Winning today’s race while running tomorrow’s

February 2023
We’ve organised this year’s survey summary into nine tough questions – which naturally fall into three groups – about what it takes to operate in our dual-imperative world.

Forty percent of global CEOs and forty-five percent of CEOs in North Macedonia think their organisation will no longer be economically viable in ten years’ time, if it continues on its current course. That stark data point underscores a dual imperative facing 4,410 CEOs from 105 countries and territories, of which 36 from North Macedonia, who responded to PwC’s 26th Annual Global CEO Survey. Most CEOs in North Macedonia feel it’s critically important for them to reinvent their businesses for the future. They also face daunting near-term challenges, starting with the global economy, which nearly 75% believe will see declining growth during the year ahead.

The race for the future

1. What’s the half-life of your business?
2. When will your company’s climate clock run out?
3. Should you bring your key business risks forward?

Today’s tensions

4. How much is your mood today affecting your view of tomorrow?
5. How do your resilience and your workforce strategies fit together?
6. As geopolitical risks rise, what new contingencies are you preparing for?

A balanced agenda

7. How much time and money are you investing in the future?
8. How central are you to your company’s reinvention?
9. What kind of ecosystem are you building?
Key take aways of the 26th Annual Global CEO Survey – Findings for North Macedonia

The race for the future

• ~45% of respondents said that their company would not be economically viable in 10 years on its current path.
• CEOs identify regulatory change, labour/skills shortages, disruption in supply chain and technology shifts as the biggest potential sources of industry disruption.
• CEOs are starting to feel exposed in their cost bases and supply chains
• CEOs doing the most are the ones who feel the most exposed.
• Actions taken so far relate to decarbonisation and innovating climate-friendly products/services; physical risk mitigation is less evident, as is internal carbon pricing.
• Over the next 12 months and the period ahead, CEOs feel most exposed, financially, to inflation, microeconomic volatility and geopolitical risk.

Today's tensions

• Nearly three-quarters or 72% of CEOs in North Macedonia expect that global economic growth will decline over the next 12 months. This change from last year when 73% of CEOs projected improvement, is mainly driven by the accelerating inflation, energy crisis and the Russia’s invasion on Ukraine.
• In response to near-term challenges, CEOs in North Macedonia have reduced operating costs and increased prices of products and services. The majority of CEOs do not plan to reduce compensation or reduce workforce which is expected considering that companies in North Macedonia are facing labor shortages.
• These issues should be accordingly addressed in order to gain competitive advantage and reinvent the business focusing on growth and development.

A balanced agenda

• The challenge for more balance faced by CEOs in North Macedonia begins with managing their own schedule and extends to the majority of the company's resource allocation choices.
• In many local companies, the environment presents a challenge for employees to move forward on their own towards significant new opportunities or to detect and address disruptive dangers. As such, CEO's must redouble their efforts in establishing a shared vision, granting individuals decision-making authority, and serving as prominent supporters of change.
• It is crucial for local CEOs to broaden their utilization of collaborative networks, moving beyond simply generating business value to also creating societal value. Furthermore, working together should include not only competitors and governments, but also start-ups and entrepreneurs, leading to more significant advancements than any single organization could accomplish on its own.
Nearly 45% of CEOs in North Macedonia don’t think their companies will be economically viable a decade from now if they continue on their current path.

Q. If your company continues running on its current path, for how long do you think your business will be economically viable?

Business leaders sense the need for change and are taking action to respond ahead of time. Companies’ resilience is being tested right now and CEOs should consider ways how to keep up with a pace of change to remain relevant, valuable to its consumers and its business partners or run the risk to lose their job as well as become out of business.
CEOs see the war for talent as well as changes in regulation as topping risks in 2023 and in the years ahead.

Q. To what extent do you believe the following will impact (i.e., either increase or decrease) profitability in your industry over the next ten years? (Showing only ‘to a large extent’ and ‘to a very large extent’ responses.)

War for talent is fierce and will intensify in the years ahead and CEOs in North Macedonia and in CEE region are even more impacted than its peers globally. In addition, changes in regulation (MK: 64%, CEE: 48%, global: 53%), disruptions in supply chain (MK: 53%, CEE: 47%, global: 43%) and technology disruptors (MK: 53%, CEE: 47% global: 49%) are identified as top threats for business leaders in North Macedonia.
Over the next 12 months, CEOs see climate risk impacting their cost profiles and supply chains more than the safety of their physical assets.

Q. To what extent do you expect the following areas of your business to be impacted by climate risk in the next 12 months?

Climate change and its associated risks are a right-now problem and CEOs see climate risk impacting their cost profiles (CEE:46%, MK:42%) and their supply chains (CEE:42%, MK:42%).

Source: PwC 26th Annual Global CEO Survey
CEOs in North Macedonia include climate in their overall strategy but are progressing slowly

Q. Below is a list of actions companies may undertake to prepare for the risk of climate change. Which statement best characterises your company’s level of progress on these actions?

Carbon clock is ticking and CEOs who can react fast, have the opportunity to protect itself against downside risk and use the opportunity to capture some upside potential. Companies are trying to decarbonise, innovate and craft climate strategy in parallel. However, many companies appear to be strategizing today without the information provided by an internal pricing mechanism for carbon, even though this could help them account for considerations such as taxes and incentives and clarify strategic tradeoffs.

**North Macedonia**

<table>
<thead>
<tr>
<th>Action</th>
<th>We do not plan to do this</th>
<th>Planned but not started</th>
<th>In progress</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implement initiatives to reduce my company’s emissions</td>
<td>22%</td>
<td>22%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Innovate new, climate-friendly products or processes</td>
<td>19%</td>
<td>25%</td>
<td>33%</td>
<td>17%</td>
</tr>
<tr>
<td>Develop a data-driven, enterprise-level strategy for reducing emissions and mitigating climate risks</td>
<td>19%</td>
<td>22%</td>
<td>31%</td>
<td>22%</td>
</tr>
<tr>
<td>Implement initiatives to protect my company’s physical assets and/or workforce from the physical impacts of climate risk</td>
<td>36%</td>
<td>17%</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td>Apply an internal price on carbon in decision making</td>
<td>36%</td>
<td>25%</td>
<td>11%</td>
<td>8%</td>
</tr>
</tbody>
</table>

**CEE**

<table>
<thead>
<tr>
<th>Action</th>
<th>We do not plan to do this</th>
<th>Planned but not started</th>
<th>In progress</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implement initiatives to reduce my company’s emissions</td>
<td>20%</td>
<td>17%</td>
<td>41%</td>
<td>19%</td>
</tr>
<tr>
<td>Innovate new, climate-friendly products or processes</td>
<td>20%</td>
<td>20%</td>
<td>36%</td>
<td>19%</td>
</tr>
<tr>
<td>Develop a data-driven, enterprise-level strategy for reducing emissions and mitigating climate risks</td>
<td>22%</td>
<td>17%</td>
<td>34%</td>
<td>18%</td>
</tr>
<tr>
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<td>24%</td>
<td>13%</td>
</tr>
<tr>
<td>Apply an internal price on carbon in decision making</td>
<td>54%</td>
<td>15%</td>
<td>14%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: PwC 26th Annual Global CEO Survey
Inflation is a top concern for CEOs in North Macedonia in the following 12 months and the period ahead.

Q. How exposed do you believe your company will be to the following key threats in:
1. The next 12 months?
2. The next five years?

(Showing only ‘highly exposed’ and ‘extremely exposed’ responses)

Faced with a long list of threats, CEOs from North Macedonia, CEE and globally are aligned when it comes to the immediate risk inflation brings. Geopolitical conflict and macroeconomic volatility remain high concern and round out the top three for business leaders in North Macedonia.

Although, inflation is considered as the highest risk for the year ahead (NMK: 56%, CEE: 55%), in the future this percentage declines (NMK: 39%, CEE: 36%), geopolitical risk and macroeconomic volatility continue to be considered as high risk in the next five years. CEOs from North Macedonia and CEE and globally are on the same side regarding postponing immediate actions regarding cyber risks and climate change and take the risk to be blindsided in the near term.
Local CEOs have changed their expectations from optimistic to pessimistic in regards to the global economic growth over the next 12 months.

Q: How do you believe global economic growth (i.e., gross domestic product) will change, if at all, over the next 12 months?

One of the biggest challenges that CEOs face is the global economic growth. Approximately, three-quarters or 72% of the CEOs in North Macedonia (73% globally and 74% in the CEE region) expect that global economic growth will decline over the next 12 months.

Compared to the previous year, when 73% of CEOs in North Macedonia foresaw improvement in this area, it is clear that today CEOs changed their beliefs. This is mainly impacted by the accelerating inflation which in North Macedonia reached 14.2% in 2022, the energy crisis, as well as the ongoing war between Russia and Ukraine.
CEOs in North Macedonia are more confident in their company’s prospects for revenue growth over the next 12 months compared to the previous year.

Q: How confident are you about your company’s prospects for revenue growth over the next 12 months?

Q: How confident are you about your company’s prospects for revenue growth over the next 3 years? (including only Extremely/Very confident)

*Please note that respondents were allowed to select multiple answers

Despite the expectations for the overall economy, CEOs in North Macedonia are more optimistic about their company’s prospects for revenue growth over the next 12 months with 42% declaring they are extremely/very confident. On a global and CEE level, 42% and 46% of CEOs were extremely/very confident in regards to the revenue growth, respectively.

CEOs in North Macedonia are about as confident in their growth prospects over the next 3 years as they are for the next 12 months (42%).

However, this % has declined compared to last year (54%) and is lower than the % on CEE level (50%) and globally (53%) due to lack of stability in the political and economic environment, limited access to finance as well as the limited access to markets.

Source: PwC 26th Annual Global CEO Survey
Local CEOs have reduced operating costs and increased prices of products and services but the majority do not plan to reduce compensation or reduce workforce.

Q: Which of the following options best describes any action your company may be considering to mitigate potential economic challenges and volatility in the next 12 months?

<table>
<thead>
<tr>
<th>Action</th>
<th>North Macedonia</th>
<th>CEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing compensation</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>Delaying deals</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Reducing workforce</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Implementing hiring freezes</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>Slowing investments</td>
<td>17%</td>
<td>21%</td>
</tr>
<tr>
<td>Reevaluating ongoing projects</td>
<td>28%</td>
<td>34%</td>
</tr>
<tr>
<td>Finding alternative suppliers</td>
<td>22%</td>
<td>44%</td>
</tr>
<tr>
<td>Diversifying products/service offering</td>
<td>28%</td>
<td>47%</td>
</tr>
<tr>
<td>Raising prices of products and services</td>
<td>50%</td>
<td>58%</td>
</tr>
<tr>
<td>Reducing operating costs</td>
<td>58%</td>
<td>51%</td>
</tr>
</tbody>
</table>

- We are already doing this/have done this
- We are considering this in the next 12 months
- We do not plan to do this
- Don’t know

CEOs in North Macedonia are in line with CEOs in CEE in undertaking as well as not taking actions in order to mitigate potential economic challenges and volatility in the next 12 months.

58% of the CEOs in North Macedonia reduced operating costs (51% in CEE), 50% increased product prices (58% in CEE) whereas 28% re-evaluated ongoing projects or major initiatives (34% in CEE). Majority of CEOs in North Macedonia or 72% believe that the labour shortages they are facing will impact profitability level. Thus, 83% declared that they will not reduce compensation, 81% will not reduce workforce and 72% will not be implementing hiring freezes.
Most of local CEOs believe that the number of employee resignations / retirements will not change in the next 12 months.

Most of the CEOs in North Macedonia or 53% expect no change in employee resignation/retirement rates in their companies in the next 12 months. This is in line with the expectations globally and on CEE level where 45% and 37% respectively, believe there will be no change in these rates. However, more CEOs in North Macedonia believe that employee resignation rates will increase slightly (22%) than predicting they will slightly decrease (3%).

From this point of view, it is reasonable that CEOs do not plan to undertake actions which imply reduction in compensation and reduction in workforce and are investing in upskilling the workforce in priority areas.
CEOs in North Macedonia are more optimistic about global growth than territory growth over the next 12 months

Q: How do you believe economic growth (i.e., gross domestic product) will change, if at all, over the next 12 months in the global economy/your country or territory?

*Please note that respondents were allowed to select multiple answers

As geopolitical risks rise, what new contingencies are you preparing for?

As a response to the elevated inflation, higher interest rates, supply chain disruptions, reduced investments and the impact of Russia’s invasion on Ukraine, the expectations of CEOs across the world in relation to economic growth have significantly changed.

CEOs in North Macedonia are more optimistic about short-term global growth prospects than territory growth with 72% expecting decline in global growth and 78% in territory growth. This view is in line with the beliefs of CEOs in France, Germany, UK, Slovenia which anticipated that growth in their countries would lag the global economy.
Local CEOs want to spend more time reinventing their business and mentoring employees, and less time managing current operations.

Q. a (actual time spent). During your work time, on average, what percentage of time do you spend on each of the following?

<table>
<thead>
<tr>
<th>Activity</th>
<th>Actual time spent</th>
<th>Ideal time spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driving current operating performance</td>
<td>25%</td>
<td>18%</td>
</tr>
<tr>
<td>Evolving the business and its strategy to meet future demands</td>
<td>19%</td>
<td>25%</td>
</tr>
<tr>
<td>Engaging with or mentoring/developing employees</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td>Engaging with investors, government officials and other external leaders</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>Engaging with customers</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Driving current operating performance takes up the largest share of local CEOs’ time. Ideally, all respondents said that they would rather spend less time on day-to-day activities and more time on evolving the long-term business strategy to meet future demands and on mentoring and engaging with employees. The same response is noted from regional and global CEOs as well.

This highlights the need to reimagine the role of the CEO by creating organizations whose top leaders are freed up from day-to-day challenges, enabling companies to survive after the next 10 years.
Local CEOs have automation and technology, as well as workforce upskilling on their investment agenda for the next 12 months.

Q. Which of the following investments, if any, is your company making in the next 12 months?

Automation and technology, as well as upskilling the workforce are the top three segments in which local CEOs, as well as all global respondents plan to invest during the next 12 months.

In North Macedonia and the CEE region, a higher percentage of CEOs answered they would invest in adopting alternative energy sources compared to the global CEOs, while decarbonizing the company’s business model is higher on global CEOs investment agenda.

Some of the global CEOs consider investing in exploring the metaverse and in relocating their operations in response to climate risk, while local CEOs and CEE region CEOs are joining that train at a slower pace.
CEOs need to empower their people to become determined leaders that act discretionally and are able to tolerate small-scale failures in the workplace.

Q. For each of the statements below, please indicate how frequently these occur in your company:

<table>
<thead>
<tr>
<th>Statement</th>
<th>North Macedonia</th>
<th>CEE</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>The behaviours of employees are aligned with my company’s values and direction</td>
<td>28%</td>
<td>72%</td>
<td>16%</td>
</tr>
<tr>
<td>Leaders in my company encourage dissent and debate</td>
<td>44%</td>
<td>56%</td>
<td>43%</td>
</tr>
<tr>
<td>Leaders in my company tolerate small-scale failures</td>
<td>64%</td>
<td>33%</td>
<td>57%</td>
</tr>
<tr>
<td>The final outcomes of the projects I review tend to meet or exceed initial forecasts of their financial performance</td>
<td>58%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Leaders in my company make strategic decisions for their function or division without consulting me</td>
<td>78%</td>
<td>22%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Source: PwC 26th Annual Global CEO Survey

Compared to their regional and global peers, CEOs in North Macedonia face a larger difficulty with employee behavior that is unaligned with their company’s values.

Results have shown that local CEOs believe company’s leaders rarely put up with small-scale failures and that more than half of the time projects fail to meet or exceed the initial forecast performance.

Most frequently, CEOs worry that company leaders are not making any independent strategic decisions.
Companies in North Macedonia are more likely to collaborate to create business value than to solve societal issues.

Q. To what extent is your company collaborating with the following groups to:
   1. Create new sources of value?
   2. Address societal issues?
   (Showing only ‘to a large extent’ and ‘to a very large extent’ responses)

While local companies work with a wide network of collaborators in order to create business value, most of the time relations are built with competitors and governments rather than with start-ups. According to the answers of the survey, companies in North Macedonia collaborate with entrepreneurs and start-ups to a much smaller extent than companies in the CEE region.

When it comes to addressing societal issues, collaboration with NGOs and academic institutions is done at a larger extent locally than among regional and global peers.

Source: PwC 26th Annual Global CEO Survey

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<table>
<thead>
<tr>
<th></th>
<th>North Macedonia</th>
<th>CEE</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Established companies/competitors</strong></td>
<td>31% 19%</td>
<td>21% 10%</td>
<td>26% 13%</td>
</tr>
<tr>
<td><strong>Governments (at national or local level)</strong></td>
<td>22% 19%</td>
<td>15% 10%</td>
<td>19% 18%</td>
</tr>
<tr>
<td><strong>Industry consortia</strong></td>
<td>19% 11%</td>
<td>15% 7%</td>
<td>20% 16%</td>
</tr>
<tr>
<td><strong>Academic institutions</strong></td>
<td>19% 14%</td>
<td>14% 8%</td>
<td>16% 12%</td>
</tr>
<tr>
<td><strong>Entrepreneurs or start-ups</strong></td>
<td>6% 8%</td>
<td>7% 18%</td>
<td>10% 20%</td>
</tr>
<tr>
<td><strong>NGOs (Non-governmental organisations)</strong></td>
<td>17% 8%</td>
<td>12% 8%</td>
<td>14% 10%</td>
</tr>
</tbody>
</table>

Create new sources of value:  
Address societal issues:
Looking ahead

This is our 26th year of engaging business leaders around the world on their confidence level, their main priorities and the actions they are taking for the year ahead. This exercise has never been more vital for the future and we believe that the actions taken by CEOs as leaders will play a significant role in charting a course for North Macedonia.

Record-high inflation, supply chain disruptions, and geopolitical tensions have contributed to an unprecedented level of pessimism among CEOs not seen in over a decade. However, every crisis presents an opportunity, and the urgency for leaders to take bold action and transform their businesses for the future has never been more pressing. In North Macedonia, 45% of CEOs are concerned that their companies will not be economically sustainable ten years from now if they maintain their current trajectory. The information we have provided highlights how CEOs are juggling the need to address both long-term and short-term issues.

Presently, CEOs may be primarily focused on immediate issues such as inflation, geopolitical unrest, and the economic decline. However, taking care of employees and developing their skills is now a more pressing requirement than ever before. In North Macedonia and the CEE region, labor and skill shortages are considered to be among the most significant long-term threats to profitability.

The choices that CEOs make during these times will have a lasting impact on the growth of their organizations, as well as on the local economy and society. Our research aims to assist leaders in recognizing vulnerabilities and prioritizing their most significant opportunities, resulting in widespread and enduring positive change. We eagerly anticipate further engagement with our clients and stakeholders as we dig deeper into this critical debate concerning the future of our country.

Source: PwC 26th Annual Global CEO Survey
PwC surveyed 4,410 CEOs in 105 territories in October and November of 2022. The global and regional figures in this report are weighted proportionally to country or regional nominal GDP to ensure that CEOs’ views are representative across all major regions. The industry- and country-level figures are based on unweighted data from the full sample of 4,410 CEOs. Further details by region, country and industry are available on request. All quantitative interviews were conducted on a confidential basis.

Among the 4,410 CEOs that participated in the survey:
- 2% of them lead organizations with revenues of US$25bn or more.
- 3% lead organizations with revenues between US$10bn and US$25bn.
- 18% lead organizations with revenues between US$1bn and US$10bn.
- 33% lead organizations with revenues between US$100m and US$1bn.
- 69% lead organizations that are privately owned.

Notes:
- Not all percentages in charts add up to 100% - a result of rounding percentages, multi-selection answer options and the decision in certain cases to exclude the display of certain responses, including ‘other’, ‘none of the above’ and ‘don’t know’.
- We also conducted in-depth interviews with CEOs from three global regions (North America, Western Europe and Asia-Pacific). Some of these interviews are quoted in this report; the full interviews can be found at strategy-business.com/inside-the-mind-of-the-ceo

For the Macedonian results, 36 CEO's shared their responses, insights and predictions.
- 61% of them lead organisations with revenues less than US$100 million.
- 14% of them lead organisations with revenues between US$100m and US$1bn.
- 6% of them lead organisations with revenues between US$1bn and US$10bn.
- 58% of their organisations were privately owned.

The research was undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services.
https://www.pwc.co.uk/pwcresearch
Thank you!

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