Press Release

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Private companies confident about growth prospects, despite complex and volatile business environment

Family-run companies - built on trust, personal relationships and strong values - could have significant competitive advantage

An overwhelming majority (81%) of private company CEOs believe their company is likely to grow revenues over the next year, according to PwC's 19th Annual Global CEO Survey. This is only slightly lower than the public company average of 84%; with companies defining themselves as private partnerships even more confident, at 86%.

Like their public company colleagues, private company CEOs see growth in this period coming primarily from the US (37%), China (31%) and Germany (19%). And despite the recent turmoil in the China market, private companies could retain many advantages compared to their public company colleagues.

For example, private company CEOs can take a longer perspective than businesses required to provide quarterly figures; and many of them have built their success on strength of personal relationships – still the way much business is done in China.

Looking more widely, only 28% of private company CEOs (27% of public ones) expect the global economy to improve in the next 12 months – down around 10 points on last year. And 66% of private company CEOs believe there are more threats to their company's growth now than three years ago – up from 58% last year.

So why are so many CEOs still confident about their own prospects? Says Henrik Steinbrecher, PwC's Network Middle Market Leader: "In business, risk has always been the flipside of opportunity, and 58% of private companies believe there are more new prospects for growth now than before. The strength of the private company sector has always been its ability to make decisions quickly, and move swiftly to seize opportunities."

But it’s in addressing greater stakeholder expectations that the perceptions of trust, personal relationships and strong values play to the strengths of family-run companies in particular. “It’s something of a paradox, but as the world become more global, consumers increasingly want a real relationship with the products or brands they buy – an emotional connection or confidence in its authenticity,” explains Henrik Steinbrecher.

Family and private businesses have a real advantage here, reflected in the CEO Survey results: 58% of public company CEOs have concerns about public trust in business, falling to 53% of private companies, and 43% of family firms.

And private company CEOs are making changes in the way they develop new ‘ethical’ products and services in response to changing stakeholder expectations – 74% are doing this to some extent, with 27% making significant changes, which compares to 19% in publicly listed companies.

In addition – and in line with the CEO survey sample as a whole - 92% of private company CEOs are changing how they manage their brand, marketing and communications, and the same percentage are looking at how they define and manage risks. And 90% are making more use of technology to assess and deliver on wider stakeholder expectations.

Turning to skills – always high on the list of concerns of family businesses – this year’s Survey reveals that 73% of private company CEOs have concerns about the availability of key skills, broadly in line with the sample as a whole. But a third of private CEOs are ‘extremely’ concerned, compared to a quarter of their publicly listed peers – with this figure rising to 40% for owner-managed businesses.

And it’s the battle for top talent that may explain why 42% of CEOs of family-run businesses are looking to change the pay and incentives their company offers, compared to 35% of private companies in general, and 33% for the CEO Survey sample as a whole. Similarly, 33% of private companies are focusing on skills and adaptability in their people, compared to just 24% for publicly listed companies.

The results from this year’s CEO Survey have prompted three core capabilities that CEOs need to focus on to equip themselves for growth in complicated times, whether they run a private or a publicly listed business:

1. The first is about managing **perceptions** and addressing greater stakeholder expectations. CEOs accept that their customers and other stakeholders want them to do more to tackle important problems, from social to environmental. The key to success is to have a strong corporate purpose and values, which are reflected in how the company behaves, and meets what stakeholders want, both in terms of what it does, and how it makes its profits. Private companies are well placed to do this, and family firms have a particular advantage.

2. The second is about harnessing **technology, innovation and people** to develop and execute strategies that meet these greater expectations, while also delivering fundamental profitability. Technology and innovation can sometimes be a challenge for private companies, especially if they are struggling to find the capital to fund large-scale investment. But when it comes to digital, in particular, it’s now a case of adopt or die. As for talent, private companies need to focus on the advantages and attractions of their distinctive working culture and values, and ensure they are creating a workplace that appeals to millennials.

3. And finally, CEOs from all businesses need to think harder about how they **measure and communicate** success, and this covers both financial information and wider issues such as purpose and values, and contribution to society.

Notes

Survey methodology:
For PwC's 19th Annual Global CEO Survey, 1,409 interviews were conducted in 83 countries during the last quarter of 2015. By region, 476 interviews were conducted in Asia Pacific, 314 in Western Europe, 170 in Central and Eastern Europe, 169 in Latin America, 146 in North America, 87 in Africa and 47 in the Middle East.

Of these respondents, 848 (60%) were CEOs of privately-owned companies across 79 countries, which form the basis of our private company view, ***Old-style strengths, new-style challenges***.

These private company respondents consisted of:

- Family-run firms
- Private-equity backed companies
- Private partnerships
- Owner-managed companies
- Other privately-owned companies

The sample of privately-owned companies includes 39% with reported annual revenues from US$101 million to US$999 million and 19% reporting revenues of more than US$1 billion.

The full survey report with supporting graphics can be downloaded at www.pwc.com/privatecompanyview.

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