

HURDLES TO GROWTH - THE COMPANY LEVEL CHALLENGES

A European Business Awards Research Project exploring the
hurdles preventing even faster growth in Europe's best performing companies

EXECUTIVE SUMMARY

Micro-level hurdles to growth for Europe-based companies are numerous and significant, even for the continent's most successful operations. This report, compiled from a survey of 562 companies from 32 countries in Europe, finds that they are rooted primarily in the lack of available skilled professionals and financial and technological resources. These have significant knock-on effects on sales, international expansion and organisational capability. Of note however is the fact that many of the challenges the companies face are solvable. An explanation for this paradox lies primarily in the fact that the weak organisational capability that results from a lack of resources, coupled with the volume of challenges, creates a negative cycle: without having the means to address these challenges early on, they become more numerous and harder to tackle further down the line, and divert time and energy away from growth. Assisting companies to access a central source of advice on tackling hurdles to growth, as well as encouraging them to share their experiences and be emboldened to take risks, can provide a way out of this limiting cycle.

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RESEARCH AIMS

The purpose of this research is to build a detailed picture of the major challenges to growth among Europe's best performing companies.

By better understanding the hurdles, we can work with the European Business Awards and the broader business communities to develop practical solutions that will allow us to unlock more growth.

BACKGROUND

The following report summarises the findings of a survey into what Europe-based companies consider to be the major hurdles to growth. The report comprises responses to a range of questions put to 562 companies spanning 21 industry classifications, with respondents flagging a variety of topics they considered key to determining their growth prospects.

The survey brackets the different hurdles into two categories: the macro-level problems and the micro-level problems. The macro-level problems—migration, terrorism, membership of the EU, and other—are harder for businesses to exert any control over, and will be addressed in a separate report. This report will instead focus on the micro-level problems.

They fall into six broad categories:

- People
- Technology
- Sales and Marketing
- Growth Funding
- International Expansion
- Organisational

Each are firmly within the realm of influence of companies, and all can be addressed over time.

THE COMPANIES

Companies from 32 European countries are represented in the report, three-quarters of whom operate internationally.

Half of respondents generated between 41 percent and 100 percent of their revenue internationally.

The remainder generated between zero and 40 percent of their revenue internationally.

THE TURNOVERS

The companies were of varying sizes. Thirty percent of the companies reported annual turnovers of less than €10 million, while 70 percent reported turnovers of €10 million-plus.

Around eight percent of companies would be classified as global multinationals, with revenues in the multi-billions. The bulk of the respondents we consider to be European mid-market businesses with turnovers in the range of €10million to €1 billion.

PEOPLE CHALLENGES

	IT IS A VERY BIG CHALLENGE OR DIFFICULT
Is the ability to find and recruit suitably skilled people for the vacancies and requirements you have in your business a challenge to growth?	60.3%
Our ability and resources to keep developing our people through education, training and coaching in order to provide them with the skills we require to grow our business	36.24%
Insurances, living costs, taxes, legal and labour requirements make our European labour costs an issue for our international competitiveness	40.77%
Labour costs in Europe are causing significant competitiveness challenges	35.44%

RECRUITMENT

Overall, the ability to find and recruit suitably skilled people is a significant hurdle to growth, with 60 percent describing it as a “very big challenge” or “difficult”.

The responses were then broken down further. On a range of one (“very easy”) to five (“very difficult”), respondents were asked: “For the following job functions/ departments, please indicate how easy it is to find people with the relevant skills and competencies to help you grow your business?”.

The following lists the range of responses, from the hardest to the easiest to recruit:

- Engineers (3.33)
- Technology (3.3)
- Management (3.27)
- IT (3.13)
- Sales (3)
- Marketing (2.65)
- Finance (2.65)
- HR (2.63)

The limited range in the mean scores (2.56 to 3.33) suggests that all roles listed are perceived as being hard to fill.

RECRUITMENT CHALLENGES – BY REGION

The table below illustrates how these figures vary by European region.

FUNCTION/ DEPARTMENT	NORTH	SOUTH	CENTRAL & EASTERN
Technology	3.42 (1)	3.01 (2)	3.64 (2)
Engineers	3.4 (2)	2.94 (3)	3.69 (1)
IT	3.24 (3)	2.78 (5)	3.46 (4)
Management	3.08 (4)	3.25 (1)	3.49 (3)
Sales	2.99 (5)	2.93 (4)	3.13 (5)
Marketing	2.5 (6)	2.66 (7)	2.81 (7)
Human Resources	2.37 (7)	2.67 (6)	2.85 (6)
Finance	2.33 (8)	2.63 (8)	2.71 (8)

Mean rating for difficulty in filling various roles to help you grow your business by EU region {{1} indicates most difficult, {8} indicates least difficult}.

In Northern Europe, the hardest positions to recruit are in technology, while in Southern Europe they are in management personnel. Overall, companies operating in Central and Eastern Europe found it more difficult to recruit all types of functions compared with their counterparts elsewhere in Europe. However, these companies found engineers the most difficult of all to recruit.

RECRUITMENT CHALLENGES – BY REGION - ANALYSIS

Talent shortage: Finding relevantly skilled people in Europe is a significant challenge for the roles that high performing businesses have available. One of the major paradoxes of the European economy is the acute shortage of talent for a significant range of roles and the very high rates of unemployment, especially amongst the young.

Company growth: The shortage of skills and the mismatch of talent for the available roles significantly constrains company growth and consequently has a major impact on our economies. The skills in short supply are those required for innovating, adapting, creating and capitalising on the possibilities for growth.

Collaboration: With such a mismatch in skills available we need our schools, universities, vocational training systems and governments to work more closely with industry and commerce in order to develop talent to fill the roles available. The business community needs to find effective ways to retrain and reskill our existing workforces to equip them with the skills required to move our businesses forward. Fluid labour markets and migration are, as ever, essential to finding solutions.

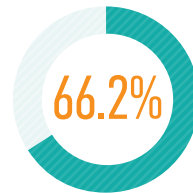
Resources: At a company level, businesses need to commit more resources to finding and developing talent. Innovation and partnership, aimed at bringing in new skills and talent, provides one opportunity for both end-user businesses, and the recruitment and people development community (from human resources consultants to professional training operations), to explore new solutions.

From the findings of this report, it would indicate that human capital is becoming a scarcer resource than financial capital.

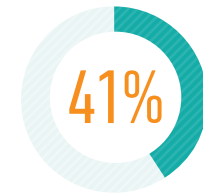
MANAGING, ENGAGING AND LEADING PEOPLE



36 percent of the companies stated that it was a “difficult” or a “very big challenge” to continue to develop people through education, training and coaching in order to provide them with the skills and abilities to help their businesses grow.



When asked about the costs of doing business, 66.2 percent of all businesses said that the rising costs of running a business in Europe – taxes, raw materials, property and wages - were a “big problem” or a “significant hurdle to growth”.



41 percent said more specifically that insurance, living costs, legal and labour requirements make European labour costs an issue for their international competitiveness.

MANAGING, ENGAGING AND LEADING PEOPLE - ANALYSIS

Cost of doing business: The responses make clear that the cost of doing business in Europe causes numerous challenges for companies. The resultant pressure has an effect on both the workforce and the business. This is apparent in fast growing businesses as well as those with slower rates of growth. To remain competitive, companies must strictly manage costs in the majority of industries, including wage and people costs. This can have a negative effect on workforce engagement for a number of companies.

Workforce engagement: Remuneration is however only one hurdle in the challenge of creating engaged workforces. Other respondents cite that their excessive focus on the customer and their products can result in their workforce engagement strategies not receiving enough focus and resources. During a phase of strong growth and workforce expansion, which places new demands on time, resources, management and delivery, companies can struggle to retain their initial unique and defining culture. This can cause a decline in workforce engagement.

The survey makes clear that workforce engagement is considered a “big challenge” or “a significant hurdle to growth” for many companies. The reasons range from low prioritisation of resources to lack of capability and expertise.

Those that are proficient at creating an engaged workforce cited a range of difficulties, including the need to continuously and consistently focus high levels of resources and attention on creating a strongly engaged workforce.

For those with lower levels of employee engagement the challenges were related to capability, expertise, financial resources and leadership support. The outcome from less than optimal levels of engagement was unsatisfactory staff churn rates, lower than desired customer service standards and productivity.

People development: Alongside engagement, 36 percent of the companies stated that it was “difficult” or a “very big challenge” to keep developing people through education, training and coaching in order to provide them with the skills and abilities to help their businesses grow.

Some of the challenges included:

- Weak to no training and development function
- Difficulty matching the needs of the business/team/individual with appropriate and effective training solutions
- Scheduling and budgeting training
- Finding high quality training providers
- Proving return on investment

Tracking the impact of training and development can often be difficult. So too is understanding its effect on revenue growth, especially in mid-sized companies with relatively lightly resourced training and development functions. The result is that training and development is not prioritised and its impact not seen.

The question is how to best ensure that training and development remains a key priority of leadership teams in mid-sized enterprises.

THE SIDE EFFECT OF THE PEOPLE CHALLENGE

The qualitative follow-up work to the survey emphasised that the rapid development of technology and the challenges of finding and managing human capital has prompted a number of businesses to actively seek to replace people. They did this in two ways:

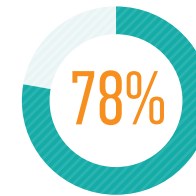
- By pushing the challenge to someone else, through outsourcing
- By replacing people with technology

This has arguably been a trend for many decades among larger businesses. It is evident now however that businesses of all sizes are adopting this approach, and many are now doing so pro-actively. What is also evident is the increasing breadth of functions and skills that both outsourcing and technology are looking to either assist or replace.

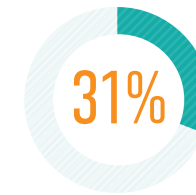
TECHNOLOGY CHALLENGES

Is the rapid development in new technologies causing disruptive change to your industry?

ANSWER CHOICES	RESPONSES
Yes	50.96%
No	44.27%
Don't Know	4.78%



Seventy-eight percent of respondents believe that technological change will be positive for their businesses.



Thirty-one percent of those surveyed referenced the need for speed and agility as a major hurdle to growth.

TECHNOLOGY CHALLENGES - ANALYSIS

Technological advancement: Advancements in technology are causing major shifts in the operations of companies, whether they be engaged in wine making, ecommerce, healthcare or aerospace. These advancements affect every rung of a company's operations: supply chain, business models, marketing, management, product development, and more.

Likewise, the speed of development in technology, from robotics through to machine learning, is opening up numerous possibilities on a range of fronts, to the point at which those possibilities become a challenge in themselves.

- What will give the best return?
- Which technology will the market adopt?
- Will our customers value or accept the change?

Transformative change and major breakthroughs are by nature difficult to navigate. Even iterative change involving relatively well established technology presents a considerable hurdle to growth, as organisations struggle with the following five issues:

- Which decisions or bets to make?
- Finding the resources and balancing the investment versus the predicted return
- Finding the right people. Technologists, engineers and skilled IT professionals are all very difficult to find
- Finding the right suppliers who are reliable across skills, quality, speed, costs, outcomes and risk
- Organisational agility and adaptability to act and change quickly enough

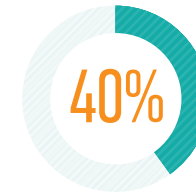
SALES AND MARKETING CHALLENGES



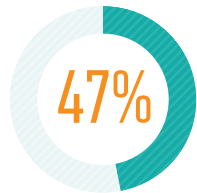
55 percent said finding recruiting and retaining high quality sales staff was difficult or very difficult



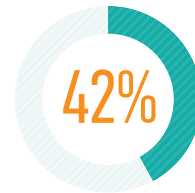
45 percent said finding enough profitable new business was a significant challenge



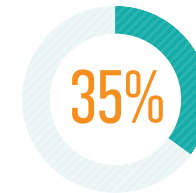
40 percent of companies found that more people involved in decision making about buying as a difficult growth hurdle to overcome



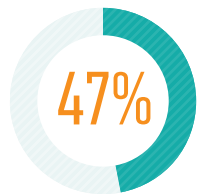
47 percent said managing multiple sales channels was difficult or very difficult



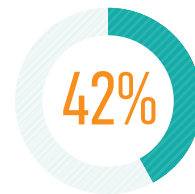
42 percent said they were struggling with longer sales cycles



35 percent found it increasingly difficult to differentiate themselves from the competition



47 percent of companies found it difficult to generate enough good quality leads



42 percent said matching market rates for good quality sales people was a significant hurdle to growth



33 percent said the changing nature of the way that organisations buy was a significant hurdle to growth

SALES AND MARKETING CHALLENGES - ANALYSIS

Selling and marketing: Selling and marketing in today's commercial environment is very challenging for a large number of organisations. Longer sales cycles, an increasing number of decision-makers, and the changing nature of the way that organisations buy is adding complexity to the sales process.

The abundance of information at the end of a search term gives buyers greater options and opinions to consider than ever before. For most product and service categories in most industries there is strong competition at all levels. Buyers are generally in the fortunate position of being able to choose between various products of similar quality that offer the core functionality or result that they want. Sellers compete to amplify their uniqueness or difference in a bid to influence buyers' decisions.

With pricing information much more readily available, pressure on margins can be intense.

All of these dynamics push organisations to upskill and improve their sales and marketing processes, their people, their reactivity and their management and technology in order to remain competitive.

The presence of more decision makers armed with more information but limited differentiation between products and services means the standard of skills and competencies required for sales people to be effective keeps rising.

This in part explains why it is so difficult to find, recruit and keep good quality sales people.

Generating new leads: The ability to generate enough new leads is also a significant hurdle for 47 percent of companies. Strength of competition and choice is a factor, while internal competency and allocation of resources plays a part, as does the fragmentation and increase in channels and marketing strategies. Unlike 20 years ago when print media, television, exhibitions and direct mail were the primary modes of communication, the explosion in digital technology gives marketers a vast array of channels through which they can reach their audiences. These range from content marketing to social media, SEO to advertising, exhibitions, television, social selling and webinars. Yet audiences are now more fragmented than ever, meaning marketers must optimise their budgets and concentrate people resources on activities and campaigns that will maximise brand awareness and drive activity.

With all the factors at play, from competition to product homogeneity, a number of successful organisations have turned the quality and strength of their sales and marketing function into their source of competitive advantage.

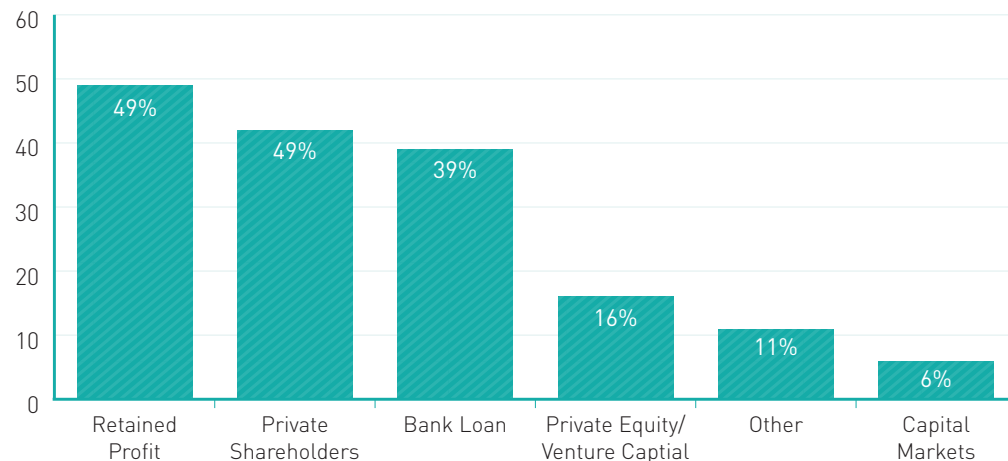
GROWTH FUNDING CHALLENGES

To what extent is raising finance and funding growth a major hurdle to your business ambition and potential?

ANSWER CATEGORIES	RESPONSES
It is no challenge at all and/or not very difficult	23.75%
It is manageable and doesn't really hold us back	61.54%
It is a very big challenge or very difficult	14.72%

HOW DO YOU PRESENTLY FUND YOUR BUSINESS

(multiple choice question responses do not total 100%)



IS RAISING FINANCE AND/OR FUNDING GROWTH A MAJOR HURDLE?

Just 14.7 percent of respondents considered raising finance and funding growth to be a “very big challenge” or “very difficult”. This average conceals a large disparity between regions. Respondents in Southern Europe (22 percent) were more than twice as likely as those in other regions (10 percent) to feel that raising finance was a “very big challenge” or “very difficult”.

These results varied significantly according to company size. The smaller the company size, the more of a hurdle to growth finance was perceived to be. Eighteen percent of companies with a turnover of between zero and £25 million said raising finance was very difficult compared to three percent of those with turnovers of £150 million euros or higher.

ESTIMATED GROWTH WITH AND WITHOUT ADEQUATE FINANCE

Respondents were asked to estimate what percentage growth they would see in their business over the next two years, depending on whether or not they had adequate finance to fund growth. With adequate finance, respondents estimated on average that their business would double over the next two years (an increase of 102 percent). Without such finance, the prospect of growth fell to 23 percent.

GROWTH FUNDING CHALLENGES - ANALYSIS

Minimal growth: The historical data sets of the European Business Awards contain companies that have strong product sets, management teams and traction. What remains of intrigue however is the fact that, over time, numbers of these businesses didn't grow from €10m to €50m, or €50 million to €500 million, in revenue, given they possess many of the capabilities to do so.

In exploring this topic with our community, possible reasons ranged from appetite for risk to lack of senior and/or middle management resources.

Risk aversion: What does emerge, and which is reinforced from the findings of our research, is that hurdles to growth can be even more immediate than already spelled out: the complexity and effort involved, as well as the potential risks and the opaqueness of the growth funding market, cause many companies in the first place to discount even the possibility of raising significant growth funding.

This in turn significantly constrains the scale of ambition of many of the businesses and stops them from reaching their growth potential. Instead, the majority of companies rely on retained profit, bank loans and existing shareholders for funding, and therefore adjust their ambitions for growth.

Growth funding: Generating a consistently high level of growth is dependent on a number of variables. Granting companies greater and easier to access levels of growth funding will not necessarily guarantee success, but it will enable more organisations to reach their potential.

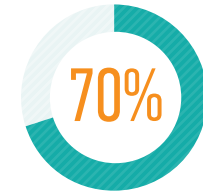
INTERNATIONAL EXPANSION CHALLENGES



51 percent of companies found marketing to international markets and new industries to be a “very big challenge” or “difficult”.



31 percent said the lack of consistent and robust intellectual property protection and enforcements in global markets was a “significant issue” for global expansion.



70 percent of our respondents are looking to expand into at least one new international market in the next 18 months.

INTERNATIONAL EXPANSION CHALLENGES - ANALYSIS

International growth: International growth is high on the agenda, even though 51 percent of organisations found it “difficult” or a “very big challenge”. The challenges range from protecting intellectual property through to tax and trade structuring; from finding leadership teams to joint venture partners, and from marketing and selling through to localisation.

It is clear that many of the challenges that enterprises face in their home markets are amplified when they move into international markets. Many however use internationalisation strategies to help them deal with some of the major hurdles to growth, such as using international markets to address local market talent shortages.

Leadership: Other problems abound. Finding suitable leadership resources to help build new operations in new markets was considered “very difficult”. When looking for leaders companies struggled to marry knowledge of the dynamics of the local market with specifics of the business and industry.

The leadership challenge mirrored the operational challenges. Being able to adapt the core propositions of the business to the local market was seen as essential, but “difficult”. The majority of companies also struggled to adapt the product to get the best product market fit, as well as building an understanding of sales and marketing channels. The tension between dictating from the centre and letting local market teams make decisions also caused conflict and performance challenges.

Local knowledge: Customs, tax structuring, local market approvals and standards were seen by companies as presenting often unnecessarily high hurdles in the way of growth. The consensus however is that awareness of these issues before entering a new market is crucial, given that the costs of repairing bad decisions can be very high.

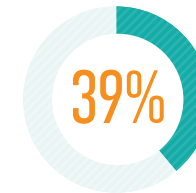
Intellectual property: As European companies are rarely able to compete on the lowest cost of manufacture, often the value of a product or service is in the intellectual property. Thirty-one percent of companies felt that the lack of consistent intellectual property protection and enforcement was a significant issue for global expansion. It is more difficult and expensive for smaller firms to get the right intellectual property protection.

It is more essential than ever for businesses to find and work with intellectual property experts early in their product and service development cycles. Similarly, companies must think carefully about where and how they store and protect their know-how and IP. With cyber-crime on the rise, many companies will not even realise their IP has been stolen before it turns up on the market.

ORGANISATIONAL CHALLENGES



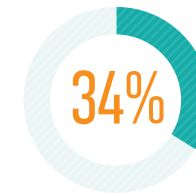
41 percent think that continually innovating and developing new products and services to meet emerging or changing needs of the market is “difficult” or a “very big hurdle” to growth.



39 percent did not have a cyber risk strategy in place within their business



41 percent felt that giving enough time and money to research and development is “difficult” and a “very big hurdle” to growth.



34 percent felt the capability of their business to take new ideas and products to market to be “very difficult” or a “significant hurdle” to growth.

ORGANISATIONAL CHALLENGES - ANALYSIS

Cyber security: It is surprising how many mid-sized companies are lacking a comprehensive cyber risk strategy above and beyond the basic protections—virus protection, firewalls, account access controls, etc - that all business have in place.

In its [2016 Global State of Information Security Survey](#), the International Data Group (IDG) estimates that the financial impact from the theft of trade secrets ranges from one percent to three percent of an entire nation's gross domestic product (GDP). The financial impact is estimated at between \$749 billion (£614 billion) and \$2.2 trillion (€1.8 trillion) a year.

Although having strong cyber security strategies in place will not create more growth, it is increasingly prudent for businesses to address this issue. One major breach or attack could undo many years of building and growing a business.

Research, development and launch spending: When a product is successful it is hard to imagine that its popularity will ever wane, and this creates a problem: companies often don't realise until too late that research and development requires early investment, and this creates a cyclical problem—falling margins that result from a product's decline further down the line reduce the revenue that could be used to make those investments in R&D.

Some of the most successful strategies result from a company maintaining a continuous focus on new product development and launch while actively planning to supersede or cannibalise their existing products by bringing out new and better versions.

WHY COMPANIES STRUGGLE TO OVERCOME THE HURDLES

The significant number of hurdles to growth faced by some of Europe's best companies came as some surprise. Yet perhaps more perplexing was that the fact that most of these challenges are solvable. This prompted us to question why more companies had not successfully remedied these challenges more quickly.

We asked them why. The feedback was wide-ranging, but their responses fell into five broad categories:

1. The sheer volume of challenges meant that some were prioritized over others, both in terms of time and resources
2. They had not yet figured out what the actual problem was
3. They had tried to solve the problem at least once, often with either internal resources or external third parties, and failed. This made them more reluctant to try again
4. They knew they had a problem, but the resources and effort required to find a solution or solution provider was considered too much, or too risky. This was in part because they were uncertain whether or not they would find or select the right solution and gain the outcome they wanted
5. Limited budget and resources was cited as an issue

Points one to four were linked to a knowledge gap. This knowledge gap created a risk-versus-reward trade-off in points three and four. By closing the knowledge gap the impact of points one to four could be significantly improved and the business case for point five bolstered.

WHAT TO DO ABOUT IT

Knowledge: Despite abundant information, companies are still struggling to find advice and examples of how other businesses have solved particular hurdles to growth.

From the survey work, business leaders and managers predominantly turn to industry peers and/or the internet to seek advice. This can be immensely powerful, but without an index of peer expertise, the process can be both time consuming and very hit and miss.

Solution: Develop a central source of accessible and practical advice, based on case studies, that looks at and addresses the major hurdles to growth. This would potentially help address the knowledge gap, and be complemented by an index of peer knowledge and expertise.

Different Perspectives: All businesses suffer from overstretched resources and overburdened middle and senior executives. Therefore, getting business leaders, at all levels, to take time to contemplate how other businesses within and outside of their sector go about addressing a particular problem would broaden most companies' views of how they can solve internal problems.

De-Risking: The other major challenge is de-risking. There are too many failures among both internal and supplier-led projects. This causes lost time and investment and makes companies overly cautious to avoid risk. In this scenario, many companies struggle on with the problems and avoid making potentially game-changing decisions that can unlock growth.

Solution: To reduce the risk of working with third parties and suppliers, a system of vetting and rating solution providers, based on their delivery and outcomes, would make it easier and quicker to find relevant suppliers.

ABOUT THE EUROPEAN BUSINESS AWARDS

It's one of the most prestigious accolades a company can receive, and one of the world's largest cross-industry, cross border business competitions.

Since 2007, we've been rewarding the innovators, the success stories and the ethical entrepreneurs of European business. Not just because we think it'd be good to give them a pat on the back, a trophy and a 'well done'. The awards exist because we truly believe that business has a key role to play in tackling the major issues faced by Europe and the world. Unemployment. Climate change. Ongoing conflicts. Widespread poverty.

We believe that creating stronger, more successful, innovative and ethical business communities will help address these challenges. The European Business Awards aims to do exactly that in 3 ways:

- **Endorsing and promoting europe's best businesses** to help attract new customers, partners, talent and investors
- **Sharing learning and solving problems** to help business overcome the hurdles that stand between them and growth
- **Stimulating debates** by asking the big questions and helping answer them

WHAT MAKES THE EUROPEAN BUSINESS AWARDS DIFFERENT?

Obviously there's an element of competitiveness – they wouldn't be awards worth winning without it. But there's so much more.

We undertake research, run alumni groups, conferences and webinars that give our community all kinds of opportunities to meet and interact, think and share.

The businesses we attract and recognise are financially successful. They understand that with the status and power they have comes responsibility. To look beyond their own desks, lobbies, office blocks and local communities and make a difference to society on an international level.

The European Business Awards brings these like-minded organisations together, giving leaders from different industries a unique opportunity to do business, learn, share and solve major challenges.

When else could you get the movers and shakers from pharmaceuticals and engineering, fashion and transport under the same roof, let alone around the same table?

HOW ARE WE FUNDED?

Our aim is to be financially self-sustaining. As a social enterprise, we give the goal of creating a stronger European business community equal billing with generating profit. We generate income from sponsorship, research, content and event services.

EUROPEAN BUSINESS AWARDS IN NUMBERS:



Combined turnover of entrants exceeded €1trillion



7,000+ media outlets cover the Awards annually



A community of 30,000 successful like-minded businesses



34 European countries (not just the EU) run a national competition to select their National winners



150 judges from heads of state to world class academics help to select the final winners



236,000 people vote for their winner