



Caribbean CEO Survey insights

Winning today's
race while running
tomorrow's

January 2023

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One third of Caribbean CEOs don't think their organisations will be economically viable in 10 years' time, if they continue on their current course. That stark data point underscores a dual imperative facing 4,410 CEOs from 105 countries who responded to PwC's 26th Annual CEO Survey.

Most of those CEOs feel it's critically important for them to reinvent their businesses for the future. They also face daunting near-term challenges, starting with the global economy, which over 60% (75% globally) believe will see declining growth during the year ahead. We've organised this year's survey summary into nine tough questions, which naturally fall into three groups, about what it takes to operate in our dual imperative world

The race for the future

The first three questions—on the potential for widespread business disruption, on corporate climate change strategies, and on the time horizons of critical risks—reflect the race that CEOs must run to stay ahead of longer term threats to their companies, to society, and to the planet itself.

Today's tensions

The next three questions—on the relationship between today's conditions and tomorrow's outlook, between strategies for business resilience and workforce retention, and between geopolitics and contingency planning—speak to day-to-day tensions that leaders are facing as macroeconomic conditions deteriorate, uncertainty rises, and inflation hits levels not seen in decades.

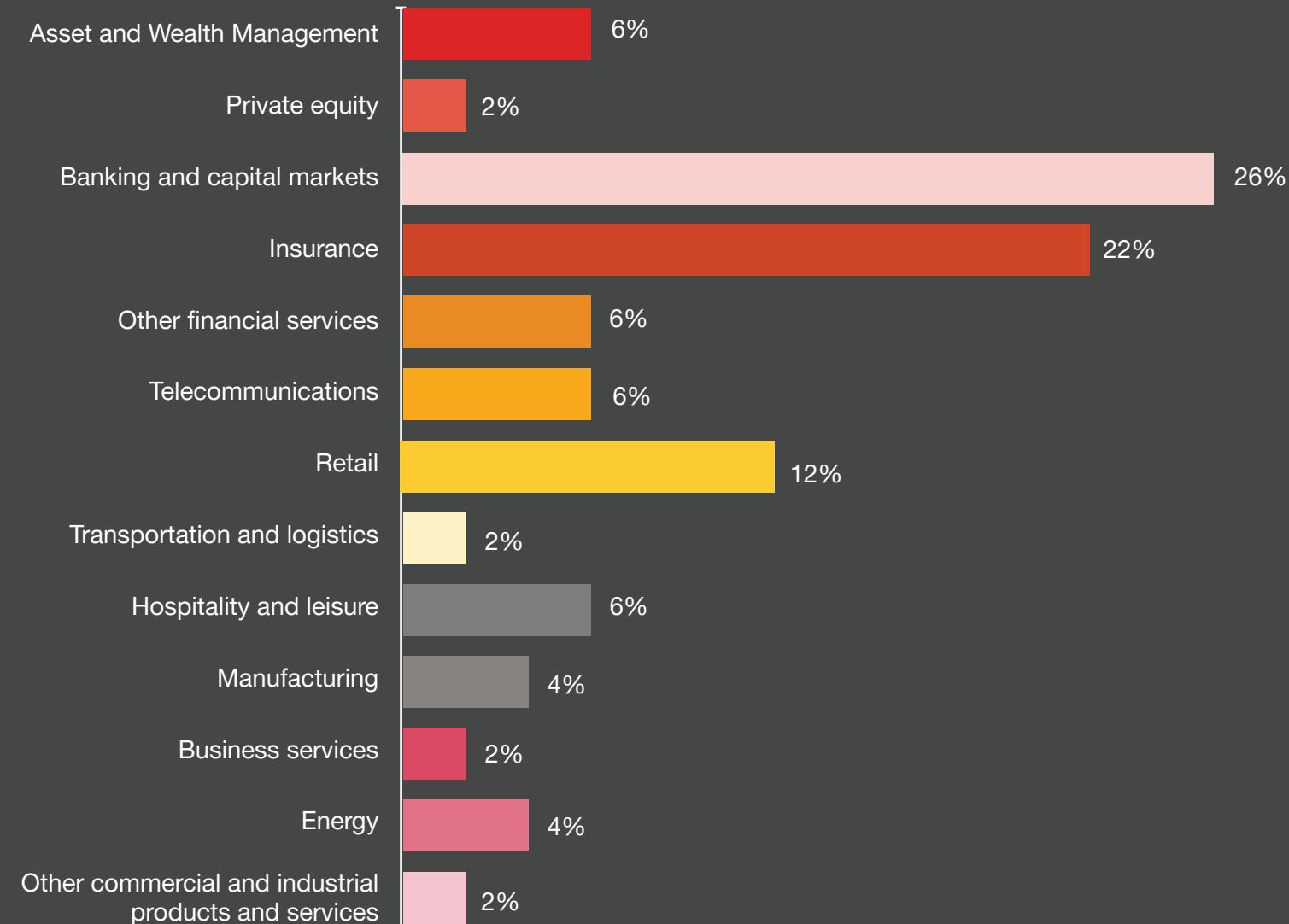
A balanced agenda

The final three questions—on the time and money CEOs are investing in the future, on their role as leaders to drive and empower change, and on the ecosystems they are building to create new sources of value—epitomise the balancing act that CEOs must perform to deliver on their dual imperative.

Who participated?



Industry breakdown



Key findings

60%

of CEOs believe they will see declining growth during the year ahead



30%

of CEOs don't think their companies will be economically viable a decade from now

68%

of CEOs see climate risk primarily impacting their cost profiles

50%

Inflation is the top threat for CEOs over the next 12 months

The race for the future

The first three questions—on the potential for widespread business disruption, on corporate climate change strategies and on the time horizons of critical risks—reflect the race that CEOs must run to stay ahead of longer-term threats to their companies, to society and to the planet itself.

1. What's the half-life of your business?

- ~30% of respondents said that their company would not be economically viable in 10 years on its current path.
- CEOs cite evolving customer preferences, regulatory change, labour/skills shortages, and technology shifts as the biggest potential sources of industry disruption.

Our take: Many CEOs today recognise the potential for a set of long-term megatrends (climate change, technological disruption, demographic shifts, a fracturing world and social instability) to dramatically reshape the business environment. Although none of these forces is new, their scope, impact and interdependence are growing, with varied magnitude across industries and geographies.

2. When will your company's climate clock run out?

- Some CEOs are starting to feel exposed in their cost bases and supply chains.
- The CEOs doing the most are the ones who feel the most exposed.
- The most prevalent actions relate to decarbonisation and innovating climate-friendly products/services; physical risk mitigation is less evident, as is internal carbon pricing.

Our take: Moving with the right pace and priority to mitigate climate risks, generate opportunities and decarbonise are enormous strategic challenges. Many companies appear to be strategising today without the information provided by an internal pricing mechanism for carbon, even though doing so could help them account for considerations like taxes and incentives, and clarify strategic trade-offs.

3. Should you bring your key business risks forward?

- Over the next 12 months, CEOs feel most exposed, financially, to inflation, economic volatility and climate change.
- Over the next five years, CEOs feel similarly exposed to a diverse set of risks—cyber risks and climate change join inflation, macroeconomic volatility, and in the top tier of risk exposure.

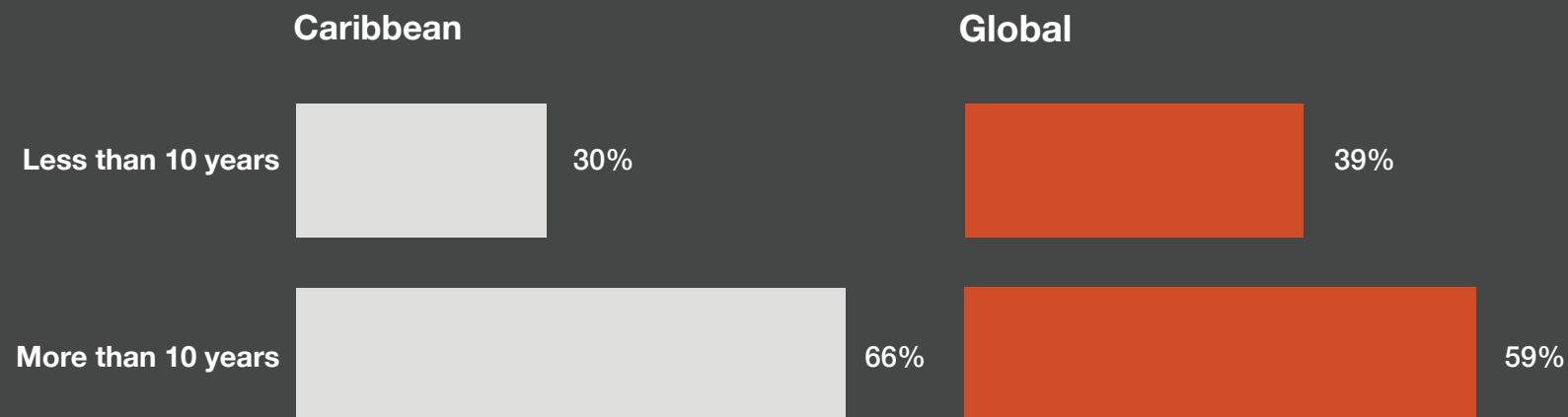
Our take: The disconnect across time horizons begs the question of whether CEOs run the risk of being blindsided in the near term as they focus on here-and-now threats. In the case of cybersecurity, it's easy for important business technology investments to inadvertently create cyber vulnerabilities.

Q. If your company continues running on its current path, for how long do you think your business will be economically viable?

CEOs recognise the potential for disruption ahead. Almost one third of Caribbean CEOs don't think their companies will be economically viable a decade from now, if they continue on their current path. This is consistent with global (39%) and Latin America (29%) though slightly higher than the US (20%), UK (22%) and Canada (24%).

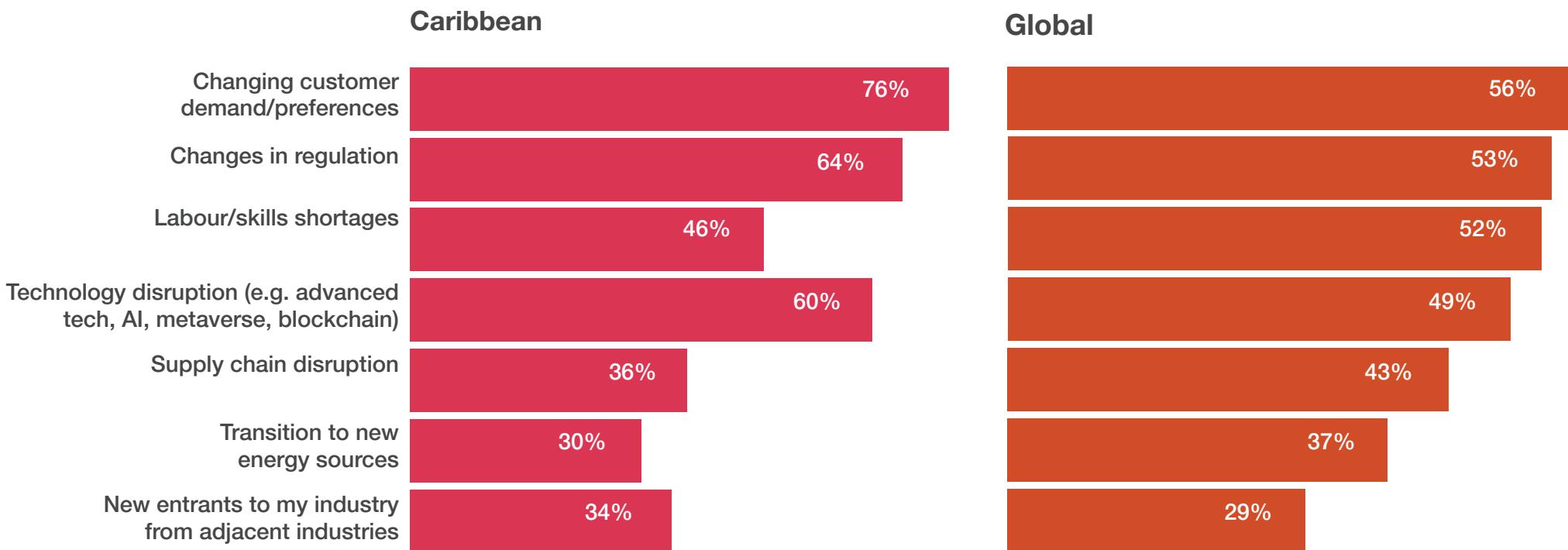
33%

Almost one third of Caribbean CEOs don't think their companies will be economically viable a decade from now



Q. To what extent do you believe the following will impact (i.e., either increase or decrease) profitability in your industry over the next ten years?

60% or more of Caribbean CEOs cited technology disruption, changing customer preferences, and regulatory change as those forces most likely to impact their industry's profitability. Just under half (46%) cited skills shortages, with a further 32% still responding to this force as having a moderate impact. Around one third flagged supply chain disruption, the transition to new energy sources and the potential for new entrants from adjacent industries. We're living through extraordinary times and our leaders recognise this. While none of these forces are new, their scope, impact, and interdependence is growing, with varied impact across industries and geographies.

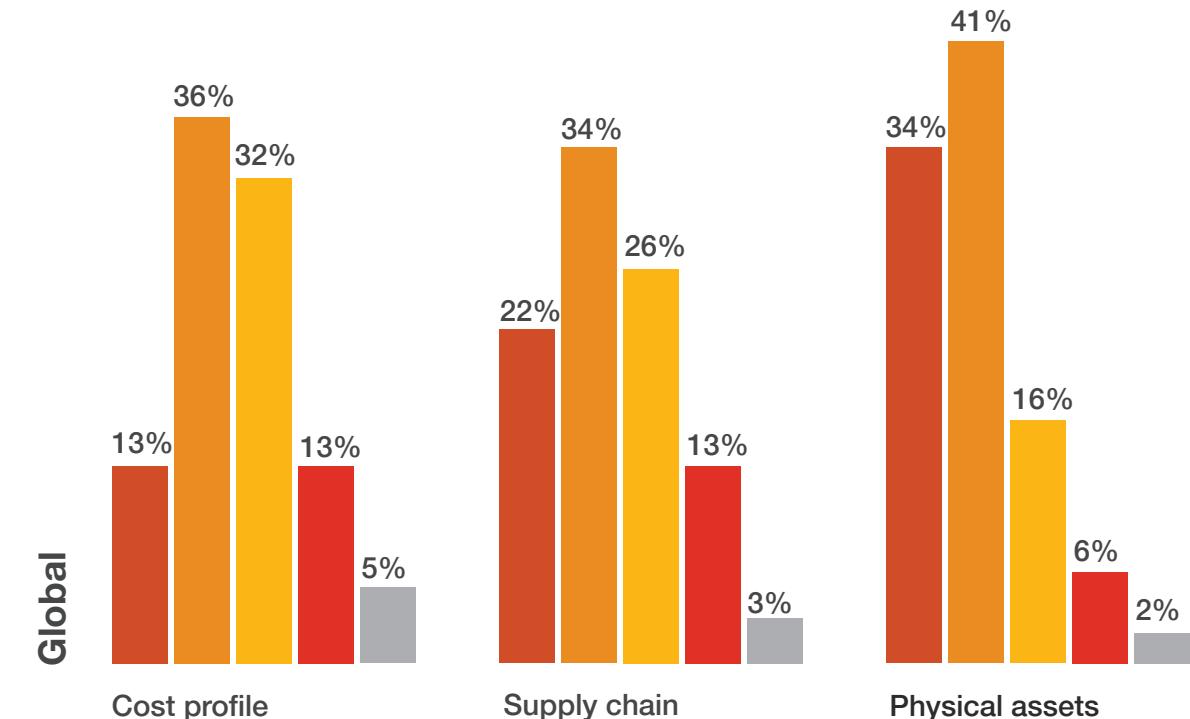
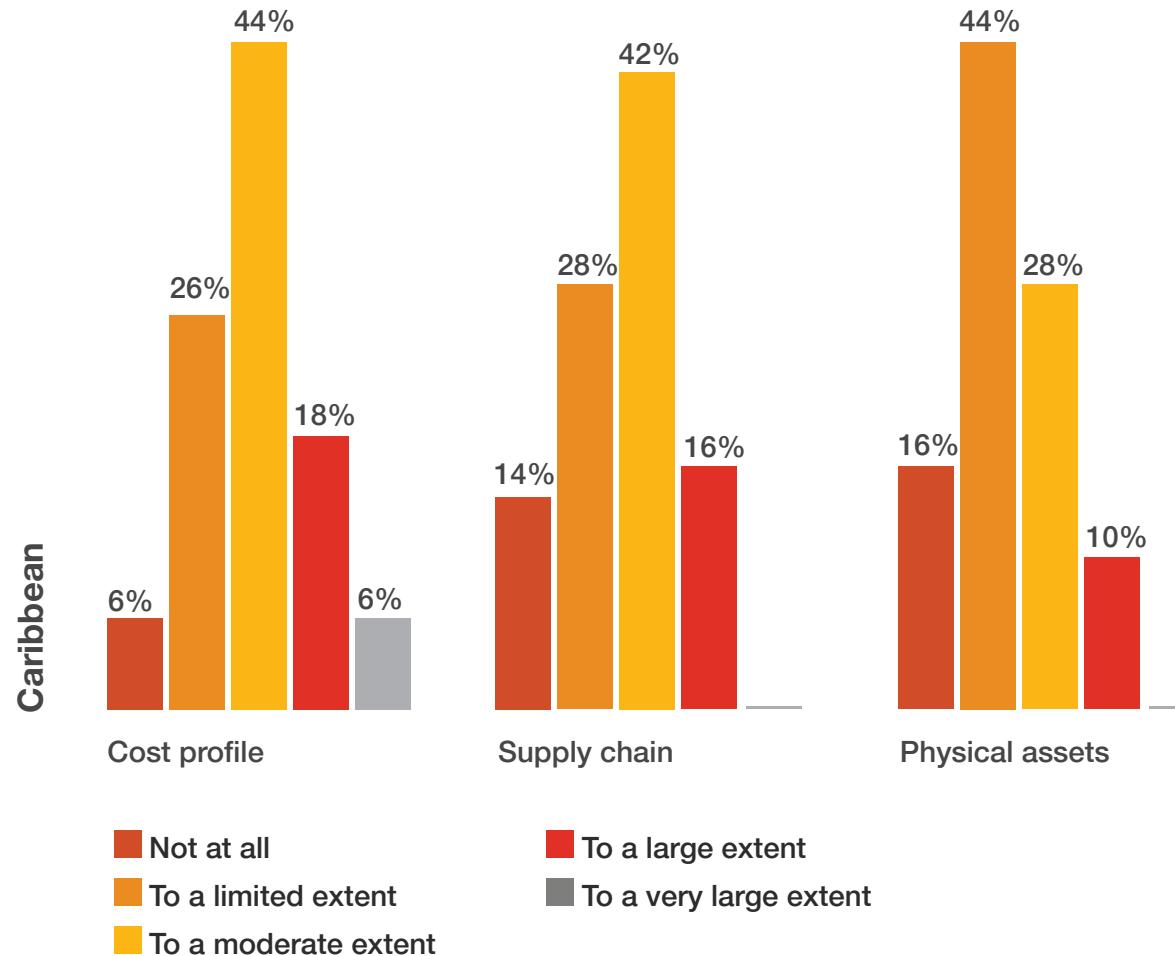


60%

or more of Caribbean CEOs cited technology disruption, changing customer preferences, and regulatory change as those forces most likely to impact their industry's profitability.

Q. To what extent do you expect the following areas of your business to be impacted by climate risk in the next 12 months?

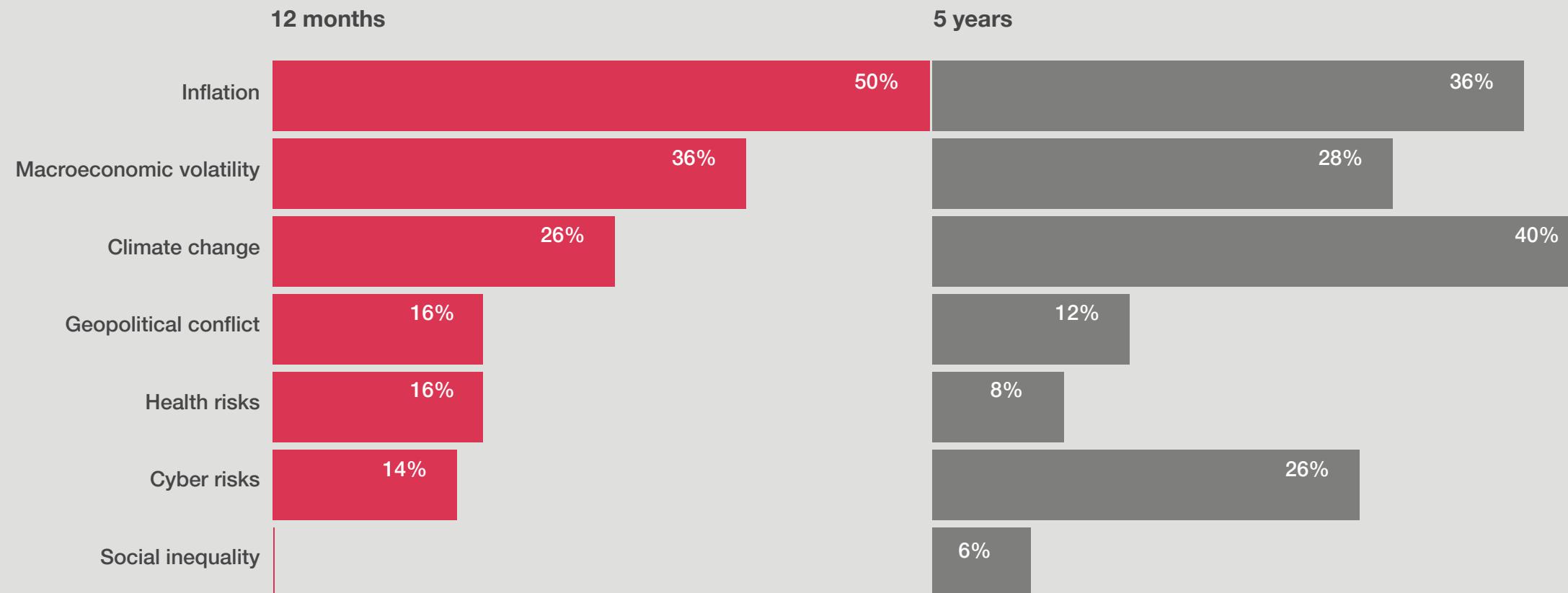
CEOs' race against time is especially urgent when it comes to climate change. Over the next 12 months, Caribbean CEOs see climate risk primarily impacting their cost profiles (68%) and supply chains (58%). Fewer are worried about climate-related damage to their physical assets (38%). Given the growing vulnerability of risks such as a rise in sea levels, changes in rain patterns and temperatures, and increasing intensity of natural disasters to Caribbean small island developing states, it's important Caribbean CEOs don't run the risk of being blind-sided.



Q. How exposed do you believe your company will be to the following key threats in:

1. The next 12 months?
2. The next five years?

Inflation and macroeconomic volatility are top threats for Caribbean CEOs in both the short and medium term, like global CEOs. And while climate change increases for Caribbean and global CEOs too, it becomes the top threat for Caribbean CEOs over the next five years (40%) which is comparable to their responses on the impact of climate change to cost profit and supply chain. Surprisingly the threat of cyber risks in the near term is relatively low (14%) but this is likely because of the immediate threat of the war in Ukraine pushing up prices across the globe, and the uncertainty of when the war will end. Although the threat of cyber does increase to 26% in the medium term, CEOs need to continue to show their commitment to stay ahead of cyber challenges that are still very much on the rise, so they safeguard their business against attacks.



Today's tension

The next three questions—on the relationship between today's conditions and tomorrow's outlook, between strategies for business resilience and workforce retention, and between geopolitics and contingency planning—speak to day-to-day tensions that leaders are facing as macroeconomic conditions deteriorate, uncertainty rises and inflation hits levels not seen in decades.

4. How much is your mood today affecting your view of tomorrow?

- Nearly three-quarters of CEOs project that global economic growth will decline over the next 12 months—a dramatic change from last year, when 77% anticipated improvement in global growth.
- CEOs' confidence in their own companies' growth prospects has declined by a significantly smaller amount than it did from 2008 to 2009, but by more than in any other year since then.

Our take: Last year's inordinate optimism may have been replaced by excessive pessimism. After all, CEOs are people, too, and just as susceptible as the rest of us to recency effects and other cognitive biases.

5. How do your resilience and your workforce strategies fit together?

- In response to near-term economic challenges, CEOs say they are taking actions to spur revenue growth and cut costs—but most don't plan to reduce the size of their workforce or compensation.
- CEOs also believe employee attrition is likely to continue at the current rate, with more CEOs saying they will rise than predicting they will fall.

Our take: CEOs are seeking balance between a need to batten down the hatches and an ongoing need for business reinvention, which they can't deliver if they lose the war for talent.

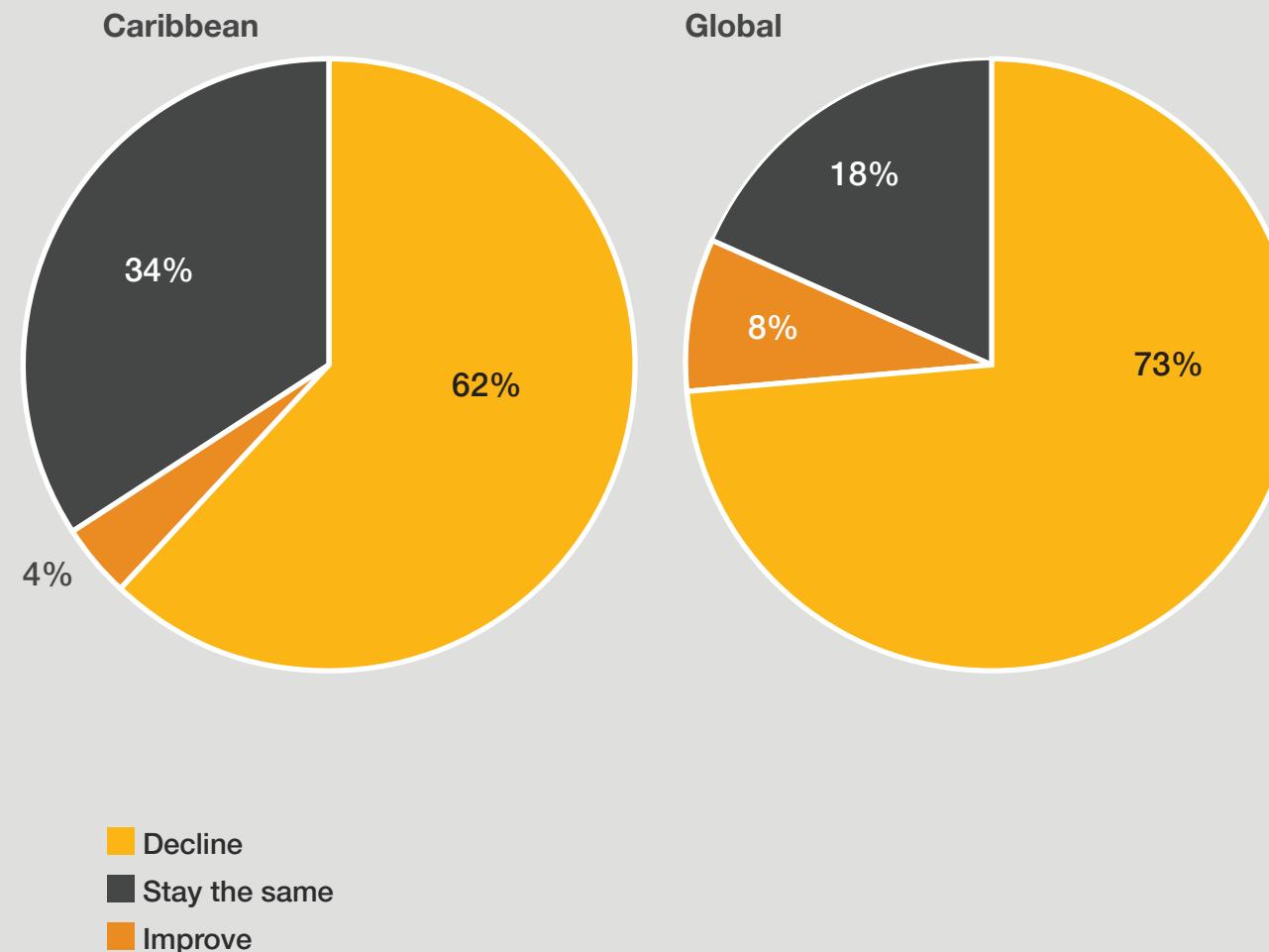
6. As geopolitical risks rise, what new contingencies are you preparing for?

- Geopolitical risks have risen on the CEO agenda.
- To mitigate exposure, companies are increasing their investments in cybersecurity or data privacy, adapting supply chains or adjusting their geographic footprint.

Our take: A land-war in Europe and growing concern about flashpoints in other parts of the world are underscoring the importance of integrating a wider range of disruptions into scenario planning and corporate operating models—including their cascading ramifications across the entire supply chain.

Q. How do you believe economic growth (i.e., gross domestic product) will change, if at all, over the next 12 months in the global economy?

The biggest near-term challenge facing CEOs, of course, is the state of the global economy. Not surprisingly, over 60% of Caribbean CEOs project that global economic growth will decline over the next 12 months in-line with 73% of global CEOs. Those expectations represented a stark reversal from the last Caribbean participation in the survey (conducted in 2020), when a similar proportion (69%) anticipated improvement in global growth. That optimism - reflecting hope that economic conditions would continue improving as momentum around vaccine development and rollout in the Caribbean and the rest of the world picked up pace - was dashed in 2022 by shocks such as Europe's largest land war since World War II, knock-on effects like surging energy and commodity prices, and accelerating general wage and price inflation.

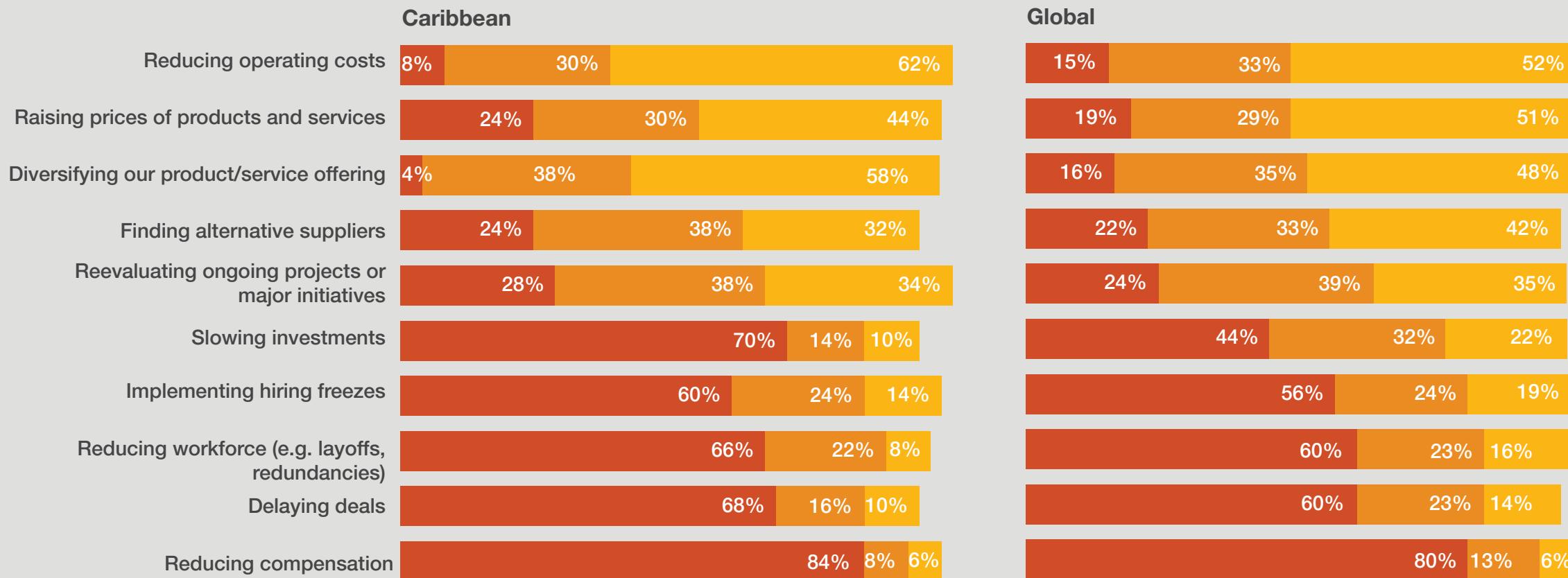


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Q. What actions, if any, is your company considering to mitigate against potential economic challenges and volatility in the next 12 months?

In response to the current environment, CEOs report cutting costs and spurring revenue growth. Interestingly, although 62% of Caribbean CEOs say they have already begun cutting costs, just 14% are implementing hiring freezes, and 8% are reducing the size of their workforce. This could be something to do with the recent employee attrition rates, which surged over the past year or so in many markets, referred to as the “Great Resignation.” The majority of CEOs in the Caribbean (44%) appear to believe that those elevated churn rates will continue.



■ We do not plan to do this

■ We are considering this in the next 12 months

■ We are already doing this/have done this

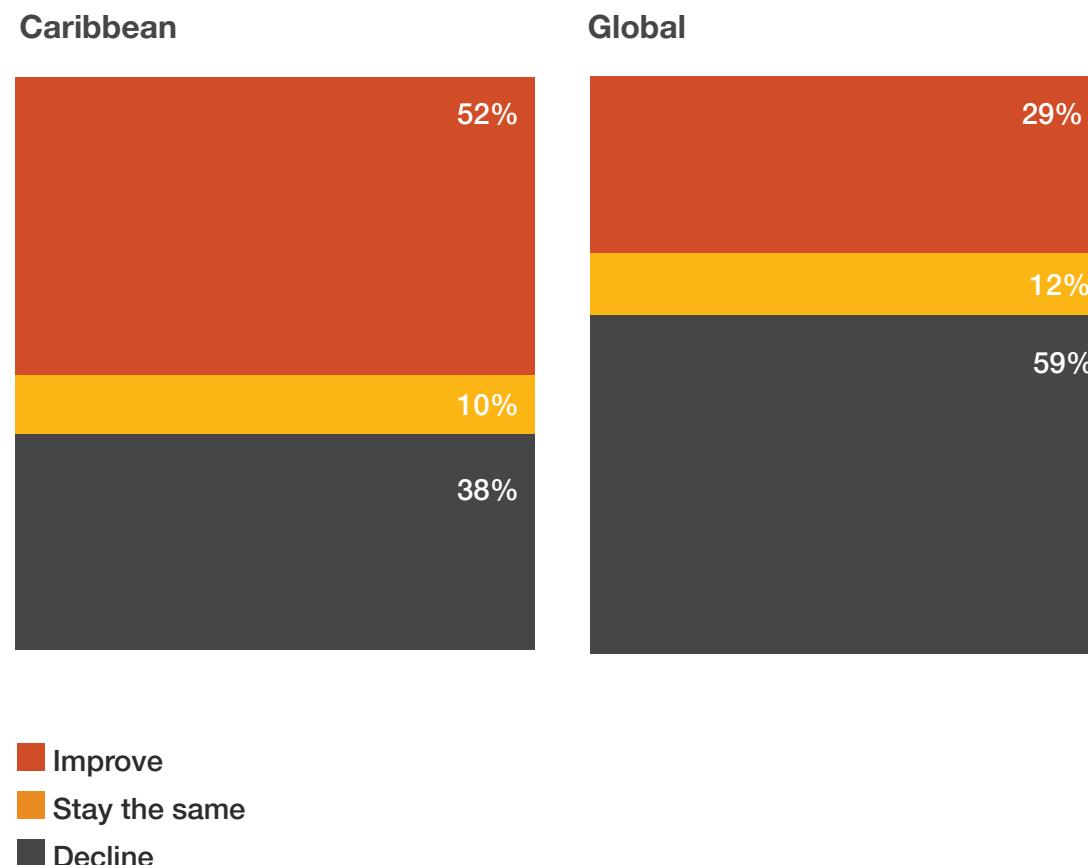
Q. How do you believe economic growth (i.e., gross domestic product) will change, if at all, over the next 12 months in the global economy/your country/territory?

More than half (52%) of CEOs in the Caribbean are more optimistic about the near-term growth prospects of their own countries than the global economy. A further 10% believe it will stay the same. This is comparable to other countries such as Canada and the US where there is growing emphasis on national interests over global ones. This represents an acceleration of trends that highlight a breakdown to open markets and frictionless global trade. There are a few economies with exceptions - France, Germany and the UK - who are facing being hit hardest with the impact of geopolitics and they anticipated growth in their home markets would lag the global economy.

More than half

52%

of CEOs in the Caribbean are more optimistic about the near-term growth prospects of their own countries than the global economy.



A balanced agenda

7. How much time and money are you investing in the future?

- CEOs want to spend more of their own time evolving the business and its strategy and less time driving current operating performance.
- Around three-quarters of companies are investing in automation, upskilling, and deploying advanced technologies such as AI.
- ~60% of investments are focused on reinventing the business for the future, and 40% is concentrated on preserving current business.

Our take: The balancing act facing today's CEO starts with his/her own calendar and extends to most corporate resource allocation decisions.

8. How central are you to your company's reinvention?

CEOs say leaders in their companies don't often:

- encourage dissent and debate,
- tolerate small-scale failures,
- make independent strategic decisions for their function or division.

Our take: In many organisations, the conditions aren't in place for managers and employees to run on their own towards major new opportunities or to independently spot and respond to disruptive threats. CEOs need to double down on setting a shared vision, empowering people to make decisions, and being visible champions for change.

9. What kind of ecosystem are you building?

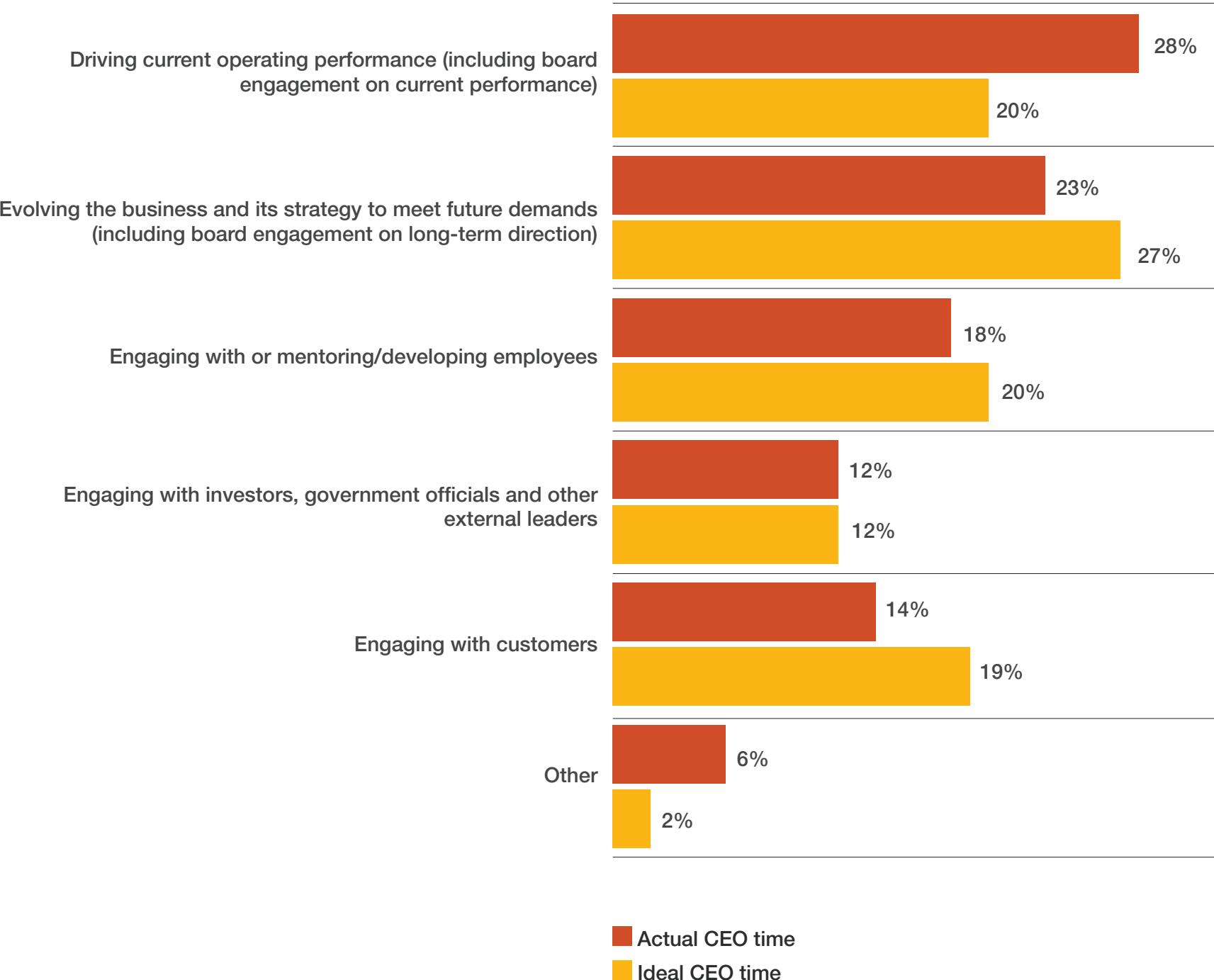
When companies collaborate, it is primarily to create new sources of value rather than solve societal challenges.

Our take: The magnitude of today's global challenges makes it critical for CEOs to extend their use of collaborative ecosystems from creating business value to generating societal value—accessing the capabilities of other participants, managing risks collectively, and making greater progress than any organisation can make on its own.

Q. During your work time, on average, what percentage of time do you spend on each of the following?

Q. Knowing what you know now, if you could start over with a blank calendar, how would you allocate your time as CEO?

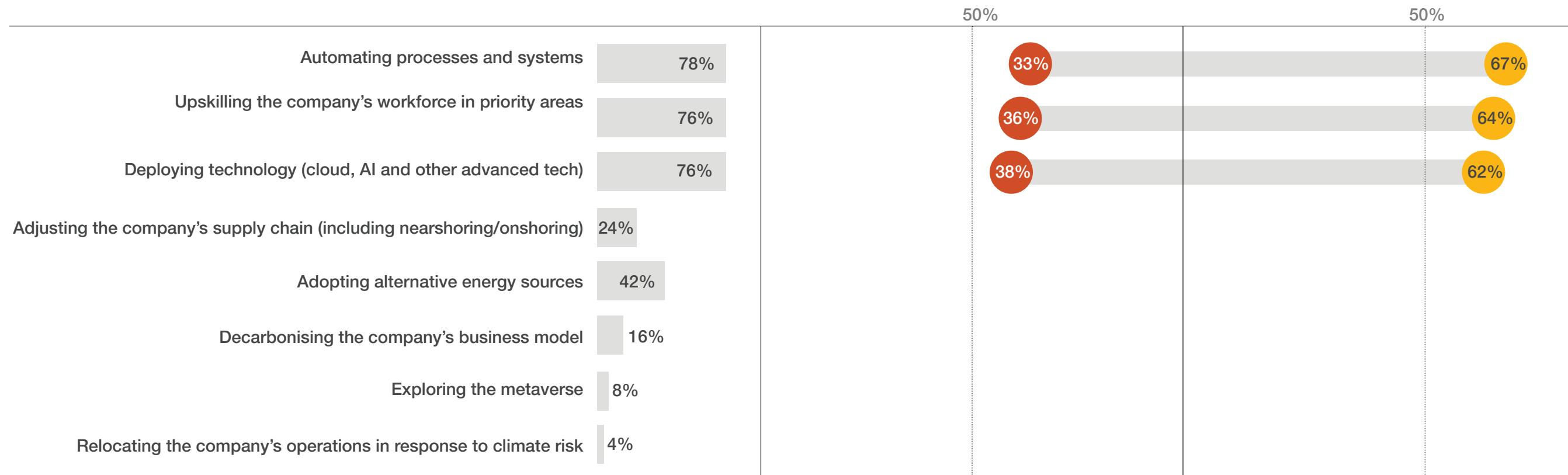
To navigate the dual imperative defined by our first six questions, Caribbean CEOs must perform a balancing act that starts with their own calendars. We asked them how they split their time between a range of priorities, from driving current operating performance to engaging with employees and customers. Driving current operating performance consumed the biggest share of their time (28%). If they could redesign their schedules, 27% told us they would spend more time evolving the business and its strategy to meet future demands. This was very comparable to Global CEOs.



Q. Which of the following investments, if any, is your company making in the next 12 months?

Q. For each of the investment areas selected, please identify the extent to which these are to preserve current business or to reinvent the business for the future?

The CEO balancing act extends from the CEO's calendar to the allocation of corporate resources. Technology investments are a top priority: more than three-quarters of companies are focused on automation, upskilling, and deploying advanced technologies such as AI. Drilling down into the underlying rationale for those investments, roughly 65% in each category is focused on reinventing the business for the future, and 35% focused on preserving the current business. A similar ratio (60/40) was remarkably consistent across the full spectrum of investments for CEOs globally, another reflection of the balancing act CEOs are striving to strike.



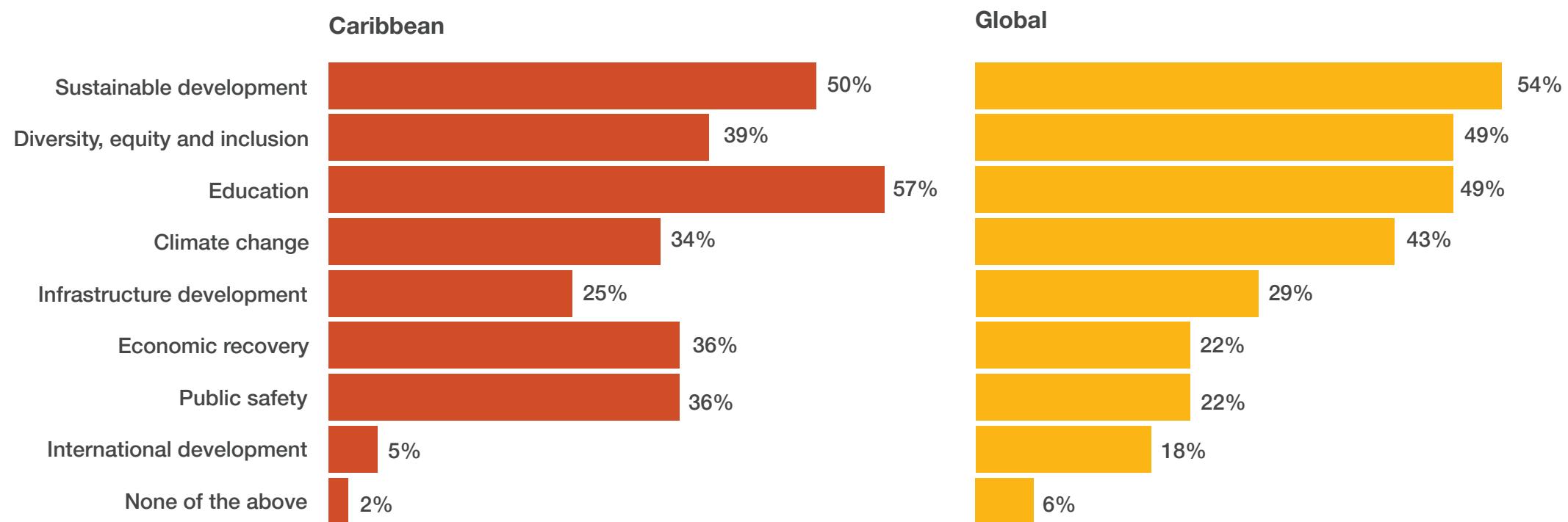
Base: Those respondents who are making an investment in one of the following in the next 12 months

■ Preserving current business

■ Reinventing the business for the future

Q. In which of the following areas is your company collaborating with non-business entities (governments, NGOs or academic institutions) to address societal issues?

Caribbean CEOs are partnering with non-business entities to address societal issues. Most notably, education (57%) and sustainable development (50%). DE&I ranks third on the list (39%) compared with global CEOs (49%). Many Small Island Developing States (SIDS) are still feeling the lasting impacts of COVID-19, and consistent with their top threats, are tackling inflation and macroeconomic volatility first, which is perhaps why economic recovery and public safety (both 36%) are higher up the list than climate change (34%).



Notes

Base: All respondents who answered 'to a limited extent' to 'to a very large extent' for governments, NGOs or academic institutions at Q9b

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