



MOORE STEPHENS

Continued resilience

The owner managed business view in 2019

Owner managed businesses

PRECISE. PROVEN. PERFORMANCE.

Table of contents

Foreword	3
Executive summary	4
OMB confidence falls for 2019	5
Winners and losers in 2018	7
Economic and business concerns in 2019	10
Brexit: the devil in the detail	14
Strategies for 2019	16
Growth through innovation	18
Making the most of Making Tax Digital	22
OMB aspirations for 2019	26
Conclusion	28
Ten tips for success in 2019	29
Our solutions for OMBs	30

Survey details

To gather the data for this report, we conducted an online survey of OMBs between 29 October and 21 December 2018. We analysed 660 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 2018, their expectations for and concerns about 2019, and the strategies they aim to apply in their businesses.

Foreword



Sue Lucas

Partner, Moore Stephens South

M: +44 (0)1983 825 000

E: sue.lucas@moorestephens.com

Our sixth survey of owner managed businesses (OMBs) is in some ways a tale of two halves. Initially it reveals worrying signs of lower confidence in the general outlook for 2019 and the prospects for business performance in the year ahead. There's no surprise why this is: Brexit – or more particularly uncertainty over the details of any final deal – was dominating the news headlines during the period that OMBs were answering our survey questions.

Read further into our report, however, and you find the story has a more positive twist. OMBs are still investing in their businesses. Their strategic plans for 2019 are highly consistent with the plans they have been implementing in the last few years. Brexit uncertainties and concerns about any impact on the UK economy do not appear to be deterring businesses from investing in people and technology, or in launching and developing new products and services.

Business leaders are getting on with business as usual. Some are waiting for clarity on the UK's relationship with the European Union before making investment decisions, but many others realise they need to push on. Any slight dip in business in 2019 could, in fact, be a good time to disrupt product lines by upgrading facilities or implement a new IT system. These OMBs will be even better positioned to benefit from any future economic upswing that follows once policymakers are freed from Brexit issues and can return to 'business as usual'.

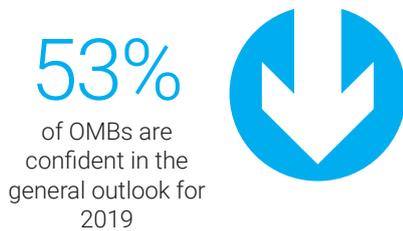
Brexit aside, another big deadline for OMBs this year is the start date for Making Tax Digital in April 2019. Although HMRC has indicated there will be a 'soft landing' in terms of compliance expectations, OMBs have been gearing up. We believe that, despite the compliance trigger, many OMBs will ultimately see the benefits of enhanced accounting systems on their management information. We encourage OMBs to see this as an opportunity to become more digitally savvy and take advantage of new real time business performance insights. Sound management information is one of the key requirements for taking sound decisions – particularly in such times of economic uncertainty.

I thank all the OMBs who took the time to complete our survey this year, and particularly those who shared their experiences in our featured case studies.

Executive summary

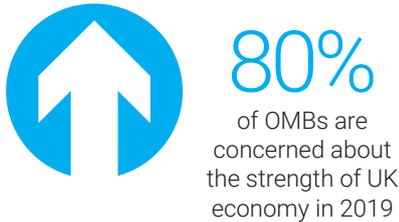
Despite concerns about the strength of the economy and the impact of Brexit, OMBs continue to strive for sustainable, profitable growth.

Confidence for 2019:



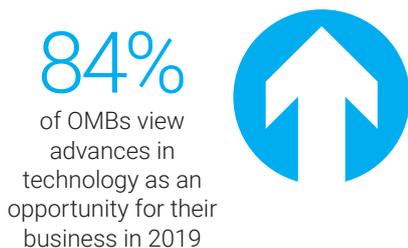
- OMBs' confidence in the general outlook (53%) and their ability to meet revenue (60%) and profit (55%) targets for 2019 has fallen to the lowest level recorded in our surveys.
- 78% of OMBs either met or exceeded their performance expectations in 2018, but only 35% overall performed better than expected.
- OMBs are most concerned about the strength of the UK economy (80%), although concern about the global economy has increased.

Concerns for 2019:



- The impact of Brexit negotiations on their business is a concern for 55% of OMBs – and 91% don't think the Government has provided them with enough information to plan effectively.
- The most popular strategies for 2019 are investing in staff training (48%), expanding the UK customer base (48%) and launching (36%) and developing (36%) new products or services – results that are highly consistent with last year.

Opportunities for 2019:



- 84% of OMBs view advances in technology – such as automation, robotics and machine learning – as an opportunity for their business (up from 79% last year), but only 31% plan to invest in new technology or IT systems in 2019.
- 19% of OMBs are concerned about implementation of Making Tax Digital – up from 9% last year – reflecting the fast approaching initial compliance deadline of April 2019.

OMB confidence falls for 2019

OMB confidence in the general outlook and performance for 2019 has slumped in this year's survey.



OMBs are not looking for growth for growth's sake – they want it to be real, profitable growth.

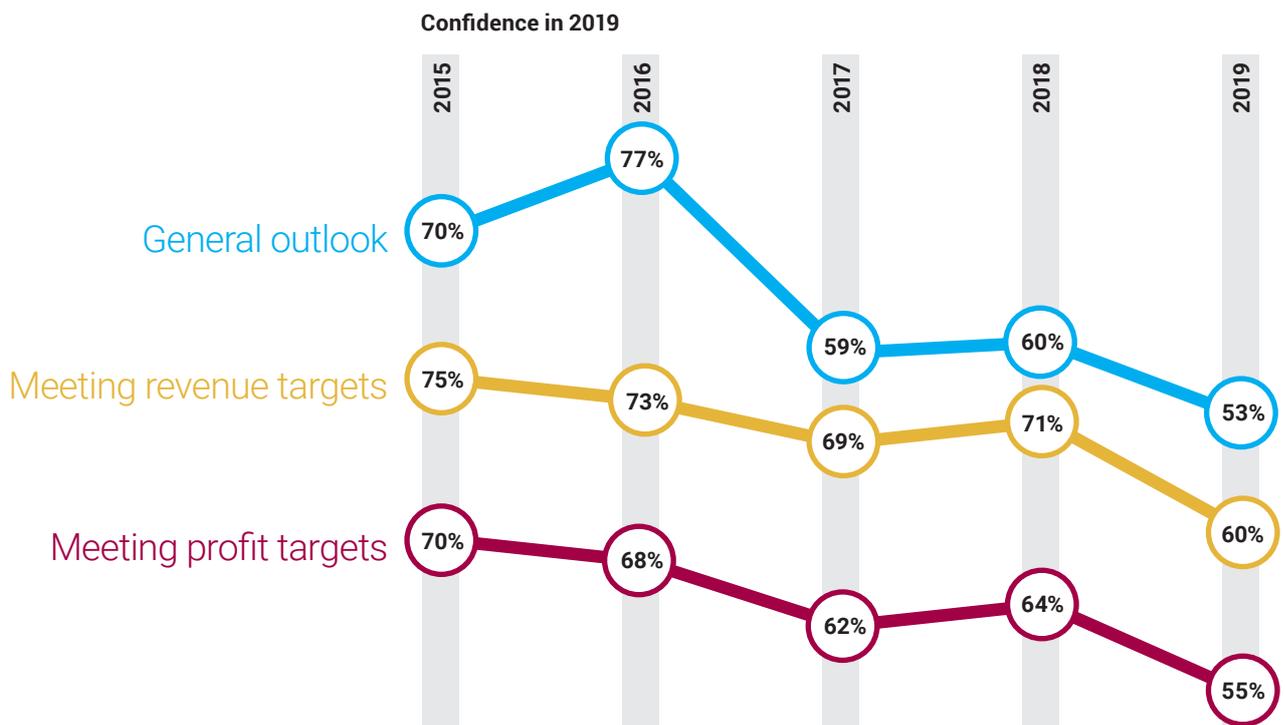
They're looking at what they are selling and at what price, as well as making sure what they spend in the business delivers a real return.

Ashley Conway
Director, Mitten Clarke

Only 53% of the OMBs we surveyed express confidence in the general outlook for 2019, down from 60% last year. Similarly, only 60% are confident about meeting revenue targets in 2019 (down from 71%) and 55% are confident about meeting profit targets (down from 64%). These are all substantial decreases in confidence.

On all three counts, these are the lowest confidence levels reported since we began our OMB surveys in 2013. It's clear from respondents' comments that concerns about Brexit and uncertainty about any final deal have significantly dampened spirits. Although not every OMB is directly affected by Brexit in the form of EU imports and exports, any negative impact on the UK economy is a worry for far more.

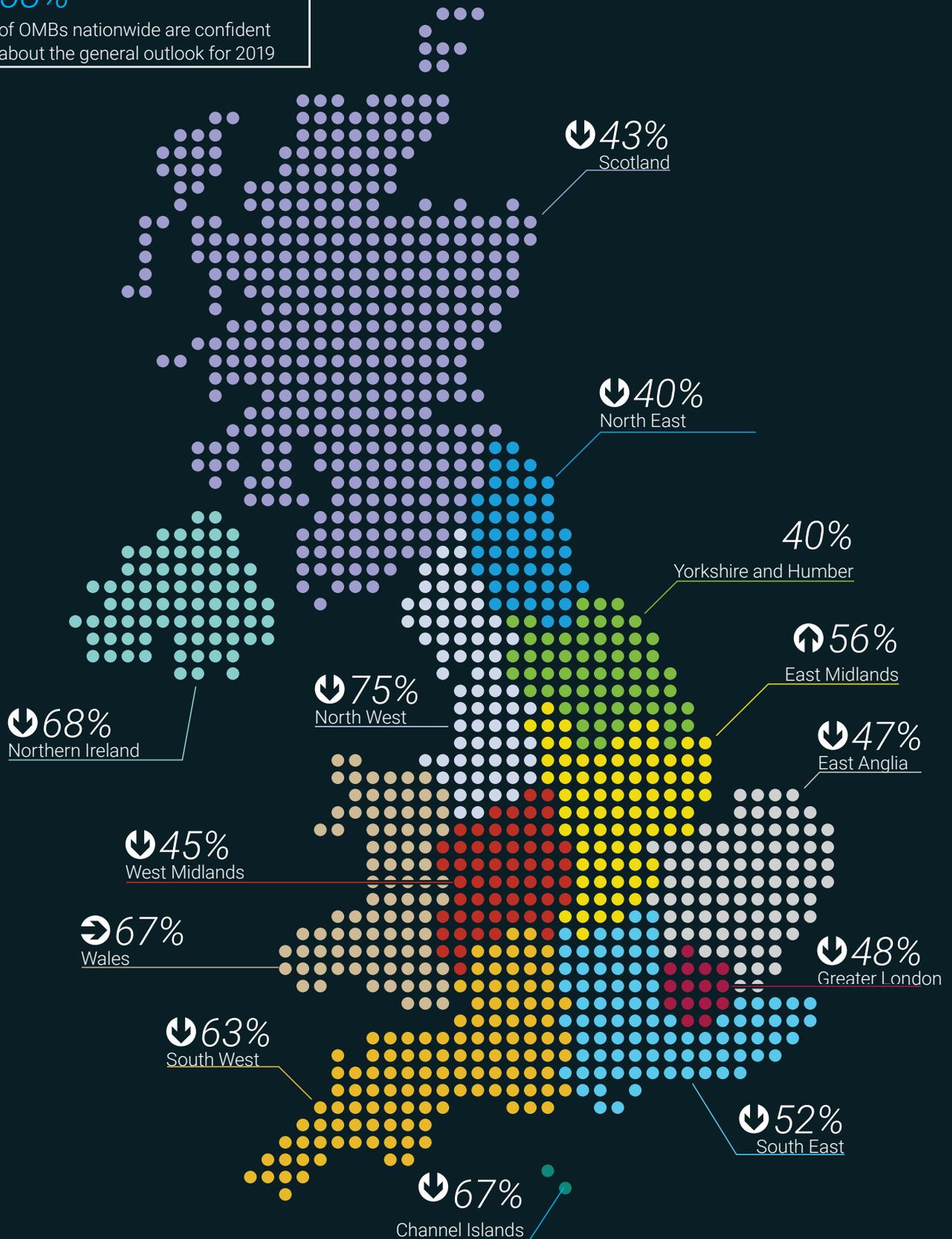
However, we also know that many survey respondents are looking for growth next year – in their top line and profits – so the entrepreneurial spirit of the OMB sector continues, despite current challenges. There also seems to be a stronger focus on generating sustainable, profitable growth, rather than growth for growth's sake.



Regional confidence in 2019

53%

of OMBs nationwide are confident about the general outlook for 2019



Winners and losers in 2018

Most OMBs either met or exceeded their expectations in 2018, despite the uncertain political and business climate.



There will always be winners and losers in business. If the pound falls, that benefits the UK hospitality business. It affects importers and exporters.

Media stories tend to focus on the losers, but many OMBs have performed relatively well over the last year. It's just not a story you tend to hear about.

Mervyn Dolan
Partner, Moore Stephens Northern Ireland

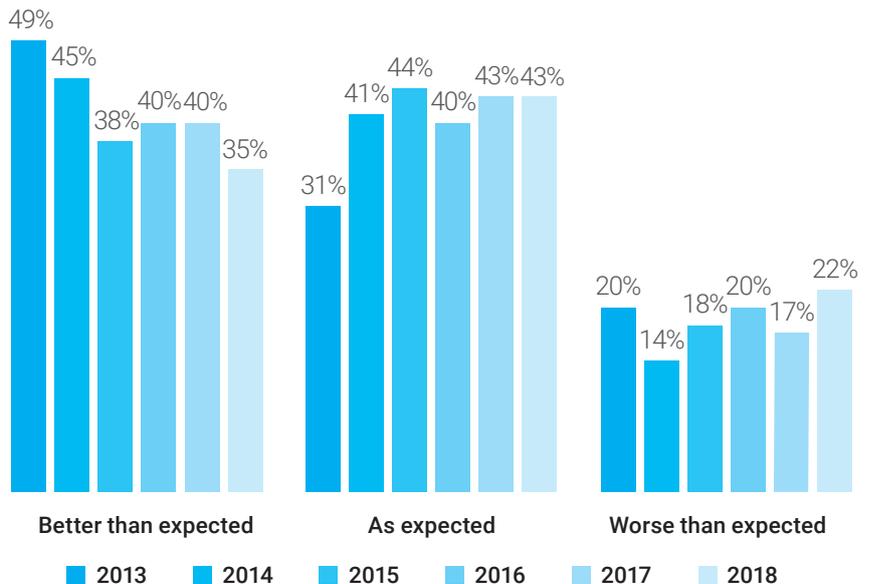
Just over a third (35%) of OMBs performed better than expected in 2018, somewhat down from the 40% who exceeded performance expectations in last year's survey. Meanwhile, the percentage of OMBs reporting worse than expected performance increased, from 17% to 22%.

While these results are disappointing, the largest proportion of OMBs (43%) performed as expected. In other words, 78% of all OMBs surveyed either met or exceeded their expectations – which could be seen as an encouraging result during a period of such unusual business uncertainty.

Some OMBs that exceeded their expectations have benefited from the weak pound – making them more attractive to foreign customers. However, importers of raw materials have seen their costs rising. At the same time, ongoing shortages of skilled staff in some sectors have contributed to wage inflation, adding to the pressure on margins.



Looking back, how did your business perform overall against revenue and profit targets?





Joseph & Jesse Siddons: moving ahead through investment



We are looking to replace our ageing furnaces with newer technology – electric melting. We are replacing one of our moulding lines – increasing mechanisation. We are also replacing another piece of equipment because better technology is now available.

We feel there's an opportunity to move ahead of some of our competitors who might be cautious about investing now.

Andrew Siddons
Managing Director,
Joseph & Jesse Siddons



In business since 1846, Joseph & Jesse Siddons is a well-established iron and steel foundry based in West Bromwich and employs 85 people. The firm's flexible production methods enable it to produce a wide range of castings, from pumps to compressors and clutch housings to filter casings. Exports make up 20%-25% of sales. The business has also diversified and runs a profitable industrial property leasing division.

Managing Director Andrew Siddons is the fifth generation of the family to run the business, and one of his sons also now works in the company.

Last year the business performed better than the year before, with increased manufacturing activity. "A major customer needed much greater supply from us, so some orders rocketed," Siddons says. "We ran a night shift for about 15 months to meet demand." The business has faced some challenges too, such as the rising cost of imported materials due to the lower pound, and the increased cost of labour due to a shortage of skilled people.

"We see getting the right labour as a problem going forward," Siddons says. "We try to deskill jobs where we can to make it easier to recruit people." The company also looks after its people to encourage loyalty. "We have a good crew and in most jobs we have low staff turnover," explains Siddons. "If we need to go short, we do short-time working. We don't tend to hire and fire."

Siddons is also investing in the business in 2019. "We are looking to replace our ageing furnaces with newer technology – electric melting," he says. "We are replacing one of our moulding lines – increasing mechanisation. We are also replacing another piece of equipment because better technology is now available. So we have a lot of investment planned. We will be using our own resources – not borrowing money. We feel there's an opportunity to move ahead of some of our competitors who might be cautious about investing now."

It's hard to know what impact Brexit will have, if any. "We just have to go with the flow and talk with our main export customer as and when it happens," Siddons says. "We'll have to sit down and thrash out how our business goes forward."



JOSEPH & JESSE
SIDDONS
ESTD 1846

www.jjsiddons.co.uk

Economic and business concerns in 2019

The strength of the UK economy and impact of Brexit are OMBs' major concerns this year, reflecting current political and market uncertainties.



We've seen a big increase in OMBs concerned about the global economy. More respondents have a global outlook now, rather than just focusing on the UK economy.

A higher percentage of businesses are exporting too, suggesting a slight increase in globalisation among businesses OMBs in this year's survey.

Mandy Mitten
Managing Director, Mitten Clarke



The strength of the UK economy remains the biggest economic concern for OMBs in this year's survey, identified by 80%, compared to 78% last year. The big change is the marked rise in concern about the strength of the global economy: 37% of respondents said this was a worry, up from 28% last year.

This reflects the fact that the OMB sector is substantially international in its outlook: 35% of the OMBs surveyed export goods or services, a slight increase on the 33% last year. International politics also appear increasingly unpredictable, dominated by big characters in the form of Presidents Donald Trump and Vladimir Putin, and frictions between some neighbouring nation states. Any knock-on effect on international economies could ultimately affect the UK and even purely domestically-trading businesses.

Concern over domestic competition has fallen slightly this year. Other economic concerns – over exchange rates and interest rates – have remained relatively stable.

Turning to business concerns, the biggest issue this year remains the impact of Brexit negotiations. Over half (55%) of OMBs identified this as a concern, compared to 51% last year. We look further at Brexit later in this report.

A shortage of skilled staff is again the second most significant concern, identified by 41% of OMBs. With low UK unemployment and uncertainty over the ongoing attractiveness of the UK to EU talent, the skills shortage is likely to remain an issue in many sectors.

Technology concerns are also relatively widespread, with 25% of OMBs worried about the threat of a cyber-attack or data breach on their business. Given the potential impact such breaches can have on businesses through loss of public image, customer confidence and even regulatory penalties, it's surprising more businesses don't express this concern.

Continuing the technology theme, around a quarter (24%) of OMBs are concerned about keeping pace with and/or adopting new technologies. We consider the opportunities and challenges presented by advancements in technology later in this report.

The implementation of Making Tax Digital has become much more of a concern for OMBs this year – a reflection of its rapidly approaching effective start date. See more on this issue on page 22.

Economic and business concerns in 2019

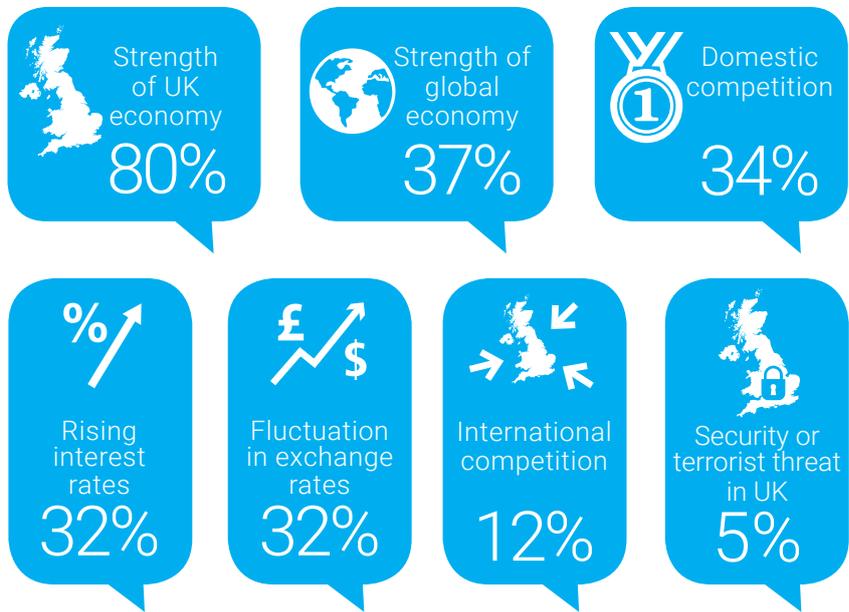


OMBs are concerned about extracting profits from their business – no doubt as a result of the ever changing tax landscape.

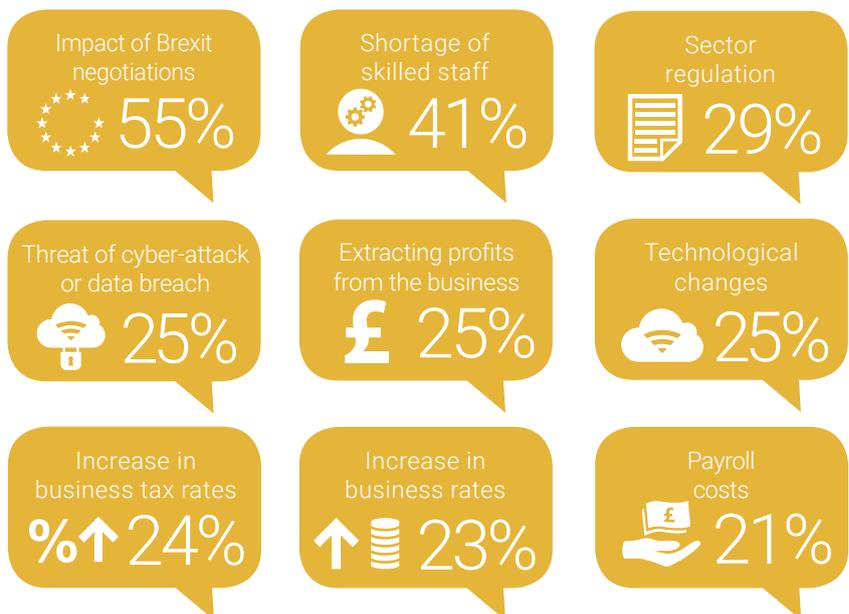
OMBs had a very difficult time during the recession and it is understandable that they now want to take profits whilst conditions may be favourable. Investment for future growth remains crucial however, and constant adverse changes to the tax system make this more difficult.

Mervyn Dolan
Partner, Moore Stephens Northern Ireland

Economic concerns:



Business concerns:





square metre: diversifying in advance of Brexit



Construction is a volatile market. At the moment there's no sign of any recession, but if we get a 'no deal' Brexit, who knows? You just have to accept that construction is an up and down industry. At the moment it's a case of grab what you can in terms of turnover. The benefit of large refurbishment and residential projects is that they take a lot longer, so we want to win that work now.

Steve Hart
Founding Director, square metre



Operating in London and the South East, square metre is a leading fit-out and refurbishment specialist in business since 2003. The company now has three divisions: its core business – Category A and B fit-outs; high-end residential; and 'construct' – essentially completing heavy refurbishment projects. The business has around 45 employees but uses numerous subcontractors on its sites. "We've employed at least 15 new people in our construct division in the last two years," says Steve Hart, Founding Director of square metre. "They've all come through a personal recommendation."

The six months after the Brexit referendum in 2016 were tough. "We had lots of enquiries, but clients weren't pressing the button," Hart says. "We had a significant drop in turnover. Then in the final quarter of 2016 we picked up some key jobs and business has gained momentum through 2017 and right through 2018." Turnover bounced back in 2017 and is set to be significantly up in 2019.

The business works across many sectors – from offices to schools and residential properties. "We're also looking at golf bars and student accommodation," Hart says. "We're going to stick to our core activities, but just be a bit more diversified."

Despite the company's strong position, Hart is "apprehensive" about future prospects a little further down the line – in 2020. "Construction is a volatile market," he says. "At the moment there's no sign of any recession, but if we get a 'no deal' Brexit, who knows? You just have to accept that construction is an up and down industry. At the moment it's a case of grab what you can in terms of turnover. The benefit of large refurbishment and residential projects is that they take a lot longer, so we want to win that work now."

Hart has some concerns about what could happen if lorries become delayed at UK ports post Brexit, and is trying to include Brexit clauses in new contracts to allow for potential delays in project completion. "A lot of our material comes from Europe," he says. "If there's a jam at the borders, how would we procure our plasterboard, lifts and things like that? That's my biggest concern."



Brexit: the devil in the detail

With the March 2019 Brexit deadline approaching, OMBs are frustrated by lack of government guidance, but making what plans they can.



The UK has a large economy with a lot of consumers. Brexit and global trade aside, there's a lot of business to be done.

Many OMBs that aren't directly affected by Brexit are getting on with business. Those that are directly affected have looked at their risks and put plans in place.

Sue Lucas
Partner, Moore Stephens South

The shadow of Brexit looms large over the UK, and OMBs are concerned. The overwhelming majority (91%) don't think the Government has provided businesses with enough information to plan effectively for Brexit.

Although 35% of OMBs surveyed currently export goods or services to not just EU customers, many businesses import raw materials and other goods and services. Some OMBs will be part of a longer value chain containing EU entities. Many entrepreneurs, therefore, are affected by Brexit in one way or another. One real estate and construction OMB is expecting an "inevitable Brexit wobble" in 2019. In some sectors opinions on impacts are split: uncertainty over fishing rights leaves some OMBs thinking now is as good a time as any to dispose of boats and quotas, while others anticipate better access to waters and hence better prospects ahead.

Given the lack of Government information, how can OMBs prepare? 'The most important thing to do is talk to your supply chain – from your suppliers to your customers,' says Rowan Crozier, CEO of advanced manufacturer C. Brandauer & Co. "We are also considering our stocking of raw materials and looking at alternative methods of shipment – so rather than coming through a port, shipping via air if necessary." The business has also begun the process of pre-registering using freight forwarders, in case the UK leaves the EU with no deal.

OMBs in other sectors are also making plans. An OMB in the hotels and hospitality sector is looking to "restructure for the post Brexit environment". However, one transport and logistics OMB said: "Until Brexit is sorted we cannot make any financial commitments."

Brexit aside, OMBs also have a wish list for preferred government policies. Over half (54%) would like to see business rates made progressive, with lower rates for smaller businesses. Similarly, a majority (51%) would like an increase in the dividend allowance and 45% would like a commitment to maintain Entrepreneurs' Relief at its current level for at least the next five years.

Andrew Siddons, Managing Director of iron and steel foundry Joseph & Jesse Siddons, would like the Government to reduce red tape – and think harder before changing the rules. "Sometimes you feel like you are standing on a hammock, because everything is moving in different directions all at once," he says. "You need a stable environment to go forward."



Brexit: the devil in the detail

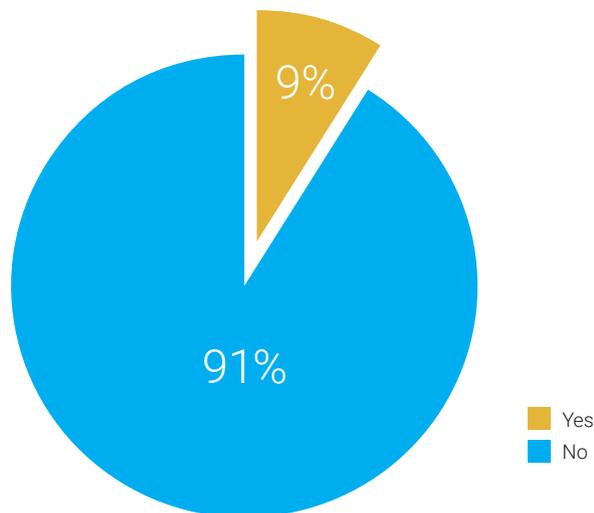


Some businesses have made plans for Brexit – whether stock-piling some goods or materials or buying currency at a better rate in advance.

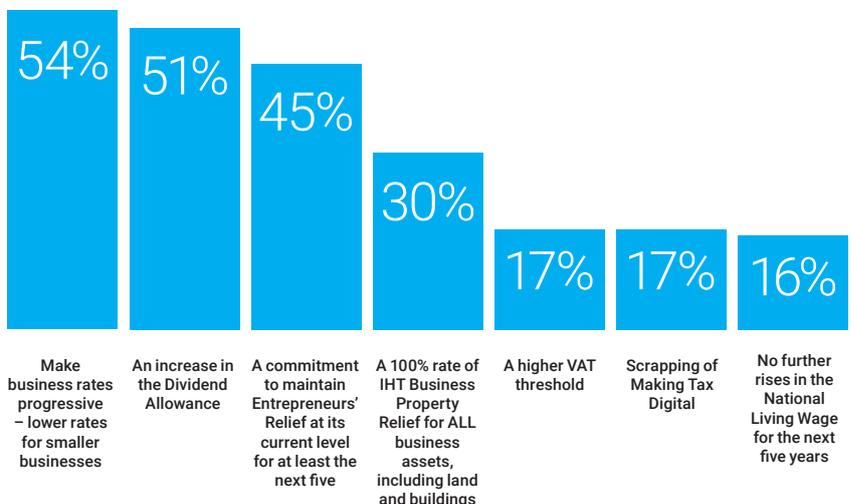
Although there is uncertainty about the future, some overseas companies are maintaining their presence in the UK to have a footprint in the market.

Geoff Norman
Partner, Moore Stephens East Midlands

Has the Government provided businesses with enough information to plan effectively for Brexit?



Which changes to Government business policy would you most like to see?
Select all that apply:



Strategies for 2019

OMBs remain focused on core goals of increasing their UK customer base and investing in staff – looking for profitable growth in the process.



I see many OMBs investing in training staff, in technology, new products and services – and new niches. If they are strong in a particular area, they are focusing on that and developing it. Even in retail, if you have a niche that you service well and invest in systems, people and technology, you can do well.

Philip Callow
Partner, Moore Stephens Channel Islands

Our research has found strong consistency year-on-year in the business strategies that OMBs implement. The top two in recent years have been expanding the UK customer base and investing in staff training. These again dominate OMB plans for 2019.

The findings reflect the fact that the UK still offers attractive growth opportunities for entrepreneurs – whether inside the EU or not. Successful OMBs often find niche areas in which to specialise, giving them some protection from larger or international competitors.

Continued investment in staff training also reflects the ongoing skills shortage in the UK. Some OMBs are responding by training their own apprentices (14% plan to do so in 2019), while offering training more generally boosts firm-wide skills and builds company loyalty.

As in previous years we also found strong commitment among OMBs to launching (36%) and developing (36%) new products and services. Respondents recognise the need to keep their offer fresh and innovative in order to build their UK customer base and drive international expansion (a strategic aim for 13% in 2019).

A notable percentage (31%) of OMBs plan to invest in new technology or IT systems in 2019, whether to reduce manual activities, enhance productivity, improve management information or meet the compliance demands of Making Tax Digital. There has been an increase in OMBs looking to reduce costs or overheads (28%, up from 24% last year), despite the sustained focus seen in recent years in running businesses more efficiently and reducing unnecessary spend. This may reflect the desire to tighten business belts, given the uncertainty around Brexit.

OMBs are getting their house in order in another way too, with succession planning increasing to 27% in 2019, up from 24% in 2018. Some respondents may see now as good a time as any for making plans to recoup value built up in their business – although others will still be holding off until the impact of UK's departure from the EU becomes clearer.



Strategies for 2019

Strategies OMBs are certain or very likely to implement in 2019:



Growth through innovation

OMBs see potential to grow their businesses through embracing innovation and technology.



We should move away from defining technology as a separate sector or industry. Technology needs to be embedded into all sectors and all industries. Technological change is happening so fast that if you see it as a medium to long-term opportunity, you might miss the boat. 2019 is the year for OMBs to really embrace technology if they haven't already.

Geoff Norman
Partner, Moore Stephens East Mids

The vast majority of OMBs (84%) view advances in technology – such as automation, robotics and machine learning – as an opportunity for their business. This is a notable increase on last year's result (79%).

As highlighted earlier in this year's report, a considerably smaller percentage (31%) of survey participants plan to invest in new technology or IT systems in 2019. This suggests there could be a gap between expectations for exploiting technology and commitment to doing so in the form of immediate investment.

However, less than a quarter of OMBs (24%) see technological developments as providing an immediate opportunity for their business. Far more (61%) see technology offering a medium to long-term opportunity. This group may be delaying investment, despite seeing potential for enhancing their business. Given the speed with which technological advances are now taking place, such businesses may want to reconsider their approach.

We have already identified (page 11) that 24% of OMBs are concerned about keeping pace with and/or adopting new technologies. Some have particularly strong concerns. This year, 16% of OMBs see advances in technology as a threat to their businesses. These are the respondents with business models threatened by new technologies or struggling to see how they can turn latest innovations to their advantage.

Investment in technology can be transformative in many ways, depending on specific sectors. It could support new products, services or channels to market. Across all sectors, IT systems, tools and apps can also improve management information systems – reducing the need for manual data entry, while improving productivity, data accuracy and real time reporting.



Growth through innovation

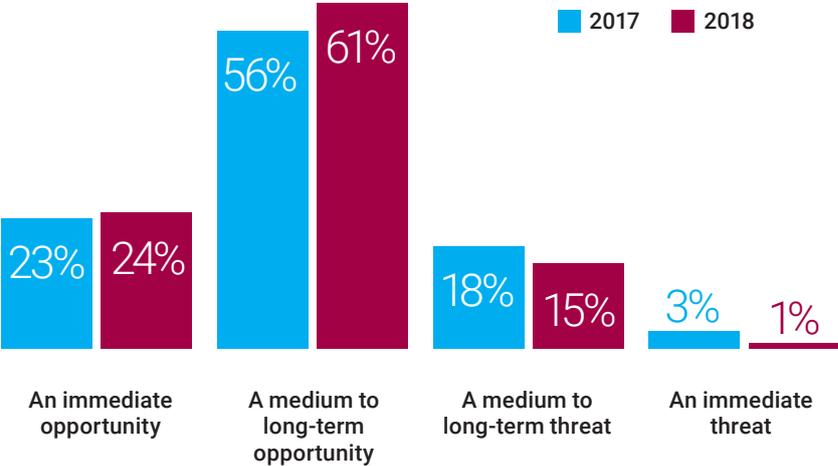


Ten years ago, investing in technology would mean spending a major amount. But if you look at accounting systems, amazing functionality is now available for the price of four coffees. The cost of technology is coming down and becoming really accessible. Embracing technology, particularly cloud accounting, would be a good move for all businesses.

Gareth Magee
Partner, Moore Stephens Scotland



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



Note: Due to rounding, numbers presented in this chart may not sum to 100% as they are rounded to the nearest percent.



C. Brandauer & Co: Building sales on niche skills and branded own products



Our vision on our order book is as long as it's ever been – certainly since the 2008 recession. We have a lot of forward ordering with our existing customers – particularly from EU-zone based customers. What we do is very niche, and is in short supply in mainland Europe.

We are consistently investing in technology in our business – to maintain our edge and our unique service. We are growing in terms of headcount – but investing in technology means we can put the headcount where it matters.

Rowan Crozier
CEO, C. Brandauer & Co



Founded over 150 years ago, Brandauer is one of the largest contract presswork and stampings companies in Europe, manufacturing precision metal components for customers around the world. The business employs around 65 people, including 10 apprentices.

“We’re an advanced manufacturer,” says CEO Rowan Crozier. “We’re active in 10 different sectors and currently export to more than 20 countries. China is number one for revenue. We also have high volume supplies to the USA, and Europe is number three. We’ve grown in terms of profitability for three consecutive years.”

Prospects are looking good for 2019. “Our vision on our order book is as long as it’s ever been – certainly since the 2008 recession,” Crozier says. “We have a lot of forward ordering with our existing customers – particularly from EU-zone based customers. What we do is very niche, and is in short supply in mainland Europe.”

The company has a five-year plan for growth. This includes growing its established subcontract stamping activity, as well as promoting its own products. For example, Brandauer is the only manufacturer in the UK with a license to supply EloPin® – a solderless connector of wire wrap pins to a printed circuit board (PCB).

“We’ve also developed our offering for progression tooling,” Crozier says. “We now market a Brandauer-badged tool, the quality and precision nature of its capabilities has a premium on it. One of our unique selling points is that we can make our own tools in house. Our tools are highly complex and capable of meeting very tight tolerances. We now offer three levels of specification for our tools and charge separately for customer specific requirements.” The business is also pushing ahead with promoting its expertise in electrical steel laminations, which have applications in products such as electric cars.

“We are consistently investing in technology in our business – to maintain our edge and our unique service,” Crozier says. “We are growing in terms of headcount – but investing in technology means we can put the headcount where it matters.”

Brandauer has revamped its apprenticeship scheme in recent years, teaming up with a new training provider. “We’ve also looked at how we train apprentices on the job and recruit them into the business,” Crozier says. “I’m involved in the recruitment process, the short-listing and final interviews.” The business no longer procrastinates when deciding who it wants to employ. “They leave the interview day with an indicative offer.”



www.brandauer.co.uk

Making the most of Making Tax Digital

OMBs need to embrace Making Tax Digital as a stimulus for improving the efficiency and impact of their accounting and management systems.



Making Tax Digital is an opportunity for businesses to ensure they have proper business processes in place and create joined-up systems, from point of sale through to the accounting software.

Increased automation gives business managers more time to focus on what the numbers in their accounts mean. Making Tax Digital is not going away – so it's important that OMBs see it as an opportunity to invest in technology to support their business.

Louise Hastings
Partner, Moore Stephens South

Making Tax Digital (MTD) is the Government's drive to digitise the process of supplying information to HMRC. From 1 April 2019, all VAT-registered businesses will need to provide their VAT returns to HMRC using compatible software.

For businesses that have been slow to update accounting systems or become highly reliant on spreadsheets and manual accounting entries, the introduction of MTD has been a challenge. Compliance requires investment in new accounting software and associated costs. Given the impending deadline, it's no surprise that 19% of OMBs surveyed this year are concerned about implementation of MTD – up from 9% last year.

A similar proportion (17%) would like to see MTD scrapped. Although there have been criticisms of HMRC's approach to its introduction, most recently by the House of Lords, hopes of the initiative being dropped represent wishful thinking. VAT is just the first tax in the MTD pipeline; MTD for corporation tax and MTD for income tax (for the self-employed and those with income from property) will follow in time.

The best accounting software packages will be MTD compliant. Even better, taking the opportunity to embrace cloud accounting could significantly improve OMBs' ability to understand business performance and take sound management decisions.



Making the most of Making Tax Digital

Making Tax Digital – fail to prepare, prepare to fail.



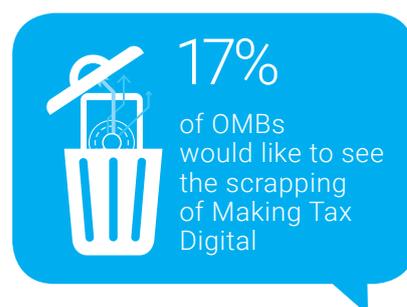
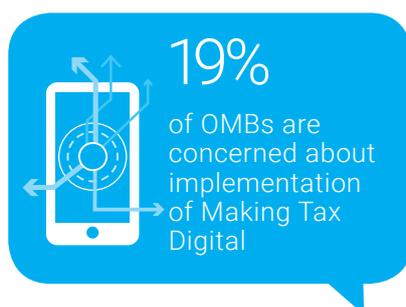
With Making Tax Digital on the horizon, OMBs are not just adopting cloud accounting, but also the different apps available with the core accounting package that provide additional functionality. There are apps for dealing with receipts, managing cash, presenting performance reports and analysis – and even for raising funds through invoice financing.

The cloud accountancy app market is helping businesses to become more digitally savvy.

Gareth Magee
Partner, Moore Stephens Scotland

Some OMBs are worried about Making Tax Digital (MTD) because it's going to be implemented in April 2019. They don't like having to comply. But businesses can benefit from cloud accounting and the change that will be required as a result of MTD.

It's an enabler that frees up time. OMBs can access their business information from anywhere, look at it real time and ask their accountants about any issues.





Float: developing software customers rely on



The biggest challenge for us is that the industry is evolving so quickly. So how do we stay relevant as the technology changes? We're addressing that by working closely with our customers to find out if the product really meets their needs. Are people relying on Float to make decisions? If not, what else do we need to do to provide a forecast they can rely on.

Colin Hewitt
CEO and founder, Float



Edinburgh-based Float provides an award-winning cash flow forecasting tool that integrates with popular cloud accounting packages like Xero and Quickbooks. "We have differentiated ourselves by focusing on accurate, shorter-term forecasting with a daily, weekly or monthly view," says CEO and founder Colin Hewitt. "It's always been about giving business owners a clear understanding of what their cash position will be if they take certain decisions."

Having launched its initial offer in late 2011, the business has since expanded its compatibility, enhanced its app to support scaling up, invested in its sales, marketing and product management, and recently strengthened its executive team. Float now employs around 20 people and is closing in on annual recurring revenues of £1 million.

Hewitt is really enthusiastic about the prospects for 2019. As well as serving UK customers, around 60% of Float's business is international. The company entered the Australian market in 2014 (named Emerging Add-On Partner of the Year at Xerocon Sydney 2014), is building a presence in the US, and is also considering opportunities in South Africa and Singapore. Given these key markets, Brexit isn't expected to have any particular impact. "The big thing for us in 2019 is Making Tax Digital – that's a big change for lots of small business," Hewitt says. "It opens up opportunities for them to look at how they are doing their bookkeeping and accounting."

There are challenges too, of course. "The biggest challenge for us is that the industry is evolving so quickly," Hewitt says. "So how do we stay relevant as the technology changes? We're addressing that by working closely with our customers to find out if the product really meets their needs. Are people relying on Float to make decisions? If not, what else do we need to do to provide a forecast they can rely on."

Although Float has built a strong reputation and presence, Hewitt still feels it's in start-up mode. "The key questions for us are about how we invest our cash," he says. "We're also looking at our pricing, and our partnership model with accountants and bookkeepers."

If Hewitt has one plea to Government it's to improve direct transport links between Scotland and the US, and even links to London. "It's still difficult to get up and down to London in a day," Hewitt says. "The internet is great, but sometimes you need to meet people face to face."



www.floatapp.com

OMB aspirations for 2019

“Albeit with foreign investment, we hope to acquire one or two distressed businesses within our sector, and with the support of an international technical partner, we hope to make these operations both productive and profitable.”

Energy, mining and renewables

“Survival. Massive uncertainty over Brexit is undermining confidence and makes longer-term planning impossible.”

Business services

“Launching new wholly owned products as well as expanding our client base.”

Media

“Expand, innovate, manufacture, sell. We’re growing rapidly on the back of innovation and excellent products. We aim to further exploit the UK market and make better inroads to European and US markets.”

Food & agriculture

“To grow revenues and margins significantly. To launch new services. To win new clients. To raise finance for growth and acquisition.”

Business services

“Expand our customer base to further diversify our business and thereby making it more sustainable and immune to economic fluctuations.”

Transport & logistics

“Expansion to new areas. Developing training for staff and external organisations. Developing new marketing and recruitment strategies.”

Healthcare

“We are focusing on investing in new systems and equipment so that we are battle ready to be as lean and efficient as possible. We are investing in our product and positioning ourselves well so that we can be best placed to survive Brexit and the increased competition from a national brand.”

Hotels and hospitality

“It’s all down to Brexit. We can’t plan, until we know what’s going to happen.”

Manufacturing & engineering

“We would like to launch more products and increase the market share. We also would like to expand our business to more overseas countries.”

Technology & telecoms

“To increase turnover by 10% and net profit from 7% to 9%. To secure agreement from EU customers that they will continue to source services from us even if Brexit introduces transit paperwork (unlikely) to mitigate effects of Brexit. To increase export of items we manufacture. To increase % of turnover relating to goods we manufacture.”

Manufacturing & engineering

OMB aspirations for 2019

“Our business aspiration is to deliver profitable revenue growth, through organic and acquisition, whilst becoming an employer of choice for our people”

Technology & telecoms

“Digital transformation.”

Real estate & construction

“To start to develop automated solutions to our customers’ needs. Less reliance on people.”

Financial services

“Increase turnover with diversification into different sectors (so not so reliant on retail) as well as focusing on maximising revenue through our existing client base. Increase in margin by working more efficiently and adhering to company policies / procedures without exception.”

Real estate & construction

“To maintain growth and to further improve productivity. To improve skill sets within the company through apprenticeships and staff training and development.”

Manufacturing & engineering

“Continued growth and expansion both in the UK and globally. Continuation of developing new products and services along with improvements in productivity through continued business investment.”

Manufacturing & engineering

“Support staff as a ‘family business’, invest in graduate development and analysis software, increase turnover whilst maintaining the enjoyment of civil and structural engineering analysis and design.”

Professional practices

“Concentrate on core business, seek to utilise digital developments and incentivise remuneration to retain employees.”

Professional practices

“Continue to grow revenues, launch new products, invest in systems and improvements in service levels to customers. All aspirations driven from the need to be in the best possible condition as a business for surviving, and if possible still growing, while positioned outside of the EU!”

Retail & wholesale

“We are looking to expand our current footprint in key strategic locations in the UK and Europe, growing our existing base. We are also looking to grow our business through partner white-labelling and hope 2019 will deliver success in this space.”

Technology & telecoms

“To increase market share and improve net profit margin – but with uncertainty surrounding Brexit this might prove difficult.”

Technology & telecoms

Conclusion: Resilience – despite Brexit uncertainty.

OMBs pledge to continue to invest in people and technology.



The growing feeling of apprehension felt by some businesses about Brexit has no doubt been intensified by the lack of information available.

That being said, it's encouraging to see investment in staff and technology continues to feature strongly amongst OMBs strategies for the year ahead.

Andrew Coldwell
Partner, Moore Stephens South



It's impossible to ignore the shadow of Brexit in this report. With so much uncertainty about the UK's future trading relationship with the EU, it's clear that OMBs are frustrated by their inability to make firm plans. Many feel let down by the Government and the lack of clear information on Brexit outcomes.

Despite this, OMBs recognise the need to keep investing in their businesses – in attracting customers, developing their talent and improving their technology and systems. To this extent, our latest survey has found that OMBs are in many ways pursuing business as usual, despite the unusual times in which they are operating.

OMBs are remarkably resilient. Although our sixth survey of the OMB sector has revealed the lowest levels of confidence so far, it also confirms the tenacity of the entrepreneurial spirit. Two of the case studies in this report feature businesses in operation for over 150 years. Such longevity doesn't happen by chance, but takes consistent investment, sound management and the support of a loyal workforce. Despite Brexit and current economic uncertainties, many OMBs are making plans and laying the foundations for their own sustained future success.

As Suk Aulak, Partner in Moore Stephens Birmingham says: "If it's the right thing to do, OMBs are investing in their business. They're not letting the Brexit tail wag the dog."

Ten tips for success in 2019

1. Build on the core strengths of your business and if you can see a niche opportunity to develop and dominate, so much the better.
2. Prioritise investment in areas that will boost productivity, whether that means investing in people (through training) or new technology, systems and processes.
3. Keep focusing on ways to improve profitability as opposed to revenue growth – including assessing what you are selling and at what price.
4. Do your analysis: if you have a marketing budget, assess past return on investment and spend your money in ways proven to attract profitable business.
5. Try to build and maintain a balanced set of skills and viewpoints in your management team, as well as using your Moore Stephens adviser as a sounding board – someone to bounce ideas off.
6. Trust your gut instinct: don't be afraid to take a calculated risk, as long as it is based on sound management information.
7. Embrace the challenge of Making Tax Digital: if compliance means you will be enhancing your management and accounting systems, you should reap the benefits from reduced time spent on back office admin and more time freed up for performance analysis and business planning.
8. If you're gearing up for Making Tax Digital, look for an accounting solution that's MTD-ready, gets you on the cloud and has additional functionality in the form of low-cost apps.
9. Technological change is happening fast – understand how new technology and innovation is affecting your sector and consider how you can embrace its opportunities in your business.
10. Interact regularly with people at all levels of your business – they may give you valuable feedback on what you could improve, as well as what's working well.

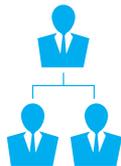
Our solutions for OMBs

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



36% 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 & 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 £300m we have successfully supported businesses to claim in R&D tax relief since the scheme launched in 2000.



27% 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.



13% 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.



19% of OMBs have concerns regarding the implementation of Making Tax Digital

The taxman is embracing digital technology – and that means businesses need to as well. HMRC's Making Tax Digital (MTD) initiative goes live from 1 April 2019 – so the clock's ticking. The more prepared you can be for the start of MTD, the better. VAT is the first tax to be covered by the MTD requirements, but other taxes will be phased in over time.

Our team can help you understand the technical and practical implications for your business of MTD for VAT. If you haven't begun preparing for its introduction in April 2019, it's vital you start now.

Our solutions for OMBs



55% 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.



25% 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.



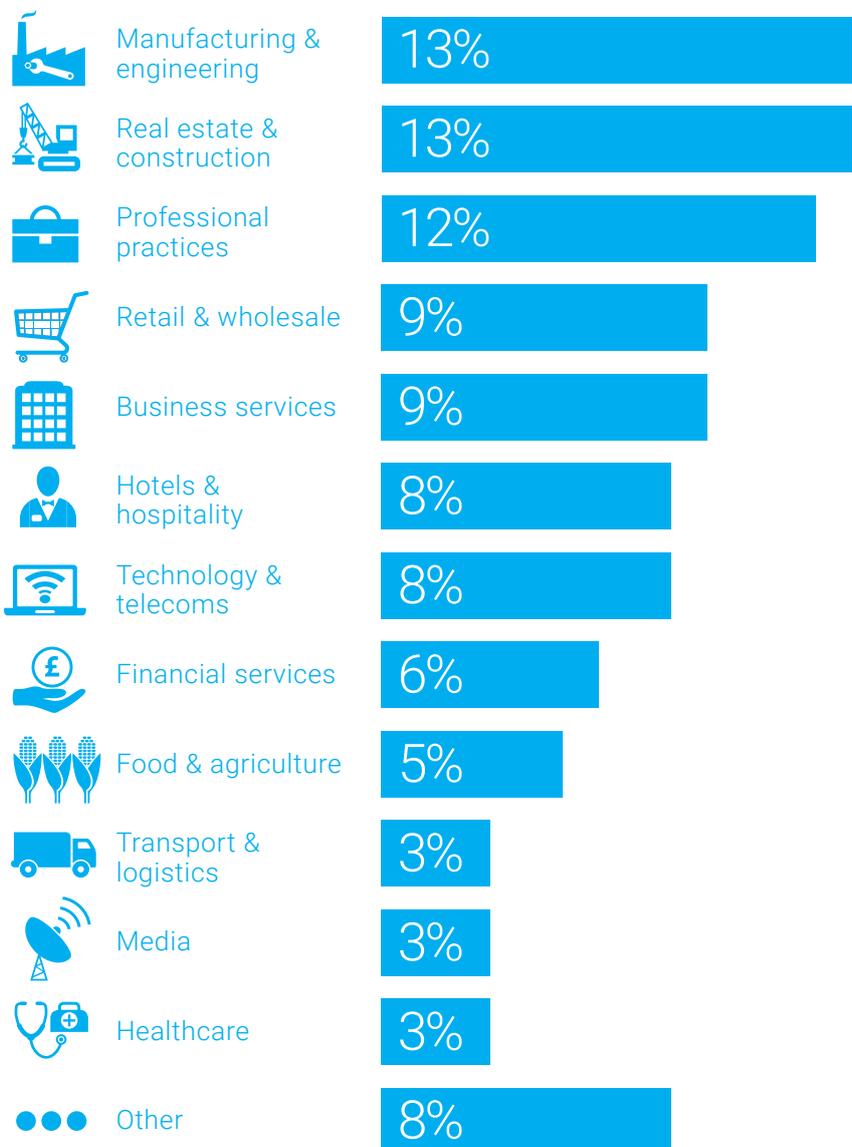
31% of OMBs plan to invest new technology or IT systems

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.

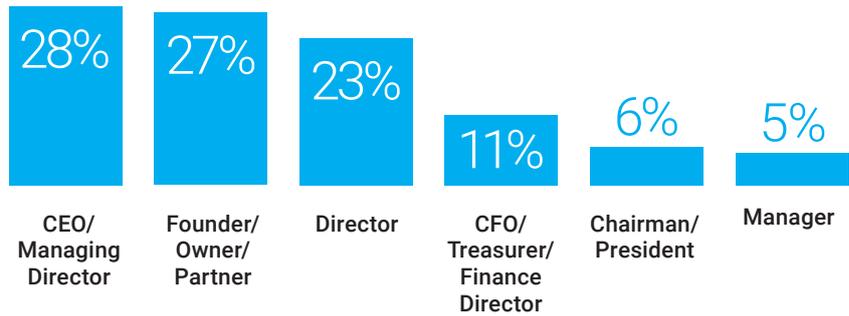
About the respondents

Which of the following sectors best describes your business?

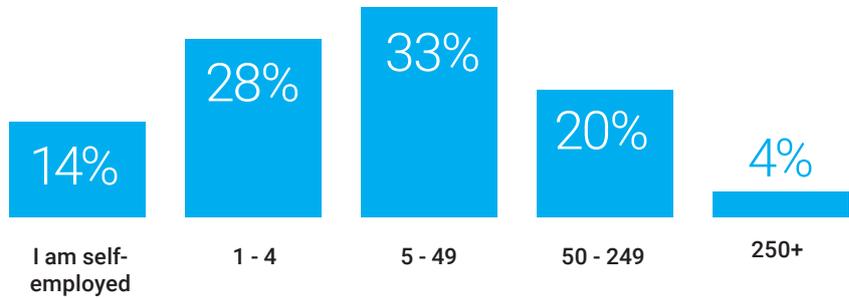


About the respondents

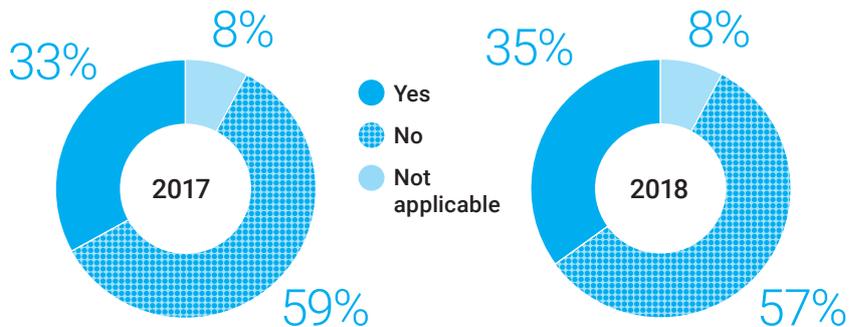
Which of the following best describes your job title?



How many full-time employees does your business currently employ?



Does your business currently export goods/services?



Note: Due to rounding, numbers presented in these charts may not sum to 100% as they are rounded to the nearest percent.



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 all of the participants for their time in completing our annual survey, plus give a special thank you to the following for their contributions to our report:

- Andrew Siddons, Managing Director, Joseph & Jesse Siddons
- Rowan Crozier, CEO, C. Brandauer & Co
- Steve Hart, Founding Director, square metre
- Colin Hewitt, CEO and Founder, Float

MOORE STEPHENS

www.moorestephens.co.uk

We believe the information contained herein to be correct at the time of going to press, but we cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein. Printed and published by © Moore Stephens UK Limited. Each Moore Stephens firm in the UK is a member of Moore Stephens International Limited, a global accountancy and advisory network. MSIL and its member firms are legally distinct and separate entities. Moore Stephens UK Limited (MSUK) acts as an umbrella organisation for the Moore Stephens member firms in the UK. DPS42119 January 2019