EMERGENT PARTNERS

HOT TOPICS FOR BUSINESS
JANUARY 2020

Part of the Emergent Partners Business Roundtable Series

As a kickoff to 2020, key issues that would be affecting businesses over the next six to twelve months were discussed to help business owners and leaders in planning and executing their annual strategies. Discussions included outlooks for 2020 and challenges that businesses felt they would be facing in the coming year. Here are the highlights from those discussions.

NFIB Small Business Optimism Index[1]

Part of the monthly reporting from the National Federation of Independent Business (NFIB) is evaluation of the Small Business Optimism index that is calculated based on surveys from their membership. The November 2019 survey report was used as a baseline for identifying market-wide trends for the roundtables and comparisons to the report were drawn from each group. The items highlighted from the report were as follows:

- Small business optimism made the largest gains at the end of 2019 since the spring of 2018.
- Finding qualified workers is still the top issues for businesses with a vast majority of companies trying to hire but not finding qualified applicants.
- Reports of capital expenditures remain high.
- Compensation continues to increase with the highest levels of planned increases in 30 years.
- Federal tax cuts have proven beneficial to small and mid-sized companies.
- The political situation has had little to no economic impact.

How did these trends relate to CEO and Executive Roundtable participants?

Participants in markets not heavily dependent on oil and gas are extremely optimistic going into 2020. Those in oil and gas heavy markets were still optimistic, but cautiously optimistic. Regardless of the level of optimism, participants are all preparing for growth in 2020. Finding and keeping the right people continues to be the top issue for participants with all agreeing the issue is not going to improve in the coming year.

Report data on capital expenditures, inventories, access to financing, and compensation mirrored what participants were seeing in their markets. All agreed that politics were not affecting their optimism or plans for 2020. Overall, the outlooks of participants were more positive or as positive as they were going into 2019, however all felt there were issues, such as availability of talent, that could create long-term issues.

Other Market Trends

Several market trends were discussed:

<u>Labor Markets:</u> Hiring the right people will continue to be an issue into 2020. Devising better strategies to work with the younger generations entering the workforce was the biggest concern of participants. As was the case at the beginning of 2019, participants agreed that they needed to focus on new and creative ways to attract and maintain talent and would be working on strategies throughout 2020. Participants in at least one market were seeing people leaving larger companies because they wanted the experience of working with smaller organizations. This was seen as an advantage for small to mid-sized companies to compete for talent in the coming year.

[1] Dunkelberg, William C.; Wade, Holly. *NFIB Small Business Economic Trends.* NFIB Research Center, Nov. 2019.

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Other Market Trends (Continued)

Oil & Gas: Markets dependent on the oil and gas industry were still optimistic, but less optimistic that other markets. The largest contributing factor to this was uncertainty in what new market cycles were going to look like. All agreed that the last downturn in oil and gas disrupted traditional market cycles. Participants in these markets are unsure how to plan because of this uncertainty with all agreeing that 2020 was going to be a "wait and see" year.

Recession Concerns: Overwhelmingly, participants saw no chance of an economic recession occurring in 2020. Most felt that any future recession would be beyond 2021. Regardless of their level of optimism, participants were confident in the strength of the economy as a whole.

Politics: While a common topic of discussion, virtually every participant agreed that politics, including subsequent media coverage, were not affecting how they felt about the economy nor what their strategies were for the coming year. All agreed that November election results would be important to strategy beyond 2020, however, regardless of political affiliation, they were confident that the eventual outcome would be a continuation of current business policies.

Risks & Opportunities: The greatest risks for participants were hiring and managing growth. All were working to devise better strategies to deal with these risks. The greatest opportunities were finding new ways to grow in optimistic markets and taking the responsibility to share their optimism with others.

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