

The Pulse Business CEO Confidence Tracker

Today's vision for tomorrow's business

JUNE
2021

Full speed ahead?

Insights at a glance:

- Top-line confidence is riding high among 87% of CEOs
- The impact of the pandemic has been positive for many businesses as they realise the benefits of technology-enabled operation, new partnership models, fresh skills sets, and time taken to refocus on the needs of their customers
- Caution is a watchword that lurks below the headline, as many CEOs balance optimism with lingering uncertainty about customer behaviour, the pandemic and government policy

At first glance, our latest quarterly CEO Confidence Tracker brings overwhelmingly positive news. With 87% of respondents saying they are either very (40%) or quite (47%) confident, it would be easy to assume that the relentless buffeting of the last pandemic-besieged year has generally given way to an informed optimism.

Much of the confidence expressed appears to be founded on the benefits of business recalibration, of time taken to refresh and reaffirm customer relationships, and of the way technology has enabled the transformation of day-to-day operations during a period of intense change.

There is also a more conservative sense of relief, expressed particularly in the Industrials sector. Some participants anticipate the relief of arriving at a 'new normal' that looks reassuringly like the old one, and the falling away of some of the more disruptive influences of the pandemic.

There is a pervasive expectation that people will return to the office as the final restrictions are lifted, with internal, partner and customer relationships easing back into the physical world.

Not so fast

But if we look beneath the surface of this confidence, a more nuanced picture emerges. The qualitative comments provided by respondents suggest an underlying atmosphere in which business uncertainty is the most noticeable sentiment. In this respect, our 47% of quite confident CEOs have more in common with the 12% who say they are neither confident nor unconfident than with the 40% who are entirely optimistic.

The great re-set

Some of the strongest confidence is found in the Technology and Education sectors. For Technology CEOs, the flexibility and adaptability driven by the pandemic, the rapid adaptation of business habits and taking the time to listen to their customers' needs find them in a prime position to respond as projects resume and markets open up again.

CEOs in Education speak of a new trust among staff and members, new types of partnership, and new skills developed. In Consumer Services, some participants report a surge in demand, which is now fuelling growth and recruitment.

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Caution advised

Other Consumer Services CEOs provide a particularly volatile barometer of confidence. Here, up-front optimism is qualified by a range of issues including the ongoing uncertainty of client budgets, cautious spending and a sense that many consumers are still nervous about loosening purse strings in case of economic storms ahead. For them, the unleashing of pent-up demand is not a forgone conclusion.

Less surprising is the caution expressed by Charity CEOs, whose organisations are now navigating the tricky ravines of recovery after a year of abruptly curtailed fundraising and donations. Fence-sitting is their position of choice for the time being, with optimism about the success of the vaccination programme tempered by fears of variants that could yet disrupt the unlocking of the country or trigger further lockdowns.

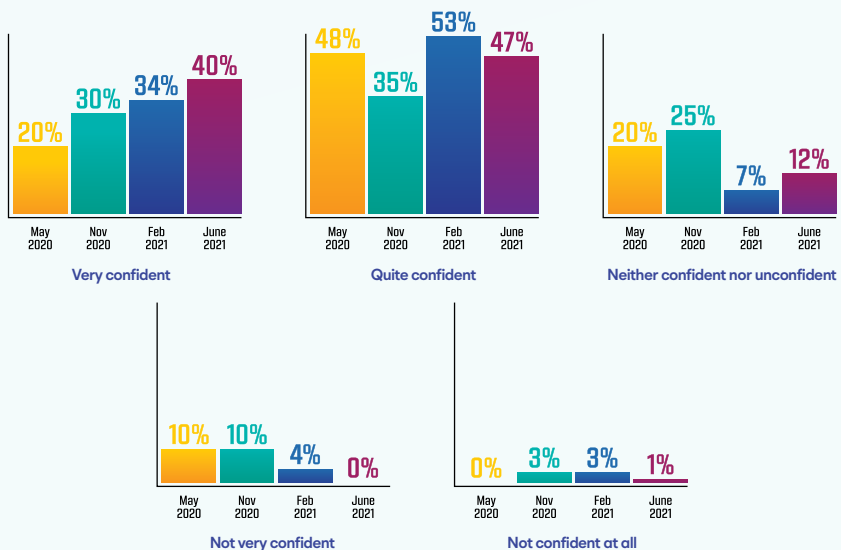
Prepare for the unexpected

For the first time in a year, none of our Pulse participants mentioned Brexit by name. Supply chain delays were cited as a reason for caution by one Industrials CEO, albeit with the hope that these would resolve themselves soon.

Another leader from the sector noted a new potential phenomenon – the 'distress purchase' – pandemic-induced spending which might be withdrawn as the danger passes.

In conclusion, while we celebrate the top line confidence expressed by most respondents half way through 2021, as one of them also suggested, any investment made in being prepared for uncertainty throughout the last 18 months could yet prove to be the wisest investment of all.

Q: How confident are you about the future performance of your business right now?



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Running Commentary: CEOs report from their front line

Top-line confidence

“Both my firm and that of a major global competitor ‘weathered the Covid storm’ only growing around 20%-30% in 2020 and are already recruiting to expand. Whilst there is certainly much work to do globally (by governments in sharing vaccines) by 2023 I expect to see the roaring 20s in full flow!”

Consumer Services

“We have taken the opportunity post-Covid to listen to our customers. We have repositioned the business to be more aligned to what our customers are asking from us. In the process we are creating a new strategic consulting offering and undergoing a digital transformation and reskilling exercise.”

Technology

“There is huge demand for people to now return to their workplaces - as is evidenced by recent transport figures - and this will stimulate spending in many areas of the economy which hitherto were struggling. The ‘new normal’ could look remarkably like the ‘old normal’ and this is no bad thing. A return to normality will be the biggest single driver of growth for businesses over the coming months.”

Industrials

Pandemic benefits

“Demand in the digital economy is growing. The pandemic is helping to fuel this growth as we change our habits. The globally economy is also embracing digital processes as the new normal. Which is creating more competition.”

Technology

“We are coming out of the pandemic with a greater strength and confidence than we went into it. Our reserves have been sufficient to see us through the biggest ever single shift for our organisations structure, form and ability to operate. We have established a strong basis of trust with our staff and our members. We have formed new alliances and partnerships and learnt new skills.”

Charity

“There is increasing client demand for investment. With restrictions now easing, clients are able to view opportunities and make decisions with greater confidence than at any time in the past 14 months. More locally, a new 5 year plan has been agreed which will enable us to refocus and drive for growth.”

Consumer Services

Preparing for uncertainty

“We’ve done huge amounts to adapt and prepare for continuing uncertainty. The circumstances and environment remain incredibly difficult but I am quite confident that we’ve prepared ourselves reasonably well to respond to that uncertainty. But we’re not out of the woods.”

Charity

“I think I’m just taking a post lockdown rain check on everything. The market seems volatile and much of the disruption we have been talking about will now be felt as strategies shift to cope with the return to new normal. So my jury is out. I’m watching closely and ready to pivot again if needs be.”

Consumer Services

“From a business perspective we’re in a good place and our offer is gaining a lot of traction with clients and prospects alike. We’ve a solid client base and a good message. The economy though, and the Covid pandemic, despite the easing of restrictions, continues to negatively impact our clients budgets and fuel an uncertainty about spending too much, too soon, in advance of perhaps another lockdown. So, the future still feels a little unknown but I’m cautiously optimistic.”

Consumer Services

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How CEO confidence surfed a year of change and uncertainty

Insights at a glance:

- Change is an opportunity – a mantra that has sustained CEO confidence through the most transformative year that most businesses have ever experienced
- Business uncertainty and the immediate impact of the pandemic on CEO confidence was the major focus in June 2020, but has largely been replaced by an optimistic focus on a bright future
- The first two quarters of 2021 have seen a steady decompression of Brexit-related anxiety, although there is still a note of caution around supply-chain issues and government strategy

Time takes on a different dimension in a pandemic. A year ago, we had already been through the first wave of COVID and were tentatively emerging from a lockdown that had forced rapid and dramatic change on everybody.

For CEOs, rolling with a relentless succession of punches, the challenges of maintaining operational businesses were huge. But in every sector, their capacity to innovate under pressure, to treat enforced change as an opportunity, and to see a horizon of optimism beyond the immediate crisis was extraordinary.

Chain reaction

From June 2020 across the next four quarters, our CEO Confidence Tracker charts the ongoing evolution of the pandemic and its impact on business sentiment. We can see how it has driven reactive change, which has in turn had a transformative impact on communications and the creation of virtual business models. As qualitative responses have told us, many CEOs now see this as a process which leaves their organisation better prepared for the unforeseeable challenges of the future.

While pandemic-induced uncertainty was a major qualifying factor for CEO confidence a year ago, this has steadily given way – although it has not evaporated entirely – to a sense of 'living with', suggesting that many CEOs feel the ship has been sufficiently steadied to ride any lingering storm.

The success of the vaccination programme has been much referenced.

For some sectors, Brexit anxiety compounded pandemic worries as the end of 2020 approached, peaking in our December Tracker.

This has subsided during the last two quarters to the extent that it is barely mentioned by name by respondents. Again, this might indicate that the consequences are now priced-in.

Sector specifics

In every sector, confidence is higher today than it was in the uncertain days of June 2020, when nobody could foresee the rollercoaster of false dawns and further lockdowns that was still to come.

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Back then, confidence among Professional and Consumer Services had taken the biggest hit – perhaps unsurprisingly, with customers and business partners all reeling from the same shock. On a scale of 1 (not confident at all) to 5 (very confident), they were hovering around 3.

But quarter by quarter, as they adapted to new business models and remote operations, optimism grew and is now well above 4.

Financials remained relatively buoyant throughout the year and was the only sector to show greater, uninterrupted confidence (4.4) for the last two consecutive quarters.

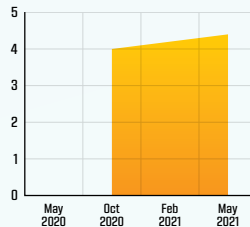
Patterns in Technology and Industrials reveal an interesting sub-text of fluctuation. Confidence in Technology dipped to 3.3 in the 2nd quarter – perhaps because the initial burst of investment in remote tools and rapid digitalisation in some sectors (most notably, Health) had stalled. But it has bounced back fiercely in the last quarter.

Confidence among Industrials was down at 3.3 in June 2020, rallied strongly during the next quarter, but has subsided slightly over the last six months (3.5). Supply chain uncertainties, particularly during the end of the Brexit transition period in early 2021, coinciding with another national lockdown, might have contributed to this period of caution.

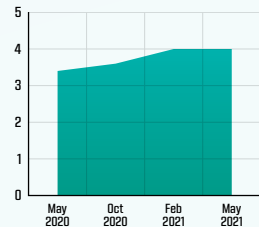
Indicative industry sector results

5 Very confident
1 Not confident at all
Sample size:
242 CEOs

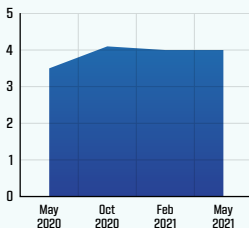
Consumer Services



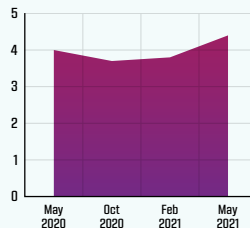
Professional Services



Indrials



Technology



Financials

