

Executive Summary

The purpose of this research is to classify and identify

This study had two primary domains of enquiry: the first was to provide a classification of what an MSB is and the second to identify the priorities and challenges facing MSB leaders.

MSBs need better support applying the research

The combination of an evidence-based definition for MSBs coupled with identification of their priorities and challenges should act as a catalyst for government, vendors, suppliers and advisors to provide policy, regulation, services, solutions, support and resources that are:

- Relevant – specifically addressing MSB issues
- Contemporary, needed topics – not just determined by vendors or suppliers
- Credible and independent
- Practical and usable
- User-friendly, rich media, accessed privately, on demand and affordable

Importance of the research

The importance of providing MSBs with a classification – a label that recognises their unique features, challenges and opportunities – should not be underestimated in terms of the direct value it provides them to identify relevant and effective solutions and support.



BREXIT



Brexit is a priority for MSBs and is negatively impacting innovation and growth

As more than half of MSBs export to the EU and see it as a pool for skilled talent and resources, Brexit is a major challenge – and it is a priority for many boards' agendas. Brexit has also fuelled increasing cautiousness among MSBs when innovating and planning for growth.

The ideal classification for UK MSBs is £10m-£149m with 50-499 employees

We can propose a broad definition of an MSB as typically having an annual turnover of £10m-£149m and a 50-499 employee headcount but propose additional criteria to include their six defining characteristics.

There are six defining characteristics of MSBs

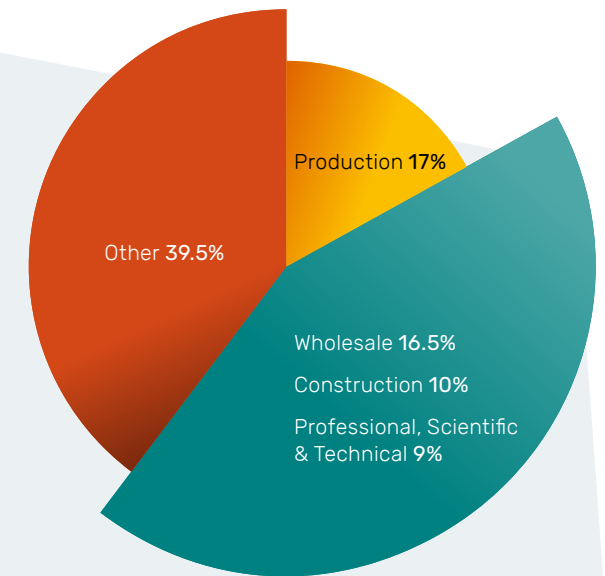
MSBs have their own inherent qualities that inform their unique value and support needs.

They are:

- Agile
- Cautiously innovative
- Social value contributors

They possess:

- (More) Experienced leadership
- Balanced perspective
- Technology-driven productivity



MSBs are not predominantly in manufacturing. There are currently around

29,730 MSBs

in the UK (in 2018)

The sectors with the highest representation of MSBs are production (17%); wholesale (16.5%); construction (10%); professional, scientific and technical (9%); and business administration (8%).

UK MSBs



75% of MSBs are outside London

MSBs are predominantly in regional areas.

Beyond the South East, the highest concentrations of MSBs are in the North West, East and West Midlands.

MSBs are underserved

Despite the clear importance of MSBs, there has to date been extremely limited independent, academic-level research undertaken. British industry also fails to appreciate the differences between small and mid size businesses with very little thought leadership, resources or services tailored specifically to MSBs.

MSBs have an 'identity crisis'

MSBs fail to identify as MSBs, with nearly half seeing themselves as small businesses when using traditional definitions. This means they are likely to be accessing and using services that are not designed for them or effective when it comes to their specific challenges and opportunities.

MSBs are vital to the UK economy

The contribution made by mid size businesses (MSBs) to GDP is only one aspect of their significance. The balance of size, risk aversion, talent focus and dynamism found with MSBs enables them to be national drivers for innovation, value creation and leadership philosophy.

The majority of MSBs are outside of production (83%), debunking the myth that most MSBs are found within this single sector.

83%

EXECUTIVE SUMMARY

Industry 4.0 has taken awareness among MSBs

Industry 4.0 is a poorly understood concept among MSBs. The risk is that, without any intention to explore this opportunity further, many businesses are missing out on potential competitive advantages and productivity improvements.

MSBs favour technology to drive productivity gains

The benefits of being an MSB was most evident in relation to technology-driven productivity. MSBs are more capable of linking specific actions with their overall strategic objectives. This ability to act on the big picture was particularly obvious with themes relating to the deployment of technology, including:

- Sensitive use of technology
- IT-led and smart technology initiatives
- Automation
- Using resources effectively
- Use of metrics
- Workflow management
- Use of technology experts as NEDs

MSBs have clear technology priorities

With MSBs, current technology priorities include cybersecurity, data protection and cloud computing.

Technology investments carry higher risk for MSBs

MSB leaders expressed a cautious view that many businesses could not financially sustain many technology investment failures.

MSBs more closely balance growth and profit as measures of organisational success

The results from the survey show a more closely balanced ratio between growth and profit as a measure of an organisation's success. In both small and large businesses, the emphasis on profit over that of growth was much greater.

MSBs are deterred by finance and financial service frustrations

While it is accepted that access to finance is a fundamental growth determinant for MSBs, the demand is kept low from them due to ever-present frustrations with the form and nature of the service they receive.

MSBs are in full financial control

The research indicates that when it comes to financial control.

PRODUCTIVITY & TECHNOLOGY

MSBs have the right scale to drive technology gains

When it comes to technology, MSBs should be able to take advantage of 'being in the middle' rather than feeling 'trapped in the middle'. MSBs are large enough to adopt new technologies but small enough to successfully implement them around existing business processes to fully realise the value of the investment.

The offering from technology service providers are not fit for MSBs

When it comes to technology service providers and advisors currently servicing MSBs, respondents felt they fell vastly short of their expectations and were perceived to be neither sufficiently proactive nor possess advanced competency. Most technology providers are seen to be unable to satisfactorily meet the needs of 'tech-savvy' MSBs.

MSB directors are sensitive to the human cost of digital transformation

There was some concern for what changes the introduction of technology is bringing to the workforce, but there was also a sense that businesses are aware of the ramifications of these decisions and yet feel that they have little choice in employing technology solutions to improve their productivity.

Skills and talent shortages are holding back MSBs, making this a top priority

MSBs see skills and talent shortages as a higher priority than small or large enterprises, irrespective of the sector they operate within. And while leaders are aware of the potential crisis (the skills shortage is a top priority for MSB boards), they were less clear on how to address it.

Staffing and talent challenges are an ongoing problem for MSBs

Unlike small and large enterprises, staffing and talent was not only a current priority, challenge and obstacle to growth for MSBs, but it has been a past challenge as well. This suggests that the problem remains unresolved.

MSBs are behind their EU peers on apprenticeships

Many UK firms are taking steps (or plan to take steps) to address the skills issue. However, only 37% of UK MSBs currently offer apprenticeships compared to 75% of German ones. Internships are offered by 33% of UK MSBs – well below the figures in France and Italy, and half that of the German level. This is indicative of a general lack of engagement with the apprenticeship levy in the UK since its introduction in April 2017.

PEOPLE

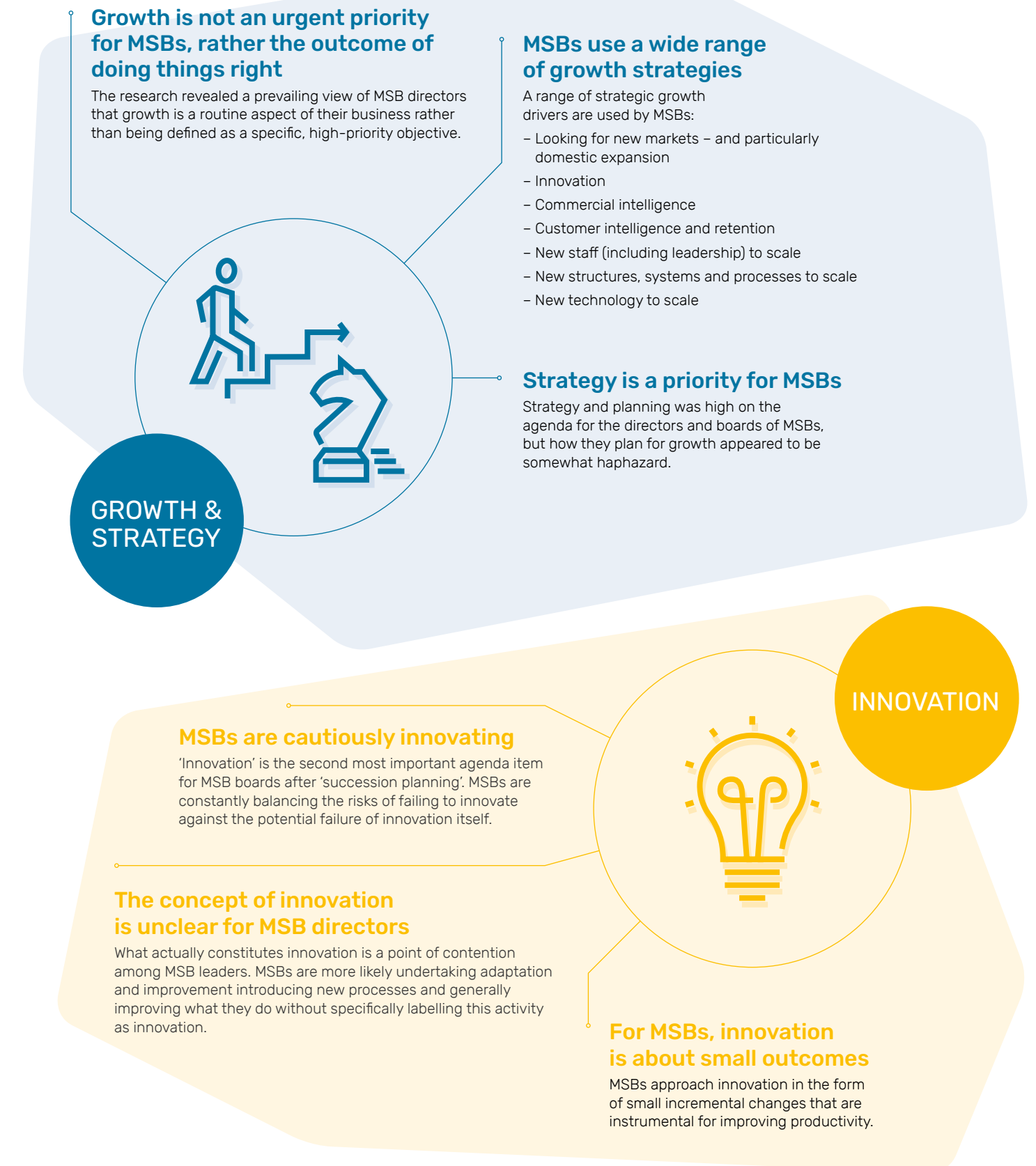
People are central to MSBs

MSBs value people and they're serious about it – with employee retention, satisfaction and wellbeing leading overall measures of business success.

MSBs' internal efforts to reskill are not enough

MSBs attempt to invest in and retrain existing staff but, for many reasons, this was not a reliable or sufficiently scalable solution to address attrition or growth demands.





Please note: For the purposes of this report, the terms 'mid size business' and 'MSB' are used interchangeably. Unless otherwise stated, or referenced, they reflect the category of UK private sector businesses turning over between £10m and £149m annually and with an employee headcount of 50 to 499.

Download the full 2019 Mid Size Business Leadership Study:
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