

19th Annual Global CEO Survey

Redefining business purpose in a changing world



1,409

CEOs across 83 countries

107

CEOs from India

64%

CEOs in India are very confident about their company's growth prospects

19th Annual PwC Global CEO Survey

In total, we conducted 1,409 interviews with CEOs across 83 countries. By region, 479 interviews were conducted in Asia Pacific, 310 in Western Europe, 141 in North America, 169 in Latin America, 169 in Central and Eastern Europe, and 141 in the Middle East and Africa. In India, 107 CEOs were interviewed. The interviews were spread across a range of industries.

To better appreciate CEOs' perspectives, we also conducted in-depth interviews with 33 CEOs across the world. Some of the interviews are quoted in this report, and more extensive extracts can be found on our website at www.pwc.in/ceosurvey, where you can explore responses by sector and location.



Preface

In the 19th edition of our Global CEO Survey, which was released at Davos in January this year, India was rated as a bright spot among nations where businesses maintained similar confidence levels as last year.

The confidence reposed by Indian CEOs in the economy is quite encouraging, given the backdrop of market and currency volatility, and the transformation in the expectations of consumers, investors and employees.

CEOs in India are widely using technology to understand and engage with stakeholders, even as they view its dynamic and constantly evolving nature as a new threat. They are also steering their way through apparent paradoxes—they expect to grow their headcount next year even as they propose to increase automation. Further, talent strategies are focussed on leadership pipelines, as workplaces become more diverse.

Crises are no longer remote events. In this increasingly uncertain and changing world, CEOs know that they must be prepared to deal with unexpected crises that can impact their growth prospects.

CEOs are increasingly becoming more interconnected and thus more aware of stakeholders' expectations, which they may need to take into account while planning their growth strategies. Will these developments lead CEOs to redefine their organisational purpose more holistically?

The India summary of PwC's 19th Annual Global CEO Survey explores these changes, challenges and transformations.

I hope you will enjoy reading it.

A handwritten signature in black ink, appearing to read 'Deepak Kapoor'.

Deepak Kapoor
Chairman
PwC India



19th Annual Global CEO Survey

Telling the India story

Growth

CEOs in India continue to be optimistic

CEOs' perceptions of opportunities are tempered

CEOs view speed of technological change as a new top threat

Stakeholders' expectations and organisational purpose

CEOs in India are forecasting a transformation in stakeholder expectations

CEOs are widely using technology to understand and engage with stakeholders

Will CEOs redefine their organisational purpose?

Transformation

CEOs are maintaining a focus on people while planning for automation

CEOs' talent strategy is focussed on the leadership pipeline

CEOs feel the need to be more ready for crises

Linking strategy to purpose

CEOs in India continue to be optimistic

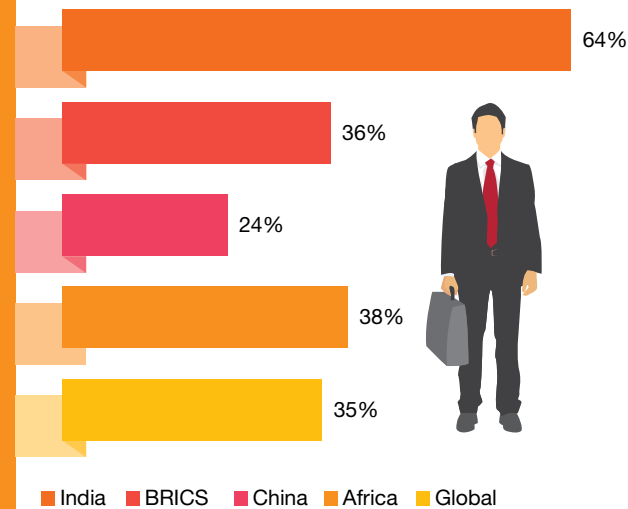
Around two-third of the CEOs in India are very confident of their company's growth in the next 12 months, as opposed to only 35% globally.

The forecasts and outlooks of international agencies are consistent with the growth expectations of these CEOs. In recent revisions, Moody's ratings maintained a positive outlook for the country's sovereign ratings in 2016 at Baa3. Similarly, the International Monetary Fund, in its latest update of the World Economic Outlook,¹ maintained the status quo on India's growth projection, though it revised down the forecasts for global growth. India is also termed a 'star performer' in 2016 by PwC's Macroeconomics team.²

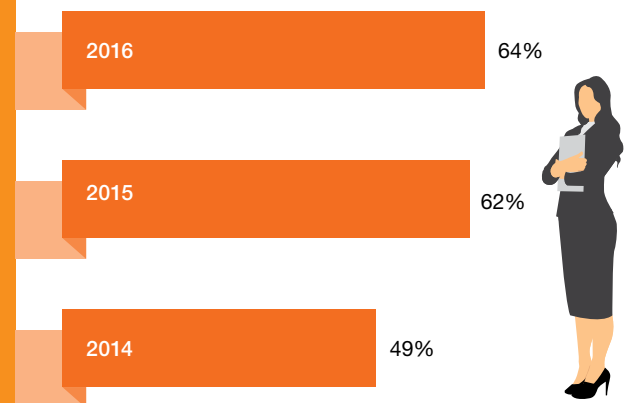
Not surprisingly, India overtook Brazil in the global CEOs' ranking of growth markets, jumping up to the fifth place this year from sixth in 2015.

How confident are you about your company's prospects for revenue growth over the next 12 months? (respondents who replied 'very confident')

Comparison with other regions in 2016

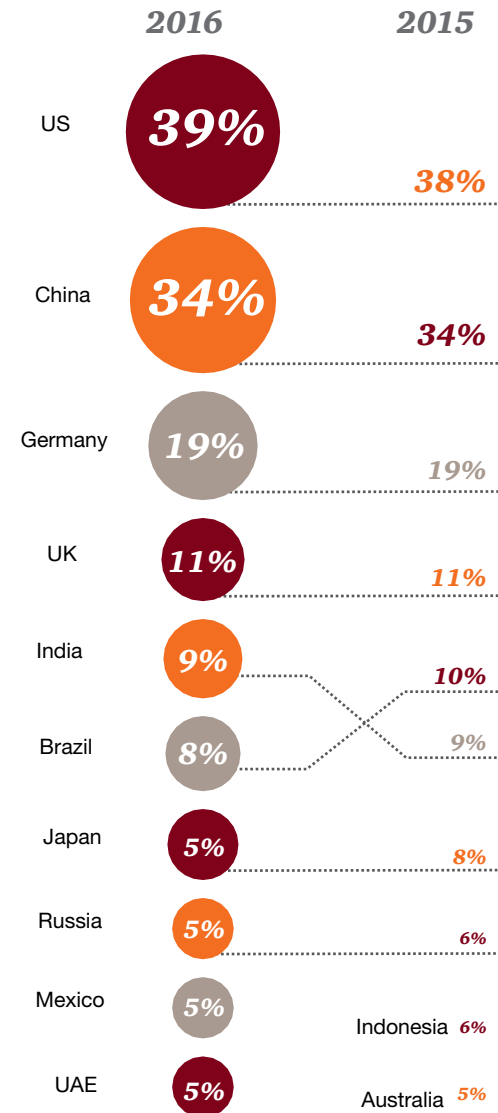


Comparison across years in India



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?

Comparison with previous year



Source: 19th Annual Global CEO Survey, 18th Annual Global CEO Survey, 17th Annual Global CEO Survey
 Base: All respondents - India (2016) = 107, India (2015) = 73, India (2014) = 77, BRICS (2016) = 310, China (2016) = 123, Africa (2016) = 87, Global (2016) = 1,409, Global (2015) = 1,322

CEOs' perceptions of opportunities are tempered

CEOs in India see more growth opportunities for their companies today than they did three years ago. However, the number of respondents holding this view has dropped from 84% last year to 75% this year.

The large positive gap between the perception of opportunities and threats has been a hallmark of CEOs in India over the years.

Last year, the global average CEO perception of threats to growth was almost equal to that of opportunities, even as more CEOs in BRICS countries like China and India saw more opportunities than threats. CEOs in Africa, on the other hand, saw more threats than opportunities.

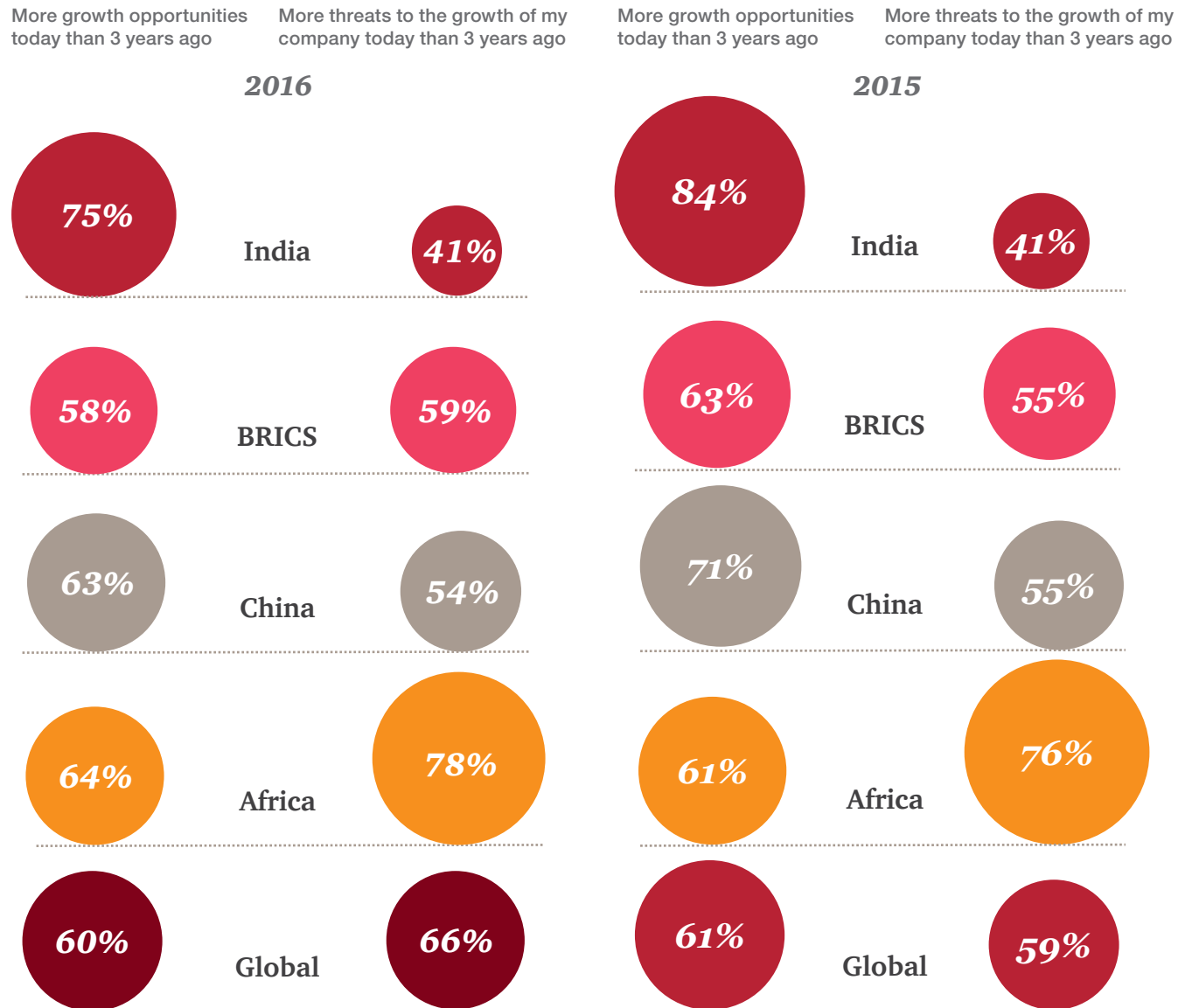
In 2016, the average perception of opportunities and threats is similar across all BRICS nations, while the opportunity-threat gap has narrowed for India and China. This perhaps reflects a creeping sense of realism in the context of the slowdown in China, continued uncertainty and volatility around the globe, as well as the inadequate pickup in demand closer to home in India.

'...for us in India, it looks like a situation where we will be one of the top few economies in terms of growth rates.'

Chitra Ramkrishna

**Managing Director and CEO,
National Stock Exchange of India
Limited (NSE), India**

To what extent do you agree with the following statements about threats and opportunities being faced by your business?
(respondents who selected 'agree' or 'strongly agree')



Source: 19th Annual Global CEO Survey, 18th Annual Global CEO Survey

Base: All respondents - India (2016) = 107, India (2015) = 73, BRICS (2016) = 310, BRICS (2015) = 278, China (2016) = 123, China (2015) = 136, Africa (2016) = 87, Africa (2015) = 49, Global (2016) = 1,409, Global (2015) = 1,322

CEOs see speed of technological change as a new top threat

As in the past two years, India's need for basic infrastructure and a skilled workforce to boost economic and commerce growth are the key threats. This year, the problem seems more acute as the proportion of CEOs reporting inadequate basic infrastructure and availability of key skills as threats increased as compared to previous years.

Exchange rate volatility concerns 80% of the CEOs in India and 73% of the CEOs globally.

The appearance of speed of technological change as a top concern for Indian CEOs this year, unlike the last two years, is interesting and sobering. Seventy-nine per cent of the CEOs are concerned about the influence the speed of technological change will have on their organisation's growth.

India has enjoyed several decades of services-led growth and has been relatively insulated from technological change in a number of industries. The last few years have seen waves of technology-led disruption in areas as diverse as taxi services (Uber, Ola, etc.) and retail (Amazon, Flipkart and Snapdeal).

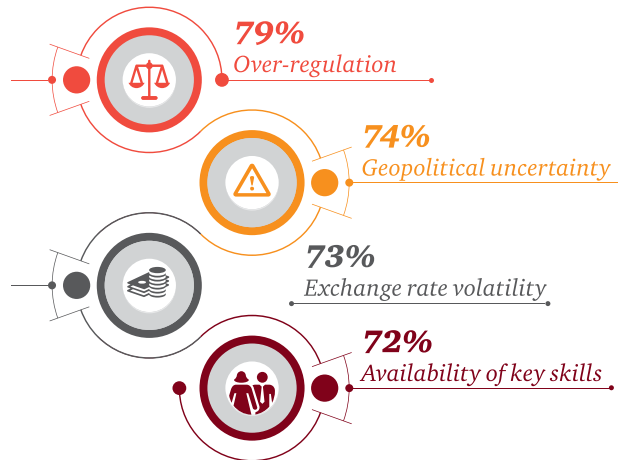
Further, India's IT industry is seriously trying to come to grips with IT-enabled services in the age of robotics, which is at our doorstep.

The incumbent CEOs have thus rightly elevated the threat posed by speed of technological change.

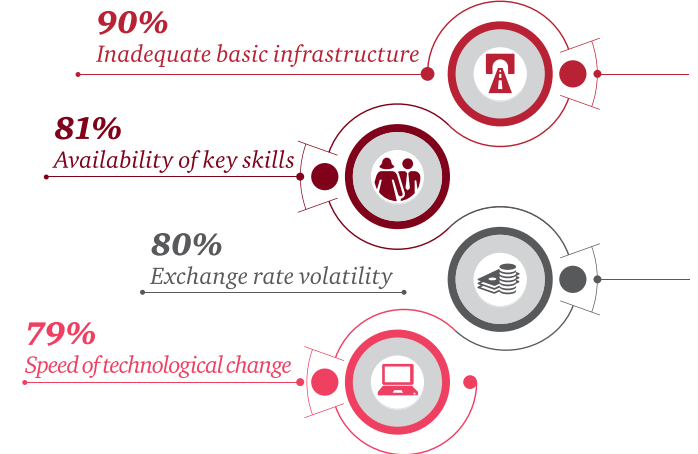
How concerned are you about the following potential economic, policy and business threats to your organisation's growth prospects? (respondents who selected 'extremely' or 'somewhat' concerned)

Top threats

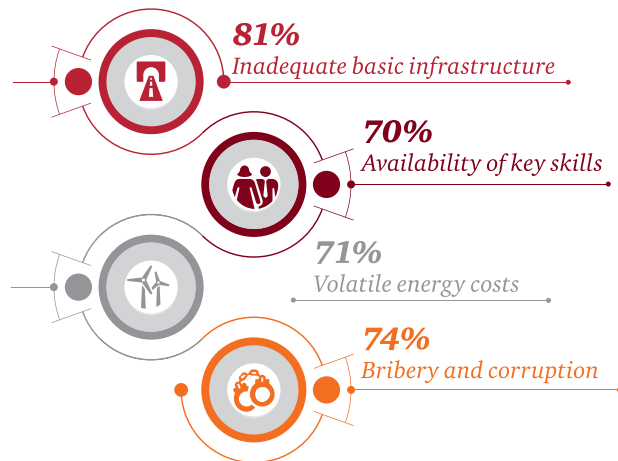
Global



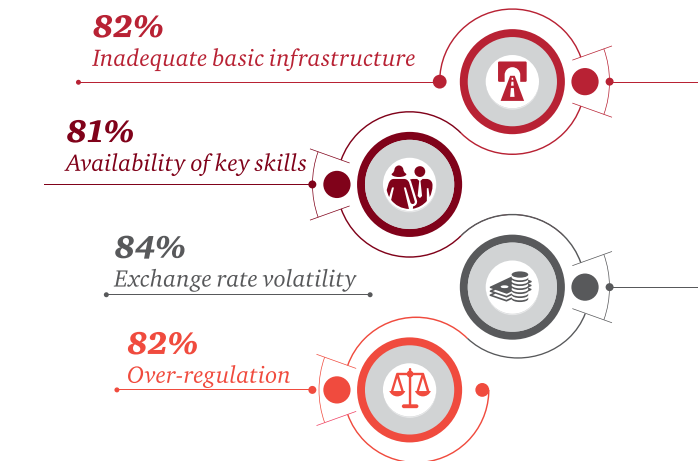
India 2016



India 2015



India 2014



Source: 19th Annual Global CEO Survey, 18th Annual Global CEO Survey, 17th Annual Global CEO Survey
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CEOs in India are forecasting a transformation in stakeholder expectations

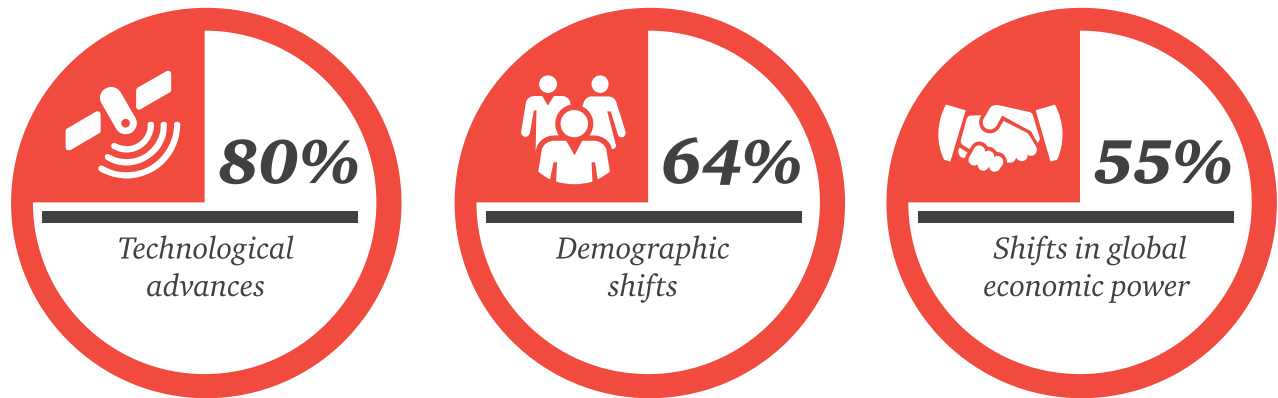
Eighty per cent of the CEOs believe that over the next five years, technological advances will transform wider stakeholder expectations. A majority of the respondents also expect demographic shifts and changes in global economic power to have a similar impact.

So, what are stakeholders asking for?

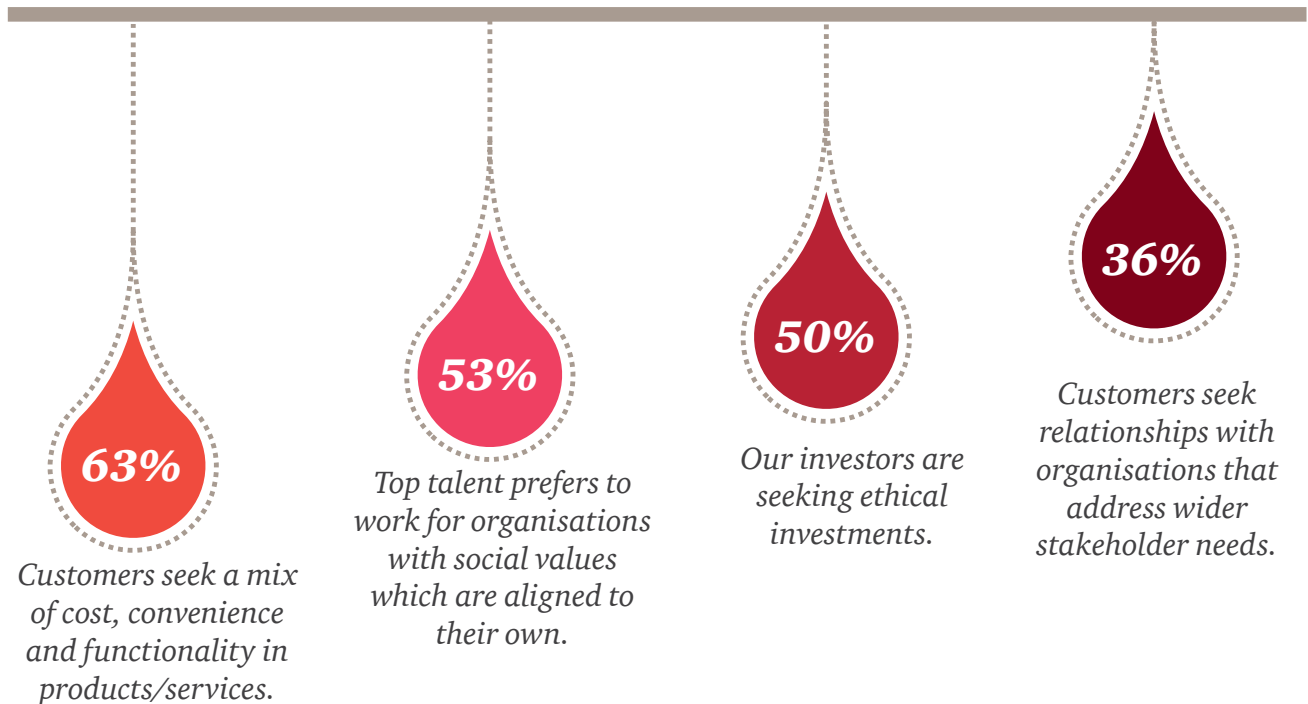
Sixty-three per cent of the CEOs feel that customers are seeking a mix of cost, convenience and functionality in products/services. More than half feel that investors are seeking ethical investments and a similar percentage of respondents feel that top talent prefers to work for organisations with social values which are aligned to their own. Over a third report that their customers would like to deal with companies that address wider stakeholder needs.

So, how should companies respond to these expectations of customers, talent and investors? Will it be business as usual, or will we see more efforts by corporations to clarify their purpose vis-à-vis the wider stakeholders and to use this redefined purpose to drive business?

Please rank the top three global trends which you believe will be most likely to transform wider stakeholder expectations of businesses within your sector over the next five years. (percentage ranking: 1st, 2nd or 3rd)



With respect to wider stakeholder expectations, which of these statements best describes your organisation today?



Source: 19th Annual Global CEO Survey
Base: All respondents - India (2016) = 107

CEOs are widely using technology to understand and engage with stakeholders

Ninety-two per cent of the CEOs in India reported that they are making changes to the way they use technology to assess and deliver on wider stakeholder expectations.

Data and analytics lead the way, with 78% of the CEOs in India reporting their belief in the importance of these tools in generating stakeholder engagement. Customer relationship management systems come next, followed by R&D and innovation.

This is also leading to significant changes in brand, marketing and communications, as 89% of the CEOs in India reported changes in these in response to evolving stakeholder expectations.

'The purpose of organisations has to always evolve, especially if you are in a very disruptive and disruption-driven market like digital and Internet.'

Kunal Bahl

Co-founder and CEO,
Snapdeal, India

92% are making changes in the way they use **technology** to assess and deliver on wider stakeholder expectations.

Moving to technology, please select the connecting technologies you think generate the greatest returns in terms of engagement with wider stakeholders.



78%

Data and analytics



74%

Customer relationship management system



62%

R&D and innovation

89% are making changes in the way they manage their **brand, marketing and communications**.

Source: 19th Annual Global CEO Survey
Base: All respondents - India (2016) = 107

Will CEOs redefine their organisational purpose?

Eighty-six per cent of the CEOs in India reported that their organisations are expected to address wider stakeholder needs.

They are taking specific measures. For instance, 82% are reporting on financial and non-financial matters, while 78% state that their organisations prioritise long-term over short-term profitability.

So, are CEOs redefining their organisational purpose beyond financial profit?

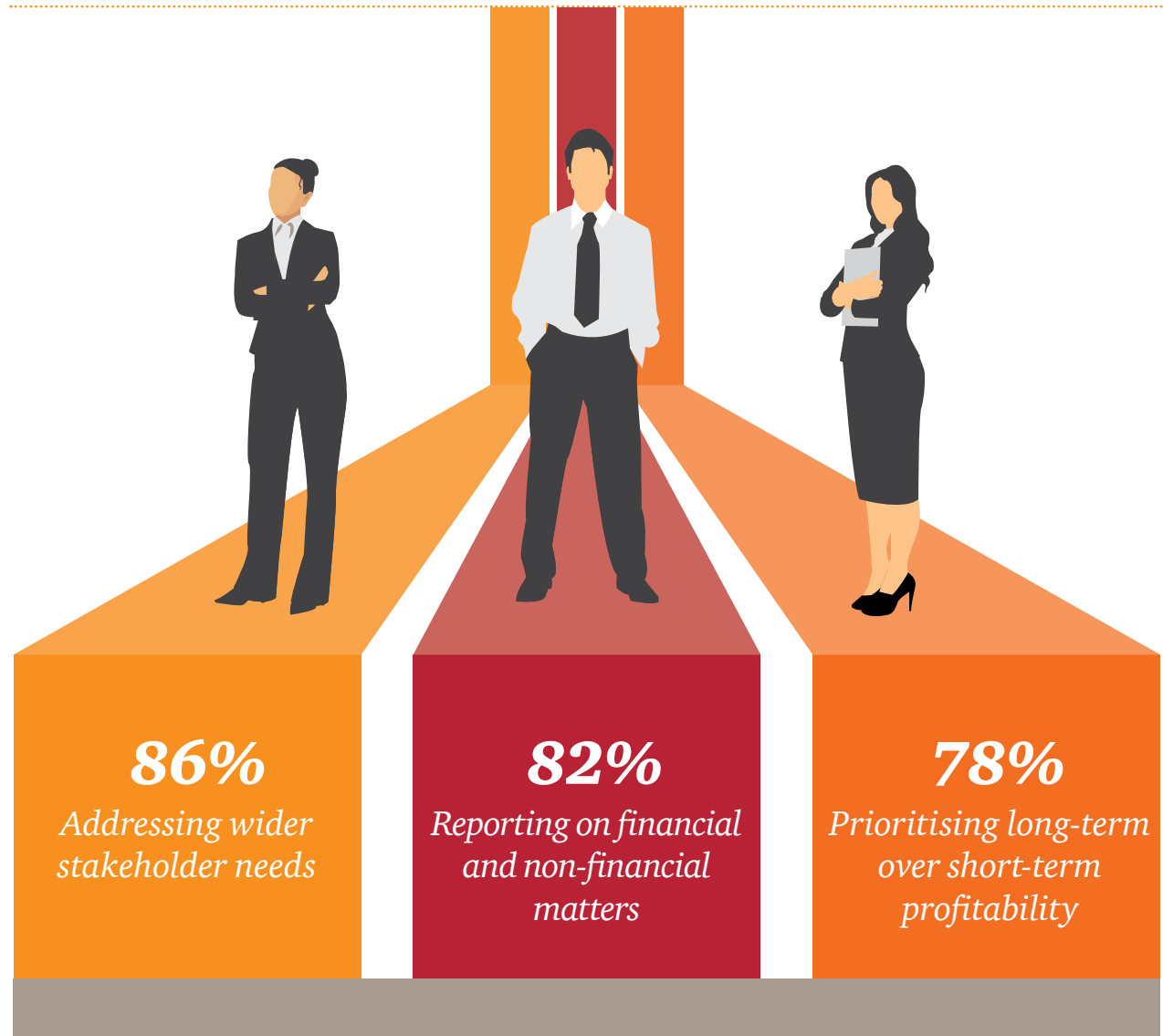
While the jury is out on this one, it is clear that in this increasingly connected world where organisational actions are receiving more attention, business leaders are becoming more cognisant of the expectations of wider stakeholders and learning to incorporate these in their business strategy and communications.

'You've got to run a company for profit, you've got to run it for revenue growth, but you also have to run it to be around ten years from now doing the right things. That's one of the biggest issues most CEOs face today.'

Ajay Banga

**President and Chief Executive Officer,
MasterCard, US**

With respect to wider stakeholder expectations, which of these statements best describes your organisation today?



Source: 19th Annual Global CEO Survey
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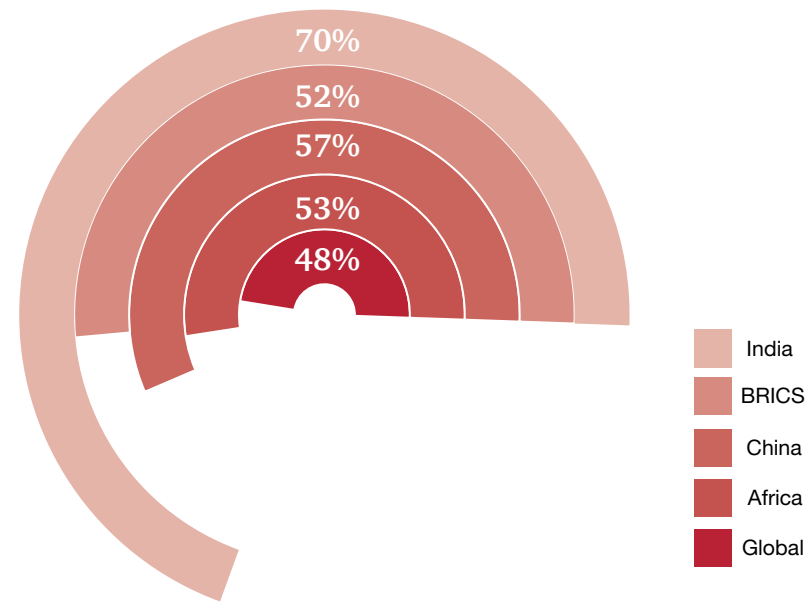
CEOs are maintaining a focus on people while planning for automation

The focus on the human workforce is evident from multiple data points in the survey: 70% of the CEOs plan to increase their headcount in the next 12 months, and 89% are focussing on workforce rights and well-being. CEOs believe that a skilled, educated and adaptable workforce is important not only for businesses but also for society at large. Hence, it is not surprising to see that 57% of the CEOs feel that developing such a workforce should be a government priority in India.

The support for robotic process automation (RPA) is not high today, with only about one-fourth of the CEOs vouching for increased productivity through automation and technology. However, these numbers can increase as advanced RPA hits back-office operations. It is expected that in the near future, automation algorithms will work like humans, use natural language and learn from experience.

The overarching question that follows the prognosis is, will automation bring about a 'jobocalypse'? 'No', say experts, who feel that though robotics will reduce the need for repetitive human effort, there exist distinct limitations to the types of work it can be applied to.³

Do you expect the headcount at your company to increase, decrease or stay the same over the next 12 months? (respondents who replied 'increase')



89% are making significant or some changes to ensure the **rights and well-being** of their workforce.

CEOs feel that a skilled, educated and adaptable workforce should be



22% are focussing on productivity through **automation and technology**.

Source: 19th Annual Global CEO Survey

Base: All respondents - India (2016) = 107, BRICS (2016) = 310, China (2016) = 123, Africa (2016) = 87, Global (2016) = 1,409

CEOs' talent strategy is focussed on the leadership pipeline

Planning for the future leadership demands that companies prepare for the diversified workplaces and workforces of tomorrow. PwC's analysis⁴ shows that the confluence of varied expectations of organisations and aspirations of talent will diverge the 'worlds' of work into three distinct categories and success associated with each.

- The **Green** world will involve a social and environmental conscience that is demanded by customers and staff right through the organisation and its supply chain.

Success will come through unifying a diverse set of stakeholders under the single vision of a greener world. Leading by personal example and committing to and supporting causes that align with their vision will be key.

- The **Blue** world will be driven by the goal of profits, growth and market leadership, and will attract talent looking for high earnings, job security and status.

Success in this world lies in shareholder value, defined as success in the financial and customer metrics. The focus will also be on contextual intelligence, appreciating cultural diversity and being technologically savvy.

- The **Orange** world will embrace the rise of the portfolio career, hiring a diverse mix of people on an affordable and ad hoc basis.

Success in this world comes by acknowledging and innovating the 'virtual' nature of the workplace, dealing with open IP environments, and building and managing coherence from physically distanced individuals.

The leaders of tomorrow will have to seamlessly merge with and work among these worlds. Fifty-eight per cent of the CEOs in India have confirmed the importance of focussing on the leadership pipeline for tomorrow.

The three distinct work worlds that will need leaders with different sets of skills and behaviours



Green world: Positive social and environmental impact



Blue world: Profitability, growth and market leadership



Orange world: Maximising flexibility while minimising fixed costs

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



Our focus is on our pipeline of leaders for tomorrow



Source: 19th Annual Global CEO Survey

Base: All respondents - India (2016) = 107, BRICS (2016) = 310, China (2016) = 123, Africa (2016) = 87, Global (2016) = 1,409
Indian workplace of 2022: Are organisations ready for the future? PwC India, October 2014

CEOs feel the need to be more ready for crises

Sixty-eight per cent of the CEOs in India think that their lack of readiness to respond to a crisis can thwart their organisation's growth prospects. This concern finds further support in the data as 69% think that their business should be doing more to measure the impact and value of the key risks they face, which is the starting point in the process of responding to and managing risks.

The consensus on risks is apt in a global landscape marred by geopolitical uncertainties, terror attacks across the world, and heightened conflicts in Iraq and Syria, among other places. These risks concern 67% of the CEOs. Cyber security and volatile energy prices also pose threats to commercial and national interests and hence worry more than half of the CEOs.

National and commercial entities have realised that risk is better understood and managed than avoided. This is evident from the fact that 93% of the CEOs are changing how they define and manage risks.

'Are we in an environment where change will take place at tremendous speed, whether it's economic leadership, challenges of emerging countries or developed countries, political unrest, challenges with extremist views around the world, new technology, or new business models? That is the new normal. Companies and countries that will lead this new normal have to deal with an environment where there's constant change, and be able to adjust to those at a faster and faster pace.'

John Chambers

Executive Chairman of the Board, Cisco Systems, Inc., US

68% are concerned that their readiness to respond to a crisis can impact growth prospects.

69% think that businesses should do more to measure the impact of key risks.

CEOs are concerned that the following can impact their organisation's growth prospects



67%
Geopolitical uncertainty



58%
High and volatile energy costs



55%
Cyber threats

93% are already making changes to the way they define and manage risks.

Source: 19th Annual Global CEO Survey
Base: All respondents - India (2016) = 107

Linking strategy to purpose

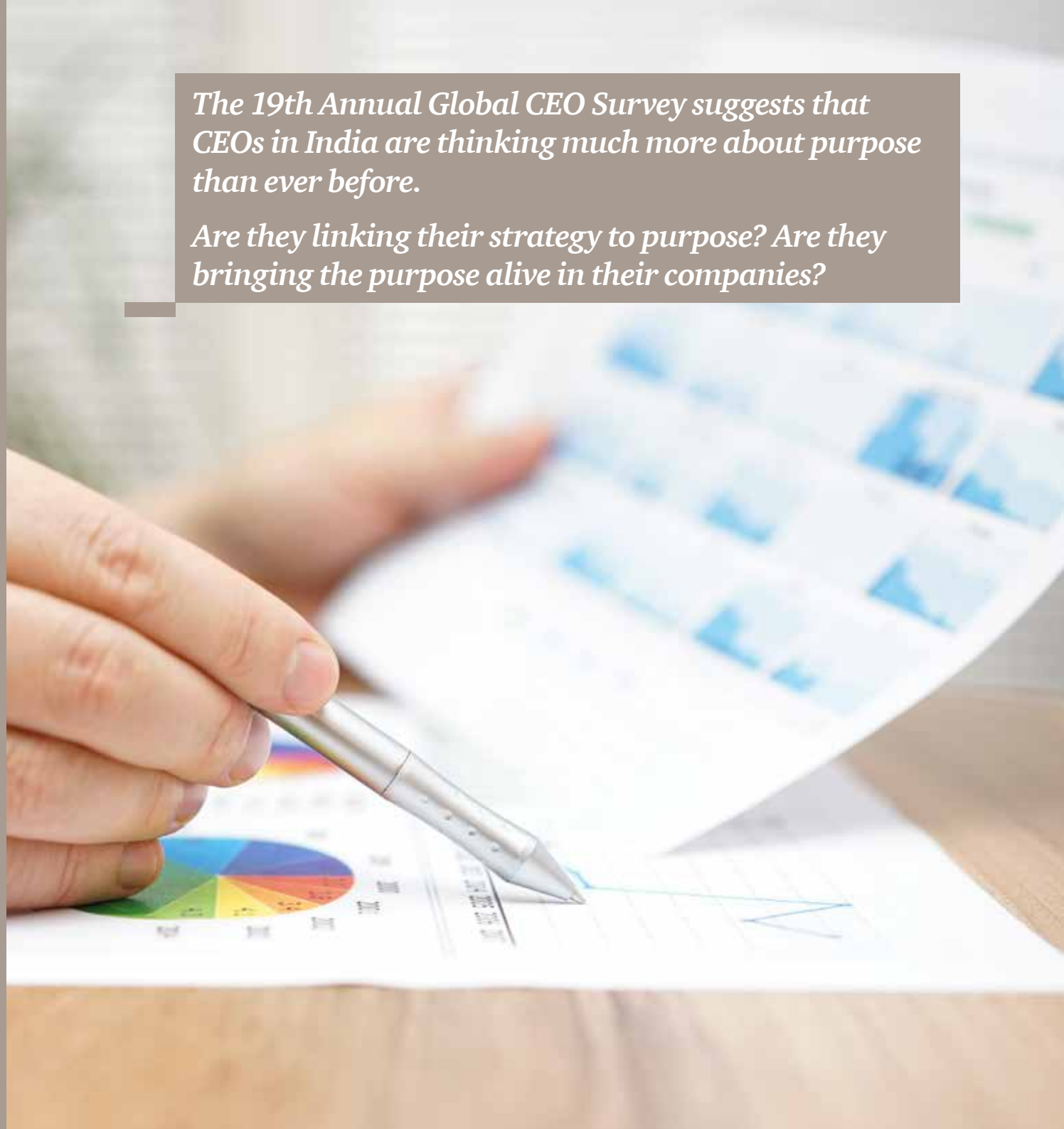
Technological progress, shifting demographics, urban expansion, the rise of emerging markets and a changing planet are moving the world to a multipolar reality. As this happens, CEOs are learning that their success depends, to a significant extent, on sensing and addressing the rapidly changing values and expectations of their many stakeholders.

Historically, companies have thrived when they not only address big societal problems but also do so in a single-minded way. In the nineteenth century, Lever Bros (the forerunner to Unilever) made tackling public hygiene in Victorian England its core focus and started a dynasty through the introduction of Sunlight soap.⁵ In the US, Henry Ford saw the democratisation of car ownership as fundamental to raising the quality of living for America's growing middle class.

PwC's Strategy& recently studied some of the world's most successful companies, noting that a key part of their success was committing to an identity and aligning their entire organisation around it.⁶ As Ralph Hamers, CEO of Netherlands-based financial institution ING Group, explains, 'Bringing the purpose alive in a company... means that you have to be able to explain that the purpose is real, it's one to be followed...it's the starting point of everything you do.'

The 19th Annual Global CEO Survey suggests that CEOs in India are thinking much more about purpose than ever before.

Are they linking their strategy to purpose? Are they bringing the purpose alive in their companies?



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Note

Not all figures in the infographics add up to 100%, due to rounding of percentages and exclusion of 'neither/nor' and 'don't know' responses.

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