Deloitte.

2015 report on America's economic engine

A mid-market perspectives report

Executive summary

Six months ago Deloitte reported that middle market firms had begun investing more quickly to boost their competitiveness and productivity. That report, *America's economic engine — opening the throttle,* picked up notable improvement in their sentiments about the US economy and business conditions.

Today, companies are moderating their spending even as their confidence in the economy remains high. Hiring and capital spending, two key indicators, are still on the rise but not at the pace of growth seen just six months ago. This deceleration in the face of economic growth and employment gains should not be construed as inactivity, but rather deliberate tactical adjustments needed to drive success.

These efforts — mainly internal — are in part predicated on market pressures that didn't exist a year ago. A stronger labor market is creating fresh opportunities for workers. In response, employers are looking to combat rising attrition through higher compensation and other incentives.

Companies are struggling to keep up with the pace of technological change as they seek to adopt the latest productivity-enhancing tools. The prospect of rising interest rates is prompting companies to rely on internal sources of funding to help fuel growth.

As mid-market companies gear up to take on these challenges in the coming year, trust as always will likely be a universal ingredient for success. This report tackles the issue of trust and how companies build and preserve trust when it comes to their relations with customers, employees and other key stakeholders, and concludes with practical considerations for mid-market executives as they continue to lead their organizations and stay focused on the road ahead.

Roger Nanney
National Managing Partner
Deloitte Growth Enterprise Services
Deloitte LLP

About the survey

From April 7 to April 16, 2015, a Deloitte survey conducted by OnResearch, a market research firm, polled 525 executives at US mid-sized companies about their expectations, experiences and plans for becoming more competitive in the current economic environment. Respondents were limited to executives at mid-market companies with annual revenues between $50 million and $1 billion.

Seventy-five percent of the companies represented were privately held; 25 percent were public. Of the private companies, 36 percent were family-owned and 28 percent were closely (non-family) held; 36 percent were private-equity or VC-backed or had other ownership structures.

Half of the respondents were owners, board members, or C-suite executives; the remainder included vice-presidents, department or business line heads, or managers. Industries were diverse: those with the largest representation were consumer and industrial products; technology, media and telecommunications; and, financial services. Life sciences and health care, energy and resources companies, and other industries comprised the remainder of respondents.

The full survey results are included in a separate appendix; some percentages in the charts throughout this report may not add to 100 percent due to rounding, or for questions where survey participants had the option to choose multiple responses.

To access, visit www2.deloitte.com/us/2015AEEreport.

Increasing confidence, moderating investments

The past couple of years have seen the mid-market executives in our survey graduate from cautious optimism about the economy to confidence. Since our survey a year ago, expectations for continued economic expansion have firmed, with the majority expecting growth in GDP over the coming 12 months, and more than a third now predicting growth in excess of 3.5 percent. A significantly higher number of respondents also are either very or extremely confident the US economy will improve over the next two years, and they shared similar sentiments about their company's prospects.

At the same time, the survey reveals some noticeable moderation in the growth of key business metrics since our last poll in the fall. Nearly across the board, we saw only modest increases among those who said their metrics – from revenues to profits to productivity — were the same as the year earlier. In nearly every case, these measures were mostly higher just six months ago, with the most significant slowing reported in headcount and gross profit margin.

Based on what appears to be a divergence between the beliefs and actions of survey respondents, it may be fair to examine if their confidence is extreme or their plans for moderation are warranted. The details in the survey findings that follow provide a basis for understanding where the middle market falls on this spectrum.

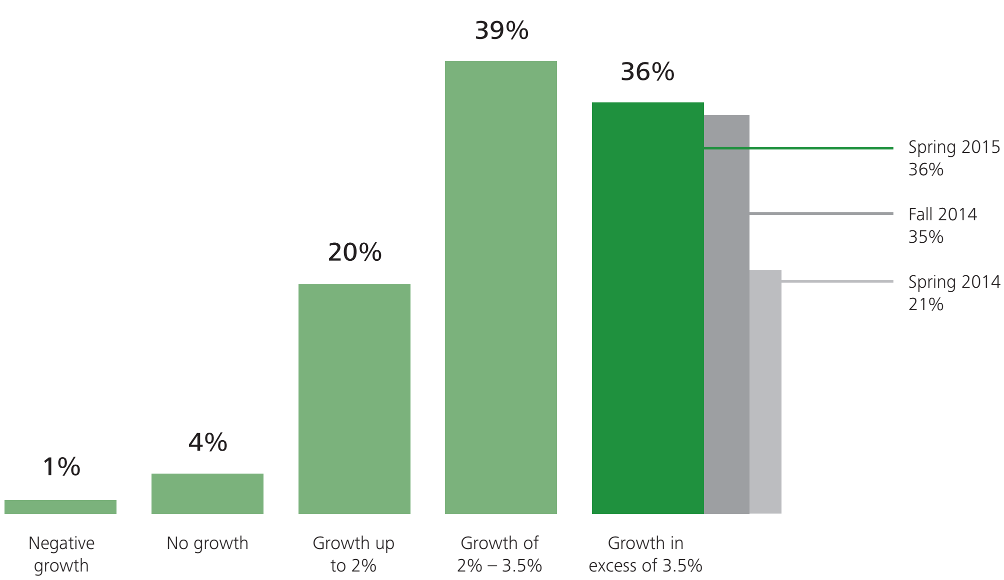
Hiring decelerates, voluntary attrition increases

The employment-related responses point to a middle market that, like the overall economy, is showing signs of slowing job growth. While the majority indicate that their domestic full-time workforce grew over the past 12 months, those reporting the strongest growth — 5 percent and higher — moderated since the fall survey. When asked how they were likely to invest in talent in the coming year, significantly fewer said they will boost their ranks of full-time employees. Among sectors, technology, media and telecom exhibit the biggest declines in full-time hiring plans from the fall survey, followed by financial services, and consumer and industrial products.

These findings align, at least directionally, with a US labor market that has experienced a slight slowdown in hiring compared to 2014. The economy added an average 202,000 new positions during the first five months of the year, down from 260,000 a year ago.[1] Steady job growth was one of the factors pushing the Federal Reserve to boost interest rates for the first time since 2006 this year, but expectations for such a move have continued to be pushed back in the face of weak inflation and mixed economic data.[2]

"Despite the recent deceleration in hiring, the longer term trend points to a US economy that remains on a stable growth path, driven by domestic demand but offset by weakening demand overseas," said Ira Kalish, Chief Global Economist, Deloitte Touche Tohmatsu Limited. "This bodes well for middle-market companies that aren't that exposed to international markets."

At what pace do you expect the US economy to grow over the next 12 months?



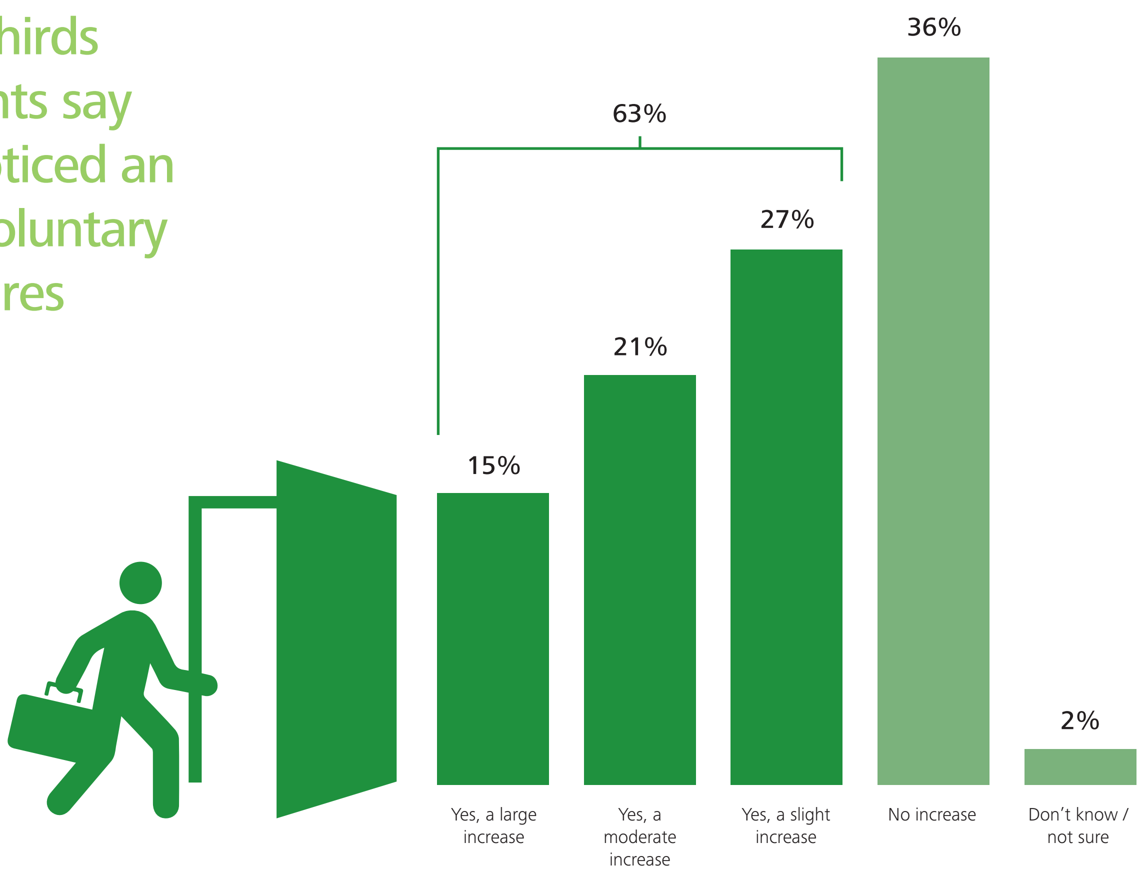
More than one-third of respondents predicted growth in excess of 3.5%

While continued stable growth is a positive trend, it does create another potential challenge for mid-market companies: how to retain talent. Confidence in the economy may encourage employees to pursue new opportunities and increase voluntary attrition, which is often considered a barometer of economic health. In fact, nearly two-thirds of respondents say they have noticed an increase in voluntary staff departures. This finding represents a significant increase from the 43 percent of companies who reported higher attrition the last time we posed this question in our spring 2012 survey.

Interestingly, the benefits of working for mid-market companies also can accelerate attrition, especially among younger employees. "Entering the market within a smaller working environment has given them the confidence to try their skills in new channels and business markets, thus increasing voluntary departures," said Jeffrey H. Alderton, a principal at Deloitte Consulting LLP. At the other end of the spectrum, Alderton added, "Evidence indicates that more of the baby boomers are leaving the workforce earlier and not waiting until traditional retirement age."

Over the past 12 months, has there been a rise in the number of employees choosing to leave your company to take jobs elsewhere?

Nearly two-thirds of respondents say they have noticed an increase in voluntary staff departures



Capital spending — taking a breath

Capital spending is another investment area exhibiting some cooling off in recent months. The majority of respondents report they are currently spending the same amount on capital expenditures as a year ago, and more than a third said they are holding off on major investments due to uncertainty in the current business environment. But this could reflect a mere pause in investment, as those planning to boost capital spending in the coming 12 months jumped to 50 percent from 36 percent a year ago.

"This apparent pause in investment is actually reassuring given the fact that the economy continues to grow at a healthy pace and the executives are very confident that will continue," said Kevin McFarlane, a managing director of Deloitte Corporate Finance LLC. "The middle market will remain in expansion mode barring a significant slowdown in the macroeconomic environment."

> "...the economy continues to grow at a healthy pace and the executives are very confident that will continue."
>
> Kevin McFarlane — managing director, Deloitte Corporate Finance LLC

COMPANY SPOTLIGHT

Yakima: Active lifestyles driving demand for cargo carrying maker

When Ryan Martin stepped into the chief executive officer role at Yakima in 2014, he knew it was an opportunity to expand a legacy. From its origins in the central Washington city for which it's named, to recognition today as a leading brand in the cargo management category, the 36-year-old Yakima brand has been a frontrunner among consumers who lead active outdoor lifestyles.

Yakima makes vehicle carriers for outdoor equipment, including racks for bikes, boats and skis. It also makes roof-mounted cargo boxes for outdoor gear. The company relocated from its former headquarters in northern California to the Portland, Oregon-area in 2005, to operate closer to a cluster of outdoor brands in the region. In 2007, Yakima hit international markets with sales in Costa Rica and Korea, and is now present in about 30 countries.

In domestic markets, Yakima is seeing growth across several demographic categories, though demand among baby boomers is particularly noteworthy, Martin says. Many of these consumers are trying outdoor products of this type for the first time, he says. And Yakima is establishing bonds with customers by adapting products to fit their needs.

From the outset, Martin knew he would have to establish trust out of the gate in order to keep the company's growth on track. Yakima underwent a reorganization in January, only months after Martin joined as its new leader.

"How do I build that trust within the organization? How do they trust me, when we're making all these transformations?" he asks. "Trust really starts with respect, and the way we do it at Yakima is really through being very transparent where we can. Communicate often. Listen to the employee base. And then do what we say we're going to do. You have to be consistent on that."

Martin says assessments about strategy after the reorganization included conversations about employee engagement. A survey showed three-quarters of employees gave the company passing marks in the category. For Martin, it wasn't nearly good enough: "Obviously, we need to be up on that. We need to be great in that category. When you have that, you can trust each other to make changes and work together to focus on what you need for growth."

Obstacles to growth

Survey respondents looking at ways to increase profitability report pricing power is not a lever they can pull. More companies report keeping the prices they charge constant over the last 12 months than those who were able to push through increases. The same holds true for expectations for the coming year. Despite this fact, the majority of companies believe that inflation will accelerate in the coming year as commodity prices — notably oil — increase.

Though trending downward, the notion of an uncertain economic outlook is still seen as the biggest obstacle to company growth, followed closely by weak market demand, which saw an uptick in responses since the fall. More are concerned about the cost of raw materials and other inputs, but the biggest year-over-year jump shows up in the costs of keeping up with technological advances. The issue was cited by 26 percent of the executives in the latest survey, double the share recorded a year ago, and now tops health care costs on executives' worry lists for their own companies.

Looking ahead, most companies believe the coming 12 months will produce generally better results than the 12 months they just left behind. Yet, even here, the theme of moderation emerges once again. While the vast majority expect revenues to grow in the coming year, there was a noticeable decline (from 28 percent to 20 percent) in those counting on growth between 11 percent and 25 percent.

When asked to shift their focus from obstacles their respective companies face to obstacles to US economic growth, respondents still placed rising health care costs at the top of the list, though the concern has dropped significantly from a year ago. The same can be said of government budget challenges, lack of consumer confidence, and rising inflation and energy prices. This last issue is not surprising given the plunge in oil prices over the past year.

Among the issues recording the biggest gain in concern among the executives polled is US infrastructure needs. Media coverage of failing bridges and other key infrastructure in recent years has heightened awareness of the growing need for repairs and replacement. The American Society of Civil Engineers recently estimated the country will need to invest approximately $3.6 trillion by 2020 to return much of the outdated roads, facilities and structures to good repair.[3]

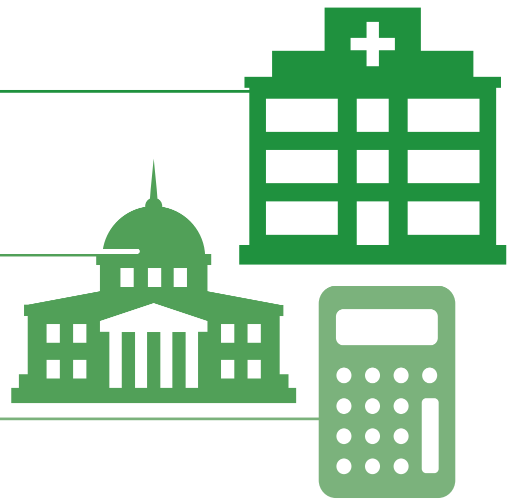
Most companies believe the coming year will produce better results than the one they just left behind.

What are the greatest obstacles to US growth over the next 12 months?

Rising health care costs
50%

Government budget challenges
49%

High tax rates
44%



What are the greatest obstacles to your company's growth?

Uncertain economic outlook
38%

Weak market demand
35%

Cost of raw materials and other inputs
27%

Calibrating for future growth

While the survey depicts a middle market that may be dialing back investments in certain areas, it is still taking important steps to fuel future growth. Companies are increasing their focus on aspects of the business that promise to expand their customer base, generate productivity gains, and help gain insights about the markets in which they compete.

The mid-market executives responding to our survey say their organizations favor an organic approach over bringing in outside partners to help drive growth. Despite what continue to appear to be favorable conditions for M&A, growing existing markets by organic means is the prominent growth strategy over the next 12 months, followed by developing new products and services. While M&A inched up in the current survey, it was still only cited by 12 percent of the executives, and strategic alliances fell in importance.

Companies such as Yakima Products, Inc., maker of vehicle racks for outdoor equipment, say they're taking advantage of strong consumer demand to fine tune operations and expand market share. Ryan Martin, Yakima's chief executive officer since 2014, led the company through a reorganization during his first six months on the job.

He says the exercise has already generated positive changes at the Beaverton, Oregon-based firm. "We're investing in technology and investing in people. It's improving our processes," Martin says. "It's really about organic growth."

This internal focus is repeated in responses to questions about how mid-market companies plan to finance growth. In this survey, we have seen a pronounced shift toward internal sources of financing and away from external sources. In addition, fewer respondents viewed their company as an acquirer or acquisition target, or likely to go public.

These companies remain committed to the same three strategic priorities from the fall survey: increasing sales in existing markets, expanding into new markets, and developing new products.

What is your company's main growth strategy over the next 12 months?

Technology drives productivity

One way mid-market companies plan to achieve their objectives is through technology investments. A year ago, respondents felt technology and talent were essentially on par for generating productivity gains. But over the past year, technology has emerged as a more potent driver of productivity.

HotSchedules, a provider of cloud-based and mobile-enabled software to restaurants, said it has slowed hiring over the past year, even as it continues to grow at 35 percent annual rate. "We probably over-hired a couple of years ago and now we're realizing that we can continue to grow our business without growing headcount so aggressively," says CEO Anthony Lye. Instead, the company is ramping up spending on its IT infrastructure across the board; for example, increasing its investment in quality assurance and automated testing.

COMPANY SPOTLIGHT

BrightEdge: High-performance content marketing

Brands are publishing tens of millions of pieces of content every day. So how can marketers rise above the noise and convert digital campaigns to sales?

Silicon Valley-based technology company BrightEdge is trying to solve the riddle. BrightEdge helps companies take a web-wide look at the performance of their content to assess where and how to deploy their campaigns. The company's chief executive officer, Jim Yu, said his company's growth is connected to growing demand for content marketing programs that measurably drive business results.

"Clearly, businesses are spending more on marketing in the digital arena," Yu said. "And marketers are trying to figure out how to engage with their audiences through these channels and with content that performs."

The massive volume of data available today has convinced marketers why smart content marketing is so important, Yu said. And with mobile Internet traffic now surpassing PC usage, companies have to consider both content and devices when executing, measuring and understanding the performance of their marketing strategies.

"Mobile penetration is a specific driver of the BrightEdge business, and more generally, confidence among companies to broaden their content spend," Yu said. "Crossing the threshold of having 50 percent of customers access client sites via mobile has marked a turning point in how customers interact with brands."

That shift in behavior has had other impacts, too. Broadcast media spending is less relevant for many brands, Yu said. Meanwhile, video for mobile has exploded in popularity and importance.

BrightEdge works with mid-sized and Fortune 500 firms. Yu said the company is continuously deepening its technical capabilities, though not at the expense of adding new talent.

"Are we doing more on technology and less on hiring? No, we're doing both things," Yu said. "We're testing more new technologies than we have before. A lot of that is driven by the increased innovation that's happening in technology sectors. Whatever business function you're in, whether you're trying to do marketing, drive content, amplify recruiting, improve targeting, or if you want to get smarter about how you run your sales forecasts, there's just a lot more technology cropping up to support these business needs. It makes a lot of sense to test it."

To be sure, any company should be paying attention to innovation, Yu said, but that's particularly important for a technology firm.

"There's so much new technology — more than 2,000 marketing technology companies alone — that you want to be constantly looking at the ones that can help improve the effectiveness of what you're doing," Yu said. "It's a really interesting time in enterprise technology."

The companies in our survey report big jumps in investment in emerging technologies relative to their spending only six months ago. Cloud computing/software as a service remains the top area of focus, increasing to 58 percent from 46 percent in the fall survey. In another significant change, analytics/business intelligence is now ranked as the second priority for technology investment, at 53 percent, up from 40 percent last fall. Investments in automation of business processes, enterprise application suites, and robotics also registered significant increases.

It's unclear how many of the respondents' companies already are reaping benefits from these investments, but one is evident: productivity gains are more widely felt in the latest survey. Forty-six percent of respondents said their company is more productive now than it was a year ago, up from 37 percent in the spring 2014 survey, and 50 percent feel confident that their firm's productivity will be higher 12 months from now.

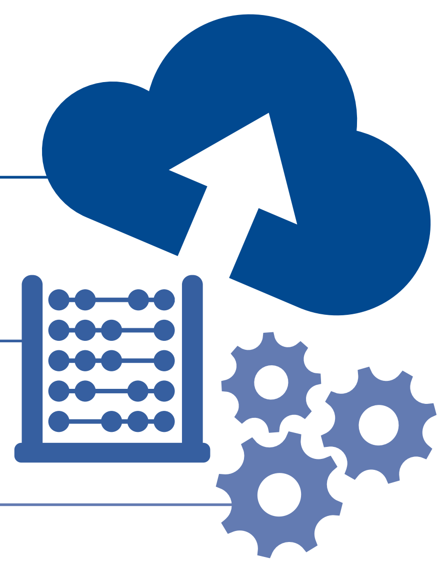
"We are witnessing the democratization of technology value as growth-oriented companies appear to be leveraging it at a greater pace," said Harvey Michaels, principal, Deloitte Consulting LLP. "This seems to be enabling these firms to compete at levels similar to companies much larger in size and much earlier in their evolution."

Which investments in technology is your company most likely to make in the next 12 months?

Cloud computing/Software as a Service
58%

Data analytics/business intelligence
53%

Automation of business processes
43%



Rewarding and training workers

Though talent slips in the productivity findings, mid-market companies still clearly see value in developing their workforces and paying them well. Given the tightening labor market and the finding discussed earlier about voluntary staff departures, it's not surprising that 32 percent of respondents anticipate their companies will increase compensation in the year ahead.

Such forecasts come at a time when private-industry wages and salaries are rising at the fastest pace since the third quarter of 2008.[4] However, the biggest investment survey respondents are primed to make in the coming 12 months is in training (52 percent), which is also seen as the best solution for addressing skills/shortages and supplementing their workforce. Other steps included expanding their use of a virtual workforce and global hiring.

COMPANY SPOTLIGHT

HotSchedules: Cultivating an ecosystem of trust

HotSchedules Chief Executive Officer Anthony Lye knows how important trusting relationships can be to the success of a business. The company he leads, a vertical industry-oriented company focused on restaurants, relies heavily on referrals from its customers, who use HotSchedules' cloud-based and mobile-enabled software to automate back-office operations like staff scheduling and inventory management.

"Outside of a few global brands, most of the restaurant industry is dominated by middle market and small business operators that pay quarter-to-quarter," said Lye. "If our product doesn't perform then we don't get paid and we can't grow our business. Establishing trust with our customers is absolutely critical to both our current and future revenues."

Helping restaurants cut costs is central to that mission, given how thin profit margins are in the industry. In the main, it's still a paper-based economy, outside of the point-of-sale terminals staffers use to take and fulfill orders. HotSchedules' applications help operators ensure they have the right amount of servers and food supplies at the right times, reducing a restaurant's labor costs by as much as 4 percent annually and preventing food spoilage.

But constant and consistent communication is also key to gaining customers' trust, Lye said. "We have to meet our customers in their environment and understand the challenges they face. We have to be experts within our shared domain," he said.

In addition to on-site visits, HotSchedules employs its technology to make sure it is always "visible" to its customers — the restaurant owners, and their staff. Messaging capabilities are built into its applications so managers can get immediate customer service and servers can use their smartphones to interact with the HotSchedules service to arrange shift swaps or other scheduling activities. "The application will even tell them how far away from work they are so they can be sure to get there on time. HotSchedules provides direct customer support to every single user of its service, telling every employee when they need to be at work," Lye said. "That takes a lot of the burden off the restaurant managers and helps us create an ecosystem of trust."

HotSchedules' focus on trust extends to its nearly 600 employees. To help keep them engaged, the company offers flexible work hours and work-from-home options, and spends more on real estate so employees are inspired by their workplace. Instead of hiring candidates right away, the company often contracts with them first to see if they are a good fit for its culture. "Hiring slowly helps significantly with attrition," Lye said. It also gives future employees time to buy into the company's business model. "The opportunity to completely transform an industry like we are only comes around once in a lifetime," Lye said. "The people who work here are proud and excited to be part of that change."

Increasing international contributions

In fact, global is an emerging theme for the US middle market when it comes to both human resources and sales. Compared to a year ago, significantly more companies reported having workers outside the United States, and many of the gains were driven by companies relatively new to international markets (5 percent or less of their total workforce). Sectors reporting the biggest gains in non-US workers over the past year are financial services, energy and resources, and consumer and industrial products.

Almost three-quarters of survey respondents (70 percent) indicated their companies generate revenue outside the United States. They turned to a wide swath of international markets to boost their foreign exposure in the past 12 months, with Canada topping the list at 34 percent.

"Some companies may feel they've maxed out on their growth potential in the United States and they're looking to overseas markets," said Elizabeth Rosenthal, a director at Deloitte Tax LLP. "They are also seeing increased demand for their goods and services in certain parts of the world and they want to have a presence there."

Almost three-quarters of survey respondents indicated their companies generate revenue outside the United States

Building trust — inside and out

As mid-market companies tweak their business strategies and make tactical adjustments to increase their competitiveness, one standout quality makes it possible to experiment, fail, and try again: trust. In this context, trust is the degree to which key stakeholders believe a company's products, services and actions will benefit them. Customers need to trust the brands they support. Just as critical, though, is the trust maintained between a company and its employees, investors and third-party vendors and suppliers. When the level of trust is strong between a company and these groups, it gives them the bandwidth needed to innovate, make new investments and take calculated risks to sow the seeds for sustained, long-term growth.

Many companies talk about the importance of trust in aspects of their everyday business, but for many middle-market companies, trust is often a point of differentiation and the trait that helps drive success. Our survey explored this idea in greater depth in an effort to identify opportunities where trust can be fortified.

Customers seen as most trusting

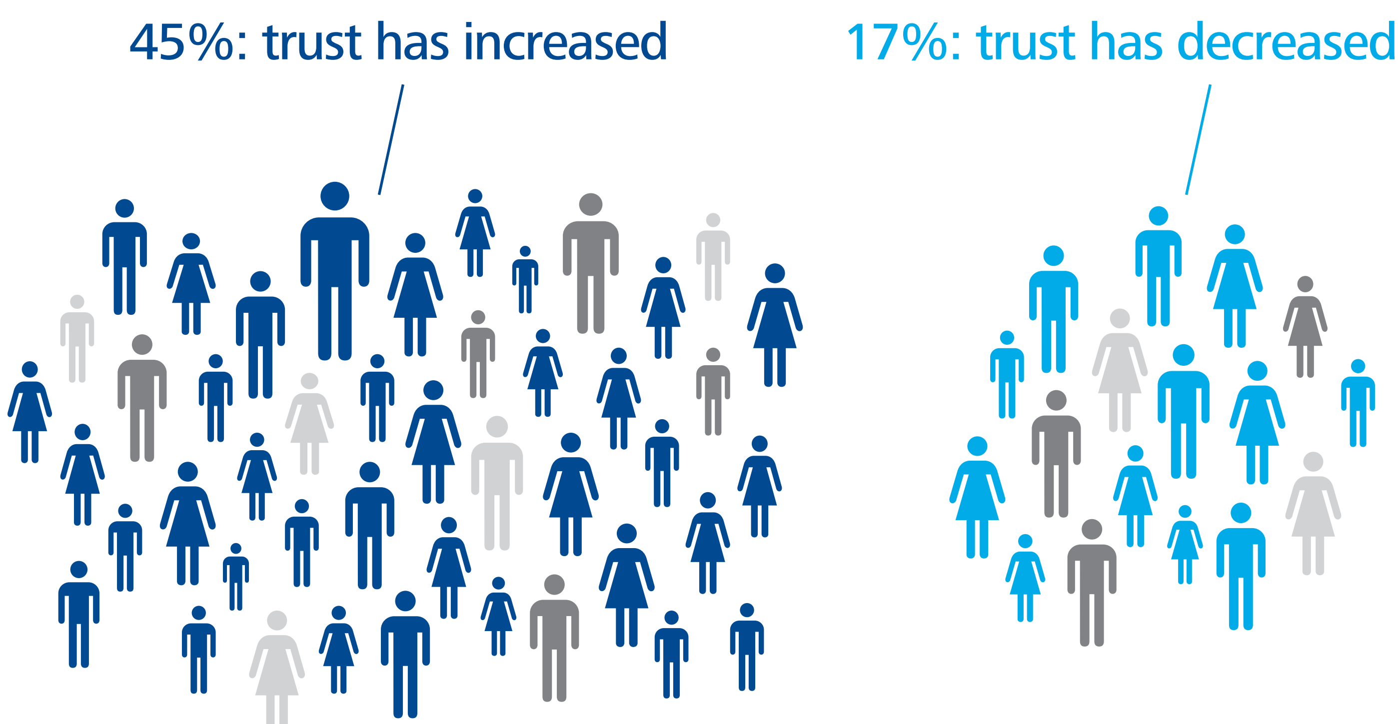
Survey respondents recognize the importance of trust and see it as growing stronger. More than twice as many respondents feel that the level of trust in business has increased over the past 12 months (45 percent) than those who feel it has decreased (17 percent).

Customers are viewed as having the highest trust levels, with 76 percent of the executives calling trust among their customers either high or very high. This finding gels with consumer surveys about privately owned companies. For instance, the latest Edelman Trust Barometer found that large family-owned businesses enjoy a 30-percentage-point "trust premium" over big business in developed countries.[5]

The respondents in our survey credit a number of factors for winning customers' trust, with providing high-quality products or services at the top of the list. Exemplary customer service and ethical business practices also scored highly. Delivering high-quality products and services was also seen as the most important factor in building trust with investors/owners and vendors.

"The most successful organizations recognize that along with integrity, quality is integral to their brands," said Mike Zychinski, Chief Ethics and Compliance Officer at Deloitte LLP.

Among the general public, how would you define the level of trust in business compared to 24 months ago?



Room for improvement with employees

The executives surveyed felt that employees are the least likely among key stakeholders to have high or very high trust levels in their organizations. This finding is concerning in the current environment given the increased likelihood of staff defections, but there is also the risk that the lack of trust leads to lower levels of employee engagement and, therefore, productivity. It is also surprising since mid-market companies tend to draw talent because of their streamlined corporate structure, lack of bureaucracy in decision-making and opportunities for advancement.

"From the boardroom to the mailroom, a culture of integrity creates higher levels of trust among employees and, therefore, greater employee engagement through the organization," Zychinski said. The respondents see a wide range of solutions for strengthening these relationships, starting with aligning values with their company's strategy. Little room separated other top answers, which included making business practices transparent, communicating regularly about values and the state of the business, providing access to company leaders, and granting employees a level of autonomy.

Eroders of trust

Communication emerged as a clear theme when companies talk about trust. Lack of communication was cited as the biggest factor that erodes trust, followed by leadership or succession missteps, product and service lapses, inappropriate employee behavior, and poorly managed innovation strategies.

It is possible mid-market companies also should be more focused on technology-related lapses, given their rising interest level in such investments. Data breaches were only cited by 33 percent of respondents as a likely source of lost trust, and negative social media only garnered 10 percent.

There is less disagreement about the cost of low levels of trust. Decreased profitability tops the list, though client/customer attrition and personnel departures also score highly as key risks.

COMPANY SPOTLIGHT

ABB OPTICAL GROUP: Establishing trust through objectivity

As the largest wholesale contact lens distributor in the United States, ABB OPTICAL GROUP connects contact lens and eyeglass lens manufacturers with nearly two-thirds of eye care professionals around the country. As such, the company works with each manufacturer and with eye doctors, in the best interest of their patients.

"The relationships we have with doctors and manufacturers are built on trust and independence," said Paul Sherman, the company's chief financial officer. "Our account managers must never say to a doctor you should buy this manufacturer's product over that one's. That is the doctor's decision for each patient's eye health. Objectivity is critical to our success."

So is efficiency. ABB OPTICAL GROUP, based in Coral Springs, Florida, builds loyalty with eye care professionals by helping them grow their practice and keeping their costs down. With competition from multiple outlets, patients may leave doctors' offices with a prescription they fill someplace else, unless they believe they are getting a good value. ABB OPTICAL's large and efficient supply chain, which is run out of four warehouses located strategically around the country, helps manufacturers lower their distribution costs and helps doctors consolidate their customer orders down to one shipment. "We simplify the chaos while enabling efficiency," Sherman said.

At the same time, manufacturers and doctors turn to ABB OPTICAL for data to better serve doctors' needs and patients' demands in a fluid market. Due to its tremendous market reach, the company can help manufacturers understand where their sales reps are succeeding and where competitors are gaining traction. Doctors can learn which manufacturers' promotions make the most sense for their business and for their patients, as well as where they benchmark relative to their industry peers when it comes to offering services such as delivery to their patient's home or office. "We have access to insights they otherwise wouldn't have," Sherman said. "Those insights help them be more efficient and win business."

> “...a culture of integrity creates higher levels of trust among employees...”

Mike Zychinski — chief ethics and compliance officer, Deloitte LLP

COMPANY SPOTLIGHT

Human Longevity: Pioneering genomics for a precision medicine future

Human Longevity Inc. (HLI) knows how to play to its strengths. In business just over a year, HLI is a genomics-based, technology-driven company working to create what it believes will be the most comprehensive database of whole genome, phenotype and clinical data. The team is developing and applying large scale computing and machine learning to make novel discoveries to revolutionize the practice of medicine. These disruptive technologies and approaches that employ genomics and cell therapy are designed to address disease and identify the triggers responsible for age-related biological decline.

HLI relies on a growing network of academic institutions and pharmaceutical companies to advance research or gain access to patients. Recently, the company announced a broad partnership with the Cleveland Clinic to sequence and analyze blood samples in the hunt for novel disease genes and disease pathways associated with heart disease.

“We’re not going to be a pharmaceutical company or an advanced medical center,” said HLI Senior Vice President Fernanda Coelho. “That means we need to collaborate with industry leaders in academic research and drug development in order to scale our innovation. Those collaborations depend on building mutual trust.” The market for HLI’s technology solutions is huge. Total healthcare costs around the globe now top $7 trillion a year, with nearly half being spent in the senior (65+) years of a person’s life to help them live longer. Revenue opportunities the company is exploring include licensing its genome and phenotype database to pharmaceutical, biotechnology and insurance companies, along with hospitals and academic organizations. The company is also on the cusp of opening a number of HLI Health Hubs, free-standing health centers providing genomic-enhanced longevity care to individuals.

When HLI seeks out a new strategic partner, it looks for reputable organizations that are aligned with the company’s strategy and vision for transforming healthcare, Coelho said. HLI assesses every potential partner for their projected level of involvement. Coelho equates the process to dating, in which both sides need to be assured that the other is committed to the relationship.

“Deciding on who we are going to work with and how we work with them is essential to our success,” Coelho said. “We’re at a stage in our development in which we’re building our reputation and credibility, and a big part of that is who we work with.”

Judging by its expanding roster of partners — which now also includes Genentech, Illumina, Metabolon, the University of California – San Diego, and the J. Craig Venter Institute — the company’s reputation is growing by the day.

“Potential partners see what we’ve been able to accomplish in little over a year, and it shows them we are making real progress,” Coelho said. “Ultimately, though, it’s our performance contributing to those partnerships that shows how much value we bring to the table.”

Conclusion

Trust is a trait that is fundamental to the success of all enterprises, including mid-market companies. It provides companies with the room needed to innovate, grow new markets, and develop next-generation talent. As mid-market companies prepare for the next stage of growth, it will be critical for business leaders to stay committed to fostering and strengthening trust, not just with their customers, but with employees and other key stakeholders.

Beyond building trust, the survey findings highlight other issues and potential actions that mid-market executives might consider as they position their companies for success:

- Pay attention to voluntary attrition. The tacit knowledge your employees have is valuable, and replacement cost can be high. Are you focused on employee retention by offering competitive compensation and challenging training opportunities?
- Consider the implications of what may be a pause in capital spending. If your company provides products or services related to capital expenditures, do you have a strategy in place to address this situation? If you are contemplating a capital expenditure, consider if there are any potential benefits by investing in current market conditions.
- Be open to the potential of mergers and acquisitions. Understand the valuation of your enterprise and develop a process to be aware of M&A conditions in your industry sector. Despite the apparent slowdown in activity, are there opportunities worth considering?
- Evaluate your technology strategy and investments. Do you have a solid understanding of the implications and benefits of cloud computing and data analytics?
- Communicate — over and over again — to drive engagement and build trust throughout your organization.

The measured steps mid-market companies are taking at present show, as always, they are not content to ride the economy's tide. They are constantly revisiting their business models and operations, looking for new ways to build on their success and stay ahead of the competition. New challenges may be cropping up on their radar screens, but mid-market companies appear ready as ever to take them on with same precision and planning that have helped place them at the fore of the US business landscape.

End notes

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