

Agile, prepared, and confident

PRIVATE COMPANIES FEEL UP TO THE CHALLENGES AHEAD

EVEN WITH THE current economic backdrop clouded by signs of slowing across many parts of the world, most private companies worldwide—74 percent—are confident or highly confident about their organizations' prospects for success over the next two years, according to the 2019 Deloitte Private global survey of private company leaders.

Most of the private companies surveyed also expect their revenues, profits, productivity, and capital investment to go up in the coming year—and 49 percent anticipate growing their full-time workforce, a slightly greater proportion than in 2017.

Respondents' general sense of confidence comes even as they identified a number of risks to their organizations. As a group, the risks respondents were most concerned about were trade barriers,





potential cyberattacks, and the cost of raw materials. Trade barriers were of particular concern to respondents based in Asia-Pacific, 30 percent of whom identified trade barriers as a high or very high risk to growth over the next 12 months.

Competitive threats are also clearly on the minds of private company executives: Half of the survey respondents saw disruption by either a traditional or nontraditional competitor as at least a medium risk, and nearly one in five characterized it as a high risk. But many private companies aim to disrupt the market themselves. Nearly four in 10 respondents say they are exploring opportunities to take advantage of disruption, and a third have organized dedicated teams focused on disruption. On the other hand, more than a fifth of the respondents say there is little focus on disruption at their company or they aren't taking any action at all to get ahead of it.

Asked to identify their sources of competitive advantage, respondents pointed to the development of new products and services, high productivity, business model innovation, and growing existing markets. Many private leaders also view a strong corporate culture as integral to their business's performance. Seventy-seven percent of respondents characterized culture as strategically important to the success of their company, with 35 percent strongly agreeing with that sentiment.

It will be interesting to see whether the coming year tests private companies' ability to preserve their culture, not just because of generally high expectations around corporate combinations, but also due to the preponderance of respondents who believe their company will at least consider an initial public offering in the coming year. More than one-half of our respondents believed that their company was on a path to going public within the next 12 months, a figure that stayed consistent across all three regions. ●

For more insights from Deloitte Private's 2019 survey of private company leaders, read the report *Global perspectives for private companies: Agility in changing markets* at www.deloitte.com/insights/deloitte-private-global-survey.