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Supply Chain Woes, Inflation Concerns Drag CEO Survey

Show of hands: The middle market is riding some rough economic seas, according to the latest Marcum-Hofstra CEO Survey, which highlights lingering inflation and supply-chain disruptions.

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By GREGORY ZELLER //

The view from the middle market remains fairly dim, according to a new survey from **Marcum LLP** and **Hofstra University**.

The latest **Marcum-Hofstra CEO Survey**, the fifth poll taken this year for the accounting giant by Hofstra's **Frank G. Zarb School of Business**, finds mid-market CEOs deeply concerned about the double whammy of inflation and supply-chain disruptions – with many fearing a long-term inflationary cycle that will require government intervention.

The survey was developed, conducted earlier this month and subsequently analyzed by a class of MBA students led by Hofstra University Associate Marketing and International Business Professor Andrew Forman. It exclusively polled executive leaders of 259 companies with annual revenues ranging from $5 million to more than $1 billion.

Among the primary takeaways: More than two-thirds of respondents (67.6 percent) said their business had experienced rising costs due to inflation (only 15.4 percent of them predicted "minimal impact" from those rising costs).

Nearly 70 percent of all respondents said inflationary concerns will impact business decisions in the coming year, with 22.7 percent planning to cut overhead and more than 15 percent expected to postpone capital-expenditure and expansion plans.

Other key findings include the 54.4 percent of respondents who indicated that supply-chain bottlenecks are causing product shortages.

Survey respondents were also given an opportunity to provide written answers regarding their strategies for dealing with ongoing supply-chain concerns; “over-buying when possible” was one idea, with one CEO noting, “We have stockpiled just about everything we utilize.”

Other long-form supply-chain answers included plans for in-house delivery-truck fleets capable of speeding products to market, advance equipment orders “significantly before expected due dates” and “longer lead times” with customers and suppliers alike. One CEO referenced a plan to “restore and maintain equipment that we would normally trade in for newer models.”

The survey also revealed an overall drop in CEO enthusiasm from the previous Marcum-Hofstra survey, conducted in September. Only 8.5 percent of respondents to this latest survey ranked their outlook as “very positive” (down from 9.1 percent in September) and only 86.9 percent assigned an optimism rating of 5 or higher (on a scale of 10, down from 91.6 percent two months ago).

Not all of the news was doomy and gloomy. Roughly 23 percent of respondents said they’ve been able to absorb inflationary cost increases “with minimal impact” on operations; a similar 23 percent said inflation would have no impact on business decisions over the coming year.

And certain industries appear to be weathering the turmoil better than others. More than a third of construction industry CEOs (36 percent), nearly half of technology industry CEOs (46 percent) and fully 60 percent of real estate CEOs posted maximum business-environment optimism (8-10 on a scale of 10).

All told, the latest mixed-bag survey spotlights a middle market in flux, according to Zarb School Interim Dean K.G. Viswanathan, with small and mid-sized companies “at a tipping point.”

“They [are juggling] the challenges of supply-chain problems, inflation and labor shortages,” Viswanathan said. “The survey results also bring into sharp relief the debate nationwide over what are the best next steps to address inflation, with CEOs nearly evenly split over the need for government action versus those who believe it is tied to supply-chain issues and will pass.”

See the full survey **right here**.