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Delivering results

Growth and value in a volatile world

15th Annual Global CEO Survey 2012

View from India

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Contents

Preface

The year 2011 was supposed to be when economies like India and China returned to the high growth rates of before 2008. Instead, we witnessed the continuing Eurozone crisis and closer to home, battled moderate growth, high inflation, a slowdown in reforms and heightened concerns around governance.

It's no wonder then that though global business confidence is still high, it is down from what we saw last year. However, CEOs are still positive about the India story and have ranked the country as the fourth most favourable nation for overall growth prospects in the next 12 months, just behind China, the US and Brazil. CEOs in India, in particular, are optimistic about their companies' growth prospects. Despite concerns, the domestic market opportunity remains large while other emerging markets like Africa also beckon with their fast-growing economies.

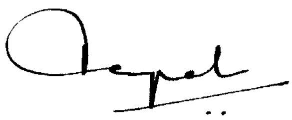
For foreign multinational companies, markets such as India are increasingly important in order to deliver growth and create long-term value. Thus, many are growing whole operations and not just sales in India.

The pace of the required policy reforms remains uncertain, and social and physical infrastructure is woefully short. In spite of our billion-plus population, talent shortages abound. We asked CEOs how they plan to create value and deliver growth. The 76 CEOs we interviewed in India and another 176 outside the country who prioritised India as a key overseas market said that they will do so primarily by growing their customer base, building efficiencies in their operations and accessing the right talent in India.

The Indian consumer is changing rapidly before our eyes, as is our workforce. Technological changes make operational models obsolete faster than ever before. Therefore, 2012 should be exciting.

The India view of the 15th Annual Global CEO Survey probes these issues and more.

I am delighted to share the publication with you and hope you will find it insightful and enjoyable.



Deepak Kapoor
Chairman
PwC India

Confidence and concerns

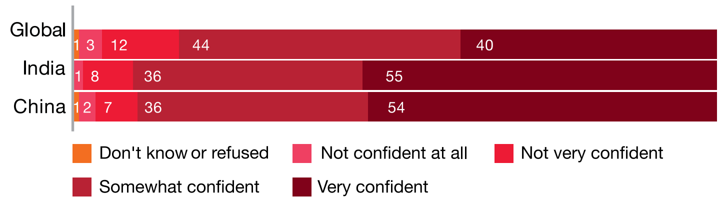
From across 60 countries, 1,258 CEOs participated in PwC's 15th Annual Global CEO Survey. Seventy-six of the CEOs were from India. We also conducted 38 in-depth interviews with CEOs worldwide. In this document, we focus on the view from India, comparing it with findings from China and the global survey

Introduction

The Indian economic outlook for 2012 is of sustained market opportunity even as global economic growth looks patchy and financial markets remain volatile. In the shadow of converging global economic fortunes, CEOs from India are less confident of their companies' growth as compared to last year. However, they are significantly more confident than their global counterparts about their growth prospects over the next three years. Around 55% of the CEOs interviewed from India were 'very confident' about their company's growth prospects as compared to 40% globally. Confidence of CEOs in India is driven by optimistic growth prospects in the domestic and new geographic markets, particularly those in other emerging economies.

Figure 01: CEOs in India are more confident than their global peers over short-term growth prospects

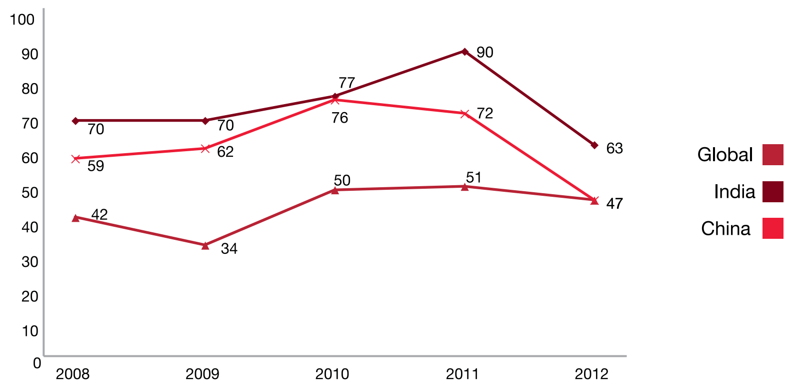
Q: How confident are you about your company's prospects for revenue growth over the next 12 months?



Base: All respondents (1258); India (76); China (122)
Source: PwC 15th Annual Global CEO Survey 2012

Figure 02: CEO confidence in India has dipped from last year

Q. Percentage of CEOs 'very confident' about their company's growth over the next three years



Global Base: All respondents (2011= 1,258; 2010=1,201; 2009=1,198; 2008=1,124; 2007=1,150)
India Base: All respondents (2011= 76; 2010=40; 2009=30; 2008=30; 2007=30; 2006=27)
China Base: All respondents (2011= 122; 2010=39; 2009=60; 2008=60; 2007=34)
Source: PwC 15th Annual Global CEO Survey 2012

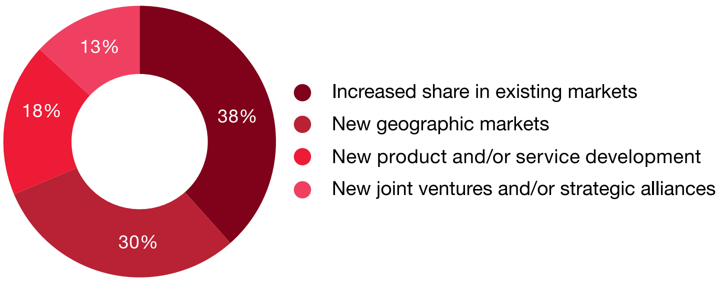
Despite their confidence, CEOs from India are increasingly concerned about potential economic and policy threats such as bribery and corruption, uncertain or volatile economic growth, and over-regulation. Some CEOs also cited an increasing tax burden, a shift in consumer spend and behaviours and new market entrants, as the top three potential business threats.

The emergence of a middle-class in India and in China is going to be a huge stimulus for the global economy over the next 20 years. Additionally, emerging technological advances – whether in the digital domain, bio-technology, or any number of fields – still have a long way to go before their full positive effect on the economy is felt. So I am concerned about the next two or three years, but optimistic over the long-term.

Dimitrios Papalexopoulos
CEO
TITAN Cement SA, Greece

Figure 03: CEOs in India view increased share in existing markets as a major short-term opportunity

Q: Which one of these potential opportunities do you see as the main opportunity to grow your business in the next 12 months?



Base: India (76)
Source: PwC 15th Annual Global CEO Survey 2012

Figure 04: Bribery and corruption is the most pressing threat for CEOs in India

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

India	Global	China
Bribery and corruption	Uncertain or volatile economic growth	Uncertain or volatile economic growth
Uncertain or volatile economic growth	Government response to fiscal deficit and debt burden	Exchange rate volatility
Over-regulation	Lack of stability in capital markets	Inflation
Increasing tax burden	Exchange rate volatility	Energy costs
Exchange rate volatility	Over-regulation	Increasing tax burden
Government response to fiscal deficit and debt burden	Increasing tax burden	Lack of stability in capital markets
Protectionist tendencies of national governments	Availability of key skills	Protectionist tendencies of national governments
Inflation	Shift in consumer spending and behaviours	Bribery and corruption
Shift in consumer spending and behaviours	Energy costs	Availability of key skills
New market entrants	Protectionist tendencies of national governments	Inability to finance growth
Availability of key skills	Inflation	Over-regulation
Lack of stability in capital markets	Inability to finance growth	Security of supply chain
Security of supply chain	New market entrants	Shift in consumer spending and behaviours
Energy costs	Bribery and corruption	New market entrants
Inadequacy of basic infrastructure	Security of supply chain	Government response to fiscal deficit and debt burden
Inability to finance growth	Inadequacy of basic infrastructure	Inadequacy of basic infrastructure

Business threats   Economic and policy threats

Sorted by percentage of respondents who stated 'extremely concerned' or 'somewhat concerned'
Base: All respondents (1258); India (76); China (122)
Source: PwC 15th Annual Global CEO Survey 2012

Creating value

The Indian report is based on the findings of PwC's 15th Annual Global CEO Survey. Supplementing the survey results with insights from our global network and 38 in-depth interviews with CEOs, we have identified the following five themes most relevant to CEOs operating in India today.

Capitalising on changing demographics and consumer preferences

India's growth will remain dependent largely on domestic consumption. However, the profile of the Indian consumer is changing because of rapid urbanisation, changing preferences due to rises in income and a young workforce. Besides, a new consuming class is pushing its way up from the bottom of the pyramid and is flexing its buying power. There will be winners and losers as businesses pivot to address markets and customers they are less familiar with.

Managing domestic risk: Regulation, governance, and corruption

CEOs from India are particularly concerned about regulatory uncertainty and the increasing cost of compliance. On one hand, regulation is extensive, and on the other, key economic reforms required to support domestic growth are being postponed. The discussion on corruption and lack of governance in high places dominated headlines throughout 2011. It may feel as if macroeconomic risks are multiplying for stakeholders in Indian businesses. CEOs are spending considerable time in managing these stakeholder concerns.

Building resilience to global disruptions

While a number of CEOs have businesses outside India, many see international markets as an important growth vector. Even those focussed only on the domestic market are affected by unrelated high-impact external risks such as political upheavals, natural disasters, or a sovereign debt crisis. CEOs from India are learning that prudent risk management requires them to understand the consequences of a range of risks that may be geographically remote but will increasingly impact their businesses.

Developing global talent

Compared to their global peers, CEOs from India are less concerned about the availability of talent in spite of the widely acknowledged skills gaps in the country. We find that they are taking charge by heavily investing in developing in-house talent, instead of waiting for a systemic change. They are also making technology investments to bridge skill gaps that will become more pertinent in the long run.

Innovating and developing intellectual property

CEOs in India are focussed on cost-led transformation while CEOs in China seem to be focussed on fundamental product and service innovation. In the last section of this report, we examine this difference and the possible consequences for Indian businesses.

Capitalising on changing demographics and consumer preferences

India's growth prospects will remain dependent on its domestic consumption. Thirty-eight per cent of the CEOs interviewed in India stated increased share in existing markets as the main opportunity for business growth over the next 12 months. However, 70% of the CEOs named changes in consumer behaviour and spending as the major business threat. CEOs must adapt and innovate to address India's rapid urbanisation, its young population, and an emerging middle-class with an increasing disposable income.

Segmentation in focus

PwC's report, *Winning in India's retail sector: Factors for success*[1] characterises the new consumer segments driving purchases in mobile phones, fashion, accessories, food and beverages, quick service restaurants, etc.

- **The upper crust:** This constitutes the affluent upper middle class. The emphasis here is more on status, luxury and high-value exclusive products. Price does not act as a differentiator. Status is the driving force. Traditionally small, this segment has been growing at over 20% in the last few years.
- **The emerging middle class:** Conservative in nature, this demographic has emerged as a strong segment for CEOs to target. The focus is more on value for money than low cost. About six hundred million of the 'emerging middle class' will reside in India by 2021.
- **The working women:** The annual report of the Ministry of Labour and Employment (2010) puts the number of employed women (in urban areas) at 5.41% of the total workforce, an increase of 1.63% as compared to the last decade. Independent, with a yen for taking their own decisions, this segment holds untapped potential for CEOs to explore.
- **Gen Y or the millennials:** Currently, India is passing through exceptional demographic changes. The country has around 500 million people under the age of 25. *The Annual Report to the People on Employment* by the Ministry of Labour and Employment (2010) projects the proportion of population in the working age group (15-59 years) from approximately 58% (2001) to more than 64% (2021) of the total population.

CEOs are formulating innovative business models to cater efficiently to the diverse segments while embracing new opportunities. However, segmentation is made more complex by a variety of drivers that influence consumer decisions and purchases within each of the above categories.

Heterogeneous market

Indian consumer preferences vary in terms of socio-economic grouping, education levels, attitudes, purchase drivers, buying preferences, behaviours, etc.

Emerging geographies

Tier I cities, such as Delhi and Mumbai are fast reaching saturation levels. In the coming decade, Tier II and III cities will command the attention of CEOs in India. Out of the 700 malls planned in the country, almost 40% are expected to come up in Tier II and III cities. Jaipur, Coimbatore, Ludhiana and Chandigarh will be among the top markets for CEOs to apply their growth strategies. Several Tier II cities are witnessing large mixed-use projects in housing, retail, entertainment and hotels. These are attracting big investments and creating job opportunities.

Changing preferences

With increases in disposable incomes, frequent overseas travel and the advent of online commerce, businesses are witnessing a paradigm shift in preferences of consumers. The emphasis on brand, private labels and luxury is higher now more than ever before. Alongside this, the advent of technology has played a pivotal role in defining the new consumer.

The new 'middle-class' consumer therefore could be any one of the following:

- The 30-year-old woman who holds an executive position, drives and uses ready-to-eat packaged foods
- The 20-something manager who is more comfortable with gadgets, clubs on the weekends and has more than two credit cards
- The small businessman in a Tier II city who drives a sedan and sends his children to an international school.

1 PwC's thought leadership *Winning in India's retail sector: Factors for success* on the country's retail environment (2010)

Emerging middle class: The new frontier

Four billion of the world's population lives in countries and regions such as India, China, Indonesia, parts of Africa and Latin America, where the per capita annual income is between US$ 1,000 and 4,000. Within these countries, there is a vast segment of population representing the 'emerging middle class' that is prompting business leaders to fundamentally rethink business strategies. This is the focus of PwC's recent research report 'Profitable growth strategies for the Global Emerging Middle'. Approximately six hundred million of the 'emerging middle class' will reside in India by 2021[2].

India's population distribution (millions)			US$ 1.19 billion	US$ 1.36 billion	
Household income/year (INR)		US$/day per capita	2010	2021 (Projection)	(%)
> 850,000	Upper middle +	>$10	80	190	14%
300,000 – 850,000	Middle	$5-$10	170	300	23%
150,000 – 300,000	Emerging middle	$1.7-$5	470	570	42%
< 150,000	Low	<$1.7	460	290	21%

Source: PwC Analysis, NCAER (National Centre for Applied Economic Research), CMI
**Purchasing Power Parity (PPP)*
Base: All respondents (1258); India (76); China (122)

New value propositions

Value propositions designed for countries at the upper end of the global income distribution spectrum seldom work for a market such as India.

Instead, companies have to develop a nuanced understanding of the aspirations and unique trade-offs of the diverse Indian consumer and develop solutions to meet their varied needs. For example, value propositions can't simply focus on low cost if they are going to connect with the 'emerging middle' segment's aspirational framework. Companies can also not treat the 'emerging middle class' as a homogeneous set of customers. Differences based on location (urban versus rural), age, religion and language require customised products and services based around a standard and scalable platform.

Innovative business models

Companies also need innovative business models and processes in order to overcome institutional weaknesses and gaps in everything from credit systems to supply chains. Companies have to collaborate with key players in the unorganised or informal economy to create an ecosystem supporting their business model. While prototyping and pilots are required in the initial stages, scale solutions are essential for delivering profitable results.

Shift in mindset

Another critical element to achieve profitable growth as consumer demographics and preferences change is a shift in mindset. Companies need to adjust externally as well as internally to cater to the 'emerging middle' consumer. It is not only products that must be adapted or built anew, but also production, distribution and marketing capabilities - in other words, entire business models. Often this requires a higher strong leadership presence, a higher risk appetite and a willingness to adopt new values and metrics to drive and measure success.

2 PwC's thought leadership *Profitable growth strategies for the Global Emerging Middle (GEM): Learning from the 'Next 4 Billion' markets.*

Managing domestic risk: Regulation, governance, and corruption

2011: Spotlight on bribery and corruption

In the survey, a staggering 92% of CEOs interviewed in India were 'extremely concerned' or 'somewhat concerned' about bribery and corruption. They consider it a major threat to the growth of their business. This is not surprising as in 2011, Transparency International's Corruption Perceptions Index cited India at 3.1 (on a scale of 1 to 10, where one signifies 'highly corrupt' and 10 signifies 'very clean' in terms of perceptions of corruption), not far from nations such as Zambia and Namibia[3].

Over 2011 the political and economic agenda of India was dominated by anti-corruption debates and legislation. This culminated in anti-corruption legislation being brought into the Parliament, which is still in the process of being enacted.

Regulatory uncertainty and overload

Nearly 86% of CEOs in India, compared to 45% in China and 56% globally, are concerned about over-regulation as a serious threat to their ability to deliver growth. In 2011, India ranked 132 (out of 183 countries) in the 'Ease of Doing Business Index' published by the International Finance Corporation and the World Bank[4].

The pace of policy reforms required to move the economy forward has slowed considerably. Before the beginning of the winter 2011 session, the government had listed 32 bills for consideration. Of these, only 15 bills were passed by the two houses[5].

On the other hand, corporations today are facing increasing regulation and scrutiny. For example, in the area of corporate sustainability and social responsibility, the Ministry of Corporate Affairs released the National Voluntary Guidelines on Environment and Social Reporting (June 2011). In November 2011, the Securities and Exchange Board of India (SEBI) made it mandatory for the top 100 listed companies to report on the National Voluntary Guidelines. The Companies Bill 2011 proposes to mandate a certain percentage of corporate profits for corporate social responsibility (CSR) and setting up a board-level committee on CSR and its reporting.

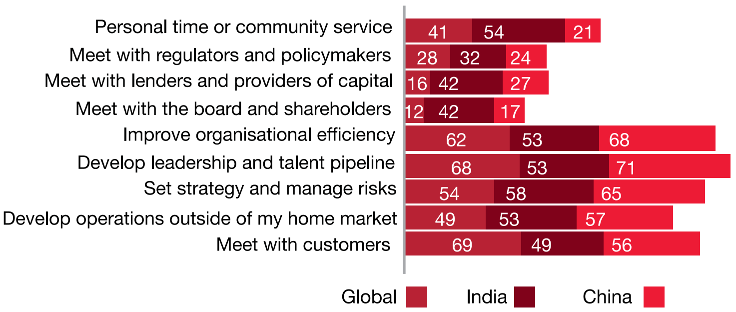
Different priorities for value creation

CEOs in India are prioritising corporate governance and stakeholder management as key areas where they would like to personally spend more time (see figure 05). In comparison, globally, CEOs wished to spend more time with their customers and people.

Inevitably, a question arises as to whether, in prioritising governance as their area of focus, CEOs from India are taking their eyes off the market and off talent management. We might argue that in the short run, it is time well spent as Indian companies are moving from relationship-based governance structures to contract-based ones, family - controlled businesses are converting to professionally-run businesses, and local revenue sources become international.

Figure 05: CEOs from India are prioritising spending time with stakeholders (lenders, boards, shareholders) significantly more than their global counterparts

Q. Do you wish that you personally could spend more time on each of the following activities?



Base: All respondents (1258); India (76); China (122)
Source: PwC 15th Annual Global CEO Survey 2012

3 http://cpi.transparency.org/cpi2011/results/
4 http://www.doingbusiness.org/rankings
5 http://www.prsindia.org/administrator/uploads/general/1325239749_Vital%20Stats%20-%20Parliament%20in%20Winter%20Session%202011%20v3.pdf

Building resilience to global disruptions

Last year's BP oil spill in the Gulf of Mexico has led many companies to re-ask the question-Is enterprise risk management one of those unfortunate check-the-box activities that every company should be doing because people tell us we should, or is it one that we embrace?

Richard O'Brien
President and CEO
Newmont Mining Corporation

Insulated no more

Businesses operating in India are not as insulated from global disruptions as many believe. Eighty per cent of the CEOs surveyed from India said that their companies were directly affected by the European debt crisis, 36% cited an impact from the political upheaval in the Middle East and 22% cited the earthquake and nuclear crisis in Japan. Nearly 68% of CEOs from India stated that the ongoing sovereign debt crisis in Europe has triggered changes in their strategy, risk management, or operational planning.

Companies are learning that preparedness for uncertainty is about focussing on the consequences of business disruption. This approach can bring risk discussions to a more strategic level. In our experience, when the focus is on preparing to respond to consequences, discussions occur across people involved in strategy, operations, risk management, crisis management and business continuity management. By contrast, a focus on assessing the likelihood of particular risks tends to remain theoretical and the domain of risk managers rather than the functions that will have to respond to disruptions.

Two-pronged response: Market choices and operational efficiency

CEOs from India are challenging conventional wisdom to decide which markets are most critical for growth. Besides Asia, Africa and the Middle East are top markets for them. The large but slower growing western markets have slipped down in their priority, but continue to be important.

Figure 06: Shift to Asia for growth

Q. In the next 12 months do you expect your key operations in these regions to decline stay the same or grow?

Company headquarters			
Region of operations	Global	India	China
Western Europe	36	25	47
North America	55	50	54
Middle East	67	79	47
Latin America	77	30	65
CEE	60	70	55
Australasia	57	72	50
South Asia	80	94	60
South East Asia	83	92	67
East Asia	77	91	71
Africa	75	83	41

*% Respondents who stated 'grow'

0% 100%

Base: All respondents (1258); India (76); China (122)
Source: PwC 15th Annual Global CEO Survey 2012

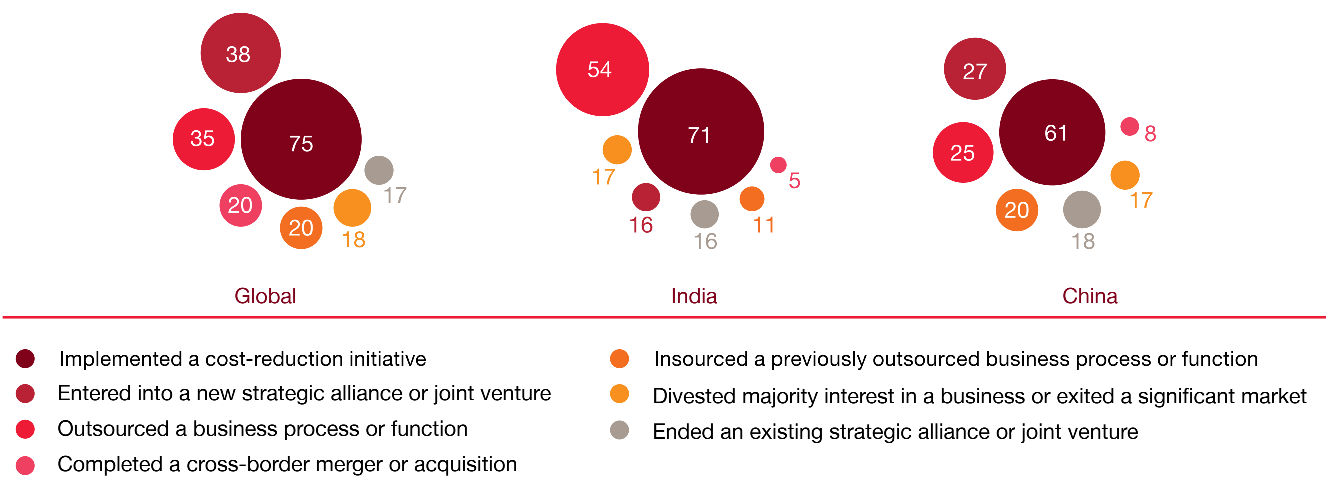
Indian CEOs may be deliberately focussing on emerging markets because they believe it will be difficult for them to compete in the slow growing western markets or perhaps they believe that in these trying times, the right strategy is to find opportunities in markets where consumer preferences may be similar to India. Here they can use value propositions created and refined in India without much tailoring for the local market. Examples such as Bajaj Auto's export of its low-cost and aspirational Bajaj Boxer motorcycle to Nigeria would support the latter theory. Bajaj Boxer has succeeded in becoming the market leader, almost wiping out the Chinese competition there.

In response to the aftermath of the global financial crisis, there has been a deliberate focus on operational efficiencies in India. In the past year, cost reduction and outsourcing have been priorities for CEOs in India and will continue to be so in the near term.In contrast, at a global level, CEOs are prioritising joint ventures and alliances far more than their Indian counterparts. Once the global economy emerges out of the crisis, CEOs in India will look forward to use their very efficient platforms to aggressively launch their organisations into global markets.

CEOs from India have put a much lower focus on mergers, acquisitions, strategic alliances or joint ventures in the last year in comparison with global peers. Deal activity has been going down, over the last couple of years, with FDI inflows at US$ 33 billion in 2010-11. Cross-border deals will continue to be difficult in 2012 as the financial crisis continues and liquidity is low. Companies with strong balance sheets will buck the trend. "Company valuations are now much more attractive than they were last year," said Ajay G Piramal, CEO, Piramal Group Ltd, India. "Today, we would pay half or one-third of what we would have paid for these companies last year," he concludes.

Figure 07: Focus on cost reduction in India

Q. Which, if any, of the following restructuring activities have you initiated in the past 12 months?

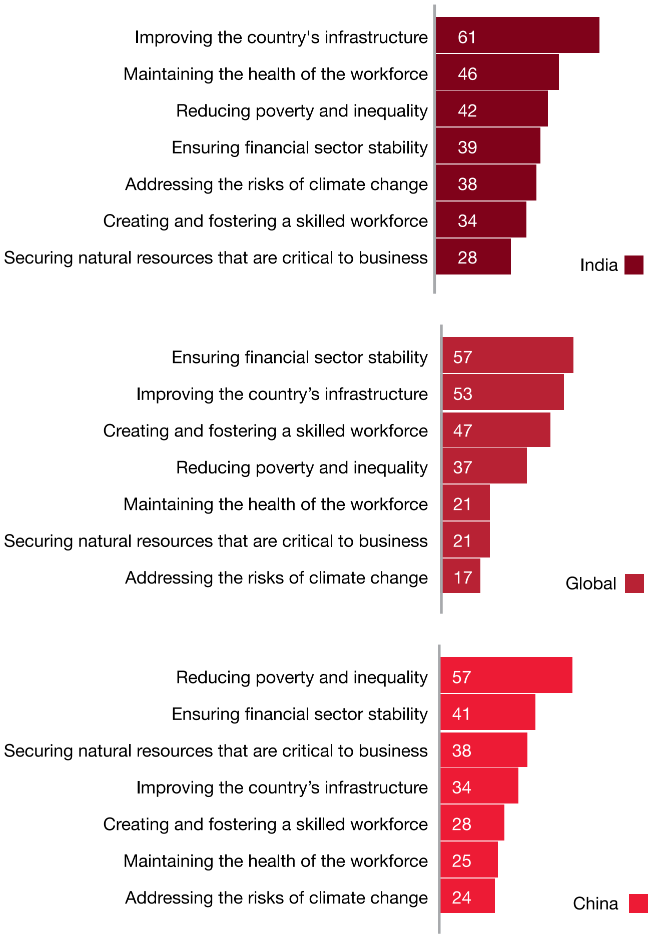


Base: All respondents (1258); India (76); China (122)
Source: PwC 15th Annual Global CEO Survey 2012

Developing global talent

Figure 08: CEOs in India view infrastructure, health of workforce and reducing poverty as top government priorities

Q. Which three areas should be the government's priority today?



Base: All respondents (1258); India (76); China (122)
Source: PwC 15th Annual Global CEO Survey 2012

Taking charge: Self-sustained ecosystems

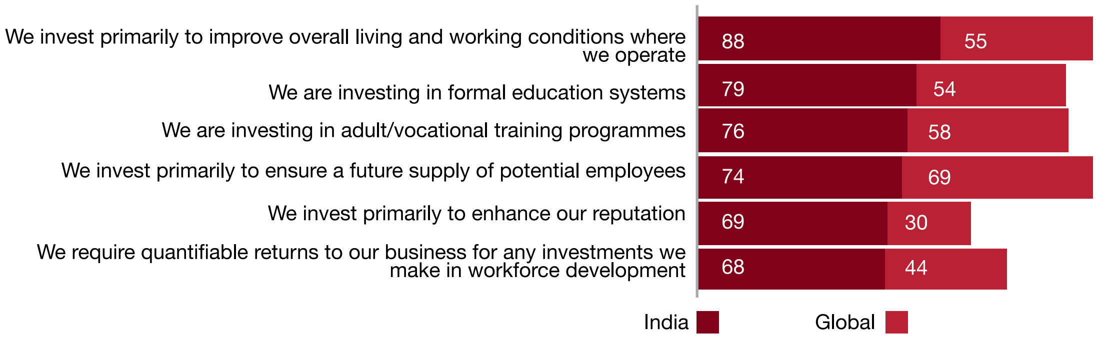
CEOs operating in India are taking charge in the education and skills development sectors. A mere 34% of CEOs surveyed from the country, in contrast to 47% at a global level, stated creating and fostering a skilled workforce should be the government's priority.

Investing in overall living and working conditions, formal education systems, and adult and vocational training programmes were the top three investment priorities relating to workforce development for CEOs operating in India. In contrast, the top priority at a global level was to invest in ensuring a future supply of potential employees.

The strategic focus on talent development from CEOs in India appears to be paying dividends. Around 66% were 'very confident' about having access to the talent needed to execute their company's strategy over the next three years. Neither Chinese (38% confident) nor global (30% confident) peers responded with such confidence.

Figure 09: Taking charge of workforce training and development

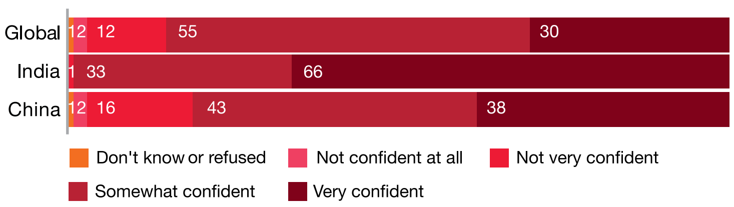
Q. To what extent do you agree with the following statements?



Respondents who stated 'agree' or 'agree strongly'
Base: All respondents (1258); India (76)
Source: PwC 15th Annual Global CEO Survey 2012

Figure 10: Confident in having access to talent

Q. How confident are you that you will have access to the talent needed to execute your company's strategy over the next three years?



Base: All respondents (1258); India (76); China (122)
Source: PwC 15th Annual Global CEO Survey 2012

As India enters a decade of maturing growth, CEOs will need to re-prioritise their talent development agenda. While the past decade focussed on rapid growth, the next decade will be about maturing leadership. It will focus on coping with the changing workforce demographic and making economically sound choices in training, innovation and intellectual property development development.

Talent is the most strategic issue for a country like India. The country is tremendously short on talent. Attrition rates are in double digits. There is a gap between what comes out of technical institutes and what the industry needs.

Baba Kalyani
Chairman and Managing Director
Bharat Forge Ltd

Innovating and creating intellectual property

Figure 11: Talent constraints are causing delays in strategic initiatives and meeting growth forecasts

Q. How talent constraints have impacted your company's growth and profitability over the past 12 months?

Base: India (76); China (122)
Source: PwC 15th Annual Global CEO Survey 2012

Respondents who stated 'yes'

We observed a sharp contrast between the approach adopted by CEOs from India and China towards growth and profitability. While CEOs in China state talent constraints adversely impact their ability to pursue a market opportunity and innovate effectively, CEOs in India are more concerned about the impact on product and service delivery, and expenses. Can we infer from this finding that CEOs in India are concentrating on short-term results while CEOs in China are prioritising their agenda to foster innovation and capitalise on new opportunities i.e., developing intellectual property for the long run?

Baba Kalyani, Chairman and Managing Director, Bharat Forge Ltd, India, laments the lack of innovation, "India does not have the infrastructure for hard-core innovation. For innovation to happen, we need: people, industry and organisations that believe and invest in innovation; technical universities that partner in innovation; and, most importantly, an ecosystem of technologists and engineers. Silicon Valley is able to come up with innovations because it has the necessary ecosystem."

Seven out of ten CEOs from India plan to change R&D and innovation capacity in 2012.

This is partly related to the widening definition of innovation. CEOs in industries in the throes of disruptive change require radical innovation. If their business cannot quickly create new products or services that customers will buy, they will not survive. However, innovation does not just mean end-product or service changes. It, sometimes, now includes taking costs out of processes or forming strategic alliances to collaborate. Each aspect of the business is fair game for re-invention. Executives are targeting changes to their revenue and margin models and the organisation as well to find better ways to innovate across many dimensions[6].

6 PwC's *Caught in the crossfire*, a 2009 survey of 65 executives on innovation strategies and expectations.

What's next?

Thanks to the positive outlook of the Indian economy, CEOs in India are more confident than their global peers of delivering growth and creating value. This is despite the volatility of the global economy as well as huge domestic macroeconomic concerns. We believe the findings of our survey have broad implications for business in 2012 and beyond, as Indian companies position themselves for growth. The following ten questions are distilled from CEO insights and can help you, as business leaders, create value for your stakeholders in these volatile times.

1. **Does your growth strategy focus on new fast-growing cities and rural markets?**
   While most of India still lives in rural areas, the rapid pace of urbanisation over the next decade will continue to be a major challenge for CEOs in India. A third of them cite increased share in existing markets as a dominant driver for business growth over the next 12 months. However, not only are consumer preferences different in rural areas, but also supply chains are hard to craft for these markets that are geographically dispersed. Profitable growth in this unique and changing urban-rural split will require CEOs to make long-term regional bets backed by aggressive investment.

2. **How well do you understand the changing consumer?**
   India's vast and varied population poses a challenge for its CEOs as they need to cater to diverse cultures and preferences. Moreover, the Indian consumer is changing before our eyes with increased urbanisation, levels of education and income, exposure to media, etc. Therefore, value deliverables for one market will not hold for another and value delivered yesterday may not hold tomorrow. To grow in this heterogeneous and fast-changing market, companies need to be flexible and agile.

3. **Have you figured out how to make money in the 'emerging middle' market?**
   CEOs expect to either modify or create products for specific markets to suit local customer preferences. Some four billion of the world's population live in countries where the per capita income is between US$ 1,000 and 4,000 per year. This vast segment represents an 'emerging middle class' in China, India and elsewhere prompting business leaders to fundamentally rethink business strategies that have been successful. Value propositions designed for countries at the upper end of the global income distribution seldom work for the needs of this 'emerging middle'. It's not only products that must be adapted or built anew, but also production, distribution and marketing capabilities - in other words, entire business models.

4. **Is your talent strategy fit for growth?**
   Cost-focussed measurements around talent strategy need to give way to measurements around returns on investment, as leaders increasingly implement new approaches to solve their talent shortage problems. Eighty-seven per cent of the CEOs from India and China are seeking relevant data and analysis from talent managers to make and inform investment decisions around people. Implementing strategic workforce planning will help leaders look beyond talent shortages today to align the talent needed to fulfil business plans.

5. **Are you investing enough in innovation?**
   The West has led the world in innovation in recent history. However, in a number of industries such as pharmaceuticals, businesses in Asia, particularly China have been increasing R&D spend.

   Further, while primary R&D is still largely conducted in home markets, businesses are increasingly shifting some capabilities to their new priority markets. More innovations created in emerging markets are flowing their way back to other markets according to CEOs. Thus innovation is necessary not only for those seeking global leadership but also for protecting local markets.

6. **Businesses today must collaborate to deliver results. Does your strategy address the question of how and with whom you should collaborate for better results?**
   Collaboration with an increasing number of stakeholders is the crux of the CEO agenda in India today. CEOs in India are finding it necessary and largely beneficial to engage with boards, providers of capital, regulators, policymakers, other businesses as well as the community in which they operate. Forty-two per cent of CEOs in India state that they would like to spend more of their personal time meeting with boards, shareholders and providers of capital.

7. **Do your strategic plans focus on how to respond to the most serious consequences you could face?**
   The range of CEO concerns in India reflects how diverse sources of risks are. For example, 92% are concerned about bribery and corruption and 86% are concerned that over-regulation will impact business. The number of potential risks and their inter-relationships make it difficult to predict what will occur where and when, but companies can better deal with uncertainty, and take a more strategic approach to risk, by focusing on likely consequences, no matter what the cause.

8. **Are you responding to the needs and constraints of the communities in which you operate?**
   CEOs from India recognise that sustainable business growth requires working closely with local populations, governments and business partners, as well as investing in local communities. This can mean creating job training programmes, helping to manage resource constraints or contributing to health solutions. Over 88% plan to invest to improve overall living and working conditions in the regions where they operate, for example.

9. **Are you adapting your governance model to changing stakeholder expectations?**
   The organisation of the future will likely be accountable to a different mix of stakeholders from a different mix of markets. Governance models need to adapt, beginning with building a leadership pipeline that reflects potential future demands. It is a key area of focus in India, with 37% of CEOs concerned about recruiting and retaining high-potential middle managers.

10. **Where are the biggest opportunities for business and government to coordinate better?**
    Compliance with a growing body of regulations is a complex task for most businesses. This is why CEOs from India consistently report over-regulation as a threat to their growth. However, the successes of the private and public sectors are increasingly intertwined. More than 60% of CEOs interviewed in India believe that infrastructure developments and maintaining the health of the workforce are top priorities for their governments. All of the CEOs interviewed in India say that their business plays a role in workforce development, other than their own employees. Areas such as infrastructure development, education, intellectual property protection, healthcare and regulatory convergence standards are ripe for increased collaboration between the public and private sectors.

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