



WING TIPS

Start with the end in mind

If you are anticipating a period of growth, make sure you keep your end goals in mind – right from the start.

Many companies, including early stage companies, are enjoying a period of profitability or having gained access to working capital are now planning for their next phase of growth. However, many owner managers postpone planning for their eventual departure from their company, when the ideal time to start planning is as early as possible. Mark Dowding, client partner at Vantis, recommends that owner managers plan early for their eventual withdrawal from their business.

Setting business objectives

Business objectives develop over time. Many owners may start out aiming for simple survival but as their business expands they find that their personal ambitions grow with their business. Where many stumble is the planning and management of the next phase of growth – the recruitment of extra staff and management to support that growth. One of the greatest challenges is to ensure that the objectives of owners and their staff are aligned, so that the chances of achieving the firm's strategic aims are maximised.

This of course is helped by providing high-level strategies, which tend to fall into one of two different types:

- >The corporate strategy: Simply, what do you do and where? What products or services should be offered and in which geographical markets?
- >The competitive strategy: How will you implement the corporate strategy in order to compete profitably to achieve personal and business objectives?

Planning these has three distinct phases:

- >Assessing where the business is now
- >Forming a list of objectives to determine where you want the business to go
- >Creating strategic plans to document how you propose to get there

Many people tend to forget that their personal objectives are equally as important as their business objectives. When planning the second phase consider fulfilling your own personal objectives. This may be the sale of the business, its transition to family members or to a team of managers from within the business. At some point, owners must plan their exit route and it is wise to do this early and take advantage of available tax efficient structures.

With the strategy in place and as the business grows, challenges will increase. You may need an injection of funds to support your expansion; your information systems may need upgrading to cope with the increasing complexity of your business; you may need to invest in better financial reporting systems. And it's more than likely that you'll need to recruit additional skills into the business. As ever this requires finance.

One of the major decisions business owners make is determining the most appropriate form of finance both at the start up phase and as the business matures. Many at the early stages rely on business angel or venture capital funding. As the business grows and establishes a trading history its ability to raise debt finance is usually enhanced. This may be through bank or asset backed lending but if growth prospects are good, raising equity capital via a flotation can be an attractive option.

Typically, small companies with high growth potential are best placed to consider a flotation on either Ofex or AIM. As part of the flotation process it may also be possible to effect an exit for shareholders either in part or full, depending on whether the right circumstances are present.

AIM and OFEX listed companies may also attract a number of tax reliefs for investors, which can improve your chances of raising funds and may have a positive effect on your valuation, these include in certain circumstances-

- >Enterprise Investment Scheme and Venture Capital Trust relief
- >Business asset taper relief
- >Business property relief for inheritance tax purposes

The choice between which market to use depends on a wide range of factors. A public quotation will give you access to funds for expansion including the ability to make acquisitions using either cash, issuing shares or a mixture of both. If you issue share options to your employees they may also have a visible means of sharing in the appreciating value of your business providing them with additional motivation. There are downsides as well, however. A business that performs well in the public domain will always be an attractive option for further investment or as a target for a competing business looking to make acquisitions.

For further information on managing your growth please contact Mark Dowding at Vantis plc, on 0207 549 2430 or visit www.vantisplc.com.