Identifying opportunities to make India fit for future

23rd Global CEO Survey – The India outlook

March, 2020

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01 Executive summary

Disruption – a word tomtomed all through the past decade – has made way for another at the start of this decade – uncertainty. That is what is clouding the view from the top.

Two years ago in 2018, PwC's* Annual Global CEO Survey revealed a record level of optimism regarding global economic growth. This year there is a record level of pessimism. For the first time, more than half of the CEOs surveyed believe the rate of global GDP growth will decline. Moreover, as the Survey was undertaken prior to the outbreak of Coronavirus, risks to global growth may be exacerbated. In India, it is no different with 52% CEOs underlining a decline in economic growth, as compared to 27% in 2019.

This caution has translated into low CEO confidence in their own organisations' outlook. Only 27% of Global CEOs are 'very confident' in their prospects for revenue growth in 2020, a level not seen since 2009. This finding is compelling as our analysis tells us that the confidence of chief executives in their own company's revenue growth over the next year is a leading indicator of the health of the global economy and level of global GDP growth.

In India, the mood is relatively optimistic with 40% CEOs being 'very confident' about their revenue prospects. For them, organic growth, operational efficiencies and launching a new product or service are the top three priorities to drive revenue growth in the next one year.

This year, PwC's 23rd Annual Global CEO Survey saw the participation of 1,581 chief executives in 83 territories. In India, 63 CEOs participated in the Survey.

The report focuses on CEO insights in the following top-of-mind areas:

01
Prospects for economic growth

02
The future of digital privacy

03
Workforce upskilling challenges

04
Impact of climate change

* PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity

01 Prospects for economic growth

Over 50% of both India and Global CEOs believe global economic growth will decline over the next 12 months.

40% of India CEOs as against 27% Global CEOs are 'very confident' about their 12-month revenue prospects. It is interesting to note that in 2019, 55% of India CEOs were 'very confident' about their year-long revenue prospects.

02 The future of digital privacy

48% of India CEOs as against 41% of Global CEOs agree that governments are designing privacy regulations that increase consumer trust and maintain business competitiveness.

03 Workforce upskilling challenges

11% of India CEOs, compared to 18% of Global CEOs, believe their organisation has made 'significant progress' in establishing an upskilling programme that develops a mix of soft, technical and digital skills.

04 Impact of climate change

17% of India CEOs – as compared to 25% of Global CEOs – 'strongly agree' that climate change initiatives will lead to significant new product and service opportunities for their organisations. While 17% is not a high percentage, it is significant considering that 10 years ago, in 2010, the percentage stood at 5%.

Four key themes – at a glance

Uncertainty undermines outlook

In the past two years, the percentage of CEOs who believe GDP growth will 'decline' has increased ten-fold (from 5% to 53%). In every region, CEOs report increased pessimism. And in almost every region, they show significantly diminished confidence in their own organisations' 12-month revenue growth prospects. CEOs are, however, more sanguine about the prospects over the next three years, but confidence levels are still at a low not seen since 2009. Over-regulation remains the top threat, but there is rising concern over trade conflicts, climate change and cyber threats.

In India, too, there is a persistent air of uncertainty. CEOs are 'extremely concerned' about uncertain economic growth (51%), followed by speed of technological change (40%), over-regulation and policy uncertainty (38%), protectionism (37%) and cyber threats (35%) – as the top potential threats to their organisations' growth prospects.

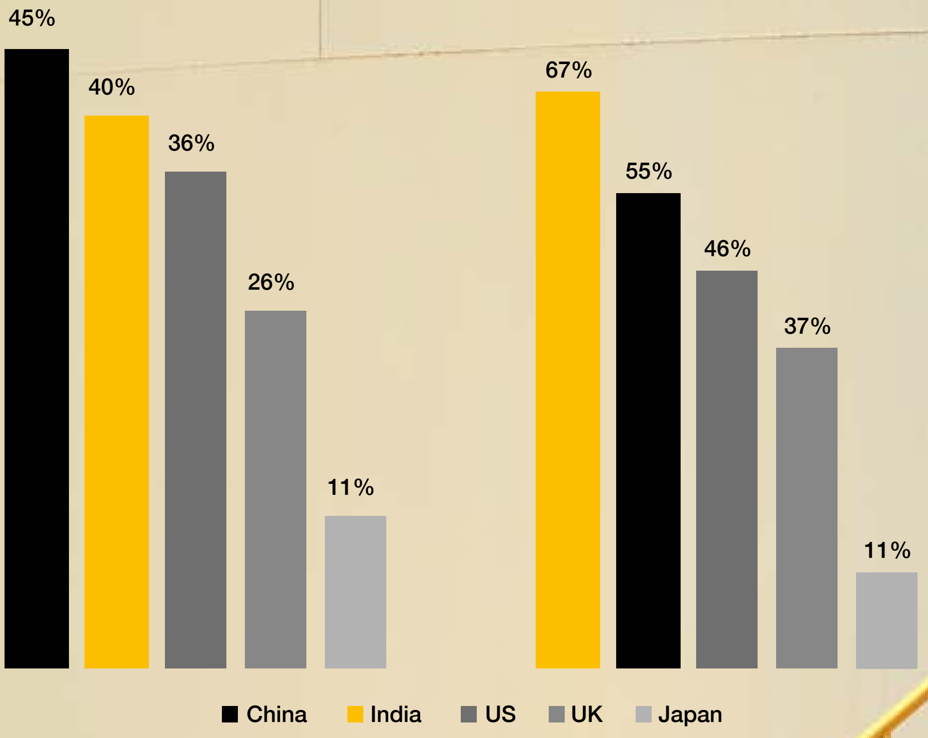
Notwithstanding these concerns, a majority of India CEOs – over 67% – were 'very confident' about their organisation's growth prospects over the next three years, this prior to the outbreak of Coronavirus.

India CEOs are 'extremely concerned' about uncertain economic growth, speed of technological change, over-regulation and policy uncertainty, protectionism and cyber threats

India is among the top 3 countries that are ‘very confident’ about their revenue growth prospects over the next 12 months and the next 3 years.

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

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



Setting up guard rails in Cyberspace

A majority of CEOs surveyed foresee increasing legislation around online content, data privacy and dominant technology platforms, with the result that the Internet will likely become more fractured as many nations craft their own rules rather than adopt global ones. This fractured Internet coupled with regional legislation would make securing the Internet a cumbersome task given that organisations have a finite budget to protect their mission critical assets from the ever-evolving threat landscape.

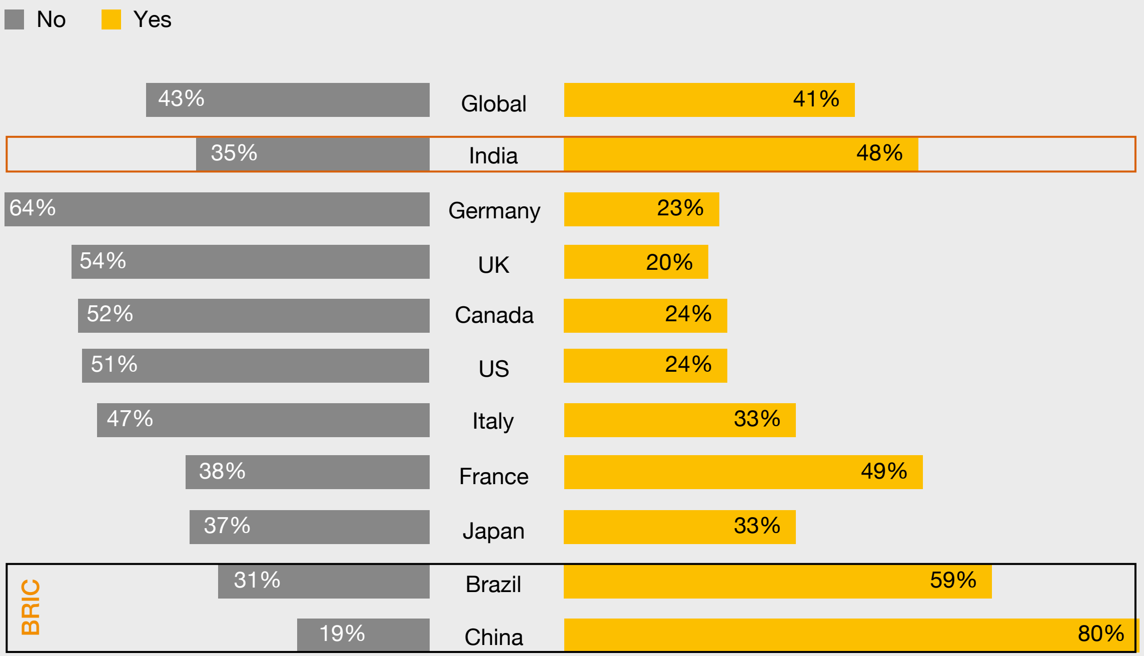
India CEOs are divided on their opinion on the Internet. 51% are optimistic that the Internet (including social media) will be increasingly seen as a platform that brings people together, spreads factual information and facilitates political empowerment, while 43% of India CEOs believe the Internet (including social media) divides people, spreads misinformation and facilitates political manipulation, and 6% are non-committal.

India CEOs are also more positive as compared to global CEOs when it comes to believing governments are designing privacy regulations that both increase consumer trust and maintain business competitiveness. 48% India CEOs as against 41% of Global CEOs agree that the privacy regulations designed by the government will not only increase consumer trust but also maintain business competitiveness.

48% India CEOs as against 41% of Global CEOs agree that the privacy regulations designed by the government will not only increase consumer trust but also maintain business competitiveness

The chart below reflects the sentiment across territories.

Are governments designing privacy regulations that both increase consumer trust and maintain business competitiveness?



To upskill or not to upskill, no longer the question

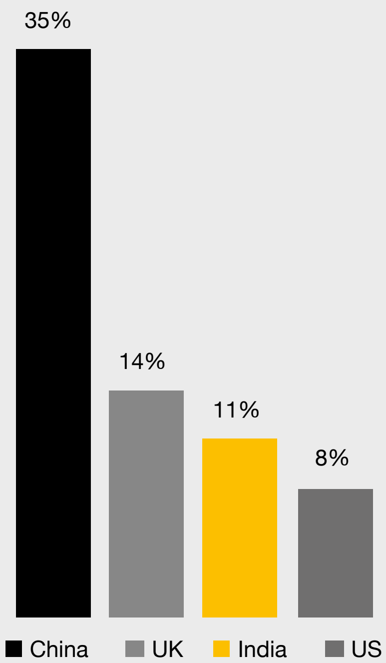
There is a correlation between economic optimism, revenue confidence and upskilling progress. While CEOs who have embraced the potential of upskilling are realising the rewards such as a stronger corporate culture, greater innovation, and higher workforce productivity, the survey indicates the percentage is not very high.

In India, 73% of CEOs are either 'extremely concerned' (30%) or 'somewhat concerned' (43%) about the availability of key skills. But not too many of them have acted on it. Only 11% have made 'significant' progress while 35% have made 'moderate' progress and 40% are 'starting to make progress' in establishing an upskilling programme that develops a mix of soft, technical and digital skills.

China, as is evident from the adjacent graph, is among the top countries to have made "significant progress" in establishing upskilling progress, followed by the UK.

'Retaining employees who have been upskilled' and 'ability of employees to learn new skills for the future' are two primary challenges faced by CEOs in their upskilling efforts. These are followed by 'defining the skills we should build' and 'motivating and incentivising employees to learn and apply their learning' – equally critical in the upskilling journey.

One reality is clear: increasing automation, change in demographics and regulation will make it harder for organisations to attract and retain the skilled talent they need to keep pace with the speed of technological change. Organisations will have to grow their own future workforce.



How much 'significant progress' has your organisation made in establishing an upskilling programme?

'Retaining employees who have been upskilled' and 'ability of employees to learn new skills for the future' are two primary challenges faced by CEOs in their upskilling efforts

Climate change: An opportunity cloaked in crisis

The tide has turned on climate change, quite literally. Organisations worldwide are starting to recognise its risks and even its potential rewards. Compared to ten years ago, CEOs are far more likely to see the benefits of going 'green' such as reputational advantage, new product and service opportunities, and government or financial incentives.

Regionally, there are some expected findings and a few concerning ones. Organisations in Western Europe and Asia-Pacific are ahead in assessing the transition risks to a 'greener' economy, which is not surprising given government commitments to sustainability in these regions. Progress is however slower where it needs to be more advanced. The Middle East, where economies are most exposed to the progression to clean energy, is comparatively behind in assessing change to a low carbon future. And US CEOs are the least enthusiastic among the world's ten largest economies about new product and service opportunities arising from climate change efforts.

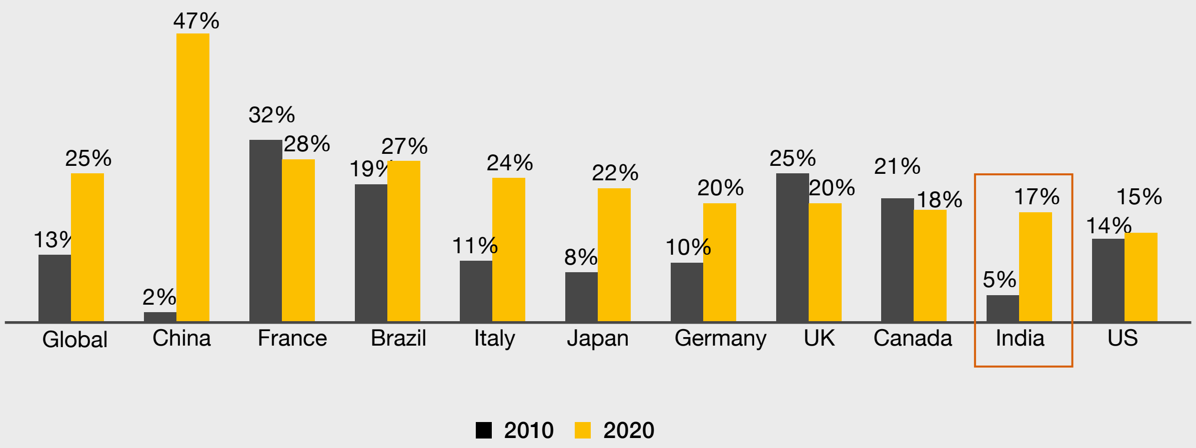
At the 25th Conference of the Parties - the annual meeting of the signatories to UN Framework Convention on Climate Change (UNFCCC) - that concluded last winter, India, China and Brazil maintained their stand that the developed nations need to take up responsibility for shortfall in their targets and bridge the gap by setting more ambitious targets.

This stance adopted by India and China is also reflected in the survey. China's growing embrace is the most pronounced; in 2010, only 2% of China CEOs saw opportunity in the climate change crisis for new products and services. Now, nearly half (47%) do.

In India, 29% CEOs are 'extremely concerned', 37% are 'somewhat concerned', and 22% are 'not very concerned' about climate change and environmental damage. Given the current context, it is heartening to note that only 8% are 'not concerned at all'.

Further, 73% agree that climate change initiatives will lead to significant new product and service opportunities for their respective organisations. Of this 73%, 17% 'strongly agree', while 56% 'agree' that their respective organisations will benefit from the new product and service opportunities that climate change initiatives are poised to usher in.

The following graph shows the percentage of CEOs, across territories, who 'strongly agree' that climate change initiatives will lead to significant new product and service opportunities for their organisations



73% India CEOs agree that climate change initiatives will lead to significant new product and service opportunities for their respective organisations

02 Growth

Uncertainty undermines outlook

IN 2018, 57% CEOs reported a record level of optimism regarding the global economy underlining that global GDP growth would improve in the coming year. In 2020, 53% projected a decline in the rate of global economic growth, up sharply from 29% last year. Although the reversal is dramatic, CEOs' outlook is consistent with most economic forecasts as the global economy heads into its 11th year of expansion.

In its October 2019 forecast, the International Monetary Fund noted, "The global economy is in a synchronised slowdown and we are, once again, downgrading growth for 2019 to 3 percent, its slowest pace since the global financial crisis."[1] The World Economic Forum reports, the outsized productivity gains promised by the Fourth Industrial Revolution, the collection of technologies that are reshaping the way people live and work, have yet to materialise.[2]

India CEO sentiment is aligned with that of the Global CEO, although there is relatively greater optimism in India compared to global companies. While only 27% of India CEOs believe that the economic scenario would improve over the next 12 months, 40% are 'very confident' about their revenue prospects over the next 12 months.

This confidence - exuded prior to the Coronavirus outbreak - can perhaps be attributed to their focus on organic growth, operational efficiencies and launching of a new product or service that India CEOs highlight as their top three priorities to drive revenue growth in the next one year.

As per the Economic Survey released on 31 January, 2020, in the World Bank's Ease of Doing Business rankings, India has leapfrogged to the 63rd position, moving up by 79 places. In the Global Innovation rankings India has moved from the 74th to 52nd position; in the Resolving Insolvency rankings, India has accelerated to the 52nd position from 108th. India has also improved its international ranking by 10 points in the Logistics Performance Index, and has moved from 52nd to 34th position in the World Economic Forum's Travel and Tourism Competitiveness rankings.

While these are positive developments, weak global growth and rising protectionism have evidently impacted India's growth story, along with investment slowdown due to the irregularities in the financial sector. That is perhaps why economic uncertainty has been ranked as the top threat by the India CEOs.

The primary concerns (both 'extremely concerned' and 'somewhat concerned') for India CEOs are:

86%	81%	78%	73%	68%
Uncertain economic growth	Inadequate basic infrastructure and Over-regulation	Policy uncertainty	Availability of key skills and Speed of technological change	Cyber threats

1 Gopinath, G., 2019. The World Economy: Synchronized Slowdown, Precarious Outlook, IMF Blog, https://blogs.imf.org/2019/10/15/the-world-economy-synchronized-slowdown-precarious-outlook/

2 Schwab, K., 2019. Global Competitiveness Report 2019: How to end a lost decade of productivity growth, World Economic Forum, https://www.weforum.org/reports/how-to-end-a-decade-of-lost-productivity-growth

The top 3 territories for growth are:

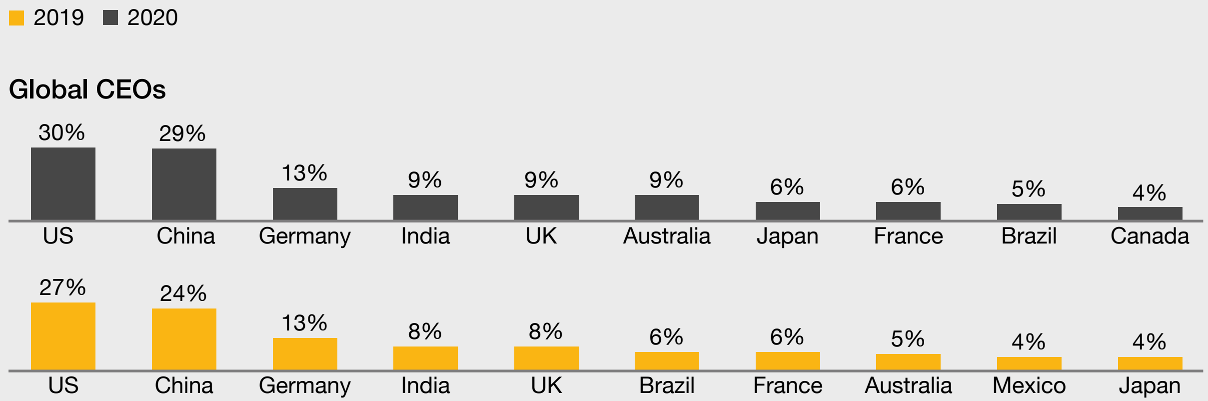
For India CEOs:

37%	US
25%	China
13%	UAE

For Global CEOs:

30%	US
29%	China
13%	Germany

Like last year, this year too India remains at 4th position when it comes to territories considered most important for organisations' overall growth prospects over the next 12 months. Australia interestingly has leapfrogged France and Brazil in the Survey's ranking of top growth territories on account of China CEOs' massive shift away from the US. Two years ago, China CEOs regarded the US as their most important growth market; 59% of China CEOs listed it as a top three growth destination. That figure has collapsed to 11%, while Australia's attractiveness to China CEOs has increased five-fold.



With India's reinvigorated focus on infrastructure, agriculture, education, financial services with technology underpinning all these sectors, economic uncertainty can perhaps be slowly dispelled. It would also help if CEOs look for revenue and expansion opportunities internally by increasing efficiency or productivity gain. They need to ensure that their process efficiency is sustainable and productivity gain that is promised by the Fourth Industrial Revolution materialises through the collection of technologies that are reshaping the way people live and work.

For India CEOs, Artificial Intelligence (24%), Cybersecurity (16%), Digital privacy (14%) and Internet of Things (14%) are the most important emerging technology areas for businesses and governments to collaborate, in order to build trust in society. But ironically, 58% of India CEOs cited lack of understanding on how Artificial Intelligence (AI) models/applications make decisions.[3] Thus, while CEOs are optimistic about AI, they are also aware that the 'black box' problem of AI, where an output cannot be explained, needs to be addressed in order to increase the adoption of organisation-wide AI use cases. To reduce this trust deficit, companies need a responsible version of AI wherein concerns around interpretability, ethics and governance are taken care of. Once this happens, AI and related technological advances will progressively solve the challenges to remove subjective biases that exist in society, unlocking far-reaching benefits.

3 With AI's great power comes great responsibility: September 2019, PwC India publication

03 Technology regulation

Setting up guard rails in Cyberspace

Technologies that leverage big data —Artificial Intelligence, Robotics, the Internet of Things — and bring the physical and digital spheres together are now propelling the Fourth Industrial Revolution.[4]

But as with all other industrial revolutions, perils lurk in the promise of these transformative technologies. The private sector's implementation of these innovations is outpacing the development of regulatory systems and standards to mitigate their risks. Organisations interested in global cybersecurity and internet governance are fragmented. Flip the coin and you'd see that attackers, on their part, have a far more co-ordinated modus operandi and are increasingly weaponising the same technologies that characterise the Fourth Industrial Revolution.

In fact, 73% of India CEOs are concerned with the speed of technological change. The more rapid the changes, the more scarce are the resources, and the higher is the cost of upgradation and upskilling. Besides, there is currently no global framework that can control attacks on digital technology. In many areas, digital dominance is increasingly perceived as both an economic competitive advantage and a national security imperative.

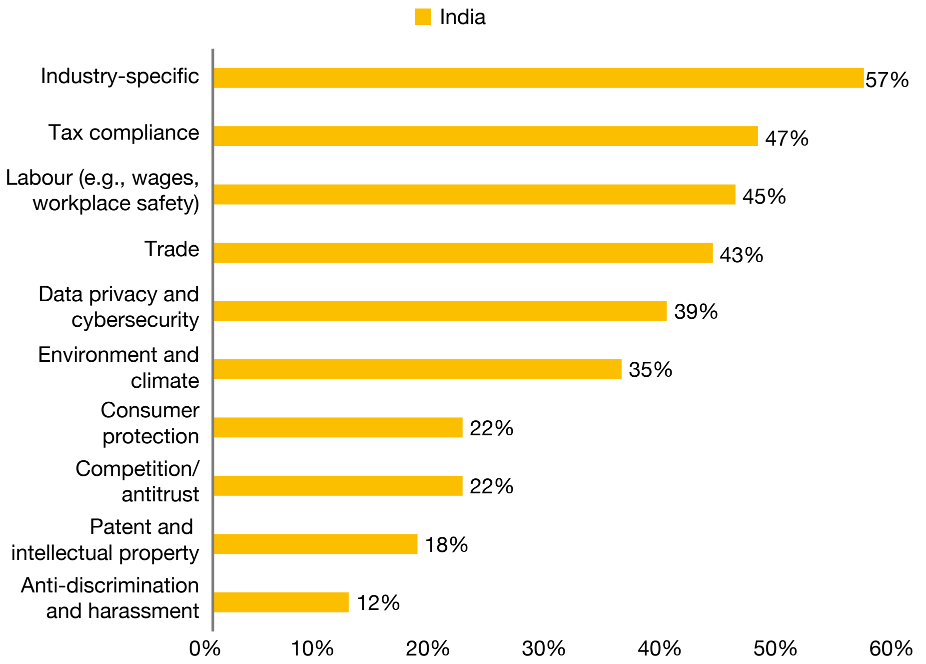
So the debate rages on as to whether governments should adapt their existing frameworks to emerging standards, or draw new boundaries on data privacy, content moderation, and the size and reach of dominant platforms (e.g., Facebook, Google, Amazon, Apple). If those boundaries are drawn too tightly, they inhibit cross-border data flow and innovation.

India CEOs are however optimistic about privacy regulations being designed by the government. They believe this will not only increase consumer trust but also help maintain business competitiveness.

When it comes to cyber threats, 35% of India CEOs are 'extremely concerned' (compared to 53% in the US, and 42% in the UK), and see it as a serious issue. This is mainly because recognition of cyber threats is relatively low in India at the management level, and hence the reporting maturity too is low.

4 Schulze, E., 2019. Everything you need to know about the Fourth Industrial Revolution, CNBC, https://www.cnbc.com/2019/01/16/fourth-industrial-revolution-explained-davos-2019.html

The top 10 areas of regulation that India CEOs are most concerned about are outlined in the chart below:



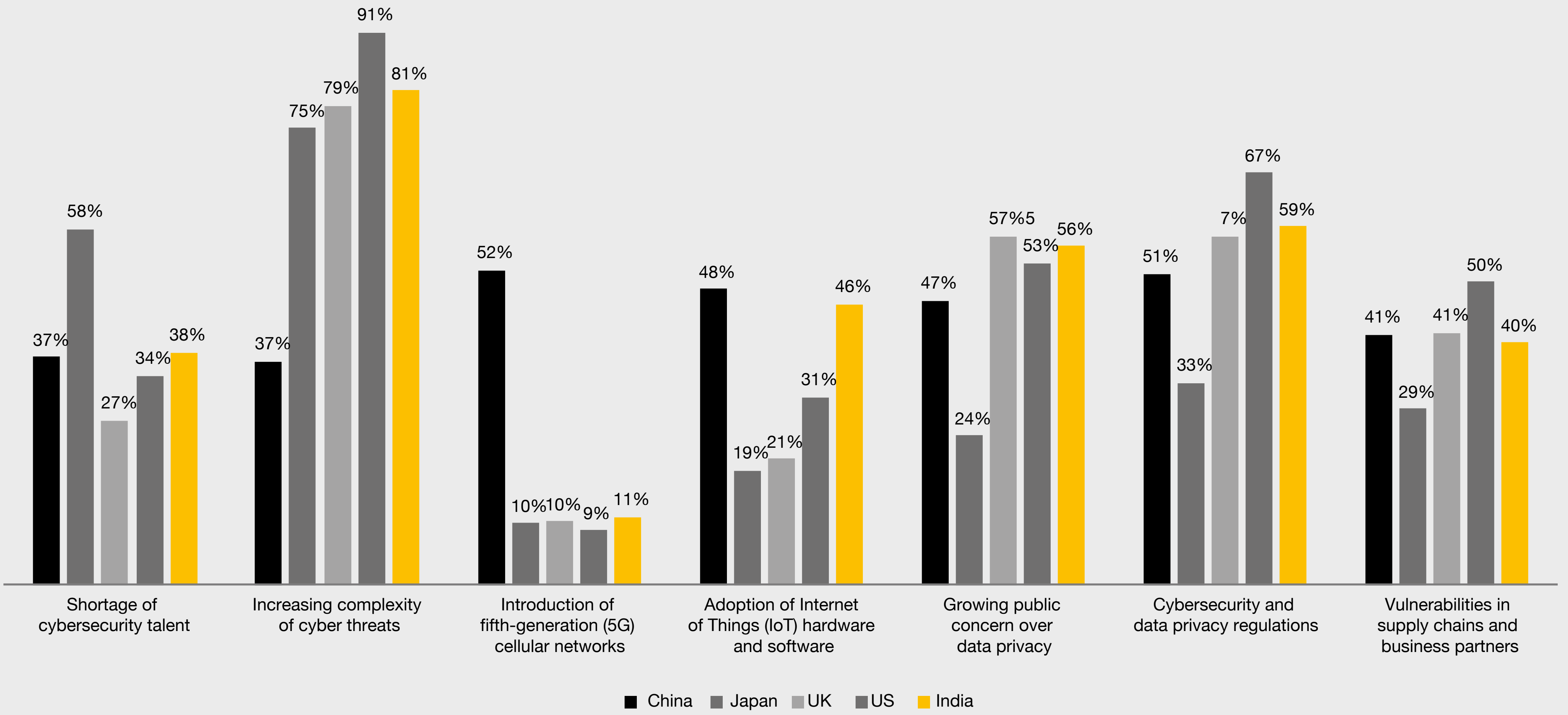
The world is far more connected than it has ever been before and this will further increase. New business models, changing consumer preferences and consumption patterns have led to a potpourri of technology enablers and expanded digital footprints.

Securing it is no easy task, and with time and increased adoption of technology, cybersecurity is set to become more complex owing to the increasing complexity of the threat vectors.

Data privacy has evidently moved centre stage, and the thin line between consumer value and privacy is slowly being erased. As technology moves from being an enabler to a persuasive agent, public concern is increasing. Countries around the world have realised the value of data, recognise it as a competitive advantage and hence feel the need to protect it. Cybersecurity and privacy guidelines are therefore set to be more granular and tighter around the technology being used and how it impacts the end-user.

The good news is that, from an India perspective, this provides an opportunity to secure the globe. India has a young population, and a dominant share comprises engineers. Organisations could therefore invest in reskilling this population to address cybersecurity requirements, not just for India but for the entire world.

Comparative study of the key factors having the greatest impact in shaping CEOs cybersecurity strategy across territories:



Given India's perceived cyber maturity, it is increasingly finding itself in the cross-hair of attackers. This is further corroborated by analysing the pulse of India CEOs.

While the shortage of cybersecurity talent is a constant theme across geographies, in the Indian context it is also an opportunity to leverage a young population to address the talent shortage for the entire world. The right investments and collaboration between academia and industry could pave the way for the next wave of growth.

Thanks to the India Government's impetus towards digitisation given its economic and social benefits, India has been adopting technology at breakneck speed. This rapid transformation has come at a cost and this is reflected in the fact that 81% India CEOs feel the increasing complexity of cyber threats, aligned to the CEO sentiment in developed nations such as the US (91%) and the UK (79%).

India Inc. has seen a rapid wave of digitalisation. The need to be the first one to go to market took precedence over security matters. Some learned the hard way that digitalisation sans security erodes the trust that people have in it, and the resulting trust deficit can negatively impact the adoption of such solutions.

In the last few years, the hacker community has been proactive, and has shifted focus to developing markets like India. Unfortunately, not all organisations are mature enough to stave off cyber attacks.

Alarmed by these developments, regulators are beginning to play an active role in formulating directives, tightening regulatory controls, increasing supervisory coverage across sectors, and introducing regulatory stringency in technology.

Corporate India, at this stage, needs to adopt a focused, proactive and continued approach to address these challenges and capitalise on the opportunities in the cybersecurity space.

04 Upskilling

To upskill or not to upskill is no longer the question

Upskilling can mean different things in different territories or industries. For the purposes of this Survey, upskilling was defined as follows: “An organisation’s clear intent to develop its employees’ capabilities and employability, and to advance and progress their technical, soft and digital skills.”

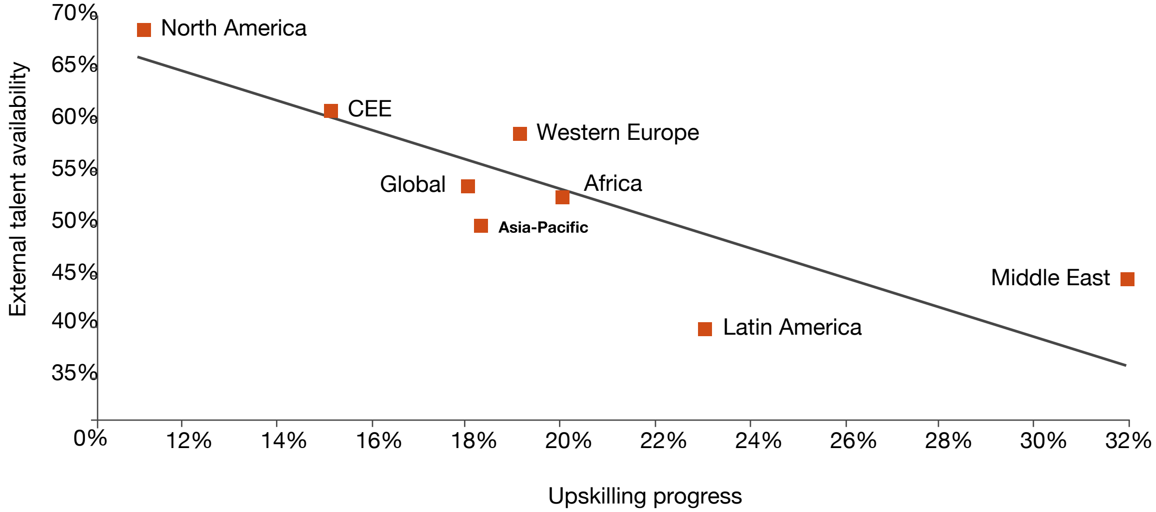
PwC’s own analysis of more than 200,000 jobs in 29 countries[5] — although less foreboding — confirms that 30% of jobs are potentially subject to automation by the mid-2030s, and that workers with lower education levels will be hardest hit initially. Blue-collar jobs will be replaced by ‘new collar’ jobs that require a combination of digital, technical and soft skills that are going unfilled in today’s tight global labour market.

The Fourth Industrial Revolution has ushered in new business models and new ways of working that require critical new technical, digital and soft skills. Those skills are in very short supply. In fact, the availability of key skills has been a top ten ‘extreme concern’ for the last decade, impeding innovation and prompting higher people costs.[6] Businesses cannot hire their way over this skills gap at a price they can pay, so the imperative is clear. Employers and employees must join hands and invest in upskilling or risk irrelevance.

It was interesting to note that CEOs in regions with more mature talent pools (e.g., developed education systems and high talent mobility) are less likely to have made ‘significant progress’ in establishing upskilling programmes, as shown in the adjacent chart.

5 PwC, 2018. Will robots really steal our jobs? An international analysis of the potential long term impact of automation, https://www.pwc.co.uk/economic-services/assets/international-impact-of-automation-feb-2018.pdf

6. PwC, 2019. 22nd Annual Global CEO Survey: CEOs’ curbed confidence spells caution, https://www.pwc.com/gx/en/ceo-survey/2019/report/pwc-22nd-annual-global-ceo-survey.pdf



In India, while 73% of India CEOs are either ‘extremely concerned’ and ‘somewhat concerned’ about the availability of key skills, only 11% of India CEOs believe their organisations have made ‘significant progress’ in establishing an upskilling programme that develops a mix of soft, technical and digital skills. 40% are starting to make progress, and only 10% of India CEOs claim to have made ‘significant progress’ in collaborating with academic/government institutions on the skills needed for the future.

The years ahead will seemingly favour those with a thirst for new knowledge, as the supply of people possessing STEM (science, technology, engineering, maths) skills and the uniquely human skills (e.g., creativity, empathy, collaboration) increasingly prized in today’s job market cannot keep up with demand.

Those who are quick to identify skills needed for future jobs — e.g., data analyst, cyber specialist, AI expert, product designer — and are quick to acquire those skillsets are evidently poised to win. Upskilling and reskilling could help bridge the divide between digital natives and digital immigrants, and reduce redundancy, a cause for concern across the board.

For India CEOs, following are the top challenges their organisations currently face in their upskilling efforts:

- Defining the priority skills for the future, in the context of their business
- Ability to drive an organisation-wide upskilling agenda. While some organisations are able to drive it in pockets, driving it organisation-wide is often the primary challenge
- Retaining employees who have been upskilled
- Ability of employees to learn new skills needed for the future
- Motivating and incentivising employees to learn and apply their learning
- Most importantly, being able to build a 'burning platform' among the leadership to prioritise this critical requirement

Often the leadership has a cognitive understanding of upskilling, but believes that by addressing and resolving the more here-and-now activities, part of this issue can be solved. So, the real challenge lies in a cent percent commitment to prioritise and view upskilling not just as an important but an urgent requirement.

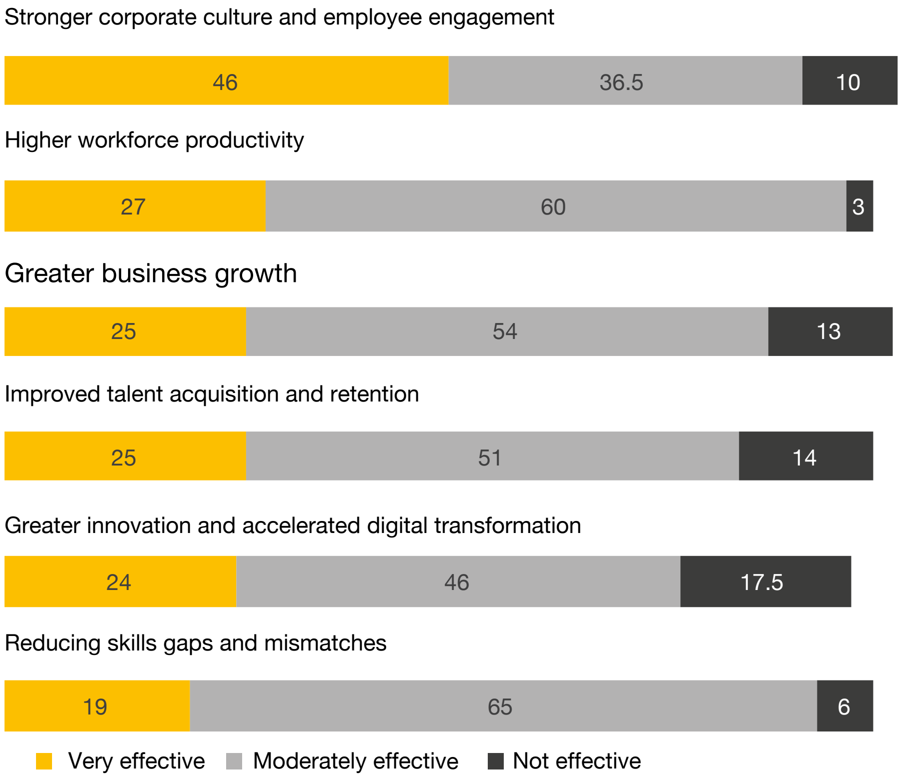
There is an intriguing disconnect between what employers perceive and what employees express about their employment future. According to PwC's survey of 22,000 workers around the world, more than half (53%) believe that automation will significantly change their job or make it obsolete within the next ten years.[7] And more than three-quarters of adults (77%) say they would learn new skills or completely retrain to improve their future employability. But only a third (33%) feel they have been given opportunities to develop digital skills outside their normal duties.

Workers need to be convinced that companies are engaging in upskilling efforts to improve their employability, not just to improve the bottom line. As to the retention challenge, to retain employees, companies must do more than go through the motions of upskilling; they need to give their talent the opportunity to do 'good work'.

7 PwC, 2019. New world. New skills, https://www.pwc.com/gx/en/issues/upskilling.html

India CEOs with more advanced upskilling programmes cite higher workforce productivity, reduced skill gaps, improved employee engagement and stronger corporate culture.

How effective are your upskilling programmes in achieving the following outcomes?



Across the board, organisations that have made the most progress in upskilling are achieving better business outcomes including higher workforce productivity, reduced skill gaps and mismatches, improved employee engagement and stronger corporate culture, and greater business growth. This correlation suggests that employers who make good-faith efforts to upskill their employees build trust, and that, in turn, can enhance returns in a world where trust is an increasingly valuable commodity. So one of the biggest budget priorities for organisations worldwide over the next couple of years will be to understand how they differ from competitors from a business and capability perspective, and accordingly build their workforce capability in the digital world.

It will be important for an organisation to align its upskilling initiatives with its future capabilities. Such a step will enable an organisation to differentiate itself on the basis of its workforce's talent and skills, and design and implement the upskilling initiatives in a sustainable way. But business leaders alone cannot solve the global talent and skills crisis the world confronts at present. It will take the concerted efforts of educators, governments, technology innovators and the business community to ensure that people around the world stay productively engaged in meaningful work. For now, though, the 2019 Edelman Trust Barometer showed that in these uncertain times, when people have lost trust in institutions, 'my employer' is emerging as the most trusted entity of all.[8]

8 Edelman, R., 2019. Trust at Work, Edelman, https://www.edelman.com/insights/trust-at-work

While there can't be a single golden pill to resolve these issues, following are our recommendations for India CEOs:

Identify the 'burning platform: It will be important for every organisation to define its differentiating capabilities for the future. These will necessarily have to be skills that go beyond their differentiators today. They should ideally be a combination of technical / functional + digital + human centric capabilities. Each organisation needs to introspect and identify its own unique combination of these three capabilities that is fit for their organisation vis-a-vis what competition offers. Clearly, this would have to be an outcome of their business and digital purpose, factoring in a strong consideration for the stakeholder experience the organisation would like to deliver to their key stakeholders viz. the employee, customer and shareholder.

Prioritise it as a 'burning platform: While most leaders understand the urgency, the commitment building and hard work required to include this on the boardroom agenda is no mean task. The resultant effect is that organisations often try to solve this problem by paying lip service, making it yet another important priority for existing business leaders, or implementing it in easy pockets within the organisation. The fact that delayed action could widen the gap and the impact of no action could result in serious existential challenges for the future needs to be articulated and acted upon in the same light.

Include everyone in the upskilling journey: A workforce is as slow as the slowest person on the team. Hence driving this initiative in quarters and / or leaving pockets of the firm out of it, impacts engagement, sends out mixed signals on the goals and commitment of the organisation, and most importantly builds a skills asymmetry within the organisation. Like any other asymmetry, this may, in the long run, lead to a huge gap and aspirational mismatch that could be difficult to deal with.

Create a custom template for driving upskilling initiatives: There isn't a perfect solution or a template available to deal with this issue. It is important to acknowledge that, as one is conventionally trained to look for benchmarks and best practices. One of the largest upskilling priorities for leaders is to learn to create a custom template around this 'burning platform.' This would require agile thinking, disruptive envisioning and courage to take the plunge. The cost of inaction is much higher than the cost of failing fast and learning.

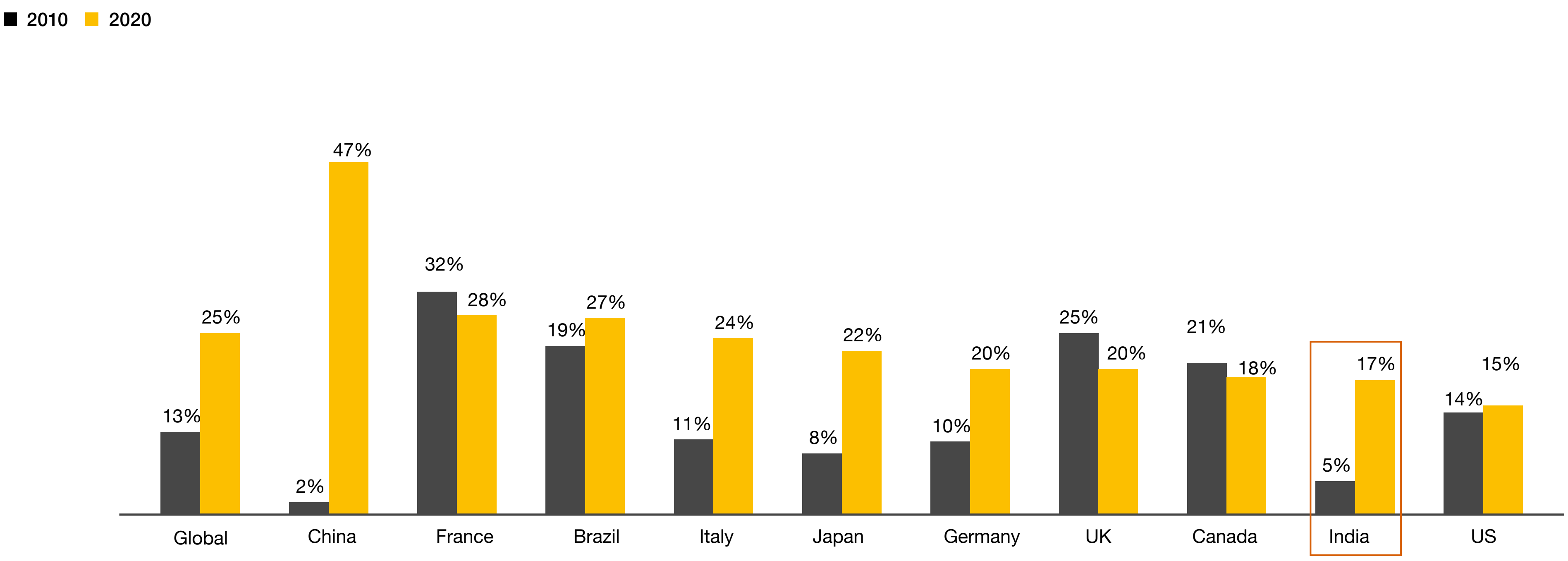
Work collaboratively in the ecosystem: There isn't a single concrete and well defined answer that organisations, industry bodies, governments or education institutions/ academia can provide. This indicates that everyone would need to prioritise and look at ways of solving this upskilling issue collectively. Today, everyone is waiting for someone else to take a holistic initiative, or else hoping that a concrete long-term solution will be developed by an expert. In its absence, organisations are trying to solve a smaller problem that directly impacts them, failing to realise that defining both the need and the opportunity would have to be broad-based. As the whole is greater than the sum of its parts, defining the whole in this instance could help solve the problem in a more collaborative way.

05 Climate change

An opportunity cloaked in crisis

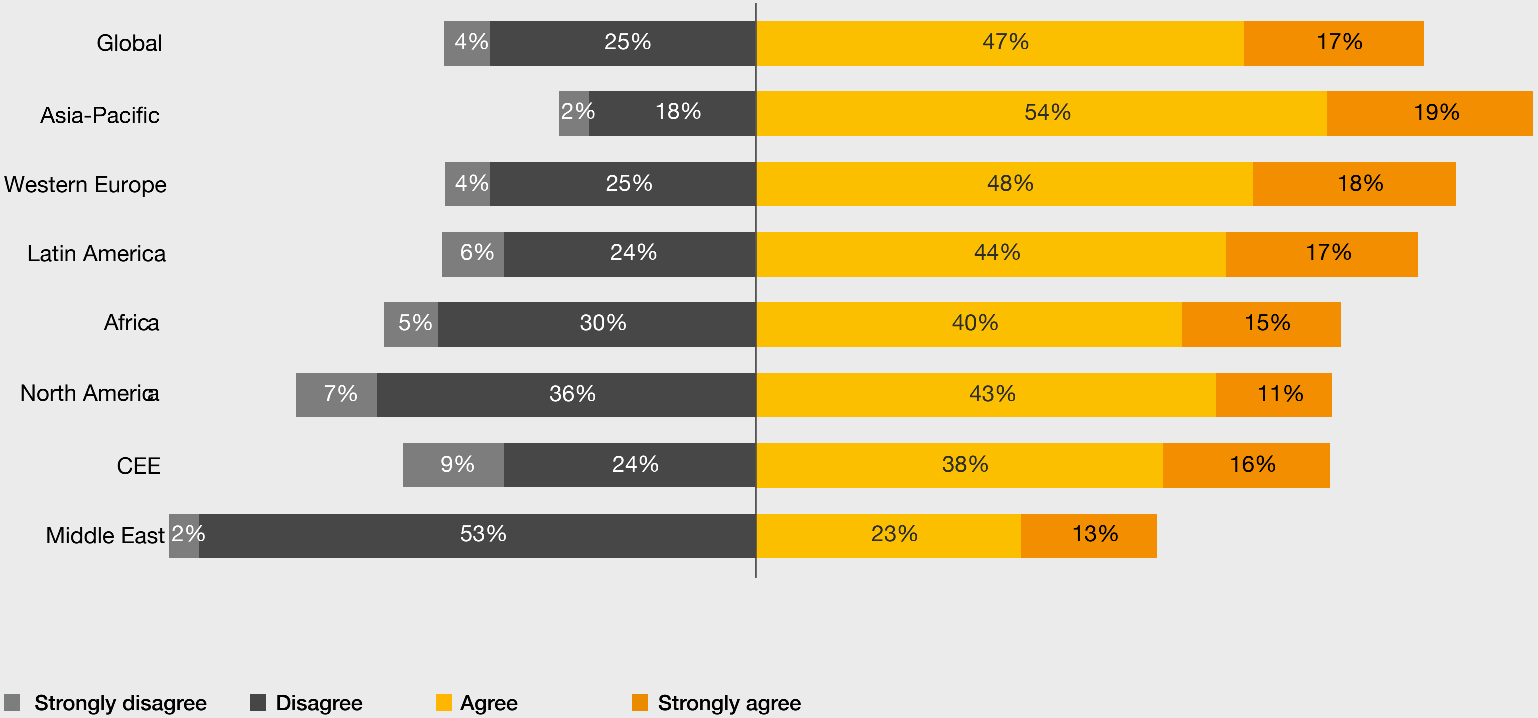
As CEOs try to navigate disruptive weather impacts, fractured climate policy, rising expectations from the public and the demands of remaining competitive, they are facing a higher level of climate-induced uncertainty. More and more CEOs the world over have begun to understand the undeniable link between balance sheets and climate change, and the importance to be sustainable and fit for future. Our Survey shows that CEOs express a growing, if still subdued, appreciation of the upside of taking action to reduce their carbon footprint.

As the following bar graph indicates, climate change opportunities are being increasingly embraced by most of the world's largest economies, especially China. Most CEOs have assessed the risks of climate change to their business, which is essentially the first step towards developing an actionable plan for reduction of their carbon footprint.



Progress towards a 'greener' economy is slowest in regions where it is needed most

How strongly do you agree or disagree that: "my organisation assessed the potential transition risks (e.g., carbon regulation and technology shifts) to a 'greener' economy?"



Again, interestingly, it's the Asian CEOs who are leading the pack at an overwhelmingly 73% majority as against a Global average of 64%. The only glaring exception is from the Middle East region where such an assessment is not given a priority, as is indicated by its 36% agreement rate.

Compared with the 2010 CEO Survey, when the question – how strongly do you agree or disagree that climate change initiatives will lead to significant new product and service opportunities for your organisation – was asked, only 5% India CEOs 'strongly agreed' as against 17% in 2019.

Today India CEOs are showing agility in sensing the significant opportunities that lay in using innovation and new technologies to create new product and service offerings that will emerge from the challenges induced by climate change. CEOs are well aware that investing in climate change initiatives will also boost their reputational advantage among key stakeholders, including employees, and they will benefit from government funds or financial incentives for 'green' investments.

Small wonder then that 66% of India CEOs are concerned about climate change and environmental damage, and 73% agree climate change initiatives will lead to significant new product and service opportunities for their organisations. On the contrary, some CEOs whose nations were at the forefront of the campaign to arrest climate change ten years ago — France, the UK, Canada — are slightly less enthusiastic about new product and service opportunities.

In general, CEOs in Western Europe and Asia-Pacific report being ahead in assessing the risks of climate change initiatives, which is not surprising given that many governments that have committed to net-zero emissions by 2050 are located in these regions.[9]

What has been interesting to note is that millennials joining the workforce have been increasingly asking questions beyond the balance sheets. Those in the productive age group are more worried about global warming, and often perceive it as personally important, therefore expressing a willingness to engage in climate activism. These millennials are drawn more to the values of a company rather than its revenue. That also explains the reputational advantage that CEOs see in this opportunity cloaked in crisis.

Given this scenario, it is not surprising to note that technological advancements and better financial models are resulting in conventional fossil fuel-based cars being steadily replaced by electric vehicles across the world. An overall supportive ecosystem, propelled by incentives and regulations, has already made the change much faster than earlier envisaged.

9 Popovich, N., and Sengupta, S., 2019. More Than 60 Countries Say They'll Zero Out Carbon Emissions. The Catch? They're Not the Big Emitters, New York Times, https://www.nytimes.com/interactive/2019/09/25/climate/un-net-zero-emissions.html

As our Survey indicates, the epicentre for climate change innovation (development of newer products and services) has moved from the traditionally "evolved" to the "evolving" Asian economies. In the last decade, Chinese CEOs who are up for exploring innovation opportunities due to climate change have increased 24-fold, while India and Japanese CEOs have increased three-fold.

There is also a three-fold increase in the CEO's perspective that being climate friendly connotes access to funds and financial incentives. With governments across the world launching incentives or penalties such as Carbon Tax, CEOs believe being on the right side of the law will help them gain access to funds, leading to a competitive advantage. Further, with the concept of Responsible Investment rapidly gaining ground, the link between "sustainability and climate change readiness" and "capital markets" is also becoming increasingly pronounced.

06 Succeeding in uncertainty

A message from Bob Moritz, Chairman of the PwC Network

As our Survey shows, there is no shortage of factors inspiring uncertainty, whether those factors are structural, economic or technological. This presents a tough challenge for business leaders.

Uncertainty can be an excuse to take essentially defensive actions that may make tactical sense but are strategically counterproductive in both the short term and the long term — reducing investment in people, pulling back from new technologies, shying away from big challenges.

In order to act as stakeholders who build a cohesive and sustainable world (the theme of this year's World Economic Forum Annual Meeting),[10] companies have to lean into changes in the precise moments when it is uncomfortable to do so, and communicate openly about the challenges they face and the actions they're taking.

Confronting uncertainty, leaders must act — and act quickly. Instead of narrowing their focus and looking inward, they should expand their field of vision and strive to create a wider range of options to pursue. Making decisions in a way that is both more dynamic and more resilient will enable organisations to thrive in the full spectrum of uncertain outcomes.

At root, all of this means changing how we think about many of the ways we have conducted business for years, if not decades. Leaders today can harness the power of technology to reimagine the way they plot strategy. They can use AI to consider a wide range of scenarios, test and scale options, and feed the knowledge gained back into the system. Understanding how a company can succeed under different sets of conditions increases confidence.

But companies can act on opportunities only if they have the organisational agility that allows them to execute rather than simply react. Building on foundations that are strong but not rigid, leaders must learn to make decisions and allocate resources and capital more nimbly.

It is especially important that leaders consider the pressing and evolving needs of all their stakeholders and demonstrate their ability to confront significant challenges. Companies don't have much control over the broad demographic trends that make it difficult to attract and retain talent. But they can take action to upskill their employees. Those that do so will solidify long-term relationships with employees while building a more agile workforce. As an example, we at PwC are committing US$3bn over the next four years to upskilling initiatives both to train our own people and to develop technologies for our people and our clients.[11]

Climate change poses a significant challenge. As conditions evolve, many organisations are rethinking the vulnerability of their operations and considering the potential for new products and services. At the same time, societal expectations for how business can engage with the climate issue are increasing. One result: it is now imperative for CEOs to develop and integrate a detailed sustainability vision into their long-term strategic plan. At PwC, we are taking such steps as offsetting air travel emissions. We have also joined RE100, a global coalition of businesses committed to transitioning to 100% renewable usage, and are on a path to source 70% of our electricity needs from renewable sources by fiscal year 2022.[12]

On all these fronts, leaders must ensure that their efforts create lasting value while also building trust with the communities and stakeholders they serve.

We hope that PwC's 23rd Annual Global CEO Survey has provided some food for thought as you chart a course through the uncertain economic and business environment.

As we look ahead, there's one thing of which we are certain: when it comes to the most pressing topics confronting CEOs, collaboration between and among organisations, individuals and governments can meaningfully enhance not only their own prospects but the prosperity and vitality of society as a whole.

10 World Economic Forum, 2019. World Economic Forum Annual Meeting 2020, http://www3.weforum.org/docs/WEF_AM20_Overview.pdf

11 PwC, 2019. New world. New skills, https://www.pwc.com/gx/en/issues/upskilling.html

12 PwC, 2019. PwC's Environment Commitment, https://www.pwc.com/gx/en/corporate-responsibility/pdf/pwc-environment-global-strategy-map-fy19.pdf

07 Survey methodology

PwC's 23rd Annual Global CEO Survey saw the participation of 1,581 chief executives in 83 territories. In India, 63 CEOs participated in the Survey. The sample of 1,581 CEOs used for the global and regional figures in this report are weighted by national GDP to ensure that CEOs' views are fairly represented across all major regions.

Of the 1,581 CEOs whose responses were used for the global and regional figures:

46%

of their organisations had revenues of US$1bn or more.

15%

of their organisations had revenues of up to US$100m.

35%

of their organisations had revenues between US$100m and US$1bn.

55%

of their organisations were privately owned.

Notes

Not all figures add up to 100% as a result of rounding percentages and excluding 'neither/nor' and 'don't know' responses from exhibits.

The base for global figures is 1,581 (global respondents) unless otherwise stated.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with over 276,000 people who are committed to delivering quality in advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

In India, PwC has offices in these cities: Ahmedabad, Bengaluru, Bhopal, Chennai, Delhi NCR, Hyderabad, Kolkata, Mumbai, Pune and Raipur. For more information about PwC India's service offerings, visit www.pwc.in

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Contributors

Sanjay Tolia
Partner, India Markets

Ranen Banerjee
Partner, Economic Advisory Services

Siddharth Vishwanath
Partner, Cyber

Chaitali Mukherjee
Partner, People & Organisation

Yasir Ahmad
Partner, Social Sector

Sudipta Ghosh
Partner, Data & Analytics

Vishnupriya Sengupta
Director, Markets & Communication

Shipra Gupta
Associate, Markets & Communication (Design)

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