

Q1'15 MIDDLE MARKET INDICATOR WEBINAR | MAY 6, 2015

THE MIGHTY MIDDLE MARKET

FINDINGS FROM THE NCMM'S Q1'15 INDICATOR SURVEY

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The National Center for the Middle Market



NATIONAL CENTER FOR
THE MIDDLE MARKET

In Collaboration With






THE MIGHTY MIDDLE MARKET

U.S. Middle Market Impact

 **5TH LARGEST**
GLOBAL ECONOMY




 **33%**
OF PRIVATE
SECTOR GDP

  
GENERATED
AN ADDITIONAL
**\$500
BILLION**
IN ANNUAL
REVENUE IN 2013


     
2013-2014 CONTRIBUTED
1.1+ MILLION
NEW JOBS

 MORE THAN
**\$10
TRILLION**
IN ANNUAL REVENUE

 **1/3** OF U.S. JOBS—
APPROXIMATELY
45.6 MILLION

  
PROJECTED
TO CREATE
60%
OF ALL
NEW JOBS
IN 2014

U.S. Middle Market Defined

NEARLY
200,000
BUSINESSES
IN ALL INDUSTRY
SEGMENTS AND
GEOGRAPHIES 

REPRESENTING
3.0% 
OF ALL U.S.
COMPANIES

**ANNUAL
REVENUE** 
RANGING FROM
\$10MM-\$1B

THE NATIONAL CENTER FOR THE MIDDLE MARKET



ABOUT THE CENTER

Founded in 2011 in partnership with GE Capital and located at The Ohio State University Fisher College of Business, the National Center for the Middle Market is the nation's first and foremost expert on the U.S. middle market. The Center's mission is to serve as the leading source of knowledge, leadership, and innovative research on the U.S. middle market economy.

MIDDLE MARKET RESEARCH & DATA



Quarterly Middle Market Indicator



Research and Expert Perspectives



Interactive Benchmarking Tools

EXPERTISE & OUTREACH



Share Research & Discuss Trends

EDUCATION



Executive Programs



Webinars



THE MIDDLE MARKET INDICATOR

REVISED SURVEY. NEW DATA.

ABOUT THE MIDDLE MARKET INDICATOR (MMI)

The MMI surveys 1,000 executives (CEOs, CFOs, and other C-Suite executives) from the middle market's nearly 200,000 companies, focusing on their business capabilities and performance, growth drivers, and economic outlook. This quarter's MMI was fielded March 3 to 16, 2015. It is weighted to accurately reflect the size and geographic distribution of this sector, which includes companies with revenues between \$10 million and \$1 billion.

Topics Include

- Gross revenue performance
- Overall company performance
- Employment performance
- Expected 12-month gross revenue and employment growth
- Confidence in the global, U.S., and local economies
- Key business challenges both internal and external as well as long term and short term
- Investment plans
- Outlook on hiring, the labor market, costs, sales, inventories, innovation, R&D spend, profitability and cost structure

Q1'15 Variable Questions:

- Cyber Security
- Big Data Solutions
- Digital Capabilities
- Data Analytics

Q1'15 MIDDLE MARKET INDICATOR EXECUTIVE SUMMARY

- 1** BY A SUBSTANTIAL MARGIN, THE MIDDLE MARKET CONTINUES TO LEAD THE U.S. ECONOMY IN REVENUE GROWTH AND JOB CREATION
- 2** WHILE YEAR-ON-YEAR GROWTH IS STABLE, THE MIDDLE MARKET APPEARS TO BE ENTERING A PERIOD OF DECLINING ACCELERATION
- 3** EXPECTATIONS FOR GROWTH AND JOB CREATION IN THE COMING YEAR REMAIN STRONG BUT ARE LOWER ACROSS MOST REVENUE SEGMENTS AND INDUSTRIES
- 4** CONFIDENCE IN THE U.S. AND LOCAL ECONOMIES CONTINUES TO BE HIGH

Q1'15 U.S. MIDDLE MARKET EXECUTIVE SUMMARY

REVENUE GROWTH

7.4%

PAST 12 MONTHS

2.9%
S&P 500
PAST 12 MO.

5.3%

NEXT 12 MONTHS



EMPLOYMENT GROWTH

4.3%

PAST 12 MONTHS

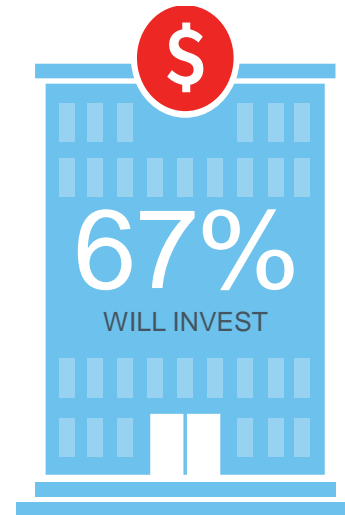
2.7% SMALL BUSINESS
2.1% LARGE BUSINESS

3.2%

NEXT 12 MONTHS



CAPITAL INVESTMENT



CONFIDENCE

55%

GLOBAL ECONOMY



79%

NATIONAL ECONOMY



83%

LOCAL ECONOMY



Q1'15 PE-OWNED MIDDLE MARKET (MM) FIRMS EXECUTIVE SUMMARY

REVENUE GROWTH

9.0%

PAST 12 MONTHS

2.9%
S&P 500
PAST 12 MO.

6.0%

NEXT 12 MONTHS



EMPLOYMENT GROWTH

4.8%

PAST 12 MONTHS

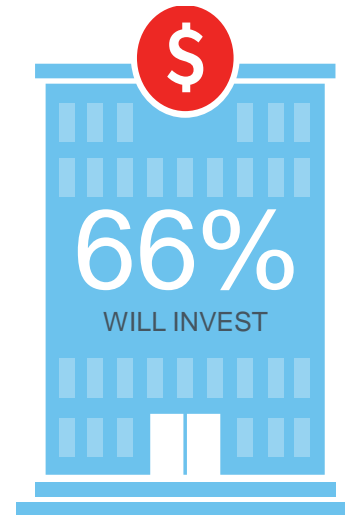
2.7% SMALL BUSINESS 2.1% LARGE BUSINESS

3.9%

NEXT 12 MONTHS



CAPITAL INVESTMENT



CONFIDENCE

62%

GLOBAL ECONOMY



79%

NATIONAL ECONOMY



84%

LOCAL ECONOMY



Q1'15 MIDDLE MARKET INDICATOR REVENUE GROWTH

PAST 12 MONTHS

7.4%

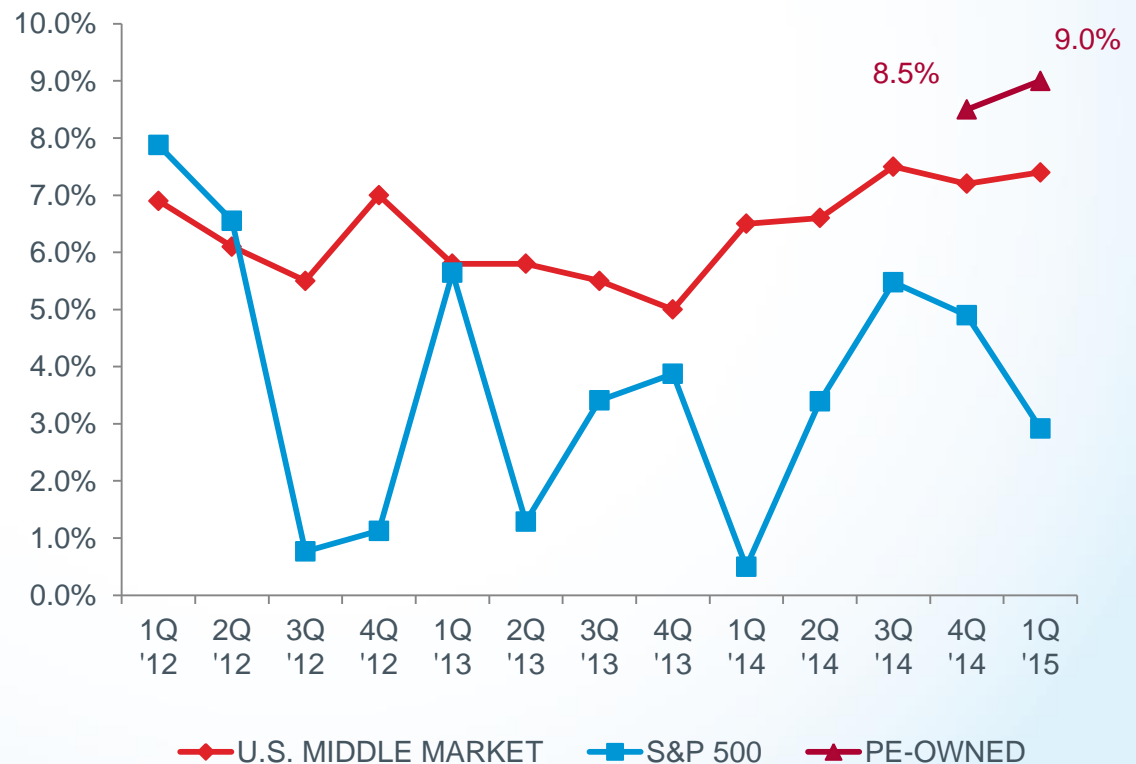
U.S. MIDDLE MARKET

2.9%

S&P

9.0%

PE-OWNED FIRMS



Q1'15 MIDDLE MARKET INDICATOR INDUSTRY REVENUE GROWTH

| | PAST 12 MONTHS | NEXT 12 MONTHS | | PAST 12 MONTHS | NEXT 12 MONTHS |
|--|----------------|----------------|---|----------------|----------------|
|  <p>SERVICES</p> | 9.4% | 7.1% |  <p>CONSTRUCTION</p> | 9.9% | 6.2% |
|  <p>MANUFACTURING</p> | 8.7% | 5.3% |  <p>FINANCIAL SERVICES</p> | 9.0% | 5.4% |
|  <p>WHOLESALE TRADE</p> | 5.4% | 5.9% |  <p>HEALTHCARE</p> | 8.1% | 4.4% |
|  <p>RETAIL TRADE</p> | 6.8% | 4.3% |  <p>OTHER</p> | 6.3% | 4.9% |

Q1'15 MIDDLE MARKET INDICATOR REVENUE GROWTH FORECAST

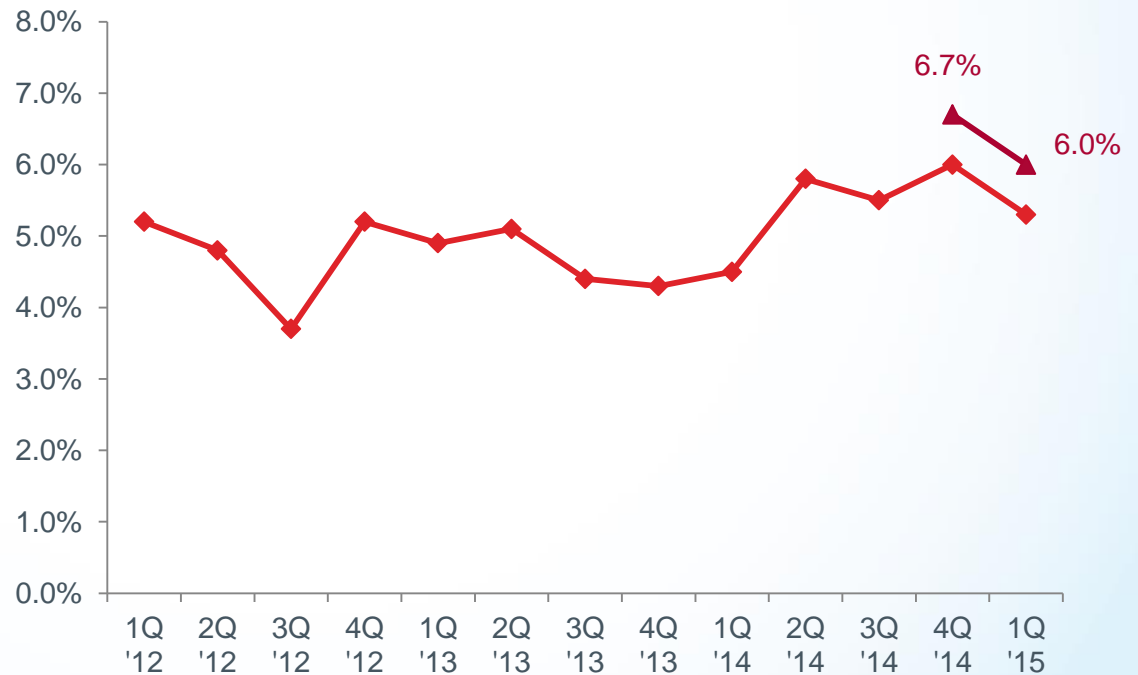
NEXT 12 MONTHS

5.3%

U.S. MIDDLE MARKET

6.0%

PE-OWNED FIRMS



◆ U.S. MIDDLE MARKET

▲ PE-OWNED

Q1'15 MIDDLE MARKET INDICATOR EMPLOYMENT GROWTH

PAST 12 MONTHS

4.3%

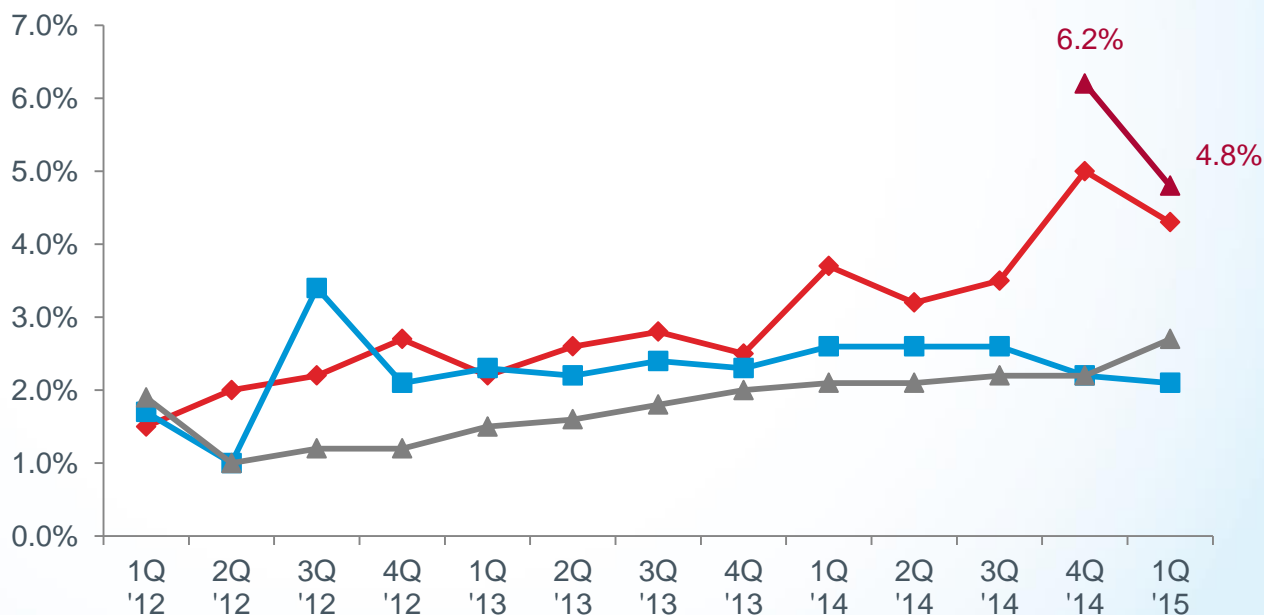
U.S. MIDDLE MARKET

2.7%
SMALL
BUSINESS

2.1%
LARGE
BUSINESS

4.8%

PE-OWNED FIRMS



◆ U.S. MIDDLE MARKET

■ LARGE BUSINESS

Q1'15 MIDDLE MARKET INDICATOR INDUSTRY EMPLOYMENT GROWTH

| | PAST 12 MONTHS | NEXT 12 MONTHS | | PAST 12 MONTHS | NEXT 12 MONTHS |
|--|----------------|----------------|---|----------------|----------------|
|  <p>SERVICES</p> | 5.9% | 4.5% |  <p>CONSTRUCTION</p> | 5.9% | 5.6% |
|  <p>MANUFACTURING</p> | 5.4% | 4.0% |  <p>FINANCIAL SERVICES</p> | 4.1% | 2.9% |
|  <p>WHOLESALE TRADE</p> | 1.9% | 1.2% |  <p>HEALTHCARE</p> | 5.3% | 2.7% |
|  <p>RETAIL TRADE</p> | 5.0% | 4.5% |  <p>OTHER</p> | 3.7% | 2.6% |

Q1'15 MIDDLE MARKET INDICATOR EMPLOYMENT GROWTH FORECAST

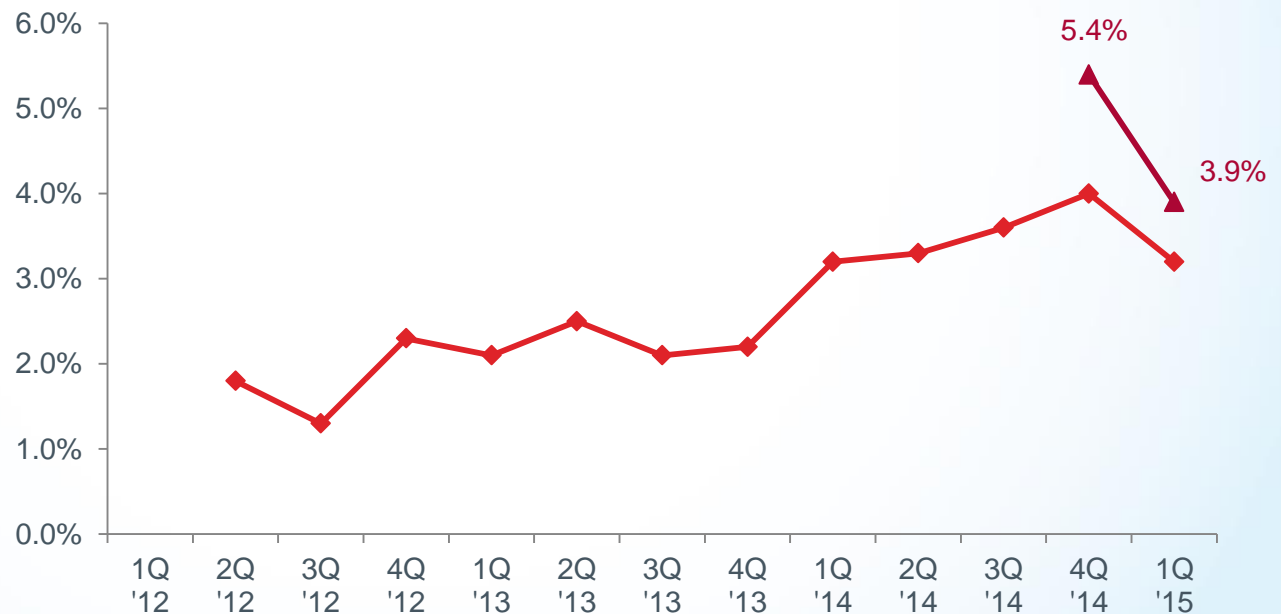
NEXT 12 MONTHS

3.2%

U.S. MIDDLE MARKET

3.9%

PE-OWNED FIRMS

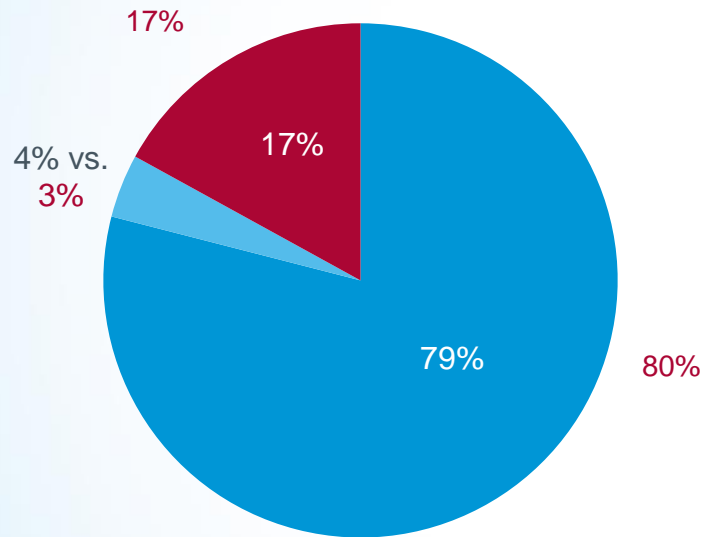


◆ U.S. MIDDLE MARKET

▲ PE-OWNED FIRMS

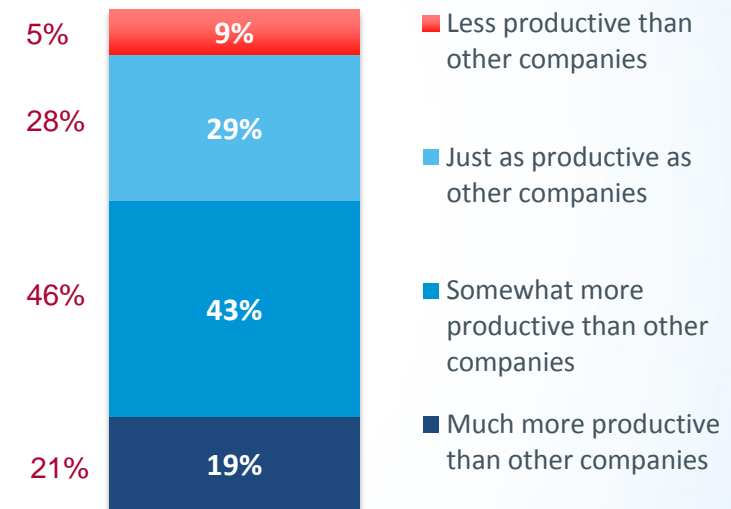
Q1'15 MIDDLE MARKET INDICATOR CURRENT WORKFORCE CONDITIONS

SIZE OF CURRENT WORKFORCE



- Just about right
- Excessive based on current market conditions
- Insufficient for current market conditions

PRODUCTIVITY OF CURRENT WORKFORCE



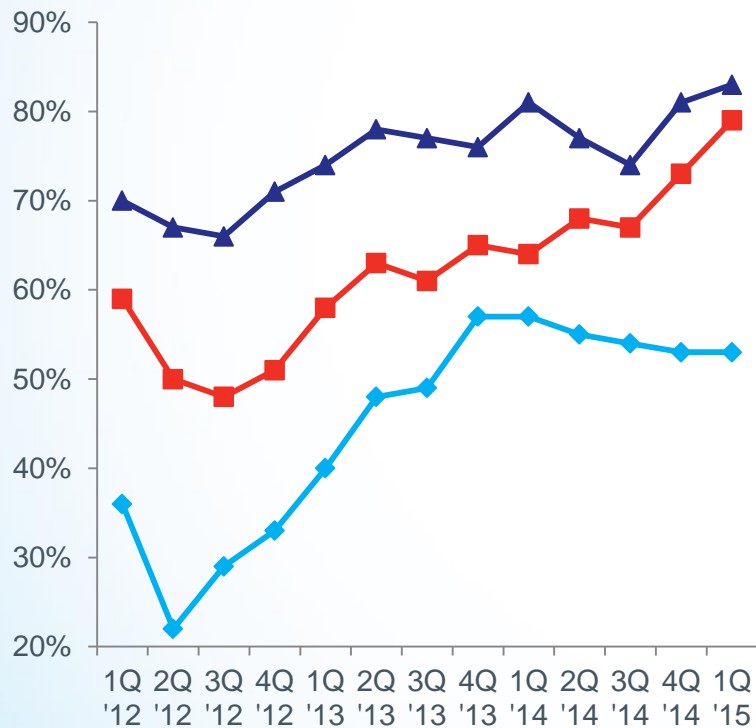
The overwhelming majority of MM firms feel their workforce is the right size for current market conditions, and about half say their workers are more productive than workers at other companies in the same industry.



CONFIDENCE, INVESTMENT PLANS, AND CHALLENGES

Q1'15 MIDDLE MARKET INDICATOR NATIONAL CONFIDENCE

Strong U.S. & Local Confidence Continues



GLOBAL ECONOMY

55%

62% PE-OWNED



U.S. ECONOMY

79%

79% PE-OWNED



LOCAL ECONOMY

83%

84% PE-OWNED

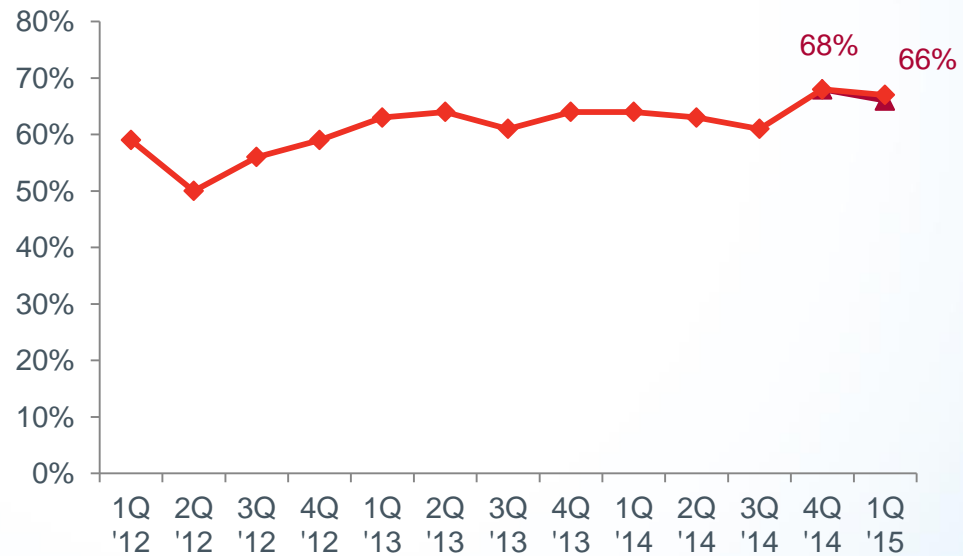
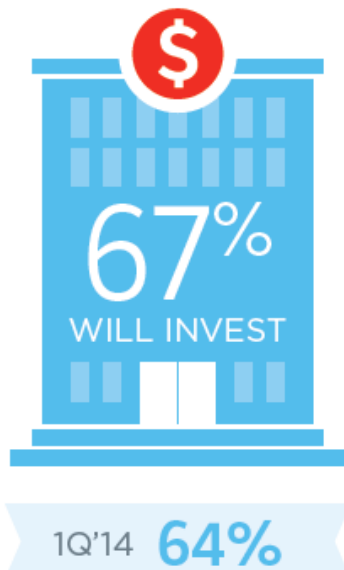
◆ GLOBAL ECONOMY

■ NATIONAL ECONOMY

▲ LOCAL ECONOMY

Q1'15 MIDDLE MARKET INDICATOR NATIONAL INVESTMENT PLANS

Capital Investment Plans Grow Stronger



▲ PE-OWNED ◆ U.S. MIDDLE MARKET

Q1'15 MIDDLE MARKET INDICATOR CHALLENGES

TALENT AND REGULATION ISSUES ARE TOP OF MIND FOR MIDDLE MARKET LEADERS

SHORT TERM CHALLENGES (Next 3 months)

INTERNAL CHALLENGES:

1. STAFF/EMPLOYEES **46%**
2. BUSINESS GROWTH **32%**
3. FINANCES **23%**
4. COSTS **16%**
5. GOVERNMENT REGULATIONS **10%**

EXTERNAL CHALLENGES:

1. COMPETITION **20%**
2. GOVERNMENT REGULATIONS **19%**
3. FINANCES **14%**
4. ECONOMIC FACTORS **12%**
5. BUSINESS GROWTH **10%**
6. NEW MARKETS **10%**

LONG TERM CHALLENGES (Next 12 months)

INTERNAL CHALLENGES:

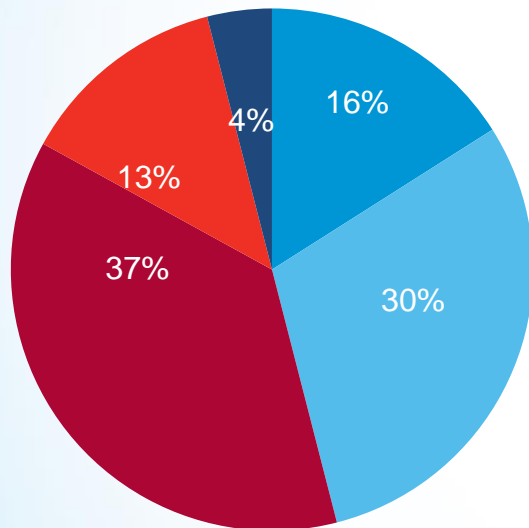
1. STAFF/EMPLOYEES **43%**
2. BUSINESS GROWTH **18%**
3. FINANCES **14%**
4. COSTS **14%**
5. GOVERNMENT REGULATIONS **4%**

EXTERNAL CHALLENGES:

1. GOVERNMENT REGULATIONS **17%**
2. COMPETITION **16%**
3. FINANCES **12%**
4. ECONOMIC FACTORS **11%**
5. COSTS **11%**
6. NEW MARKETS **9%**

Q1'15 MIDDLE MARKET INDICATOR CYBER SECURITY

HOW CONCERNED ARE YOU ABOUT CYBER SECURITY?



- Extremely Concerned
- Very Concerned
- Somewhat Concerned
- Not very concerned
- Not at all concerned

ARE YOU INCREASING OR DECREASING IN THIS AREA?

| Revenue Segment | Increasing | No Change | Decreasing |
|-----------------|------------|-----------|------------|
| \$10M - \$50M | 32% | 67% | 2% |
| \$50M - \$100M | 40% | 58% | 1% |
| \$100M - \$1B | 49% | 49% | 2% |

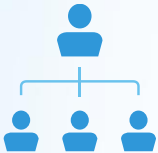
| Industry | Increasing | No Change | Decreasing |
|--------------------|------------|-----------|------------|
| Services | 47% | 51% | 2% |
| Manufacturing | 38% | 61% | 1% |
| Wholesale Trade | 17% | 81% | 2% |
| Retail Trade | 53% | 45% | 3% |
| Construction | 32% | 68% | - |
| Financial Services | 45% | 54% | 1% |
| Healthcare | 49% | 49% | 2% |

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BUILDING THE TOP TEAM

TWO SURVEYS. TWO PERSPECTIVES.

PRESENTERS



Middle Market Executives

400+ middle market C-suite executives with responsibility for HR activities.



Candidates

600+ executives representative of potential candidates for senior roles at middle market companies.



RESULTS

Insights into how the actions of middle market firms coincide with the ambitions and motivations of potential new hires for key leadership positions.

KEY FINDINGS



A unique employer brand and persuasive employee value proposition can give middle market firms the edge they need to secure top talent.



Companies with an established employer brand and strong employee value proposition outperform their peers.



Top talent candidates seek more than an attractive salary.



Companies with the most compelling employee value propositions offer attractive and unique options across the board.

WHAT ARE AN EMPLOYER BRAND AND AN EMPLOYEE VALUE PROPOSITION?

A company's **employer brand** is the image and reputation it has with current employees, prospective candidates, and the general public as a place to work.

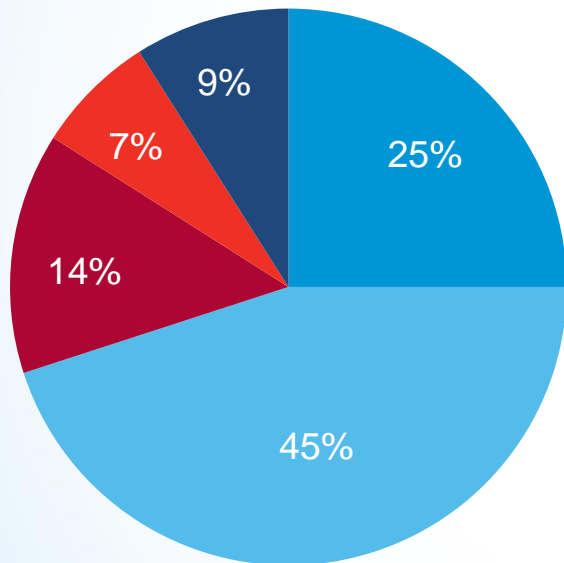
A company's **employee value proposition (EVP)** is the sum total of the rewards and benefits (both tangible and intangible) that an individual receives in return for working at the company.

50%

*Percent of candidates who turn down an offer from a middle market firm because of the lack of a **strong employer brand** or **EVP**.*

A GOOD EMPLOYER BRAND IS ESSENTIAL TO ATTRACTING TOP TALENT

HOW STRONG IS YOUR EMPLOYER BRAND?

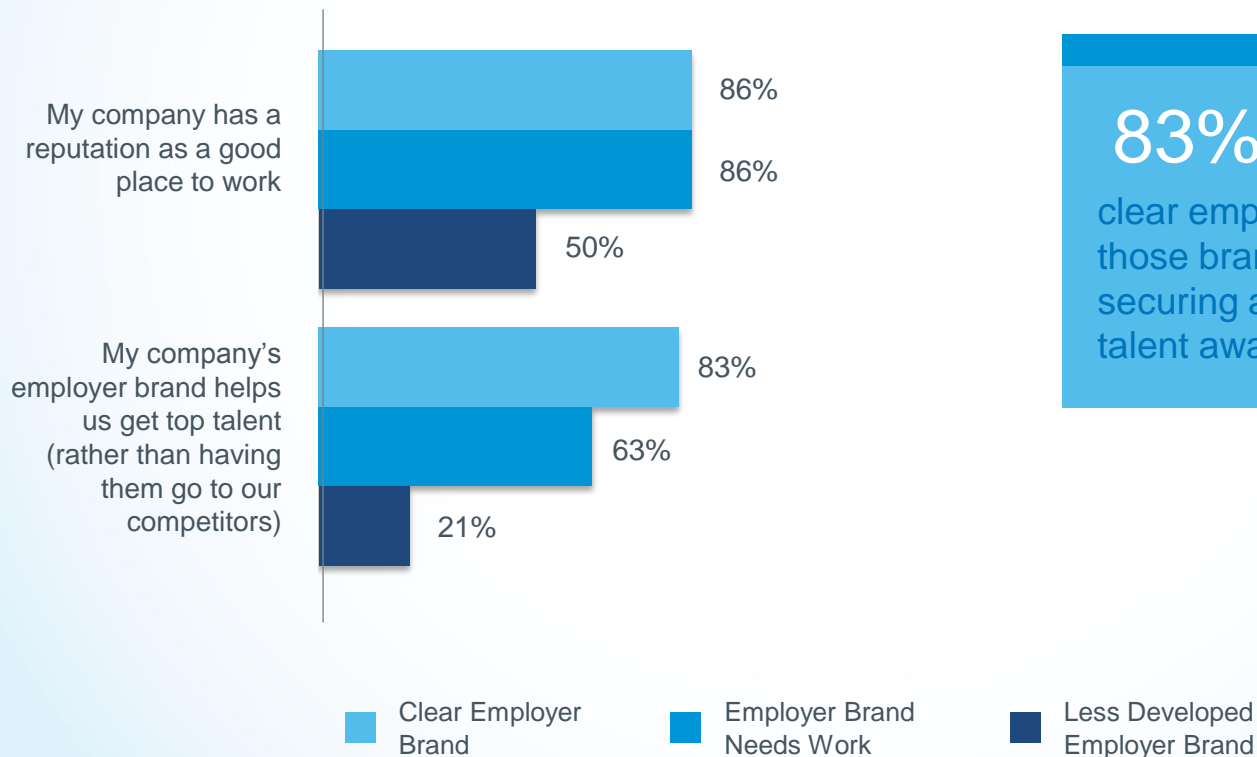


79% of middle market executives agree that a good employer brand is essential to their ability to attract top talent.

- We have a clear one that we are satisfied with and that works for us
- We have one but it is something we need to continue to work on to make it most effective
- We have started work on it but have not yet made much progress
- We have not yet started working on it but have plans to do so
- We have no current plans to work actively on it

A GOOD EMPLOYER BRAND IS ESSENTIAL TO ATTRACTING TOP TALENT

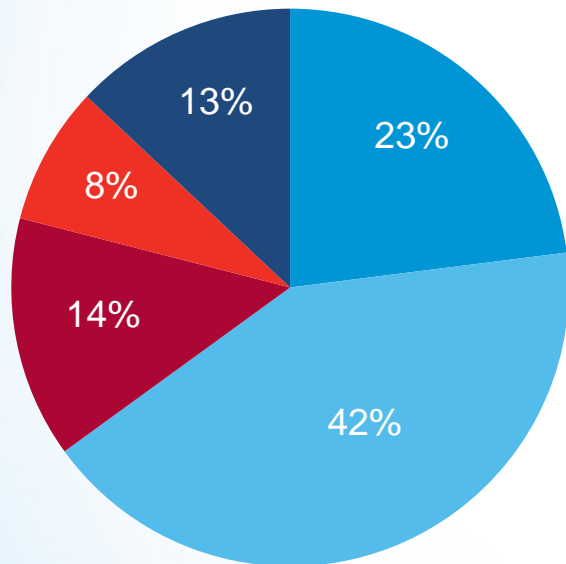
EMPLOYER BRAND ATTITUDES (Agree Completely/Agree Somewhat)



83% of middle market executives with clear employer brands believe those brands play a role in securing and keeping top talent away from competitors.

TO SECURE TOP TALENT AN APPEALING EMPLOYEE VALUE PROPOSITION IS ESSENTIAL

HOW STRONG IS YOUR EMPLOYEE VALUE PROPOSITION?

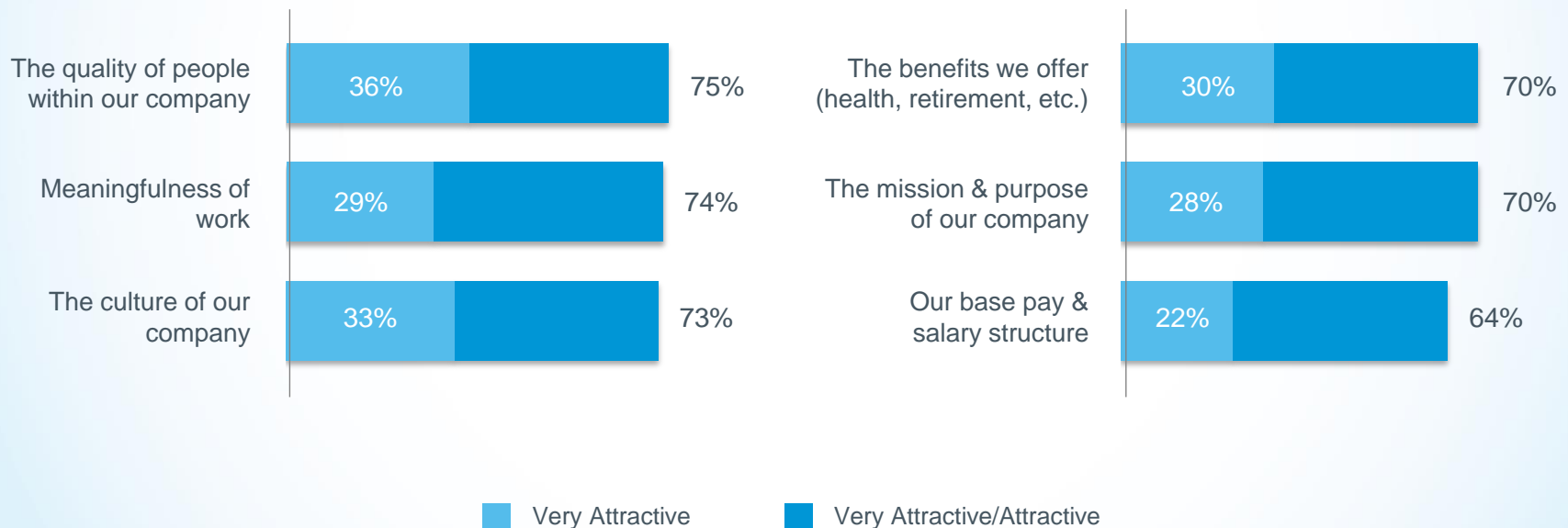


75% of middle market executives feel the quality of their colleagues is an important component of their EVP.

- We have a clear one that we are satisfied with and that works for us
- We have one but it is something we need to continue to work on to make it most effective
- We have started work on it but have not yet made much progress
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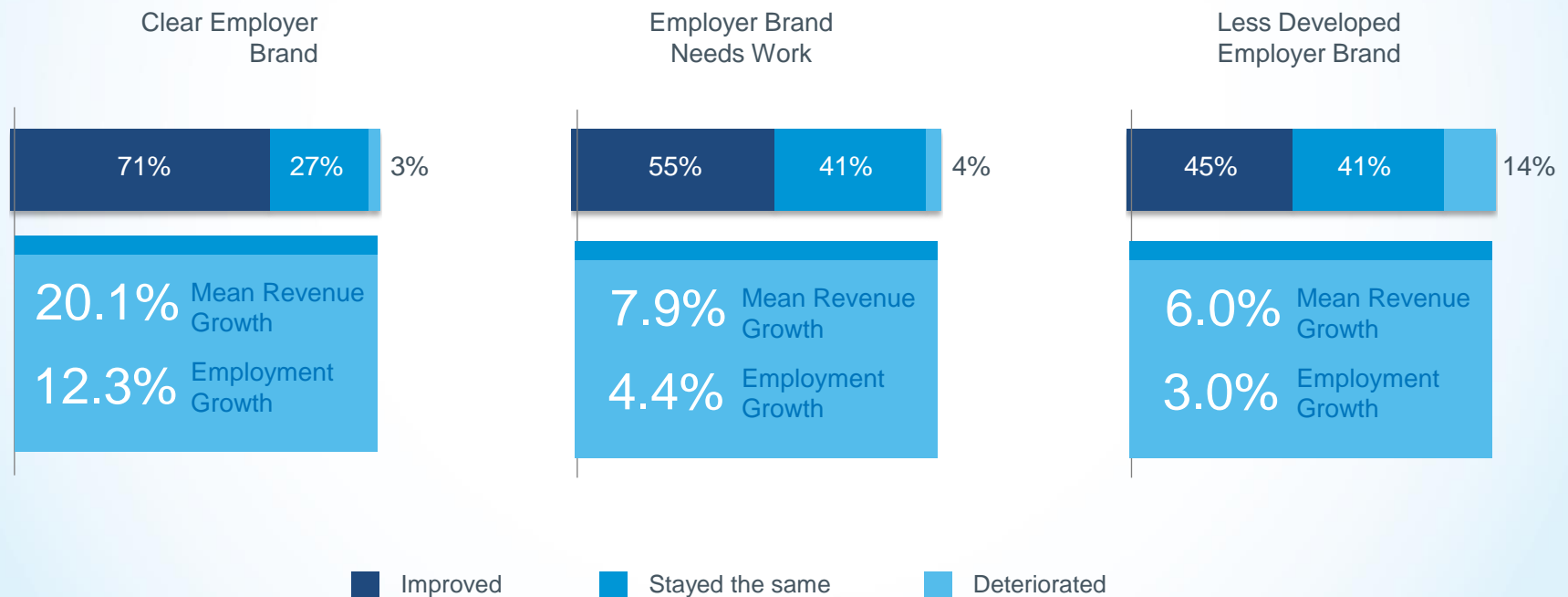
TO SECURE TOP TALENT AN APPEALING EMPLOYEE VALUE PROPOSITION IS ESSENTIAL

COMPELLING & ATTRACTIVE COMPONENTS OF COMPANY'S EVP



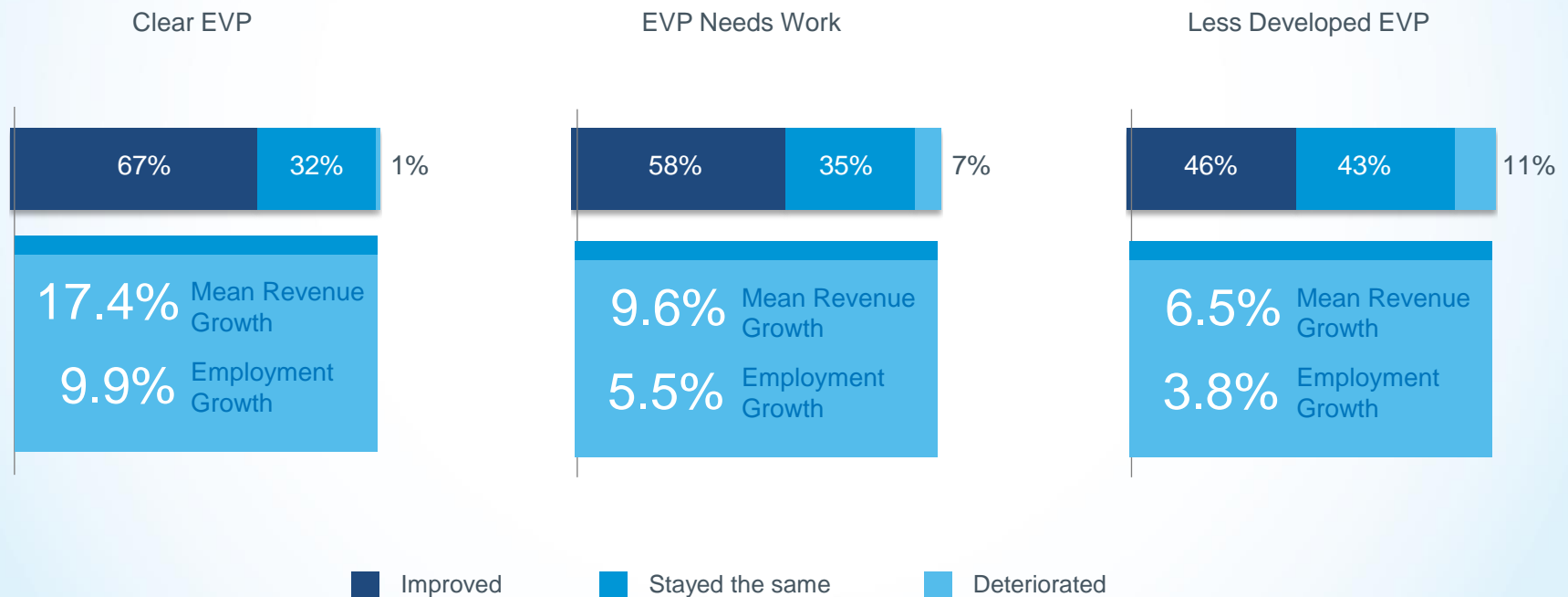
ESTABLISHED EMPLOYER BRANDS & EVPS CORRELATE WITH COMPANY PERFORMANCE

OVERALL COMPANY PERFORMANCE BY STRENGTH OF EMPLOYER BRAND



ESTABLISHED EMPLOYER BRANDS & EVPS CORRELATE WITH COMPANY PERFORMANCE

OVERALL COMPANY PERFORMANCE BY STRENGTH OF EVP





BEST PRACTICES FOR SOURCING, ATTRACTING & RETAINING TOP TALENT

6 STEPS FOR ESTABLISHING AN EFFECTIVE EMPLOYER BRAND & EVP



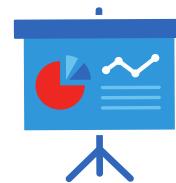
1. Recognize that all firms have employer brands, whether they know it or not.



2. Brainstorm ways to strengthen and differentiate your brand and EVP.



3. Create an authentic and genuine brand and EVP.



4. Involve your marketing people in the process.



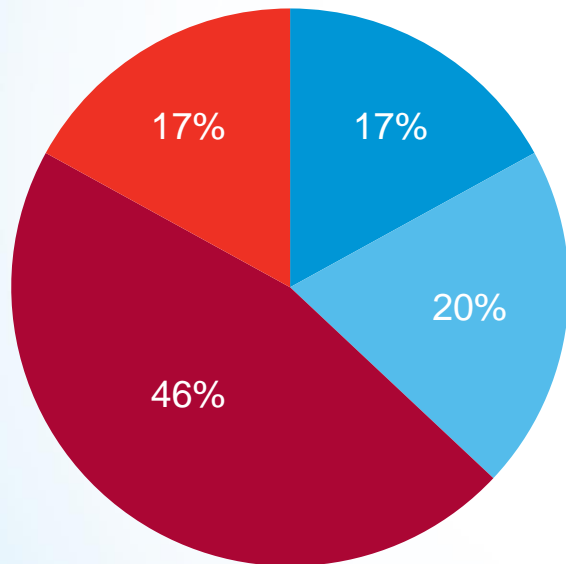
5. Clearly articulate your EVP.



6. Make use of your brand and EVP in your recruiting efforts.

“PASSIVE” CANDIDATES – THE OVERLOOKED MAJORITY

2015 CANDIDATE MARKET



A **strong brand** and **EVP** are especially crucial to get the attention of “passive candidates” who are 60% of the potential talent pool.

PASSIVE CANDIDATES

- Happy with job & open to other opportunities
- Happy with job & not looking

ACTIVE CANDIDATES

- Not employed & looking
- Not happy with job & looking

YOUR BRAND AND EVP

TEN QUESTIONS TO ASK YOURSELF

1

Do you know what your employer brand is?

2

Is it differentiated?

3

Is it strong in your industry?
In your region?

4

Does it map back to
your corporate brand?

5

Does it have a strong
element of purpose?

6

Do you regularly reexamine your
employee value proposition?

7

Does your EVP set your company apart?

8

Does your EVP appeal to passive candidates?

9

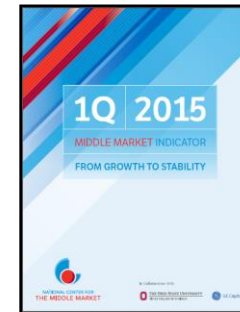
Would current and former employees validate
the authenticity of your brand EVP?

10

Are you effectively promoting your
brand and EVP?

FOR MORE INFORMATION: WWW.MIDDLEMARKETCENTER.ORG

MIDDLE MARKET INDICATOR



BUILDING THE TOP TEAM



NATIONAL CENTER FOR THE MIDDLE MARKET





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THE MIDDLE MARKET

MIDDLEMARKETCENTER.ORG