

# **Understanding growth priorities at small and medium-sized businesses**

An Economist Intelligence Unit research programme  
Sponsored by Verio





## Preface

*Understanding growth priorities at small and medium-sized businesses* is an Economist Intelligence Unit executive summary, sponsored by Verio. In April 2009, the Economist Intelligence Unit carried out a survey of senior executives of small and medium-sized firms around the world to understand their strategies for growth as markets improve. The Economist Intelligence Unit executed the survey, conducted the analysis and wrote the report. The findings and views expressed in the executive summary do not necessarily reflect the views of the sponsor.

May 2009

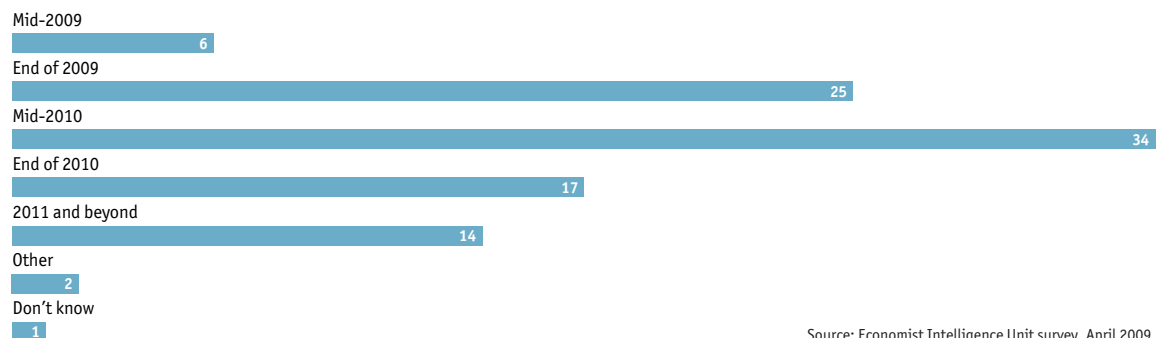


## Introduction: staying positive

**G**rowth is always a challenge for businesses, but never more so than during a downturn. For small companies, the obstacles to expansion are greater than those for large firms. Although they may be more nimble in making decisions, smaller firms often have less bargaining power in negotiations with suppliers and customers, and less access to credit.

More than half of respondents to an Economist Intelligence Unit survey believe there will be a worldwide economic upturn by the middle of next year. One-quarter expect to see the global economy begin to recover by the end of 2009 and 34% anticipate a rebound by mid-2010. For its part, the Economist Intelligence Unit forecasts a contraction of global GDP in 2009 of 1.8%, and an expansion of 1.9% in 2010, which is slow by recent standards. It should come as little surprise, then, that only 37% of survey respondents expect their companies to do better this year than last. Respondents from the Asia-Pacific region are more optimistic: 43% “agree” or “strongly agree” that their firms will do better this year than last, compared with 30% for respondents in North America and Europe.

### With regard to the economic downturn, when do you think the global economy will begin to rebound? (% respondents)



Source: Economist Intelligence Unit survey, April 2009.

While respondents take a sober macroeconomic view, they tend to be optimistic about their own company's prospects. Eighty-three percent “agree” or “strongly agree” with the statement: “I am optimistic about my company's ability to rebound when the economy improves.” In fact, 65% expect their company's market share to have increased by the time the recession ends, and 73% expect revenues to



## Who took the survey?

In April 2009, the Economist Intelligence Unit conducted an online survey of 328 executives from small and medium-sized businesses worldwide to understand how they are approaching business strategy as markets improve. Of the respondents to our survey, 45% held CEO, president or managing director titles; 66% of all respondents were members

of the C-suite. About 27% were directors, department heads and other managers. Worldwide, 29% work at companies based in North America, 29% in Asia-Pacific, 19% in Western Europe, 10% in Eastern Europe, 9% in the Middle East and Africa, and 5% in Latin America. Forty-eight percent work at firms with less than \$5m in annual revenues; 31% have revenues between \$5m and \$50m; and 21% have revenues between \$50m and \$500m. Respondents represented a range of industries.

have increased. Respondents are also bullish about their top executives' ability to withstand adversity: 69% "agree" or "strongly agree" with the statement: "My company's executives are equipped to lead us successfully through the downturn."

## On their own

Respondents are less sanguine about the level of support they receive from local and national governments. The survey asked participants to rate the degree of support they have received from the following groups since the economic downturn began: local and national governments, employees, customers, investors, suppliers, non-profit organisations (NGOs), lenders and the media. Nearly half (48%) report that local government is unsupportive or not at all supportive of their business (this figure is higher in Europe, at 57%), and 39% say the same of both national governments and lenders. In addition, about one-third of respondents worldwide report that NGOs are unsupportive or not at all supportive of their business. While the study did not ask respondents if their firms expect or would benefit from greater support from these groups, the data suggest that governments and non-profit agencies may want to consider how their efforts could better aid small companies.

Respondents cited several reasons for the lack of support from these groups. In Asia-Pacific, 39% of respondents say that small and mid-size businesses do not attract enough attention. This was also the top response overall, at 30%. Thirty-two percent of participants based in Europe report that the public at large perceives big companies as more important than small and mid-size companies (the global figure is 28%), while 31% of those in North America say that "small and mid-size businesses have fewer advocates than large companies" (24% globally). The most supportive group? Employees, cited by 73% of respondents.

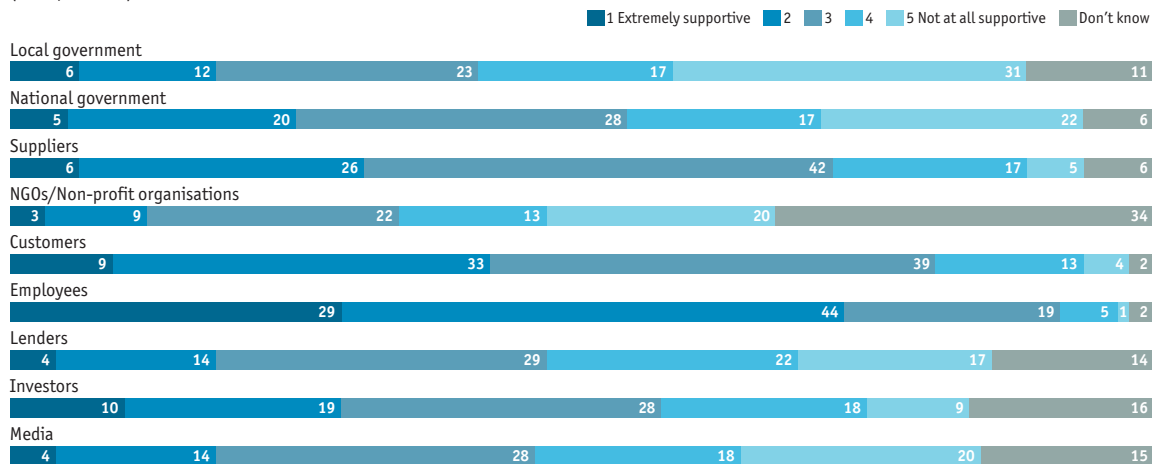
The fact that employees are seen as the most supportive group is a bright spot amid recessionary



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### In your view, how supportive of your business have the following groups been since the economic downturn began?

Rate on a scale from 1 to 5 where 1= Extremely supportive and 5=Not at all supportive. 6=Don't know.  
(% respondents)



Source: Economist Intelligence Unit survey, April 2009.

gloom, as it indicates that workers are committed to their employers. Of course, this might simply be a matter of economics, with jobs being more difficult to find. But respondents do not seem to think so: Only 6% expect the quality of talent in their organisations to decrease once the economy improves and 38% expect it to increase (43% for those in Asia-Pacific). Furthermore, only 15% of those responding to the survey report that attracting and retaining talented employees is the biggest challenge to their firms' growth. This may be the reason why human resources is seen by only 19% of respondents as an important driver of economic recovery. The data suggest that when it comes to attracting and retaining skilled people, small and medium-sized firms are in adequate shape.

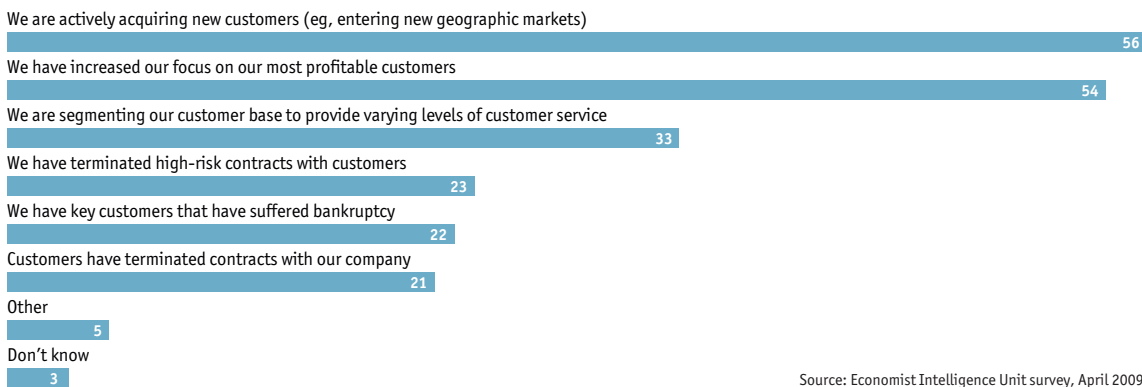
## Kingly customers

Finding and retaining customers is a primary means of growing a business, and it is the top challenge for firms across all regions, according to the survey. Respondents report that the biggest obstacles to business growth in the downturn include reaching new customers (58%), developing a healthy cashflow (47%), and ensuring business continuity (33%). At 62%, respondents in North America identify reaching new customers as an even bigger challenge than participants in Europe or Asia-Pacific (56% for both regions).

As a result, companies have changed the way they reach potential clients. About 56% of respondents are actively acquiring customers through new means, such as entering new geographical markets. This is



**How has the downturn affected your company's strategy with regard to customers?** Select all that apply.  
(% respondents)



Source: Economist Intelligence Unit survey, April 2009.

especially so in Asia-Pacific, at 67%. Fifty-four percent say their firms have increased their focus on their most profitable customers (this was the top response in Europe, at 50%), and roughly one-third report that their companies are varying the level of service depending on the quality of the customer.

Despite the perceived need to attract new customers, only one-third of respondents cited customer service when asked to name the main ways their firms would prepare for economic recovery. This may make it more difficult to achieve their objective of growth, as firms that do not focus on customer service may not be able to retain customers in the long term.

## Strategies for success

Once the economy improves, 65% of respondents expect their firms will enter new geographic markets, but only 25% expect merger-and-acquisition activity to increase. Marketing is seen as the most critical means of helping firms prepare for an improvement in the economy, according to one-half of respondents. Operations and production comes in second, at 36%, and sales third, with 35%. The data suggest that firms are not retrenching, but are actively pursuing new growth opportunities.

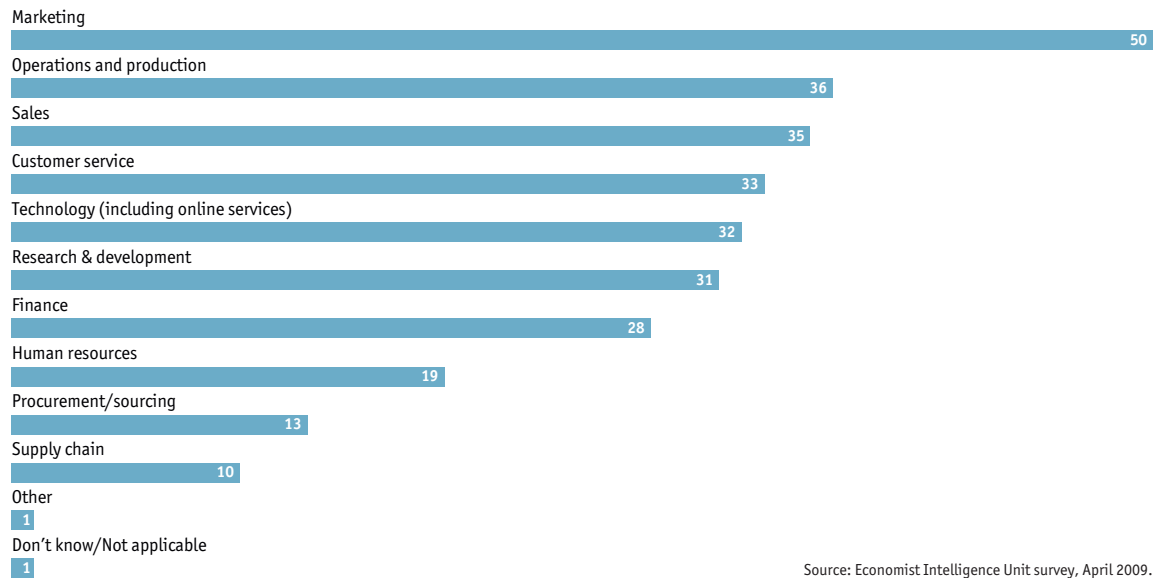
Technology has an important part to play. Fifty-seven percent of respondents "agree" or "strongly agree" that technology will be critical in bringing their business out of the recession, and 39% expect to see an increase in their company's information technology (IT) budget once the economy improves. Yet only 20% plan to invest more heavily in innovative technology as a means to outpace competitors, indicating that the importance of technology lies in its ability to support other, more strategic business initiatives. Indeed, 51% of respondents say their technology efforts will focus on improving processes and new ways to improve their business. Internal IT departments will be most important in helping



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**Which of the following areas of your business do you think will be most important in helping your company prepare for when the economy improves?** Please select the top three.

(% respondents)



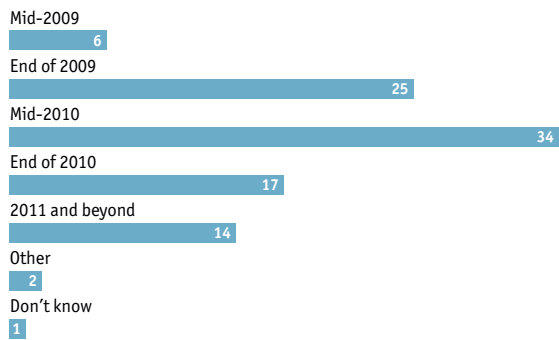
Source: Economist Intelligence Unit survey, April 2009.

their firm achieve these goals, say 52% of respondents. But external or outsourced service providers are also critical: 35% ranked external technology consultants (systems integrators, value-added resellers or application developers) as most important in achieving IT objectives; one-third said the same of outsourced IT services providers (managed services).

## Appendix: Survey results

### With regard to the economic downturn, when do you think the global economy will begin to rebound?

(% respondents)



### Which of the following do you consider the top business priorities for your company over the next 12 months?

Please choose the top three.

(% respondents)

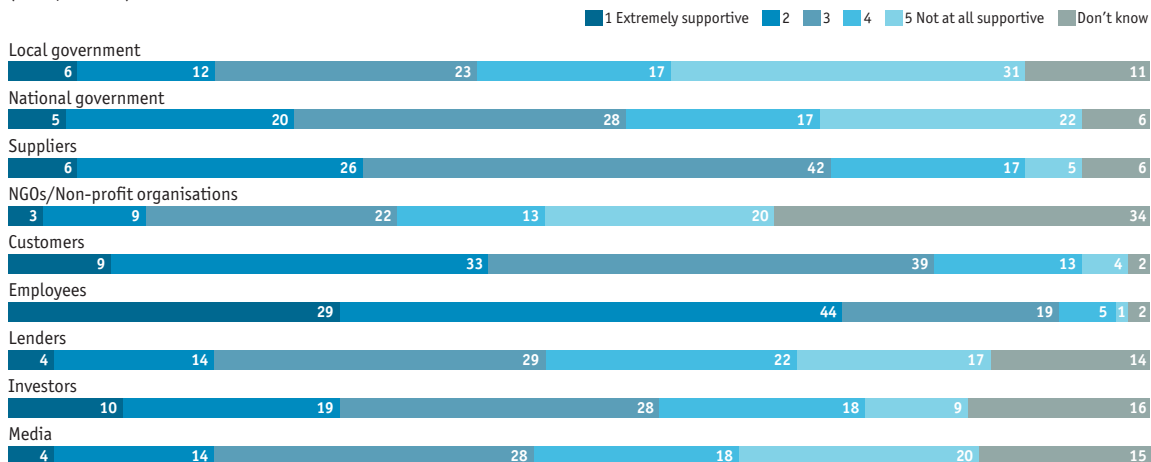


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**In your view, how supportive of your business have the following groups been since the economic downturn began?**

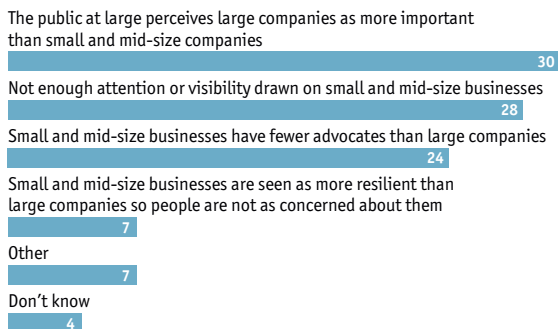
Rate on a scale from 1 to 5 where 1=Extremely supportive and 5=Not at all supportive. 6=Don't know.

(% respondents)



**In your view, what is the primary reason for the lack of support on the part of these groups? Choose only one.**

(% respondents)



**In light of the current economic downturn, what are your company's biggest challenges to growth?**

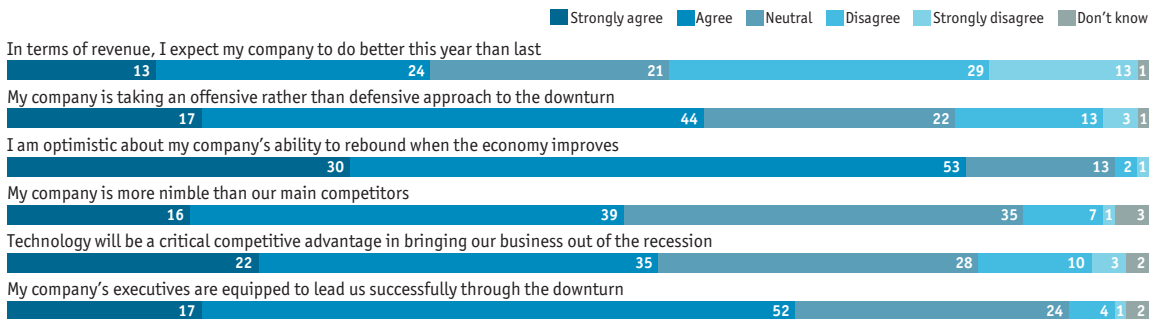
Please choose the top three.

(% respondents)



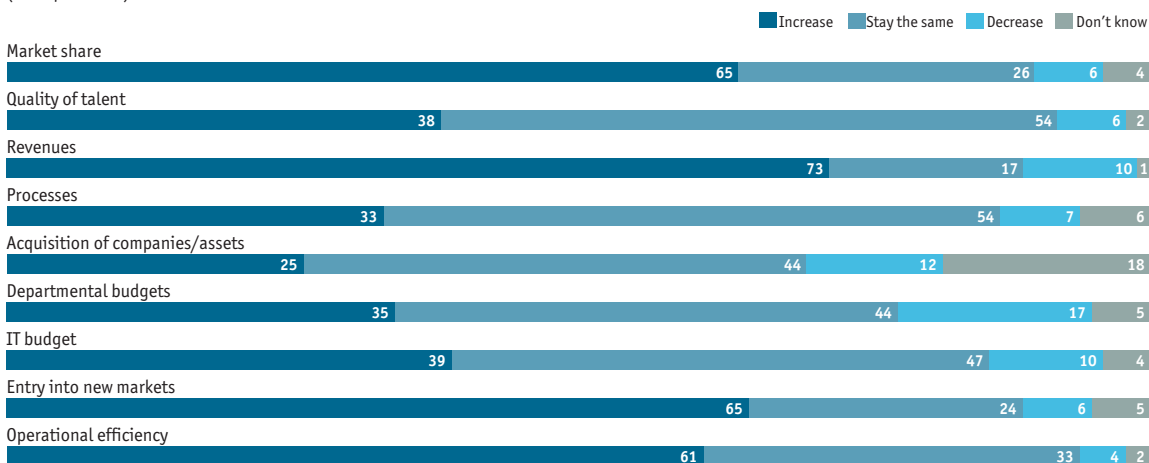
**Do you agree or disagree with the following statements?**

(% respondents)



**How do you think each of the following areas of your business will fare once the recession is over?**

(% respondents)



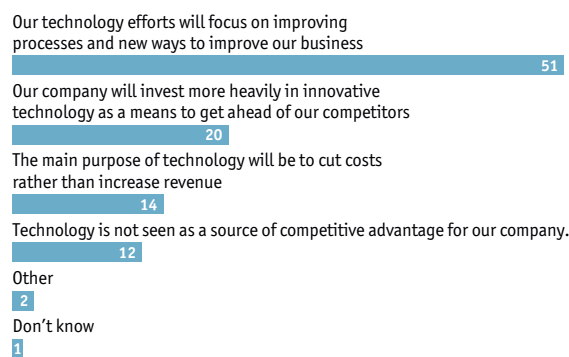
**How has the downturn affected your company's strategy with regard to customers? Select all that apply.**

(% respondents)



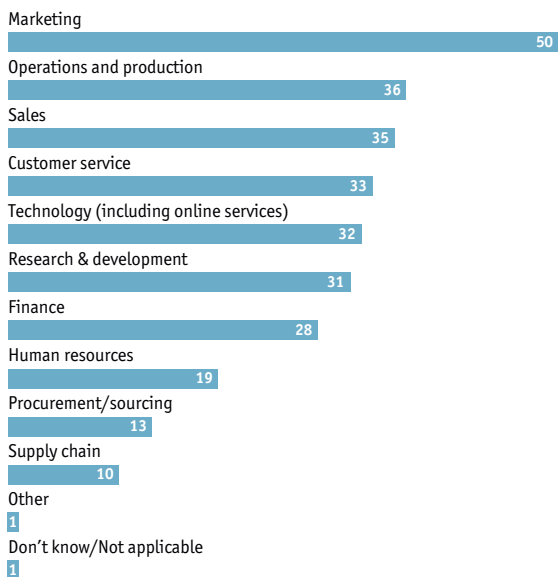
**Which statement best describes your company's approach to technology in light of the downturn? Choose only one.**

(% respondents)

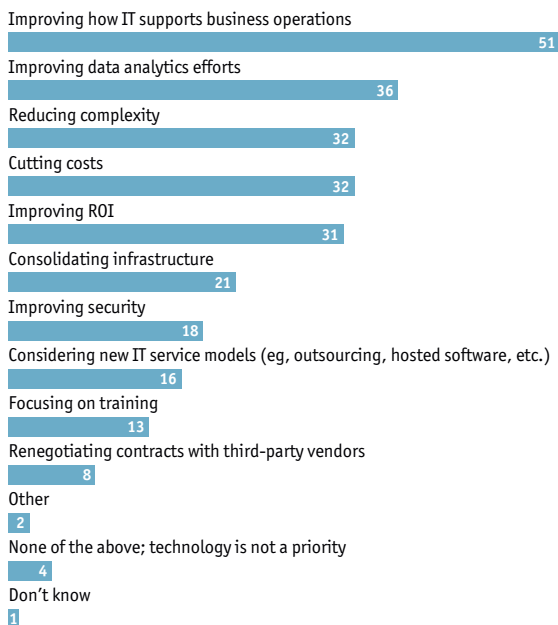


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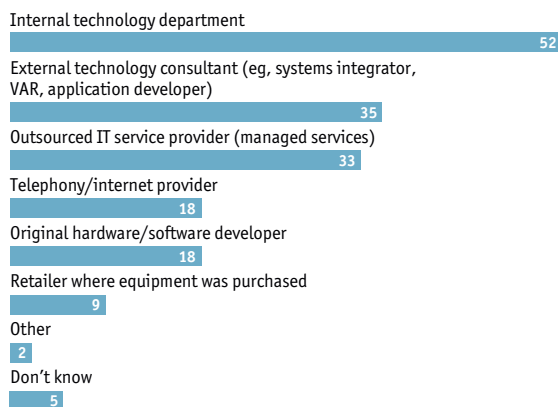
**Which of the following areas of your business do you think will be most important in helping your company prepare for when the economy improves?** Please select the top three.  
(% respondents)



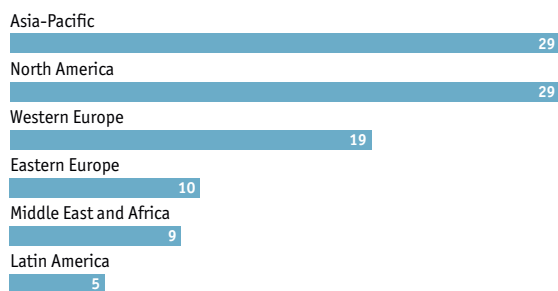
**Which of the following do you consider the top IT priorities for your company over the next three years?** Please choose the top three.  
(% respondents)



**Which of the following technology resources will be most important in helping your company achieve your IT objectives over the next three years?** Select up to two.  
(% respondents)



**In which region is your company headquartered?**  
(% respondents)



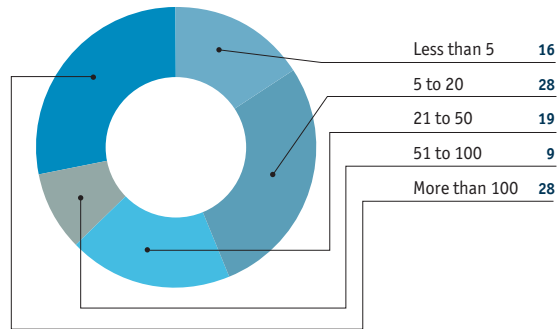
**What is your primary industry?**

(% respondents)



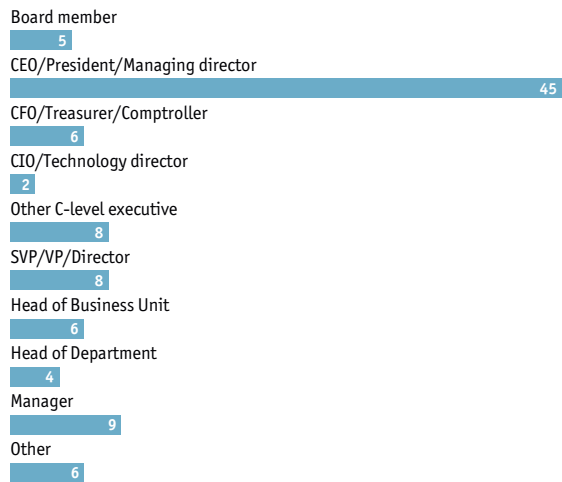
**Approximately how many full-time and part-time workers are employed at your organisation?**

(% respondents)



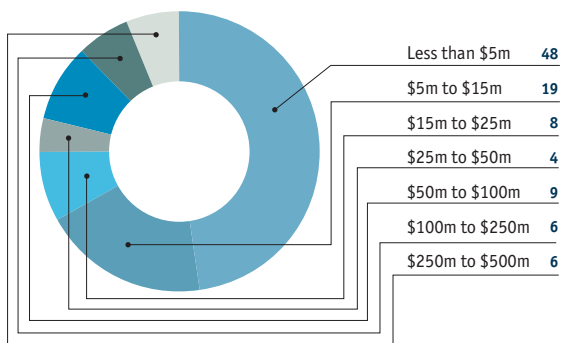
**Which of the following best describes your job title?**

(% respondents)

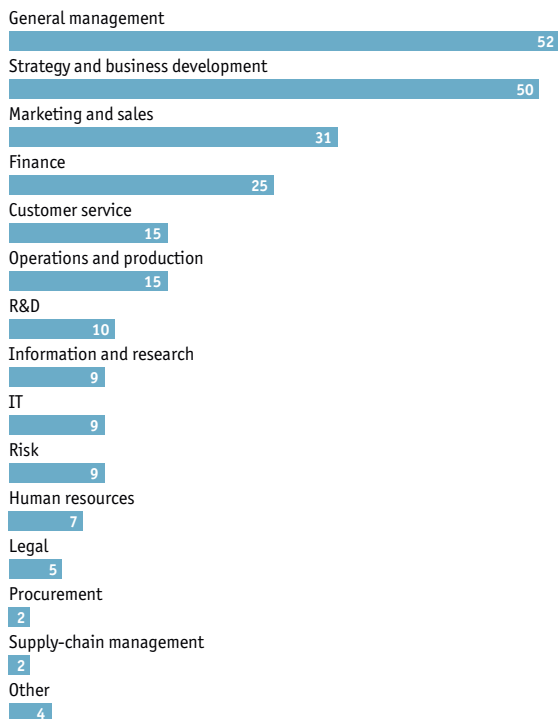


**What are your organisation's global annual revenues in US dollars?**

(% respondents)



**What are your main functional roles?** Please choose no more than three functions.  
(% respondents)



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