



2018

Ambition Nation Report 3

UNDERSTANDING THE
SCALE-UP CHALLENGE

Prepared by

EXPLAIN
THE MARKET

Introduction

The story since our first report



This is the third in a series of thought leadership reports produced by ExplainTheMarket and finnCap, tracking the ambitions, perceptions and aspirations of the UK's small and medium sized businesses.

The story of our last two reports was one of huge confidence in the face of some major challenges ahead. Since August 2017, UK entrepreneurs have been part of a shift in attitude. Confidence began very high in August and then dipped slightly in our second report.

Market and political uncertainty, a backdrop of the spectre of protectionism and some concern about Brexit negotiations - these are just a few of the factors that continue to concern UK entrepreneurs.

However, this report focuses primarily on the critical and emerging challenges faced by medium sized business leaders searching for greater support to scale-up existing businesses with annual turnover between £20 million and £250 million.

Data reveals that the UK currently lags behind the US and many other economies in the extent to which our companies scale. This 'scale-up gap' challenge is coming into sharp focus as Brexit draws closer and British business faces both opportunity and challenges on a new global scale.

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"The country badly needs 'normal sized' firms like ours to grow - to 'scale-up'. We are ready to be bold but we need some help. We need advisors, investors, the government and the public to get behind us to make UK plc the success it can be over the next few years."



Thank you

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

finnCap and ExplainTheMarket



Research methodology

The differences and shifts in trends between these findings and the combined sample of our first and second Ambition Nation reports has been considered to help draw meaningful conclusions about the state of play of UK companies in May 2018.

In each report of the series the sample has been selected to represent the natural spread of companies across the UK in terms of geographic location, industry and size - representing over 90% of all UK companies. All research was conducted by Explain the Market Ltd, (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. This ongoing study runs continuously throughout 2017 and 2018, but the evidence summarised in this paper is focused on our third set of results.

This third report in the Ambition Nation series probes the state of the nation when it comes to medium sized companies. Often the focus can be on start-ups and FTSE leaders when over 90% of the UK's firms are medium sized companies looking to scale up and grow.

The future success of UK plc rest significantly on the shoulders of executives leading companies with annual turnover of between £20 and £250 million. For this reason, the sample for this third study has been focussed on this community.

finnCap and Explain The Market



The scale-up challenge

Medium sized businesses are reporting an increase in demand for support to scale-up and grow their companies.

Simultaneously, the leaders of UK firms with turnover between £20 million and £250 million are reporting concerns about the level of support and guidance available from both the media and also the government.

Our research probed the extent to which leaders of medium sized businesses are looking for help and support and also the nature of that guidance over the next 12 months ahead

ARE YOU LOOKING FOR HELP TO SCALE YOUR BUSINESS IN THE NEXT 12 MONTHS?



THE TIME TO SCALE IS NOW

Our research shows a shift in terms of more businesses looking to scale now compared with 12 months ago. The type of support required goes beyond access to capital. Many UK firms are looking for strategic support and practical boardroom guidance to navigate a wide range of funding options and foster the most valuable relationships to create sustainable growth.

"We anticipate a more complex situation ahead with so much change happening politically"

"There are opportunities but also lots of uncertainty ahead...we need more help to navigate through it"

ARE YOU LOOKING FOR MORE OR LESS HELP TO SCALE YOUR BUSINESS THAN 12 MONTHS AGO?

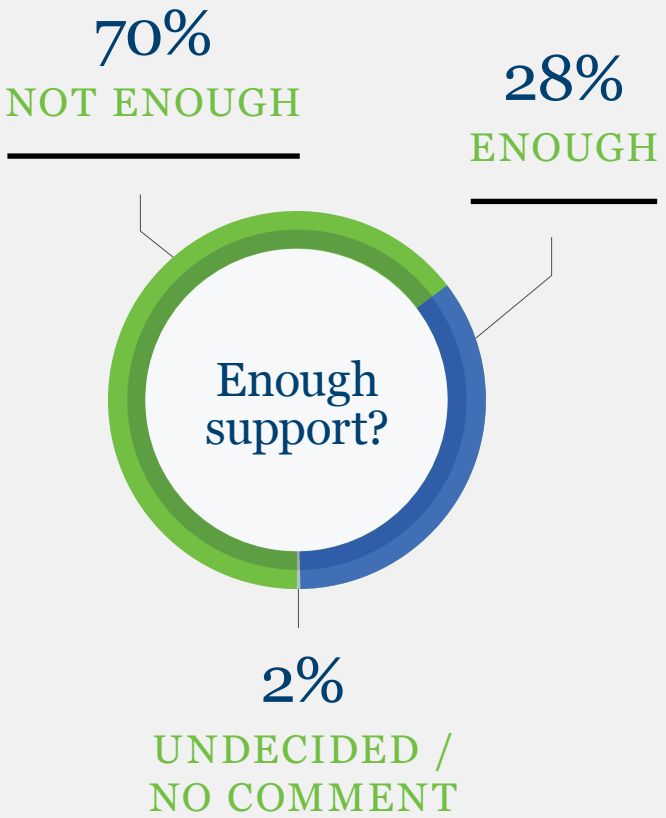


Help and advice

UK business leaders are tackling both survival and growth challenges simultaneously. Our latest findings show this reality reflected in the type of help and support are searching for from advisors.

Day-to-day concerns like cyber security - identified in our previous Ambition Nation reports - cannot be relaxed while the search for growth funding increases. This requires a much broader level of strategic support. It points to a growing need for advisors to be competent at contextual guidance and practical implementation. The increased complexity of the landscape is increasing pressure on advisors and brokers to prove both relevance and efficacy.

DO YOU FEEL THERE IS ENOUGH SUPPORT AVAILABLE TO HELP EXISTING UK COMPANIES SCALE?



IN WHICH AREA DO YOU REQUIRE THE MOST ADVICE AND SUPPORT CURRENTLY?

- 01. Access to capital
- 02. Navigating the investment ecosystem
- 03. Cyber security
- 04. Data and analytics
- 05. Legal protection and IP
- 06. Leadership development
- 07. Accountancy and financial management
- 08. Strategic planning
- 09. Hiring and development of staff
- Other: (GDPR, Protection, Liability & Insurance, Marketing & Communications)

SCALE VS. START UP

Our findings revealed concerns about the increased challenges and complexity about the process of winning larger levels of investment for mid-sized firms. During our study, company leaders were also asked to reflect on availability of funding for businesses at different stages of the growth cycle.

REFLECTIONS ON THE FUNDING PROCESS

- "Whole process is opaque and overly complicated"
- "Hard to compare apples with apples... and hard to trust guidance"
- "Mixed messages about private investors"

DO YOU FEEL MID-SIZED FIRMS HAVE MORE OR LESS FUNDING OPTIONS THAN START-UPS

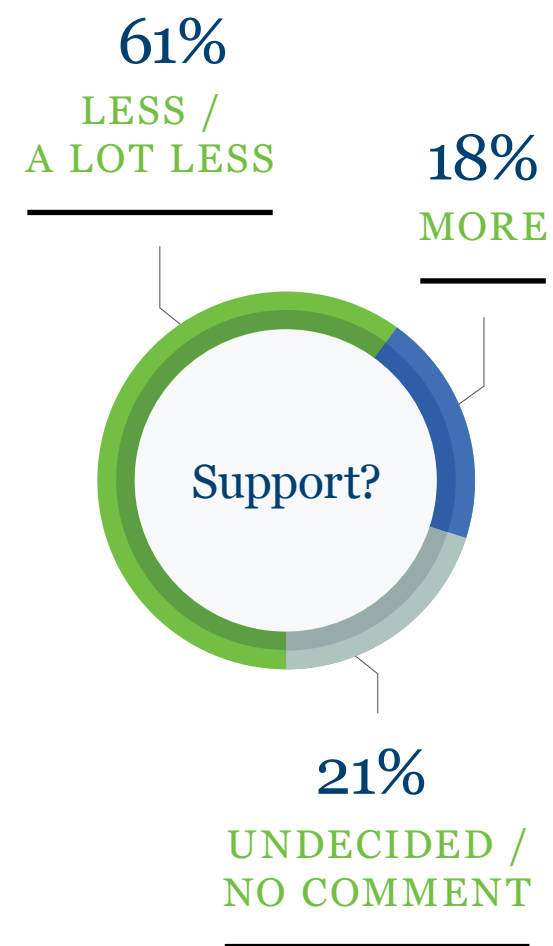




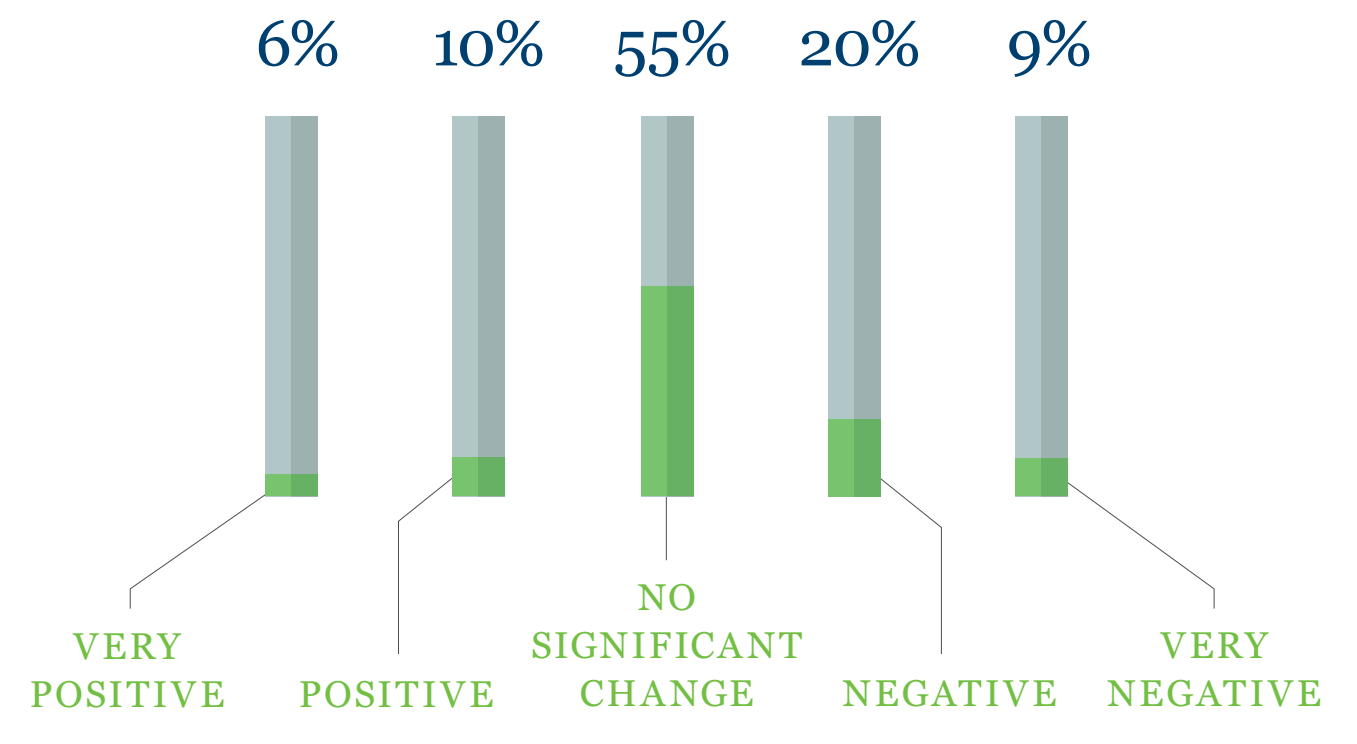
Brexit, the media and the scale-up challenge

Consistent with our previous reports that revealed some concern about Brexit but perhaps less than anticipated - the results of this study show that the majority of UK business leaders believe Brexit will have no significant impact on the ability of that business to scale-up.

DO YOU FEEL THAT MID-SIZED BUSINESSES CURRENTLY GET MORE OR LESS GOVERNMENT SUPPORT THAN START-UPS?



IS BREXIT MAKING YOU MORE OR LESS POSITIVE ABOUT THE ABILITY OF YOUR BUSINESS TO SCALE?





"We've always had public support and loyal customers. The problem is that the newspapers are not interested in us because we are not lobbying on some political platform. Our focus is on running the business. It might be useful for us to be able to have more of a conversation with the public...it might also be better for news outlets to come to us for business comments - after all we are the businesses with typically less political bias, so it would make logical sense."



THE MEDIA CHALLENGE

This study reveals that public perception and support from the media is a problematic factor for many leaders of medium sized companies who expressed a frustration at the dominance of the views and lobbying positions of FTSE 100 firms in the media landscape.

"It would be good and useful if firms like ours that do business all over the world had more of a media platform to have better conversations with the public. So much politics is dominating the business news at the moment - but we want to talk about solving practical challenges and share how we are winning at solving problems. It shouldn't be seen as political to say we are optimistic about the future or to be enthusiastic about our ability to do deals regardless of the political backdrop. Businesses our size make up the vast majority of UK firms and we want to be heard above the noise"



About ExplainTheMarket

ExplainTheMarket is proud to be one of the most trusted and reliable economic research agencies.

Our analytical expertise is based on over 20 years leading market analysis for some of the world's biggest companies. Research expertise is based leading some of the largest and most complex projects ever done in both qualitative and quantitative research.

Our CEO is a Market Research Society Awards Finalist. The Explain the Market team is headquartered in London and also operates from our global hub in New York.

**EXPLAIN
THE MARKET**



About finnCap

finnCap advises ambitious growth companies, accesses capital and promotes their stories across public and private markets.

Using our wide range of expertise across multiple sectors, we shape your company and products into an effective investment story. As a modern entrepreneurial business we fuel faster growth, build value and are trusted to deliver success for businesses at every stage of their journey. Through delivering certainty we inspire confidence, energy and the determination to grow. We believe this is the reason we are the largest advisor to ambitious growth companies and No. 1 broker on AIM.

finnCap

Helping ambitious companies grow



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