PwC releases its annual CEO Survey: Navigating the rising tide of uncertainty

PwC released the results of its 23rd Annual Global CEO Survey, which captured views from nearly 1,600 CEOs in 83 territories. CEOs were surveyed on a variety of topics, including growth, technology regulation, upskilling and climate change. The following are the four key themes from this year’s survey:

- **Uncertainty undermines outlook.** For the first time, more than half of the CEOs surveyed believe the rate of global GDP growth will decline. The percentage of CEOs who believe global GDP growth will decline has increased from 5% in 2018, to 29% in 2019, to 53% in 2020. This caution has translated into CEOs’ low confidence in their own organization’s outlook. Only 27% of CEOs are “very confident” in their prospects for revenue growth in 2020, the lowest level since 2009.

- **Setting up guard rails in cyberspace.** With no effective global framework in place that can govern practices or control attacks on digital technology, a majority of CEOs surveyed foresee increasing legislation around online content, data privacy and dominant tech platforms. Seventy-one percent (71%) of CEOs foresee governments increasingly introducing legislation to force the private sector to regulate content on the internet (including social media), and 68% think there will be legislation to break up dominant tech companies.

- **To upskill or not to upskill is no longer the question.** There are correlations among upskilling progress, economic optimism and revenue confidence. CEOs who have embraced the potential of upskilling are realizing the rewards, such as a stronger corporate culture (60%), greater innovation (51%) and higher workforce productivity (43%). Increases in automation, changes in demographics and new regulations will make it much harder for organizations to attract and retain the skilled talent they need to keep pace with the speed of technological change.
• **Climate change: an opportunity cloaked in crisis.** The tide has turned on climate change. Organizations worldwide are starting to recognize its risks and even its potential opportunities. Compared with ten years ago, CEOs today are far more likely to see the benefits of going “green,” such as reputational advantage (30% in 2020 vs. 16% in 2010), new product and service opportunities (25% in 2020 vs. 13% in 2010), and government or financial incentives (14% in 2020 vs. 5% in 2010).

**CEO turnover is at its highest ever**

According to Challenger, Gray & Christmas, Inc’s 2019 Year-End CEO Report: 160 CEOs Out in December, Highest Annual, Quarterly Total on Record, 1,640 CEOs left their posts in 2019. The report’s key findings include:

- CEO departures in 2019 were up nearly 13% compared to 2018.
- In 2019, more companies replaced their CEOs with an outsider (784) than an insider (620).
- The sectors with the highest CEO turnover in 2019 were Government/Non-Profit (339), Technology (216) and Financials (129).
- A large number (583) of CEOs who left their role in 2019 stayed on as a consultant, a board member or in another C-suite position.

Andrew Challenger, Vice President of Challenger, Gray & Christmas, Inc. said, “The majority of these departures were under unremarkable circumstances. Many CEOs retired from their positions after a long tenure, leaving the company in relatively good shape. Others left because their skills were in demand and they were offered new opportunities. Still more found the tremendous advances in technology and shifts in consumer behavior called for new leadership.”

**More resources and insights**

For more insights on CEO succession, see PwC’s How the best boards approach CEO succession planning and Workforce strategy oversight.

**New York to conduct study on corporate boards’ gender diversity**

New York Governor Andrew Cuomo signed legislation requiring the New York State Department of State and the Department of Taxation and Finance to conduct a study on the number of women serving on corporate boards. The study will focus on women serving as directors on the boards of both domestic and foreign corporations who are authorized to do business in New York. According to the New York State press release, the legislation requires the study to cover:

- The number of female directors,
- The total number of directors that constitute boards of directors,
- An analysis of the change in number of women directors from previous years, and
- The aggregate percentage of women directors on all boards.
Governor Cuomo said, “From new pay equity laws to strongest-in-the-nation sexual harassment policies, New York is leading the fight for gender equality in the workplace—but our work won’t be done until women are better represented at the highest levels of organizations. This new study will help shed light on the problem and guide the development of new policies to ensure more women have a seat at the proverbial table.”

According to PwC’s 2019 Annual Corporate Directors Survey, the majority of directors say that board diversity brings unique perspectives (94%), enhances board performance (87%) and improves relationships with investors (84%). More than three-quarters (76%) also agree that board diversity enhances the performance of the company.

To what extent do you agree with the following statements about board diversity?

- Brings unique perspectives to the boardroom: 62% (Strongly agree), 32% (Somewhat agree), 4% (Somewhat disagree), 2% (Strongly disagree)
- Enhances board performance: 49% (Strongly agree), 38% (Somewhat agree), 10% (Somewhat disagree), 3% (Strongly disagree)
- Improves relationships with investors: 37% (Strongly agree), 47% (Somewhat agree), 14% (Somewhat disagree), 2% (Strongly disagree)
- Improves strategy/risk oversight: 31% (Strongly agree), 49% (Somewhat agree), 18% (Somewhat disagree), 2% (Strongly disagree)
- Enhances company performance: 28% (Strongly agree), 48% (Somewhat agree), 20% (Somewhat disagree), 4% (Strongly disagree)
- Board diversity efforts are driven by political correctness: 17% (Strongly agree), 37% (Somewhat agree), 24% (Somewhat disagree), 22% (Strongly disagree)
- Shareholders are too preoccupied with board diversity: 16% (Strongly agree), 34% (Somewhat agree), 30% (Somewhat disagree), 20% (Strongly disagree)
- Results in boards nominating unqualified candidates: 6% (Strongly agree), 17% (Somewhat agree), 33% (Somewhat disagree), 44% (Strongly disagree)
- Results in boards nominating additional unneeded candidates: 5% (Strongly agree), 22% (Somewhat agree), 30% (Somewhat disagree), 43% (Strongly disagree)

Recent thought leadership

ESG: Five themes for boards to think about

Sustainability, also known as Environmental, Social and Governance (ESG), is not a new concept. But for a long time, for many companies, their sustainability efforts existed in silos, were not integrated into the
The dialogue and sentiment around business is changing, and your board is likely paying attention. You'll be hearing more conversations about the role of the corporation as you go into 2020, as expectations grow for companies to define their purpose and balance the interests of their broader stakeholder group. Topics like social issues, talent matters, and corporate culture will set the tone for 2020—as well as crisis management, because any topic can easily manifest into a crisis, and your board needs to be prepared. This article provides a snapshot of the atmosphere right now and what your board needs to know to get your arms around this changing sentiment.

See the full article here

Approaching the 2019 year-end financial reporting season

As the 2019 calendar year-end financial reporting season approaches, we're here to help you prepare for upcoming audit committee meetings. Our paper discusses CECL, the leases standard, tax law changes, LIBOR, CAMs and more.

See the full paper here

Virtual shareholder meetings—What boards need to know

Virtual annual shareholder meetings are becoming more popular. But this trend has not been without controversy. The Council of Institutional Investors and some large shareholders publicly oppose virtual-only meetings. Companies thinking about using virtual technology at their meetings will want to ensure the board and management are aligned. And they will want to discuss whether it is appropriate to engage with shareholders on this topic.

See the full paper here

LIBOR – Act now on replacement

Publication of the London Interbank Offer Rate (LIBOR) will cease after 2021. The shift away from the most widely used interest rate benchmarks is an immense change to global finance that will have far-reaching impacts. The SEC and other regulators around the globe have warned of potential market disruptions for those that do not proactively transition away from LIBOR. All companies—regardless of the size of their LIBOR exposure or industry—need to act now. This In the loop discusses what actions companies should be taking now and why.

See the full paper here
PwC’s 2019 Annual Corporate Directors Survey

The survey captures views from over 700 public company directors across the United States on a spectrum of governance topics, such as board composition, board diversity, social issues, and culture and talent management. One key finding is that nearly half of directors (49%) say that one or more directors on their board should be replaced.

See the full report here

Education

What you missed at the 2019 AICPA Conference
The 2019 AICPA Conference on Current SEC & PCAOB Developments included content focused on how all participants in the financial reporting ecosystem have a shared objective. In this podcast, Heather Horn, Valerie Wieman and Ryan Spencer discuss key takeaways from this year’s conference.

Highlights from PwC’s 2019 Annual Corporate Directors Survey
In this video, PwC’s Governance Insights Center Director Leah Malone highlights the key takeaways from the 2019 report.

Washington politics, public policy and financial reporting
In this podcast, PwC’s US Public Policy Leader Roz Brooks joins Heather Horn to discuss Capitol Hill and the impact of politics and public policy on the financial statements.

Talent management: The new board imperative
In this video, PwC’s Governance Insights Center Principal Paul DeNicola discusses the board’s role in overseeing talent management—and why it’s being labeled as a new imperative.

Investor perspectives on reporting: 5 things you need to know
What do investors and analysts really want to learn from your financial statements? And what are their areas of focus? On this podcast, we answer these questions and discuss more of what’s on the minds of investors.

Events

Join our team for engaging discussions at these upcoming governance events:

NACD NJ Chapter: Politics, Policy, Risk & Regulatory Updates
Florham Park, NJ
February 13, 2020
Join Carl Holshouser, a leader in PwC’s Strategic Policy Advisers Group, as he addresses how businesses should proactively identify and manage emerging policy, regulatory and legislative issues that could directly impact business growth. The discussion will explore how organizations can establish governance, processes and metrics to create and measure the effectiveness of government & regulatory affairs, public affairs and compliance organizations and how to imbed policy, regulatory and legislative information into product, sales and engineering teams as products and services are rolled out.
Inbound Insights: US Business, Policy and Trade Webcast
Webcast
February 25, 2020
Register to join us on February 25th at 12:00 PM Eastern. PwC industry leaders will highlight trends affecting foreign direct investment and the US operations of global companies. Panelists will provide a view of 2020, including expected policy, trade and political developments.

Weinberg Center for Corporate Governance: 2020 Corporate Governance Symposium
Newark, DE
March 17, 2020
Join PwC’s Governance Insights Center Managing Director Barbara Berlin at the 2020 Corporate Governance Symposium. This year’s symposium will focus on governance issues of critical importance to boards and investors in 2020.

Equilar Board Leadership Forum
New York, NY
March 18, 2020
Join PwC’s Governance Insights Center team at the Equilar Board Leadership Forum. The Board Leadership Forum aims to encourage participants to adopt effective techniques and strategies for implementing ESG initiatives, organizing human capital management, dealing with activism and balancing board composition. This event is a great opportunity to network with industry professionals and stay up to date on the corporate governance landscape.

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