CEO Projections 2022

Embrace the Employee Revolution

VISTAGE

CEO Projections 2022: Embrace the Employee Revolution

One year ago, CEOs of small and midsize businesses were relatively optimistic about the economy. Between government stimulus packages, a robust vaccine program and pent-up consumer demand, the groundwork was laid for a strong recovery. No one foresaw the problems that would later send that trajectory off course: supply chain bottlenecks, inflation spikes and the emergence of COVID-19 variants — first Delta, then Omicron.

Coming into 2022, many of those issues continue to stifle economic growth, and new problems are emerging. For CEOs, the most pressing of these is hiring and retaining people. Competition for talent is fierce, as most companies plan to increase their headcount this year. And the stakes are high with many companies needing more workers to operate at full capacity.

Despite these challenges, CEOs remain confident about their business prospects. Data from the Q4 2021 Vistage CEO Confidence Index indicates most CEOs anticipate revenue and profit growth this year, and the majority plan to increase their business investments.

In this report, we dive deeper into this data to understand CEOs' key decisions, leadership challenges and investment priorities for 2022. We also offer expert insights to help CEOs embrace revolutionary changes that started with the pandemic but are here to stay. *Note: Unseen at the time of the data collection and analysis was the Russian invasion of Ukraine and its implication on the economy and sentiments of small and midsize businesses.*

In this report

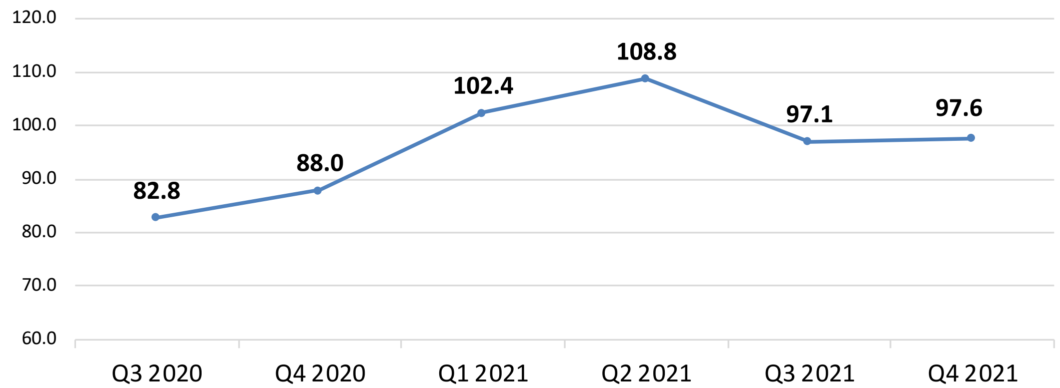
Key takeaways | Vistage CEO Confidence Index

Unpacking results from the Q4 2021 survey

Each quarter, the Vistage CEO Confidence Index survey captures responses from CEOs of small and midsize businesses across the U.S. to inform the Vistage CEO Confidence Index. Between December 7-14, the Q4 2021 survey captured input from 1,540 CEOs on their economic sentiment, expansion plans and projections for their businesses.

With this input, the Q4 2021 Index was calculated at 97.6, a marginal increase from the 97.1 recorded in Q3 2021. The data from the Q4 survey suggested that CEO confidence has stabilized in the wake of a year of economic uncertainty and optimism is shown through record hiring plans.

The Q4 Vistage CEO Confidence Index remained stable in the face of economic uncertainty and record hiring plans



Source: Q4 2021 Vistage CEO Confidence Index n=1,540

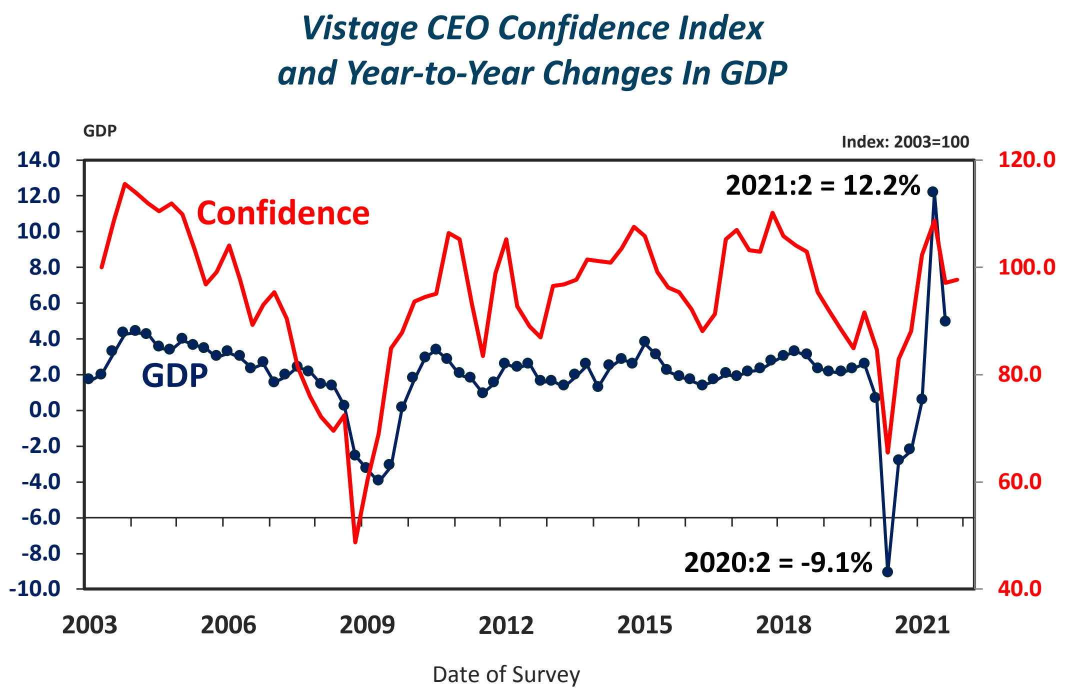
Key takeaways from the survey

1. Hiring is at an all-time high. More than three-quarters (76%) of CEOs plan to increase headcount in the year ahead. This is 10 points above last quarter's 66% and the highest level recorded since 2003. The talent wars are tougher than ever, especially considering that demand for talent was sky high before the pandemic. Meanwhile, the unemployment rate is hovering around 4% and the number of open jobs exceeds the number of job seekers.

2. Small and midsize businesses plan to increase investments. About half (52%) of CEOs plan to increase investments this year, nearly equal to the peak of 53% recorded in Q2 2021. In addition to plans to invest in increased headcount, plans to increase fixed investments remain high as CEOs strive to secure financing before interest rates go up. Most CEOs (69%) also plan to increase their technology investments to reduce their labor burden.

3. The economic outlook has worsened. Less than half (48%) of CEOs believe the economy has recently improved, an 8-point drop from Q3 2021. Just 28% think the economy will improve in the year ahead. Another 28% think the economy will deteriorate.

4. Most CEOs anticipate revenue growth, while profits remain challenged. Expectations for revenues are stable, with 74% of CEOs projecting increased revenues in the year ahead. This follows the peak of 78% recorded in Q2 2021 but is well ahead of the 67% recorded one year ago (Q4 2020). However, the proportion of CEOs expecting increased profits is only 51%, 10 points less than the 61% recorded in Q1 2021. These figures speak to the impact of higher costs, material shortages and wage increases.



Source: Q4 2021 Vistage CEO Confidence Index n=1,540

About the Vistage CEO Confidence Index

Since 2003, the Vistage CEO Confidence Index has captured the sentiment of small and midsize business leaders. Calculated from a quarterly survey of CEOs, the Index has been determined to be a strong predictor of U.S. economic performance, historically leading GDP by two quarters.

Projection 1 | Economic trends

Understanding the economic tug-of-war

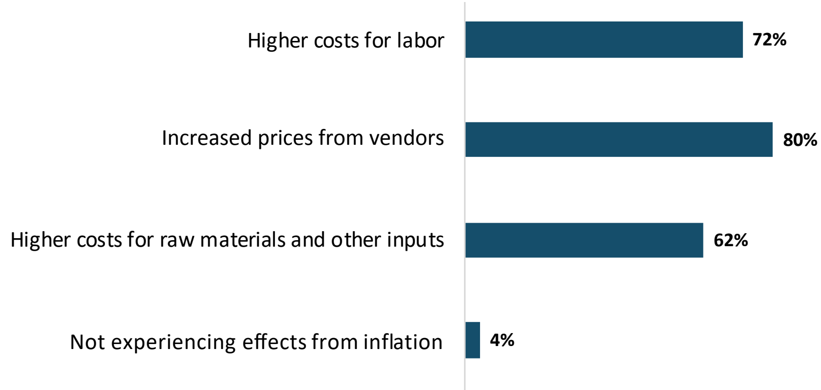
The economy today has forces working for and against it. On one hand, hiring plans are strong, business investments are increasing and interest rates remain historically low. On the other hand, workers are in short supply, inflation is surging and supply chain problems are slow to reconcile.

In 2022, this economic tug-of-war will continue and be driven by many factors, including:

Inflationary pressures. After reaching a 40-year high, inflation is not showing signs that it will moderate anytime soon. Small and midsize businesses continue to manage increased costs of inputs, wages and prices from vendors while also adjusting prices.

More small and midsize businesses reported offering higher wages and increased prices from vendors in Q4 2021

Which effects of inflation are you experiencing for your business?

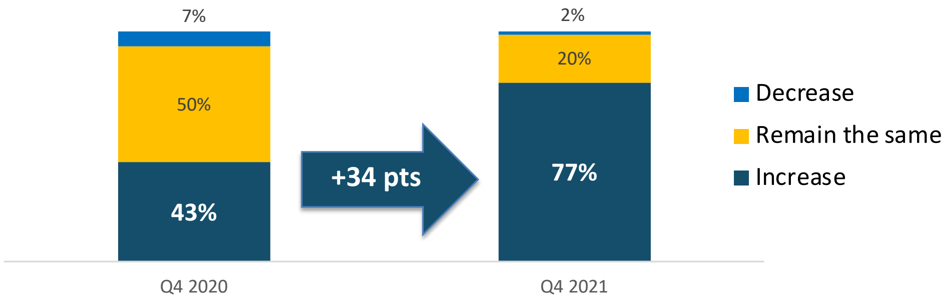


Source: Q4 2021 Vistage CEO Confidence Index n=1,540

Higher prices. Price increases have hit consumers and certain vertical markets hard. In the past 6 months, the proportion of CEOs reporting higher prices from vendors grew 10 points, reaching 80% in the Q4 survey. Many businesses are passing on those costs: More than half (69%) of CEOs have already increased their prices and 77% plan to increase their prices again in 2022.

More than three-quarters of CEOs plan to raise prices in the year ahead, a 34-point increase from last year

How do you expect prices for your product or service to change during the next 12 months?



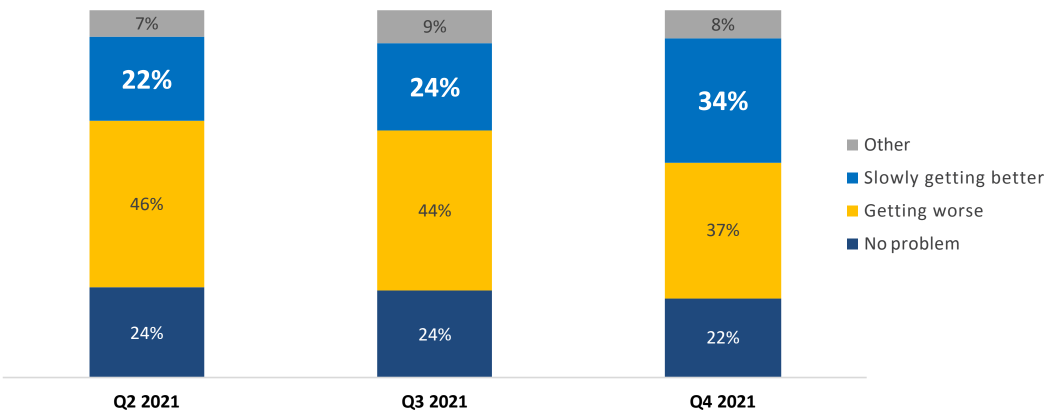
Source: Q4 2021 Vistage CEO Confidence Index n=1,540

Gradual improvements to the supply chain. For more than a year, the supply chain crisis has contributed to rising inflation, high material costs and long wait times. Issues such as port bottlenecks, shipping container shortages and a lack of truck drivers continue to prolong the crisis. However, our data suggest conditions are improving; over one-third (34%) of CEOs in Q4 reported their supply chain was slowly improving, 10 points higher than the previous quarter. If this pattern continues, it will reduce pressure on the cost and availability of materials this year.

Low supply and high demand. Similar to last year, demand is high and supply is low for inputs and goods including manufacturing components, construction supplies and consumer products. The same is true of workers, as many companies need more people than they can hire.

Over one-third of CEOs report their supply chain is slowly getting better, a 10-point increase since Q3

Which best describes your supply chain?



Source: Q4 2021 Vistage CEO Confidence Index n=1,540

Expert Perspective | Dr. Alan Beaulieu
Predicting and preparing for changes to the economy

Dr. Alan Beaulieu |
President, ITR Economics

"With diminished demand-pull, supply chain pressures will slowly ease this year and next. The problems we've seen will get better and continue to get better."

Dr. Alan Beaulieu

At ITR Economics, we see the future through math. Our methodology for economic forecasting is based on rates of change and leading indicators. There's no emotion to it; it's determined by math. According to our latest calculations, here's what we predict for the economy in the next several years.

1. Growth will decelerate, then ramp up.

In 2022, the economy is going to grow, but the rate of rise will slow. It'll be good for your business, but it won't be as strong as what we saw in 2021. One reason is retail sales — which represent two-thirds of the economy — are going to slow down. As consumers slow down, demand-pull will slow down. Your business will need to adjust and budget accordingly.

In 2023, we will experience the proverbial "soft landing." This won't be a sign of a recession; it will be a normal softening caused by business cycle pressure. But in 2024, growth is going to ramp up. You're going to like it. It may be your busiest year of the rest of the decade.

2. Labor dynamics will shift.

The quitting rate is going to ease soon. This doesn't mean wages will come down, but the rate of rise in wages will slow down. You're going to give out much milder raises. You want to pay your people well, but you don't want to put yourself out of business and have your cost structure be out of whack with your competitors.

With the shift to remote work, a distributed workforce will become more common. If you can, hire from around the country so you can get the most talented people.

The next generation to manage your company is Millennials. Millennials ask for three things: They want to be paid well, do good in the community and be part of a culture where everyone listens to everybody. If you give them these three things, you will get a workforce that likes working for you.

3. Supply chain and pricing issues will abate.
The rate of change for pricing will soon decline. Prices aren't going to fall, but upward pressures will ease. If you've been passing along price increases because of inflation and the Producer Price Index going up, you won't be able to do it much longer.

With diminished demand-pull, supply chain pressures will slowly ease this year and next. The problems we've seen will get better and continue to get better.

4. Inflation and interest rates will go up, but inflationary pressures will ease.
From now through 2026, inflation is going to go up. This year, it will reach the highest level we've seen in decades. Then, it's going to abate and touch down in 2023, albeit to a high level.

We anticipate inflationary pressures will lessen with an easing of demand and improvements to the supply chain. Interest rates are going to go up, but it's not going to rock consumers or rock your world.

This is a good time to think about investing in automation. Buy things your business needs to drive efficiency. Invest in processes, equipment, front office, back office, CRM. Think about what you need to keep your labor count down so you get the most out of every minute and every square foot because that's how you're going to succeed in a period of inflation. Invest now while it's cheaper. And borrow the bank's money because you're going to pay it back with inflated dollars.

5. The economy will experience a downturn in 2025-2026.
In 2025, things will slow down a bit. In 2026, we will slip into a recession. It won't be anything like the Great Recession; it will look like the recession of 2000 and 2001. If you're thinking about exiting your business, 2024 and 2025 are good times to do it. Interest rates will be higher, but EBIDTA will be up. If you're not ready to sell then, hold off until 2027, 2028 or 2029.

Start thinking now about how to get ready by managing your cash and locking in costs. If you prepare, you can use this downturn as an opportunity.

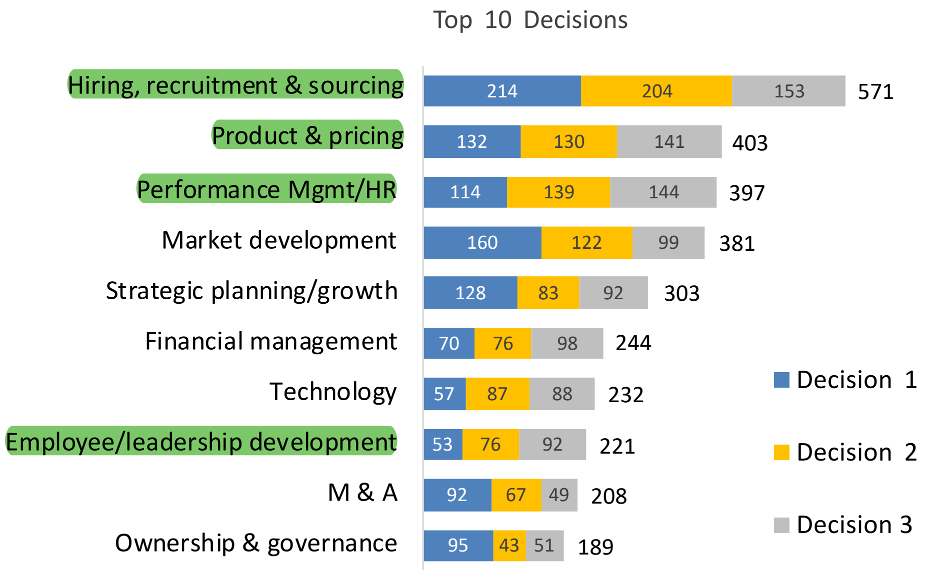
Projection 2 | Major decisions and challenges

Tackling issues of hiring, recruitment and sourcing

While data show robust hiring plans for 2022, business leaders also report having people problems. When asked about major decisions they will have to make in 2022, CEOs ranked hiring, recruitment and sourcing people as their top decision.

Research Insights: Major Decisions

What are the major decisions you'll have to make regarding your business in 2022?



Source: Q4 2021 Vistage CEO Confidence Index
4,446 responses from 1,540 respondents

Similarly, when asked about their most significant leadership challenge, the majority (62%) of CEOs cited problems relating to employees. Of these challenges related to people, hiring was the leading challenge, which aligns with the top decision. Leaders are also challenged by retention, followed by employee and leadership development programs. Culture — while last on the list of people-related challenges — still has a direct impact on the other 3 areas.

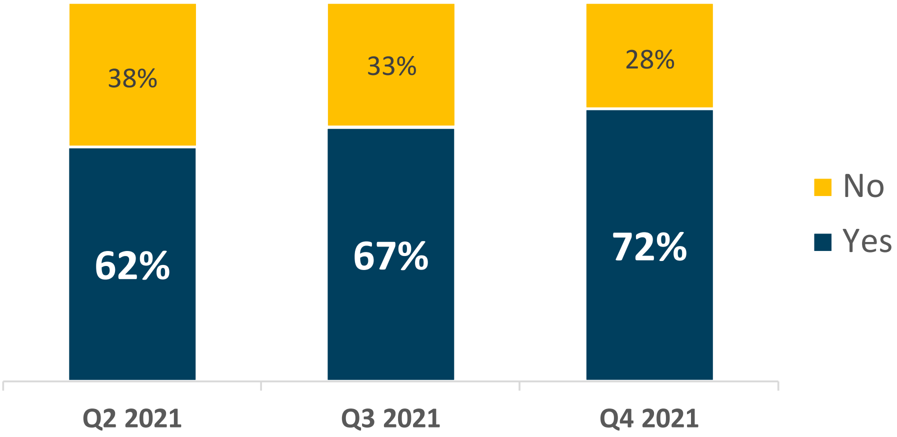
This heightened focus on people is due to several factors

Competition for talent is increasing. As noted earlier in the report, demand for workers is exceptionally high, with 76% of CEOs planning to increase their headcount in the year ahead. The talent wars are a zero-sum game, and CEOs need to employ aggressive recruiting tactics to increase headcount. But aggressive recruiting tactics only solve part of the problem in this competitive market. The way companies differentiate themselves has changed significantly, and these changes must be put in place to ensure the success of effective recruitment tactics.

Hiring and retention challenges are inhibiting growth. Along with hiring difficulties, CEOs are facing retention problems, with 29% experiencing a decline in retention rates since the start of 2021. This is having a big impact on growth: Nearly three-quarters (72%) of CEOs surveyed in Q4 2021 say hiring challenges are preventing their company from operating at full capacity — an increase of 10 points over Q2 2021. One-quarter (25%) of CEOs say they are slowing or delaying growth because of hiring difficulties.

Small and midsize businesses increasingly experience economic headwinds of talent scarcity

Are hiring challenges impacting your ability to operate your business at full capacity?



Source: Q2 2021 Vistage CEO Confidence Index n=1,589
Source: Q3 2021 Vistage CEO Confidence Index n=1,620
Source: Q4 2021 Vistage CEO Confidence Index n=1,540

Power has shifted from the employer to the employee. The current hiring environment looks nothing like it did after the 2008 recession. Workers today coming out of the pandemic-related recession have more opportunities to find jobs with higher pay and better work conditions. Quit rates are exceptionally high — with 4.25 million people resigning from their jobs in January 2022 — and the number of jobs available exceeds the number of active job seekers. This is expected to moderate in the coming year, but employees maintain the upper hand in the talent wars.

Leadership development is a critical driver of the employee experience. The changing workplace is placing new demands on leaders, and CEOs need to provide them with tools to succeed. These demands include managing remote workers; addressing talent scarcity issues; promoting the organizational mission, vision and purpose; and coaching direct reports. Just over 50% of CEOs identify leadership development as a challenge they are tackling. When it's addressed effectively, leadership development can have positive impacts on both performance and culture.

Additional Key Leadership Changes

In addition to talent management challenges, CEOs reported other areas currently impacting their businesses:

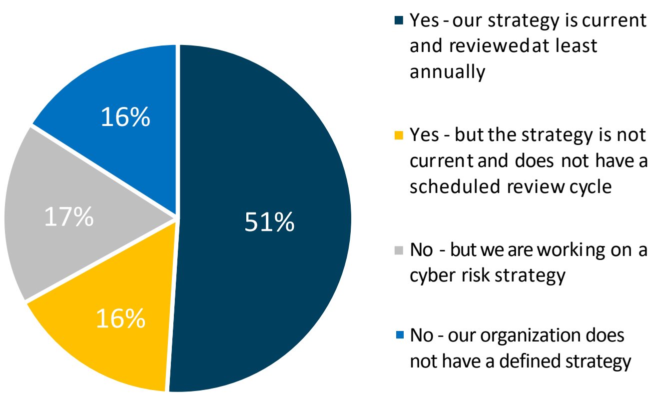
Product and pricing. While CEOs are finding new opportunities to bring products to markets, they're also facing strategic pricing challenges. Inflation has reached historic highs, while the price of labor, materials and other operational costs keeps going up. Meanwhile, the economic forecast is unclear. To defend their margins, CEOs must raise prices while accounting for economic uncertainty.

Decisions related to product and pricing are No. 2 on the list of major decisions. CEOs are actively reviewing their suite of products and services to focus efforts on areas with the most opportunity. This may result in the decision to sunset some products or business lines, or to put resources into developing new products and services to meet market demand.

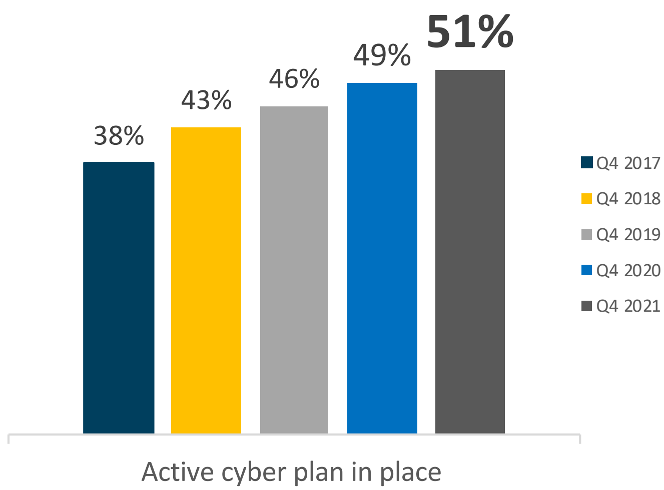
Cyber threats. A cyberattack remains the biggest threat to a business. One incident can shut down operations in a heartbeat, leaving executives scrambling to resume operations. In 2021, one-quarter of small and midsize businesses experienced a cyber incident. A small portion — 5% of small and midsize businesses — reported a cybersecurity incident that resulted in lost or compromised data, while 20% had an incident but data was not lost or compromised. Fortunately, businesses are increasingly strengthening their cybersecurity defenses. More than half (51%) of small and midsize businesses now have a cybersecurity plan they review at least annually, the fourth consecutive annual increase.

Over half of small and midsize businesses have an active cyber plan in place

Does your company have a defined cyber risk strategy that is documented and communicated to your executive leaders?



Cyber preparedness is on the rise



Source: Q4 2021 Vistage CEO Confidence Index n=1,540

On the blog:

[Expert advice for CEOs to protect against heightened risk of cyberattacks]

Changing buyer behavior. Just like workers, buyers have changed during the pandemic. In the Q3 2021 CEO Confidence Index survey, 78% of CEOs reported experiencing changes to buyer behavior. Connecting to today's customer — one who is more informed and discerning — has become more critical than ever, especially with 74% expecting increased revenues in the year ahead.

Transitioning issues. CEOs report being challenged by different types of transitions, such as succession planning, onboarding new board members, preparing for potential retirements and managing movement at the executive level. In addition, with mergers or acquisitions as one of the top 10 decisions for the year ahead, these transactions necessitate transition plans to bring companies together.

Expert Perspective | Casey Brown

Strategies for price increases

Casey Brown |
President, Boost Profits

In my 25 years of experience in this space, one that has spanned a variety of economic cycles, I can count on one hand the number of times a company has gone to the well too often or asked for too much with price increases. More often, companies go too slow or too low. When should you raise prices? The short answer is: whenever you can. Most companies have implemented a price increase in the past year, and we've seen many that have implemented two, three, four or more increases. And yet I would counsel companies to continue to explore opportunities to raise prices.

Good pricing strategy is generally agnostic to the macroeconomic environment. There are winners and losers in any economic climate. The companies that eke out a price premium focus relentlessly on value, differentiate their offerings and message their price increases appropriately. The smartest companies also play the arbitrage game, holding off on accepting cost increases for as long as possible and raising prices as fast as possible. Most of the time, sellers don't price from confidence. They price from fear. They don't price to win, rather they price not to lose. Sellers are afraid to increase prices because they think, "What if we lose customers?" The reality is that you will lose few customers, if any, through the surgical application of your pricing strategy.

> "When should you raise prices? The short answer is: whenever you can."
>
> **Casey Brown**

Savvy companies segment their price increases by products and services, by customer types, and by risk categories. Get granular instead of raising prices 5% across the board. Customer A might pay only 4% more for Product X and 6% more for Product Y, while Customer B is willing to pay 8% more for Product X and 12% more for Product Y.

A certain customer numbness to price increases has set in across many industries with rapid, sustained inflation. Ride the wave of inflation in raw materials, components, energy, infrastructure, freight and labor by asking for another price increase. Numbness to increases doesn't mean passivity; customers will still complain, threaten and object. Don't pay attention to customers' price objections unless they actually stop buying. Complaints are just noise. Sales, or lack thereof, is the data to focus on collecting.

Expert Perspective | Casey Brown

Strategies for price increases

Even with the advice to ride the wave of inflation, when you announce price increases, don't tie your messaging too closely to cost. If you tell customers, "We're raising our prices 10% just because our costs have increased," then you're more vulnerable to the downside when costs drop. It also strips your company of its value. It says the only reason you have permission to increase prices is because of the cost of your inputs and not because of the value you provide. While it's often necessary to cite cost increases to justify price increases, never let that be the only justification. Cite improvements to customer value. Michelangelo's prices weren't just dependent on the cost of marble.

> **"When you announce price increases, don't tie your messaging too closely to cost."**
>
> **Casey Brown**

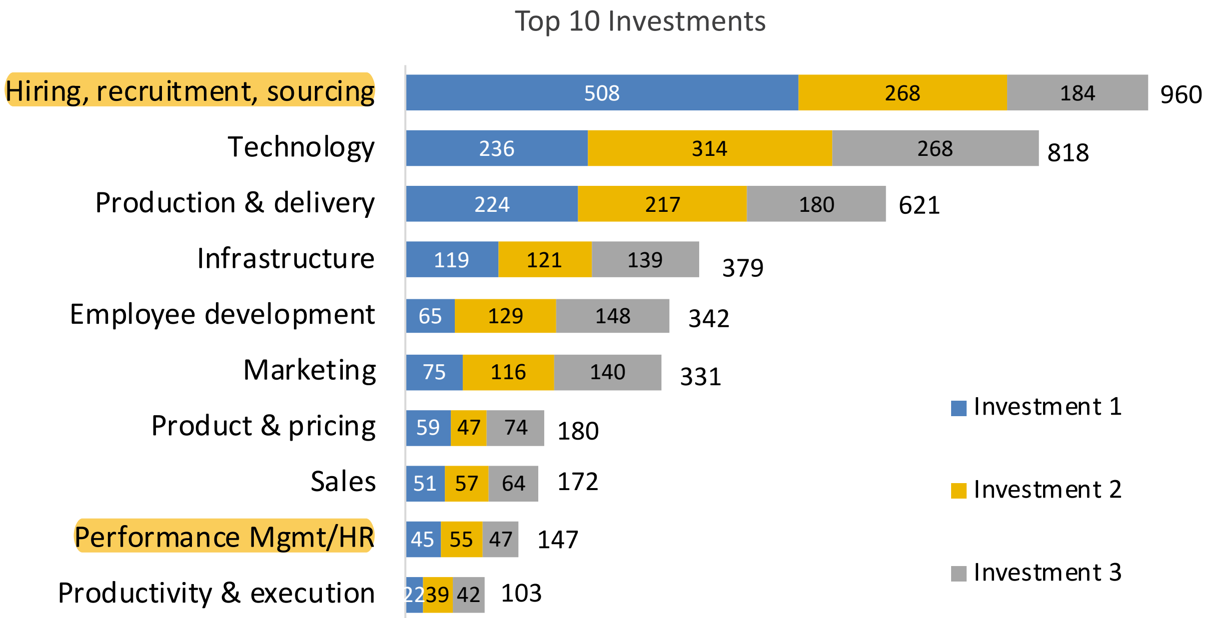
Projection 3 | Investments and priorities

Investing to attract and retain top talent

Consistent with major decisions and leadership challenges, CEOs also identify hiring, recruitment and sourcing people as the leading investment area for 2022. Successful recruitment and retention strategies require investments in people, evidenced by the fact that three of the top 10 investments planned for 2022 relate to people.

Research insights: Major Investments

What are the major investments you are planning to make for your business in 2022?



Source: Q4 2021 Vistage CEO Confidence Index
4,556 responses from 1,540 respondents

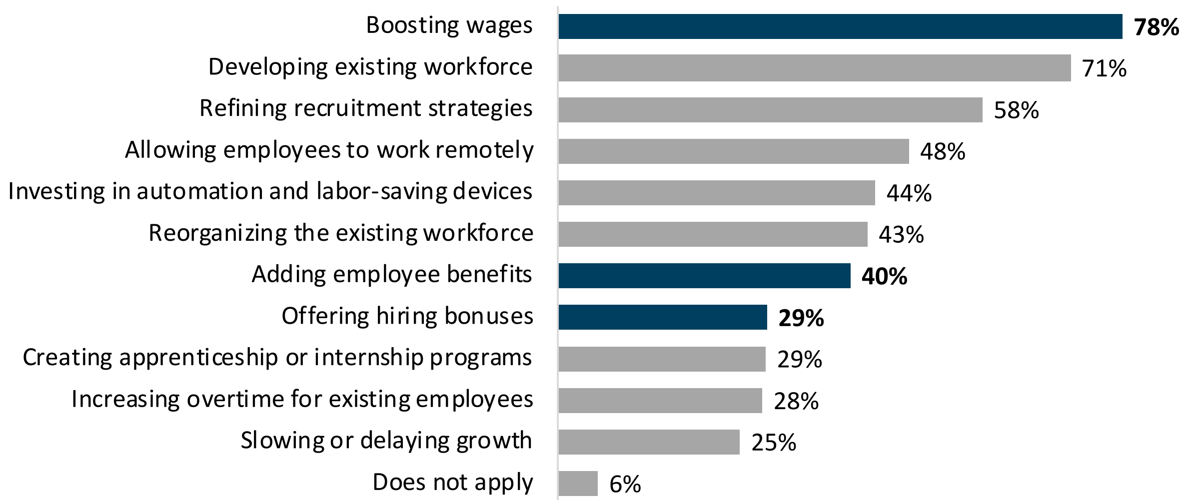
Many investments target strategic talent management priorities such as:

Boosting wages. Since wages are the easiest variable for workers to compare, companies are increasing their compensation offers to attract and retain talent. More than three-quarters (78%) of CEOs say they are increasing wages, 9 points higher than Q3 2021 (69%). Another 29% of CEOs are offering hiring bonuses. More than one-quarter (28%) of CEOs are also offering overtime with higher hourly rates to accommodate increased workloads for existing employees.

As a defensive tactic, companies are also preemptively raising wages for current employees in the form of cost-of-living adjustments. However, raising wages can create more problems than it solves. Once raised, wages are almost impossible to lower.

Small and midsize businesses increase overall employee compensation in response to hiring challenges

If hiring has become more difficult, what are you doing in response?



Source: Q4 2021 Vistage CEO Confidence Index n=1,540

NEXT

Developing employees and leaders. Companies are stepping up their investments in employee development, with the proportion jumping 15 points — from 56% to 71% — between Q3 and Q4 2021. A big driver for improving employee development programs is responding to hiring difficulties. First, investing in the people they have today increases the productivity, performance and value of existing employees, helping improve capacity and capability. Moreover, employees are less likely to leave a company that actively invests in their personal and professional development.

In addition, a well-rounded employee development program — which includes career development, company culture training, soft-skills training and wellness activities — is attractive to prospective employees. These opportunities can be a key differentiator in hiring.

To fill the pipeline of talent, companies are bringing back traditional apprenticeships and internships, especially in skilled trades. More than one-quarter (29%) of small and midsize businesses are currently offering these programs, compared to only 18% in Q3 2021.

Offering a flexible workplace. When the pandemic first hit, remote working seemed like a temporary fix. Now, it looks like a permanent fixture in many small and midsize businesses. Recognizing that many employees prefer to work from home, nearly half (48%) of CEOs are providing remote work options. This represents an increase of 7 points over Q3 2021.

Leveraging technology to reduce the labor burden. For the first time in our survey's history, technology fell to No. 2 on the list of investments. However, over two-thirds (69%) of CEOs are actively investing in technology to reduce the labor burden on products and services. Another 13% of CEOs plan to invest in technology this year for the same reason. This is one solution to the talent scarcity problems CEOs are facing.

These investments aren't intended to replace people; rather, they are designed to improve worker productivity. For example, companies are spending on improvements to customer engagement applications and access to information workstations for the home office. The next wave of technology will release the next surge in productivity and performance.

Retention: a smart investment

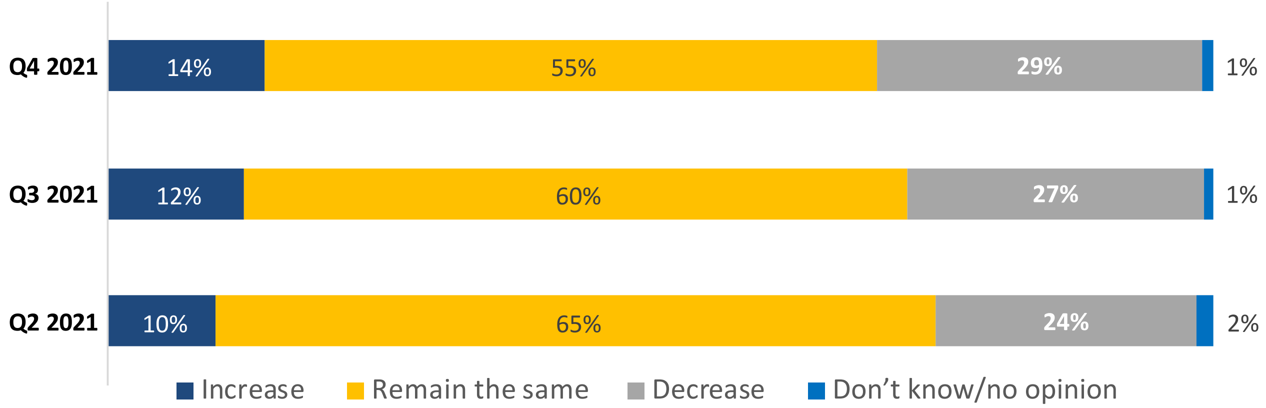
When deciding whether and how to invest in retention efforts, CEOs should remember: It takes longer and costs more to hire less experienced, less qualified people to replace lost workers. The higher up the role, the more painful the loss is for the company.

It's also important to remember that people don't quit their jobs without somewhere to go.

Employees leave for different reasons, of course. But in general, hourly workers tend to go to jobs with better pay and improved working conditions. Skilled employees go to jobs that align with their work-life goals. Knowledge workers gravitate towards flexible work environments. And Millennials seek out businesses that align with their personal or professional purpose.

Employee retention rates have gradually decreased over 2021, significantly changing from pandemic levels

How have your employee retention rates changed since the beginning of 2021?



Source: Q4 2021 Vistage CEO Confidence Index n=1,540

Expert Perspective | Rena Somersan
Competing with compensation

Rena Somersan |
Managing Principal,
Newport Group

There's never been a time like the present, where compensation makes headlines almost every day. People are doing everything they can to attract qualified candidates. Here are a few things employers are doing to attract and retain employees.

A **sign-on bonus** can be a great way to attract new hires. But sign-on bonuses are quickly given, quickly spent and often quickly forgotten.

Retention bonuses for current employees, however, are effective. They present ways for employers to be creative and tie in a "thank you" as a nod to performance. As an example, one company I worked with created a program that gave everyone on staff 20 hours of pay and gave long-standing employees an additional hour for every year they've worked. Then they added 5%, 10% and 15% increases depending on the company's performance.

> "Sign-on bonuses are quickly given, quickly spent and often quickly forgotten."
>
> **Rena Somersan**

Annual wage increases have become expected. Raises used to be approximately 3%, but now they're 4% or 5%. My suggestion is to use some creative methods for wage increases, like off-cycle increases. Give your best employees a bump in pay now, and then give them another bump 5 or 7 months later.

Make sure you're at the top of **wages for your frontline workers**. Get some competitive market data and prioritize hourly pay. Don't go with the old "peanut butter approach," where you spread your whole budget across everybody's pay. Put your money toward your core people and core competencies.

For **executive compensation**, there is a big upswing in long-term incentives and non-qualified deferred compensation arrangements. People pay most attention to base salary. However, think about the whole package. Maybe you offer a slightly lower base but with a long-term incentive.

If none of these work to retain employees, I do not recommend **counteroffers** after an employee has put in their notice. If an employee has gone through the interview, offer and acceptance process, they're likely a lost cause. Before you go through the effort of creating a counteroffer, ask the employee: "Are you open to an offer? Or have you made your decision?" The counteroffer has become much more prevalent recently because companies can't afford for their best talent to leave.

Do the best you can with these thorny issues. Just put it all on the table and weigh those scales carefully, because it's a tough market out there.

Projection 4 | The workforce revolution

Differentiating with the employee experience

The pandemic has caused radical changes in human behavior. Two years of disruption have inspired people to recalibrate their purpose and priorities in life. An abundance of job opportunities is encouraging employees to reconsider where and how they want to work.

This has given rise to a workforce revolution, one where workers are migrating to new jobs or careers. Many of these workers are seeking a switch from work-life alignment to a life-work balance that gives them a better sense of empowerment or fulfillment while prioritizing non-work activities and commitments.

In response to these sweeping changes, CEOs should turn their attention to the overall employee experience.

The employee experience

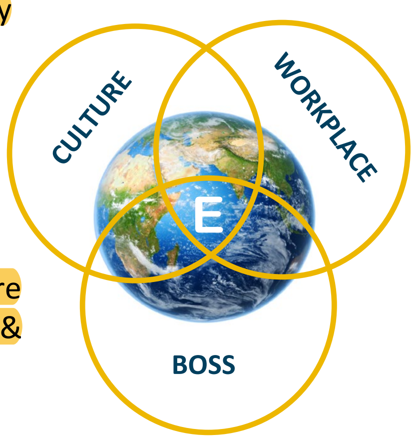
In the current hiring environment, competitive wages are table stakes. To compete for talent, companies must also provide exceptional employee experiences.

CEOs control three major components of the employee experience: culture, workplace and boss. Here are the elements to prioritize and questions to ask.

Employee Experience

Culture

- Mission, vision, purpose
- Physical and emotional safety
- Values, rituals and traditions



Workplace

- Physical environment
- Tools, technology and training
- Flexibility

Boss

- Manifest and reinforce culture
- Accountability: expectations & behaviors
- Performance & results

1. Culture

A CEO must define, model and reinforce the company's culture at the executive level. They need to ensure the culture carries down the organization to the frontline manager and across the organization to the worker level. While senior leadership is responsible for communicating the culture by clarifying the mission, vision, purpose and values to team leaders, the team leaders are responsible for bringing that culture to life. They teach their direct reports how to demonstrate company culture and hold them accountable by rewarding the behaviors that align with the culture and coaching when there is a lack of alignment.

Questions to ask

- As CEO, can you clearly articulate your culture? Can your senior leaders do the same?
- How strong is your culture at the executive level, team level and individual level?
- In what ways are your team leaders modeling the company culture to their direct reports? How are they communicating expectations to their team?
- How are employees held accountable to living the culture?

2. Workplace

"Workplace" refers to any physical environment that is used by the company to conduct business, whether that's an office for knowledge workers, a warehouse for hourly workers or a construction site for skilled workers. CEOs determine the level of investment to make in the workplace and, therefore, determine whether it becomes a place people want to be. Typically, these investments refer to technology, tools and training that support worker safety and success. The new workplace includes different levels of safety and spaces that best inspire collaboration and communication. And with a "workplace" potentially being a virtual environment, CEOs should consider how the company might invest in the home workspaces of their employees.

Questions to ask

- What have you done to optimize your workplace? Does it align with what your workers want?
- Is your physical environment safe? Is it comfortable? Is it an enjoyable place to be?
- Do employees have the tools and technologies they need to succeed?
- How flexible is your work model? What investments have you made to support that flexibility?
- If your employees work part- or full-time remotely, are you investing in their home workspaces?

3. Boss

No one has a greater influence on an employee's day-to-day experience than their boss. A boss defines an employee's role, sets and inspects their activities, and judges their performance based on individual and team results.

To create great bosses, CEOs need to provide leadership development opportunities that prepare them to reinforce culture, motivate teams, and coach individuals on performance and results. The major role of CEOs is investing in and prioritizing the development of leaders, as well as ensuring that there is someone to coach the coaches. The greatest risk to retention is the frontline managers. CEOs need to ensure that leadership development is not just a privilege reserved for upper levels of managers, but an opportunity that is extended to their frontline leaders.

Questions to ask

- What are you doing to build better bosses in your company? How much are you investing? How often do you inspect the effectiveness?
- How well are your managers fulfilling the triple role of leader, coach and manager?
- What metrics do you use to determine the effectiveness of managers?
- How do you select those that participate in leadership development?

A closer look at culture

The pandemic has tested the strength of every organization's culture. Companies with a strong culture that bound their employees to a common purpose and found new ways to demonstrate their rituals and traditions performed better through the crisis than companies that lacked cultural bonds.

Culture remains an essential talent management strategy. But in an evolving workplace, companies need to continually adapt their culture to fit within new norms. For example, companies need to establish new boundaries and expectations for employees who work from home. Onboarding programs need to reflect the shift to hybrid work environments. Communications need to pivot to accommodate a physically disconnected workforce.

Defining the mission, vision and purpose of the organization comes from the top. However, team leaders are responsible for bringing cultural values and ideals to life. For that reason, CEOs should seek alignment among team leaders to model the company culture and hold people accountable to living those values.

Research Perspective

Getting comfortable being uncomfortable

The accelerated disruption of COVID-19 has taken everyone out of their comfort zone. It has created rapid and unprecedented changes to our economy, workplace and everyday living. In our lifetime, CEOs have never had to deal with a global pandemic and its immediate impact on their business, employees and family. Radical, accelerated behavioral changes have led to a workforce revolution that is challenging every aspect of recruiting, hiring and retaining people.

It has also been a generation since CEOs had to deal with inflation. While far from the double-digit rates of 40 years ago, surging inflation rates had a significant impact on business last year, as did the supply chain crunch. No one saw these problems coming. Moreover, the preceding decade of slow, stable growth provides little experience to guide CEOs in how they navigate the accelerated changes of this decade.

The Q4 2021 Vistage CEO Confidence Index provides a glimpse into the decisions CEOs are facing in the year ahead. But, more so than any other year, a fog of uncertainty clouds everyone's crystal ball and their ability to predict and forecast for the future.

In the absence of personal experience or external expertise, CEOs must become comfortable being uncomfortable as they make critical decisions that determine the fate and fortune of their business. Nothing is certain about the year ahead — except for more change. The drag of inflation, talent shortages, supply chain disruptions and the ever-present threat of more variants like Delta and Omicron holds back the progress of record-breaking hiring plans, increasing investments in the future and the belief that we'll see the end of the pandemic this year. There is no going back to what was. There's only going forward to a place no CEO has gone before.

"If you don't like change...
You're going to hate extinction."

Dr. Alan Beaulieu, ITR Economics

Contributors

Alan Beaulieu | President, ITR Economics

With a reputation as an accurate, straightforward economist, Alan Beaulieu has been delivering award-winning workshops and economic analysis seminars in countries across the world to thousands of business owners and executives for the last 30 years. Alan has co-authored, with Brian Beaulieu, the books Make Your Move, Prosperity in the Age of Decline, and But I Want It! He has also penned numerous articles and makes up to 90 appearances a year. Alan's keynotes and seminars have helped thousands of business owners and executives capitalize on emerging trends.

Casey Brown | President, Boost Profits

As President of Boost Profits, Casey Brown leads a group of consultants who help companies sell more at higher prices to increase profit. She is a highly sought-after speaker on the topic of commanding excellent pricing for the value provided. Her 2015 TedX talk has accumulated over 4 million views to date, and the Boost Profits blog – of which she is a co-author – has been named a Top 50 Blog. Casey's unique background of engineering, Six Sigma and pricing strategy for multiple Fortune 500 companies provides a rich backdrop of real-world application which has helped establish her as an expert in helping clients discover their true pricing power and watch their profits rise as a result.

Joe Galvin | Chief Research Officer, Vistage Worldwide

As Chief Research Officer for Vistage, the world's leading executive coaching organization for small and midsize businesses, Joe Galvin is responsible for providing Vistage members with current, compelling and actionable thought leadership on the top issues, topics and decisions of small and midsize business CEOs.

Anne Petrik | Sr. Director of Research, Vistage Worldwide

As Sr. Director of Research, Anne Petrik leads the design, deployment and analysis of CEO surveys for Vistage, capturing the sentiment and practices of the Vistage CEO community. Using her analysis, in collaboration with perspectives from experts and partners, Petrik directs the thought leadership published by Vistage research to provide small and midsize business CEOs with insights that inform on how to optimize their businesses and enhance their leadership.

Rena Somersan | Managing Principal, Newport Group

Rena Somersan is a Managing Principal with Newport's Compensation Consulting team. She has over twenty-five years of consulting and industry experience assisting clients in executing their strategic human resources and compensation initiatives. Rena is often invited to speak at conferences in the areas of her focus which has been in workforce and executive compensation, performance management initiatives, talent motivation and retention. She has a Bachelor's degree from the University of Wisconsin-Madison and an MBA from Koc University in Istanbul, Turkey, where she lived and worked for 13 years after working in Japan for 3 years.

About Vistage Worldwide

Vistage is the world's largest CEO coaching and peer advisory organization for small and midsize businesses. For more than 60 years, we've been helping CEOs, business owners and key executives solve their greatest challenges through confidential peer groups and one-to-one executive coaching sessions. Today, more than 26,000 members in 26 countries rely on Vistage to help make better decisions for their companies, families and communities. The results prove it: Vistage CEO members grew their annual revenue on average by 4.6% in 2020, while nonmembers with comparable small and midsize businesses saw revenue decrease by 4.7%, according to a study of Dun & Bradstreet data.

Learn more at vistage.com.

About Vistage Research

Vistage conducts original research and curates subject matter expertise from thought leaders to create actionable, thought-provoking insights for leaders of small and midsize businesses. Our analysis of surveys we conduct, including the WSJ/Vistage Small Business CEO and Vistage CEO Confidence Index surveys, informs various reports. Since 2003, Vistage has published the CEO Confidence Index, which has been a proven predictor of GDP two quarters in advance. Vistage provides the data and expert perspectives to help SMB CEOs make better decisions.

Vistage Worldwide, Inc.

4840 Eastgate Mall

San Diego, CA 92121

Ph 800.274.2367 | Intl +1.858.523.6800

vistage.com

22_333_0002 CEO Projections 2022