of financial planning.

Winning new business comes from two sources: taking on board new customers and managing ongoing service contracts. Chapters Financial looks after investment funds worth in the region of £130m. New business usually comprises 20% of overall income. Sometimes 75% of this might be new clients and 25% grown from existing customers, but other years these proportions may be reversed. Legislation usually triggers many changes. Winning new business is pleasurable. The company hasn't reached capacity, but this may happen in the next few years. *'Of the hunter-gatherers, I'm still a hunter, but if I don't get the sale I'm a little more relaxed than I used to be'.*

New business is generated through a 'two-touch' approach. For example, potential clients might hear Keith speaking on one of his regular broadcasts on BBC Radio Surrey (something he has done for the last 10 years) and then see a Chapters Financial advertisement, or find the website through Google. Keith enjoys writing and the website is updated once, sometimes twice, a week. It's the combination of the two touches that tends to win new business.

The company has financial targets every month and year, including KPIs. *'If you're not moving forward, you're moving backwards.'* But it's about winning the right calibre of client, rather than just anybody. Screening is essential. Potential customers will have screened Chapters Financial through the website, so their initial enquiries are usually well informed. *'These prospects will then be screened, ensuring that they understand our approach and our charging structure.'* New business with existing clients is usually triggered by the client themselves due to their own emerging new financial needs or enquiries.

Challenges in winning new business come largely from government, for example, the move from commission to a fee charging structure. There has been an increase in competition (the number of competitors) but not in quality. So by keeping its quality high, Chapters Financial has maintained profitability. Winning new business means being human and being fun, energetic and professional. *'It's not that difficult to shine in financial services, because there are a lot of dull people in it!'*

"IT'S ABOUT WINNING THE RIGHT CALIBRE OF CLIENT RATHER THAN JUST ANYBODY"

Key finding

Exporting

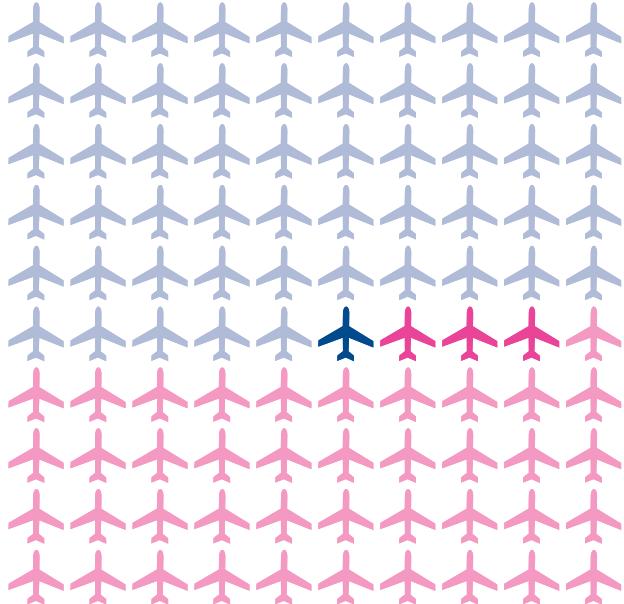
Approximately half of the SMEs surveyed export their products/services. Virtually all of these export to markets in both the EU and the Rest of the World, these markets being considered of similar importance. For some SMEs, language can be a barrier, necessitating partnership agreements with larger, often global organisations, whereby the SME offers niche products or skills to the sales or tendering process. Invariably, the use of exporting differs markedly between sectors, Manufacturing SMEs being the most likely to export.

- Over half of SMEs export their products/services, virtually all to both the EU and to the Rest of the World
- Over half of SMEs regard exporting to the EU and to the Rest of the World as equally important
- SMEs that export are more likely to be entrepreneurially orientated, that is proactive in the market, competitively aggressive, innovative and/or likely to take risks
- Manufacturing is the highest exporter by sector.

SMEs THAT EXPORT DO SO TO BOTH THE EU AND TO THE REST OF THE WORLD

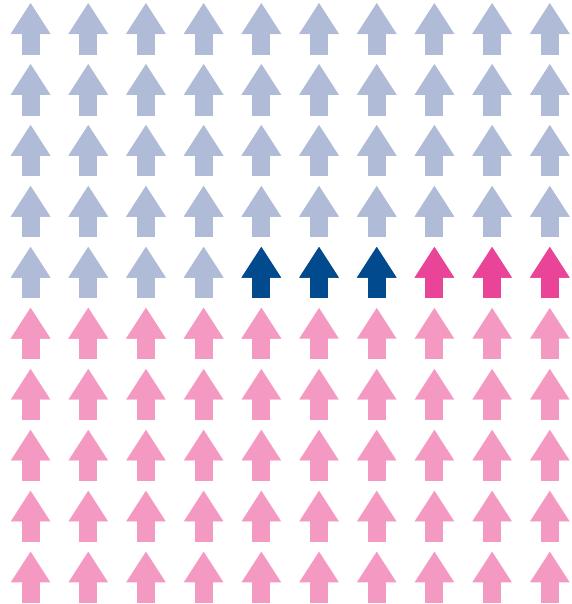
SMEs' use of exporting and outsourcing (%)

Exporting



- TO BOTH THE EU AND THE REST OF WORLD
- ONLY TO THE REST OF WORLD
- ONLY INSIDE THE EU
- DO NOT

Outsourcing (outside the UK)



- TO BOTH THE EU AND THE REST OF WORLD
- ONLY TO THE REST OF WORLD
- ONLY INSIDE THE EU
- DO NOT

Key finding

Outsourcing

Nearly half of the SMEs surveyed outsource at least some of their activities outside the UK. Virtually all outsource activities to both the rest of the EU and to the Rest of the World, these markets being considered of similar importance. SMEs also benefit from outsourcing, with services such as IT being outsourced by businesses of all sizes to SME providers.

SMEs THAT OUTSOURCE DO SO TO BOTH THE REST OF THE EU AND TO THE REST OF THE WORLD

- Approximately half of SMEs outsource their products/services, virtually all to both the rest of the EU and to the Rest of the World
- Approximately half of SMEs regard outsourcing to the rest of the EU and to the Rest of the World as equally important
- SMEs that outsource are more likely to be entrepreneurially orientated, that is proactive in the market, competitively aggressive, innovative and/or likely to take risks.

Case study

Sterling Pharmaceuticals Ltd

Business type: Human Health

Managing Director: Amar Nawaz

Started in 2008, as a family business, Sterling Pharmaceuticals Ltd is an independent pharmaceuticals company, employing 30 people, that specialises in the development and manufacture of non-sterile liquids and semi-solid dosage forms. Their manufacturing facility houses a purpose-built clean room complex, where the environmental conditions are controlled in accordance to EU Good Manufacturing Practice rules and regulations. The company's premises are also licensed by the executive agency of the Department of Health, the Medicines and Healthcare Products Regulatory Agency and the Royal Pharmaceutical Society of Great Britain.

Managing Director Amar Nawaz comments that winning new business means expanding the range of product lines or selling existing products. For UK business, this is measured on a monthly basis, selling to 600 independent pharmacies and 96 NHS hospital pharmacies. Turnover has increased by between £200,000 and £250,000 a year but in 2016 the increase was £1m, driven by a large order from Iraq. Overseas trade is now a significant part of the business, especially the Middle East including Iraq, Saudi Arabia and Egypt. '*We normally exhibit at the Arab Health convention in Dubai every two to three years; we are still nursing those contacts*'. For example, Sterling Pharmaceuticals spent three years (rapid for pharmaceutical products) developing a new vitamin D tablet for which there is strong demand in the Saudi Arabian market. They also took four locally made products and sold them back into the Iraq market. Overseas customers like to get hold of UK branded

products. Even where local brands are established, people are ready to substitute them for products that are made in the West, while UK customers come and go if they can get a better deal, overseas markets are relatively stable.

But there are challenges in selling to international markets, including: '*Getting the finance out of those guys*'. Hence, you have to look at the background and credibility of customers. Overseas customers are also demanding, asking for changes to product labelling or strengths. '*You are always redefining the product*'. Through this Amar is also building up knowledge of what sells in different markets, although language is always an issue, as is finding the funding to exhibit overseas. Competition is coming from China and India, but Amar overcomes this by delivering a product that matches its label claim. There is also competition from low value US products, but '*for smaller volumes we are more competitive*'.

To win new business Amar seeks to '*accommodate our customers*'. For example a customer submitted a small order for 2,000 bottles of a product that no one else would make for him. This customer has now ordered 10,000 bottles. '*We work with people who have the potential to grow. Most of my customers are smaller players who have grown with me over the years*'.

There is still capacity that can be utilised, and Amar is determined to grow the company – '*To take the company to the next level*'.

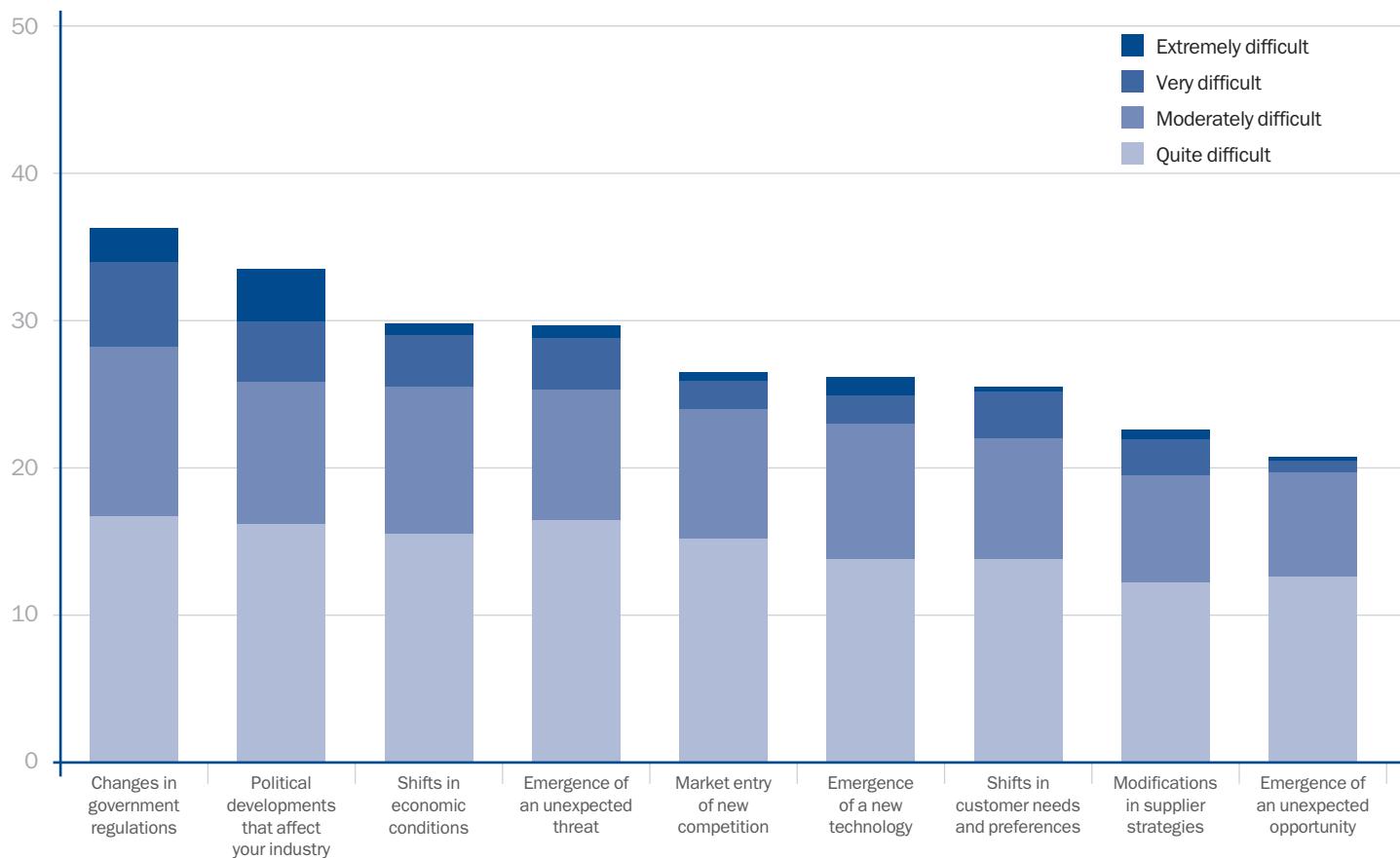
Responding to external factors

SMEs invariably face, and have to respond to, changes in their external environment. Amongst a wide variety of potential factors, SMEs across all sectors find changes in government regulations and political developments affecting their industry the most challenging. Government procurement processes can also be a challenge, when large suppliers of products or services are favoured.

- Over a third of SMEs find it at least quite difficult to change or adjust their plans, in response to government changes in regulations and/or to political developments that affect their industry
- SMEs with fewer employees find it more difficult to change or adjust their plans, in response to an unexpected threat.

SMEs FIND IT MOST DIFFICULT TO CHANGE OR ADJUST THEIR PLANS IN RESPONSE TO CHANGES IN GOVERNMENT REGULATIONS AND POLITICAL DEVELOPMENTS

Difficulty in changing or adjusting plans in response to external factors (%)



Provision Tracker Limited



Business type: Education

CEO: Matt Juniper

Provision Tracker is an educational technology company that provides a platform for tracking the costs, time and impact of provisions and resources in schools. The platform allows educational establishments to benchmark progress and attainment between groups within one school or across an Academy (multiple schools) chain. It enables discussions with parents about their child's progress and provides stakeholders with accurate and up to date information to inform budgets and future planning. The Provision Tracker Cloud-based system can help to identify pupils who are under-achieving so they can be offered more support – or indeed high achieving pupils, who can be identified and offered resources more suitable to their needs.

Founder and CEO, Matt Juniper bought out his two original partners and spent the first year building the business himself. The customer base now comprises 250 schools across the UK and he is discussing launching the product in Germany and then across wider Europe. There are also early talks with US schools. To achieve growth, he is recruiting six new members of staff including a Chief Technology Officer. Provision Tracker has also just been accepted onto an Accelerator programme, aimed at educational technology start-ups, through which he will be working with mentors and advisors. Linking up with other start-ups on the programme provides new insights into how to do things differently.

"RECENT UK LEGISLATION HAS MADE IT COMPULSORY FOR SCHOOLS TO TRACK FINANCIAL DATA"

"THE PROVISION TRACKER SYSTEM DOES THIS IN FOUR CLICKS RATHER THAN THREE WEEKS OF DATA COLLECTION"

Schools pay an annual subscription and can access free help remotely through the Provision Tracker website, or pay for on-site support. Turnover has doubled every six months despite no marketing being undertaken – it has all been through word-of-mouth. In this early start-up phase, it is important to keep costs down and this has been addressed by outsourcing the technical development of the website overseas. UK development costs would have been £90,000 but by outsourcing the work this was reduced to £15,000. But there are always concerns about the quality of work. Investors may feel more comfortable in the future if the development work is done in-house. Future developments will also include a marketing team. Having expanded his team, Matt is hoping for a 'hockey stick moment' – a growth spike.

Winning new business means getting people to use the product by demonstrating it. Matt has a nearly 100% conversion rate after showing a school how the product works. New business grows the company from a financial perspective, but there are also technical advantages. Customers use the system in different ways, enabling Provision Tracker to modify and improve the product iteratively, since their Cloud-based system allows them to log who uses the system and how.

The challenge in winning new business has been getting the name of the company known. Recent UK legislation has made it compulsory for schools to track financial data. Despite being '*The least sexy product in education*' the Provision Tracker system does this '*in four clicks rather than three weeks of data collection*'.

Key finding

Entrepreneurial Orientation

Entrepreneurial Orientation is the process, practice, and decision-making that leads new entrants to the market. SMEs who are entrepreneurially orientated are innovative, competitively aggressive and proactive in their market. These SMEs are more effective at developing and selling products/services to both existing and new customers. SMEs whose owners and managers are younger, are more willing to take risks in the marketplace.

Amongst SMEs who are willing to take risks, there is the opinion that 'she/he who dares, wins'.

- SMEs are more likely to be innovative, competitively aggressive and proactive in the market than take risks
- SMEs' market proactiveness differs between sectors, those in the Information and Communication and the Manufacturing sectors being particularly proactive
- SMEs whose owners and/or managers are younger are significantly more likely to score highly on firm risk taking than those whose owners and/or managers are older.

noun - Entrepreneurial Orientation

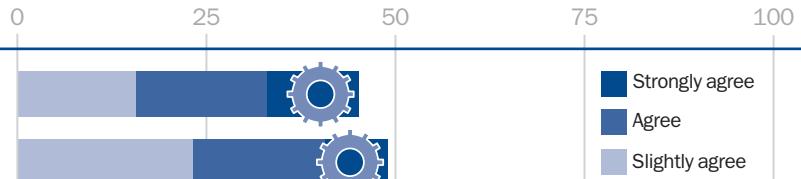
relates to SMEs' market proactiveness, their competitive aggressiveness, their risk taking and their innovativeness.

SMEs THAT ARE ENTREPRENEURIALLY ORIENTATED ARE LIKELY TO BE MORE EFFECTIVE AT WINNING NEW SALES AND TO HAVE IMPROVED THEIR PERFORMANCE IN THE LAST THREE YEARS

Entrepreneurial Orientation (%)

MARKET PROACTIVENESS

In general, our business favours a strong emphasis on research and development, technological leadership and innovation



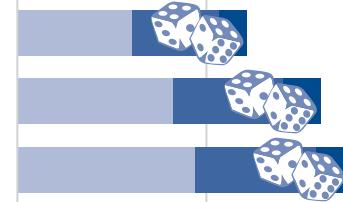
COMPETITIVE AGGRESSION

In dealing with competitors, our business often leads the competition, initiating actions to which our competitors have to respond



FIRM RISK TAKING

In general, our business has a strong propensity for high-risk projects (with chances of a very high return)



FIRM INNOVATIVENESS

Our business actively responds to the adoption of new ways of doing things by main competitors



Amendments to statements originally worded in reverse outlook shown in CAPITALS

Key finding

Market Orientation

SMEs who are more orientated to their market are particularly focused upon their customers, understanding and responding to their competitors' actions and ensuring their business functions are integrated to support this. SMEs who are more orientated to their markets are more effective at developing and selling products/services to both existing and new customers.

noun - Market orientation

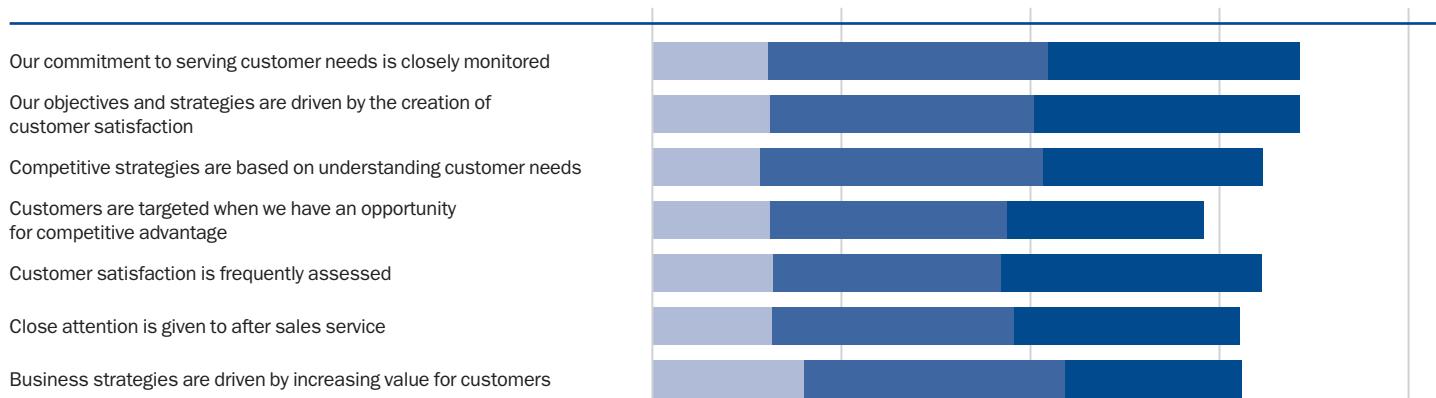
relates to SMEs' customer orientation (focus on customers), their competitor orientation (understanding of and responding to competitors' actions), and their interfunctional orientation (cross-functional integration of business functions).

- SMEs are more likely to be orientated to their customers and focused on interfunctional orientation within their businesses than to be orientated to their customers
- SMEs' customer orientation differs between sectors, those in Agriculture, Mining and Utilities, Human Health and Social work activities being particularly less orientated to customers
- SMEs whose owners and/or managers are older are significantly more likely to score higher on customer orientation than those whose owners and/or managers are younger.
- SMEs' competitor orientation differs between sectors, those in Other Services Activities, Manufacturing and Retail and Wholesale sectors being particularly more orientated to competitors.

SMEs THAT ARE ORIENTATED TO THEIR MARKETS ARE LIKELY TO BE MORE EFFECTIVE AT WINNING NEW SALES AND TO HAVE IMPROVED THEIR PERFORMANCE OVER THE LAST THREE YEARS

Market orientation (%)

CUSTOMER ORIENTATION

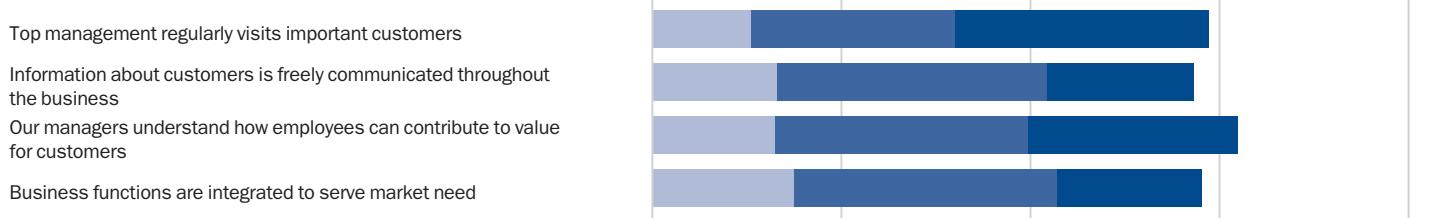


COMPETITOR ORIENTATION



Strongly agree
Agree
Slightly agree

INTERFUNCTIONAL ORIENTATION



Skills and Capabilities

SMEs' abilities to recognise the value of new knowledge, assimilate it and apply it commercially, alongside their ability to recognise new opportunities and to be innovative, are important factors in their winning new business. SMEs who have the skills to recognise, assimilate and apply the value of new knowledge and to be innovative are more effective at developing and selling products/services to both existing and new customers.

- SMEs are more likely to be able to recognise, assimilate and apply the value of new knowledge and innovate, than identify and adapt to new opportunities
- SMEs whose owners and/or managers are aged 35-49 are significantly more likely to recognise, assimilate and apply the value of new knowledge than those in both younger and older age groupings.

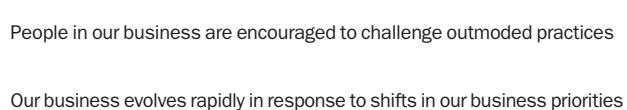
SMEs WITH MORE DEVELOPED SKILLS AND CAPABILITIES ARE LIKELY TO BE MORE EFFECTIVE AT WINNING NEW SALES AND TO HAVE IMPROVED THEIR PERFORMANCE OVER THE LAST THREE YEARS

SMEs' skills and capabilities (%)

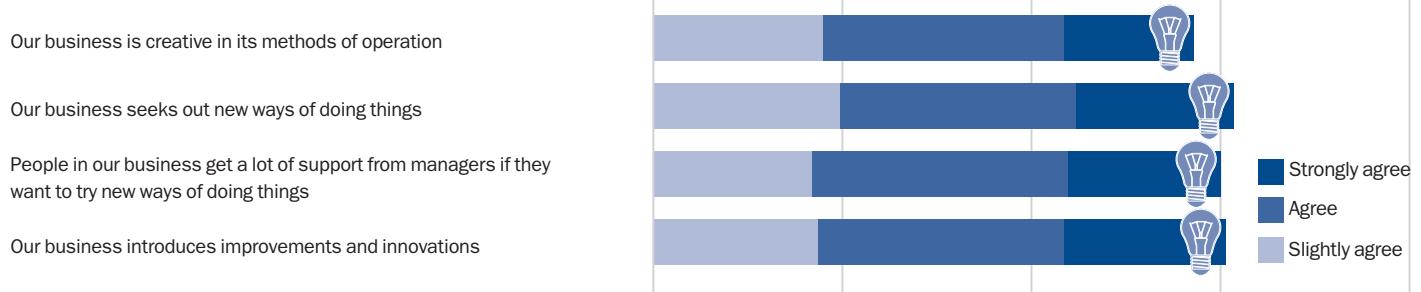
ABSORPTIVE CAPACITY



ADAPTIVE CAPABILITY



INNOVATIVE CAPABILITY



Artesia Consulting Limited

Business type: Consultative Services

Director: Simon Gordon-Walker

Artesia Consulting has been in business for just over 8 years, providing consultancy services and research in the water and wastewater industry. They started with three staff and have grown to 12 (three of whom are directors, including Simon Gordon-Walker).

According to Simon, preserving current customers is vital (70% of turnover existing) but so is a pipeline of new ones. Winning new business means attracting new income streams and customers. As a knowledge-based company, growth is important because it keeps good staff challenged and stimulated. It also helps to avoid 'running out of steam' - today's new knowledge becomes old knowledge very quickly. Growth with existing customers is achieved through listening and learning what they need. As a result, staff need to constantly update their skills or new skills have to be recruited – for example statisticians for research projects. As a result of growth, turnover has almost doubled (2012: £283,000 to 2015 £527,000), and the company plans for further growth in turnover and profitability in 2016.

In winning new customers, Artesia Consulting might be approached by one of the water utilities, by a regulatory body or by an environmental pressure group, or they might take part in industry forums. They attract attention through thought leadership – by writing blogs on their website and contributing articles to magazines. Networking in professional associations with customers and potential customers is also important.

"TODAY'S NEW KNOWLEDGE BECOMES OLD KNOWLEDGE VERY QUICKLY"

"STAFF NEED TO CONSTANTLY UPDATE THEIR SKILLS"

Innovation is vital and, in the case of Artesia, has included the development of a data logging technique for analysing water efficiency and how water use is measured. This meets a need for addressing the growing pressure on water resources with a growing population, especially in southern England, and addresses some of the demands of environmental pressure groups.

There are, of course, challenges in winning new business. Large businesses, for example, often rely on existing suppliers. Partly because of EU regulations, the bureaucracy involved in procurement has also grown more complex, something that works against SMEs that have more limited resources and provide niche skills. Competitive tendering often includes preferred suppliers list. So Artesia get involved in some of the larger bids as sub-consultants to one of the large consultancies; hence it is important to develop relationships with the large framework contractors.

Winning new business with existing customers is often incremental, and may involve the creation of new service areas. Quick turnarounds are often necessary, responding to tenders and writing proposals. The office has to be well managed. As the company grows, a level of bureaucracy becomes inevitable, but as well as, for example, health and safety processes (customers demand it), this also includes processes to manage customer relationships.

Reputation is a critical part of the business management strategy. So all dealings with clients mean being professional and delivering on time. The brand needs to be looked after and staff all need to be positive about it. '*Self promotion without being too obvious.*'

Recommendations for SMEs

Look after existing customers – invest in strategies which will help you to maintain and develop your customer base

Identify those areas which are important to you for winning new business and improve your effectiveness

Identify potential customers, build and manage relationships with them in order to win new business

Monitor and evaluate your effectiveness at managing existing and new customer relationships

Build trust within relationships (internally and externally)

Develop a clear set of aligned values and clearly communicate them internally and externally

Tell people what you do and then remind them again

Wear a bigger hat by partnering with larger, global organisations in order to win new contracts, particularly overseas (EU and the Rest of the World)

Make sure what you do is effective and do not waste time on things that are ineffective (work smarter not harder)

Become a thought leader in your market and disseminate your thoughts through seminars, workshops and social media and engage in follow up

Consider co-opetition – engaging with your competition

**SMEs should
wear a bigger hat
in order to win
new business**



Background

In 2012 Kingston Smith LLP, commissioned their first research study exploring SME Success in the UK: *Success in challenging times: Key lessons for UK SMEs*. It was followed by two further reports looking in turn at the key issues of access to bank finance: *Success in challenging times: Bank finance – lost in translation*, and next the importance of generating networks and quality connections: *Success in challenging times: Generating social capital*.

This report, the fourth in the ‘SME Success’ series builds on these earlier research studies. Undertaken by the Business Schools at the Universities of Birmingham and Greenwich, it examines how SMEs win new business. This has meant identifying the sources for generating new sales, the enablers for winning new business, how businesses respond to external factors, and how their performance has changed over the past three years. The target audience for the research was current private sector small and medium-sized businesses (SMEs) with between five and less than 250 employees that started in 2012 or earlier. These were commercial businesses; they were neither lifestyle businesses nor were they organisations located in the voluntary sector. The study, conducted between July 2015 and March 2016, comprised a national survey with responses from over 1,000 businesses, the hosting of six focus groups, plus detailed qualitative interviews with 15 SME businesses as case studies.

Acknowledgements

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