THE CONFERENCE BOARD

C-Suite Outlook 2022

Reset and Reimagine: Surviving and Thriving in a Uniquely Challenging Business Environment

Chile Edition

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CHILE EDITION

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Executive Summary

While Concerns Over COVID-19 Disruptions Recede; New Stress Points Emerge to Challenge Growth

What a difference a year makes. At the start of 2021, Covid disruptions were a major stress point not only for CEOs in Chile but for CEOs globally. But at the start of 2022, with about 90 percent of the country's population receiving the recommended number of doses for immunization and more than three-quarters with at least one booster, fears of COVID-19 as a major disruptor have receded for CEOs in Chile. While that may be encouraging news, new types of headwinds have surfaced to challenge companies in 2022 and beyond.

Rising inflation, declining trust in government, global political instability, higher borrowing costs, and labor shortages are the high-impact events that are top of mind for CEOs in Chile in 2022. At least three of those concerns—rising inflation, global political instability, and higher borrowing costs—will likely be exacerbated by economic fallout from the Russian invasion of Ukraine early in the year.

To weather the storm of uncertainty ahead, CEOs in Chile say they are looking to accelerate the pace of digital transformation within their organizations and modify their current business models while becoming more customer-centric in how they operate. Critical internal priorities are attracting and retaining talent and developing the next generation of leaders—a group faced with unique challenges from battling inflation, dealing with lingering effects of the pandemic, heightened global political uncertainty and a new definition of how and where work gets done. Human capital management priorities center around building more agile teams and optimizing new hybrid work models, now more and more part of the everyday business landscape in Chile and globally. They firmly believe that overhauling corporate culture—becoming more innovative and employee-centric, more agile and resilient— is fundamental to future success.

This year's survey, our 23rd, focuses on the external stress points CEOs face and their impact on strategies. We also explore CEO views on the benefits and risks of hybrid work models, inflation, and priorities related to environmental, social, and governance (ESG) matters. This survey was conducted between October and November 2021, with 1,614 C-suite executives responding, including 917 CEOs across the globe and 104 in Chile.

Insights for What's Ahead

What's keeping CEOs in Chile up at night?

External Environment What issues outside of management control will have the greatest impact on my business?	**Internal Environment** What issues within management control will my organization focus on in the coming year?
HIGH IMPACT	**HIGH FOCUS**
Rising inflation	Accelerate pace of digital transformation
Declining trust in government	Attract and retain talent
Global political instability	Become more customer-centric
Higher borrowing costs	Modify business model
Labor shortages	Prepare for financial instability
LOW IMPACT	**LOW FOCUS**
Lack of infrastructure investment	Prepare for rising interest rates
Misinformation/disinformation	Mitigate cyber risk
Cryptocurrencies	Rethink corporate real estate/space need
Vaccine availability for COVID-19	Improve board governance
Volatility in energy prices	Pay down debt
Shareholder activism	Significantly change capital allocations

Inflation concerns are skyrocketing. Over half of CEOs in Chile (55 percent) expect elevated pricing pressures to last until mid-2023 or beyond. For CEOs in Chile, inflation has jumped to the number one external threat to business up from 22nd in our 2021 survey. More than three-quarters (76 percent) of respondents say they're currently facing upward pricing pressure for inputs (e.g., raw materials, wages) due primarily to supply chain bottlenecks, labor shortages, and lack of supply for intermediate goods. To cope, CEOs in Chile plan balancing actions that include cutting costs and passing increases downstream to consumers and end users (the strategy most favored by US CEOs). Few see changing vendors as a viable solution—likely a reflection of tight supplies and the time required to reconfigure supply chains.

Less than half of CEOs in Chile (43 percent) believe their organization is "well prepared" for an inflation-related crisis. They're prioritizing strategies like agile teamwork and preparation for continued financial stability to move their organizations up the learning curve. Many CEOs are running organizations whose workforce, including C-suite executives, has likely never experienced inflation's broad influence on product pricing and sourcing decisions, customer relations and cash management, and above all, on wages. To cope they are making the building of agile teams a priority while focusing on prudent fiscal management strategies that include lowering costs and improving cash flow.

Labor shortages have driven talent retention and recruitment to the top of the CEO agenda in 2022. At the end of 2021 as Chile began its recovery from its pandemic-induced recession, the national unemployment rate fell to the lowest level since late 2019 and raising concern among CEOs about labor shortages and making talent recruitment and retention a top internal priority.[1] Scarce labor highlights the importance of innovative worker-friendly policies and there is evidence from responses that many organizations in Chile are responding appropriately. Some of the quickest and most impactful solutions involve making changes to the recruitment process, such as adding or modifying employee referral programs, contracting with staffing firms, implementing new/advanced technologies to streamline recruitment and better target candidates, and shortening the recruitment process with fewer interviews and faster hiring decisions. Other recruitment and retention strategies include increasing flexibility for work virtually, finding ways to retain older workers, and cultivating a speak-up work environment where effective and empathetic managers support workers' need for work/life balance, and organizational policies are designed to reduce friction. Organizations are "re-recruiting" existing employees to help them see a new path forward and recognizing the sacrifices employees have made over the past two years. Addressing workers' desire for greater flexibility across virtually every aspect of the new work "contract" underpins these strategies.

Remote work, vital to many firms during pandemic shutdowns, is here to stay. Executives in 2022 will seek to find the right flexibility formula for their business. CEOs in Chile expect the number of remote employees to significantly exceed prepandemic levels once the pandemic subsides — a clear indication many have accepted remote work and hybrid work models as a permanent addition to the business landscape. In Chile one-third of CEOs are planning for at least 40 percent of employees to be working remotely one year after the pandemic subsides, up from just 8 percent pre-pandemic (but down from 67 percent during the pandemic).[2] The embrace of remote work carries important implications for worker productivity and how organizations hire, lead, and foster a distinct culture. It will also drive workers' decisions about where they live and choose to spend their money. Talented people can now reasonably expect opportunities to work when and where they like—and may be prepared to seek employment elsewhere if these choices are denied to them.

Employees don't want to return to what was. Organizations need to create a compelling future vision of the workplace. CEOs in Chile believe that a hybrid model, where a number of employees work together on site some of the time, can be an effective talent retention tool. The downside: it will also increase competition for talent. Survey responses show that any benefits from hybrid work will come at the cost of personal and work relationships that build strong and successful working cultures over the long run. Some 57 percent of CEOs in Chile believe it will negatively impact the quality of internal relationships and 54 percent see the strength of corporate culture eroding. They are evenly split on impacts to productivity (34 percent see an increase, 31 see a decrease and 34 percent see it as

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[1] Chile Unemployment Hits Lowest Since 2019 as Recovery Rolls On. Bloomberg. January 2022

[2] "Remote work" is defined in this survey as working three days or more per week away from the physical workplace.

unchanged) and innovation (35 percent increase, 36 percent decrease, and 38 percent unchanged).

A majority (77 percent) believe a significant shift in corporate culture will be required for hybrid work to work well in their organizations. More than 90 percent say a high-performing hybrid work model demands more effective communication and will require managers and team leaders to learn new skills. Clarity and transparency about policies are an important first step. Being clear and decisive about how much remote work will be allowed and in what types of jobs, how workers are compensated, and where workers can be located will be crucial to successful implementation. Future hiring, retention, and innovation will depend on organization-wide clarity around these issues.[3]

COVID-19 drove a decade's worth of digital transformation. Expect the stepped-up pace to continue in 2022. Accelerating digital transformation is the highest internal organizational priority for CEOs in Chile for 2022. Adopting digital technologies and ways of working are both a pro-customer growth strategy and a cost-efficiency measure, and increasingly seen as a source of productivity gains at a time of acute talent shortages and rising wage costs. Investment in technology however is only a piece of the digital transformation puzzle. It also requires attention to change management, process reengineering, and workforce training to enable a sustainable, competitive advantage.

Business models are being modified as CEOs strive to improve the customer experience. In an era of hyper-connected customers, where the experience is as important as the product or service itself, CEOs in Chile recognize their organizations need to be more customer-centric to stay ahead of shifts in how customers spend and how they make purchases. *Modifying the business model* and *becoming more customer-centric* are among the top four internal priorities for CEOs in Chile in 2022. Real-time insights on changing consumer behaviors and attitudes are already differentiating marketing functions globally. Going forward, go-to-market strategies that emphasize customer experience over product will be crucial to success as business models change to meet customer demands and behaviors.

Stakeholder capitalism—the idea that businesses promote the long-term welfare of all their constituents, not just shareholders—is becoming a focus for CEOs. The interests of customers and employees, whose voices are being amplified instantaneously around the world through social media, are now front and center in corporate strategy deliberations. Asked which groups are most important when their board and C-suite are making decisions, CEOs in Chile rank customers first, employees second, shareholders third, and communities fourth. *Evolving stakeholder expectations of the role of business in society* ranks far above *shareholder activism* as a factor expected to have an impact on their company this year.

Admitted lack of preparedness for potential future shocks and crisis. Less than 50 percent of CEOs in Chile say their organizations are well prepared to meet the challenges posed by such potential future crises related to cybersecurity, supply chain disruptions, inflation, an economic downturn, civil unrest, or climate change. The numbers for CEOs

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3 Levanon et al., "How Employers Combat Labor Shortages."

globally are similar. This may raise questions among stakeholders, especially investors, about the resilience of some organizations. Companies' preparedness measures, such as increasing the resiliency and capacity of supply chains, having a climate change strategy or a strong cybersecurity and business continuity plan, signal to stakeholders that a company has an informed and comprehensive approach to responding to future disruptions, either natural or man-made.

C-Suite Outlook 2022

External Impacts on the Radar: Inflation and Lack of Trust in Government Dominate

Our 2022 C-Suite Outlook shows the pandemic will continue to cast a massive shadow over the global business environment, however concerns about COVID-19 disruptions have lessened considerably among CEOs in Chile over the past year and compared to their global peers. In our 2022 survey Covid-19 disruptions ranked just 13th on the list of high-impact stress points for CEOs in Chile, down from third in 2021. It was the top concern for CEOs globally in 2021 and remain number one in this year's survey. On a macro level, the pandemic and its secondary effects will continue to threaten economic recoveries and challenge the cohesion of many societies globally, especially in China and Japan.

Interestingly vaccine availability for COVID-19 was a top five high-impact issue for CVEOs in Chile in 2021, but a successful immunization campaign nationally has seen vaccine availability fade significantly as a concern in 2022.

Rising Inflation and Lack of Trust in Government Dominate CEO Concerns

Select the external factors or issues that you think will have the greatest impact on your business next year.

	Chile CEO	Global CEO	Argentina CEO	USA CEO	Europe CEO	China CEO	Canada CEO	Japan CEO
Rising Inflation	1	2	1	2	1	4	3	12
Declining trust in government	2	15	2	15	11	20	13	17
Global political instability	3	7	11	13	5	4	23	7
Higher borrowing costs	4	22	20	25	19	19	21	17
Labor shortages	5	3	6	1	4	9	1	3
Global rise in authoritarianism (i.e., rise in nationalism and populism)	6	14	5	9	21	13	16	19
Recession risk	7	6	9	6	2	2	6	5
Regulation	8	11	3	6	9	14	9	13
Supply Chain disruptions	9	4	8	3	3	8	2	9
Evolving stakeholder expectations about business role in society	10	20	23	11	25	15	20	16
Government debt levels	11	19	15	21	16	21	7	28
Volatility in commodity prices	11	12	13	17	6	11	11	11
COVID-19 related disruptions	13	1	21	4	10	1	4	1
Cybersecurity	13	9	17	5	8	21	7	7
Margin compression	13	8	11	13	14	6	16	15
Corporate tax rates	16	17	6	9	15	18	15	25
Global trade disruptions	16	10	15	19	17	6	18	9
Changes in consumer behavior	18	5	9	8	12	3	5	3
Impact of climate change	18	16	18	19	13	30	12	2
Wealth and/or income inequality	18	24	18	21	27	26	21	25
More agile competitors	21	18	23	16	18	10	25	13
Future of cities	22	28	28	29	28	21	25	28
Corporate debt levels	23	25	23	26	26	15	27	23
Lack of infrastructure investment	24	23	3	18	20	17	23	21
Misinformation/Disinformation	24	21	23	12	23	21	10	23
Other	24	26	14	23	24	29	14	21
Cryptocurrencies	27	29	28	29	30	26	29	30
Vaccine availability for COVID-19	27	27	27	26	22	21	28	19
Volatility in energy prices	27	13	21	23	7	12	18	6
Shareholder activism	30	30	28	26	28	26	29	25
Source: The Conference Board	*N=104*	*N=917*	*N=75*	*N=155*	*N=103*	*N=95*	*N=207*	*N=119*

Inflation concerns soar while recession concerns linger.

Rank: CEOs Chile #1 CEOs globally #2

Globally, 82 percent of CEOs (with a high of 93 percent in China and a low of 74 percent in the US) say they currently face upward pricing pressures for inputs (e.g., raw materials, wages). in Chile some 76 percent of CEOs say their organizations face similar pricing pressures. Even as inflation is on the rise, there are lingering concerns over recession risk, particularly for CEOs in Europe and China, where the risk is among their top three while CEOs in Chile have it among their top ten at number seven. Their worry may be justified: The annual inflation rate in Chile surged to 7.8 percent in February of 2022, the highest since November 2008 and up from 7.7 percent in the prior month. The Conference Board sees potential downside risks to global GDP growth over the next year from the war in Ukraine, possible new COVID-19 variants, and major slowdowns or recessions in either China or Germany.

Negative shocks to real GDP growth in both economies would negatively affect growth among their major partners and at the aggregate global level.[4]

Declining trust in government

Rank: Chile CEOs #2 CEOs globally #15

Data published in 2021 by the Organisation for Economic Cooperation and Development (OECD) ranks Chile last among more than 40 countries when it comes to the percentage of the nation's population expressing confidence in their government.[5] President Gabriel Boric was sworn in on March 11, 2022 and faces tests including high expectations of change, challenges to public order and a tax reform that aims to increase tax revenues by 5 percent of GDP over the government's four-year term.[6] In our survey, only Chile and Argentina, ranked declining trust in government as a top ten concern.

Global political instability

Rank: CEOs in Chile #3 CEOs globally #7

Even before the Russian invasion of Ukraine in February 2022, CEOs in Chile saw rising global political tensions as potentially having a major impact on the business environment. Concerns remained especially heightened among CEOs in Europe and China at the start of the year, Besides the Ukraine crisis, a full-on cold war between the US and China is one of the key risks to The Conference Board's global outlook for 2022, as it stands to force third-party economies to choose sides and create a bipolar global economy.[7]

Additional findings

- CEOs in both Chile and Argentina express more concern over a global rise in authoritarianism compared to CEOs in other parts of the worlds. It is fifth in Chile and sixth in Argentina, but only ranks 14th for CEOs globally.

- While more than a quarter of Chilean CEOs rank higher borrowing costs as a major concern, it ranks fourth on their list of high impact issues for 2022, globally it is 22nd.

- Compared to CEOs globally, CEOs in Chile are paying greater attention to evolving stakeholder expectations about businesses' role in society. As a high impact issue, it ranks tenth for CEOs in Chile, but only 20th globally. The relatively high ranking locally underscores the nascent shift to a more multi-stakeholder focus underway in many companies.

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12 Peterson, "StraightTalk® A Deep Dive on Risks to the Outlook."

5 Data source: OECD (2021), Trust in government (indicator)

6 Chile's Boric will face challenges from the start, Oxford Analytica, March 2022

7 Peterson, "StraightTalk® A Deep Dive on Risks to the Outlook."

- CEOs in Chile express less concern over changes in consumer behavior as a high impact issue compared to CEOs globally. In Chile changes in consumer behavior ranks 18th compared to fifth globally. Nonetheless CEOs in Chile list greater customer centricity as a key internal priority for the year.

Climate change is seen as a long-term risk.

Rank: CEOs globally #16, US CEOs #19

The relatively low ranking of climate change in terms of short-term business impact (it is ranked 16th globally and 18th in Chile) does not mean companies are ignoring the issue. Climate change is viewed as more of a long-term risk than an immediate disruptor. In our 2021 survey, two-thirds of CEOs in Chile identified heightened awareness of climate risk as one of the long-term legacies of the pandemic. It is clear that dealing with and mitigating climate risk is becoming a part of day-to-day operations for many organizations as regulatory and investor attention to this issue continues to mount.[8] CEOs in Chile identify biodiversity and climate has their top two environmental priorities for 2022. Moreover, awareness is growing regarding the costs related to not making the transition to renewable sources of energy.[9] More companies are including climate risks in their legal filings or equivalent annual reports. In the UK, the number of companies doing so more than doubled in 2020 compared with the previous year. Large institutional investors in the US such as BlackRock and State Street have explicitly called on companies to address climate risks in their reporting.[10]

8 Charles Mitchell, Dana M. Peterson, Ilaria Maselli, Rebecca L. Ray, PhD, and Ataman Ozyildirim, "C-Suite Challenge™ 2021: Leading in a Post-COVID-19 Recovery," The Conference Board, January 2021.

9 Anuj Saush, Paul Washington, and Dana M. Peterson, "Boards and Climate Change: 5 Questions to Ask Management," The Conference Board, November 2021.

10 Thomas Singer, Anke Schrader, and Anuj Saush, "Sustainability Practices 2020," The Conference Board, 2020.

Internal Focus for 2022: Digital Transformation, Talent, and Customer Centricity

With labor shortages cited as a top five external stressor by CEOs in Chile it should be no surprise that they cite talent attraction and retention as a critical internal focus for 2022. Other focus areas for 2022 include accelerating the pace of digital transformation, becoming more customer-centric, modifying business models to meet evolving consumer demands, and in light of the volatile global business environment, preparing for financial instability.

Digital Transformation, Talent, and Customer Centricity Are the Most Critical Internal Priorities for CEOs

Select the internal challenges or issues that your company will focus on in the coming year. (Select no more than five)

	Chile CEO	Global CEO	Argentina CEO	USA CEO	Europe CEO	China CEO	Canada CEO	Japan CEO
Accelerate pace of digital transformation	1	2	2	8	2	1	8	3
Attract and retain talent	2	1	1	1	1	2	1	1
Become more customer-centric	3	8	3	10	4	3	7	11
Modify business model	4	5	13	2	14	4	6	4
Prepare for financial instability	4	10	6	5	9	4	13	8
Develop "Next Gen" leaders	6	4	4	3	7	6	4	2
Lower costs	7	9	7	15	10	7	4	14
Improve cash flow	8	3	11	4	5	8	2	6
Streamline processes	8	6	5	7	6	8	9	4
Focus more on sustainability	10	7	9	12	3	10	3	9
Increase automation	11	12	9	13	20	11	15	11
Update crisis contingency plans	12	17	23	19	22	12	13	22
Create more resilient supply chains	13	13	11	15	12	13	9	15
Improve corporate communications	14	16	8	13	13	14	18	15
Significantly change corporate strategic priorities	14	15	17	11	19	14	11	10
Employ mergers, acquisitions, divestitures	16	14	16	5	8	16	16	17
Revisit mission and/or purpose	16	20	19	18	25	16	12	19
Decentralize decision making	18	23	14	25	18	18	22	23
Mitigate cyber risk	18	11	15	9	11	18	18	7
Prepare for rising interest rates	20	22	19	19	16	20	24	17
Re-think corporate real estate/space needs	20	19	21	15	15	20	18	20
Improve board governance	22	18	17	19	17	22	16	11
Pay down debt	23	21	23	24	21	23	18	21
Significantly change capital allocation priorities	24	24	23	19	24	24	23	24
Other	25	25	21	19	23	25	25	25
Source: The Conference Board	*N=104*	*N=917*	*N=75*	*N=155*	*N=103*	*N=95*	*N=207*	*N=119*

Digital transformation and modifying business models.

Accelerating pace of digital transformation *Rank: CEOs in Chile #1, CEOs globally #2*

Modify business model *Rank: CEOs in Chile Ties #4, CEOs globally #5*

Pandemic-driven shifts in consumer behaviors have likely ended the luxury of having years to adapt to digital technologies and experiment with business models. *Accelerating the pace* *of digital transformation* is the top organizational priority for CEOs in Chile. Business model modification is closely associated with this transformation and is ranked fourth. The business model transformation journey requires moving beyond incremental change in how you sell things to a disruptive questioning and redefining of what it is that you make, what it is you sell (is it a product, a service, or both), and how it is sold. It requires asking hard questions about an organization's basic operating assumptions, available talent and skills, agility, and culture. Digital transformation, defined as an enterprise strategy that leverages digital technologies and the data they produce to connect people, physical assets, and processes with a concurrent disruption in culture and business models, is most impactful when it leads to business model innovation, fully leveraging the opportunities the new digital economy introduces.[11] People often equate digitization—using technology to do something better or faster, like putting physical medical records online or using cloud-based applications—with digital transformation. Digital transformation stretches across the value chain and touches every aspect of business operations, from the initial R&D phase to the final delivery of a product or service. It starts with an assessment of where the biggest digital threats and opportunities lie for specific parts of a business. Before moving from the installation phase of digital transformation to the deployment phase, CEOs need to think about how their culture, organizational design, job structure, operational processes, talent, and policies may need to change.[12]

Attract and Retain Talent

Rank: CEOs in Chile #2 CEOs globally #1

The importance of a thriving workplace culture, both on and off site, was made clear during the pandemic's disruptions. How will CEOs support this need in 2022? Strengthening organizational culture, providing workers with development opportunities, and building a more resilient workforce are the underpinnings of their human capital management. Given that human capital makes up a large share of a firm's intangible assets, a firm's workforce is a fundamental component of its economic value.[13] Attracting and retaining workers means being innovative in an organization's approach to create a more employee-centric work culture. It can also mean higher wages, starting bonuses, enhanced benefits like paid leave, flexible working hours. and offering on-the-job training. All of these actions will require some level of investment. Yet some of the most important factors that contribute to a strong culture, including inclusiveness, creating a psychologically safe workplace, and addressing pay inequality and development opportunities, are relatively low-priority human capital management strategies for CEOs in Chile for 2022. This may signal a disconnect between the commitment to strengthen organizational culture and the specific actions required to do so.

Below-average performance on inclusiveness reflects the fact poverty remains high in Chile despite substantial decreases over recent years. Poverty is especially high for young people

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[11] Xiaohui Hao, Sean Hicks, Charles Popper, and Chander Velu, "Realizing the Full Potential of Digital Transformation: Three Areas of Focus," The Conference Board, June 2020.

[12] Charles Mitchell, "Beyond Technology: Building a New Organizational Culture to Succeed in an Era of Digital Transformation," The Conference Board, January 2017.

[13] Paul Washington and Rebecca L. Ray, PhD, "How Boards Can Get Human Capital Management Right in Five (Not So) Easy Steps," The Conference Board, July 2021.

and those with children. The gender labour income gap is also relatively high compared to the OECD average, reflecting the relatively low employment rate of women and an increasing gender wage gap. The employment gap for disadvantaged groups, such as mothers with children, youth, older workers, non-natives, and persons with partial disabilities, is above the OECD average.[14]

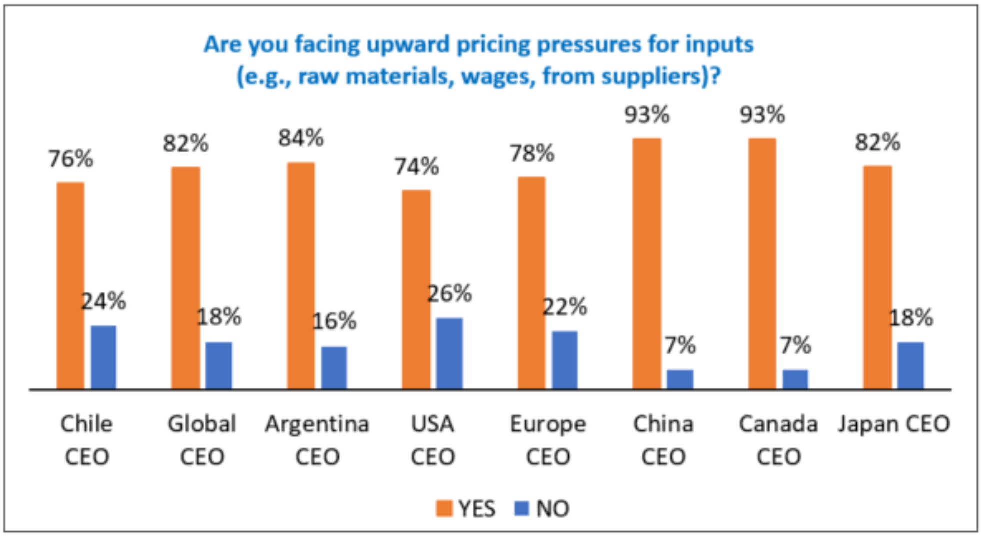
Additional findings

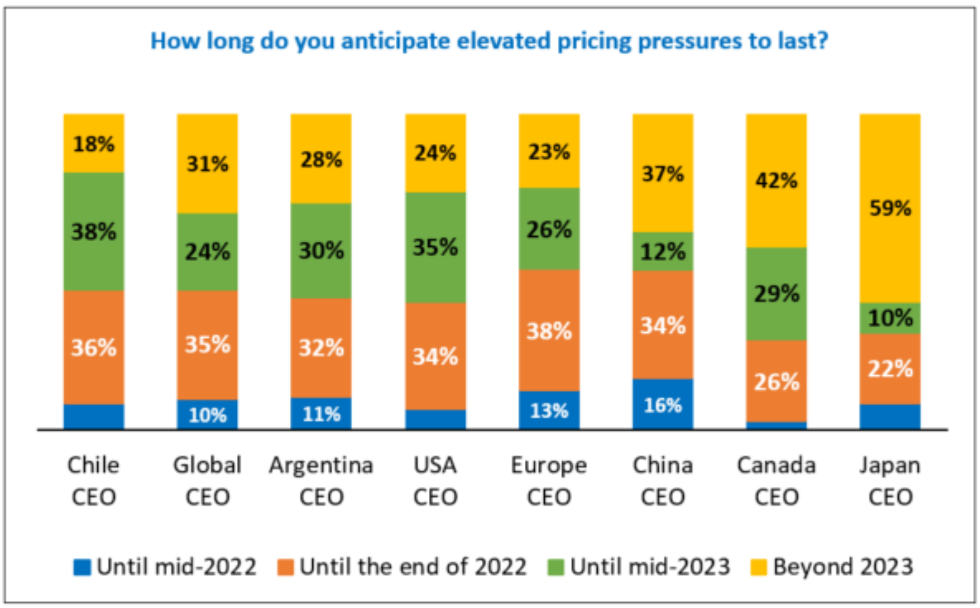
Developing the next generation of leaders. This is a top-ten internal priority for CEOs in Chile, driven by the knowledge that technical skills alone are not sufficient to optimize performance in the current business environment. CEOs believe the hybrid work model requires new leadership skills such as agility, resilience, empathy, digital fluency, inclusive leadership, and interpersonal communication. Leaders today have the additional challenges of blending teams with different on-site/off-site work modes, ensuring fairness and pay equity across the team, attending to the rapid development of skills, and addressing mental health concerns. These leaders will need to figure out how to drive collaboration, innovation, and culture in a hybrid or remote work environment.

A focus on cost recedes somewhat in an inflationary environment. While CEOs in Chile are indeed looking to cut costs to protect profit margins related to pricing pressures for inputs, overall, cost cutting is a lower-rated priority than it was in 2021. If rising costs are felt more broadly across economies and within sectors, and enough businesses find that they can raise prices, there may be less concern about losing market share due to price alone. This appears to be playing out in the responses to our survey. Lowering costs ranks seventh in this year's survey; it was fourth in 2021.

[14] The new OECD Jobs Strategy: Good jobs for all in a changing world of work

Inflation: It May Be Around Longer Than You Think





What do you believe is driving consumer/customer prices higher?

	Chile CEO	Global CEO	Argentina CEO	USA CEO	Europe CEO	China CEO	Canada CEO	Japan CEO
Supply chain bottlenecks	1	1	3	1	1	1	1	7
Labor shortages	2	2	5	2	4	3	2	5
Insufficient supply for inputs to our product/service	3	4	2	4	3	9	3	2
Workers demanding higher wages	4	7	4	5	7	4	4	9
Government regulations	5	5	1	3	5	5	6	6
High demand for our product/service	6	6	6	6	8	7	7	1
Energy prices	7	3	6	7	2	2	5	2
Increased pricing power amid strong economic growth	8	8	8	8	6	6	8	4
Minimum wage hikes where my business is located	8	9	8	9	9	8	9	8

Source: The Conference Board

How do you expect to manage intensifying pricing pressures in the next 12 months? (Rank top 3, with 1 being the most important priority)

	Chile CEO	Global CEO	Argentina CEO	USA CEO	Europe CEO	China CEO	Canada CEO	Japan CEO
Cut costs	1	1	1	2	1	1	2	1
Pass price increases	2	2	2	1	2	3	1	2
Absorb prices into profit margins	3	3	3	3	3	2	3	3
Change suppliers	4	4	4	4	4	4	4	4

Source: The Conference Board

Planning for inflation to return to close to a normal rate in 2023 is highly unlikely. It is now widely acknowledged that inflationary pressures for consumers are intensifying and expected to worsen in the coming months. Energy prices reacted quickly to the shock of the war in Ukraine, yet food prices may only see the full impact starting in the second half of 2022. Not only will inflation stay high for longer, but inflation expectations will also be affected. The global economy may be moving towards a new path of weaker growth and higher inflation.

Rising inflation is the number one high-impact issue for businesses in Chile in 2022, up from 25th just a year ago. Globally it is the number two ranked high impact issues up from 22nd in 2021—and that was before the Russian invasion of Ukraine added additional inflation pressures globally. In Chile, 76 percent of CEOs say their organizations currently face upward pricing pressures for inputs (e.g., raw materials, wages). Globally, 82 percent of CEOs—including 95 percent of manufacturing sector CEOs—say they are experiencing similar pricing pressures,

- **Duration:** A majority of CEOs in Chile (56 percent) see higher pricing pressure persisting until mid-2023 and beyond, about the same number as CEOs globally.
- **Inflation drivers**: CEOs in Chile cite supply chain bottlenecks, labor shortages, and insufficient supply for inputs as the three primary drivers on inflation.
- **Coping strategies:** To mitigate the impact of rising input prices, CEOs in Chile are looking to cut costs for inputs, passing increases downstream to consumers and end users (the most favored action by US CEOs), and, if able, absorbing price increases into profit margins, though there are few signs that companies are willing to sacrifice profit margins at present.

Leading in a New World of Work: Hybrid Model and Remote Work

We are not returning to the world of work we knew before the pandemic. However, corporate responses to the changing landscape are often stopgap measures—the shifting "return to the physical workplace" timelines are a perfect example. The workplace, the nature of work, worker sentiment, expectations for leaders and organizations, and even the "contract" between workers and employers have all fundamentally changed—perhaps more accurately, they are still in the process of changing.

Defining the Hybrid Workplace Model

- A hybrid workforce is composed of a variety of workers: full-time and/or part-time employees, temporary and/or contractual workers, and perhaps volunteers.
- A hybrid workplace allows for collaborative work to be done by those physically in the workplace as well as those who are remote. It can also include robotics or other digital technologies.
- A hybrid work schedule is a blend of flexible (in-office and remote) work for each worker

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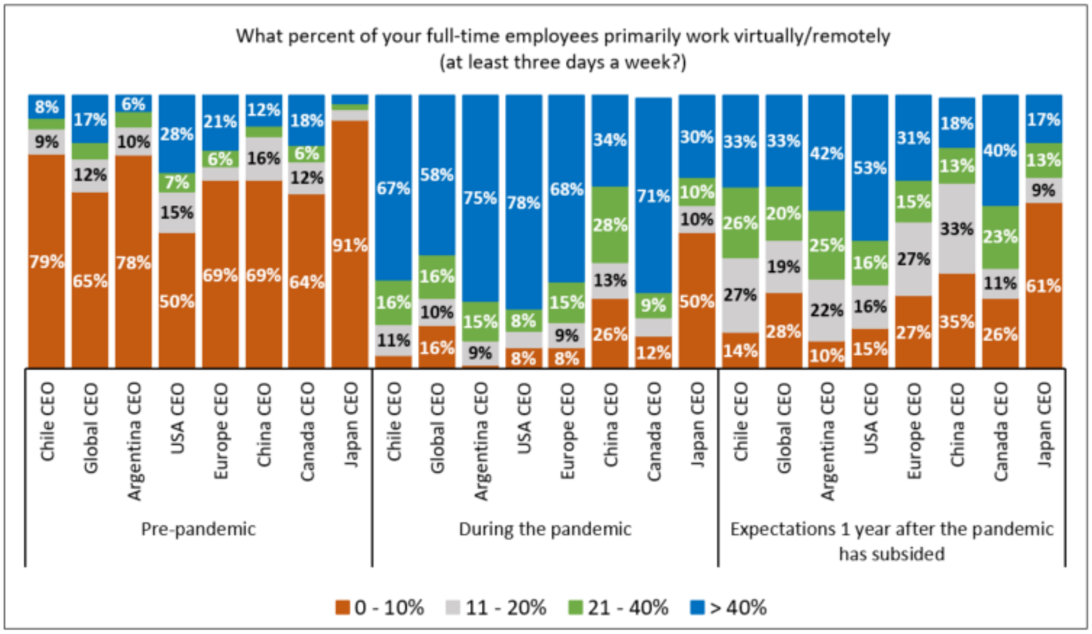
The Challenges and Opportunities Ahead

Remote work is a long-term legacy of the pandemic. The way the world works is changing for good. Remote work (defined in this survey as working three days or more per week outside of the physical workplace) spiked during the pandemic across the globe—and Chile was no different. CEOs in Chile expect the number of remote employees to come down post-pandemic but will still be greater than before the pandemic began. Prior to the pandemic, eight percent of responding organizations in Chile said that 40 percent or more of their employees were working remotely. During the pandemic that number spiked to 67 percent, but CEOs see that number coming down to 33 percent a year after the pandemic subsides—almost four times the pre-pandemic level. The long-term impact of the pandemic is most profound in the US, with 53 percent of organizations expecting 40 percent or more of their employees to be working remotely after the pandemic subsides. The long-term stickiness of remote work is less pronounced in China and Japan, which have more traditional workplace cultures, including office face time, and where worker productivity and commitment are often judged by long hours on the job. In both countries, the projected post-pandemic numbers are relatively close to their pre-pandemic totals.

A Hybrid Work Model and Remote Work Pose Both Challenges and Opportunities



I believe hybrid workforce will... (leave blank if don't know)

	Chile CEO	Global CEO	Argentina CEO	USA CEO	Europe CEO	China CEO	Canada CEO	Japan CEO
Require managers/team leaders to develop new skills	94%	86%	94%	90%	84%	86%	85%	84%
Require more effecctive internal communication	91%	88%	92%	88%	90%	84%	87%	86%
Require significant change in our	77%	61%	87%	44%	66%	78%	58%	51%
Require a new Total Rewards structure	58%	54%	56%	40%	42%	76%	40%	62%
Create an uneven playing field between on-site and remote workers	49%	45%	28%	45%	38%	51%	55%	30%
Dilute existing corporate culture	40%	47%	48%	43%	57%	42%	53%	38%
Be a temporary fix; it is not sustainable in the long-term	20%	30%	15%	27%	30%	41%	32%	20%
Create taxation issues	10%	24%	12%	31%	20%	27%	15%	11%

Source: The Conference Board

A hybrid workplace is not without its challenges (and opportunities). Respondents in Chile fear a *decrease* in the quality of internal relationships and internal collaboration as the main downsides of adopting a hybrid work model. However, they do see that providing greater flexibility in how and from where work gets done can benefit their talent retention strategies. Reconnecting remote employees to mission and purpose will require a communications effort on par with reaching customers, investors, and other stakeholders on major strategy changes. In this new hybrid world of work, rather than simply mandating a return date and the safety protocols that will be in place, leaders should think about articulating a compelling reason to return to the workplace at all: the future vision that must be built together in teams, the exciting product launches, the mentoring program for early-in-career workers, or the celebrations of people and their accomplishments.

The biggest impacts of a hybrid work model

Percent of CEOs in Chile who say a hybrid work model will *increase*…

- talent retention: 51 percent
- competition for talent: 46 percent
- innovation: 36 percent
- worker productivity: 34 percent

Percent of CEOs who say a hybrid work model will *decrease*…

- quality of internal relationships: 62 percent
- strength of the culture: 54 percent
- internal collaboration: 46 percent
- pace of skill building: 41 percent

Building a high-performing hybrid workplace. CEOs globally and in Chile overwhelmingly believe that more effective communication, new leadership skills, and a significant change in corporate culture are essential for building a high-performing hybrid work model. More than half of CEOs in Chile believe that a hybrid model will require a new Total Rewards structure. Total rewards conversations will take center stage for many organizations as they sort out salary structures that may be disconnected from the cost of living in urban headquarter areas, addressing pay equity across the organization as well as the inherent fairness of compensation for those groups who are at greater risk of COVID-19 exposure on the front lines. Indeed, just under fifty percent of CEOs in Chile believe the introduction of a hybrid work model in their organizations will create an uneven playing field between on-sire and remote workers. Interestingly, US CEOs see cultural change and revamping of their Total Rewards packages as less of an issue compared with their global peers—an indication that the US may be ahead of other countries and regions when it comes to adapting to the hybrid workplace.

Leadership Behaviors and Remote Work

Research by The Conference Board has identified the following set of leadership behaviors to keep employees engaged during the COVID-19 crisis and afterward in a hybrid/remote work mode:

- **Reinforce the organization's vision.** Reminding employees of the compelling vision and values of the organization is especially important during challenging and stressful times.
- **Communicate with transparency to bring people along.** Messages should be uplifting, but also acknowledge the challenges and stressors that workers are facing.

- **Set a clear direction for what's ahead.** With many teams working remotely and business conditions changing rapidly, setting direction and guidance becomes more critical, even as work becomes more challenging to navigate.
- **Create a virtual/remote team contract to maintain work standards and boundaries.** Working on a virtual contract as a team will set expectations for all team members and help them stay focused on goals.
- **Seek feedback and empower individuals and teams.** When working in a shared office, it is easy to stop by a cubicle or gather as a team to provide feedback and ideas, but this becomes more challenging in a remote environment. Ways to empower people include adopting an open-door policy through regular one-on-ones, seeking input from all team members to ensure an inclusive environment, and recognizing team members for their contributions and accomplishments.
- **Maintain trust and integrity through a focus on well-being.** A focus on health and safety during the pandemic is critical as employees struggle with a multitude of changes, both professional and personal. This will remain in a hybrid work environment.
- **Inspire innovation through new tools and technologies.** Teams may not be able to function and collaborate as usual in a virtual environment. To prioritize productivity, team leaders should check to see whether every team member is aware of the organization's available communication and collaboration tools, and consider individual or team tech training to ensure that everyone is comfortable using them.
- **Drive personal development in a virtual environment.** Most employees find virtual communication less productive than in-person interactions. Leaders must provide learning opportunities so that employees can remain effective in a virtual environment and continue to develop new skills, even while adjusting to changes.

Source: The Conference Board; adapted from Amy Lui Abel, PhD, and Amanda Popiela, "Human Capital Management During COVID-19: Leading Virtual Teams in a Crisis."

The HR Challenges Ahead

Human resource leaders must prepare for a workforce that is increasingly remote. This means:

- Employees may be recruited from new locations and with new expectations.
- Proper onboarding and adaptation will be important to engage remote workers and ensure they are properly informed about organizational practices.
- Growth and development practices may make greater use of technology, and the pandemic may open pathways to new learning opportunities.
- Leaders will require new skills to lead a dispersed team, and workers will also need to adjust to new ways of working.

- Employee health and well-being will become more critical than ever.
- Compensation and benefits adjustments may be required.

Source: The Conference Board, "A Human Capital-Focused Guide to Remote Work."

Human Capital Management Priorities for 2022

In recent years we have seen a fundamental shift: from organizations believing talent to be readily available in the marketplace to an internal focus on developing and retaining employees amid tightening labor markets. In this year's survey, CEOs in Chile say that the recruitment and retention of talent is their top internal priority after building more agile teams. To address their talent concerns CEOs in Chile, say their human capital management priorities will focus on the core elements of talent management—recruitment, retention, and skill development, with an emphasis on building more employee-centric cultures around innovation, agility, and resilience. Also high on their list is optimizing hybrid work model performance while offering more flexible work arrangements and schedules.

Human Capital Management Priorities Focus on Culture Building and Optimizing Hybrid Work Model Efficiency

Select the issues for human capital management that your company will focus on in the coming year. (Select no more than five)

	Chile CEO	Global CEO	Argentina CEO	USA CEO	Europe CEO	China CEO	Canada CEO	Japan CEO
Build agile teams	1	1	5	4	3	5	3	6
Optimize hybrid work model performance	1	7	1	5	6	1	8	4
Strengthen organizational culture to retain talent	3	4	2	1	1	2	5	2
Build a more innovative culture	4	2	4	8	2	4	2	12
Develop workforce capabilities	5	6	11	3	5	11	7	7
Build a resilient workforce to prepare for future challenges	6	5	8	6	15	8	1	3
Strengthen the leadership pipeline	6	3	3	2	4	3	9	1
Offer flexible work arrangements and schedules	8	11	10	7	11	10	19	8
Improve corporate brand and	9	8	6	8	7	6	5	16
Improve data analytical skills	10	12	11	11	10	11	14	12
Engage all levels of workers	11	10	11	15	9	11	14	14
Build a culture that embraces change	12	9	6	10	8	6	18	5
Create a psychologically safe workplace	13	19	17	19	20	17	11	18
Engage all categories of workers	13	16	14	18	19	14	9	18
Expand use of independent/contingent workers	13	20	22	17	17	22	17	17
Bring workers back to the physical	16	18	14	12	12	14	21	11
Redesign Total Rewards structure	16	15	19	19	14	19	4	21
Reduce headcount	16	21	19	24	17	19	19	24
Build a more inclusive culture	19	13	14	14	13	14	11	15
Address mental health needs of	20	16	18	16	16	18	14	10
Address inequality in pay	21	22	22	21	22	22	22	20
Recruit a more diverse workforce	21	14	9	13	21	9	11	9
Address inequality in development	23	23	21	23	23	21	23	22
Other	24	24	24	21	24	24	23	23
Source: The Conference Board	*N=101*	*N=897*	*N=73*	*N=152*	*N=101*	*N=93*	*N=203*	*N=115*

The quest for agility and more innovation. In the unique current environment of inflation and labor and supply shortages, CEOs in Chile are prioritizing agile teams and a more innovative culture to move their organizations up the learning curve. CEOs have gradually been shifting their focus away from seeing technology as a magic bullet for innovation and embracing a more integrated approach—one that recognizes the inseparable link between culture, talent, and innovation. The innovation challenge is no longer about the technology itself—which is abundant and readily available—but rather, about building a culture that enables the people within an organization to maximize the potential of that technology, thus facilitating the organization's ability to become a world-class innovator.[15]

Flexible arrangements. Aligned with their commitment to a post-pandemic remote workforce, CEOs in Chile rank *offering flexible work arrangements and schedules*—which our research shows is a critical employee retention tool—as a top ten human capital focus. Research conducted in 2021 by The Conference Board reveals the importance of such flexible arrangements. For example, in the US more than one-third of workers said they planned to leave their jobs within the next six months.[16] Of those respondents, a flexible work location was ranked as the most desirable aspect of a new job, prioritized slightly over better pay and career advancement, the two traditional drivers of job changes.

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[15] Mary B. Young, Charles Mitchell, and Michelle Kan, "Inclusion + Innovation: Leveraging Diversity of Thought to Generate Business Growth," The Conference Board, January 2016.

[16] Rebecca L. Ray, "US Workers Are Looking for Flexible Work Arrangements," The Conference Board, 2021.

ESG Priorities: Shifting to a Stakeholder Focus

The shift away from a shareholder focus to a broader group of stakeholders is tangible, and is affecting discussions, decisions, and actions at the board and C-suite level in organizations around the world. There is an increased focus on environmental and social issues, equity, inclusion, employee well-being, workforce management, and community impact.[17] When asked which groups are most important when the board and C-suite make decisions, CEOs in every country and region covered in our survey, including Chile, rated shareholders third, behind customers and employees. The reality is that as the interests of a broad array of stakeholders—in particular customers and employees—become more prominent and amplified, few (if any) CEOs can successfully run a company for the long term with shareholder interests as their sole management goal.

Defining Terms: Stakeholder Capitalism and Environmental, Social & Governance (ESG)

Stakeholder capitalism: Stakeholder capitalism—the essence of which is that businesses should serve the long-term welfare of multiple constituents, not just shareholders—has been embraced by business leaders, investors, and governance practitioners alike. As noted by The Conference Board in 2017, this approach is essential to long-term value creation, because companies cannot prosper over the longer term without taking appropriate care of their customers, employees, owners, suppliers, the environment, and the communities in which they do business.

Environmental, Social & Governance (ESG): ESG is a wide-ranging concept that reflects the view that if companies, investors, and policymakers consider these three categories of issues in addition to traditional financial measures of performance, it will result in more competitive companies, resilient markets, and sustainable economic development. ESG has evolved over time; varies by geography, industry, and company; and includes issues ranging from climate change mitigation to pollution and resource use to employee health, safety, and wellness to workforce diversity to political contribution disclosure. While stakeholder capitalism focuses on "whom" a company serves, ESG focuses on "what" issues companies should be concerned with in addition to traditional financial performance. Corporate directors are increasingly embracing ESG metrics to track internal and external company progress toward concrete, long-term goals.

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[17] Charles Mitchell, Paul Washington, Rebecca L. Ray, PhD, Dana M. Peterson, and Lori Esposito Murray, PhD, "Toward Stakeholder Capitalism: What the Shift Means for CEOs and the C-Suite," The Conference Board, December 2021.

Stakeholder Priorities: Which groups are most important when your board and C-Suite are making decisions?								
	Chile CEO	Global CEO	Argentina CEO	USA CEO	Europe CEO	China CEO	Canada CEO	Japan CEO
Customers	1	1	1	1	1	1	1	1
Employees	2	2	2	2	2	2	2	2
Shareholders	3	3	3	3	3	3	3	3
Communities	4	6	4	5	6	7	4	4
Regulators	5	5	5	6	4	5	6	6
Business partners	6	4	6	4	5	4	5	5
Media	7	8	7	8	8	8	8	8
NGOs, Social and Env. activists, etc.	8	7	8	7	7	6	7	7
Rank your organization's ESG-Environmental priorities								
	Chile CEO	Global CEO	Argentina CEO	USA CEO	Europe CEO	China CEO	Canada CEO	Japan CEO
Biodiveristy	1	3	2	2	1	5	2	3
Climate	2	1	1	1	2	1	1	1
Energy	3	5	4	5	4	3	4	6
Plastics	4	4	5	4	6	4	6	4
Pollution	5	2	3	3	3	2	3	2
Waste	6	6	6	6	5	7	5	5
Water	7	7	7	7	7	6	7	7
Rank your organization's ES-Social priorities								
	Chile CEO	Global CEO	Argentina CEO	USA CEO	Europe CEO	China CEO	Canada CEO	Japan CEO
Racial equality	1	1	2	1	3	1	1	2
Gender equality	2	3	1	3	2	5	4	6
Other Social equality	3	4	6	5	5	3	3	4
Economic opportunity/equality	4	2	4	6	1	2	2	1
Public health	5	5	5	7	4	4	5	3
Human rights	6	8	8	4	8	6	8	5
Labor conditions	7	7	3	8	6	7	7	7
Immigration/nationalism	8	9	9	9	9	9	9	9
Democracy/Election/Voting Rights	9	6	7	2	7	8	6	8

Source: The Conference Board

Signs of an emerging era of stakeholder capitalism. *Evolving stakeholder expectations of the role of business in society* ranks far above *shareholder activism* as a factor CEOs in Chile expect to have an impact on their company in 2022. However, our research shows that behind their words and commitment, CEOs need to have thoughtful plans on how a stakeholder management focus will be governed, executed, measured, and disclosed. Becoming a more socially responsible stakeholder-focused company requires an intentional strategy that includes setting objectives, using metrics, and ensuring accountability to meet goals. And it appears that many organizations may not yet be at the operational stage. For example, addressing income and wealth inequality, equality in pay, and development opportunities are near the bottom of priority lists for internal focus and human capital management priorities.

CEOs should seek to build greater consensus in the C-suite on how to approach sustainability and meeting ESG targets. Orientating a company toward a focus on its long-term impact on society and the natural environment can have profound implications for its business model, products and services, and operations. This transition requires a clear consensus among the C-suite on what issues matter to the company, the strategy to address them, and the importance of this shift.

Preparing for What Comes Next

What new crises, either natural or man-made, may emerge in the coming year is impossible to predict. But with some foresight and investment, the impact of crippling disruptions can be minimized by reducing risk exposure and taking preventive measures. Many companies continue to concentrate on the traditional elements of business continuity over which they have direct control, such as redundant IT networks, offsite data storage, and electrical backup generators. Companies have paid much less attention than they should to other issues that are as important to resilience, but over which they have less control, such as coordination with government and private-sector organizations that provide essential services, improving the adaptability of supply chains, and the ability of employees to recover from a disaster.

The Lack of Prepardness for Future Crises Maybe A Concern for Investors

How well prepared is your organization to deal with a major crisis related to: (Please rate from 1 to 5, with 1 being not prepared and 5 being very well prepared)?

	Chile CEO	Global CEO	Argentina CEO	USA CEO	Europe CEO	China CEO	Canada CEO	Japan CEO	Global C-Suite (non-CEO Responses)
Pandemic	66%	49%	55%	74%	66%	28%	61%	28%	60%
Financial instability	47%	46%	53%	69%	55%	32%	48%	23%	51%
Inflation	43%	38%	39%	60%	44%	34%	35%	16%	45%
Economic downturn	38%	41%	51%	40%	41%	32%	43%	28%	44%
Natural disaster	35%	30%	31%	22%	23%	24%	26%	32%	34%
Cybersecurity	34%	37%	38%	40%	49%	27%	47%	30%	51%
Climate change	29%	26%	32%	30%	33%	22%	27%	15%	28%
Civil unrest	26%	21%	20%	35%	23%	21%	16%	8%	20%
Supply chain disruptions	26%	28%	27%	29%	24%	27%	22%	10%	34%
Terrorism	9%	13%	11%	13%	21%	16%	9%	5%	15%

Source: The Conference Board

Note: Percent refers to those saying they are either 'well' or 'very well' prepared

Our survey finds a general admitted lack of preparedness for future shocks, which may raise questions among stakeholders, especially investors, about the resilience of some organizations. A company's preparedness measures, such as having a climate change strategy or a strong cybersecurity and business continuity plan, signal to stakeholders, especially investors, that it has an informed and comprehensive approach to responding to future disruptions, either natural or man-made.

Who Is Ready for What?

- A total of 66 percent of CEOs in Chile say their organizations are well or very well prepared to handle a future pandemic-related crisis, compared with 55 percent in the US and just 28 percent of CEOs in China and Japan.
- However, both globally and in Chile, less than 45 percent of CEOs say their organizations are well prepared to meet the challenges posed by future crises related to inflation, cybersecurity, natural disasters, supply chain disruptions, an economic downturn. and climate change.

While companies and countries are constantly adapting to past shocks and crises, there is a need to shift to predicting future shocks and creating resiliency to mitigate their impacts.

About the C-Suite Outlook 2022

The anonymous survey was carried out between October and November 2021, with 1,614 C-suite executives responding, including 917 CEOs from around the world. This is the 23rd annual survey coordinated by The Conference Board. We are grateful for the collaboration with 11 organizations globally that invited their members and contacts to take the survey. Since 1999, The Conference Board has fielded an annual survey asking CEOs across the globe to identify the most critical issues they face (The Conference Board CEO Challenge®). The survey was expanded in 2020 to include the C-suite (C-Suite Challenge™). While CEO and C-suite priorities certainly vary by company, we believe this report can serve as an idea prompter for decisionmakers within organizations by offering insights into challenges shared by many of their peers, and the strategies and tactics being considered to compete in a global marketplace.

Profile of respondents

- Among major regions or economies, 17 percent of CEO respondents are based in companies headquartered in the US; 16 percent in South America; 13 percent in Japan; 12 percent in Europe; and 9 percent in China.
- By sectors, 64 percent of CEO respondents are based in nonfinancial services businesses; 25 percent in manufacturing industries; and 11 percent in financial services.
- By size, 66 percent of CEOs are based in businesses with average annual revenue of less than $100 million; 25 percent averaging up to $5 billion; and 9 percent averaging $5 billion and above.
- By company role, 57 percent of a total of 1,614 respondents are CEOs; 6 percent are CMOs; 5 percent are CFOs; 5 percent are human capital executives (HCEs); and the remaining 27 percent have other C-suite titles.

Methodology

To provide a more representative view of respondents from around the world, we weighted the responses in aggregates (such as global and major regions) by the square root of the respondent's country share in global output (GDP) divided by the respondent's share in the total number of responses from their country. "Top three" rankings are not weighted but are based on a straight count of how often each option is selected.

About the Conference Board

THE CONFERENCE BOARD

Founded in 1916, The Conference Board is the member-driven think tank that delivers trusted insights for what's ahead. Our agenda is simple: to help leaders navigate the biggest issues facing business and better serve society. We believe in innovative approaches that make you think- and act- differently. And everything we do reflects the input of our members and their real-world challenges. We do this by delivering business insights. We connect senior executives across industries and geographies to share ideas, and our experts create fact-based research and consensus-driven policy statements to help leaders address their most important business issues. Because we are independent, non-partisan, and non-profit our work is trusted. If you learned it at The Conference Board you can count on it.

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Instituto Chileno de Administración Racional de Empresas (ICARE) is a private non-profit corporation and independent of union and political interests, founded in 1953 by entrepreneurs and professionals linked to various sectors of national economic activity with the purpose of promoting business excellence in Chile. https://www.icare.cl/

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