

12th year

Slovak CEO Survey 2021

PwC and the Forbes Magazine
surveyed the expectations of Slovak
business leaders for the next
12 months

168 CEOs in Slovakia gave their opinion
between 6 August and 7 September 2021

www.pwc.com/sk/en



Forbes



The availability of key competencies will determine success

It is very gratifying to see the optimism of CEOs regarding the development of the economy, sales growth, profit, and headcount. They strongly believe that we have overcome the recent complicated period and the next one will only be better for business. However, the survey raises a few issues to consider, as future success is not self-evident.

One third of CEOs say their company's revenue forecasts are higher than current figures, and for four out of ten the same is true for profit forecasts. A third of CEOs do not know how the forecasts for the return on advertising and brand building, or investment in science and research, product innovation or return on capital, differ from the current numbers. According to the results, there is a lot of room for improvement in financial planning.

Three-quarters of companies are making changes or considering changes to their company's goals to strengthen its position in society. CEOs are questioning whether and how to redefine the goals of their companies and the meaning of their business. Both the pandemic and the onset of change under the influence of climate change have brought new initiatives.

After a year and a half of streamlining, the scope for cost reduction has narrowed, and CEOs have been preparing new plans based on the experience of essential digital transformation over the last 18 months. The highest increase in long-term investment over the next three years will be in digital transformation, science and research, and cyber / data security. In human resources management, CEOs will be paying the most attention to employee skills and adaptability and performance via automation and technology. All these priorities of CEOs are the logical consequences of the pandemic, and we are seeing these trends continue in recent months.

CEOs in Slovakia state that, in addition to populism, pandemics and the increasing tax burden, they are most concerned about a shortage of key competencies, which has been one of the biggest threats in Slovakia for many years. Creating a skilled, educated and flexible workforce is clearly a key priority for government and business, as shown from the CEOs' ranking in the survey. Companies in Slovakia and globally will have to focus even more on increasing the training of their employees in digital transformation and other areas.



Věra Výtvarová

**Country Managing Partner
PwC Slovakia**

What will people appreciate?

New management

The pandemic has disrupted traditional bonds between companies and their employees. Some people were left to work from home. Some lost their jobs. Others had to go to work, because home office was not an option. They all stepped out of their comfort zone.

At the same time, the pandemic has accelerated the technological changes that have been going on for a number of years. It has changed the behaviour of customers. It has changed business models in several industries. Here too, many had to leave their comfort zone to meet new demands.

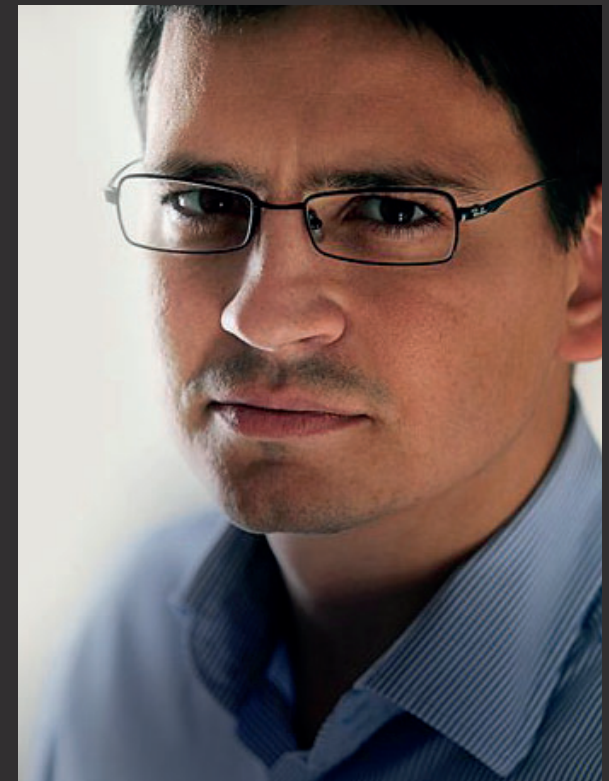
The optimism that emerges from the current survey of Slovak CEOs is based on the expectation of economic recovery and continuing demand from customers, who evidently have money left over from their holidays and entertainment plans.

However, the real question remains - what impact will labour market changes have on these optimistic plans and expectations? Everyone is aware that the lack

of quality, qualified and passionate people will be the biggest challenge for the growth of their businesses.

Because if companies have so far had to solve how to attract new young talents, educate their people and keep the best ones, several new aspects will be added to each task - How to reconcile new technologies with people? How to combine home office and work at the office? How to create new communication channels? How to replace chance encounters in the kitchen? How to put those who want to work flexibly on an equal footing with those working at the office? But most importantly - how to prepare managers for all this?

It has been said that people do not leave bad work, but rather bad bosses. The new era has also pulled managers out of their comfort zone. For many of them, it is natural to go back to old ways. However, in an era of intense competition for talent, combined with a huge change in work routines, old ways could lead to a very different destination than companies and their bosses would like.



Juraj Porubský

Editor-in-chief
Forbes

Survey conclusions

1. A record percentage of CEOs in Slovakia and worldwide are optimistic about global economic development and company growth

73% of CEOs in Slovakia are confident that global economic growth will improve over the next 12 months – this is the highest percentage since 2012, when PwC started conducting the CEO Survey in Slovakia. At the beginning of 2021, 76% of CEOs in other parts of the world were similarly optimistic about the development of the global economy. 55% of CEOs in Slovakia strongly believe that their company will grow over the next 12 months. And company growth over the next 3 years is expected by 63% of CEOs in Slovakia, which is also the highest percentage since 2012.

73%

73% of CEOs in Slovakia are confident that global economic growth will improve over the next 12 months

2. Companies expected better results than actual figures are, monitor more closely revenue growth and profitability and less closely return on investments

According to the opinions of CEOs, companies in Slovakia are better able to forecast revenue growth and profitability for the next 12 months than return on capital investments. One-third of CEOs state that forecasts of revenue growth and profitability are identical with actual results ($\pm 2\%$). Another third of CEOs state that revenue and profitability forecasts are higher, and a quarter of CEOs state that these forecasts are lower, than actual figures.

3. Digital transformation will see the highest investment increase

When asked how CEOs plan to change long-term investments over the next 3 years due to the COVID-19 crisis, CEOs unequivocally state that the highest increase will relate to digital transformation. A moderate increase will affect initiatives to realize cost efficiencies, organic growth programmes, cybersecurity, and data privacy.

4. Most CEOs in Slovakia are extremely concerned about populism and the availability of key skills

Most CEOs in Slovakia are somewhat or extremely concerned about the increasing tax burden, the COVID-19 pandemic, and tax policy uncertainty. They believe that the growing national debt will affect tax policy changes, which will increase their organization's overall tax obligation and will result in a reassessment of its cost structure.

5. CEOs in Slovakia plan to focus on skills and the adaptability of their employees and on productivity increases via automation and technology

To increase competitiveness, CEOs plan to place the focus of their company's HR strategy on the skills and adaptability of employees and on productivity increases via automation and technology.

27%

CEOs na Slovensku tvrdí, že je pravdepodobné, že plán obnovy vlády na Slovensku efektívne vyváži krátkodobé ekonomické potreby s dlhodobými environmentálnymi cieľmi



Figure 1

The confidence of CEOs in Slovakia in global economic improvement and company growth reached a record level

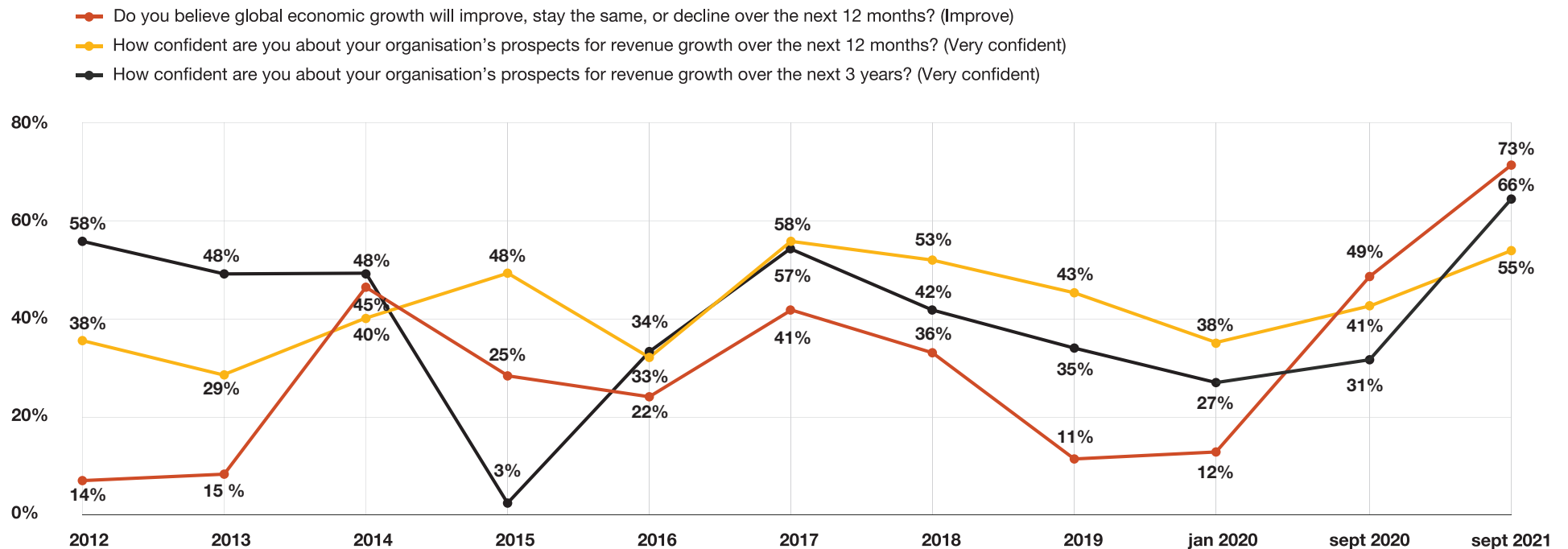


Figure 2

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

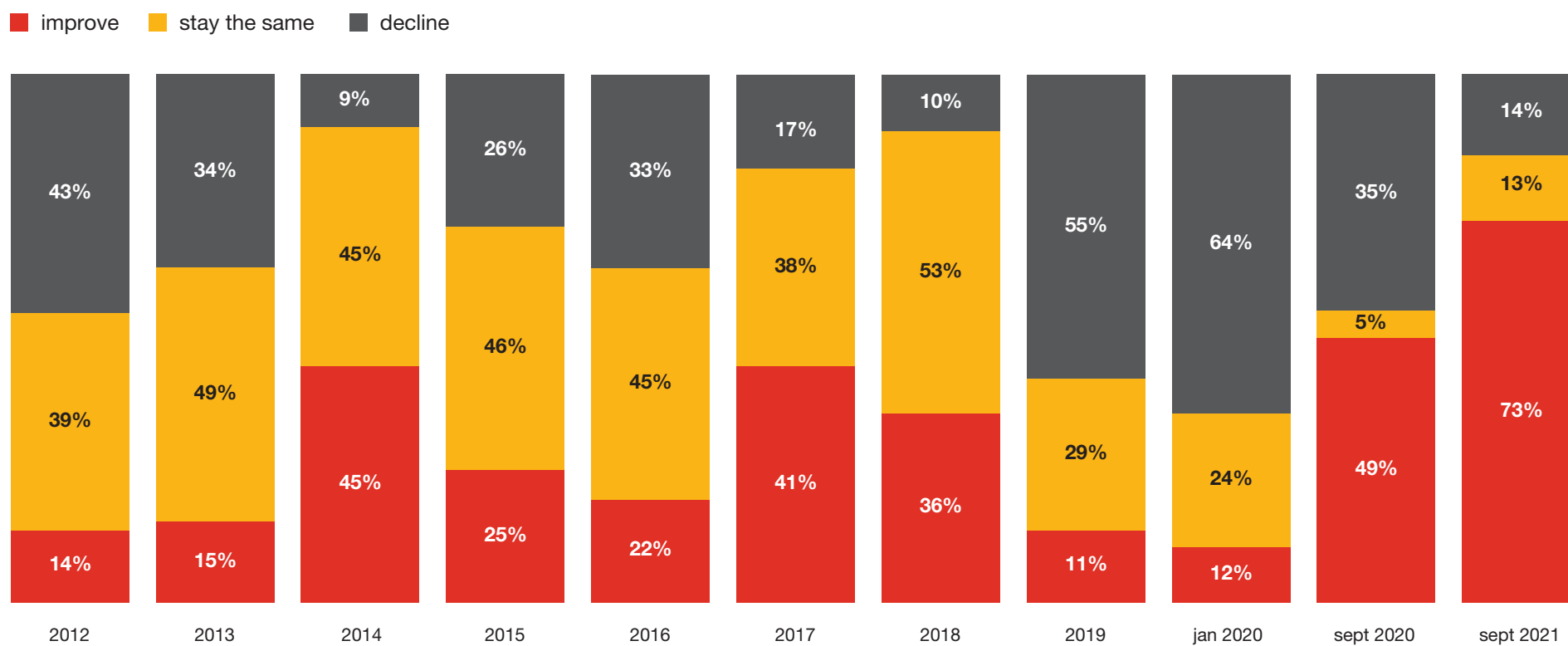


Figure 3

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

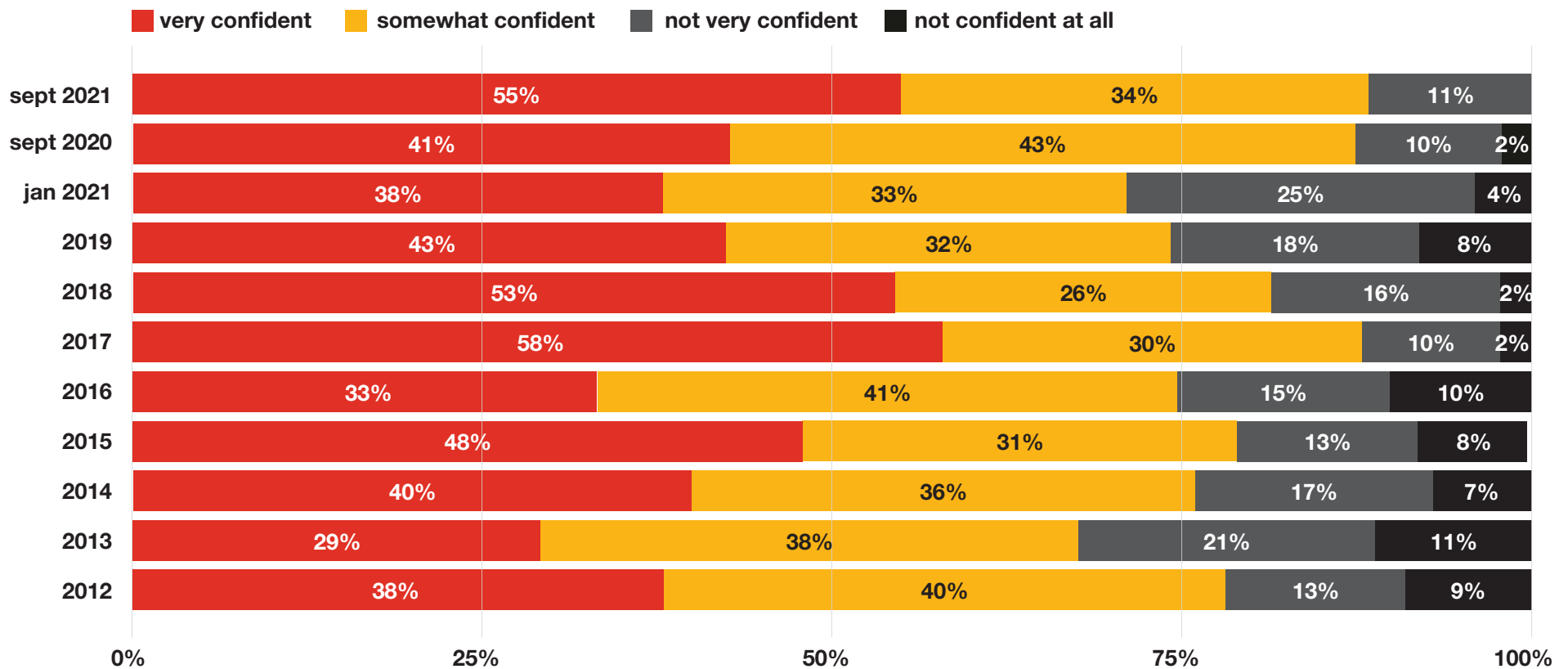


Figure 4

How confident are you about your organisation’s prospects for revenue growth over the next 3 years?

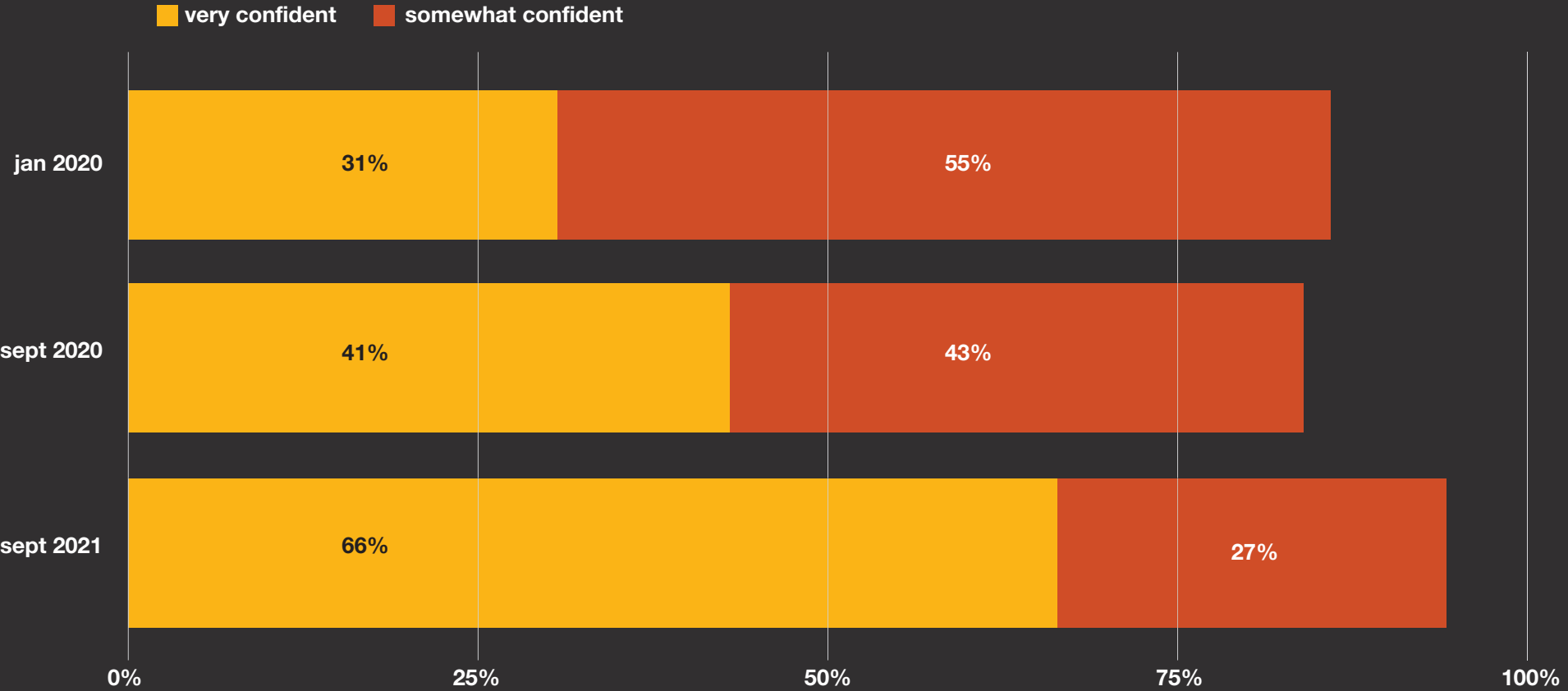
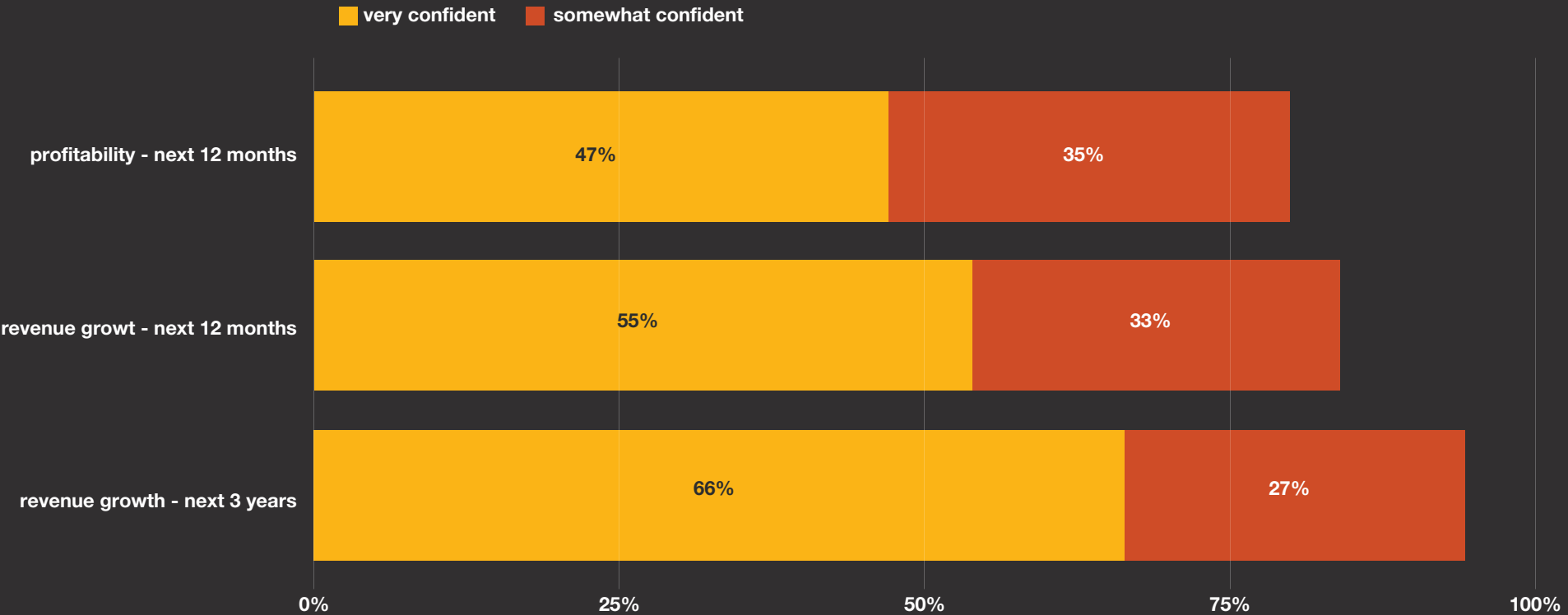


Figure 5

How confident are you about your organisation’s prospects for profitability and revenue growth over the next 12 months and the next 3 years?





55%

of CEOs in Slovakia believe their employee headcount will increase over the next 12 months

Over the last 12 months, the number of staff decreased at one-fifth of survey respondents' organizations. 43% of CEOs in Slovakia expect a moderate, and 12% a significant, increase in their employee headcount in the next 12 months. For the 3-year horizon, they are even more optimistic – 43% expect a moderate, and 25% a significant, staff increase.

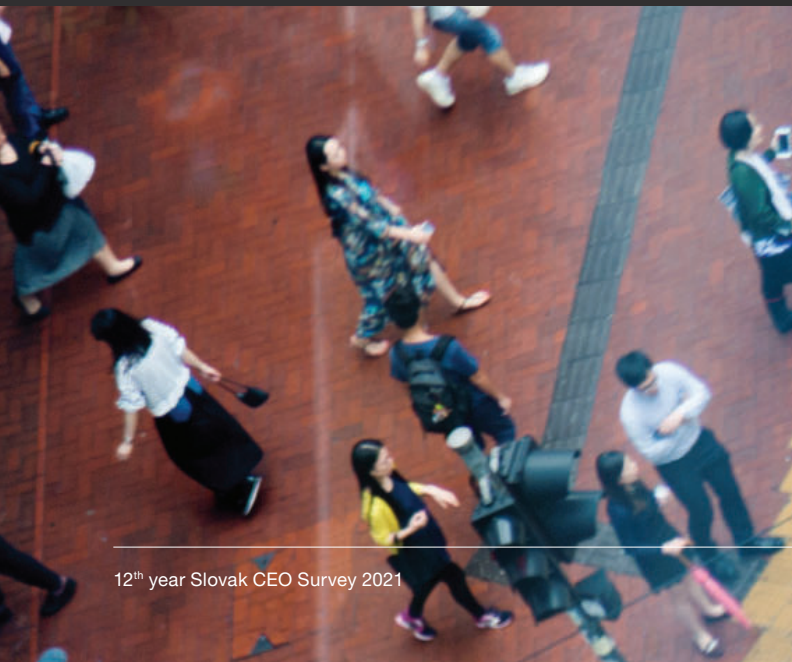
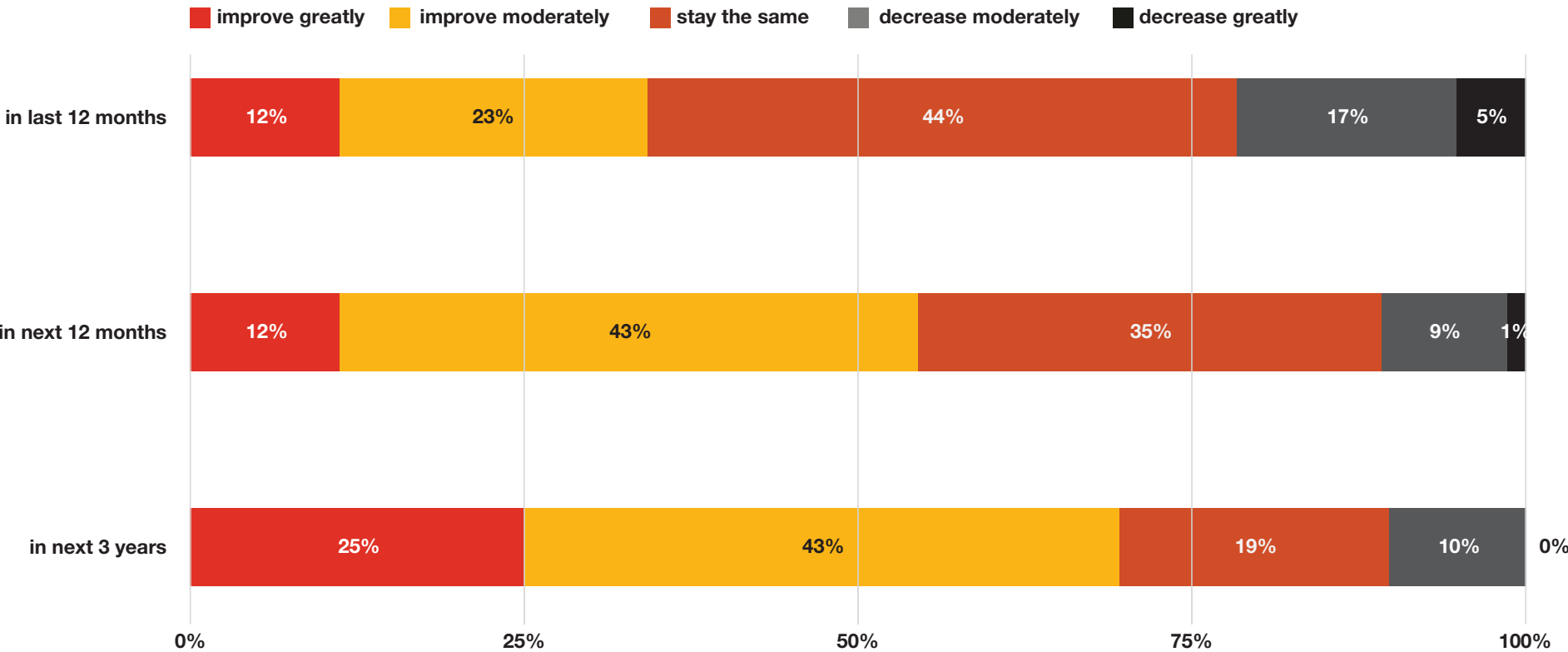


Figure 6

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



Companies expected better results than actual figures are, monitor more closely revenue growth and profitability and less closely return on investments

According to the opinions of CEOs, companies in Slovakia are better able to forecast revenue growth and profitability for the next 12 months than return on investments. One-third of CEOs state that forecasts of revenue growth and profitability are almost identical with actual results ($\pm 2\%$). Another third of CEOs state that revenue and profitability forecasts are higher, and a quarter of CEOs state that these forecasts are lower, than actual figures.

Regarding return-on-investments forecasts, almost one-third of CEOs in Slovakia do not know to what extent ROI forecasts related to advertising and brand-building, R&D and new product innovation, or to capital investments differ from actual figures. Almost half of CEOs predict that return on investments in advertising and brand-building is the same or higher than actual. As regards return on investments in R&D, almost one-third of CEOs expect better results than actual figures. And as to return on capital investments, the highest percentage of CEOs (39%) state that their forecasts are almost identical with actual results.

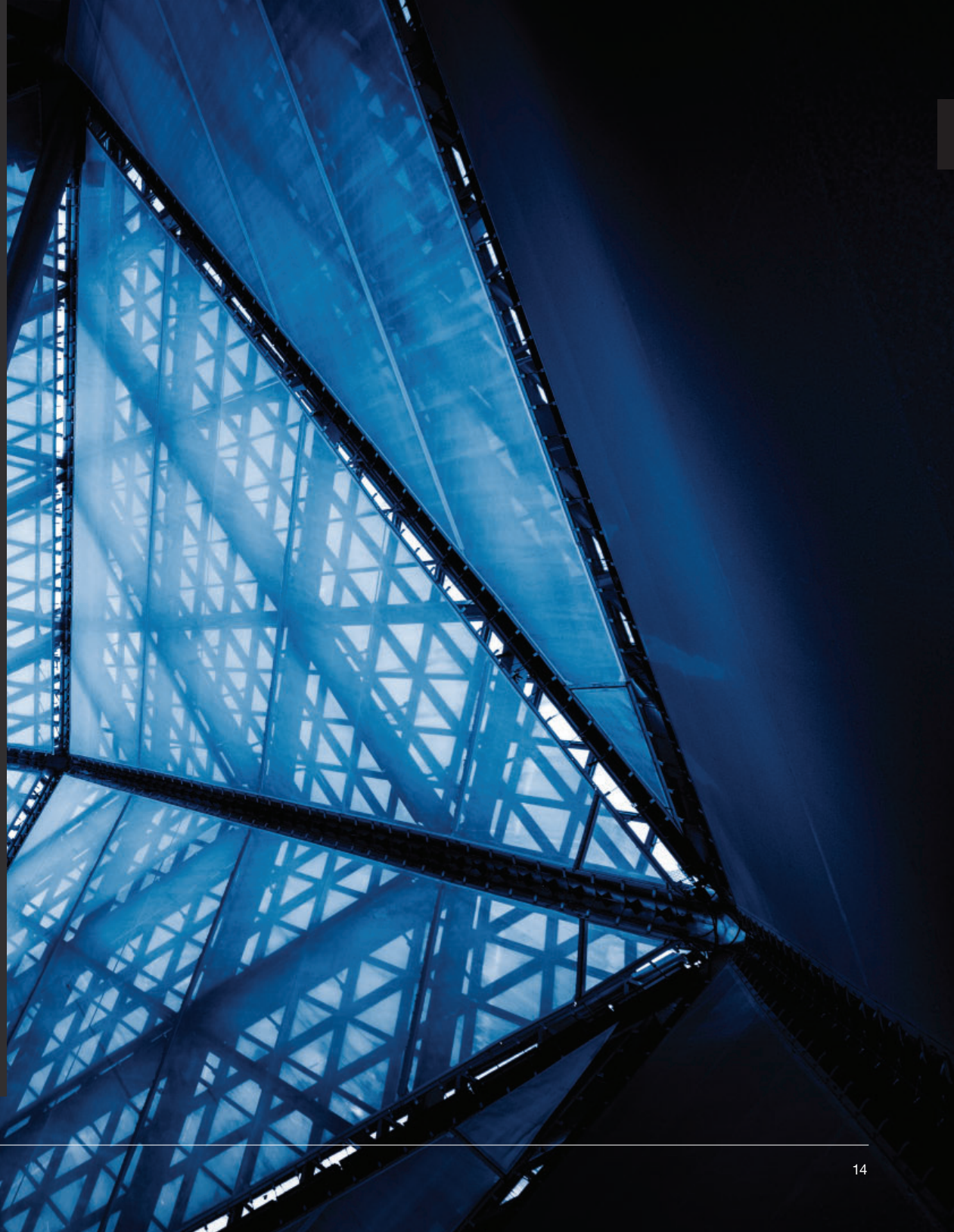
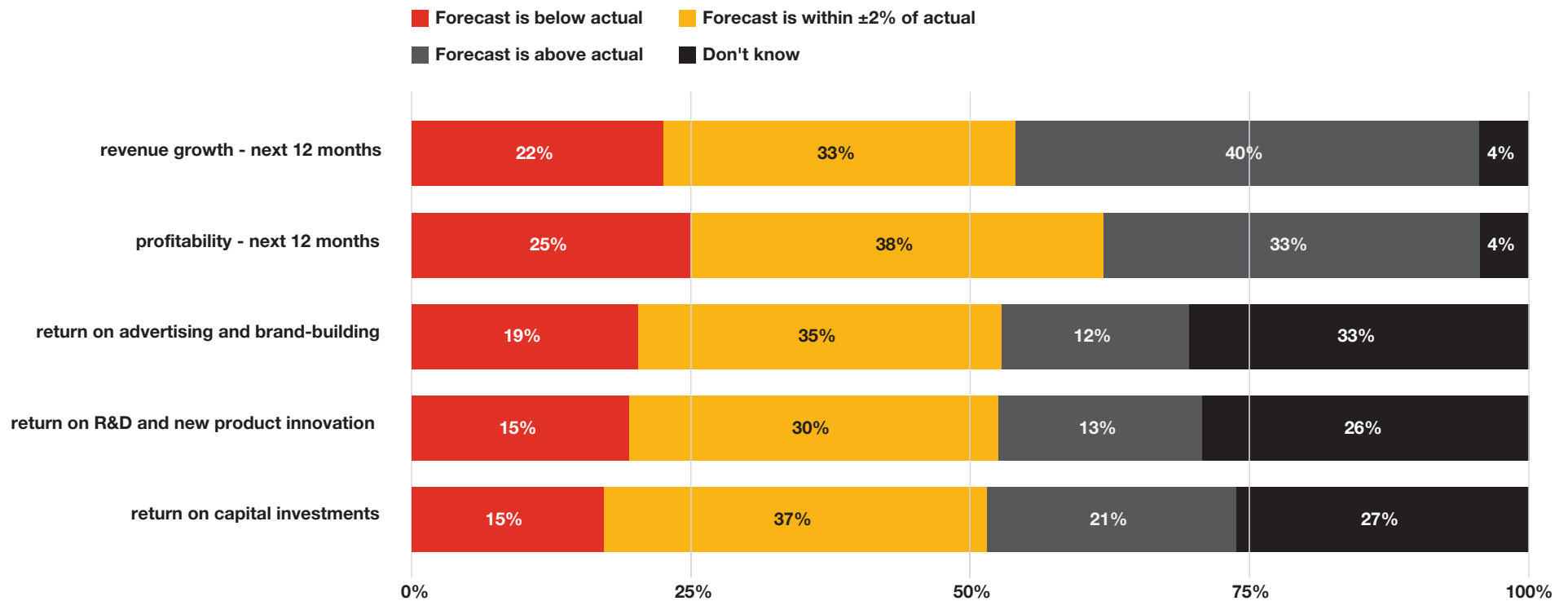


Figure 7

Under normal circumstances (pre-COVID-19), how would you describe your organisation's typical forecasting accuracy in the following areas?



The percentage of CEOs in Slovakia looking for space for further optimizations dropped year-on-year from 74% to 50%

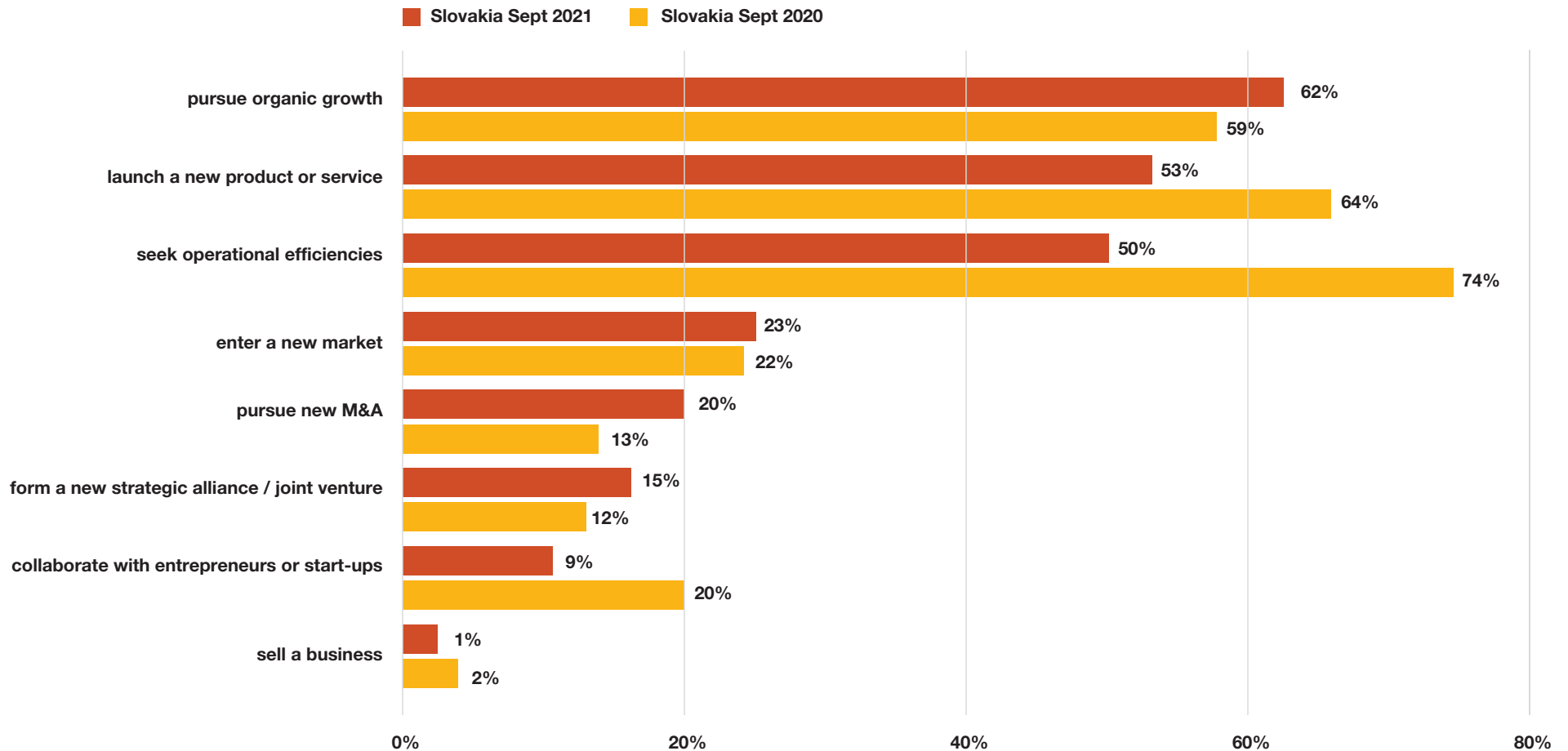
As regards growth initiatives, 62% of CEOs in Slovakia will seek organic company growth. Last year, three-quarters of CEOs planned to pursue initiatives aimed at increasing production or operational efficiency, but only 50% of CEOs plan to do the same this year. Last year, more CEOs (64%) stated they planned to introduce new products or services than this year (53%). The willingness to collaborate with other entrepreneurs or start-ups has also dropped by half from 20% to 10%. CEOs in other countries, when compared to CEOs in Slovakia, more often plan cooperation with other entrepreneurs or start-ups, new mergers or acquisitions, strategic alliances, or are considering selling the business. CEOs considering a merger or acquisition in Slovakia state they want to acquire talents, technologies, or processes.

18% of CEOs in Slovakia, and 21% in CEE, are considering new mergers and acquisitions to drive growth in the next 12 months, compared to 38% globally. The formation of a new strategic alliance or a joint venture is planned by 14% of CEOs in Slovakia and 20% of CEOs in CEE, compared to 35% worldwide.



Figure 8

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



Digital transformation will see the highest investment increase

When asked how CEOs plan to change long-term investments over the next 3 years due to the COVID-19 crisis, they unequivocally stated that the highest increase will relate to digital transformation. A moderate increase will affect initiatives to realize cost efficiencies, organic growth programmes, cybersecurity, and data privacy. Investments in supply chain restructuring, capital investments, advertising and brand-building will remain unchanged.

78%

of CEOs plan the biggest increase in investments in digital transformation

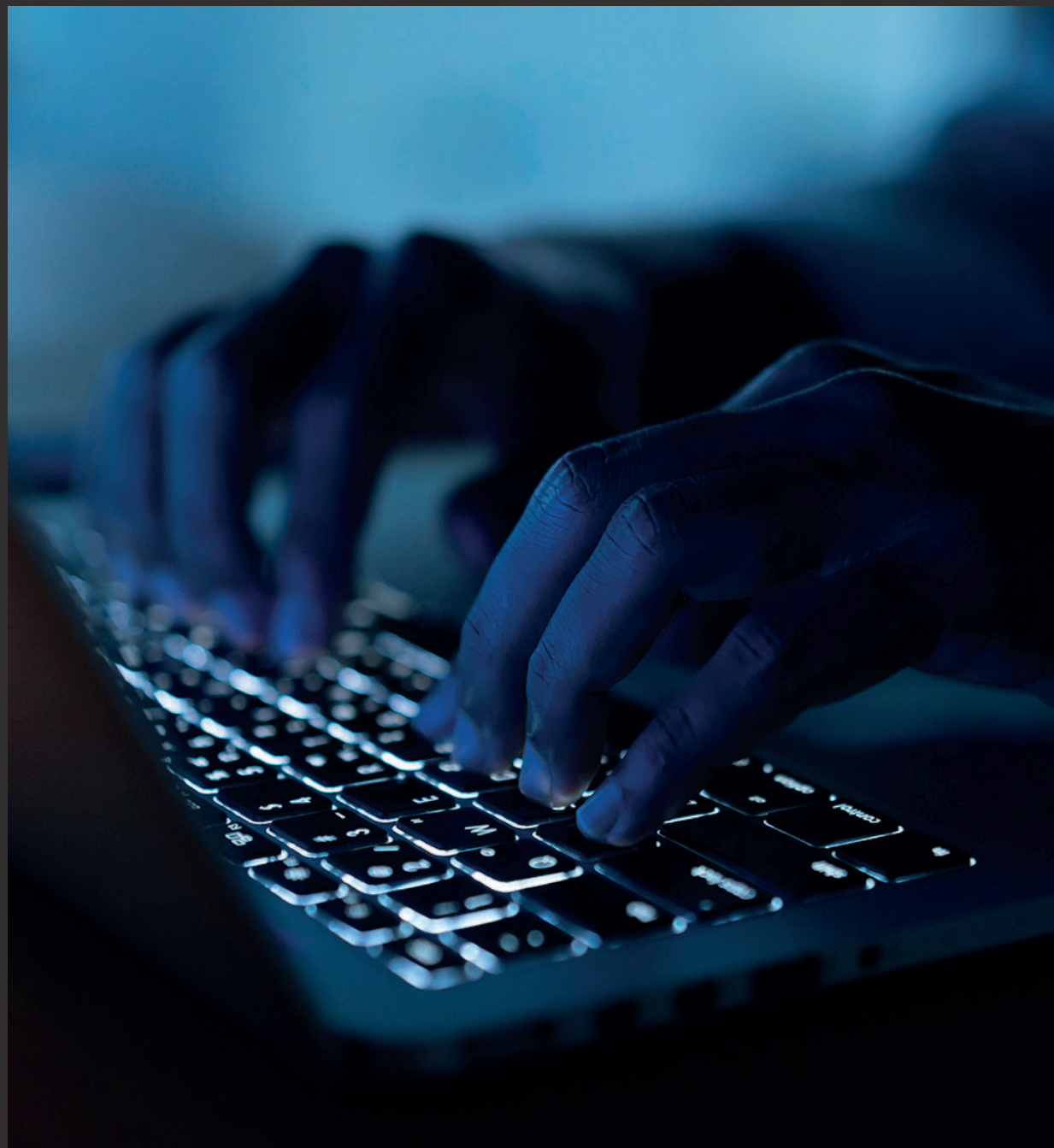
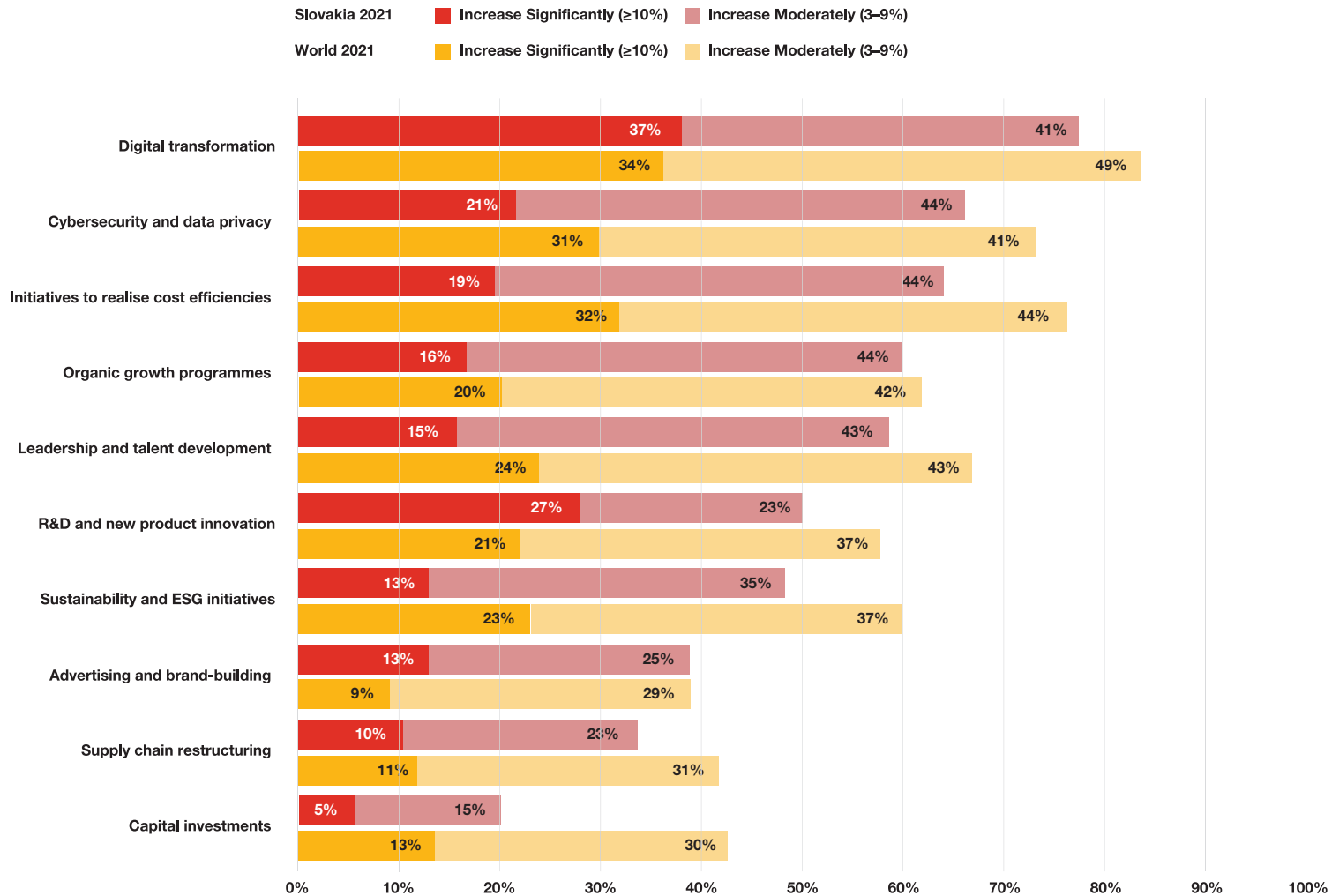


Figure 9

How do you plan to change your long-term investment in the following areas over the next 3 years, as a result of the COVID-19 crisis?



Most CEOs in Slovakia are extremely concerned about populism and the availability of key skills

In total, most CEOs in Slovakia are somewhat or extremely concerned about the increasing tax burden, pandemics, and tax policy uncertainty.

It is no surprise that pandemics and other health crises are at the top of the list of growth-jeopardizing factors, both globally and in CEE. This new threat has relegated concerns about overregulation from the first place, where it has been every year since 2014. This year, overregulation ranked second in CEE and third globally.

Globally, the availability of key skills is not in the TOP 10 exceptional concerns of CEOs, although it ranks second in Slovakia.

For CEOs in North America and Western Europe, cyberthreats are the most serious threat, followed by pandemics and other health crises (2nd place), and overregulation (3rd place). For CEOs in CEE, the biggest threats include pandemics and other health crises, overregulation, and geopolitical uncertainty. The availability of key skills ranks fourth.

Digitization has increased global risks represented by cyberthreats and has become global problem No. 2. CEOs in CEE do not share the same level of concerns – the level of cybersecurity is a major issue for only 33% of them, which makes cybersecurity the 10th biggest concern. For CEOs in CEE, geopolitical uncertainty is their third most serious concern. 39% of them are “extremely concerned” about geopolitics, compared to 28% of CEOs globally.

Figure 10

Which threats from the following potential economic, political, social, and environmental ones are you concerned about?

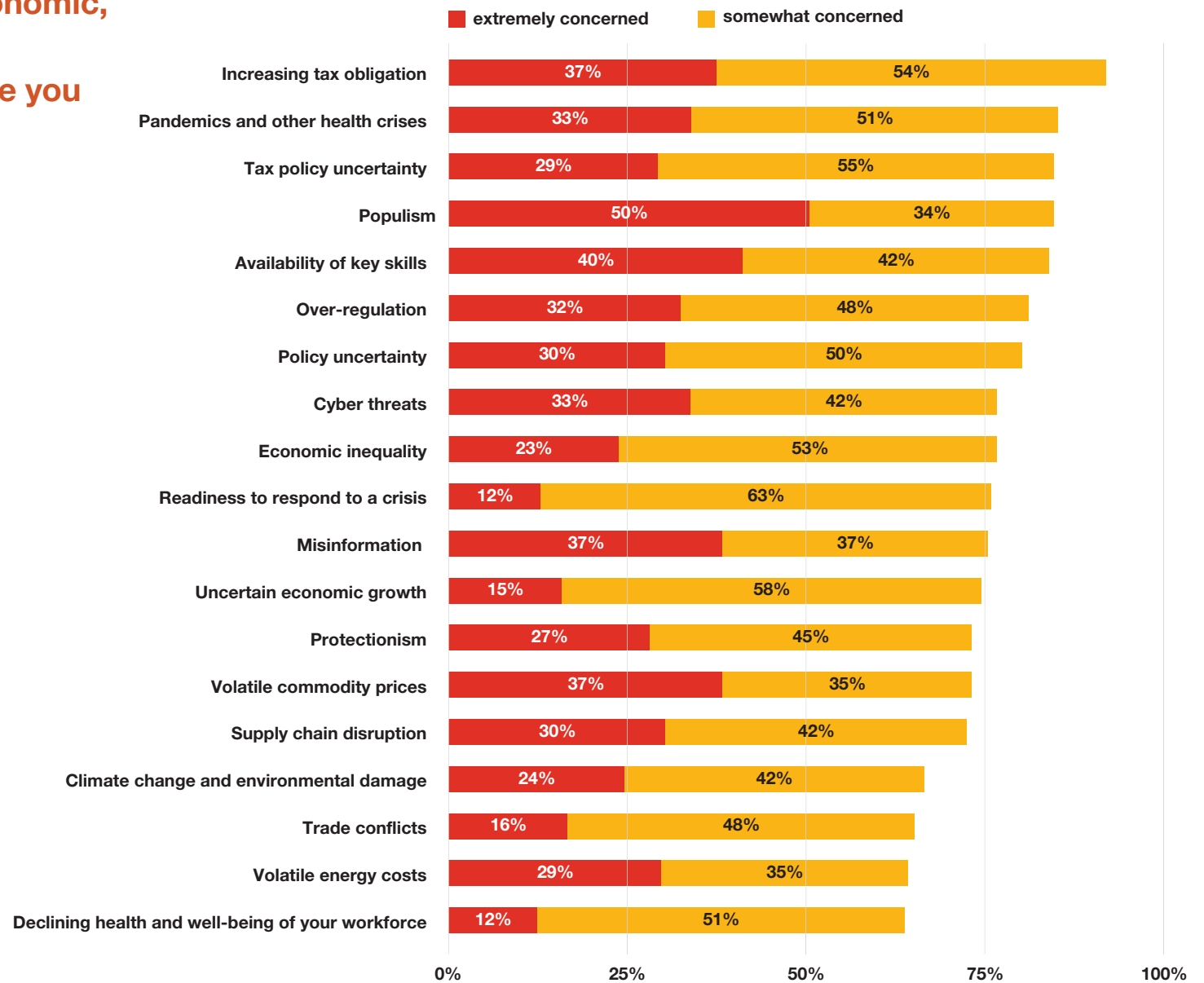
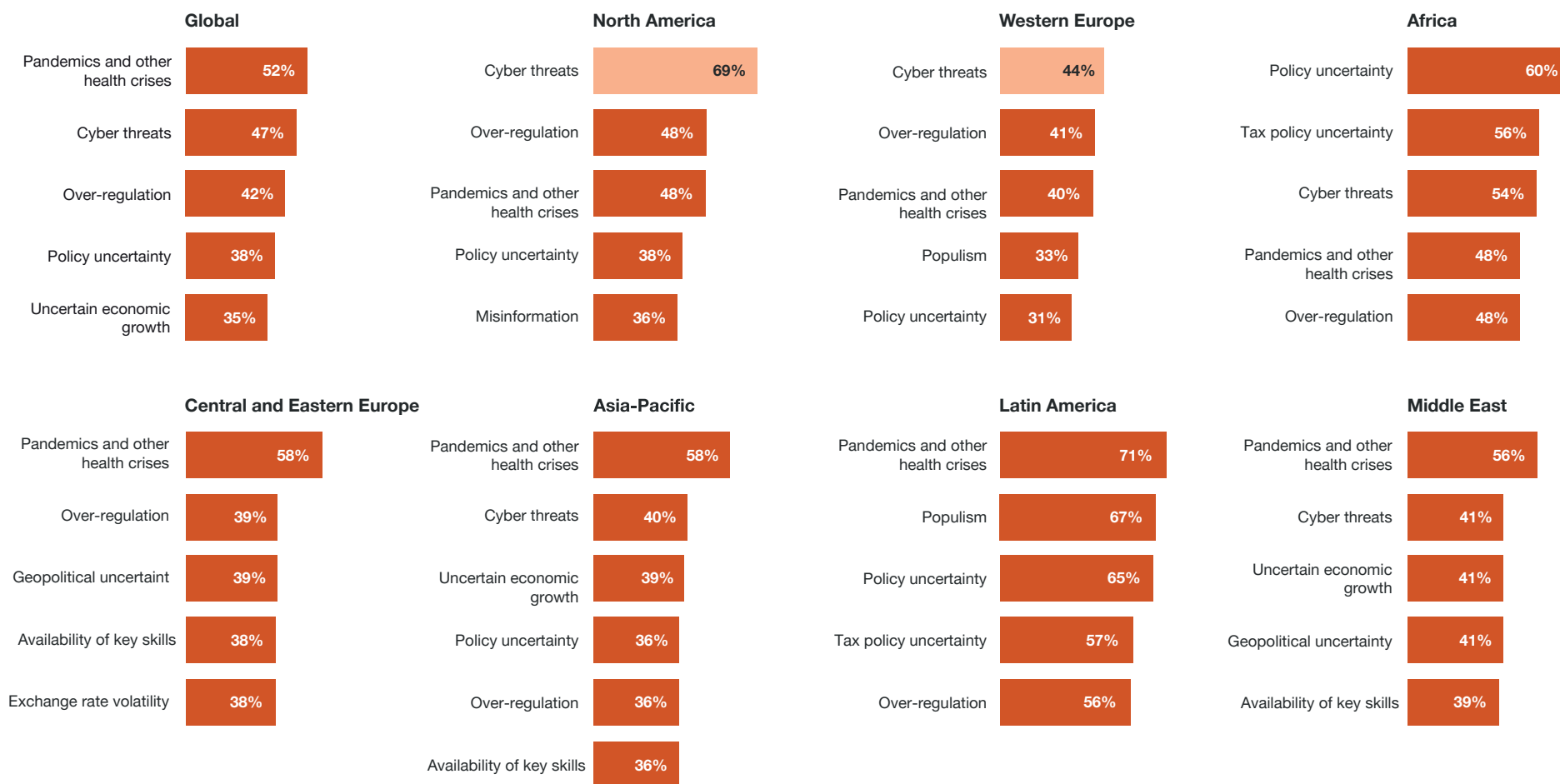


Figure 11

For CEOs in North America and Western Europe, cyber is the top threat

How concerned are you, if at all, about potential economic, policy, social and environmental threats to your organisation's growth prospects? (Answer extremely concerned)



Zdroj: Globál ny CEO prieskum PwC 2021

70%

of CEOs state that tax policy changes in reaction to the rising debt level of the country will increase their organization's total tax obligation

66%

CEOs state that tax policy changes in reaction to the rising debt level of the country will force their organization to reassess its cost structure

CEOs strongly believe that the rising debt level of the country will affect tax policy changes, which will increase their organization's total tax obligation and will result in a reassessment of its cost structure.



Figure 11

Tax policy changes in reaction to the rising debt level of the country



Factors that CEOs consider when performing strategic risk management activities are identical with the biggest threats

When carrying out strategic risk management activities, CEOs in Slovakia mostly consider the following factors: pandemics and other health crises (60%), uncertain economic growth (54%), availability of key skills (47%), increasing tax burden (42%), speed of technological change (40%), supply chain disruption (40%), and changing consumer behaviour (37%).

Due to the COVID-19 crisis, 53% of CEOs focused their attention on the digitization of their organization's risk management function and 47% on reassessing their organization's tolerance for risks.

CEOs in Slovakia plan to focus on the skills and adaptability of their employees and on productivity increase via automation and technology

To increase competitiveness, CEOs in Slovakia plan to focus their company's HR strategy on the skills and adaptability of employees (46%) and on productivity increases via automation and technology (42%).



Figure 12

Which aspects of your workforce strategy do you plan to change, if any, to achieve the greatest impact on your organisation's competitiveness?



56 %

of CEOs in Slovakia will make changes to organizational goals as a result of the COVID-19 crisis to improve the position of their company in society

63% of CEOs in CEE and 43% worldwide either have made, or are considering making, changes to their business so that their companies can contribute more to a better life in society. But only 44% of CEOs in CEE state they plan to increase investments in sustainability and environmental, social and governance (ESG) initiatives due to the COVID-19 crisis over the next 3 years, which is far less than the worldwide percentage (60%). In Slovakia, 23% of CEOs plan to increase moderately, and 13% significantly, long-term investments in sustainability and ESG initiatives over the next 3 years as a result of the COVID-19 crisis.

Figure13

As a result of the COVID-19 crisis, will you make any changes to your organisational goals to better reflect the role your organisation plays in society?



The biggest priority is qualified workforce

A qualified workforce is also a key priority for governments and for business – and CEOs in CEE are more aware of this. 68% of CEOs in this region, compared to 52% globally, stated a skilled, educated, and adaptable workforce was a priority that governments need to achieve. They also stated that this should be the top priority for business. More CEOs in CEE (67%) than globally (61%) realise companies must play an important role in improving qualification and retraining.

In Slovakia, it is even more noticeable – 91% of CEOs consider a skilled, educated, and adaptable workforce should be a key priority for the government and 74% of CEOs as a priority for business. This is not surprising, as this priority has been at the top of the ranking in Slovakia for several years.



Slovak CEO Survey 2021

The 12th Annual Slovak CEO Survey was conducted by PwC, a consultancy firm, in cooperation with the Slovak edition of the Forbes Magazine. The contacted CEOs replied via an on-line questionnaire from 6 August to 7 September 2021. 168 CEOs of companies operating in Slovakia from various sectors [financial services (banking & insurance), industrial manufacturing, construction, automotive, retail & distributive wholesale, consumer goods, transportation & logistics, information technology, telecommunications, energy & utilities, and other sectors] participated in the survey.

The Global CEO Survey was conducted on a sample of 5,055 respondents from 100 countries in January and February 2021. The sample of respondents is representative with regard to the GDP of individual countries.

Structure of respondents to the Slovak CEO Survey 2021

8%

of respondents are CEOs of companies with revenues of over EUR 100 million

27%

of respondents are CEOs of companies with revenues between EUR 30 – 100 million

45%

of respondents are CEOs of companies with revenues of less than EUR 30 million

13%

of respondents are CEOs of companies with more than 500 employees

40%

of respondents are CEOs of companies with a headcount between 100 and 500

46%

of respondents are CEOs of companies with less than 100 employees

About Forbes

Forbes Slovakia is the monthly Slovak edition of the Forbes Magazine published by the Business Consulting & Media, s.r.o. under a licence agreement with Forbes Media LLC. Forbes Media encompasses Forbes, the largest business media brand worldwide, Forbes.com, and 32 licensed editions. See www.forbes.sk for more information.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We are a network of firms in 155 countries with more than 284,000 people who are committed to delivering quality in assurance, advisory, and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/sk.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Contacts

PwC Bratislava

Karadžičova 2, 815 32 Bratislava, tel.: +421 2 59350 111

PwC Košice

Aupark Tower, Protifašistických bojovníkov 11, 040 01 Košice, tel.: +421 55 32153 11

.....

Věra Výtvarová

Country Managing Partner PwC

vera.f.vytvarova@pwc.com

.....

Mariana Butkovská

Marketing & Communications Leader PwC

mariana.butkovska@pwc.com

.....

Juraj Porubský

Editor-in-chief

Forbes Slovensko

juraj.porubsky@forbes.sk





© 2021 PwC. All rights reserved. In this document, PwC refers to PricewaterhouseCoopers Slovensko, s.r.o., PricewaterhouseCoopers Tax, k.s., PricewaterhouseCoopers Advisory s.r.o., and PricewaterhouseCoopers Legal, s.r.o., which are member firms of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



This publication has been prepared for general guidance on matters of interest only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.