



PwC's 9th Hungarian CEO Survey

# Confident CEOs in troubled waters

**pwc**



**In this publication we present a summary of the views of 223 Hungarian CEOs on economic outlooks, their organisations' growth prospects, the opportunities and challenges in upskilling their workforce, climate change, regulating cyberspace, and digital privacy.**

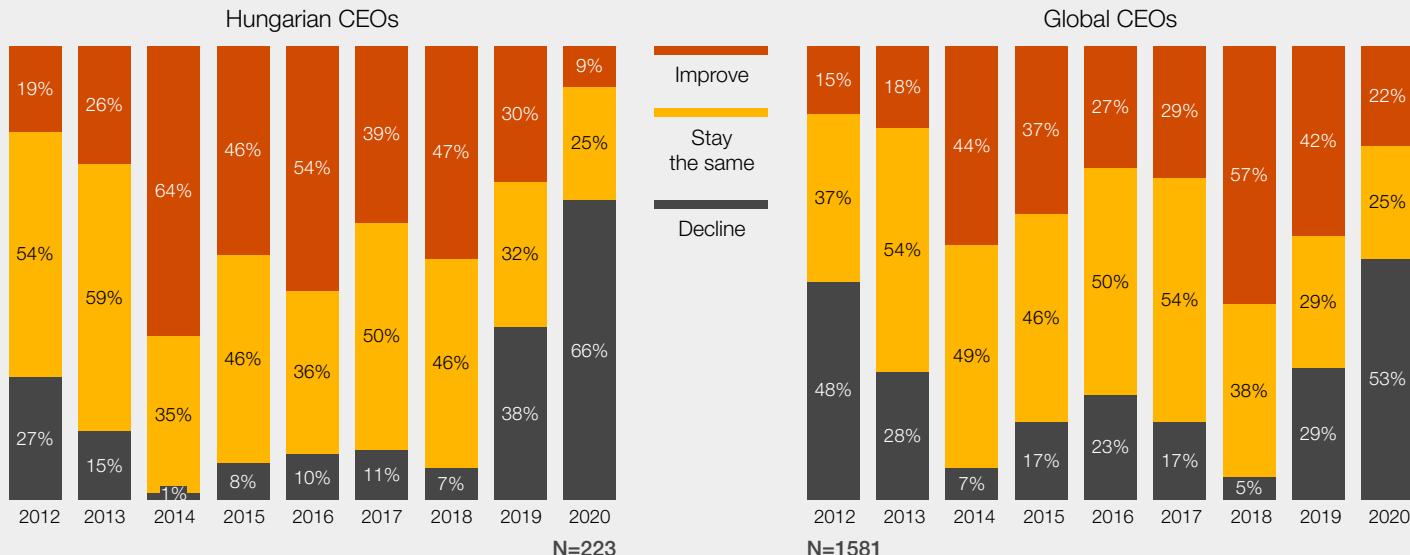
This is the ninth year PwC has conducted the Hungarian CEO Survey. We carried out the first survey in 2011, based on the PwC network's Annual Global CEO Survey, which is now in its 23rd year. Based on in-person interviews, our survey, which was conducted between October and December 2019, provides unique insight into the thinking and strategic direction of Hungarian CEOs, and enables comparison with the views of chief executives around the world.



## Uncertainty undermines outlook

Two-thirds of Hungarian CEOs predict a slowdown in global economic growth in 2020, and in doing so they join their global counterparts in painting a rather bleak picture of the period concerned.

**Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?**

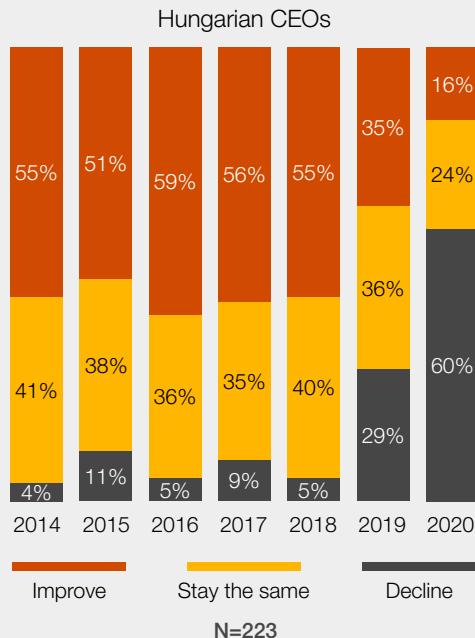


Uncertainty is the only certainty.\*

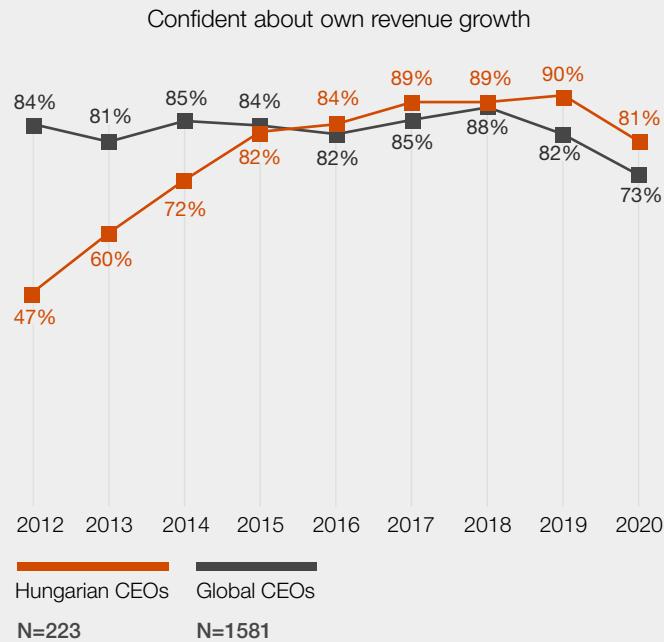
## CEOs remain confident about their company's outlook

While optimism about Hungarian economic growth is at an all-time low, 80% of CEOs remain confident about their company's prospects for revenue growth. Hungarian CEOs' confidence in their own business is in line with the global mood.

**Do you believe Hungarian economic growth will improve, stay the same, or decline over the next 12 months?**



**How confident are you about your organisation's prospects for revenue growth over the next 12 months?**



## Competitive environment

CEOs are also confident about their company's financial performance compared to competitors: more than half of them said they achieved better business outcomes than their competitors.

### How does your organisation's current financial performance compare to that of your competitive peers?

Hungarian  
CEOs  
N=223



Global  
CEOs  
N=1581



- Significantly ahead
- Slightly ahead
- About the same
- Slightly behind
- Significantly behind
- Don't know/Declined



We love competition because we always win.\*



## Cautious steps

As a result of the prevailing pessimism, companies are in wait-and-see mode. Compared to the prior year, the percentage of respondents planning to restructure their organisation did not increase. In contrast with global results, a much smaller percentage of Hungarian CEOs will rely on organic growth, and they are less likely to carry out acquisitions or form a strategic alliance. A breakout opportunity for organisations could be the launch of new products or services, which 60% of CEOs are planning to do over the next 12 months.

**Which of the following activities, if any, are you planning in the next 12 months in order to drive revenue growth?**  
(respondents planning to carry out the activity in question, multiple selections were possible)

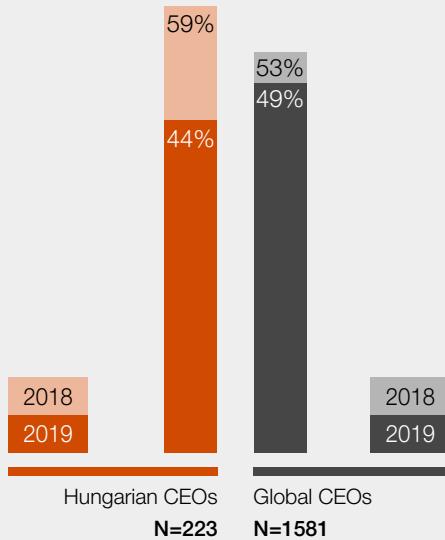


## More efficient operation

This caution has translated into CEOs' reluctance to increase their headcount: more than half of them said they are not planning to take on new staff over the next 12 months. Compared to 2019, the percentage of respondents planning to increase headcount dropped by 15 percentage points.

**Do you expect headcount at your company to increase, decrease or stay the same over the next 12 months?**

(respondents planning to increase headcount)



## What is the basis for CEOs' confidence in their revenue growth?

A third of CEOs feel that the key to their success is that they see clearly how they can create value for their clients. Another key factor is the ability to attract and retain talent, and to differentiate their products and services from the competition. It is increasingly important for CEOs to make it a strategic priority to come up with goals that provide a competitive edge.

### Which of the following statements do you believe most strongly enables your strategic goals?

(respondents who ranked the statement first)

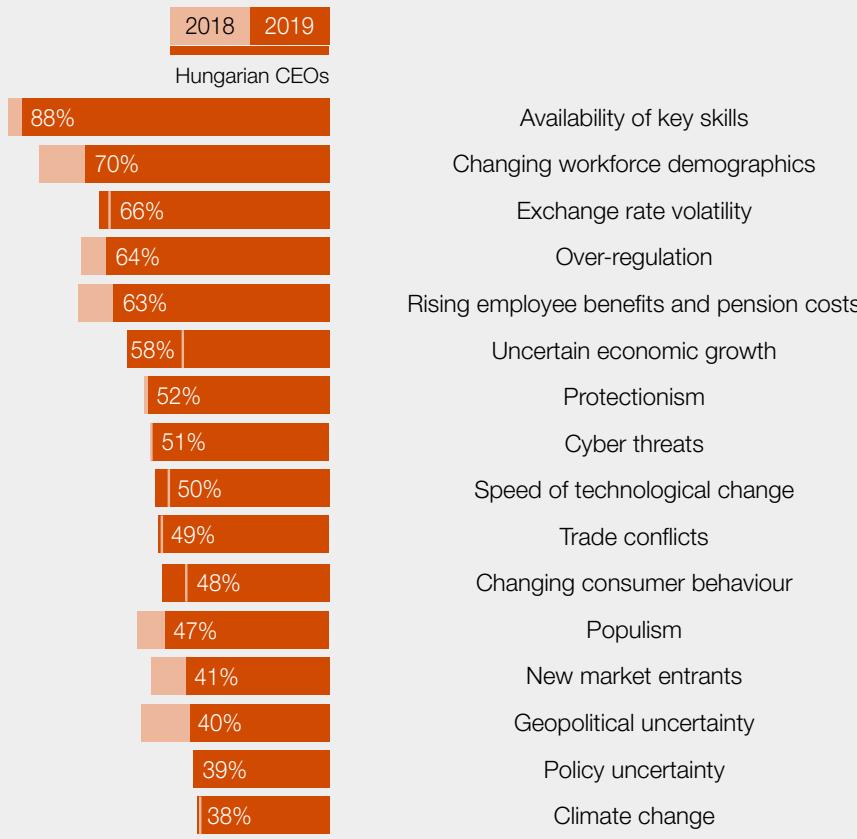


“ If you don't have a goal, how do you want to reach it?\* ”

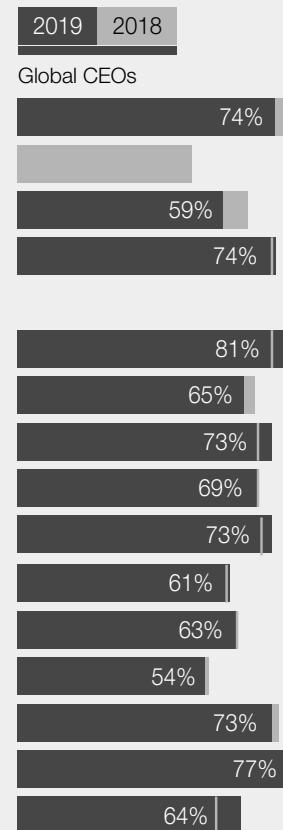
“ There is no secret to success. Only a price to pay.\* ”

## List of top potential economic, policy, social and environmental threats to organisation's growth prospects

(respondents who are concerned about the factor in question)



N=223



N=1581

## New threats on the horizon

What appeared to be a temporary difficulty in recent years has now become permanent: skills shortages and changing workforce demographics continue to be the main barriers to growth.

For the first time this year, exchange rate volatility has overtaken over-regulation and an increasing tax burden in the list of top threats. A new item among these threats is uncertain economic growth, which has risen to first place this year at the global level.

Global CEOs are increasingly concerned about cyber threats, climate change and environmental damage, while Hungarian CEOs' concerns in that respect have remained largely unchanged from last year.



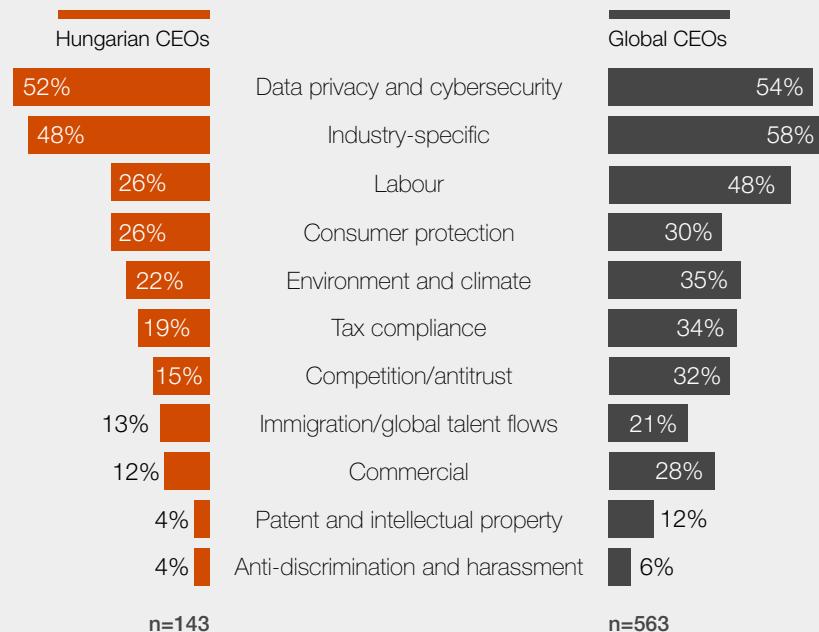


## Regulatory compliance remains a challenge

Two-thirds of CEOs consider over-regulation to be one of the key barriers to growth. Those who consider this a threat are essentially concerned about data and cyber security, and compliance with industry regulations.

### Over-regulation – Which areas are you most concerned about?

(among respondents who are concerned about over-regulation, multiple selections were possible)



## Upskilling is paramount

To upskill or not to upskill is no longer the question. What has emerged from this year's survey, however, is not yet so obvious: that the CEOs of companies at the forefront of upskilling are more confident about both Hungarian and global economic growth. While CEOs of more advanced upskilling organisations do not express greater confidence in their revenue growth over the next 12 months, when looking at the issue over a three-year period, "advanced" CEOs are more optimistic than CEOs of organisations that have only recently begun to upskill.

### How much progress has your organisation made in the following areas related to upskilling?

(percentage of respondents who think they have made significant progress)

Hungarian CEOs

27%

Defining the skills needed to drive our future growth strategy.

27%

Implementing a diversity and inclusion strategy to attract a wide range of talent and ensure inclusiveness in how we work.

23%

Improving our workers' and leaders' knowledge of technology and its potential implications.

23%

Establishing an upskilling programme that develops a mix of soft, technical and digital skills.

23%

Collaborating with academic/government institutions on the skills needed for the future.

22%

Building employee engagement through open communication on skills of the future.

N=223

Global CEOs

24%

26%

20%

18%

13%

27%

N=1581

## Impediments to upskilling

In a technology-driven environment, increases in automation, changes in demographics and new regulations will make it much harder for organisations to attract and retain the skilled talent they need. Companies will have to grow their own future workforce to ensure adequate labour supply, even if it entails difficulties and requires ongoing investment.

### The greatest challenges in upskilling (respondents who ranked the factor first)



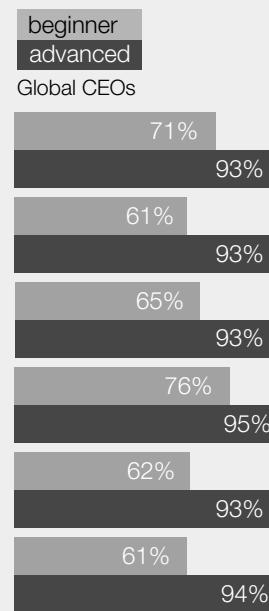
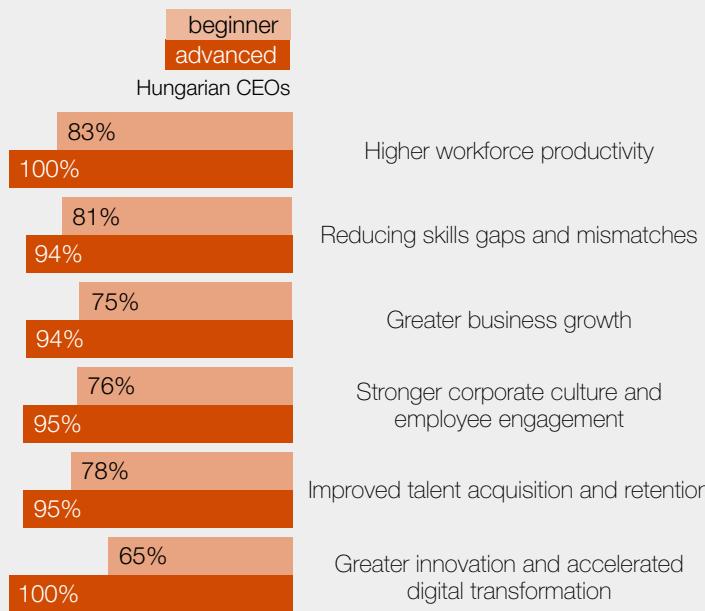
What matters is what you can learn, and not what you already know.\*

## What do companies gain from upskilling programmes?

Notwithstanding the difficulties, CEOs who have embraced the potential of upskilling are realising the rewards, such as higher workforce productivity and a stronger corporate culture. In many cases, advanced upskilling organisations also reported improved talent retention.

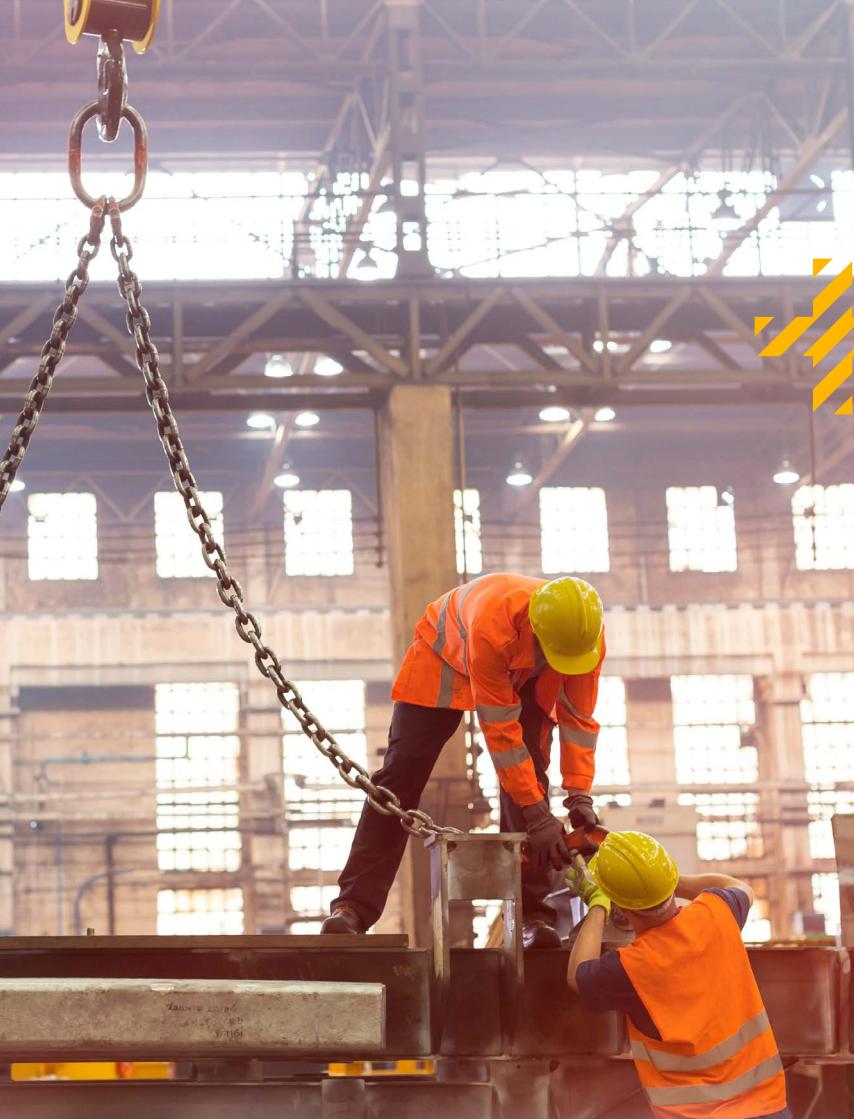
### How effective are your upskilling programmes in achieving the following outcomes?

(percentage of respondents who answered “effective”)



“Beginner” refers to the bottom quartile of CEOs regionally who have reported the least progress in upskilling.

“Advanced” refers to the top quartile of CEOs regionally who have reported the most progress in upskilling.



“Not everyone needs to be able to write code, but they do need to understand how technology will change the world of work and how it can benefit them. Upskilling is about creating a culture of continuous learning and curiosity, and this is something many organisations are grappling with.”

Ádám Osztovits

PwC Hungary  
Partner, Service Line Leader, Advisory  
PwC CEE Strategy &  
Transformation Leader

## Climate change no longer a top threat according to CEOs

In last year's survey, the number of respondents citing climate change as a top threat doubled from the year before. This year, however, there was hardly any perceptible change, which means that the Earth's future as a priority problem is no longer a top ten threat. Even though CEOs do not perceive climate change as a threat to their company's growth, two-thirds of them have recognised that investing in "green" initiatives provides a reputational advantage. Nearly half of the respondents realise that going green will afford significant new product and service opportunities.

### How strongly do you agree or disagree with the following statements regarding climate change?

(respondents who agree with the statements)





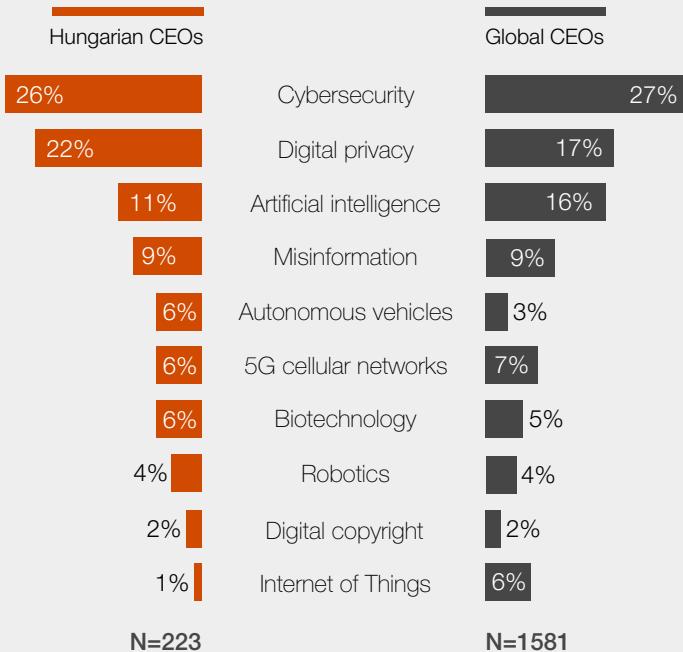
## Decelerating globalisation: guard rails in cyberspace

As we have seen above, 64% of the CEOs surveyed are concerned about over-regulation in a rapidly changing environment. Most of them are also concerned about increasing legislation around online content, and compliance with data protection regulations.

Not surprisingly, when asked about which emerging technology areas are most important for business and government to collaborate on, CEOs ranked digital privacy and cybersecurity, in roughly equal measure, as the two most important areas, followed in third place by artificial intelligence.

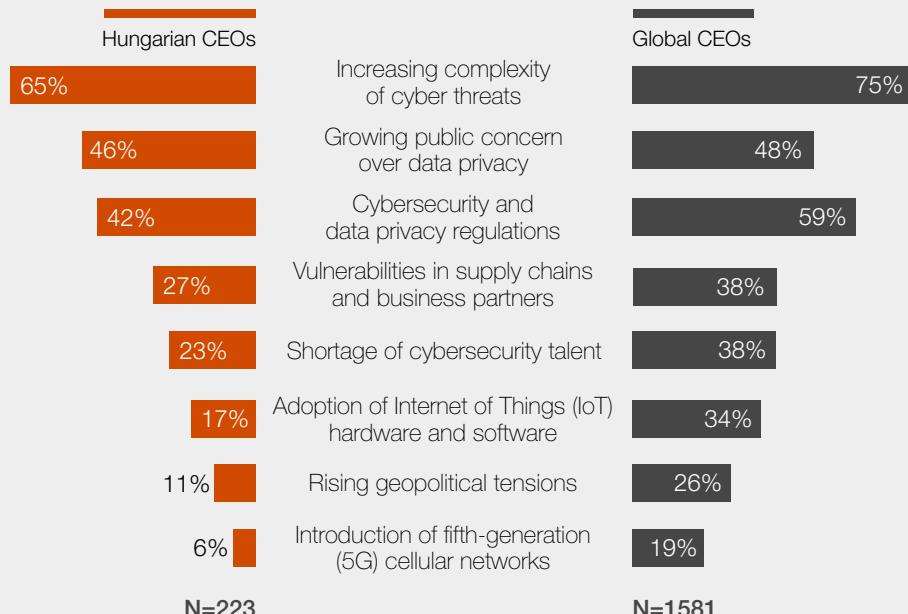
Which emerging technology areas are most important for business and government to collaborate on in order to build trust in society?

(respondents who prioritized cooperation in that emerging technology)



## What key factors are having the greatest impact in shaping your cybersecurity strategy?

(respondents who ranked the factor first)



## Breakup of big tech companies

We presented CEOs with a series of alternative statements about the future (2022 and beyond) of tech industry regulation, and we asked them to select, for each alternative, the one that they most agree with. Based on these selections, three-quarters of CEOs believe that governments will increasingly introduce legislation on internet content, including social media, and nearly two-thirds of them foresee the breakup of big tech companies.

### Which statement do you most agree with?

(respondents who tend to agree with the given statement)

Hungarian CEOs N=223  
Global CEOs N=1581

Governments will increasingly introduce legislation to force the private sector to regulate content on the internet (including social media).



Governments will mostly continue to allow the private sector to self-regulate content on the internet (including social media).

Governments will use data collected from citizens to determine their social credit score.



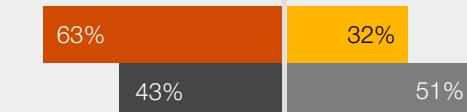
Governments will not use data collected from citizens to determine their social credit score.

Governments will increasingly introduce legislation to break up dominant technology companies.



Governments will mostly continue to allow dominant technology companies to grow unchallenged.

The internet will increasingly be seen as a platform that divides people, which facilitates political manipulation.



The internet will increasingly be seen as a platform that brings people together, spreads factual information, and facilitates political empowerment.

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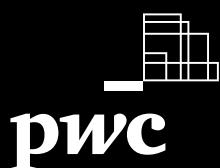
Now is not the time for business leaders to allow business conditions and trends to push them into short-sighted tactics. Now, more than ever, is the time to invest in people, better technologies and courageous innovations, even if it takes more bravery than it might have last year or a few years ago. As a leader you don't have control over demographic trends. You need to come to terms with the skills shortage and talent flight and embrace the necessity for upskilling. If you strike now, while the iron is hot, you will forge a company made of solid relationships while building a more agile workforce.”

Tamás Lőcsei

PwC Hungary  
CEO

\* In our survey we asked CEOs to share with us their executive credo. The above quotes were selected from their answers.

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