

2023 Presents Challenges, Rewards for Local Firms

The Business Journal asked five OC business leaders for their thoughts on the local and national economy, and expectations for their own businesses and industry sectors for 2023. Comments follow below and have been edited for clarity.

The possibility of a recession is “the elephant in the room” at companies across Orange County.

Business leaders have learned how to operate, compete, and grow in the less-than-optimal conditions of the pandemic. Applying this resourcefulness to a downturn in the market should help them weather a recession and keep the OC economy moving. While a pending recession is currently expected to be short, it may affect some deeply. Homebuyers are already seeing the prospect of home ownership become out of reach as interest rates rise. Companies that need to borrow to fund their growth may have a more challenging time as interest rates rise to fight inflation and access to capital decreases.

From a market perspective, there continues to be volatility in stock prices and there has been a significant decrease in IPOs as compared to 2021; a trend that will likely continue.



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As for our firm, **Haskell & White**, we continue to attract and retain top talent to meet a growing need for audit, tax, and consulting services for companies operating in the middle market. Opportunities to serve clients in a remote or hybrid manner have increased the geographic reach of our services and clientele. We learned valuable lessons throughout the pandemic on how to serve clients in a remote or hybrid environment. Today and in the future, our growth is much more dependent on obtaining talent than establishing physical office presences beyond our Irvine and San Diego locations.

As we look forward to 2023 (and beyond), we are focused on the availability of qualified personnel to bring into our growing practice, helping our clients manage any effects the recession may have on their business—though all will not likely be affected equally, and the increasing and evolving tax laws and securities regulations affecting our clients. ■

Orange County has always been a resilient economy capable of adapting to evolving markets. Investment firm **Goldman Sachs** recently issued a base case scenario in early December calling for the U.S. economy to narrowly avoid a recession in 2023. In this scenario, Goldman fully accounts for macroeconomic and geopolitical headwinds while acknowledging that if a recession were to take place, it would be relatively mild given the robust underlying U.S. fundamentals.

Assuming this base case plays out, we expect Orange County to continue growing throughout 2023, but likely at a rate lower than California’s most recent 2021 Gross State Product (GSP) rate of 7.8%.

Kofax has enjoyed consistent growth since it was founded in Orange County in 1985. Over time, we have grown into a global intelligent automation software company with more than \$600M in annual revenue and 2,000 dedicated employees.

Going into 2023, we anticipate the demand for automation software to support our organizations’ transition to digital business will

only increase. As a result, we plan to continue investing across many areas of our business. Areas of investment include expanding our customer success teams to support our customers, accelerating our cloud and AI product innovation and bringing back in-person customer and partner events.

As we enter 2023, we’re staying close to a few key areas.

■ First, we have several business transformation initiatives in-flight and in a challenging macro environment we need to remain focused on both the speed and quality of execution to deliver noteworthy results.

■ Second, the availability of funds in debt markets are important to our acquisition and growth strategy, yet they now have limited availability and are very expensive given market uncertainty and recessionary risks.

■ Third, the talk of a challenging ’23 has an impact on employee and customer outlooks, so we’re mindful of how critical it is to frequently communicate our company’s strategy, so these constituents feel confident in where we’re headed as a company. ■



Reynolds Bish
CEO
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Overall, I believe the Orange County economy is diverse and well-insulated against potential downturns in any one sector, thanks to its mix of tourism, technology, medical device, life science, and other businesses.

While the venture capital market has slowed down in terms of exits, causing some VCs to be more cautious with new investments, I don’t think the impact will be too significant. Good companies are still able to raise capital, though at lower valuations, and as long as they are past the development stage and in the commercialization phase, they should be well-positioned for success in 2023.

Our plan is to continue making strategic hires in areas where we are seeing high demand, particularly in the life sciences, aerospace, and financial services sectors. These areas have been performing well for us and are expected to continue growing



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through 2022 and into 2023. We have opened offices in several markets across the country, as well as in Canada and Europe, and plan to continue expanding geographically in the coming year with targeted hires.

As demand remains a key concern, our diverse executive search practices have helped us weather the storm in the last six months. If the Federal Reserve stops raising rates and the terminal rate settles between 4.75% and 5%, companies may begin to move forward with their plans and adopt a more competitive mindset, which is positive for our business.

However, if signs indicate continued high inflation and the Federal Reserve needs to raise rates above 5%, this would create a new level of uncertainty and caution in the market, potentially making the next few years more challenging. Only time will tell. ■

I’m optimistic that OC is in a strong position to weather many of the economic headwinds the nation is facing, such as inflation and high interest rates and a general economic slowdown. We’ve recently seen job growth across core industries, increased labor productivity, and new economic development and construction—all of which give me reason to believe that the strength of the local economy will largely shield us from the uncertain global fluctuation.

Infinite Electronics is a growth-minded company—and that growth is both local and global. Locally, we are constantly looking to attract and retain the best talent in Irvine to support our operations at headquarters. As a portfolio company with more than a dozen brands

under our umbrella, we’re also hiring for numerous positions across a range of markets and geographic locations and will continue to do so in 2023. Globally, we will expand our footprint in Europe and welcome more than 600 employees with the acquisition of **Cable Connectivity Group** in 2023.

Managing the effects of rising economic uncertainty is surely a top concern as we head into a new year, but as a leadership team we are confident in our team’s ability to face whatever lies ahead. We also continue to help our customers navigate supply chain issues they may be facing. We’re also focused on developing and growing our workforce as we continue to pursue growth opportunities as a business. ■



David Quinn
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Chapman University has an excellent track record so we would not be surprised to see their predictions come to pass. Interest rates ballooning at a historically rapid rate have an outsized impact on the California housing market, as tens of thousands of buyers are being priced out of the market due to unaffordable mortgage rates.

The Southern California market was already one of the most expensive in the nation, interest rates have compounded the issue and pushed attainability further out of reach.

The real solution for housing costs in California is production. Our supply of housing is wildly out of sync with the demand. That is something we can fix, but a litany of laws prevent production at scale. Until we address the 40-plus year backlog of underproduction of housing, Southern California will continue

to have housing challenges that are acutely linked to rising interest rates.

There is no question that California is losing great young leaders to other states because housing policies have made living in California unaffordable.

If you know anyone with children in their 20s then you know a surprising number of people who have left California.

And what isn’t to love about California—so it’s not the climate they are leaving, it’s the quality of life that doesn’t exist for young people that drives them away. This is directly linked to housing attainability.

It is also important to note that in many



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ways, California has made the choice of having the most expensive housing markets in the nation. Our great weather coupled with strong job markets create intense housing demand stretching back to the end of World War II. However, government restrictions have prevented the housing market from producing enough housing stock to meet that demand. We have seen housing costs increase for generations and have now, finally, arrived at a crisis point.

When Gov. **Gavin Newsom** first ran for office, he spoke of the housing crisis. We have identified that California has been in a crisis for years, and we have not seen any solutions that resulted

in production of housing on the scale necessary. Although some recent housing legislation may sound good in Sacramento, those laws are too often burdened with expensive conditions. The result is that these new laws will never be used on a scale to make a real dent in the state’s housing crisis. This leaves the state wildly vulnerable to economic whims beyond our control. As a result, we are seeing young talent leave the state for greener pastures. Unless we get serious about producing housing at scale, California remains vulnerable to a future it cannot control.

Also, the California state budget is predicated on a boom/bust cycle. In 2021, we had a historic state budget surplus and now we face a \$24 billion deficit. This lack of stability undermines California’s ability to provide a stable business environment. ■