

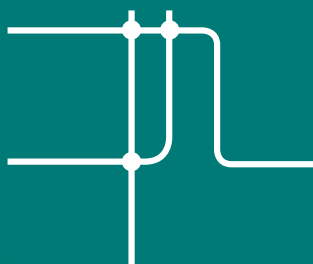


INSIDE THE MINDS
OF BUSINESS LEADERS

2019

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FOREWORD

LESSONS WE CAN ALL LEARN FROM THE BUSINESS LEADERS

This year's survey confirms what I often see and hear when I speak to my fellow partners and visit Price Bailey clients. Owner-managed, often family owned businesses are growing, doing well and are feeling upbeat about the future.

They are innovating, they are employing more people, they are making profits and, as a consequence, they are paying more taxes. This is an important corrective to the sense of doom and collapse you get from reading the national financial newspapers at the moment.

One of the fascinating findings of the 2019 research is the deep and wide impact technology is having on almost every business. New technologies threaten slow-moving incumbents, incubate fast-moving newcomers and drive price transparency, making competition much keener.

The challenge for every business is to ensure they are investing in the right technology and ensuring they get the most from their investment. This is clearly a tough challenge for all businesses.

Not being scared to borrow when necessary is important for long-term success but perhaps even more vital to success is the necessity to invest in your people so that you get the most from new technologies. Employees are such a hugely underrated element of technological change.

Decades ago, writer and futurist Alvin Toffler observed that "the illiterate of the 21st century will not be those who cannot read and write but those who cannot learn, unlearn and relearn".

His words have never had more resonance. There is no point in investing in new technologies if your people cannot adapt to the new ones and leave outdated ones behind. The failure to invest in people has surely been one of the most important factors in the poor productivity record of UK businesses over the past decade and more.

Technology is also forcing the pace of change in business when it comes to planning. It is interesting to note that the most successful firms in the survey plan on relatively short timescales. The danger in spending too much time planning too far out is that you take your eye off more immediate opportunities and technological change.

The report also reveals that the most successful business leaders are open to new ideas, they listen to their employees and they learn from other experienced business leaders.

Success also comes down to the 'values' of the business. It is often not highlighted but many businesses with sustainable long-term success have strong values of treating their customers and their people fairly. The successful leaders in the survey clearly care about their customers and their people; they realise that they will grow successfully only by focusing first on them, rather than only on hitting specific turnover or profit numbers. Focusing only on financial targets can encourage the wrong behaviours, and sometimes the needs of customers and their people are ignored.

At Price Bailey we focus on looking after our people, we invest in technology and, as a consequence, we look after our clients. Price Bailey as an owner-managed business is therefore growing and doing well financially. It is good to see so many successful businesses in the survey have similar values.



Martin Clapson,
Managing Director,
Price Bailey

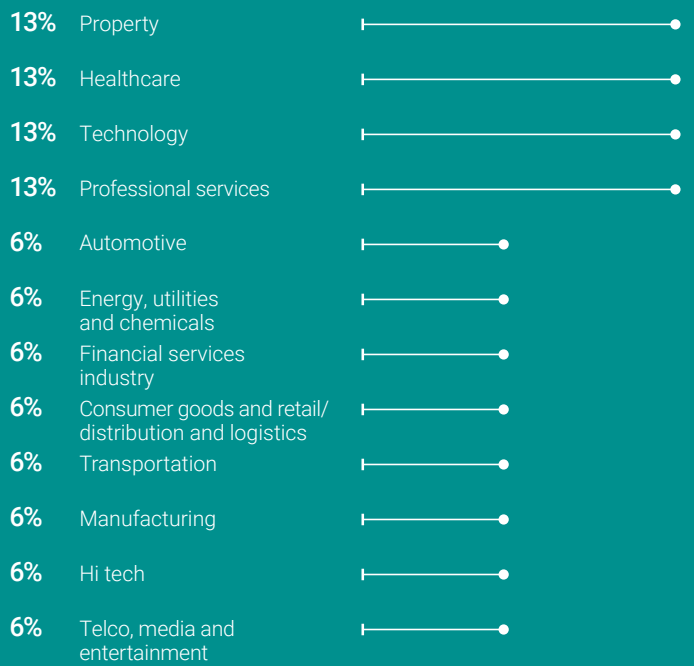
METHODOLOGY

The survey was conducted by telephone with 400 lead decision makers at owner-managed firms, who are responsible for decisions on the future direction and strategy of their businesses. The firms surveyed all reported sales above £1 million. They were based in London, Hertfordshire, Essex, Norfolk, Suffolk and Cambridgeshire, and 42% of the businesses surveyed had sales over £10 million.

Fieldwork took place between December 2018 and January 2019. When percentages do not add up to 100%, this can be due to computer rounding, multiple answers or to the exclusion of 'other' or 'don't know' categories.



RESPONDENTS BY BUSINESS SIZE



RESPONDENTS BY BUSINESS SECTOR

EXECUTIVE SUMMARY

The owner managers in the Price Bailey 2019 survey comprise an overwhelmingly upbeat body. Their businesses have enjoyed both strong growth and margins in recent months and they are confident about the year ahead.

Their optimistic outlook is tempered, however, by their fears of more technologically savvy competitors, their lack of pricing power and the ongoing uncertainty over Brexit.

While anything beyond sensible contingency planning around Brexit is limited, they have more power to embrace technology. They are clearly doing so but see technology as a double-edged sword. Business owners fear that technology is levelling the playing field in ways that enable rivals to challenge them.

The survey also reveals the competitive nature of the markets in which they operate. Few believe they have the power to raise prices and are looking instead for efficiencies to drive greater profitability.

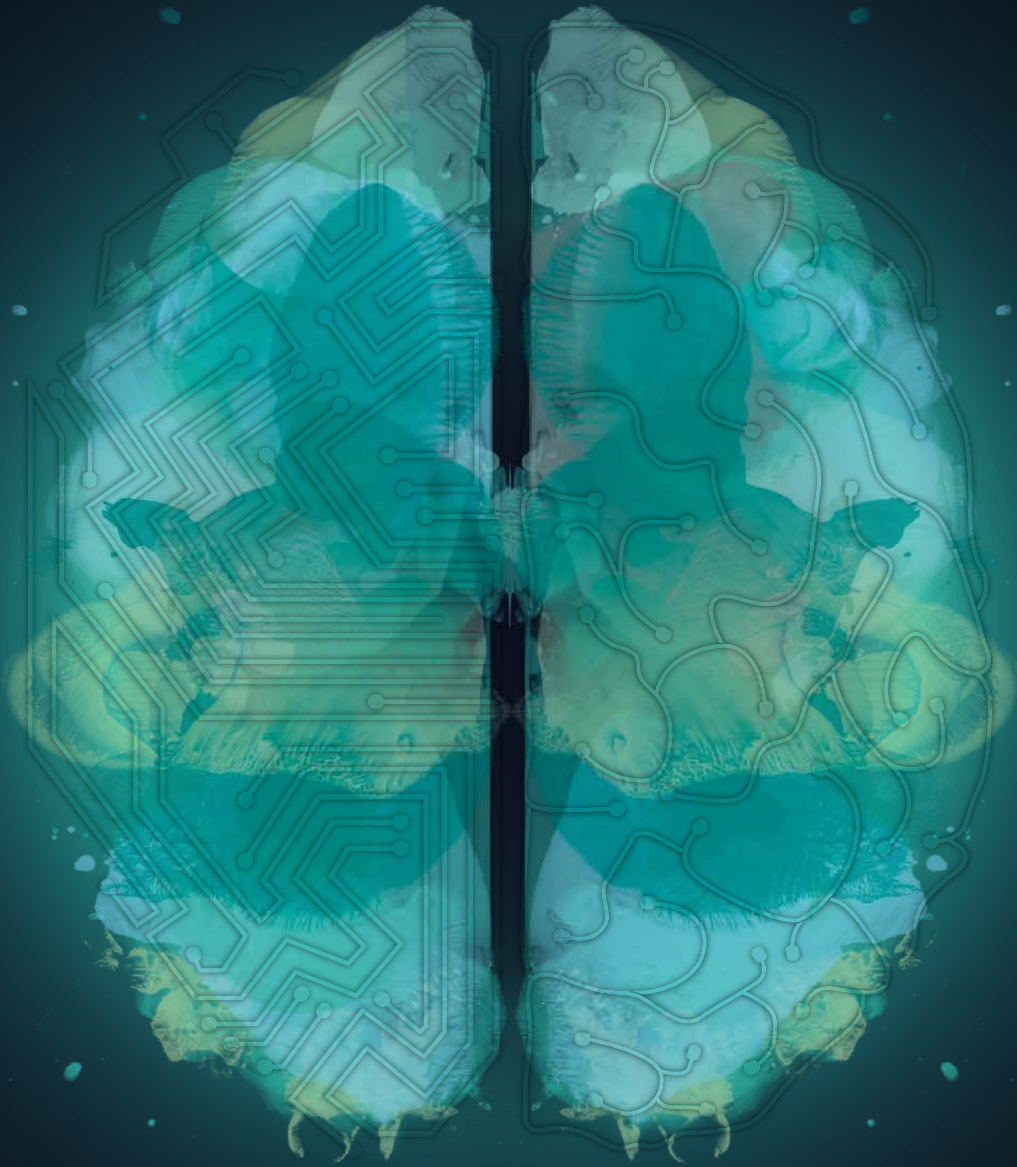
There is a clear divide between high-growth businesses (those with growth of more than 10% in the past year) and the rest. While all those in our survey are seeking similar outcomes, the higher-growth firms' differing approach is striking.

How they address finance, technology, talent and business planning sets them apart – and because of this, we have organised the results in the report to reflect this divide.

There is a clear divide between high-growth businesses and the rest. While all those in our survey are seeking similar outcomes, the higher-growth firms' differing approach is striking.

Perhaps owner managers from firms that are not growing as fast can glean some useful insights into what it is their outperforming peers do. This could help them improve their own outcomes when it comes to their approaches to issues such as technology, business planning and staff skills.

Although the survey addresses Brexit and reveals it to be a pressing concern among business leaders, this very important issue does not feature in its own section in the report. This is owing to the many ongoing uncertainties relating to the UK's departure from the European Union and the multiple possible outcomes that still lay ahead during the research period. Such uncertainty made gleaning Brexit-related insights of limited and provisional value.



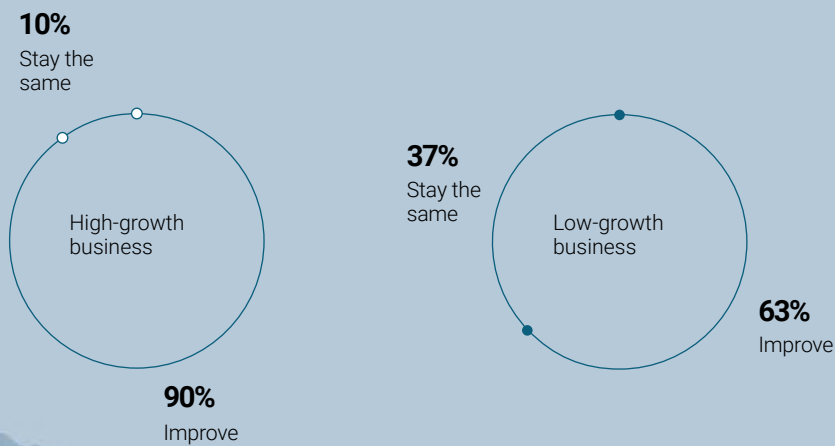
THE RESULTS

01

LEVERS AND BARRIERS MAINTAINING GROWTH IN A DISRUPTIVE WORLD



Almost all owner managers are enjoying growth now and see it continuing in the year ahead. However, a threat from technology looms over most businesses along with continued Brexit anxiety.



FINANCIAL POSITION IN 12 MONTHS' TIME

Maintaining growth

The overwhelming majority of business owners have enjoyed growth in the past year – 99% of those surveyed – and their near-term outlook is also bullish.

Most business leaders (77%) expect their firm's financial position to improve over the next 12 months, and there is high interest in growing through forming partnerships or joint ventures (JVs), according to 58% of respondents.

Threats on the horizon

This strong sentiment is tempered by the rising threat of technological disruption, which is the main barrier preventing business growth, according to 76% of respondents.

The second most pressing concern among more than two-thirds of respondents is Brexit uncertainty.

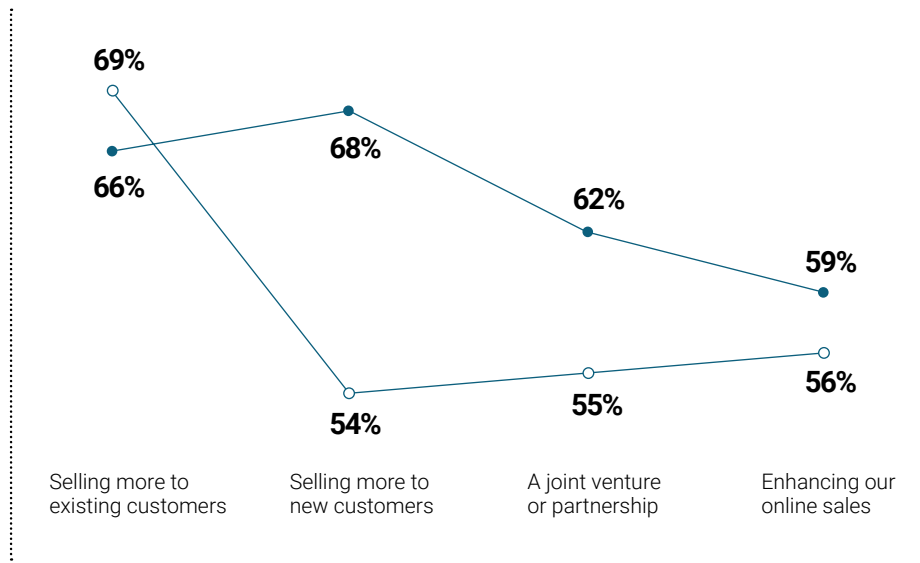
Despite these threats, the firms that have grown by more than 10% in the past year are significantly more upbeat about the year ahead. The vast majority (90%) expect their financial position to improve compared to those with more modest growth. The optimism of the businesses that are growing less rapidly is also notable, with 63% expecting to be better off financially despite an uncertain economic outlook.

Higher-growth firms are evidently more confident about their prospects of growing with their existing customer base.

77%

of respondents expect their firm's financial position to improve over the next 12 months

- High-growth businesses (with growth of 11% or more)
- Low-growth businesses (with growth of 10% or less)



66%

of higher-growth firms allocate 6-10% of their budget to marketing

WHAT BUSINESS GROWTH LOOKS LIKE

Higher-growth businesses focus first on their existing customers – 69% choose selling more to existing customers as a key growth strategy, while only 54% cite new customers as a key means of growth. This compares with 66% and 68% of lower-growth businesses respectively.

The firms growing by more than 10% in the past year are significantly more upbeat about the year ahead than those with more modest growth.

The Price Bailey view: what leaders are doing differently

It is interesting to compare the lower with the higher-growth firms. The latter are evidently more confident about their prospects of growing with their existing customer base, indicating their primary focus may be on maintaining a strong service or product proposition, more so than their slower-growing rivals, who are more anxious about their prospects.

Interestingly, slower-growing businesses place greater emphasis on joint ventures (JVs) and partnerships (62%) than their faster-growing peers (55%). This paints

a picture of businesses who feel under more pressure to improve their market position and need to forge new collaborations in order to do so.

While the majority of business owners indicate their willingness to enter JVs or partnerships, our experience in the marketplace is that such combinations remain relatively rare. Perhaps there is an opportunity here for someone to demystify the processes to facilitate such collaborations.

The survey also highlights the high-growth firms' understanding of the need to invest in marketing to grow their

business – 66% are allocating 6-10% of their budget and 30% are even spending between 11% and 20%. Yet, among the lower-growth firms, 44% are spending no more than 5% of their budget on marketing and business development.

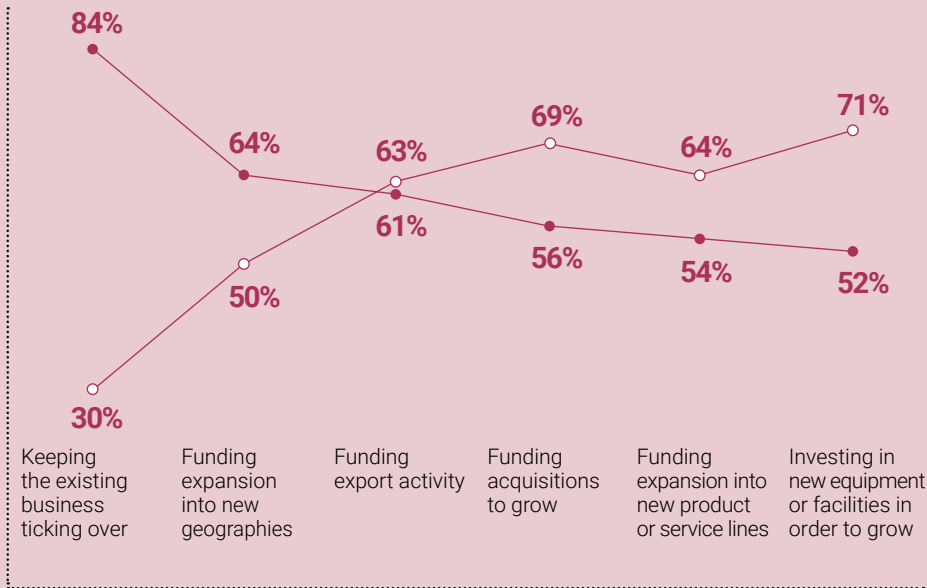
One concern higher and lower-growth firms share is the potential for technology to threaten their growth, which is quite possibly from more nimble, web-savvy start-ups. The pervasive concern about technology suggests its disruptive march is increasing in pace through almost every business sector. We explore the theme of technology in greater detail later in this report.

02 **FINANCE** CAUTIOUS WITH DEBT TODAY, MORE AMBITIOUS TOMORROW



The difference between the present and the future is evident when it comes to owner managers' attitudes to growth and debt.

- Borrowing profile now
- Borrowing profile in three years



71%

anticipate using borrowing to fund investment into new equipment or facilities in the next three years

PRESENT AND FUTURE GROWTH FUNDING PLANS

Finance today

Of those surveyed, 84% use finance today to stay on top of cash flow and day-to-day business. They are also using debt to expand geographically (64%).

More ambitious plans

Owner managers have bolder ambitions for the next three years when it comes to investing in new plant, with 71% of business leaders anticipating using borrowing to fund investment into new equipment or facilities

in order to grow. This compares with only 52% who are planning to do so today.

More of them also plan to acquire complementary businesses in the medium term. More than two-thirds (69%) aim to secure finance for acquisitions in three years' time, compared with 56% today.

Owner managers' current emphasis on business as usual suggests a degree of caution, but they have bolder ambitions for the next three years.

The Price Bailey view: what leaders are doing differently

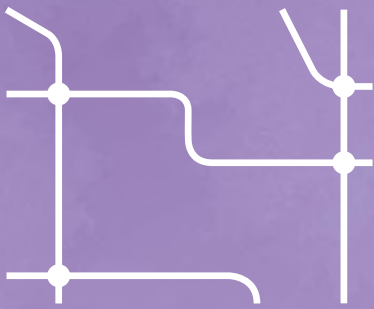
The most telling thing about attitudes to debt is how uniform they are between the high and low-growth businesses. More firms are prioritising using debt to serve the existing business with some cautious investment in geographic growth today. But three years out, they display more ambition.

Is the current uncertainty over Brexit a factor? It seems likely that some will be holding back from borrowing to grow in highly capital-intensive ways (for example, in new production lines) until there is greater clarity. Regardless of the eventual outcome of the Brexit negotiations, it is likely to take time to fully understand the consequences for UK trade. Waiting before committing more finance in order to grow seems prudent.

03

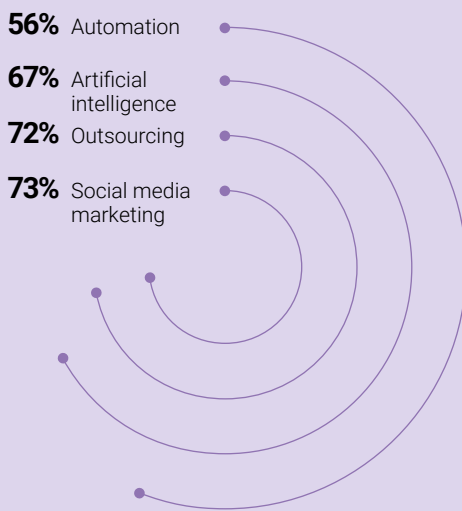
TECHNOLOGY

TECHNOLOGY'S DOUBLE-EDGED SWORD

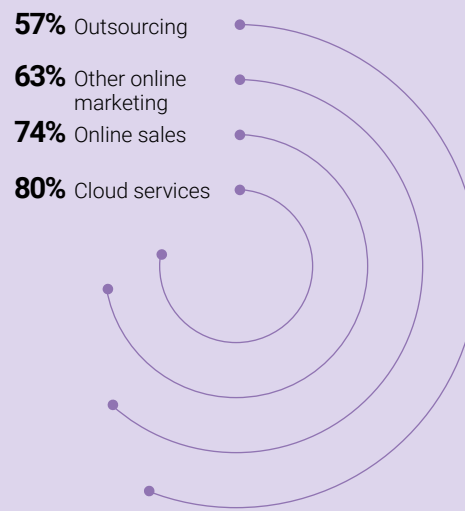


Business leaders are conflicted about the role of technology. Certain technological tools are offering them greater scope to innovate and find efficiencies. But they also feel threatened by the potential disruption from other organisations.

Almost seven in ten firms see superior marketing initiatives from rivals as being a threat today.



TECHNOLOGY AS THREAT



TECHNOLOGY AS ENABLER

The role of technology

New technologies loom large as a factor for business owners today and in forging their future plans. Certain technologies are enabling them to reshape their businesses – chief among them are cloud services and online sales, where business leaders (80% and 74% respectively) view them as an opportunity today.

Surprisingly, artificial intelligence (AI), often thought of as an emerging technology, is already in use by more than two-thirds of respondents to help grow the business. While it's not clear the type of AI respondents are using, it suggests that they are successfully using some kind of smart learning software, for example, the 'chatbot' AI automating customer interactions online.

A damaging disruptor

Respondents' widely expressed concern about the threat that social media marketing poses – 73% see it as a potential threat to their business – suggests that they are feeling competitive pressure from a technology that is open to all to exploit with relatively little specialist knowledge. Almost seven in ten firms also see superior marketing initiatives from rivals as being a threat today. Only 42% see social media marketing as an opportunity, which could show a lack of confidence in their ability to use it more effectively than upstart rivals.

The results indicate that businesses are starting to experience serious competition from new media-savvy rivals and market disruptors who may be achieving rapid growth at relatively low costs.

67%

of respondents cite automation as an opportunity for improving their business over the next three years

Competition from technology

In three years' time, almost two-thirds of firms (64%) predict fierce competition deriving from technology will hit profitability, with 72% seeing outsourcing and 67% seeing AI as threats.

More lower-growth firms see a threat to operations (66%) and sales (64%) from technological disruption than high-growth firms (56% and 54% respectively).

Investing to grow

Clearly, technology is seen as an opportunity and a threat in almost equal measure. Automation (67%) and outsourcing (62%) are both also cited as major opportunities for improving the business over the next three years. Business owners see the potential for these technologies to improve their competitive advantage but only have plans for them over the medium term. They may need time to be able to plan for and fund what are often costly business process transformations.

In three years' time, almost two-thirds of firms predict fierce competition deriving from technology will hit profitability.



Embracing opportunities

Charles Nixon, chairman of Cambridge Marketing College

“ Technology has been one of the keys to the growth of our business. We were one of the first to use the web as a shop window for distance learning products in the mid-1990s, and the internet has enabled us to ‘dematerialise’ our content and export all over the world.

We see technology as an opportunity and, although we are not able to invest millions in the emerging technologies, we are able to experiment and nudge others to pioneer.

We are looking at automation in education, such as monitoring and assisting our own delegates, and perhaps some predictive tools to help identify where we should put the emphasis on teacher time, for example.

We are also interested in the potential of blockchain in terms of digital signatures on awards. Online marketing is a great asset as it is much more targeted than offline marketing. I think that some of the concerns about social media among businesses relate to worries about suffering a negative corporate backlash. Social media is a double-edged sword in that respect. ”

The Price Bailey view: what leaders are doing differently

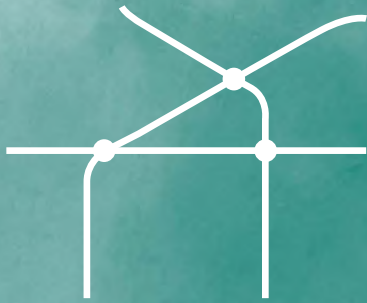
Given the toll that technological change has taken on high street brand names in the past 20 years, it isn't surprising that misgivings about the impact of technology are pervasive. Two-thirds of businesses express this sense. Yet growth businesses are more confident about their ability to wield technology rather than be victims of it. Two-thirds of

lower-growth firms fear technology will negatively impact sales and operations, more than the higher-growth firms. This tallies with the more focused approach to planning of higher-growth firms.

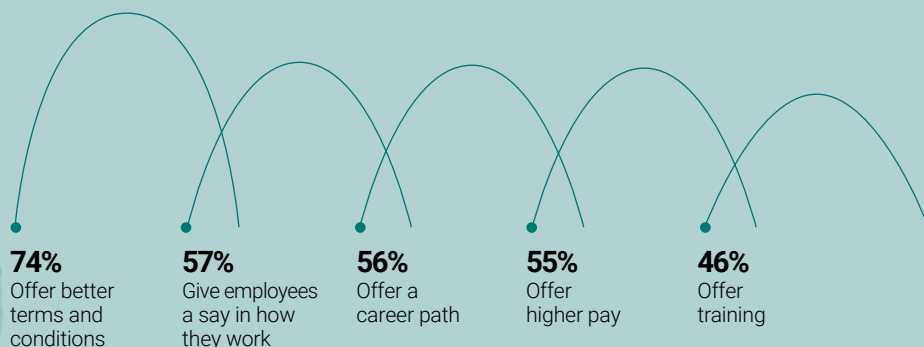
Are they working with emerging technologies on a more realistic framework than many of the lower-growth businesses, who are either highly reactive or planning too far ahead? We explore attitudes to planning later in this report.

04 TALENT

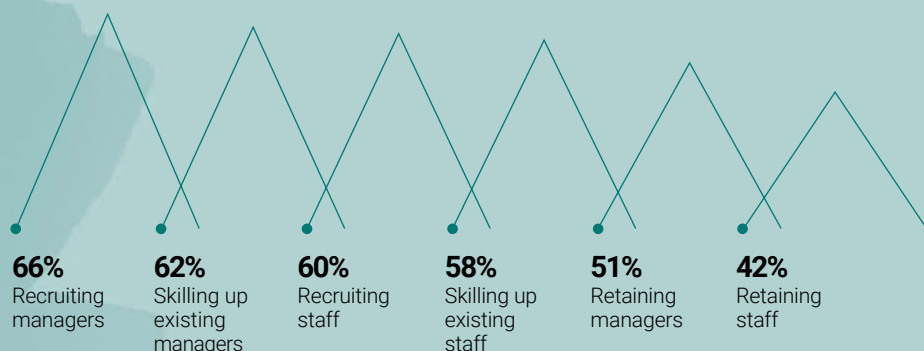
THE TALENT CHALLENGE AND THE COST OF WEAK STERLING



Business leaders struggle with the challenge of finding and keeping the right talent. Respondents to our last survey believed talent to be one of their top three business concerns and it remains a serious challenge this year.



HOW TO ATTRACT AND RETAIN NEW TALENT



TALENT CHALLENGES FACING BUSINESS LEADERS

Finding talent

Most firms struggle to find the right people with the right skill sets. Two-thirds (66%) cite recruiting managers as a top talent challenge followed by up-skilling existing managers (62%) and recruiting staff (60%). This is understandably a main worry, as it threatens to prevent firms from realising their ambitions to grow and compete.

Retention strategies

Managers cite better working conditions and giving employees a greater sense of autonomy as the top strategies for retaining staff, while higher pay and training come relatively low down their list.

Three-quarters (74%) respond to talent scarcity through more flexible and attractive working conditions; only 55% pay more; and 46% offer training in response to talent shortages.



The reluctance to increase wages, or to invest in training, seems to be at odds with the importance owner managers purport to place on skills, retention and training.

Bright, young talent

Dame Frances Cairncross, economist, academic, author and former Chairwoman of Britain's Economic and Social Research Council

“Talent is tremendously important and finding fresh talent is clearly a challenge for many firms. Thinking beyond conventional recruitment approaches can make a difference.

Every small business needs to be in touch with and employing, at least on a part-time basis, somebody under the age of 30 who is a digital native. They will instinctively understand, more than someone in middle age, how to use social media and can learn how to better communicate your product.

Are you in touch with a local secondary school and is someone there your talent spotter? It can pay to recruit a bright young person for a year. They can earn money before university and if it works out you may be able to persuade them to stick around and learn more on the job than they will at university.

It is also wise to develop ties with the local university. Have you talked to the head of the relevant department or the vice chancellor about work they are doing or could do in your field? Could they scour the internet to look at what is happening at the edges of your field and supply you with the research? Business and universities don't use each other enough and there are schemes set up to help, such as graduate apprenticeships. These are a good way of getting staff to think about the business and shake up your ideas.

It may seem like an unrelated point but where you locate your business can also make a difference to the talent you recruit. Firms that don't need an industrial facility might consider locating on a high street to make their business more visible to the local people and potential bright new recruits. High streets are struggling and local authorities are desperate for a more mixed use that will bring footfall – perhaps there is a deal to be done with a rates holiday, for example. ”

74%

of business leaders respond to talent scarcity through more flexible and attractive working conditions

Empowering staff

Matt Earle, Managing Director of New River Holdings (owner of Robert Lee Distribution)

“ I am a big believer in something Richard Branson said: staff come first, not customers. If you look after staff they will look after your business. It is not about money but about investing in a nice working environment, praising success publicly and using failure as an opportunity to learn, not as a stick to beat people with.

We are making a conscious effort to change the culture of the business. We have rapidly expanded in the past 10 years, doubling sales from £25 million to £50 million. The culture that allowed us success at £25 million is not necessarily a good fit for a £50 million business. As a £25 million business you can micromanage everything but, as you grow, you need to expose your managers and allow them to make mistakes.

When you try to micromanage in a large organisation you are not empowering them

to make decisions. Stop telling managers how to do their jobs. You employ them to make decisions not come to you with questions. You need to up-skill people if they have grown up inside the business but need more training. A lot of this is also about coaching the directors.

I can see in certain departments that the managers are starting to feel more empowered. They tell me what they are doing and if it fits with the long-term strategy, I am happy for them to do it. ”

The Price Bailey view: what leaders are doing differently

How managers are responding to the talent challenge is really interesting. The reluctance to increase wages, or to invest in training, seems to be at odds with the importance they purport to place on skills, retention and training.

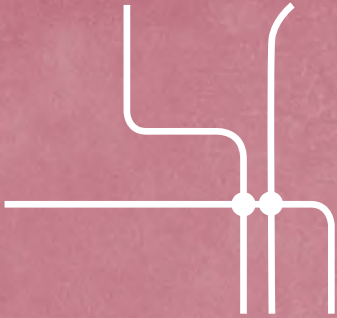
By opting for the relatively low-cost option of improving working conditions, managers may see rapid results when it comes to retention but, without investing in training, will they be able to shape the workforce with the skills they need for the future?

High and low-growth firms' differing emphasis on skills is telling. Those with higher growth identify skilling up staff as a challenge more than those with lower growth. More skilled staff, after all, should be more engaged, more productive and more willing to stick around. Perhaps more businesses would benefit from seeing this as a challenge and a priority to address.

High-growth firms are also more likely to engage with their employees in the search for new ideas. The results show that a significantly larger proportion (61%) of high-growth firms seek innovation through formal internal strategy days than lower-growth ones (49%).

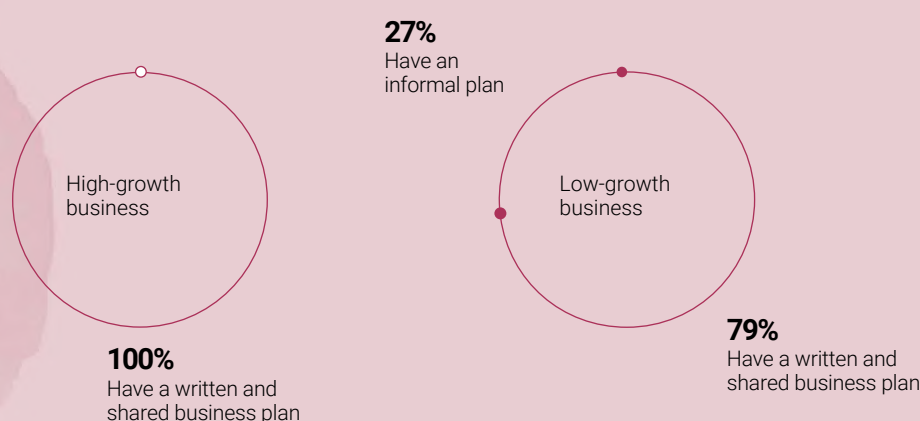
05

PLANNING PLANNING AHEAD (BUT NOT TOO FAR)



There is a clear divide between high and low-growth businesses when it comes to planning. How formal and focused their business plan is, and how often they revisit it, are all factors that set them apart.

Could it be that in today's fast-evolving business environment, in which technology is driving change, a three or five-year plan is now too long?



FORMAL VERSUS INFORMAL BUSINESS PLANS

Clear divide

Different approaches to business planning correlate with rates of growth. The businesses growing by more than 10% tend to work in a distinctly different way both when drawing up and when acting on their plans.

The vast majority of respondents (87%) have a formal, written business plan. In fact, 100% of the high-growth businesses we surveyed have a formal plan. Perhaps even more striking is that more than a quarter of lower-growth firms only have an informal plan i.e. it's just in their head.

Timescales matter

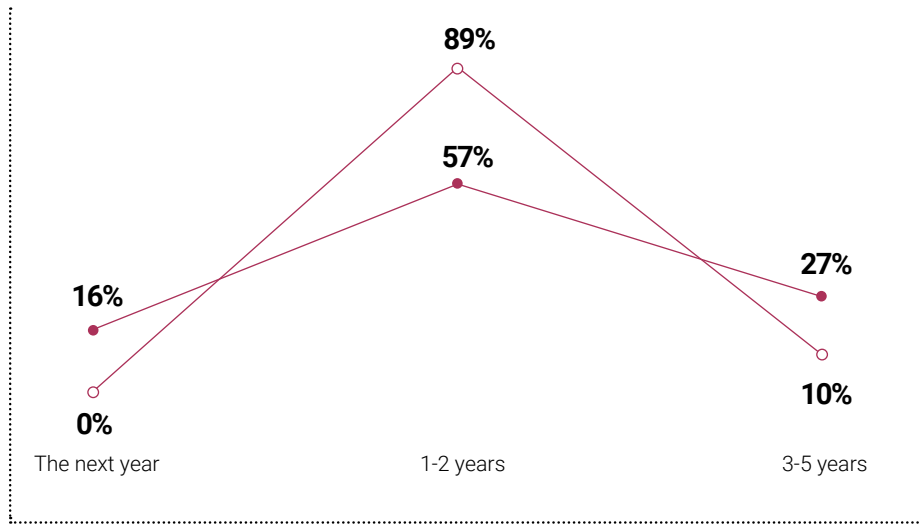
There are other significant differences between high and low-growth businesses when it comes to planning. In addition to a more formal approach, the former have a tight focus on the next two years and revisit their plans annually.

Among high-growth businesses, 89% have a business plan that covers a timescale of only one to two years, compared with just 57% for lower-growth firms. Firms with more modest growth are more likely to have a mid to long-term business plan than businesses with higher growth (27% versus 10%).

27%

of lower-growth firms only have an informal business plan i.e. it's just in their head

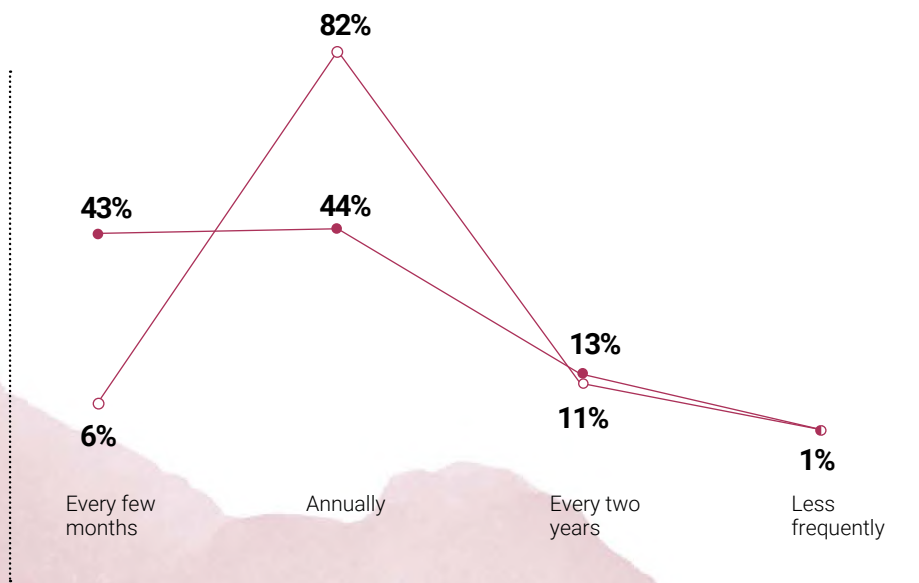
- High-growth businesses
- Low-growth businesses



Those that review their business plan annually seem to be growing faster – 82% of high-growth firms review annually compared with 44% of lower-growth ones.

Overall, lower-growth firms are more likely to have an informal plan covering a longer time horizon, yet seem more apt to tinker with these plans, with 43% revisiting their plans every few months compared with only 6% of the higher-growth businesses.

BUSINESS PLAN TIMESCALES



82%
of high-growth firms review their business plan annually, compared with 44% of lower-growth ones

REVISITING THE BUSINESS PLAN

Lower-growth firms are more likely to have an informal plan covering a longer time horizon, yet seem more apt to tinker with these plans.

Future proofing

David Frain, Financial Director,
CU Phosco Lighting

“ Our planning process is absolutely technology-led. We recognise that the growth market for LED lighting has a finite life, five years perhaps, so we have to look at what’s next. Over the past 12 months, the technology team has spent a lot of time thinking about the next steps.

The next big opportunity for us will be in smart cities in areas like smart lighting and charging electric vehicles on the street. Another opportunity will be lighting for growing medical cannabis.

All the business planning revolves around the tech team. The budgeting for it starts at board level, as we are fully aware of the importance of it. We devote 7.5% of our turnover to R&D. We look at head count, where we need to be

investing in people, and what sort of people we need. For example, last year we took on a full-time structural engineer with a view to developing the greenhouse lighting concept.

The business planning is not rigid. Our aim is to keep the business as loose as a goose, so we can react. We have to be constantly innovating and we are doing that through technology. The time of businesses standing still and resting on their laurels has gone. ”

The Price Bailey view: what leaders are doing differently

High-growth companies’ approach to planning varies hugely from that of slower-growing firms. The former have a tight focus on the next two years, they plan in a more formal way and seem to get results from revisiting their plans annually.

The fact that lower-growth firms are more likely to revisit their business plan every few months speaks of greater anxiety and less confidence in their ability to execute, whereas a large majority of the high-growth leaders approach their business plan with confidence, only reviewing annually.

Having a time horizon of around two years correlates to faster growth. Could it be that in today’s fast-evolving business environment, in which technology is driving change, a three or five-year plan is now too long? Does having a longer planning horizon prevent owner managers from focusing on achieving more realistic, nearer-term goals?

A time frame of around two years looks very much like the sweet spot for working to a realistic plan that a management team can execute, which also takes account of the existing competitive landscape and that can exploit emerging technology to best effect.

06

EXPORTS

EXPORTERS WITH A GLOBAL REACH



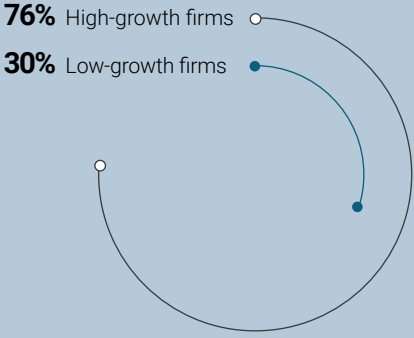
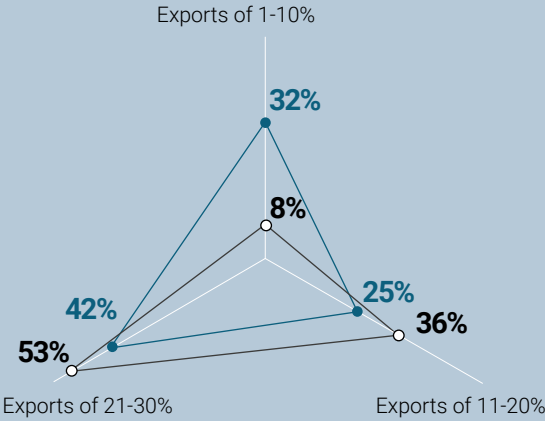
While many businesses are not currently exporting, those that do are more likely to be among the high-growth firms. And when it comes to global reach, Europe is by no means the only – or even the dominant – market for exporters.

Exports account for a higher share of overall sales for higher-growth businesses than the lower-growth ones.

46%

of businesses don't currently export at all

- High-growth businesses
- Low-growth businesses



SHARE OF PRODUCTS AND SERVICES EXPORTED OUTSIDE THE UK

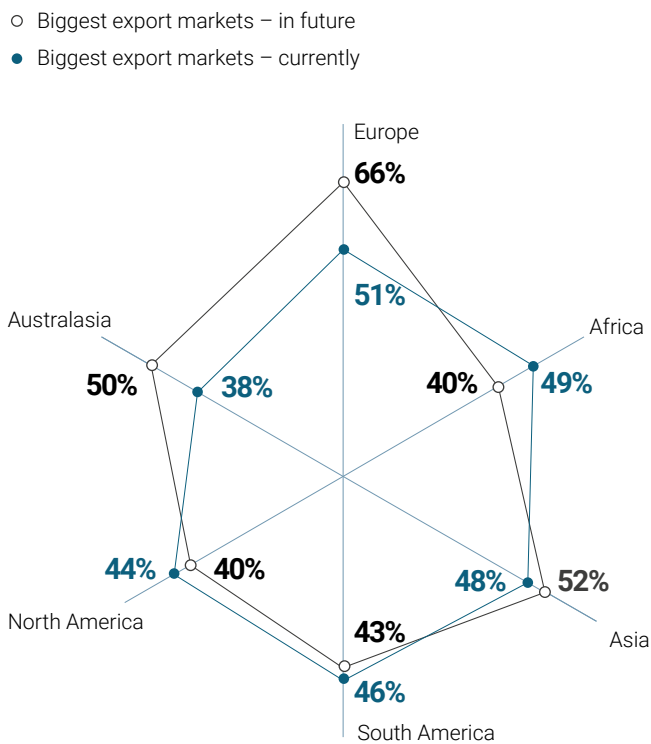
EXPORTING TODAY

Expansion through export

Almost every business (99%) envisions exporting one day, although many businesses don't currently export at all – only just over half do (54%).

The main reason respondents give for why they are not exporting at the moment is around the complexity and effort involved.

The importance of Europe in the future to the exporters surveyed suggests that ease of trade into the EU will remain important to them.



Exporting to Europe

Europe is by no means the only market for exporters. The firms in the survey list a wide range of regions to which they export and while Europe is the most commonly cited export destination of importance today (51%), it only just pips Africa (49%) and Asia (48%).

Europe comes out more strongly when respondents are asked what the important export markets of the future are. Two-thirds of companies (66%) list Europe as an important future export market, followed by Asia (52%) and Australasia (50%).

EXPORT MARKETS TODAY AND TOMORROW

The Price Bailey view: what leaders are doing differently

Higher-growth firms have exporting high on the agenda – they export much more often than those with lower growth (76% versus 30% respectively), indicating those that currently do not export might benefit if they did.

The survey results also show that exports account for a higher share of overall sales for higher-growth businesses than the lower-growth ones.

The global reach of the exporters in the survey is notable, with respondents selling on every continent. This suggests

that geographic distance need hold no fear for those with good products and services to sell.

The relative lack of dominance of Europe implies that the effects of greater post-Brexit trade friction with the European Union may not be as disruptive to businesses in the survey as the worst forecasts have warned they will be for UK-wide businesses.

Having said that, the importance of Europe in the future to the exporters surveyed suggests that ease of trade into the EU will nonetheless remain important to them.

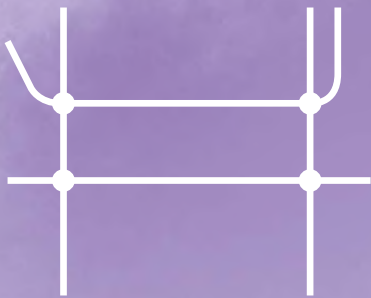
76%

of higher-growth firms are currently exporting versus only 30% of those with lower growth

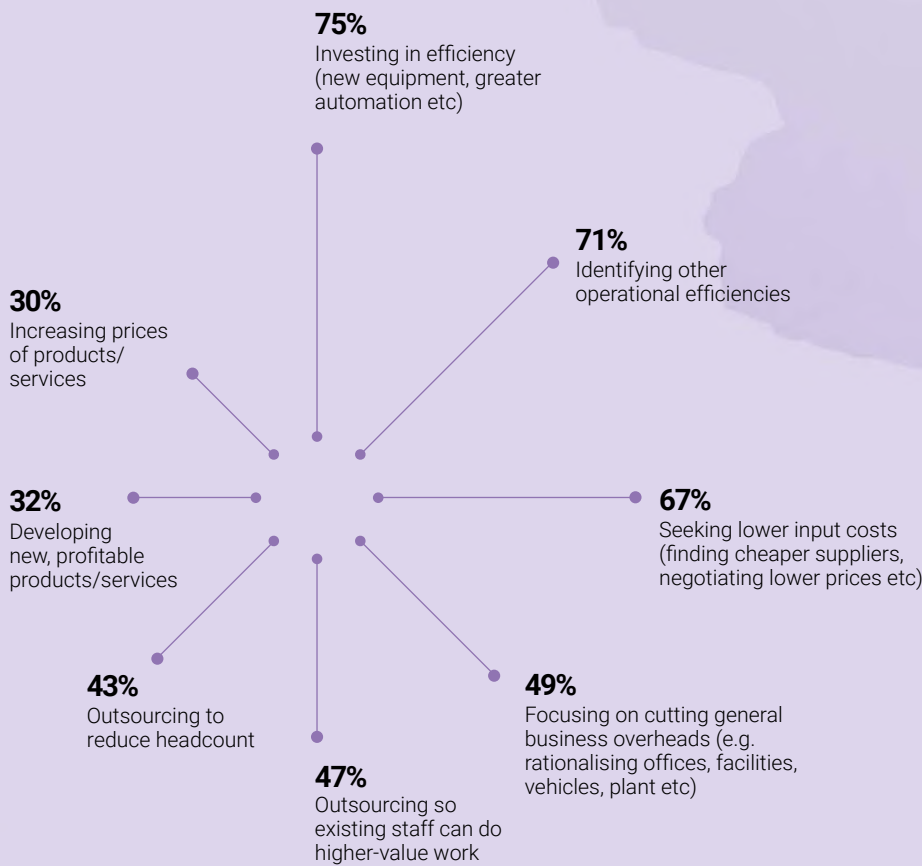
07

PROFITABILITY AND PRICING

STRONG PROFITABILITY, WEAK PRICING POWER



As with business owners' recent experience of growth and their immediate expectations, the near-term outlook for profit margins is incredibly positive. This is a body of businesses that is achieving, and expects to go on achieving, respectable margins.



STRATEGIES FOR FUTURE PROFITS

Profit margin outlook

Margins for the majority of businesses have increased over the past 12 months, and the near-term outlook for margins is good too, with around three-quarters (72%) expecting their profit margins to be in the region of 6% to 15% for the year ahead.

But margins are vulnerable in a price-sensitive environment, as only 30% of businesses expect to increase prices as a means of improving profit margins.

Higher growth correlates with higher profit margins now and expectations of higher profits later. More high-growth firms experienced an increase in profit margins in the last year than low-growth firms (87% and 76% respectively).

The high-growth leaders also expect higher profits in future – 71% of high-growth firms expect profit margins in the region of 8-15%, compared with only 27% of lower-growth businesses.



Margin improvements further out are in more doubt and will very much be down to businesses identifying efficiencies and working smarter.

Improving profitability

Investment in areas such as automation (75%), operational efficiencies (71%) and lower input costs (67%) are all cited as means to achieving greater profitability, rather than raising prices.

Margin improvements further out are in more doubt and will very much be down to businesses identifying efficiencies and working smarter. There seems little appetite for raising prices, suggesting that the market is keenly competitive and that customers are highly price-sensitive.

30%

of businesses plan to increase prices as a means of improving profit margins

The Price Bailey view: what leaders are doing differently

It is striking that the high-growth leaders achieved higher profits this year and they expect greater margins next year. Other numbers hint at why this might be. Outsourcing is lower down the list of ways businesses plan to improve profitability, particularly for the higher-growth firms (40%), illustrating more of them have already outsourced to improve efficiency and productivity.

The uniformity between high and low-growth firms in their approaches to

pricing stands out here. Less than a third of businesses see price rises as an option, with the overwhelming focus instead on efficiencies and lower input costs.

Whether high growth or low growth, it suggests most businesses are operating in a highly competitive business landscape. With little pricing power, effective planning and the canny use of technology to optimise operations and to attack new market opportunities will be even more important to future growth and profits.



FINAL THOUGHTS

FINAL THOUGHTS SET THE AGENDA, LEAD THE DEBATE

There is much to celebrate in the findings of the survey. The businesses that took part are growing and realising decent profit margins. They are not shrinking from the challenges of a competitive business landscape and reveal ambitions to invest in growth in the near future.

Technology has emerged as the strongest agent of change in this survey, good and bad, more so than politics or economics. New technology offers new alternative ways to operate, to drive efficiencies and to reach customers. Work can now be re-organised, streamlined and automated and people assigned to higher-value tasks, enabling them to better serve customers.

The new possibilities that technology offers also seem to be punishing complacency or technological laggards. Media-savvy entrants are threatening incumbents' business, the costs of competing in some markets are falling and the rules in others are changing suddenly thanks to new ways of working.

Above all, technology appears to be making competition keener and pricing more transparent. Survey respondents appear to enjoy very little pricing power as a rule and will maintain or improve profitability in large part by harnessing technology to enable them to do more with less.

It looks likely that those best able to invest wisely in technology to realise process and business efficiencies will outperform when it comes to future growth and profits.

While the higher and lower-growth businesses in the survey are broadly trying to go about chasing growth in the same way, the companies growing by more than 10% operate differently in key respects.

It looks likely that those best able to invest wisely in technology to realise process and business efficiencies will outperform when it comes to future growth and profits.

High-growth businesses plan for the future with greater focus, they are more likely to export and to do so on a more global basis, while margin pressures, access to finance and management skills are more acute problems in lower-growth firms.

The research highlights a number of strategies that owner managers are using to improve their business performance. While it provides some interesting answers, it also asks some pivotal questions. We look forward to furthering the debate and championing the owner-managed businesses.

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