

20th CEO Survey

Competing in an age of divergence / A more considered growth strategy / Managing man and machine / Gaining from connectivity without losing trust / Making globalisation work for all

Inside the mind of the CEO A Singapore observation

February 2017





Foreword

At a macro level, our global report observes a ‘diverging world’, where recent events have exposed a divide among voters in some of the world’s economic powerhouses. Due to the open nature of Singapore’s economy, these events have potential knock-on effects as a result of the city state’s high dependence on international trade.

Challenged with a time marked by shifting global trends and growth patterns, how CEOs engage employees and stakeholders (both public and private) – often, by articulating and upholding their sense of purpose – has never been more important.

This paper studies the responses of almost 1,400 CEOs surveyed from approximately 80 countries, which include a Singapore respondent size of 33 business leaders. We further provide our thoughts in the following five themes on the competitive advantages that will set winning business leaders apart in the marketplace.

- Competing in an age of divergence
- A more considered growth strategy
- Managing man and machine
- Gaining from connectivity without losing trust
- What is the world coming to?

Competing in an age of divergence

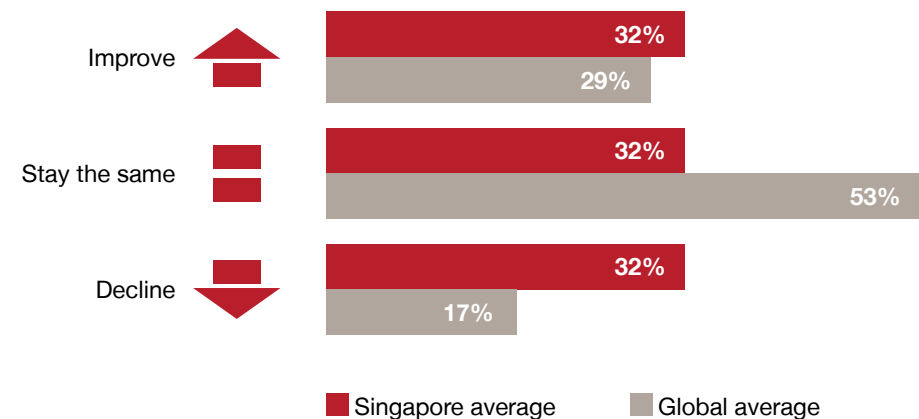


Economic outlook: Growth will not be inclusive

- When asked about whether the global economic outlook will improve, stay the same or decline over the next 12 months, views from majority of the CEOs surveyed worldwide (53%) suggest that it is likely to remain the same as last year (Figure 1). Meanwhile, responses from the Singapore business leaders surveyed are evenly divided.
- This indicates that the market growth we will be seeing in the year ahead is not likely to be inclusive, and that opportunities will not be evenly distributed across all sectors.

Figure 1: Economic growth outlook for the year ahead

Q: Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?



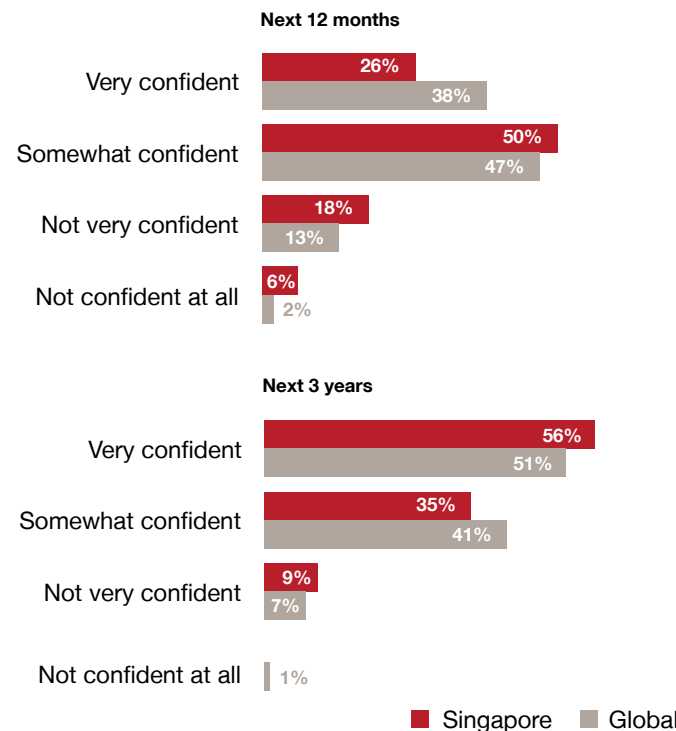


Confidence in long term business growth

- Despite the lackluster economic outlook, more than half of the business leaders surveyed emerged optimistic about their long-term growth prospects (Figure 2).
- Why such confidence? The results suggest that CEOs are not waiting things out, and have likely mapped out a more considered growth strategy for the longer term.

Figure 2: Confidence in prospects for revenue growth

Q: How confident are you about your company's prospects for revenue growth over the next 12 months and the next three years?



What does this mean for CEOs?

- As globalisation and technology continue to shape the world in multiple and, arguably, uncertain directions, business leaders can develop their organisation's ability to cope with disruption, as well as to seize and leverage opportunities uncertainty bring.
- Among the building blocks integral to an organisation's resilience and agility include:

Strategic responsiveness – the ability to sense new opportunities and risks, and quickly craft a response to those pressures.

The breadth to accommodate failure – allow room for risk-taking, mistakes and failures, and encourage the ability to learn from them.

An agile, well-rounded and diverse workforce – one that has the flexibility to swiftly adapt to changing situations and challenges.

Tough questions to consider

- How quick is your business at sensing new opportunities and risks?
- With prolonged uncertainty being the new normal, do you have the right measures that encourage risk-taking, and the breadth to accommodate mistakes/failure?
- Do you have an agile, well-rounded and diverse workforce that is fit for the future?

A more considered growth strategies



Responding to changing markets

- As the opportunity-risk profiles of various economies are becoming more changeable and unpredictable, CEOs are investing in a mix of developing and developed economies to even out the risks borne.
- Locally, China remains a priority in terms of business growth prospects, ahead of Indonesia, US, Malaysia, India and UK (Figure 3).
- On the other hand, Singapore has been named the most important city for organisations' growth by ASEAN CEOs, ahead of Kuala Lumpur, Jakarta, New York, London and Beijing. Notable for its technological readiness, ease of doing business, tax efficiency as well as urban competitiveness, the city state stands out as a prominent business centre in the Southeast Asian region.

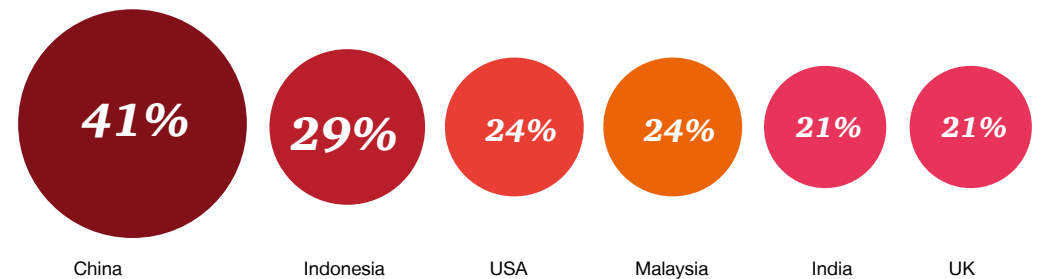


Figure 3: Top countries and cities for growth prospects

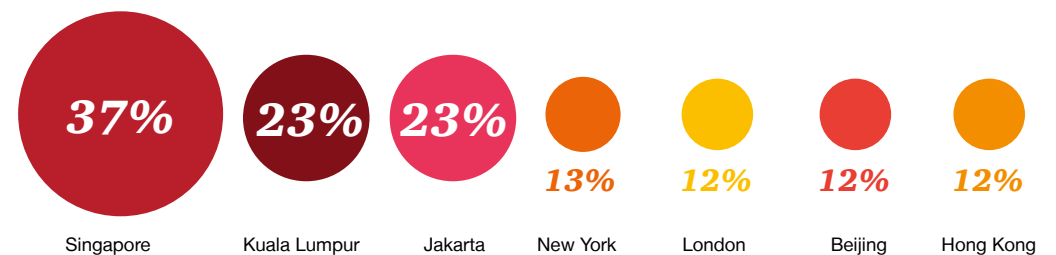
Q: Which three countries, excluding the one in which you are based, do you consider most important for your overall growth prospects over the next 12 months?

Q: Which three cities do you consider most important for your organisation's overall growth prospects over the next 12 months?

Top countries (Singapore population)



Top cities (ASEAN population)



Capitalising on growth opportunities

- Majority of CEOs are looking to achieve growth and improve profitability through organic growth (Figure 4).
- Meanwhile, there's also significant appetite for cost cutting, strategic alliance/joint venture, as well as mergers and acquisitions – which suggests CEOs recognise that it's not enough to focus on organic growth alone.
- In order to capitalise on new opportunities, a number of CEOs are also prioritising investment in digital and technological capabilities, human capital, and innovation (Figure 5).

Figure 4: Top activities to drive corporate growth and profitability

Q: Which of the following activities, if any, are you planning in the coming 12 months in order to drive corporate growth or profitability?

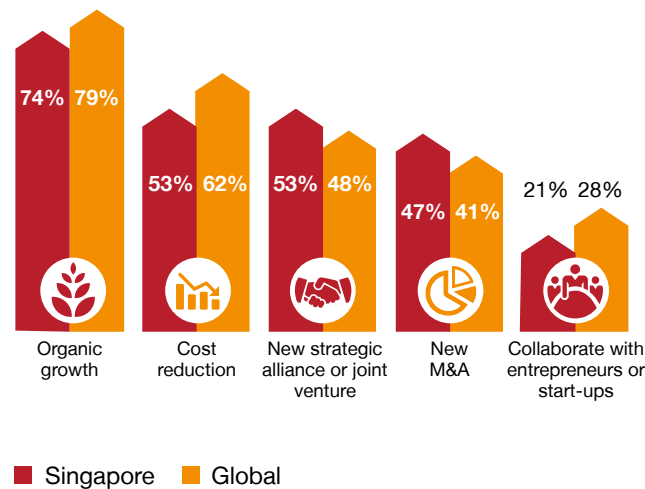
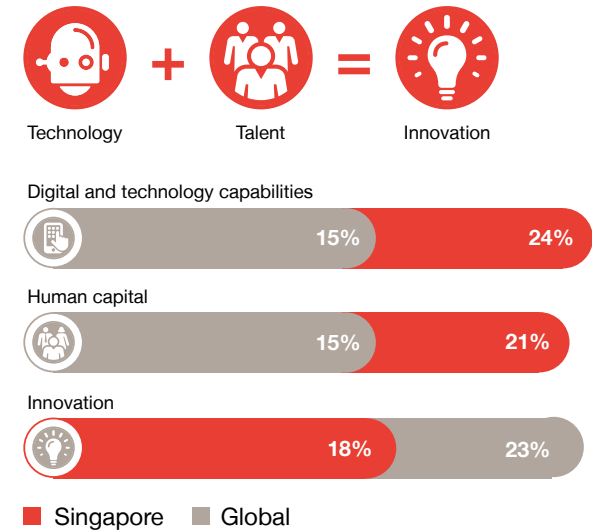


Figure 5: Key areas to strengthen to capitalise on new opportunities

Q: Given the business environment you're in, which one of the following do you most want to strengthen in order to capitalise on new opportunities?



What does this mean for CEOs?

- Change is happening in non-linear ways, but business leaders can have control over some level of predictability and certainty.
- Business leaders need to consider the strategic avenues they can leverage to enter new markets, and expand market share while continuing to optimise their cost base.
- At the same time, business leaders can also seek new headroom by identifying in-market, near-market and new market opportunities where their strengths and business capabilities can make a difference.

Tough questions to consider

- How will you find new areas organic growth in a fragmented and low-growth global economy?
- In a more uncertain world, where will you increase investment and where will you 'hunker down'?
- As the pattern of world trade alters and protectionism looms, how are you preparing to compete while continuing to optimise your cost base?
- Are you looking for in-market and near-market growth where your strengths make a difference?
- In an increasingly risky business environment, how can you factor both agility and resilience into your growth strategy?

Managing man and machine



Wanted: More technology, more people

- The combination of man and machine can generate more value than either alone.
- The skills that Singapore business leaders surveyed found most important, based on the Singapore responses, are leadership and adaptability (Figure 6). The skills that are hardest to recruit for are creativity and innovation, leadership and emotional intelligence; they are the characteristics that are difficult to replicate and/or automate.
- To address the talent crunch, the top talent activities employed by business leaders are promoting diversity and inclusiveness, using technology to improve employees' well-being, changing their people strategy to reflect the skills and employment structures needed for the future, as well as moving talent to where it is needed (Figure 7).

Figure 6: The hardest skills to find are those that can't be performed by machines (Singapore responses)

Q: In addition to technical business expertise, how important are the following skills to your organisation?
Q: How difficult, if at all, is it for your organisation to recruit people with these skills or characteristics?

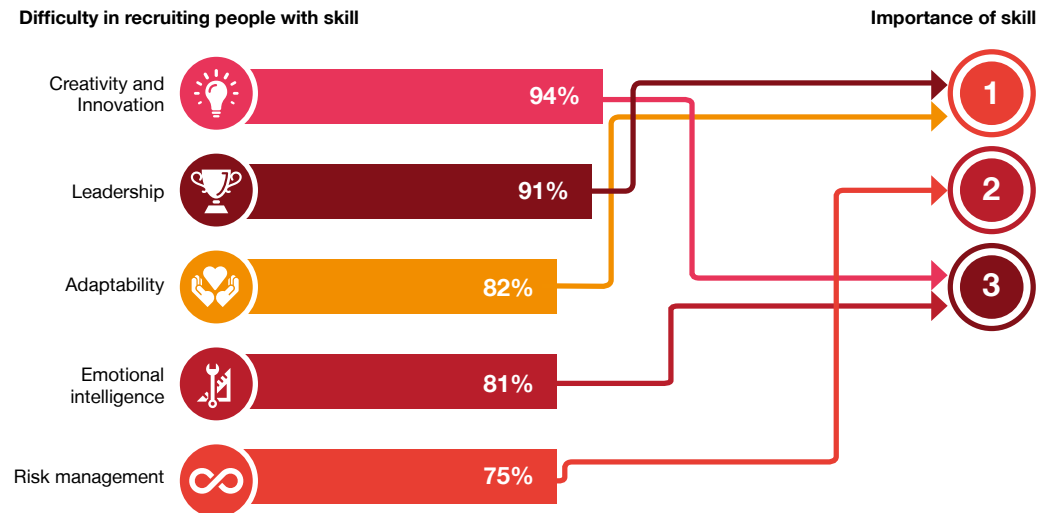
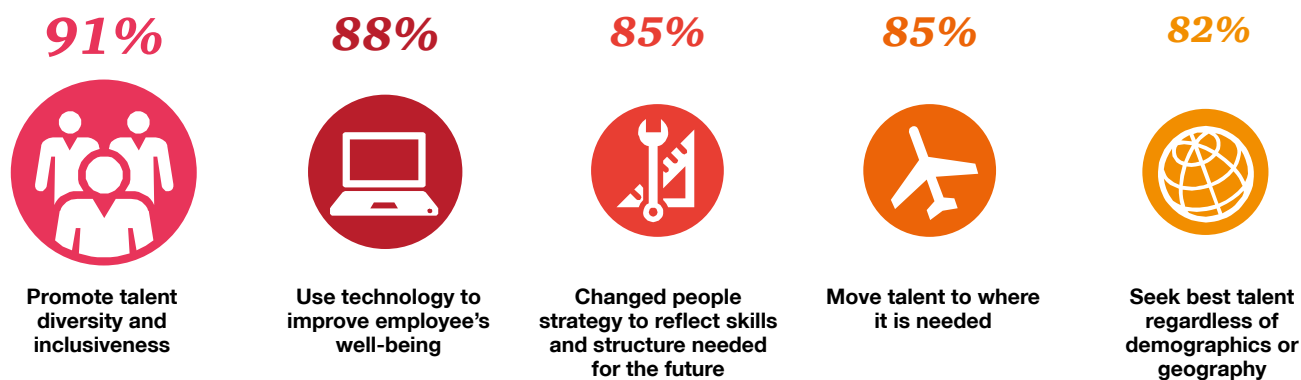




Figure 7: CEOs are looking more widely to find the skills they need (Singapore responses)

Q: To what extent do you agree or disagree with the following statements about your organisation's talent activities?



Note: % represent Singapore respondents that 'Agree' or 'Agree strongly'

What does this mean for CEOs?

- The 'human factor' remains crucial in the digital age. Even where jobs can be fully automated, some roles will remain in human hands as empathy and creativity are integral to providing customers with a unique and differentiated experience.
- Business processes and people strategy may need to be redesigned so that employees are best placed to work seamlessly with technology to innovate effectively and create new values.
- As a company adjusts to new ways of working and doing business, organisational agility needs to be enforced and confidence needs to be injected in its workforce.
- Non-traditional talent needs to be allowed to experiment and excel in an organisation. It will become increasingly necessary for businesses to hire a mix of talent and foster a culture of openness.

Tough questions to consider

- Which parts of your business model will benefit from further automation?
- How is the 'human factor' set out in your business model to deliver a differentiated experience?
- Is your current human capital model optimised and does it address your future needs?
- How are you leveraging the diversity of your organisation's talent, capabilities and ideas?

Gaining from connectivity without losing trust



Responding to a new environment transformed by connectivity

- Digital connectivity has exposed organisations to far more scrutiny than before. More business leaders are finding it harder to gain and retain people's trust in an increasingly digitised world (Figure 8).
- Furthermore, a considerable number of respondents say that it has become more important both to establish a strong corporate purpose that's reflected in their values, culture and behaviours, as well as to run their companies in a way that addresses wider stakeholder expectations.

Figure 8: Doing business in an increasingly digitised world

Q: In the context of an increasingly digitised world, to what extent to you agree with the following statements?



Respondents who stated 'Agree' or 'Agree strongly'

Securing trust in the age of digital connection

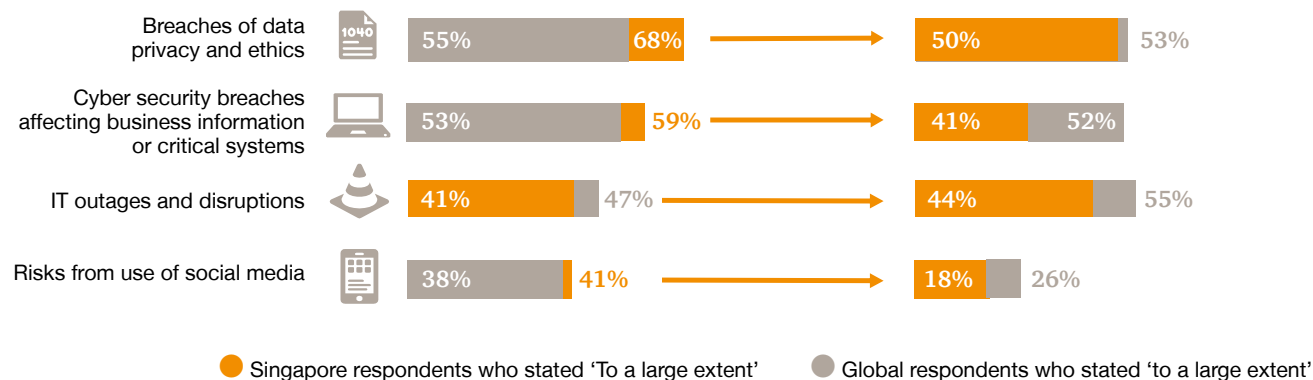
- More than half of the Singapore respondents identified breaches of data privacy and ethics as the top threat that could impair public trust over the next five years, followed by cybersecurity incidents (Figure 9).
- Furthermore, a significant proportion of these leaders are taking action to address and defend against the risks identified.



Figure 9: Top digital risks impacting stakeholder trust

Q: To what extent do you think the following areas will impact negatively on stakeholder trust levels in your industry in the next five years?

Q: To what extent is your organisation addressing these issues today?



What does this mean for CEOs?

- Digital connectivity and technology introduce both opportunities and new risks into the ecosystem. Businesses will need to set clear boundaries whilst incubating new ways of delivering services, and ensure that their line managers are mindful of this.
- The contemporary stakeholder is keenly aware of the importance of purpose, and is demanding clarity on not just the “how” of the company, but also the “why”. To thrive in a transparent world, every decision and action businesses undertake – whether it involves customers, employees, suppliers, partners, shareholders or the wider community – must have a bearing on a strong sense of purpose, integrity and trust.

Tough questions to consider

- What are you doing to protect customer and employee data from theft, loss or misuse – and how robust are those measures?
- How can you build the right infrastructure for collecting, managing, governing and securing data?
- What can you do to measure and leverage trust in your brand as a competitive advantage?
- Are your investments in innovation aligned to the important problems at the core of your purpose?
- How do you communicate the “moral compass” underlying your business activities and decisions to your stakeholders?

What is the world coming to?



The future of globalisation: A simultaneously converged and diverged world

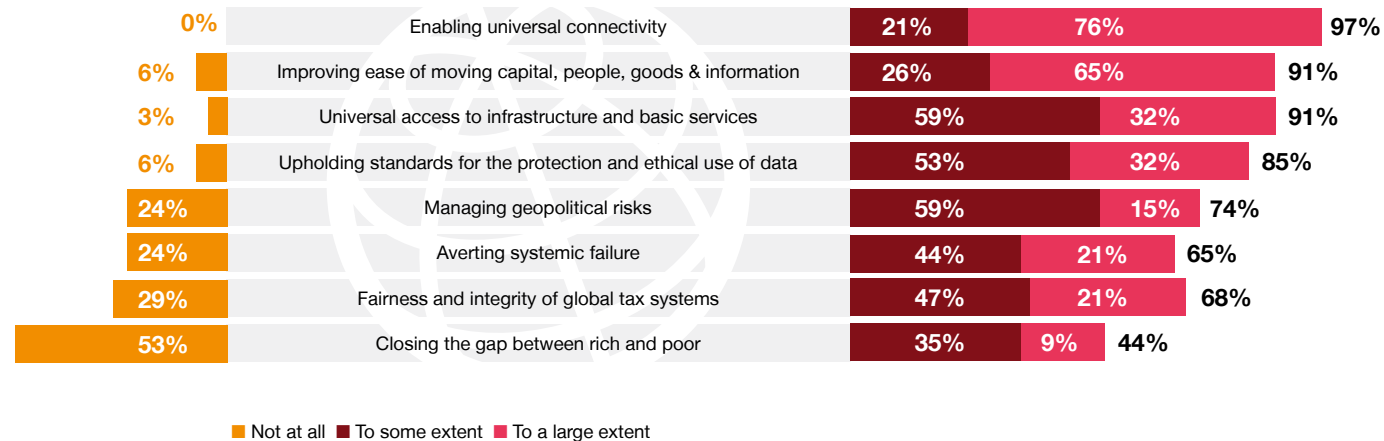
- Business leaders worldwide have been largely positive about the impacts of globalisation on businesses and markets, yet a significant number indicate that it has not helped with closing the gap between the rich and the poor.
- While the forces of globalisation and technology have jointly enabled a digitally connected world, 2016 brought into focus a shift towards a diverged world – one divided by multiple powers, beliefs and frameworks.
- Increasing hostility towards globalisation, predominantly fueled by inequalities (eg. level of income, living standards, access to resources, etc.), may potentially lead some governments to look inwards, making it more challenging for international trade and co-operation.





Figure 10: What has globalisation helped achieve? (Singapore responses)

Q: To what extent has globalisation helped with the following areas?



What does this mean for CEOs?

- Economic forces are set in motion by choices people make. Public discontent is a danger to growth, while social well-being and equality are vital in driving long-term economic performance.
- Business opportunities exist in elevating the world's impoverished demographics, which will require radical innovations in technology and business models.
- To help keep the doors to globalisation open, business leaders are encouraged to collaborate widely with both public and private sectors to fix the systems that support global trade, and ensure a fairer distribution of the benefits it brings.

Tough questions to consider

- Have you assessed the impact which the current sentiment about globalisation will have on your organisation's ability to compete globally?
- Have you evaluated your global tax strategies recently to consider the impacts of public and government views on tax obligations to support public services?
- Are you making the most of your reporting to ensure all your stakeholders are aware of your initiatives to support workforce, communities and social initiatives?
- How can businesses and governments work together to help those who've been disenfranchised by globalisation?

Concluding thoughts: A new style of leadership

How can CEOs today ‘step up the game’ and build trust?

- CEOs are operating in a radically new environment where forces of technology, connectivity and globalisation will continue to transform the world. This has led to a demand for a new style of leadership to manage heightened anxiety.
- Competitive advantage will go to those with the greatest capacity to demonstrate ‘responsive and responsible leadership’ which encompass the following:

Don’t wait things out – map out a considered growth strategy that is built to last.

Preserve the ‘human touch’ amidst the headlong rush to reap the benefits of technology.

Engage with stakeholders, employees and the wider community with a deep sense of purpose that will set the organisation apart in the marketplace.

Collaborate widely with both public and private sectors to foster inclusive growth in the digital age.

Bring together different minds, and embrace flexibility for both centralised and decentralised decision-making to strategically manage different situations that arise.

- We observed that while the views of local respondents are similar to that of the global average, business leaders with operations in Singapore will also need to factor in the government driven business advantage the city state has over to offer.
- Government driven initiatives such as the ‘Committee of Future Economy’, coupled with fiscal measures that support the growth of local enterprises, serve to elevate Singapore’s performance to that of a global economy. Business leaders will therefore need to consider how they can harness the best of the local business environment to achieve optimised growth.

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