18th Annual Global CEO Survey

A marketplace without boundaries?

Responding to disruption

1,322

CEOs interviewed in 77 countries

78%

of CEOs are concerned about over-regulation

56%

of CEOs think cross-sector competition is on the rise

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New ways to compete

Given the scale of the challenges and uncertainties that today's CEOs face in global markets, it's little wonder that the one 'must-have' attribute they point to for future success is adaptability. It's clear that in 2015, disruptive change will affect all global markets. But while CEOs are less confident overall about the prospects for the global economy, many believe that there are significant opportunities for their own business to grow in the year ahead.

Macroeconomic trends are continuing in the direction we highlighted in last year's survey. While overall, global growth prospects could best be described as modest, there are pockets of greater dynamism. Mature markets – particularly the US, which for the first time in five years ranks above China as CEOs' key market for growth – look likely to offer the best prospects in the near term. The emerging economies – notably the BRICS, which have been such powerful engines of expansion – are now grappling with political and structural challenges. However, underlying drivers of growth, such as youthful populations and a fast-growing middle class, make many emerging economies attractive prospects for the future. The challenge for CEOs, in such a fast-changing environment, is where to place their bets.

It's not simply economic fundamentals that worry CEOs. Over-regulation is cited by 78% as a concern. And these concerns are not limited to industry-specific regulations but go much broader into trade, employment, financial regulations etc., with CEOs increasingly worried about the amount of uncertainty around regulation. Cyber threats have increased markedly and are likely to become even more prominent in the wake of the recent high-profile attacks on entertainment networks. The rapid pace of technological change – seen as a challenge by 58% of CEOs – is also highlighting a shortage of key skills that could imperil growth.

But CEOs no longer question the pace of technological change, as they learn to deal with it. The majority of CEOs believe that investments in digital technologies have created value for their business, and around 80% say that mobile technologies and data analytics are key strands of their strategy.

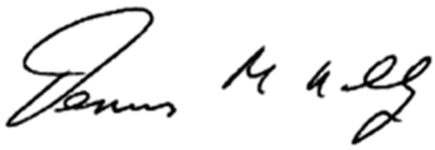
The challenges thrown up by these changes are set against a competitive landscape that is also rapidly and radically reshaping. Competition is now coming from new and previously unseen sources. A wide range of industries is being disrupted by regulatory changes, increasing competition and new patterns of consumer behaviour. With that in mind, one-third of CEOs say they have entered new industries in the last three years, and more than half (56%) believe that organisations will increasingly be competing in new sectors in the next three years.

54%

of CEOs have entered a new sector, or considered it, in the past three years.

45%

of CEOs do not think that cooperation between governments is leading to greater movement of skilled labour between markets.



Dennis M. Nally
Chairman, PricewaterhouseCoopers International Limited

As well as new areas of competition, CEOs are also looking to collaborate more with a diverse range of partners that can provide access not just to new markets and consumers, but crucially, to the new and emerging technologies and innovation that they consider essential to achieve growth. CEOs are therefore building diverse collaborative networks that embrace not just traditional partners, but customers, academia, NGOs and even competitors. Managing those networks will be increasingly important for future success.

Diversity, too, is becoming a crucial quality in the talent pool that CEOs must draw on to compete. Talent diversity and inclusiveness is no longer seen as a soft issue. It's now a core component of competitiveness – and most CEOs (77%) have, or intend to adopt, a strategy that promotes it.

My sincere thanks go to the more than 1,300 company leaders from 77 countries who shared their thinking with us. Their active and candid participation is the single greatest factor in the success of PwC's Annual Global CEO Survey, now in its 18th year. We greatly appreciate our respondents' willingness to free up their valuable time to make this survey as comprehensive and accurate as possible. We're especially grateful to the 33 CEOs who sat down with us to hold deeper and more detailed conversations. You'll see their comments throughout this report.

Contents

We live in an era of unprecedented digital change – the type of change that is reshaping the relationship between customers and companies, breaking down the walls between industry sectors, and, by extension, prompting forward-thinking CEOs to question the very business they're in.

To navigate this digitally-led economy, business leaders will need to understand how technology can improve their operations and bring them closer to their customers; embrace collaboration both inside and outside the business; and identify a rich and varied talent pool. More than anything, though, they'll have to develop a flexible vision that allows them to pinpoint their company's strengths even as their customers, sectors and markets change in front of their eyes. Sound like a superhuman challenge?

Welcome to 2015.

Growth

Competition

Technology

Partnerships

Diversity

Final words

Growth, but not as we know it

61%

of CEOs see more opportunities today than three years ago

Every business in today's world has opportunities and threats, so the key question for us is not to predict whether or not we have threats or opportunities. [It's] whether or not we can be...flexible enough to be able to detect those threats or opportunities. And of course react to them.

Victor Kislyi

Executive Chairman & CEO, Wargaming Public Company Limited, Cyprus

Time for a reboot

If 2014 taught us anything it's that in our increasingly technology-led world, no industry, no company and no government, even, is immune from the effects of change. Take the global energy market, where breakthrough innovations continued to shake up the status quo. Or the corporate world, where a cyber security attack had international security and diplomacy ramifications. And what about *that* digital transport start up – barely four years old – challenging the entire global taxi industry's business model and receiving an $18 billion valuation for its chutzpah...

Of course, digital change throws up as many opportunities as risks. We think that's why there's an underlying sense of optimism for many CEOs, despite the picture they're painting this year of an increasingly fluid and disrupted business environment.

We asked CEOs whether they see more opportunities for their business today than three years ago, and also whether they see more threats over the same period (see Figure 1). It's plain that business leaders see more of both.

Figure 1 CEOs see more opportunities and more risks today than three years ago

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

Figure 2 **CEOs are more confident of their business growth prospects than they are about global economic growth**

Q: How confident are you about your company's prospects for revenue growth over the next 12 months? Do you believe global economic growth will improve, stay the same or decline over the next 12 months?

Base: All respondents (2015=1,322; 2014=1,344; 2013=1,330; 2012=1,258; 2011=1,201; 2010=1,198; 2009=1,124; 2008=1,150; 2007=1,084; 2006 (not asked); 2005=1,324; 2004=1,386)

Note: In previous years, respondents were asked 'Do you believe the global economy will improve, stay the same or decline over the next 12 months?'

The ability to see the upside could be why just as many CEOs this year as last year say they're very confident about their business growth prospects in the next 12 months (see Figure 2). This is despite less enthusiasm this year about the global economy, rising concerns across a range of business risks, and recognition from many that their industries face upheaval.

CEOs in Asia Pacific, North America and the Middle East in particular see more growth opportunities today than in the past. It's perhaps no coincidence that these leaders also have the highest short-term business confidence levels. CEOs in Latin America and Africa are more attuned to the downside, and are more likely than those in other regions to see more threats today than previously. Again it's maybe not a surprise that their business confidence levels are also lower.

In general, the economic and business climate isn't giving CEOs any great cause for celebration. Yet, at a global level, they're exhibiting a good dose of fortitude. Could it be that, in today's single-digit growth environments, we're seeing a greater inclination to create opportunities, rather than relying primarily on markets-led growth? It would be a good start: there's evidence from the US that companies that focus on identifying alternative sources of revenue to counter long-term declines in market share are more successful than those putting their faith on market conditions improving.[1]

Creating new opportunities in a complex and contradictory environment is precisely what CEOs need to focus on. Today, in the context of digital technologies, what's needed is a complete rethinking of a company's value proposition and the resulting transformation of its operating model.

We'll explore these fundamental shifts in leadership planning, but first, let's take a closer look at the economic issues keeping the world's business leaders awake at night.

The new economic equilibrium

The global business community is still looking to get its swagger back. CEOs are less hopeful than they were a year ago about global economic growth prospects. Thirty-seven percent think the outlook will improve over the next 12 months, compared with 44% last year; while 17% – more than twice as many as last year – think the outlook will worsen. CEOs are plainly anticipating what Christine Lagarde, managing director of the International Monetary Fund (IMF), has called a 'new mediocre' period of persistent low growth.

Sentiment, of course, varies from region to region. CEOs in Central and Eastern Europe are especially downbeat (perhaps reflecting the impact of the Russia/Ukraine conflict), while in both Asia Pacific and the Middle East they're much more sanguine about global growth prospects.

It's not necessarily a question of looking at emerging markets, but about really understanding where we think we're successful, and where we can be successful...We actually feel we can grow almost as effectively in the mature economies as we can in the emerging markets.

John Neal

CEO, QBE Group, Australia

Increased production of shale gas may provide the United States with the possibility of being self-sufficient. Economically, it may no longer need to import oil and the money saved can be used for other purposes, giving a major boost to its GDP.

Christian Laub

CEO, Credicorp Capital, Peru

The struggle between the US-centric and China-centric spheres is already underway, and the world economy will be swayed by this new world order.

Atsushi Saito

Director & Representative Executive Officer, Group CEO, Japan Exchange Group, Inc., Japan

72%

of CEOs are concerned about geopolitical uncertainty

And it isn't clear-cut which markets offer the best opportunities. CEOs are broadly upbeat about established markets – notably the US (see Figure 3). For the first time since we first asked the question five years ago, the US has overtaken China as CEOs' most important overseas growth market. It's not hard to see why. National GDP is 7% higher than before the crisis, and more jobs have been created since that period than were lost. The US economy has also benefited from the fracking boom, and higher consumer spending is fuelling healthy corporate profits.

CEOs are also more optimistic about other mature markets compared to a year ago: the UK now ranks higher than Brazil; Japan is seen as a better prospect than Russia; and Australia has moved into the top-ten. Even the Eurozone – whose economy still hasn't reached its pre-crisis level and which remains a major threat to global growth – is inspiring more confidence this year. France, Italy and Spain have all moved up the ranks, and Germany retains its third-place position.

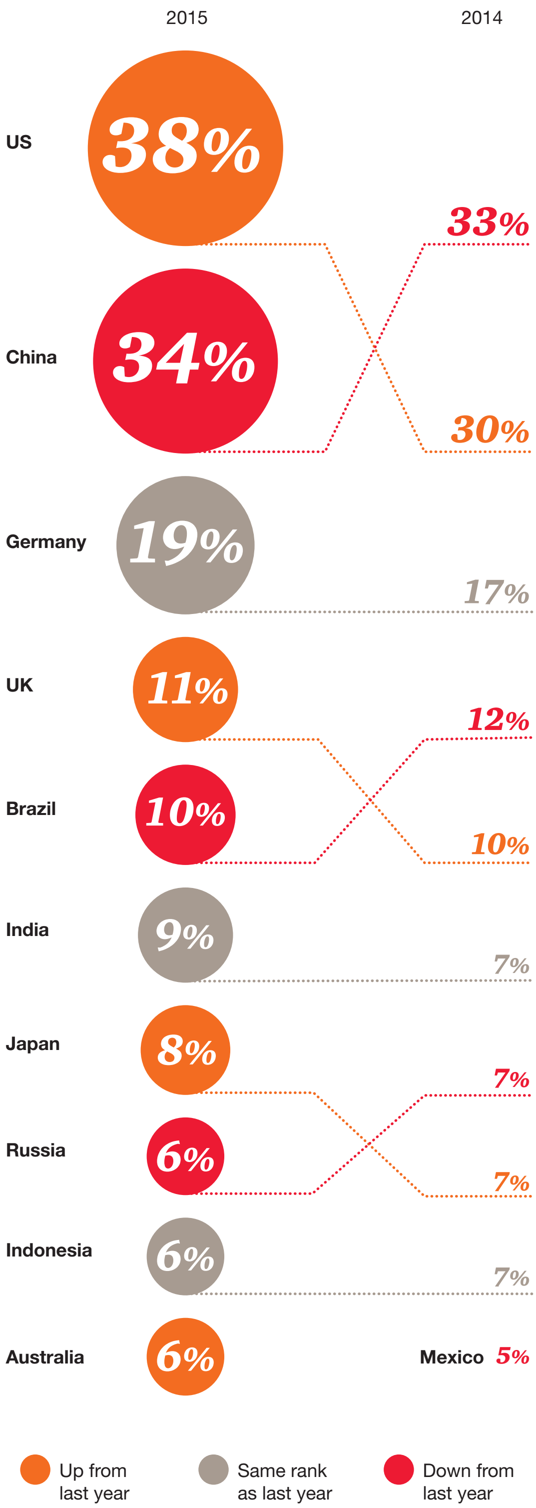
Doing business in the BRICS, on the other hand, continues to be challenging as those nations grapple with a mix of complex structural and political issues. But CEOs recognise the longer-term opportunities, with all of these markets remaining firmly in their sights.

In China, GDP growth has slowed somewhat – but it remains high relative to most other economies. The country clearly continues to be seen as a powerful global growth engine: CEOs are in no doubt that, when it comes to the most important overseas markets, it's still a two-horse race between the US and China. The IMF now estimates China's GDP to be bigger than that of the US, in Purchasing Power Parity (PPP) terms. And we think China will overtake both the US and the EU in terms of global GDP at market exchange rates just before 2030.

In India, hopes are running high, with reform-minded Prime Minister Narendra Modi now in power. The opposite is true for Russia, where falling global oil prices and Western sanctions have hit the rouble and the economy more generally, raising the spectre of a steep recession. Brazil is being impacted by weak investment and a relatively high-inflation, low-growth environment. And South Africa's economic growth has been hit by labour market disruptions.

Figure 3 **CEOs are more optimistic about mature markets this year**

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



Some other non-BRICS emerging markets continue to present growth opportunities for CEOs, however, notably Indonesia, which remains a top-ten overseas target this year. Mexico, although less favoured than last year, is also a top choice, as are Colombia, Korea and Vietnam.

Despite the significant differences in opportunities and risks between different emerging countries, youthful populations and a burgeoning middle class help make these markets generally an attractive opportunity for business. Indeed, the global emerging middle class could constitute an annual global market of some $6 trillion by 2021.[2] The challenge CEOs face is anticipating which nations offer the best opportunity for growth, given their fast-changing environments characterised by complex distribution systems and limited access to market information.

Causes for concern

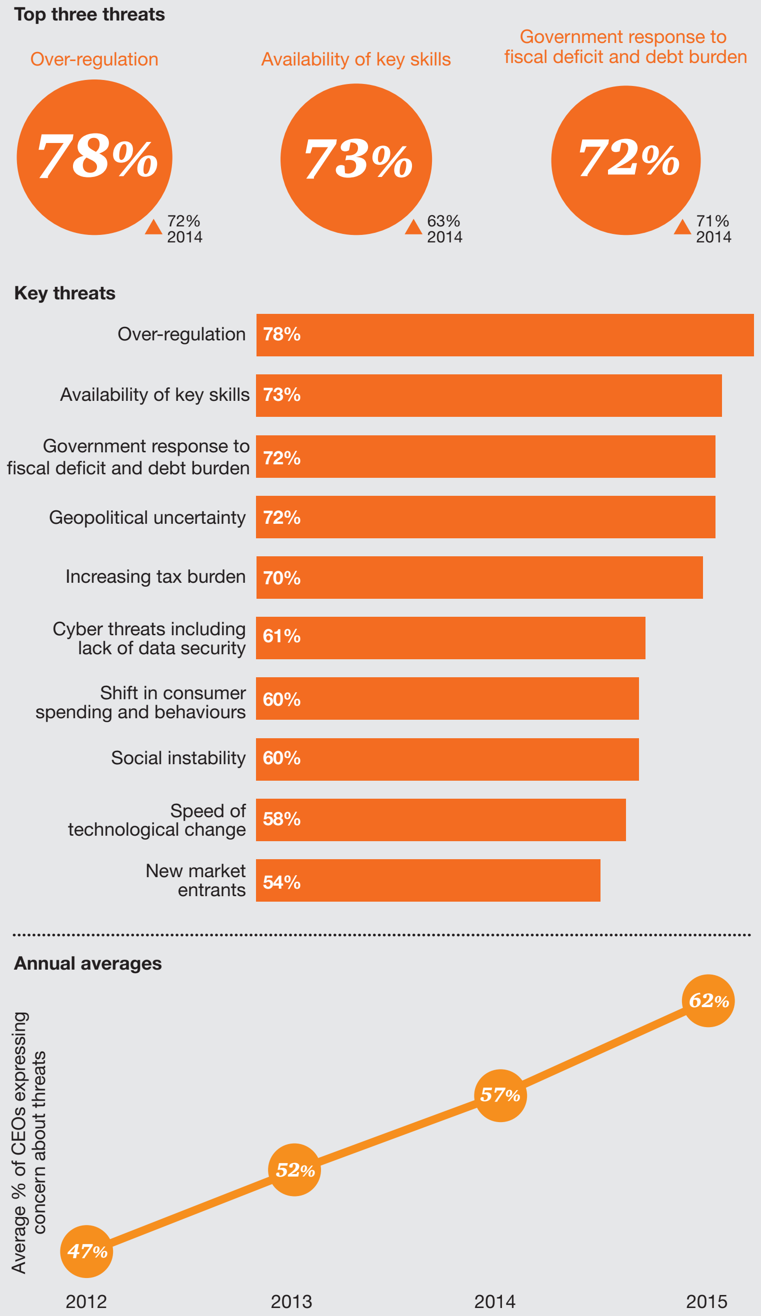
In addition to a challenging global growth environment, CEOs are grappling with a wide range of risks (see Figure 4). The top threat to business growth prospects is still over-regulation, cited by 78% of CEOs, up 6% from last year. National deficits and debt burdens and rising taxes also remain top threats. But concerns are coming from a variety of other places – many, for example, are anxious about geopolitical uncertainty and social instability.

In fact, CEOs are getting more worried about almost all the threats we asked about. Concerns about cyber threats have shot up most compared to last year – and, in light of the recent attacks on gaming and entertainment networks, the perceived risk will only increase. The speed of technological change and the availability of key skills are other threats that have seen a marked rise in concern from CEOs.

At a regional level, over-regulation and cyber threats are of most concern to CEOs in North America (see Figure 5). Asia Pacific CEOs are the most anxious about affordable capital, consumer behaviours, new market entrants and the speed of technological change. And CEOs in Africa are by far the most worried of the lot, across a range of threats as diverse as social instability, inadequate infrastructure, access to key skills, energy costs, and bribery and corruption – all significant barriers to the continent in realising its growth potential.

Figure 4 CEOs are getting more concerned about a wide range of risks

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

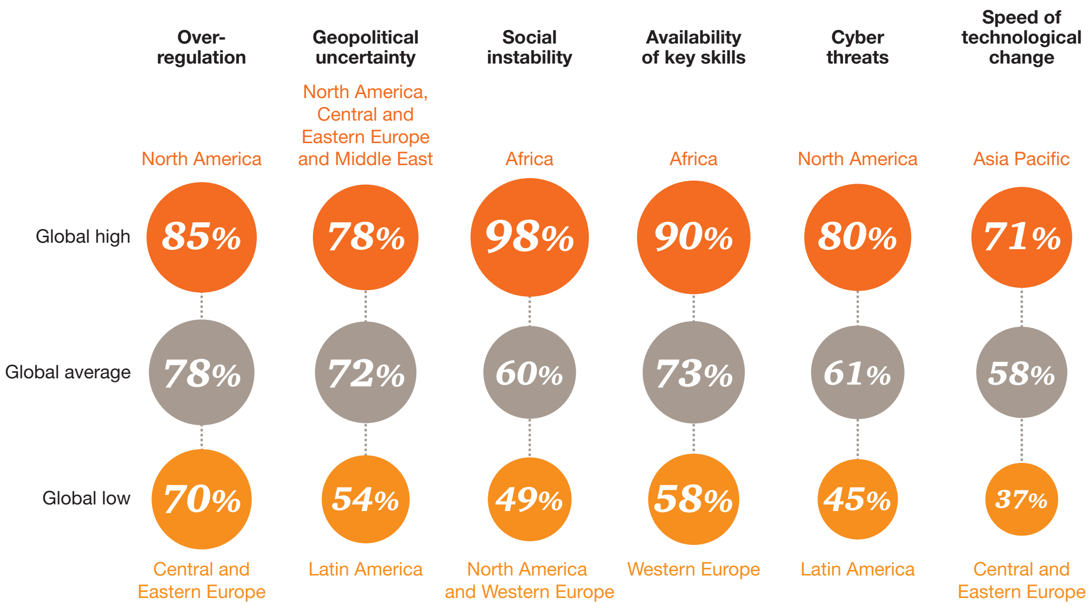


Base: All respondents (2015=1,322; 2014=1,344; 2013=1,330; 2012=1,258)

Note: Only those threats asked about in each of the past four years were included in this analysis. Those were: over-regulation, availability of key skills, government response to fiscal deficit and debt burden, increasing tax burden, shift in consumer spending and behaviours, high or volatile energy costs, protectionist tendencies of national governments, new market entrants, inadequate basic infrastructure and supply chain disruption.

Figure 5 Concerns vary by region

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



Getting to grips with disruption

Business leaders are also keenly aware that fundamental forces of change will impact their industries over the long term. Megatrends such as shifts in global economic power, technological advances and demographic changes – and the interplay between them – are transforming the macroeconomic landscape. As businesses respond to these shifts, the competitive environment across a broad range of industries is being disrupted. Rajiv Bajaj, Managing Director of Bajaj Auto Limited in India, sees disruption as an opportunity to be a pioneer, to create new categories for profitable growth, saying, "I don't know of any way of managing a disruption other than to be the creator of it."

Business leaders see regulatory change as the number one disruptor within their industries over the next five years (see Figure 6). Government policies – both national and international – are recurrent themes on the list of CEO concerns (see *What's the hold up?* on pages 16–17).

> *The challenge we and many others are facing is that it's very hard to know when exactly the disruption will become so big that you actually don't even survive without being part of that disruption.*
>
> Pekka Lundmark
>
> President & CEO, Konecranes Plc, Finland

Figure 6

CEOs see regulation, competition and customer behaviours as the top industry disruptors

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

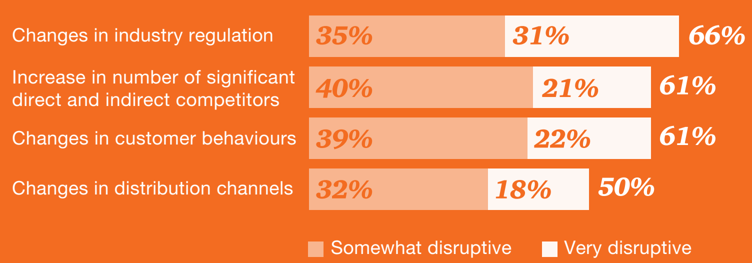
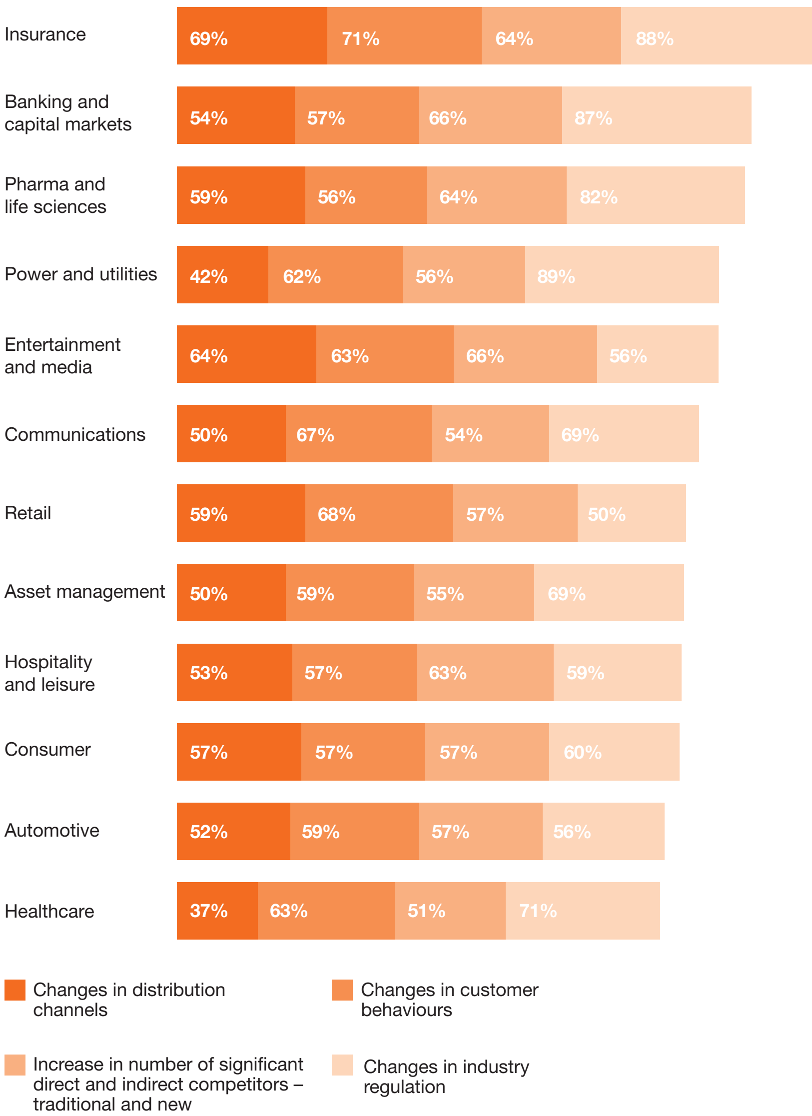


Figure 7 Different industries are being disrupted in different ways

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



Increased competition and changes in customer behaviours are also seen as top-three disruptive forces. The impact on CEOs' thinking is clear: those we spoke with were highly focused on the value their companies offer, in terms of meeting customer needs and differentiating from the competition.

Some industries are, of course, undergoing more upheaval than others (see Figure 7). Financial services industries are poised for greatest change, based on the views of CEOs in those sectors. Regulation, unsurprisingly, is the biggest driver of change. Technology also plays a key role, in terms of customer behaviours, competition levels and changes in distribution. In recent years, the traditional financial services arena has been upended by new entrants in the form of supermarkets and digital payments providers such as Apple Pay.

Tough questions about finding growth in a disrupted world

What changes are you making to your growth strategy in emerging and frontier economies to take into account key structural and political issues in these countries?

How is your growth strategy in mature markets changing as these nations continue to see economic improvements?

How widely are you looking to see how your industry could be disrupted? How well are you assessing the impact of cross-sector competition, emerging business models and new technologies, for example?

In what ways are you using information to assist in making strategic and risk decisions?

What business are you in?

In the face of an ever-growing set of concerns, the question CEOs are asking is this: How do we manage the day-to-day business while having the confidence and vision to explore a much wider range of opportunities than we've ever considered before?

Rethinking customer value

In these extraordinary times, businesses that want to grow profitably must rethink how they create value for customers. Operating within traditionally defined demographic segments, channels, product/service offerings, geographies or industries increasingly doesn't work. Customers today defy classic notions of what drives their purchasing decisions.

Customer relationships are now much more fluid: they're moving from one-off transactions toward broader and longer-term experiences that can span different product and service offerings, channels, countries and sectors. Companies are, in short, increasingly focused on customer problems – and looking at how the organisational capabilities that differentiate them can be used in cross-disciplinary ways to solve those problems.

54%
of CEOs have entered a new sector or sub-sector, or considered it, in the past three years

In the past, competition was only within [the] sector. Entry to [the] banking sector was highly costly and almost impossible. However, digital dynamics began to undermine barriers to entry. In this respect, competitors may emerge from any industry, such as technology companies, telco, retailers, social networks, even start-ups.

H. Faik Açıkalın
CEO, Yapı Kredi, Turkey

As Dong Mingzhu, President & Chairwoman of Gree Electric Appliances Inc. of Zhuhai, in China, explains, "We used to win market share by doing a better job than our competitors with existing products. I think this is [the] wrong approach. We shouldn't care too much about what our competitors are doing. We need to focus on what consumers want."

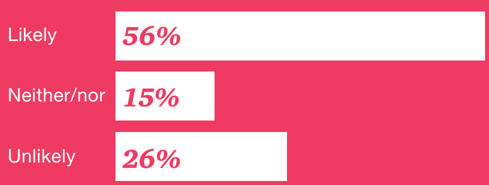
The focus on customers, rather than traditional competitive boundaries, is broadening the field of competition. Indeed, forward-thinking CEOs are increasingly questioning just what business they're really in. It's also actively taking businesses into adjacent or completely new sectors. More than half (56%) of CEOs think it likely that companies will increasingly compete in new industries over the next three years (see Figure 8). Three in ten have entered a new sector or sub-sector in the past three year and 21% have considered doing so.

It's not just large conglomerates moving into other industries. Over half (51%) of the smaller firms we polled, with revenues up to $100 million, have entered a new sector or sub-sector, or considered doing so, within the past three years, compared with 64% of the largest firms, with revenues of over $10 billion.

Figure 8

Over half of CEOs think that cross-sector competition will become more common

Q: How likely do you think it will be that organisations will increasingly compete in new sectors other than their own, over the next three years?



Cross-industry moves aren't a new phenomenon, of course. Corporate history is packed with stories of companies that shifted focus to take advantage of new market opportunities. Nokia, for example, famously began life as a paper mill. But what the digital age has done is supercharge the opportunities for business transformation and demonstrate how vulnerable companies are if they don't understand what their customers want.

What will this shift in market strategy mean for business as a whole? The companies that best adapt to meet their evolving relationship with customers will have to embrace fundamental changes in their organisations' DNA rather than approach it as a marketing and brand-positioning exercise. And, as organisations increasingly define their own unique competitive spaces, CEOs must carefully manage how they diversify.

A few key capabilities

A desire to be close to the customer can conflict with the desire for efficiency and focus. It brings increased complexity, for one thing, due to the need for customisation or to align the customer experience across channels, products or industries. It also requires investment to enhance capabilities.

Companies that can successfully manage the tension between breadth and focus will be those that use their differentiating capabilities as the basis for expansion. They will be those that diversify by extending their value chains rather than creating new ones; those that look at their own unique strengths to determine the competitive spaces they can thrive in; and those with strong coherence between their capabilities, value proposition and portfolio of product/service offerings.

56%

of CEOs think competition will increasingly come from other sectors or sub-sectors

We will hire professional companies to advise us on restructuring, so that in the next five to ten years [we] will become a leading construction material distribution corporation, rather than a corrugated steel production corporation, as we are at the moment.

Le Phuoc Vu

Chairman, Hoa Sen Group, Vietnam

The metro train is in itself a competitor for the two-wheeler maker. There is no doubt that a metro coming up in Delhi has in some way affected demand for motorcycles.

Rajiv Bajaj

Managing Director, Bajaj Auto Limited, India

Indeed, some moves into different sectors may seem entirely unexpected, until assessed from a capabilities perspective. One example is CEMEX, the Mexico-based cement company that has moved into microfinance in emerging countries and infrastructure solutions globally, drawing on strong relationship building and innovation capabilities to do so. Another is Danaher, which has acquired many companies in sectors as diverse as dental tools and environmental metrics. The success of these businesses is driven by the highly effective and speedy deployment of the Danaher Business System, a continuous cycle of change and improvement – one of the company's key capabilities.

There's evidence that focusing on a few capabilities is key to successful growth strategies. PwC studied Fortune 500 companies that exhibited signs of long-term revenue declines since 2009 and found successful recoveries were closely tied to defining and rebuilding existing capabilities.[3]

To be sure, however, the ability to diversify in a focused way presents significant challenges. There are hard decisions to be made between which of potentially numerous growth strategies make the most economic and competitive sense. And what constitutes a coherent strategy may not be immediately obvious when CEOs consider the myriad ways their business could be disrupted in the longer term.

No matter how CEOs choose to rethink their capabilities, there are three factors they've told us are vital for success:

1. Creating new value in new ways through digital transformation
2. Developing diverse and dynamic partnerships
3. Finding different ways of thinking and working

Companies that can effectively combine these highly interdependent approaches around simple yet powerful value propositions will be positioned as winners in the new competitive landscape. A good example is Konecranes Plc, which started life as a traditional machine builder in Finland before broadening its proposition to become a service company. President & CEO Pekka Lundmark says, "It's a fundamental principle in our thinking that if you want to be a successful service company, not only a machine builder, you have to start your service strategy creation from the customer's problem and not from your machine. And the customer's problem is unrelated to the fact of whose equipment they are using."

By marrying digitalisation with its machine-building business, and partnering with IT and data networking and analytics companies, Konecranes Plc is able to meet customer needs through a new generation of lifting machinery that's intelligent and networked. And, by enabling customers to track and improve the productivity of their lifting equipment, Konecranes Plc has transformed its operations into a world-leading provider of productivity-enhancing lifting solutions. The final ingredient for Mr. Lundmark is a widening pool of talent: "I think it's very clear that to be able to be successful in the future, in this marriage between IT and machine builders, the globalisation of the economy will mean that our workforce will be much more diverse."

In the following pages, we'll explore each of the three approaches that CEOs think can help achieve competitive advantage.

Tough questions about rethinking capabilities

What do your customers really value, and how do your organisation's differentiating capabilities deliver that value?

How are you learning from other industries to solve customer problems in your own industry?

Are you considering how your organisation's key strengths can be leveraged to solve customer problems in other industries?

What business are you really in?


Avenida
9 de Julio

What's the hold up?

The emerging competitive landscape reveals the tension between the conditions needed for businesses to thrive and the existing framework of national and international standards and regulations within which they operate. New models of competition – cross-sector, networked and decentralised – are straining against policies designed for a different world. And while global businesses are more connected than ever before, geopolitical trends seem to be moving in the other direction.

David I. McKay, President & Chief Executive Officer of RBC, speaks for his peers on the emerging tensions as industry boundaries transform. "I hear a number of CEOs talk about, well, the regulatory barriers that we have [that] are so high. (Just wait till the Googles of the world and the Apples have to comply as a bank…)".

But Mr. McKay warns against waiting for that day to come. "Their [technology competitors] goal is not to become a bank and walk in our shoes. Their goal is to take our shoes and throw them out and give a new set of shoes to the customer. So I think regulatory barriers buy us time, but we can't hide behind them because our competitors are trying to take them down or trying to build a whole new wall over here. So I think those are two critical things we have to think about as bank CEOs and how to evolve our franchise."

It's no surprise that government policies are such a big issue for CEOs. This year over-regulation again tops the list of threats they're most concerned about, and business leaders see regulatory changes as the prime disruptive trend in their industries over the longer term. Many CEOs are also worried about the mounting tax burden. And while two-thirds think their government's top priority should be an internationally competitive and efficient tax system, just 20% say their government has been effective in achieving this.

Technology flies around the world very fast today and so to benefit fully from it we need to make sure that products and systems can do the same, with as much free trade as possible, and barriers as low as possible.

Olof Persson

President & CEO, The Volvo Group, Sweden

On the global front, freer movement of people, capital and ideas would clearly be a competitive boon, as would the ability to simplify complex corporate structures and operations. But CEOs are divided as to whether collaboration between governments or between public and private sector is improving the ability for businesses to compete across borders (see Figure 9). Forty-three percent, for example, see greater movement of skilled labour between markets but 45% do not believe this is the case. It's evident that companies are struggling to navigate through different tax and regulatory regimes.

Getting government and business on the same page clearly requires collaboration of a different sort.

Part of this is a change in mindset, starting with the ability for business and government to understand each other's perspectives. Business leaders clearly accept the need for regulation, but want it to be more effective in how it's designed and implemented. Governments, meanwhile, understand the need for better regulation but must deal with a legacy of policies designed to address very real problems of the past. Responding to business excesses in the wake of the financial crisis is a case in point: the large body of regulations put in place at the time were an answer to societal demands and a means to create a badly-needed trust mechanism. Policymakers must also navigate the tension between the need to raise revenues – particularly to tackle debt and deficit issues brought on by the crisis – and the desire to attract and retain investment.

Creating mutual trust is also key to ensuring more balanced policy outcomes. Rather than an exercise in damage limitation, collaboration with government can strengthen the ecosystem of partnerships that businesses need to effectively leverage their capabilities. Working together as true partners, businesses can engage in continual dialogue with policymakers, bring proposals to the table and help to craft solutions that are proportionate, accountable, consistent, transparent and targeted.[4]

Moreover, the private sector could be doing more to anticipate regulation and get ahead of it. A food company claiming health benefits could self-regulate its marketing and disclosures, for example; while a technology player that facilitates financial transactions could self-regulate its information security.

Heading off potential regulatory concerns is plainly the best first option; government intervention is often driven by the perception that the right behaviours don't exist in the marketplace. Anticipatory actions would also go a long way towards protecting reputation and maintaining customer trust. Of course, getting ahead of regulation has its own concerns; getting too far ahead risks committing the organisation to unnecessary or ineffective measures.

The more breakthrough innovations it takes to market, the better a company's economic prospects will be. At the same time, one should carefully compare the benefits of a specific technology against the potential threats. So, it's a great responsibility for the regulators. Regulation must simultaneously be very rational while also not getting in the way of progress.

Alexey Repik

Chairman of the Board, R-Pharm, Russia

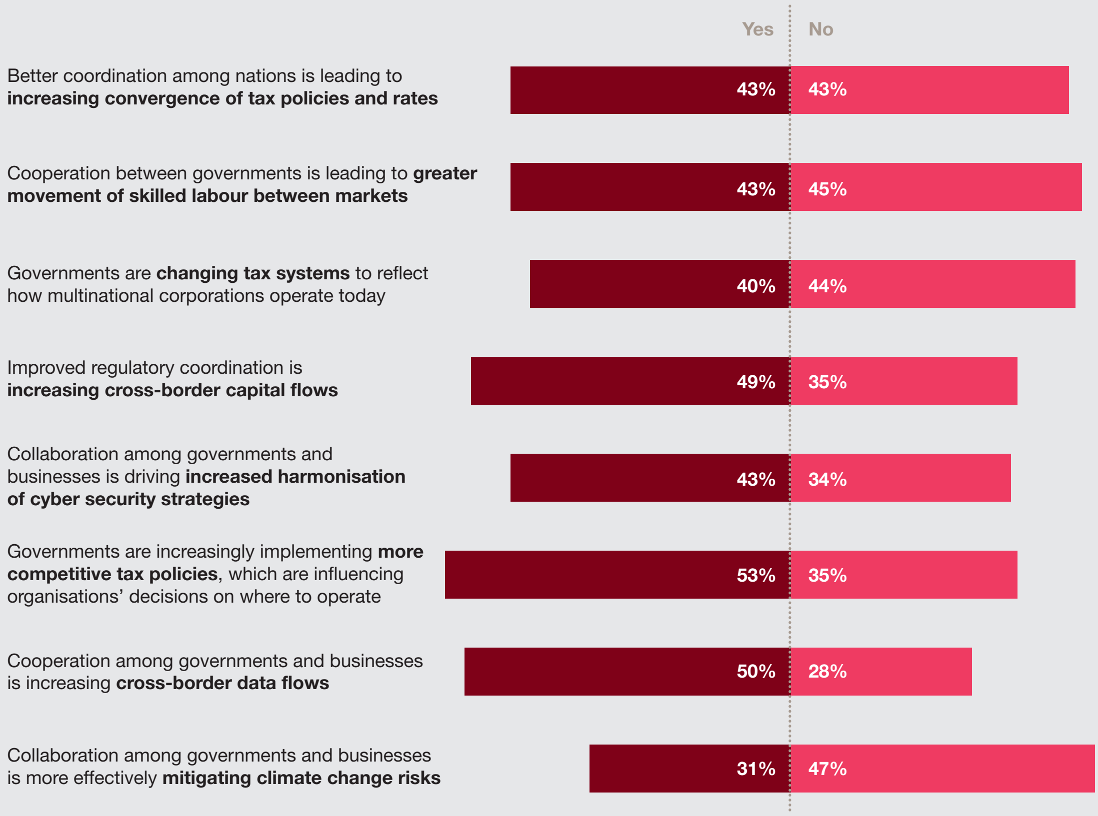
I think there are some other good signs in the markets that we're working in that [they] are becoming freer, they're becoming more transparent. And generally I think there's a lot going on in that world trade is becoming freer as well.

Andrew Mackenzie

Chief Executive Officer, BHP Billiton, Australia

Figure 9 CEOs are on the fence as to whether international collaboration is increasing

Q: Are you seeing changes in international policies and regulations in the following areas?



Creating new value in new ways through digital transformation

CEOs no longer question the need to embrace technology at the core of their business in order to create value for customers. Beyond a shadow of a doubt, digital technologies have revolutionised how customers perceive value. Creating the personalised and ongoing experiences that are increasingly in demand requires a full view of the customer and all their relationships with the company. It requires an unprecedented level of customisation, responsiveness and innovation.

Doing all this effectively just isn't possible by tinkering at the edges. Companies increasingly recognise that they need to reconfigure their operating models – and perhaps their business models. And in order to do so they need to ensure that they're not only investing in the right digital technologies, but can deploy them in a smart and effective way.

As Michael Dell, Chairman and Chief Executive Officer of Dell Inc. says, "The instinct when something new shows up is to say, 'How do we bolt this on to the old way we were doing it and deliver some incremental improvement?'." That's the wrong way of approaching the challenge, he explains. "What you really have to do is rethink the problem and say, 'Now that we have all these new tools and new techniques, how can we solve the problem in a fundamentally different way?'."

Any company, to survive in the current environment and into the future, has to be at the forefront of technology.

Alan D. Wilson

Chairman, President and Chief Executive Officer, McCormick & Company, US

[Communications technology] represents an enormous change in the way we work and will ultimately lead to shorter stays at the hospital.

Rita Ziegler

President of the Hospital Executive Board, University Hospital Zurich, Switzerland

We see that new technology is impacting how quickly and efficiently we are able to drill and complete wells. It also impacts on cost at the end of the day.

Abdulrazaq Isa

CEO, Waltersmith Group, Nigeria

Suddenly, those of us who use the internet, for example... are dinosaurs compared to the next generation. They use mobile. I can see it in our mobile bank [where] clients have interactions almost every day; [in] the internet bank [it's] maybe once a week or once every second week. And how often do they actually enter a branch? The average in Sweden is once a year.

Annika Falkengren

CEO, Skandinaviska Enskilda Banken AB (SEB), Sweden

81%

of CEOs think mobile technologies are strategically important for their business

The art of understanding

CEOs are in no doubt about the role information can play in gaining insight about customers and how to engage with them.

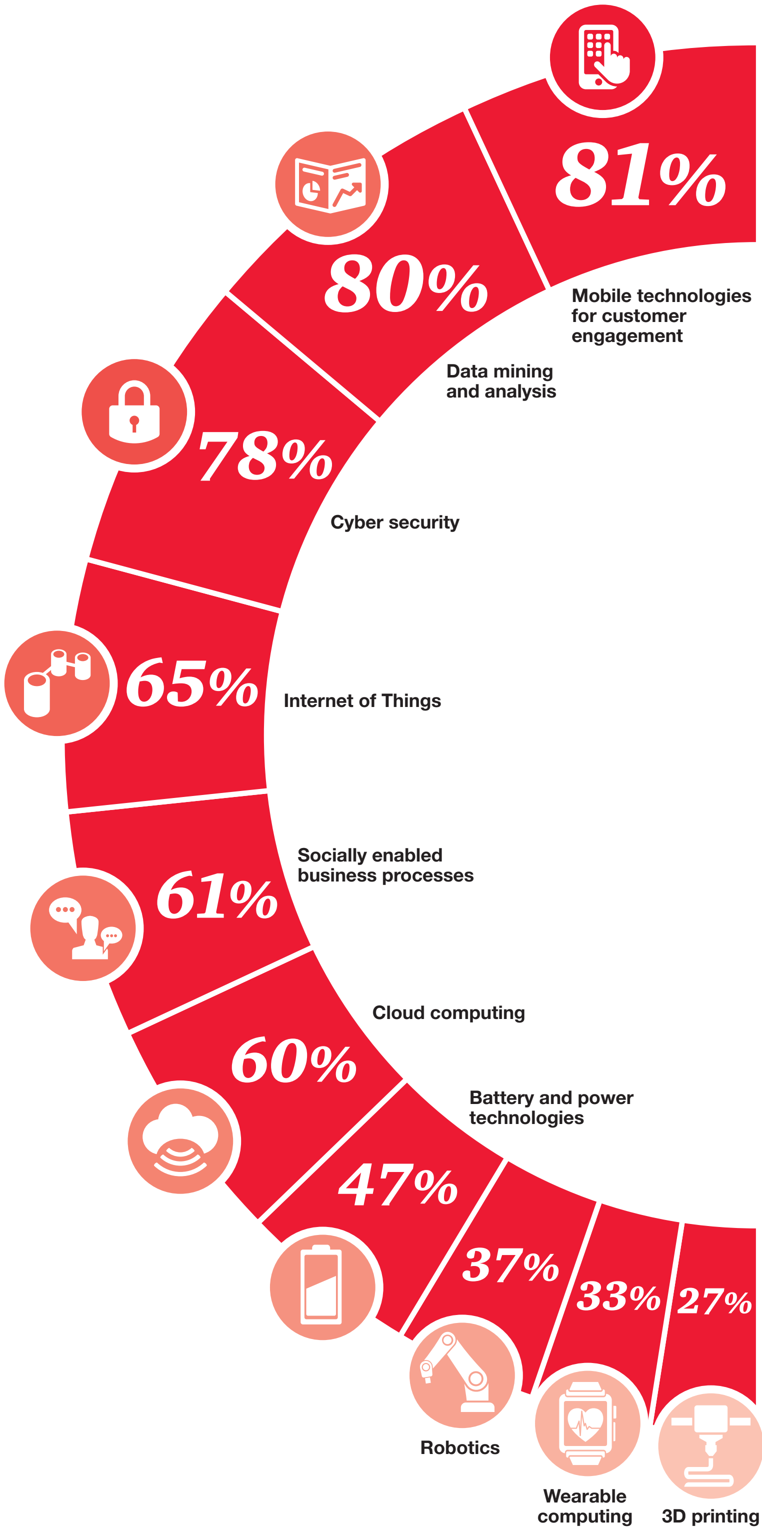
Mobile technologies have been around for decades, but the sheer ubiquity of mobile devices today has revolutionised customers' ability to obtain information. The number of mobile phone users globally was expected to total 4.55 billion in 2014 – nearly 70% of the world's population – with smartphone users totalling 1.75 billion.[5] The volume of mobile traffic generated by smartphones is now about twice that of PCs, tablets and routers – despite having only surpassed them in 2013[6] – and is predicted to grow ten-fold by 2019.[7]

Access to information has, in turn, transformed how customers perceive value and the type of relationships they want to have with companies. So it's understandable that 81% of CEOs see mobile technologies for customer engagement as most strategically important for their organisation – more than any other digital tool (see Figure 10). But companies that want to exploit the power of mobile technologies to engage customers face tough choices about how, and how fast, to move to mobile channels and how to integrate those with more traditional channels.

Data analytics, meanwhile, has transformed the ability of companies to access, analyse and circulate information about their customers, and use that information to create the type of relationships that their customers want. Indeed, there's evidence that companies that can most effectively use analytics to inform demand-side decisions about business processes outperform those that can't.[8] Small wonder, then, that 80% of CEOs cite data mining and analysis as strategically important.

Figure 10 **Getting, analysing and using information is key to the current and emerging technologies that CEOs see as most important**

Q: How strategically important are the following categories of digital technologies for your organisation?



The data is great, the information is better, but how you use it as leaders is the most important thing.

Dr. Marc Harrison

Chief Executive Officer, Cleveland Clinic Abu Dhabi, UAE

Technology allows us to gather information, know our consumers better, speed up informed decision-making, and improve the quality of everything we do. Our manufacturing facilities are computer-controlled in ways that allow us to make rapid production changes according to market needs. Our track and trace system capabilities prevent product falling into the hands of illicit traders. Our internal networking systems keep 27,000 people in 364 offices around the world in constant contact. It's powerful stuff.

Thomas A. McCoy

President and Chief Executive Officer, JTI (Japan Tobacco International), Switzerland

Companies, however, face challenges in their ability to effectively leverage data analytics tools. For one thing they're not using analytics enough. It's been estimated that 23% of all digital data generated annually would be useful if tagged and analysed – yet at present, just 3% of it is tagged and 0.5% analysed.[9] Then there are issues about data quality, information overload and a continuing lack of trust in the value of digital data. UK business executives who were polled about how they make big decisions, for example, ranked their own intuition and experience, as well as the advice and experience of others, above data and data analytics.[10]

When companies do invest in digital technologies to deliver what customers want, that commitment would appear to be bearing fruit. The majority of CEOs think that digital technologies have created high value for their organisations in areas like data and data analytics, customer experience, digital trust and innovation capacity (see Figure 11).

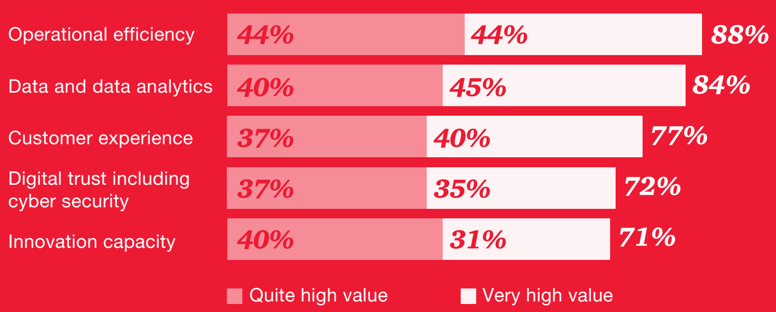
It's in the area of operational efficiency that CEOs are seeing the best return on digital investment. Eighty-eight percent think value has been created in this area, with half of these CEOs seeing 'very high value'. The transformation of cost structures is a symptom of the digital transformation that companies are undergoing as they align their business and operating models to new ways of delivering stakeholder value. Indeed, 71% of CEOs also tell us they're cutting costs this year – the highest percentage since we began asking the question in 2010.

After having put significant funds into IT over the years, CEOs now also want to see a strong connection between digital investments and business objectives. 86% say a clear vision of how digital technologies can help achieve competitive advantage is key to the success of digital investments (see Figure 12). And 83% say the same for having a well-thought-out plan – including concrete measures of success – for digital investments. But CEOs also know it can't happen without them: 86% think it's important that they themselves champion the use of digital technologies.

Figure 11

Digital investments to create customer value are paying off – with a positive impact for cost structures too

Q: To what extent are digital technologies creating value for your organisation in the following areas?



Once more into the security breach

The central role of information places cyber security squarely on the CEO agenda, particularly given the series of high-profile hacks over the past year. With vast quantities of their information readily accessible around the clock, customers expect a certain amount of privacy and confidentiality. How companies honour this will mean much for their ability to engage with and retain customers, and build brand value.

Yet in a recent PwC poll of consumers, 24% said that their trust in companies' ability to protect their personal data had declined over the past 12 months.[11] Cyber security incidents are now so commonplace that the number of detected incidents soared 48% in 2013 to 42.8 million.[12] In the past year virtually every industry has been impacted, with many incurring significant costs as they seek to manage and mitigate the breaches.[13] Small wonder, then, that concern about cyber security has seen the biggest increase of all the potential threats we asked business leaders about, with 61% of CEOs citing concerns compared with 48% a year ago.

But while we expect cyber security issues to continue to be a growing threat, organisations are adapting to this new reality: CEOs see cyber security technologies as a top-three most strategically important type of digital technology for their organisation. And 53% think it's 'very important' strategically – a higher proportion than for any other type of digital technology we asked about.

The real benefit of cyber security isn't just in defending value. It's about creating new value by enabling the trust that's so central to doing business today. Cloud technology, for example, has elevated security concerns; the key to demonstrating the Cloud's true value is to make it really secure. It's encouraging, then, to see that the requisite shift in thinking seems to be underway, with 72% of CEOs seeing digital technologies as creating value in the area of digital trust.

Figure 12 CEOs think that a clear vision and plan – and their own support – are key to the success of digital investments

Q: How important are the following factors in helping your organisation get the most out of its digital investments?

Digital technology, as well as the changes resulting from the disruption it causes, is a big topic and a big challenge for the future. However, it also creates opportunities. What's important is that we provide the right conditions for our people to be able to integrate the knowledge of new digital technologies in order to understand and confront the challenges created by them.

Monique F. Leroux

Chair of the Board, President and Chief Executive Officer, Desjardins Group, Canada

Identifying the potential of technology

Given technology's increasingly integral role across business sectors, the ability to harness it effectively is becoming a key differentiating capability, presenting opportunities for those who can – and threats for those who can't.

Significant numbers of CEOs see technology as a key vulnerability for their organisations. Concerns about the speed of technological change saw the second biggest increase of all the threats we asked about, with 58% of CEOs expressing anxiety, compared with 47% last year. The pace of change is inescapable: less than a decade after its initial public offering, Google's revenue soared from $3 billion to $60 billion. CEOs are concerned, too, about the ability of new entrants to exploit weaknesses in technological capabilities: 32% name technology as the sector from which significant competitors are emerging – far more than those who name any other sector (see Figure 13).

Yet for companies in which technology is a strength, there are significant opportunities for growth. The CEOs who told us that there are more opportunities for their business today than three years ago are more likely than those who see greater threats to place strategic importance on a range of digital tools, and to have derived high value from them.

Boundaries across industries are becoming more and more blurred, because computing technology, digital technology is having such a profound influence on every industry...The next generation of successful companies, whether they are transformations of existing companies or completely new ones that emerge, will come at this intersection of taking traditional processes and activities and completely rethinking them...

Dr. Vishal Sikka

Chief Executive Officer
& Managing Director,
Infosys, India

Figure 13 CEOs see the technology sector as the main source of cross-sector competition

Q: From which industry or industries outside of your own do you think a significant competitor is emerging or could emerge?

15%
of CEOs who have entered,or considered entering, into a new sector or sub-sector have chosen technology

Opportunities to leverage technological competencies are also taking companies into other sectors. The technology industry, together with the healthcare, pharmaceuticals and life sciences industry, is the single biggest sector outside their own that CEOs are targeting: 15% have entered this arena, or considered doing so, in the past three years. While it's mainly technology companies targeting other sub-sectors, companies from completely different industries – for example banking and capital markets – are also looking to bring their capabilities into the technology arena.

However, it's the ability to see the opportunities that technology enables that will unlock the true value of those investments; it's not just access to increasingly affordable tools and platforms that defines leaders and laggards. For example, while nearly every organisation lays claim to being a digital enterprise, only 20% of respondents in a recent PwC survey rated their company as having excellent Digital IQ, defined as how well they understand the value of technology and weave it into the fabric of their organisation.[14]

The time is clearly ripe for partnerships between those who have technological prowess and those who don't.

Tough questions about creating new value in new ways through digital transformation

What technologies do your customers, partners and other stakeholders use and value, and how do they use those technologies?

In what ways does your business and operating model need to change to fulfil evolving customer needs?

What are you doing to ensure that you're investing in the right digital technologies – and using them most effectively?

How are you maximising the use of data analytics to deliver customer value?

How are you ensuring that your information assets are as secure as possible?

Developing diverse and dynamic partnerships

As CEOs increasingly focus on what they're good at, they're looking to partner with others whose capabilities could complement or enhance their own. Fifty-one percent plan to enter into new strategic alliances or joint ventures over the next year – the highest percentage since we began asking the question in 2010.

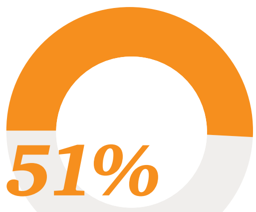
The CEOs we spoke to repeatedly stressed the strategic importance of partnerships. They've played a vital role in the development of the hybrid plug-in buses that The Volvo Group recently launched, for example. "We didn't have the knowledge about charging stations... advance traffic management systems and... how to integrate this in the city structures that we have," says President & CEO Olof Persson. "We have a great product, but by partnering with those who have that additional knowledge we could actually get the product to market faster."

Technology is eroding the minimum requirements needed for a firm to exist. Today's nimblest competitors are 'lighter' firms with simpler value propositions, a tighter set of core competencies and fewer assets. For companies looking to move in this direction, partnership networks have an important role to play in bolstering capabilities. This is especially the case as organisations increasingly seek to create new value by solving problems in more innovative ways.

At one stage our organisation was in 18 products in the international investment community. What we've found is we're really good at five things and those are the things our customers are open to. They value our expertise in those areas; they never saw us as great at 18 things. So if those other 13 can be provided by somebody else, we would consider partnering with them. I think that's where [the] point about doing all things for all people comes in. I don't think you can...

Ross McEwan

Group Chief Executive, RBS, UK



51%

of CEOs will enter into new alliances in the coming 12 months

We follow that guiding principle of focusing on our own strengths and growing those hard and fast, and then partnering in areas where we are possibly not that good.

Theo Spierings

Chief Executive Officer, Fonterra, New Zealand

Go tech young man

Crucially, CEOs aren't only partnering to expand markets, cut costs or share risks. Access to new customers and access to new and emerging technologies were both top reasons for partnering, cited by 47% of CEOs (see Figure 14). The ability to strengthen innovation capabilities is also a key driver, cited by 40% of CEOs. We've found that companies that looked to outside sources for innovation ideas were more likely to be top performers in terms of revenue growth, profitability and innovation.[15]

Investment partners in France and Japan have helped Phnom Penh Water Supply Authority (PPWSA) improve their operations. "Thanks to technology and various applications, including our software package from France, we have streamlined our processes for issuing bills." Helping to adopt metering technology, meanwhile, has helped the Director General of PPWSA, His Excellency Sim Sitha's operations in Cambodia to reduce water loss from 72% to 7%, the lowest in South East Asia after Singapore.

Figure 14

Access to new technologies is a top reason CEOs want to partner

Q: What are your reasons for collaborating in joint ventures, strategic alliances or informal collaborations?

Access to new/ emerging technologies	47%
Access to new customers	47%
Access to new geographic markets	42%
Ability to strengthen our innovation capabilities	40%

Note: % of respondents who ranked each option 1st, 2nd or 3rd

If you have unlimited resources – and I don't know any company that does – you can try to go it alone and take time and build products. But if you want to accelerate what you're doing, it's better and easier with a partner that understands the market.

Alan D. Wilson

Chairman, President and Chief Executive Officer, McCormick & Company, US

54%

of CEOs rank access to new technologies as their number one reason for partnering

When partnering with technology companies, it's a broader area, including big data, sensors, and computing. Therefore we are beginning to understand how technology companies and healthcare companies like Johnson & Johnson can collaborate and create value.

Joaquin Duato

Worldwide Chairman, Pharmaceuticals, Johnson & Johnson, US

Unlikely alliances

What's more, CEOs are starting to develop diverse collaborative networks. True, most still work mainly with more traditional stakeholders: 69% are partnering or have considered partnering with suppliers, for example. But two-thirds are also doing so with customers – GE and Unilever both have 'Open Innovation' initiatives to develop new business ideas and ways of collaborating with customers and consumers, for example. Such partnerships can help drive innovation, with evidence suggesting that the most innovative companies co-create almost twice the proportion of their new products and services with customers than the least innovative.[16]

Furthermore, half or more of CEOs are partnering, or have considered partnering, with business networks, firms from other industries, academia or even competitors (see Figure 15). Forty-four percent of CEOs are working with start-ups, and at least a third with government and NGOs. Indeed, 44% of CEOs plan to work with their governments to develop a skilled and adaptable workforce over the next three years. Twenty-seven percent want to collaborate with government to create a more competitive and efficient tax system. And almost as many will be collaborating to develop an ecosystem that drives innovation.

The competitor theme is a very interesting one because I don't believe in competitors, I only believe in colleagues that act together...to bring us more business opportunities.

Oscar Farinetti

Founder and Creator, Eataly, Italy

If one thinks about capability development, leadership development, collaboration with the world of academia and universities is extremely important. So it's not just about the technology [or] expanding your service offering, but nowadays it includes [almost] the whole value chain of a company, while naturally you need to be very good [at] the core with one's own competencies.

Kimmo Alkio

President & CEO, Tieto, Finland

Figure 15 CEOs are starting to build diverse collaborative networks

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?

More diverse networks, however, create greater complexity. Stakeholders now wear multiple hats; customers, for example, can now be suppliers or partners at the same time. This has implications for how companies think about, and engage with, their partners – switching between competing and collaborating with peers for example. And it has implications for how companies manage the multiple relationships they can have with a single stakeholder; the ability for different teams to engage in a consistent way is becoming increasingly important.

The ability to effectively develop and manage much larger, more dynamic and more diverse networks of partners will be a hallmark of success in the new competitive environment. We believe the most effective ecosystems will bring together established firms, start-ups, individuals and networks of individuals, and public, private and third sector organisations. They'll utilise different types of contractual arrangements, whether short- or long-term, formal or informal. In short, such ecosystems will have the ability to take on the role that internal business functions currently play.

The power of such diverse partnerships cannot be underestimated as a means of generating new perspectives and solutions. In the European Union, for instance, the formation of new industry clusters is being encouraged as a means to promote competitiveness abroad, with big companies partnering with smaller ones, and businesses collaborating with governments, customers and academia.[17] And in emerging markets, with complex and fragmented routes to market, a flexible strategy that relies more on getting the right local partner and less on control and visibility is key.[18]

How can you create successful partnerships?

Finding innovative ways to build relationships that are beneficial for all parties is vital to success. Cooperation can take on forms other than price as partners within a network become more interdependent. During the financial crisis, for example, Toyota's suppliers were unable to borrow money, so Toyota did it on their behalf, both increasing the total value of that ecosystem and enhancing the quality of their relationships.

Such new systems of interaction – with checks and balances – will become increasingly important, with trust being central to success.

Ultimately, the ability to harness the power of technology for collaboration will be key to creating and managing effective partnerships. 77% of CEOs say that digital technologies are creating value for internal and external collaboration. We believe the use of social media, for example, will be critical in facilitating the free flow of information within collaborative networks and in allowing idea generation to become distributed. Already many companies use online platforms to develop new products and services, or to improve supply chain and sourcing relationships. Statoil and GE, for example, created crowdsourced marketing campaigns to fuel innovation, while Nike developed a mobile app to share its sustainable production and material standards with the greater design community. Having common standards and protocols, however, will be critical in enabling widespread collaboration using digital tools.

Tough questions about developing diverse and dynamic partnerships

How are you leveraging partnerships to enhance your organisation's core capabilities?

What types of organisations are you collaborating with? Do they include those outside your industry, or those outside the private sector?

What can you learn from your collaborative networks in order to deliver new value to customers?

How are you ensuring that your partnerships are mutually beneficial and aligned in objectives?

In what ways are you harnessing the power of collaborative technologies?

Finding different ways of thinking and working

Views about diversity and inclusiveness seem to have reached a tipping point. No longer are they seen as 'soft' issues, but rather as crucial competitive capabilities. Of the 64% of CEOs whose companies have a formal diversity and inclusiveness strategy, 85% think it's improved the bottom line. And they also see such strategies as benefiting innovation, collaboration, customer satisfaction, emerging customer needs and the ability to harness technology – all vital capabilities for success in the new competitive environment.

The right mix of talent

Having a good mix of talent – and the ability to alter the mix depending on business needs – is critical as companies look to apply their capabilities in more innovative ways, partner successfully and harness technology effectively. These approaches require people who can think and work in highly different ways: those who can imagine and those who can implement; all-rounders and deep specialists; as well as those who can lead cross-functional, cross-sector, cross-cultural initiatives. Equally important are people who can adapt the way they think and work, as circumstances require.

We want people in the company that have differing ideas, differing experiences, differing opinions, because we need to solve our customers' problems. The only way you do that in a world-class way is to bring a variety of people together and utilise their collective know-how. Diversity and inclusion will make us that much more competitive in the marketplace.

Denise Ramos

Chief Executive Officer and President, ITT Corporation, US

Cultural differences help us progress in areas such as governance and innovation.

Jean Kacou Diagou

Chief Executive Officer, NSIA, Côte d'Ivoire

85%

of the CEOs whose organisations have a diversity and inclusiveness strategy say it's enhanced business performance – and

56%

say it's helped them compete in new industries or geographies

A one-size-fits-all approach won't work to get this broad mix of talent, and companies are employing a diverse range of strategies to find and develop the people they need.

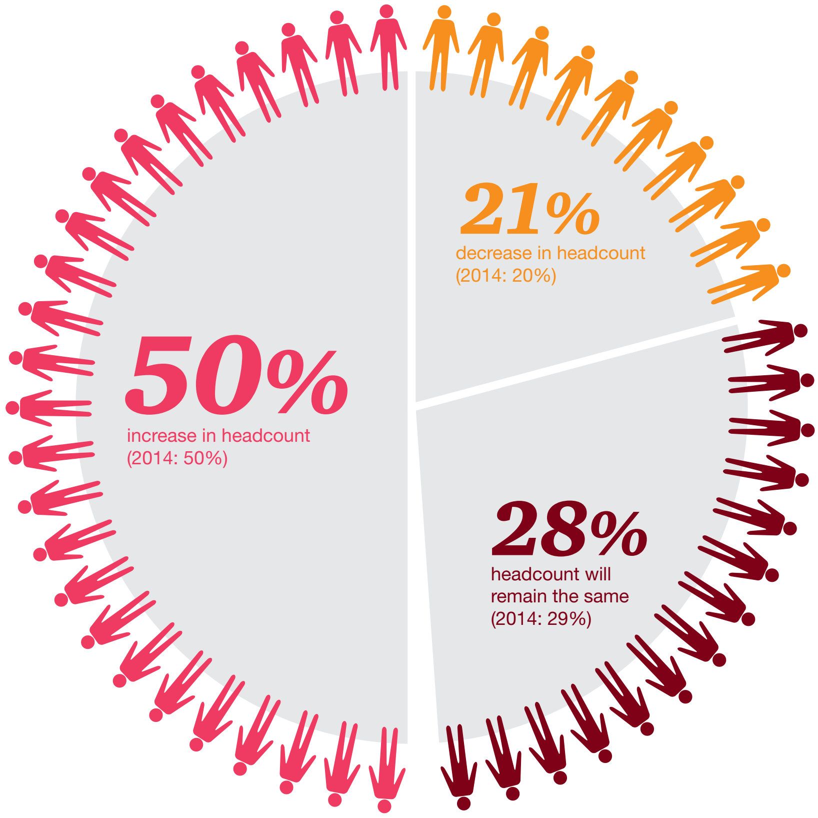
Skills are at the top of CEOs' talent agenda. 81% say their organisations are now looking for a much broader range of skills than in the past. This is unsurprising at a time when CEOs want to increase headcount but concerns about the availability of key skills are at an eight-year high (see Figure 16).

Smaller companies in particular are suffering: CEOs of companies with up to $100 million in revenue are much more likely than larger companies to be increasing headcount in 2015 and also much more likely to be extremely concerned about access to key skills. A recent survey of family businesses showed that nearly half were apprehensive about their ability to recruit skilled staff in the next 12 months, and 61% saw retention of skills and talent as a key issue that must be addressed in the next five years.[19]

Technological skills are especially sought after; 75% of CEOs think that specific hiring and training strategies to integrate digital technologies throughout the enterprise are key to getting the most out of digital investments. "As part of the increased clock speed through new technologies, you have to keep your eyes continuously open and really try to learn something new every day," says Kimmo Alkio, President & CEO of Tieto in Finland. Focused on what Tieto calls Generation 'T', Alkio believes today's organisations "have to think differently about how we serve the young talent [and] what type of opportunities, networking and type of culture you need to develop as a company."

Figure 16 **Half of CEOs plan to increase headcount in the coming year**

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



81%

of CEOs are seeking a much broader range of skills

Design thinking teaches us that great products and solutions come when there is a synthesis of lots of different kinds of perspectives, and when we are diverse we create the opportunity for that rich synthesis of great perspectives. The more diverse we are, the better we will all be.

Dr. Vishal Sikka

Chief Executive Officer & Managing Director, Infosys, India

To find the skills they need, companies are searching in many more places. Seventy-eight percent of CEOs told us their business always uses multiple channels to find talent, including online platforms and social networks (see Figure 17). And 71% said their business actively searches for talent in different geographies, industries and demographic segments. Tapping into the labour pool in emerging markets is particularly important; by 2020, it's estimated that more than half of graduates aged 24 to 35 years will be found in these countries.[20]

Developing the skills of the existing workforce is also high on CEOs' list of priorities. Most (81%) say that their business always looks to equip employees with new skills, through continuous learning or mobility programmes. Nurturing an adaptable talent pool can have real value for the business; research indicates that this could unlock up to $130 billion in additional productivity globally.[21]

Learning and development is a particular focus; when CEOs were asked which aspects of diversity and inclusiveness were specifically addressed in their company's talent strategy, this was among the top categories of responses. Indeed, US spending on corporate training grew 15% in 2013 – the highest growth rate in seven years.[22]

Mobility is also increasingly important as the availability and location of global talent changes; a recent study shows that 89% of organisations plan to increase the numbers of internationally mobile staff in the coming two years.[23] Mobility is also important in meeting the needs of new workers, with over 70% of millennials wanting to work abroad.[24]

Figure 17

CEOs are using a diverse range of strategies to get a good mix of talent

Q: To what extent do you agree or disagree with the following statements about your organisation's talent activities?

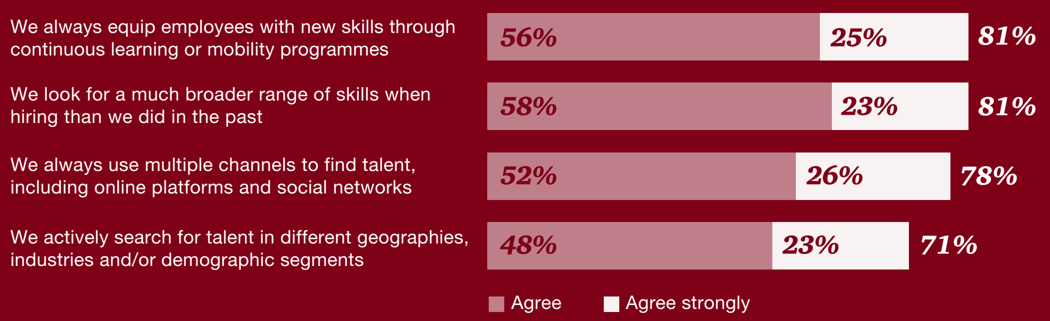
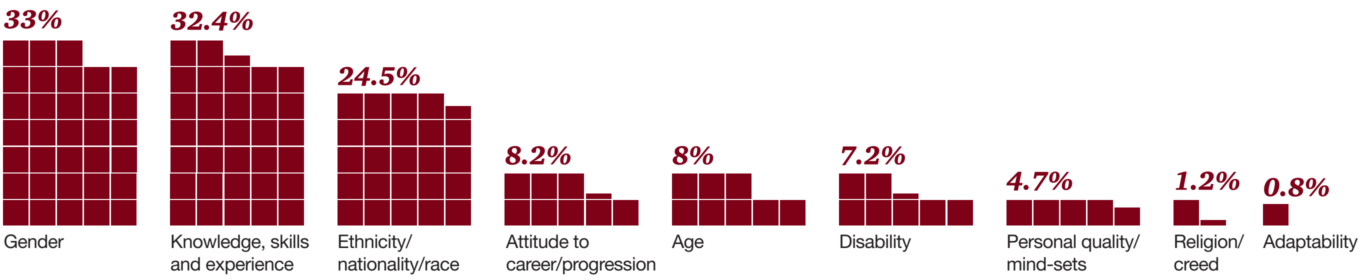


Figure 18 **Gender and knowledge, skills and experience are the most common dimensions addressed in CEOs' diversity and inclusiveness strategies**

Q: Which dimensions of talent diversity and inclusiveness do you specifically address, or plan to address in your company's talent strategy?



Base: 858
Note: Respondents may have highlighted more than one dimension in response to this question.

Easier said than done

Much more, however, could be done to leverage the power of different talent.

Gender and knowledge, skills and experience are by far the main reference points for diversity and inclusiveness strategies (see Figure 18). But we believe what's needed are people who are different across all dimensions – for example other physical characteristics, life situations, experiences, perspectives and personalities.

What's more, while most CEOs say their organisations are looking more widely across channels, geographies, industries and demographic segments to find talent, only a quarter cite access to talent as a top-three reason for partnering; even though collaborating with a range of organisations – academia, government and business networks – can be a rich source of talent.

And nearly one third of CEOs say their organisations don't have a strategy to promote diversity and inclusiveness, though 13% say there are plans to adopt one (see Figure 19). Yet formal strategies can help to broaden the mix of talent; CEOs who do have such strategies in place are more likely than those who don't to hire in different markets, industries and demographic segments, use different recruitment channels, search for a wider range of skills, and equip employees with new skills.

We need to have ever more people, from the most diverse backgrounds, as we do not know what area will produce the innovation that will make a difference for us. It can be products, it can be services, it can be forms of communicating with or understanding the customer. Therefore, the more diverse people we have in terms of expertise, age and nationality, the better.

Roberto Oliveira de Lima

CEO, Natura Cosméticos SA, Brazil

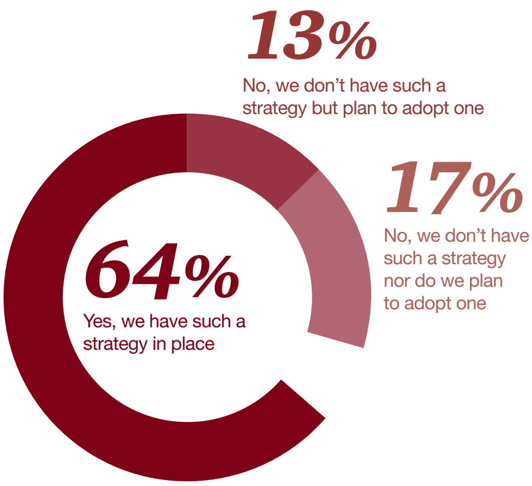
Identifying talent is just one piece of the puzzle. Even after being hired, employees who don't fit stereotypical characteristics for particular roles often struggle to succeed in the workplace. Our Women in Work index – a weighted average of various measures that reflect female economic empowerment, including equality of earnings – shows, for example, that while women do relatively well in places like Scandinavia, Canada, Australia and Switzerland, they have a long way to go elsewhere in the OECD.[25]

Creating an environment for success means having strategies to tackle such issues as unconsciously-held biases, as well as having decision-making processes to encourage divergent thinking, and concrete indicators of progress. Here again, formal diversity and inclusiveness strategies have a role to play.

Putting measures in place to help a wide range of talent to succeed is important for developing leaders who can think and work in different ways. Having such leaders has an impact on corporate success; one study of global companies shows, for example, that those with at least one woman on the board delivered higher average returns on equity, lower gearing, better average growth and higher price/book value multiples.[26]

Figure 19 Most CEOs' organisations have a diversity and inclusiveness strategy – but nearly a third don't

Q: Does your organisation have a strategy to promote talent diversity and inclusiveness or have plans to adopt one?



Ross McEwan, Group Chief Executive of RBS, confirms the benefits of additional female senior executives recently introduced to his team. "We have found that diversity around the table has been fantastic," he says, noting that these executives bring different points of view, are able to come at problems from quite a different angle and deal with people issues quite differently from the way male executives traditionally would. "If I don't have those people sitting there, I don't get that point of view, or it's a lot harder to get because you have to go outside the room to bring it in."

Yet despite the rapidly changing composition of workforces in general, executive ranks remain overwhelmingly white and male. One recent study shows, for example, that just six CEOs of Fortune 500 companies are black – 1.2% of the total.[27] Another, which analysed workforce data for more than 1.7 million employees in 28 countries, found that although women constitute 41% of the global workforce only 19% of executives are female.[28]

There's also much more that companies can do to leverage technology in their people strategies. Fifty-eight percent of CEOs think digital investments have created value for their organisation in terms of finding, developing and retaining talent. This, however, is fewer than those who see value for many other areas of their business, despite obvious benefits for both the learning and development programmes and the multi-channel recruitment strategies pursued by so many companies. And although many CEOs told us two years ago that they lack critical information about their workforce, data analytics still appears to be under-used; just 46% of CEOs this year say their companies always use it to provide better insight into how effectively skills are deployed.

Overall, there seems to be a definite disconnect between the importance companies ascribe to using digital technologies to engage customers and the use of such technologies as a means of engaging employees.

Those companies who do more fully leverage the power of diverse talent are better equipped to seize business opportunities. We found that CEOs who see more opportunities today than three years ago were more likely than those who see more threats to have a diversity and inclusiveness strategy, and to have seen a range of benefits from that strategy. They're also more likely to look widely for talent, upskill employees and use data analytics to assess how skills are being used. All this is perhaps giving these CEOs the confidence to hire, as they're much more likely to be increasing headcount in the coming year.

Tough questions about finding different ways of thinking and working

How are you getting the visibility that you need to ensure that skills are being deployed effectively in your organisation?

Are you measuring how diversity and inclusiveness contributes to your bottom line? And assessing its impact on the capabilities you have or need to develop?

How are you ensuring that your organisation has access to the skills it needs now and in the future?

What strategies do you have in place to ensure that you are looking as widely as possible for talent?

What measures of diversity are important to help your organisation achieve its goals?

The CEO agenda What's needed to compete in today's economy?

When asked to name the one capability that tomorrow's CEO must have, strategic thinking and adaptability were cited by an overwhelming number of business leaders. Small wonder; constant change is the key characteristic of today's competitive landscape. Megatrends, and how companies react to them, are changing the markets where CEOs seek growth, the range of threats to business and the very fundamentals of entire industries.

In fact, to plan effectively for the near future, CEOs might also want to have a healthy appreciation of the surreal. After all, many of those disruptive technologies didn't even exist ten years ago, yet today they're allowing start-ups to dominate entire industries, customers to be important collaborators, and a new generation of employees to bring in new thinking that could change the very DNA of the companies they work for. And there's every reason to believe that the pace of change will only accelerate.

But just how can CEOs adapt to such upheavals?

In today's world, which is becoming more global and multicultural, whether you like it or not, industries overlap and penetrate each other. If you don't know how to learn, you will not survive.

Alexey Marey
Chief Executive Officer,
Alfa Bank, Russia

In order to identify and learn, we clearly need to be a more agile, fast moving company and, something of great importance, we need to search for more partners and more entities to work with and above all, I think technology plays a decisive factor in this.

Dr. Javier Genaro Gutiérrez Pemberthy
Chief Executive Officer,
Ecopetrol, Colombia

We've identified six steps that business leaders can take to help build success in 2015 (see box, page 35). We believe that those CEOs who can develop the strategic focus and capabilities considered here will be best placed to win in the emerging competitive landscape. It's arguable that these approaches wouldn't have been substantially different ten years ago. But what's different now is the impact of digital technologies on virtually every aspect of business.

The transformational effect of the information age on customer desires is fuelling the need for businesses to re-evaluate their capabilities and the value they create – and to leverage digital tools to deliver what customers want. Widespread and fast-changing developments in a range of industries – driven in large part by technological change – are spurring government concerns, making improved dialogue between public and private sector vital. And digital technologies have made possible the ability to develop and manage a workforce and partnership network that's more diverse, adaptable and connected than ever before.

Soft skills

Ultimately, given the many new challenges companies face in the rapidly evolving global marketplace, CEOs could be forgiven for wondering if they didn't need some superhuman qualities to provide the best leadership – seeing around corners could certainly come in useful.

Of course X-ray vision and future-gazing aren't really offered as Learning and Development training. So what qualities are needed to become the type of leader who can not just understand the key pointers we offer here but have the confidence to apply them effectively throughout the business?

More than anything, the CEOs we talked to this year stressed the 'soft' skills of leadership. They spoke of the need for vision, and for agility and flexibility in decision-making. They highlighted the importance of being curious about their business world even when sometimes they might prefer to stick their head in the sand and hope change passes them by. Being curious gives a CEO the insight to separate real change from temporary hype, and act decisively on the real change.

Above all though, perhaps the quality CEOs most need to master is humility. By being humble while leading, a CEO will be able to listen and learn from the team they have built around them; they'll be able to take maximum advantage of the diversity they are cultivating and they'll be receptive to the insights they gain from new collaborations. Most important, this humility will give CEOs the confidence to pass on what they have learnt to the next generation of leaders.

The one attribute CEOs need in the future to succeed, that I would place my bet on, is curiosity. From curiosity comes learning and new ideas. In businesses that are changing very rapidly, if you're not curious, if you're not learning, if you don't have new ideas, you're going to have a real problem.

Michael Dell
Chairman and Chief Executive Officer, Dell Inc., US

Tough questions about leadership in today's economy

How do your leadership skills need to evolve over the next five years – or ten?

How are you ensuring that you're picking up and acting on trends as they emerge with increasing rapidity?

How are you navigating the sea of information out there in order to focus on the things that really matter?

Have you got the right team around you that you can trust to make quick decisions when required?

From whom do you learn, and how do they help you to make better decisions?

1. **Focus on what you're good at**
   In an increasingly confusing marketplace, it's crucial to identify your organisation's key capabilities, those which make it unique. We don't think companies can manage more than three to six truly differentiating capabilities.

2. **Re-evaluate the business you're in**
   Once you understand your strengths, consider the true value you give to stakeholders. Recognise who your competitors really are – including those in different industries. Ensure there's strong cohesion between your organisation's capabilities, value proposition and product and service offerings. It could be that your core strengths could excel in a sector you've never been part of before.

3. **Anticipate policy issues**
   Pre-empt them by self-regulating effectively. Work with government to develop effective and balanced policies, as part of a collaborative network of partners.

4. **Build diverse yet aligned partnerships**
   Consider how partnerships could enhance your capabilities. Develop a broad, diverse and dynamic ecosystem of partnerships that you can adjust upwards or downwards depending on needs. And strengthen collaborations by identifying mutually beneficial outcomes.

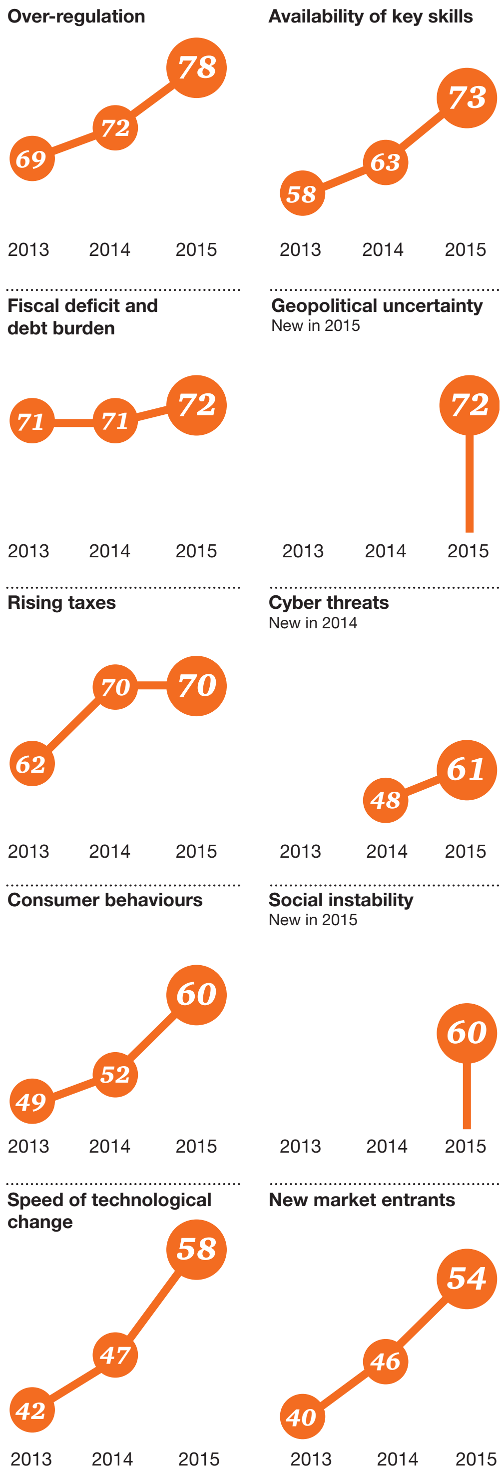
5. **Transform through digital**
   Understand the impact of digital technologies on your stakeholders and the value they seek. Assess how your operating model needs to change to fulfil new needs and desires – and have a clear vision and plan for how digital investments can help achieve these changes.

6. **Develop a good mix of talent**
   Leverage the full spectrum of differences in thinking and working to build a collaborative and technologically skilled workforce that can deliver the innovation you need to compete in the new economy.

Can't get enough data?

Figure A CEOs are concerned about a wide and growing range of threats

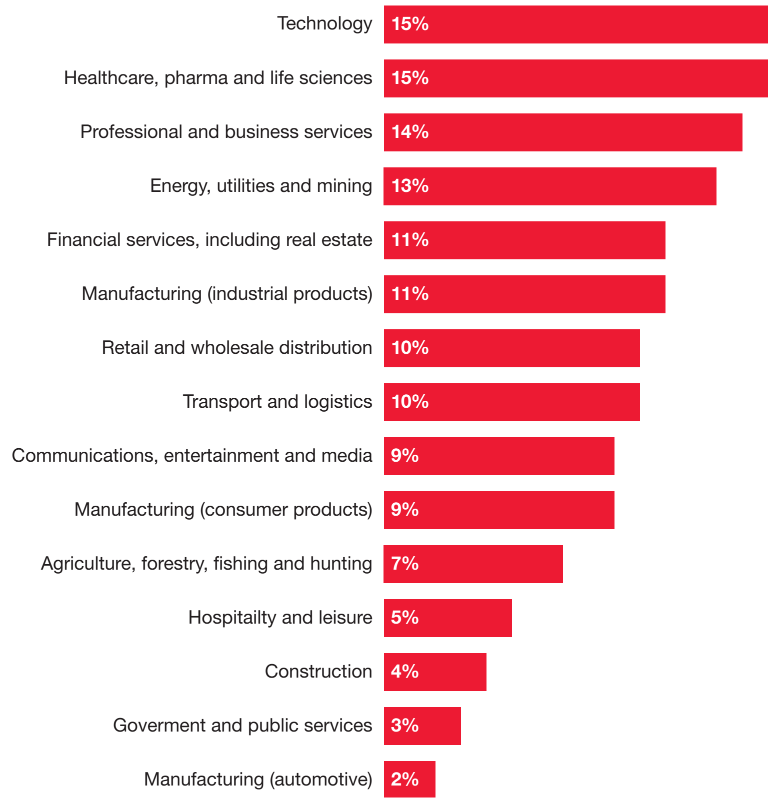
Q: How concerned are you about the following potential economic, policy, social and business threats to your organisation's growth prospects?



Base: All respondents (2015=1,322; 2014=1,344; 2013=1,330)
Note: Figures are %

Figure B Technology and healthcare are the top two industries targeted by companies from other sectors

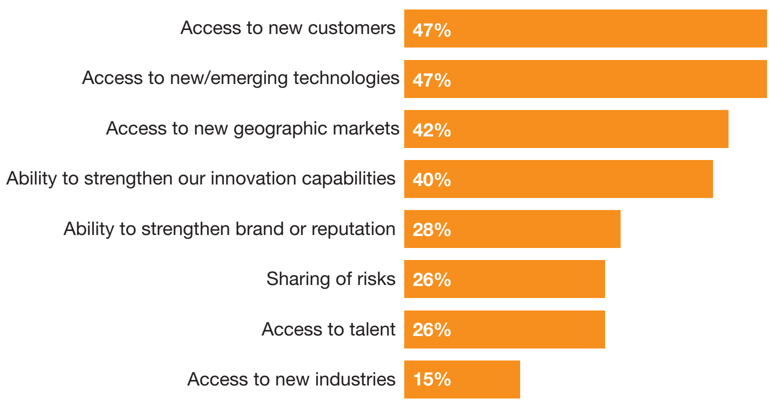
Q: Which industries has your organisation entered within the past three years or considered entering?



Base: Respondents who stated 'yes, we have entered a new industry' or 'no, we haven't entered a new industry but considered doing so' to the question 'Has your organisation entered a new industry or industries, or considered doing so, within the past three years?' (710)

Figure C CEOs want to partner not only to expand markets but to access emerging technologies and strengthen innovation capabilities

Q: What are your reasons for collaborating in joint ventures, strategic alliances or informal collaborations?



Note: % of respondents who ranked each option 1st, 2nd or 3rd

Figure D **CEOs are realising value from digital technologies across their organisation**

Q: To what extent are digital technologies creating value for your organisation in the following areas?

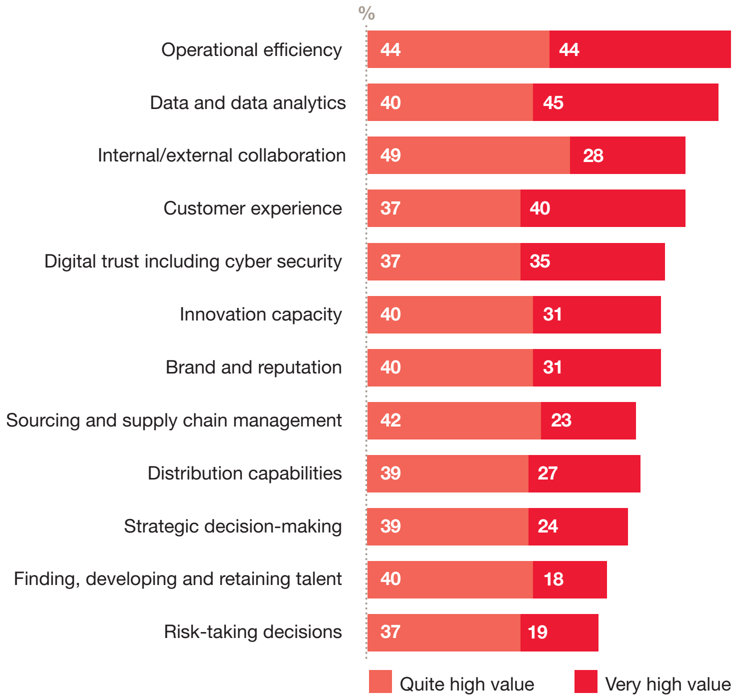
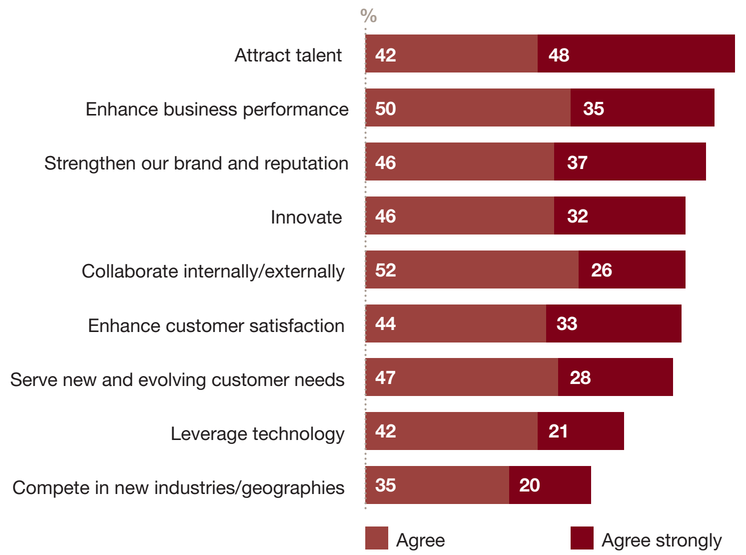


Figure E **CEOs think their diversity and inclusiveness strategies have yielded strong benefits**

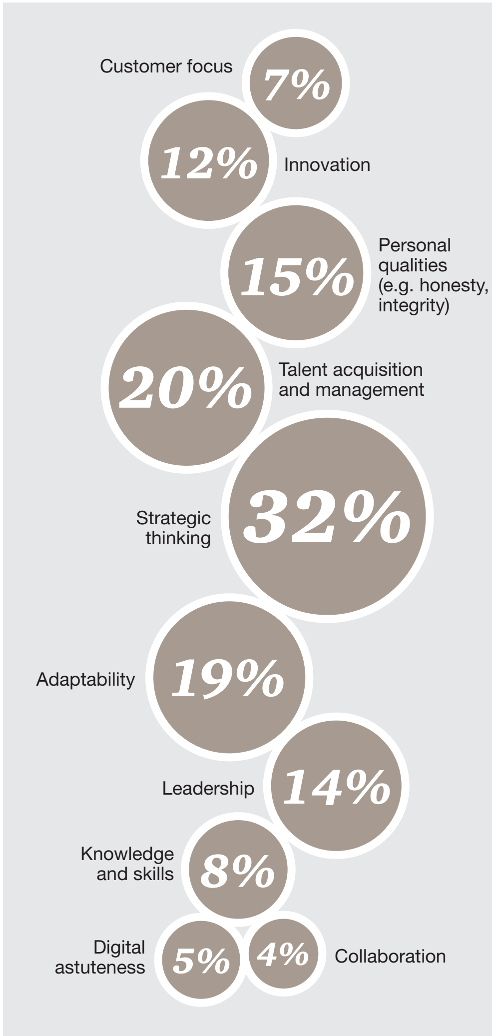
Q: Which of the following benefits, if any, has your organisation obtained from its strategy to promote talent diversity and inclusiveness?



Base: Respondents who stated 'yes, we have such a strategy' to the question 'Does your organisation have a strategy to promote talent diversity and inclusiveness or have plans to adopt one?' (843)

Figure F **Strategic and flexible thinking are top capabilities that CEOs think tomorrow's leaders will need**

Q: What one capability do you think will be most critical for tomorrow's CEOs to cultivate?



Base: 1057

Note: Responses are grouped into categories. Respondents may have highlighted more than one capability in response to this question.

To explore the numbers further, see our Data Explorer at www.pwc.com/ceosurvey

Meet the CEOs

Alexey Marey
Chief Executive Officer
Alfa Bank, Russia

Rajiv Bajaj
Managing Director
Bajaj Auto Limited, India

Andrew Mackenzie
Chief Executive Officer
BHP Billiton, Australia

Dr. Marc Harrison
Chief Executive Officer
Cleveland Clinic Abu Dhabi, UAE

Christian Laub
CEO
Credicorp Capital, Peru

Michael Dell
Chairman and Chief Executive Officer
Dell Inc., US

Monique F. Leroux
Chair of the Board, President and Chief Executive Officer
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Oscar Farinetti
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Le Phuoc Vu
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Infosys, India

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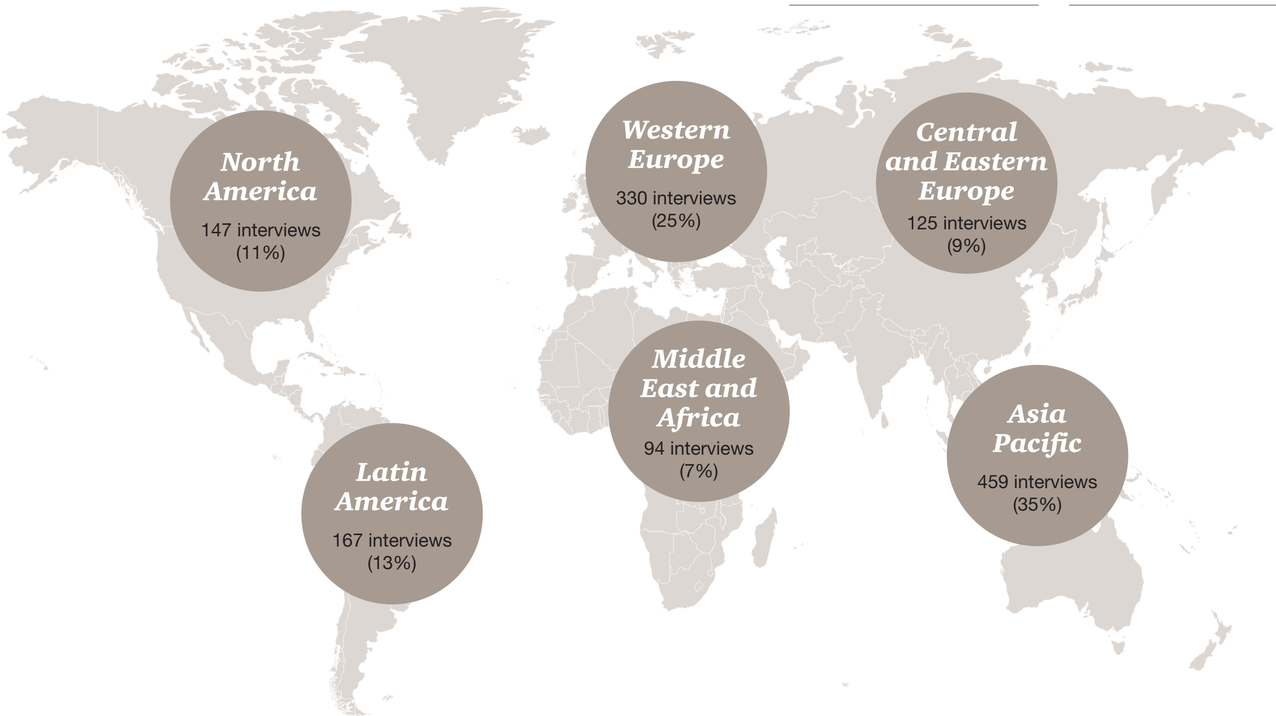
Research methodology and contacts

We've conducted 1,322 interviews with CEOs in 77 countries. Our sample is selected based on the percentage of the total GDP of countries included in the survey, to ensure CEOs' views are fairly represented across all major countries and regions of the world. The interviews were also spread across a range of industries. Further details, by region and industry, are available on request. Twenty-eight percent of the interviews were conducted by telephone, 59% online and 13% by post. All quantitative interviews were conducted on a confidential basis.

1,322
interviews completed in 2014 across
77
countries between 25 Sep and 9 Dec

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



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 revenues of more than $10 million.

- **36%** of companies had revenues of **$1 billion** or more.
- **38%** of companies had revenues of over **$100 million** up to **$1 billion**.
- **21%** of companies had revenues of up to **$100 million**.
- **54%** of companies were privately owned
- **43%** were listed on at least one stock exchange

Notes:

- Not all figures add up to 100%, due to rounding of percentages and exclusion of 'neither/nor' and 'don't know' responses.
- The base for figures is 1,322 (all respondents) unless otherwise stated.

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*To better appreciate the CEOs' perspectives for 2015, we also conducted face-to-face in-depth interviews with **33 CEOs from six continents over the fourth quarter of 2014.** Their interviews are quoted in this report, and more extensive extracts can be found on our website at www.pwc.com/ceosurvey, where you can explore responses by sector and location.*

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