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Rocky Mountain Region Middle Market 2021 Sentiment and 2022 Outlook

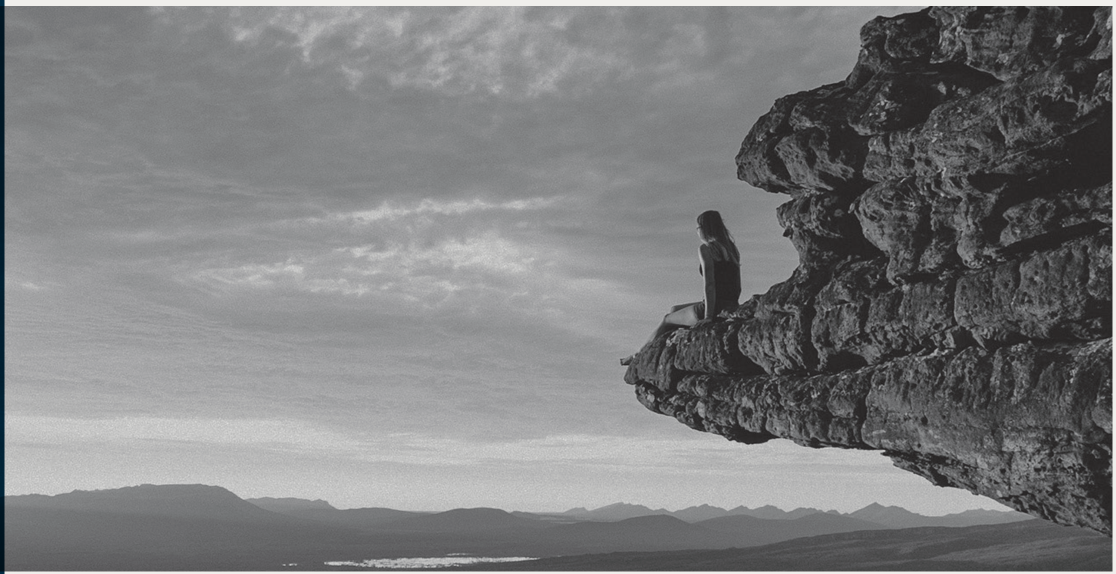
The Rocky Mountain Region Middle Market Overview

Introduction / Executive Summary

Middle market businesses—those with revenues between $10 million and $1 billion—represent a powerful economic engine, consistently outperforming large companies and startups in sustained performance, offering a disproportionate share of jobs, and driving the health of local economies. While representing less than three percent of all U.S. businesses, this sector is responsible for roughly one-third of private-sector GDP and employment. The Rocky Mountain region—Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming—is home to more than 10,000 middle market enterprises. These businesses employ nearly three million residents and together have revenues of nearly half a trillion dollars.

Acknowledgements

Dietrich Partners would like to acknowledge the time, perspective, and stories shared by the 60-plus C-level business leaders of middle market companies in the Rocky Mountain Region who were interviewed as part of this effort.



[1] Dietrich Partners and the National Center for the Middle Market. “The Rocky Mountain Region Middle Market 2020 Performance, 2021 Outlook.” https://www.middlemarketcenter.org/research-reports/rocky-mountain-region-middle-market-2020-performance-outlook

Purpose

Middle market firms comprise a significant share of the Rocky Mountain regional economy; understanding their recovery from the COVID-19 pandemic and outlook for the future is critical to fostering a strong, resilient economy. Dietrich's in-depth interviews with middle market executives provide valuable insights into key questions relevant to business leaders and policy makers, including:

- What is the 2021 business landscape for middle market enterprises in the Rocky Mountain region? Is performance meeting expectations? What are the strategic priorities in the short-and long-term?
- How have firms adapted or innovated?
- What are the ongoing challenges and weak points?
- What are the areas of opportunity? What actions should business leaders take today?

Methodology

Sixty plus C-level business executives leading middle market enterprises in the Rocky Mountain region shared their experiences navigating through the COVID-19 pandemic and their outlook for 2022. Through in-depth interviews conducted by Dietrich Partners[2] in the second and third quarters of 2021, these leaders assessed the current business landscape, how they have chosen to adapt or innovate to respond to changing circumstances, their current challenges and pressure points, and areas of opportunity.

The interview participants are founders, business owners, CEOs, CFOs, and other C-level executives leading enterprises from a diverse set of industries typical of the middle market sector.

[2] https://dietrichpartners.net/

Key Findings

These key findings highlight the extent to which middle market companies in the Rocky Mountain region have begun to recover from the pandemic.

- Direct impacts of the pandemic have lessened but continue to influence 2021 revenues and operations. Workforce and supply chain challenges persist and are anticipated to impact middle market enterprises through 2022, and for some industries, through 2023.
    - To attract talent, wages and salaries are rising at all levels of employment. Flexibility in working hours, hybrid remote/in office policies, professional development and coaching,

improved communication, building corporate and team culture, and incorporating incentive plans and performance bonuses are some of the strategies firms are pursuing to attract and retain talent.

- Federal, state, local, and/or corporate vaccine mandates may further constrain the labor force if unvaccinated employees choose to leave their jobs rather than comply. At the time of the interviews, most firms encouraged employees to be vaccinated but did not require vaccination as a term of employment.

- The resilience of the "just-in-time" supply chain and speed of recovery from pandemic disruptions is unknown, and supply chain effects continue to worsen in 2021.

- National recovery has been uneven across industries, and Rocky Mountain region middle market firms are no exception. By Q3 2021, roughly half of the firms interviewed had revenues exceeding expectations while others, approximately 10%, were performing below expectations.

- Most leaders characterized their cash position as favorable and made strategic investments in technology, building improvements, plant modifications, and/or mergers and acquisitions (M&A) in 2021. Nearly all 2021 priorities focused on forward-looking strategies—customer acquisition and product development, restructuring, mergers and acquisitions, and fine-tuning the leadership team and talent.

- Helming middle market firms through the pandemic successfully required leaders to be flexible, nimble, opportunistic, and willing to change. For example:

  - Strategic planning horizons shortened, positioning firms to quickly respond to changing market conditions
  - Companies launched new products
  - Secured new customers
  - Improved internal systems and processes
  - Developed return-to-office strategies. As of this writing, most firms were back "on-site," although some created hybrid remote/in office policies in response to employee requests

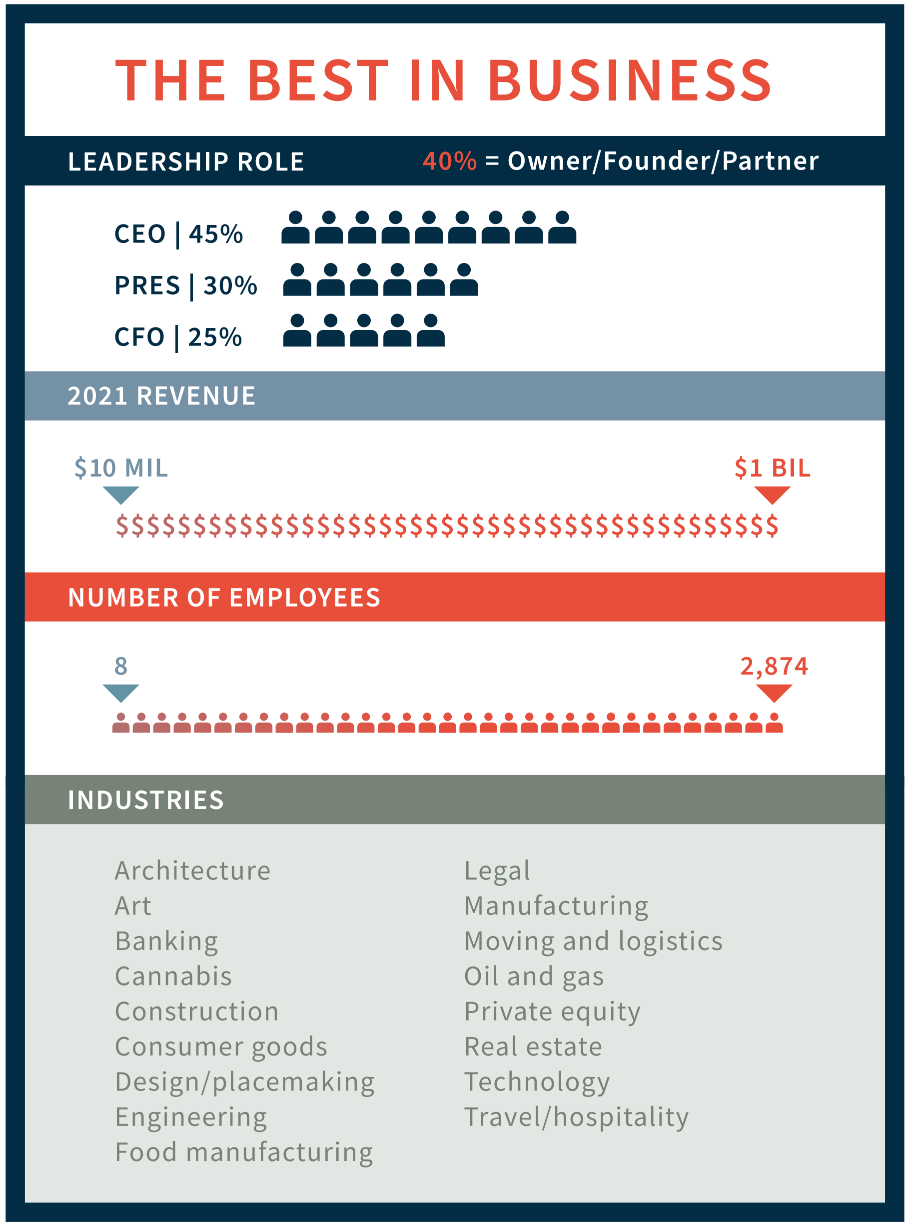
- Business valuations are high and have not level set despite the severe market downturn, which was an unexpected result. Believing firms to be overvalued, it’s not surprising that some private equity firms are waiting to purchase. However, the Biden administration’s proposed tax plan will significantly and adversely impact multiple aspects of corporate and individual taxes, incentivizing some firms to more aggressively pursue M&A and complete transactions before the policies become law.

- Most middle market firms represented in the interviews did not have formalized Environmental, Social, and Governance (ESG) programs. In many cases, firms were unfamiliar with ESG altogether and had focused their efforts on components of Corporate Social Responsibility (CSR) or Diversity, Equity, and Inclusion (DE&I) efforts.

- The research findings suggest that middle market enterprises should consider whether strategic planning, leadership development or change management, post-M&A integration, internal audits or operational assessments, and developing ESG programs will address weaknesses and build more resilient, profitable, and effective businesses.

Figure 1.

Middle Market Participants



Source: Dietrich Partners

Findings from the middle market executive interviews are supplemented by survey data from *"The Rocky Mountain Region Middle Market 2020 Performance, 2021 Outlook"*—produced in collaboration by Dietrich Partners and the National Center for the Middle Market (the Center), and the Center's *"2Q | 2021 Middle Market Indicator: An Uneven Recovery as Some Companies Excel While Others Continue to Struggle."*[3]
The quantitative data is derived from recent surveys of more than 1,100 middle market firms in the Rocky Mountain region.

[3] https://www.middlemarketcenter.org/

2021 Landscape

For middle market firms in the Rocky Mountain region, the impact of the pandemic ranged widely by industry—some businesses would not have survived the last 18 months without the support of the Paycheck Protection Program (PPP), while others experienced record-breaking growth. As leaders mobilized to stabilize and guide their businesses through the pandemic, new challenges arose or amplified existing weak points in operations, supply chain, talent, and strategic planning. Executives continue to work closely with their leadership teams and existing support networks to address these issues.

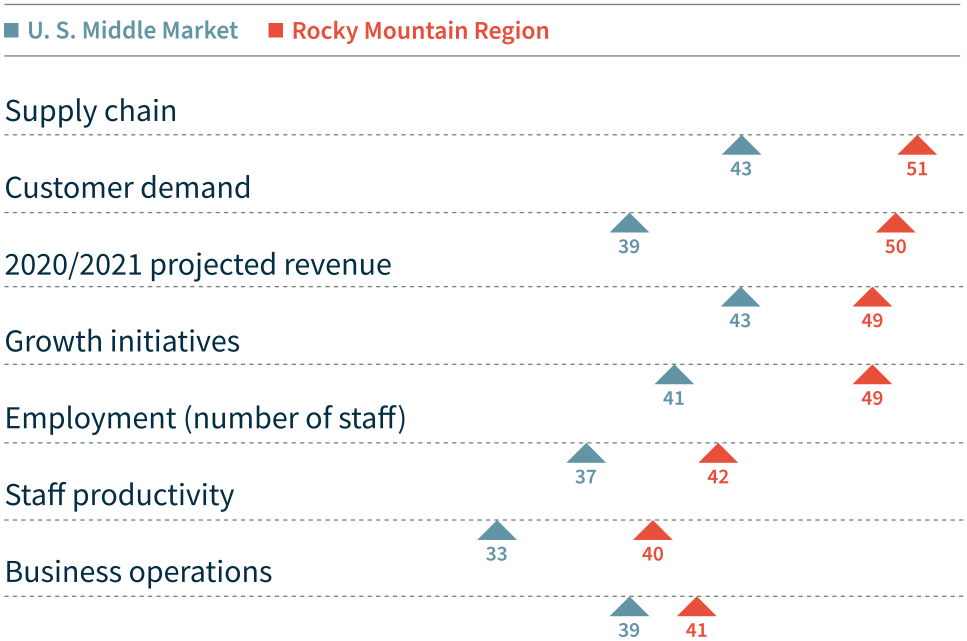
Anticipated 2021 Pandemic Impacts

When surveyed in Q4 2020, about half of Rocky Mountain region middle market enterprise leaders expected COVID-19 impacts to persist through 2021. Compared to the U.S. middle market, firms in the Rocky Mountain region were more likely to anticipate continued COVID-related impacts overall, particularly those associated with customer demand and the supply chain.

Figure 2.

Q4 2020 Assessment of COVID-19 Business Impacts through 2021

Percentage of middle market business leaders anticipating a negative long-term (12 month) impact from COVID-19



Source: Dietrich Partners and the National Center for the Middle Market. "The Rocky Mountain Region Middle Market 2020 Performance, 2021 Outlook."

Findings from the interviews with Rocky Mountain middle market leaders are consistent with the predictions from the 2020 survey. Executives reported that direct impacts of the pandemic have lessened but continue to influence 2021 revenues and operations.

While firms are no longer shut down, some industries, like manufacturing, construction, and logistics, are running lean and have not yet scaled their operations back up to pre-pandemic levels. This is largely driven by difficulties with workforce and supply chain. Some of the most noted challenges included lack of raw materials, microchip shortages, and delays in shipping equipment and vehicles.

Survey respondents commented about those challenges:

- *"Now is the worst time in history to buy a car, and the same is true of parts for repairs. You can't get truck parts. I had two Mercedes Sprinters that we used for small shipments, but it was going to be six months to get the parts. We could not wait! So I bought two new trucks and traded the old ones in. I never would have done that two years ago. I would have repaired them. But we need the trucks now, and I can't count on renting a truck while I wait for parts, because rental trucks are hard to get. You have to react differently today than you did two years ago." (Stuart Smith, Owner & CEO, Buehler Moving Company interview)*

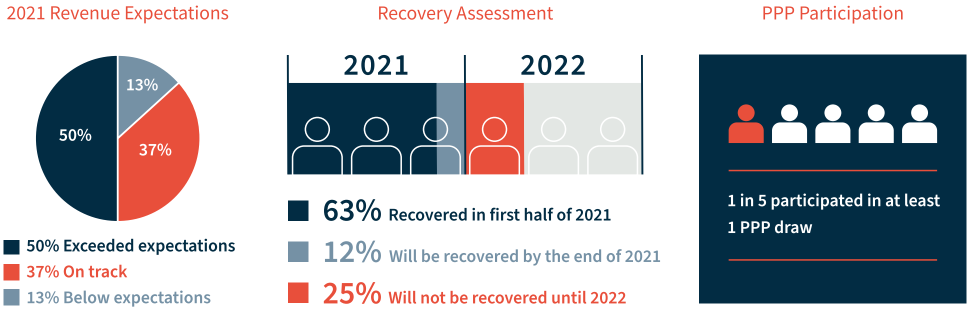
- *"We really need a second shift in Colorado, and we have been unsuccessful in getting enough people to staff it, especially over the last six months. More and more states are no longer supporting national unemployment and the incremental dollars, so it's becoming a little easier to hire. And some people who still have unemployment are starting to look for work so that they have a job before the unemployment ends." (CEO, Food Manufacturing Company interview)*

2021 Revenues

When interviewed in the first half of 2021, leaders who described their revenues as being on track or exceeding expectations tended to helm firms in banking, finance, and legal service. Firms not anticipating recovery until the end of 2021 or 2022 include those impacted by ongoing supply chain disruption, industries with longer sales cycles, or contracting processes that stalled in 2019 and 2020. These include manufacturers, construction, architecture and engineering firms, and information technology services. Regardless of revenue performance, most remain profitable. One in five firms participated in at least one round of the PPP, and most have had their PPP loans forgiven.

Figure 3.

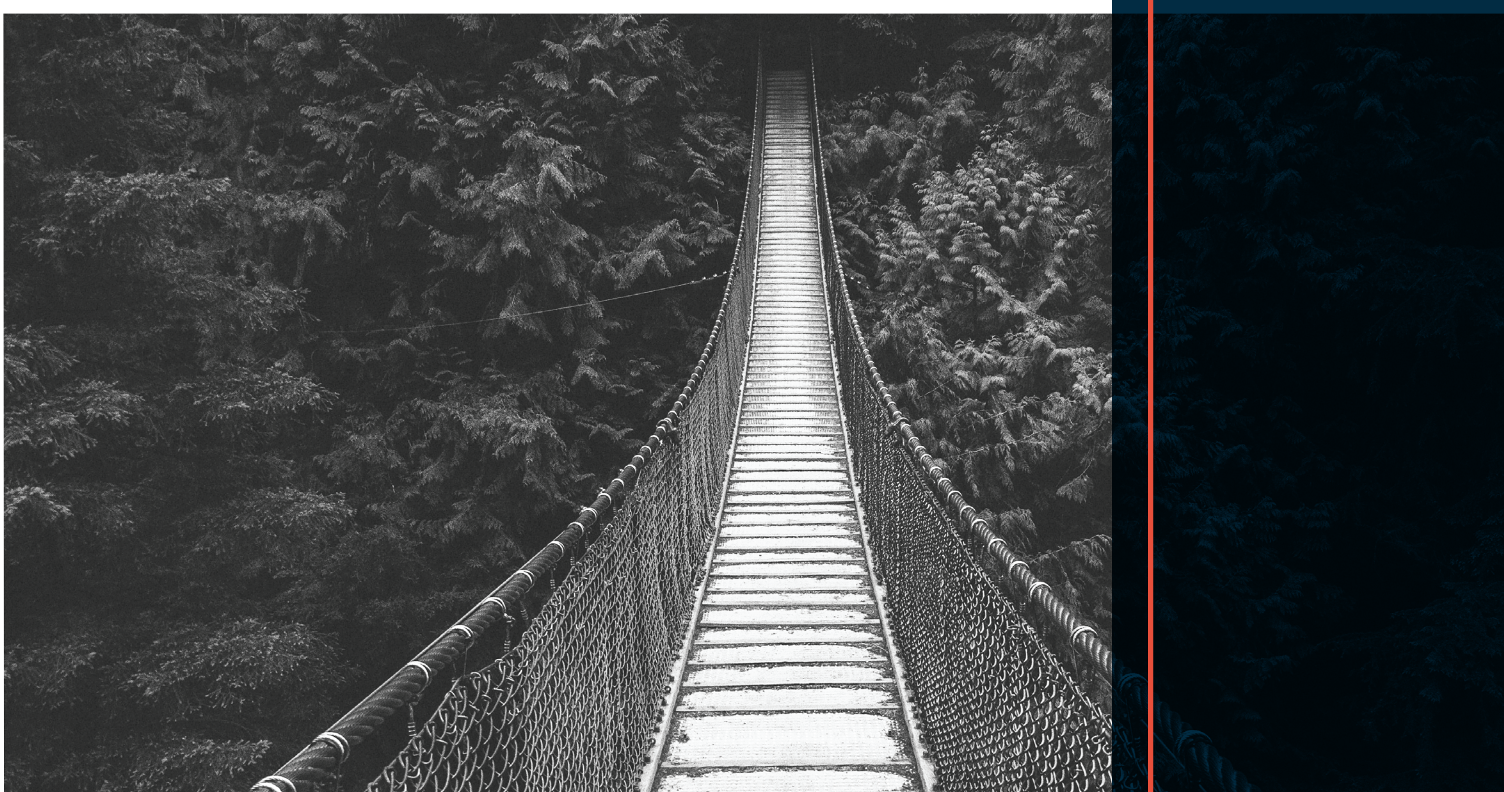
2021 Revenue Expectations, Recovery Assessment, PPP Participation



Source: Dietrich Partners

- *"We're actually way ahead of projections this year. We're doing some different things in the business that we've never done before." (Matt Rarden, President & CEO, Kirtland Federal Credit Union interview)*

- *"We thought the recovery was going to come in the second half of 2021, but right now, my bet is it doesn't come until the first half of 2022." (CEO, Air and Natural Gas Compression Company interview)*



Cash and Investments

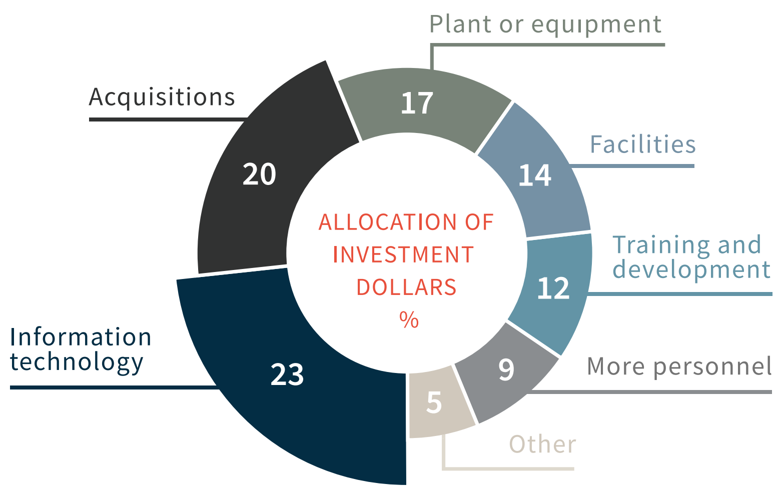
In general, most of the firms represented in the 2021 interviews describe having a favorable cash position, especially those in financial services or backed by private equity.

Technology, investments in building improvements, plant modifications, and mergers and acquisitions are the primary areas where interview participants are investing their cash. This is consistent with the finding for middle market firms in the Rocky Mountain region, as shown in Figure 4.

Figure 4.

2021 Investment Spending—Top Categories Rocky Mountain Region

Similar to the U.S. average, information technology is the top destination for investment dollars; however, investing in acquisitions is nearly twice as likely in the Rocky Mountain region (20% vs. 11%)

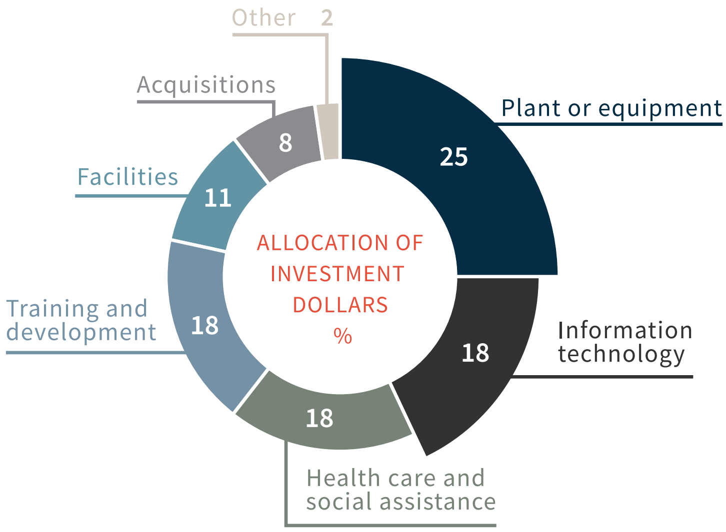


Source: Dietrich Partners and the National Center for the Middle Market. "The Rocky Mountain Region Middle Market 2020 Performance, 2021 Outlook."

Figure 5.

2021 Investment Spending—Top Categories Nationally

New plant or equipment is the top destination for investment dollars, followed by human resources-focused initiatives and information technology



Source: The National Center for the Middle Market. "2Q | 2021 Middle Market Indicator: An Uneven Recovery as Some Companies Excel While Others Continue to Struggle."

Figure 5 presents the top areas for 2021 investment spending among middle market firms nationally. While the top categories for investments are the same regionally and nationally, the share of investment dollars varies. For example, acquisitions comprise a much smaller share of investments nationally than among Rocky Mountain region firms. Nationally, investments in more personnel represent nearly one in five investment dollars, compared to one in 10 in the Rocky Mountain region.

2021 Priorities

For most leaders, the top priorities for 2021 are forward-looking, tied to profitability, returning to a growth path, and positioning their business for success in the years to come. These priorities include:

- Technology—purchases, system upgrades, integration, and implementation—most frequently ERP, project management, accounting/finance software
- Entering new markets, acquiring new customers, and product development
- Business transitions, restructuring, mergers, and acquisitions
- Fine-tuning leadership team, business structure, and acquiring new talent
- Operational integration, adopting new processes and procedures
- Effective execution of strategic initiatives
- Becoming profitable, increasing cash, increasing sales, meeting revenue and growth goals
- Cost-cutting, managing cash flow
- Navigating uncertainty, adapting to post-pandemic shifts in consumer and customer preferences, and being poised to seize new revenue opportunities as they arise

- *"In terms of what our top priorities are for 2021, it's really two things—navigating the uncertainty with COVID while still focusing on the growth of our product volume. Prior to COVID, the market for our core products (half gallons and gallons) was mature and growing only modestly, and we had just installed a new small-bottle line to enter a growth category, broaden our assortment and to gain access to new channels. The pandemic shifted our product demand and mix. As consumers were eating at home more, we saw a dramatic increase in our core products of half gallons and gallons, which are consumed at home; and we saw less demand for our smaller sizes, which are typically sold and used on the go or in school lunches. So, we had just made a big investment, the pandemic hit, then demand shifted the other way and we've had to adjust to that." (Cammie Muller, CFO, Aurora Organic Dairy interview)*

- *"Our top priorities are revenue and backlog. We service the oil and gas space and the power and infrastructure space. The pandemic hit demand in both sectors pretty hard—people weren't traveling—and there have also been supply impacts from regulation. There's a lot of uncertainty around the future of oil and gas exploration. Right now, prices have recovered. The price of oil and the price of natural gas are both very good, but the producers are adhering to capital discipline." (CEO, Air and Natural Gas Compression Company interview)*

Our understanding of the 2021 business landscape is enhanced by looking deeper in several areas impacting business decisions today and into the future.

Strategic Planning

Every organization has a method and cadence to strategic planning that is unique to their business needs. Many of the firms interviewed noted updating existing plans or developing entirely new plans throughout 2020 in order to adjust to the rapidly changing environment. Now, in 2021, these new methodologies have stayed, including the adoption of shorter planning horizons, more detailed updates from management teams, and contingency planning to allow management teams to be more responsive to changing market throughout the year.

CASE STUDY: *Martha Weidmann, CEO & Co-founder, NINE dot ARTS,* a national corporate art consulting firm, developed an 18-month strategic plan to steer the firm through the end of 2021. *"When COVID happened, we said, 'a downturn is coming.' We are associated with capital construction markets, so we have a longer tail; we have the benefit of usually not feeling an impact for six months, once the real economy takes a hit."* Based on their experience, NINE dot ARTS knew they had about six months to plan for the impact. The leadership team identified investing in tech infrastructure as their key priority. *"We focused all of our current staff on technology infrastructure and then we listed out a handful of other special projects that we thought could be incredibly useful as we come out of the recession. So not only did we do tech infrastructure, we built a team to revamp our hiring and onboarding so that we could hire and onboard really fast. We actually did no layoffs, no furloughs; we just started planning for a bill."* Having spent the last 12 months implementing—and growing staff by 30 percent!—NINE dot ARTS will embark on another 18-month strategic planning session in September 2021. This approach allows big goals for 2022 and 2023 to be aligned while providing flexibility to adapt tactics to the market.

Leadership and Advisors

Overall, firms made few changes to their boards of directors and outside advisors in 2020. Several CEOs relied on the counsel of their industry peers or other professional contacts as a sounding board throughout the pandemic. Many looked internally and assessed the extent to which their leadership team was suited to steer the business through the pandemic. As a result of this introspection, several organizations fine-tuned their leadership team while others restructured. As 2020 progressed, it was not unusual for executives to realize that their organizations needed team members with different skills than were needed before the pandemic.

- *"We've been so myopically focused on getting through the pandemic, I'm not sure we have the right people in place to implement a high-velocity growth strategy in certain markets." (CEO, Food Manufacturing Company interview)*

- *"We haven't had any changes in our overall governance, ownership and leadership. But I will say that we have gotten more involved with the trade groups and other membership organizations over the last two years versus less. This is especially true as we've navigated all the challenges and uncertainty with the pandemic. We've been leaning on that collaboration and idea-sharing that happens within peers. It has helped us navigate the constantly changing circumstances without having to figure it out all our own. We use it for advice and guidance and resources and assistance." (Cammie Muller, CFO, Aurora Organic Dairy interview)*

Business Valuation and M&A Activity

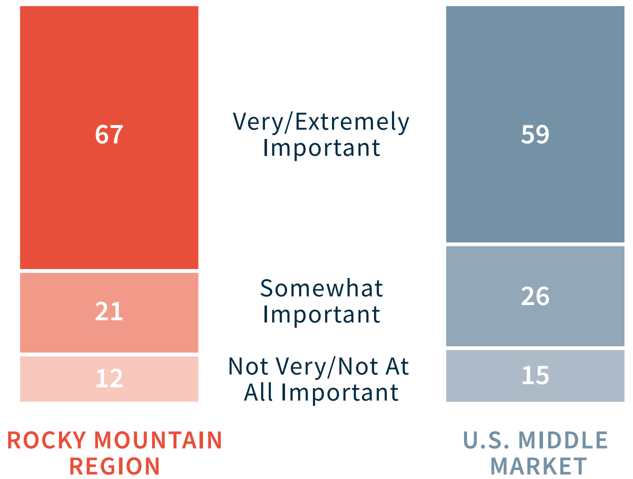
Business valuations and the Biden administration's proposed tax plan will significantly impact merger and acquisition strategy in 2021 and subsequent years. In interviews with leaders of private equity firms or businesses pursuing mergers or acquisitions, it was clear that business valuations are much higher than expected. Historically, significant market disruptions causing a downturn, like the 2008 financial crisis, are "level-setting events" where business valuations fall to reflect the new market realities. This anticipated leveling of values from the pandemic has not yet occurred. Based on valuation alone, some companies are waiting to purchase until the valuations fall. At the same time, President Biden's tax proposal incentivizes transactions to occur before the 2022 tax year, to avoid the expected increases in capital gains tax rates, the corporate tax rate, taxes to individuals with incomes greater than $400,000, and new surtaxes on cross-border operations. For some firms, the priority is finalizing deals in 2021, integrating financials, and leaving full integration of operations to be completed in the future by an internal team. Ultimately, leaders indicate that evaluating the cost/benefit of leveraging the capabilities and capacity of internal teams versus outsourcing this to partners will be an important exercise.

Environmental, Social, and Corporate Governance

ESG is an umbrella term for corporate policies related to environmental sustainability (ESG), corporate social responsibility (CSR), and diversity, equity, and inclusion (DE&I) and is "the framework for assessing the impact of the sustainability and ethical practices of a company."[4] Investors are increasingly incorporating ESG criteria into their investment models, as the influence of socially responsible investors grows.

Figure 6.

Percentage of middle market companies prioritizing diversity, equity, and inclusion within their corporate cultures



Source: Dietrich Partners and the National Center for the Middle Market. "The Rocky Mountain Region Middle Market 2020 Performance, 2021 Outlook."

[4]https://corporatefinanceinstitute.com/resources/knowledge/other/esg-environmental-social-governance/

Most of the middle market firms represented do not have formalized ESG programs or they have formalized only one aspect of ESG, such as CSR or programs to increase diversity in hiring. To date, much of the impetus for adopting policies that fall under the ESG umbrella have been driven by internal sentiment ("the right thing to do"), customer preferences, or industry trends. ESG is increasingly being used to rate businesses and as part of determining valuations.

CASE STUDY: *Cammie Muller, CFO, Aurora Organic Dairy.* Aurora Organic Dairy takes great pride in their award-winning CSR program. Recognized by the Corporate Register Reporting Awards in 2019, the CSR program was the first runner up in the category of Openness and Honesty and the Creativity and Communication category, second runner-up in Innovation and Reporting, and Best Overall. Every two years, leadership sets thoughtful, long-term CSR goals, followed by budgeting for CSR initiatives. Two staff lead the CSR program, which focuses on the Dairy's *"energy use and our carbon footprint, as well as water use— this is a big deal for us, especially operating in the arid west."* The CSR program also includes employee welfare and community philanthropy. For Aurora Organic Dairy, diversity and inclusion is *"ingrained in how we think and how we do business. A large portion of our workforce speaks English as a second language. Diversity is definitely something that we encourage, that we strive for, that we work toward, that we're mindful of. It is something that we look at, we consider, and we monitor in terms of our overall workforce and how we operate as a business."*

Adaptations and Innovations

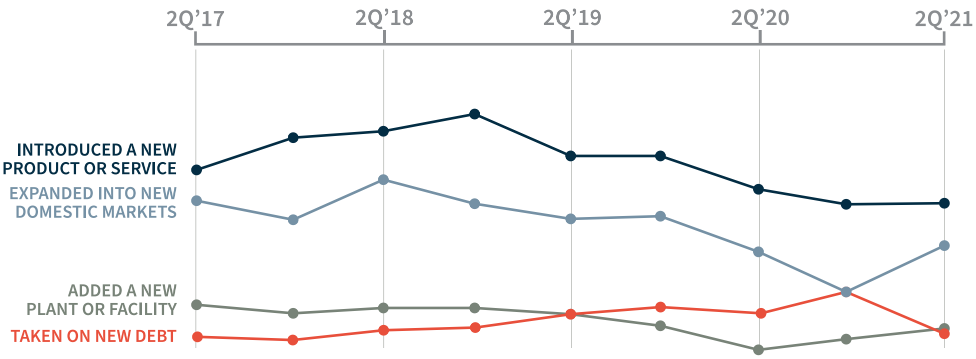
- *"What I think the pandemic really revealed was the business models that can truly adapt and those that cannot. Is your entire business tied to one segment of consumers? Is your entire business tied to one specific event? Businesses that were not diversified or could not quickly diversify did not make it through and should not have made it through, because their reliance was on just one channel." (Christine Nowaczyk, Senior Vice President, BOK Financial interview)*

Most middle market firms represented in the interviews did not have formalized ESG programs. In many cases, firms were unfamiliar with ESG altogether and had focused their efforts on components of CSR or DE&I efforts. Many pivoted to remote work, some changed their product mix, others delivered new services, developed new sales and business development practices, restructured, and sought new talent, and many invested in technology, transforming processes and procedures to improve efficiency and business performance.

Figure 7 demonstrates that through second quarter 2021, middle market firms nationally continued to be less likely to introduce new products or services than would have been expected pre-pandemic. Expansion into new domestic markets seems to be rebounding, and adding new plants or facilities and taking on new debt have nearly returned to 2019 levels.

Figure 7.

Percentage of middle market companies engaging in expansion activities over the past 12 months



Source: The National Center for the Middle Market. "2Q | 2021 Middle Market Indicator: An Uneven Recovery as Some Companies Excel While Others Continue to Struggle."

Interviews with middle market executives in the Rocky Mountain region yielded several key areas of adaptation and innovation, including:

- Launching new product lines and revenue streams
- Customer engagement and business development
- Facilities and real estate strategy
- Company culture and processes
- Return-to-office strategies

New Product Lines or Services

Firms that debuted new products or services in 2020 and 2021 included launches planned prior to the pandemic and new revenue lines built to respond to changes in demand caused by COVID.

CASE STUDY: *CEO, Food Manufacturing Company.* Historically the largest smoked fish provider to the cruise ship industry, this firm saw one of its main revenue streams nearly disappear as the pandemic shut down the cruise industry. The loss of cruise industry orders would have been severe had they not made strategic acquisitions in the years leading up to the pandemic to establish national retail channels. Through an acquisition in 2018, the company solidified its retail presence and is now found in main street independent shops, restaurant chains, and big, national retailers. The company's diverse set of products range from smoked salmon, innovative salmon products like Salmon Mignon, and salmon spreads. To increase their retail presence, the company adapted their products to meet retailer needs. *"We listen to what customer's needs are. [A national grocer] said to us, 'If you want national distribution, you've got to give us a fixed-weight product,' which we did."* The growth of the company's salmon spread business is an outcome of their commitment to innovation and reducing food waste to near zero, while staying true to their core business—smoked salmon. *"We're constantly looking at innovation for the company."*

Customer Engagement and Business Development

New approaches to customer engagement and business development evolved as middle market leaders adopted new technologies to replace in-person meetings and shift other processes to virtual tools. In addition to replacing sales calls and meetings with Zoom and Microsoft Teams, many leaders increased the frequency of customer engagement, formalized contracting and sales processes, and adopted new technologies to replace in-person site visits.

CASE STUDY: *Matt Emerson, President, CEAVCO Audio Visual.* Since its founding in 1961, innovation and adapting to change have been part of CEAVCO's DNA. Originally a reseller of audiovisual equipment, CEAVCO is now a leading provider of event technology solutions. Pre-COVID, CEAVCO's bread and butter was providing audiovisual services for large events. As their clients cancelled events in response to the pandemic, CEAVCO had to decide whether to make concessions and allow cancellations without fees or penalties. *"With the exception of one client for whom we had incurred significant preproduction costs, we let a lot of clients out of their contracts without asking them to pay anything. Or we let them cancel their shows without enforcing cancellation fees. They didn't have the event, so it was the right thing to do. A lot of our clients are associations, and their meetings are their economic engine, so they're hurting, too. It's not going to help us to turn the screws on them to get a little extra money. A good partner doesn't do that."* To survive and serve their clients, the CEAVCO team pivoted to the virtual world. Over the past 18 months, CEAVCO has developed a new virtual event business, offered a concierge service with a virtual green room for speakers, expanded their services to support continuing education, and completely revamped their sales and business development strategies. New products required new messaging. *"We used to email campaigns out as 'CEAVCO Audio Visual.' When we were pitching virtual work, we stripped the Audio Visual out of it, because people would say, 'No, our meeting's gone virtual. We don't need any AV.' We changed our messaging to emphasize, 'Whether it's in-person, hybrid, or completely virtual, we can help."* Seeing clients and speakers flounder when using technology in a virtual event environment inspired CEAVCO to create their speaker green room concierge service, which greatly facilitated their support of continuing education clients. *"A doctor [from a university medical school] spoke at a conference with the concierge green room, and he went back to his admin team and said, 'The experience that I have on our events is awful compared to the experience that I just had. Would you please reach out to this company and see if they can start doing our events?"* Willingness to adapt, try new things, deliver superior service, provide a truly dedicated and innovative team, and be a true partner to their clients as everyone adopted virtual meetings and events have positioned CEAVCO for the next iteration of their business: in person, online, and hybrid events.

Facilities and Real Estate Strategy

Most firms have not made significant adjustments to their real estate strategies throughout 2021—although most noted evaluating a reduction in their footprint given the emergence of a hybrid working model.

Industries across the board saw varying levels of restrictions to their plants, warehouses, offices, and retail locations, but these were for the most part temporary. While some industries, like manufacturing, cannot adopt a work from home policy, others are embracing virtual engagement with customers.

- *"Walk-in traffic at branch locations was already down because of digital offerings. During the pandemic, we saw even more virtual activity, out of necessity. Looking to the future, I think there will be more permanent branch closures, but this is driven by customer behavior and preferences rather than a response to the pandemic." (President, Financial Institution interview)*

- *"Every law firm I've worked with has always had excess office space. I think the pandemic forced law firms across the country to re-evaluate their space. Moving forward, I think law firms are going to shift their real estate strategy to have enough space to meet their current needs and have options to grow without leasing excess space up front. For example, in our Phoenix office, we had five floors, and now we're down to two floors. We had excess capacity and gave back some space." (Partner, Law Firm interview)*

- *"We have several years left on our lease so we're not making any changes any time soon, but it's definitely been a conversation. If a significant portion of employees are working from home at any given point in time, then maybe we don't need as large of an office space as what we currently have, and maybe we reconfigure it to fit a new style of working." (Cammie Muller, CFO, Aurora Organic Dairy interview)*

Company Culture and Processes

A number of leaders assessed their organization's internal systems and metrics, such as project management and employee performance, and identified opportunities to strengthen accountability, formalize processes, and increase efficiency. Organizations with regular internal audit processes or quality assurance/quality control (QA/QC) systems were ahead of the curve.

- *"I believe strongly in the notion of continuous improvement for a company overall. We had a very intentional culture we wanted to bring to the company, and the work on that got derailed as a result of COVID. We need to start that back up. Everybody should come to work every day and say, 'Okay, how can I do my job better? How can I take on more things? How can I contribute to the company in a way that increases our value, increases my self-worth, and makes me want to come back again tomorrow? This culture will foster continuous improvement throughout the company." (CEO, Food Manufacturing Company interview)*

- *"With the pandemic, I knew we weren't going to drive a lot of revenue. So we took the time to work on the business as much as in the business. We fine-tuned our leadership team structure for when we emerge from COVID. Certainly, we cut costs wherever we could. We also worked on DE&I plans, benefits, and more. We did a lot." (President & Owner, Design & Placemaking Company interview)*

- *"For the middle market law firms, I think we have to become more efficient. We're in competition for quicker, faster, cheaper deliverables. We have to be able to deliver good quality work, and it must be economical. Our clients are demanding that. I think moving to more standardized documents across practice areas will be more efficient." (Partner, Law Firm interview)*

- *"We do an internal survey every April. It audits all aspects of our business—IT, culture, finance, and benefits. We analyze the data and address any issues that arise. We've done this for the past five years, so we can gauge how we're doing and compare to past years' results. We have QA/QC (quality assurance / quality control) processes in place for all the work we do. We are continually trying to improve, so we have committees in place to modify and update our QA/QC." (President, Architecture and Engineering Firm interview)*

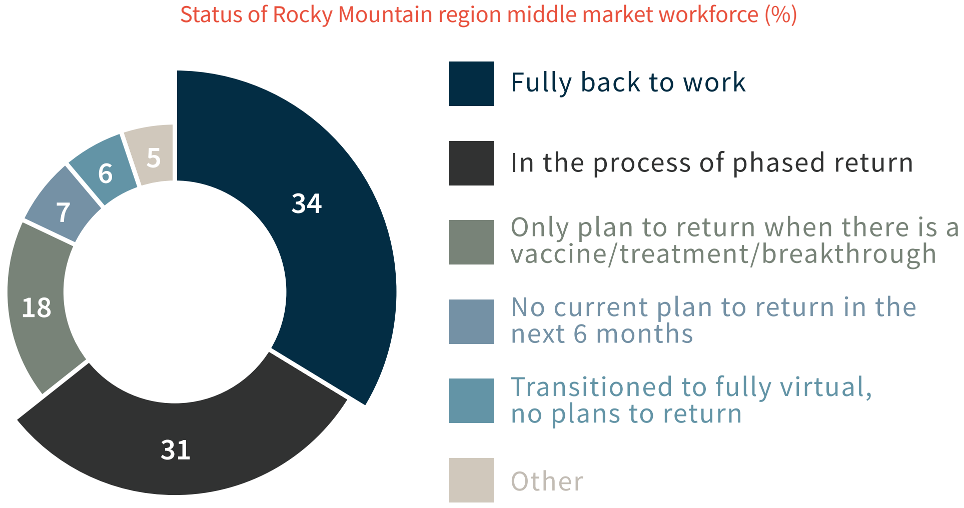
CASE STUDY: *Matt Joblon, CEO, BMC Investments.* During COVID, the CEO of BMC Investments, a real estate investment, development, and management company, spent time thoughtfully reflecting on his leadership and what he needed to better position the company for future growth in this new reality. He realized he had to evolve his behavior as a leader and rebuild the foundation by revising and optimizing the organization chart, putting the right people in the right positions, driving accountability throughout the organization, focusing on discipline to systems and processes, and committing to goal setting with objectives and key results (OKRs). *"I realized that in the last 10 years at BMC we had incredible growth—but it was chaotic growth that wasn't sustainable or scalable. COVID was a great time to slow down and reflect. It got really clear that we didn't have the right people in the right places or the foundation in place to take the business to the next level. We needed transformative change. The goal is to grow to $5 billion in assets under management in the next five years. We've done $2 billion in deals in the last 10 years but sold $1 billion in assets over the same time period, leaving us with $1 billion in assets under management. Therefore, we need to do $4 billion in deals over the next five years to hit that goal. One of the biggest lessons learned is that I am the bottleneck to making that happen. Investing in people, specifically the senior leadership team, and empowering them to drive that growth through effective execution of the business plan (which everyone has to be on board with) is the biggest shift in thinking over the last year from the way we did things over the last 10 years."* The CEO held a series of town hall meetings to be transparent and authentic and communicate his realization with the entire corporate office. *"Within three weeks, six people resigned, which gave us the opportunity to replace them with people who had the tools we needed to succeed. I did that purposely, and I knew that was going to happen. We needed to be incredibly clear about the vision, what it would take to get there, and how we would get there. And if you weren't 110 percent aligned with any of this, that was okay, but you should leave the company. I made it clear we needed everyone rowing the boat in the same direction to succeed here."*

The CEO also changed his focus from micromanaging to leading people and focusing on what they needed to thrive in their roles. *"It hit me during COVID that we have to be better at some of the basics by over-communicating with our team consistently, living the values with our behavior every single day, focusing on how to create an environment where our team can thrive, and understanding the team's personal and professional goals to make sure there is alignment. Everything was about making sure people were clear where we were going, how we were going to get there, and knowing each person was fully committed. That is absolutely critical."* A leadership coach facilitated a retreat with the executive team, jumpstarting BMC's refreshed approach and getting team buy-in. The leadership team required the entire corporate office to read *"Measure What Matters"* and followed up with a workshop to discuss effective goal setting. *"To get the most out of people, or put another way, helping them unpack their possibility, we needed to support them in thriving in all aspects of their lives, including personally with their physical and mental health, their families, and their communities. You cannot be struggling in one of those aspects and be thriving in another. It just doesn't work that way. We are seeing the results from all of this and are committed to the discipline it takes to continue with this change in leadership philosophy."*

Return to Office

Figure 8 presents the status of the Rocky Mountain region middle market workforce in early 2021. At that time, one in three firms was fully back to work, and about the same share were in the process of a phased return. The availability of vaccines made returning to the office realistic for most employees. By spring or summer 2021, all firms interviewed had returned to the office, with some choosing to adopt a hybrid model of remote and in-office operations.

Figure 8.



Source: Dietrich Partners and the National Center for the Middle Market. "The Rocky Mountain Region Middle Market 2020 Performance, 2021 Outlook."

Work-From-Home Policies

While leaders understand the importance of work-life balance and the desires of employees to work remotely, all executives noted an emphasis on the importance of returning to the office.

To these leaders, engaging with colleagues in person is essential for functional teams, mentorship and grooming, and fostering a company culture.

Now, leaders are tasked with implementing work-from-home policies that meet the needs of both employees and the business, something that continues to evolve as we see changes in COVID variants, a war for talent, and other influences.

- *"Businesses are going to find that people working from home long-term does not build culture, does not build employee satisfaction or cohesiveness. If you're working from home, you're by yourself all day. It causes anxiety, separation, and FOMO—fear of missing out. Now the pendulum is swinging toward having people work from home, but my view is that in the next 12 to 24 months, you're going to see that pendulum come back. Right now there's a big swing to downsize office space, but I think that will turn." (Stuart Smith, Owner & CEO, Buehler Moving Company interview)*

- *“If an employee wants to work from home, they can, within the parameters of our policy. We only allow one or two days remote a week. We don’t have anybody 100 percent remote anymore.” (President, Architecture and Engineering Firm interview)*

- *“At the start of COVID, we evaluated every position in the company and asked if it could be done remotely. We embraced the fact that we all don’t need to be in the office in person to effectively serve members. I wanted to enable staff for remote work to the full extent possible with a plan to maintain that flexibility moving forward. This required a lot of work in a short period of time, and the team was somewhat nervous about the prospect of managing a remote workforce. The team adapted quickly, and we’re now better equipped to serve our members and support our employees, now that we’ve made the transition to a more adaptable work environment.”(Matt Rarden, President & CEO, Kirtland Federal Credit Union interview)*

- *“About 20 percent of our staff are fully remote, but we have offices in Denver and Seattle, and we leave it to our employees to decide when they want to come in. So I would say, on any given day, the office is 50 percent full. We had a reopening party, but our mentality around this is to create a space where people want to be versus saying they have to be here each day from this time to this time.” (Martha Weidmann, CEO & Co-Founder, NINE dot ARTS interview)*

In speaking with executives, many noted specific elements of their work-from-home policies that have been effective, including:

- No meetings on Monday mornings before 11:00 a.m. to provide space for employees to plan at the beginning of the week
- Requiring employees to be available during core hours between 9:00 a.m. and 3:00 p.m., allowing for flexibility outside of core hours for employees to direct when they complete their remaining daily hours
- Requiring staff to be in-office at least three days per week, and communicating that the business preference is in-office full time
- Requiring the majority of staff to be in office on certain days to facilitate collaboration
- Modifying workspaces to entice staff to return to the office

- *“I think there’s some excitement about returning to the office because they have some new flexibility. But the flexibility is not haphazard. It’s not freedom of choice, and it’s not run by employees. We have been very thoughtful. We involved staff in the decision-making, and they feel valued. We also put them through some of the decision-making exercises so they could understand the complexity of some of the decisions we needed to make around flexibility and working from home, and I think that was very successful.” (President & Owner, Design & Placemaking Company interview)*

Vaccine Policies

Discussion of vaccine policies occurred before the announcement of the Biden administration's vaccination mandate for all federal workers and federal contractors and firms with greater than 100 employees. Therefore, the vaccine policies reported here may have changed to comply with the federal mandate. At the time of the interviews, most middle market companies' vaccination policies encouraged staff to be vaccinated but did not require vaccination as a condition of continued employment, in keeping with public health guidance. Firms requiring vaccination did receive some pushback from employees but found that all chose to be vaccinated. Some firms offered cash incentives to motivate unvaccinated employees. In general, leaders reported vaccination rates of 80 percent to 95 percent without a mandate. Most companies shared that vaccinated employees are not required to mask, while those who are not vaccinated are asked to mask.

Personal Protective Equipment (PPE) and Physical Environment Adjustments

Leaders followed public health orders for requiring PPE and adapting their physical environment to measures intended to reduce the spread of COVID. Some manufacturers and warehouses upgraded HVAC systems, instituted COVID protocols for manufacturing facilities—daily temperature checks, masks, shields, lab coats, booties, hand sanitizer, weekly COVID testing—and required mandatory quarantine for employees exposed to COVID.

- *"We did an office renovation to allow for safe, comfortable socializing and collaboration for those who wanted to come back in. We also created individual working spaces designed specifically for Zoom meetings, podcasting, and other digital interactions. Then we developed another large collaboration area with an open coffee shop style so that staff who wanted to be in the office could have space to keep distanced if needed, yet could still connect and collaborate. (Martha Weidmann, CEO & Co-Founder, NINE dot ARTS interview)*

Challenges and Pressure Points

From the onset of the COVID pandemic through the first half of 2021, middle market executives encountered numerous challenges to their organization's performance and unexpected pressures on operations. Nationally, more than half of middle market leaders identify core business issues[5] as a key internal challenge they must address over the next 12 months, and nearly half are concerned about talent management. One in five anticipate ongoing internal issues tied to COVID-19 and one in ten continues to be challenged by managing costs. Overall, leaders are more likely to be concerned about internal challenges than external ones. But, among the external challenges, core business issues are relevant to one in three firms, as shown in Figure 9.

[5] Core business issues include maintaining revenue and sales growth, ensuring customer satisfaction and retention, and IT and technology challenges.

Figure 9.

Percentage of middle market leaders citing an issue as a key challenge over the next 12 months

INTERNAL CHALLENGES		EXTERNAL CHALLENGES	
1. CORE BUSINESS ISSUES*	54%	1. CORE BUSINESS ISSUES*	32%
2. TALENT MANAGEMENT	46%	2. GOVERNMENT	14%
3. COVID-19	18%	3. ECONOMY	13%
4. COSTS	13%	4. COVID-19	12%

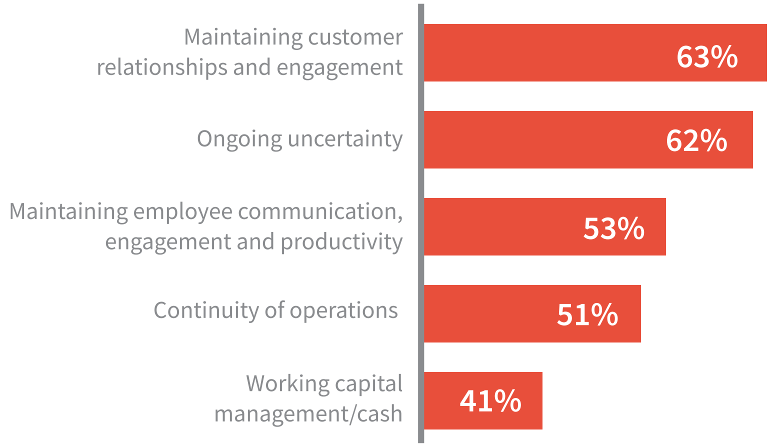
*Core business issues include maintaining revenue and sales growth, ensuring customer satisfaction/retention, and IT/technology challenges.

Source: The National Center for the Middle Market. "2Q | 2021 Middle Market Indicator: An Uneven Recovery as Some Companies Excel While Others Continue to Struggle."

Among middle market executives from the Rocky Mountain region surveyed, nearly two of three consider maintaining customer relationships and engagement and ongoing uncertainty as the most difficult aspects of running a business in the current environment. As discussed in the overview of the 2021 landscape, working capital management/cash is the most difficult aspect for the smallest, yet still significant, share of middle market enterprise leaders (41%). Half of regional middle market executives identify maintaining employee communication, engagement, and productivity and continuity of operations as the most difficult issues in today's environment. It is clear that the current environment creates difficulties that most leaders of middle market firms in the Rocky Mountain region experience.

Figure 10.

The most difficult aspects of running a business in the current environment according to Rocky Mountain region executives (%)



Source: Dietrich Partners and the National Center for the Middle Market. "The Rocky Mountain Region Middle Market 2020 Performance, 2021 Outlook."

Interviews with middle market executives yielded similar findings; challenges and pressure points in the current environment include:

- Multiple issues related to talent
- Impacts from supply chain disruption
- Incomplete integration following mergers or acquisitions
- Regulatory issues

Retention and Recruitment of Talent

Challenges related to talent include recruitment, compensation, and engagement and retention. Talent-related concerns apply across all industries represented in the middle market leader interviews and across all job positions and roles.

Recruitment

The labor market across all middle market industries participating in this study is the tightest in recent memory. The labor shortage is not caused by a single factor, rather by several market dynamics having the effect of reducing the labor supply. These include:

- Continued access to public resources designated to support individuals and families through the initial COVID shutdowns, furloughs, and job losses, like additional unemployment benefits and stimulus checks

- Disruption and uncertainty in secondary industries that facilitate labor market participation of adults in family households—namely formal and informal child care, out-of-school time care for school-age children, and consistency of in-person schooling
- Resistance to returning to in-person offices and facilities
- Employee resistance to comply with federal or corporate vaccine mandates, an emerging trend in the third quarter of 2021, rising in prominence as government and corporate vaccine mandates are implemented

Examples of executives' experience with recruiting in the first half of 2021 include:

- *"We're having trouble recruiting front-line workers in the $15 to $20 range and high-level professional roles where their talent is in high demand. Those professionals can pick where they want to go for salary, work-from-home allowances, and so forth. We aren't having trouble recruiting management trainees, who are typically college graduates, and our locations are all in pretty attractive places—Palm Desert, Phoenix, and the Denver Metro area." (President, Financial Institution interview)*
- *"Currently, hiring for the field is very difficult. Project managers are always tough to hire; they're very hard to find. For a project manager role, you really need someone with good experience." (President, Construction Company interview)*
- *"At the Clayton Hotel & Members Club, we have a significant labor shortage, probably 20 percent to 25 percent short of the needed staff to execute the level of service we expect. It is incredibly challenging to hire people in this environment. I think that's a combination of two things: the additional unemployment benefits and how much of that people saved and/or invested in the stock market or crypto and have made even more money with that and don't have a necessity to go back to work yet, and a lot of people have left the hospitality industry—why would you get minimum wage with tips for a challenging job when you can go work in an Amazon warehouse making $18 per hour? Most people had the time to think about their lives during quarantine and had the realization they don't want to be in hospitality. I don't know how that comes back into balance, but here is what I do know: A lack of resources creates resourcefulness. We are going to get resourceful and figure out a way to deliver the quality of service we expect within the constraints we have in front of us. I think this whole labor issue will expedite automation in every single industry. That will have massive impacts across the board long term that will change the structure of our economy." (Matt Joblon, CEO, BMC Investments interview)*
- *"But I think the market will right itself over time because people have to go back to work eventually and will do so once the unemployment subsidies and government programs are done. There are jobs out there, because right now it feels like everybody is hiring. So let the market do its job and the situation will solve itself. Overall, I'm optimistic that all this is going to recover, but I think it's going to be challenging in the next year or two, as we navigate all of this." (Cammie Muller, CFO, Aurora Organic Dairy interview)*

- *"The biggest concern I have is lack of availability of people. It's the weirdest thing. I was talking to a friend who owns an engineering company. They can't hire engineers. My CPA firm can't hire any CPAs. They want to hire talented, knowledgeable people with degrees, and they can't find people." (Stuart Smith, Owner & CEO, Buehler Moving Company interview)*

As discussed in the previous section, operating through 2020 revealed that not all firms had the right talent in place to effectively steer their organization through the pandemic. This talent mismatch and desire to put the right people in place creates internal delays as projects fall behind or opportunities are missed, and current employees are asked to keep performing at unsustainable levels that often result in burnout.

Priorities from Current and Prospective Employees

All of the leaders interviewed described upward pressure on salary and wages as firms try to attract new talent and entice workers to return to the labor force. In many markets across the Rocky Mountain region, rising housing prices create upward pressure on salaries and wages, as employees must increase their incomes to meet the cost of living.

- *"I think the biggest concern for employees right now is their future and their role in the business. They want to know, over the next five years, what's the value proposition for career development, personal development, and the success of the company? Employees are wary of boom-and-bust cycles of hiring and layoffs; they are not interested in a purely transactional employer/employee relationship.'" (CEO, Air and Natural Gas Compression Company interview)*

Businesses are competing for talent, so paying attention to talent engagement and retention strategies, in addition to offering competitive wages and salaries, is essential. Some employees are combating pandemic fatigue, and others are exhausted from working overtime week after week; leaders are paying attention and are looking for ways for current staff to take some time off.

In addition to salary and wage increases, prospective employees are requesting a range of benefits and workplace culture characteristics, including:

- Flexible hours
- Opportunity to work remotely or a hybrid office/remote situation
- Working in groups or teams—more collaborative roles
- Professional development
- Restoration of compensation and benefits cut during 2020

A number of middle market executives described a desire by employees for a better understanding of their firm's goals and trajectory, how the firms will achieve those goals, and what opportunities employees have to contribute to business success. Businesses are competing for talent, so paying attention to talent engagement and retention strategies, in addition to offering competitive wages and salaries, is essential. Some employees are combating pandemic fatigue, and others are exhausted from working overtime week after week; leaders are paying attention and are looking for ways for current staff to take some time off.

- *"A lot of people who left us, left for more money than we were willing to pay them. However, I have learned that when you have the right people in your organization, retention isn't just about the money. People want to be paid what they think they are worth, but they also want recognition, they want to see their career path (money, responsibility, titles) laid out for them with crystal clarity, and they want to enjoy coming to work every day, which is a combination of being passionate about what they are doing and the relationships they build with the people they are doing it with. And because of that, now more than ever, culture is more important than strategy. Find the people that are playing a bigger game, have a bigger mindset than just 'who will pay me more.' When it is just about the money, it usually doesn't end well." (Matt Joblon, CEO, BMC Investments interview)*
- *"People ordinarily love overtime, but they love it to a point. There's only so many weeks in a row you're willing to work 50 and 60 hours, and then it starts to turn the other way from a productivity perspective, and even from a culture perspective. That's a tough balance. We don't want to overwork our team. We need to be very careful in that regard." (CEO, Food Manufacturing Company interview)*
- *"I think employees are tired. I think some have uncertainty about returning to the office, and some employees learned they prefer working from home. As a result, they may not want to return to a position where they are required to work in an office on a regular basis, and they may seek other positions where they will be allowed to work from home." (Cammie Muller, CFO, Aurora Organic Dairy interview)*

Communication and Visibility as Retention Strategies

Many of the executives interviewed described how their communications with employees changed throughout 2020; regular pandemic updates gradually transitioned into more general business updates and served as a platform for engaging with employees.

Trends in recruiting and retention related to communication and visibility observed by some middle market leaders include job seekers and current employees valuing:

- Opportunities for direct feedback, professional development, and coaching—a desire to be led
- Opportunities to connect with colleagues and build relationships through happy hours and fun events
- Adding incentive plans to sales
- Performance bonuses for hitting goals across job functions

Supply Chain Disruption

The impact of supply chain disruption is felt across industries, and things are not improving. Businesses cannot make timelines, supplies are two to three months out, and supplies of all types are increasing in cost, adding another inflationary pressure to the economy. Parts for repairing vehicles and equipment are in short supply. One firm purchased new vehicles when it became clear that parts for necessary repairs were not available and would not be for some time. A number of middle market leaders are actively seeking suppliers who can deliver product in a reasonable amount of time are having little success finding new partners.

- *"The world of just-in-time supply chains is getting its first major test. What happens with a major disruption? Products that would have typically had a 12-week lead time now has a 30-week lead time, and even that isn't guaranteed. We're feeling it across multiple vendors and channels." (CEO, Air and Natural Gas Compression Company interview)*
- *"I keep thinking that the COVID pandemic disruptions are behind us because the supply chain has had long enough to recover and solve itself, but it feels like maybe it's got to get worse before it gets better and we're just starting to see the worst of it." (Cammie Muller, CFO, Aurora Organic Dairy interview)*
- *"Packing material cost has gone up four times this year, with price increases from 8 percent to 25 percent. Demand for delivery boxes has soared, with people [working] and shopping at home. There's only so much corrugated for delivery boxes, and the corrugators are maxed out. Our packing material costs have gone up 45 percent this year." (Stuart Smith, Owner & CEO, Buehler Moving Company interview)*

Integration Challenges

Mergers and acquisitions are a core strategy of a number of middle market firms represented in the interviews. The pace of transactions, COVID disruptions, and lack of internal capacity and expertise to successfully complete full integration results in leaders attempting to manage disjointed operations when post-transaction integration is not successfully completed.

- *"How can we develop integrated systems to be more efficient? We made acquisitions in the past few years, but we are still working on full system integration. Until that is complete, many tasks are still manual, like filling out time sheets." (President, Construction Company interview)*

Regulatory Considerations

With respect to challenges related to regulations, the Biden administration's proposed tax policy, federal COVID mandates, and the unresolved federal legal status of the cannabis industry are common regulatory issues raised in interviews.

Upcoming Tax Policy Concerns

Proposed changes to the tax code will have significant impacts on corporate and individual taxes. These changes will factor into the business decisions for most middle market firms and may lead to changes in how deals are structured, the timing and terms of business sales, how firms invest, and growth strategies.

Federal COVID Mandates

After these interviews were completed, President Biden announced his administration's order directing OSHA to promulgate regulations requiring all government contractors, suppliers, and enterprises with more than 100 employees to mandate employee vaccination. While the draft regulation is not yet available for comment, compliance will necessitate developing new business processes and may exacerbate worker shortages if employees choose to lose their jobs rather than be vaccinated.

Cannabis—Federal Legalization vs. State Legalization

As of September 2021, cannabis is fully legal in only four states; the extent of legalization and decriminalization varies, and ranges from full legalization to sale and use of CBD only. Middle market firms operating in the cannabis space continue to face a host of uncertainties at the federal level, and this will persist until federal legalization or passage of the SAFE Banking Act or the MORE Act. This would resolve key vulnerabilities in banking, access to credit, and protection from federal drug seizure laws.

A Call to Action

The pandemic exposed or amplified internal weaknesses, generally tied to not having the right people in place to meet a firm's changing needs. For some, the executive team needed leadership development. Other organizations struggled with project management, completing new technology upgrades, and developing effective procedures and processes. Some had great ideas but lacked the expertise or capacity needed to bring projects to completion. Some firms had completed mergers or acquisitions years ago but were still not completely integrated.

Middle market enterprises have the opportunity to take action to change course and move from problem identification to actionable solutions. The research findings suggest that middle market enterprises should consider whether strategic planning, leadership development or change management, post-M&A integration, internal audits or operational assessments, and developing ESG programs will address weaknesses and build a more resilient, profitable, and effective businesses.

Strategic Planning

2020 changed the notion of how companies conduct strategic planning, and 2021 was the period of adjustment. Shorter sprints for strategic planning served businesses well during the pandemic, as they were more able to adapt to changing conditions. Going into 2022, executive teams will need to stabilize their planning processes, finding rhythms that suit their cultures and drive them to achieve their goals. Regardless of the planning horizon, an effective strategic planning process will help leaders understand their growth in the context of the post-pandemic economy and identify the right people in the right seats to undertake the right activities for success.

Leadership Development and Change Management

The last two years have brought a lot of change, forcing both employers and employees to adapt. This change is not easy and in many cases it is multifaceted. More than ever, change management is critical to the success of implementing new habits, procedures, and ways of life within an organization. In interviews, a number of middle market executives described how they benefited from leadership development and change management.

Internal Audit and Operational Assessment

Several executives interviewed for this study described how they informally looked at internal processes and systems in 2020 and 2021. They identified areas for improvement, where efficiency and effectiveness could increase, but time ran out or staff capacity was maxed, so no action was taken. Those companies would benefit from a formal internal audit. That process provides clarity for how a business is doing operationally overall and within each functional area, from HR to IT to finance, and gives leaders a road map for change. Undertaking this type of assessment is especially important for organizations looking to sell for best value, as part of due diligence for a purchase, and as part of a post-purchase assessment. Now is the time to set up and execute an internal audit so these critical improvements do not fall by the wayside as management teams shift their focus to their next challenge in the post-pandemic recovery.

Post-M&A Integration

While there may be short-term benefits to a lack of integration, this poses long-term operational issues for businesses—especially those that are public and have a reporting duty or are planning to sell to maximize exit value. Some interview participants described integration challenges persisting several years after financial integration was complete. This is unusual, and the best practice is full organizational integration, but not all internal teams have the expertise or capacity to execute full organizational integration. Not having the right team in place sabotages the merger or acquisition, as the efficiency gains sought from the transaction will not be fully realized. Expertise is needed to show internal teams how to restructure and successfully get people on the same system throughout the organization.

ESG Policies

As discussed, ESG is growing in importance, and the ESG framework is being incorporated into valuations of private companies, ratings of public companies, and other evaluation metrics. Most businesses represented in the interviews did not have formal ESG policies, a weakness that should be addressed in the next year, as the ESG movement is gaining traction. Start with an ESG assessment to understand the state of company efforts. In most cases companies have informally adopted policies or practices that are relevant to ESG, like sustainability and diversity initiatives, or have embraced the principles through natural habits. However, those policies are not formalized and cannot be properly assessed, which is a missed opportunity.

Outlook—2022 and Beyond

The findings from this exploration of the 2021 landscape for middle market enterprises in the Rocky Mountain region, how firms adapted and innovated in response to the health and economic impacts of the COVID-19 pandemic, and their current challenges and pressures yielded points of inspiration and caution. Based on the experiences of middle market business leaders who participated in the interviews, being willing to adapt, able to innovate, and determined to become more efficient and effective organizations greatly contributed to the survival of their business and laid a foundation for growth and continued success in the coming years.

Looking to the future, Rocky Mountain regional middle market enterprise leaders are cautiously optimistic. Most are clear on the pandemic challenges that continue to impact their business, particularly the labor shortage, supply chain disruptions, and pressure points on the mergers and acquisitions market—surprisingly high business valuations and potential changes to tax policy. Leaders have seen 2021 revenues meet or exceed expectations, and those who are still underperforming believe they will recover in 2022 or early 2023.

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