



# UK Smaller Growth Company Survey 2019

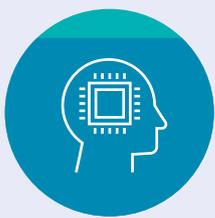
December 2019

*Report researched and written by  
Asad Jafri, MBA graduate student at  
Cambridge Judge Business School (CJBS)*

# Foreword



By David Barbour  
Managing Partner of FPE Capital



**86%**

of our respondents considered recruitment of technology staff to be "difficult" and

**64%**

expect it to get worse, but only

**7%**

blame macro factors such as Brexit.

FPE Capital has been focussed on helping smaller UK companies with their growth and expansion since 2008. This has given us first hand experience of the difficulties faced by smaller companies during the credit crunch, through a long and sustained period of economic growth, to today's more nuanced picture where UK smaller companies continue to punch above their weight at a global scale, despite a number of well-publicised political headwinds.

We sponsored our first UK Smaller Growth Company Survey last year, where we sought deep insights into the attitudes of founders, entrepreneurs and CEOs through lengthy one-to-one interviews. Overwhelmingly, it became apparent that the number one issue on the minds of these business leaders was the chronic and growing shortage of skilled technology resource in the UK, impacting upon their ability to scale their companies. And so this year, for our 2019 Report, we decided to focus on this topic, with detailed discussion of key challenges and mitigating strategies being employed by these business leaders to attract quality technical resources to support business growth.

**Whilst it was not surprising to hear that 86% of our respondents considered recruitment of technology staff to be "difficult", it was more surprising to hear of mixed reviews of common alternate staffing strategies such as outsourcing, offshoring, the use of contractors and technology-specialist recruiters.**

Three specific responses in the survey struck me as particularly interesting; first, 64% of respondents expect the recruitment challenge to get worse; second, companies are increasingly sceptical of the benefit of using recruitment firms; and finally (as we have experienced amongst our own portfolio companies and our own business itself), direct recruiting strategies appear to be gaining increasing traction with internal Talent Acquisition hires being seen as both operationally important but also self-funding. SMEs seem to have woken up to the need to move away from relegating HR to a responsive, internal-facing function and are now seeing proactivity as a key weapon in the battle for talent, most clearly evidenced by the growing prevalence of the internal Talent Acquisition role.

We are delighted to have sponsored Asad Jafri, an MBA graduate of Cambridge Judge Business School (CJBS), to conduct this year's UK Smaller Growth Company Survey. FPE values its strong connection to CJBS via our annual management growth programme for our portfolio teams which focuses on overcoming the challenges facing management teams of companies experiencing rapid growth. We thank all at CJBS for their continued support.

We hope you enjoy the report and would welcome the chance to discuss with you any of the themes contained within it.

David Barbour

## Introduction

The FPE Capital 2019 UK Smaller Growth Company Survey assesses the severity of technology recruitment challenges facing small to medium UK technology companies and examines the strategies they employ to mitigate this risk.

The companies interviewed were UK based software companies or technology-enabled service providers. They had revenues in the range of £5m - £25m, EBITDA margins of 0% to 30%, and team sizes of 50 to 200.

All of the businesses interviewed were optimistic about their near-term growth prospects, despite facing macroeconomic

uncertainty. In our 2018 report our survey reported recruitment of technology-focused resource as the prime concern for the growth companies questioned. Once again, in this year's survey, attracting high quality talent was frequently cited as a key concern for these asset light high growth companies.

This report assesses the growth prospects of the firms interviewed and interrogates their recruitment and investment plans. It then explores the specific recruitment challenges faced by these businesses with a focus on their need for high quality technical resources, before exploring the various mitigating options and strategies being employed to overcome these challenges.

Who we interviewed



£5m – £25m  
REVENUE



0% – 30%  
EBITDA MARGINS



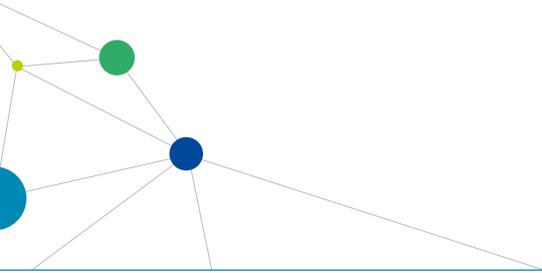
50 – 200  
TEAM SIZES

## Scope

The study was conducted in a qualitative manner, in the form of primary interviews with senior management of higher growth smaller companies over a period of four weeks. The survey within this paper is not intended to be statistically relevant, but nevertheless has highlighted interesting

specific instances of common difficulties amongst the survey companies.

As previously, the respondents to this survey are anonymous to protect their confidentiality. We thank each of them for their time and support.



# 1. FPE Capital Confidence Barometer 2019



## Confidence in growth prospects for the coming twelve months

All businesses interviewed said they were expecting growth in the next 12 months, with an overwhelming majority of 80% saying they were highly confident about their business's growth prospects. This was overwhelmingly as a result of a foreseeable increase in demand with 86% of respondents saying they were investing in people and processes to capitalise

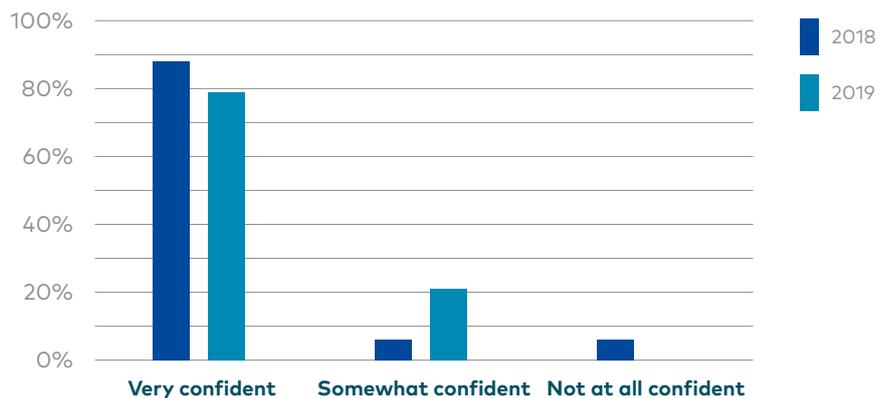


*"We have a strong pipeline, are already rapidly growing rapidly month on month and see this trend continuing over the next 12 months. The team is currently in a position to scale up and meet demand."*

on a growing pipeline. 79% of respondents expected to maintain or increase upon current growth momentum, with increased volumes of work as well as, in many cases, increased size of contracts with new and existing clients. Interestingly, the confidence barometer indicates that business confidence may have softened slightly in comparison to the 2018 survey cohort, albeit the overall sentiment amongst our high growth SME survey was overwhelmingly positive.

Key reasons for this continued positivity included the resilient nature of client relationships, favourable market tailwinds such as growing adoption of cloud-based technologies, being well positioned in fast growing market segments, or simply being beneficiaries of new legislation or government spending. Many surveyed companies reported a positive feedback loop whereby growth engenders publicity, supporting further ongoing growth. Some also reported pivoting towards higher growth niches.

Figure 1.1. How confident are you in your growth prospects for the coming twelve months?





## Confidence in recruitment expectations for the coming twelve months

Reflective of the high growth expectations of most interviewees, 57% of the respondents mentioned they were highly confident, with the remaining 43% somewhat confident, about recruitment in the next 12 months. New hires were primarily to be focused on product development and service delivery roles, while 64% of the respondents mentioned they were also looking to supplement their sales and marketing teams.

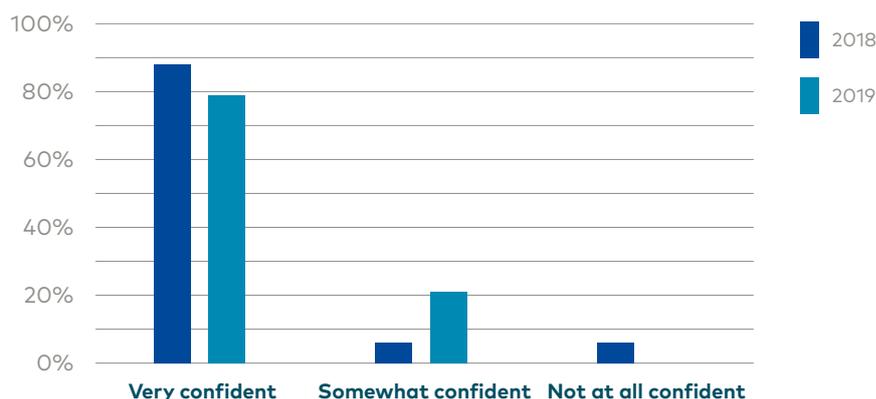
Whilst 2018's survey was largely bifurcated between those respondents who demonstrated either a high or a notable absence of confidence in their recruitment plans, this year's survey demonstrated an increased confidence that some degree of recruitment would take place, albeit subject

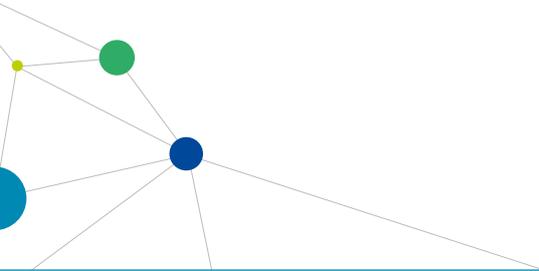
*"We are devoting greater efforts to recruitment but supply is weak and finding people is not as easy as it was 12 months ago due to a host of European and macroeconomic factors."*

to the caveats explored below (no expectation of headcount increase, some concerns around supply of quality labour).

Most interviewees recognised some correlation and causation between the pace of recruitment and overall business growth.

Figure 1.2.  
How confident are you in your recruitment plans for the coming twelve months?





*"We'll definitely be recruiting more people but will not go well beyond our existing net headcount, so this will be a skills replacement exercise."*

*"Yes we will hire more but this will include changing people. Overall headcount will go down but will be recruiting people."*

*"Consolidation in last 12 months has changed our direction from being a services company doing customer engineering into being a SaaS provider."*

*"Will definitely be recruiting but will not go well beyond the net headcount of 50 team size, so will be a skill replacement."*

Many seemed to extrapolate forwards and determine that continued headcount growth was key to driving revenue growth. There was, however, evidence that driving continued headcount growth is becoming more difficult and requiring increasing attention from senior executives.

In a possible sign of increasing caution, some executives' recruitment plans focused on replacement and upgrading of skills rather than gross headcount expansion. Similarly, some respondents noted that whilst recruitment was increasing, their intention was to restructure and reduce headcount on an absolute basis. Frequently, executives hoped to unlock increased productivity through a shift in skill mix. Often, this was associated with a move towards more efficient business models, such as towards a software-led, rather than people-led, product suite.





## Confidence in investment expectations for the coming twelve months

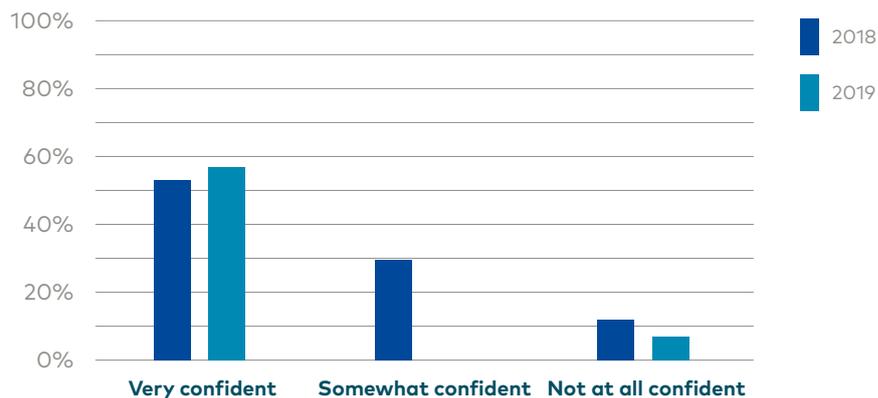
As for growth and recruitment plans, all respondents said that they also had plans to invest back into their businesses to fuel further growth; 93% were highly confident about this whilst the remaining 7% were also somewhat confident. Out of these, 86% mentioned that such investment would be directed towards hiring, highlighting recruitment as a key spend for enabling growth, while 71% said they had plans to invest in the tech infrastructure of their businesses.

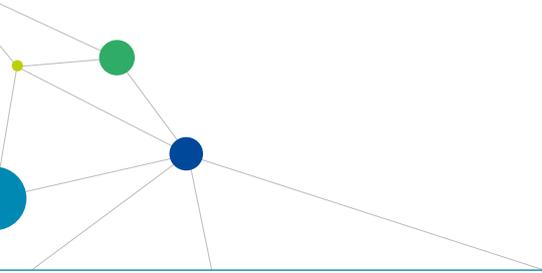
This year's survey cohort resoundingly reported having a high level of confidence in their plans to invest in their business over the coming twelve months. On a qualitative basis, a large majority of the survey respondents were expecting to invest in processes and

systems, both to mitigate against difficulties in recruiting high quality staff, but also as a reflection of increasing scale and maturity of their businesses.

Recruitment largely targeted employees with product development skills and roles directly related to servicing a growing base of clients. Training and development of staff, whether new or existing, is also a key spend area as companies upgrade their skill base. Funds allocated to infrastructure spend would be used for systems development and modernisation work, setting up newer business processes, as well as in some cases physical expansion of office space or opening up new offices in new geographies as the business grows. Other areas of investment included business development, sales and marketing.

Figure 1.3. How confident are you in your investment plans for the coming twelve months?





## 2. Survey Results – looking at key recruitment challenges



### A huge majority of companies see recruitment as a difficulty

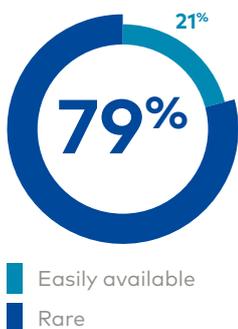
Figure 2.1. How do you find recruitment in the current market?



This section of our 2019 Report discusses the challenges our survey companies face in recruitment. Of the survey group, 86% reported difficulties in recruitment. Of these, 79% blamed the scarcity of key skills, citing a lack of variety of skills in the talent pool in the UK.

High salary demands were linked to recruitment challenges by 43% of the companies surveyed, which cited strong competition for resources and a paucity of skills. Competition was felt not only from competing smaller technology-enabled growth companies, but also from technology functions across UK PLC. In the case of London, one of the main sources of competition comes from banks and other financial sector entities which can afford to pay higher salaries. This was creating inflationary pressure on tech roles, increasing hiring timelines and harming employee retention.

Figure 2.2. How scarce are the skills?



*“Retention is a problem and there is risk with training as people can then be poached by higher payers in the finance sector.”*

Interestingly, only a small subset of interviewees also quoted macroeconomic factors as a cause of recruitment difficulties. Brexit was, perhaps surprisingly, not felt by most to be a major cause for concern. Overall, only 7% blamed such macro events for their talent shortages.

Premium skills sought include experienced software developers with broad skillsets, network engineers, cloud migration experts, those with UX and UI design skills, app development experience and specific development environment skills.

Sales, marketing and business development roles were usually much easier to fill, with recruiters and head-hunters being quite effective in sourcing candidates for these roles.

*"Difficulties with finding more technical staff involve a number of factors including the attractiveness of the work, location, salary and benefits. We get a reasonable number of applicants for positions, but the problem is getting quality staff with domain skills as well as product and technology skills."*

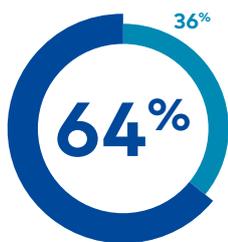
A common talent shortage expressed by respondents was for candidates with the technical and domain-specific skills, something almost all struggled to source. When such resources were found, they often came with significantly higher salary demands despite ultimately being exposed as less technically competent. And due to the scarcity of their skillsets, executives were anxious about staff churning once they had been 'upskilled'.

Many companies with a track record of recruiting staff from the EU cited sensitivity to macroeconomic disruption. They are experiencing a decline in EU resource availability and are finding it harder to attract staff to the UK, partly due to increased anti-immigration rhetoric, but also due to the devaluation of sterling and increasing salaries in Central and Eastern European geographies.



## 64% of respondents consider recruitment challenges to be getting worse

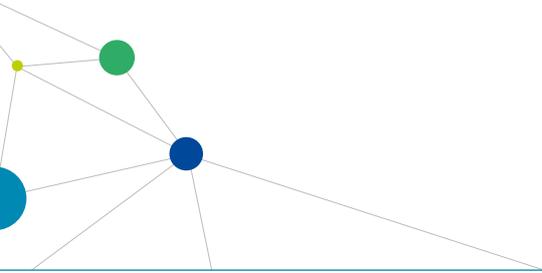
Figure 2.3. Do you see recruitment challenges improving or getting worse?



■ Will remain the same  
■ Will get worse

While most agreed that hiring was already difficult, 64% see the problem getting worse in the near future. This corresponds chiefly with their perception that the tech skills they require are becoming rarer in the market, especially true for in demand roles such as cloud migration and machine learning. And along with a continued increase in salaries, some also complain of seeing a decline in the quality of skills. Many expect the trend of hiring difficulties to continue, seeing no strong reasons for it to change course.

*"The recruitment problem can only get worse - Brexit, weakening of the pound, more saturation in nearshoring locations, fewer people coming into the UK."*



*"We will have to expand our packages of benefits for new hires to increase our attractiveness."*

*"The recruiting problem has got worse in the last 2 years. The people that have come along are possibly of declining quality levels."*



## "Maturity of business"

The most frequently cited reason given for expecting a company's hiring problems to decrease.

Of the 36% of respondents that were expecting their hiring problems to decrease, the most frequently cited reason for this optimism was the maturity of their own business. Apart from having an increased brand presence in their respective markets as the companies grow and further establish themselves - and thus being increasingly able to attract talent - they also viewed the continued expansion of their businesses driving more standardisation and systemisation of work. With a greater understanding of the demand for, as well as advancement in, tools and development approaches, the businesses believe they can increasingly shift towards using more third-party off-the-shelf products for servicing their clients with a greater level of efficiency, reducing custom development as much as possible and therefore de-skilling work as they progress.

**"Tech recruitment is key to the business. We have tried to deskill the delivery to a certain extent in the past which resulted in higher quality output but haven't deskilled delivery sufficiently to rapidly widen the talent pool so our key business model still heavily dependent on specifically skilled technology staff. The traditional progression in technology is that solutions are initially difficult and complex to deliver, but with time start to get more automated and therefore simpler - this can help to drive standardisation with more understanding and familiarity of customer demand, increased use of third party products, and improving efficiency using technology and tooling."**

As a result, a number of these businesses believe they would be more dependant on systems rather than people and could consequently be in a position to take on new hires with lesser expertise, making recruiting simpler and less costly. And on a general note of optimism, they saw the growth in profile of technology as a sector as a significant factor in attracting talent into the sector from the broader economy, and acting to some extent as a counterbalance to skill scarcity.

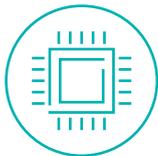
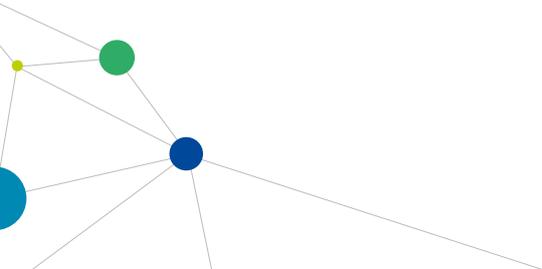
It is clear that, looking forward, respondents were becoming increasingly concerned by macroeconomic factors. Whereas only 7% noted challenges arising to date from macro events, 36% believed their businesses would be impacted by such events in the next 12 months. They cited reasons such as Brexit, the weakening of Sterling, the saturation of nearshoring locations, reduced inbound migration into the UK and an overall higher level of economic uncertainty. On a contrasting note, some surveyed companies noted that competition in London may reduce with banks considering leaving the UK post-Brexit.

Overall, however, the prevailing sentiment was that Brexit will make hiring overseas nationals in the UK more difficult, leaving those businesses with a geographically diverse employee base much more exposed than those relying mostly on UK based talent.

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*"The London [recruitment] issue might reduce with banks leaving London, but Brexit will make international hiring more difficult."*





## 93% of respondents considered technology skills to be key to the success of their business

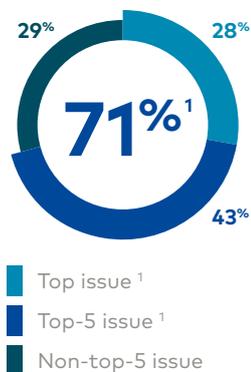
Figure 2.4. How important are technology skills to your business success?



Unsurprisingly given the nature of the companies surveyed, 93% of respondents felt that having the right tech skills was key to their business success. Technology hiring was therefore of high priority with 28% saying that it was the top agenda item discussed at board level, and a further 43% saying that it was at least amongst the top 5 matters discussed.

*"Hiring tech staff is absolutely key for our company strategy, both in delivery and development, as our current level of staff is not sufficient to achieve our financial plan."*

Figure 2.5. Where is hiring in terms of importance to your Board Agenda?



Some business leaders noted that, given the growing importance of technical quality to their organisations, increasingly senior technical resources were being recruited, necessitating Board level discussion. Many reported finding their Board useful in this regard; helping with sourcing through their network and even assisting with interviewing senior prospects. Others reported large scale staff changes with the evolving tech requirements of the business, significant product upgrades requiring upskilling, changing tech cultural practices with the emergence of more modern Agile development, or simply the fact that such hiring was proving to be a significant operational bottleneck for the business and had to be raised at Board level.

The 29% that considered tech hiring to be of a lesser priority usually cited some level of stability of their teams, or an efficient recruitment system (hiring through internal referrals, external networks, social media and ensuring streamlined recruitment processes) that resulted in the Board's attention not being required to the same extent.

### 3. Evaluation of common mitigating strategies employed to counter recruitment challenges

This section discusses some of the mitigation strategies employed to deal with the recruitment challenges identified in this report. These strategies include outsourcing, offshoring, the use of contractors, providing remote working facilities, satellite offices and the use of specialist recruiters.



Figure 3.1. Have you outsourced technology-related work?

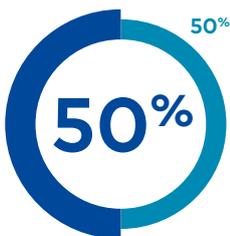
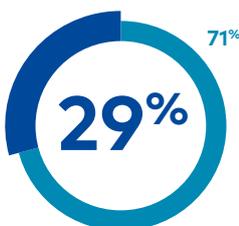


Figure 3.2. Do you consider outsourcing a key talent strategy?



■ Yes  
■ No

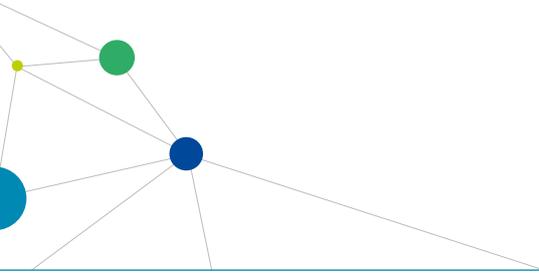
#### a. Outsourcing: failing to offer control and quality?

Perhaps surprisingly, only 29% of the surveyed companies were currently employing some form of outsourcing strategy, which, given at least 50% had previously outsourced, revealed a marked dissatisfaction with output quality, lack of control over projects for senior management, and mixed experience of the cost advantage derived from outsourcing.

**"We will 'insource' in the near future; we have outsourced development and support teams in Romania, which is a cheap engineering location, but is not meeting our development requirements. The support team there is excellent, but the development team is underperforming so we will build up that capability in the UK and Canada"**

The main use cases for outsourcing were for speed of deployment and for providing skills needed for specific, isolated projects.

*"Outsourcing is used on time bound projects but always with internal resources on backup. The high cost of outsourcing is counterbalanced by speed of delivery."*



Some were running larger, fully fledged projects as test cases, but all preferred to do so for time limited projects, and usually had internal resources on backup. And although there were differences in views on outsourcing core functions, almost all businesses interviewed had outsourced business support functions to a certain degree.

Those opposed to outsourcing mainly cited the lack of control over output quality. Many sceptics cited poor past experience of outsourcing work either within the UK or internationally. A number of companies had active plans to “insource” work to increase quality, even if associated costs were higher. Outsourcing of development was found to be a particular pain point, whereas outsourced support teams seemed to produce results much more closely aligned to expectations.

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*“No technical core resourcing has been outsourced, only business support functions. To do this would require finding an organisation that has the required skills (domain and technology), which is difficult and we don’t want to enable a third party contractor to do this as that would be competition. A specialised mix of skills can only be delivered from within the company.”*

Others opposed to outsourcing mentioned that their specific technology and domain focus were highly specialist, meaning that outsourcers were unable to support internal teams. Many respondents cited concerns around IP protection, and the risk that outsourcers and/ or their employees could provide a future competitive threat.



## b. Offshoring and near-shoring: a clear cost advantage versus UK labour

Figure 3.3. Have you offshored roles?

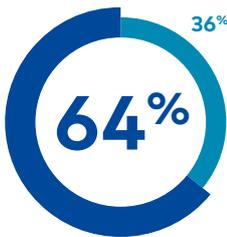
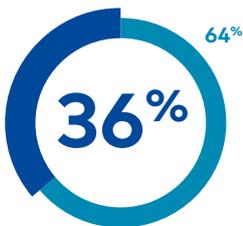
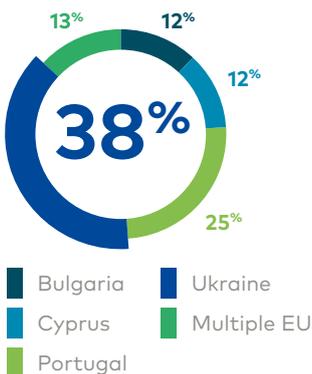


Figure 3.4. Do you intend to continue to do so?



- Yes
- No

Figure 3.5. Ukraine was the single most popular offshoring destination amongst the survey group



- Bulgaria
- Cyprus
- Portugal
- Ukraine
- Multiple EU

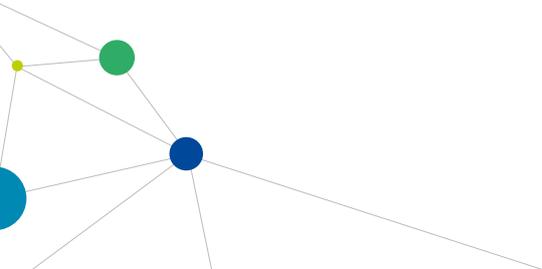
Offshoring is also – as with outsourcing - showing a declining trend amongst our survey group, with 64% of respondents mentioned having tried this at some point in the past, but only 36% currently employing this strategy. This development is somewhat counterintuitive given that when asked about their overall experience of outsourcing, 75% of those with any past or current involvement in this approach said they were happy with the outcomes.

The main driver for those offshoring is cost, with a clear sustained benefit versus UK resource.

*"The main driver to go offshore is always lower cost."*

'Nearshoring' within the EU retains popularity ahead of 'traditional' destinations such as India. In such a model, staff are company employees but managed in the outsourced office by an intermediary, and the relative cultural and geographic proximity of these European locations is frequently cited as a key positive. However as this trend spreads, these EU locations are now experiencing increased demand and consequent price inflation. Some execs downplayed this issue, however, as they see price inflation in offshoring being offset by commoditisation and price decreases in other areas of IT spend, such as hosting.

Of the businesses opposed to offshoring, the most often mentioned concern was simply poor past experience that is keeping them from trying this model again. There were also once again a few mentions of strategic reasons for keeping work inhouse, citing privacy and IP protection.



### c. Contractors: filling short term skills gaps, but an expensive long term solution

Figure 3.6. Have you used contractors in the past?

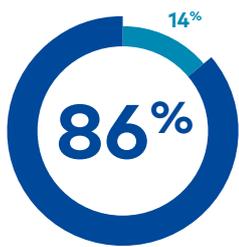
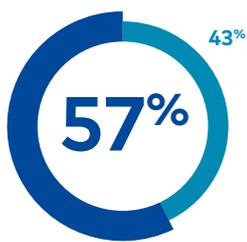


Figure 3.7. Do you see use of contractors as a core part of your current staffing mix?



■ Yes  
■ No

The use of contractors equally appeared to be in decline - although an overwhelming 86% said they had used contractors in the past, those that are currently using contractors account for 57% of the survey. Of these, 92% have used UK-based contractors. The average contractor salary 'mark-up' reported by respondents was 31%, with some respondents reporting contractors being up to 200% more expensive than employees.

Contract workers are reported as of particular use in solving skills shortages but, given cost issues, most businesses try to minimise use of contractors by employing them on a flexible basis when a business needs to quickly ramp up its operations. As pointed out in our 2018 report, many contractors value the flexibility and importantly the changing intellectual challenge of contract work and are often reluctant to accept full time employee positions, and this limits opportunities to hire them as full time employees.

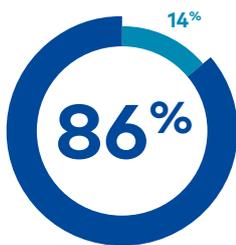
Many companies cited negative past experience as a factor in minimising use of contractors. Contractors were considered less knowledgeable about company products and procedures, had slow initial output momentum, sometimes no more talented than existing staff, and frequently less integrated into business culture. Overall, using contractors is not considered a long term stable or sustainable approach, and one that is definitively not considered to be cost effective.

*"Contractors are a last resort option as the contract staff are more expensive, less knowledgeable, less talented and less bought into the culture."*



## d. Remote Working: an increasingly popular retention tool, particularly for employees with families

Figure 3.8. Have you used contractors in the past?



■ Yes  
■ No

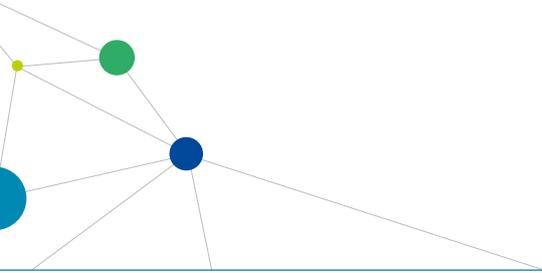
As expected of technology businesses, remote and virtual working provisions for their employees is a popular theme, with 86% of interviewees subscribing to varying degrees of this work arrangement. All respondents reported continued promotion of remote working, with none retracting this flexibility from their employees once it has been initially extended.

Flexible work arrangements seem to be more in demand with older members of the workforce preferring options to work from home when required, whereas younger hires tend to place a greater emphasis on the social aspect of work.

**"It's an attractive option for some people, but not everybody. We find home working very appealing to our older employees for family reasons and greater flexibility. It's not very easy to manage our workforce remotely, and we have had some problems with communication, establishing brand value, and even health and safety."**

Proponents of incorporating remote working arrangements in their businesses consider it a tool not only for increasing productivity, but also for increasing the attractiveness of the work environment to current and prospective employees. However, 46% say it makes managing workers more difficult, with declining team cohesion and communication, and issues with establishing brand value; with attempts to mitigate this by ensuring remote workers continue to visit offices and participate in team culture.

*"It takes time to get virtual working right to ensure high productivity. We make sure people meet frequently to ensure team cohesion."*



The issues raised with remote working mostly revolve around work efficiencies, especially when it came to development where teams were found to be much quicker, responsive and collaborative when working physically next to each other in the office. 'Sprints' and 'Scrums' in Agile software development projects were reportedly much more effective when communication was done face-to-face. To encourage this mode of working, a few of the businesses had in fact placed a particular emphasis on improving and growing their office environments to improve productivity.



## e. Satellite Offices: a key strategy in accessing talent and delivering local client service

Figure 3.9. Is improved client service the key driver for you opening satellite office(s)?

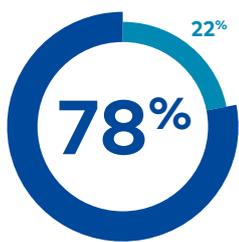
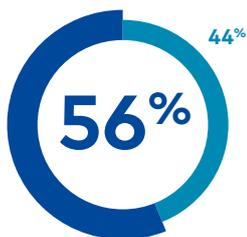


Figure 3.10. Is access to talent the key driver for you opening satellite office(s)?



■ Yes  
■ No

The reasons for using satellite offices fell into two main categories; service provision and hiring. By having satellite offices the businesses can service their clients with more proximity and use these offices strategically to further expand their client bases in other geographies.

*"The local talent pool is not very diverse. There are inflationary pressures on tech roles, so salaries are high and competitive. Ideal candidates that have specialist domain knowledge and technical skills are much more expensive."*

To deal with this recruitment challenge, there has been an increasing trend towards opening one or more satellite offices in prospective geographies, with 50% of respondents reporting having opened satellite offices, while 55% of the remainder reported plans to open such offices; with the most popular reason being to attract resource to provide more local client service, with 78% of the respondents citing this as the main reason. 56% mentioned that recruitment was a further key driver, aiming to access broader talent pools.

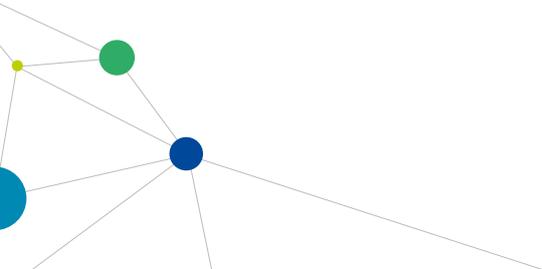


*"We had pretty much exhausted the local market, so our new offices in Bristol and Bulgaria have been key to driving our growth and technical expertise. As the economy has seen higher employment so skilled tech developers have become less willing to travel long distances to work – so we have gone to them."*

Having offices in multiple time zones also allowed these businesses to extend coverage periods and thus provide support to clients during more hours in the day, going all the way up to 24-hour support where required. Having offices in locations near other talent pools also helped with recruitment. As most businesses interviewed had main offices in London, opening up satellite offices in other parts of the UK or elsewhere allows access to relatively cheaper staff. The quality of talent is considered somewhat comparable for core development roles, and is typically not an issue at all when looking to hire local support staff.

**Within the UK, London, Manchester and Cambridge are considered the principal technology hubs where premium salaries are expected, whereas respondents reported that locations such as Leeds and Birmingham provide similar skills at a 25-35% discount.**

Those not using satellite offices were at opposite ends of the size spectrum; the smallest teams couldn't yet justify further locations, while the largest businesses had multiple full-service offices that were not considered recruitment-driven satellites.



## f. Specialist Recruiters: increasingly displaced by internal talent managers?

Figure 3.11. Do you maintain active relationships with specialist recruiters?

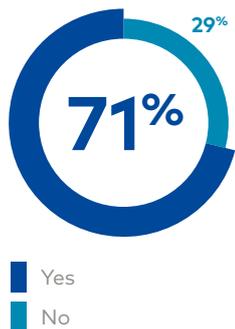


Figure 3.12. What is your most favoured recruitment channel?



All the businesses interviewed mentioned having experience of using specialist recruiters for their hiring needs, with 71% maintaining active relationships. However 57% considered them to be of poor quality, and reported a preference for direct hiring, from both a quality and cost perspective.

*“Recruiters are not a preferred route for us as they are costly, but we have to use them in areas where the company absolutely can’t get any people in on its own.”*

For direct hiring, there were a number of channels used by the firms. These included advertising open roles by word of mouth through internal networks, participating in recruitment fairs, and posting job openings on the companies’ own careers pages, online boards and through social media platforms. One experienced in house head of talent in the highly competitive Cambridge market referenced some particularly creative approaches, including a concerted programme of recruitment at the Cambridge Beer Festival.

Of these options, the best observed outcomes were for hires coming in through internal referrals, something that many businesses structurally encouraged through employee incentive schemes. Job boards on the other hand were considered of poor quality even though they generally produced the greatest quantity of applicants. Specialist recruiters fell somewhere between that divide; being able to produce higher quality than job boards, but at a much higher cost as in addition to the recruiter fees these candidates came with salary expectations aligned to industry competitors.

*“If you are looking for hardware and software engineers the Cambridge Beer Festival is a great place to hunt for them. You have to go and find people, not wait for them to come to you.”*



## g. Other Key Observations

With direct hiring, rather than using recruiters, being viewed as a favoured talent acquisition strategy, a number of businesses reported having already employed, or having plans to hire, internal Heads of Talent or Talent Acquisition Managers, incentivised to target and hire relevant recruits. It is clear that businesses are waking up to the constant requirement, and therefore running cost of, hiring and retaining skilled technology employees – and giving Talent and Recruitment commensurate profile and status in their businesses.

*“We do work with recruiters but are trying to move away from them, having recently hired an internal head of talent.”*

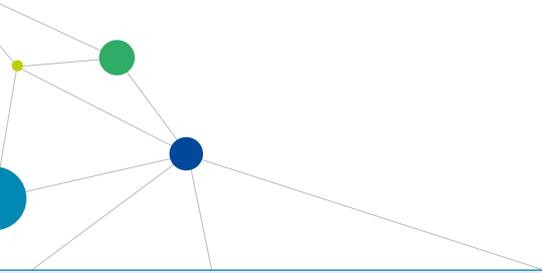
Another popular strategy was targeting younger hires. A number of interviewees mentioned running graduate schemes and apprenticeships as an increasingly valuable option for finding local talent, with many of the larger businesses that do not have such schemes already in place, saying that they were considering starting them. Although such hires are considered to be of a good calibre and work attitude, their lack of experience means that they require disproportionate levels of training and extra management oversight to get them up to speed. Once settled in however, these recruits are found to be highly aligned to company culture and

are more easily retained as a result. There was some concern expressed about the possibility of these workers being poached by rival firms with higher salary offers once they are fully trained, but most employers have not been deterred by this to date.

Given encouraging results from targeting younger hires, some businesses even mentioned running their own academies, with significant success in converting academy staff into full time hires. This is particularly important for businesses requiring very highly specialised technical skills. Many businesses were considering further scaling up such programs to run these academies multiple times during the year.

The importance of culture to business success was mentioned by a number of respondents, and academies were considered key breeding grounds for fostering cultural improvements. Some businesses reported attempting to address gender imbalance in technology roles by running engagements in local schools aimed at girls. They believe their efforts will help to increase female participation in the industry in the medium to long term.

Some companies experiencing applicant shortages had plans to streamline their interview process, and therefore attract more applicants into their recruitment funnel. Conversely, some respondents reported high quantities of poor quality applications so were planning to introduce more stringent processes. In both cases, speed of decision making was of paramount importance in securing good prospects.



## Appendix

### About the author

Asad Jafri graduated with a Masters in Business Administration (MBA) from Cambridge Judge Business School in September 2019.

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#### Name

Asad Jafri  
MBA Student  
Judge Business School  
University of Cambridge

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#### Email:

saaj3@cam.ac.uk

### About FPE Capital

#### [FPE Website](#)

FPE Capital is an established private equity investor into high growth UK smaller private companies. It has recently raised a new fund, FPE Fund II LP, of £101 million to accelerate this investment strategy. The team is headed by co-Managing Partners David Barbour and Henry Sallitt. FPE's core investment focus is into technology enabled services and software. Recent successful investments include Human Capital Management software developer Kallidus, card payment technology

player Creditcall, money transfer business Small World and ticketing software developer Ticketscript.

Investors in the firm's most recent fund include large US, UK and European institutions together with over 50 high net worth entrepreneurs and business leaders. The focus is to back growth plans in smaller UK companies both with new capital but, as importantly, with expertise and experience in scaling smaller companies as they enter a new stage of growth.

Further information is available on FPE's website [www.fpecapital.com](http://www.fpecapital.com)

Any questions on this report may be directed to the contacts below:

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#### David Barbour

Managing Partner  
FPE Capital

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david.barbour@fpecapital.com

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+44 20 3912 8800

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#### Chris Kay

Investment Manager  
FPE Capital

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chris.kay@fpecapital.com

---

+44 20 3912 8800





FPE Capital  
8 Sackville Street  
London  
W1S 3EZ

[fpecapital.com](http://fpecapital.com)