Czech CEO Survey 2018

Executive summary

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INTRODUCTION

Jiří Moser
Managing Partner, PwC Czech Republic

This is the 9th time the Czech CEO Survey has been conducted after the PwC Global CEO Survey. This year, there is one important conclusion: Czech CEOs are very optimistic concerning the development of their economies and companies over the next 12 months. Not only is this optimism the highest in the last 8 years, but it is also shared by all regions, from America to Africa. It should not be, therefore, surprising that the level of optimism reflected in the results of the Czech CEO Survey almost matches the one found in the global edition.

Nevertheless, our local survey also agrees with the global one in its negative evaluation of the impact that regulations and the burden of administration have on business. CEOs find these to be the top threats to their business growth.

There are the two topics that really stand out the most in this year's survey: the employee shortage on one hand and the growing importance of technologies and the implementation of robotics on the other. To a certain extent, these two trends should be interconnected. And since the boring and simple tasks will be carried out by robots, everyone should take advantage of this advancement, including employees, who can focus on more interesting occupations with added value.

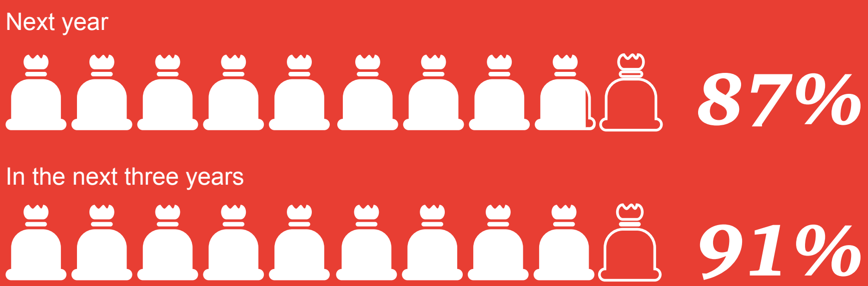
I hope these positive expectations for the year 2018 will be fulfilled and that the dynamics associated with the implementation of digital technologies and automation will contribute to the prosperity of businesses.

Jiří Moser, Managing Partner, PwC Czech Republic

ECONOMY

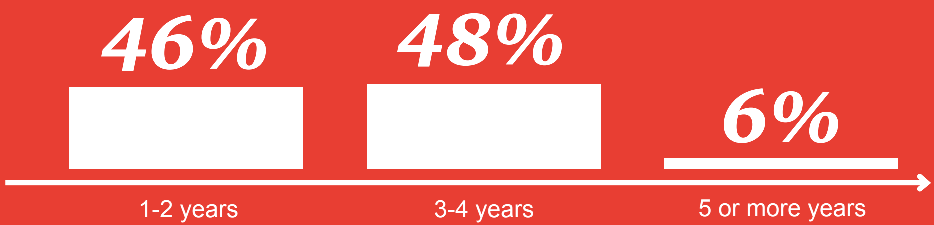
The outlook of the development of our economy seems very positive. Czech CEOs believe in revenue growth and have enough sources to finance this growth. What bothers them are frequent legislative changes and increasing regulations. What are their plans?

Expecting revenue growth



There is a very positive mood prevailing on the market. The rating for the horizon of one year is the most positive since we released our very first survey. 87% of CEOs expect revenue growth this year. Over the next three years, this number even increases to 91%. Compared to previous years, this number is significantly smaller, which, among other things, shows a certain nervousness about a slowdown in the economy over a longer time horizon.

How long will the growth last?



The CEOs currently do not see any threat that could, in the short-time horizon, disrupt this growth. There are, nevertheless, issues which could have a negative impact on businesses in the long-term horizon, such as the unavailability of key skills, high wage inflation or raising interest rates.

I completely understand the optimism the CEOs have for the near future. In the medium-time horizon, a shift in trade cycle is expected and it probably reflects political uncertainties.

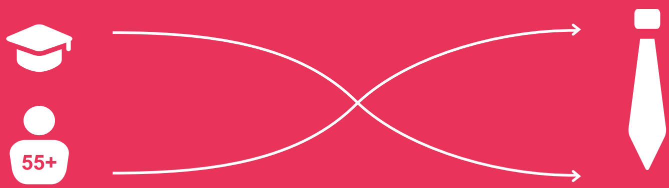
Petr Kříž
Partner in Assurance Services, PwC Czech Republic

PEOPLE

Employee shortage and lack of engagement, robots replacing workforce: Those are the prospects for the upcoming months and years in terms of human resources. What steps will the CEOs take in order to be successful when facing the aforementioned challenges?

Almost 90% of CEOs participating in this survey expressed concern over headcount sufficiency this year. Considering the demographic development, especially the decline in the number of university graduates and growth of workers aged 55+, one can expect that the availability of key skills will be keeping the CEOs up at night for the next few years.

Availability of key skills

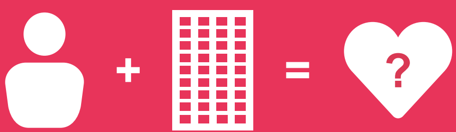


87%

Concern with the availability of key skills

Employees who have a vested interest in a company decrease the level of fluctuation, increase its efficiency and even help in the recruitment of new employees. Considering the workforce shortage on the labour market, companies should take these factors seriously. Companies with a higher employee engagement score measure the engagement index, work on improving it, continuously receive feedback from their employees, and, based on this feedback, take accordant measures.

Employee engagement



43%

Concern over the lack of employee engagement

To solve the employee shortage issue, companies will have to take an innovative approach with the use of robotics. This approach needs to include an HR strategy suitably combining the elements of not only advanced recruitment, but also age management, targeted remuneration and an optimal mixture of benefits targeting the needs of specific groups of employees.

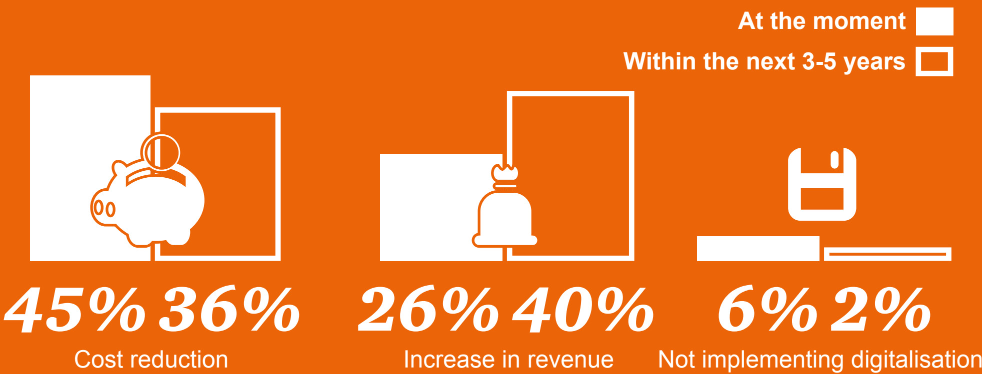
Andrea Linhartová Palánová
Manager in the People & Organisation department,
PwC Czech Republic

TECHNOLOGY

The world of technology in business is currently all about robotics, digitalisation and the collection and use of data. How do companies manage the struggle with the speed of technological change and the dawn of Industry 4.0? What do the CEOs see as crucial and, conversely, what doesn't bother them at all?

For CEOs, digitalisation primarily represents a way of reducing their costs. However, within a few years, the strongest incentive for its implementation could be revenue growth.

Companies' strongest incentive for digitalisation



Should technologies bring higher efficiency or a solution to the workforce shortage? In the upcoming years, which ones will be of paramount importance for companies?

Most important technologies in the nearest future

42% Robotics

31% Cloud

28% Artificial Intelligence

26% Internet of Things

TECHNOLOGY

These days, companies believe digitalisation will mainly cut their costs. Their representatives understand how technologies like automation or cloud can contribute to cutting their costs and many of them have already implemented such solutions or are currently doing so. However, when it comes to digitalisation as a way of boosting their revenue, the CEOs are much less convinced. They nevertheless believe that, within a few years, digitalisation is going to be vital for their revenue growth.

Petr Ložek
Lead partner, Technology Consulting,
PwC Czech Republic

EDUCATION

How can the current education system model help solve the employee shortage? What part should the State, companies, schools and its graduates play? What is the CEOs' opinion on this matter?

Leading representatives of companies assign the blame primarily to inefficient social policy and only after that to an unsuitable structure of graduates. Demographic development does not help either.

The State and its responsibility for the unavailability of people with key skills

53%

Inadequate social policy

50%

Inadequate structure of graduates

24%

The primary cause is demographic development

14%

The issue is connected with the market

The current trend of newly emerging professions has already created a demand for new competencies and skills. With the support and co-ordination of the State, schools should cooperate more intensively with companies and use this cooperation to reflect the current demand for skills that is arising from the implementation of new technologies and Industry 4.0.

How do you rate the current education system in the Czech Republic?

↓ Schools should consider the needs of companies so that graduate profiles reflect the current requirements of the labour market.

60%

40%

Schools should provide a more general education so that graduates can establish themselves in a future that is very hard to predict. ↑

It is understandable that, in terms of preparing graduates for the labour market, they favour their own interests. Speaking of learning, the State should, however, focus on long-term goals, rather than the tendency to help graduates find a place in companies.

Karel Půbal
Director in Consulting, Public Sector,
PwC Czech Republic

About the Czech CEO Survey

Exactly 141 CEOs from major companies on the Czech market participated in the 9th CEO Survey during the last quarter of the year 2017. This survey follows up the PwC Global CEO Survey. The results of its 21st volume were, just like in previous years, published at the World Economic Forum in Davos, Switzerland.

Find out more about the Czech CEO Survey and its complete results at www.pwc.cz/CEO

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