

# Challenges, Stresses, and Overall Outlook



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### Part 1 of 3

#### Rob Parsons:

Welcome to season four of Paychex PULSE, an HR Podcast, where HR professionals can find great insights on today's top issues and be inspired to build and lead effective teams in a healthier workplace.

#### Rob Parsons:

Hi everyone, I'm Rob Parsons, and I'd like to welcome you to the Paychex Pulse podcast. This is part one of a three episode series, focusing on research Paychex has conducted on Business Leader Priorities for 2023. Joining me to discuss this research is Stu Richards, the CEO of Bredin, who fielded the study for us. Bredin is a B2B marketing consultancy that helps develop profitable long-term relationships with small and mid-size businesses through original market research and outreach programs. Stu, welcome to the podcast.

#### Stu Richards:

Thanks, Rob. Thanks for having me.

#### Rob Parsons:

Oh, it's great. And it's nice to be able to return the favor and have you on as a guest instead of me just guesting on your series. So, thank you for joining me.

#### Stu Richards:

Oh, it's my pleasure.

#### Rob Parsons:

So Stu, we've been running this study with Bredin for a few years now. I think it exemplifies how Paychex is always striving to bring important insights and information to the businesses that we support and serve, giving them access to data that they just normally wouldn't be able to get to. What has been your experience with this particular survey and its impact on business leaders?

**Stu Richards:**

Oh gosh, Rob, it's a great question. And you're absolutely right. This is the fifth year that we've run this study, Priorities for Business Leaders. And just to give you a little bit of context, we surveyed 450 business leaders and managers of companies with five to 500 employees across the United States in a wide range of industries. And I think Rob, the big takeaway from this research is, well, a bunch of things. The stress that business owners are under and their teams, the variety of challenges that are holdovers from COVID, and all the associated fallout with inflation and supply chain issues and other concerns that they've had. But, I think the flip side of that is the remarkable resilience that we see year in and year out on the part of business owners in terms of not just the optimism that we're always inspired by on the part of small business owners, but the real resilience and resourcefulness they use in assessing the best ways to use technology to boost productivity, to boost employee engagement, and ultimately to achieve their business goals.

**Rob Parsons:**

Love it. And it's interesting, I always wonder about the business outlook in light of all these challenges because business leaders are just generally, they're a can-do bunch. I mean, they look at the challenges as just that, just another obstacle to overcome as they strive to succeed. So, you touched on technology and things that they were doing. What was your takeaway from this particular study? Instead of just the general resilience, what were they thinking in terms of the overall business outlook, knowing there's things happening right now, but generally what were they thinking? Looking ahead?

**Stu Richards:**

Yeah, it's interesting. It's easy to think that there are so many challenges that business owners might not be optimistic about their fortunes this year, especially around inflation and concerns with either really uncertain demand outlook. And, we've seen a lot of bigger technology companies in particular have been letting staff go and the face of really uncertain economic outlook. And that certainly affects small businesses, many of whom are suppliers to those companies or face the same kind of demand challenges. And the flip side is, of course, huge labor report in terms of jobs created. So, it's very challenging for small business owners to understand which way is the wind blowing.

**Stu Richards:**

But in light of that, they're optimistic. So, this year, when we conducted the survey, 42%, fully two in five respondents expect their revenues to grow in 2023, somewhere between 10 and 100%. So, by double digits, which is very optimistic. Two percent, one out of 50, expect their revenue to more than double, more than a hundred percent, 26% expect their revenues to grow by single digits, say five to 7%. So overall, the vast majority of small businesses are optimistic to very optimistic, again, despite a very uncertain economic outlook this year. And we love to see the resilience and optimism of small business owners on an ongoing basis.

**Rob Parsons:**

That's tremendous. And it lines up with what we know about these business leaders. Tell me a little bit, you touched on some of these big overall factors, what was top of mind for business leaders when it came to real business challenge, that overall environment, because there's a lot going on right now.

**Stu Richards:**

Yeah. Oh my gosh, Rob. There's quite a litany. Yeah, we did ask specifically the challenges that they face, and we just gave them a bunch of different kind of challenges and asked them to rate them anywhere between not challenging at all to very challenging. And inflation topped the list of concerns. Probably not surprisingly, whether it was gasoline last year or eggs this year, inflation is a concern across the board. Fully 72% of respondents said that they're concerned about inflation. They find it either very challenging or extremely challenging. Threat of an economic slowdown, still a big question mark as to whether the Fed's going to be able to bring this economy to a soft landing or if we're looking at a recession or hopefully not anything worse. But 57% of respondents are concerned about an economic slowdown. Rising cost of finances, of course, as the Fed has been raising interest rates, everything associated with that from if you're looking at a loan or a line of credit or applying for a business credit card, if you have any kind of variable cost.

**Stu Richards:**

Loans, the cost for those are going up, and that's a huge concern for many small businesses, some of whom operate, in the case, for example, of a lot of retailers and restaurants, on pretty tight margins. So, inflation, increased cost of finance is a huge concern for them. And 42% of respondents said the labor crisis is a concern. So is it easy to find the kind of headcount they need or is it easy to find the skills they need? Whether it's anything from restaurant and other kinds of hospitality staff to artificial intelligence programmers, a lot of companies are really hard-pressed to find the staffing that they need. And, that's an ongoing challenge.

**Stu Richards:**

And then perennial challenges, Rob, that we see whenever we conduct research under any context, just finding and keeping customers, especially for very small businesses, that's a perennial challenge with all of the hats that small business owners wear in terms of keeping current customers happy, it's really hard occasionally, or for some businesses to go out and find new customers. 37% of our respondents were concerned about that, 26% were concerned about customer retention. And then in the smaller categories, but still significant, 24% geopolitical unrest, lots of concerns about the war in Ukraine and other areas and obtaining financing. So, just not even the cost of current financing, but if I need a loan to bridge me over to cover payroll or for whatever reason, can I go get it?

**Stu Richards:**

And the other thing that we asked about Rob, was operational issues. So, not just big picture kind of economic context sort of pictures, but very tactical operational issues. 46% of respondents were concerned about hiring and retaining good employees, a constant challenge. Supply chain issues, those seem to be resolving, but it's still a big issue for some organizations. Keeping technology current is really a challenge for all kinds of companies. It's obviously bewildering to try to keep on track of all the different kinds of technologies that are continuously emerging.

**Stu Richards:**

But for businesses, especially bigger businesses, super concerned about data security and really keeping on top of the technology that's required to prevent threats. As a matter of fact, we asked about that specifically, cybersecurity threats, 31% of respondents are concerned about that. Managing cash flow, ongoing concern, 29% of respondents are concerned about that. And then again, in the 25 percent-ish range, HR administration, not insignificant, and we'll talk, I'm sure about the effort required to administer all sorts of HR, whether it's payroll or benefits or other tasks.

**Stu Richards:**

And then finally, maintaining legal and regulatory compliance is a big concern for about a quarter of respondents. So Rob, as you implied, it's quite a list of concerns. Business owners have a lot of challenges in the current environment, but really, as I mentioned, top of the list is inflation, and from a very tactical standpoint, just finding and keeping good employees.

**Rob Parsons:**

I like how you broke that down, Stu. There's big picture elements I really can't control and then there's these operational issues that maybe I can wrap my hands around and dig into. I know you touched on the methodology quickly. Did you see some variation, because you looked at businesses of all sizes, right? Did you see some variation? Was my local pizza shop with 20 employees dealing with different issues than say, a telecom technology company with 250 employees? Did you see some variation there?

**Stu Richards:**

We did, yeah. No, it's a great question, Rob, because as you know, not all small businesses are created alike or are impacted equally by different considerations. So, one of the things we did was to break out the responses by company size. And it is interesting to see the differences in responses. So, for example, cybersecurity threats, I mentioned, is a big concern for 31% of businesses in total. If you look at the very smallest businesses

that we surveyed those with the local pizza shop, five to nine employees, 25% of them are concerned about cybersecurity threat. But by the time you get up to the biggest businesses in our sample, 250 to 500 employees, fully, 47% of them are very or extremely concerned about cybersecurity. So, significantly more concern on the part of bigger businesses.

**Stu Richards:**

But then the big challenge on the operational side that we looked at hiring and retaining good employees, big issue for the very smallest businesses, five to nine employees, 39% of them were concerned about that, but fully 61%, so three and five of the biggest businesses actually, whether a hundred to 249 employees or 250 to 500 employees are concerned about that. So, that's something we see a lot in our research. Basically for any given concern, the bigger the company, the more pressing that concern is with the actual possible exception of finding and retaining current customers. Big businesses tend to have pretty good processes in place and the ability to really dedicate employees or departments to doing that, which is a real challenge for the very smallest businesses.

**Stu Richards:**

But generally, if you talk about cash flow or technology concerns or employee retention, those kinds of concerns do tend to magnify with the number of employees an organization has.

**Rob Parsons:**

You touched on it briefly as we opened up the conversation about pressure and stress.

**Stu Richards:**

Yes.

**Rob Parsons:**

I heard once, pressure is what comes at you and stress is what you feel from the inside about this. What did your survey reveal about how these leaders are reacting to these challenges and to these pressures?

**Stu Richards:**

Oh my gosh. Yeah, we did want to get into that because it's all of the various uncertainties in operating a business, whether it's, as you put it, I think really well, the external factors that you can't control or the things that you can, like employee engagement and retention. They end up putting a lot of stress on business owners. And in our research, one in four leaders said that they are extremely or very stressed, and unfortunately that stress does carry over into their personal lives. So, we asked them, for example, what kind of stress they have, and we've got some really interesting responses.

**Stu Richards:**

So, for example, in one of the open ends where people could just type in the effect of stress, one respondent said they're very stressed out at work because of their staff shortage. If the business owner has to make the pizzas and can't handle booking or advertising for example, it becomes very challenging. And stress has the impacts, it becomes harder to concentrate and to work efficiently. And in some cases, it's carried over into people's personal relationships or even their personal wellbeing where folks reported not being able to sleep as well at night as they would like to or having stress in their family lives. The interesting thing, Rob, is despite all that, a frankly shocking number of... First I was going to say-

**Rob Parsons:**

I was going to ask about this statistic.

**Stu Richards:**

Yeah, yeah. No, I'm sorry to steal your thunder.

**Rob Parsons:**

It's okay.

**Stu Richards:**

We asked, would you do it again despite all the stress, all the uncertainty, all the [inaudible 00:14:51], and the answer is, yeah, nine out of 10 leaders said yes. If I were to talk to my younger self and give myself advice, would I tell myself to be an owner of a small business? And the vast majority, pretty much everyone said, yeah, absolutely. Understanding the pressure, and then they would counsel themselves, be aware that there's going to be stress and be aware that you're going to need to know how to handle that and it's going to impact your relationships. But the takeaway was that they really enjoy their ability to do things their own way, their ability to manage their own schedules and their ability to really, at the end of the day, have an impact as a result of their own activities and feel like everything that accrues to them, whether it's developing a brand or serving customers and building a great reputation, it's because of their efforts and they're really proud of that work.

**Rob Parsons:**

That's awesome. And what a great way to bring this episode to a close. Stu, thank you so much for joining today.

**Stu Richards:**

Oh, Rob, it's a pleasure. Thanks for having

**Rob Parsons:**

Me. I look forward to digging into your findings in more detail in our coming episodes, going to be talking about some HR administration and what's really going on there. I found that's surprising. And then also we'll dig deeper into that whole idea of talent management. Not just finding them, but keeping them and keeping them engaged. For those who are interested, you can find a link to the 2023 Priorities for Business Leaders Research in our show notes. And once again, thank you all for joining. As always, please stay happy and healthy.

**Rob Parsons:**

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**Speaker 3:**

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