



Unlocking SME Growth

Despite more financial backing, UK SMEs currently lack the expertise needed to expand. **Patrick Reeve**, Managing Partner at Albion Ventures talks to **Mary-Anne Baldwin**.

It's a good time for the UK's small and medium-sized enterprises (SMEs). Armed with more financial backing from private equity, venture capital and angel investors, many are looking to grow their businesses domestically and internationally.

Buoyed by more access to finance and an inclination to take it on a long-term basis, SMEs are taking fewer bank loans

and overdrafts yet overall, financing in 2015 rose 17 per cent year-on-year.

Speaking about [The Albion Growth Report 2015](#), which polled over 1,000 SMEs, **Patrick Reeve**, Managing Partner at Albion Ventures, says: "A very positive surprise from this year's response was that over a third of companies would consider taking long-term equity investment. That's an awful lot higher than previous years."

This investment most commonly comes from family and friends (13 per cent), yet private equity and venture capital are the next preferred options (11 per cent), shortly followed by angel investors (10 per cent).

The BBA, the leading trade association for the UK banking sector, also notes that SMEs' cash holdings and deposit levels are continuing to grow, reducing >



the need for bank finance. This is despite willingness from banks to lend, with 8 in 10 finance applications from small businesses and 9 in 10 from medium businesses being approved.

While SMEs' growing access to non-bank finance is partly a reflection of a strong investment market, it's also indicative of SME health.

Patrick explains: "People are less concerned about the consequences of having external money, which can mean you have an audience you have to play to. It's a measure of your self-confidence if you think you can manage that."

However, as Patrick explains, SMEs still face a number of challenges in seizing the opportunities ahead, the most notable being a lack of talent.

For example, while SMEs are finding it easier to finance the growth of their businesses, those that struggle often cite a lack of leadership as the issue. More than 40 per cent of SMEs that failed to raise cash said they had a lack of management expertise, compared to just 11 per cent of those that succeeded.

Furthermore, while Albion's report found that 77 per cent of medium-sized companies and 53 per cent of

small enterprises are looking to expand their business over the next year-and-a-half, many are concerned they don't have the leadership skills required.

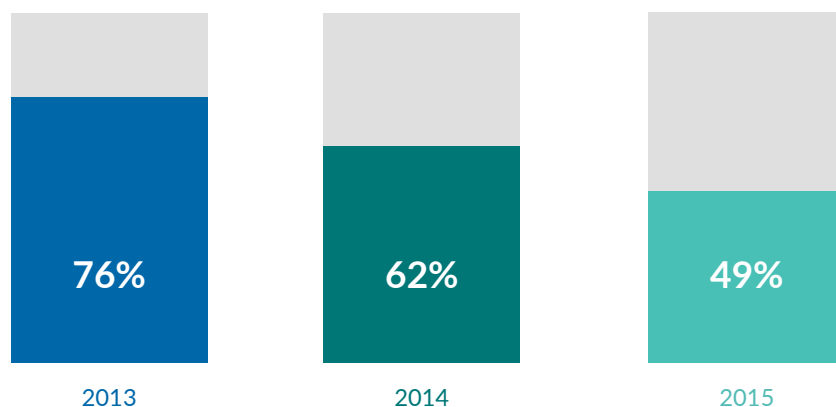
Untapped domestic markets are the most tempting hotspots for growth with slightly more SMEs focused on expansion outside of the EU than within it.

Noting that the driver is sales, not just cheap labour, Patrick says: "I think it's encouraging that so many are looking abroad, especially that two thirds of manufacturers are looking to expand outside of the UK."

However, half the SMEs that have already tried faced difficulties. Again, a key issue is a lack of skilled staff. This is particularly the case in IT and manufacturing with a third of companies saying they struggle to fill positions.

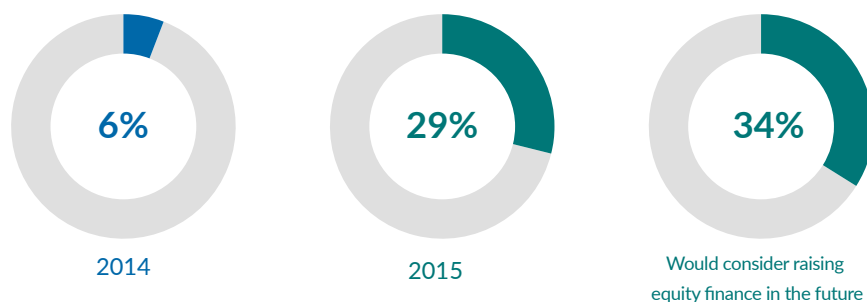
"Staffing is now a real issue and it's going to get worse. It's a problem of success, but that's not to say it's not a real problem," Patrick warns. ■

SMEs That Secured Funding Through Bank Loans and Overdrafts



Source: The Albion Growth Report 2015

Popularity of Using Equity or Other Long-term Finance



Source: The Albion Growth Report 2015



Patrick Reeve
Managing Partner
Albion Ventures

Patrick is Managing Partner at Albion Ventures. He established Close Ventures in 1996 and led the management buyout to form Albion Ventures in 2009.

He is on the board of the British Venture Capital Association and is on the board of the Association of Investment Companies.

Contact Patrick through:
www.criticaleye.com