



Pulse Survey May 2010

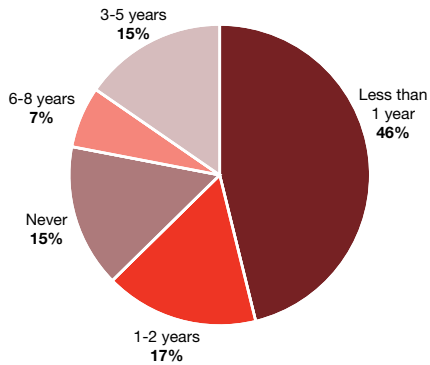
## Insights into Building Value: Results of PwC's Pulse Survey

“Owners of private companies should constantly be thinking about balancing their strategic decision-making requirements between optimizing short-term profits and building long-term value,” says Michael Epstein, Partner, Private Company Services, PricewaterhouseCoopers LLP. The results of PwC’s latest Pulse Survey of 91 private companies reveal that almost half of respondents quantified the value of their business in the past year. “This is encouraging news,” says Epstein. Although, he points out, many may have done so in order to take advantage of lower valuations as a result of the economic downturn to implement an estate freeze. “If this is the case, it is actually tax motivated as opposed to being driven by the desire to build business value. Building value is critical for the sustainability and growth of any business, regardless of size.”

According to the survey, the fact remains that 15% of respondents have never quantified the value of their business (*Fig. 1*). “If you don’t know what the value of your business is, how can you grow it?” says Epstein. “You should have an understanding of the value of your company at the close of each fiscal year end. It’s no different than getting a feel for the value of your RRSP portfolio, however its even more important since the value of your business could represent up to 80% of your net worth. You want to stay on top of it.”

Interestingly, 7% of the respondents that said they have never quantified the value of their business cited their CEO as the primary determinant of future success (*Fig. 2*).

**Figure 1.** When was the last time you quantified the value of your business? (All respondents)



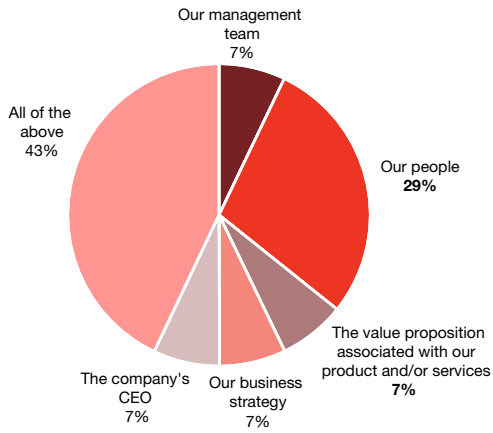
“In many smaller companies, business value lies with the owner versus the business,” says Epstein. “The owner is too integral to the success of the business versus relying on a management team charged with driving performance. If for whatever reason the CEO wasn’t around next week, what happens to the value of the business? Typically, in larger companies, continuity of the business rests with key business managers versus resting with the CEO. This is critical to building value.”

The overall findings reveal that 36% of respondents understand that their future success depends not on any one area, but on a combination of their people, management team, value proposition and business strategy as well as their CEO. On the other hand, 63% identified only one of the above as their primary driver, with a mere 6% citing strategy as their key driver for future success (*Fig. 3*). “Strategy is the difference between being reactive and being proactive and going out there and making things happen,” says Epstein. “If you don’t recognize your strategy as one of your primary strengths, you could be at risk. Strategy is about how to achieve goals and objectives which translates into building value.”

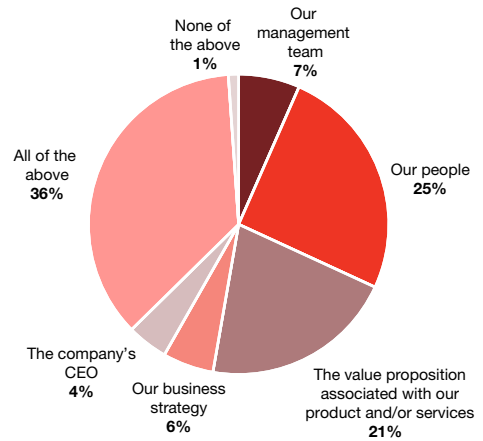
When asked how well their people are able to articulate the company’s business goals and competitive edge, 64% stated well or very well (*Fig. 4*). That drops to 43% for companies that have never measured the value of their business (*Fig. 4*). “While there isn’t necessarily a direct correlation between quantifying value and an employee’s ability to articulate the company’s value proposition, it is important for employees to understand an organizations’ goals and strengths, particularly if there is some sort of ownership participation. “They will be motivated to understand current value if they participate in the growth of future value,” says Epstein.

And growing is the whole point. Understanding the value of your business and building it is a tool both for the short-term and the long-term because in fact, it can help attract talent, strategic partnerships, financing, and ultimately, buyers when you are ready to exit.

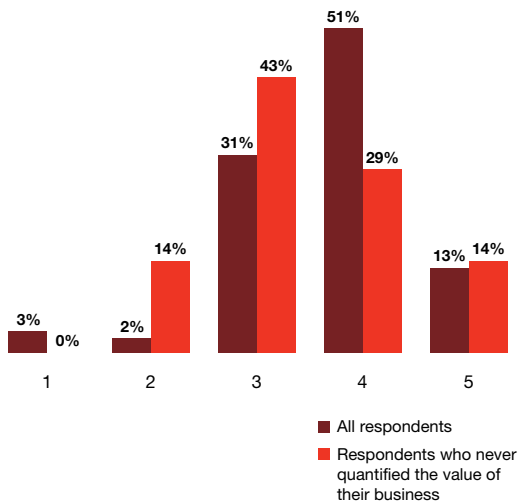
**Figure 2.** Please complete the following statement with the choice that you feel most strongly reflects your company. Our primary business strength for future success can be found in... (Respondents who never quantified the value of their business)



**Figure 3.** Please complete the following statement with the choice that you feel most strongly reflects your company. Our primary business strength for future success can be found in... (All respondents)



**Figure 4.** On a scale of 1 to 5, with 1 being not at all and 5 being very well, how well would your people (staff) be able to articulate your business goals and competitive edge?



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