



# 2018

## Ambition Nation Report 4

RESEARCH REVEALS  
THE REAL  
PRODUCTIVITY  
PROBLEMS OF  
UK COMPANIES

Prepared by

**EXPLAIN**  
THE MARKET



## Introduction

# Research reveals the real productivity story

**Our latest research reveals the story of how recent global events are impacting the growth plans of medium sized UK companies.**

The UK, like the majority of the G20, saw productivity shrink in the first quarter of this year.

The Office for National Statistics said productivity fell by 0.4% compared to the final quarter of last year.

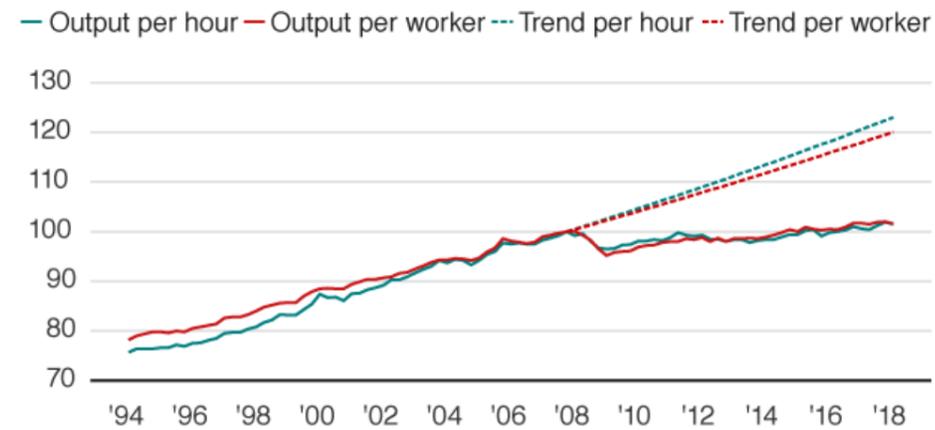
With productivity growth still slumped below the average pre-crisis rate of 2%, the ONS suggests that the "productivity puzzle" remains unsolved"

The UK government consultation about how best to boost the amount of work produced per working hour has placed a strong focus on how firms across the country can take advantage of leading technologies, management practices and business support services.

Flat productivity growth over the past decade highlights the scale of the challenge but despite this stubborn problem the leaders of the UK mid-market firms remain optimistic about the ability to win more business and break sales targets.

## UK PRODUCTIVITY

### Output per hour and worker



Source: Office for National Statistics

## Table of content

<b>Research methodology</b>	<b>5</b>
<b>How UK firms are revising growth plans</b>	<b>6</b>
<b>How economic events are shaping decision making</b>	<b>8</b>
<b>Training, tracking and mentoring</b>	<b>10</b>
<b>Productivity and regulation</b>	<b>12</b>
<b>About ExplainTheMarket</b>	<b>14</b>
<b>About finnCap</b>	<b>15</b>
<b>Contact</b>	<b>16</b>



## Thank you

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

---

finnCap and ExplainTheMarket



## Research methodology

**This report builds on our ongoing Ambition Nation research with over 2000 leaders of UK companies by conducting a further 550 interviews with leaders of medium sized companies (companies with annual revenue of between £20 million and £500 million).**

This phase of our research investigates the specific challenges experienced and strategies deployed when it comes to tackling productivity. All research has been undertaken by Explain the Market in accordance with MRS and ESOMAR code of conduct.

---

finnCap and ExplainTheMarket



## How UK firms are revising growth plans

**While confidence remains high when it comes to revenue growth, plans for productivity growth remain less clear.**

The most recent growth in productivity that the country has experienced was primarily due to the number of hours worked falling very slightly rather than a growth in output. Overall, economic data paints a picture of the UK struggling to maintain momentum during the last quarter.

*"Tackling productivity might be essential for the wider economy but tackling it earnestly without the right support is tough and time consuming for my business. We would appreciate better intelligence on what works and smarter support to get the dial moving in the right direction. I'm not convinced that we even have the metrics right"*

CFO of Digital Marketing Business

## PATTERNS BEHIND THE PRODUCTIVITY PUZZLE

The UK is on the threshold of a major shift towards flexible working but any wholesale change of behaviour hasn't happened yet. Every employee in the UK now has the statutory right to request flexible working after 26 weeks of employment yet uptake remains relatively low.

The high level of confidence in future sales growth detected in our research appears to be predicated on employees working more hours rather than necessarily more productively.

Average working hours in the UK are the highest in Europe according to the 2018 Eurostat study. British full time employees are on average working 42 hours per week compared with 40 hours in Germany and 39 hours in France. This presents an intractable problem. Relying on making people work for longer is not a sustainable strategy to generate growth.

Entrepreneurs are rightly shifting mindsets more towards hourly productivity but demanding greater support and resources to help motivate employees to deliver more value without working longer.

Global statistics demonstrate that the highest levels of productivity are not found in nations where people work the longest hours. Germany, with the fewest hours per worker per year (1,356) in the OECD, produces \$60.40 of GDP per worker-hour. The UK worker's 1,681 annual hours each produce a mere \$48.30.

The challenge then is a fundamentally human one. What can be done to ensure employees start to create more value in an average hour worked in 2019 than they did in 2018? Where is the shift going to come from? Measuring the same behaviour in different ways clearly is not going to solve the problem but new approaches to tracking and measuring might nudge positive shifts in productivity if managed skillfully and with the right support.

Real-time tracking allows correction and attention before problems become habitualised making them harder to redress. Combined with appropriate training there are ways UK companies can find to drive up output per hour.



# How economic events are shaping decision making

Our research reveals the extent to which the global economic landscape is causing UK companies to consider different strategic options

OVER A QUARTER HAVE HAD TO REVISE PLANS UPWARDS BECAUSE OF INCREASED CUSTOMER DEMAND



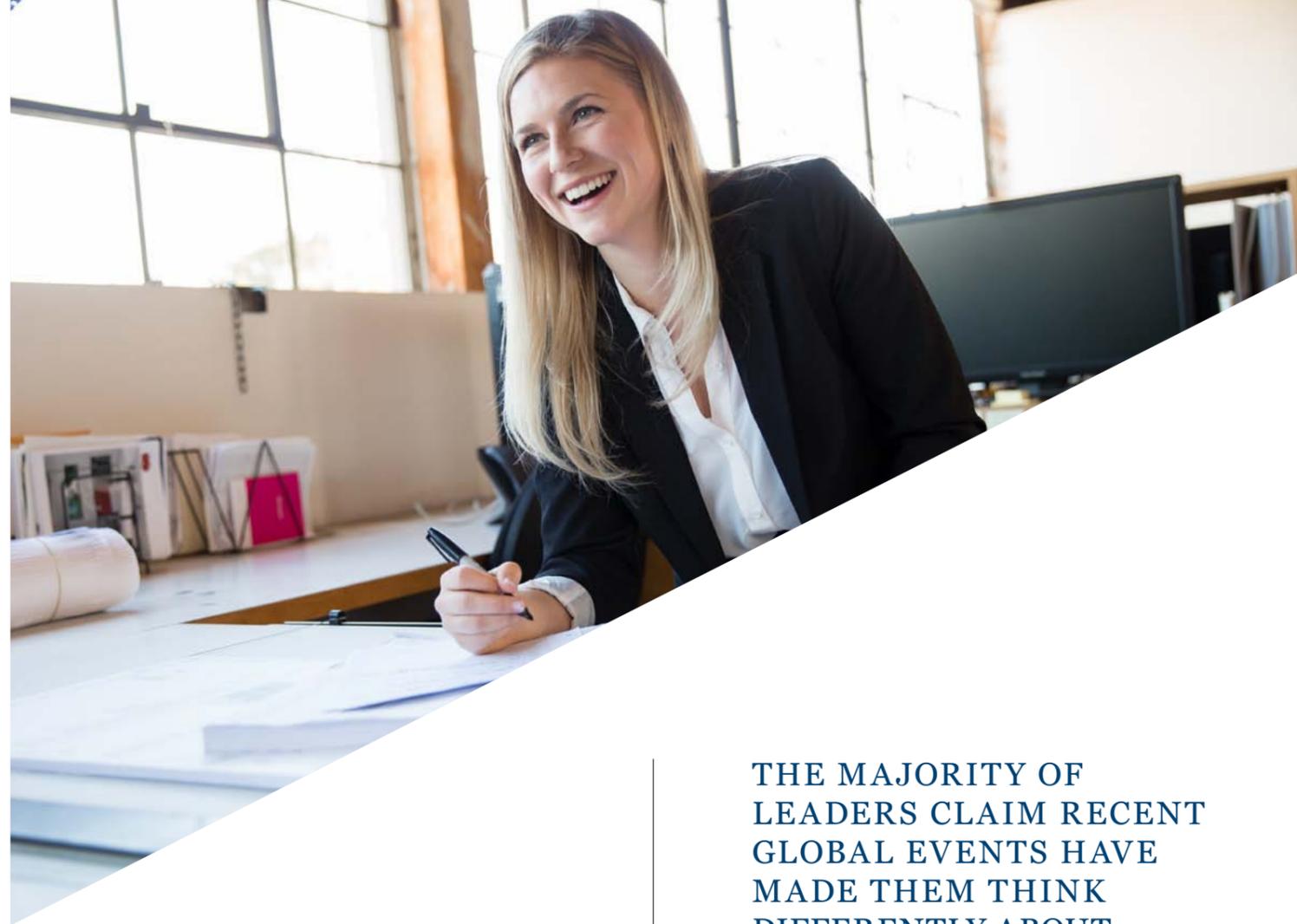
30% SAY THAT RECENT MACRO EVENTS HAVE PROMPTED THEM TO INCREASE GROWTH PLANS FOR NEXT YEAR



MAJORITY OF BUSINESS LEADERS HAVE CHANGED HIRING PLANS IN ORDER TO NOW HIRE MORE IN THE LAST 3 MONTHS



THE MAJORITY OF LEADERS CLAIM RECENT GLOBAL EVENTS HAVE MADE THEM THINK DIFFERENTLY ABOUT GROWTH PLANS FOR NEXT YEAR



# Training, tracking and mentoring

**Our research reveals the state of the nation when it comes to how UK firms are really dealing with measurement, mentoring and training in order to improve productivity.**

Education and training is the most common way that UK businesses aim to ensure productivity - with employee well being support coming a close second.

Our research reveals the many ways UK companies are trying to move the dial on productivity. Making sure technology is up to date and working effectively, leveraging employee benefits and ensuring financial benefits are compelling are all activities business leaders are focussed on.

However, there are surprising numbers of British companies not yet deploying incentives and training in a co-ordinated effort to drive up productivity. Technology challenges still loom large on the list of challenges occupying IT and operations leaders.

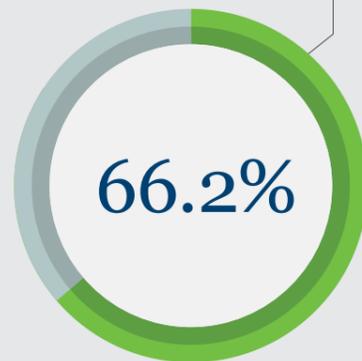
Our research suggests that dealing with the threat of cyber crime and ongoing initiatives to preserve the solidity and resilience of network and email security remains a high priority.

Balancing this against the desire to improve productivity with new mechanisms for measurement and digital learning is a key challenge that the government must consider in the ongoing productivity consultation with business.

*"The problem is that so many 'good ideas' aimed at boosting productivity take up time and create costs. They can in effect hurt short-term growth. So it is easy to agree with the all the rhetoric but running a real business means every bit of time needs to count towards sales or cost control."*

Automotive supplier

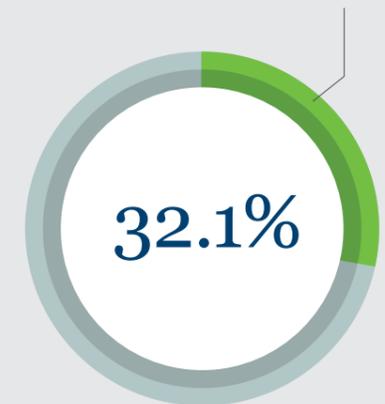
**MOST OF MEDIUM SIZED UK FIRMS ALREADY TRACK THE PRODUCTIVITY OF EMPLOYEES DURING AN AVERAGE HOUR**



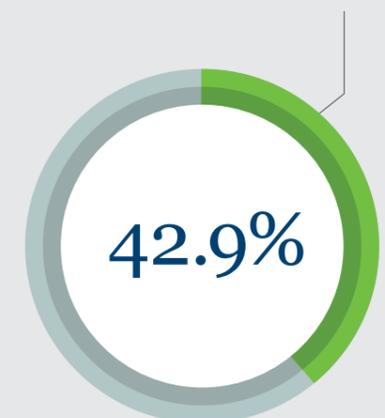
**24% OF COMPANIES DO NOT OFFER ANY DELIBERATE INCENTIVISATION TO EMPLOYEES**



**32.1% OF FIRMS KEEP A DETAILED RECORD OF CURRENT SKILLS ON ALL EMPLOYEES**



**42.9% OF COMPANIES DO NOT PARTICIPATE IN ANY EXTERNAL LEARNING NETWORK OF ANY KIND**





*"We need to stop thinking that more 'frameworks', structures and documents will make us more productive"*



Accountancy firm

## Productivity and regulation

**Business leaders told us during this latest phase of our research that government regulation thus far has on average hindered rather than helped to boost productivity.**

It's interesting to note that GDPR has had a vastly more acute effect on productivity than the swirling cloud of uncertainty that Brexit brings.

While the government sees £100 billion in untapped value owing to productivity, GDPR is estimated to have cost our economy in the region of £10 billion in the first quarter of 2018.

**MAJORITY THINK THAT GOVERNMENT REGULATION HINDERS PRODUCTIVITY**



**NO.1**

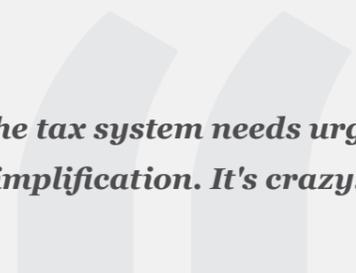
**SIMPLIFYING THE TAX SYSTEM IS THE NO.1 CHANGE OF REGULATION THAT BUSINESS LEADERS BELIEVE WOULD MOST BENEFIT PRODUCTIVITY**

It is recognised that tax-deductible incentives on R&D expenditure for innovative companies tend to have a stronger effect on productivity than simply funding R&D.

We've seen that one barrier to scaling businesses is that there is a fundamental knowledge gap amongst founders when it comes to accessing equity-based fundraising. These founders often find themselves pushed into the arms of banks by way of offering tax-deductible debt financing

However, what if we extended the remit of the Government's Bank Lending Referral Regulations – which requires banks to refer companies refused credit to Treasury-approved alternatives? We could help innovative SMEs access alternatives to bank lending. Why not oblige the banks to refer companies to alternative, non-debt-based finance, such as specially selected corporate finance houses?

*"The tax system needs urgent simplification. It's crazy..."*



Bio-Tech company



## 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**



**Address**

60 New Broad Street  
London  
EC2M 1JJ

**Contact**

**Phone:** 020 7220 0500  
**Fax:** 020 7220 0597

**Email:** team@finnCap.com

**Web**

[www.finnCap.com](http://www.finnCap.com)



**Address**

Floor 24  
The Shard  
32 London Bridge Street  
London  
SE1 9SG

**Contact**

**Email:** info@explainthemarket.com

**Web**

[www.explainthemarket.com](http://www.explainthemarket.com)