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A Kreischer Miller Knowledge Venture

# Kreischer Miller Private Company Pulse Survey™

*March 2019*



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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 optimistic that 2019 will be a good year.**

Our Private Company Sentiment Index™ is a measure (on a 1 – 10 scale) of how private companies feel about the current outlook for their business. The Index currently stands at 7.74, versus 7.35 six months ago and 7.79 one year ago. We are also seeing continued optimism play out due to many companies' positive 2018 financial results.

What makes this optimism slightly curious, however, is the shift in respondents' growth expectations since last January. When asked about their expected sales growth in the next 12 months, 14.4 percent of respondents felt their growth rate for 2019 would be greater than 10 percent, compared to 27.9 percent a year earlier.

We have also seen a decline in respondents' feelings about the U.S. economy since our January 2018 survey. The number of respondents who said they were very optimistic about the economy was 35.5 percent in 2018, versus just 11.6 percent in 2019.

### **The government policy climate appears hazy.**

While it would be difficult to determine the exact cause of this decline in economic sentiment, it could be partly related to how respondents viewed the effects of government policies on their businesses. When asked how they feel about the current policy climate, nearly half (42.0%) said they are neutral or can't tell. The responses on

# Executive Summary Continued

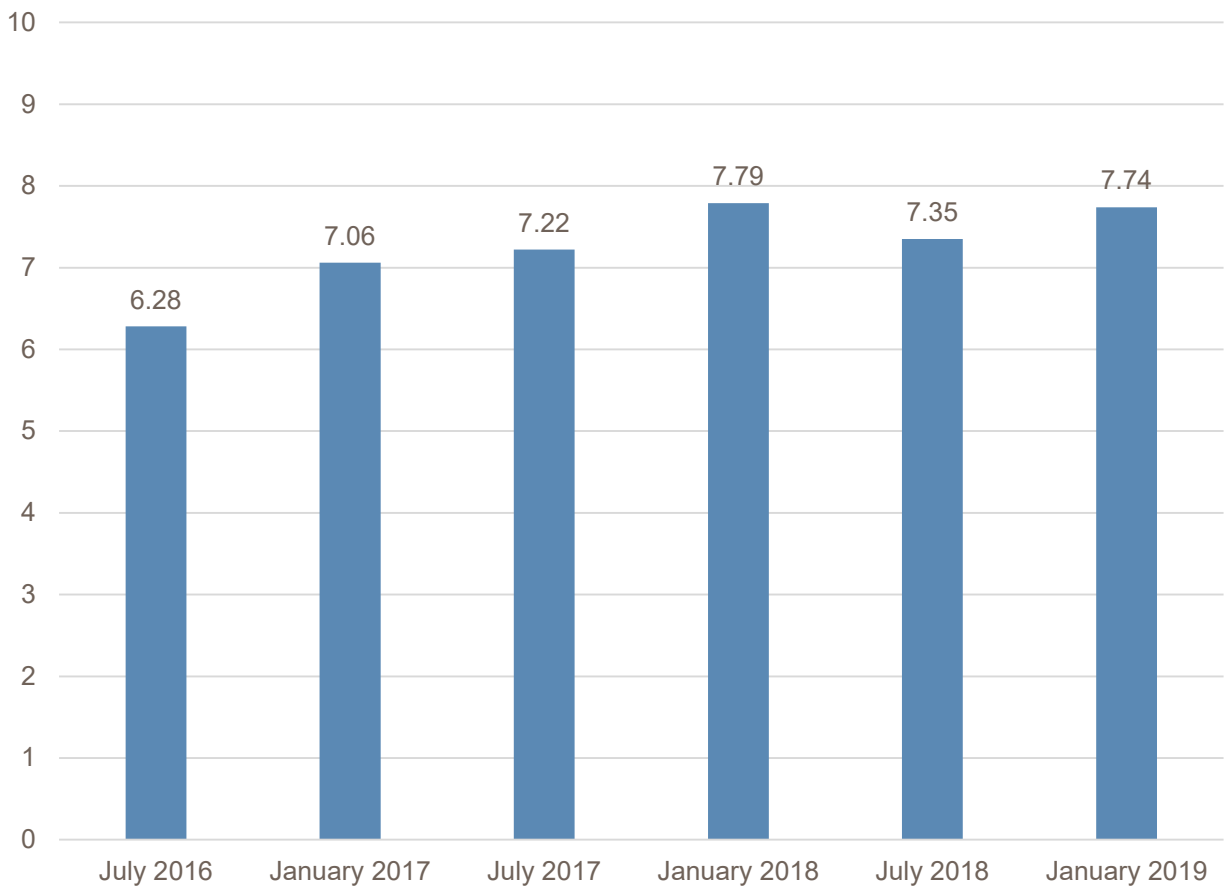
either side of neutral were somewhat evenly split: 21.8 percent indicated some level of positivity, while 36.2 percent indicated some level of negativity. As one respondent commented, “Uncertainty delays decisions, which impacts our revenue.” One thing I believe we can all agree on is that we could use a greater level of certainty coming out of Washington.

## **Talent is still a critical driver.**

While access to talent continues to be cited as the top business challenge (42.0%), it doesn't seem that it will deter our respondents' hiring and retention plans. When asked which investments they plan to make in the next 12 months to support their businesses, 81.2 percent cited new employees. This answer was significantly higher than the next choice cited, new technology (55.1%). This is not surprising, given the exceedingly low level of unemployment. What may prove to be interesting over the coming years is the degree to which companies' earnings are affected by constraints on revenue growth and increasing labor costs.

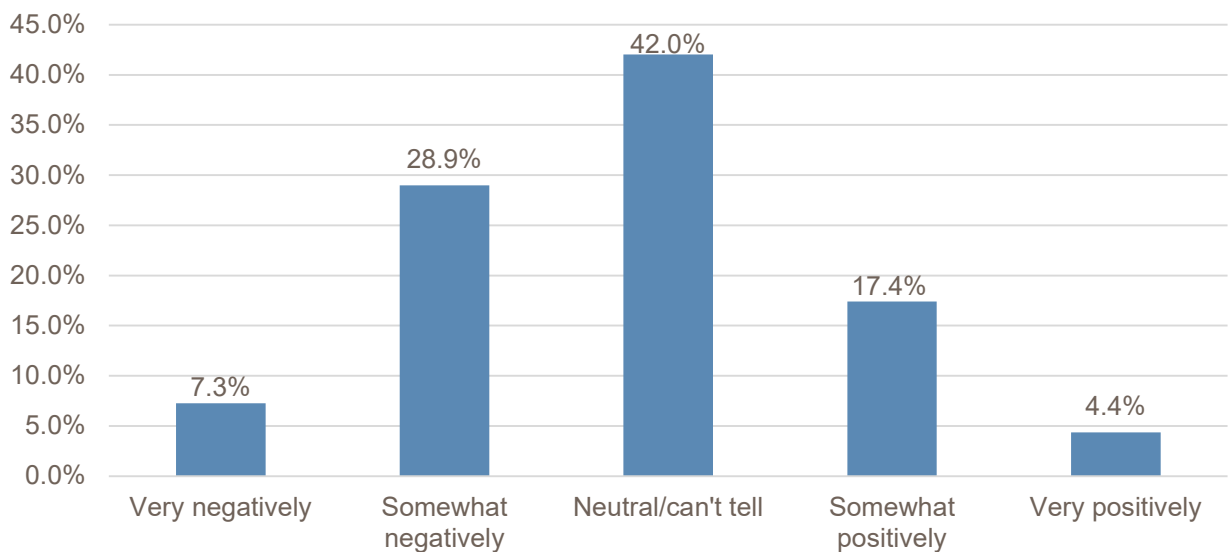
# Private Company Sentiment Index™

How would you describe your outlook for your business?



# Government Policy Impact

How do you feel the current government policy climate (i.e., Fed policy and interest rates, tariffs and trade policy, budget impasse, tax policy, etc.) is affecting your business?

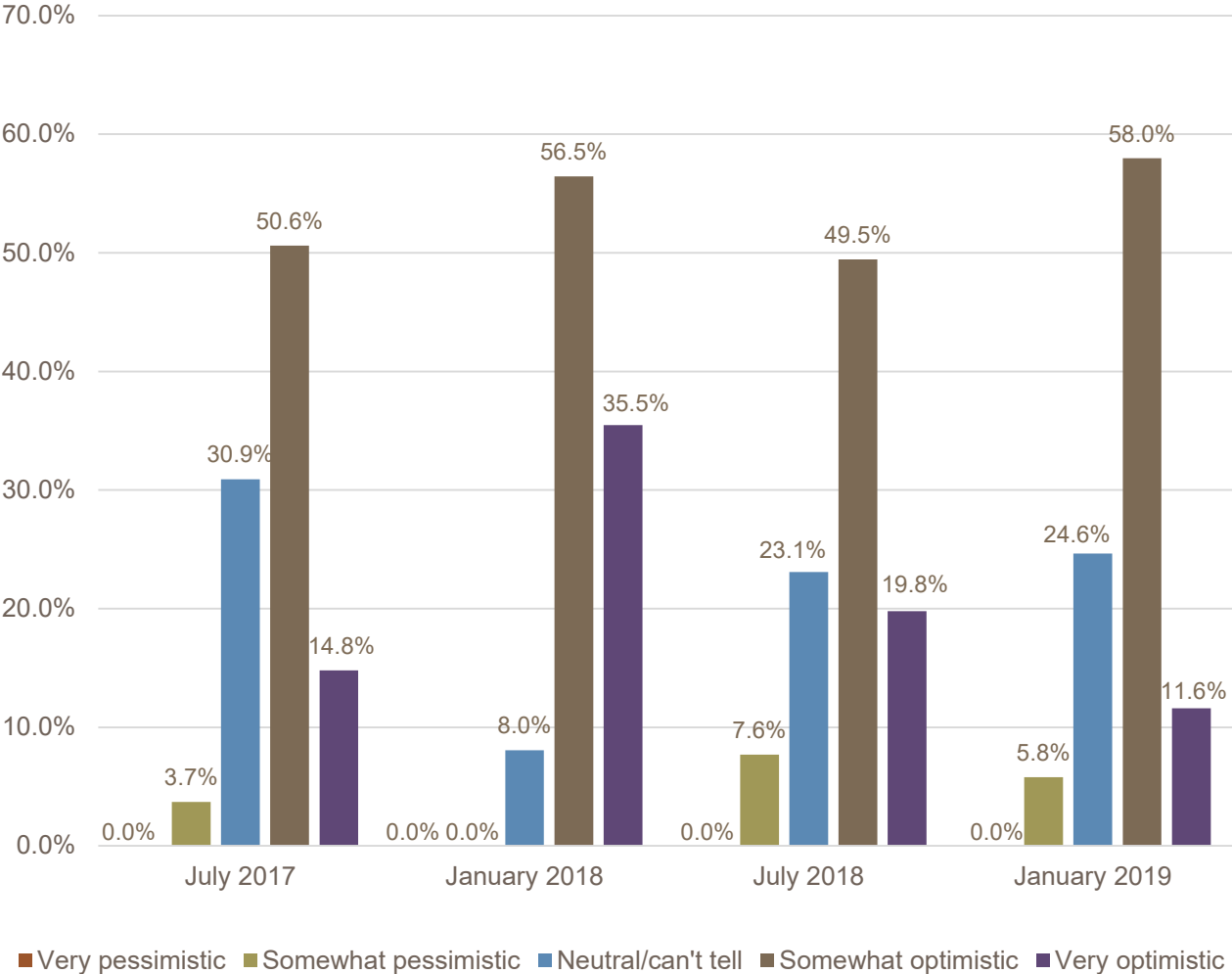


## Respondent comments:

- “Uncertainty delays decisions, which impacts our revenue.”
- “Government policy climate is creating complexity for business owners, which creates opportunity for our business.”
- “Some very positive developments, but all overshadowed by the distracting daily drama of the current federal government leadership. The benefits of the tax cuts will be lost if growth is not sustained. Sustained growth is put at risk by constantly shifting policy positions/priorities and erratic leadership style.”
- “There has been a pull-back in demand after December's stock market downturn. Consumers have pulled back their spending, which is affecting our customers.”
- “Too much drama coming out of D.C. Our government is not a reality TV show. We need sustained growth to support tax cuts. Stop the nonsense and govern.”
- “Trump is doing exactly what we need.”

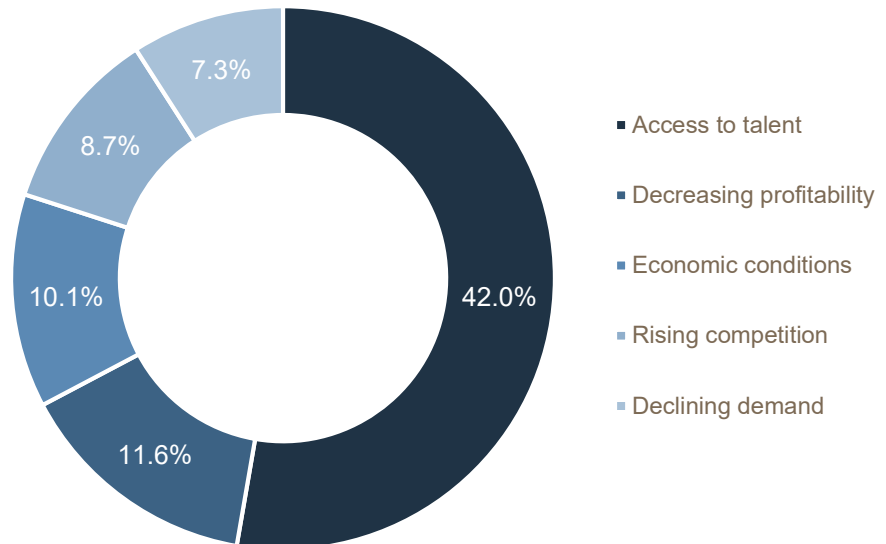
# Economic Optimism

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

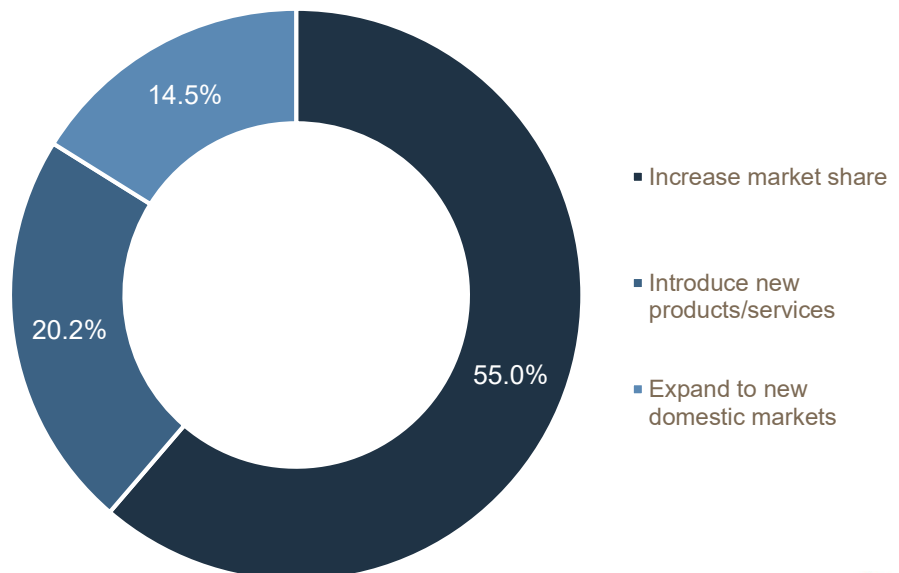


# Business Challenges & Opportunities

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



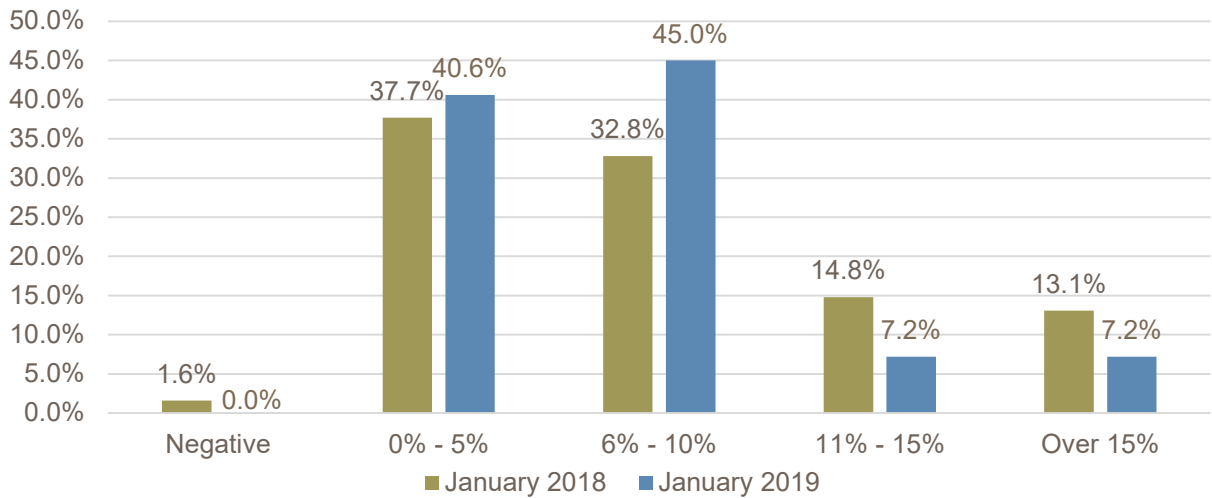
What is your top opportunity for growth?  
(Top 3 opportunities cited)



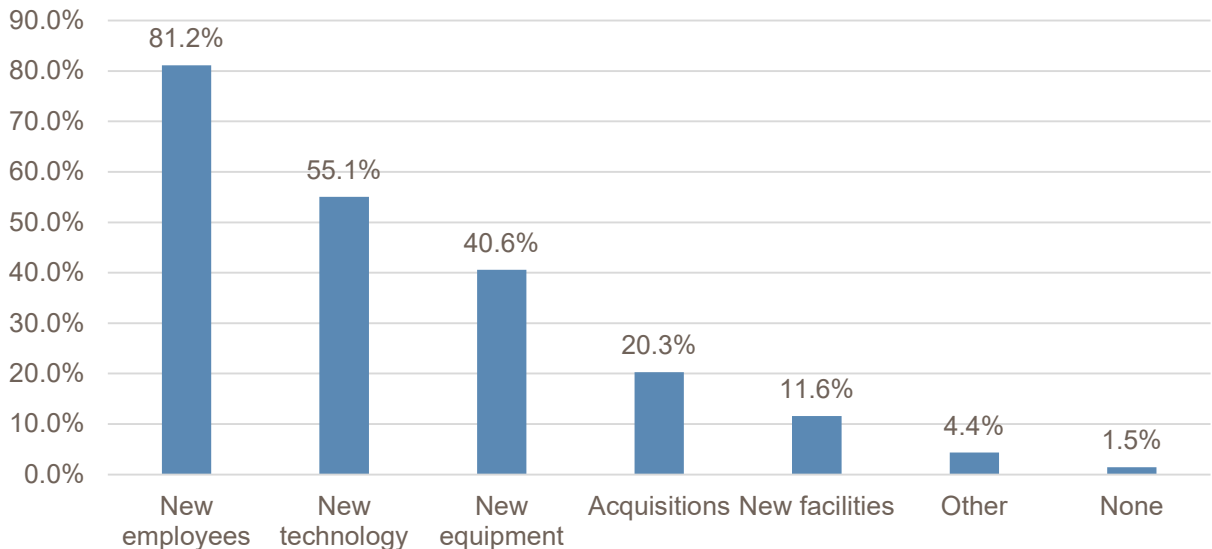


# Growth & Investments

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)



# Methodology

Kreischer Miller's Private Company Pulse™ survey was conducted online in January 2019. Survey questionnaires were distributed electronically to private company executives in the Greater Philadelphia and Lehigh Valley regions.

There were 69 total participants representing privately-held companies of various sizes and in an array of industries. When asked their role in their business, 40.3 percent indicated they are a CFO/COO/Vice President, 32.8 percent indicated they are an owner, 16.4 percent are the President or equivalent, and 10.5 percent responded with other.

The majority (82.1%) are located in Montgomery, Bucks, and Philadelphia counties, with the remaining respondents spread across 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	27.0%
\$10 million - \$25 million	27.0%
\$25 million - \$50 million	12.7%
\$50 million - \$100 million	15.8%
Over \$100 million	17.5%

Number of employees in participants' organizations	
0-25	21.2%
26-50	19.7%
51-100	19.7%
101-250	22.7%
Over 250	16.7%

Participants' industries	
Services	26.7%
Manufacturing	20.0%
Distribution	20.0%
Construction	16.7%
Other	11.7%
Government contracting	3.2%
Real estate	1.7%

# About Kreischer Miller



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**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.**



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**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

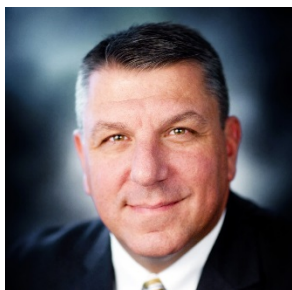
with their peers as they address the challenges they face in improving their businesses.

**Learn more at [www.kmco.com](http://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](mailto:kmiller@kmco.com).



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