



# Ambition Nation Report

Sep. **2017**

THE REAL STORY OF  
THE UK'S GROWING  
BUSINESSES

Prepared by

**EXPLAIN**  
THE MARKET

# About This Report



## Introduction

This is the first in a series of thought leadership reports produced by Explain the Market and finnCap, tracking the ambitions, perceptions and aspirations of the UK's small and medium sized businesses. The purpose of this report is to summarise the results.

The study will run continuously throughout 2017, but the evidence summarised in this paper is focussed on our first set of results.



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*Tracking the ambitions, perceptions and aspirations of the UK's small and medium sized businesses.*



*Thank You!*

*"We are grateful to everyone who participated for giving their time and sharing their expertise."*

finnCap and Explain The Market



## Research Methodology

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The study will run continuously throughout 2017, but the evidence summarised in this paper is focussed on our first set of results. Interviews with over 1,000 leaders of UK companies have been carried out between July and August 2017 on a wide range of topics ranging from confidence in the economy to investment strategies and what UK entrepreneurs themselves consider are the key concerns of the moment.

The sample of companies has been selected to represent the natural spread of companies across the UK in terms of geographic location, industry and size. The sample has been limited to companies where the most recent annual revenue is between £1 million and £500 million. This provides a huge and diverse spread of entrepreneurs - representing over 90% of all UK companies.

To provide further insight, and to ensure we listen to UK entrepreneurs in their own words, a further 50 qualitative depth interviews have been carried out with leaders of medium sized companies (companies with annual revenue of between £20 million and £500 million).

All research was conducted by Explain the Market Ltd, ([www.explainthemarket.com](http://www.explainthemarket.com)), in accordance with the Market Research Code of Conduct.

We are grateful to everyone who participated for giving their time and sharing their expertise.

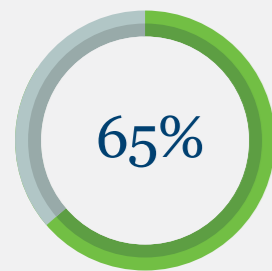
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# Map of Economic Confidence

The weight of recent media coverage has focused on the prevailing economic landscape and how a tiny cohort of multi-billion pound organisations feel about major geo-political and structural issues.

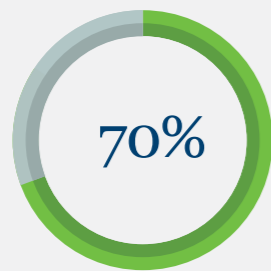
This project did not seek to exclude factors such as Brexit, US protectionism or a shifting model of trade with China from the conversation. However, our results revealed that the leaders of our country's small and medium sized businesses are much more focussed on getting on with the job of winning customers and driving growth. Irrespective of the personal convictions of the leaders themselves - our results highlighted that the vast majority of firms in the UK have concerns that are much more practical and closer to home. Our research also unveiled a sense of positivity and confidence that could be considered surprising and perhaps arguably under reported.

Despite a continuous narrative of 'economic uncertainty' and diminishing confidence amongst commentators - UK entrepreneurs tell a different story. Confidence levels in the global economy are high (65% have high or very high levels of confidence in the global outlook). Confidence in the economy here at home is notably even higher (the same measure is over 70%).



GLOBAL ECONOMY

65% of business leaders are confident in the Global economy.



UK ECONOMY

70% of business leaders are confident in the UK economy.



## TOP 5 INDUSTRIES FOR CONFIDENCE IN THE UK ECONOMY IN THE NEXT 1 TO 3 YEARS

Looking deeper into industry variations reveals the industry sectors where confidence in the UK economy is at the very highest amongst small and medium sized business leaders.

01. Technology
02. Professional Services
03. Manufacturing
04. Financial Services
05. Automotive Suppliers

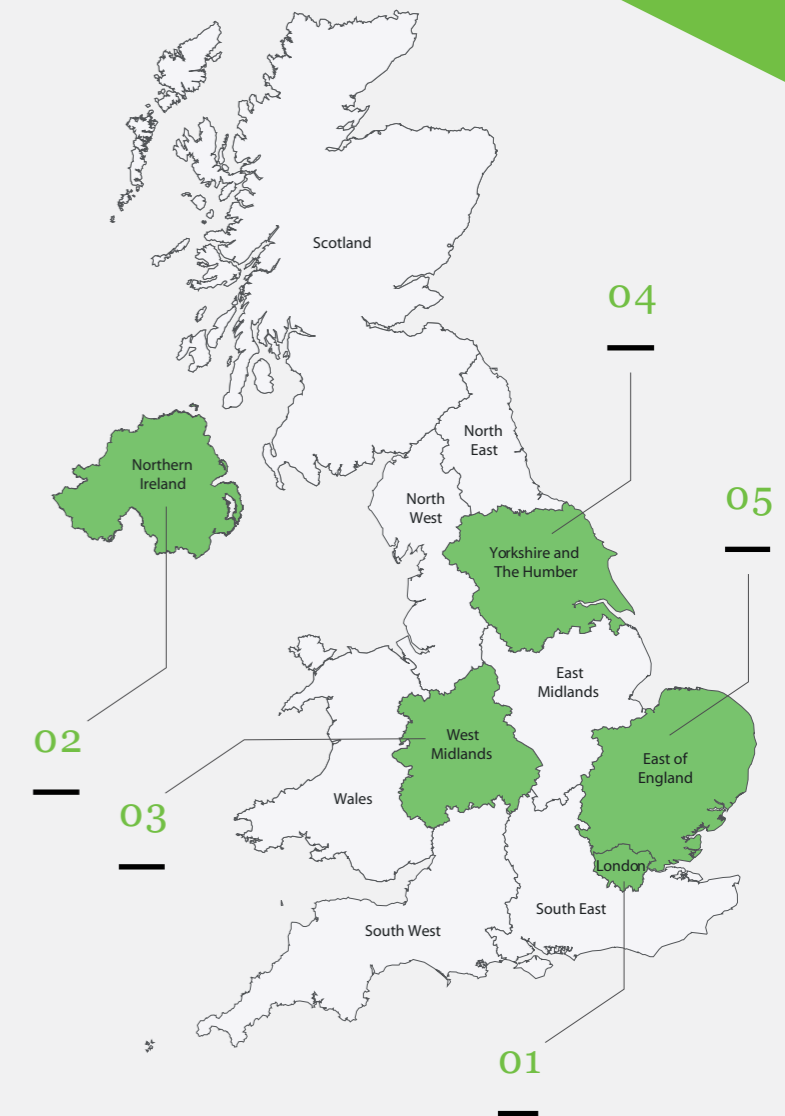
More than just earning money for me



## REGIONS WITH THE HIGHEST CONFIDENCE IN THE UK ECONOMY

Looking deeper into regional variations reveals the areas where confidence in the UK economy is at the very highest amongst small and medium sized business leaders.

01. London
02. Northern Ireland
03. West Midlands
04. Yorkshire & the Humber
05. Cambridgeshire & East of England





**UK  
Growth**

## Funding for Growth

### The changing landscape of funding options

**Our research reveals a subtle but important shift in the way business leaders are thinking about future funding for growth. As expected growth remains critical for almost all UK entrepreneurs.**

Probing how firms feel about funding options has highlighted a shift from a reliance on Private Equity (PE) towards consideration of a broader range of options in the future. Where PE has lost out - new networks and online communities appear to be filling the gap. In 2017, entrepreneurs are looking beyond the usual options when it comes to securing funding for growth.

Evidence from our qualitative interviews also suggests that the way in which entrepreneurs consider the suitability of different funding options is also changing. The old model of dismissing IPO only until very late stages of the development lifecycle appears to be waning.

### GROWTH EXPECTATIONS

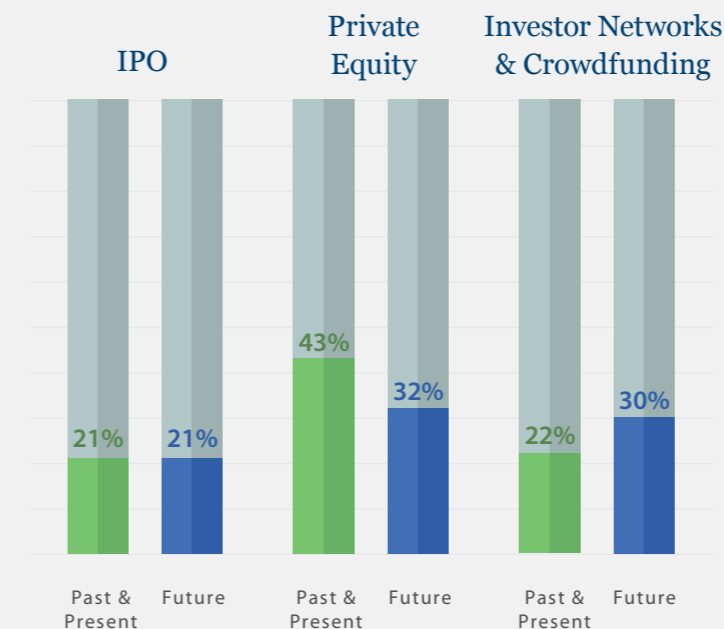


#### GROWTH EXPECTATIONS

91% of all UK Small and Medium Sized business leaders are expecting growth in 2018.



### DOMINANCE OF PRIVATE EQUITY DWINDLING?



*IPO in many cases can offer greater control than PE*

*"When it comes to planning and preparation we need to be efficient with our limited time. But at the same time we need to think outside the box and not right off options based on outdated myths. IPO in many cases can offer greater control than PE and with the right support might be more manageable and beneficial than we perhaps first thought."*



Qualitative interview extract: Director, £30 million revenue accountancy firm.

## The regional and industry hotspots for considering IPO

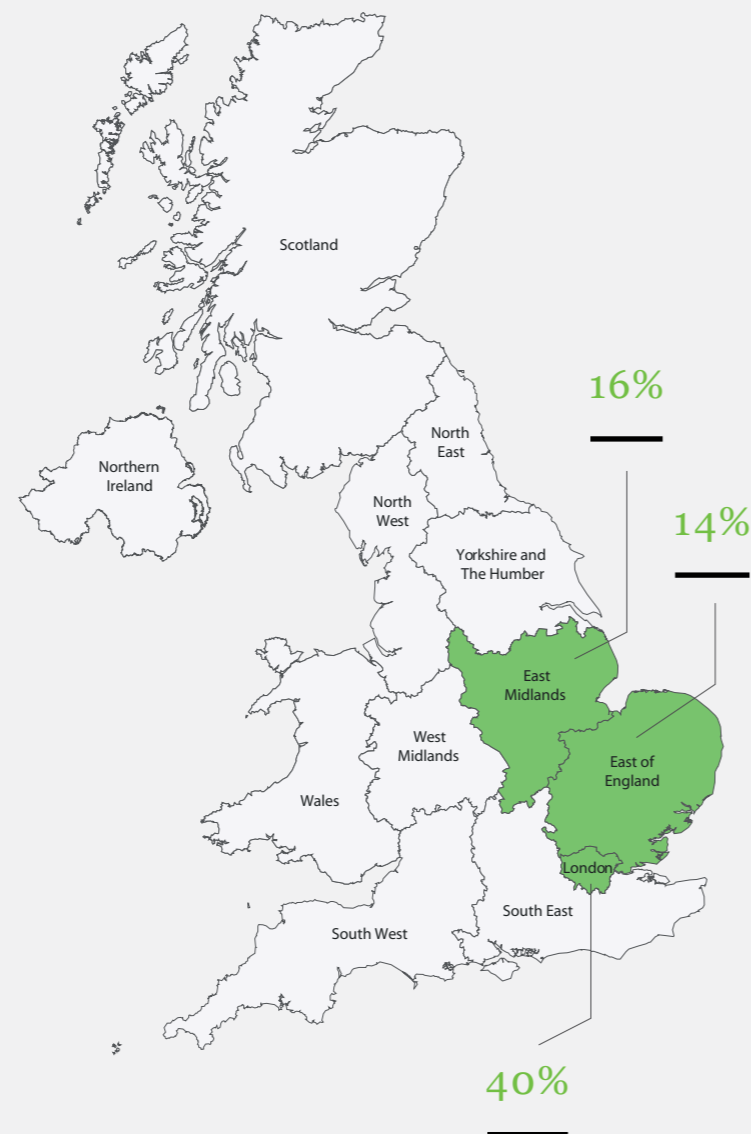
Across the UK our research reveals a subtle shift away from a reliance on traditional private equity funding options.

In many areas and industries the emphasis is on broadening into other investor networks. However, there are some clear 'hotspots' when it comes to entrepreneurs considering IPO as a key potential route to future growth.

### TOP 3 UK REGIONS WHERE FIRMS ARE CONSIDERING IPO FOR FUTURE GROWTH

There are some clear 'hotspots' when it comes to entrepreneurs considering IPO as a key potential route to future growth.

01. London
02. East Midlands
03. Cambridgeshire and East of England



### TOP 3 INDUSTRY GROUPS CONSIDERING IPO FOR FUTURE GROWTH

There are some clear 'hotspots' when it comes to entrepreneurs considering IPO as a key potential route to future growth.

01. Accounting, Payroll & Payments Solutions
02. Fintech and Banking Industry Solutions
03. BioTech

## Beyond London: The story of UK growth

**London remains the capital of growth by almost every measure. However, cities across the East Midlands and East of England are experiencing a boom in new business activity.**

Cambridge has hit the headlines recently with a series of huge technology deals, Coventry grew by over 12% last year in terms of new businesses starting up and Nottingham and Leicester are also showing signs of tremendous success. Nottingham enjoys huge benefits from its relative youth - more than half the population being under 30 (thanks to the massive student population). The university impact also extends to the positive effect on science and technology with Nottingham fast developing a reputation internationally as a hotbed of innovation. Leicester's start-up weekend in February was the largest event of its kind in the UK and the ongoing work of the 'Tech start-ups' group actively encourages networking events and workshops all year round.



# Fears & Challenges

**Our research provides insight into the collective mind-set of the UK business leader.**

Across the country our researchers have expectedly found immense diversity - but it is possible to draw conclusions about common thoughts and perceptions. Our nation's entrepreneurs have shown themselves to be a curious mix of confident, focussed and worried.

Primarily, the dominant worries are around getting the right investment advice, winning customers, cyber security and hiring the right people.

The importance of job creation and hiring the right people remains a top priority for 2018. The vast majority of small and medium sized firms are actively planning to create new jobs next year.

Attitudes to investment options for growth vary depending on many factors. One key differentiator is size of business. Firms with revenue below £50 million are most enthusiastic when it comes to considering broader investment options. Larger firms typically remain loyal to the Venture Capital (VC) community and private equity sources - despite a recent surge of interest in IPO growth.

Pressure for growth, limited time and increasing maturity of diverse funding options - all of these factors and more are causing a rise in demand for a style of advice characterised as 'no-nonsense'.

## BIGGEST WORRIES

- 1 Getting the right investment.
- 2 Cyber security.
- 3 Professional fees hurting cash flow.
- 4 Hiring the right people.
- 5 Getting bad advice.

## JOB CREATION



80% of all UK SME leaders are planning new jobs in 2018.

## MEDIUM SIZED FIRMS ARE MORE CONCERNED ABOUT CYBER SECURITY

Top 5 concerns

01. Cyber Security	25%
02. Securing the Right Investment for Growth	16%
03. State of The Global Economy	16%
04. Winning New Customers	14%
05. Hiring the Right Staff	13%

## ATTITUDES TO FUNDING TYPES FIRMS > £50M



VC is the favoured route.  
High levels of curiosity about IPO but low levels of knowledge.

## ATTITUDES TO FUNDING TYPES FIRMS < £50M



P2P funding & investment networks popular.  
High levels of curiosity about IPO but low levels of knowledge.  
Angel investment & Family investment increasingly considered for 2018.

## MEDIUM SIZED BUSINESS LEADERS DEMAND NO-NONSENSE ADVICE

***“The right advice is more important now than ever. Practical, clear, high quality and no-nonsense is what works best. We are alert to macro/political factors but not distracted by them - we are more focussed on the medium term. Cyber-security is high our worry list & winning customers seems to get both easier and more complicated as we grow.”***



Qualitative interviews extract with CEO of £50 million turnover manufacturing firm.



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