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KPMG Survey: Private Company Execs Optimistic Their Companies Will Outperform Broader Economy In 2013

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Private company business leaders predict that their companies' performance will continue to outpace the broader U.S. economy in 2013, as they look to IT investments and new products to drive their future growth, according to a survey by KPMG LLP, the U.S audit, tax and advisory firm.

Although current estimates place U.S. growth in 2013 at no more than 2.5 percent, a majority – 58 percent – of respondents to the KPMG survey say their companies are poised for growth of 6 percent or greater this year, with 15 percent reporting growth will range from 11 – 20 percent and 10 percent saying they expect growth greater than 20 percent.

However, survey respondents also report that the nation's current regulatory environment is putting pressure on their companies' growth, expansion plans, and hiring. More than half (57 percent) of those surveyed report that federal regulatory changes have had a negative impact on their businesses, and higher taxes and uncertainty about tax reform have impeded private company job creation and growth and prevented additional investment in otherwise growing businesses.

"It's clear that many of the private companies we surveyed are not just growing, they are thriving," says Jim Liddy, head of Audit at KPMG. "While not immune from the effects of national or global issues, the flexibility and nimbleness that comes with being privately held has helped business leaders innovate their way to growth."

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In addition to rising revenues, respondents to the KPMG survey also report healthy

revenue growth.

While a majority of private companies in the survey were growing revenues, those that were not seeing such growth (13 percent) cited a range of reasons. Most frequently (41 percent), companies said their customers were experiencing their own financial duress. Other issues included increased domestic competition (37 percent) along with global uncertainty and economic unrest (30 percent). Meanwhile, 26 percent say their revenues have declined because of new regulations, and 22 percent point to increased foreign competition.

BARRIERS TO GROWTH

Overall, the total number of survey respondents identified a range of factors hampering not only their own performance but that of the broader economy, with 37 percent of executives saying regulatory and legal pressures top their list of growth barriers. That figure rises to 60 percent among healthcare enterprises (who are dealing with regulations such as the Affordable Care Act) and 56 percent among financial services companies (who are coping with changes related to the Dodd-Frank Act).

Pricing pressures (36 percent), taxes (23 percent), labor costs (22 percent) and the difficulties of finding a qualified workforce (20 percent) all weigh heavily on survey respondents as they look to the future.

"Being a private company may shelter you from some of the short-term reporting mandates that face public companies, but it's no panacea," says Brian Hughes, National Leader of KPMG's Private Markets Group. "Leaders of private companies are still subject to the economic and regulatory environment in the U.S., and – depending on their business – the global economic realities and regulations as well.

So it's critical that they are up to date on these challenges and have clear strategies

"Given the difficulties they've faced in this economy, you might think private company owners would be looking to cash out and move on, but that's not what we're seeing," says Liddy. "Instead, they're working to adapt to marketplace realities, optimize the performance of their organizations, and prepare the next generation of leaders for the challenges of the future."

The KPMG survey was conducted by Forbes Insights during the first quarter of 2013 polling almost 500 senior executives of private companies from a range of industries with revenue from $100 million to $1.5 billion. For a copy of the survey, click here.

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