

IO1 – A2

Needs Validation Report



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O1 / A2 Needs Validation Report

Introduction

CIVIC Computing Ltd

CIVIC are an award winning digital solutions provider with almost two decades of industry leading experience. We help businesses succeed through effective, usable technology by combining our expertise in user experience design, development and hosting to provide digital solutions that work. Our reputation is built on customer service, innovation, value for money and market-leading expertise. We continue to work on high profile, creative, technically complex projects, and help our clients improve the services delivered to their users.

We are currently leading 5 Erasmus Plus projects and are partners in a further 3. This project is of particular interest to us because we are also an SME and we understand the issues that start ups face in the UK and we are delighted to be a part of the solution.

Description of the Project

There are many initiatives for starting up a company, but too few for actively helping companies stay afloat. Businesses, mainly those after the first year of operation, find themselves struggling with day to day cash flow management, operating costs and having to compete for the same customers. app aims to empower entrepreneurs with financial management skills and the knowledge required in order to help them run their businesses effectively. Financial management will be complemented by smart use of ICT through the adoption of supporting ICT tools and processes (e.g. cash flow tools, eProcurement, eInvoicing, virtual marketplaces). Numbers show that more digital SMEs incurred a lesser decrease in turn over (reasons are more cross border activity through eCommerce, reduction in operating costs passed to customers making them more competitive, etc.).

Project Objectives

The project aims to develop financial management strategies, from the viewpoint of smart ICT use for maximising benefit and comprising proven practices ("Quick Wins") which can be immediately implemented by SMEs.

The FCT course will be designed in response to a set of elaborated proven financial strategies complemented by smart use of ICT for improving performance and reducing operating costs. It will comprise a series of modules each addressing elements of the financial concepts to be addressed such as:

- Start-up & Entrepreneurial Finance
- Cash flow management & Basic accounting concepts
- Modes of financing and investment tools
- Entrepreneurial mind-set & Skill
- Complemented by ICT processes and e-Business tools to be adopted such as:

- Cash flow tools
- eProcurement
- eInvoicing
- Virtual marketplaces
- eCommerce

IMPACT

The impact on target groups will be substantial as they can immediately implement the winning practices at their own pace and witness the benefits.

The practices will be described in terms of their impact and implementation details and for each practice there will be a detailed "action card" delivering the necessary information for implementation of the action, with details such as:

- "Quick wins": simple actions that a start-up can immediately implement to improve present performance;
- Simple actions that can be implemented immediately by a start-up without requiring an investment;
- Simple actions that can be implemented immediately, but require an investment;
- Actions that have prerequisites (other actions need to be implemented first), but require no investment;
- Actions that have prerequisites and require an investment
 - Time required for implementation and associated cost
 - Any positive and/or negative aspects from implementation
 - Estimated exploitation time (time to rip the benefits from implementation)
 - Further links and reading on implementation (includes also third party resources)
 - Specific cross-border components (e.g. in case of eCommerce action)

Questionnaire objectives

This questionnaire is aimed at Entrepreneurs who lack knowledge on how to manage the financial aspect of their businesses, in particular, males and females aged between 19 – 35 who run a start-up.

The questionnaire was split up into 5 sections; Personal data; Budgeting, Finance, Cash Flow Management and ICT- Enabled Business Development. These sections corresponded to the previous research that was conducted in Action 1 'Rationalisation Phase'.

The questionnaire aims to address our target markets financial knowledge within their business operations, so we can identify where we can help them with our FCT Course.

CIVIC sent out numerous questionnaires and received 37 responses. This report will summarise those results so we can gather an understanding of the UK's stats and compare them to other partner countries.

Summary of Question Results

37 participants answered the questionnaire and the following information was discovered:

SECTION A – Personal Information

- Age ranged from 19 to 48 with an average age of 31
- There was an even spread of males and females that answered the questionnaire; 54% male and 46% female
- All of the participants came from Great Britain
- Over half of participants had run their business for over 4 years at 51%, with 30% having run it for 3 to 4 years, 12% for less than one year and 8% had run their own business for 1 to 2 years.
- Over ¾ of participants were Managing directors with 76%, 11% were accountants, 8% were Administrative support and 5% stated 'Other' with no comment as to what that was.
- Just under half of participants (49%) that answered started that they had 1 to 5 members of staff, 22% had 11 to 20 staff members, 11% had 21 to 49, 11% had 50 to 100, 5% has over 100 and 3% had 6 to 10 members of staff.
- 35% of participants stated that their area of work was 'Other' and only one noted that they were a Technical Director. 24% worked in technology, 19% as a Business Consultant, 11% in the food industry and another 11% in the Fashion Industry. No one who completed the survey worked in Education or Publishing.

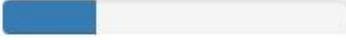
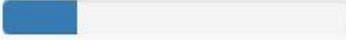
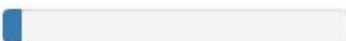
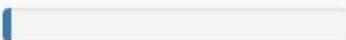
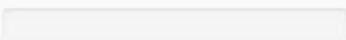
SECTION B - Budgeting

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

| | | Answers | Ratio |
|------------------------|--|---------|---------|
| An external accountant | | 20 | 54.05 % |
| I do | | 9 | 24.32 % |
| An internal accountant | | 7 | 18.92 % |
| Other | | 1 | 2.70 % |
| No Answer | | 0 | 0.00 % |

As per the screen shot, over half of participants used an external account, with 24% stating that they do it themselves, 19% stating that they use an internal accountant and 3% using 'Other' which not identified.

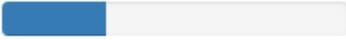
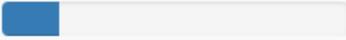
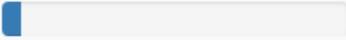
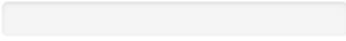
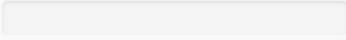
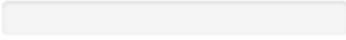
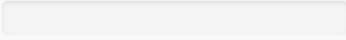
B.2 - How do you create your cash budget?

| | | Answers | Ratio |
|---|--|---------|---------|
| I do not create cash budget |  | 16 | 43.24 % |
| I use excel spreadsheets |  | 10 | 27.03 % |
| I use a fully computerized accounting system / tool |  | 8 | 21.62 % |
| I use a cash book made manually |  | 2 | 5.41 % |
| I only create copies of receipts and invoices |  | 1 | 2.70 % |
| Other |  | 0 | 0.00 % |
| No Answer |  | 0 | 0.00 % |

44% of participants do not create their own cash budget which makes sense considering that over half use an external accountant. This could be due to the fact that they are unaware of the tools there are available out there to allow them to do this themselves.

27% noted that they use excel spreadsheets, 22% used a fully computerised accounting system, 5% used a manual cash book and 3% create copies of receipts.

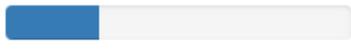
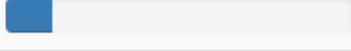
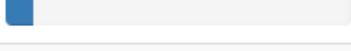
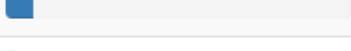
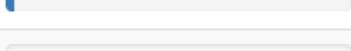
B.3 - Which of the following tools do you know / use for cash budgeting?

| | | Answers | Ratio |
|--------------------------|--|---------|---------|
| Excel |  | 21 | 56.76 % |
| None |  | 11 | 29.73 % |
| Other |  | 6 | 16.22 % |
| ERP |  | 2 | 5.41 % |
| SAP |  | 2 | 5.41 % |
| Skiouraki |  | 0 | 0.00 % |
| Ciel |  | 0 | 0.00 % |
| Cougar Mountain Software |  | 0 | 0.00 % |
| No Answer |  | 0 | 0.00 % |

Over half of participants knew what excel was (57%). However, 30% said they knew none of the options and very few knew what ERP and SAP was. This could be down to the fact that ERP and SAP clientele is multinational organisations which aren't our target audience for this project.

16% said that they knew 'Other' tools including; Sage, Clear-books, Sage Construct and one said they use their own Client Relationship Management system.

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

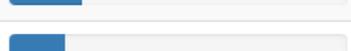
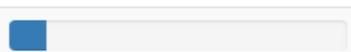
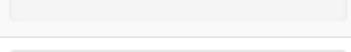
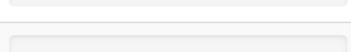
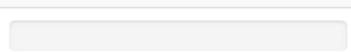
| | | Answers | Ratio |
|-----------|--|---------|---------|
| Monthly |  | 15 | 40.54 % |
| Quarterly |  | 10 | 27.03 % |
| Weekly |  | 5 | 13.51 % |
| Daily |  | 3 | 8.11 % |
| Other |  | 3 | 8.11 % |
| Yearly |  | 1 | 2.70 % |
| No Answer |  | 0 | 0.00 % |

Just under half of participants updated their cash budgeted Monthly (40%), with 27% updating quarterly, 14% updating weekly, 8% daily and 3% annually.

From speaking to some of these participants directly, I gained the knowledge that the bigger the organisation is, the less regularly you have up update their cash budget. This is due to the higher profit that the organisation brings in.

SECTION C - Finance

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

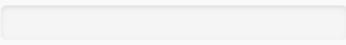
| | | Answers | Ratio |
|------------------------------------|--|---------|---------|
| Bank loan |  | 26 | 70.27 % |
| My own / family's / friends' money |  | 20 | 54.05 % |
| European Union's funds / grants |  | 8 | 21.62 % |
| Venture capital |  | 6 | 16.22 % |
| Other |  | 4 | 10.81 % |
| Business Angels |  | 1 | 2.70 % |
| Accelerators |  | 0 | 0.00 % |
| Business Incubators |  | 0 | 0.00 % |
| Crowdfunding |  | 0 | 0.00 % |
| No Answer |  | 0 | 0.00 % |



The majority of participants (70%) had used a bank loan before, closely followed by their own /family/friends money (54%). Only 22% has used a European Grant before which doesn't surprise me with our target audience being the Private sector.

A small percentage had used Venture Capital and Business Angels.

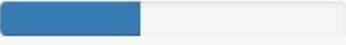
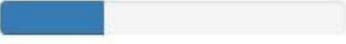
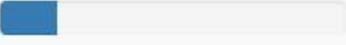
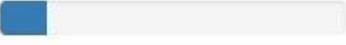
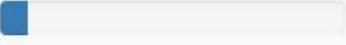
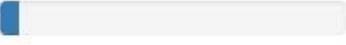
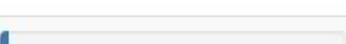
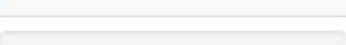
C.2 *Did you get any advice from external partners / accountants before getting your financial resources?*

| | | Answers | Ratio |
|-----------|--|---------|---------|
| Yes |  | 24 | 64.86 % |
| No |  | 13 | 35.14 % |
| No Answer |  | 0 | 0.00 % |

2/3 answered yes when asked if they've had external advice. This proves that it is quite common to receive advice on matters of finance and this advice will most likely be paid. It is also possible that participants didn't want to note that they have had advice, privacy is very respected in the UK.

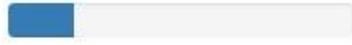
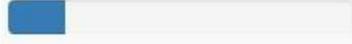
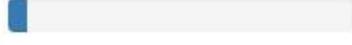
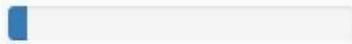
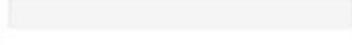
SECTION D – Cash Flow Management

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

| | | Answers | Ratio |
|---|--|---------|---------|
| My accountant does that for me |  | 15 | 40.54 % |
| I use a book keeper |  | 11 | 29.73 % |
| Management subjective estimates |  | 6 | 16.22 % |
| Other |  | 5 | 13.51 % |
| Mathematical Models |  | 3 | 8.11 % |
| Computer Simulation/Platform/Tool/Application |  | 2 | 5.41 % |
| Consensus of Expert Opinion |  | 1 | 2.70 % |
| No Answer |  | 0 | 0.00 % |

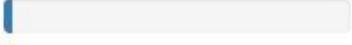
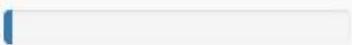
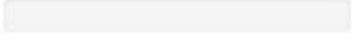
41% noted that their accountant estimates their inflows and outflows, closely followed by 30% using a Book Keeper. 16% noted that they used Management subjective estimates, 8% used mathematical models, 5% used Computer simulation/platform/tool/application and only 3% used an expert opinion.

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

| | | Answers | Ratio |
|---|--|---------|---------|
| The company provides a standard procedure for estimating items like taxes, depreciation and salvage values. |  | 20 | 54.05 % |
| The company requires the use of a standard model for forecasting cash flows. |  | 7 | 18.92 % |
| There is no standard procedure for generating cash flow information. |  | 6 | 16.22 % |
| The company has standard forms to collect cash flows data and other investment information. |  | 2 | 5.41 % |
| Other |  | 2 | 5.41 % |
| No Answer |  | 0 | 0.00 % |

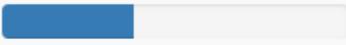
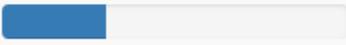
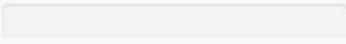
Over half of participants stated that 'The company provides a standard procedure for estimating items like taxes, depreciation and salvage values'. 19% stated that 'The company requires the use of a standard model for forecasting cash flows', 16% stated 'There is no standard procedure for generating cash flow information.' and only 5% stated 'The company has standard forms to collect cash flows data and other investment information.'. There were no answers left for the final 5% that stated 'Other'.

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

| | | Answers | Ratio |
|---|--|---------|---------|
| Direct method (cash receipts from customers, cash payments to vendors, salaries, etc) |  | 35 | 94.59 % |
| Indirect method (net income, depreciation, etc) |  | 1 | 2.70 % |
| Other |  | 1 | 2.70 % |
| No Answer |  | 0 | 0.00 % |

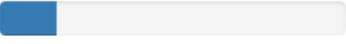
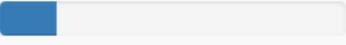
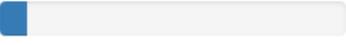
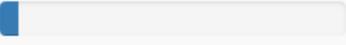
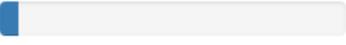
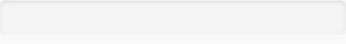
The vast majority (95%) said that they use Direct methods to deliver cash flow statement analysis. With only 3% stating that they use an Indirect Method. The participant who stated 'Other' did not note what this was.

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

| | | Answers | Ratio |
|--|--|---------|---------|
| I use Excel spreadsheet |  | 14 | 37.84 % |
| I use an automated system / tool / application |  | 11 | 29.73 % |
| None |  | 11 | 29.73 % |
| Other |  | 1 | 2.70 % |
| No Answer |  | 0 | 0.00 % |

38% used an excel spreadsheet to calculate cash flow and 30% used an automated system/tool/application. The majority of organisations may be using excel because they do not have an understanding of the tools available out there. They may also be under the impression that they are expensive and unreliable. This is clear from the results from the following question D.5.

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

| | | Answers | Ratio |
|------------|--|---------|---------|
| None |  | 23 | 62.16 % |
| Float |  | 6 | 16.22 % |
| Pulse |  | 6 | 16.22 % |
| QuickBooks |  | 3 | 8.11 % |
| Cushion |  | 2 | 5.41 % |
| Other |  | 2 | 5.41 % |
| No Answer |  | 0 | 0.00 % |

A staggering 62% hadn't heard of any of the cash flow automation tools. However, 16% had heard of Float and Pulse, 8% had heard of QuickBooks, 5% had heard of Cushion. It was also noted that users had also heard about Sage and Clearbooks.

D.7. Are your invoices fully electronic?

| | | Answers | Ratio |
|--------------------------------|--|---------|---------|
| Yes | | 18 | 48.65 % |
| Sometimes | | 11 | 29.73 % |
| They are not electronic at all | | 8 | 21.62 % |
| No Answer | | 0 | 0.00 % |

Just under half of participants noted that their invoices are Electronic, 30% said sometimes and 22% said they weren't electronic at all.

It can be noted that it is the preference of the client whether they would like an electronic copy or a paper copy. However, it was still surprising to find out that 22% of entrepreneurs don't send out electronic invoices.

D.8. Which of the following tools of e-invoicing do you know / use?

| | | Answers | Ratio |
|---------------|--|---------|---------|
| None | | 21 | 56.76 % |
| Elorus | | 5 | 13.51 % |
| ECOS | | 5 | 13.51 % |
| IMPACT | | 4 | 10.81 % |
| Other | | 4 | 10.81 % |
| Faros | | 3 | 8.11 % |
| POINT | | 3 | 8.11 % |
| Retail - Link | | 1 | 2.70 % |
| No Answer | | 0 | 0.00 % |

Over half of participants didn't know any of the e-invoicing tools and around 10% knew each of the rest of them. Again, this was surprising information and B-Capp will be very useful for entrepreneurs in the UK as it will be able to give them a quick run down of what is available to them and how it works.

SECTION E - ICT-enabled business development

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

| | | Answers | Ratio |
|--|--|---------|---------|
| None | | 24 | 64.86 % |
| I use traditional methods of procurement | | 9 | 24.32 % |
| Prometheus | | 3 | 8.11 % |
| Other | | 2 | 5.41 % |
| e-licitatie | | 1 | 2.70 % |
| No Answer | | 0 | 0.00 % |

65% of participants stated that they do not use any of the stated e-procurement systems and 24% stated that they use traditional methods of procurement. 8% said they use Prometheus, 3% said they use e-licitatie and 5% said they use 'Other' but did not state what that was.

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

| | | Answers | Ratio |
|----------------------------|--|---------|---------|
| Strongly agree | | 13 | 35.14 % |
| Neither agree nor disagree | | 11 | 29.73 % |
| Agree | | 11 | 29.73 % |
| Strongly disagree | | 1 | 2.70 % |
| Disagree | | 1 | 2.70 % |
| No Answer | | 0 | 0.00 % |

35% strongly agreed that integrating e-commerce can help the development of their company, 30% neither agreed or disagreed and a further 30% Agreed. Only a total of 6% Disagreed and Strongly Disagreed.

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

| | | Answers | Ratio |
|-------------|--|---------|---------|
| None | | 19 | 51.35 % |
| Magento | | 13 | 35.14 % |
| Shopify | | 6 | 16.22 % |
| WooCommerce | | 5 | 13.51 % |
| Sellr | | 3 | 8.11 % |
| Other | | 0 | 0.00 % |
| No Answer | | 0 | 0.00 % |

Over half stated that they do not use any of these platforms to buy/sell products online but this could be down to the fact that we didn't speak to a lot of e-commerce organisations which is noted in the next question E.4.

35% had either used or would like to use Magento, 16% Shopify, 14% WooCommerce and 8% Sellr.

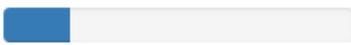
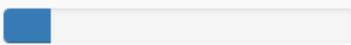
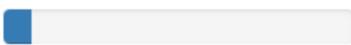
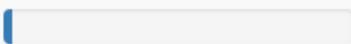
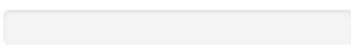
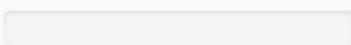
E.4. How often do you sell your products online?

| | | Answers | Ratio |
|------------------------------------|--|---------|---------|
| I have never sold something online | | 27 | 72.97 % |
| 2 - 4 times a month | | 6 | 16.22 % |
| Other | | 3 | 8.11 % |
| Less than one time in a month | | 1 | 2.70 % |
| 1 time in a month | | 0 | 0.00 % |
| No Answer | | 0 | 0.00 % |

As previously stated in E.3, the majority of people we spoke to were not e-commerce organisations, so we weren't surprised to find out that 73% do not sell products online.

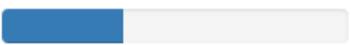
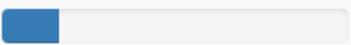
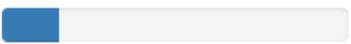
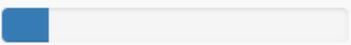
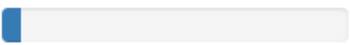
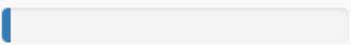
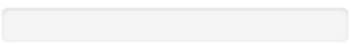
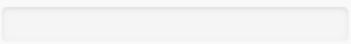
16% said they sell products 2 – 4 times a week, 3% said once a month and 8% noted other which included the answers; 30-40 times a month and Daily.

E.5. How often do you purchase online?

| | | Answers | Ratio |
|---|--|---------|---------|
| More than 5 times in a month |  | 21 | 56.76 % |
| 2 - 4 times a month |  | 7 | 18.92 % |
| I have never purchased something online |  | 5 | 13.51 % |
| Less than one time in a month |  | 3 | 8.11 % |
| 1 time in a month |  | 1 | 2.70 % |
| Other |  | 0 | 0.00 % |
| No Answer |  | 0 | 0.00 % |

It was common for organisations to make purchases online. 57% said that they make a purchase more than 5 times in one month, 19% said 2 – 4 times a month, 8% said less than once a month and 3% said once a month. Only 14% said that they've never purchased something online.

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

| | | Answers | Ratio |
|-----------|--|---------|---------|
| Amazon |  | 30 | 81.08 % |
| e-bay |  | 13 | 35.14 % |
| Etsy |  | 6 | 16.22 % |
| e-shop |  | 6 | 16.22 % |
| None |  | 5 | 13.51 % |
| Skrouz |  | 2 | 5.41 % |
| Buyylo |  | 1 | 2.70 % |
| Other |  | 0 | 0.00 % |
| No Answer |  | 0 | 0.00 % |

It was identified that Amazon was identified as an extremely popular online platform to buy from with 81% of participants saying they have bought something off it. E-bay was the 2nd most popular with 35% of participants noting they had bought from it. All other platforms had been used by at least one participant but Amazon was by far the most popular.

Conclusion

The following points can be identified from the findings:

In the UK the majority of cash budget is being created by an external Accountant. This could be due to a lack of understanding of how to do it themselves and lack of trust in their capabilities. B-Capp can help entrepreneurs understand how to create their own cash budget and at the same time save money and have a full understanding of the companies lifecycle.

For those who do create cash budget, they use excel. This could be due to a lack of knowledge of the available tools out there which again is something that B-Capp can make more evident. The majority of participants updated their cash budget monthly or quarterly, but it was my understanding from speaking to different entrepreneurs, that you update your cash budget more often if you are a smaller company. The more profit you make, the less often you update your cash budget.

In regards to financial resources it was noted that the vast majority have used wither a bank loan or their own money. However, a small amount had used European Grants and funding. This could be due to the majority of participants in this questionnaire working in the Private sector. It is important to make sure that this project spreads the word about EU Funding so more private sector start ups know it is available to them.

It was also highlighted that the majority of start ups use an accountant or a book keeper and have limited knowledge of the financial side of their business. It as also noted that if they do create these, they use excel. This stresses the need for the B-Capp project as a means of helping entrepreneurs understand this aspect of their business and the tools available to do so.

It was also identified that 22% of participants do not use electronic invoicing. It's important to stress the reduced cost of sending them through e-mail as opposed to letters, as well as the fact that technology is constantly evolving and it is important for businesses to keep up with these changes.

Most participants did not use technology when they wanted to recruit new staff members, they used traditional methods of procurement. This could be down to the cost of using a recruitment agency. However, B-Capp can provide advice around using free tools like Linked-In.

The majority of participants noted that they agree that e-commerce integration can help develop their company and 30% neither agreed or disagreed which means their opinion can be pushed either way based on evidence which is something that B-Capp can provide.

To conclude, this questionnaire stresses the importance of the B-Capp project in the UK to help start ups and entrepreneurs gain an understanding of all of the tools and resources out there that can help then run their business more efficiently and effectively, while saving costs.

