

24th CEO Survey – Middle East findings

# Tomorrow starts today

Middle East CEOs are applying the lessons from COVID-19 to seize the growth opportunities ahead



# Foreword

Following last year's survey, I wrote that CEOs in the Middle East were surrounded by uncertainty. At the time, oil prices were falling sharply amid geopolitical tensions, volatile markets and growing concern about the COVID-19 virus.

It's fair to say that none of us imagined then just how uncertain the following 12 months would prove to be. Yet the message from this year's Middle East findings is clear. Our CEOs have not only steered a course through a year of unprecedented upheaval, they have also learned lessons from the crisis about how to transform their organisations quickly and at scale. They are progressing rapidly through the repair phase and are now rethinking and actively reconfiguring their organisations to capture the opportunities that have begun to appear on the horizon.

While there is still uncertainty across the region, for Middle East CEOs, tomorrow starts today.



**Hani Ashkar**  
Middle East Senior Partner  
PwC Middle East

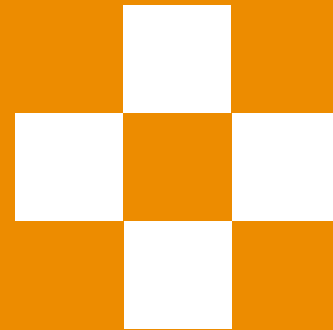
# Overview

Our 24th CEO Survey is published as vaccines offer hope of an end to the pandemic. Against this background, Middle East CEOs are emerging from a year of unprecedented upheaval in a notably upbeat mode. More than half of the regional business leaders that we surveyed are very confident about their organisation's medium-term growth prospects.

As our survey findings show, one reason for their positive outlook is that CEOs across the region are putting their experience of weathering the COVID-19 storm to good use as they seek to build more agile, resilient organisations. The physical and mental health of their employees is a business priority, in a world where the pandemic will continue to disrupt work and home life during 2021.

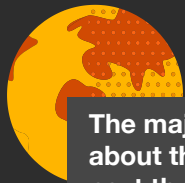
Meanwhile, the sudden shift to remote working last year acted as an urgent wake-up call that digitisation and upskilling are critical to future success, in rapidly evolving regional economies underpinned by AI, robotics and other emerging technologies. The good news is that 59% of Middle East respondents, compared with 49% globally, aim to increase their investments in digital transformation by 10% or more over the next three years.

The other side of the equation is that cybersecurity and lack of skills both feature as significant business risks for regional CEOs, who understandably also remain preoccupied, like their global peers, by the threat from COVID-19. Based on our results, the road ahead in 2021 will still contain many obstacles and dangers – but for CEOs who learn the right lessons from the crisis, potential growth opportunities beckon.



# Four key findings from this year's survey

For more details, immerse yourself in our augmented reality experience.



The majority of Middle East CEOs are very confident about their organisation's growth prospects over the next three years, more than the global survey average



CEOs have learned from the impact of COVID-19 and are building more resilient businesses



Business leaders are increasing investments in digitisation and prioritising upskilling in order to transform successfully out of the crisis



CEOs are increasingly concerned by weak cybersecurity and a lack of available skills as potential business threats

### Prepare to immerse yourself

Step ① → Step ② → Step ③

Open your device camera → Scan the QR code → Point your camera at the image and enjoy

Scan QR code to launch

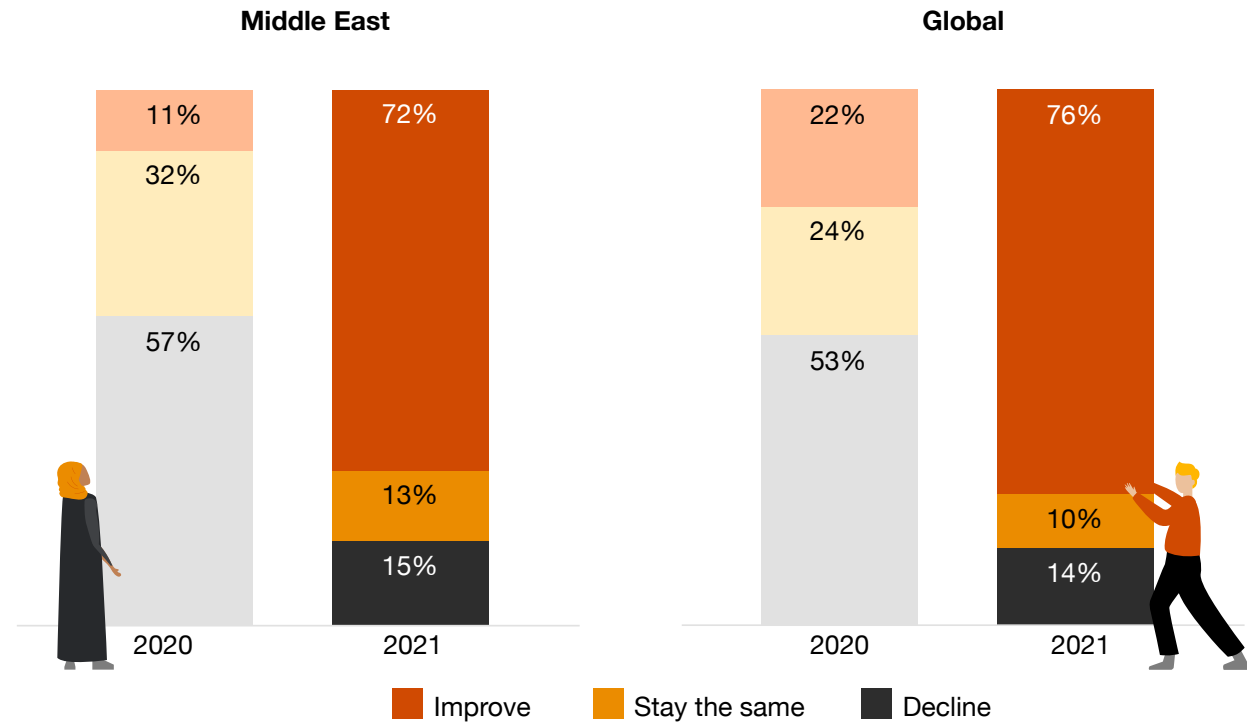


Increasing confidence  
among CEOs

Like their peers worldwide, Middle East CEOs are emerging from last year's unprecedented crisis with a remarkably positive outlook. 52% of Middle East CEOs, compared with 47% globally, are very confident that their organisation's revenue will grow on a one-to-three year horizon. This represents the sharpest rebound in sentiment of any region worldwide, compared with last year's survey.

The current optimism of business leaders across the region reflects the worldwide picture, as mass vaccine programmes finally start to offer an assured exit from the pandemic. 72% of Middle East CEOs, and a record 76% globally, believe that worldwide economic growth will improve in 2021. By contrast, only 11% of Middle East CEOs felt similarly positive about short-term global economic prospects in late 2019, when we conducted the previous survey.

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

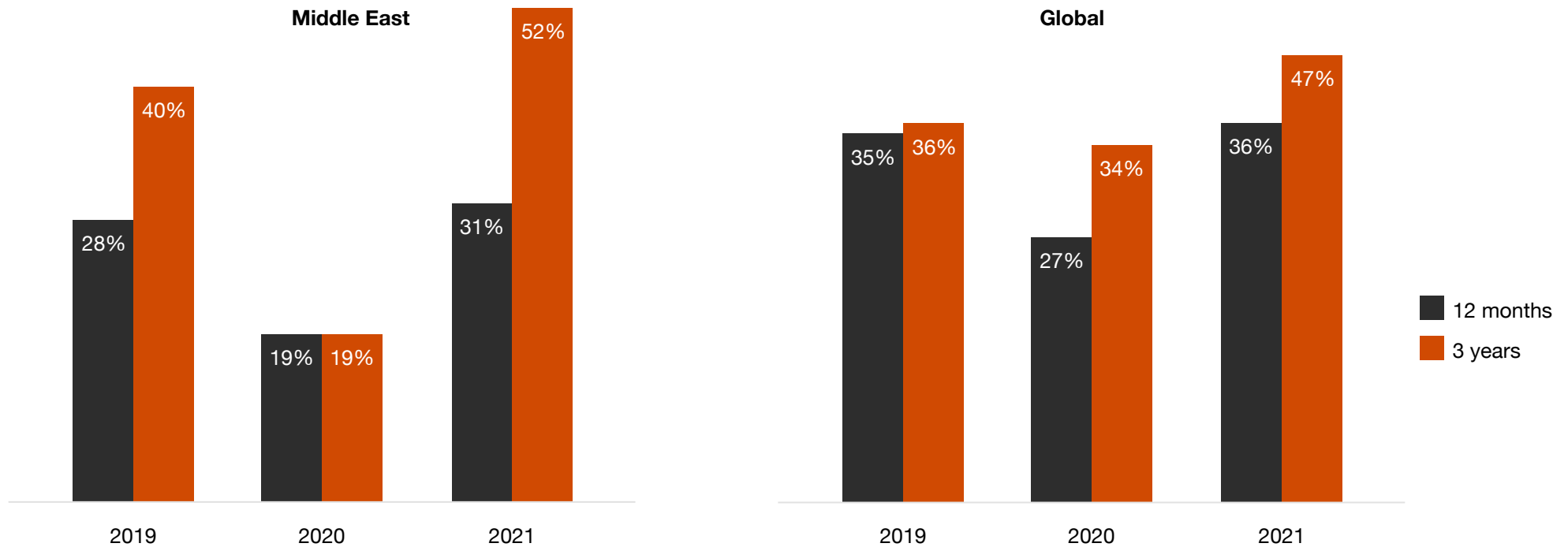


The increasing confidence of Middle East CEOs is tempered by the fact that the start of 2021 has been mixed for the region, with a new COVID-19 wave triggering another round of travel restrictions and lockdown measures. As a result, it is understandable that our regional CEOs are slightly more cautious in the short term, with 31%, versus 36% globally, forecasting revenue growth over the next 12 months.

Nevertheless, as vaccine deliveries pick up, other Middle East countries are beginning to emulate the strong rollouts seen so far in parts of the region. The success of vaccine programmes, coupled with the resurgent oil price, indicate that 2021 will see a return to economic growth for all Middle East countries of around 3% median real GDP growth across the region.<sup>1</sup>

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

(Showing only 'very confident' responses)



<sup>1</sup> IHS Markit Monthly Economic Outlook reports; Bahrain as of 23 December 2020; Kuwait as of 23 December 2020; Oman as of 28 December 2020; Qatar as of 23 December 2020; Saudi Arabia as of 17 December 2020; United Arab Emirates as of 21 December 2020.

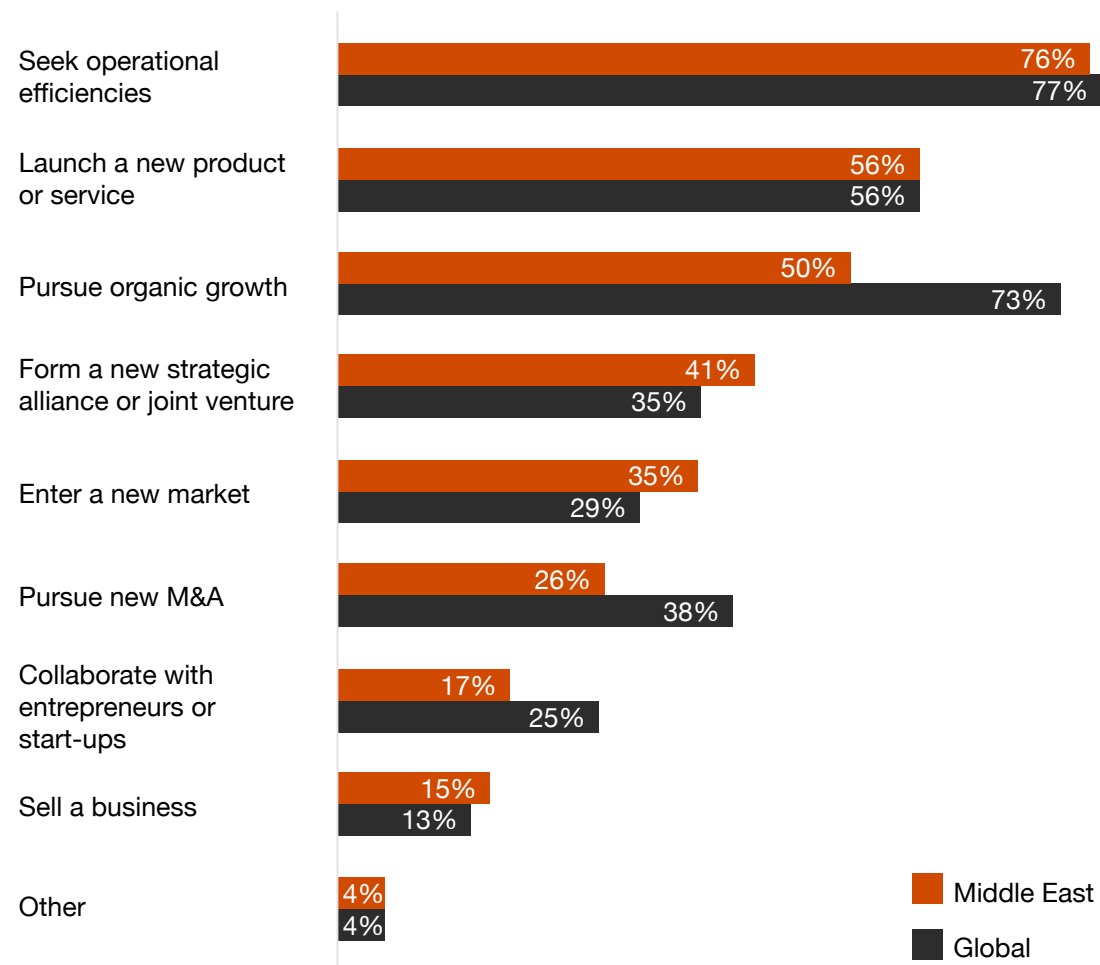
## Where do opportunities lie?

In this transitional landscape, the only certainty is that digitisation and the use of new technologies will be central to corporate transformation. M&A will also be important over the next year or two, and we expect dealmaking in the region to focus on consolidating operations and divesting non-core assets, in line with the global emphasis on repairing and reconfiguring businesses, as well as adding new technologies in support of digitisation. Around 41% of CEOs said they hope to form a new strategic alliance or joint venture in the next 12 months, up from 36% last year.

We also expect to see deals linked to government privatisation and economic stimulus programmes, localisation (as companies seek to reduce dependence on imports following the disruption to supply chains caused by COVID-19) and opportunistic acquisitions of distressed assets. Environmental, social and governance (ESG) factors will also become a more important part of investment decisions.

When it comes to organic growth, 35% of Middle East CEOs say they are planning to enter a new market in the next year, more than any other region in the survey. Within our region, Egypt (35%) and Saudi Arabia (26%) are the most popular growth destinations. The increasing attractiveness of Egypt to investors is largely due to a comprehensive economic reform programme, which is addressing long-standing problems such as inflation and the current account deficit. Despite the impact of COVID-19, including the collapse of the tourism sector, Egypt was the only Middle East country whose economy expanded in 2020, with GDP growth of 3.6%.<sup>2</sup>

## Which of the following activities, if any, are you planning in the next 12 months in order to drive growth?



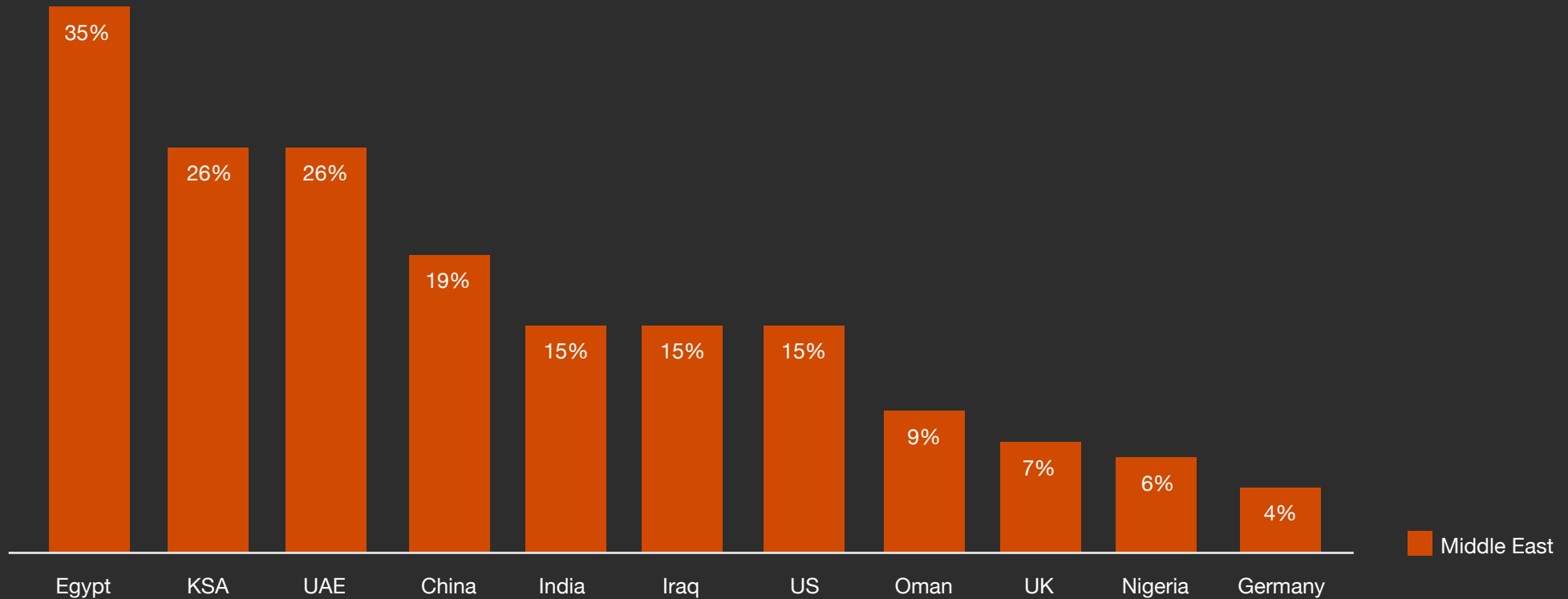
<sup>2</sup> Middle East Economy Watch, PwC Middle East, out in April 2021



At the same time, Saudi Arabia continues to appeal to investors as the Kingdom emerges from the pandemic and seeks to reach the ambitious targets set by the government's Vision 2030 strategic framework. Like the rest of the region, the surge in remote working in Saudi Arabia triggered by COVID-19 has accelerated digitisation, critical to the Vision 2030 goal of building a knowledge economy by the end of the decade.

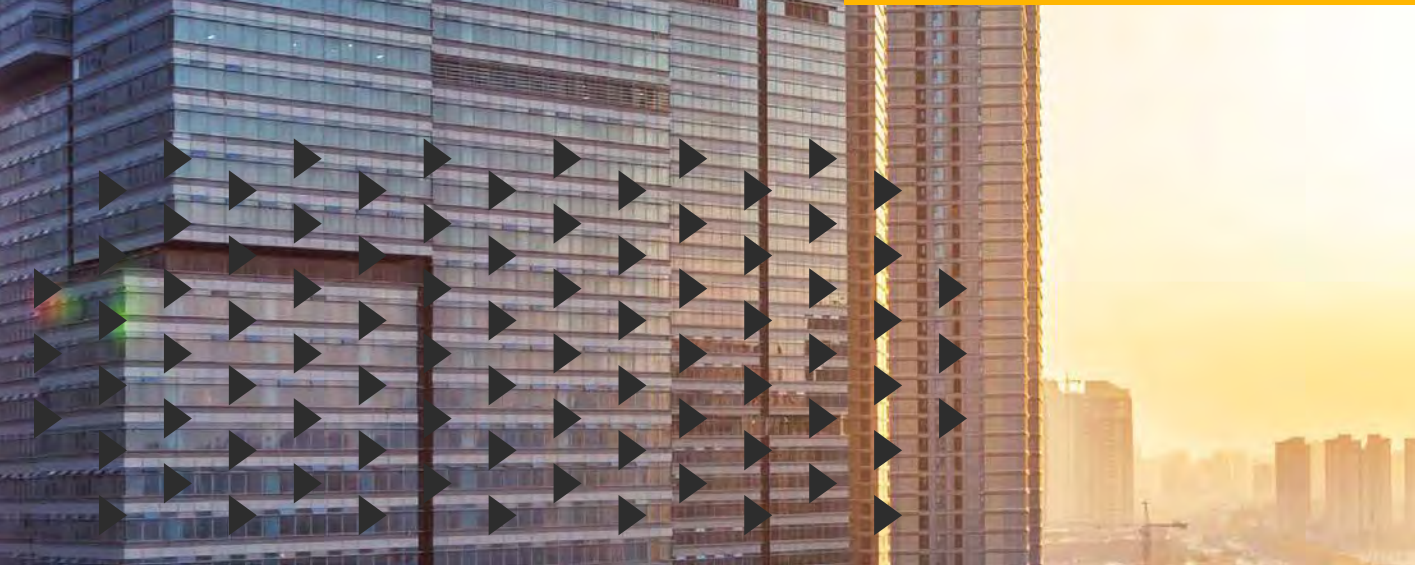
The other trend to note as Middle East CEOs seek opportunities in the region is the UAE's recovery as a popular growth destination. The UAE is identified by 26% of respondents compared with 11% when we conducted our previous CEO survey.

**Which three countries/territories, excluding the country/territory in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months?** (Showing only selected top responses)





Taking the hard lessons  
from COVID-19 to build  
more resilient businesses



Our latest findings suggest that Middle East CEOs are drawing on their experience of withstanding the dual shock of COVID-19 and an oil price collapse to build smarter, more resilient organisations. Two lessons in particular feature in our results. Firstly, the abrupt mass shift to remote working last year amid worldwide economic upheaval has pushed employee welfare up corporate agendas. 50% of Middle East CEOs regard the good health and wellbeing of the workforce as a priority that businesses should help to deliver, up from 43% in 2016. In this context, the mental health of employees is a particular concern, after a year when working and family lives have been severely disrupted.

Secondly, COVID-19's wrenching social and economic impact has prompted CEOs across the region, in line with their peers worldwide, to reassess and overhaul business and operating models, as well as corporate transformation programmes, that were conceived and developed before the pandemic. All business activities are under intense scrutiny, as CEOs seek to reconfigure their companies to make the most of market opportunities that are starting to emerge from the upheaval, with 76% planning operational efficiencies to drive growth.

We have seen an increase in restructuring activity, with CEOs seeking improvements in operational and financial management as the key to survival and success. Relevant actions include better inventory management, instilling a cash-conscious culture, keeping cash collections under constant scrutiny, and only investing in products and services which can rapidly deliver cash returns.

# 50%

of Middle East CEOs agree that the good health and well-being of the workforce should be a priority that businesses help deliver.

# 76%

of Middle East CEOs are planning to seek operational efficiencies in the next 12 months in order to drive growth.





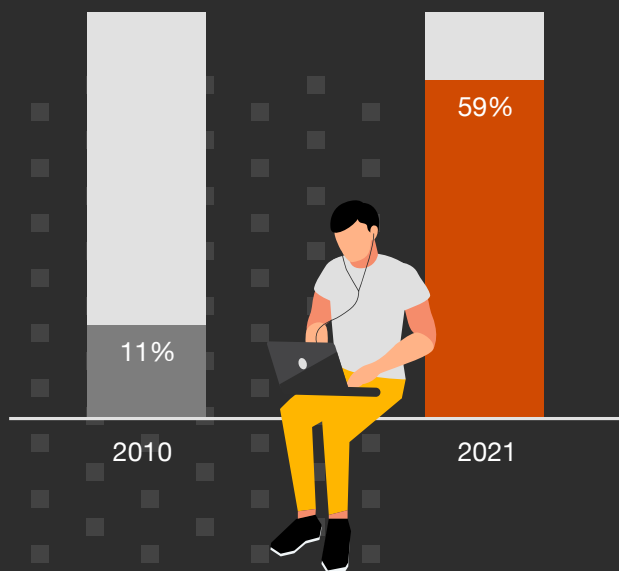
Transforming

out of the crisis

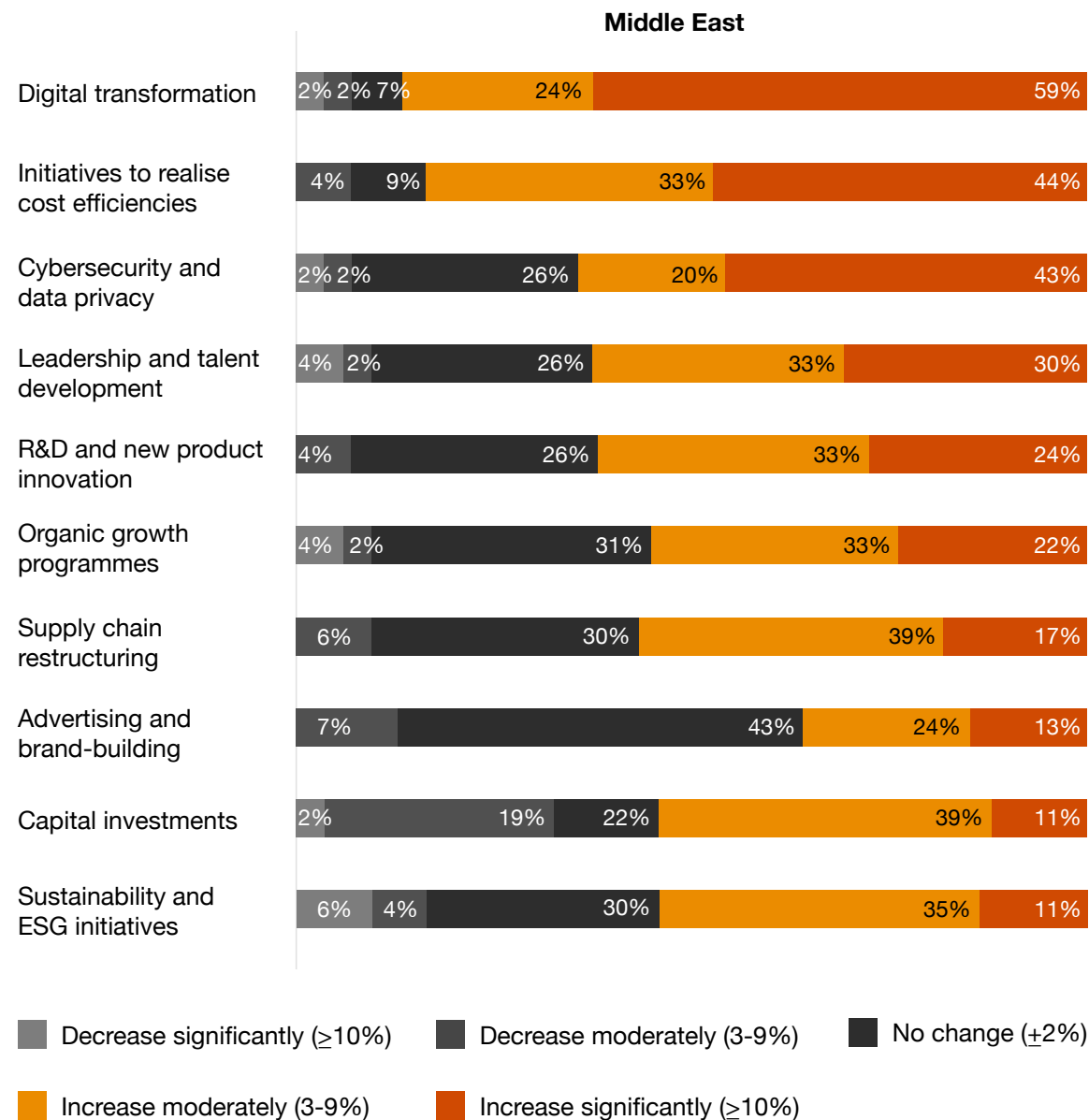
In the aftermath of the global financial crisis, only 11% of Middle East CEOs in our 2010 survey planned to increase their digital investments substantially. Today, 59%, compared with 49% globally, aim to increase their investments in digital transformation by 10% or more over the next three years, as a direct response to the impact of COVID-19. The key role digitisation will play in the region's recovery and future growth has been underscored by the mass shift to remote working across all sectors. Middle East governments are supporting this transition, as they pursue strategies to build knowledge economies that leverage digital technologies.

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### Digital transformation



## How do you plan to change your long-term investments in the following areas over the next three years, as a result of the COVID-19 crisis?



Decrease significantly (≥10%)
  Decrease moderately (3-9%)
  No change (±2%)
   
 Increase moderately (3-9%)
  Increase significantly (≥10%)

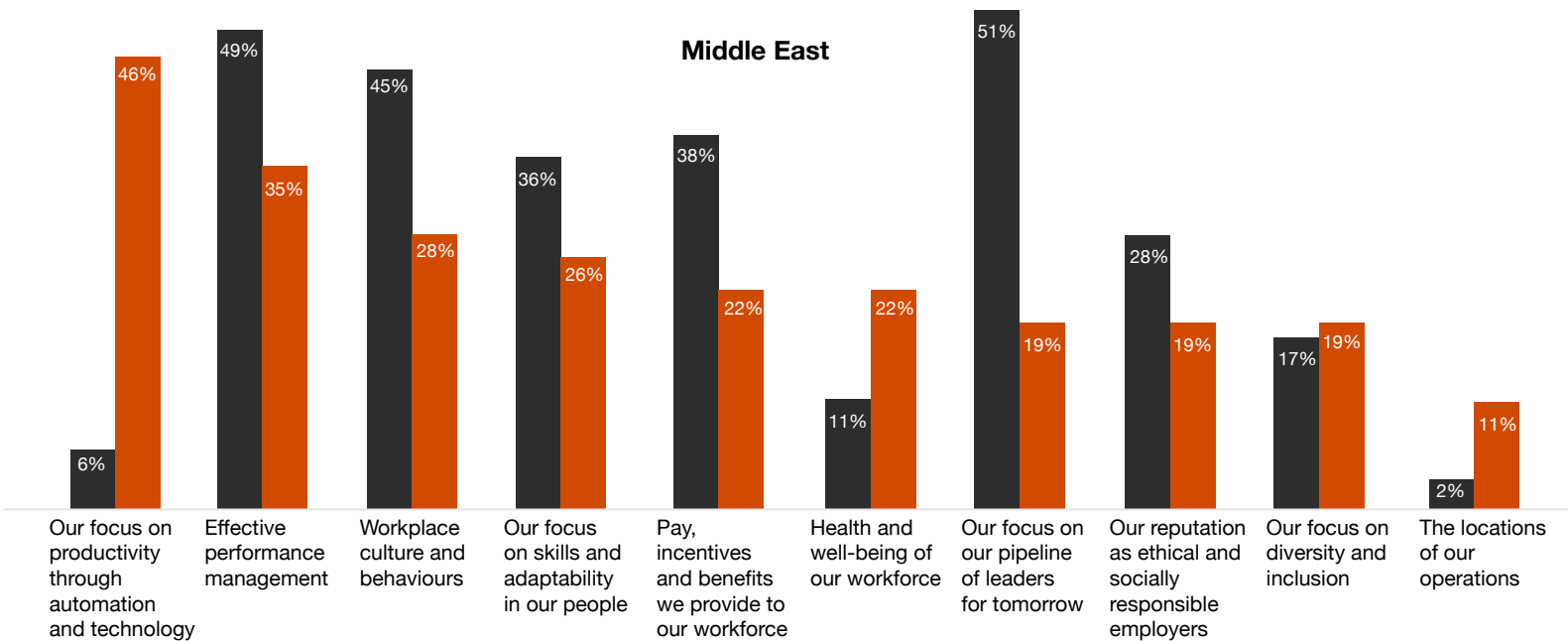
However, planned investments will only realise their full potential if organisations ensure that employees have the skills to utilise AI, robotics, machine learning and other new technologies. The urgent need for Middle East companies to upskill employees for the digital era was highlighted in our 23rd CEO Survey report, published in 2020. At the time, 80% of respondents, up from 70% in the 2019 survey, said a shortage of workforce skills potentially threatened their organisation’s growth prospects.

# 70%

of Middle East CEOs believe that a skilled, educated and adaptable workforce is a top business priority.

In the current survey, 70% of Middle East CEOs, more than any other region, believe a skilled, educated and adaptable workforce is a top business priority. 46% of respondents, compared with only 6% in 2016, are prioritising automation and new technology to increase productivity and competitiveness – the steepest rise of any region globally during the same five-year period.

Across the region, employees are increasingly aware that they have to upskill to keep their jobs or qualify for new roles as new technologies are implemented. Critically, a growing number welcome this challenge. For example, 86% of PwC’s latest Middle East Hopes and Fears survey sample are confident that they can learn further skills to increase their employability.<sup>3</sup>



**Which aspects of your workforce strategy are you changing, if any, to make the greatest impact on your organisation’s competitiveness?**  
(Showing only selected responses)

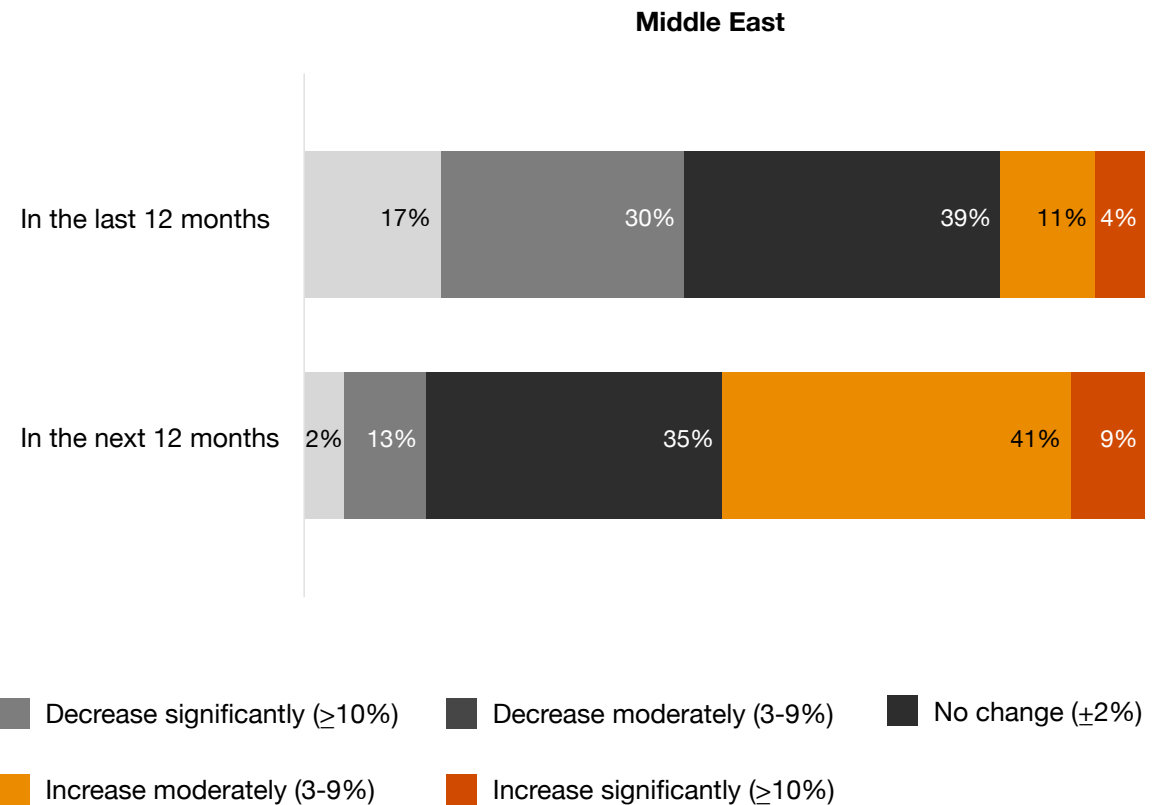
2021  
2016


<sup>3</sup> New world. New skills. Insights from the GCC Hopes and Fears survey, PwC Middle East, 2021, <https://www.pwc.com/m1/en/issues/images/hope-and-fears/gcc-hopes-and-fears-2021.pdf>

This increasing focus by Middle East CEOs on technology to raise productivity does not necessarily mean that they envisage smaller workforces when growth returns. In the short term, many regional businesses responded to the COVID-19 crisis by cutting payrolls – 47% of Middle East CEOs report that they have reduced their organisation’s headcount over the past 12 months by between 3% and 10% or more, a significantly higher proportion than the global average. The relatively steeper headcount reductions by Middle East CEOs may in part reflect the large number of service and hospitality companies in the region that were severely impacted by the first wave of COVID-19.

By the start of 2021, some Middle East CEOs appear to feel that they had shrunk their payrolls too far in the first wave of the crisis, and our findings indicate that as business confidence revives, CEOs are starting to hire again. Over 50% of Middle East CEOs, more than any other region, plan to increase their headcount by between 3% and 10% or more. Technology that delivers growth also requires digitally skilled workers, creating a virtuous circle.

## How has your organisation’s headcount changed in the last 12 months, and how do you expect it will change in the next 12 months?



A man in a dark suit and blue shirt is walking down a long, brightly lit aisle in a server room. The aisle is flanked by rows of server racks. The floor is made of metal grates. The lighting is cool and blue. The man is looking slightly to his left. The text is overlaid on the right side of the image, in a yellow box.

Resilient CEOs are more acutely aware of the risks presented by cybersecurity and lack of available skills



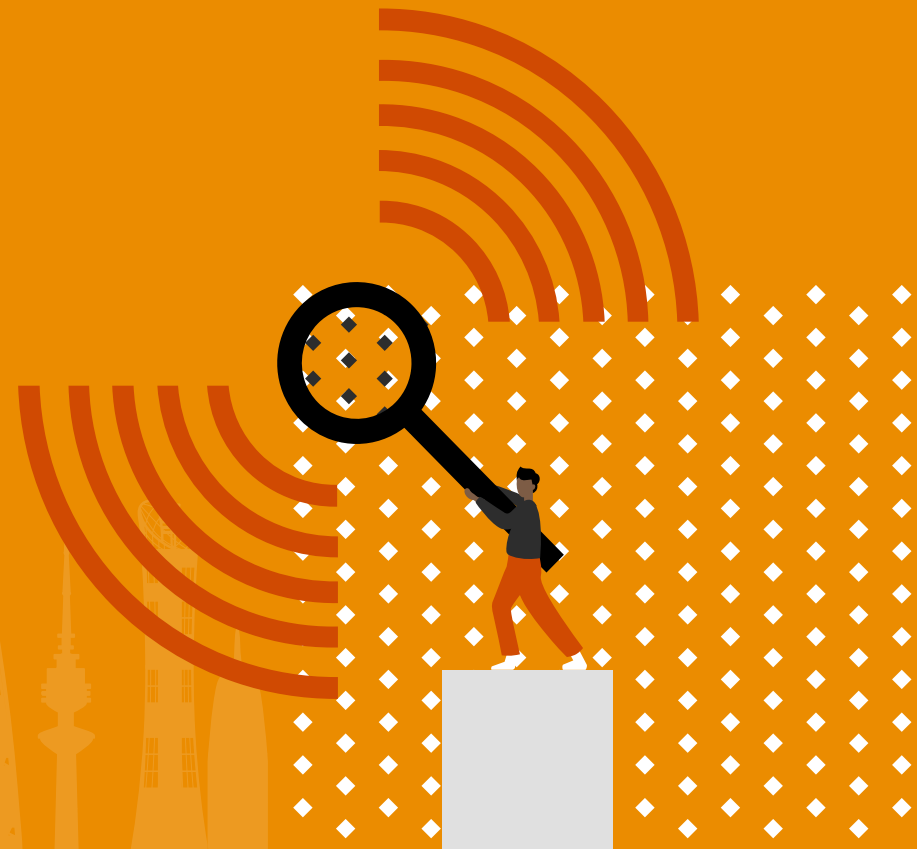
Not surprisingly, COVID-19 continues to preoccupy business leaders across the region. 56% of Middle East CEOs, slightly more than the global average, cite pandemics and other health crises as the most serious threat confronting their organisations. By contrast, when the same question was last put to CEOs in the 18th CEO Survey, only 9% of the global respondents cited pandemics and other health crises as a major worry.

Looking ahead, other potential business risks remain high on CEO agendas in the Middle East, as vaccines start to provide hope of bringing COVID-19 under control in 2021. 41% are extremely concerned about cybersecurity, compared with a global average of 47%. Overall, 74% regard cyberattacks and leaks as worrying threats to growth in 2021, compared with 68% in 2020; and 52%, versus 59% globally, say that cyber threats feature in their organisation's risk management.

This growing anxiety about cyber threats across the region is an inevitable by-product of fast and increasing digitisation by organisations as they implement new technologies and upskill their workforces. A growing number of CEOs have started to bolster resilience against external and internal cyber threats by utilising technologies that prevent attacks before they begin.

The urgency of this for Middle East CEOs is demonstrated by the fact that 43% plan to increase investment in cybersecurity and data privacy by 10% or more over the next three years, well ahead of the global average of 31%. In addition, 41% think their organisation should be doing more to measure cybersecurity.

This investment is mostly aimed at embedding cyber resilience in (now more digitised) business processes, defining quantitative ways to measure risk in real time, and implementing solutions and services to detect and respond to attacks in real time.



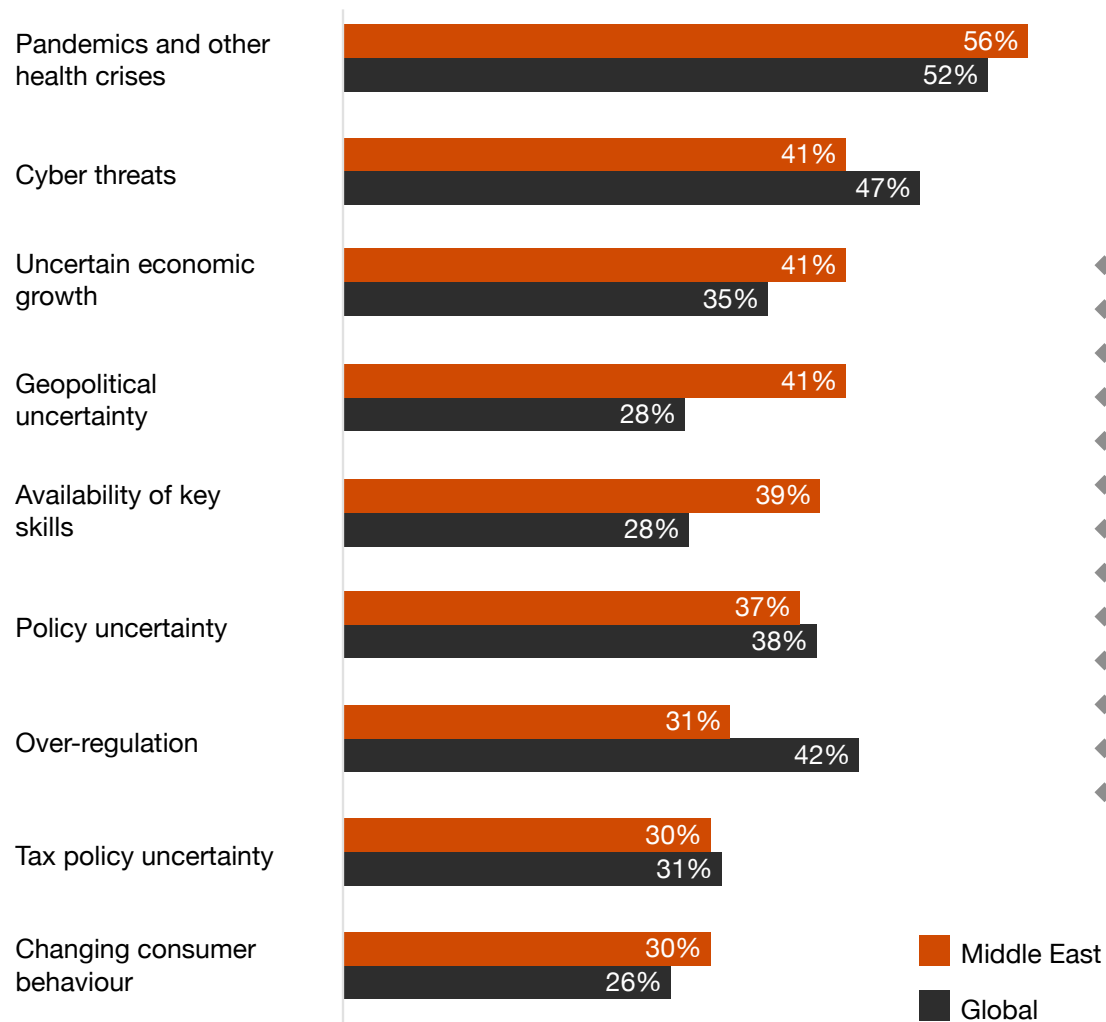
There is also a significant gap between the global survey average and Middle East CEOs on the question of lack of skills as a major threat. 39% of regional business leaders cite this shortfall as a specific issue for their organisation, compared with 28% worldwide, illustrating why upskilling features as a business priority for Middle East CEOs. The encouraging news is that upskilling and recruitment of talent appear to be making some progress in addressing the problem, with the proportion of Middle East CEOs who are concerned by lack of workforce skills falling from 80% in 2020 to 69%.

This slight decline may be partly due to a rising awareness by business leaders across the region that improving the skills of their workforce is critical in the digital era. For example, 90% of respondents in our latest Hopes and Fears survey of employee attitudes in the GCC region say their employer is allowing them opportunities to improve their digital skills outside their normal duties.<sup>4</sup>

As in previous surveys, geopolitical uncertainty is of significantly greater concern to Middle East respondents than the rest of the survey: 41% express extreme concern about this threat, versus 28% globally. Similarly, 44% of Middle East leaders include geopolitical uncertainty in their risk planning and management, compared with 29% worldwide. Yet the proportion of business leaders who cite this threat as a direct problem for their organisation has fallen from 91% in last year's survey to 70%, reflecting the easing of some geopolitical tensions in the region. There have been two significant positive diplomatic developments in recent months: the normalisation of relations between the UAE and Israel agreed in September 2020 (the Abraham Accords), and the reconciliation between the GCC countries and Qatar agreed in January 2021 (the Al-Ula Accord).

Lastly, most Middle East CEOs do not see climate change and environmental damage as a threat to their organisations. Only 17% say they include this issue in their risk management planning, less than half the global average.

## How concerned are you, if at all, about each of these potential economic, policy, social, environmental and business threats to your organisation's growth prospects? (Showing only top nine 'extremely concerned' responses)



<sup>4</sup> New world. New skills. Insights from the GCC Hopes and Fears survey, PwC Middle East, 2021, <https://www.pwc.com/m1/en/issues/images/hope-and-fears/gcc-hopes-and-fears-2021.pdf>

# Conclusion

## Rising to the post-pandemic challenge: Middle East CEOs chart the road to recovery

Our Middle East findings show that CEOs across the region are already engaged in navigating their organisations successfully out of the pandemic, using the recovery strategies that we outline in PwC's '5Rs' framework.

Firstly, they are **repairing** damaged balance sheets, revenue declines, weakened supply chains and stretched and stressed workforces by prioritising operational efficiencies and employee welfare. They are also **rethinking** their business models and supply chains in the wake of the worldwide disruption caused by COVID-19, with a greater emphasis on localisation of suppliers, products and employees.

And they are **reconfiguring** business operations and strategies, implementing digital technology and upskilling programmes to equip their organisations to capture emerging post-COVID opportunities. As part of post-pandemic transformation planning, Middle East CEOs are also starting to incorporate ESG and sustainability goals into corporate planning. Although they still lag their global counterparts, 46% of regional respondents say they aim to increase investments in ESG and sustainability initiatives over the next three years.

This trend not only reflects rising social awareness among regional CEOs. It also makes good business sense, given that younger Middle East consumers are increasingly conscious of ESG issues when buying products and services.

To ensure all these changes are implemented, the most successful business leaders are insisting on real time **reporting** at every stage of this transformation journey, to maintain a clear picture of operational performance in uncertain market conditions still overshadowed by COVID-19.

Critically, our survey suggests that regional businesses have learned from last year's crisis that the need to **restart** can happen at any stage in the repair-rethink-reconfigure process. Dealing with uncertainty is the new normal in a world where massive, unanticipated external shocks can no longer be discounted. Our survey confirms that Middle East CEOs have grasped this crucial lesson.



## About the survey

PwC surveyed 5,050 CEOs in 100 countries and territories in January and February 2021. Conducting fieldwork at the start of 2021 represents a shift from our historic approach. Typically, PwC surveys chief executives for its CEO Survey between September and November, and then releases its report in January of the following year. Given global complexities in the fall of 2020, including pandemic surges, late-stage vaccine trails, and several disruptive geopolitical events, we moved the fieldwork in an effort to create a data set that is meaningful and enduring.

Not all figures in charts will add up to 100% as a result of rounding percentages and the decision in certain cases to exclude the display of 'neither/nor', 'other', 'none of the above' and 'don't know' responses.



# Contacts



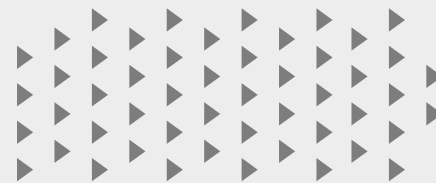
**Hani Ashkar**

Middle East Senior Partner  
PwC Middle East  
hani.ashkar@pwc.com



**Stephen Anderson**

Middle East Strategy and Markets Leader  
PwC Middle East  
stephen.x.anderson@pwc.com



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