A man with short brown hair and a slight smile, wearing a dark blue jacket over a plaid shirt, stands in front of yellow industrial machinery. The background is dark and out of focus.

Powered by people and technology

The owner managed business view in 2018

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Survey details

To gather the data for this report, we conducted an online survey of OMBs between 1 November 2017 and 12 January 2018. We analysed 653 responses drawn from across all sectors throughout the UK. Respondents were senior leaders within their businesses – primarily founders and owners, chief executives and managing directors, or other high-level directors. We also conducted in-depth interviews with the leaders of a number of OMBs to learn more about their experiences of 2017, their expectations for and concerns about 2018, and the strategies they aim to apply in their businesses.

Foreword



Mark Lamb

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Contrary to some expectations, 2017 didn't turn out to be a year of economic or business catastrophe. GDP growth remained solid if unexciting, and unemployment reached a record low. On the other hand, inflation has been creeping up and productivity growth slowed down. In addition, the Autumn Budget 2017 contained a range of announcements that will affect the self-employed and small business owners through the coming years.

So how did owners managed businesses (OMBs) perform in 2017? Our fifth OMB survey reveals remarkable resilience, with many OMBs performing better than expected last year. Also encouragingly, OMB confidence in the short-term future has bounced back, with business owners working towards achieving their revenue and profit targets. What's not clear is whether this is the calm before the storm of 2019, when the UK will finally leave the European Union on whatever terms we end up agreeing.

The UK economy is certainly the major concern for the OMBs we surveyed – and a much bigger concern than last year. Brexit is clearly a factor here. If we're going to suffer lower economic growth in UK as a whole – and in some regions in particular, according to a leaked government study – OMBs have good cause to be concerned.

A more concrete and ongoing challenge facing OMBs concerns the UK's skills gap. OMBs are recruiting hard to find the right people, as well as investing in developing the skills of their existing teams. Some are seeing the benefits of establishing apprenticeships, developing loyal staff with the skills they need. Relatively low take-up, however, suggests the current scheme is failing fully to meet OMB needs.

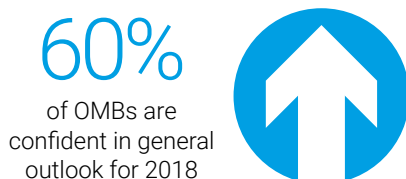
If businesses need talent to succeed, they also increasingly need sound technology. In this digital era, OMBs must adopt new technologies if they are to remain competitive. Thankfully, our research shows that OMBs are far more likely to see advances in technology, including automation and in some cases, robotics, as an opportunity rather than a threat. They are investing in technology to keep up with or stay ahead of the competition, which must be good news for the UK economy as a whole.

I would like to thank all the OMBs who took part in our survey, and particularly those who agreed to be interviewed. Sharing experiences is important if the needs of OMBs are to be understood and addressed.

Executive summary

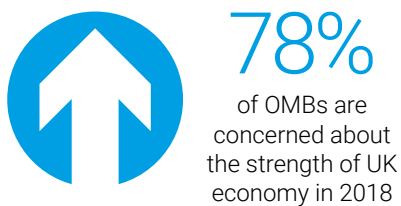
Many OMBs have substantial concerns about the UK economy and Brexit, but they are investing in staff development and see opportunities from adopting new technology.

Confidence for 2018:



- After last year's drop, OMBs' confidence in the general outlook (60%) and their ability to meet revenue (71%) and profit (64%) targets for 2018 has stabilised.
- 40% of OMBs performed better than expected in 2017 against their revenue and profit targets – equalling last year's result.
- Concern about the strength of the UK economy has increased dramatically – up to 78% (from 68% last year) – and 51% of OMBs are concerned about the impact of Brexit negotiations on their business.

Concerns for 2018:



- In terms of leaving the EU, OMBs are most worried about the introduction of tariffs (38%) and a shortage of EU labour (31%) – and 33% have no concerns about leaving the EU.
- With 41% of OMBs concerned about a shortage of skilled staff, many plan to invest in staff training (51%). Expanding the UK customer base is also a popular strategy (50%), alongside developing (38%) and launching (37%) new products or services.
- 61% of OMBs plan to address any skills gaps by training up internal teams. OMBs see most need to invest in training to develop digital skills (48%), as well as skills in sales and marketing (45%) and leadership and management (43%).
- Most OMBs (54%) see advances in technology (e.g. automation, robotics, machine learning) as a medium to long-term opportunity – although 22% view it as an immediate opportunity for their business.
- Only 13% of OMBs plan to address skills gap by using funds from the Apprenticeship Levy – and only 15% have a strategic plan to create apprenticeships in 2018. Is the Government's apprenticeship focus failing to meet OMB needs?

OMB confidence stabilises in 2018

Ongoing uncertainty about the UK's Brexit deal is still affecting OMB confidence in the future, although the position has stabilised.



Perhaps because of political and Brexit-related uncertainties, people seem to be concerned about the strength of the UK economy, but many of the indicators are that the UK is set for a period of reliable growth over the next few years – it may not be exciting growth, but it's reliable. We should all be less anxious and more optimistic.

Gareth Magee
Partner, Moore Stephens Scotland

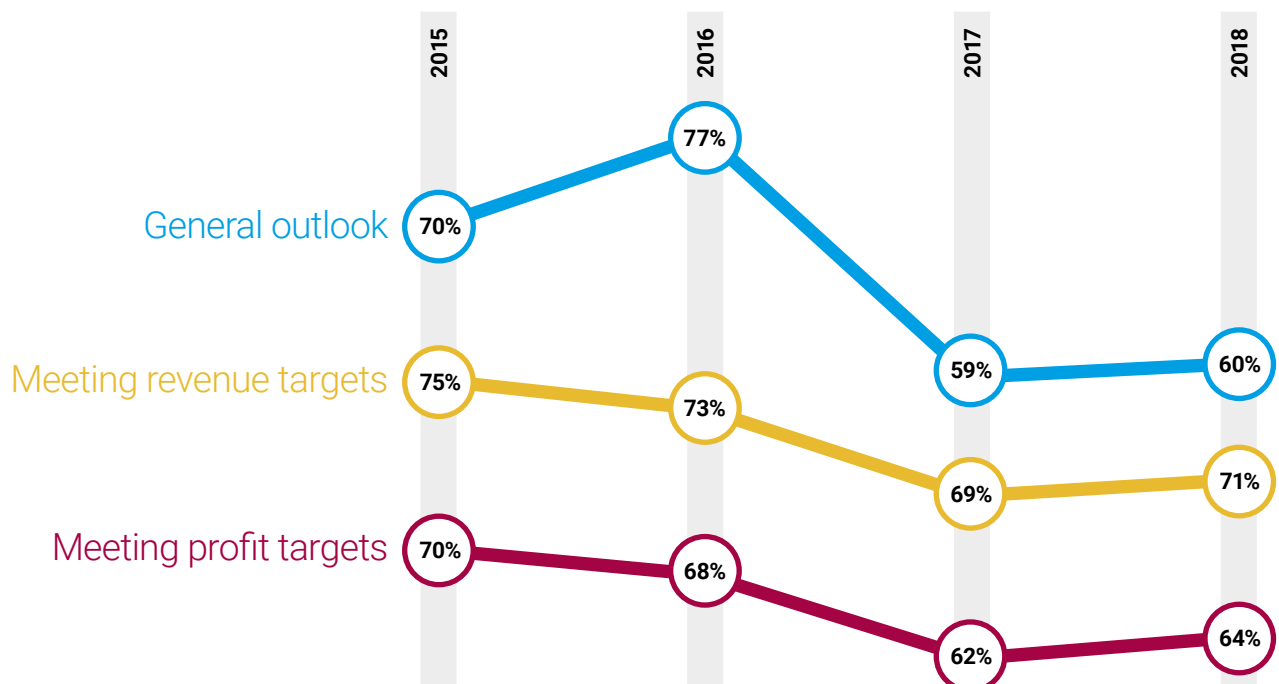
Confidence levels among OMBs have changed little over the last 12 months. Among the businesses we surveyed, 60% are confident about the general outlook for 2018 (compared to 59% last year – our first OMB report following the June 2016 Brexit referendum). Although more stable, OMB confidence remains significantly lower than in earlier years (particularly 2016).

OMBs based in the North West are particularly confident about the general outlook for 2018 (77%), followed by businesses in Northern Ireland (69%). However, there is far less optimism in the West Midlands (56% of OMBs expressing confidence in the general outlook), South East (55%) and particularly the East Midlands (49%). OMBs in technology and telecoms (75%) and the manufacturing and engineering sector (64%) are most likely to be confident about the general outlook for 2018.

Survey participants are relatively upbeat about hitting key performance indicators for 2018, particularly revenue targets – 71% are very or somewhat confident about achieving their goals (including a striking 82% of technology and telecoms OMBs).



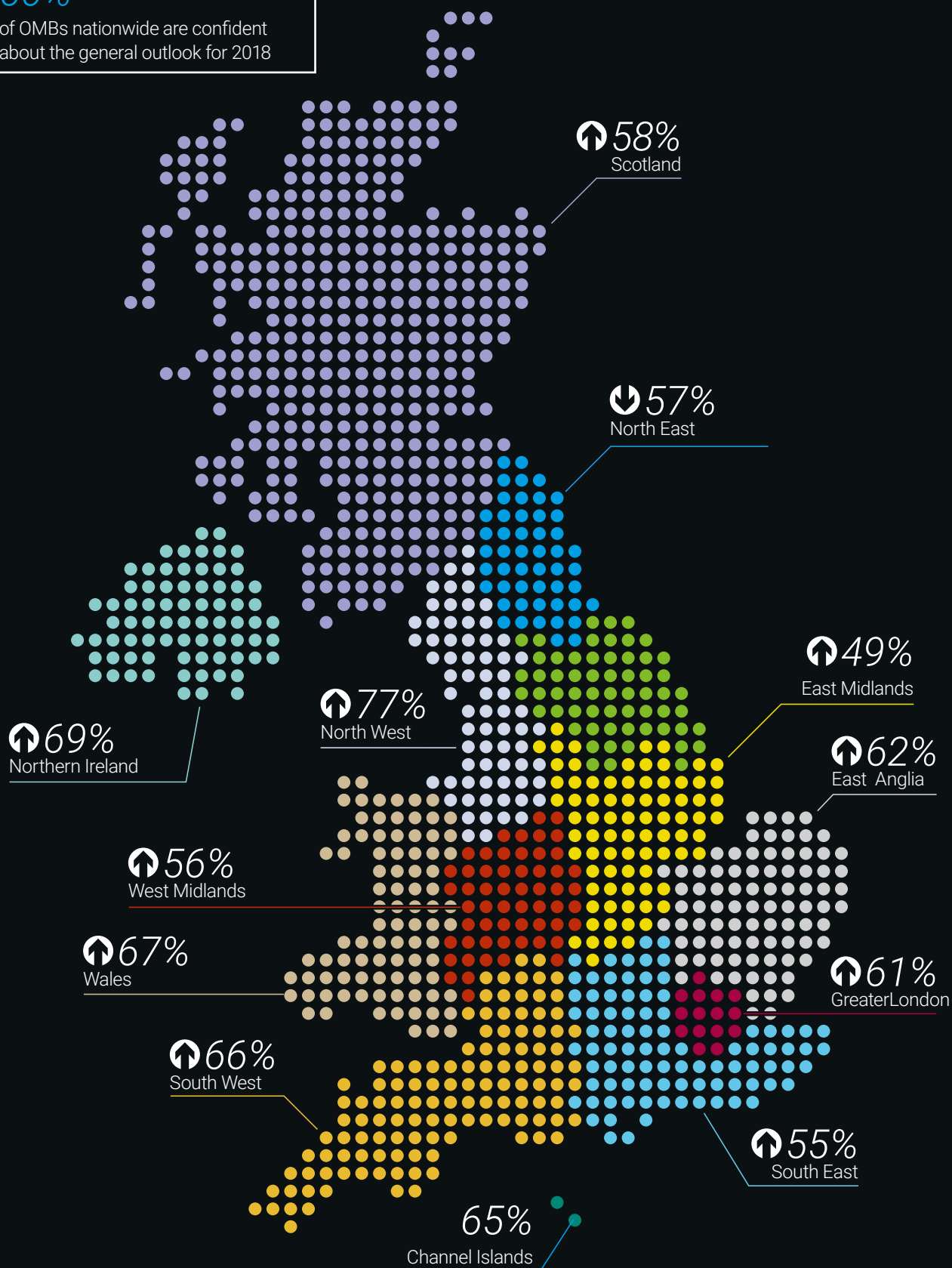
Confidence in 2018



Regional confidence in 2018

60%

of OMBs nationwide are confident about the general outlook for 2018



Encouraging results in 2017

For most OMBs last year, business performance was as expected or better than expected, demonstrating continued resilience despite uncertain times.



It's encouraging that as many as 40% of OMBs performed better than expected in 2017. That reflects what I am seeing with my clients. The mood in the media is more negative than I tend to find when talking to business people. They tend to be more confident and bullish – and they are busy, with strong order books.

Ashley Conway
Partner, Moore Stephens Stoke

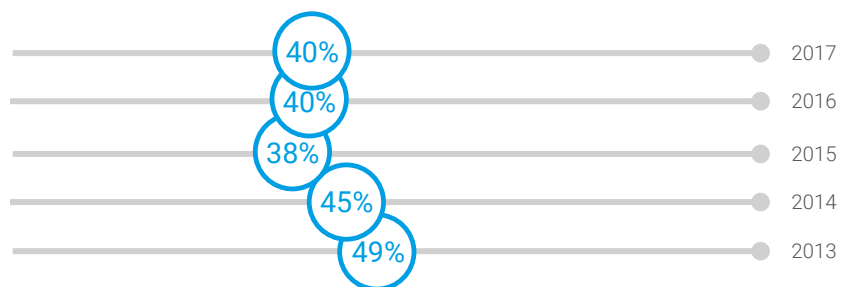
40% of OMBs say their business performed somewhat or much better than expected in 2017 in relation to their revenue and profit targets – the same result as last year.

From a regional perspective, OMBs in the North West were particularly likely to have exceeded their expectations for 2017 (62%), but the national average of 40% was also beaten by OMBs in East Anglia (46%), the West Midlands (46%), South West (45%), Channel Islands (45%), North East (43%) and Northern Ireland (41%).

OMBs were less likely to report better than expected performance if based in Scotland (38%), the South East (37%), Greater London (32%) and the East Midlands (28%). OMBs in the manufacturing and engineering, professional practices, and retail and wholesale sectors were most likely to have exceeded expectations (43% in each sector).

Across all OMBs surveyed, 43% performed as expected in 2017, but a significant minority (17%) say their business performed worse than expected (an improvement from the 20% last year). Manufacturing and engineering OMBs were among those most likely to have under-performed (23%), alongside those in technology and telecoms (23%).

Business performance in 2017 - Better than expected



Business performance in 2017 - Worse than expected





Wealmoor: diversifying to maintain growth



Traditional bricks and mortar grocers are having a hard time with high overheads and aggressive competition. We have to diversify our customer base to make sure we achieve growth through new trends in food service, online and the smaller, agile independent retailers.

Our research shows that health is really a given for consumers as far as fresh produce is concerned. It is how we bring our exciting products to market and how we offer further inspiration and joy which is key.

Leena Malde
Executive Chair, Wealmoor



In business since 1973, Wealmoor grows, sources and delivers top quality fresh produce, primarily serving leading UK retailers such as Waitrose, Sainsbury's, Tesco and Asda, as well as food services companies and wholesale suppliers. The company employs up to 1,000 employees at peak periods and has two bases: Greenford in Middlesex, which focuses on airfreight perishables, and a fruit and sea freight handling site near Stratford-upon-Avon that significantly supports growers in the Heart of England.

"We supply the more diverse range of fresh produce from around the world which delivers on taste, quality and value" says Leena Malde, Executive Chair of Wealmoor. "Consumers increasingly want to eat finest restaurant quality ingredients in the everyday kitchen so our products shouldn't suffer any decline in consumption." However, the major retailers have cut back on promotional activity, which has had an impact: Wealmoor saw a modest increase in revenues in 2017, despite a past track record of growth.

This experience will influence the company's strategy in 2018. "Traditional bricks and mortar grocers are having a hard time with high overheads and aggressive competition, so we have to modify ourselves to align with varied market segments," Malde says. "We have to diversify our customer base to make sure we achieve growth through new trends in food service, online and the smaller, agile independent retailers."

In addition, the business is looking to invest in robotics and additional automation to improve its process engineering in order to control costs and combat tightening labour supply. Wealmoor works closely with growers in the UK and internationally, and is continually looking for ways for growers to do more of the added-value activity in creating a finished, packed product. "Increasingly, as product lines become stable and commoditised we actively promote value engineering from source for the benefit of everyone," Malde says. "There is a particular benefit in trying to add more value overseas through value creation, which not only promotes food sustainability but also combats any increase in cost."

Looking ahead, Wealmoor will be keeping a close eye on consumer behaviour to guide its new product development. "Sustainability is at the heart of everything we do and this will be actively promoted alongside taste, quality and value. This experience will far outweigh any concern for increase in cost."



www.wealmoor.co.uk

Economic and business concerns in 2018

Domestic issues continue to dominate OMBs' economic concerns, with the fall-out from Brexit negotiations and staff shortages being their main business worries.



There's a real concern, no doubt enhanced by the uncertainty around Brexit, on the issue of attracting and retaining skilled staff.

A consistent theme, from both this and our previous reports, is that OMBs are tackling the skills shortage by investing in staff training and developing the people they need to keep growing their business.

Sue Lucas
Partner, Moore Stephens South

Concern about the strength of the UK economy has increased dramatically, identified by 78% of OMBs (up from 68% last year) – but only 28% are anxious about the strength of the global economy (down from 43%). Ongoing uncertainty about Brexit is worrying many OMBs, resulting in a strong domestic focus. However, respondents generally appear to have adjusted to the fall in the pound, with 34% now concerned about fluctuations in exchange rates (down from 48% last year).

The risk of rising interest rates is a worry to 30% of OMBs – another domestic issue. Similarly, OMBs are more concerned about domestic than international competition (39% and 10% respectively).

When asked about their business concerns, the impact of Brexit negotiations on their business is the top issue for OMBs (identified by 51%). Brexit is a concern even for OMBs that don't trade with EU countries. "We don't import or export so there's no direct impact of Brexit on us," says Alan Patrick, financial partner of chartered surveyors DM Hall. "It's more the indirect impact that concerns me – whether there's a migration of jobs out of the UK with the result that household spending goes down, people don't make their mortgage payments and we have a 'correction' in the economy. The volume of work for us might drop."



Ranked second among OMB business concerns is a shortage of skilled staff (identified by 41% – a similar result to the 43% last year). Concern about access to talent existed even before the 2016 Brexit referendum, and remains fairly consistent year-on-year. One means to address this is through training-up internal talent (see page 20).

Issues related to technology feature highly amid business concerns: 29% of OMBs are concerned about the threat of cyber-attack or data breach and 27% are worried about keeping pace with and/or adopting new technologies.

Other tax-related concerns are notable, including extracting profits from the business (28%), increasing business tax rates (27%), increasing business rates (26%), and increasing income tax rates (24%).

'Red tape' is a perennial challenge for OMBs. This year 27% express concern about regulation in their sector and 24% are worried about complying with the EU General Data Protection Regulation (GDPR), which is effective from May 2018 and has a significant impact on the collection, use and maintenance of personal data.

Economic and business concerns in 2018

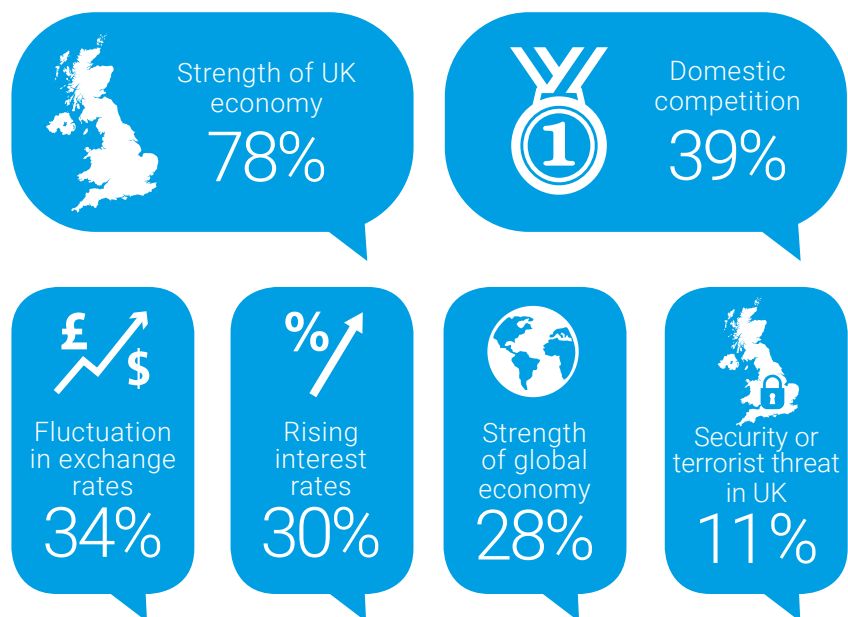


OMBs are genuinely worried about the impact improvements in technology will have on their sector and business – whether they will be replaced, or left behind, and whether they can afford to invest to keep pace.

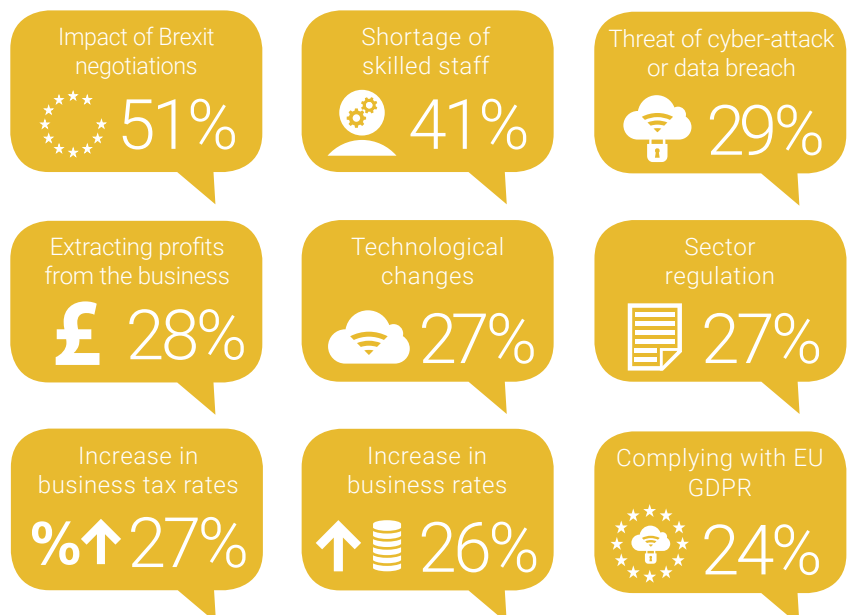
Technology is moving so fast and everyone is aware of it.

Suk Aulak
Partner, Moore Stephens Birmingham

Economic concerns:



Business concerns:



DM Hall: driving efficiency through technology and training



We are looking at where technology can make our business practices and processes more efficient. People are now accepting a level of uncertainty and are cracking on with what they wanted to do anyway. So I think we will see similar trading conditions through 2018, but 2019 might be different.

Alan Patrick
Financial Partner, DM Hall



Founded in 1897, DM Hall is a long-established firm of chartered surveyors with 26 offices across Scotland employing over 230 staff. Alongside its core service providing home reports and valuations to sellers of residential properties, the firm also delivers a range of other residential, commercial and specialist services.

In 2017 the firm performed slightly better than anticipated, and 2018 is expected to deliver similar results. Alan Patrick, DM Hall's financial partner, thinks people have decided they can't further delay decisions while the Brexit position is clarified. "People are now accepting a level of uncertainty and are cracking on with what they wanted to do anyway," he says. "So I think we will see similar trading conditions through 2018, but 2019 might be different." That could be for better or worse, depending on the Brexit deal.

DM Hall's strategy for 2018 will be focused on strengthening core services, expanding peripheral services and achieving operational efficiencies. "There's a lot of pressure on price at the moment, so our focus next year will be on driving costs down, which will mean implementing technology," Patrick says. "We are looking at where technology can make our business practices and processes more efficient." Investment will particularly focus on customer-facing activities, such as document management systems to help surveyors deliver more efficient services and provide reports in the format customers want.

Finding experienced qualified staff is "very difficult", Patrick says. "People with a few years' experience are harder to find [than newly qualified surveyors]. This goes back to the last recession, when a lot of youngsters decided not to go into property. We also need people who know the local market, so you can't just move someone from Glasgow to Aberdeen." The firm has a track record of training its own professional staff, however. "We are a quality organisation so we like to train people our way and get them to be good surveyors," Patrick says. "We take on some graduates each year and will also be exploring the potential of the Apprenticeship Levy to see what opportunities it offers."



www.dmhall.co.uk





Brexit: how will negotiations impact OMBs

How Brexit negotiations are being handled remains an issue for OMBs – with many expressing concern at potential outcomes such as tariffs on goods and services.



Since the Brexit referendum, we've seen an increase in OMBs approaching us for advice on the risks and opportunities of setting up operations in Europe – particularly those in the financial services and technology sectors.

Some clients are contemplating whether they want a small sales office or business over in continental Europe – providing it doesn't cost a huge amount to set up.

Suk Aulak
Partner, Moore Stephens Birmingham

Around half of all survey respondents (49%) feel the Government is not listening to the concerns of SMEs in their negotiations with the EU – only 6% feel able to say without hesitation that the Government is listening.

When asked about the aspects of leaving the EU that concern them the most, the introduction of tariffs is the top worry (identified by 38%), followed by a shortage of EU labour (31%), loss of European customers (23%) and loss of EU grants and subsidies (18%). Only a third (33%) of all OMBs surveyed have no worries about leaving the EU.

OMBs also refer to factors such as the uncertainty about the Brexit deal, loss of business confidence, the risk of an economic downturn, the difficulty of planning ahead, the problems caused by investment decisions being put on hold and reduced discretionary spending affecting the revenues of support services.

One technology OMB, for whom the majority of their business is trading with the EU, is expecting to spend most of 2018 preparing for "Brexit side-effects" and planning to be able to continue trading with the EU from the UK. This business owner feels that the UK Government has spent "more time with internal fights than focusing on the business side of things post Brexit". Another retail and wholesale business comments: "Uncertainty is the killer."



However, some OMBs are more upbeat about life since the referendum and ultimately post-Brexit, urging the Government to push ahead with leaving the EU. One manufacturing and engineering OMB says: "Business has improved since the decision to leave the European community. My customers are only interested the bottom line." One financial services OMB says: "If the Government finally gets on with negotiations, I am confident that the UK will prosper after Brexit." Some OMBs think the UK's position in the long-term could be improved by leaving the EU, but that the short-term period could be painful.

Brexit: how will negotiations impact OMBs

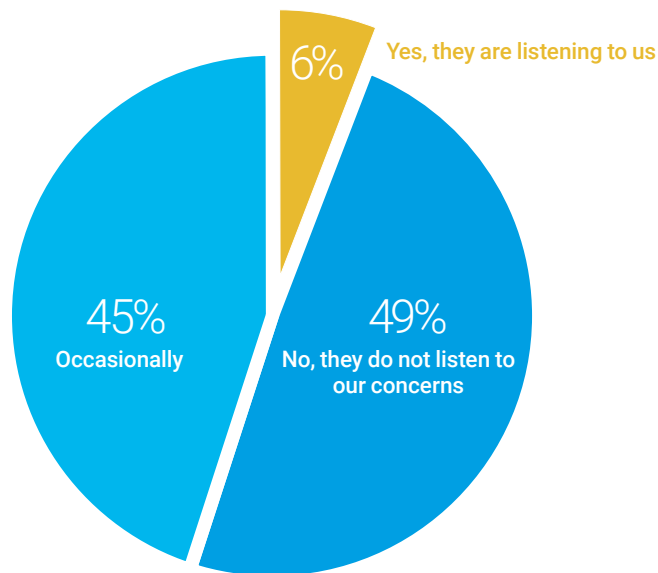


It's clear that OMBs are looking for clarity around the terms of the UK's departure from the EU.

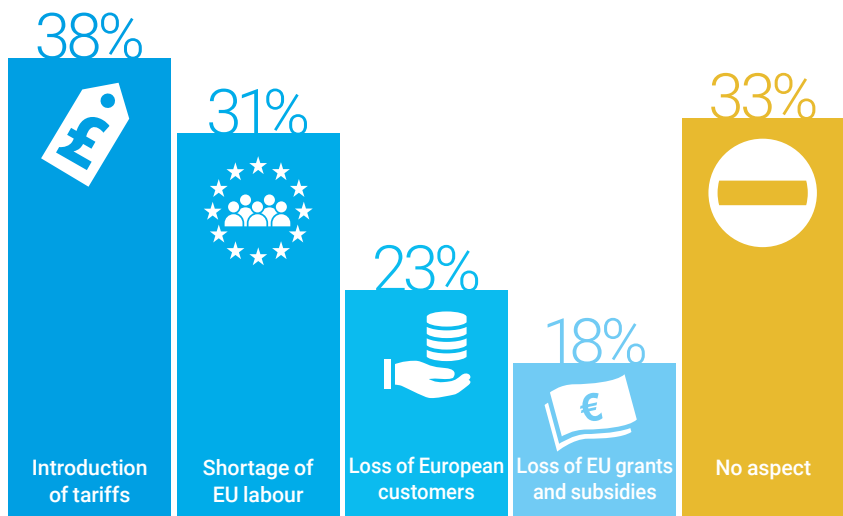
While the low pound might make UK products cheaper for overseas buyers now, the introduction of tariffs could have a significant negative impact – so uncertainty around this might be holding OMBs back.

Sue Lucas
Partner, Moore Stephens South

Do you think the Government is taking into account the concerns of small and medium size businesses in their negotiations with the EU?



What aspect of leaving the EU concerns you most?



Strategic commitment to business development

OMBs continue to push for growth, primarily by investing in their own staff and expanding their domestic customer base.



Many OMBs are looking for growth. There is some apprehension about undertaking major projects that will require a lot of finance, but if an investment is right for the business now, then why would you not do it?

Chris Goodwin
Partner, Moore Stephens South

A recurring theme is OMBs' strong commitment to investing in their business, particularly in their people. Just over half (51%) of survey respondents plan to invest in staff training in 2018 – an increase of seven percentage points from last year. This means that staff training is the top strategic priority for 2018 – a finding we explore further on page 20.

Although our survey found substantial concern about the strength of the UK economy, half of our survey respondents plan to expand their UK customer base in 2018 (almost the same result as the 51% last year). Few OMBs intend to do this by opening new UK sites or offices, however (just 6% of all OMBs).

Whether building sales at home or abroad, OMBs recognise the need to innovate in 2018, whether through developing new products or services (38%) or launching them (37%).



A third (33%) of OMBs plan to invest in new technology or IT systems – a similar result to that in last year's survey (31%). Investing in technology is widely seen as a way to improve service delivery, internal operational efficiency or both. As our report discusses later, OMBs have a generally positive view of technology and what it can do for the business. It's also notable that although only 7% of respondents plan to grow their business through acquisition, 12% say they will be raising external finance in 2018. This suggests that some substantial internal investment, whether in technology, operations, product development or other key drivers of future success.

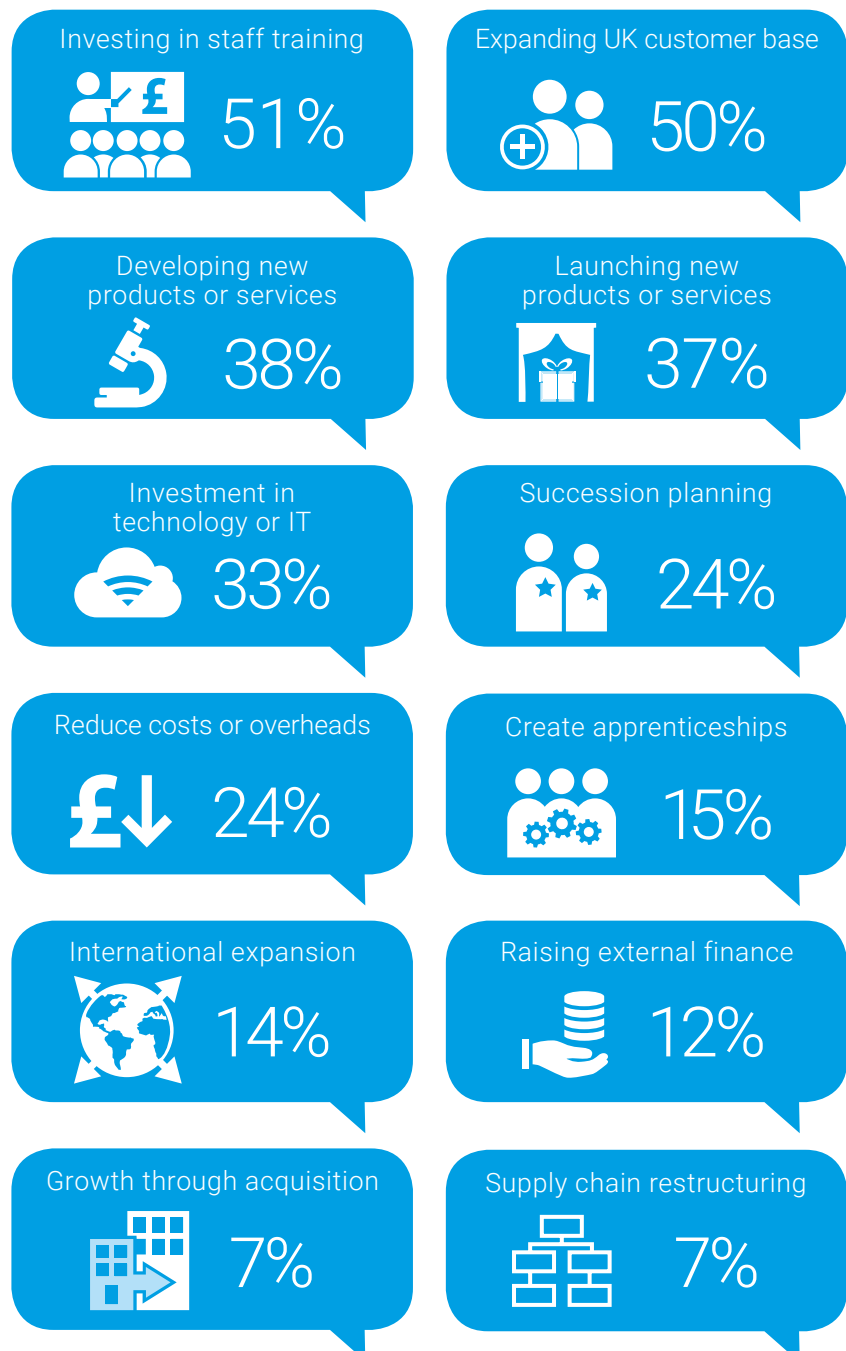
Succession planning is on the agenda for 24% of OMBs this year, but only 5% are looking to sell their business – are OMBs aware of the options available such as trade sales, management buy-outs (MBO) or vendor initiated management buy-outs (VIMBO).

This year 24% of respondents plan to cut costs – the same percentage as last year – but only 7% will be looking at supply chain restructuring (down from 10%). Reviewing supply chains can be one way to find efficiencies, while also responding to changing environments (such as exchange rates or trading conditions).

Strategies OMBs are certain or very likely to implement in 2018:

Many OMBs are worried about the strength of the UK economy – yet our report finds that just half of OMBs are looking to expand their UK customer base, while relatively few are looking to export and internationalise to mitigate some of the UK economy risks. Perhaps some OMBs are not thinking globally enough as a mitigation strategy.

Sarah Friend
Partner, Moore Stephens Reading



Mace: developing people and technology for sustainable growth



Productivity in the construction industry has not moved forward for 20 years. Investment in technology that can achieve economies of scale and reduce some manual working – and in innovation in how we do things differently in order to be more productive – can make us more competitive and improve margins in the long term.

But we link our investment in technology, innovation and people together. If you get good people, who are well trained, give them the right tools and then add a sprinkling of innovation, that's hopefully the right recipe going forward.

Dennis Hone
Group Finance Director
Mace Group



Having achieved profitable results for 27 consecutive years, construction business Mace now employs over 5,000 people and generates total revenues of around £2 billion. Still an owner-managed and led business, the group is active in development, construction, consultancy and facilities management. Although its construction activities are mainly focused on London and the South East (including building Tottenham Hotspur's new ground), Mace generated international revenues of over £550 million last year from a range of activities, including project management for Expo 2020 in Dubai and building data centres for Facebook and Microsoft in Europe.

The group has a strong order book for 2018, but Dennis Hone, Group Finance Director, has some concerns about the strength of the UK economy from 2019 and the construction sector, which may be nearing the top of its latest cycle. Nevertheless, he says: "We are looking for sustainable growth and to create long-term jobs. That means we look for framework agreements that last many years and larger construction projects that will last three to four years. We want to be selective and ensure contracts have reasonable margins and longevity."

Mace is investing in three core areas: people, innovation and technology. "Productivity in the construction industry has not moved forward for 20 years," Hone says, also referring to the sector's low margins. "Investment in systems that can achieve economies of scale and reduce some manual working – and in innovation in how we do things differently in order to be more productive – can make us more competitive and improve margins in the long term."

Mace has set up its own innovation team to look at different practices around the world. "If there are good work practices, we are interested to see if they have an application in the UK," Hone says. "But we link our investment in technology, innovation and people together. If you get good people, who are well trained, give them the right tools and then add a sprinkling of innovation, that's hopefully the right recipe going forward."



www.macegroup.com



Bridging the skills gap

With a shortage of skilled staff being OMBs' second ranked business concern – and the fact that many are worried about a shortage of EU labour after Brexit – it's encouraging that businesses are taking action.



It's good to see that 54% of OMBs are training their senior leadership team. These people lead the business and can arguably make the biggest impact, not only for individual companies, but also for the economy.

Ashley Conway
Partner, Moore Stephens Stoke

Just under half (45%) of OMBs intend to recruit new staff to fill skills gaps in their business – which suggests that competition for high-quality individuals will only intensify. Finding staff with not only the right skills and experience but also the right 'cultural fit' and behaviours is a challenge. "The way we alleviate that is we never stop recruiting. If there are good people out there, we will take them," says Gareth Jones, Joint Managing Director, In-Comm Training & and Business Services.

However, the majority (61%) of respondents plan to address any skills gaps by developing internal teams through training. Our research shows that OMBs are already investing substantially in staff development, training people at all levels in their business, from junior or entry-level staff (68%), through to middle management (56%) and up to the senior leadership team (54%).

Investing in staff training can bring a number of benefits – not only improved individual and business performance, but also enhanced staff retention. "Businesses recognise they need to provide opportunities for individuals to grow personally," says Suk Aulak, Partner, Moore Stephens Birmingham. "You don't want to lose them to competitors who offer them better opportunities to develop." As one environmental sector OMB says: "Our people are absolutely key to the overall success of our business. Continued investment in our people enables us to attract and retain the best staff."

What skills are OMBs most keen to develop through training? Technology tops the list, with 48% of surveyed seeing digital skills (including the understanding and use of technology) as an area of training and development requiring investment in their business. Sales and marketing skills come a close second (45%), reflecting many OMBs' strong focus on expanding their UK customer base. Leadership and management skills are also a high priority (43%), with many OMBs expressing a need to develop soft skills (34%), technical skills (30%) and commercial awareness (27%).

Staff groups to whom OMBs provide training and development support:

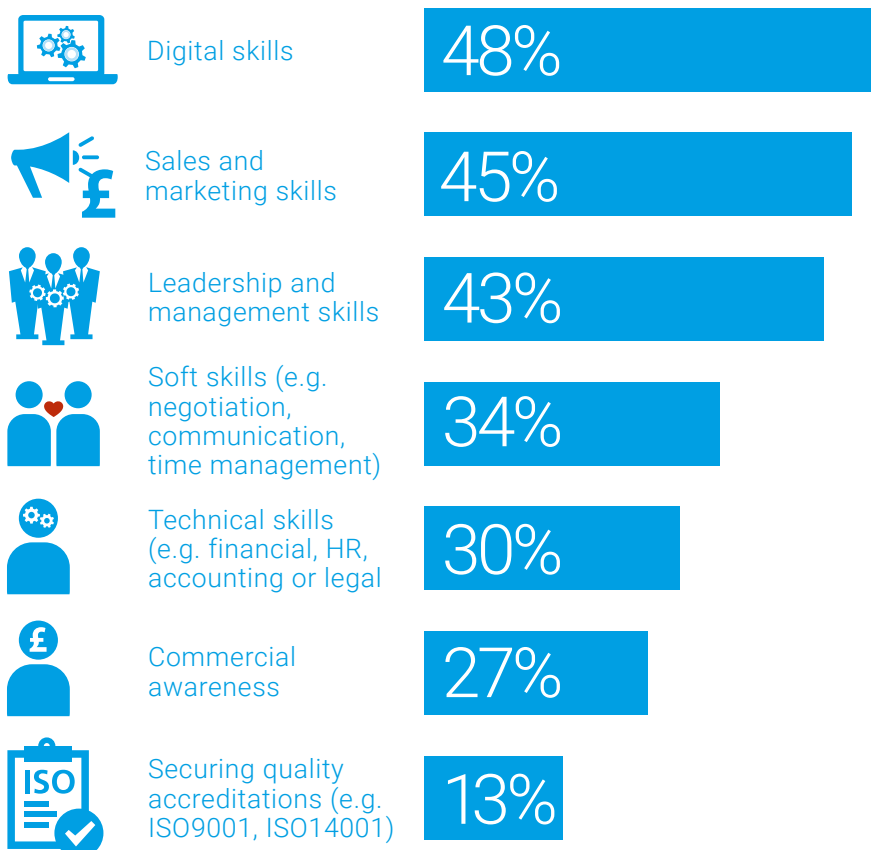


Bridging the skills gap

Areas of training or development requiring investment:

OMBs are more likely to address skills gaps through training and developing internal teams than by recruiting new staff. This may reflect the impact of leaving the EU and the shortage of technical skills coming through in the market. Developing internal teams is an understandable response.

Chris Goodwin
Partner, Moore Stephens South



Plan for addressing any skills gap within the business:





In-Comm: partnering with industry to fill the skills gap

I'm excited about the future. Employers large and small across the country are all saying the same thing – they are looking to grow but can't get the skills. So there's strong demand for our services.

Gareth Jones
Joint Managing Director
In-Comm Training & Business Services

In-Comm Training & Business Services offers qualifications, courses and consultancy in disciplines such as engineering, continuous improvement, leadership and management, quality and safety compliance. With its nerve centre in Aldridge, In-Comm also has state-of-the-art training academies in Shrewsbury (opened in September 2015) and Bridgnorth, opened in November 2017 following a £4m investment from the Marches Local Enterprise Partnership and a private sector consortium of Classic Motor Cars, Grainger & Worrall and Salop Design & Engineering.

"We now have 65,000 square foot of engineering and manufacturing training facilities across Shropshire and the Black Country," says Joint Managing Director Gareth Jones. The company, awarded 'Outstanding' status by Ofsted, is growing fast, with revenues rising by about 50% in three years and employees up from around 30 to 47 in the last 18 months.

In-Comm has developed a highly successful business model. "We open joint ventures with industry," Jones explains. Both the Shrewsbury and Bridgnorth sites are the fruits of these joint ventures and all locations are filled with the latest machinery, including robotics. "Our centres aren't only unique because we collaborate with industry, but also because we put in world-leading equipment," Jones says. "It's the same spec or even higher spec than industry is using in factories today." The result is that apprentices emerge with leading-edge skills. SMEs can also use the facilities for research and development purposes, trying out new products and processes to see if they are worth pursuing.

Apprenticeships represent about 75% of In-Comm's business and the company currently has around 450 apprentices on its books. Quality training and tuition is a key driver of success. "We only employ industry-experienced professionals," Jones says. "Anybody who teaches our programmes has come out of industry and we then teach them to be trainers, assessors and tutors." The approach is working. Almost 90% of In-Comm's apprentices complete their qualification, compared to a national average of around 67%.

In 2018, In-Comm will be completing a £1.5m extension at its Aldridge headquarters and rolling out more academies nationwide through an exciting 'technical' partnership with the Engineering Technology Group (ETG). "I'm excited about the future," Jones says. "Employers large and small across the country are all saying the same thing – they are looking to grow but can't get the skills. So there's strong demand for our services."



www.in-comm.co.uk

Technology: opportunity or threat?

Most OMBs view technology as an opportunity rather than a threat.



All businesses should at least be thinking about what impact technology is going to have on them over the next few years – whatever the nature of your business, technology will have an impact. The more you can plan ahead, the more you can make technology work to your advantage.

A lot of the current investment we see is around business process efficiency and making more use of data – recognising that's an asset.

Ian McBane
Partner, Moore Stephens London

Hardly a day goes by without some form of technological advance involving the cloud, automation, robotics or machine learning featuring in the media. The good news for the UK economy is that over half (56%) of OMBs surveyed view such advances in technology as a medium to long-term opportunity – and another 23% see them as an immediate opportunity.

OMBs often refer to potential efficiency improvements. One OMB in the environmental sector, identifying an immediate opportunity from technology, comments: "Tech-enablement of our business systems is a huge opportunity for us to improve our service efficiency and margins. Good technology will give us a commercial advantage and help to keep our business safe from cybercrime."

Some OMBs, however, are fearful of the impact of technological change: 18% of survey respondents see technological advances as a medium to long-term threat, while 3% identify an immediate threat to their business.

One manufacturing and engineering OMB sees an immediate threat from the high pace of change in the automotive industry. Other OMBs comment on the potential for artificial intelligence, automation and robotics to "decimate" or challenge their businesses. Some OMBs say they see both threats and opportunities from the march of technology.



Although some OMBs don't expect any impact on their business, many think that new developments cannot be ignored. One OMB in the culture, media and entertainment sector, seeing a medium to long-term opportunity, comments: "We are at a tipping point for these technologies – they have been around for a few years but are now becoming mainstream. All companies need to be prepared for a change in the way we run and do business within the next 10 years!"

Technology: opportunity or threat?

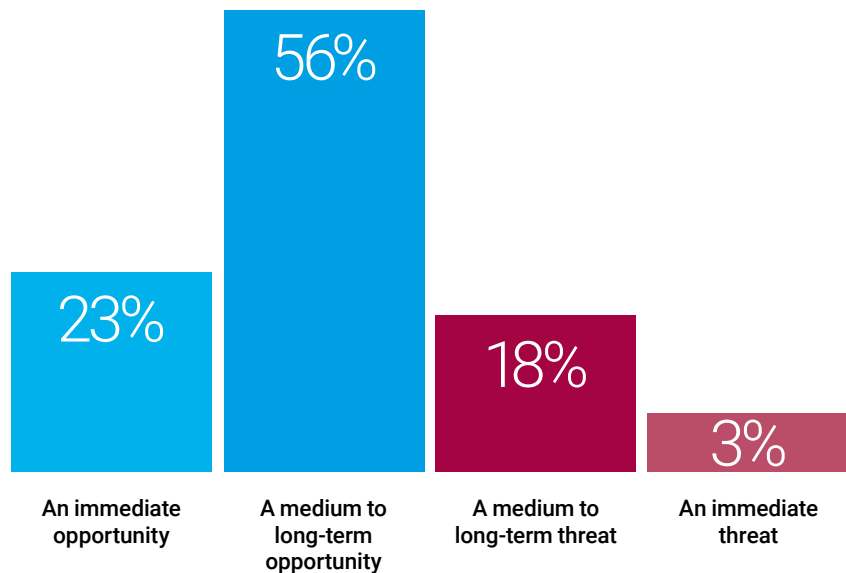


A lot of companies are moving to solutions that are cloud or app-based. They are cost-effective, intuitive and very little expenditure is required to implement the software and train people to use it.

OMBs increasingly don't need highly trained professionals to perform certain tasks like bank reconciliations, because the software is so intuitive.

Gareth Magee
Partner, Moore Stephens Scotland

How OMBs view advancements in technology (e.g. automation, robotics, machine learning):





Appnovation: attracted to the UK by language, culture and R&D incentives

The UK Government could increase the incentive percentage in the R&D tax credit scheme. That would stimulate more innovation to be conducted in the UK and make it even more competitive compared to R&D incentives available in other regions of the world.

Arnold Leung
Founder and CEO
Appnovation

Founded in Vancouver, Canada in 2007 and now employing around 240 people, Appnovation is a global digital innovation and managed services provider delivering strategy, application development and enterprise innovation on leading open technologies. Outside Canada, the business has operations in the US, Hong Kong, continental Europe and the UK, including sites in London and Cardiff.

"We opened up in the UK in 2012 as our beginning point for entering Europe," says Arnold Leung, founder and CEO. The English language was the key attraction. "Having a great skill set and culture was important too," Leung says. "The UK's work culture is closest to Canada's." Appnovation now employs around 30 people in the UK who cover the full spectrum of the company's services. Its Research & Development (R&D) delivery centre is also based in the UK.

The referendum decision to leave the EU did cause some "concerns", Leung says. "A big concern would be being shut off from accessing European talent, which has helped a lot with our growth. We employ people from Spain in the UK, for example." Brexit has already had some negative impact on its UK revenue, as Leung adds, "The economy dropped and some companies delayed their projects because of uncertainty, so that has impacted us."

Nevertheless, Leung still sees good opportunities for Appnovation's services in the UK. "A lot of businesses are adopting open technologies right now, so we would definitely want to start deploying more investment into the region to tap into more UK companies and increase our customer base," he says.

Could the Government do more to attract investment from overseas businesses? "The UK Government could increase the incentive percentage in the R&D tax credit scheme," Leung says. "That would stimulate more innovation to be conducted in the UK and make it even more competitive compared to R&D incentives available in other regions of the world."



APPNOVATION

www.appnovation.com

OMB aspirations for 2018

"To return to modest sustainable growth delivering a quality service to a broad range of clients and sectors; at the same time maintaining a motivated employee base that feel valued."

Real estate & construction

"Survival first! Followed by managed growth, through investment in production (both processes and people)."

Manufacturing & engineering

"Grow revenue and profit by 10%, develop technology to improve efficiency, provide brilliant service to clients."

Financial services

"Continue to build on progress from the past three years and try to manage in a potentially difficult employment market. We do NOT expect an easy year because any level of economic uncertainty has a direct and immediate impact on our business. So we expect 2018 to be about 'hanging in there'."

Transport and logistics

"To increase my business profits by at least 20% from last year, to increase our reputation and standing in the industry, and to nurture and develop talent within the company."

Manufacturing & engineering

"To grow the business organically by investing in our people and technology, and by adopting best practices in a number of other areas."

Shipping

"Renew key contracts and secure appropriate clinical skill base to remain strong and profitable; manage a smooth exit and ensure continuity with new owners for existing staff and customers."

Retail & wholesale

"Focus on organic growth, improved efficiency, improved staff retention and increased investment in technology and automation. The target is to deliver growth but with absolute focus on profit and building reserves for predicted instability in 2019."

Transport & logistics

"To expand globally and introduce valuable extensions to our current service offerings."

Technology

"Need to keep overheads low to off-set increase in living wage, NI contributions, pension payments. Need to pull in more customers."

Retail & wholesale

"We would start by consolidating (to be complete spring 2018) and then power forward actively looking for new areas to work in and new clients. Some of these will require new business models and methods, which is no problem for us."

Culture, media & entertainment

OMB aspirations for 2018

"Continue to develop a highly skilled, high value service using the best and most appropriate technology, and in doing so, seek to flatten costs and maximise profit."

Professional practices

"Significant revenue growth through deeper market penetration as [we] leverage recent investment in staff and new products brands."

Culture, media & entertainment

"Grow revenue and profit by 10%, develop technology to improve efficiency, provide brilliant service to clients."

Financial services

"Get enough customers to be sustainable in 2019. Obtain secure financial position for 2 years of product development runway which means raising significant growth capital."

Energy, mining and renewables

"Open a new R&D facility (after refurbishment of newly acquired building). Steady profitable growth of both export and UK turnover."

Manufacturing & engineering

"Maximise opportunity in overseas markets, EU and non-EU. Adjust focus in some areas to take fuller advantage of new territories being developed."

Professional practices

"Recruit and develop staff to improve efficiency and delivery of services in order to increase revenue and profit."

Hotels & hospitality

"We have been actively engaging in research and development to bring on services and products that we think will be of interest to our customers. Our main aim is to broaden our customer base."

Technology

"Hope to continue growth phase following significant capital investment. The training and development of staff is also critical to our growth. As we grow, being able to be successful in new regions will be critical."

Manufacturing & engineering

"To diversify into new products to win new customers and increase revenue and profitability. Whilst at the same time maintaining high service levels to our existing customer base, both at home and overseas."

Retail & wholesale

Conclusion: Powered by people and technology

Recognising the need to keep pace with technological advances, OMBs plan to invest in digital skills and innovation during 2018.



When we know what we are dealing with [regarding Brexit], we can adjust – both engineering and manufacturing companies, and the economy as a whole. We are robust and flexible, so I do believe when we know what we are playing with, we will adjust accordingly.

Gareth Jones
Joint Managing Director
In-Comm Training & Business Services

Despite the fog of uncertainty cloaking the UK economy due to the ongoing Brexit negotiations, OMBs are generally doing their best to form strategies to deliver desired growth. It's clear that many are worried about a potential downturn – or simply the knock-on impact of low consumer confidence and delayed business investment decisions. Many also see challenges in terms of a shortage of skilled staff. Despite these issues, business life must go on – and our survey confirms that it is.

OMBs are addressing the talent challenge by increasingly training up their own internal teams – and focusing particularly on digital skills. Many recognise the potential for new technology to make or break their business, and they are looking for ways to ride the innovation wave rather than be drowned by it.

This is our fifth OMB survey and each year the resilience of entrepreneurs and their businesses shines through. However, times are tough and the biggest gift the Government could give OMBs is clarity of direction and outcome in the Brexit process.



Gareth Jones, Joint Managing Director of In-Comm Training & and Business Services, says: "When we know what we are dealing with, we can adjust – both engineering and manufacturing companies, and the economy as a whole. We are robust and flexible, so I do believe when we know what we are playing with, we will adjust accordingly."

Ten tips for success in 2018

1. ☒ Take a realistic view of the forecast growth in the UK economy over the next few years. Business plans and budgets can be built on modest growth expectations.
2. ☒ Don't assume you always have to reduce your price to win sales – the quality of UK goods and services is recognised at home and abroad, and many businesses want to deal with trusted suppliers with whom they can develop a strong relationship.
3. ☒ Explore all ways to use new technology in your business. Many of the new cloud-based solutions and apps are low cost, intuitive and easy to implement and use.
4. ☒ Continue investing in staff training and development for people at all levels in the business – senior people can make a big impact. Investing in training can not only improve business performance, but also improve staff motivation and retention.
5. ☒ Make maximum use of all tax breaks and grants available, particularly if investing in technology.
6. ☒ If not already training apprentices, consider whether doing so could benefit your business. You can train people to meet your own high standards and benefit from their development.
7. ☒ Understand the implications of the EU General Data Protection Regulation (GDPR) for your business and take steps to comply.
8. ☒ Review your cyber defences and make sure you're doing all the 'basics' – including reminding staff of the need for vigilance.
9. ☒ Consider exporting as an option for mitigating any concerns about the strength of the UK economy and don't think you have to delay plans for international growth due to Brexit uncertainties.
10. ☒ Remember that help is available to support you in developing your business – whether investigating eligibility for grants and tax breaks, exploring international opportunities or staff development and incentive schemes.

Our solutions for OMBs

Our in-depth understanding of the challenges facing OMBs allows us to deliver focused accounting and advisory solutions, both locally and globally.



51% of OMBs are concerned about the impact of Brexit negotiations on their business

As the details around the terms of the UK's exit from the EU become known, it's vital that OMBs discuss the scenarios that might impact their business and take stock of the risks and opportunities that the future might bring.

Our team can support you to advise on efficient structures to manage commercial and tax risks, and provide assurance that your business has a robust strategy in place.



41% of OMBs view a shortage of skilled staff as a key business concern

The ability to attract and retain key team members is a key contributing factor to the success of your business – so understanding the range of tax approved share schemes that can help provide an incentive for the right people contributing to your business commercial objectives.

Our team can support you to review and understand the options available to you, and assist in the design process – advising on all aspects of valuations, tax implications, employment and capital gains tax treatment.



28% of OMBs have concerns regarding extracting profits from the business

Having worked hard to grow your business, it's right that you are rewarded financially for your success. Our team will support you to better understand the range of options available to you to protect or invest your wealth.



33% of OMBs plan to invest new technology or IT systems

As your business adopts and integrates new technologies, the need for management information drawn from multiple IT systems can lead to wasted management time. Stream is a complete online finance and accounting solution that allows you to view and drilldown into your financial data through one easy-to-use central hub.

By combining all the activities you need to outsource, including payroll and company secretarial services, you can release even more time and energy to focus on the actions that deliver real value to your business.

Our solutions for OMBs

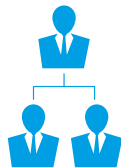
Our in-depth understanding of the challenges facing OMBs allows us to deliver focused accounting and advisory solutions, both locally and globally.



38% of OMBs are certain or very likely to develop new products or services

Innovation remains a key driver for OMBs when it comes to going for growth. Our specialist team can support you to identify projects that may qualify for research and development tax relief or grants, and have extensive experience in reviewing previously submitted claims as part of a second review.

Our success is measured in the £250m we have successfully supported businesses to claim in R&D tax relief since the scheme launched in 2000.



24% of OMBs are certain or very likely to review their succession plans

Securing the future of your business can be a complicated and lengthy process for many OMBs. We will work with you to understand your objectives, both personal and commercial, and present you with the optimal solutions that will address your needs.

This may include selling the business to a competitor or management team, winding up the business in an efficient manner or passing the businesses to a family member.



14% of OMBs are planning to expand into international markets

As a global accountancy and advisory network, you will have access to the right people in the right locations when it comes to building your operations overseas. We will partner with you to support your global aspirations – providing you with confidence that no matter which country you choose to do business, we will provide you with an innovative and personal service.



29% of OMBs identified cyber security and data privacy as a key concern

As found by our previous research reports – cyber security is a growing concern amongst the OMB community. No longer seen as a threat unique to global corporations, many OMBs are now suffering at the hands of cyber criminals.

You will have access to an expert team to help you educate, architect and assure all aspects of your IT systems – ensuring that your systems and processes are secure and fit for purpose.

As the deadline for compliance with the EU General Data Protection Regulation (GDPR) looms large in May 2018, OMBs should seek support now to deal with compliance.



About Moore Stephens

Helping you thrive in a changing world.

We provide all the support and guidance you need to deal with new risks and opportunities. We ensure easy access to the right people, so decisions can be made quickly and confidently. A consistent team will partner with you to support your aspirations and contribute to your success.

You'll have access to a range of core services, including audit, accounting, tax, risk and systems assurance, corporate finance, restructuring and insolvency, wealth management and disputes analysis. As a Top 10 accounting and advisory network we support a broad range of individuals and entrepreneurs, large organisations and complex international businesses.

If your business and personal interactions need to expand, we'll help make it happen – coordinating advice from a network of offices throughout the UK and in more than 100 countries.

We would like to thank the following for their help with this report:

- Alan Patrick, Financial Partner, DM Hall
- Arnold Leung, Founder and CEO, Appnovation
- Dennis Hone, Group Finance Director, Mace Group
- Gareth Jones, Joint Managing Director, In-Comm Training & and Business Services
- Leena Malde, Executive Chair, Wealmoor

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