

# Mid-size business in the UK, Germany, France and Italy – growth, exports and the Chinese market

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**Acknowledgement:** All data used in this presentation comes from the 'Leading from the Middle' reports and surveys. The 2015 report is available at: [www.gecapital.co.uk/en/docs/GE\\_LFTM\\_UK\\_mm\\_2015.pdf](http://www.gecapital.co.uk/en/docs/GE_LFTM_UK_mm_2015.pdf). The views in the presentation are those of the author alone.

# The background

- Across the UK there are around 30,000 firms with sales of between £10m and £500m.
- This is the UK's **mid-market (MM)**, 2 per cent of UK firms but around a third of all private sector jobs and wealth creation
- Over the last four years working with GE Capital we have surveyed senior executives in around 1,000 UK mid-market companies each year to get the '**view from the boardroom**'.
- Our survey has covered the UK and similar groups of companies in Germany, France and Italy. *How does the view from the UK boardroom differ from that in a similar company in Germany?*
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# Profiling the mid-market

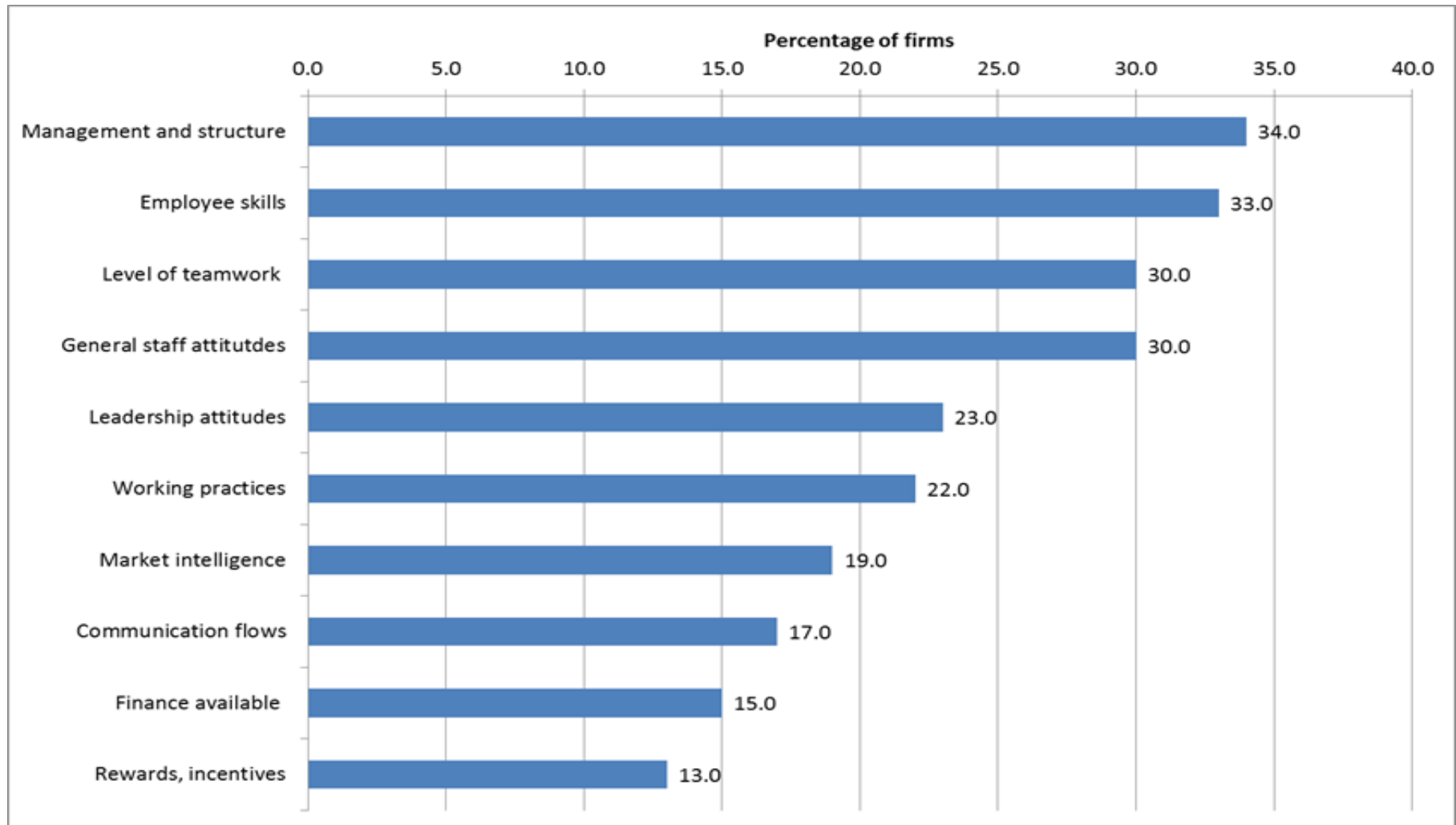
- A diverse group but some marked contrasts with notably less manufacturing in the UK than in Germany
- In the UK 18% of MM firms are family-owned, with the majority of these also being family-led. Germany: 38% family owned around half of which are also family-owned and operated.
- Around a third of mid-market companies across the EU4 were established prior to 1980 with around 1:6 in the UK and 1:5 in Germany established prior to 1945.
- On average export sales account for 34 per cent of the revenues of UK firms compared to 40 per cent in Germany and around 35 per cent in France and Italy. **UK mid-market firms remain less export oriented than their German and continental counterparts.**

# MM growth and exporting

# The UK - matching the best in growth (% growth pa, projected for 2016)



# The important factors driving growth (% firms, UK only)



# Top Five Growth Inhibitors (% firms saying important)

## UK Mid-Market

Finding talent with the right skill set in the local area	33%
Retaining key / talented employees	30%
Competing against larger companies for talent	30%
Current economic environment	29%
Threat from established competitors	28%

## German Mid-Market

Attracting employees with the right set of skills	33%
Attracting top managerial talent	32%
Downward pressure on the prices you can charge	29%
Retaining key / talented employees	29%
External market pressures (e.g. inflation, foreign exchange)	28%

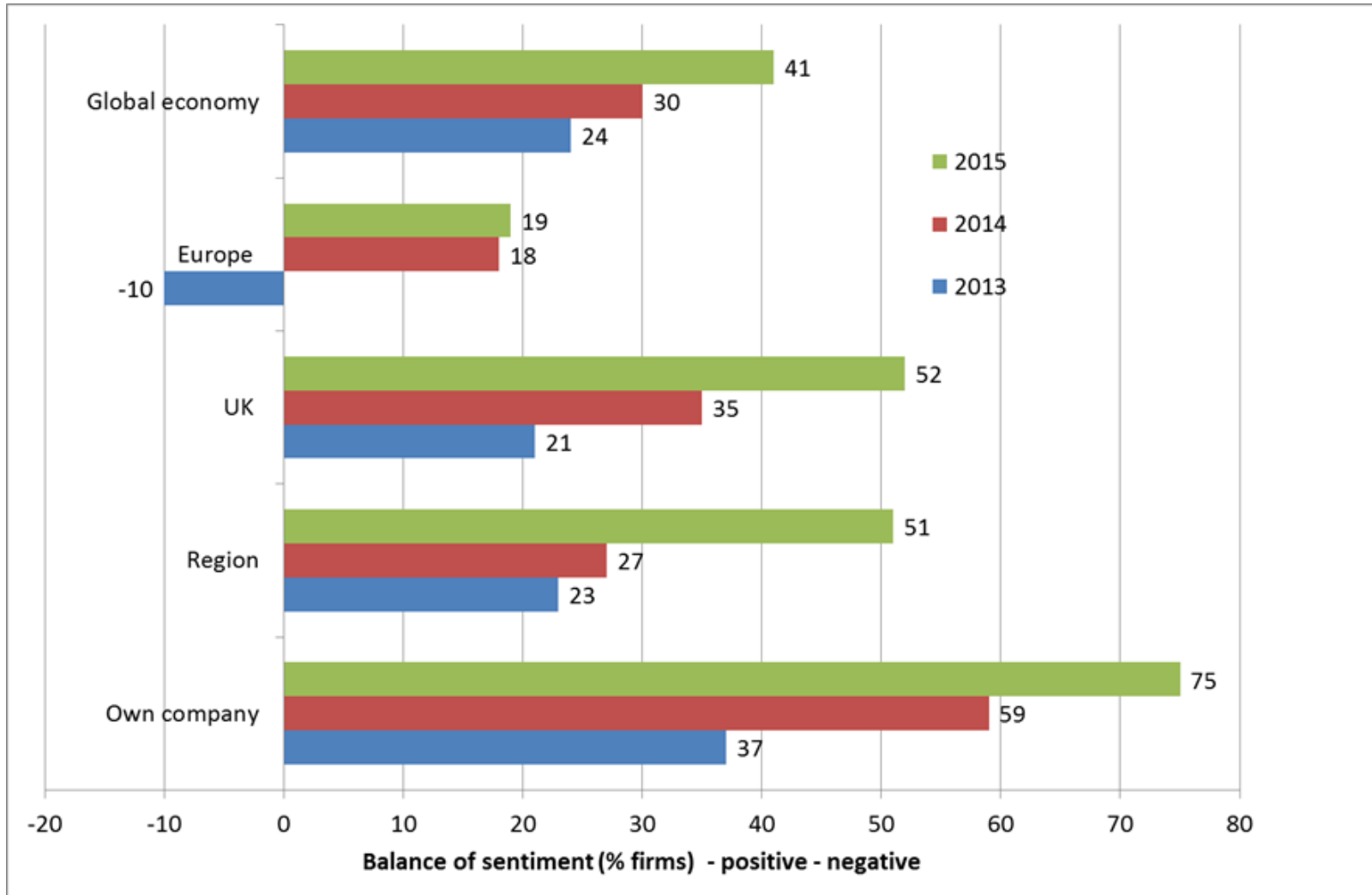
## French Mid-Market

Having sufficient working capital	37% (+4)
Threat from established competitors	34% (-8)
Keeping down business costs and overheads (e.g. property, wages, suppliers)	34% (-7)
Employee satisfaction / maintaining morale	34% (na)
Attracting employees with the right set of skills	34% (-4)

## Italian Mid-Market

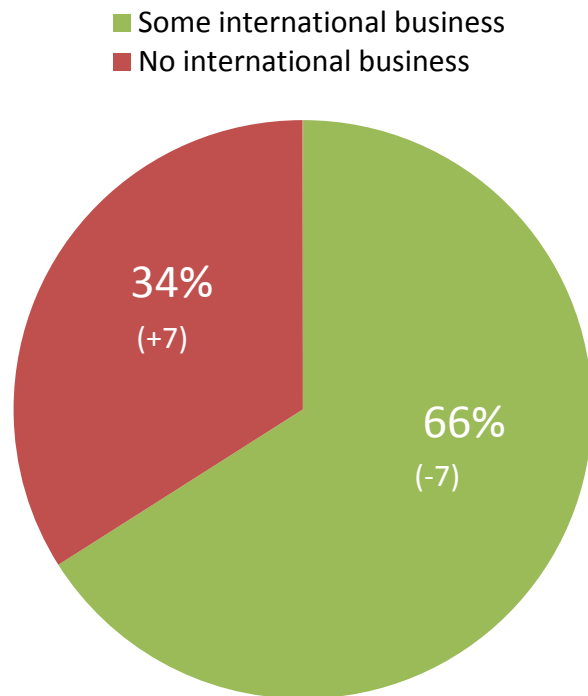
Keeping down business costs and overheads (e.g. property, wages, suppliers)	32% (-6)
Threat from established competitors	31% (+2)
Cost of raw materials and other 'input' costs e.g. energy	31% (-8)
Current economic environment	30% (-6)
Competing against larger companies for talent	29% (-4)

# Growth prospects – a changing and strengthening picture





# Export Activity across the UK mid-market



## Top 5 Exporting Industries



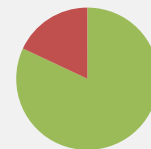
85%  
Professional  
activities



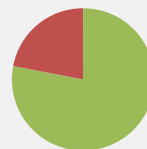
75%  
Administrative  
activities



82%  
IT and  
communications



70%  
Financial  
& Insurance

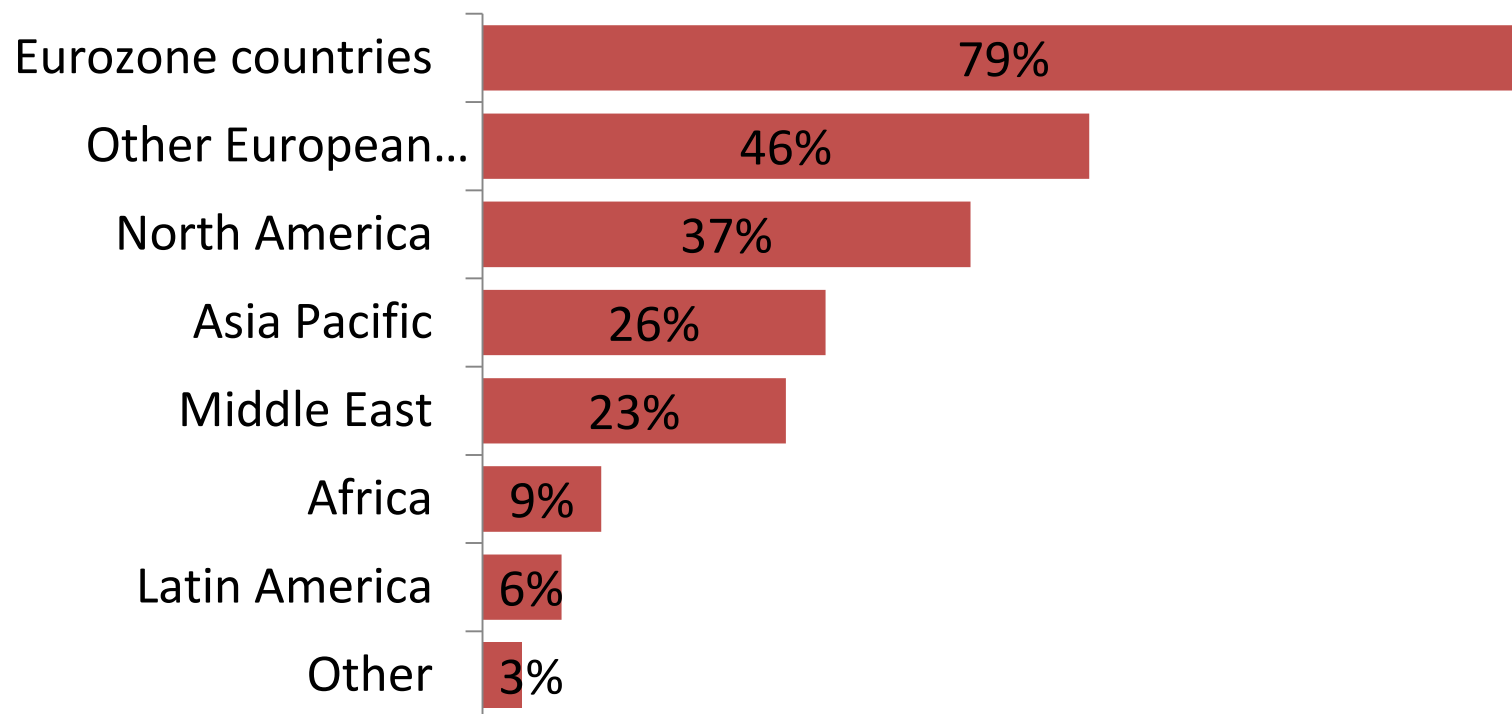


80%  
Manufacturing

- Around Two thirds of MM firms export with professional services firms being the most likely to, followed by ICT then manufacturing

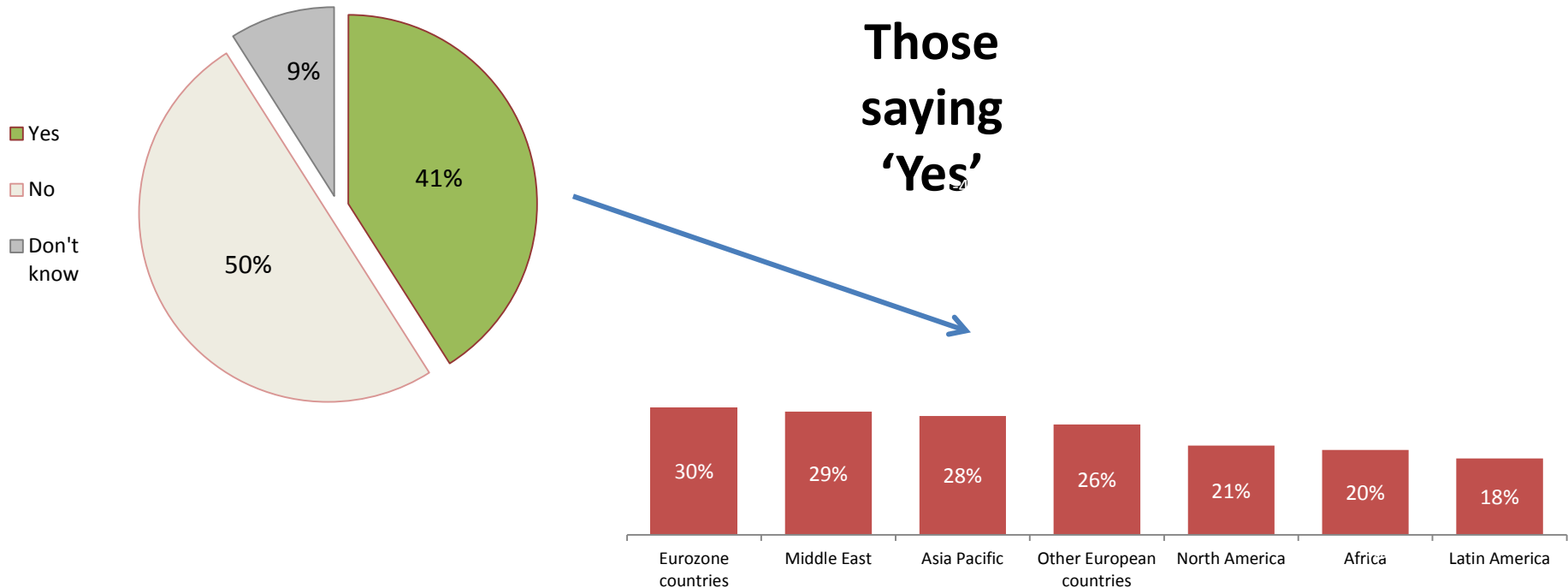
# Top Three Export Markets for UK mid-market firms

- The Eurozone remains among the top three export markets for the vast majority of exporters...



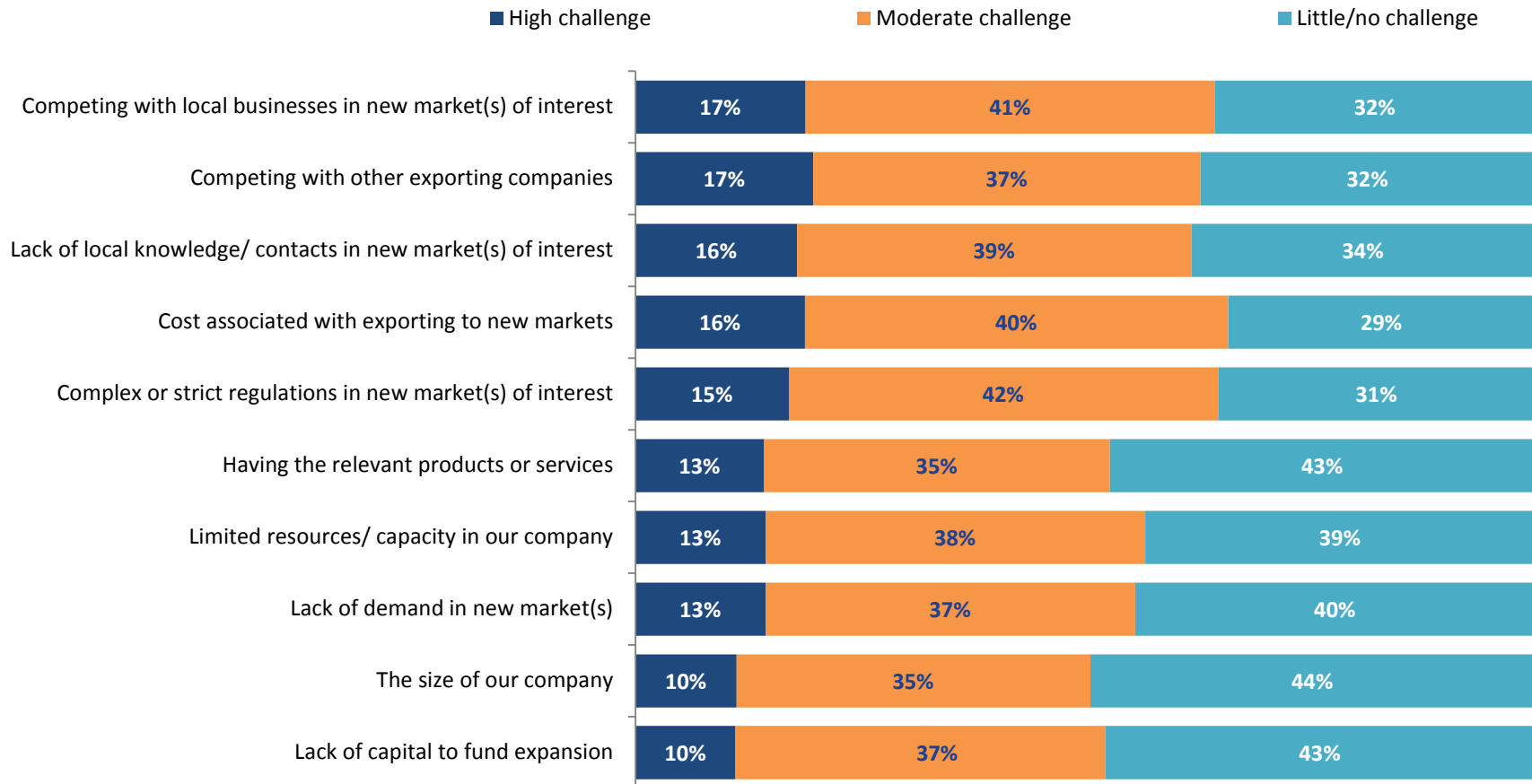
# And the appetite for new markets .....

- Around half of the UK Mid-Market firms are looking to expand into new markets .....



# Export Challenges for mid-market firms

- Competitor businesses, both local and international, are considered the biggest challenge to firms looking to export to new markets. Information , costs and regulations are also important...

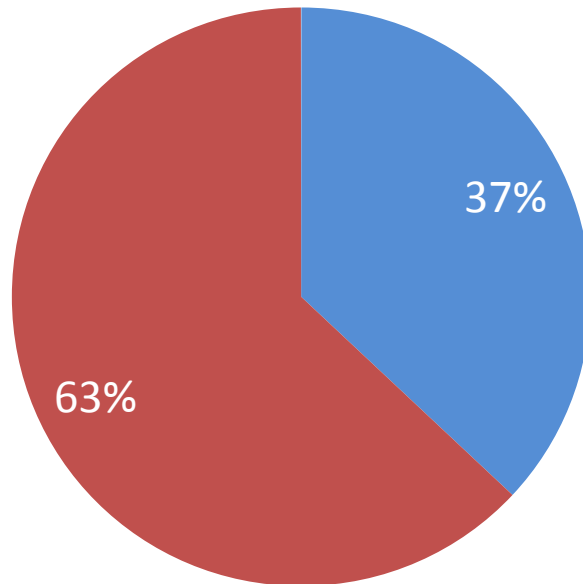


# MM focus on China

# Presence / Interests in China

- Just over a third of UK Mid-Market firms have interests or a presence in China. IT and Communication firms are most likely to have a presence there....

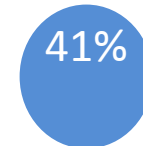
■ Presence in China ■ No presence in China



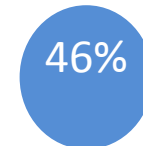
**Germany**



**France**

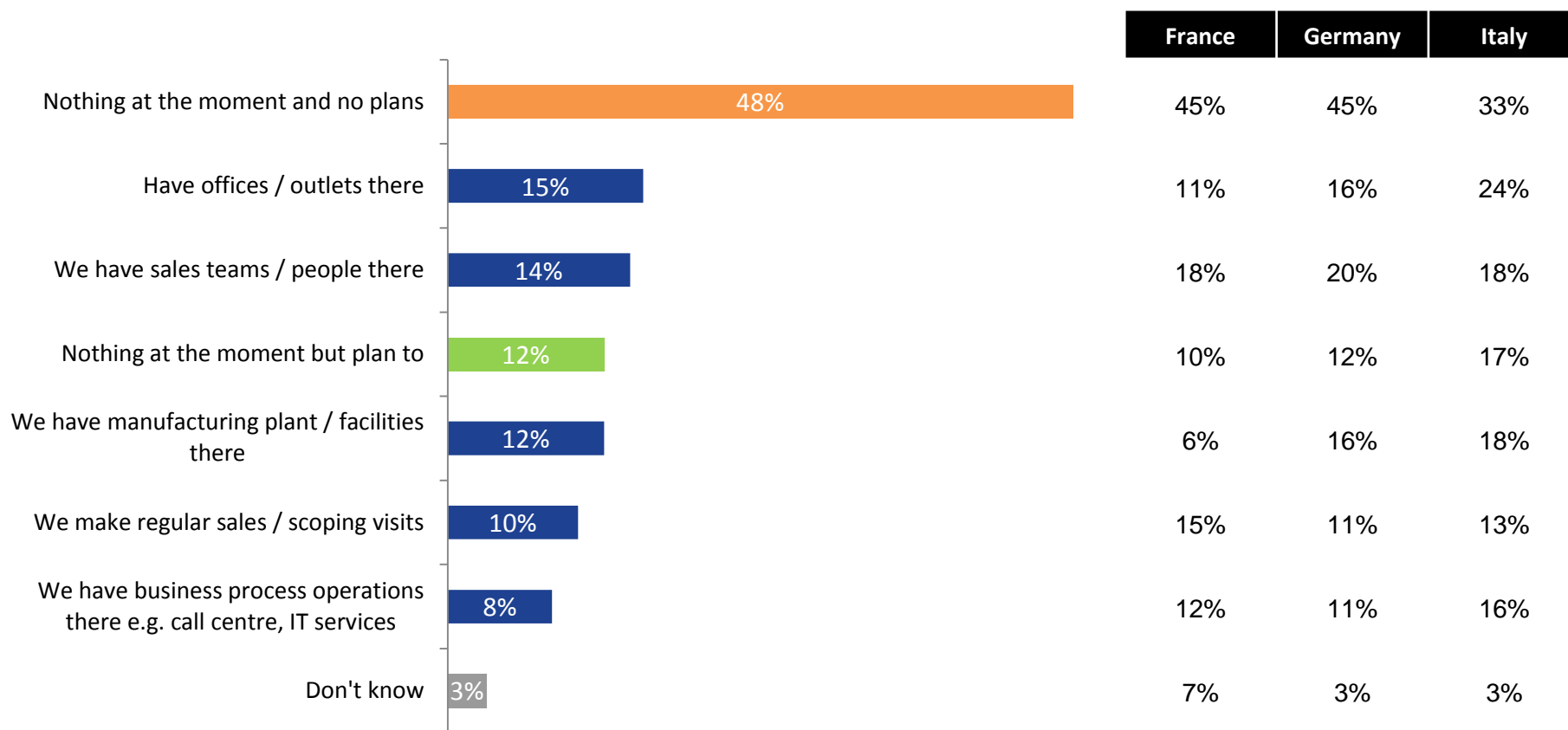


**Italy**



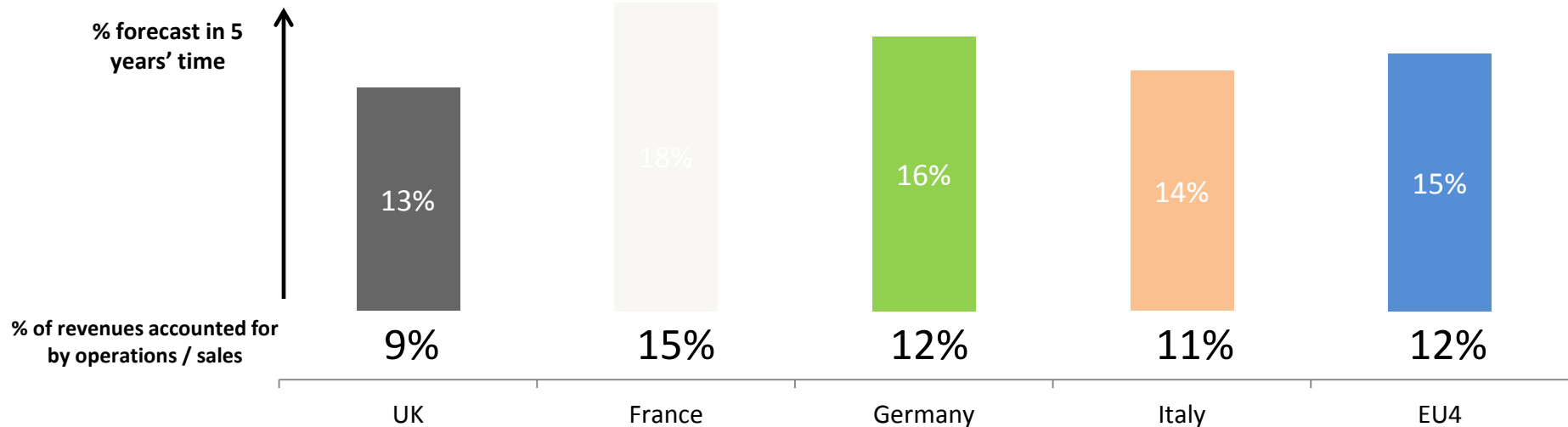
# Operational Activity in China

- UK MM businesses have a lower level of 'enthusiasm' for the Chinese market than elsewhere in the EU4; nearly half do not do business there and have no plans to do so
- One in eight MM firms not currently active in China plan to take steps towards it



# Current Revenue Share and Forecasts

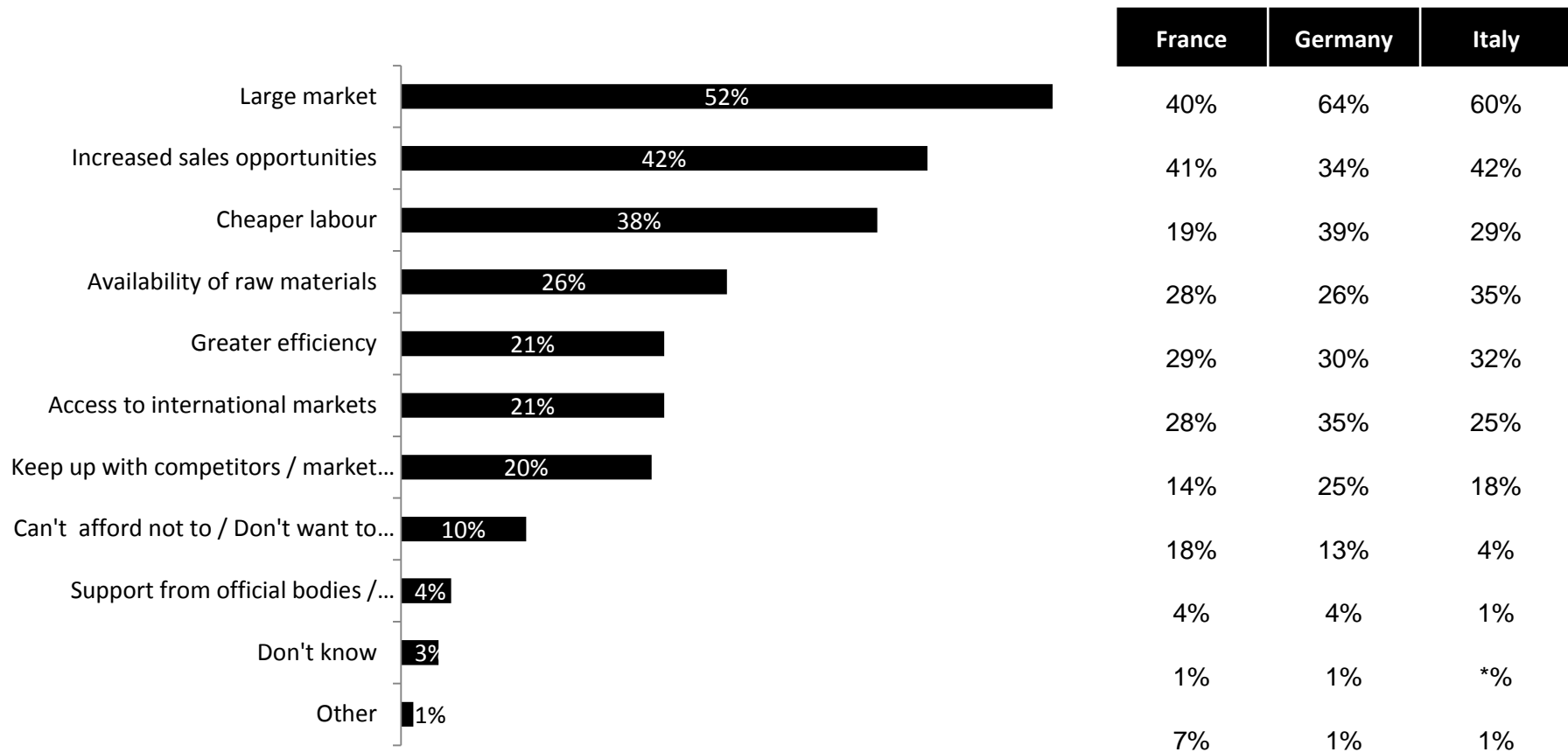
- China accounts for 9% of all revenues for UK MM firms with interests / operations in the market; this is expected to increase to 13% in five years' time
- The figures for the UK tend to be a little lower than those seen elsewhere





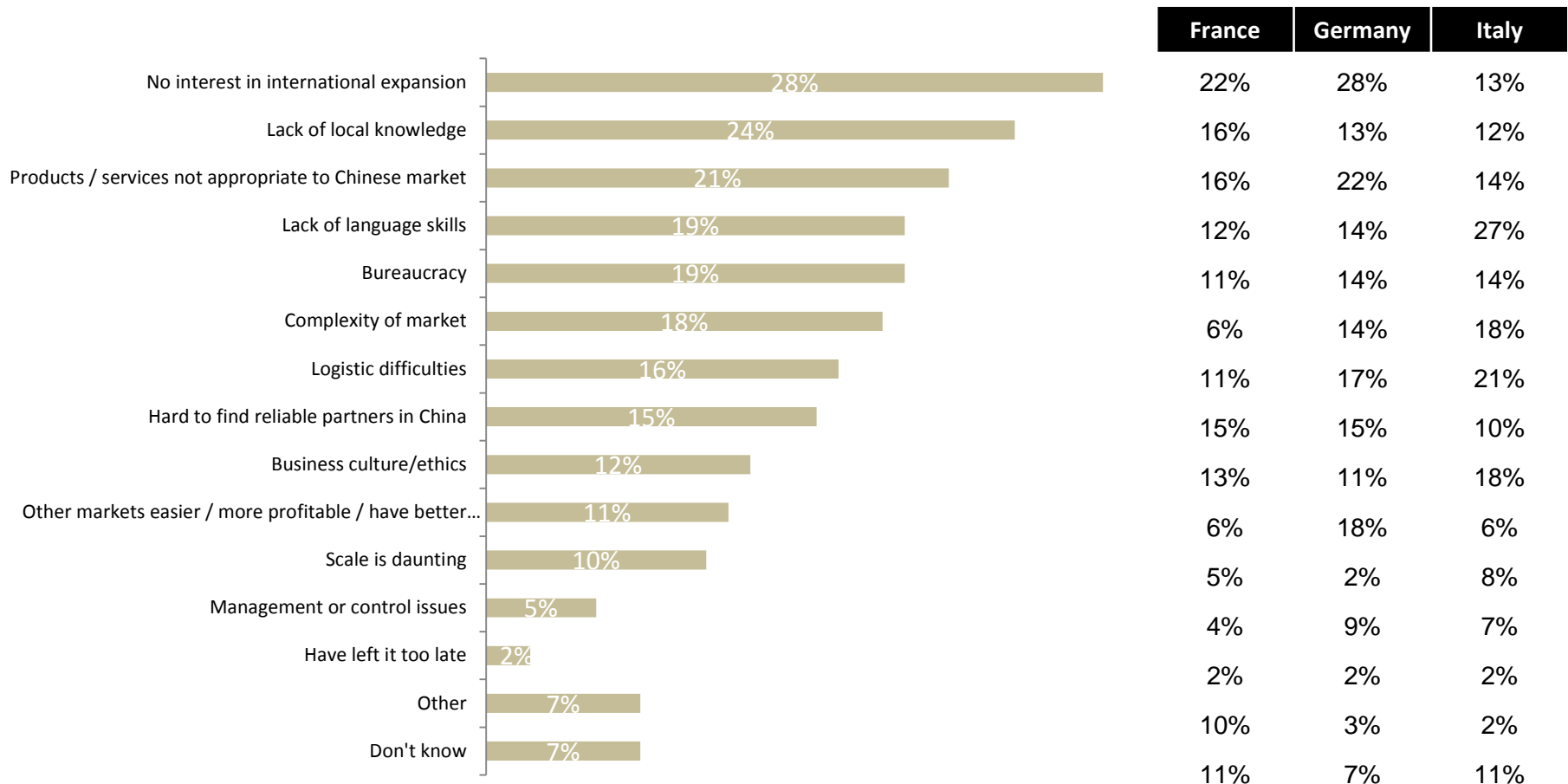
# Reasons for operating in China

- Market / sales potential are the main reason UK MM firms establish a presence in China. The next three biggest reasons are operational, implying perhaps that “selling to China” is more of a priority than “making in China”



# Reasons for avoiding operating in China

- A general lack of interest in international expansion is the biggest reasons for firms not wanting to invest in China. Following this is a lack of orientation or focus within the firms, related to product offering and a lack of knowledge



# Final remarks

- UK MM firms have demonstrated impressive growth over the last few years matching Germany in terms of sales
- Challenges remain particularly around skills
- Exporters face tough competition and barriers related to market information, costs and dealing with regulation
- In terms of China our MM presence lags that of our EU competitors marginally. Lack of local knowledge is a key inhibitor to accessing the Chinese market
- Both in terms of exporting generally and China more specifically UKTI and UKEF can help!