EY Growth Barometer 2017
Netherlands highlights

Can shifting sands be a solid foundation for growth?

How Dutch businesses are driving their growth agenda

The better the question. The better the answer.
The better the world works.

EY
Building a better working world

EY Growth Barometer 2017

Netherlands

Executive summary

Business confidence among middle-market businesses in the Netherlands is soaring, despite geopolitical uncertainty, demographic change and rapid technological advances. Almost one in five (19%) Dutch C-suite leaders are projecting growth of between 11%–15%, significantly ahead of the World Bank's global GDP forecast of 2.7%, while a further two out of five (41%) are expecting growth of 6%–10%.

To achieve such growth, the country's middle market is focusing on expanding into adjacent sectors, business acquisition and geographical expansion, with technology, human talent and lean operations as the major weapons in its armory.

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

The EY Growth Barometer explores middle-market leaders' growth ambitions, strategies and challenges, and their attitudes to global risks and uncertainties. The survey covers 2,340 C-suite executives globally in businesses with revenues of $1m to $3b and selected high-growth companies under 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.

CHAPTER 01

Aiming for strong growth

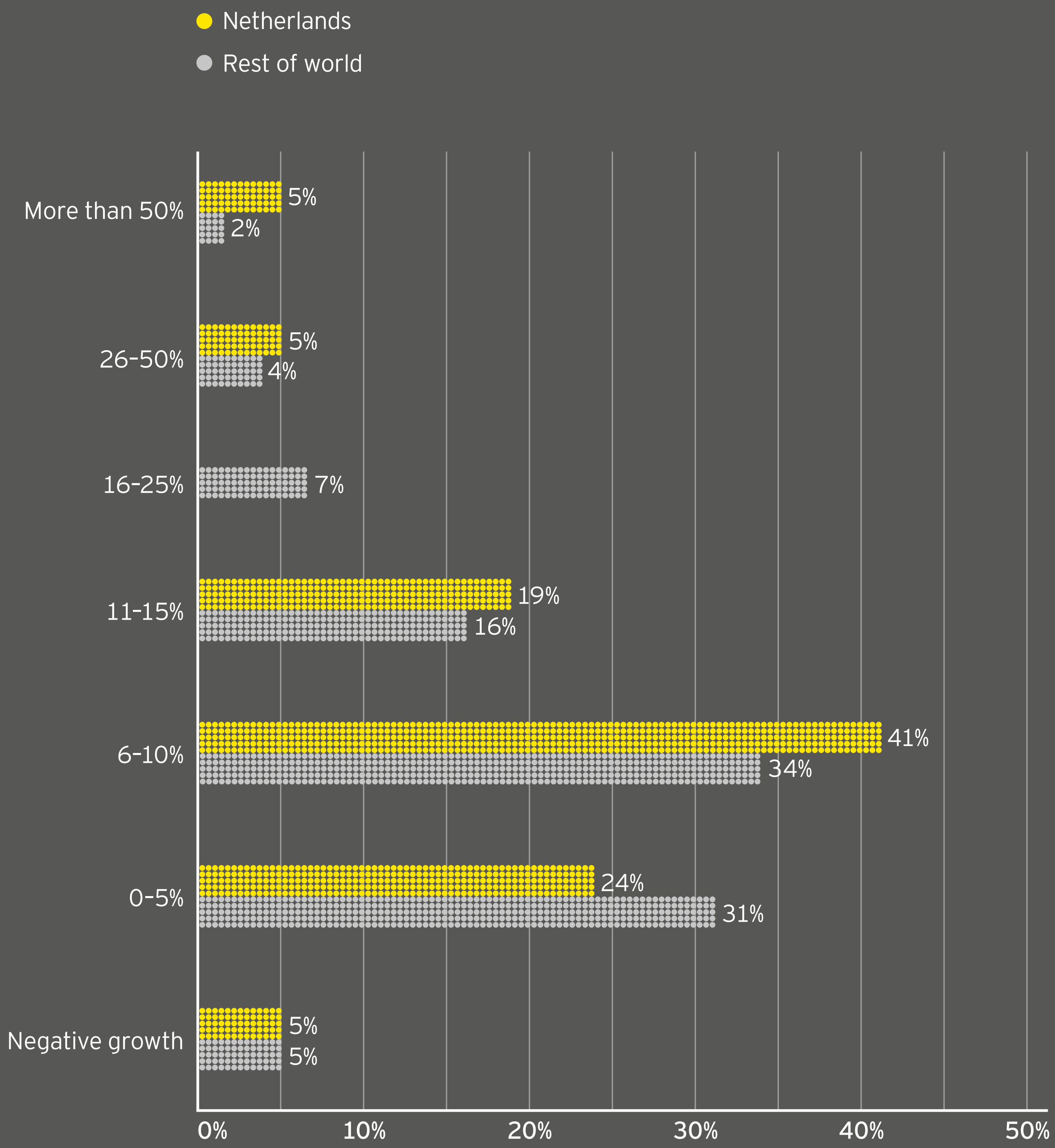
Following the Netherlands' steady recovery from the 2008 global financial crisis, Dutch middle-market businesses have emerged bullish about future prospects. At the top end of the scale, one in 10 (10%) expects revenue growth of 26% or above, with a further 60% anticipating 6%–15%. Almost one-quarter (24%) anticipate more modest growth of 0%–5%, against the global figure of 31%. EY Family Business Leader and Leader for the Entrepreneur Of The Year program for the Netherlands, Ernst Groenteman, comments: "There is a strong sense of business optimism in the country now. There has been a particularly strong turnaround over the last 18 months, especially among entrepreneurs."

The main strategy underpinning these upbeat growth projections is expansion into an adjacent business activity with 22% of responses, against 20% globally. This reflects the high rate of sector convergence in the Netherlands. Diversification through acquisitions is the second priority at 20%, compared with 16% in the rest of the world, as companies with healthy balance sheets look to create critical mass through M&A. The importance of mergers and acquisitions in the Dutch marketplace is also underlined by business leaders ranking market consolidation as the primary driver for innovation. The third strategic growth priority is geographical expansion, as Dutch companies continue to build on their heritage of overseas trade.

"There is a strong sense of business optimism in the country now."

Ernst Groenteman
EY Netherlands

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



CHAPTER 02

Addressing risks and challenges

Business leaders in the Netherlands see the two greatest risks to growth as increasing competition and geopolitical instability, at 22% and 18% respectively, similar to the global responses of 20% and 17%. The fact that geopolitical instability ranks behind competition emphasizes the Dutch middle market's resilience and dynamism; it focuses more on shaping factors within its control — such as its place in the competitive marketplace — rather than events outside its remit, like Brexit and other geopolitical uncertainties.

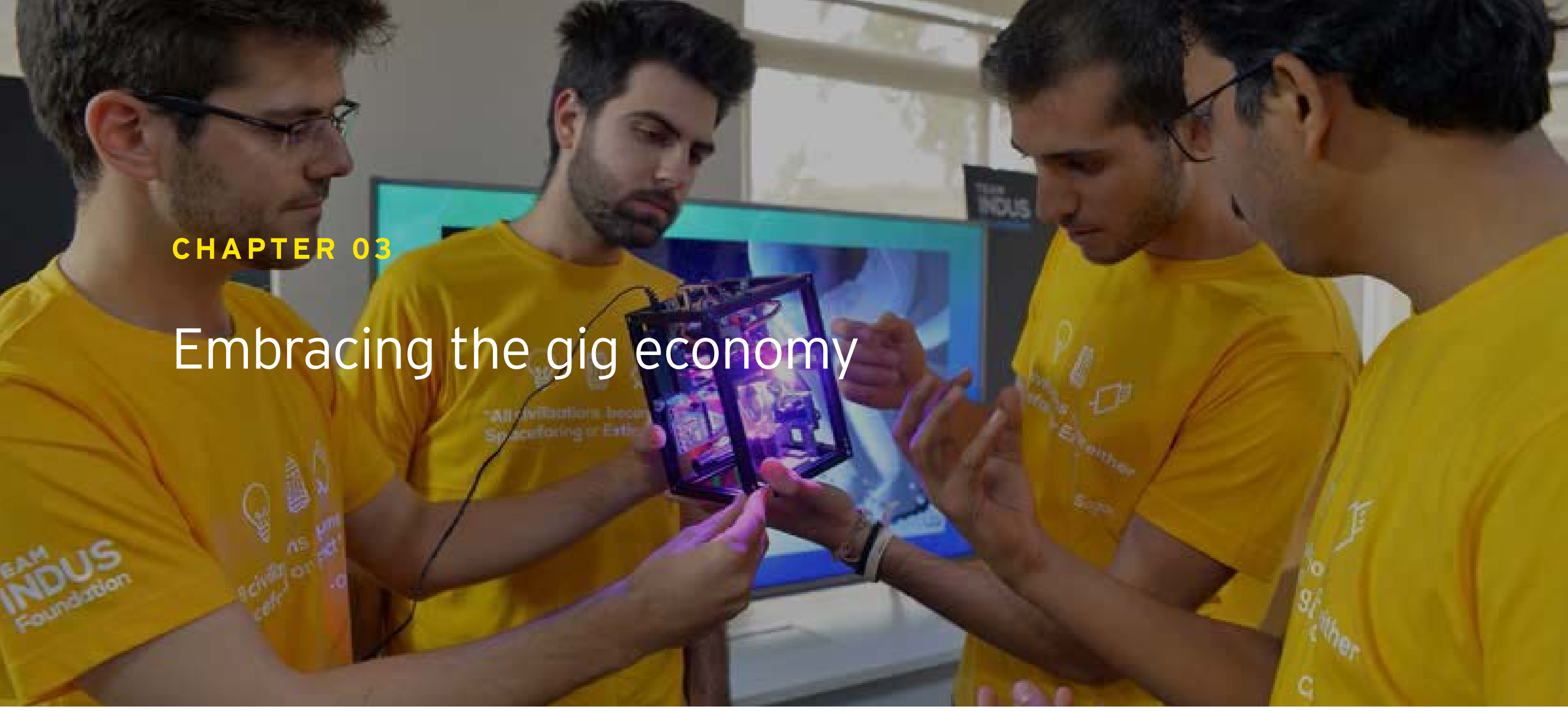
The third highest risk for businesses in the Netherlands is regulation and trade barriers which, with 17% of votes, is significantly higher than the rest of the world (12%). This emphasis reflects growing Dutch concern that, as an economy that derives more than half its GDP from exports,[1] trade may be impaired by Brexit and the Trump administration's protectionist policies. It is also likely to mirror anxiety that the Netherlands, which has been criticized as a tax haven,[2] will be stung by international efforts to crack down on "treaty shopping" — or the registration of companies in low tax jurisdictions to reduce their tax liabilities.[3] The importance of the "right type" of regulation to the Dutch economy is further emphasized by "trade agreements" being ranked as the third most important factor for growth, while regulation is seen as one of the top two drivers for innovation. Groenteman says, "Entrepreneurs are concerned that Dutch legislation and oversight bodies tend to be stricter than in the rest of Europe, leading to a less business-oriented climate. We currently also see that the Netherlands is not the No. 1 choice for UK companies establishing themselves in Europe post-Brexit."

---

[1] http://www.theglobaleconomy.com/Netherlands/Exports/.

[2] https://www.ft.com/content/5a9f0780-a6bc-11e2-885b-00144feabdc0?mhq5j=e3.

[3] www.ft.com/content/274cd10a-4a0f-11e7-a3f4-c742b9791d43?mhq5j=e1 (accessed 21.07.2017).



CHAPTER 03

Embracing the gig economy

Dutch middle-market leaders recognize the importance – and difficulty – of securing skilled employees. Lack of skilled talent is ranked as a serious challenge to growth in 15% of responses from the country's C-suite, compared with 14% globally, while – inline with the rest of the world – it ranks talent with the right skills as the leading factor for growth. There is a particular shortfall in IT, as Groenteman explains: "The main challenge is to find people with capabilities in technology, especially when demand for their skills is so high and unemployment in the Netherlands is so low."

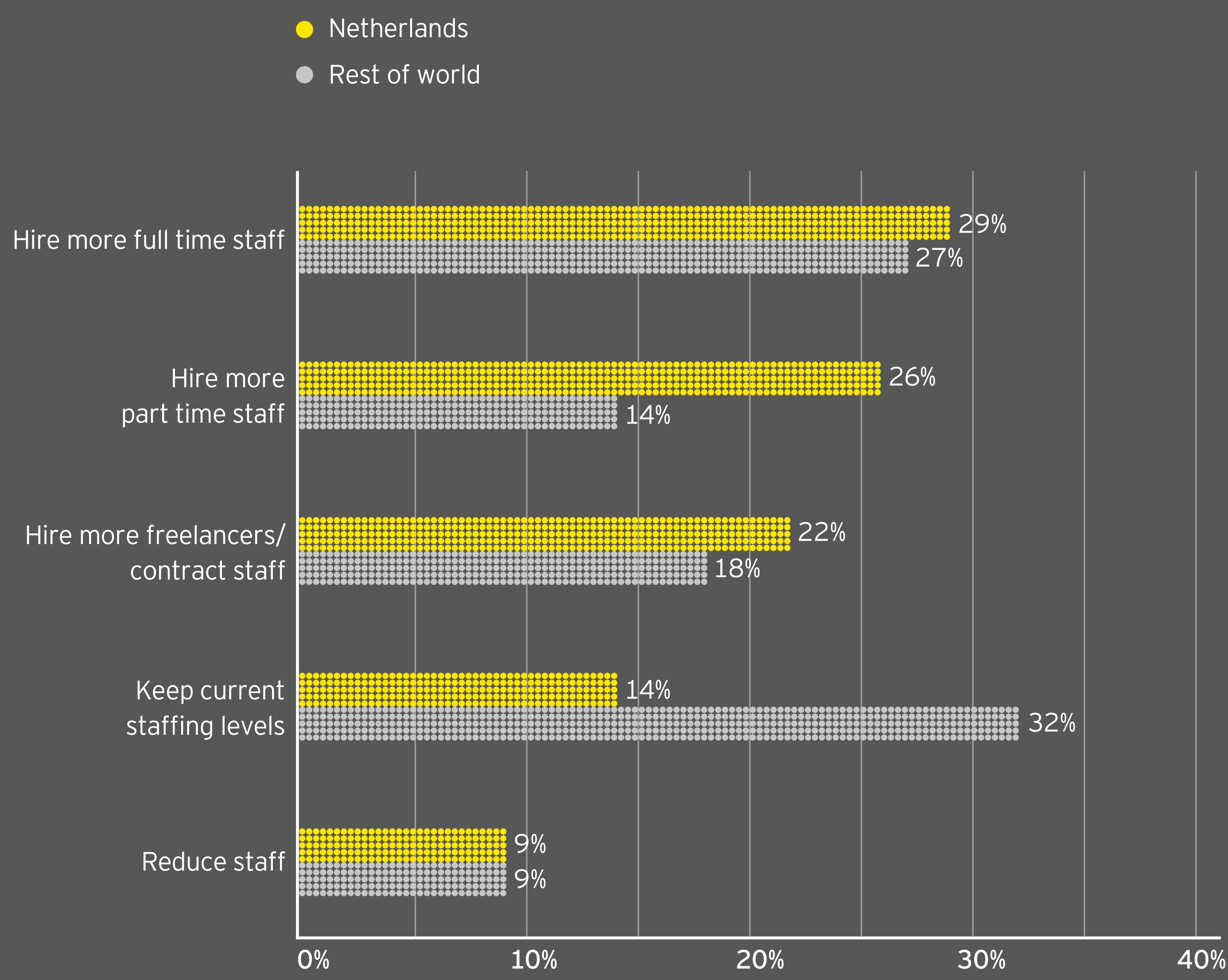
Despite this hurdle to fulfil their growth ambitions, Dutch middle-market leaders have ambitious recruitment programs. Twenty-nine percent intend to take on more full-time staff, compared with 27% globally. The Netherlands cohort is also ahead of the curve in its embrace of changing working patterns: more than one-quarter (26%) intend to recruit more part-time staff, compared with 14% globally, and a further 22% plan to hire more contractors and freelancers, against 18% in the rest of the world. This early and widespread adoption of the gig economy reflects established practice in the Netherlands: 16.8 %[4] of the working population of around nine million[5] are self-employed.

The everyday nature of freelancing helps explain why only 16% of responses from Dutch middle-market businesses say shifts in working patterns are a major disruptive force vs. 19% globally. It also suggests why recruiting people who can work autonomously – a prerequisite of remote working – ranks number two in the list of talent needs in the Netherlands but does not feature in the global top three.

[4] https://www.ikwordzzper.nl/zzp-kennisbank/cijfers-en-kengetallen/hoeveel-zzp-ers-zijn-er-in-nederland (accessed 21.07.2017).

[5] http://statline.cbs.nl/statweb/publication/?vw=t&dm=slnl&pa=82575ned&d1=a&d2=a&d3=0&d4=(l-10)-l&hd=160414-1307&hdr=g2,t&stb=g1,g3 (accessed 21.07.2017).

What are your hiring plans over the next 12 months?



CHAPTER 04

Focusing on the bottom line

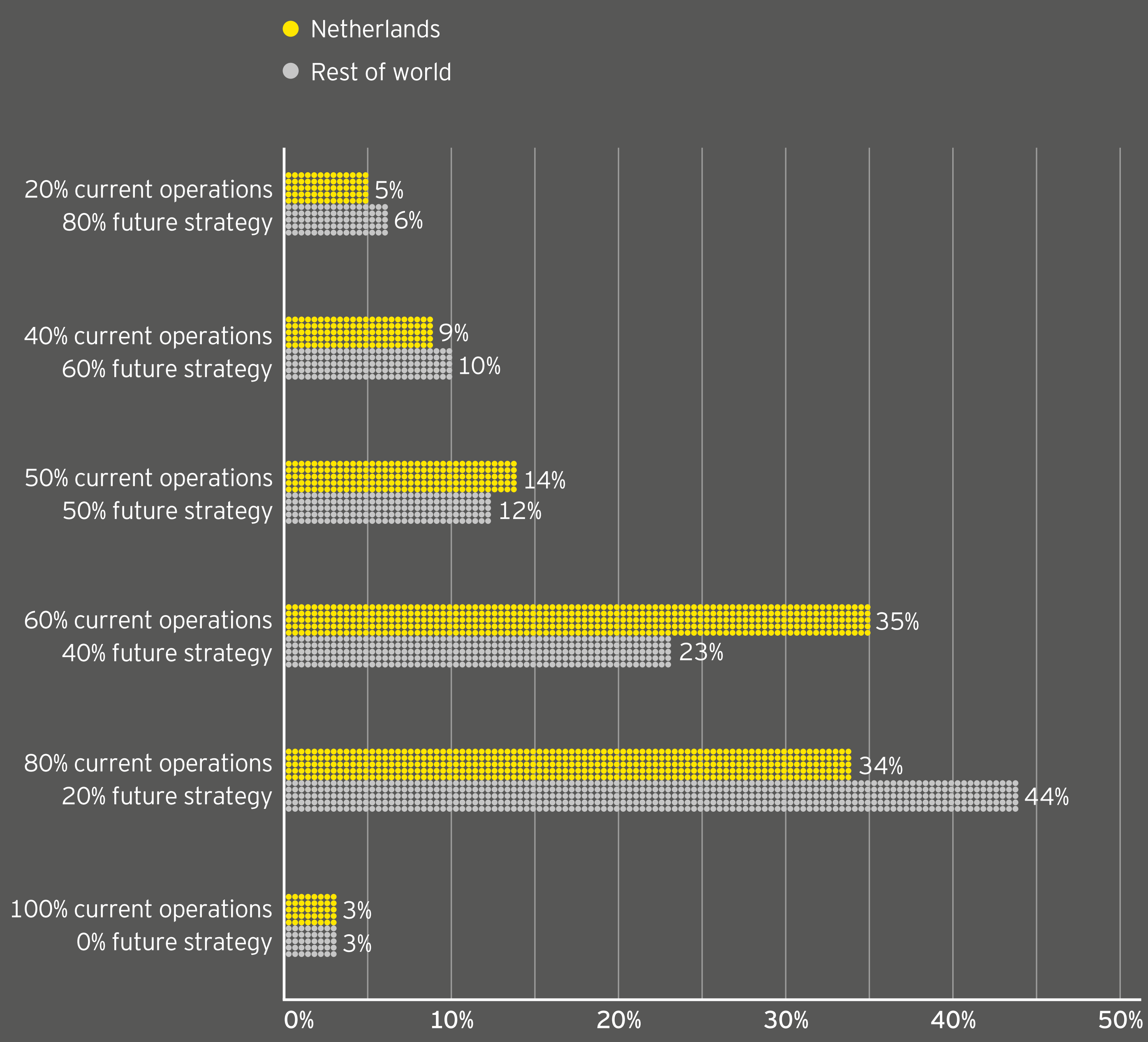
Dutch businesses are firmly focused on the bottom line, with margin/profit improvement the leading success metric, with 27% of survey responses, against 22% globally. Profitability is also a higher innovation driver in the Netherlands with 21% of responses, against 19% in the rest of the world. Cost containment is key here: like their global peers, almost one in four (24%) Dutch business leaders believe a more efficient supply chain will make the greatest contribution to improving productivity. They also rank improved supply chain and operational efficiency number two on their list of growth levers.

Dutch C-suite leaders are ahead of the curve when it comes to collaborating with the external world: 90% agree that successful growth depends on the strength of a company's wider network more than its internal capabilities, vs. 86% globally. Clearly the international trend for complementing internal skills and capabilities with a collaborative external ecosystem – including suppliers, partners, customers, influencers and even competitors – is well established in the Netherlands, a country with a long history of alliance building.

In a constantly changing and disrupted world, growth requires more planning than ever. Dutch middle-market leaders are ahead of the global cohort in looking beyond the horizon: more than one-third (35%) spend 60% of their time on day-to-day management and 40% on future planning, with the same ratio believing that this is the ideal split. By contrast, almost half (44%) of global respondents say they spend 80% of their time managing current operations and just 20% on the future. The same number agrees with their Dutch peers that 60/40 is the optimum.

In a constantly changing and disrupted world, growth requires more planning than ever.

How much of your time is spent on running the current business vs. future strategy?



CHAPTER 05

Harnessing world-beating technology

Technology is changing everything — and the opportunities it offers are enormous. This is the view of Dutch C-suite leaders, one-third (33%) of whom rank technology as the No. 1 disruptive force on their business, compared to 23% in the rest of the world who rank it third. Businesses in the Netherlands are also less likely to view technology as a significant challenge to growth, indicated by just 15% of responses compared to 17% globally. Dutch respondents' appetite for advanced technology is seen in one in 10 (10%) having already adopted robotic process automation (RPA), compared with just 5% globally. In addition, 21% say they will adopt the new technology in the next two to five years. Contrary to doomsday predictions in the global media of huge job losses, most Dutch respondents think RPA will reduce headcount by less than 10%.

"In the Netherlands, technology is a very hot topic and the subject of energetic debate," comments Groenteman. "To us, its disruptive power is a positive rather than a negative; a source of opportunity rather than risk."

21%

say they will adopt robotic process automation in the next two to five years.

Contact

Ernst Groenteman
EY Family Business Leader and Leader for the Entrepreneur Of The Year program for the Netherlands
+31 88 40 70890
ernst.groenteman@nl.ey.com

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.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

About EY's Growth Markets Network
EY's worldwide Growth Markets Network is dedicated to serving the changing needs of high-growth companies. For more than 30 years, we've helped many of the world's most dynamic and ambitious companies grow into market leaders. Whether working with international, mid-cap companies or early stage, venture-backed businesses, our professionals draw upon their extensive experience, insight and global resources to help your business succeed. **ey.com/growthmarkets.**

EYG no. 04914-173GBL

BMC Agency
GA 1005573

ED None

ey.com