Grant Thornton

What CFOs can do now to address workforce, supply chain and inflation

A dozen solutions to today's top three challenges

Contents

Grant Thornton's quarterly 2021 CFO surveys tracked concerns through a volatile year that started with hopes that vaccines would soon leave the COVID pandemic in the rearview mirror and that ended with yet another variant spiking yet another wave of infections.

Now, the economic fallout from the pandemic further complicates an already chaotic business environment. "The Federal Reserve has concluded that variants are more inflationary than disinflationary over time," says Grant Thornton Chief Economist Diane Swonk. "They are now risking a more entrenched and persistent inflation in the service sector. Expect the Fed to raise rates by 0.5% at the next meeting in March. We are expecting it to raise rates by 0.75% by June. That will mark the fastest pivot on rate hikes since 1994, which nearly derailed the recovery."

The balance the Fed has to strike will be tricky. Consumer prices may ease as interest rates rise, but consumer spending, which has been driving growth, is also likely to decrease. Home buying and building, also key economic drivers, will likely drop from pandemic highs as mortgage rates climb. Fortunately, unlike during the global financial crisis in the early 2000s, homeowners have larger equity cushions. Business investment could slow as employers struggle to absorb higher labor costs. Many companies have also switched from just-in-time to just-in-case inventory practices, but this could lead to boom-or-bust inventory cycles if not managed effectively. Higher bond yields and lower equity prices may also be on the horizon. "Financial markets are particularly vulnerable to a correction as they attempt to wean themselves from the ultra-low rates they enjoyed for years," says Swonk. "Heartbreak is unavoidable as their love affair with the Fed comes to an end. Breaking up is hard to do."

As we have surveyed CFOs over the course of the 2021, three challenges have emerged that will dominate CFO attention in 2022:

- **Workforce issues:** For most of the year, CFOs have expressed concern that the workforce shortages will impact their ability to execute their strategy. While unemployment rates are low, labor participation rates have not bounced back to prepandemic levels, and open positions currently outnumber applications by about 1.5 to 1. The Great Resignation continues as Americans look for new solutions to work-life balance needs.
- **Supply chain concerns:** The pandemic upended supply chains around the world and the fallout continues. Omicron threw another kink in the system, tightening labor supply just as production was ramping back up. Businesses are looking to build resilience and mitigate risk throughout their supply chains.
- **Inflation:** 2021 started with inflation rates at less than 2% and ended with rates above 7%--inflation not seen in more than a generation. CFOs who have gone their whole careers without having to forecast for or manage the impact of inflation now face yet another challenge. And with the Fed set to crack down, they need to be ready for yet more change.

This report offers strategies CFOs can use now to address each of these pressing challenges—and to build the agility to be ready for what's next.

Workforce 2022: Emphasize the F word – Flexibility

Largest companies are the most concerned

Over the last three quarters of 2021, CFOs responding to our survey consistently expressed concern that human capital shortages put the ability to execute their short-term strategies at risk. Employers have reason to be concerned. The labor market remains extremely tight. Unemployment was down to 4.2% in November 2021 from a pandemic peak of almost 15%, while the labor participation rate, 61.8% in November, has only regained about half the ground lost early in the COVID crisis. On January 4, 2022, the U.S. Department of Labor Statistics reported that, at the end of November, there were 10.6 million job openings, but only 6.9 million unemployed workers—about 1.5 openings per available worker. Meanwhile, voluntary resignations hit a new high. Given the significant leverage workers have in this economy, employers are facing upward pressure on wages and benefits and are scrambling to retain the workers they have and attract the workers they need.

Following are four things CFOs can do to compete in the intensifying war for talent.

Emphasize flexibility and embrace remote and hybrid work

Grant Thornton's State of Work in America surveys, the first conducted in July 2021 and the most recent in February 2022, according to Tim Glowa, Principal of Human Capital Services, find flexibility a key differentiator for American workers. "In our July 2021 survey, among those who could work remotely, 80% said they wanted more flexibility in where and when they worked, and our February 2022 survey found 51% would give up 10% to 20% of a future salary increase in exchange for that flexibility."

Embracing remote and hybrid work options where possible should be part of that effort. In Grant Thornton's February 2022 survey, 75% of workers said that working from home improved their work-life balance. "Companies are starting to accept that remote and hybrid work are no longer just pandemic response strategies, they are a permanent part of the employment landscape" says Angela Nalwa, Grant Thornton Managing Director and HR Transformation Leader. "At the beginning of the pandemic, most executives envisioned a return to the in-office status quo, but employees have not only maintained, but have increased, productivity over the past two years, proving they don't have to be in the office full-time to do their jobs."

"We still see some managerial dinosaurs who believe productivity can only be measured by bodies in seats," says Glowa. "But workers have disproven that and are voting with their feet. Clinging to that model is going to leave fewer and less effective, workers. 46% of workers report they will look for a new job if forced to return to the office full-time."

But hybrid and remote work models present new challenges. "Many companies have essential and hourly workers that have to be onsite to do their work," says Glowa. "That includes both white-collar workers like teachers and many health care professionals and blue-collar workers like manufacturing and hospitality workers. Building an effective and seamless culture that bridges both those populations is a new challenge."

For hybrid workers, companies need to proactively consider what time in the office looks like. “Having employees come in to work just to sit in front of their computer on Zoom meetings is a waste of time,” says Nalwa. “Employers need to build moments that matter. Ad hoc water-cooler brainstorming and communications are one of the benefits to an in-person environment, but employees and employers can’t just count on those interactions happening when people are only in the office some of the time. What can they do to lend some structure to that process? Make sure that, when teams are in the office, they are actively engaged in activities that can’t be replicated remotely.”

Remote and hybrid work also offers employers geographic reach that they never had before.

While flexibility is great, money still matters. In our February 2022 survey, 21% had switched jobs in the last 12 months and 42% of that population received a salary increase of 10% or more, and 59% received multiple job offers. “Better pay or benefits was a key reason for picking one offer over the others,” says Glowa, “but companies taking too long to make a decision was another issue. A company’s reputation and how they treat workers also played key roles.” In this job market, employers need to move quickly. With online tools like Glassdoor making it easier than ever for potential employees to check on employers’ reputations and with employees having significant leverage, reputation and workplace conditions are key.

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Listen to and communicate with your people

Old HR models based on standard, one-size-fits-all policy models won't work for today's employees. "Companies need to aggressively seek employee input and adapt to what their people want and the needs of the business," says Nalwa.

"An annual employee survey is no longer enough," says Glowa. "Conditions and employee needs are changing too rapidly. Consider periodic pulse surveys, town halls and other feedback options." However you gather feedback, be sure to act on the results—and to communicate those actions. "Nothing is more demotivating than to offer feedback and have it ignored," Glowa continues. "The goal is to find out what employees want and then to offer solutions that differentiate your company. Silicon Valley employers are famous for things like free dry cleaning, but that's likely not going to resonate with employers at a 500-person manufacturing company."

On-boarding and off-boarding interviews will also provide key insights. "Not enough companies conduct on-boarding interviews," says Glowa. "This isn't the interview, where you're deciding who you want to choose. This is your chance to ask candidate why they chose you, why they joined your company. And make sure your exit interviews aren't just formalities. It is critically important to be able to compare and contrast responses to these two questions, since a gap will show a problem in your value proposition. If people are joining because of an expectation for growth and development, and leaving because of growth and development, you might have a problem with your training and development programs. Ask the hard questions."

Don't just ask them, pay attention to the answers. Your former employees can be vital to attracting the workers you need now. "Research from the Harvard Business Review shows that about 15% new employees were either referred by previous employees or were previous employees themselves—yet our February 2022 survey finds only 58% of employees felt they were treated with respect during off-boarding," says Glowa. "That's a missed opportunity."

Re-examine training and career paths

Workers, especially younger millennials, are worried about training and career paths—but the kind of in-person mentoring that many workers have traditionally taken advantage of early in their careers will have to be approached differently in a hybrid work environment. "The good news is that, just as employers are no longer bound by geography in hiring, they are also no longer bound by geography in mentoring and coaching," says Nalwa. "Organizations can build mentoring and training relationships across locations and functions, giving employees new opportunities to explore a variety of options and relationships. But they have to put the culture and processes in place to make that happen."

"Companies also need to do a better job of training managers," says Glowa. "In our research, around three in ten employees reported that their manager is the most stressful part of their day. Given the huge stressors that workers are under, that's simply unacceptable. Too many companies think that just because you're a high performer, you'll be a good manager and promote accordingly. Not everyone is meant to be a manager, and all managers can benefit from training. You can have the right programs, right benefits and right culture, but if you don't have the right managers, it all breaks down."

Embrace technology

Technology should also play a key role in your HR strategy. "All you have to do is look at the dropping labor force participation rate and workforce demographic trends to understand that part of the labor shortage is a people shortage," says Nalwa. "Looking for the right opportunities to automate is one of the solutions."

Workforce analytics should also be a tool in your HR kit. "Analytics aren't just for operations," says Glowa. "Workforce analytics provides a disciplined platform for data analysis tools to drive workforce improvement. Aligning the right data with your strategy means analyzing data around recruitment, staffing, training and development, personnel, and compensation and benefits. You can look at standard ratios like time to fill, cost per hire, accession rate, retention rate, add rate, replacement rate, time to start and offer acceptance rate. It gives you the tools to objectively measure and improve your HR processes."

Industry insights – Workforce

Banking

Graham Tasman, **National Managing Principal, Banking**

It isn't just building and maintaining a workforce that matters. It's what the organization does with it. Strategic CFOs who showed interest in growth through digital transformation prior to the pandemic are accelerating their agendas to leverage what they've learned through two years of forced remote working to build stronger customer connectivity through a digital-only experience. CFOs have recognized that they must shift their skill requirements toward data experts, data scientists and technologists, which has been a challenge in this ever-escalating the war for talent.

Healthcare

David Tyler, **National Managing Principal, Healthcare**

Healthcare organizations have experienced a tremendous operational strain, including extensive staffing shortages, resulting in a huge financial toll. A renewed focus on fundamentals, improved access to data, and using it to make timely decisions with a keen eye on the client and employee experience is key. To thrive, leverage technology to make decisions, address workforce issues, and to reinvent significant parts of the organization.

Hospitality and restaurants

Alex Rhodes, **National Managing Partner, Hospitality and restaurants**

Hospitality and restaurant owners and operators are facing historically low staffing levels. Recent Grant Thornton survey data indicates 30% of workers in these industries are actively looking for new jobs. Industry leaders who embrace technology while also taking a practical approach to hiring and retention – including paying competitive wages, automating the hiring process, offering differentiated benefits based on employee feedback and communicating consistently – will be well-positioned, address workforce needs and delight customers.

Insurance

Matt Tierney, **National Managing Principal, Insurance**

Retaining and recruiting talent in a very competitive job market is a challenge for the insurance industry, but it's also driving change. Insurers are leveraging hybrid operating models and redefining recruiting and talent management strategies. Insurers that are agile and embrace this cultural shift will be well positioned to recruit and retain key talent.

Life sciences

Amy Flynn, **National Leader, Life sciences**

Life sciences companies have a high risk of losing their top talent if their employees needs are not met. The workforce is looking for more than a paycheck; they value shared purpose, flexibility and development opportunity and the companies that respond will have the best chance of success. Responding to your teams' needs and helping people feel connected and secure while many of us are still virtual is vital to life sciences companies. Employees are committed to social and environmental issues and want their companies to visibly and tangibly demonstrate that commitment too.

Not-for-profit

Dennis Morrone, **National Managing Partner, Not-for-profit**

Not-for-profit organizations typically lag their commercial counterparts in terms of offering competitive compensation arrangements. However, the pandemic has many workers thinking about how their day jobs align with their convictions. Nonprofits are uniquely positioned to access a talent pool looking to now meld their personal interests with mission-based organizations that espouse their personal goals.

Supply chain 2022: From anomaly to driving real change

In our Q4 CFO survey, supply chain jumped 14 points from 26% to 40%, taking over from cybersecurity risks as CFOs top concern. There are some signs that supply chain challenges are starting to ease. The Baltic Exchange Dry Index, which tracks the cost of shipping various raw materials, is down sharply from its October high, and industrial output in east Asia is rising, indicating that COVID-related production constraints are starting to reverse. But supply chains are still far from healthy. Following are four steps CFOs can take now to improve supply chain performance, boost resiliency and mitigate risk.

Review your contracts with suppliers and providers and consider taking them out to bid

Businesses looking to improve their supply chains are taking a close look at their contracts with suppliers and providers—all of them. "Supply chains aren't just stuff," says Ben YoKell, Grant Thornton's National Sourcing and Supply Chain Transformation Practice Leader. "Yes, look at your materials contracts, but look at everything else, too. Legal, engineering, consulting, other services - look at all of them."

YoKell points to two opportunities—consolidation and diversification. "Vendors and providers tend to pile up over the years," says YoKell. "If you have too much overlap it's inefficient. And you may well be able to realize savings by concentrating contracts among fewer providers." Conversely, too much concentration, especially on the materials side, can mean too much risk. "The pandemic found a lot of companies relying too heavily on single or only a few sources for key products and materials. Diversification can reduce risk," says YoKell.

But diversification doesn't just mean more suppliers, it can mean looking in new locations so that issues in one area of the world don't completely disrupt your supply chain. "Companies are looking at a lot of options—repatriating, near-shoring and also friend-shoring, where they shift suppliers in higher-risk geographies that were likely largely chosen based on price to lower-risk and possibly closer options with which the U.S. has better and more stable trade relations. They may cost a little more than high-risk, low-cost locations, but they can also do a lot to stabilize your supply chain."

Vetting supplier operations against ESG concerns should be another part of vendor and provider reviews. Our Q3 survey showed that CFOs, as well as their markets and employees, are paying increased attention to ESG concerns. "ESG accountability runs through your entire supply chain, not just your own operations," says YoKell. "If you have suppliers involved in corruption or environmentally harmful practices or with poor diversity records, your company will be held accountable too." SOC tests for supply chain are a good option for identifying ESG and other risks.

Once you've examined your provider and vendor list and aligned your needs with your strategy, take appropriate contracts out to bid. "There's a perception that the only good time to ask for bids is when prices are going down, but that's not true," says YoKell. "Right now, prices are far more likely to be headed up, but not every company moves up symmetrically. There are opportunities to save or at least to minimize increases."

Automate middle-of-business processes

Workforce shortages are big part of supply chain problems. Not only are there not enough truck drivers, longshoreman and warehouse workers to keep goods moving, but the professionals within your company who do your forecasting, procurement and spend management are also in short supply. By using intelligent automation, visualization, robotic process automation and other tools to automate these functions, you can scale up those functions without scaling up headcount. Better data management and digitization practices can also help you to better segment supply chain costs and needs across product lines and customers, helping to ensure you make better decisions about which customers get what in the case of shortages.

"I worked with a retailer that had real difficulty allocating product when they didn't have enough supply," says YoKell. "They simply didn't have the systems in place to track and report the right data, so it was a time and labor-intensive process. Companies can't afford the delay, and they don't have the workforce to spare for that kind of inefficiency. If you're using spreadsheets and manual processes for your procurement and spend management, applying the right technology can help you do far more with less."

Another option to help with workforce shortages? Retraining. "My HR consulting colleagues will tell you that offering solid career options is a key part of retaining and motivating your workforce. There's a huge shortage of supply chain and logistics professionals. If you have talented people elsewhere in your company who are interested in the field, offering training can help address your supply chain and workforce needs at the same time."

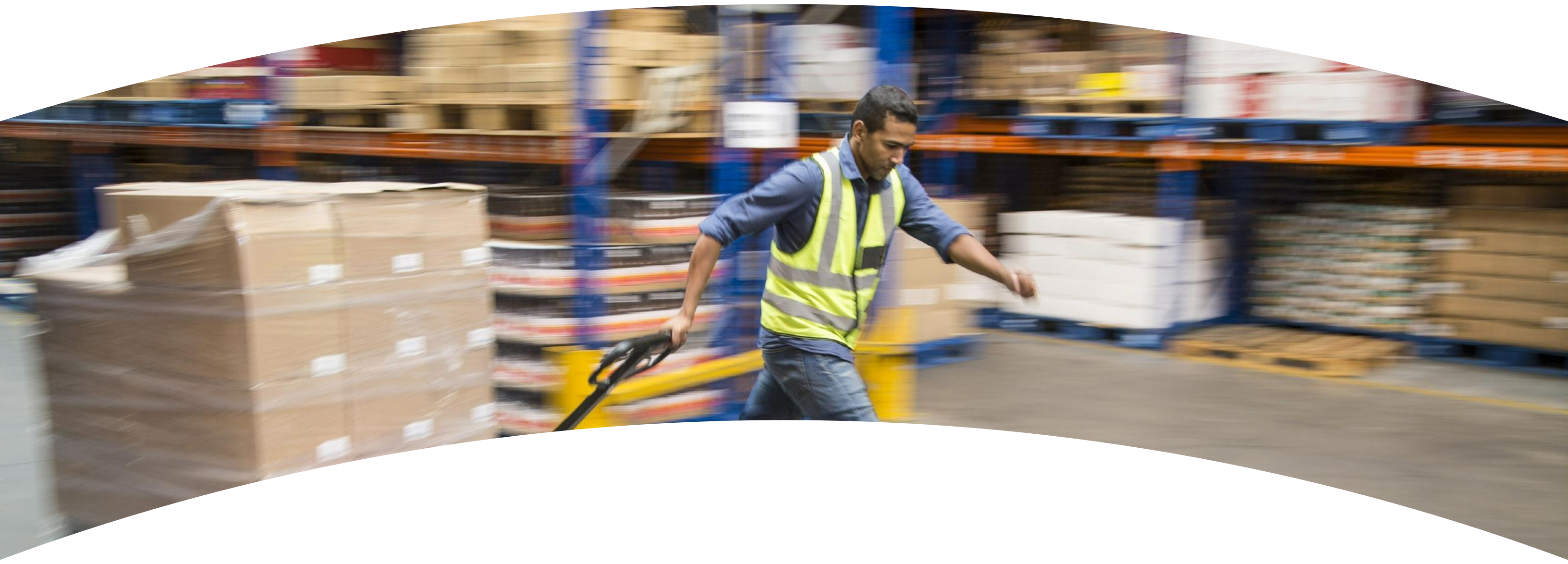
From just-in-time to just-in-case: Re-examine inventory

For years, companies have focused on minimizing carrying costs by having as little inventory as possible. Now, with the pandemic still roiling supply chains, companies are often struggling to keep inventory in stock and have sometimes had to slow down or even shut down operations while waiting for supplies to catch up.

"Many companies are moving toward a just-in-case model, keeping more stock on hand to control risk and build some resiliency into their supply chains," says YoKell. "The problem is space. After years of carrying little or no inventory, many operations don't have anywhere to keep it."

One solution? Using the same lean industrial engineering and facility redesign practices companies have used for their shop floors to help accommodate inventory. "You can establish better material flows that maximize both space and production efficiency," says YoKell. "Warehouse space is at a premium, so maximizing the space you have while maintaining the inventory you need is vital."

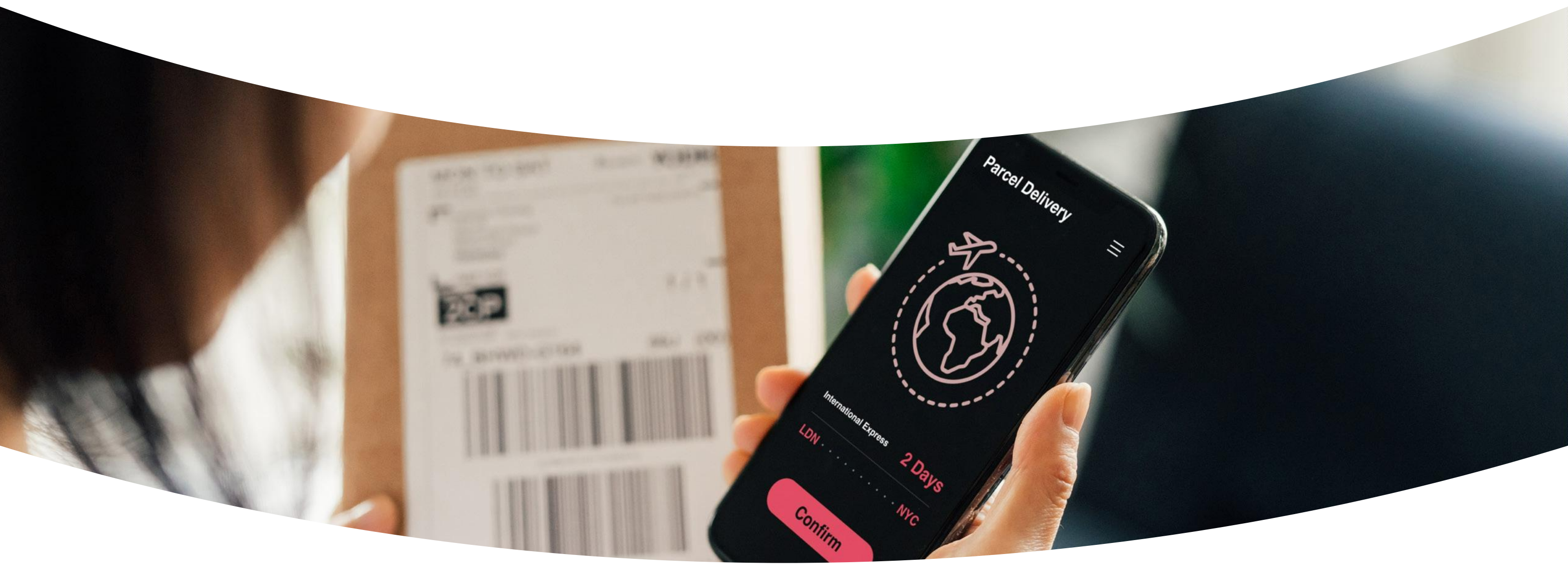
Segmentation is also vital when it comes to inventory. "You need to have timely data to ensure you have adequate supplies of the right material and that you aren't tying up space and money on the wrong material, but you can only do that if you have real-time insight into procurement, production and demand," YoKell says. "Advanced inventory optimization methodologies and technologies help ensure the right mix and minimize working capital demands."



Use the latest supply chain technologies
ERP, APS, Control Tower/SC Visibility and contract lifecycle management (CLM) tools can both offer CFOs the capabilities to better monitor supply chain needs and providers in real time and respond with the agility that today's often chaotic business conditions demand.

"Most enterprise systems offer analytics for supply chain and can help with the product and customer level data segmentation and analysis needed to drive real supply chain improvement," says YoKell. "Organizations that either don't have or aren't taking full advantage of these tools, but are still relying on spreadsheets and manual processes are at a significant competitive disadvantage." Now is the time for CFOs to review their analysis tools and capabilities and ensure they are keeping up with their needs.

CLM solutions help ensure consistent contracting and compliance practices, streamline data and improve insight into contracts across your organization. "CLM tools will help you speed up and improve your contracting operations, contract compliance, service levels, and spend management, which can offer real insights and real savings as you go through a contract review process and moving forward," says YoKell.



Industry insights – Supply chain

Manufacturing

Robert Hersh, National Managing Principal, Manufacturing

Supply chain disruptions have exacerbated each other, driving higher costs upstream and downstream and are trickling on to the shop floor. They're affecting the flow of materials, workforce, technologies and processes required to maintain business continuity and customer service — and ultimately, they're affecting pricing.

Beyond rethinking the global manufacturing strategy and near-shoring or re-shoring key components, materials, and production, more companies are turning to distributed manufacturing. Manufacturers that pivot to be closer to customer consumption points can be more nimble about late-stage differentiation and customization. They can also get products to market more efficiently, with material requirements landing closer to the point of sale with less risk of disruption.

Not-for-profit

Dennis Morrone, National Managing Partner, Not-for-profit

For individuals and constituent bases that depend on nonprofits for food, shelter and other services and goods, supply chain disruptions have been particularly poignant. The pandemic has displaced many individuals and exacerbated health and food security issues for many at or below the poverty line. Not-for-profits are being called on like never before to broaden their channels of delivery. Nonprofits will need to dedicate more time and attention to shore up dependable supply lines to maintain a sturdy flow of resources to meet burgeoning programmatic needs.

Retail and consumer products

Kevin Kelly, National Managing Partner, Retail and consumer products

Retailers face tremendous pressure on shipping times, capacity and costs. They need to accelerate purchasing decisions, identify alternative suppliers, countries of origin and ports of entry to manage risk. For key items, utilizing air freight could help retailers meet critical delivery dates, but it comes at a significant cost increase compared to traditional ocean shipping. However, with greater full-price sell-through, you can minimize the impact to gross margins. A data-driven analysis of your supplier/vendor base along with a focused review of shipping alternatives can bring greater value throughout your supply chain.

Transportation and distribution

Randolph Smith, National Managing Partner, Transportation and distribution

The pandemic has exposed supply chain inefficiencies and caused disruption in all segments of the transportation and distribution industry. Most companies have had to adapt quickly – and they need to continue to prepare for more changes ahead. Understanding how to mitigate supply chain risk, adding agility and flexibility of operations and leveraging technology and innovation will help increase future efficiency, effectiveness and productivity.

Inflation 2022: What goes up must go…somewhere? Managing uncertainty

Inflation started 2021 tamely enough, up 1.4% in January, but increased steadily to a dizzying rate of more than 7% in December for an annualized increase of nearly 4.7%. In January, inflation jumped again, to 7.5% expect to see it cooling to about 5%, down from its December peak. In our Q4 survey, more than half (53%) of CFOs expect inflation to continue to impact their businesses for at least six months, while 33% expect it to persist for more than a year. Larger companies (respondents with more than $1 billion in revenue) were most concerned about inflation, with 41% expecting it to continue for more than 12 months.

With inflation now running at a level not seen in a generation, most CFOs and other executives are having to manage it for the first time in their careers. Following are four strategies that can help.

Be aggressive on pricing

Traditionally, most businesses have been reluctant to increase prices in response to inflation or most other motivators out of fear that other businesses would undercut them, and customers would switch to lower costs options. “We’re seeing very high demand right now, and that’s across the board in all industries,” says Enzo Santilli, Grant Thornton’s National Managing Partner, Transformation. “Businesses do have the power right now to be aggressive.” In fact, Santilli even sees companies pushing prices to find out exactly what the market will bear.

Boost your budget on wages

“For most of their careers, I suspect most CFOs were comfortable budgeting somewhere between 2% and 4% overall for their wage pool,” says Santilli. “They’d tilt more of that to their high performers, a little less toward others, but it generally met the need.” Now, inflation isn’t just a top of mind concern for CFOs, it’s a major issue for their employees. The Department of Labor reported that the average worker saw a wage increase of 4.7% last year, but many of them still lost ground to inflation. “CFOs will need to budget more for wages, but that shouldn’t be an across-the-board strategy,” says Santilli. “Yes, general pay increases will have to go up, but given the competitive labor market, it’s more important than ever to ensure adequate rewards for your best performers. You also need to look at the skills that are in highest demand within your organization and in the job market in general and adjust salaries as necessary. Some positions are much harder to replace than others, and workers do have options right now.”

“Some companies are pushing price up to see how far they can go before they lose business, then adjusting downward as needed. With demand high and supply chains tight, customers don’t have many options, so it pays to be aggressive on price right now.”

Be ready for rate hikes

The Fed is likely to move aggressively against inflation, and soon. Most expect the first rate hike to come in March, with experts predicting anywhere between four and seven rate hikes this year, bringing the Federal funds rate up to between 1.75% and 2%. That's going to drive up borrowing costs after years of almost free money. If you know you will need capital or if you have a refinancing coming up, act on that now to help keep your borrowing costs down. "Companies also need to refresh their risk profile and ROI hurdles when it comes to funding new projects," says Santilli. "For the last several years, money was cheap so companies could pursue projects with only marginal returns because the risk was so low. Now they will need to be more selective. Projects will have higher hurdle rates, especially if they are debt financed."

Strengthen your forecasting and analytics capabilities

Inflation has gone from under 2% a year ago to more than 7% in December. With the Fed likely to target that aggressively, it's hard to predict how quickly that will come down. Supply chains and workforces are still very challenging. "Financial costs could swing quite a bit, both top line and bottom line," says Santilli. "The elasticities of what's going on with supply chain, with workforce, and potentially with demand will make nimble and agile forecasting more important than ever."

Companies also need to redouble efforts on the analytics side. "Being able to segment by product and by customer is always valuable and doubles in importance when there's a lot of change and that change is happening quickly," says Santilli. "You have to have a solid understanding of where your demand really is, where your costs are, where your profits are actually coming from. The closer to real time the knowledge is the faster you can react." Santilli believes businesses will have to make some difficult choices. "You may have lines of business that were marginally profitable, but that, because of current constraints and needs in more profitable areas of the organization, just don't justify resources right now. Those are hard calls to make, but they have to be made and you need to have the data to make them."

It's impossible to predict how long inflation will continue to be a serious issue or how quickly conditions might change. "The Fed is determined to bring inflation down," says Santilli. "But demand could come down with it. If the last couple years have proven anything it's that huge changes can happen without warning. Right now, balance sheets are strong, but we are seeing more focus on cash flow and reserves. Companies need to adapt to current inflationary realities but be ready for what's next."

Industry insights – Inflation and economy

Asset management

Michael Patanella, National Managing Partner, Asset management

Revenue from investor returns is linked to investor confidence, which depends on many factors - the pandemic, rising interest rates, monetary stimulus reductions and political instability. New tax rules, proposed regulatory changes and additional reporting requirements will require increased headcount and continued technology upgrades, as will ESG demands on both direct investments and asset management entities themselves. Asset managers will seek to increase total assets under management in order to increase overall revenue to match prior years' net income, which will offset the increase in expenses related to advanced technology projects, the cost associated with the war for talent and inflation increases.

Energy

Bryan Benoit, National Managing Partner, Energy

Increased regulatory and environmental requirements, scarcity of capital and rising costs, mean an uncertain year for the energy industry. Renewable energy presents opportunities, but pivoting into a costly sector with large balance sheets that demand cash flow and shareholder returns is challenging. Its capital-intensive nature means energy may be impacted more by inflation than other industries. Supply chain issues, inflation, labor concerns, access to timely data, and the ability to forecast production and revenues will all impact the oil and gas sector. The ability to balance renewable energy with oil and gas while addressing the ongoing challenges will differentiate the most successful companies in the industry.

Media and entertainment

Deborah Newman, National Leader, Media and entertainment

Inflation is revamping consumer expectations and behavior, especially for discretionary entertainment. Established media companies and emerging digital-first players must optimize their marketing spending, particularly on subscriber acquisition and retention. Media and entertainment companies have a unique need to be responsive to the public. That applies not only to the content they produce and distribute to the market, but also to the environment they operate for a workforce attracted to a creative enterprise. These companies must walk the walk in reflecting the values of their external and internal stakeholders on issues such as environmental sustainability, diversity and inclusion, and new hybrid work models.

Real estate and construction

Greg Ross, National Managing Partner, Real estate and construction

The economy continues to gain momentum, and we expect construction and real estate to reap the benefits going forward. Heightened workforce needs along with escalating demand from tenants will allow for property market values to, most likely, increase along with rent revenues. Office and retail sectors experienced most of the downfall during the pandemic, but we continue to see signs of potential growth with in-person visits, shopping and dining. Currently, the multi-family, industrial and residential housing markets have been driving enormous growth, and we expect this to continue in 2022. Supply chain, workforce shortages and interest rates will drive up pricing, but we expect the industry to remain strong overall throughout 2022.

Industry insights – Inflation and economy

Services

Fred Kohm, National Managing Partner, Services

Inflation is difficult for services firms as sales cycles tend to be long and pricing is usually structured based on contracts. Rising costs in raw materials, labor and energy are difficult to absorb and tend to cut into profit. Firms will need to have a clear view on their inflation exposure and leverage their pricing strategy and profitability metrics to help mitigate the impact.

Technology and telecommunications

Steven Perkins, National Leader, Technology and telecommunications

Technology and telecommunications CFOs share concerns about the uncertain economic climate and the rising inflation, but are also ready to leverage their leading position. According to our recent technology CFO survey, tech CFOs see 81% of growth to be sourced organically, from new products or through international expansion and 57% are targeting acquisitions, continuing a very active M&A cycle.

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