



Global perspectives for private companies

Agility in changing markets

Deloitte Private's 2019 global survey of private company executives

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Confidence and challenge in a dynamic environment



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This year's detailed report, only the second of its kind from Deloitte Private, reveals the key plans and priorities of private company business leaders across Canada and around the world, highlighting where we have reason for optimism, and where there's work to do.

Here are just a few of the insights that stood out. These indicators, along with others in the full report, can help inform your strategic discussions as you set investment priorities and keep your business ahead of the curve in the coming year.



Productivity

Stepping on the gas.

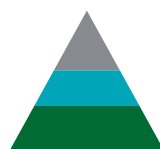
40%

of Canadian executives cite productivity increases as their top growth strategy.

Only
29%

of global executives say the same.

Are you making the most of your resources?



Disruption

It's time to be proactive.

38%

of global firms are exploring ways to take advantage of disruption.

Only
26%

of Canadian companies are doing so.

Will the future take you by surprise?

Security

Complacency can be dangerous.

33%

of global businesses are prioritizing cyber security.

Just
28%

of Canadian businesses are doing so.

Is your data as protected as you think?



Technology

Staying ahead of competitors.

47%

of Canadian businesses are investing in technology to improve operations versus.

Just
39%

of global companies are doing the same.

How are you keeping your business current?



Intelligence

Knowledge is powerful.

39%

of Canadian businesses are investing in analytics and business intelligence.

versus
30%

of global firms.

Are you prioritizing key technologies?



Innovation

More vision required.

14%

of global firms rank new product and service development as their biggest competitive advantage.

Only
5%

of Canadian businesses say the same.

Where will you find your next big idea?



Training

Building for the future.

45%

of Canadian companies are investing in employee training this year.

Only
39%

of global businesses are doing the same.

How are you developing your talent pool?

Review the numbers behind these and other critical insights in the full report.

Today, private companies are faced with promising opportunities and considerable changes: investing in emerging technologies, expanding into global markets, meeting new regulatory requirements, and restyling the workforce. To help these companies navigate the complexities of this global landscape, Deloitte Private is exclusively focused on offering insights and services to help meet those challenges, including audit and assurance, tax, consulting, and risk and financial advisory services tailored for private companies. Contact the authors for more information or learn more about Deloitte Private services at www.deloitte.com/global.

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Executive summary



THERE'S NEVER BEEN a better time to be a private company. Technological advances have brought private businesses much closer to their customers, leveling the competitive playing field. Globalization has granted them greater access to once remote markets. A new generation of talent is bringing fresh thinking about strategy.

At the same time, private companies continue to benefit from their agility and ability to respond quickly to market changes. And there have been quite a few changes. The current economic backdrop is clouded by signs of slowing across many parts of

the world. Cyberattacks, trade tensions, and geopolitical uncertainty pose significant risks to growth and require great caution in addressing. These challenges are forcing private company leaders to balance the long-term perspective that has historically guided their plans and investments with an acute awareness of near-term developments that could disrupt their long-standing business models.

So how are private companies and their leaders doing? In our second annual survey of global private companies, the more than 2,500 business leaders we engaged in 30 countries express confidence in

their abilities and outlook even as they dedicate more of their focus toward meeting today's challenges:

- Roughly three-quarters have high or extremely high confidence in their company's success over the next 24 months.
- Most expect their revenues, profits, productivity, and capital investment to go up in the coming year.
- Forty-nine percent anticipate growing their full-time workforce, a slightly greater proportion than in 2017.

Taken together, the findings suggest that private company leaders believe they have a strong foundation for managing today's dynamic competitive

arena. Asked to identify their sources of competitive advantage, they point to the development of new products and services, high productivity, and business model innovation. And even as these traits enhance their flexibility, private leaders also cite as an advantage the persistent qualities that have long defined the private enterprise—including an unyielding commitment to their values and strong corporate culture.

Some things change while some things stay the same. It's as true about running a successful private business as it is in life. When it comes to finding the equilibrium between new and old, private company leaders are proving that it's easier to balance when you're on firm ground.

ABOUT THE SURVEY

From January 8 to February 7, 2019, a Deloitte survey conducted by OnResearch, a market research firm, polled 2,550 executives at mid-sized companies around the world about their expectations, experiences, and plans for becoming more competitive in the current economic environment. Respondents were limited to executives and senior managers at middle-market companies with annual revenues of between US\$10 million and US\$1 billion.

Ninety-one percent of the companies represented were privately held; 9 percent were listed and traded on a public stock exchange. Among the private companies, 43 percent were private-equity owned, 17 percent were family-owned, 17 percent were closely held but not family-owned, 10 percent were venture-capital backed, and 4 percent were state-owned enterprises.

Sixty-one percent of the respondents were owners, board members, or C-suite executives; the remainder included vice-presidents, department or business line heads, or managers. A wide variety of industries was represented: Those with the largest representation were consumer and industrial products; technology; media and communications; financial services; energy and resources; and life sciences and health care.

The full survey results are available in a separate appendix, available for download at www.deloitte.com/insights/deloitte-private-global-survey. Some percentages in the charts throughout this report may not add to 100 percent due to rounding, or for questions where survey participants had the option to choose multiple responses.

Facing uncertainty with confidence

AT THE START of 2019, growth rates were slowing across many major and emerging economies of the world. Projections from the International Monetary Fund and others continued to scale back expectations for global GDP,¹ accounting for weakening momentum across key regions, significant downdrafts in financial markets, and uncertainty around trade policies. Some countries are already in recession, while others are on the cusp.

The Deloitte Private global survey finds that most respondents are cognizant of the widening

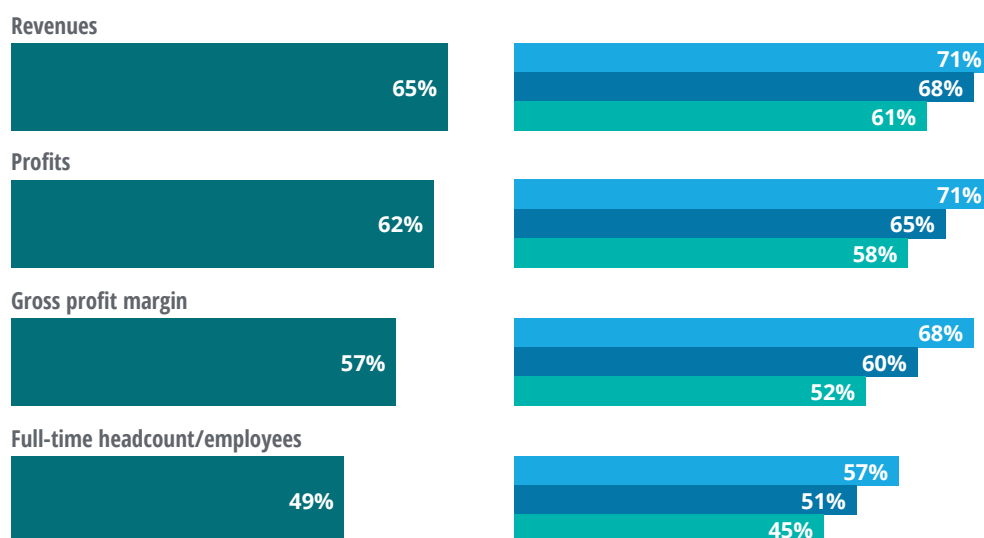
array of business challenges today but also confident in their ability to manage them and continue growing. The majority anticipate growth over the next 12 months for key business metrics including revenues and profits, and nearly half expect to add to their full-time headcount (figure 1). Exactly half of the respondents project that their company's revenues will rise by at least 26 percent, and more than a quarter see their revenues rising by at least 51 percent. Both of these figures represent gains from the 2017 survey.

FIGURE 1

Most respondents anticipate growth in revenue, profits, gross profit margin, and full-time headcount

To what extent do you expect the following key metrics of your business to change over the next 12 months?

■ Global total (n=2,550) ■ Americas (n=550) ■ APAC (n=550) ■ EMEA (n=1,450)



Note: Figures indicate the percentage of respondents who indicated "increase" or "increase significantly."

Source: Deloitte Private 2019 global survey of privately owned companies.

As a group, the risks the respondents are most concerned with are trade barriers, potential cyber-attacks, and the cost of raw materials (figure 2). But only 38 percent of the survey respondents believe the level of uncertainty in their home country is higher than a year ago, down from 53 percent in the 2017 survey. This helps explain why 58 percent of those in the survey express high confidence in their company for the next two years, with another 16 percent expressing very high confidence.

“Obviously there’s a lot of global headwinds right now, but, despite those, the market fundamentals for our major clients are generally very good,” says John Bianchini, chief executive officer of Ontario-based Hatch, a global consulting and project implementation conglomerate founded in 1955 and operating today in every continent except Antarctica. Bianchini says Hatch’s support of companies in diverse industries such as mining and energy tends to make its business a bellwether for the global economy at large. “Every service line and geography is growing at a very comfortable pace. We believe 2019 is going to be one of the best years in our company’s history.”

One explanation for the survey respondents’ broad sense of confidence in the current business environment is that private companies have the freedom to maintain a longer-term perspective, since they face fewer short-term pressures from shareholders, analysts, and other key stakeholders than publicly held companies. Private companies also tend to be more agile as organizations, able to adapt quickly to changing market conditions.

This is right in line with Hatch’s experience. “The flexibility and agility we have to respond quickly to our clients’ needs really comes about because of our private ownership structure,” he says. “That and being able to focus on making decisions that determine our long-term success.”

Trade impacts

Asia-Pacific stands out in our survey results for a number of reasons. The first key difference is that private company leaders in the region are decidedly more worried about prevailing conditions. In Asia-Pacific, 44 percent believe the level of uncertainty in their home country has increased over the past year (figure 3). Respondents there also show more concern about some of the key risks to the outlook, including trade disputes and weaker foreign market demand.

Trade barriers, in particular, could prove damaging to some in Asia-Pacific. For most, trade disputes have upset commerce only at the margins, at least to date. Any escalation or the enactment of actual trade barriers could pull more trading partners into the fray, causing disruptions that could have ripple effects across global supply chains. The uncertainty that trading barriers cause can also ultimately hurt business investment, as companies become more wary of the potential for lost revenue.

Some countries, of course, can get a boost from trade wars as others suffer. During the height of the US—China trade tensions, analysts pointed to Malaysia as one nation that could benefit in the short term from import substitution for products such as integrated circuits and liquefied natural gas. Those relationships, they argued, have a tendency to lead to longer-term investments—such as relocated production—if the initial forays prove successful and both sides grow comfortable working with each other.²

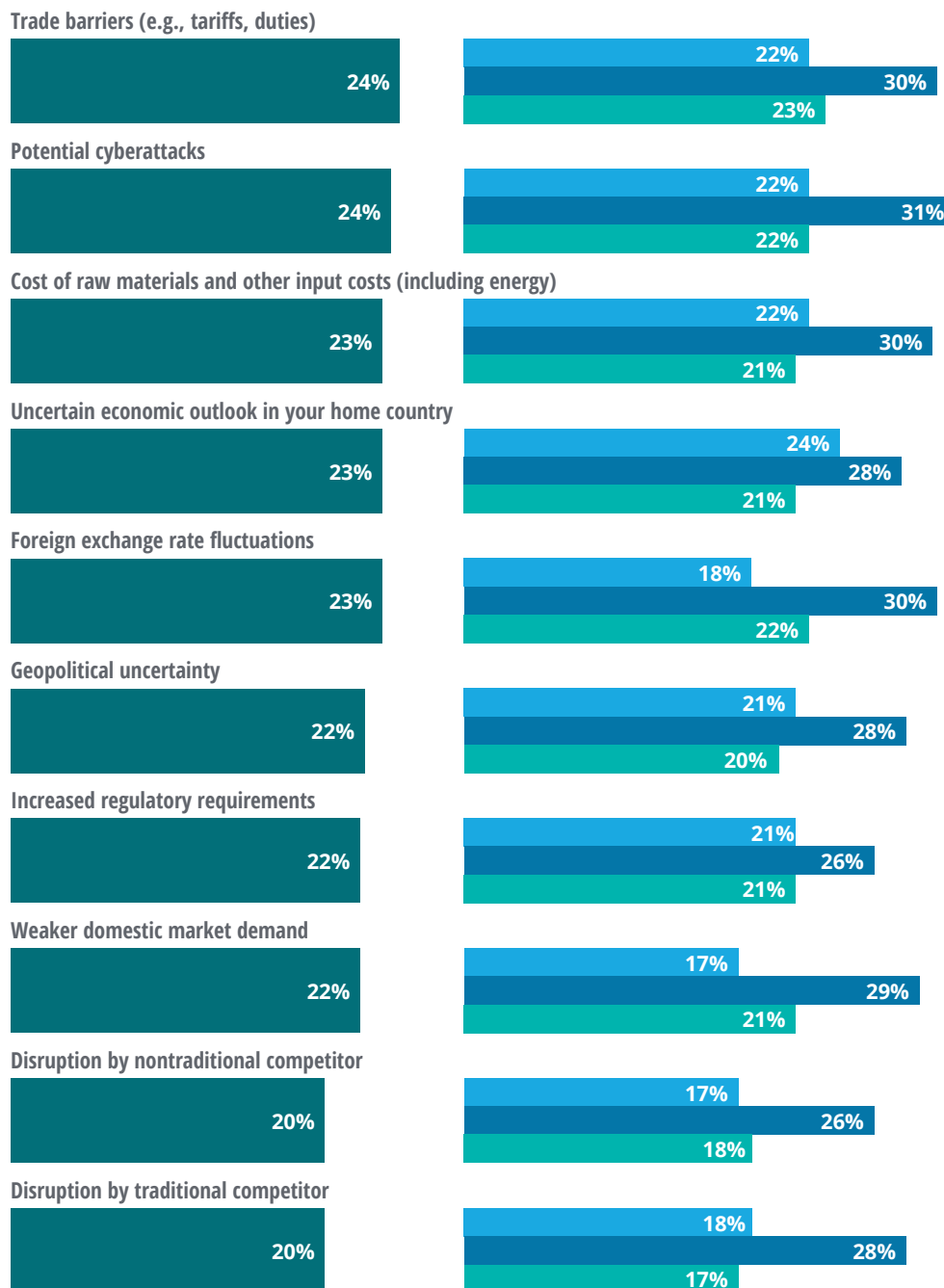
The vast majority of private companies in the survey have a significant stake in keeping borders open. According to the survey, 74 percent derive more than a quarter of their annual revenues from markets outside their home country. That number may very well grow as 2019 progresses, as 15 percent cite entry into foreign markets as their company’s main growth strategy over the next 12 months.

FIGURE 2

Respondents are most concerned about trade barriers, potential cyberattacks, and the cost of raw materials

What level of risk do you believe the following may present to your company's growth in the next 12 months?

■ Global total (n=2,440–2,517) ■ Americas (n=517–543) ■ APAC (n=520–546) ■ EMEA (n=1,395–1,430)



Note: Figures indicate the percentage of respondents who indicated "high" or "very high" level of risk.
Source: Deloitte Private 2019 global survey of privately owned companies.

FIGURE 3

Respondents in APAC express the greatest uncertainty about factors influencing business success

Compared to one year ago, which of the following best describes your level of uncertainty in the factors that drive future business prospects in your home country?

■ Uncertainty much lower now vs. one year ago ■ Uncertainty lower now vs. one year ago ■ About the same
■ Uncertainty higher now vs. one year ago ■ Uncertainty much higher now vs. one year ago

Americas (n=550)



APAC (n=550)



EMEA (n=1,450)



Source: Deloitte Private 2019 global survey of privately owned companies.

Technology-related risks

Cyberattacks are close behind trade disputes as the second-biggest risk on respondents' worry lists. Billions of people were affected by data breaches and cyberattacks in 2018,³ and companies that were the subject of those attacks suffered not just losses but harm to their reputations. The trouble for many companies is the threat is often a moving target. By some reports, the latest shift in hackers' tactics has them moving away from phishing and ransomware attacks launched by email to more sophisticated threats embedded in websites, software, and connected devices.⁴

Little wonder, then, that the respondents' top technology spending priority for the coming year is cybersecurity. Respondents in Asia-Pacific express the most concern about growing cyber threats and

are the most committed to boosting their defenses. Forty-three percent of private company executives in the region point to cyber intelligence as their most likely technology investment over the next 12 months, compared to 34 percent in the Americas and 30 percent in Europe, Middle East, and Africa (EMEA).

Respondents in Asia-Pacific also see the cost of keeping up with technological advances as a bigger risk to their company's growth over the next 12 months. In the Americas, only one in five cited this issue as a risk, even as many plan to allocate more money to that area. In a separate survey conducted by Deloitte Private last year, 57 percent of 500 US mid-market technology leaders said they were spending more on technology than the previous year, and 17 percent called the increase "significantly higher."⁵

AGRISTO: COST CONTAINMENT ONE KEY TO ADDRESSING NEW TRADE BARRIERS

One of the key reasons trade barriers are so high on the list of issues the survey respondents are concerned about is their potential for eroding price competitiveness in key global markets.

Agristo knows the stakes all too well. The family-owned company, based in Belgium, exports its French fries and other frozen potato products to 120 countries around the world. In addition to high quality, Agristo counts on low costs to help its products be price competitive and win market share. When a new import duty is added—as was the case in South Africa, Brazil, and Colombia in recent years—it can steer customers toward local processors that can keep their prices low.

“Just 10 years ago, everyone had this conviction that we would move toward a world that had more free trade, but we’ve seen the opposite,” says Filip Wallays, who serves as Agristo’s co-chief executive officer along with Hannelore Raes. “The pressure on European processors in our industry is clearly becoming greater. We believe the companies that will survive this will be those that are most operationally efficient. We’re investing not just for growth, but to lower our costs as well.”

In 2018, Agristo opened a new factory in Wielsbeke, Belgium, that requires only 15 employees per shift. The equipment in the 200 million-euro plant automates every step of the process involved in turning raw potatoes into frozen French fries, including sorting, cutting, and packaging. The company has found that the investment has not only increased its operating margins, but also reduced food waste. Another investment the company has made has been in software to help digitize the increasing burden of documentation required for customs.

The new technologies aren’t allaying the company’s appetite for hiring new workers. Agristo has more than doubled its workforce to about 900 employees in just the past five years. Steady economic growth and increasing populations are fueling the company’s growth, as is the penetration of fast-food chains in parts of the world where consumers are new to French fries and other potato products.

Still, competition is fierce, and Raes believes that being a family-owned company offers Agristo a big advantage over its rivals. Since the two co-CEOs’ fathers founded the company three decades ago, Agristo has worked closely with its customers around the world to develop exclusive novelty items nobody else offers. Raes says the company’s close-knit ownership structure enables it to respond quickly to those demands, but that its nimbleness also extends into other facets of its business.

“Every decision we make—whether it’s tied to innovation or strategy or our manufacturing processes—takes place in a very short amount of time,” Raes says. “At the same time, the investments we decide to make aren’t influenced by any short-term weakness in the business. We are free to focus on the long-term growth of the company.”

The ability to react quickly recently ended up helping Agristo establish a foothold in Mexico—ironically because of another trade deal. The renegotiated North American Free Trade Agreement (NAFTA) signed in 2018 imposed higher tariffs on frozen French fries made by US manufacturers, driving up their cost. “We weren’t cost competitive there before, and now suddenly we are,” says Wallays.

Staying competitive amid disruption

WINNING IN THE marketplace used to be about being first. Innovative entrepreneurs would gain brand-name recognition through early success and then parlay that into a dominant position that could take years for others to truly challenge.

Today, competitive advantage is often more about being fast than first. Technology and globalization have enabled companies to scale up without bulking up. Fixed physical assets have increasingly yielded to intellectual property as the lynchpin of business models, to the point where intangible assets now account for the vast majority of the average company's value.⁶ That has both reduced private companies' costs to compete and enabled them to move from idea generation to execution much more quickly than before.

With the playing field now more level, private companies are looking to gain a competitive edge through an increased focus on innovation and efficiency. In our survey, respondents point to the development of new products and services and increased productivity as their top two sources of competitive advantage (figure 4). On a regional basis, those in Asia-Pacific were nearly twice as likely to cite new products and services as a competitive edge than those in the Americas, who feel more strongly that their advantage lies in increasing productivity. EMEA respondents rated entry into new foreign markets higher than those in the other regions.

Edwin Basuki, managing director at Singapore-based SIN Capital Group, says it has been able to increase productivity for its primary holding, the vertically integrated corporate health care provider Fullerton Health, by deploying talent for high-needs

assignments and business development opportunities in emerging markets. "Productivity for us comes in the form of cross-fertilization of talent across geographies," Basuki says. Fullerton Health, which has a regional footprint across Asia-Pacific, has frequently deployed occupational health professionals from its Australian subsidiary, where industry standards and regulations relating to occupational health are relatively well-developed, to its other markets such as Indonesia in servicing clients in common industries such as mining and oil and gas. By tapping into its cross-border expertise to meet the demand for services such as pre-employment health checkups and annual physical examinations in these heavy industries, Basuki says, "we're able to harness our footprint across different markets."

Supporting innovation

Many of the private companies in our survey see emerging technologies as the key to sustaining their advantage or carving out a new edge. Asked what area would be their number-one focus for technology initiatives for the coming year, respondents put product development at the top, ahead of operations, marketing and sales, and manufacturing (figure 5).

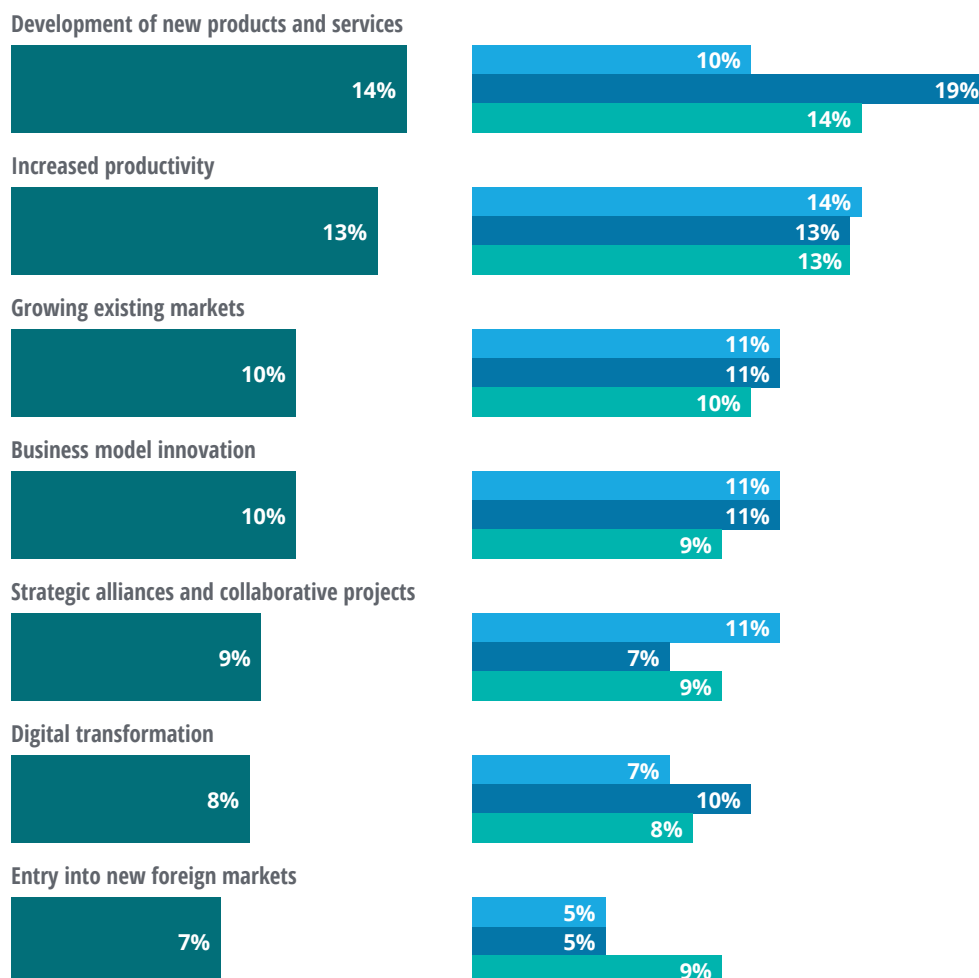
Here again, Asia-Pacific leads the pack. Nearly across the board, private companies in that region have bigger plans for technology investment. Differences show up not only in the focus areas for technology initiatives, but the specific technologies they are investing in. For instance, Asia-Pacific-based companies are far more likely to list information security, data analytics, and

FIGURE 4

Development of new products/services and increased productivity were seen as the top competitive advantages

What do you believe is your company's main competitive advantage?

■ Global total (n=2,550) ■ Americas (n=550) ■ APAC (n=550) ■ EMEA (n=1,450)



Source: Deloitte Private 2019 global survey of privately owned companies.

Internet of Things as areas they are likely to invest in over the next 12 months. In contrast, those in the EMEA region consistently lag the global averages.

Addressing disruption

Competitive threats are clearly on the minds of private company executives, as half of our respondents see disruption by either a traditional or

nontraditional competitor as at least a medium risk, and nearly one in five characterize it as a high risk. Those in Asia-Pacific appear particularly attuned to this hazard.

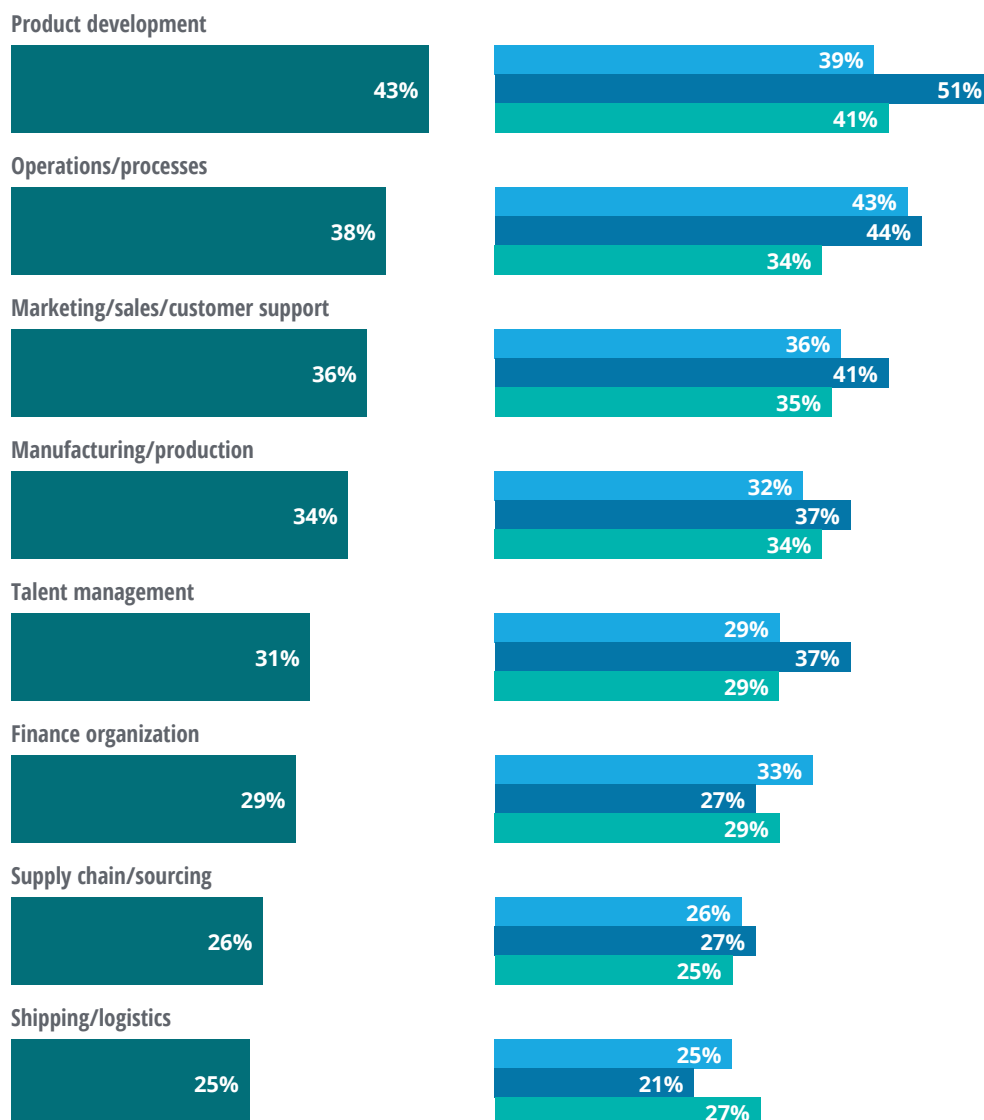
But most private company leaders across the world aren't just sitting there waiting to be disrupted; they're doing something about it. Across all three regions, our surveyed executives say their company is taking action to prepare for anticipated competitive disruption. The most popular move

FIGURE 5

Product development and operations top the list of technology initiatives

Which departments or areas of your company, if any, are currently the focus of your technology initiatives? Please select all that apply.

■ Global total (n=2,550) ■ Americas (n=550) ■ APAC (n=550) ■ EMEA (n=1,450)



Source: Deloitte Private 2019 global survey of privately owned companies.

in this regard involves changing business models, whether those changes are just being considered or actually being implemented (figure 6).

Many private companies aim to disrupt the market themselves. Nearly four in 10 respondents say they are exploring opportunities to take advan-

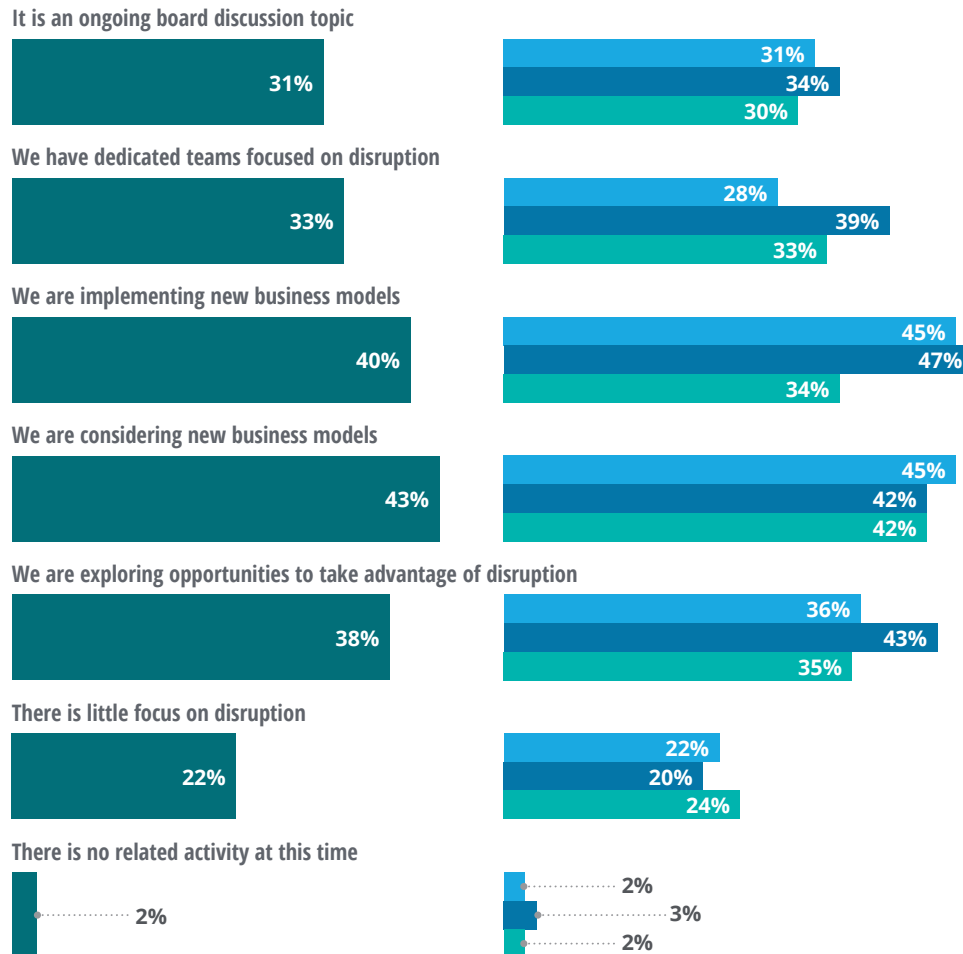
tage of disruption, and one-third have organized dedicated teams focused on disruption. On the other hand, more than one-fifth of the respondents say there is little focus on disruption at their company or they aren't taking any action at all to get ahead of it.

FIGURE 6

Many respondents are considering or implementing new business models to address competitive disruption

What actions, if any, is your company taking to prepare for anticipated disruption? Please select all that apply.

■ Global total (n=723) ■ Americas (n=141) ■ APAC (n=205) ■ EMEA (n=377)



Note: Only respondents who believed their company was at risk for a traditional or nontraditional disruption in the next 12 months answered this question.

Source: Deloitte Private 2019 global survey of privately owned companies.

SIN Capital's Basuki describes health care as natural territory for disruption. It's an industry that has long been characterized by brick-and-mortar interactions between health care providers and patients but is increasingly defined by digital options. "Health care will always require a human touch, and we're very conscious of that," Basuki says. "But there are areas in which disruption can happen

around the efficient delivery of health care, cutting waiting times, and telemedicine."

One example of disruption is the arrival of industries such as finance or retail into health care. "There's convergence of industries you may not have suspected before coming from other industries and investing heavily into health care," Basuki says. "But at the core it will always require doctors providing a personal touch."

TOPGOLF SWINGS INTO ENTERTAINMENT-HUNGRY MARKETS

Topgolf has taken one of the world's toughest sports and used technology and hospitality to help players at all levels feel at ease.

The privately held entertainment company is fulfilling demand for experiences in the highly competitive leisure industry,⁷ pursuing tech-focused partnerships and taking steps to develop its emerging leaders during a period of rapid growth. Dallas-based Topgolf aims to open 7–10 new venues and create several thousand new jobs each year, says Craig Kessler, the company's chief operating officer.

"The desire for entertainment, high-quality food and beverages, and the chance for people to connect with each other makes us very optimistic about our global growth prospects," Kessler says.

A typical Topgolf location includes a cluster of climate-controlled bays facing an outfield where players hit microchipped golf balls into targets to score points. In select venues, the company's proprietary optical technology, Toptracer, tracks the distance, speed, and angle of each hit.

The innovations reach beyond the nearly 800 million balls that have been hit at Topgolf venues, however. Topgolf plans to complement larger locations such as its flagship in Las Vegas by expanding into small and mid-sized markets with venues designed for smaller footprints.⁸ The company acquired the mobile platform World Golf Tour to tap into global gaming communities. In addition, Topgolf has partnered with the sports simulator-maker Full Swing Golf to create simulations of premier courses in locations such as hotel lobbies and sporting venues—part of a move to stay current with entertainment preferences.⁹

"It's critical to stay dynamic, constantly innovate, and disrupt yourself in order to ensure you have a future," Kessler says.

The driving force behind Topgolf's successful expansion into both brick-and-mortar and virtual is the company's relentless focus on well-being for its nearly 20,000 associates, Kessler says. Topgolf's leadership development efforts include pairing high-potential associates with senior leaders to learn hard skills such as analyzing P&L statements and soft skills such as having difficult coaching conversations, Kessler says.

"We're developing our people, and we have a chance to evaluate who's ready for the next level," Kessler says. "We're also out in the field every single week, celebrating accomplishments, spending time getting to know associates one on one. When you make that investment, there's a cascading effect across the company, and everybody starts to feel like they're part of the culture."

Partnerships vs. acquisitions

An ecosystem approach to innovation can lead to positive outcomes for companies of all sizes.¹⁰ However, fewer than one in 10 of our survey respondents cite strategic alliances and collaborative projects as their company's main competitive advantage. This suggests that private companies may

need to collaborate more with others if they are seeking to disrupt rather than be disrupted.

Private companies do have big plans for participating in a merger or acquisition in the coming year. Four in 10 private companies in the survey believe they will participate in an acquisition over the next 12 months, and another 26 percent say their company will likely at least consider an acquisition.

The idea that private companies want to keep or bring innovation inside their own organizations, rather than partner with others outside their traditional ecosystems, was covered in a 2018 global study by the Deloitte Family Business Center. In

that study, more than half of the family businesses surveyed said they rarely or never partnered with other organizations when it comes to innovation, and 63 percent said that owning intellectual property was “very” or “fairly” important to them.

BOON RAWD: BEVERAGE-MAKING INNOVATION AT MAINSTAY BRAND

Many closely held firms are multigenerational success stories. This year’s global survey of private firms showed that a majority of respondents represented organizations that were at least 20 years old, while 15 percent of the firms were founded at least a half-century ago. A separate study of family-owned firms shows that families, on average, maintain control of the company’s core brands for 60 years.¹¹

Thailand’s Boon Rawd Brewery Co., Ltd. knows something about longevity—and increased productivity is a big part of its long-term success. Founded as the country’s first commercial brewery in 1933,¹² the maker of Singha beer has maintained its competitive advantage across multiple generations. It’s done so by balancing between what may seem like competing interests: continually updating operations and developing meaningful human capital while maintaining the consistent flavors and premium quality that customers come to expect from a trusted beverage brand.

Boon Rawd exports beers to approximately 60 countries, and its key export markets include Thailand’s immediate neighbors. To serve its national, regional, and global customer base, the company has focused on multiple ways to infuse productivity into its operations. For instance, the company has invested in a state-of-the-art production system that enables automatic malfunction detection and system-reset corrective actions in its production facilities, reducing down time. Its beer production facilities also receive automated updates on inventory levels across the supply chain, thereby stabilizing production and increasing the production process’s efficiency.

The company’s improvements in inventory tracking are a case in point. Boon Rawd has undertaken a major initiative to assess inventory levels to better plan for inventory and production needs—an important concern for beverage makers who want to maintain stock in its optimal state. The company’s distributors and agents have benefited from these investments, too. Between 2017 and 2018, Boon Rawd’s efforts helped reduce beer inventories from 50 million liters to 20 million liters, preventing unnecessary drain on working capital, according to Nutchdhawattana Silpavittayakul, Boon Rawd’s vice president.

Moreover, the company has also undertaken a major initiative to train its workforce on software tools to handle new tasks that require data processing, ultimately speeding up the company’s decision-making capabilities.

Steadfast in culture and values

BEING PRIVATE AFFORDS business owners and leaders certain freedoms when it comes to picking their own path. For one, private businesses tend to be more nimble, and can quickly course correct as market conditions change. But leaders of private companies also enjoy the freedom to be inflexible when it comes to the ways they run their businesses. One non-negotiable is their values: No matter what happens in the external environment, it's important to them that their guiding beliefs and principles aren't compromised.

For many of the firms in the survey, transparency and open communication is one of those values. Asked how senior leadership relays business strategy internally, the vast majority across all regions say it is communicated beyond the executive level, and more than a third say it is transmitted through all levels of the organization.

More broadly speaking, maintaining a strong culture comes across as a foundational aspect of running a private business. More than three-quarters of our respondents (77 percent) characterize culture as strategically important to the success of their company, with more than a third (35 percent) strongly agreeing with that sentiment.

Workforce investments

Corporate cultures shouldn't shift with market conditions, and private companies are known for contributing to strong cultures by consistently investing in their employees—in good times and bad. In the United States, for instance, 82 percent of medium-sized, largely private firms not only survived the lean years of 2007 to 2010, but added 2.2 million jobs as a group.¹³

In this year's survey, private company leaders say they plan to invest in their workforce in the coming year—and in myriad ways. At a time when the overall economic outlook is arguably in question for the first time in years, nearly half the respondents say they plan to increase their full-time headcount (figure 1). This compares with the 36 percent who plan to hold the line on headcount and only 14 percent who anticipate reductions.

Because labor markets remain tight in most developed markets around the world,¹⁴ private companies see training and development as the most important step they can take to secure needed talent. When asked about the most likely employee investments they are likely to make in the coming 12 months, training takes the top spot, with full-time hiring, leadership development, and recruiting not far behind. Survey respondents say their companies also plan to develop new talent strategies in the coming year, not just to attract new talent, but also create and foster an inclusive workforce.

Agristo, the Belgian maker of frozen potato products, says new technology investments made to automate its plants requires constant on-the-job training for its employees on the factory floor. Each new employee is required to work alongside a supervisor for the first three to six months in order to learn how to spot problems with the production processes. But the initial training can only teach so much, says Agristo co-CEO Filip Wallays. “You really only know how to solve a problem when you have to confront it in real time,” he says. Agristo therefore relies on day-to-day learning on the factory floor and focuses a lot of its efforts on keeping employees happy so they don't walk out the door with that knowledge. “It's very important to us that once someone starts with Agristo, they stay with Agristo,” Wallays says.

The private company leaders surveyed are also clearly focused on developing future leaders. Forty-five percent of our respondents list succession planning as at least a medium risk to their company's growth over the next 12 months, and nearly 2 in 10 call it a high or very high risk.

Social responsibility

The companies in the survey are also determined to continue some of the tactics private employers

have become known for, such as providing work flexibility and well-being programs, access to leadership, and commitments to social responsibility initiatives (figure 7).

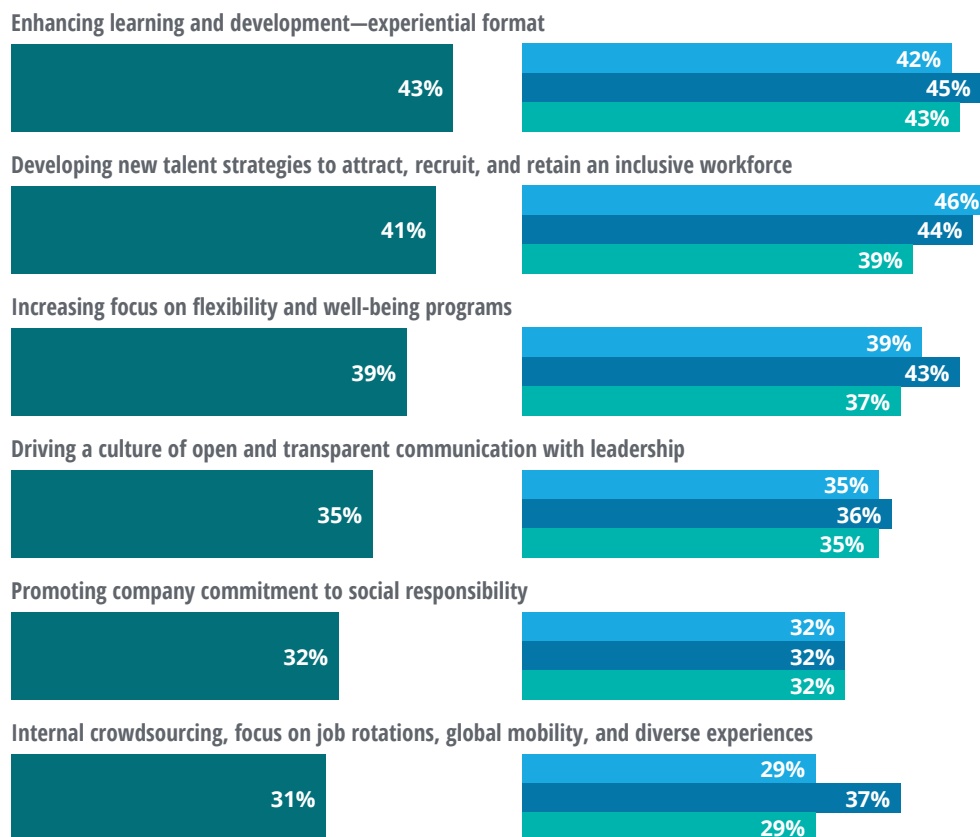
Social responsibility is becoming an increasingly important element of integrated business strategies. A separate 2018 Deloitte survey of 350 business leaders worldwide found that the majority spend at least 1 to 5 percent of their revenues on programs with a societal objective, and two-thirds reported increasing their budgets for such programs over the past two years.¹⁵

FIGURE 7

Private companies use a number of strategies to attract and retain workers

Which, if any, of the following strategies is your company adopting to attract and retain workers? Please select all that apply.

■ Global total (n=2,550) ■ Americas (n=550) ■ APAC (n=550) ■ EMEA (n=1,450)



Source: Deloitte Private 2019 global survey of privately owned companies.

In our survey, the concept of social responsibility resonates with most private companies across all three regions, with two-thirds believing that it is a top or at least a high priority for their organizations as well as reflected in their corporate strategy and employee and customer branding (figure 8). That said, a large minority—29 percent—say social responsibility programs exist at their company but aren't well-developed or supported.

IPO plans

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.

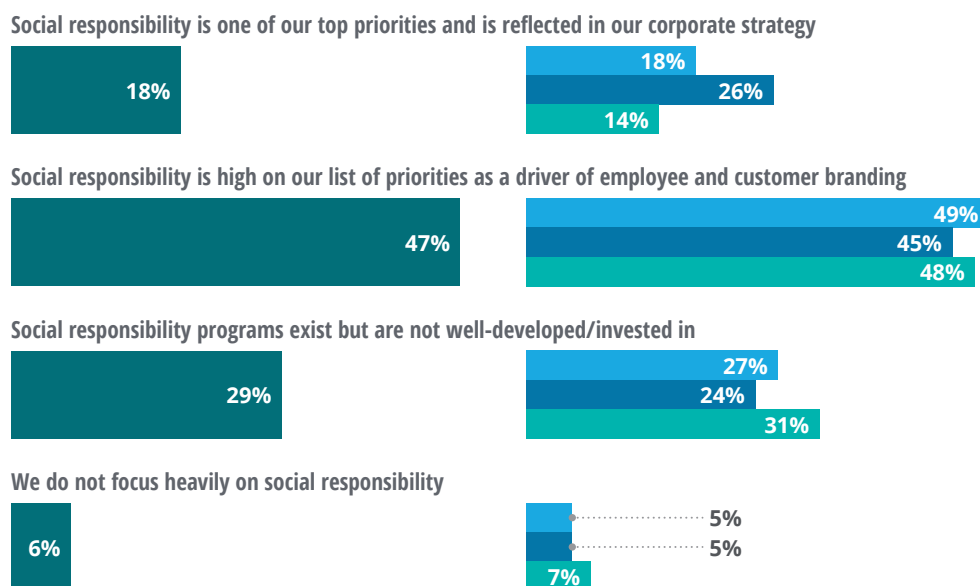
Thirty-two percent of our respondents believe their company is on a path to going public within the next 12 months, a figure that stayed consistent across all three regions. It's worth pointing out that such assertions run counter to recent trends in global public offerings: 2018 saw just 1,448 IPOs around the world, a 17 percent drop from 2017.¹⁶ In the United States, the number of public companies has dropped by half since the mid-1990s.¹⁷

FIGURE 8

Social responsibility is a high priority for private companies

Please select the best description of your company's social responsibility programs.

■ Global total (n=2,550) ■ Americas (n=550) ■ APAC (n=550) ■ EMEA (n=1,450)



Source: Deloitte Private 2019 global survey of privately owned companies.

HATCH: COMPANY'S TRANSFORMATION LEAVES ITS VALUES WELL INTACT

Three years ago, Toronto-based Hatch faced multiple inflection points in its business, all a result of seismic market shifts affecting its broad base of clients. The professional services consultancy for the global infrastructure, mining, and energy sectors saw the companies it assists being impacted by long-forming trends such as climate change, sustainability, community activism, reduced availability of capital, and, perhaps most importantly, technology disruption.

Under Chief Executive John Bianchini, Hatch engineered the biggest organizational transformation in the company's 65-year history. Each of its business lines was reoriented to help its clients solve these pressing multidisciplinary challenges. For instance, Hatch's infrastructure projects consultancy was reorganized under three platforms for growth: Urban Solutions, Transportation and Logistics, and Water and the Natural Environment.

In addition, it launched Hatch Digital, a new business unit fueled by artificial intelligence and machine learning. "By combining these new technology solutions with our deep technical and business knowledge, it gives us the opportunity to help our clients make better business decisions," Bianchini says. "But it's also helping us reinvent the way we help our clients as well, from concept to engineering and through to procurement and construction."

Bianchini cites the example of a digital project implementation it's supporting for a new potash mine that one of its clients is developing. Hatch is using 3D spatial tools to help analyze the mine's potential, and combining that with its expertise in cost scheduling, environmental footprint analysis, and maintenance. It then shares this digital model with project fabricators and other suppliers to procure the equipment. "If they ever need to change any specs, they can just go to the digital twin and run a simulation before they actually implement the change in the field," Bianchini says.

Bianchini says the company's ownership structure—it's employee-owned and independent—has helped the company respond quickly to its clients' changing needs. "We could not have gone through the transformation that we did if we were not a private company," he says. "We are who we are because of our private ownership structure. Our owners are the people doing the work every day. They have the closest connection to our clients. They have their ear to the ground and they give us direct feedback. And then we act on it. It's one of our significant competitive advantages."

As dramatic as Hatch's transformation has been, it's been highly protective of the values and culture that has consistently won the company awards as an employer of choice. Those values are captured in the company's "Manifesto," which Bianchini says some people think of as an "outdated term" but which he says is an important document for unifying and motivating its more than 9,000 people worldwide. Among the principles it includes is building long-term relationships with clients, creating excellent ideas, collaboration and connectivity, and empowering the individual. Those values aren't just shared during employee onboarding. Once a year, Hatch holds a "Manifesto Day" during its annual global town hall, stopping work for half a day to virtually convene staff in the global offices to review those principles and apply them to ongoing projects.

That said, the company did change some of the Manifesto's messaging during its transformation to be current with the times. "Our founder, Gerry Hatch, would say that we as a company combine our engineering and business skills to create value for our clients," Bianchini says. "That's still at the very heart of what we do, but we're doing it to create positive change in the world, and for the communities that we operate in. That's really what 'creating value' means today."

Conclusion

AGILITY IN CHANGING markets. That best describes where global private companies see themselves in this time of dynamic change and intense competition. They report being challenged on a number of fronts, but also effectively managing the balance between exploring new growth opportunities and exploiting their inherent and carefully nurtured competitive advantages.

Still, successful leaders know not only where their company excels—but also where it needs help. As in 2017, this year's survey points to several areas where private companies may be underinvesting. As the year unfolds, private company owners and executives may benefit from asking themselves the following series of questions:

- What changes to our business models should we consider in response to competitive disruption in our established markets?
- Do we need to consider organizing ourselves differently to prepare for anticipated competitive disruption?
- Are we doing enough as an organization to develop future leaders and attract needed talent?
- What role is technology playing in our innovation processes and are there other opportunities in this respect that we need to pursue?
- What processes do we have in place to prioritize our technology spending and measure success or potential opportunity?
- What values define us a corporate citizen, and are they well-understood inside and outside our organization?
- Are we doing an effective job of communicating our strategy and values through all levels of the organization?
- Are our social responsibility initiatives sufficiently developed or invested in?
- What capabilities are we investing in to tap new global markets, either through acquisition or organic growth?

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