Your guide to growth in uncertain times

Insights to help you manage the challenges ahead
Introduction

The COVID-19 pandemic has created unprecedented challenges for businesses. But despite the economic headwinds of the past year and a half, executives at many midsized businesses are extremely optimistic about the future of their companies and the overall economy, according to the 2021 Business Leaders Outlook Pulse survey.

The survey shows optimism among business leaders is at a record high. This is a sharp reversal from the previous two surveys—taken in June and December of 2020—when business leaders were far more pessimistic about their companies’ fortunes. Some highlights from our midyear 2021 survey:

- Nearly nine in 10 business leaders are optimistic about their company's outlook for the rest of the year—the highest mark in 11 years of survey data.
- Optimism about the local economy (76%) is also at an all-time high, signaling rally expectations at the community level and a readiness for rebound.
- Companies realize that flexible work models are here to stay. Many are concerned, however, about preserving culture in a hybrid work environment.
- Cybersecurity remains a concern, with one-third of surveyed companies directly impacted by a cyberattack or fraud during the pandemic.
- Four out of five businesses plan to hire workers in the next six months—but the tight labor market could make hiring difficult.

What does this all mean for you? As COVID-19 variants prolong pandemic conditions, the economic landscape will continue to shift and evolve over the next several months. And you’ll need to adapt as well.

This guidebook features insights from JPMorgan Chase experts and can help shape your approach to business planning and growth. From understanding supply chain challenges to improving your digital defenses, you’ll gain a more informed perspective on what lies ahead.

As always, we’re here with ideas and solutions to help you run your business more efficiently. Find out more or connect with a banker at jpmorgan.com/commercial-banking/insights.
Navigating an uncertain economy

While the economy gradually reopens and many industries build toward pre-pandemic capacity, businesses still face uncertainty surrounding the delta variant and other variants of the coronavirus. This uncertainty could exacerbate short-term turbulence in pricing and availability of raw materials that continue to impact businesses’ ability to meet consumer demand. You can expect to see a rise in prices for goods and services, a market trend that has been pervasive over the last several months. These price hikes may be short-lived, but until supply chains readjust, business owners will have to account for them in planning cycles. The good news is that widespread inflation seems unlikely.

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**The issue of inflation:** The restarting economy could teach us new lessons about supply chain efficiency. Lingering symptoms of the pandemic will likely result in short-term bottlenecks in raw materials, which has already caused price swings in a range of goods from lumber to cars to computer gaming consoles. Once production stabilizes, pricing will likely do the same.

**Consumers and their cash:** Since the start of the pandemic, Americans have accumulated an estimated $2.5 trillion¹ in excess savings—setting the stage for a wave of pent-up consumer demand once the economy fully reopens. Consider staffing, supply and resource needs that may arise as your domestic and global customers return for products and experiences they missed during lockdowns.

**Climate change raises its business profile:** It’s no longer a question of “if” climate change will happen—it’s already here. Companies will have to figure out innovative ways to deal with the disruptions that extreme weather creates. Climate change presents many challenges, but it also offers an opportunity to advance your business. Technology can help. Maybe you reduce your carbon footprint by upgrading to a fleet of electric vehicles or building more energy-efficient facilities. Look at ways climate change can actually move your business forward, strengthen relationships with customers and partners or empower your brand.

¹U.S. Research Briefing, Oxford Economics, September 13, 2021
“If price increases are spread across a wide variety of goods and services, it could be a sign of economic overheating. But if price increases are being driven by a small group of products with known supply chain issues, temporary bottlenecks are likely to blame.”

Jim Glassman, Head Economist, Commercial Banking
Protecting your business from cyberattacks and fraud

At midyear 2021, a series of high-profile U.S. ransomware attacks thrust business cybersecurity risk back onto the international stage. But ransomware attacks and fraud aren't limited to large companies. In fact, one-third of companies we surveyed were directly impacted by some form of cyberattack or fraud during the pandemic. That's why business owners should consider these cybersecurity imperatives.

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**Tackle the problem as a team:** Maintaining secure data systems requires robust resiliency-planning strategies that shouldn't be carried out by chief information officers alone. Consider pairing your CIO with your chief financial and legal officers to create teams that can plan for various risks and act quickly if a breach occurs.

**Employees are your first line of defense:** According to our June survey, middling business owners say employee education and training (79%) is the best way to prevent, detect and respond to cyberattacks or fraud. When was the last time your employees participated in cybersecurity training or were part of an email phishing test? Training is no longer a nice-to-have; it's a mandatory action that business leaders must take.

**Fraudulent emails are a bigger risk than you think:** Business email compromise (BEC) is one of the leading ways that cyber criminals infiltrate a company and trick employees into divulging confidential information or sending fraudulent payments. These steps can help defend you against a fraudulent email attack:

- Regularly educate your staff about BEC and how they can help prevent it.
- Implement robust payment and information technology controls, including mandatory callbacks before sending any payments.
- Develop a BEC response plan that includes prompt reporting of all instances of payment fraud to your financial institution.

**Ramp up security for hybrid workers:** Although only 17% of business leaders are concerned about preventing or preempting cyberattacks and fraud in a flexible work environment, hybrid work arrangements can pose additional security risks. This is especially true for employees who travel or use different internet connections throughout their workweek. Make sure your employees have the latest software updates installed on their devices and enforce all security protocols no matter where they work.

**Keep an eye on back-end controls:** Ensure your back-end procedures strengthen your defense against payments fraud. This can include:

- Requiring dual-payment authorization before processing any transactions.
- Conducting a daily spot check of less than 10% of payments to ensure they went to the correct payee.
- Requiring at least two signers to approve changes to your banking account.
“Cyber risk impacts growth, market value and customer confidence.”

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Measures that proved most helpful to companies that experienced a cyberattack

- 79% Employee education and training
- 56% Developed proactive countermeasures, such as deploying technology
- 44% Designated in-house person/team for identifying threats and opportunities

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[06]
Q&A with Alec Grant,
Head of Client Fraud Prevention for Commercial Banking

Q: What is the biggest evolution you’ve seen in fraud schemes and the ways cybercriminals target organizations?
A: We are seeing an alarming increase in the number of fraud attempts against organizations. When the Association for Financial Professionals (AFP) Payments Fraud and Control Survey Report started tracking cybercrimes in 2005, 68% of organizations reported being targets of attempted or actual payments fraud attacks. According to the most recent AFP report, in 2020, 74% of organizations reported that experience. While attacks on large organizations get the headlines, it’s much more likely that smaller firms with fewer resources are the most vulnerable.

Q: Fraud prevention education is necessary for all organizations, but smaller companies may have limited resources or don’t know where to start. What steps can these organizations take?
A: No organization can afford to be complacent about fraud protection. There are back-end controls that already exist within your organization that you can implement today. Always use callback controls, back up your data and follow the principle of least privilege for payments processing to help stop fraud.

The principle of least privilege means giving a user, process or program the minimum access necessary to perform their job or function. By allowing only enough access to perform the required job, you can reduce the risk of attackers gaining access to data or systems.

Q: What are some of the red flags to identify a potential fraud scheme?
A: Criminals use a variety of tactics involving email, phone or texting to reach as many people as they can within an organization. They will also search social media profiles to find executives or employees who may have access to technology or payment systems. In a business email compromise scheme, criminals try to trick an employee to send authorized payments to an account the fraudsters control. Follow your organization’s best practices to validate any changes in payment instructions or account numbers. Never email the payee to authenticate the request as you may be communicating directly with the fraudster and not the intended recipient.
Building resiliency—now and for the future

The COVID-19 pandemic forced almost all businesses to pivot their operations in one way or another. From finding new supply chains to automating manual processes, companies have become more agile—and better positioned to handle disruptions in the future. The lessons learned during this difficult time can support future business growth if applied to future challenges.

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Pivoting is the new normal: More than two-thirds of business owners delivered new products or services in response to COVID-19 and the majority will continue doing so permanently. Your company’s emergency response skills through COVID-19 will be just as valuable in a post-pandemic world. Continue preparing your business to operate through unexpected disruptions by automating manual processes and solidifying operations in new markets, which can help ensure financial flexibility. Determine how business changes or expansions you made during the pandemic can keep driving your business forward. For example, consider environmental, social and governance (ESG) goals that can extend your reach with new suppliers and investors.

Country risk may be bigger than you think: As you expand globally, country risk is not just about risk at your location. You need to understand your supplier and customer risks as well. Know where suppliers source from and how you could be affected by disruptions there. The pandemic also has shown the importance of having supply chains close to your vendors and customers—especially when demand returns.

Expanding your supply chain footprint: As companies consider more geographically diverse areas to locate supply chains in the future—potentially outside China into Latin America and other emerging markets—new supplier relationships may need to be built and may need risk-mitigating solutions.

Understanding liquidity strategy is essential: Changes in supply chains, customer behavior, consumer spending, credit costs and access to capital can profoundly impact revenue and expenses. Understanding your liquidity strategy and how much you rely on it during a crisis is a necessary part of resiliency planning. When evaluating your liquidity position, consider these key questions:

- How much cash do you need today to support daily operational needs?
- What are your short- and long-term funding needs?
- What are your future cash flows and what assumptions have you used to calculate them?
- Have you considered the impact of foreign exchange and interest rate risk?
“Business leaders should expect supply chains to be a significant issue to overcome for the next several months.”

**DATA**

Manufacturing and Supply Chain Changes
(Percentage of respondents who made these pivots—and plan to continue them post-pandemic)

- **58%** Utilized new suppliers
- **47%** Automated “back office” functions with new digital platforms
- **32%** Managed some areas of supply chain remotely

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- Rethinking Country Risk
- 5 Considerations to Adjust Your Global Supply Chains
- How You Can Maximize Liquidity in Uncertain Times
Recruiting, hiring and returning to work

The events of 2020-21 may be only the beginning of a bigger workplace story. Thanks to the widespread adoption of work-from-home models, business leaders face a much different workplace than they did in the past. Many will have to rethink how they attract, retain and support their employees in the years ahead.

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**Be flexible on work models:** By midyear 2021, more than half of the midsized companies surveyed planned to implement or expand an existing flexible work environment as a result of COVID-19. But nearly 40% expect all employees to return to on-site work post-pandemic. That divide shows there is no clear path forward on hybrid work. The solution? Be open to multiple work models. And work with your HR partners to build an evaluation system (productivity, engagement, etc.) to see if hybrid work is sustainable long-term for your business and employees.

**Hybrid work and company culture:** Many leaders are concerned about what flexible work models may mean for long-term team chemistry, creativity and productivity. There are things you can do to help keep culture alive when many of your employees come into the office only a few times a week—if at all. A few examples:

- Focus on the whole person—their physical, mental and social well-being. You may need to re-evaluate what “wellness” means for your company.
- Create a team of “ambassadors” who understand your organization and can help onboard new employees. They also can help strengthen company culture among those who have been at your business for years.
- Communicate, communicate, communicate. From company-wide webinars to one-on-ones between employees and managers, technology can bridge the communications gap when people are not in the office together.

**Hiring in a competitive environment:** The pandemic put a halt on hiring for many business leaders, but by summer 2021 the vast majority of companies had plans to increase their workforce. While you may have put hiring on autopilot with your HR partners in the past, now is the time to revisit your strategy for sourcing and attracting new employees. If your business is expanding, for example, consider the skill sets you’ll need in five or 10 years—not just in the moment.

**Don’t be like everyone else:** In a highly competitive job market, midsized businesses can be at a disadvantage unless they play up their strengths. Lean into what makes your business great. Things like culture, community and opportunity for growth can be just as appealing as a competitive benefits and salary package.
“Try to predict your labor needs going forward so you can attract and retain the talent you’ll need for the long haul.”

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Business Leaders’ Thoughts on Hiring and Hybrid Work

- **81%** Plan to hire in the next six months
- **73%** Are concerned with preserving company culture
- **54%** Will continue/start a flexible work environment post-pandemic

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- **10 Tips for Managing the Next Generation of Talent**
- **Preserving Company Culture in a Hybrid Work Environment**
Adapting to the digital revolution

Two out of three business leaders made at least one digital pivot to grow or sustain their business during the pandemic—and the shift to digital shows no sign of slowing down. Business leaders will need to continue looking for ways to streamline processes and meet consumer demand in a more digital-forward environment. As financial technologies proliferate, determining what your business needs can be a cumbersome process.

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**Take a measured (but fast) approach:** Modernizing and updating legacy systems is one of the trickiest things a company can undertake. But don’t let the size of the project deter you. Established businesses need to make the move toward more modern technologies. If they don’t, their more nimble competitors will quickly take away market share. Start your digital updates as soon as possible, but with a phased approach that makes the overwhelming far more manageable.

**Always keep your customers in mind:** When investing in new digital technology, most companies focus on the business opportunity and the technical feasibility of the project. But a third lens is often the most crucial: customer experience. And that goes well beyond staffing your call center with polite people. In today’s business climate, your customers’ needs, pain points and experiences should serve as the ultimate source for inspiration and innovation.

**Continue to evolve your operations:** Pandemic-induced digital acceleration forced corporate treasuries to build new processes almost overnight. They leaned on their banks and fintechs for merchant services, seller settlements and wallet solutions. Corporate treasury teams did an excellent job of quickly digitizing their businesses, and now they recognize the importance of maintaining that momentum. Keep asking: “What can we streamline, what can we improve, what can be made more efficient?” After more than a year of making digital pivots, you now have the experience to make even more changes.

**Don’t forget your supply chain:** The pandemic upended the flow of goods and services virtually overnight, with more than 90% of Fortune 1000 companies experiencing some form of supply chain disruption. Retailers of all sizes needed to ramp up their digital presence or risk going out of business, and consumers quickly shifted their shopping behaviors online. Having the right technology and digital infrastructure can help you weather future supply chain storms.
“While your digital adoption may have accelerated during the pandemic, it can’t stop now.”

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**Digital Adjustments to Operations**

(Percentage of respondents who made these pivots—and plan to continue them post-pandemic)

- **39%** Expanded e-commerce capabilities
- **38%** Digitized accounts payables/receivables
- **25%** Updated or enhanced fintech systems

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- **How to Successfully Integrate New Technologies**

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