

Small businesses, recession-busters

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Being adaptable and agile, and avoiding dependency on a small number of corporate customers, has been vital for small businesses during the credit crunch, says Roger Trapp

Anyone seeking some evidence of how small businesses seek to survive by being nimble and adaptable need look no further than Daniel Ox. By his own admission, he was in "the front line of the recession" because his service – supplying fresh fruit to businesses – was an easy cut to make for companies in a panic over the credit crunch. With hindsight, Ox realises that Fruit For The Office was dependent on about 10 large corporate customers, and he has sought to broaden the range of businesses he serves. But, conscious that rising prices for fresh produce were also having an effect, he has taken two further steps. "First, we have modified the ads to let customers know the value of fruit as a staff benefit. Second, we are diversifying into the wholesale fruit and veg catering trade," he says.

Fruit For The Office was ground-breaking when Ox started it through placing stickers on his father's stall in London's Piccadilly 10 years ago, and its success made him a finalist in the mobile phone company O2's recent X awards for entrepreneurs. But he feels that the new service could do even better.

Ox, 29, is not exactly following the career his parents would have chosen for him. Tom and Lesley Ox struggled to send him and his brother to a good school in the hope that they would not have to join the family greengrocery business that has been trading in London and Essex for more than 100 years. However, after just a term at university, Ox left and joined his parents. Once there, he quickly saw the benefits technology could bring to a business that still largely operates in traditional ways.

Combining the experience gained through being in the trade for generations with a readiness to invest in new thinking, the family firm has, in Ox's words, "gone a bit corporate", and grown to about 16 people, with his father using his vast experience to act as buyer, and his mother in customer service.

The main benefit of www.fruitandveg.co.uk – Ox is convinced the outlay on the domain name will quickly pay off – is that it will enable chefs and others in the catering trade to order supplies online at any time of the day or night and have them delivered hours later. But he is also augmenting the service by working with a chef to develop such services as recipe ideas and recommendations of what fruit, vegetables and herbs are in season.

Ox funded Fruit For The Office from the sale of his flat and is confident that, with the solid foundations of having been in profit from the first year, he and his team can make the new venture pay off in the short term.

Stephen Fitzpatrick is another example of the pragmatic approach adopted by many entrepreneurs. With parents who ran their own company, he set up his own business – an online rental property listing service – that did well enough for him, like Ox, to reach the final of a competition for entrepreneurs. But when it did not develop as he wanted, he went into the City and developed his skills while looking for a new opportunity.

He has now teamed up with Kris Black, who was previously at the smoothie company Innocent Drinks, to launch an energy company – ovoenergy.com – that is seeking to win business from the big suppliers through a combination of superior customer service and a simplified tariff with the added allure of a significant renewable energy offering.

Since launching in September, the company, based in Gloucestershire, has exceeded its targets, and now employs about 30 people. This rapid growth has created an issue that the founders did not expect to encounter when starting in uncertain economic times – problems with finding the right people.

Fitzpatrick and Black deliberately sited the business in an area where they did not think there would be competition for the sort of people they needed to hire, but are still finding it hard to find the right candidates. "Because the business is growing so quickly, we need people that are adaptable," says Fitzpatrick. "They may be in one role and may need to change area. We are looking for people willing to work really hard and who have a commitment to quality." He says he is well versed in both those attributes thanks to his time in banking. "The City teaches you about hard work," he adds. That experience also gives him an insight into how would-be funders think. As a result, ovoenergy is for the moment entirely privately financed with no debt. While he accepts that opportunities to expand may bring about the need to raise capital, he was determined to avoid seeking funding at the outset: "The longer you can wait for capital, the better the valuation you get." Fitzpatrick is sure he and Black will learn lessons to add to those he learnt in his earlier venture. But for now, they have found the recession a good time to start out. They deliberately chose the energy sector because – on the consumer side – it was relatively recession-proof. They also felt they could make inroads through a different approach. Then they found it was possible to negotiate good rates for the services they needed – whether offices, consultancy or software. They were even able to hire good key staff who were frustrated in their current jobs. As with many businesses being set up these days, ovoenergy was focused on growth from the start. Energy was an attractive industry because it was the biggest in the world and was changing. As they develop their businesses, Ox and Fitzpatrick and Black might want to consider the likely route indicated by CultureMap, the think-tank focused on small- and medium-sized businesses. Co-founder Katerina Damilos says: "As companies grow (to the 50 employees threshold), they seem to become less and less tolerant of failure and less able to cope with it. Businesses with 50-100 employees seem to reverse the trend. The biggest (more than 100 employees) are the most fearful of mistakes, but seem more able to cope after failure occurs." She adds that this pattern makes sense if these size bands are seen as step changes in the development of a business. "Fifty employees is an important mark that distinguishes micro-businesses from the rest, and one can see a constant battle for survival and achieving established status. Failure, therefore, is not an option, and mistakes should be avoided. Businesses with more than 50 employees have momentum, can more easily support mistakes and therefore possible failure." On the other hand, the largest SMEs, which are morphing into more corporate entities, are understandably less tolerant of mistakes (because there is more internal competition, there are more reporting structures, and there are culpability issues). But if failure does occur, there's safety in numbers, so it's easy to imagine that it's easy to pick themselves up. "Start-ups are more likely to see mistakes as an opportunity to learn, but are less likely to cope with failure. This again makes sense considering how many start-ups fail to grow. They seem to fizzle out after serious blows," says Damilos. Another finding is businesses with mostly male workforces are more fearful of mistakes than those with female workforces. CultureMap has seen this trend in earlier exploration of entrepreneurship and risk perceptions. While male businesses conform to the aggressive, riskier stereotype, female businesses are often more nimble and able to micro-manage risk and failure (which is sometimes an inevitable outcome of risk). Finally, when types of business owner are analysed, it is found those who started the business driven by a single-minded idea are also more tolerant of mistakes and able to cope with failure. These might include entrepreneurs pursuing a personal passion, or who have a "big idea" or who even want to do something for the community or to "give something back".