



LEADING FROM THE MIDDLE

2011 National Middle Market Summit

Engine of
Economy

Sustainable
Job Growers

Community
Pillars

Conclusions

Growth
Champions

Challenges

Resilient
and Diverse



Small
Businesses

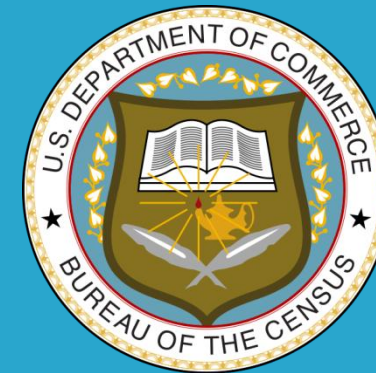
?

Large
Corporations



Foundational,
multi-sourced
research

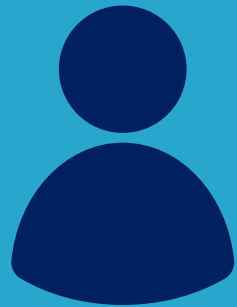
Database Sources



Comprehensive Survey

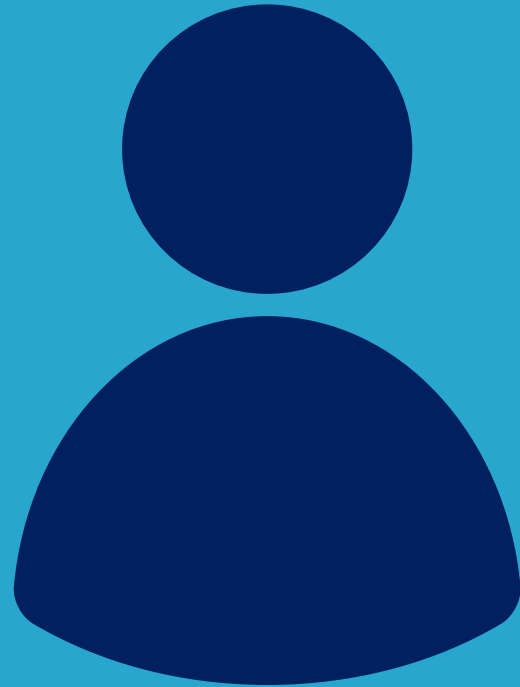
2,028 C-level interviews (total)

1,447 Middle Market decision maker interviews



Principals
(Partners/Owner)

16%



C-Level Execs

51%



MD & EVP

24%



Company Officer

9%



Small
Businesses

?

Large
Corporations

Small Business

?

Big Business

<\$10M
Annual Revenue

?
Annual Revenue

>\$1B
Annual Revenue

~6M
Businesses

?
Businesses

~2,000
Businesses

35%
Employment

?
Employment

31%
Employment

the U.S.
Middle Market
is the **4th** largest
global
economy



**\$3.8 Trillion in
Private Sector GDP**

Small Business

Middle Market

Big Business

<\$10M

Annual Revenue

~6M

Businesses

35%

Employment

\$10M - <\$1B

Annual Revenue

195,000

Businesses

34%

Employment

>\$1B

Annual Revenue

~2,000

Businesses

31%

Employment



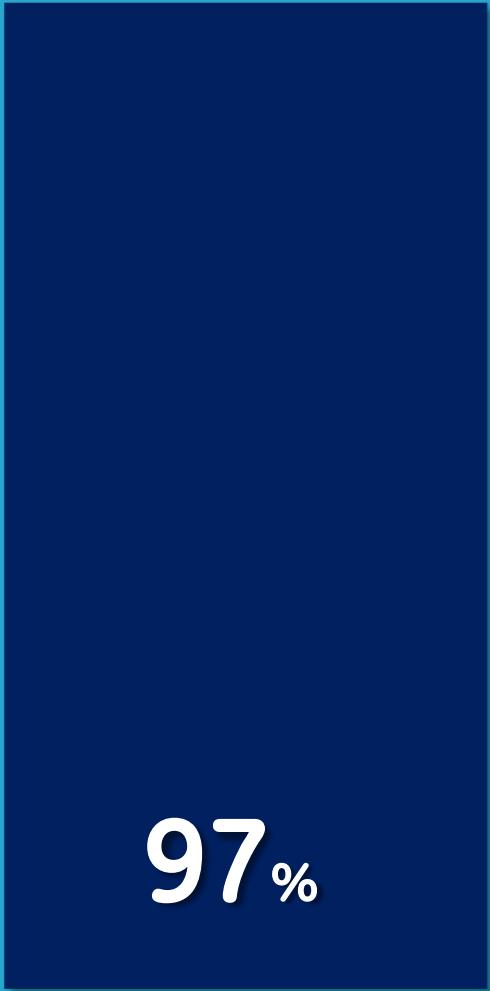
The Middle Market is **resilient**.

In the face of extraordinary economic challenges and the recent recession, **Middle Market businesses** survived and grew.

82% Survivorship rate

- Unprecedented credit crisis
- Severe economic downturn
- Sharply increasing commodity costs
- Sweeping regulatory changes

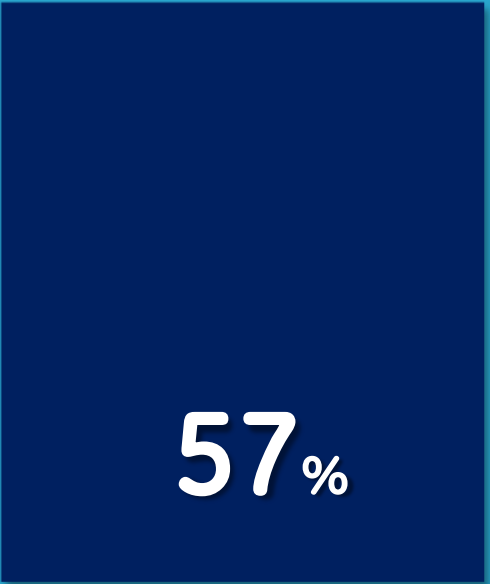
Survivorship Rate by Business Sector



Big Business



Middle Market



Small Business

Middle Market Companies Net Jobs Contributions: 2007 - 2010

Western
-37,528

New England
+192,483

Midwest
+459,917

MM
+2.2M
Jobs

Big Biz
-3.7M
Jobs

NJ & NY
+369,296

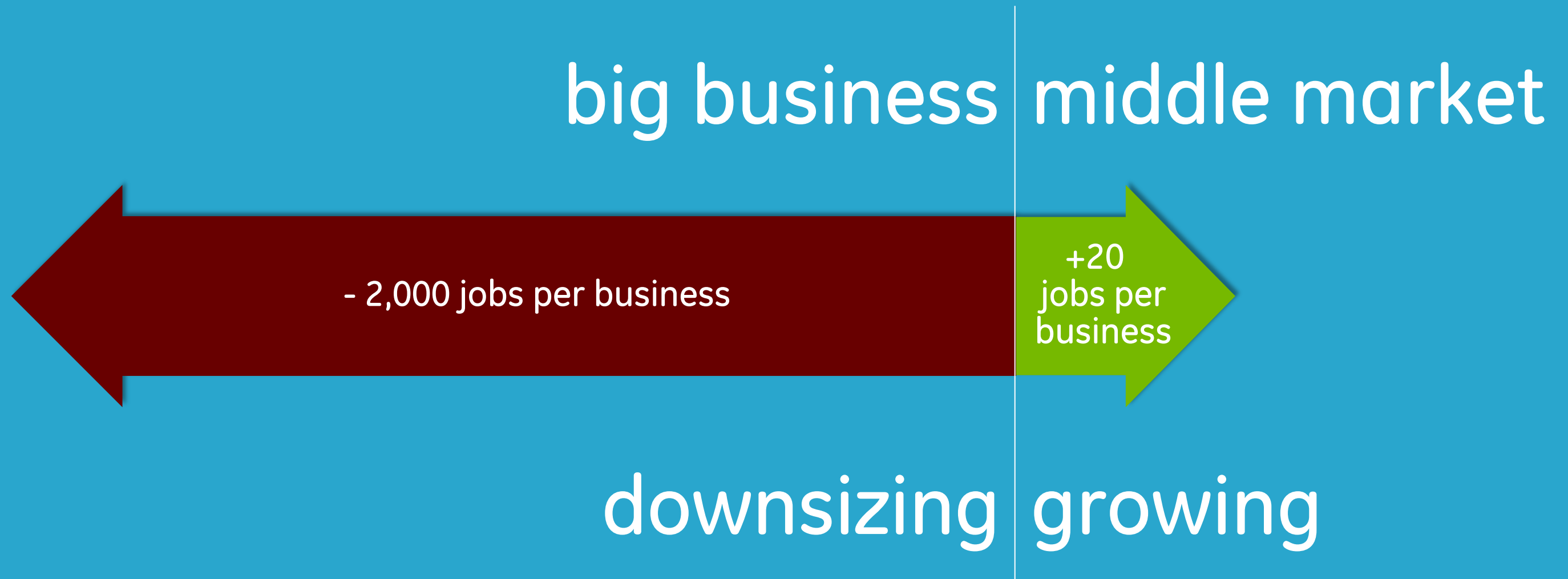
Mountain-
Plains
+162,383

Mid Atlantic
+330,154

Southwest
+323,715

Southeast
+372,735

Jobs Contribution per Surviving Business (2007 – 2010)

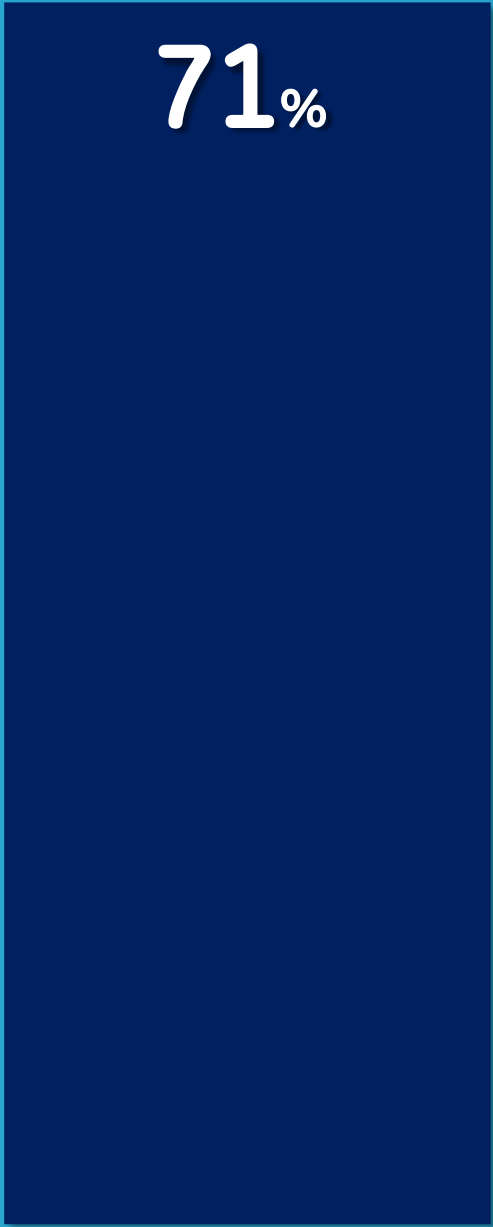




Community Pillars

Middle Market firms are
foundations of their
communities, providing
sustainable jobs and more

In business more than 20 years...




Big Business



Middle Market



Small Business



“Supporting the communities we serve is probably the most important part of what we do.”

CFO, Wholesale Trade
\$500M and 2,150 employees

Markets operated in




Markets sourced from



Local/regional

national

Global



The Middle Market is
diverse in revenue,
geography, industry
and structure

\$10-50M

Operates more like smaller businesses, despite revenues

\$50-100M

Consistent business practices; project strong growth

\$100M-\$1B

Resemble multi-nationals

\$9.3T revenue

34%

15%

51%

195,00 firms

80%

11%

9%

40.7 million employees

39%

15%

46%



The Middle Market is
diverse and complex

Middle Market Diversity

Ownership
Structure

Public

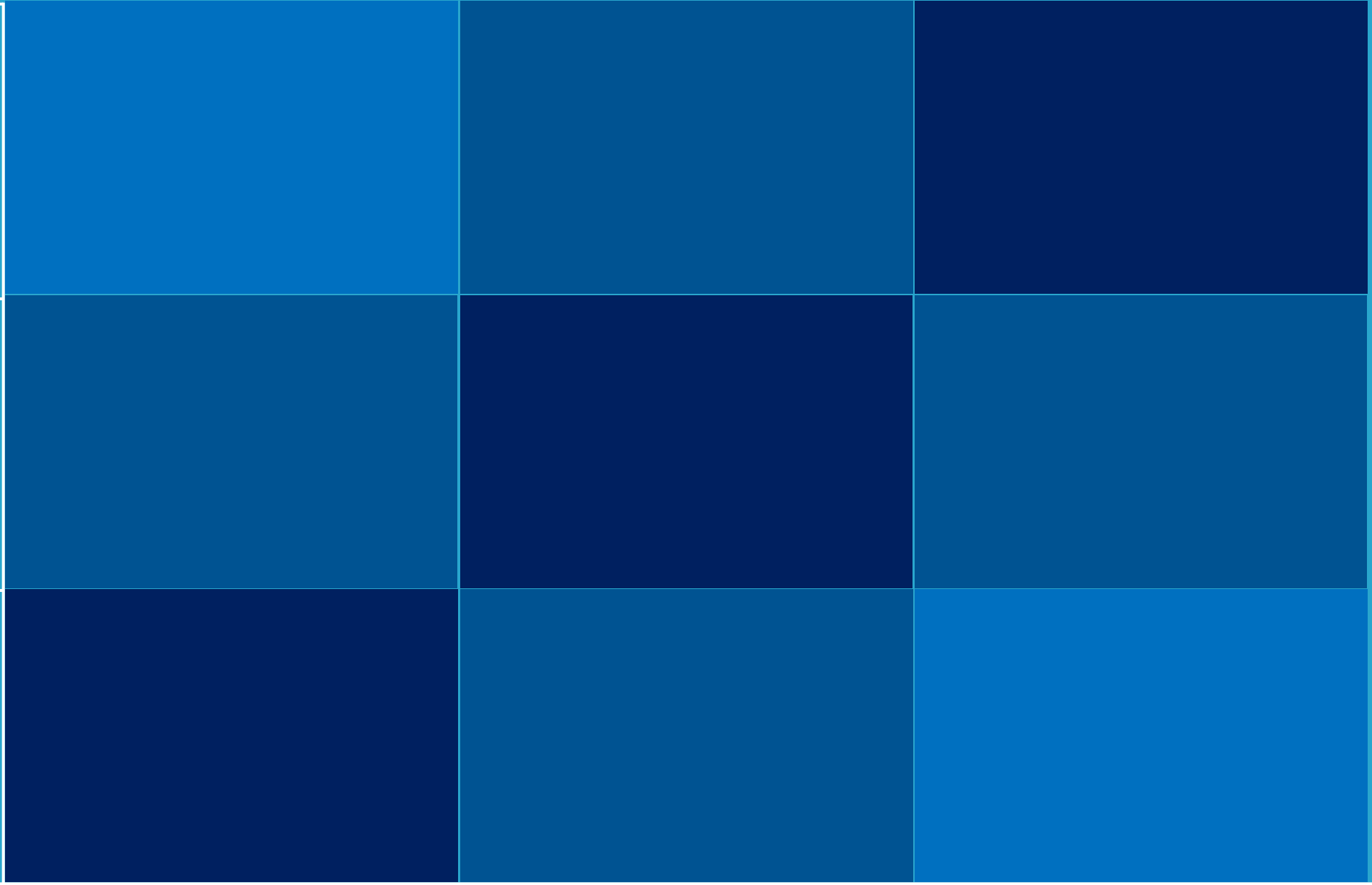
Private

Family
Owned

Local/Regional

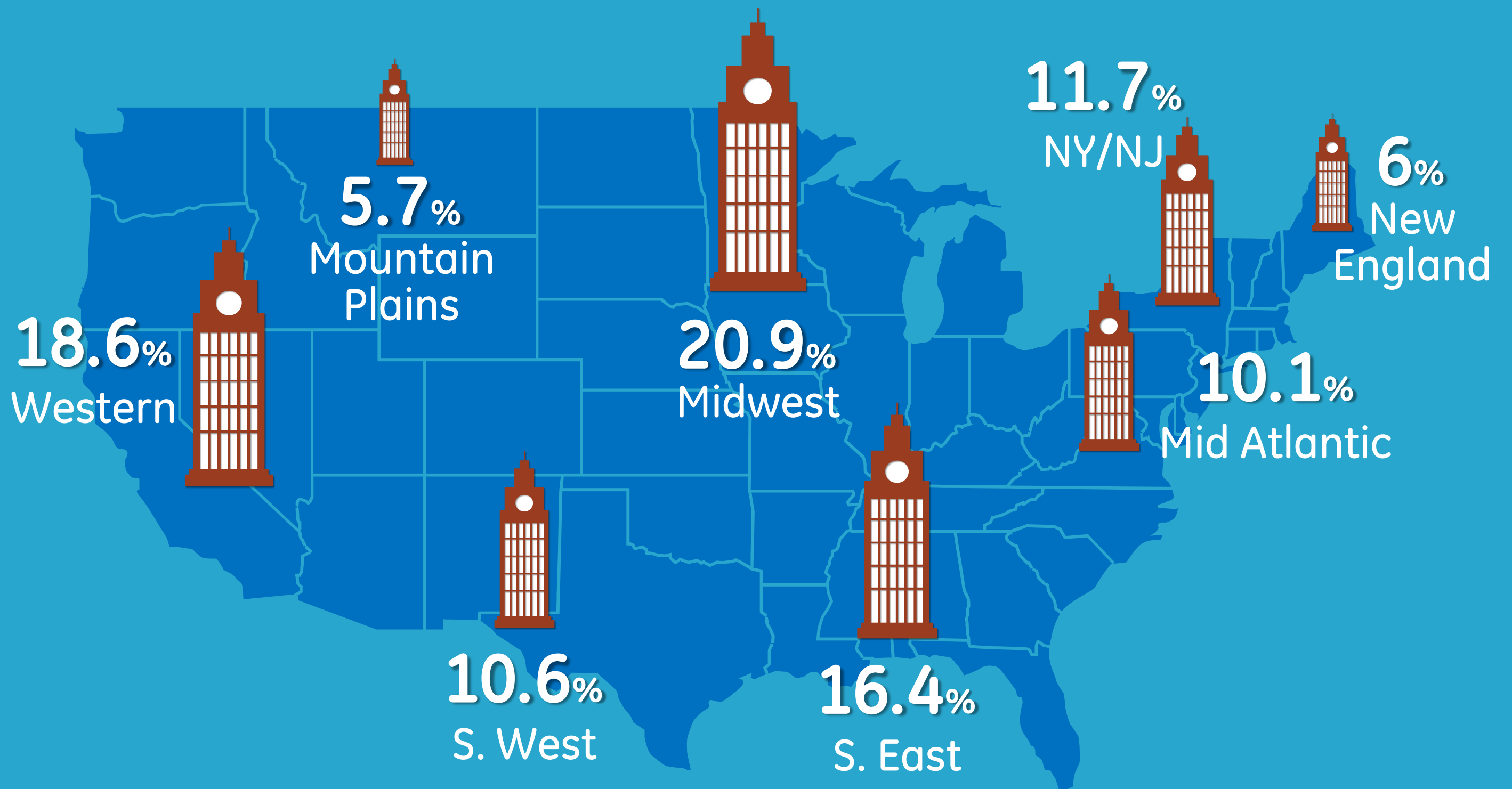
National

Global



The
Middle
Market

Geography

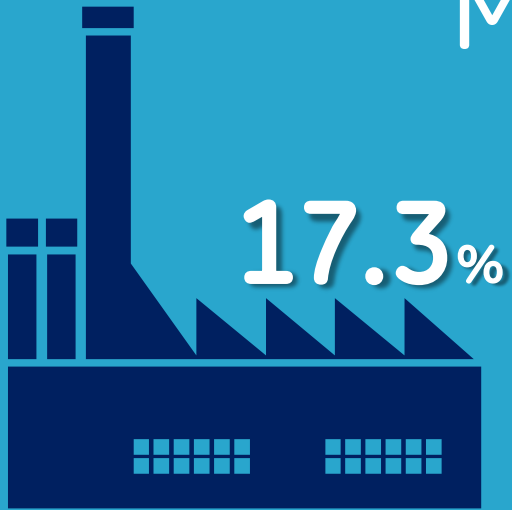


The Middle Market

Geography

Industry

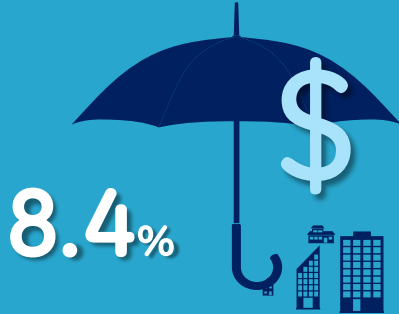
Middle Market Industry Diversification



Manufacturing



Wholesale



Financial,
Insurance &
Real Estate



Construction



Services



Transport &
Communication



Holding
Companies



Mining



Retail

The Middle Market

Geography

Industry

Structure

Ownership Structure

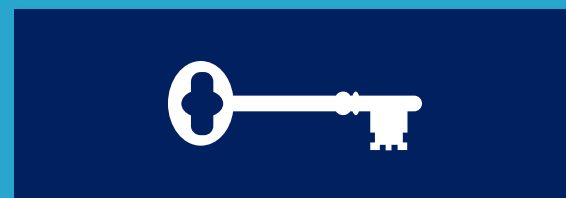
Big Business



Middle Market



Small Business



The Middle Market

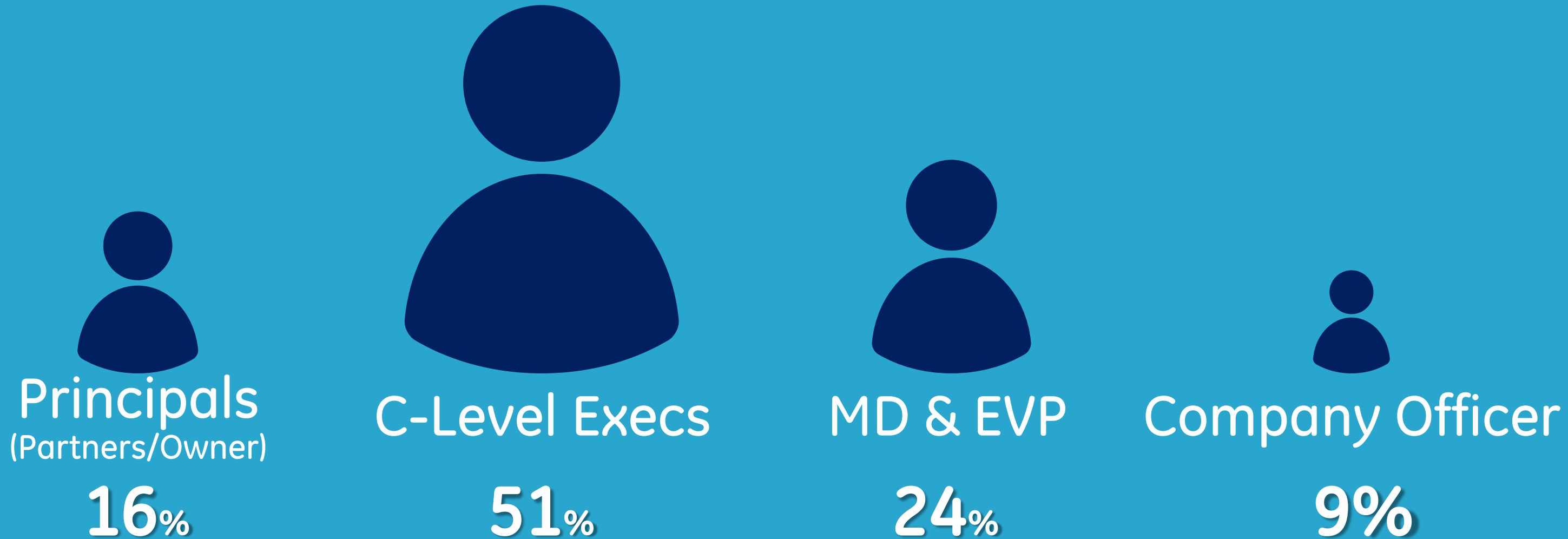
Geography

Industry

Structure

Comprehensive Survey

2,028 C-level interviews (total)
1,447 Middle Market decision makers interviews



You are...

Optimistic

80%

expect to grow in 2012

You are...

Optimistic

Generating
Growth


1 in 4

Big businesses
were Middle
Market companies
five years ago

more than

1/3

reported 10%+
revenue growth
vs. 2007/2008



Yet
challenging
headwinds
remain...

External
headwinds

Economy

Level of confidence is low in all economies:

17%



(local)

16%



(national)

14%



(global)

External
headwinds

Economy

Inflation

37%

Are unable to pass on
rising commodity costs
to their customers

External
headwinds

Economy

Inflation

Access to Capital

55%

Don't have sufficient
access to capital markets

External
headwinds

Economy

Inflation

Access to Capital

Global Competitiveness

45%

Are challenged by
international competition

External
headwinds

Economy

Inflation

Access to Capital

Global Competitiveness

Regulation

71%

Are challenged by regulatory compliance

75%

Are challenged by cost of compliance



Middle Market Growth Champions

A unique subset
we can learn from

All projected +10%
growth this year and next

the **9%** “Growth Champions”

All growing at 3 to 5
times rate of GDP growth

Middle Market Growth Champions

Distinguishing Characteristics

Sharper customer focus

Broader geographic vision

Invest in innovation

Strong management culture

Superior talent management

Middle Market Growth Champions

Distinguishing Characteristics

Sharper customer focus

Growth Champions

72%

Successfully strengthen customer relationships

44%

Industry leading marketing and communications capability

41%

Have a social media strategy

Rest of MM

53%

28%

20%

Middle Market Growth Champions

Distinguishing Characteristics

Sharper customer focus

Broader geographic vision

Growth
Champions

Rest of MM

65%

Take advantage of new
geographic markets

39%

61%

Find new opportunities in fast
growing foreign markets

37%

Middle Market Growth Champions

Distinguishing Characteristics

Sharper customer focus

Broader geographic vision

Invest in innovation

Growth
Champions

Rest of MM

66%

Innovators in new processes

43%

54%

Invest in innovation & new
product development

29%

44%

Dedicated
funding for R&D

25%

Middle Market Growth Champions

Distinguishing Characteristics

Sharper customer focus

Broader geographic vision

Invest in innovation

Strong management culture

Growth
Champions

Rest of MM

66%

Set formal annual growth targets for each fiscal year

31%

58%

Have formal process to track growth targets

33%

61%

Contain costs through operating efficiency

37%

Middle Market Growth Champions

Distinguishing Characteristics

Sharper customer focus

Broader geographic vision

Invest in innovation

Strong management culture

Superior talent management

Growth
Champions

Rest of MM

53%

Recruiting
power to attract the skill
levels required

28%

55%

Variable employee
compensation based on
growth targets

28%

29%

Emphasis on employee
training & education

17%



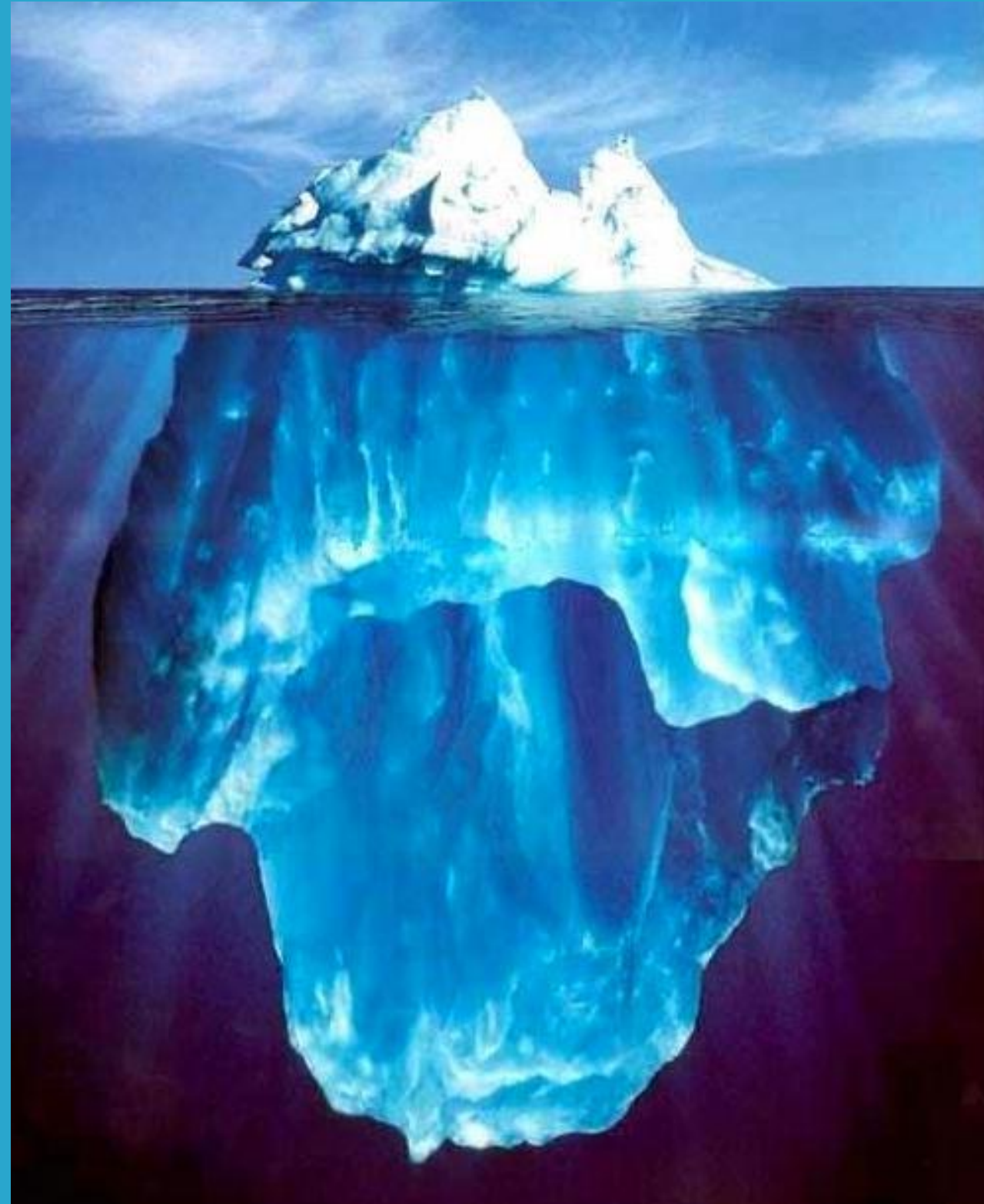
Middle Market Conclusions



The health of the Middle
Market is **vital** to
overall U.S. prosperity

Key Middle Market Learnings

- Huge U.S. economic contributor
- Resilient - job creator even in tough times
- Foundation of communities
- Diverse and complex
- Much to learn from Growth Champions





What's Next?

Begin Middle Market
National Dialogue and Advocacy

The rest of today...

Begin Middle Market National Dialogue and Advocacy

- Increase understanding of the Middle Market
- Strengthen and build capabilities
- Attract the best and brightest talent to Middle Market firms



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