

FEATURED TOPIC

COVID-19: LONG-TERM CHANGES AND VACCINATION POLICIES
PREPARING FOR A \$15/HOUR MINIMUM WAGE



MARCUM - HOFSTRA CEO SURVEY

The Marcum LLP-Hofstra University CEO Survey is a periodic gauge of middle-market CEOs' outlook on the current business environment and their priorities and concerns for the next 12 months.

No. 2, 2021

COVID-19: Long-term changes
and vaccination policies

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Preparing for a \$15/hour minimum wage

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View of the current business environment

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Influences on business planning

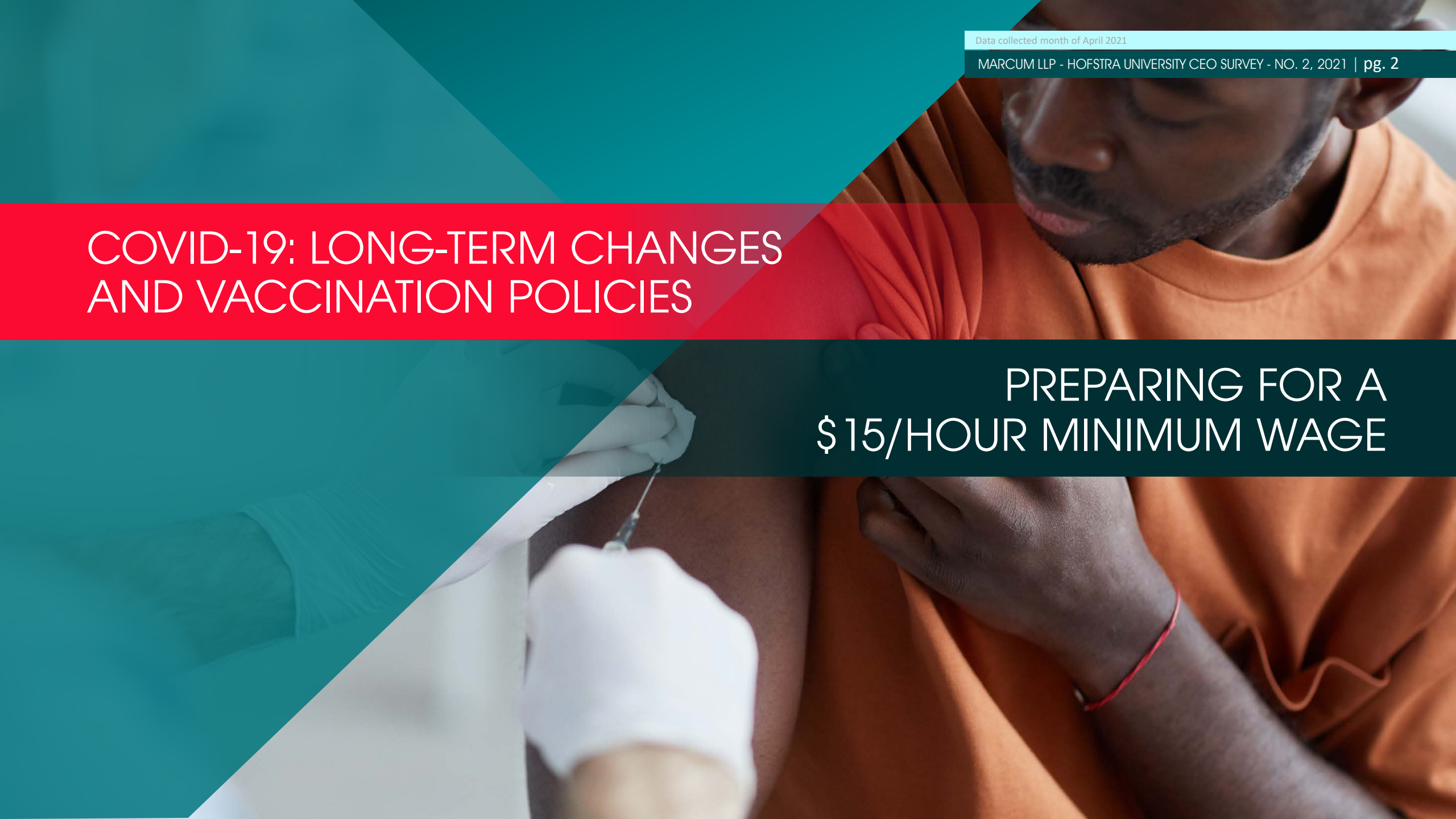
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COVID-19: LONG-TERM CHANGES AND VACCINATION POLICIES

PREPARING FOR A \$15/HOUR MINIMUM WAGE



What long-term changes, if any, are you considering in your business as a result of your experience during the COVID-19 crisis?

KEY FINDINGS

While CEOs varied in the specific long-term changes they are considering in response to their pandemic experiences, the clear majority indicated that the crisis would have a lasting impact on how they manage their businesses.

The largest proportion of CEOs (82%) indicated they would be likely or very likely to allow for a partially remote workforce as a long-term change. This was followed closely by 80% saying they would revise their strategic plans to mitigate future risks exposed by the crisis.

Other top-ranking answers included planning in order to withstand supply chain shocks (77%) as well as negotiating more flexible terms with vendors, increasing cash reserves/liquidity, and mixing full- and part-time employees (74% each).

	Very Likely	Likely	Very Likely + Likely	Not Likely	Don't Know/ Not Sure
Allow for a partially remote workforce	113 (46.1%)	88 (35.9%)	201 (82.0%)	37 (15.1%)	7 (2.9%)
Revise strategic plans to mitigate future risks exposed by the crisis	71 (29.1%)	124 (50.8%)	195 (79.9%)	40 (16.4%)	9 (3.7%)
Build resiliency against supply chain shocks (for example, increase inventory buffers and multi-sourcing)	68 (29.1%)	111 (47.4%)	179 (76.5%)	43 (18.4%)	12 (5.1%)
Negotiate more flexible terms with vendors	77 (31.2%)	106 (42.9%)	183 (74.1%)	57 (23.1%)	7 (2.8%)
Increase cash reserves/liquidity	63 (25.6%)	119 (48.4%)	182 (74.0%)	55 (22.4%)	9 (3.7%)
Reengineer staffing requirements for a more flexible mix of full- and part-time employees	69 (28.0%)	113 (45.9%)	182 (74.0%)	51 (20.7%)	13 (5.3%)
Negotiate more flexible terms with customers	58 (23.9%)	107 (44.0%)	165 (67.9%)	66 (27.2%)	12 (4.9%)
Seek growth through opportunistic acquisitions	63 (26.4%)	100 (41.8%)	163 (68.2%)	59 (24.7%)	17 (7.1%)
Seek financing to ensure adequate liquidity and investment capital	62 (25.6%)	91 (37.6%)	153 (63.2%)	79 (32.6%)	10 (4.1%)
Engage in divestiture to focus on the core business	51 (21.6%)	85 (36.0%)	136 (57.6%)	81 (34.3%)	19 (8.1%)
Replace fixed with variable costs	40 (16.7%)	96 (40.2%)	136 (56.9%)	87 (36.4%)	16 (6.7%)
Increase use of contractors and consulting firms	50 (20.7%)	76 (31.4%)	126 (52.1%)	99 (40.9%)	17 (7.0%)

Total sample (N=251)

Please comment on any long-term changes you are considering as a result of your experience during the COVID-19 crisis.

KEY FINDINGS

A majority of respondents (45%) said they will require employees to be vaccinated against COVID-19 if it is legal in their state to do so. Another 36% said they would incentivize employees to be vaccinated.

"Moving headquarters to a tax-friendly state, laying off full time workers."

"A 24/7 back up with software and hardware for any future pandemic."

"Allowing work from home on a permanent basis. No return to office."

"Continue to do remote work - found it's more productive!"

"Open to R & D cognitive flexibility."

"Certainly going to factor pandemic-type scenarios into debt modeling and want access to an unused [revolving line of credit] going forward."

"Having the right amount of inventory. Quick rollout for remote work."

"Increase cash on hand to handle these circumstances in the future."

"Looking at ways to continue to reduce costs and enhance working capital (i.e., extending vendor payment terms)."

"Looking to add revenue redundancy."

"More virtual meetings even after the pandemic is over."

Please comment on any long-term changes you are considering as a result of your experience during the COVID-19 crisis.

cont'd

"Reconfiguring workforce and increasing talent pool through remote work."

"Reduce real estate exposure and increase remote working environment."

"Retrofitting workspace to accommodate essential personnel as soon as possible."

"Retrain all employees as our company moves forward."

"The ability to permanently work remotely for anyone who wishes to... will save costs in the short and long term and will also improve productivity and employee engagement."

"We want to establish healthy protocols for employees ... Also, we will look at ways that aid employees' families coping with a threat like a pandemic."

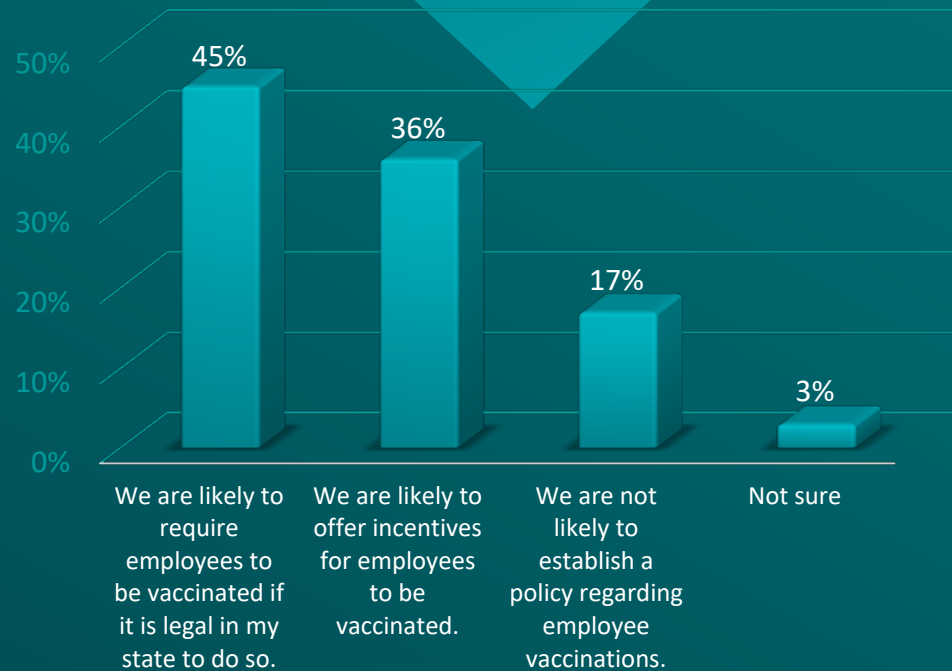
"I'm not making any long-term changes because of the virus."

"More business conducted through Zoom due to flight restrictions especially internationally."

"We are becoming more open to mergers in our industry. Also, we are making long-term goal changes to access capital."

"We must improve aspects of processes in the cloud in addition to investing in mobile devices ranging from tablets to laptops for a future contingency due to COVID."

What policy is your company likely to adopt regarding COVID-19 vaccinations for your employees?



KEY FINDINGS

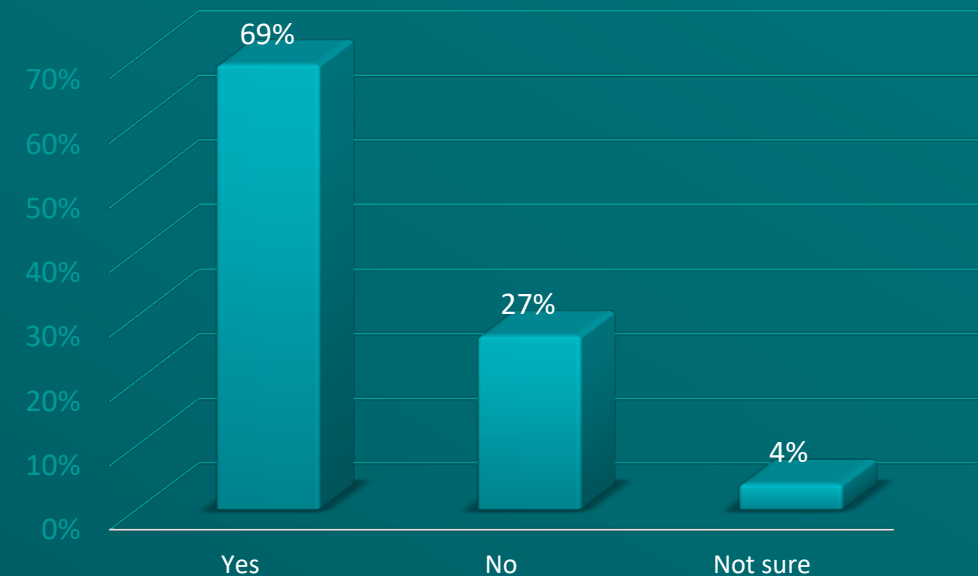
A majority of respondents said they will actively promote vaccination by employees.

Total sample (N=251)

Is your company preparing for the possibility of an increase in the federally mandated minimum wage to \$15/hour?

KEY FINDINGS

More than two-thirds of middle-market CEOs (69%) said they are preparing for the possibility of a \$15/hour minimum wage.



Total sample (N=251)

If yes, what steps will your company take to absorb the cost?

“Let f/t employees go and hire more p/t.”

“Most of our employees are salaried.”

“Raise prices.”

“We already pay above the \$15 minimum for 90% of our staff. We don't consider this a hardship.”

“Reinforce our digital capabilities and invest more in streamlining our business.”

“Use technology for most cost efficiencies.”

“More automation.”

“Most of our hourly workforce has already achieved \$15+ per hour.”

“Reduce budgeted labor hours per fiscal year.”

“Try to reduce overtime hours for all staff, particularly residential. Shorten our standard work week from 40 hours to 37.5, or, perhaps 35.”

“Nothing, we will just raise revenues.”

“Reduce our real estate footprint by encouraging working remotely. The cost savings of reduced office space will offset the wage issue.”

“We have no intention of absorbing government mandated nonsense... We have dealt with this before and have adjusted the workforce, not the budget.”

“Upskilling and infrastructure consolidation.”

If yes, what steps will your company take to absorb the cost?

cont'd

"It won't affect the overall business."

"We will have to raise customer prices but enhance our rewards programs."

"We will work on cutting costs with other least-used employee benefits and/or vendor expenditures."

"Just all part of the cost of doing business."

"Offer incentives for staying fit and meeting certain healthcare goals to help absorb costs via healthcare."

"We will be able to offer more attractive options to increase revenue."

"We would be delighted to see the minimum wage increase to \$15/hour, as we already pay above market wages. This change would help to eliminate competition from low road, low standards operations. This change is long overdue."

"Reduce overhead expenditures and fringe benefits."

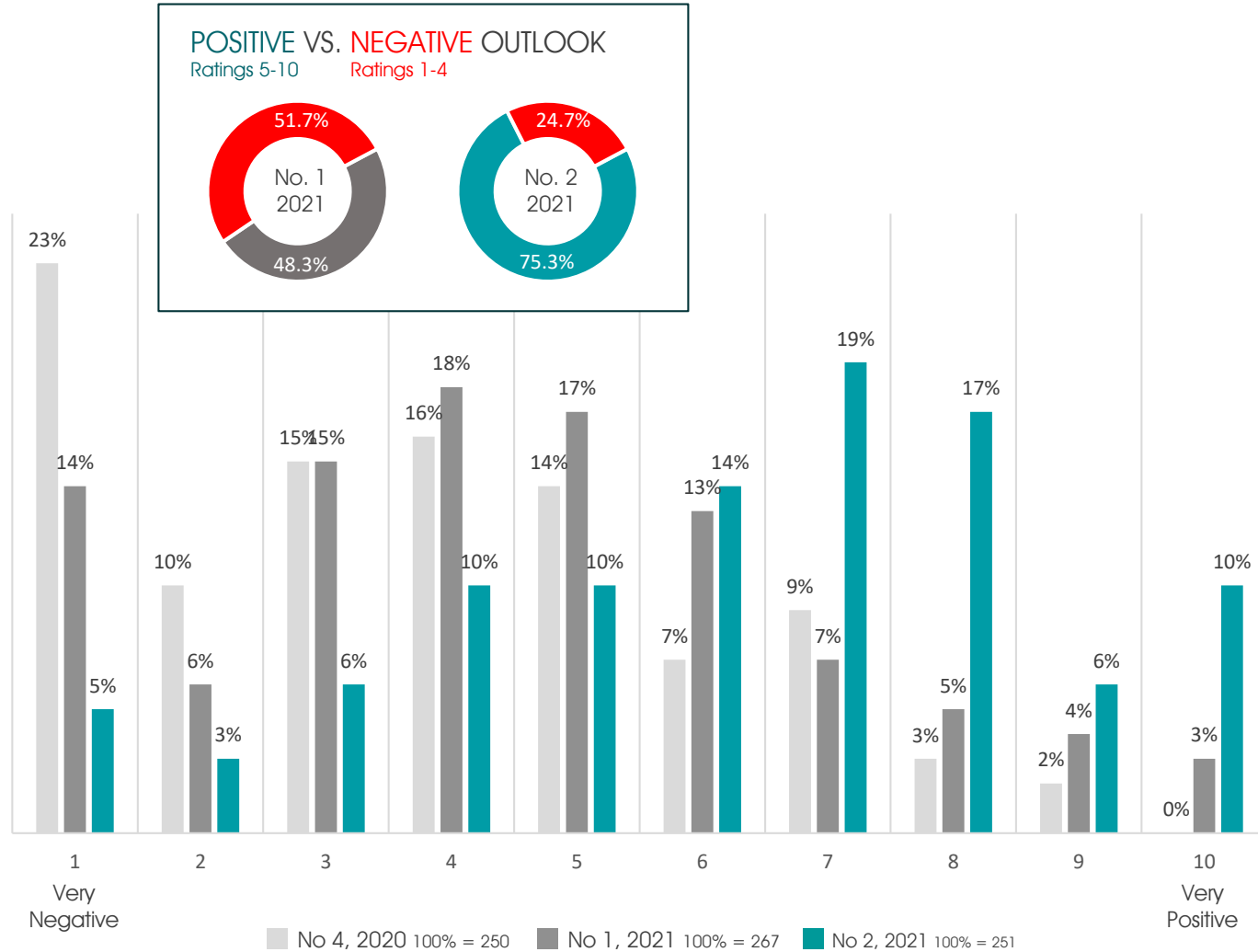
"We will have to lay people off and require employees to pay for more of their healthcare."

"More contract work."

"Use attrition to some extent."

"We will not give raises to employees for two years."

What is your view of the current business environment?



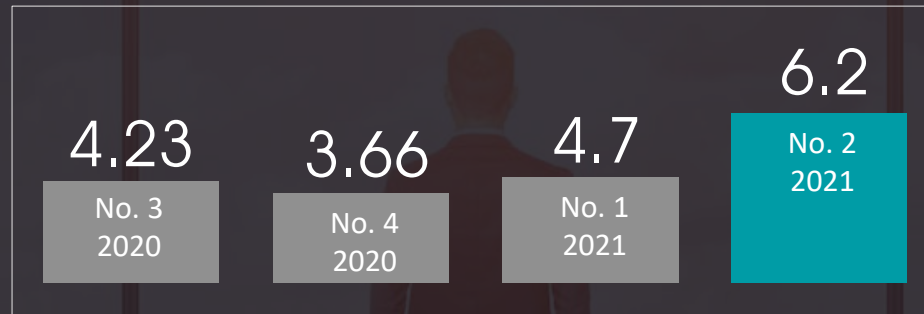
KEY FINDINGS

Outlook on the business environment substantially improved over the previous (February 2021) survey, with optimism continuing to increase among CEOs.

- ▶ Whereas 3.4% of CEOs rated their outlook as “very positive” in the February survey, 10% of CEOs rated their outlook as “very positive” in the current survey.
- ▶ 32.7% of CEOs assigned a rating of 8 or higher (on a scale of 1-10), representing a substantial improvement over the last survey, when 12.3% of CEOs assigned a rating of 8 or higher.
- ▶ 75.3% of CEOs assigned a rating of 5 or higher in the current survey, a significant increase from CEOs on the positive side of the scale in the prior study (48.3%).

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view of the
current
business
environment?

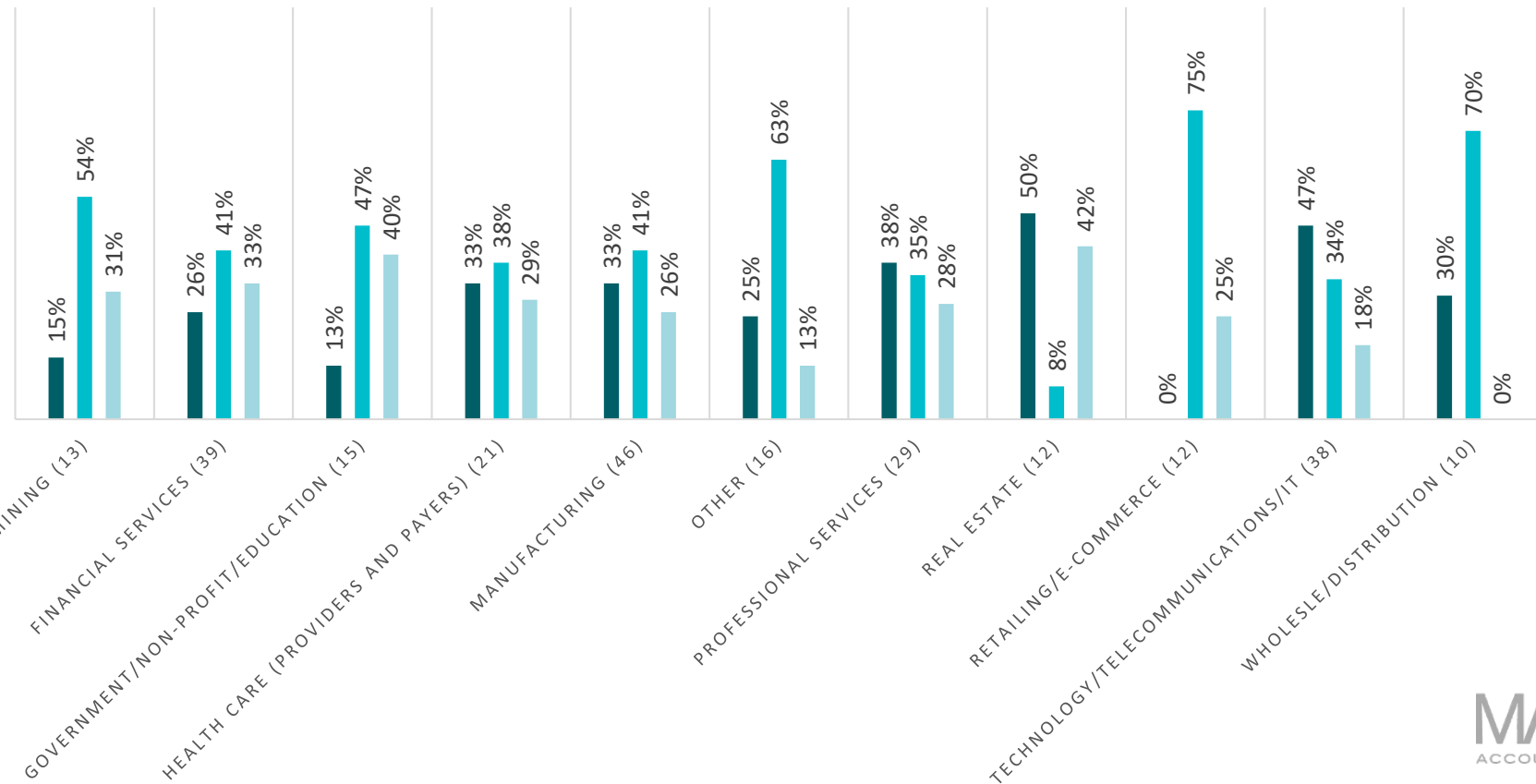
INDEX: A Weighted Average of CEO Responses



RATING OF BUSINESS OUTLOOK by Industry

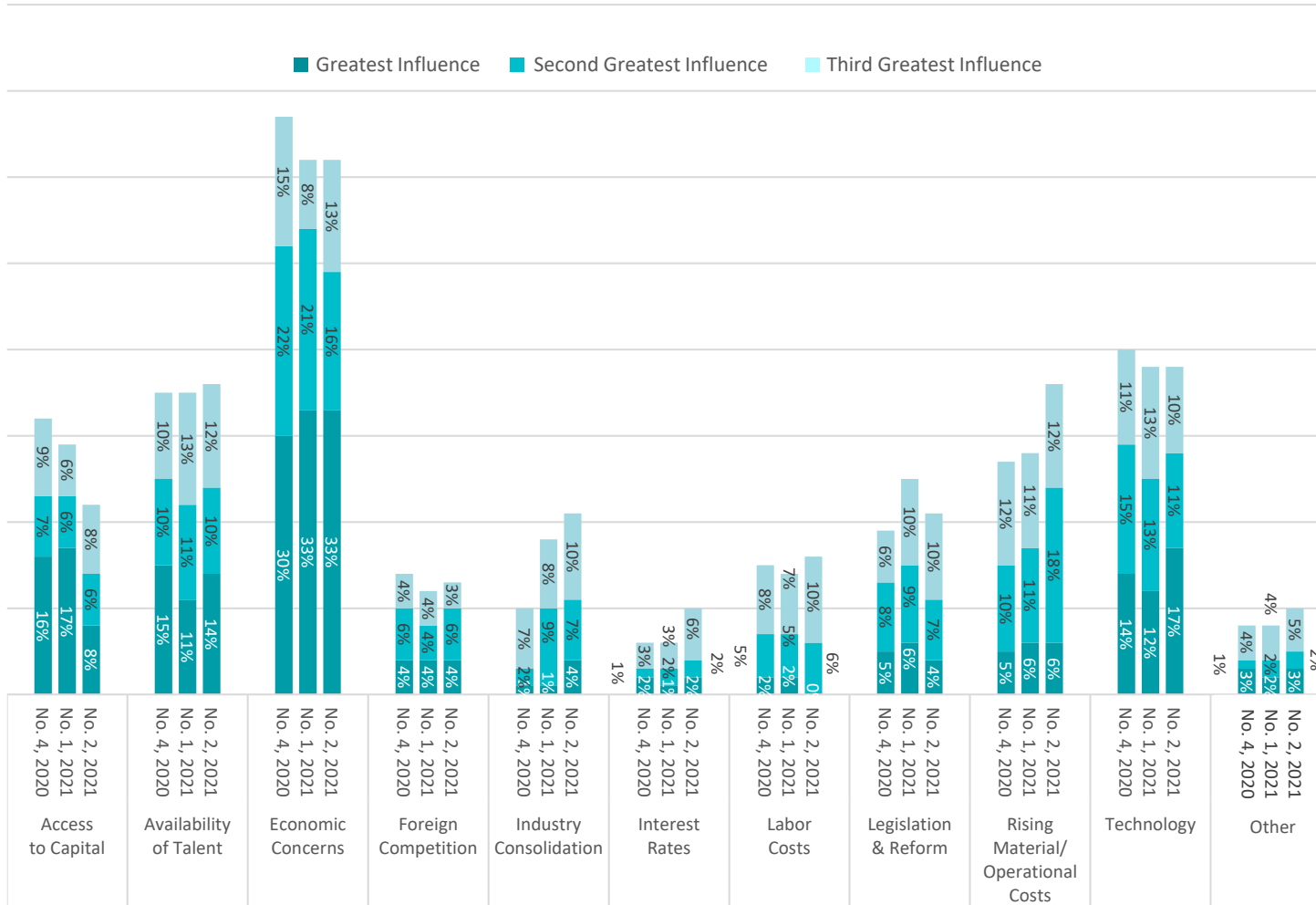
Consistent with an uptick in overall economic outlook, CEOs in most industry sectors were conservatively optimistic about the business environment for the next 12 months.

■ 8 - 10 ■ 5 - 7 ■ 1 - 4



cont'd
What is your
view of the
current
business
environment?

What are the most important influences for your business planning in the next 12 months?



No 4, 2020 100% = 250 | No 1, 2021 100% = 267 | No 2, 2021 100% = 251

KEY FINDINGS

- ▶ Economic concerns continued as CEOs' primary influence for business planning over the next 12 months, with nearly one-third (32.3%) rating it their greatest influence and 61.8% citing this as one of their top three influences.
- ▶ Technology (37.8%), rising material and operational costs (36.7%), and availability of talent (35.4%) were the next most cited as top three influences on business planning.

cont'd
What are the most important influences for your business planning in the next 12 months?

Influences on Business Planning — by Industry

Upper figure: highest priority

Lower figure: one of three highest priorities

	Access to Capital	Availability of Talent	Economic Concerns	Foreign Competition	Industry Consolidation	Interest Rates	Rising Labor Costs	Legislation and Reform	Regulatory Environment	Rising Mat./Oper Costs	Technology
Construction/Engineering/Mining	23.1%	15.4%	30.8%	0.0%	7.8%	0.0%	0.0%	0.0%	0.0%	23.1%	0.0%
Financial Services	5.1%	12.8%	41.0%	7.7%	0.0%	7.7%	0.0%	5.1%	12.8%	0.0%	7.7%
Government/Non-profit/Education	6.7%	6.7%	33.3%	0.0%	6.7%	0.0%	0.0%	13.3%	6.7%	13.3%	13.3%
Healthcare (Providers and Payers)	9.5%	38.1%	23.8%	4.8%	0.0%	0.0%	0.0%	0.0%	4.8%	0.0%	9.5%
Manufacturing	8.7%	15.2%	26.1%	4.3%	4.3%	2.2%	0.0%	9.5%	2.2%	15.2%	17.4%
Professional Services	6.9%	10.3%	41.4%	6.7%	0.0%	0.0%	0.0%	3.4%	6.9%	6.9%	13.8%
Real Estate	0.0%	16.7%	25.0%	0.0%	8.3%	25.0%	0.0%	0.0%	0.0%	0.0%	25.0%
Retailing	0.0%	16.7%	50.0%	0.0%	8.3%	0.0%	8.3%	8.32%	0.0%	0.0%	8.3%
Technology/Telecommunication/IT	7.9%	5.3%	26.3%	3.2%	5.3%	0.0%	2.6%	2.6%	2.6%	5.3%	42.1%
Wholesale/Distribution	10.0%	0.0%	50.0%	2.6%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	10.0%
Other	12.5%	12.5%	18.8%	0.0%	6.3%	0.0%	0.0%	6.3%	18.1%	0.0%	12.5%

Influences on Business Planning — By Influence

	Greatest Influence	Second Greatest Influence	Third Greatest Influence	Total
Economic Concerns	81 (32.3%)	41 (16.3%)	33 (13.1%)	155 (61.8%)
Technology	42 (16.7%)	27 (10.8%)	26 (10.4%)	95 (37.8%)
Rising Material/Operational Costs	16 (6.4%)	46 (18.3%)	30 (12.0%)	92 (36.7%)
Availability of Talent	34 (13.5%)	25 (10.0%)	31 (12.4%)	90 (35.4%)
Regulatory Environment	15 (6.0%)	26 (10.4%)	20 (8.0%)	61 (24.3%)
Access to Capital	20 (8.0%)	15 (6.0%)	19 (7.6%)	54 (21.5%)
Legislation and Reform	11 (4.4%)	18 (7.2%)	25 (10.0%)	54 (21.5%)
Rising Labor Costs	1 (0.4%)	16 (6.4%)	26 (10.4%)	43 (17.1%)
Industry Consolidation	9 (3.6%)	18 (7.2%)	15 (6.0%)	42 (16.7%)
Foreign Competition	10 (4.0%)	15 (6.0%)	7 (2.8%)	32 (12.7%)
Interest Rates	5 (2.0%)	4 (1.6%)	14 (5.6%)	23 (9.2%)
Other*	7 (2.8%)	0 (0.0%)	5 (2.0%)	12 (4.8%)

* COVID-19 Pandemic (8); Internal corporate challenges (1); Market valuations (1); Proprietary costs (1)

DEMOGRAPHICS

Which of the following best describes your company's industry?

Construction/Engineering/Mining	13	5.2%
Financial Services	39	15.5%
Government/Non-profit/Education	15	6.0%
Health Care (Providers and Payers)	21	8.4%
Manufacturing	46	18.3%
Professional Services	29	11.6%
Real Estate	12	4.8%
Retailing	12	4.8%
Technology Services	38	15.1%
Wholesale/Distribution	10	4.0%
Other	16	6.4%
Total	251	100.0%

Other: Energy/Utility (4); Pharmaceuticals (3); Life Sciences (2); Travel & Leisure (2)
Agriculture (1); Personal Services (1); Restaurants/Catering (1); Not specified (2)

What best describes your title?

Director	110	43.8%
CEO	77	30.7%
President	37	14.8%
Owner	17	6.8%
Managing Partner	6	2.4%
Divisional President	2	0.8%
Founder	1	0.4%
Chairman	1	0.4%
Total	251	100.0%

What is the total number of permanent employees in your company?

Less than 50	22	8.8%
50 to 99	17	6.8%
100 to 499	56	22.3%
500 to 999	45	17.9%
1,000 to 2,499	48	19.1%
2,500 to 4,999	21	8.4%
5,000 or more	41	16.3%
Not sure/Decline to say	1	0.4%
Total	251	100.0%

In which revenue size range was your company last year?

\$5 million to \$9.9 million	23	9.2%
\$10 million to \$24.9 million	32	12.7%
\$25 million to \$49.9 million	32	12.7%
\$50 million to \$99.9 million	33	13.1%
\$100 million to \$249.9 million	26	10.4%
\$250 million to \$499.9 million	31	12.4%
\$500 million to \$999.9 million	20	8.0%
\$1 Billion or more	46	18.3%
Not sure/Decline to say	8	3.2%
Total	251	100.0%



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