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Ballantree Consulting
Promoting Business Excellence

10TH ANNUAL GROWTH STRATEGIES SURVEY RESULTS

April 1, 2016

Survey Population

- 300 Businesses in the Greater Philadelphia Area
- Over 90 Survey Respondents
- Annual Sales of up to $400 Million
- Sole-proprietorships to 1,250 employee base
- Privately-held, Employee-held, and Publicly-held companies
- For-profit and not-for-profit companies

Revenue Breakdown of Respondents

- 10% - Less than $1 Million
- 27% - Between $1 Million and $5 Million
- 22% - Between $5 Million and $10 Million
- 32% - Between $10 Million and $50 Million
- 9% - $50 Million or greater

KEY HIGHLIGHTS

Predictions are more conservative…

Year-over-year predictions for overall economic conditions:

	2009	2010	2011	2012	2013	2014	2015	2016
Contraction	50%	10%	2%	4%	12%	4%	0%	12%
Expansion	29%	45%	81%	66%	59%	62%	69%	56%
No Change	21%	45%	17%	31%	29%	34%	31%	32%

The 2015 economic conditions (for the second year in a row) allowed business owners to find increased opportunities for growth, increase business development efforts, make improvements to business models and strategies, explore new revenue streams, and hire some great people. On the flip side, many missed profit targets, missed revenue targets, and needed to reduce overall spending including reducing raises and cutting bonus and incentive plans.

How "robust" are your forecasts?

- 70% of businesses experienced revenue increases (of the 88% predicted)
- 15% of businesses experiences revenue decrease (only 2% predicted)
- 64% of company profits saw an increase while 18% saw their profits decline in 2015 – (prediction was 81% to increase and 0% to decrease)
- 40% reduced their overall debt while 22% incurred more debt—(33% predicted to decrease, and 11% predicted to increase)
- The gap in headcount predictions is closing—48% increased their headcount while 20% reduced staffing levels compared to the prediction that 57% would increase and 9% would reduce
- The predictions for 2016 are very similar to 2015, but becoming more accurate. Revenue, gross profit, and profit/loss before tax were off by 18% compared to 30% last year. Gross margin, headcount, debt, profit margin, and inventory levels on average were off by 12% compared to 20+% last year.

If you split the difference between forecast and worst-case scenario, you get actuals …

- Scenario Planning has increased to 66%, up from 53% from last year
- Worst-case budgeting continues to decrease at 47%. Down from 53% last year, 2013 & 2014 were 51%, 57% in 2012 and 63% in 2011
- For 2016 worst-case budgets, the majority expect to flatline (29%), or to see a slight growth of up to 10% (21%). 16% expect to be down between 5% and 10% this year, which is more optimistic than last year where 20% expected to be down between 10% and 25%

For overall revenue forecasting, actual results come in about halfway between worst-case scenarios and real forecast:

	2015 Worst-case	2015 Actual	2015 Forecast	2016 Worst-Case	2016 Forecast
Revenue to Increase	36%	70%	88%	29%	88%
Rev to Stay the Same	36%	15%	9%	29%	11%
Revenue to Decrease	29%	15%	2%	42%	1%

Businesses are not as cautious heading into 2016, aligned with economic optimism

- 38% anticipate increasing capital expenditures
- 60% plan to increase headcount
- 88% expect to increase revenue
- 26% expect greater availability of credit

50% of businesses are planning to raise additional capital this year—60% are hoping to secure a commercial bank loan or line of credit.

- For 75%, ability to access credit has not changed. 70% increased their existing or acquired additional credit, however, 15% could not get an increase to existing line of credit

Top Positive Economic Impacts of 2015

- Increased your business development efforts (59%)
- Increased opportunities for growth (59%)
- Improvements to your business model/strategy (54%)
- Exploring new revenue streams (52%)
- Has enabled you to hire some great people (40%)

Top Negative Economic Impacts of 2015

- No negative impact (49%) – Up 14% from last year
- Missed profit targets (28%)
- Missed revenue targets (26%)
- Overall spending reductions (25%)
- Reduced raises (20%)

Predictions for 2016

- Aside from the 49% who believe there will be no negative impact to their business, overall spending reductions (10%), reduced revenue targets (7%), reduced profit targets (6%), and ability to hire qualified people (6%) are the top concerns for 2016.

- Top 5 Positive Impact Predictions Based on 2016 Economy:
  - Increase in opportunities for growth (57%)
  - Improvements to your business model/strategy (52%)
  - Increase in business development efforts (52%)
  - Explore new revenue streams (46%)
  - More inquiries into your products or services (33%)

Key issues facing CEOs in 2016…

People (47%)

- The top challenge that could impact achieving business goals in 2016, once again, is people—finding the right people, keeping the right people, and having those people achieve their goals. People issues are trickling into each of the other areas as well.

Execution (23%)

- Having the right people to implement the plan, driving top line growth, and having the resources to execute are the top challenges for 2016.

Cash (12%)

- Access to capital is the biggest impact, followed by needing additional capital to hire more people.

Strategy (5%)

- Areas of concern are mainly with people—having the right (or enough) people to develop and drive strategy and sales process in a timely manner.

Increasing profits and revenues remains top priorities for 2016

- Increasing profits (51%)

- Increasing revenues (48%)
- Finding and keeping good people (40%)
- Developing the management skills and competency of key people (30%)
- Improving cash flow (21%)
- Improving sales performance (20%)

These priorities were the same in 2015. However, the percentages have dipped for increasing profits and revenue and increased from 30% for finding/keeping good people.

EXPENSES

50% will be focused on cutting expenses in 2016—down from last year

- 50% have no expense cuts planned (vs. 44% in 2015, 56% in 2014, 52% in 2013 and 42% in 2012)
- Top areas of expense reductions in 2016:
  - Utilities / Telecommunication Costs (19%)
  - Business Consulting (16%)
  - Outsourcing key functions (15%)
  - Facilities (11%)
  - Technology (9%)

PEOPLE

Growth in workforce is expected again in 2016

	2016 Forecast	2015 Actual	2015 Forecast	2014 Actual	2014 Forecast	2013 Actual	2013 Forecast
Growth	75%	57%	67%	53%	71%	53%	73%
No Change	17%	25%	25%	32%	21%	23%	17%
Reduction	7%	18%	8%	15%	8%	24%	10%

How does that compare to headcount predictions?

FTE Increase	60%	48%	57%	48%	60%	50%	64%
FTE same	36%	32%	33%	31%	33%	27%	30%
FTE Decrease	4%	20%	9%	21%	5%	22%	6%

When asked overall top priorities for 2015, 40% said finding and keeping good people, 30% said developing the management skills and competency of key people, and 20% said improving sales performance.

However, in 2015 the economic condition caused 20% to reduce raises, 12% to cut bonuses and incentive plans, and 7% to reduce training.

When forecasting for this year, only 4% expect to reduce raises, 2% expect to cut or reduce training, and 0% expect to cut bonuses.

CRITICAL TO SUCCESS

Overall, respondents cited key hire(s) AND process improvements to how you deliver or make your product or service equally as the top priorities for 2016. Staff development and training (#3 priority), good business development skills and practices (#4 priority), and better-defined strategies and goals (#5 priority) follow as critical to success this year. Within each ranking, the top drivers are:

#1 Priority (Highest)

- Staff development and training
- Key hire(s)
- Better defined strategies and goals

#2 Priority

- Process improvements to how you deliver or market your product or service
- Good business development skills and practices
- Clear understanding of the market and positioning appropriately
- Marketing campaign

#3 Priority

- Process improvements to how you deliver or market your product or service
- Key hire(s)
- Reducing or maintaining expenses

Top areas for investing financial resources in 2016

- Sales/business development (63%) – down slightly from last year (66%)
- Key hire(s) (53%) – major jump from last two years (46% in 2015 and 33% in 2014)
- Staff development/training (41%) – decrease from last year (51%)
- Process improvements to delivery / production of products or services (38%) – slight decrease from last year (43%)
- Technology (37%) – increase from last year (31%)
- Developing marketing strategy (36%) – slight decrease from last year (39%)
- Development of your executive team (32%) – increase from last year (27%)

MARKETING

Respondents are continuing a more targeted approach to marketing in 2016, still favoring networking and email campaigns, and moving further away from the lower-prioritized channels.

<u>Top marketing channels planned:</u>
Networking (77%)
Email campaigns (68%)
Creating more referral partners or alliances (62%)
Website upgrades tied with Online social networking i.e. LinkedIn, Facebook, etc. (60%)
Word of mouth (58%)

