

## **Slovak CEO Survey 2016**

The consulting company, PwC, and the Forbes magazine surveyed business leaders on how they perceive the business environment in Slovakia.

156 CEOs gave their opinions.

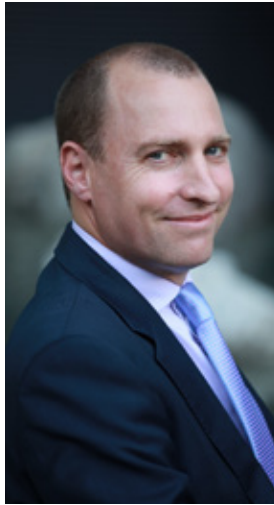
# **Redefining business success in a changing world**



**92%** consider a skilled, educated and adaptable workforce to be a priority

**91%** consider poor law enforcement to be the biggest threat to business success in Slovakia

**74%** of CEOs expect their revenues to grow next year



## How to lead in complicated times

**Todd Bradshaw**

*Country Managing Partner, PwC*

Dear Ladies and Gentlemen,  
This year Europe and Slovakia will face some of their largest challenges in the economic, social and political arenas, which will test the strength of both the EU and Schengen. Business and society in general need experienced leaders who will be able to address these challenges and set out a clear future vision for Europe, which people can buy into. This year's survey clearly shows, that Slovak CEOs have their own perspective on the threats to business compared to CEOs in other parts of the world. CEOs in Slovakia see specific threats to their business success primarily relating to law enforcement, the quality of education, high tax burdens, and regulations – i.e. in the areas administered by the State. They also consider the geopolitical risks to be greater, and they are less confident that the global economy will grow. On the other hand, they see substantially fewer threats to business itself and to the Slovak economy.

We hope the latest CEO survey will provide you greater awareness about the challenges and risks faced by CEOs in Slovakia, but at the same time where the solutions may lie. The arrival of new technologies that have fundamentally changed business in all industries is a real challenge, as they will change not only business models, but also how information is obtained and disseminated internal communication methods, and communication between companies and their stakeholders. The survey makes it clear that there is plenty of room for Slovak companies to improve in these areas.

Finally, I would like to thank all 156 CEOs who participated in the survey this year and gave their time to help us obtain this valuable overview. I am certain that the information from the survey will provide interesting reading material. I wish you every success in your business.



## Talent Prospectors

**Juraj Porubský**

*Editor-in-chief, Forbes Slovakia*

“There is enough money. There is no lack of ideas either. What decides is the talent to turn ideas into reality.”  
This is a common theme in discussions about the start-up environment in Slovakia and elsewhere in the world. The same issue is also faced by heads of major Slovak companies as is shown by the latest survey of CEOs' opinions, the results of which you have before you. Slovak CEOs believe that only a small number of Slovak companies succeed globally due to a lack of leaders. Human capital is a decisive factor for being successful in the 21st century. Of course, there are still some countries that are able to make money from natural resources. However, as we have seen in the last few months, a sudden drop in the prices of raw materials, such as crude oil, causes a number of difficult problems for them. Small countries with open economies, whose success depends

on being successful on international markets, have to work hard to retain their competitiveness. If, apart from people, they are not abundant in any natural resources, the answer is clear: education, training, attracting foreign talent, and talent development. Corporate leaders in Slovakia are sending a clear message that business requires a better education system, lower taxes and levies, and better law enforcement. The state can make rapid improvements as regards taxes and levies, but better law enforcement and education will need long-term solutions. It is symptomatic that the education system has not been a political priority for any government to date. Talent is the only source of wealth on which Slovakia can build in the long term. The fight for talent will be the real fight of the 21st century.

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# ***Slovak companies need to make better use of new technology in their business, better develop their management and educate their staff***

## ***Business leaders see threats from low education levels, tax increases, and corruption***

Slovak CEOs are more optimistic compared to 2015 and also compared to CEOs from other parts of the world. They are more sceptical about the economic situation in the world, than they were in 2015, and they are less certain about growth prospects in 2016.

Slovak companies still lack leaders able to achieve global success. To remain competitive, companies also need to change various aspects of their talent hiring strategy in order to obtain, maintain and motivate key employees. They must change the way they develop future leaders, the working environment develop collegial behaviour and improve the systems for financial reward and benefits.

Slovak corporate leaders are definitely not as concerned as CEOs from other parts of the world about changes in consumer behaviour, the speed of technological change, cyber threats and new market players. It appears that the current global threats to business do not pose as much danger to business in Slovakia as threats from the state's impact on the business environment. The availability of key skills is linked to improving the functioning of the education system in Slovakia, and corruption is a result of failings in the legislative and judicial system.

Bribery and corruption, the availability of key skills, and a lack of trust in business are the main threats to business according to Slovak CEOs. Increasing tax burdens, the Eurozone debt crisis and insufficient basic infrastructure are threats to the future of growth of companies in Slovakia.

Slovak CEOs are sceptical regarding the use of new technology to communicate with stakeholders. In comparison with their colleagues from other parts of the world, Slovak CEOs do not see as much value in the use of social media technology, online information and personal data collection for their communication with their stakeholders

Corporate leaders in Slovakia believe that a skilled, educated and adaptable workforce is a priority for business, together with a simple, stable and effective tax system with a good physical and digital infrastructure. These are the areas where they expect and require improvements.



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## ***Long-term horizon***

***88% of CEOs prefer long-term profits to short-term profits***

## ***Technology will dominate***

***73% of CEOs think that new technology will have the biggest impact on global business***

## ***Requirements of key talent***

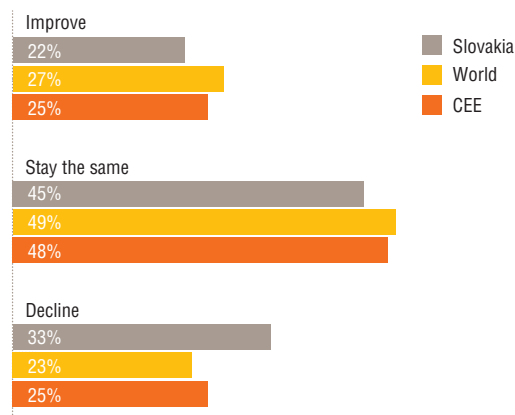
***59% of CEOs think that in five years key talent will prefer working for companies that have adopted social values that are close to them***

# Slovak CEOs are more optimistic about growth over the next 3 years, but are less confident in the growth of the global economy

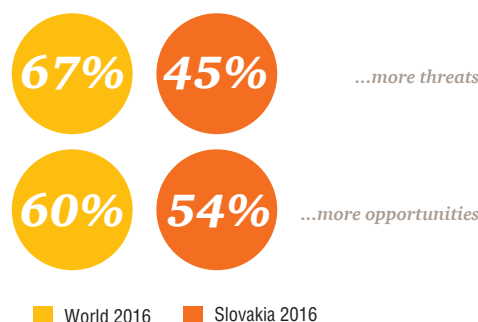
## Slovak CEOs are more sceptical about the global economic situation

One third of Slovak CEOs think that the global economic situation will worsen given current events in the world economy. Two thirds of surveyed corporate heads elsewhere in the world see more threats to their business than three years ago. Only around a quarter of corporate heads elsewhere in the world believe that the world economy will grow over the next twelve months, which is 10% less than last year. There are several reasons for the growth of increased concerns about the economy – decreasing oil prices, the threats of the UK leaving the EU, the possible end of the Schengen zone, fears regarding lower security, and the economic situation in China which influence the degree of uncertainty as regards economic growth. In comparison with their Slovak peers, leaders elsewhere in the world see both more threats and more opportunities.

Question: Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?  
Chart 1



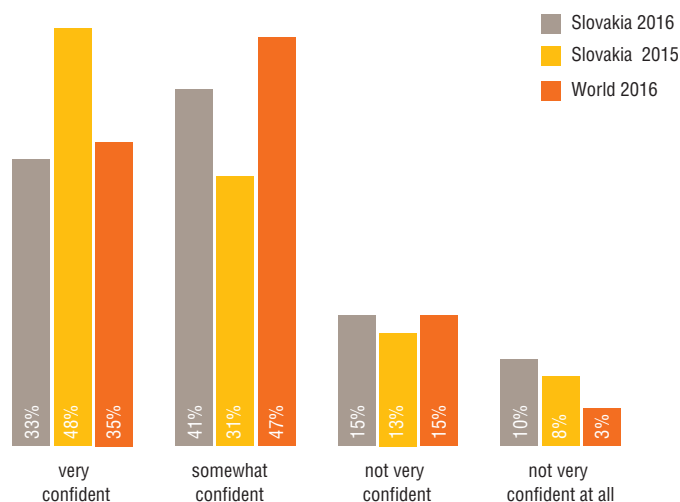
Question: Are there more threats/opportunities to the growth of your company today than 3 years ago?  
Chart 2



## Three quarters of Slovak CEOs expect their companies to grow

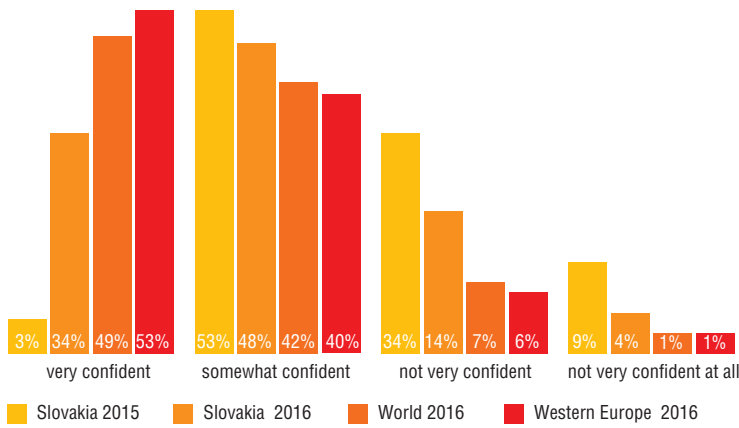
Compared to last year, a third less Slovak CEOs are confident about the growth of their companies next year, but this is still true for three quarters of them. This is comparable to the global situation, as 79% of non-Slovak CEOs expect their companies to grow. 63% of the surveyed companies recorded a growth in revenues last year, and 45% of companies expect to increase staff numbers next year.

Question: How confident are you about your company's prospects for revenue growth over the next 12 months?  
Chart 3



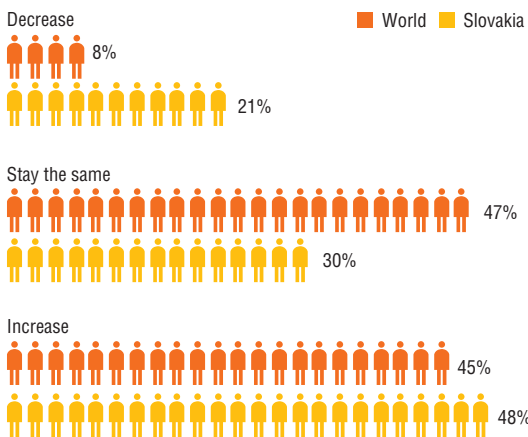
Question: How confident are you about your company's prospects for revenue growth over the next 3 years?

Chart 4



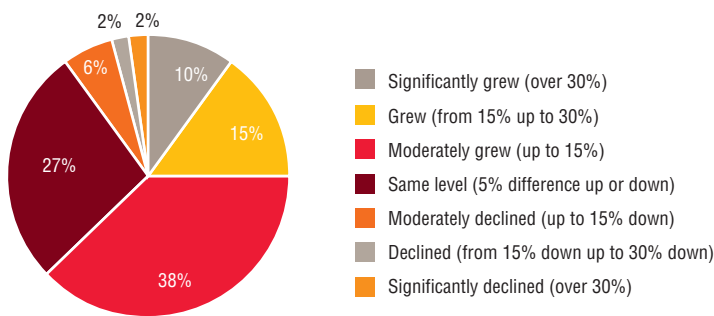
Question: Do you expect headcount at your company to increase, decrease or stay the same over the next 12 months?

Chart 5



Question: How have the revenues of your company for the last fiscal year changed compared to the previous one?

Graf 6



## Slovak CEOs are substantially more optimistic in comparison with last year, and they are much more confident about the growth of their companies over the next three years

63% of the surveyed companies recorded revenue growth last year. Up to 82% of companies expect growth over the next three years, an increase by 26% in comparison with the previous year, i.e. by a half.

Only 8% of Slovak CEOs stated that staff numbers will drop in the next twelve months, 47% of companies plan no change, and 45% of companies plan to increase the number of employees. Based on these plans, the economic situation at Slovak companies can be considered stable. In contrast, 21% of non-Slovak companies plan to reduce the number of employees.



*“Even though threats to world business are increasing and the belief in global growth is decreasing, the optimism of Slovak CEOs about the next three years has substantially increased compared to the previous year, although they are aware that many specific threats exist in Slovakia. Doing business takes courage and a belief in your own abilities, and this is something which Slovak CEOs do not lack when looking to the future.”*

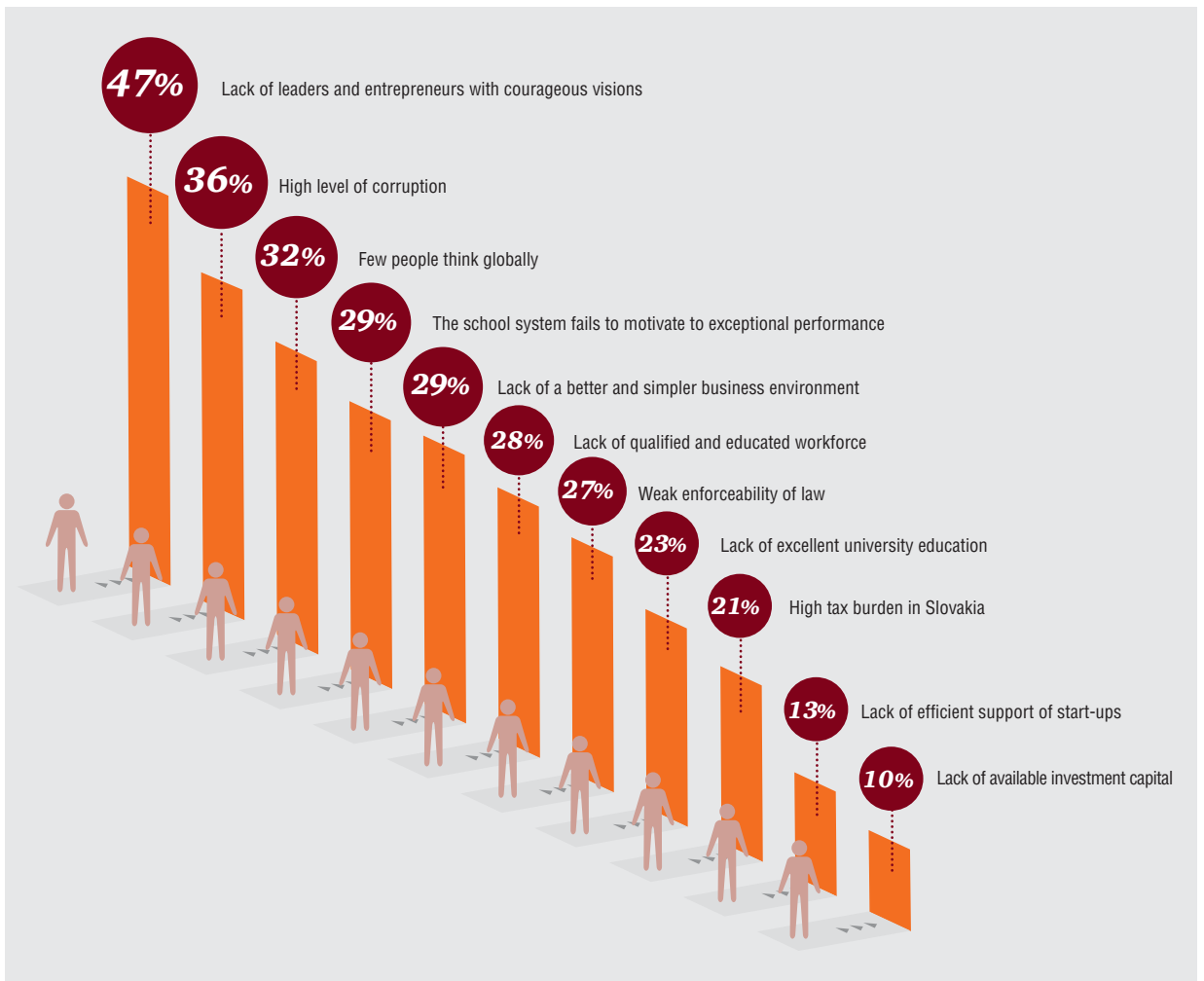
**Alica Pavúková**  
Partner

## Slovak companies lack leaders for global success

Almost a half of Slovak CEOs stated that Slovak companies lack leaders with bold vision able to lead them to global success. The reasons for a lower number of globally successful companies include a high level of corruption, a lack of people thinking globally, and a lack of motivation in the school system together with a weak business environment. In contrast, CEOs do not see any barriers to the lack of investment capital or the weak support of start-ups.

Question: Why do you think more Slovak firms aren't successful globally?

Chart 7



*"Slovak CEOs identify a qualified workforce as a top priority but lack local leaders who have a global overview or success outside of Slovakia. There is thus a huge opportunity for the professional development of Managers and Staff in Slovak companies. There must therefore be a key goal for Slovak companies to broaden their Managers and Staff experience, to develop them inside the company, bring successful global leaders to inspire them and give them greater opportunities to experience international business life."*

**David Green**

Partner

Assurance Leader Slovakia and CEE Western Region

Slovak specifics:

# Law enforcement, low quality of education system and high tax and levy burdens are the major threats to business success in Slovakia

The survey confirmed the strong emphasis put by Slovak corporate heads on law enforcement in Slovakia and the low quality of the education system and availability of a skilled work force, high tax and levy burdens as the major threats that companies in Slovakia face.

Question: Which of the following factors jeopardize successful business activities in Slovakia?

Chart 8



To maintain competitiveness, companies are changing various aspects of their talent strategy so that they are able to obtain, maintain and motivate key employees. First of all, they are changing the education of future leaders, the working environment and collegial behaviour as well as the system of financial rewards and benefits.

In Slovakia, companies seek to gain a reputation as an ethical and socially responsible employer more than elsewhere in the world.

In contrast to Slovak companies, companies in other parts of the world are also changing their attitude to the effective management of work performance, and are focussing on variety and inclusion in companies. These two issues represent the greatest difference between Slovak companies and other companies.



Question: What aspects of your talent strategy are you changing to attract, retain and engage the people you need to remain competitive?

Chart 9

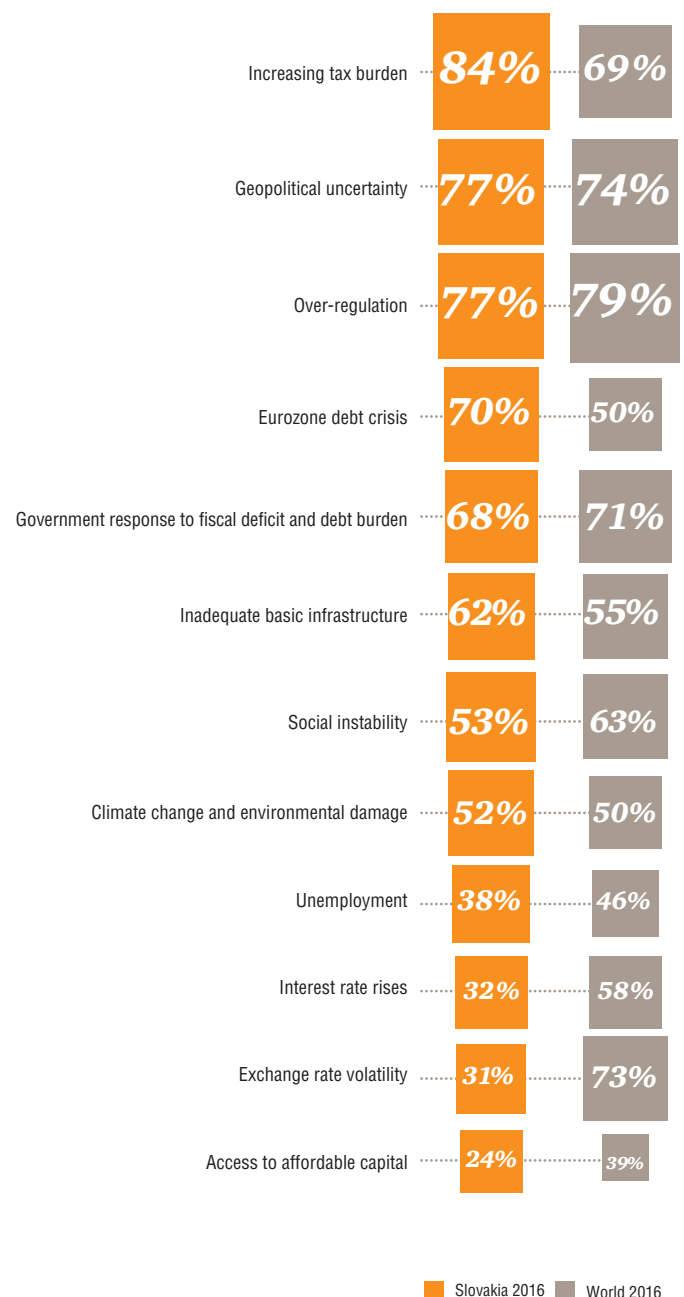


## Increase in the tax burden, the Eurozone debt crisis and insufficient basic infrastructure are threats to the growth of companies in Slovakia

Together with geo-political uncertainty, excessive regulation and the government reaction to the excessive deficit, these are the major threats from Slovak CEO's point of view. The biggest threats to companies elsewhere in the world, which are of less importance to Slovak companies, are exchange rate fluctuations, rising interest rates, social instability and access to affordable capital.



Question: How concerned are you about these potential economic, policy, social and environmental threats to your organisation's growth prospects?  
Chart 10





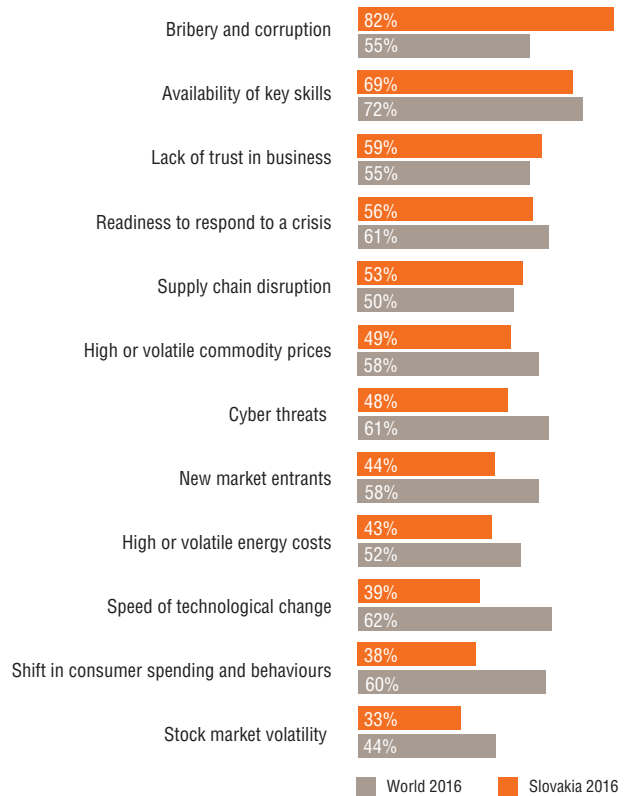
## Bribery and corruption, availability of key skills and a lack of trust in business are the main threats to business according to Slovak CEOs

Slovak corporate heads are not as concerned as their colleagues at companies elsewhere in the world, about changes in consumer behaviour and expenses, the speed of technological changes, cyber threats or new market players. Social threats related to the performance of the state in the area of the functioning of business are of more importance to Slovak businesses.

The availability of key skills is a result of the education system in the country, while corruption is a result of the legislative and judicial system.

Question: What possible threats to your company's growth are you concerned about?

Chart 11

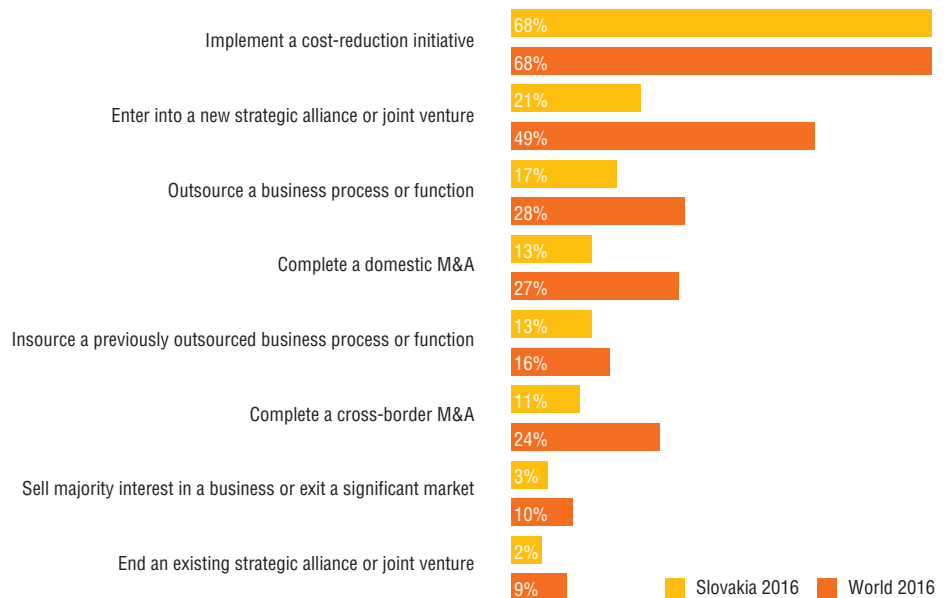




## Slovak companies are restructuring far less than companies elsewhere in the world

Like everywhere else in the world, cost reductions is the most important topic in Slovakia. But other restructuring changes are planned in Slovak companies to a substantially lower degree. A new strategic partnership, joint venture or merger, acquisition or sale of shares is planned by Slovak companies 50% less than for companies elsewhere in the world. Slovak companies rarely consider selling shares, leaving the market or ending a partnership.

Question: Which of the following restructuring activities do you plan to initiate in the coming 12 months?  
Chart 12



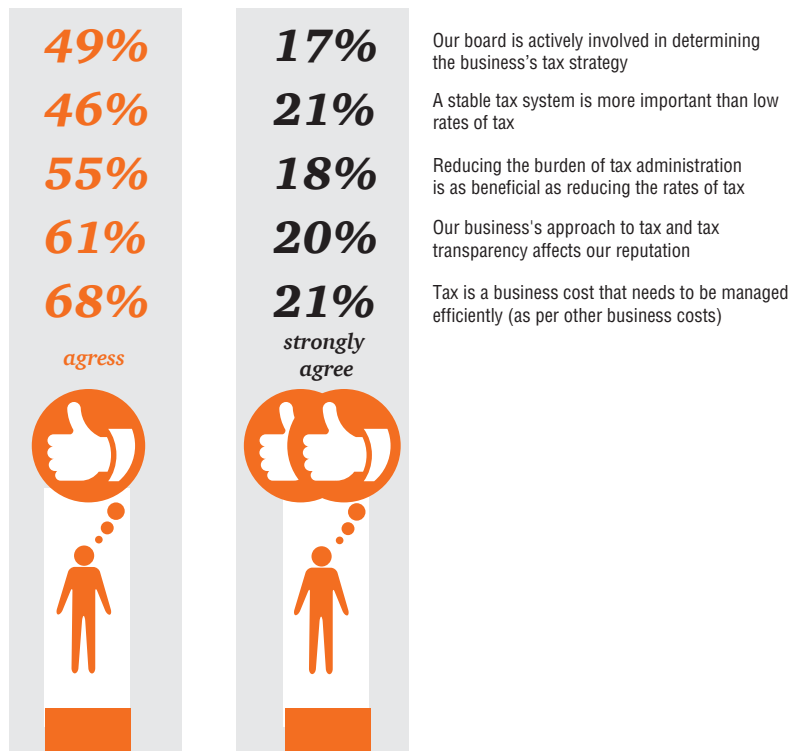
*“Strategic partnerships bring a number of benefits to the parties involved, not only to the companies, but also to their shareholders. The mutual exchange of information and experience, common interests and shared activities lead to more effective performance and the chance to win customers on new markets.”*

**Alex Šrank**  
Partner, Advisory Leader

## The management of Slovak companies is actively involved in corporate tax strategy to a larger extent than elsewhere in the world

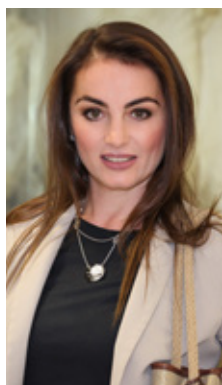
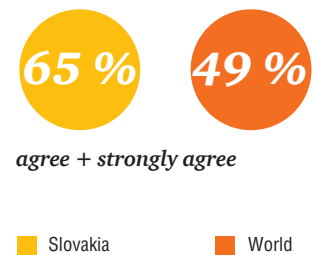
The management of up to 65% of Slovak companies is actively involved in decisions regarding the corporate tax strategy, while elsewhere in the world, this is the case for 49% of companies. 67% of CEOs elsewhere in the world and in Slovakia think that a stable tax system is more important than having low taxes. Similarly, three quarters of CEOs agree that the reduction of burdens related to tax administration is as beneficial as low taxes.

Question: Taking into account the expectations of a wider range of stakeholders, to what extent do you agree with the following statements on taxes?  
Chart 13



Question: With wider stakeholder expectations in mind, to what extent would you agree with the following statements on tax?  
Chart 14

Our board is actively involved in determining the business's tax strategy



*“Deciding on a corporate tax strategy is a management priority as the attitude to taxes and transparent tax planning influences a company's reputation. Companies expect, need and benefit from a stable tax system and simple tax administration.”*

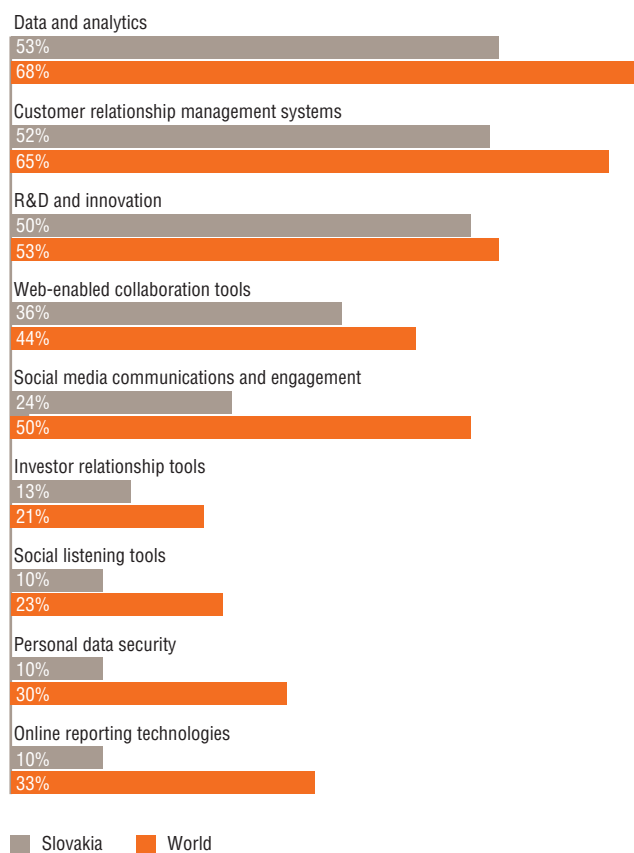
**Christiana Serugová**  
Partner, Tax Advisory Leader

# Slovak CEOs less interested in the use of technologies for communication with their stakeholders

In comparison with their peers elsewhere in the world, Slovak CEOs expect a much lower return from the use of technologies in the field of social media, online information and personal data collection for communication with their stakeholders. Data analyses, statistics, systems of customer relation management, research and development, and web tools are areas that are considered important by all CEOs.

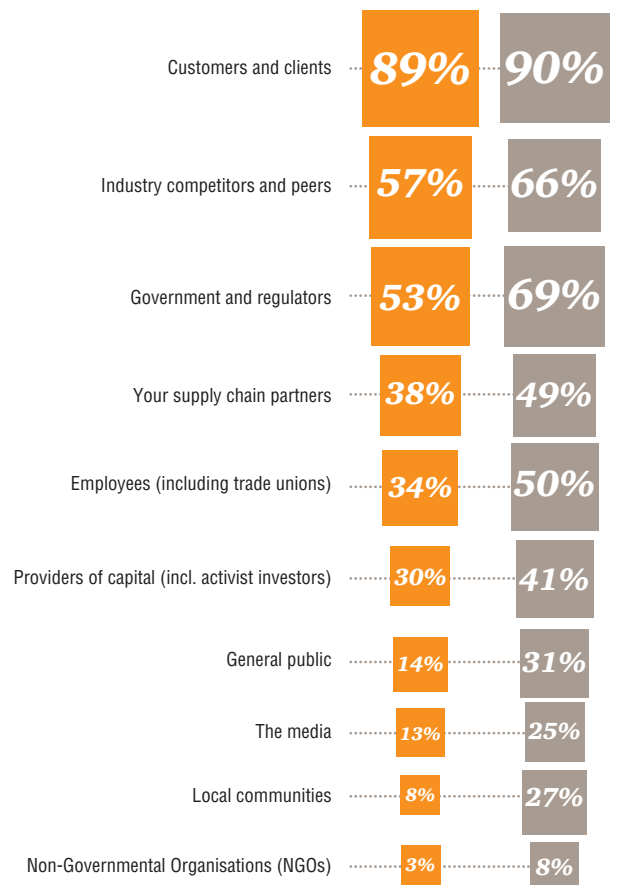
The most important stakeholders influencing the creation of corporate strategies are (by order of importance) customers, competitors in a given industry, regulators, suppliers, employees, capital providers, public, media, local communities and NGOs. Interestingly, Slovak CEOs consider the impact of public, media and local communities on corporate strategy to be substantially weaker compared to CEOs in other parts of the world.

Question: Select the connecting technologies you think generate the greatest return in terms of engagement with wider stakeholders  
Chart 15



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

Chart 16



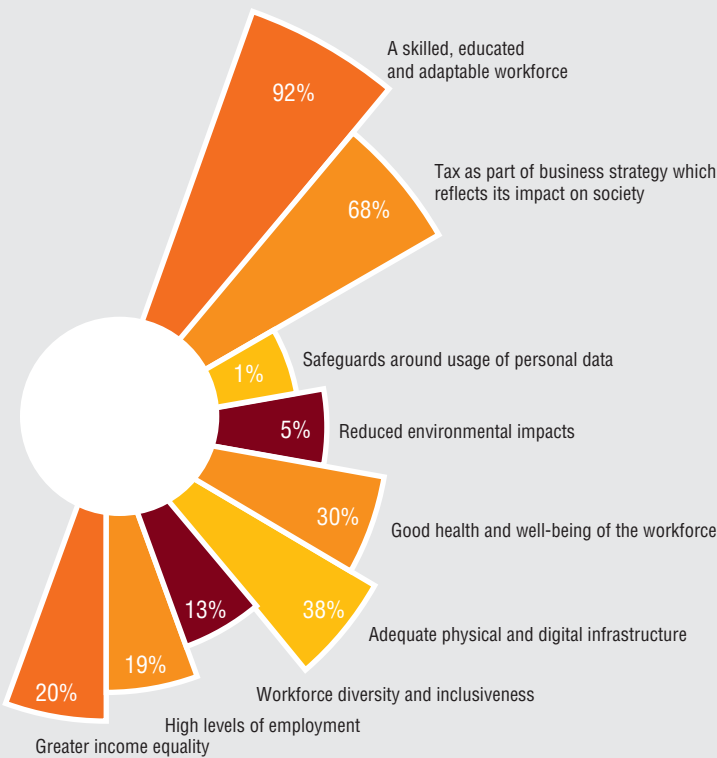
"New technologies will bring efficiencies to internal processes, communication and feedback evaluation and will provide an opportunity for companies to obtain a key competitive advantage."

**Ivo Doležal**  
Partner, Advisory

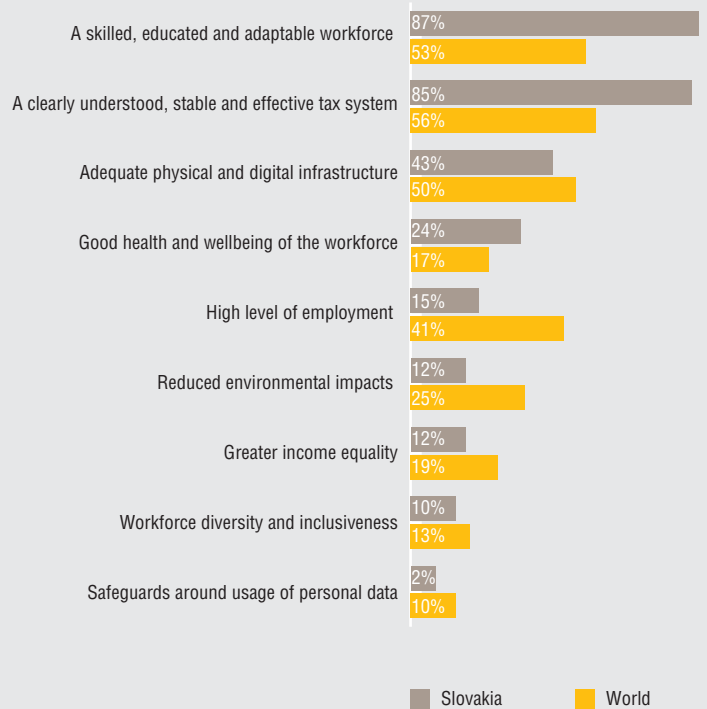
# Slovak CEOs see the need for changes to the education and tax system in Slovakia

Slovak CEOs clearly state that a well-educated, skilled and adaptable work force is their priority in business, together with a simple and effective tax system and adequate physical and digital infrastructure. These are the areas which should be the focus of the Slovakia government, which is not currently the case, according to Slovak CEOs. Areas such as diversity and inclusion, environmental impacts and personal data protection are the least important factors influencing companies.

Question: Which three of the following factors do you think should be priorities to improve doing business in Slovakia?  
Chart 17



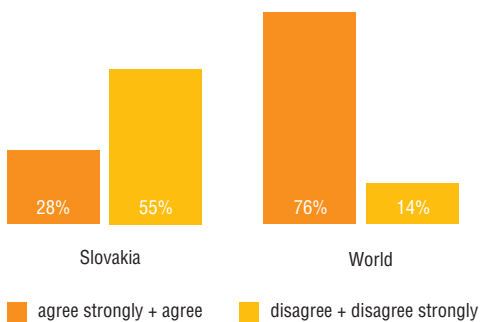
Question: Which three of the following factors do you think the Slovak government should be focussing on?  
Chart 18



*“The automotive industry is a key industry for Slovakia and its growth potential is threatened by a scarcity of skilled labour. A skilled workforce is a key priority for the sector and the success of governmental and industry initiatives to this end will be the key to future development and success.”*

**Jens Hörning**  
Partner, CEE Automotive Leader

Question: Do you think business success in the 21st century will be redefined by more than financial profit?  
Chart 19



## Measuring business success

Three quarters of CEOs elsewhere in the world agree with the statement that in the 21st century business success will not only be measured by financial results. However, more than half of Slovak CEOs do not agree with this, and expect that financial results will continue to determine the success of companies. Three quarters of Slovak CEOs and CEOs elsewhere in the world are already focussing on both the financial and non-financial aspects of the performance of their companies.



*"As this survey shows, stakeholders such as customers, students and prospective employees, shareholders and the general public are more and more shaping their perception of companies based on non-financial matters, such as community involvement, charitable givings, environmental stewardship and unique employee programs. Companies should not underestimate the importance of non-financial reporting because it will continue to gain importance in the future."*

**Daniel Webster**

Partner

U.S. Accounting and Reporting Leader for CEE

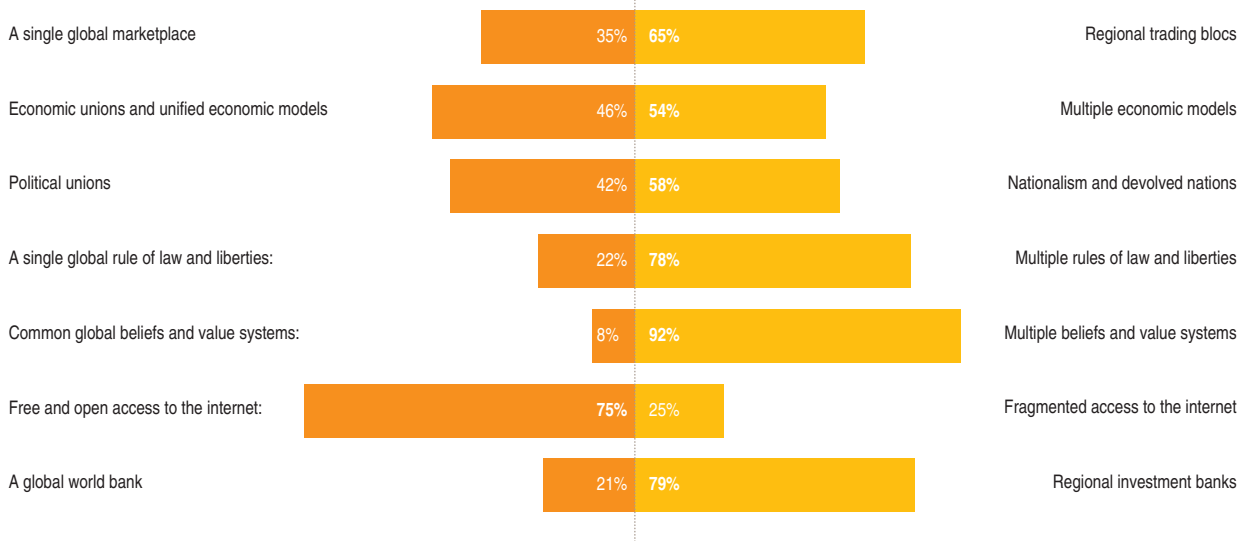
# Global developments

Technological advances, demographic changes and changes in the distribution of global economic power are the three main global trends that, according to Slovak CEOs, will influence the general expectations of stakeholders over the next five years.

Corporate heads are convinced that regional business blocks have a greater future than a worldwide single market, and several economic models, rather than just one, will succeed in the world. We can expect various labour codes and social rules instead of unified global ones. The world seems to be moving towards nationalism and the break-up of nations, and towards the creation of regional investment banks rather than a single global one. Free and unrestricted access to the internet is the future according to three quarters of Slovak CEOs.

What do you believe the world is moving more towards?

Chart 20



## Slovak CEO Survey 2016

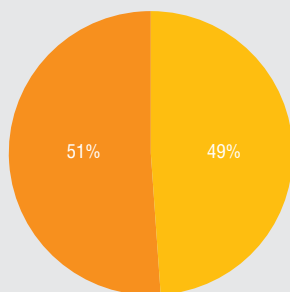
The 7th annual Slovak CEO Survey was conducted by the consultancy firm, PwC, in co-operation with the Slovak edition of Forbes magazine. The CEOs contacted replied via an on-line or printed questionnaire from 7 January 2016 to 28 February 2016.

156 top representatives of companies operating in the Slovak market participated in the survey from various industries: financial services (banking and insurance), industrial manufacturing, construction, automotive, retail and distributive wholesale, consumer goods, transportation & logistics, information technology, telecommunications, energy and utilities and other.

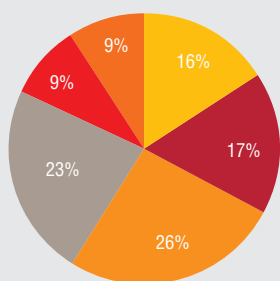
The 19th Annual Global CEO Survey was conducted in October – November 2015, more than 1400 CEOs participated in the survey and the results were published during The World Economic Forum in Davos on 19 January 2016.

### Industry sectors included and characteristics of companies represented in the survey:

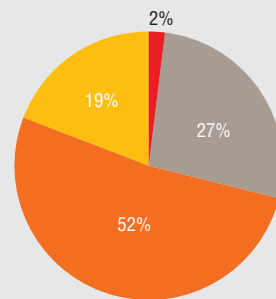
Ownership of the company:



Organisation's revenue in EUR in the last fiscal year:



Length of time operating in Slovakia:



- Slovak company (privately owned)
- A subsidiary or branch of an international parent company

- Less than EUR 5 million
- EUR 5 - EUR 15 million
- EUR 15 - EUR 30 million
- EUR 30 - EUR 100 million
- EUR 100 - EUR 250 million
- Over EUR 250 million

- Less than 5 years
- 5 - 15 years
- 15 - 25 years
- Over 25 years

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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](http://www.pwc.com).

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