19th Annual Global CEO Survey / January 2016

Redefining business success in a changing world

CEO Survey

1,409 *CEOs interviewed in 83 countries*

66% *of CEOs see more threats today*

76% *of CEOs define business success by more than financial profit*

pwc

www.pwc.com/ceosurvey

Introduction from Dennis Nally

How to lead in complicated times? That's the question all CEOs are seeking to answer at a time of prolonged and continuing uncertainty.

As they look forward to the year ahead CEOs are less confident about prospects for the global economy than they were in 2015. The same is true overall when they consider their own company's prospects for growth.

Many CEOs do still see opportunities but they are looking to play things safe. The United States and China are far and away the most important markets that CEOs identify as offering the best prospects for growth, with Germany and the United Kingdom some way behind. That said, CEOs also see potential in India's bullish business attitude and in Brazil despite its current political and economic struggles. Potential new opportunities in Mexico and the UAE have also made CEOs pay attention in the last year.

CEOs continue to highlight over-regulation as their biggest concern. But even as issues like an increased tax burden and governments' response to fiscal deficits and debt burdens loom large, geopolitical uncertainty (exacerbated by regional conflicts and increased terrorism attacks) is a top concern for nearly three-quarters of CEOs.

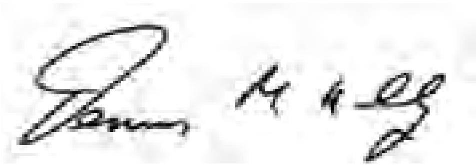
More disorienting still for CEOs is their growing feeling that our globalised economic and social fabric is fraying as divergent political, business, societal and cultural movements take hold. This is driven by digital technologies that have enabled people all over the world to be more connected, better informed, and as a result, increasingly empowered and emboldened.

It's not lost on CEOs that a great many of these technologically empowered citizens are also their customers or potential customers. While they are better connected than ever before they must also navigate a world that is being dramatically shaped by other megatrends such as increasing urbanisation, climate change and rapid demographic and social shifts. Faced with these changes, CEOs tell us that customers will increasingly judge companies based on how they help greater society and how they live up to their own values. Notably, nearly a quarter of CEOs said their company has changed its sense of purpose in the last three years to take into account the broader impact it has on society.

To successfully address the expectations of a super-connected and technologically smart society, companies are looking to technology (of course) for answers. Internet-enabled technologies continue to help companies innovate by creating more relevant products and user experiences for customers, while 'digital native' talent is now deemed essential for future business growth. Yet for all the technological breakthroughs in areas like customer insight and marketing, companies still struggle to create a business proposition that both drives growth and creates value for greater society.

This could be because, in a digitally driven world where theoretically every part of business can be measured, CEOs haven't yet mastered how to measure the long-term success that comes from being a trusted company and good corporate citizen. Over time, technology, once again, will no doubt help CEOs effectively measure how better products and services, combined with a transparent relationship with customers, employees and greater society can future-proof their companies in this uncertain world. But they have to know what success looks like in the first place.

I'd like to thank the more than 1,400 company leaders from 83 countries who have taken the time to share their insights with us. Their active and candid participation is the single greatest factor in the success of PwC's Annual Global CEO Survey, now in its 19th year. We greatly appreciate our respondents' willingness to free up their valuable time to make this survey as comprehensive and accurate as possible. We're especially grateful to the 33 CEOs who sat down with us to hold deeper and more detailed conversations. You'll see their comments throughout this report.



Dennis M. Nally
Chairman, PricewaterhouseCoopers International Limited

Contents

Growing in complicated times

Are we in an environment where change will take place at tremendous speed, whether it's economic leadership, challenges of emerging countries or developed countries, political unrest, challenges with extremist views around the world, new technology, or new business models? That is the new normal. Companies and countries that will lead this new normal have to deal with an environment where there's constant change, and be able to adjust to those at a faster and faster pace.

John Chambers

Executive Chairman of the Board, Cisco Systems, Inc., US

74%

of CEOs are concerned about geopolitical uncertainty

... low oil prices have ramifications in terms of social dynamics because it will put pressure on the availability of funds in the Middle East, especially as far as the oil-producing countries are concerned ... [which] have very large young populations ... there are going to be enormous budgetary pressures on the various countries.

Dr. Ahmed Heikal

Chairman and Founder, Qalaa Holdings, Egypt

Today's CEOs face a business environment that's becoming increasingly complicated to read and adapt to.

Seven years on from the global financial crisis, the business landscape still hasn't really returned to what it was. Will it ever? Last year regulation, skills, national debt, geopolitical uncertainty and taxes topped CEOs' list of concerns about threats to business growth. None of these have gone away this year. In fact, the level of worry is higher today than at any point in the past five years.

Concern about over-regulation in particular is still highest, cited by 79% of CEOs – making it the fourth year in a row that it's risen (see Figure 1).

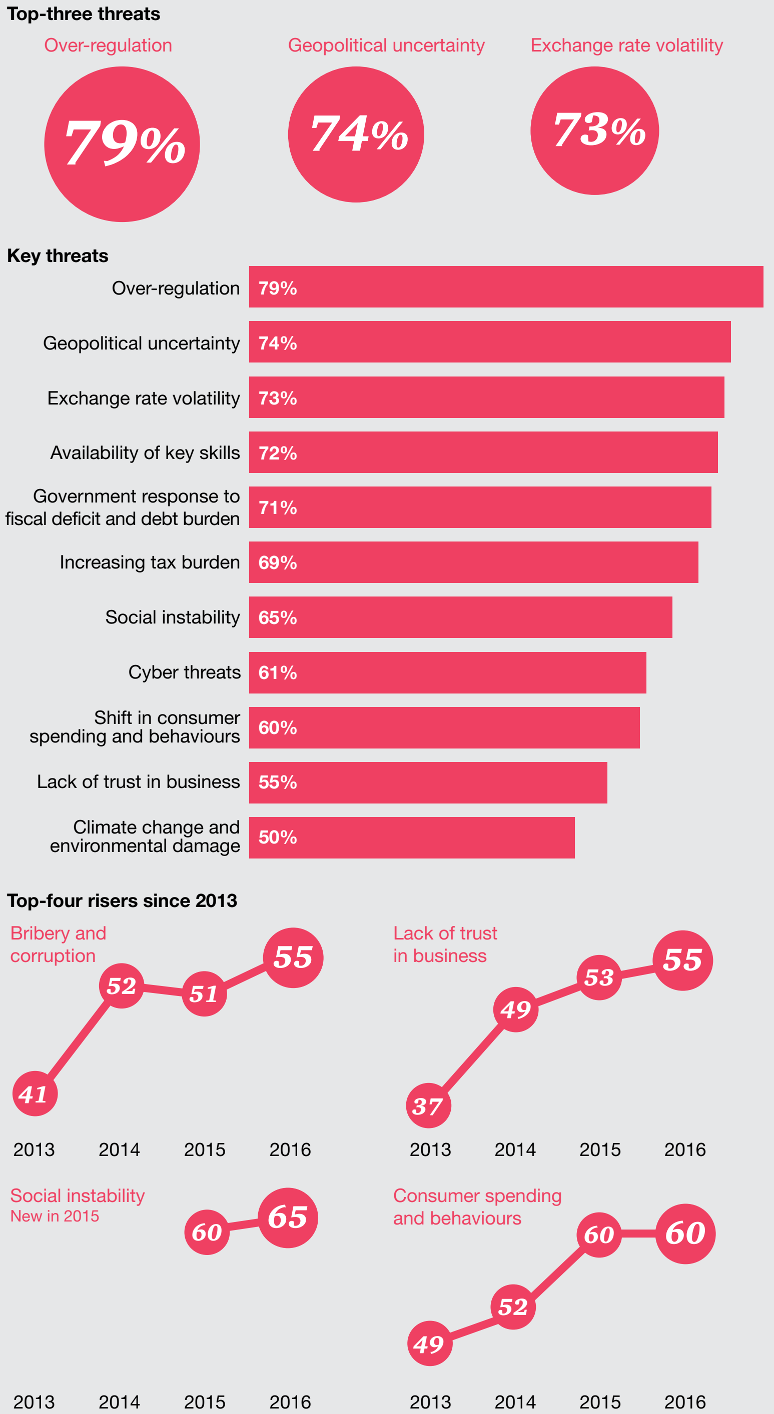
Geopolitical uncertainty, meanwhile, has become the second biggest concern, cited by 74% of business leaders. This comes at a time when terror attacks are increasing and touching every part of the world, many linked to the heightened conflict in Iraq and Syria. Global conflicts are also connected to anxieties about social instability and readiness to respond to crises, named by 65% and 61% of CEOs, respectively. Cyber security is also a worry for 61% of CEOs, representing as it does threats to both national and commercial interests.

There are, moreover, other uncertainties CEOs must contend with. Where there's reasonable economic growth it's often being aided by extraordinary monetary policies, even though the United States' Federal Reserve bucked this trend recently by raising US interest rates for the first time in nine years. This move, together with China's surprise devaluation of the yuan in August 2015, helps explain why exchange rate volatility, cited by 73% of CEOs, is third among their top concerns.

Indeed, CEOs are keeping a very close eye on China given the continued importance they place on its economy for their own growth prospects. Its economic rebalancing, the fragility of its debt-laden local governments and its faltering manufacturing sector continue to spook investors and rattle a number of industries – not least the commodities sector that rode the wave of China's rapid growth and now is bearing the brunt of the slowdown.

Figure 1 **CEOs are getting more concerned about a wide range of risks**

Q: How concerned are you about the following potential economic, policy, social and business threats to your organisation's growth prospects?



Base: All respondents (2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330; 2012=1,258)
Note: Respondents who answered somewhat or extremely concerned

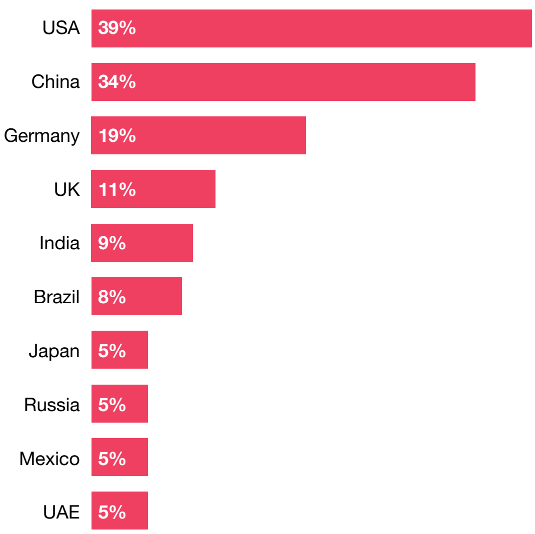
Figure 2 **CEOs are less confident about global economic and business growth prospects in these uncertain times**

Q: How confident are you about your company's prospects for revenue growth over the next 12 months?
Do you believe global economic growth will improve, stay the same or decline over the next 12 months?

Base: All respondents (2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330; 2012=1,258; 2011=1,201; 2010=1,198; 2009=1,124; 2008=1,150; 2007=1,084; 2006 (not asked); 2005=1,324; 2004=1,386)
Note: In previous years, respondents were asked 'Do you believe the global economy will improve, stay the same or decline over the next 12 months?'

Figure 3 **CEOs continue to see investment opportunities across the BRICs**

Q: Which three countries, excluding the one in which you are based, do you consider most important for your overall growth prospects over the next 12 months?



I definitely expect moderate growth in the United States. That's the most important and resilient market for me to see growth, and the most important market for us.

Takeshi Niinami
President and CEO, Suntory, Japan

... for us in India, it looks like a situation where we will be one of the top few economies in terms of growth rates.

Chitra Ramkrishna
Managing Director and CEO, National Stock Exchange of India Limited (NSE), India

35%
of CEOs are very confident about short-term business growth

These factors are having different effects in different places, but together they're increasing the level of uncertainty about the global economy, and CEOs are less optimistic about prospects this year. The optimists – those who think global growth will improve over the next 12 months – have dropped to 27% from 37% last year (see Figure 2). Those who think it will worsen have increased from 17% to 23%.

As we might expect, CEOs' confidence about their own company's prospects for revenue growth in the coming year has also fallen, though not to the same extent as confidence about the world economy. Thirty-five percent of CEOs are 'very confident' about short-term business growth compared to 39% last year (see Figure 2).

It's become more difficult to pin down where growth will come from, but CEOs are still banking on familiar faces. The United States and China, and to a lesser extent Germany and the UK, remain the countries that most CEOs cite among their top overseas growth markets (see Figure 3).

CEOs also continue to see investment opportunities across the BRICs, despite the complicated picture they present. India, which has continued to do well under Prime Minister Narendra Modi's pro-business government, is now among CEOs' five most promising overseas markets. Brazil, meanwhile, has slipped only a notch despite its political and economic problems. Even Russia has held fast despite geopolitical tensions and its heavy dependence on oil and gas. While a few years ago CEOs might have been tempted to consider the BRICs as one bloc (so to speak), today they seem to be sizing up opportunities on a case-by-case basis. Some are employing a 'wait and see' approach to these markets, while others are forging ahead bolstered by their confidence in these countries' longer term fundamental strengths – not least a large and growing middle class.

... the TPP is really the largest trading agreement we have had since the WTO. This would bring 40% of the global GDP together in one economic block. I'm very excited. 2015 is going to be fantastic for Vietnam, not just because of the TPP – where I believe Vietnam will come out as the top beneficial member of the TPP's 12 nations – but because Vietnam is in the middle of the AEC, the ASEAN Economic Community, which will be fully integrated by the end of 2015.

Don Lam

Chief Executive Officer and Founding Partner, VinaCapital, Vietnam

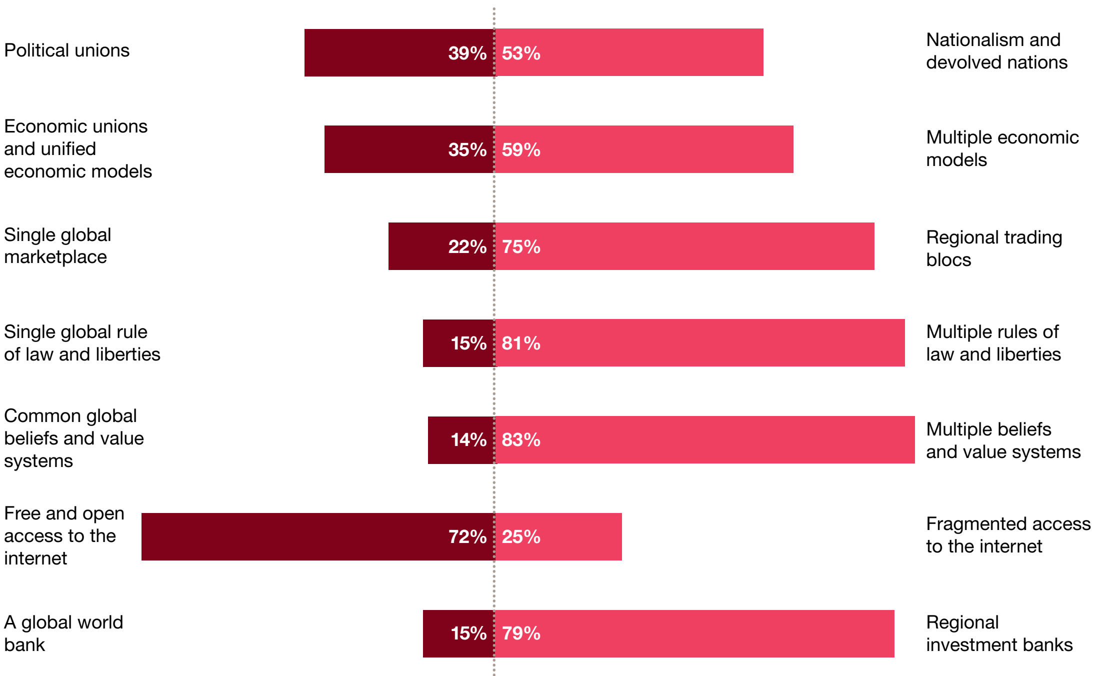
After two years, Mexico is back in the list of top-ten countries and is also CEOs' highest-ranked non-BRICs emerging market. The UAE is also in the top ten and is currently the bright spot in the Middle East given its relatively lower dependence on oil revenues.

Moving beyond globalisation

This complicated world picture isn't just being shaped by economic and geopolitical trends. We believe there is a more fundamental shift taking place, namely from a globalising world to one with many dimensions of power, growth and threats – a transition that we call multi-polar. The majority of CEOs already anticipate this shift: 59% expect multiple economic models, 75% expect increasing regionalisation in trade, over 81% see increasingly divergent systems of laws and liberties, and 83% predict differing fundamental belief systems underpinning societies (see Figure 4). No wonder there is so much concern about growth and where it will come from.

Figure 4 **CEOs must navigate an increasingly complicated and multi-polar world**

Q: For each alternative, please select the one that you believe the world is moving more towards



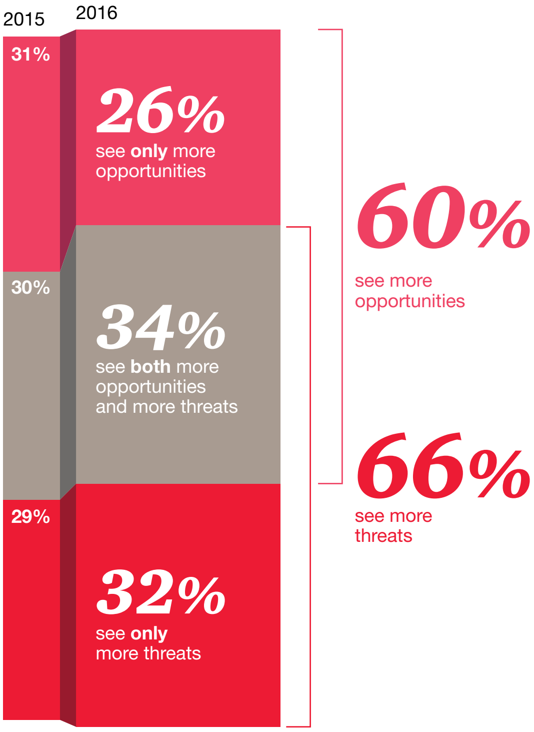
For a number of years we saw a consolidation in the regulatory environment that we operate in, but over the past five plus years there has been a divergence. Countries like China, South Korea, India and Brazil have all created their own regulatory regimes which – in theory – are similar to those of other countries, but have enough differences to create a divergence.

Michael Daniell

Managing Director and CEO, Fisher & Paykel Healthcare Corporation Ltd., New Zealand

Figure 5 CEOs see more threats to their business today than three years ago

Q: To what extent do you agree/disagree that there are more growth opportunities/threats for your company than there were three years ago?



Base: All respondents (2016=1,409; 2015=1,322)

The one area where CEOs, in contrast, see greater convergence is the internet – but even this plays a core role in highlighting divergent beliefs even as it brings the world closer together.

This greater devolution of power brings both threats and opportunities. Different points of view, exacerbated by economic insecurities, are certainly leading to more conflict. But regional trading blocs, for example, can lead to better quality trade agreements and policies. There's evidence that most business leaders, for example, are optimistic about deeper economic integration as a result of the Asia-Pacific Economic Cooperation (APEC).[1]

This isn't to say that globalisation is dead. The climate change accord reached at the United Nations Climate Change Conference in Paris in December 2015 is a good example of inter-governmental cooperation.

Given the plethora of uncertainties CEOs are facing, it's little wonder that they're divided about whether there are more threats or opportunities today. Two thirds of CEOs (66%) believe that their business faces more threats today than three years ago, while almost as many (60%) see more opportunities (see Figure 5).

Steering a true course in an uncertain world

CEOs understand that despite the tremendous challenges they face in managing their business for today, they also need to look ahead and build a business that's ready for the more complex global marketplace of the future. To equip themselves for this challenge, CEOs are focusing on three core capabilities that we will examine in more detail.

The first capability is based around addressing greater expectations. CEOs acknowledge that their customers as well as other stakeholders increasingly want them to do more to tackle important problems. The response for many has been to focus even more strongly on customer needs as well as drawing on their companies' own sense of purpose – what they stand for – to define a more comprehensive view of how their businesses operate within society. Some CEOs are taking concrete steps to align this broader mission to their company's core goal of profitability.

The second harnesses technology, innovation and talent to execute the strategies that meet these greater expectations. CEOs are using technology to get closer to consumers but are being challenged to align all parts of their operating model behind customer strategies. Some companies are bridging what we call an 'execution gap' by shaping their entire value proposition, strategy, operations and capabilities tightly around a strong commitment to what they stand for. They're also looking to build better innovation and people capabilities to address changing customer expectations.

The final capability CEOs are looking to develop are methods of measuring and communicating success. CEOs are seeking to better measure the impact and value of innovation and key risks for stakeholders. Companies are addressing these challenges through a greater focus on data and technology to gain better insight into business processes and to measure a broader range of variables. They're also looking to better communicate a range of 'softer' issues in a reliable and consistent way across multiple channels.

We have a lot of treaties, a lot of rules, a lot of conventions – we need to make sure they can handle the problems of today. We also need to be sure we don't replace them with something worse.

Michael Møller

Director-General, United Nations Office at Geneva (UNOG), Switzerland

You've got to run a company for profit, you've got to run it for revenue growth, but you also have to run it to be around ten years from now doing the right things. That's one of the biggest issues most CEOs face today.

Ajay Banga

President and Chief Executive Officer, MasterCard, US

?

Tough questions to ask about growing in complicated times

Have you adjusted your operational model to accommodate future potential increases to your cost of capital as interest rates rise and currency markets become more volatile?

Are you tracking the right risks around new political dynamics such as geopolitical uncertainty and cybersecurity as they replace concerns related to coping with the financial crisis?

What's your organisation doing to prepare itself to respond to and recover from crisis?

Do you have a strategy in place for a more divergent world where authority and influence are more widely distributed?

How are you preparing your organisation to face non-traditional competitors now and in the future?

Addressing greater expectations

As technology and other factors create an environment of higher transparency, CEOs have set their radar on a wide range of stakeholders. Customers remain the top priority, with 90% of CEOs indicating they have a high or very high impact on their business strategy (see Figure 6). But government and regulators come in second (cited by 69% of CEOs). That's higher than industry competitors and peers (67%) and no doubt reflects CEOs' enduring concerns about over-regulation in the marketplace.

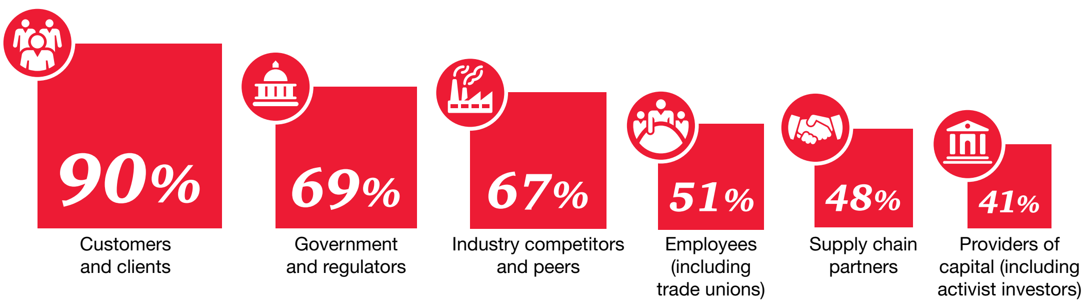
The way we deal with our customers and charge our customers and delight our customers has changed completely from the old way of doing business.

Johan Dennelind
CEO, TeliaSonera AB, Sweden

The views of these and other stakeholders, including employees and investors, aren't just evolving but diverging, as CEOs have told us. Customer behaviour, in particular, has become more complicated as values and buying preferences evolve. The three biggest trends CEOs see as most influencing those views – technological advances, demographic changes and global economic shifts – as well as the interactions between them, are only going to continue to drive change (see Figure B, *Looking for more data?*, page 34).

Figure 6 **Customers and clients are top priority for CEOs**

Q: What impact do the following wider stakeholder groups have on your organisation's strategy?



Note: Respondents who indicated high or very high impact

So what do your stakeholders want?

We were not surprised to see that the majority of CEOs (70%) feel their customers are most interested in cost, convenience and functionality. But we were surprised to discover that more than a quarter (27%) of CEOs believe that their customers are seeking relationships with organisations that address wider stakeholder needs (Figure 7). This surges to 44% when CEOs consider what their customers will prioritise in five years' time. In the future it seems clear that CEOs believe customers will put a premium on the way companies conduct themselves in global society.

That's a lot of change in a relatively short time. And it isn't just happening on the customer front. On the talent side it's even more pronounced. Fifty-nine percent of CEOs believe that top talent wants to work with organisations that share their social values and 67% feel it will be important in five years. Meanwhile, 37% of CEOs believe their investors seek ethical investments and 45% believe this will be the case in five years.

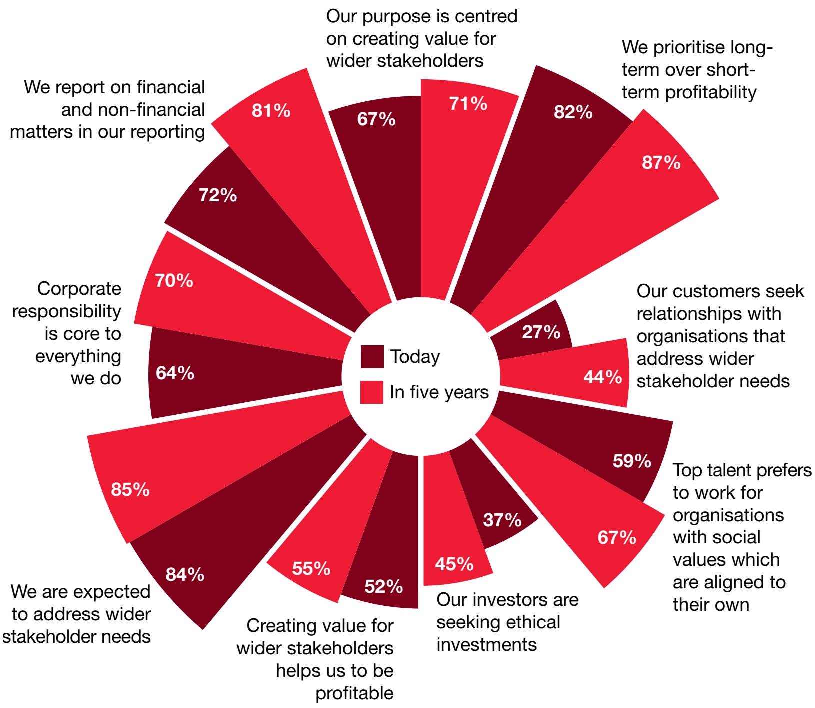
At the heart of this evolution in values lies technology. CEOs are convinced it will transform stakeholder expectations of business in the next five years, with 77% of business leaders naming it as a top-three influencer.

Mobile connectivity and social media in particular have become fundamental ways to get information and buy goods and services.[2] The 'Uberization' of a growing number of sectors – offering quick, simple and dynamic ways to access goods and services using mobile apps – is also becoming an important trend in changing customer perceptions of value. At the same time, these technologies are giving more people more access to more information about what companies do and the impact of their actions. Together, these factors are helping to reshape how people interact with and think about brands, albeit in very different ways.

Figure 7 CEOs believe customers are seeking relationships with organisations that address wider stakeholder needs

Q: Thinking about the wider stakeholder expectations you see, which of these statements best describes your organisation today?

Q: Which of these statements best describes successful organisations in your sector in five years' time?



... as a consequence of the internet and the digital way of doing things, customers basically want to do a lot of things themselves. They're self-directed, as we call it. They know everything. They Google everything. Therefore they come to the bank with a completely different expectation.

Ralph Hamers
CEO, ING Group, Netherlands

90%
of CEOs say customers have the biggest impact on strategy

Is this the era of the good consumer?

It's long been assumed that only a small percentage of consumers seek out ethical and sustainable products and services. There's growing evidence, however, that this is changing. Take the consumer goods giant, Unilever. Its portfolio of so-called 'Sustainable Living' brands now equals half of the company's total growth and is growing twice as fast as Unilever's other brands.[3] It's just one of nine companies globally that generate a billion dollars or more in annual revenue from sustainable products or services.[4] Indeed, in 2015 sales of consumer goods from brands with a demonstrated commitment to sustainability grew more than 4% globally.[5] As Wilson Ferreira Jr., CEO of CPFL Energia, observes, "Today's consumers make choices not only based on the quality of the service provided, but even based on the causes that a company supports. In fact, we are living in the era of the good consumer."

Part of this change is being amplified by demographics: the millennial generation and its growing purchasing power. Globally, 10,000 people turn 30 every day and it appears they're more likely to buy from companies that take action on sustainability issues.[6] Campbell Soup is one company that's taking notice. It's just bought Plum Organic Baby Food, giving the company "a window into millennial parents and an understanding of how to improve the way children are eating and making healthier selections at a very young age ... Training the taste-buds of the next generation is meaningful to us, and very much aligned with our company purpose," according to Denise Morrison, President and Chief Executive Officer of US-based Campbell Soup Company.

And what about the expectations of emerging markets consumers? They face the challenges of forging a middle-class lifestyle amid diminishing access to natural resources and rapid urbanisation, with its associated problems like pollution and overcrowding. CEOs in Africa and Asia Pacific are more likely to say that their customers seek out organisations that address the needs of a wider set of stakeholders (39% and 31%, respectively) compared to the global total (27%).

I think our social purpose and the associated emotional engagement from our colleagues is one of the keys to developing a winning successful strategy for Legal & General. Why that is important is it creates tremendous trust amongst our customers and the other politicians who are helping shape the future, whether those are local politicians or national politicians, and they want to engage with trustworthy companies.

Dr. Nigel Wilson
CEO, Legal & General, UK

Yet interpreting customer views isn't a simple black-or-white picture. Those same emerging markets consumers, in Asia Pacific for example, are still happy to drive SUVs as opposed to more fuel-efficient vehicles.[7] And there's evidence that those same millennials who value so-called green products and services are also driven by getting the best deal.[8]

A central concern – the quest for trust

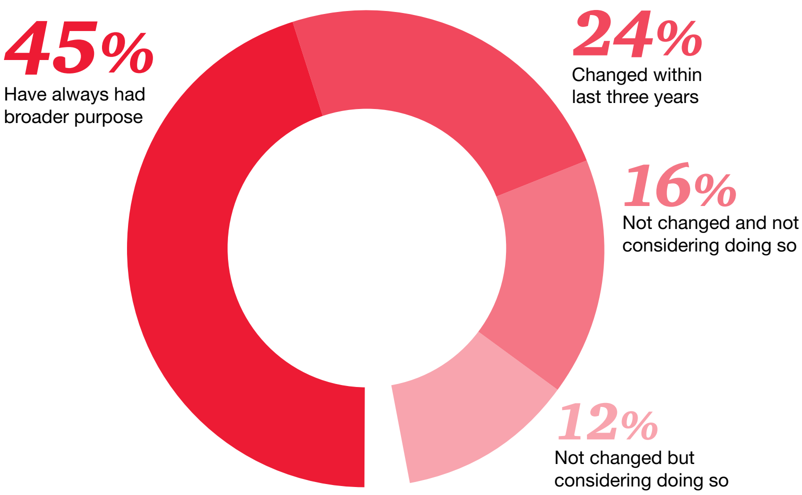
It's hard enough for companies to juggle current customer expectations while delivering results year in, year out. Yet CEOs know that they must take on an even more challenging task and that is to start preparing their businesses today for the more complex customers of tomorrow. They worry that not doing so could impact trust in their brand, creating a significant risk to the long-term viability of their business. CEOs are all too familiar with the fallout from breaches of trust. Over half the CEOs surveyed (55%) are concerned about the lack of trust in business today – compared with 37% just three years ago. The Edelman Trust Barometer 2015 also showed that public levels of trust in business in 2015 had declined to the lowest level since 2008 – and that CEOs were seen as among the least credible sources of information.[9] The challenge facing business leaders is this: are they trusted to help navigate this increasingly complex landscape?

Perhaps the most eloquent description of the problem was articulated by John Nelson, chairman of Lloyd's, the global specialist insurance market. As he explained to a meeting of business leaders in 2015, "Most concerning of all in my mind is that we are seeing a definite shift in the attitudes towards business of populations around the world. There is a lack of trust in business – big business in particular – and this is leading – in terms of real issues in some cases – to mistrust in capitalism."[10]

There is a body of research supporting the idea that, when there is a high level of trust in a company, it drives business performance by attracting new customers and retaining existing ones.[11] A high level of trust also makes employees more committed to staying with the company, partners are more willing to collaborate and investors more prepared to entrust stewardship of their funding. Consequently, those organisations that can build trust seem to garner significant benefits.

Figure 8 **A majority of leaders have an organisational purpose that reflects greater expectations of business**

Q: In which of the following ways has your organisational purpose been impacted by wider stakeholder expectations?



What do you stand for?

In this increasingly complex world, are leaders altering their organisation's purpose in order to reflect greater expectations of business? We found that almost one in four (24%) said their organisation's purpose had changed within the last three years to reflect broader stakeholder expectations, and an additional 45% felt that this had always been the case. In total 69% of all CEOs linked their organisation's purpose to a broad set of constituents in society (see Figure 8).

But what do CEOs really mean by purpose? For some, it's why their business exists; for others it's more around what their businesses do or aim to achieve, or how business is done. And how do they perceive their organisation's broader impact on society? When asked to describe their corporate purpose, CEOs talked about value for one or more of a variety of stakeholders, including shareholders, supply chain partners, employees, customers and society at large – as well as their business itself, in terms of things like growth, productivity or costs (see Figure 9).

... our purpose is to be an effective, responsible champion of low-carbon electricity.

Jean-Bernard Lévy

CEO and Chairman, EDF, France

Purpose is something you carry in your heart, not something an ad agency makes up. So we pulled the company's purpose out of our people's hearts and manifested it in seven words: Real food that matters for life's moments. We validated those words with consumers and our employees. Consumers told us stories about how our brands really matter to them. That's led to an umbrella over all of our brands, that purpose can encompass and motivate our people around why what we do every day matters.

Denise Morrison

President and Chief Executive Officer, Campbell Soup Company, US

Figure 9 **CEOs describe their corporate purpose in terms of value for a variety of stakeholders**

Q: In your own words, what is the purpose of your organisation today? To create value for...

Our customers	53%
Wider society	31%
Our business	26%
Our shareholders	16%
Our people	14%
Our supply chain	5%

Base: 1,982 (includes additional interviews in some countries)

Note: Respondents may have highlighted more than one dimension in response to this question.

52%

of CEOs say creating value for wider stakeholders helps profitability

... once you have done your bit – fulfilled your social responsibilities and formed a community with shared interests, with local people – they will welcome your projects and provide huge support. So a company's own interest and the social value it provides are closely connected. In fact, this is also a kind of investment, and it always brings returns.

Li Huaizhen

President, China Minsheng Investment Corp., Ltd., China

Over half of CEOs (53%) define their organisation by the value that's created for customers. But of those CEOs, over a third (35%) also talk about value for wider society, employees and/or supply chain partners, reflecting a clear recognition of the changing expectations of their customers.

This acknowledgement of the changing needs of customers – as well as those of other stakeholders, including their employees – is reflected in other ways that CEOs describe their organisation. Eighty-four percent of CEOs believe their companies are expected to address wider stakeholder expectations; 82% tell us their company prioritises long-term over short-term views; 64% say that corporate social responsibility is core to their business rather than being a stand-alone programme; and 72% say their company reports on non-financial as well as financial matters (see Figure 7).

You know, very recently we reviewed the company's purpose, and we made a slight change. It used to be 'Building the Future'. Now it's 'Building a Better *Future'. CEMEX is a company that embraced sustainability a long time ago – and we believe that sustainability is creating a new economy, a different type of economy, reshaping certain economic activities. And we're saying that the first companies to understand and embrace this will be the companies that will be on top of the trend and doing better business than others.*

Fernando Gonzalez Olivieri
CEO, CEMEX, Mexico

Forty-six percent of CEOs, meanwhile, say profitability is the platform that helps provide value for a wider set of stakeholders. As Don Lam, Chief Executive Officer and Founding Partner of Vietnam-based investment management and real estate development firm VinaCapital, says, "… our core objective as an investment firm is always making money for investors, first and foremost. The reason why I'm saying that … is that you need to make money so that you can use that profit and give it back to society."

CEOs aren't only responding to customer and other stakeholder needs however; they're very aware that their competitors and peers are also preparing for the future. Five years from now, CEOs believe that the most successful organisations in their sector will have shifted their views and priorities in terms of recognising changing expectations and the value in addressing them, embedding corporate responsibility into their business, reporting on non-financial matters and taking the long-term view.

Such efforts, moreover, are seen to be compatible with profitability, albeit in different ways. Fifty-two percent of CEOs say that creating value for a wider set of stakeholders helps profitability. Richard Goyder, Managing Director of Wesfarmers, a diversified conglomerate headquartered in Australia, puts it this way, "I don't think, as a listed company, there's any doubt that our primary objective is to generate returns for our investors. But we have to do that sustainably, we have to do it ethically and we have to do it in a way that contributes to the communities in which we operate. That's for our own good anyway. Because if we help the communities in which we operate then those communities will have more capacity to do business with us in the future."

? Tough questions to ask about addressing greater expectations

Has your organisation undertaken scenario modelling or other initiatives to better understand how global trends like technological advances, demographic changes and global economic shifts are driving customer expectations today and tomorrow?

How are your CIO and CMO working together to make the best use of data analytics for a full picture of your customers now and into the future? How about your workforce?

As customers, employees and other stakeholders increasingly care about what companies stand for, how are you demonstrating your organisation's purpose and values?

How is your organisation building trust by better understanding stakeholders' views?

Transforming: technology, innovation and talent

45%

of CEOs say additional costs of doing business are a barrier to responding to stakeholder expectations

We have to have propositions which are based on sound ethics but which customers are prepared to pay a commercial price for. And getting that balance right is fascinating and not necessarily straightforward.

Richard Pennycook

CEO, The Co-operative Group, UK

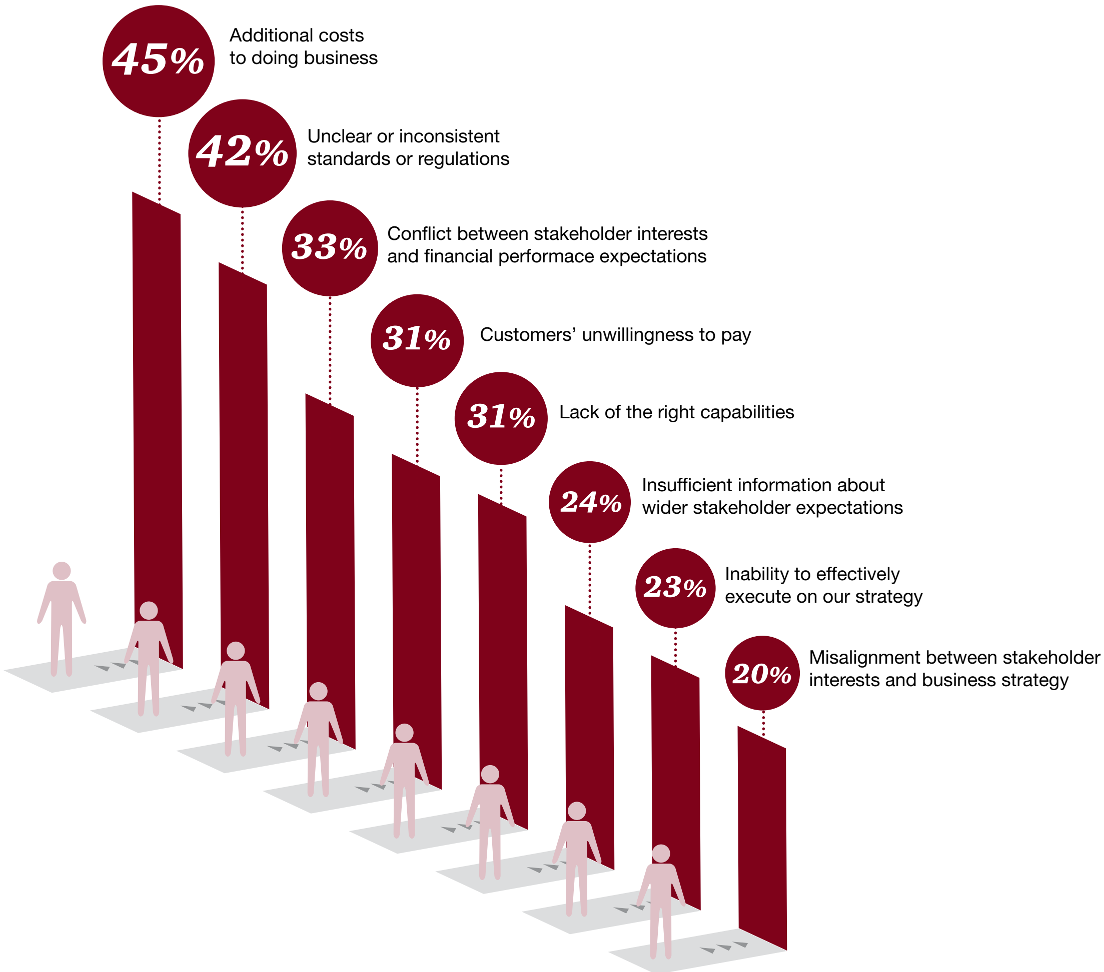
Walking the talk

It's evident that most businesses today, in defining what they stand for, recognise the needs of a wider set of stakeholders – and their customers' expectations about how they address those needs. Translating a broader corporate purpose into the everyday, however, is another matter entirely. Even the most committed can find it challenging in the extreme to reshape their company while facing day-to-day battles on every front to fight off competition, grow revenues and cut costs.

There are a number of barriers that CEOs say they're encountering when responding to the changing expectations of customers and other stakeholders. Chief among these are the additional costs of doing business, cited by 45% of CEOs (see Figure 10). Compliance with unclear or inconsistent regulations, cited by 42% of CEOs, also incur costs, which are often passed onto customers via higher prices (see *Why government and business need to work together*, page 24). This adds to the premium that customers often have to pay for goods and services deemed sustainable – something that 31% of CEOs don't think they're willing to pay.

Figure 10 CEOs are facing a number of barriers to execution when responding to changing customer and stakeholder expectations

Q: Which of the following barriers, if any, is your organisation encountering when responding to wider stakeholder expectations?

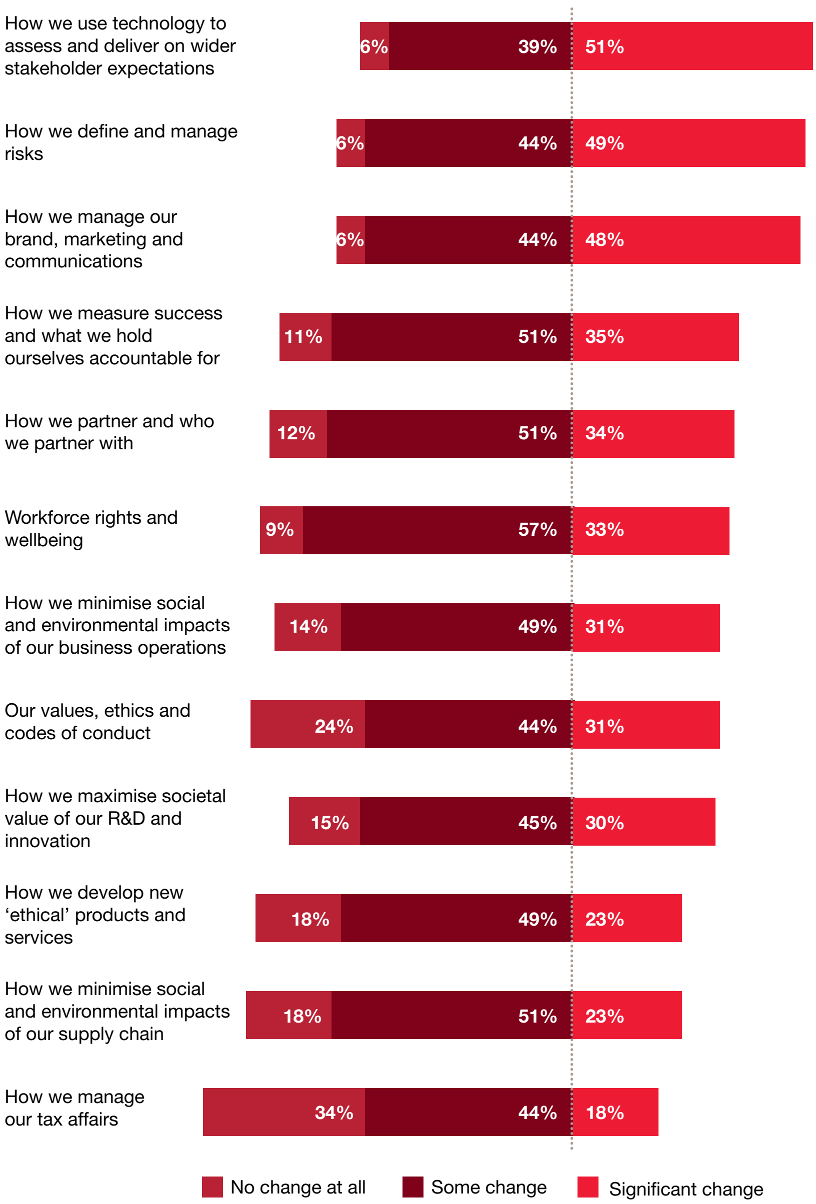


These barriers to execution are creating conflicts for companies trying to balance changing stakeholder expectations with pursuing business growth and profitability over both the short and long term.

Nevertheless, CEOs are increasingly aware that they must overcome these barriers in order to transform their businesses and align them fully behind broader strategies.

Figure 11 **Technology and risk management are the top areas in which CEOs are making significant changes to respond to stakeholder expectations**

Q: To what extent are you making changes in the following areas in response to changing stakeholder expectations?



Putting technology to work

Technology, as in most situations nowadays, can help.

As we've seen in the previous section, business leaders understand all too well how technology is transforming their relationship with customers as well as other stakeholders. So it makes sense that they see technology as the best way to assess and deliver on changing customer expectations, with 51% of CEOs making significant changes in this area (see Figure 11).

At the top of CEOs' minds is the use of technology to better interpret the complex and evolving needs of customers in order to better engage with them. Nearly a quarter of CEOs (24%) feel they don't have enough information about what customers or other stakeholders want, and a recent PwC survey showed that the top-three challenge most cited by global operations leaders (63%) is understanding what customers value.[12] Sixty-eight percent of CEOs back the power of data and analytics to deliver these results and 65% favour customer relationship management (CRM) systems (see Figure 12).

Indeed, CEOs' growing faith in, and dependence on, data and analytics signals just how far a data-based, scientific mindset has penetrated even the complex world of stakeholder management. And as big data, cloud computing and the Internet of Things become even more important in modern business, the role that technology plays in helping understand wider stakeholder expectations is also being applied to meeting and even surpassing those expectations.

The innovation edge

Over half of CEOs ranked R&D and innovation technologies as generating the greatest return in terms of successful stakeholder engagement (see Figure 12). The winners in the innovation game, however, will be those that harness technology and innovation to deliver products and services that are cost-effective, convenient, functional *and* sustainable.

Today, some of the most in-demand products reflect customers' changing values. Take Nest's energy efficiency home monitors for example, or Nike's shoes and clothing developed with tools enabling suppliers and designers to quickly assess sustainability criteria. Companies like GE, meanwhile, are pioneering innovation in healthcare and smart cities.

Digitisation is central to these efforts, allowing companies to obtain and utilise data about business processes that's necessary to support innovation efforts, and to remove costs from the system through greater efficiencies.

And while technology plays a critical role in innovation, often it's in conjunction with business model change as epitomised by the likes of Airbnb and its 'sharing economy' peers.

Most companies, however, struggle to achieve innovation-led growth. Innovating to meet customers' changing demands for sustainable and ethical goods and services adds a challenging dimension to this pursuit, one that many companies are only just beginning to address. This probably explains why fewer numbers of CEOs are making significant change in maximising the societal value of their R&D and innovation and developing ethical products and services (see Figure 11).

... the biggest opportunity for us is digitalisation ... and based on [that] we will improve all our business and create added value for all our stakeholders.

Mikko Helander

President and CEO, Kesko Corporation, Finland

The major trend that all industries face is the impact of technology on every single aspect of a company. Whether it's your operational efficiency in applying technology to traditionally manual processes. Whether it's enhanced intelligence, from big data analysis to help managing marketing, risk, product creation, or assessment of ideas ... technology is going to lead to sea changes in how companies are organised and run across all industries, and ours is no different.

Brian Moynihan

Chief Executive Officer, Bank of America Corporation, US

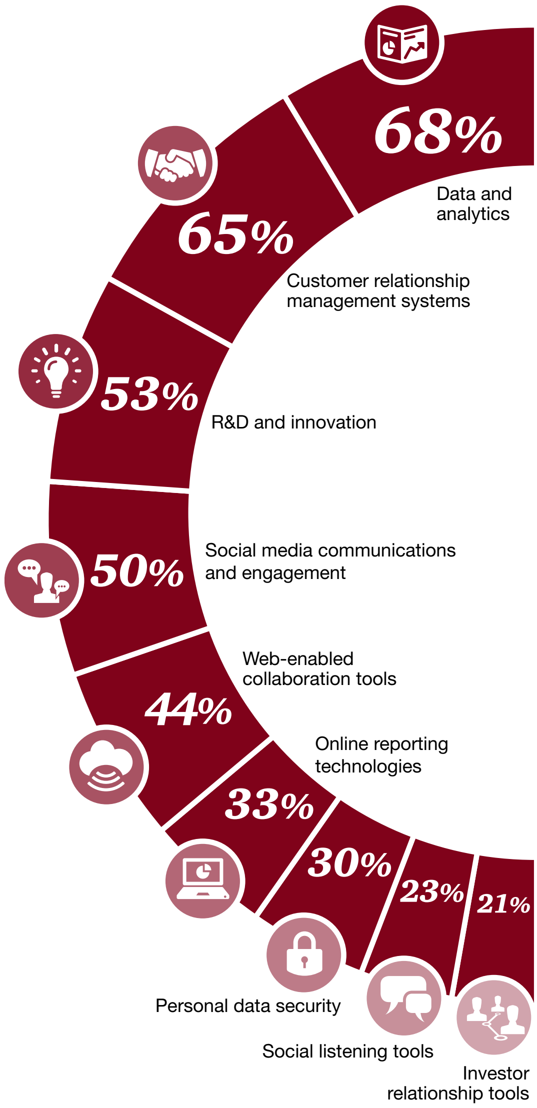
Our company was founded by Thomas Edison almost 130 years ago and he has a great quote that I like repeating very much. He said: "I find out what the world needs. Then, I go ahead and invent it." And that has been exactly the core value of our company over 130 years. We listen to our customers. We understand what they need and we continuously innovate around customer needs. While we're doing that, the area that we have chosen for ourselves is solving tough world problems.

Canan M. Özsoy

President and CEO, General Electric Turkey

Figure 12 **Most CEOs see data and analytics technologies as generating the greatest return for stakeholder engagement**

Q: Select the connecting technologies you think generate the greatest return in terms of engagement with wider stakeholders



The people edge

As companies look to meet the complicated expectations of stakeholders and society, they will need a new generation of people with an entrepreneurial mindset who can harness technology and drive innovation.

Sometimes it's easy to equate technology-led success solely with Silicon Valley internet models. However, PwC's comprehensive study of the world's self-made billionaires showed that over 80% of these mega-wealthy individuals made their fortunes in highly competitive markets like consumer products, retail or business services.[13] This means that almost any market can be reinvented.

To meet these new expectations, we're leveraging our R&D and our 2000 researchers, who are developing innovations for the smart grid, new energies, carbon storage, and more. We're also developing new offers, with household management services like the Linky metre, EDF & Moi and e-equilibre.

Jean-Bernard Lévy

CEO and Chairman, EDF, France

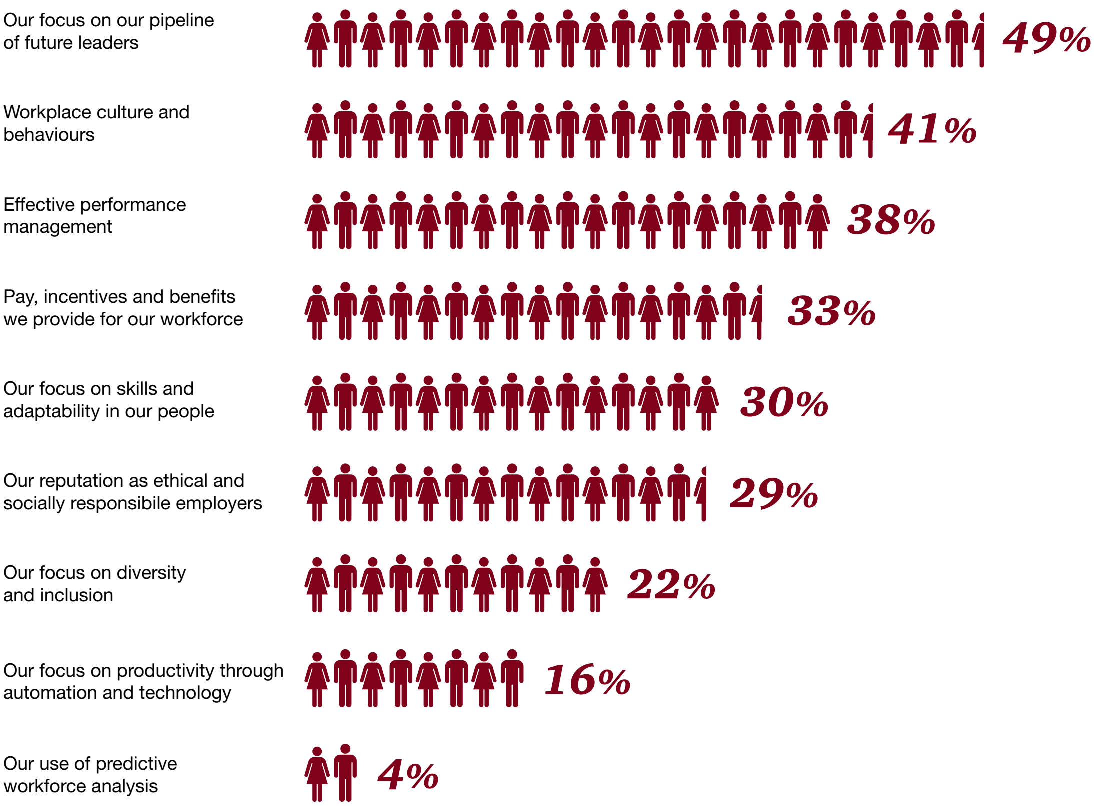
I believe shareholder value is not about increasing the short-term stock price but about a set of strategic actions led by innovation and employee commitment that aim at long-term value creation in a sustainable manner.

André Calantzopoulos

Chief Executive Officer, Philip Morris International, Inc., Switzerland

Figure 13 CEOs are most likely to change their talent strategy to focus on their leadership pipeline

Q: What aspects of your talent strategy are you changing to make the greatest impact on attracting, retaining and engaging the people you need to remain relevant and competitive?



It's no wonder, then, that 72% of CEOs are concerned about the availability of key skills, particularly with 48% planning to increase headcount in the coming year. And it explains why by far the most CEOs (75%) say that a skilled, educated and adaptable workforce should be a priority for business in the country where they're based (see Figure 14). This is such a vital factor that CEOs see it as a top priority for both business and government – together. Brian Moynihan, Chief Executive Officer at Bank of America Corporation acknowledges the importance of people, "Even with all the new technology, people skills are actually more important now. Whether it's providing day-to-day services in our bank branches or managing our data analytics: it's all about people."

So what are CEOs doing to develop the workforce they need for today and tomorrow? Nearly half are making changes to how they develop their leadership pipeline (see Figure 13). It's not hard to understand why. This new generation of leaders has grown up in a different world and is better equipped to tackle thorny societal issues.

We have a very strong corporate culture. It is very much centred on being a responsible owner, being a responsible employer and having a role in society, as well as of course creating profitable companies ... I think it's also a competitive edge to have in the coming 10 to 20 years.

Susanna Campbell
CEO, Ratos AB, Sweden

49%

of CEOs are changing their focus on the leadership pipeline

Think about the new skills that CEOs need to be comfortable with, if current CEO predictions are right. They'll need to be able to operate in a world with multiple stakeholders, different values and diverse attitudes toward law and rights, all in an increasingly volatile economic context. In addition, they will have to be comfortable with data, analytics and many new technologies. This type of leader will also need to be able to develop new leaders with the right skills and adaptability to deliver the 'people edge' required.

Focusing on the leadership pipeline will also help ensure that future leaders can present consistent messages to the wider employee base, and the visibility and 'tone from the top' that's necessary to turn words into action.

The ability to align the entire workforce behind business and growth goals, however, is also critical to execution. As Susan Lloyd-Hurwitz, CEO and Managing Director of Australia-based asset management company Mirvac Group says, "Aligning people to the business, the changes, the expectations and our purpose is absolutely key."

Why government and business need to work together

Across every industry, tensions abound between companies, who believe they can be trusted to do the right thing, and governments that aren't so sure. The regulations governments are trying to enforce are intended to be in the best interests of the public, as consumers or employees. But they can involve reforms, penalties or higher taxes for business that result in higher costs - including those that arise when business doesn't have enough clarity about how regulations should be interpreted and implemented. These costs, in turn, are likely to be passed onto customers in the form of higher prices.

This no doubt contributes to CEOs' near universal frustration that over-regulation is a threat to their company's growth, and why 42% cite unclear or inconsistent regulations as a barrier to responding to changing customer expectations. What's more, increasingly divergent political and legal systems around the world make it harder for multinationals to comply with rules or standards in their countries of operation without falling foul of their home country's laws.

Regulators have to understand the new environment in which we operate in order to make public policies that really respond to the new situations – rather than getting carried away by the sort of political situations or populism that sometimes lead to inadequate public policies, which can slow down development and, in our case, can hinder us in our task of creating value and trust.

David Bojanini

President, Grupo SURA, Colombia

But viewing government through a combative lens is unlikely to help companies in the long run. For one thing, government and regulators have a big impact on companies, with 69% of CEOs citing them as highly influential on business strategy. And, despite their complaints about government interference, many companies expect the state to provide considerable help, whether it's improving workforce skills and education or the infrastructure needed by any modern economy.

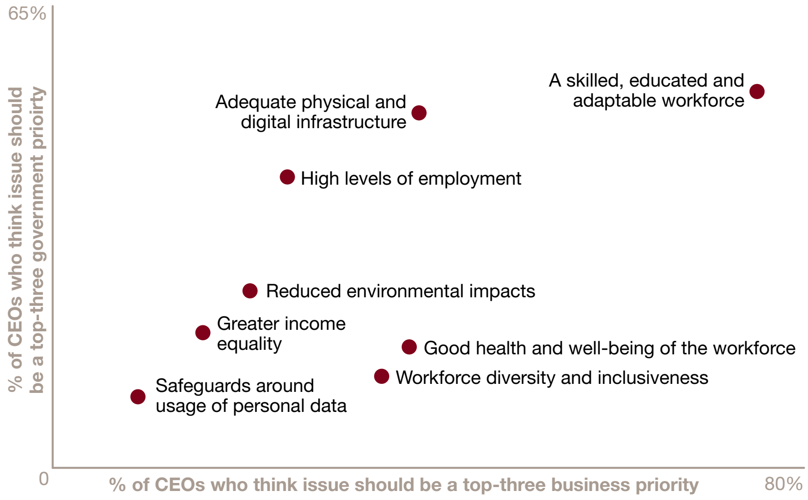
As both business and government navigate changing public expectations, they're going to need each other more than they might think. In the end, businesses want to create the best value they can for customers, and doing that increasingly means creating the best value they can for society at large. These are the same goals government shares – a win-win.

For business, understanding why regulation is there in the first place, rather than focusing only on interpretation and compliance can help ease the stand-off. Regulations are often first introduced in response to a market failure or to embed good business practice in legislation. Recognising the spirit of what government is trying to achieve can help businesses pre-empt the need for regulation by establishing core principles and values to guide decision-making. It also paves the way for active alignment with government goals and programmes in order to help shape them and improve their effectiveness. Such actions will also serve to rebuild trust with regulators.

On the other hand, more recognition is needed by government of the extent to which regulation can create additional burdens and costs, which must be weighed against societal benefits. If business expects constant legislative change, a climate of uncertainty will threaten investment, national growth and competitiveness. What's needed is regulation that's proportionate, accountable, consistent, transparent and targeted. Streamlining public sector processes through digitisation — and involving business in the co-design of implementation — can also go a long way toward enabling this process and easing the compliance burden for companies.

Figure 14 CEOs say that creating a skilled, educated and adaptable workforce should be a priority for both business and government

Q: Which three of these outcomes should be government/business priorities in the country in which you are based?



Generally, social spheres that go beyond a company's business and need investment the most are education and healthcare. Education is the care of human life.

Herman Gref
CEO and Chairman of the Executive Board, Sberbank, Russia

75%
of CEOs say that a skilled, educated and adaptable workforce should be a priority for business

This is, however, proving challenging for organisations to achieve. Despite the importance of getting the right talent, just 30% of CEOs are making changes to their focus on skills and adaptability in their people (Figure 13). And despite their embrace of technology in all things customer-related, companies are doing little to change either how they use technology to improve productivity or their use of workforce analytics, with only 4% of CEOs seeking change in that area (see Figure 13).

CEOs also recognise the importance of tying workplace culture to behaviour, with 41% making changes to this aspect of their talent strategies (see Figure 13). Indeed, companies that are highly coherent – those with strong alignment between their value proposition, capabilities, and products and services – view their culture as their greatest asset.[14] But despite the cultural changes that CEOs are making in their people strategies, such developments don't loom large in the context of the wider organisation. Just 31% of CEOs are pursuing significant changes to values, ethics and codes of conduct – compared to 51% for technology.

? *Tough questions to ask about transforming: technology, innovation and talent*

How are you ensuring you're investing in the right technologies to enable open engagement with your customers and wider stakeholder groups?

Have you identified the right capabilities to support you from strategy to execution?

Is your innovation geared towards generating offerings that meet big societal needs and generate good long-term ROI?

What are you doing to enable your people to work towards better meeting new and wider stakeholder expectations?

How are you working with government to create better outcomes for customers and employees?

Measuring and communicating success

55%

of CEOs think business could do more to measure the impact and value of innovation

In a complex and rapidly changing world, we were interested in understanding which areas CEOs want to better measure and which areas they want to better communicate to the multiple stakeholders who interact with their organisations. We found that the key metrics CEOs would like to improve are the ones traditionally seen as 'harder' drivers of business success like innovation and risks, while the areas they want to better communicate are emotional, 'softer' issues around values and purpose (see Figure 15).

But customers are seeking information about both the 'hard' and 'soft' drivers of business success. Indeed, real-time dashboards created and managed by users themselves are becoming feasible, raising expectations for more fresh and relevant information and ways of viewing it.

Ultimately the CEO must deal with matters of the head and the heart, the rational and the emotional. Our research suggests that there is much room to improve on both the assessment and communication of key business areas, including of course, core financial data.

A new mindset for measurement

How should business be doing more to measure impact and value as stakeholder expectations evolve? We put this question to CEOs and the top-two areas they identified brought to mind the fabled Chinese character for crisis – a combination of the symbols for risk and opportunity. Over half of CEOs (55%) cited

We like to measure things. We say internally that if you cannot measure it, it doesn't exist. That's something that we always mention because that's the way that we approach things.

Dr. Nuno Amado

CEO, Banco Comercial Português, S.A., Portugal the need to measure innovation, with the measurement of risk coming a close second (53%) (see Figure 15). This complex, combined theme resonates in many CEOs' responses – they recognise the world has changed and that they must deal both with the new while protecting the old; they're forging ahead to serve multiple stakeholders while focusing on delivering a profit for shareholders and better convenience, price and functionality for customers.

With most companies not yet having cracked the code on measuring innovation, it's little surprise that this is the area most CEOs want to better measure. And it could help explain why CEOs struggle with how to optimise the societal value of R&D and innovation.

A large part of the challenge lies in the adoption and use of technology. There's a digital divide between those organisations that have grown up in the digital world, and everyone else. 'Digital native' companies have a comprehensive set of online data about their entire business, with feedback response loops at every point of their processes. They are, indeed, constantly managing metrics, making them very effective at process change and quick, effective execution – a key driver of successful innovation.

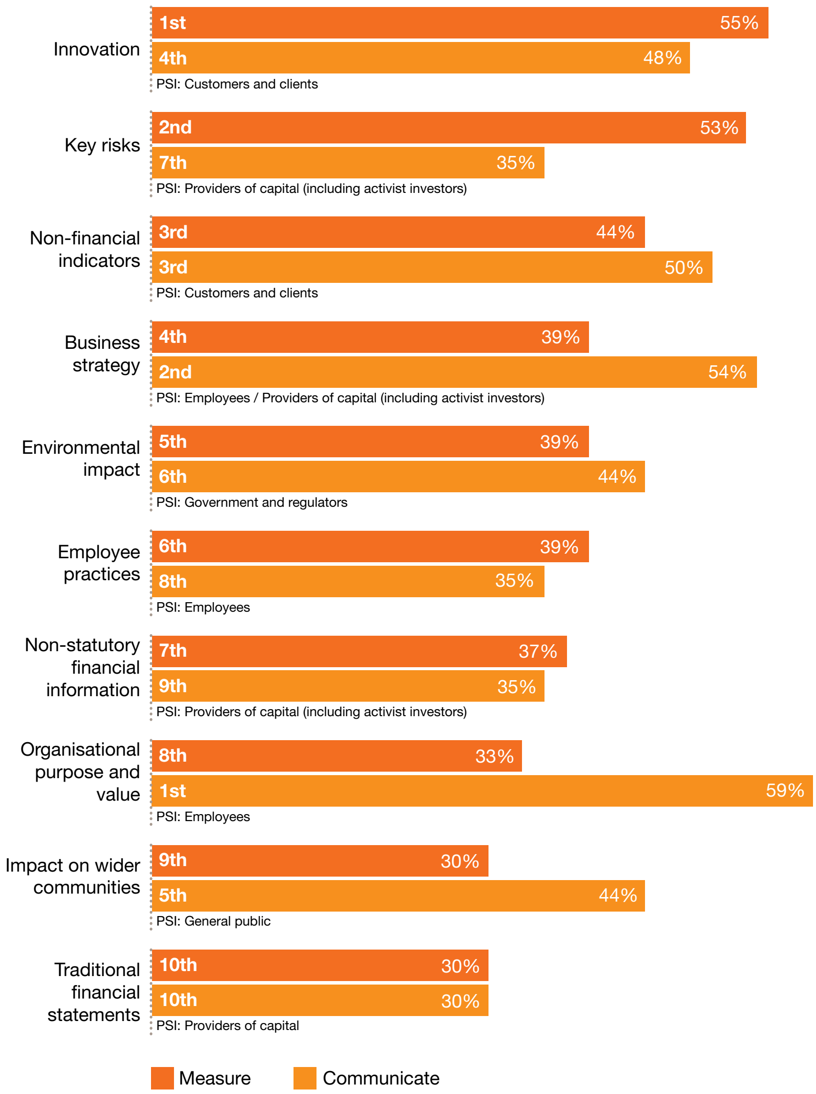
And it's not simply about digitalisation and moving everything online, but continuously generating, collecting, analysing and reporting information, with coverage that's both deep and broad.

It's clear that CEOs recognise the importance of data and analytics, with most citing this as the technology that they think provides the highest return for stakeholder engagement (see Figure 12). The thirst for better speed and accuracy in this more dynamic environment is growing and new competitors who start with a fresh, faster measurement system are driving entire industries forward at a quicker pace.

Figure 15 CEOs are seeking to better communicate 'softer' issues and to better measure 'harder' drivers of business success

Q: In which of the following areas do you think business should be doing more to measure/communicate impact and value for wider stakeholders?

Q: Please select the stakeholder group which you believe would be most influential in causing you to communicate in each of these areas (Predominant Stakeholder Influencers, PSI)



Can everything be confidently measured?

Getting a good grip on measuring innovation and people processes is fundamental. But as customer expectations change, CEOs also recognise the need to widen the scope of what they measure to include stakeholder inputs that lie outside their immediate business environment.

Seventy-two percent of CEOs – spread across all regions – say their company reports on both financial and non-financial matters. In five years' time, 81% think that the most successful organisations in their sector will be doing this. And 76% say that business success in the 21st century will be defined by more than just financial profit (see Figure 16).

The ability of companies to consider non-financial indicators of success is testament to how dramatically the field of sustainability reporting and measurement has grown in the last 15 years. Going forward, the adoption of the United Nations' Sustainable Development

... we are driven by the bottom line in our balance sheet. I am convinced, however, that this result is really genuine as long as it observes the sustainability principles. This for me is an indicator of success. We are also motivated by the fact that the company is always listed in the top 10 in ranking of prestige. I don't know if it can be considered an indicator of success, but it is very gratifying.

Luis Pagani

Presidente, Grupo Arcor, Argentina

... in 2002 we introduced the GRI (Global Reporting Initiative) standards in Brazil, together with two other companies. We incorporated and translated these standards and now we have become an agent that reports its results based on this methodology. In the last two years we have moved towards the integrated report – hence the issues of transparency, corporate governance, shareholder equity and accountability. I would say that these themes may have been optional for some companies, but they have not been optional for CPFL for quite some time.

Wilson Ferreira Jr.

CEO, CPFL Energia, Brazil

Our Integrated Report evaluates and demonstrates this value while responding to the GRI (Global Reporting Initiative) indicators, which represent the current standard in sustainability reporting. This report calls on us to identify the key issues for our stakeholders and to measure the management results and information from our entire organisation.

Manuel Manrique

President and CEO, Sacyr, Spain

Goals will help drive the measurement of a wider range of impacts. Technology and data again are key: digitising and instrumenting business processes can improve efficiencies, recognise and account for hidden costs, and create greater transparency around areas like resource consumption and waste generation.

Existing frameworks for reporting on environmental, social and governance (ESG) standards are an important starting point to improve the visibility of corporate actions for customers and other stakeholders. The Global Reporting Initiative (GRI), for example, provides sustainability reporting guidelines, while the International Integrated Reporting Council (IIRC) supports integrated reporting for annual reports, and the Sustainability Accounting Standards Board (SASB) is aimed at sustainability content for regulatory financial filings for US-listed companies.

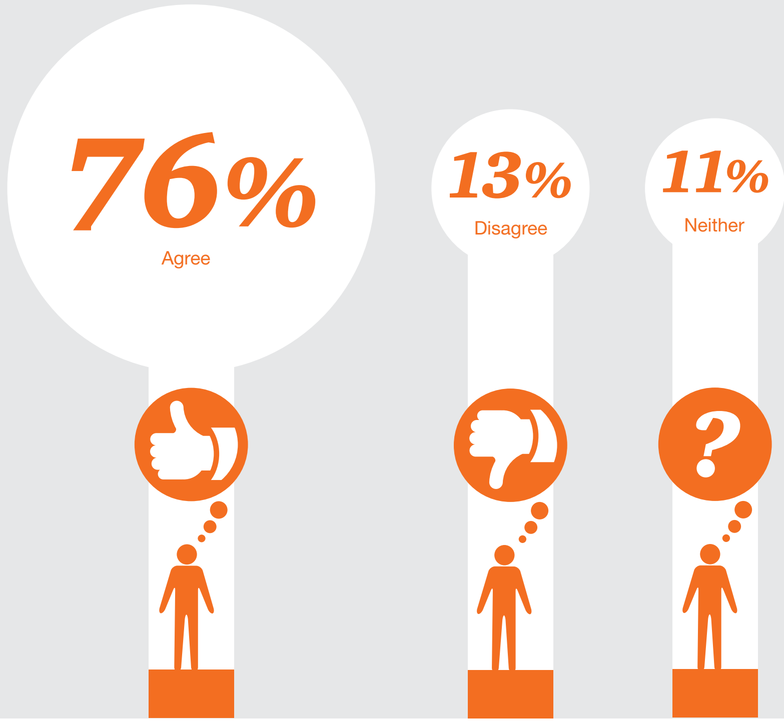
Moving forward, companies will need to call on a broader (and more detailed) set of tools to measure indirect value.

Non-profit organisation B Lab, for example, which certifies companies that use their business as a force for good – so-called B Corps – provides detailed and standardised impact assessment indicators and a customised platform for measuring those impacts.[15] Another approach is PwC's own Total Impact Measurement and Management (TIMM) model that integrates sustainability, economic and tax indicators to evaluate an organisation's total impact. This helps decision makers understand the net effect of their actions and assess the trade-offs they have to make.[16]

Of course no one is saying it is easy to apply robust methodologies to measure indirect value. No matter what tools are used, some things may not lend themselves to precise metrics. Yet without attempting to measure more of these areas, there's simply no way that companies can effectively allocate finite resources in a cost-effective way to address the things that their customers increasingly want them to address.

Figure 16 A majority of CEOs agree that business success will be defined by more than financial profit

Q: To what extent do you agree that business success in the 21st century will be redefined by more than financial profit?



… if you want to be profitable consistently, you need to provide your customers with value the way they measure it … You need also to measure levels of success such as the impact you have in the communities you serve, the impact you have in the society you are part of and, above all, you need to do this in a consistent and coherent way.

Eduardo Stock da Cunha

CEO, Grupo Novo Banco, Portugal

39%

of CEOs think business should be doing more to measure environmental impact

There's always that challenge of determining whether the metrics of success will be for today or for the future. Looking at the short-term and the long-term there's always been that tradeoff between the business imperative and the social imperative. I believe that they both have to strike the right balance but the challenge is how to get that right balance. I also believe strongly that the search for responsible private profit can sometimes lead to the creation of social good.

Larry Ettah

Group Managing Director, UAC of Nigeria

When we measure success at Wesfarmers, clearly we look at the financial performance: our profits, our cash flows, our return on capital or equity, our dividends we pay to shareholders. But at the end of the day, the most important measure for me is our reputation.

Richard Goyder

Managing Director, Wesfarmers, Australia

48%

of CEOs are making major changes to how they manage brand, marketing and communications

These days, in this transparent world that we live in, there is no way of working other than with total transparency.

Guillermo Tagle

Chairman, Credicorp Capital, Chile

Communicating impact

As the divergent world brings firms into competitive markets that may have very different rights, expectations and relationships with society, it makes sense that leaders want to make sure that their organisation is very clear on what they stand for, and their distinctive advantage. We think this is why purpose/values (59%) and business strategy (54%) are the top-two areas that CEOs want to better communicate (see Figure 15).

This set of priorities also makes sense in our ever more transparent world. If, for example, information is withheld, either inadvertently or deliberately, there's no guarantee in today's digitally connected society that it won't come to light and be broadcast globally. As Nigel Wilson, CEO of UK-based financial services provider Legal & General puts it, "... business just needs to become much more transparent, much more open and have a higher level of engagement."

The stakes are rising as more and more people rely on the information companies put out to buy products or accept job offers from them, or do business with them. Businesses must have

the controls and processes in place to be able to communicate dependable and consistent information and messaging across a huge range of areas, including marketing materials, contracts, annual reports and financial filings. Consistency, however, doesn't mean uniformity. Opinions may be shaped by global trends but they also reflect local sensibilities.

The fact that nearly half (48%) of CEOs are making major changes to how they manage brand, marketing and communications is a testament to the increasing awareness companies have of these challenges. There are of course limits to what can and should be communicated. But that line is shifting ever outward at a time when more people are asking more detailed and informed questions of companies than ever before. Companies must find the right balance if they are to improve transparency – and ultimately trust. Measuring and communicating risk and growth, as well as the company's values, purpose and strategy provides a useful balance.

?

Tough questions to ask about measuring and communicating success

Have you worked out what's important to measure in your organisation to reflect what you're in business to achieve?

Is your reporting team at ease with navigating the complex multiple standards around the world for wider non-financial reporting requirements?

How are you measuring the impacts (both positive and negative) of organisational culture and behaviours?

How is your organisation making sure that it's measuring the right things in the right way in order to use data about non-financial impacts in decision-making?

How are you ensuring that your business is communicating the information your customers and other stakeholders want?

Are there valuable intangibles that you haven't found a way to measure yet, which you think you should measure? And are there things that you think shouldn't be measured at all?

Navigating complexity to exceed expectations

... the first thing we need to do is to be clear with everybody about what we are trying to achieve ...What does good food mean and what do we want, and making sure this is clear for everybody ... I think clarifying up front exactly what we mean when we want to achieve these things is a critical first step around alignment.

Dirk Van de Put
CEO, McCain, Canada

Linking strategy to execution

Technological progress, shifting demographics, urban expansion, the rise of emerging markets and a changing planet are moving the world beyond globalisation to a multi-polar reality. As this happens CEOs are learning that much of their success depends on sensing and addressing the rapidly changing values and expectations of their many stakeholders.

Historically, companies have thrived when they not only address big societal problems, but also do so in a single-minded way. In the 19th century Lever Bros. (the forerunner to Unilever) made tackling public hygiene in Victorian England its core focus and started a dynasty through the introduction of Sunlight Soap.[17] In the United States, Henry Ford saw the democratisation of car ownership as fundamental to raising the quality of living for America's growing middle class.

That kind of focus can help companies thrive today. Making the organisational purpose – however that purpose may be defined – the guiding principle for everything the business does, with visible leadership backing and direction, is the necessary first step to effective execution.

PwC's Strategy& recently studied some of the world's most successful companies, noting that a key part of their success was committing to an identity and aligning their entire organisation around that.[18] As Ralph Hamers, CEO of Netherlands-based financial institution ING Group, explains, "Bringing the purpose alive in a company ... means that you have to be able to explain that the purpose is real, it's one to be followed ... it's the starting point of everything you do."

In successful organisations there's a tighter integration of strategy through execution than we have ever seen in the past. What gets done needs to be tightly linked to how it gets done – both for speed and differentiation. This approach enables a business to define a compelling and distinctive customer value proposition that's aligned with its purpose, a business strategy focused on that proposition, and an operating model and differentiated capabilities that can effectively deliver on the proposition.

Chitra Ramkrishna, Managing Director and CEO of India's National Stock Exchange (NSE) recognises the value of organisational focus and alignment. "... our primary goal is to build an institution of excellence ... it is an enterprise where the values are embedded, enshrined in the people and in the processes."

Businesses with an unwavering focus on what they will or won't do can benefit not only from lower costs but also a more flexible operating model defined not by rigid rules and structures but by principles and values. This will give them the speed and agility needed to navigate a volatile and disrupted environment.

... there are core values that are non-negotiable for any enterprise. These core values of trust, integrity, transparency, objectivity, fairness, these are completely non-negotiable.

Chitra Ramkrishna

Managing Director and CEO, National Stock Exchange of India Limited (NSE), India

It was one of the foundations of our strategy that we had put in place three years ago that we defined what we are going to do, but, more importantly, what we're not going to do so that we could make sure we were focusing our efforts on the things where we could really add value and not being distracted across too many things in the business. So, there is constant trade-off to make the best use of the hours, the people and the money.

Susan Lloyd-Hurwitz

CEO and Managing Director, Mirvac Group, Australia

Drawing on a company's purpose and strengths to identify and develop a few core, cross-functional capabilities is key to success. There's evidence that companies that focus on a small set of distinctive capabilities are twice as likely as other companies to achieve higher than average profitability levels compared to competitors.[19]

CEOs, as we've seen, are caught between trying to resolve different, sometimes conflicting, stakeholder demands and doing so while trying to satisfy their own business needs, in particular keeping costs down. Being able to more effectively join up technology, innovation and people can provide companies with the capabilities to do just that.

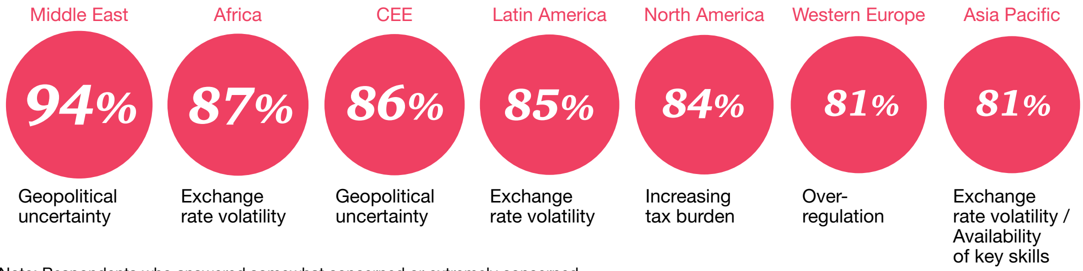
This involves gaining a deep understanding of what customers care about and what their own company stands for – across very different markets and governments. It involves aligning the entire organisation behind that commitment in order to execute effectively on customer strategies. And it involves using the full power of data and technology to measure and communicate how these strategies are being executed.

Only by steering a direct course between customer values and strategic execution can companies hope to build trust – that most important of currencies for doing business in an uncertain age.

Looking for more data?

Figure A Top concerns by region

Q: How concerned are you about the following potential economic, policy, social and business threats to your organisation's growth prospects?



Note: Respondents who answered somewhat concerned or extremely concerned

Global currents, local challenges

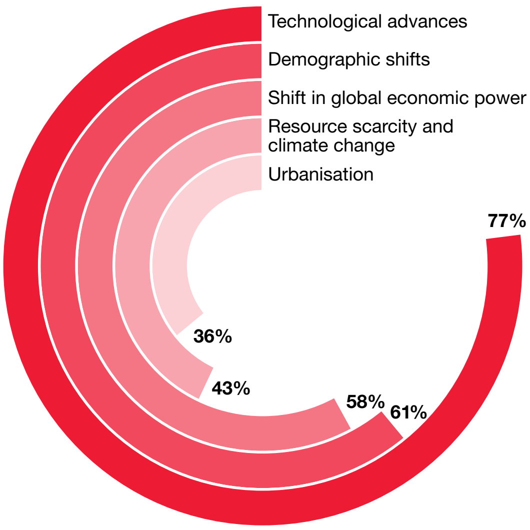
Over-regulation is the top concern for CEOs in Western Europe (cited by 81%), while their North American peers are most worried about an increasing tax burden (84%).

Exchange rate volatility, meanwhile, is the focal point for business leaders in Africa (87%), Latin America (85%) and Asia Pacific (81%).

It's geopolitical uncertainty, however, that not surprisingly keeps CEOs awake in the Middle East (94%) and Central and Eastern Europe (86%).

Figure B Technological advances are seen as the global trend most likely to transform wider expectations of business

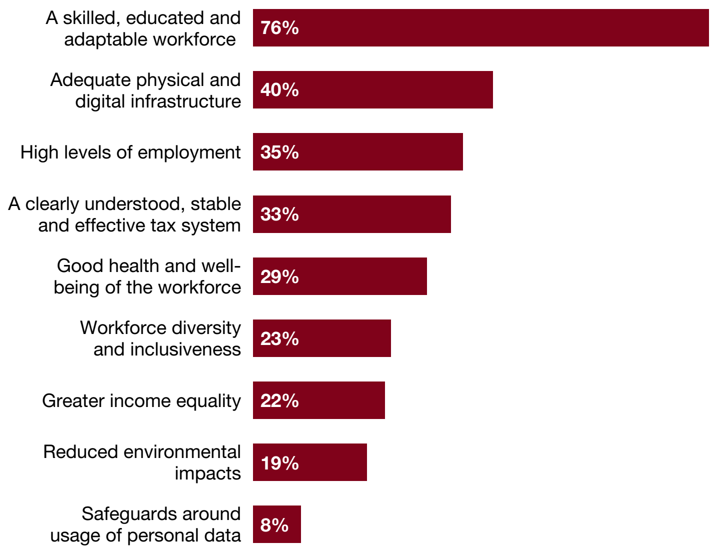
Q: Please rank the top three global trends which you believe will be most likely to transform wider stakeholder expectations of businesses within your sector over the next five years.



Note: Percentage of respondents ranking first, second or third

Figure C A skilled workforce was the most important societal outcome cited most frequently by CEOs, followed by infrastructure – both physical and digital

Q: Which three of the following outcomes do you think are most important to society today, in the country in which you are based?



To explore the numbers further, see our Data Explorer at www.pwc.com/ceosurvey

Figure D Nearly half of CEOs expect to increase headcount over the next 12 months

Q: Do you expect headcount at your company to increase, decrease or stay the same over the next 12 months?

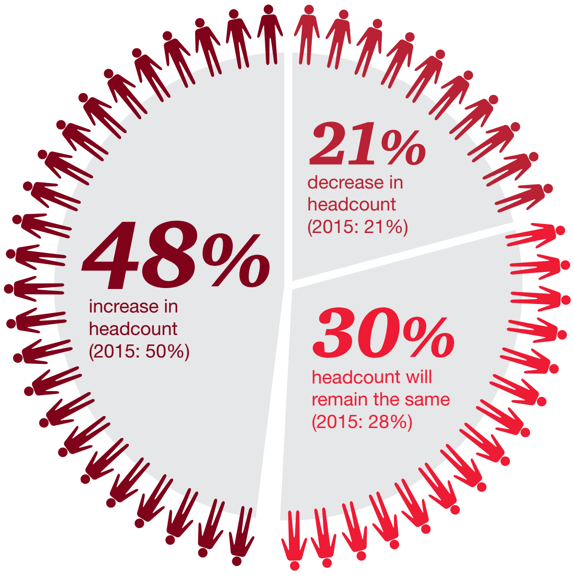


Figure E Similar to last year, the top two planned restructuring activities are cost-reduction initiatives and establishing new alliances

Q: Which, if any, of the following restructuring activities do you plan to initiate in the coming 12 months?

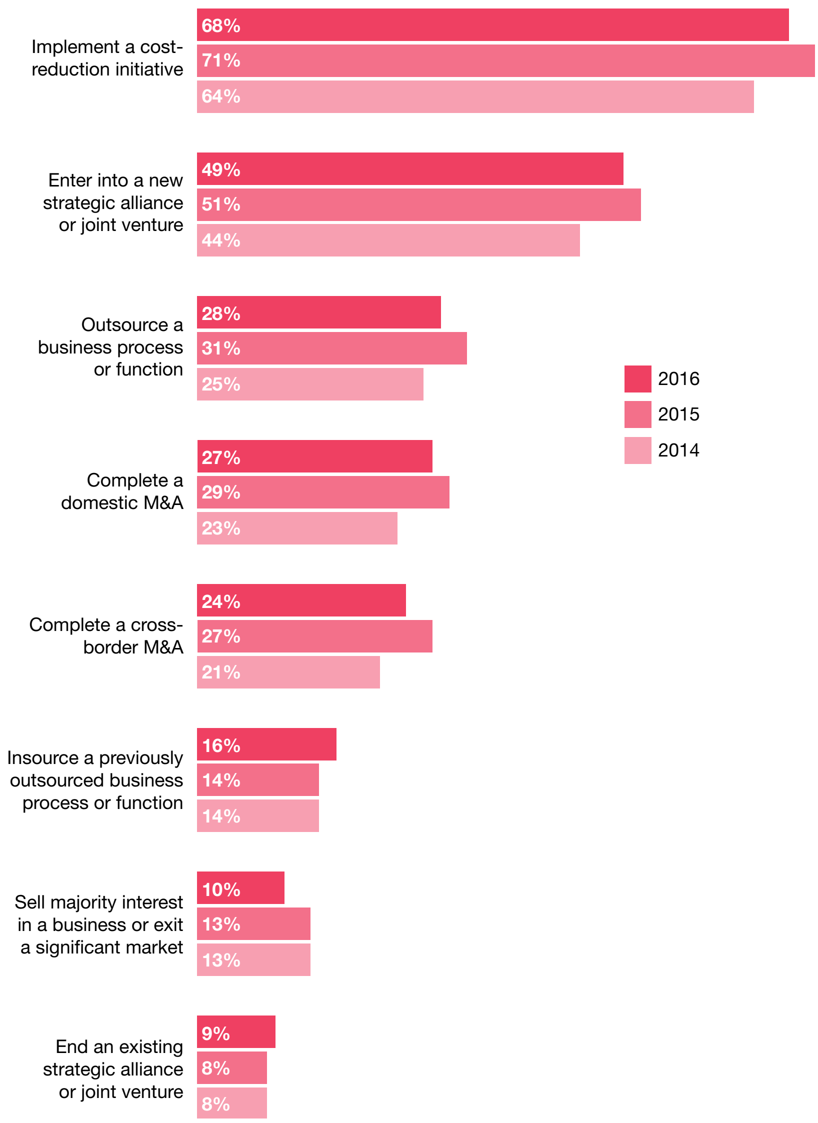


Figure F Threat concern variances in sectors

Q: How concerned are you about the following potential economic, policy, social and business threats to your organisation's growth prospects?

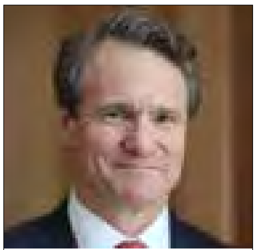
	High	Global average	Low
Over-regulation	94% Insurance	79%	67% Tech / Ind. Manufacturing / Business Services
Geopolitical uncertainty	89% Energy	74%	53% Healthcare
Exchange rate volatility	88% Hospitality and leisure	73%	49% Power and utilities / Healthcare
Availability of key skills	83% Entertainment and media	72%	52% Mining
Social instability	80% Hospitality and leisure	65%	54% Asset management
Speed of technological change	81% Banking and capital markets	61%	31% Mining
Cyber threats	79% Insurance	61%	38% Mining
Shift in consumer spending and behaviours	86% Hospitality and leisure	60%	28% Mining
Interest rate rises	73% Metals	58%	46% Entertainment and media
Lack of trust in business	68% Energy	55%	43% Retail
Climate change and environmental damage	70% Energy	50%	38% Pharma and life sciences / Entertainment and media
Supply chain disruption	69% Pharma and life sciences	50%	33% Power and utilities
Stock market volatility	62% Insurance /Mining	44%	25% Transport and logistics
Access to affordable capital	76% Mining	42%	30% Insurance / Industrial manufacturing

Note: Respondents who answered somewhat or extremely concerned

Meet the CEOs we talked to

To better appreciate CEOs' perspectives we also conducted face-to-face interviews with **33 CEOs from six continents over the fourth quarter of 2015**. Their interviews are quoted in this report, and extracts from their video interviews can be found on our website at **www.pwc.com/ceosurvey**, where you can explore responses by sector and location.

Dr. Nuno Amado
CEO
Banco Comercial Português, S.A., Portugal



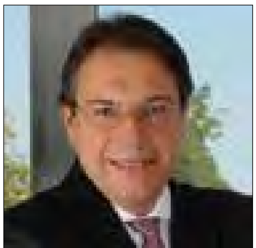
Brian Moynihan
Chief Executive Officer
Bank of America Corporation, US

Denise Morrison
President and Chief Executive Officer
Campbell Soup Company, US

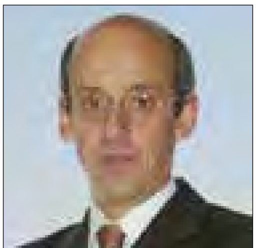
Fernando Gonzalez Olivieri
CEO
CEMEX, Mexico

Li Huaizhen
President
China Minsheng Investment Corp., Ltd., China

John Chambers
Executive Chairman of the Board
Cisco Systems Inc., US



Wilson Ferreira Jr.
CEO
CPFL Energia, Brazil

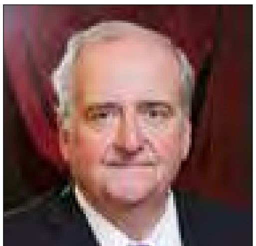


Guillermo Tagle
Chairman
Credicorp Capital, Chile

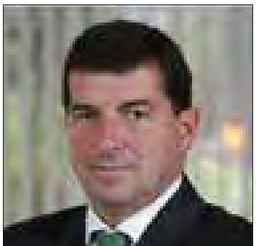
Jean-Bernard Lévy
CEO and Chairman
EDF, France

Michael Daniell
Managing Director and CEO
Fisher & Paykel Healthcare Corporation Ltd., New Zealand

Canan M. Özsoy
President and CEO
General Electric Turkey



Luis Pagani
Presidente
Grupo Arcor, Argentina



Eduardo Stock da Cunha
CEO
Grupo Novo Banco, Portugual

David Bojanini
President
Grupo SURA, Colombia

Ralph Hamers
CEO
ING Group, Netherlands

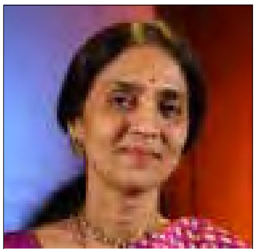
Mikko Helander
President and CEO
Kesko Corporation, Finland

Dr. Nigel Wilson
CEO
Legal & General, UK

Ajay Banga
President and Chief Executive Officer
MasterCard, US

Dirk Van de Put
CEO
McCain, Canada

Susan Lloyd-Hurwitz
CEO and Managing Director
Mirvac Group, Australia

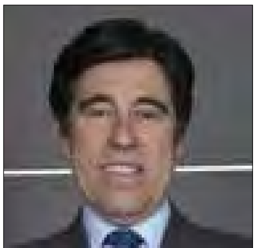


Chitra Ramkrishna
Managing Director and CEO
National Stock Exchange of India Limited (NSE), India

André Calantzopoulos
Chief Executive Officer
Philip Morris International Inc., Switzerland

Dr. Ahmed Heikal
Chairman and Founder
Qalaa Holdings, Egypt

Susanna Campbell
CEO
Ratos AB, Sweden



Manuel Manrique
President and CEO
Sacyr, Spain

Herman Gref
CEO and Chairman of the Executive Board
Sberbank, Russia

Takeshi Niinami
President and CEO
Suntory, Japan

Johan Dennelind
CEO
TeliaSonera AB, Sweden

Richard Pennycook
CEO
The Co-operative Group, UK

Larry Ettah
Group Managing Director
UAC of Nigeria

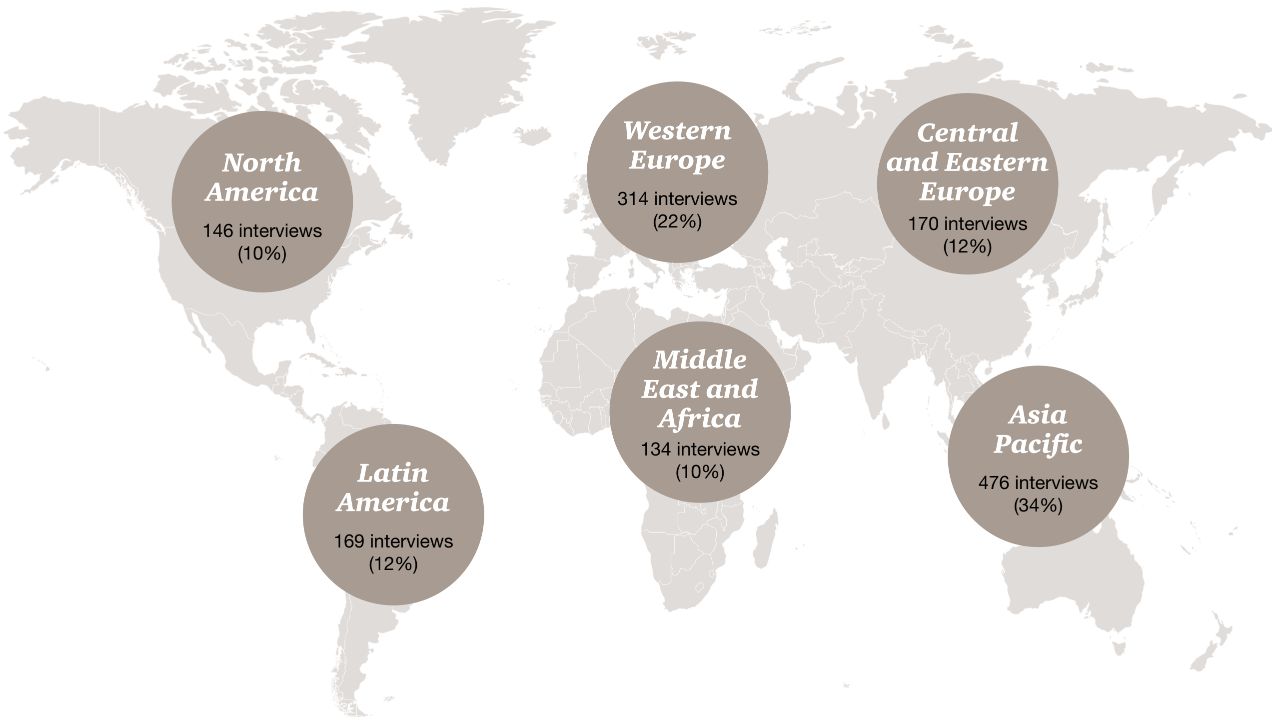
Michael Møller
Director-General
United Nations Office at Geneva (UNOG), Switzerland

Don Lam
Chief Executive Officer and Founding Partner
VinaCapital, Vietnam

Richard Goyder
Managing Director
Wesfarmers, Australia

Research methodology and contacts

We've conducted 1,409 interviews with CEOs in 83 countries. Our sample is selected based on the percentage of the total Gross Domestic Product (GDP) of countries included in the survey, to ensure CEOs' views are fairly represented across all major countries and regions of the world. The interviews were also spread across a wide range of industries. Further details, by region and industry, are available on request. Twenty-six percent of the interviews were conducted by telephone, 60% online and 14% by post. All quantitative interviews were conducted on a confidential basis.



1,409
interviews completed in 2015 across
83
countries between 28 Sep and 8 Dec

1,747
members of the Global PwC CEO Panel were invited to participate via the online survey, contributing to the total online responses.

The lower threshold for inclusion in the top ten countries (by GDP) was 500 employees or revenues of more than $50 million. The threshold for inclusion in the next 20 countries was companies with more than 100 employees or revenues of more than $10 million.

- 30% of companies had revenues of $1 billion or more
- 38% of companies had revenues of over $100 million up to $1 billion
- 28% of companies had revenues of up to $100 million
- 60% of companies were privately owned
- 38% of companies were listed on at least one stock exchange

Notes:

- Not all figures add up to 100% due to rounding of percentages and exclusion of 'neither/nor' and 'don't know' responses
- The base for figures is 1,409 (all respondents) unless otherwise stated

For further information on the survey content, please contact:

Suzanne Snowden
Director, Global Thought Leadership
+44 20 7212 5481
suzanne.snowden@uk.pwc.com

For media-related enquiries, please contact:

Mike Davies
Director, Global Communications
+44 20 7804 2378
mike.davies@uk.pwc.com

Acknowledgement and thanks

Editorial and writing
Suzanne Snowden (Programme Director)
Poh-Khim Cheah

Editorial board
Dalia Adawieh
Cristina Ampil
Justine Brown
Poh-Khim Cheah
Emily Church
Claire Clark
Mike Davies
Spencer Herbst
Deena Hooper
Maria Jennings
Nick Jones
Dominic Kelleher
Emily Litz
Robert MacKay
Sarah McQuaid
Rowena Mearley
Christopher Michaelson
Elizabeth Montgomery
Sanjukta Mukherjee
Jill Peacock
Oriana Pound
Rebecca Pratley
John Sviokla
Joanna Wells

Programme management and face-to-face interviews
Valentina Hovhannisyan
Angela Lang
Penny Rich

Communications, online and multimedia
Magdalene Fong
Ashley Hislop
Lesley Hornung
Charlotte Kuhn
Yuri Park

Design and production
The Design Group, PwC UK

Research and data analysis
PwC UK's Research to Insight (r2i) unit, located in Belfast, Northern Ireland

We'd like to thank the following PwC experts for their insights
Bridget Atherton, Raymund Chao, Martha Corbett, Emma Cox, Paul Fitzsimon, Bharti Gupta Ramola, Rob Gittings, John Hawksworth, Ian Hitchen, Stephanie Hyde, Leo Johnson, Per-Ola Karlsson, Barret Kupelian, David Lancefield, Henrique Luz, Bob Moritz, Alan Morrison, Dennis Nally, Gary Neilson, Yumiko Noda, Ian Powell, David Percival, Malcolm Preston, Donald Reed, Daniel Schwarzmann, Norbert Schwieters, Richard Sexton, Robert Shelton, Blair Sheppard, Mark Strom, John Sviokla, Robert Swaak, David Wijeratne, Norbert Winkeljohann, David Wu, Nora Wu

Notes and sources

1. PwC, 2015 APEC CEO Survey: CEO confidence in Asia Pacific shaken but strong, November 2015
2. PwC, Total Retail 2015: Retailers and the Age of Disruption, February 2015
3. Unilever PLC, Unilever Sees Sustainability Supporting Growth, 5 May 2015
4. E. Freya Williams, Green Giants: How Smart Companies Turn Sustainability into Billion-Dollar Businesses, August 2015 (pub. AMACOM)
5. Nielsen N.V., Consumer Goods' Brands That Demonstrate Commitment to Sustainability Outperform Those That Don't, 12 October 2015
6. Morgan Stanley, Sustainability Through the Eye of the Investor, 27 February 2015
7. Global Industry Analysts, Inc., The Global Sports Utility Vehicles (SUVs) Market, September 2015
8. Business Insider UK, Millennials apparently love Wal-Mart – and employees are shocked, 16 June 2015
9. 2015 Edelman Trust Barometer
10. Lloyd's City Dinner, 30 September 2015
11. PwC, Understanding the value and drivers of organisational trust, 2015
12. PwC, 2015 Global Operations Survey
13. Mitch Cohen and John Sviokla, The Self-Made Billionaire Effect, December 2014 (Pub. Portfolio)
14. Paul Leinwand and Cesare Mainardi, Strategy That Works: How Winning Companies Close the Strategy-to-Execution Gap, January 2016 (pub. Harvard Business Review Press)
15. B Lab, About B Lab
16. PwC, Valuing our total impact, 2015
17. Unilever PLC, Our History
18. Paul Leinwand and Cesare Mainardi, Strategy That Works: How Winning Companies Close the Strategy-to-Execution Gap, January 2016 (pub. Harvard Business Review Press)
19. Ibid.

MIX
Paper from responsible sources
FSC® C008198

Both the paper and the printer involved in the production support the growth of responsible forest management and are both accredited to ISO 14001. This report has been printed on paper which is FSC certified. The cover is printed on Revive 50 Silk which contains 50% recycled fibre and 50% virgin fibre, the text is printed on Revive 100 offset which contains 100% recycled fibre. When finished with this report please recycle responsibly.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 208,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

The Design Group PwC UK 30001 (01/16)