



MOORE STEPHENS

# Strength amidst uncertainty

The owner managed business view in 2017

Owner managed businesses

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## Survey details

To gather the data for this report, we conducted an online survey of OMBs between 10 November and 16 December 2016. We analysed 691 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. In addition, we conducted in-depth interviews with the leaders of a number of OMBs to learn more about their experiences of 2016, their expectations for and concerns about 2017, and the strategies they aim to apply within their businesses.



# Foreword



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As 2017 progresses, economic warning signs are flashing. Inflation is picking up as a weak pound increases import costs. Cracks are starting to appear in the jobs market and wages will soon struggle to keep pace with inflation. Business and consumer confidence has waned, strike action is on the increase and lengthy Brexit negotiations stretch ahead. Internationally, elections in the Eurozone could bring turmoil if support continues to rise for anti-establishment nationalists. In the US, Donald Trump's relations with Russia and China, as well as recent policies, could have global consequences.

Yet there are reasons to hope that 2017, like 2016, will not turn out as badly as the doomayers predict. Surely, one lesson from last year is that when forecasters accentuate the negative they risk missing the positives altogether. These views are borne out by our fourth owner managed business (OMB) survey recently conducted across the UK. How OMBs perform is vital to the national economy. The good news is that OMBs are still confident about hitting profit and revenue targets in the medium term, with the majority expecting turnover and net profitability to increase in the next three to five years.

However, our survey finds continued uncertainty amongst OMBs, particularly about the strength of the UK economy post-Brexit and the ongoing UK skills shortage. Nearly a quarter of those surveyed also report concerns about cyber security and data privacy, recognising that breaches can have damaging consequences, not just for their own business but for their customers too. Over a third are concerned about business owners' ability to extract profits tax efficiently. Government tax changes in April 2016 mean that the extraction of monies previously subject to capital treatment at 10% is now treated as income, while the dividends tax rate has increased to 38.1% for additional rate taxpayers.

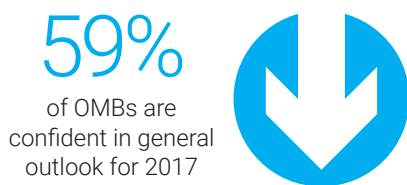
Even so, businesses owners appear pragmatic about the UK's economic prospects over the next 12 months. Although many OMBs will seek continued cost reduction, many will be creating new products, expanding their UK customer base and spending more money on staff training and marketing.

I would like to thank all the OMBs who completed this year's survey, and particularly those who agreed to be interviewed. Your stories provide insight and inspiration.

# Executive summary

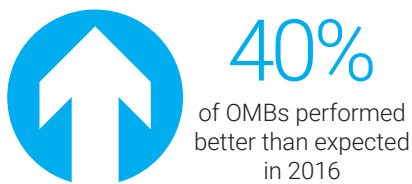
Despite a slight improvement in performance in 2016, OMBs are less confident about the year ahead.

## Confidence for 2017:



- OMBs' confidence regarding their general outlook (59%), revenue (69%) and profit (62%) targets for 2017 have hit a three year low.
- 59% of OMBs expect their businesses to perform better in 2017 than 2016 - marking another three year low.
- The strength of the UK economy (68%) and the impact of Brexit (62%) are the primary concerns for UK OMBs, along with a shortage of skilled staff (43%) and their ability to extract profits from their business (38%).

## Performance in 2016:



- OMBs are focusing their energy on expanding their UK customer base (51%), while continuing to invest in staff (44%), developing new products and services (40%) and investing in their IT (31%).
- Many OMBs have concerns about the impact of Brexit on their business – with 35% already suffering a negative impact, and just 16% benefiting since the referendum result.
- 56% of OMBs surveyed disagree with the UK's decision to leave the EU. However, 32% of respondents now agree with the decision – an increase from the 17% that supported Brexit from last year's survey.
- Whilst confidence levels have hit a three year low, it should be noted that 40% of OMBs reported better than expected performance through 2016, an improvement of 2% on last year's responses.

# Falling confidence in 2017

OMB confidence about the general outlook and business performance potential in 2017 has fallen to a three year low.



*Some OMBs say, 'Things are terrible – it's all doom and gloom.' Other businesses say, 'Let's not moan because then we will be defined by that and it will become our reality. There is work out there to be won – let's go for it.' Based on my experience and conversations with OMBs, the majority are trying to look for growth.*

Gareth Magee  
Partner, Moore Stephens Scotland

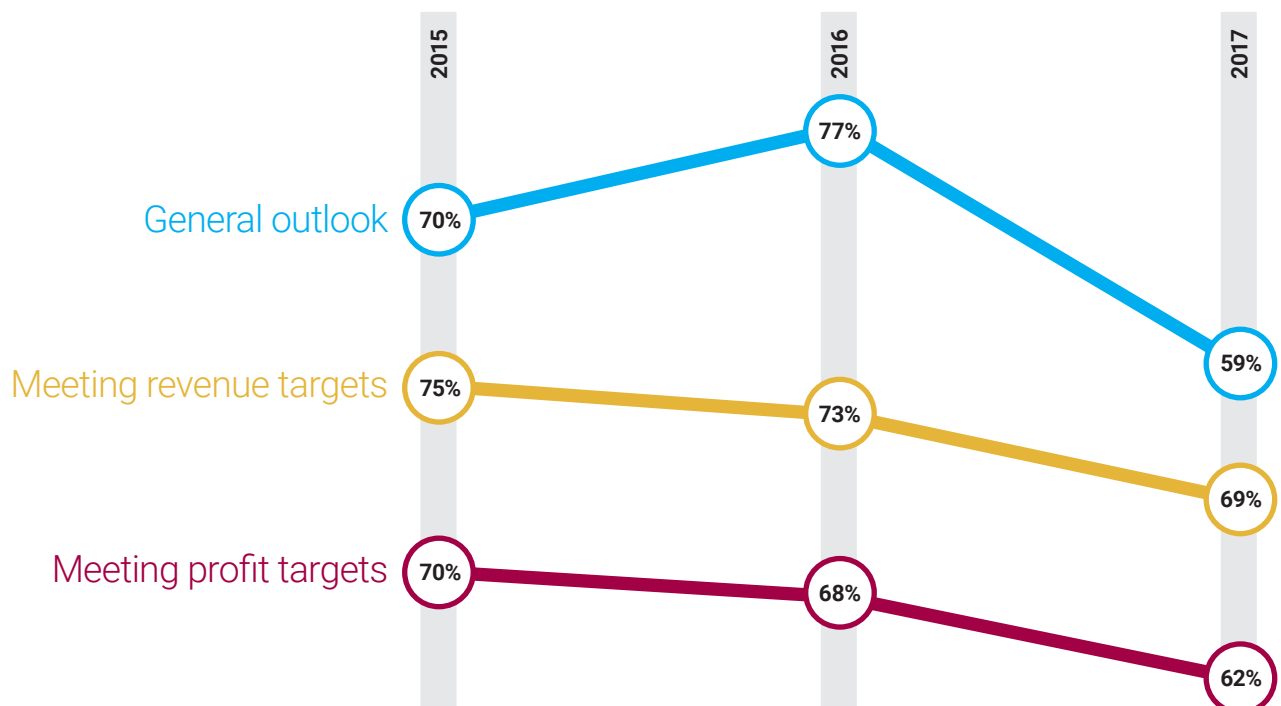
Of the OMBs surveyed, just 59% have confidence in the general outlook for 2017, representing a three year low (77% last year and 70% two years ago). Similarly, confidence in meeting key business performance indicators, such as revenue and profit targets, has also fallen to three year lows – to 69% and 62% respectively (down from 73% and 68% last year).

This year's survey also identifies a continuing downward trend in year-on-year improvement: only 59% of OMBs surveyed expect 2017 to be a better year than 2016, down from 66%, 68% and 76% in previous years.

In contrast to the downward national trend in performance expectations for 2017, it should be noted that OMBs with headquarters in London, the North West and Scotland appear to be more optimistic, with 67% of OMBs in each region expecting 2017 to be better year than 2016.



## Confidence in 2017



# Positive performance in 2016

With the EU referendum taking place in June 2016, the year was characterised by uncertainty. Even so, many OMBs performed better than expected.



*OMBs are generally good, well-run businesses. Many have good reserves and can last through a downturn. Such OMBs are also well positioned to capitalise on any opportunities that arise, even in uncertain times. Instead of cutting back and waiting to take a decision, many OMBs believe they have a good product and a good team – so now could be a good time to make a move and improve revenue streams, because competitors may be sitting on their hands.*

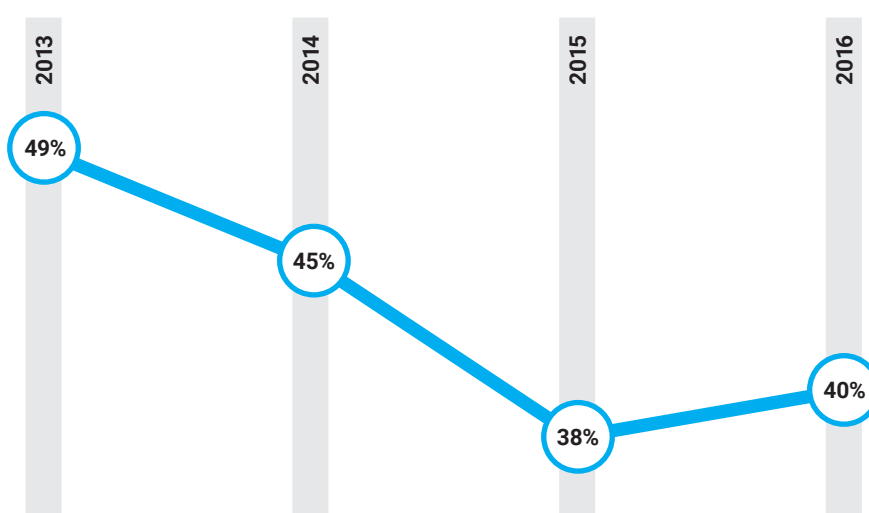
Richard Willis  
Partner, Moore Stephens London

40% of OMBs said their business performed better than expected in 2016 – reversing the downward trend of the previous three surveys.

From a regional perspective, OMBs located outside of London and the South East performed notably better than expectations, with the North East (63%), North West and South West (both 50%) all reporting better than expected performance versus the national average of 40%. In contrast, only 37% of London-based OMBs and 34% of OMBs located in the South East beat their performance expectations in 2016, with those in Northern Ireland (46%), West Midlands (44%), East Anglia (44%) and Scotland (42%) reflecting a slight increase versus the national average.

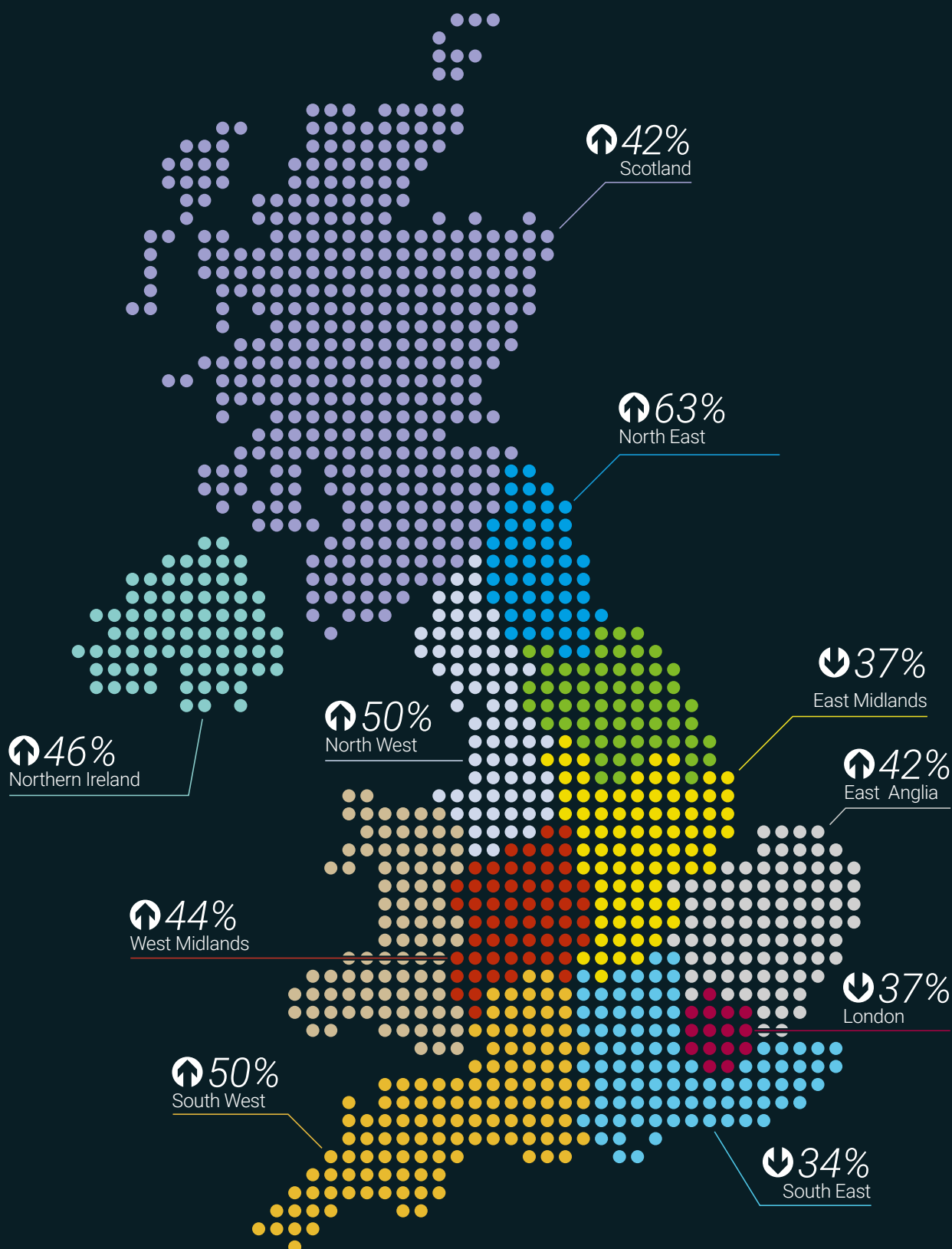
Whilst 40% of OMBs performed as expected in 2016, it should be noted that one in five (20%) said their business performed worse than expected, representing a three year high (18% last year, 14% two years ago). From a sector perspective, OMBs from the technology (31%), manufacturing and engineering (22%) and professional practice (21%) sectors were most likely to have reported worse than expected performance in 2016.

Business performance in 2016 – % better than expected



# Regional business performance in 2016

## % better than expected







## Simpac: benefiting from UK manufacturing investment

“

*Competitive market conditions made 2016 a very challenging year, but very successful. The price war between retailers filters through the supply chain, so margins have been under pressure, but we still exceeded our budget projections because of our Glasgow investment, the mix of products we supply and by keeping a close eye on cost control.*

*In 2017, the business will be building economies of scale by seeking new customers, while continuing to drive further efficiencies within the business.*

Sandy Bole  
Managing Director, Simpac

”

Founded in 1903 and employing over 140 people in Glasgow and Hull, Simpac is one of the leading packaging suppliers in the UK, serving major retailers, blue chip food manufacturers and agricultural businesses.

“In 2015 we invested in a new plant in Glasgow to produce retail wrap products like aluminium foil, cling film, greaseproof and baking paper,” says Sandy Bole, MD for Retail Products. “Exchange rates were already starting to slip and China and the Far East were no longer the great panacea for all cheap products. So we invested in a UK manufacturing side and have moved from being traditional importers to manufacturers of a lot of products.” With the substantial fall in the pound since the Brexit vote, the move has proved particularly opportune. “We have had a lot of interest from major retailers,” Bole says. “For us it’s a case of right time, right place – right capability and capacity.”

Competitive market conditions made 2016 a “very challenging year, but very successful,” Bole says. “The price war between retailers filters through the supply chain. So margins have been under pressure, but we still exceeded our budget projections because of our Glasgow investment, the mix of products we supply and keeping a close eye on cost control. We have invested in very efficient equipment.”

In 2017, the business will be building economies of scale by seeking new customers, while continuing to drive further efficiencies within the business. Even so, all employees are paid at least the living wage and the policy has been to train people up to higher value work, moving them from traditional warehousing to manufacturing. “We maintain good employee relations and around 80% of our workforce have ten years plus employment with us,” Bole says. “We are all in this together.”



[www.simpac.co.uk](http://www.simpac.co.uk)



# Strategic investment with a domestic focus

Despite the fall in confidence for the coming year, OMBs will continue to invest in their businesses in 2017, with a clear focus on growing domestic sales, developing staff skills and launching and developing new products and services.



*The UK market is more certain, but it's not clear how trading in Europe will be affected by Brexit, so if you have limited resource, why invest a lot of money in European markets until you are sure what the playing field is going to be? The low pound may make UK products appear cheaper now, but what if a 20% tariff is imposed in 18 months' time? There is a lot of uncertainty and OMBs are aware of this.*

Andrew Coldwell  
Partner, Moore Stephens South

The domestic focus of OMBs surveyed comes through clearly: over half (51%) of OMBs are certain or very likely to expand their UK customer base – while only 17% intend to increase export activity. Although the UK economy is affected by international political and economic events, OMBs perceive the UK market as lower risk – an environment they know. In order to expand their UK sales, OMBs are both launching new products and services (44% certain or very likely to do so) and developing new products and services (40%). They recognise the need to keep their offering fresh in order to retain and attract customers.

OMBs are continuing to invest in their businesses in 2017 – committing funds to developing their people and IT infrastructure. Investment in staff training comes equal second, prioritised by 44% of OMBs, while 15% intend to create apprenticeships, both of which address skills gaps. In addition, 31% of OMBs are certain or very likely to invest in technology or IT (consistent to the 34% of OMBs last year). OMBs have a variety of aims, including improving productivity and quality of service delivery. One financial services OMB, for example, is aiming to “increase web presence” and “deliver more electronic servicing to clients, with increased use of technology”.

Planning for the future includes succession planning, which has become more important this year: 29% of OMBs are certain or very likely to undertake succession planning (up from 21% last year). This may be because OMBs see few opportunities for exiting from their business via a trade sale – only 4% intend to sell their business this year. “In the manufacturing and engineering sector we have an ageing demographic of owners who are trying to find people to buy or take on their business,” says Moore Stephens London partner Richard Willis. “There aren’t enough people coming up with sufficient specific and general business understanding. So it is important for owners to try to identify people with potential who may need support to help them develop the skills and experience they will need to take over the business one day.”

Driving efficiencies remains a high priority for OMBs. A quarter (24%) are certain or very likely to reduce costs or overheads in 2017 – a similar result to last year. In addition, 10% intend to restructure their supply chains. “By looking at their cost base and supply chain, OMBs are making sure they can face the headwinds that are coming,” says Andrew Coldwell, a partner at Moore Stephens South. “But supply chain restructuring is not just about cost. It’s also about working more closely with suppliers to get the right end result in terms of price, quality, delivery times and product development.”

Our findings indicate that OMBs are thinking ahead, seeking to grow their domestic market and invest for the future through their staff and IT, while also keeping a close eye on the bottom line.



# Strategies OMBs are certain or very likely to implement in 2017

*From a business perspective, it may be that OMBs are more wary of what's going on in the wider world, so are focusing on domestic customers and growing that part of the business. They know the UK market better than any other, so are sticking with what they know.*

Debbie Clarke  
Partner, Moore Stephens London

Expanding UK customer base



Investing in staff training



Launching new products or services



Developing new products or services



Investment in technology or IT



Succession planning



Reduce costs or overheads



Increasing export activity



Create apprenticeships



Supply chain restructuring



Growth through acquisition



Sale of business





A portrait of Jonathan Jones, Managing Director of Crockett & Jones, in a shoe factory. He is wearing a dark suit, a light blue shirt, and a patterned tie. The background is a blurred view of the factory floor with various shoe components and materials.

## Crockett & Jones: looking out for business opportunities

“

*The bulk of our retail is in London and the currency impact from the Brexit vote made London quite attractive pricewise. So we have had a retail boost by the collapse of sterling, but to counter that we have had a hike in our raw material prices, because we import from Europe. A soft Brexit is absolutely vital, not least to retain access to European staff. And as we are significantly involved in exporting to Europe, we don't want impediments like a return of customs barriers.*

*We might divert exports into other markets and are thinking about expanding in the US to spread the risk. It's early days, but you have to look at all the possibilities.*

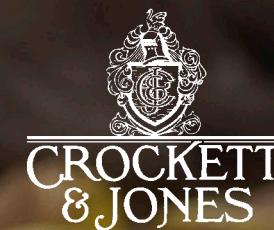
Jonathan Jones  
Managing Director, Crockett & Jones

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Founded in 1879, Northampton-based high quality shoe manufacturer Crockett & Jones is a fifth generation family managed business that employs around 275 fulltime employees in the UK, with retail operations in London, Birmingham, Paris, Brussels and New York. The majority of its shoes are sold under the Crockett & Jones brand, although the business makes some own label shoes for clients mainly in London and the USA. It has a long track record of exporting, focusing on developing the European market since around 1980. “Our brand is now established in all main European countries,” says Managing Director Jonathan Jones.

2016 was a relatively good year. “The bulk of our retail is in London and the currency impact from the Brexit vote made London quite attractive pricewise,” Jones says. “Most top-end brands in London have been trading quite well, pulling in demand from all over the world. So we have had a retail boost by the collapse of sterling, but to counter that we have had a hike in our raw material prices, because we import from Europe. We have to work out how to recover the cost of the increased prices, and that could squeeze margins.”

The outlook for 2017 is uncertain, given the slowdown in China and in world trade generally, and political uncertainty following the Brexit vote and Donald Trump's election. “If the pound stays low, our retail in London should hold up,” Jones says. A soft Brexit is “absolutely vital”, he adds, not least to retain access to European staff. “And as we are significantly involved in exporting to Europe, we don't want impediments like a return of customs barriers. We are being cautious about taking people on and sourcing materials until we see how things work out. We might divert exports into other markets and are thinking about expanding in the US to spread the risk. It's early days, but you have to look at all the possibilities.”



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



# Economic and business concerns in 2017

The majority of OMBs are concerned about the strength of the UK economy and the impact of Brexit, while many express a variety of business-focused worries.



*Businesses have found it hard to recruit the resource they need in recent years, so OMBs are having to focus on valuing people – on reward and recognition, as well as training.*

*There is a shift in emphasis towards training people to make sure they feel valued. Training helps people to progress and step up into new roles, and can also encourage staff to stay loyal, which really matters when there is a skills shortage.*

Gareth Magee  
Partner, Moore Stephens Scotland



When asked about the economy at large, the strength of the UK economy tops the list of OMB concerns (68%), while 43% are worried about the global economy. Brexit also features highly, with 62% expressing concern about the impact of Britain's departure from the EU. Not surprisingly given the fall in the pound since the Brexit vote, 48% of all OMBs surveyed are worried about fluctuating exchange rates.

It's notable that, while 17% of OMBs are concerned about a second Scottish referendum, this is a much bigger issue north of the border: 64% of OMBs headquartered in Scotland express concern about the possibility of another referendum on Scottish independence.

Honing in on business concerns, 43% of OMBs indicated that a shortage of skilled staff is their biggest concern for 2017 – a result consistent from last year (45%). Whilst it is evident that the war for talent continues, OMBs have been quick to respond, through increased investment in staff training and the creation of apprenticeships.

From a tax perspective, OMBs have continued to express concerns in their ability to efficiently extract profits from their business (38%), along with 31% voicing concerns regarding the business tax environment as a whole (an increase of 6% on responses from last year). Mike Cooper, tax partner at Moore Stephens in London, notes that the OMB sector has been hit hard by tax increases. "The Government has raised taxes massively for OMBs, mainly through the 7% increase in the dividend tax rate but also by extending the scope of profits subject to dividend tax," he says. "It's a double whammy. So OMBs need to review their business structures, because what was right 12 months ago is not necessarily fit for purpose anymore."

In a new entry to business concerns, and particularly pertinent given the approach of the May 2018 deadline for compliance with the EU General Data Protection Regulation (GDPR), one in four OMBs (24%) are concerned about cyber security and data privacy. OMBs are recognising the damaging impact that cyber-crime and data breaches can have on their reputation and customers, so may be looking to adopt strategies to minimise the potential risk to their business.



# Economic and business concerns in 2017

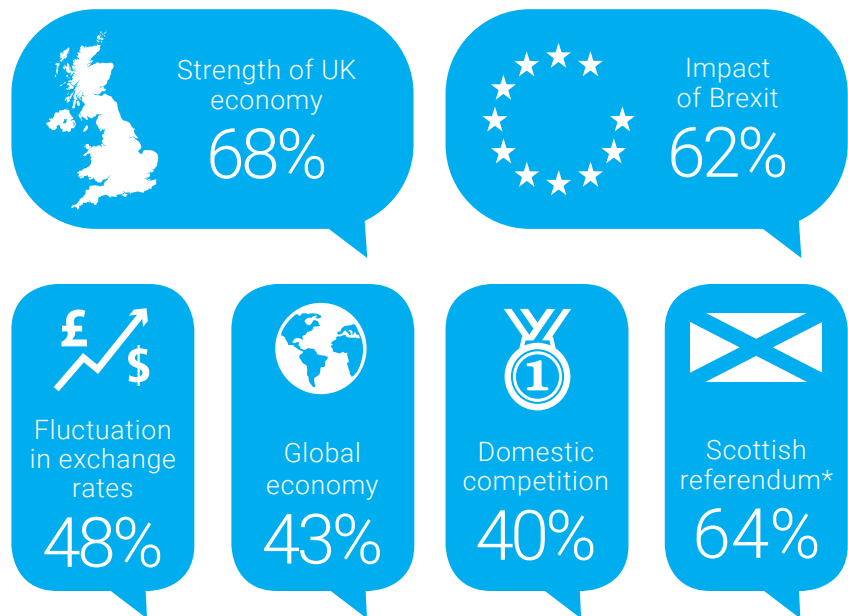


*OMBs are genuinely worried about the impact improvements in technology will have on their sector and business – whether they will be replaced, or left behind, and whether they can afford to invest to keep pace.*

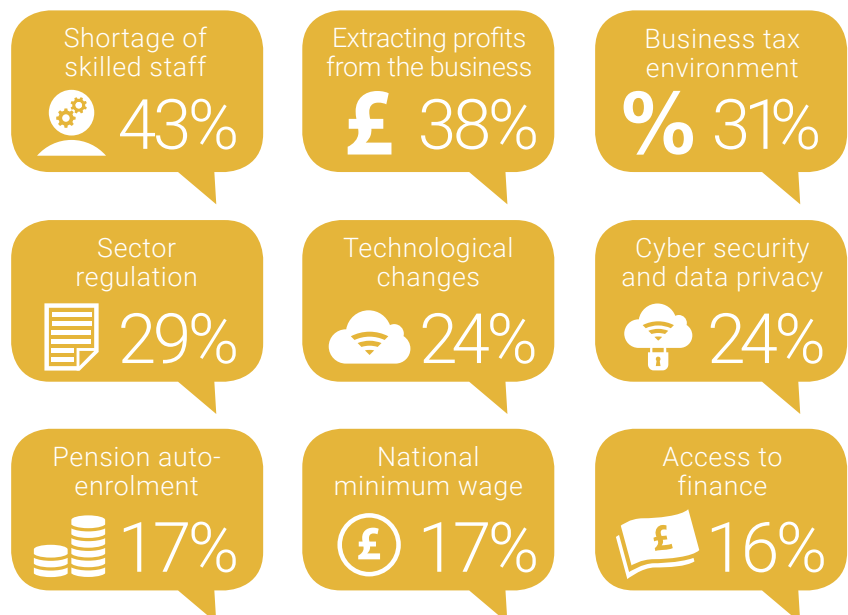
*Technology is moving so fast and everyone is aware of it.*

Suk Aulak  
Partner, Moore Stephens Birmingham

## Economic concerns:



## Business concerns:



\* 64% of OMBs based in Scotland expressed a second Scottish referendum as a key concern for 2017.



# SB Joinery: investing in people and technology



*We want to get the business from an owner-managed business to a culture-managed business, where everyone is striving happily for the benefit of the company.*

*I am only as good as the people who work for me, so whenever I see someone coming up through the company is lacking a certain skill, I send them on training courses. They feel good, more wanted and more valuable to the company.*

Stephen Brown  
Managing Director, SB Joinery Ltd.



A family-run firm since 1989, SB Joinery produces quality bespoke joinery for the high-end residential market. It operates out of factories in Stockbridge and Yeovil, using state-of-the-art technology and employing over 90 full-time staff. 2016 was somewhat better than expected and Managing Director Stephen Brown is optimistic about 2017. "We are in line for another 25% growth," he says. "We have a lot of orders in the bag – a load of work in the pipeline."

In the coming year Stephen is aiming to embed a new culture. "We want to get the business from an owner-managed business to a culture-managed business," he says, "where everyone is striving happily for the benefit of the company. I am only as good as the people who work for me. Whenever I see someone coming up through the company is lacking a certain skill, I send them on training courses. They feel good, more wanted and more valuable to the company."

As well as investing in people, the business also invests in technology to improve efficiency and support innovation. "There are new ideas coming into the marketplace that we have to embrace quickly," Stephen says. "Europe seems to be slightly ahead of the UK in terms of what high class buildings now require and I would like to embrace those ideas and bring them into the UK."

Stephen's biggest fear looking ahead is that uncertainty over Brexit details could deter developers from spending money. "I wish it was all over and done with so we could all plan for the future," he says. "Uncertainty will have an effect on our market."



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





# Brexit: the OMB view

While the majority of OMBs have yet to be affected by the UK's decision to leave the EU, many express concern that the uncertainty caused may impact their business in the future.



*Although there is uncertainty about the Brexit situation, quite a lot of entrepreneurs like change, because it presents opportunities.*

*Entrepreneurs are opportunistic. They recognise that the world keeps turning and they have to make money – that there will be opportunities if they are prepared to look for them.*

Mike Cooper  
Partner, Moore Stephens London

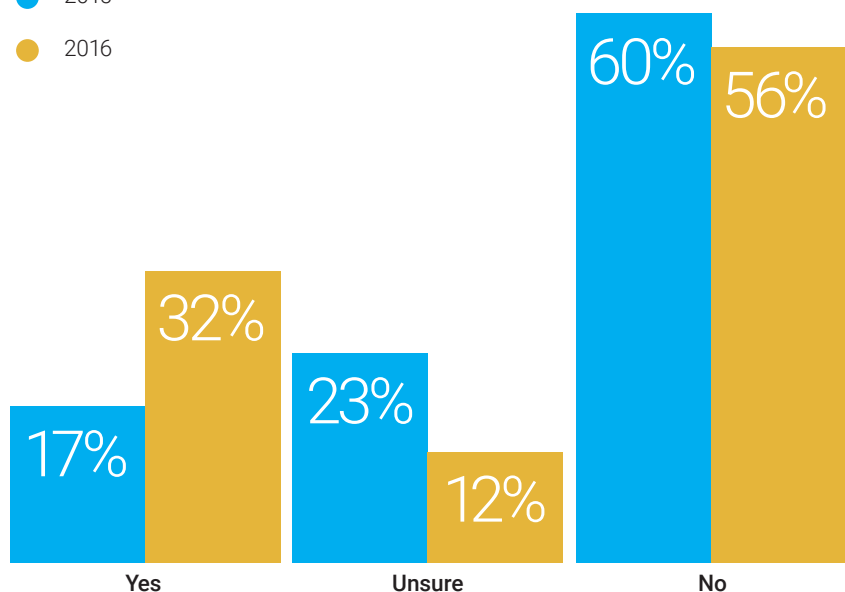
Our survey asked OMBs how they felt about the UK's decision to leave the EU. Whilst the majority (56%) disagreed with the decision, almost a third (32%) were in favour of Brexit, demonstrating that support for leaving the EU has increased since last year's survey, when only 17% of OMBs were in favour.

Although Article 50 had not been triggered during the survey period, 35% of OMBs said their business had already felt some negative impact as a result of the EU referendum result. In contrast, 16% had felt some positive impact. Perhaps surprisingly given the weak pound, exporters were more likely to report that their business has suffered: 42% of exporting OMBs reported a negative business impact, while 24% of exporters said their business has benefited.



## Do you agree with the UK's decision to leave the EU?

- 2015
- 2016



# Brexit: the OMB view

Rising costs and the devaluation of Sterling has led some OMBs to report that Brexit has already had a negative impact on their business.

*OMBs that employ relatively high numbers of European or transient workers are among those that are unhappy about the vote outcome. They are concerned about how they are going to get their work done, and this affects both skilled and unskilled labour.*

*But nobody really knows what Brexit will mean yet. OMBs are coming to the conclusion that nobody will know until it happens, so let's move on. They are being pragmatic.*

Suk Aulak  
Partner, Moore Stephens Birmingham

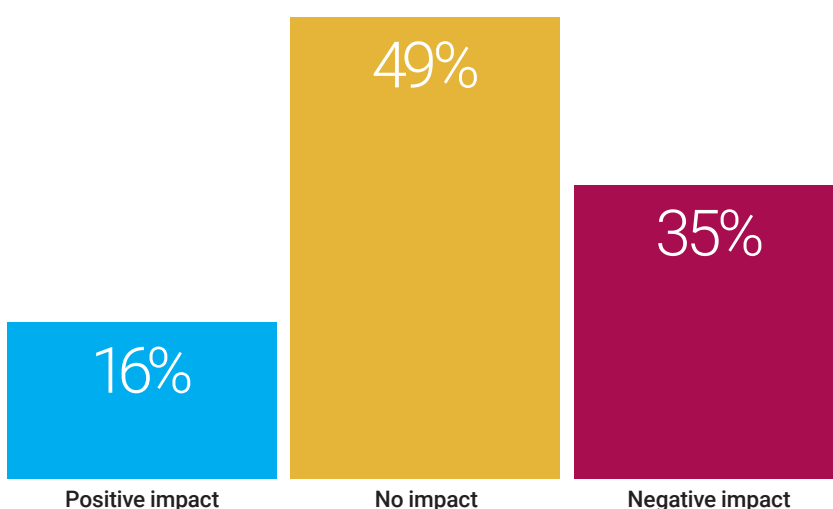
Among OMBs suffering some negative repercussions as a result of the Brexit vote, most indicated that this was due to the weaker pound. This has pushed up the cost of imports, including raw materials, and increased the prices charged by suppliers. One OMB commented: "A strong and purposeful response by Government is needed, to resolve the country's Brexit strategy and stabilise the pound against the USD and Euro."

The impact of uncertainty about what Brexit will involve also came through strongly, with OMBs referring to customer caution, business or investment decisions being put on hold, and damaged confidence – all affecting orders and sales. One OMB said: "There is no doubt that investment decisions have been delayed and there is uncertainty about where jobs will be located once [the] UK has left [the] EU."

Some OMBs have benefited, however. The majority of these have enjoyed a boost to exports due to the fall in sterling. As one OMB said: "The fall in sterling is very helpful for a 90% export company." Others have benefited from the buoyant stock market, advisory work related to Brexit and increased 'staycation' bookings, as well as an increase in foreign visitors.

Another OMB, with business interests in the Far East, said the perception of Brexit there was "very positive". Another is benefiting from the climate of uncertainty, saying: "The volatility and uncertainty created produces opportunity which we have designed solutions for. Not in our UK business though, so expansion will be outside [the] UK."

Has your business been affected by Brexit?





# Justwise Group: staying light on its feet in 2017

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*2016 was a relatively good year for the business. There was a lot of optimism driving consumer spending and we had higher volumes [of sales], albeit lower margins. However, the last quarter of 2016 was toxic, as a direct result of the devaluation of Sterling.*

*As a result, our strategy for 2017 is cautious, it's about keeping light on our feet until we can see where everything is going.*

Howard Morgan  
Managing Director, Justwise Group Ltd.

”

Justwise Group Limited, headquartered in Essex, is a Far Eastern sourcing company that designs, develops and supplies home furniture to large UK retailers. Its market has become highly competitive in recent years as customers have also become competitors – sourcing directly from the Far East. Nevertheless, 2016 was a relatively good year for the business. “There was a lot of optimism driving consumer spending and we had higher volumes [of sales], albeit lower margins,” says Managing Director Howard Morgan. “However, the last quarter of 2016 was toxic, as a direct result of the devaluation of sterling.”

Morgan has concerns about 2017. “We have the perfect storm,” he says. Firstly, the devalued pound has increased the cost of Far East imports paid for in US\$. Secondly, the cost of Chinese goods has increased due to the impact of emissions regulations. Retailers are unwilling to pass costs on to their customers, so increasing the pressure on supplier margins. Morgan is also concerned about the UK economy. “There will be a change in consumer confidence due to an increase in interest rates or unemployment creeping up,” he predicts.

Now that the Brexit decision is taken, Morgan wants the government to act with care. Clarity on what Brexit means would be good, but he says: “No government should be pressured into rushing policies through purely to say it has got a game plan. Having the right game plan is more important.” From a business perspective, Morgan would prefer a “soft” Brexit and “evolution rather than revolution” and definitely doesn’t want trade war and the imposition of large duties.

## JUSTWISE

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



# How Government can support UK OMBs

In light of the UK's decision to leave the EU, we asked OMBs to identify any areas of legislation or policy that the UK Government could enact, repeal or amend to better support UK OMBs.

*It is clear that UK OMBs would like to see unnecessary regulation and red tape reduced, which will allow greater time and energy to be focused on growing their businesses and being more productive.*

**Sue Lucas**  
Partner, Moore Stephens South



A reduction in red tape



Reform of regulations (e.g. health and safety, human rights, environment, Working Time Directive)



Reform of employment law, to increase flexibility in hiring and letting staff go



Continued membership of the single market or free trade in Europe and/or rapid trade agreements with the rest of the world to avoid tariffs



Continued access to EU labour and/or the ability to hire staff from around the world



Tax cuts, particularly corporation tax, stamp duty and VAT



Simplification of the tax system



Tax incentives or grants to encourage entrepreneurship, innovation, R&D



A reduction in business rates



The easing of public sector procurement rules



# OMB aspirations for 2017

"To continue our strong revenue and profitability growth from 2016, to move decisively into the US market and to launch new technology from our R&D programme that will deliver significant cost advantages to our services business." **Technology & telecoms**

"Develop new business streams, invest heavily in new technology, improve efficiency and productivity." **Financial services**

"To maintain profit – use the next couple of years to reduce debt and look at how we can insulate our business from the changes Brexit will bring." **Food & agriculture**

"To continue to build on our UK manufacturing investments, drive efficiencies, economies of scale and new business. Continue to provide our customers with a top quality product and service. Continue to capitalise on weaker Sterling and its effect on imported finished goods." **Manufacturing packaging & retail products**

"To continue to build on our UK manufacturing investments, drive efficiencies, economies of scale and new business. Continue to provide our customers with a top quality product and service. Continue to capitalise on weaker Sterling and its effect on imported finished goods." **Manufacturing packaging & retail products**

"Retain our staff. Offer our younger engineers the opportunities to learn a variety of systems. Investment in technology making the working day more productive." **Manufacturing & engineering**

"Survival – in the light of Brexit, it is the most we can hope for. Even that modest aspiration feels like a challenge now (and we have been a profitable business for each of our 20 years)." **Professional practices**

"A 20% increase in turnover and corresponding increase in profit to meet or exceed targets in our 3 year plan. To increase our market share and maintain our reputation for quality and innovation within our industry. To be able to reward and retain key staff members and maintain a stable workforce. A decent dividend for the shareholders." **Real estate & construction**

"To expand by acquisition where possible whilst reducing overheads and improving IT skills for all staff. Encouraging shareholding participation in the company to redistribute profits and encourage loyalty and maintain a stable staff base." **Professional practices**

"To grow turnover and profitability and to address the potential skills shortage by implementing an improved recruitment offer, including an apprenticeship scheme." **Retail & wholesale**

"To continue the pace of growth we've achieved over the last few years and capitalise on the benefits and gains that Brexit will have to offer in the coming seasons." **Travel & tourism**

"We aim to continue a steady growth built on previous couple of years, keeping costs under control and driving on sales of recent new product lines. With devaluation of the pound we will have to sell more to maintain profitability." **Hotels & leisure**



# Conclusion: strength amidst uncertainty

The OMB sector is resilient – but that resilience could well be tested during 2017.



*There have been a lot of challenges for our business over the years and we have responded to them. There are always winners and losers. You have to have flexibility in business and keep looking for the opportunities – because they are there.*

Sandy Bole  
Managing Director, Simpac

The uncertainty over Brexit negotiations, Britain's future trade agreements and access to the European market are concerns expressed by many OMBs surveyed this year. Clarity on these details is not expected any time soon, but meanwhile OMBs must continue to trade.

What is striking is that, even among some business owners and managers who voted to stay in the EU, there is a sense that life – and business – must go on. Opportunities will arise. Some businesses are experiencing positive benefits. Others are adjusting their business models to reflect new exchange rates, whether by looking to boost exports, increase domestic production or adjust supply chains. Most OMBs continue to invest in attracting new customers, training staff and launching and developing new products and services.

Sandy Bole, Managing Director at Simpac, represents the views of many OMBs in his outlook. Although he sees uncertainty surrounding Brexit negotiations as one of the challenges of 2017, he says: "There have been a lot of challenges for our business over the years and we have responded to them. There are always winners and losers. You have to have flexibility in business and keep looking for the opportunities – because they are there."



# Ten tips for success in 2017

1. ☒ Retain a positive outlook. Control the controllables and continue to look for business opportunities to grow your business at home and/or internationally.
2. ☒ If looking for additional funds, make use of any available tax breaks and grants (such as those from Innovate UK) which could supplement or replace bank finance.
3. ☒ Assess the resilience of your business in terms of capital and cashflow to help it weather any potential downturn.
4. ☒ Monitor expenditure: as well as managing overheads, keep a close eye on direct costs to protect the margin. Identify points of risk in the supply chain where price increases could be substantial, e.g. imported raw materials. Rethink or review possible responses such as finding new suppliers, passing on costs or hedging your position.
5. ☒ Consider whether working more closely with your supply chain – suppliers and customers – could bring mutual benefits in terms of quality, delivery times or product development.
6. ☒ Review your business structures to make sure they enable the most tax-efficient profit extraction.
7. ☒ View training as an investment in both improving business performance and rewarding loyal staff by helping them develop better skills.
8. ☒ Don't overlook simple ways to help staff feel valued: a personal thank you for their hard work and contribution to the business can have a powerful impact.
9. ☒ Explore ways to incentivise staff, particularly key employees, to retain them in the business for the longer term. Consider Enterprise Management Initiative (EMI) share options or 'freezer' shares, where recipients only incur a tax liability if the shares grow in value.
10. ☒ Allow plenty of time for succession planning, particularly if looking for a sale to management: be prepared to help upcoming managers strengthen business skills so that they are capable of taking business ownership one day.

# 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 have concerns regarding extracting profits from the business

Having a robust plan in place for extracting profits from your business is key to ensuring that you are rewarded and benefit financially from its continued success. We support you to better understand the range of options available and provide solutions that will allow you to protect your wealth.



## 31% of OMBs identify the business tax environment as a risk

OMBs face an increased burden with regards to reporting on their tax affairs, all whilst managing risks and opportunities effectively. We help you to ensure that you have made the correct disclosures, advise you on efficient structures to manage commercial and tax risks, and assist you in optimising tax reliefs.



## 29% of OMBs are very likely or certain to review their succession plans

We know the importance that OMBs place on protecting the future of their business, so we work with you to find the best solution that meets your unique requirements. This may include selling the business to a competitor or to your management team, winding up the business in an efficient manner or passing the business to a family member.



## 40% of OMBs are very likely or certain to develop new products or services

If businesses are investing in new technologies and innovation, then they may qualify for R&D tax relief. We have extensive experience in assisting companies identify qualifying projects and have successfully helped companies claim over £200 million in R&D tax relief.



## 24% of OMBs identified cyber security and data privacy as a key concern

As the risk of your business suffering from a cyber-attack or data breach rises in line with advancements in technology, OMBs must take steps to ensure that your IT systems and data processes are secure, resilient and fit for purpose.

As the deadline for compliance with the EU General Data Protection Regulation (GDPR) approaches in May 2018, OMBs must seek advice from specialists on how best to deal educate, architect and assure all aspects of their IT systems.



## 43% of OMBs view a shortage of skilled staff as a business concern

There are a range of tax approved share schemes that will allow you to incentivise your employees, and ensure they are rewarded for contributing to the success of your business.

Our team can help you decide which option is best for your business, assist in the design process and advise on all aspects of valuations, tax implications and employment and capital gains tax treatment.



# About Moore Stephens

Moore Stephens is a top ten accounting and advisory network, with offices throughout the UK and member firms across the globe.

Our clients range from individuals and entrepreneurs, to large organisations and complex international businesses. We partner with them, support their aspirations and contribute to their success. In-depth understanding of our clients allow us to deliver focused accounting and advisory solutions, both locally and globally.

Clients have access to bespoke services and solutions, including audit and assurance, business support and outsourcing, payroll and employers' support, business and personal tax, governance and risk, corporate finance, forensic accounting, wealth management, IT consultancy, and restructuring and insolvency.

Our success stems from our industry focus, which enables us to provide an innovative and personal service to our clients in a range of sectors.

## **Moore Stephens globally**

Moore Stephens International is a top ten global accountancy and consulting network, headquartered in London. With fees of over US\$ 2.66 billion and offices in 106 countries, clients have access to the resources and capabilities to meet their global needs.

By combining local and expertise with the breadth of our UK and worldwide networks, clients can be confident that, whatever their requirement, Moore Stephens provides the right solution to their local, national and international needs.

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