Can shifting sands be a solid foundation for growth?
How Belgian businesses are driving their growth agenda

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Can shifting sands be a solid foundation for growth?
# EY Growth Barometer 2017

## Belgium

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Business confidence is solid among middle-market companies in Belgium, despite geopolitical uncertainty, demographic change and rapid technological advances. Half (50%) of Belgium’s C-suite leaders are looking to grow by 6% to 10% in the next year – significantly higher than the European Commission’s Belgium GDP growth forecast of 1.5% and the World Bank’s global projection of 2.7%.

To achieve this growth, the country’s middle market is focusing on acquisitions and increasing market share, with technology, talent and lean operations the major tools to help reach their goals.

These findings come from a new longitudinal global survey by EY of middle-market companies – a sector that represents 99% of all enterprises and contribute almost half of global GDP. In Belgium, as elsewhere, the middle market drives economic success, high-impact entrepreneurship and innovation. What is it about middle-market companies that enable them to accelerate growth? Are there lessons for all corporate leaders, whatever their business size?

The EY Growth Barometer explores middle-market leaders’ growth ambitions, strategies and challenges, and their attitudes to global risks and uncertainties. The survey included a total of 2,340 C-suite executives from 30 countries drawn from businesses with revenues of US$1m to US$3b, and from selected high-growth companies less than five years old.

About the survey

EY Growth Markets commissioned Euromoney Institutional Investor to undertake an online survey of 100% C-suite (60% CEOs, founders or managing directors) in companies from 30 countries and with annual revenues of $1m-$3b. The survey was conducted from 31 March 2017-12 May 2017. The 2,340 respondents are geographically representative of global GDP (as per World Bank 2016 data). EY further invited its global network of Entrepreneur of the Year™ alumni to take the survey. The survey was available in English, French and five other languages. Further in-depth, follow-up interviews were conducted during May 2017 to provide additional specific insights.
Following Belgium’s steady recovery from the 2008 global financial crisis, its middle-market businesses are positive about the year ahead. Although none envisage growing beyond 15%, half (50%) predict growth rates of 6% to 10%, compared with slightly more than one-third (34%) in the ‘rest of the world’ (all respondents outside Belgium), and 9% expect to grow between 11% and 15%. Nearly one-third (32%) anticipate more modest growth of 0%-5%. No Belgian respondents forecast negative growth.

As they aim to realize these ambitions, Belgian business leaders’ top strategy is diversification through acquisition (23% of business leaders’ responses), much higher than in the rest of the world where it ranks fourth (16%). This reflects a surge in M&A activity in the country in 20161 – although acquisition of Belgian companies by overseas players is a key part of the picture. Market consolidation, meanwhile, is seen as the number one innovation driver for Belgium’s middle market.

Related to this focus on acquisition, Belgian middle-market leaders’ second-ranked strategy for growth is increasing market share (21% of responses, compared with 17% in the rest of the world). But entry into a new geographical market ranks only third, as opposed to first among the other countries. “Because companies in Belgium are often relatively small, entering into a new geographical market is less easy,” says Stefan Olivier, Belgium Growth Markets Leader, EY. “Either they don’t have the firepower to do it, or the decision is not taken in Belgium because they’re part of a bigger group. On the other hand, as Belgium has an export-oriented economy many companies have historically done business with, or in, many other countries. So they may have less need to invest in new geographical markets than their peers in the rest of the world that have focused on their home markets.”

Market consolidation is seen as the number one innovation driver for Belgium’s middle market.

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What revenue growth rates do you expect your company to achieve in the coming year?

- More than 50%: Belgium 9%, Rest of world 2%
- 26-50%: Belgium 4%, Rest of world 7%
- 16-25%: Belgium 9%, Rest of world 16%
- 11-15%: Belgium 9%, Rest of world 31%
- 6-10%: Belgium 32%, Rest of world 32%
- 0-5%: Belgium 31%, Rest of world 34%
- Negative growth: Belgium 6%
When it comes to external risks to growth, Belgium is one of the few nations in our global survey to place regulation and trade barriers at the top of its list. This issue makes up 20% of middle-market leaders’ responses (12% in the rest of the world) — echoing World Economic Forum data, which shows that tax regulation and restrictive labor regulation are two of the top three most problematic factors for doing business in the country. Regulation is also the second most important driver of innovation for Belgian respondents — suggesting that the middle market is innovating to navigate regulatory risk.

In its emphasis on trade barriers, Belgium, like much of Europe, is likely to have concerns about the impact of Brexit on its trading relationships with the UK. The country’s export-oriented economy means that “anything that limits or hampers international trade is seen as a threat,” says Olivier — reflecting the fact that exports accounted for 85% of Belgian GDP in 2016.

Increasing competition, meanwhile, is ranked second as a risk to growth for the Belgian middle market (18% of responses), compared with the rest of the world where it is first. Ranked third for the Belgian middle market is commodity price volatility: this reflects Belgium’s lack of natural resources — and its consequent need to import fuel and raw materials from overseas.

Regulation and trade barriers are the number one external risk to growth.

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Which of the following pose the greatest risk to your growth plans?

- Regulation and/or trade barriers
  - Belgium: 12%
  - Rest of world: 20%

- Increasing competition
  - Belgium: 18%
  - Rest of world: 20%

- Commodity price volatility
  - Belgium: 6%
  - Rest of world: 13%

- Foreign exchange volatility
  - Belgium: 8%
  - Rest of world: 11%

- Geo-political instability
  - Belgium: 9%
  - Rest of world: 17%

- Slow/flat global growth
  - Belgium: 9%
  - Rest of world: 10%

- Supply chain disruption
  - Belgium: 7%
  - Rest of world: 9%

- Cost/availability of credit
  - Belgium: 7%
  - Rest of world: 12%

- Rising interest rates
  - Belgium: 5%
  - Rest of world: 8%
In line with the rest of the world, the country’s middle-market leaders rank technology disruption as their number one internal growth challenge: although with 23% of responses the Belgian emphasis outweighs that of non-Belgian respondents (17%). But Belgian business leaders also see new technology as an enabler: it is one of the top three factors they say contribute to their growth strategy. And Belgium is well placed to put this into practice: it ranks 15th of 138 countries on “technological readiness,” according to the World Economic Forum.4

As early adopters of IT, Belgian middle-market businesses are more likely than the rest of the world to have adopted robotic process automation (RPA). Nine percent are already using RPA, compared to 6% globally; with another 23% saying they plan to do so in the next decade. And, contrary to dystopian predictions about huge RPA-related job cuts, most Belgian respondents think that headcount reductions will be less than 10%. In line with its trailblazing of RPA, technology is ranked as one of the top three factors contributing to productivity among respondents in Belgium.

As early adopters of IT, Belgian middle-market businesses are more likely than the rest of the world to have adopted robotic process automation.

Belgium’s middle market recognizes that growth depends on attracting the right people. Alongside the rest of the world, it ranks talent with the right skills as the number one factor contributing to growth. However, it finds effective recruitment a major challenge, with lack of skilled talent cited as the second biggest obstacle to growth. One problem is the retention of talent, especially in a country with an aging population. “With Belgium being a small economy with fairly small companies,” says Olivier, “more than in other countries, an increasing percentage of talented young people go and work abroad to realize their ambitions or their development.”

When it comes to specific talent needs, Belgian middle-market leaders are looking especially for more people with specialist skills, similar to the rest of the world. But they also include increasing diversity in their top two talent requirements, unlike the rest of the world, which makes cultural fit its comparable priority. Olivier says it’s important to see skills and diversity together: “Belgian middle-market companies are looking for specialist skills – and they believe diversity may help.”

Reflecting their growth expectations, Belgian middle-market leaders have ambitious recruitment plans. More than one-quarter (27%) say recruiting full-time staff is their main focus this year, in line with the rest of the world. But Belgian respondents are also embracing the gig economy: 32% are mainly seeking contractors and freelancers over the next year, as opposed to 18% globally (and 22% of respondents across the border in the Netherlands). This reflects social change: Belgian middle-market leaders say shifts in working patterns are their second-ranked disruptive force (27%), as opposed to fourth (of four) in the rest of the world (19%) and the Netherlands (16%).

When it comes to specific talent needs, Belgian middle-market leaders are looking especially for more people with specialist skills, similar to the rest of the world.
When thinking about the talent needs of your organization, which of the following are a strategic priority for your company?

- More diversity
- More people with specialist skills
- More team players
- More people who are an excellent cultural fit
- More people with leadership qualities
- More people who can work autonomously

![Bar Chart]

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<th>Requirement</th>
<th>Belgium</th>
<th>Rest of World</th>
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<tr>
<td>More diversity</td>
<td>10%</td>
<td>22%</td>
</tr>
<tr>
<td>More people with specialist skills</td>
<td>14%</td>
<td>25%</td>
</tr>
<tr>
<td>More team players</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>More people who are an excellent cultural fit</td>
<td>14%</td>
<td>23%</td>
</tr>
<tr>
<td>More people with leadership qualities</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>More people who can work autonomously</td>
<td>8%</td>
<td>15%</td>
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As they seek growth, Belgium’s middle-market leaders are keeping a careful eye on the bottom line. Margin and profit improvement are their number one metric (28% of responses, compared to 22% in the rest of the world) suggesting a strong focus on cost control. That revenue growth is ranked just sixth suggests that this focus on the bottom line may reflect a difficulty in growing the top line. In this light, Belgian respondents rank supply chain efficiencies as their top contributor to improved productivity (29% of responses, compared to 24% in the rest of the world).

Cash in the bank is another major consideration for the Belgian middle market. Insufficient cash flow is seen as its third biggest challenge, behind only technology disruption and lack of skilled talent.
CHAPTER 06

Focusing on the customer

As they seek innovation, Belgian middle-market companies are ahead of the rest of the world in their customer focus. In nearly one-quarter (24%) of responses, Belgian middle-market companies say they use customer data to drive innovation from the bottom up — compared to 17% in the rest of the world, and to 22% among respondents from young, high-growth companies.

Despite this willingness to draw on customer insights, they are less likely than non-Belgian respondents to fully embrace external collaboration: 77% agree that “successful growth depends on the strength of a company’s wider network,” as opposed to 86% globally. That said, 41% of Belgian middle-market companies strongly agree with the statement as opposed to 30% in the rest of the world. “Relatively small companies are hardly ever able to dominate an industry, so being successful is dependent on the strategic alliances they form,” says Olivier.

In a world of constant change, meanwhile, leaders need to stay flexible – and plan continuously for the future. And when it comes to focusing on the future, the Belgian C-suite is ahead of the pack: 41% spend at least half their time thinking about strategy rather than day-to-day operations, compared to 30% in the rest of the world. “As the Belgian middle market faces demographic challenges and technological change, such a focus on the future is necessary to realize its ambitions for growth,” EY’s Olivier comments.

Belgian middle-market companies are ahead of the rest of the world in their customer focus.
Global data

To delve further into your country findings and make comparisons around the world please visit ey.com/growthbarometer to interact with all the global survey results.

Over a third (34%) are set to grow 6%-10% this year, more than double World Bank GDP growth forecasts (2.7%) and 14% of all companies target growth over 16%
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