



# MARCUM CEO SURVEY

QUARTER 4, 2018

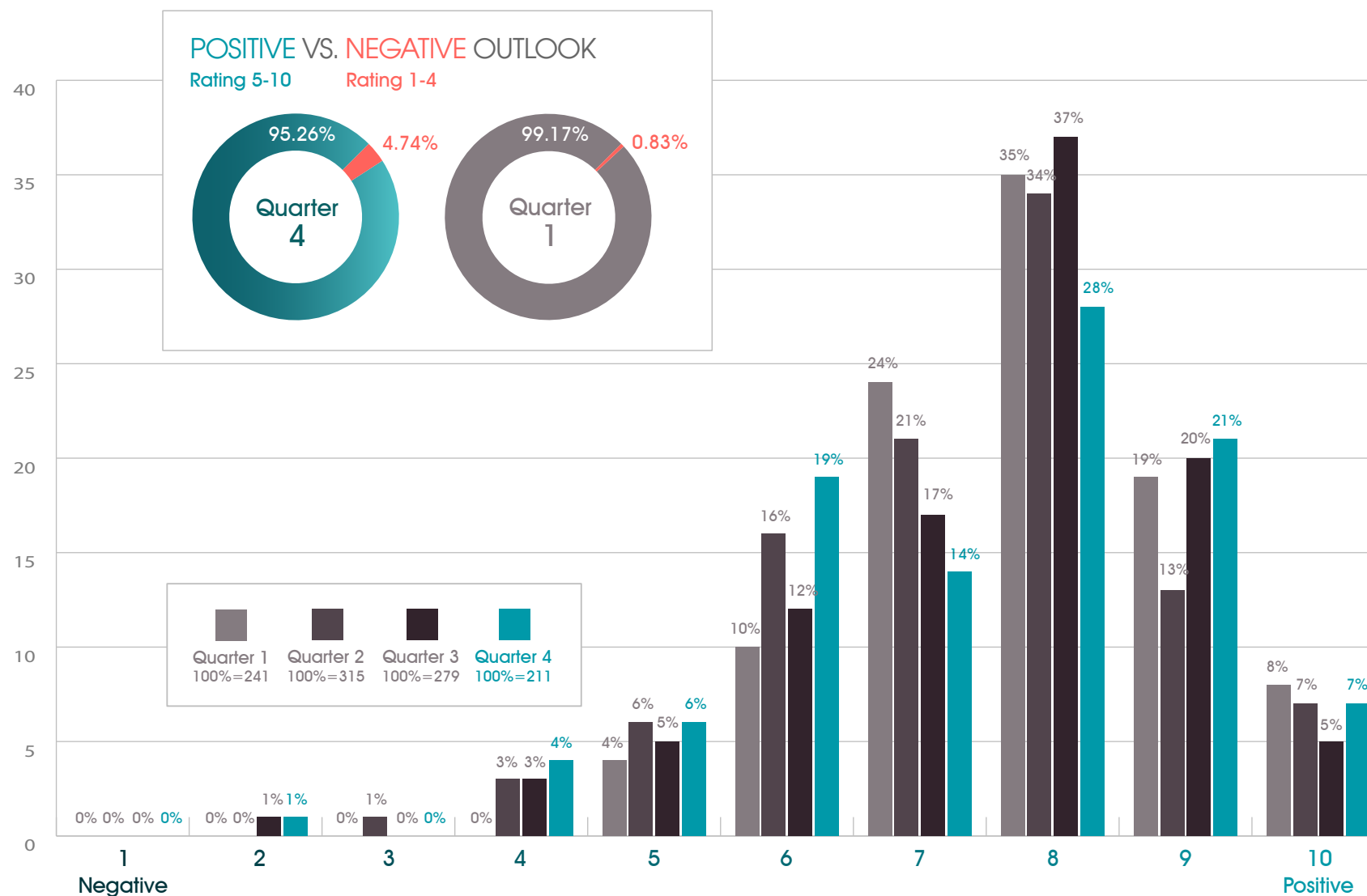
Welcome to the Marcum CEO Survey, a quarterly gauge of middle-market CEOs' outlook on the current business environment and their priorities for the next 12 months. The Marcum CEO Survey is a companion to Chief Executive Group's CEO Confidence Index.

[marcumllp.com/ceosurvey](http://marcumllp.com/ceosurvey)

## QUESTION

Which of the following best represents your view of the current business environment, on a 1-10 scale?





## KEY FINDINGS

- CEOs' opinions were invigorated at both the positive and negative ends of the confidence scale in the fourth quarter, with more executives taking more definitive positions.
- More than half of CEOs (56.88%) rated their confidence an 8, 9, or 10 - down from 62% in the first quarter.
- 7.11% of respondents selected 10, the only gain in the most optimistic rating point during 2018, following a 3-quarter slide.
- Those with a neutral to positive outlook fell to 28.44% at the 8 rating point and to 13.74% at the 7 rating.
- Not all respondents moved higher from the upper-middle registers, however. Those putting their confidence levels at 4, 5, or 6 increased sharply to 28.44% from 20.44% in the third quarter. This is more than double the 13.69% result at the least optimistic end of the range in Quarter 1.
- Nonetheless, CEOs remain exceedingly optimistic about the business environment, with 95.26% rating their outlook in the range of 5-10 and just 4.74% choosing ratings of 1-4. Even so, this favorable attitude does represent a fall-off of approximately 4 percentage points from the first quarter of the year, when nearly 100% of respondents (99.17%) were squarely in the positive end of the rating scale.

## INDUSTRY FOCUS

cont'd

Which of the following best represents your view of the current business environment, on a 1-10 scale?

### Q4

Construction/  
Engineering/Mining

Manufacturing -  
consumer goods

Manufacturing -  
industrial goods

Other

Pharmaceuticals &  
Medical Products

Professional Services

Real Estate

Retail Trade

Wholesale/Distribution

### INDUSTRIES WITH CEOs SELECTING A RATING OF 10

### Q1

Construction/  
Engineering/Mining

Financial Services

Manufacturing -  
consumer goods

Manufacturing -  
industrial goods

Pharmaceuticals &  
Medical Products

Professional Services

Wholesale/Distribution



cont'd

Which of the following best represents your view of the current business environment, on a 1-10 scale?

## INDEX:

A Weighted Average of 2018 CEO Responses

7.77 7.41 7.55 7.46

Marcum  
CEO Survey  
Quarter 1

Marcum  
CEO Survey  
Quarter 2

Marcum  
CEO Survey  
Quarter 3

Marcum  
CEO Survey  
Quarter 4

7.46 7.44

Marcum  
CEO Survey  
Quarter 4

CEO  
Confidence  
Index  
Quarter 4

CEOs' outlook on the current business environment see-sawed during the four quarters of 2018. After recovering somewhat in the third quarter, the Marcum CEO Survey Index finished the year at 7.46, down from 7.77 in the first quarter.

The Marcum CEO Survey launched in Quarter 1, 2018.

The CEO Confidence Index is America's largest monthly survey of chief executives, compiled by Chief Executive Group and published on ChiefExecutive.net and in each issue of Chief Executive magazine. The Marcum CEO Survey is conducted in collaboration with Chief Executive Group.

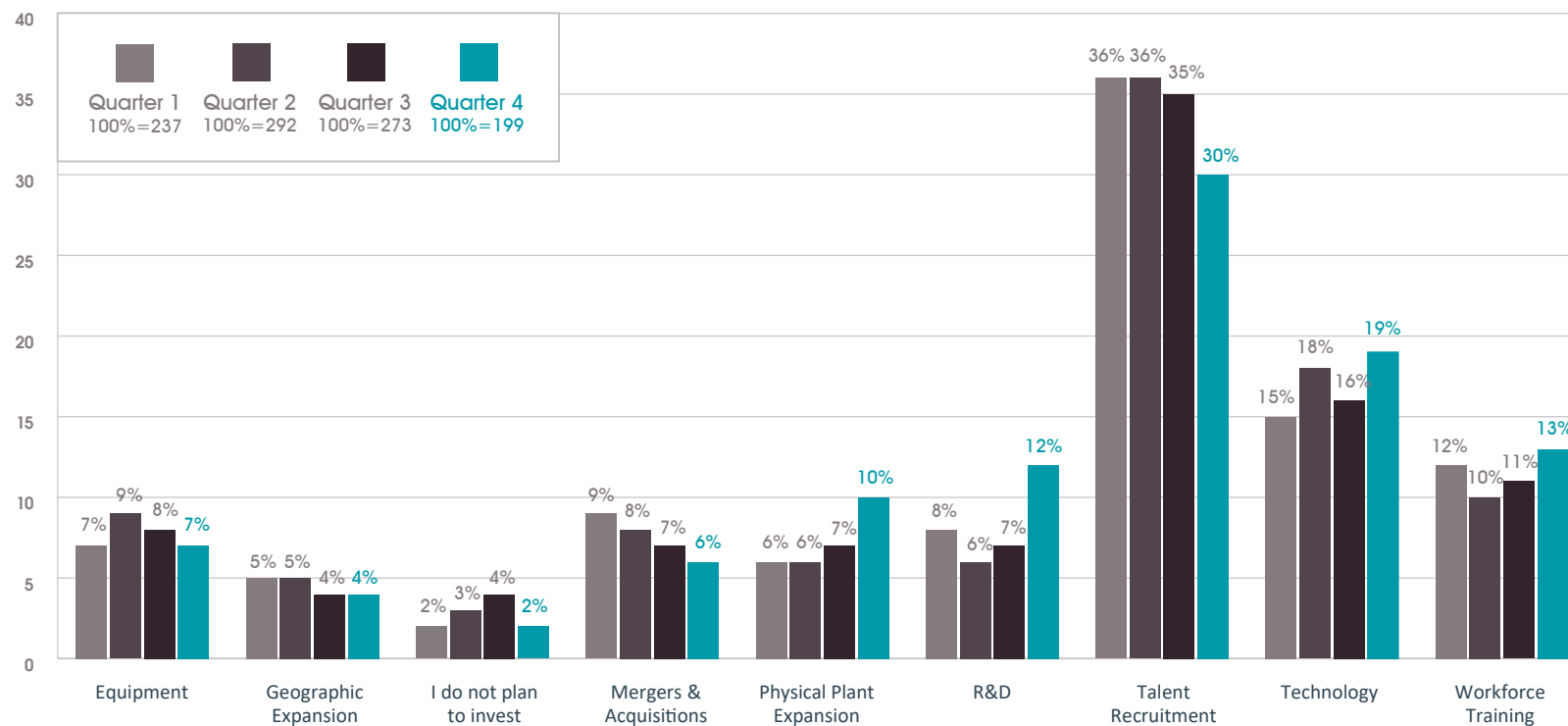


## QUESTION

Over the next 12 months, in which ways do you plan to invest in your company? Please select 3 and rank them in order of priority, 1 being the most important.



# PRIORITY 1

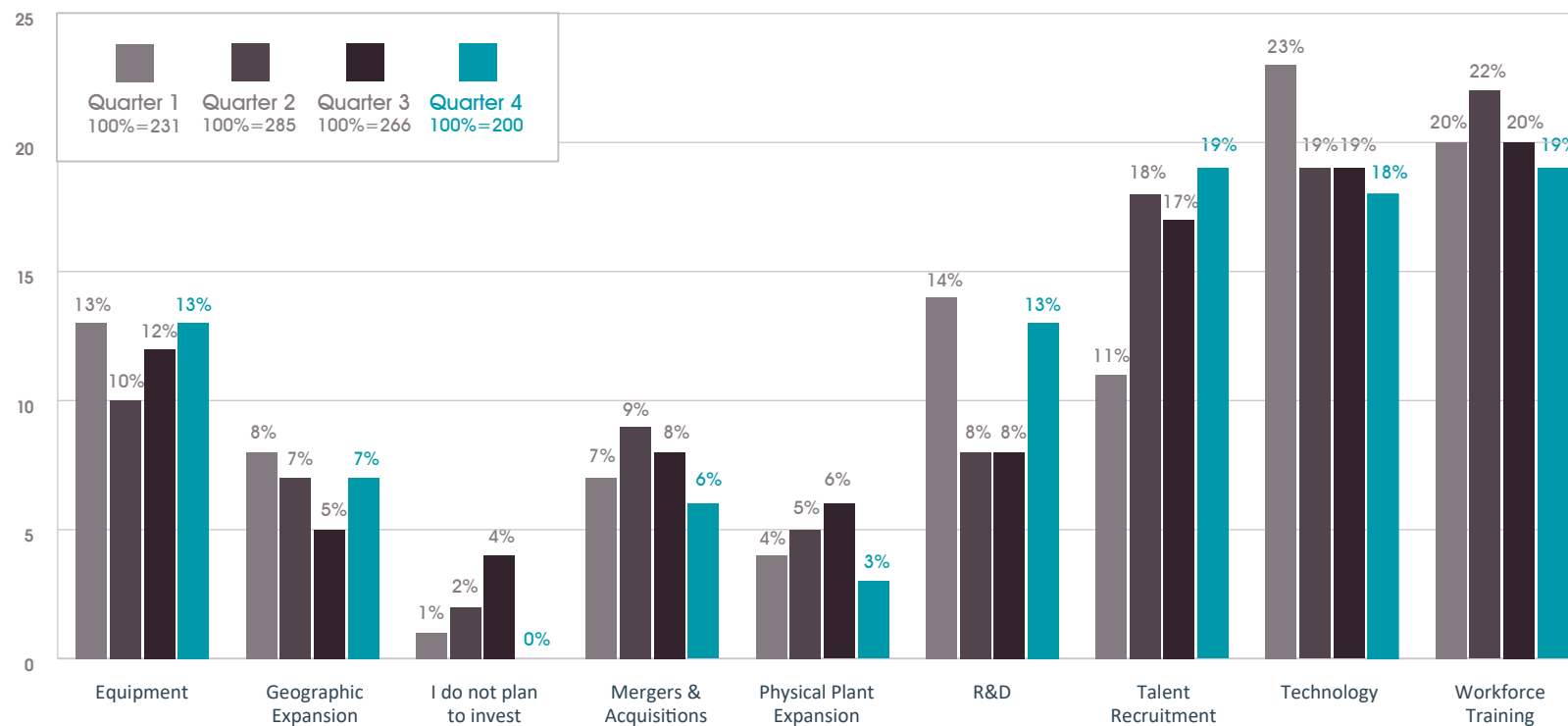


## KEY FINDINGS

### PRIORITY 1 FINDINGS

- ▶ Talent recruitment remains CEOs' highest priority investment for the next 12 months. However, after stable showings in the first three quarters of the year, talent recruitment fell six percentage points in the fourth quarter, v. the first quarter of the year, as a top investment priority.
- ▶ Technology was the next most-selected top priority with 18.59% of responses, an increase of 4 percentage points from the first quarter of 2018.
- ▶ Workforce training (12.56%), R&D (11.56%), and physical plant expansion (9.55%) also ended the year with their strongest quarters.
- ▶ Mergers & acquisitions trended down for all four quarters of 2018 as a top investment option. In the last quarter of the year, just 6.03% of CEOs said M&A would be a top priority in their short-term plans, down by a third from 9.28% in the first quarter.

## PRIORITY 2



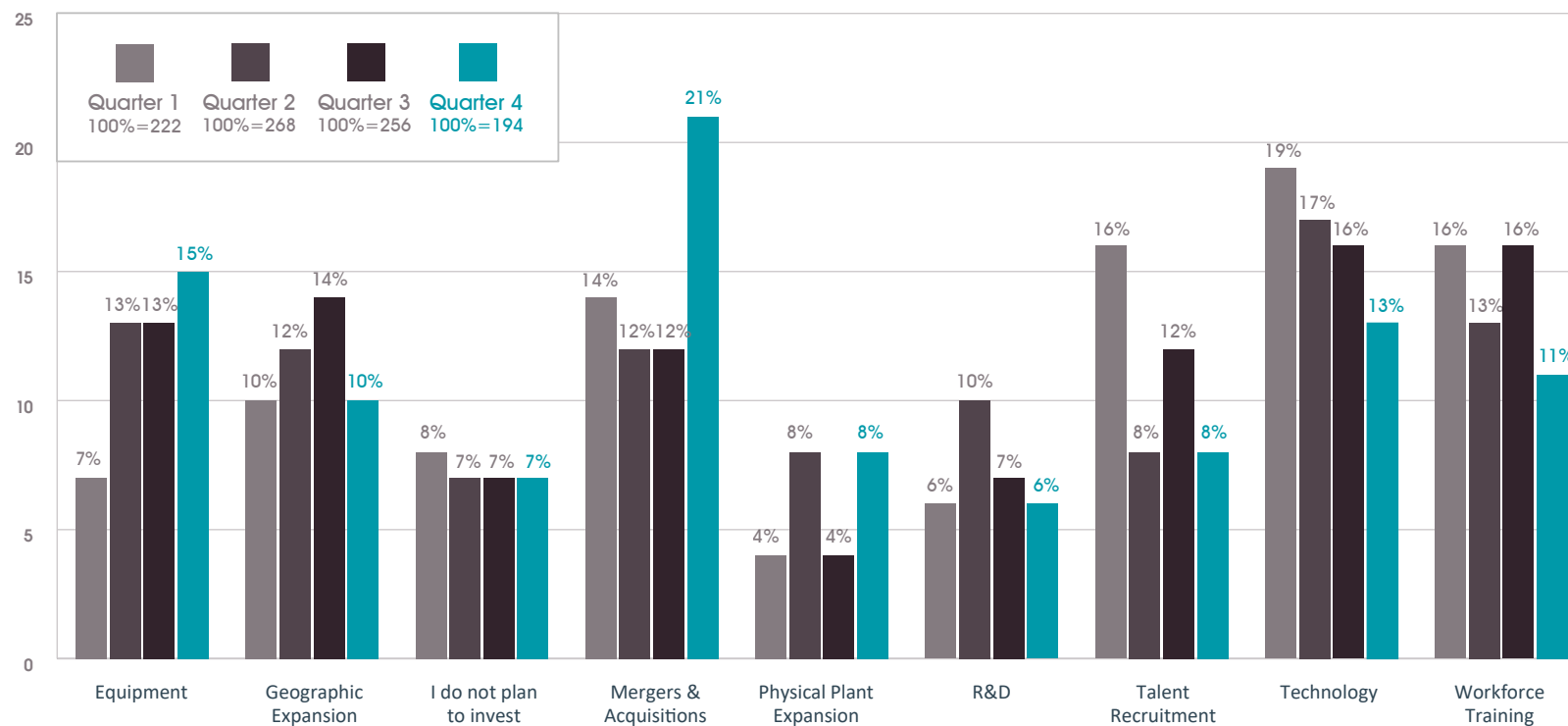
## KEY FINDINGS

### PRIORITY 2 FINDINGS

- ▶ Workforce training was the dominant priority 2 selection, with 19.00% of responses.
- ▶ Talent recruitment gained substantially over the year's first quarter – 18.50% v. 10.82% of responses.
- ▶ Equipment, R&D, and geographic expansion also regained priority in the fourth quarter, matching or nearly matching their first quarter ratings.



## PRIORITY 3



## KEY FINDINGS

### PRIORITY 3 FINDINGS

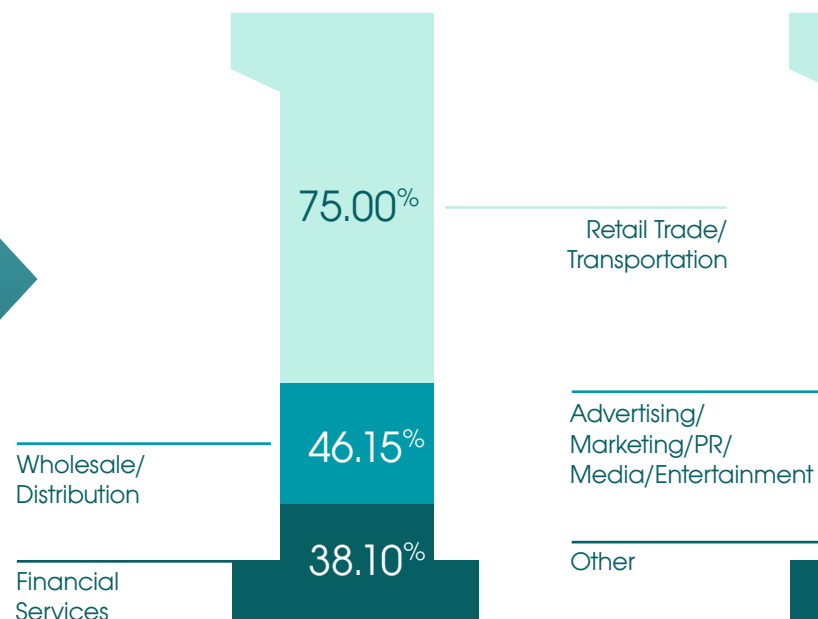
- ▶ In contrast to priority 1 results, mergers & acquisitions was the clear leader as a priority 3 investment, with 21.13% of responses. The 4Q result compares to 11.72% in the third quarter and leapfrogs ahead of the 13.51% result in the first quarter. While M&A is not the driving priority for CEOs, it is gaining in importance as a key factor in short-term planning.
- ▶ Technology continued its year-long downward trend as a tier 3 investment priority, ending the year at 13.40% after starting 2018 with 19.37% of responses.

# #1 PRIORITY INVESTMENT (Top 3 Answers)

Top industries selecting each answer

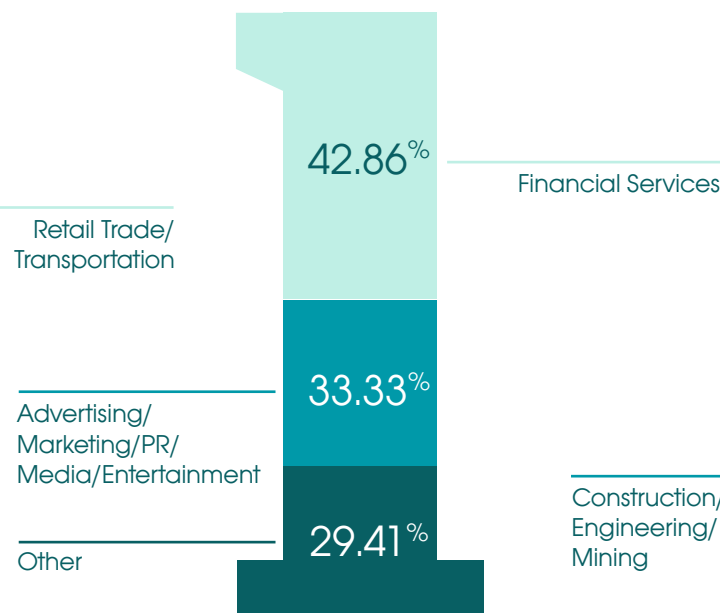
## TALENT RECRUITMENT

59 CEOs (29.65%)



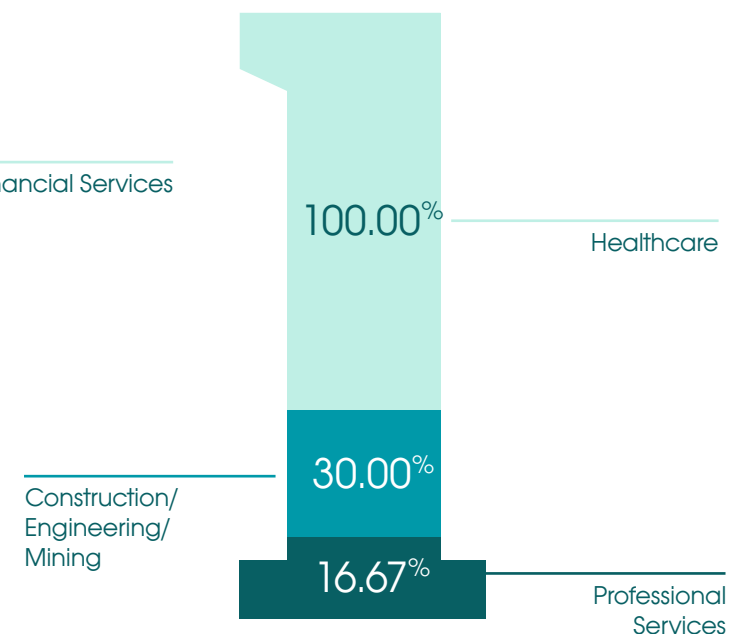
## TECHNOLOGY

37 CEOs (18.59%)



## WORKFORCE TRAINING

25 CEOs (12.56%)



Talent recruitment, technology, and workforce training were the top three priorities for CEOs again in the fourth quarter.

cont'd

Over the next 12 months, in which ways do you plan to invest in your company? Please select 3 and rank them in order of priority, 1 being the most important.

# INDUSTRY FOCUS

Top 3 priority investments for the next 12 months - 4Q



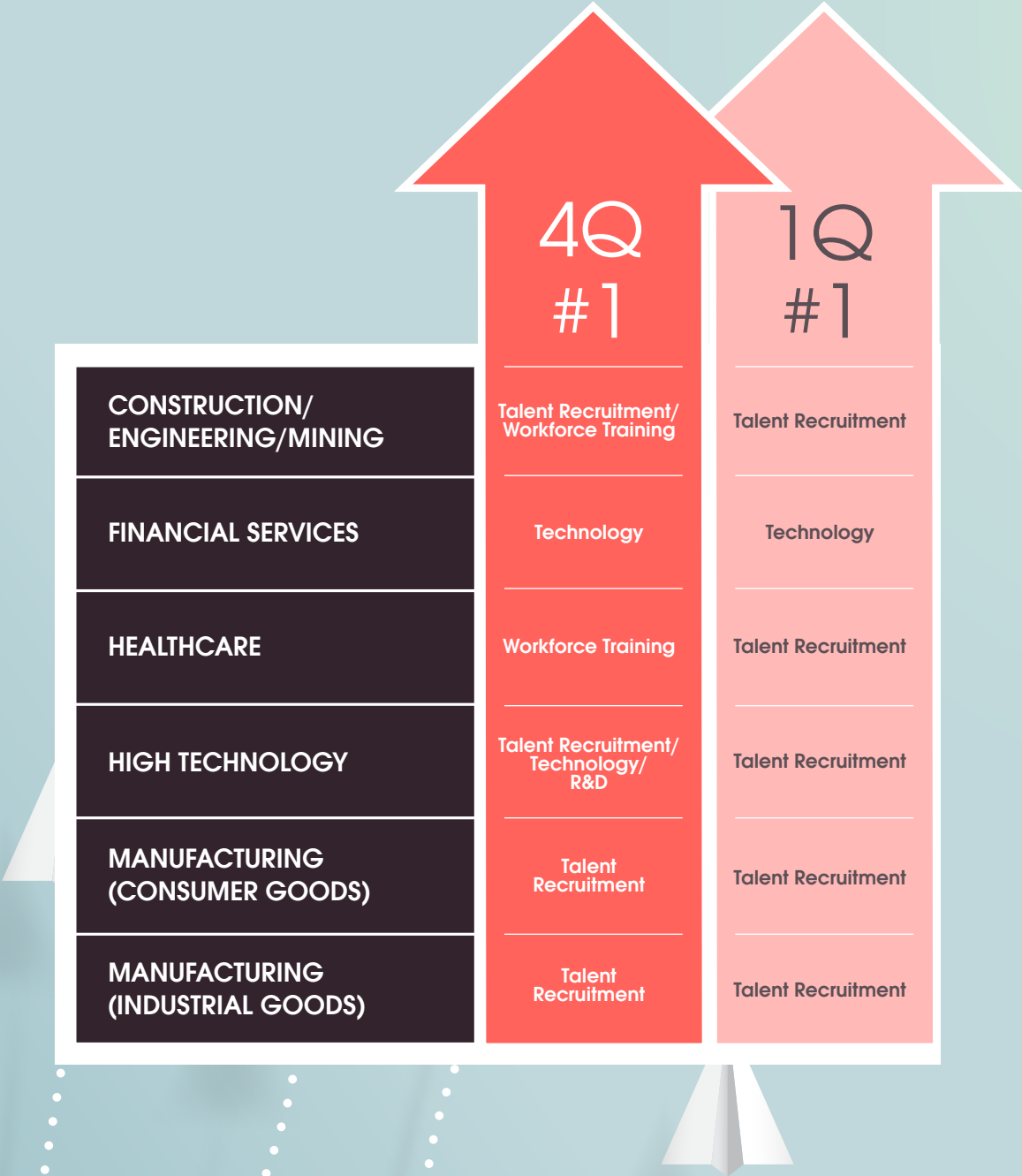
cont'd

Over the next 12 months, in which ways do you plan to invest in your company? Please select 3 and rank them in order of priority, 1 being the most important.

# INDUSTRY FOCUS

#1 Priority investment for the next 12 months

cont'd  
Over the next 12 months, in which ways do you plan to invest in your company? Please select 3 and rank them in order of priority, 1 being the most important.

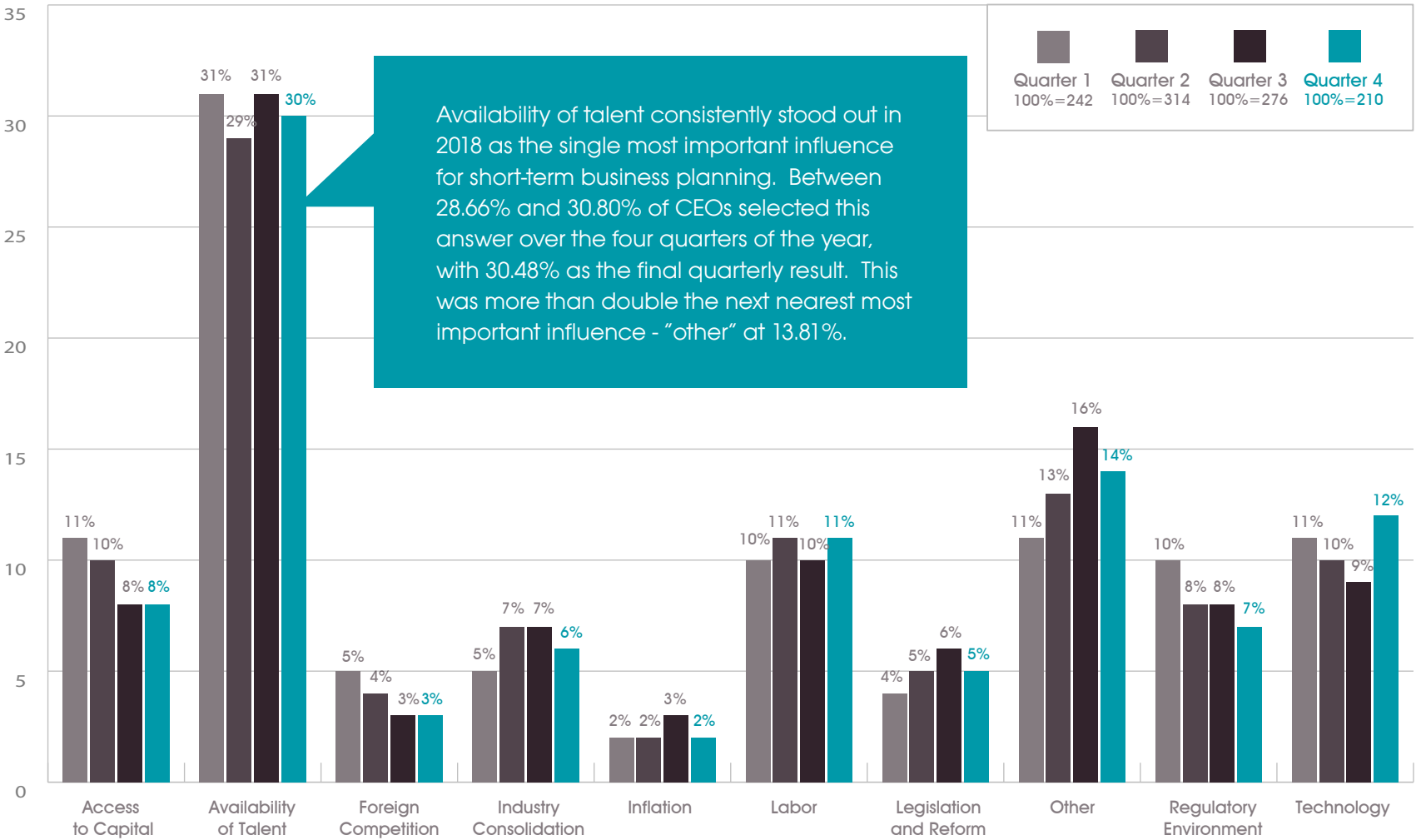


## QUESTION

What is the single most important influence for your business planning for the next 12 months?







# KEY FINDINGS

- ▶ Labor (11.43%) and Technology (12.38%) were the only priority 2 influences to gain in importance during the fourth quarter.
- ▶ Access to capital was the only influence to decline in importance over all four quarters, starting the year at 11.16% and ending at 7.62%.
- ▶ Inflation was the least important among key influences, registering just 2.38% of all responses.

# INDUSTRY FOCUS

cont'd  
What is the single most important influence for your business planning for the next 12 months?

## Most important business planning influence

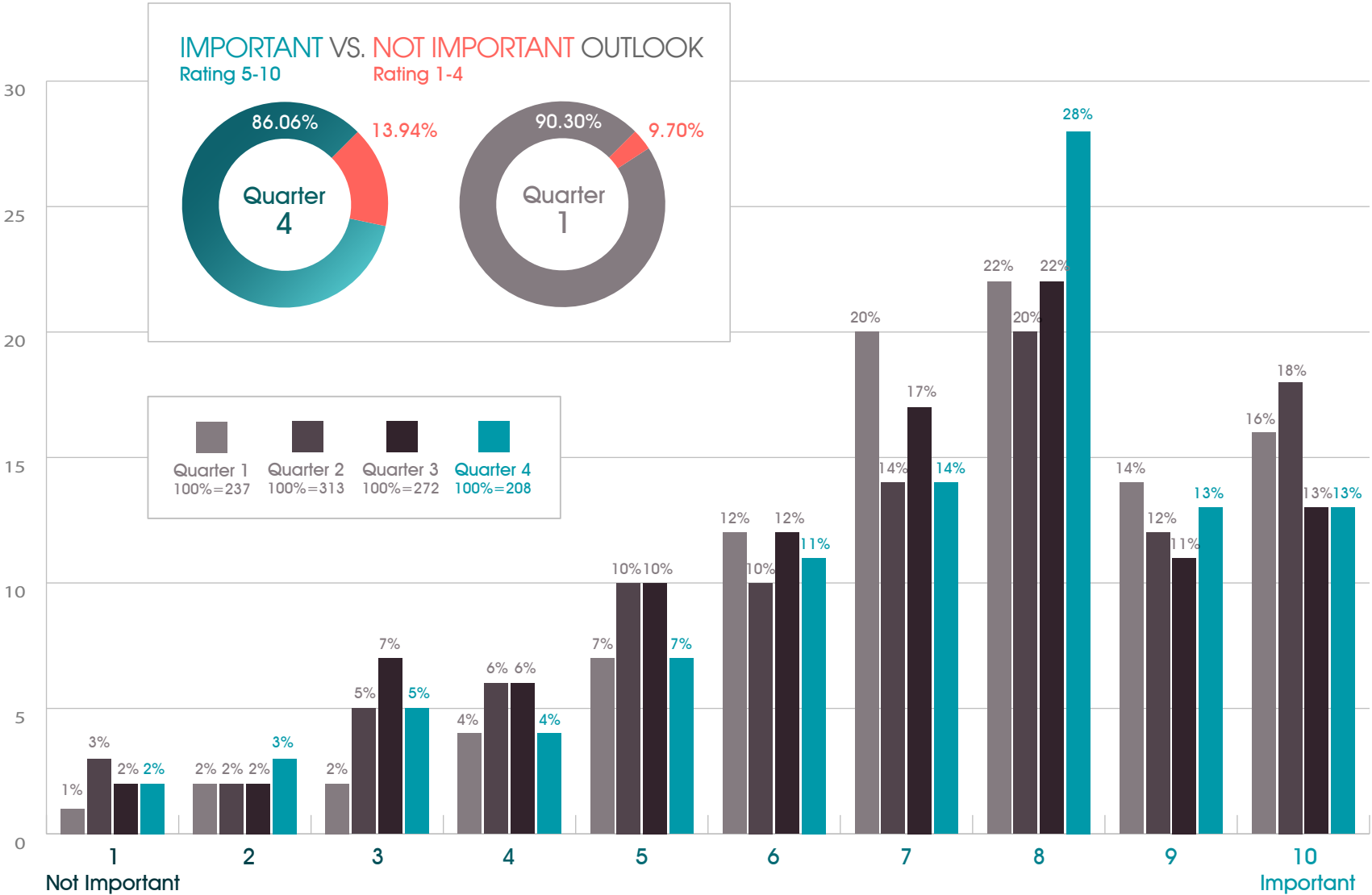
Most frequent answer by selected industries

Quarter 4	Quarter 3
<div>CONSTRUCTION/ ENGINEERING/MINING</div> <div>Labor (50.00%)</div> <div>Availability of Talent (42.11%)</div>	<div>HIGH TECHNOLOGY</div> <div>Regulatory Environment (26.67%)</div> <div>Access to Capital (36.36%)</div>
<div>FINANCIAL SERVICES</div> <div>Availability of Talent (31.82%)</div> <div>Availability of Talent (31.58%)</div>	<div>MANUFACTURING (CONSUMER GOODS)</div> <div>Labor (24.14%)</div> <div>Labor (27.27%)</div>
<div>HEALTHCARE</div> <div>Access to Capital (100.00%)</div> <div>Industry Consolidation/ Regulatory Environment (50.00% each)</div>	<div>MANUFACTURING (INDUSTRIAL GOODS)</div> <div>Availability of Talent (39.66%)</div> <div>Availability of Talent (36.47%)</div>

## QUESTION

How important is product/service diversification to your company's future, on a 1-10 scale?





# KEY FINDINGS

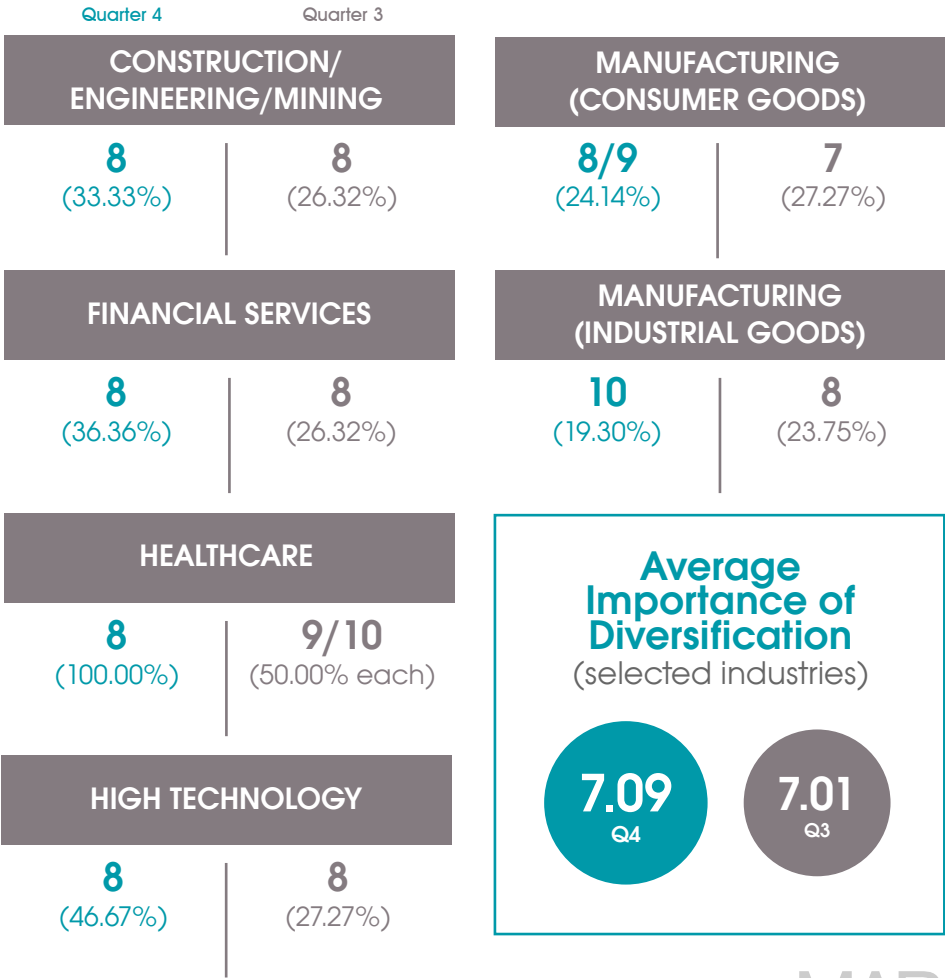
- ▶ Only an incremental improvement from the third quarter was registered by CEOs regarding the importance of product/service diversification to their future planning. 13.46% of respondents rated diversification a 10, as compared to 13.24% in the third quarter. This result remained in the shadow of the second quarter high of 18.21% and 2 percentage points lower than the 15.61% seen in the first quarter.
- ▶ At the same time, diversification gained importance at the 8 and 9 rating points, putting the majority of CEOs on the bullish end of the rating scale for this question.
- ▶ The distribution of CEOs across the neutral-optimistic range (5-10) was dominant vs. those in the pessimistic range (1-4) (86.06% v. 13.94%).

# INDUSTRY FOCUS

cont'd  
How important  
is product/service  
diversification to  
your company's  
future, on a  
1-10 scale?

## Importance of diversification on a scale of 1-10

Most frequent answer by selected industries





## INDUSTRY SPOTLIGHT

### FINANCIAL SERVICES

The financial services industry accounted for 10.53% of respondents to the fourth quarter's Marcum CEO Survey, with 22 C-suite executives participating. It was the third largest industry group represented, following the consumer and industrial goods sectors of the manufacturing industry.

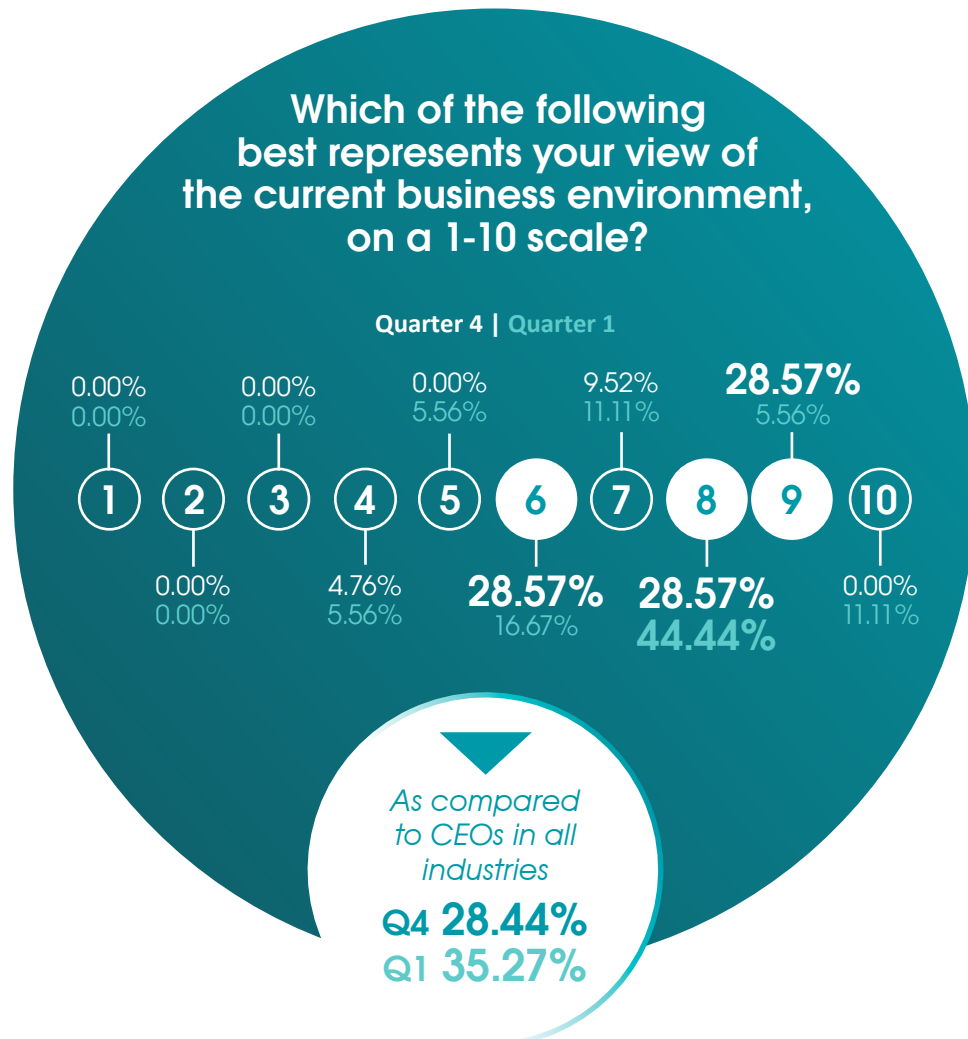
Domestically and globally, financial services is one the economy's most influential industries. According to the U.S. Department of Commerce's Select USA program<sup>1</sup>, in 2017 the financial services industry represented 7.5% (\$1.45 trillion) of U.S. gross domestic product and employed 6.3 million people. \$114.5 billion in financial services and insurance were exported, giving the U.S. a \$40.8 billion surplus in financial services and insurance trade.

Here's where financial services C-suite executives stood on Marcum's survey questions as 2018 drew to a close.

	EER	QRT	QPY
	10,985 (+580)	665 (-15)	6,800 (-115)
	NFR	UGH	OMJ
	6,522 (+122)	1,632 (-54)	3,652 (+182)
	IIT	KLM	CCX
	7,150 (-150)	782 (+74)	1,901 (+101)
	HJM	QLC	LSD
	134 (-12)	2,022 (-18)	631 (+40)
		SDH	GHS
		6,287 (-57)	12,630 (+330)

<sup>1</sup> <https://www.selectusa.gov/financial-services-industry-united-states>

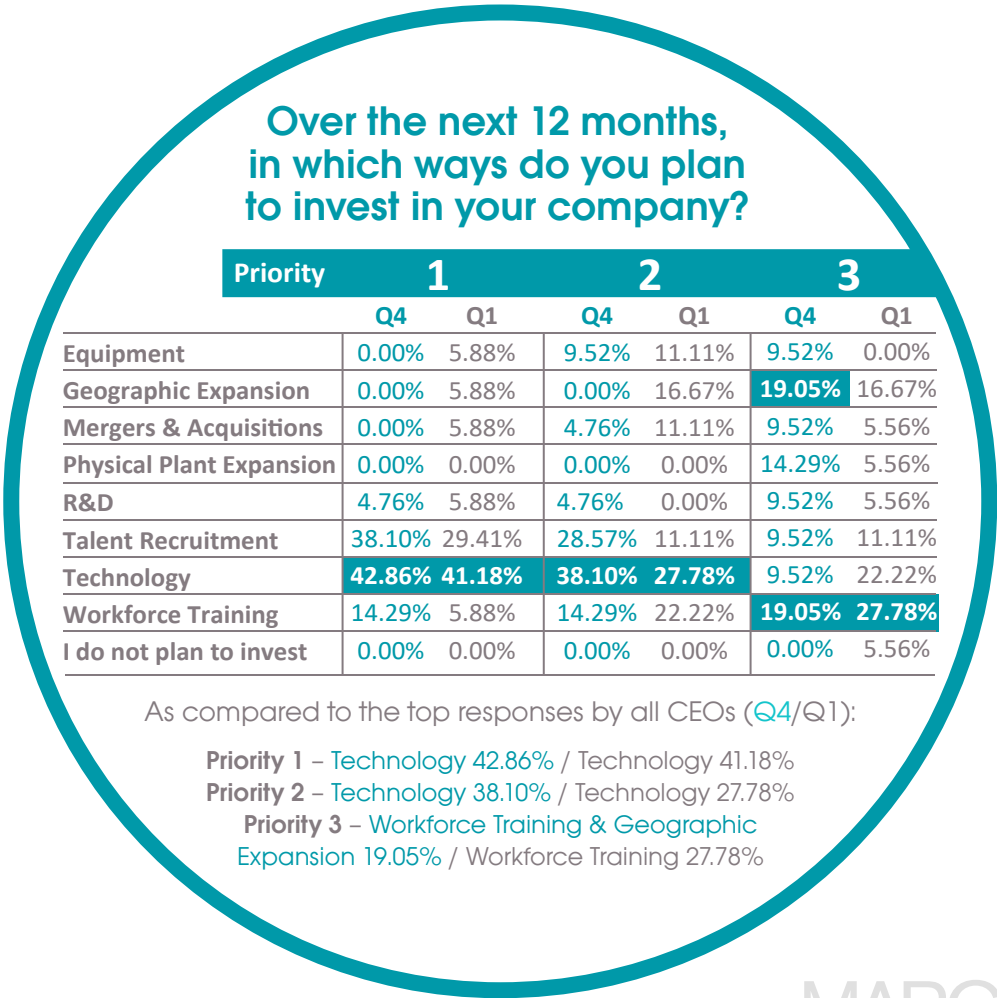
## INDUSTRY SPOTLIGHT: FINANCIAL SERVICES



Financial services executives remained overwhelmingly positive about the business environment throughout the four quarters of 2018. The share of respondents selecting neutral to positive ratings was virtually unchanged between the first and fourth quarters, with at least 95% of executives in the 5-10 range. Well over half of all executives chose a rating of 8, 9 or 10 (57.14% in the fourth quarter v. 62.44% in the first).

# INDUSTRY SPOTLIGHT: FINANCIAL SERVICES

Planning priorities for financial services executives did not change over the course of 2018, with technology and workforce training remaining steady as key corporate investments.



# INDUSTRY SPOTLIGHT: FINANCIAL SERVICES

What is the single most important influence for your business planning for the next 12 months?

	Q4	Q1
Access to Capital	4.55%	0.00%
Availability of Talent	<b>31.82%</b>	22.22%
Foreign Competition	0.00%	0.00%
Industry Consolidation	9.09%	11.11%
Inflation	0.00%	5.56%
Labor	0.00%	0.00%
Legislation and Reform	4.55%	0.00%
Other	4.55%	5.56%
Regulatory Environment	27.27%	<b>27.78%</b>
Technology	18.18%	<b>27.78%</b>

As compared to  
CEOs in all industries

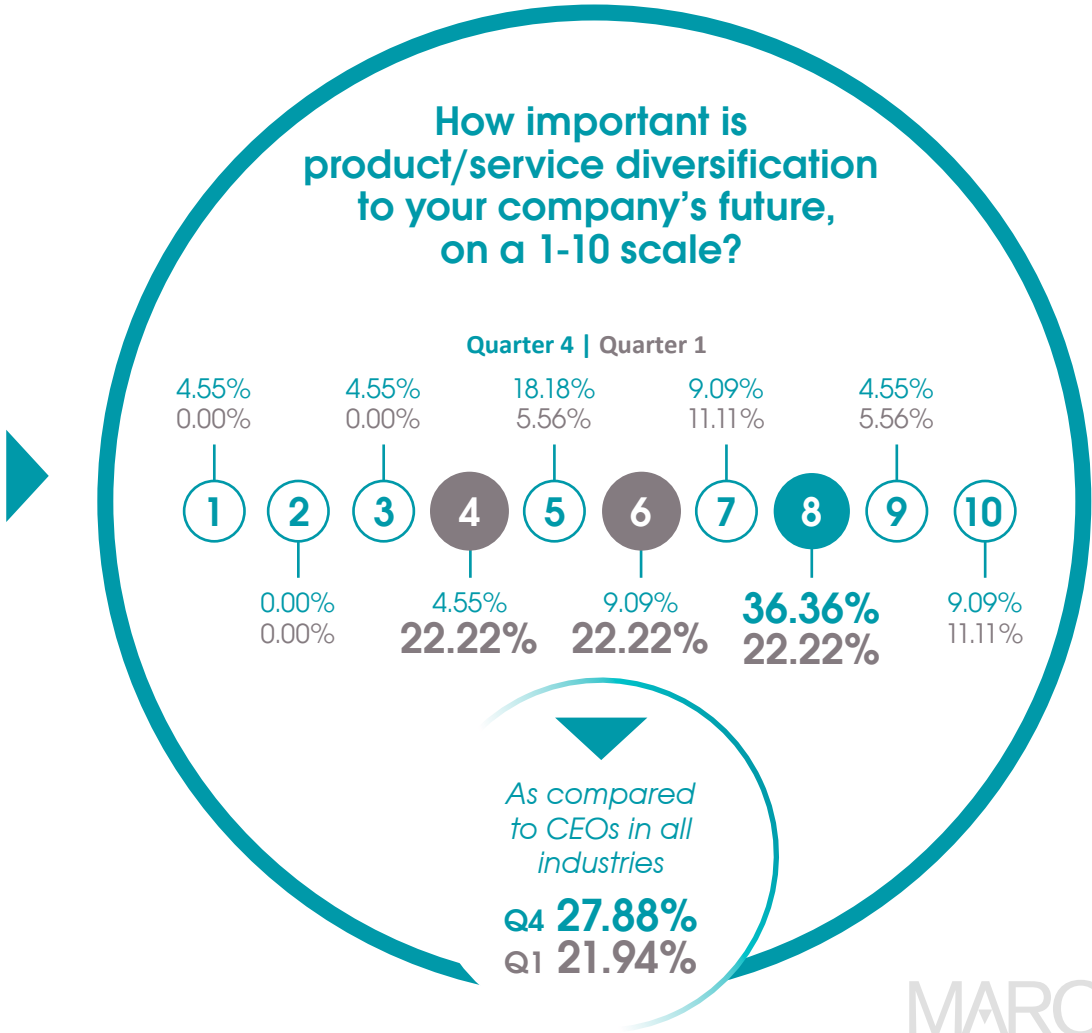
Availability of Talent  
Q4 Q1  
**30.48%** **30.58%**



The industry’s emphasis on regulation and technology, which were equivalent in importance in the first quarter, shifted to the availability of talent in the last quarter of the year.

# INDUSTRY SPOTLIGHT: FINANCIAL SERVICES

Product diversification gained in importance over the year, with more than half (50%) of executives choosing a rating of 8, 9, or 10 in the fourth quarter, versus 38.89% in this range during the first three months of the year.





# CEO INSIGHTS

"Pending legislation creates uncertainty, which causes potential buyers to **pause or delay their purchases.**"

"**Digital expansion** is in process, which will impact every person in the company."

**Edward F. Nesta**  
President  
E. F. Nesta & Associates, LLC

"Growth without the ability to fulfill commitments is a **service business killer.**"

"Going through **transition.** Tariffs and rising steel prices have hurt margins. Refinancing debt will occur in the next 9 months."

**Jim Riley**  
President & CEO  
Laclede Chain Mfg Co LLC

"Expanding into **pro-growth** geographic areas, and leave anti-growth government policies."

"Our **growth right now is capped** by lack of labor, like most companies out there."

**Michael Berman**  
President  
Arena Stuart Rentals

"Cannot find **labor that wants to work** in a manufacturing environment."



# CEO INSIGHTS

"Due to our collapsing economies , countries and businesses **collaborating will become the way out** for everyone."

**Dereck Du Toit**  
Director and Country Manager  
Open Window in RSA & IDF in Denmark

"(It's) (h)ard to plan when **regulations are ever-changing** and continually shifting."

"As we grow older, we are concerned that we will not have enough talent to replace the **retirees.**"

**George Pattee**  
Chairman  
Parksite, Inc.

"Digitization is the major **disruptor** to all businesses."

"We MUST be able to access talent to continue expansion of the economy. If talent is not available, business will move to where it is... We import products. We import parts. We may need to **import talent.**"

**Thomas Jennings**  
President  
Barrow County (Ga.) Chamber of Commerce

"I need to reduce my **debt burden.**"

"We use space, and current vacancy rates are very low and prices are rising for **land, leasing, and building.**"



# CEO INSIGHTS

"Will need to grow (our) labor base, and qualified individuals are scarce as local companies all need similar talent. **Competition for employees** will drive (our) cost of doing business."

"We can barely sustain our current business with the labor pool that is available to us at the wage level we can **afford** to pay. "

" **Uncertainty in regulation.**"

**A G Scanlan II**  
Chairman  
Eatelcorp

"We are not in a position to raise selling prices without sacrificing significant revenue growth. We are therefore forced to **recreate existing supply chains** that, prior to the China tariff announcements, were perfectly serving American retailers and consumers."

Massive shift in liability for customer data, whether directly (CA Data Privacy Act) or via compliance mafia (GDPR). Plus CA and other states running amok (net neutrality laws, etc.) following Supreme Court (decision) in sales tax case. **Business insurance may become unobtainable in this environment.**"

" Never had this **uncertainty** before (27 yrs.)"

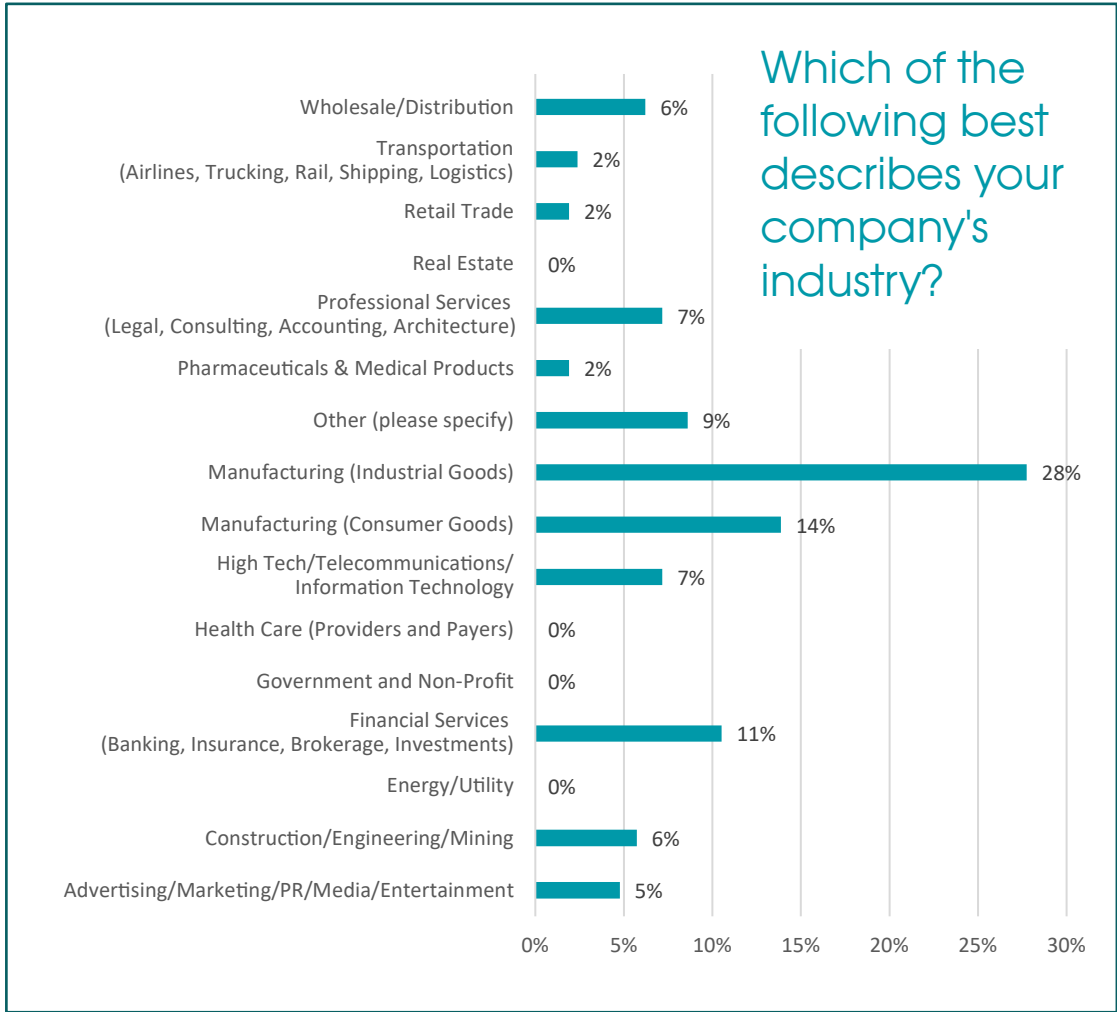
"...It's getting increasingly **harder for me to stay in business** as the owner of a nearly 17 year old sole proprietorship."

**Kim Beeler**  
Owner  
Beeler Marketing

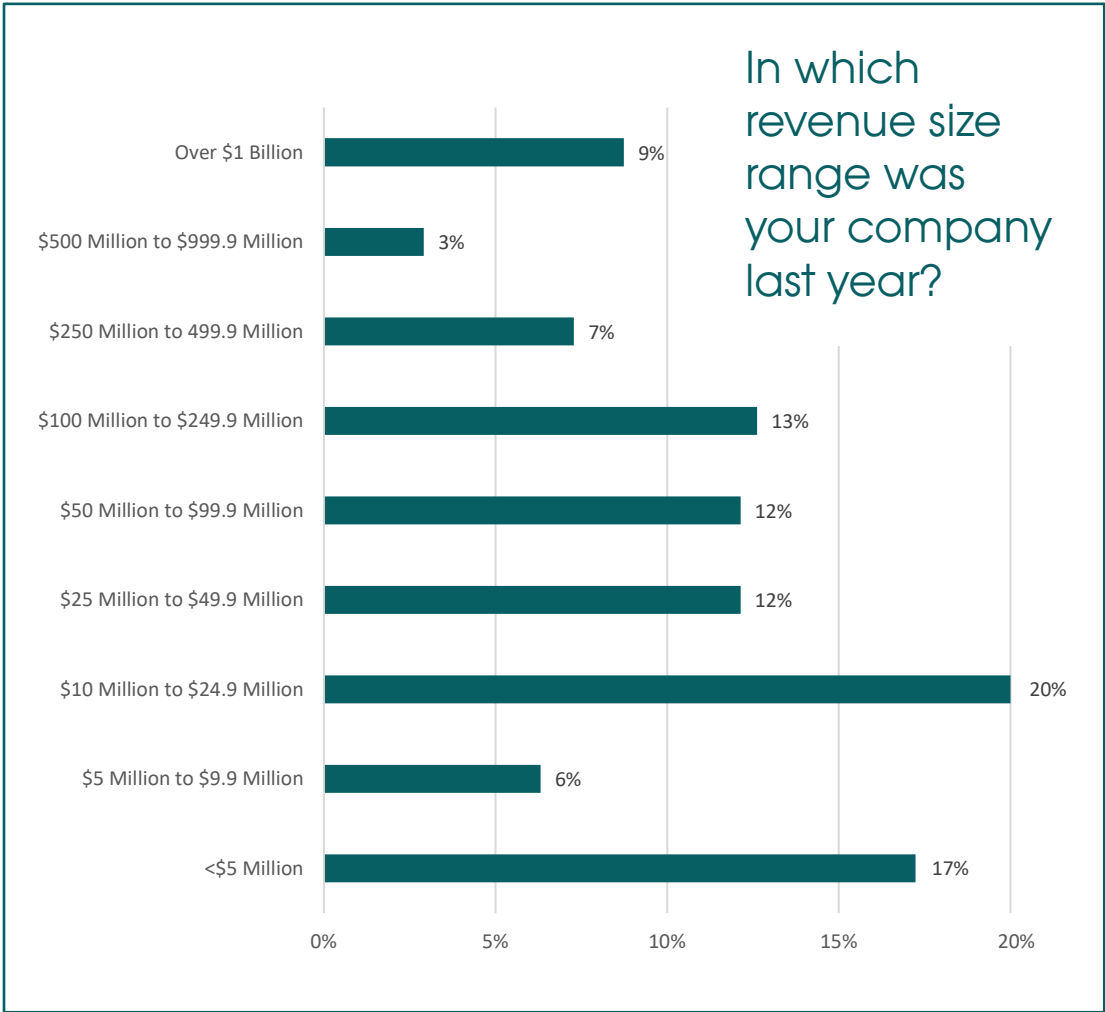
"Our industry is **highly fragmented** with no single competitor having more than 1% market share. As the economy slows, it will lead to **consolidation.**"

"Great **people** make our company great. People are the most important for success."

# DEMOGRAPHICS



100% = 209



100% = 206



Marcum LLP is one of the largest independent public accounting and advisory services firms in the nation, with offices in major business markets throughout the U.S., as well as Grand Cayman, China and Ireland. Headquartered in New York City, Marcum provides a full spectrum of traditional tax, accounting and assurance services; advisory, valuation and litigation support; and an extensive range of specialty and niche industry practices. The Firm serves both privately held and publicly traded companies, as well as high net worth individuals, private equity funds and hedge funds, with a focus on middle-market companies and closely held family businesses. Marcum is a member of the Marcum Group, an organization providing a comprehensive array of professional services.



Marcum Group is a family of organizations providing a comprehensive range of professional services including accounting and advisory, technology solutions, wealth management, and executive and professional recruiting. These organizations include:

**MARCUM**  
FINANCIAL SERVICES

**MARCUM**  
**SEARCH**  
A TALENT SOLUTIONS COMPANY

**MARCUM**  
TECHNOLOGY

**MARCUMBP**  
ACCOUNTANTS ▲ ADVISORS  
—— 麦楷博平 ——

**MARCUMRBK**  
I R E L A N D

**MARCUM**  
WEALTH MANAGEMENT, LLC