



To BCG's network around the world,

Over the past few weeks, as the US starts to emerge from the pandemic, I have had a chance to engage with several dozen US-based CEOs on the issues they are seeing. Interestingly, most of their biggest concerns are similar, even though these CEOs represent a wide range of sectors in the economy. Here are the top five:

1. **Large, Unexpected Supply Challenges.** A year ago, after worries about the health of employees and customers, the primary concern keeping US business leaders up at night was demand: how deep would revenues drop, and for how long? It's remarkable how different it feels now. Broadly speaking, confidence in demand is sky high. At the same time, however, supply constraints come up over and over; whether it's semiconductors, food, raw materials for health products, or household items, supply chains are under enormous strain. Some CEOs are even worried about top-line impact in the second half of this year and into 2022.
2. **People, People, People.** Compounding the supply chain challenges are people shortages. Many CEOs will be disappointed, but not surprised, to see the challenges in getting people back to work apparent in last week's US job growth numbers. Some of this may be short term, but also top-of-mind are the bigger issues about how future work models will evolve and what that means for retaining talent. For many of us with global workforces, of course, the divergence of the pandemic is striking. In the US, we're talking about how to overcome vaccine hesitancy, while in India and South America we confront a crisis putting the lives of many of our colleagues at risk. We're entering a very complex period as far as keeping people safe, engaged, and productive; supporting societal priorities; and inventing new work models.
3. **Inflation Angst.** As I [wrote to you](#) a couple months ago, our perspective at BCG is that, yes, input prices are rising, but that doesn't mean systemic inflation is returning. That viewpoint seems in line with what we're hearing from both US Treasury Secretary Janet Yellen and Fed Chair Jay Powell, who see near-term

inflation as a temporary phenomenon. But rising costs and the impact on margins and prices are still a concern for many CEOs. The shortages in materials and labor mentioned above are fueling these pressures, leaving CEOs to wonder how much of the increased cost can be passed on to customers—and how long this will last.

4. **Multistakeholder Opportunities and Stresses.** Beyond vaccine breakthroughs, the most striking trend of the year is how the issue of climate and sustainability is emerging as a top-three priority for so many CEOs. But taking on the climate challenge—how ambitiously to set goals, what exactly to report, how boldly to reshape strategies and investment agendas—presents enormous high-stakes questions many are wrestling with. And while climate is at the fore, other ESG and societal challenges are not far behind: bringing racial equity commitments to life, deciding how broadly and specifically to report on a wide range of topics, and whether and how to speak up about sensitive issues such as US election laws. It's become increasingly complicated for CEOs to take actions that align with their organization's purpose, appropriately representing their employees and their values, while still creating great value for shareholders given the pressures of investors and activists.
5. **Accelerating Digital and AI Transformation Agendas.** With all that has happened over the past year, it is easy to forget the enormous changes underway before the pandemic began. Technology, digital, and AI are reshaping nearly every sector, with opportunities to deepen customer relationships, build resilience, and improve productivity. The risks of falling behind are huge—whether from cyber threats, such as the Colonial Pipeline shutdown, or by being disrupted by more technology-adept competitors. The deeper that companies get into this change agenda, the more they realize it is at least as much about people as it is about technology—truly building [bionic companies](#) that are able to integrate technology and people and to learn and adapt at a faster pace.

As I near the end of my CEO tenure later this year, I can honestly say it has rarely been harder to be a CEO, no matter where you are in the world. The challenges are so intense, and it seems as if the world continually gets more complicated and moves faster—including other dimensions, such as geopolitics. On the other hand, relative to what we all feared a year ago, I think most of us are thankful to be in a world of great vaccines—albeit with faster global rollout needed—and an economy that seems to have more upside than downside for the years ahead.

Until next week,



Rich Lesser
Chief Executive Officer



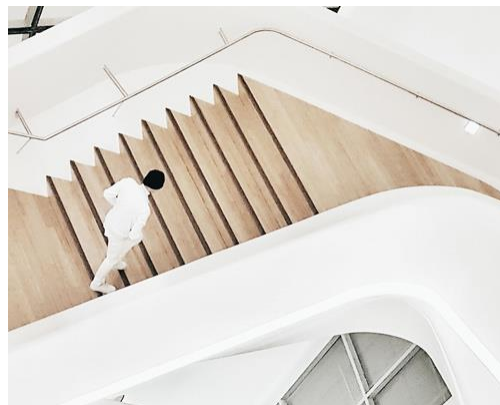
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