

MAY 2022 | REPORT

West Monroe's Quarterly Executive Poll—Q2 2022



Headwinds from geopolitics and talent wars push executives toward a majority bearish outlook

A lot can change in a quarter or two—a lot. That's what executives proved in West Monroe's latest quarterly executive poll.

At the end of last year, Covid's effects were waning, travel was increasing, and 2022 looked like a comeback year. That's partly why 75% of C-suite executives told us they were bullish on the economy in Q4 2021. Fast forward to Q2 and only 45% are still bullish.

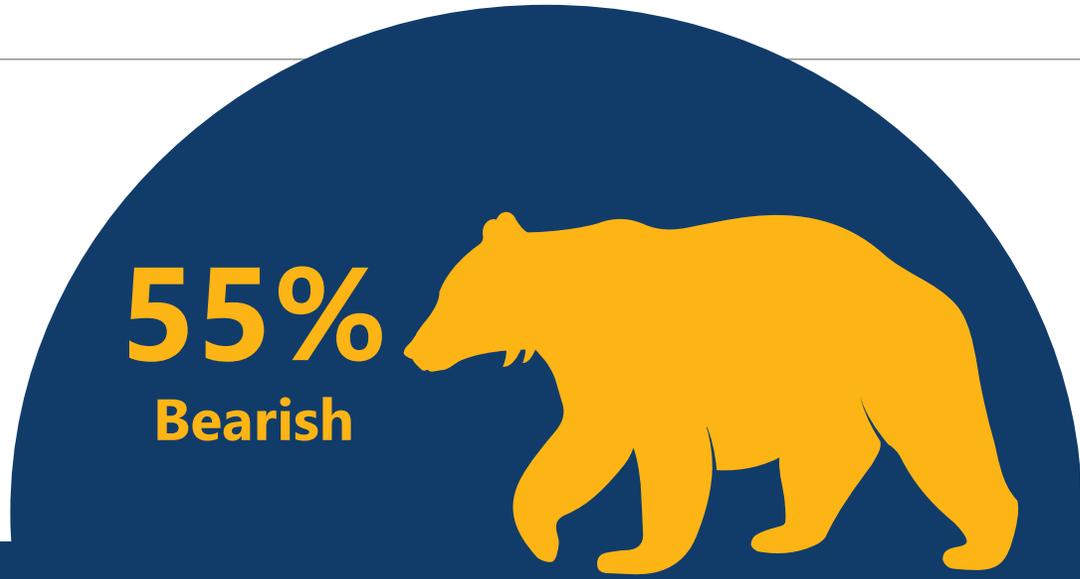
You only need to read each morning's news to understand why. Inflation is a tangible and growing problem. Russia's invasion and ongoing war in Ukraine has significantly disrupted international relations still fragile from the pandemic and supply chain issues. And the talent economy continues to develop new challenges as existing ones go unsolved.

In short, 2022 may be turning out to be as stubbornly challenging as 2020 and 2021. Let's dig into the minds of C-suite executives this quarter.

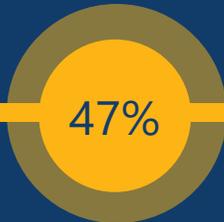
Executive Outlook: Q2



45%
Bullish



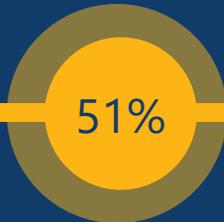
55%
Bearish



West Coast



CEOs



Companies with \$1B to \$3B in revenue

55% Average



Companies with \$500M to \$1B in revenue



CFOs



Midwest

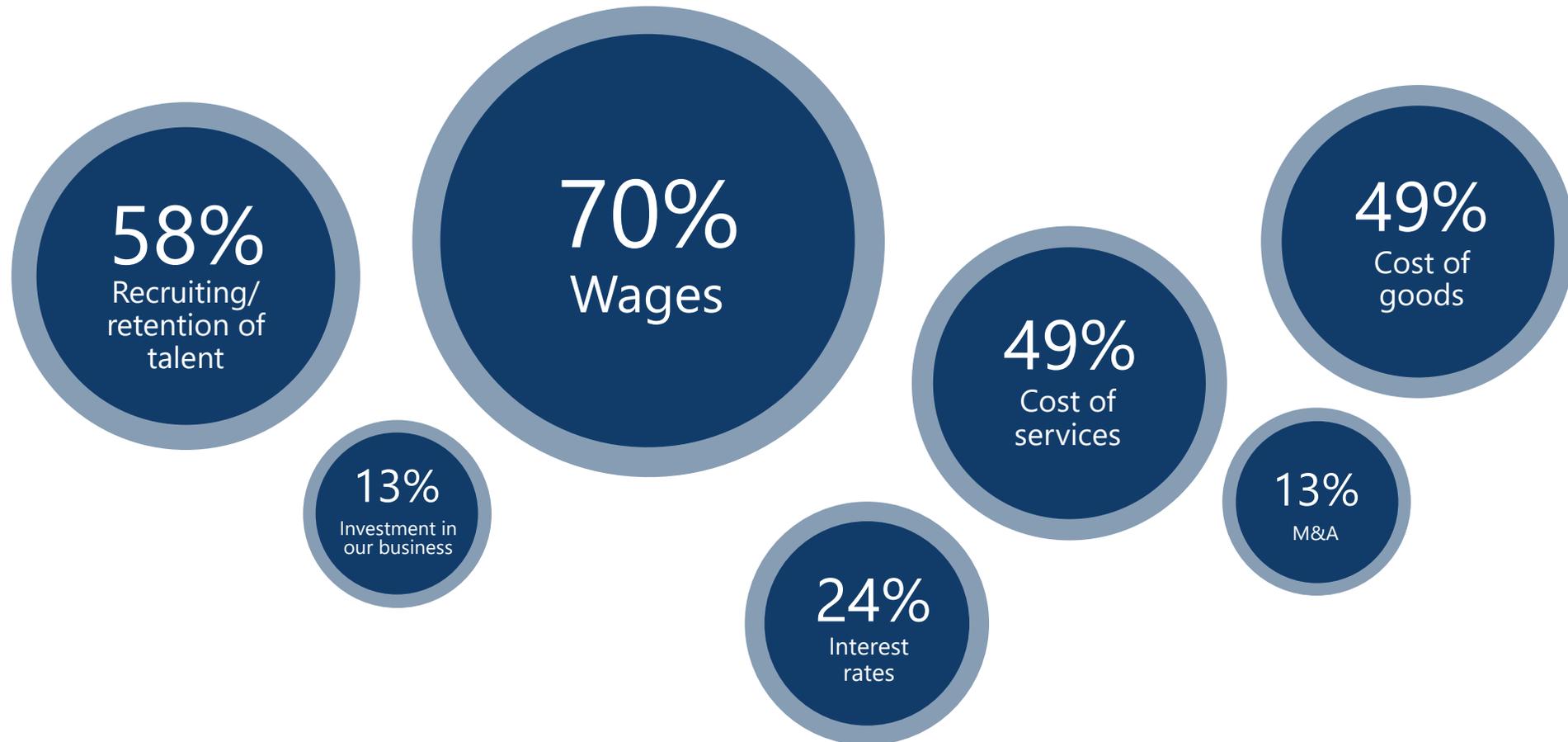
Inflation's impact spreads—and intensifies

The effects of inflation are high and widespread, according to executives. In March, the U.S. Labor Department reported the consumer price index rose at its fastest annual pace since 1981, at 8.1%, with Inflation growing at a 6% clip or more for six months straight. (The Fed's average target is 2%.)

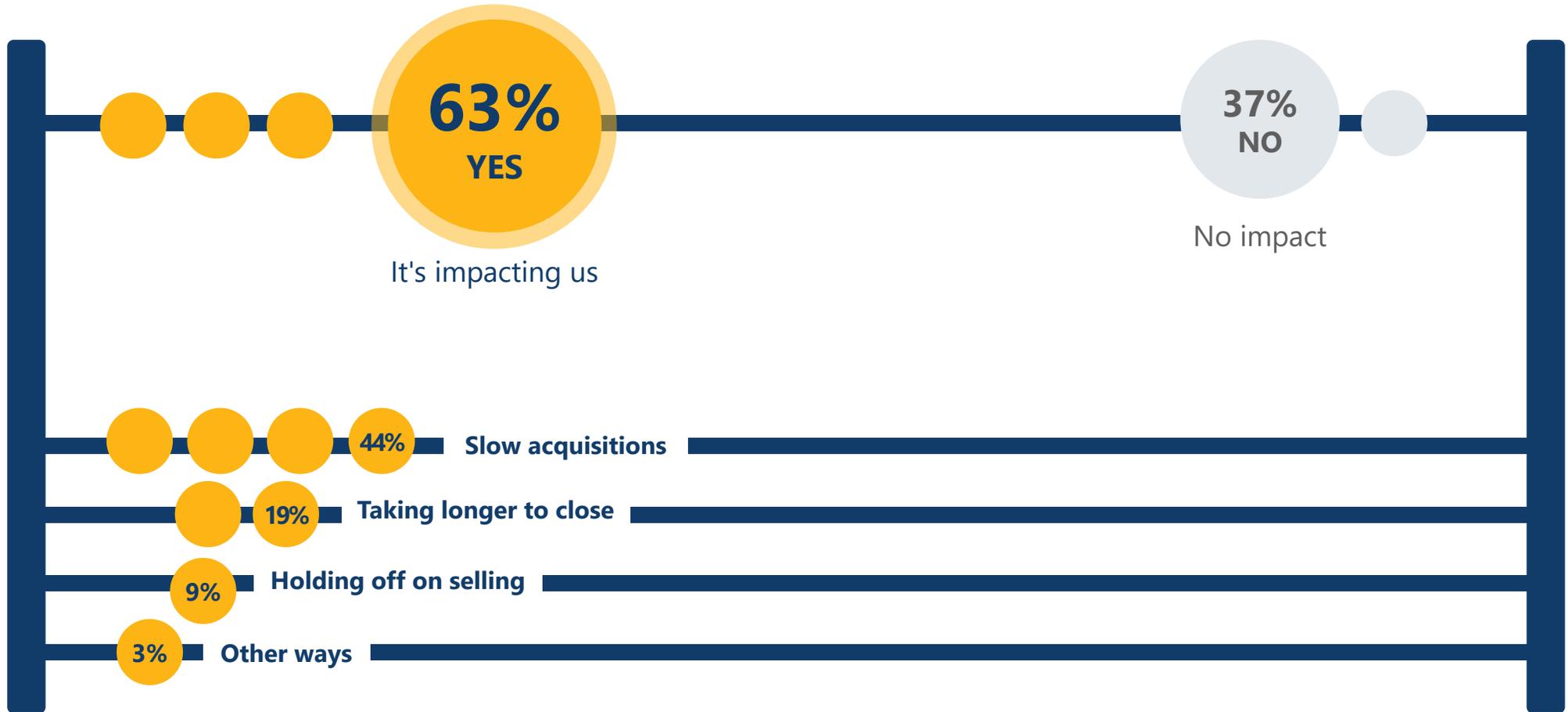
The place where it's bearing the biggest pain for executives? On wages and compensation of their workforces, where 70% said inflation is requiring them to raise salaries and wages to stay competitive or help employees deal with the rising cost of food, fuel, and other goods in their own lives. The increased cost of goods and services is also showing up for businesses, where half report effects from inflation.

In the financial services sector specifically, C-suite specifically said inflation is the No. 1 disruptor to banking systems this quarter. That's twice as disruptive as the Russia/Ukraine war and three times as disruptive as cyberattacks.

Inflation's Biggest Impacts in Q2



Inflation's Effects on M&A



From the pandemic to geopolitics— executives continue to grapple with headwinds

Most executives didn't expect international business relations to "go back to normal" after the pandemic—too much was altered during the two-year global disruption. But the new geopolitical landscape that has emerged is hardly easier to navigate—and is matching the pandemic's volatility and unpredictability, at least initially.

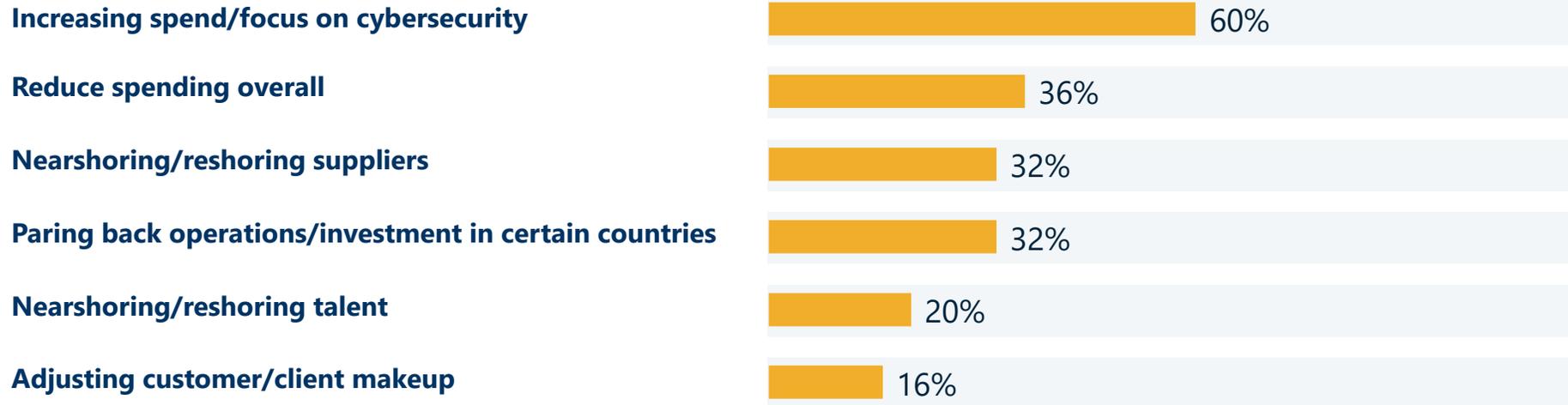
As a result, an overwhelming majority, 79%, say geopolitics has had an increased effect on their business decision-making over the last six months; only 8% say the current landscape hasn't affected their business.

From InterEuropean relations to the ongoing Russia/Ukraine war to further lockdowns and insulation of China, the global economy's woes go far beyond supply chain issues. Executives have had to make swift decisions about shutting down operations in certain regions of the world, dealing with displaced global

talent, or finding new suppliers outside. Their decisions come with significant impacts on employees, customers, pricing, and spending—all while investors and monetary leaders respond in kind and change the trajectory of the market based on the week's—or day's—events.

But, executives can only control what they can control. And we asked them what actions they might take on behalf of their companies in the current geopolitical climate. The one thing that rose to the top: cybersecurity. Six in 10 executives said they are increasing their attention or investment there, as cyber warfare becomes an increasingly utilized tool to gain competitive advantage in an increasingly hostile international business environment. One-third say they are nearshoring or reshoring suppliers and another third say they are paring back operations and investment in certain countries.

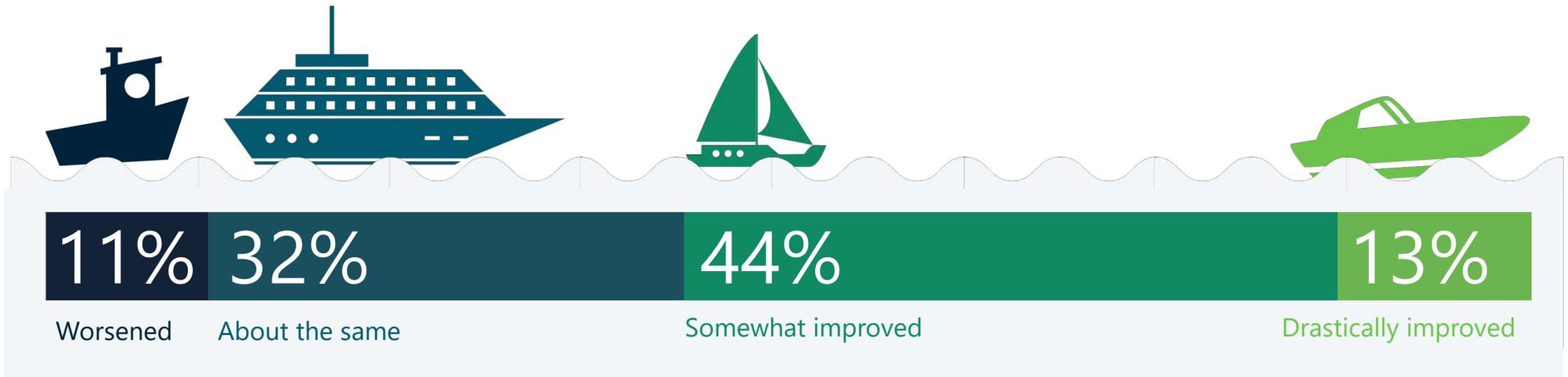
Potential Actions Due to Geopolitical Climate



There is some good news amid the turmoil on the global stage: Business agility has increased since the pandemic. More than half of executives report their ability to respond to the volatility has improved since the pandemic. This will bode well for companies that will need to continue adjusting operations based on unexpected events. The 43% who report their agility is about the same, or worse, will have a much more difficult time in the post-pandemic global order.

Within their businesses, where did they gain the most agility? The areas with the biggest increase include business operations (38%), technology (23%), and organizational design/people (24%). The areas with the lowest gains in agility include data (6%), customer experience (5%), and product development (4%).

Business' Change in Agility Since Pandemic



Featured Content: Agility

While wars are waged abroad, talent wars are being fought within

As executives fight for their businesses on the global stage, they are also dealing with the talent war within their own four walls. Recruitment and retention challenges have increased every quarter since we started West Monroe's Quarterly Executive poll. First, executives surprised by a global pandemic had to manage their workforce through a wild shift in supply and demand—and then a myriad of different rules, regulations (and feelings) around health, vaccines, and well-being. Then, talent moved to different regions or states that align with their long-term lifestyle. Burnout or unemployment caused many to reassess priorities and change careers.

The list of challenges goes on. And it's getting any shorter. Now, with inflation affecting compensation and wages, hiring has become even more difficult.

Knowing that hiring is hard, we asked executives where it's the most challenging. Not surprising, 93% said front-line workers are harder to recruit compared to Q2 2021 and represent the most difficult area for hiring. Whether it's factory workers on the line, servers at restaurants, nurses in hospitals, bank tellers, or everyday software coders, the folks that perform the most hands-on work for companies are the hardest to hire and keep around. Hiring is less challenging as you go up each rung of the corporate ladder, but 74% still say the highest roles in an organization are harder to fill compared to last year.

Most Challenging Areas of Recruiting Talent



Another area that's still challenging? Maintaining a company culture through hybrid work. In Q2 last year, executives said building and maintaining company culture would be their top challenge when designing hybrid work models—and that has come true. It's still the top challenge and is for 70% of executives. As more companies have settled into new routines and policies, they're unable to please everyone and are figuring out how a combination of

remote work and on-site work can not only live in harmony but contribute to company culture in positive ways.

More than half report they're still challenged bringing employees back for on-site work, and 40% say running meetings with in-person and remote participants is not easy. In short, hybrid work may be "here" but it's not getting any easier, at least not yet.

Most Challenging Areas of Hybrid Work



About the Poll

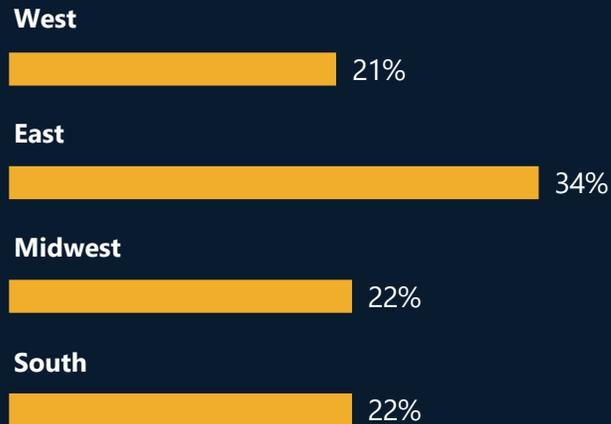
West Monroe's Quarterly Executive Poll takes the pulse of 250 C-level executives. This poll's data was collected April 22-30, 2022. To qualify for the survey, respondents needed to have a C-level title at a company with at least \$500 million in annual revenue.

About the Respondents

TITLE



REGION



COMPANY'S ANNUAL REVENUE

