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for Private
Company
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A Kreischer Miller Knowledge Venture

Kreischer Miller Private Company Pulse Survey™

March 2023





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Executive summary

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

Private companies are feeling less optimistic about their business prospects as well as the economy in 2023.

Our 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 6.75, which is significantly lower than last year's 7.33 and nearly at its lowest point since the start of the pandemic.

Perhaps one driver of this declining sentiment is respondents' views on our economy's prospects. Just 43 percent of respondents feel optimistic about the U.S. economy over the next 12 months, with the majority falling in the "somewhat optimistic" camp. Only 1.4 percent of respondents feel very optimistic.



Executive summary *(continued)*

Additionally, our respondents' outlook for their own business growth was more moderate than last year. While close to 90 percent of respondents indicated that they anticipate a positive growth rate in 2023, most within that group predict it will be less than 5 percent. And while more than one-fifth of last year's respondents thought their growth rate would exceed 15 percent, this year only 7 percent believe they will see that level of growth. Slightly more respondents expect a negative growth rate this year compared to last year's survey (11.2 percent this year vs. 7.1 percent in 2022).

Talent shortages still top the list of concerns, but slowing demand is a growing challenge.

We also asked respondents about their top business challenge. While talent recruiting topped the list (as it did last year), the percentage of respondents who cited it dropped from just over 40 percent in 2022 to nearly 35 percent this year. The second-highest vote-getter in this year's survey was declining demand, which did not rank among the top five business challenges cited in 2022. Two other top business challenges which were new to this year's list were decreasing profitability and cyber and information security risks.

For insight into what was driving these results, we asked which factors are currently having the largest impact on the top business challenge. The largest factor once again was the continued talent shortage and lack of available skilled labor. The second most-cited response was inflation, specifically as it relates to materials and wages. This was followed closely by economic uncertainty among both businesses and their customers, as well industry disruption. Given recent headlines about a looming recession, rising numbers of layoffs, and continued inflation and interest rate increases, consumer pullback is unsurprising and may be leading to the declining levels of demand seen by our respondents.

Interestingly, supply chain concerns were not listed among this year's top business challenges, perhaps indicating that one of the largest pandemic-era issues is working itself out.



Executive summary *(continued)*

The show must go on.

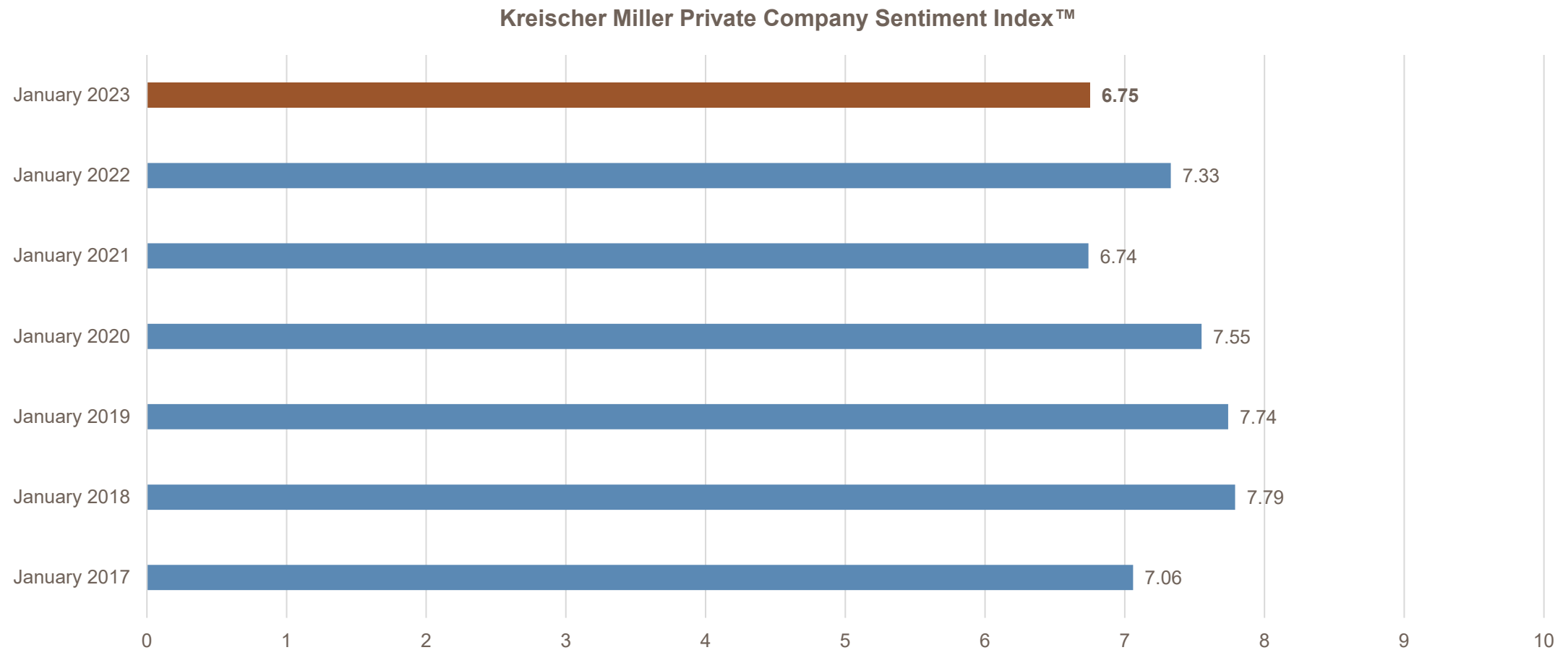
Regardless of the economic environment, company leaders know they still have a business to run and need to find ways to adapt. So, we asked respondents to tell us their top strategy to maintain profitability this year. Close to 20 percent said they are planning to cut costs or find ways to control their expenses. This makes sense because if you're experiencing a period of lower demand – and thus slower top line growth – putting the brakes on spending is a way to boost the bottom line. Along similar lines, nearly 15 percent said they plan to find ways to increase efficiency or productivity this year.

A number of respondents cited strategies to increase the top line, including identifying new customer opportunities and increasing sales as well as prices. Rounding out the top five strategies, respondents are focusing on customer retention via enhancing their service levels and solidifying relationships.

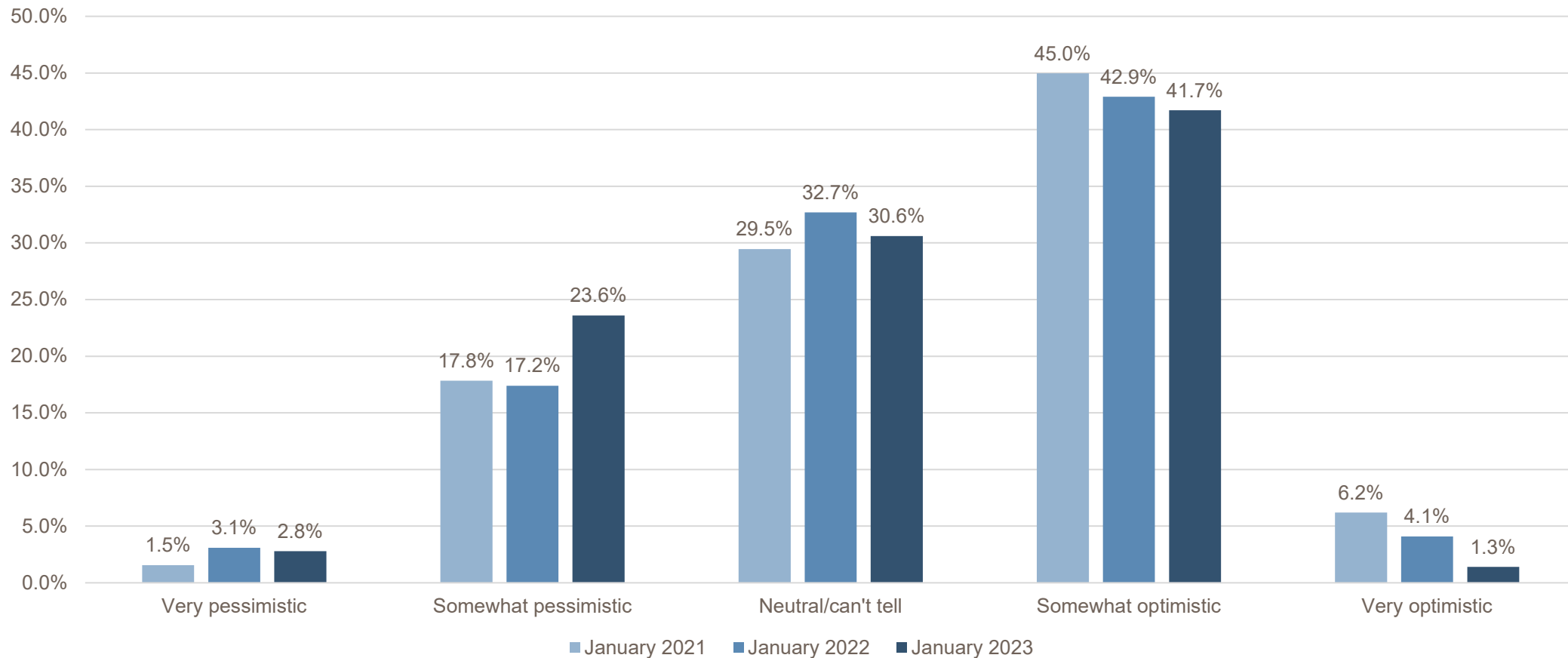
What's next for private companies?

Will inflation continue its slow decent this year, causing the Fed to pull back on interest rate increases? Will the economy tip into recession? Will the hiring market finally start to turn back in companies' favor? If only we had a crystal ball. Instead, 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.

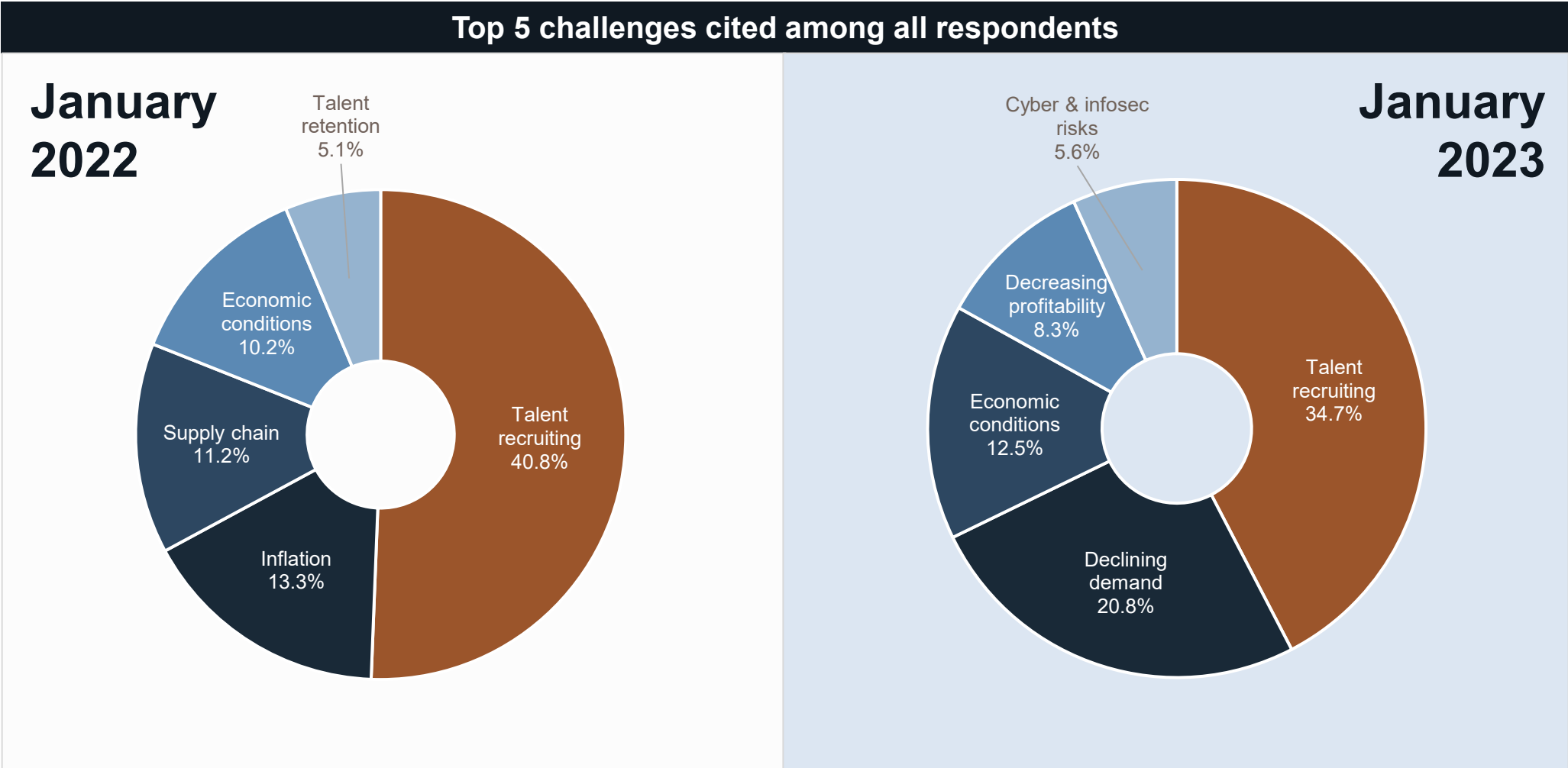
On a scale of 1 to 10, how would you describe the outlook for your business?



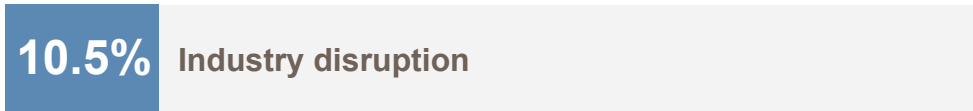
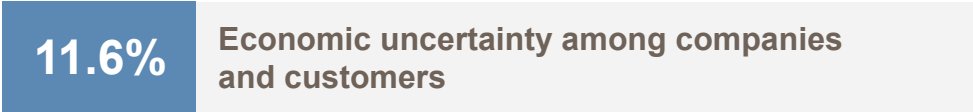
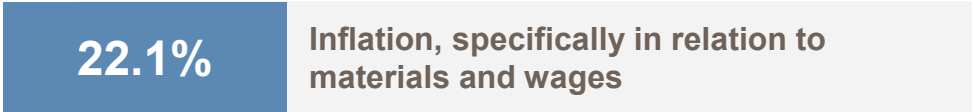
How would you describe your overall feeling toward the U.S. economy over the next 12 months?



What is your top business challenge?



Which factors are currently having the largest impact on your top business challenge?

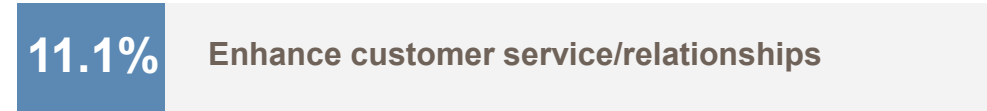
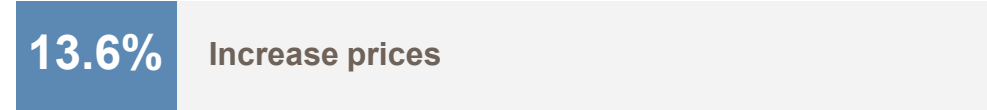
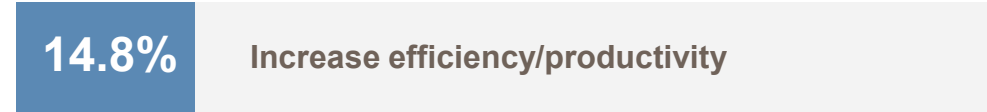
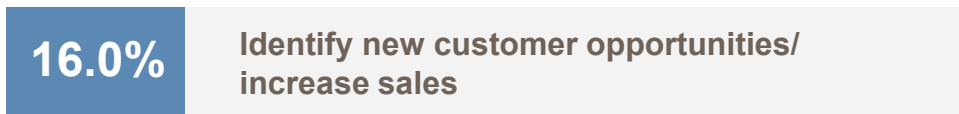


Less than 5%

- Supply chain disruption
- Lower demand for products/services
- Government regulation
- Rising interest rates
- Talent retention, development, and training

- Lower productivity/efficiency
- Internal business challenges
- Ongoing pandemic-related challenges
- Cyber attacks
- Global instability

Given the current business environment, what is your top strategy to maintain profitability for 2023?



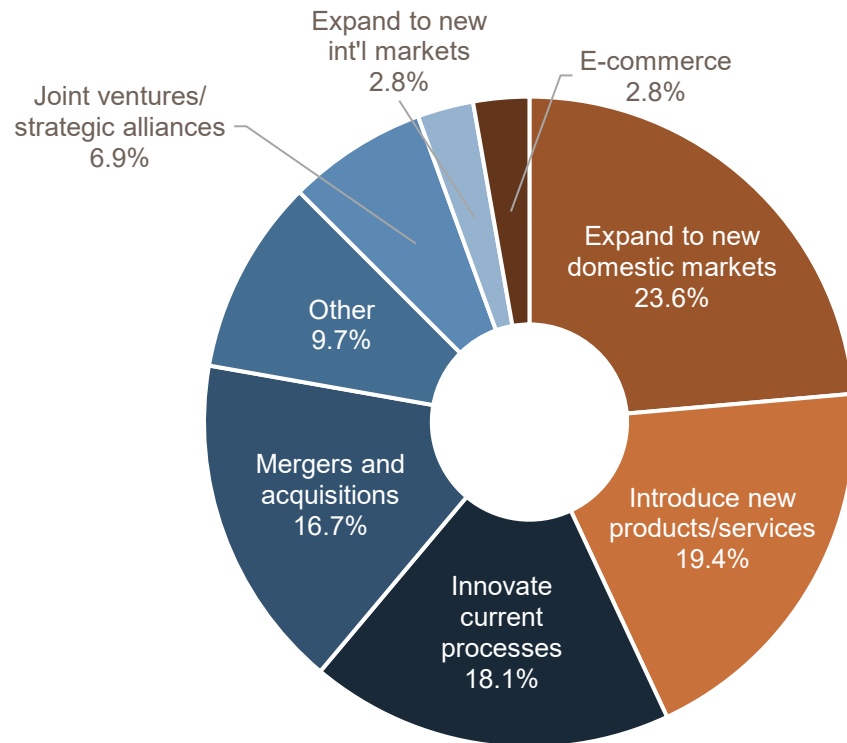
Less than 5%

- Negotiate vendor pricing
- Reevaluate business strategy
- Increase marketing
- Layoffs or hiring freezes
- Focus on talent retention

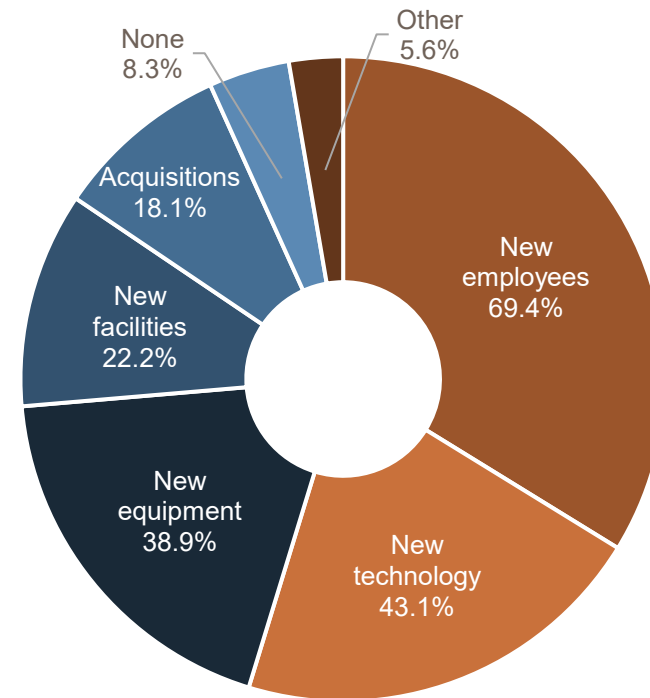
- Capital acquisition
- Increase inventory
- Increase sales from existing clients
- Update/replace equipment
- M&A

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

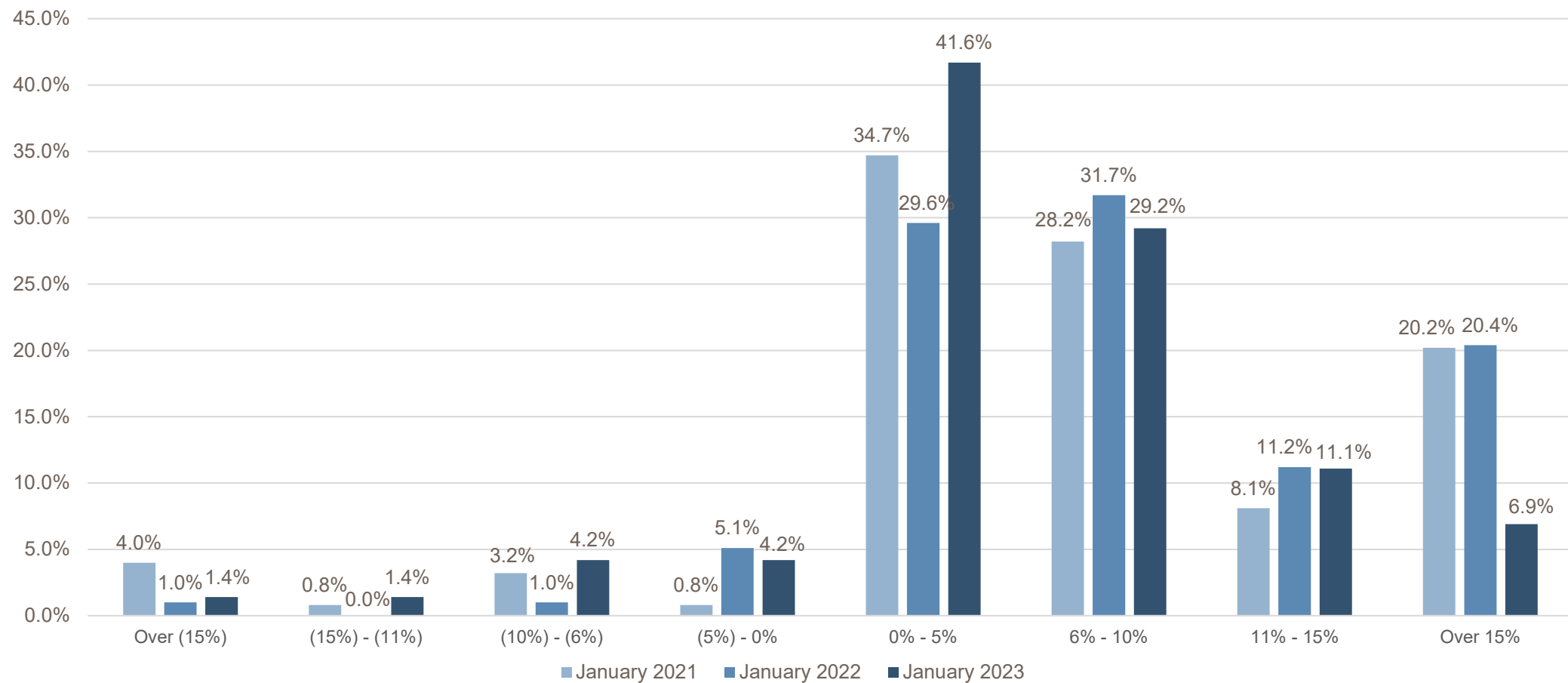
Top growth opportunities



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 2023.

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.

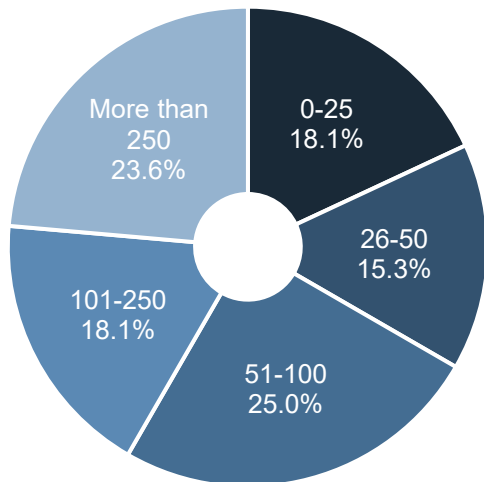
There were **72** total survey respondents.



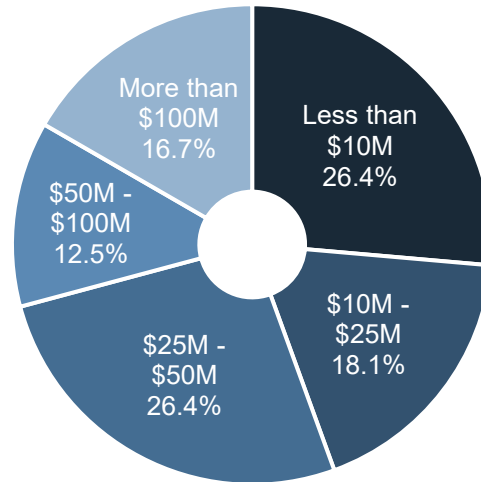
Source: WelcometoPhila.com

Demographics

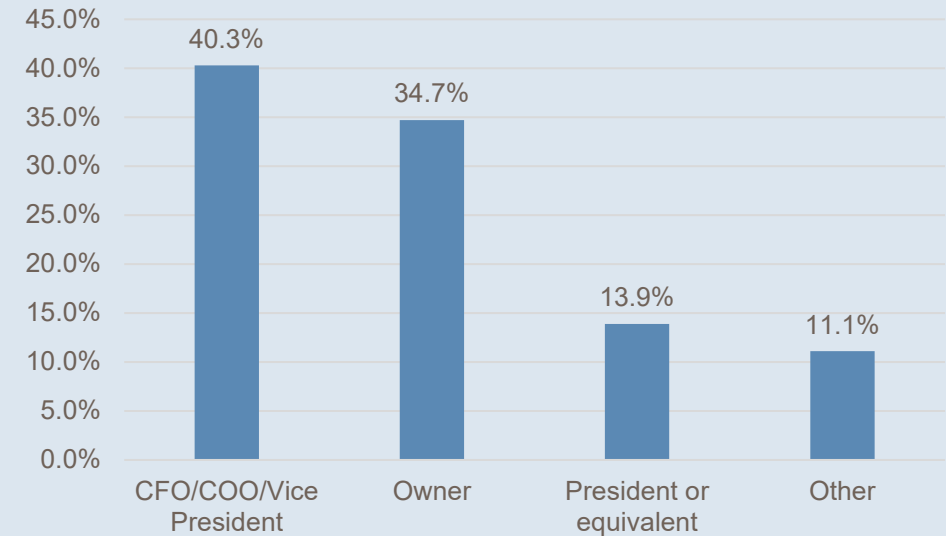
Survey respondents by **employee size**



Survey respondents by **revenue**



Survey respondents by **role in the organization**



Demographics

Survey respondents by **industry**



- 22.2%** Construction
- 16.2%** Professional, Scientific, & Technical Services
- 11.1%** Wholesale Trade
- 5.6%** Finance & Insurance
- 4.2%** Retail Trade
- 2.8%** Agriculture, Forestry, Fishing, & Hunting
- 2.8%** Information
- 2.8%** Education Services
- 2.6%** Other
- 1.4%** Real Estate
- 1.4%** Health Care



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.**



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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.