

Albanian CEO Survey as part of PwC's 24<sup>th</sup> Annual Global CEO Survey

# An improved outlook: CEOs' agenda for tomorrow

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## Foreword

For a fourth consecutive year, as part of PwC's Annual Global CEO Survey, we have gathered the views of leading CEOs in Albania about today's economic, social, health, political and business issues that impact their corporate strategies and their day-to-day operations.

I extend my appreciation to all the respondents who shared their thoughts, expertise, future outlook and concerns with us this year. Your contribution and insights are invaluable.

A year after the COVID-19 outbreak was declared a pandemic – a period of disruption and turbulence, both locally and globally - business leaders are regaining their trust in economic growth and in strengthening prospects and resilience of their organizations in the coming months. This optimistic outlook is cautiously expressed by Albanian CEOs who also share their increasing concerns about health crises, tax policy uncertainty, availability of key skills, changing consumer behavior and cyber threats.

From personal experience, I can share that the past year proved that it is strong management and leadership skills which drive organizations forward: planning for different scenarios and actions, prioritizing and making decisions at a fast pace, supporting your clients through difficult times and strengthening your relationships in the process, engaging with people with care and empathy. Regardless of whether we operate in good times or in times of crisis, our stance as leaders should always be deeply rooted in our organizations' purpose and values and consistently reflected in our behaviors. This is how we personally can contribute to the sustainability and resilience of the businesses we lead and are accountable for.

**Loreta Peci**

Country Managing Partner, PwC Albania

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# 66%

of the Albanian CEO survey participants  
believe that the global economic growth will  
improve in the next 12 months

# 64%

of the Albanian CEO survey participants expect  
that their organization's revenue will grow in the  
next 12 months



# Expected recovery in the horizon

Following a year of uncertainty brought by COVID-19, across the globe 76% of CEOs express optimism for the economic growth in the coming 12 months – a significant increase from only 22% last year and, in fact, a record high rate over the last decade. Undoubtedly, the implicit promise of the fast developed vaccines to put the pandemic under control plays its part. These expectations are also confirmed by the IMF estimates for 2021: after a -3.5% decline for 2020, the forecast for 2021 is 5.5% growth, followed by 4.2% for 2022<sup>1</sup>.

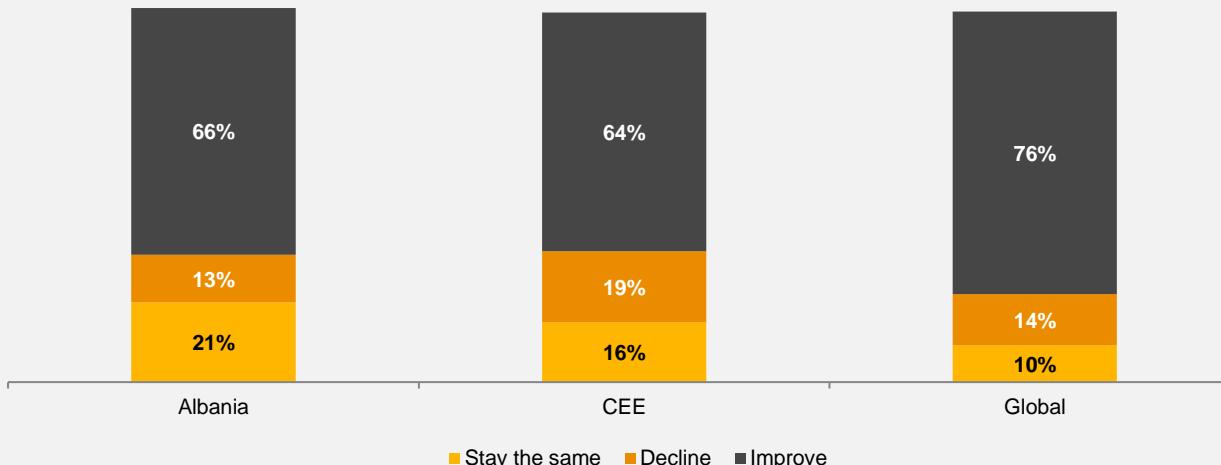
Our results show that the Albanian CEOs seem to be more optimistic about global economy prospective growth compared to last year results (55%). As many as 66% of Albanian CEOs believe that global economic growth will improve, unveiling a similar business sentiment influenced primarily by their local and regional market operations.

At the same time only 13% of them believe that the global economic growth will decline in 2021, which is also the lowest share among the three peer groups.

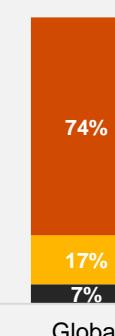
However, restrained optimism is expressed by Albanian CEOs when asked about their organizations' revenue prospects in the next 12 months. They seem to be particularly cautious when it comes to their prospects on revenue growth (revenue growth expected by 64% of the participants) compared to their regional and global CEOs. On the other hand profitability growth prospects over the next 12 months are expected to be higher compared to their regional peers (55%). This is as a result of their pronounced focus on increasing initiatives to realize cost efficiencies and investment on digital transformation, which may result on cost-cutting and an increase on company's profitability.

This year Albanian CEOs are more cautious in expressing optimism than their global peers

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

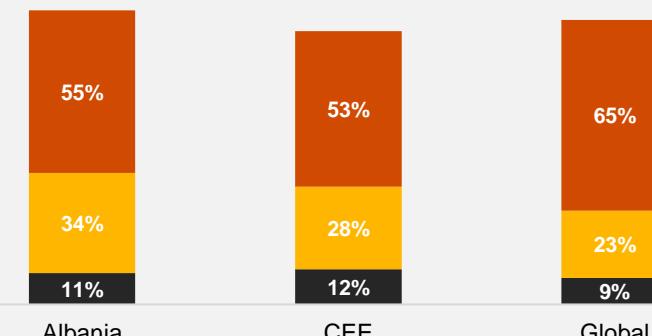


Q: What are your organization's expectations for revenue growth over the next 12 months?



■ Decline ■ Stay the same ■ Increase

Q: What are your organization's expectations for profitability growth over the next 12 months?



■ Decline ■ Stay the same ■ Increase

Note: Not all figures add up to 100% as result of rounding percentages and excluding 'neither/nor' and 'don't know' responses; "improve" includes answers 'improve moderately' and 'improve greatly'; "decline" includes answers 'decline moderately' and 'decline greatly'

<sup>1</sup> IMF, World Economic Outlook Update, Jan 2021

<https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

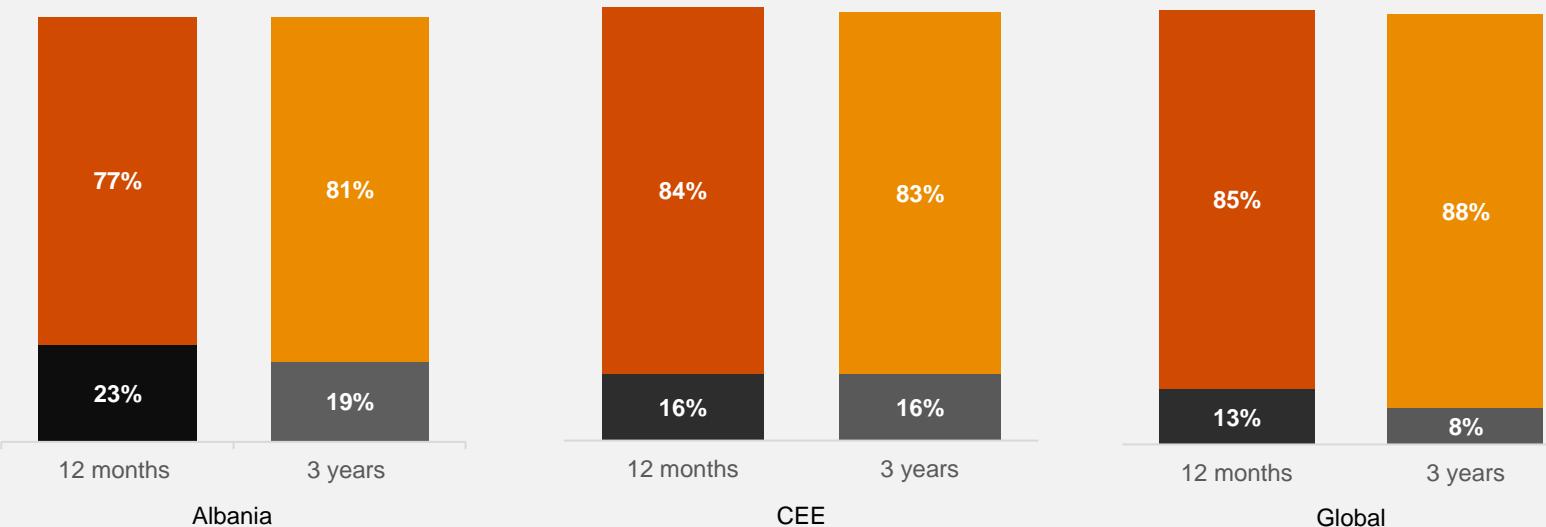
# Confidence in performance is high

Albanian CEOs seem to have greater belief in their own organizations' resilience than in the overall economic outlook. They not only forecast revenue growth for their organizations for the next 12 months, but also they display a good level of confidence in their expectations. 77% of the Albanian CEOs are confident or very confident in their growth prospects – and even more (81%) when talking about the mid-term development. When looking at the overall level of positive answers, this year there are slightly significant differences in how confident Albania CEOs feel in their own organizations' prospects compared to the sentiment expressed by global and CEE peers. Nevertheless, it is worth noting that Albanian CEOs have been rather more careful when choosing the “very confident” option. The percentages of very confident CEOs in Albania about their revenue prospects in the next 12 months and in the next 3 years are below the ones on regional and global level. This may be as a result of the overall anxiousness and negative economic impact brought by the COVID-19 pandemic, in combination with factors such as unfavorable demographics and political turbulence has shaken additionally the confidence of Albanian CEOs in a way that impacts the horizon beyond 2021.

CEOs in Albania display overall confidence in the short-term and mid-term business success

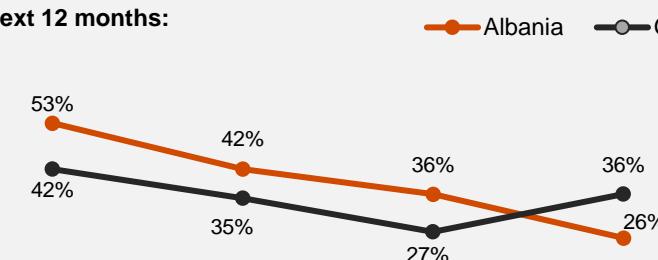
Q: How confident are you about your organization's prospects for revenue growth over the next 12 months/ 3 years?

■ Not confident ■ Confident

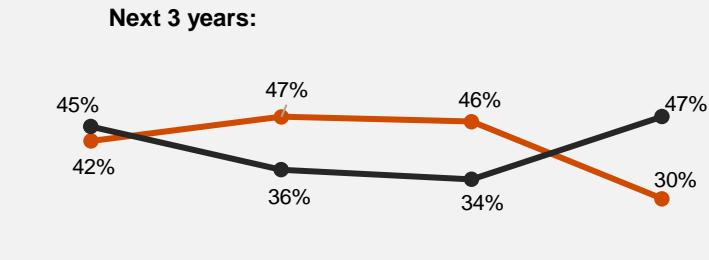


CEOs who are very confident in their organization's expectations for revenue growth

Next 12 months:



Next 3 years:



Note: Not all figures add up to 100% as result of rounding percentages and excluding 'neither/nor' and 'don't know' responses; "confident" includes answers 'somewhat confident' and 'very confident'; "not confident" includes answers 'not confident at all' and 'not very confident'

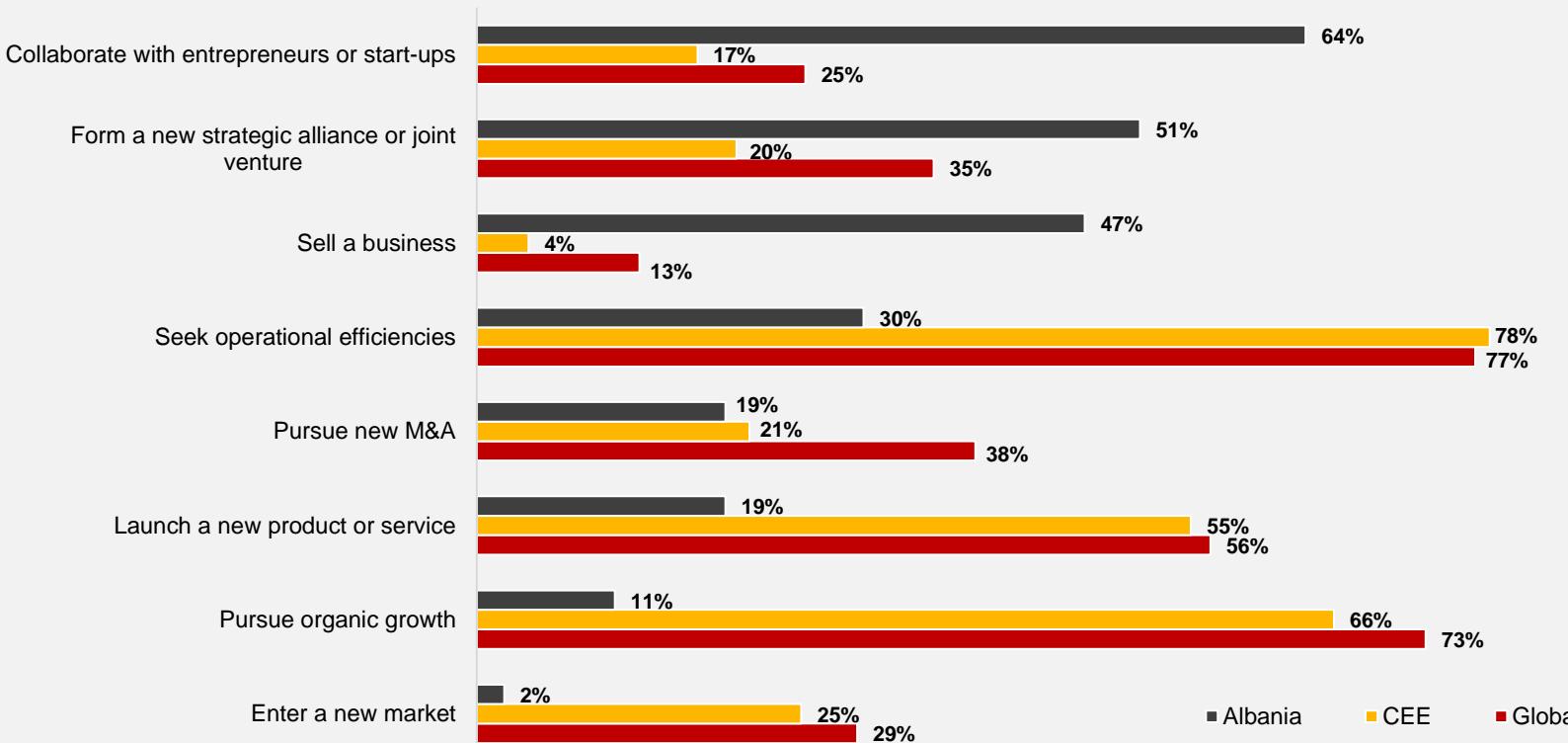
# What plans back optimism?

When asked about drivers of revenue growth over the next 12 months, the largest number of CEOs both regionally and globally traditionally plan to focus on operational efficiencies. However, Albanian CEOs think otherwise – this year, collaboration with entrepreneurs or start-ups is viewed as the most important activity to drive growth revenue. In addition to that, plans for new strategic alliance or joint ventures have marginally increased for Albanian CEOs (51% this year vs 25% last one). The appetite to sell a business has increased considerably to 47% when compared to last year 1.5%, an activity that has been considered as the last one to focus in order to grow in the near future. At the same time only 11% of Albania CEOs seem willing to consider to focus on growth within, compared to 67% last year.



## CEO's across the globe plan to rely on operational efficiencies for growth

Q: Which of the following activities, if any, are you planning in the next 12 months in order to drive revenue growth?



# What threatens growth?

The question about CEOs' concerns with potential threats to growth is a traditional one in our survey. Not surprisingly, this year a new risk – the pandemic and other health crises, have emerged at the top of the list. Locally, uncertainty in policies in general and tax policy in particular continues to be in the top 3 threats according to business leaders, much higher in priority compared to the global and CEE CEOs. In addition, Albanian survey participants prioritize the threat of availability of key skills fairly high (#4 in ranking among all risks). The deficit in skilled labor in the Albanian market makes CEOs more anxious about preserving intact their existing trained workforce.

Cyber threats have found their position ranking at the 6th place among threats in the minds of Albanian CEOs, ranked as #2 globally and #10 in CEE. The global pandemic somewhat forcefully accelerated digitalization across economic sectors and areas of life, penetrating the whole society. It is seen as one of the top drivers of revenue preservation and growth, as well as a means to overcome social distancing and allow continued business operations. However, at its downside it also brings an enhanced level of risk for cyber security and data privacy.

The threat of changing consumer behavior is also on the rise, with 26% of the global CEOs being extremely concerned about it. In Albania, for the first year it also makes the top 10 risks according to 36% of the CEOs. This is fueled by COVID-19 shock, which has created a new or revived behavioral understanding of buying.

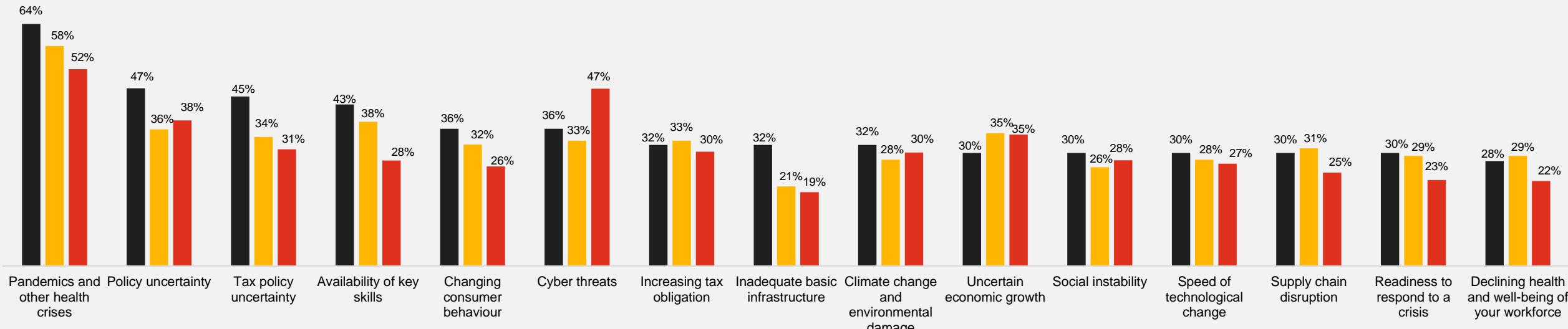
It is encouraging that the level of concern with climate change for Albanian CEOs has grown - from 12% last year to 32% in 2021, which is also higher in comparison to global and CEE business leaders.

## Pandemic and other health crises, policy uncertainty and tax policy uncertainty as the top concerns of Albanian CEOs

CEOs who are extremely concerned about each of the following potential threats

■ Albania ■ CEE ■ Global

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



# Mitigating and monitoring risk

Having concerns and acting upon them are two separate things.

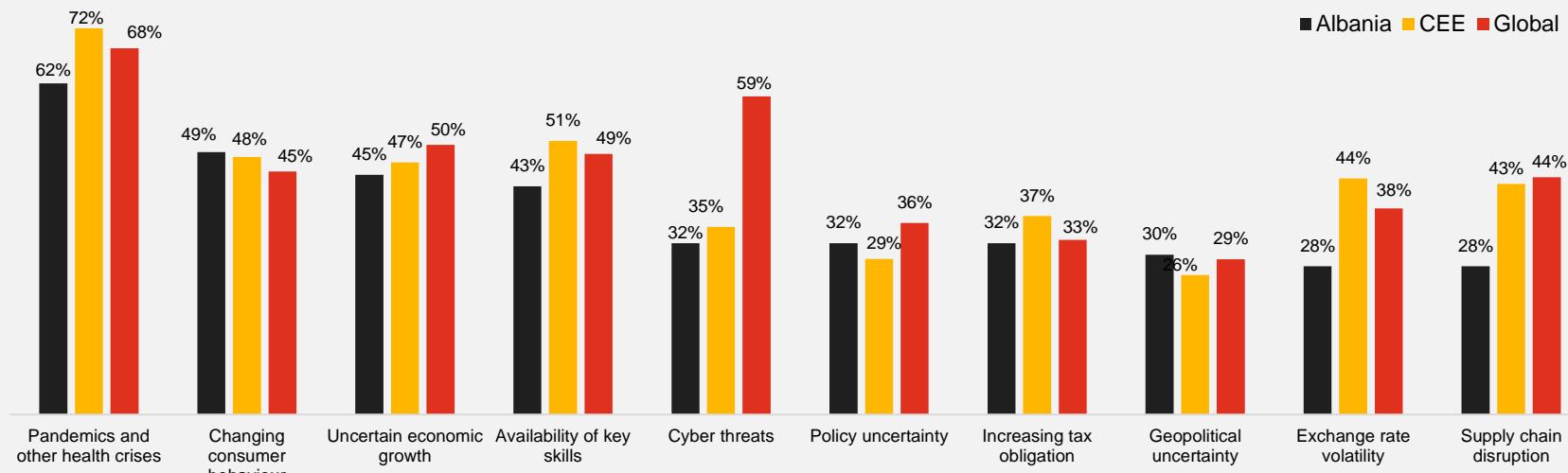
Health crises are the new fear across the globe, forcing organizations to factor these into their risk initiatives. Unsurprisingly, business leaders consider the top threats when planning for risk and hence, changing consumer behaviors, uncertain economic growth, availability of key skills, and cyber threats, are also at the top of the list when discussing what actions are considered in risk management.

Although a recognition of climate change as a threat is on the rise, it seems to not have translated strongly enough into specific actions. 60-70% of all CEOs across the globe have not included any related activities in their strategic risk management plans.

Overall, the COVID-19 crisis has revealed alarming vulnerabilities and has heightened the need to stay alert to the external environment, planning and preparing for different scenarios. Logically, we see an enhanced role of risk management, whereas 45% of all Albania CEOs state significant focus on strengthening and digitizing their risk management function, 49% on reassessing their organization's overall tolerance for risk, 43% on collaborating with supply chain partners to collectively manage risks, and 40% preparing for systemic risks and low-probability high-impact events. This is good news and one of the key lessons of the corporate world from the global pandemic.

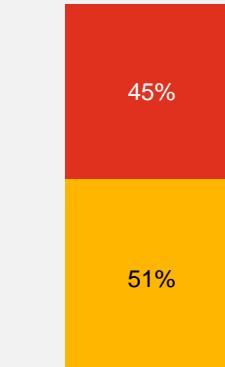
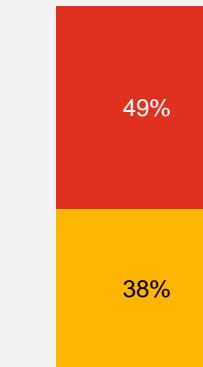
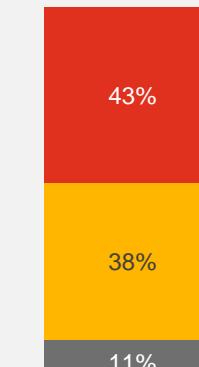
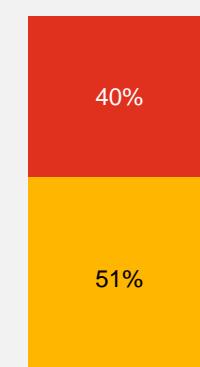
## The majority of Albanian CEOs align strategic risk management with perceived threats

**Q:** Which of the following threats, if any, are explicitly factored into your strategic risk management activities?



**Q:** As a result of COVID-19 crisis to what extent are you increasing your focus in preparing for systemic risk and low-probability, high-impact events?

■ Not at all ■ Somewhat ■ To a large extent/ Significantly



**Q:** As a result of COVID-19 crisis to what extent are you increasing your focus in collaborating with supply chain partners to collectively manage risks?

**Q:** As a result of COVID-19 crisis to what extent are you reassessing your organization's tolerance for risk?

**Q:** As a result of COVID-19 crisis to what extent are you increasing your focus in digitizing your organization's risk management function?

# Are investments aligned with threats and opportunities?

Investment plans of Albanian CEOs seem aligned with perceived top risks and prerequisites for growth. Increased investment in digital transformation (77%) will help addressing the deficiency of key skills, changing consumer behaviors and speed of technological change, while plans to invest in cybersecurity and data privacy (57%) respond to increased cyber threats risk. Still, a closer look at the share of CEOs that plan to increase their investments significantly shows a divergence – 40% make such a commitment to digital transformation, while only 19% to cybersecurity and data privacy. Another big topic included in the long-term investment plans is the development of work force talent and leadership. This comes as a prime concern for Albanian CEOs in order to help deliver a skilled and adaptable workforce. The main reason for that is business leaders who have invested in upskilling programs for their employees have realized a greater business growth in Albania.

On the other hand, despite the increased concern about climate change, only 30% of the Albanian CEOs plan to invest more in sustainability and environmental, social and governance (ESG) initiatives (60% global) – and only 4% intend to increase these investments significantly (23% global). In addition, the share of Albanian CEOs who plan to invest in R&D and new product innovation is 43% (58% global) while only 15% of them intend to make a significant commitment in this area.

The areas where CEOs both globally and locally plan to decrease their investments over the next 3 years are advertising and brand building and capital investments – and this is despite expectations for future economic growth. Clearly digital transformation is the new mantra and the new hope in our increasingly virtual and automated world.

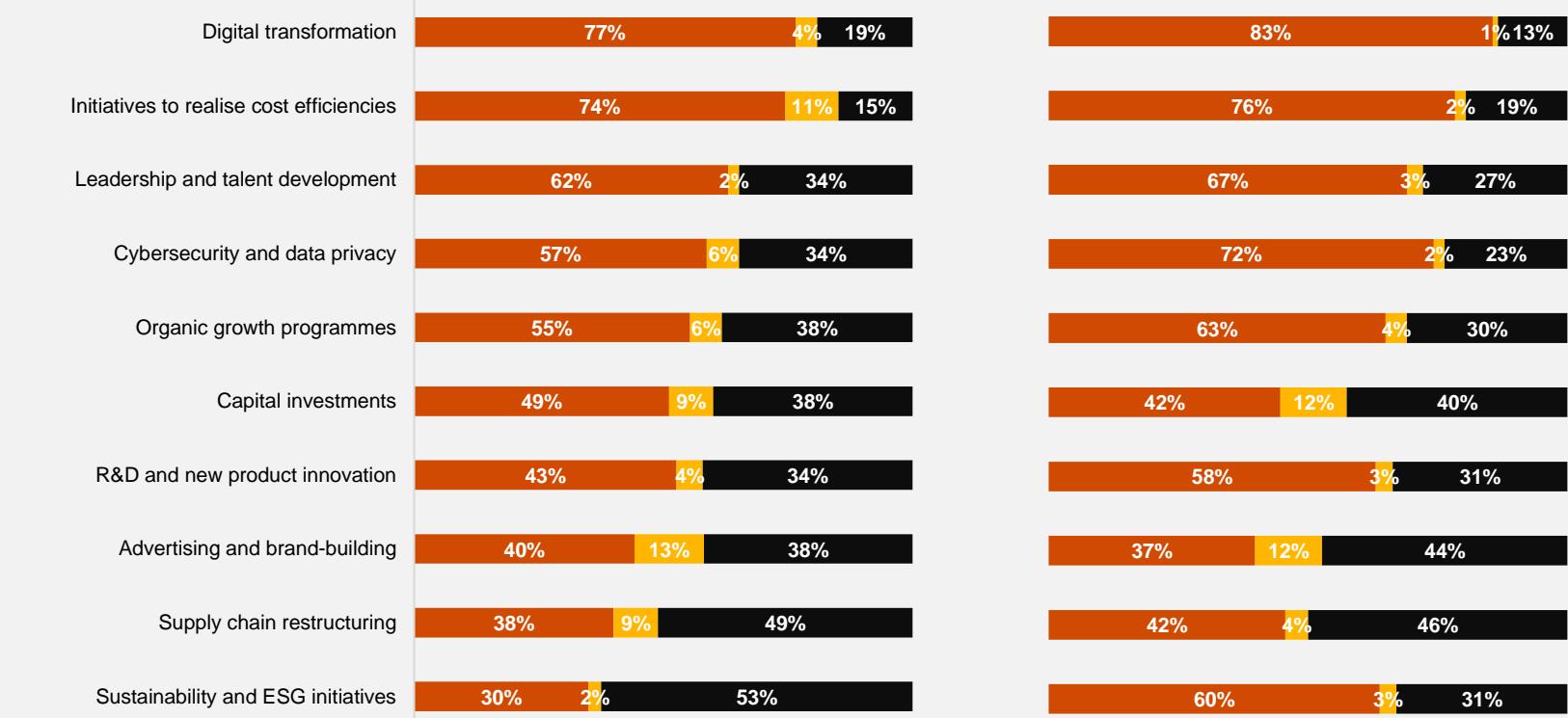
## Albanian CEOs plan to increase mid-term investments in digital transformation and in cybersecurity and data privacy

Q: How do you plan to change your long-term investments over the next three years, as a result of the COVID-19 crisis?

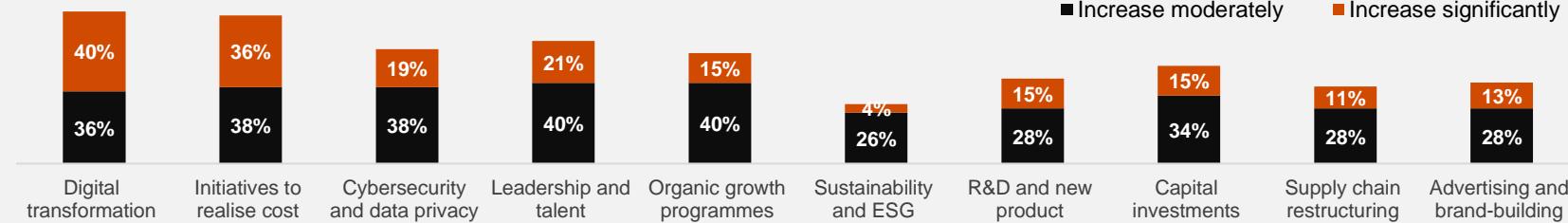
Answers by Albanian CEOs

Answers by Global CEOs

■ Increase ■ Decrease ■ No change



Answers by Albanian CEOs



Note: Not all figures add up to 100% as result of rounding percentages and excluding 'don't know' responses. "Increase" answers include "increase moderately (3–9%)" and "increase significantly (≥10%)"; "decrease" answers include "decrease moderately (3–9%)" and "decrease significantly (≥10%)".

# Workforce is needed to support growth

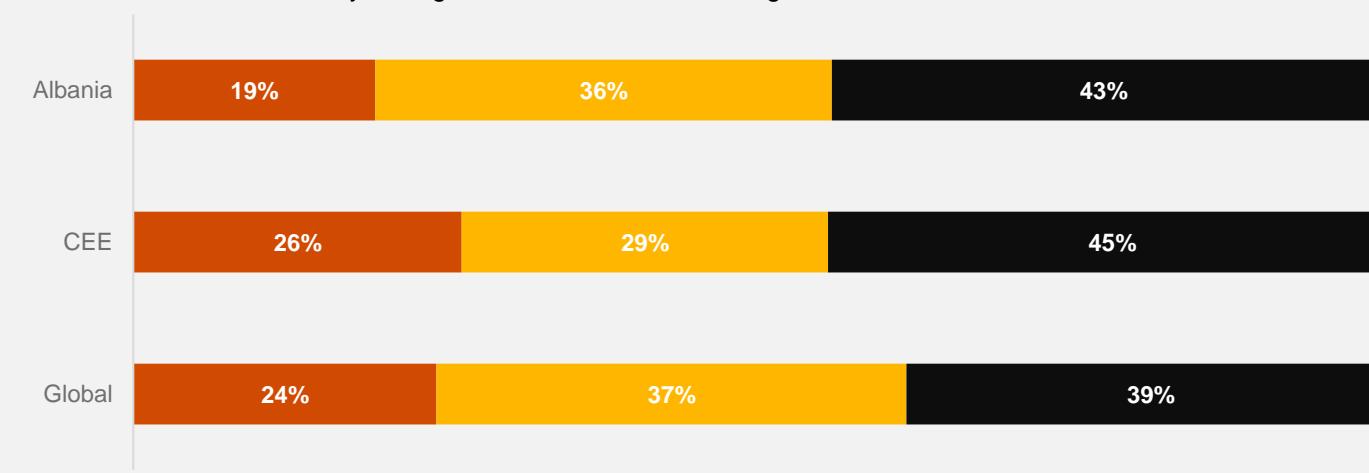
Operational efficiency and headcount are usually interlinked. 43% of the Albania survey participants report that they have kept the same headcount in their organizations during 2020 and only 36% have decreased their workforce. This result is different to the reported plans last year, where 71% of the Albanian respondents intended staff decreases. On the global level such an intent was declared last year only by 49% of the CEOs, while in reality 24% of them reduced their workforce in 2020.

When stating their plans about headcount for the next 12 months, CEOs across the board clearly do not see reduction of employee costs as the way to weather the uncertainty in the external environment. Most of them bet on preserving and even increasing their workforce. This is not surprising in light of the relative importance assigned to availability of key skills as a potential threat to growth. Once business leaders have found the right people and have invested in their training and upskilling, they are not willing to let them go quickly, because tomorrow they will be back to square one, searching for the right skills in a deficient labor market.

As confidence in gradual recovery is growing, so do the plans of CEOs to hire additional workforce. Around 60% and above of all survey participants are expecting that the headcount in their organizations will grow over the next 3 years.

Albanian survey participants report that they managed to sustain and even increase their workforce over the last year and declare plans to increase workforce in the medium term

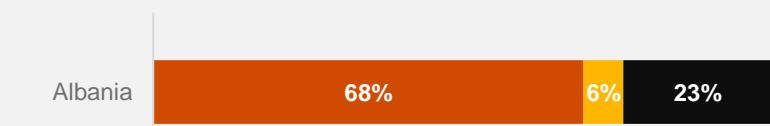
Q: How has your organization's headcount changed in the last 12 months?



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



Q: Do you expect headcount at your organisation to increase, decrease or stay the same over the next 3 years?



■ Increase ■ Decrease ■ Stay the same

■ Increase ■ Decrease ■ Stay the same

Note: Not all figures add up to 100% as result of rounding percentages and excluding 'neither/nor' and 'don't know' responses. Increased answers include increased greatly ( $\geq 10\%$ ) and increased moderately (3–9%), while decreased answers include decreased greatly ( $\geq 10\%$ ) and decreased moderately (3–9%).

# Changing workforce strategies

In line with the stated concern by local leaders about the declining health and well-being of their workforce, 40% of them acknowledge that they are changing this aspect of their workforce strategies. One of the most important aspects in the workforce strategy is the focus on skills and adaptability of the people (32%). As the labor market has become more competitive and organizations' needs for skills undergo rapid change, it is time to think on how to "access talent" continuously in varying ways, by prioritizing investing in people upskilling and improving work conditions/benefits.

This partially seems linked to an intent to increase the pay, incentives or benefits, stated only by 28% of Albanian CEOs. The likely focus is more towards providing a safe and productive working environment, including the necessary tools and flexibility for virtual collaboration while working from home. It goes hand in hand with other measures, such as enhanced workforce engagement and communication (for 34% of the Albanian survey participants) and evolving workplace culture and behaviors (for 30% of them).

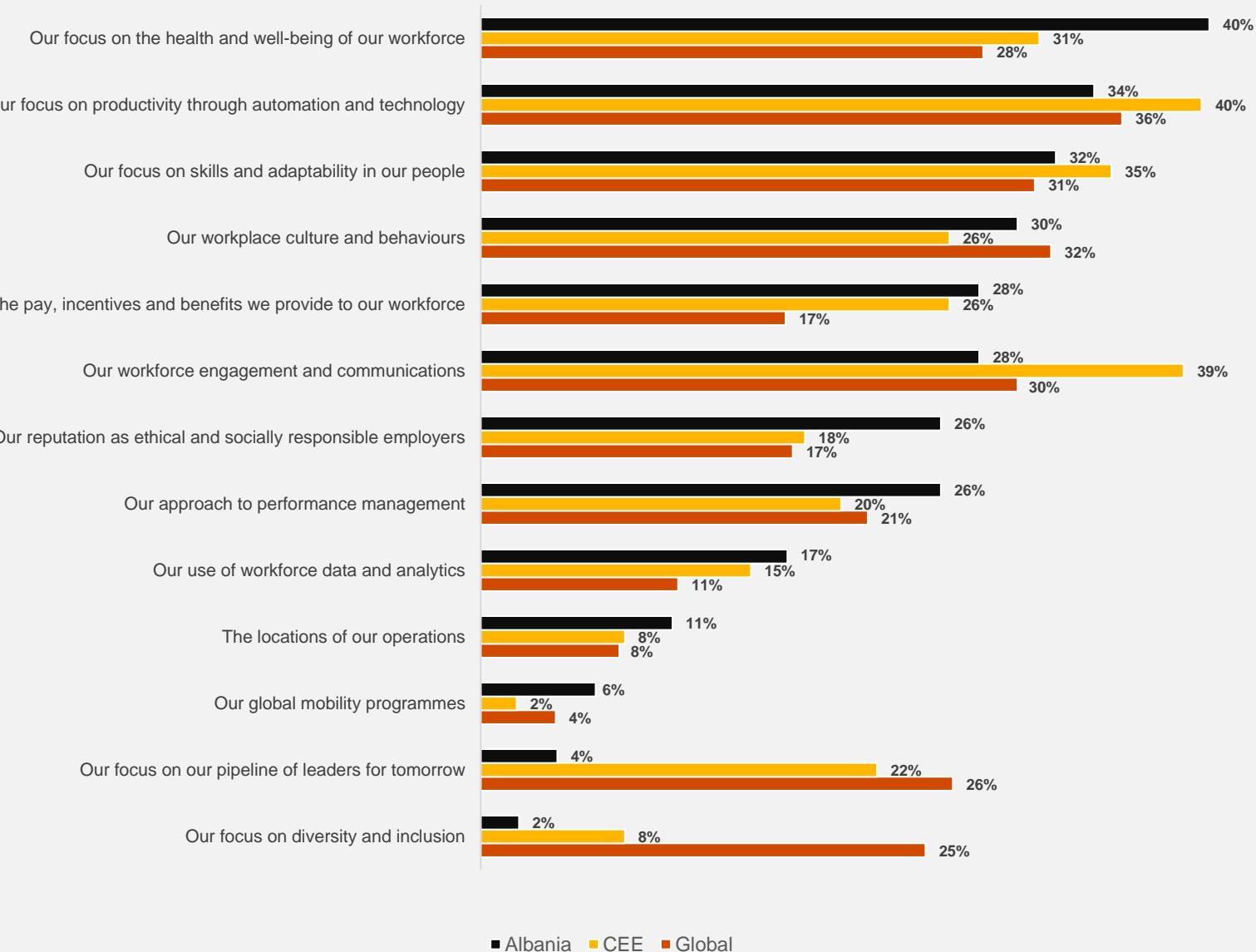
The other big topic on the agenda is increase in productivity through automation and technology, ranked #1 by global CEOs and #2 by their local counterparts. This is supported by the increased investment plans in digitalization, which should go hand in hand with digital upskilling of employees.

Albanian CEOs seemingly disregard the topic of diversity and inclusion in comparison to their global peers (2% vs 25%). Given the declining demographics of the local labor market, additional efforts to integrate and upskill under-represented groups might bring results, but businesses will need to step in, where government fails, in order to ensure sustainability.

Local business leaders also report lowest levels of focus on preparing their future management and leaders compared to their peers: 4% vs 26% globally. It may be that leadership and development programmes are already successfully in place as a necessity for an organization to grow in a highly competitive talent market. Hence, no specific further focus and change in workforce strategy is required.

**In line with the top risks, health and well-being of the existing workforce are being addressed by the Albanian CEOs**

**Q: Which aspects of your workforce strategy are you changing, if any, to make the greatest impact on your organization's competitiveness?**



# Looking ahead: Hopes and Fears 2021

Extract from PwC's Survey "Hopes and fears 2021: the views of 32,500 workers" conducted in February 2021 among 32,517 members of the general public in 19 countries

In one of the largest global surveys of workers, people revealed a mostly optimistic story, but one with some concerning undercurrents. Workers reported feeling excited or confident about the future. Most said they believe they can meet the challenges of automation — and they proved it during the pandemic: by learning new digital skills and by quickly adapting to remote work. Yet many people think their job is at risk, and half of all respondents feel they've missed out on career opportunities or training due to discrimination.

Key takeaways:

- ✓ **People are concerned about job security:** The pandemic has already disrupted whole industries, contributing to anxiety about the future. As companies accelerate their automation plans and many jobs continue to be remote, employees across every sector will need to acquire new skills that enable them to think and work in different ways. The future isn't a fixed destination. We need to plan for dynamic rather than static tomorrows.
- ✓ **Workers want to reskill:** In one of the pandemic's positive surprises, people who were given the chance proved they could transition quickly to remote work while keeping productivity high. Where access exists, workers are keen to reskill as needed, but disparities in access to training remain. Those who most need digital skills are still the least likely to get them and, if this trend continues, we risk widening the digital divide. Leaders need to create more inclusive opportunities to upskill.
- ✓ **Discrimination at work is holding people back:** The pandemic illuminated racial inequities and social tensions around the world. It also reversed progress toward gender equality, as many more women than men have left the labor market over the past year. At the same time, many younger workers are not being given opportunities to rise in an organisation. There's a real need to open up genuine, fully inclusive conversations about how to build more diverse and purpose-led workplaces. Companies need to ask tough questions and really consider the answers they're getting. And not just because it's the right thing to do; it's also good for business. A diverse workforce and deliberate inclusion efforts help drive better outcomes—through different perspectives, creative thinking, and open collaboration—that can lead to the broader economic development of our society, which benefits everyone.
- ✓ **People want to work for purpose-driven companies — but not at any price:** A large majority of people want a job with a sense of purpose. This is not just about attracting younger talent; it matters up and down the age scale. But economic realities, of course, have an impact too, so it is important to think about how purpose and economic success work together.
- ✓ **Remote work is in demand:** A remarkably low percentage of people who find that they can work remotely want to go back to the office full time. With that in mind, most companies are planning to maintain at least some virtual work or flextime. More than half expect remote working to be a permanent part of their workforce strategy. And as a consequence, they'll need different kinds of physical space. As leaders reimagine the offices of tomorrow, we expect the focus to be on increasing space where people can initiate, develop, and strengthen relationships. Where they can experience the culture and brand. And of course, where teams come together to brainstorm, collaborate, and problem solve.



Learn more on:  
<https://www.pwc.com/gx/en/issues/upskilling/hopes-and-fears.html>

# Markets of interest

2 years ago Albanian CEOs displayed a clear affinity towards neighboring countries for growth, naming within the top 5 markets of interest Kosovo, Italy, North Macedonia, Greece and Germany. However, the preferences stated over the last two years clearly show a shift towards major global markets – Germany, USA and China.

Kosovo has been and continues to be traditionally the most significant country impacting growth for Albanian CEOs (30% in 2021 vs. 26% in 2020), and its importance grows stronger.

Globally, there are no big shifts in terms of leading powers. However, the gap in terms of importance between USA and China that has been closing in the last years, this year again starts to widen in favor of the USA. Germany continues to be the number 3 market of interest for CEOs globally.

It is worth mentioning that a growing number of CEOs do not recognize other markets as related to the growth of their organizations. Both globally and locally, the percentage of the CEOs that have picked none of the listed geographies is substantial (6<sup>th</sup> ranking option overall in Albania and 3<sup>rd</sup> on global level) – indirectly indicating that the local market is of utmost importance.

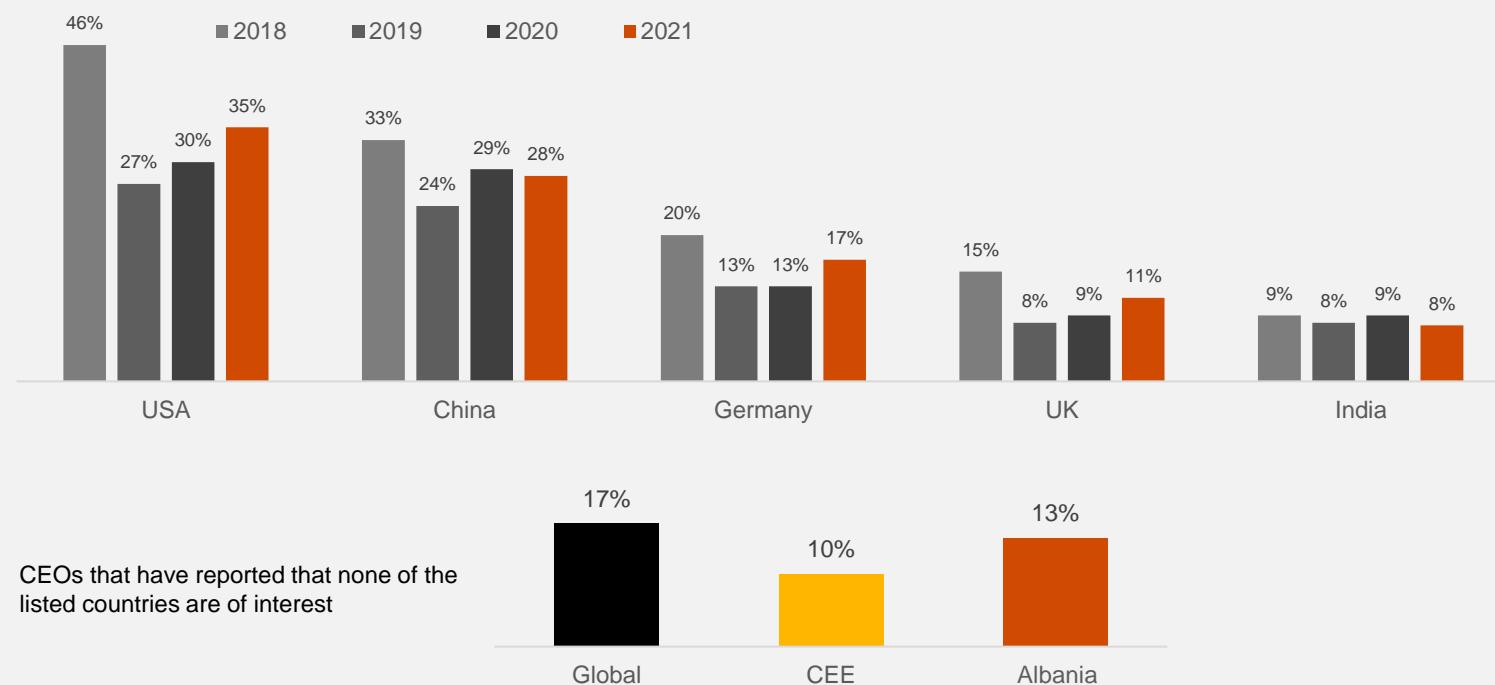
This seems to support the increasing concern about the impact of geopolitical uncertainty, the rise of nationalism and protectionism and trade conflicts over the last few years on global trade. Last year the supply chain disruptions, travel restrictions and in-country lockdowns resulting from the COVID-19 pandemic additionally put globalization to the test.

**Albanian CEOs continue to see Kosovo as the most important territory for their business success, while Germany completes the top 5 for the second consecutive year.**

Answers by Albanian CEOs



Answers by global CEOs



Note: Not all figures add up to 100% as result of rounding percentages and excluding 'neither/nor' and 'don't know' responses.

**Q:** Which 3 territories, excluding the territory in which you are based, do you consider most important for your organization's overall growth prospects over the next 12 months?

# Looking ahead: Is localization the new globalization?

Extract from PwC's *Take on Tomorrow Series*

*Tom Seymour, CEO of PwC Australia and Richard Oldfield, Partner with PwC UK*

Multinational companies have capitalized on globalization by expanding rapidly outside their home markets in the last two decades. Multinational corporations (MNCs) have placed global trade at the centre of their value creation strategies. From 2000 to 2018, US\$6.7tn of the US\$9.2tn in growth of assets of MNCs has come from foreign affiliates.

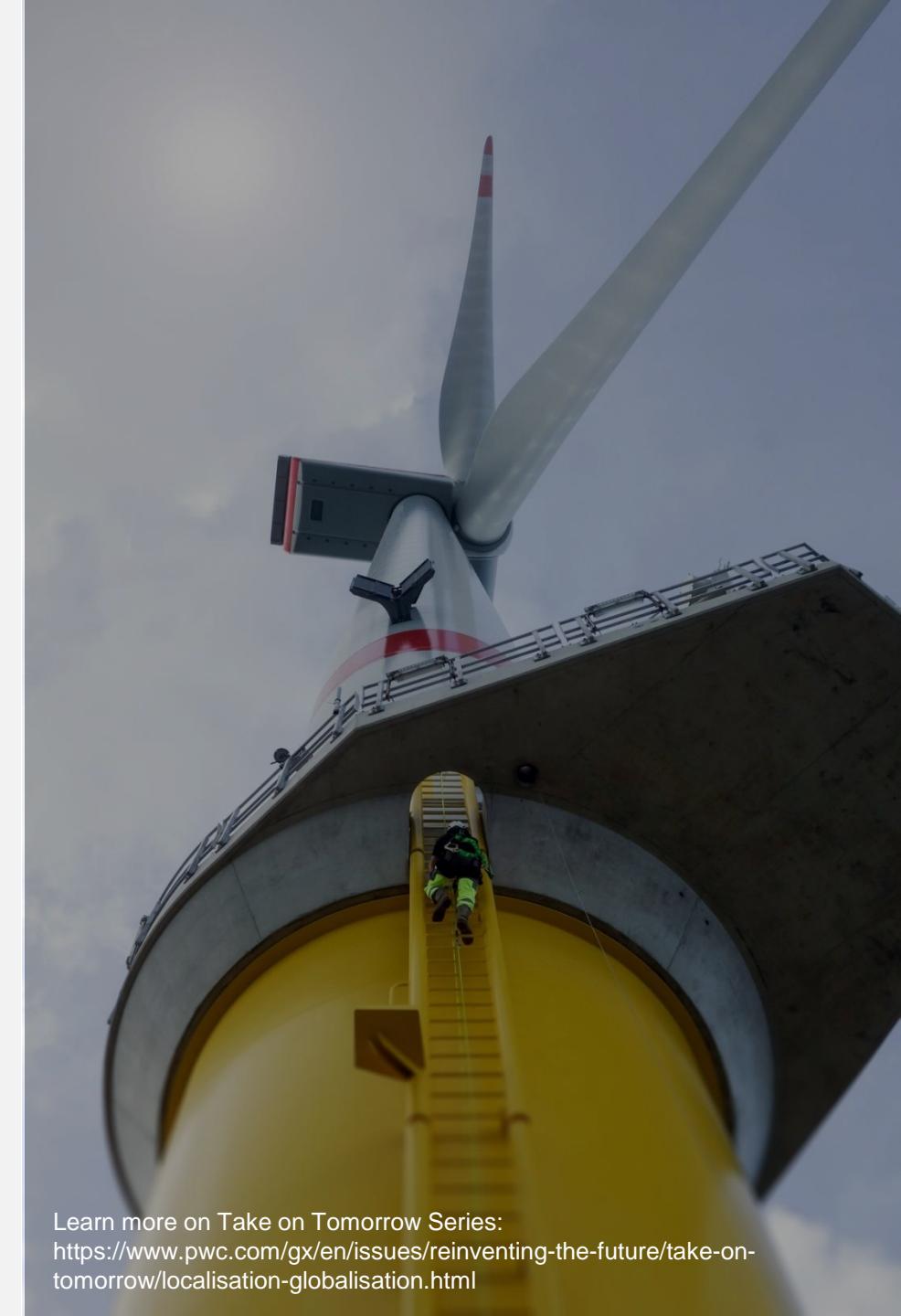
As we look to 2021 and beyond, it's clear that companies will be reckoning with a host of territorial disputes surrounding taxation, trade, regulation of vital industries and supply chains. Is localization the new globalization?

Global disputes—whether they are physical military conflicts or clashes over trade and tax—have always inevitably been linked to value. The good news is that the predominant means of dispute has shifted from physical military confrontations over the control of resources to a more nuanced set of disputes surrounding data, information and other intangible assets. Today, information, data and technology are the primary sources and stores of value. The most valuable companies in the world don't really own much in the way of reserves or physical assets. They own intellectual property, patents, R&D and their brands. They distribute their products and services via the internet and mobile networks. In trade, fundamental conflicts between major trading powers seem to be the order of the day. The US and China, the two largest economies in the world by GDP, remain mired in a series of trade disputes that have involved tariffs, challenges to market access and bans on specific companies.

When it comes to supply chains, localization has taken on a different flavor. Due to the pandemic, countries have taken steps to build national stockpiles and encourage the domestic manufacture of critical goods such as medical supplies, PPE and ventilators—precisely so they won't be dependent on international trade to fulfil basic requirements. Meanwhile, countries large and small have taken steps to secure adequate supplies of vaccines for their own citizens. The moves, while completely understandable and in most instances necessary, will have the effect of further reshaping established trade links and supply chains—not just those surrounding pharmaceuticals and healthcare, but also for energy and food.

Taken together, the moves toward localization are disrupting the equilibrium multinationals have come to enjoy in recent years. Localization may not be with us to stay; as countries focus on promoting economic growth, they will likely return to globalization as a path to prosperity. But in the interim, this is the new reality. So what does this mean for leaders operating in a global context today? A few things. Both strategies and tactics will have to evolve to be effective in the new realities. Don't assume that the forces that have led your organisation to fantastic global growth in the past will propel similar growth in the future. The global economy is still expanding, and new relationships and markets are continually being forged. But leaders must be prepared to negotiate a world, in which there are more local conflicts, considerations and barriers. Companies may have to evaluate carefully when it makes sense to shorten supply chains, even if some efficiencies may be lost temporarily. In this new world, leaders will have to dig in more deeply to develop the ecosystems that will enable localization to succeed. That includes engaging with governments about the policies and structures that encourage resilience.

CEOs have to become more dialed in and attuned to regional and national changes in policy and their implications. And they may have to take a more selective approach to the appealing and vital imperative to break into new markets: they should invest internationally only if they have the acumen and capabilities to compete and thrive in a more geopolitically charged world.



Learn more on Take on Tomorrow Series:

<https://www.pwc.com/gx/en/issues/reinventing-the-future/take-on-tomorrow/localisation-globalisation.html>

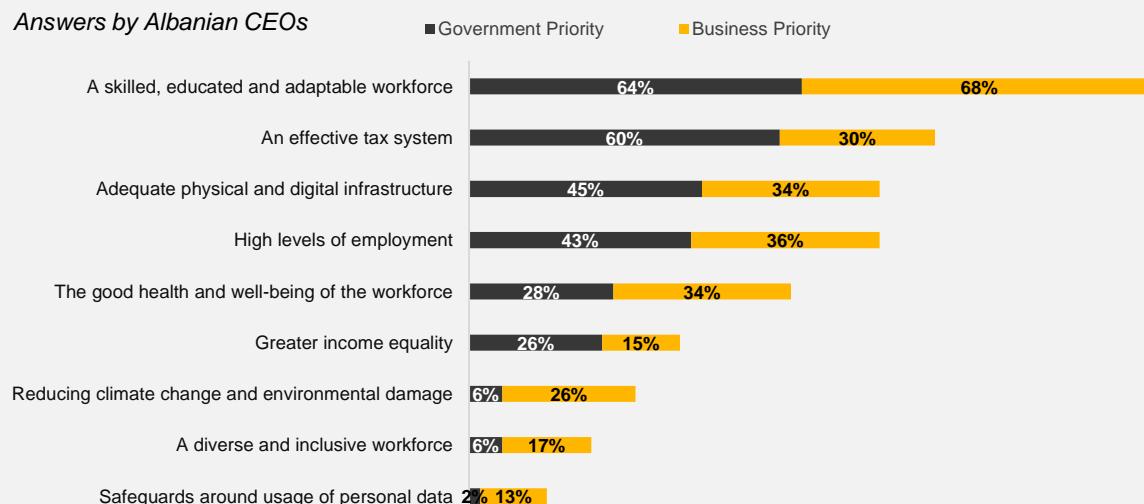
# Government and businesses working together

When considering the division of roles and responsibilities in society, Albanian CEOs state that they see the achievement of educated and adaptable workforce as a joint effort between government and business. Still, according to Albanian CEOs, this outcome is considered a priority mostly for businesses rather than for government (68% vs. 64%). At the same time, they see a much stronger role for businesses when it comes to the good health and well-being of the workforce – 34% state this as a priority for companies vs 28% see this on the agenda of governments. Human resources and related challenges are clearly a top-of-mind topic and while CEOs realize the necessity for government to provide the right market conditions through appropriate policies and reforms, they are also assuming their own responsibility, which is evidently factored in their strategies and investment plans.

Wider societal topics such as higher levels of employment and achieving greater income equality are also seen as priorities for both a government and a business perspective. These all provide for a clear realization that no business can grow sustainably while wider community issues remain unresolved – and the need for social partnership between all the players in the ecosystem is the only way to achieve progress.

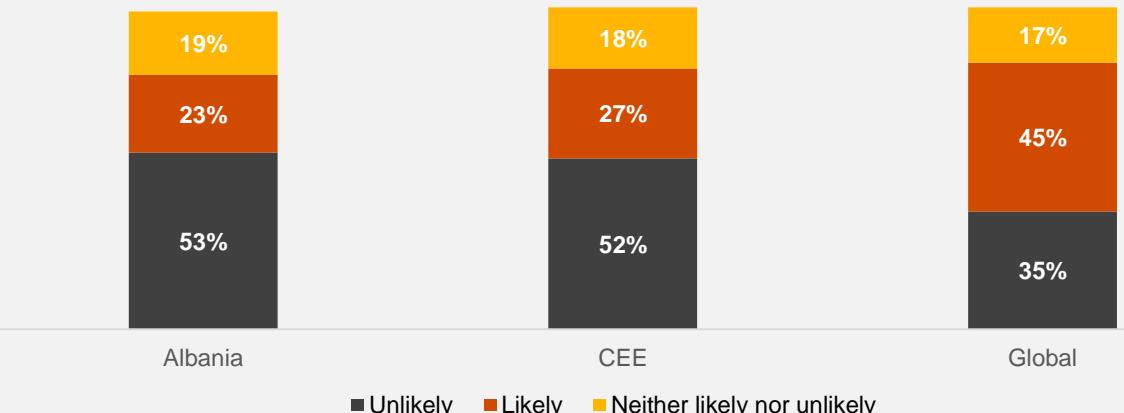
**Q:** Which three of these outcomes do you think should be government priorities / priorities for business to help deliver in the country/ territory in which you are based?

Answers by Albanian CEOs



**Albanian CEOs are sceptical that recovery plans will strike a balance between short-term economic needs and long-term environmental goals**

**Q:** How likely is it that the government's recovery plan of the country/territory in which you are based will effectively balance short-term economic needs with long-term environmental goals?



Note: Not all figures add up to 100% as result of rounding percentages and excluding 'don't know' responses; "likely" includes answers 'likely' and 'very likely'; "unlikely" includes answers 'unlikely' and 'very unlikely'.

In 2020, governments around the world launched various programmes to aid economic recovery and sustain growth. This is likely to come at a certain cost in future tax policies, which businesses need to consider and factor in their strategies accordingly.

One of the key programmes that will impact the future economic growth in the EU is the Recovery and Resilience Facility, which will provide 672.5 billion EUR in loans and grants to support reforms and investments to mitigate the economic and social impact of COVID-19, and to ensure that Member States are more resilient and better prepared for the challenges and opportunities of the green and digital transitions. Each National Recovery and Resilience Plan is to include a minimum of 37% expenditure dedicated to climate investments and reforms. Hence, a major portion of the funds will be allocated to sustainability projects and projects related to long-term environmental goals such as clean technologies and renewables, higher energy efficiency, sustainable transport and charging stations.

However, balancing between short-term economic needs and long-term environmental goals may be a challenge. The future effect of sustainability measures may not match the urgent necessities of businesses and sectors badly hit by the COVID-19 crisis. Thus, keeping the longer-term perspective will require a more strategic approach. CEOs realize the challenge that governments will face, but Albanian business leaders seem to be particularly sceptical about the outcome – 53% consider it unlikely that the government will succeed in achieving this balance vs only 35% globally.

# The ESG agenda on the rise

As ESG topics are on the rise across the globe, they increasingly lead to organizations adapting their strategies and embracing a more prominent stance on responsibility towards environment and society. The COVID-19 crisis strengthened the realization that wide societal collaboration is key to resolving crises of such proportion and impact. A number of businesses started reconsidering their purpose and wider impact on different stakeholders. The share of respondents who confirm to be making changes in their organizational purpose to better reflect the role they play in society among Albanian survey participants is highest among the three peer groups (40%), while another 32% are considering such a change.

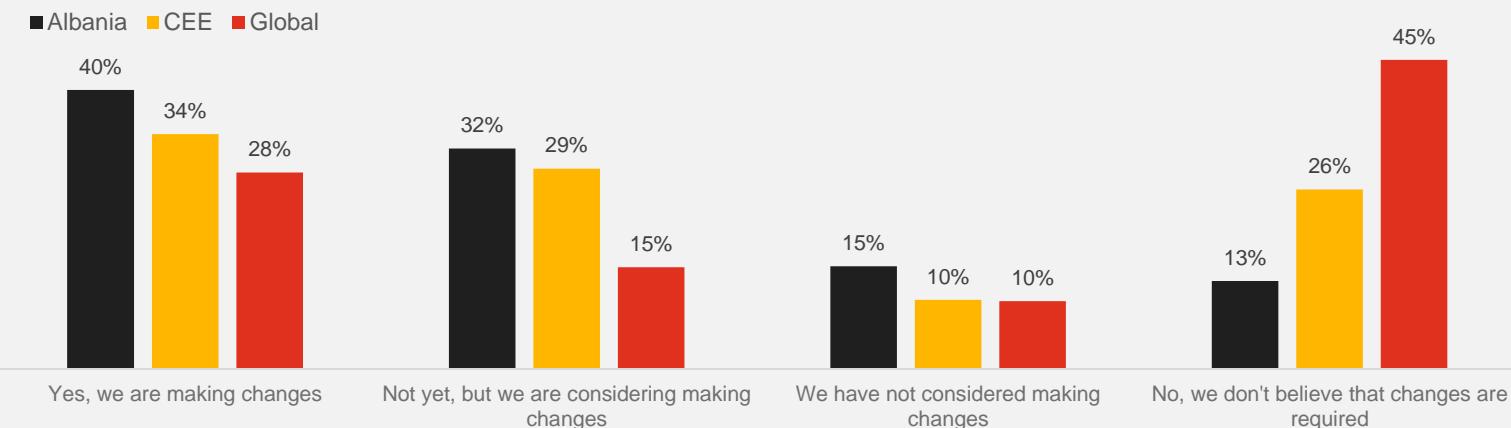
In order to achieve a wider impact beyond the traditional financial performance, businesses need to set clear non-financial goals in their strategic plans and be prepared to measure the created value. In order to engage productively with a wide range of stakeholders with ever-growing expectations, companies need to report and communicate the progress in their commitments.

The elusive topic of innovation is stated as a priority by both Albanian (55%) and global CEOs (55%) as an area of impact they would like to measure more reliably, followed by business strategy. In line with the prioritization of their risks, Albanian business leaders rank third the need to measure the impact of their workforce practices, while for global CEOs the #3 area is environmental impact.

Interestingly, when it comes to reporting, environmental impact shares #4 spot (together with impact on wider communities, and key risks) where more effort is needed according to Albanian survey participants. The local perspective is similar with that shared by global CEOs.

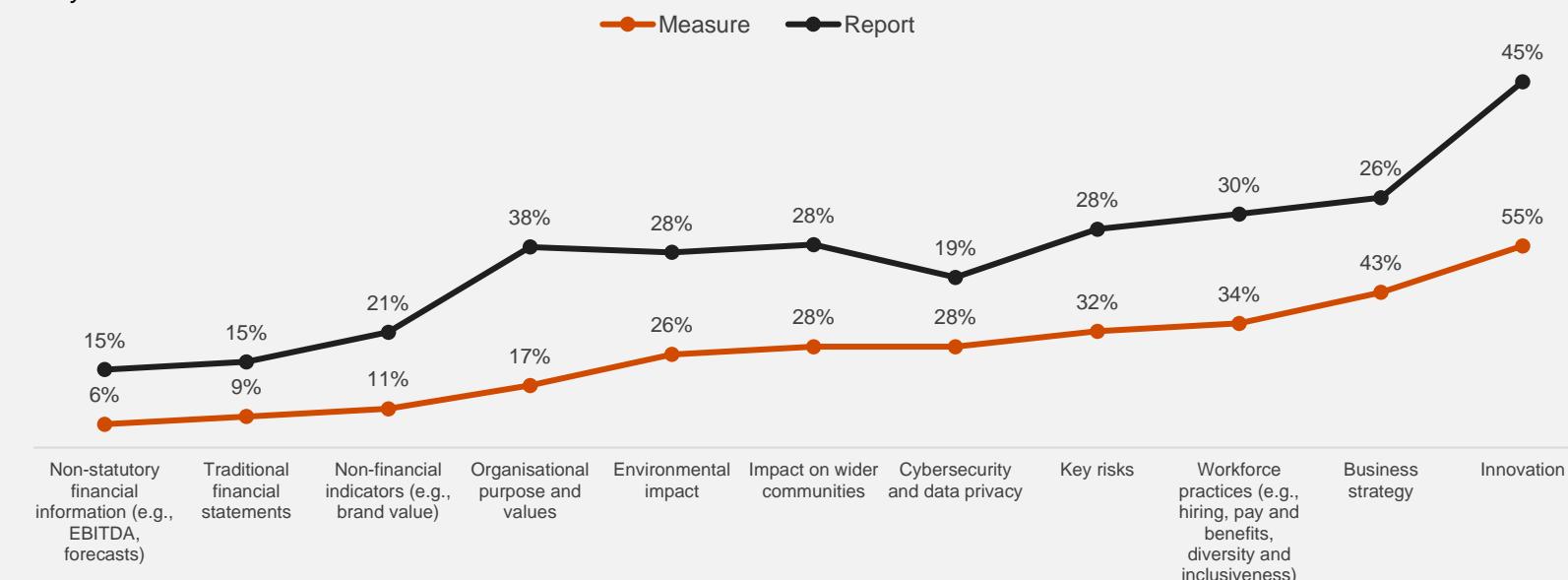
## The environmental, social and governance agenda is becoming a topic for Albanian CEOs

**Q:** As a result of the COVID-19 crisis, are you making any changes to your organisational purpose to better reflect the role your organisation plays in society?



**Q:** In which of the following key areas of impact and value do you believe your organisation should be doing more to measure / report?

Answers by Albanian CEOs



# Looking ahead: How ESG will drive the next level of transformation

Extract from PwC's *Take on Tomorrow Series*

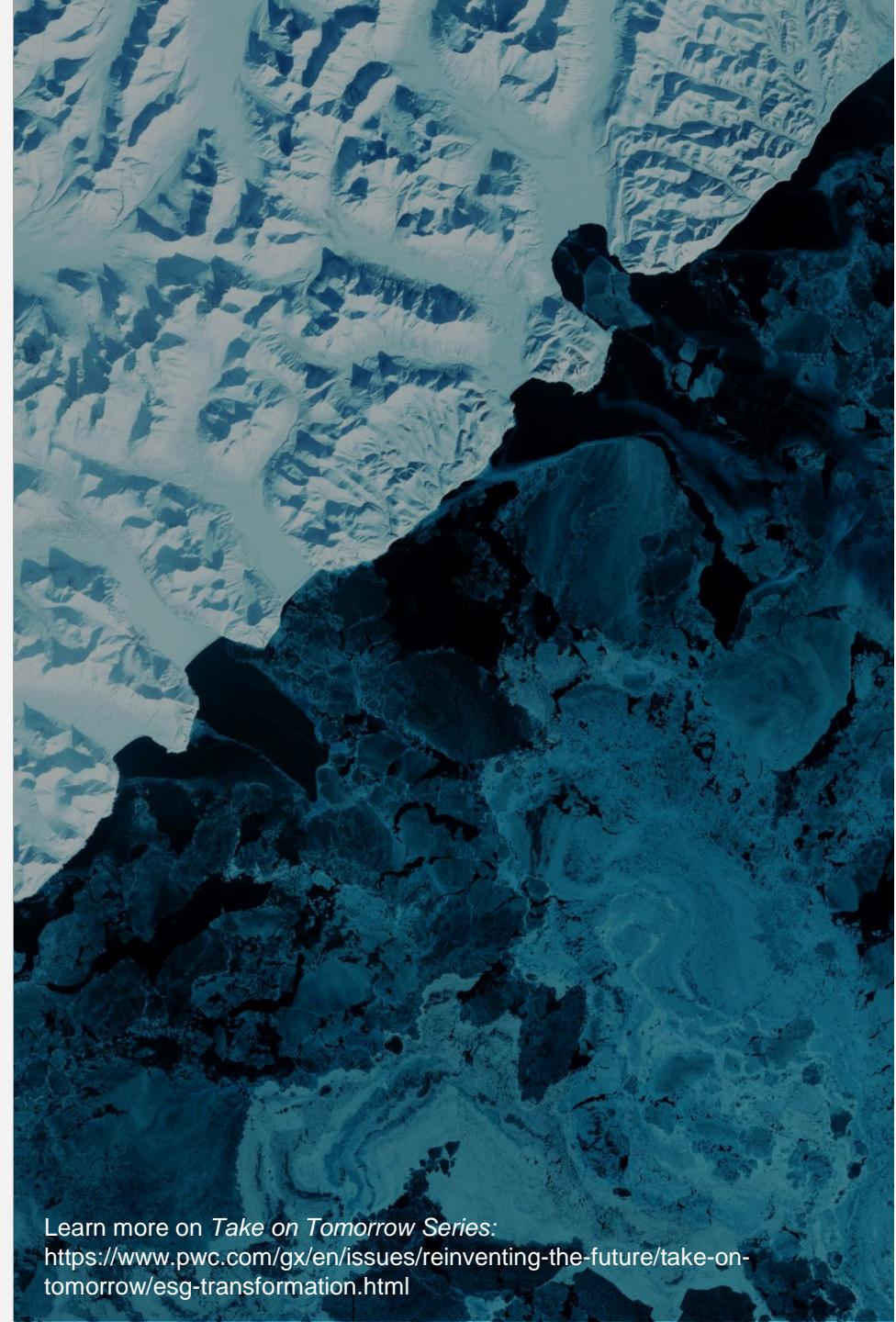
*Peter Gassmann, Global ESG Leader and Colm Kelly, Global Leader for Purpose, Policy and Corporate Responsibility*

Even before COVID-19 upended business and society, the environmental, social and governance (ESG) movement was gaining steam. Far-reaching challenges such as climate change and economic inclusion concentrated the minds of investors and executives on the importance of long-term priorities and non-financial reporting. Then the global pandemic heightened awareness of how interconnected we all are, and how central trust and transparency are to the economy's operation. We believe these crosscurrents are coming together to propel the next wave of corporate transformation: the ESG transformation. Like digital, ESG has the potential to revamp how successful organisations plan, implement and operate. Also like digital, ESG is a sprawling topic, making it challenging for organisations to know where to begin.

With digital transformation still a work in progress for most companies, the notion of tackling another big transition may seem daunting. We'd suggest, though, that deferring the ESG transformation creates the risk that as you rewire your company, you will hard-wire in old value creation models that can't meet the concerns of your stakeholders and the long-term needs of your business. It also becomes increasingly likely that you will fail to manage very real and material risks and you will find yourself out of step with your shareholders.

To understand what it looks like to start such a transformation, consider the recent experience of an industrial company, which has begun taking far-reaching steps to put itself on a more sustainable trajectory in terms of both climate and stakeholder concerns. The company began by setting a clear ambition centered on bold targets, initially aiming for short-term operational emissions reduction targets and to become a net-zero company by 2050. The organisation elevated sustainability to a strategic priority, and identified a set of supporting management interventions, starting with a revamped planning process with sustainability at its core. The company studied new energy technologies, in areas such as wind, solar, batteries and hydrogen, along with emissions reductions technologies such as carbon capture. Based on the insights from those findings, the company developed a portfolio strategy out to 2050, showing the rate at which it would need to divest traditional businesses and power sources, and how quickly it would need to replace those with greener options. To create early options, the company created a venture fund that could identify and invest in promising technologies, through straight investments in some cases and joint ventures in others.

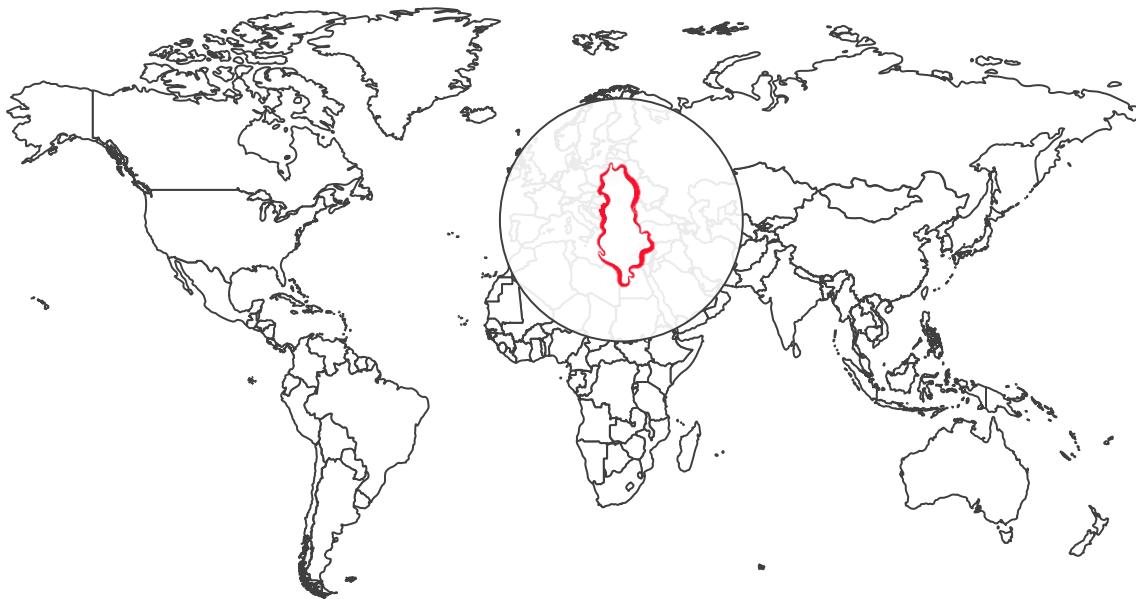
The company also applied a sustainability lens to future capital investments. For example, before constructing a new facility, the organisation had previously conducted traditional financial analyses such as net present value, so that it could determine if that facility represented the best use of capital. In that analysis, the carbon component was relegated to an afterthought. But the company realized that this approach was no longer sufficient. By factoring in carbon in a more explicit way, the company actually changed the design and construction methods for new sites, to reduce emissions and support the sustainability goals. To cement those goals in the minds of executives, the company set aside millions of dollars in management incentives linked to sustainability performance. This example is focused on climate sustainability, and ESG encompasses societal issues in the same way and for the same reasons. Many companies are already working equally successfully to respond to these issues using the same approach. The ESG transformation journey will focus on both.



Learn more on *Take on Tomorrow Series*:

<https://www.pwc.com/gx/en/issues/reinventing-the-future/take-on-tomorrow/esg-transformation.html>

# Participants snapshot



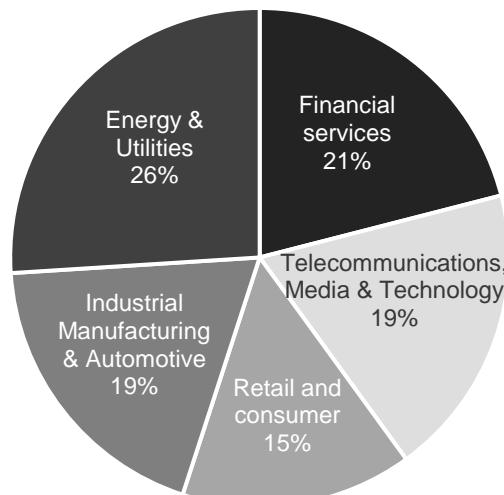
49 Albanian business leaders completed the CEO Survey



87% of the respondents are male



5050 CEOs interviewed in 100 countries globally



# Credits

## Research and project team

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## Data analysis

Data analysis was coordinated by PwC UK, located in Belfast, Northern Ireland

## Find out what global business leaders had to say

by visiting [www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey), where you can dig deeper and uncover current perspectives

## Want to take part in the discussion next year?

If you are a CEO interested in participating in next year's survey, please contact Erold Kamberi ([erold.kamberi@pwc.com](mailto:erold.kamberi@pwc.com)) and share your thoughts with us

# Albanian CEO Survey as part of PwC's 24th Annual Global CEO Survey

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

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