

Redefining business success in a changing world

PwC's 19th Annual Global
CEO Survey: Serbian report
and analysis





1,409

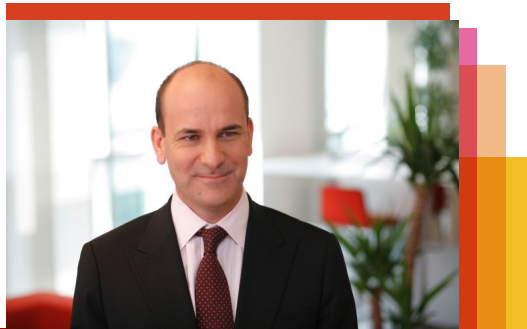
interviews
completed
across 83
countries



42

interviews with CEOs of
leading companies in
Serbia with revenue of
over 7 USD bln

Foreword



pwc

We want to thank the 42 CEOs who took part in the second Serbian CEO Survey, and for sharing their views with us. We hope that our survey results contribute to the future success of your business.

Welcome to the Serbian edition of PwC's 19th annual Global CEO Survey. We surveyed 1,409 CEOs in 83 countries from September to December 2015, including 42 CEOs in Serbia.

The Serbian results tell a story of a time of economic challenges and threats to business but also of optimism and confidence in growth. Simultaneously, they reveal a turning point in how we define and redefine our business purpose in the world.

I would like to thank the executives in Serbia who participated in this year's survey. We hope you find the insights valuable as you navigate the complexities of today's business environment.

A handwritten signature in blue ink, appearing to read 'Emmanuel Koenig', written over a horizontal line.

Emmanuel Koenig

Country Managing Partner
PwC Serbia

Introduction

For the second year, we have surveyed the CEOs of leading firms active in the Serbian market. A total of 42 Serbian business leaders participated in the 2016 Serbian CEO Survey and shared with us their views, concerns and vision.

This report compares and analyses local views with the PwC's Global CEO Survey, presented annually for the last 19 years at the World Economic Forum in Davos, Switzerland.

The Serbian CEO Survey shows that local CEOs are more confident than they were a year ago in both the strength of the global economy and the growth prospects of their business. They are also more optimistic than their global colleagues whose level of confidence in global economy dropped 10% points since 2015.

Clearly these are challenging times for business leaders. CEOs in Serbia told us that their main concerns are: social instability, geopolitical uncertainty and over-regulation. They are also worried about unemployment and lack of a skilled, educated and adaptable workforce.

Serbia's CEOs say government and regulators should focus on developing a clear, stable and effective tax system, creating a skilled workforce and building physical and digital infrastructure.

The wider group of stakeholders and customers are demanding the need for change, and CEOs recognise this need. Greater expectations placed on them by stakeholders lead CEOs to re-examine how their organisations create value. 76% of Serbian CEOs agree that business success in the 21st century will be defined by more than financial profit.

Please find the full report on what it will take to meet these greater expectations in PwC's 19th Annual Global CEO Survey, pwc.com/ceosurvey

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Growing in complicated times

31% of Serbian CEOs expect that the global economy will improve in the upcoming 12 months, while 86% is confident in their company's revenue growth over the next 12 months.

Addressing greater expectations

76% of Serbian CEOs think technology is a top-three mega trend that will transform wider stakeholder expectations in the next five years.

Focus on technology, innovation and talent

85% of CEOs stated that they have made some or significant changes to the way they use technology to deliver expectations.

Measuring and communicating for success

76% of CEOs believe that business success in the 21st century will be defined by more than financial profit.

Growing in complicated times



31%

Of Serbian CEOs believe that the global economy will improve in the upcoming 12 months



86%

are confident about their company's prospects over the next 12 months

95%

expect revenue growth in their companies over the next 3 years

Confidence in growth

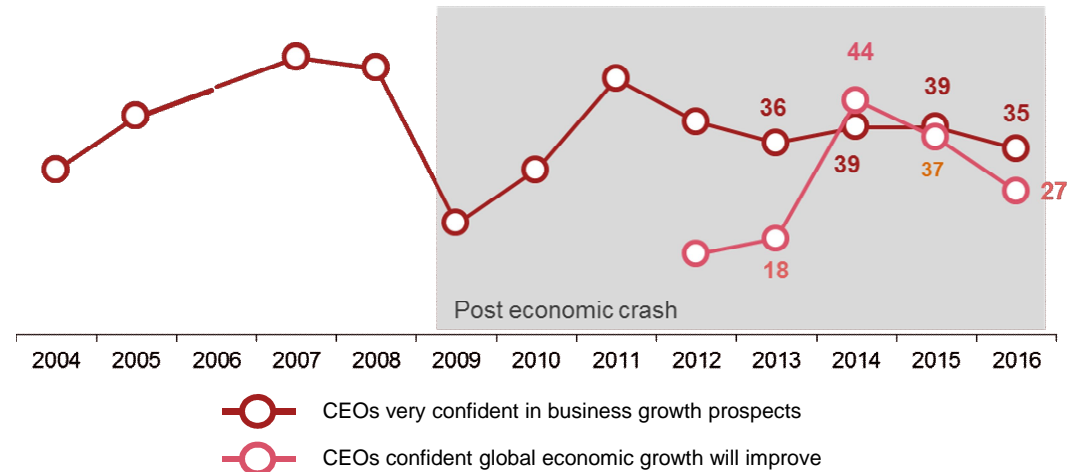
Today's CEOs continue to face tough operating conditions. Rising global economic uncertainty and technology-led disruption are making the business environment more complex to read and respond to.

CEOs are less confident about global economic and business growth prospects in these uncertain times. The optimists – those who think global growth will improve over the next 12 months – have dropped to 27% from 37% last year. Those who think it will worsen have increased from 17% to 23%.

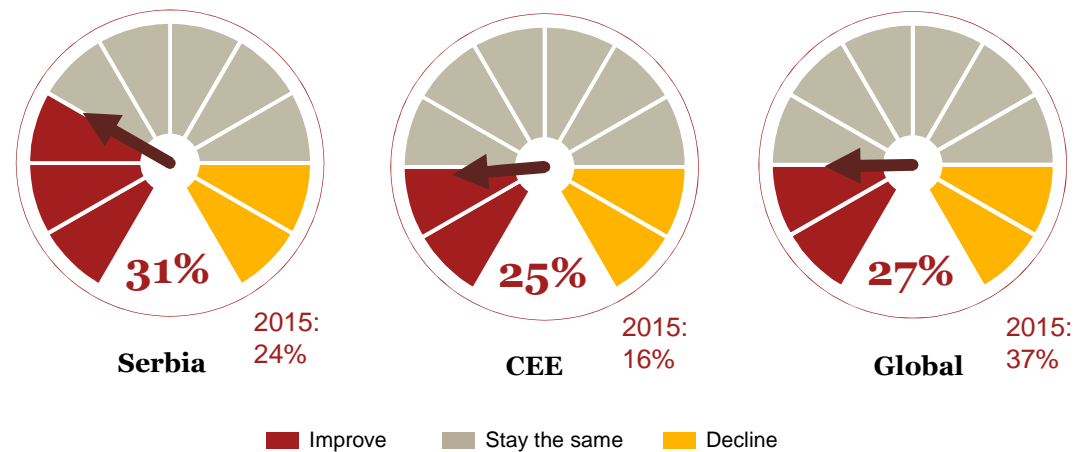
Against this tide of pessimism, 31% of CEOs in Serbia and 36% in SEE region (led by Romania's 50%) stand out as more optimistic.

We believe that this positive attitude comes from macroeconomic improvement in Serbia and SEE.

Q: Do CEOs believe that the global economy will improve, stagnate or decline in the next 12 months, and what is the correlation with their company's growth prospects?



Q: How do the Serbian CEOs see the global economic outlook in the next 12 months, compared to their CEE and global peers?





Serbian CEOs are the most optimistic when it comes to revenue growth confidence, followed closely by the 94% of SEE region CEOs, 93% in Western Europe and 85% in the CEE.

Confidence in short-term revenue growth is also down compared to last year for nearly every major economy in the world. Only Russia bucks the trend as confidence rose to 26% from a deep low of 16% last year.

As much as 92% of global respondents answered that they are confident about their company’s revenue growth over the next three years. In line with this, Serbian CEOs are as optimistic as their global colleagues since 95% of them have responded that they are confident in revenue growth (89% in 2015).

We believe that this is because CEOs feel more confident about own ability to navigate these challenging times and to create opportunities to ensure growth.

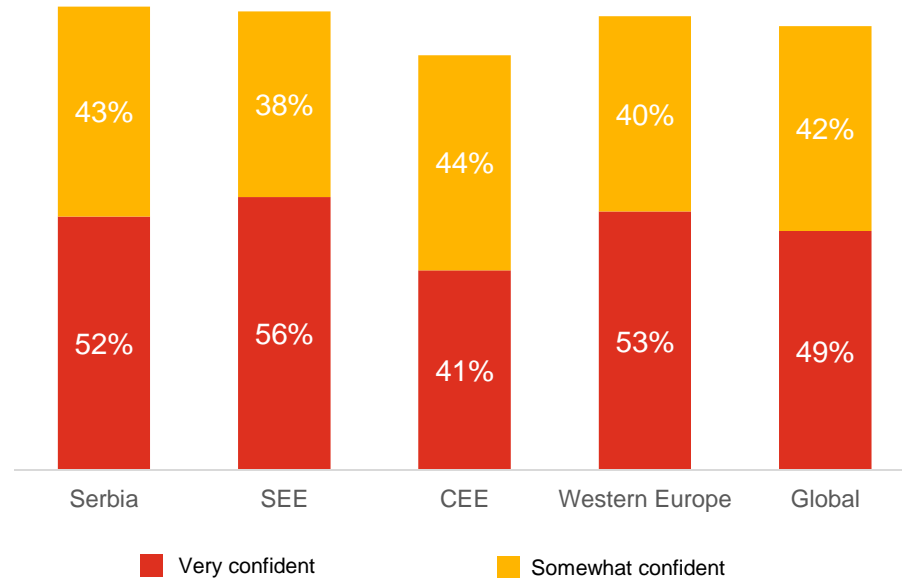
86%

of Serbian CEOs are expecting revenue growth in their companies over the next 12 months

52%

of Serbian CEOs are very confident about short-term business growth in their companies

Q: How confident are CEOs about their company’s prospects for revenue growth over the next three years?



There’s no question that business leaders’ confidence in both the global economy and their own company growth prospects has taken a knock. No matter what the business size, the threats it faces are becoming more complex, crossing the borders of geopolitics, regulation, cyber security, societal development, people, and reputation. There is a new spectrum of risk for CEOs that represents threats to both national and commercial interests.

Dennis Nally
Global Chairman of PwC

Top growth markets

Looking at investment prospects, the US, China, Germany and the UK remain the countries CEOs view as most important for growth in the next 12 months. Mexico and the UAE have also entered the top 10 in place of Indonesia and Australia.

You may remember that last year 29% of Serbian CEOs considered Russia as most important market, followed by Croatia and Bosnia & Herzegovina. As Russian market is in recession, the situation this year has changed.

Croatia took over as the market of great importance with 31% CEOs seeing investment opportunities. Germany also entered the top 3 with 26%, while Russia despite all difficulties remains among one of top growth markets for Serbian CEOs.

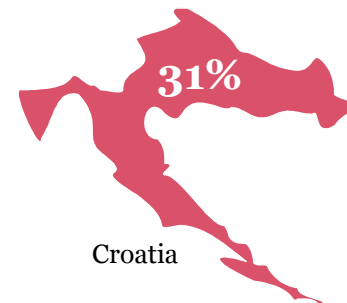
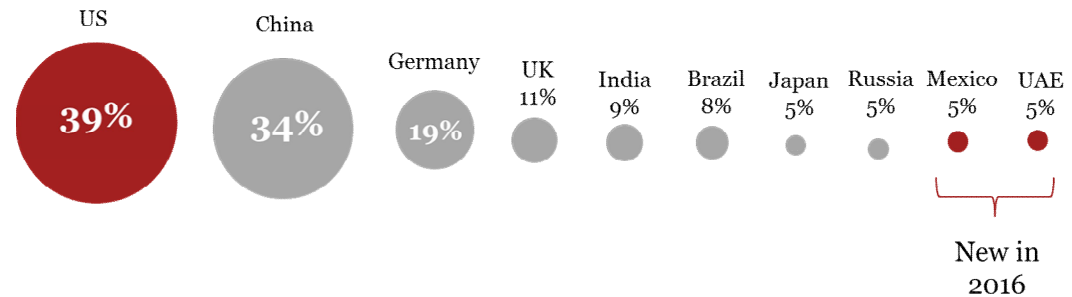
Serbia is recognised as important market for future growth by 5% of business leaders in CEE and 14% in SEE.

“

The pessimistic outlook for the year ahead is reinforced by the position of the US, China, Germany and the UK as being the most important for growth again. The fact that CEOs continue to point to these ‘safe havens’ underlines the general uncertainty about where real growth will come from in the long term.

Dennis Nally
Global Chairman of PwC

Q: Which countries (excluding the one in which they are based) do CEOs consider most important for your overall growth prospects over the next 12 months?



Serbian CEOs find Croatia, Germany and Russia as most important growth markets



Threats are high

Top three threats for CEOs in Serbia:

86%

Social
instability

81%

Geopolitical
uncertainty

79%

Over-
regulation

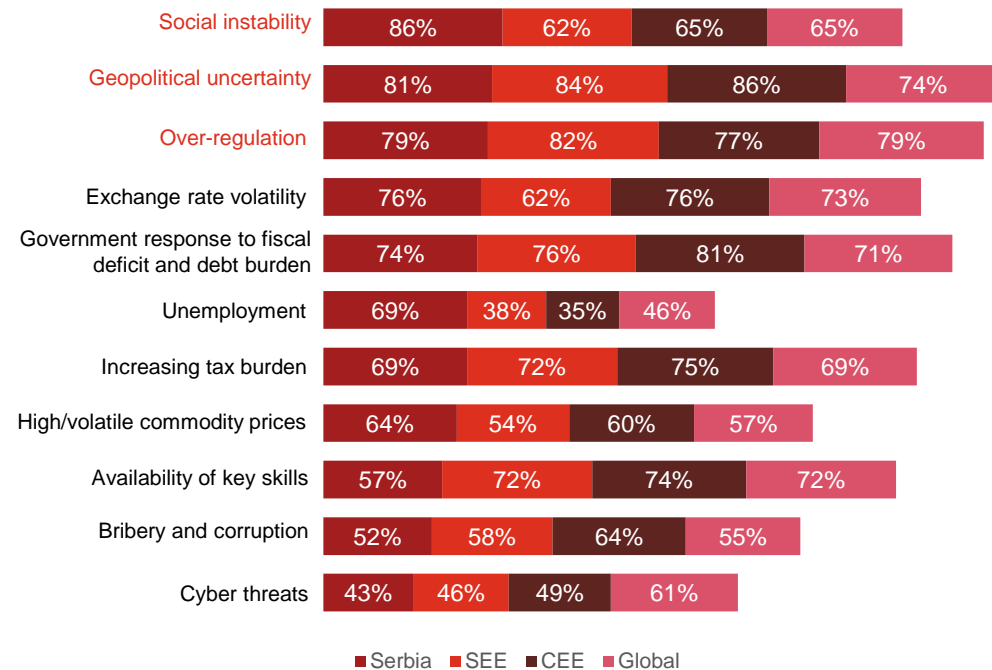
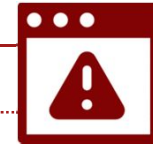
On the economic, policy, social and business side, CEOs in Serbia are most concerned about social instability, geopolitical uncertainty and over-regulation. This comes as no surprise given the current economic and political situation, migrant crisis in Europe and escalating global conflicts.

As we struggle through what's expected to be an extended period of slow global growth, personal and public debt will become an even greater concern.

Business leaders also told us that they don't expect regulatory complexity to ease in 2016. Concerns about further increases in regulation – and impact regulation has on investment and innovation – is at its highest level among global CEOs forth year in a row (cited by 79% of global CEOs).

Many Serbian CEOs are worried about our exchange rate (76%) and our government's response to fiscal deficit and debt burden (74%). In addition, Serbian CEOs (69%) seem to be more worried about unemployment than their peers on global and regional level.

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



“Serbian leaders appear to be very concerned about social instability as a result of high unemployment, the need for restructuring of public sector and migrant crisis.

Emmanuel Koenig
Country Managing Partner, PwC Serbia

Government priorities

CEOs recognise that both business and government have a role to play in creating an environment that supports productivity and growth. But there are clear signals about who should be focusing on what.

Like last year, the number one priority that Serbian CEOs want the Government to address is tax, to make the system clearer and more effective.

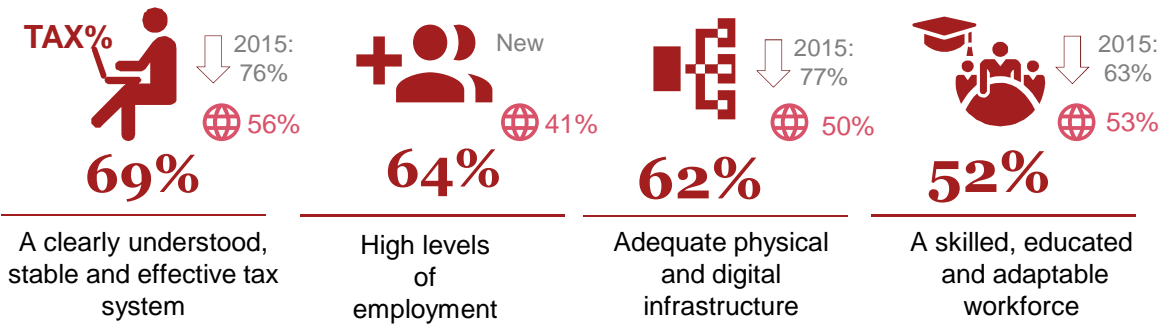
Fixing the tax system is important not just for CEOs – it’s critical to Serbia’s future prosperity.

Unfortunately, only 12% believe that the Government has been effective at achieving this priority, which suggest room for improvement.

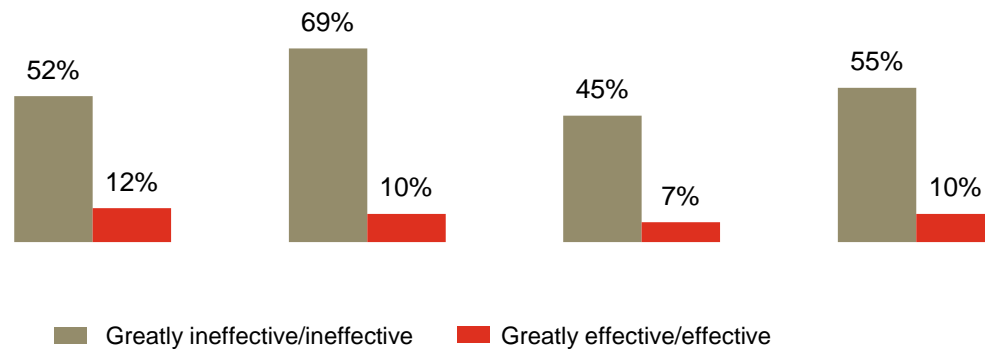
Other Government priorities in the eyes of Serbian CEOs include creating better employment opportunities, adequate physical and digital infrastructure and a skilled and adaptable workforce.

In this year’s survey, we also asked CEOs what are their top priorities in order for business to deliver. We were not surprised to see that availability of skilled workforce, cited by 74% of Serbia’s executives, is their top priority.

Q: Which of the outcomes do CEOs think should be government priorities?



Q: How effective has government been in achieving these outcomes?



Plans for 2016

Number one initiative: Cutting costs

In these challenging times it seems that first instinct of CEOs is to reduce costs. Although there has been a slight drop (69% in 2016 versus 76% last year) in the number of Serbian CEOs looking to implement cost reduction initiative in their companies, this trend is still very strong (68% both globally and in the SEE).

Similar to last year, outsourcing is one of three top restructuring activities, while 24% of Serbian CEOs plan to complete a domestic M&A.

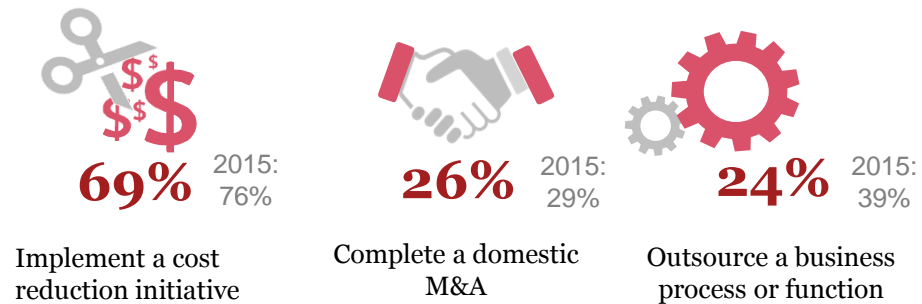
Entering into new strategic alliances or joint venture is another potential activity for 51% of global CEOs and 32% in SEE. This restructuring option is not gaining priority among CEOs in Serbia as only 19% plan to establish new alliances.

Does cutting costs mean cutting jobs?

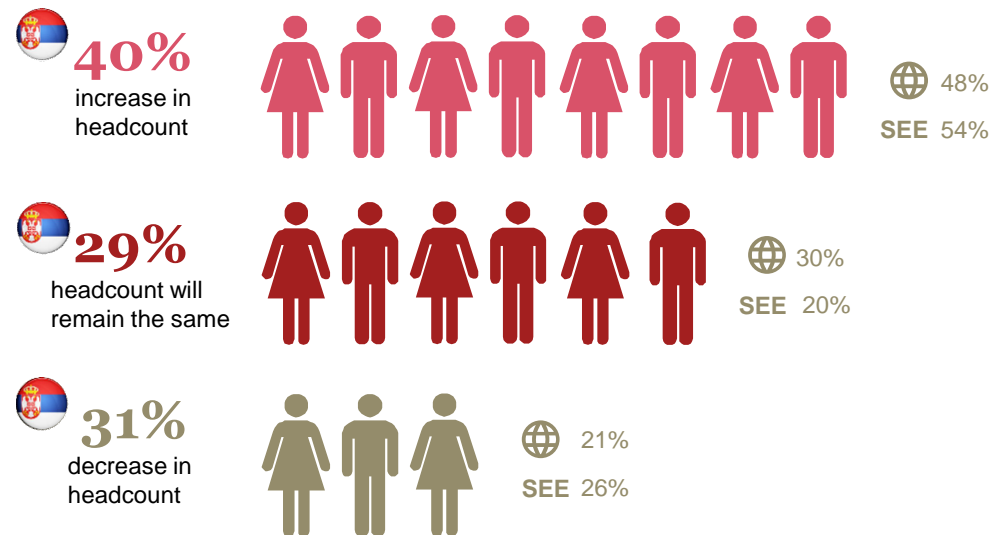
Well, yes and no. Nearly half of global CEOs expect to increase headcount in 2016. Serbian CEOs are more enthusiastic than last year as 40% of them plan to open new job positions (versus 32% last year).

CEOs operating in the SEE region are most optimistic when it comes to hiring as 54% plan to increase headcount.

Q: Which, if any, restructuring activities do CEOs plan to initiate in the coming 12 months?



Q: Do you expect headcount at your company to increase, decrease or stay the same over the next 12 months?



Beyond globalisation

CEOs see a world that's becoming more and more complex as emerging economies with opposing social and political priorities exert a greater influence on market dynamics.

We believe there's more fundamental shift taking place, from globalising world to one with many dimensions of power, growth and threats – a transition that we can call multi-polar.

The majority of Serbian CEOs already anticipate this shift: 64% expect increasing regionalisation in trade, 76% see increasingly divergent systems of law and liberties, and 74% predict differing fundamental belief systems underpinning societies.

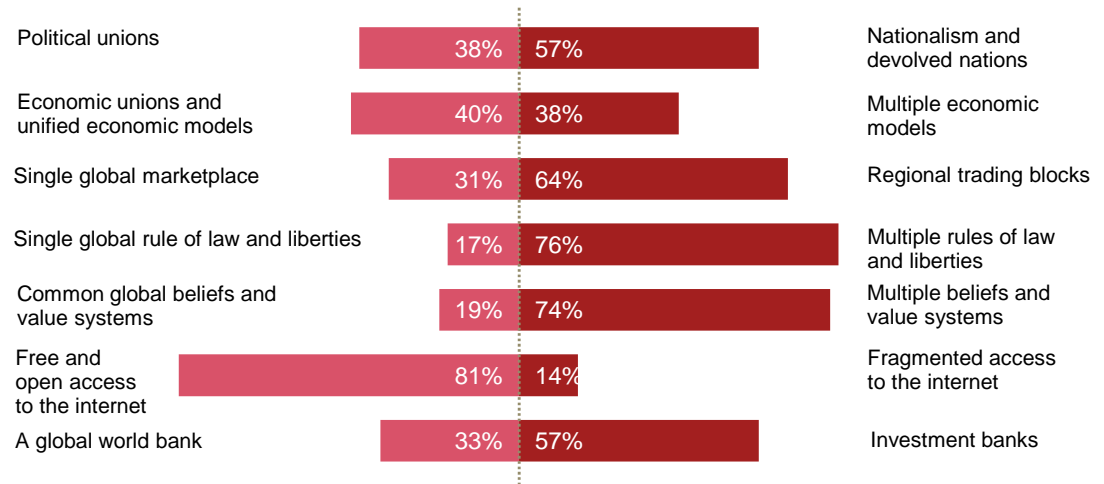
The internet looks like the exception to this trend – it enables people to be better connected but also empowers them to segment according to their own interests.

No wonder there is so much concern about growth and where it will come from

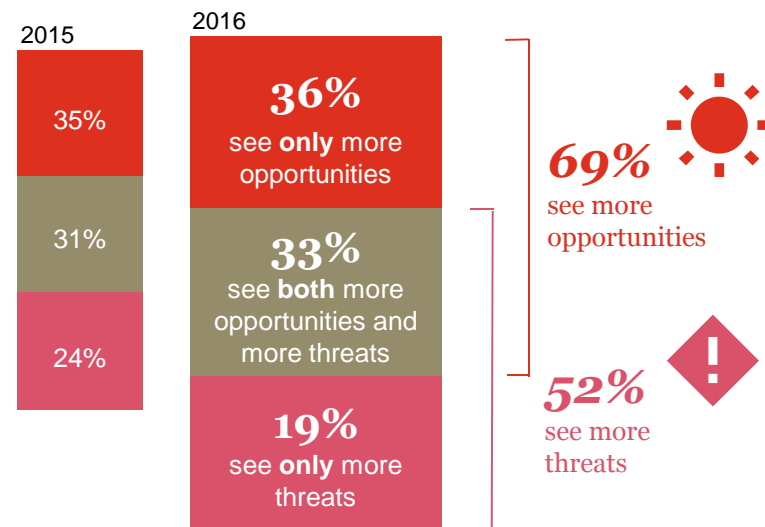
Two thirds of global CEOs (66%) believe that their business faces more threats today than three years ago, while almost as many (60%) see more opportunities.

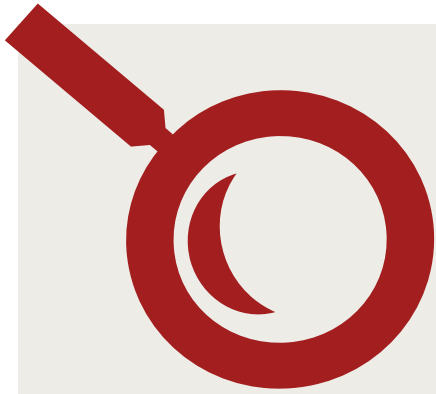
Serbian CEOs are again more optimistic than their global colleagues and slightly more positive than last year. 69% of Serbian CEOs see more opportunities today, which is in line with 70% on SEE level but more enthusiastic than 52% in CEE.

Q: For each alternative, please select the one that you believe the world is moving more towards



Q: To what extent do you agree/disagree that there are more growth opportunities/threats for your company than there were three years ago?





To successfully navigate this new world, CEOs are focusing on three core capabilities:

Address greater customer and stakeholder expectations

Harness technology, innovation and talent

Develop ways to better measure and communicate business success



Addressing greater expectations



93%

of CEOs in Serbia indicated that customers and clients have high or very high impact on their business strategy



76%

of Serbian CEOs acknowledge they are expected to address wider stakeholder needs

Focusing on who matters most

The majority of CEOs recognise the need to make significant changes to their businesses to respond to changing market conditions and widening expectations of customers and stakeholders.

It's not surprising that customers are the most important stakeholder – as much as 93% of CEOs indicated they have a high or very high impact on their business strategy. Industry competitors and peers come in second (cited by 76% of Serbian CEOs). Government and regulators certainly have a significant impact – opinion of 67% of CEOs reflects their concerns about over-regulation in the marketplace.

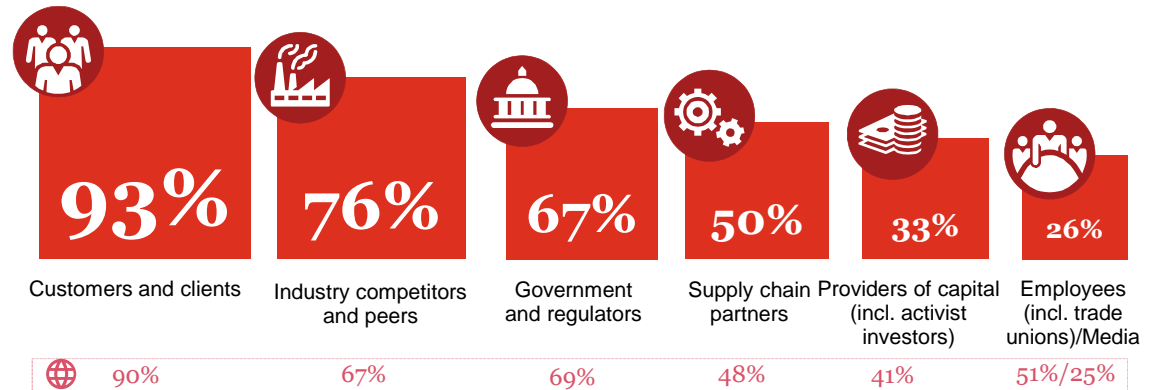
What is interesting is that CEOs in Serbia (26%) believe that employees (including trade unions) and media have aequal impact on their business strategy, unlike their global and regional peers.

Furthermore, CEOs expect that in five years time, an increasing number of customers will be demanding more than good prices and products from the companies they interact with – they will increasingly care more about how those products and services impact the wider society.

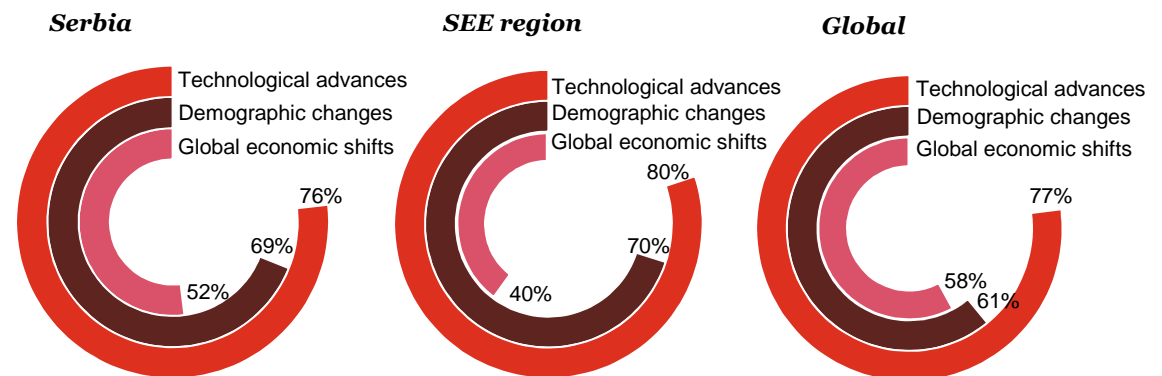
A big part of what's driving this is technology: 77% of global CEOs think technology is a top-three mega trend that will transform wider stakeholder expectations in the next five years.

Q: What impact do the following wider stakeholder groups have on your organization's strategy?

Note: Respondents who indicated high or very high impact



Q: Please rank the top three global trends which you believe will be most likely to transform wider stakeholder expectations of business over the next five years



What do you stand for?

Balancing expectations of their multiple stakeholders is leading many executives to re-examine the very purpose of their business.

69% of Serbian CEOs believe their companies are expected to address wider stakeholder expectations; 79% tell us their company prioritises long-term over short-term views; 52% say that corporate social responsibility is core to their business rather than being a stand-alone programme; and 74% say their company reports on non-financial as well as financial matters.

So, what do your stakeholders want?

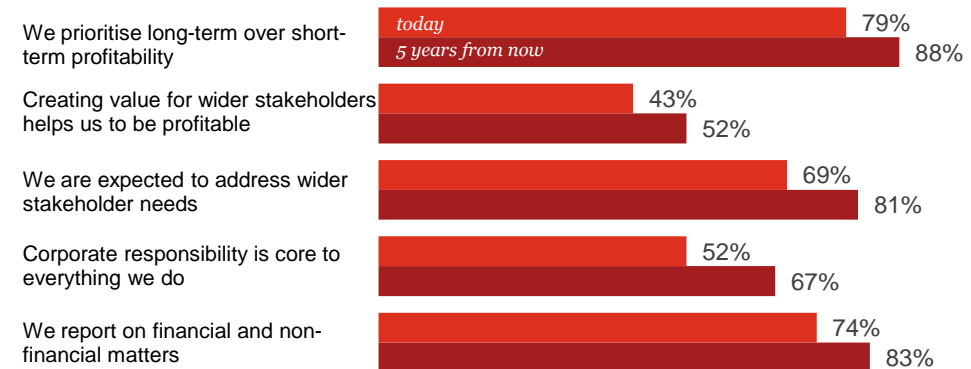
CEOs believe that fundamental change is happening in how they manage their relationships with customers. Currently, 76% of Serbian CEOs agree that customers make purchasing decisions based on a mix of cost, convenience and functionality. But they believe that over the next five years, a greater number of customers will seek out products and services from organisations that address wider stakeholder needs, like health focus or environmental responsibility.

Customers are also expected to seek additional information and their products and assess their trust in the accuracy of that information.

“*In the future it seems clear that CEOs expect customers will reward businesses that meet wider needs.*”

Vladislav Cvetkovic
Advisory Markets Leader, PwC Serbia

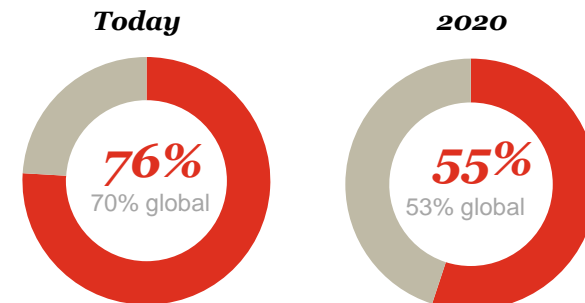
Q: Thinking about the wider stakeholder expectations you see, which of these statements best describes your organisation today/five years from now?



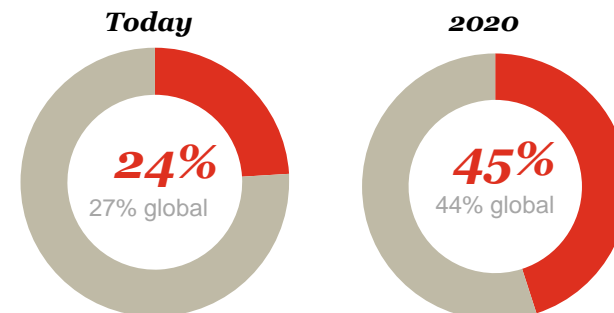
Q: And which of these statements best describes successful organisations in your sector in five years time?

% of Serbian CEOs who agree that ...

Their customers seek cost, convenience and functionality



Their customers seek relationship with organisations that address wider stakeholder needs



The barriers

Customers, employees, investors want more – but there’s a cost

Despite the strong incentives to do so, there are major barriers CEOs must face in order to respond to changing customer and stakeholder expectations.

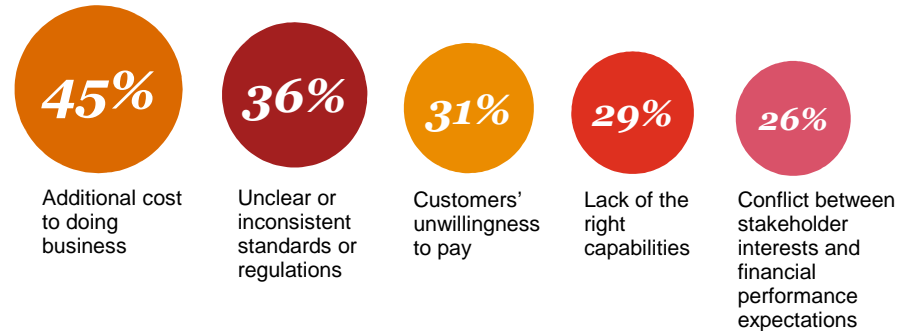
45% of Serbian CEOs are concerned about the additional cost to their business, and 36% cite unclear or inconsistent standards or regulations. Customer’s unwillingness to pay is also one of major issues, together with lack of right capabilities to meet expectations.

Trust is a major issue and CEOs are looking to respond

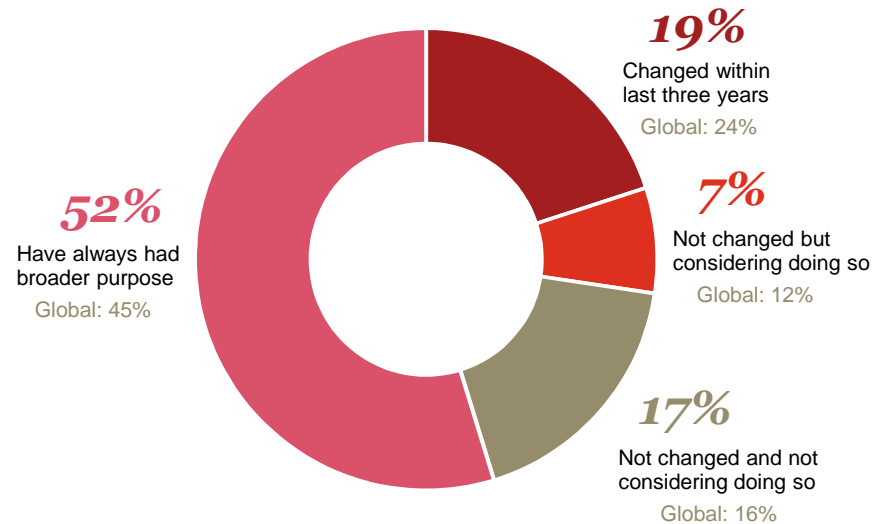
CEOs know that keeping the trust of their customers and stakeholders is fundamental to their organisation’s long-term viability. But trust, it appears, is slowly eroding. Last year 24% of Serbia’s CEOs were concerned about lack of trust in business. That number has now jumped to 36%.

CEOs are aiming to rebuild trust by doing a better job of meeting expectations placed on them. For example, 19% say they have changed their organisation’s purpose in the last three years to take account of the broader impact they have on society. But there’s more to do. Focusing on technology, innovation and talent can help.

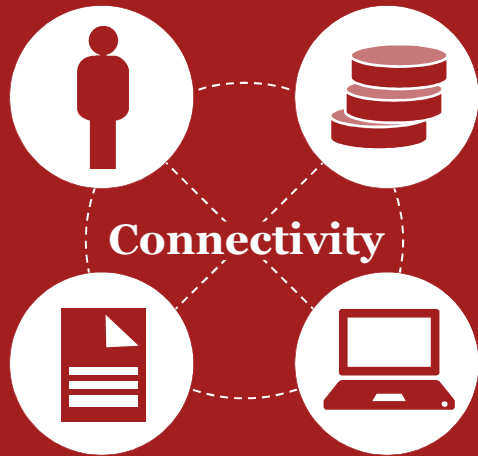
Q: Thinking about the wider stakeholder expectations you see, which of these statements best describes your organisation today?



Q: In which of the following ways has your organisational purpose been impacted by wider stakeholder expectations?



Focus on technology, innovation and talent



85%

of CEOs stated that they have made some or significant changes to the way they use technology to deliver expectations

62%

emphasise the importance of data & analytics, social media communication and customer relationship management systems

Putting technology to work

New technologies have significantly impacted businesses around the world. Mobile connectivity and social media in particular have become fundamental ways to get information and buy goods and services. Serbia's CEOs rate technology advances as the number one global trend that will transform customer and stakeholder expectations of business over the next five years.

Every CEO in the survey says they are making changes to the way they use technology to assess and deliver on customer and stakeholder expectations.

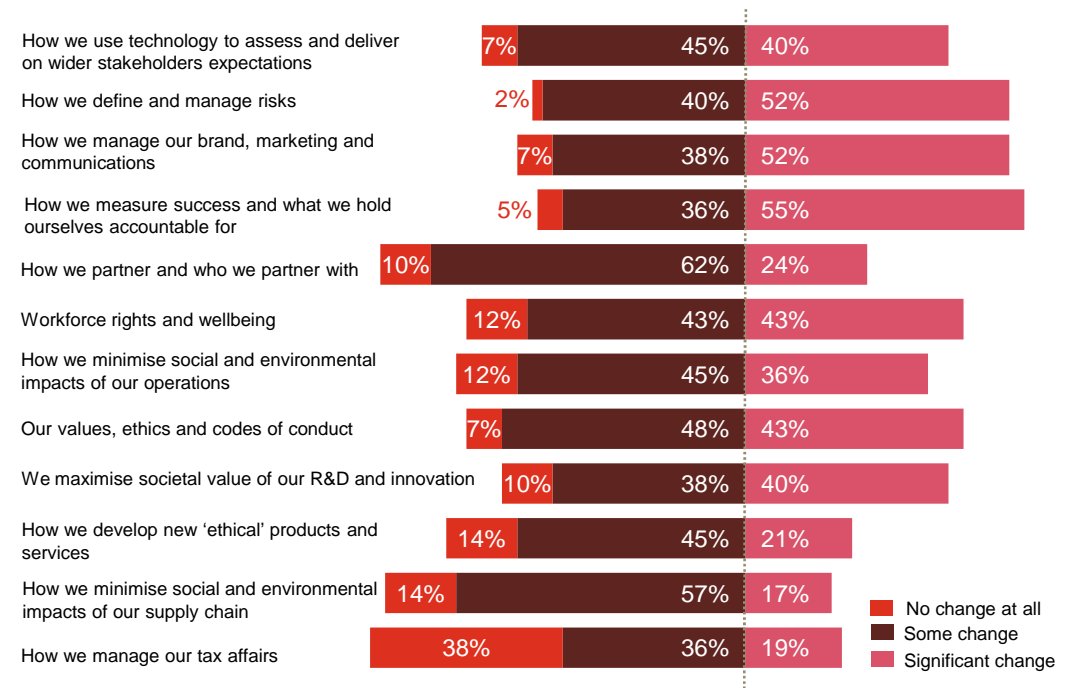
The technologies they say deliver the greatest returns are: data and analytics, social media communications and engagement, and customer relationship management (CRM) systems.

What about innovation?

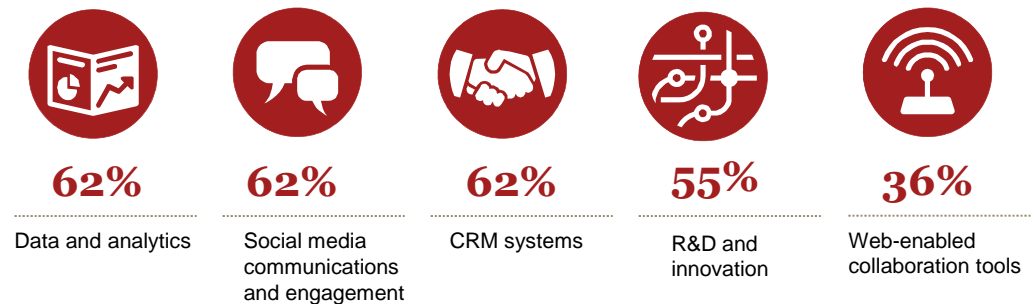
Over half of CEOs in Serbia ranked R&D and innovation technologies as the greatest return in terms of successful shareholder engagement.

The winners in the innovation game will be those that harness technology and innovation to deliver products that are cost-effective, convenient, functional and sustainable.

Q: To what extent are you making changes in the following areas in response to changing stakeholder expectations?



Q: Select the connecting technologies you think generate the greatest return in terms of engagement with wider stakeholders



Talent

Even though Serbia's CEOs identified demographic shifts as one of top macroeconomic concerns, the focus on developing the next pipeline of leaders is relatively low.

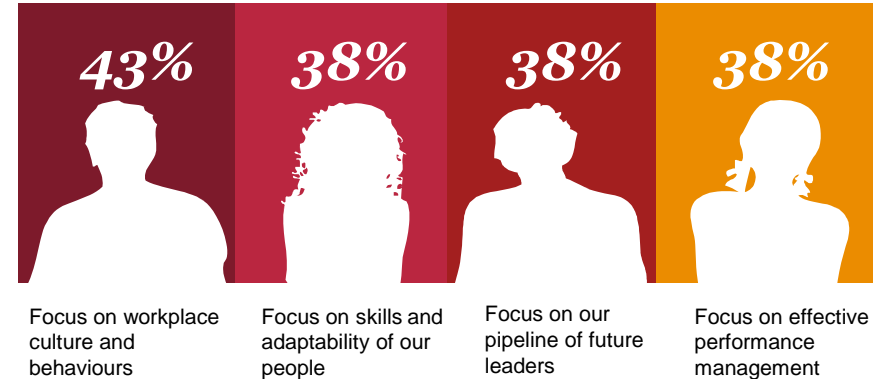
And while executives identified having a skilled, educated and adaptable workforce as a top priority, very few, both on global and local level, are focusing on developing the skills and adaptability of their workforce.

In fact, results in Serbia show that CEOs feel that it is equally important to focus more on skills, future leaders and effective performance management (38% of CEOs for each of these aspects).

Global CEOs have slightly different view as 49% are making changes to how they develop their leadership pipeline. However, focus on pay and incentives (33%) is higher than focus on skills and adaptability of the workforce (30%) and this might be seen as a lost opportunity.

Successful innovation requires greater employee participation, and accessing the diversity of employees could be just what's needed to spark some new ideas and achieve the levels of engagement needed to drive real and lasting change.

Q: What aspects of your talent strategy are you changing to make the greatest impact on attracting, retaining and engaging the people you need to remain relevant and competitive?



The new definition of success

CEOs no longer define business success by traditional financial measures.

A majority of CEOs agree that business success will be defined by more than financial profit in the 21st century.



Measuring and communicating success



76%

of CEOs believe that business success in the 21st century will be defined by more than financial profit

Measuring and communicating for success

'If you can't measure it, you can't manage it'

CEOs agree that success will require new approaches to what they measure and how they use information to make decisions, create value and communicate with their stakeholders.

52% of Serbian CEOs say that business should be doing more to measure the impact and value of non-financial indicators, followed by business strategy (50%), innovation (48%) and key business risks (48%). These are the same key areas listed by CEOs globally, although our global peers gave higher priority to innovation.

It's not surprising that innovation and risk both top the list, as there's a strong relation between the two: business need to understand risks in order to determine their scope and target for innovation.

Communication ensures ongoing support

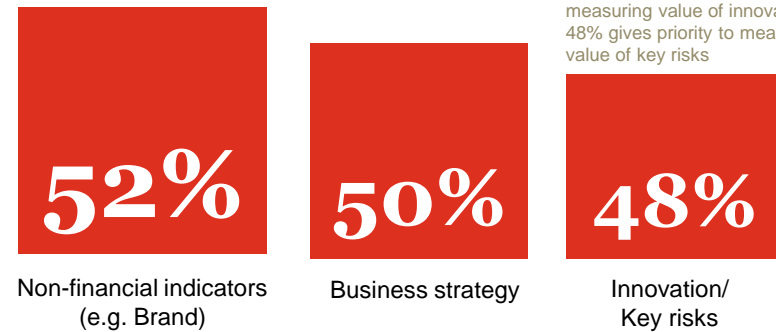
More and more people rely on information from companies to help them decide what products to buy, which job to accept or which business to work with.

CEOs understand that business should be doing more to communicate with their shareholders. They want to make sure that their organisation is very clear on what they stand for and their distinctive advantage.

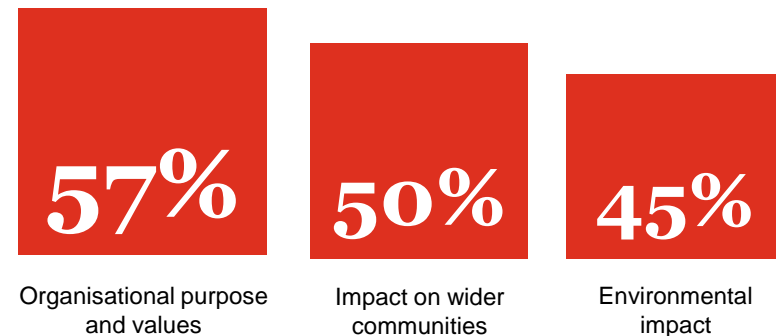
Q: Which areas do you think business should be doing more to measure/communicate impact and value for wider stakeholders?



In 2016 Serbian CEOs want to measure this more:



...and communicate that more:



Participant snapshot



Serbia



42

interviews completed with Serbian business leaders



Global

1,409
83

interviews completed across countries between Sep - Dec 2015

Gender

19%

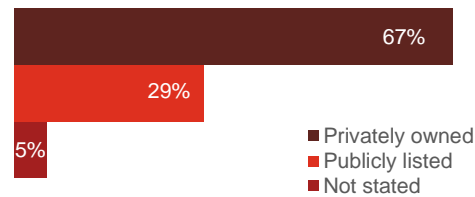
female

81%

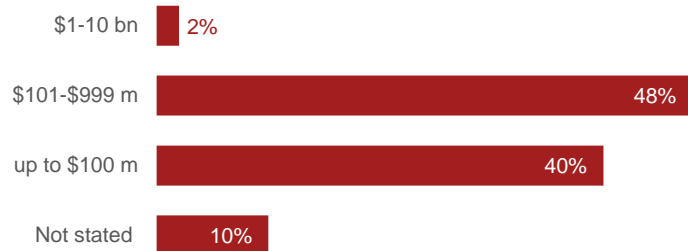
male



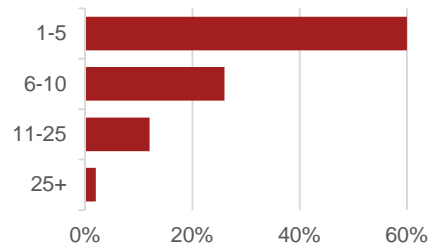
Ownership



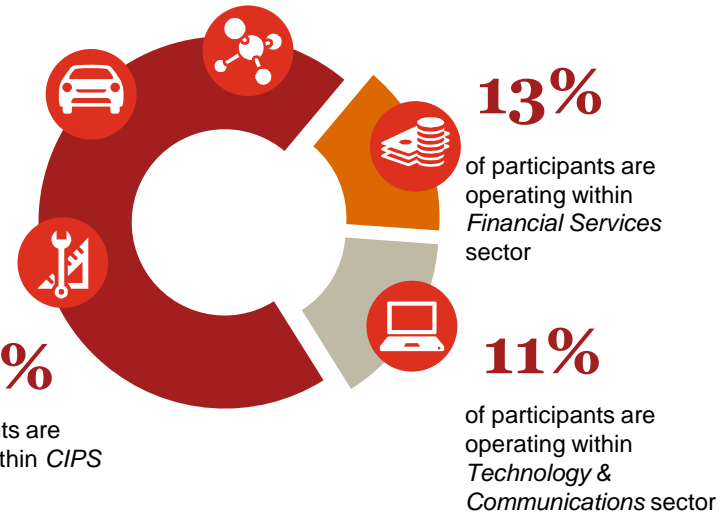
Revenues



Tenure



Industry span



Acknowledgement and thanks

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Jelena Miletić

Overall research and data analysis

The research was coordinated by PwC UK, located in Belfast, Northern Ireland

Marketing and editorial

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Find out what global business leaders had to say by visiting www.pwc.com/ceosurvey. Here, you can dig deeper and uncover current perspectives.

Want to take part in the discussion next year?

If you are a CEO interested in participating in next year's survey, please contact Jelena Miletić (jelena.miletic@rs.pwc.com) and share your thoughts with us.



About the methodology

For the Serbian CEO Survey we conducted 42 interviews with CEOs operating in wide range of industries. Globally, we conducted 1,409 interviews in over 83 countries. The lower threshold for inclusion in the top 10 countries (by GDP) was 500 employees or revenues of more than \$50 million. The threshold for inclusion in the next 20 countries was companies with more than 100 employees or revenue of more than \$10 million.

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