

Czech CEO Survey

2017

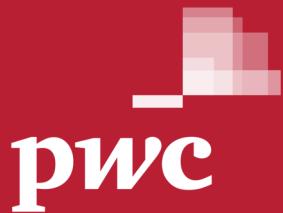


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Introduction

The 8th Czech CEO Survey confirmed the optimism of Czech business leaders and promising outlook for this year as well as in the medium term. The intensity with which technology is being implemented in the business world is a trend which has already been observed in previous years and there is no CEO among this year's respondents who wouldn't take this fact into consideration.

Digital technology is, therefore, an omnipresent phenomenon in our survey. Its application is not limited only to back office, manufacturing or the provision of services and is, with increasing frequency, becoming a part or even the core of products or services.

People form a kind of antithesis of digital technologies. Growing businesses in the Czech Republic are starting to struggle to meet their potential in production capacity due to employee shortages. The burden of this desperate deficiency is felt the most intensively in technical and technological fields.

Every CEO survey addresses the question of the functioning of the State. A key topic, once again following a technological direction, is the system of electronic evidence of sales (EET). With some reservations, CEOs expressed overall support for the digitalisation of taxes and public administration. Company leaders in general aspire after a state which is better managed. We asked them how far they themselves would go to make this happen. Considering the upcoming elections this year, it should certainly not go unnoticed that 7% of respondents would be willing to enter politics.



Business

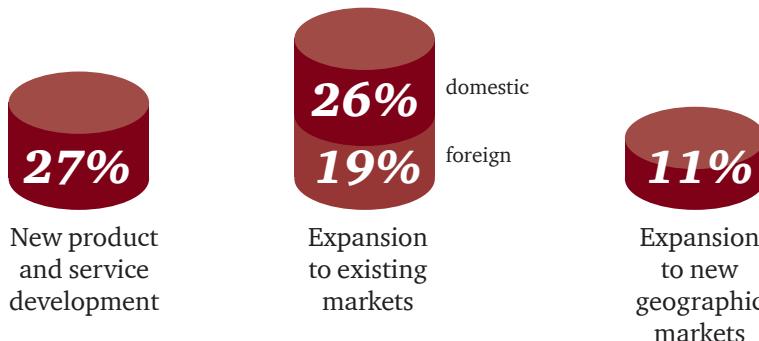


In contrast with the previous year, CEOs are taking more time to think through the growth of their companies. They realize that it is not possible to save one's way to success. The key is to invest in their companies. A growing number of companies is realising that long-term development does not work by putting a new layer of paint on old products; it needs innovation and the creation of new products. Marketing on its own rarely does the trick.

Companies usually have a sufficient number of financial means, and therefore plan on financing several of their growth activities from their own sources. Nevertheless, internal sources are usually not enough when investing in extensive growth projects. A bank loan is still synonymous with external financing for Czech companies. Even though there are shining examples of those, who discovered the magic of capital markets, they still form only a minority. For example, issuing of own bonds can be a very interesting tool for financing a company's expansion. The fact that Czech companies have very little debt shows that they are either still not interested in entering larger projects or do not see them as opportunities.

At the same time, the careful and continent way of investment in contrast with those before the years of crisis is apparent. Despite the general optimism and rather mild concerns over the development of the economy, many companies invest not only in their future growth but also in their future flexibility and the ability to manage unfavourable market fluctuations.

Greatest growth opportunities

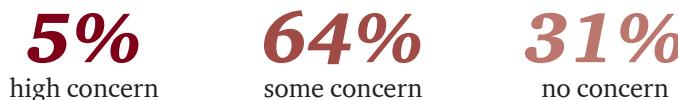


Growth financing



Business environment

The degree of concern over economic growth?



How do they secure themselves?





Potential threats

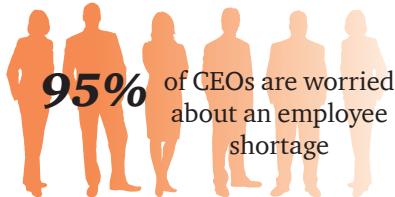


What CEOs fear the most this year is an employee shortage, questionable legislation and its unpredictability and also the development of the exchange rate of the Czech koruna, which is hard to predict. The availability of employees with necessary skills and experience has been a number one concern for the past few years. Since 60% of companies are planning on hiring, this concern is of special intensity.

CEO reservations about administrative pressure come mainly from the inconsistencies and frequent changes in legislation. For example, CEOs in general support the electronic evidence of sales (EET) system. They understand that the system makes it difficult for those who want to hide their actual revenues. Nevertheless, the negative aspect of the system is the fact that government forces the administration burden onto fair businessmen as well. Means which the current legislation provides could be used to identify hidden revenues. EET, for example, also applies to, and therefore collects, information about payment card transactions. This information is, however, already accessible by the tax authority.

Concerns over FX risk are connected to the expected end of foreign exchange interventions by the central bank. Almost two fifths of companies are actively preparing for the change of the currency regime. The fact that the Czech National Bank informs the market about its steps and does so in a clear way results in companies listening and reacting rationally.

Lack of people



14% will decrease headcount

59% will increase headcount



How do CEOs solve the shortage of IT experts in the market?

28% Increasing financial rewards **35%** Outsourcing of IT professionals **21%** Extending the range of benefits **21%** Creating unique workplaces

Czech Koruna

Are companies preparing for the expected end of exchange interventions by the CNB?



YES



NO, they get by without currency hedging



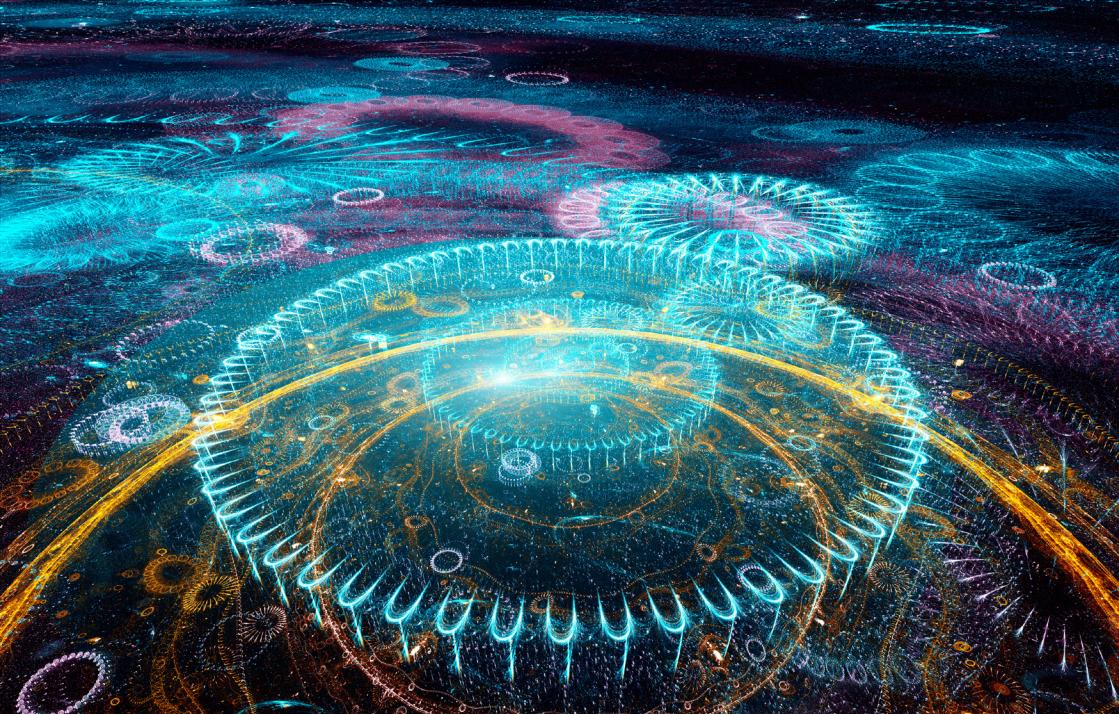
NO, their existing currency hedging covers such risks

Regulation and taxes

65% of CEOs would participate in expert groups that aim to improve the functioning of State.

In the context of the digitisation of the economy and state administration, according to **64%** of CEOs the role of the State should be that of builder, and the one who sets the rules, policies and standards

81% of CEOs support electronic evidence of sales, some of them with reservation.



Digital technology

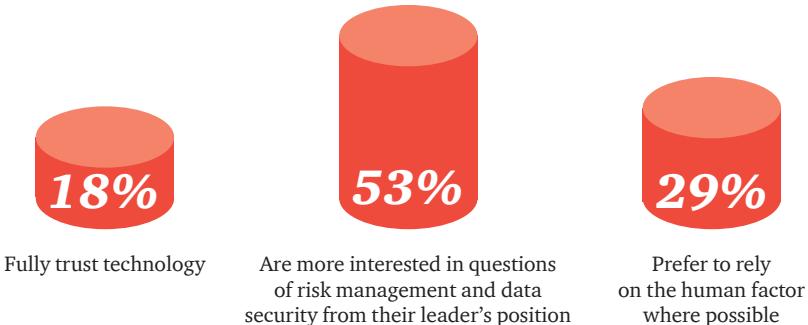


CEOs are not afraid of technological changes. They should, therefore, use them for their own profit, not only for manufacturing but also in supporting tasks such as personnel management in automation and digitalisation. The use of new technologies and knowledge are key to making a society prosperous.

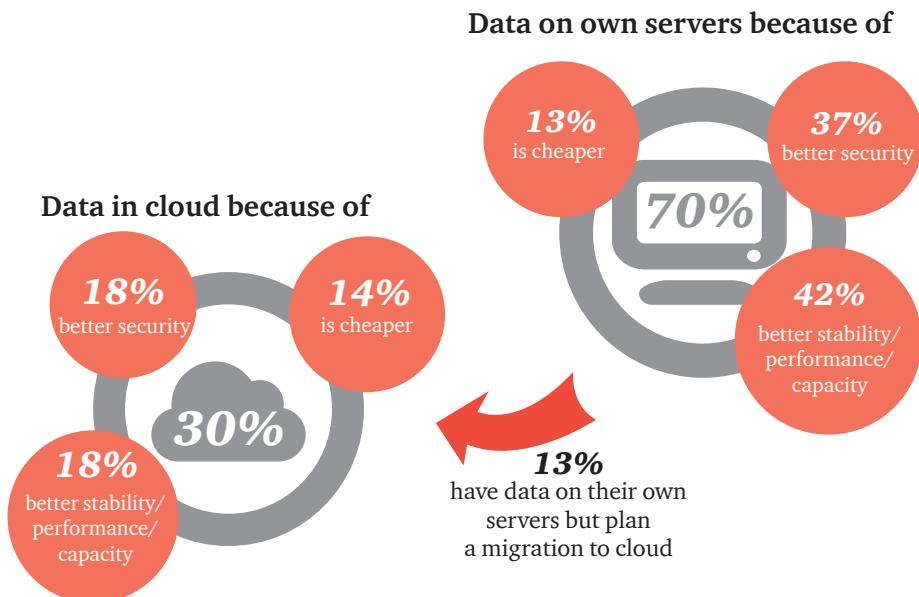
The digitalisation level in the Czech Republic, whether in internal processes or customer relations, is still low, at least in contrast with advanced markets. Even though a majority of CEOs consider digitalization a high-priority innovation this year, no significant changes to the current state are expected.

The willingness of Czech companies to move to the cloud is relatively low even for the near future. Ironically, the most cited reasons, such as higher performance or lower level of risk when data is stored on own servers, can be solved very well by cloud solutions available on the market. Conversely, for example price, which in our opinion is not always automatically in favour of the cloud, due to the complexity of data integration, does not constitute the most significant obstacle for the majority of CEOs.

Perception of digitalisation



Data storage

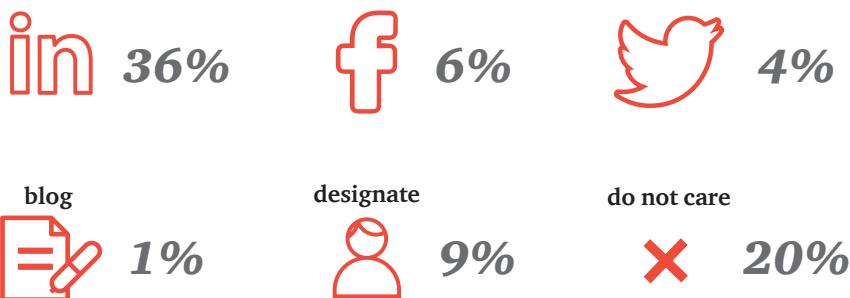


CEO concerns about IT threats have not increased over the past 3-5 years



Social networks at work

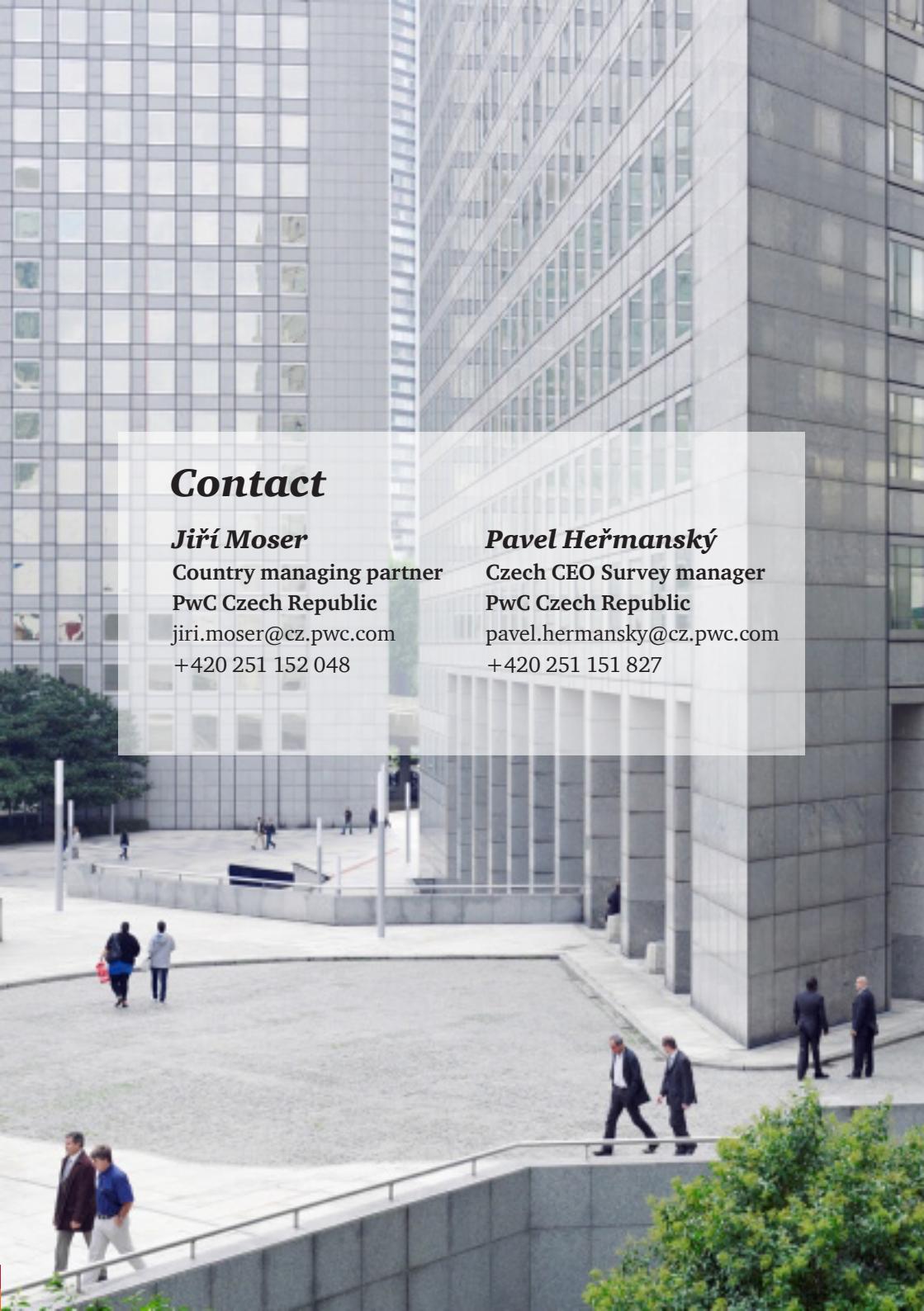
Where can you meet a CEO?



Surprisingly, the increasing rate of digitalisation brings together an increasing feeling of “digital” safety, which probably implies rather a lack of the awareness of the current cyber risks than adequate improvement in digital security.

The professional social network LinkedIn, which enjoys widespread use among Czech CEOs, is expected to go through significant changes due to its acquisition by Microsoft. There will be changes for both users and the entire company. Will there also be changes in usage? In the future, extension of Twitter, following the example of Western countries, can be expected in the CR. Will it also even be at the expense of LinkedIn?

Nowadays, the monitoring of social networks is necessary, followed by appropriate utilisation for employer brand-building, in the context of recruitment and communication, with customers. Particularly with generation Z, which does not distinguish between communication face-to-face and in social networks.



Contact

Jiří Moser

Country managing partner
PwC Czech Republic
jiri.moser@cz.pwc.com
+420 251 152 048

Pavel Heřmanský

Czech CEO Survey manager
PwC Czech Republic
pavel.hermansky@cz.pwc.com
+420 251 151 827

About the Czech CEO Survey

This is the eighth time we have addressed the leaders of the most important companies operating in the Czech market. The Czech CEO Survey, to which we received responses from 114 Czech business leaders, follows the Global CEO Survey that PwC has executed for 20 years. Its results are traditionally published at the World economic forum in Davos in Switzerland.



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