

# ***The Rise of the Global ASEAN: The Next-Generation Leaders***

## A Philippine CEO Survey



## ***Message from the M.A.P. President***



**Perry L. Pe**  
President, Management Association  
of the Philippines (M.A.P.)

On behalf of the MANAGEMENT ASSOCIATION OF THE PHILIPPINES (M.A.P.), I would like to extend our deepest gratitude to Isla Lipana & Co./PwC Philippines for serving as our KNOWLEDGE PARTNER, once again, for the September 6 M.A.P. International CEO Conference 2016.

This year's Conference focuses on the next generation leaders or the stories of individual players who are making their mark in the global arena. The next-generation leaders disrupt. They innovate. They create. They shape. They dominate. They organize a business future in a disorganized world.

Our Conference provides the venue for the next-generation ASEAN leaders to inspire those who aspire to join them in the next stage. Our Conference is where they tell their stories. This is where they share their journeys. This is where those who will join their rank in the future arise.

We hope that the readers of the report will learn from our next-generation leaders – a new breed of leaders who are changing the face of global business, shifting the consumer power axis, and tilting the productivity balance – on how to implement innovative strategies that will propel businesses to amazing heights.

The M.A.P. is pleased to work with Isla Lipana & Co./PwC Philippines for this second of a series of annual CEO Surveys in the Philippines being conducted by PwC which are envisioned to benchmark the changes in how CEOs think, react and innovate.

A handwritten signature in black ink, appearing to read "Perry L. Pe".

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## ***Message from the PwC Philippines Chairman***



**Atty. Alexander B. Cabrera**  
Chairman and Senior Partner,  
Isla Lipana & Co./PwC Philippines  
Chairman, M.A.P. EMERGE  
(Educated Marginalized  
Entrepreneurs Resource Generation)  
program

It would not be right to say that there are stark differences between the next-generation leaders and the established veterans in business. Both generations value the ability to do business across borders, innovation and integrity.

There are, however, differences as this joint M.A.P.-PwC survey interestingly shows in subtlety. For example, the veterans would use technology in increasing online presence while the “next gens” would use this to vary business models.

Both generations value education and global acumen, but whatever the next gens lack in that regard, they make up by being drawn to new experiences and challenges.

It cannot be denied that the veterans are the fathers of taking risks and are models of resiliency. The next gens’ favorite tools, on the other hand, are creativity, innovation and grit.

Partnerships are important and indispensable to growth, although one thing that the next gens highly value on their list, more than the veterans do, is collaboration.

Veterans may disagree with each other on how to train their successors, especially those in the family. Many would prepare them to succeed in the family business, although some would value that they achieve success independently as they pursue purpose and meaning in what they do.

Everyone, though, is one in saying that they want to pass on the values of trust and respect, and to teach if they can, two other virtues — humility and loyalty.

We sincerely thank the 111 leaders for allowing us to probe their minds and businesses for this report. This is the second year that we’re doing the CEO survey for the M.A.P.

We are privileged to serve as the Knowledge Partner for the 14th M.A.P. International CEO Conference.



# A Philippine CEO Survey

## Business leaders uncover their views on breaking boundaries and what the future holds in an evolving world

The theme of the 14th M.A.P. International CEO Conference 2016, “The Rise of the Global ASEAN: The Next Generation Leaders,” helped shape the 2016 CEO Survey.

With that in mind, we gathered the insights and opinions of business leaders of varying ages on their outlook for their companies, sectors and the country.

It is thought-provoking to learn the different points of view that the varying generations of leaders hold as they enter new markets and venture into new partnerships and alliances.

You have the remarkable access to the insights of some of our top business leaders – the invaluable lessons learned from long-time business veterans, as well as new and exciting ideas from the next-generation leaders. We all aspire to become good leaders. Strive to be better – we should never stop learning, at whatever age. There is always something new to learn and adopt; there is always room for continuous improvement.

We hope that this report will inspire you, motivate you, encourage you and empower you to be the best leader that you can be.



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# Have CEO sentiments changed now that ‘change’ is here?

## **CEOs give thumbs-up for change**

A change in government administration often brings with it a renewed sense of hope and optimism. President Rodrigo Duterte, elected with a strong mandate of 39% of total votes, built his platform on the promise of change, action and inclusive growth.

During his first State of the Nation Address, the President stated “we cannot move forward if we allow the past to pull us back.”

Perry Pe, Partner of Romulo Mabanta Law Firm and President of the Management Association of the Philippines (M.A.P.), stated that “we cannot dwell on the past and we just have to move forward...Political capital is to be spent more on what can be created, moving forward.”

This confidence is reflected in our 2016 CEO survey – 94% and 93% of the CEOs surveyed expressed confidence about their company’s revenue growth over the next 12 months and three years, respectively.

Similarly, over 86% and 85% of CEOs are confident about their industry’s prospects for revenue growth over the next 12 months and three years, respectively.

CEOs surveyed are slightly more confident about the prospects for their company over their industry, consistent with the findings of the 2015 CEO Survey.

## **Sustaining the momentum of growth**

The Philippines ended 2015 with a 5.8% growth, behind China (6.9%) and Vietnam (6.7%). However, first quarter 2016 year-on-year growth was 6.8%, beating China (6.7%) and Vietnam (5.46%), making the Philippines the second fastest-growing economy in the region, next to India.

First quarter growth was driven largely by government consumption (9.9% growth from a year ago), being an election year as well as household expenditure (7%). These two categories contributed about 70% of GDP, making the Philippines among the least reliant on export demand for growth.

Furthermore, second quarter growth was 7%, compared to 5.9% for the same period last year, driven largely by services (8.4%), and industry (6.9%). Again, the Philippines is the second fastest-growing in the region, ahead of China (6.7%), Vietnam (5.6%) and Indonesia (5.2%).

CEOs are optimistic that this momentum of growth will be sustained. Sixty-five percent of CEOs believe the Philippines will hit GDP growth forecasts of 6-7% in 2016. In fact, 13% believe the Philippines will exceed the target and only 12% believe the country will miss the target. The outlook for 2017 is even more optimistic. This is an improvement from the 2015 CEO Survey where CEOs had divergent views on hitting the growth forecast of 7-8%, granted that the forecast then was also higher.

Growth momentum is partly driven by improving competitiveness. In the last four years, the Philippines has steadily improved its rank in global competitiveness. Starting at 65th place (out of 144 economies) in 2012-2013, it rose to 47th place (out of 140 economies) in the year of 2015-2016. This ranking factors in basic requirements (e.g., infrastructure), efficiency enhancers (e.g., higher education), and innovation and sophistication that contribute to global competitiveness.

### Global Competitiveness Index



Source: World Economic Forum

**Q:** Do you believe that Philippine economic growth will exceed, hit or miss GDP growth forecasts of 6-7% in 2016 and 2017?

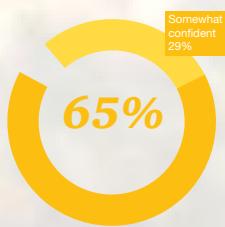


of CEOs and business leaders believe that GDP growth will hit the forecasts of 6-7% in 2016.

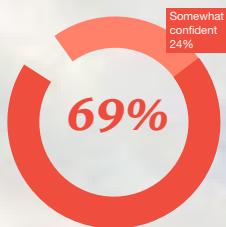


of CEOs and business leaders believe that GDP growth will hit the forecasts of 6-7% in 2017.

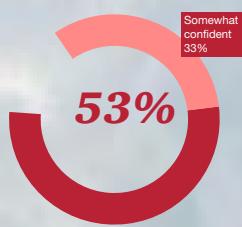
**Q:** How confident are you about your **company's prospects** for revenue growth over the next 12 months and three years?



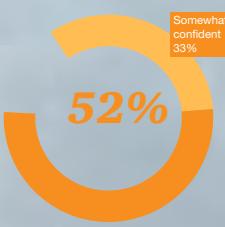
of CEOs and business leaders are very confident about their company's revenue prospects in the next 12 months



of CEOs and business leaders are very confident about their company's revenue prospects in the next 3 years



of CEOs and business leaders are very confident about their business growth prospects in the next 12 months



of CEOs and business leaders are very confident about their business growth prospects in the next 3 years

### Philippine real GDP growth rate (in %)



Source of Basic Data: Philippine Statistical Authority (PSA)

Paulo Campos III, Co-founder and CEO of Zalora Philippines, said he “really felt the momentum in the consumer economy over the last few years, and [that] consumer sentiment and the growth in the consumer sector has really been rapid.”

According to Jaime Augusto Zobel de Ayala, Chairman and CEO of Ayala Corporation, “We’ve had a history of successful economic growth for the country, but it has been mainly driven by consumer-led growth. Now that’s a good thing. But there is a need to focus now on investment-led growth, attracting investment and getting capital to work in the country. That is one way of balancing out this consumer-driven economic equation that we have in the country.”

### **Growth breeds opportunities**

With rapid economic growth comes opportunities. Eighty-one percent of CEOs surveyed agree there are more opportunities for growth for their businesses than there were three years ago.

Philippine CEOs are more optimistic than their global counterparts. In PwC’s *2016 Global CEO Survey*, only 60% of CEOs believed there are more opportunities for their company than there were three years ago.

The optimism of Philippine CEOs results from several growth drivers. Population growth is one example. “We’re about 100 million people right now compared to 50 million several years ago... how to feed them, how to give jobs, how to make them work for society and live in the society and how to make sure they are given the attention and service they rightfully deserve,” according to Mr. Pe, can create challenges and opportunities.

Furthermore, this population growth is happening as the Philippines enters the age of the demographic sweet spot. With a total population of 101 million, the Philippines has an average age of 23.1 years old, equivalent to the age of a college graduate, compared to Vietnam (28.2 years), Thailand (34.7 years), and the US (37.1 years).

According to Mr. Campos, “if you let that sink [in] and you see that 70% of Filipinos are below the age of 35, that has profound and dramatic consequences for business going forward, and also for the workforce.”



The pool of highly skilled talent is likewise increasing. The Philippines produces over 580,000 college graduates in a year across a wide range of disciplines, including 169,000 graduates from business, accounting and related fields and 117,000 graduates in social and behavioral sciences.

### Threats to business

As market conditions evolve and as more Philippine organizations participate more actively in the global marketplace, threats and vulnerabilities likewise increase.

Fifty-six percent of CEOs believe there are more threats to the growth of their company today than three years ago. This is slightly lower than 66% of global CEOs who believe their business faces more threats today than three years ago, affirming the higher level of optimism among Philippine CEOs compared to their global counterparts.

According to PwC's *2016 Global Economic Crime Survey*, more than one in three organizations expect to be victimized by economic crime.

Specifically, 36% of Philippine companies thought it likely that asset misappropriation would be committed against them in the next 24 months, followed by bribery and corruption (31%) and cybercrime (24%). Only 4% of respondents considered money laundering as likely to occur to them.

Laurence Cua, General Manager of Uber Philippines, said that "the world is so connected now that every little movement is being tracked. So the challenge for many businesses is to really say ... 'how do we use this information and the way to collect this information so that we can get better at what we do?'"

**Q: There are more threats to the growth of my company today than three years ago.**



■ Strongly Agree ■ Agree

"The power of the Internet is really the most transformative force that we'll ever see in our lifetimes, and that includes the current millennial generation, because it really does [have] this democratizing effect," according to Mr. Campos.

### Overregulation, tax burden and bribery/corruption are top of mind

According to the World Economic Forum's *Global Competitiveness Report 2015-16*, the top problematic factors for doing business in the Philippines are inefficient government bureaucracy, inadequate supply of infrastructure, and corruption. These findings are akin to the concerns of CEOs in the Philippines.

Specifically, CEOs surveyed continue to be wary of overregulation, the increasing tax burden and bribery and corruption.

### Overregulation

The majority, or 79%, of CEOs are concerned about overregulation. This is a slight increase from the 2015 Survey, where overregulation was a concern for 76% of CEOs.

This is consistent with PwC's *2016 Annual Global CEO Survey* where 78% of global CEOs cited concern about overregulation, making it the top threat or concern of global business.

There is an inherent level of uncertainty that comes with a change in leadership and administration. Thus, business leaders were relieved and hopeful when part of President Duterte's Economic Agenda is to continue the previous administration's macroeconomic policies.

**Q: There are more opportunities to grow my company today than three years ago.**



■ Strongly Agree ■ Agree

Philippine CEOs regard new industry regulation as the top threat to their company's growth prospects. They are concerned about changing the 'rules of the game' midway.

According to Peter Leslie Wallace, Chairman of Wallace Business Forum, "changing contracts, for me that's one of the most important [sins of the past]. I am very disturbed that the previous administration amended a number of contracts, particularly of some of the bigger companies here, because they saw them as, in their terminology, 'more advantageous to government.'"

### Increasing tax burden

Seventy-eight percent of CEOs are also concerned about the increasing tax burden, a slight drop from the 2015 CEO Survey, where 87% of CEOs believed the tax burden to be their top concern for growth.

According to Raymond Abrea, President and Chief Strategy Officer, Abrea Consulting Group, "Reducing income tax is very much awaited. In fact, this will encourage more entrepreneurs to start a business and for the small and medium (enterprises) to even grow their business."

As businesses clamor for lower tax rates, one survey respondent noted that, "we need to promote a culture of honesty and integrity in doing business, especially in paying taxes."

### Bribery and corruption

Bribery and corruption are likewise top concerns. Seventy-six percent of CEOs identified them as a threat to their business.

According to Transparency International's Corruption Perception Index, the Philippines' score improved from 38 in 2014 to 35 in 2015. However, its ranking fell from 85 in 2014 to 95 in 2015, indicating that improvement in corruption perception was not fast enough relative to the country's peers.

**One out of four respondents was asked to pay a bribe in the Philippines, more than its regional or global counterparts.**

PwC 2016 Global Economic Crime Survey, Philippine Report

**Q: How concerned are you about the following threats to your company's growth prospects?**

#### Overregulation



#### Increasing tax burden



#### Bribery and corruption



■ Extremely concerned ■ Somewhat concerned

Furthermore, the *PwC 2016 Global Economic Crime Survey - the Philippine Report* revealed that bribery and corruption remained the most serious economic crime<sup>1</sup> issue in the Philippines.

Twenty-five percent of local companies were asked to pay a bribe while 17% said they lost an opportunity to a competitor due to bribery in the last 24 months.

While bribery and corruption seem prevalent in the Philippines, economic crime in general is less so. Only 20% of business leaders experienced economic crime in the last 24 months compared to 30% in Asia Pacific and 36% globally.



*In terms of dealing with the government sector, we should really maximize the use of technology by installing systems and procedures that make the best use of technology so that we minimize the use of too much manpower, too much discretion, and avoid person-to-person contact that sometimes breeds corruption. "*

**Evelyn Singson**, President and Vice Chairman  
Philippine Hoteliers, Inc./ Dusit Thani Manila

<sup>1</sup> Economic crimes include accounting fraud, asset misappropriation, bribery and corruption, competition/anti-trust infringement, cybercrime, espionage, human resources fraud, insider trading, intellectual property infringement, money laundering, mortgage fraud, procurement fraud, tax fraud.

## Previous administration accomplished much, yet more needs to be done

CEOs surveyed think that the past government administration was relatively effective in building a skilled and adaptable workforce, establishing good governance and attracting foreign direct investment.

Board of Investments (BOI)- and Philippine Economic Zone Authority (PEZA)-approved investments reached over PHP 600 billion in 2015, mostly from the following sectors: electricity, gas, steam and air conditioning; manufacturing; real estate; administrative support and service activities; and transportation and storage.

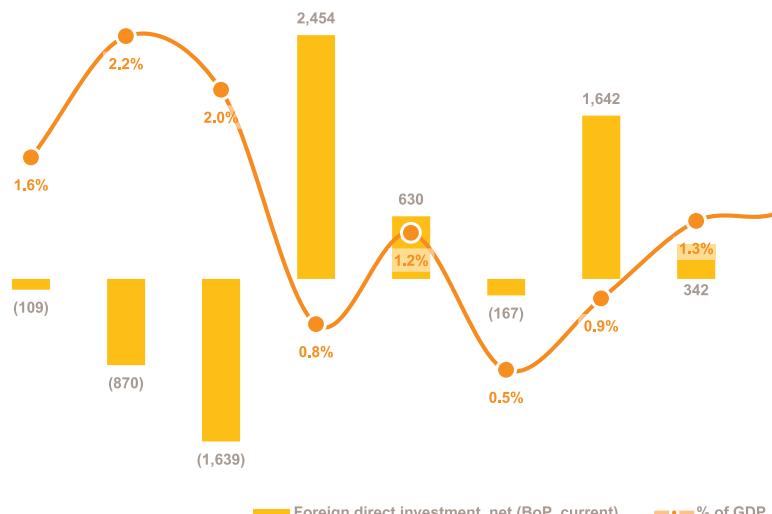
Foreign investments were sourced primarily from the Netherlands, Japan, Singapore, the US and South Korea.

Last year, business leaders commended the efforts of the previous administration's good governance initiatives and expressed concern about sustaining these initiatives into the next administration.

This year, CEOs surveyed identified good governance as a priority that this present administration should focus on, along with building adequate physical infrastructure and developing an internationally competitive and efficient tax system – the latter two being the prominent areas the previous administration has been less effective in addressing.

These top three concerns expressed by CEOs surveyed are similar to the 2015 survey findings.

### Foreign direct investment (in US\$ millions and as a % of GDP)



Source: World Bank

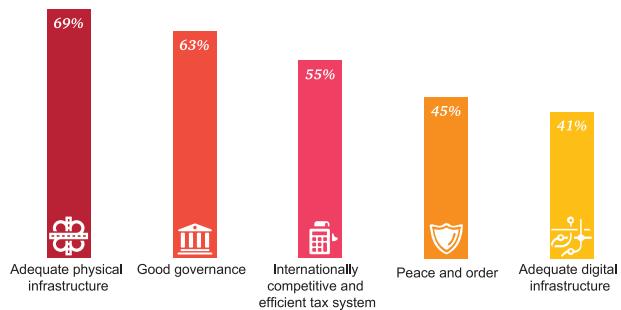
## Age of infrastructure?

About 76% of CEOs think the government was less effective in developing adequate physical infrastructure last year, and 67% of them think so for digital infrastructure.

"The most important priority for my industry is infrastructure – the airport infrastructure. We need to decongest Manila International Airport... and we need to decongest the roadways as well, to link one airport to the other," according to Maan Hontiveros, Chair of Air Asia Zest.

Evelyn Singson, President and Vice Chair of Philippine Hoteliers, Inc./Dusit Thani Manila added that "the Philippine government should give priority to making the country competitive and to be competitive, there are certain priorities they should look at. One is infrastructure. We have a very serious traffic problem and that just shows you that our road network is not efficient or we have too many vehicles."

**Q:** Select the top five initiatives/changes that you believe the Philippine government should prioritize in the next six years.



Mr. Cua said he “think[s] the government can continue adopting a progressive mindset where it is open to revising regulations, passing new regulations or even considering more of a free market type of approach on how we manage things like transportation.”

The present administration aspires to increase infrastructure spending from the existing 5% to 7% of GDP this year. Based on the latest budget submitted, the Administration’s proposed budget for infrastructure in 2017 is PHP860 billion, 13.8% higher than 2016, and a total of PHP7.0 trillion from 2017 to 2022.

### **Persistent tax burden**

Fifty-nine percent of CEOs perceive government as ineffective in adopting an internationally competitive and efficient tax system.

Of the 189 countries covered in PwC’s *Paying Taxes Report 2016*, the Philippines ranked 126th.

Comparing the Philippines against Hong Kong and Singapore, which are the most business-friendly and most attractive to investors, we find the following:

- 36 payments of taxes and mandatory contributions versus only three and six for Hong Kong and Singapore, respectively
- 193 hours per year to pay for all those steps and procedures versus only 74 and 84 hours for Hong Kong and Singapore, respectively
- 43% of commercial profit goes to paying various taxes to government (local and national) and social insurance state corporations (Social Security System, Philippine Health Insurance Corp., Home Development Mutual Fund) versus only 23% and 18% for Hong Kong and Singapore, respectively.

### **Tough questions**

1. How will the new administration’s promise of change alter the way your company plays in the marketplace?
2. What can you change in your company/business to contribute to sustainable and inclusive growth and development of the countryside?
3. What strategies will you adopt to reach your revenue growth prospects?

According to a study of the Organization for Economic Cooperation and Development (OECD), corporate taxes are found to be most harmful for growth, followed by personal income taxes, and then consumption taxes.

The average corporate income tax rate among the ten ASEAN member countries is 23%, with Singapore imposing the lowest rate of 17% on net taxable income, and the Philippines imposing the highest corporate tax rate of 30%, in addition to 12% VAT.

Thailand charges up to 20% corporate income tax. Cambodia has a 20% rate while Lao PDR has a 24% profits tax. Malaysia and Indonesia both impose a 25% corporate income tax. Myanmar also generally imposes 25%, except in the case of a foreign entity’s branch operating in Myanmar, which is subject to a higher 35% rate. Vietnam previously pegged its corporate income tax at 25% but has now reduced the rate to 22%.

Frank Gaisano, Chairman of the Metro Retail Stores Group Inc., said that “lower tax would be more attractive. There would be more capital formation in the Philippines if we have that. We should compete regionally to be the regional hub of multinationals. That will also serve the enterprises in the Philippines to be more competitive. We have a handicap here. We are paying more taxes than other countries. So that would level the playing field between us and the other ASEAN countries.”

“What’s one of the first things [the new administration is] looking at? Reducing taxes. If you want to attract investment, the best way is to have less taxes,” said Mr. Wallace.

4. Which opportunities will you leverage for your business and why?
5. What role can your business/industry play to support government in addressing some of the economy’s most pressing issues?

## ASEAN Integration – Now is the time



The Association of Southeast Asian Nations (ASEAN) targets to establish an ASEAN Community by 2020. Three major groups comprise the ASEAN Community: the ASEAN Political-Security Community, the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community.<sup>2</sup>

As a preliminary step towards that goal, the member countries moved in 2007 to mark 2015 as the year they would implement the AEC. This move towards regional economic integration would unite a single market with a measured GDP of over US\$2.4 trillion and a population of over 630 million.

Four major pillars support the AEC: a single market production base, a competitive economic region, equitable economic development, and integration into the global economy.<sup>3</sup> All of these support the central idea that ASEAN can integrate effectively into the global economy, and compete as a single entity, rather than as a loose agglomeration of independent states. The idea all along has been a united ASEAN on the global stage.

As Felino Palafox Jr., Principal Architect-Urban Planner and Founder of Palafox Associates, states, “In the last century, it was the Atlantic. This century, it is the Pacific.” This is the time for ASEAN to flex its muscles as a region in global trade and finance.

2 ASEAN Website [www.asean.org](http://www.asean.org)

3 From a presentation for the ASEAN SME Forum entitled “ASEAN Economic Community and the Philippine Economy: Opportunities, Challenges, and Imperatives”, by C. Habito. (8 August 2014).

## What can we expect?

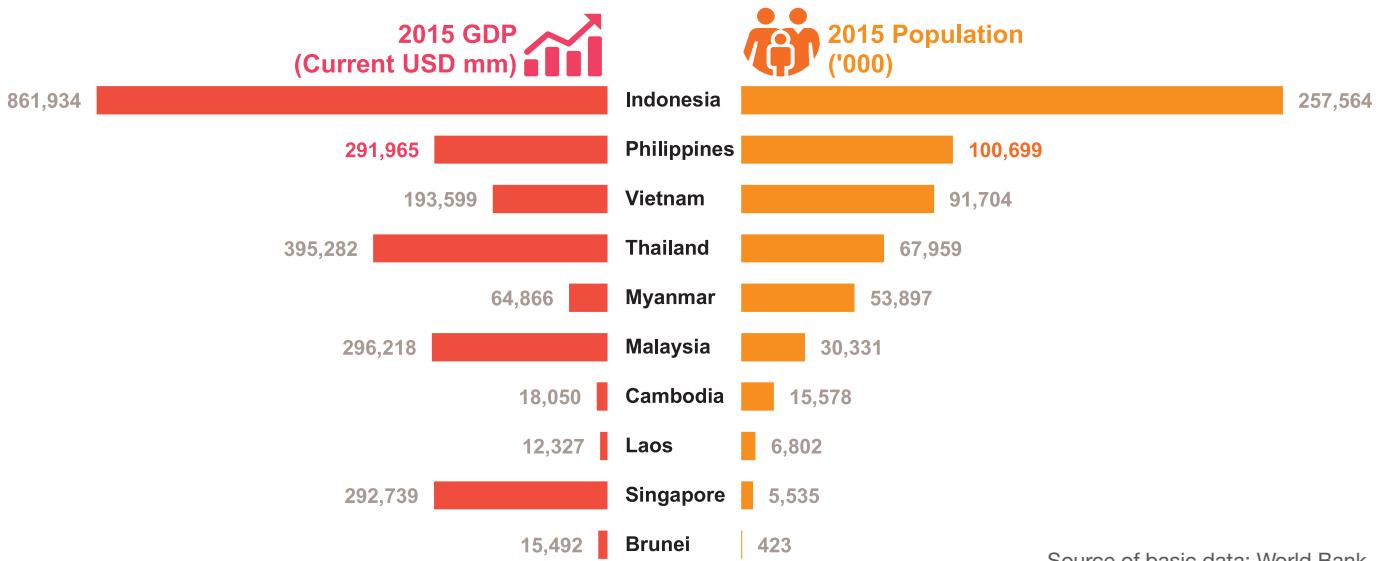
A common view exists that the AEC will mean that markets across the region, including the Philippines, will open up to increased competition. This view also holds that individual ASEAN countries will face the challenge of maintaining and improving their economic competitiveness as trade and non-trade barriers come down.

While these observations hold credibility, the vision of ASEAN as a regional economic group competing as one has always been the goal. The framers of ASEAN built the first pillar on making the region a single market and production base. To achieve this, ASEAN has four ends in mind to achieve the single market: free flow of goods, free flow of professional services, free flow of skilled labor, and free flow of investment and capital.

**Free flow of goods.** Tariffs on intra-ASEAN trade had been eliminated on 99.6% of goods. By 2018, ASEAN will also eliminate tariffs on all traded goods from Cambodia, Laos, Myanmar, and Vietnam. Further, by 2018, ASEAN will remove all non-tariff trade barriers.

**Free flow of professional services.** The ASEAN Framework Agreement on Services revolves around the idea that by operating seamlessly across ASEAN, service providers can support cross-border trade and investment, and take advantage of lower costs through greater scale and scope. The agreements eliminate major restrictions on the cross border provision of services, and liberalize foreign equity ownership.

**Free flow of skilled labor.** The ASEAN Mutual Recognition Agreements (MRAs) govern the mobility of skilled labor within the region. The skilled professionals covered include accountants, architects, dentists, doctors, engineers, nurses, surveyors, and tourism professionals. It is important to note that the agreements are only in force with the prevailing laws and regulations of the host country. Enabling legislation needs to be passed before the MRAs become operative in the host country.



**Free flow of investment.** The ASEAN Comprehensive Investment Agreements (ACIA) cover most types of investment, except in those industries reserved by member states. The four main industries are: manufacturing, agriculture, fishery, and mining and quarrying, and services incidental to these industries are covered.

All of these agreements are geared to facilitate the relatively unencumbered movement of investment, capital, professionals, labor and goods across the region, so that companies can source their most optimal factors of production (and services) at the lowest cost, so that they can become globally competitive.

The ultimate vision is for ASEAN companies to scale production on a regional basis so that they can meet global demand. This is the single production platform that the framers of ASEAN seek.

## Opportunities abound

There are significant opportunities for ASEAN member states and their private enterprises. According to Marife Zamora, Chair, Convergys Services Corp., “To me, ASEAN integration should be viewed as a boom. It should be a platform by which the Philippines can be the center of excellence, [the] regional hub for BPOs. As you know, the Philippines today is the leader in BPO voice. Now, the country and the association are doing inroads to ensure leadership and dominance in the non-voice sector of the industry.”

Certainly, some Philippine businesses have a global perspective and cater towards a global market. But most Philippine companies consider the domestic market their primary market and have concentrated their efforts here. “The ASEAN market is one big market with about 600 million people. This is a golden era for companies in ASEAN to join together their efforts in lending each other’s skills and competencies that they can share with other companies and other countries,” stated Jose Eduardo Antonio, Chairman of Century Properties Group.

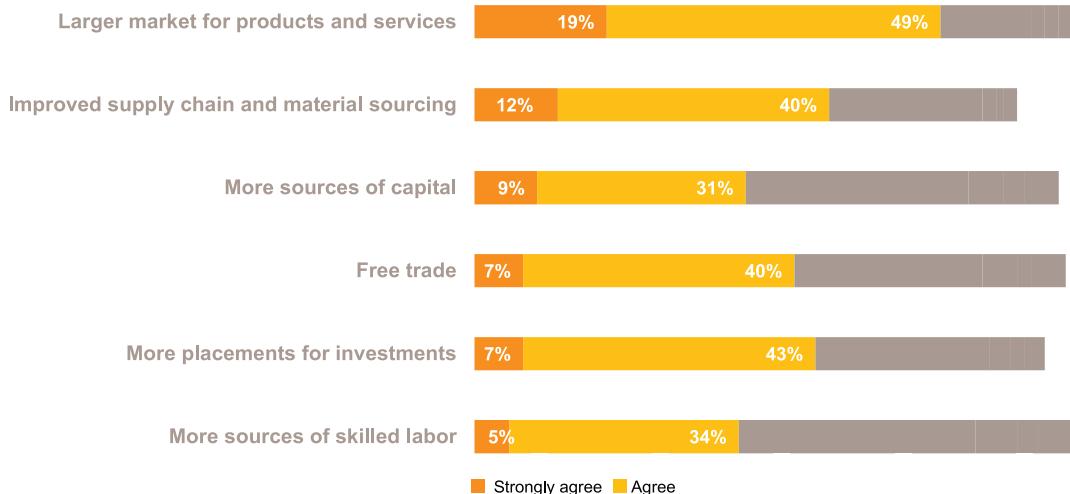
The AEC now gives Philippine companies, particularly micro, small, and medium enterprises (MSMEs), the opportunity to set their sights higher and aim for a larger market.

However, Mr. Palafox suggests that, “We should have more creative, innovative laws on how to support the medium and small industries. Even in our shopping malls, you have to prove yourself before they invite you as a tenant. So we should have an incubation business park for the first time in business, and government and big business should try to help them during their birth pains of starting and growing a new company.”

Diane Eustaquio, Executive Director at IdeaSpace Foundation, said, “I think that government should really look at making it easier for early stage start-ups to form and close. What we’ve learned is that in the tech start-up ecosystem, maybe nine out of ten will not succeed.”

Apart from that, certain factors that have held back the manufacturing sector and other businesses for decades should be addressed.

### Q. What are the opportunities for your company because of the AEC?



“To take advantage of ASEAN integration, you need to be able to take advantage of the borderless system wherein there are no taxes when you export something to another country. In that sense, we need to have a level playing field when it comes to having a manufacturing base that has access to competitively-priced power, proper infrastructure, communication facilities and so on,” George Chua, President and CEO of Bayan Automotive Industries Corp., said.

Even with ASEAN as a much larger market, Philippine businesses will have plenty to handle at home. It has a population of 100.70 million people, second to that of Indonesia, which has a population of 257.56 million.<sup>4</sup> About 73.8% of the country’s GDP on the spending side comes from consumption.

The large consumer market and consumer spending-led growth have caused most observers to note that the Philippine economy enjoys some insulation from external economic shocks. The consumer base makes the economy more resilient in the face of externally generated adversity. “I think the Philippines is [in] a very sweet spot right now to be able to take advantage of not only the growing population in the country, but a big market potential that is ASEAN,” said Mr. Antonio.

Kim Lapus, General Manager of Marigold Manufacturing Corporation (Mama Sita’s), also has a sanguine view of the opportunities in the larger market. “Especially in food, the ASEAN has probably the youngest demographic compared to other regions in the world. ASEAN integration will give us new markets to tap, more mouths to feed, more markets to penetrate.”

Ms. Hontiveros also looks forward to the opportunities that ASEAN integration might bring. “Now with ASEAN integration, there are opportunities for us to scale up even further and to have economies of scale.”

Second, the relatively freer movement of resources means that companies will be able to source the most optimal mix of resources for their manufacturing and service requirements, at the most competitive cost.

Mr. Lapus said it: “The ASEAN integration will give us that opportunity to source the materials from our neighbors so that we may be more competitive in North America and Europe.”



*Given today’s mature business landscape, I think the best way for MSME to be able to thrive and survive is to find and fill in a category that the large companies would need within their value chain.”*

**Edgar ‘Injap’ Sia II**, Chairman and CEO, DoubleDragon Properties Corp.

While it is true that not all input markets (notably, professional skills) have been liberalized, the removal of tariff barriers on goods and the loosened restrictions on foreign ownership (like in financial services), are major steps in lowering the costs of the factors of production and services.

The AEC also presents an invitation to Philippine companies to further invest in the region. Fifty percent of our CEOs believe there will be more opportunities for investment under an integrated ASEAN.

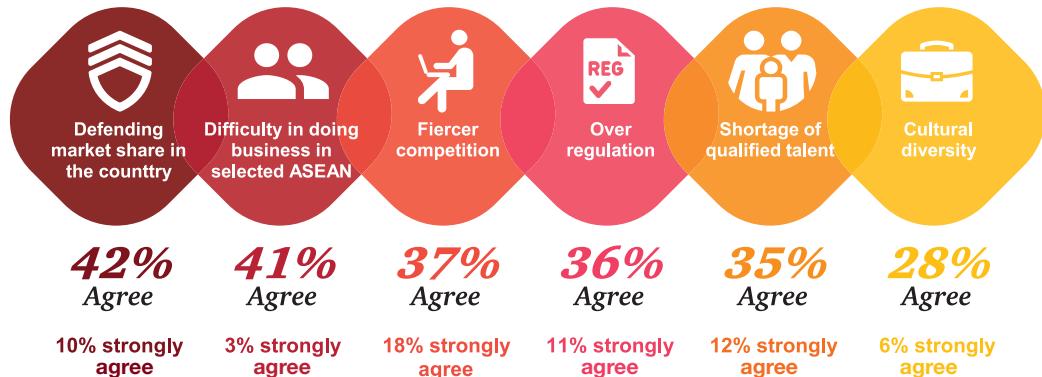
### Divergent views persist

While there is optimism from some CEOs about the opportunities that ASEAN integration might bring, others are less convinced, particularly those that have been operating internationally for decades. According to Roberto Jose Castillo, President and CEO of EEI Corp., “I don’t see any difference in the ASEAN setting, in the Middle East setting or some setting in the South Pacific – it’s still the same.” EEI has been operating internationally, particularly in Saudi Arabia, since 1978.

While it does seem that the Philippines enjoys some economic tailwinds, business and government policy makers must also take into account potential threats on the horizon.

With the creation of the AEC, Philippine business had anticipated greater competition as regional neighbors enter our market to tap our consumers and customers. Fifty-five percent of the CEOs surveyed believe that the ASEAN integration will bring about fiercer competition and as a consequence, 52% of them think that it will be harder to defend one’s market share from new competitors.

**Q: What are the challenges that your company is facing because of AEC?**



We have started seeing new market entrants from other countries, particularly in financial services. The government removed foreign ownership limits for the financial services industry recently. The law now allows 100% foreign ownership of banks. Further, a new law now permits 100% ownership of adjustment companies, lending companies, financing companies, and investment houses. In other industries that touch the consumer directly, we may see more foreign entrants.

Some business leaders are looking into technology to have an edge over competitors.

MSMEs, believed to be most vulnerable under a more competitive market, are likewise advised to invest in technology. According to Ms. Eustaquio, "a lot of our MSMEs have always been brick-and-mortar businesses. A lot of them perhaps are not that competitive because they are just really looking at their locality and are focusing on hyperlocal stuff. For every company nowadays, digital presence is a sign of legitimacy. MSMEs have to really incorporate tech[nology] in the way their processes are formed and in the way they're present in reaching out to their customers."

For Mr. Gaisano, he believes MSMEs can use their being small to their benefit, "There is a lot of advantage in being small. You'll be faster in reacting to the marketplace and in making decisions. In our case, we try to also delegate more. We're not perfect but we're trying to have 1,000 ships rather than just one big battleship."

*We have recently made a huge investment in some technology that's going to allow us to do the same thing [that] we're doing in the Philippines and to apply that to the different markets. Technology now allows us to do things and to have a global market."*

**Maria Carolina V. Dominguez, President and CEO, John Clements Consultants Inc.**

Other possible threats to ASEAN integration take into account the wide range of its members. These include the wide disparity in development among ASEAN member-states, the lack of an ASEAN identity across the region, and lack of awareness among the citizens of its member-states.

ASEAN member-states include a country as advanced as Singapore, and Myanmar, which is emerging after years of relative isolation from the global economy. Policy coordination among member states in varying levels of economic development, within the context of national self-interest, is a challenge.

Even if ASEAN will celebrate its 50th anniversary in 2017, a distinct ASEAN identity has not emerged. Countries and their citizens still identify strongly with their nation-state. This is not surprising. Member-states may still cling to their national self-interest when it comes to key economic issues underlying the ASEAN pact. The ASEAN Secretariat has already made allowances for this, in the sense

that there are no rigid enforcement mechanisms when member-states do not meet implementation deadlines under the agreements.

Citizens of ASEAN member-states tend to lack a basic awareness of the agreements and how those agreements will impact their daily lives. In 2013, the ASEAN Secretariat did a survey. One of the major findings was that 76% of people across the region do not have a basic knowledge of the ASEAN and what the economic and political bloc is trying to do.<sup>5</sup> The lack of knowledge

<sup>5</sup> ASEAN Website [www.asean.org](http://www.asean.org)

at the population level may not be an immediate disadvantage, but it will make long-term integration more challenging and take longer than anticipated.

### ***ASEAN integration, if executed well, will be a major force in global trade***

ASEAN as a regional economic grouping already figures prominently in world trade. Total global exports are estimated at \$18.7 trillion. Of this, ASEAN is the fifth largest exporter, with a share of 6.9% of all exports. Only the EU (33.6%), East Asia (19.9%), North America (11.2%), and Western Asia (7.2%) export more than the ASEAN.

The data also show that in terms of share of total world trade, ASEAN has a 6.8% share of the US\$37.2-trillion market. ASEAN ranks fourth after the EU (33.1%), East Asia (18.9%), and North America (13.4%).

ASEAN is set to gain greater share in global trade, particularly in the context of slower global growth, together with relatively faster economic growth coming from Southeast Asia. This will place a greater emphasis on competitiveness.

The data show that ASEAN is emerging as an economic force just behind the big three: Europe, North America, and East Asia. Should ASEAN succeed in its ultimate

goal of creating a single regional manufacturing base to take on the rest of the world, the results will be quite exciting for businesses in the region.

### ***CEOs remain hopeful***

Surprisingly, given the immediacy of the AEC and the possible threats mentioned earlier, 50% of CEOs surveyed said that with respect to ASEAN economic integration, they were either not very concerned or not concerned at all.

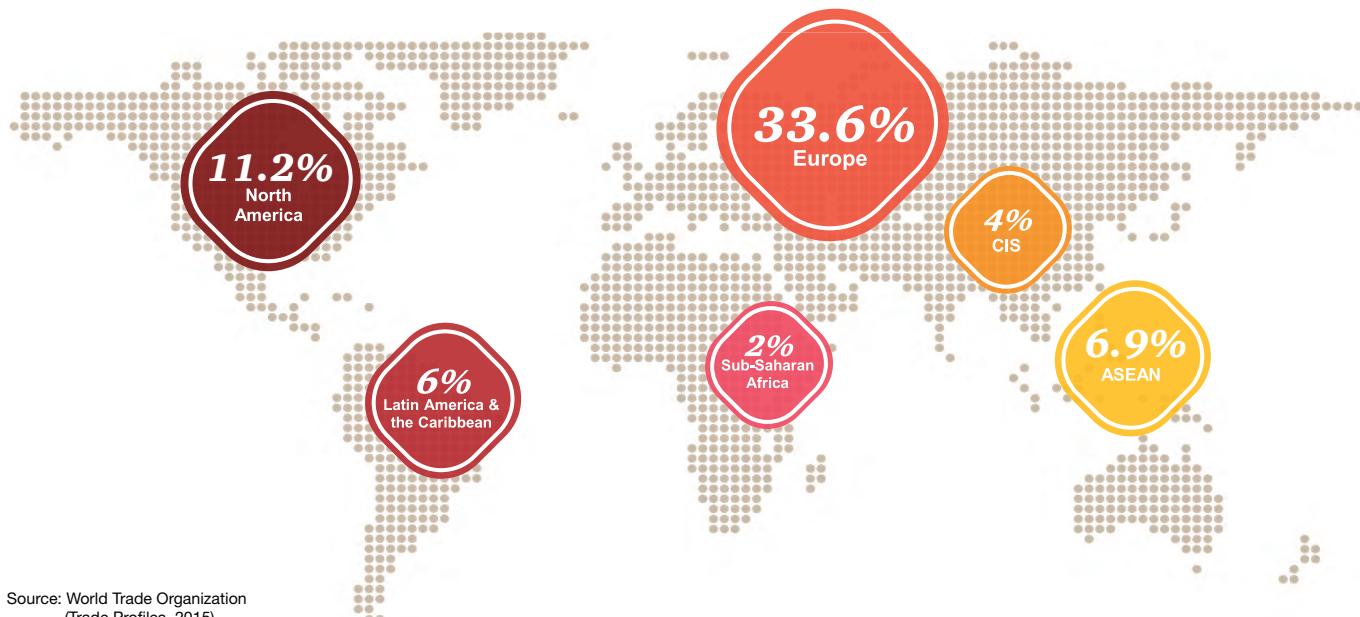
Eighty percent of the business leaders of large companies are confident that their organizations are ready for the AEC. While only 65% of MSMEs have expressed confidence over their readiness for the AEC.

#### **Concern over ASEAN Integration in terms of company's growth prospects.**

**6% 35%**

■ Extremely concerned ■ Somewhat concerned

#### **Regional share of world exports**



The attraction of foreign direct investment, to complement domestic capital formation, is an important tool for maintaining competitiveness in the ASEAN. The lowering of these types of barriers also means that foreign direct investment flows will have lower friction and transaction costs. Mr. Pe pointed out that the Philippine government should make doing business easier. "You don't really have to change the constitution or you don't have to amend certain laws...or pass new laws. Just ease the [system of] doing business. I think that's what the investors are calling for."

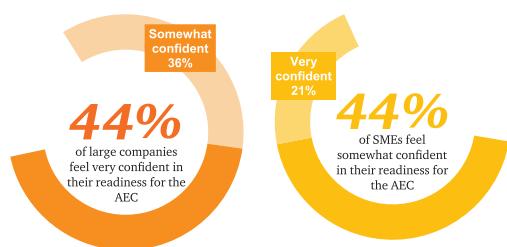
The Philippines has had a spotty record when it comes to attracting foreign direct investment. Removing barriers to capital and lowering transaction costs will have a major positive impact on foreign direct investment inflows.

The wish list for reforms under the AEC is extensive and points to a significant opportunity for the Philippines to gain ground vis-à-vis the rest of its competitors in the global economy.

Governance has definitely been a top-of-mind concern for the private sector. For AEC, 45% of the respondents said that they would like to see the government focus on streamlining procedures across various government agencies.

Despite the short-term challenges, business leaders remain optimistic and are supportive of open trade.

**Q: How confident is your organization about its readiness for the ASEAN Economic Community (AEC)?**



## Tough questions

1. How will the easier mobility of people, capital, and production inputs under ASEAN affect your business?
2. What adjustments do you have to make within your organization as a result of the ASEAN integration?
3. What sort of new market entrants do you see coming into the Philippines and how will you prepare for them?

### ASEAN exports by country

ASEAN	2014	% of Total
Singapore	409,769	31.71%
Malaysia	234,139	18.12%
Thailand	225,240	17.43%
Indonesia	176,341	13.65%
Viet Nam	149,565	11.58%
Philippines	61,929	4.79%
Myanmar	11,031	0.85%
Cambodia	10,800	0.84%
Brunei Darussalam	10,588	0.82%
Lao P.Dem.R.	2,650	0.21%



*I like to think that an open trade environment has led to much growth around the world and has been good for the world economy and for countries like us as a whole. So that's a principle that I believe in. The pain that some communities are feeling in the developed world because of these shifts has led them to argue for closing their borders more formally and relying on their own economy rather than dealing with this global economy. I believe that's a mistake. I think countries should adjust to changing circumstances, should educate their people to adjust to the new industries of the future, and continue participating in a global trading system. I believe the world is better for it, but it does take adjustment."*

**Jaime Augusto Zobel de Ayala,**  
Chairman and CEO, Ayala Corporation

4. How will your recruitment of talent change due to ASEAN integration?
5. What sort of market coverage will you seek now that trade borders in ASEAN have effectively come down?

## Partnerships



*As shareholder expectations become higher, businesses are now looking to do more mergers and acquisitions or strategic collaborations to attain greater growth.”*

**Mary Jade T. Roxas-Divinagracia, CFA,**  
Deals and Corporate Finance  
Managing Partner, PwC Philippines

The number of announced mergers and acquisitions (M&A) deals in the Philippines reached 49 in 2015. While the deal count dropped slightly last year, the number of deals involving foreign investors grew from 15 deals in 2014 to 19 deals in 2015. The improving investor confidence, significant government reforms as well as improved efficiencies in the business community helped boost the participation of foreign investors in the Philippines.

Completed deals in 2015 include the acquisition of Roxas Holdings, Inc., Budgetlane, Property Company of Friends, Inc., Sagittarius Mines, Inc., and Manila Medical Services, Inc.

In 2015, we asked our local CEOs to identify the initiatives and changes that they will implement to respond to the changes in the macroeconomic and business environment. Eighty-nine percent of the 96 CEOs we spoke with stated that they would enter into strategic partnerships mainly to grow their business and drive innovation.

This year, we asked the same questions given the recent changes in the national government as well as the uncertain global environment caused by the 2016 announcement of Brexit, US elections, and ongoing political tensions.

**Q: Are you currently engaged with or considering engaging with any partners through joint ventures, strategic alliances or informal collaborations?**

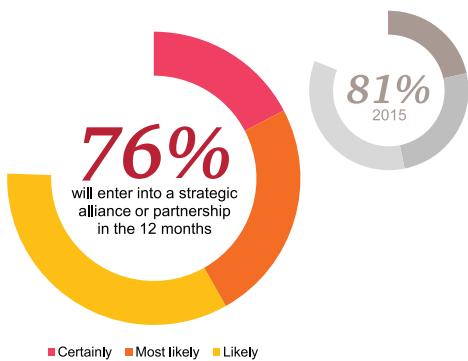


are considering engaging with partners



are currently engaged with partners

**Q: Do you plan to initiate any of these activities in the next 12 months?**



will implement a cost-reduction initiative



will initiate / complete a cross-border M&A

Like the responses in 2015, the majority or 76% of the CEOs stated that they would enter into a strategic alliance or partnership in the next 12 months.

For Mr. Chua, a partnership should have a long-term horizon. “We’re looking at a long-term commercial partnership whereby we build it up over the many years and we strengthen it with each year and improve the business situation with each passing year. We’re looking for people who are viewing long-term like us, who are also coming up with great innovations, making technological strides, and having efficient production facilities.”

### Partnerships in complicated times

According to PwC’s 19th Annual Global CEO Survey, the optimists or those who think global growth will improve over the next 12 months have dropped from 37% in 2015 to 27% in 2016. Similarly, the global CEOs’ confidence about their own company’s prospects declined from 39% in 2015 to 35% in 2016. The top concerns cited by the CEOs include overregulation, geopolitical uncertainty, exchange rate volatility, and the availability of key skills.

In the Philippines, some of the concerns raised by our CEOs include problems related to infrastructure, utilities, telecommunications and the Internet, taxes, and government processes.

Seventy-six percent of the CEOs will enter into a strategic alliance or partnership, and 73% would implement a cost-reduction initiative to support their growth and respond to the global industry trends. Other initiatives include entering a new industry, outsourcing a business process, and completing a domestic deal. A smaller percentage said that they would sell a majority interest in their business or exit a significant market, while only 12% would end an existing strategic alliance.

Our survey shows that 56% of the CEOs are already engaged with partners through joint ventures, strategic alliances or informal collaborations. Twenty-seven percent of the CEOs, on the other hand, are not yet engaged in partnerships, but are considering forming such partnerships.

### Selected M&A Deals in 2015

Completion date	Target company	Bidder company	Stake (%)	Est. deal size (US\$)
February	Roxas Holdings, Inc.	First Pacific Company Limited	16.9	36.9 million
August	Budgetlane	Puregold Price Club, Inc.	100.0	Not disclosed
August	Property Company of Friends, Inc.	GT Capital Holdings, Inc.	22.7	175.4 million
August	Sagittarius Mines, Inc.	Indophil Resources NL	25.0	69.6 million
December	Manila Medical Services Inc.	Metro Pacific Hospital Holdings, Inc.	20.0	8.4 million

Source: MergerMarket

### 1H2016 Global M&A Deal Value



#### Global M&A

<b>Deal Value</b>	US\$1.32 trillion
<b>Cross border - Value</b>	US\$550.8 billion
<b>Cross border – growth</b>	Down 15.9%

#### Asia Pacific (exc. Japan)

<b>Deal Value</b>	US\$307.4 billion
<b>Outbound – Value</b>	US\$134.7 billion
<b>Outbound – growth</b>	Up 70.3%

Source: MergerMarket

According to the CEOs, the top three reasons for entering into strategic alliances are gaining access to new customers, new geographical markets, and new/emerging technologies.

With partners such as Mitsubishi, JP Morgan, etc., Mr. Zobel de Ayala stated that partnerships were important to their group. “Partnerships are something we’re comfortable with in the Ayala Group. We’ve nurtured them. We’d like to think that we understand the elements that make them tick. We consider them to be the core strength of our Group,” said Mr. Zobel de Ayala.

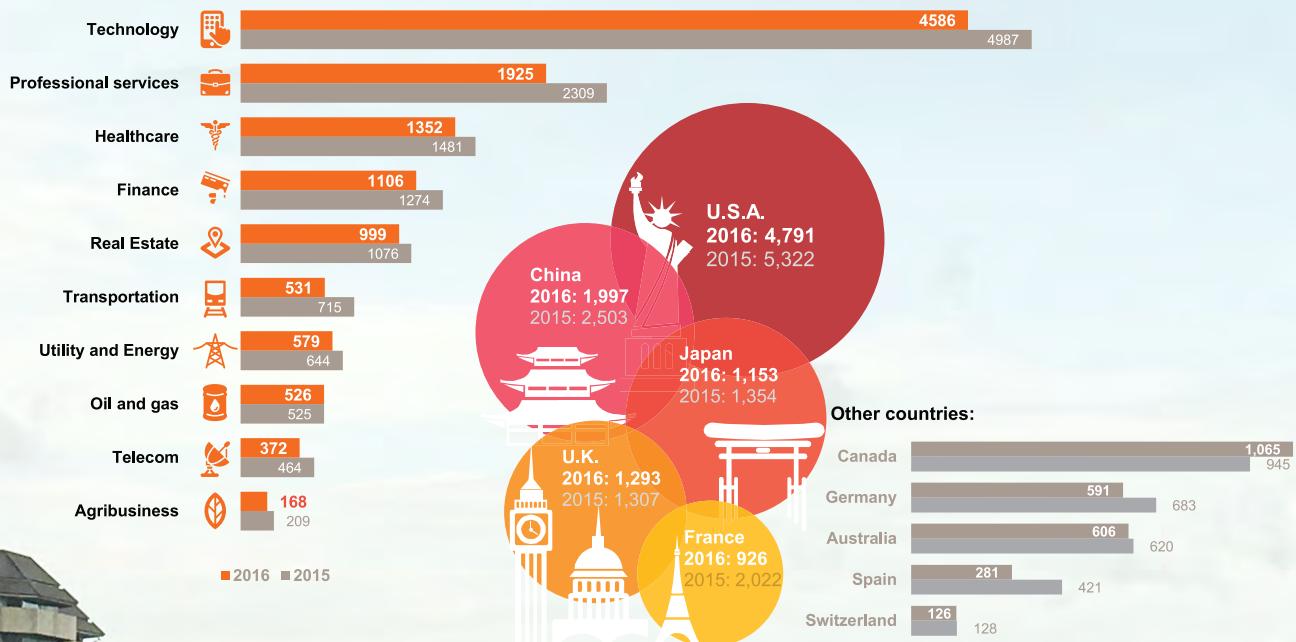
### Growth in dynamic markets

The CEOs we spoke with understand that technological progress, changing demographics, the rise of the middle class, and growth of emerging markets are changing the expectations of their stakeholders. John B. Echauz, President and CEO, Standard Insurance Co. Inc., said, “I think that the main challenge is selecting what to focus on. The world is so big now, and we can really see the big system and the moving parts. They’re all linked. The trick is really prioritizing. What are the things that we must focus on? Make sure that in focusing on them, we do not miss on major trends. It is okay to miss a small trend, but it’s unacceptable to miss a major trend.”

**Q. If you are currently engaged with or considering engaging with any partners through joint ventures, strategic alliances or informal collaborations, what are the reasons why you have engaged or will engage in these form of partnerships?**



#### 1H2016 Global Trends (Deal Count) – Top 10 Target Sectors and Target Nationality



Forty-five percent of the CEOs said that they would compete in industries other than their own. The top industries selected by these CEOs include real estate and construction, entertainment and media, technology, business process outsourcing, and retail.

### Other forms of partnerships

Our CEOs understand that communicating with each other and working together will help them achieve more. Such collaborations may be formal or informal relationships between the public, private, and other stakeholders. Thirty-five percent of our CEO respondents have collaborations with suppliers, and 32% are engaged with their customers as well as with firms from other industries. Other collaborations include partnerships with business networks or organizations, competitors, the academe, NGOs, startups, and the government.

### Partnerships that work

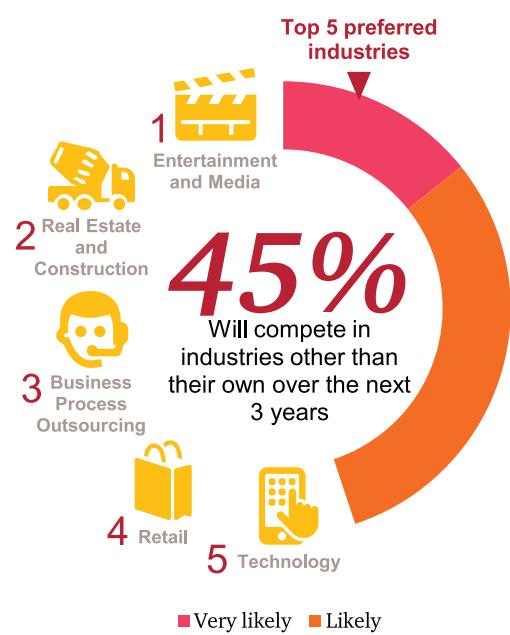
Good partners may come in as providers of growth capital, management support, valuable skills, new products, new markets, and new ideas. While hundreds of partnerships and deals have been formed over the past few years, most resulted in failures. In mergers and acquisitions, deals usually fail because the acquirers do not know what they are buying, and the value that the deal can bring to them.

In countries with strong domestic liquidity like the Philippines, successful partnerships are not just driven by the amount of capital invested. Instead, successful partnerships are formed when the partners have shared passion, ambition, values, vision, and respect.

“Joint ventures basically spring out of a common vision among partners, chemistry between groups, unity of purpose, and each partner leveraging on the strengths of the partners. I think that’s the basic foundation of any joint venture. These are the lessons I’ve learned,” said Mr. Antonio.

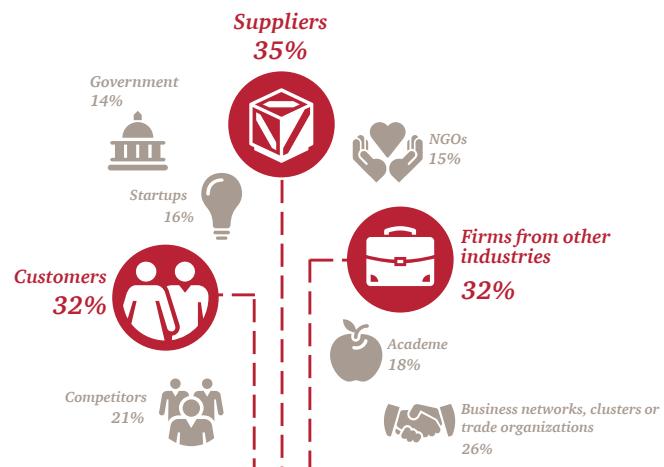
Cross-border transactions are driven by the larger conglomerates as they diversify their businesses from their home country. In 2015, the mega deals include the need to find new growth markets as well as products and services.

**Q. Over the next three years, how likely will your organization compete in industries other than your own?**



■ Very likely ■ Likely

**Q. Are you currently engaged with or considering engaging with any of the following types of partners through joint ventures, strategic alliances or informal collaborations to take advantage of opportunities brought by the AEC and globalization?**



## **The road to successful partnerships and alliances**

The results of our survey show the value of partnerships or strategic alliances to our CEOs. As we have noted, 56% of our CEOs have existing alliances while 27% are considering forming partnerships. Also, as seen in the recently completed deals, the transactions were driven mainly to accelerate growth through partnerships instead of organic growth.

While partnerships and alliances provide a faster path to growth, such growth will not be achieved without the complementary capabilities of the partners. The challenges that may result in failed alliances include weak strategies and execution of plans, vague deal conditions, and strained relationships. To avoid failures, each partner should develop a solid strategy before tapping another partner. This strategy should justify that forming an alliance is a better option than the traditional M&A and organic growth. Proper planning and creating trust with the selected partner will also help identify the complementary capabilities that each partner can offer. Sharing and focusing on the objectives, managing

expectations, and monitoring the agreed metrics will also help start a successful alliance.

Forming alliances and partnerships remain challenging in developing countries like the Philippines. Nevertheless, a growing number of business leaders initiate partnerships to strengthen innovation capabilities, gain access to new technologies and markets, reach more talent, and have access to new industries. While there are hurdles in the early stages of the partnerships, proper planning and execution will create greater results and more opportunities for the partners.

As Mr. Echauz said, “The best deals last two years, and the deal will live, die, live, die. But in the end, if the partners are aligned, it will live. In the end, each partner really makes us better. We’re able to do certain things better because of partnerships. They open up new markets for us. They raise our standards. They give us different ways of doing business.”



*I believe the primary reason for any partnership is that there should be a clear intention from both sides that whatever each party will bring (to) the table is intended and must result in a larger positive effect to all parties.”*

**Edgar ‘Injap’ Sia II**, Chairman and CEO,  
DoubleDragon Properties Corp.



*I think it's very important to have partners you can trust, that you share values with and corporate culture. I mean, you have to have the same beliefs. You transcend nationalities. As a matter of fact, our aim really is to go beyond the national and to go regional and with ASEAN integration, that is very very important to us. Transparency among partners, realization that your goals are one and if you share the same vision, then you can overcome anything, really.”*

**Maan Hontiveros**, Chair, AirAsia Zest

## **Tough questions**

1. Do you have a clear alignment of your corporate vision and objectives?
2. Do you have a clear understanding of the cultural differences between your organization and the potential partner?
3. Do you trust your partner organization as well as its team?
4. Do you have the right team to execute the partnership and new plans that you have in mind?
5. Do you have the right technology?

# Competing outside of your comfort zone

## Going beyond borders

The past two years saw record-breaking numbers on outbound M&A from the Philippines, which averaged approximately US\$2.4 billion or almost 13 times the 2010 level, according to *Financial Times*. These M&A activities were bannered by Emperador's acquisition of Beam Suntory, the Spanish maker of Fundador, amounting to PHP13.8 billion or approximately US\$291 million, Monde Nissin's purchase of Quorn Foods, the British meat substitute company, for US\$831 million, and Universal Robina Corp's (URC) ventures in New Zealand and Australia through Griffin Foods and Snackbrands, respectively, totaling almost US\$1.1 billion.

High internal liquidity and readily available financing from capital markets and the banking sector fueled the appetite of local players for foreign acquisitions.

The Philippine M&A storyline was consistent with the movement in the Southeast Asian region as reported by MergerMarket, with both 2014 and 2015 reporting significant outbound transactions in the quest to stay competitive in the global market.

Notwithstanding the relative slowdown in the first half of 2016 with outbound M&A activity aggregating to only US\$55 million, CEOs remain optimistic, given the current financial state of Philippine companies vis-à-vis opportunities offered by the ASEAN integration and economic policies presented by the new administration.

## Regional optimism

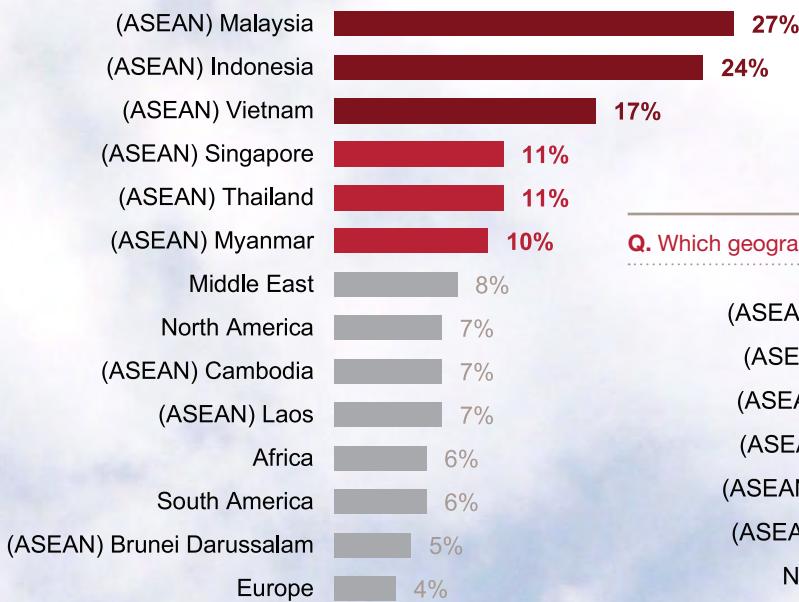
Based on survey results, 36% have already expanded their operations overseas while 56% of the CEOs share that they plan to compete in another country over the next three years, either through outbound M&A or opening of foreign branches. Selecting the country to invest in was mainly opportunistic and market-driven. As stated by Mr. Castillo, "We are opportunistic in a sense that we try to go where the money is. Money means a project that is being offered for our construction. If we win the bid and the margins are good, that's where we go. We are not very picky about places; it can be in the middle of the mountain, the sea or the... top of the mountain, or whether (it is) a remote area in a country."

It is a view shared by Jose R. Magsaysay, Jr., President and CEO of Cinco Corp. (Potato Corner), who has brought the franchise to the US and even to Indonesia and Panama after striking a balance between sufficient consumer demand and finding good partners. The success of his brand even prompted Mr. Magsaysay to already position in Africa. "Well, there are actually two continents we haven't penetrated yet – Africa and Europe – so we're still looking forward to enter (other markets), especially Africa. Because to me, Africa is like a Marlboro country where the gold rush is yet to happen and I want to be there before the gold rush hits."

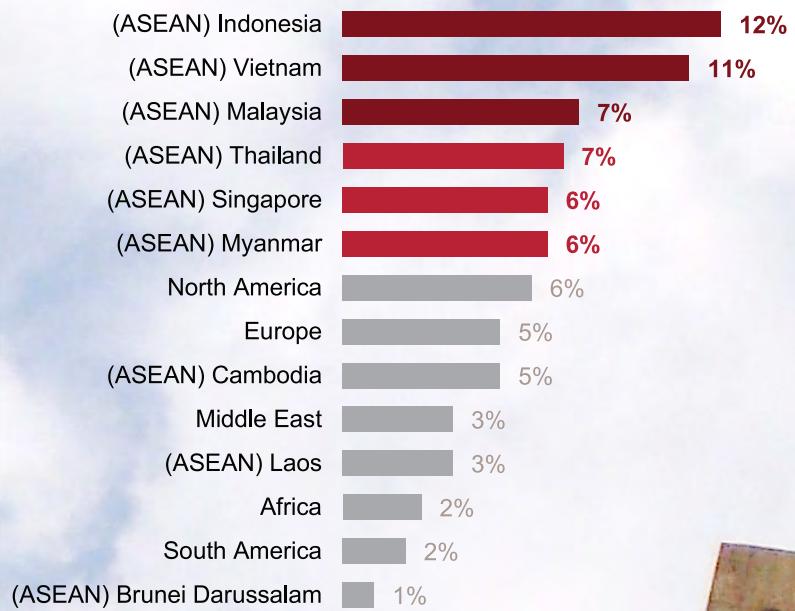
For Mr. Lapus, choosing where to go is more strategic, "we prioritize it by going to developing markets where multinationals are not yet heavily entrenched. In doing so, the obstacles and the barriers for us, marketing wise, [are] a lot easier, because we do not have to deal with these giants."

However, with the establishment of the AEC, it was no surprise that countries like Indonesia and Vietnam were preferred destinations of Philippine companies as CEOs try to capitalize on the promises of free trade and exchange, tax efficiencies and sectoral cooperation, among others, in the regional economic integration agenda.

**Q. Which geographical markets did your organization enter?**



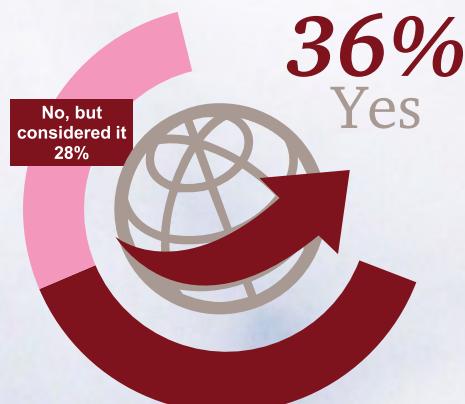
**Q. Which geographical markets does your organization plan to enter?**



**Q. Over the next three years, how likely will your organization compete in another country other than where you are currently located?**



**Q. In the past three years, have you entered or considered entering a new country or countries?**



## Fueling passion

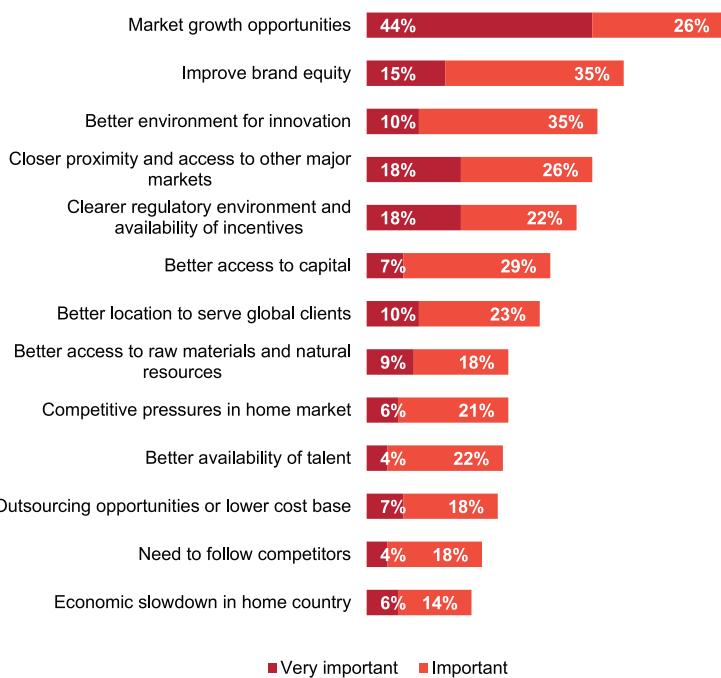
The lure of competing in other territories is primarily propelled by market growth opportunities as responded to by 70% of the CEOs. Mr. Antonio explains, “Basically, we are looking into markets which we believe have a big potential and would be able to use our experience and our resources to their maximum. We are looking also at the profile of the population of the other countries that wish to invite us to do business there.”

This is further attested to by most, if not all, outbound M&As from the Philippines. Jollibee explains that its acquisition of Smashburger enables direct penetration to the US\$100 billion US burger market. Emperador's takeover of Beam Suntory takes it atop the pedestal in the brandy industry with the addition of market-leading brands, including world-renowned Fundador, Spain's Terry Centenario and UK's Harveys. Asia United Bank's purchase of Pinoy Express PTE Ltd. allows it to dip further into the Singapore remittance market, which in 2014 reached US\$1.18 billion or 33% of total Asian remittances excluding the Middle East. All stories narrate the proverbial aspiration of seeking greener pastures and possibly making a global imprint.

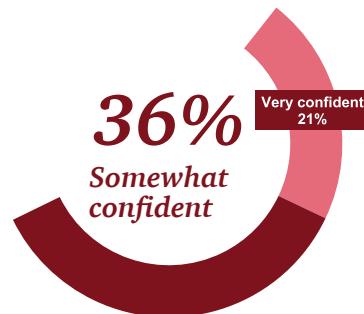
Another driving force in the organizations' pursuit of expanding overseas is the allure of clearer regulatory environment and availability of tax incentives, which 40% of CEOs would wish to capitalize on. Clear laws offer more stability and continuity and lower risk that the rules will be changed in the middle of the game. This transparency promotes fair competition.

Accordingly, government is perceived as a business ally and not a threat. The opportunity lies in the number of neighboring countries that are ranked higher than the Philippines with regard to the competitiveness index measured by varying bodies, including the World Economic Forum and International Institute of Management Development. Notwithstanding the country's improvement, a number of nations still performed much better — namely Singapore, Malaysia, Thailand and Indonesia — in areas of effective legal environment, competitive tax regime and government bureaucracy.

**Q. How important are the following reasons in your decision to go overseas?**



**Q. How confident is your organization about its readiness to expand overseas or enter a new country?**



The optimism in expanding overseas is however tempered by the confidence level in organizations' readiness to embark on the said journey. Only 21% of CEOs are very confident that their respective companies are prepared to face the varying challenges of venturing into a foreign territory, and 36% of CEOs are hesitant due to perceived entry barriers, production efficiencies already gained by foreign competitors and brand recognition.



*In looking for a partner, the financial capability or capacity is not important to us, more on passion and capability to network and grow the brand.”*

**Jose Magsaysay**, President and CEO, Cinco Corp.



*There should be a good fit. There should be chemistry. Our cultures should be aligned. Our vision for the company should be aligned too. Whoever we should partner with should bring in value to the company, be it a technical capability or technology that they can bring in.*

**Frank Gaisano**,  
Chairman and CEO, Metro Retail Stores Group Inc.



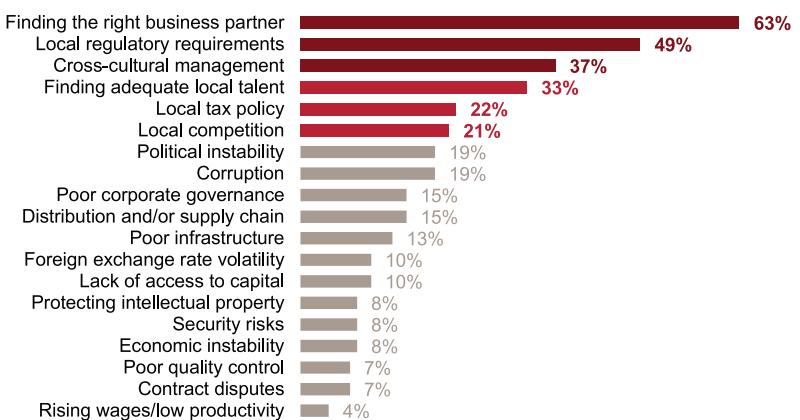
## Deal breakers?

In the survey, CEOs selected key challenges that they believe may make or break the decision to venture outside with the uncertainty of finding the right business partner as their topmost concern followed by local regulations and cross cultural management, respectively.

More than the ability to immediately expand the revenue base, any partnership or collaboration with foreign counterparts must be for the long term and in fulfillment of a common vision. According to Mr. Lapus, “the most important thing is to make sure that the venture, or the merger, or the cooperation will make sense in the long term. Not just for the first two, three years but really for the long term, taking into consideration the ASEAN as a bloc.”

Indeed, finding the right partner is critical to the CEOs’ plan to expand outside of their own domestic market. The criteria for choosing the right partner vary depending on the circumstances. Commonly, CEOs believe that apart from financial capability, there should also be an alignment of goals and shared values.

According to Mr. Zobel de Ayala, “When you’re moving to a new territory—more recently we’ve been investing in the ASEAN area—finding individuals, groups or institutions that are comfortable in that particular setting becomes a critical component of success. We see ourselves in the Philippines as a potential partner of choice for individuals. We would like to find the equivalent of ourselves in other countries where you can work together to address different needs.



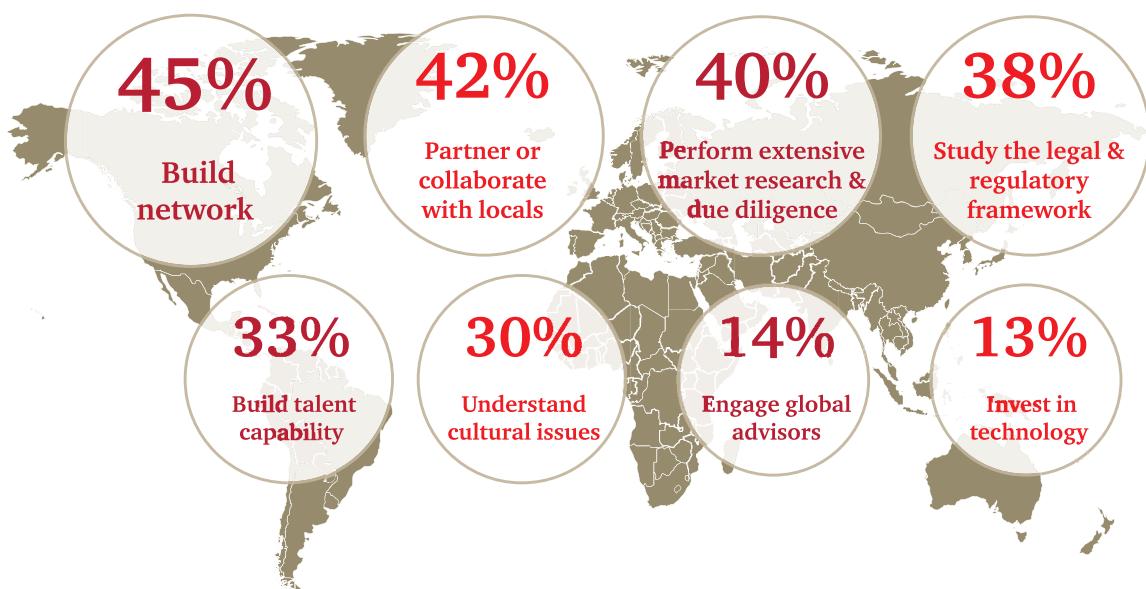
This may rationalize why most foreign acquisitions done by local companies were entities in the same or in similar industry sectors such as Jollibee's investment in another quick service restaurant, Xurpas made various investments in game and mobile content developers namely MatchMe Pte. Ltd of Singapore and PT Sembilan Investma of Indonesia, respectively; and URC's acquisitions of other companies engaged in snack foods manufacturing.

CEOs also cited local regulatory requirements as a potential stumbling block, particularly in areas of taxation and business registration. Accordingly, companies should make sure that all bases are covered prior to any business transaction as one oversight may result in losses and ultimately lead to closure. We have seen numerous acquisitions which have gone south or are subsequently divested after experiencing a difficult business environment brought by regulatory and tax issues. Studying and understanding the legal and regulatory framework of the new market was cited by 38% of the CEOs as critical in their preparation to expand overseas.

Among ASEAN countries, Indonesia was the top choice for possible destination of Philippine companies, which may have coincided with the announced economic deregulation package. In 2015, President Joko Widodo announced a major economic deregulation policy that aims to boost investment, "The government is trying to remove obstacles so as to increase industry competitiveness through de-bureaucratization and [increasing] certainty for businesses." Correspondingly, the Indonesian government planned to review almost 90 regulations to avoid the duplication of business licensing procedures.

Lastly, CEOs mainly consider cultural diversity as management practices and beliefs may be too wide apart to harmonize and ensure common direction for the business venture. According to Francis Laurel, President and CEO of YKK Philippines Inc., "You have to be patient. You have to be persistent. Secondly, there should be a mutual understanding of the culture and tradition of both parties. The practices, the business practices that we have in the Philippines may not be the same as that of Japan, the same as that of Germany, Malaysia, China... So it is important to understand and respect the culture and tradition of your partners and your partners must likewise do the same."

**Q. What preparations did you undertake or are undertaking before going overseas?**



## ***Building an investment portfolio***

Other than investing overseas, CEOs remain bullish on their plans of competing in industries other than their own in the next three years. The survey disclosed that 45% of the CEOs plan to compete in new industries in the next three years. Most local conglomerates and tycoons have undertaken diversification programs to explore new markets and extend their reach to different consumers.

In August 2016, Megawide Construction Corp. announced its plan to further expand airport operation, and enter new business arenas such as transport and power generation with focus on renewable energy to complement its construction business. This trend is indeed shared by majority of CEOs, who have selected technology, real estate and construction and media and entertainment as their top business ventures.

The choice of media and entertainment was certainly unexpected, given that the industry sector has been historically dominated by only few players, and consequently poses significant barriers to entry including huge capital investment. Real estate and construction recognizes the Philippine government's emphasis on infrastructure spending.

On digital investments, the *PwC 2015 APEC CEO Survey* cited a PwC research which observed that companies are not investing in technology to disrupt their own or other industries. Rather, they are almost entirely focused on applying digital strategies to grow their existing business models. This is best exemplified by investments in e-commerce, website development and maximizing social media, which are primarily to facilitate accessibility and enhance consumer experience, but not intended to cause a ripple or create a niche in

the market. Nonetheless, the digital footprint helps companies compete and ensure visibility.

In contrast, the emergence of Uber and Airbnb has constructively disrupted the transportation and accommodation sectors, respectively — a digital revolution that we have yet to witness incubate locally and be integrated into the global arena.

## ***Taking that leap***

Indeed, CEOs find themselves in a conundrum in identifying which available opportunities to seize and the best time to venture outside their domestic territory or industry vis-à-vis preparedness and readiness of respective organizations. This time, however, the determination no longer resides solely on the shoulders of current leaders, but a shared decision with upcoming and tomorrow's leaders. Among them, the choice of pulling the trigger now or later, between status quo and being the disruptor must be made, and ultimately gauging the sensitivity of competing outside one's comfort zone. There will certainly be differences in priorities, strategies, and style between generations, but they are nonetheless bound by the same degree of passion, dedication and commitment to success.

## ***Tough questions***

1. What are the internal challenges that your organization needs to hurdle in order to take concrete steps in expanding overseas?
2. How do you perceive neighboring ASEAN companies: potential business partners or possible competitors?
3. How do you assess which markets to prioritize?
4. Do you believe that lifting foreign restrictions in certain regulated industries will be more beneficial or detrimental to the economy and national interest?
5. Do you have the right structure and human resource base to grow overseas?

## Tomorrow's leaders today



In today's ever-complex and dynamic business environment, there is a need for effective and more responsive leadership. CEOs of today must contend with developments ranging from globalization and rapid technological innovation to profound social, demographic, economic and environmental shifts. Businesses of every size and type – from the small start-ups to multinational corporations – are not immune to these developments.

Times have changed. Opportunities and challenges both abound. But do leaders of tomorrow need different capabilities and preparation to succeed in an increasingly competitive interconnected and wired marketplace? Or do time-tested and proven qualities still hold true?

Thirty percent of the CEOs we surveyed are 45 years old and younger. Not surprising that when compared to the responses of those who came before them, we found different viewpoints.

### Generation gap or signs of the times?

Common capabilities identified by both groups of leaders include ability to manage and operate across borders, integrity and innovative mindset. Both agree that these characteristics are essential for the next-generation leaders to compete in a borderless world of business.

#### Q. What top five traits or capabilities should next generation leaders possess?



The younger leaders have identified agility and collaboration as two desirable traits. Indeed, the ability to adapt quickly to change is essential given the speed of technological change. We have seen many businesses fail because they were not agile enough.

There are also more tools available to allow better collaboration beyond geographical boundaries. The next-generation leaders understand that working with others is becoming more critical given the more complex business environment.

On the other hand, more senior leaders find strategic thinking and humility as more important traits that the next-generation leaders should possess. They believe that careful planning is essential and that important decisions can sometimes take time. Despite what they have achieved, they remain modest and expect the younger generation to exhibit the same.

Other differences worth noting include the importance accorded by the younger generation to grit with 24% saying it is a key quality while only 7% of the older generation saying it is so. On the other hand, 26% of the seasoned CEOs identified global acumen and cultural adaptability as important while less so for the next-generation leaders.

## Going global

A different scenario requires a different set of skills. To compete globally, CEOs noted that the top three skills or attributes which our next-generation leaders are missing are global exposure and experience, good work ethic and entrepreneurial spirit.

As trade barriers are lifted and as the distance of doing business around the world continues to shrink, these abilities are sought-after.

So how will young leaders acquire these skills?

**Q. What skills or attributes are our young leaders missing to compete globally?**



■ 45 and below ■ 46 and above



**Leaders should not be integrity-challenged, and they should not be intellectually challenged.”**

**Felino Palafox Jr.**

Principal Architect-Urban Planner and Founder, Palafox Associates Corporation

**“...where there’s a question of integrity, you cannot sit on the fence.”**

**Francis Laurel**

President and CEO, YKK Philippines Inc.

## Nature or nurture

CEOs and young leaders agree that when it comes to leadership, nurture rules over nature. CEOs believe that on-the-job coaching and mentoring have the most influence on development leadership capability.

While education helps in shaping and preparing young people for leadership responsibilities, only a quarter of our veteran CEOs surveyed believe that our educational system is sufficient to equip our students to thrive in today's technologically-driven and knowledge-based economy.

Seventy-three percent of the CEO respondents cited relevant experience as a must-have when hiring new leaders. Experience is not something that is gained through reading or by watching others.

According to Mr. Cua, "It's very much a hands-on experience and that to me has proven to be more beneficial when it comes to what we do today, which is really keeping your eyes and ears near the ground, being at the ground floor rather than sitting in your sort of ivory tower, throwing out orders to your team."

While Mr. Chua remarked that, "young leaders need to know a very broad range of functions as these make them more valuable. When the time comes for them to be the CEO or president of a company, they need to know a little bit of everything — from HR to operations to marketing — that will allow the leader to become an integrator of sorts."

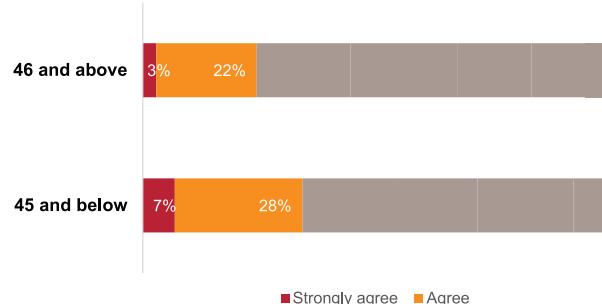
Certifications, post-graduate degrees, multi-lingual skills are good to have but not critical, according to the CEOs. Over and above these, the right attitude and the determination to persevere are just as—if not more—important in tackling the many obstacles that lie ahead.

## Challenges of the road ahead

CEOs identified more intense competition across markets, regulatory risks, work-life balance and availability of talent as the top challenges that next-generation leaders face.

Technology, ASEAN integration, and the borderless way of doing business across countries and industries have resulted in disruption. All these contribute to more intense competition that the next-generation CEOs will have to contend with.

**Q: Does our education system effectively equip students to thrive in today's technology-driven and knowledge-based economy?**



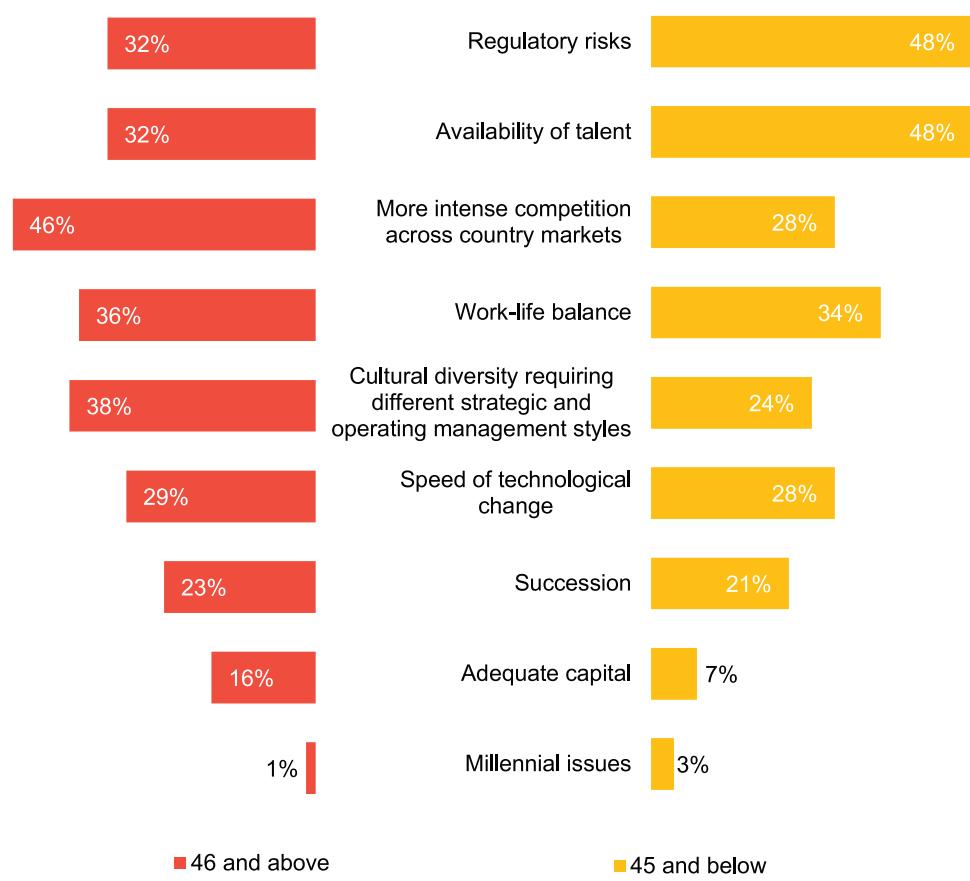
What I told my three sons is that they will not be able to work at Potato Corner and that they have to find their own way, because I want them to experience what I experienced... so I want them to experience how it is working real work than working in a company that belongs to your dad."

**Jose Magsaysay Jr.**, President and CEO, Cinco Corp.

"I think it's really a combination of many factors, my business journey has really been a continued learning process. You try to become better and better mostly by actual experience, observation, and by learning through interaction with and observation of the people around you."

**Edgar 'Injap' Sia II**, Chairman and CEO, DoubleDragon Properties Corp.

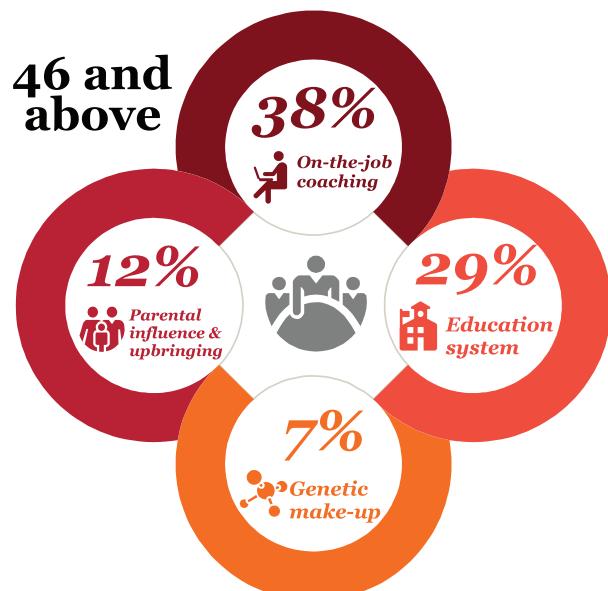
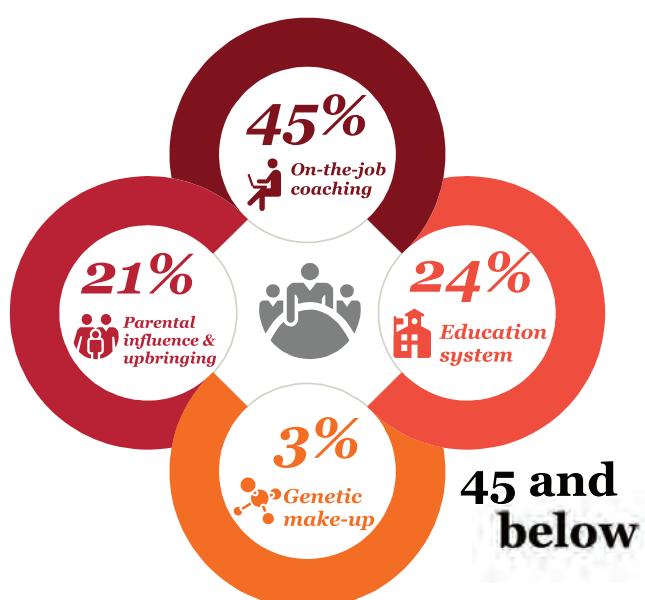
**Q: What challenges do next generation leaders face?**



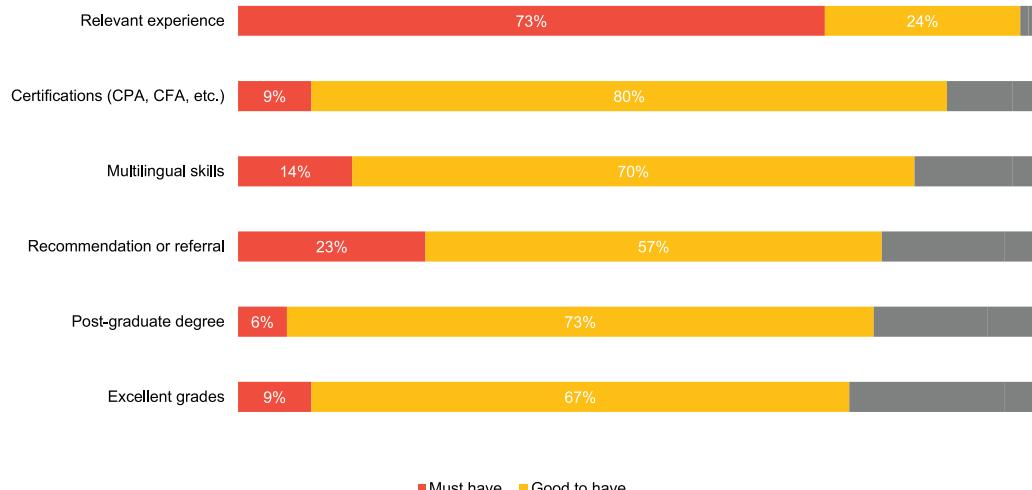
■ 46 and above

■ 45 and below

**Q. Which of the following most influence leadership capability?**



**Q. When hiring new leaders, how important are these?**



Demands of their time as they assume a variety of roles will also test their resilience and ability to prioritize. Technology, initially believed to improve efficiency and thus help address work-life balance, has somehow done the opposite. As lines between personal and professional lives blur, leaders will find it even more challenging to compartmentalize the various roles they have. Communication is easier and thus response time is likewise expected to be almost instantaneous.

Globalization and the desire to enter new markets will continue to present regulatory risks and will test the cultural adaptability of the CEOs.

As CEOs pursue new opportunities and expectations rise, the race to acquire and retain talent remains to be on the CEOs' agenda. Add to this the millennials' tendency to see their careers as a portfolio of experiences rather than a ladder to be climbed in a single organization. This is actually a common challenge when working with young leaders, as observed by Mr. Abrea, who is a young leader himself.

From his experience working with fellow millennials, he noted that most would try to always look for new challenges and sometimes it means ending some initiatives in order to gain new experiences.

"It's really an issue of stability. To start something is easy for us but to continue it – the sustainability to grow it – it's hard because even among ourselves, we change [our] minds," he added.

The view is likewise shared by Ms. Singson, who noticed that the young leaders today are not as loyal to the companies that they work for. "Maybe I'm a little old-fashioned, but I just noticed our young leaders today are not as loyal as we were to the companies that they work for. They are so mobile. Sometimes you feel that their value system is not the same as ours. I'm not saying it's bad, I'm just saying that I feel that if you work for a company, you must be loyal, but companies now also must adjust to the new value system of the youth. Mobility makes it very difficult to keep people, especially the good ones, in the company. There must be ways of motivating them to stay. There must be ways of developing their loyalty to the company."

Mr. Abrea further mentioned that younger leaders who have yet to prove themselves struggle to get the trust and confidence of their mentors, investors and even regulators. "It took a while before we got a spot wherein our voices are heard, wherein our opinions are respected and business ideas like what we are starting or like what we have started is being taken seriously," he added.

## Tough questions

1. Do you have the right people to develop as the next leaders of the organization?
2. What programs should your organization implement to develop the next generation leaders?
3. How would your organization attract and retain millennials as potential leaders in an ever competitive and extremely global market?
4. What are you doing now to prepare the organization and the next generation leaders for the challenges of the future?
5. What are the key leadership lessons you want to pass to the next generation leaders?

Mr. Castillo, on the other hand, is harnessing the strength of the millennials. “I’m betting on these guys to bring construction into the 21st century because the way construction is done is very Jurassic. Still we’re in the brick-and-mortar business. The application of newer technologies in our way of doing things [and] the methodologies are not at the leading edge. So we would want to ask our younger people to see and explore new ways of doing things in construction, applying, like if we could construct a building by printing it is something that is already within reach of our next generation of builders.”

## **Words of wisdom**

In our conversations with CEOs, it is evident that they realize the importance of developing tomorrow’s leaders today. Having gone up the corporate ladder themselves, leaders of today remind the next-generation leaders that there are no shortcuts to success and the path is normally laden with challenges and risks.

It is for this reason that most leaders today are giving next-generation leaders the opportunity to make decisions. For Mr. Laurel, “you cannot afford to spoon-feed your people... you have to challenge them. It is only by giving them the opportunities to make decisions that they will become future leaders of the organization.”

Having trodden the beaten path, CEOs have these pieces of advice to offer the younger generation of leaders:

### **Failure**

Try something where you learn how to fail early. That’s why sports are actually good because people know how to lose and how to get back up again. Learn how to fail.

**John Echauz**

### **Hunger for knowledge**

Continuing education is very, very important.

**Felino Palafox, Jr.**

### **Perseverance**

You just have to be more creative and innovative to find a strategy, by seeing through the next layer of each of the challenge, and couple it with more hard work and sheer determination.

**Edgar ‘Injap’ Sia II**

### **Passion**

Find your passion. It is really, really important to find out what you love and to be authentic. Life is so complex. Work is so complex. Every day we have challenges, and sometimes we just want to quit. This is too much. If you love what you’re doing, then it’s just fun. Nothing will discourage you.

**Maria Carolina V. Dominguez**

### **Taking risks**

Don’t be afraid to learn more than what you have been assigned and the other thing that I can say is that sometimes you have to take risks. Nothing is for sure and I’ve seen people being stymied or not doing anything because they are afraid to risk their careers or take what I would consider not a reckless type of risk, but more of a calculated type of risk.

**George Chua**

### Values

We've always believed in making sure that there's an alignment of values in whatever generation from our family gets involved. Issues of hard work, alignment to the country's national development agenda, a long-term horizon and a belief in a high caliber professional structure within the Ayala Group are all important elements.

**Jaime Augusto Zobel de Ayala**

### Self-awareness

Knowing what we can't do and knowing what we can do are very important. Sometimes you have to accept that you can't do certain things and must know when to ask for help. When we're young, we're kind of arrogant. So there's a level of humility that we have to learn as a young leader.

**Diane Eustaquio**

### Vision

If you have a vision that's bigger than yourself, bigger than just making money, if it is because you are putting yourself in the service of humanity or people outside yourself, then there's nothing you cannot overcome.

**Maan Hontiveros**

### Resilience

Build resilience in yourself. Resilience is a very expensive element. You know, when disappointments arise, just remember that there is absolutely nothing that we cannot get through because as the saying goes, 'We are more vulnerable than we ever thought. However, we are also stronger than we ever imagined.'

**Marife Zamora**

### Decision-making

Any good leader is a man who makes decisions to get things done. In making decisions, you are going to be making mistakes, but better to make a few mistakes than to do nothing and have nothing happen. I am a great believer that if you don't try, you lose. People often say, "Oh, I don't want to do that because I might not succeed." And maybe you won't. Maybe there's a very small chance you'll succeed. But if you don't even try, you definitely fail. That's obvious. So it's worth trying. Take the risks. Go out there. Get things done.

**Peter Wallace**

While the future seems daunting for young leaders, they can always find guidance in the advice of those who have gone before them and combine this with their desire to set ablaze their own trail.



You are writing your own history and it's easy to copy. People like to think there's a copy-and-paste template to doing business, but I don't think there is. There are some good principles – kind of why we have this M.A.P. – but more importantly, it's being able to acknowledge that at the end of the day, it's going to be you, your decisions, what you do and what you do the first thing you get out of bed that would determine the future of that company."

**Laurence Cua, General Manager, Uber Philippines**

# CEO agenda

## The many phases and faces of globalization

Globalization has gone through a series of transformations. In the early years, globalization meant sending your troops to a foreign land and conquering the kingdom to claim its wealth and resources. In more recent times, going global meant companies moving to other countries or territories to expand their market and take advantage of lower costs.

Today, with digital revolution, one does not even have to go anywhere to expand overseas. Location has become irrelevant. Technology has lifted the boundaries of doing business. This is now the new normal. This is the business environment where next-generation leaders will continue to operate in and thrive. This is the time of disruptions and more intense competition.

Yet this is also the time when technology enables real-time collaboration regardless of geographic distance, even transcending cultural differences and language barriers. Because of this, young leaders are also wired slightly different compared to their predecessors. Mr. Campos described this very well when he said, “Harnessing that potential and creating an environment where a millennial or a young person really wants to see the company succeed is a challenging task because in the past and previous generations, I might have been more concerned with stability of employment, having one career rising up the ranks in one company. But now, the key decision factor is more about purpose, more about meaning. It’s more about the buying into the vision of the company and believing in how a company operates in terms of its values, and motivating and providing meaning in the vision that the millennial workforce can get behind. I think it’s the biggest challenge in leadership today as well.”

## Stability vs. mobility, profits vs. purpose

Next-generation leaders belong to the millennial generation. Millennials are often perceived as flighty and disloyal. They are labelled as the “entitled generation”.

Yet, they are also arguably the most socially conscious group.

The next-generation leaders would like to be identified with businesses that are socially responsible. In a PwC study entitled *Millennials at Work: Reshaping the Workplace*, it was reported that 88% of millennials prefer companies that have good corporate social responsibility (CSR) initiatives and an incredible 86% would even consider leaving if their employer’s CSR projects no longer meet their expectations.

Businesses which are driven by profit alone do not appeal to next-generation leaders. For them, doing business is about looking after the various and sometimes conflicting interests of stakeholders. Next-generation leaders are willing to make sacrifices rather than compromise their ideals. Alignment of their personal values to that of their organization is important to keep them engaged.

For Mr. Palafox, “In our company we have core values: honesty, integrity, professionalism, caring for the environment before business orientation... and also spirituality is there. I tell my young architects, planners and young designers that every time we draw a line, think of the beneficiary if you do a good design. If you do a lousy design, think of the sufferers. In everything that we do, we have more than a triple bottom line: people first, planet earth, and then we can talk about profit. We’ve added history, heritage and culture, [and] spirituality. We try to translate these to our architecture, our urban planning and our master planning.”

More and more businesses are realizing that they do not really have to choose between profit and purpose. As the next generation will lead us into this future, we can imagine a world where alignment of profit and purpose is the primary goal of doing business.

The leaders who came before us must have done something right. After all, history is a great teacher and the idealism that our younger leaders have must be what they have observed from their role models. As they say, the true reflection of being a leader is not measured by the company’s profitability but by the many lives he or she has touched or inspired.

**Leaders take inspiration from purpose or other leaders that they admire. These personalities were mentioned by the CEOs during our survey and interviews.**



**Jaime Augusto Zobel de Ayala**

Somebody who has helped humanity in a way that is so unparalleled is a great leader. People follow a great leader who can inspire other people to help one another, take care of each other and not to abuse anybody.  
~ **Bobby Castillo on Leadership**



**Lee Kuan Yew**

He has the four core very important traits to be able to sustainably effect major change because he had foresight, he had the ability to communicate his vision, he had iron hands to execute his plans, and he had the integrity to sustain it through.

~ **Injap Sia on Lee Kuan Yew**



**Rodrigo Duterte**



**Manny Pangilinan**

A fantastic leader, can-do attitude, optimistic, generally will try something new. He does not squeeze people. He's easy to work with. He does things not just for business, but really to help society.

~ **John Echauz on Manny Pangilinan**



**Warren Buffett**

I really like how he goes into acquiring companies and keeping the key people in that target company, keeping them and still making them run the company and not really changing anything, and realizing that there is strength in those people. Just empowering them more in making these companies big, and to my recollection, he has held to most of these companies and has just brought more value to these companies. He wasn't in there for the short-term, you know, [to] acquire and flip and sell, but really to grow these businesses.

~ **Kim Lapus on Warren Buffett**



**Washington SyCip**



I really believe in and would like to follow a leader that has a very good vision of his company or country and the means to implement it, because I believe that a vision without implementation is hallucination.  
~ Jose Eduardo Antonio on Leadership



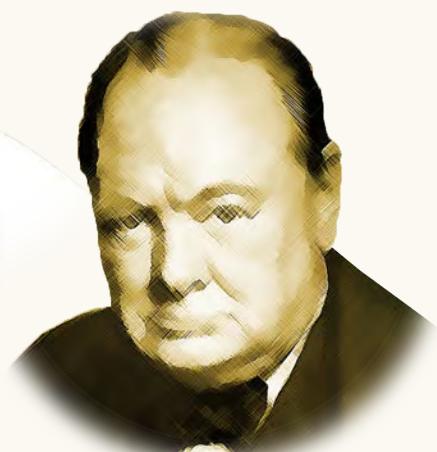
Barack Obama



Nelson Mandela



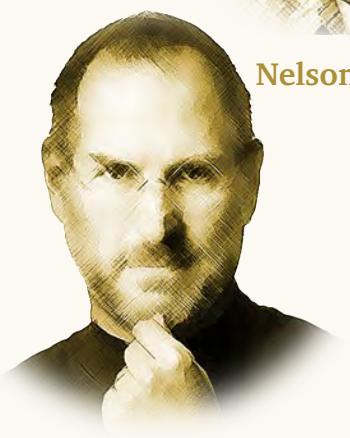
Pope Francis



Winston Churchill

To my mind, Churchill is probably one of the greatest. He won a war because he was intelligent enough to know what had to be done. More importantly, he knew how to get the whole country on his side to get it done. That's what leadership is.

~ Peter Wallace on Winston Churchill



Steve Jobs

His impact on technology is I think very much well known, but what I really admire about him is his commitment to a vision. His ability to create a reality that is something that people would think is crazy or something that is just incomprehensible at some level.

~ Laurence Cua on Steve Jobs



Fidel Ramos



Leni Robredo



Ramon del Rosario



Jack Ma

She has made Germany a strong stable country, and it has been carrying the weight of Europe on its shoulders in recent years. She's taken some tough decisions when it was unpopular to do so. She's methodical. She's very intelligent. She's very process-driven, and she's also willing to take risks when it's unpopular to do so.

Those are great traits in a leader.

~ Jaime Augusto Zobel de Ayala on Angela Merkel

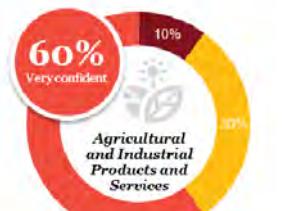


Angela Merkel

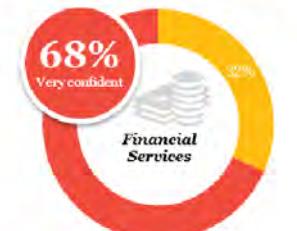
# Additional information per industry

Q. How confident are you about your company's prospects for revenue growth over the next 12 months or three years?

12 month-outlook



3-year outlook



Q. How confident is your organization about its readiness for the ASEAN Economic Community (AEC)?

Financial Services 25% 63%

Consumer and Retail 67%

Professional and Business Services 45% 20%

Agricultural and Industrial Products and Services 20% 40%

Technology, Information-Communications & Entertainment 50%

Energy, Utilities & Mining 33% 22%

■ Very confident ■ Somewhat confident

Q. How confident is your organization about its readiness to expand overseas or enter a new country?

Technology, Information-Communications & Entertainment 8% 67%

Professional and Business Services 40% 35%

Energy, Utilities and Mining 44% 11%

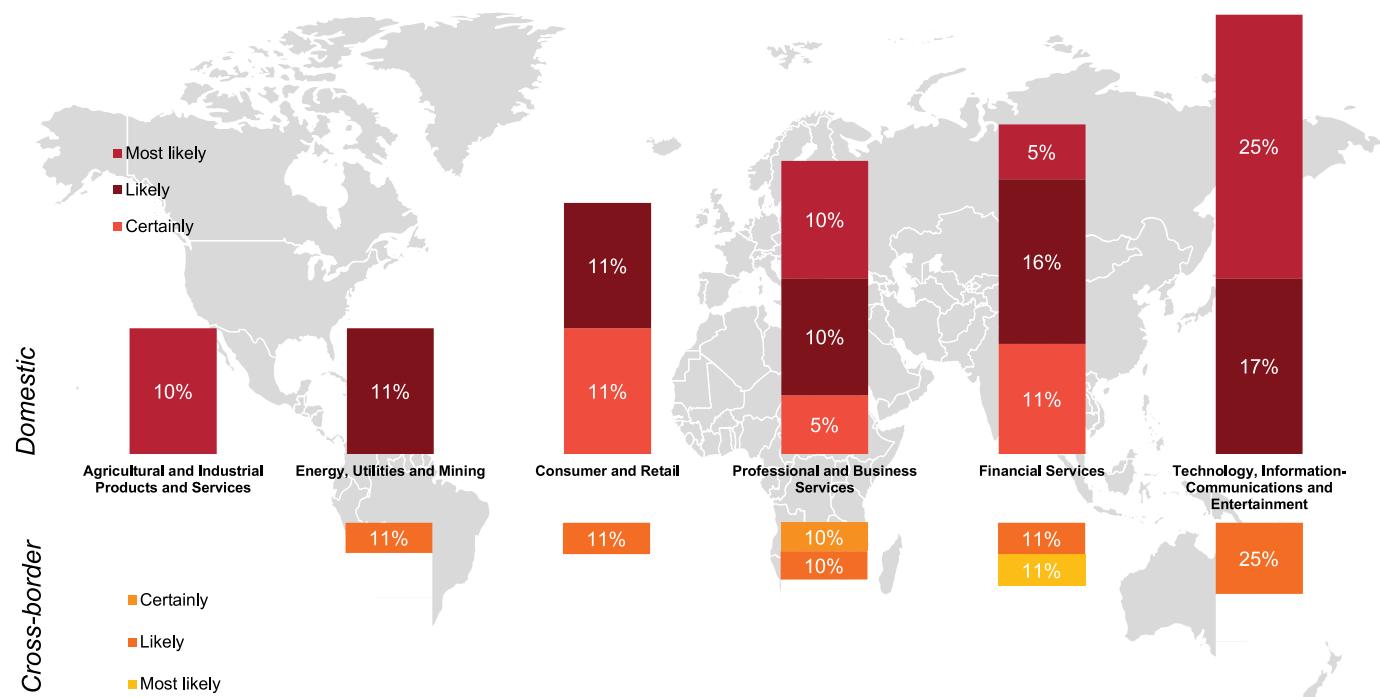
Agricultural and Industrial Products and Services 20% 30%

Consumer and Retail 22% 22%

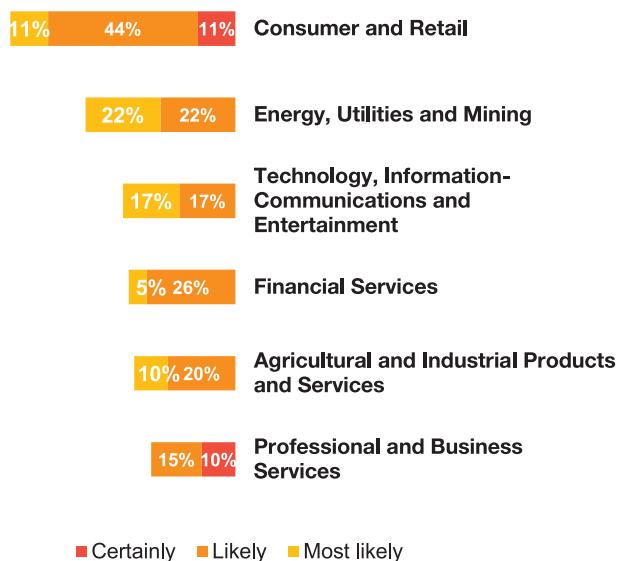
Financial Services 37%

■ Very confident ■ Somewhat confident

### Likelihood of CEOs to complete M&A activity

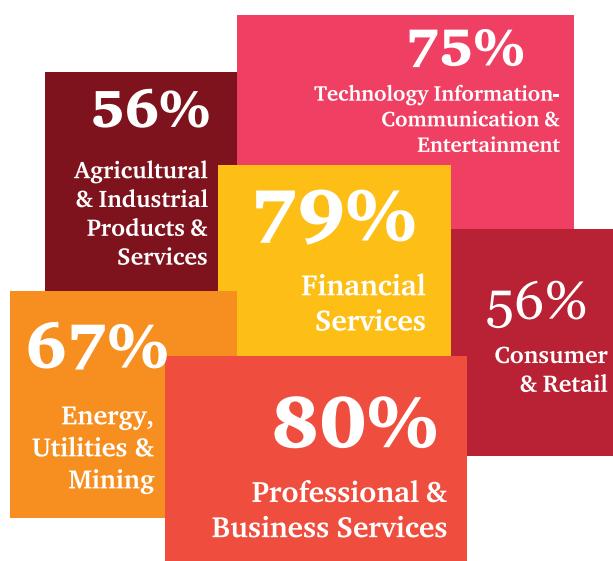


### Likelihood of CEOs to enter a new industry



■ Certainly ■ Likely ■ Most likely

### Likelihood of CEOs who will enter into a strategic alliance or partnership



# Meet the CEOs



**Raymond Abrea**  
President &  
Chief Strategy Officer  
Abrea Consulting Group



**Marianne Hontiveros**  
Chair  
AirAsia Zest



**Jaime Augusto Zobel de Ayala**  
Chairman and CEO  
Ayala Corporation



**Roberto Jose Castillo**  
President and CEO  
EEI Corp.



**Diane Eustaquio**  
Executive Director  
IdeaSpace Foundation



**Edgar 'Injap' Sia II**  
Chairman and CEO  
DoubleDragon Properties Corp.



**Felino A. Palafox, Jr.**  
Principal Architect-Urban  
Planner and Founder  
Palafox Associates  
Corporation



**Evelyn Singson**  
President and  
Vice Chairman  
Philippine Hoteliers, Inc./  
Dusit Thani Manila



**John B. Echauz**  
President and CEO  
Standard Insurance Co. Inc.



**George Chua**  
*President and CEO*  
Bayan Automotive  
Industries Corp.



**Jose Eduardo Antonio**  
*Chairman*  
Century Properties  
Group, Inc.



**Jose R. Magsaysay, Jr.**  
*President and CEO*  
Cinco Corporation



**Marife Zamora**  
*Chair*  
Convergys Philippines  
Services Corp.



**Carolina Dominguez**  
*President and CEO*  
John Clements  
Consultants Inc.



**Perry Pe**  
*President*  
Management Association  
of the Philippines



**Kim Lapus**  
*General Manager*  
Marigold Manufacturing  
Corporation



**Frank Gaisano**  
*Chairman and CEO*  
Metro Retail Stores  
Group Inc.



**Laurence Cua**  
*General Manager*  
Uber Philippines



**Peter Leslie Wallace**  
*Chairman*  
Wallace Business Forum



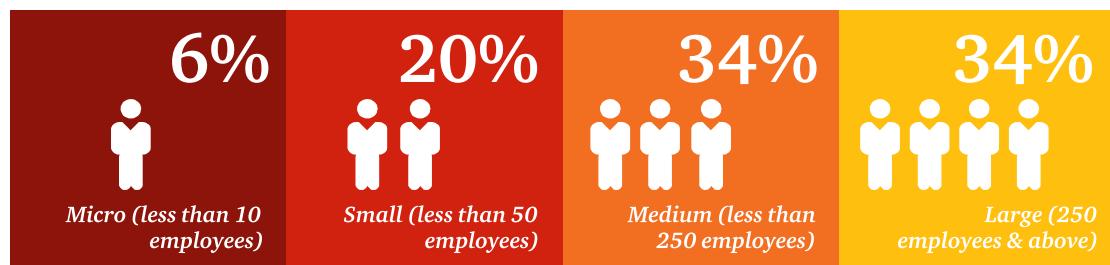
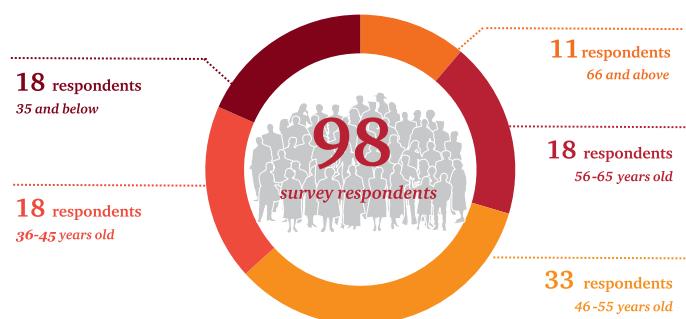
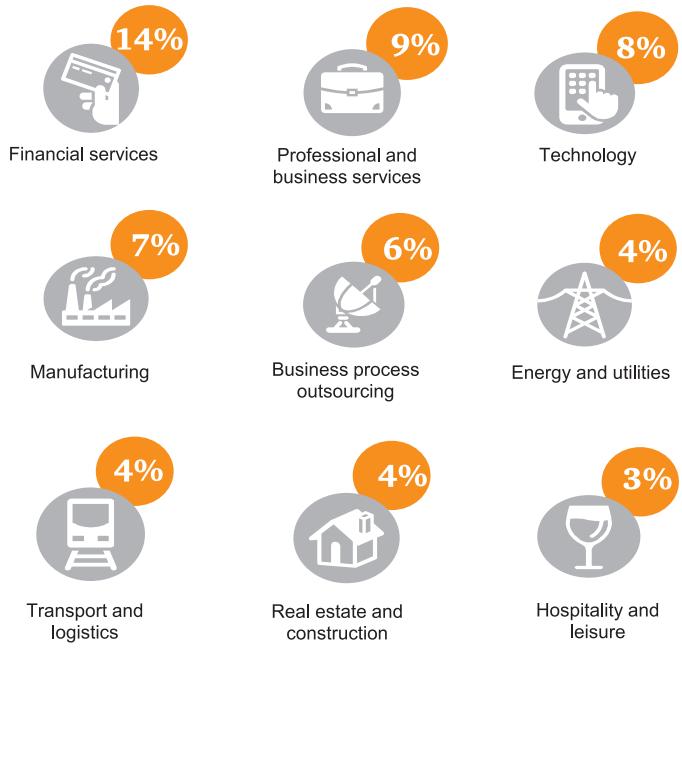
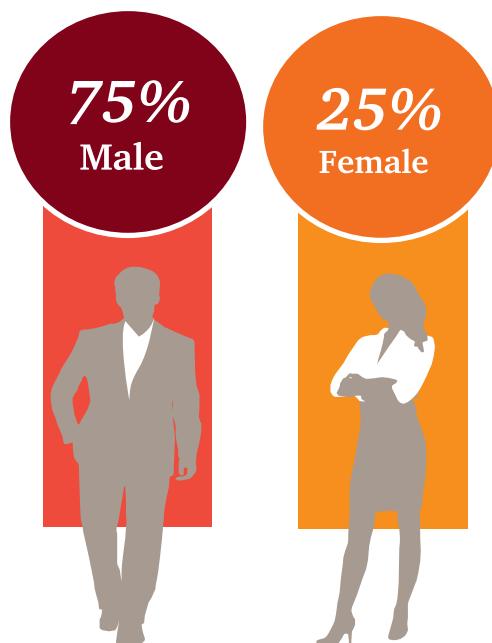
**Francis Laurel**  
*President and CEO*  
YKK Philippines, Inc.



**Paulo Campos III**  
*Co-Founder and  
Managing Director*  
Zalora Philippines

# Profile of CEO respondents

For this study, we have a total of 111 respondents, 98 of which came from survey responses. Total field interviews conducted for this study is 21, eight of whom answered the survey as well.



# **Research contacts and methodologies**

The survey was conducted by PwC, in collaboration with the Management Association of the Philippines (M.A.P.). The respondents of the survey were primarily the members of M.A.P. The survey methodology used was a mix of online and printed questionnaires.

To better appreciate the CEOs' perspectives for 2016, we also conducted face-to-face in-depth conversations with 21 CEOs. Their interviews are quoted in this report.

They are featured on our "Meet the CEOs" page.

The interviews and the survey responses were also spread across a range of industries.

Thirty-four percent of the survey respondents came from large corporations, while 60% came from micro, small and medium enterprises.

The results were tabulated and analyzed by PwC.

## **Notes:**

- Not all figures add up to 100%, due to rounding of percentages and exclusion of "no comment" or "no response".
- The base for figures is 98 (all survey respondents) unless otherwise stated.

For further information on the survey content, please contact:

**Mary Jade T. Roxas-Divinagracia, CFA**  
Managing Partner, Deals and Corporate Finance  
+63 (2) 459 2060  
jade.roxas@ph.pwc.com

For media-related inquiries, please contact:

**Allan Cao**  
Director, Assurance and Markets  
+63 (2) 845 2728  
allan.m.cao@ph.pwc.com

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# Credits

## *Editorial and writing*

### **Mary Jade Roxas-Divinagracia, CFA**

Deals and Corporate Finance Partner, PwC Philippines

### **Tina Arceo-Dumlao**

Business Features Editor, Philippine Daily Inquirer

### **Rocky Saldajeno**

Markets Senior Manager, PwC Philippines

## *Editorial board*

### **Alexander Cabrera**

Chairman and Senior Partner, PwC Philippines

### **Perry Pe**

President, Management Association of the Philippines

### **Junie Del Mundo**

M.A.P. CEO Conference Committee Chair,  
Management Association of the Philippines

### **Alma Rita Jimenez**

M.A.P. CEO Conference Committee Vice Chair,  
Management Association of the Philippines

## *Project management and face-to-face interviews*

### **Arnold Salvador**

Executive Director, Management Association  
of the Philippines

### **Benjamin Azada**

Consulting Principal, PwC Philippines

### **Allan Cao**

### **Joelyn Laura**

Assurance Directors, PwC Philippines

### **Charles Gamo**

Deals and Corporate Finance Director, PwC Philippines

### **Jimmy Disquetado**

Business Services Philippines Senior Manager,  
PwC Philippines

### **Margarita Anna Valero-Quiocho**

Deals and Corporate Finance Manager, PwC Philippines

### **Joanna Philomena Suplico**

Deals and Corporate Finance Senior Associate,  
PwC Philippines

## **Jofferson Jones Panos**

Deals and Corporate Finance Associate, PwC Philippines

## **Jordan Earl San Jose**

Markets Associate, PwC Philippines

## *Design and layout*

### **Dennis Bautista**

Markets Senior Manager, PwC Philippines

### **Dennis Omnes**

Deals and Corporate Finance Senior Associate,  
PwC Philippines

### **Christian Gonzales**

Markets Senior Associate, PwC Philippines

## *Contributors*

### **Catherine Santos**

### **Pocholo Domondon**

Assurance Partners, PwC Philippines

### **Veronica Bartolome**

Consulting Director, PwC Philippines

### **Raoul Villegas**

Deals and Corporate Finance Director, PwC Philippines

### **Karen Patricia Rogacion**

Deals and Corporate Finance Manager, PwC Philippines

## *Research and data analysis*

### **Eugene dela Cruz**

Business Services Philippines Associate,  
PwC Philippines

### **Alyssa Galanto**

### **Eira Selene Bernabe**

### **Rafael Francisco Suarez**

Deals and Corporate Finance Associates, PwC Philippines

### **Kristin Joy Bacena**

### **Francis Nino Cuayzon**

### **Diane Guevara**

Assurance Associates, PwC Philippines

### **Melchora Jeaneth Olan**

Deals and Corporate Finance Trainee, PwC Philippines

*Project support*

**Shalla Anne Deymos-Quiling**

Deals and Corporate Finance Manager, PwC Philippines

**Jay Armand Ogayon**

**Ryan Ray Reyes**

Business Services Philippines Assistant Managers,  
PwC Philippines

**Ma. Melissa Anne Diaz**

Deals and Corporate Finance Assistant Manager,  
PwC Philippines

**Osmond Rubinos**

Business Services Philippines Senior Associate,  
PwC Philippines

**Eloisa Fe Lusotan**

**Franco Agustin Imperial**

Deals and Corporate Finance Senior Associates,  
PwC Philippines

**Tatiana Marie Arcenas**

**Jan-Michael Vincent Banaag**

**Marichar Bontia**

**Philip James Wansi**

**Sherwin Laureola**

Business Services Philippines Associates,  
PwC Philippines

**Maria Regina Ciel Quiambao**

**Santiago Fernandez**

Deals and Corporate Finance Associates, PwC Philippines

**Lilibeth Mercado-Villaruel**

Deals and Corporate Finance Executive Assistant,  
PwC Philippines

**Ma. Estrella Bibat**

Tax Executive Assistant, PwC Philippines

**Blessel Marie Tuazon**

Deals and Corporate Finance Department Secretary,  
PwC Philippines

## **Management Association of the Philippines (M.A.P.)**

M.A.P. is a 66-year-old management organization whose almost 1,000 members represent a cross-section of CEOs, COOs and other top management practitioners from the largest local and multinational companies operating in the Philippines. MAP also counts top management educators and some government officials as its members. For more information on MAP, please visit MAP's Youtube Channel <[www.youtube.com/TheMAPph](https://www.youtube.com/TheMAPph)> and MAP's Facebook Page <<https://www.facebook.com/pages/Management-Association-of-the-Philippines-MAP-Page/137333146417801>>.

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