

# IO1 – A2

## Needs Validation Report



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## Introduction

The following report has been developed with the aim to provide a general overview of the situation obtained by the Fundación General Universidad de Granada-Empresa (from here out, the Fundación) within the Framework of the B-CAPP Project, funded by the Erasmus+ Programme of the European Union. This summary of the “as is” situation is meant to act as a guide for the future development of Project outputs, orientating the B-CAPP partners to attend to the necessities faced by the target groups.

## Partner Information

The Fundación General Universidad de Granada-Empresa is a not for profit private institution that was created in 1989 with the objective of promoting permanent connection channels between the University of Granada and its nearest socio-productive context. The entity specialises in the design, organization, and development of training actions for graduate and postgraduate students. It also fosters strategies oriented to promote the lifelong learning between professionals, companies, and organizations of its nearest context.

Moreover, the Fundación develops regional, national, and transnational projects oriented to encourage the integration of unemployed in the labour market, especially university graduates as well as the promotion of the self-employment and entrepreneurship. Finally, in the area of innovation, the Fundación supports the creation of spin-offs and start-ups and offers technological advice to firms and researchers for the development of R+D+I projects.

The Fundación is currently leading one Erasmus+ Project and partnering in five more projects. The B-CAPP Project has captured the interest of the entity as it looks to promote entrepreneurship and survival of SMEs, something that the Fundación wishes to support. We hope to be able to promote more growth and success within these sectors with the help of the B-CAPP Project results.

## Project Information and Objectives

The B-CAPP Project looks to go where few have gone before and provide an interactive solution for small businesses and start-ups that are looking to survive in a sustainable manner in their current markets. From an initial research phase we can see the importance that these businesses could benefit from additional support, especially in the sectors of budgeting and finance. B-CAPP aims to give entrepreneurs and small business owners the competences—skills and knowledge—necessary to be successful in the financial management aspect of their businesses.

A main factor to be included in this Project is the ICT component. The inclusion of ICT into small and medium companies is becoming essential for business sustainability. Therefore, B-CAPP will count with digital tools to help entrepreneurs and business managers better understand the resources available to support their entities.

In addition, an FCT course will be created in order to provide users with access to proven financial strategies that complement the ICT tools researched. The goal is to help entrepreneurs and business owners improve performance while also reducing costs. For this end, simple actions (or “quick wins”) will be presented to the participants in a way where they can immediately implement them, in addition to actions which require more time and/or monetary investment. By providing a spectrum



of actions, the goal is to create a course for participants that attends to the needs of all types of participants.

The transnational partnership consists of 8 partners from 7 countries: Crystal Clear Soft (Greece), Civic Computing Limited (UK), ECAM-EPMI (France), Eurocrea Merchant (Italy), Fundación General Universidad de Granada-Empresa (Spain), FYG Consultores (Spain), Visoka Poslovna Skola Par (Croatia), Agentia pentru Dezvoltare Regionala Nord-Est (Romania).

### Questionnaire and Report Objectives

The objective of the questionnaire and the subsequent report that is present here is to gain insight into the current “as is” situation of entrepreneurs and small businesses in the partner countries. The final target group of the project is males and females between 19-35 years old who run a start-up. However, a variety of different individuals have been included in the sample.

There are five sections to the questionnaire: Personal Data; Budgeting; Finance; Cash Flow Management; and ICT-Enabled Business Development. These sections were determined during the desk research carried out previous to the creation of the survey.

The questionnaire was presented in digital forms (facebook and the Fundación web page) but, in order to obtain a reasonable amount of responses, it was necessary for our entity to ask business representatives directly for answers in person. This also allowed for insight into their perspectives of several situations that cannot be captured directly in the quantitative aspect of the survey, but will be presented here.

## Summary of Question Results

### Section A—Personal Information

The first section of the questionnaire corresponds to the demographic data of the participants. The Fundación had 32 responses to the survey. Ages ranged from a minimum of 22 years old to 60 years old with the mean age being 34 years old.

The division by sex was almost even with 56% of respondents identifying as male and 44% as female.

The majority of participants represented businesses that had been open from 1-2 years (31%) or 3-4 years (44%). At the same time, 9% had been open for less than one year and 16% for more than 4 years.

The majority of respondents (78%) are the managing director of the entity. This was also taken into consideration when asking people to participate in the survey as some questions were difficult to answer without inside information. Accountants and Administrative Support each made up 6% of the sample and the final 10% responded 'other' (mainly self-employed).

94% of the entities represented have 1 to 5 employees, with just 3% of the companies having 6 to 10 and 11 to 20 employees each.

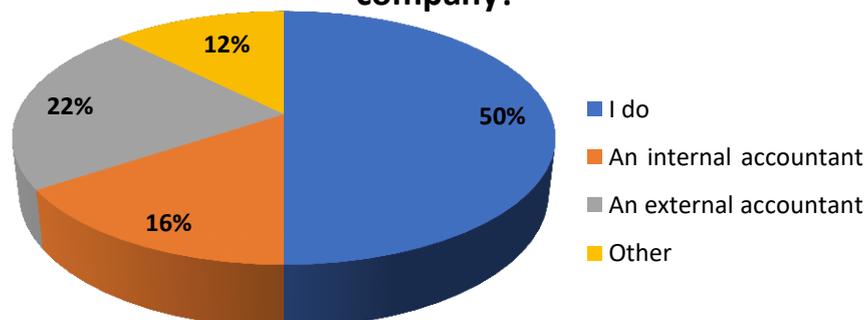
Finally, 19% of respondents represented each Business Consultancies and the Technology Industry; 9% represented the Food Industry; 6% represented Education; and 3% the Fashion Industry. The remaining 44% of respondents choose other, mainly the commerce industry.

### Section B—Budgeting

The second section of the questionnaire focused on the cash budget used by the entity. This part of the questionnaire worked on understanding the different budgeting techniques implemented by the companies in question.

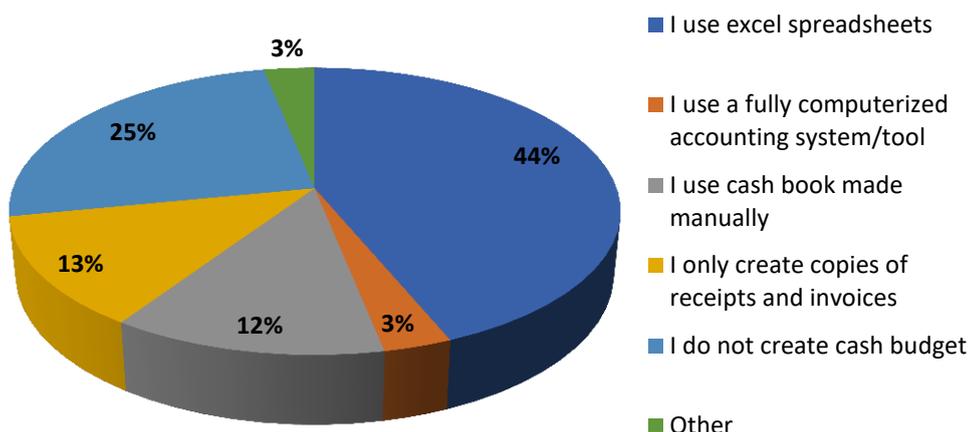
Within our sample, we found that 50% of respondents create their own cash budget; 22% rely on an external accountant; 16% have an internal accountant; and that the remaining 12% do not create a cash budget.

#### B.1. Who is creating the cash budget in your company?



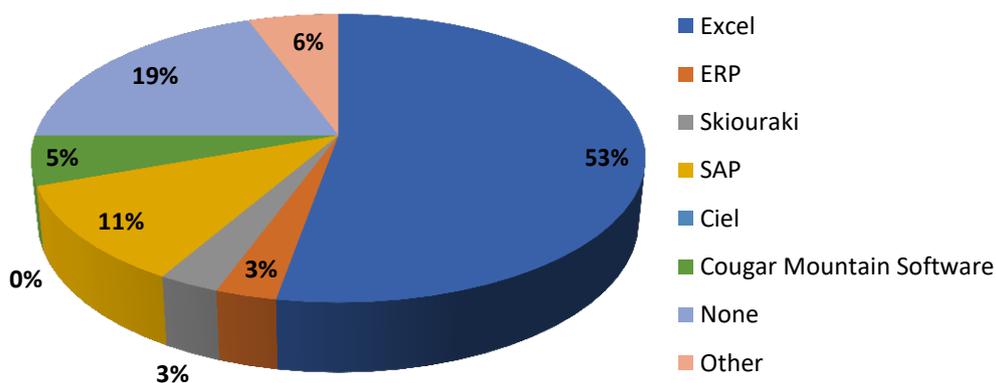
When asked how the cash budget is created, the majority of respondents (44%) use excel spreadsheets. Following that, 28% responded that they did not create a cash budget (several of those who use an external or internal accountant are not aware of the budget situation); 12% use each manually made cash books, and copies of receipts and invoices; and only 3% use a fully computerised accounting system.

### B.2 How do you create your cash budget?



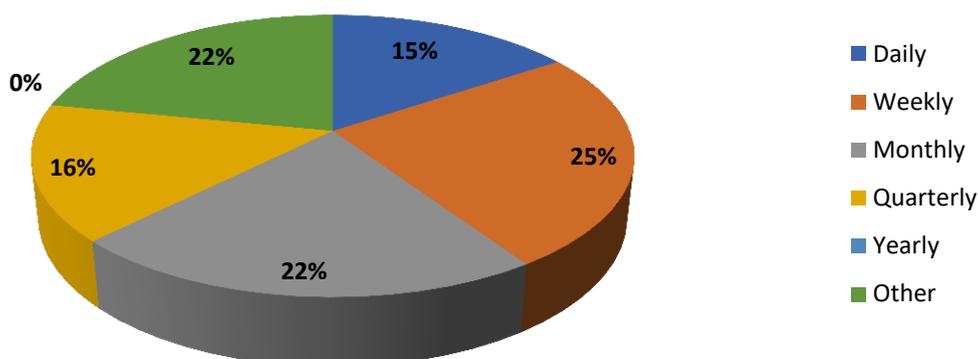
When the participants were asked which of the tools they knew and/or use for creating a cash budget (more than one answer possible), 59% recognised Excel as an adequate programme and 21% identified none as their answer. In response to other tools, 12% said they know SAP; 6% Cougar Mountain Software; 3% ERP; 3% Skioraki; and 6% Other (Contaplus). The low knowledge of these programmes shows that there is a gap in what SMEs know in regards to automating calculation tools.

### B.3. Which of the following tools do you know / use for cash budgeting?



Finally, when asked how often they update their cash budget, the majority of respondents said that the information is updated weekly (25%), followed by other (22%) which was either I don't have a cash budget or someone external does it. In addition, 21% of participants answered that they updated the budget monthly; and 16% each daily and quarterly.

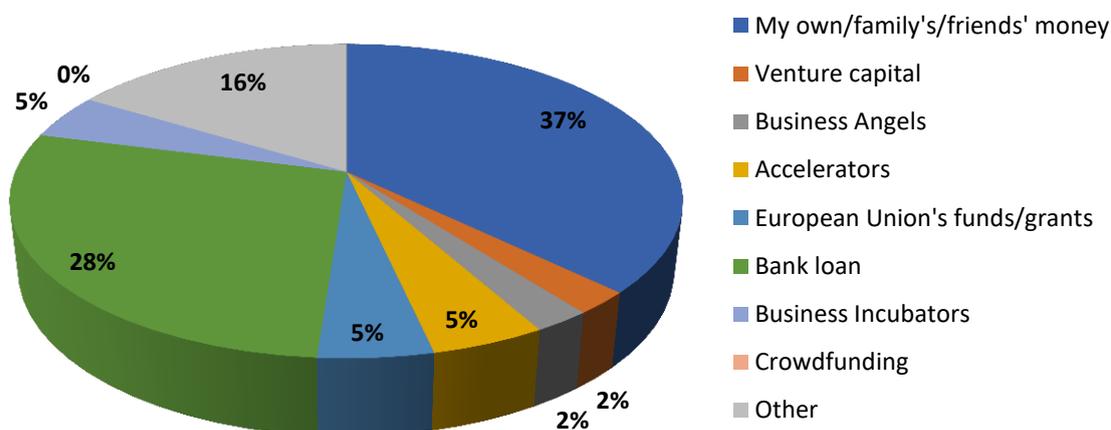
### B.4. How often do you update your cash budget?



### Section C—Finance

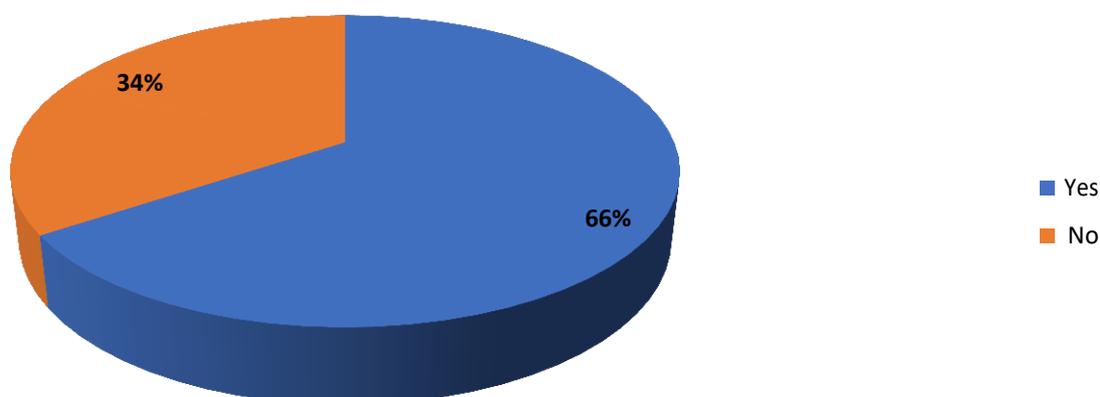
The use of financial resources by participants in the survey is quite interesting. This question allows multiple options, and we can see that half of the respondents have used their own/friend’s/family’s money (50%). In addition, 37.5% have had or currently have bank loans; 6% have tried each accelerators and European Union funds/grants; and 3% each business incubators, business angels, and venture capitalist. Almost a quarter (22%) of respondents said they have not used any sort of financial resources. In addition, no one has used crowdfunding resources.

### C.1 Have you ever used any of these financial resources?



When asked about receiving advice from external sources (partners or accountants), only 34% said yes and 66% said no.

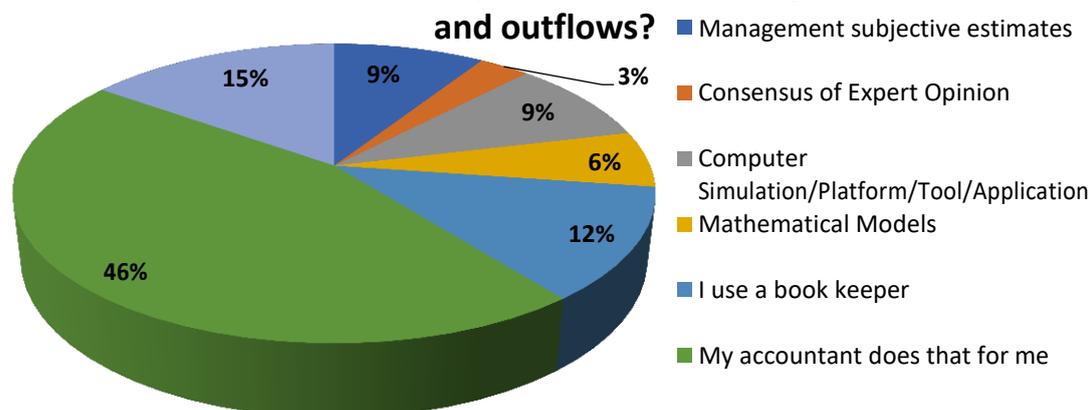
## C.2 Did you get any advice from external partners / accountants before getting your financial resources?



### Section D—Cash Flow Management

In the section about cash flow management, it became obvious that the SMEs rely heavily on the use of an external accountant. 46% of respondents said that their accountant takes care of the cash flow management and 6% said that no cash flow management was established. Other answers included use of a book keeper (12%); computer simulation/platform/tool/application (9%); management subjective estimates (9%); mathematical models (6%); and 3% each consensus of expert opinion, TPV, Office Simple and by hand.

## D.1. Which method do you use to estimate your inflows and outflows?

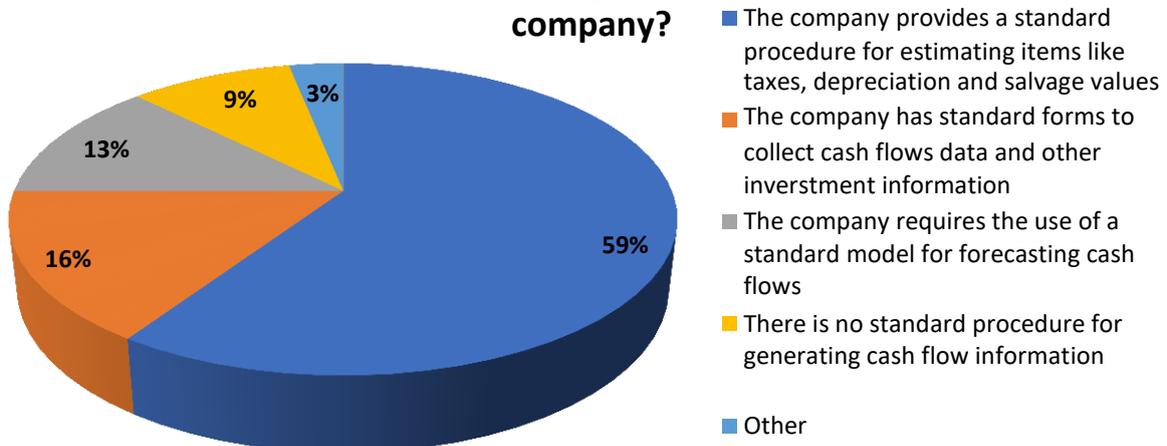


When questioned about the procedure of generation cash flow information, 59% answered that the company provides a standard procedure for estimating items like taxes, depreciation and salvage value<sup>1</sup>. In addition, 16% of participants responded that the company has standard forms to collect

<sup>1</sup>Note: In many cases, this standard procedure corresponded to the work that individuals do with their accountants and the owner does not necessarily understand the procedure but assumes it is there.

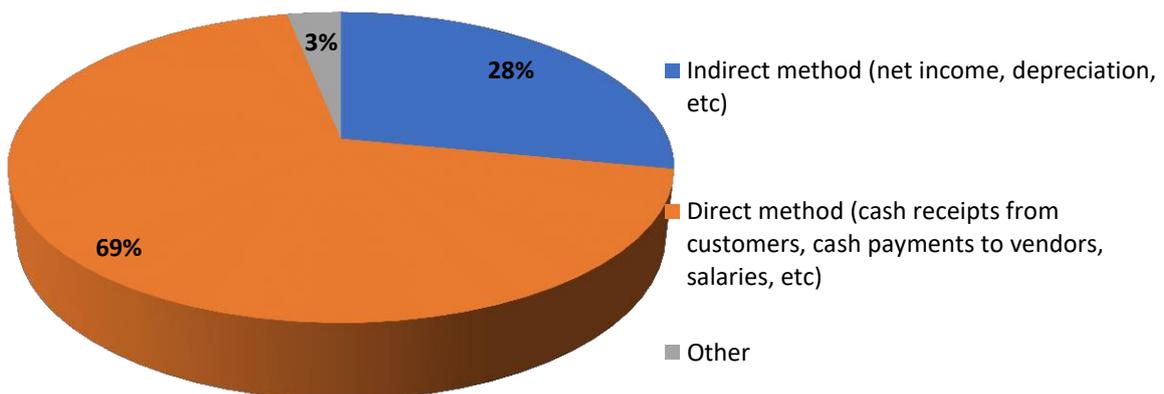
cash flows data and other investment information; 12% that the company requires the use of a standard model for forecasting cash flows; and 9% that there is no standard procedure for generating cash flow information.

### D.2. Which of the following sentences is true for your company?



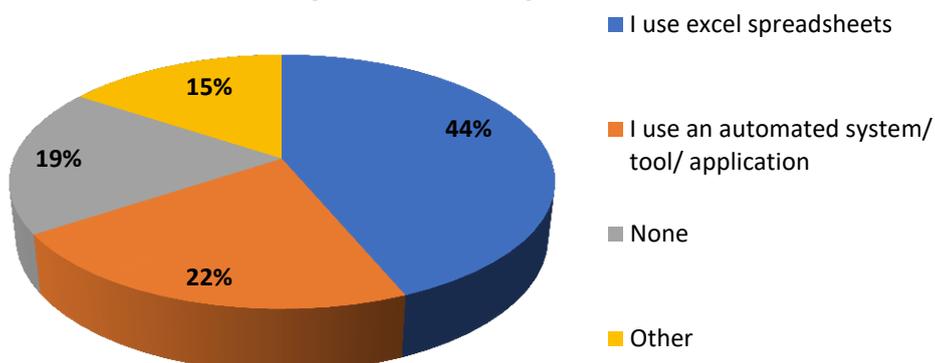
The majority of participants (69%) answered that their method of delivering cash flow statements is direct; 28% that it is indirect; and 3% who confirmed that they do not create cash flow statements. This is interesting because it appears that the majority of SMEs questioned have a simple and direct method to complete these statements, showing where this Project could have more impact.

### D.3. Which method do you use to deliver your cash flow statement analysis?



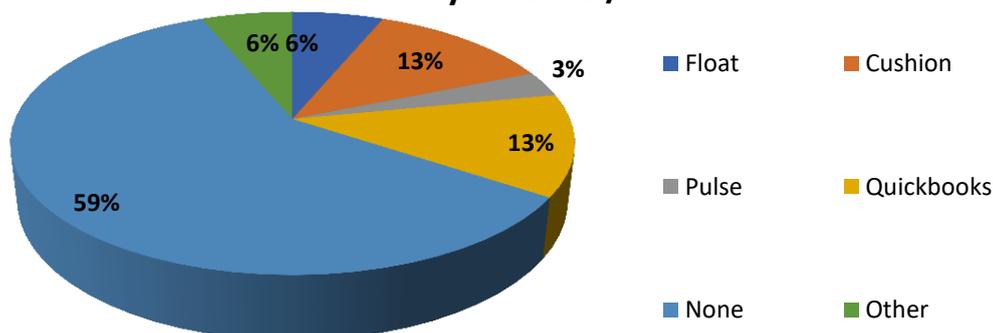
When asked how cash flow ratios are calculated, the majority (44%) of the sample responded that they use excel spreadsheets or automated systems/tools/applications (22%). Of the remaining participants, 19% said they don't calculate cash flow ratios and 15% responded other (including that they do it by hand, 3%, or an external consultant takes care of it, 12%). It must be assumed that included in the responses none are some people who leave this task to an external accountant.

#### D.4. How do you calculate your cash flow ratios?



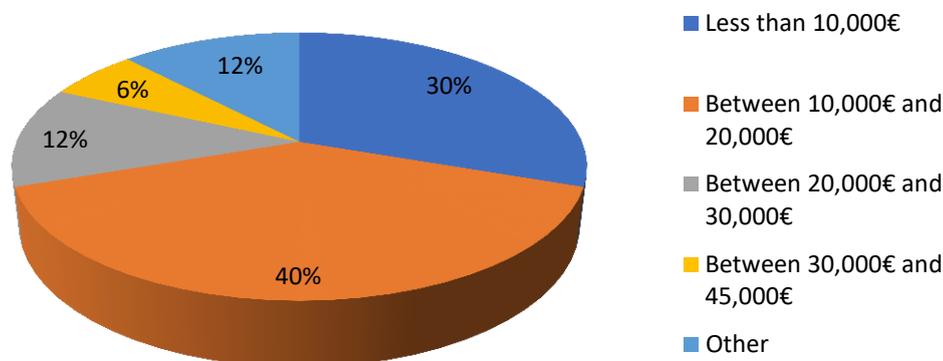
It is also interesting to note that when asked which cash flow automation tools participants know/use, 59% responded none. Other options included Cushion (12%), QuickBooks (12%), Float (6%); TPV (3%); Office Simple (3%); Pulse (3%).

#### D.5. Which of the following cash flow automation tools do you know / use?



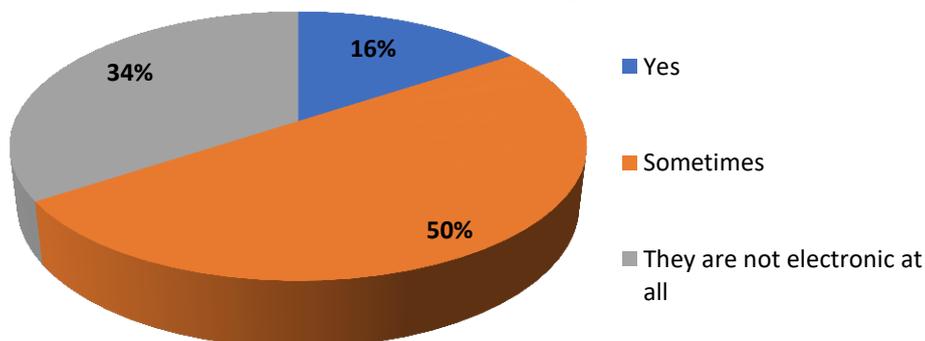
In response to the question D.6 about the quantity of money invested so far in the businesses, it is hard to know whether the responses are initial investment responses or total-business-life responses. This makes analysis of the question more difficult. In order to facilitate the process, we will put the amount invested into different groups. 31% of participants responded to having invested less than 10,000€; 41% said they have invested between 10,000€ and 20,000€ in their businesses; 13% between 20,000€ and 30,000€; and 6% between 30,000€ and 45,000€. One respondent answered each "I don't know," "a lot," and "<100,000€."

### D.6. How much money have you invested in your business so far?



When asked about electronic invoicing, the majority of respondents (50%) answered that some of the invoices they work with are electronic. This is followed by 34% of participants responding that their invoices are not at all electronic and 16% who are using fully electronic invoices. When asked which programmes they know and use, half (50%) responded none; 6% responded each ECOS, Elorus, Faros, Impact, and POINT. The remaining respondents (19%) said other including: Office Simple, PDF generator, Online banking tools, Pay Pal, and GK2 Web.

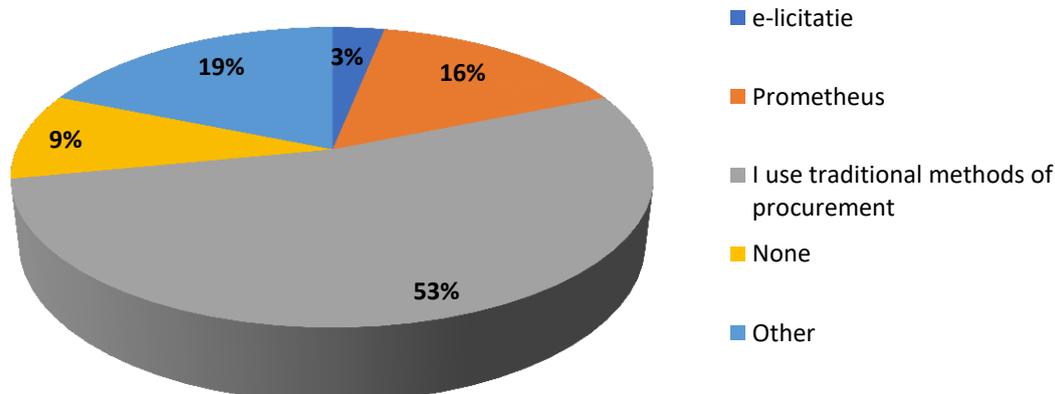
### D.7. Are your invoices fully electronic?



### Section E—ICT-Enabled Business Development

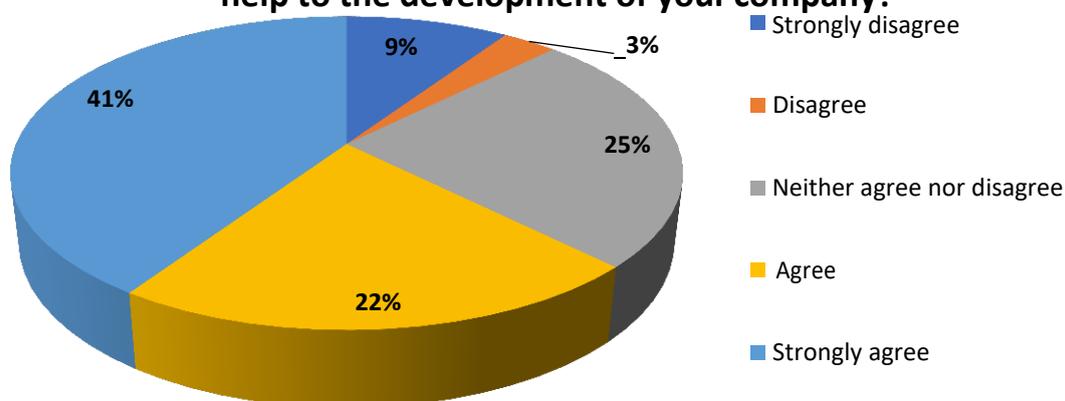
It seems that most of the participants have not fully entered into the world of ICT. More than half (53%) use traditional methods of procurement. In addition, 9% responded none, which would imply that they do not use e-procurement systems at all, and 12% answered other, highlighting specific and or small vendors in Spain. For a given system, the most common answer was Prometheus at 16%, followed by e-licitate, google, and amazon all at 3%.

### E.1. Which of these e-procurement systems do you use?



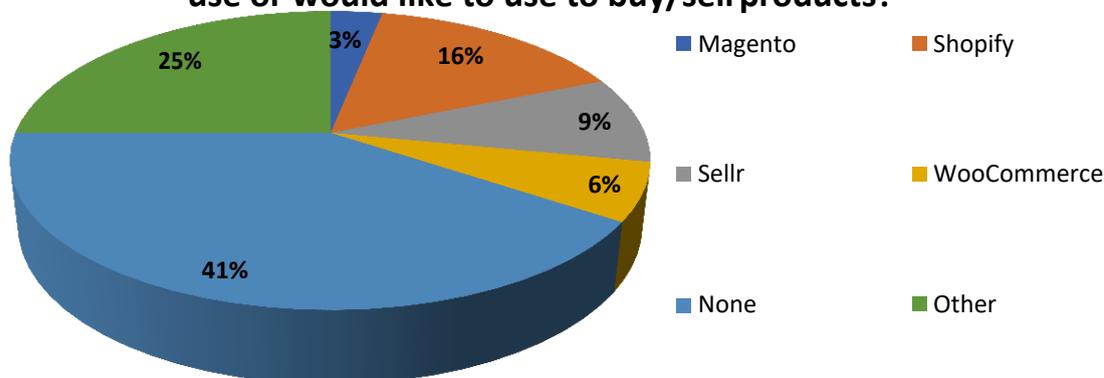
At the same time, when asked if the respondents believe that e-commerce could help the development of their company, 41% responded that they strongly agree and 22% agreed with this statement. 25% responded that they neither agree nor disagree; 9% said that they strongly disagree; and only 3% said they disagree. Therefore, although the incorporation of e-commerce is highly valued, we can see it is not highly incorporated.

### E.2. Do you agree that the integration of e-commerce can help to the development of your company?



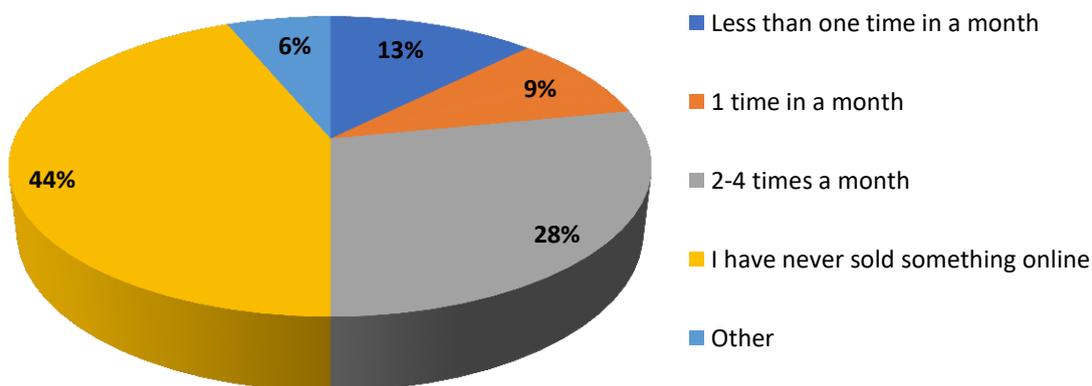
When asked what platforms they use or would like to use, they majority (41%) responded none. We must assume this has to do with a lack of knowledge about available platforms in addition to a lack of interest to use them. For specific platforms, 19% responded Shopify; 9% Sellr; 6% Woo Commerce; 3% Magento; and 25% other (including: Wallpop, Prestashop, Instagram, and a personal web page).

### E.3. Which of the following e-commerce platforms do you use or would like to use to buy/sell products?



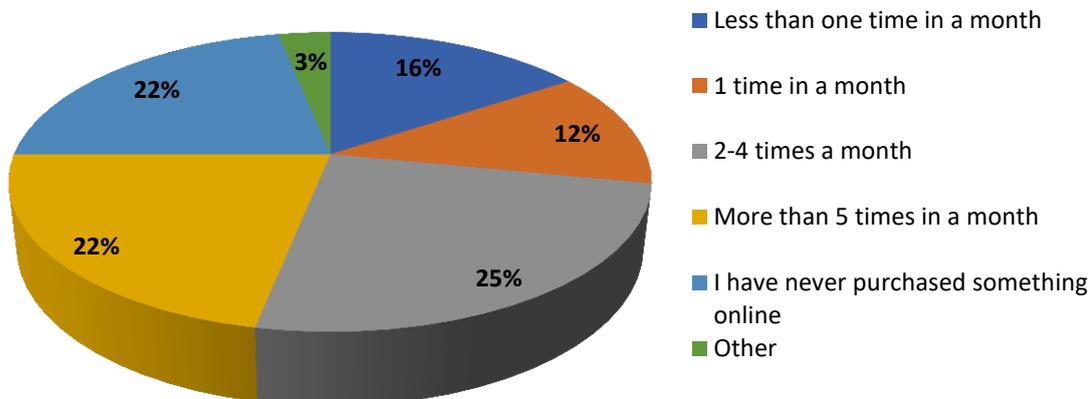
However, as expected, over almost half of the participants (44%) have never sold something online. In addition, 13% sell online less than once a month and 9% approximately 1 time a month. 28% of respondents say they sell online between 2 and 4 times a month and 3% of participants replied each to selling “daily” and more than 5 times per month.

### E.4. How often do you sell your products online?



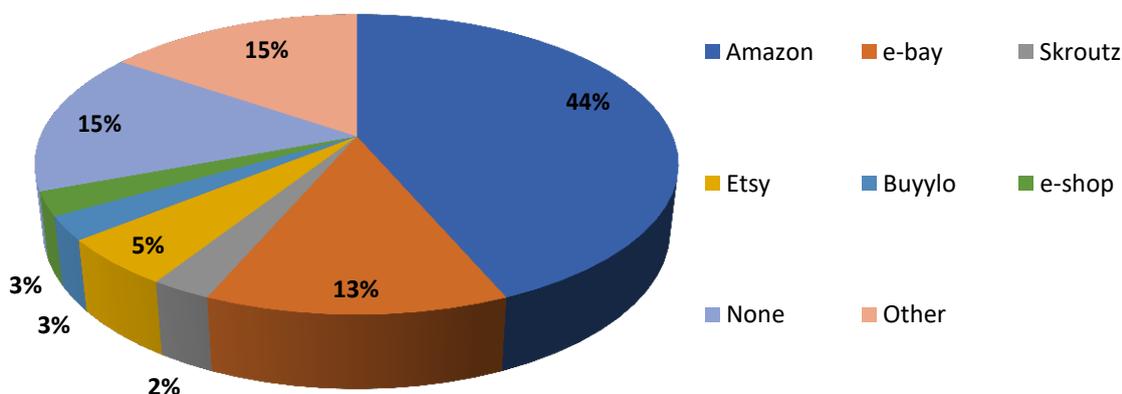
When asked how often they purchase online, 22% responded that they have never purchased online, staying true to the idea of traditional procurement. Furthermore, 16% said they purchase online less than once a month; 12% contested that they buy online once a month; and 25% that they purchase online 2 to 4 times a month. Finally, 22% of respondents purchase online more than 5 times per month and 3% responded that they buy online every day or every other day.

### E.5. How often do you purchase online?



The most commonly use e-shop used<sup>2</sup> is Amazon (53%), followed by e-bay (18%), Esty (6%), Skroutz (3%), e-shop (3%), Buyylo (3%), and Novodistribuciones (3%). 22% of respondents said they don't buy from e-shops and 16% say they buy from "other" sources, highlighting specific brand suppliers or Spanish suppliers.

### E.6. From which e-shop do you buy the most?



<sup>2</sup> Multiple answers are posible.

## Conclusions

The results of this survey are very interesting for the B-CAPP Project as they give us insight into how SMEs in Spain respond to the introduction of ICT into their businesses. There are several interesting points that we should consider:

Firstly, there is still a small percentage (12%) of individuals who are not creating a cash budget for their company. The implication of this is that they do not understand the benefits that this tool can provide for the business or that they simply do not know how to create a cash budget. In addition, it was slightly disconcerting that, in several cases, the respondents insisted that their accountant took care of all issues for them, meaning that the small business owner was not fully aware of how this process works.

It is also interesting to note that the majority of participants do not know about the plethora of tools available to them to help this process along, relying principally on excel. For the B-CAPP Project, this result is quite interesting as we are hoping to help SMEs successfully incorporate ICT tools into their practices.

Secondly, we should take into account that mainly traditional financial resources have been used to start and continue the businesses. None of the participants mentioned crowdfunding or other, alternative methods of financing their business. This is probably due to a lack of knowledge of the available resources and the traditional interpretation of business in Spain. At the same time, only one-third of respondents said they have looked for external advice when it comes to looking to external sources of finance.

The section on cash flow management was very enlightening. It is obvious that a majority of participants rely on an accountant to organise all of their management. In discussion with one of the respondents, this may be because a specific certification is required in order to perform certain acts in Spain and in many cases it is much easier to use an accountant than to go through this procedure. At the same time, it is important for entrepreneurs and small businesses owners to understand their options and what tools are available to them in order to make the best decisions possible.

In addition, it should also be known that e-invoicing is not overly common for the companies interviewed. This is a section of business where business owners can move to becoming more sustainable economically.

Finally, we can see how the introduction of ICT has been introduced into the businesses interviewed. It is very interesting to see how many small businesses still reject the idea of e-commerce, both to purchase and to sell online. In further discussion with participants, many fully support the idea of small, local trade over online trade. However, we must understand the future of most businesses will most likely be primarily online. Therefore, reaching these SME owners will be essential for their survival.

On the other hand, there are many business owners who would like to expand to the online world but are not sure how to do it effectively nor are they aware of the resources available to them. Therefore, it is necessary to help these entities analyse their potential markets and how to best sell to them, taking advantage of the resources available.

Overall it is important to note that SMEs have a significant impact on the Spanish economy and, therefore, their success is important for the stability of the national economy. At the same time, it is



important to note that many of these companies are not aware of the resources that are available to them. In fact, several of the companies interviewed expressed interest in the final results of the Project in order to have a better idea of what is available to them.

