SPECIAL ISSUE

STIMULUS LOANS AND DIVERSITY & INCLUSION

MARCUM - HOFSTRA CEO SURVEY

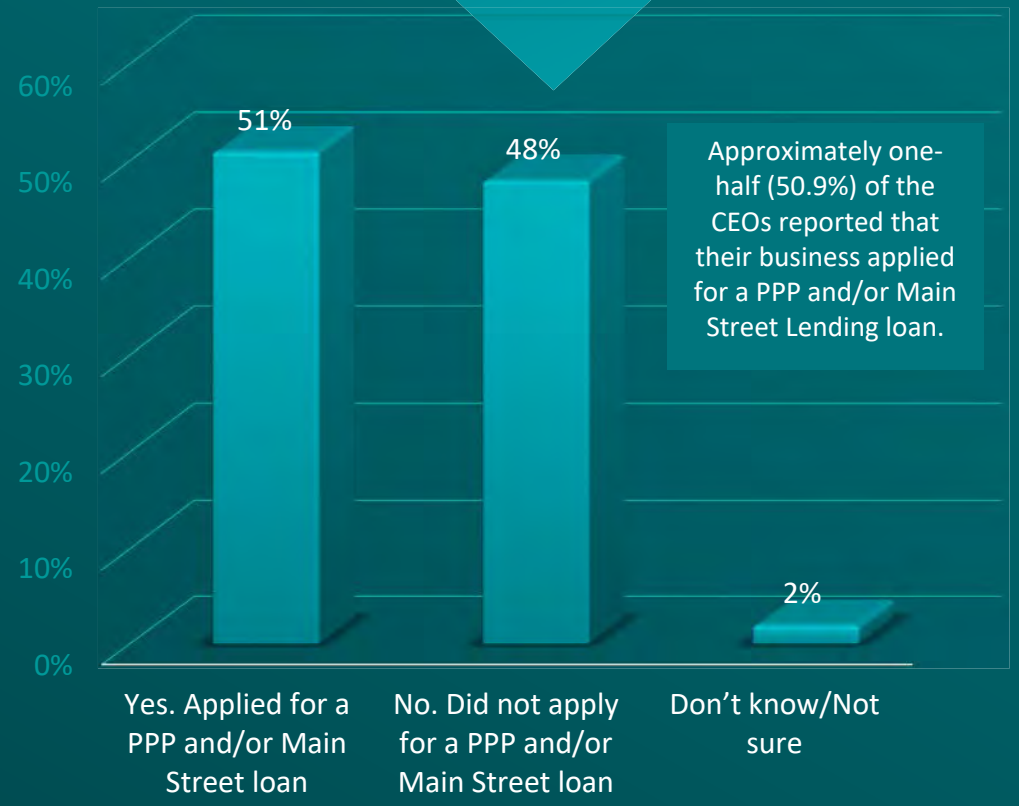
The Marcum LLP-Hofstra University CEO Survey is a periodic gauge of middle-market CEOs' outlook on the current business environment and their priorities and concerns for the next 12 months.

No. 3, 2020

IMPACT OF THE PAYCHECK PROTECTION PROGRAM (PPP) AND MAIN STREET LENDING PROGRAM

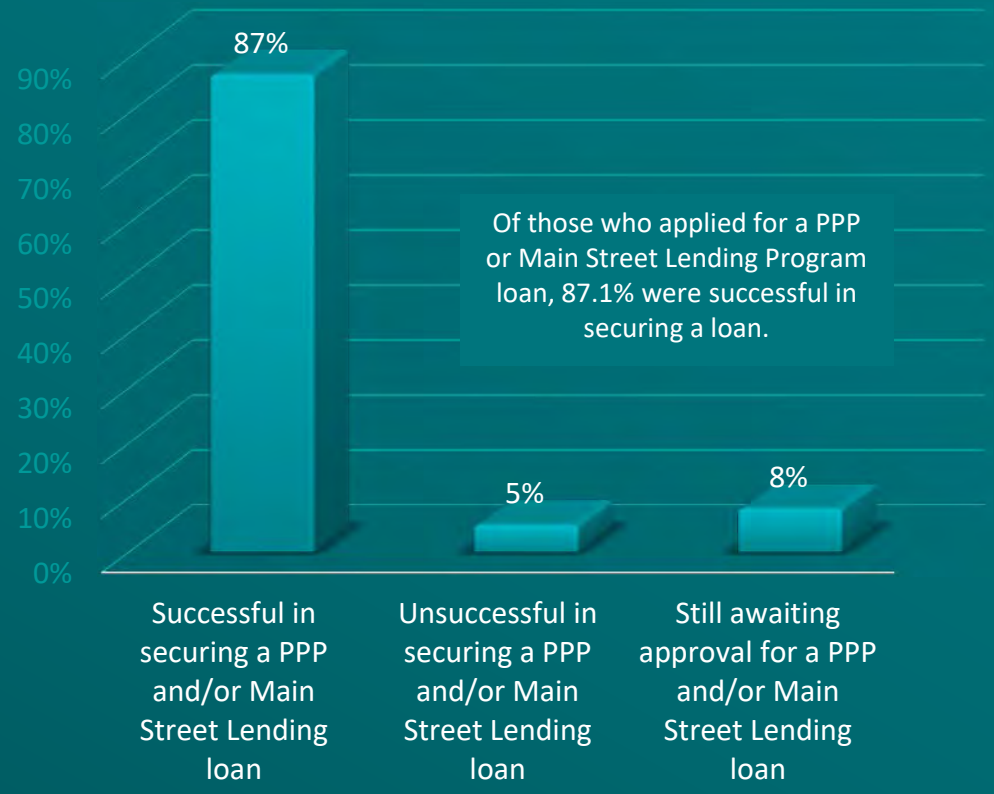
The Paycheck Protection Program (PPP) and Main Street Lending Program, established by the federal Coronavirus Aid Relief, and Economic Security Act (CARES Act), offer business loans to mitigate the impact of the COVID-19 pandemic.

Has your business applied for a PPP and/or Main Street Lending loan?



Total sample (N=261)

(If yes) Were you successful in securing a PPP and/or Main Street Lending loan?



Total sample (N=133)

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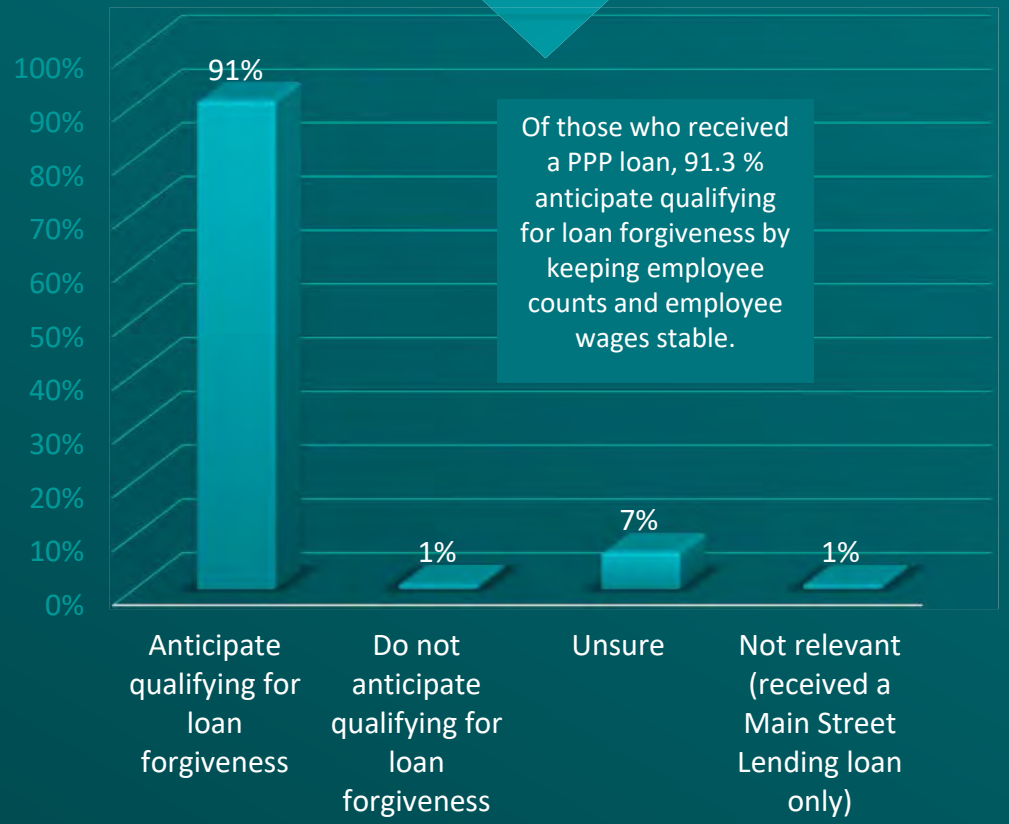
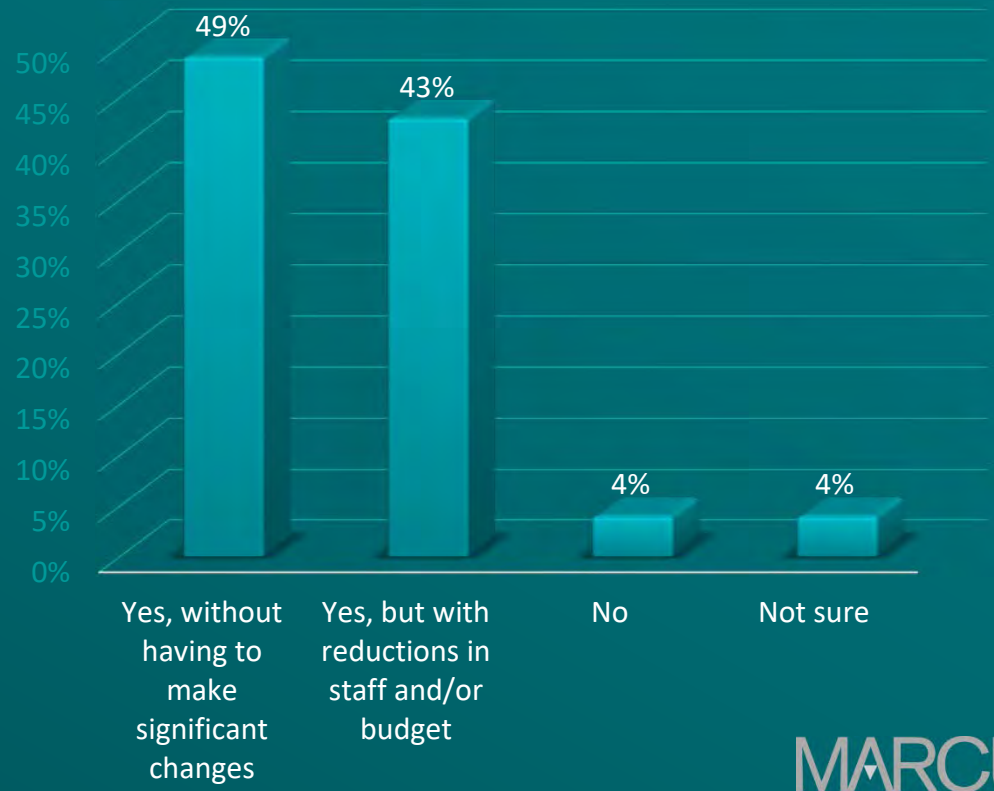
(If yes) The PPP loan may be partially or fully forgiven if businesses keep employee counts and employee wages stable. Do you anticipate qualifying for loan forgiveness?



Total sample (N=116)

(If yes) If you secured a PPP or Main Street Lending loan, would your business have been able to continue operating without it?



Total sample (N=116)

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How has the PPP or Main Street Lending loan helped to stabilize your business?

"No downsizing was needed as a result of it."

"Has helped with expenses but won't last long."

"Able to pay bills."

"Kept us afloat and helped meet payroll and keep most employees during quarantine; also aided in purchase of servers and data center improvements."

"Able to pay my wages and to keep others employed as well."

"Were able to pay employees and suppliers."

"It is helping me prepare for the future."

"Gave me extra funding that was very much needed."

"It has helped with our cash flow and answers some financial obligations."

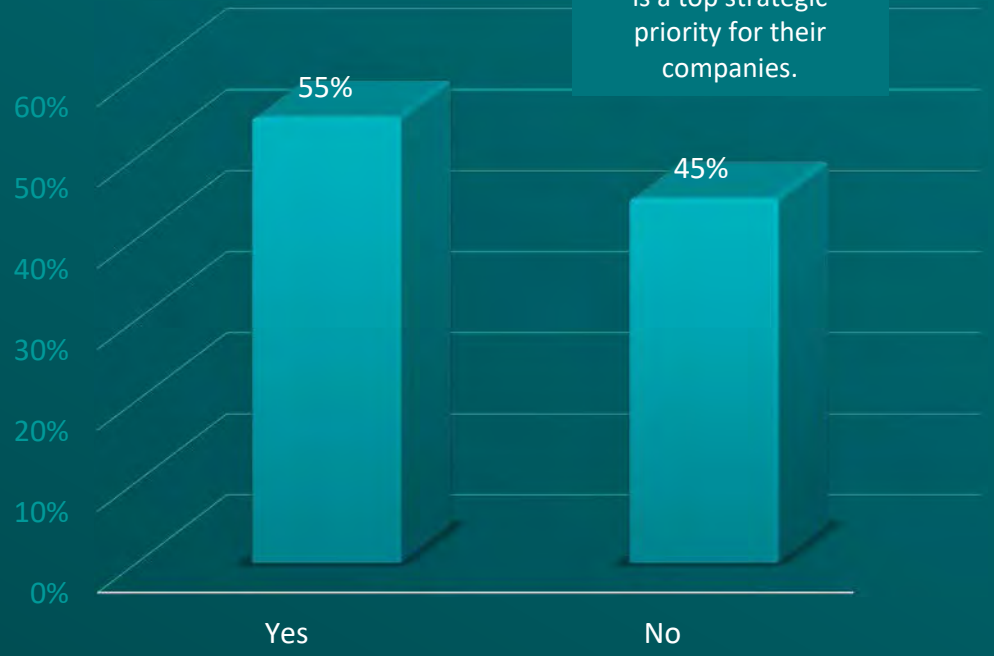
"We were able to weather the downturn and pivot using existing staff to realign our operations with positive cash flow initiatives."

DIVERSITY AND INCLUSION

Racial justice and equality has accelerated as a key issue in the U.S. This issue is affecting communities and businesses on many levels.

Is increasing racial diversity and inclusion in your company stated as a top strategic priority?

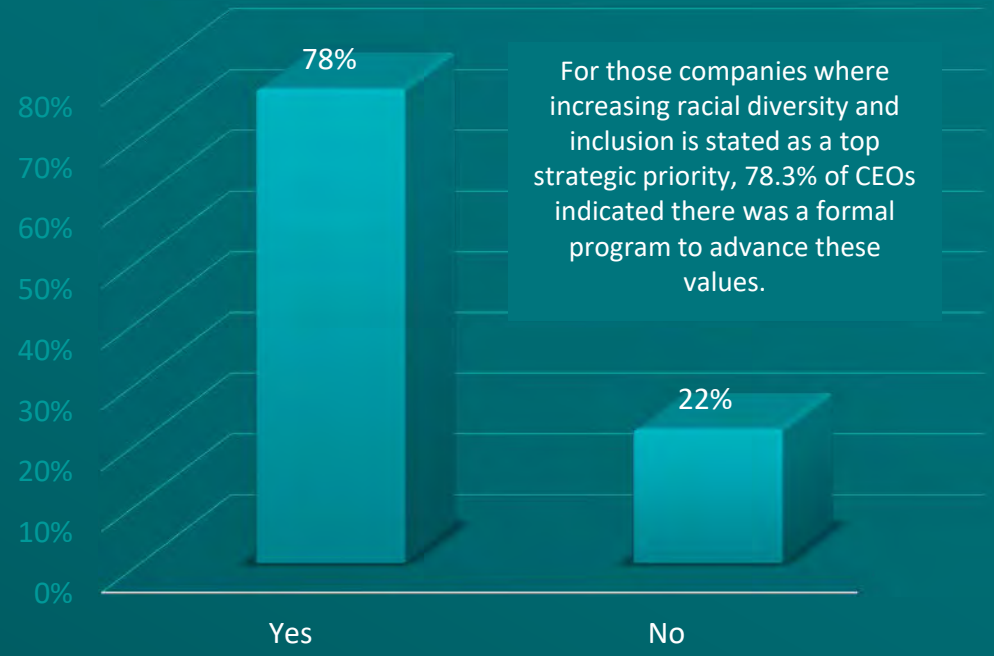
54.8% of CEOs indicated that increasing racial diversity and inclusion is a top strategic priority for their companies.



Total sample (N=261)

(If Yes): Does your company have a formal program to advance racial diversity and inclusion?

For those companies where increasing racial diversity and inclusion is stated as a top strategic priority, 78.3% of CEOs indicated there was a formal program to advance these values.



Total sample (N=143)

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Is your company considering its policies and procedures with regard to racial diversity and inclusion in the workplace?

55.2% of all CEOs indicated their company is considering its policies and procedures regarding racial diversity and inclusion in the workplace.

Total sample (N=261)

A Comparison: Priorities, Policies & Procedures

Respondents were almost evenly divided between those prioritizing diversity and inclusion and those not considering diversity and inclusion at their companies.

- 85.3% of CEOs said that diversity and inclusion is a stated priority at their companies and they are considering their D&I policies.
- At companies where diversity and inclusion is not currently a stated priority, 18.6% are considering their policies in these areas, and 30.5% anticipate doing so. 50.8% of companies do not anticipate considering their D&I policies.

Is your company considering its policies and procedures with regard to racial diversity and inclusion in the workplace?

Is increasing racial diversity and inclusion in your company stated as a top strategic priority?

	YES	NO but we anticipate doing so	NO and we do not anticipate doing so
YES	85%	14%	1%
NO	19%	31%	51%

Total sample (N=261)

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In what ways have current events regarding racial justice and equality impacted your company's decision-making?

"We are re-committing to diversity and inclusion and making financial contributions to charities that support this mission."

"None. Our company is fully integrated in the belief that we are all the same color with the lights off."

"The main impact has been to put more of an emphasis on striving for increased diversity in future hiring when economic conditions improve, and we start hiring new employees."

"We have created an inclusion committee to explore various initiatives. We have also made donations to several causes."

"My company has never made any aspect reliant upon race or any other surface traits and I have absolutely no intention of starting now. My employees are here because they have the talent and capabilities needed. That is ALL that I care about."

"Not really at all. We are minority and woman owned and our employees accurately represent the demographics of our country."

"Looking at ways of increasing diversity in hiring as well as changing the ways we think about race & preconceptions."

"We are spending more time to make sure policies are always fair for all team members."

"More attuned to the issues and needing to make a statement and take actions to rectify the issues."

"We are promoting more supervisory positions for our minority employees."

"Even though we are a small company we are looking into diversity in our hiring."

cont'd

In what ways have current events regarding racial justice and equality impacted your company's decision-making?

"We are a very open corporation, who has made a lot of strides to hire only the best people, especially those who are racially and socially diverse. Racial and social justice are important to our decision making because we believe it makes us a more considerate and ethical company."

"Our firm is making it a priority to retrain employees on diversity and empathy. Volunteerism in local communities is being enacted."

"Getting more stringent with company policies and regulations. Strict disciplinary actions will be taken on wrong doers."

"It made us more aware to protect and respect our employees and their surroundings."

"It has brought it to our attention that we need to review our polices."

"It has definitely made these issues a higher priority and now we have executive buy-in and budgeting to allow for the creation and implementation of a new company-wide strategy."

"We're making sure we're as diverse as possible and have policies that ensure fair ethical treatment for all."

"Too early to tell, although we're starting to look at hiring and especially recruitment practices to ensure that we remain legally compliant."

"Making sure that leaders are aware and helping employees to treat others the same."

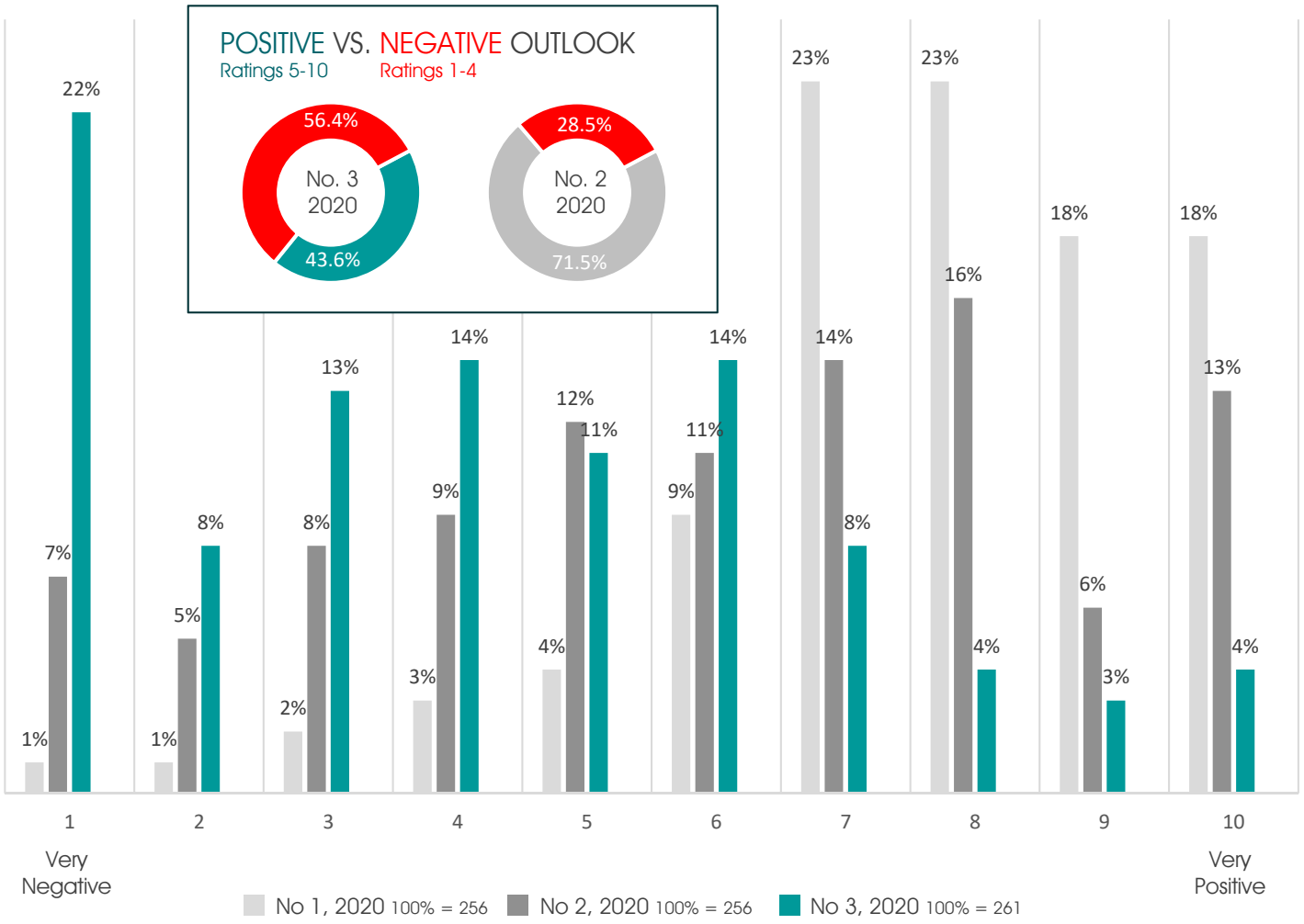
"Making sure our staff is representative of the real world in diversity"

"Showed us we need to do more in this area with training and educating our employees more as well as helping in society."

"We have policy in place, and we do not tolerate racism."

"We have programs available to prevent racism and help those who are impacted by it."

What is your view of the current business environment?



KEY FINDINGS

The decline in optimism of CEOs across industry sectors accelerated over the prior period when COVID-19 pandemic was in its early stages in the United States.

- Nearly one-quarter (22%) of CEO's assigned a rating of "1 "reflecting a very negative outlook of the current business environment."
- Only 4.2% of CEOs rated their outlook for the coming year as "10." This is a steep decrease from 13.3% in the previous survey which itself represented a decline from 17.6%.
- 10.7% of CEOs rated their outlook as "8" or higher. This is a sharp decrease from 35.6% in the previous survey.
- Less than half of respondents (43.6%) assigned a rating of "5" or higher in the current survey, down from 61.5%.

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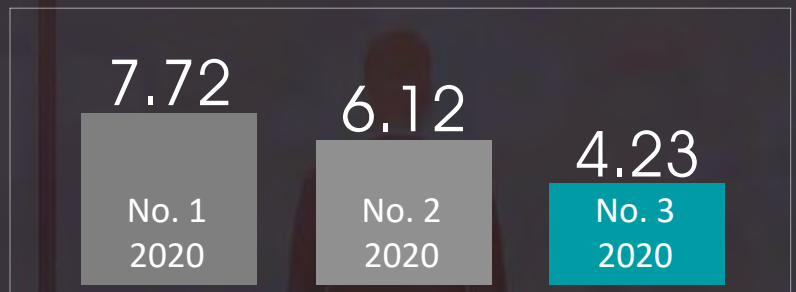
cont'd
What is your view of the current business environment?

INDEX:
A Weighted Average of CEO Responses



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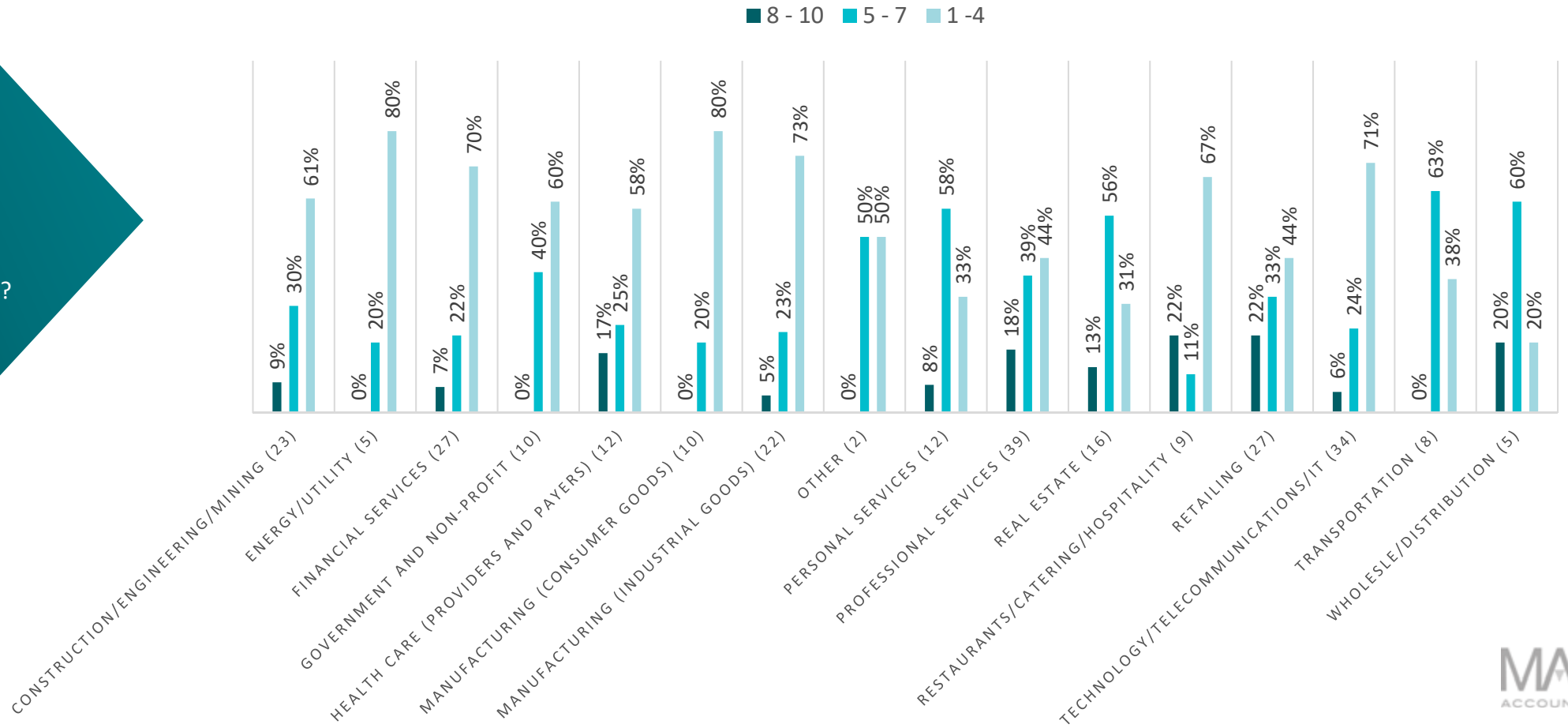
What is your view of the current business environment?

RATING OF BUSINESS OUTLOOK

by Industry

With minor variation, CEOs across business sectors expressed a medium to low outlook of the business environment for the next 12 months.



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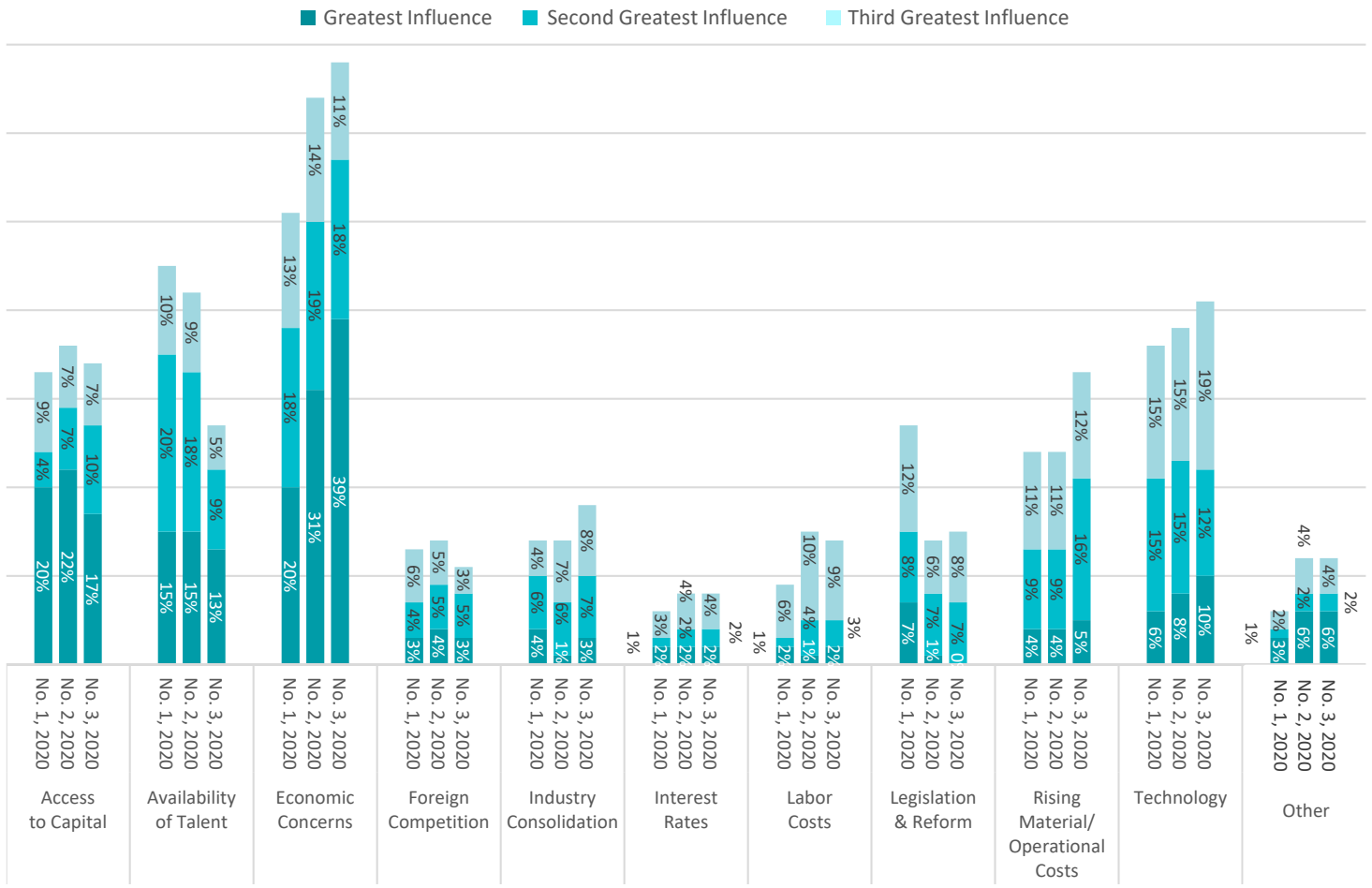
What are the most important influences for your business planning in the next 12 months?



No 1, 2020 100% = 256 | No 2, 2020 100% = 256 | No 3, 2020 100% = 261

KEY FINDINGS

- Economic concerns far outweighed other influences on business planning for the next 12 months with 39% of CEOs saying these concerns were the greatest influence and more than 2/3 saying it was one of the top three influences.
- Following economic concerns, technology (41%), access to capital (33%) and rising material and operational costs (32%) were the most commonly cited as top three influences on business planning over the next 12 months.

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What are the most important influences for your business planning in the next 12 months?

Influences on Business Planning — by Industry

Upper figure: highest priority
Lower figure: one of three highest priorities

	Access to Capital	Availability of Talent	Economic Concerns	Foreign Competition	Industry Consolidation	Interest Rates	Rising Labor Costs	Legislation and Reform	Regulatory Environment	Rising Mat. /Oper Costs	Technology
Construction/ Engineering/Mining	13.0%	8.7%	56.5%	4.3%	8.7%	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%
	26.5%	34.8%	60.9%	17.4%	21.7%	0.0%	17.4%	26.1%	30.4%	30.4%	17.6%
Energy/Utility	0.0%	0.0%	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%
	20.0%	20.0%	80.0%	0.0%	20.0%	0.0%	0.0%	20.0%	0.0%	60.0%	80.0%
Financial Services	7.4%	3.7%	37.0%	7.4%	11.1%	7.4%	0.0%	0.0%	3.7%	0.0%	18.5%
	33.3%	18.5%	63.0%	11.1%	22.2%	18.5%	0.0%	29.6%	33.3%	25.9%	37.0%
Government/ Non-profit/Education	10.0%	20.0%	40.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	20.0%
	20.0%	30.0%	70.0%	0.0%	0.0%	0.0%	40.0%	30.0%	20.0%	30.0%	50.0%
Healthcare (Providers and Payers)	16.7%	33.3%	41.7%	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%	0.0%	0.0%
	25.0%	50.0%	66.7%	8.3%	25.0%	0.0%	16.7%	16.7%	58.3%	8.3%	25.0%
Manufacturing (Consumer)	40.0%	0.0%	30.0%	0.0%	0.0%	0.0%	10.0%	0.0%	10.0%	0.0%	0.0%
	50.0%	30.0%	60.0%	20.0%	0.0%	10.0%	20.0%	0.0%	20.0%	50.0%	30.0%
Manufacturing (Industrial)	4.5%	13.6%	36.4%	0.0%	9.1%	0.0%	4.5%	0.0%	0.0%	9.1%	18.2%
	31.8%	27.3%	72.7%	9.1%	22.7%	4.5%	9.1%	4.5%	27.3%	54.5%	31.8%
Personal Services	16.7%	0.0%	25.0%	0.0%	0.0%	8.3%	8.3%	0.0%	8.3%	16.7%	0.0%
	41.7%	8.3%	58.3%	0.0%	0.0%	25.0%	25.0%	42.9%	16.7%	50.0%	33.3%
Professional Services	23.1%	20.5%	35.9%	2.6%	2.6%	0.0%	0.0%	0.0%	2.6%	7.7%	10.3%
	48.7%	23.1%	66.7%	17.7%	15.8%	7.8%	12.8%	18.4%	15.4%	28.2%	59.0%
Real Estate	25.0%	18.8%	37.5%	0.0%	0.0%	6.3%	0.0%	0.0%	0.0%	6.3%	6.3%
	43.8%	31.3%	75.0%	6.3%	18.8%	12.5%	18.8%	18.8%	18.8%	25.0%	31.3%
Restaurants/Catering/ Hospitality	12.5%	0.0%	22.2%	0.0%	0.0%	0.0%	22.2%	0.0%	0.0%	11.1%	11.1%
	25.0%	22.2%	66.7%	11.1%	0.0%	0.0%	55.5%	11.1%	44.4%	33.3%	22.2%
Retailing	22.2%	3.7%	55.6%	3.7%	0.0%	0.0%	0.0%	0.0%	3.7%	0.0%	14.8%
	33.3%	25.9%	74.1%	11.%	22.2%	0.0%	18.5%	11.1%	11.1%	66.7%	48.1%
Technology/ Telecommunication/IT	26.5%	17.6%	26.5%	8.8%	0.0%	0.0%	0.0%	0.0%	5.9%	0.3%	11.8%
	44.1%	32.4%	64.7%	20.1%	17.7%	5.9%	3.0%	14.7%	26.5%	17.6%	50.0%
Transportation	12.5%	25.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.5%	0.0%
	25.5%	25.0%	87.5%	12.5%	12.5%	12.5%	0.0%	0.0%	25.0%	50.0%	25.0%
Wholesale/ Distribution	20.0%	20.0%	40.0%	20.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	20.0%	20.0%	60.0%	20.0%	0.0%	20.0%	40.0%	0.0%	0.0%	40.0%	20.0%

Influences on Business Planning — By Influence

	Greatest Influence	Second Greatest Influence	Third Greatest Influence	Total
Economic Concerns	102 (39.1%)	46 (17.6%)	28 (10.7%)	176 (67.4%)
Technology	27 (10.3%)	30 (11.5%)	49 (18.8%)	106 (40.6%)
Access to Capital	43 (16.5%)	26 (10.0%)	18 (6.9%)	87 (33.4%)
Rising Material/Operational Costs	12 (4.6%)	41 (15.7%)	31 (11.9%)	84 (32.2%)
Availability of Talent	33 (12.6%)	24 (9.2%)	13 (5.0%)	70 (26.8%)
Regulatory Environment	9 (3.4%)	27 (10.3%)	26 (10.0%)	62 (23.8%)
Industry Consolidation	9 (3.4%)	17 (6.5%)	20 (7.7%)	46 (17.6%)
Legislation and Reform	0 (0.0%)	17 (6.5%)	20 (7.7%)	40 (15.3%)
Rising Labor Costs	5 (1.9%)	9 (3.4%)	24 (9.2%)	38 (14.6%)
Foreign Competition	9 (3.4%)	13 (5.0%)	9 (3.4%)	31 (11.9%)
Interest Rates	4 (1.5%)	5 (1.9%)	10 (3.8%)	19 (7.3%)
Other*	8 (3.1%)	6 (2.3%)	10 (3.8%)	24 (9.2%)

* COVID-19 Pandemic (12); Transportation Costs (1); Travel Restrictions (1); Weather (1)

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DEMOGRAPHICS

Which of the following best describes your company's industry?

Construction/Engineering/Mining	23	8.8%
Energy/Utility	5	1.9%
Financial Services	27	10.3%
Government and Non-profit	10	3.8%
Health Care (Providers and Payers)	12	4.6%
Manufacturing (Consumer Goods)	10	3.8%
Manufacturing (Industrial Goods)	22	8.4%
Personal/Consumer Services	12	4.6%
Professional Services	39	14.9%
Real Estate	16	6.1%
Restaurants/Catering/Hospitality	9	3.4%
Retailing	27	10.3%
Technology Services	34	13.0%
Transportation	8	3.1%
Wholesale/Distribution	5	1.9%
Other	2	0.8%
Total	**261**	**100.0%**

*Other: Agriculture (2); Aircraft repair (1); Arts/Entertainment (2); Sports/Recreation (2); Vending machine services (1); Unspecified (2)

What best describes your title?

Owner	70	26.8%
CEO	76	29.1%
Divisional President	47	18.0%
Managing Partner	29	11.1%
President	32	12.3%
Founder	2	0.8%
Chairman	5	1.9%
Total	**261**	**100.0%**

What is the total number of permanent employees in your company?

Less than 50	58	22.2%
50 to 99	13	5.0%
100 to 499	50	19.2%
500 to 999	42	16.1%
1,000 to 2,499	45	17.2%
2,500 to 4,999	22	8.4%
5,000 or more	30	11.5%
Not sure/Decline to say	1	0.4%
Total	**261**	**100.0%**

In which revenue size range was your company last year?

Less than $5 million	57	21.8%
$5 million to $9.9 million	19	7.3%
$10 million to $24.9 million	15	5.7%
$25 million to $49.9 million	20	7.7%
$50 million to $99.9 million	37	14.2%
$100 million to $249.9 million	21	8.0%
$250 million to $499.9 million	24	9.2%
$500 million to $999.9 million	30	11.5%
$1 Billion or more	34	13.0%
Not sure/Decline to say	4	1.5%
Total	**261**	**100.0%**

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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; managed accounting services; and an extensive portfolio of specialty and niche industry practices. The Firm serves both privately held and publicly traded companies, as well as nonprofit and social sector entities, 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.

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FRANK G. ZARB SCHOOL OF BUSINESS

Hofstra University's Frank G. Zarb School of Business prepares students to become tomorrow's global leaders. Located just 25 miles from New York City, Zarb students have access to internships and networking opportunities across every industry. The Zarb School combines entrepreneurial, hands-on learning and research with real-world experience and mentorship in state-of-the-art facilities, including a Behavioral Research in Business Lab, Center for Entrepreneurship, and academic trading room. Our undergraduate and graduate programs in accounting, management and entrepreneurship, marketing and international business, finance, and business analytics are ranked and recognized by US News & World Report, Princeton Review and Poets & Quants as among the best in the world. This survey was developed, conducted and analyzed by a class of Hofstra MBA students led by Dr. Andrew Forman, associate professor of marketing and international business, in partnership with Marcum. The questions reflected current issues of interest to CEOs of mid-sized companies.

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