

2013 US CEO Survey

Creating value in uncertain times

16th Annual Global
CEO Survey 2013
US Executive Summary



Overview

US CEOs in our 16th Annual Global CEO Survey are showing less confidence for growth in the next year but are optimistic about the longer-term horizon. They are far more confident in their company's ability to navigate through the anticipated volatility expected over the next three years.

As you'll discover in our report, today's CEOs are focused on building resilient organizations. They're setting the foundation for long-term growth by finding new ways to extend their competencies. They're sharing value as well as risks as they increasingly operate within networks of alliances and partnerships.

Half of the 167 US CEOs participating in our survey have been heading their company for less than five years. The operating environment over the past few years has been unlike anything seen before, so this group has admittedly learned a lot—and gained a lot, too.

The experiences they will be able to pass on to the next generation will shape a new perspective on the importance of resilient leadership through uncertainty. “Persistent,” “ethical” and “pragmatic” were the words many CEOs used to describe traits of historical leaders they most admire.

I would like to thank all who participated in the survey, particularly the CEOs who took the time to sit down with us to share their perspectives on the opportunities and challenges businesses are facing today. Their insights greatly informed our survey, and you can view our interviews with them, along with the full report, at www.pwc.com/usceosurvey.



Bob Moritz
US Chairman, Senior Partner
PwC

Leaders most admired by US-based CEOs

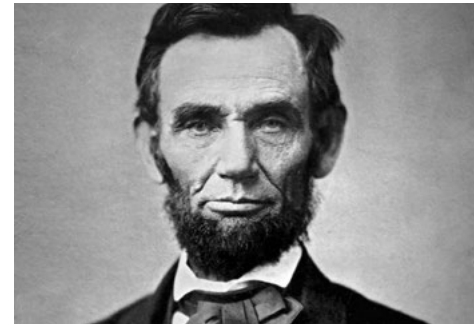
We asked CEOs, “As a leader, can you share an example from literature or history where someone exhibited good leadership? What did you admire about their actions?” These leaders topped the US CEOs’ list.

Base: 130. Source: PwC, 16th Annual Global CEO Survey, January 2013.



#1 Winston Churchill

“He explained the reality of what people faced and he mobilized them to deal with it.”



#2 Abraham Lincoln

“He understood the greater good and he understood the bigger picture.”



#3 Ronald Reagan

“His mantra—‘trust, but verify’—is a very good leadership skill.”

Leaders most admired by CEOs globally

- | | |
|----------------------|------------------------|
| 1. Winston Churchill | 6. Abraham Lincoln |
| 2. Steve Jobs | 7. Margaret Thatcher |
| 3. Mahatma Gandhi | 8. Ronald Reagan |
| 4. Nelson Mandela | 9. John F. Kennedy |
| 5. Jack Welch | 10. Napoleon Bonaparte |

Base: 1,351. Source: PwC, 16th Annual Global CEO Survey, January 2013.



Nelson Mandela

“Excellent moral leadership, a skill that has been lost or forgotten in the new era.”
—Australian CEO

Creating value in uncertain times

2013 is shaping up as a pivotal year. CEOs are redirecting investments and strategies against a backdrop of global fiscal and economic uncertainties. They are honing approaches, focusing on organic growth, their customers, and operational effectiveness. Here's what the 167 US-based CEOs tell us they're doing to adjust—and to set the foundation for new growth.

#1 Building resilience to disruption

Expect more strategic alliances and partnerships this year. CEOs are seeking to increase their companies' ability to swiftly respond to demand changes by collaborating with partners more closely or by diversifying to best ensure uninterrupted business operations through a range of scenarios.

#2 Taking the home-field advantage

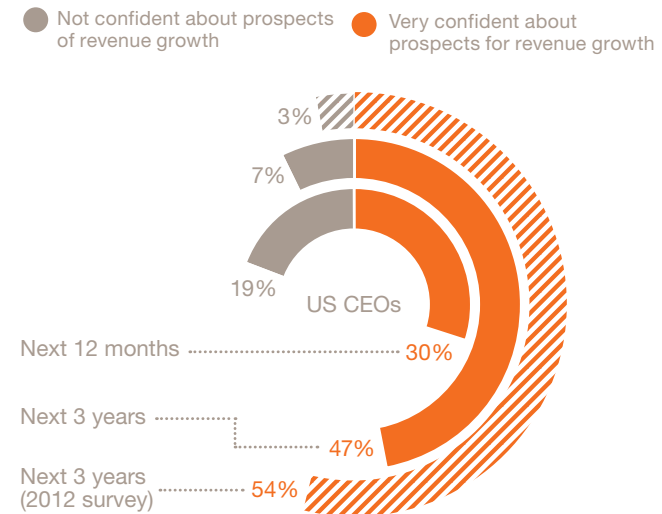
Look for a sharpened focus on the US market this year. CEOs are planning to consolidate advantages on their home turf. They're considering domestic deals, and 41% see expanding their customer base in the US as the main avenue for growth in 2013.

#3 Siding with the customer

Expect interest in predictive analytics and other customer-oriented strategies to keep growing. CEOs are setting the customer as their beacon to build businesses that last. Getting the right read on changing customer demands will help on a number of fronts: where manufacturing is located; where to consider acquisitions; how to spend precious R&D funds; and where to form alliances to extend competencies.

Confidence falters for US CEOs

How confident are you about your company's prospects for revenue growth over the next 12 months? Over the next three years?



Bases: US 2012: 161; 2013: 167. Sources: PwC, 15th Annual Global CEO Survey, January 2012; PwC, 16th Annual Global CEO Survey, January 2013.

The additive effect of a decade's worth of volatile global growth cannot be understated. Short-term confidence is faltering: A third of US CEOs are 'very confident' their companies will see revenue growth over the next 12 months, down from 41% in 2012. Of course, CEOs have historically been less bullish about short-term prospects;

according to our survey, confidence in near-term growth has only surpassed 50% twice in the past decade—in 2008 and 2007.

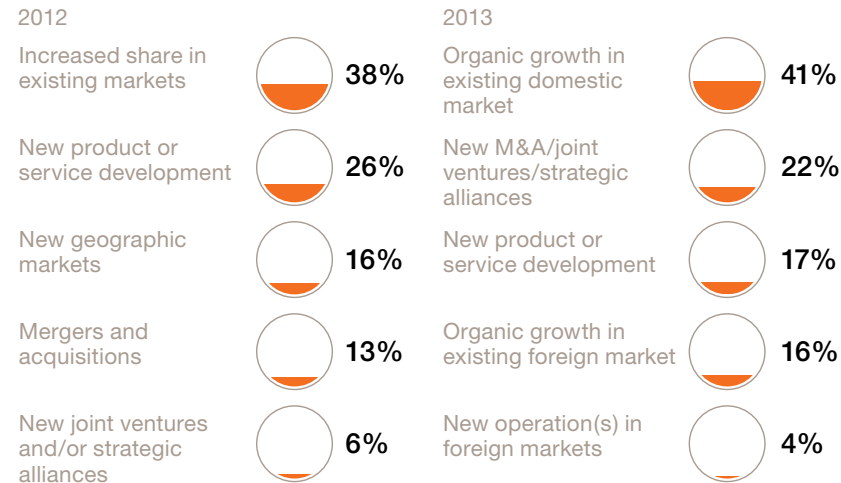
Push out the horizon three years, and CEO spirits revive. They are far more confident in their companies' ability to navigate the anticipated volatility.

Growth

How prepared are we for greater competition in the US market?

US CEOs see US market expansion as primary growth driver in 2013

What do you see as the main opportunity to grow your business in the next 12 months?



Note: There were variations in the survey question from year to year. Base: 2012: 161; 2013: 167.
Sources: PwC, 15th Annual Global CEO Survey, January 2012; PwC, 16th Annual Global CEO Survey, January 2013.

Two goals head the growth agenda in 2013 for many US CEOs: capturing more share in existing markets, whether in the US or internationally, and making greater use of acquisitions or strategic alliances to advance that aim.

What has changed? Just a year ago, US CEOs saw growth drawn more evenly across a range of potential opportunities. Surely, weak prospects for Europe

(where 47% of US CEOs said they have key operations) and less clear growth trajectories in some fast-growing economies matter. As does increasing competition in international markets. For example, this year, a higher percentage of German CEOs said that China became a more important market than the US.

Yet the range of potential outcomes in the US factor in, too. Tilting positively

When people ask me what's going to happen in the next five years, I throw up my hands and say, 'I have no idea and neither do you.' How do you cope with that degree of uncertainty? Well, I think first by having the right attitude about the process of change and reinvention. And second, is by forming partnerships, collaborations and alliances with other like-minded companies that have something to contribute beyond what you can provide.

—Peter Tortorici, CEO, GroupM Entertainment Global

is a fledgling housing recovery and the shale gas revolution.¹

It bears repeating: International markets are crucial to CEOs no matter where they are based. Foreign revenue now accounts for around 40% of total revenue for global companies.² And sources of global growth

¹ PwC, *Shale Gas: A renaissance in US manufacturing?* 2011

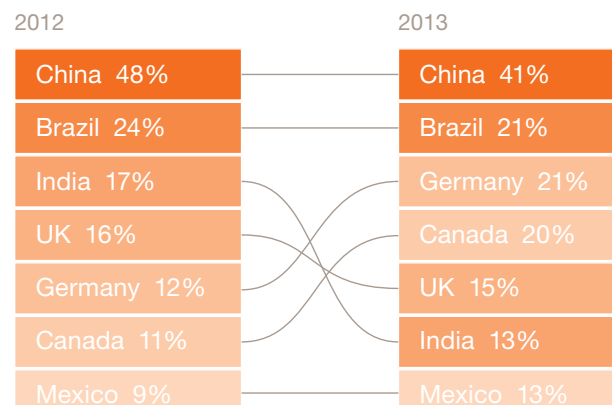
² MSCI Global Index.

and investment flows have been shifting for some time, with the 2008 financial crisis accelerating the trend. China, India and Brazil will together add around \$1 trillion to the world economy in 2013.³

Over the next three years—as global competition intensifies—CEOs will need to develop a keener sense of what will drive growth and how to create sustainable businesses.⁴ That is perhaps what has changed for CEOs the most.

China still #1, but German, Canadian and Mexican markets rise in importance for US CEOs

Which three countries, excluding the US, do you consider most important to overall growth prospects over the next 12 months?



Base: 2012: 161; 2013: 167. Sources: PwC, 15th Annual Global CEO Survey, January 2012; PwC, 16th Annual Global CEO Survey, January 2013.

This is the manufacturing heartland. It always has been, and if we can develop [shale gas] resources and take advantage of them, we have an opportunity to see real and sustained growth, not only from an economic development standpoint across all sectors—residential, commercial, as well as industrial—but the spin off that flows from additional manufacturing in this area. This is the greatest opportunity we’ve had in years in this country to reposition ourselves again as a leader in manufacturing and in advanced technologies.

—Anthony Alexander, President and CEO, FirstEnergy, Oct. 5, 2012

³ PwC, *Global Economy Watch*, January 2013.

⁴ PwC, *Growth in new markets: It’s all about how*, 2012.

Deals

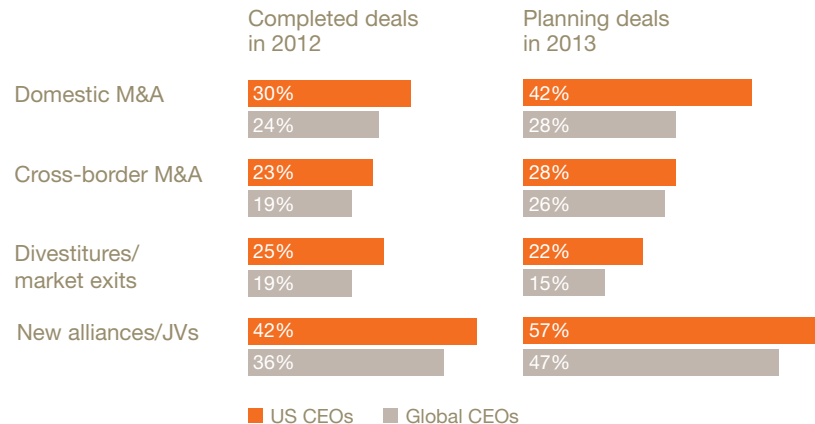
How can we take advantage of a potentially healthier deals market in 2013?

We're about a \$1.5 billion system right now. To compete in this market, we need to probably be in the \$3 to \$5 billion dollar range... Therefore, one would think that consolidation is something that will likely occur, just as it is occurring in many other places across the country.

—Dr. Larry Kaiser, President and CEO, Temple University Health System

Domestic deals, alliances on 2013 agenda for US CEOs

Which, if any, of the following restructuring activities have you initiated in the past 12 months? Plan to initiate in the coming 12 months?



Base: US: 167; Global: 1,330. Sources: PwC, 15th Annual Global CEO Survey, January 2012; PwC, 16th Annual Global CEO Survey, January 2013.

US CEOs are more intent on M&A in 2013 than their global peers, and they're concentrating on consolidation and expansion in the US market. Consider that 42% of US CEOs said they're planning to complete a domestic deal this year. It will mark a significant uptick if they're able to deliver: 30% said they completed a domestic deal in 2012.

The US deals market, while in better shape than some markets elsewhere, remains restrained. Increasing interest in strategic alliances is a factor,¹ yet the fundamentals for growth in the deals market are in place. Interest rates are low and over \$1 trillion in cash sits on corporate balance sheets.

Fiscal and economic uncertainties loom large, yet there are some sector-specific shifts in play that may drive activity. Sweeping reforms in the Affordable Care Act are likely to spur consolidation as healthcare revenue models change.² Another example: Financial services companies continue to pursue divestitures to bolster capital levels and unlock asset value.

In fact, divestitures have been important—representing around a third of deal volume in 2012—and they are expected to retain a prominent strategic position in 2013 for US and European CEOs. Companies are tapping into a variety of exit options in this market.³

CEOs based outside North America are a second source for US activity: 30% of global CEOs said they plan an acquisition or alliance in North America, led by pharmaceuticals & life sciences (52%); power & utilities (44%); transportation & logistics (42%); and technology CEOs (39%).

¹ PwC, *Navigating Joint Ventures and Business Alliances*, 2012.

² PwC, *Health reform re-elected: ACA implementation in tough fiscal times*, 2012.

³ PwC, *Corporate exit strategies: Selecting the best strategy to generate value*, 2012.

Risks

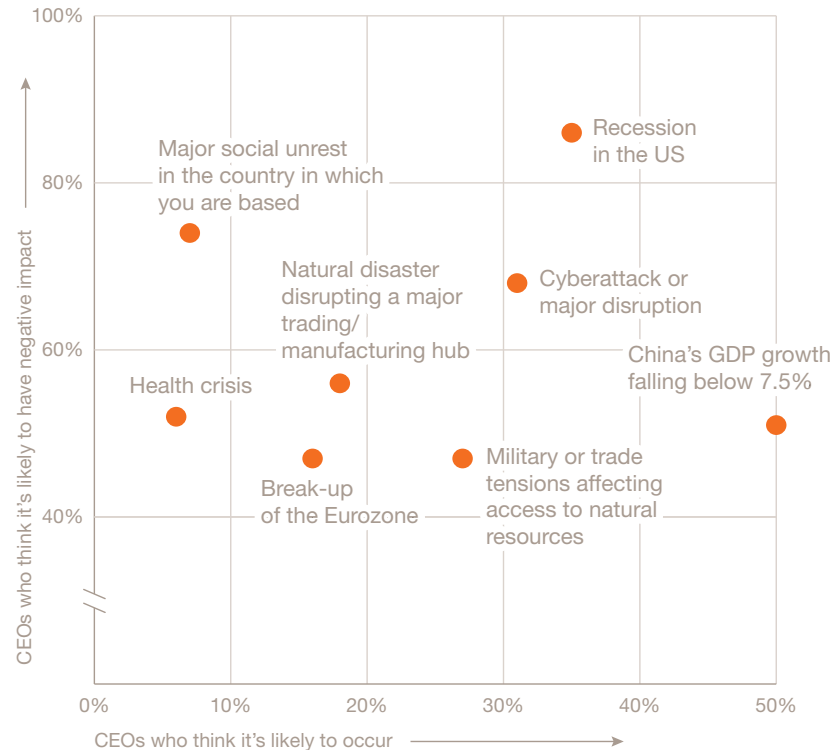
What can we do to make our company more resilient to significant and unpredictable risks?

I don't think that organizations that are slow to adjust and that are reactive are going to thrive in the years ahead. So we are going to invest time, resources and attention to become a more innovative organization, and to do it quickly.

—Steven H. Lesnik, Chairman, President and CEO, Career Education Corporation

US CEOs rate a wide range of possible high-impact risks

How likely are the following scenarios to occur? And how would your organization cope with the following scenarios if they happened within the next 12 months?



Base: 167. Respondents who stated 'likely to occur' and respondents who stated 'it would have a negative impact.'
Source: PwC, 16th Annual Global CEO Survey, January 2013.

US CEOs recognize they'll have to work around a flock of new risks, from global debt burdens to social media scrutiny. Growth strategies should factor in how government policies could shock the economy—90% of US CEOs worry about uncertain or volatile economic growth, a greater share than their global peers. In their view, potential outcomes for 2013 are wide-ranging. On average, CEOs expect more than one major risk event to occur.

The future increasingly depends on unpredictable risks far beyond core operations—financial meltdowns or cyber breaches, to name two. Scenario testing offers one example of concrete measures some business leaders are taking to better understand where their companies' vulnerabilities lie.

Another comes from the modern, flexible supply chain—one area of operations that has been tested heavily in recent years. Companies are now working more closely with a range of supply chain partners to ensure they can quickly scale up or down in response to sudden changes in demand.¹

Agility requires thinking about the system, not just the enterprise. US CEOs are responding by engaging more broadly across sprawling networks. More than half

of US CEOs said their strategies are influenced by local communities, users of social media, industry competitors and peers, governments and regulators, as well as those closer to their operations. They also plan to strengthen engagement with a majority of their influential stakeholders.

These steps all add up to businesses building resilience to move forward and grow in an increasingly uncertain environment.

We need to find a way to create trust so that we can look beyond the next year. We need to create confidence and a partnership between government and business, so that CEOs worldwide and their leadership teams put that money into capital expenditures and people and building better opportunities for the future. Because buying back your shares is only a short-term solution. It does not solve the long-term growth that is necessary to have a high-performing stock.

—Larry Fink, Chairman and CEO, BlackRock, Inc.

¹ PwC, *10Minutes on supply chain flexibility*, 2013.

Tax

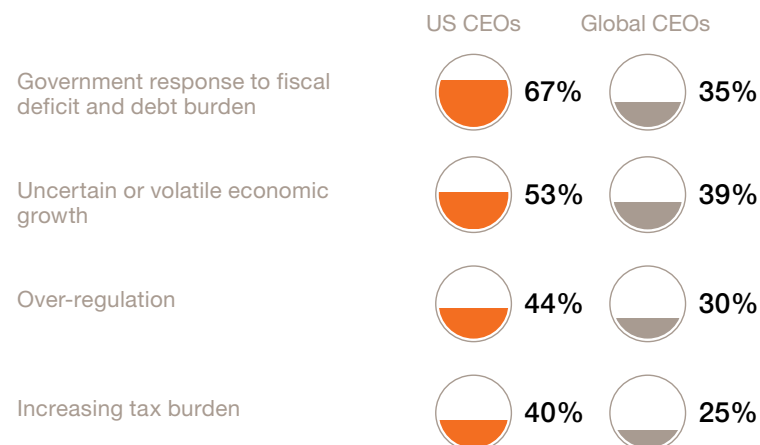
How can we forge ahead amid uncertainty about tax and regulations?

The global community of regulators—as well as the political classes—are keen on ensuring the stability of the financial system. And that implies a completely new order, a new set of rules to play by. In these cases, it's not uncommon to wind up in a situation of regulatory overreach.

—Piyush Gupta, CEO and Director, DBS Group, Singapore, 16th Annual Global CEO Survey

Fiscal policy, tax uncertainties weigh heavily on US CEOs

How concerned are you about the following potential business, economic and policy threats to your growth prospects?



Base: US: 167; Global: 1,330. Respondents who stated 'extremely concerned.' Source: PwC, 16th Annual Global CEO Survey, January 2013.

Tax issues top US CEO concerns, with almost three-quarters concerned (of which 40% are 'extremely' concerned) about how tax reform could potentially slow activity, turn profits into higher tax bills and make them less globally competitive.

Taxes are particularly thorny for global companies. And while much is changing—more countries continue to take steps to ease the tax compliance burden on business¹—few CEOs expect overall relief on global tax standards anytime soon. More than two-thirds of US CEOs said that governments are not succeeding in harmonizing global tax and regulatory frameworks.

Yet despite being much more concerned about taxes than their global counterparts, US CEOs are only marginally more likely to take a closer look at their approaches to tax planning and contribution (40% vs. 37% globally).

Keep an eye on tax policy in 2013. Reforms can drive up tax bills, but well-targeted changes can increase business confidence and open new opportunities.

¹ PwC, World Bank and IFC, *Paying taxes 2013*.

Operations

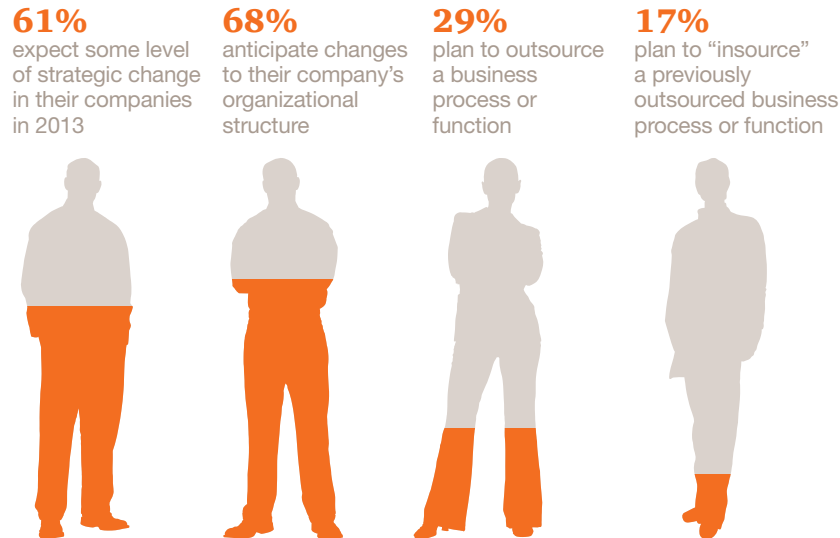
What are the most important transformations in operations that our company needs?

Given that the global economy and the global pace of life are getting faster in all aspects, one needs to become more agile and efficient about everything—including running a company. It's essential that you streamline operations and become leaner wherever you can, so as to be able to react more quickly to changing market conditions.

—Anders Nyrén, President and CEO, Industrivärden AB, 16th Annual Global CEO Survey

Fast pace of strategic change drives cost agenda for US CEOs

To what extent do you anticipate your company's strategy will change over the next 12 months? Any of the following areas over the next 12 months? Which, if any, restructuring activities do you plan to initiate in the coming 12 months?



Base: 167. Source: PwC, 16th Annual Global CEO Survey, January 2013.

US CEOs continue to keep costs in check. Last year, 81% implemented cost-cutting measures. In 2013, 71% are planning cuts.

In an environment of pricing pressure and slow demand growth, every element of direct and SG&A expense is getting a fresh look. Businesses are redoubling efforts to analyze—and scrutinize—dynamics on many fronts, including customer demand,

labor costs, technology, transportation and regulatory/tax regimes.

Yet CEOs are seeking more from operational leaders than holding the line on costs. They're also being asked to create value and contribute to growth. Forty-four percent of US CEOs are investing to increase their company's operational effectiveness.

I see more movement toward looking at population health management and the fact that we need to learn how to manage the chronic diseases in a population, which account for so much of the healthcare dollar.

—Joel Allison, President and CEO, Baylor Health Care System

Underlying every business model is an operating model that marshals assets, partners, technologies and systems to actually make things happen. Thus CEOs seek opportunities for competitive advantage in their operating models to offer customers more and to do so at a lower cost.

Such opportunities lie in core processes like product innovation, supply chain and service delivery; or in transforming corporate functions like procurement, tax and marketing. Leading companies take a global view, and some are seeing performance gains from setting up a global business services structure that integrates functions and focuses them on customer needs.¹

¹ PwC, *10Minutes on creating value from Global Business Services*, 2012.

Supply chain

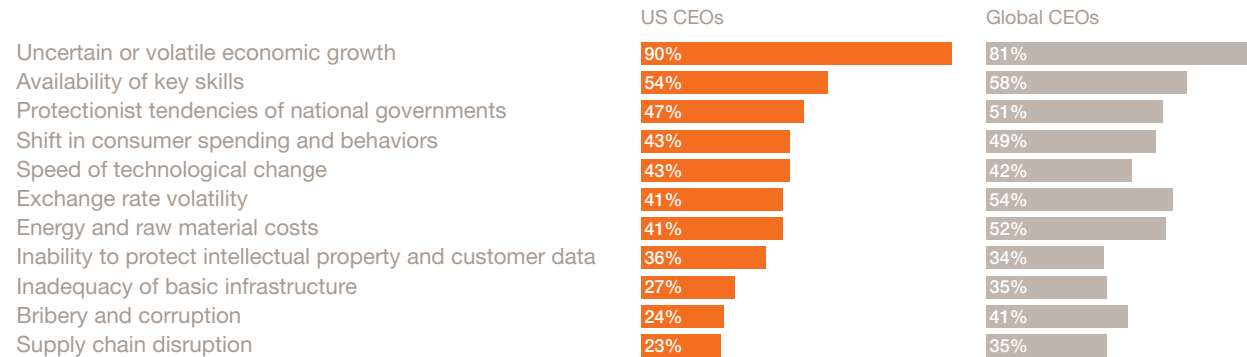
How can we shore up our supply chain so that it's better able to withstand disruptions?

Every crisis is also a learning experience and an opportunity to deepen your crisis management capabilities. But our operations are now scaled so broadly that we have to accept the fact that there are some events that just aren't predictable. A degree of fragility is part and parcel of the system.

—Peter Tortorici, CEO, GroupM Entertainment Global

CEOs to strengthen engagement with partners to fortify supply chains against array of risks

How concerned are you about the following potential business, economic and policy threats to your growth prospects?



Base: US: 167; Global: 1,330. CEOs who responded 'extremely' or 'somewhat' concerned, select answers shown. Source: PwC, 16th Annual Global CEO Survey, January 2013.

A recent host of factors, including market and demand volatility, the speed of process automation, transparency needs, and even disruptions due to natural disasters have led to questions about what strong supply chain performance looks like. Companies that run the supply chain as a strategic asset want their suppliers to be true partners in helping them cope with the ups and downs.¹

In the year ahead, more than half of US CEOs (53%) plan to strengthen engagement

¹ PwC, *Next-generation supply chains: Efficient, fast and tailored*, 2012.

with key suppliers to both minimize costs and maximize supply chain flexibility and delivery performance. Globally, industries most focused on supply chain engagement include industrial manufacturing (84%), consumer goods (80%), energy, oil and gas (79%) and technology (76%).

They'll have a full agenda. In many cases they'll be collaborating on delivery issues and requirements to tailor products to different consumer needs; 43% of US CEOs said 2013 will bring more shifts in consumer spending behaviors. Many US CEOs are concerned about energy and

raw material costs (41%). They'll be looking at how low-cost options for shale gas change sourcing options, in addition to other benefits of reshoring.²

A more sustainable supply chain is of interest, too. Reducing the company's environmental footprint—much of which falls along the supply chain—makes the radar (43%). But sustainability doesn't come without significant challenges: The use of low-cost and best-cost country sourcing can make it more difficult to control environmental and social risks.

² PwC, *10Minutes on US manufacturing resurgence*, 2012.

Talent

How will we foster the next generation of leaders in our company?

There is clearly a supply-demand issue when it comes to top-level talent globally. Given the demographics, the technology changes that we're seeing today, and the economic environment in which we're operating, the supply-demand issue is not going to go away overnight.

— L. Kevin Kelly, CEO, Heidrick & Struggles

Talent availability remains a significant concern for CEOs everywhere. In an age in which companies are increasingly differentiated by the talent they can deploy, this shouldn't come as a surprise.¹

More than half of US CEOs point to the availability of key skills as a potential threat to growth in 2013. With talent widely recognized as central to powering growth, more CEOs are taking action. In fact, nearly three-quarters of US CEOs expect to change their talent management strategies, with 18% prepared to make major changes in the coming year.

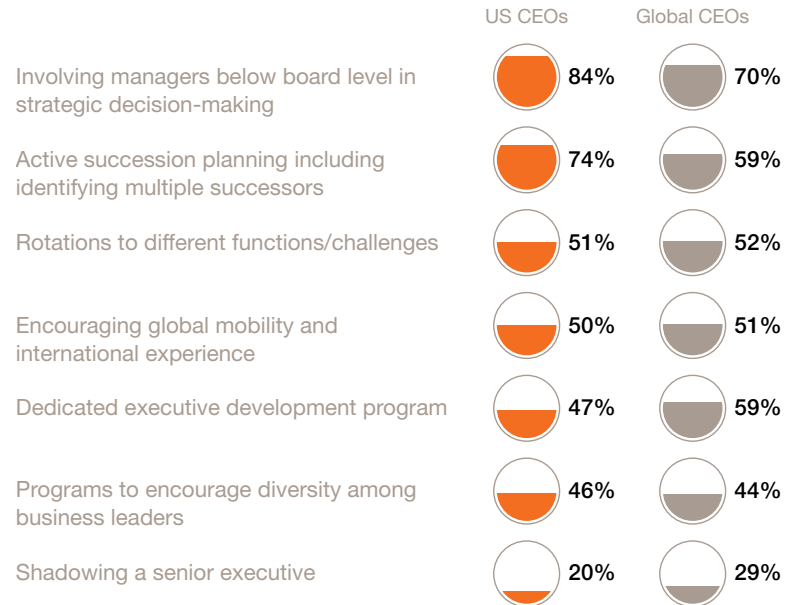
To do that, they are willing to commit resources, with 65% of US CEOs planning to invest in creating and fostering a skilled workforce in their home country. But they also don't expect to do it alone: 68% of US CEOs said building a skilled workforce should be a top government priority. They also believe there's considerable room for improvement, with only 3% saying that the government has been effective in doing so.

Where else will they focus when it comes to talent? For those who agree employees are important stakeholders, 80% plan to strengthen employee engagement programs. They also are focusing on

¹ PwC, *10Minutes on talent priorities*, 2012.

CEOs identify the most effective strategies for managing the leadership pipeline

How effective are the following options at developing your leadership pipeline?



Base: US: 167; Global: 1,330. Respondents who stated 'very effective' or 'somewhat effective.'
Source: PwC, *16th Annual Global CEO Survey*, January 2013.

developing their leadership pipelines, including active succession planning (89%) and programs to encourage diversity among business leaders (64%). They say that the most effective of these strategies include involving managers in strategic decision-making and active succession planning.

Customer focus

How can we more effectively put our customers at the center of our growth initiatives?

Some of the key elements in IFF's success model are based around customer intimacy and consumer insights. It all starts with the consumer—a rich and robust understanding of what they want, where they're going, but, most importantly, what they want in the future.

—Douglas D. Tough, Chairman and CEO, International Flavors and Fragrances, Inc.

CEOs are rallying their organizations around the “customer” in 2013. It is the clearest refrain from this year's survey. This is a top three investment priority for CEOs (63%); expanding their customer base is where more US CEOs believe their main opportunities lie.

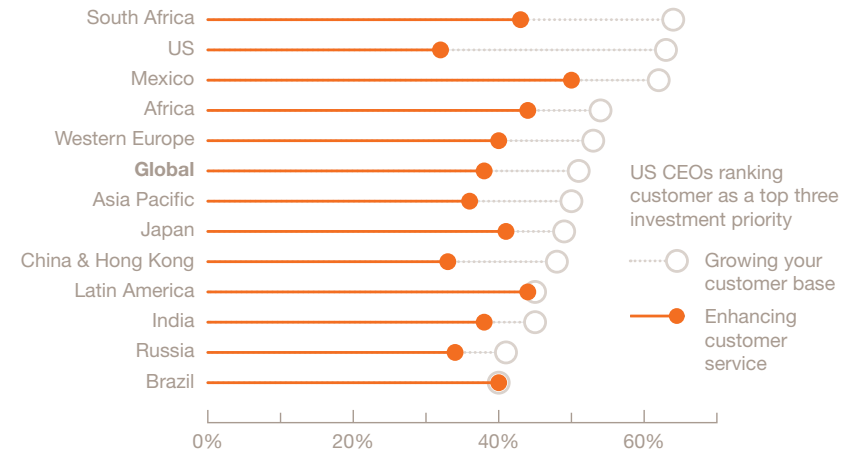
What's different this time? A lot—and US CEOs are signaling they'll invest time and money to catch up. Nearly half of US CEOs worry that shifts in consumer spending and behaviors threaten their companies' growth prospects. But this isn't just about retailers and the intense online competition they face. It's never been easier for a customer to walk away from an established company relationship, regardless of the industry. Consider that orders for many US contract manufacturers go global from day one. In the power & utilities industry, which until recently had a virtually captive customer base, 80% of senior executives acknowledge that shortcomings in customer engagement could limit the potential impact of smart grid technology.¹

Thus ‘getting closer to the customer’ is escalating into putting the customer at the heart of the company. Ninety percent of US respondents said they are

¹ PwC, *The shape of power to come*, 2012.

CEOs show disparity in customer-centered investment priorities

What are your top three investment priorities over the next 12 months?



Bases: Western Europe: 312; Asia Pacific: 449; Japan: 162; China & Hong Kong: 132; India: 73; US: 167; Latin America: 165; Brazil: 45; Mexico: 110; Russia: 41; Africa: 48; South Africa: 56.
Source: PwC, *16th Annual Global CEO Survey*, January 2013.

strengthening their customer and client engagement programs.

In the CEO's corner are evolving technology tools, such as predictive analysis, that open the door to a deeper understanding of their customers' behaviors and help to measure success.² Collaboration initiatives provide another example: Leading companies

configure their supply chains for specific customer segments, adopting collaborative planning with customers and suppliers.

Companies with the strongest customer-centered DNA have CEOs who double as the chief customer officer, in spirit if not in title.

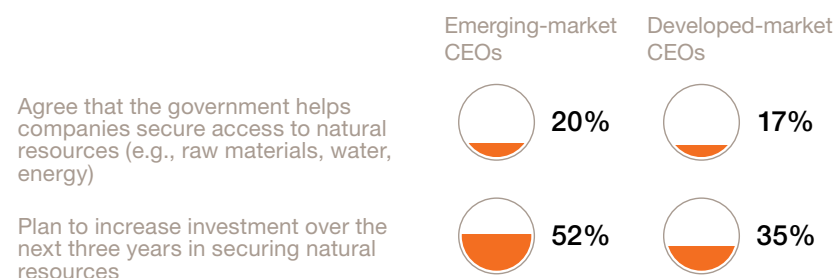
² PwC, “The third wave of customer analytics,” *Technology Forecast: Reshaping the workforce with the new analytics*, 2012.

Sustainability

What more can we do to prepare for global constraints on critical natural resources?

CEOs investing more to secure natural resources

How strongly do you agree or disagree that the government helps companies secure access to natural resources (e.g., raw materials, water and energy)? How much does your company plan to increase its investment over the next three years to secure natural resources that are critical to business in the country in which you are based?



Base: Emerging-market CEOs: 671; Developed-market CEOs: 659. Respondents who stated 'Agree' or 'Agree strongly' and who stated 'small' increase, 'some' increase or a 'significant' increase.
Source: PwC, 16th Annual Global CEO Survey, January 2013.

Energy is on the radar for US CEOs, with 41% of US CEOs and 52% of global CEOs concerned about rising energy costs as a threat to growth prospects.

Global energy demand is set to grow more than one-third between now and 2035.¹ Environmentally, that's unsustainable. On this path, not only will greenhouse gas emissions soar, but energy will become thirstier. Water needed for energy

production is set to grow at twice the rate of energy demand, due to more diversity in the energy supply.² Add a trend toward greater interactions between fuels, markets and prices, and the result is little immunity from global energy market fluctuations.³

Thus CEOs are intent on securing natural resources now, including energy, water and raw materials. Over the next three years, 35% of developed-market CEOs plan to

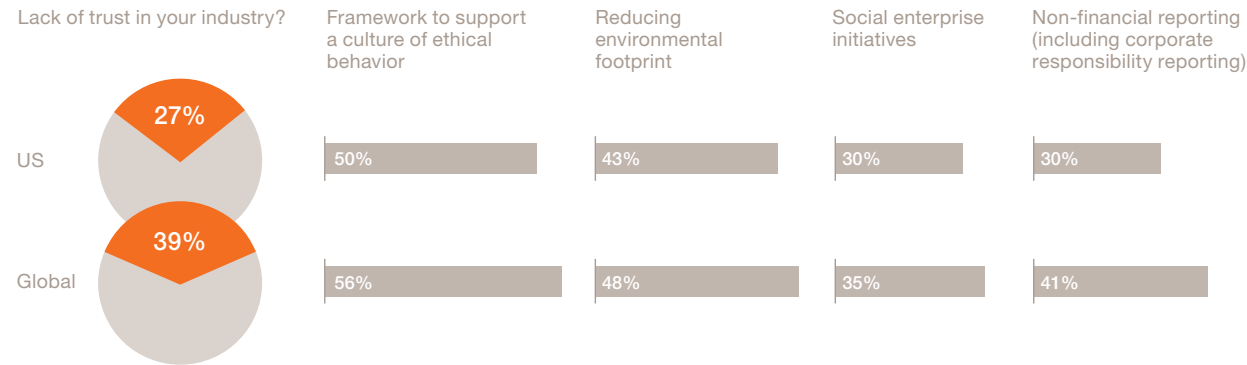
¹ World Energy Outlook 2012, ©OECD/IEA, November 2012.

² Ibid.

³ Ibid.

Environmental and social issues get more CEO attention

How concerned are you about lack of trust in your industry as a threat to your growth prospects? To what extent does your organization plan to focus on the following priorities over the next 12 months?



Base: US: 167; Global: 1,330. Respondents who stated 'extremely' or 'somewhat concerned' and 'increase our focus somewhat' or 'increase our focus significantly.'
Source: PwC, 16th Annual Global CEO Survey, January 2013.

increase investment in securing natural resources, and 52% of emerging-market CEOs said the same.

Beyond securing what they'll need, CEOs will make energy efficiency and water conservation measures pay off in both cost and reputation; 43% of US CEOs plan to increase efforts to reduce their companies' environmental impacts.

Other stakeholders—including employees, local communities, governments and supply chain partners—are important, too. Half of US CEOs plan to increase their companies' focus on a framework to support a culture of ethical behavior. Nearly one-third plan to increase their focus on non-financial reporting, giving stakeholders a better view of the company's worth and the value it contributes to society.

Sustainability is important to our customers, and increasingly it's become very important to our employees who want to see the company as a highly responsible, sustainable organization. Beyond that, it's just good business. The triple bottom line of environmental and consumer safety and profitability all come together, and reduced waste generates savings for the company.

—Douglas D. Tough, Chairman and CEO, International Flavors & Fragrances, Inc.

Social media

Do we really *like* social media?

Increasingly sophisticated investors, regulators and customers reward greater transparency. On the other hand, new disclosure rules and viral reaction cycles punish frank talk. What's a CEO to do?

Opting out of social media is no longer a viable option. Customers, competitors and employees are all participants in a global

flow of information about a company's brand and industry. And 69% of US adult online users are connected to at least one social media platform.¹ Word-of-mouth marketing has turned into instantaneous reviews by customers—56% of consumers say they are more likely to recommend a

¹ *Social Networking*, Pew Internet Project, 2012.

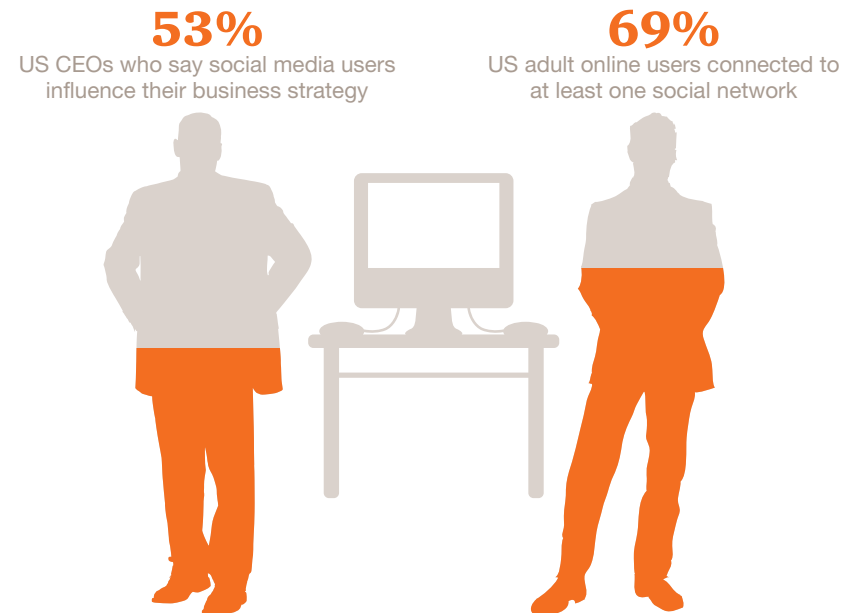
brand after “liking” it on Facebook.² One in three social media users say they prefer to use the platform over the phone for customer service.³

Thus many businesses today are experimenting with social media, taking steps like embedding digital tools and methods into workflow. The more advanced are social by design, not by reflex. They are converging customer, sales and social data to empower the sales process, using measurement and analytics to improve predictability. The fully engaged are seeing results in increased revenue and loyalty.

CEOs recognize the power of their online dialogues; 53% of US CEOs said social media users influence their business strategy. The viral nature of social media puts company behavior—internal and external—potentially on display. The heightened reputational risk is not lost on business leaders: 50% of US CEOs said they're increasing their focus on supporting a culture of ethical behavior.

US CEOs catching up to rise of social media

To what extent do users of social media influence your business strategy?



People are communicating differently today, and I think it's important to stay in touch with the frontlines.

—Steve Smith, CEO and President, Equinix, Inc.

Base: 167. Sources: PwC, *16th Annual Global CEO Survey*, 2013; Pew Internet Project, *Social Networking*, November 2012.

² *10 Quick Facts You Should Know About Consumer Behavior on Facebook*, Constant Contact and Chadwick Martin Bailey, 2011.

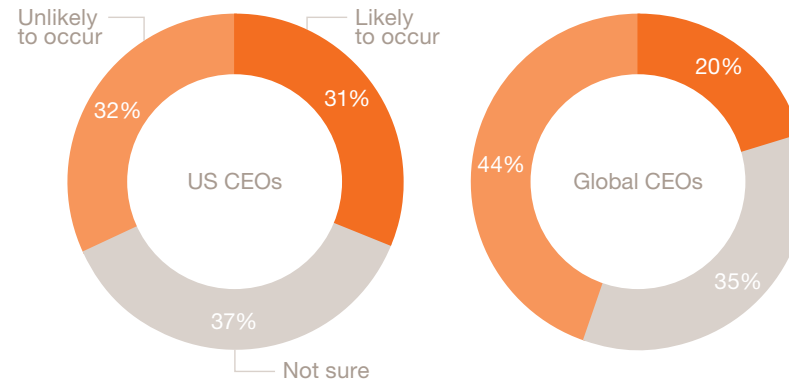
³ *State of the Media: The Social Media Report*, Nielsen, 2012.

Cybersecurity

How do we get to a place where cyberattacks are less of a threat to our network?

US CEOs anticipating cyberattacks more than global counterparts

How likely is a cyberattack or major disruption of the Internet?



Base: US: 167; Global: 1,330. Source: PwC, 16th Annual Global CEO Survey, 2013.

With intellectual property, trade secrets, financial information and even national security at risk, CEOs and boards are paying more attention to what once was considered an IT issue. Cyberattacks are now a routine part of doing business; among US CEOs, 31% believe a cyberattack or major Internet disruption is likely to occur.

Company leaders are acknowledging that as we've become more reliant on information assets, cyberthreats are an intrinsic part of the digital business ecosystem. And many are also realizing that cybersecurity underpins everything they do—product

and service development, mergers and acquisitions, and operations. Companies that are adopting this new mindset have identified their most crucial information assets and prioritized how they will protect them. They're considering cybersecurity at the outset of business initiatives. They're also evaluating responsibility and accountability, with many installing an executive role or council charged with all aspects of cybersecurity.

They do recognize the potential damage a security breach could inflict, both financial and reputational; 68% of US CEOs said

that a cyberattack would have a negative impact on their businesses. CEOs of global industries that deal in regulated data are most concerned about the negative impact of cyberattacks, such as banking (77%), power & utilities (73%), healthcare (71%) and communications (71%).

Some CEOs are beginning to view cybersecurity as an integral part of their business strategy—one that can even bring advantage. Some 10% of US CEOs said a cyberattack could present an opportunity—not a threat—for their businesses. Only 4% of global CEOs felt the same way.

About the 2013 US CEO Survey

PwC conducted 167 interviews with US-based CEOs as a part of the *16th Annual PwC Global CEO Survey*. In all, PwC conducted a total of 1,330 interviews with CEOs in 68 countries between 5 September and 4 December 2012. The interviews were spread across a range of industries, with further details by region and industry available on request.

The majority of interviews were conducted by telephone, with some country exceptions: Interviews were conducted face-to-face in Africa and the Philippines; postal surveys were used in Japan and Korea; and online surveys were completed in Australia, Iceland and Singapore. The US and Greece also used a mixed approach of telephone and online. In addition, members of our global CEO panel were invited to take part online, with 230 CEOs providing their views. All interviews were conducted in confidence and on an unattributable basis. In all, PwC conducted in-depth interviews with 33 CEOs from five continents over the fourth quarter of 2012. The Global CEO Survey can be found at <http://www.pwc.com/ceosurvey>.

For this report, PwC also conducted in-depth interviews with nine US-based CEOs. Their interviews are quoted in this report, and more extensive extracts can be found on our website at <http://www.pwc.com/usceosurvey>.

Note: Not all figures add up to 100%, due to rounding of percentages and to the exclusion of 'neither/nor' and 'don't know' responses.

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