

# *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

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

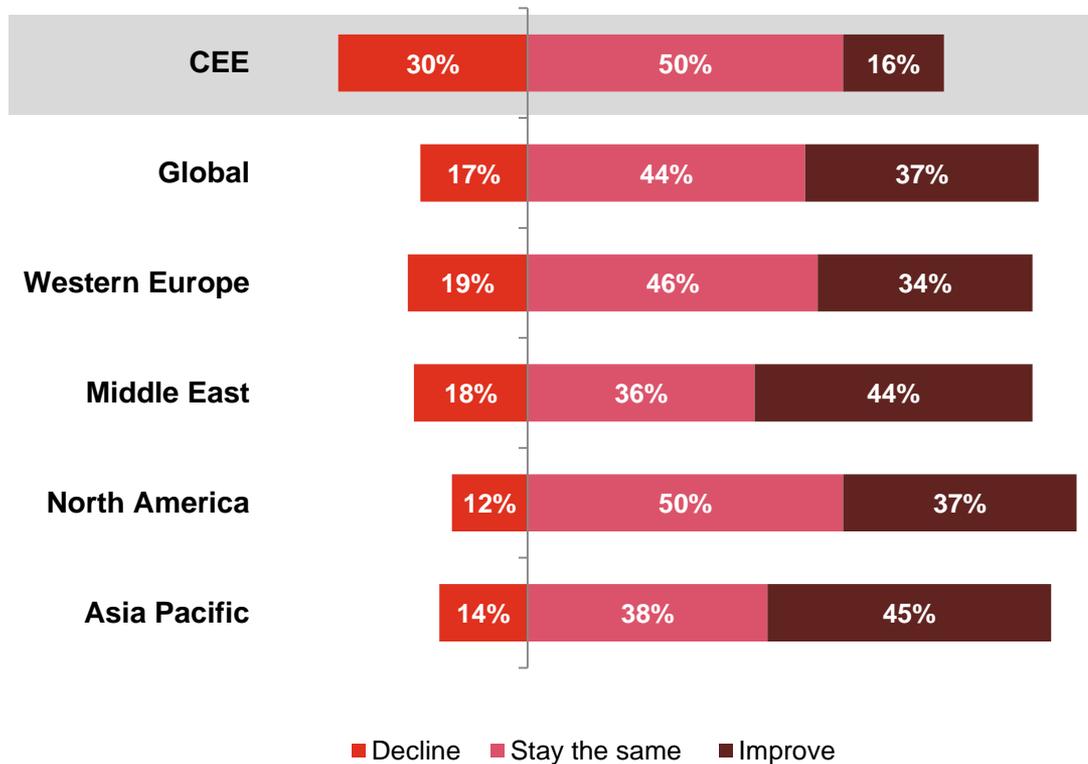
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*Growth*

***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?*

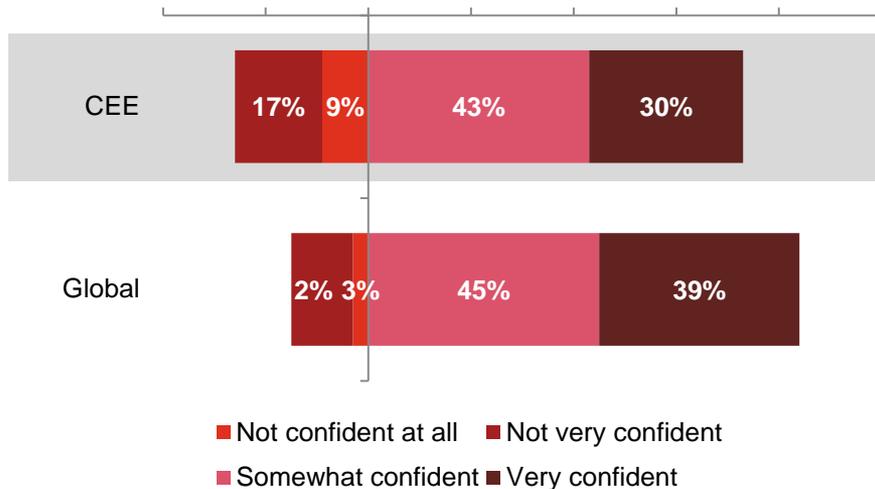


**16%** of CEE CEOs are very confident about economic growth in 2015

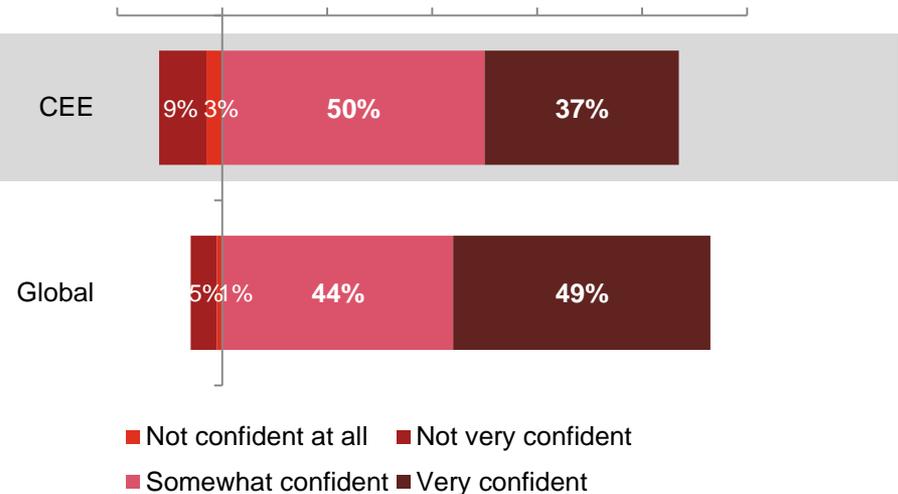
Geopolitical issues in Russia and Ukraine combined with a potential “triple-dip” recession in Western Europe are having a negative impact on economic recovery in CEE.

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

*Confidence in revenue growth over the next 12 months*



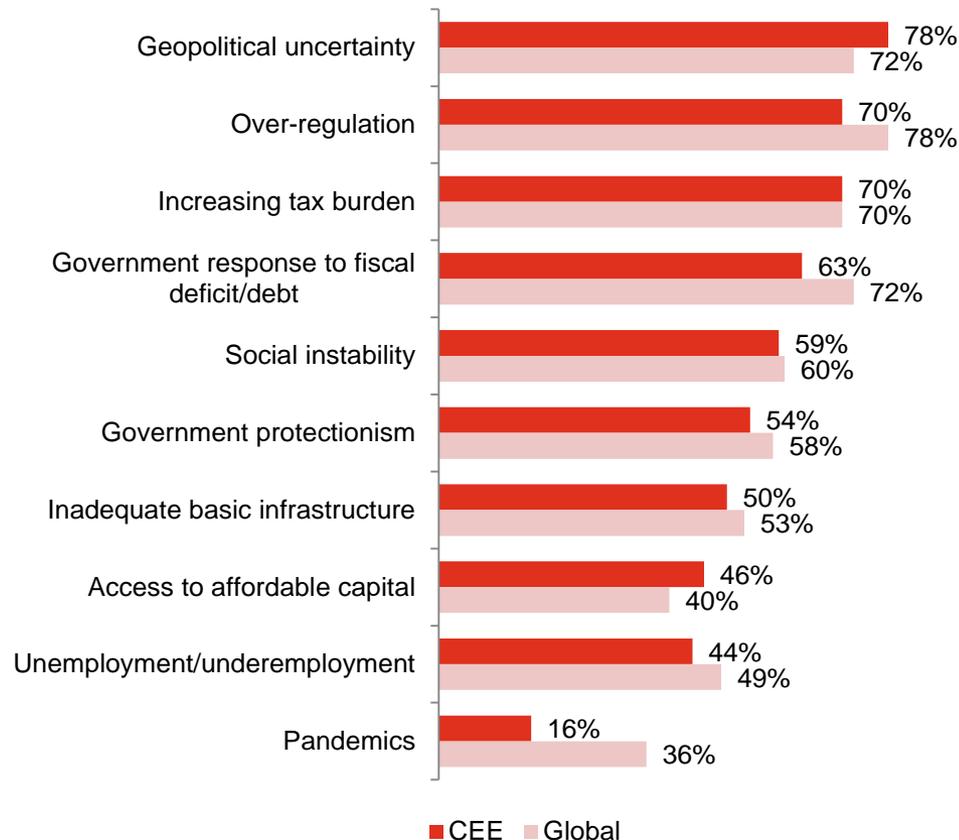
*Confidence in revenue growth over the next 3 years*



- 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?*

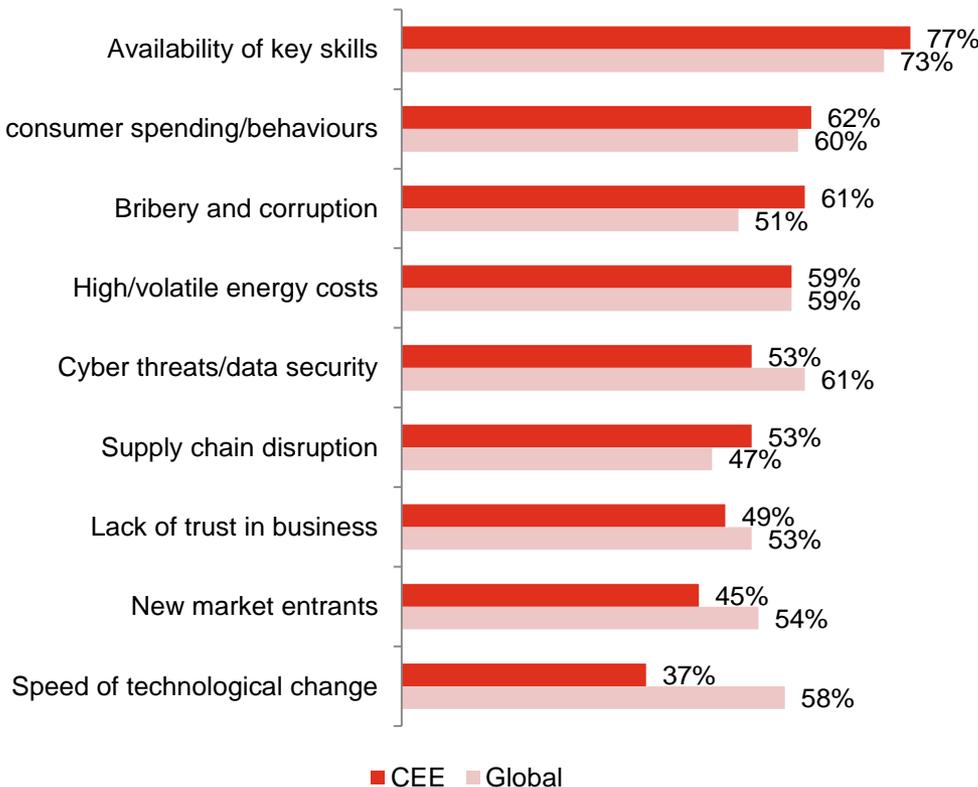


## Top 5 socioeconomic threats in CEE

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?*

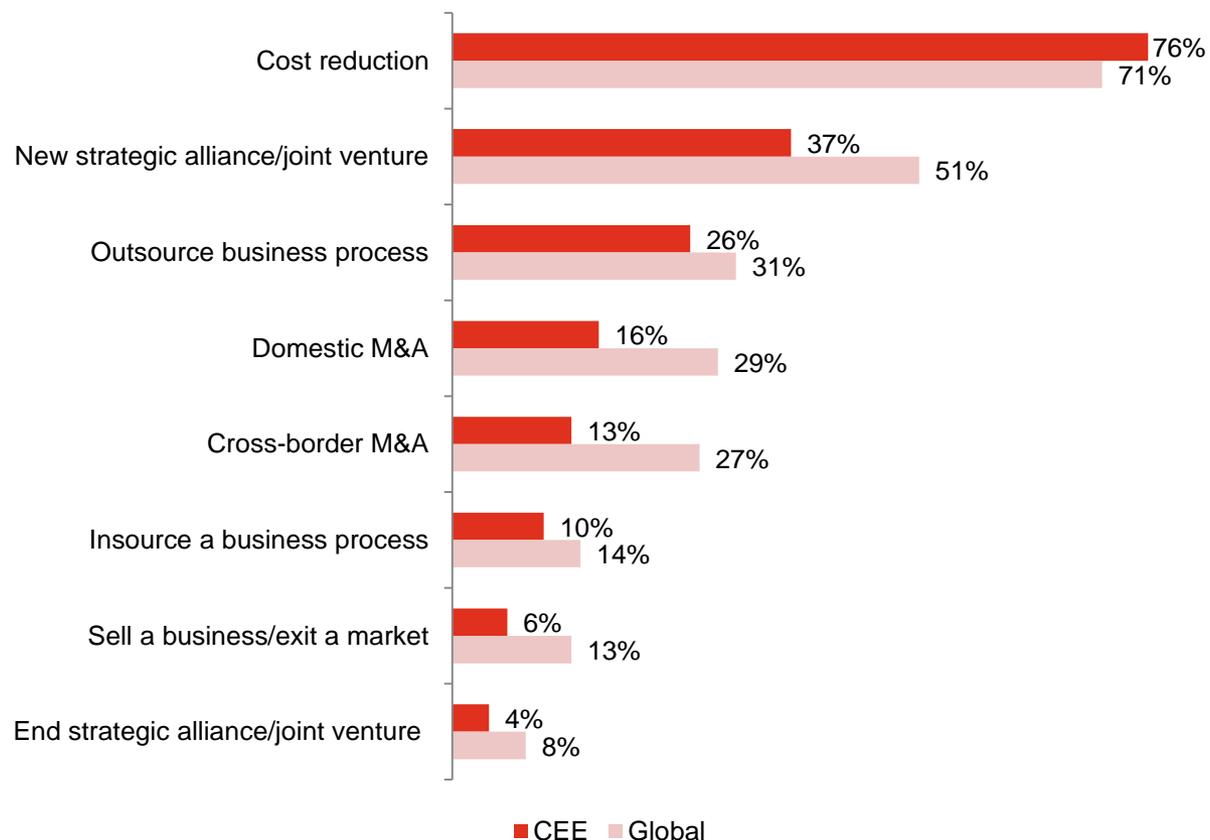


## Top 5 business risks in CEE

Risk Category	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?

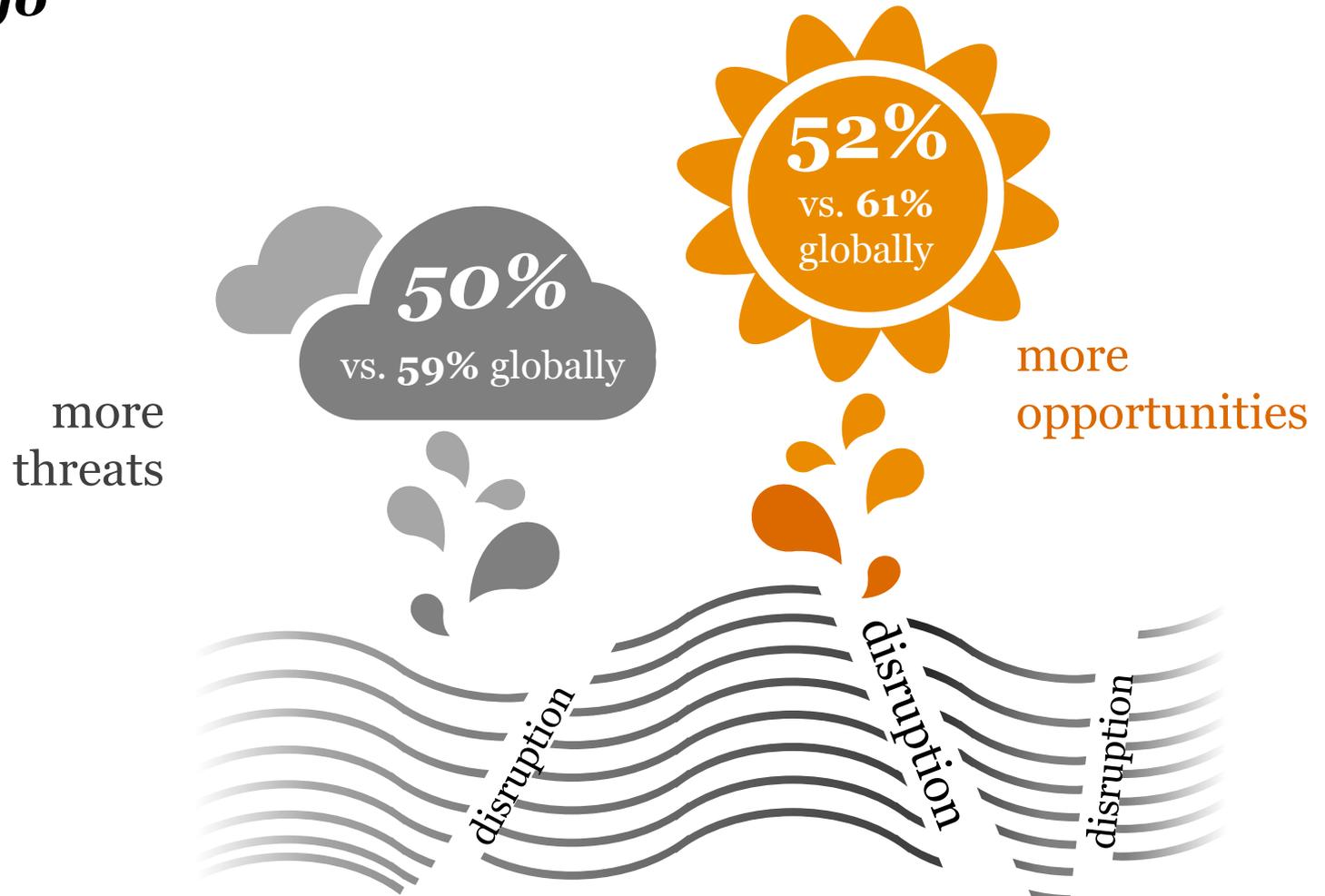


**76%**  
plan cost reduction  
(up from 61% in 2014)

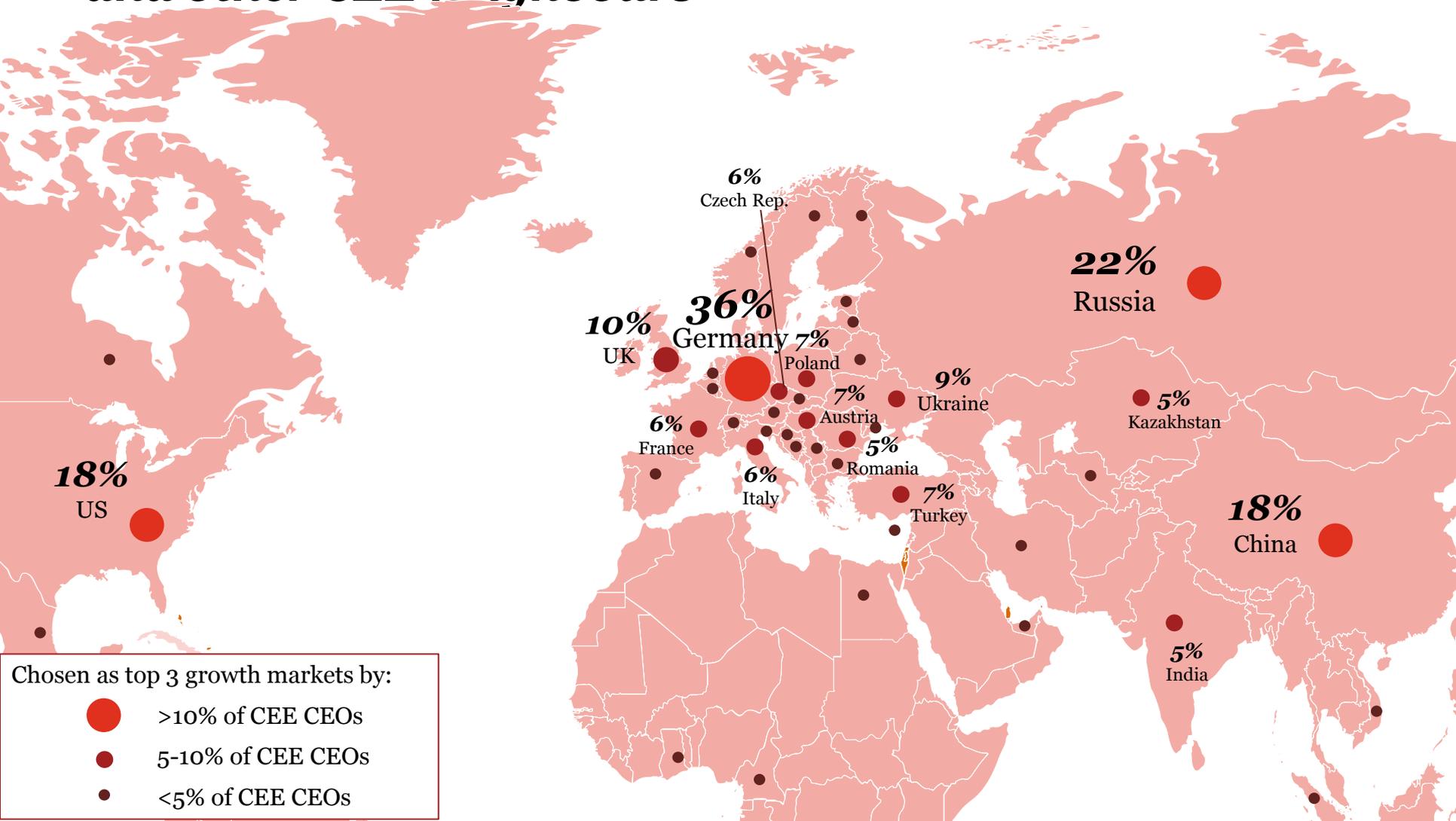
As low M&A volume continues, CEE CEOs are moving more toward **strategic alliances and joint ventures.**

**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.***

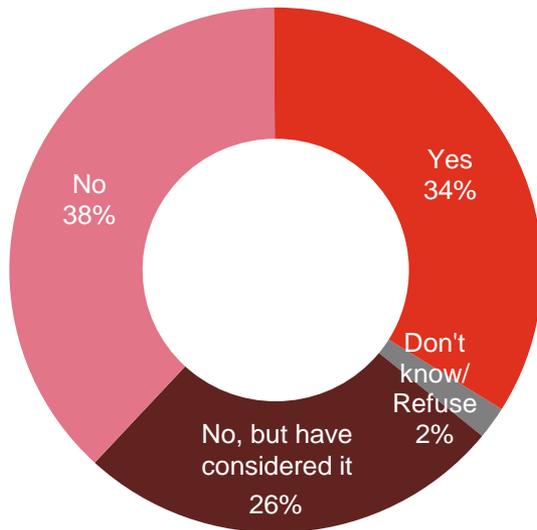
***How disruptive do you think the following trends will be for your industry over the next five years?***

Respondents who stated 'Somewhat' or 'Very disruptive'

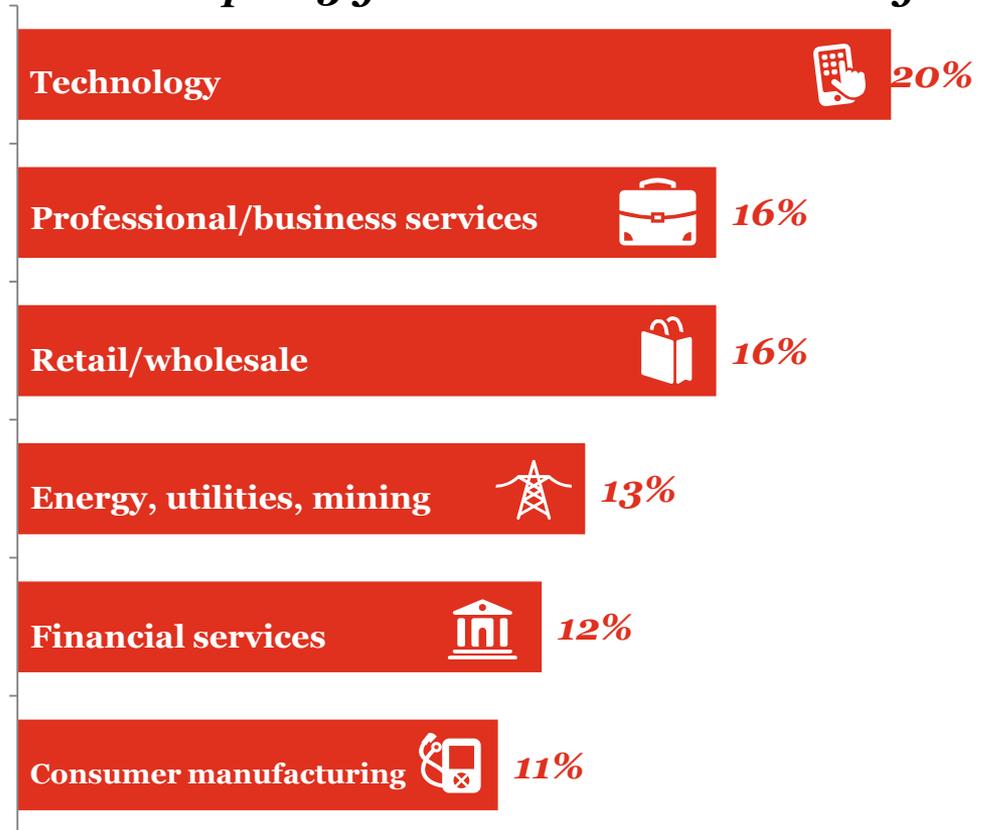


# **34% of CEE companies have already entered a new industry. Technology, professional services and retail/wholesale are the most common target sectors.**

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

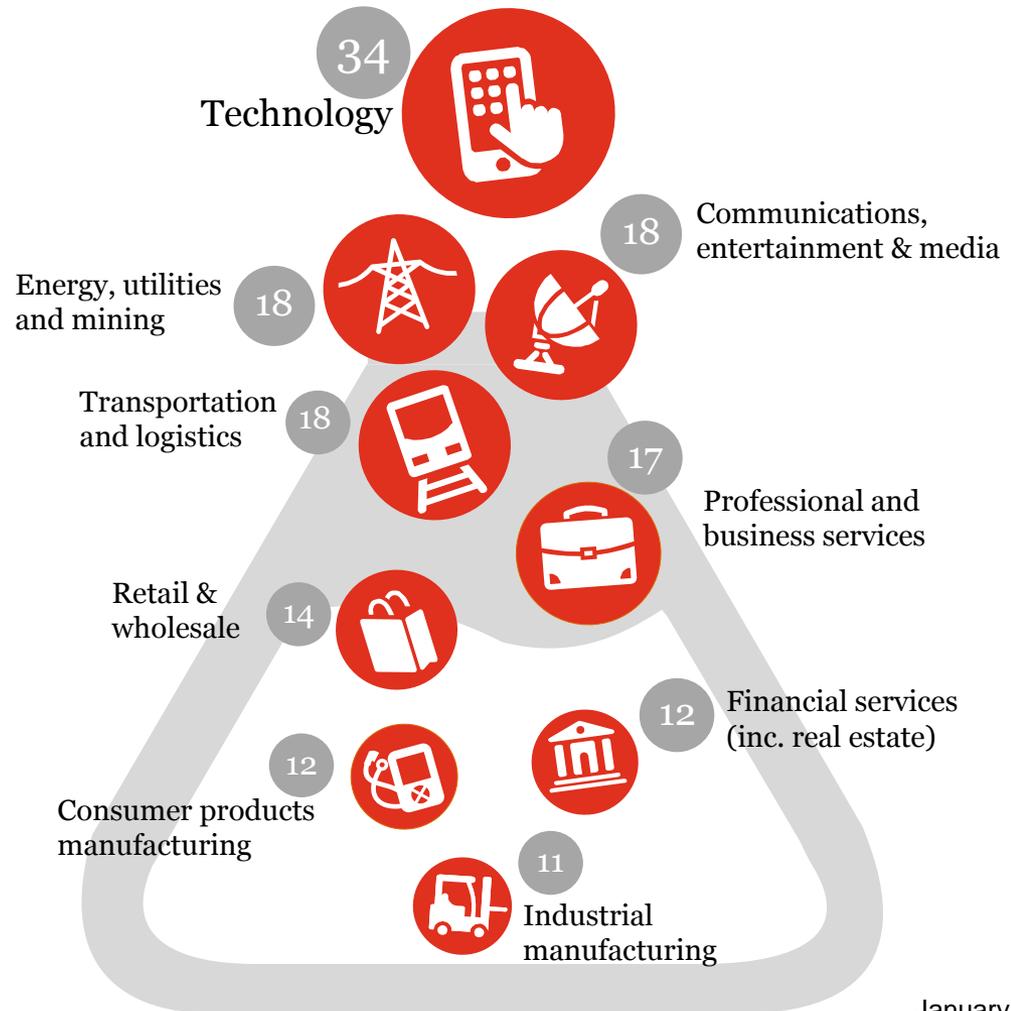
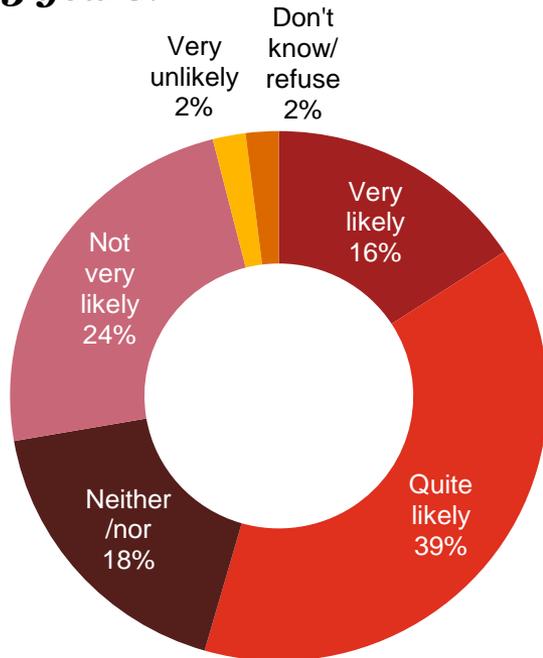


**Which industries has your organisation entered within the past 3 years or considered entering?**



# 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?



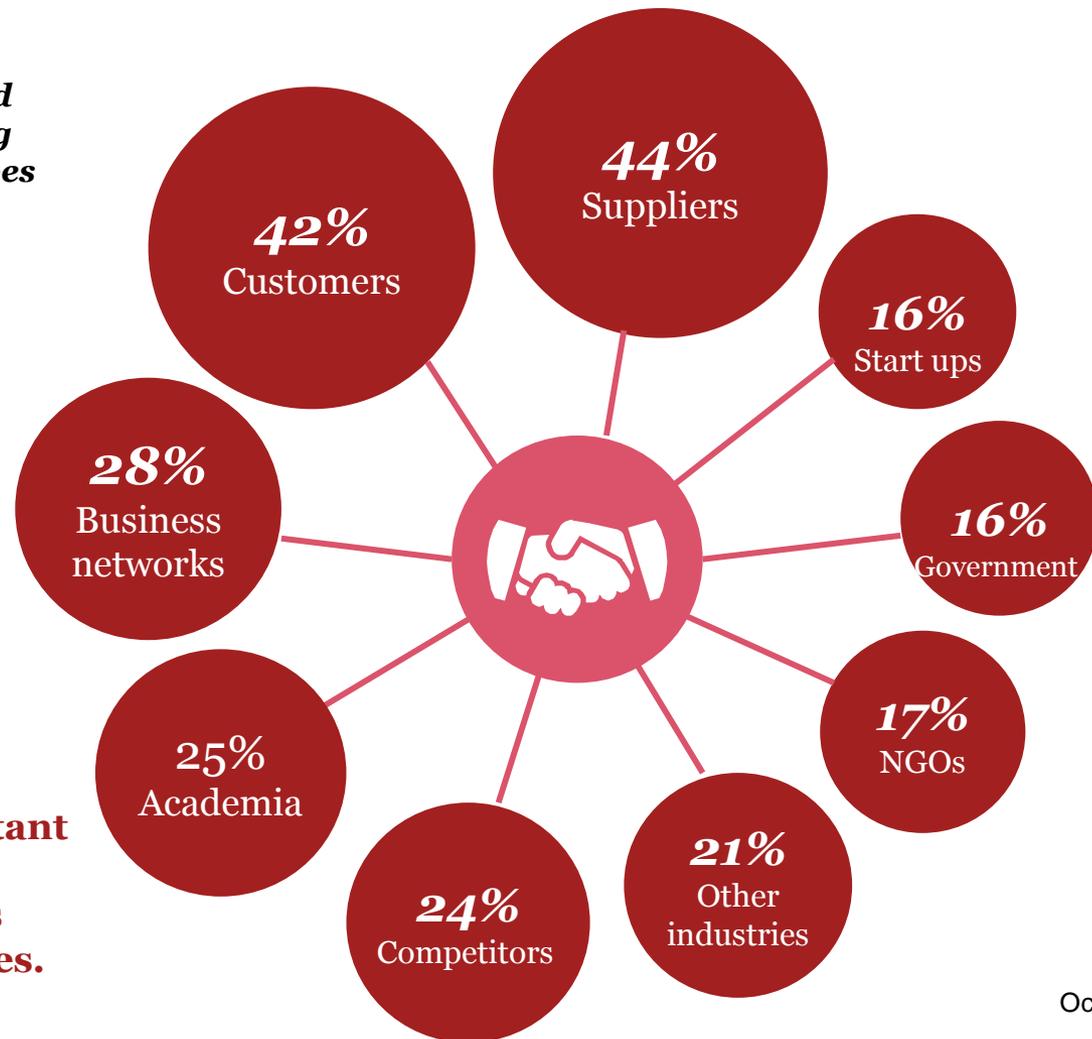
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# *Partnering*

# 3

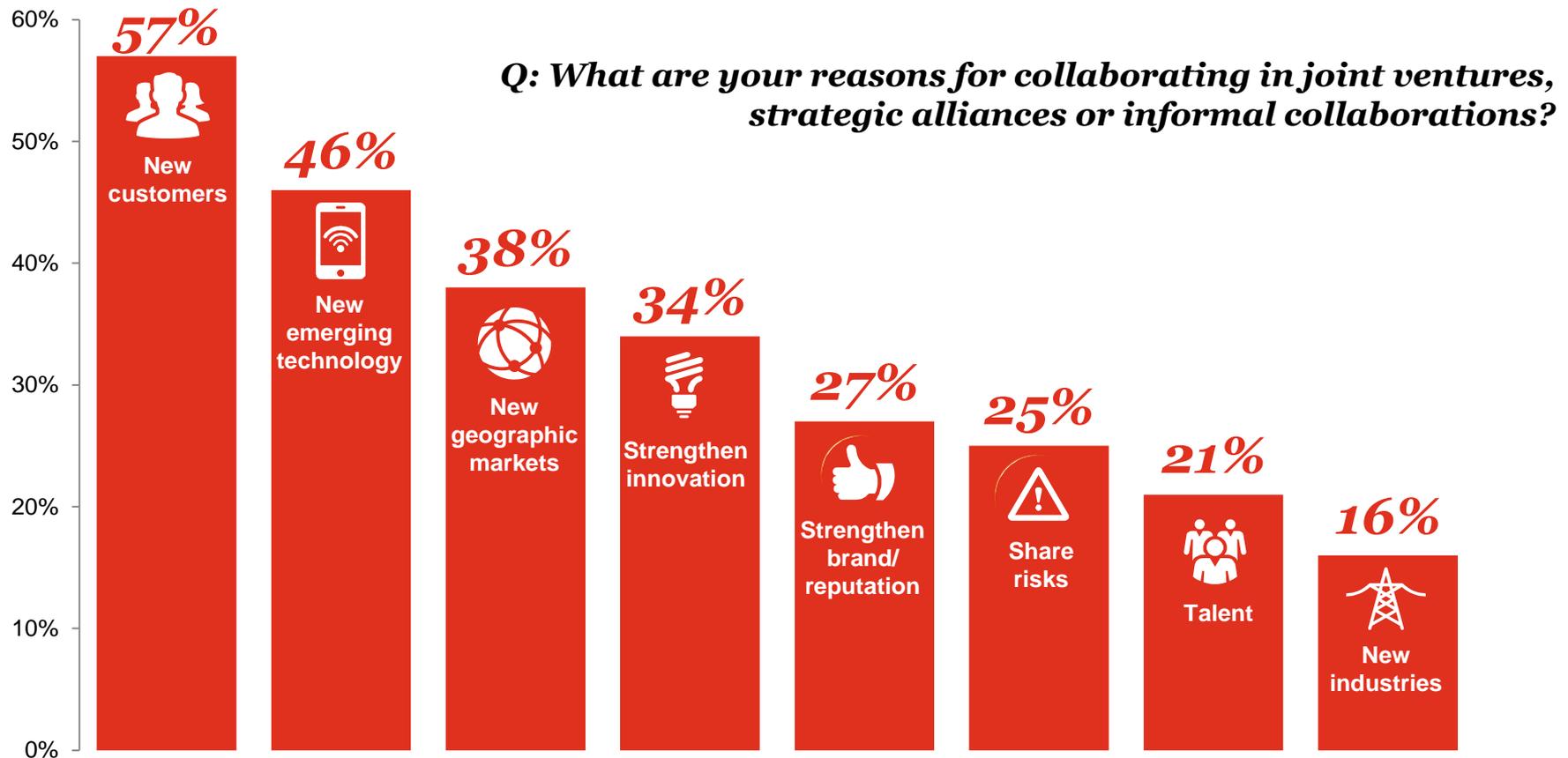
# ***Stronger together: Suppliers, customers and business networks are CEE CEO's first choices for alliances and collaboration***

***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?***

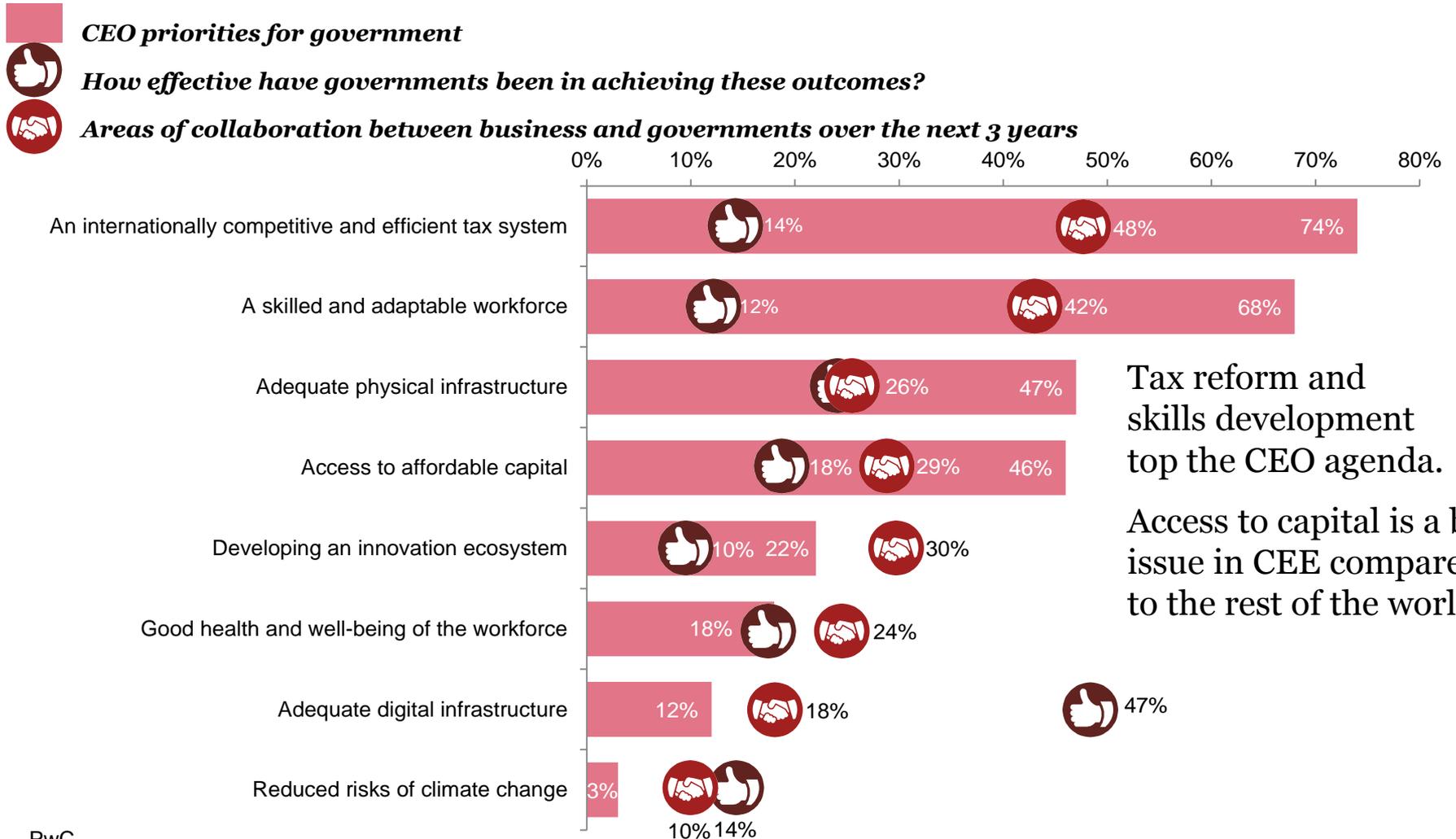


**CEE CEOs are more reluctant to form alliances with academia or governments than their global colleagues.**

***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.*

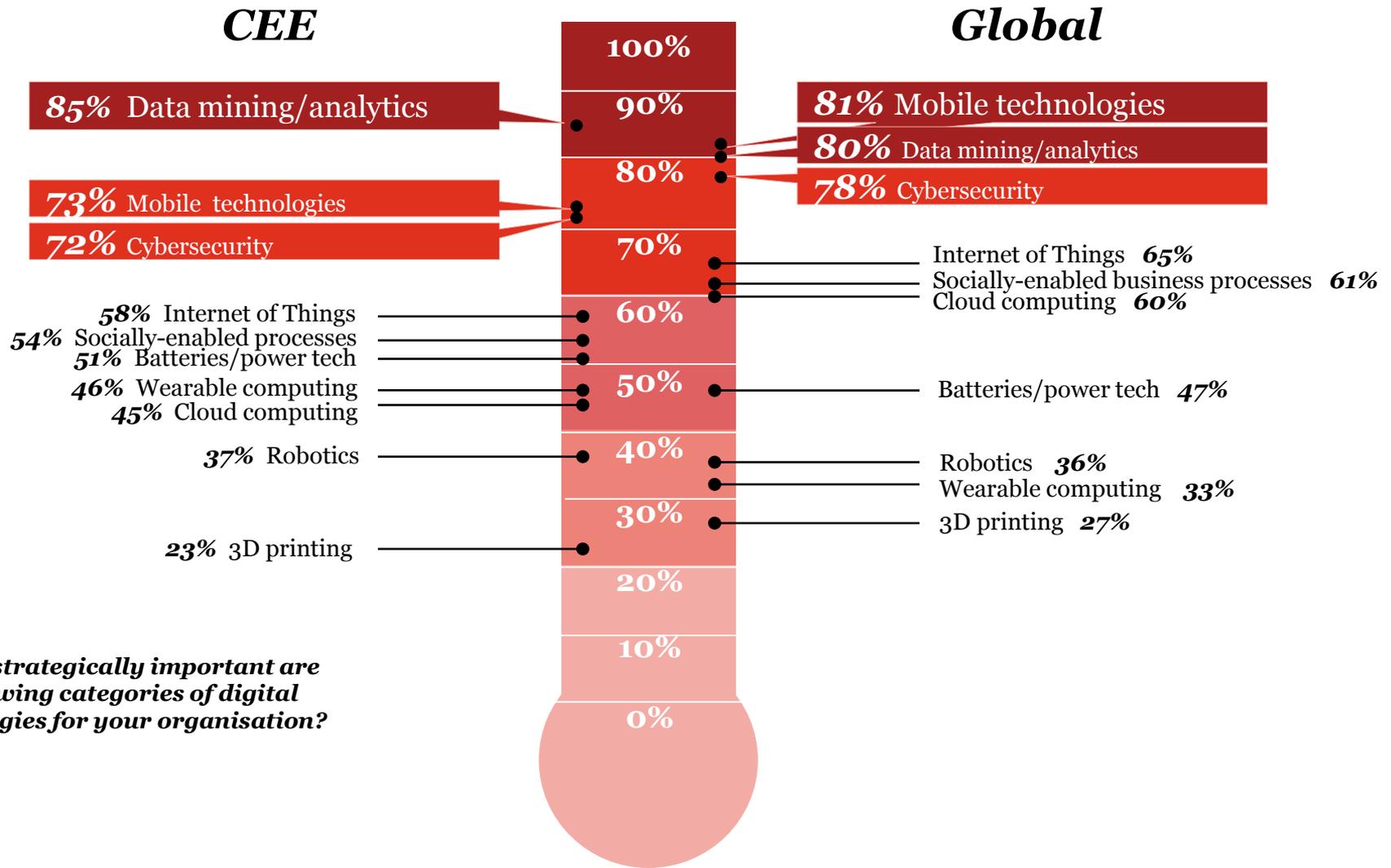


# *Technology*

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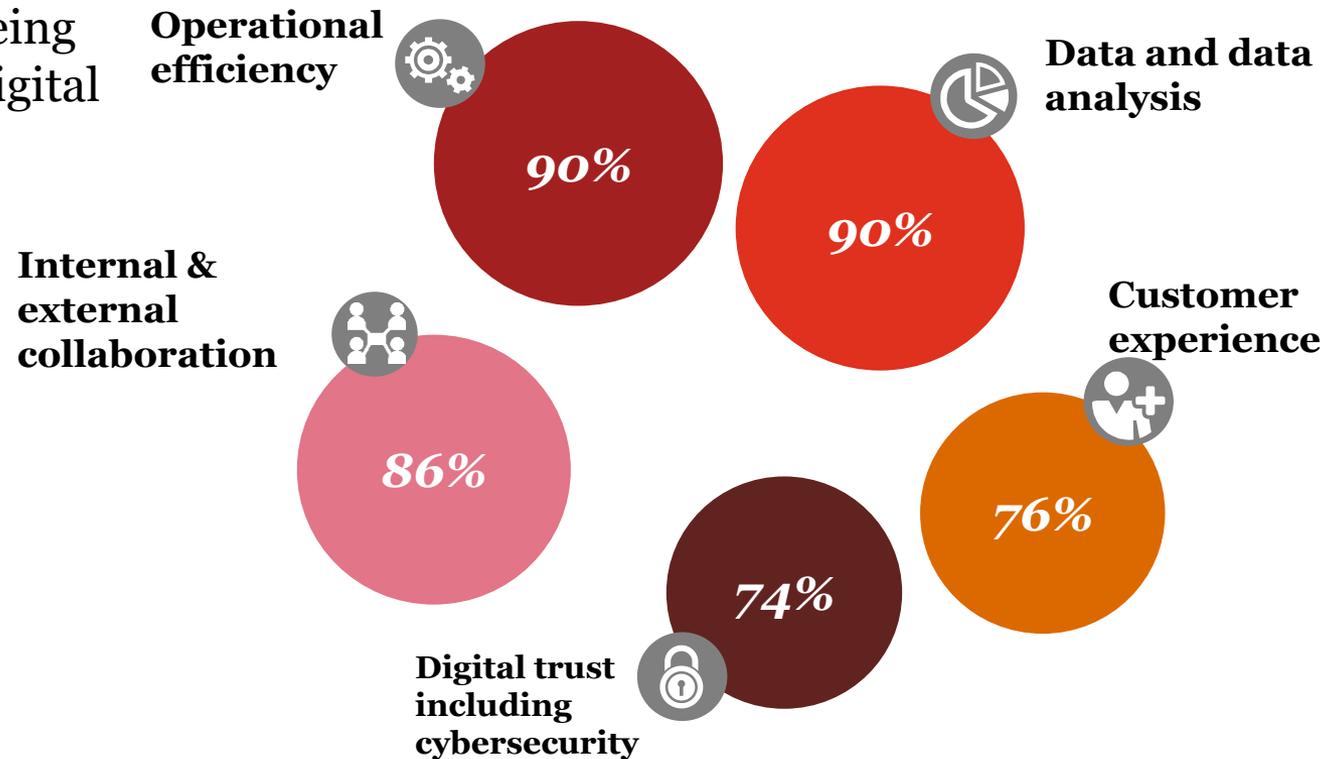
**4**

# 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



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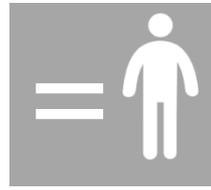
# *Talent and diversity*

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***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*

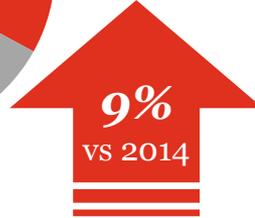
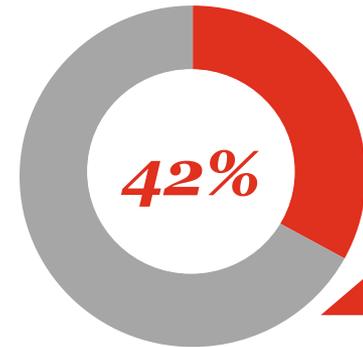
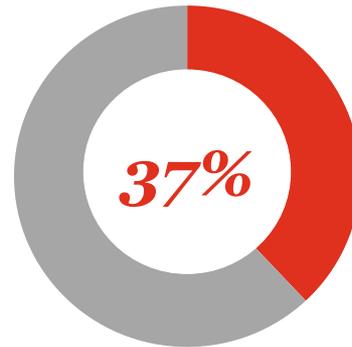
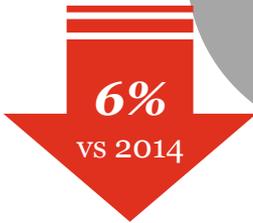
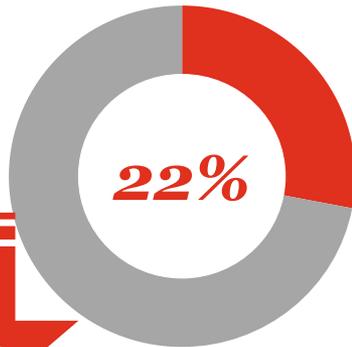


*Keep headcount the same*

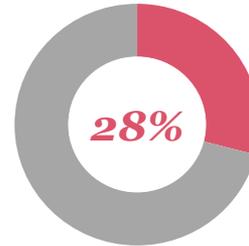
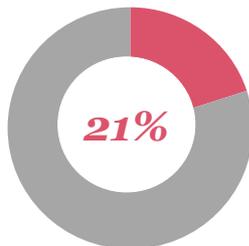


*Increase headcount*

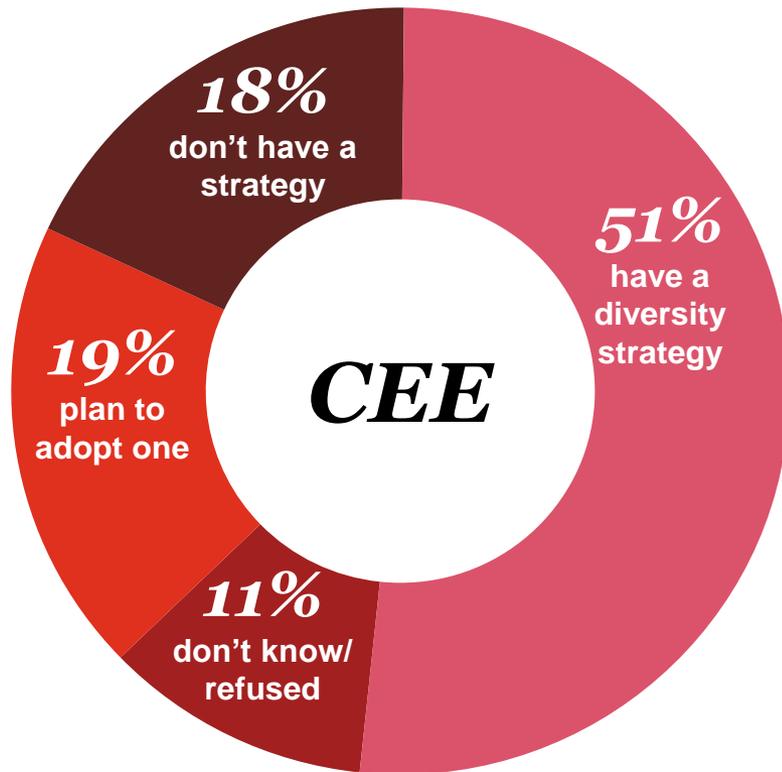
***CEE***



***Global***



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



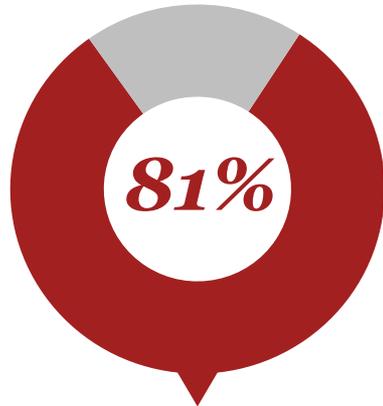
***Top benefits of diversity strategy***

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

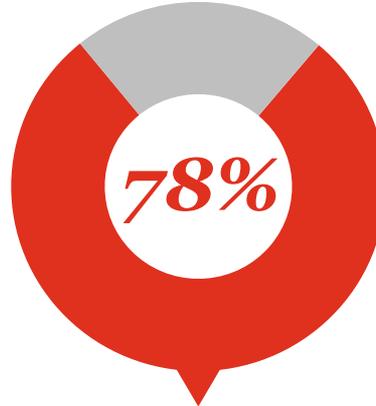
Despite the benefits, CEOs in CEE are less focused on diversity than their global colleagues.

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

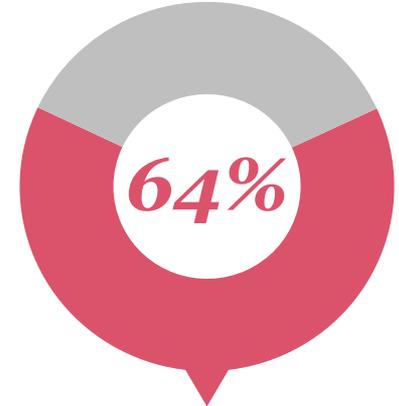
## ***Talent trends: CEOs in CEE are looking to recruit and develop diverse skills...***



***Look for a much broader range of skills when hiring***

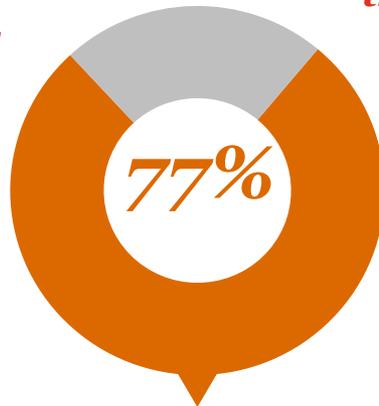


***Develop skills through learning or mobility***

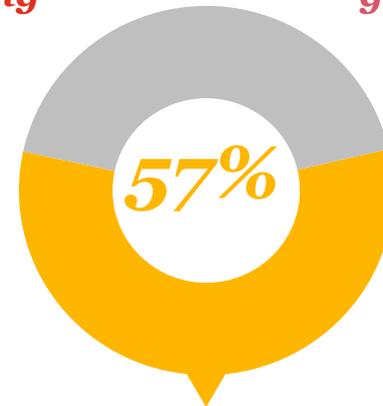


***Seek talent in different geographies, industries and/or demographic segments***

***... 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***

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