

Trendsetter Barometer
3Q06

☐ Demographics:

- 281 CEOs of Fast-Growth, Private Companies
(125 Product; 156 Service / 129 High-Tech; 152 Non-Tech)
- Ave # Employees at Location: 249
- Ave Revenue at Location: \$35.3 M
- Ave 5-year Growth: 211%

☐ Looking Ahead (Next 12 Months):

- 66% Optimistic about U.S. Economy; 25% Uncertain; 9% Pessimistic
- 61% Optimistic about World Economy; 30% Uncertain; 8% Pessimistic, 1% Not reported

- 3.2% Expected Rate of Growth for U.S. Economy (mean)
- 6.7% Expected Rate of Growth for Own Industry Sector (mean)

- 21.0% Expected Revenue Growth for Own Company (mean)
(92% Expect Positive Growth, 5% Zero Growth, 1% Negative Growth, 2% Not Reported)

Note: No significant change in overall totals from prior 245 level.
In factors most critical, Product sector stronger in new products/services (35%)

SINGLE MOST IMPORTANT CHALLENGE BUSINESS WILL FACE IN 2007

--Volunteered (Verbatims)--

What is the single most important challenge that your business will face in the new calendar year?

• Finding and retaining qualified employees.....	20%
• Growth of business.....	18%
• <u>Demand/ Sales (Net)</u> Increased sales/revenue; demand.....	11%
• Economy/ changing conditions.....	10%
• Developing new products and services.....	8%
• <u>Margins/ Pricing pressures (Net)</u> Margins/ profitability; pricing pressures.....	7%
• <u>Fighting higher cost (Net)</u> Increased costs of materials/ energy/ healthcare.....	5%
• <u>Business Expansion (Net)</u> New markets/ distribution channels/ international.....	4%
• Capital constraints/ raising capital.....	4%
• <u>Management (Net)</u> Management planning/ reorganization/ improve team.....	3%
• New technology/ innovation.....	3%
• Competition.....	3%
• Legislation/ regulations.....	3%
• Higher interest rates.....	2%
• Productivity	2%
• M&A/ acquisitions.....	1%
• Customer service/ meeting expectations.....	1%
• All other mentions (misc.).....	9%
• Not reported.....	1%

WILD CARD FACTORS THAT COULD IMPACT BUSINESS FOR FAST-GROWTH PRIVATE COMPANIES IN 2007

--Top 3 Rankings--

	Total	Industry Segments			
		Product	Service	High Tech	Non Tech
• Shortage of qualified workers.....	47%	37%	56%	54%	42%
• Unstable U.S. economy.....	40%	40%	39%	36%	42%
• Increased competition.....	33%	25%	40%	38%	29%
• Rising healthcare costs.....	28%	27%	29%	27%	28%
• Weaker capital spending.....	24%	27%	22%	35%	15%
• Lower profit margins.....	24%	22%	26%	24%	24%
• Rising interest rates.....	21%	22%	19%	18%	23%
• New government regulations.....	19%	17%	22%	15%	23%
• Weaker consumer spending.....	17%	25%	10%	16%	18%
• Rising oil/ energy costs.....	16%	19%	13%	13%	18%
• Difficulty raising capital.....	9%	6%	11%	11%	7%
• Drop in U.S. real estate market.....	8%	7%	9%	3%	12%
• New immigration laws affecting workers	7%	7%	7%	7%	7%
• Higher Federal/State/Local taxes.....	6%	6%	5%	5%	7%
• Inflationary fears.....	4%	3%	5%	2%	6%
• Other volunteered (misc.).....	1%	2%	X	1%	1%
• Not reported.....	1%	X	1%	1%	1%

*Base: 281 CEOs of "Trendsetter Barometer" Private, Fast-Growth Companies

Industry Differences

- Product Sector: More concerned about Weak Consumer Spending (25%).
- Service Sector: More concerned about Shortage of qualified workers 56%; Increased competition (40%) and New government regulations (22%).
- High-Tech Sector: More concerned about Shortage of qualified workers (54%); Increased global competition (38%); and Weaker capital spending (35%).
- Non-Tech Sector: More concerned about Unstable U.S. economy (42%); New government regulations (23%); and Sudden drop in U.S. real estate market (12%).

FACTORS MOST CRITICAL TO BUSINESS SUCCESS IN 2007 --FOR FAST-GROWTH PRIVATE COMPANIES--

--Top 3 Rankings--

	<u>Total</u>	<u>Industry Segments</u>			
		<u>Product</u>	<u>Service</u>	<u>High Tech</u>	<u>Non Tech</u>
• Retaining key workers.....	68%	60%	75%	71%	66%
• Hiring qualified workers.....	53%	42%	61%	57%	49%
• Developing new products/services.....	32%	35%	28%	31%	32%
• Expanding to markets <u>inside</u> the U.S.....	26%	23%	27%	22%	28%
• Cutting your costs.....	22%	27%	18%	20%	23%
• Increased productivity.....	22%	25%	21%	18%	26%
• Creating business alliances.....	21%	18%	23%	24%	18%
• Upgrading your technology.....	17%	17%	17%	18%	16%
• Better management of cash flow.....	13%	14%	12%	12%	14%
• Merging with or acquiring another company	12%	12%	11%	10%	13%
• Raising your prices.....	11%	13%	10%	10%	12%
• Expansion to markets <u>outside</u> of U.S.....	9%	8%	10%	12%	6%
• Improving risk management.....	9%	7%	10%	7%	10%
• Preparing your company for sale.....	8%	5%	10%	10%	5%
• Finding new financing.....	6%	4%	7%	9%	3%
• Going public.....	1%	2%	1%	2%	1%
• Other volunteered (misc.).....	1%	1%	1%	1%	1%
• Not reported.....	---	---	---	---	---

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Industry Differences

- Product Sector: Focused more on Developing new products and services (35%); and Cutting costs (27%).
- Service Sector: Focused more on Retention of key workers (75%); and Hiring qualified workers (61%).
- High-Tech Sector: Focused more on Hiring qualified workers (57%); Creating business alliances (24%); and Expansion to markets outside of the U.S. (12%).
- Non-Tech Sector: Focused more on Expanding to markets inside the U.S. (28%); and increased productivity (26%).