

# something new being brought to the funding table . . .

or just a re-tread of an old venture capital idea?

We examine the case for combining funding with hands-on experience put forward by Windsor Place Corporate Management

There is a small collection of words that companies should not use lightly in their advertising. They ought to steer well clear of describing themselves or their solutions as 'the leading' or 'the largest' or the 'longest established' in their particular field – unless of course they have good statistical grounds for making such statements. Used inappropriately, these terms diminish the power of the promotion and can discredit the organisation.

When a recent entrant to the corporate finance arena chose to describe its operation as 'unique', therefore, the critics were ready to dismiss the notion as unwarranted. It would be fair to say that everything in financial engineering has been tried at least once before, so that the company's claim to being unique is worth investigating to see how far it withstands scrutiny.

The business territory to which Windsor Place Corporate Management lays claim is the tier of corporate funding that lies between the 'bank plus family and friends' finance on which most SMEs have relied, and the highly formalised arena of public offers with a listing on a securities exchange.

It is a comparatively 'noisy' part of the corporate spectrum; a great deal of time is taken up assessing propositions by 'investors' whose curiosity exceeds their financial capacity. Companies seeking funds feel they have gained little from the encounters and go back to a self-sufficiency which keeps the lid firmly

on any prospects they might have had for real business expansion.

The problem is one of scale. Requiring too serious a commitment for most private investors, the marketplace does attract a few of the larger business angels searching for the elusive killer proposition. Involving sums capped in the lower order of millions – and more often measured in just hundreds of thousands – this funding zone is below the radar of the Private Equity institutions seeking to take successful companies off the trading floors while they rationalise their asset values.

Venture capital companies cruise these waters; by reputation optimising the timing of their equity disposal to suit their own investors at the expense of the longer term interests of their clients' stakeholders.

With their placemen on these companies' boards, the venture capital sector is not known for layering its financial involvement with serious, hands-on management experience at a level relevant to those businesses. Rarely has their experience been gained in an SME.

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### Skills acquired through owning SMEs

Claiming to tick the boxes which other funding sources leave unchecked, the Windsor Place team believes that the value of its proposition lies in the skills that it can bring to its clients' table – alongside the finance, of course.

Where Windsor Place would claim to be different from other players in the field is that its collective wisdom has been gained in companies that closely parallel its clients. The directors and key support team have all owned and operated SMEs so their experience is both timely and relevant.

Success has meant disposing of some of those businesses through trade sales: others have been floated on an investment exchange. In practical terms, it also means that they know what it is like to be scraping together the money to pay the staff salaries at the end of a month when collections have been below average, for example.

While the investing team members are clearly well beyond that point in their own career today, it is an experience they will never forget.

As Windsor Place director Todd Wells observed, it colours the way that the team thinks when it works with clients to create viable, profit-centred strategies. “We would be the first to admit that we made mistakes along the way. If we can extract the lessons learnt and feed them back into the companies we are working with today, that must be one of the more important contributions to be made.

“A key characteristic of the SME is that it relies on the resourcefulness of everyone involved in the business: the whole company often has to pull together to overcome the logistical problems created when key staff take maternity leave, for example, or someone unexpectedly goes down with a serious illness.”

### Commitment to knowledge transfer

Whatever the level of financial involvement that the Windsor Place team might take in a client company, there is an ongoing commitment to this ‘knowledge transfer’. For the management of a company that has seen its business evolve from two partners working in a garage to one with thirty staff in purpose-built premises, the prospect of an ‘expert’ parachuted into the fold must at best be uncomfortable.

Wells takes a more pragmatic view. “If we accept that the kind of entrepreneur who establishes and develops the classic SME is a very different kind of person from managers who run divisions in multinationals, we are also saying that they have a natural ceiling to their skills and experience.

“What they need to do is diversify the resources available to them, whether on a part-time or full-time basis. They can concentrate on the areas of the business where they are most accomplished and rely on their new partners to complement them with whatever else they need.

“Take the hypothetical case of an electronics engineer who has created a ground-breaking control system. He can design it, supervise its construction and use his personal commitment to sell a dozen units a year. It may well make a profit but the potential lies untapped if there is a market for several hundred units. What that business needs is someone who understands the sector but has proven expertise at selling in volume terms to make the business move up several notches. And, just as important, has the capital available to fund the expansion process.”

The business case on which Windsor Place is selling its proposition to its target audience is that the experience gained first hand from similar activities in a similar business environment

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is integrated with the finance required. The investor shares common objectives with the client company, giving both parties a greater prospect of financial success.

Whatever else it might be, Windsor Place Corporate Management is not a benevolent fund: the company is seeking to secure an equitable return for its own investors, but on the back of what it achieves alongside its clients' existing investors.

### Reasons for investment

Companies have a requirement for the kind of facilities being promoted for many different reasons. Windsor Place highlights the six most likely. Apart from the lack of working capital which throttles back many SMEs' development, there are more structural issues surrounding company expansion.

One of those issues is a shortfall in management skills which may be proving a problem whether or not there are any plans for expanding the business.

Windsor Place is certainly geared up to a highly distinctive business model; one that investment teams many times the size of that company could not contemplate – or indeed would not wish to do so.

Factor number four is the thorny question of succession: key to maintaining the capital value of a business is its ability to continue beyond the present management. An investment-plus-skills package can go a long way towards resolving that problem.

While succession can be factored into the business plan, bereavement, illness and – to some extent – divorce cannot. A business which is viable and healthy can be put in jeopardy if illness (or worse) strikes. While a Key Personnel policy may help to keep the wheels of a company oiled during a crisis, it is no substitute for the skills that an organisation like Windsor Place would claim it could provide.

'Lifestyle demands' cover other options, where one of the original team decides that it would be great to spend more time with the family but does not want to rock the boat. Replacing the skills and investment could make that possible.

### The fine print

Is Windsor Place unique in the strict dictionary definition? That is most unlikely as private investors who 'get their hands dirty' do exist. The business which Todd Wells and his colleagues are running is certainly geared up to a highly distinctive business model; one that investment teams many times the size of Windsor Place could not – or would not wish to – contemplate. But by pooling a broad portfolio of management skills with finance, its particular flavour of business model probably does place Windsor Place in a field of one.  
[www.wpcfunding.co.uk](http://www.wpcfunding.co.uk)