

18th Annual Global CEO Survey

CEE Results

January 2014

Methodology

1,322 global interviews conducted between September and December 2014

1,875 members of the Global PwC CEO Panel were invited to participate via the online survey contributing to the total online responses

36% have revenues **over 1 billion**

Industry data cuts for **22 sectors**

Quantitative research supplemented with **face-to-face interviews with 33 CEOs**

The research was co-ordinated by R2i, part of PwC's Consulting practice in Northern Ireland

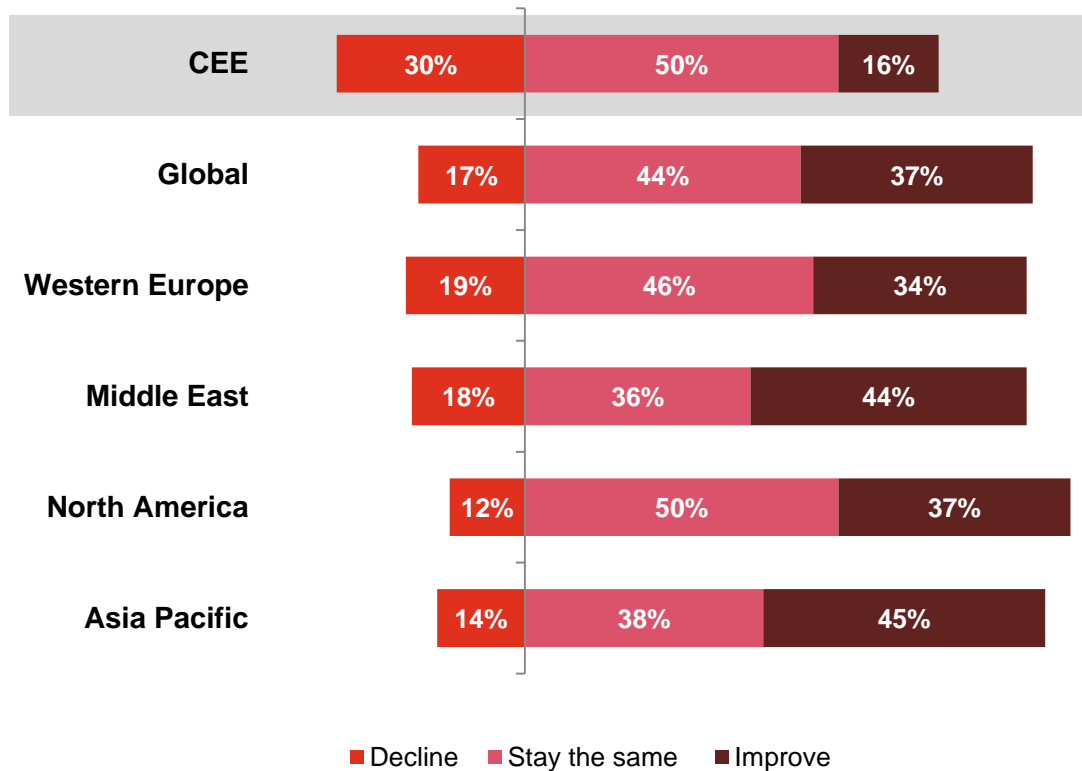
CEE interviews	No.
Croatia	10
Czech Republic	10
Hungary	12
Latvia	10
Moldova	6
Poland	12
Romania	15
Russia	40
Serbia	10
CEE Total	125

Growth

1

CEOs in CEE are the least optimistic about the economic outlook for 2015

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



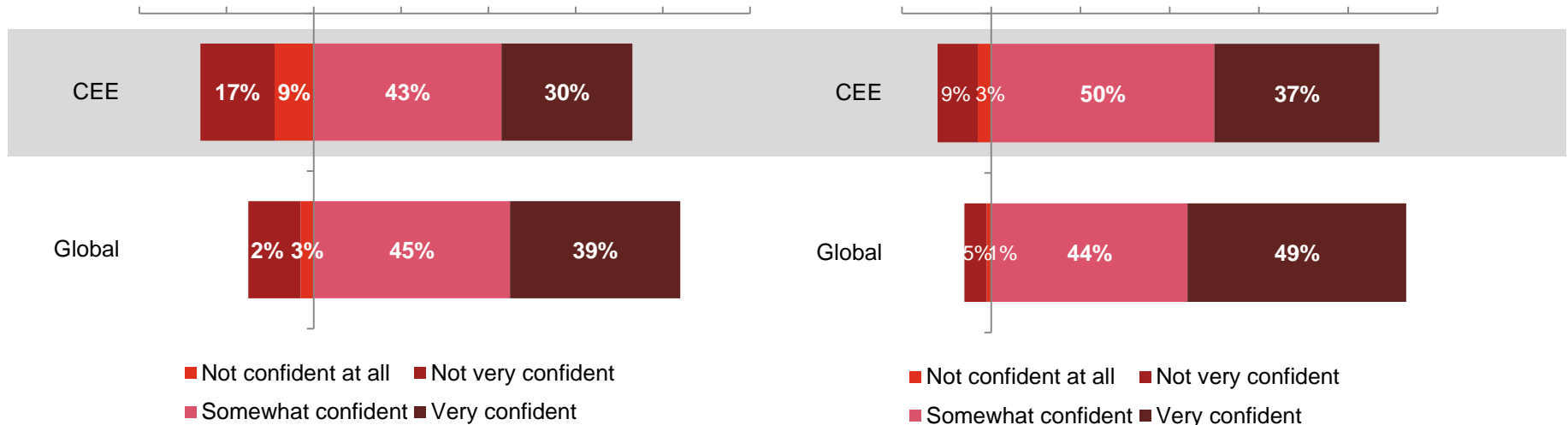
16% of CEE CEOs are very confident about economic growth in 2015

Geopolitical issues in Russia and Ukraine combined with a potential “triple-dip” recession in Western Europe are having a negative impact on economic recovery in CEE.

CEOs in CEE are also the least confident about their own company's growth prospects

Confidence in revenue growth over the next 12 months

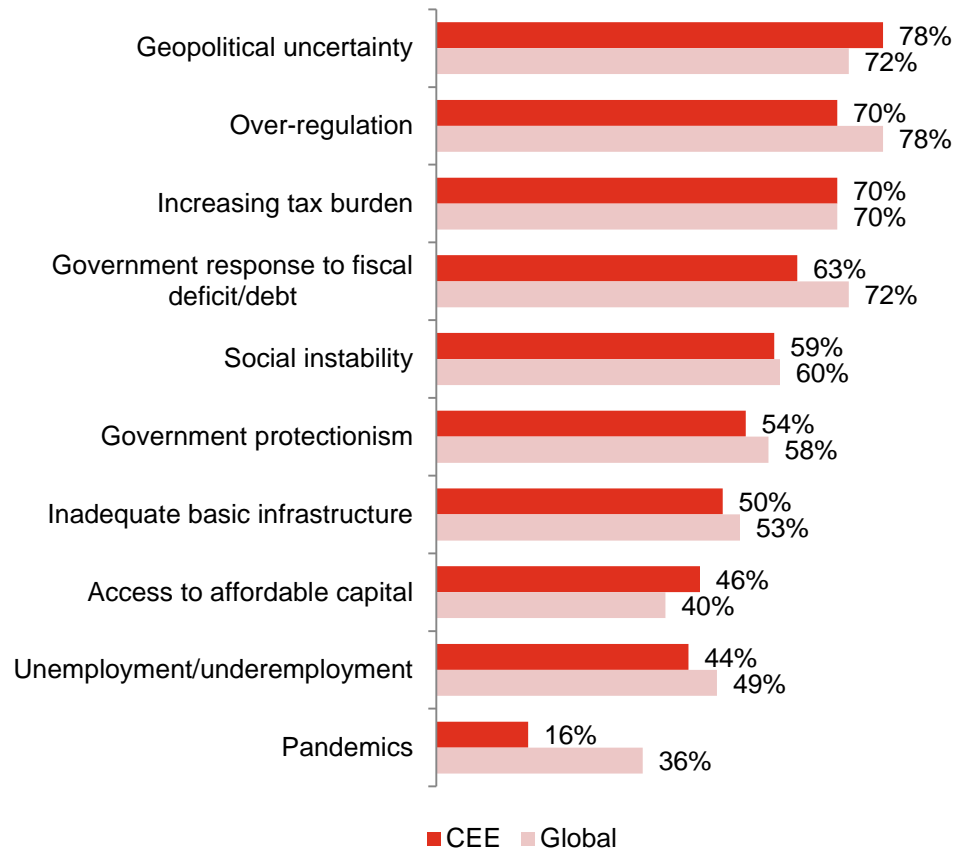
Confidence in revenue growth over the next 3 years



- Only **30%** of CEE CEOs are very confident of their company's growth in 2015
- **37%** are very confident of their growth over the next 3 years.
- Russian CEOs went from the most confident in 2014 to the least confident in 2015. In 2015, only **16%** were very confident about their growth over the next 12 months (vs. **53%** in 2014).

Not surprisingly, geopolitical uncertainty is seen as the biggest threat to CEE businesses

How concerned are you about the following potential economic, policy and social threats to your organisation's growth prospects?

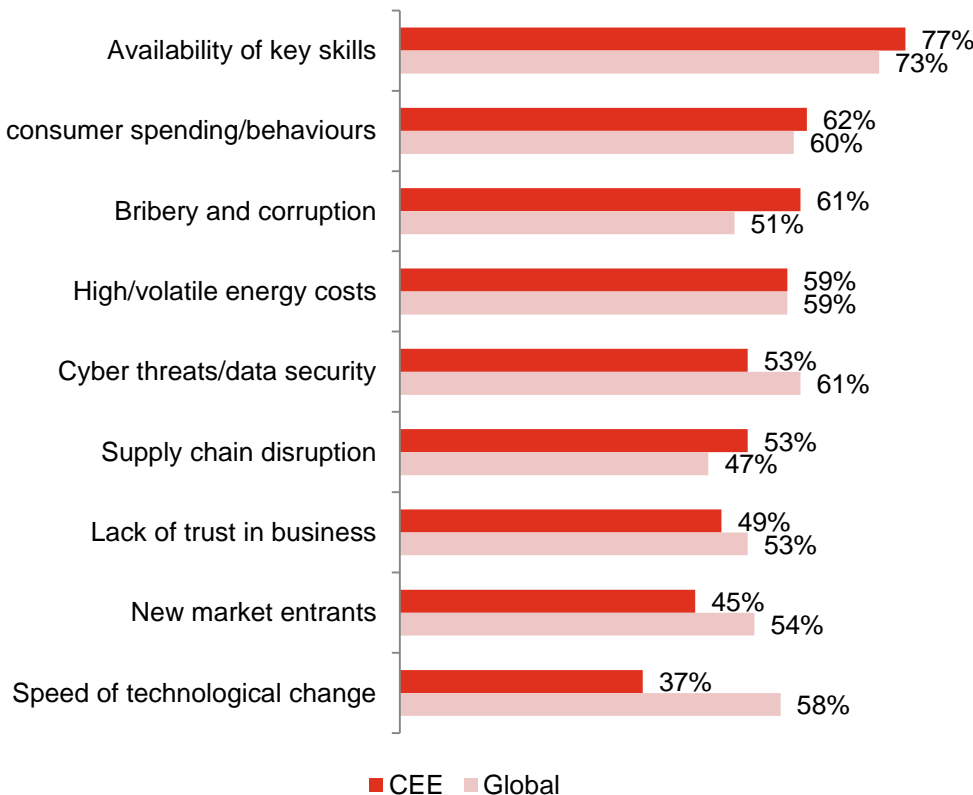


Top 5 socioeconomic threats in CEE

Threat	Percentage	Change vs 2014
Geopolitical risks	78%	
Over regulation	70%	↑3%
Tax burden	70%	↑3%
Gvt response to debt	63%	↓4%
Social instability	59%	

In terms of business risks, the war for talent still tops the CEO agenda

How concerned are you about the following potential business threats to your organisation's growth prospects?

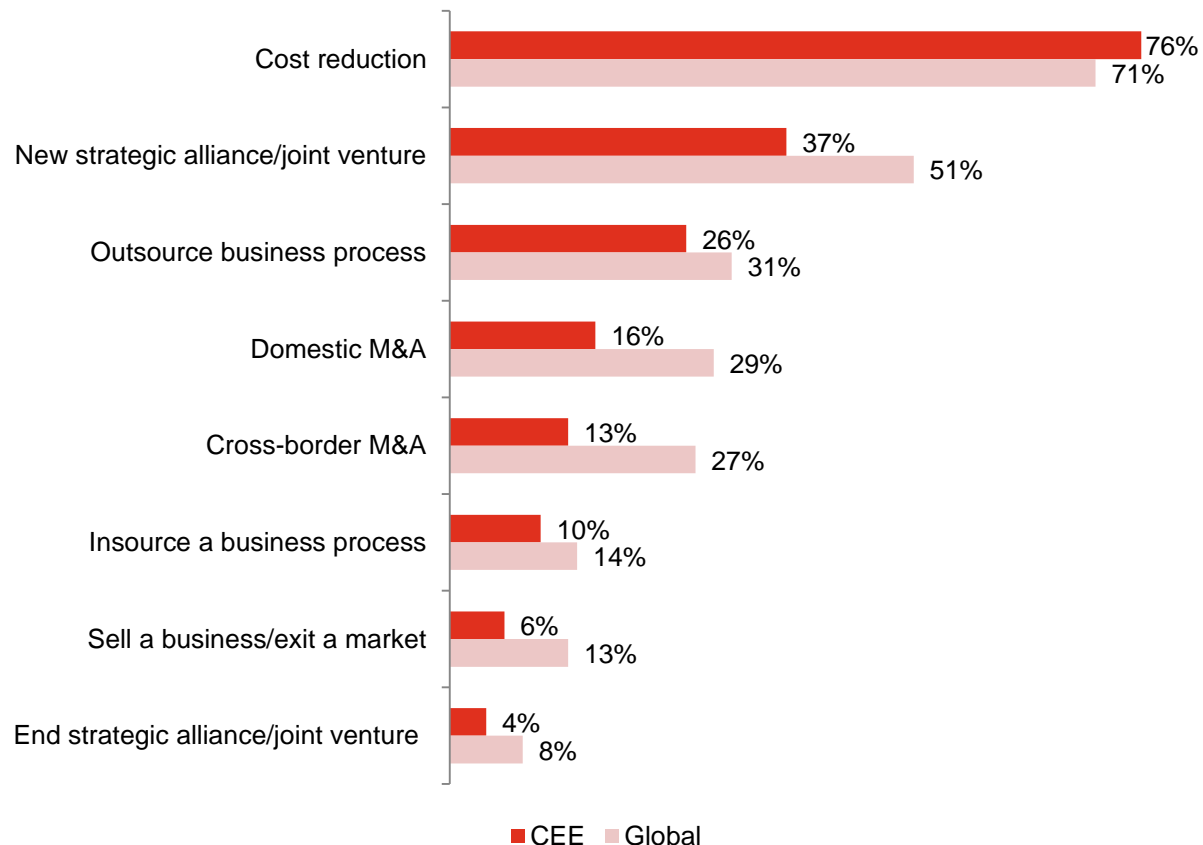


Top 5 business risks in CEE

Risk	Percentage	Change vs 2014
Availability of skills	77%	↑3%
Consumer spending	62%	↑12%
Corruption	61%	↓8%
Volatile energy costs	59%	↑2%
Cyber threats	53%	↑17%

CEE companies remain in crisis mode and cost reduction is still the #1 restructuring activity

Which, if any, of the following restructuring activities do you plan to initiate in the coming 12 months?

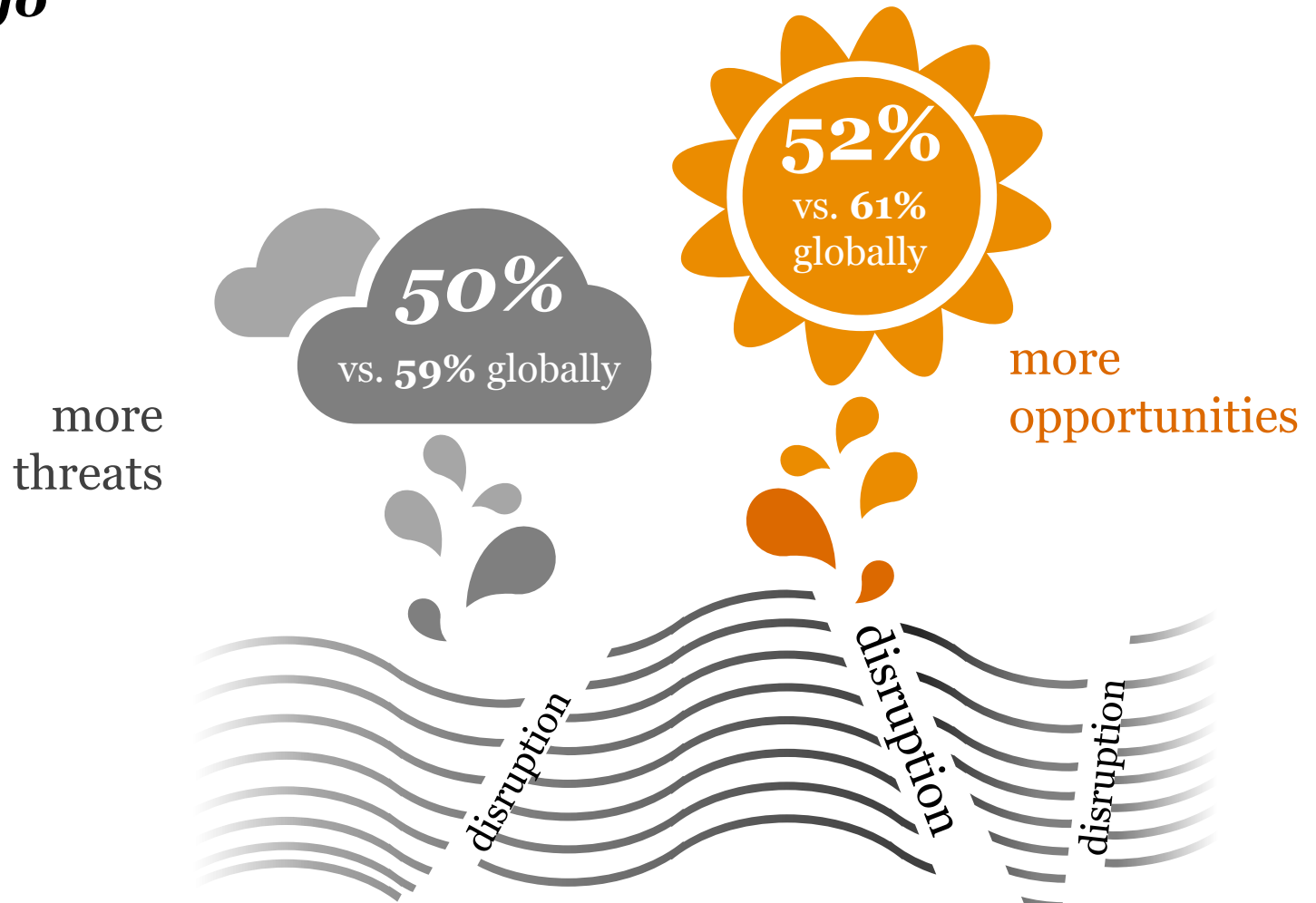


76%
plan cost reduction
(up from 61% in 2014)

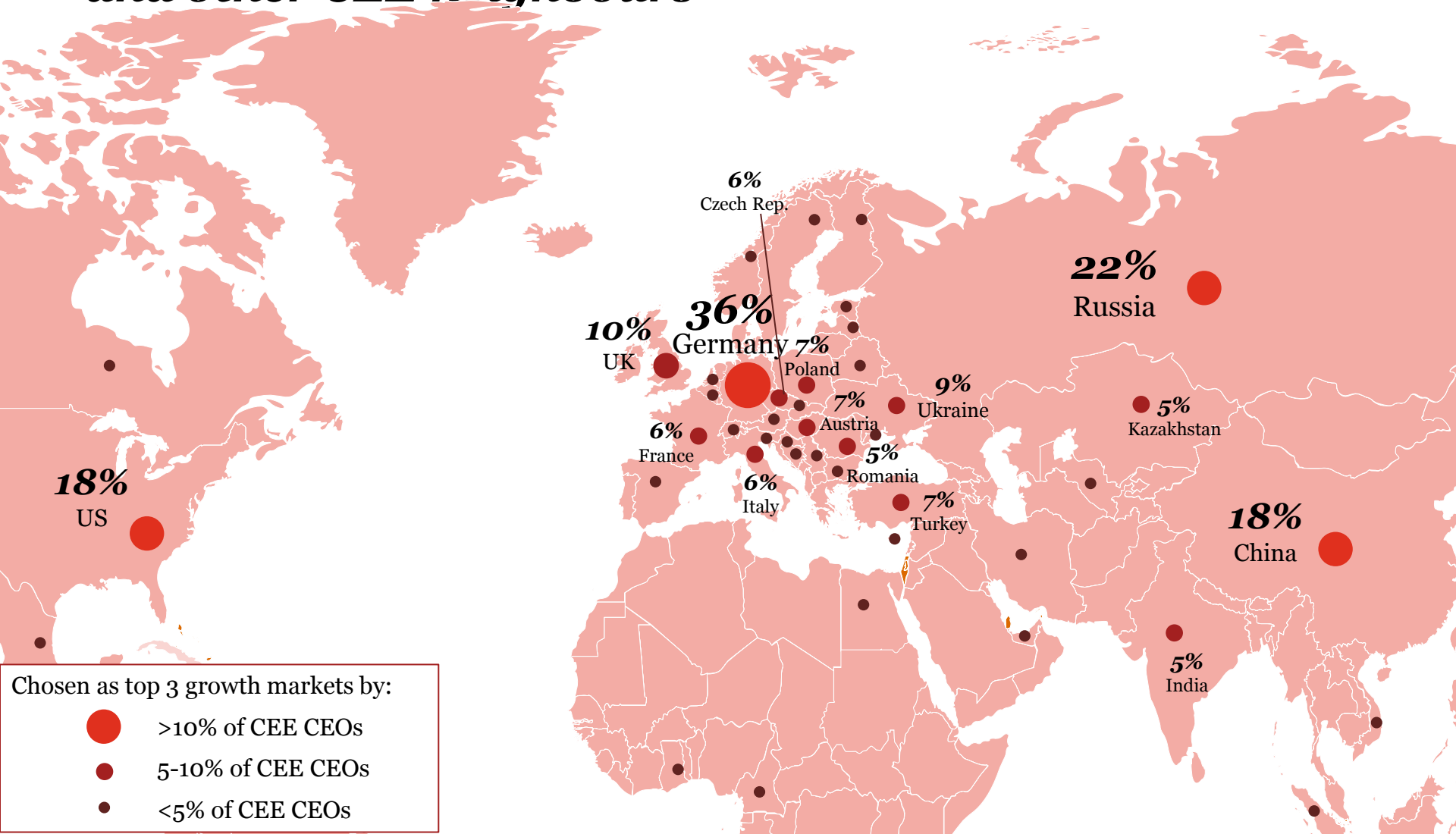
As low M&A volume continues, CEE CEOs are moving more toward **strategic alliances and joint ventures.**

37% are considering a new strategic alliance/joint venture (vs. 27% in 2014)

On the brighter side: While the market is challenging, CEE CEOs also see more opportunities than they did 3 years ago



Growth markets: CEE companies expect growth from large markets (Germany, US, China, UK) and Russia and other CEE neighbours



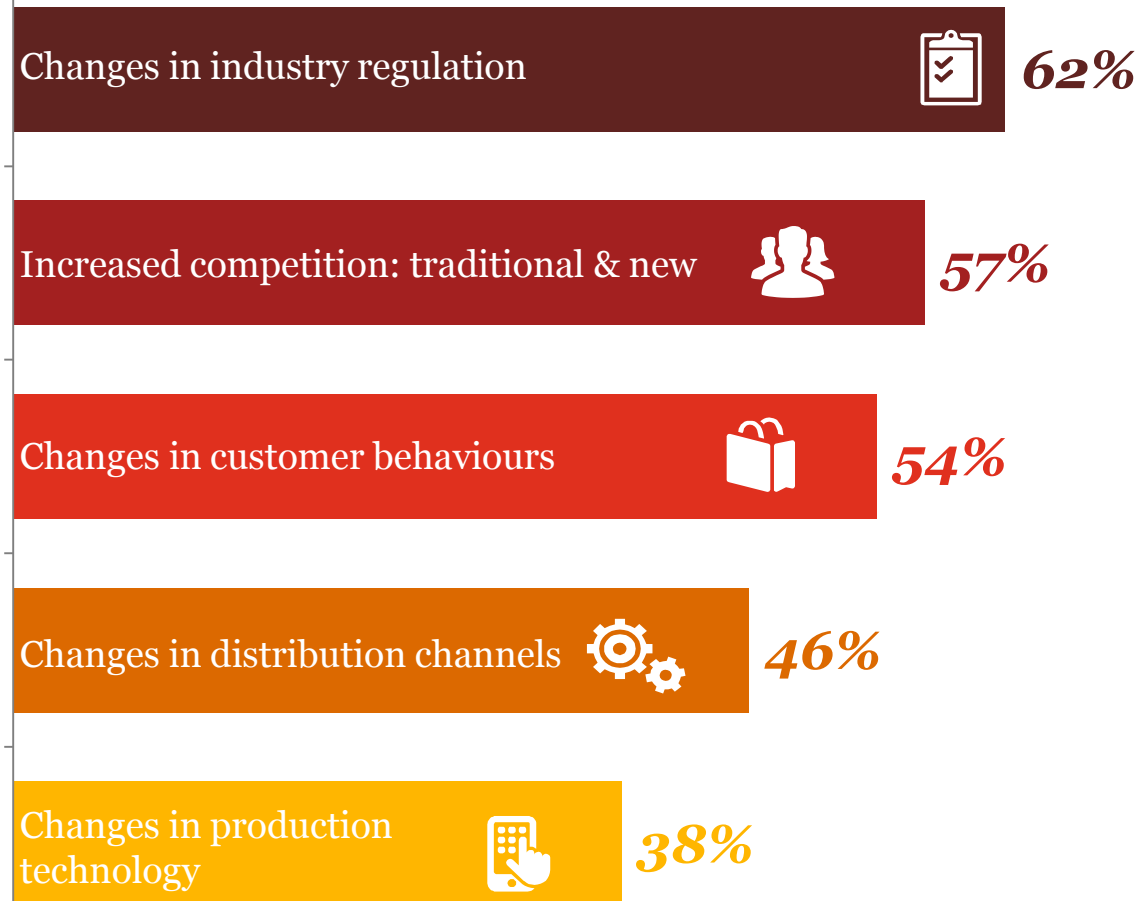
Competition

2

Industries in flux: Regulatory changes, increased competition and changing customer behaviours are seen as biggest industry disruptors.

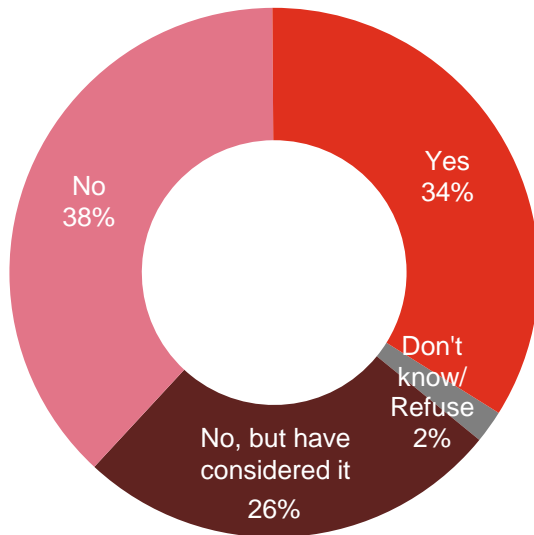
How disruptive do you think the following trends will be for your industry over the next five years?

Respondents who stated 'Somewhat' or 'Very disruptive'

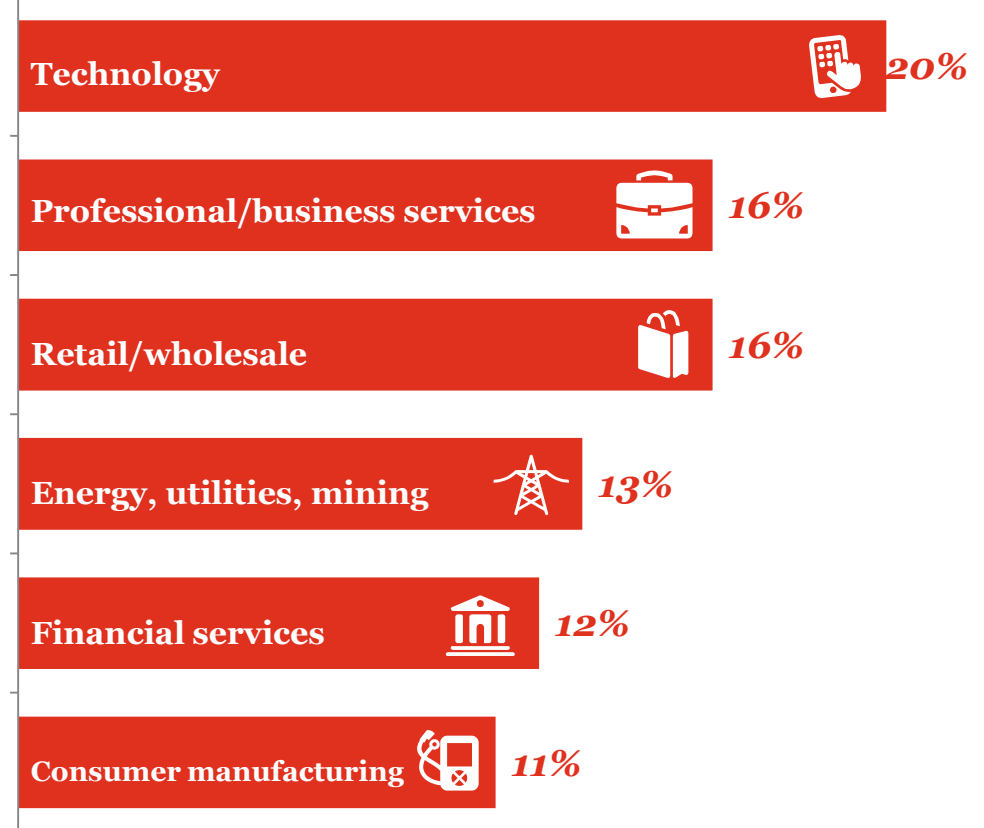


34% of CEE companies have already entered a new industry. Technology, professional services and retail/wholesale are the most common target sectors.

Has your organisation entered a new industry in the past 3 years?

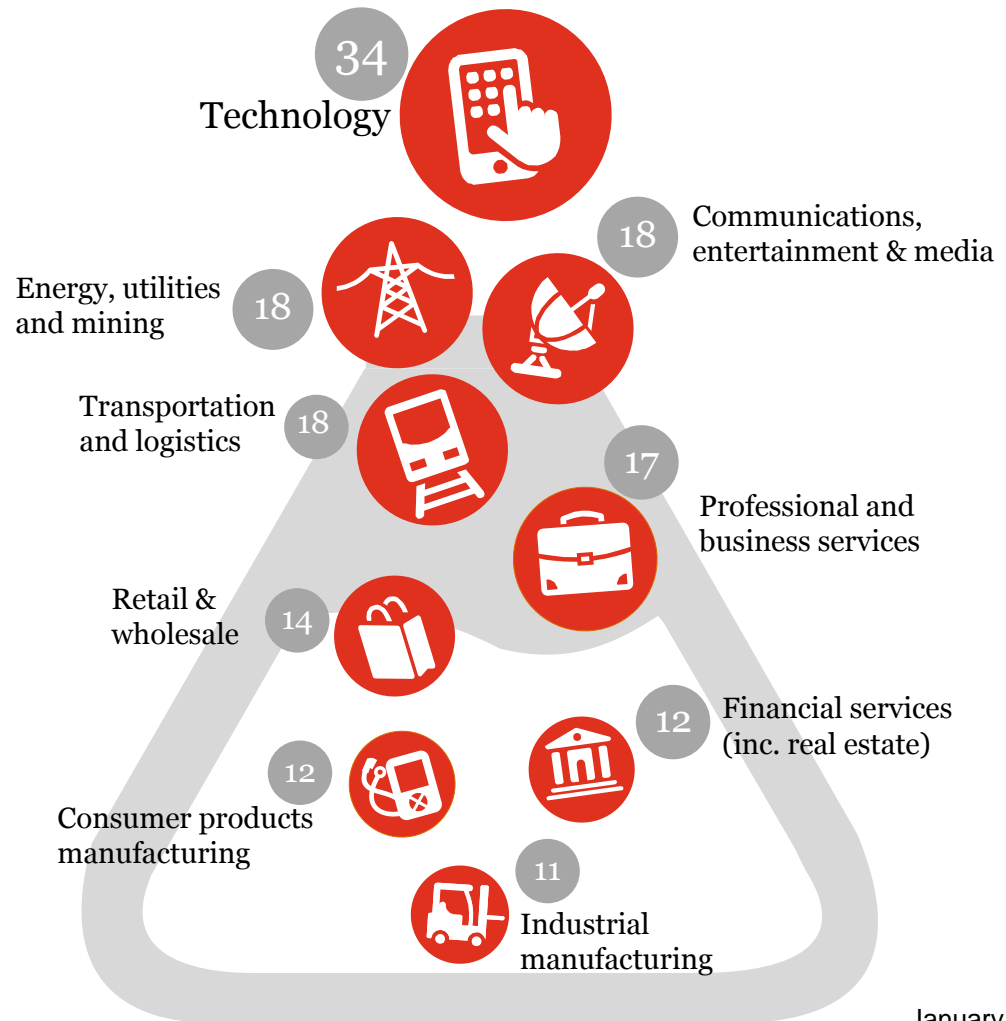
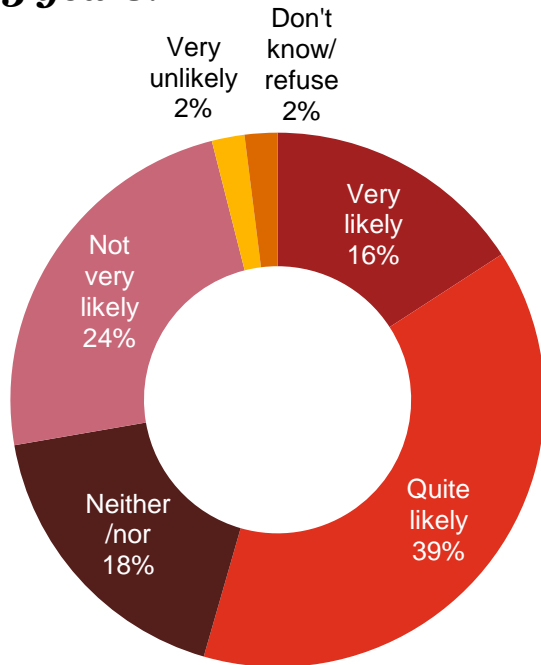


Which industries has your organisation entered within the past 3 years or considered entering?



Emerging competitors: 55% of CEE CEOs believe competitors will emerge from other sectors, especially the Technology sector (34%)

Will organisations compete in new sectors over the next 3 years?

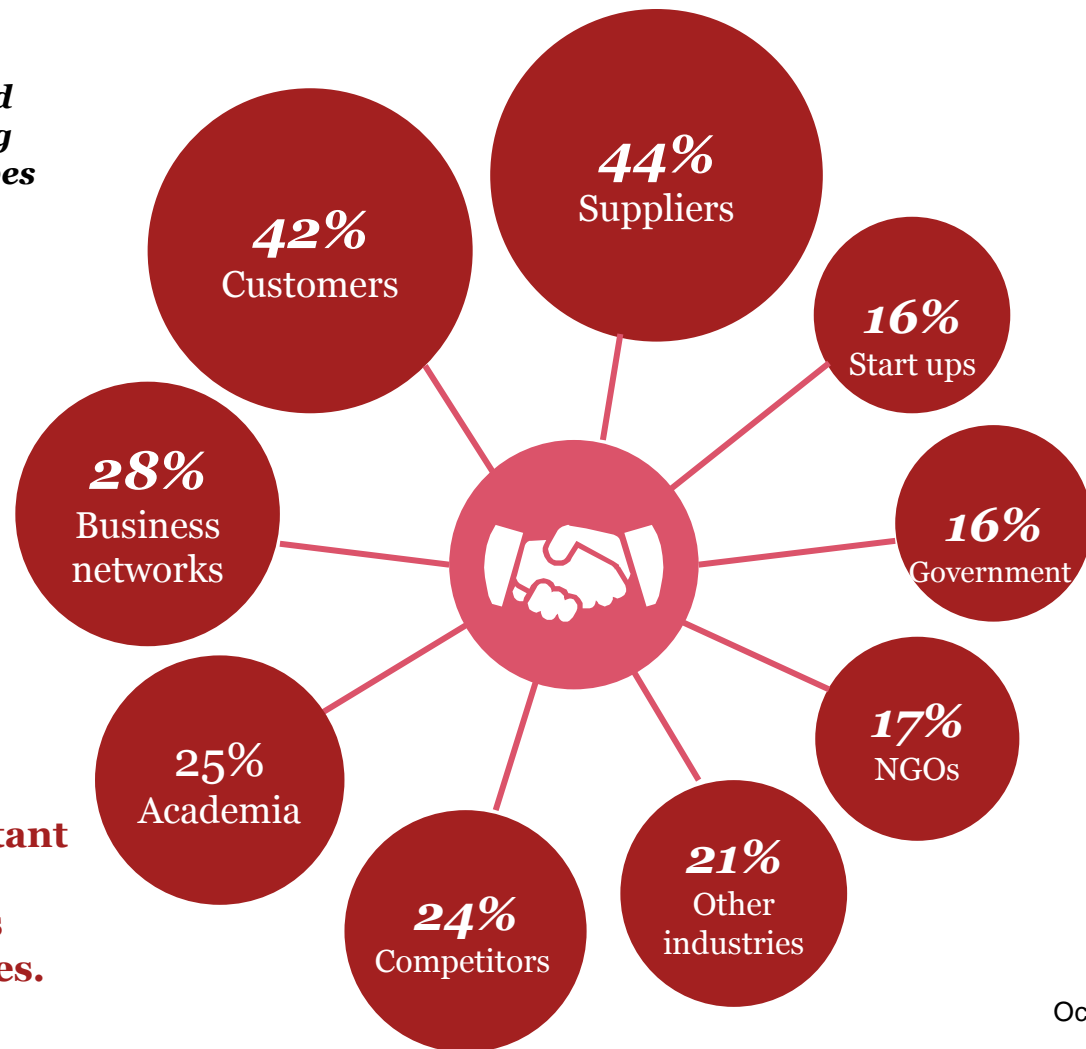


Partnering

3

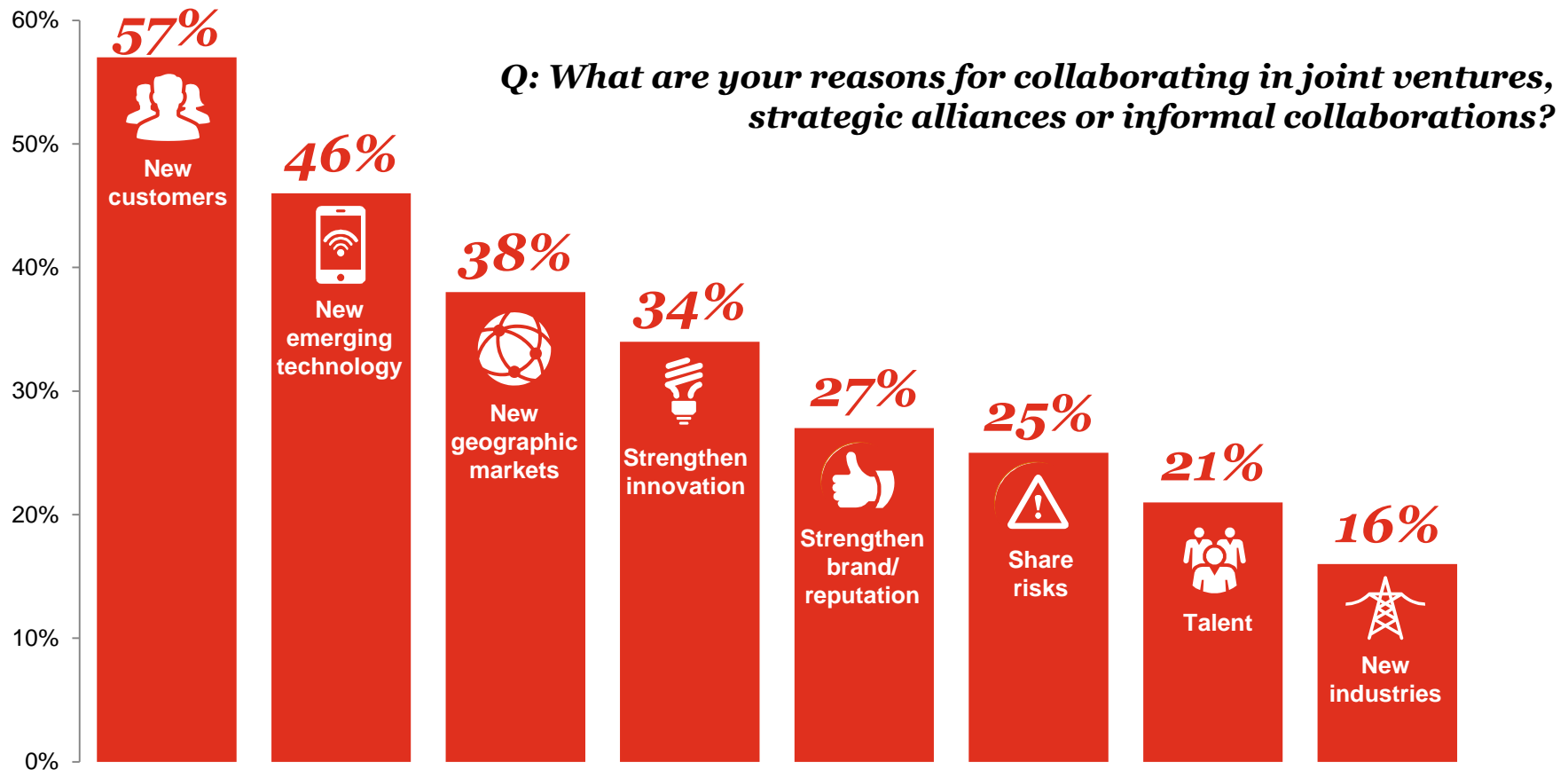
Stronger together: Suppliers, customers and business networks are CEE CEO's first choices for alliances and collaboration

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?

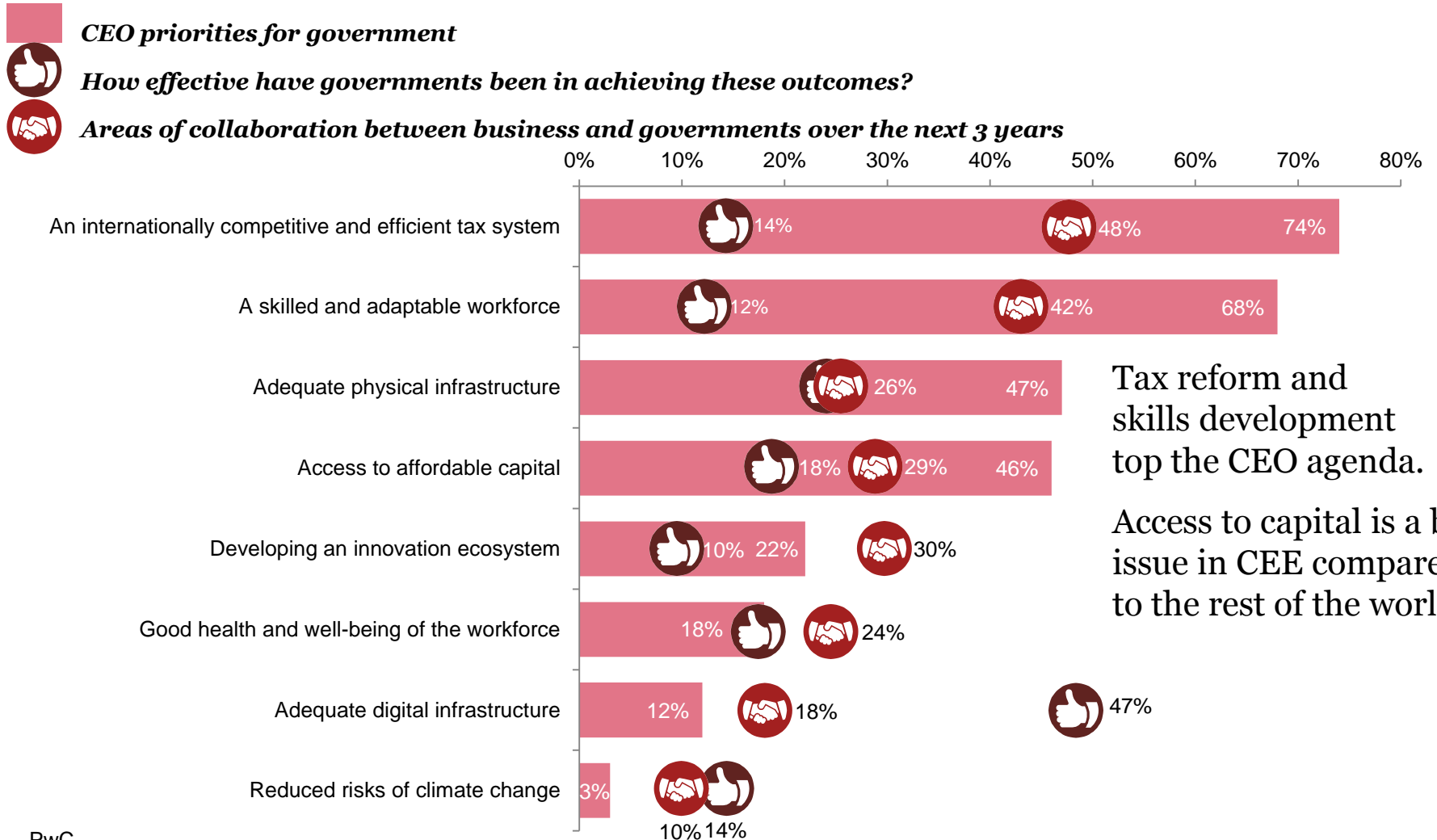


CEE CEOs are more reluctant to form alliances with academia or governments than their global colleagues.

Benefits of collaboration: Access to new customers, technologies and markets are the prime drivers for strategic alliances and joint ventures.



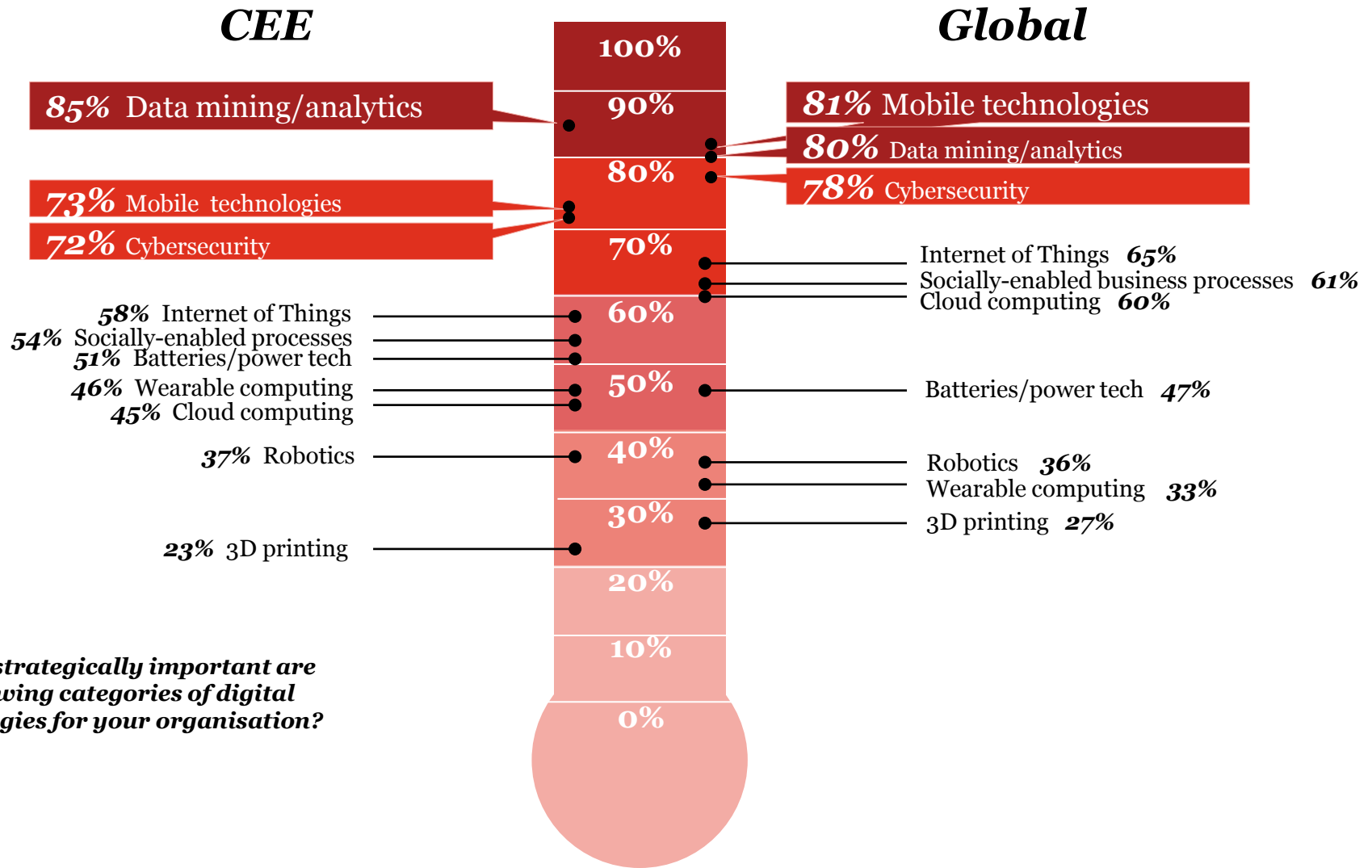
There is a gap between what CEE CEOs want from governments and what governments are delivering, but they are willing to work together to get the job done.



Technology

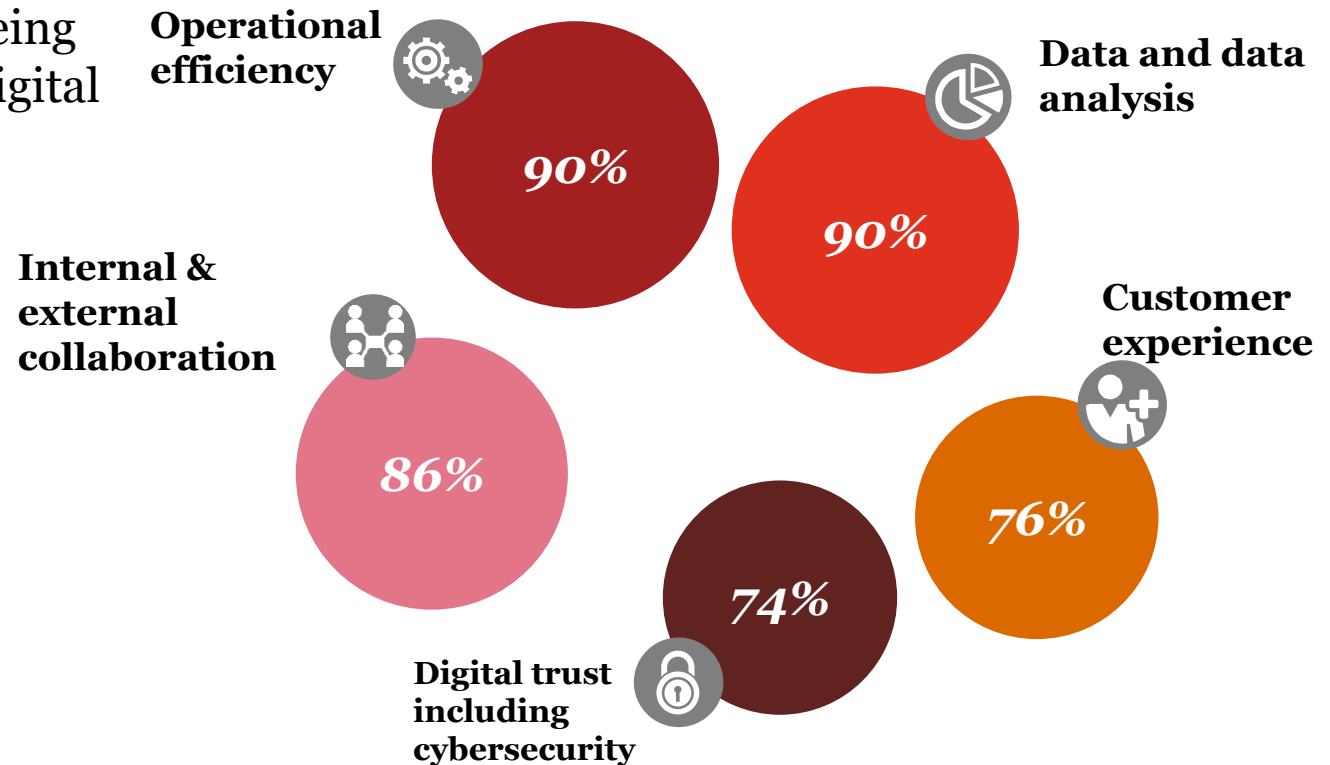
4

What's hot? CEOs see data analytics, mobile and cybersecurity as the top digital technologies



Value from digital: CEE CEOs see biggest benefits from technology in operational efficiency, data analytics and collaboration

These are areas that CEOs in CEE are seeing the best return on digital investment.



Going digital: 5 steps to getting it right



Talent and diversity

5

Seeking talent: Despite the tough times, more CEOs in CEE are ramping up hiring in 2015 and fewer are planning headcount reductions than last year.



Decrease headcount

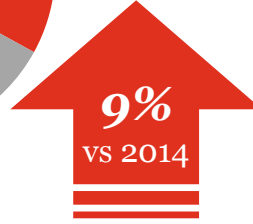
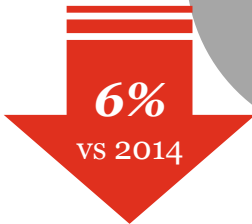
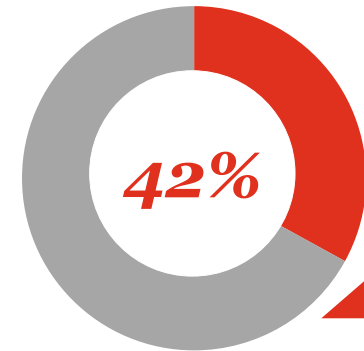
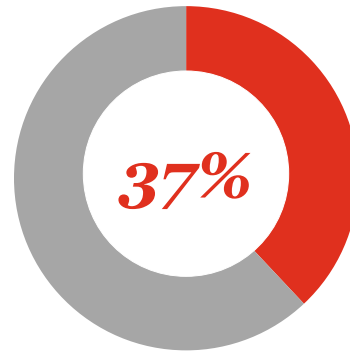
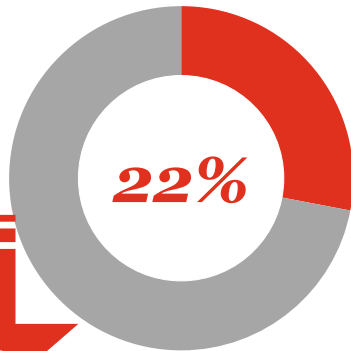


Keep headcount the same

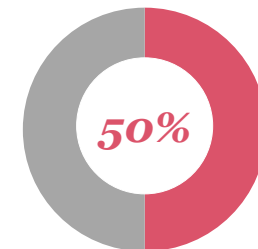
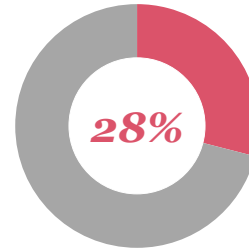
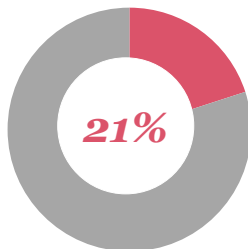


Increase headcount

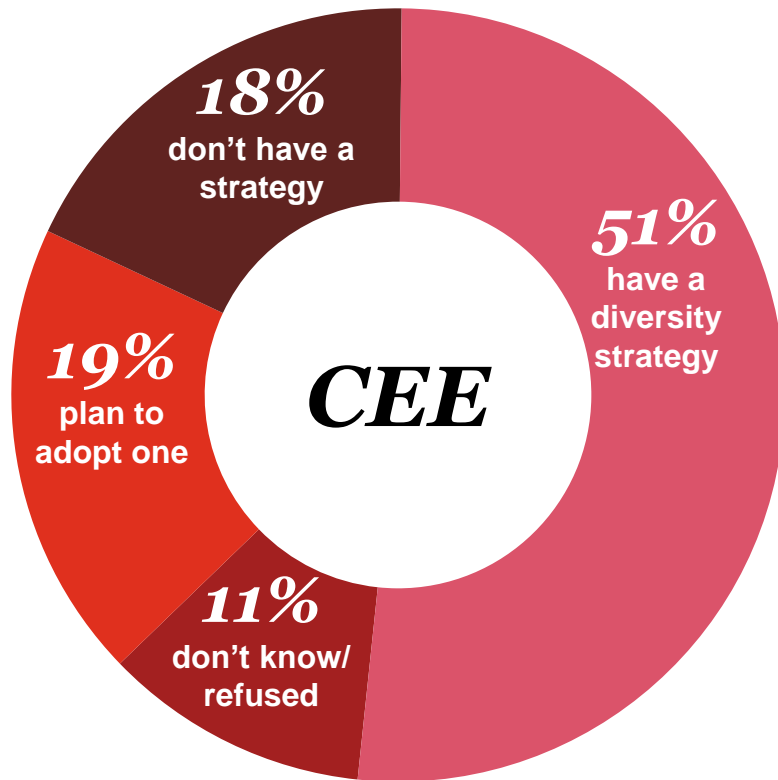
CEE



Global



Strength through diversity: Half of CEE companies have a diversity and inclusiveness strategy and are seeing big benefits.



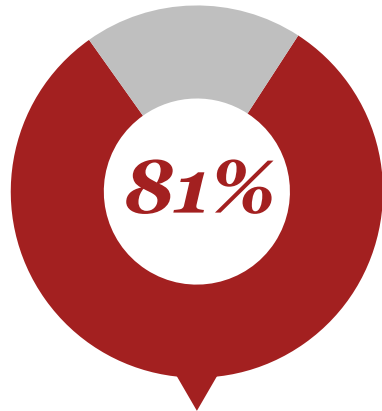
Top benefits of diversity strategy

- 94%** Enhance business performance
- 92%** Attract talent
- 88%** Collaborate internally/externally
- 84%** Strengthen brand/reputation
- 83%** Serve evolving customer needs

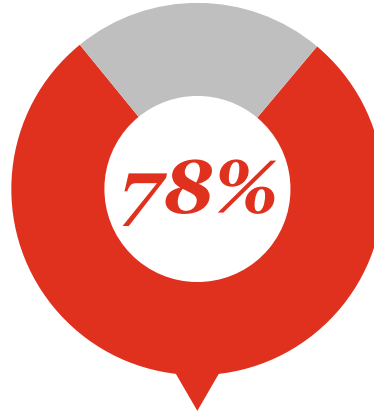
Despite the benefits, CEOs in CEE are less focused on diversity than their global colleagues.

64% of global CEOs have a diversity strategy, vs. **51%** in CEE.

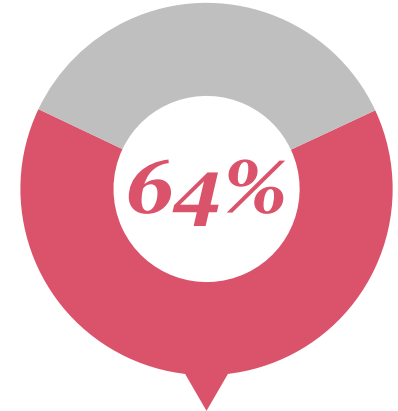
Talent trends: CEOs in CEE are looking to recruit and develop diverse skills...



Look for a much broader range of skills when hiring

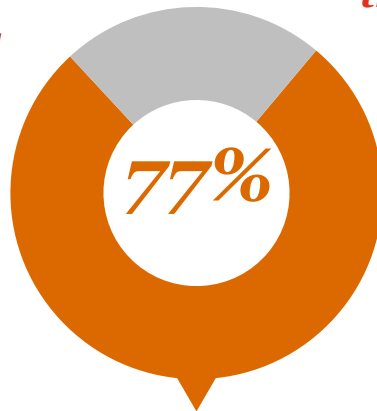


Develop skills through learning or mobility

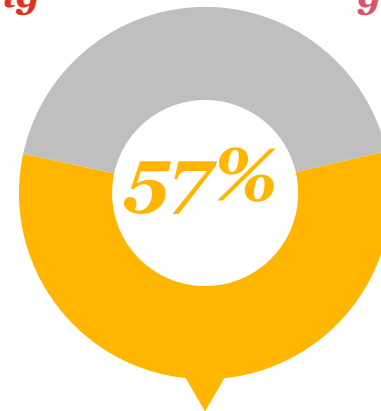


Seek talent in different geographies, industries and/or demographic segments

... and they are using technology to do it



Use multiple channels to find talent (incl. online & social media)



Use data analytics for better insight into skills deployment

www.pwc.com/ceosurvey

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, PricewaterhouseCoopers LLP, its members, employees and agents do 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.

© 2014 PricewaterhouseCoopers LLP. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.