20th CEO Survey

US business leadership in the world in 2017

The US supplement to PwC's annual Global CEO Survey

January 2017

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The world in 2017

- US CEO confidence lifts, policy relief expected
- World CEOs look to US economy for growth signals
- But competitive threats are on the rise

Globally

1,379 CEOs

US

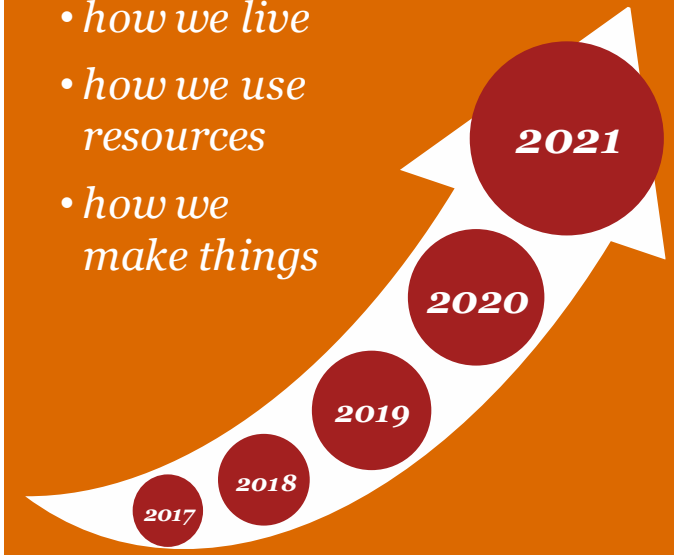
114 CEOs

The US CEOs' transformation agenda

- Better engagement with policymakers
- Build the new workforce
- Get the man+machine equation right
- Stay on top of new threats

Five years from now, CEOs see big changes in

- *how we live*
- *how we use resources*
- *how we make things*



PwC | US business leadership in the world in 2017

US CEO confidence lifts, on hopes for improved economic momentum and potential tax relief

US CEOs perceive slightly brighter prospects for 2017

Source: 2017 PwC Global CEO Survey–US supplement for CEO confidence levels; Bureau of Economic Analysis for real GDP growth, 2009 to 2015; IHS estimate/forecast for 2016 and 2017 real GDP growth
Q: How confident are you about your company's prospects for revenue growth over the next 12 months?
Base: 114 US respondents
* Estimate, ** Forecast

Trump election lifts hope for tax policy relief but adds to trade uncertainty

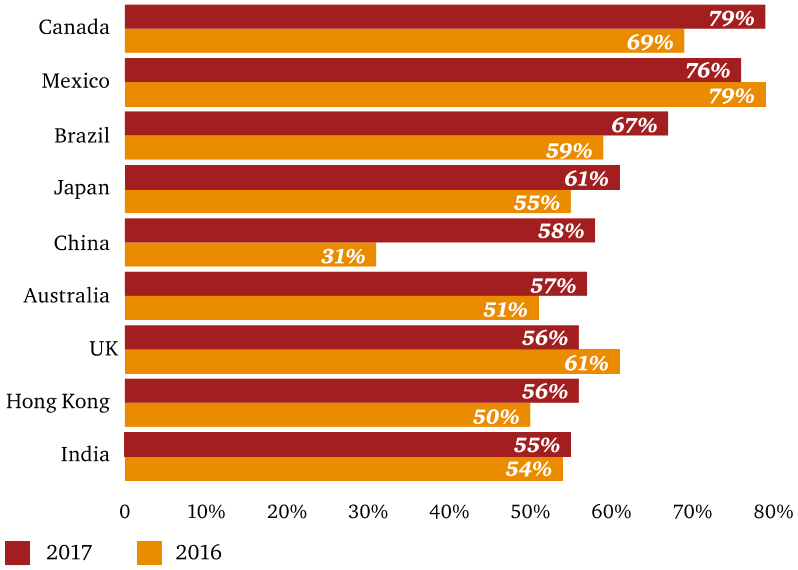
% US CEOs who said…	Pre-election	Post-US election	Total US sample
"Very confident" in revenue growth prospects over the next three years	**51%**	**68%**	**56%**
"Extremely concerned" about an increasing tax burden	**45%**	**32%**	**41%**
"Extremely concerned" about protectionism	**23%**	**38%**	**27%**

Source: 2017 PwC Global CEO Survey–US supplement
Q: How confident are you about your company's prospects for revenue growth over the next three years?
Q: How concerned are you, if at all, about these business, economic, policy, social, and environmental threats to your organisation's growth prospects?
Base: 114 US respondents (80 pre-election; 34 post-election)

US, the fastest growing developed (G7) economy, is considered most important to growth prospects by 43% of CEOs outside the US

US is becoming even more important to businesses around the world

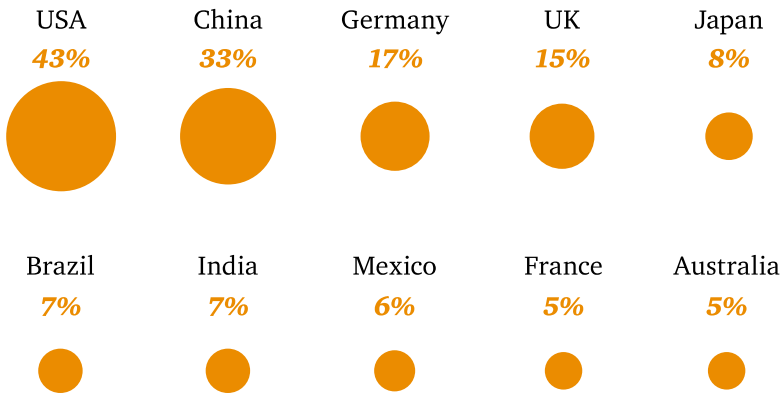
Percentage of CEOs who say the US is among the top three markets most important to growth prospects in the next 12 months



Source: 2017 PwC Global CEO Survey–US supplement
Q: Which three countries, excluding the country in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months?
Base: 1,379 CEOs globally (2017); 1,409 (2016)

For third year in a row, US tops the list of most important markets for growth prospects

Percentage of CEOs who say that a country is among the top three markets most important to growth prospects in the next 12 months (by CEOs not based in these countries)



Source: 2017 PwC Global CEO Survey – US supplement
Q: Which three countries, excluding the country in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months?
Base: 1,379 CEOs globally

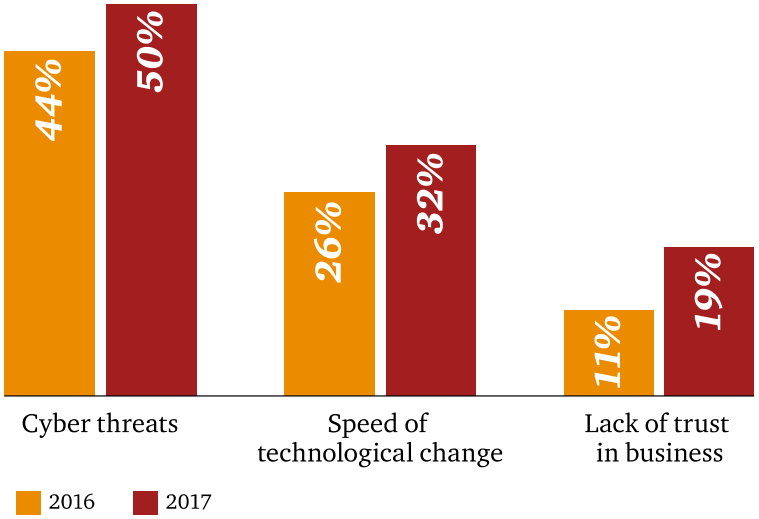
How did US CEOs view 23 different economic, policy, social, environmental and business threats to their organization's growth prospects in the next 12 months?

Click for more details.

In this time of change, US CEOs see competitive threats rising

Business threats related to technology-triggered transformations have intensified...

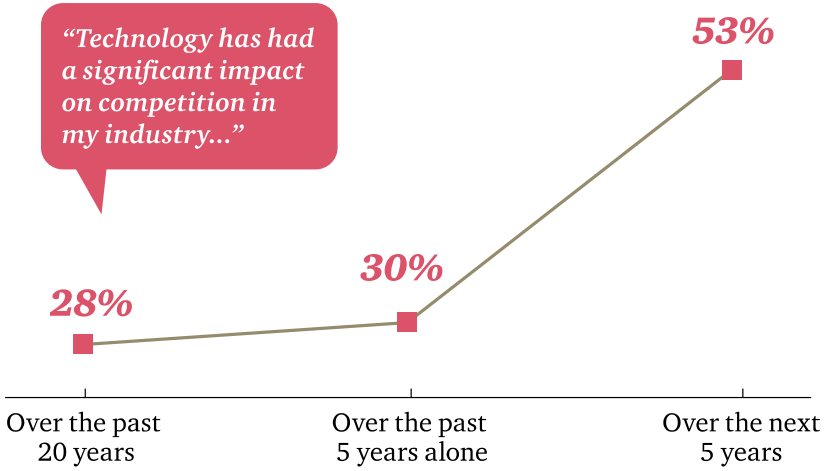
Percentage of US CEOs 'extremely concerned'



Source: 2017 PwC Global CEO Survey-US supplement.
Q: How concerned are you, if at all, about these business, economic, policy, social, and environmental threats to your organisation's growth prospects?
Base: 114 US respondents

..and US CEOs expect technology will change the nature of competition significantly in coming years

Percentage of US CEOs



Source: 2017 PwC Global CEO Survey-US supplement.
Q: To what extent has technology changed competition in your industry over the past (a) 20 years and (b) five years alone? To what extent do you think technology will change competition in your industry over the next five years?
Base: 114 US respondents

Changes in how we live, how we use resources, and how we make things will scale up in coming years

"AI and robotics will have a significant change on both design and manufacturing over the next 20 years. It may even impact software development. If the electric industry takes off, this could have a radical effect on the transportation, basic infrastructure and energy industries."

"New technologies enabling precision medicine (molecular level diagnostics and imaging individualized and combined with individualized treatments), data mining capability of healthcare delivery systems will enable providers to reduce redundant and ineffective, dangerous medical interventions and reduce waste. As a result med tech. companies and pharmaceutical companies, providers will profit less from ineffective interventions. Payment systems will change fundamentally away from fee for service to payment for outcomes."

"Automation will fundamentally disrupt labor supply in fundamental ways. That in turn will give rise to a raft of new social and political problems governments will have to deal with."

"There will be massive cyber threats which will lead to two digital worlds: one which is hardened and closed, and one which is open but vulnerable."

"It is changing so fast that business cycles have accelerated to the point that it is difficult to do long term planning particularly where the competition is government owned or subsidized."

"Severe dislocation of high wage, low skill jobs that are easy to replace through machine learning/AI, or robotics/ autonomous equipment"

"The traditional workplace will be completely redundant in the next 20 years. People will demand a Life/work balance rather than the other way around and working from their preferred location will become the norm. Virtual/3D meeting/avatars etc. will be used to represent individuals more readily."

Source: 2017 PwC Global CEO Survey-US supplement

Selected verbatim responses of US CEOs to the question:
Thinking about the next 20 years, what specific aspect of today's world do you expect might be fixed, disrupted or replaced by new technology?

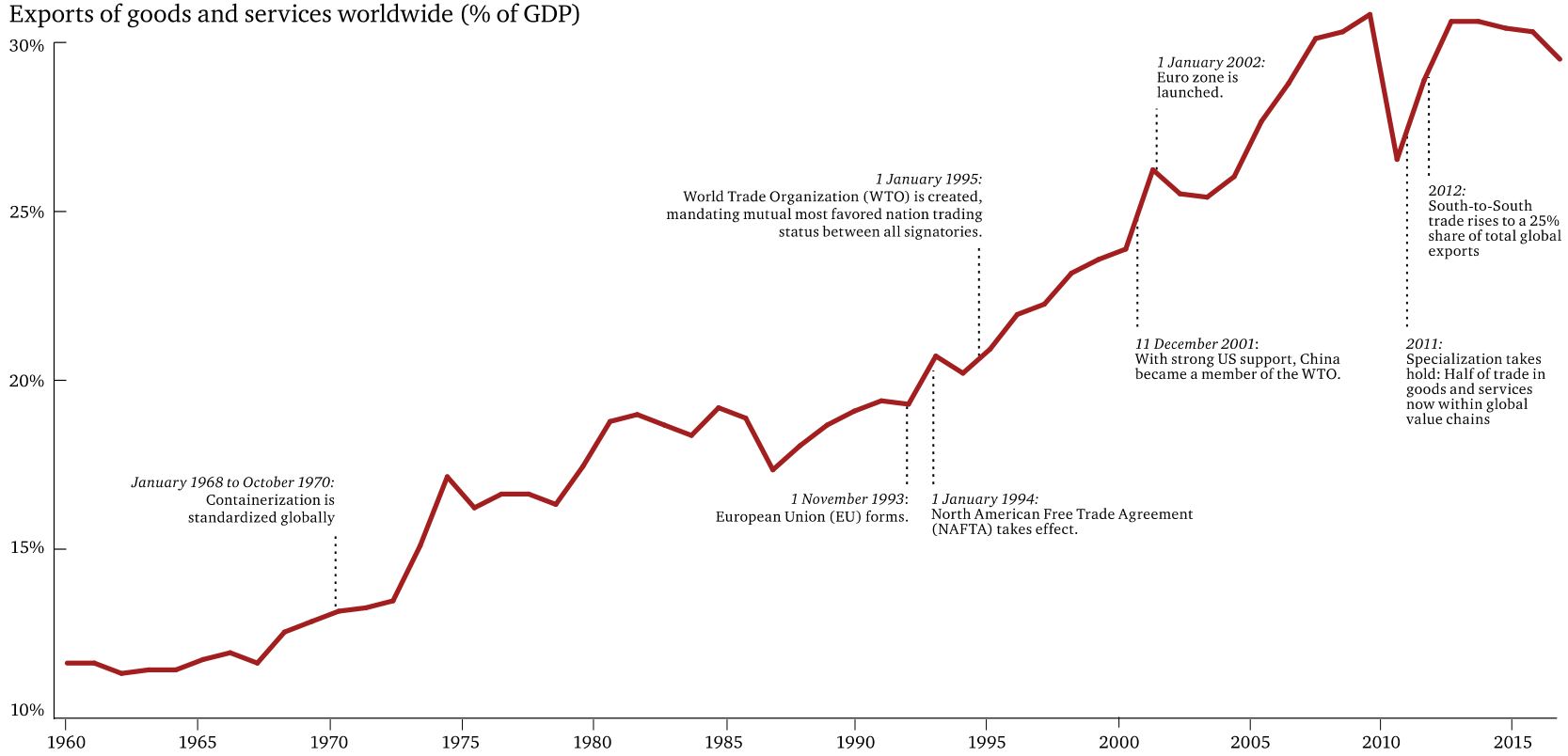
To what extent did globalization facilitate movements of capital and people across borders?

Click for more details.

The US started the clock on the latest round of globalization and US voters just called time

Rapid rise in world trade as barriers fell...

Exports of goods and services worldwide (% of GDP)



Source: World Bank national accounts data, and OECD National Accounts data, http://data.worldbank.org/, accessed January 5, 2016, WTO trade statistics.

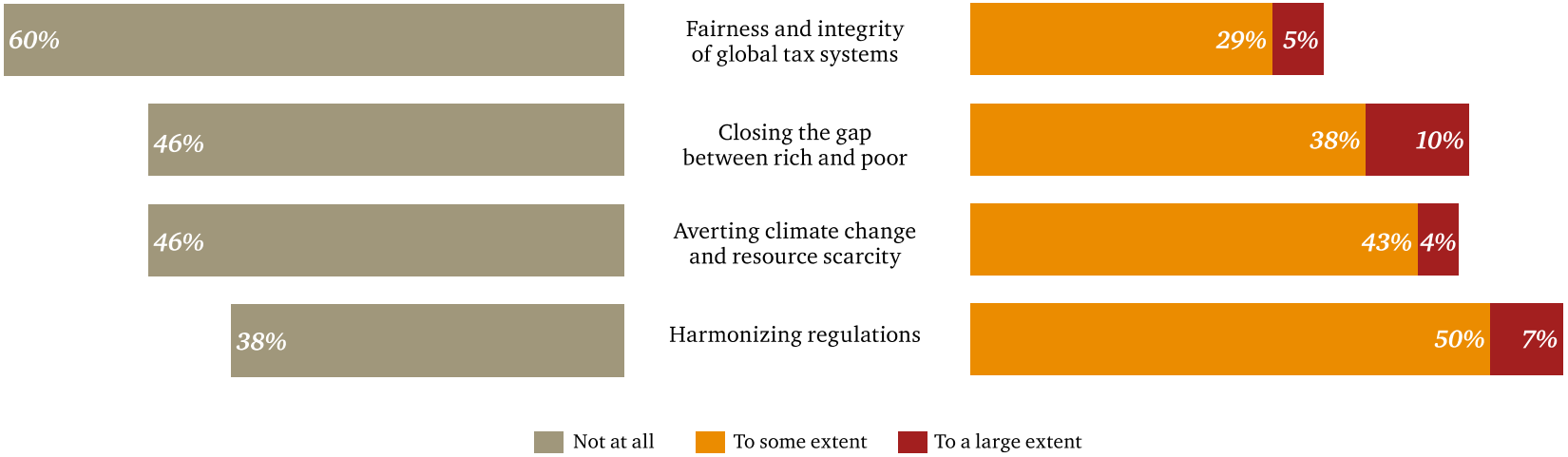
How did US CEOs view the effect of globalization, compared to all the CEO respondents?

Click for more details.

Barriers fell, but some problems persist

...but US CEOs are deeply disappointed in these four areas

Percentage of US CEOs indicating the extent by which globalization has helped



Source: 2017 PwC Global CEO Survey–US supplement
Q: In your view, to what extent has globalisation helped with …?
Base: 114 respondents

A new kind of relationship between business and government is needed

66% *of US CEOs agree that it is becoming harder for CEOs to compete in the global marketplace with trend toward more national policies*

"Trade and business associations **need to get policymakers to understand the speed of change** and how regulating yesterday's problems ends up reducing competition by favoring established, large scale providers and also reduces growth. There is still a clear need for government oversight in a number of areas but **policymakers need to have a much better understanding of the cost/benefit equation**. Furthermore, there should be an effort to prune out old, no longer applicable rules and regulations and a move towards automatic sunset provisions on all new rules."

"Help to better **articulate the great benefits of globalization** in a simple and non-complex way"

"It would be more helpful if there were **business people included as part of government** (i.e. cabinet-level participation). I also believe that there must be a more diligent analysis of costs and benefits of new regulation."

"On a basic level, government and business need to operate **as if they are on the same team rather than adversaries**. Businesses can recognize and act on larger stakeholder needs that can be addressed by business and government can recognize this role and create policies that encourage business to take larger stakeholder needs into account."

"...government and business can work well together to **provide opportunities for workers displaced by globalization**. While the overall trends of globalization raise more people than they lower, specific industries and geographies will be negatively impacted by the competitive and technological movements enabled by globalization. Those impacts need to be moderated with retraining and other initiatives in much larger and better designed way than has been the case to date."

Source: 2017 PwC Global CEO Survey-US supplement

Selected verbatim responses of US CEOs to the question:
How do you think your business can work with governments and other policymakers to drive systemic change in these areas?

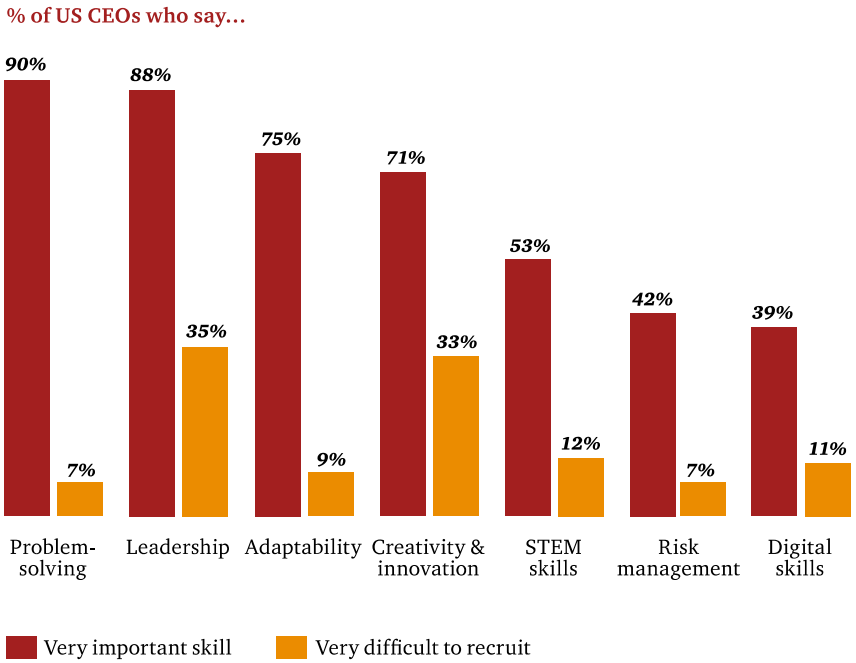
Setting today's workers up for tomorrow's world

US CEOs are ahead in using digital training in learning programs and using technology to improve employees' well-being, and on pace on the rest of strategies

% of CEOs who say they agree with the following statements about their	Global	US	
We promote talent diversity and inclusiveness	87%	94%	Table stakes in the US
We've changed our people strategy to reflect the skills and employment structures we need for the future	78%	83%	
We have added digital training to our learning programs	65%	81%	
We use technology to improve our people's wellbeing	63%	80%	
We seek out the best talent regardless of demographics or geography	74%	75%	Emergent mainstream strategies
We move talent to where we need it	76%	73%	
We're rethinking our HR function	60%	60%	
We use data analytics to find, develop and keep people	50%	57%	
We're exploring the benefits of humans and machines working together	52%	47%	New areas of differentiation
We're considering the impact of artificial intelligence on future skills needs	39%	34%	
We rely more on contractors, freelancers and outsourcing	28%	26%	

Source: 2017 PwC Global CEO Survey–US supplement
Q: To what extent do you agree or disagree with the following statements about your organisation's talent activities?
Base: Global 1,379 respondents; 114 US respondents

Skills that CEOs want for the changing economy can't be replicated by machines and are hard to fill



Source: 2017 PwC Global CEO Survey–US supplement
Q: In addition to technical business expertise, how important are the following skills to your organization?
Q: How difficult, if at all, is it for your organization to recruit people with these skills or characteristics?
Base: 114 US respondents

One area of hyper growth: the job market for people with data science and analytics

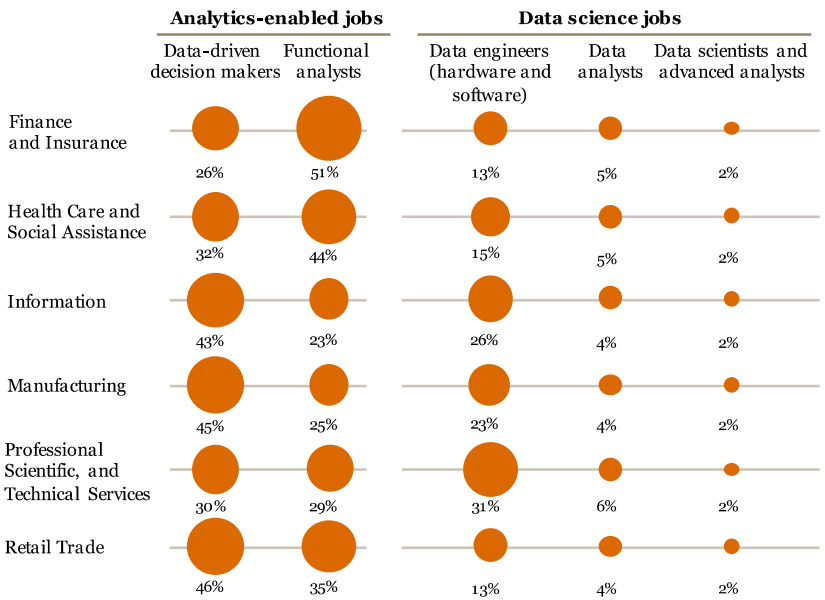
Open jobs asking for analytics skills in 2015

2.3M

Total population with analytics skills in 2018

2.9M

Businesses can recruit from their own employee ranks for analytics-enabled jobs, while looking for newly minted data scientists



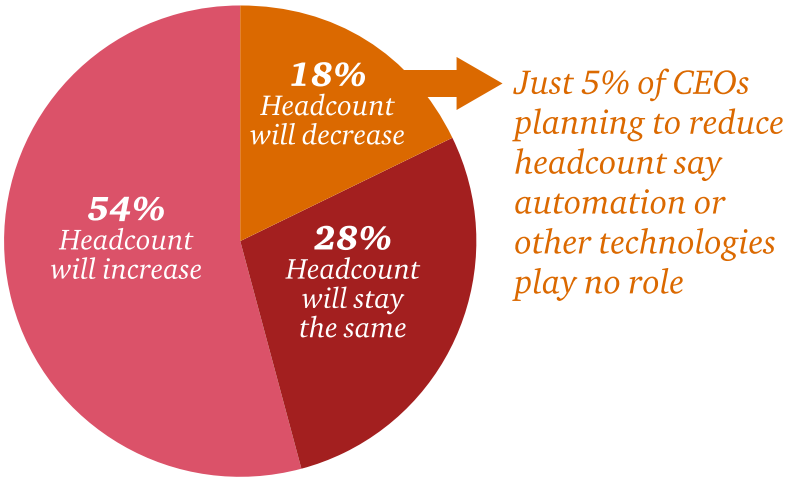
Sources: Burning Glass Technologies' analysis of 26.9 million US job postings in 2015; McKinsey Global Institute, Big data: The next frontier for innovation, competition, and productivity (June 2011).

Notes: Job category of analytics manages not shown. Totals may not equal 100%.
Source: PwC analysis based on Burning Glass data, February 2017.

More automation of activities, lower costs

Most US CEOs plan to add or hold to headcount in 2017, but technologies like automation are a factor where headcount will decline

Percentage of US CEOs adding, holding, or decreasing headcount



Source: 2017 PwC Global CEO Survey–US supplement
Q: To what extent will the decrease in headcount be the result of automation and other technologies?
Base: Global 1,379 respondents; 114 US respondents

The power of automation quantified

PwC estimates that manual, time-consuming, rules-based office tasks can be done more efficiently by robotic process automation, a software tool, thereby reducing cycle time and at lower costs than other automation solutions.

45%
of work activities can be automated

$2trillion
savings in global workforce costs

Based on PwC estimates

Source: PwC, Organize your future with robotic process automation, https://www.pwc.com/us/en/outsourcing-shared-services-centers/assets/robotics-process-automation.pdf, 2016.

Connectivity tests trust

US CEOs say these factors could negatively affect stakeholder trust in their industry to a large extent

50%
Breaches of data privacy and ethics

49%
Cybersecurity breaches affecting business information and critical systems

27%
IT outages and disruptions

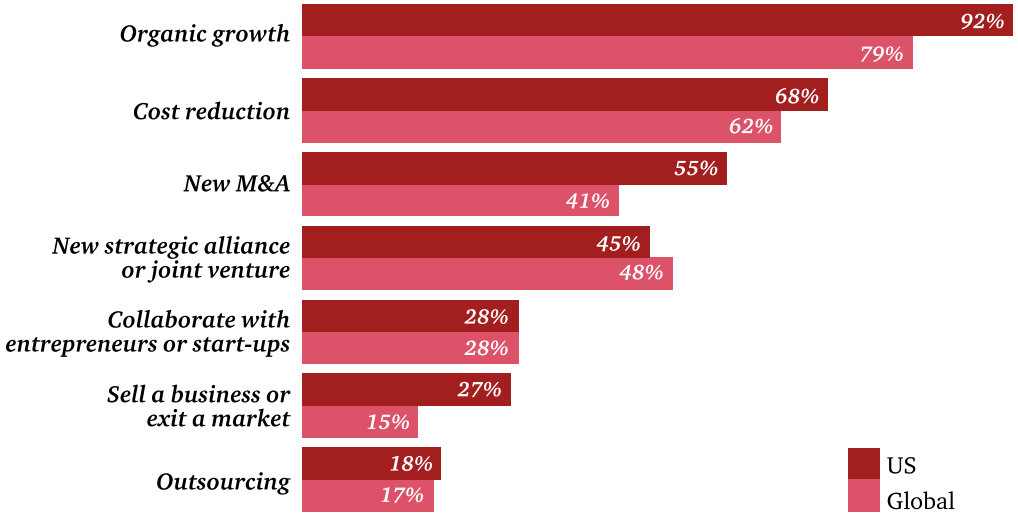
78%
of US CEOS agree that it's harder for business to gain and keep trust

Source: 2017 PwC Global CEO Survey–US supplement
Q: In the context of an increasingly digitised world, to what extent do you agree that it's harder for business to gain and keep trust?
Q: To what extent do you think the following areas will impact negatively on stakeholder trust levels in your industry in the next five years?
Base: US respondents 114

How to grow and be profitable at a time of great change? Coordinate these activities in an integrated way.

US CEOs are more likely to plan organic growth, new M&A, and divestitures/exits to drive corporate growth or profitability

Percentage of CEOs who are planning these activities in the next 12 months



Source: 2017 PwC Global CEO Survey–US supplement
Q: Which of the following activities, if any, are you planning in the coming twelve months in order to drive corporate growth or profitability?
Base: Global 1,379 respondents; 114 US respondents

The secret to unlocking growth through cost reduction is to make deliberate choices not only about what we cut, but also about where to invest. We call it the Fit for Growth playbook.

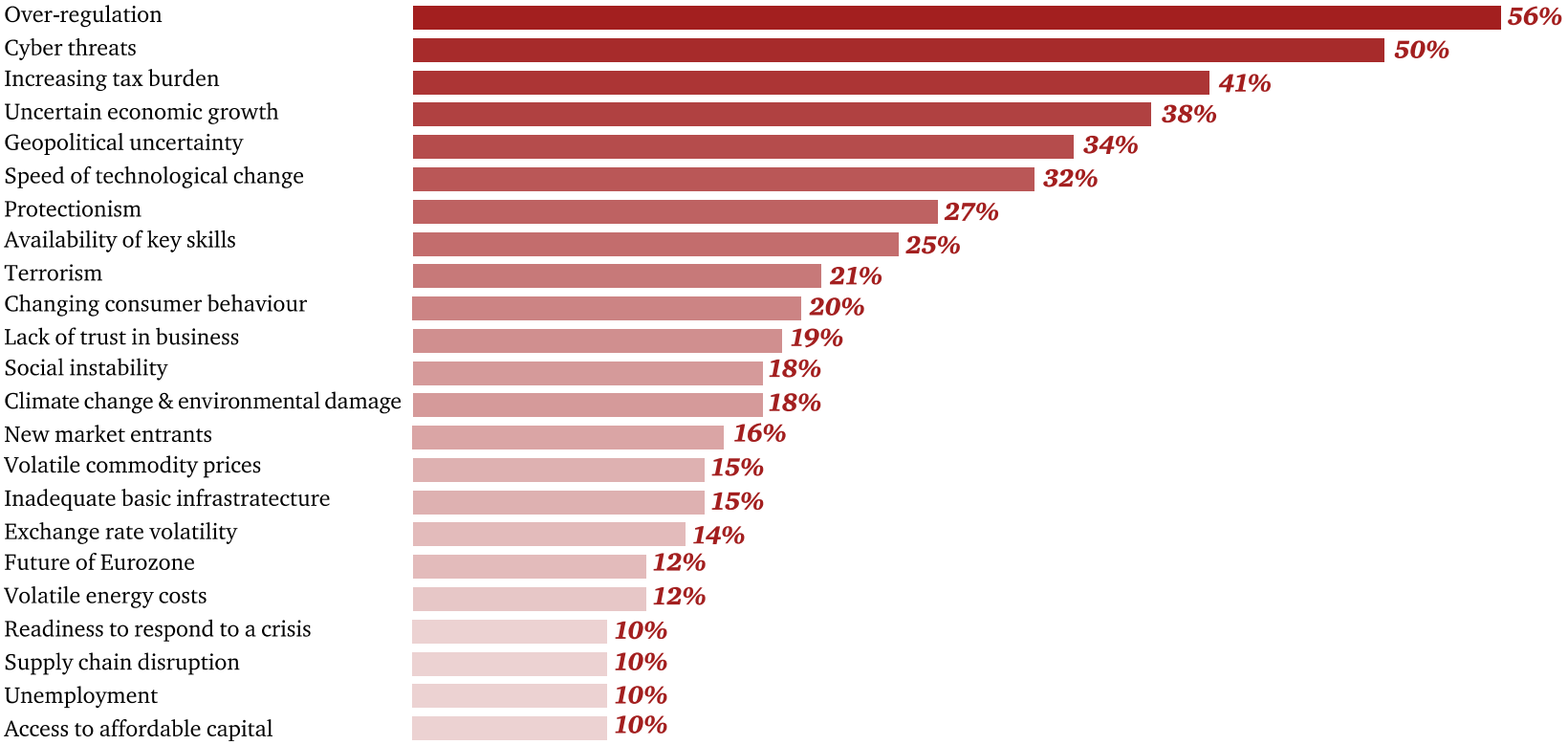
Any company with an effective growth strategy is always in some stage of M&A preparation or action, is always assessing and executing alliances, and is always innovating and expanding its existing operations. But few companies consciously use them in ways that consistently reinforce and build on each other's impact.

Appendix

Back

US CEOs' biggest worries? Regulation, cyber threats, and taxes

Percentage of US CEOs who are extremely concerned about these threats

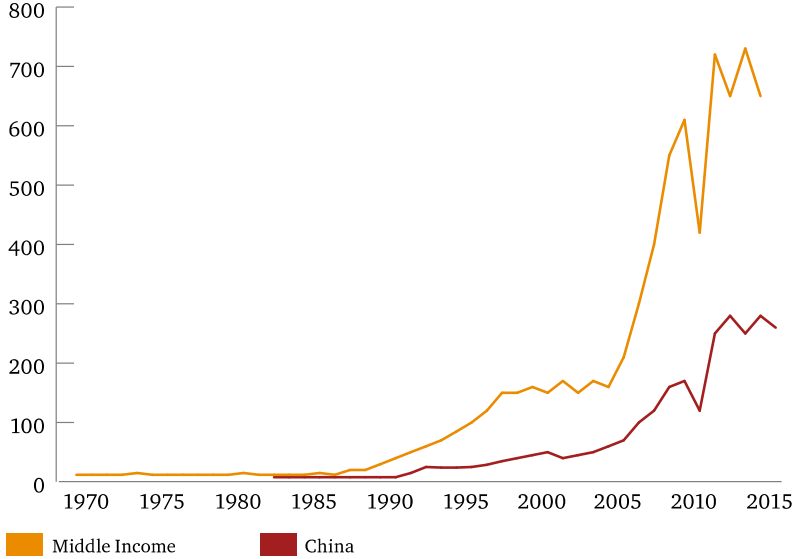


Source: 2017 Global CEO Survey-US supplement
Q: How concerned are you, if at all, about these business, economic, policy, social, and environmental threats to your organisation's growth prospects?
Base: Global 1,379 respondents; 114 US respondents

Goods, capital, and people flowing across borders have led to growth, but calls for a pause in globalization are louder than ever

Foreign direct investment inflows into opening markets exploded since 2000

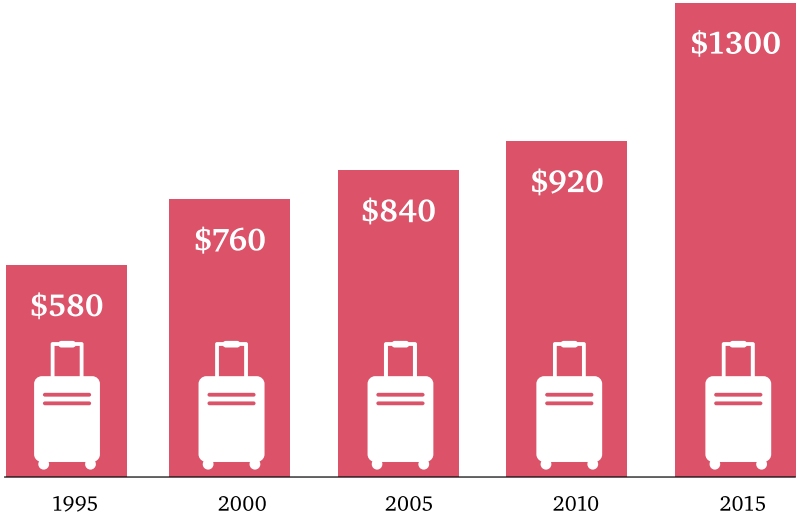
Foreign direct investment, net inflows (balance of payments, current US$billions)



Source: International Monetary Fund, Balance of Payments database, supplemented by data from the United National Conference on Trade and Development and official national sources, http://data.worldbank.org/, accessed January 5, 2017.

International travel and tourism spending climbed as more countries opened up in the past two decades

Spending on all trips outside the country of residence, in US$billions

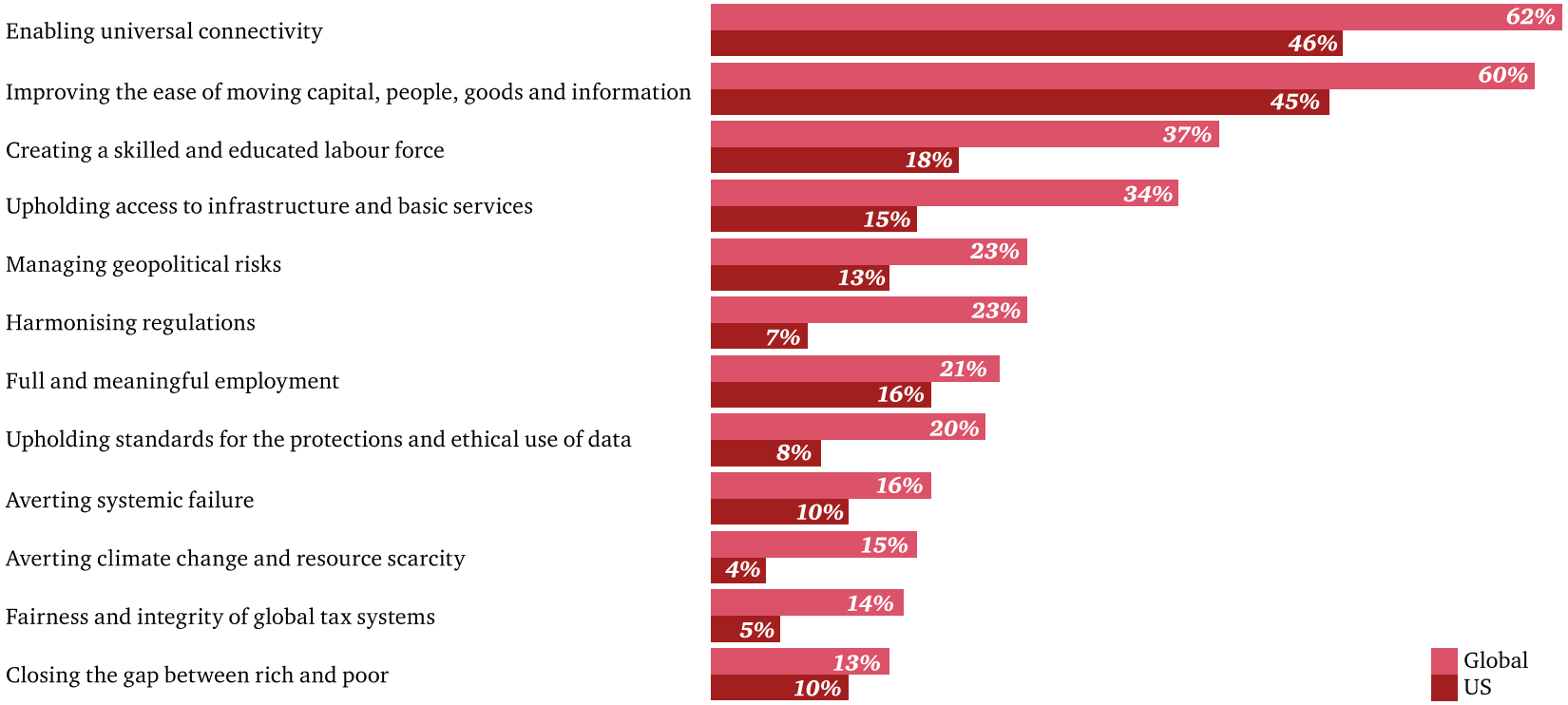


Source: World Trade and Tourism Council, https://tool.wttc.org/, accessed January 6, 2017.

Back

Disappointment with globalization has given rise to nationalist sentiment in many parts of the world

Across the board, fewer US CEOs are prepared to say that globalization has helped 'to a large extent' in these areas, compared to all respondents



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