

18th Annual Global CEO Survey

A marketplace without boundaries: Are we ready?



1,322

CEOs across 77 countries

73

CEOs from India

62%

CEOs in India are very confident about their company's growth prospects

18th Annual Global CEO Survey

In total we conducted 1,322 interviews with CEOs in 77 countries between 25 September and 9 December, 2014. By region 459 interviews were conducted in Asia Pacific, 330 in Western Europe, 147 in North America, 167 in Latin America, 125 in Central and Eastern Europe and 94 in Middle East and Africa. In India, 73 CEOs were interviewed. The interviews were spread across industries.

To better appreciate CEO perspectives for 2015, we also conducted in-depth interviews with 33 CEOs from six continents over the fourth quarter of 2014. Their interviews are quoted in this report and more extensive extracts can be found on our website at www.pwc.com/ceo-survey, where you can explore responses by sector and location.



Preface

Year 2014 revived the confidence of the business community in India with a majority led government promising reforms.

While the world economy rebalances post-recession, we see demographics and technology reshaping the market.

CEOs in India who were a part of the 18th Annual Global CEO Survey were more positive about their own growth prospects than their global peers. They were also the most bullish about the prospects of the global economy. A vast majority of CEOs in India saw many more opportunities now, than they did a few years ago. While many also saw more threats to growth, the difference in percentage foreseeing more opportunities versus that seeing more threats is the highest for CEOs in India; with opportunities far outweighing the threats. Besides, the top concerns of CEOs in India are very different from their global peers, with the former being less concerned about disruptions than the latter.

This India summary of the 18th Annual Global CEO Survey has highlighted some interesting trends and aspects. I hope you enjoy reading it.

Deepak Kapoor
Chairman
PwC India



18th Annual Global CEO Survey

Telling the India story

- 1 CEOs in India are more confident about growth than their global peers
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- 3 CEOs in India see more opportunities than threats
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CEOs in India are more confident about growth than their global peers

CEOs in India continue to be significantly more confident of their growth prospects than their peers.

Sixty-two percent are very confident of growth in the short-term. The corresponding percentage last year was 49%, reflecting a significant increase. 71% are very confident of the next three years.

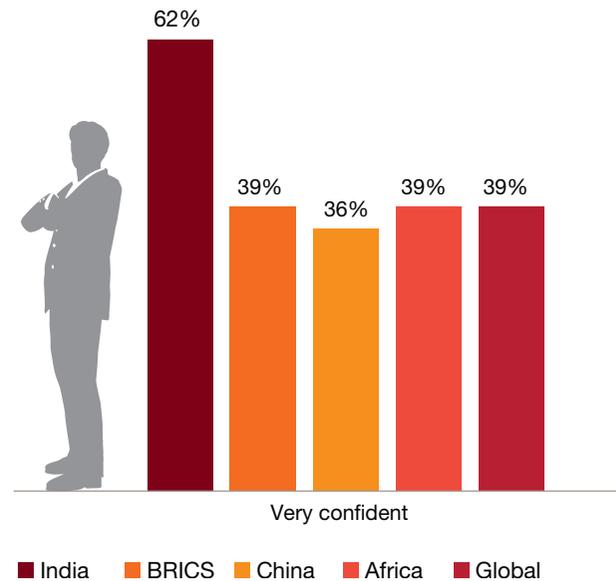
CEOs based in other growth markets are much less confident of growth now than they were in the previous year's survey. CEOs in India, however, do not conform to this sentiment.

The optimism in India may be based on more than just the euphoria following a majority growth-oriented government being voted to power at the centre.

According to World Bank Group President Jim Yong Kim, India's immediate economic outlook may be a bright spot, in an otherwise lacklustre global economy, with 6.4% growth expected in 2015 and even higher in 2016.¹

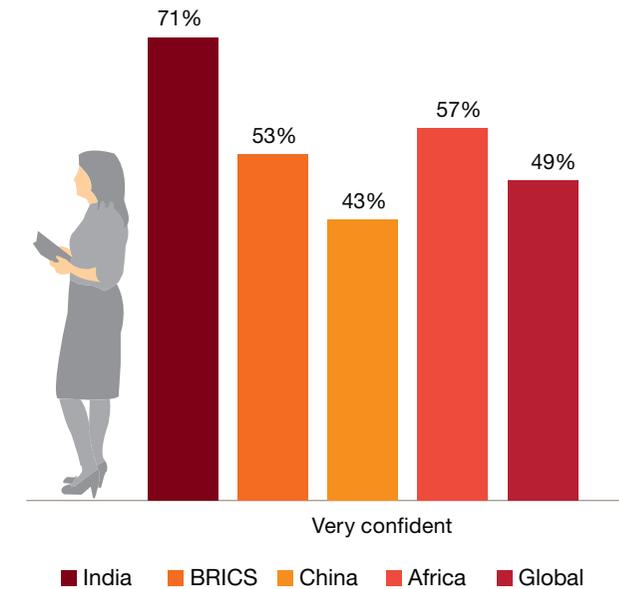
How confident are you about your company's prospects for revenue growth?

Over the next 12 months



Source: 18th Annual Global CEO Survey
 Base: All respondents (India=73, BRICS=278, China=136, Africa=149, Global=1322)

Over the next three years



Source: 18th Annual Global CEO Survey
 Base: All respondents (India=73, BRICS=278, China=136, Africa=149, Global=1322)

While sometimes the economy looks better than at other times, it is less important to put a finger on where the economy is headed and more important to put a finger on your strategy and to be sure that it is sound, so that... your company is better able to withstand adversity.

Rajiv Bajaj, MD
 Bajaj Auto Limited, India

CEOs in India are more confident of global economic prospects than their global peers

Is the CEO in India isolated?

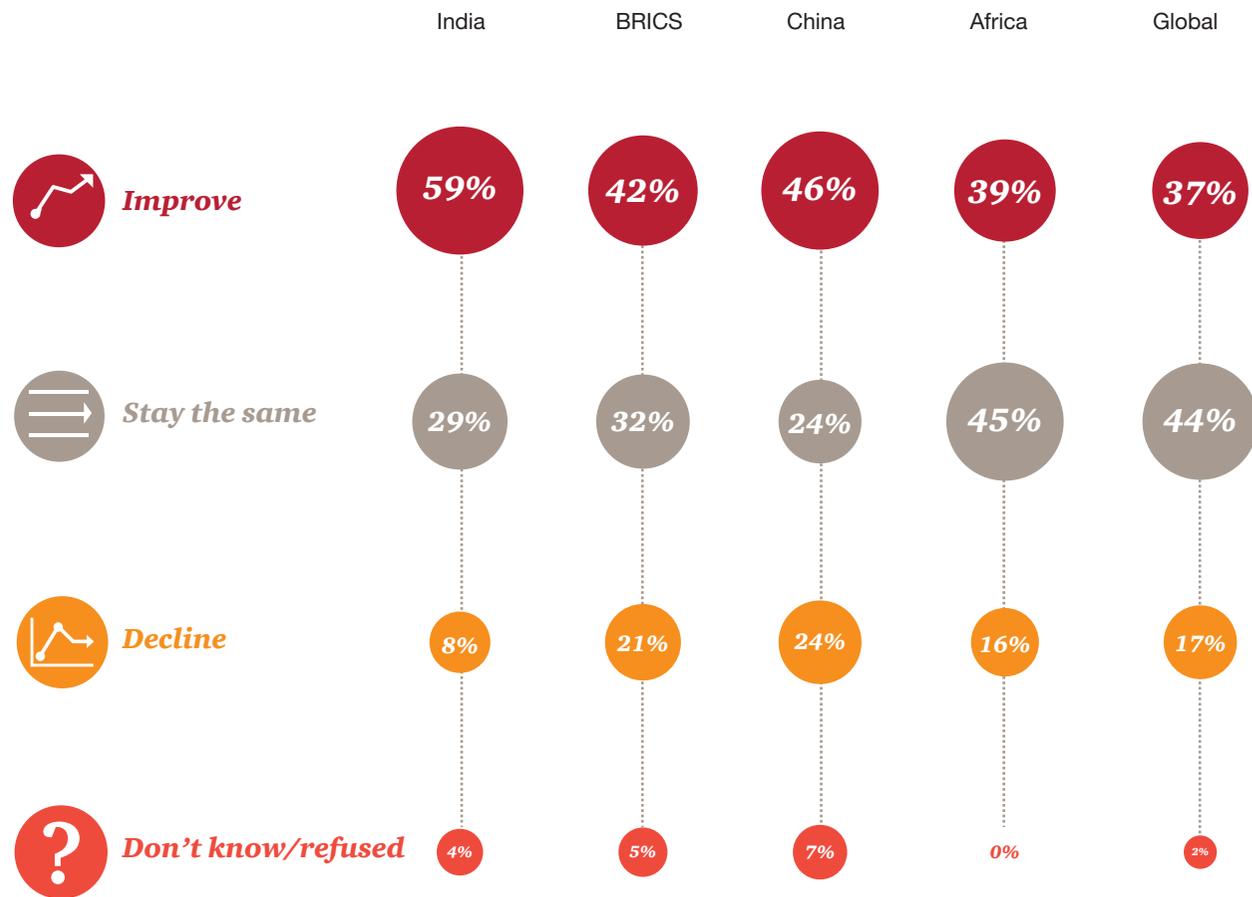
Fifty-nine percent CEOs in India see an improvement in global economic growth over the next one year as against 37% CEOs in our global sample.

The International Monetary Fund (IMF) revised the growth forecast for the world economy in October 2014 to 3.3% (0.4 percentage point lower than in April 2014). The global growth projection for 2015 is 3.8%.

Is the CEO in India positive because their view of the global economy is based on the general positivity around the domestic situation? Or is the average CEO in India more 'local' and somewhat isolated and out of touch with the global economy?

Considering that the India-US bilateral goods trade in 2014 was worth around 66.86 billion USD, does this positivity reflect the buoyancy of the US-India trade?²

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



Source: 18th Annual Global CEO Survey

Base: All respondents (India=73, BRICS=278, China=136, Africa 49, Global=1322)

CEOs in India see more opportunities than threats

Eighty-four percent CEOs in India see more growth opportunities now as against what they perceived three years ago. Only 41% see more threats than what they saw three years back.

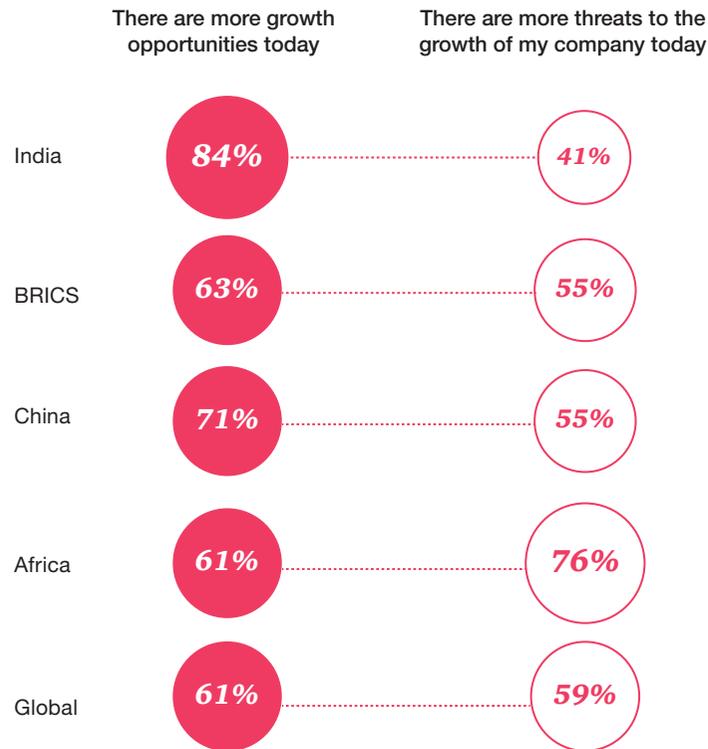
This positive gap between opportunities and threats is highest among CEOs in India. The global average points towards a more volatile world, as 61% CEOs see opportunities while 59% perceive greater threats.

Interestingly, threat perception among CEOs in Africa is higher than the perception of opportunity underlying the vulnerability of the region as a business destination.

Are Indian businesses really less exposed to threats than they were three years ago?

How much do you agree with the following statements about threats and opportunities facing your business?

Respondents who stated 'agree' or 'strongly agree'



Source: 18th Annual Global CEO Survey

Base: All respondents (India=73, BRICS=278, China=136, Africa=49, Global=1322)

... Country after country has surprised us as to how much business one can actually develop if one enters the market with a sound strategy.

Rajiv Bajaj, MD
Bajaj Auto Limited, India

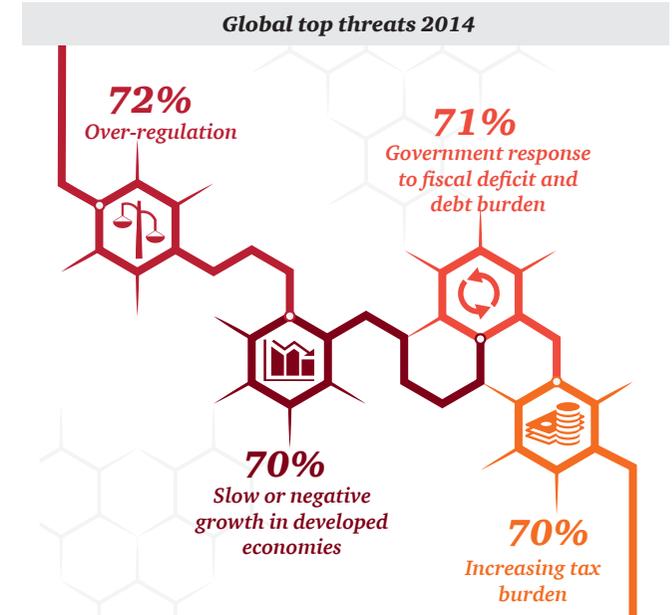
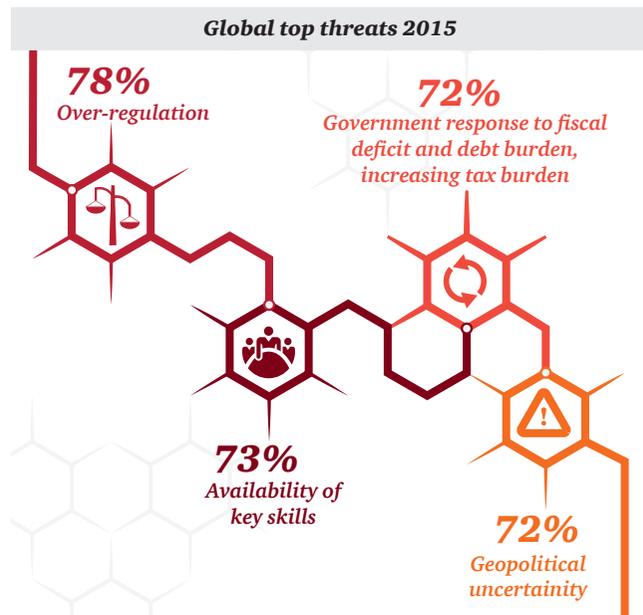
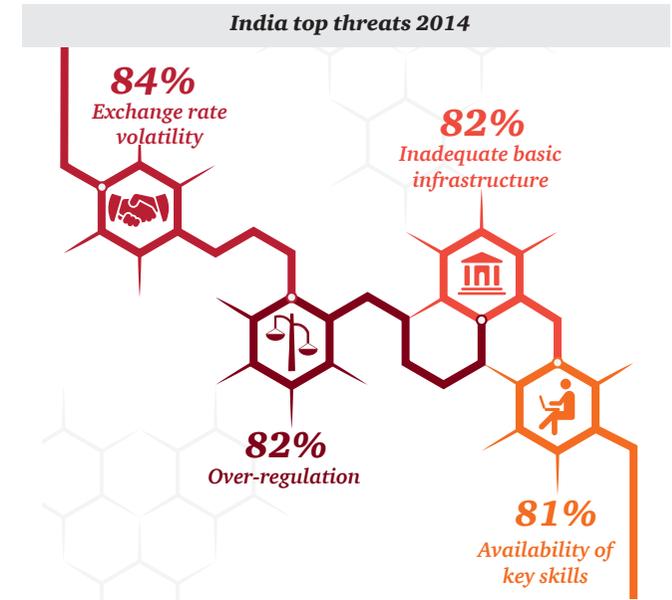
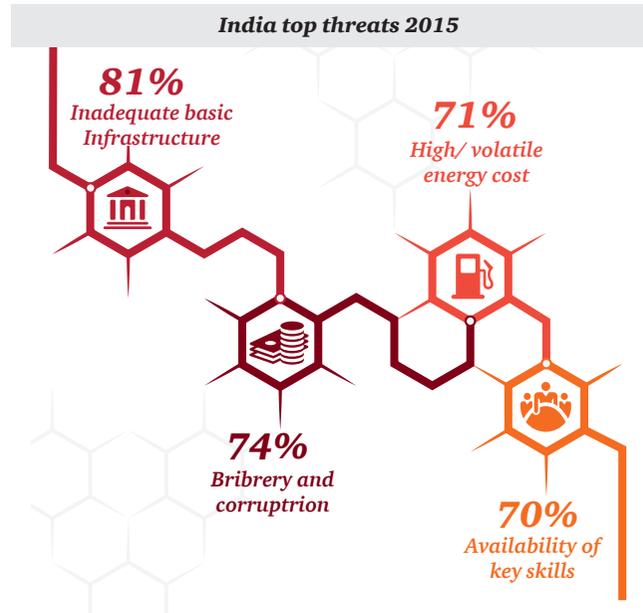
CEOs in India are increasingly becoming concerned about multiple potential threats

The top concern for CEOs in India continues to be inadequate basic infrastructure. In fact, top concerns of CEOs in India are rather different from those of their global peers. The global CEO is more concerned about over regulation, increasing tax burden, geopolitical uncertainty, government response to fiscal deficit and debt burden. Availability of key skills is the only threat featuring in the top concerns for both global as well as Indian CEOs.

One data point that is noteworthy is that threat perception in China is much higher than in India. What will the impact of this difference between China and India be on preparedness for the future in a borderless market?

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

Respondents who stated 'extremely' or 'somewhat' concerned?



Source: 18th Annual Global CEO Survey
Base: All respondents (India = 73, Global = 1322)

Source: 17th Annual Global CEO Survey
Base: All respondents (India = 77, Global = 1344)



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

Respondents who stated 'extremely' or 'somewhat' concerned?

India vs China



Source: 18th Annual Global CEO Survey
 Base: All respondents (India=73, China=136)

CEOs in India are less concerned about disruption

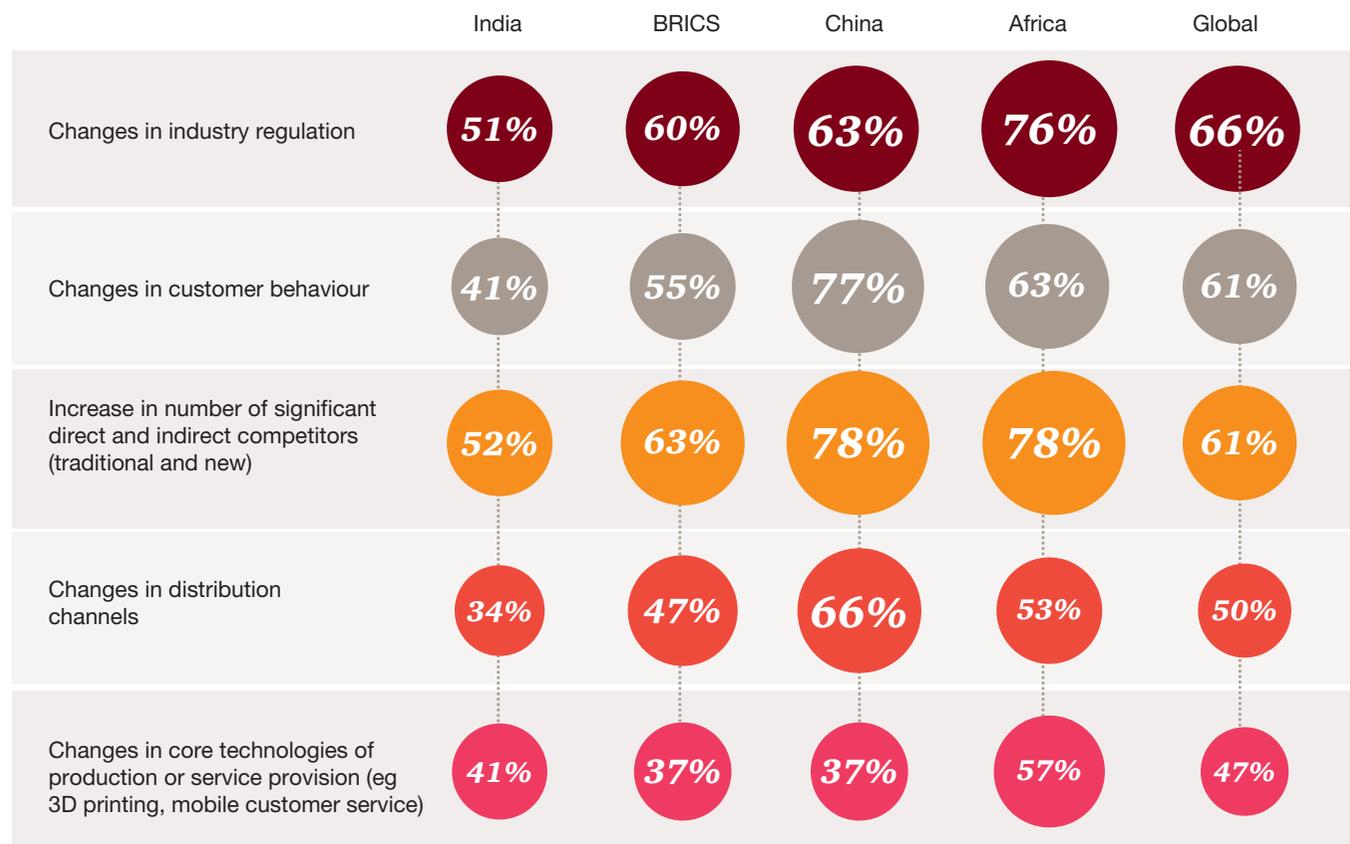
Fewer CEOs in India believe that trends such as changes in industry regulation, changes in customer behaviour, changes in competition, changes in distribution channels or in core technologies will be highly disruptive to their industry over the next five years.

While CEOs in China and Africa seem most sensitive to the disruptive nature of these trends, CEOs in India are below the global average across all these. Does this indicate a lower degree of preparedness rather than the lesser likelihood of business disruption?

This response has been the most surprising for us. A number of industries in India are already in the middle of a wide range of disruptions. For instance, the telecom industry is challenged by applications such as WhatsApp, retail is grappling with the advances in ecommerce, etc. At PwC, we certainly hope for more creative disruption by Indian companies. *In Future of India: The Winning Leap*, we have suggested that upto 40% of the economy in the next 20 years may need to be derived from non-traditional solutions, solutions that use 25% to 30% less resources than the traditional ones if we are to meet the needs and aspirations of our growing population.

How disruptive do you think the following trends will be for your industry over the next five years?

Respondents who stated 'somewhat' or 'very' disruptive



Source: 18th Annual Global CEO Survey

Base: All respondents (India=73, BRICS=278, China=136, Africa=49, Global=1322)

I think that the successful companies of tomorrow are the ones that see new value, and new business models in disrupting the way things used to be.

Dr Vishal Sikka, CEO and MD, Infosys, India

Which businesses are you in?

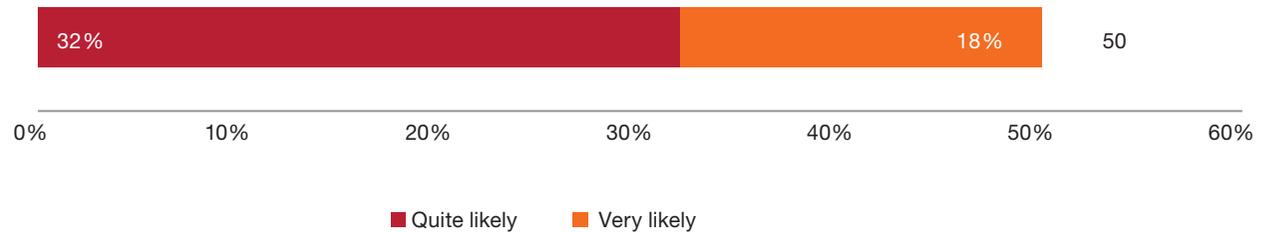
Over the last few years, business focus of corporations seems to be shifting to what customers want from traditional competitive boundaries. CEOs are increasingly questioning just what businesses they are really in and taking their companies to connected or completely new sectors. In India, 50% CEOs think it is likely that companies will increasingly compete in new industries over the next three years. Thirty-eight percent have already entered a new industry, while 11% have considered doing it within the previous three years.

Expectedly, technology stands out as the industry from which CEOs across the board expect significant competition.

The one attribute CEOs need in the future to succeed, that I would place my bet on, is curiosity. From curiosity comes learning and new ideas. In businesses that are changing rapidly, if you're not curious, if you're not learning; if you don't have new ideas, you're going to have a real problem.

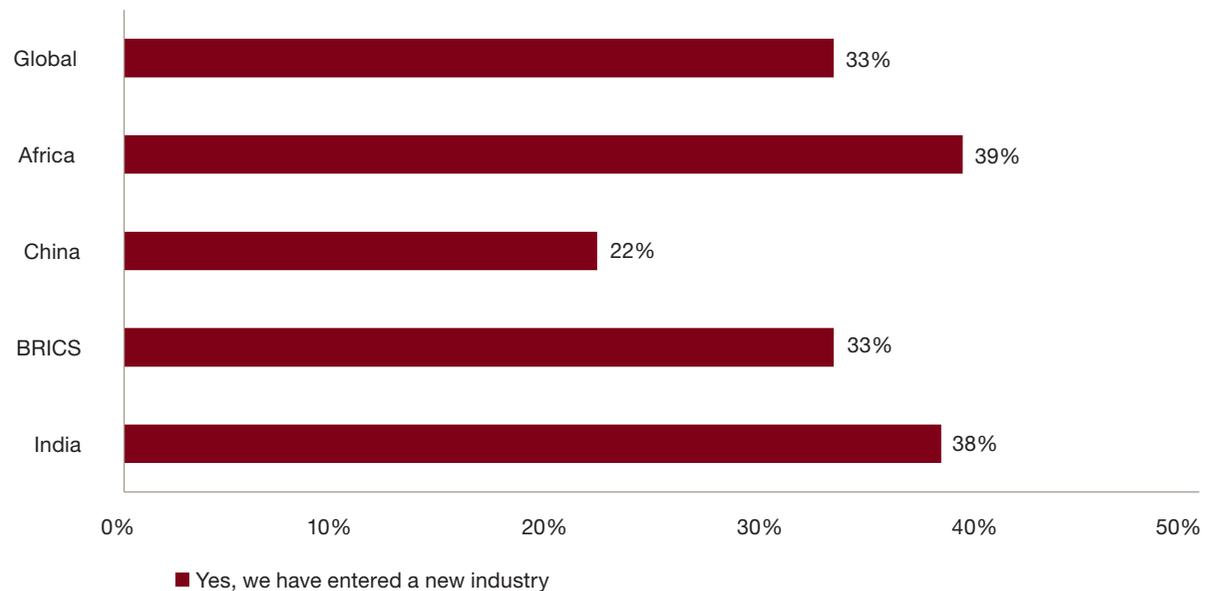
**Michael Dell, Chairman and CEO
Dell Inc, USA**

How likely do you think it will be that organisations will increasingly compete in new sectors other than their own, over the next three years?



Source: 18th Annual Global CEO Survey
Base: All respondents (India=73)

Has your organisation entered a new industry or industries, or considered doing so, within the past three years?



Source: 18th Annual Global CEO Survey
Base: All respondents (India=73), BRICS=278, China=136, Africa=49, Global=1322)

CEOs in India think mobile technologies are strategically important for customer engagement

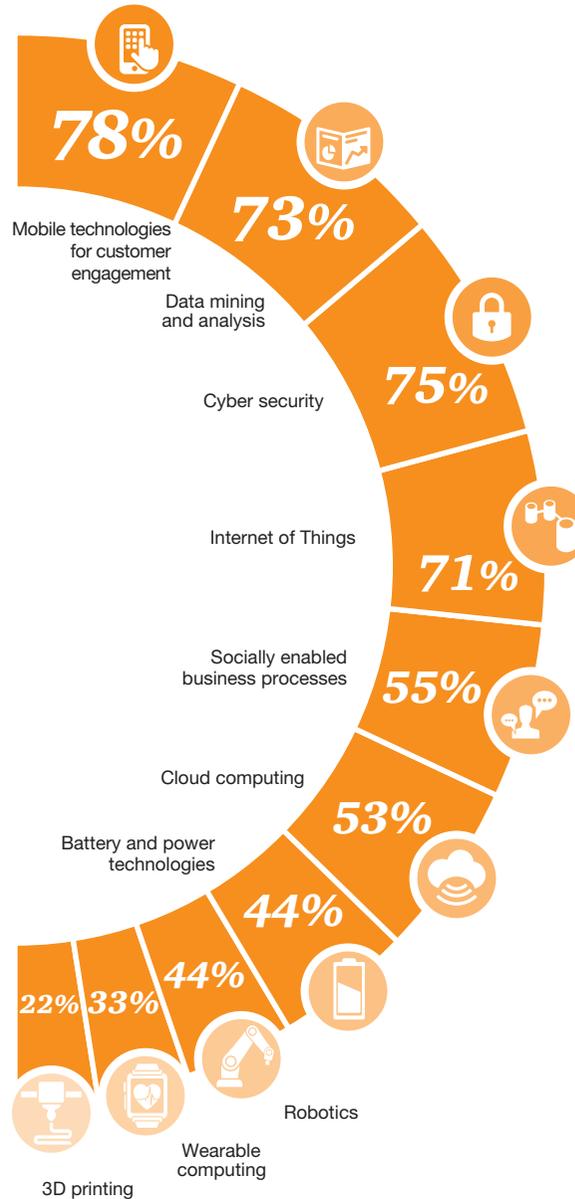
India has been a world leader in using mobile technology to leapfrog the communication infrastructure challenge faced by the average individual. The number of mobile users in India jumped from 261 million in 2007-2008 to 910 million in 2013-2014. The number of smartphone users is expected to grow at a CAGR of 91% from 2012 to 2016, jumping from 29 million to 382 million.³ It is hence, only fitting that CEOs see mobile technologies for customer engagement as strategically most important for their organisation; more than any other digital tool.

Data analytics, meanwhile, is enabling companies to use propriety and public information together in newer ways every day, in order to understand and create the relationship they want with their customers. There is evidence that companies that can most effectively use analytics and make informed demand-side decisions about business processes outperform those that can't.⁴

Investment by companies in digital technologies appears to be bearing fruit. A majority of the CEOs says that digital technologies are creating value for them in areas such as operational efficiency, customer experience as well as brand and reputation.

How strategically important are the following categories of digital technologies for your organisation?

Respondents who stated 'somewhat' or 'very' important



Source: 18th Annual Global CEO Survey

Base: All respondents (India = 73)

Looking for new opportunities, trying to predict what comes next, is true, just as it has been for any business in the world for the last 2,000 years. But the only change, the only difference, is that it's all happening extremely fast.

**Victor Kislyi, Executive Chairman and CEO
Wargaming Public Company Limited, Cyprus**

After having invested significant funds in the IT sector over the years, CEOs will now want to see a strong connection between their digital investments and business objectives. Eighty-five percent say a clear vision of how digital technologies can help achieve competitive advantage is key to the success of digital investments. Seventy-five percent say that a well thought-out plan that includes concrete measures for successful digital investment will help. CEOs are also aware that this can't happen without them, 81% consider it is important that they themselves champion the use of digital technologies.

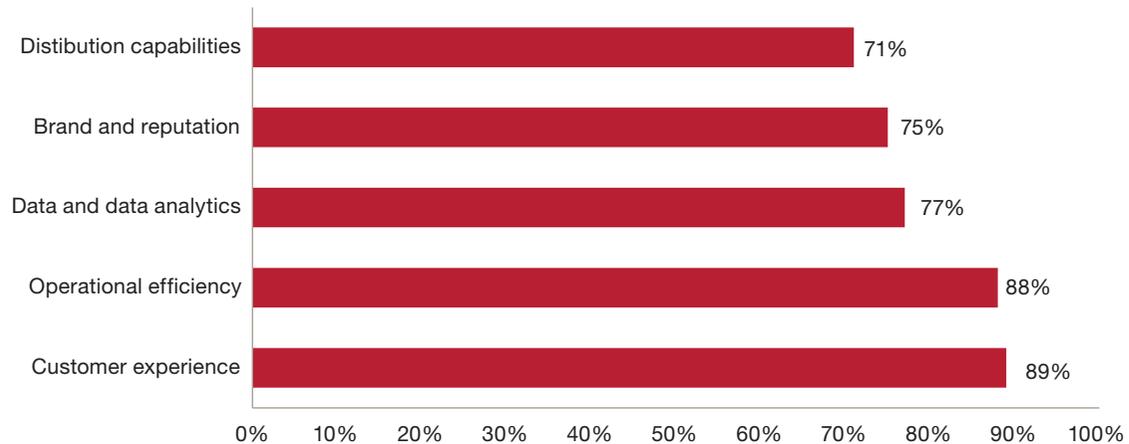
It is interesting that while the cyber threat perception is lower in India (53%) than it is globally (61%), cyber security has come out as the third most strategically important area among digital technologies. The number of cyber security breaches detected has soared as they have become more frequent than ever. In the past year, virtually every industry has been impacted with many incurring significant litigation costs.

The annual estimated reported average financial loss attributed to cyber security incidents in India in 2014 was 1.2 million USD, almost 20% more than the preceding year.⁵

The real benefit of cyber security isn't just in defending value. It is about creating new value by instilling trust that is central to doing business today. Cloud technology, for instance, has elevated security concerns; the key to demonstrating its true value is to entirely secure it. It is encouraging, then, to witness the requisite shift in thinking with 63% CEOs seeing digital technologies as creating value in the area of digital trust including cyber security.

To what extent are digital technologies creating value for your organisation in the following areas?

Respondents who stated 'quite high' or 'very high' value



■ Top four

Source: 18th Annual Global CEO Survey

Base: All respondents (India=73)

How important are the following factors in helping your organization get the most out of its digital investments?

Respondents who stated 'somewhat' or 'very' important



Source: 18th Annual Global CEO Survey

Base: All respondents (India=73)

CEOs in India collaborate for access to new geographic markets, technologies and customers

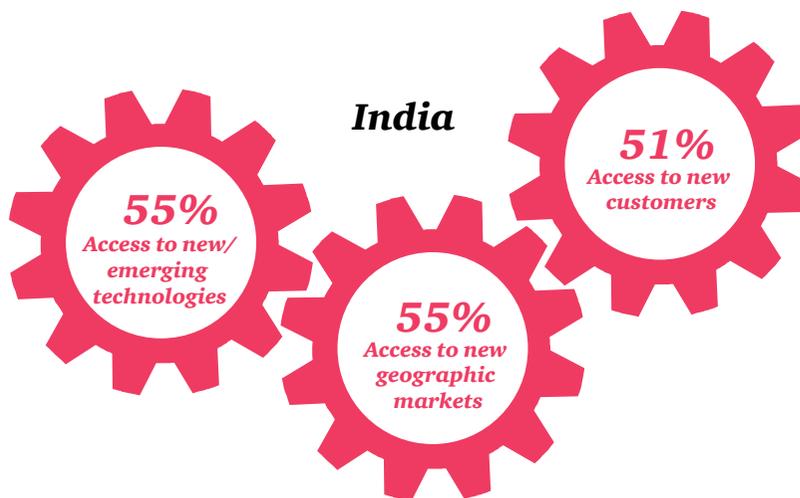
CEOs are increasingly looking to partner for new capabilities. Sixty-three percent plan to enter into new strategic alliances or joint ventures over the next year, which is the highest percentage since we began asking the question in 2010.

Technology is eroding the minimum requirements needed for a firm to exist. Today's nimblest competitors are lighter with simpler value propositions, a tighter set of core competencies and fewer assets. For companies looking to move in this direction, partnership networks have an important role to play in bolstering capabilities. This is particularly true for organisations seeking to create new value by solving problems in more innovative ways.⁶

However, CEOs are not only partnering to enter new or emerging technologies and geographic markets, but also striving to access new customers.

What are the reasons for collaborating in joint ventures, strategic alliances or informal collaborations?

Top three reasons (rank 1, 2 or 3)

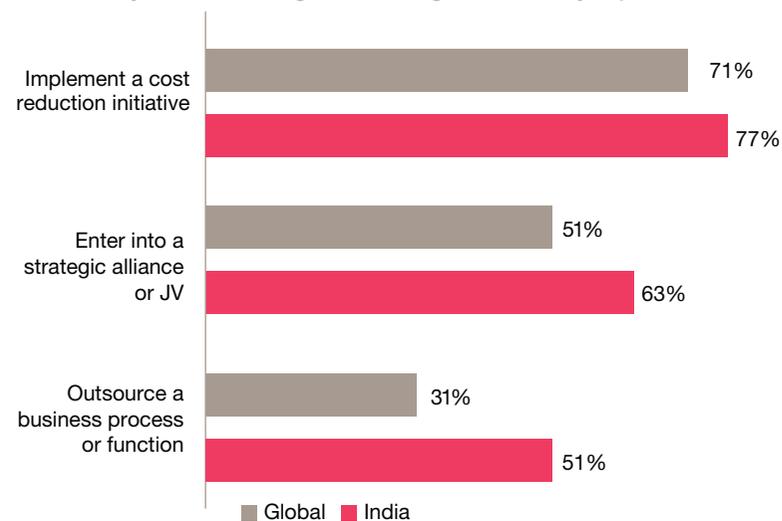


Source: 18th Annual Global CEO Survey

Base: All respondents (India = 73)

Top three restructuring activities (Global and India)

Which, if any, of the following restructuring activities do you plan to initiate in the coming 12 months?



Source: 18th Annual global CEO Survey

Base: All respondents (India = 73, Global=1322)

If you have unlimited resources – and I don't know any company that does – you can try to go it alone and take time and build products. But if you want to accelerate what you're doing, it's better and easier with a partner that understands the market.

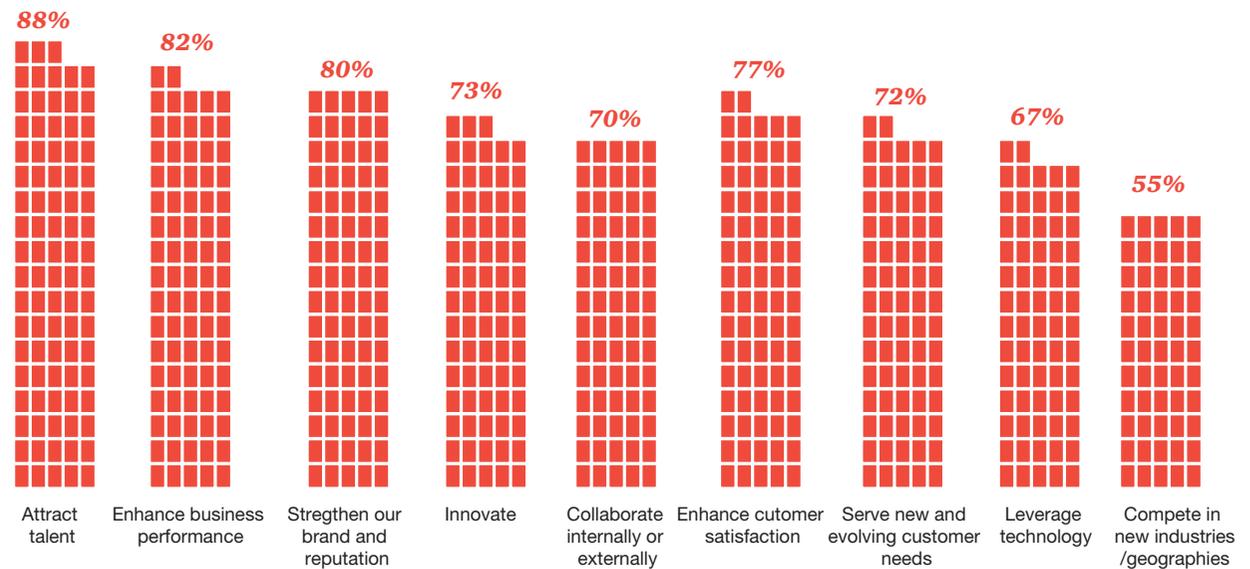
**Alan D Wilson, Chairman,
President and CEO
McCormick and Company, USA**

CEOs in India say they have a strategy to promote diversity and inclusion

Stated views about diversity and inclusiveness seem to have reached a tipping point. Eighty-two percent CEOs in India say they have a strategy to promote diversity and inclusiveness as against the global 64%. Eighty-two percent of those who said they have a strategy, also said that it has helped them enhance business performance (85% global). They also note that these strategies benefit other aspects such as brand and reputation, innovation etc.

While these responses are heartening, a lot more can be done to harness the power of different talent.

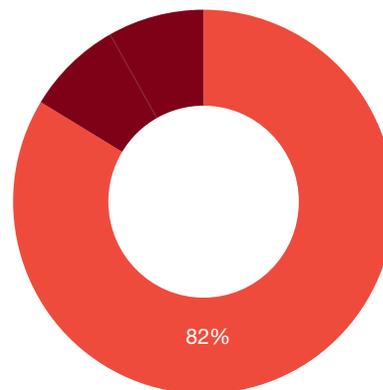
Which of the following benefits, if any, has your organisation obtained from its strategy to promote talent diversity and inclusiveness?



Source: 18th Annual Global CEO Survey
Base: All respondents (India = 73)

Does your organisation have a strategy to promote talent diversity and inclusiveness or have plans to adopt one?

■ Respondent who stated "Yes we have a strategy"



Source: 18th Annual Global CEO Survey
Base: All respondents (India=73)

If you have a diverse team, they create as per definition, a richer understanding of the kind of backgrounds of end users you will serve. So, diversity is intricately tied to financial and business success.

Dr Vishal Sikka CEO and MD, Infosys, India

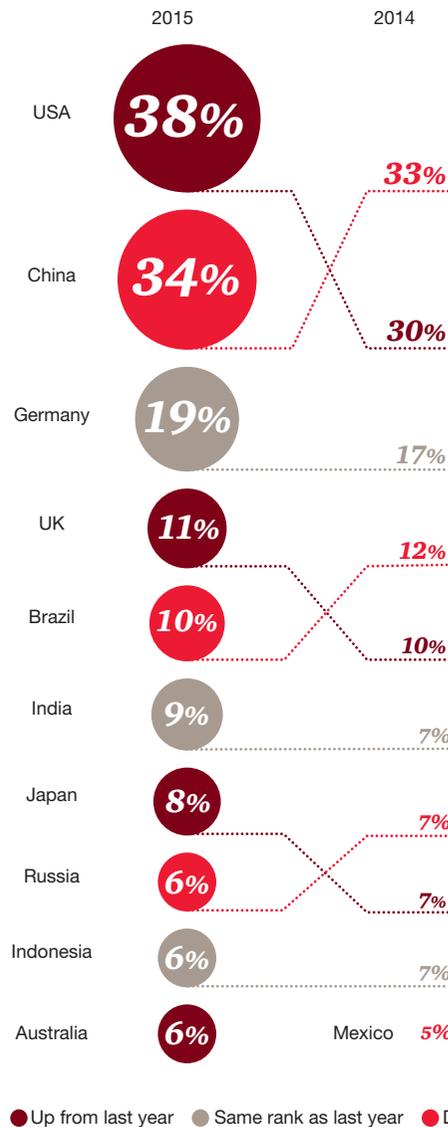
Global CEOs rate India as the sixth most important place for their growth prospects

As the global economy tries to find a new equilibrium, global CEOs are broadly more upbeat about established markets than they have been over the last five years.

For the first time since we first asked the question five years ago, USA has overtaken China as CEOs' most important overseas growth market. . UK now ranks higher than Brazil and Japan better than Russia, while Australia has climbed into the top 10, ousting Mexico.

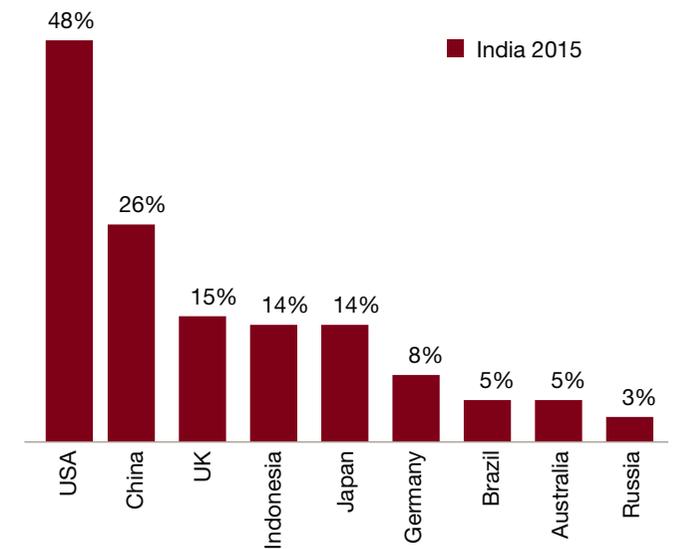
For CEOs in India, US, China and UK followed by Japan and Indonesia are important markets.

Which countries, excluding the one in which you are based, do you consider most important for your overall growth prospects over the next 12 months?



Source: 18th Annual Global CEO Survey
Base: All respondents (Global=1322)

Source: 17th Annual Global CEO Survey
Base: All respondents (Global=1344)



Source: 18th Annual Global CEO Survey
Base: All respondents (India=73)

The struggle between the US-centric and China-centric spheres is already underway, and the world economy will be swayed by this new world order.

**Atsushi Saito, Group CEO, Director and Representative Executive Officer
Japan Exchange Group Inc, Japan**

Gearing up for a marketplace without boundaries

The CEO agenda

It is debatable whether we are looking at a marketplace without boundaries.

From a geographical perspective CEOs see the boundaries continuing to exist. They've highlighted the lack of intergovernmental coordination on key issues, geopolitical uncertainties, and protectionism. From a sector perspective, one can argue we are already there although most cross-sector movement is still between sub-sectors rather than totally new sectors and though technology is beginning to tear them down, barriers to entry definitely exist. Yet megatrends, particularly disruptive technologies, are changing markets, the range of threats to business as well as the very fundamentals of entire industries. And there is every reason to believe that the pace of change will only accelerate.

How can CEOs prepare for this new world? We have identified six questions to help you succeed.

<p>1. How much of your growth is market-led?</p>	<p>There is evidence that companies that had to grow among demand constraints are better prepared for the new markets. Technology is a common sector where companies in India as well as across the globe are increasingly investing. CEOs are also looking to partner with entities whose capabilities can complement or enhance their own.</p> <p>What do you need to do to look for growth beyond your current product markets even if there are no non-traditional competitors on the horizon?</p>
<p>2. Do you know what your capabilities are?</p>	<p>Do you know what new core capabilities you need to have in a marketplace without boundaries?</p> <p>PwC Strategy defines core capabilities as the three to five capabilities that give you a competitive advantage. The point is, these may not be adequate for you to succeed in the marketplace without boundaries. Which new ones will you require?</p>
<p>3. You will need to augment your core capabilities for this borderless market.</p>	<p>How will you do this? Have you considered collaboration as a means?</p>
<p>4. Are you exploring ideas and collaborations to create disruption in your industry?</p>	<p>Every industry is being disrupted. Do you want to be disrupted or be the creator of that disruption?</p>
<p>5. Does your senior management team include people from diverse industries?</p>	<p>Convergence is a reality today. Today, there is convergence between financial services and telecoms, telecoms and entertainment, retailing and technology as well as technology and public utility service. If everyone in your senior management team is from the same industry or if they have been with the same company for the last many years, you may be under-prepared for a marketplace without boundaries and may not be able to see what is coming at you from non-traditional sources.</p>
<p>6. When did you last sit down (carry out a comprehensive exercise) to understand how your customer likes to buy and consume your products or services?</p>	<p>The consumers, and that includes the B2B customers, are rapidly changing how they buy, what they look at before they buy and how they consume. Even if you are the market leader in a very stable, steady growth market, your consumers are changing and so are their choices. Look deep and hard.</p>

Sources and notes

1. *Press release, The World Bank*
2. *Embassy of India, Washington, DC, USA*
3. *PwC's report- Future of India: The Winning Leap*
4. *18th Annual Global CEO Survey: A marketplace without boundaries? Responding to disruption*
5. *Managing cyber risks in an interconnected world: Key findings from the State of Information Security Survey*
6. *18th Annual Global CEO Report: A marketplace without boundaries? Responding to disruption*

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

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