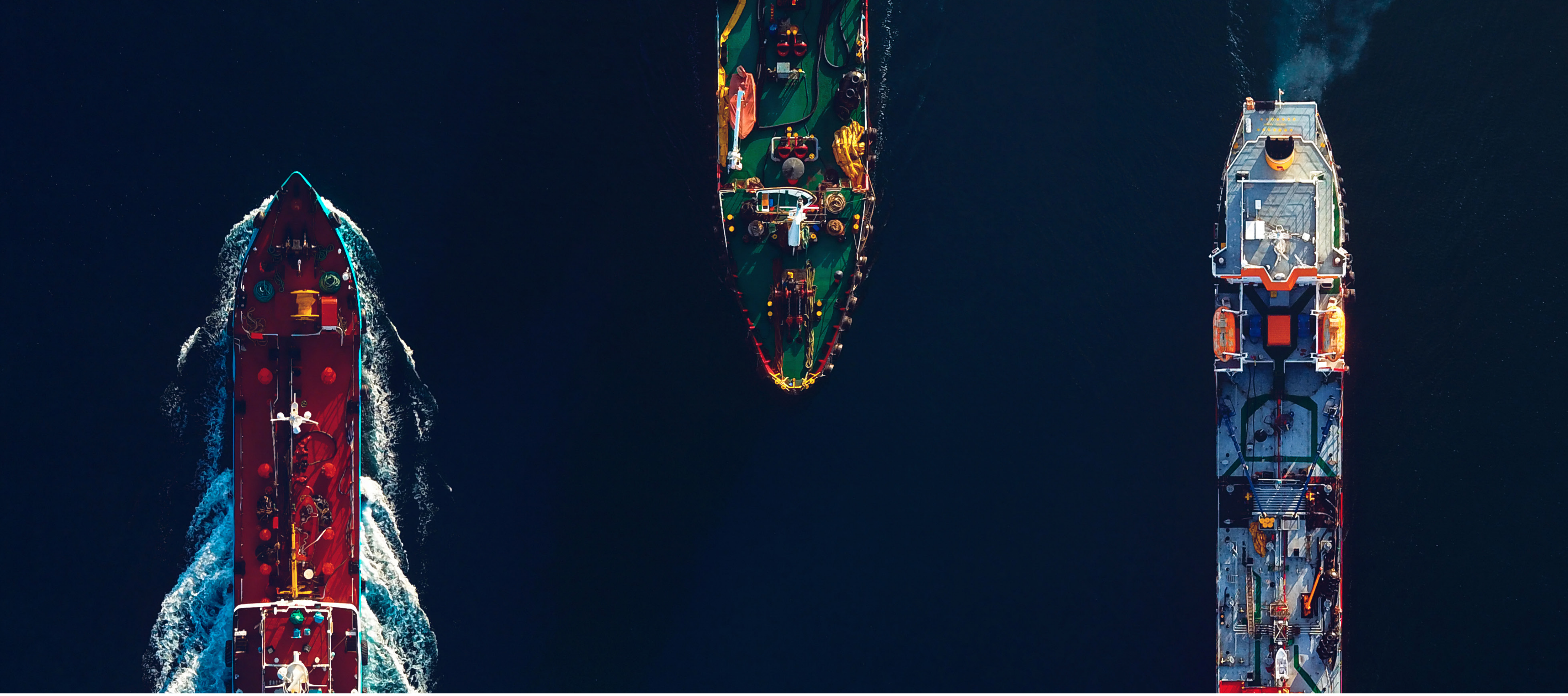


Your guide to growth in uncertain times

Insights to help you manage the challenges ahead

J.P.Morgan | CHASE

CONTENTS

Introduction

Midsize U.S. businesses have been rising to the challenges of the COVID-19 economy. Issues that were considered temporary disruptions have proven to be much longer lasting. But they haven't been viewed as insurmountable.

Our **2022 Business Leaders Outlook** survey indicates that today's executives are experts at reimagining, renewing and rebuilding their companies. In fact, they are more optimistic about their companies now than before the pandemic, according to the survey. And for good reason: 70% of leaders said their businesses have returned to or exceeded pre-pandemic levels of profitability. Other highlights from the survey:

Nine out of 10 of those surveyed expect their businesses to grow and thrive over the next year.

60%

Optimism about the local economy (60%) is much higher than it was in 2021 (41%), signaling a readiness for a rebound.

Offering some form of remote work or flexible hours is the No. 1 way leaders are helping their employees manage stress.

Cybersecurity remains a concern, with 44% saying malware (including ransomware) is the No. 1 cyberthreat.

More than 25% of midsize companies say their sales and revenues have declined because of the labor shortage.

What does this all mean for you? As long as COVID-19 remains a threat, the economic landscape will continue to shift and evolve. And you'll need to adapt with it.

This guidebook features insights from JPMorgan Chase experts and can help shape your approach to business planning and growth. From understanding labor market challenges to streamlining your supply chain, 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**.

CONTENTS

Navigating an uncertain economy

The latest surge in COVID-19 cases caused the economy to reopen in fits and starts. Many industries have returned to pre-pandemic capacity—but others still face uncertainty. Despite this open-and-close cycle, many business leaders are more optimistic about their companies now than they were a year ago. What's driving the optimism? Much of it boils down to the fact that business leaders have been operating in a pandemic economy—the "new normal"—for two years. They've found innovative ways to run their companies and flex their entrepreneurial muscles. And their companies are stronger today.

INSIGHTS

The issue of inflation: Inflation rose 7% in 2021—the largest jump in prices in almost 40 years.[1] The cost of almost everything went up, from food and gas to lumber and gaming consoles. To tamp down inflation, the Federal Reserve is expected to raise interest rates at least three times in 2022. Some experts are predicting even more rate hikes.

What about jobs? Finding new employees has become a major challenge for businesses as the economy reopens. With 10.6 million unfilled job openings at the end of 2021, staffing challenges are a major obstacle to fully reopening. More than two-thirds (68%) of midsize business leaders said finding workers is their biggest challenge, according to our 2022 Business Leaders Outlook survey. This tight labor market can lead to ambitious hiring tactics—and much higher costs for employers. Keep an eye on the Fed this year to balance aggressive hiring with future growth. If and when the Fed pulls back on its current economy-stimulating policies, we could see a return to a more normal jobs story.

Consumers and their cash: An influx in stimulus payments—plus a steep drop in spending—helped drive median cash balances for consumers up more than 50% at the end of July 2021 compared with the same period in 2019.[2] Consider your staffing and resource needs as 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.

[1] U.S. Bureau of Labor Statistics, Consumer Price Index, December 2021.
[2] JPMorgan Chase Institute, September 2021.

CONTENTS

> *"The pandemic's dislocations were clearly still with us throughout 2021. But the coming year could see a gradual stabilization as prices, consumer demand and monetary policy move closer to equilibrium."* Jim Glassman, Head Economist, Commercial Banking

CONTENTS

CONNECT

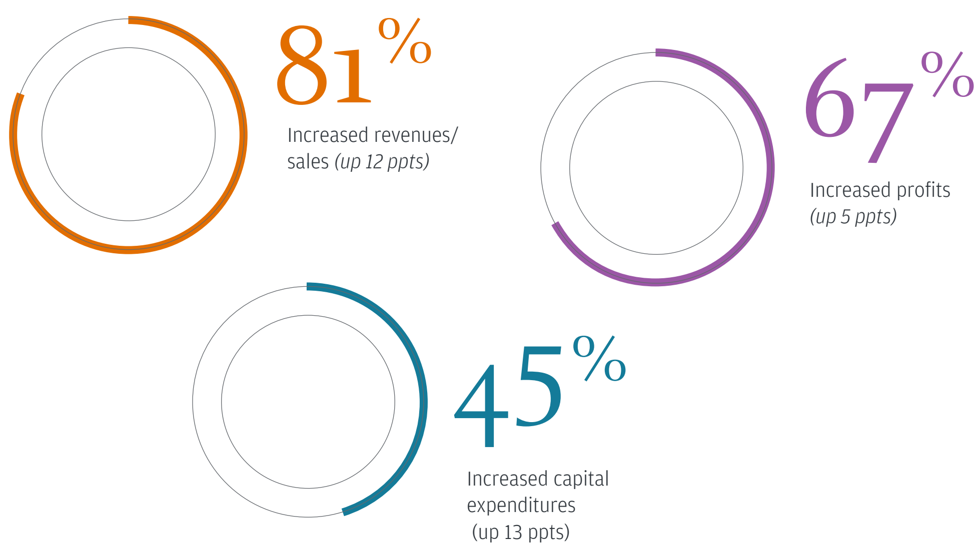
Jim Glassman's
Economic Take podcast

LISTEN

DATA

Performance expectations for midsized companies

(With change in percentage points vs. Business Leaders Outlook annual survey fielded in December 2020)



Protecting your business from cyberattacks and fraud

In 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. Nearly half (44%) said malware/ransomware is the No. 1 cyberthreat they face.

INSIGHTS

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, midsized business owners say employee education and training (78%) 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: As more companies offer some form of remote work or flexible hours to help employees deal with stress, it's clear the hybrid office isn't going away. But with it comes 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:

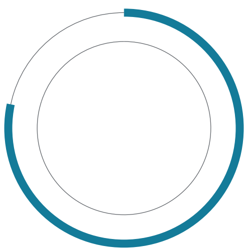
- Requiring dual-payment authorization before processing any transactions.
- Conducting a daily spot check of less than 10% of payments to ensure they went to the correct payee.
- Requiring at least two signers to approve changes to your banking account.

CONTENTS

> *"Cyber risk impacts growth, market value and customer confidence."*

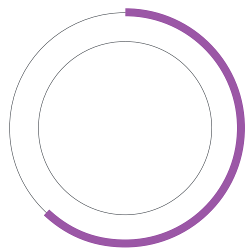
DATA

Measures that proved most helpful to companies that experienced a cyberattack



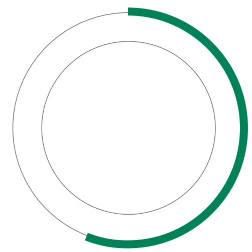
78%

Employee education and training



62%

Purchased cyber insurance



56%

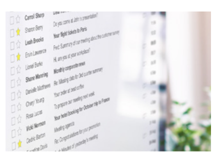
Developed proactive countermeasures, such as deploying technology

CONNECT

Fraud + Cybersecurity Magazine

DOWNLOAD

Business Email Compromise Toolkit



DOWNLOAD

CONTENTS

Q&A with Alec Grant,

Head of Client Fraud Prevention for Commercial Banking

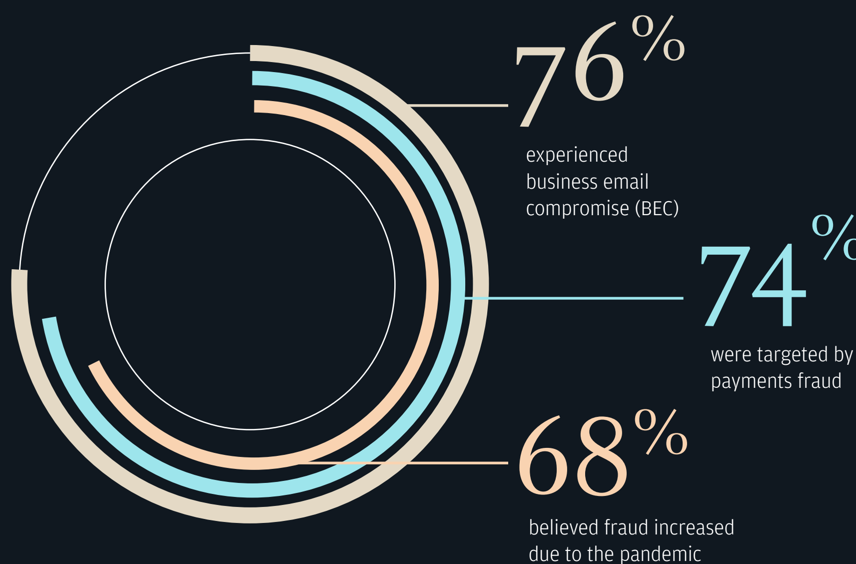
Q: What is the biggest evolution you've seen in fraud schemes and the ways cybercriminals target organizations?

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.

CONTENTS

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.

INSIGHTS

Companies are poised for growth in 2022: Nine out of 10 of those surveyed expect their businesses to grow and thrive over the next year. According to the survey, the top drivers of growth will be: expanding into new markets and geographies (52%); innovating or diversifying products and services (49%); and meeting increases in consumer demand (48%). Those three moves—plus the lessons learned by pivoting during the pandemic—can be applied to new challenges. You should continue to prepare for the unexpected. Also, see how business changes you've already made can keep driving you 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, your country risk expands as well. By having more operations in more countries, you increase your exposure to potential problems. These can run from labor shortages to natural disasters to geopolitical disruptions. On the flip side, having operations in multiple countries may mitigate risks when one country or region is facing production issues.

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, 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?

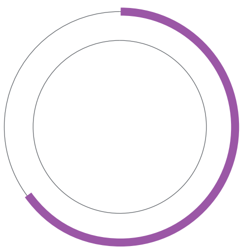
CONTENTS

> *“Business leaders should expect supply chains to be a significant issue to overcome for the next several months.”*

DATA

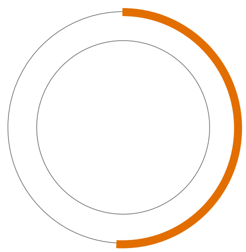
Manufacturing and supply chain changes

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



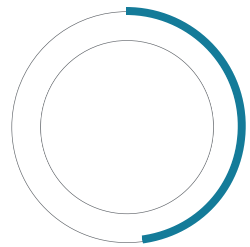
65%

Strategic stockpiling



51%

Added suppliers from new geographies



48%

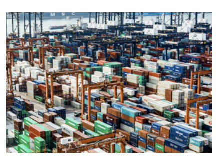
Allocated more funds to move goods

CONNECT

Rethinking Country Risk

READ

5 Considerations to Adjust Your Global Supply Chains



READ

How You Can Maximize Liquidity in Uncertain Times

READ

CONTENTS

Recruiting, hiring and returning to work

Thanks to the widespread adoption of hybrid office 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. One option gaining momentum? Adding ESG causes to business plans.

INSIGHTS

Be flexible on work models: The tight labor market is having an effect on the workforce, with 68% of companies saying their employees are now working more. This real risk of burnout is forcing many companies to find ways to help their employees cope with stress. Nearly half now offer a flexible work location, and another 37% offer flexible work hours. Employees love the new-found flexibility—but there's no clear definition of "hybrid work." So companies should be open to multiple models. And you should work with your HR partners to build an evaluation system (productivity, engagement, etc.) to see if hybrid work is sustainable for your business.

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.

Overcoming the skill gap:
The Great Resignation has seen millions of people leave the workforce over the past two years. Filling all of those positions won't be easy. According to the survey, many openings require skills that applicants may not have. More than two-thirds of companies said it's taking longer to fill positions, and more than one-third are investing in training to upskill their workforce. Expect these trends to continue as resignations mount. And expect to pay more for talent.

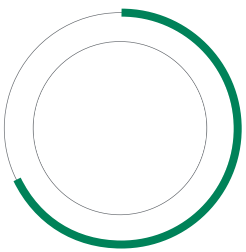
Use ESG to your advantage: Social factors are the top corporate responsibility subject, mentioned by almost half of all business leaders. According to survey recipients, the biggest benefits of a corporate responsibility strategy are building company culture (60%) and improving employee retention (46%).

CONTENTS

> *"Try to predict your labor needs going forward so you can attract and retain the talent you'll need for the long haul."*

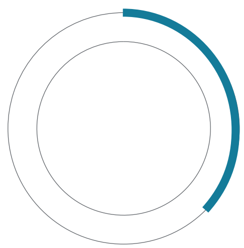
DATA

Effects of the skills gap on businesses



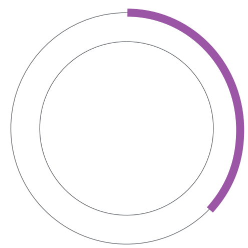
68%

Taking longer to fill positions



37%

Investing in employee training



37%

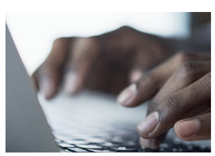
Making strategic/specific efforts to retain experienced staff

CONNECT

10 Tips for Managing the Next Generation of Talent

DOWNLOAD

Preserving Company Culture in a Hybrid Work Environment



READ

A Strong 401(k) Can Set Your Company Apart

READ

CONTENTS

Adapting to the digital revolution

Most companies 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.

INSIGHTS

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.

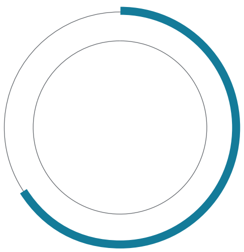
CONTENTS

> *"While your digital adoption may have accelerated during the pandemic, it can't stop now."*

DATA

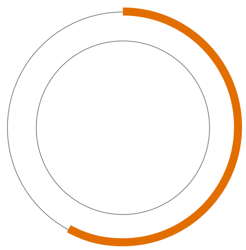
Digital adjustments to operations

Percentage of respondents who made or are planning to make these pivots



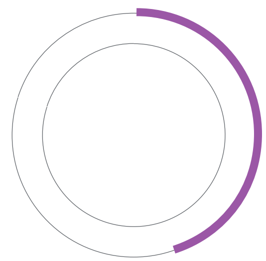
66%

Online bill pay



58%

Accept cashless payments



45%

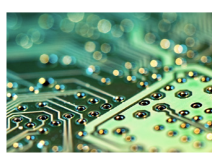
Use a mobile bank app

CONNECT

8 Questions to Consider Before Investing in Tech

DOWNLOAD

How to Successfully Integrate New Technologies



READ

CONTENTS

How JPMorgan Chase experts can help

The role of a JPMorgan Chase banker continues to evolve with the needs of our clients' businesses. From helping improve day-to-day cash flow to long-term business planning, a JPMorgan Chase Commercial Banker can provide you with informed advice and guidance for many of the challenges you face. Plus, with access to JPMorgan's community of leading industry experts– many of whom contributed to this guide– our bankers are at the forefront of market trends that may impact your business. Whether optimizing for today or planning for the future, our bankers can help.

Visit our website to learn more or contact a banker today.

WEBSITE

BANKER

CONTENTS

J.P.Morgan | CHASE