

How to stay on track when it's all change

Business challenges

Altering a business plan is daunting but for some groups it is key to survival. By Jonathan Moules

Changing the business plan is a challenge that many entrepreneurs must face to enable their venture to succeed, but few make changes as dramatic as the owners of Urang.

When Steve Bushell and Paul Cleaver bought into the business (pronounced "you rang") in 2009, it was a concierge service, securing tables at London's finest restaurants or tickets for the latest West End theatre productions for time-poor City professionals.

Neither Bushell, whose background was in operations at UK technology companies, nor Cleaver, a former M&A specialist at investment bank Rothschild, had any experience in this sector. However, both believed it could work.

At the time, when the dot-com bubble was still expanding, this made eminent sense because banks and professional service firms were signing company-wide deals for such services so that they could offer them as perks to retain key staff.

In Urang, Bushell and Cleaver saw an opportunity to buy into an established business, which had already built a small operation but in desperate need of a cash injection. For only £5,000 each, Bushell and Cleaver were able to acquire a two-thirds stake and run the business alongside its founder.

The problem was that although Urang was adding customers – eventually generating a regular income from 600 individual memberships – it never managed to win a big corporate contract.

When the dotcom bubble eventually burst in 2001, banks and legal firms switched from hiring to firing – and the owners of Urang realised that they needed a plan B.

An opportunity presented itself from customer inquiries. One of the most popular requests from Urang members was for good tradespeople to undertake home improvements and repairs.

Cleaver and Bushell began to wonder whether focusing on organising this

kind of work, which in any case generated higher margins than restaurant bookings and theatre tickets, would actually be better than persisting with trying to make the concierge operation work.

Another idea was to set up a property management services division.

Both Bushell and Cleaver were living in buildings that paid annual service charges to property management companies for the maintenance of shared living spaces, and both of them felt the job could be done better.

When the contracts on their buildings came up for renewal, Bushell pitched himself to manage Cleaver's property and vice versa. Both men's bids succeeded, and Urang tied another string to its bow.

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"The key is to be open to new ideas, rather than saying, "We set this business up to do X and we will only do X,"" Bushell says. "The opportunity is always there."

The market ended up deciding whether Bushell and Cleaver should scale down the concierge operation. Of the handful of concierge businesses that were operating when Urang began trading, only one now survives.

Instead of making a dramatic break, however, Urang's concierge business was gradually phased out as the company built up its new home improvement, office refurbishment and property management arms.

By 2007, the company had sales of £6m and had grown from three people in a cramped room to a staff of about 25 people in a serviced office space.

One of the reasons Urang was able to change its focus so dramatically was that it

never sought funding from external investors who demanded that they "stick to the knitting", as Bushell puts it.

This is not to say that the path has been easy. Changing the business did not immunise Urang from the effects of the financial crisis or the recession. Sales have dropped one-third in the past three years, although Bushell stresses that profit has remained stable because the business has found ways to improve its margins.

The business was also hit by losses from some of the original home improvement and office renovation contracts. As a result, three and a half years ago, Cleaver and Bushell set up a new holding company, Urang Group, making themselves joint owners, with separate limited liability businesses responsible for each of Urang's different services.

The business continues to evolve and add new elements to its operations.

Urang is now authorised by the Financial Services Authority to sell building insurance to the 240 properties it manages across the capital. Bushell and Cleaver are also planning to open a kitchen and bathrooms showroom to help cross-sell Urang's home improvement services to residents in its managed properties.

Another entrepreneur who has had to make significant changes to his business model is Michael Conway, founder of The Quay-side Group.

When he started Quayside in 1995 the business was a clothing importer supplying leading high street retailers such as Next, House of Fraser, Mothercare, C&A and Debenhams.

But in spite of early success, the business was hit by a number of shocks as big customers went into receivership, withdrew from the UK market or changed their sourcing policies.

"It meant we had great difficulty growing the business," Conway says.

The big turning point came five years into the life of the company when Sir Philip Green, the retail



Paul Cleaver, left, and Steve Bushell, owners of Urang Group, a concierge service that turned property manager

Strain Curry

entrepreneur bought BHS and M&S and started to source directly rather than through importers.

"It became clear that I was in a declining market segment which had high risks and low profit margins," Conway says. "It was like being a rabbit caught in the headlights, with 15 years' experience in a market sector that was disappearing fast."

Conway decided to focus on internet retail and tried to find niches that Quayside could supply. He switched the company's focus away from selling to retailers and towards selling workwear

and clothing for events to other businesses, where there was less competition.

Again there were problems. The first website was designed by an outside agency and took 18 months to build. It was a total failure, admits Conway, who then resolved "to learn everything I could about websites, online marketing and search engine optimisation".

Conway, Bushell and Cleaver would all admit that change is not always easy – but if they had not changed, their businesses may not have survived the movements in their markets.

Ask the experts

Seek input from outsiders

Roger Harrop, business adviser

"There is always the possibility of totally changing the market that you are in and know. For example, Amazon.com totally changed the book market and Specsavers totally changed the way opticians worked."

"Often, these ideas are simple, not brilliant, insights. What you need to do is to tap into these ideas."

"Every now and then, get all your 'right-brain' creative people together, cover the walls with flip charts and encourage them to stick up ideas. The rules of the game are to think blue sky and to let everything go up on the wall."

"It may take a couple of meetings, but I guarantee that a great suggest will come out of it that could change the way you operate."

"I am not sure I go along with the idea that private equity prevents change. They look at the business in a different way to other people and it is always valuable to have outsiders involved in your business. The one thing a private equity firm will have to do is to get the board to have a laser beam focus."

"I would always argue for a non-executive director and I don't think having a venture capitalist on your board does

any harm as a way of looking at the fundamentals of your business and changing them."

Paul McGee, author of *SHUT UP, MOVE ON!*

"You can become conditioned to see the whole world in a certain way, so I am a big believer in finding someone who isn't in your industry to explore options."

The "Shut Up" part of my book is about taking time out from your business to reflect. Sometimes, it can be really useful to talk to someone who is not operating in your field because they won't be wearing the blinkers that you might have on in terms of what you are doing. They are unlikely to offer you the solution, but they are likely to act as a catalyst to get you thinking in a different way. One tip would be to join a business group, such as the Academy of Chief Executives, where business leaders from completely different industries get together.

"It is important to have your cheerleaders but you also need your challengers. A lot of people tend to talk to people who say their idea is fantastic and, if they are not careful, they can get swept up in a tide of enthusiasm. Sometimes, you need a more realistic person who is not negative but can be helpful."