



NATIONAL CENTER FOR
THE MIDDLE MARKET

AON



A SPECIAL REPORT BY THE NATIONAL CENTER FOR THE MIDDLE MARKET AND AON

DRIVING GROWTH

The Role of People, Risk and Technology
in Middle Market Success

IN COLLABORATION WITH



CHUBB®

VISA

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ABOUT THIS REPORT

This report explores the themes of talent, risk management and technology in detail. The National Center for the Middle Market (NCMM), in collaboration with Aon, constructed a survey to gather data from middle market leaders on a variety of topics, including performance and growth, human capital, risk management and technology. The questions aim to uncover what successful companies are doing to differentiate themselves in leveraging their people and keeping pace with their changing risk portfolios. The report considers the findings through the lens of geography, industry, company size and growth rate.

HOW THE RESEARCH WAS CONDUCTED

The NCMM surveyed 400 financial decision-makers at middle market companies across the U.S. and Canada. For the purposes of this study, we established the following key parameters and qualifying criteria for our respondents:

- Actively involved in financial decision-making for their organization
- 500+ employees
- Annual revenue between \$50 million and \$1 billion

Respondents completed a self-administered online survey fielded between June 27 and July 17, 2024.

HOW THE INSIGHTS WERE DERIVED

The companies we surveyed reported an average annual revenue growth rate of 14.2% and a year-over-year employment growth rate of 13.8%, comparing favorably to *Middle Market Indicator* data. A subset of 96 respondents, identified as high-growth firms, reported 20% or higher annual increases in revenue. These high-growth businesses ultimately behave differently and place more importance and emphasis on the growth factors covered by this study, and the key differences are noted throughout this report. Additionally, where significant differences exist, the report notes distinctions between U.S. and Canadian companies and middle market companies of different sizes.

Executive Summary

More than a decade of research by the NCMM reveals that middle market organizations prioritize development and consistently surpass smaller and larger businesses in both revenue and employment growth rates. While there are many growth drivers that NCMM has studied over the years, in our latest study, conducted in partnership with Aon, we take an in-depth look at growth drivers related to people, risk management and technology along with key themes related to current state, best practices and challenges in each of these areas.

TALENT ACQUISITION/HIRING THE RIGHT PEOPLE

High-growth middle market companies are nearly two times more likely to assert that their people are a key differentiator in their success – from the innovation that they bring to the creative solutions they develop – these organizations' commitment to their employees supports the sustained growth they are seeing. Nearly nine out of 10 (88%) of these same companies affirm that they offer extremely/very competitive rewards packages to entice and retain employees. However, 57% of high-growth companies struggle to sustain offering these competitive benefits. This is not unique to high-growth companies, however, as we see 47% of average-growth companies struggling to offer competitive benefits. Additionally, 56% of high-growth and 52% of average-growth companies report difficulties in finding quality talent, and 55% of high-growth and 49% of average-growth companies struggle to retain employees. To sustain their growth trajectory, companies must evaluate the complexities of maintaining competitive compensation, sourcing high-quality talent and ensuring that employee engagement remains high.

RISK MANAGEMENT

In parallel, the risk capital and technology landscape presents its own set of formidable challenges, most notably in cybersecurity. As these companies expand, the risk associated with cybersecurity breaches grows, with 70% of high-growth companies having already experienced such incidents. The impact of these breaches can be severe, highlighting a reactive approach to risk management that predominates in the middle market sector. Many organizations strengthen their risk management frameworks only after experiencing a breach. With 89% of middle market firms acknowledging cybersecurity as a substantial challenge, there is a clear imperative to transition from reactive to proactive strategies, thereby safeguarding their business operations against future threats.

Top five growth drivers for middle market companies

% of companies describing growth drivers as very or extremely important

Improving operational efficiencies

84%

Innovation

82%

Customer demand

82%

Risk management

82%

Talent acquisition/
hiring the right people

82%

Key Insights

- 1. People are the differentiator for high-growth companies.** Although most middle market companies perceive their teams as above average, those experiencing rapid growth truly recognize their people as their distinguishing asset. However, there is often a gap between this perception and their actual ability to effectively support and empower their workforce.
- 2. Sustaining and nurturing talent presents a variety of challenges.** Effective workforce management is vital for development, yet finding exceptional talent can be difficult regardless of speed of growth. Offering competitive total rewards packages tailored to employees' evolving needs is essential for attracting and retaining talent.
- 3. Workforce-related challenges are managed by engaging workforce improvement efforts.** Middle market companies tackle workforce challenges by refining their total rewards packages, including competitive pay and wellness programs, to attract and retain talent. Although they consider their benefits competitive, these companies still struggle with retention, indicating a possible gap in meeting evolving employee expectations and regional healthcare needs.
- 4. Cybersecurity risk escalates as companies grow, and organizations often address it too late.** Increasing digital presence and technological advancements heighten cybersecurity risks, particularly for high-growth firms vulnerable to disruptive attacks. Proactively establishing the right teams and protocols is crucial, yet many companies neglect this until after a breach occurs.
- 5. The evolving risk landscape for growing companies demands an anticipatory approach to risk management.** Companies face a range of risks beyond cybersecurity, such as operational, financial, regulatory and competitive challenges that can hinder growth if not proactively managed. Although many middle market firms employ various tools to mitigate these risks, they often overlook their vulnerabilities or underestimate their readiness, particularly when lacking relevant data.
- 6. The emergence of artificial intelligence is an exciting yet evolving opportunity.** Middle market organizations are leaders in leveraging AI, using it for talent optimization, customer service and efficient logistics. However, they must manage risks like privacy concerns, biases and the need for transparency. AI's complex decision-making can also challenge interpretability and accountability.



INSIGHT #1

A differentiated workforce is a rare yet critical driver of growth.

In attributing success to the unique capabilities and contributions of their workforce, high-growth middle market organizations recognize that their people are essential not only for driving innovation but also for crafting creative solutions to complex challenges. As a result, they are nearly twice as likely to cite their teams as a critical differentiator compared to their more stagnant counterparts, forming the backbone of their expanding success.

While there are companies that view their people as interchangeable commodities hired to execute against processes, most middle market leaders see people as important contributors to an organization's success. As one vice president of a manufacturing company responded, "Talented people propel the company ahead with their creative solutions and novel ideas." Overall, four out of five companies indicate that they believe talent is extremely/very important to growth. The proportion jumps even higher, to 90%, among those companies experiencing year-over-year revenue growth of 20% or more.

LARGER AND HIGHER-GROWTH MIDDLE MARKET COMPANIES ARE SIGNIFICANTLY MORE LIKELY TO SEE THEIR WORKFORCE AS A DIFFERENTIATOR FOR THE ORGANIZATION.

To middle market companies, talent matters. And most companies see their people as above average. Yet those that consider their people to be a true distinguishing factor for the organization are rare. Just 12% of the middle market companies surveyed define their people as a differentiator, or a factor in setting their company apart from its peers.

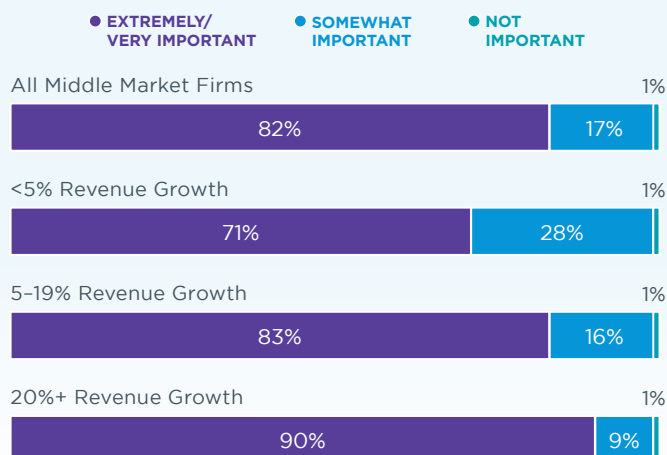
However, among high-growth companies, that number nearly doubles, jumping to 20%. Middle market companies with the highest annual revenues (\$300M–\$1B) and the largest workforces (2,500+ employees) are also more likely to say they have talent that distinguishes the business.

Clearly, a strong link exists between a differentiating workforce and growth; indeed, the companies that say their people are a differentiator collectively report 19.5% year-over-year revenue growth, five points above the overall sample's average growth rate of 14.2%.

Middle market organizations that view their employees as key differentiators are unlocking their potential to innovate and bring new ideas to life, setting themselves apart from competitors. These companies recognize that when employees are empowered and valued for their unique contributions, they spur creativity and drive growth. The impact is evident, as organizations that see their workforce as a differentiator report higher growth rates and expanded opportunities to stand out in their industries and enhance their competitive edge but also fuel a cycle of growth and innovation.

High-growth companies place more importance on finding the right talent to drive growth

% of companies prioritizing talent acquisition, by revenue growth rate



WHY TALENT ACQUISITION MATTERS:

"Talented people propel the company ahead with their creative solutions and novel ideas."

VICE PRESIDENT OF FINANCE,
MANUFACTURING INDUSTRY

High-growth companies are more likely to view their talent as differentiating and a key to their growth

5%

of companies with <5% revenue growth view their talent as differentiating

11%

of companies with 5–19% revenue growth view their talent as differentiating

20%

of companies with 20%+ revenue growth view their talent as differentiating

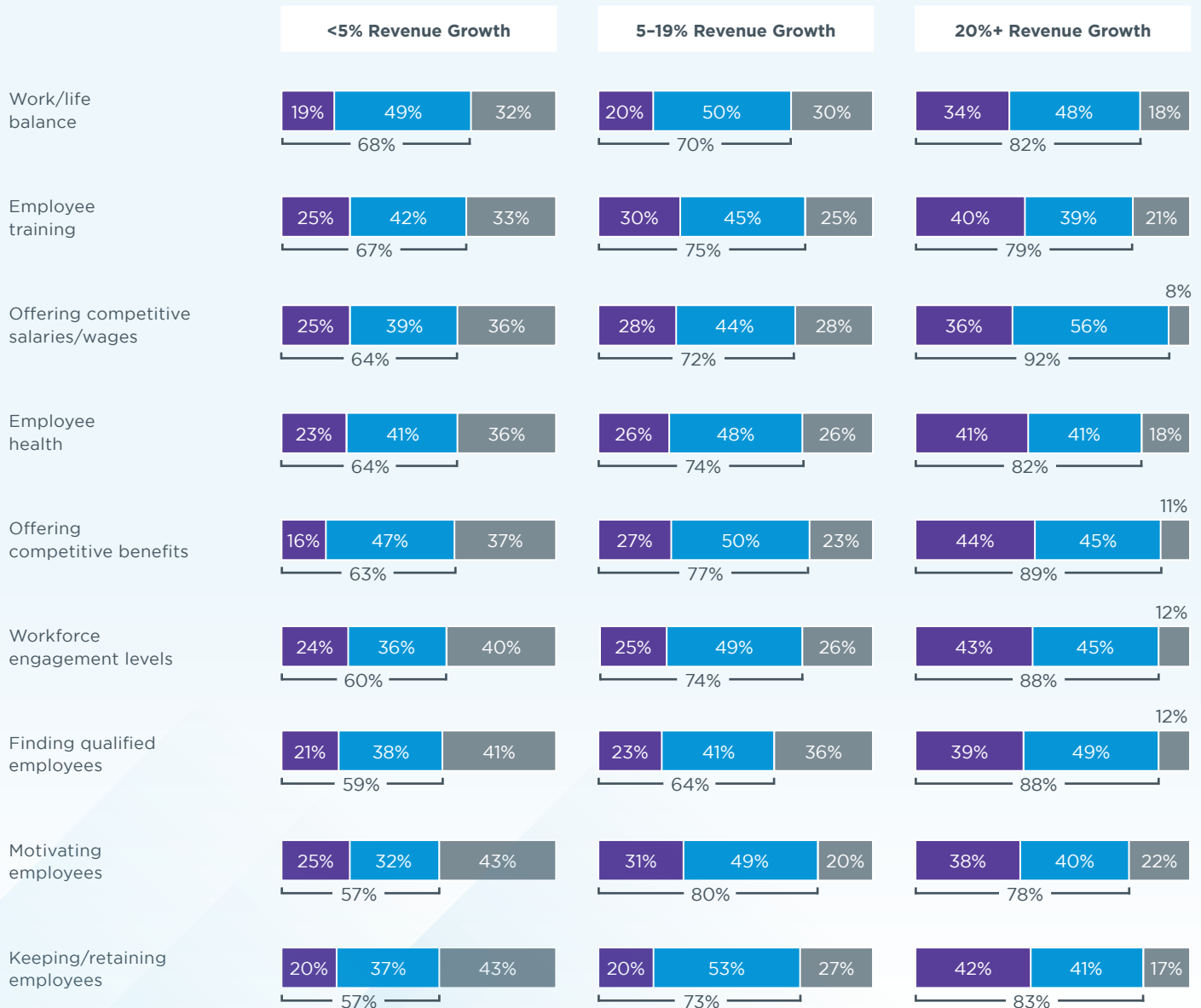
COMPANIES WITH A DIFFERENTIATING WORKFORCE ACTIVELY INVEST IN THEIR PEOPLE.

Exceptional teams don't just develop by chance. High-growth firms are much more likely than their peers to consider themselves best-in-class across a range of factors that enable their businesses to find, develop and keep exceptional people capable of giving their organizations a competitive advantage. This includes training, engaging and motivating the workforce as well as rewarding employees through a total rewards package that emphasizes competitive wages and benefits.

High-growth companies self-report the strongest performance across a range of talent-related activities

% of companies self-reporting different performance levels on various talent factors

● PERFORMS EXTREMELY WELL ● PERFORMS VERY WELL ● SOMEWHAT WELL/NOT VERY WELL/NOT AT ALL WELL





INSIGHT #2

High-growth companies need more people and are uniquely challenged when it comes to finding them.

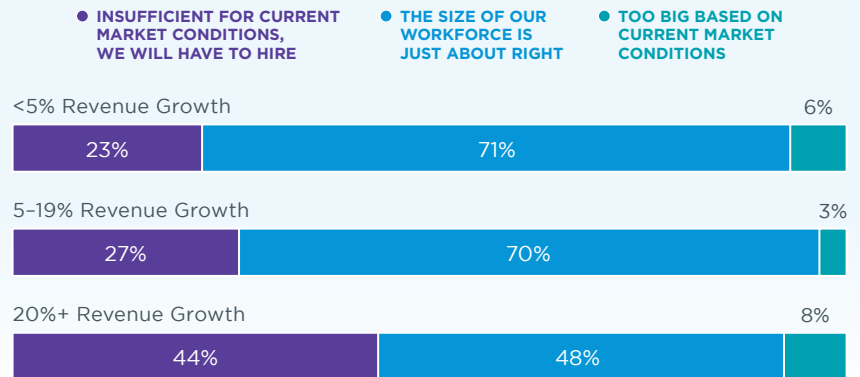
Many leaders of high-growth companies point to skills gaps, and a digital skills gap in particular, as their primary concern around human capital. In the words of a CEO from the financial services and insurance sector, “Skills will become one of the highest priorities for organizations. With skills gaps, talent shortages and the accelerating rate of skills renewal, skills-based talent management will redefine the entire talent life cycle, including talent attraction, recruitment, development and redeployment.”

High-growth companies appear to be particularly affected by the skills gap. These businesses are not only most likely to see their people as a differentiator; they are also most likely to say they need more people. Among businesses growing revenues 20% or more year over year, 44% say the workforce is insufficient for current market conditions and they will need to hire, even while struggling to find top talent.

Companies need people and skills across a variety of functions, and those needs vary based on geographic location. In the past 12 months, companies in the U.S. prioritized hiring information technology (IT), human resources (HR), marketing, sales and customer service professionals. Canadian businesses focused most on adding IT, sales, quality assurance, marketing and finance professionals and were less likely than their U.S. peers to prioritize hiring HR, customer service or risk management professionals.

Nearly half of high-growth companies need more people

% of companies describing the size of the workforce as insufficient, adequate or too big



“

PRIMARY CONCERNS AROUND HUMAN CAPITAL:

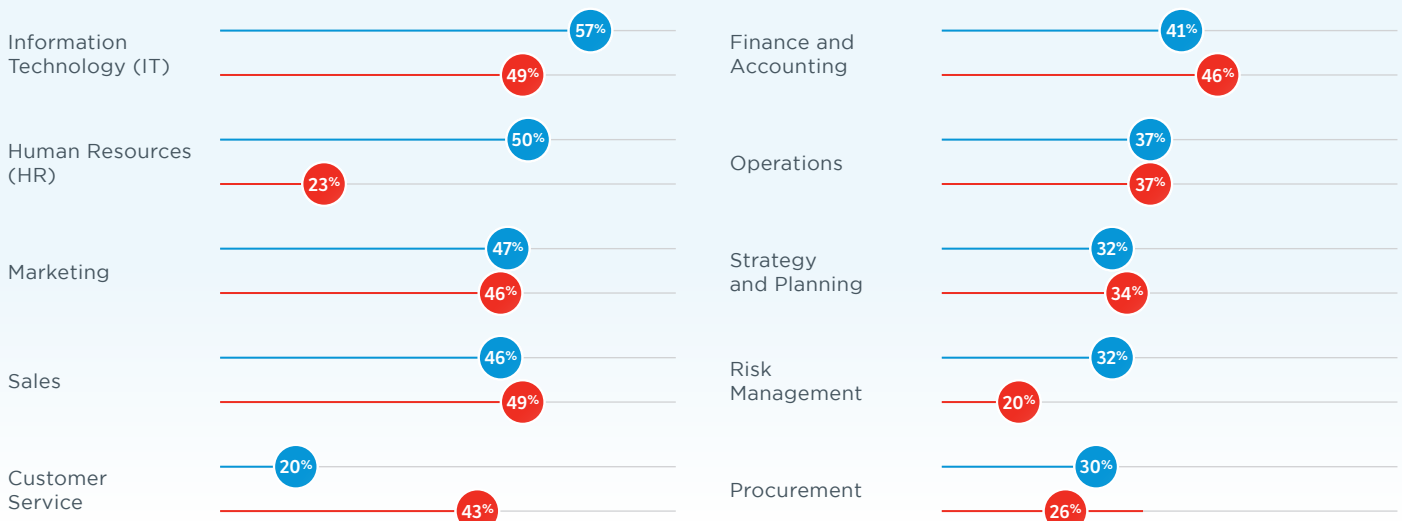
“Skills will become one of the highest priorities for organizations. With skills gaps, talent shortages and the accelerating rate of skills renewal, skills-based talent management will redefine the entire talent life cycle, including talent attraction, recruitment, development and redeployment.”

CHIEF EXECUTIVE OFFICER, FINANCIAL SERVICES INDUSTRY

Companies in different countries prioritize hiring for different functions

% of companies prioritizing different hiring categories in the past 12 months

● U.S. MIDDLE MARKET COMPANIES
● CANADIAN MIDDLE MARKET COMPANIES



QUALIFIED CANDIDATES ARE DIFFICULT TO FIND.

Regardless of the position, for many middle market companies, hiring is easier said than done. Quarter after quarter, NCMM *Middle Market Indicator* data points to talent acquisition and retention challenges as a primary headwind of growth for middle market businesses. Given the importance high-growth companies place on the quality of their people, and even though they are more likely to believe they are doing a good job at investing in their workforce, these companies still struggle to find and keep talent. Indeed, high-growth firms are more likely than their peers to describe talent-related issues as extremely or very challenging.

Moreover, the departure of key individuals can have profound effects on high-growth companies, which rely heavily on these essential employees to sustain and drive their expansion. When such valued team members leave, they take with them indispensable knowledge and skills, leaving a noticeable gap that can impact the company's ability to maintain its growth trajectory. This loss is often felt more acutely in rapidly expanding businesses, where the demand for expertise and continuity is crucial.

Thus, growing companies face a conundrum: exceptional talent drives rapid growth, creating the need for more people, and often leading to workforce shortages and vacancies, or skills gaps, that compromise a company's ability to keep up with demand and continue growing. This can lead to reduced sales activity and customer delivery, ultimately impacting the ability to sustain current growth trends.

Growing companies face a conundrum: exceptional talent drives rapid growth, creating the need for more people, and often leading to workforce shortages and vacancies, or skills gaps, that compromise a company's ability to keep up with demand and continue growing.

High-growth companies struggle with talent challenges more than their peers

% of companies describing talent issues as extremely or very challenging

- <5% REVENUE GROWTH
- 5-19% REVENUE GROWTH
- 20%+ REVENUE GROWTH





INSIGHT #3

Total rewards packages are an important tool for managing workforce-related challenges.

Because of the skills gap and the degree of challenges associated with finding and retaining people, middle market companies proactively address their workforce challenges in many ways, including continuously assessing the benefits packages and salaries they offer. Through competitive pay and comprehensive health insurance and wellness programs, companies may be better able to attract and retain top talent, especially since such benefits are a high priority for job seekers.

It's important to note that middle market firms often have the flexibility to implement regular health initiatives and wellness challenges, fostering a culture of health that enhances employee satisfaction and productivity. Tailoring benefits to meet diverse workforce needs—such as mental health support and flexible arrangements—can further strengthen loyalty and reduce turnover.

Companies proactively address workforce challenges in a variety of ways

% of companies engaging in different workforce improvement efforts

● U.S. MIDDLE MARKET COMPANIES

● CANADIAN MIDDLE MARKET COMPANIES

Continuously assess benefits packages offered to employees

55 55

Continuously assess employee salaries/wages

41

52

Usage of human capital analytics/technology

39

49

Create additional training materials or seminars

45

47

Bring in more employees to our HR department

36

39

Increase the workforce (i.e., hire more)

33

36

More stringent hiring processes

35

47

Work with outside consultants or agencies

34

39

Decrease the workforce (i.e., streamline)

13

31



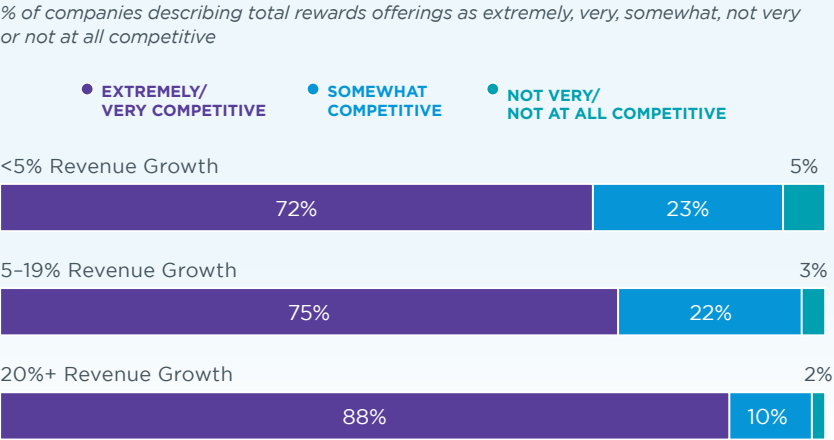
COMPANIES BELIEVE THEIR REWARDS PACKAGES ARE COMPETITIVE, BUT MUST KEEP REGIONAL DIFFERENCES AND SHIFTING EMPLOYEE NEEDS IN MIND.

Middle market companies, and high-growth companies especially, believe they are doing a good job at offering competitive benefits. Despite this, most companies believe finding and retaining people is a significant challenge. These seemingly contradictory findings could signal a potential disconnect or blind spot for companies when it comes to their rewards packages. This is especially possible as employee expectations for health and retirement benefits undergo significant transformation driven by evolving workforce demographics and changing job market dynamics. There is a growing demand for comprehensive health programs that not only cover traditional medical expenses but also emphasize mental health support, wellness initiatives and flexibility in how benefits are utilized.

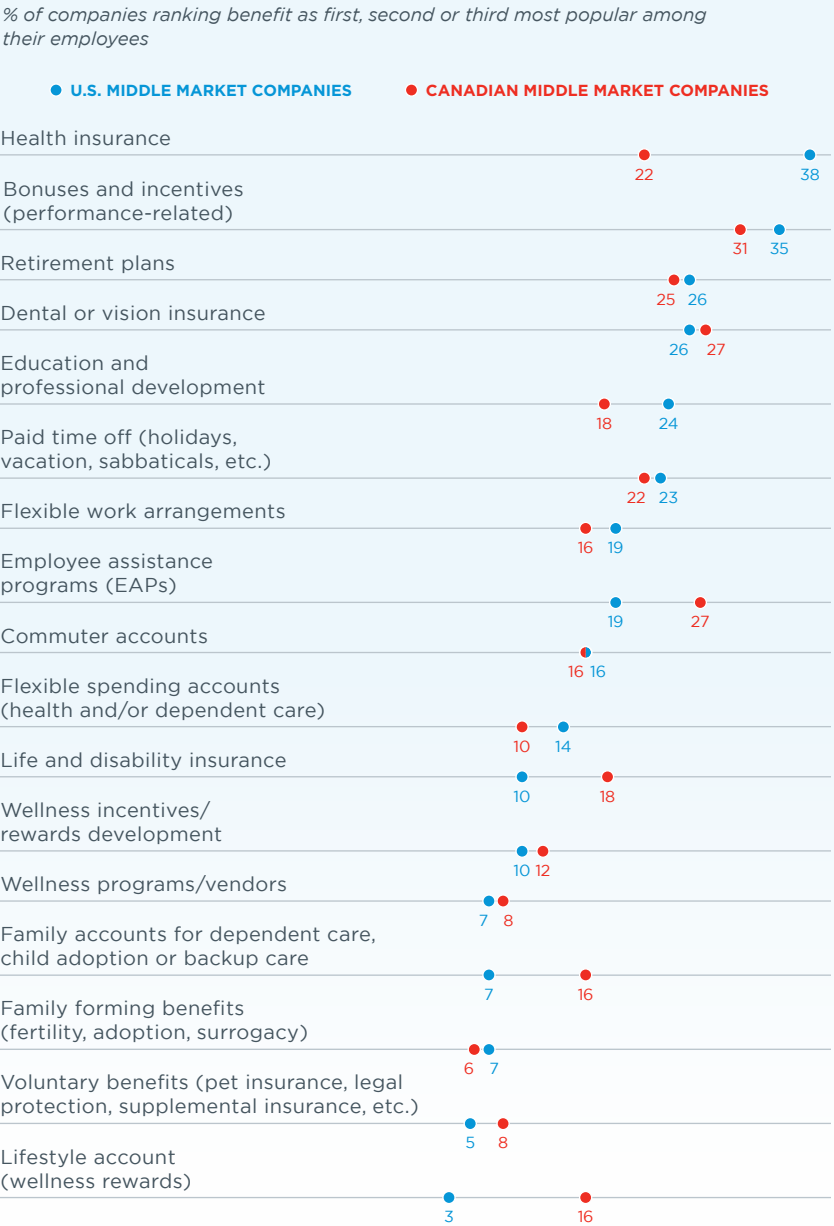
What matters to employees also varies significantly by region, largely due to differing healthcare systems. In the United States, health insurance is the most sought-after benefit, reflecting the privatized nature of the healthcare system, where individuals rely heavily on employer-sponsored insurance for access to medical care. Bonuses/performance-related incentives come second. In contrast, Canada’s universal healthcare system reduces the reliance on employer-provided health insurance, causing bonuses, performance incentives and retirement plans to take greater precedence.

Fortunately, middle market companies can often be nimble in adjusting their offerings, allowing them to respond to employee feedback, often much more swiftly than larger organizations can. By understanding distinctions, companies can more effectively tailor their benefits packages to the values of their unique employee populations and use their total rewards packages to strengthen their position as desirable employers in a competitive landscape.

Most companies believe they offer competitive rewards packages



Employees in different geographies prioritize benefits differently





INSIGHT #4

Cyber attacks and the need for cybersecurity go hand in hand with growth.

As middle market companies grow, they introduce more people and technology into their environments, both of which increase cybersecurity risk. As the CFO of a real estate organization expressed, "As digital transformation advances and we rely on an increasing number of information systems and technology platforms, cybersecurity risks also increase."

Overall, nearly half (45%) of middle market companies recognize that they face cybersecurity risk in one form or another, and about a quarter (22%) of companies say cybersecurity is the organization's number one risk. Companies are right to be concerned; within the past three years, nearly half (48%) of middle market companies surveyed have experienced a cyber breach.

HIGH-GROWTH COMPANIES SUFFER CYBER ATTACKS WITH SPECIAL ACUITY.

High-growth middle market companies are the most likely to have experienced a recent cyber breach (70% of high-growth respondents experienced a breach, with 27% experiencing a breach in the last 12 months) and are much more likely to have suffered a major impact as a result (48% of high-growth respondents stated that the cyber breach they experienced had a major impact on their business). If companies are scaling their operations faster than their cybersecurity infrastructure can keep pace, they could be leaving themselves more vulnerable to threats and major losses. They also likely have more data and more customer relationships on the line, and a breach could lead to significant reputational damage at a critical time in these companies' growth journeys.

COMPANIES EXPERIENCING RECENT BREACHES PRIORITIZE HIRING RISK MANAGEMENT TALENT AFTER THE FACT.

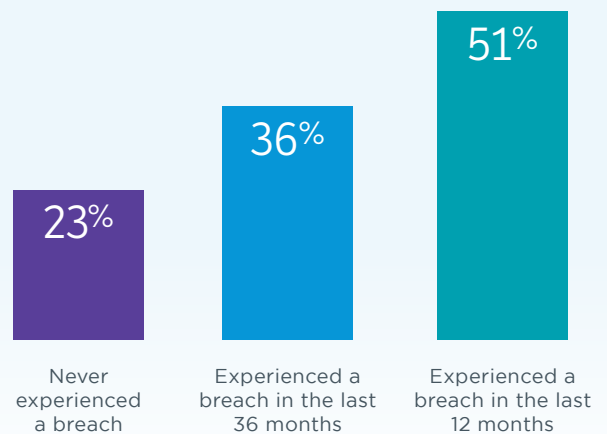
Despite acknowledging cybersecurity risk, just 30% of middle market companies say risk management expertise has been a hiring priority over the past 12 months. Among high-growth firms, the proportion increases, but only to 38%.

However, the experience of a recent cyber breach appears to be a major impetus for proactively fortifying internal risk management capabilities, regardless of a company's growth rate. Among companies that have never experienced a breach, just 23% prioritized hiring risk management experts. Among those experiencing a breach in the past 12 months, the proportion doubles, with 51% of recently impacted companies prioritizing hiring for risk management functions in the past year.

70% of high-growth companies have experienced a cyber breach

Companies experiencing recent cyber breaches are most likely to build up their risk management teams

% of companies prioritizing hiring risk management professionals





INSIGHT #5

Middle market companies face increasingly varied and complex risks as they grow.

Beyond cybersecurity, middle market companies encounter a complex landscape of risks, any one or combination of which has the potential to derail their growth trajectory. As these businesses scale, they must adeptly maneuver through various challenges, including market fluctuations, operational hurdles and regulatory compliance requirements. Furthermore, technological, strategic and geopolitical as well as environmental and social issues each pose significant challenges for middle market organizations. By taking a proactive approach to identifying and managing a comprehensive array of risks, middle market firms can not only protect their existing operations but also position themselves to capitalize on opportunities for future innovation and expansion. This strategic foresight enables firms to anticipate potential challenges and turn them into competitive advantages, fostering a culture of resilience that supports sustainable growth and adaptability in a rapidly changing market. By integrating risk management with business strategy, these firms can ensure long-term success and drive transformative change within their industries.

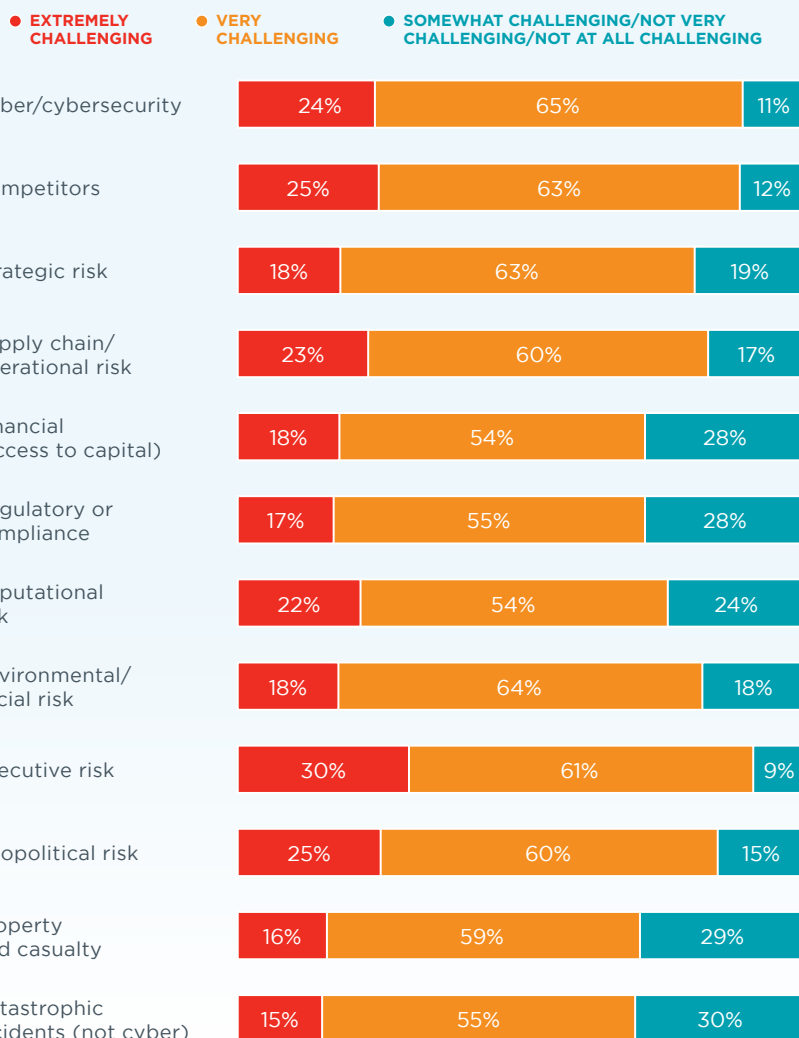
Middle market companies face many different risks in their day-to-day operations

% of companies experiencing different risks



Different risks pose different levels of challenges for middle market companies

% of companies describing risks as extremely, very, somewhat or not very challenging/not at all challenging



HIGH-GROWTH COMPANIES PRIORITIZE RISK MANAGEMENT AND PROACTIVELY ADDRESS RISK.

Companies that prioritize risk management say that effectively managing these risks is essential to preventing loss, maintaining regulatory compliance and, ultimately, ensuring that the business remains competitive. A finance vice president of a financial services company commented, “Without risk management, we’re vulnerable to all forms of potential liabilities and security issues, as well as failing to adhere to industry standards.” Other middle market leaders point to the importance of managing risk to maintain production stability as well as to protect and enhance the company’s reputation in the marketplace.

Most companies—U.S. firms and high-growth businesses in particular—use platforms such as software or project management tools and analytics to manage risk. Many are proactively improving risk management using analytics, through specialized expertise or by prioritizing risk management over other goals.

SOME COMPANIES MAY BE UNDERESTIMATING THEIR RISK EXPOSURE.

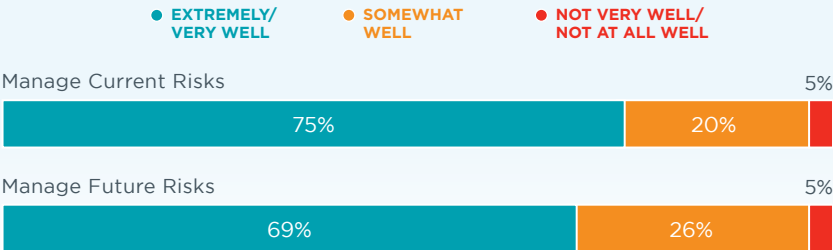
In general, most companies perceive themselves as effectively managing both current and future risks. Over the past decade, there has been significant improvement in safeguarding against risks driven by human factors, with a marked focus on intellectual property protection and succession planning. Despite these advancements, prioritizing risk mitigation strategies remains essential, especially those aimed at addressing human-related actions that could affect a company’s reputation. Effective de-risking activities may encompass thorough risk assessments, ongoing training programs and cultivating a culture that values adaptability and transparency. Nevertheless, many companies still fail to recognize these vulnerabilities, leaving critical gaps in their overall risk management strategies.

It is also likely that companies are underestimating their risk exposure, especially those companies that deprioritize risk or appear indifferent on the issue. For example, when asked about perception of risks to the company, a CEO at a healthcare products/services company stated, “What happens will happen.” Risk management is not an area to be complacent, and a lack of understanding of an organization’s evolving exposure can reap harmful consequences.

Other comments suggest that companies aren’t revisiting and assessing risk management strategies on a regular basis as the business landscape evolves. For example, one leader indicated that ongoing risk management isn’t a high priority because the company put measures in place prior to starting operations. This disconnect leads to a blind spot between perception and reality; the company self-reports that it is effectively managing current risks. While many middle market leaders acknowledge the importance of reputation, some simultaneously dismiss the importance of risk management, signaling a lack of awareness of the significant impact risk-driven threats can have on the company’s status in the marketplace.

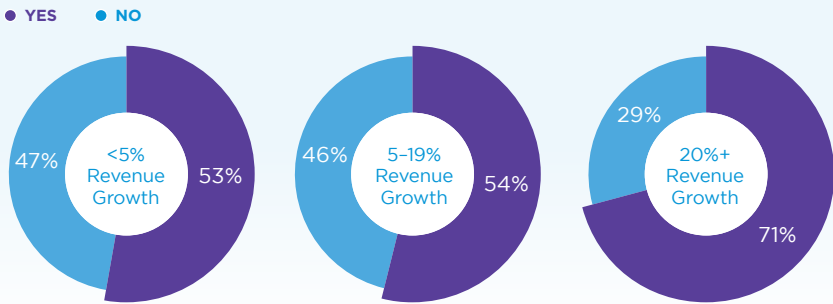
Most companies believe they are effectively managing current and future risk

% of companies stating they manage risk extremely, very, somewhat or not well



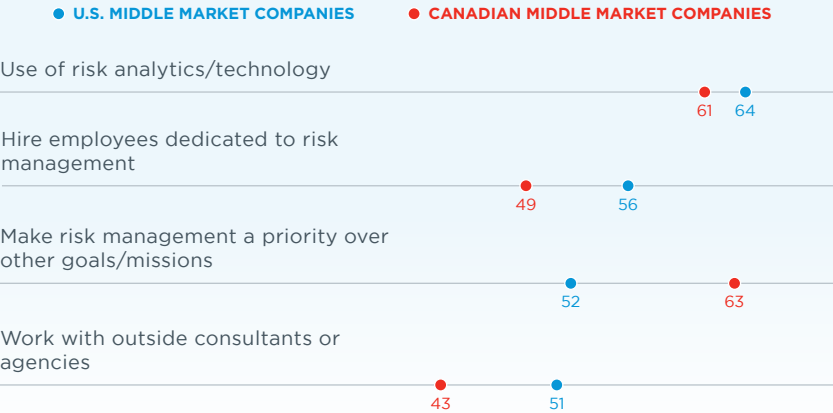
High-growth companies are avid users of risk management tools and analytics

% of companies using a specific tool to manage risk



Companies proactively improve risk management in a variety of ways

% of companies engaging in different risk management efforts





INSIGHT #6

Artificial intelligence presents a new opportunity to support growth.

Middle market companies view AI as a pivotal catalyst for growth, capable of enhancing operational efficiency, lowering costs, improving product and service offerings and fostering further innovation. It is encouraging to note that a significant majority of companies, and high-growth businesses especially, are proactively leveraging AI to their advantage.

Over half of middle market companies, and notably more than three-quarters of high-growth firms, have made significant strides in adopting AI. These companies are actively testing or have already implemented AI solutions across various activities; for instance, they use chatbots to enhance customer service and leverage AI to optimize performance evaluations.

HIGH-GROWTH COMPANIES USE AI ACROSS FUNCTIONS, INCLUDING TALENT OPTIMIZATION.

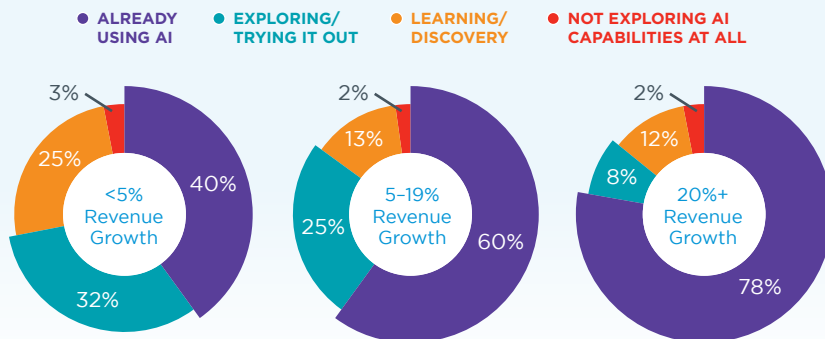
The primary drivers for AI include boosting efficiency and enhancing the customer experience, reflecting a forward-thinking approach to integrating technology into business strategies. High-growth companies are particularly inclined to integrate AI across multiple functions ranging from reducing costs to achieving sustainability goals.

For these businesses, optimizing talent presents another significant application. As they explore ways to enhance employees' digital skills, these companies also face the challenge of managing the shift to a more automated work environment while ensuring they retain top talent.

As these high-growth businesses are the most likely to need more people, and presumably likely to have a strong need for digitally skilled talent, it makes sense that they would seek ways to augment their workforce's capabilities with emerging technologies. For example, one director of benefits at a manufacturing organization explained how their company is addressing talent shortages: "We are making up for it by using artificial intelligence and machine learning to automate some of the processes that were done with the human workforce."

High-growth companies further along in the AI journey

% of companies using AI in various ways



Companies use AI across a variety of functions

% of companies using or anticipating using AI for different purposes



AI INTRODUCES RISK MANAGEMENT EFFICIENCIES BUT ALSO CHALLENGES.

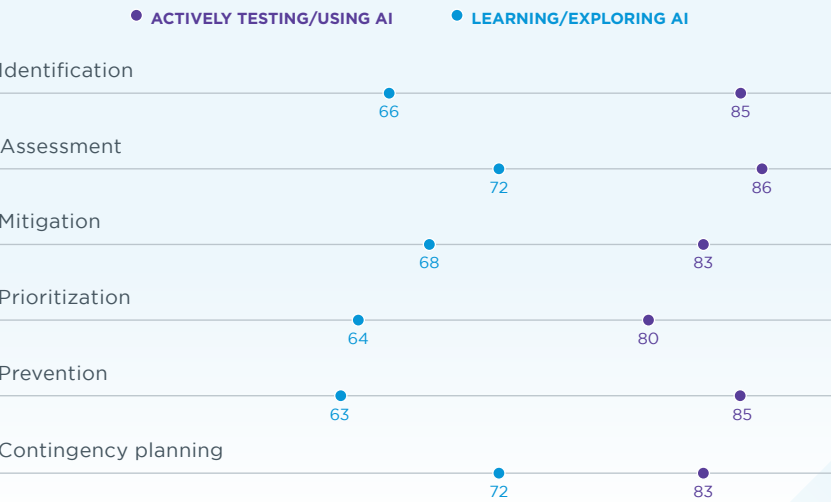
AI appears to play an important role in improving risk management for many companies. Approximately two out of five firms indicate that they are already using or considering using AI in this way. For example, a managing director from a financial services/insurance company said the firm is considering using AI to “monitor and predict risks and improve the efficiency and accuracy of risk management.” Overall, companies that are actively using or testing AI are much more likely to believe they excel in all areas of risk management than companies that are still exploring or learning about the technology.

Of course, the adoption of AI for talent optimization (or any other purpose) can introduce new risks, including privacy concerns, biased algorithms and misleading results, to name a few. As the CEO of a finance business said, “With the widespread adoption of generative artificial intelligence (GenAI) technology, which is expected to significantly close the cybersecurity skills gap in enterprise organizations by 2028, it will also create new security challenges.” Perhaps telling, companies within the financial services segment are much slower to adopt AI than companies in any other industry sector, likely due to the regulatory environment in which they operate and the sensitive nature of their business and the data that customers entrust to them.

Ultimately, AI has the potential to significantly elevate growth strategies for middle market firms by offering valuable insights through data analytics, increasing productivity, lowering costs and increasing customer service. As middle market firms strive for scalability, integrating AI into their growth strategies can provide a vital competitive advantage in an increasingly digital landscape. However, it is essential to implement AI responsibly, maintaining transparency, ethical standards and data privacy to build trust and ensure long-term success.

Active AI users are more confident in their risk management skills

% of companies performing extremely/very well at different aspects of risk management



“

PRIMARY CONCERNS AROUND RISK MANAGEMENT:

“With the widespread adoption of generative artificial intelligence (GenAI) technology, which is expected to significantly close the cybersecurity skills gap in enterprise organizations by 2028, it will also create new security challenges.”

CHIEF EXECUTIVE OFFICER, FINANCIAL SERVICES INDUSTRY



How Middle Market Companies Can Evolve People and Risk Management Strategies to Support Growth

The steady growth observed among many middle market organizations underscores the significance of recognizing the distinct challenges they face. Critical issues such as talent management, protection of intellectual property and offering competitive total rewards are essential for sustainable success. Nevertheless, middle market organizations also demonstrate a remarkable capacity for adaptability, enabling them to embrace change and implement innovative strategies. This agility can be harnessed through independent initiatives or valuable collaborative partnerships, positioning these firms to thrive in a dynamic business landscape.

Key actions for middle market companies can include:

1. Prioritizing Talent Development

AUDITS: To harness agility and capitalize on new growth opportunities, leaders can audit workforce sentiment through surveys to accurately assess satisfaction and identify retention challenges. Key strategies include:

- **Assessing Workforce Satisfaction:** Conducting regular surveys to gather feedback.
- **Evaluating Key Performance Indicators:** Analyzing metrics such as hiring success rates and employee turnover to pinpoint critical areas for improvement.
- **Benchmarking Against Industry Standards:** Comparing internal metrics, like turnover rates, with those of similar companies to gain insights into the effectiveness of existing strategies.

TALENT DEVELOPMENT: Talent development is crucial for organizations aiming to nurture a skilled workforce that aligns with their goals. By investing in talent, companies can reduce turnover rates and enhance employee loyalty. Effective strategies may involve:

- **Specialized Talent Acquisition and Retention:** Tailoring strategies to the industry, such as implementing mentorship programs that pair seasoned employees with newcomers to promote skill enhancement and community building.
- **Cultivating a Supportive Culture:** Valuing people as an organizational differentiator can significantly boost employee engagement and growth. This might include:
 - Introducing flexible work arrangements, including schedule considerations, hybrid opportunities or job sharing, as examples.
 - Personalizing professional development programs to cater to employees' career aspirations, ultimately leading to a more motivated and committed team.



“

MAIN CONTRIBUTORS TO GROWTH:

“Tireless efforts of our dedicated team members, who have been working diligently to improve our processes and services, combined with our innovative approach to problem-solving and our commitment to excellence, which has led to increased customer satisfaction and loyalty.”

CHIEF FINANCIAL OFFICER, BUSINESS/PROFESSIONAL SERVICES INDUSTRY

BENEFITS PACKAGES: Additionally, offering competitive, flexible benefits packages not only addresses the diverse needs of employees but also demonstrates an organization's commitment to their well-being. Companies should consider taking steps such as:

- **Diversifying Offerings:** A well-rounded total rewards package may include health insurance, retirement plans and wellness programs.
- **Including Unique Offerings:** Offerings such as student loan assistance, caregiver support, time off or mental health resources can set a middle market company apart from competitors.

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PRIMARY CONCERNS AROUND HUMAN CAPITAL:

“Developing a strong recruiting strategy that not only attracts tech-savvy talent but also aligns with our company culture and values. Retention efforts will include a comprehensive benefits package, career development opportunities and a supportive work environment that fosters growth and satisfaction.”

VICE PRESIDENT FINANCE, LEISURE GOODS/CONSUMER PRODUCTS INDUSTRY

2. Developing Robust Risk Strategies

As businesses pursue growth, it's crucial to implement robust risk management strategies to safeguard progress and protect assets. For middle market organizations, these strategies can significantly bolster resilience and competitiveness in today's dynamic landscape. Here are key components to consider:

IDENTIFYING POTENTIAL RISKS:

- **Establish Comprehensive Business Continuity Plans:** Prepare for unforeseen disruptions and ensure swift adaptation and recovery during challenges. Regular risk assessments are essential to stay informed about potential internal and external threats.
- **Consider Forming a Dedicated Risk Management Team:** The team should meet quarterly to review and refine the risk assessment process.
- **Implement Scenario Planning Exercises:** Simulate various risk events to enable employees to understand their roles during crises and ensure quick, coordinated responses.

COMPREHENSIVE REVIEW OF RISK MANAGEMENT FRAMEWORKS:

- **Conduct Analysis of Incident Response Protocols:** A thorough analysis helps guarantee readiness for emergencies.
- **Establish Metrics to Track Response Times:** When data breaches or operational disruptions occur, the ability to track response times provides insights into areas for improvement.
- **Develop a Clear Communications Plan:** Outline how information will be shared internally and externally during a crisis. Such a plan ensures transparency and helps maintain stakeholder trust.
- **Regularly Train Staff on Protocols:** Conduct mock drills to ensure that everyone is familiar with the procedures.

INTEGRATING RISK MANAGEMENT INTO GROWTH STRATEGIES:

- **Align Risk Management with Business Objectives:** Alignment creates a stable foundation for long-term sustainability and success.

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PRIMARY CONCERNS AROUND RISK MANAGEMENT:

“As the international situation becomes more complex and changeable, the uncertainty facing the global economy will continue to increase. Enterprises need to pay close attention to global economic dynamics, assess the impact on their own business and formulate corresponding risk management strategies.”

CHIEF FINANCIAL OFFICER,
MANUFACTURING INDUSTRY

- **Continuously Evaluate Risk Exposure:** Proactively enhance resilience, ensuring that growth trajectories are complemented by risk management.
- **Introduce a Risk Register:** Connect specific risks to strategic goals, fostering a clearer understanding of how risks impact growth initiatives.
- **Encourage Cross-Departmental Collaboration:** Work together to identify less obvious risks, cultivating a culture of proactive risk awareness.
- **Develop Strategic Partnerships:** Create partnerships that provide additional support and resources for managing risks. A third party can create an unbiased view of risk, leading to more thorough risk assessments and improved crisis response capabilities.

STRENGTHENING OPERATIONS:

- **Proactively Assess Supply Chain Vulnerabilities:** Based on this assessment, create a strong contingency plan that may include diversifying suppliers or investing in local alternatives.
- **Identify Alternative Sourcing Strategies:** Mitigate disruptions from natural disasters or geopolitical tensions and promote steady production and revenue flows.
- **Monitor Employee Turnover Closely:** Consistent talent management practices can minimize disruptions and maintain productivity levels.
- **Create a Talent Pipeline:** Consider internships or partnerships with local educational institutions to ensure a steady influx of skilled workers.

By adopting these principles, middle market businesses can reinforce their operations against uncertainties and pave the way for sustained growth. Taking actionable steps toward risk management today will cultivate a stronger, more resilient organization for the future.

3. Evaluating Internal Vulnerabilities

With more than 70% of high-growth respondents indicating that they have had a cyber incident, recognizing that cybersecurity is essential can empower middle market firms to implement effective and affordable protection measures:

RECOGNIZING HUMAN RISK FACTORS: Whether intentional or inadvertent, people can introduce cyber risks or endanger intellectual property.

In today's digital landscape, cybersecurity has become a cornerstone of business resilience and integrity. For organizations, building a robust cybersecurity framework involves not only understanding technical vulnerabilities but also fostering a culture of awareness and preparedness. Some opportunities include:

- **Understanding Your Organization's Cybersecurity Strengths and Weaknesses:** Business owners must recognize that employees can be both a great asset and a potential risk. Investing in comprehensive cybersecurity training can mitigate these risks.
- **Prioritizing Building a Culture of Cyber Awareness:** Rather than relying solely on simple training courses, embed cyber awareness in the culture. This includes the principles of data protection, especially in today's hybrid work environments.
- **Taking Ownership of Cybersecurity within Your Organization:** It's crucial to understand cybersecurity basics and prioritize threat assessments, data management strategies and data backup strategies.

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PRIMARY CONCERNS AROUND RISK MANAGEMENT:

“Cybersecurity threats are constantly changing, and this keeps putting our data privacy and integrity at risk.”

CHIEF FINANCIAL OFFICER,
FINANCIAL SERVICES/
INSURANCE INDUSTRY

- **Regularly Conducting a Threat Assessment and Adversary Simulation:** This will help identify potential blind spots in a cybersecurity strategy and will guide the areas on which companies need to focus.
- **Establishing a Solid Cybersecurity Plan:** This starts with identifying top threats and building a road map based on those. Despite investing in cybersecurity infrastructure, starting with the basics and creating incremental steps toward improvement can fill potential security gaps.
- **Developing Backup Strategies:** With the increasing instances of ransomware attacks, securing data should be a top priority, making backup strategies fundamental for any business.

4. Understanding AI Risk Exposure

An emerging risk exposure is the adoption of artificial intelligence (AI) technologies—with more than 60% of respondents actively using AI and another 37% in the discovery and testing phases. While AI can enhance operational efficiency and decision-making processes, it's important to approach its implementation thoughtfully. Examples include:

- **Ensuring Properly Calibrated AI Models Trained on Unbiased Data:** This is key to a reliable AI system that can drive informed decisions and minimize disruption. In use cases ranging from implementing an AI-driven inventory management system to introducing a chatbot for customer service, it's important that models perform fairly and that users can trust the models' predictions.
- **Implementing Robust Security Measures:** Security measures and a focus on proper data handling to safeguard sensitive information can help middle market organizations mitigate the challenges involved in providing the necessary training to manage proprietary or private data with AI tools.

Fostering a risk-aware culture within the organization encourages employees to proactively report concerns, contributing to the overall risk management framework. Regular communication on compliance and regulatory changes empowers middle market owners to mitigate risks, allowing them to allocate resources strategically and focus on innovation without compromising security.

By embracing a dual commitment to talent development and forward-thinking risk management, middle market organizations set themselves on a path for sustained growth and success. Empowering employees through continuous development initiatives fosters a skilled and adaptable workforce. Concurrently, leveraging comprehensive risk mitigation strategies ensures that these organizations can adeptly navigate evolving challenges. This agility allows middle market organizations to minimize potential setbacks while capitalizing on emerging opportunities within a competitive landscape.



PRIMARY CONCERNS AROUND RISK MANAGEMENT:

“Lack of skills and knowledgeable people are the most concerning things around risk management.”

CHIEF EXECUTIVE OFFICER,
TECHNOLOGY & BUSINESS
SERVICES INDUSTRY



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