



21st CEO Survey

The Anxious Optimist in the Corner Office



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01

Global vs. Organisational Growth: Carpe Diem

Despite highly publicised handwringing over geopolitical uncertainty, corporate misbehaviour, and the job-killing potential of artificial intelligence, PwC's 21st CEO Survey reveals surprising faith and optimism among chief executives in the economic and business environment worldwide, at least over the next 12 months.



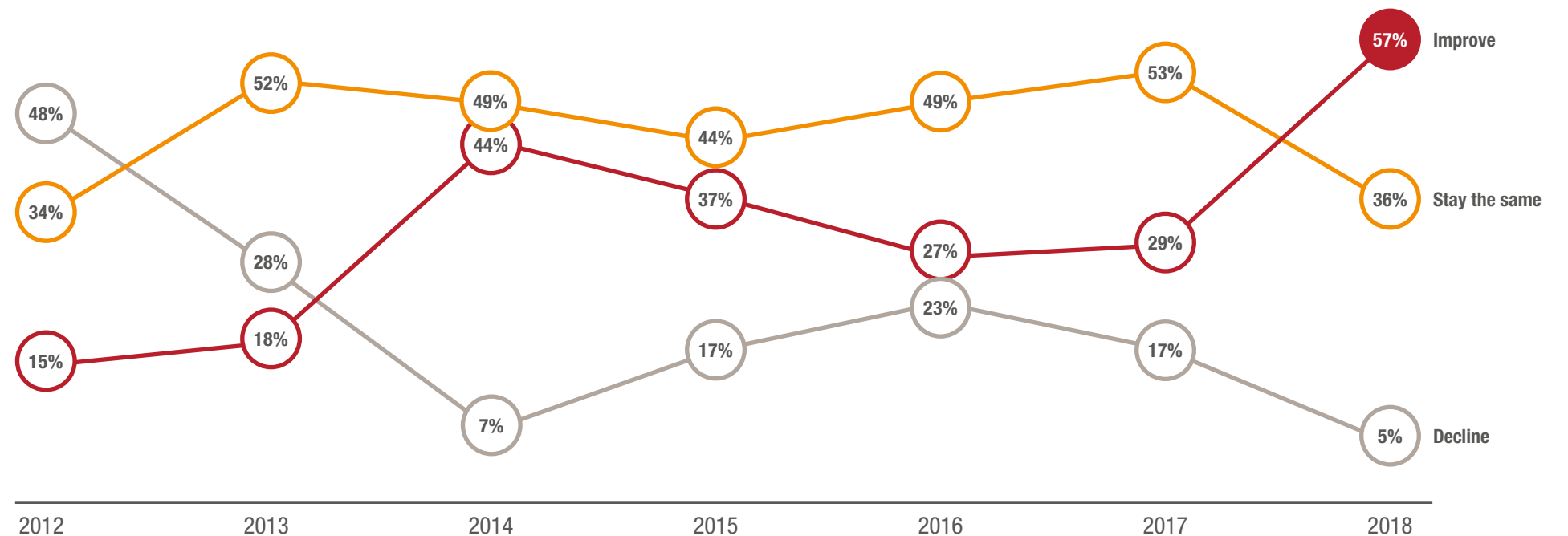
Why are CEOs around the world so optimistic? And why doesn't their global good cheer translate into equivalent exuberance regarding their own organisation's growth prospects?

This year saw the highest-ever jump to the highest-ever level of CEO optimism regarding global growth prospects over the next 12 months (see Exhibit 1). For the first time since we began asking the question in 2012, the majority of CEOs surveyed believe global economic growth will 'improve'. In fact, the percentage of CEOs predicting 'improved' growth doubled from last year. This record level of optimism holds fast across every region from North America (defined as the US and Canada for this survey) and Latin America to Western Europe, Central & Eastern Europe (CEE), Africa, the Middle East, and Asia-Pacific (see Exhibit 2).

Exhibit 1

A majority of CEOs believe global economic growth will 'improve' over the next 12 months

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



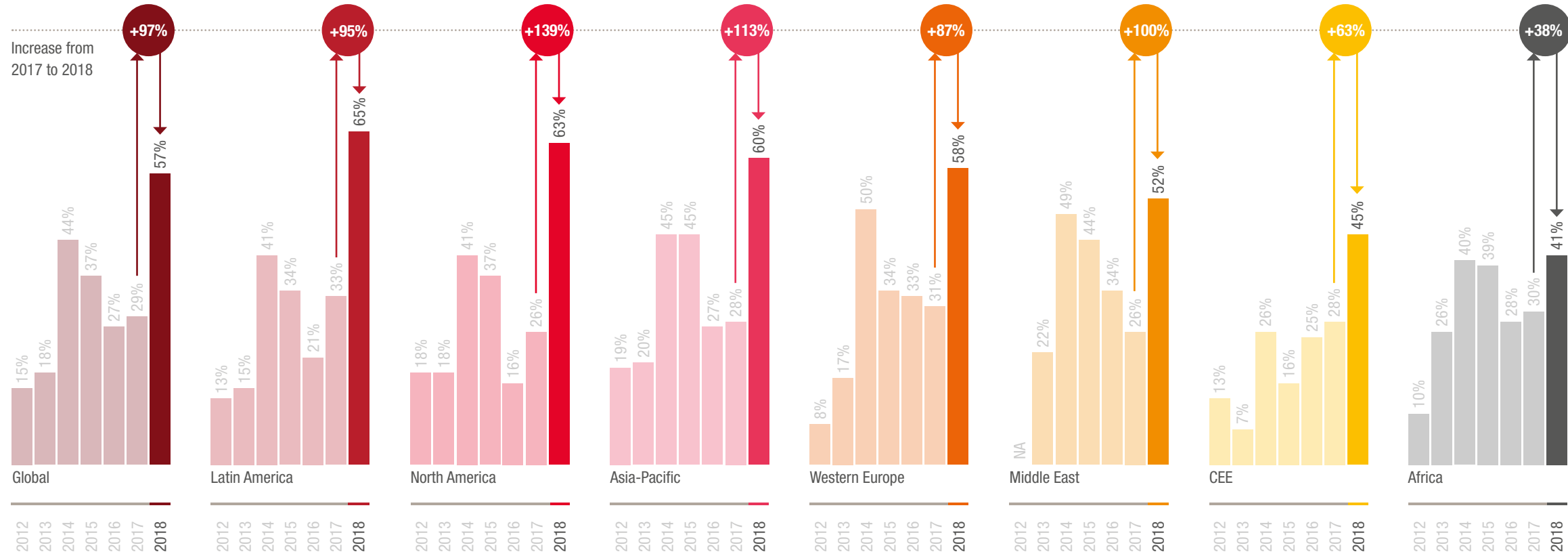
Source: PwC, 21st Annual Global CEO Survey
 Base: All respondents (2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330; 2012=1,258). Please note: From 2012-2014 respondents were asked 'Do you believe the global economy will improve, stay the same, or decline over the next 12 months?'

Exhibit 2

All regions report record levels of optimism regarding 2018

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

i Chart shows percentage of respondents answering 'improve'.



Source: PwC, 21st Annual Global CEO Survey. Base: All respondents (2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330; 2012=1,258)
 Please note: From 2012-2014 respondents were asked 'Do you believe the global economy will improve, stay the same, or decline over the next 12 months?'

We have only to look past frantic geopolitical headlines to current economic indicators to understand the reason why. When all the data is in, 2017 will almost certainly turn out to be the best year the global economy has seen since 2010.¹ This rising tide is not just an overall macroeconomic phenomenon; it is balanced across regions. Most of the world's major economies are experiencing positive growth in contrast to the situation just a few years ago. In 2015, Russia and Brazil were in recessions brought on by plummeting commodity prices and political unrest. The southern countries in the Eurozone – most notably Greece – were on the brink of default, or in default, on their debt and threatening to bring down the euro. And China's surging growth had taken a hit from the Shanghai market crash.

Now, global commodity prices seem to have stabilised at a moderate level. Russia and Brazil have returned to modest growth; China is doing well, and the Eurozone has mounted

a steady recovery that looks set to continue in 2018. Even the UK economy, while slowing this past year, has not yet been severely impacted by Brexit.²

As for the United States, the domestic economy is chugging along at 3% growth.³ The Trump administration's pro-business agenda of deep corporate tax cuts and rolled-back regulation has helped accelerate one of the longest stock market booms in history, while driving corporate confidence to new highs and jobless rates to new lows.⁴

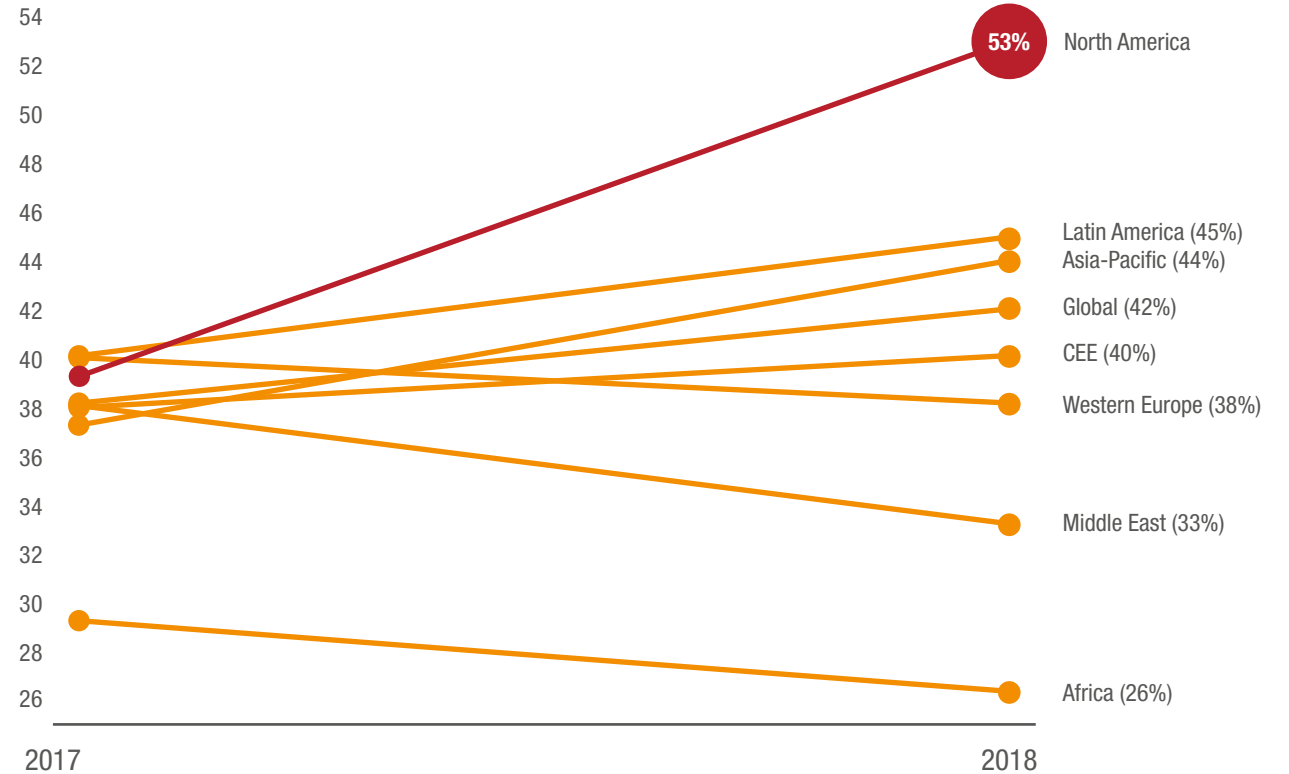
It's no wonder that North America is so positive, with nearly two-thirds of CEOs reporting that they believe global economic growth will improve, and a majority indicating that they are 'very confident' about their own organisation's revenue growth in 2018 (see Exhibits 2 and 3).

Exhibit 3

CEOs are more cautiously confident in their own growth prospects in 2018, except in North America

Q How confident are you about your organisation's prospects for revenue growth over the next 12 months?

i Chart shows percentage of respondents answering 'very confident'.



Source: PwC, 21st Annual Global CEO Survey
 Base: All respondents (2018=1,293; 2017=1,379)



Now that President Trump can claim victory on tax reform, we expect that the US economy will continue to grow, in the short term at least. However, the next billion consumers are not going to come from North America or Western Europe, but from the rest of the world. Furthermore, the real competition for Western-based multinationals is increasingly coming from local “piranha” companies in these markets as they develop ever stronger and more sophisticated marketing and technology skills (especially in China).

Sir Martin Sorrell, CEO, WPP

For some, this burst of optimism is itself reason for continued optimism and is grounded in a sound rationale. As part of this year’s survey, we asked leading economists and business thought leaders to comment on the survey findings. Glenn Hubbard, economist and dean of Columbia Business School, observes: “We are in a cyclical recovery that has been going on for many years since the financial crisis. People have gotten more optimistic. I think in most parts of the world, CEOs believe that changes in policy are going to continue to improve growth.”

Others are not so sanguine and see signs of irrational exuberance. Noted economic historian Carlota Perez asks, “Is this a real recovery or just a short-term blip? Historically, when there is a real transition into prosperity, everybody feels it. I hope leaders don’t believe this recovery is permanent. It is just

a little breathing space before difficult times return. For a lasting recovery, we need a more comprehensive, broader-based, more deliberate change of context.”

Indeed, beyond North American shores, CEOs’ optimism is more tempered, specifically regarding their own organisation’s revenue growth prospects beyond 2018. With respect to the next 12 months, CEOs remain confident; in fact, the percentage of ‘very confident’ responses overall climbs. But the record jump in positivity with regard to global economic growth does not translate into an equivalent leap in confidence in their own organisation’s 12-month prospects. Regionally, it’s a mixed bag (see Exhibit 3), with North America, Latin America, Central & Eastern Europe, and Asia-Pacific reporting higher levels of ‘very confident’, and the rest of the world moving in the opposite direction. Still, North America is the only region where

a majority of CEOs demonstrate the highest possible level of confidence in their company’s revenue growth prospects over the next 12 months.

This divide is quite striking. While the rest of the world is cautiously optimistic, North American CEOs have never been more sure of their companies’ near-term prospects. Just last year, only 39% reported that they were ‘very confident’; that figure jumps to 53% this year (see Exhibit 3). The last time North American CEOs were this exuberant was in 2007, the year before the global financial crisis.

When asked what will drive that growth, virtually all North American CEOs point to organic growth (94%), followed by new M&A (61%) and cost reduction (59%). Of note is North American CEOs’ reliance on mergers and acquisitions as compared with the rest of the world – 61% cited it as a growth driver,

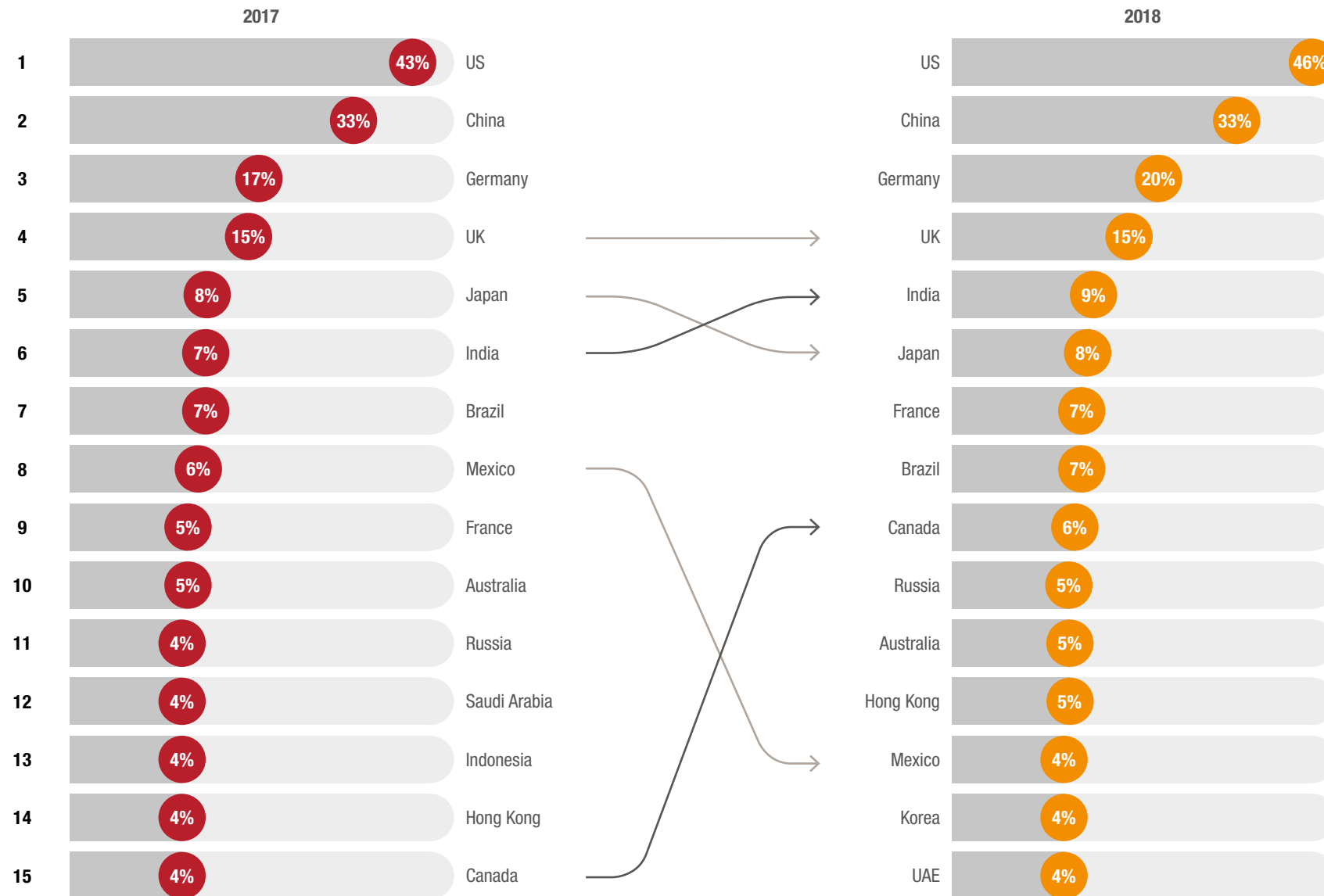
as compared with the next highest region, Western Europe at 45%, and a global average of 42%.

When we look at the geographic markets CEOs are turning to for growth, again, North America, specifically the United States, tops the chart; 46% of global CEOs consider it one of the three most important countries for growth, followed by China at 33% (see ‘US Widens the Gap with China’). Germany strengthens its hold on third place, with one in five CEOs considering it an important growth market. With the full impact of the Brexit vote still an open question, the UK is in a holding pattern at #4. And India bumps Japan as the fifth most attractive market in 2018. Russia regains its place in the top 10, and Canada basically switches places with Mexico (see Exhibit 4).

Exhibit 4

The US remains the top spot for global investment, while India moves into the top 5

Q Which three countries, excluding the country in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months?

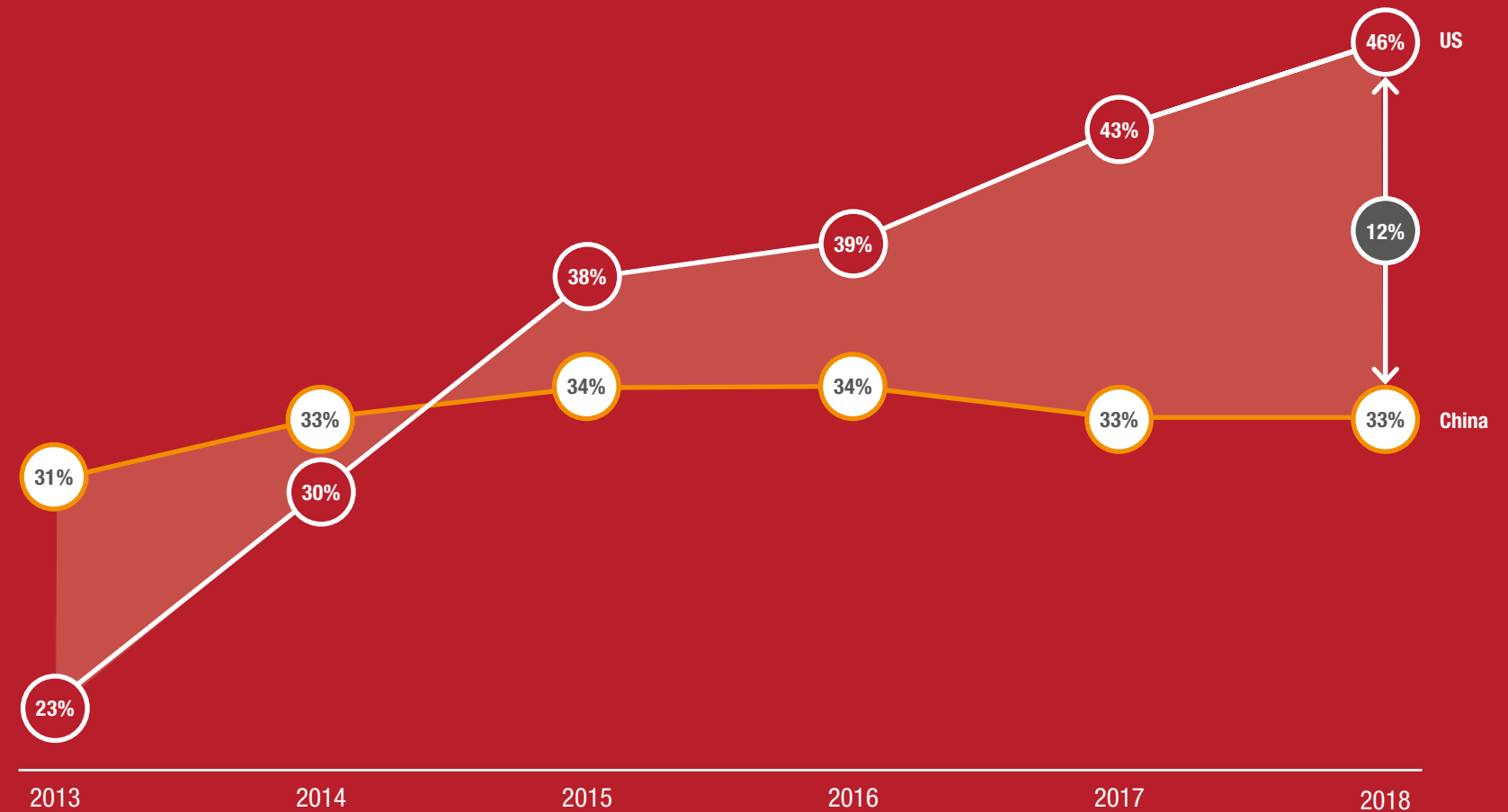


Source: PwC, 21st Annual Global CEO Survey.
Base: All respondents (2018=1,293; 2017=1,379)

Exhibit 5

The US pulls further away from China as the top market for growth prospects

Q Which three countries, excluding the country in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months?



Source: PwC, 21st Annual Global CEO Survey
 Base: All respondents (2018=1,293; 2017=1,379; 2016=1,409; 2015=1,322; 2014=1,344; 2013=1,330)

The US widens the gap with China

China and the US have vied for the top spot in terms of attractiveness to global investment for years, but China held firmly to the lead until 2015, when its stratospheric growth significantly decelerated. Since then, the United States has gained ascendancy and steadily pulled further away (see Exhibit 5). (It's worth noting that the survey parameters do not permit a CEO to vote for the country in which his or her company is based, so US CEOs did not participate in this vote of confidence.)

“Three factors make the United States favourable to business now,” notes CEO advisor and author Ram Charan. “First, no country has better mechanisms for funding risks or for raising capital. Second, robotic technology is advancing rapidly, and thus labour cost arbitrage – less expensive labour in other countries – is no longer a restricting factor. Third is growth. At 3%, it is a huge factor. And despite a labour shortage, high-level skills in the US are still the best in the world. Foreigners who want to succeed in the US market want to build plants there. The corporate tax cut will likely accelerate foreign direct investment in America, especially from Europe and Japan.”

Confirming Charan’s second point is the fact that Industrial Manufacturing CEOs overwhelmingly pick the US as their top destination for investment next year (43%) versus China (27%).

But don’t count China out. Although it no longer rides a 10% growth juggernaut, China remains a global growth engine with steady growth of 6.5 to 7% and a stable government.⁵ Where China lags the United States is in the ease of doing business – the World Bank ranks China 78th (of 190 economies) on this overall measure, while the US ranks sixth (although Hong Kong is even more inviting, at number five). The Chinese government recognises that foreign direct investment has slowed, and it has implemented important reforms to open its market, particularly in the financial services sector.⁶



The question is, what will happen to CEOs' generally positive outlook beyond 2018?

When we asked CEOs about their own organisation's growth over the next three years, the bandwagon slows down (see Exhibit 6). While still generally confident, more CEOs say they are 'somewhat confident' rather than 'very confident'. In fact, all regions – North America included – report flat to diminished levels of 'very confident' in their own longer-term prospects. Particularly restrained are CEOs in the Middle East and Central & Eastern Europe, where 'very confident' responses reach near-record lows, down 33% and 26%, respectively, from last year.

Typically, CEOs report more confidence in the longer term than in the immediate future. The last time we saw 'somewhat confident' levels above 'very confident' levels was in 2009, when confidence, in general, took a nosedive in the aftermath of the global financial crisis.

Interestingly, there was some foreshadowing of the Great Recession in the two preceding years, when 'very confident' levels began their descent.

But don't read into this dip as a similar harbinger of doom. It may simply be harder for CEOs to see beyond the near term. So much has happened in political arenas around the world that expert observers could not have predicted. Meanwhile, geopolitical sabre-rattling and terror incidents multiply and intensify, and the impact of technology is becoming increasingly disruptive. Combined, these conspire to cloud any CEO's view of the road ahead.

More than half of the CEOs in this year's survey have been in office for less than five years, which means they have never led their current company through a serious downturn. The global economy has been in recovery for eight years since the post-crisis low point of mid-2009. Asset prices today look fully valued

and are vulnerable to interest rate hikes. CEOs are prescient enough to consider the possibility that a downturn might be on the longer-term horizon and are placing their bets accordingly.

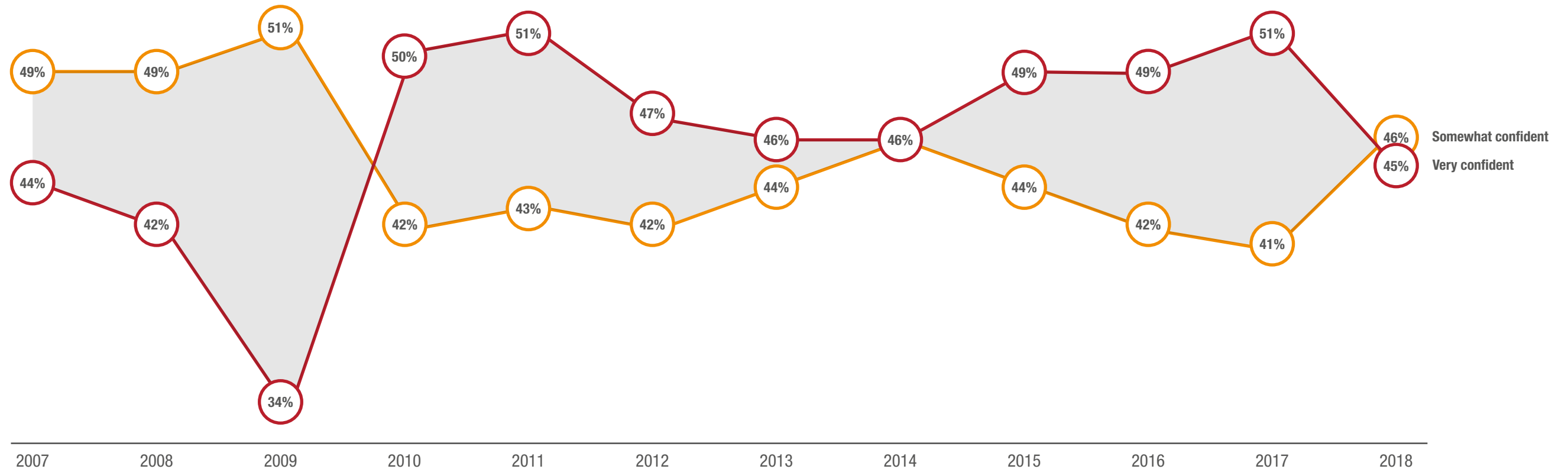
Ironically, it is those CEOs who have been in office longer – 11 to 25 years – who are rosier in their assessment of the global economy and their own organisation's prospects. They've weathered previous storms and can see the opportunities ahead.

What emerges as we look more closely at the data is an interesting dichotomy: a resoundingly optimistic global outlook with a more tempered view of their own organisation's performance.

Exhibit 6

When it comes to confidence about their own three-year prospects, CEOs are more cautious

Q How confident are you about your organisation's prospects for revenue growth over the next 3 years?



Source: PwC, 21st Annual Global CEO Survey
 Base: All respondents (2018=1,293; 2017=1,379; 2016=1,409; 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)

02

Threats: What Keeps CEOs Up at Night Differs By Region

This anxiety shows up clearly in CEOs' assessment of the threats to their organisation's growth prospects. 'Extreme concern' levels climb across almost all the main threats we measure. An interesting exception is over-regulation, which stayed flat at 42%. That's not to say that over-regulation is no longer a top concern – in fact, it is the top concern globally, and in the top five across every region surveyed (see Exhibits 7 and 8). It's just that it's always been a top concern – in fact the top 'extreme concern' since we began asking the question in 2008. Now others are rising to the fore, such as terrorism – which vaulted from No. 12 to No. 2 overall – and geopolitical uncertainty, which is a top-five threat in every region except Asia-Pacific, where it ranks sixth.

Meanwhile, the threat of 'uncertain economic growth', the No. 2 'extreme concern' globally last year, drops to No. 13. 'Exchange rate volatility' at No. 3 in 2017 barely makes the top 10 this year (see Exhibit 7).

Each region reports a different mix of threats as the most concerning, but one general global observation is that CEOs across the world are increasingly anxious about broader societal threats – such as geopolitical uncertainty, terrorism, and climate change – rather than direct business risks such as changing consumer behaviour or new market entrants. The threats that trouble CEOs are increasingly existential.

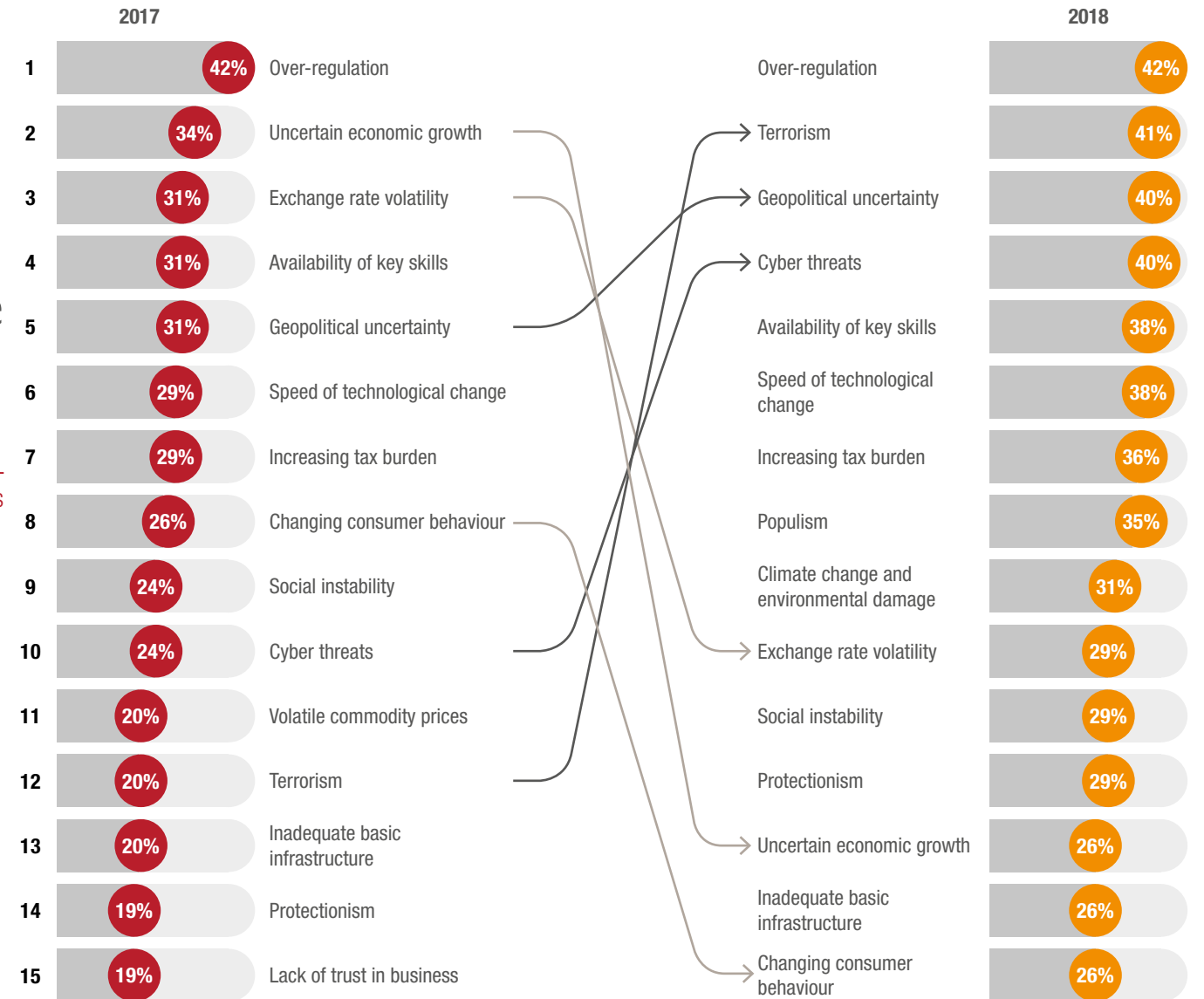
Exhibit 7

Terrorism and cyber threats moved up; uncertain economic growth and exchange rate volatility moved down

Q Considering the following threats to your organisation's growth prospects, how concerned are you about the following?

i Chart shows percentage of respondents answering 'extremely concerned'.

Source: PwC, 21st Annual Global CEO Survey
Base: All respondents (2018=1,293; 2017=1,379)



In fact, it's striking what doesn't top the global list of concerns. Comparatively few CEOs highlight 'potential ethical scandals' as a threat – despite the growing number of firms that have suffered reputational damage in the past year because of ethical lapses.⁷ Globally, despite Brexit, CEOs are not overly concerned about the 'future of the Eurozone', with fewer than one in five CEOs ranking it as an 'extreme concern'. This is true even in Western Europe – in fact, Western Europe saw the biggest drop in 'extreme concern' regarding the 'future of the Eurozone', from 28% to 19%. It seems fears of the Eurozone breaking up have subsided with more positive economic numbers in the past year and supportive monetary policy.

CEOs are also not particularly agitated about activist investors, rising employee benefit and pension costs, access to affordable capital, volatile energy costs, or their own readiness to respond to a crisis. Again, they are more troubled by larger societal and geopolitical shifts than by the dynamics in their own market.

The one exception is technology-related developments (e.g., 'cyber threats,' 'speed of technological change', and 'availability of key skills'), where we see anxiety about the impending promise and perils of artificial intelligence (AI) taking hold. AI is no longer the stuff of science fiction movies; it is here, and it is real. We at PwC project that AI will contribute an additional US\$15.7 trillion to global GDP by 2030, an increase of 14%.⁸ That boon to the overall economy, however, will come at great cost to those who cannot rise to its challenges in time.

Ironically, North America – the bastion of bullishness – reports high levels of 'extreme concern' regarding its chief threats. Leading the list are cyber threats (53%), then over-regulation (50%), geopolitical uncertainty (44%), terrorism (43%), and speed of technological change (34%). For the first time, over-regulation is displaced as the top threat in North America (see Exhibit 8). Meanwhile, the level of 'extreme concern'

regarding terrorism has more than doubled, and 'extreme concern' about the lack of trust in business has plunged by nearly 50%.

In Western Europe, populism (42%) is the chief 'extreme concern', followed by over-regulation (35%), geopolitical uncertainty (34%), cyber threats (33%), and terrorism (32%). Again, over-regulation is displaced at the top by the populist political trend sweeping Europe. This year Western Europe's 'extreme concern' about climate change more than doubled.

Asia-Pacific chief executives cite availability of key skills (52%), speed of technological change (51%), terrorism (48%), cyber threats (44%), and over-regulation (42%) as their greatest worries. But Asia-Pacific CEOs are worried about everything – at least 20% are 'extremely concerned' about every threat on the list.



What is AI? It's making decisions based on very large amounts of data. I've been hearing about AI for 30 years...but it was always a future promise. What's different now? First, the underlying compute capability is so much faster, meaning systems can crunch through a deluge of data almost instantaneously. Two, the ability through software to manage and analyse that data is so much better. Do you remember the days when position-sensing elevator technology came at an exorbitant price? It cost millions to put that in your building. Now, your smartphone can tell what floor you're on. Your Waze app measures not only how fast your car is traveling, and where the other cars are around you, but your acceleration and deceleration. Your watch knows your heart rate. All of this data is being instantly rendered useable and actionable.

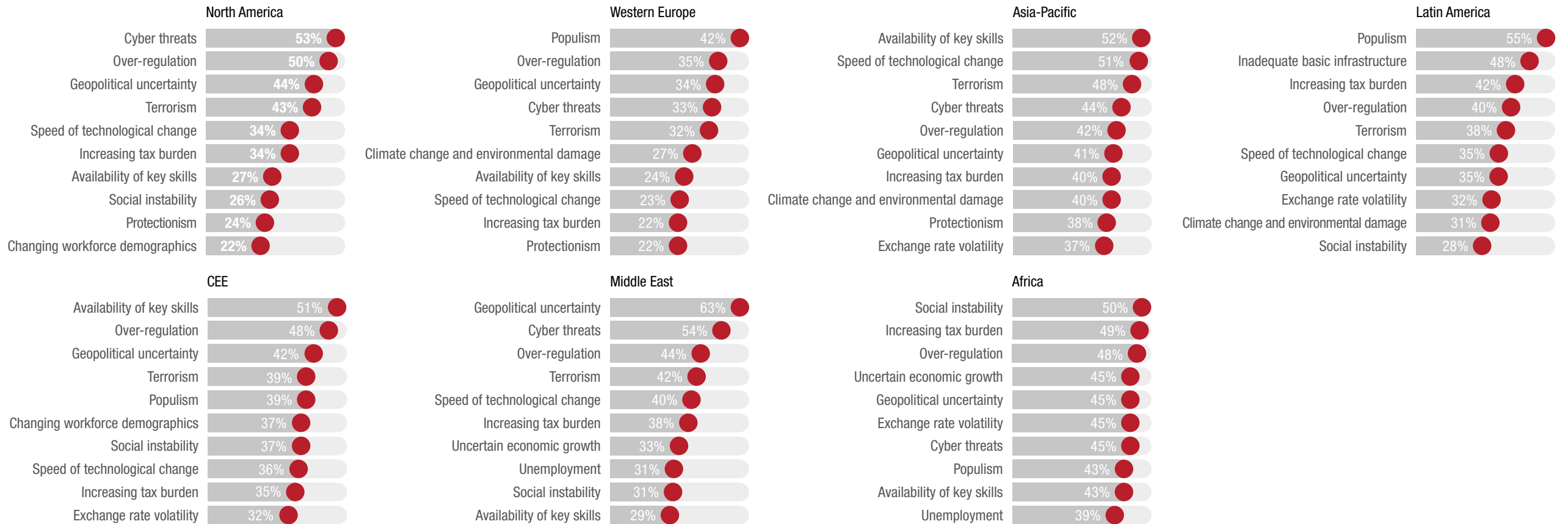
Safra A. Gatz, CEO, Oracle

Exhibit 8

The perception of top threats varies by region

Q Considering the following threats to your organisation's growth prospects, how concerned are you about the following?

i Chart shows percentage of respondents answering 'extremely concerned'.



In regions where emerging economies are dominant – Latin America, Central & Eastern Europe, the Middle East, and Africa – ‘social instability’ is a consistent top 10 ‘extreme concern’. ‘Protectionism’, on the other hand – which makes the top 10 in North America, Western Europe, and Asia-Pacific – does not register as an overriding concern in these regions.

Looking across the top 10 threat lists of all seven regions, ‘geopolitical uncertainty’, ‘over-regulation’, and ‘increasing tax burden’ are the three that appear on every region’s radar (see Exhibit 8). ‘Availability of key skills’ and ‘speed of technological change’ appear on every list except those of Latin America and Africa, respectively. Perhaps the most ominous finding is terrorism’s rise in the rankings; it is a top five ‘extreme concern’ in every region save Africa.

Regional overlaps are interesting, but so are the differences in terms of top threats. ‘Cyber threats’ are the No. 1 concern in North America, for example, but rank only 11th in Central & Eastern Europe and 15th in Latin America. Similarly, ‘availability of key skills’ is the top threat in Asia-Pacific and Central & Eastern Europe, but is not even among the top five in any other region. ‘Populism’ rises to the top of the Western European and Latin American threat lists, and is of concern in Africa and Central & Eastern Europe, but it’s of moderate to low interest in North America, Asia-Pacific, and the Middle East.

03

Global vs. Local Prosperity: Navigating a Fractured World

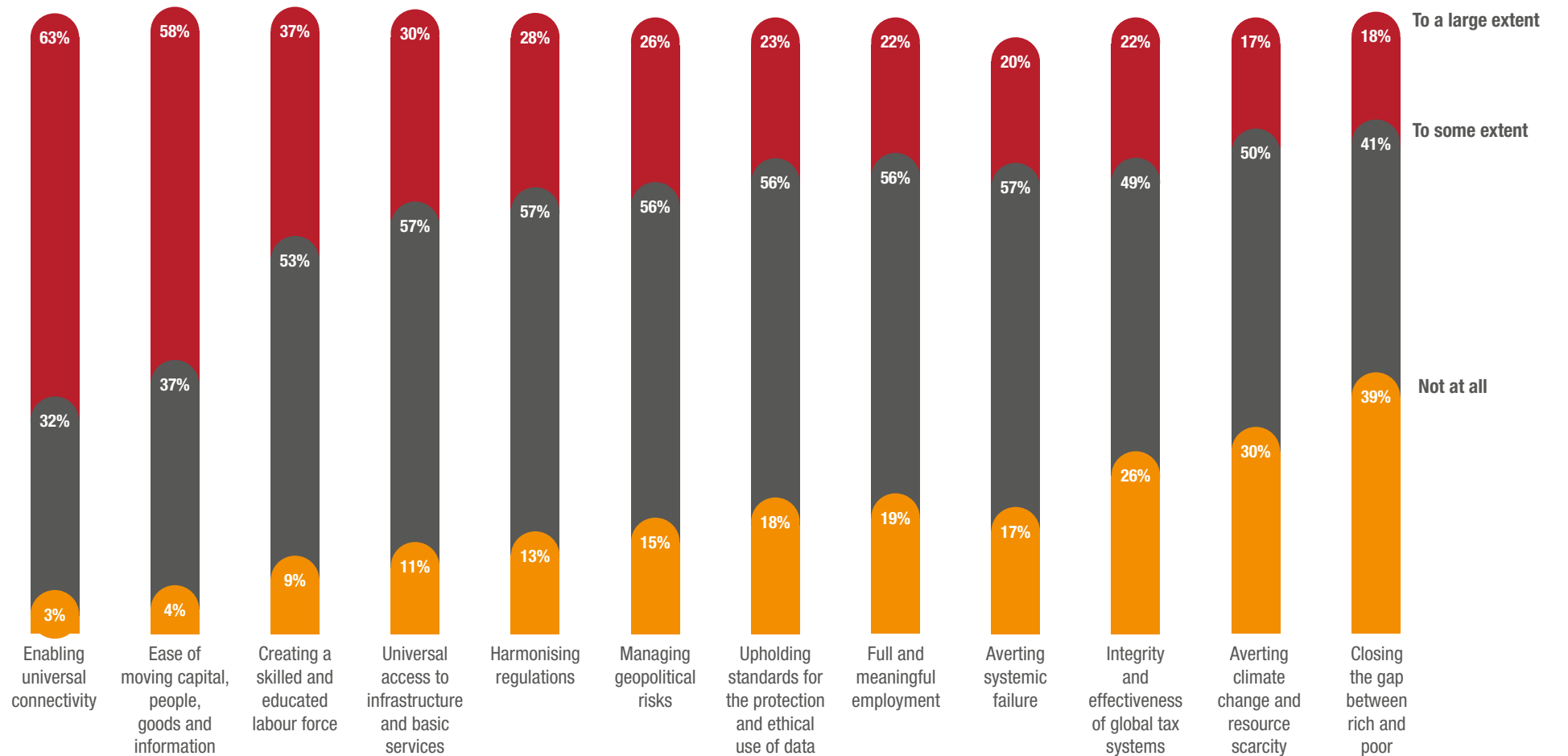
CEOs continue to recognise the promise of globalisation and feel that promise has been realised to a large extent in select areas such as 'enabling universal connectivity' and 'easing the movement of capital, people, goods, and information'. However, globalisation – which we define as the process by which the world is becoming increasingly integrated – has not been as effective in other respects.

When asked if globalisation has helped 'close the gap between the rich and the poor', nearly 40% of CEOs respond 'not at all'. And 30% gave the same bleak assessment of globalisation's impact on 'averting climate change and resource scarcity'. More than one in four CEOs say that globalisation has not helped improve the 'integrity and effectiveness of global tax systems'...at all (see Exhibit 9).

Exhibit 9

CEOs have mixed views on the benefits of globalisation

Q To what extent has globalisation helped with the following areas?



Source: PwC, 21st Annual Global CEO Survey



“

If you look at the history of the world over the past 100 years, you see it going back and forth between the opening of economies and the closing of economies. Episodes of anti-globalisation come and go as political points of view change. But today we operate in a connected world. Even the most inward-looking governments cannot block how people talk on their cellphones.

**Bernardo Vargas Gibsone, President & CEO of ISA,
Latin American infrastructure conglomerate**

Of course, there are regional differences. By and large, Asia-Pacific CEOs tend to be more sanguine in their assessment of globalisation's benefits (see Exhibit 10). For example, nearly 70% of Asia-Pacific CEOs believe globalisation has helped – at least somewhat – to close the wealth gap. Asia-Pacific is also the most positive about climate change; 27% of CEOs there believe globalisation has helped avert it 'to a large extent', double the proportion in most other regions and nine times the proportion in North America.

Exhibit 10

Asia-Pacific CEOs are the most upbeat about globalisation's ability to help close the wealth gap and avert climate change

Q In your view, to what extent has globalisation helped with closing the gap between rich and poor?



Source: PwC, 21st Annual Global CEO Survey

Q In your view, to what extent has globalisation helped with averting climate change and resource scarcity?



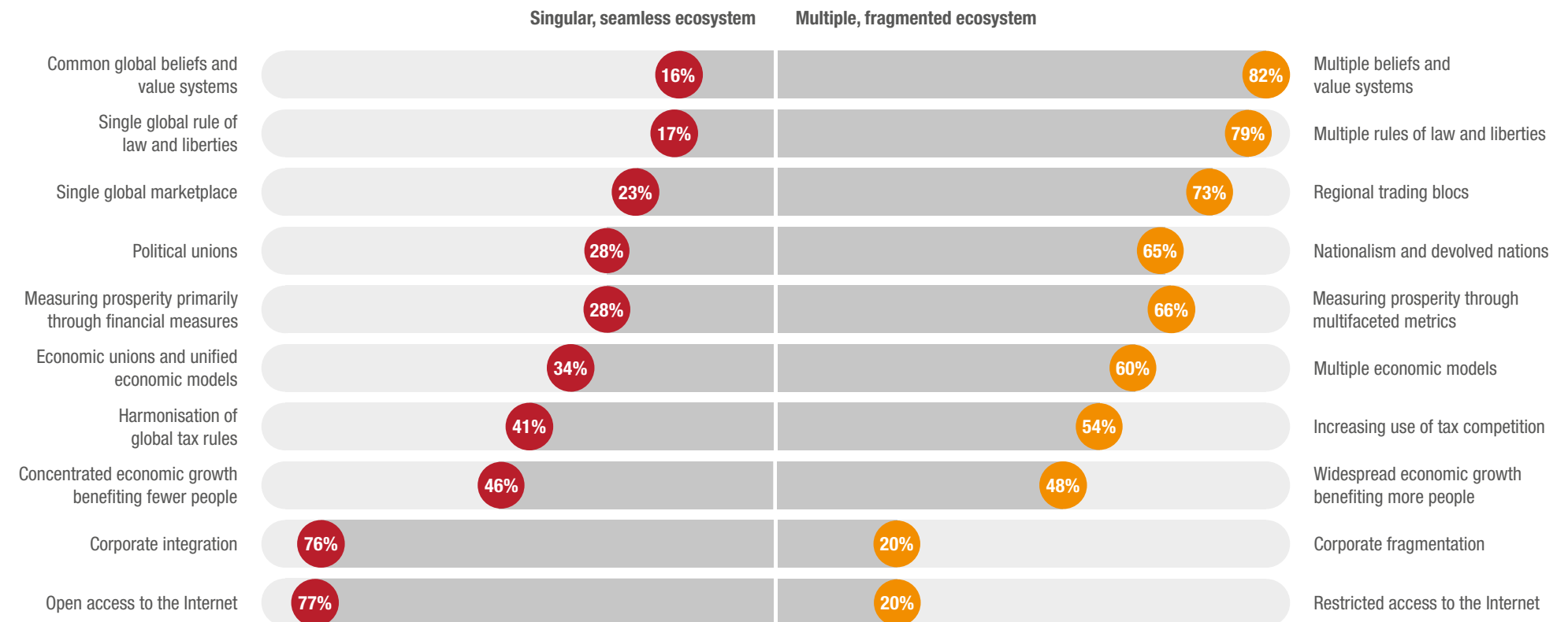
Source: PwC, 21st Annual Global CEO Survey

Echoing the theme of the World Economic Forum this year, PwC's 21st CEO Survey speaks to how companies are navigating an increasingly fractured world. We asked CEOs to consider a number of opposing political, economic, and trade trends and pick a side in terms of which way the world was moving (see Exhibit 11). The results are revealing.

Exhibit 11

We live in an increasingly fractured world

Q Considering the following opposing political, economic, and trade trends, please select the one you believe the world is moving more towards



Source: PwC, 21st Annual Global CEO Survey

Region by region, the world is edging away from its full-on embrace of a singular and seamless global marketplace, at least in the physical, geopolitical world. Cyberspace and corporate integration are the two spheres in which the world is still moving towards an overarching global model. (Many companies, particularly in the tech sector, already dwarf entire countries in terms of market capitalisation, and CEOs see that trend continuing.)

But most CEOs see the world moving in the opposite direction, towards multiple belief systems and rules of law, regional trading blocs and increased tax competition, and rising nationalism and diverse economic models. In the wake of Brexit, the Trump administration's withdrawal from trade

agreements and the Paris climate accord, and risks to the continued unity of the Gulf Cooperation Council, this data is arresting but hardly surprising.

As many politicians and policymakers in the world's major economic powers look inward, the global innovation model long embraced by leading multinationals – one based on the free flow of information, money, and talent across borders – is at risk. Our 2017 Global Innovation 1000 Study found that 52% of respondents believe economic nationalism will have a moderate or significant impact on their company's R&D efforts, replacing today's integrated and interdependent network with isolated R&D nodes.⁹



Enterprises used their brands to compete in the traditional industrial economy era. The arrival of the Internet era launched competition among platforms. Today the era of the Internet of Things has arrived, which leads to competition among ecosystems. Many enterprises have been focused on products in the traditional industrial era, but in the era of the Internet of Things, enterprises must pay attention to the entire ecosystem, building win-win environments that allow users and stakeholders to participate in creating and sharing value together.

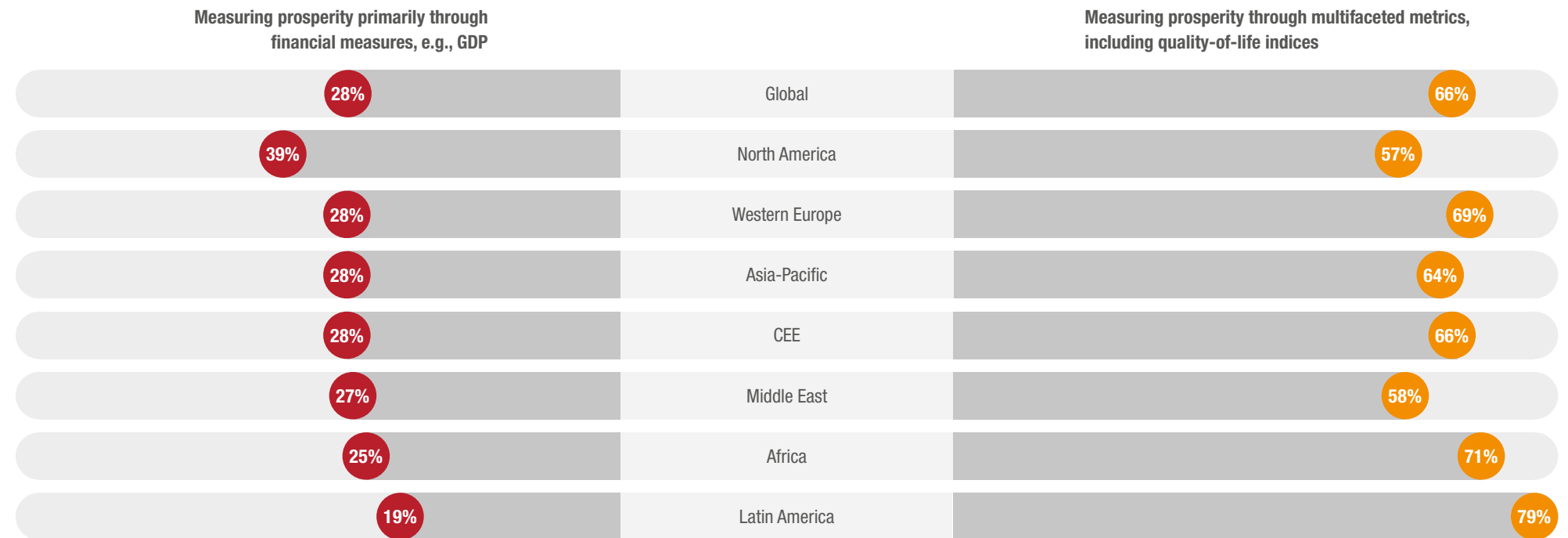
Zhang Ruimin, Founder, Chairman & CEO, Haier

One area in which more fragmentation is a welcome development is in the way we measure prosperity around the world. CEOs across every region and country recognise that the world is moving away from ‘measuring prosperity primarily through financial measures (e.g., GDP)’ and towards ‘measuring prosperity through multifaceted metrics (e.g., including quality-of-life indices)’. This is particularly true in Latin America. North America lags the global consensus with nearly 40% of CEOs siding with traditional financial measures. Still, 57% agree that the world is moving in the direction of multifaceted metrics (see Exhibit 12). Defining those metrics and capturing the data to accurately measure them will be a priority agenda item in the coming years.

Exhibit 12

Every region believes we are headed towards ‘measuring prosperity through multifaceted metrics’

Q Considering the following opposing political, economic, and trade trends, please select the one you believe the world is moving more towards



Source: PwC, 21st Annual Global CEO Survey

On the larger issue of whether we are headed into a period of widespread growth benefiting the many or concentrated growth benefiting only the few, the jury is still out. CEOs are evenly divided. Most Asia-Pacific CEOs (56%) do not see global growth becoming more concentrated and benefiting the few, whereas CEOs in the Middle East (62%), Africa (60%), and Central & Eastern Europe (58%) do (see Exhibit 13). (Of note: Among the regions of Africa, the Middle East, and Central & Eastern Europe, only one country is among the top 10 markets for global investment according to our survey [see Exhibit 4, where Russia is No. 10], which could account for these regions' pessimism.)

“The visible effects of rising income inequality have been driving a wave of populist sentiment,” notes global thought leader Michele Wucker. “Many people feel that big, multinational corporations and the ultra-rich are getting more than their fair share. But many also blame the bottom of the pyramid. Most of the benefits of globalisation have gone to the top and to the bottom earners, hollowing out of the middle. You can’t talk about globalisation without addressing the brewing resentment of the middle and upper middle classes, the mass market for most companies’ goods.”

Exhibit 13

CEOs are divided over whether economic growth will benefit the many or the few

Q Considering the following opposing political, economic, and trade trends, please select the one you believe the world is moving more towards



Source: PwC, 21st Annual Global CEO Survey

04

A Message from PwC Global Chairman Bob Moritz: Re-Aligning Global Economic Growth with Local Social Progress



We hope you have found PwC's 2018 Global CEO Survey interesting and useful. While celebrating the prospects for global economic growth – at least in the short term – CEOs in every region report heightened levels of anxiety about their own organisation's longer-term prospects for revenue growth as they confront growing stakeholder expectations and unprecedented threats that are not of the market's making.

Business executives are contending more and more with the results of societal upheaval – geopolitical uncertainty, populism, terrorism – rather than economic or corporate risks such as access to affordable capital, new market entrants, or their own readiness to respond to a crisis. Whether it is tax reform in the US, the Brexit talks, the spectre of Catalanian secession in Spain, or China's emerging vision for the next few years, we continue to see geopolitics play a critical role in how leaders craft their business strategy.

This year's study also sheds light on a broader trend: the developing misalignment between global economic growth on the one hand and social progress on the other. For decades they moved in tandem. Market-based economies have prospered, and so have their citizens. The three principal drivers of change – globalisation, technological advances, and financial focus (meaning a view of value based primarily on GDP and shareholder

value) – have fuelled a virtuous cycle that has lifted billions out of poverty, prolonged life expectancy worldwide, and facilitated a rich exchange of knowledge and talent that has spurred unprecedented productivity and innovation.

However, the past decade has also seen a growing gap between the beneficiaries of this prosperity, as these same market forces – globalisation, technological advances, and financial focus – increase transparency and enhance instantaneous, global communication. Now the 'haves', even in advanced economies, are feeling like 'have nots'. The result has become glaringly evident in the bitter and divisive politics of our times. Too many people in too many parts of the world feel they are being left behind by a system that no longer promises them and their children a better life.

What role can CEOs play to help arrest this growing divide? We outline four possible approaches:

First, adopt new measures of prosperity that look beyond economic growth to social progress. Financial performance is an essential element underpinning any market economy, but it cannot be the only measure of success in a globalised economy. Other, broader measures, reflecting target outcomes in societal terms, must also be considered. As business executives, we can supplement measures such as GDP and shareholder value with indicators of quality of life.

Leading CEOs are already actively exploring alternative metrics for measuring the long-term health of their companies and the communities they serve, beyond just earnings or stock price, and boards are facilitating that shift by asking more qualitative questions: What are we doing on talent? What is our pipeline of innovation? How do our actions align with our mission statement? Are our customers satisfied? Are we contributing to our community and society as a whole? These are things that aren't easily captured

in a number, but we can create metrics that capture and convey effectiveness in meeting these goals.

Second, foster a beneficial place for technology in our society. Artificial intelligence expands technology's potential for both good and ill. There is the clear risk that it may displace more and more of the human workforce and contribute further to social isolation and the disruption of communities. But this need not be the whole truth. Emerging technologies can also help meet human needs in new and profound ways (e.g., telemedicine, distance learning) and will create new industries and unforeseen types of new jobs – jobs that will be more creative and fulfilling. CEOs are already laying the commercial groundwork to allow this socially positive innovation to take place. In addition, we need to help ensure that it takes place across the globe in a broad and inclusive way.

Third, educate for the future. Our educational systems need to equip and empower a global workforce with the right skills to succeed, and the support of private enterprise is vital to that effort. Governments, businesses, and communities can work together to match talent with opportunity by pioneering new approaches to educating students and training workers in the fields that will matter in a technology-enabled job market.

The good news is that most CEOs in our survey recognise this ongoing reskilling responsibility. And even more heartening is the finding from PwC's Workplace of the Future study that three-quarters of respondents are willing to take the initiative in updating their own skills rather than

relying on their employer.¹⁰ Together, companies and their employees can meet the future well prepared.

Finally, commit to a purpose. These trends all highlight the heightened expectations of the societies and communities in which businesses operate. That's why every business needs a clear purpose – one that goes beyond financial goals to incorporate a broader set of shared values and behavioural expectations. Purpose defines 'who' a business is and why it exists; values and behaviours define a culture. These act as vital guideposts and benchmarks for every important decision. From environmental footprints to social impacts to investor demands, businesses are scrutinised by an ever-wider array of stakeholders. If they fall short in any respect,



they erode a vital commodity: trust. In an age of enhanced transparency and heightened accountability, a loss of trust has profound consequences. Perhaps the most important job CEOs – and the broader business community – can do to contribute meaningfully to social progress, as well as business results, is to commit to a common purpose, a shared set of values and behaviours, and drive them through our organisations. Beyond articulating the words, each of us must live them in our own actions and behaviours and measure how others in our companies do the same.

We hope the insights from PwC's 21st CEO Survey and the approaches outlined above provide you with insights and ideas for further consideration within your own organisations

and with stakeholders. The data and insights provided along with other views of the future and its possible paths of evolution leave all of us with a lot of things to consider – some worrisome, some challenging, some possibly divisive. But more importantly, much to be excited about – we can choose to focus on the opportunities in front of us, to rise to meet our own high expectations, and to work together towards the betterment of ourselves, our organisations, and the world in which we live. Like the CEOs in our report, we at PwC, choose to be optimists, anxious or not.

21st CEO Survey Methodology

PwC conducted 1,293 interviews with CEOs in 85 countries. Our sample is weighted by national GDP to ensure that CEOs' views are fairly represented across all major countries. The interviews were also spread across a range of industries. Further details by region and industry are available by request. Eleven percent of the interviews were conducted by telephone, 77% online, and 12% by post or face-to-face. All quantitative interviews were conducted on a confidential basis.

The lower threshold for all companies included in the top 10 countries (by GDP) was 500 employees or revenues of more than US\$50 million. The threshold for companies included in the next 20 countries was more than 100 employees or revenues of more than \$10 million.

- 40% of companies had revenues of \$1 billion or more.
- 35% of companies had revenues between \$100 million and \$1 billion.
- 20% of companies had revenues of up to \$100 million.
- 56% of companies were privately owned.

Notes

- Not all figures add up to 100%, as a result of rounding percentages and exclusion of 'neither/nor' and 'don't know' responses.
- The base for figures is 1,293 (all respondents) unless otherwise stated.

We also conducted face-to-face, in-depth interviews with CEOs and thought leaders from five continents over the fourth quarter of 2017. Their interviews are quoted in this report, and more extensive extracts can be found on our website at ceosurvey.pwc.com, where you can also explore responses by sector and location.

The research was undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services

www.pwc.co.uk/pwcresearch.

Endnotes

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PwC Network Contacts



Bob E. Moritz
Global Chairman
+1 646 471 8486
robert.moritz@pwc.com



Tim Ryan
Senior Partner and Chairman
United States
+1 646 471 2376
tim.ryan@pwc.com



Mike Davies
Global Communications Director
+44 20 7804 2378
mike.davies@pwc.com



Kevin Ellis
Senior Partner and Chairman
United Kingdom
+44 20 7804 4102
kevin.ellis@pwc.com



Richard Oldfield
Global Markets Leader
+44 20 7804 5070
richard.oldfield@pwc.com



Ilona Steffen
Global Marketing & Insights Director
+41 79 210 6692
steffen.ilona@de.pwc.com



Norbert Winkeljohann
Senior Partner and Chairman
Germany
+49 69 9585 5566
norbert.winkeljohann@pwc.com



Stephanie Hyde
Global Clients & Industries Leader
+44 11 8938 3412
stephanie.t.hyde@pwc.com



Honor Mallon
Global Lead for PwC Research
+44 28 9041 5745
honor.mallon@pwc.com



Raymund Chao
Chairman
Asia Pacific and Greater China
+86 10 6533 5720
raymund.chao@cn.pwc.com



Bill Cobourn
Global Chief Marketing Officer
+1 646 471 5750
william.cobourn.jr@pwc.com

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