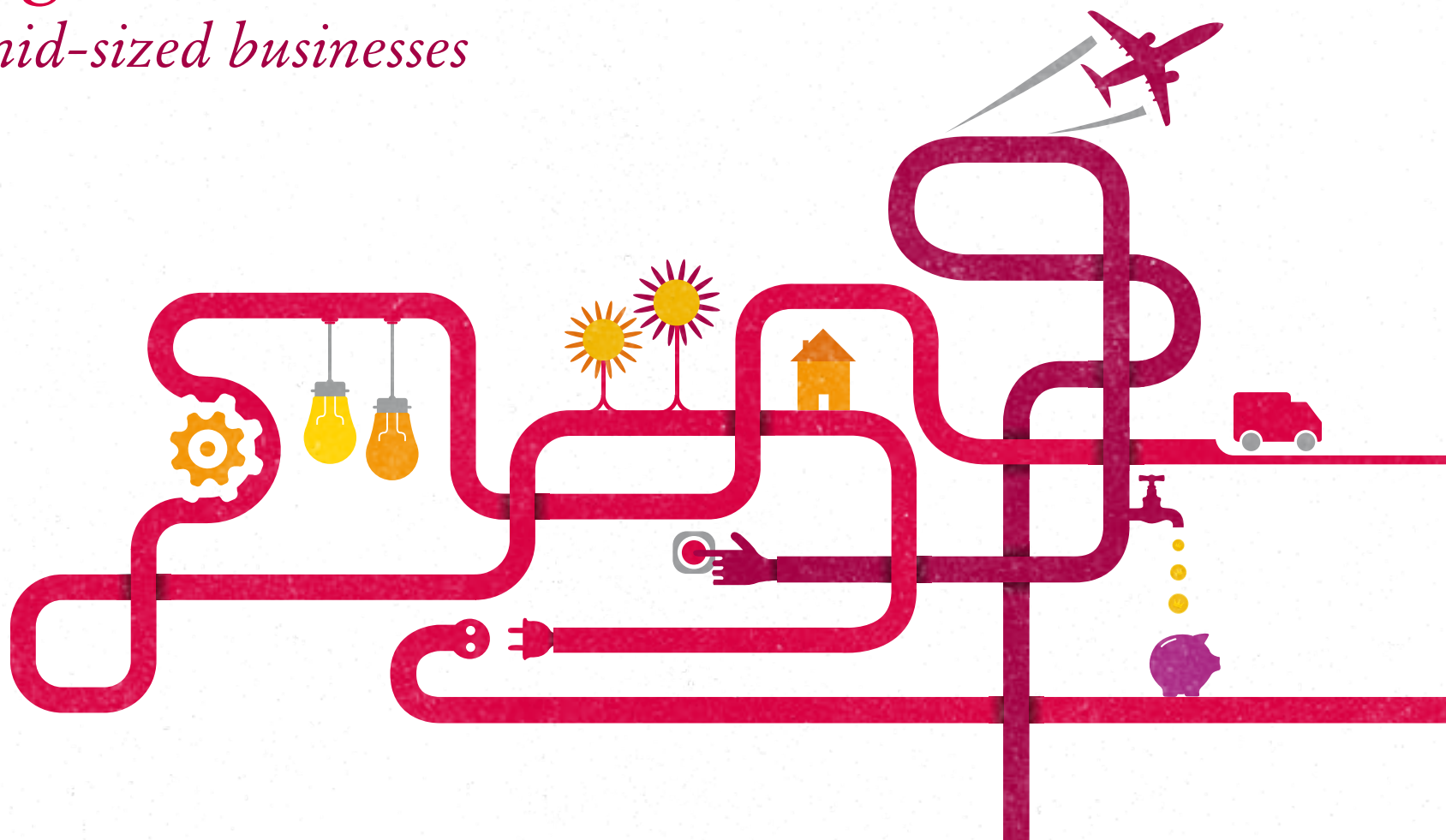


Agents of growth

The power of mid-sized businesses



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MSBs: what now, and what next?

What does the UK's mid-market look like? How is it performing, and what are the challenges it faces? Our extensive research, conducted along with the Centre for Economics & Business Research (Cebr), paints a comprehensive picture of UK medium-sized businesses (MSBs) and how they are outperforming the market on many fronts. Yet the research, as well as our recent summit events for MSB leaders, also highlighted significant obstacles to further growth and expansion.

The UK mid-market – around 34,000 firms of 50 to 499 employees – is a vibrant and dynamic business segment, the unsung powerhouse of the economy. It is often overlooked by policy-makers, whose initiatives are geared either toward large corporates or small enterprises, yet plays a pivotal role in employment and innovation. This is why we have conducted, for the second time, extensive research into the behaviour, performance and attitudes of the UK MSBs.

The outcome of our research, summarised here, reveals that the mid-market was the most resilient segment during the economic downturn. In recent years, these businesses have shown an impressive rise in productivity – placing them on a par with large corporates – and their employment growth now beats that of smaller and larger firms. They have also outpaced larger and smaller firms in R&D and capital spending growth. What's more, they are optimistic about the future, generally expecting to increase their workforce and turnover.

Our research gives insights into maturity, ownership and debt gearing, and also reveals the challenges and obstacles to growth perceived by MSB leaders. What emerges is a generally conservative attitude to risk and a low appetite for international expansion. The challenges identified by

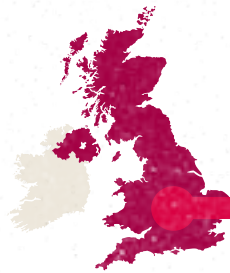
business leaders include access to suitable funding, a shortage of skills and expertise, and excessive red tape.

These challenges were echoed by delegates at our recent Agents of growth summits for mid-market leaders, held in Reading, Birmingham, Manchester and London. Often, solutions to these challenges may be found on a local level – a fact underlined by the Local Enterprise Partnerships (LEPs) at our summit events. To help overcome challenges and support mid-market ambition in their region, local authorities need to continue to develop their understanding of the needs of MSBs in their area and target resources in response, in alignment with their overall strategies for economic regeneration and driving business growth.

Given the potential of the mid-market as an economic powerhouse for the UK, I hope this report demonstrates how vital it is that challenges are addressed both nationally and locally. That's why we have made recommendations to both MSBs and the Government on how we maximise growth opportunities for the mid-tiers, and create a stronger economy for all.

Scott Barnes
CEO
Grant Thornton UK LLP

The MSB landscape



34,100 MSBs
in the UK in 2013

Compared to just
3,180 large corporates
1.1 million SMEs



The average age of MSBs



4.2 million
people employed by MSBs

124,000 jobs created in 2012-13
500,000 more jobs by 2020

Growth in number
of businesses
2007-2013



1.6%
Large

-0.9%
SMEs



5.4%
MSBs

MSBs are growing

However productivity is lower
in the UK than in some
leading EU countries



€373,000
Ireland



€310,000
Austria



€273,000
France



€235,000
Germany



€226,000
UK



SMEs
productivity
£128,000



Large
corporates
productivity
£169,000



MSBs
productivity per
employee
£171,000



7.5%
total turnover
growth in
2013



MSBs
annual turnover
£712 billion

MSBs contributed
£270 billion
to the UK economy
that's equivalent
in size to...



£158bn
real
estate



£108bn
financial
services

29%
of UK MSBs have
international
operations
compared to...

Turkey
65%

China
55%

Germany
45%

India
43%

France
32%

US
31%

UK
29%



MSBs
total exports
£36 billion

Only 20% of MSBs have international expansion plans

Huge opportunity. So, what's holding us back?

But export growth
is slowing

MSBs driving economic recovery

The UK mid-market has proven itself to be exceptionally resilient during the economic downturn. It continues to outperform other segments (SMEs and large corporates) in terms of productivity and employment.

34,100

The total size of the MSB population was 5.4% larger at the start of 2013 than before the financial crisis in 2007.

£712bn

These businesses had an annual turnover of £712 billion – an increase of 7.5% in 2013 and estimated at a significant 21.7% of total private sector turnover.

4.2m

The total number of employees supported by MSBs in 2013 was some 3% higher than at the beginning of 2012, compared with slower growth in the total number of employees supported by both small businesses (1.7% in 2013) and large firms (1.3%).

“We have largely grown organically but we are now looking at an acquisition of a £110 million business to give us geographical spread within the UK. The strategy could be seen as both defensive and aggressive.”

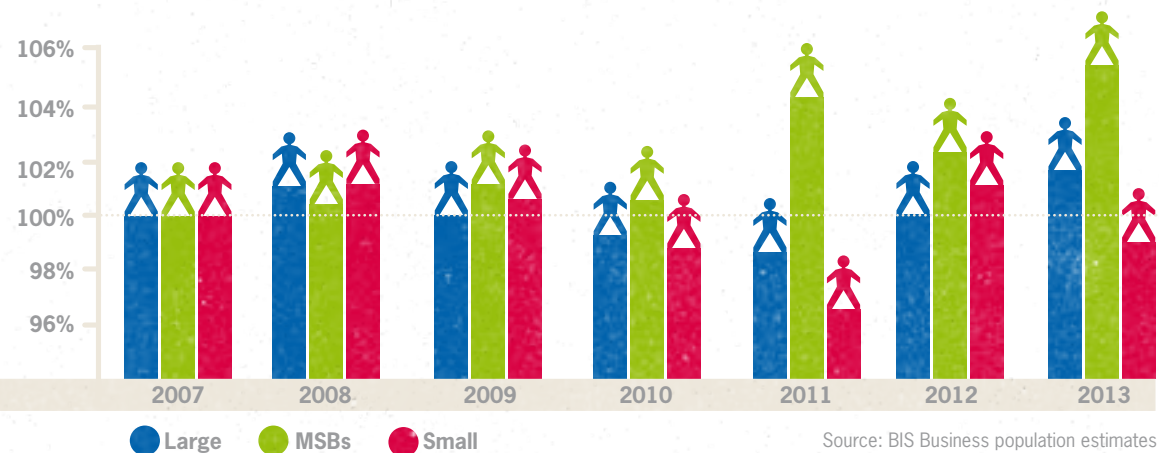
John Hays

Founder and Managing Director

Hays Travel

Number of businesses by size of employment, indexed such at 2007 = 100%

Figures are for start of 2013



Age and ownership

Who are the UK's mid-sized businesses and who owns them? What do they look like and how mature are they? This portrait of the mid-market might help explain emerging trends.

18 MSBs are 18 years old on average.

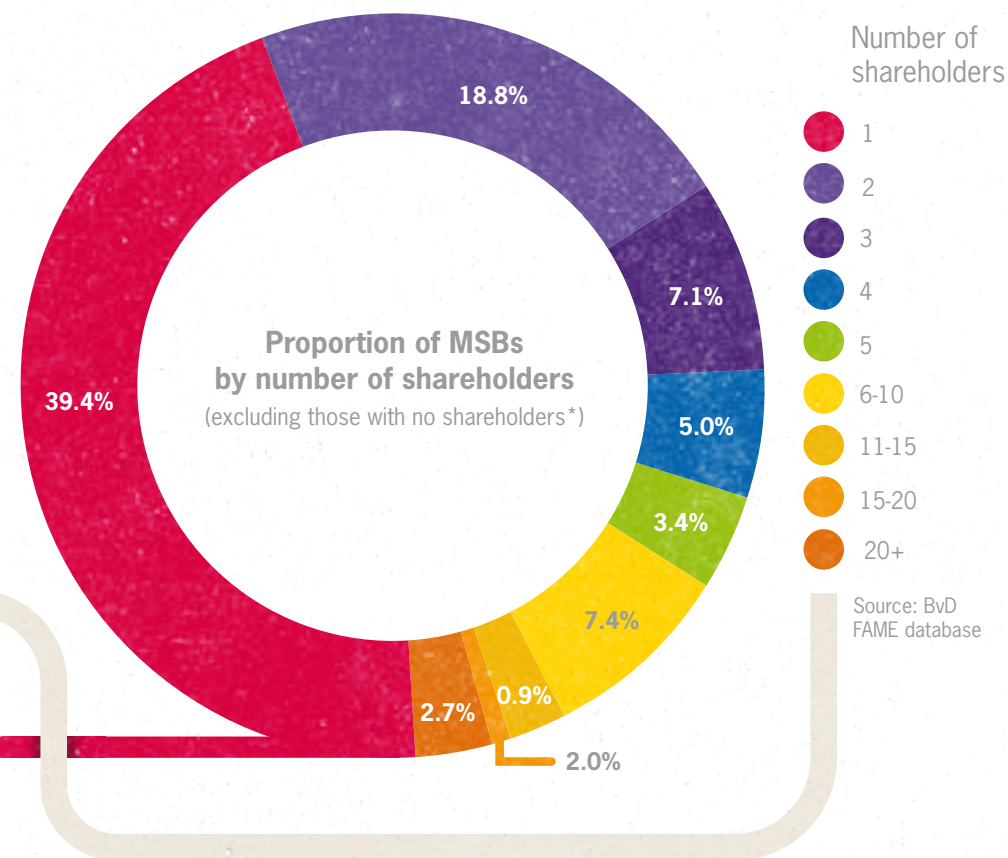
1/6 One in six are owned directly by a family or individuals while many more are owned independently through other companies.

Maturity Manufacturers and those in the wholesale and retail industries are amongst the oldest at 31 and 25 respectively.

71% The majority of UK MSBs are owned by British companies or by individuals.

“With only one in six MSBs identified as being owned directly by individuals or families, the majority of MSBs exist through other ownership structures, and so there is a need to identify and understand the specific characteristics of those MSBs independent of broader large corporate ownership.”

Norman Armstrong
Partner
Grant Thornton UK LLP



*13.3% of MSBs have zero shareholders, and are owned either by limited liability partnerships, limited by guarantee or are industrial/provident societies.

MSBs contribute substantially to the UK economy

The UK mid-market makes a significant contribution to the UK GDP – in fact, its growth in GDP contribution now outstrips the UK's nominal GDP growth. Much of this contribution is in the form of wages and salaries into the pockets of UK households, affecting spending power.

£305bn In 2013, MSBs are estimated to have contributed £305 billion to UK GDP, up 7.7% on an estimate of £283 billion in 2012.

Value+ Of this, £270 billion is estimated to be value added (the sum of wages, profits and taxes on production), up from £254 billion in 2012.

Equal This is roughly equivalent to the combined size of the UK real estate and financial services sectors.

£160bn Within this figure, the MSB sector directly injects an estimated £160 billion into the pockets of UK households through wages and salaries.

MSBs
contributed
£270 billion
to the UK economy
equivalent
in size to...



“The secret of any business when you become a corporate is to introduce governance and structure, but you have to retain that entrepreneurial drive.”

Chris Baguley
Managing Director
Jerrold Holdings

Source: Cebr analysis

MSBs are major employers in the UK

The mid-market provides employment throughout the UK, serving as an engine of local economies. As expected, London and the South-East top the chart in terms of the number of jobs provided by MSBs, while the North West also benefits. The West Midlands have seen the greatest increase in mid-market employment in recent years.

4.2m Over four million jobs are held in MSBs across the UK.

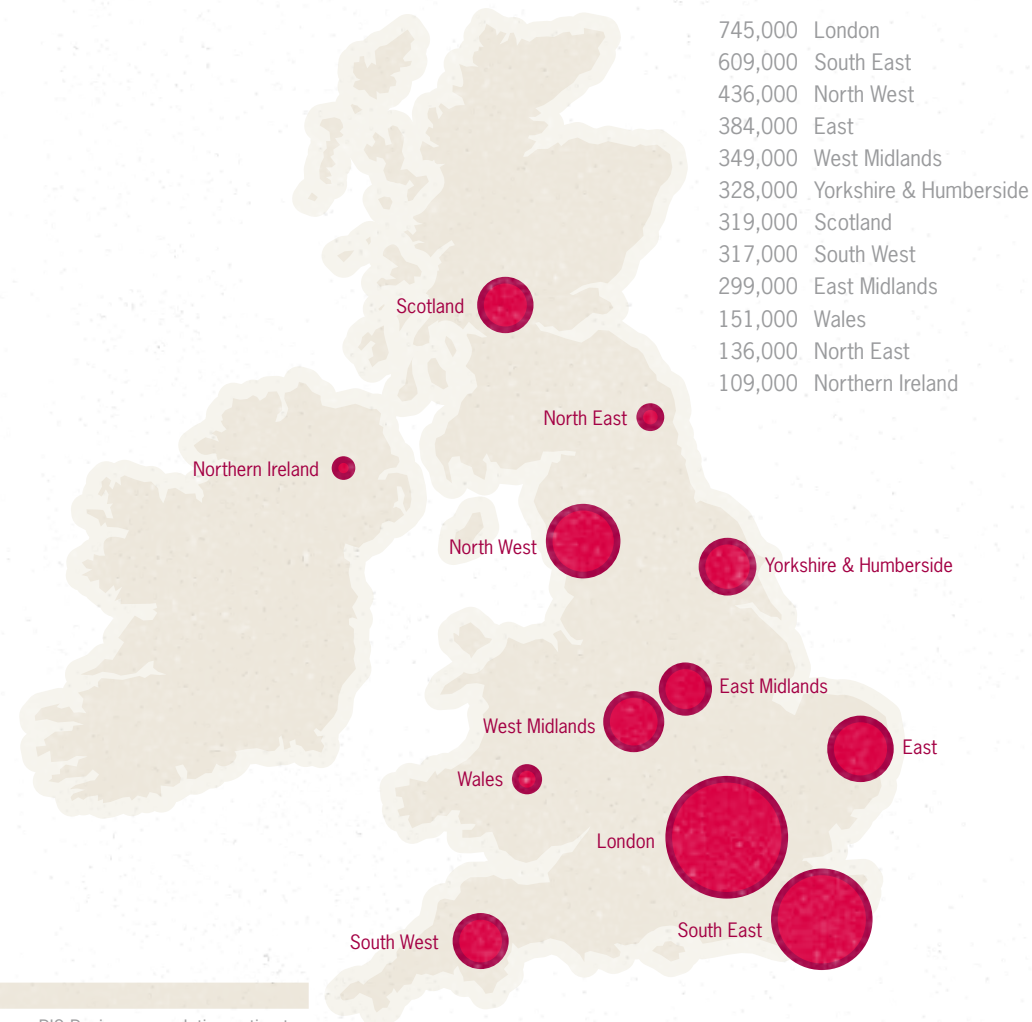
745,000 Within this, London is the region with the most MSB employment supported, with a total of 745,000 workers.

109,000 Northern Ireland has the fewest, with just over 109,000 jobs.

Positive The region with the strongest growth is the West Midlands, with 6.7% growth in employment since 2011.

Employment supported by MSBs by region

at the start of 2013



Source: BIS Business population estimates

MSBs are helping to spur on UK growth

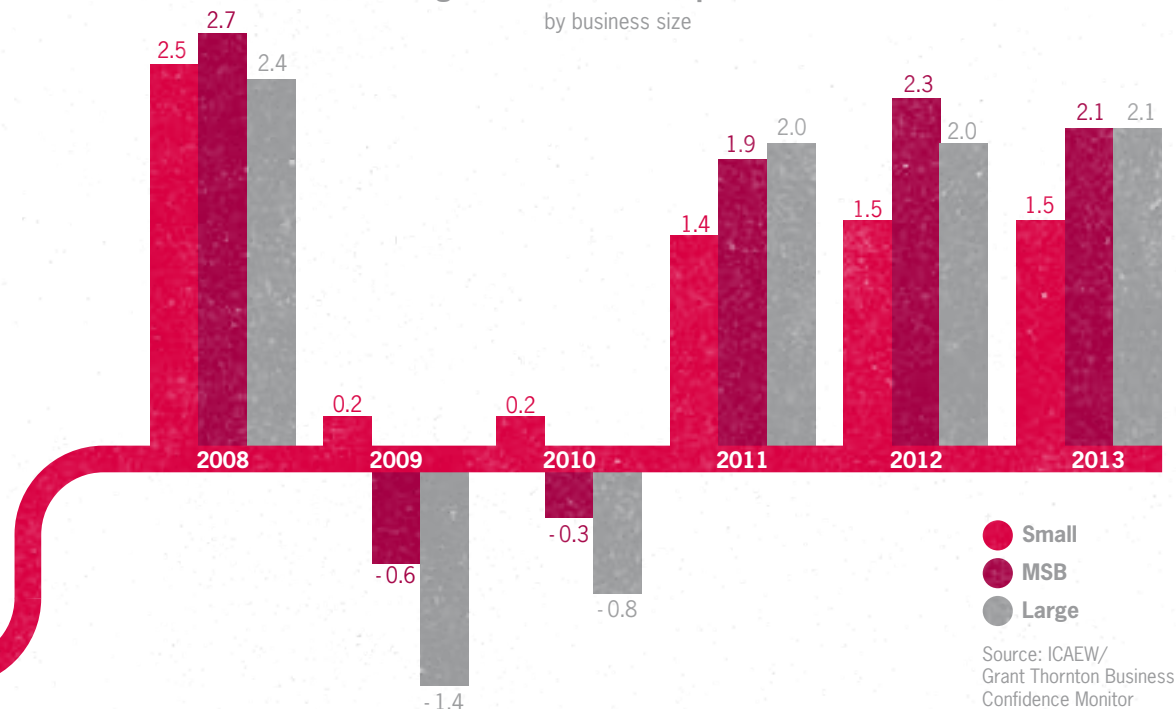
From a rise in average turnover and worker productivity; to spending growth for research and development and capital investment, the mid-market is on an upward trend. In recent years, the UK mid-market has continued to outpace other business segments on a number of growth indicators.

12%	Average MSB turnover stood at £20.8 million in 2013, up by 4.3% compared with a year before, and by 12% since 2011.
R&D	In 2013, MSBs outpaced larger and smaller firms in spending on research and development, with a 2.4% increase compared to 1.8% in larger and smaller firms.
£171k	MSB revenue per worker in 2013, up 10.6% since 2011 and now level with average productivity in large firms.
8.3%	Average increase in MSBs' capital expenditure since 2007, outstripping investment by other segments.

"On the whole, the UK's mid-sized business community has kept a progressive mind-set throughout the downturn – realising opportunities their larger and smaller counterparts might not have. Their commitment to continued investment, innovation and seeking new market opportunities is laudable and even though these efforts are now reaping significant rewards, more needs to be done to support their growth and solidify this critical segment of the market."

Ali Sharifi
Partner
Grant Thornton UK LLP

Annual growth in UK MSB capital investment
by business size



MSB growth supports employment expansion in the UK labour market

Strong mid-market growth over recent years has also seen this segment outpace other business sizes, and the overall UK labour market, in the rate of employment expansion. Headcounts are growing faster at MSBs than they are at larger and smaller firms, and the significant majority of mid-sized business leaders expect to create more jobs in the next year.

80% Of MSB leaders* planned to increase headcount in the next 12 months.

124,000 Over the past year, MSBs have estimated to have created jobs for an extra 124,000 employees.

+3% MSB employment increased by 3% over 2013.

Higher than average This relatively buoyant employment growth in MSBs is in contrast to that seen at UK private sector firms as a whole where headcounts rose by just 1.5% on average in 2013.

*based on >220 attendees of Grant Thornton's Agents of growth summits.



“To get great results you have to have fabulous people who know people, product and trends to enable us to produce what our customers want. Intuition is the hardest part. You have to work hard and keep looking for the best staff.”

Anthony Thompson
CEO
Fat Face

The confident voice of MSBs

In general, those at the helm of the UK's mid-sized businesses are confident of growing their business in the coming year. In fact, their expectations of growth exceed that of UK business as a whole. And they see the overall economic outlook as less of a constraint than their counterparts in many European countries do.

92% Over 90% of MSB leaders* were very confident or confident of growth in their business in the next 12 months.

More workers Over 80% of MSB leaders* were planning on increasing their workforce in 2014.

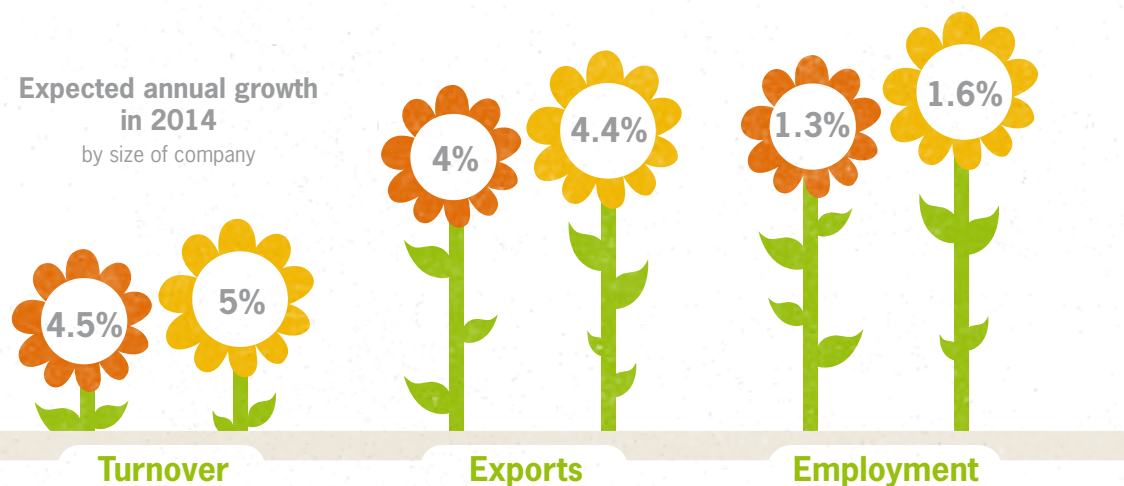
£35bn Mid-market turnover growth projected for 2014.

68,000 MSB projected employment growth is 68,000.

Overall confidence UK MSBs are relatively unconcerned about the economy, second only to Germany on an overall economic sentiment indicator.

"The dynamo of growth is you - the business that's neither small nor large. The aim of the CBI is to grow the economy, and as an organisation the CBI itself is currently expanding because we are now focusing on medium-sized businesses. We are arranging MSB export missions and running M-clubs around the country so that the mid-market is no longer a forgotten army. And along with Grant Thornton, we hope to persuade government to focus on MSB issues."

John Cridland
Director General
CBI



*Based on >220 attendees of Grant Thornton's Agents of growth summits

Source: ICAEW/Grant Thornton Business Confidence Monitor

● MSBs

● All businesses

Confident, but risk averse?

While they might be optimistic about their prospects for growth, it seems the UK's mid-sized businesses have a relatively conservative approach to risk and debt. Gearing levels of very young MSBs are particularly low, while more established MSBs show a gradual reduction in appetite for debt as they mature.

Lower debt

The average MSB gearing ratio of 47% is well below the median gearing level of 77% for larger firms, and only just above the 46% reported by smaller firms.

30%

Young MSBs (under 5 years) have a median of 30% gearing levels compared to almost 70% for those aged between 6 and 10 years.

Median UK gearing* levels by industry and size of firm, last accounts data
(2012 on average)

46% Small firms** (1-49)

47% MSBs (50-499)

77% Larger corporates (500+)

* (short term loans & overdrafts + long term liabilities)/shareholder funds
** up to 49 employees but must have over £5 million annual turnover

"You cannot de-risk a business completely or you will have a poor, uninspiring business and this will result in failure."

MSB CEO
Retail sector
London

"The lower gearing levels for smaller and younger companies show how critical equity finance is at the dynamic growth phase as debt is hard to raise at this stage. Conversely as they hit mid size and become more attractive debt propositions, businesses become more risk averse as they have weaned themselves off higher debt levels since the financial crash and may now be more cautious than their larger brethren. Herein lies the opportunity as confidence returns – to finance turbo charged growth in the critical MSB segment."

David Ascott
Partner
Grant Thornton UK LLP

Source: BvD FAME Database

A shortage of suitable finance

UK MSBs, especially the youngest and oldest, have far lower levels of debt than the UK median – perhaps indicative of a conservative attitude to risk. Could it also indicate a real shortage of suitable finance? Many mid-market leaders report real difficulty in accessing external funding to grow their businesses.

“Banks don’t understand that there is a certain amount of intuition in what we do. Not everything is driven by a business plan. Relationships are also important which is difficult to quantify in a business proposal.”

David Potts
Joint MD
All Metal Services

>1/4

Access to finance was described as a struggle by over a quarter of the MSB leaders surveyed*.

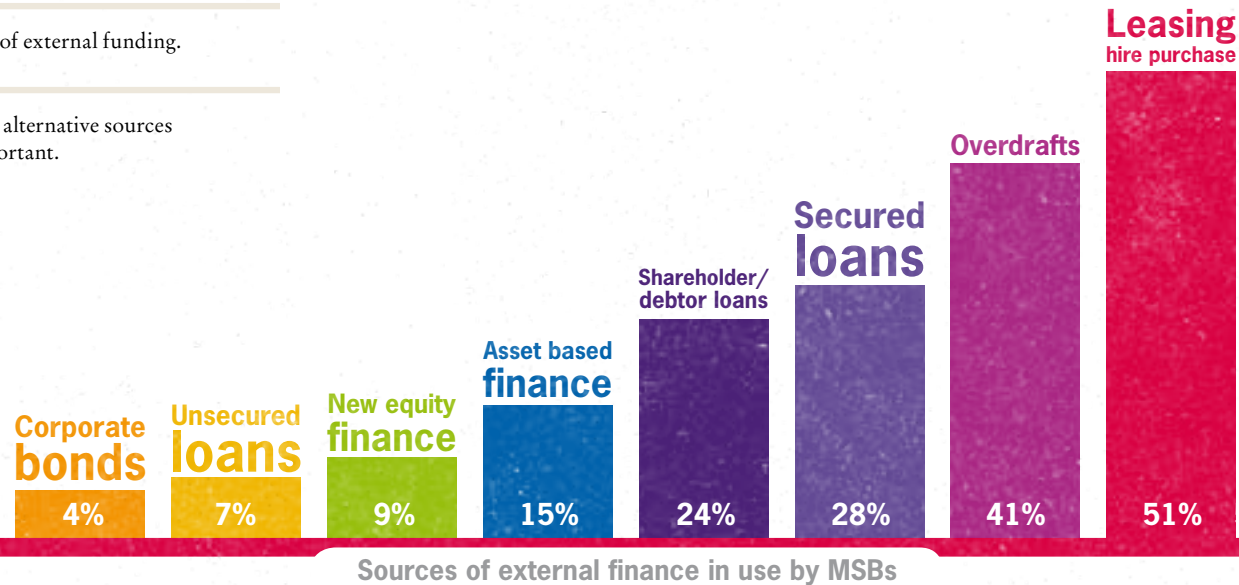
Leasing

51% of MSBs use leasing as a source of external funding.

Alternative
sources of
finance

Over half of MSB leaders* identified alternative sources of funding as very important or important.

*Based on >220 attendees of
Grant Thornton's Agents of growth summits



Source: BIS Finance Survey of Mid-Cap Businesses 2010

Debt profile of UK MSBs by industry

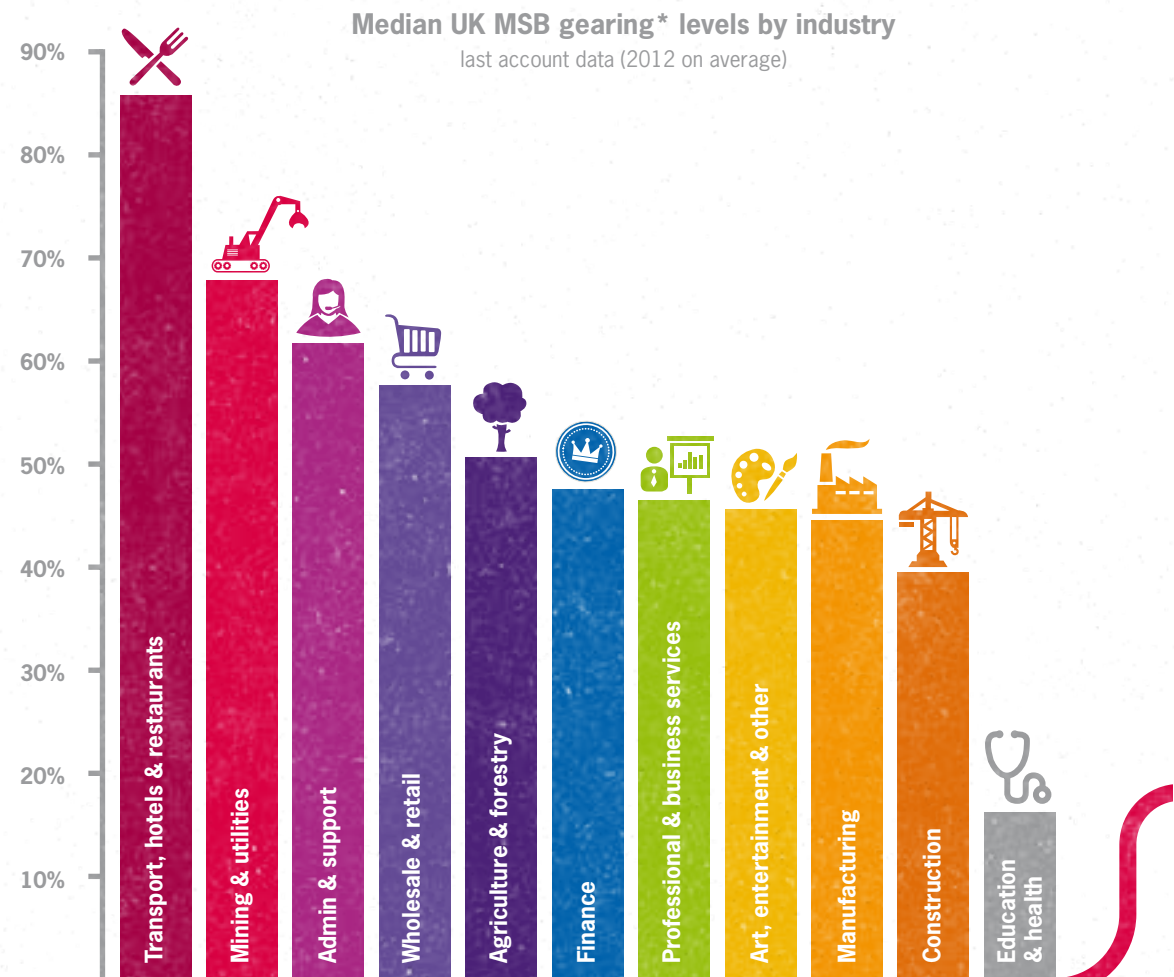
The median gearing levels of UK mid-sized businesses varies enormously between industries. What does this reveal? Could it be that MSBs in certain sectors are more conservative and reluctant to take on debt to pursue growth? Or could it be that, for MSBs in sectors such as education and health, access to external finance is simply extremely difficult to obtain?

£4.8m According to the FAME database, the median MSB had £4.8 million in debt in its last financial year.

47% The average MSB had a gearing ratio of 47%.

North South MSBs in Yorkshire and the North West have the highest debt levels, while those in the south, such as East Anglia, have lower debt.

Sectors MSBs in the transport, hotels and restaurants sectors had the highest gearing (85%), while the education and health sector had just 16%.



*short term loans + overdrafts + long term liabilities/shareholder funds

Source: BvD FAME Database

Mid-market productivity outshines the rest...

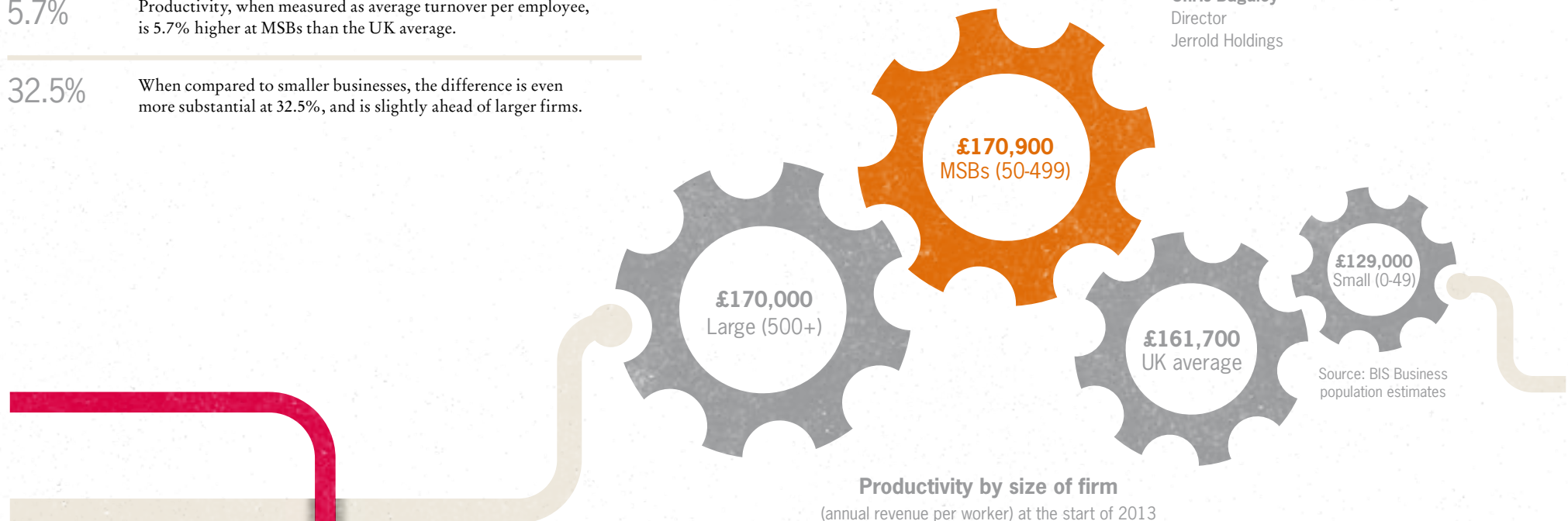
The mid-market is now the UK's most productive segment. Its average revenue per worker now stands at around £171,000, a massive 10.6% gain since 2011.

5.7% Productivity, when measured as average turnover per employee, is 5.7% higher at MSBs than the UK average.

32.5% When compared to smaller businesses, the difference is even more substantial at 32.5%, and is slightly ahead of larger firms.

"Pre-2007 companies didn't give as much thought to cost processes at a time when the market was very buoyant. Following the changes in the market and the difficulties faced by business they needed to utilise their existing capacity to the best effect and look more inwardly at costs. In the process they've become leaner and smarter."

Chris Baguley
Director
Jerrold Holdings



...but UK mid-market productivity lags behind Europe

Though UK MSBs' average productivity outshines the domestic business community as a whole, it lags behind that of counterparts in much of Europe. Why? Gearing levels show adversity to debt and risk – could it be that UK MSBs are pursuing a more conservative strategy at the cost of growth? And do they suffer from a lack of adequate experience at senior management level?

Better

While productivity levels at MSBs are favourable compared to other firms in the UK, MSBs in other European countries perform even better.

20.7%

The productivity gap between the UK and France is substantial – French MSBs are 20.7% more productive.

Productive

Meanwhile, Irish and Austrian firms are more productive still, having productivity gaps with the UK of 65% and 37% respectively.

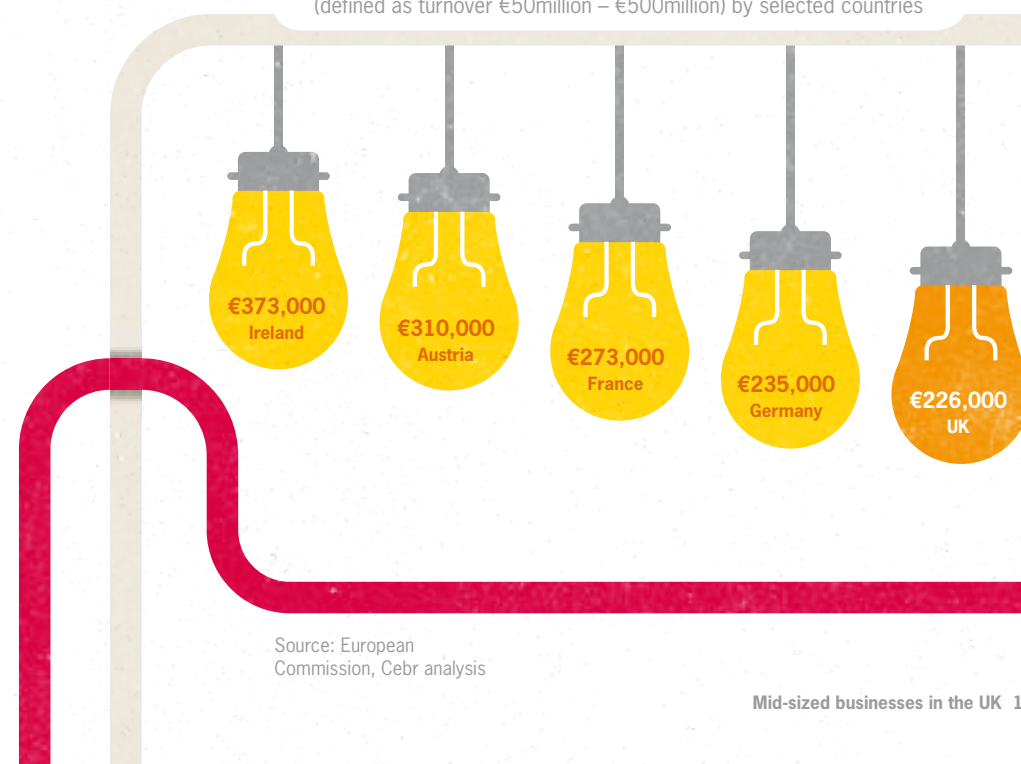
“What has emerged in the eight or so years since the beginning of the collapse has been an economy that continues to nimbly adapt to the circumstances it faces. Led in no small way by the business owners themselves, the Irish business world has sought to address the imbalances that prevailed pre 2006 and have focused on regaining and retaining Irish competitiveness on the international stage. By concentrating again on export markets, innovating processes through lean technology and profit improvement, Irish business owners have “gone back to knitting” by working harder but more importantly by working smarter.”

Noel Delaney

Corporate Audit Partner,
Grant Thornton Ireland

Turnover per head at MSBs

(defined as turnover €50million – €500million) by selected countries



Source: European
Commission, Cebr analysis

Higher productivity to boost prosperity

The productivity of the UK mid-market lags behind that of its counterparts in many European countries, including Ireland, Austria, France and Germany. The figures show that closing this productivity gap would noticeably raise UK standards of living, boosting the median UK household income from around £28,500 to nearer £33,000.

£274bn

If UK MSBs were to close the productivity gap with the top 10 most productive EU countries, then an additional £274 billion in turnover could move through the economy.

£117bn

This is estimated to be worth £117 billion to the UK GDP, representing a 7.3% boost to total national output.

£4,375

This increase is estimated to be worth approximately £4,375 to each household in the UK.

15%

This translates to a 15% boost to UK household income from £28,500 to £32,875.

Closing the productivity gap with the top 10 most productive EU countries would increase median UK household income



Source:
Cebr analysis

Median UK household income

Missing international opportunities?

The percentage of UK MSBs that have international operations compares unfavourably with Germany and the Eurozone. With the UK mid-market's export growth slowing – and overall UK exports losing ground to growing economies – what could be done to support and encourage UK MSBs to spread their wings abroad? Service sectors such as ICT present an obvious opportunity.

Goods

The UK exports 50% more goods than it does services (around £300 billion vs. £200 billion).

ICT

One area of the economy that is relatively under-represented in the export mix is ICT services.

1/3

Only 29% of UK MSBs have international operations.

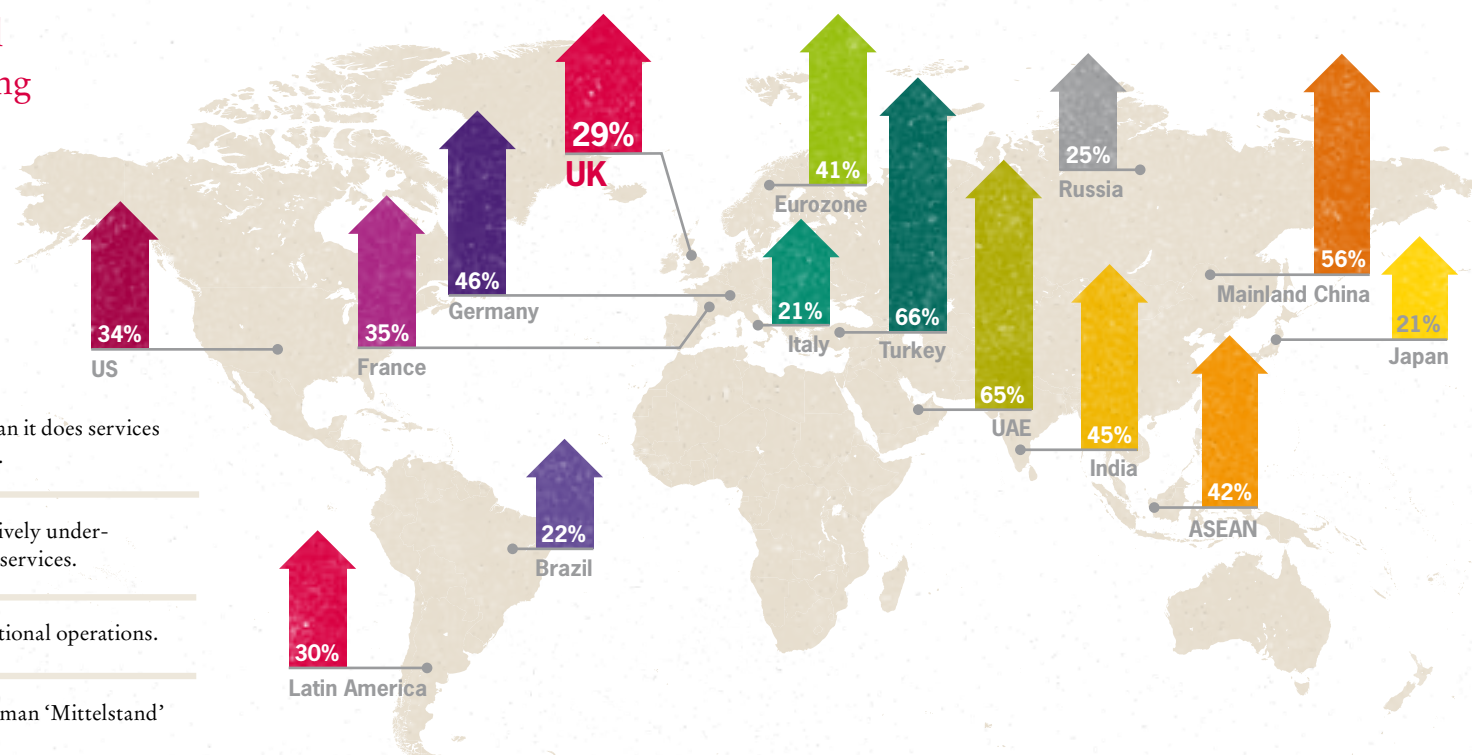
Mittelstand

By contrast, nearly half (46%) of German 'Mittelstand' firms have international operations.

Slowing

MSB export growth has slowed by 1.2% since 2011.

Proportion of MSBs with international operations for selected economies 2012



Source: Grant Thornton International Business Report

Encouraging international ambition

Only one in five UK MSBs say they expect to expand their international operations. And those planning to expand are targeting the established markets of North America and Western Europe. How can UK MSBs be encouraged to set their sights on the growing and emerging markets of Asia, Africa and Latin America? Doing so could help the UK strengthen its trade balance.

Expand

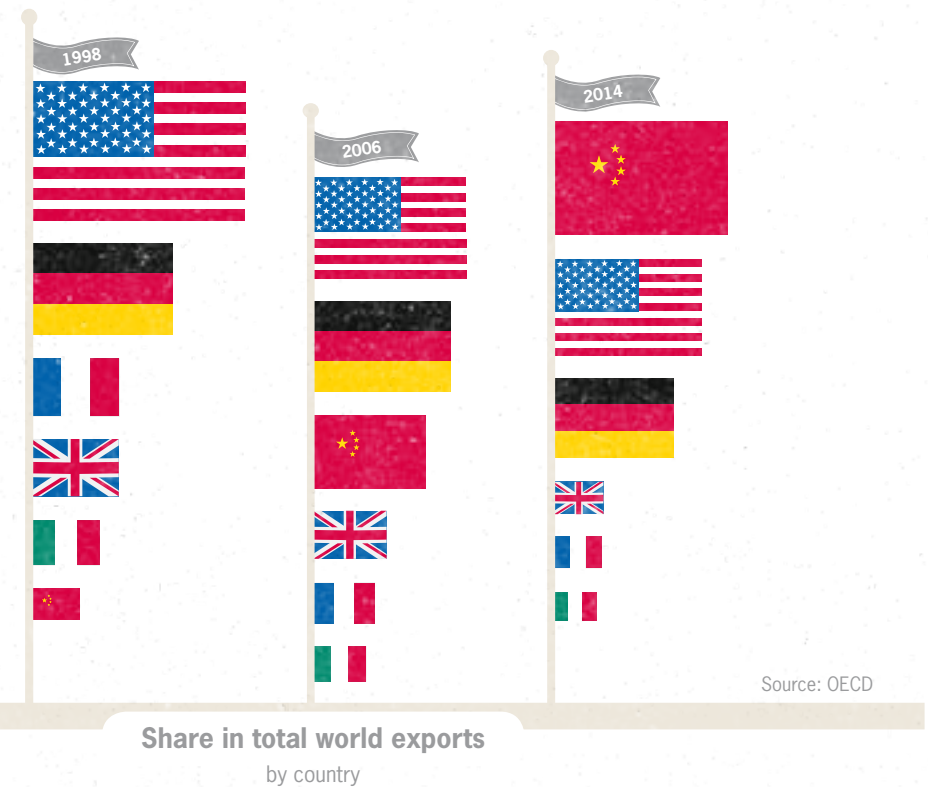
For UK MSBs who are expanding, Western Europe and North America are the most popular destinations, at 57% and 43% respectively.

Ambition

Turkey, India and Russia have some of the most ambitious MSBs, with 59%, 46% and 35% respectively indicating they expect to expand their international operations.

16 years

The UK share of world export trade has dropped over the last 16 years, while Germany remains stable.



“Confidence is high, the commodity prices that affect our business are encouragingly low, and generally we’re expecting growth from our export markets. We’ve exported since the early 80’s, largely on our own, but we do occasionally work with UKTI and the Embassy network to help access new customers and markets.”

MSB CEO
Manufacturing sector
Birmingham

Barriers to international growth

Why are UK mid-sized business often slow to seize opportunities for export and international expansion? Understanding the barriers MSB leaders face, or perceive, is the first step in helping them unlock their full potential on the world stage.

“Whilst MSBs have been outperforming other businesses when it comes to export growth, many still remain apprehensive of ventures into overseas markets, fearful in particular of regulatory and cultural barriers. Their agility actually puts them at a competitive advantage, making them very well-placed to overcome those barriers and seize the opportunities in high growth markets.”

Nick Farr
Partner
Grant Thornton UK LLP

40% Dealing with legislation and regulation is perceived as a major challenge to expanding internationally for UK MSBs.

Culture and language

The second biggest barrier are cultural and linguistic barriers.

Perceived major challenges to international expansion for UK MSBs (2012)



Source: Grant Thornton International Business Review

Key challenges facing MSBs

Our research into the mid-market paints a picture, for the second time, of a vibrant and dynamic business segment, the unsung powerhouse of the UK economy. Yet it faces a number of significant challenges.

The encouraging trends reflected in this report show how Britain's mid-market has been beating the economic downturn, and outperforming smaller and larger firms on a number of levels including productivity, staff expansion and capital spending. What's more, mid-sized businesses are bullish about the future, and expect to outperform the market in the coming year.

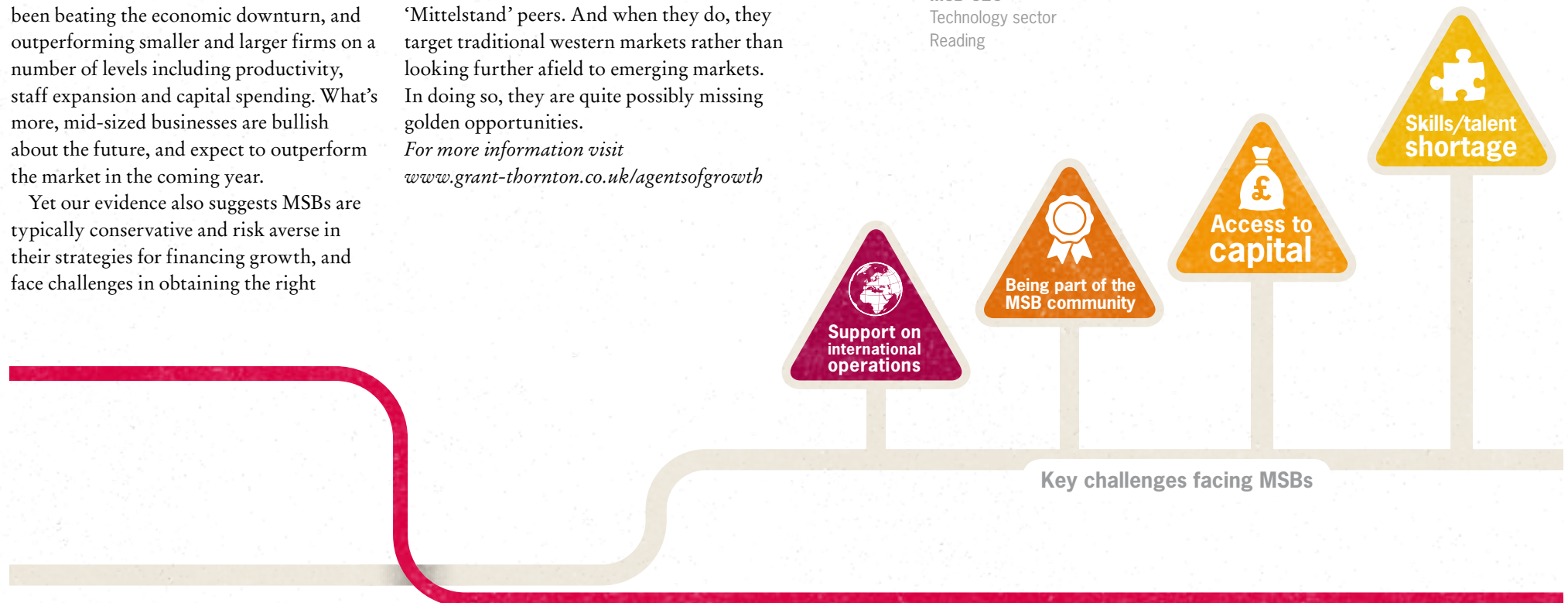
Yet our evidence also suggests MSBs are typically conservative and risk averse in their strategies for financing growth, and face challenges in obtaining the right

external financing. UK MSBs are less inclined to expand overseas than their German 'Mittelstand' peers. And when they do, they target traditional western markets rather than looking further afield to emerging markets. In doing so, they are quite possibly missing golden opportunities.

For more information visit
www.grant-thornton.co.uk/agentsofgrowth

"The big challenge is recruitment – finding the right people to support our growth strategy. Everyone wants the best people. If you're pursuing a high growth strategy you can't afford to make too many mistakes – you have to get the right person first time. That's the tricky part. There are people out there, but finding them at the right time is the hard part."

MSB CEO
Technology sector
Reading

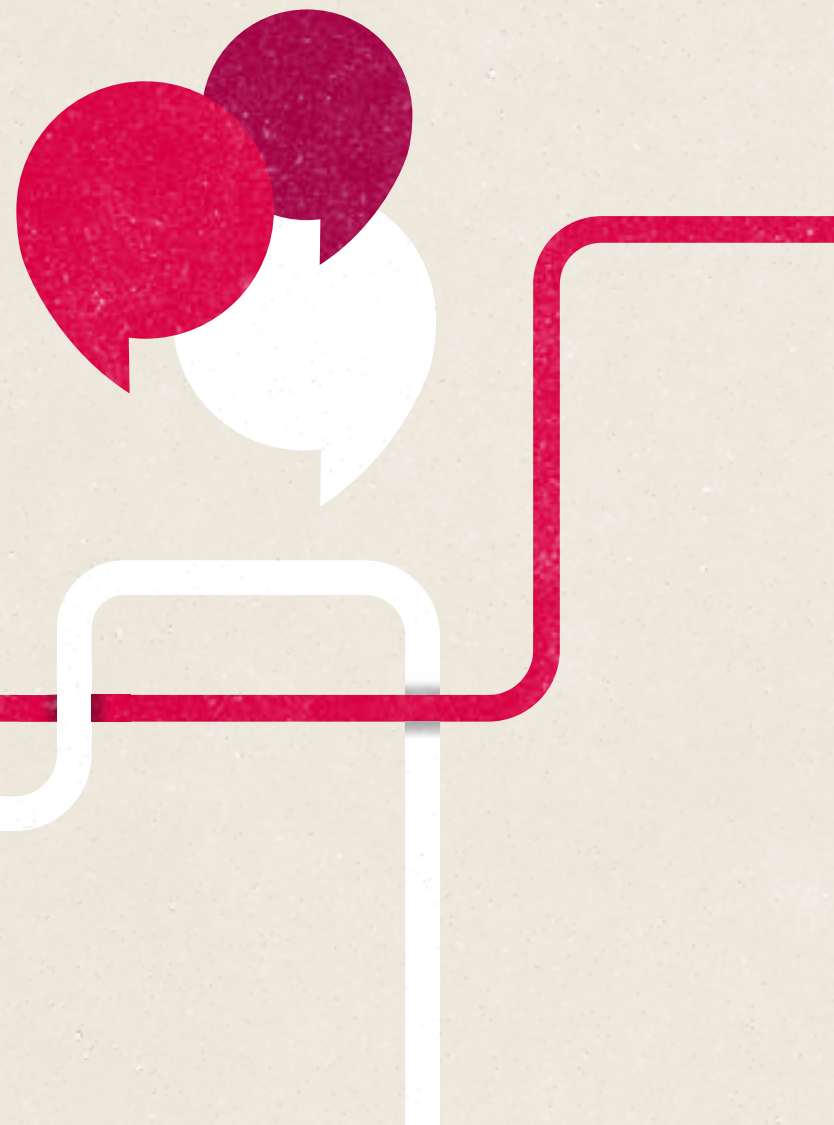


Agents of growth 2014

Our recommendations

These recommendations to the Government and MSBs are based on Grant Thornton's experience on the ground with hundreds of businesses, new data and research on the sector, and polling of MSB leaders carried out at our Reading, Manchester, Birmingham and London summits.

Sharper definition of the MSB sector, including consistent sector engagement by all levels of government, support to export, closing the skills gap and access to capital were the four themes that emerged most strongly from both the qualitative and quantitative research we carried out.



Recommendations to Government

Sharper definition of the MSB segment, and consistent engagement

- We recommend that the Department for Business Innovation and Skills (BIS), the Office of National Statistics, MSBs and business advocacy groups such as the CBI agree an accepted, standard definition of MSBs. Agreeing the size and characteristics of MSBs will help everyone promote and support the segment more effectively.
- We recommend BIS continues to collect and collate MSB-specific data, including on the differences in MSB ownership structure. This should be used to identify why the best MSBs succeed, and to review BIS support designed to stimulate MSB growth. In this spirit, our Agents of growth report (and the data sets behind it) will be shared formally with BIS upon publication.
- We recommend the BIS and Number 10 engage with mid-tiers directly by appointing CEOs from the MSB segment to all relevant business advisory groups, including the Prime Minister's Business Advisory Group.
- We recommend HM Revenue & Customs (HMRC) assign Customer Relationship Managers to MSBs. This will help bolster in-house tax resources, reduce the administrative burden for mid-sized companies and minimise inadvertent tax and reporting errors made by business.

More and better targeted support on exports

- The Agents of growth report reveals UK MSBs are less ambitious about exporting than their Turkish, German or Indian rivals, with only one in five expecting to expand their international operations. So we welcome UK Trade & Investment's (UKTI) recent pledge to boost support for 8,990 businesses which it defines as mid-sized. In addition, we recommend UKTI works with business groups and industry to ensure the support provided by its forthcoming advice scheme is as effective as possible.
- We recommend extending UKTI support to potentially include up to 34,100 high growth MSBs, as identified in this report.
- We recommend that BIS explores incentivising corporate mentoring schemes: this would involve large corporates with significant international reach providing coaching and access to networks to support smaller, non-competing companies.
- Of those MSBs looking to expand internationally, the vast majority are focused on Western Europe and North American markets. UKTI should continue to increase the volume of trade delegations to higher growth emerging markets, and ensure MSB representation on these trips.
- Education and coaching should focus on overcoming the specific cultural and linguistic differences that remain big barriers to these markets. We therefore recommend that UKTI and British Embassies work more closely together in supporting potential MSB exporters.
- Our conversations with business leaders revealed export finance support may help to boost MSB exports, but in 2011-2012 only 52 SMEs received direct support from UK Export Finance (UKEF). The doubling of the number of specialist export finance advisers will go some way to improving this and we recommend BIS and UKTI promote existing schemes more vigorously, and ensure they encourage long-term investment for MSBs looking to set down roots in foreign markets.

Closing the skills gap and finding the talent

- Apprentices are a good resource for MSBs looking to improve their productivity. A 2013 report by the National Audit Office and Cebr demonstrated that completing an apprenticeship raises the productivity of that employee by an average of £214 per week. We therefore recommend HM Treasury explore a National Insurance Contribution (NIC) exemption for apprentices of all ages in MSBs (both employers and employee) for the duration of the apprenticeship.
- We recommend HM Treasury explores incentivising training and development with tax reliefs, particularly for under 25s, and for graduates without any work experience, similar to the preferential tax arrangements provided to incentivise research and development.
- We recommend industry and BIS work together to introduce more ‘vocational accredited education’ under trade bodies.
- BIS and HM Treasury should explore further devolving the funding for apprenticeships to businesses, not national bodies – to reflect the demands of individual companies (as per the Richard Review).

A continued focus on access to capital

- We recommend finance initiatives enjoyed by smaller business are extended to MSBs. Significant growth could be created if the Government doubled the Enterprise Investment Scheme funding to companies that have 500 employees and gross assets of £30 million.
- According to the Bank of England, only 257 out of 1.2 million private firms have a financing mix that includes public bonds. We recommend the Government continues its work to explore creating an aggregation platform to allow MSBs to access the UK bond market.
- The Financial Conduct Authority (FCA) begins regulating crowdfunding in April 2014, offering more protection for investors. We recommend BIS works with business groups to help promote crowdfunding as a possible alternative to traditional finance, and continues to support the Business Finance Partnership.
- We recommend HM Treasury explores a reintroduction of the Corporate Venturing Scheme, aimed at MSBs, to unlock capital, and considers introducing support for the equity gap on large capital expenditure projects.

Recommendations to MSBs

Take a collegiate approach to issues within the MSB segment, and consistent engagement

- MSBs need to carve out a clearly defined collective identity. We recommend building on the success of the CBI “M” clubs by forming an umbrella organisation encompassing the best from trade associations, Chambers of Commerce, Local Enterprise Partnerships and other more informal groupings. This will help provide MSBs with a stronger collective voice.

Think big on exports

- We recommend MSBs take advantage of increased support from UKEF, UKTI and the Government’s global “GREAT Britain” advertising campaign, and explore exports to the higher-growth markets beyond Western Europe.

Work with local partners on skills agenda

- To help close the skills gap highlighted by MSB leaders, we recommend that MSBs explore partnerships with their local University Technical Colleges. These partnerships allow MSBs to help design the curriculums of their future staff, and will also help MSBs to start actively considering what their future skills needs might be.

Develop MSB talent

- MSBs typically have a less structured approach to talent development than larger companies, especially amongst their senior management. We recommend MSBs support their personnel with MBA type development where appropriate, and explore partnerships with local business schools.

Explore financing options

- MSBs need stable and cost effective finance in order to grow, but are sometimes reluctant to access longer term equity finance. We recommend MSBs explore different forms of finance (including equity finance) where appropriate.
- Our research shows that many MSBs have sufficient capacity to take on more debt, to fund possible acquisitions and fuel faster growth or larger market share. At a time when the costs of additional debt are low, we recommend MSB leaders explore increasing their debt levels to power growth, where appropriate.

Our people



Scott Barnes
CEO,
Grant Thornton UK



David Ascott
Partner,
Corporate Finance,
Grant Thornton UK



Nick Farr
Partner,
China Britain Services,
Grant Thornton UK



Jonathan Riley
Partner,
Head of Tax,
Grant Thornton UK



Justin Rix
Partner,
Tax,
Grant Thornton UK



David Maxwell
Partner,
National Leadership Board,
Grant Thornton UK

A word from growing MSBs

"We are expanding from the UK into Western Europe, into Spain, France, Germany and now into South Africa. The difficulty we've encountered there is finding the best business model for us to expand. Really we're doing the same thing we do in the UK albeit in a different language – it's about how we manage that and how we structure the business underneath. So we've appointed in-country specialists who carry out the work for us and we get paid for the work and then pay them, so we've not got the overhead of a payroll. It's a lot easier from a cash flow perspective."

MSB CEO
Technology sector
Manchester

"We decided to really have a good look at all the processing systems within the business when we found ourselves having grown from a small business with a turnover of around £10 million to around £150 million using the same processes, and that became incredibly bureaucratic and incredibly slow and cumbersome. We decided, a couple of years ago, to rip everything up and start again. That has released a lot of dynamism and energy from my staff, being poured into what they should be doing – facing our customers and growing our business."

Michael Saunders
CEO
Bibendum Wines Ltd

"We expect the growth to continue, but there are still challenges. The main issue is talent – finding and retaining it. And also we need to build relationships. We're a small, UK-based business so we do rely on partners overseas, not just to sell but to run some of our operations. So it's a relationship business and you can't ignore that."

MSB CEO
Technology sector
Reading

"If we hadn't made changes we wouldn't be anywhere near the quality of business we are today. There were a number of key decisions each time, and had we stood still things could have gone a different way."

Matt Moulding
CEO
Hut Group

"I think that the main driver of growth for us has been international expansion. We put the business together back in 2007 and it had about £10 million in turnover, of which 95% was domestic. Fast forward six years, we're more like £200 million in turnover, of which 80% is now non-UK. So it's really been expansion into new territories that's driven our growth."

Oliver Slipper
Joint CEO
Perform Group

"Our growth has come from being in the right place in the market after the 2009 recession. We were positioned strongly to come out of that period with capacity and we saw the growth from there. That positioning was possible thanks to retaining capacity during the downtime, and holding our nerve while others faltered."

MSB leader
Automotive sector
Birmingham

"When working with MSBs, we often find that capital equipment is not functioning as expected, due mainly to incomplete specification at procurement and maintenance issues post installation. These problems tend to arise from a lack of relevant skills; skills which are often taught more widely outside the UK. As a result of such experiences, finance departments and lenders are reticent to invest on subsequent occasions."

Stephen Rigby
Partner
Grant Thornton UK LLP

"I think better connections and better consultations with us, as people on the ground who have a very important message to give back to government, will shape future policy."

MSB leader
Manchester

"I would encourage a more organised approach in bringing together the issues of mid-sized organisations to allow government to get combined view, so they can be more intelligent about the policies that apply to that particular area."

MSB leader
Reading



Making Business Sense

Disclaimer

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An instinct for growth

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