

Confidence rebounds among small and midsize businesses

Confidence among CEOs surged according to the Q3 2020 survey conducted in September, nearly regaining the entire Q2 loss attributed to the pandemic. The Vistage CEO Confidence Index rose to 82.8 in Q3, up from 65.5 in Q2, and nearly reaching the 85.0 recorded Q3 2019. The largest year-to-year change occurred in how business leaders viewed prospects for the economy, which doubled from last year, and reached the highest level since President Trump won the 2016 election.

Substantial gains in revenue and profit expectations were also recorded, which reversed the decline and brought them in line with expectations reported last year. While plans for investment and hiring improved significantly over the lows reached in Q2, both remained below the peaks recorded in late 2019. While it is true that a consensus of CEO respondents (83%) believe the economy is still in a slump, sharp increases have been recorded in the proportion of CEOs that believe growth prospects will improve in the year ahead.

Unfortunately, there are still two additional sources of uncertainty that could affect the economic outlook: the outcome of the election and delays in developing a vaccine. Non-economic factors, which have determined the size and scope of the current downturn, will also determine the timing and pace of the recovery. Businesses may need additional federal resources to maintain their readiness to produce a robust recovery.

— Analysis provided by Dr. Richard Curtin, University of Michigan



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Vistage CEO Confidence Index highlights

Economy	Prospects	Expansion
83% of CEOs said the economy recently worsened, a 10-point decrease in pessimism from 93% in Q2 2020.	63% of CEOs expect increased revenues in the next 12 months, an 18-point increase from Q2 2020.	36% of CEOs expect to increase investment expenditures in the next 12 months.
58% of CEOs expect the national economy to improve in the year ahead; 16% expect conditions to worsen.	53% of CEOs expect increased profits in the year ahead, a 14-point increase from Q2 2020.	52% of CEOs plan to expand their workforce in the next 12 months.

Pandemic impact on revenues

Over half (59%) of all small businesses in the Q3 survey believed that the recovery from the pandemic losses would be delayed for another six months to more than a year. Comparatively in the Q2 survey that figure was lower at 51%, indicating that their initial judgments were too optimistic.

When asked how long their cash reserves would last, 66% of CEOs responding to the Q3 survey indicated that their reserves would last more than six months before they were entirely depleted, up from 59% recorded in the prior quarter. Overall, 19% reported substantial revenue declines of 25% or more in the Q3 survey, well below the 33% reported in the second quarter.

The data also make clear that there are substantial variations across small and midsize businesses; 30% reported that they had already recovered or had not been hurt by pandemic losses, compared with 48% who thought it would take six months to a year or longer for their business to recover. Like the old aphorism "what doesn't kill you makes you stronger," 44% of all small and midsize businesses reported that by the end of the next six months their companies would be stronger than before the pandemic, up from 27% in the prior quarter. Resilience comes from facing adversity, and after the longest expansion in history, this lesson was long overdue.

Change enhances survival

CEOs adapted by changing their focus to be even more customer-centric. Asked about what new sales processes they had put in place, two-thirds of all CEOs reported that they have stressed understanding the evolving needs of customers, that their sales messaging has been adapted to meet those changing needs, and that they have changed their approach to customer service as a result of the pandemic. While just 19% reported an increase in sales personnel, four-in-ten CEOs reported greater training of sales personnel, an increased use of new technologies to reach potential customers, and increased lead generation. Overall, 66% of CEOs were satisfied with the performance of their sales team in the Q3 survey.

Hiring and investment plans recover

Hiring and investment plans posted strong gains in the Q3 survey, rising to levels nearly equal to the previous year's readings. Planned increases in hiring were reported by 52% of CEOs, up from last quarter's 36% and nearly regaining the 57% recorded a year ago. Increases in investment spending are planned by 36% of CEOs in the Q3 survey, up from 25% in the prior quarter and just below the 37% recorded last year. Most small and midsize businesses plan on bringing employees back to the workplace, although most CEOs said that it has yet to be fully accomplished.

Question

Answer

Respondents

		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	61	5%
	Remained about the same	154	12%
	Worsened	1085	83%
	Don't know/No opinion	4	0%
2. During the next 12 months, do you expect the overall economic conditions in the U.S. will be better, about the same, or worse than now?	Better	750	58%
	About the same	309	24%
	Worse	207	16%
	Don't know/No opinion	38	3%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	814	63%
	Remain the same	318	24%
	Decrease	162	12%
	Don't know/No opinion	10	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	691	53%
	Remain the same	391	30%
	Worsen	210	16%
	Don't know/No opinion	12	1%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	470	36%
	Remain the same	573	44%
	Decrease	240	18%
	Don't know/No opinion	21	2%

Question	Answer	Respondents	
		#	%
6. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	676	52%
	Remain the same	496	38%
	Decrease	122	9%
	Don't know/No opinion	10	1%
7. To what degree have your revenues been impacted by the coronavirus pandemic?	Increased	281	22%
	Decreased less than 10%	279	21%
	Decreased 10-24%	367	28%
	Decreased 25-49%	188	14%
	Decreased 50-74%	49	4%
	Decreased more than 75%	14	1%
	No change in revenues	124	9%
8. How long will your cash reserves support your business during the current economic conditions?	Less than 1 month	16	1%
	1 – 2 months	103	8%
	3 – 5 months	288	22%
	6 – 12 months	394	30%
	More than one year	471	36%
	Other	26	2%
9. When do you expect economic conditions in the U.S. will begin to improve?	Less than 1 month	57	4%
	1 – 2 months	79	6%
	3 – 5 months	330	25%
	6 – 12 months	519	40%
	More than one year	245	19%
	Other	68	5%

Question	Answer	Respondents	
		#	%
10. How long do you expect it will take your business to recover from the economic impact of the pandemic?	Have not been impacted by the pandemic	159	12%
	Already recovered from impacts	232	18%
	Less than 1 month	13	1%
	1-2 months	57	4%
	3-5 months	185	14%
	6-12 months	360	28%
	More than one year	258	20%
	Other	34	3%
11. Which statement describes where you expect your business to be 6 months from now?	Stronger than before	574	44%
	Back to normal	221	17%
	Moderately weakened but regaining momentum	441	34%
	Significantly weakened and fighting to rebuild	65	5%
12. Please rate the level of agreement to the following statements: I am satisfied with the performance of my sales team	1 - Strongly disagree	27	2%
	2 - Disagree	198	15%
	3 - Neither agree or disagree	332	26%
	4 - Agree	565	44%
	5 - Strongly agree	161	12%
12.1 Our sales personnel are adept at understanding customers changing needs	1 - Strongly disagree	10	1%
	2 - Disagree	111	9%
	3 - Neither agree or disagree	318	25%
	4 - Agree	648	51%
	5 - Strongly agree	190	15%

Question	Answer	Respondents	
		#	%
12.2 Our sales team uses a defined sales process	1 - Strongly disagree	48	4%
	2 - Disagree	235	18%
	3 - Neither agree or disagree	327	26%
	4 - Agree	518	41%
	5 - Strongly agree	147	12%
12.3 Our customer messaging has been adapted to reflect their current needs	1 - Strongly disagree	9	1%
	2 - Disagree	102	8%
	3 - Neither agree or disagree	302	24%
	4 - Agree	669	53%
	5 - Strongly agree	181	14%
12.4 We have changed our approach to sales and customer service as a result of the pandemic	1 - Strongly disagree	25	2%
	2 - Disagree	150	12%
	3 - Neither agree or disagree	246	19%
	4 - Agree	585	46%
	5 - Strongly agree	270	21%
12.5 We leveraged the shutdown to focus on sales training	1 - Strongly disagree	151	12%
	2 - Disagree	394	31%
	3 - Neither agree or disagree	376	29%
	4 - Agree	279	22%
	5 - Strongly agree	76	6%

Question	Answer	Respondents	
		#	%
13. What areas of your sales organization have you changed as a result of COVID-19? 13. Sales personnel (sales, support, managers)	Decreased	134	10%
	No change	903	70%
	Increased	246	19%
13.1 Sales training (process, skills and knowledge)	Decreased	34	3%
	No change	755	59%
	Increased	495	39%
13.2 Sales technology	Decreased	16	1%
	No change	715	56%
	Increased	547	43%
13.3 Lead generation/Marketing	Decreased	45	3%
	No change	666	52%
	Increased	563	44%
14. How do you expect the size your workforce to change the next 3 months?	Increase	572	44%
	Remain the same	596	46%
	Decrease	125	10%
	Don't know/no opinion	7	1%
15. If you implemented remote working during the pandemic, what portion of your employees have returned to the office either full or part time?	All have returned	300	23%
	Some have returned	568	44%
	None, we have gone fully remote	73	6%
	None, but we plan to return in the future	138	11%
	Did not implement remote working	113	9%
	Other	106	8%

Question	Answer	Respondents	
		#	%
16. When do you expect employees working remotely to return to the office (Conditional to “plan to return in the future” response in Q15):	In the next 30 days	3	2%
	Before the end of the year	26	19%
	Not until 2021	84	61%
	Uncertain	19	14%
	Other	5	4%
17. Has your company changed vendors/suppliers as a result of the pandemic?	Yes, we’ve changed all of our vendors/suppliers	3	0%
	Yes, we’ve changed some of our vendors/suppliers	268	21%
	No, we haven’t changed any of our vendors/suppliers	994	77%
	No, we but we are planning to make changes before the end of the year	34	3%
18. During your company’s last fiscal year, what was its total employment?	1-9 employees	103	8%
	10-19 employees	146	11%
	20-49 employees	316	24%
	50-99 employees	260	20%
	100-499 employees	385	30%
	500-999 employees	54	4%
	1000-4999 employees	32	2%
	5000-9999 employees	3	0%
	None	5	0%

Question	Answer	Respondents	
		#	%
19. During your company's last fiscal year, what were its total revenues?	Less than 500k	21	2%
	500-999k	23	2%
	1-4 Million	212	16%
	5-9 Million	222	17%
	10-20 Million	245	19%
	21-49 Million	256	20%
	50-99 Million	152	12%
	100-249 Million	118	9%
	250-499 Million	34	3%
	500-999 Million	10	1%
	1+ Billion	11	1%