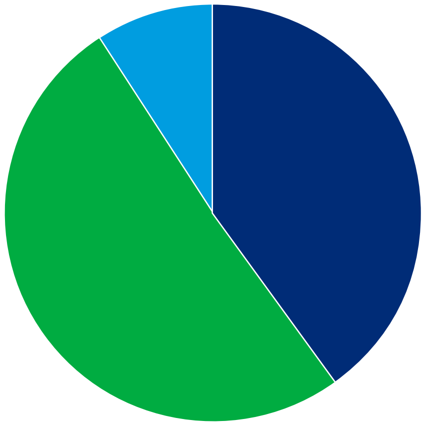
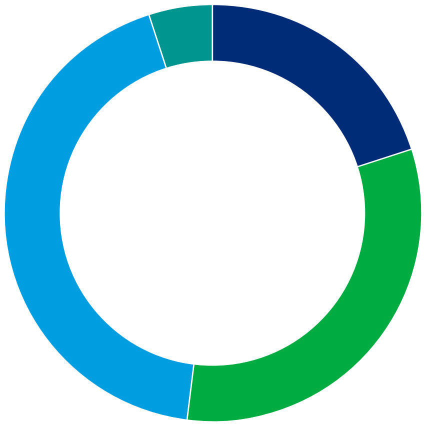
The post-pandemic recovery and other inflationary shocks have brought a new set of challenges for organizations. In response, business leaders are drawing on their experiences from previous crises to prepare their companies for a turbulent 2023. A perfect storm is forming from the combination of central banks rapidly increasing interest rates to slow inflation, a gradual deglobalization of supply chains given the growing geopolitical tensions, and a persistent shortage of key skills — which is having a significant impact on both local and global markets.

C-suite leaders seek to strengthen enterprise resilience in readiness for a global downturn. Despite this, they still expect to be able to grow earnings. In October 2022, 87% of CEOs and CFOs believed the world economy was already in or about to enter a recession. Just less than half (49%) said they were more concerned about the
compared to a recession, while 43% were optimistic that inflation would be short-lived and were expecting lower inflation rates in 2023.

CEOs/CFOs globally predict an economic downturn, with a recession posing a higher business risk





63% believe they can pass increased costs on to their customers.

CEOs are most worried about labor market challenges and the impact of climate change

CFOs are more worried about persistent inflation and workforce safety

Ability to pass increased costs to customers

Consumer demand has always been notoriously fickle. While the boom in e-commerce has stoked more volatility, an explosion of online content and social media marketing has heightened buyers' expectations for instant gratification. Supply chains, already bruised by the pandemic, are struggling to keep up, and consumers are quick to shop elsewhere if they are disappointed. Meanwhile, in the public sector, government spending that has spurred recent investment is now under threat in a number of markets.

advanced market/customer research, sustainable product redesign and an enhanced consumer experience

To mitigate risk in response to recessionary pressures, 56% of organizations are focusing on increasing cost controls and 43% on increasing accountability. To manage costs, the number-one focus will be reducing travel (which is bad news for airlines al4 262.209y-5 ( )]TJ

Over half of CEOs and CFOs anticipate wage inflation to continue into 2023, even though three-quarters expect overall inflation to remain the same or decline during the same period. Most are making short-term tactical moves to weather this period. But will these go far enough?

are increasing f nancial incentives for f exible working, o f ering new

to f nancial well-being.

Address supply through the value proposition		Address supply through sourcing	Address demand through new work models
Financial fixes	Benefits and experiences	People strategy	Work design

Lessons from Latin America's high-inflation environment

In many cases, reductions in headcounts and compensation will not reduce employment costs enough to maintain overall profitability — and may actually compromise financial growth targets. A sustainable model focuses on workforce deployment, optimization and flexibility. These are the key strengths that can help a business weather uncertainty and be ready for whatever lies ahead.

automation

talent retention

strategy — we've identi f ed the pivotal

right skills to f ll these roles.

who can do the work how
talent can flow to work

nearly half of organizations plan to adopt variable staffing models

not

De f ning what roles can be agile has

Our research found that executives who have been with an organization for over 11 years are more likely to have faith that they can pivot talent to new areas of opportunity (when compared to executives who have been in a firm for less time). This may, in part, be because they know their talent better or because they have themselves benefited from internal moves.

Well-being is a top concern for many CEOs and CFOs, and it is influencing their 2023 business planning. According to our survey, people's safety ranked in importance above many other factors, including financial market volatility and high energy costs. One of the reasons for this is highlighted in Mercer's 2022 study, which showed the percentage of employees feeling energized at work dropped from 74% to 63% over the two years of the pandemic's peak. The message is clear: Employees who consider themselves to be "thriving" — which is associated with higher intent to stay and greater productivity — are three times more likely to say their companies take mental health seriously.

During 2022, spikes in input prices, and increases in economic uncertainty, have highlighted both the increased vulnerability of extended supply chains and the threats posed by over-concentrated markets. This has led to enhanced C-suite interest in corporate transactions designed to increase both the scope (54%) and scale (48%) of their business. It is clear that greater control of the supply chain is an advantage during an economic downturn. It is also apparent that businesses are using both diversification and consolidation as strategies to prepare for the future.

One-third of CEOs and CFOs plan to increase M&A activity over the next 12–15 months, and 42% are evaluating new opportunities that might be leveraged through joint ventures and partnerships

half of CEOs and CFOs also plan to accelerate the integration of new businesses into their existing operations

Tactics to guide your business and workforce planning:

- [ ] **selectively use targeted and creative rewards**
- [ ] **Re-validate your EVP and talent attraction thinking**
- [ ] **Reconfirm your trajectory on remote/ flex/hybrid working**
- [ ] **Evaluate new work models and automation/AI**
- [ ] **Rethink reward design for value and impact,**
- [ ] **Establish clear two-way communication with employees**

but di f erent

Endnotes

Economic and Market Outlook 2023

Global Talent Trends Study 2023

The Global Risks Report 2023