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A Kreischer Miller Knowledge Venture

Kreischer Miller Private Company Pulse Survey

November 2017



Contents

Executive Summary	3
The Private Company Sentiment Index	5
Business Challenges & Opportunities	6
Growth & Investments	7
Economic Optimism	8
Business Pressures	9
Methodology	10
About Kreischer Miller	11
For More Information	12

Executive Summary

Welcome to the first edition of **Kreischer Miller's Private Company Pulse Survey**. We created this survey because we recognize how critical privately-held and family-owned companies are to the economy, job creation, and growth in our region. These companies truly represent the pulse of what is going on in our markets and we hope you enjoy learning what is on the minds of their owners and executives.

We plan to conduct and publish the results of this survey on a semiannual basis. The survey will also include a new metric we have created called the **Private Company Sentiment Index®**. It is intended to present a view of how these companies currently feel about the prospects for their businesses, as well as how that sentiment changes over time.

Key Findings

Our inaugural survey was conducted in June 2017 and had 81 participants. Here are five key takeaways:

Business prospects are good and have improved in the last year.

Private companies are more optimistic now than they were six and twelve months ago. The Private Company Sentiment Index currently stands at 7.22, versus 7.06 six months ago and 6.28 a year ago. That amounts to a 15 percent improvement in the outlook from one year ago. It is worth noting that last year's index occurred before the Presidential election.

Finding qualified employees is a challenge for private companies.

A significant 35.8 percent of respondents indicated that access to talent is their number one business challenge. No other category came close. This is a common theme in today's labor market and is consistent with the findings from Kreischer Miller's annual Manufacturing Survey.

Executive Summary Continued

The pie is not getting bigger.

The largest opportunity for growth cited by respondents was increasing market share. This is logical, considering tepid GDP growth in the 2-3 percent range. Seeking growth by competing harder for share is likely to produce price pressure in individual industries as competition heats up. The majority of the companies in our survey (53.1%) predict growth rates below 5 percent over the next year.

Private companies will continue to invest in their future.

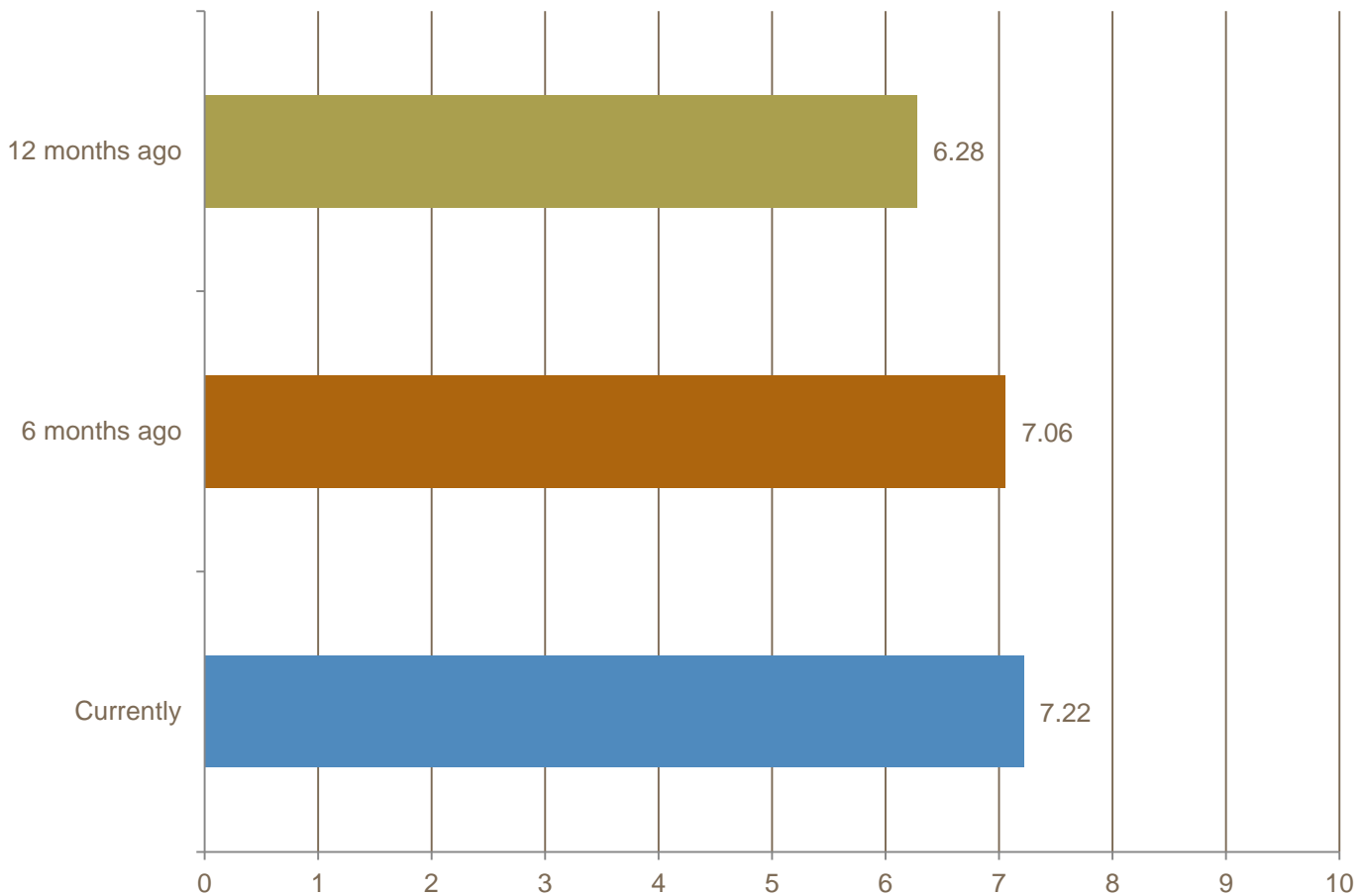
When asked about planned investments over the next year, three areas were clear winners: 81.5 percent plan to invest in their workforce, 65.4 percent plan to invest in new technology, and 53.1 percent plan to invest in new machinery and equipment.

Optimism among private companies is mixed.

While business sentiment improved from a year ago, economic optimism was tempered: 30.9 percent of respondents indicated being neutral and 50.6 percent were only somewhat optimistic.

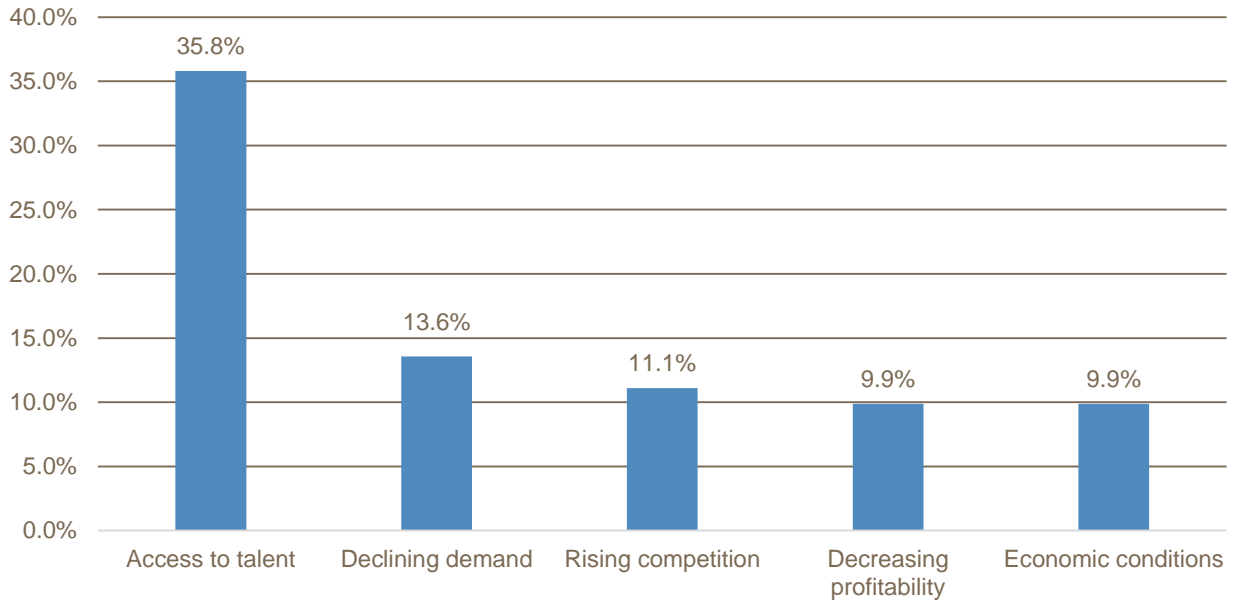
The Private Company Sentiment Index

How would you describe your outlook for your business?

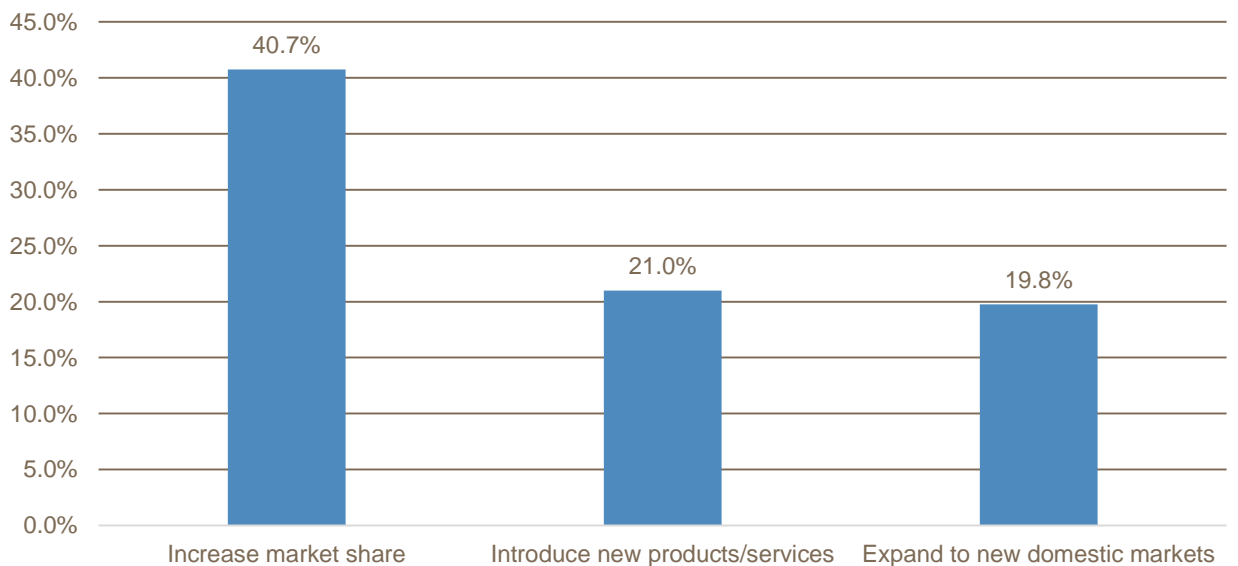


Business Challenges & Opportunities

What is your top business challenge? (Top 5 challenges cited)

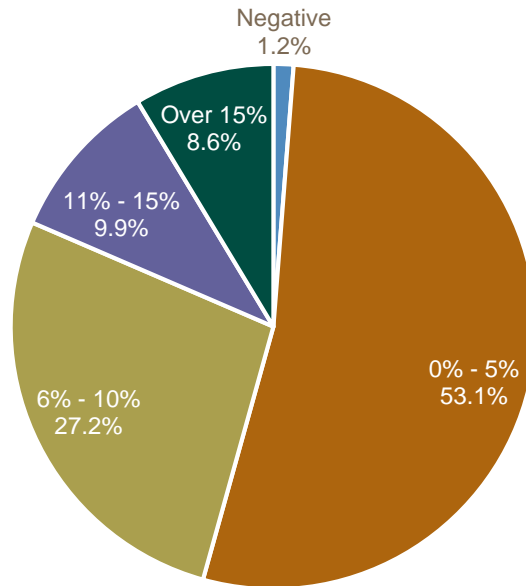


What is your top opportunity for growth? (Top 3 opportunities cited)

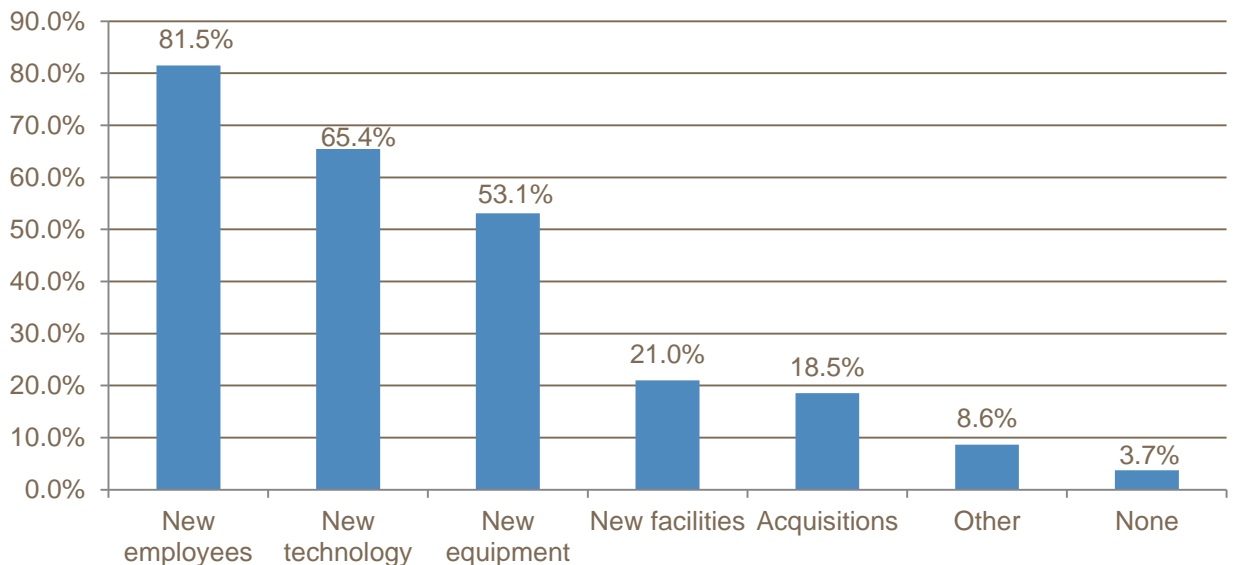


Growth & Investments

What is your expected sales growth rate (%) over the next 12 months?

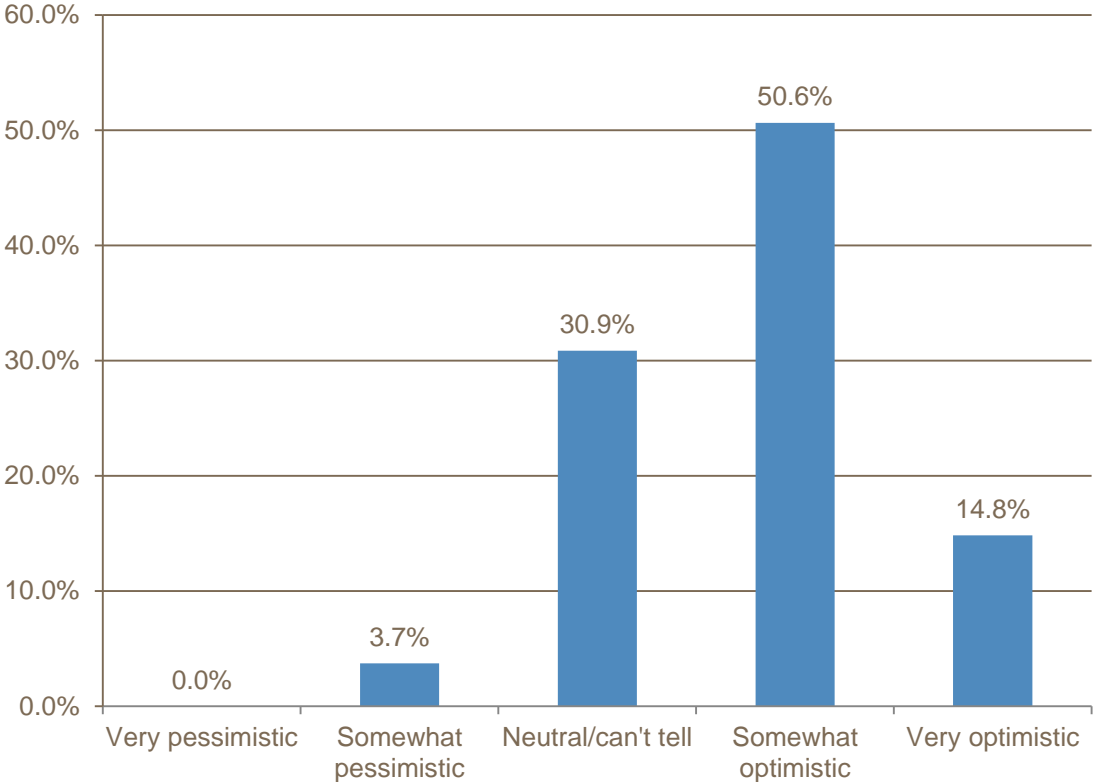


Which investments do you plan to make in the next 12 months to support your business? (Multiple answers allowed)



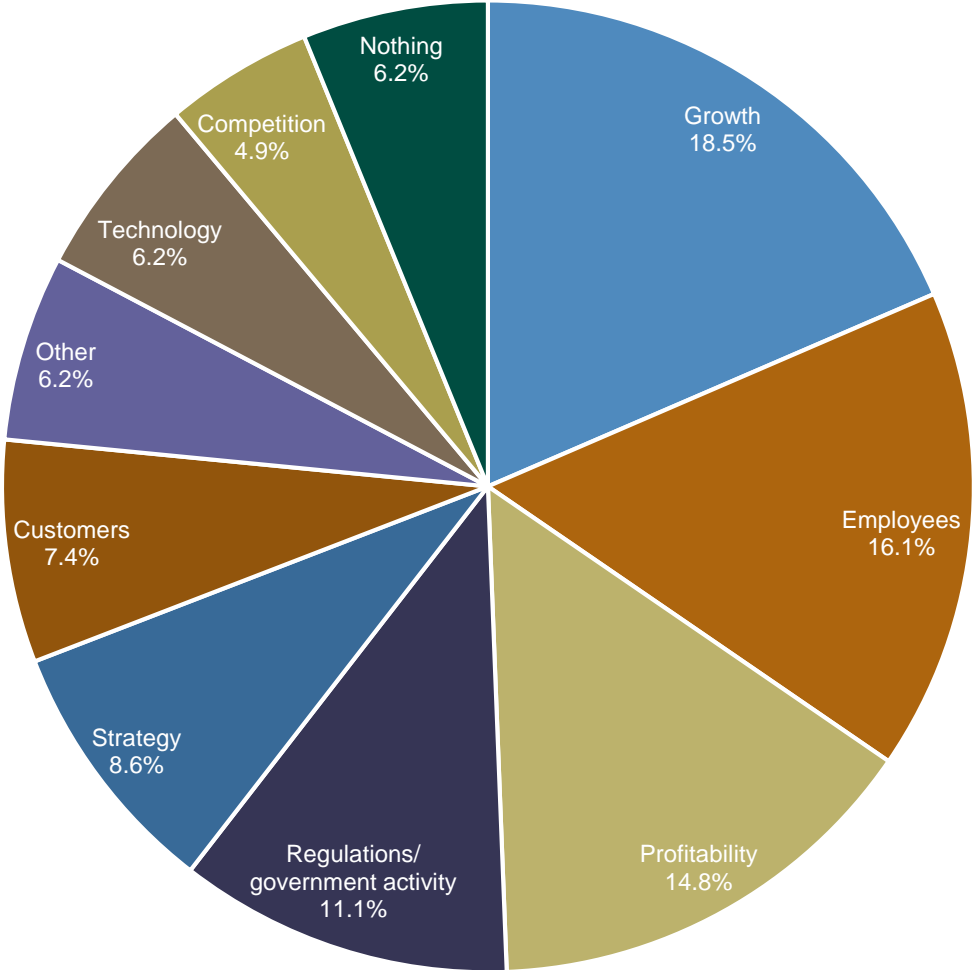
Economic Optimism

How would you describe your overall feeling toward the U.S. economy over the next twelve months?



Business Pressures

What is your greatest business concern?



Methodology

Kreischer Miller's Private Company Pulse survey was conducted online in June 2017. Survey questionnaires were distributed electronically to private company executives in the Greater Philadelphia and Lehigh Valley regions.

There were 81 total participants representing privately-held companies of various sizes and in an array of industries. When asked their role in their business, 37.2 percent indicated they are a CFO/COO/Vice President, 33.3 percent are an owner, 16.7 percent are the President or equivalent, and 12.8 percent responded with other.

The majority (71.8%) are located in Montgomery and Bucks counties, with the remaining respondents spread across Philadelphia, Chester, Delaware, Lehigh, Northampton, and Berks counties in Pennsylvania; Burlington, Camden, Gloucester, and Salem counties in New Jersey; and New Castle county in Delaware.

Annual revenues/sales of participants	
Less than \$10 million	22.4%
\$10 million - \$25 million	31.6%
\$25 million - \$50 million	13.2%
\$50 million - \$100 million	13.2%
Over \$100 million	19.7%

Number of employees in participants' organizations	
0-25	16.9%
26-50	16.9%
51-100	22.1%
101-250	28.6%
Over 250	15.6%

Participants' industries	
Manufacturing	38.5%
Services	23.1%
Distribution	15.4%
Construction	11.5%
Other	5.1%
Technology/software	3.8%
Real estate	2.6%

About Kreischer Miller

Kreischer Miller is a leading independent accounting, tax, and advisory firm serving the Greater Philadelphia and Lehigh Valley areas. We have built our firm to respond to the unique needs of private and family-owned companies, helping them smoothly transition through growth phases, business cycles, and ownership changes. The companies we work with quickly adapt and respond to changing market opportunities and challenges. That's why our focus is on being responsive, decisive, and forward-thinking. We're up to the challenge – always looking at the road ahead, not in the rear-view mirror.

Our people are leaders in accounting and passionate about helping companies achieve their goals.

Kreischer Miller's Center for Private Company Excellence

The Center for Private Company Excellence is a community – live and virtual – created by Kreischer Miller exclusively for private and family-owned companies. The first of its kind, the Center provides content, resources, tools, and information geared specifically toward the unique needs and issues of family and private companies, across the lifecycle of their organizations. It is also a forum for business owners and executives to interact and network with their peers as they address the challenges they face in improving their businesses.

Learn more at www.kmco.com.

For More Information

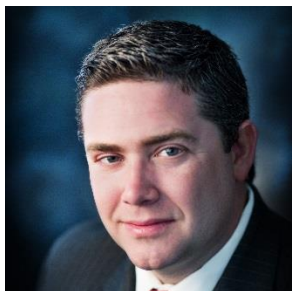
To learn more about Kreischer Miller's Private Company Pulse Survey, or to discuss your company's needs, please contact your Kreischer Miller professional or the authors below.

If you are interested in participating in our next Private Company Pulse survey and would like to be added to our survey distribution list, please email your contact information to **kmiller@kmco.com**.



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