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Releasing your Inner Growth

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Executive Summary

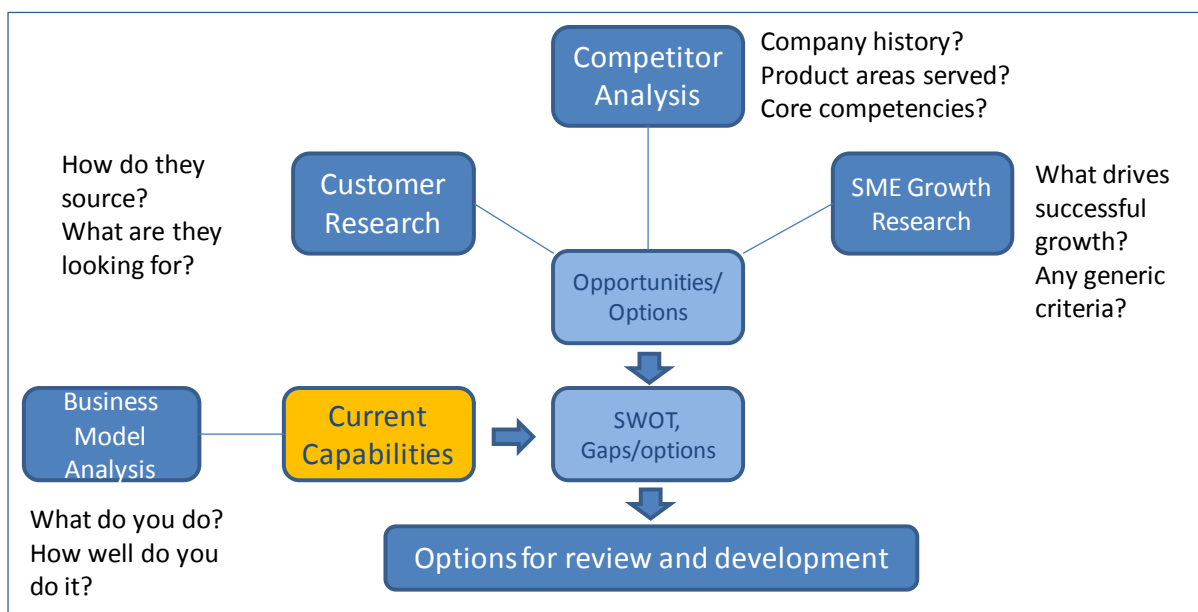
This report is based on a case study of a West Midlands-based SME who had engaged the MBA programme from the University of Birmingham to assist in the development of a plan for growth. Despite having been in existence for 6 years during the worst economic downturn in recent years and having survived profitably, the owners of the company were frustrated with the low growth rate that had been achieved to date. This report summarises the approach taken to review the business, the key directional findings and recommendations and a reflection on whether the situation the business found itself in was typical or not when compared to existing research on SME growth.

Background

The company in question provided innovative engineering solutions for a range of large and medium sized companies operating in a diverse set of industries from Pharmaceutical to Fast Moving Consumer Goods. The portfolio of services ranged from ideation, through proof of concept to prototyping and ultimately to full production systems. A variety of IP technologies were owned by the company but invariably they would be engaged to develop bespoke solutions, funded by the clients in question.

Approach

The schematic below summarises the approach taken to analyse the company's performance, external environment, opportunities and gaps in order to develop possible growth options for further development.



As well as conducting an internal analysis of how the company operated, it was also considered key to understand what they could do differently in future, in order to stimulate an improved growth trajectory.

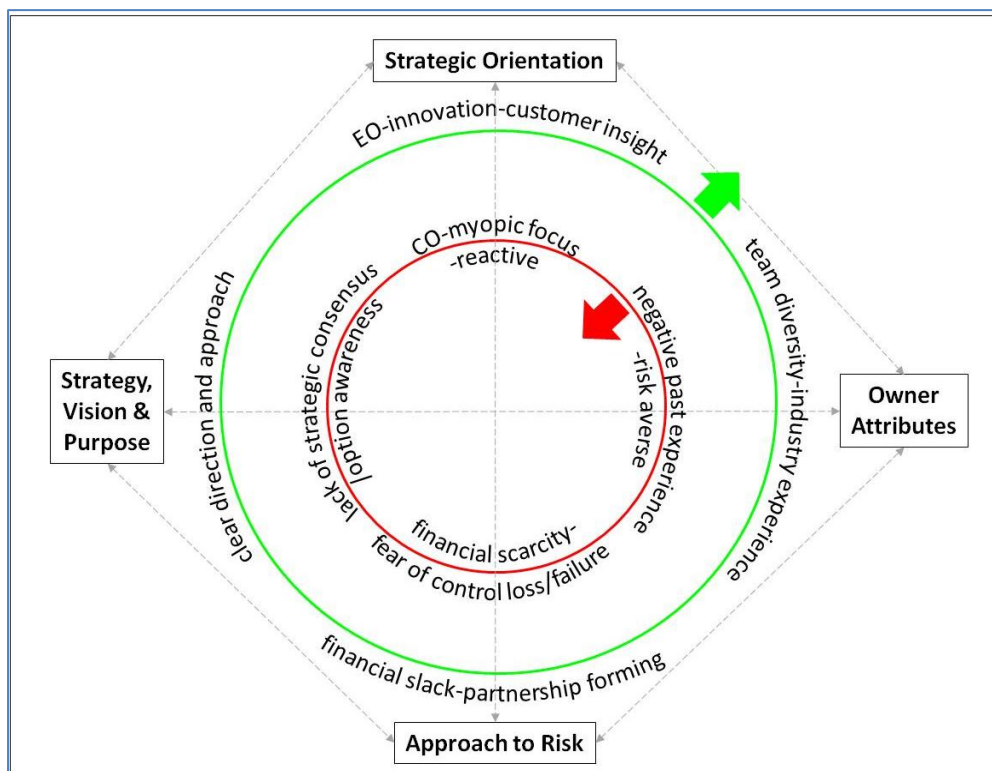
Key Findings

Company specific

One of the key issues identified for the company was the inability to retain their involvement beyond the technology development stage and into the more lucrative commercialisation phase. The client's needs changed during the life of a project and as a concept became more viable, focus shifted from flexibility, turnaround and cost to assurance of delivery through technology, scale and reputation. Owing to a reliance on client resources to fund the development, IP was generally not retained and a key "stickiness" or retention factor was lost. In addition clients were generally wary of the risks involved in engaging a small company in significant projects.

Underlying issues?

Whilst the outcome was relatively easy to identify, the underlying reasons for performance were investigated more deeply and four generic areas were highlighted as possible insights into the company's performance to date.

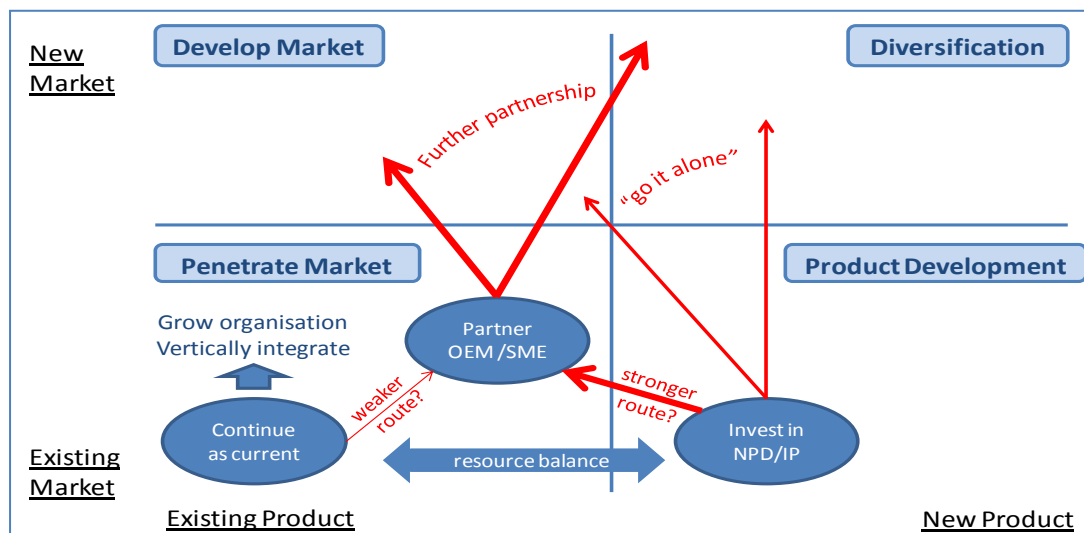


The figure above summarises the author's findings, expressed as "virtuous" (green) and "stagnant" cycles (red), covered by four areas at the points of the outer diamond shape and examples of each attribute on the appropriate circle. To help clarify, strategic orientation in this case is illustrated by Entrepreneurial (EO) and Customer (CO) orientation and describes the direction in which a company wishes to go and how this influences the approach they take. Approach to risk in this case covers a number of traits from willingness to collaborate and form partnerships, through to the fear of losing control by allowing external parties to help run the business.

In general the research company was found to operate along the inner stagnant cycle whereas research into high growth companies generally demonstrated a tendency towards the outer virtuous cycle. They were unwilling to collaborate to overcome size issues and very risk averse when it came to investing their resources in new product development, for fear of failure, thus inhibiting their chances of developing and retaining their own intellectual property.

Action planning

The results of the internal business analysis and external environmental research were used to develop a number of growth options and also assist in illustrating the attitudinal changes that were likely to be required by the leadership team in order to help deliver the stated targets. The figure below illustrates the Ansoff matrix that was developed as part of these discussions, which in turn were used to discuss and finalise which options were to be further developed by the company in their pursuit of growth.



Recommendations

Whilst this report was based on the findings of a single company case study, the research process covered a number of academic studies into SME growth and leveraged these findings in order to help develop future options. Evaluating a business in a similar manner and conducting an honest review of where the business presently sits, could help to formulate plans which may help the business to transition from the stagnant cycle illustrated to the growth-enabling virtuous cycle.