



PEOPLE | IDEAS | SOLUTIONS



A **Kreischer Miller** Knowledge Venture

Kreischer Miller Private Company Pulse Survey™

March 2022





Contents

Executive Summary	3
The Private Company Sentiment Index™	6
Economic Optimism	7
Business Challenges	8
Factors Impacting Business Challenges	9
Profitability Strategies	10
Growth Opportunities & Planned Investments	11
Expected Sales Growth	12
Methodology	13
About Kreischer Miller	16
For More Information	17



Executive summary

Note: This survey was conducted in January 2022, prior to the Russian invasion of Ukraine and the resulting increases in inflation and global supply chain disruptions. These survey results reflect the economic and geopolitical environment respondents were experiencing at the beginning of the year.

Welcome to the latest 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.

The survey includes a metric we created called the **Private Company Sentiment Index™**. It is intended to present a view of how executives at private companies currently feel about the prospects for their businesses, as well as how that sentiment changes over time.

Key Findings

Business sentiment is holding steady, and respondents see favorable growth prospects.

The Private Company Sentiment Index™ is measured on a scale of 1 to 10, and it describes private companies' outlook for their businesses. The index currently stands at 7.33, which is virtually unchanged since our last survey in July 2021. It represents a significant improvement from January 2021's 6.74 score and continues to inch closer to the pre-pandemic score of 7.55 in January 2020.

Respondents are feeling more optimistic about their prospects for growth. Close to 93 percent expect their 12-month sales growth rate to be in positive territory; just over 20 percent expect it to be more than 15 percent.

“It's the economy, stupid.”

James Carville famously uttered those words during the 1992 Presidential campaign. Thirty years later, the phrase would seem to apply to our current state of affairs. Despite our survey respondents having a fairly strong business outlook, they feel less optimistic about the economy's prospects than they did six months ago. In July 2021, 62.9 percent felt optimistic about the economy's prospects. In January, that figure



Executive summary *(continued)*

dropped to 47 percent. Just 4.1 percent said they are very optimistic – the lowest percentage since before the pandemic began. At the same time, the percentage of respondents who said they are neutral or can't tell how they feel about the economy's prospects jumped from 22.5 percent last July to 32.7 percent in January.

It is hardly surprising, given the ongoing challenges with labor shortages, inflation, and global supply chains. In fact, when asked which external and/or internal factors are currently having the largest impact on their top business challenges, close to 70 percent of respondents cited one of those three concerns.

We also asked respondents about their top strategy to maintain profitability given the twin economic challenges of rising inflation and supply chain issues. More than one-third said they are increasing prices, far and away the top response. Other answers included making investments to increase efficiency, improve automation, and re-engineer processes, as well as more aggressively managing the bottom line via reduced costs and tightly managed inventory.

Talent woes continue to plague private companies.

Given the ongoing talent issues facing businesses, for the first time we offered two talent-related answer choices – talent recruiting and talent retention – to the “what is your top business challenge” question. Previously there was a single answer choice – access to talent. Nearly 46 percent of respondents indicated talent is their top business challenge; 40.8 percent chose talent recruiting while just 5.1 percent chose talent retention. Plus, more than 77 percent of respondents cited hiring new employees as their largest planned investment over the next 12 months.

Are the news headlines about the Great Resignation not the reality for our survey respondents, and they aren't experiencing employee retention problems? Or is the pain associated with trying to find new employees simply much greater at the moment than worrying about employee engagement and satisfaction? This will certainly be a question to keep an eye on in future surveys.

What's next? The good, the bad, and the uncertain.

How will the remainder of 2022 play out for private companies? On one hand, we finally seem to be moving away from the pandemic. The



Executive summary *(continued)*

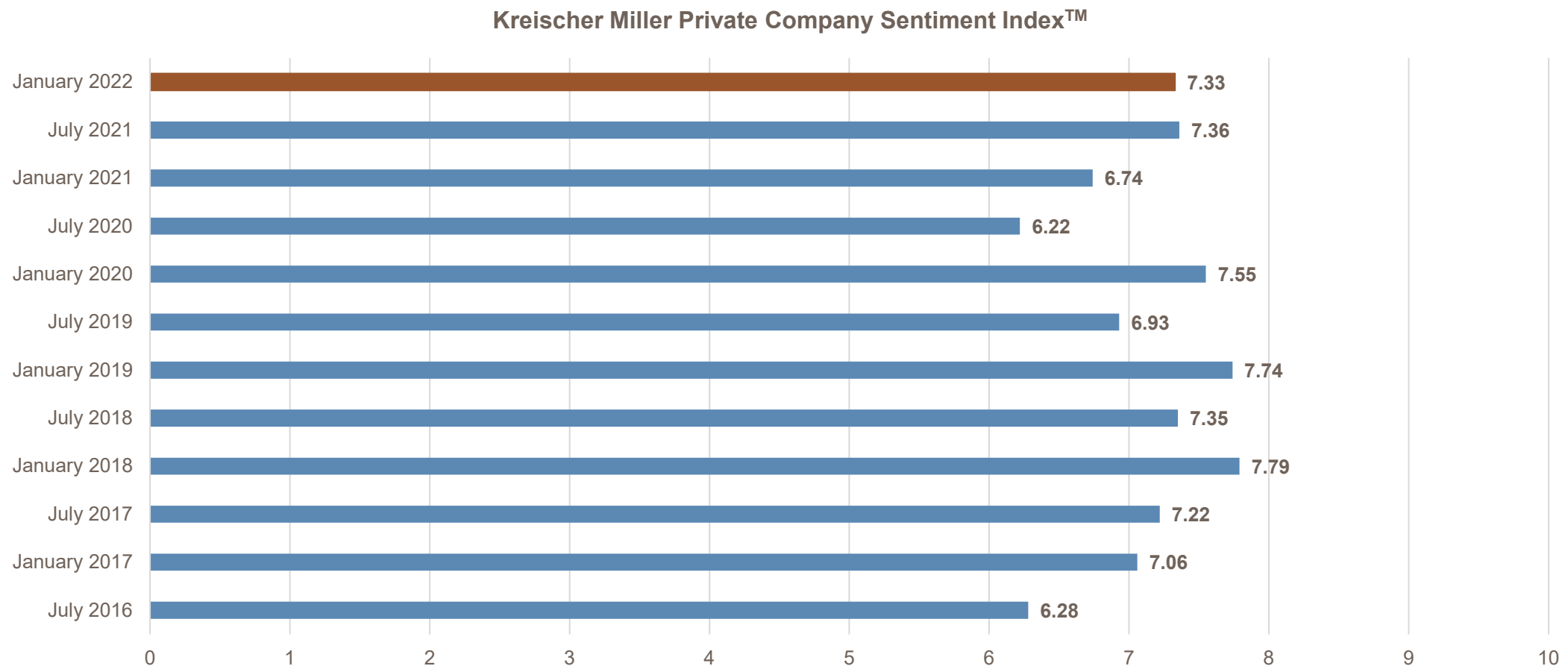
recent Omicron wave has subsided, mask mandates have been lifted, and companies are planning in earnest to bring employees back to the office – albeit with more flexible schedules than pre-pandemic. Even if another Covid variant surfaces, the investments we’ve made in testing and treatment seem like they will make the virus more of a short-term nuisance than a weeks- or months-long business-shuttering event.

On the other hand, the concerns about talent shortages, inflation, and supply chain issues are significant and don’t appear to be going away anytime soon. While private companies will be as nimble as ever in adapting to the challenges in front of them, it doesn’t necessarily mean that the process will be easy or resolve the issues overnight.

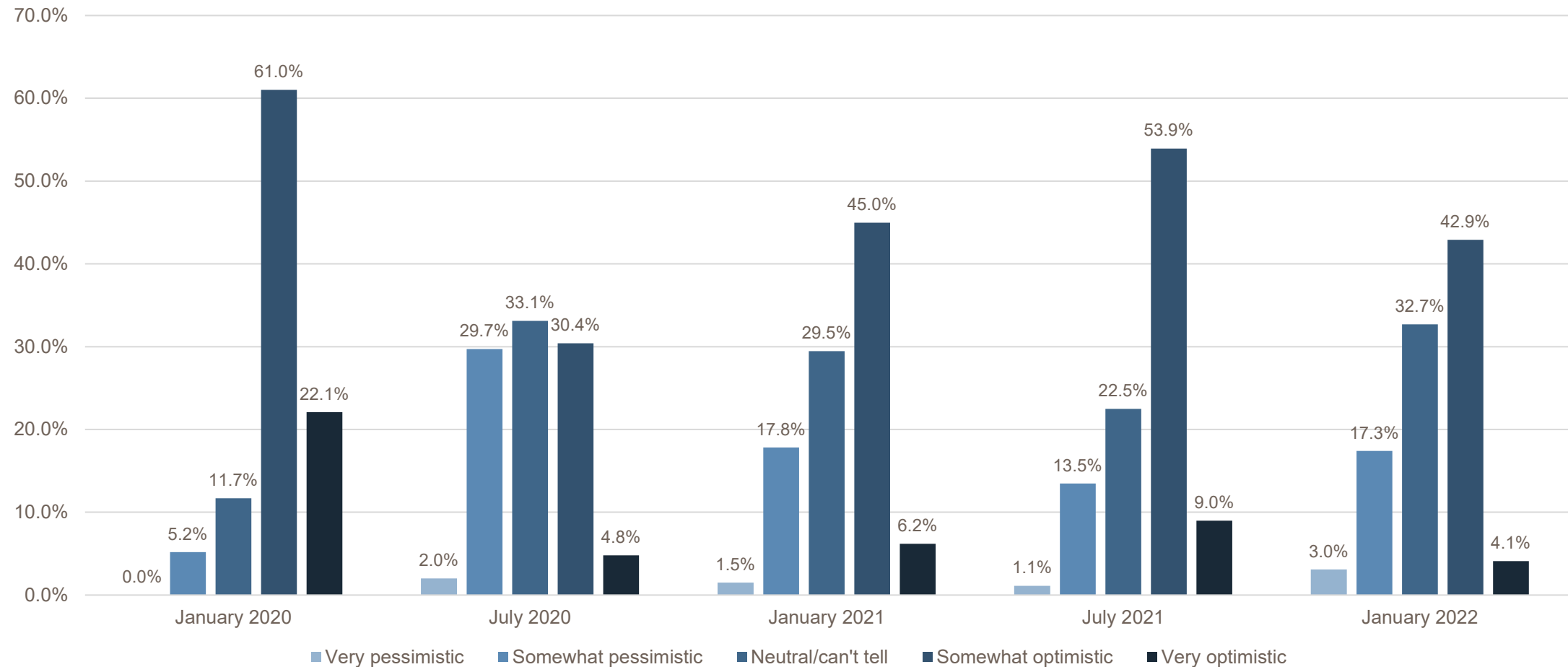
All of this is compounded by the war in Ukraine, which as mentioned previously, was not a factor when we conducted this survey in January. We are already seeing the repercussions of economic sanctions and economists predict they will only intensify. Rising fuel prices don’t just impact your work commute or summer travel plans, they affect virtually every facet of our economy, from shipping costs to food prices to corporate profits.

We look forward to our next Private Company Pulse survey to see how all of these factors continue to play out for our region’s private companies.

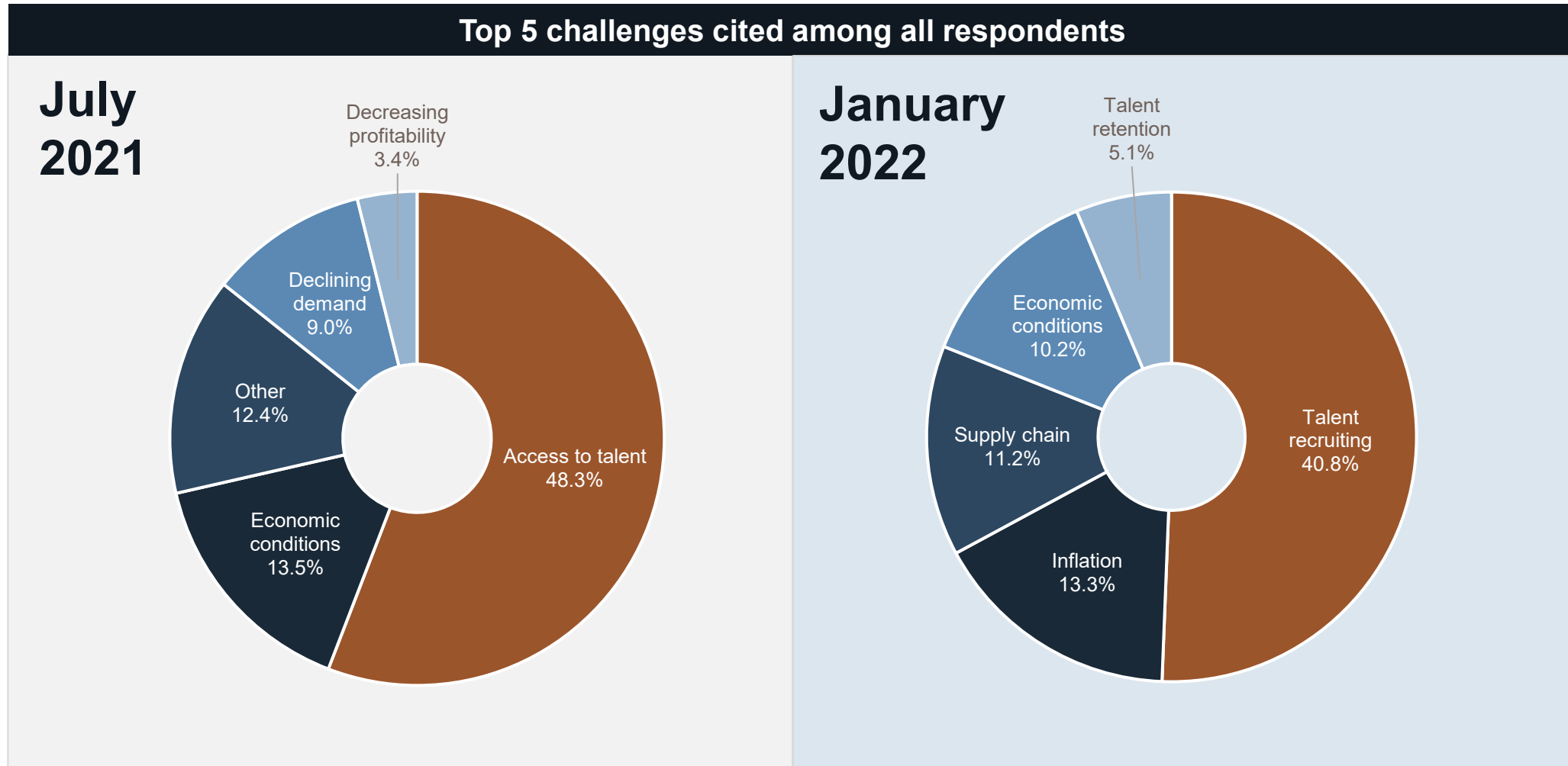
On a scale of 1 to 10, how would you describe the outlook for your business?



How would you describe your overall feeling toward the U.S. economy over the next 12 months?



What is your top business challenge?



What external and/or internal factors are currently having the largest impact on your top business challenge?



30.8%
Talent shortages and a lack of available skilled labor

22.2%

Inflation, specifically in relation to materials, transportation, and labor/wages

15.4%

Global supply chain challenges, shortages, and delays

9.4%

Government policies

6.0%

COVID-19 still having a detrimental impact

Less than 5%

- Balancing new business development and demand with capacity to take on new business
- Rising competition
- Creating a culture that encourages talent retention
- Remote workforce; marketing support/capabilities
- Cyber-related risks and costs
- Economic and stock market conditions
- Resistance to change
- Aging workforce
- Increasing capital needs

Given the inflationary environment for personnel and the supply chain, what is your top strategy to maintain profitability?



37.0%
Increasing prices

12.6%

Increasing efficiencies, process improvements, and automation

8.4%

Reducing/controlling costs, budgeting more aggressively, more tightly managing inventory

6.7%

Increasing focus on hiring, retention, and employee engagement

6.7%

Deepening and expanding existing customer relationships

5.0%

Reevaluating vendor/supplier relationships

5.0%

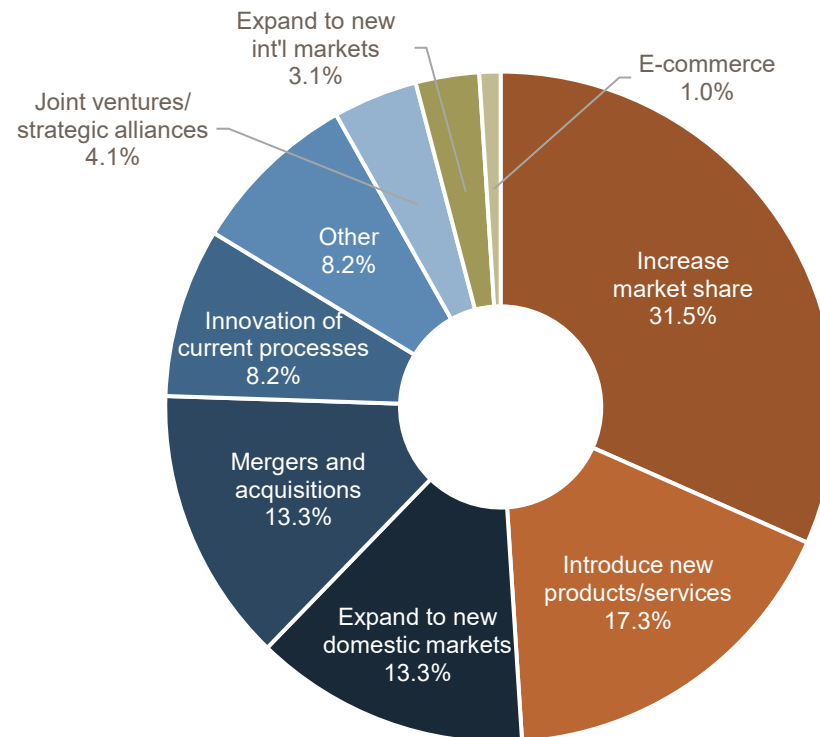
Increasing productivity

Less than 5%

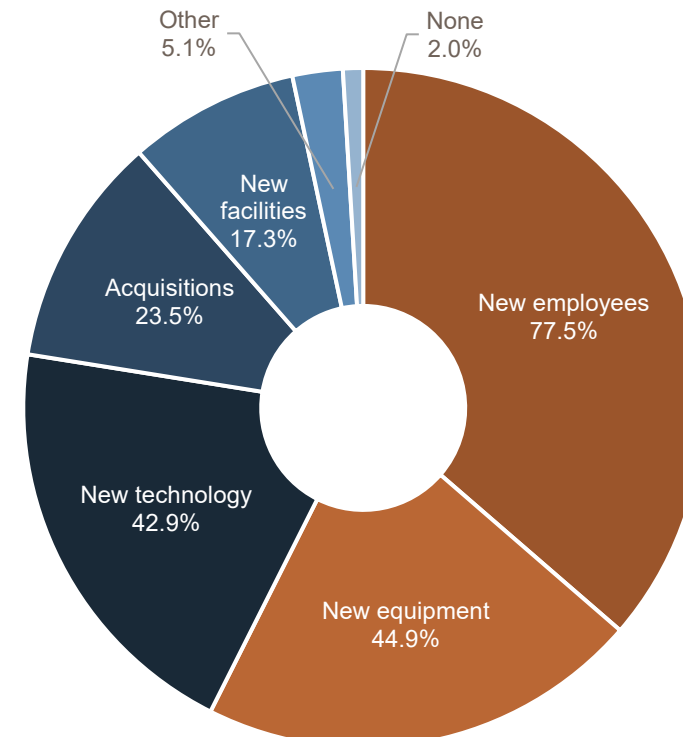
- Slowing hiring or maintaining current headcount
- Increasing sales
- Advance purchasing or maintaining higher inventory levels
- Sourcing more locally
- Increasing marketing
- Nothing at this time
- Pursuing a strategic acquisition

What is your top opportunity for growth and which investments do you plan to make in the next 12 months to support your business?

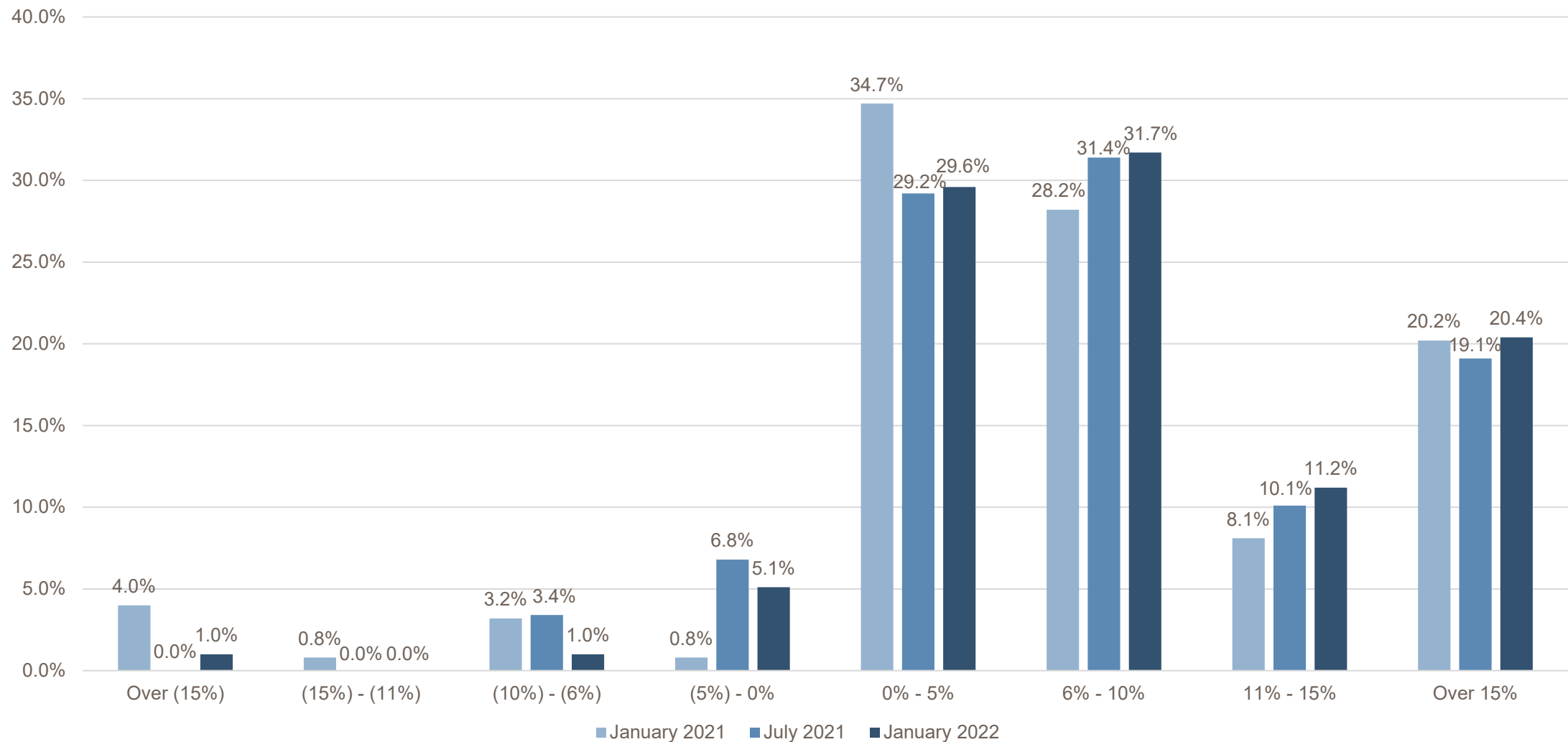
Top 5 growth opportunities cited



Planned investments in the next 12 months



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



Methodology

Kreischer Miller's Private Company Pulse™ survey was conducted online in January 2022.

The survey was sent to privately-held and family-owned businesses primarily in the Greater Philadelphia region, which includes most of southeastern Pennsylvania, southern New Jersey, and northern Delaware.

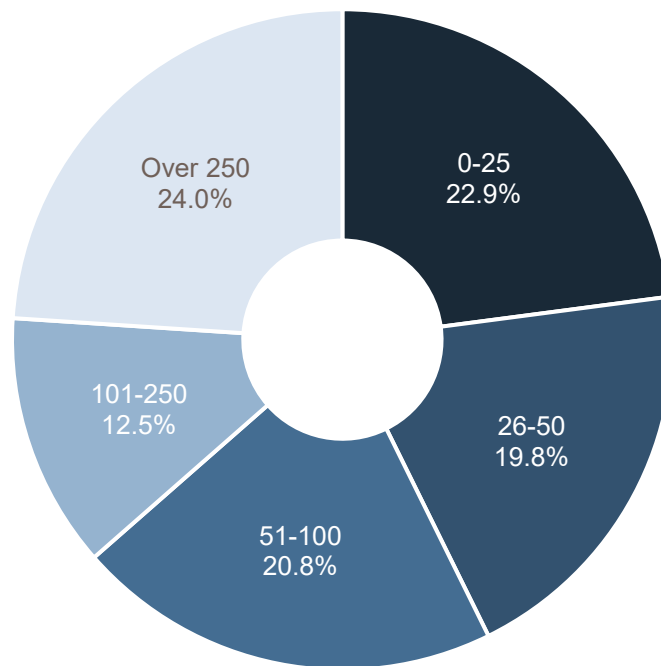
There were **98** total survey respondents.



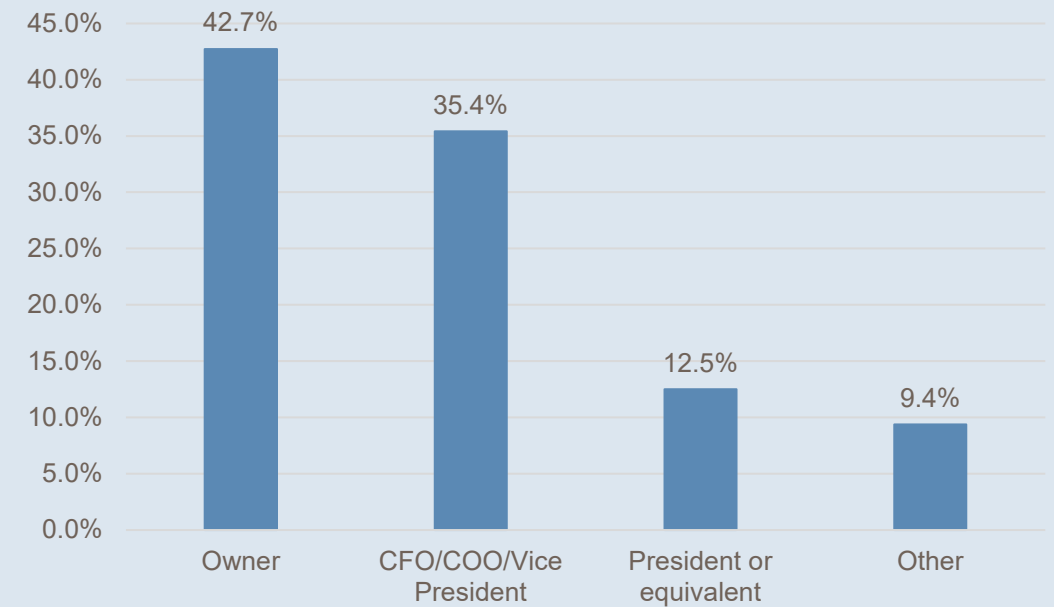
Source: WelcometoPhila.com

Demographics

Survey respondents by
employee size:

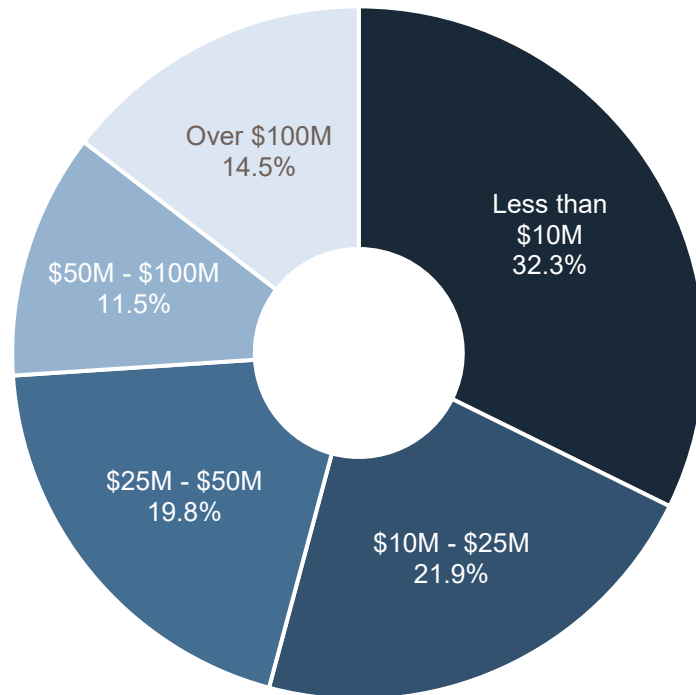


Survey respondents by **role**
in the organization:

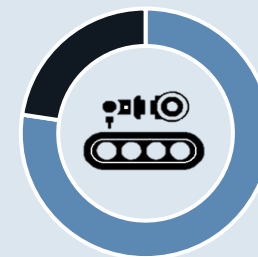


Demographics

Survey respondents by **revenue**:



Survey respondents by **industry**:



34.4%
Manufacturing

22.9% Professional, Scientific, & Technical Services

12.5% Construction

11.5% Wholesale Trade

5.2% Finance & Insurance

4.2% Retail Trade

2.1% Real Estate

2.1% Information

2.1% Utilities

1.0% Other

1.0% Educational Services

1.0% Agriculture, Forestry, Fishing, & Hunting

About Kreischer Miller

Kreischer Miller is a leading independent accounting, tax, and advisory firm that serves the Greater Philadelphia and Lehigh Valley areas. We have built our firm to respond to the unique needs of private 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 advising, and passionate about helping companies achieve their goals.

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 for Private Company Excellence 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.**



A **Kreischer Miller** Knowledge Venture

For more information



Mario O. Vicari, CPA
Director, Kreischer Miller
Specialist, Center for Private Company Excellence

215.441.4600
mvicari@kmco.com



Steven E. Staugaitis, CPA
Director, Audit & Accounting, Kreischer Miller
Specialist, Center for Private Company Excellence

215.441.4600
sstaugaitis@kmco.com

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 listed here.

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 **info@kmco.com**.