PwC´s 13th Annual Slovak CEO Survey

How to win the race for the future

Businesses will either adapt to major changes in the economy and society, or they will not survive. Are CEOs spending enough time on the strategic challenges of the future of business? Many said no.

Opinions of 142 CEOs in Slovakia and 4,410 CEOs globally on developments in 2023

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46% of CEOs in Slovakia and 39% of CEOs globally believe their organisations will no longer be economically viable in ten years if they continue to operate in their current way. This question answered by 142 of CEOs in Slovakia and 4,410 globally from 105 countries is one of the most important in the current PwC CEO survey.

Most CEOs consider it is extremely important for them to reinvent their businesses and business models to continue to be successful in the future. They are also facing daunting short-term challenges regarding economic development, and nearly three-quarters expect a decline in the year ahead.

We organised the survey results into nine complicated questions, organised into three groups – about themes addressing what it will take to succeed in the future.

The race for the future

The first three questions reflect the race that CEOs must run to stay ahead in the long-term and cope with threats to their businesses, society, and the planet itself.

Today´s tensions

The next three questions address day-to-day tensions that leaders are facing as macroeconomic conditions deteriorate, uncertainty rises, and inflation hits levels not seen in decades.

A balanced agenda

The final three questions address the balancing act that CEOs must perform to manage their company´s transition into the future.

1

What is the half-life of your business?

2

When will your company´s climate clock run out?

3

Do you know your key business risks?

4

How much is your current mood affecting your view of tomorrow?

5

How do your resilience and your workforce strategies fit together?

6

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

7

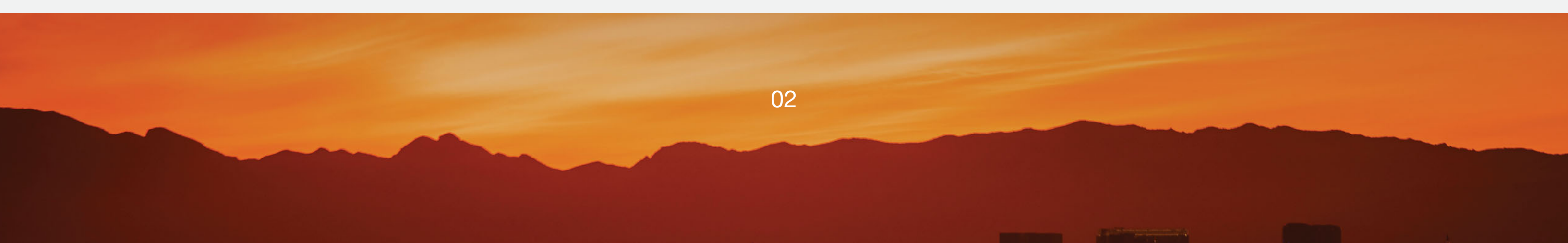
How much time and money are you investing in the future?

8

How central are you to reinventing your company´s business model?

9

What kind of ecosystem are you building?



The survey results show that CEOs are already wrestling with these questions, though sometimes without fully recognising it. By making the questions explicit, we hope to help leaders focus on their biggest possibilities and vulnerabilities. The imperatives CEOs are facing today are a challenge of the first order, but it is also an opportunity to lead with purpose and help business play their essential role for society – a catalyst of innovation and a community of solvers to tackle serious long-term problems.

1

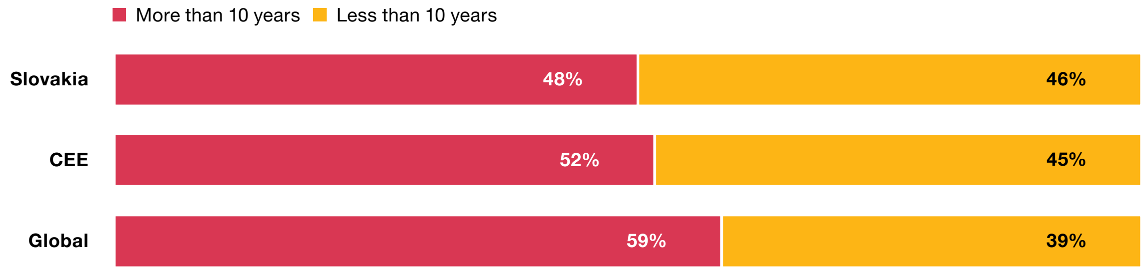
What is the half-life of your business?

CEOs are aware of the possibility of additional crises, whether expected, such as climate change or the advent of artificial intelligence, or unpredictable, such as a pandemic or war. The number of CEOs who think their organisations will face existential challenges is high.

46% of CEOs in Slovakia and 39% of CEOs globally think their organisations will no longer be economically viable a decade from now if they continue on their current path.

Figure 1

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



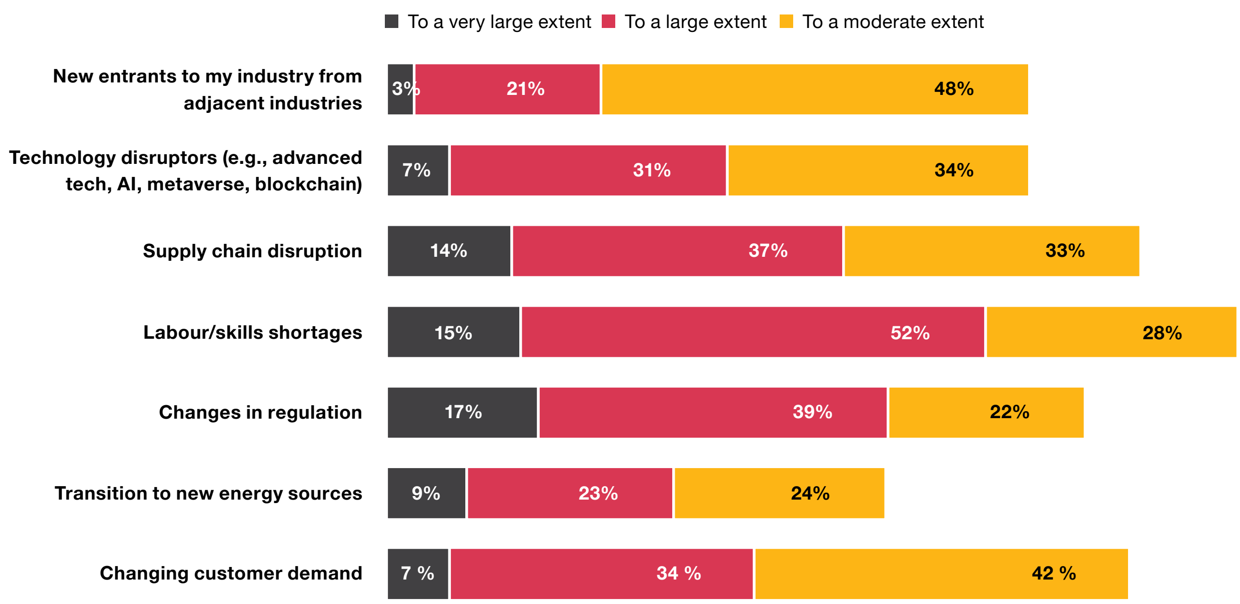
Note: Percentages shown may not total 100% due to the answer “I do not know“

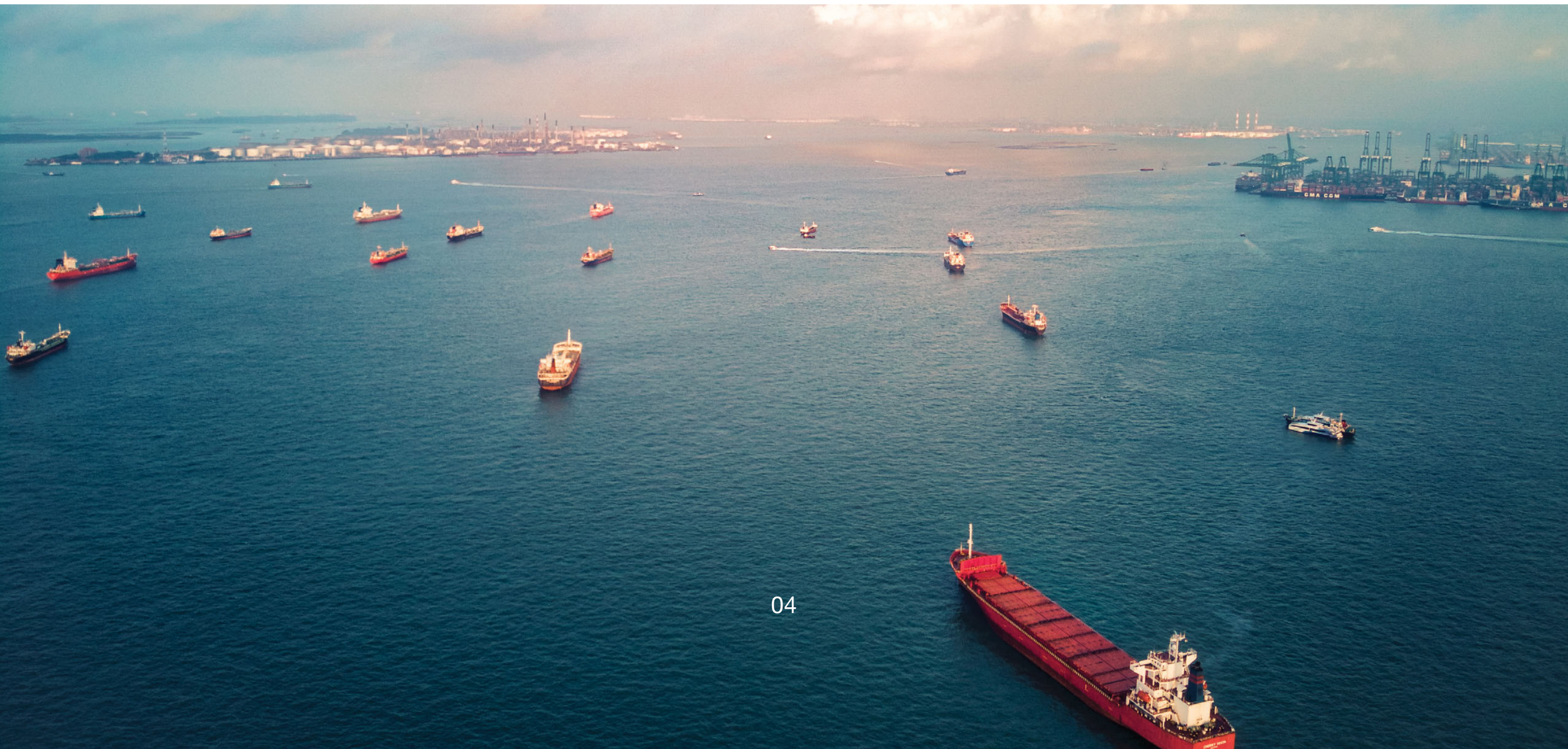
CEOs see multiple challenges to maintaining profitability in their industry

When asked about the factors most likely to impact their industry´s profitability over the next ten years, 95% of CEOs in Slovakia, cited the shortage of manpower and skills. In second and third places, they cited changing customer requirements and preferences and disruption of supply chains. These factors were followed by changes to regulations, the advent of revolutionary technologies, and new entrants from related industries. Only 56% of CEOs in Slovakia cited the transition to new energy sources.

Figure 2

To what extent do you believe the following will impact (i.e., either increase or decrease) profitability in your industry over the next ten years?





2

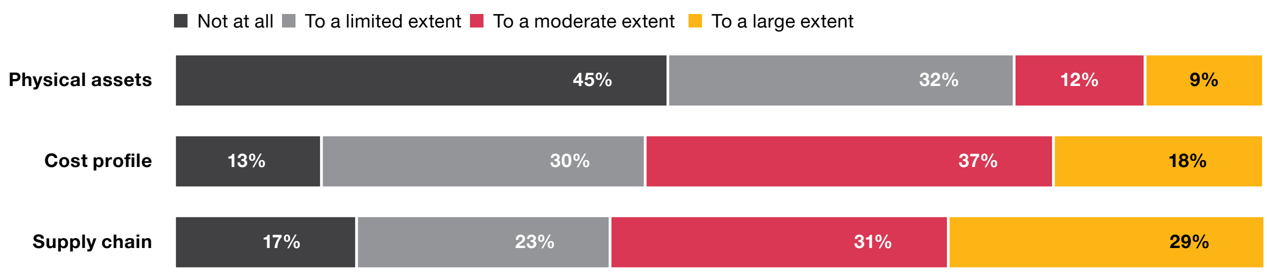
When will your company´s climate clock run out?

The CEOs' race against time is especially urgent when it comes to climate change. A majority of CEOs expect some degree of impact from climate change in the next 12 months – primarily to their cost profiles. Approximately 85% of CEOs in Slovakia expect a moderate, large or very large impact. The percentage of CEOs who expect a moderate or significant impact on their supply chains is higher in Slovakia (60%) than globally (42%). Fewer CEOs are worried about climate-related damage to their physical assets than about the impact on costs and the supply chain.

Over the next 12 months, CEOs in Slovakia believe supply chains will be more impacted by climate risks than cost structure and tangible assets

Figure 3

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



A deeper statistical analysis of the survey data shows that the CEOs who feel most exposed to climate change risks are more likely to take action to address them. This kind of reactive approach is understandable, but creates risks of its own. Combating climate change requires a coordinated, long-term plan. It won't be solved if the only companies working on it are those that face an immediate financial impact.

Moving at the right pace and with the right priorities to mitigate climate risks, generate new opportunities and decarbonise are enormous strategic challenges. Many companies appear to be strategizing without applying an internal carbon price to their decision-making (58% of CEOs in Slovakia and 54% globally).

As regards the measures surveyed, CEOs in Slovakia are most likely to take action to introduce new climate-friendly products or processes (64%) and develop an enterprise-level data-driven strategy to reduce emissions and mitigate climate risks (62%). However, CEOs globally are most likely to implement initiatives to reduce company emissions (65%), take action to introduce new climate-friendly products or processes (61%), and develop an enterprise-level data-driven strategy to reduce emissions and mitigate climate risks (58%).

Initiatives to reduce company´s emissions are implemented by:

65%	of CEOs globally
60%	of CEOs in Slovakia

Actions to introduce new climate-friendly produ-cts or processes are implemented by:

61%	of CEOs globally
64%	of CEOs in Slovakia

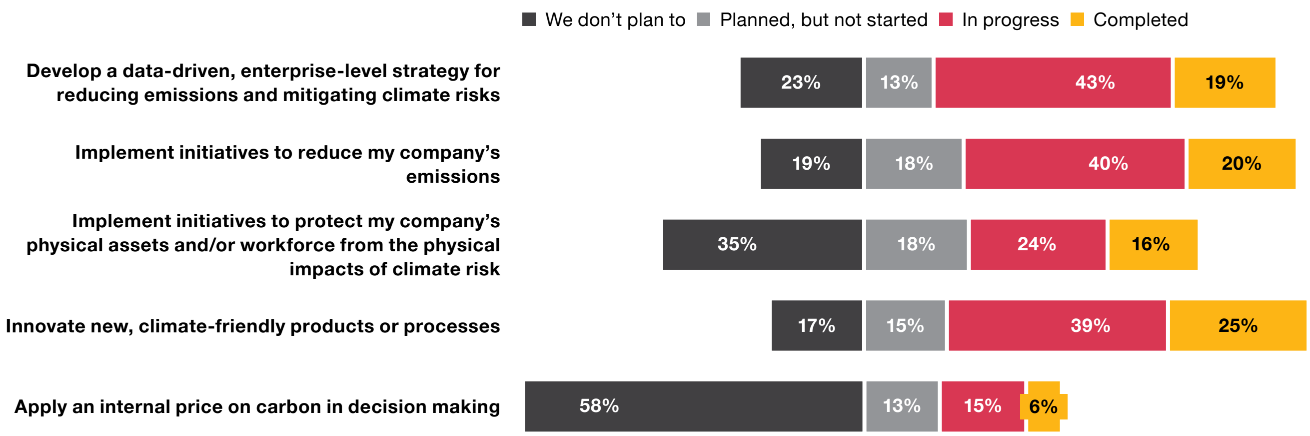
Enterprise-level data-driven strategy to reduce emissions and mitigate climate risks is carried out by:

58%	of CEOs globally
62%	of CEOs in Slovakia

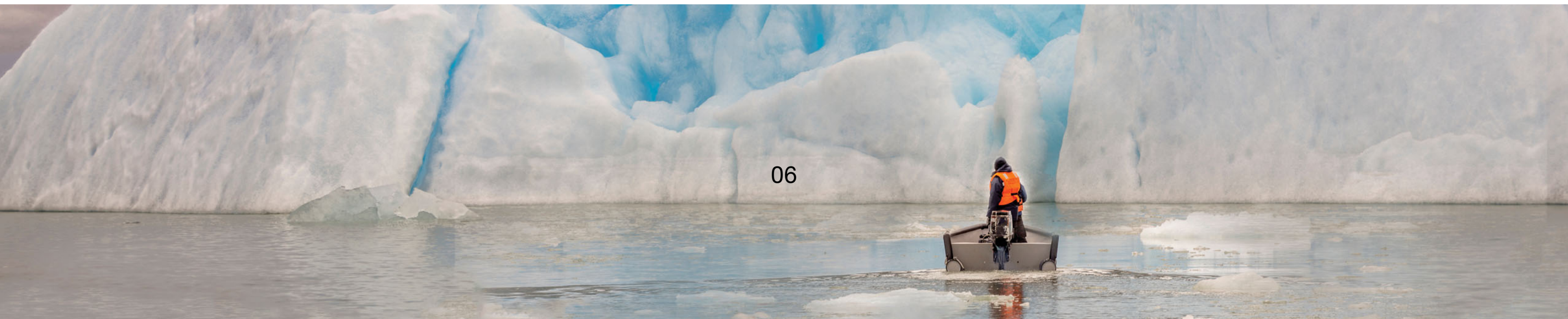
A high proportion of businesses are planning or already working on measures in response to the climate crisis

Figure 4

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



Measuring and communicating progress in this area to the public is another big challenge. In a separate global PwC survey on climate technology investment, up to 87% of global investors stated they believe corporate reporting contains unsubstantiated sustainability claims, often referred to as "greenwashing".



3

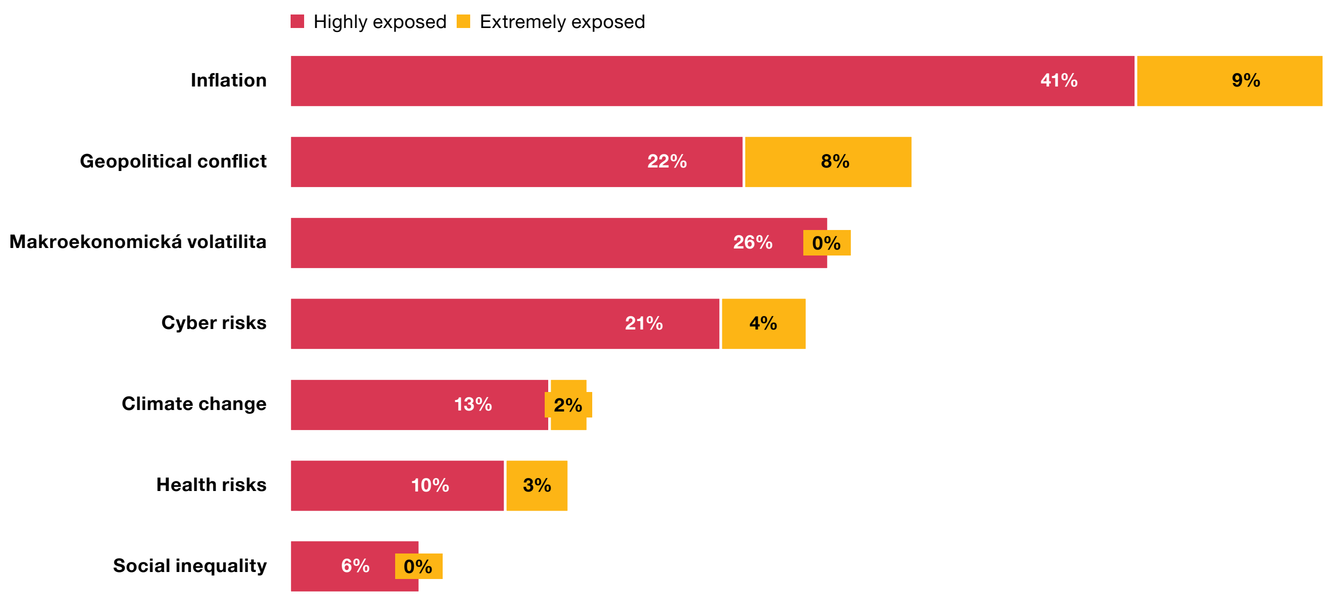
Do you know your key business risks?

Over the next 12 months, CEOs in Slovakia feel most exposed financially to inflation, geopolitical conflicts and macroeconomic volatility, and CEOs globally also ranked these threats in the top three. All three are immediate issues faced by companies due to the war in Ukraine, the pandemic and central bank interventions. In the medium-term, CEOs in Slovakia consider the likely threats will change – CEOs in Slovakia believe cyber risks, geopolitical conflicts, inflation, and climate change will be the biggest threats over the next five years, while CEOs globally see the same risks as being the highest for the next five years as for the next 12 months – macroeconomic volatility, inflation and geopolitical conflicts.

According to CEOs, inflation and geopolitical conflict are the biggest threats

Figure 5

How exposed do you believe your company will be to the following key threats in: The next 12 months?



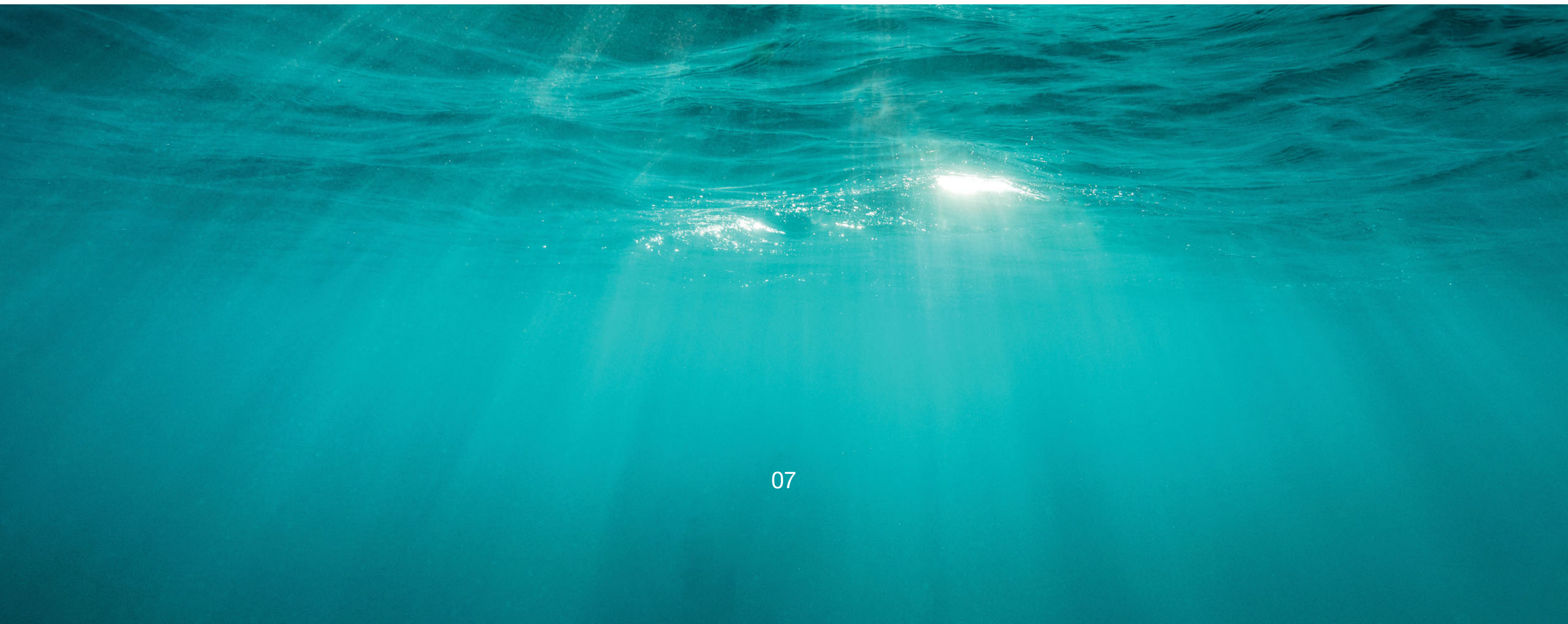
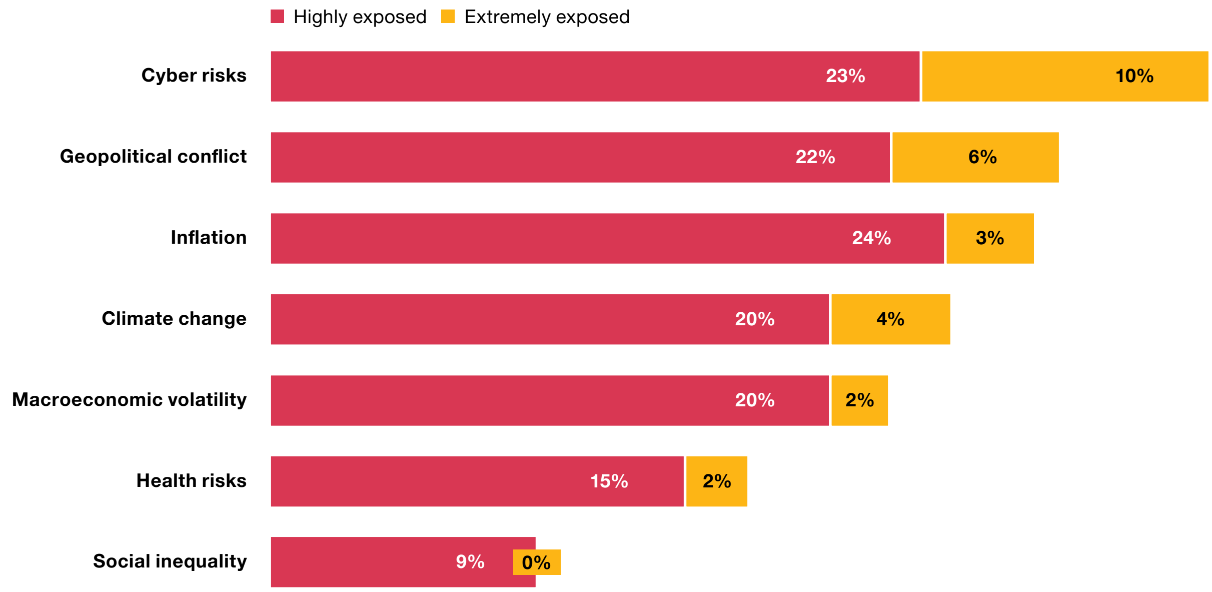


Figure 6

How exposed do you believe your company will be to the following key threats in: The next 5 years?

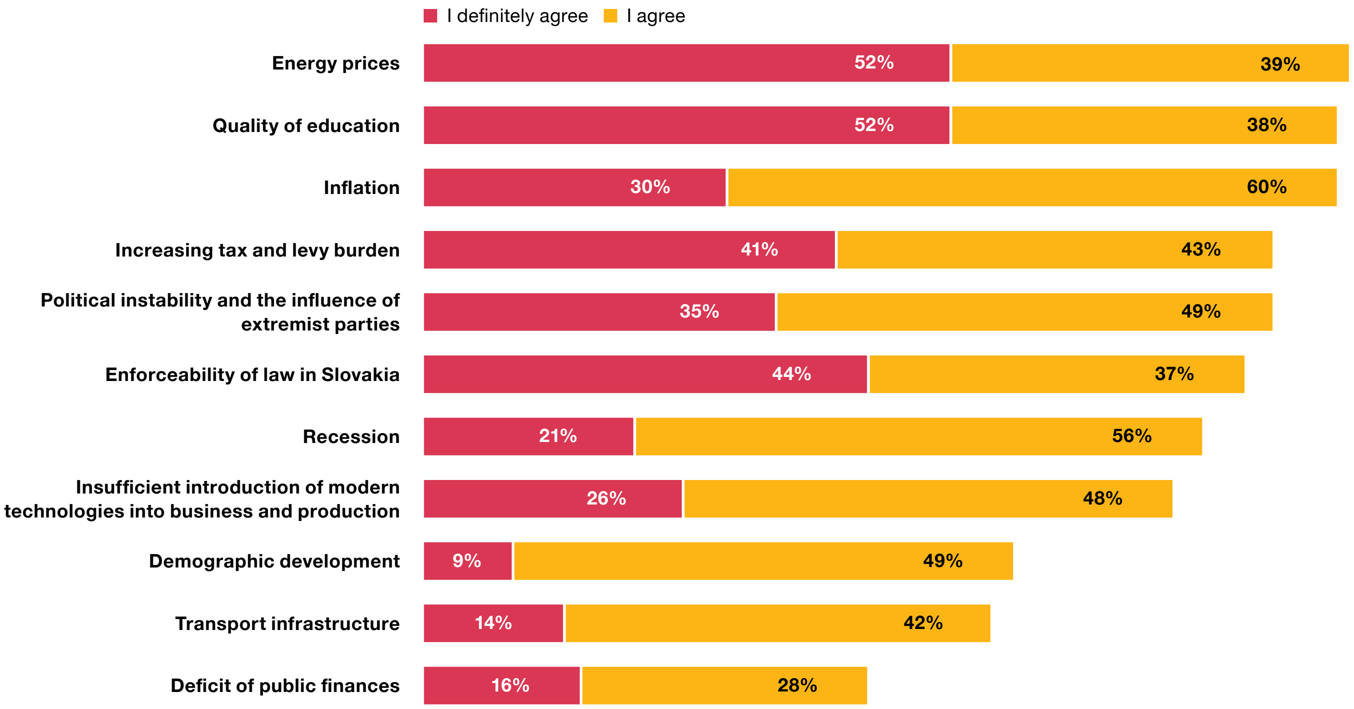


CEOs consider the quality of education to be a comparable risk to Slovakia as inflation

Figure 7

Which of the following factors threaten success in business in Slovakia?

In Slovakia, the factors that most threaten success in business remain the same as in all previous years – firstly energy prices, followed by the quality of education, inflation, and the increasing tax and levy burden. A new factor is political instability and the influence of extremist parties and law enforcement.



How much is the current mood of CEOs affecting their view of tomorrow?

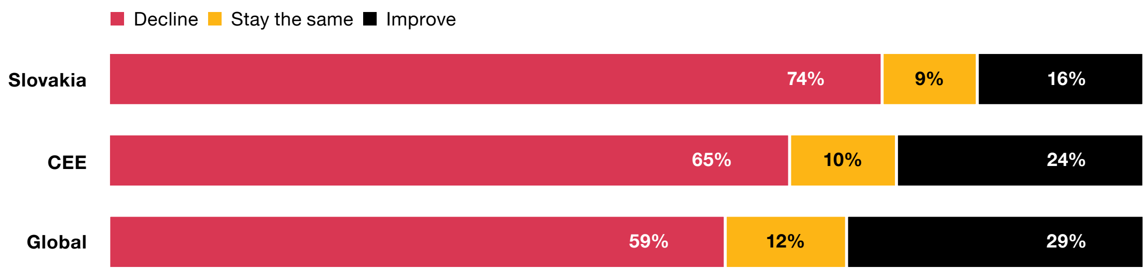
The biggest short-term challenge facing CEOs is the state of the global economy. Not surprisingly, nearly 68% of CEOs in Slovakia and 73% of CEOs globally expect that global economic growth will decline over the next 12 months. These expectations, which hold across all major economies, represent a stark reversal from last year, when a similar proportion (73% of CEOs in Slovakia) anticipated an improvement in global growth. Last year´s optimism before the start of the war in Ukraine reflected the hope that economic conditions would continue improving as the global pandemic eased. However, geopolitical uncertainty, surging energy and commodity prices, and accelerating wage costs and inflation have significantly changed CEOs´ expectations.

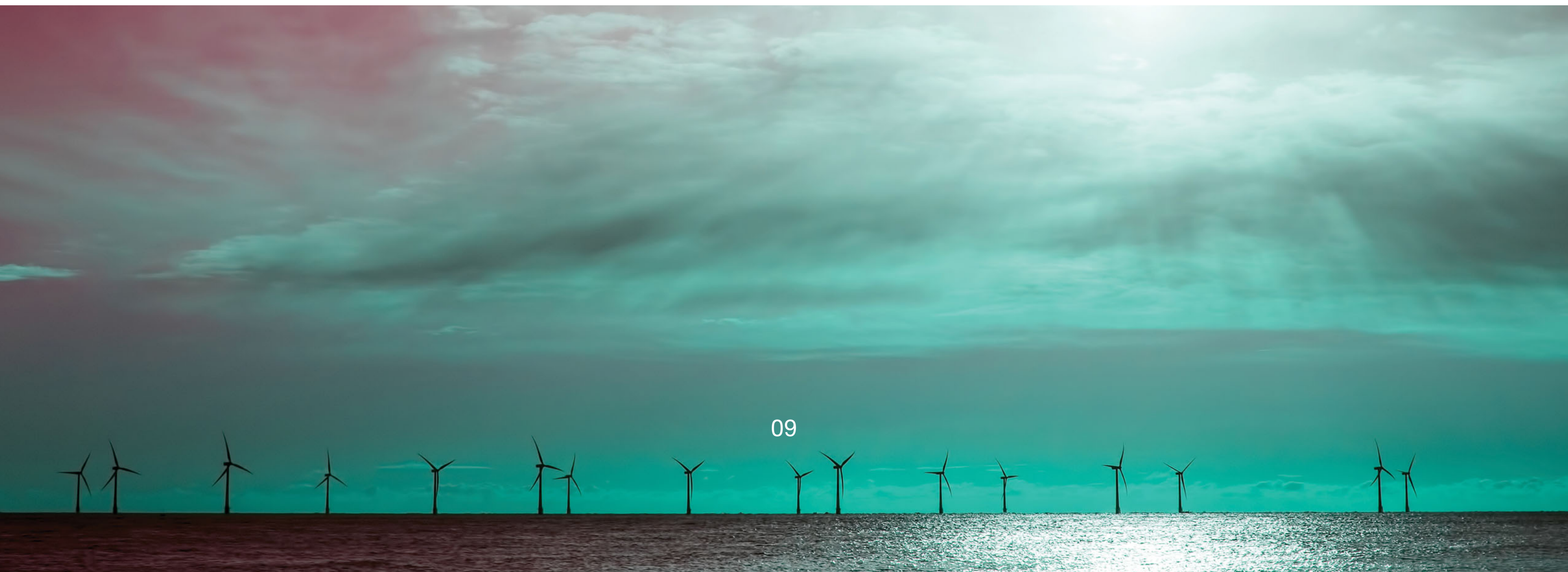
CEOs in Slovakia have even less confidence in the growth of the local economy than the global economy. Up to 74% of CEOs in Slovakia expect a decline in Slovakia´s GDP. In other countries globally, this figure is 59% on average, and 65% in Central and Eastern Europe.

CEOs in Slovakia are extremely pessimistic about economic growth over the next 12 months

Figure 8

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

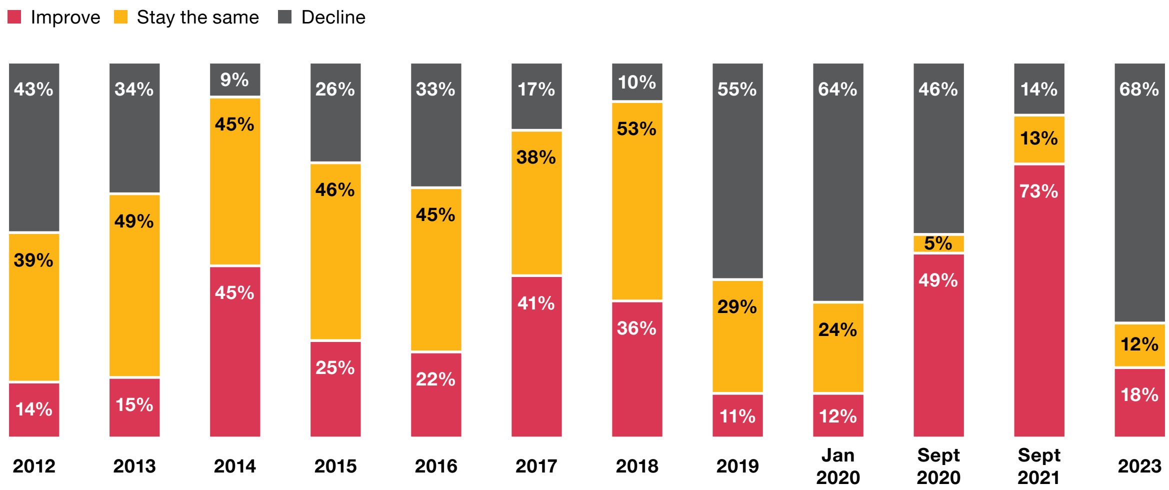




Slovak CEOs are the most pessimistic about the development of the global economy in the 12 years

Figure 9

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



The pessimism of CEOs in Slovakia also concerns the development of businesses in the next 12 months. The decline in the level of confidence of CEOs in Slovakia in the growth of businesses from September 2021 to January 2023 is the largest since the survey began, decreasing from 55% to 29% (very confident). CEOs believe in the growth of their businesses the least since the first survey in 2012 – only 57% expect growth in their business (very confident 29% + somewhat confident 28%).

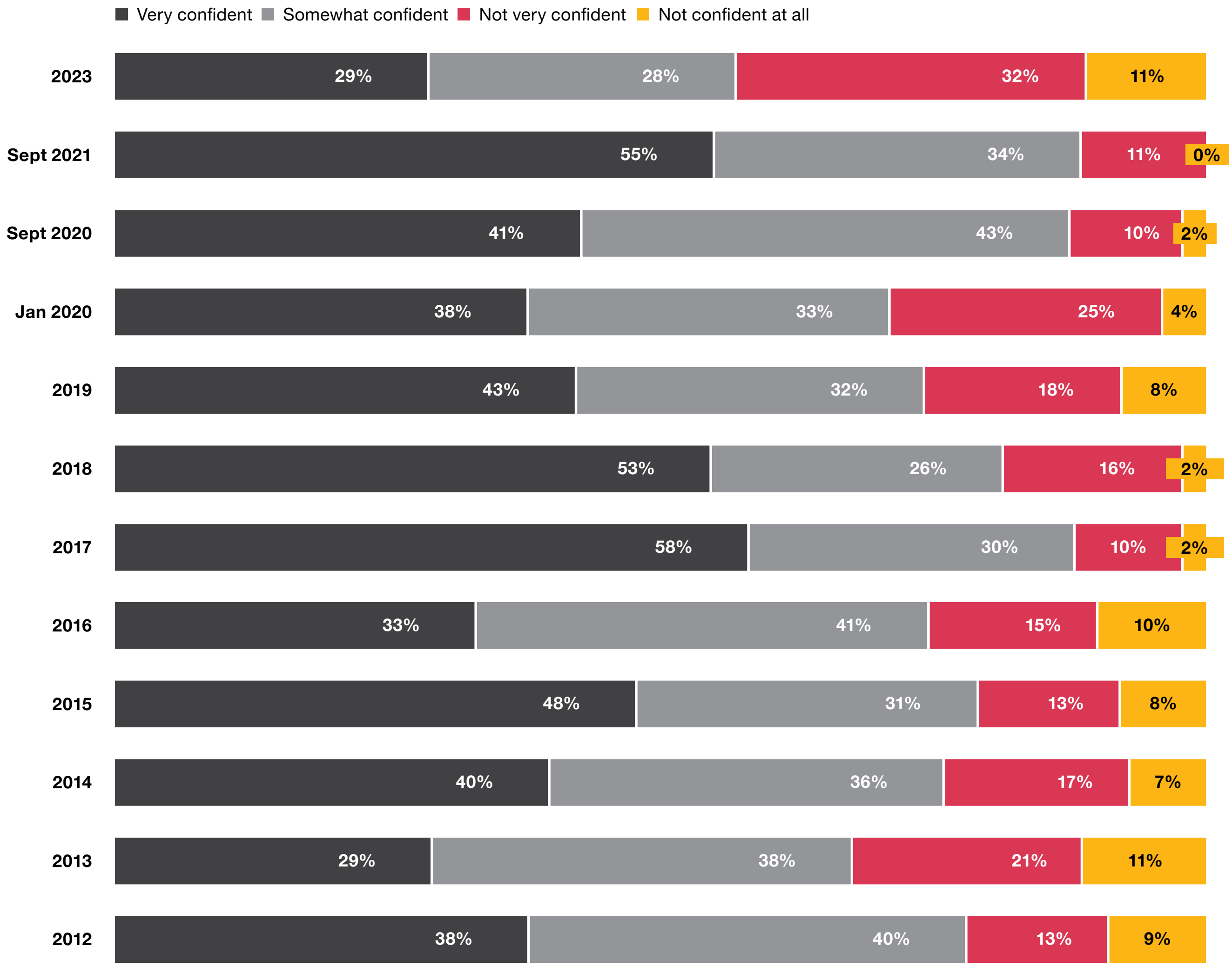
CEOs in other regions expect positive business development – CEOs in Africa, Brazil, China, Japan and the Middle East are more or less as confident about their growth prospects as they were last year.

In general, CEOs are more confident about their three-year revenue growth prospects compared to the 12-month outlook. However, the short-term revenue outlook is weak, particularly for CEOs in real estate and private equity, who are feeling the effects of rising capital costs and tightening liquidity conditions.

Confidence in company growth among CEOs in Slovakia most pessimistic ever

Figure 10

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



5

How do your resilience and your workforce strategies fit together?

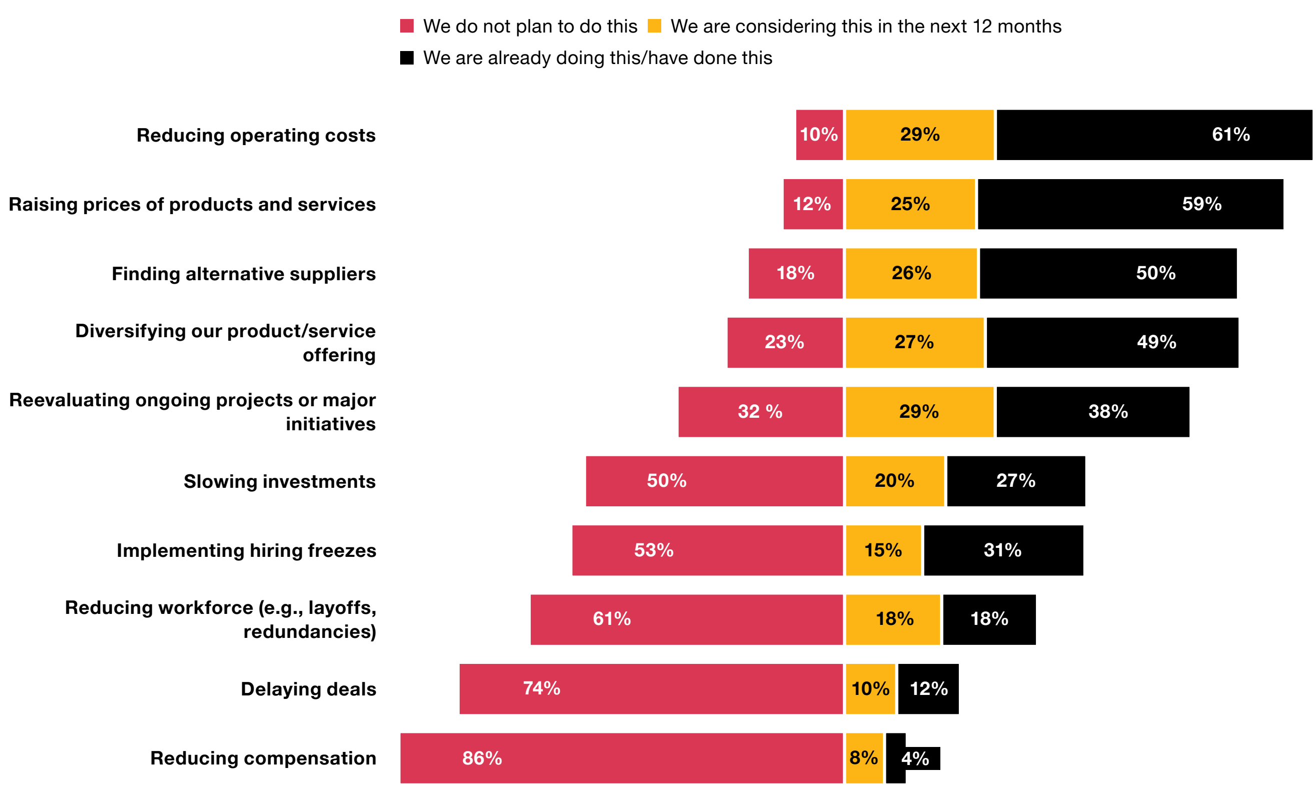
Optimisation in companies is in full swing – up to 90% of CEOs in Slovakia plan to reduce or are already reducing operating costs, 84% plan to raise or are already raising prices of products and services, 76% are seeking alternative suppliers and are diversifying their range of products and services. At some organisations, ongoing projects are being re-evaluated (cited by 67% of CEOs in Slovakia) and investments have been slowed (47%).

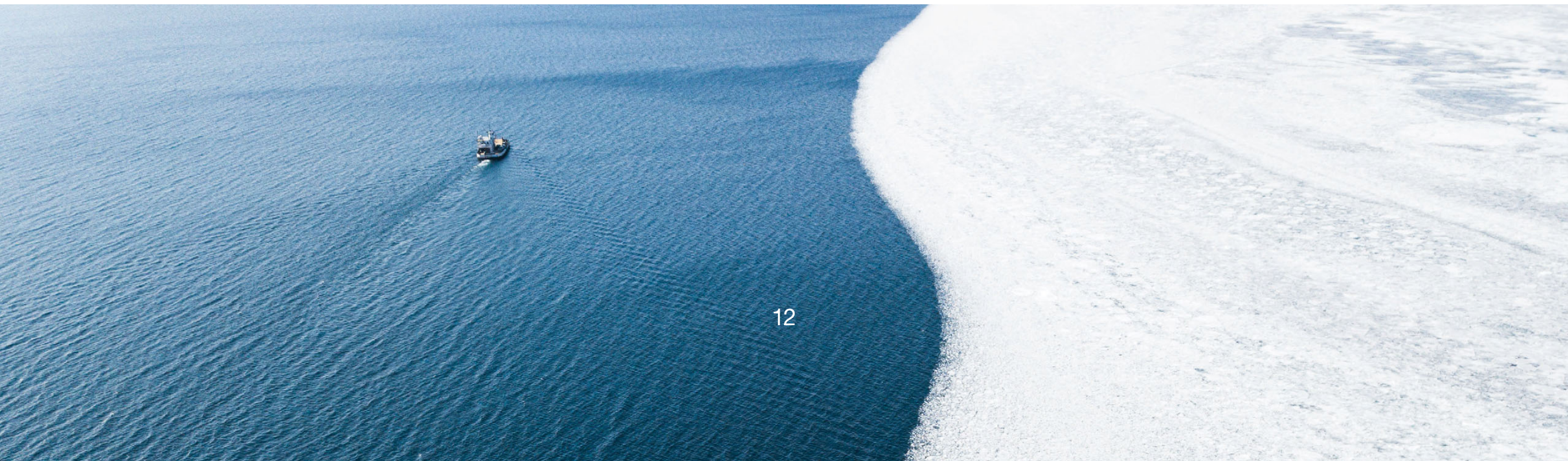
86%	74%	61%	53%
of CEOs in Slovakia do not plan to reduce compensation	do not plan to delay deals	do not plan to reduce their workforce	do not plan to implement hiring freezes

CEOs are implementing cost-cutting measures and optimising costs, and want to increase revenues – but are not planning to reduce their workforce or delay deals

Figure 11

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



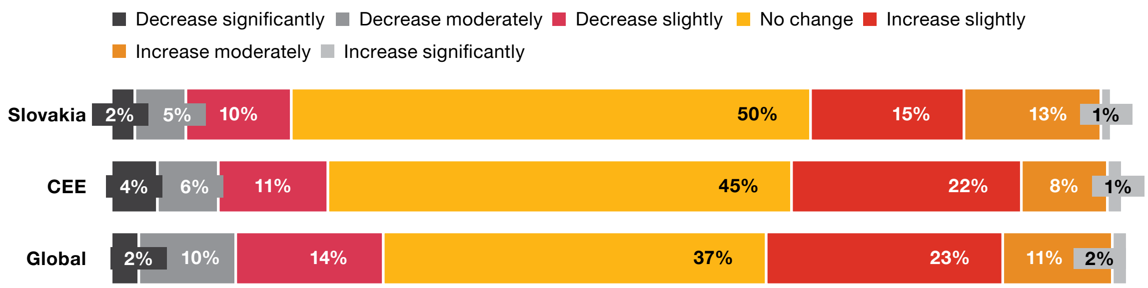


50% of CEOs in Slovakia expect employee turnover figures will not change

The survey data suggest CEOs are not planning to lay people off, in part because of their recent experience with employee attrition, which surged over the past year, a phenomenon that has been referred to as the “great resignation” after the pandemic. Based on the survey, however, 50% of CEOs in Slovakia expect employee turnover will not change. CEOs globally are more optimistic - more of them expect this figure to decrease (26% globally vs 17% in Slovakia).

Figure 12

How do you believe employee resignation/retirement rates in your company will change in the next 12 months?



6

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

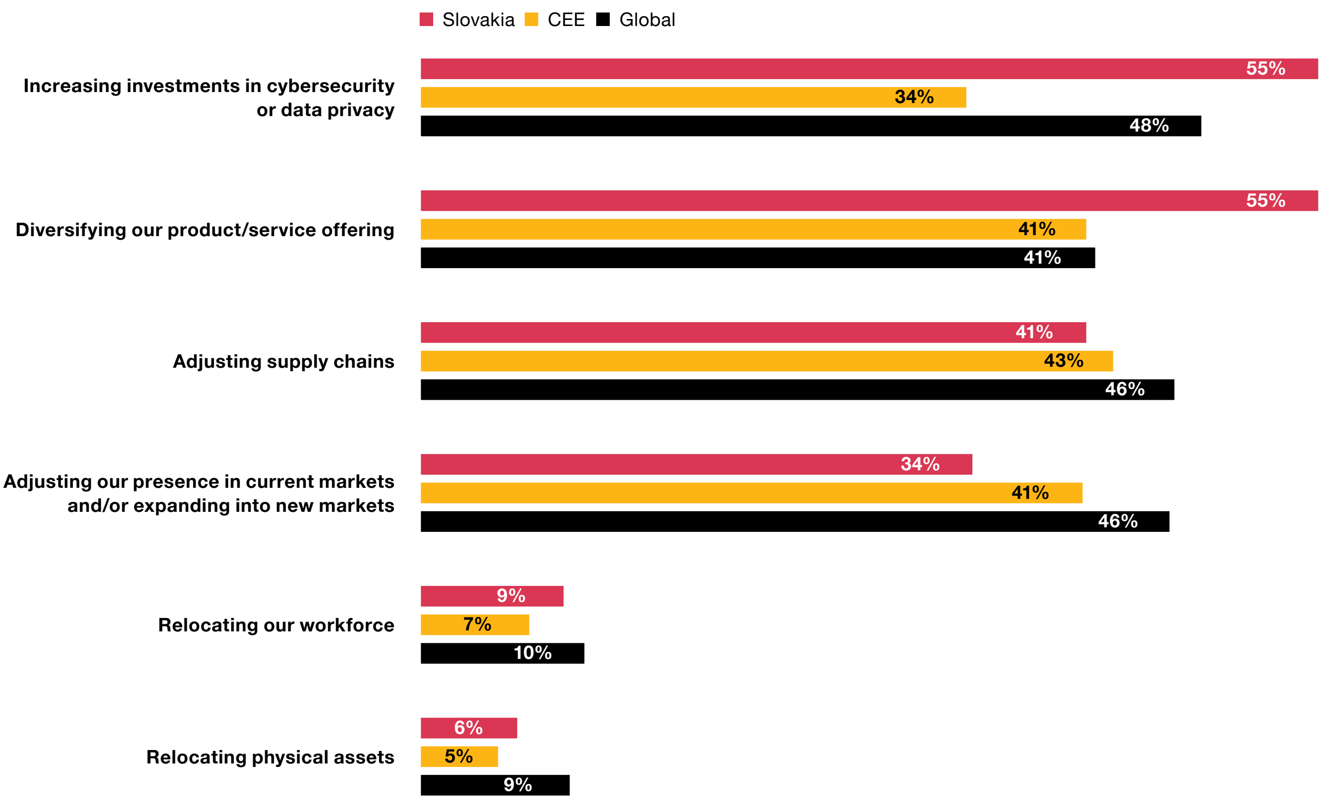
World events have elevated the importance of geopolitics, and have made themselves felt in myriad ways, including influencing leaders’ perspectives on the global economy. CEOs in Brazil, Canada, China, India, Japan, and the US are more optimistic about their own short-term growth prospects than those of the world as a whole. The growing emphasis on national interests over global ones represents an acceleration of trends that has been underway for some time, as the frictionless global trade we have become accustomed to since the end of the Cold War is now a thing of the past. An exception is major economies where the effects of geopolitics are hitting home hardest. As CEOs in France, Germany and the UK prepared for a potentially dark, cold winter, they anticipated growth in their home markets would lag behind the global economy.

CEOs in Slovakia who said they are exposed to geopolitical risks are taking action with 55% of them increasing investments in cybersecurity or data privacy, and 55% also diversifying their product and service offerings, and 41% are adapting supply chains and adjusting their geographic footprint. Cybersecurity is a particular area of focus for larger companies exposed to geopolitical conflict, while smaller ones are giving greater attention to diversifying their product and service offerings.

CEOs are increasing cyber investments, diversifying their offerings and adapting supply chains

Figure 13

Which of the following actions, if any, is your company considering to mitigate exposure to geopolitical conflict in the next 12 months?



7

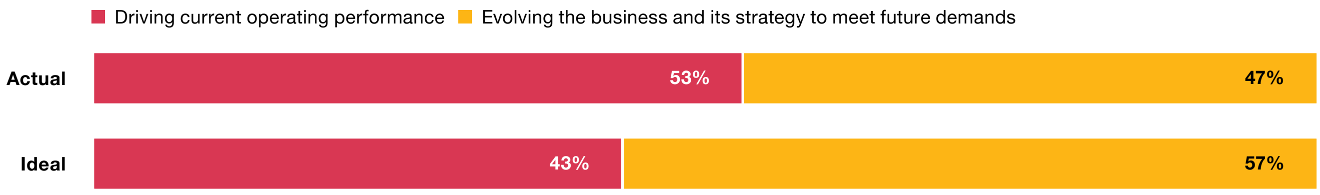
How much time and money are you investing in the future?

To address the first six questions, CEOs must perform a balancing act that starts with their own calendars. We asked CEOs how they split their time between a range of priorities, including driving current operating performance; adapting their business for the future; spending time with customers; engaging with employees, and interacting with investors, the board, and other external stakeholders. Driving current operating performance consumed the biggest share of CEOs´ time. If CEOs could redesign their schedules, they would spend more time evolving their business and its strategy to meet future demands.

CEOs want to spend more time reinventing their business model

Figure 14

Question A (actual): During your work time, on average, what percentage of time do you spend on each of the following?
Question B (ideal): Knowing what you know now, if you could start over with a blank calendar, how would you allocate your time as CEO?



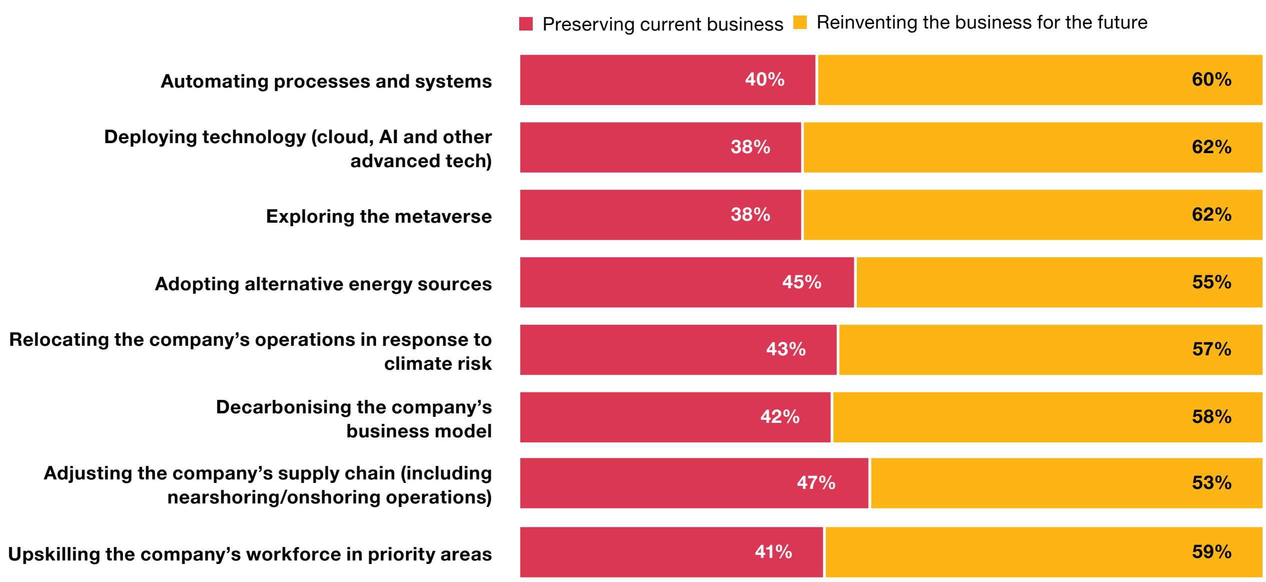
Half of CEOs in Slovakia said they set their own work time exclusively and mostly by themselves, while 20% stated their time schedule develops spontaneously and 30% of CEOs stated it is a combination of both in equal proportions.

The balance between investing in the present and the future starts with the CEO´s calendar and extends to the allocation of corporate resources. Technology investments are a top priority: around three-quarters of companies are focused on automation, upskilling, and deploying advanced technologies such as AI. Roughly 60% of investments in each category are focused on reinventing the business model for the future, and 40% on concentrating on preserving the current business. That 60/40 ratio was remarkably consistent across the spectrum of investments.

CEOs are investing in new technologies for both the short and long term

Figure 15

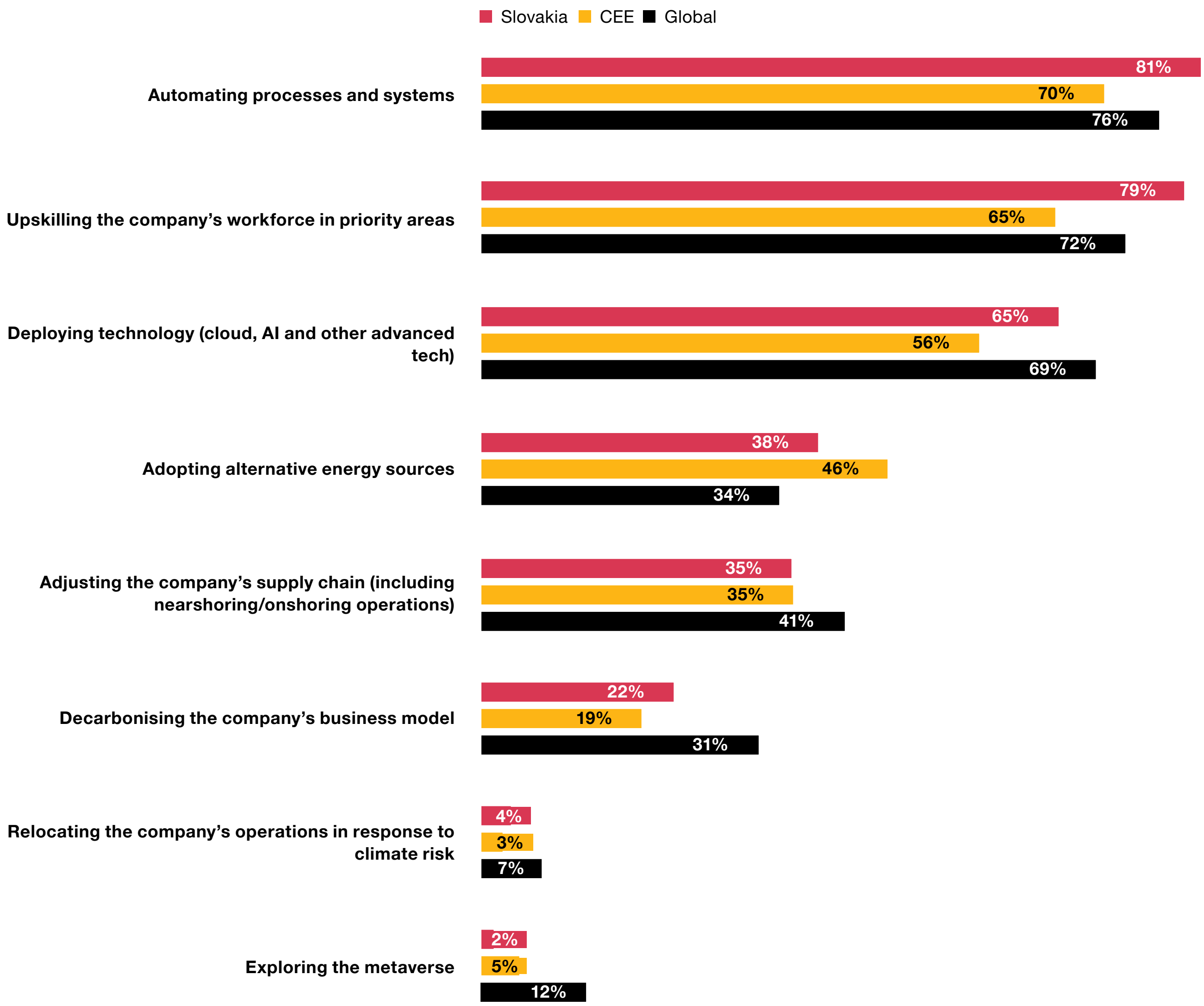
For each of the investment areas selected, please enter the percentage of investment allocated to preserving current business versus reinventing the business for the future

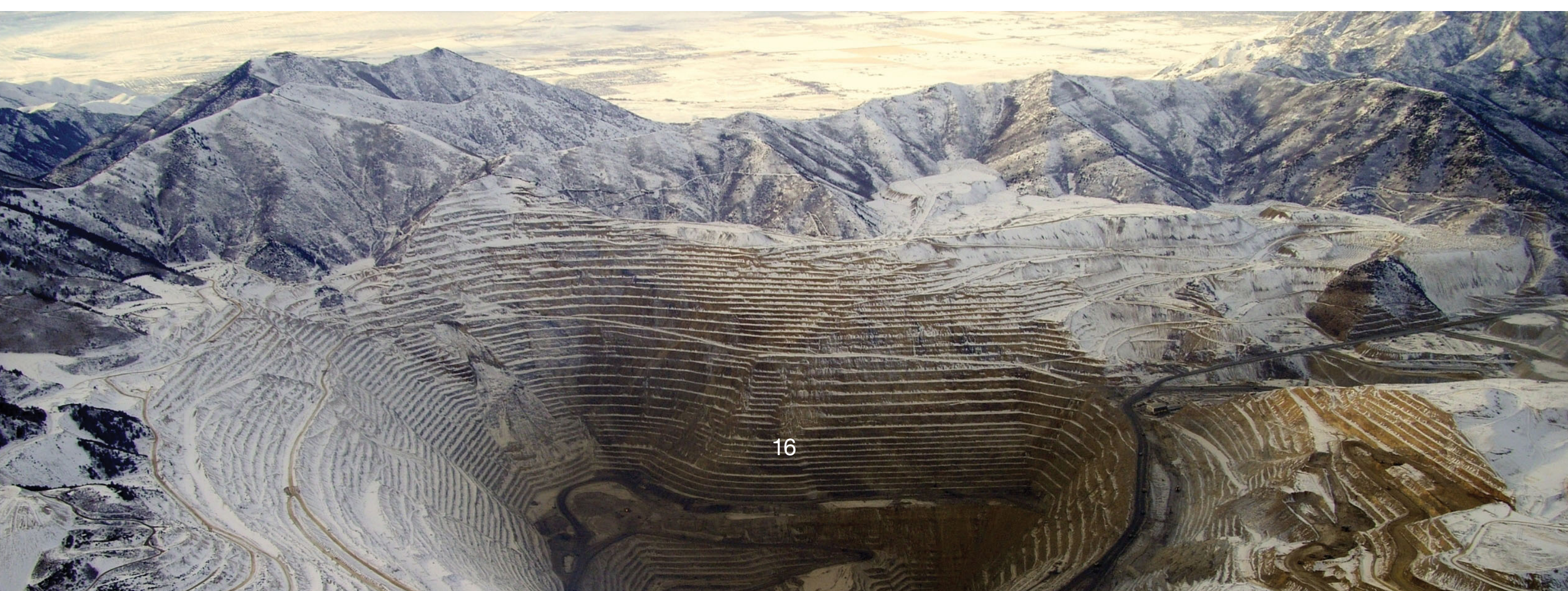


CEOs recognize the importance of investing in future technologies

Figure 16

Which of the following investments, if any, is your company making in the next 12 months? (Please select all that apply)





8

How central are you to your company´s reinvention?

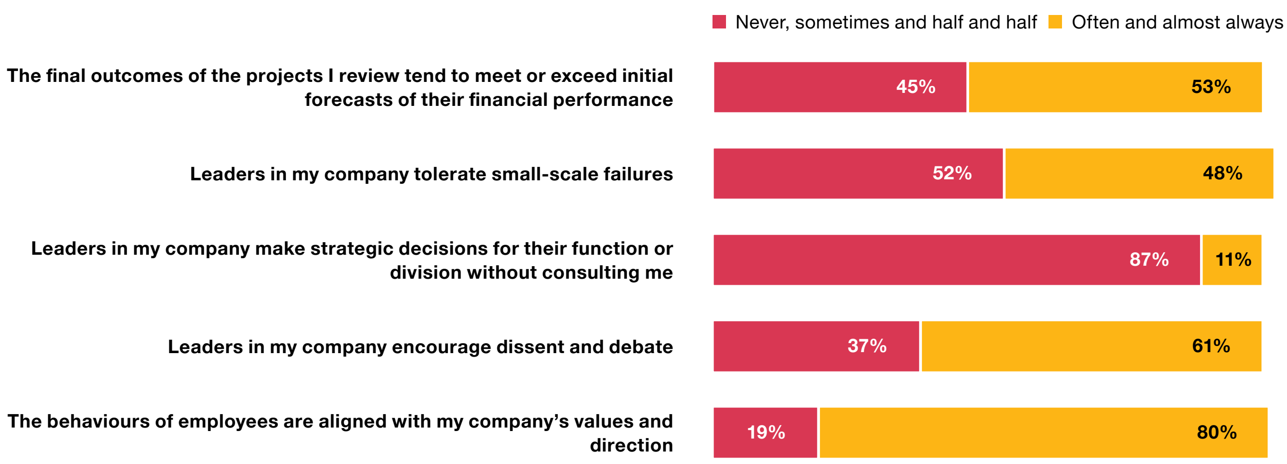
To reinvent their business while navigating current operating challenges, CEOs need the help of their people – C-suite leaders, middle managers, and frontline employees alike. Engaged, empowered organisations move faster, innovate more readily, and collaborate more effectively to get things done. For CEOs hoping to enjoy such benefits, the survey suggests some warning signals, and areas of opportunities. 43% CEOs globally and 37% in Slovakia said that leaders in their organisations do not often encourage debate and dissent. More than half of CEOs in Slovakia and globally said their leaders do not often tolerate small-scale failures. And 76% of global leaders and 87% of Slovak leaders do not often make independent strategic decisions for their function or division.

Decision-making autonomy and decentralization are important contributors to effective corporate resource reallocation, which is a critical lever for leaders seeking to drive major change in business direction.

CEOs should reflect on the extent to which conditions are in place for open and effective discussion at their company

Figure 17

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



These statements suggest that at many organizations, the conditions are not in place for managers and employees to take their own decisions as regards opportunities or to independently respond to disruptive threats. Business reinvention will be an adrenaline-packed adventure for CEOs and their top teams during the years ahead. The data suggests that a special kind of leadership will be required, as deep change is only possible when individuals at all levels adapt and grow. CEOs need to double down on setting a shared vision, empowering people to make decisions, and being visible champions for change.

9

What kind of ecosystem are you building?

The diversity and complexity of today´s business challenges are placing a premium on the ability to collaborate with different partners. We asked CEOs how they forge partnerships – with whom and to what objective. The results show that companies work with a wide network of collaborators, and that those relationships are most often struck to create new sources of value. Addressing pressing societal issues, such as climate change, was more often a goal of collaboration with non-business entities, such as NGOs and government agencies. Larger companies are more likely than smaller ones to address societal challenges via collaboration with institutions of all types.

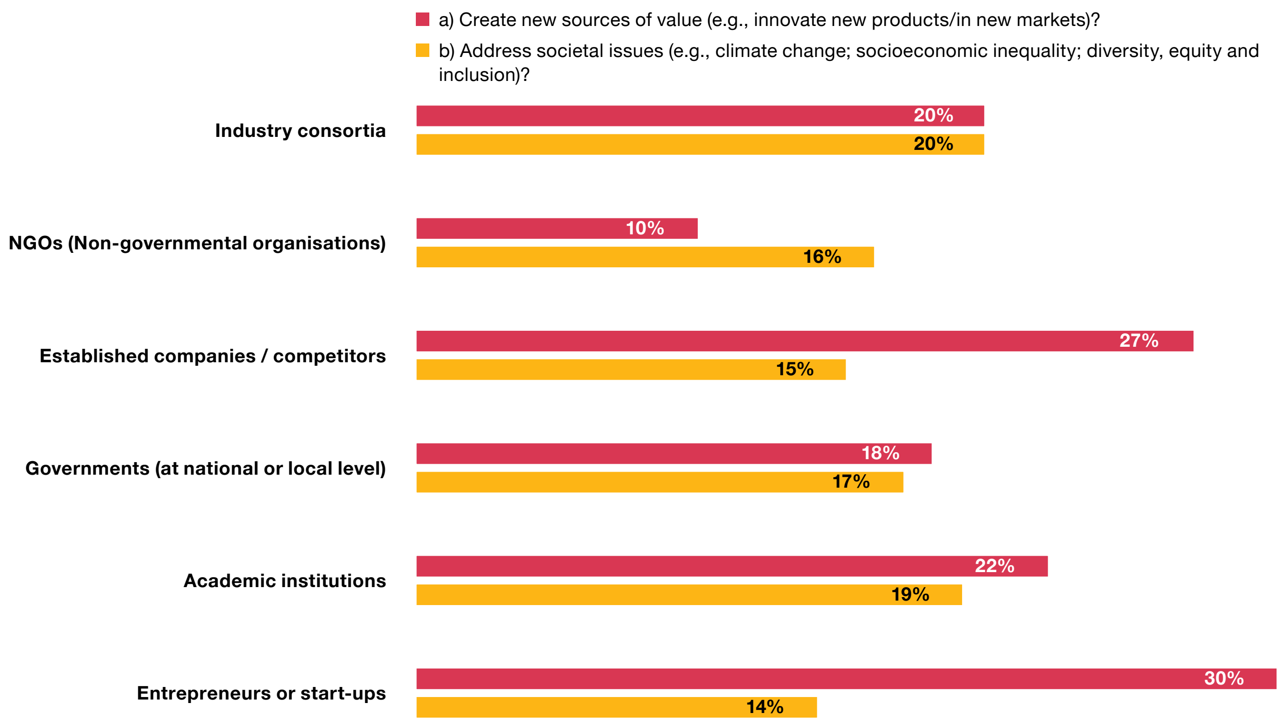
Companies are more likely to collaborate with third parties to create business value than to solve societal issues

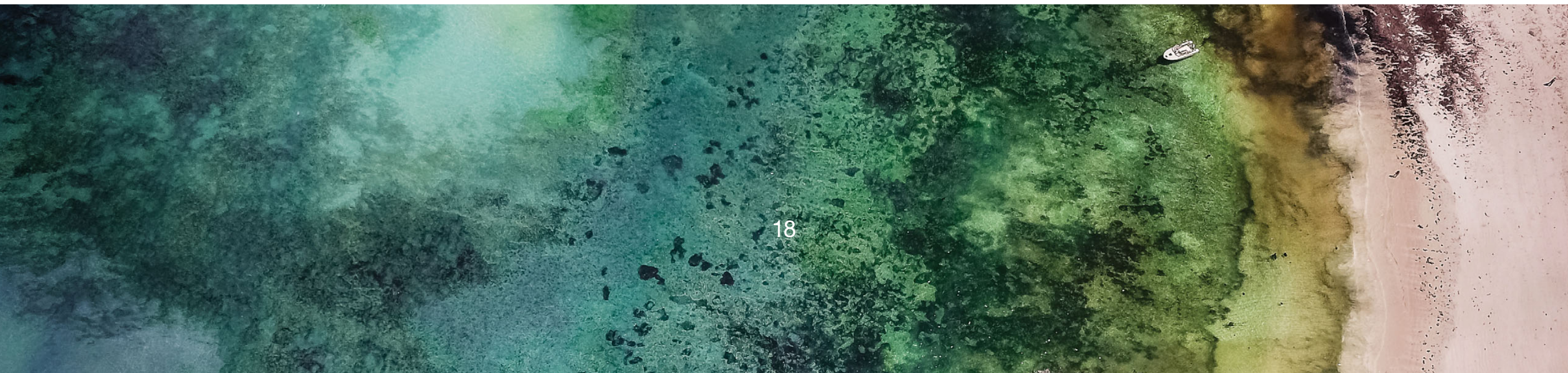
Figure 18

Question: To what extent is your company collaborating with the following groups to

a) create new sources of business value (e.g. introducing new products / entering new markets)?

b) address societal issues (e.g. climate change, socio-economic inequality, diversity, equality, and inclusion)?

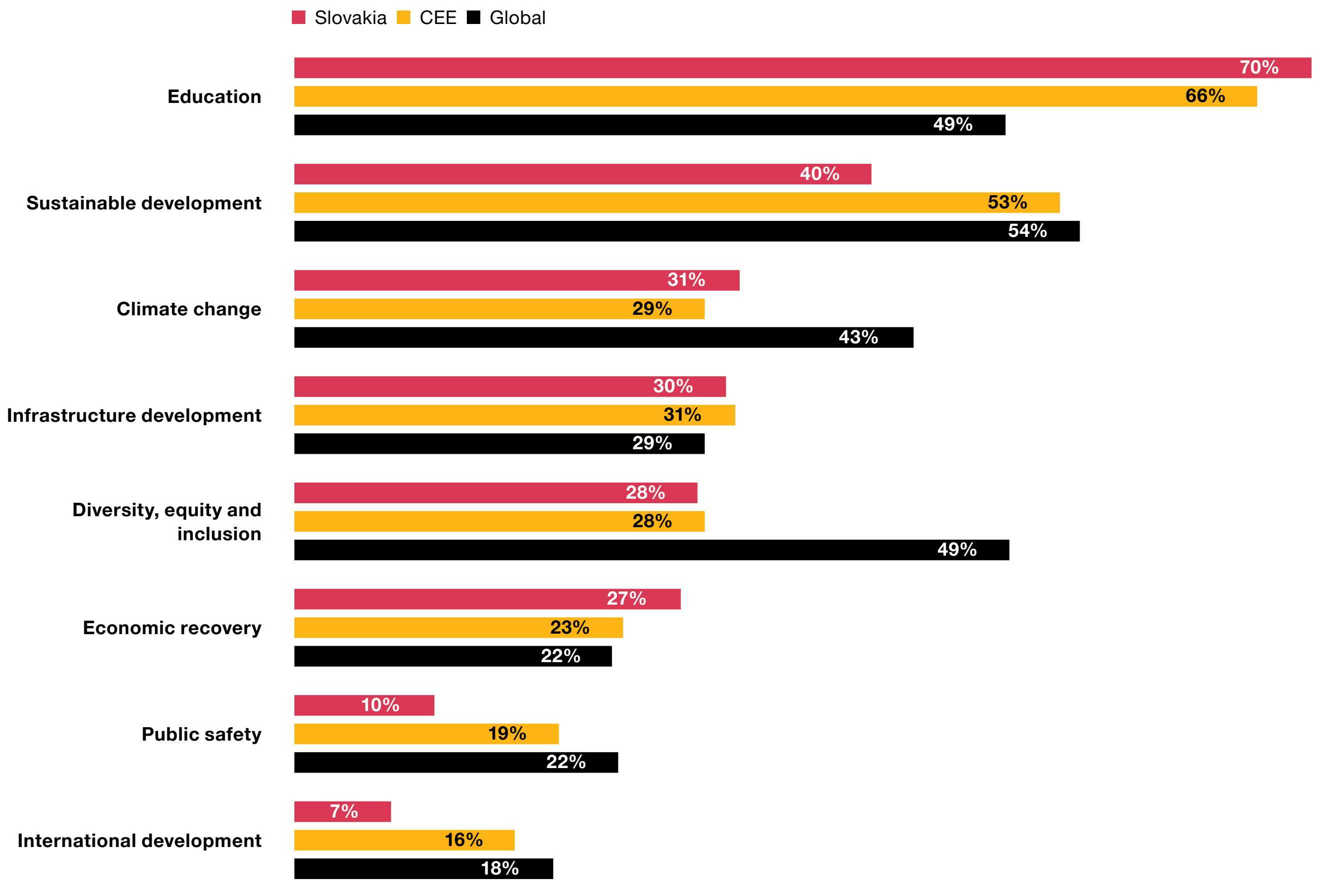




CEOs are partnering with non-business entities to address sustainable development, diversity, equality, inclusion, education, and climate change

Figure 19

In which of the following areas is your company collaborating with non-business entities (governments, NGOs or academic institutions) to address societal issues?



Slovak CEO Survey 2023

The 13th 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 15 December 2022 to 7 February 2023. 142 CEOs of companies operating in Slovakia from various sectors participated in the survey: 86% of respondents are CEOs of companies privately owned; 60% of respondents are CEOs of an entity within a multi-entity parent company; 54% of respondents are CEOs of companies owner-managed; 25% of respondents are CEOs of companies family-run; 16% of respondents are CEOs of companies with revenues between USD 50–100 million; 53% of respondents are CEOs of companies with revenues of less than USD 50 million; 72% of respondents are CEOs of companies with less than 500 employees; 28% of respondents are CEOs of companies with 500 employees and more.

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Global CEO Survey

PwC surveyed 4,410 CEOs in 105 countries and territories in October and November of 2022.
The global and regional figures in this report are weighted proportionally to country or regional nominal GDP to ensure that CEOs' views are representative across all major regions. Among the 4,410 CEOs that participated in the survey: 2% of them lead organisations with revenues of US$25bn or more; 3% lead organisations with revenues between US$10bn and US$25bn; 18% lead organisations with revenues between US$1bn and US$10bn; 33% lead organisations with revenues between US$100m and US$1bn; 38% lead organisations with revenues of up to US$100m; 69% lead organisations that are privately owned.

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