Better Business for All
A local partnership between Businesses and Regulatory Services to promote growth

Business Insights

Learning Facilitator: Insert name

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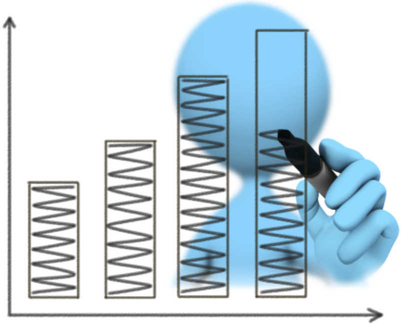


UNIVERSITY of York

Learning objectives

- Appreciate the key challenges, strategies and approaches that businesses take to survive and grow, and apply this understanding to achieve effective regulation
- Understand the role of Local Enterprise Partnerships, Growth Hubs and EDUs in supporting business growth, and strengthen collaboration and partnership working with them
- Apply appropriate tools, techniques and processes effectively to achieve appropriate and proportionate regulation for business
- Demonstrate how effective regulation supports business growth
- Enhance individual commercial and business awareness
- Understand regulation from the business perspective

This presentation covers the key challenges that businesses face, and the strategies and approaches they use to survive and grow. The main aim is to understand our own role as regulators in supporting business growth, as part of our Better Business for All strategy.

We will also think about how we all work together to understand more about businesses, so that we can better support our local economy through effective regulation. We will look at regulation from the business' perspective.

This does not mean allowing businesses that don't comply with regulation to continue being non-compliant. It is more about working with businesses to make sure that remedies and solutions are proportionate to the regulation and to their needs, so that we as regulators support growth.

You should gain some insight into how businesses think and operate, which will help you to improve your influencing skills, connections and relationship building with the businesses you work with.

Our agenda covers…

- Regulation and Growth - the role of LEPs, Growth Hubs and EDUs
- Key business stages and structures, with a specific focus on the businesses in the local area
- The impact of turnover, size, sector and employee numbers on business decision making, with a focus on SMEs
- Business models and culture
- How businesses become successful - a positive opportunity for regulators to engage
- Being 'Business Focused' and regulation from the business perspective
- The Regulators’ Code
- Action-planning for new relationships

Core themes

Throughout the day we will focus on:

- How insights are relevant to your roles as regulators
- How as regulators you can support business growth
- How the business context impacts you as regulators

As we progress, please think about how any of these core themes are relevant to you and your role as a regulator in your particular field.

In addition to all the great work that you are already doing:

- What else you can do to support business growth?
- How does the business context around you impact you as a regulator, and the job that you do?

Local Enterprise Partnerships

LEPs are partnerships between local authorities and businesses. They decide what the priorities should be for investment in roads, buildings and facilities in the area.

There are 39 LEPs, each with a Strategic Economic Plan.

LEPs were given the chance to apply to have an Enterprise Zone and 24 were awarded. These zones can take advantage of tax incentives and simplified local planning regulations.

Local Enterprise Partnerships have been around since 2010 when the Coalition Government replaced Regional Development Agencies with local partnerships between business and local authorities to determine local economic priorities and lead on economic growth and job creation within local areas. The intention is that each place tailors its approach to its own local circumstances. There are 39 LEPs, all with board members from local authorities. Each LEP has its own website and a Strategic Economic Plan that sets out its growth strategy. The LEPs were given the chance to apply to have an Enterprise Zone and 24 were awarded.

What are Growth Hubs?

- One-stop shop for businesses
- Signposting businesses to further support
- Government is making funding available
- Good opportunity for local authority regulatory services to demonstrate how they fit into the business support landscape

Growth Hubs are local private / public sector partnerships. They were introduced because the provision of business support was viewed as fragmented and patchy, with many businesses saying that they didn't know where to go for support.

Growth Hubs are the central repository of information, advice and support for business within defined local areas, providing a holistic approach to business support and a single point of contact. They operate as a one-stop shop providing access to training, finance and local authority services such as regulatory services. They are key to many of the LEPs strategic economic plans.

Since local regulators routinely provide a considerable amount of support to business, they are an important part of the Growth Hub package.

Role of Economic Development Units

- Supporting the strategic development of the local economy
- Initiating opportunities for inward investment
- External lobbying for the area's economic interests
- Regeneration
- Access to external funding
- Intelligence on local economic performance and potential
- Working in partnership with other organisations

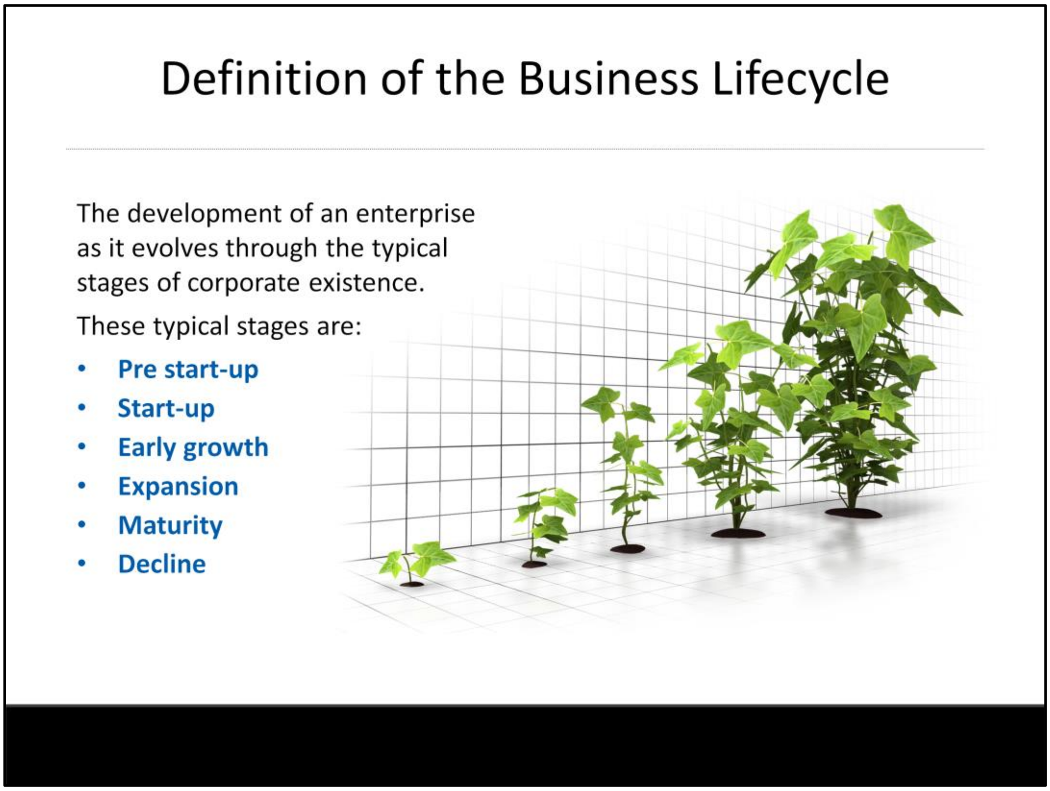
Some local authorities, but not all, have their own Economic Development Unit (EDU).

The EDU contributes to and supports to the development of the local economy through a range of services providing both strategic and project based work in order to deliver services for individuals, communities and businesses.

EDUs usually work to market the local authority as a prime location and investment opportunity, encourage business start-ups and high-value inward investment, promote renaissance in specific areas, and support the development of a skilled workforce and the business environment in general.

Useful online resources

- To find more information on your local LEP, these links will help: http://www.lepnetwork.net/find-your-nearest/ and http://www.lepnetwork.net/the-network-of-leps/
- To access your LEP’s Strategic Economic Plan, go to: http://www.lepnetwork.net/the-network-of-leps/
- For details of each of the Growth Hubs in the UK: http://www.lepnetwork.net/growth-hubs/
- See the www.GREATbusiness.gov.uk website for advice about setting up a business and access to more support resources
- To access a guide to the Government’s Business Support Services go to: http://www.lepnetwork.net/document-library/



Let’s move now into the world of business to understand what our local businesses experience as they develop and grow.

Every business has a lifecycle. Like everything there is a pre-birth stage, then growth, expansion and maturity and finally decline.

This lifecycle is the same for any business but usually what is different is the length of time. Some businesses last hundreds of years, while others sprout up and decline very quickly, maybe in response to a specific trend, or an opportunity in the market.

Business statistics 2014

Private sector businesses in the UK by number of employees
2014

	Businesses	Employment	Turnover	Businesses	Employment	Turnover
	1000s	*1000s*	*£ billions*	*%*	*%*	*%*
No employees	3,966	4,353	231	76%	17%	7%
SMEs (0-250 employees)	5,236	15,159	1,647	99.9%	60%	47%
Of which: Micro (0-9 employees)	5,010	8,276	655	96%	33%	19%
Small (10-49 employees)	195	3,807	515	4%	15%	15%
Medium (50-249 employees)	31	3,075	477	1%	12%	14%
Large (250+ employees)	7	10,070	1,874	0.1%	40%	53%
Total, all businesses	*5,243*	*25,229*	*3,521*	*100%*	*100%*	*100%*

Source: BIS, Business Population Estimates
Notes: Data relates to the start of 2014
Numbers rounded to the nearest 1000

The usual definition of small and medium sized enterprises (SMEs) is any business with fewer than 250 employees. There were 5.2 million SMEs in the UK in 2014, which was over 99% of all business.

Micro-businesses are business with 0-9 employees. There were 5.0 million micro-businesses in the UK in 2014, accounting for 96% of all businesses.

The usual definition of small and medium sized enterprises, often abbreviated to SMEs, is any business with fewer than 250 employees.

There are about 5.2 million SMEs in the UK, comprising 99 per cent of all businesses. It's interesting to note that micro-businesses, with 9 employees or fewer, account for 96 per cent of all businesses.

SMEs drive the economy in this country. By having a strong SME sector we nurture tomorrow's larger businesses as well as making sure that we have the diversity necessary for economic prosperity. Of course most of the SMEs will continue to be SMEs. They really are the backbone of the economy.

Let's work through the business lifecycle, considering some of the options and decisions that many small business owners face.

Firstly, what sort of legal entity should their business be? The main types are sole trader, business partnership and limited company.

Setting up as a sole trader

- Must register with HM Revenue & Customs (HMRC) and follow certain rules
- Runs their own business as an individual – i.e. 'self-employed'
- Can keep all the business' profits after they've paid tax on them
- Can take on staff
- Sole traders are personally responsible for:
  - business debts
  - bills for anything bought for the business, like stock or equipment
  - keeping records of the business' sales and expenses
  - sending a Self-Assessment tax return every year
  - paying Income Tax on the profits the business makes and National Insurance

One option if there is only one person involved in setting up or leading the business is to set up as a sole trader.

A sole trader has to comply with regulation in terms of registering with HMRC.

They are also called self-employed individuals. They are allowed to keep all of the business's profits after they have paid tax on them and although they are self employed they can still take on employees.

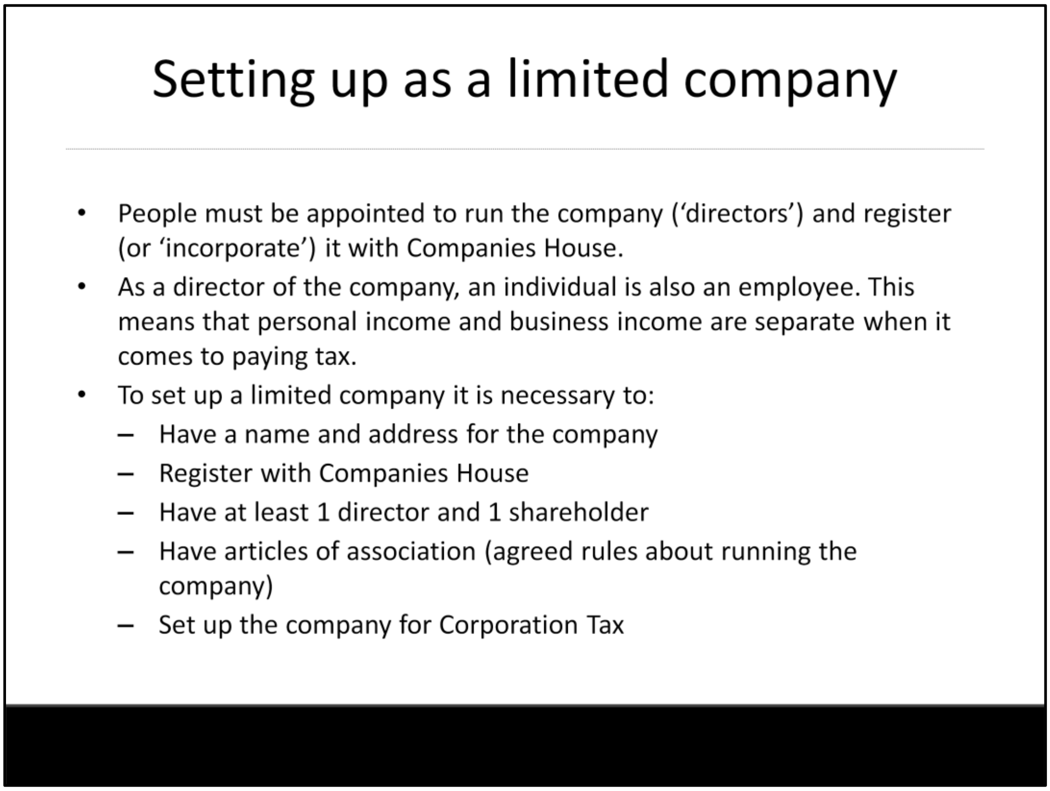
The key point about being a sole trader is that they are personally responsible for all the liabilities of the business. There is no separate distinction between the business and the individual. From a financial and legal perspective they are seen as being inseparable.

Setting up as a business partnership

- The business is run as individuals, but all the partners share responsibility for the business
- All the profits can be shared between the partners and each partner pays tax on their share of the profits
- Both the nominated partner and individual partners are responsible for:
  - sending their personal Self-Assessment tax return every year
  - paying their Income Tax on their share of the partnership's profits
  - paying their National Insurance
  - any losses the business makes
  - bills for the business - eg when they buy stock or equipment
- The nominated partner must also send the partnership's tax return

Another option is to set up as a business partnership. This is where the business is run by more than one person, with the partners having a share of and responsibility for the business.

This form of business is really very similar to being a sole trader, only there is more than one person, in that the partners of the business are not legally separate or financially separate from the business itself. They are also personally liable for any debts or commitments of the business.



The other most common option is setting up as a limited company. This is different from being a sole trader or a partner in that there is legal separation between the people who run the company and the company itself. This means that any debt or liabilities that the company incurs are not connected directly with the individuals who run the business. The directors of the company are employees and their personal income and business income are separate when it comes to paying tax.

As a sole trader or partnership it is not necessary to declare and publish your accounts and profits to the wider world. A limited company must publish and send its business accounts to Companies House, making its business more public.

There are additional considerations and expenses such as auditing of accounts that need to be considered. However quite often individuals or groups of individuals in SMEs choose to set up a limited company because of the potential protection that the legal separation gives them, and because they are able to structure their tax differently, in that the company pays Corporation Tax on profits, and that leaves the Income Tax to be a separate item. It really depends on the business’ circumstances and requirements.

It is very easy to set up a limited company. It costs very little and is very straightforward. It can be actioned by any qualified accountant. Some very knowledgeable SME owners do this for themselves on-line.

It should be noted though that sometimes when a limited company needs to borrow money for something significant quite often the directors of the company will also be asked to underwrite personally any loans or commitments that are undertaken. For example, a director of a small retail company maybe asked to personally underwrite a lease or mortgage agreement on the property for that retail business.

Social enterprises

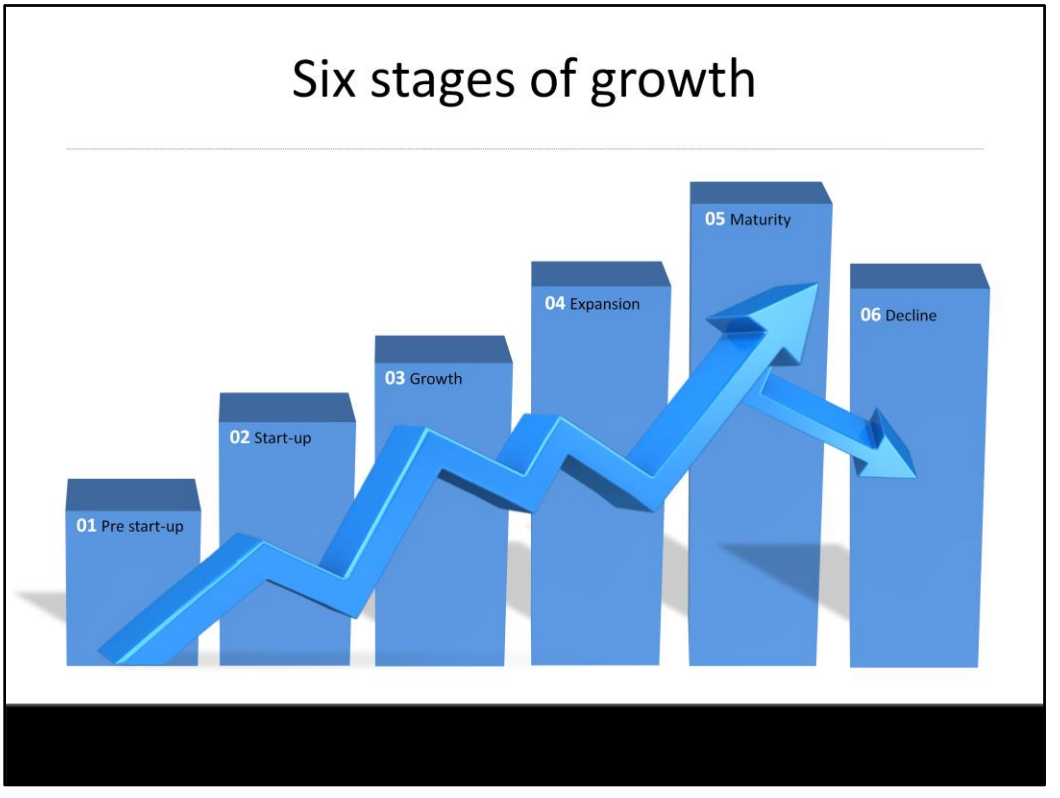
- A social enterprise is a business that is set up to help people or communities
- A business that has social, charitable or community objectives can be set up as a:
  - Limited company
  - Charity / charitable incorporated organisation
  - Co-operative
  - Community interest company (CIC)
  - Sole trader or business partnership

A CIC is a special type of limited company which exists to benefit the community rather than private shareholders.

To set up a CIC, you need to apply to Companies House, providing a ‘community interest statement’ explaining what your business plans to do, and create an ‘asset lock’: a legal promise stating that the company’s assets will only be used for its social objectives, and setting limits to the money it can pay to shareholders. It is also necessary to get the company approved by the community interest company regulator.

Useful online resources

- Sole traders:
  https://www.gov.uk/business-legal-structures/sole-trader
- Partnerships:
  https://www.gov.uk/business-legal-structures/business-partnership
- Limited companies:
  https://www.gov.uk/set-up-business-uk/overview
- Social enterprise companies:
  http://www.socialenterprise.org.uk



It is generally agreed that companies go through six stages of growth. However, in reality all companies do not go through the same stages of growth equally at the same rate, or in the same pattern.

Focus on growth

- Companies aiming to grow are likely to be focused on:
  - looking into ways of increasing sales, both to existing and new customers
  - improving products and services, and developing new ones
  - taking on additional employees and training existing ones
  - accessing additional sources of funding
  - seeking external advice and support
  - exploring export markets
- The faster the growth, the more accelerated and intense the challenges will be
- Rapid growth companies also experience ‘growing pains’ - regardless of industry or size

Generally most companies are aiming to grow. When they are aiming to grow they are thinking about ways to grow sales, product and service improvements, how they are going to start off that growth, how they are going to fund that growth and the external advice and support they need.

Fast growth is a great thing in most circumstances but the more accelerated and intense the growth, the more challenging it is for the business. Rapid growth companies experience growing pains regardless of industry or size. It is hard work to grow a business, develop a business and keep the day to day operations running smoothly at the same time.

Growth patterns

- Not all companies want to grow – it is usually the choice of the entrepreneur(s)
- The growth curve for each company – even in identical sectors – is different
- The key factors that consistently influence growth are:
  - **Leadership:** Control, influence, decision-making
  - **Finance:** Availability of capital, financial control, budgeting, investors
  - **Brand / sales & marketing:** Customer base, location, product and market development
  - **Competition**

Whether a company grows or not will depend on a number of factors.

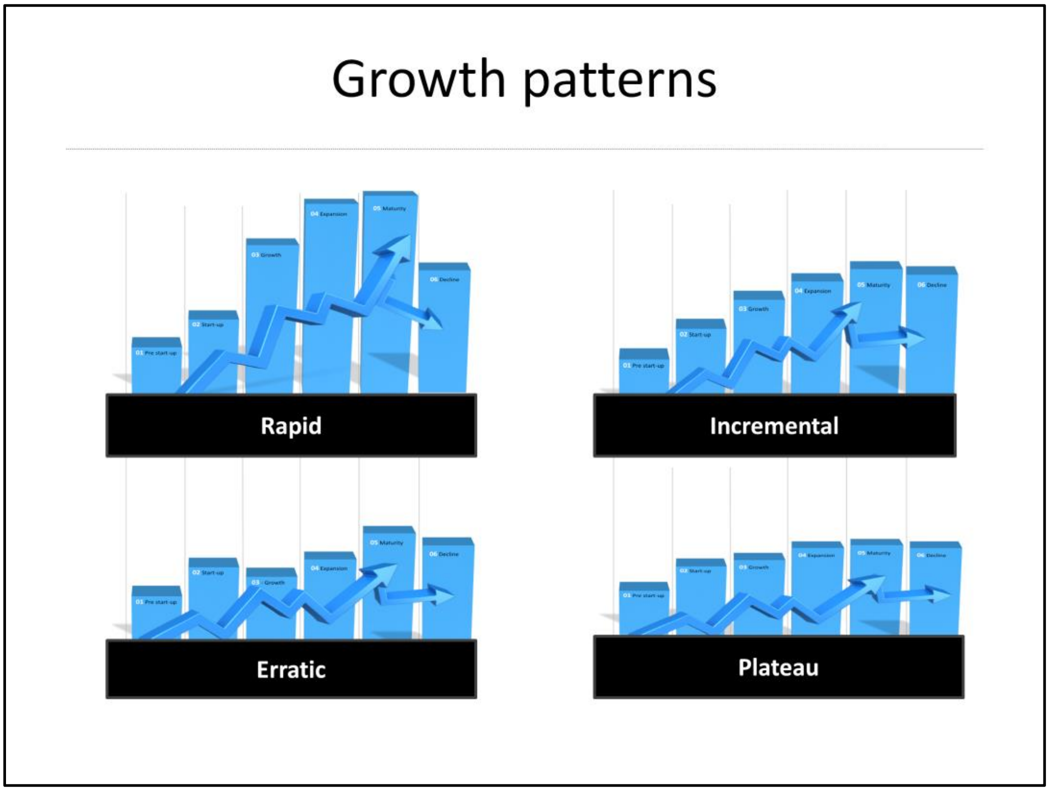
One of the most influential is leadership. Do the directors or owners of the company have the ability, desire, and capability to grow the business? Quite often some business owners want to keep the business as it is. They like the size of the business and enjoy operating it that way and don't want to change. On the other hand some business leaders may be very ambitious and want to grow but don't have the knowledge or capability.

Another factor is finance, in terms of availability of capital and how well the business manages its finances through control, budgeting and investing money in the right areas that are going to generate the best return.

Strength of brand and the effectiveness of sales and marketing activity also affect business growth.

Lastly and by no means to be underestimated is the natural element of competition. The business can be very strong in its own right but if new competition opens or something changes in the competitive arena then that can inhibit or support the growth of a business.

So there is a lot there for businesses to think about and get right if they are to grow.



Not all businesses follow the same growth pattern even when they are a similar age and a similar industry, and are in close proximity to each other.

There are four general growth patterns and we will go through each of these in turn now, looking at some of the things you may be able to identify when that growth is well managed and also when it is less well managed.

Rapid growth

When it's well managed…	When it's less well managed…
Right product or service, right time, right place, right price	Difficult cash flow position – may need to invest to keep up with growth
People learn from their mistakes and continuously improve	People repeat the same mistakes
People are motivated by success	Business working at stretch – people and resources – to keep up. Tensions visible between people
Admin, planning and compliance issues well-managed	Too busy to think about admin, planning or compliance issues
Business leaders are attuned to competitors and the market to maximise the opportunity	Blinkered vision – too busy to keep track of competitors and market developments
Customer service quality remains consistent	Customer service quality declines

Lets start with rapid growth.

This is where a company grows very, very quickly. When it is well managed you might see that the day to day operation continues to be delivered well, whereas things may sometimes go wrong but people learn and continue to improve. The organisation feels like it is a great place to work because people are motivated by the success. The people who lead the business believe that getting administration planning and compliance issues well managed is part of the foundation on which a healthy business is built, and they continue to pay good attention to those things. Also you may observe that business leaders are attuned to competitors and the market and are responsive to that to maximise the opportunity.

On the other hand when rapid growth is less well managed it can be very stressful and challenging for business owners. Growth requires investment. This can lead to a difficult cash-flow position as orders may come in more quickly than the business can meet them. It can be very challenging to keep up with very rapid growth. Because the business has grown so quickly sometimes people can repeat the same mistakes and it feels like the business is working at stretch. It can be quite a tense and difficult place to work. You may observe some to these things when you are out and about with your businesses. People in the business can be so busy trying to keep up with the growth that they neglect administration planning or compliance issues, and are really too busy to look upwards and outwards to see what is going on around them in a competitive market.

Of course as with all these scenarios the reality is that the business may be strong in some areas and less strong in others because it is not quite as black and white as it is here, it might be a mix of the two.

It is useful to stop and think about the businesses you work with and see if you can identify any of these characteristics from your experience.

Erratic growth

When it's well managed…	When it's less well managed…
Planned and consistent with the cyclical nature of the market	Challenging to manage the ups and downs
People learn from their mistakes and continuously improve over time	Lack of planning and forecasting capability
	Inability to manage unexpected changes in the customer base
	Inability to consistently keep up with competitors

Erratic growth is where growth is up and down. It isn't the same as seasonal growth because seasonal growth is predictable, such as a Christmas or summer-focused business, for instance, and hopefully happens at the same time every year.

Erratic growth tends to be less well managed. The business grows and then sales decline, and then the business grows and declines again and so on. Sometimes this is due to the lack of planning and forecasting capability by the management. Sometimes it is caused by external factors that are difficult to predict, such as a huge change in weather, or a change in the economy, or a competitor offering something new and different that wasn't foreseen.

The challenge of erratic growth is that companies tend to have to staff up and then staff down, and match the level of resources to the sales that are coming in. It can be a very challenging growth pattern to manage. Cash is difficult as well because the company can vary from being cash rich to not having enough cash to cover its outgoings and expenses.

Incremental growth

When it's well managed…	When it's less well managed…
Good financial position	May be risk-averse and under-ambitious
Well-managed and attuned to the external environment	Can be over-reliant on a core group of customers or suppliers
People are motivated by success	Complacency can set in
Admin, planning and compliance issues well-managed	May be a less attractive option for finance /investment
Business leaders are attuned to competitors and the market to maximise the opportunity	
Customer service quality remains consistent	

Incremental growth is where growth is steady, not too ambitious, and follows a continually positive pattern. When it is well managed it means the business is in a good financial position. It is attuned to the external environment and people feel comfortable and motivated working there because the growth is very straightforward to accommodate, plan for, and pay for.

Incremental growth because the growth is so steady means that customer service issues, regulatory compliance and quality standards can be more easily maintained by the business.

However, incremental growth isn't always a positive thing. Sometimes if the growth is too slow and steady it can demonstrate that a business is being perhaps too risk averse or under-ambitious. It could be that the business is over-reliant on a core group of customers or suppliers. It's really important that businesses with slow steady growth make sure that they are attuned to the market and are not being complacent about their offer.

Plateau

When it's well managed…	When it's less well managed…
Extended maturity and business sustainability –the business has reached an optimal point	The business could be at the edge of decline
Business performance is continuously reviewed to avoid stagnation	Business leaders are resistant or unwilling to change or improve the business
Business assets are optimised	There is a limiting factor that the business is not aware of or finds difficult to solve
Admin, planning and compliance issues well-managed	Complacent about admin, planning or compliance issues
Customer service standards are deemed important	Customer service standards are process-focused

The final part we shall look at is the plateau. This is where there is barely any growth at all. This could be for good reason such as the business has grown to such a size that there is nowhere else for it to go. It is at capacity. It cannot open any more outlets, provide any more products or services than it currently does.

Most often though it indicates that the business is less well managed. A plateau is the final stage before a business declines, and unless the business starts a new growth curve this could be a dangerous time for it. Plateaux sometimes happen when business leaders are resistant or unwilling to change to improve the business. They may have been doing things successfully over a number of years but the market has moved on around them and as a consequence their business performance flattens.

Cash flow (1)

- Cash flow is essential for business survival at all stages
- Cash flow is different from profit – cash flow is about the actual timing of money coming in and going out of the business; profit is the difference between the cost to the business to provide goods or services and the price charged to customers
- Signs of potential cash flow issues:
  - Stress
  - Underinvestment
  - Resistance to suggestions
  - Limited number of customers
  - Low quality customers

Whatever stage of growth a business is at it needs cash to survive. Cash flow is the lifeblood of businesses. It is different from profit.

Profit is the difference between the sales value of a product or service and the cost of producing that product or service. Cash flow concerns whether or not there is enough money in the business to pay for the outgoings of the business at that time.

Cash flow is one of the most concerning areas for business leaders. Not having enough cash means that it can be challenging to pay for wages, or suppliers bills, or service orders. You may see some signs of potential cash flow issues when you are out and about in businesses.

It is really important to recognise that often cash flow issues are not the fault of the business owner. Sometimes they are and sometimes they aren’t. Mostly it is due to late or failed payments from customers, things going wrong or sales being lower than expected.

Cash flow (2)

- According to a 2013 UK-wide study by Santander Corporate and Commercial:
  - Almost one in six small businesses say they are ‘very’ concerned about managing cash flow effectively with a further 27% saying they are ‘quite concerned
  - Around half (46 per cent) of businesses report being hit by at least one recent cash flow setback – with late/failed payments from customers (24 per cent), weak sales (8 per cent) and unexpected costs and charges (7 per cent) the top three reasons cited
  - Larger UK businesses (those with annual revenues between £5 million – £20 million) are less concerned about cash flow compared than smaller companies

Signs that a business may be in trouble

- Good people are leaving and employee moral is down or declining
- The work force is reducing faster than the work load
- Work and sales are declining and customers are complaining more
- Wage increases of at least cost of living, or bonuses are being reduced
- A new competitor has appeared or is under new management with better products
- The company keeps changing policies before they have been tested adequately
- The company has reorganised two or three times in the last 5 years
- The company has recently attempted to greatly expand its market reach, such as by "going global" when its strengths are regional
- The owners / directors are reluctant to spend money or make changes

As regulators you will all have seen examples of a business that might be in trouble. Good people leave. Work and sales declining. Customer complaints may be increasing. Employee morale may be down. It may be because a new competitor has come on the scene or is under new management.

Turnover

- Turnover = sales revenue
- Constant focus for any business
- Smaller businesses can often find it hard to balance generating new business and managing the operation – often referred to as ‘working on’ rather than ‘in’ the business
- Turnover levels vary by industry – the turnover of a small housebuilding firm is likely to be higher than that of a fish and chip shop; however the housebuilder needs to invest more to achieve that turnover and cash flow can be more challenging

We will move on now to discuss some other key areas in addition to cash flow that are big considerations for businesses.

The first one is turnover. When we talk about turnover we are talking about sales revenue: the value of a business’s sales. Businesses are always focused on turnover and smaller businesses can often find it hard to balance generating new business and managing the whole operation. This is often called working ‘on’ rather than ‘in’ the business.

Turnover is usually not a good comparative indicator between one business and another, because every business is so different. Turnover is important because through achieving that turnover the business shows that it is growing market share.

Employees (1)

- ‘Not taking on your first employee is the most important brake on growth conditions’
- ‘Only 9% of sole traders expect to employ someone in a year’s time’
- ‘Many sole traders are put off by what they see as the daunting and complex regulatory burdens of recruitment’
- Small firms will only recruit if they are confident that the return on investment in staff will have financial benefits
- Affordability is also a concern

(Items in quotation marks taken from the Young Report 2013)

Employees are one of the most challenging areas for any small business. Each employee needs to demonstrate a return on investment and this is a key consideration for businesses. In addition many people are put off by what they see as the daunting and complex regulatory burden of recruitment and staff management. In a small business every employee counts. It is very important that each employee represents the business well and does the job well.

Activities such as recruiting and training take time and money and if the wrong person is recruited for the role it can be very costly to put matters right.

There are also issues such as payroll, employers NI, pensions, insurance etc. to consider.

Under-performing and absent employees cost money. This is one of the reasons why there is an increased trend for outsourcing administrative and specialised services because businesses can pay for what they need at any given moment. They don’t have to pay for a flat level of resource. In addition items such as sickness and administrative costs are taken care of by the outsourcing company.

Business model

The term ‘business model’ means:
‘the blueprint for how the company does business.’

(Osterwalder et al, 2005)

or

‘the totality of how a company selects its customers, defines and differentiates it offerings, defines the tasks it will perform itself and those it will outsource, configures its resources, goes to market, creates utility for customers and captures profits.’

(Slywotzky, 1996)

The term ‘business model’ is different from a business plan. A business plan is usually a written plan for how the business will grow over the next number of years. It includes factors such as product development, service development, the competitive environment, projected sales, and costs for the business. Most good businesses have a business plan whether they want to generate investment or not. It is their guide for how they will grow.

The business model is more about how a business organises itself to do business.

Some types of business model (1)

Bricks and Clicks:

- Integrates both offline (bricks) and online (clicks)

Franchising:

- The practice of using another firm's successful business model. The franchisor's success is the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.

Low Cost (or Budget, No Frills):

- Lower prices, basic products and services, additional products / services cost a premium. This business model seeks a lower profit margin on a higher sales volume.

Here are some examples of business models:

Bricks is about having a physical presence in the market such as a shop or restaurant, while clicks is about having an on-line presence.

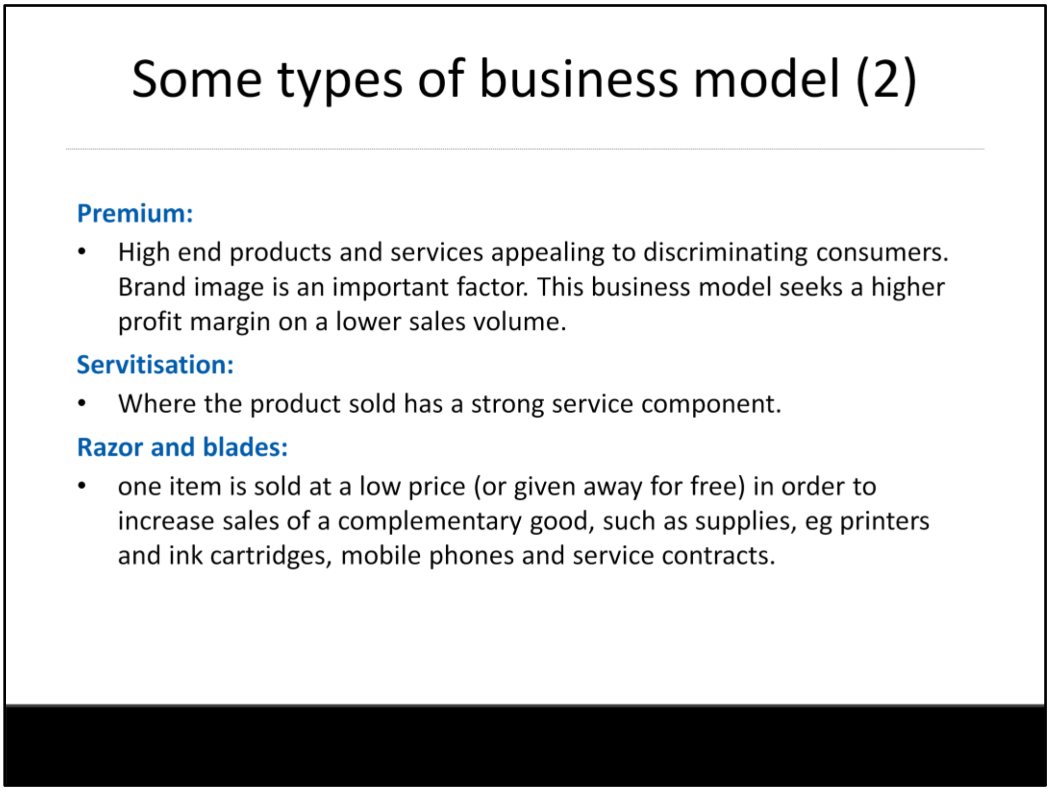
Examples of Bricks and Clicks are Argos and M&S. An example of a Bricks-only business is Aldi. An example of a Clicks-only business is Amazon.

Franchising is a very popular business model, and can be a lower risk way of starting a business. Essentially the franchisee pays for the opportunity and entitlement to use the franchisor’s successful business model. One advantage is that the business should be able to benefit from the enhanced buying power, marketing expertise and HR resources of a large Head Office.

Examples of franchises include McDonald, Pizza Hut and Specsavers.

The low cost business model is where a business provides lower prices for basic products and services, and anything above that is charged at a premium. There are low profit margins on high sales volumes.

Examples include low cost airlines such as Ryanair and Easyjet.



In contrast to low cost there is premium: high end products and services that appeal to discriminating consumers. The aim here is to sell fewer products at a higher profit margin. Companies such as Hotel Chocolat have a premium business model.

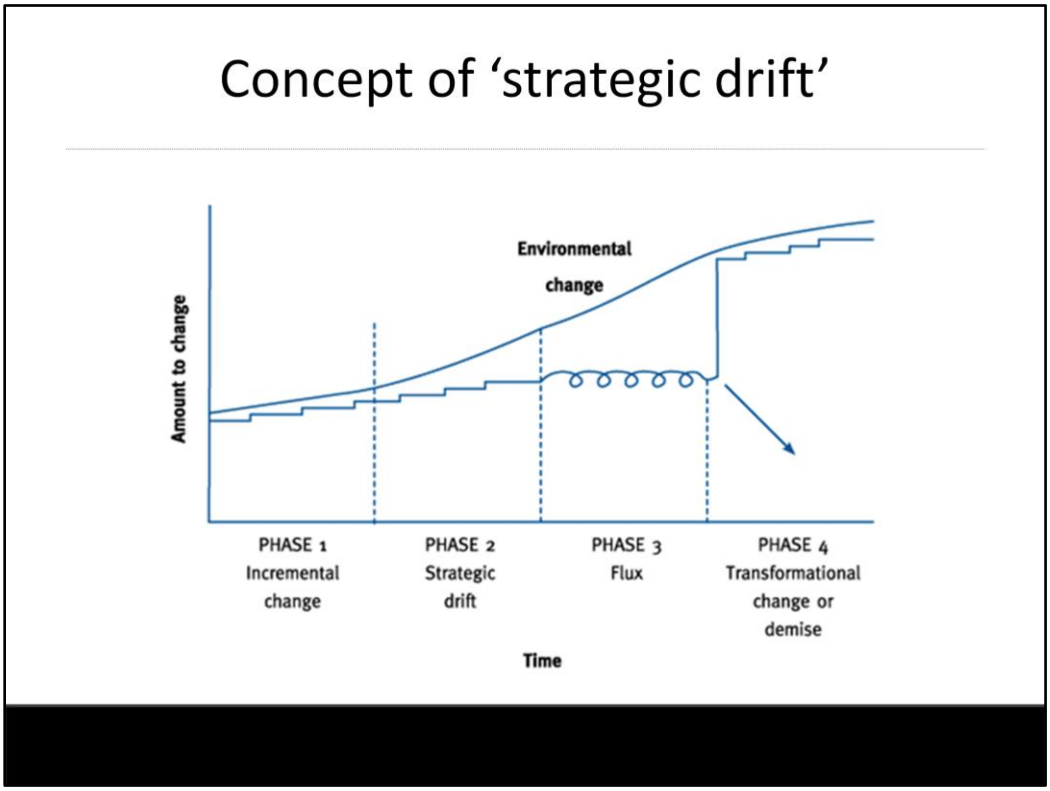
Servitisation is where the product sold has a strong service component, for example selling an electrical item with a care guarantee or a computer with a protection plan or even training in it use.

The final business model is razor and blades which is anecdotally attributed to Mr Gillette who said if you sell them the razor cheaply they will keep coming back to buy the blades. This is where one item is sold at a low price or even given away free in order to increase sales of a complementary good, like printers and ink cartridges, or mobile phones and service contracts. The company makes its profit on the complementary goods rather than on the original item sold. The cheap item that is sold first of all is a way of attracting the customer in the first place.

There are many other types of business model – these are just some of the most common examples.

One key thing that differentiates businesses is their organisational culture.

This is about how the people in the business behave, their values and their approach. Two identically sized companies in a very similar geography and the same industry of a similar age can have completely different organisational cultures that you will experience when you visit them. Just as in your own organisation's different departments, different teams may have their own slightly different cultures too.



The key concern of any business, however large it is, is to make sure that it moves in line with the times, and adapts its offer to meet the changing requirements of customers.

Strategic drift can be defined as “a gradual deterioration of competitive action that results in the failure of an organisation to acknowledge and respond to changes in the business environment” (Sammut-Bonnici, 2015).

In this image you can see on the vertical axis the amount of change that is required and along with the horizontal axis is depicted time. The blue curved line shows essentially that over time things change, the environment changes, customers need change.

The step line underneath that shows how a business needs to keep apace with that change.

You can see that in phase 2 the business starts to move away from the change in its environment leading to the curly line phase 3 which shows flux. At that point, just at the beginning of phase 4, the business has a decision to make, either it needs to make a huge transformational change to get back in line with the market, or if it is not able to do that it will start to decline and eventually demise.

Examples of companies you may be aware of who have suffered from strategic drift are companies such as Woolworths, HMV, Blockbusters and I’m sure you can think of many examples of your own.

Regulation and the business lifecycle

‘Regulatory compliance is often not just a single decision made at a point in the business lifecycle: different businesses face a range of challenges at different times.’

Regulation and Growth Paper, LBRO

The business perspective – Key themes

"I have a business to run – they need to understand and support that."

"Give me straightforward and clear feedback and advice – work with me to help me resolve any issues."

"Use clear language – don't try to blind us with technical-speak."

"Keep the red tape and paperwork to a minimum and focus on what matters."

"Be personable and appreciate that we are doing our best."

"Give a hard time to the people who are deliberately flouting the rules and more support to the good businesses that try."

"Talk to each other so I don't have to explain everything all over again to the next person I deal with."

Here are some quotes from a number of small business owners / directors in different UK locations and in different sectors about how they would like to interact with regulators.

Each of the business owners / directors interviewed runs a compliant, well-operated and respected business. They each understand and appreciate the importance of regulation for customers and their own business success.

How well do you think you and your teams are doing in achieving some of these items?

Regulators’ Code

Regulators should:

- carry out their activities in a transparent way that helps those they regulate comply and grow
- design simple and straightforward ways to engage with and hear the views of those they regulate
- base their regulatory activities on risk and share information about compliance and risk
- ensure clear information, guidance and advice is available to help those they regulate meet their responsibilities

The Regulators’ Code came into statutory effect in April 2014 and provides a clear, flexible and principles-based framework for how regulators should engage with those they regulate. Nearly all non-economic regulators, including local authorities and fire and rescue authorities, must have regard to it when developing policies and procedures that guide their regulatory activities.

How does effective regulation support business growth?

- It can protect compliant businesses by enabling fair competition and promoting a level playing field and provide business with the confidence to invest, grow and create new jobs.
- By enabling businesses to meet regulatory requirements and enforcing against non-compliance where necessary, regulatory delivery can contribute to a wide range of outcomes: safe workplaces, clean and vibrant local places and strong and diverse markets.
- The Hampton Review recognised that encouraging economic progress should make up a key element of regulators’ activity.

Regulation and Growth Paper, LBRO

Contributing to economic growth

Consider your role as regulators in supporting supporting the local economy and business growth.

Reflect on the strengths and development opportunities of working together across departments / teams to support the local economy.

Capture your thoughts as an action plan on a flipchart ready to share with the wider group.

(This is a suggested activity, to encourage participants to reflect on their learning from the presentation and think about how they will implement some of it when they return to work.)