



## Fall 2022 Fortune/Deloitte CEO Survey

Once again CEOs offer a contrarian view by remaining moderately optimistic about their company outlook

In the Fall 2022 Fortune/Deloitte CEO survey, CEOs share more modest growth expectations and fine tune strategic levers such as talent, workplace, and technology models to adapt to new conditions.

Below are highlights from our latest survey, for which 121 CEOs shared their perspectives and predictions regarding growth, the economy, the evolving talent landscape, the importance of trust in building employee and customer relationships, and artificial intelligence.

### **CEOs believe their organizations are in a good place to manage future uncertainties and complexities**

Heading into 2022, CEOs provided a variety of perspectives as they described their outlook on the coming year. The responses 'hopeful' and 'uncertain' almost exactly counterbalanced each other and the year did not disappoint. As the world moved beyond the pandemic, an onslaught of headwinds emerged including rising inflation, global conflicts, and increased geopolitical instability and polarization. As we've now seen through other past crises and uncertainty, CEOs remain positive about their own company's growth over the next 12 months. Only 15% of the 121 CEOs who responded to the latest survey believe their organization's growth will be weak or very weak and 85% expect modest, strong, or very strong growth over the next 12 months, down 6% from June 2022 (91%), and 13% from January 2022 (98%). However, the increase in the number of CEOs who chose 'modest' growth increased from 42% to 51%, signaling a more tempered growth expectation over the next 12 months. And those CEOs who previously expected very strong or strong growth at 49% in June 2022, now represent only 34% of CEOs today.

CEOs' outlook on the broader economy worsened significantly, but by and large they remain cautiously optimistic that their own organizations can continue to perform well in the midst of uncertainty and change. CEOs remain committed to prioritizing investments in key strategic areas including talent and digital transformation.

- Joe Ucuzoglu, Chief Executive Officer,  
Deloitte US

## CEOs anticipate small decreases to inflation and increases in interest rates, salaries, and capital expenditures

While growth expectations may have slowed over the last few months, CEOs expect the main economic indices to have modest fluctuations and they don't anticipate large decreases to inflation-adjusted wages or capital expenditures. On the whole, they anticipate inflation to decrease by year end, to, on average, 7%. They expect interest rates to rise about a point to roughly 4%, and the S&P 500 to decrease 55 points to 3600.<sup>1</sup> The majority (62%) also anticipate there will be increases in (inflation adjusted) wages and nearly half (45%) anticipate spending more on capital expenditures (inflation adjusted). However, the verdict is out on what the future holds for hiring, with just over one-third of the CEOs expecting hiring increases (37%), a third anticipating hiring decreases (36%), and the remaining third expecting no change (27%).

## CEOs continue to focus on winning the war for talent—navigating the upsides and downsides to more flexible working arrangements

A majority of CEOs (71%) expect talent shortages to continue in general and nearly all CEOs (94%) expect to see talent shortages for certain roles. To combat this continued pressure, CEOs and their organizations continue to focus on the employee experience, looking at ways to empower employees, and manage the tension around returning to the office. Nearly all CEOs (96%) plan to focus on the employee experience for in-demand talent and the majority of CEOs (58%) do not believe the focus on employee experience will decrease if talent shortages diminish. When asked how they are empowering employees more broadly, allowing more flexibility and predictability in hours and location (87%) tops the list. Nearly three fourths (73%) are recognizing or rewarding workers who take on more responsibility and more than half (58%) are reskilling/upskilling workers. Write-in comments on the topic of empowering employees focused on providing additional types of flexibility to workers, such as sabbatical programs, seasonal working, paid caregiver leave, paid time off for part-time workers, and providing greater access to gig assignments. These actions suggest that employees may now have access to flexibility that is traditionally thought of as only available to gig and contract workers.

CEOs are still managing how to bring employees back into the office. Nearly half (44%) of CEOs would like employees back in the office, but don't feel they can mandate it due to the tight labor market. Over half (54%) believe hybrid workplace models lead to lower employee engagement and loyalty, but a large majority (80%) plan to develop new tools to drive engagement and loyalty that don't depend on co-location. This indicates that CEOs are open to exploring new solutions to address the current give and take associated with hybrid work models and are willing to adjust their own expectations to address the realities of the new work environment and talent landscape.

Beyond new tools to increase the employee experience, CEOs also recognize the importance of trust not just for customer relationships, but also for employee relationships. The vast majority believe trust is very important for worker motivation (85%) and retention (80%).

Creating a cohesive culture in our remote/hybrid work reality of today.

— CEO Survey respondent (when asked about the biggest challenge they face)



### **Inflation remains top external disruptor, with talent and geopolitical instability rounding out the top three**

Inflation and labor/skills shortage again top the list of external issues that CEOs expect to influence or disrupt their business strategy within the next 12 months. As seen in the Summer 2022 findings, inflation remains the top external disruptor for three fourths (74%) of CEOs. Labor/skills shortages (50%) and geopolitical instability (48%) again came in second and third place, respectively. Other sources of financial/market instability, while only mentioned by a third of CEOs (34%), is on the rise, up from 23% in June 2022. And once again, the pandemic continues to decrease as an expected business disruption, mentioned by just 7% of CEOs, which is down 63% from a year ago.

### **While AI investments are the norm, are they being fully leveraged?**

The majority (91%) plan to invest to some degree in AI over the next 12 months. CEOs shared the top ways they believe AI can help differentiate their organization and increase competitiveness in the marketplace. The majority (63%) identified accelerating intelligent insights as the top way and half indicated AI can differentiate them by improving decision making (53%), increasing speed to execution (50%), and reducing costs (48%). Only a third (34%) believe AI can help differentiate them by fueling innovation, and less than a fifth (18%) believe AI can help fortify trust with customers, consumers and suppliers, suggesting that there may be opportunities to further leverage the full capabilities of AI as well as address and attempt to resolve any ethical concerns related to leveraging AI in different ways and environments<sup>2</sup> A small number didn't think that AI would help differentiate their organization (6%) nor help increase competitiveness in the market (5%).

### **CEO's greatest challenges: Talent, uncertainty, inflation, and the economy, to name a few**

In addition to being a top external disruptor, inflation also continues to be named as one of the biggest challenges CEOs are facing today despite the recognition that inflation will likely decrease in the coming year. Talent, uncertainty, and the economy also top the list of CEOs, greatest challenges today. Macro challenges, such as the global economy and geopolitical instability also garnered several mentions, as did issues closer to home, such as polarized views among employees. As expressed by surveyed CEOs over the last few surveys, the challenges they face are many.

The comments on top challenges also suggest that CEOs are balancing how to maintain focus on both long-term and short-term priorities, as well as how to keep their people positive and engaged during uncertain times. "Keeping employees engaged and committed," shared one. Another said they were, "Resisting the urge to tap the breaks on hiring, investing, M&A, and growth initiatives due to over coverage of global and U.S. financial gloom and doom."

How these CEOs are managing to keep positive despite the never-ending headwinds and unwelcome surprises, likely has a lot to do with their ability to articulate a vision of success for their organization that is energizing for their stakeholders while fitting within the current economic and business environment. For CEOs, that means they need to continually reshape and redefine expectations and the definition of success. The survey findings suggest that today's CEOs are constantly revisiting, rethinking, and reshaping many of the key levers that define their organization, such as talent, workplace, and technology models, as well as growth expectations. In so doing, they are not only managing their organization, but also providing an element of safety and stability and a path forward for their people.

Keeping up with the pace of global change and ensuring our company is strengthened and resilient as the world becomes more volatile.

— CEO Survey respondent (when asked about the biggest challenge they face)

Keeping other CEOs talking up the economy so that we don't create a recession by being pessimistic for no reason.

— CEO Survey respondent (when asked about the biggest challenge they face)

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1. Respondents were provided with the following references/ baseline rates: Inflation: 8.3% YoY as of August 2022 (CPI Home : U.S. Bureau of Labor Statistics (bls.gov); Fed Funds Interest Rate: Federal Funds Interest rate as of September 9, 2022: 3-3 ¼% as of 9/21/2022) Federal Reserve Board - Federal Reserve issues FOMC statement; S&P 500: 3655.04 as of 9/26/2022 close; The Wall Street Journal - Breaking News, Business, Financial & Economic News, World News and Video (wsj.com); Numbers provided for Interest rate % and S&P are medians; Inflation % (7%) is both the mean and median.

2. State of AI 5th edition study, Deloitte Insights, October 2022.

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