



# **Export Capacity Building Programme**

## **SME Management Skills Development Programme**

**Monday 23<sup>rd</sup> / Tuesday 24<sup>th</sup> / Wednesday 25<sup>th</sup> January 2017**

**Aidan Harte / Frank McGlone / Graham Merriman**

# Brief Overview of our next three days...

**busy, participative, interactive Management Skills development days**

**Monday 23rd January 2017 (9am to 4:30pm)**

Morning led by Frank McGlone

- Finance for Technology M/SMEs
- Becoming “Investor Ready”

*(lunch 12:30 / 40 mins)*

Afternoon led by Aidan Harte

- Meeting the challenges of Small Business Management.
- The Holistic Business Model / Self Assessment (*linked to mentoring programme*)
- Key concepts for Business Growth & Development
- Recruiting, Managing & Developing and Leading People
- Managing Self and Personal Development

# Tuesday 24th January 2017 (9am to 4:30pm)

## Morning led by Aidan Harte

- Core concepts of Effective Marketing
- Customer Value Proposition / Strategic Positioning
- Developing a Crystal Clear Marketing & Sales Message
- Communicating with prospective Customers
- Managing Customer Relationships
  
- *(lunch 12:30 / 40 mins)*

## Afternoon led by Frank McGlone

- Selling Skills
- Making Effective Presentations
- Cultivate a Winning Customer Culture.
- The essentials of being Export Ready (findings of our research)

# Wednesday 25th January 2017 (9am to 4:30pm)

Workshop Facilitator: Graham Merriman / e-commerce

- Overview, Learning Objectives & Outcomes
- The e-Commerce Landscape
- Understanding Digital Marketing: The McKinsey Funnel
- Winning the Consumer: Google
- Winning the Consumer: Social Media
- Winning the Consumer: Your Website
- Keeping the Customer: The Post Purchase Experience
- Pricing & Distribution Strategies
- Wrap Up and Next Steps

3:30pm Facilitator: Aidan Harte

- Preparation for the Presentation of Business Plans / “Dragons Den” Investor Pitch
- Optimising the Mentoring Programme.
- Final wrap up and Workshops Evaluation



# Financial Implications for Technology Businesses

January 2017

# Contents

- Why Tech businesses are different?
- Technology Companies Financial Reports
- Valuing a Technology Business
- Funding a Technology Business
- Selling a Technology Business



# Why Technology Businesses are different?

- No/Limited physical assets
- Significant investment in R&D
- Value of IP difficult to realise (Protect)
- No track record in early stages
- Commercialisation requires significant investment
- High failure rate (85% + in first two years)



# Financial Reports (Start Up)

- Balance Sheet weak (Mostly Insolvent)
- R&D often not capitalised
- Good will difficult to value
- Investment difficult to secure
- Loss making until full commercialisation
- Five years on average from start up to commercialisation





# Exercise

Look at the accounts provided and identify the factors which would give you concern if you were an investor.

Complete the exercise in the teams allocated and appoint one person to give feedback on behalf of the team.



# Valuing a Technology Business

- Seen as a risk
- Valuing potential
- Significant regard taken of people in early days
- Investors complete their own appraisal
- “Growth trumps all”
  - High growth gives a five times greater return to investors than medium growth



# Growth Factors

- Ability to grow
- Ability to manage growth
- Ability to fund growth



# Sustaining growth

- Speed of monetisation
- Rapid adoption
- Stealth
- Incentives
- New markets/ channels
- Product development
- Managing the transition from different stages of growth



# Investors Like

- **Disruptive Technologies** (A disruptive innovation is an innovation that creates a new market and value network and eventually disrupts an existing market and value network, displacing established market leading firms, products and alliances)
- **Global Potential** (Service can be sold on a world wide market)
- **Episodal Products** (New generations can be produced for relatively low R&D Investment)
- **SAAS** (Continual generation of revenue through users)

# What Investors look for

- Customer Compatibility
- Identified gap in market
- Sustained growth (After R&D Recovered)
- Churn rate
  - Customer Number
  - Sales value
  - Profit



# Churn Rate

$$\frac{\text{Number of customers lost over a Specific Period}}{\text{Number of new customer gained in same period}} \times 100$$

$$\frac{26}{120} \times 100 = 22\% \text{ Churn Rate}$$

**Investors like churn rates of less than 5%**

# Five-Year Profitable Survival of New Business



Profitable

Marginal

Failed

Inexperienced, uneducated

8%

62%

30%

Inexperienced, educated

25%

29%

46%

Experienced, uneducated

25%

23%

52%

Experienced, educated

61%

16%

25%

Experienced, educated, planned

81%

12%

7%



# Five-Year Profitable Survival of New Technology Business



Profitable

Marginal

Failed

Inexperienced, uneducated

2%

39%

58%

Inexperienced, educated

15%

29%

56%

Experienced, uneducated

25%

23%

52%

Experienced, educated

35%

26%

39%

Experienced, educated, planned

81%

12%

7%

# Valuing a Technology Business

- Stage of development
- Sector/Industry
- Customer value
- Market potential
- Stage of market
- Competition
- Marketing plan
- History



# Valuing a Technology Business

- Strategic partnerships
- IP Status
- Team experience
- Team qualifications
- Your business plan
- Your investment
- Impact on market
- ROI



# Funding Technology Businesses

- Grant Aid
- Soft Loans
- Business Loans
- Business Angel
- Collaborations
- Joint Venture (JV)
- Crowdfunding
- Venture Capital
- Early Stage Venture Capital



# Selling Technology Business

- Get it to a sellable stage
- Protect IP
- Be realistic about what price you will get for it  
( On average sellers get 25% of the asking price)
- Target a potential customer
- Have a growth plan
- Focus on the USP



# Exercise

- Complete the questionnaire for your business
- Be realistic in your estimates
- Develop an action plan



**40 minutes please**





# The World of MSME Owner Management

On the first day we met (25<sup>th</sup> October 2016), we looked briefly at a few points:

- **Over 96% of all businesses are MSMEs of which less than 1% make the journey to become “Medium Sized Enterprises”**
- **There are few things a Government can do which will benefit its economy more than building a vibrant SME Sector.**
- **There is a dependable correlation between Management Skills and Business Success.**

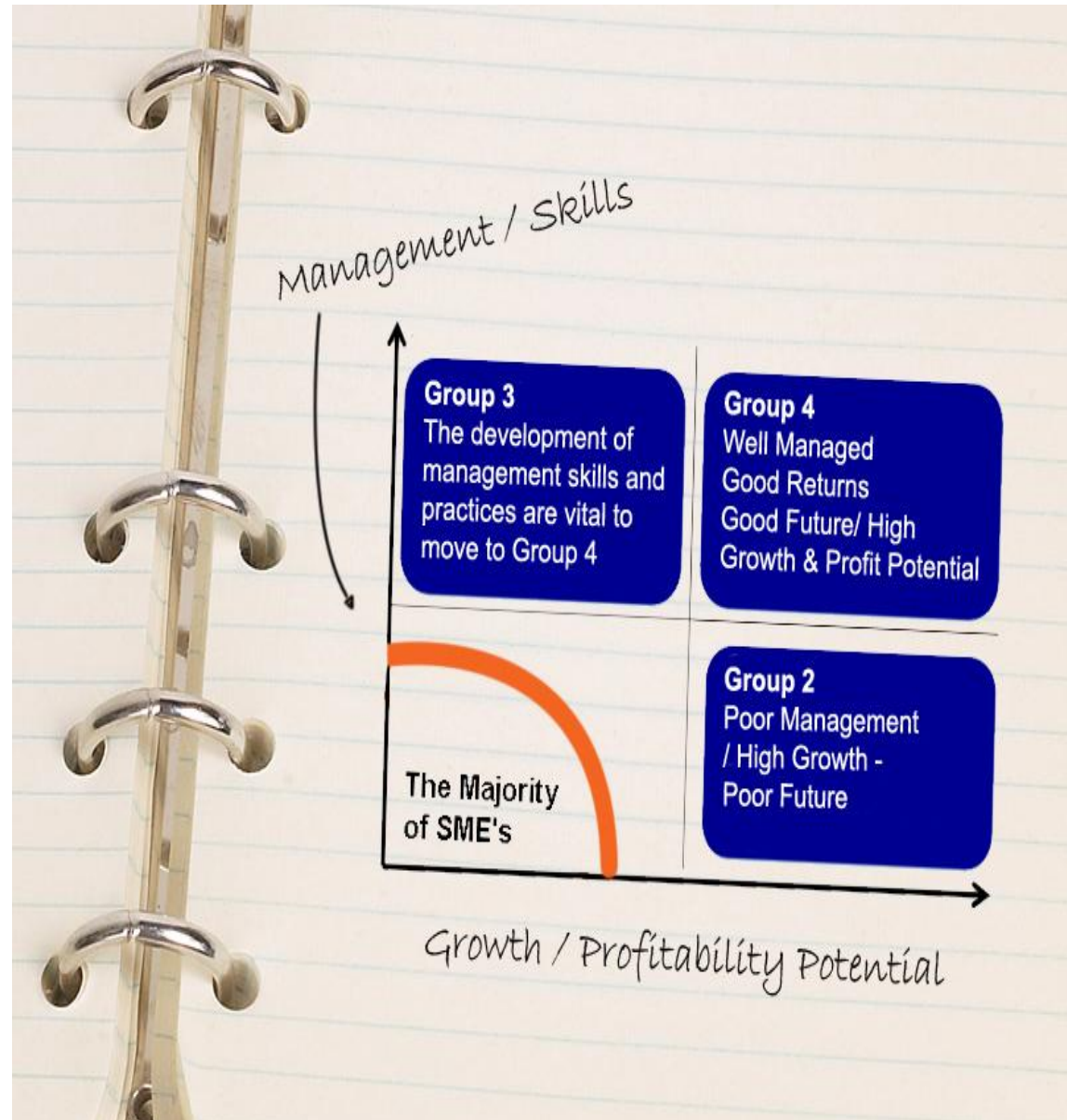
*(European Commission, US Trade, OECD, IBRD, EBRD etc etc)*

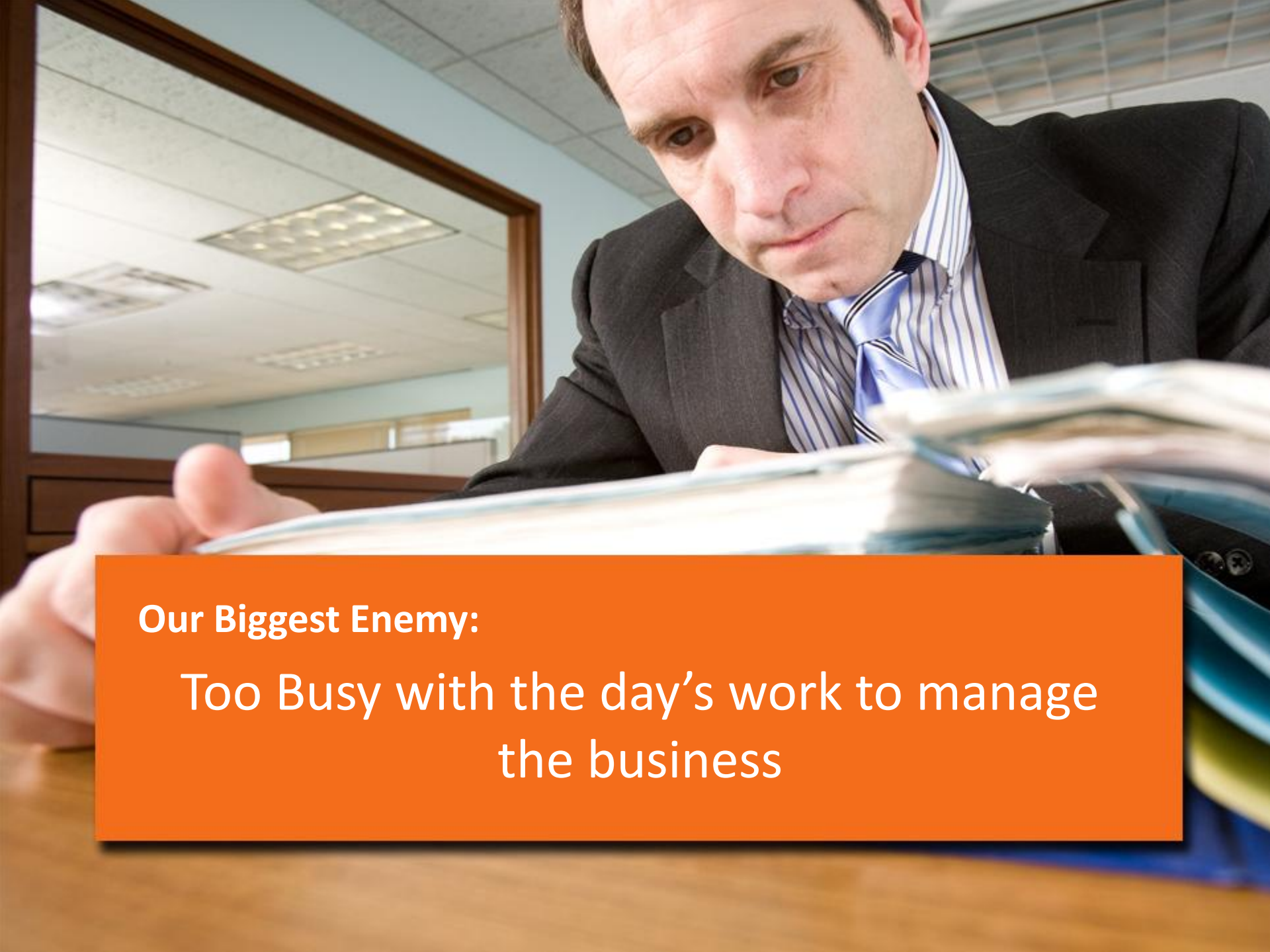


# It is widely agreed...

...that there is an absolute correlation between 'SME Management Skills and Business Success, Growth & Development.

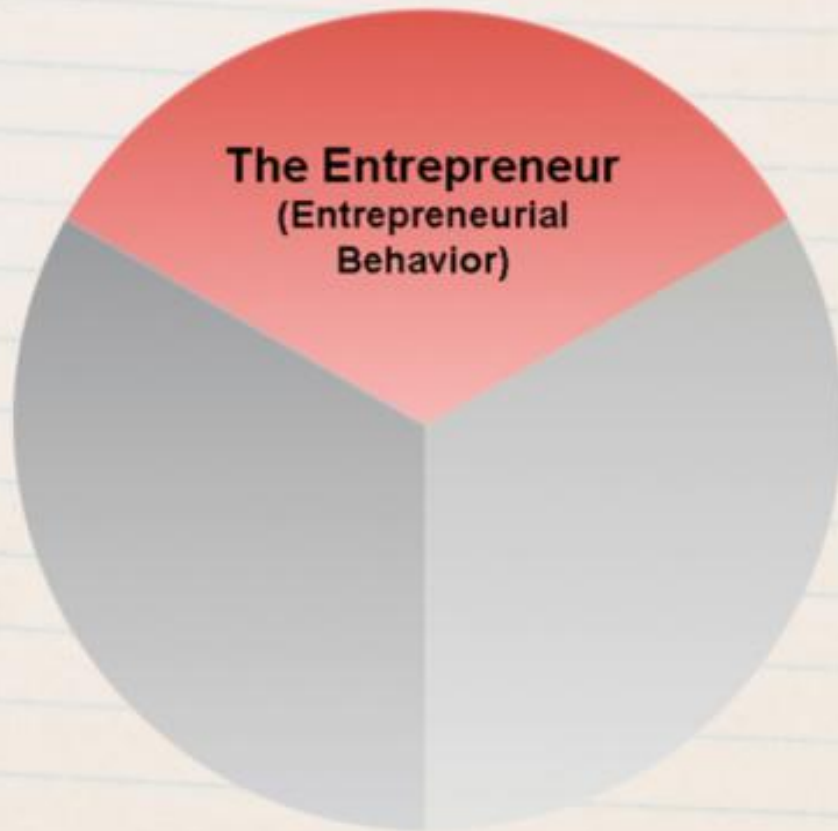
Ref:: E-Myth, Michael Gerber



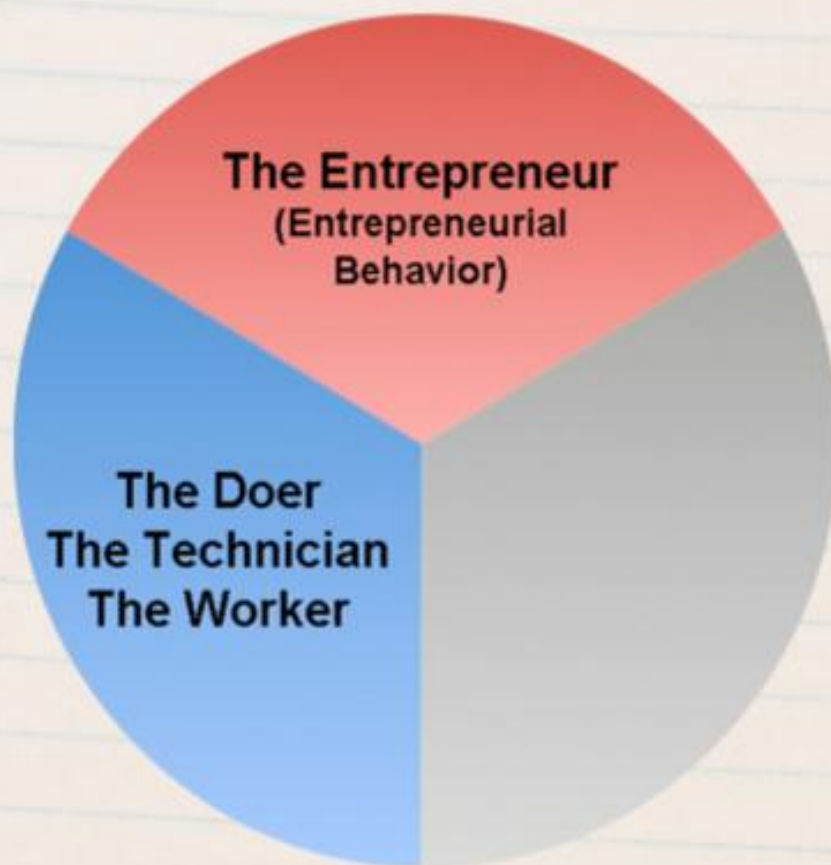


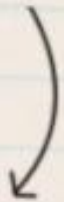
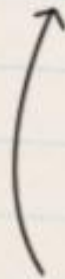
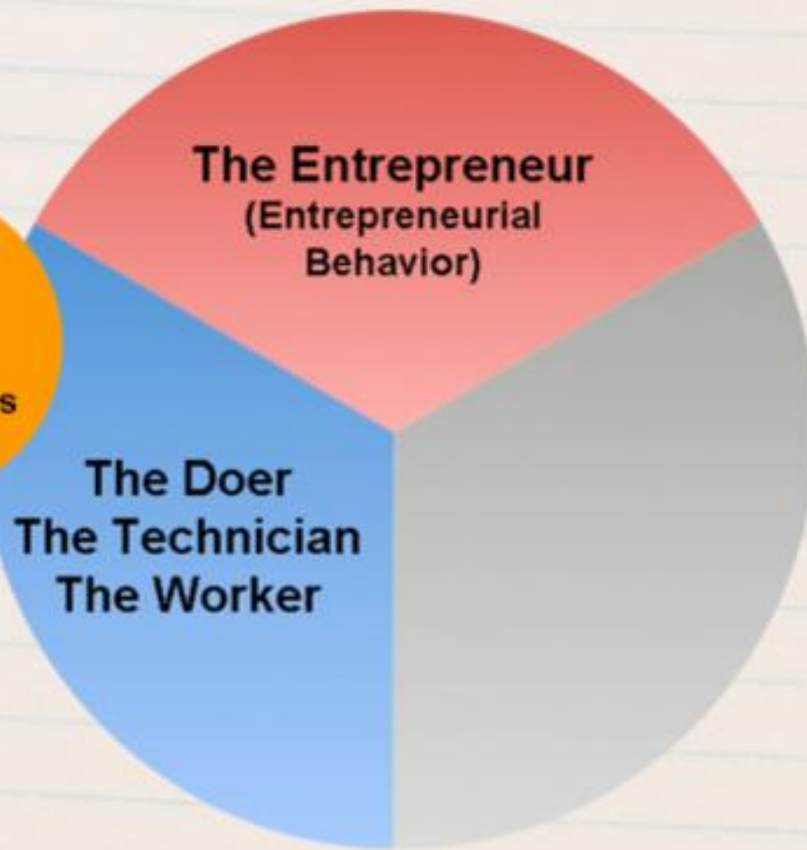
**Our Biggest Enemy:**

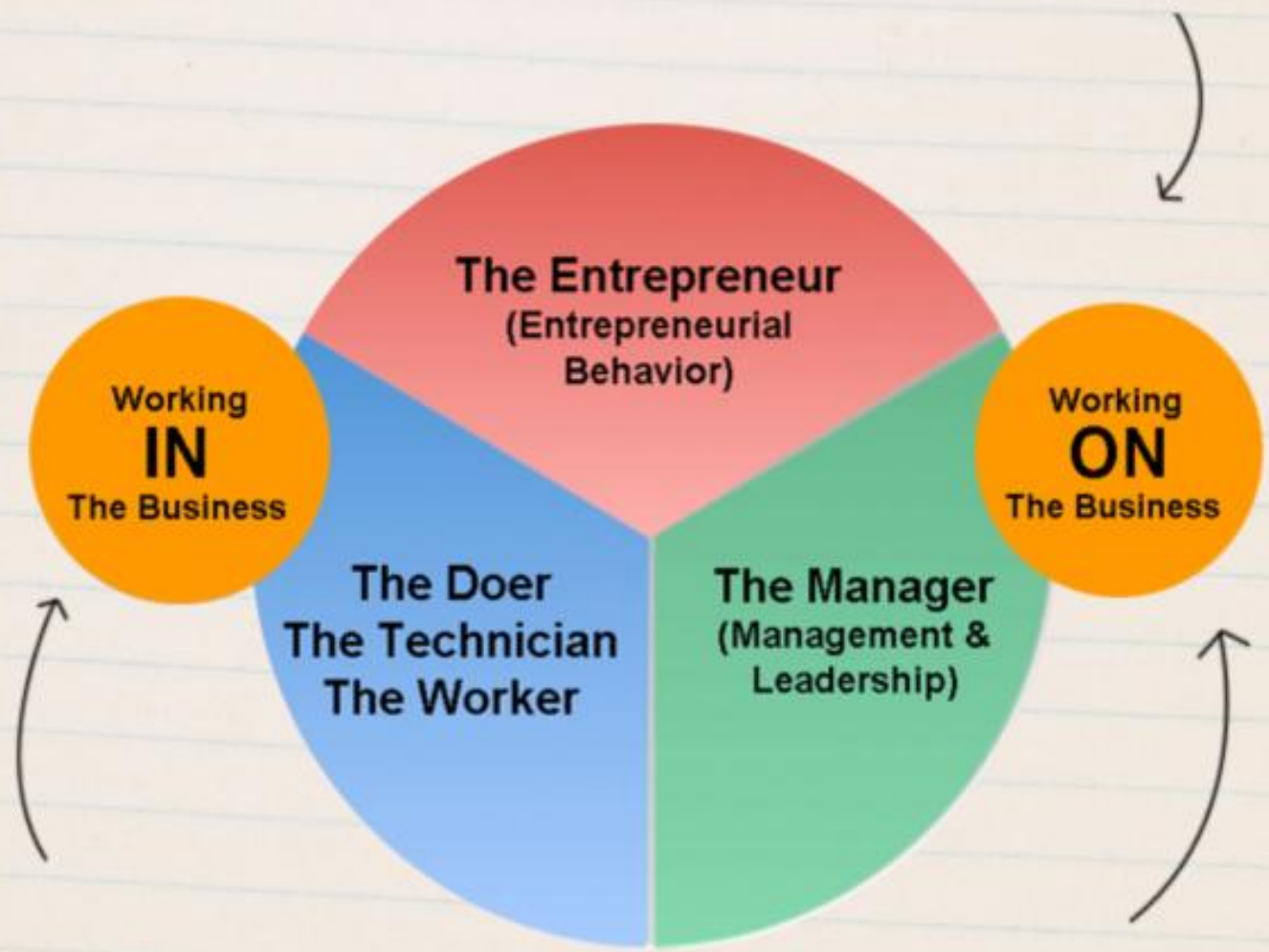
Too Busy with the day's work to manage  
the business



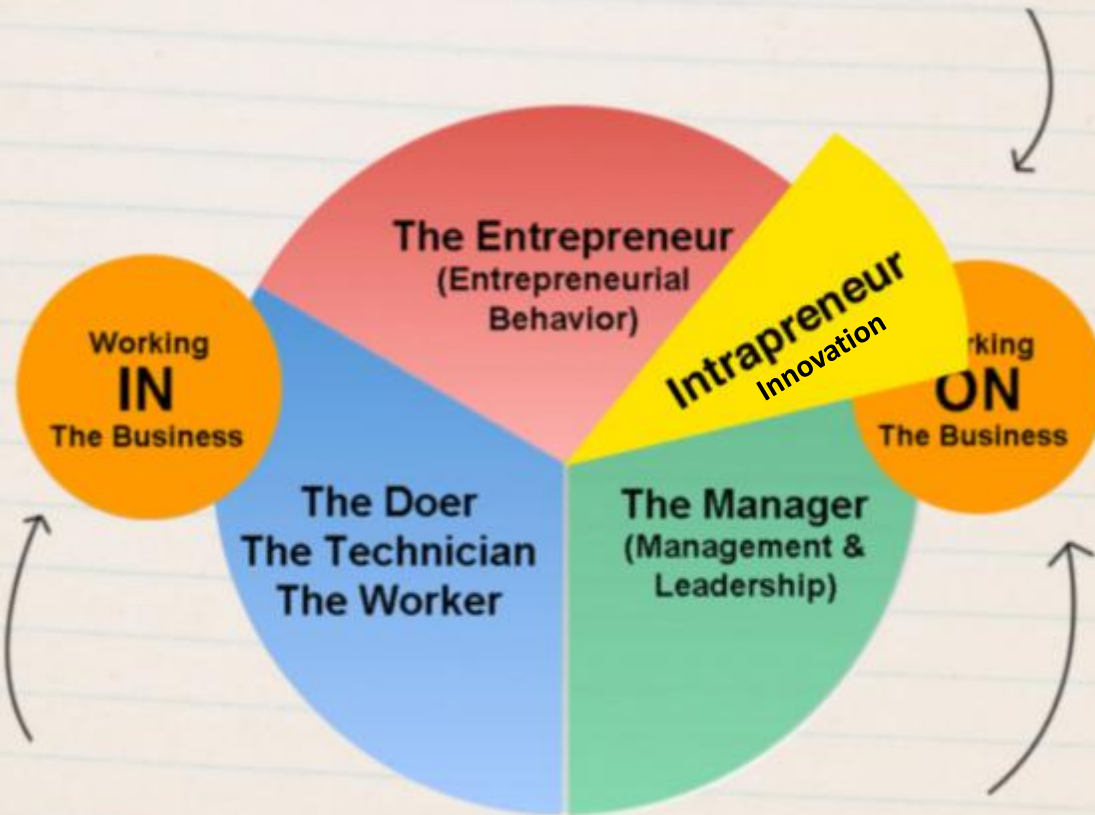




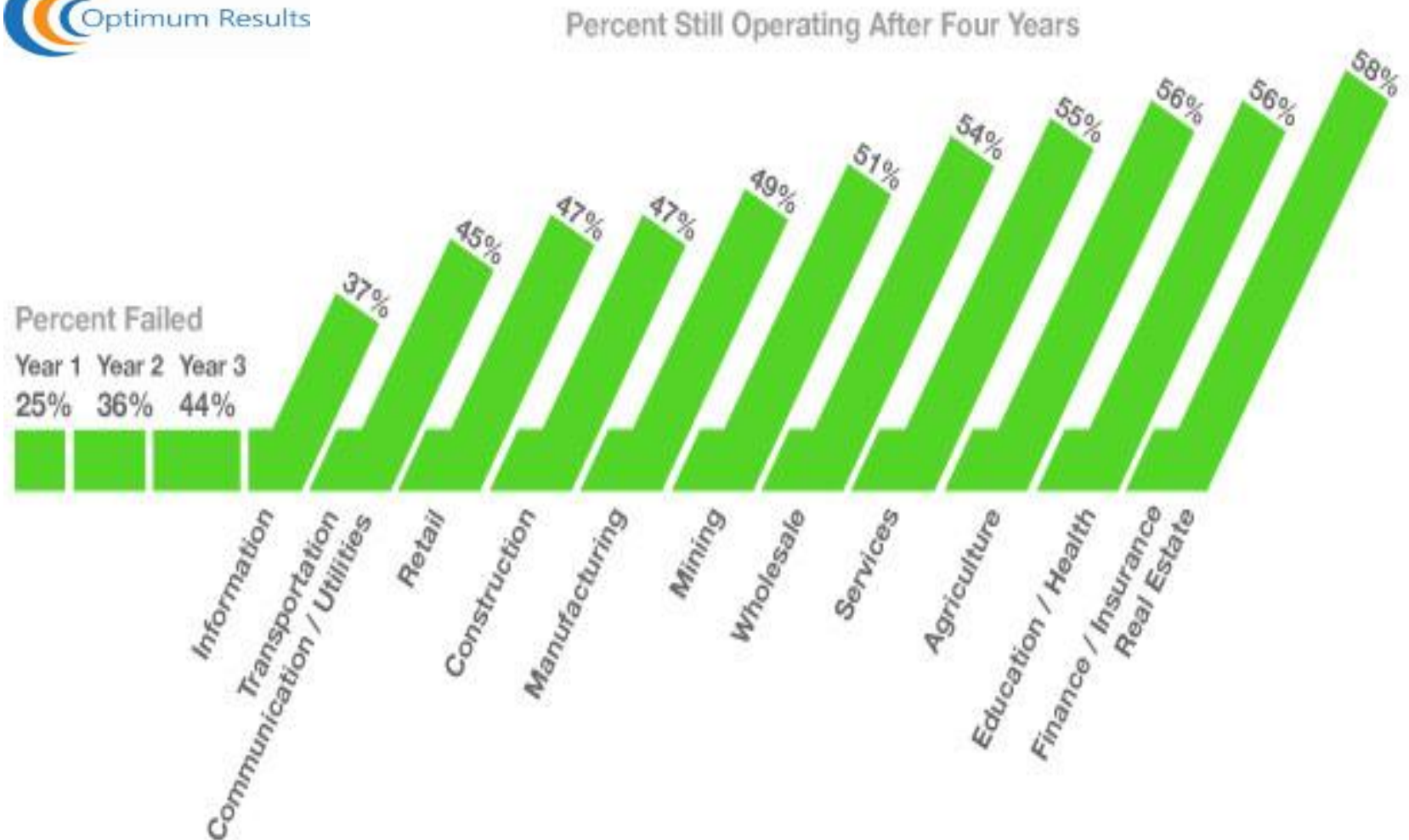








# Survival Rate :: Start-ups still operating after 4 years





# Typically 86% of resources spent on training are wasted

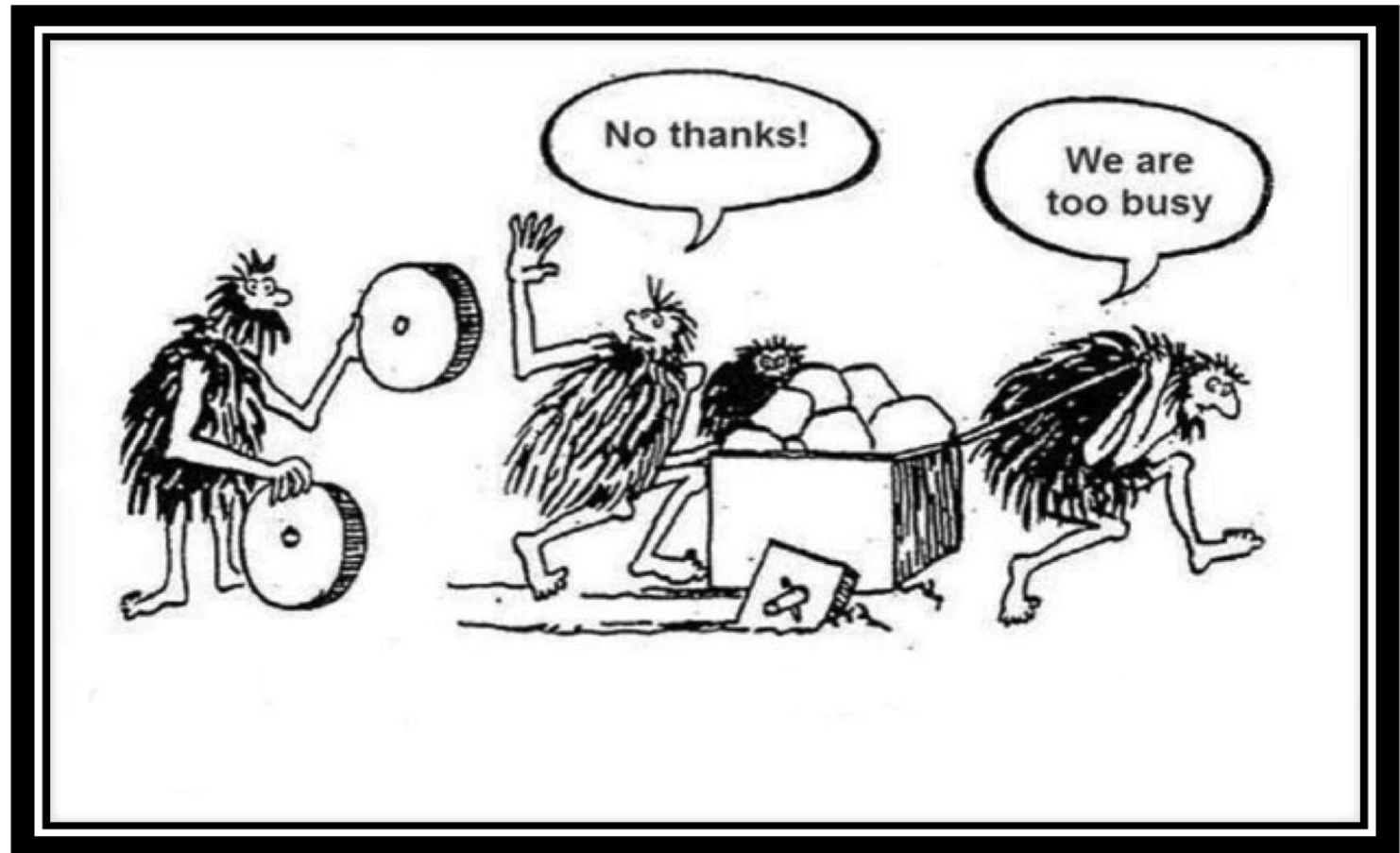


Sometimes training is irrelevant or of poor quality...

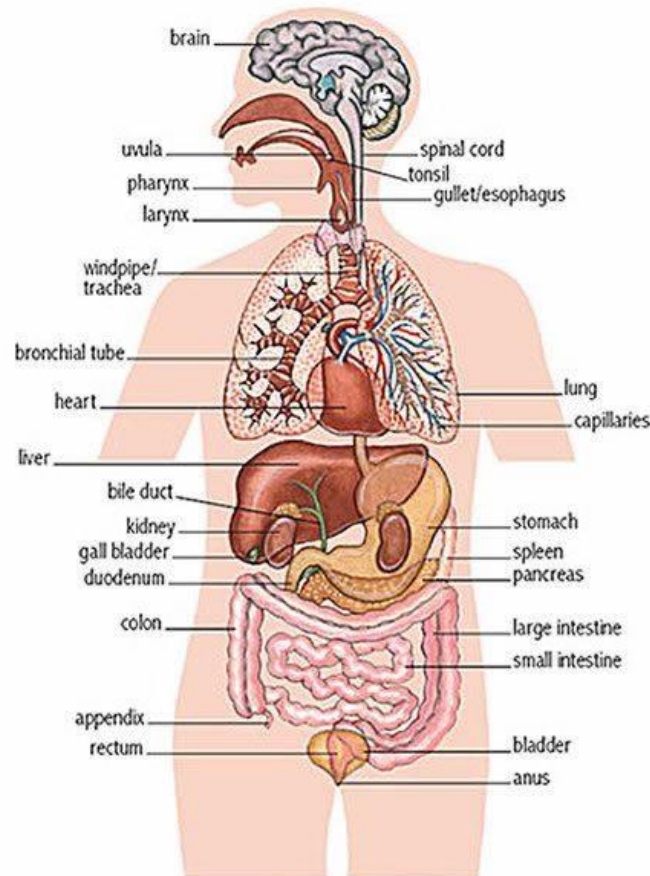
**More usually it is because  
the training fails to convert  
knowledge into ACTION!**

*...and for SME managers, they can also be the  
additional problem of being too busy 'working' to  
'manage and grow the business'*

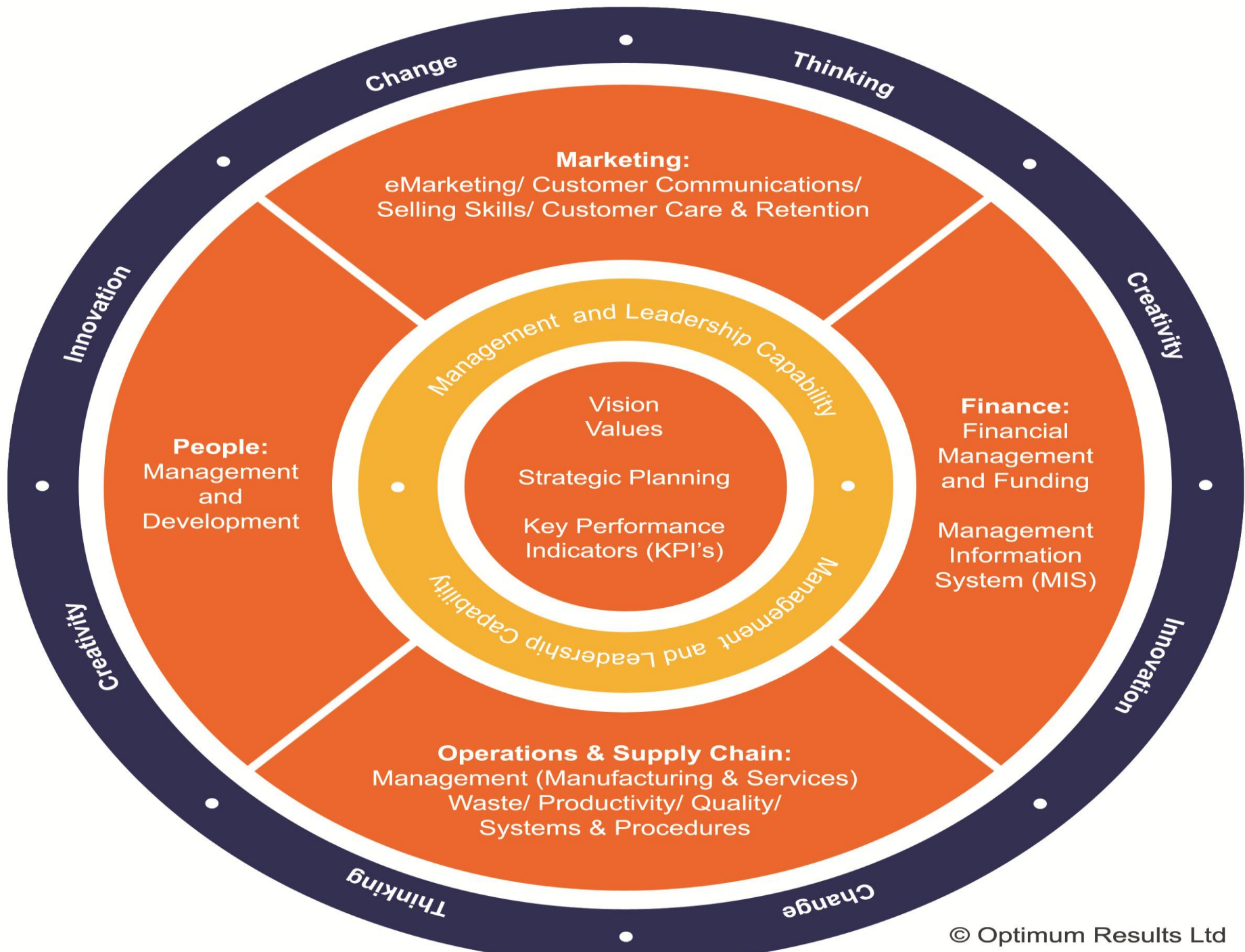
**You must **MANAGE** the business and take time to think, network, learn and improve**



# Most SME Managers know the core business well but few are skilled across all the essential elements of business management



Like the human body  
All the bits have to  
work together





# **Five Critical Success Factors for Small Business Success**



# (1) Have a very Positive Mindset

## What Kind of Mindset Do You Have?



I can learn anything I want to.  
When I'm frustrated, I persevere.  
I want to challenge myself.  
When I fail, I learn.  
Tell me I try hard.  
If you succeed, I'm inspired.  
My effort and attitude determine everything.

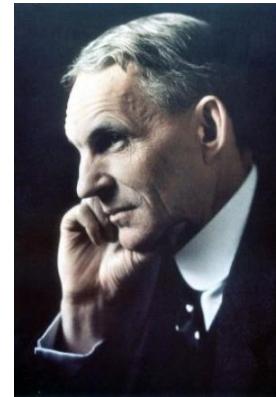
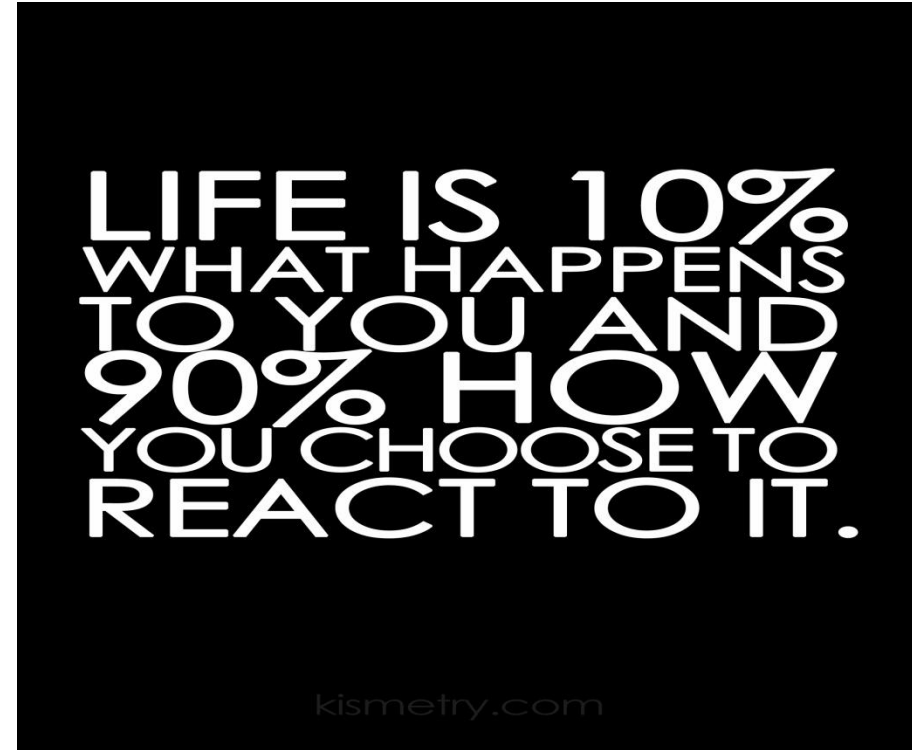


I'm either good at it, or I'm not.  
When I'm frustrated, I give up.  
I don't like to be challenged.  
When I fail, I'm no good.  
Tell me I'm smart.  
If you succeed, I feel threatened.  
My abilities determine everything.

Created by: Reid Wilson @wayfaringpath © 2015 Icon from: thenounproject.com



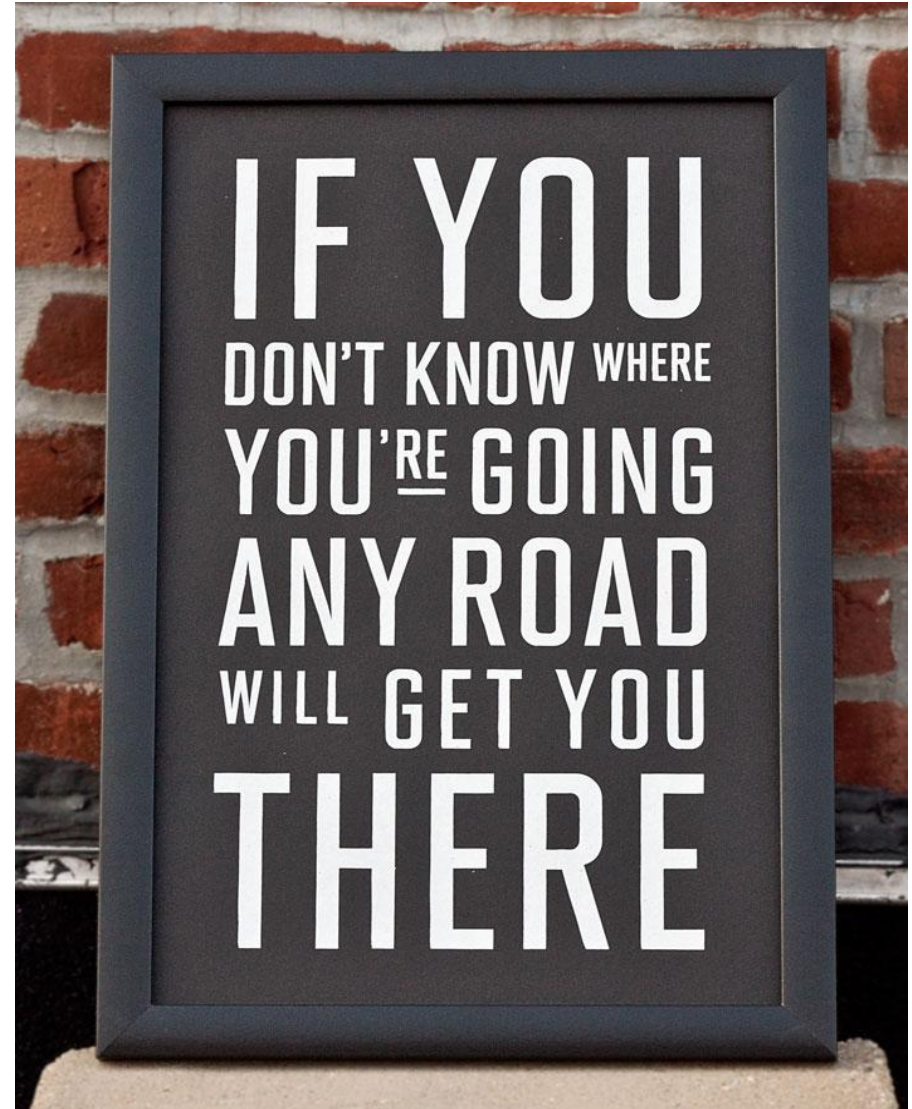
↓ Thinking  
↓ Feelings  
↓ Behaviour  
↓ Performance  
↓ Results / Success.



**Whether you think that you can, or that you can't, you are usually right.**

Henry Ford

## (2) Focus / Clarity of Purpose & Vision



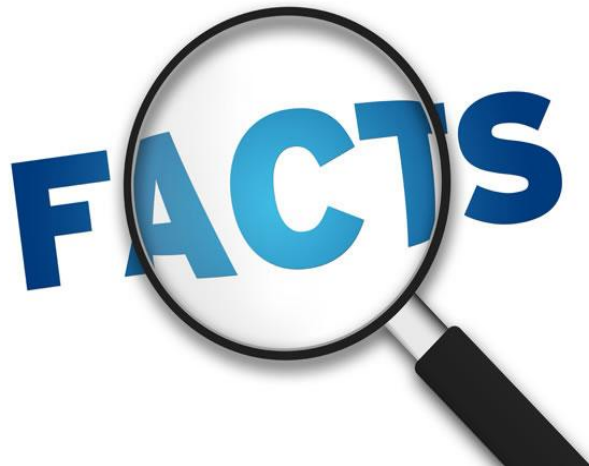


A photograph of a white-framed sign mounted on a bright red, textured wall. The sign has a black background with white, hand-painted text. The text is arranged in four lines, repeating the phrase 'THE MAIN THING' and including 'IS TO KEEP' in the second line. To the left of the sign, a coiled grey cable is visible. The sign is flanked by two windows with white frames and textured glass.

THE MAIN THING  
IS TO KEEP  
THE MAIN THING  
THE MAIN THING



### (3) Watch the Numbers and know what's going on



## (4) Relentless Emphasis on Marketing, Selling and Client communications



HAPPY CUSTOMERS  
= SALES



## **(5) Build Your Team / create an excellent work environment**

**YOU DON'T  
BUILD A BUSINESS**

**- YOU BUILD PEOPLE -**

**AND THEN PEOPLE  
BUILD THE BUSINESS.**

**Develop a Team of People with passion and pride in the company and who want to do it rather have to do it !!!!!!!!**





# Recruiting, Managing, Leading and Developing People

...some key points

January 2017



# Recruit the best people you can afford



- Modern young people have choice and you are competing for talent.
- Build and maintain a company profile / image.
- Learn the skills of Social Media Recruitment
- Learn Interviewing, Questioning and Listening skills
- Document Competencies and Interview against these
- Make the job / company sound exciting but don't build unachievable expectations
- Think strategically regarding the best available and investment / retention / team fit
- Your bright graduates / Work experience programmes ?? (+pros & -cons)
- Networking / Job Fairs / Sponsorships / Other sources of people

# Managing & Developing People

- Understand and the difference between HRM and HRD (Management/ Development)
- Get everyone heading in the same direction ...shared vision, values & objectives !!!!
- Competencies: Knowledge / Skills / Attitude & Behaviour
- Get the right people on the bus, sitting in the right seats and get the wrong people off the bus (*Jim Collins "Good to Great"*)
- Respect, Communication & Involvement ...the most powerful tools available to management
- Leadership the management of discretionary performance?
- The correct combination of Leadership and Management has people achieve organisational goals & objectives?



To get the respect of people, I think you've got to roll up your sleeves and lead with your people. The absolute key is treating your people well. Looking for the best in your people. Lots and lots of praise, no criticism.

— Richard Branson —



# Training Workshop Evaluation



**HOW DID  
WE DO?**

