

A marketplace without boundaries?

Responding to disruption

Serbian CEO Survey as part of 18th Annual Global CEO Survey



Foreword



We want to thank the 39 CEOs who took part in the first Serbian CEO Survey, and for sharing their views with us. We hope that our survey results contribute to the future success of your business.

Thank you to the company leaders who shared their views with us. Their active and candid participation is the single greatest factor in the success of PwC's Annual Global CEO Survey. We greatly appreciate our respondent's willingness to take the time and make this survey as comprehensive and accurate as possible.

The Survey is now in its 18th year, and we are proud to present the first Serbian edition of the Survey. This report provides an insight into the Serbian corporate boardroom thinking, and defines current issues that CEOs face.

I strongly believe we will continue to publish this survey and share CEOs insights relevant for the Serbian market.

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 first year, we have surveyed the CEOs of leading firms active in the Serbian market. A total of 39 Serbian business leaders participated in the first 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 18 years at the World Economic Forum in Davos, Switzerland.

The Serbian CEO Survey shows that Serbian business leaders, as their global peers, are pessimistic about prospects for global economic growth. However, they have great deal of optimism when it comes to growth of revenue in their companies. Although the majority of them have cost reduction on their restructuring agenda they will be focusing on creating new opportunities and partnerships that will keep their businesses competitive in a rapidly changing business landscape. In addition, the research shows that our business leaders are particularly concerned about government response to fiscal deficit and debt burden, geopolitical uncertainty and growth-restricting effects of over-regulation.

We are very confident that Serbian CEOs have what it takes to meet upcoming challenges and position their businesses to grow in a world where continual change and disruption are simply the norm.

Thank you to the CEOs who took part in our survey. Your willingness to share your thoughts benefits us all.

Emmanuel Koenig
Country Managing Partner
PwC Serbia

Contents

Growth, but not as we know it

63% of Serbian CEOs expect that the global economy will stagnate in the upcoming 12 months, while **89%** is confident in their company's revenue growth over the next three years.

Focus on Government priorities

76% of Serbian CEOs think that internationally competitive and efficient tax system should be a top priority.

Rethinking what business means

50% Serbian CEOs recognise that organisations will increasingly compete outside of their current businesses.

Digital innovation – creating new value through digital transformation

87% of Serbian CEOs aim to lead by example in their organisations by championing the use of digital technologies. On the other hand they are not very concerned about cyber threats and the lack of data security as only **26%** cited this as a threat to their business.

Talent diversity and adaptability

32% of Serbian CEOs expects that the headcount in their companies will increase in the next 12 months.

Growth, but not as we know it

24% *of Serbian CEOs believe that the global economy will improve in the upcoming 12 months*

63% *expect the economic growth will stagnate*

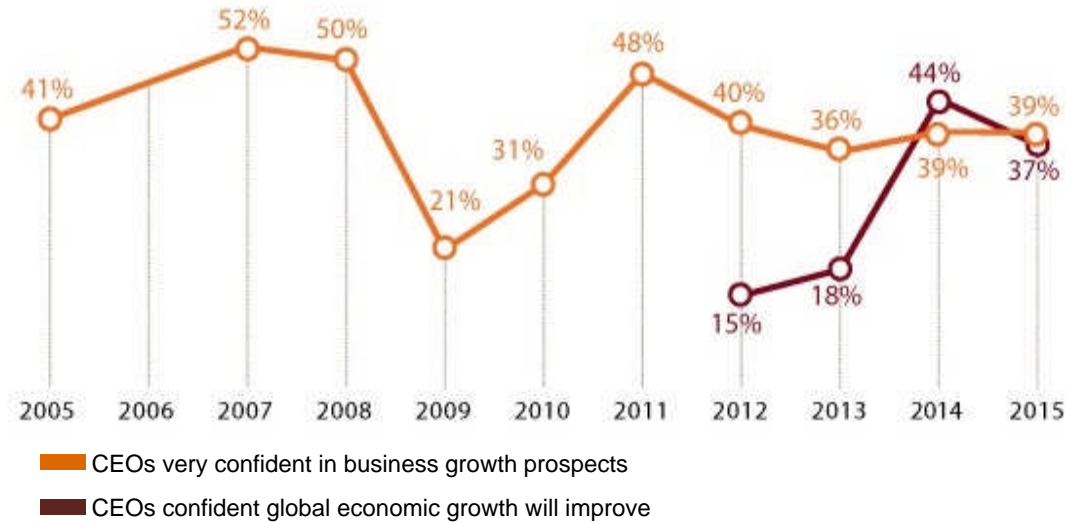
Economic outlook

CEOs are less optimistic about global economic growth and more confident about their company's prospects. The ability to see the upside even in most difficult of times may account for this divergence, where **61%** of the CEOs globally see more opportunities for their business today than in the last three years.

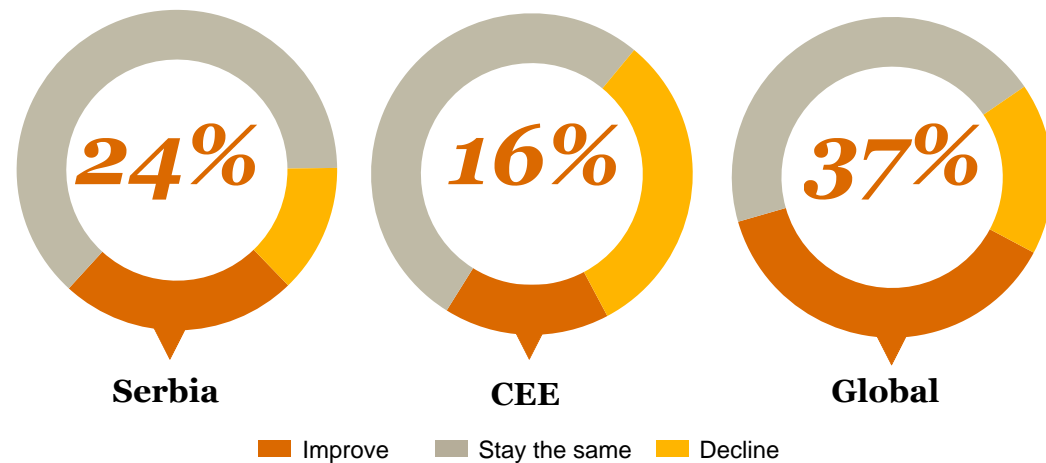
Globally, **37%** of CEOs think the economic outlook will improve over the next 12 months. Contrary to that, **17%** think the outlook will worsen (compared to only 7% last year).

Serbian CEOs seem to share a more pessimistic view than their global peers, where **24%** believe that the global economy will improve in the upcoming 12 months, while **63%** expect the economic growth will stagnate. This may be impacted by Serbia's own stagnation in 2014 and meagre prospects for 2015. Geopolitical uncertainty and the impact of the Russia/Ukraine conflict also have an effect on CEO's sentiments in Serbia as well as CEE overall, which as a region is especially downbeat.

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



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



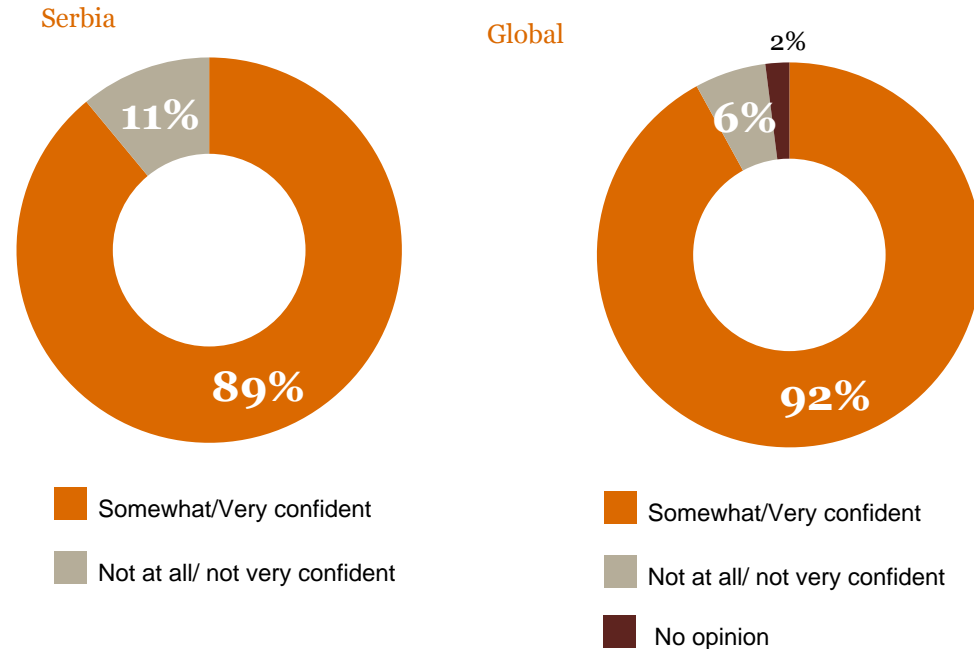
Confidence in growth

While the economic and business climate isn't giving CEOs anywhere great cause for celebration, Serbian as well as global CEOs are quite confident about growth prospects.

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 almost as optimistic as their global colleagues since **89%** of them have responded that they are confident in revenue growth.

This positive attitude may lie in CEO's focus to create opportunities rather than to rely on market-driven growth in anticipation of improved market conditions. CEOs seem to have accepted uncertainty and disruption as the new economic reality and redirect their own energy and the energy of their organisations towards identifying alternative sources of revenue, reconsidering their value proposition and transforming their operating model to ensure growth.

How confident are CEOs about their company's prospects for revenue growth over the next 3 years?



"CEOs and businesses are relying less and less on macroeconomic and market dynamics for their own growth and much more on the agility and entrepreneurship in their organisations. All the low-hanging fruits have been picked and these days it's all about knowing your own competitive strengths, spotting new opportunities, recognising disruptive patterns and be quick and resolute in adopting change. The fact that Serbian businesses recognise and live by these principles is very good news!"

Albena Markova
Partner, Consulting Leader, PwC Serbia

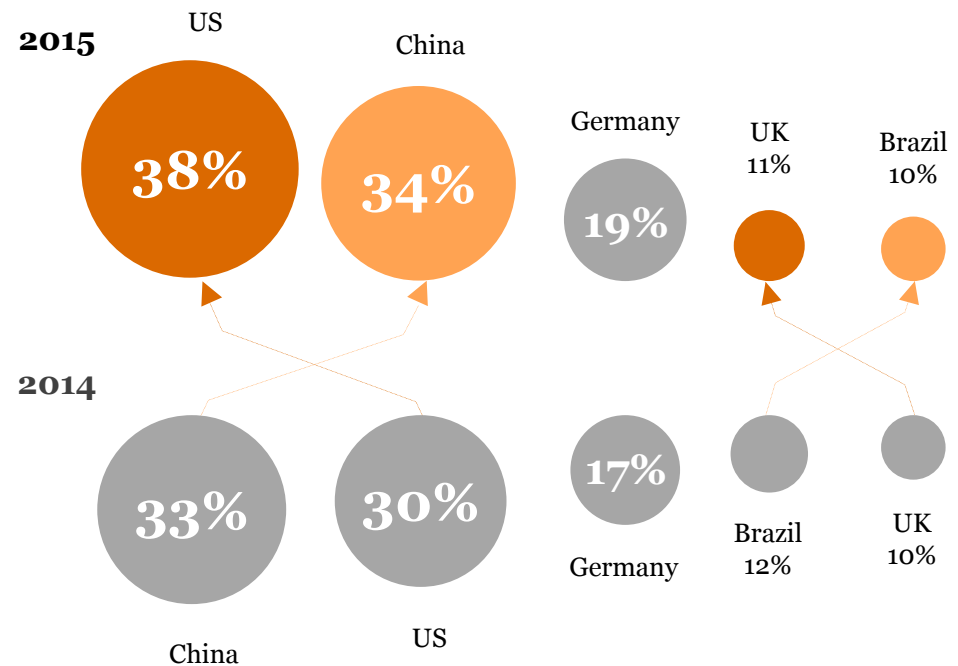
The new economic equilibrium

When asked which countries (excluding their own) do CEOs consider most important for overall growth prospects over the next 12 months, they gave advantage to the USA, after more than 5 years of domination of China. This re-discovery of mature markets (also with UK beating Brazil) reflects a cautious sentiment towards the challenging environment offered by BRICS and other emerging markets with complex structural and political issues.

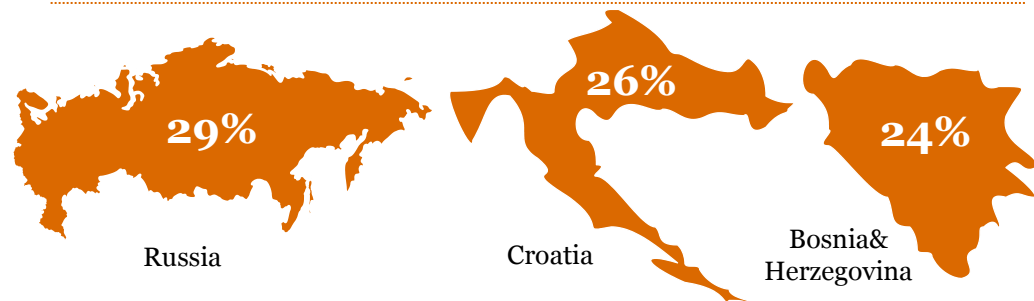
Unlike their global colleagues, **29%** of Serbian CEOs consider Russia as a country of major importance for their companies growth in the next 12 months. This reliance may exert pressure on their growth prospects if Russia's market enters steep recession triggered by geopolitical and economic issues.

As expected, surrounding countries traditionally proved to be markets of great interest. Second ranked is Croatia, which **26%** of the CEOs find very important, followed by Bosnia & Herzegovina with **24%**.

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?



As expected, Serbian CEOs find Russia and surrounding countries of great importance



Focus on Government priorities

76% *of Serbian CEOs think that internationally competitive and efficient tax system should be a top priority*

Government effectiveness

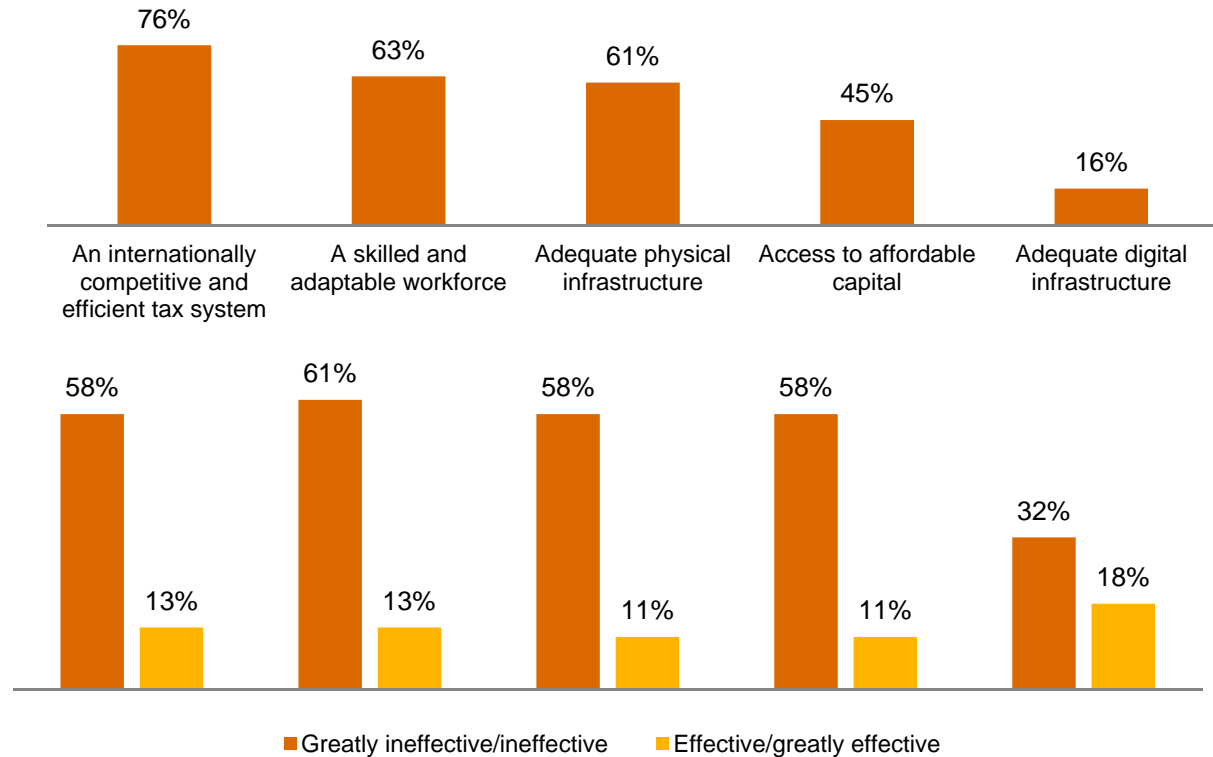
The Government has a big role to play when it comes to creating a business environment that is conducive to long term growth. At the same time, it can be challenging for governments to determine what priorities should take precedence over others when taking regulatory and policy decisions.

76% of CEOs believe that Serbian government should make creating a more internationally competitive and efficient tax system a key priority. Unfortunately, only **13%** 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 a skilled and adaptable workforce and adequate physical infrastructure.

While innovation is considered a key building block for many successful businesses, only **32%** of Serbian CEOs believe that developing an adequate digital infrastructure should be Government priority.

Which of the outcomes do CEOs think should be government priorities?
How effective has government been in achieving these outcomes?



There is a mixed sentiment of CEO's regarding the role of Government and its effectiveness in Serbia. Even though the level playing field, the building of institutions and business climate improvement is evident, some believe political leadership should be more supportive of the business community .

Vladislav Cvetkovic
Director, Markets Leader, PwC Serbia

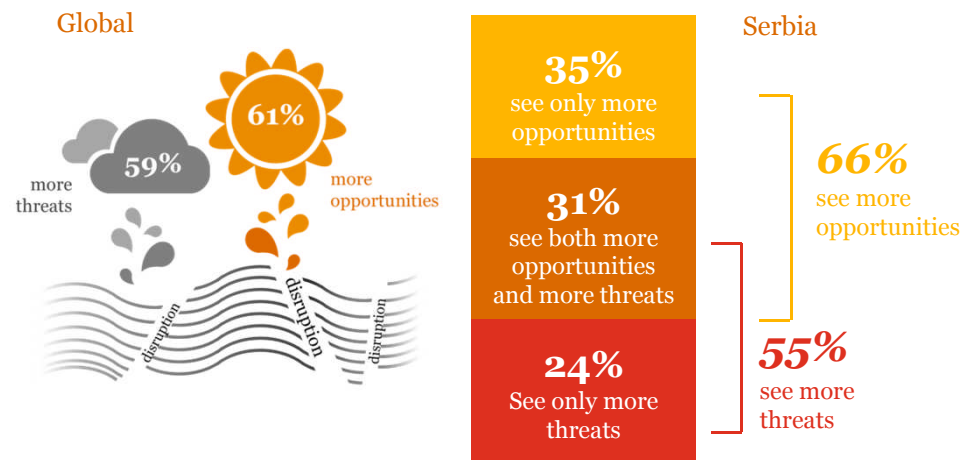
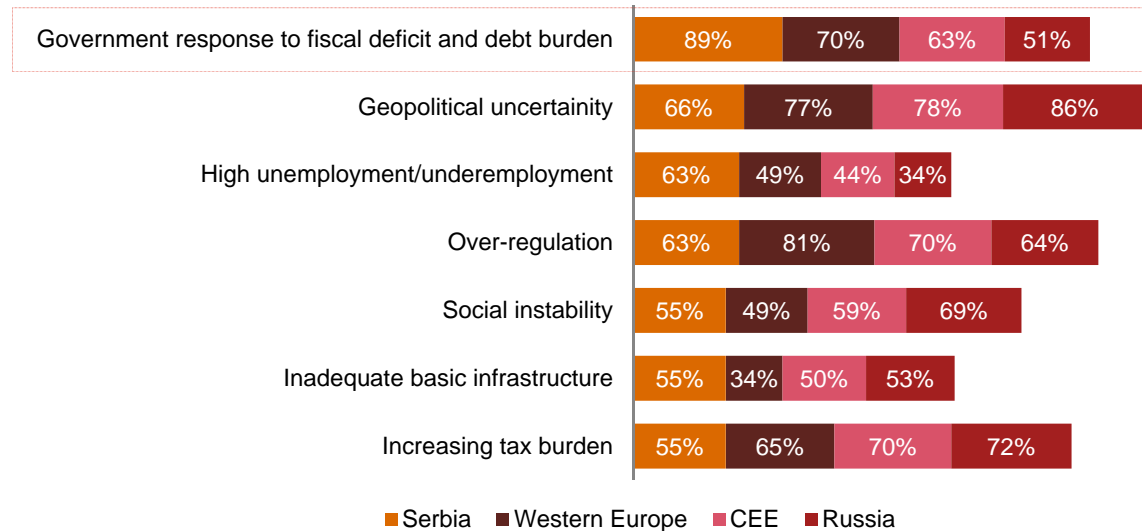
Economic, policy and social threats

In the area of constant change, it is not surprising that Serbian CEOs are concerned about a wide variety of economic, policy, and social threats. **55%** of Serbian CEOs say there are more threats to their business today compared to three years ago. However, there is also some optimism as **66%** of CEOs see more opportunities today, which is in line with **61%** on global level but more optimistic than colleagues in Western Europe, CEE or Russia.

On the economic and policy side, Serbian CEOs are most concerned about the Government's response to fiscal deficit and debt burden, although over-regulation and the increasing tax burden are also recognised as significant threats.

The CEOs (**74%**) also feel that governments are increasingly implementing more competitive tax policies, which are influencing organisations' decisions on where to operate.

Serbian CEOs are most anxious about Government response to fiscal deficit and debt burden, as **89%** of them cited this as a top threat.



Rethinking what business means

50%

of Serbian CEOs recognise that organisations will increasingly compete outside of their current businesses

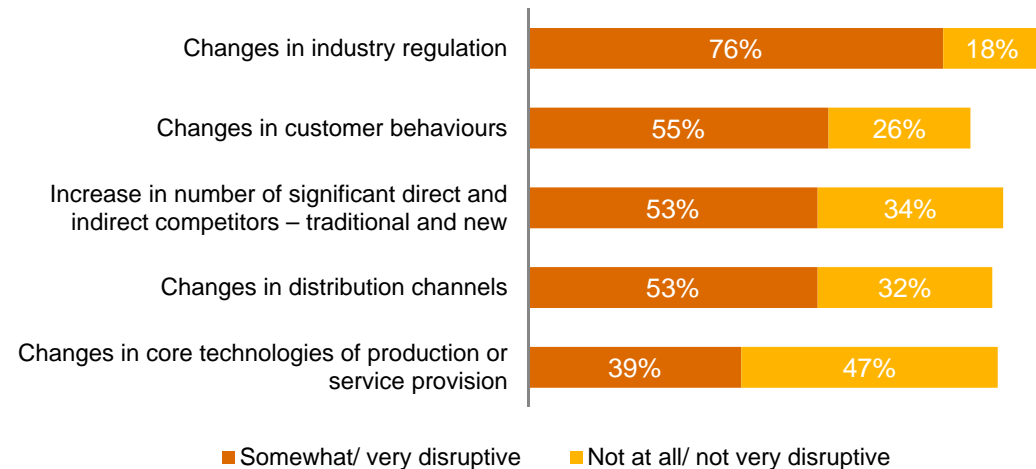
Business trends impacting our companies

76% of CEOs feel that changes in industry regulation will be heavily impacting the Serbian business climate. Changes in customer behaviour are also found to be very disruptive, followed by the increasing number of both direct and indirect competitors, as well as changes in distribution channels.

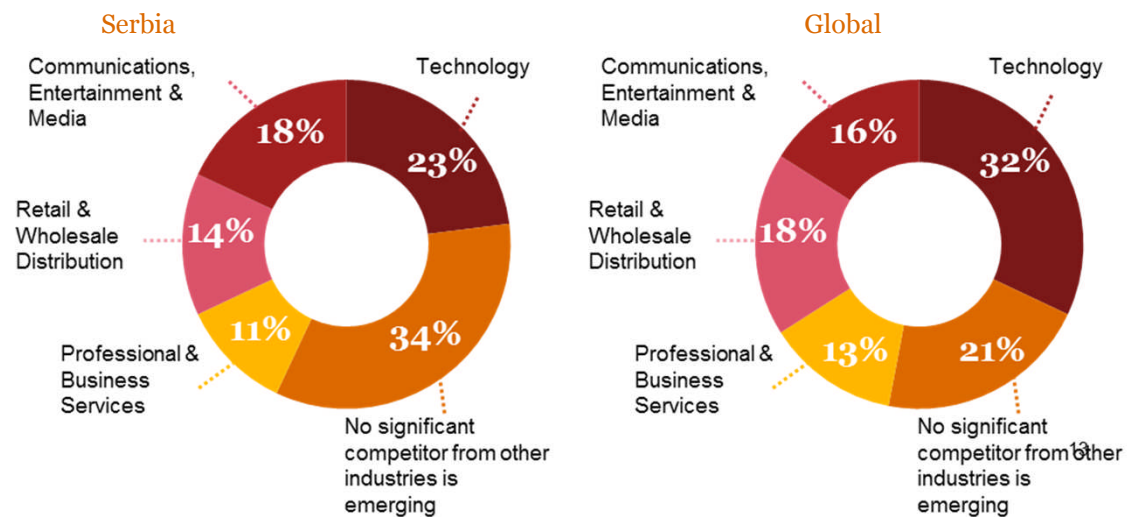
Serbian CEOs are also very concerned about high or volatile energy costs (53%) and availability of key skills (50%). These are common concerns among CEOs in general. However, unlike their colleagues in CEE and globally, Serbian CEOs are not very concerned about cyber threats and lack of data security as only 26% cited this as a threat to their business, opposite to 61% on global level and 53% in the CEE, respectively.

Technology is altering business from the inside out, so it is no wonder that technology is the field where significant competitors are expected to emerge in the upcoming five years.

How disruptive do CEOs think the following trends will be their industry over the next 5 years?



From which industry or industries outside of their own do CEOs think a significant competitor is emerging or could emerge?



Looking for opportunities and partnerships

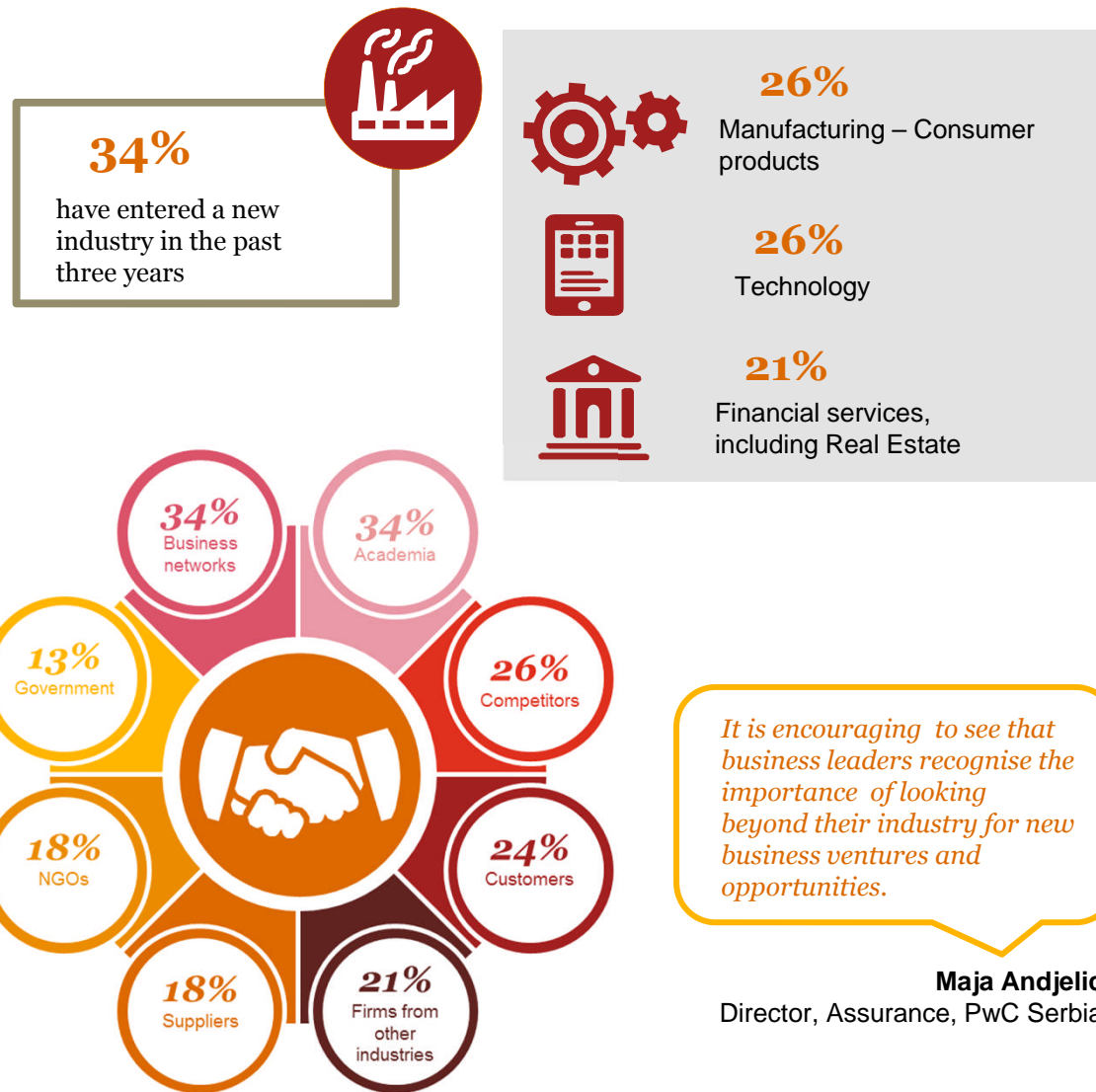
More and more companies recognise that their competition is extending beyond their traditional competitors.

50% of Serbian CEOs recognise that organisations will increasingly compete outside of their current businesses. This accounts for CEOs globally, as well (**56%**).

34% of surveyed organisations have entered a new industry in the past three years, while **16%** are planning such move in the following three years.

When it comes to redefining business, Serbian companies appear to see significant value in forging partnerships and collaborations for advancing their business. **52%** of CEOs are either engaged or consider engaging with their competitors and customers on the market. Partnerships with academic institutions are currently ongoing, as well.

On the other hand, Serbian CEOs are reluctant to form alliances with government, non-government organisations and start-ups.



Restructuring initiatives

Following the global trend, **76%** of Serbian CEOs plan to introduce a cost cutting initiative in 2015.

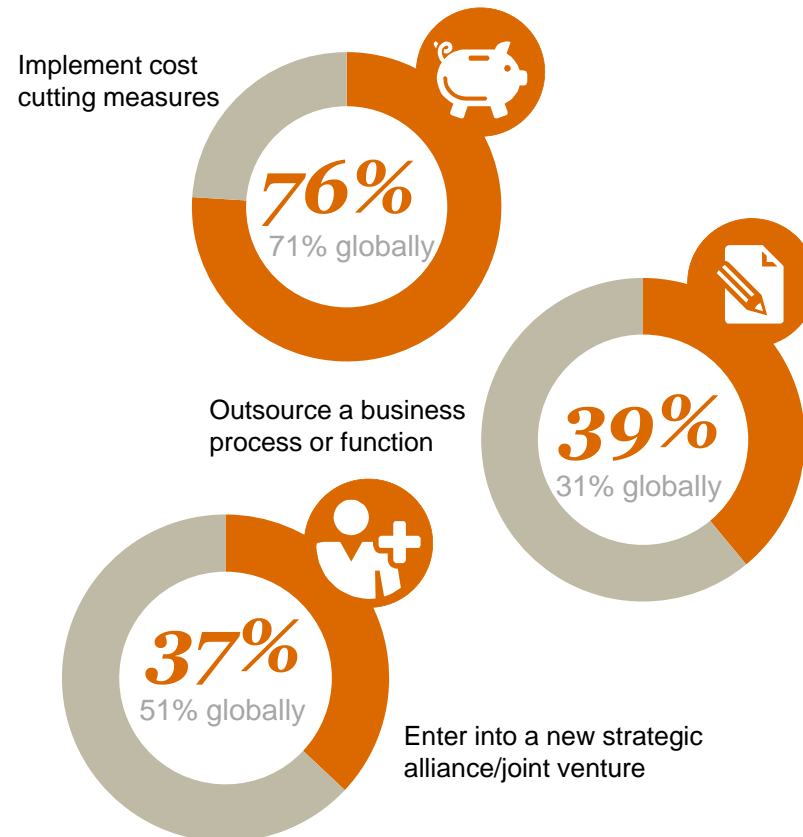
However, not all activities are aimed at cost reduction, as Serbian CEOs are seriously looking at how they can grow their business – from restructuring to find more effective ways to conduct work.

Restructuring options, including developing strategic alliances and joint ventures are gaining priority on the corporate agenda.

37% of Serbian CEOs plan to enter into a new strategic alliance or joint venture in the next 12 months. In addition, **39%** understand the need to outsource certain business processes or functions.

35% of their colleagues in Western Europe share the same plans, while in Russia this initiative is recognised by only **22%** of the leading CEOs.

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



Digital innovation – creating new value through digital transformation

87% *of Serbian CEOs, aim to lead by example in their organisations by championing the use of digital technologies*

Digital innovation

With new innovations being announced every day, it is not surprising that CEOs in Serbia see a wide variety of digital technologies as strategically important to their business. In fact, **92%** of Serbian CEOs believe that data mining and analysis are strategically important. Other important digital solutions include mobile technologies for customer engagement, cyber security and internet of things. On the other hand, although **71%** of local CEOs consider cyber security as strategically important, they are not very concerned about cyber threats and the lack of data security as only **26%** cited this as a threat to their business.

Digital technologies may be strategically important and have high value to organisations, but without understanding of how to implement the technologies effectively, Serbian companies may not be able to achieve desired outcomes.

It is encouraging to that **89%** of CEOs have a clear vision on how digital technologies can help achieve competitive advantage, in order for organisations to get the most of its digital investments.

One capability that would be the most critical for tomorrow's CEO's is the ability to focus on vision, strategy and staying on top of industry trends, this will lead to innovation and change.

Technologies considered to be strategically important to Serbian CEOs



92%

Data mining and analysis



84%

Mobile technologies for customer engagement



71%

Cyber security



68%

Internet of things



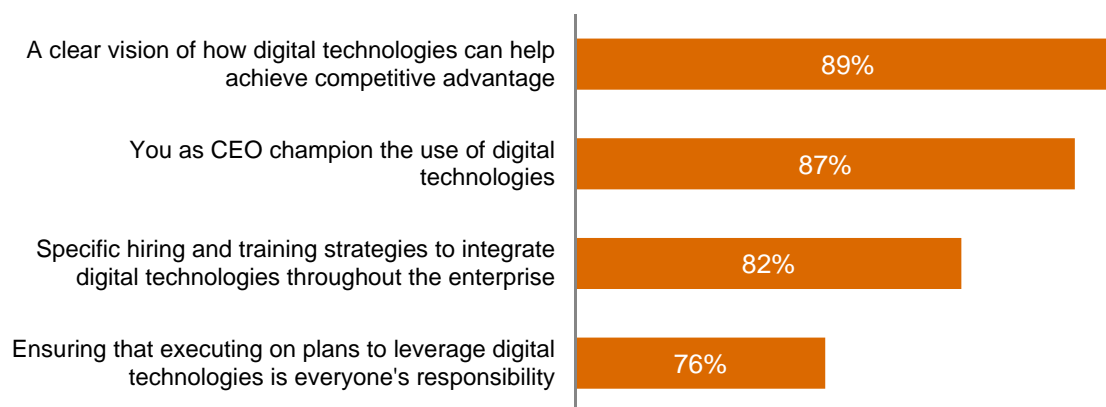
63%

Socially enabled business processes



55%

Cloud computing



■ Somewhat/very important

Talent diversity and adaptability

32% *of Serbian CEOs expects that the headcount in their companies will increase in the next 12 months*

Workforce diversity

Global CEOs continue to focus on increasing headcount over the next 12 months while Serbian CEOs are quite cautious.

Of Serbian CEOs, **32%** expect to hire in bigger numbers in 2015, while **39%** think that headcount in their companies will decrease.

Many companies in Serbia recognise the importance of having different viewpoints and perspectives when it comes to building success as an organisation. In fact, **50%** of CEOs in Serbia said that their organisations have a strategy to promote talent diversity and inclusiveness which is aligned with CEOs answers from all over the world (**64%**).

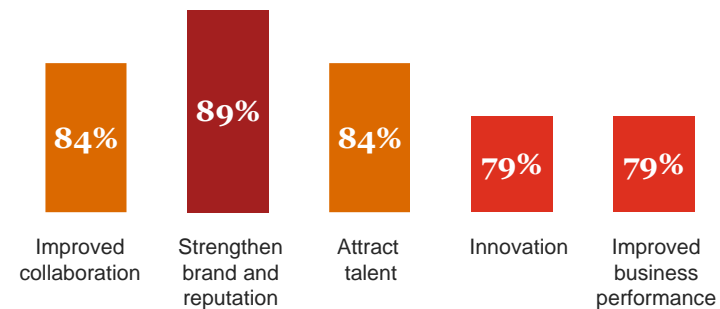
In addition, CEOs who have D&I strategy in place believe their strategies have resulted in significant benefits, such as strengthening their brand and reputation, attracting talent and improving collaboration.

Skills are also at the top of CEO's agenda. **84%** of Serbian CEOs say they are continuously trying to equip employee with new skills. In addition, **71%** say their organisations are now looking for a much broader range of skills than in the past.

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



Which of the following **benefits**, if any, has your organisation obtained from its strategy to promote talent diversity and inclusiveness?



Participant snapshot and credits

90% *interviews conducted of face – to – face with CEOs of leading Serbian companies*

70% *of participants are operating within Consumer Industrial Products Services (CIPS) sector*

Participant snapshot

Serbia



39

interviews completed with Serbian business leaders



90%

is done face-to-face

Global



1,322 interviews completed in across

77 countries between Sep and Dec 2014

Gender

13%

female

87%

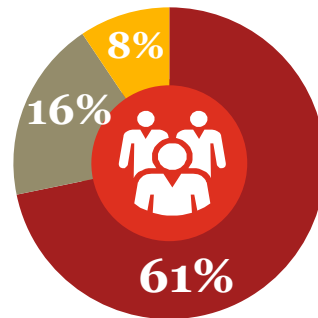
male



35,840

number of employees led by CEOs interviewed

Age span

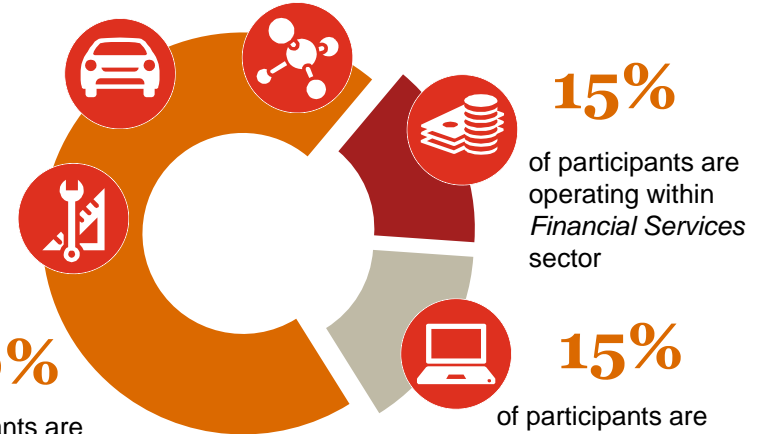


■ < 49 ■ 50-59 ■ 60+

<5,7 bln €

total revenue of companies led by CEOs interviewed

Industry span



of participants are operating within CIPS sector

of participants are operating within Financial Services sector

of participants are operating within Technology & Communications sector

Credits

Research and project team

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We would also like to thank the following
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Biljana Bogovac
Maja Anđelić
Ivan Stanković

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 39 interviews with CEOs operating in wide range of industries. Globally, we conducted 1322 interviews in over 77 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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