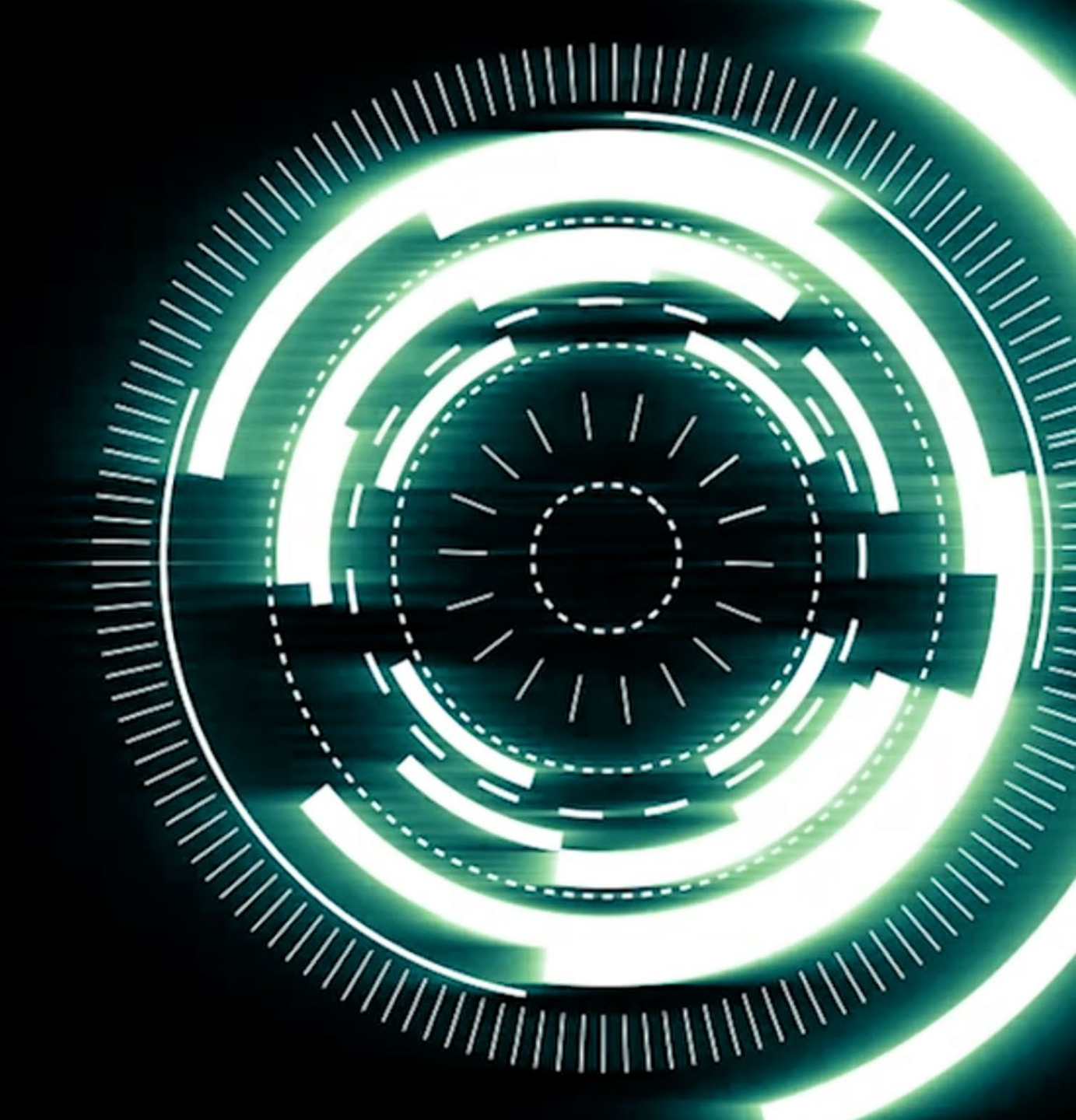


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Private company outlook:
Productivity

March 2024



Deloitte Private asked **100 private company leaders** about their approach to increasing productivity in the next 12 months.

METHODOLOGY

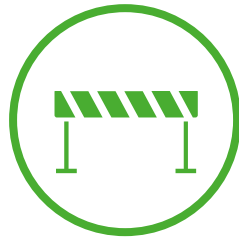
Deloitte Private's pulse survey, "Private Company Outlook," gauges private company leaders' perspectives on opportunities and risks to business now and in the future.

The survey of 100 private company leaders was conducted online by an independent research company between February 22nd and 27th, 2024. Respondents represented C-level, president, board member, partner/owner roles at private companies in the US with annual revenues of US\$100 million to US\$1 billion+.



To increase productivity, companies are prioritizing new and existing talent.

Respondents from larger organizations (annual revenues \$500 million and above) said hiring qualified/skilled talent (51%) is the top priority to increase productivity over the next 12 months. Respondents from smaller organizations (annual revenues under \$500 million) put reskilling and upskilling at the top of the list (45%).



Organizations will largely rely on capital investment to fund productivity improvements.

Among private company leaders surveyed, 87% say their organization will finance investments in productivity with equity of some kind, either from new or existing investors, or both.



Organizations that can't increase productivity expect to face slower business growth and declining valuations.

Respondents from larger companies (annual revenues \$500 million and above) are likely to experience slower business growth (56%) if they can't meet productivity goals. Among smaller companies (annual revenues under \$500 million), 55% of leaders say their company valuation will decline.



Nearly 9 in 10 respondents expect AI will improve productivity within the next three years.

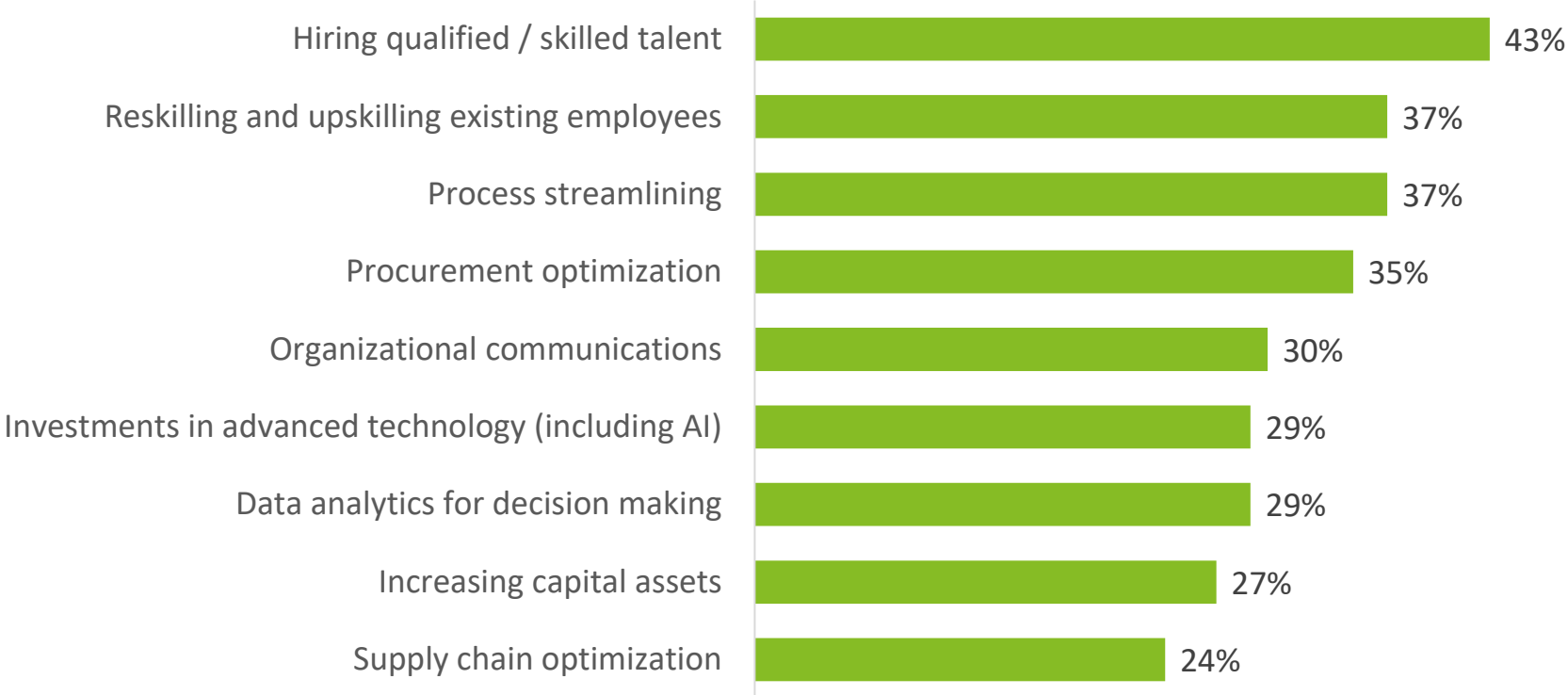
While less than 10% of respondents said AI is currently improving productivity, the large majority (87%) expect it to within three years. However, respondents from larger companies (annual revenues \$500 million and above) are significantly more likely to prioritize investments in advanced technology like AI (44%) compared to 16% of smaller companies (annual revenues under \$500 million).

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Among leaders surveyed, hiring qualified/skilled talent and reskilling/upskilling are top priorities to increase productivity in the next 12 months.

What is your organization prioritizing to increase productivity in the next 12 months?

(Select up to three.)

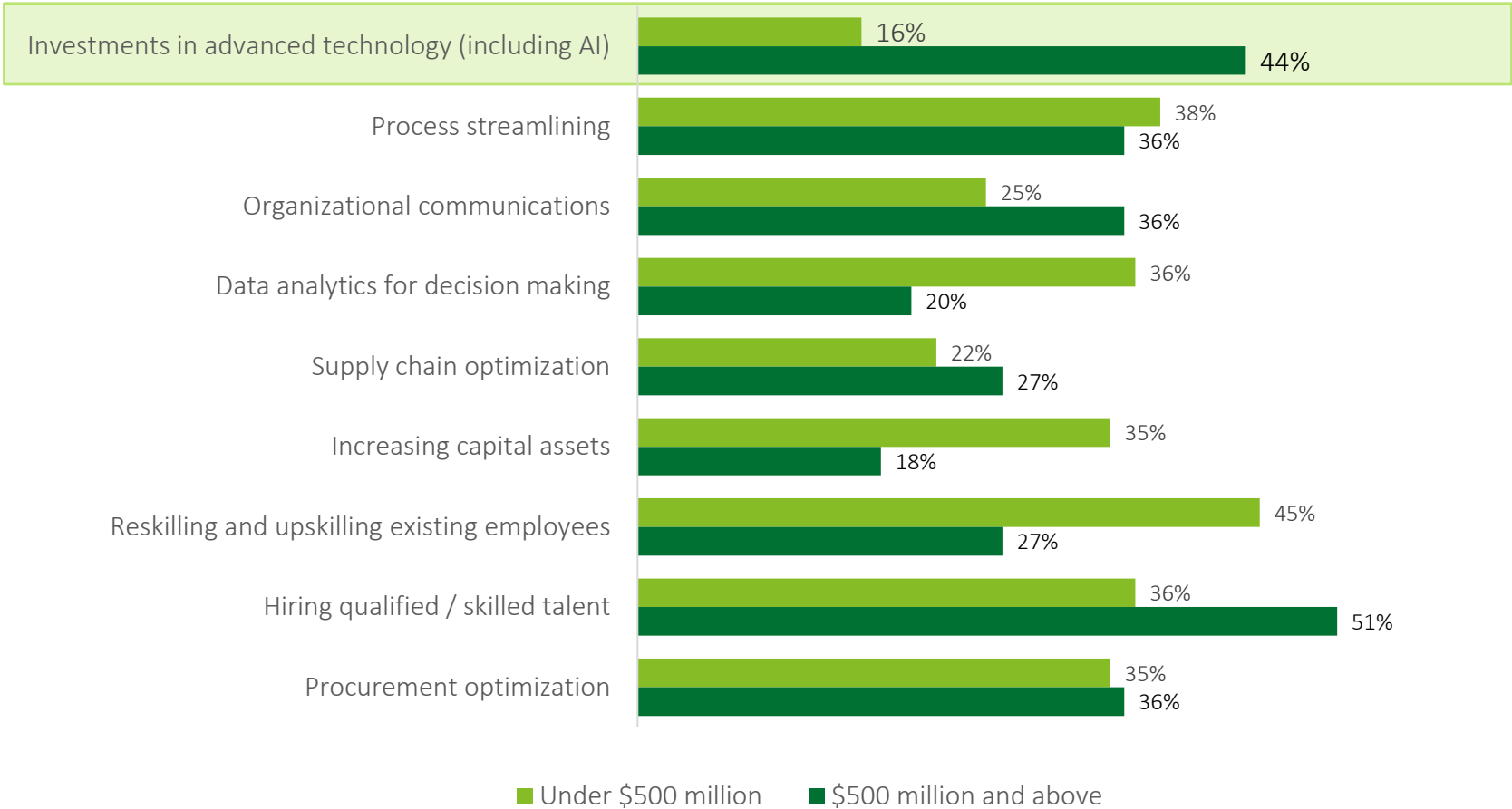


Private company outlook: Productivity

Investments in advanced technology, including AI, are a higher priority for larger companies (annual revenues \$500 million and above).

What is your organization prioritizing to increase productivity in the next 12 months?

(Percentage ranking risks as high/very high)

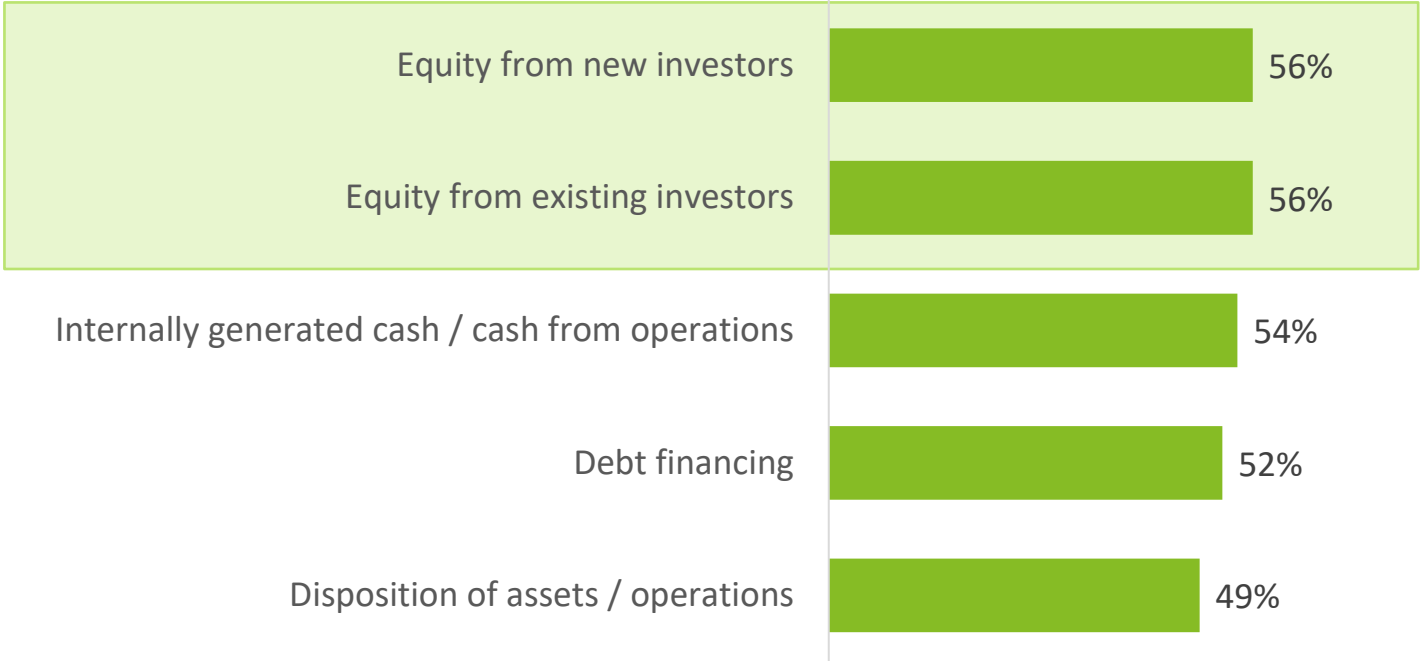


Private company outlook: Productivity

Respondents stated that their organizations are primarily relying on new or existing equity to finance investments in productivity.

How does your organization plan to finance investments in productivity?

(Select all that apply.)

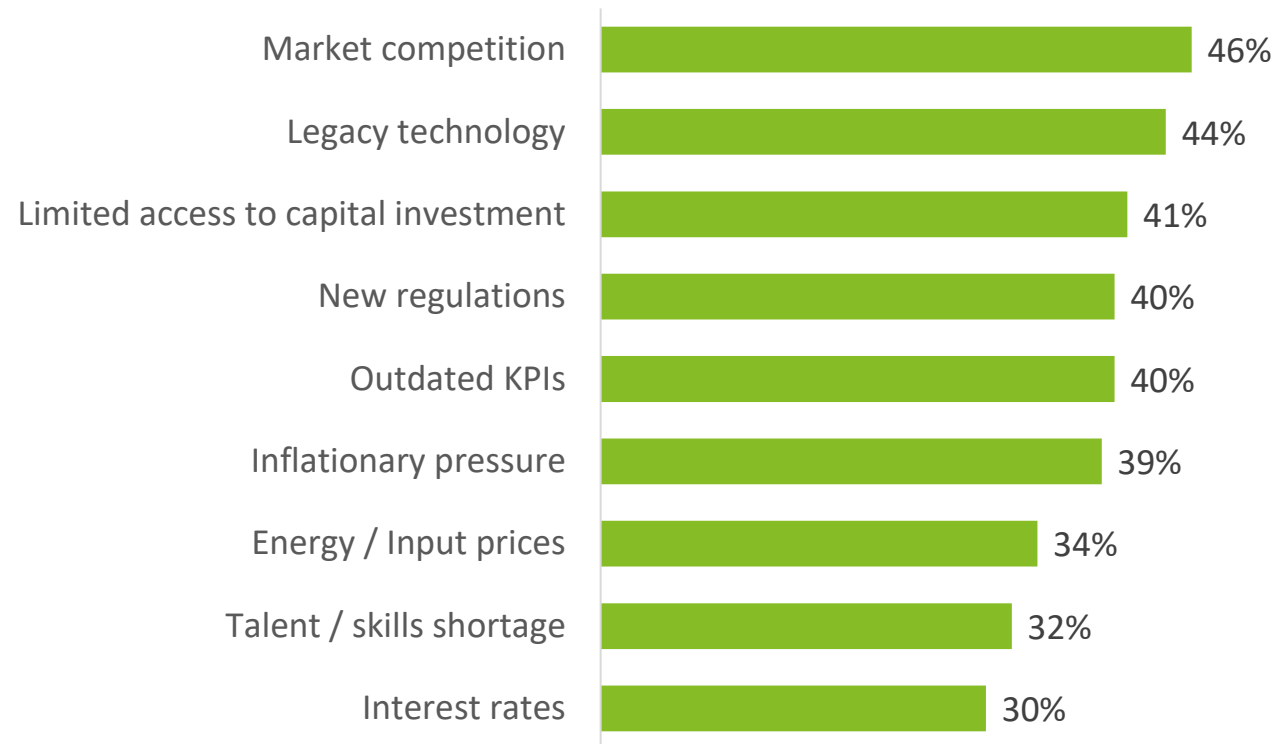


87% cited new, existing or both

Market competition and legacy technology are the most likely to be considered major or very major barriers to increasing productivity according to respondents.

Please rate the following barriers to increasing productivity in the next twelve months.

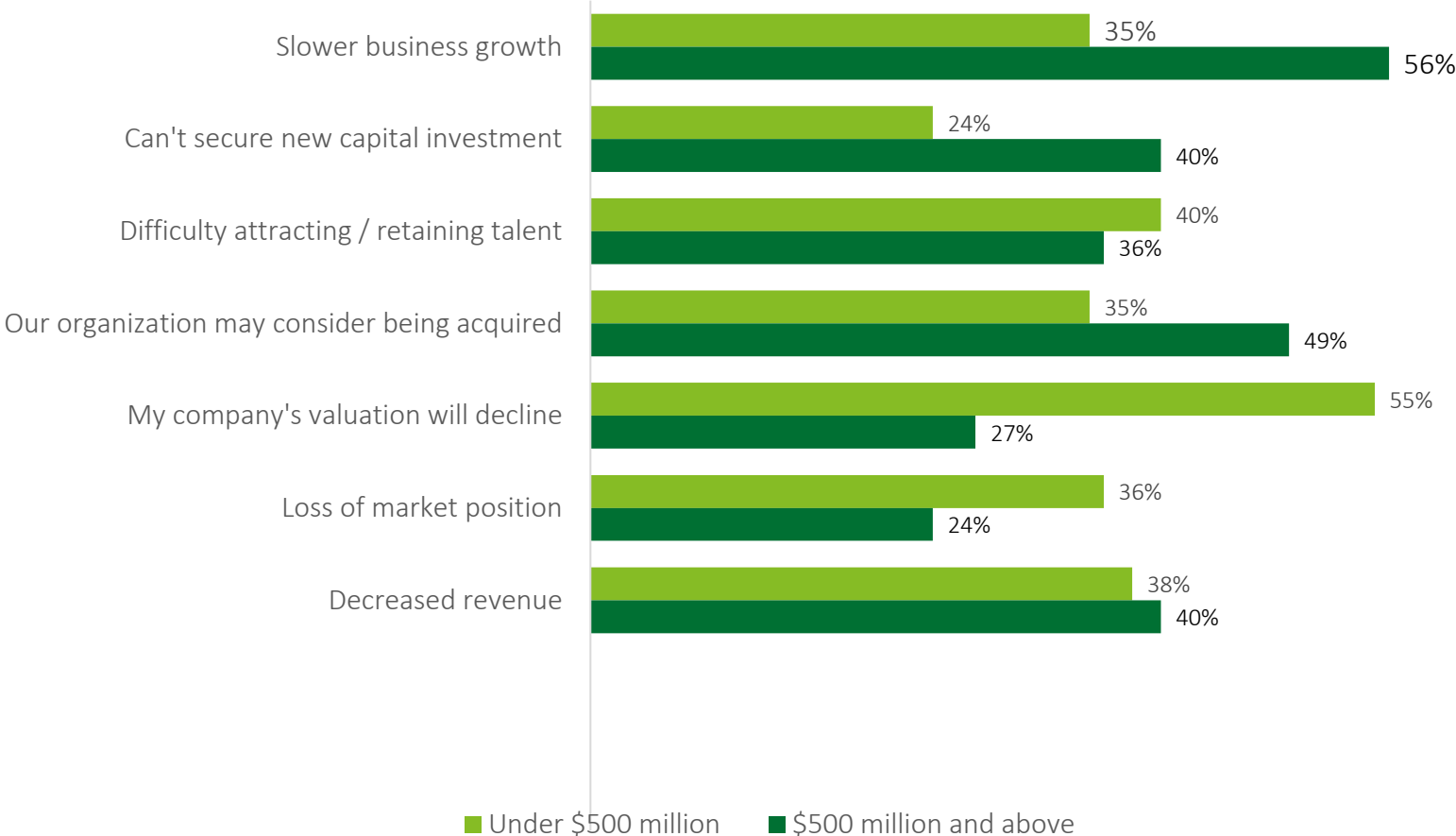
(Percentage responding major barrier/very major barrier.)



Private company outlook: Productivity

Those surveyed said declining valuations are the most likely impact to smaller companies (annual revenues below \$500 million) that miss productivity goals, compared with slower business growth among larger organizations (annual revenues \$500 million and above).

If your organization is not able to meet its productivity goals, what do you believe will be the likely impact on your organization?
(Select all that apply.)

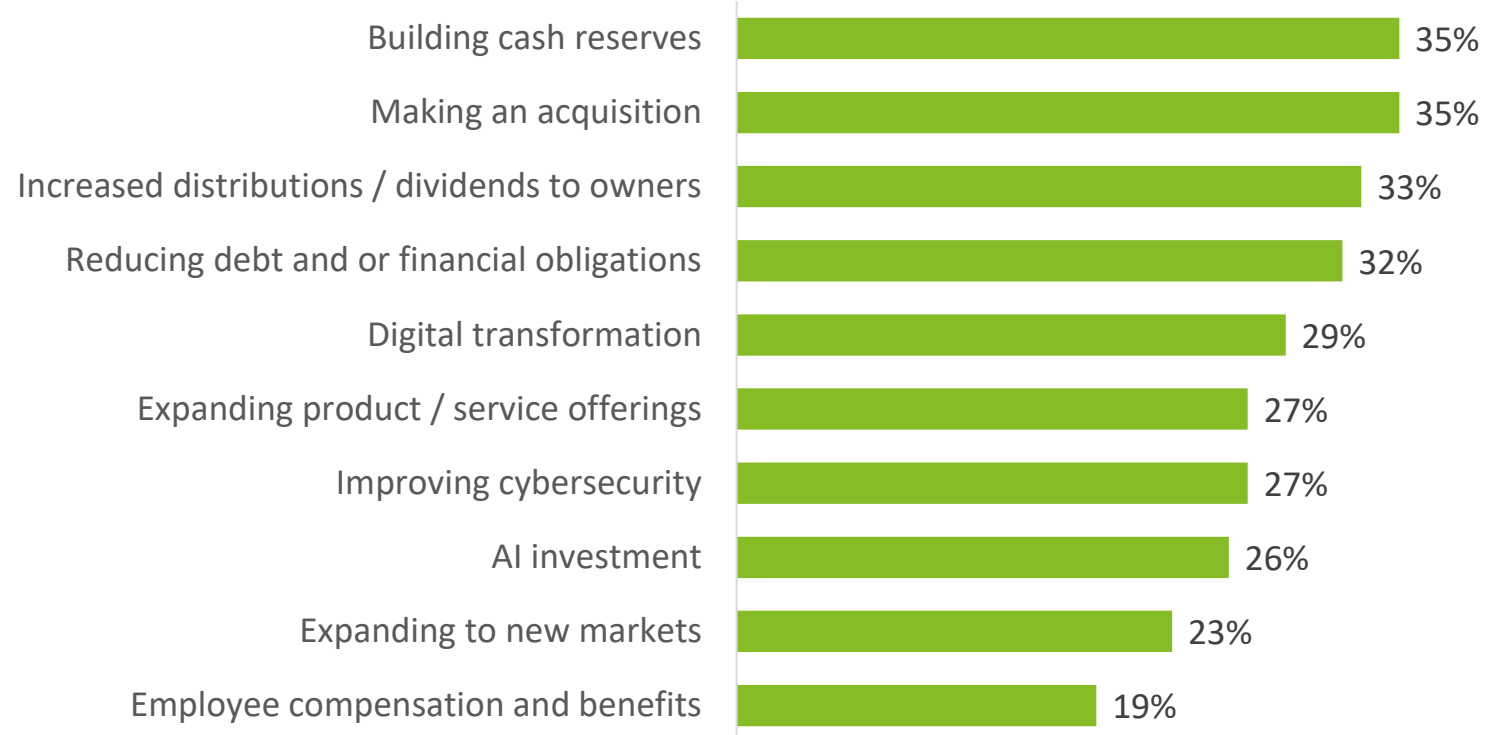


Private company outlook: Productivity

Private company leaders surveyed said they were most likely to put productivity gains into building cash reserves and making acquisitions.

If your organization meets its productivity goals in the next 12 months, where do you plan on allocating the additional resources created by the productivity increases?

(Select up to three.)

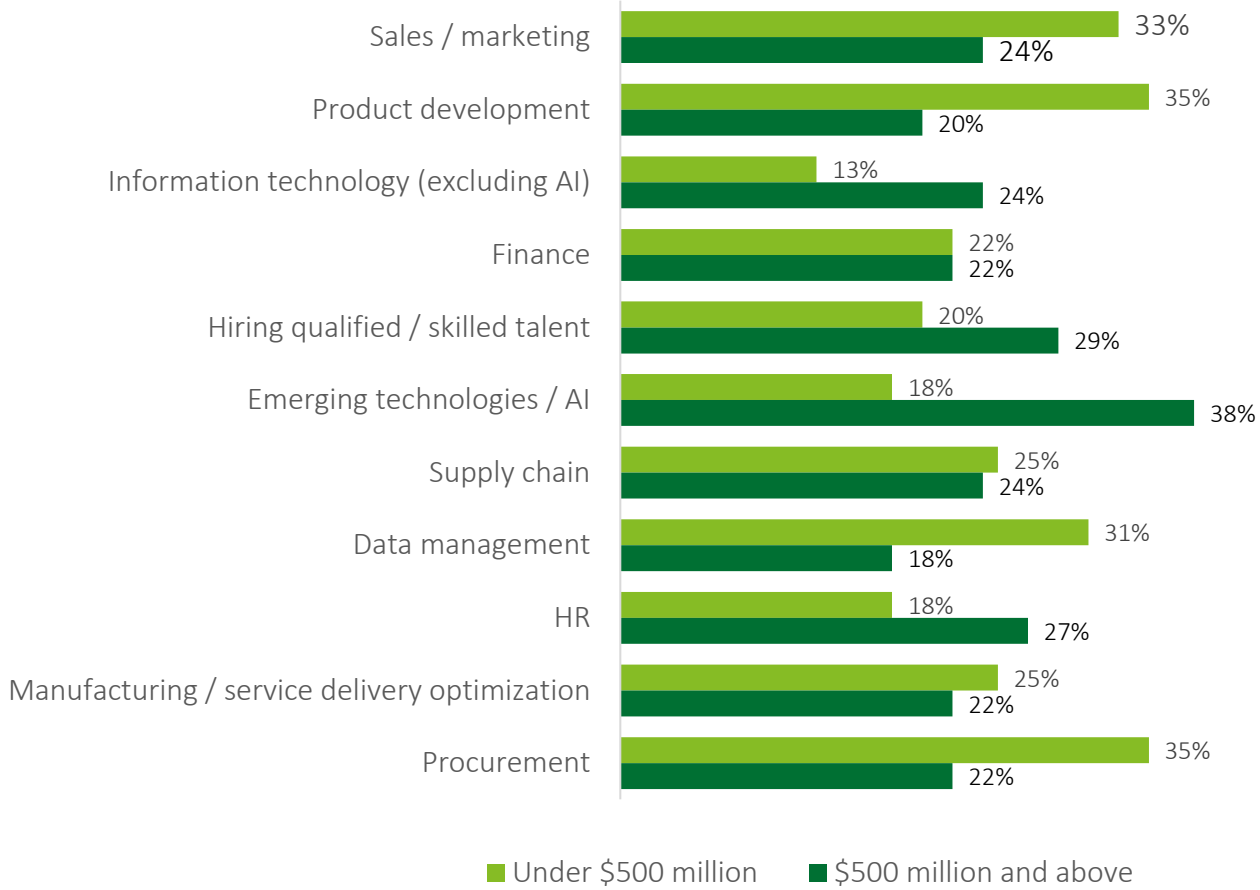


Private company outlook: Productivity

Respondents from smaller organizations say productivity improvements are most needed in procurement, product development and sales/marketing to achieve business priorities. Larger organizations cite emerging technology/AI, hiring talent and HR.

In what areas do you believe your organization needs to improve productivity to meet its business priorities?

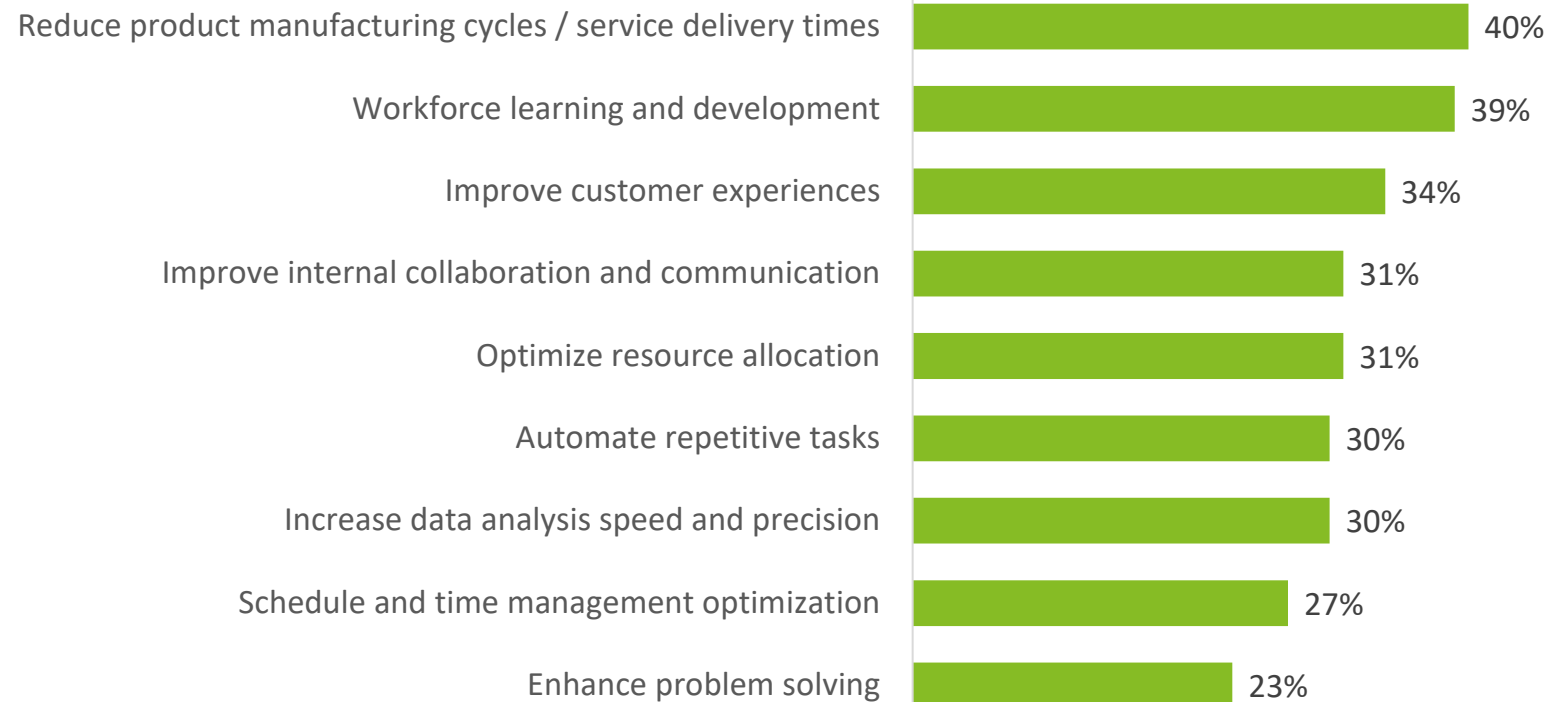
(Select up to three.)



Private businesses surveyed anticipate AI will contribute most to productivity by reducing product manufacturing cycles/service delivery times, along with workforce learning and development.

What are the biggest ways you anticipate AI contributing to increased productivity in your organization?

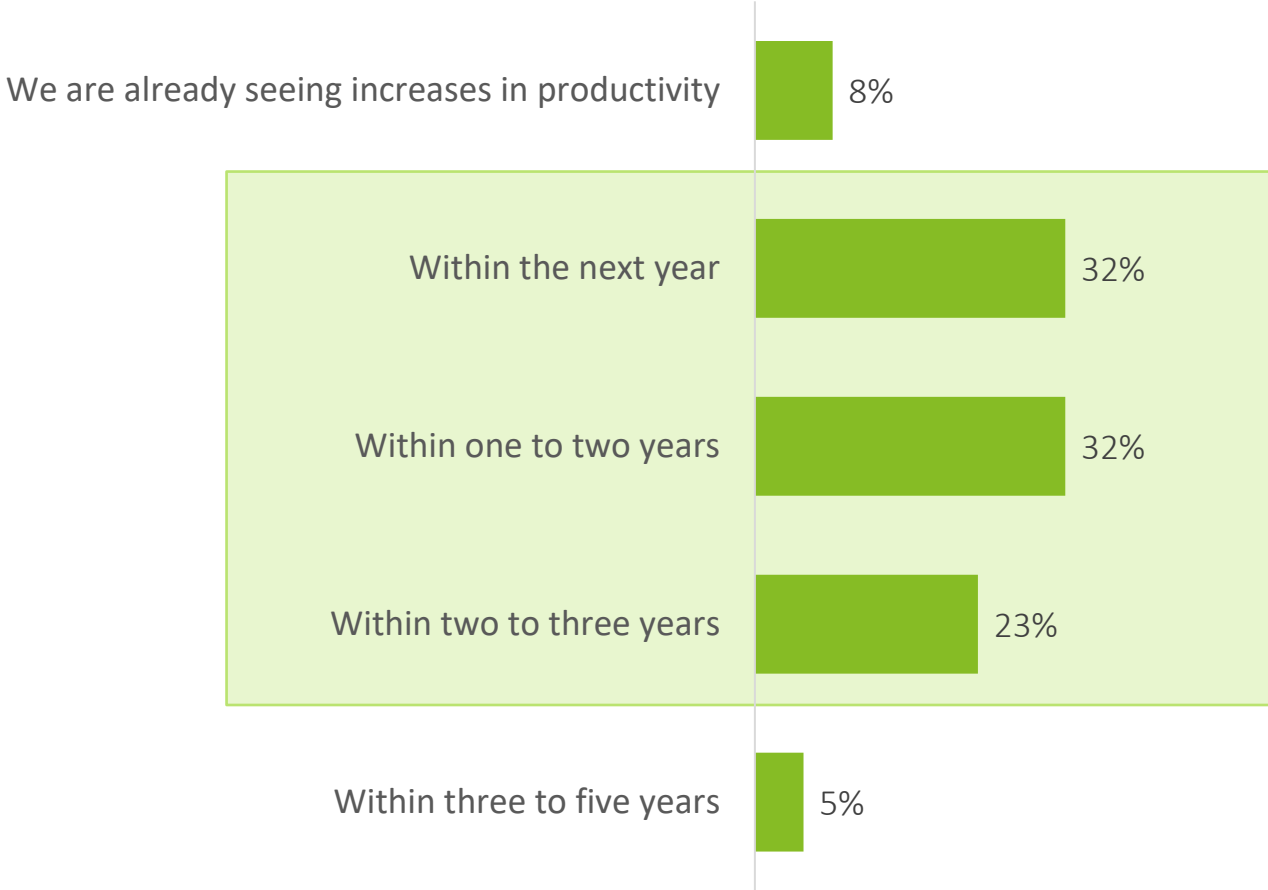
(Select up to three.)



Private company outlook: Productivity

While less than 10% of respondents reported already seeing increases in productivity from AI, almost nine out of ten (87%) respondents expect to see increases in productivity resulting from the use of AI in the next three years.

When do you anticipate your organization will likely see increased productivity resulting from the use of AI?



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