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Future proof plans



Foreword



CEOs around the world are retrenching, indeed many claim to be entering ‘survival mode.’ Our 12th Annual Global CEO survey shows how the financial crisis shattered short-term confidence. The percentage of CEOs who were ‘very confident’ about their one-year revenue growth prospects dropped to 21%, the lowest level in six years. Uncertainty about the future is still running high and confidence no doubt continued to deteriorate after we completed the survey in early December.

In times of unprecedented economic and financial turmoil like these, however tempting it is to focus on

short-term imperatives, we cannot afford to ignore the longer term. Amidst the confusing haze of risks, regulations and recovery packages, this year’s CEO survey asks this question: How do company leaders determine the strategy that will lead to success when the economic fog eventually clears?

I want to thank the 1,124 CEOs from more than 50 countries who spared the time to talk with us, despite the many pressures they face. I am particularly grateful to the 21 CEOs who sat down with us for more extensive conversations and shared their thoughts on how they were working through these difficult economic times.

The tremendous success of the PwC Global CEO Survey – now in its 12th year – is directly attributable to the willing participation of such leaders around the world. This CEO commitment to the Survey reinforces its role as a valuable tool, not only for better understanding the current mindset of their peers, but also for identifying the specific risks and the opportunities that they anticipate will shape the future of business. At PricewaterhouseCoopers we are extremely proud of this ongoing commitment.

Samuel A. DiPiazza Jr
Chief Executive Officer
PricewaterhouseCoopers International Limited

pwc.com/ceosurvey

This year the 12th Annual Global CEO Survey website contains new, interactive tools, which allow users to customise data and charts for their own businesses.

- View an interactive compilation of video, key quotes and transcripts at pwc.com/ceosurvey/indepth.
- Examine the data from every angle – by business issue, region and industry sector at pwc.com/ceosurvey/thestory.
- Use the *benchmarking tool* to compare your point of view to that of your competitors and peers.
- Look at the *industry summaries* – a complete picture of the issues at the heart of each industry.
- Hand-pick the most relevant information and create a *custom report*.

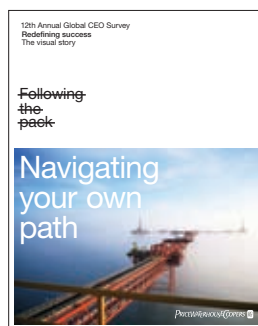
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Supplements



In-depth CEO story



The visual story

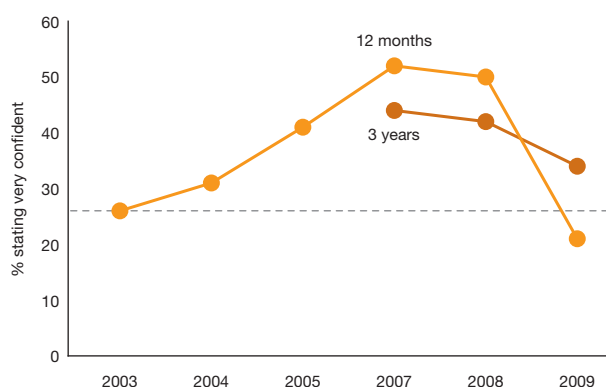
Introduction

The 12th Annual Global CEO Survey comes at a momentous time. A financial crisis of historic magnitude was unfolding as we set out to speak with 1,124 business leaders worldwide. We found CEOs operating in extreme conditions, with little margin for error. Many are still fighting threats to their companies' survival. At the same time, CEOs are also coming to terms with long-term, global trends that are challenging economic, political, social and cultural structures around the world.

John Donahoe, President and CEO of the US-based global online marketplace eBay Inc, says: 'If I can get three good nights' sleep in the next 12 months, I will consider the next year to be a success. I'm exaggerating, of course. But what I mean is...it's necessary to strike a balance between fighting each day to ensure your survival, while keeping a strong hand on the tiller in order to steady the ship. It's balancing the long term with the urgency of the short term and having the wisdom to discern what's what.'

Government and business leaders were caught unprepared for a global financial crisis, which has evolved into worldwide economic deceleration. In the short term, at least, this has shattered the confidence of CEOs and pulled their focus to urgent concerns about credit, liquidity, revenue and costs, in many cases forcing them to delay investments and expansions while they maximise returns from existing markets (see figure 0.1). CEOs generally support governmental efforts to intervene in the crisis. But CEOs also want governments to transform institutions and policies so as to be in tune with the dynamic of today's global economy.

0.1
The crisis shatters short-term confidence



Q: How would you assess your level of confidence in prospects for the revenue growth of your company over the next 12 months?

Q: How would you assess your level of confidence in prospects for the revenue growth of your company over the next 3 years?

Base: All respondents 2009: 1,124; 2008: 1,150; 2007: 1,084; 2005: 1,324; 2004: 1,394; 2003: 992

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Note: 2009 data are based on interviews conducted in the last quarter of 2008. 2006 confidence question was not asked.

In the long term, half of CEOs do not believe that governments and businesses will be able to mitigate the risks created by global trends. CEOs see worldwide political and religious tensions increasing, the gap between rich and poor growing and a new set of countries emerging to challenge the group of eight industrialised nations (see figure 0.2, opposite). Added to these challenges are the scarcity of key skills, climate change, the depletion of natural resources and the potential for over-regulation by government.

The government's purpose should be to create a platform for economic development, but there is always tension between those who regulate and those being regulated.

SUN Mingbo
President of China-based Tsingtao Brewery Company Ltd

The extreme short-term and long-term pressures create a harsh operating environment. We heard repeatedly that this requires a new mindset, which includes different expectations about risk and return. For example, predictable quarterly financial results and other short-term financial metrics (such as those that determine compensation) must become less important. CEOs believe that the criteria for success should allow for more investment in large-scale opportunities, which have less predictable payback periods, and in mitigating risks that have the potential to erase years of incremental gains.

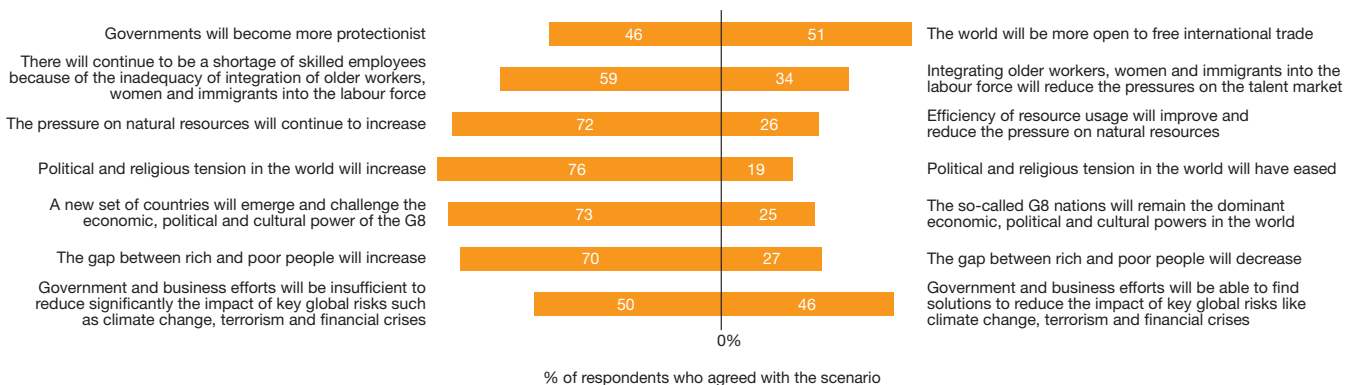
Another part of the shift in mindset that is required is the assumption of responsibility for issues, such as climate change, that were once considered outside the scope of any single business. Meeting the challenges and opportunities demand more collaboration among a wider group of stakeholders, and an acceptance of their increased influence. And the size and complexity of the issues require access to new information on the factors affecting the critical drivers of business. The need for collaboration and information can be seen in three strategies that we decided to examine in depth, based on the responses we received from CEOs – cross-border alliances, people management and risk management.

Am I making decisions today – whether I support carbon legislation or not, whether I build a nuclear plant or not – that my grandchildren will be able to look back and say, ‘My granddaddy made a decision that still makes sense?’ That is the true measure, I believe, of my stewardship as CEO.

James E. Rogers
 Chairman, President and CEO of US-based utility Duke Energy Corporation

Each CEO faces different challenges, but all want to meet the acute demands of survival, preserve the advantages that make them competitive over the long term and ensure that their business models are prepared for a return to growth when it comes. CEOs are seeking a formula for success in a world that is more connected than many had believed.

0.2
 Uncertainty about globalisation runs high



Q: Which of the following scenarios do you feel is more likely to occur in the future, keeping in mind they may not be mutually exclusive?
 Base: All Respondents chose a scenario from each pair, or the option 'Don't know/Refused' 1,124.

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Connectedness

Global markets spread wealth farther and faster than ever. They also spread damage. In today's environment, CEOs believe success is anticipating the risks of connectedness, not just reaping its rewards.



Section 1

An historic moment: One world united in crisis

Last year, many CEOs were expecting an economic downturn, but no-one was fully prepared for the intensification of the credit crunch in the second half of 2008, or for the global financial crisis that followed. Why? The current crisis is different from those that occurred in the previous few decades because the damage it inflicted spread further and faster than anything that has gone before.¹

Concerns about the prospect of a recession in the US, the UK and some other developed economies mounted, as 2008 marched on. By the time autumn arrived in the northern hemisphere, a deep economic winter seemed imminent. The trigger point came in mid-September, when US investment bank Lehman Brothers filed for bankruptcy, felled by nearly US\$60 billion in bad debts, and another US investment bank, Merrill Lynch, announced it would be acquired by Bank of America to avoid a similar fate. That evening, the US Federal Reserve asked two other Wall Street investment banks to help inject US\$75 billion into insurer American International Group.² All the major advanced economies were either in, or about to enter, a serious recession. Indeed, the International Monetary Fund (IMF) expressed fears that 2009 might be the worst year for the industrialised economies since World War II.³

Our survey findings provide a first-hand look at just how quickly the sentiments of senior executives changed. Between September 10 and November 24, 2008 (the period in which we conducted the bulk of our interviews), the number of CEOs who said that they were very confident about the short-term prospects for revenue growth plummeted from 42% to 11% (see figure 1.0.1 on page 8).

We all know that the sub-prime mortgage crisis in the US led to an overall financial crisis, and the impact has spread around the world, causing a global economic recession. Whether a country, an enterprise, or an individual, you can hardly escape it, and our company is no exception.

REN Jianxin
President of China National Chemical Corporation (ChemChina), a large-scale state-owned company approved by the State Council, China

¹ PricewaterhouseCoopers, *American Perspectives* (August 2008).

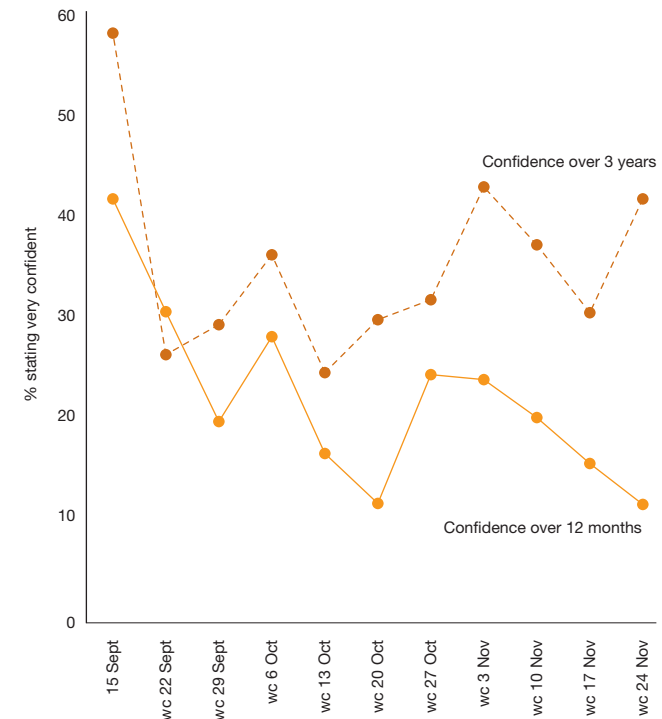
² Gary Duncan, 'Lehman Brothers collapse sends shockwave round world', *The Times* (September 16, 2008).

³ International Monetary Fund, *World Economic Outlook Update* (November 2008).

The shift in perceptions of the key dangers facing companies reflects this mood of increasing pessimism. In early September, CEOs were more concerned about the availability of key skills than the disruption of the capital markets or a downturn in the world's major economies. In late November, by contrast, the state of the global economy dominated the corporate agenda. Thirty-six percent of CEOs were extremely concerned about the risk of a recession. Conversely, only 11% were very worried about the talent shortage and 8% about the scarcity of natural resources, down from 42% and 21%, respectively, at the start of the survey period (see figure 1.0.2).

Falling confidence has had a very real effect on CEOs' business plans. At the start of September, only 46% thought that the banking crisis would affect their expansion plans. By the end of November, the figure had risen to 67%, after peaking in mid-October, when the Dow Jones and S&P 500 lost a fifth of their value in one week alone.⁴ As the gravity of the situation became increasingly apparent, more and more CEOs also told us that they might have to reduce staffing levels. Between 24% and 37% of those we surveyed during the bleak days of mid-October and November said that they expected the headcount at their companies to decrease over the next 12 months, compared with just 17% in early September (see figure 1.0.3, opposite).

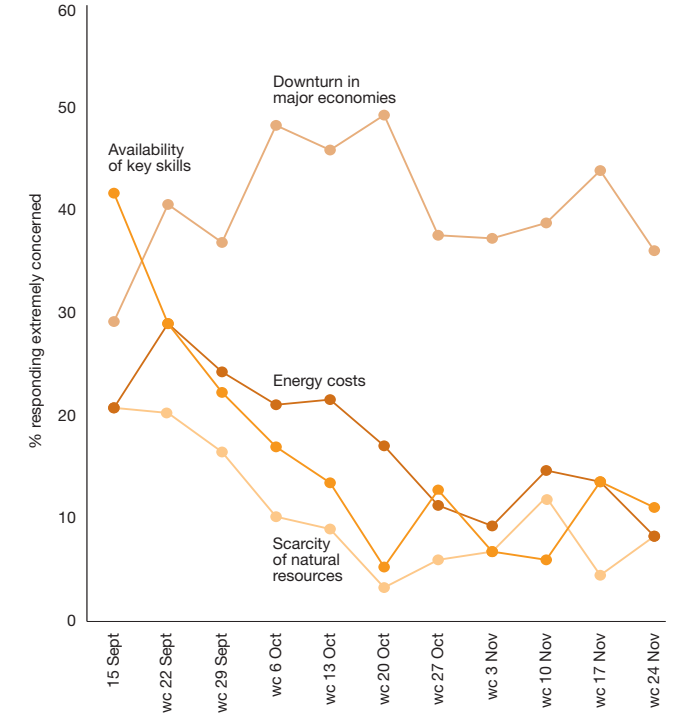
1.0.1
Confidence plummets as the crisis deepens



Q: How would you assess your level of confidence in prospects for the revenue growth of your company over the next 12 months?...the next 3 years?
Base: All respondents 24-161

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

1.0.2
Focus shifts from long-term success to survival



Q: How concerned are you about the following threats in relation to your business growth prospects?
Base: All respondents 24-161

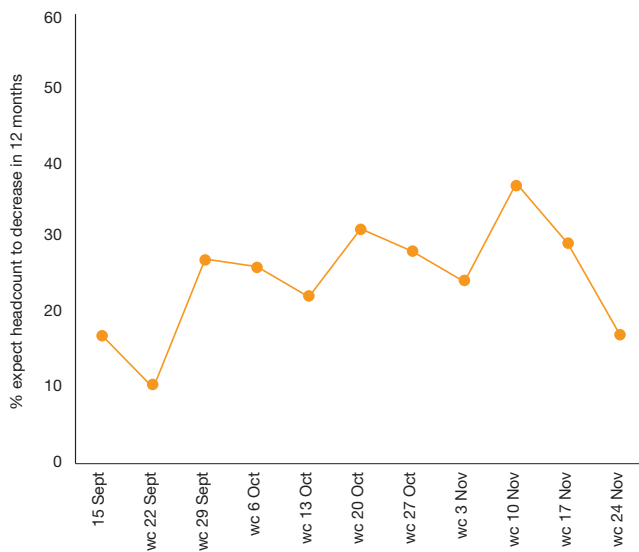
Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

⁴ Jonathan Sibun, 'Financial crisis: US stock markets suffer worst week on record', *The Daily Telegraph* (October 10, 2008).

The last downturn was a cyclical downturn. This is a structural downturn. When you have cyclical events, things go up and come down. When you have a structural event, something fundamentally changes. Our own view is that this is going to shake up fundamentals in a whole host of global economic areas.

Mukesh Ambani
 Chairman and Managing Director of India's largest private company, Reliance Industries Ltd

1.0.3
 Staff reductions become more likely



Q: What do you expect to happen to headcount in your organisation globally over the next 12 months?
 Base: All respondents 24-161

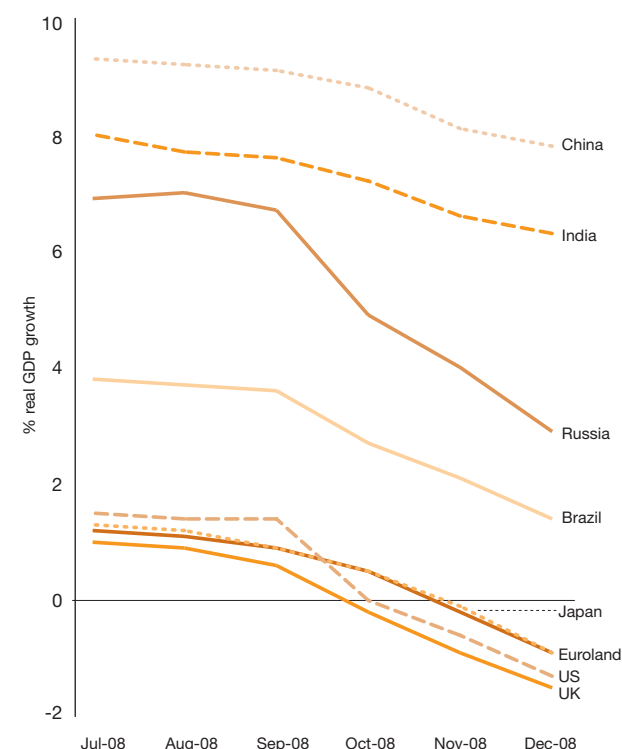
Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

1.1 We're all in this together: The darker side of globalisation

The scale of the carnage was not all that took senior executives and government ministers by surprise; so did the fact that the world markets were much more closely connected than most people had believed. Last year, CEOs in the US, Japan and Western Europe were far more worried about a global economic downturn than those in emerging markets such as Brazil, Russia, India and China. But, as capital started flowing back to the industrialised economies, it soon became clear that the emerging economies had equal cause for concern.

At first, the 'flight to safety' particularly affected countries with large trade deficits. The sudden reversal of foreign capital inflows forced Hungary, Latvia and Pakistan to seek bailouts from the IMF, for example. But, according to PricewaterhouseCoopers' analysis, the crisis rapidly spread to all the major emerging economies, in different ways. Declining consumer demand in the US and Europe stalled export-led growth in Asia and Latin America. India was hit by the drop in demand for outsourcing services and the decrease in overseas lending. Oil and commodities exporters experienced a dramatic slump in the world's commodity prices.⁵

1.1.1
World economies decelerate together



Source: Average forecasts from Consensus Economics surveys in months shown

Although the emerging countries are still expected to fare better than the industrialised ones in 2009 (see figure 1.1.2, opposite), the downside of globalisation is clear: a problem that started in the US has now infected all the major economies across the world, emerging and advanced alike. *The Economist* summed up the situation as follows: 'The idea that emerging economies had "decoupled", and would continue to boom even as the economies of America and other rich countries grapple with recession, has been exposed as fanciful.'⁶

⁵ 'Stumble or fall? Will the global financial crisis halt the rise of emerging economies?' *The Economist* (January 8, 2009).

⁶ Matthew Bishop, 'No More Business As Usual', *The Economist*, Special report: The World in 2009 (December 2008).

As CEOs watched the damage spread, short-term confidence reached its lowest point in six years. Only 21% of respondents remain very confident about the prospects for growth over the next 12 months, with the exception of Indian CEOs, 70% of whom were still remarkably positive (see figure 0.1 on page 4 and figure 1.1.2). Moreover, the level of confidence has declined in CEOs heading companies of every size in every sector and country.

The consensus forecasts for economic growth this year have fallen in line with short-term confidence (see figure 1.1.1, opposite). The IMF is predicting that China's GDP growth will slow to about 5-6%, down from almost 12% in 2007, for example.⁷ And most CEOs around the world are now planning for a slow recovery as opposed to a 'v-shaped' downturn. In every country except Korea and India, CEOs are more confident about the prospects for the next three years than the next 12 months. Even so, the overall percentage of

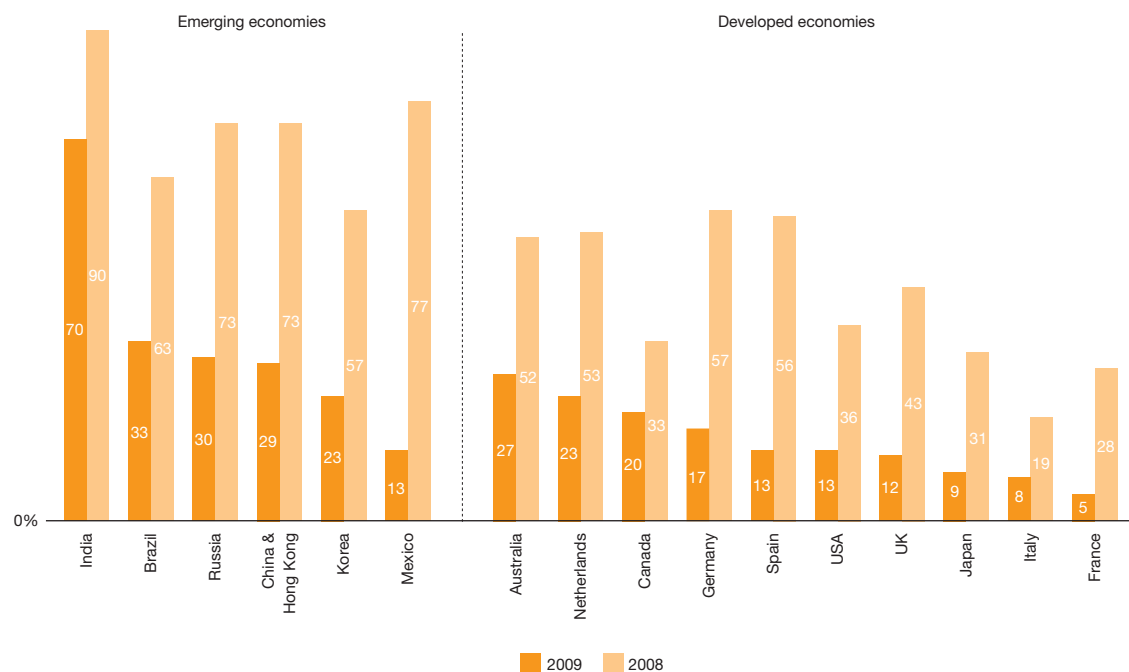
CEOs who are very confident is still only 34% (see figure 0.1 on page 4). Jorma Eloranta, President and CEO of Finland's Metso Corporation, the global supplier of sustainable technology and services, captures the zeitgeist: 'I am 57. If I look at the kind of uncertainty that I am now facing, I have never before seen such levels in my life.'

We have to keep in mind now that the US financial crisis may be a long-term crisis. Some say that it is similar to what happened in Japan in the 1990s, which was a crisis that lasted 10 years...Who knows what is going to happen next?

José Antonio Aranda
Executive Vice President, Argentinian media company Grupo Clarín

1.1.2

Pessimism spreads across the globe



Q: How would you assess your level of confidence in prospects for the revenue growth of your company over the next 12 months?

Base: Respondents stating very confident 2009: 30-97; 2008: 30-100

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Note: 2009 data are based on interviews conducted in the last quarter of 2008.

⁷ Remarks made by Dominique Strauss-Kahn, IMF Managing Director, in Madrid on December 15, 2008.

Tracking the crisis

The momentous events of the past few months coincided with the period in which we were conducting our latest global CEO survey. We therefore decided to analyse the responses we received each week to establish just how CEOs reacted. Our findings are based on a minimum of 24 responses per week. We have also cross-checked the results to ensure that they do not reflect any regional or industry-specific biases.

The story our analysis reveals is one of steadily increasing gloom (see figure 1.1.3, opposite). In early September, most CEOs were still relatively sanguine; only 29% were extremely concerned about the prospect of a downturn in the world's major economies. But with the collapse of Lehman Brothers and the sale of Merrill Lynch to Bank of America on September 15, the level of anxiety soared.

Between 46% and 49% of the CEOs we interviewed during the first three weeks of October were deeply worried about the prospect of a global recession – a fear that persisted even when the G7 nations announced a five-point plan to unfreeze the credit markets on October 11. In late October, news that China's economic growth had fallen below 10% proved conclusively (if any doubts still remained) that the emerging markets were suffering, too.

Barack Obama's election as president of the US, on November 4, briefly improved sentiment; the percentage of CEOs extremely concerned about the state of the global economy fell to 37% that week. But the respite was very short-lived. On November 6, the British Chambers of Commerce announced that the UK was in recession. By the end of the month, the euro zone economies, Japan and the US were also formally in recession, leaving between 36% and 44% of CEOs seriously worried about how to weather the storm.

As disquiet about the perilous state of the economy mounted, so anxiety about some of the other issues that have recently featured prominently in boardroom discussions dwindled. Between 21% and 29% of the CEOs we interviewed in September were extremely concerned about energy prices, for example. Between 17% and 21% were also extremely concerned about the scarcity of natural resources. In late November, by contrast, the percentage of CEOs worried about energy prices and natural resources had dropped to single digits, although lower commodity prices probably helped to allay their concerns (see figure 1.0.2 on page 8). Between early September and the end of November, petroleum spot prices more than halved.⁸ The global iron ore spot price also fell from approximately US\$150 to US\$70 a tonne.⁹

The battle for brains slid equally rapidly down the corporate agenda. Forty-two percent of the CEOs we surveyed in early September were seriously concerned about the availability of key skills but, by late November, the figure had shrunk to just 11% (see figure 1.0.2 on page 8). Rising unemployment may have played a part in changing the priorities of some CEOs. In the three months to the end of November, the percentage of unemployed civilians in the US population rose from 6.2% to 6.8%.¹⁰ The level of unemployment is increasing elsewhere, too. The number of people out of work in the UK has soared to more than a million for the first time in seven years,¹¹ while the number of jobless in China is thought to be well above the official figure of 8.3 million, following the closure of an estimated 670,000 small firms in the wake of the global financial crisis.¹²

8 International Monetary Fund, 'Indices of Primary Commodity Prices, 1998-2008', accessed January 13, 2009. Average Petroleum Spot Price (APSP) based on average of UK Brent, Dubai and West Texas Intermediate, equally weighted.

9 'Iron Ore Spot Price – Fines Only', *EconStats*, accessed January 13, 2009.

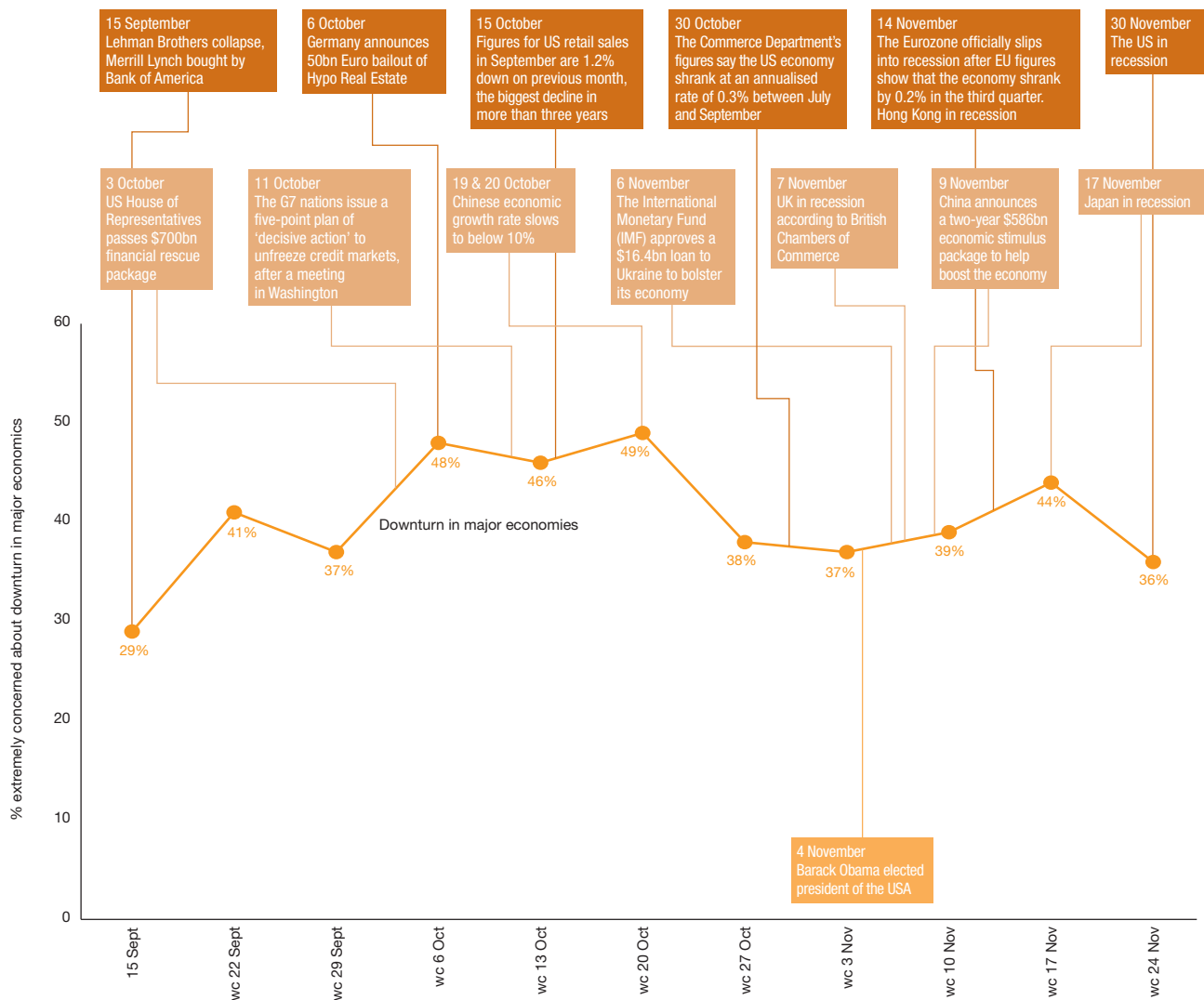
10 US Bureau of Labor Statistics, 'Employment status of the civilian non institutional population 16 years and over, 1970 to date', accessed January 13, 2009.

11 Julia Kollwe, 'Unemployment heads over 1 million', *The Guardian* (December 17, 2008).

12 'China jobless 'much more grave' than official figure', *Reuters* (December 19, 2008).

1.1.3

Tracking the crisis



Q: How concerned are you about the following threats in relation to your business growth prospects?
 Base: All respondents 24-161

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Collaboration

Distinctions among competitors, suppliers, customers and employees are blurring. This fuels growth and innovation. It also creates new risks. In today's environment, CEOs believe that success does not just require more collaboration but the right kind.



Section 2

The search for global solutions

Uncertainty is a basic component of financial panics. But the current uncertainty reaches well beyond the financial markets. Global crises are approaching from many directions.

Léo Apotheker, Co-CEO of the global business software maker SAP AG, which is based in Germany, says: 'One of the characteristics of the current environment is that we're actually dealing with more than one crisis. We have an economic downturn, but we also have an environmental crisis of significant proportions. Global warming has made its effects felt, and is no longer something to be disputed. We also have an energy crisis. And we have a scarcity of resources problem. There are nearly seven billion human beings on the planet and we need to feed them, and so we have a serious issue to address.'

Faced with an array of large-scale trends, the implications of which are difficult to understand, let alone mitigate, individually, businesses and governments are reconsidering the basic assumptions about their own roles and responsibilities. They are searching for multilateral institutions, regulations, governance models and strategies that do two things: first, they must address the risks and opportunities driven by interconnected global trends, and second, they must recognise the economic, political and cultural impacts of a changing world order. One example of the latter is the recent meeting of the group of 20 industrialised nations in response to the financial crisis.

In business, there is a marked increase in support for public sector involvement in shaping financial markets and calls for more international coordination. CEOs are looking

for clear and consistent policies from governments that will help businesses connect operational decisions with global trends such as climate change, natural resource depletion and the scarcity of appropriately skilled labour. Furthermore, even as they struggle to understand where and how the financial crisis will end, many CEOs are looking for the upside of the downturn. Léo Apotheker finishes his thoughts on global calamities with: 'I actually believe that my industry, software in particular, can help provide solutions [to the problems we face].'

The government plays a supportive role. As long as it provides an environment that is open and where the playing field is level for both domestic and global competitors, businesses will grow...The whole issue of the financial sector opening up in India will have to be looked at the way we had looked at the [World Trade Organisation] in the context of market access. I think this is going to be an important part of our market access strategy. But we should not sacrifice our interests for the interests of our global competitors.

K.V. Kamath
Managing Director and CEO of India's largest private sector bank, ICICI Bank

2.1 Government action: More of the right kind

The financial crisis spurred unprecedented levels of government intervention in business and highlighted the importance of international coordination in addressing global and systemic risks. As a result, CEOs are looking to government for leadership and reconsidering the old maxim that less government is better for business.

Governments, while willing, were underprepared for the global action that the current financial crisis requires. Some of the long-term trends that most concern CEOs could have even larger impacts, but thus far, CEOs remain frustrated at the past track record of governments in trying to address them. For instance, more than 45% of CEOs do not believe that government efforts have been effective in securing access to natural resources, creating a skilled workforce or formulating clear and consistent long-term environmental policies (see figure 2.1.1).

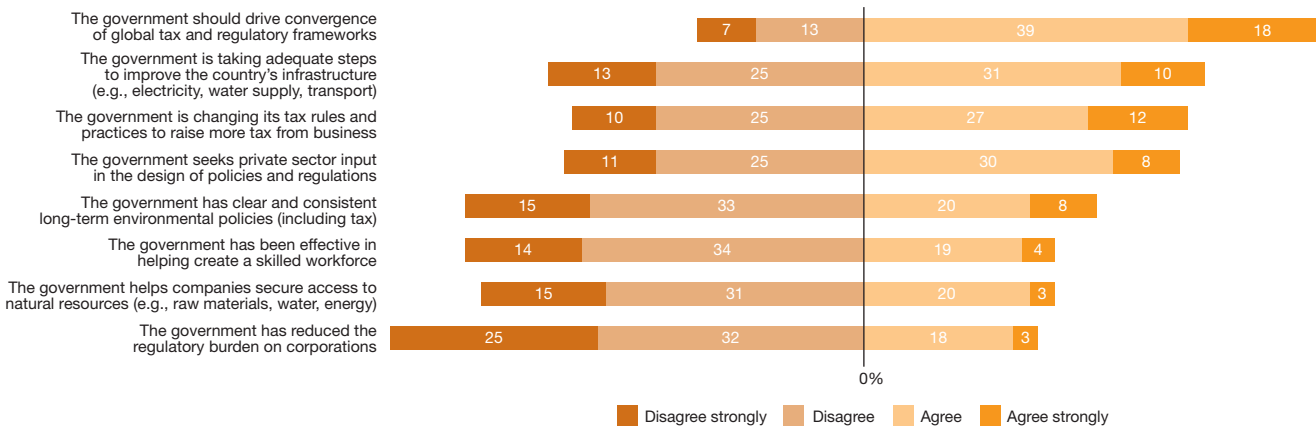
CEOs want governments to strike a difficult balance. Last year, we termed this the ‘regulation paradox’.¹³ On the one hand, CEOs want more government leadership and action, and not only on economic and climate change issues. For instance, 57% of CEOs believe that governments should drive the convergence of global tax and regulatory frameworks (see figure 2.1.1).

I think the government action we’ve seen around the world is very encouraging. We’ve never seen such a concerted approach to solving what is clearly a very deep and wide set of economic and financial issues.

Andrew Cosslett
CEO of UK-based InterContinental Hotels Group

2.1.1

CEOs want governments to strike a difficult balance



Q: To what extent do you agree or disagree with the following statements regarding the role of government in the country in which you operate?

Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

¹³ 'Regulate & Collaborate: Government and the Global CEO' – PricewaterhouseCoopers' Public Sector Research Centre, March 2008.

On the other hand, CEOs are inclined to believe that government action is good when it helps the business and bad otherwise. In the past, they have usually called for less intervention. Indeed, 55% of CEOs remain concerned or extremely concerned about over-regulation as an obstacle to growth. This concern was one of the top three threats to business growth in 2008, and in 2009 it ranks just behind the top concerns about the current economic environment (see figure 3.2.3.2 on page 36). And over half (57%, the same as in 2008) do not believe that government has reduced the regulatory burden on corporations (see figure 2.1.1, opposite).

Despite their criticisms, CEOs still accept the need to work with government on central issues, particularly where regulation is a business enabler, e.g., climate change. Only 22% of CEOs believe there is no need to collaborate with government and regulators, and the majority of CEOs remain unconcerned about the protectionist tendencies of national governments (60% in 2009 compared with 59% in 2008 see figure 3.2.3.2 on page 36), although this issue is evolving rapidly.

One of the key challenges for governments and global businesses as they work through the downturn is the establishment of regulations and governance arrangements that simultaneously restore order and stability to the global economy, and encourage effective collaboration to address global risks and opportunities. There is little incentive for anyone to act alone on global risks, because they are beyond the control of any single business or nation. And CEOs remain wary about regulatory overreach. There is, however, a groundswell of support for increased government action to address climate change, the scarcity of natural resources, the talent shortage and other global issues.

Together, these conditions open an opportunity for businesses and government to start moving from collective stasis to effective global collaboration. Governments and businesses will not only need to collaborate, but to create innovative solutions jointly. In fact, the two work best together, according to the experience of industries,

such as pharmaceuticals, that depend heavily on innovation through research and development. Fred Hassan, Chairman and CEO of Schering-Plough Corporation, the US-based global health-care company, thinks that collaboration is 'critical in any innovation industry because nobody has a monopoly on know-how. Those that can reach out and work with others will always do better than those that either don't have the right mindset when it comes to working with partners, or who are not curious in the first place in terms of reaching out and getting to the best information or talent wherever that might be. You have to have a collaborative mindset starting from the top, and then very clear processes for each individual collaboration partner.'

Although air transport is responsible for only 2-3% percent of emissions globally, it is viewed by the public as a major contributor to pollution. So there is a disproportionate degree of responsibility placed on air transport, both commercial and private. Europe is talking about taxing all flights. This would have a direct impact on business. So the aviation industry is to a certain degree threatened by the environmental question. Consequently, all aviation businesses are investing in ways to minimise emissions... By the middle of the next decade, between 2015 and 2020, there are going to be big changes in the aviation sector. At that time, we will have airplanes consuming between 20 and 25% less fuel...When you have a significant technological change, you essentially have a 'reset' in terms of the competitive landscape. So this can be a threat or an opportunity. Generally, technological change is more threatening for industry leaders because of their greater stake in the status quo and more of an opportunity for secondary players because of their greater latitude to reinvent themselves.

Frederico Fluery Curado
President and CEO of Embraer, the Brazilian commercial airline manufacturer

A case in point: Collaborating on tax contribution

Finding solutions to global issues such as climate change and natural resource depletion will require huge investment by the private sector. Governments are looking for efficient ways to encourage and direct this investment, and business taxes are a key policy lever. But public attention tends to focus on corporate income tax because it is the only tax payment reported as part of financial statements. Businesses, on the other hand, care much more about the total tax cost and the clarity and stability of tax policies. To encourage fairer and more effective policies, governments and businesses need to speak in terms of total tax contribution.

Critically, corporate income tax is only part of the total contribution that companies pay in taxes. A recent study by the World Bank Group's International Finance Corporation (World Bank IFC) and PricewaterhouseCoopers shows that, globally (across 181 economies worldwide), corporate income tax accounted for only 37% of the total tax rate, 13% of the tax payments made and 26% of the compliance time in 2008. The total tax contribution includes taxes borne (i.e., the taxes that impact on the profit and loss account) and taxes collected (e.g., the taxes where the business effectively acts as an unpaid tax collector on behalf of government).¹⁴

This total cost is much more important to business than the headline rate of corporate income tax, and it better reflects the tax contribution of a company to the country in which it operates. In a list of five influences on investment decisions, the lowest percentage of CEOs (64%) said that

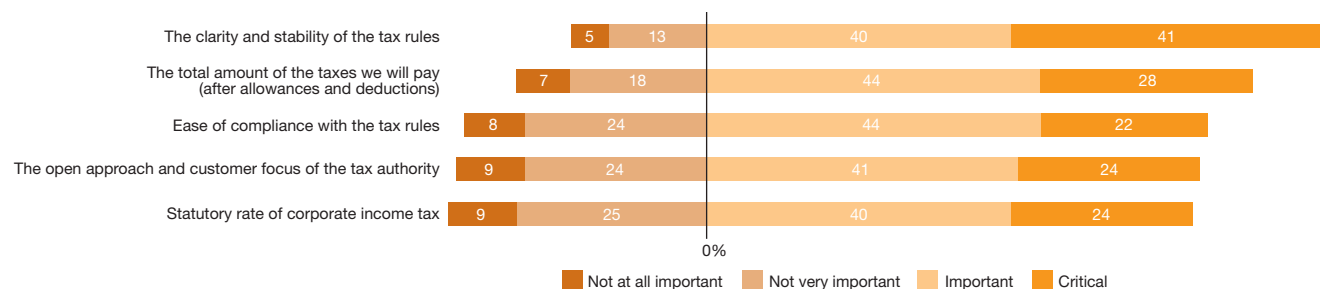
the statutory rate of income tax was critical or important. The second highest (72%) said the total amount of taxes (after allowances and deductions) was critical or important.

In addition to tax rates, CEOs are concerned about the clarity and stability of tax policies. In fact, clarity and stability ranks first on the list of investment influences (see figure 2.1.3). Eighty-one percent of CEOs believe it is critical or important, sending a strong message that knowing exactly how much tax will be paid on a transaction is more significant than shaving a few dollars off the bill. Similarly, the overall ease of compliance is important, but CEOs are more interested in knowing exactly what governments expect and in being assured that policies will not change at short notice. Investment dries up most quickly when CEOs fear that policy changes could invalidate their business case.

Finally, the administrative costs associated with tax compliance are also important to business. In the words of the World Bank IFC,¹⁵ 'for businesses, it's not just the tax rates that matter. The administrative processes do too.' CEOs would like to see more intergovernmental cooperation and coordination on global tax systems to reduce the administrative burden (see figure 2.1.1 on page 16). To be most effective, this collaboration should include tax authorities, which already cooperate with one another to police tax evasion, but which could also share best practices for streamlining regulations and compliance, and for generating stability and certainty in global tax regimes. If tax authorities make it easier for businesses to pay taxes, they will also increase the predictability of governmental revenues.

2.1.3

Clarity and consistency are more important than tax rates



Q: How important are the following aspects of a country's tax regime at influencing your investment decisions?

Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

¹⁴ See 'Total Tax Contribution Framework: What is your company's overall tax contribution', a discussion paper published by PwC in April 2005 and various subsequent reports and papers, including studies by PwC in the UK for the 100 Group of Finance Directors and by PwC in Australia for the Business Council of Australia.

¹⁵ World Bank, *IFC Doing Business 2009* (September 2009).

2.2 Climate change: The next global crisis?

The financial crisis is a global, systemic event. Climate change may prove to be bigger. This risk is not lost on CEOs. They are moving quickly to understand the commercial implications of stabilising global carbon emissions, but they also want more direction from government in the form of clear policies.

The majority of CEOs say that their companies are already adjusting how they manage risk in response to climate change or are planning to do so in the next 12 months. In other areas, CEOs are also making changes and are already seeing returns on their investments through innovation in products and services and through adjustments in day-to-day operations. Changes to risk management in response to climate change rank second behind changes to day-to-day operations in showing returns already (see figure 2.2.1 on page 20).

These efforts are good business and positive steps for society, but they fall far short of what is needed to stabilise the carbon levels in the atmosphere. Markets need an international framework and agreement on national carbon emissions targets in order to generate and direct the capital needed for the massive transformation to a low-carbon, global economy. Otherwise, the incentives for individual first-movers will remain unclear, and collective action is likely to come too slowly to avoid major crises.

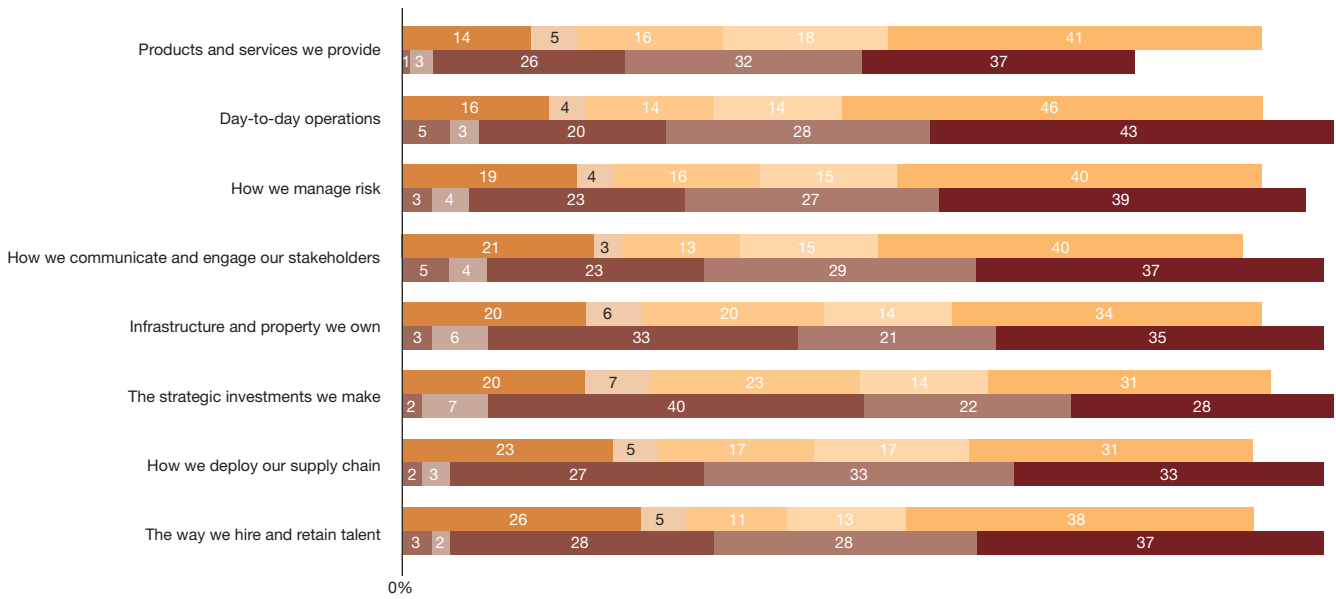
Financial crises aside, the most important concern for an Argentine businessman fully invested in local markets is economic and political instability, which leaves no room for long-term planning.

José Antonio Aranda
Executive Vice President, Argentinian media company
Grupo Clarín

Eighty-three percent of CEOs consider it important or critical for governments to provide a clear and consistent policy framework on climate change. They value clarity over specific types of frameworks, such as a Copenhagen protocol or a global carbon market (see figure 2.2.2, opposite). Globally, only 28% of CEOs feel that their governments have clear and consistent long-term environmental policies (see figure 2.1.1 on page 16). Japan, Italy, France and Brazil receive the lowest

marks. Fewer than 13% of CEOs in those nations agree that long-term policies are clear. Korea, on the other hand, is a notable exception. An astonishing 97% of Korean CEOs feel that their country's environmental policies are clear. Part of the reason may be the government's announcement that it is beginning a number of climate-change measures in 2009, including national emissions targets, a carbon tax and various green investments.

2.2.1
Businesses change in response to climate change and expect a return in 12 months



Q: When, if at all, do you anticipate making changes to the following areas of your business to respond to the challenges posed by climate change?
Base: 1,124

Q: When do you anticipate a return on investment in these areas?
Base: 499-669

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

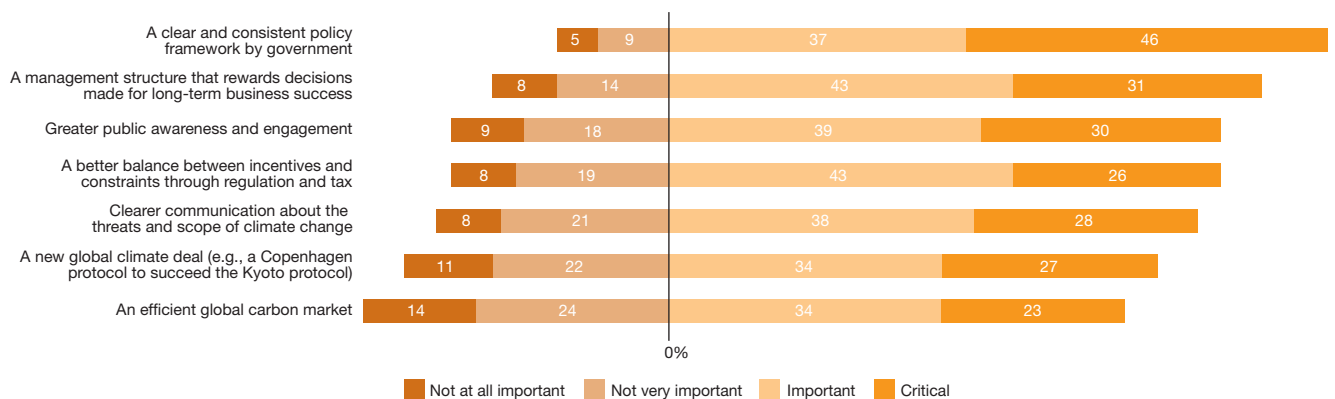
Thus far the development of standards is a patchwork of efforts by governments and non-governmental organisations (NGOs), but governments and businesses should be careful about allowing standards to be developed by NGOs without their active involvement. Most CEOs in our survey do not collaborate with NGOs and do not believe their influence is increasing. When asked about all the major stakeholder groups, only 34% of CEOs say they are already collaborating with NGOs, and just 22% feel that NGOs have increased their influence over the past three years. In contrast, 61% of CEOs say that they are already collaborating with government and regulators and 48% say that government's influence has

increased (see figure 3.2.1 on page 26). If government, business and NGOs collaborate more closely, they will ensure more efficient and less fragmented standards development around the world, particularly in climate change.

CEOs are looking to governments for leadership on the international standards necessary to propel global action, but they recognise their organisations' responsibility to create management structures that reward long-term thinking. Seventy-four percent of CEOs believe that this is a critical or important element of a solution to climate change (see figure 2.2.2).

2.2.2

Business and government need to lead together on climate change



Q: How important are the following measures to help you adapt your business to the issues raised by climate change?
 Base: All respondents who stated already making changes, next 12 months, next 5 years, beyond 5 years for any option 1,063
 Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Balance

The growing influence of customers, investors, regulators and supply chain partners cannot be ignored. Companies are in survival mode, but not at the expense of future priorities. In today's environment, CEOs believe success is finding new ways to balance short- and long-term stakeholder demands.



Section 3

Walking a tightrope

Despite the lack of clarity in many government policies and the difficulty of understanding the impacts of connected global trends, CEOs must act. Each confronts different pressures and opportunities, but a common challenge.

How does a business meet the current, acute demands of survival and at the same time ensure its business model is both durable over the long term and positioned to take best advantage of a return to growth?

Stephen Green, Group Chairman of the UK-based international banking and financial services organisation HSBC Holdings plc, explains: 'One of the obvious risks is that current emergencies drive out the longer-term perspective...You cannot rebalance economies overnight.'

No institution, whether it's a bank, or a government, or the World Bank or the IMF, has the power to do this. It simply will take time, and it's a difficult tightrope to walk.'

Walking the tightrope requires CEOs to balance extreme, short-term threats to survival, on the one hand, and on the other, large-scale, global issues that impact long-term success. Many CEOs believe this requires a mindset that is different from the past.

3.1 Redefining success: CEOs face extreme short-term and long-term challenges

3.1.1 Short-term survival

CEOs are working hard to maintain sources of credit, preserve revenue, use working capital more efficiently and manage costs carefully. This is drawing their focus to maximising returns from existing markets. Between 2008 and 2009 the number of CEOs whose 12-month growth plans centre on existing markets has grown from 30% to 37%, while the number who see new markets, new products, new acquisitions and new strategic alliances as their main growth opportunities has declined 2%-3%.

Even in cash-rich industries, such as pharmaceuticals, CEOs are more cautious. Fred Hassan, Chairman and CEO of Schering-Plough Corporation, says: 'Unlike industries which borrow a lot of money, like financial services and utilities, [pharmaceutical companies] tend to be less hungry for capital investments. However, R&D is in some ways a capital investment, although it's not accounted for in that manner. We are seeing more caution in launching R&D projects: more selectivity, much tougher hurdles...'

Right now we are focused on survival.

Companies don't go bust because they don't make money; they go bust because they don't have any cash...We could see this downturn was going to be here for a while, so we started conserving cash...We've taken our new store programme down from 100 to probably 30-50...We've also asked, what are the three things we're going to really push hard on? We always have a hundred opportunities, but what are the three or four really big things that can accelerate our strategy, differentiate us from our competitors, and use the downturn to our benefit?

Robert Willett
CEO, Best Buy International & Enterprise CIO,
US-based multinational retailer

3.1.2 Long-term success

As businesses try to survive immediate market conditions, they are also trying to make certain that they endure and succeed over the long term. CEOs have long believed that critical sources of competitive advantage take years, not quarters, to build. Agility, customer service, talent and reputation remain at the top of the list. More than 90% of CEOs believe that these four features are important or critical to long-term growth (see figure 3.1.2.1). Furthermore, meeting strategic objectives, such as building or maintaining these sources of competitive advantage, continues to be one of the top criteria in evaluating investments, along with maximising financial returns (see figure 3.1.3.1, opposite).

3.1.3 A new mindset for extreme conditions

CEOs have always tried to balance short-term and long-term considerations. But the conditions that prevail today are more extreme than ever. Many CEOs are confronting the biggest short-term challenges and uncertainties they have ever seen. At the same time, CEOs feel responsible for a wider range of long-term issues than ever before. Michael Mack, CEO of Syngenta, the global agribusiness

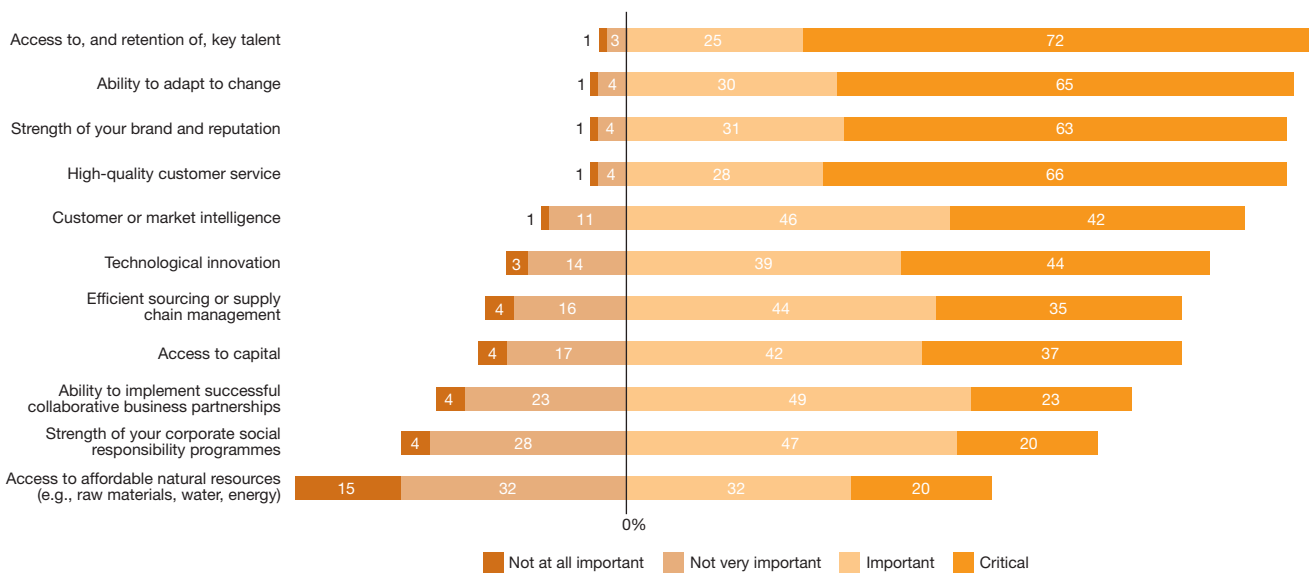
headquartered in Switzerland, says: 'I think that companies with a global footprint have a responsibility to help achieve sustainability in both agriculture and industry.'

As a result, business leaders are speaking about the need for a change in mindset, which includes a different understanding of risk and return. Dame Marjorie Scardino, CEO of the UK-based international education and media company Pearson, says: 'I do hope this particular economic turmoil is going to help businesses and their investors get back to a more long-term orientation.'

The old mindset focuses too much on quarterly results and exacerbated systemic risk, in the view of Michael Smith, CEO of Australia-based ANZ, an international banking and financial services group. 'In retrospect [the financial industry was] driven by short-termers,' he says. 'There was the holy grail of earnings-per-share growth, quarter on quarter, at any cost. That has, I think, driven behaviour which is not in keeping with good banking.'

In addition to delivering quarterly returns, CEOs are trying to plan for and profit from global issues that will play out over generations. In the criteria for evaluating investments,

3.1.2.1
Talent, agility, reputation and customer service are the critical drivers of long-term success



Q: How important are the following sources of competitive advantage in sustaining your growth over the long term?
Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

the wellbeing of future generations ranks about the same as recouping costs quickly. Close behind comes satisfying the needs of society beyond those of customers, employees and investors (see figure 3.1.3.1).

When asked about specific global trends, a surprising number of CEOs said that the issues would have no impact on the long-term success of their companies. This suggests that some organisations have not fully internalised the implications of large-scale trends. However, more CEOs believe that the spread of infectious diseases (49%), the scarcity of fresh water (50%), overpopulation (55%), climate change (56%) and the world's dependence on carbon-based energy (61%) will have either a positive or a negative impact on long-term success.

Energy strategy is one example of CEOs' long-term thinking. As the financial crisis deepened and the price of oil fell, CEOs became less concerned about energy costs as a threat to their short-term growth. The shift in short-term focus, however, did not change their long-term strategy. When the price of Brent Crude hit \$50 a barrel in November, more than 75% of CEOs told us that they still wanted to make their operations more energy efficient. Across the entire period of the survey, the global average is 82%. Many CEOs also say that they are looking to substitute existing energy sources with alternative sources (51%), to invest in technology to reduce energy dependence (46%), and to secure future energy supplies (44%).

The opportunities to develop goods and services that capitalise on large-scale trends provide a powerful incentive for businesses to help find solutions to seemingly intractable global problems. For example, almost one third of construction and civil engineering CEOs believe that climate change (29%) and the pressure on natural resources from population growth (30%) will have a positive impact on their companies' success.

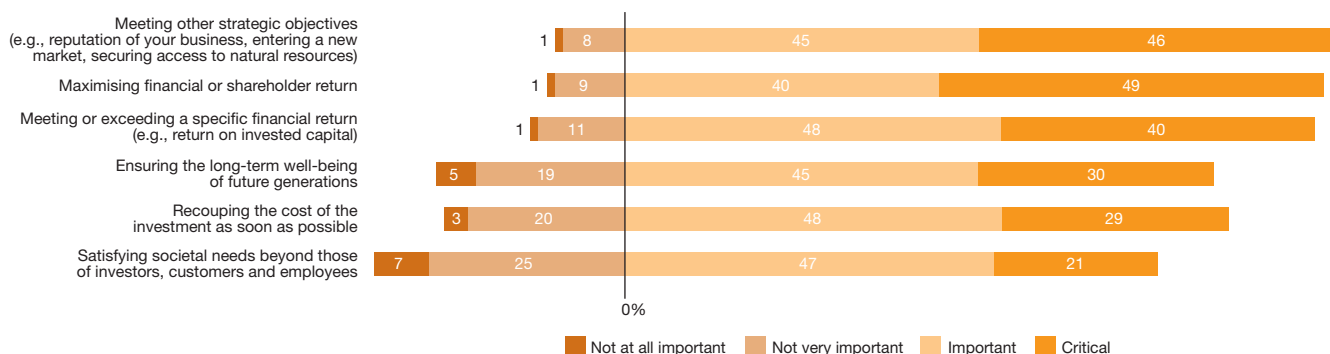
Realising the potential opportunities in extreme long-term and short-term conditions is now critical to success. In this year's survey, we asked CEOs about the challenges of doing this in three operational areas – cross border transactions, people management and risk management.

Future generations are part of our business planning because we're making material intended to educate them, directly or indirectly. At Pearson, we think that corporations have a social purpose – particularly corporations in education and journalism that have a public trust – and that purpose is to move civilisation along. We think profits are a by-product of what we do. We say: 'Profits sustain us, but they don't define us.' People are intent on making their numbers, but they do that for affirmative reasons.

Dame Marjorie Scardino
CEO of UK-based international educational and media company, Pearson

3.1.3.1

Investment criteria broaden



Q: When considering your company's investments, how important are the following?
Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2 Shifting strategies: Better collaboration and broader information

The attempt to realise value from the opportunities related to global trends, such as demographic shifts, is one of many factors driving the increase in collaboration between business and its stakeholders. In this year’s survey, we questioned CEOs about their operations in three areas – cross-border transactions, people management and risk management – and we discovered that they are considering more collaborative strategies for short-term survival and long-term success.

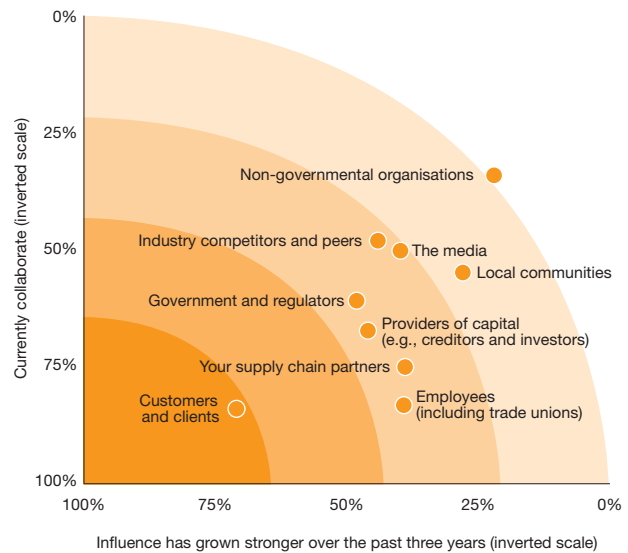
In last year’s report, 57% of CEOs agreed or agreed strongly that collaborative business networks would be a defining organisational principal for business.¹⁶ This year’s findings also demonstrate the importance of collaborative business networks. Almost half of the CEOs say that they are collaborating with each of the major stakeholder groups, except NGOs. Many CEOs also say that the influence of their stakeholders has increased over the last three years. Seventy-one percent of CEOs believe the influence of customers and clients has increased, and 40% or more say the same about government, investors, peers and the media (see figure 3.2.1).

As companies collaborate more with more stakeholders, they are able to gather more information, for example, about the risks their supply chain partners face. But CEOs still see major gaps in the information they need to survive the next 12 months and make decisions about the long-term success of their businesses. CEOs believe that agility, customer service, talent, management and reputation are the four most important factors in long-term competitive advantage (see figure 3.1.2.1 on page 24).

Not surprisingly, most also believe that data about their customers (94%), brand (91%) and employees (88%) are important or critical to long-term decision-making. However, strikingly low percentages of CEOs say they have comprehensive information in these and other critical areas that contribute to organisational agility. Just 21% have comprehensive information about the needs and preferences of customers and clients. Less than one third feel they have all the information they need about reputation (31%) and the views and needs of employees (30%).

CEOs do not just want more data. They want different kinds of information than the historical financial metrics they already have in abundance. More specifically, they want forward-looking information, which includes non-financial

3.2.1
Businesses collaborate with an array of stakeholders, whose influence is rising



Q: To what extent has the influence of stakeholders who influence your decisions about the success of your business in the future, changed in the past three years?
Do you currently collaborate or plan to collaborate with the following stakeholders?
Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

¹⁶ PricewaterhouseCoopers, 11th Annual Global CEO Survey (January 2008).

data. For example, the widest gap, 74 points, concerns the information necessary to anticipate customer needs. The second largest gap, is 70 points, between the importance and availability of risk information (see figure 3.2.2).

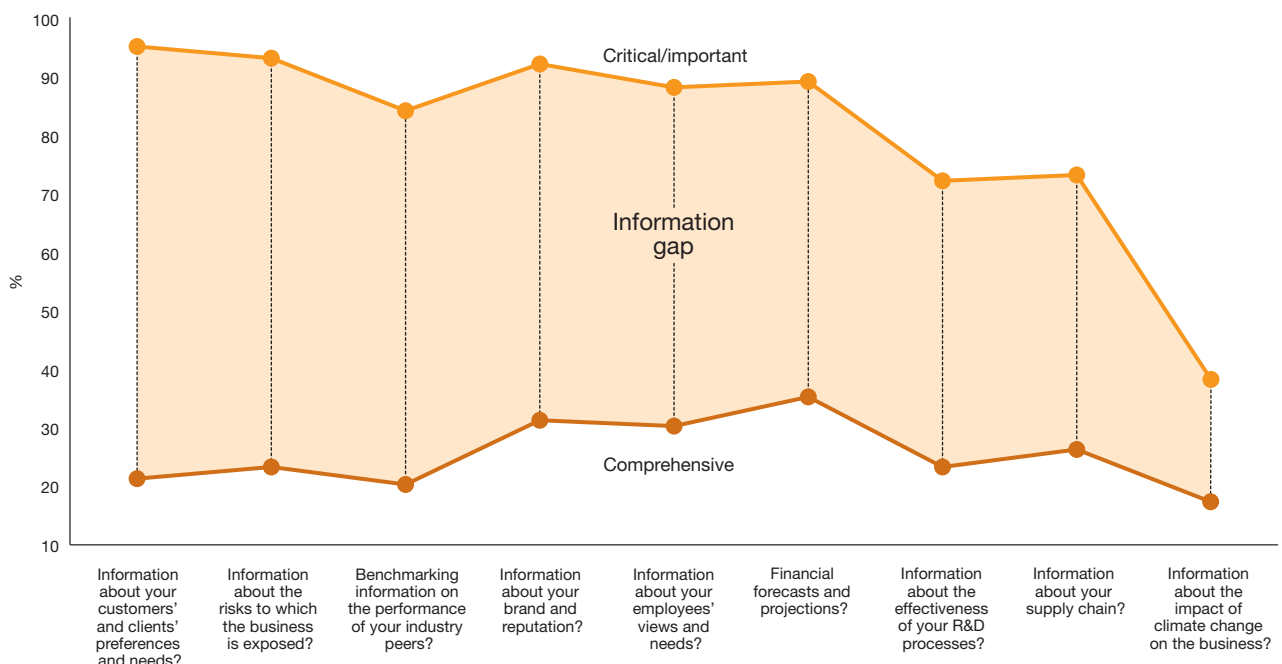
In order to make effective decisions in today's extreme operating conditions, CEOs are trying to see over a horizon that is approaching at high speed. To meet this challenge, companies need to collaborate more effectively, build relationships that can provide access to better information and use this intelligence to create the critical balance between short-term and long-term success.

Three key operating areas in which CEOs gave us useful insights about the challenges of collaboration and information are cross-border transactions, people management and risk management.

Customers and local communities are critical to the success of any business. And, of course, the regulators. Without keeping the interests of these stakeholders in mind, you don't have a business. Local communities hold the key to the success of any business. If you look at some of the challenges businesses have faced – in terms of land acquisition, for example – by and large it boils down to how well they handle the local community. Businesses have to learn to deal appropriately with the communities in which they operate. That means learning and understanding the community's point of view and addressing it. To me, that is the first challenge. Then comes the customer. That's followed by the regulator because you have to do business within the regulatory framework.

K.V. Kamath
Managing Director and CEO of India's largest private sector bank, ICICI Bank

3.2.2
 A huge gap in information about all the critical drivers of business



Q: How important are the following in terms of the information that you personally use to make decisions about the long-term success and durability of your business?

Information about the risks to which the business is expected.
 Base: All respondents 1,124

Q: How adequate is the information that you currently receive?

Base: All respondents where information is important or critical 427-1,064

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.1 JVs overtake M&A

In order to meet cross-border growth objectives over the next three years, CEOs have to deal with a lack of capital, extremely tight credit and uncertainty about company valuations. As a result, many expect to depend more on collaboration in the form of joint ventures (JVs) and strategic alliances than on mergers and acquisitions (M&A).

The percentage of CEOs who believe that JVs will play a greater role than M&A in cross-border growth has surged since 2008. Central and Eastern Europe and North America have seen increases of 14 and 15 points, respectively.

Among CEOs in Western Europe and Latin America, the increases are even higher – 17 and 22 points, respectively (see figure 3.2.1.1).

Last year’s survey found that most companies were using collaborative business relationships, such as JVs, opportunistically. It suggested that a more strategic approach would emerge.¹⁷ This year, many CEOs say that they are already collaborating with those groups into which most JV partners fall – supply-chain partners, providers of capital and industry peers. The lowest percentage (48%) chose industry peers, but an additional 19% of CEOs said they plan to collaborate with competitors and peers.

3.2.1.1

JVs overtake M&A as a growth strategy across all regions



Q: Over the next 3 years, will cross-border mergers & acquisitions or joint ventures & strategic alliances play a greater role in the growth of your business?
 Base: 2009: All respondents 80-420; 2008: 86-454

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Note: 2009 data are based on interviews conducted in the last quarter of 2008.

17 PricewaterhouseCoopers, 11th Annual Global CEO Survey (January 2008).

The increased collaboration with business partners may be a strategic choice in many cases, but in others it may be the consequence of a lack of availability of capital in the current market. JVs and strategic alliances, for example, may reduce cultural conflicts, but they also typically cost less and require less funding than an outright acquisition.

Over the long term, however, they may be less stable and ultimately more costly because control is divided among partners, and strategic objectives can never be totally aligned. This argues for adding more rigour to the strategic evaluation, execution and governance of alliances, including a more thorough evaluation of potential risks. For example, the business case could be 'stress tested' through scenario planning that considers worst case scenarios, such as what would happen to financial projections if a recession lasts through 2010 or GDP growth was significantly less than expected. One of the obstacles to better scenario planning is a lack of comprehensive information about many of the critical business drivers.

Two of the drivers mentioned in this year's survey are important to scenario planning. Only 20% of CEOs say that they have comprehensive benchmarking on the performance of industry peers, yet 84% say that this information is critical or important to long-term strategies. Similarly, just over one third of CEOs (35%) say that they have all the information they need for financial projections, while 90% say that this information is important or critical (see figure 3.2.2 on page 27).

The information gap may be one reason why companies have not made progress on the major obstacles to successful M&A, suggesting that these deals need more care as well. Twenty-five percent of CEOs still believe that M&A will play a greater role in cross-border expansion than JVs and strategic alliances over the next three years, but more CEOs are confronting the challenges of unexpected costs and cultural conflicts. Since 2008, the percentages of CEOs who believe that cultural integration is one of the biggest challenges in M&A has increased from 43% to 54%, making it the number one challenge again. Unexpected costs rank second this year. Forty-five percent of CEOs say that they are a major challenge, compared with 42% in 2008. Culture and people appear again in the fourth and fifth biggest obstacles to success – poor management of human resources and conflicting workforce expectations. All these challenges contribute significantly to the difficulties in realising the expected value of M&A, which continues to be a top-ranked M&A challenge.

We have changed our [capital expenditure]...what we've done is delay some of the gas plants. We've kept going forward with our two base-load coal plants. We're looking at joint-venture partners with respect to our wind [energy programmes], and that might be the right way to move forward. In every instance, what we're trying to do is, over the five-year period, maintain our capital-deployment objectives, but change the timing.

James E. Rogers
Chairman, President and CEO of US-based utility
Duke Energy Corporation

3.2.2 Balancing talent retention and cost reduction

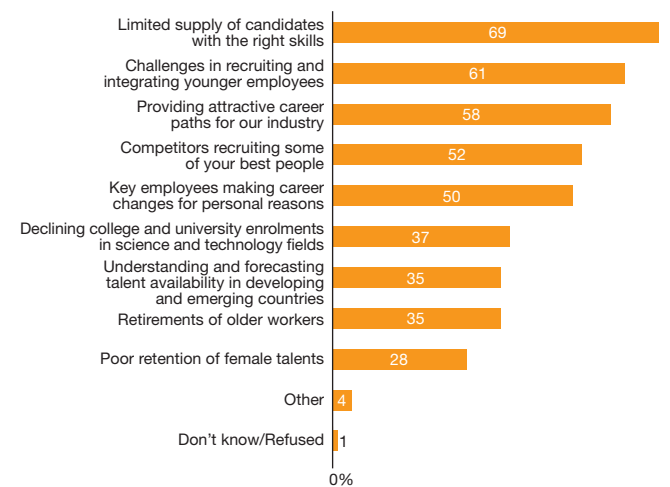
In the short term, many CEOs are understandably less worried about a skills shortage because their attention has turned to survival. Globally, the percentage of CEOs who are concerned about the availability of key skills fell from 61% in 2008 to 46% in 2009. And from September through November, concern for the talent shortage dropped as concerns about the economy rose.

CEOs are trying to balance cost reduction with the need to support critical talent and improve productivity so that their companies can weather challenging times and prepare for a return to growth. Chip Hornsby, Group Chief Executive of the UK-based international construction products, materials and services supplier Wolseley plc, explains: 'We have focused a lot of attention on recruiting, training and retaining. Unfortunately in this business environment we have to reduce headcount due to declining top line of revenues. I do have a major concern as we move into the middle part of the next decade, really not far away, about six years now, or less. The shortage of talented people in many of the markets where we are, is going to be a huge concern, just for sheer demographics. That's why the investment in technology is going to be even more critical, so people have the tools to be able to provide more sales per employee with the same amount of demand on hours as they have today.'

As the spread and depth of economic deceleration becomes clearer in 2009, CEOs may have to change their plans, but many are heading into the year hoping not to sacrifice long-term staffing priorities for short-term survival. As Hornsby says, the war for talent remains a major strategic concern. Ninety-seven percent of CEOs believe that the access to and retention of key talent is critical or important to sustaining growth over the long term. Most (72%) rate it critical (see figure 3.1.2.1 on page 24). And a similar number (69%) say that a limited supply of candidates with the right skills is a key challenge (see figure 3.2.2.1).

The long-term supply of key talent depends more on education systems than on business cycles, and many CEOs do not believe governments are doing enough to create a skilled labour force. For example, despite rising unemployment in the US and the UK, the percentage of CEOs who remain concerned or very concerned about the availability of key skills is 43% and 40% respectively, not far below the global average. Only 17% of US CEOs and 18% of UK CEOs agree that the government has been effective in creating a skilled labour force. In contrast, one of the lowest rates of concern about key skills (25%) occurs in China and Hong Kong, where CEOs top the global table (43%) in believing that their domestic governments are effectively

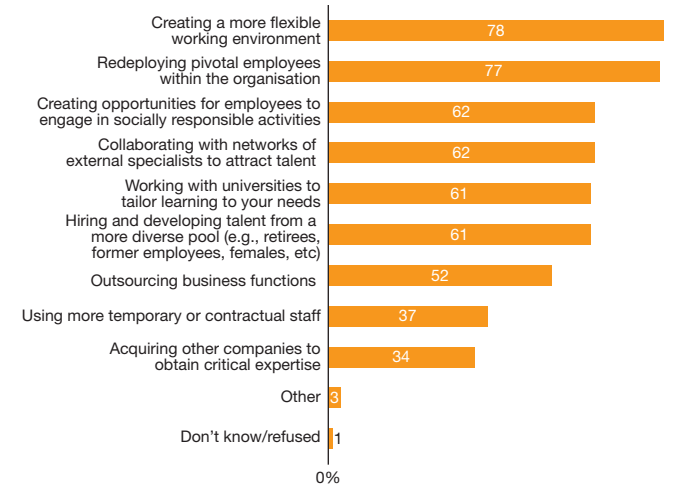
3.2.2.1
Talent shortage remains the top concern



Q: Considering the talent required for the success of your business, what are the key challenges you face?
Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.2.2
To retain talent, companies increase workplace flexibility and redeploy workers



Q: In order to ensure the long-term success and durability of your business, does your strategy regarding your people include any of the following measures?
Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

creating a skilled labour force (see figure 3.2.2.3). Still, this means the majority of CEOs in every economy do not agree that governments are effective.

Concern about the long-term skills shortage may have made CEOs somewhat more cautious than they would otherwise be about downsizing. Sixty-one percent of CEOs expect their staff levels to decrease (26%) or stay the same (35%) in the next 12 months. During previous economic downturns, many companies aggressively reduced their headcounts and investments in people. In the downturn of 2001 to 2002, spending on learning and development fell 20%.¹⁸

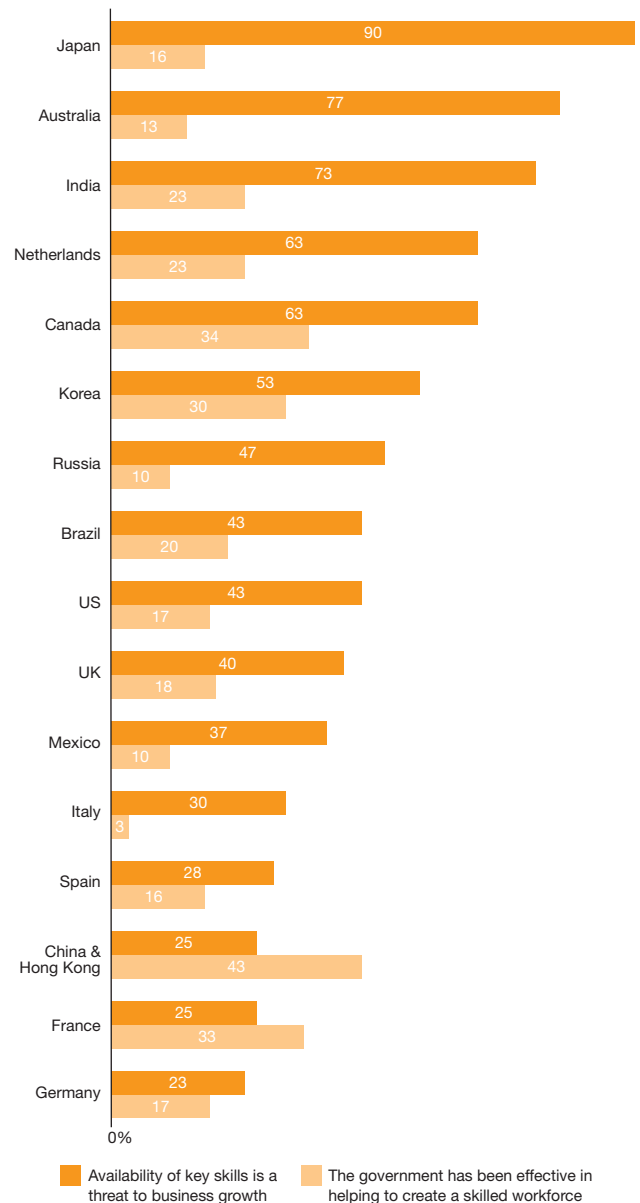
Cost-cutting can be an effective policy, not only to help companies survive in weak economic conditions, but also to help them shed non-core operations and make necessary but unpopular changes, for example, to compensation schemes. But the risk is that companies cut the wrong investments, impair their competitiveness and lose out to others who are using the economic winter to hire good people or gain market share. SUN Mingbo, President of China-based Tsingtao Brewery Company Limited, says, 'In the face of crisis, many companies go into hibernation. At Tsingtao, we have a slogan: "We don't hibernate in winter. We will achieve something while others hibernate. We will seize a share of the market when they hibernate".'

In a crisis, we are careful about hiring people and we make sure the good ones stay with us.

Léo Apotheker
Co-CEO of the global business software maker
SAP AG, Germany

3.2.2.3

Most governments receive low marks for workforce development



Q: How concerned are you about the following threats in relation to your business growth prospects? % somewhat/extremely concerned

Q: To what extent do you agree or disagree with the following statements regarding the role of the Government in the country in which you operate? % agree or strongly agree
Base: All respondents 30-97

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

18 Source: PricewaterhouseCoopers Saratoga.

Many CEOs feel that they are trying to conduct surgery by candlelight. They do not have a complete picture of the workforce, the money invested in employees and the skills needed for the business. For example, many companies do not know the total size and costs associated with payroll workers, the contingent workforce (e.g., contractors) and outsourced services.¹⁹ It is, therefore, impossible to predict the full impact of cost cutting.

Most CEOs believe that information about employees is critical to competitive advantage, but only 30% believe they have a comprehensive understanding of employees' views and needs (see figure 3.2.2 on page 27). And a separate PwC Saratoga survey found that fewer than 50% of companies calculate their total investment in training.²⁰ To keep their balance on the tightrope over cost cutting and talent retention, CEOs need to improve the way they identify, interpret and apply information about the workforce.

The long view on talent

For Securitas, which provides physical security services for companies and governments across North America and Europe, this means a new value proposition and a new business strategy. Alf Göransson, the company's President and CEO, explains, 'There has been a period of manpower shortage within low-salary jobs in major Western cities, a situation which is now changing due to the economic decline. In the long term, however, demographic development is a risk factor. Europe is expected to undergo a population decline to an extent that has not been seen since The Black Death.' One way to address the shortage would be to import foreign labour, but this is a medium-term solution at best. Instead, Göransson says Securitas is focused on a systemic solution, i.e. 'elevating the status of the security profession and making it more attractive. Salary levels are an important consideration in such a solution. In order to be able to raise salaries we must increase the value of the services, something that requires, in turn, an increased knowledge base. We are moving from a geographic organisation to a customer-segment oriented organisation in order to increase the level of specialisation. We're concentrating on building expertise in various industries – health care, retail trade, etc. The other method is to increase our knowledge of security solutions through increased investments in training. It is also important to efficiently disseminate knowledge within the company, for example through our websites, so that we are able to apply best practice.'

Alf Göransson
President and CEO of security services company, Securitas, Sweden

3.2.2.4

Millennials value training more than flexibility

	1st choice	2nd choice	3rd choice
All respondents	Training and development (53%)	Cash bonuses (41%)	Flexible working hours (41%)
Asia	Training and development (64%)	Financial assistance with housing (46%)	Cash bonuses (39%)
Australasia and Pacific Islands	Training and development (58%)	Flexible working hours (45%)	Cash bonuses (42%)
Central and Eastern Europe	Training and development (61%)	Cash bonuses (40%)	Flexible working hours (32%)
Western Europe	Training and development (57%)	Flexible working hours (38%)	Cash bonuses (36%)
Middle East and Africa	Flexible working hours (55%)	Training and development (46%)	Cash bonuses (42%)
North America and the Caribbean	Flexible working hours (53%)	Cash bonuses (43%)	Free private healthcare (38%)
South and Central America	Training and development (73%)	Cash bonuses (45%)	Flexible working hours (41%)

Q: Please select the benefits you would value most over the next 5 years other than salary?
 Base: 3,953 global respondents

Source: PricewaterhouseCoopers Global Graduate Survey 2008

¹⁹ PricewaterhouseCoopers Saratoga data show that spending on payroll workers typically accounts for 40-70% of the total, with the remainder split between contingent workers and outsourced services. These costs vary widely, however, even within the same industry, and in many cases, companies can reduce them by as much as 5-10% without reducing their headcounts.

²⁰ Source: PricewaterhouseCoopers Saratoga.

Attracting the next generation

The majority of CEOs feel that they need more information to address talent concerns, such as the retention of key skills and cultural conflicts during M&A. One factor driving this need is the diversity of multicultural and multigenerational workforces in increasingly global organisations. As Ralph Norris, CEO of Commonwealth Bank of Australia, a leading provider of integrated financial services in Australia, says: 'Clearly, we're going to see a situation where the war for talent is only going to increase in intensity...As a result, we're doing a lot of thinking at the moment about how we handle workforce flexibility and the different requirements of the various generations that comprise our staff. At the moment, we have four generations of people working in our organisation: those born during the Second World War, the Baby Boomers, Gen X and Gen Y.'

CEOs are particularly concerned about managing younger employees. Sixty-one percent of CEOs experience difficulty recruiting and integrating younger employees, making the 'millennials' who are currently entering the workforce the second biggest talent challenge (see figure 3.2.2.1 on page 30). Clearly, there is a need for CEOs to better understand the professional priorities of younger workers.

PricewaterhouseCoopers decided to try to fill this information gap by surveying its incoming millennials – more than 4,000 graduates from 44 countries who had been offered jobs with the firm. Although the results give us a good insight into the views of new graduates from around the world, they are clearly not a proxy for the entire millennial group. However, we were struck by the similarity of many responses across the globe, which suggests that executives should take notice.

Some responses matched CEOs' expectations. Training and development, particularly through mentoring, was the top benefit most respondents wanted in addition to salary, which CEOs seem to understand. In this year's CEO survey, 61% of CEOs said that they were working with universities to tailor education programmes and 77% said that they were redeploying employees within their organisations (see figure 3.2.2.2 on page 30).

Businesses should segment their workforces more carefully, just as they do with their customers, to ensure that they offer the most appropriate benefits to employees at different stages of their career.

In some cases, though, CEOs reserve mentoring and redeployments for senior staff. With the proper tools and guidance, immediate managers of junior staff can provide one-on-one coaching to build a lasting mentoring culture throughout the organisation.

We also found that the expectations of millennials and CEOs differ. The most popular people strategy among CEOs is creating a more flexible working environment. Yet, flexible working hours are not the top priority for PricewaterhouseCoopers' millennials. There seems to be an even greater disconnect between tactics and expectations over corporate social responsibility. Sixty-two percent of CEOs say that providing opportunities for employees to get involved in socially responsible activities is key to attracting talent. But only 7% of the graduates we surveyed wanted time off for doing social or charity work as one of their top three benefits.

Does this show a lack of commitment, or are millennials the first generation to believe that social responsibility is inseparable from business? Despite their unwillingness to take time off, 86% of our survey group would consider leaving an employer whose corporate behaviour no longer met their expectations. These disconnects suggest that better people profiling of diverse workforces is essential to understand what drives employee loyalty and behaviour. Businesses should segment their workforces more carefully, just as they do with their customers, to ensure that they offer the most appropriate benefits to employees at different stages of their career.

3.2.3 Mitigating risks collaboratively

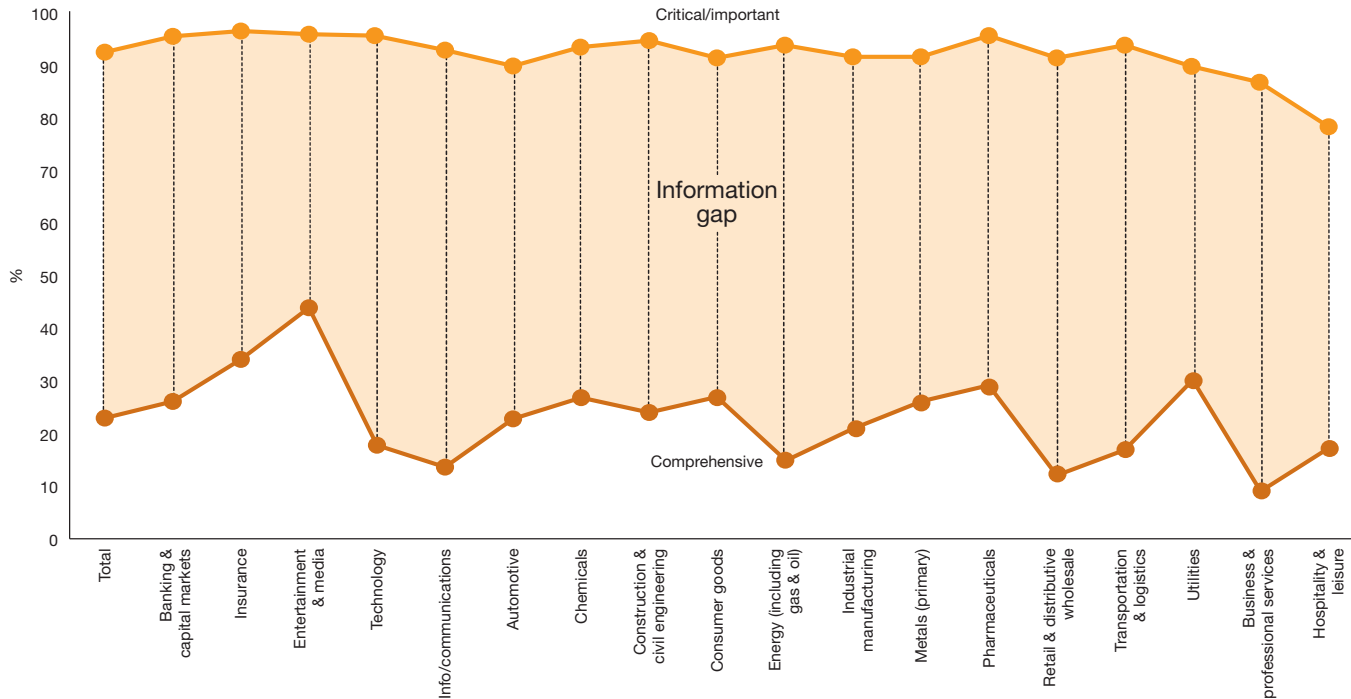
Along with market regulators, the entire financial services industry is rethinking risk management in the hope of rebuilding trust and preventing the next systemic failure. This has raised serious questions about the adequacy of risk management in business in general. In addition to new regulations, policies and procedures, many organisations will require different kinds of information about risk, as well as new cultures supported by new incentives that help employees stay focused on the long term.

The risks associated with many of today's large-scale, long-term trends – not just global financial risk – are difficult to identify and assess because they are unprecedented

and unregulated. The argument for action is often a modern version of Pascal's wager – the potential risks and benefits are too great for businesses to bet against these models having some truth. For example, an impressive amount of science has been poured into quantitative models for the effects of climate change and global resource shortages, including Sir Nicholas Stern's estimate that immediate action on climate change will cost 1% of global GDP, while delayed action could cost the global economy 20% of GDP.²¹

At the company level, however, it is difficult to weigh these scenarios, however well-informed, against the known costs and benefits of investing in compliance with existing regulations. To address risks that may seem unknown or unknowable, organisations need to develop individual

3.2.3.1
All industries have a wide gap in risk information



Q: How important are the following in terms of the information that you personally use to make decisions about the long-term success and durability of your business?

Information about the risks to which the business is exposed.

Base: All respondents by industry 25-130

Q: How adequate is the information that you currently receive?

Base: All respondents where information is important or critical by industry 23-119

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

²¹ BBC, 'Climate change fight can't wait' (October 31, 2006).

systematic approaches to scenario planning, which will inform the identification, assessment and management of global risks. One thing this will require is the reallocation of resources to get better data, because huge gaps remain in the information required to manage risks. In many cases, information is not flowing fast enough or from the right sources. Last year's CEO survey found that CEOs did not feel they had the information necessary to understand fully the risks in business networks, such as those created by outsourcing and other external supply relationships. In this year's survey, 92% of CEOs said that information on risks is critical or important to the long-term success of their businesses. However, only 23% believe they have comprehensive information about risks to their businesses.

The aviation industry was heavily impacted [by the terrorists attacks on September 11, 2001] and air transport suffered as a result. While we had little outright cancelling, we did have many postponements and this forced us to decelerate deliveries. This presented a challenge for us in that we had already purchased much of the materials we needed to fill our original orders. We have always valued our relationships with clients, so rather than trying to make clients fulfil their contracts to the letter, we re-negotiated with them. It was, shall we say, proof that strong client relationships are essential.

Frederico Fluery Curado
 President and CEO of Embraer, the Brazilian
 commercial airline manufacturer

CEOs in every industry and country that we surveyed report the same problem (see figure 3.2.3.1, opposite).

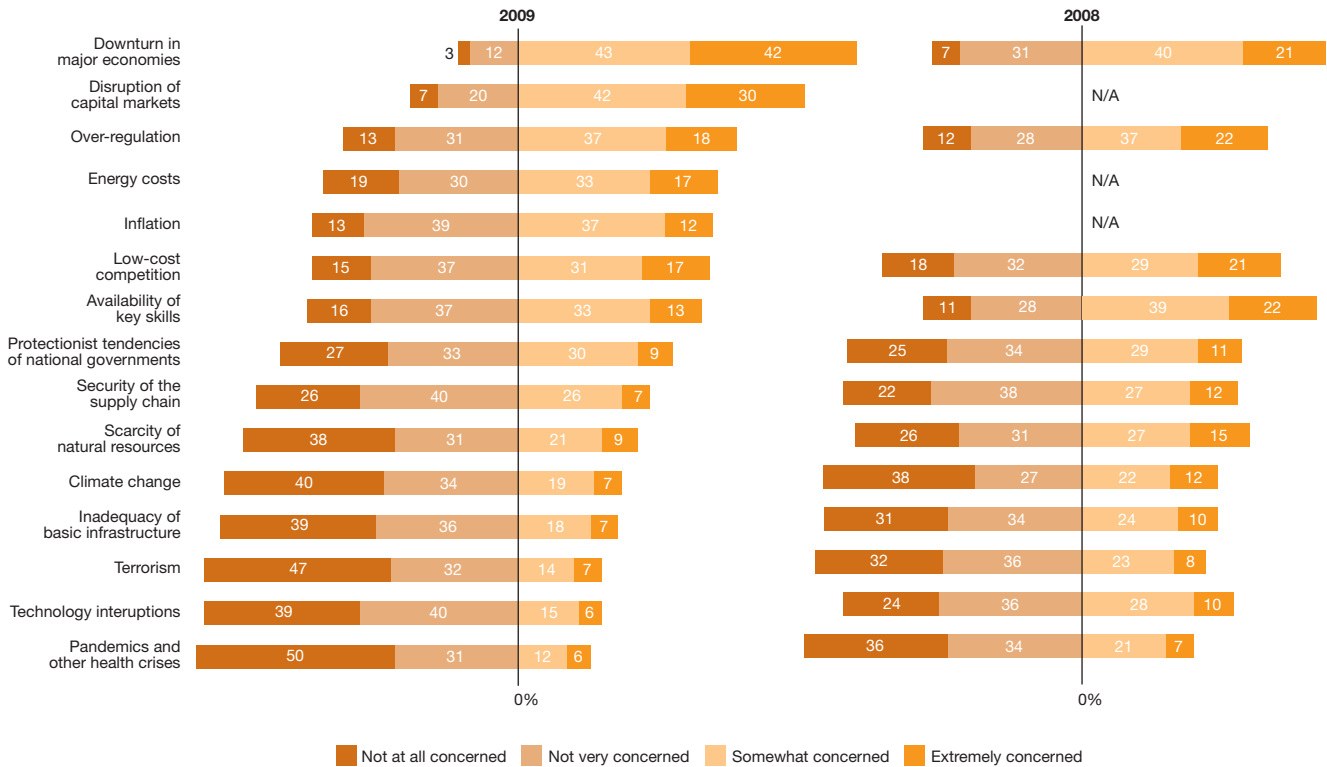
The gap is widest where cross-border flows of capital, labour, goods, services and information spread risk beyond the control of any one business or nation. Global and systemic risks may involve the entire range of external stakeholders, as well as competitors and the general public; therefore, these risks can only be managed collectively. Each stakeholder group has different motivations, exposures and resources, and the tension between collaboration and competition among these groups inhibits the flow of risk information among members of a business network.

In 2008, 61% of CEOs said that business networks played a minor role or no role whatsoever in responding to large-scale risks. For example, members of a supply chain often do not share information relevant to assessing risks. Jorma Eloranta, President and CEO of Metso Corporation, says that the company's customers 'were the last ones to tell us that demand was deteriorating. They want to maintain their capacity and investment targets. But, honestly, this took place very quickly – the order intake was nothing but positive and showed no sign of distress in the system.'

Determining whether to invest in mitigation of events beyond an organisation's internal processes and how to share costs with partners, competitors and governments involves complex negotiations. There are, however, hopeful signs that CEOs are not daunted by the challenge. In the case of climate change, 55% say they are changing risk management and the way they communicate with stakeholders, or are planning to do so in the next 12 months (see figure 2.2.1 on page 20). When there are many unknowns, businesses forge ahead on the basis of they do know.

Robert A. Milton, Chairman, President and CEO of ACE Aviation Holdings Inc, the Canadian investment holding company with various aviation interests including stakes in Air Canada and ACTS, explains that airlines are preparing for pandemics after the experience with SARS. He says: 'You've got to have a contingency plan in place, which we do, to deal with shuttering the operation if necessary... Most of the people running most of the [airline] companies around the world don't have minds like the people at [the US government's] Center for Disease Control in Atlanta...but even without knowing how a rapidly-moving infectious disease spreads, we do have the ability to figure out how to clamp the operation down.'

3.2.3.2
Immediate threats drive CEOs' priorities



Q: How concerned are you about the following threats in relation to your business growth prospects?
Base: All respondents 2009: 1,124; 2008: 1,150

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Note: 2009 data are based on interviews conducted in the last quarter of 2008.

Even with improved information-gathering and collaboration, the management of global and systemic risks ultimately depends on the mindset of individuals. Between September and November, CEOs became much less concerned about longer term threats as they focused on the economy (see figure 1.0.2 on page 8). In previous surveys, CEO also revised their priorities to respond to immediate dangers. For example, when we spoke to CEOs a year after the terrorist attacks on New York City, global terrorism and the threat of war ranked second behind over-regulation among the threats to business growth. After our 2003 survey, it dropped and has remained well out of the top five (see figure 3.2.3.2, opposite). This demonstrates the challenge of taking all risks into account when large, immediate risks are pressing on the mind.

Short-term cultures change too late because the relentless drive towards growth encourages employees to ignore slowly building signs of trouble. One of the fundamental problems in the financial crisis was that many companies simply did not take the time to fully understand their own investments, because the returns were so good. Regulations can encourage people to take a wider and longer view of the risks behind outsized returns, but they will fail if people have strong incentives to work around them. This is sometimes thought of as the difference between a rules-based culture and a values-based culture. Aligning the values of top management, governance, compensation and infrastructure to support ethical and constructive behaviour is the cornerstone of any plan to build high levels of risk awareness into decision-making.

People assume that China's economy is relatively immune to foreign financial shocks. But when this financial 'bomb' went off, not a single country or a single enterprise was left unaffected.

REN Jianxin
 President of China National Chemical Corporation (ChemChina), a large-scale state-owned company approved by the State Council, China

Culturally, I'm trying to move us to a longer term orientation, and I'll give you a couple small examples. We used to have quarterly objectives and quarterly bonus payments, and that created a quarterly mindset that did foster a strong execution culture. But it also caused us to under invest in customer loyalty, which doesn't pay back in a quarter. So instead we changed the incentives so that this year bonuses are paid semi-annually for the organisation as a whole and annually for the most senior people. We think this will help reorient our people to a slightly longer term point of view. Similarly, we've put in place [performance-based restricted stock units] for the senior team, which are now tied to two-year goals. These attempts compensate to some degree for the outrageously short-term point of view coming from the external world. [Finally,] we use a net promoter score for measuring customer loyalty, which, by the way, you can move even during a recession. You can make your customers happier even if they're buying less, and in that way you're getting a greater share of what they are spending. So, I think metrics and incentives – along with the strategies that follow from them – are the two most powerful reinforcers of a long-term orientation.

John Donahoe
 President and CEO of US-based global online marketplace, eBay Inc.

Durability

Short-term results at any cost are no longer an acceptable measure of success. Companies want renewable profits based on sustainable relationships with communities and natural environments. In today's environment, CEOs believe success should be measured in decades, not quarters.



Final thoughts: Cool heads, collaboration and innovation

As this paper goes to print, the world's economies are still in crisis. Uncertainty about the future is running high, and the optimism among CEOs about their three-year prospects is low. No one knows when the economic downturn will end or what its ultimate impacts will be.

One thing is certain. Connectedness is part of the problem and part of the solution. Globalisation has produced huge economic returns. However, cross-border flows of information, people and capital have also spread this crisis farther and inflicted more damage, faster than ever before. As it was in good times, the world is now united in bad times.

Some see this as a sign that nations and industries need more protection from each other. The findings from this year's CEO survey argue that exactly the opposite is true. Markets around the world are now linked inextricably. The massive upside of global connectedness makes it politically and economically impossible to stop. As a result, more crises are coming that are beyond the control of any single nation or business.

How do we prepare? It is impossible to predict the details but CEOs have strong ideas about the main themes.

First, businesses have no choice but to increase the strength and variety of their connections. The extreme conditions in which they currently operate are beyond the control of any one organisation. CEOs believe that the only way to mitigate risk and realise opportunity is through collaboration with many different stakeholder groups and gathering better information about the critical drivers of business.

Second, to help business, public policies need to be clearer, more stable and internationally coordinated. For businesses to invest huge amounts of capital in solving global problems, they need to be able to calculate risk and return. In the case of climate change, CEOs told us that the choice of policy is much less important than transparency, leadership and consistency across borders.

Third, market participants need to shift their mindsets. CEOs are taking responsibility for issues that were once considered outside the scope of any single business. They believe the criteria for success needs to change accordingly. They must allow for more investment in large-scale opportunities that have less predictable returns and in mitigating risks that have the potential to erase years of incremental gains. As long as predictable, quarterly earnings and other short-term financial metrics (such as those tied to employee compensation) remain the ultimate measures of success, short-termism will continue and create more crises in the future.

As Michael Smith, the CEO of Australia's ANZ, says: 'This comes round in cycles; this is the seventh cycle I've managed my way through. Are the lessons the same? Yes, they are. It is quite incredible how people tend to forget. And I think it is driven by short-termism and investor expectations that are unrealistic in terms of a bank. To expect a bank to generate a 25% return on equity year-on-year, I think, is just ridiculous. Because if you think about banking as an industry, there is no industry in the world that is more highly leveraged, that works on such low margin. Therefore, the room for error is very, very small. And when that error comes, boy does it hurt – as we've seen.'

Despite the thin margin for error, business and governments have no choice but to keep trying new ideas. Fortunately, that is where the opportunity lies. Even in the hardest hit sectors, CEOs still spoke to us about gaining market share, planning for new markets and maintaining readiness for growth. Often, CEOs see the greatest business potential in products, services and operating models that help solve large-scale, social and environmental problems. And an increasing number of stakeholders, from customers to investors to employees, believe these issues are inseparable from success. In other words, the race to succeed in the post-crisis world has already started.

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Core editorial team

Cristina Ampil
Christian Brebbia
Mike Davies
John Hawksworth
Nick Jones
Helen Kay
Sophie Lambin
Christopher Michaelson
Elizabeth Montgomery
Oriana Pound
Alison Thomas
Larry Yu

Research and data analysis

James Edsberg
Freddy Gathorne-Hardy
Judith Nicholl
Claire Styles
Jake Tyler

Project management

Angela Lang
Irina Ruseva
Alina Stefan

Online content

Tracy Fulham
Tim Kau
Noel McCarthy
Tabitha Taylor

Design and layout

Studioec4

Executive advisory group

Hans Borghouts
Tom Craren
Dan DiFilippo
Samuel A DiPiazza Jr
Maira Elms
Richard Gledhill
Erica Hauver
Neville Howlett
Richard Kibble
Colin McKay
David Phillips
Tony Poulter
Michael Rendell
Jeremy Scott
Suzanne Snowden
Jan Stuesson
Susan Symons
Karen Vander Linde
Leyla Yildirim

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Research methodology and key contacts

This is the 12th Annual PricewaterhouseCoopers' Global CEO Survey, and we have followed the same methodology as we used the previous years to ensure we are fairly representing the emerging economies of the world. We have conducted interviews in 50 countries worldwide, and varied the number of interviews in line with their GDP, measured at market exchange rates, in 2006.

In total, we conducted 1,124 interviews with CEOs in 50 countries between early September and the beginning of December 2008. By region, 420 interviews were conducted in Western Europe, 276 in Asia Pacific, 168 in Latin America, 138 in North America (41 in Canada), 80 in Eastern Europe and 42 in the Middle East and Africa. Throughout these reports, we report key statistics. Additional data and graphs are available in the *Visual Story* supplement and online at www.pwc.com/ceosurvey.

The interviews were spread across a significant range of industries. Further details, by region and industry, are available on request. The interviews were mainly conducted on the telephone, with the exception of Japan, where a postal survey was administered. In China (including Hong Kong) and Kenya, most of the interviews were conducted face to face. All the interviews were conducted in confidence and on an unattributable basis. The lower threshold for inclusion in the top 30 countries was companies with more than 100 employees or revenues of more than \$10 million. This is raised to 500 employees or revenues of more than \$50 million in the top 10 countries. In the top 10 countries 35% of the companies had revenues in excess of \$1 billion, and a further 43% had revenues of \$100 million to \$1 billion. The remaining 22% had revenues of less than \$100 million. Company ownership is recorded as private for 53% of all the companies, with the remaining 47% listed on at least one stock exchange.

To further understand how the mindset of global corporate leaders is evolving, we interviewed 21 CEOs from five continents to put the survey numbers to the test. Throughout this report are quotes from these interviews. Selected extracts are featured in the *In-depth CEO story* supplement and all the transcripts are available in full text online; some interviews are also available on video online at www.pwc.com/ceosurvey.

PricewaterhouseCoopers' extensive network of experts and specialists has provided its input into the analysis of the survey (see acknowledgements). Our experts span many countries and industries.

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

For further information on the survey content, please contact:

Sophie Lambin, Director of Global Thought Leadership
+44 20 7213 3160
sophie.lambin@uk.pwc.com

For media enquiries, please contact:

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

For enquiries about the research methodology, please contact:

Judith Nicholl, Head of Research and Information
+44 20 7804 2739
judith.nicholl@uk.pwc.com

Further reading

Meeting the challenge of the current financial crisis (November 2008)



The current credit crisis has shaken the financial markets, undermined the confidence of consumers and investors, and caused enormous financial damage everywhere. However, in this new report, PwC has identified seven key steps that will help companies to navigate rough waters and emerge successful.

Technology Executive Connections – Managing the risks and rewards of collaboration (Volume 6) (December 2008)



How can technology companies manage the risks to reap the rewards of collaboration? To answer this question, PwC surveyed senior technology industry executives worldwide and conducted in-depth personal interviews with industry leaders.

American Perspectives (August 2008)



Published in 2008, American Perspectives discusses trends that US businesses will need to navigate the changing world. It focuses on four main areas: the need to reorient US perspectives as the world economic balance realigns the need to navigate big risks and opportunities in an interconnected world, the need to manage the changing way we live and work, and the need to leverage innovation with openness, discipline and creativity.

PricewaterhouseCoopers' 11th Annual Global CEO Survey (January 2008)



PricewaterhouseCoopers' 11th Annual Global CEO Survey, launched at the World Economic Forum's Annual Meeting in Davos, Switzerland, in January 2008, set out to discover how CEOs balance the risks and opportunities of competing and collaborating in a world where globalisation, technology and rapid social change are transforming the business landscape in ways that were unimaginable even 20 years ago.

World in 2050 – Beyond the BRICs (February 2008)



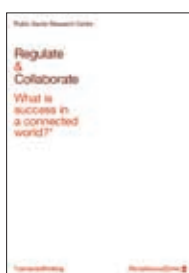
In 2006, PwC published a report on the rapid growth and increasing global significance of the so-called 'E7' emerging economies: the BRIC economies of Brazil, Russia, India and China, plus Mexico, Indonesia and Turkey. Here is an update of our economic growth projections, based on the latest available data.

Public & Private – Global risks (from the 11th Annual Global CEO Survey, January 2008)



CEOs polled in PwC's 11th Annual Global CEO Survey disagreed with academic risk experts about the threat posed by global risks to business growth. Were the CEOs too focused on economic conditions, near-term threats and recent history? For possible answers, read on.

Regulate and Collaborate – Government and the Global CEO (March 2008)



This study compares the viewpoints of CEOs and top-level government officials on regulation and collaboration between the public and private sectors, and comments on the extent of government-to-government collaboration, climate change and the future for public-private relationships.

From vulnerable to valuable: how integrity can transform a supply chain (November 2008)



Most companies think of supply chain improvements only in terms of cost reduction and undertake crisis management after a problem occurs. This study shows that escaping from this mindset is well worth the effort, and companies can learn how to enhance the integrity and security of their supply chains.

Does ERM matter? ERM in the insurance industry. A global study (June 2008)



The 2008 follow-up to our global survey report published in 2004, this report seeks to discern whether ERM can make a difference by strengthening risk control and strategic planning, and, if so, identify the critical attributes for success.

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12th Annual Global CEO Survey
Redefining success
The visual story

~~Following
the
pack~~

Navigating
your own
path

In this supplement, we present an extended set of graphs used to inform our analysis. While some of these appear in the body of the report, many do not. Taken together, they provide additional information and offer a visual complement to our narrative.

The visual story should be read in conjunction with the PricewaterhouseCoopers 12th Annual Global CEO Survey 2009 also available at www.pwc.com/ceosurvey

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

pwc.com/ceosurvey/thestory

The visual story is one that can be told several ways.

Using features of the site for customisation, create a view of the data and charts that is customised to your business, your situation, and your needs.

Examine data from every angle, whether:

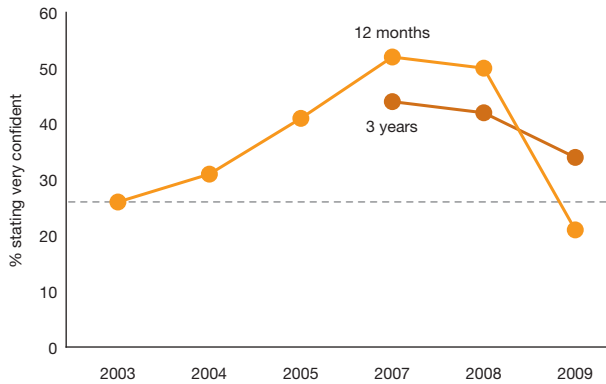
- By country or region;
- By industry;
- With year-to-year comparisons; or
- Around specific issues.

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Introduction

0.1
The crisis shatters short-term confidence



Q: How would you assess your level of confidence in prospects for the revenue growth of your company over the next 12 months?

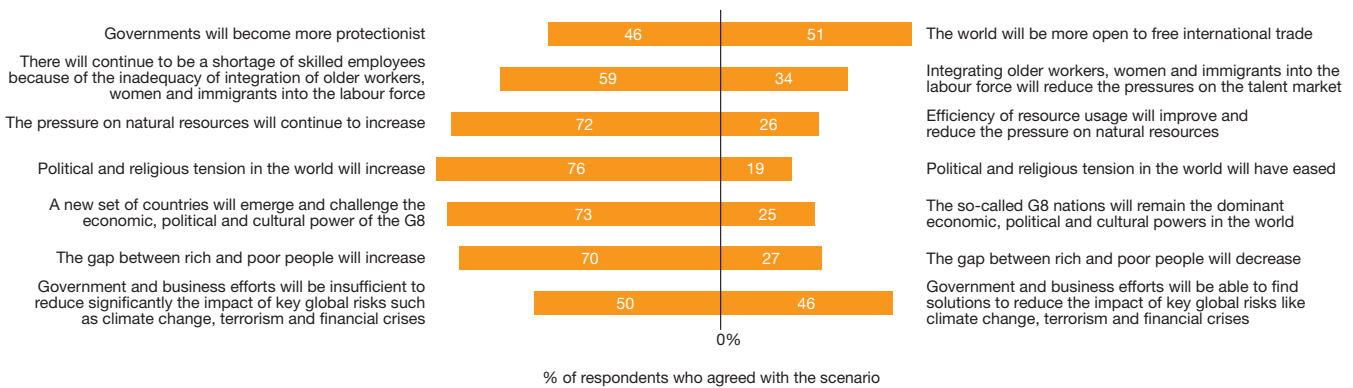
Q: How would you assess your level of confidence in prospects for the revenue growth of your company over the next 3 years?

Base: All respondents 2009: 1,124; 2008: 1,150; 2007: 1,084; 2005: 1,324; 2004: 1,394; 2003: 992

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Note: 2009 data are based on interviews conducted in the last quarter of 2008. 2006 confidence question was not asked.

0.2
Uncertainty about globalisation runs high



Q: Which of the following scenarios do you feel is more likely to occur in the future, keeping in mind they may not be mutually exclusive?

Base: All Respondents chose a scenario from each pair, or the option 'Don't know/Refused' 1,124.

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

0.3

National views on the future of globalisation



Q: Which of the following scenarios do you feel is more likely to occur in the future, keeping in mind they may not be mutually exclusive?

Base: All Respondents chose a scenario from each pair, or the option 'Don't know/Refused' 30-97.

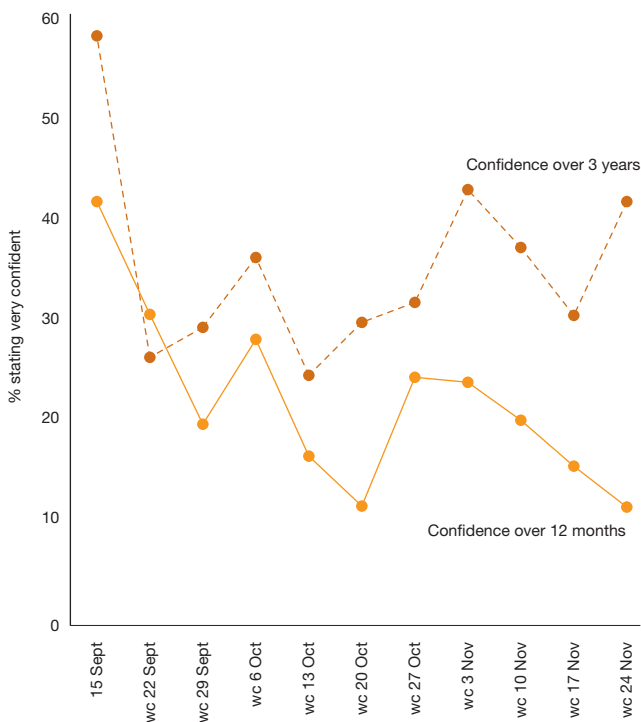
Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Section 1

An historic moment: One world united in crisis

1.0.1

Confidence plummets as the crisis deepens

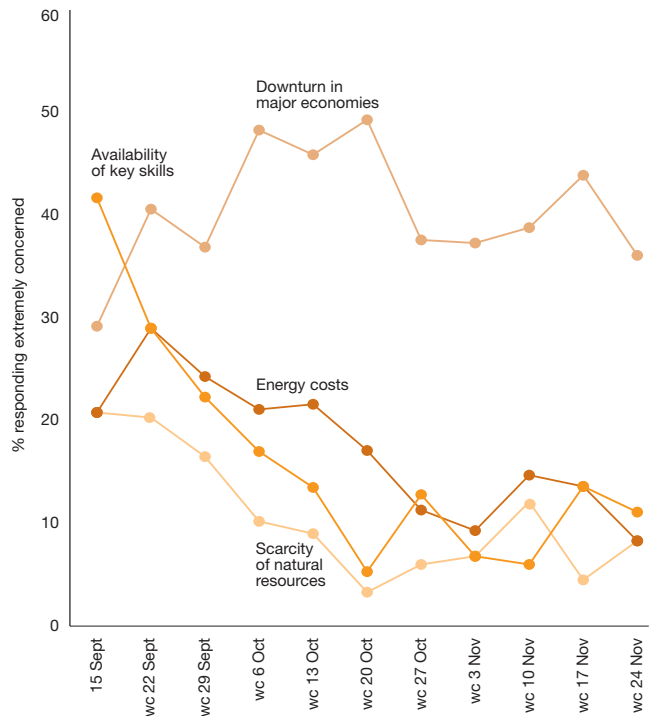


Q: How would you assess your level of confidence in prospects for the revenue growth of your company over the next 12 months?...the next 3 years?
Base: All respondents 24-161

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

1.0.2

Focus shifts from long-term success to survival



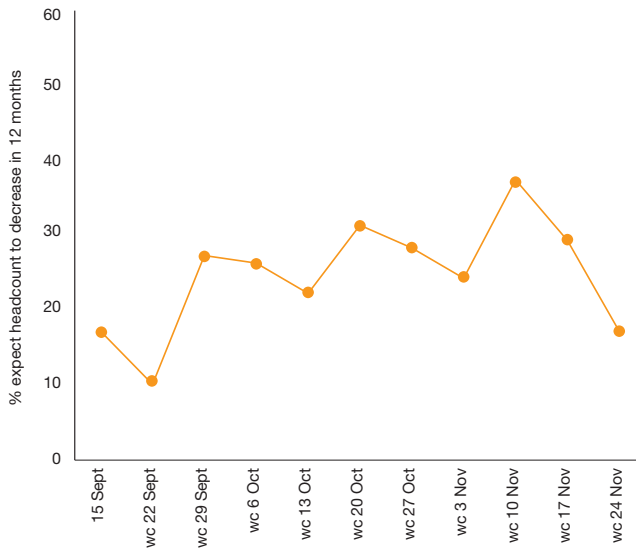
Q: How concerned are you about the following threats in relation to your business growth prospects?

Base: All respondents 24-161

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

1.0.3

Staff reductions become more likely

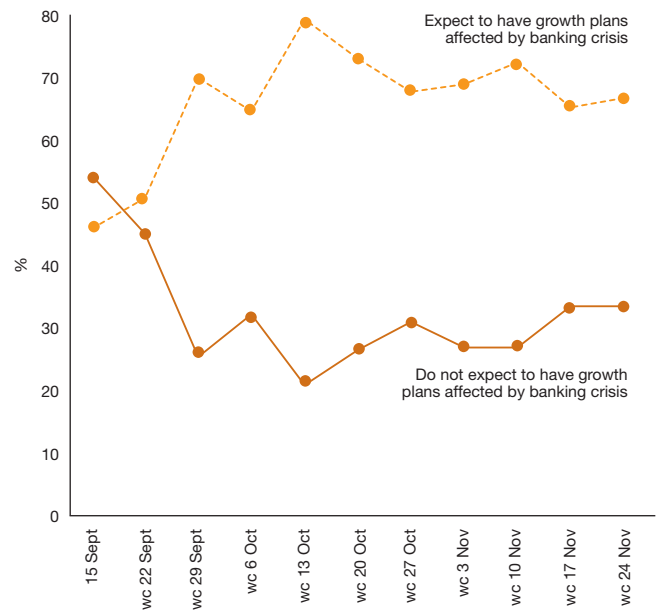


Q: What do you expect to happen to headcount in your organisation globally over the next 12 months?
 Base: All respondents 24-161

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

1.0.4

Business plans change



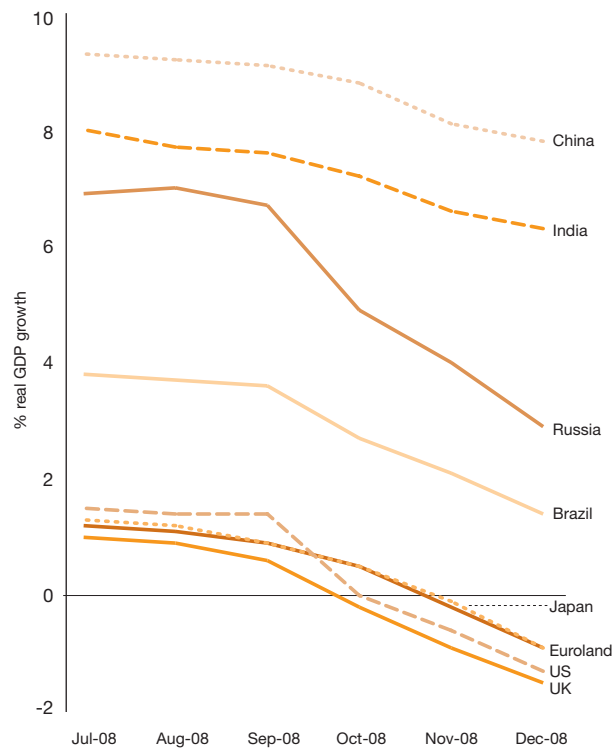
Q: Do you expect the financing of the growth plans of your business to be affected by difficulties in the global banking and financial system?
 Base: All respondents 24-161

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

1.1 We're all in this together: The downside of globalisation

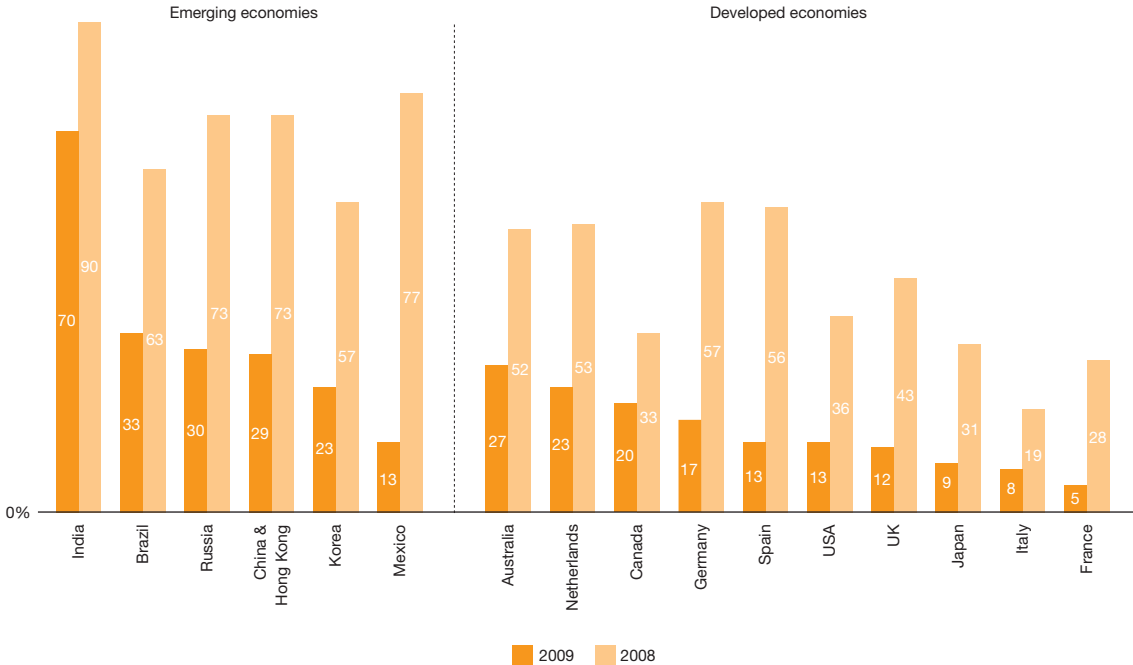
1.1.1

World economies decelerate together



Source: Average forecasts from Consensus Economics surveys in months shown

1.1.2
Pessimism spreads across the globe



Q: How would you assess your level of confidence in prospects for the revenue growth of your company over the next 12 months?

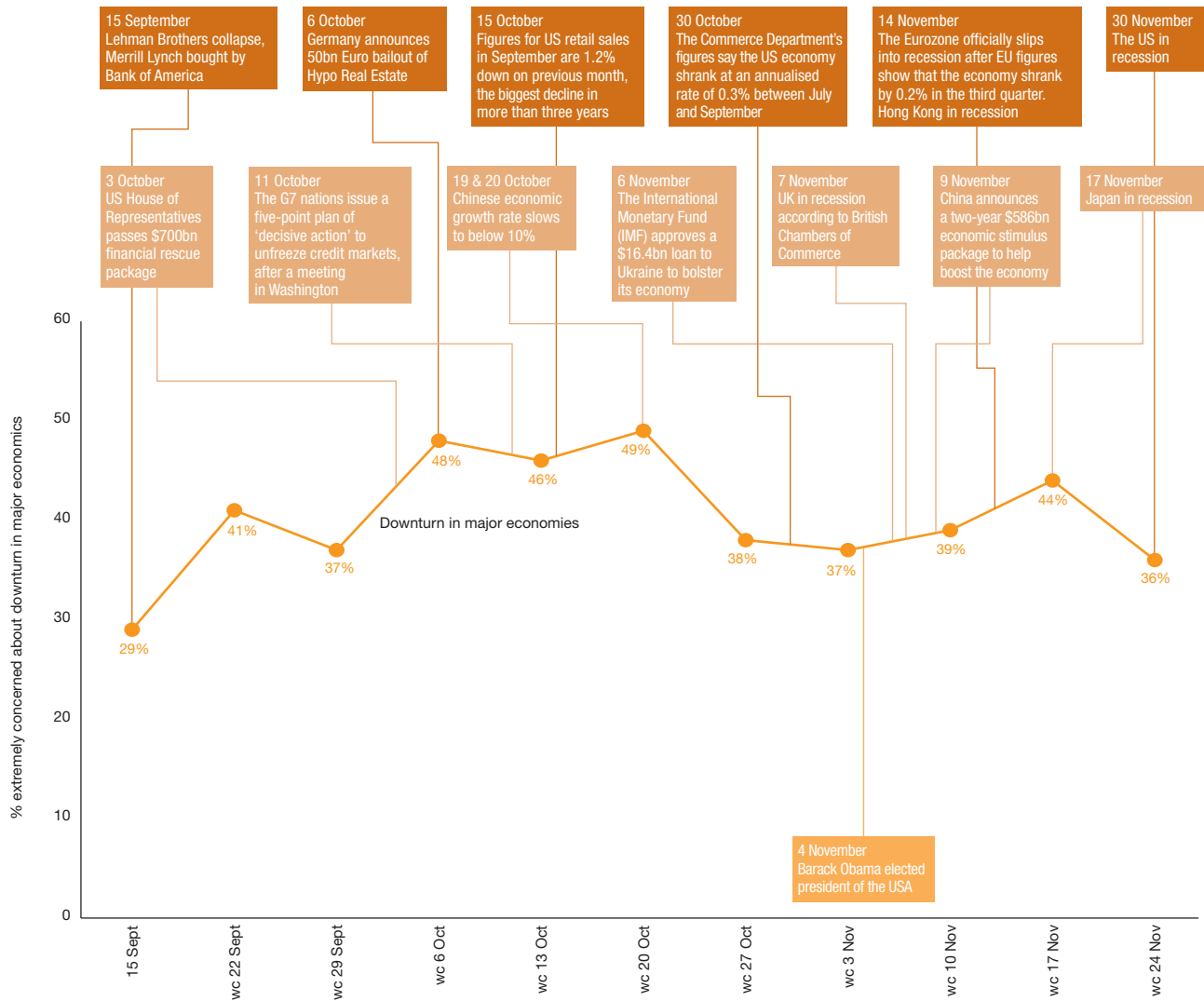
Base: Respondents stating very confident 2009: 30-97; 2008: 30-100

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Note: 2009 data are based on interviews conducted in the last quarter of 2008.

1.1.3

Tracking the crisis



Q: How concerned are you about the following threats in relation to your business growth prospects?
 Base: All respondents 24-161

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

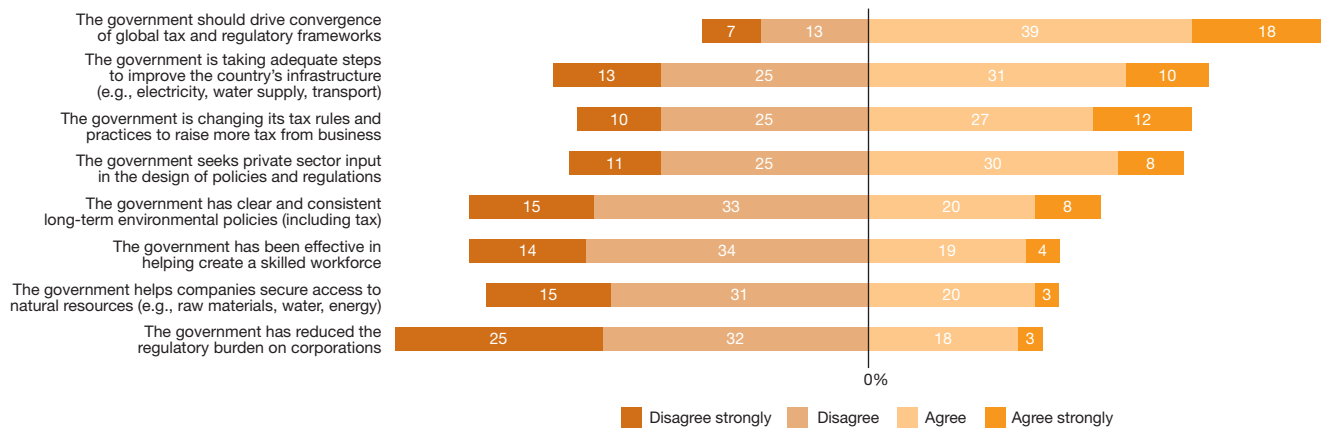
Section 2

The search for global solutions

2.1 Government action: More of the right kind

2.1.1

CEOs want governments to strike a difficult balance



Q: To what extent do you agree or disagree with the following statements regarding the role of government in the country in which you operate?

Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

2.1.2

Each country has different priorities

	Global	US	Canada	Mexico	UK	France	Germany	Netherlands	Italy	Spain	Russia	Brazil	China & Hong Kong	Japan	India	Australia	Korea
The government should drive convergence of global tax and regulatory frameworks	57%	42%	56%	60%	40%	50%	62%	63%	75%	75%	73%	20%	54%	65%	77%	80%	83%
The government helps companies secure access to natural resources (e.g., raw materials, water, energy)	23%	21%	32%	10%	3%	18%	15%	27%	20%	13%	20%	10%	52%	28%	13%	13%	30%
The government is changing its tax rules and practices to raise more tax from business	39%	65%	24%	67%	63%	35%	36%	20%	13%	28%	43%	43%	19%	37%	67%	33%	17%
The government seeks private sector input in the design of policies and regulations	38%	33%	54%	33%	33%	33%	30%	40%	45%	31%	20%	17%	59%	47%	50%	37%	93%
The government has clear and consistent long-term environmental policies (including tax)	28%	20%	20%	23%	25%	10%	23%	30%	8%	38%	27%	13%	49%	9%	23%	30%	97%
The government has been effective in helping create a skilled workforce	23%	17%	34%	10%	18%	33%	17%	23%	3%	16%	10%	20%	43%	16%	23%	13%	30%
The government is taking adequate steps to improve the country's infrastructure (e.g., electricity, water supply, transport)	41%	24%	39%	37%	8%	35%	47%	37%	15%	56%	47%	17%	84%	24%	43%	30%	93%
The government has reduced the regulatory burden on corporations	21%	14%	22%	13%	13%	20%	11%	13%	10%	16%	10%	20%	30%	43%	17%	10%	40%

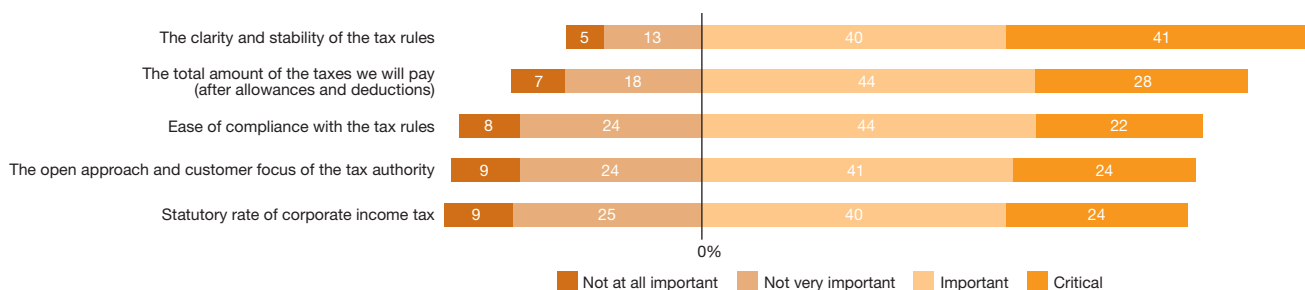
Q: To what extent do you agree or disagree with the following statements regarding the government's role in the country in which you operate?

Base: All respondents who agree or strongly agree 30-97

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

2.1.3

Clarity and consistency are more important than tax rates



Q: How important are the following aspects of a country's tax regime at influencing your investment decisions?

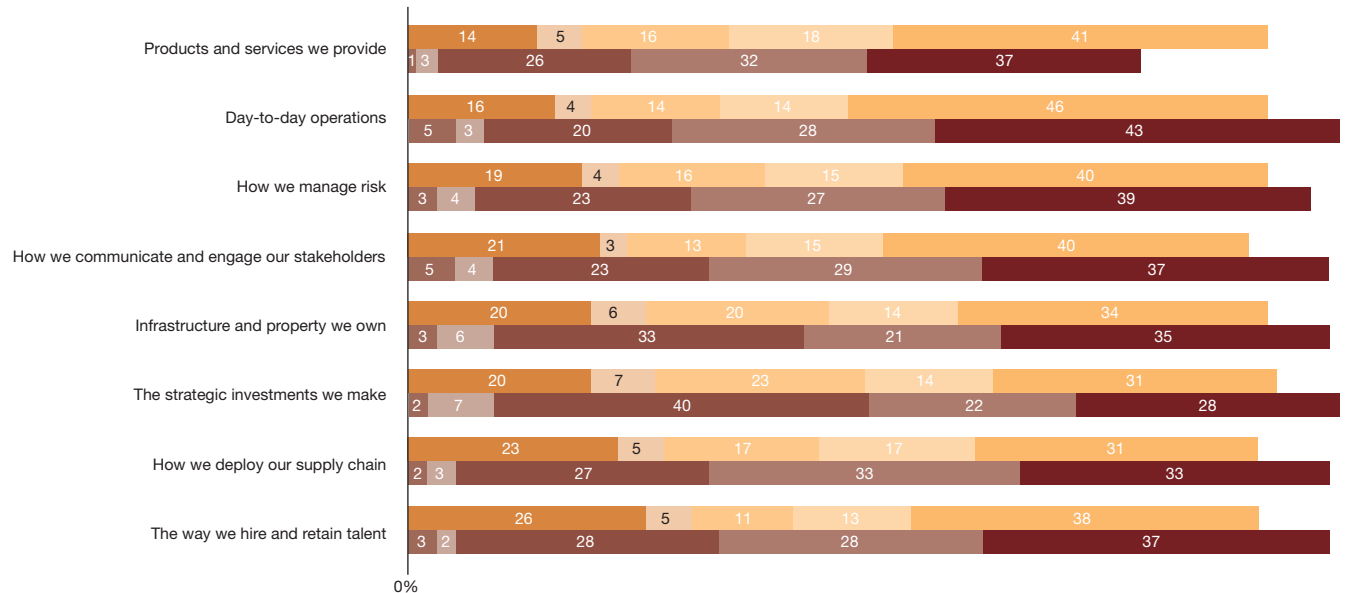
Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

2.2 Climate change: The next global crisis?

2.2.1

Businesses change in response to climate change and expect a return in 12 months



Q: When, if at all, do you anticipate making changes to the following areas of your business to respond to the challenges posed by climate change?
Base: 1,124

Legend: Never, Beyond 5 years, Next 5 years, Next 12 months, Already making

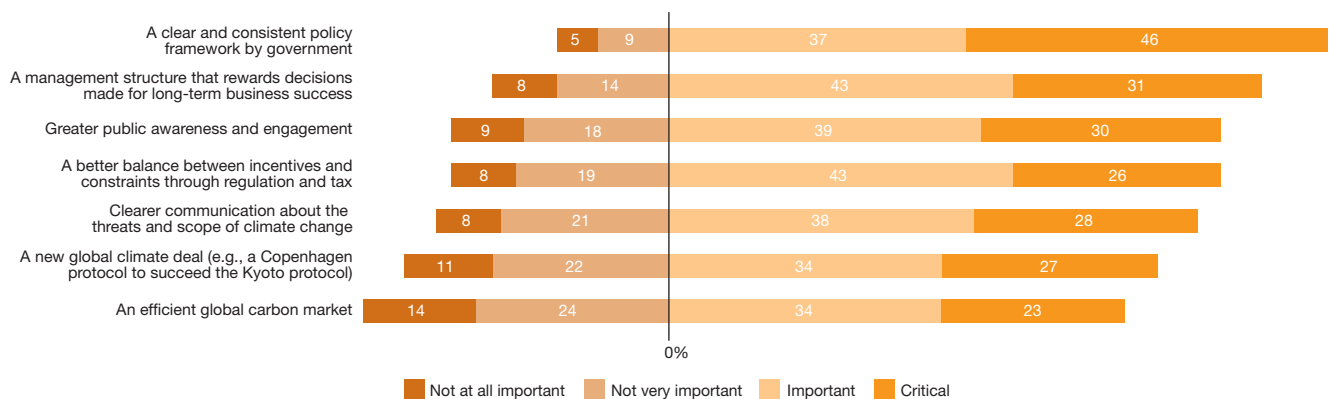
Q: When do you anticipate a return on investment in these areas?
Base: 499-669

Legend: Never, Beyond 5 years, Next 5 years, Next 12 months, Already making

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

2.2.2

Business and government need to lead together on climate change



Q: How important are the following measures to help you adapt your business to the issues raised by climate change?
Base: All respondents who stated already making changes, next 12 months, next 5 years, beyond 5 years for any option 1,063

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

2.2.3

CEOs across sectors want clear and consistent climate change policies

	Global	Banking & capital markets	Insurance	Entertainment and media	Technology	Info/communications	Automotive	Chemicals	Construction & civil engineering	Consumer goods	Energy (including oil and gas)	Industrial manufacturing	Metals (primary)	Pharmaceuticals	Retail & distributive wholesale	Transportation and logistics	Utilities	Business & professional services
A clear and consistent policy framework by government	83%	78%	76%	82%	68%	90%	88%	88%	81%	84%	94%	85%	78%	91%	77%	87%	87%	76%
A management structure that rewards decisions made for long-term business success	74%	71%	76%	91%	60%	75%	82%	76%	68%	76%	81%	76%	70%	82%	70%	70%	74%	68%
Greater public awareness and engagement	69%	65%	80%	68%	60%	93%	70%	72%	65%	72%	72%	61%	48%	82%	65%	64%	69%	73%
A better balance between incentives and constraints through regulation and tax	69%	60%	62%	55%	66%	72%	75%	81%	68%	70%	85%	63%	66%	75%	68%	76%	69%	51%
Clearer communication about the threats and scope of climate change	66%	59%	74%	59%	48%	86%	70%	67%	69%	67%	69%	66%	52%	75%	63%	71%	71%	59%
A new global climate deal (e.g., a Copenhagen protocol to succeed the Kyoto protocol)	61%	54%	62%	55%	48%	75%	73%	70%	69%	62%	69%	64%	65%	64%	57%	59%	76%	59%
An efficient global carbon market	57%	45%	59%	50%	44%	64%	60%	66%	60%	54%	69%	61%	61%	66%	55%	55%	72%	54%

 Highest percentages in each sector

Q: How important are the following measures to help you adapt your business to the issues raised by climate change? All answering important/critical
 Base: All respondents who stated already making changes, next 12 months, next 5 years, beyond 5 years 22-124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

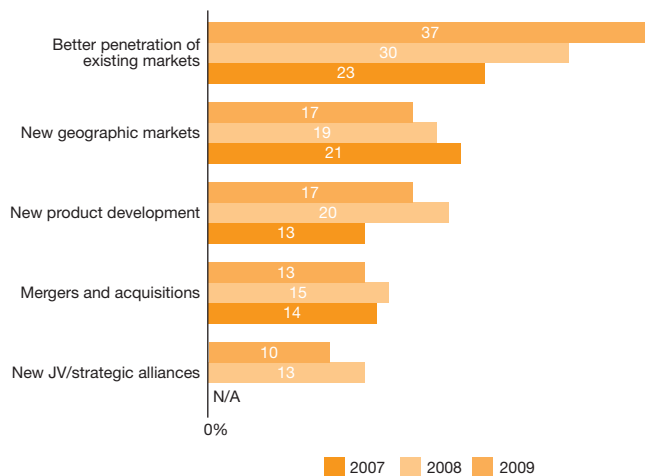
Section 3

Walking a tightrope

3.1 Redefining success: CEOs face extreme short-term and long-term challenges

3.1.1 Short-term survival

3.1.1.1
CEOs concentrate on existing markets to grow



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

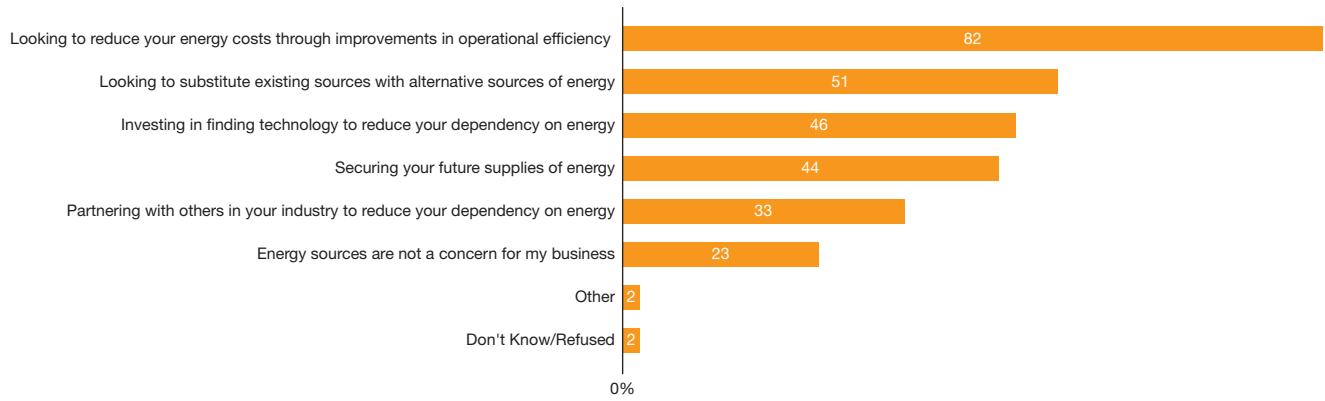
Base: All respondents 2009: 1,124; 2008: 1,150; 2007: 1,084

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Note: 2009 data are based on interviews conducted in the last quarter of 2008.

3.1.1.2

Energy costs remain important to long-term strategies



Q: In order to ensure the long-term success and durability of your business, does your strategy regarding energy sources include any of the following measures?

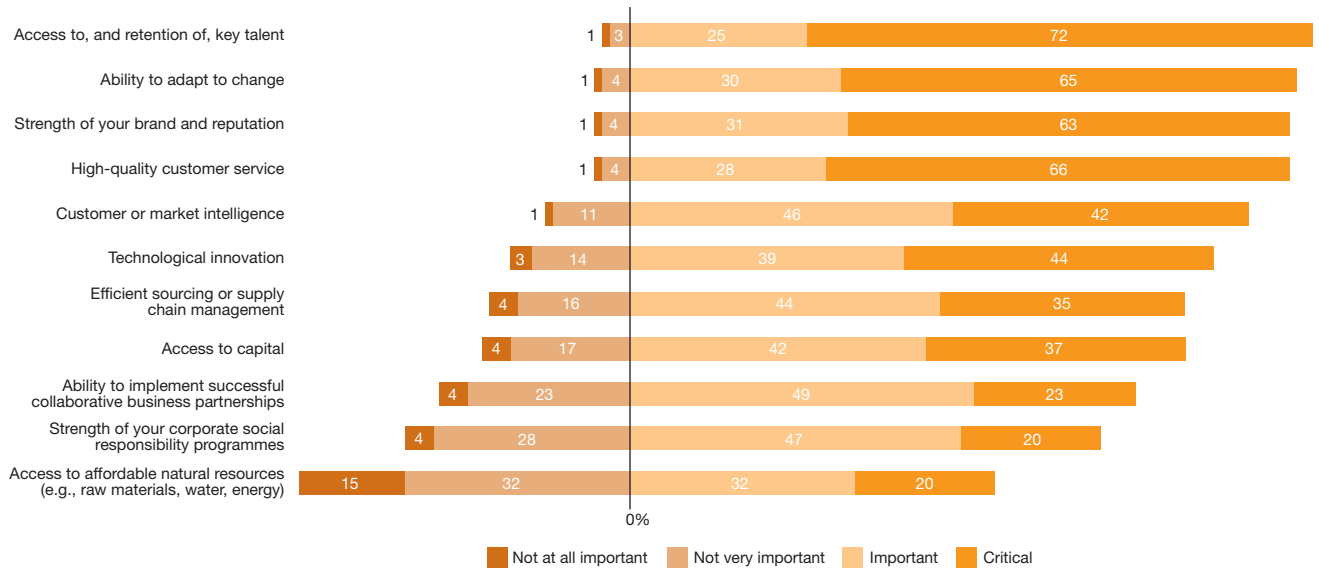
Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.1.2 Long-term success

3.1.2.1

Talent, agility, reputation and customer service are the critical drivers of long-term success



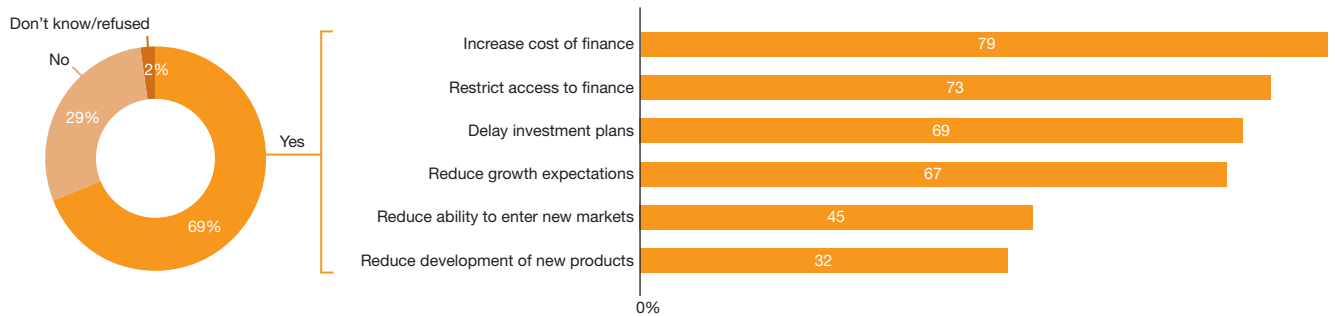
Q: How important are the following sources of competitive advantage in sustaining your growth over the long term?

Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.1.2.2

Growth expectations lower as financing becomes more difficult



Q: Do you expect the financing of the growth plans of your business to be affected by difficulties in the global banking and financial system?

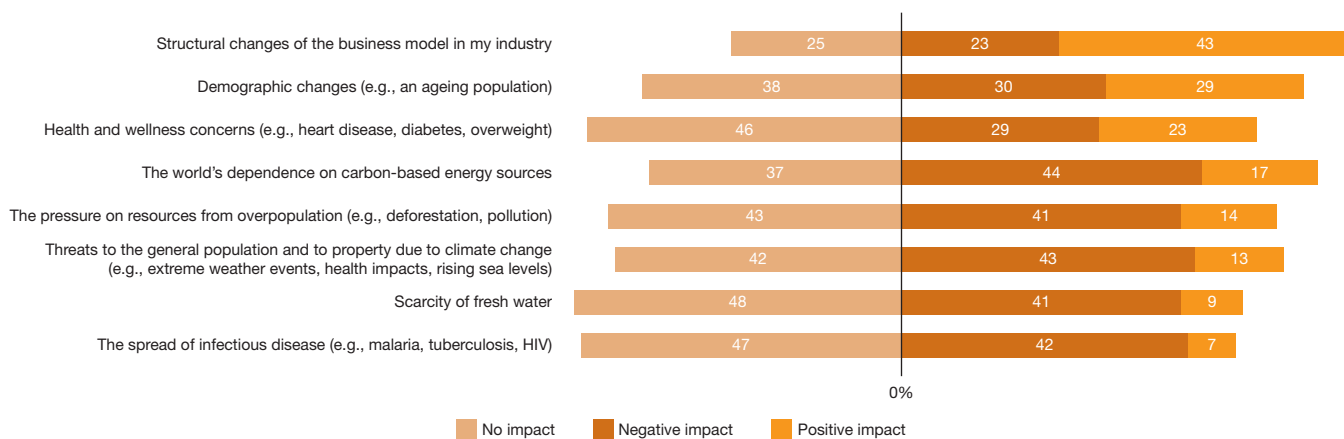
Base: All respondents 1,124.

How will the financing of growth plans be affected by difficulties in the global banking and financial system?

Base: Those who expect to be affected by difficulties in the global banking & financial system at Q4a 770

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.1.2.3
Business strategy must address multiple large-scale trends



Q: What impact, if any, will each of the following have on the long-term success and durability of your business?
Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.1.2.4
Each sector sees different opportunities in long-term trends

	Global	Banking & capital markets	Insurance	Entertainment & media	Technology	Info/communications	Automotive	Chemicals	Construction & Civil engineering	Consumer goods	Energy (including oil and gas)	Industrial manufacturing	Metals (primary)	Pharmaceuticals	Retail & distributive wholesale	Transportation and logistics	Utilities	Business & professional services
Structural changes of the business model in my industry	43%	56%	33%	39%	49%	43%	40%	33%	41%	39%	40%	39%	36%	55%	42%	40%	59%	58%
Demographic changes (e.g., an ageing population)	29%	40%	36%	19%	20%	33%	19%	19%	26%	29%	20%	25%	28%	81%	25%	19%	7%	45%
Health and wellness concerns (e.g., heart disease, diabetes, overweight)	23%	15%	39%	8%	12%	30%	10%	15%	14%	39%	9%	16%	12%	85%	28%	6%	7%	26%
The world's dependence on carbon-based energy sources	17%	6%	15%	8%	16%	7%	24%	25%	40%	6%	54%	21%	8%	6%	8%	15%	42%	11%
The pressure on resources from overpopulation (e.g., deforestation, pollution)	14%	6%	8%	12%	10%	10%	16%	29%	30%	8%	17%	16%	0%	23%	8%	13%	17%	11%
Threats to the general population and to property due to climate change (e.g., extreme weather events, health impacts, rising sea levels)	13%	2%	10%	8%	8%	7%	7%	17%	29%	10%	6%	20%	12%	19%	6%	12%	24%	13%
Scarcity of fresh water	9%	4%	5%	8%	4%	3%	5%	10%	18%	12%	9%	17%	12%	13%	9%	3%	5%	11%
The spread of infectious disease (e.g., malaria, tuberculosis, HIV)	7%	2%	10%	0%	4%	0%	5%	4%	4%	11%	3%	4%	0%	51%	8%	3%	2%	11%

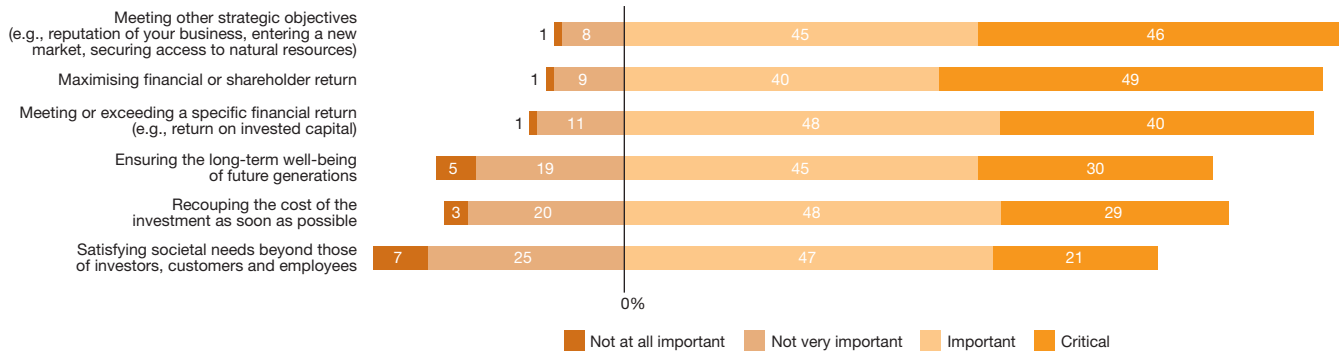
Highest percentages in each sector

Q: What impact, if any, will each of the following have on the long-term success and durability of your business? Positive responses
Base: All respondents 25-130

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.1.3 A new mindset for extreme conditions

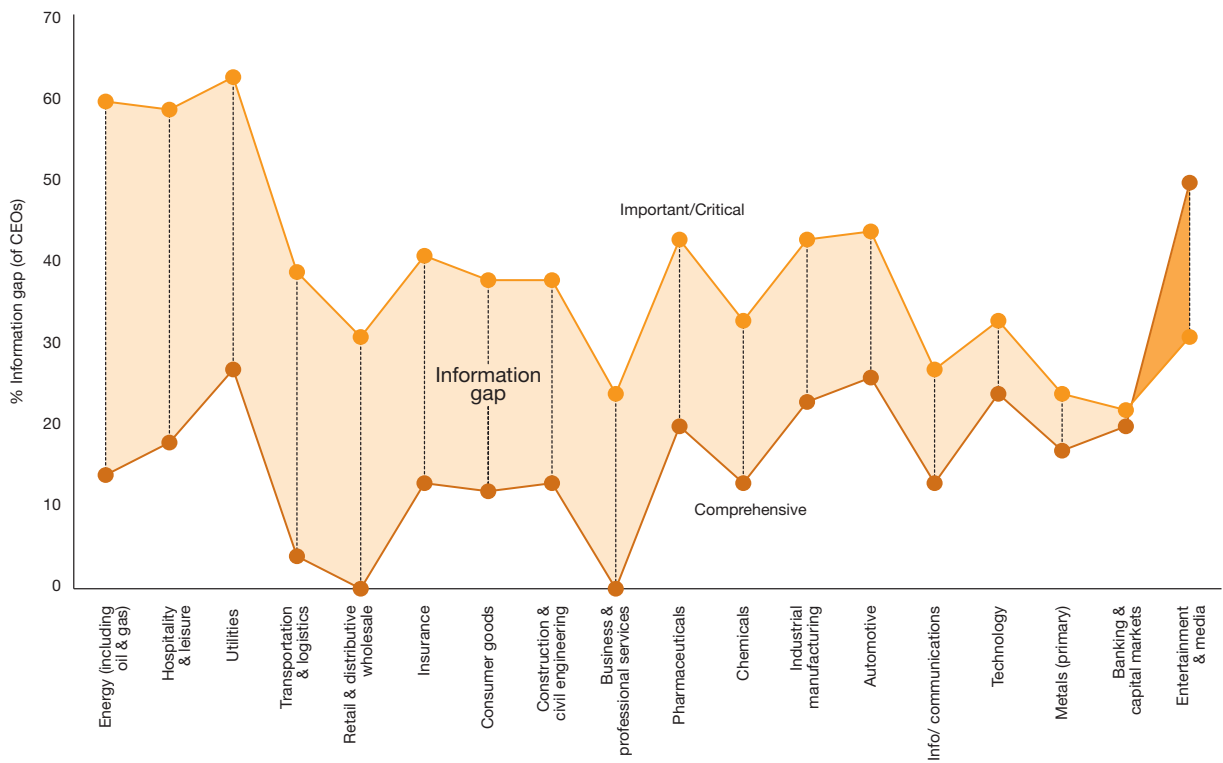
3.1.3.1 Investment criteria broaden



Q: When considering your company's investments, how important are the following?
 Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.1.3.2 The perception of climate change varies widely across industries



Q: How important are the following in terms of the information that you personally use to make decisions about the long-term success and durability of your business?
 Information about the risks to which the business is exposed.
 Base: All respondents by industry 1,124

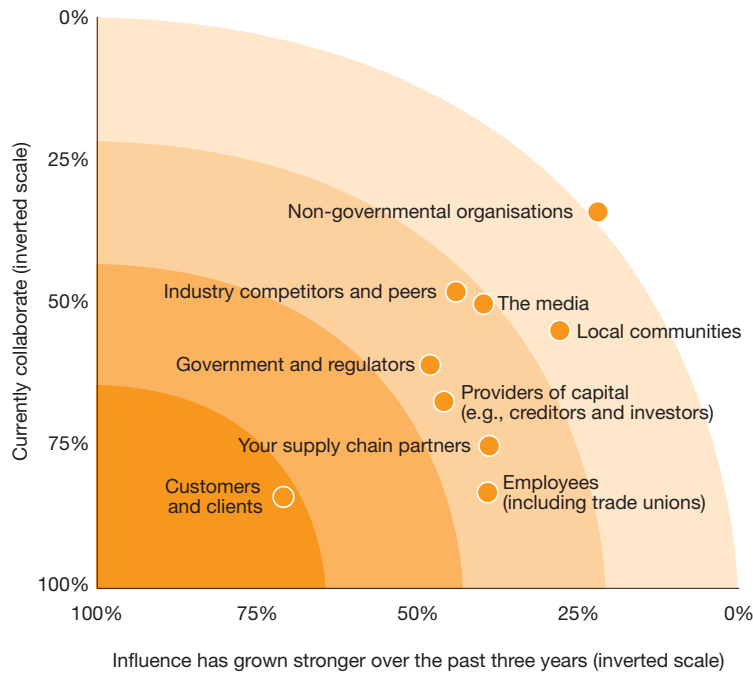
Q: How adequate is the information that you currently receive?
 Base: All respondents where information is important or critical by industry 6-49

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2 Shifting strategies: Better collaboration and broader information

3.2.1

Businesses collaborate with an array of stakeholders, whose influence is rising



Q: To what extent has the influence of stakeholders who influence your decisions about the success of your business in the future, changed in the past three years?

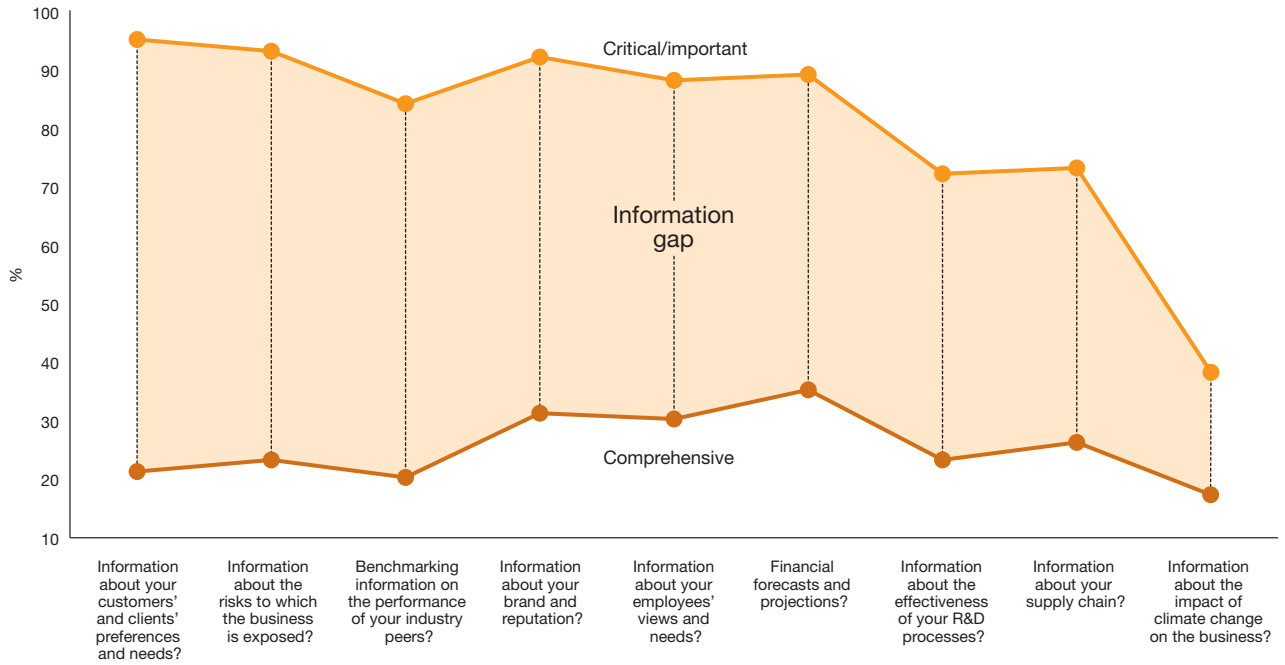
Do you currently collaborate or plan to collaborate with the following stakeholders?

Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.2

A huge gap in information about all critical drivers of business



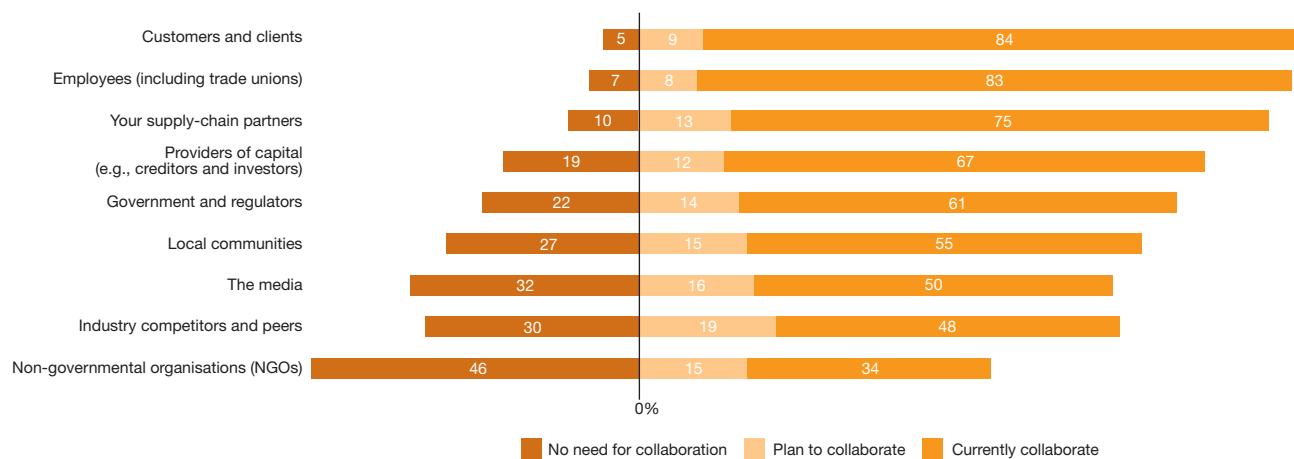
Q: How important are the following in terms of the information that you personally use to make decisions about the long-term success and durability of your business?
 Information about the risks to which the business is expected.
 Base: All respondents 1,124

Q: How adequate is the information that you currently receive?
 Base: All respondents where information is important or critical 427-1,064

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.3

Companies are already collaborating with major stakeholders



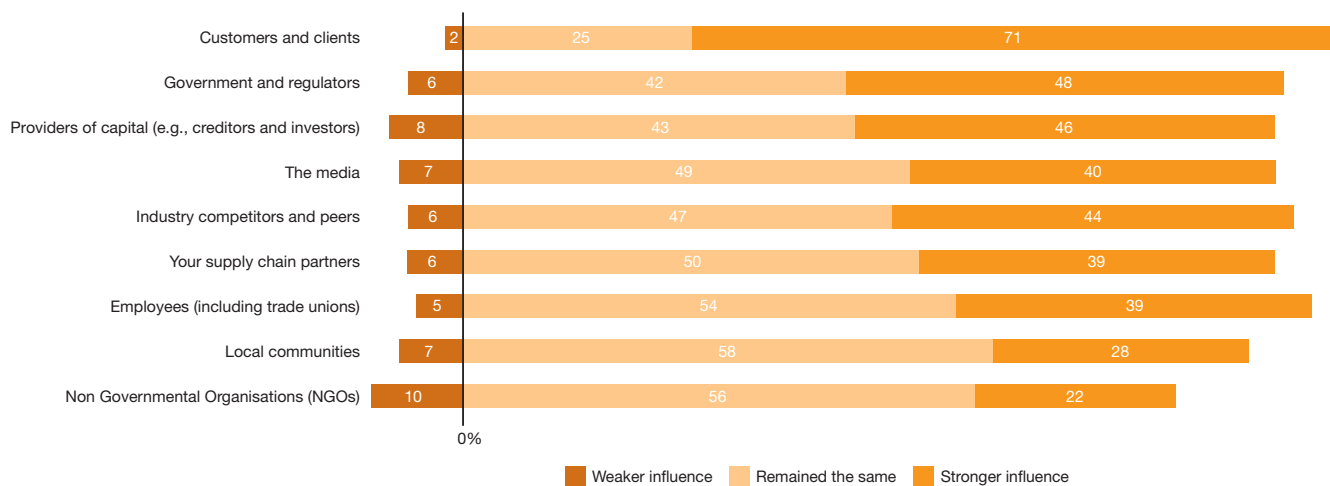
Q: Do you currently collaborate or plan to collaborate with the following stakeholders?

Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.4

The influence of NGOs is growing least



Q: To what extent has the influence of stakeholders who influence your decisions about the success of your business in the future, changed in the past three years?

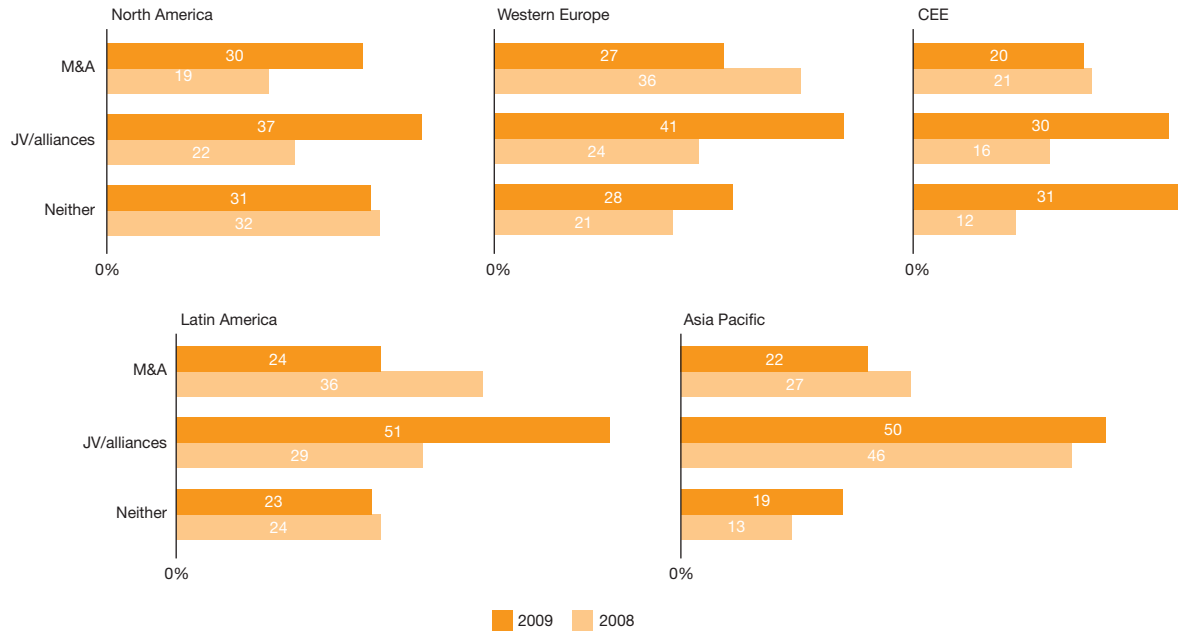
Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.1 JVs overtake M&A

3.2.1.1

JVs overtake M&A as a growth strategy across all regions



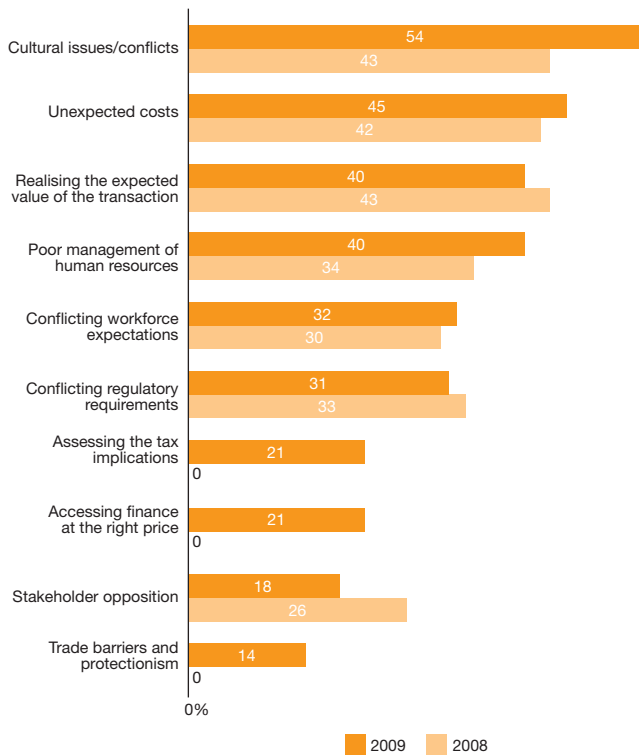
Q: Over the next 3 years, will cross-border mergers & acquisitions or joint ventures & strategic alliances play a greater role in the growth of your business?
 Base: 2009: All respondents 80-420; 2008: 86-454

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Note: 2009 data are based on interviews conducted in the last quarter of 2008.

3.2.1.2

Cultural issues remain the biggest challenge to M&A



Q: Given your previous experiences of merger and acquisitions transactions, what are the biggest challenges you have encountered, if any?

Base: All those who have completed cross-border M&A at Q6a 2009: 228

Q: What obstacles do you anticipate encountering from this merger and/or acquisitions?

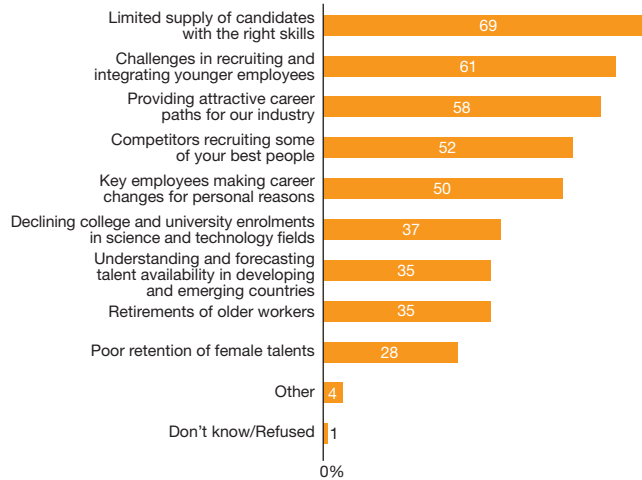
Base: All respondents who plan to complete a cross-border M&A 2008: 355

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.2 Balancing talent retention and cost reduction

3.2.2.1

The talent shortage remains the top concern

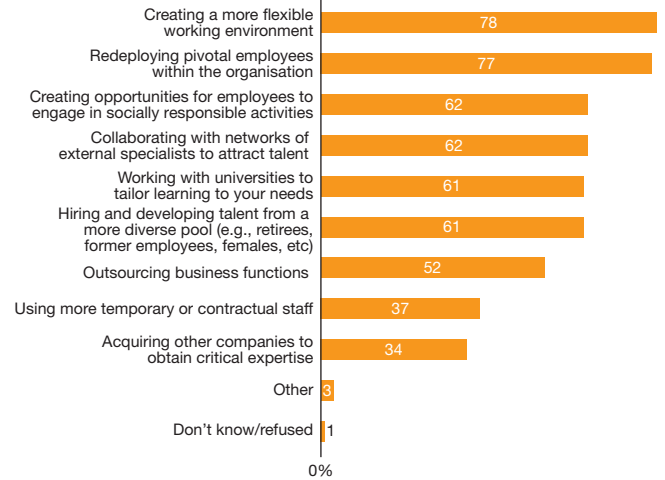


Q: Considering the talent required for the success of your business, what are the key challenges you face?
 Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.2.2

To retain talent, companies increase workplace flexibility and redeploy workers

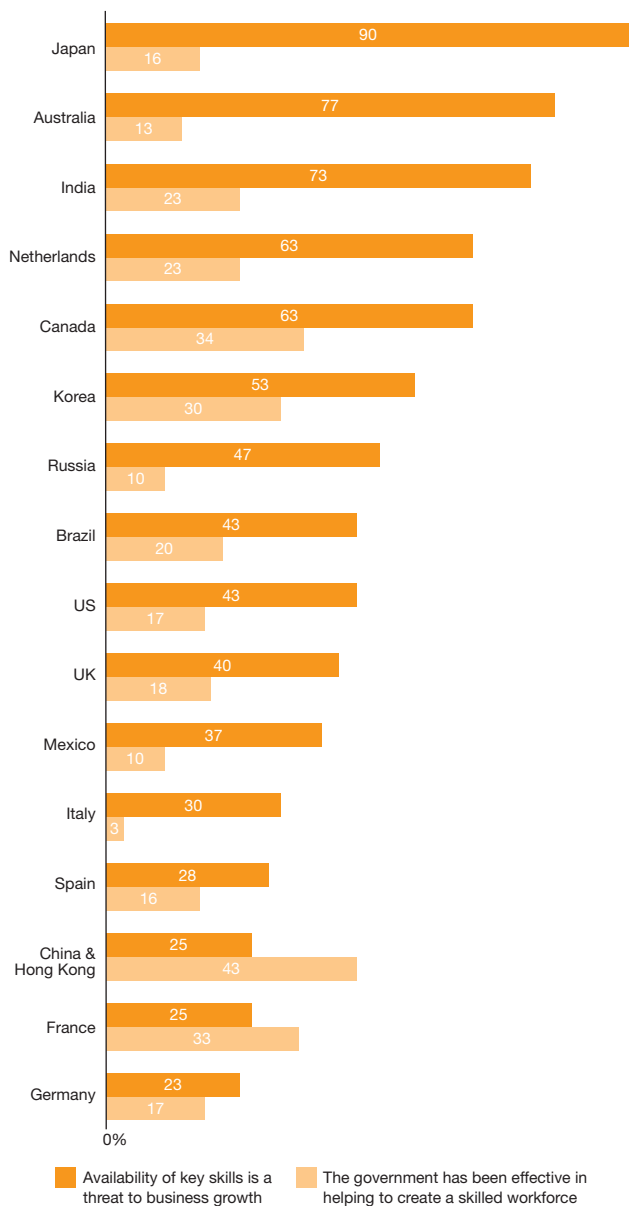


Q: In order to ensure the long-term success and durability of your business, does your strategy regarding your people include any of the following measures?
 Base: All respondents 1,124

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.2.3

Most governments receive low marks for workforce development



Q: How concerned are you about the following threats in relation to your business growth prospects? % somewhat/extremely concerned

Q: To what extent do you agree or disagree with the following statements regarding the role of the Government in the country in which you operate? % agree or strongly agree
Base: All respondents 30-97

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.2.4

Millennials value training more than flexibility

	1st choice	2nd choice	3rd choice
All respondents	Training and development (53%)	Cash bonuses (41%)	Flexible working hours (41%)
Asia	Training and development (64%)	Financial assistance with housing (46%)	Cash bonuses (39%)
Australasia and Pacific Islands	Training and development (58%)	Flexible working hours (45%)	Cash bonuses (42%)
Central and Eastern Europe	Training and development (61%)	Cash bonuses (40%)	Flexible working hours (32%)
Western Europe	Training and development (57%)	Flexible working hours (38%)	Cash bonuses (36%)
Middle East and Africa	Flexible working hours (55%)	Training and development (46%)	Cash bonuses (42%)
North America and the Caribbean	Flexible working hours (53%)	Cash bonuses (43%)	Free private healthcare (38%)
South and Central America	Training and development (73%)	Cash bonuses (45%)	Flexible working hours (41%)

Q: Please select the benefits you would value most over the next 5 years other than salary?

Base: 3,953 global respondents

Source: PricewaterhouseCoopers Global Graduate Survey 2008

3.2.2.5

Talent strategies by sector

	Global	Banking & capital markets	Insurance	Entertainment and media	Technology	Hospitality & leisure	Info/communications	Automotive	Chemicals	Construction & civil engineering	Consumer goods	Energy (including oil and gas)	Industrial manufacturing	Metals (primary)	Pharmaceuticals	Retail & distributive wholesale	Transportation and logistics	Utilities	Business & professional services
Creating a more flexible working environment	78%	82%	87%	73%	84%	83%	87%	74%	71%	71%	79%	71%	74%	64%	87%	80%	70%	85%	87%
Redeploying pivotal employees within the organisation	77%	81%	77%	77%	69%	79%	77%	89%	67%	81%	75%	86%	72%	64%	87%	81%	76%	73%	61%
Creating opportunities for employees to engage in socially responsible activities	62%	72%	74%	69%	55%	59%	73%	58%	52%	56%	65%	60%	51%	52%	64%	69%	55%	59%	74%
Collaborating with networks of external specialists to attract talent	62%	69%	67%	77%	61%	55%	67%	69%	56%	61%	62%	60%	61%	52%	81%	50%	52%	63%	66%
Working with universities to tailor learning to your needs	61%	62%	46%	58%	61%	52%	77%	79%	56%	59%	61%	49%	66%	72%	53%	53%	55%	71%	55%
Hiring and developing talent from a more diverse pool (e.g., retirees, former employees, females etc)	61%	60%	67%	69%	61%	59%	60%	68%	46%	50%	59%	54%	55%	56%	79%	63%	58%	63%	76%
Outsourcing business functions	52%	60%	64%	58%	61%	45%	63%	52%	42%	51%	53%	46%	37%	40%	64%	52%	40%	54%	50%
Acquiring other companies to obtain critical expertise	34%	41%	33%	46%	37%	28%	40%	27%	29%	41%	29%	29%	37%	28%	47%	30%	22%	29%	53%
Using more temporary or contractual staff	37%	41%	44%	69%	43%	34%	33%	39%	27%	33%	41%	26%	27%	40%	38%	28%	43%	39%	45%
Base	1,124	68	39	26	51	29	30	62	48	80	130	35	109	25	47	64	67	41	38

■ Highest percentages in each sector

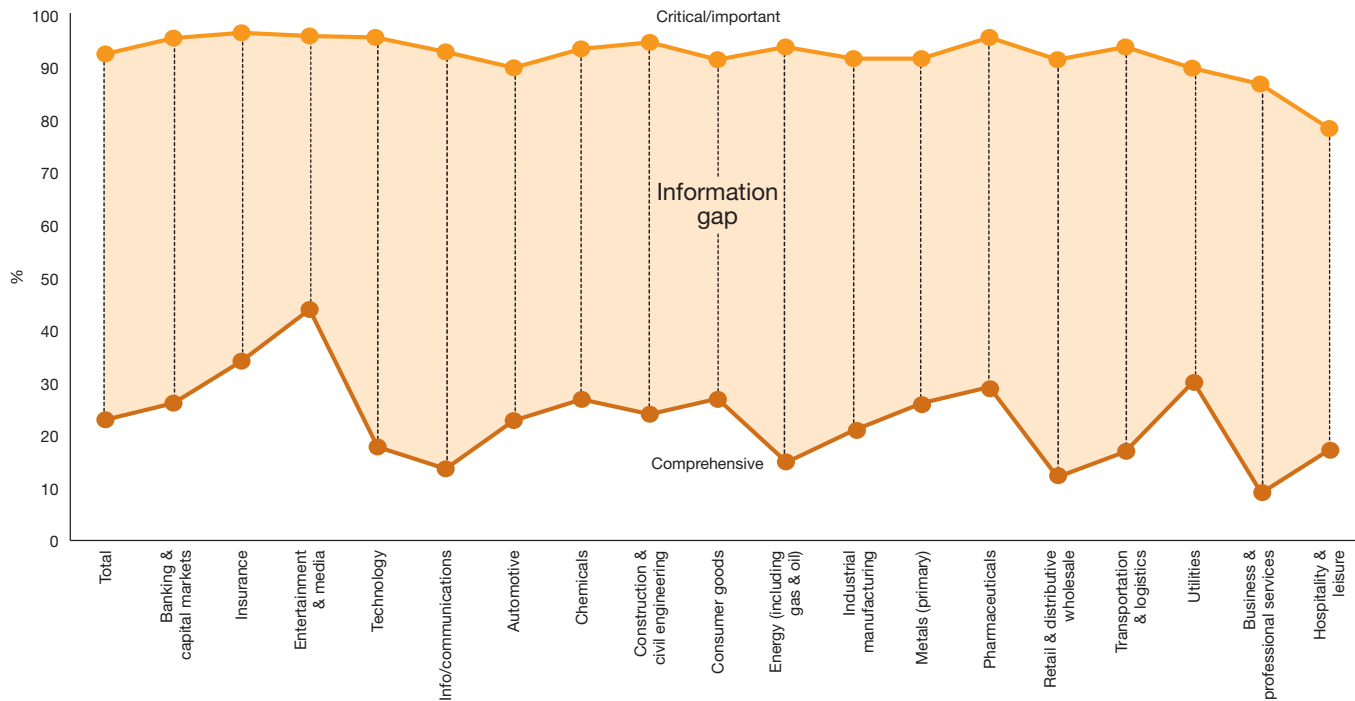
Q: In order to ensure the long term success and durability of your business, does your strategy regarding your people include...?

Base: 25-130

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.3 Mitigating risks collaboratively

3.2.3.1
All industries see a wide gap in risk information



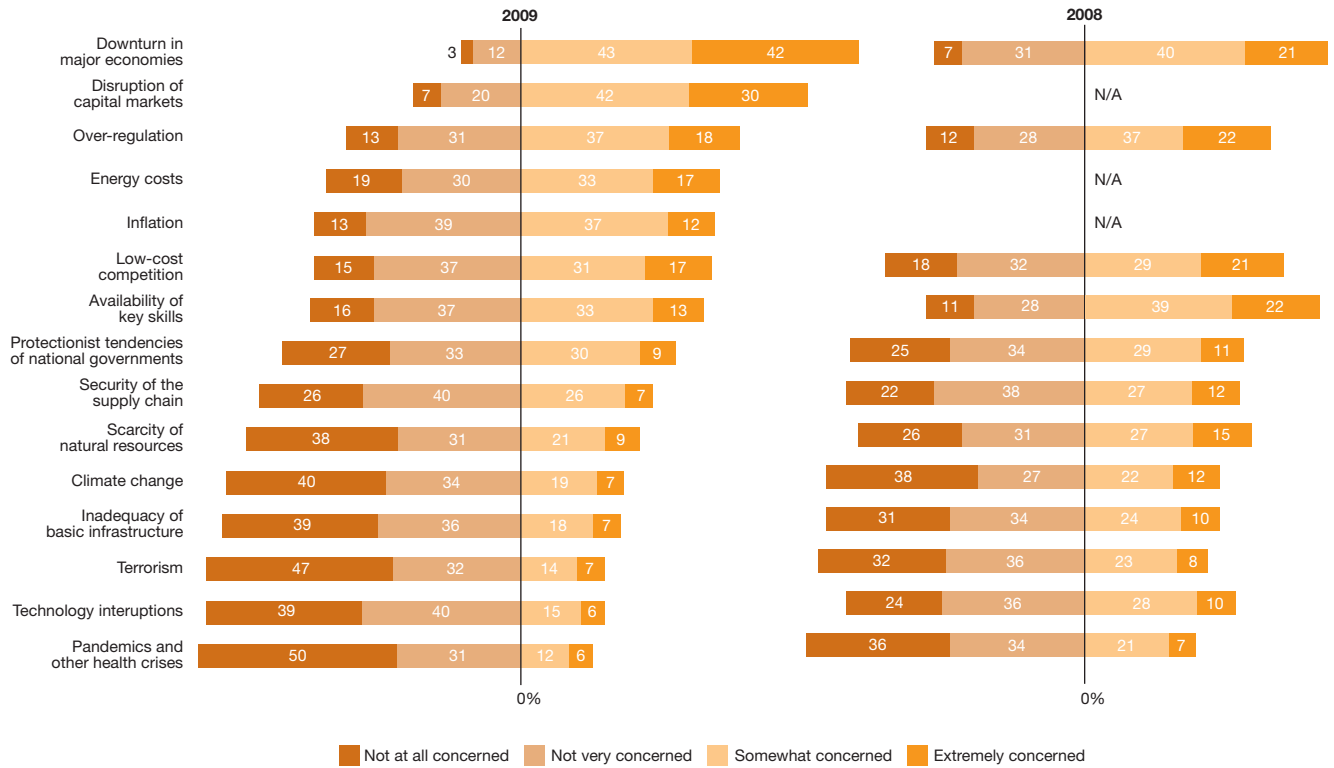
Q: How important are the following in terms of the information that you personally use to make decisions about the long-term success and durability of your business?
Information about the risks to which the business is exposed.
Base: All respondents by industry 25-130

Q: How adequate is the information that you currently receive?
Base: All respondents where information is important or critical by industry 23-119

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

3.2.3.2

Immediate threats drive CEOs' priorities



Q: How concerned are you about the following threats in relation to your business growth prospects?
 Base: All respondents 2009: 1,124; 2008: 1,150

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

Note: 2009 data are based on interviews conducted in the last quarter of 2008.

3.2.3.3
Threats to business growth by country

	Global	US	Canada	Mexico	UK	France	Germany	Netherlands	Italy	Spain	Russia	Brazil	China & Hong Kong	Japan	India	Australia	Korea
Downturn in major economies	85	87	83	97	80	83	77	67	95	91	80	83	89	94	80	87	97
Disruption of capital markets	72	76	54	67	83	55	62	80	75	84	63	70	67	91	70	77	87
Over-regulation	55	64	51	50	48	53	57	53	43	41	43	50	43	81	70	53	57
Energy costs	50	50	39	53	43	18	45	37	50	47	33	40	52	88	80	43	73
Inflation	49	38	42	47	32	25	26	20	30	31	43	40	62	78	70	57	80
Low-cost competition	48	37	39	57	35	40	42	23	58	53	27	47	49	97	50	23	83
Availability of key skills	46	43	63	37	40	25	23	63	30	28	47	43	25	90	73	77	53
Protectionist tendencies of national governments	39	39	32	33	22	30	36	27	33	47	43	10	37	63	47	23	37
Security of the supply chain	33	26	15	40	18	15	21	33	20	25	23	23	37	78	37	13	57
Scarcity of natural resources	30	24	20	23	13	18	17	23	10	25	7	17	44	87	53	23	53
Climate change	26	13	20	27	27	8	19	17	15	19	13	23	24	54	27	27	33
Inadequacy of basic infrastructure	25	16	12	23	15	8	9	17	18	13	40	43	35	52	60	27	10
Terrorism	21	26	15	33	17	18	11	17	10	13	13	3	10	56	57	7	13
Technology interruptions	21	10	22	20	8	10	2	7	8	13	13	7	29	84	37	7	27
Pandemics and other health crises	18	13	12	3	17	18	9	17	5	6	13	7	19	71	33	10	10

 Highest percentages in each region

Q: How concerned are you about the following threats in relation to your business growth prospects?

Base: All respondents stating somewhat/extremely concerned 30-97

Source: PricewaterhouseCoopers 12th Annual Global CEO Survey 2009

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Meeting the challenge of the current financial crisis*

Managing risks and capitalising on opportunities

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The heart of the matter

Maintaining your balance on shifting sands

The world has changed – and changed abruptly. The global economy was stable and benign for some years, with strong growth, low inflation, favourable interest rates, easy liquidity and positive consumer sentiment. But the current credit crisis has shaken the financial markets, undermined the confidence of consumers and investors, and caused enormous financial damage everywhere.

The banking sector alone has incurred more than \$500 billion in losses and asset write downs since the crisis began in July 2007. A number of stalwarts on the financial services scene have also gone bankrupt, been taken over or been forced to seek government bailouts. These events have raised serious concerns about other financial institutions and exacerbated fears about the stability of the financial markets in general.

Most top executives in other sectors are now trying to assess the impact of the credit crisis on their own companies' financing capabilities and overall business performance, as the banks cut back on their existing lines of credit and tighten the terms on which they issue new loans, in a bid to reduce their liquidity risks. These changes have brought lending to a sudden halt and sent the cost of borrowing soaring.

There is an old maxim in the corporate finance world: "The best time to borrow money is when you don't need it." However, given the current market conditions, many companies may find that it is already too late to obtain significant external funding. If they are to survive, they will have to take stock of their liquidity sources and assess alternative ways to satisfy their liquidity needs.

Conversely, for those fortunate enough to have ready access to cash and strong balance sheets, the crisis could be an opportunity. They may, for example, be able to acquire vulnerable competitors or snap up highly qualified employees from organisations that can no longer afford to retain them.

In either case, it is essential to act immediately. We have identified seven key steps that will help you position your company to navigate rough waters and emerge successful.

An in depth-discussion

Seven key steps to weather the storm

Forty percent of respondents in the 2008 Association of Financial Professionals Short-Term Credit Access Survey said that their organisations had less access to credit at the end of September 2008 than at the start of the month, while 62% said that their companies have taken at least one action as a direct result of the short-term decline in credit access. Sixty-one percent also expect to reduce their capital spending, should short-term credit access not improve by early 2009.

Clearly, from a macro-economic standpoint, the credit crisis is now affecting the general economy, with consumer demand in many developed countries already in decline. Together with continued volatility in energy prices, rising unemployment and a dramatic slowdown in the housing market, this is expected to reduce economic growth for the next few quarters. PwC Economics have downgraded their forecast for Real Global GDP growth to 2.4% for 2008 and 1.0% for 2009, with downward pressure coming from the forecasts of negative growth in all major developed countries in 2009.¹

The automotive, industrial products and retailing sectors were the first to suffer. Now, however, companies in other industries are starting to feel the pain. So, what can you do to rise to the challenge? There are seven steps you can take to identify and manage risk, in order to survive the current crisis and compete effectively in future.

All these steps deserve your full attention, but they address different issues. The steps that relate to the financial crisis – those to do with cash forecasting, funding sources, liquidity and working capital – are designed to meet critical short-term problems. Focusing on working capital, for example, is one quick way in which companies can squeeze cash out of their balance sheets, thereby increasing their liquidity in the short term.

The steps that relate to the economic slowdown – those to do with cost reduction, capital management and credit exposure – are important both in the short and the longer term. The challenges arising during an economic slowdown are not merely financial. They go straight to decisions about divestitures and spin-offs (minimising business disruption, stemming losses and managing compliance), business-model simplification (organisational restructuring or redeployment of resources) and consolidation (being on the offensive and guarding against unwanted bidders).

Talent is another critical factor in any economic slowdown. It is essential both to keep the employees who are essential to customer relationships, job know-how and intellectual capital and to recruit good people when they become available. Addressing liquidity without tending to your talent is akin to having fuel without a vehicle in which to put it.

¹ 'Economic Views,' Global Outlook: Credit Crisis Focus, November 2008, economics.pwc.com

1. Develop and maintain a robust financial forecast

Sound financial management is predicated on the availability of timely, accurate cash-forecasting information. The best companies get a clear picture of where they are heading, and monitor their forecast earnings and cash flows very closely. They also rationalise and reconcile different forecasts across various time horizons (the short-, medium- and long-term) and functional areas such as Treasury, Financial Planning & Analysis, Controllers and Tax. Lastly, they measure and report on the accuracy of their forecasts, and use this information to keep refining their forecasts.

The potential consequences of failing to produce accurate and timely forecasts are clear. They include liquidity problems, restricted or costly access to capital, earnings volatility and lower returns. Indeed, in the current economic environment, weak forecasting can even result in debt covenant violations. These will, at the very least, drive up a company's financing costs. At worst, they may trigger demands for accelerated repayment of the principal, thereby driving the company into insolvency.

In a period of recession such as the one we are facing, the effects can be pronounced. To avoid falling victim to these consequences – and to realise significant benefits such as a clearer understanding of your company's cash needs and enhanced decision making, efficiency and control – it makes sense to include regular, robust, and integrated forecasting processes in your business strategy.

Ask yourself this: How will the financial crisis affect our current business strategy, and how can we adjust our strategy to achieve a better outcome? How can we effectively communicate with our stakeholders that cash is king?

2. Identify key forecast risks and develop appropriate responses

It is imperative to understand the risks that may influence a company's performance, as well as their potential impact on its forecast earnings and cash flows. Once these risks have been identified, together with the effect they may have on forecast variation, it is possible to take proactive steps to manage them.

For instance, if your company is exposed to energy-price fluctuations – through direct consumption of fuel or the purchase of energy-based commodities – you should consider using hedging programmes or fixed-price procurement arrangements. Similarly, if it is exposed to foreign-exchange risks, as a result of greater volatility in the foreign currency markets, you should ensure that you have a detailed understanding of your risk profile and the impact of that risk profile on your business decisions and key performance indicators.

A financial forecasting discipline is essential, but it is also important to use forecasting processes to manage your human resources. You should identify which areas of the business make the most significant contribution and are most efficient, and tailor any reductions in the workforce to the future needs of the company, rather than adopting a “one-size-fits-all” approach.

3. Ensure adequate sources of liquidity

Using its forecast as a baseline, every company should ensure that it has access to sufficient sources of liquidity to finance its operations through a downturn. The “cheapest” and most flexible source of liquidity is cash. You may therefore want to consider repatriating cash from subsidiaries in other countries in a tax-efficient manner. Additional sources of liquidity include bank lines of credit, commercial paper programmes and securitisation or other forms of asset-based lending.

Term debt and equity are also excellent sources of liquidity, since they do not require frequent refinancing. However, it usually takes longer and costs more to raise funds in these ways – which is, perhaps, why they are perceived as being suitable primarily to “pre-fund” liquidity needs. Moreover, the current credit crisis may make it difficult to access any external financing sources, even those that may formerly have seemed secure, such as “committed” credit lines.

You should pay special attention to excess cash-investment portfolios. Many companies are still recovering from the auction-rate securities debacle, and there are now warning signs that other investments, previously considered safe, are also in jeopardy. One large US money market fund recently announced, for example, that its net asset value had fallen below the price investors paid for its shares and that it would delay paying redemptions to its customers. This raises questions about how well companies can access their investment portfolios, when necessary. Given that money market funds are major buyers of short-term debt issued by corporations and financial institutions, it also threatens to make the credit crisis even worse.

Deciding which financing and liquidity sources to access, and when, is should be part of an integrated financing strategy that includes your company’s optimal capital structure, overall financing cost, exposure to interest rates and liquidity risk. Many firms are now beginning to broaden their approach, and adding “non-traditional” sources such as private equity firms, sovereign wealth funds and hedge funds to the mix.

The key goal is to ensure that you have sufficiently diversified financing sources and banking relationships to deal adequately with dislocations in certain market segments. So, if your company pays dividends or has a significant share repurchase programme, it might be a good idea to think about scaling back any payouts to preserve your liquidity. You should also consider the risks associated with the financial viability of your suppliers.

In short, every company should be rigorously reviewing the upside/ downside scenarios and assessing what it should do, if its forecasts prove wrong. Only then will it be sufficiently agile and flexible to deal with the volatility in the financial markets and the general marketplace.

4. Drive efficiency in working capital processes

By far, the best source of liquidity and the cheapest financing stems from reducing the need to finance working capital. Small changes in Days-Working-Capital outstanding can have a dramatic impact on your cash-flow generation, while improvements to receivables, payables and inventory processes typically result in lower operating costs as well as improved forecasting accuracy. You can also generate additional cash flow by engaging in a comprehensive review of your global cash tax position and related minimisation options.

With regard to receivables balances, it is important to take a closer look at your credit limits and pursue collections more aggressively. That said, the desire to limit your credit exposure and drive cash collection should be balanced against other corporate objectives, such as customer relationship management and sales growth.

Likewise, on the inventory side, many companies want to reduce inventory levels in their supply chains, particularly given the high cost of energy consumed in moving and storing goods. However, you should always balance the desire to minimise inventory with the desire to mitigate the risk of supply-chain disruptions. Similarly, you should balance the desirability of asking for extended payment terms from your suppliers against the long-term cost of damaged relationships and a weakened supply base.

The concept of liquidity also extends to the people side of the equation. In tough economic times, it is important to assess the feasibility of renegotiating terms with independent contractors and consultants, deferring hiring dates, accelerating retirements, reducing international assignments, eliminating management tiers, adjusting critical staffing ratios and eliminating role redundancy.

5. Aggressively manage costs

Cost containment has long been a reliable tool for improving financial performance. In recent years, improvements in centralised procurement, and better use of technology and business process outsourcing, have all helped companies to cut their costs dramatically. Many large, industrial organisations have also managed to reduce their costs by changing the benefits they offer. Now, a growing number of firms are trying to leverage their existing systems more effectively, rather than investing in new systems, by standardising their technological infrastructure.

There are other cost-containment measures you can take in the human capital realm, in addition to those we have already mentioned. They include using distance or computer-based training and electronic processes to acculturate new employees, outsourcing to third parties and moving to a shorter working week.

Ask yourself this: How can we significantly lower our cost structure on a permanent basis so that, when things start to get better, we will be at an advantage?

6. Exercise discipline in capital investments

After years of trying to work off the effects of overcapacity, companies in many industries are beginning once again to invest heavily in maintenance, capacity expansion, new product development, technology upgrades and new market entry. If your company fits into this category, it is essential to ensure that you have a rigorous process in place for determining your overall capital spending, allocating it among business lines, evaluating individual projects and monitor the efficiency of your capital expenditure.

While many companies are good at evaluating different projects, they do not have integrated capital allocation and budgeting processes, so the overall effectiveness of their capital expenditure is reduced. It is particularly important during the current turmoil that such companies should review their existing capital plans to identify – and consider delaying or abandoning – any investments that may no longer be capable of delivering the returns they want.

If your company is in a position to complete mergers and acquisitions, you should also recognise that it will be unable to reap the full benefits, unless you create a business model that investors and employees alike can understand. Other critical success factors include focusing on effective cross-selling and increasing market share, weeding out any cultural misfits and retaining key employees. It is important to concentrate on what really matters, rather than taking a scattergun approach.

Ask yourself this: What unexpected growth opportunities are now available, and how can we take advantage of them?

7. Assess and monitor credit exposures throughout the value chain

The steps we have outlined so far deal with how you can manage the risks associated with reduced access to liquidity. However, the credit crisis has also increased the credit exposure of some organisations, through normal commercial transactions and financial counterparties. Many companies have therefore begun to reduce the credit they offer customers, to require additional collateral and to step up their debt-monitoring and debt-collection efforts. They have likewise begun to monitor the credit quality of derivative counterparties, insurance carriers and other financial partners more closely, thereby reducing their exposure and diversifying their banking relationships.

In addition to taking such precautions, you should evaluate your supply chain – including the suppliers that provide you with vital financial services like insurance. When crises occur, enormous stress is placed on insurers from an escalating number of claimants. So it is important to consider not just the level of risk you have transferred, but also to which insurers you have transferred that risk – and ensure that they are reputable, financially viable counterparties with a solid reputation for managing their own risks.

The financial profile of an insurer is not all that matters; so do the methods and processes it uses to manage enterprise risk. One good way of getting information about this is to review Standard and Poor's credit rating assessment of insurers, which includes separate ratings and commentary on the enterprise risk management processes of individual insurers. Coverage is only meaningful if it is provided by an insurer that will pay claims.

With so many high-profile supply chain disruptions of late, many companies are also investing more resources in evaluating the reliability of the links in their industry value chains. They are taking corrective action, where necessary, such as providing financial assistance to vendors, holding excess inventory and seeking alternative sources of supply, among other strategies.

Ask yourself this: How can we help our customers?

A financial crisis need not be all doom and gloom

Yes, there are risks to manage and challenges to surmount. But crises can also provide a chance to deal with structural issues that were previously too difficult to confront. They can, for example, unite stakeholders in confronting the problems necessary to enhance competitiveness, including undertaking large restructurings.

As credit continues to tighten across many industries, we expect to see well-capitalised companies take advantage of rare opportunities to address their strategic objectives by acquiring or merging with other organisations. This is already happening in the financial services and utility sectors, where the stronger players are beginning to subsume weaker ones, and we anticipate that other sectors will also consolidate, as the leading players “dust off” their lists of strategically attractive assets.

What this means for your business

Managing risks, avoiding pitfalls and capitalising on opportunities

Clearly, the current market conditions are threatening the financing capabilities of companies like yours. As the financial crisis ripples through the global economy, we anticipate that it will begin to have a negative impact on overall business performance. This is no time for complacency.

If your company is already in a crisis or expects to face difficult times ahead, your focus should be on generating cash – by safeguarding your existing assets, reducing your costs and selling assets – in an effort to stabilise the organisation. But if your company is in a strong financial position, then you should be keeping an eye on the horizon for potential opportunities. Despite the current turmoil, this could well be a good time to address structural issues within your company, or to execute the strategic transaction you have long been considering – and do so on very favourable terms.

Many companies are also seizing the chance to change remuneration systems that reward short-term results and encourage inappropriate risk taking. If you need to alter your compensation programme, you should place more emphasis on consolidated results, revisit “leading” versus “lagging” performance measures and ensure that your management information and reporting systems are integrated. You should also ensure that you have a well-crafted communications strategy that covers all your stakeholders, including your employees, customers, suppliers, shareholders and the media.

What should you be considering?

Ask yourselves these leading questions:

- Do we have timely, accurate cash-forecasting information? If so, can we reconcile our short-, medium- and long-term forecasts?
- Do we understand the performance variance drivers that can lead to forecast risks?
- Do we have access to sufficient sources of liquidity?
- Have we maximised the efficiency of our working capital?
- Do we understand our cost drivers, and do we have sound links between our operating plans, financial plans and budgets?
- Can we identify investments that may no longer be meeting our financial objectives?
- Have we analysed our credit exposure through commercial transactions, financial counterparties and supply-chain partners?
- Do we have the right strategy in place to attract and retain the talent we need – not just to survive today's downturn, but also to win in the marketplace of tomorrow?

If this sounds complex, that's because it is. The leading companies often turn to specialists for guidance in analysing where their organisations are now and how best to get where they want to go.

In considering alternative future scenarios and how to respond, you should pay close attention to the opportunities for managing your company's liquidity in various ways – particularly those associated with asset purchases and sales, financing transactions, cross-border cash movements and organisational restructuring. You should also consider the tax implications.

Given the potential impact of the economic downturn on your company's financial performance and business plans, it is important to involve your board of directors as early and deeply as possible in making decisions about how the company should respond to any emerging risks and opportunities. You should be prepared for the board to challenge your forecasts and assumptions. And you should ensure that there's a robust process in place to keep the directors informed on a timely basis – especially if the company's situation should rapidly change.

One more thought: If yours is one of the companies where the effects of the credit crisis are particularly acute – such as those in low-margin, cyclical businesses and those that are highly leveraged – it is vital to focus on the longer-term viability of the enterprise. In certain instances, large-scale restructuring, renegotiation of debt agreements or even reorganisation or liquidation under bankruptcy protection may be your only viable alternatives.

So, just to recap: The time to deal with the critical short-term risks of liquidity and finance and prepare for a possible extended economic downturn is now:

- Develop and maintain a robust financial forecast
- Identify your most important risks and develop appropriate responses
- Ensure that you have adequate sources of liquidity
- Make your working capital processes as efficient as possible
- Manage your costs aggressively
- Exercise discipline when making capital investments; and
- Assess and monitor your credit exposures throughout the value chain

These seven steps are critical in managing the risks, avoiding the pitfalls and capitalising on the opportunities that emerge in periods of financial and economic turmoil. They will enable you to acquire a better understanding of your cash needs, improve your decision making and manage performance variables more efficiently. They will also enable you to increase your liquidity, reduce your credit exposure and financing costs, mitigate the risk of supply-chain disruptions, adopt a disciplined approach to capital investment and enhance your return on investment.

To have a deeper conversation about how this subject may affect your business, please contact;

For financing, budgeting, cash management and working capital:

David Knight
+44 (0)20 780 42469
david.knight@uk.pwc.com

For risk management:

Hans Borghouts
+31 (0)20 568 4314
hans.borghouts@nl.pwc.com

For cost reduction:

Mark Walton
+44 (0)20 780 46477
mark.walton@uk.pwc.com

For restructuring:

Peter Spratt
+44 (0)20 721 26032
peter.spratt@uk.pwc.com

For human capital:

Karen Vander Linde
+1 703 918 4823
karen.m.vanderlinde@us.pwc.com

or

Michael Rendell
+44 (0)20 721 3271
michael.g.rendell@uk.pwc.com

pwc.com/managingthroughthedownturn

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12th Annual Global CEO Survey

Redefining success

Excerpts from the In-depth CEO story

To download the full report, please visit: <http://www.pwc.com/ceosurvey>

~~Behind
closed
doors~~

Opening
up the
debate



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The website provides another medium for the CEOs we interviewed to tell their stories in depth.

Through an interactive compilation of video, quotes and transcripts, gain further insights on how CEOs are working through their difficult times, in their industries, countries or globally.

Compare your views to our CEO Survey sample using the online benchmarking tool.

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Introduction

This year's survey provides a unique glimpse of the thoughts of global CEOs as they dealt with a financial crisis of historic magnitude. Not surprisingly, we found that CEOs were making dramatic shifts in their operating and strategic approaches to short-term threats.

Yet, while many were fighting for their survival, they also took a distinctly long-term view of the global trends that are challenging economic, political and social structures around the world. Indeed, *Redefining success*, the PricewaterhouseCoopers 12th Annual Global CEO Survey, explores how CEOs are assuming responsibility for issues that were once considered outside the scope of any single business while managing the acute pressures of a financial crisis. The *Visual story* supplements the report with a closer look at the survey's quantitative data.

To understand further how the mindset of global corporate leaders is evolving, we interviewed 21 CEOs from five continents to put the survey numbers to the test. The interviews took place at a critical moment in time as the crisis unfolded, between early September and early December. Following are excerpts from those conversations which allow CEOs to describe how they are redefining success, in their own words. Some views converge, on the nature of the crisis, for example. Yet, by no means do they agree on everything.

The combination of the main paper *Redefining success*, and its supplements, the *Visual story* and the *In-depth CEO story* create a rich story. All the transcripts are available in full text online; some interviews are also available on video online (pwc.com/ceosurvey/indepth).

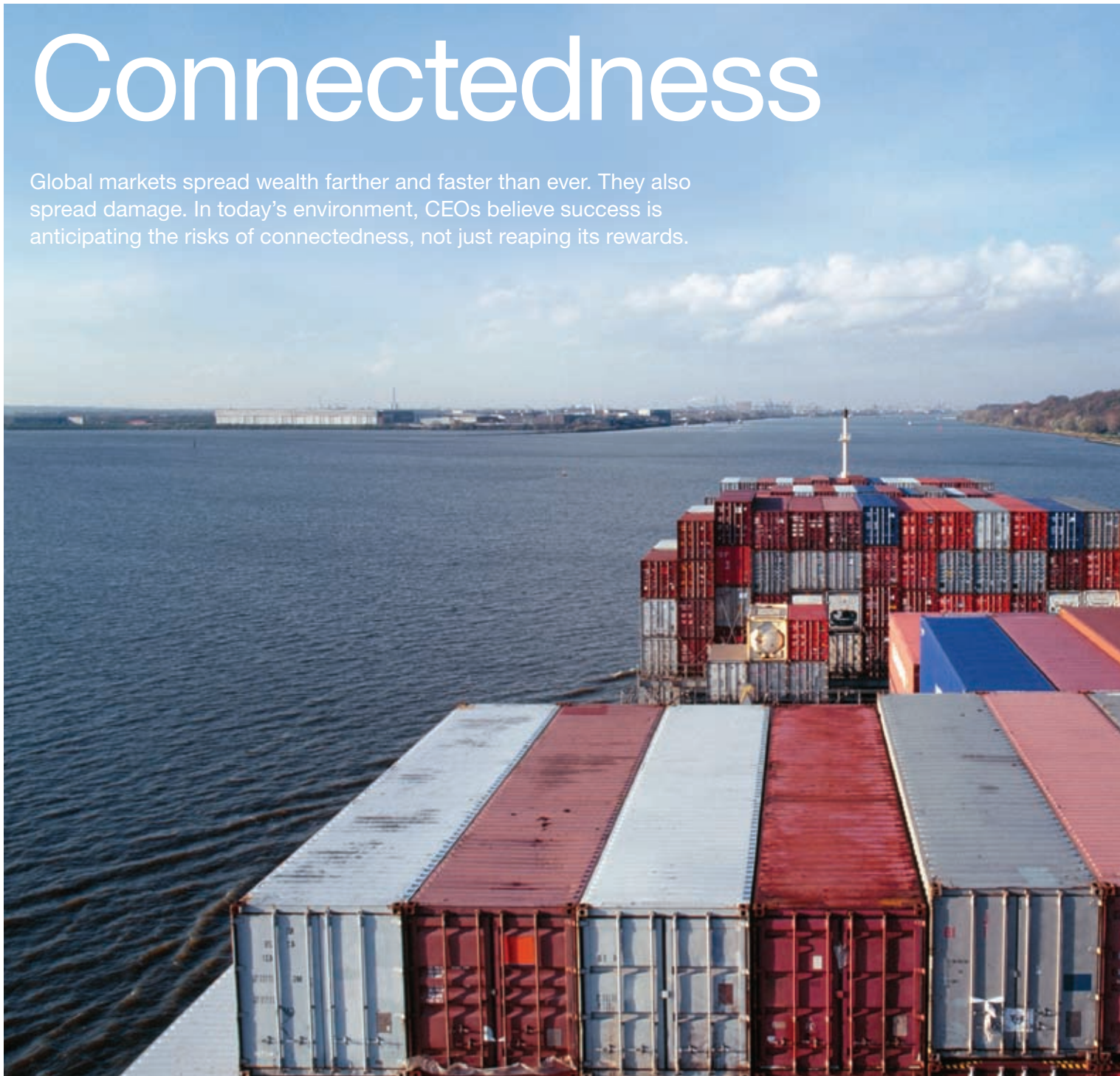
The untold story of this research is the willingness of all of our survey respondents, and particularly the CEOs we interviewed, to share their views on navigating difficult times. We are honoured that they would allocate time to us, during a period of great pressure in every economy. The payoff is worth it – and their insights are worth sharing with the world.

...I do hope this particular economic turmoil is going to help businesses and their investors get back to a more long-term orientation.

Dame Marjorie Scardino
CEO, Pearson, UK

Connectedness

Global markets spread wealth farther and faster than ever. They also spread damage. In today's environment, CEOs believe success is anticipating the risks of connectedness, not just reaping its rewards.



Section 1

An historic moment: One world united in crisis

The singularity of this historic moment is not lost on CEOs, who collectively recognise the unprecedented nature of the economic downturn – and the increased inter-connectedness among economies. The depth and potential duration of the financial crisis has altered CEOs' plans, shifting their goals from growth to survival.

The 12th Annual CEO Survey comes at an historic moment

‘I think this generation is living through global history. I think what is happening in 2008 will be talked about for decades. In the same way we read about the Great Depression of the 1930s, future generations will read about 2008. This is going to be studied and watched on a global basis. I think there is going to be a great responsibility on world leaders, business leaders, and leaders in society to make sure that this financial contagion is limited and controlled and that we are all able to ride through this tide.’

Mukesh Ambani
Chairman and Managing Director,
Reliance Industries Ltd, India

The global financial crisis will be deep and long

‘This crisis is going to play out for some time yet. The effects of the world de-leveraging – not only the banks, but the hedge funds and the private equity businesses – has not really been fully understood yet. And I think the consequences of it will certainly slow global growth. You know, we are likely to have ten times less credit available in the world than we had last year, and that is huge – that is a massive adjustment.’

Michael Smith
CEO, ANZ, Australia



‘I have the feeling – confirmed by what I hear from some specialists – that we are still in the eye of the storm and have no idea when it is going to end. Everyone thought that this would only last a year, followed by a neutral year, but today that possibility appears remote. We have to keep in mind now that the US financial crisis may be a long-term crisis – some say that it is similar to what happened in Japan in the 1990s, which was a crisis that lasted ten years. If that is the case, the repercussions indirectly affecting us will be quite difficult.’

José Antonio Aranda
Executive Vice President,
Grupo Clarín, Argentina

Chip Hornsby
Group Chief Executive,
Wolseley plc, UK

CEOs are in survival mode

‘We’ve had to go from being very growth-orientated to, in many ways, a survival mode, in which we continue to pay down a debt and work the balance sheet. At the same time, though, our strategy is the same. The intent is to grow our bottom line, earn faster than our top line, and to continue to improve our working capital, or maintain the levels that we were able to obtain while we were growing.’

Andrew Cosslett
CEO, InterContinental
Hotels Group, UK



‘The economic outlook is clearly uncertain. No-one can tell you where we’re going to be in two, three, or four months’ time. I think the government action we’ve seen around the world is very encouraging. We’ve never seen such a concerted approach to solving what is clearly a very deep and wide set of economic and financial issues. Clearly, we’re in for a challenge. As for our business, we are doing everything you would expect a business to do: tightening its belt and making sure that we make sensible tactical decisions – but without losing sight of our long-term strategy. That’s the important point.’

Collaboration

Distinctions among competitors, suppliers, customers and employees are blurring. This fuels growth and innovation. It also creates new risks. In today's environment, CEOs believe that success does not just require more collaboration, but the right kind.



Section 2

The search for global solutions

CEOs believe that a unique window of time is now open. Governments and businesses have an opportunity to coordinate globally, particularly in banking and capital markets, to address global crises.

‘In the financial sector, it was as if the financial institutions were driving a car without speed limits. They assumed that the markets would spread risks so that everyone would be adequately protected. I think the challenge before the world is not just to formulate good regulations, but also to create what I call the “next practices” in terms of enforcing regulation. And because the business world is interconnected, perhaps we need a completely new enforcement model operating at a global level whereby we ensure the accountability of all market participants, everywhere.’

Mukesh Ambani
Chairman and Managing Director,
Reliance Industries Ltd, India

‘And whilst the macro-economic situation is unfortunate, this will be an opportunity to re-stabilise the system and re-balance the way the banking community works. It might force the public to save more than they’ve ever done before, and be more prudent than they’ve been before. From a corporate perspective, when things are tight and tough, you’re much more cost and cash flow conscious. Right now, we’re looking at every single contract that is still negotiable. There’s a lot of spare capacity out there among our suppliers, and not a lot of people using it, an opportunity to work with our vendors to create new solutions. We will get through this downturn. It is a wake-up call for business – it’s sad that so many innocent people have to get hurt in the process.’

Robert Willett
CEO, Best Buy International
and Enterprise CIO, US

‘While governments – or central banks – have an important role to play in setting monetary policy, their policies cannot always manage with external events. Controlling exchange rates, then, is one of the largest challenges we face. And, of course, there is a collapse of the banking system – the problem of how to make payments if you don’t have banks. We also run the risk at the moment that there will be a demand for more protectionism, and the world economy will be less competitive as a result. Fortunately, everybody seems to understand that the global banking system needs some kind of global monitoring and control by regulators. Up until this time, oversight has been strictly on a country-by-country basis. But now it looks as if the European Union and the US have realised that there needs to be a more global approach to controls and risk management. That would definitely help the stability of the world’s banking system.’

Jorma Eloranta
President and CEO,
Metso Corporation,
Finland

2.1 Government action: More of the right kind

CEOs believe governments must take decisive action not only to resuscitate economies but also to prevent future crises. Yet CEOs remain concerned that too much regulation will threaten the growth of their businesses.

There is a clear need for more regulation and government involvement – provided it is measured and targeted

Michael Smith
CEO, ANZ, Australia



‘Government should provide the environment in which markets can operate effectively. You generally find that markets are quite efficient, and they become inefficient when they succumb to outside pressures. This financial crisis is a case in point. The US government encouraged organisations to lend to people who had not been able to borrow before, and that was a critical catalyst in the creation of this crisis. On the back of that, the Freddy Mac/Fannie Mae issues just exacerbated the problem. So, I think government has to be extremely careful about getting too directly involved in the markets.’

Mukesh Ambani
Chairman and Managing Director,
Reliance Industries Ltd, India

‘I do feel that the government has a very important role to play as a facilitator and a regulator. Governments are like referees. The referee has to be neutral and enforce the rules for everybody without fear or favour. And they have to be loyal only to the citizens. I think that’s very vital for India and for sectors like energy, where both the private and the public sector operate. Occasionally we have had the referee telling us how to play the game or, worse still, favouring one player over another. Now that’s what I call misuse of power. Also, for all emerging economies, it’s important that governments stick to their word. As the world goes through de-leveraging, capital will not be easy to come by. If India has to seek investment from any country it must stick to its word and fulfil its obligations. It should make promises carefully. But once it promises, it should not go back on its word.’

Michael Mack
CEO, Syngenta,
Switzerland



‘We recognise the importance of good regulation in order to have safe products that can be part of the whole food chain. One only has to look at the contaminated milk products in China to appreciate the importance of good regulation. But when it comes to regulation, I think the key factor has to do with intent. Is the intent of governments to apportion blame? Or is the intent of governments to try to fix problems? If it is the latter, than I think regulation is a really good thing. If it’s the first, then I think it is backward looking and it’s akin to closing the barn door after the horse has already gotten out the stall. I think governments worldwide are going to have to think about what it is they are actually trying to accomplish.’

‘The “creativity first, regulation follows” approach has benefitted the US. In terms of financial, scientific, and technological creativity, the US is at the top. Although its manufacturing base – its “real economy” – is migrating to other countries, US creativity is still thriving, which leads to a specific kind of economic development. In my view, the government should intervene whenever intervention is necessary and not intervene when it is unnecessary. This is the principle. The government’s purpose should be to create a platform for economic development, but there is always tension between those who regulate and those being regulated. “Regulation first, creativity follows” and “creativity first, regulation follows” are both controversial. I think now, at this stage in China’s development, regulation should come first. This approach allows the government to respond quickly to emerging problems. The Chinese government is now stimulating internal demand mainly by increasing market liquidity, implementing financial policies, and making financial investments. I hope that this kind of government intervention continues. Given the circumstances, the government must heighten its regulatory powers. At the same time, it also has responsibility to maintain a healthy, vibrant, and sustainable economy.’

SUN Mingbo
President, Tsingtao Brewery
Company Limited, China



Industries have different regulatory needs

‘The success of our company is closely tied to the success of our advertisers. In a strong economy, businesses do well. And because our company is a link, a medium, between businesses and the community, my company also depends on a strong economy. Government should inspire trust in business people so that they make investments and plan with confidence, without having to worry about modifications to tax laws or labour regulations. We need clarity and stability in the rules that govern business so that the Argentine entrepreneur can invest.’

José Antonio Aranda
Executive Vice President,
Grupo Clarín, Argentina

‘I think that governments need to be more realistic about the uniqueness of the airline industry. And perhaps they could step in when things get really difficult. In other industries, if inventories build up too much, you idle the capacity for three or four weeks to get your levels back to where they should be. If you’re a hotel, you can shut down room service or other services and get cost out. Most business can slow things down. But an airline with an aeroplane that carries 200 passengers is going to keep flying aeroplanes that carry 200 passengers even if there are only 20 people on board. And you’re going to burn roughly the same amount of fuel, then you’re surely going to spend the same amount for the pilot and the landing fees and all the infrastructural cost that go with it. So I think governments need to understand that they can’t put the tax burden on airlines that they tend to and expect airlines to be okay if something awful happens like oil prices soaring or a terrorist act or a collapse of the economy. I think there just needs to be an appreciation for the uniqueness of the business.’

Robert A. Milton
Chairman, President and CEO,
ACE Aviation Holdings Inc, Canada

Stephen Green
Group Chairman,
HSBC Holdings plc, UK

CEOs support the response to the financial crisis

‘It’s perfectly reasonable for the government to want to ensure that the economy is not starved of credit, because that creates a downward spiral. Loosening up the credit markets is part of the panoply of Keynesian responses that government is putting in place. Broadly speaking, I think they’ve got it right – pumping liquidity into the system, cutting interest rates, loosening fiscal purse-strings, recapitalising banks where necessary. It’s all part of a Keynesian response, which I think is broadly appropriate. And encouraging the banks to keep lending in that context makes perfectly good sense. The dilemma of course is that the real long-term health of the economy requires re-balancing, both nationally and globally. It requires consumers in countries like the US – where the consumers have over-borrowed – to borrow and spend less while saving more. Conversely, in China, the opposite problem exists.’

REN Jianxin
President, China National
Chemical Corporation
(ChemChina), China



‘After the outbreak of the financial crisis, many countries around the world responded with various financial rescue measures – the Chinese government being one. The financial rescue measures taken by the Chinese government are proper, sensible and responsible. I am not saying this because I am Chinese. In my opinion, some countries responded too slowly, while other countries’ measures are not vigorous enough. In comparison, China’s reaction was quick and impactful. Therefore, Chinese entrepreneurs and consumers should have greater confidence than their counterparts in other countries. I do not mean that measures taken by other countries are not effective, but I think some of them are a bit too conservative. It may be important for them to take stronger measures.’

Policies must support long-term economic growth

Fred Hassan
Chairman and CEO,
Schering-Plough
Corporation, US

‘In biomedical science the US is the pre-eminent country. There is no close second. We have the strongest university system, the strongest climate for venture capital, a very open system for getting information to move around, a very good open labour market, and people are more mobile here than in almost any other country. So we have great advantages here.

My concern is that if we don’t have a concerted long-term science policy, we might see the locus move to Asia, just like it has with autos and with computers. That’s one thing that I do think we need to take very seriously. For example, we were, as a country, the leader in advocating intellectual property protection around the world. Now, to my surprise, there are mixed messages on this subject. When I talk to Europeans, they say to me “You were the leaders on IP. What happened?” So if we don’t have a concerted long-term science policy, we will see the dissipation that has occurred in other sectors, and I don’t think that’ll be good for our standard of living, and for all the other good things that we enjoy in this country.’

‘In some ways one could say that the economic downturn might be an extra stimulus to innovate. For example, take energy. The US is currently looking at a \$700 billion bill for energy that we’re paying to overseas suppliers. If we truly are going to have a robust, long-term economic situation we’re going to have to deal with this and make some tough decisions, including the possibility of raising the price we pay for energy. If we keep thinking short-term, we will not be able to deal with some of the structural challenges that need to be dealt with. In other words, tough times can make one innovate harder and faster.’

Fred Hassan
Chairman and CEO,
Schering-Plough
Corporation, US

CEOs believe that more transparency and better risk management will improve long-term business development and macro-economic health

‘What we can do is manage our risk better. If you look at what’s happening in the financial crisis, it’s actually a result of systematic risk that, to a degree, was unmanageable. What a government can do is create conditions that hem systematic risk. If financial instruments are allowed that no one ultimately understands, you create the foundation for systematic risk.’

Léo Apotheker
Co-CEO,
SAP AG, Germany



‘There’s an underlying common interest between us and our long-term business development and the macro-economic policy objectives of any country, of course. We’re going to be successful to the extent that an economy is successful, and sustainably so. And being sustainably successful in the case of an economy like China means not only rapid growth, which they’ve certainly achieved, but rapid development of the financial system on a sophisticated basis. To the extent that we can make a contribution to that by doing business with standards of transparency and efficiency, we will benefit.’

Stephen Green
Group Chairman,
HSBC Holdings plc, UK

2.2 Climate change: The next global crisis?

The financial meltdown will not be the last global crisis. The impact of climate change may be even greater. However, CEOs believe that green business is not a cost centre, but rather an opportunity to improve margins, innovate, attract customers and motivate top talent.

CEOs believe that climate change is a pressing global risk

Dame Marjorie Scardino
CEO, Pearson, UK

‘We don’t have significant environmental vulnerabilities and we don’t own any manufacturing companies. But the issues are relevant to us for two reasons: First, book and newspaper publishing uses a lot of paper, which uses a lot of energy. Secondly, it’s important to the people who work in Pearson. Our employees are highly educated and aware of their world; a large portion are university-educated and many have advanced degrees. They are much attuned to climate change and to what we are doing to mitigate negative effects.’

Léo Apotheker
Co-CEO,
SAP AG, Germany



‘Global warming has made its effects felt, and is no longer something to be disputed. We also have an energy crisis. And we have a scarcity of resource problem. There are nearly seven billion human beings on the planet and we need to feed them, and so we have a serious issue to address. Resource scarcity is ultimately an optimisation problem. How could I use water in an optimised way? How can I build a better transportation grid? How could I manage my raw materials more efficiently? It’s all about optimisation – but optimisation with an eye on sustaining the environment.’

Climate change creates a wealth of opportunities to serve customers who are seeking sustainable products and services

‘People are becoming much more energy-conscious than they have been in the past, certainly in Europe more so than in the US. Energy began to gain pretty much a head of steam this summer with much higher energy costs. That’s all being diluted because of the financial crisis, but I think that will be back shortly. We’re trying to become more environmentally friendly, certainly as a user of energy, but we also see it as a marketing opportunity for us to be able to go out and sell more energy-efficient sustainable products. There is a real opportunity there to educate consumers, whether it be builders, developers or even home owners of what they can use that’s much more environmentally friendly.’

Chip Hornsby
Group Chief Executive,
Wolseley plc, UK

‘At the moment we are in the process of rolling out a really exciting initiative called *Green Engage*, which is applicable to the 4,000 hotels in our system. Over the next year or two, we’re hoping to get that pretty much right through the whole system. Using software and telemetry systems, the programme measures hotel energy consumption against similar hotels in other parts of the world, in other parts of the country, and within particular operating brands. We believe we can get between a 15% – 20% saving on energy costs in any given hotel. So not only can you significantly reduce your environmental footprint, you’re also saving money at the same time.’

Andrew Cosslett
CEO, InterContinental Hotels
Group, UK



Climate change requires clear public policies

‘One of the reasons our carbon footprint is so big is because we’re the third-largest consumer of coal in the United States; we purchase over 48 million tons of coal every year. So, for us, addressing this issue is critical. It’s my belief that the sooner we have a regulatory regime in place – and I prefer a cap-and-trade regime – we’ll be starting down the right road. But I would say that a carbon regulatory policy without the necessary technology behind it is illusory. We won’t be able to establish a low-carbon world unless every method of generating electricity – whether it’s coal, nuclear, gas, or renewables – is backed up by government research and investment in new technologies.’

James E. Rogers
Chairman, President and CEO,
Duke Energy Corporation, US



‘Although air transport is responsible for only two or three percent of emissions globally, it is viewed by the public as a major contributor to pollution. So there is a disproportionate degree of responsibility placed on air transport – both commercial and private. Europe is talking about taxing all flights. This would have a direct impact on business. So the aviation industry is to a certain degree threatened by the environmental question. Consequently, all aviation businesses are investing in ways to minimise emissions. It is not the manufacturing of airplanes that emits pollutants, but the burning of fuel – but companies like Embraer must also take responsibility for developing solutions.’

Frederico Fleury Curado
President and CEO,
Embraer, Brazil

Balance

The growing influence of customers, investors, regulators and supply chain partners cannot be ignored. Companies are in survival mode, but not at the expense of future priorities. In today's environment, CEOs believe success is finding new ways to balance short- and long-term stakeholder demands.



Section 3

Walking a tightrope

3.1 Redefining success: CEOs face extreme short-term and long-term challenges

The dramatic impact of the financial crisis cannot be over-stated. Most CEOs have shifted their strategies to stress liquidity and cost control.

3.1.1 Short-term survival

‘I don’t feel like there are major opportunities in the short-term. There are the imperatives of battening down hatches, being very careful about how you husband capital and liquidity, and where you extend credit. You don’t arrive in the office in the morning saying there are terrific opportunities. That’s not what the world feels like at the moment. But there are opportunities, of course. Every day of the week we make new loans and we get repaid on existing loans. The vast bulk of the business goes on. But understandably, all of the attention is focused on what happens at the margin.’

Stephen Green
Group Chairman,
HSBC Holdings plc, UK

‘The most important thing to do in a recession is to work hard to control your costs – which is also something, of course, you should do on a routine basis. But a recession brings the lesson home. It also reminds you of the importance of reducing significantly your capital expenditures, which we’ve also done. We delayed the building of two gas plants and deferred some of our maintenance expenditures. So we’ve minimised our need to go to the market for capital in 2009, not knowing exactly what kind of market we’d find. We can always turn the spigot back on if the capital is there. So again, it’s about protecting your balance sheet. It’s about reducing your cost structure. And it’s also about being prepared when the recession begins to lift.’

James E. Rogers
Chairman, President and CEO,
Duke Energy Corporation, US



‘Three years ago, I wouldn’t have had anywhere near the emphasis on working capital that we’ve created over the last two years. We were very, very growth-focused. Now, we have put much more focus on managing the expense base as well as the working capital, and that’s where the majority of the incentives were last year and will be this year. I don’t see it as being a short-term decision. I think it will just position us to be that much stronger, more viable and increase that much more value for our shareholders as we move through this cycle.’

Chip Hornsby
Group Chief Executive,
Wolseley plc, UK

It is critical to stay focused on the long-term fundamentals of business

John Donahoe
President and CEO,
eBay Inc., US

‘To me, there are four parts to the recession playbook. The first part is to stay externally focused. Stay customer focused. At times like this, it is so easy for an organisation to turn inward. You read the newspaper and you watch the stock price and you become obsessed with your own situation. We’ve got to stay customer-focused because we now have to scratch and claw for each customer’s dollar. The second part is that you’ve got to be really realistic about your costs and get them in line early so you don’t have to be reactive and surprised down the road. Three, you can’t stop investing, but you’ve got to invest selectively. You’ve got to be very targeted in what you invest in, the things that will make a difference – which often turn out to be opportunistic investments. I would view our Bill Me Later acquisition as an opportunistic investment in our future at a counterintuitive and tough time. And then, four, teamwork and execution. During a downturn it’s natural for organisations to get distracted and have one part of the business start accusing another of getting more time and attention. “How come we’re being cut back more than they are?” Tensions build inside and people get sidetracked. So good execution and teamwork during turbulent times can provide a company with a degree of competitive advantage.’

Jorma Eloranta
President and CEO,
Metso Corporation,
Finland

‘The real issue is whether we can adapt to whatever economic environment eventually emerges without undermining our technological capabilities. In the short-term, adapting will likely involve cutting costs. How do you do that in a way that doesn’t endanger the company’s fundamental know-how? And how do you do it in a way that, at the same time, keeps the rest of your workforce positively motivated? That is the challenge.’

Planning cycles have to shorten

Frederico Fleury Curado
President and CEO,
Embraer, Brazil

‘We don’t work with classic planning, the sort where only certain people are thinking about a plan. The plan is a process that is highly interactive, that involves everyone in the first three levels of the company, and it is a really interactive process. While much of the plan revision work is concentrated at the end of the year, we are looking at the plan continuously.’

Mukesh Ambani
Chairman and Managing Director,
Reliance Industries Ltd, India

‘The world is changing so fast, you cannot think in terms of what you want to do ten years from now. Instead, you have to think on a rolling basis in terms of three-to-five year time spans. The world fundamentally becomes a new place every three to five years. So at Reliance, our longest planning cycle is five years. We pride ourselves in our ability to adjust quickly to external situations. We are clear about things that are in our control and those that are not.’

Business cycles do not affect all industries the same way

‘The demand for security solutions is, largely speaking, unaffected by developments in the business cycle. Companies invest in security in both strong and weak economic conditions; the cost incurred due to break-ins is, quite simply, too significant to ignore. History has also shown that the security market is characterised by growth during all types of business cycles. In the security industry, a worsening economic climate primarily impacts on airport security, which is dependent on the number of travellers. Construction sites are another segment which is more cyclical; if there is no construction then there is no requirement for security services on those types of sites. At the macro economic level, GNP developments in the US tend to be felt in every economy throughout the world.’

Alf Göransson
President and CEO,
Securitas, Sweden

‘Today, we allocate most of our investment to network technology. But technology is constantly evolving. After a few years less expensive technology comes along, with options for easier connectivity. Then we have to shed the old technology and maintain up to date...And a successful television programme lasts, if you are lucky for a year, and if we are very lucky, for two years. Then, we start from scratch again. So, in content development, the long-term is built on short-term failures and successes.’

José Antonio Aranda
Executive Vice President,
Grupo Clarín, Argentina

3.1.2 Long-term success

CEOs face a difficult challenge: Adjusting to extreme current conditions without weakening the basic building blocks of long-term success. Thus, CEOs are balancing short-term survival with holding on to essential leadership and talent, optimising the organisation for adaptability, positioning for economic recovery in the right markets and staying close to customers

Long-term success hinges on organisation and people

Alf Göransson
President and CEO,
Securitas, Sweden

‘In terms of how to achieve long-term goals, one method relates to how we organise the operations. We are moving from a geographic organisation to a customer-segment oriented organisation in order to increase the level of specialisation. We’re concentrating on building expertise in various industries – healthcare, retail trade, etc. The other method is to increase our knowledge of security solutions through increased investments in training. It is also important to efficiently disseminate knowledge within the company, for example through our websites so that we are able to apply best practice. The knowledge available in Stockholm should also be available to be used in Oklahoma City. Knowledge regarding security services also exists within Securitas, although the majority of technology development occurs outside the company.’

K. V. Kamath
Managing Director and CEO,
ICICI Bank, India

‘When I speak to my customers, I find that many are reassessing their long-term investments, especially for new projects. And that’s largely due to the inflationary conditions, commodity price hikes, interest-rate hikes, etc. Today, corporate profit is strong in India – but it is not certain what tomorrow will bring. My own assessment is that the pull back on investment will be a short-term phenomenon. Corporate India is still in the mood to invest, whether domestically or abroad. We will know the long-term situation based on the next two to three quarters of corporate profits. If profits come under pressure, then you have a challenge.’

Dame Marjorie Scardino
CEO, Pearson, UK

‘We speak to one another in the context of long-term plans and goals. But what makes the most difference, I think, is that the people who work in Pearson get up every morning thinking they will do something important today. They think, I’ll teach some child to read today; or I’ll help illuminate a difficult problem. That makes them, by their very nature, long-term thinkers and more focused on the durability of the company and more focused on the durability of products and services.’

‘In a service industry, customer service is critical. I actually think that the mistake that we make in the service industry is that our support functions – for example, finances or HR – view themselves as serving internal customers, by which I mean the business itself. What those functions should be doing is thinking of themselves as serving the same external customers as the business does. You have to align all parts of the business around the requirements of your external customers, otherwise you won’t succeed. It’s amazing how much stuff we create without actually asking customers if they want it.’

Michael Smith
CEO, ANZ, Australia



Companies need to continue allocating capital to long-term innovation

‘When you have really long-term ambitions – whether it’s meeting the world’s growing food requirements or helping farmers to operate more efficiently – you stay focused. The product portfolio that we are beginning to work on today will be delivered to the marketplace between 2015 and 2020. In order to have a pipeline of high-quality products for the long-term, we must ensure that the necessary capital resources are in place. We cannot afford to sacrifice our long-term ambitions. But in addition, we have a range of near-term growth opportunities. Do we or do we not build infrastructure in this or that country? So, balancing the long term and the short term is ingrained in our culture. Being sure that we deliver on our long-term promises and having the flexibility to take advantage of the market opportunities as they arise is something that comes naturally to us.’

Michael Mack
CEO, Syngenta,
Switzerland



‘Unlike many businesses where the products have much longer life cycles, we tend to be more of a patent-driven business as opposed to a brand business. There are some parts of our company which are brand driven, but most of our businesses – such as the Rx businesses, are product-driven. So you have to replenish your product portfolio an average of every ten years and, therefore, innovation is the key differentiating factor. When it comes to innovation, we have a philosophy that we certainly go for the big ones if we get an opportunity, but at the same time we try for a balance with smaller ones that also keep our product flow going.’

Fred Hassan
Chairman and CEO,
Schering-Plough
Corporation, US

3.1.3 A new mindset for extreme conditions

Walking the tightrope between short-term survival and long-term success has nurtured new disciplines in CEOs. A combination of adaptive planning and continuous innovation will define the business models that succeed in the future.

CEOs stress flexibility as a key characteristic of a successful business

Ralph Norris
CEO, Commonwealth
Bank of Australia, Australia



‘In my view, adaptability is about managing your portfolio of businesses effectively, scanning the horizon for opportunities that may arise, and making decisions on a continuous basis about which of your businesses is best suited for carrying out a given activity.’

Business models need to adapt continuously

John Donahoe
President and CEO,
eBay Inc.,
US

‘If you’re playing in the Internet world, your customers face zero barriers to exit. So, you’re always one click away from losing a customer. This is a little less true of a business like PayPal, for example, but still it’s not so difficult for our customers to turn to other vendors. So saying that change is constant is not just a conceptual thing. For us, it’s absolutely an everyday reality. And being in a young industry means that the industry structure is not yet established, so, new business models are constantly emerging and challenging the status quo.’

Dame Marjorie Scardino
CEO, Pearson, UK

‘We try to make changes in our business on a perpetual basis – new models, new efficiencies – because we think that a well-run business doesn’t store up problems for ‘restructuring’. We’ve had both positive and negative challenges in some of our industries driven by the combination of intellectual property and technology. But those challenges are outweighed by the opportunities, particularly in education, to customise a learning program for each child using computing power to leverage a teacher’s time and capabilities.’

Turbulent times create opportunities

‘There is more marketshare shift in turbulent times than there is in good times – more of an opportunity for a strong company to gain ground. And we’ll do it by being a little more customer focused. We’ll execute a little bit better. We’ll be more prudent about our costs, and invest in a few, right things. And so I view the next 18 months or so as a period of opportunity first and foremost. It’s not fun, but it’s a period of opportunity.’

John Donahoe
President and CEO,
eBay Inc.,
US

‘The change that occurred through Internet electronic ticketing is quite difficult to contemplate. It had a disproportional advantage for low-cost airlines because historically they would have to go up against the distribution systems of the big old airlines. So if you’re a little travel agency network in Canada, you don’t want to upset Air Canada. Just like you didn’t want to upset British Airways or Qantas in their home markets. But when the Internet came along, all of a sudden carriers like Virgin Blue boomed in Australia. In real-time you could sell a seat from Brisbane to Melbourne to a guy sitting in Cologne. It really changed the game. Nothing to do with aeroplanes. But how it’s changed the business is nothing short of spectacular.’

Robert A. Milton
Chairman, President and CEO,
ACE Aviation Holdings Inc, Canada

‘New ideas will emerge and you have to see how you can exploit the current situation to your advantage. Capabilities are changing, needs are changing, our customers are changing. If you’re able to adapt quickly to these changes – if you have insight and really understand what the switching points are – I believe that you can come out of this crisis in a much stronger position.’

Léo Apotheker
Co-CEO,
SAP AG, Germany



3.2 Shifting strategies: Better collaboration and broader information

3.2.1 JVs overtake M&A

While the environment for cross-border mergers and acquisitions is decidedly more difficult today, CEOs believe that opportunities are available.

K. V. Kamath
Managing Director and CEO,
ICICI Bank, India

De-leveraging and scarce capital make for tough times in mergers and acquisitions

‘I think these are turbulent times. Over the long run, Indian financial institutions will go out and make acquisitions – but not under current conditions. Even today, we are not a capital rich country. We are still capital scarce. It will take time for Indian institutions to reach that level.’

Jorma Eloranta
President and CEO,
Metso Corporation,
Finland

‘For the moment, our focus is in getting the most out of our working capital, securing our cash flow, and being very careful about investment and acquisitions. We are much more concerned about these kinds of issues right now and as a consequence we have established higher hurdles for ourselves – in terms of internal rates of return, for example – when making acquisition decisions. In uncertain times, the only certainty is cash in your pocket.’

Chip Hornsby
Group Chief Executive,
Wolseley plc, UK

‘I don’t feel we have lost our ability to be acquisitive and to grow like-for-like sales or same-store sales. It’s just that the market conditions today are not conducive to that, so we have taken advantage in a difficult set of circumstances and accelerated or lifted the areas of expense management and working capital to much higher levels than they ever existed in the organisation in the 30 years I’ve been around. We certainly have a combination of acquisitions, some of which have performed well above expectations and others that have not. This is the time period to go back and evaluate each one of those and determine what to do to correct them.’

Michael Mack
CEO, Syngenta,
Switzerland



CEOs see opportunities in depressed asset prices

‘I think the opportunities in 2009 will come from gaining insight into where the markets are headed. As we sit here today in the fourth quarter of 2008 we can’t know with any certainty how long or how deep this global recession is going to be. So, on one hand it’s going to be all about preserving high-quality balance sheets and at the same time, looking for acquisition opportunities, looking for ways to extend market share and areas of strength.’

A broad portfolio enables a company to leverage assets and knowledge across businesses and geographies

‘One of the great benefits of going international is that you do create a balanced portfolio over time – a four-piston engine in which three pistons are usually working well. Geographic diversification also provides depth in terms of new, innovative ideas. We’ve had some wonderful innovations from Canada that have been adopted by US operations. Our China and US operations have also traded innovations, and vice versa. I don’t know how you quantify that, all I know is that we need innovation across the enterprise to continue our growth and by operating on three continents we really increase the volume of ideas available to us.’

Robert Willett
CEO Best Buy International
and Enterprise CIO, US

‘We have set up two special zones in the Southern and North-Western regions of China. Special management zones are led by local executives who recruit their own staff and run their business units as they see fit. Within special management zones, executives have been granted local autonomy much in the same way that the Chinese government has granted local autonomy to the Hong Kong Special Administrative Region. With the special management zone policy, we have been able to develop new management thinking that has helped take us from a regional enterprise to a national one. Now we will bring that thinking back to our headquarters office in order to integrate the traditional culture with the culture that has developed in the special zones.’

SUN Mingbo
President, Tsingtao Brewery
Company Limited, China



‘Last year, ChemChina was ranked 19th of the world’s 100 top chemical and industrial enterprises. While our company size is ranked 19th, our business model may be among the bottom 10. Among the top international enterprises in this sector, we are still in a position of learning and self-improvement. Although we have acquired many enterprises, I tell the CEOs of those companies, “In terms of asset relationship, I am your boss. But in terms of company operation, business management, and business models, you are all my teachers.’

REN Jianxin
President, China National
Chemical Corporation
(ChemChina), China



3.2.2 Balancing talent retention and cost reduction

The war for talent has a new front now that CEOs are addressing the unfortunate necessity of headcount reductions. Recruitment, motivation and retention have become even greater challenges.

The importance of top talent is top-of-mind for CEOs

Robert Willett
CEO Best Buy International
and Enterprise CIO, US

‘Management’s success comes after our employees’ success – not the other way around. The leadership of this company doesn’t sit at the top of the pyramid – we’re at the bottom. We’re judged on the energy we create and our ability to unleash the power of our people. That’s how we want to operate, and that’s the journey we’re on. We’re not there yet. We’ve still got some way to go. Churchill once said, “We make a living by what we get, we make a life by what we give”. When I think about that particular saying, it applies to Best Buy because I think it epitomises to some significant degree what Best Buy stands for.’

Andrew Cosslett
CEO, InterContinental
Hotels Group, UK



‘Our focus over the next few years is to make sure that our brands are increasingly attractive and relevant. That requires both classic and innovative brand-building methods. But people have a huge part in building our brand because, obviously, they help deliver our brand every day. As a guest, what happens to you when you check into a hotel at 11:00pm on a wet Wednesday in November tells you everything about the brand you’re staying in. And no amount of brand manager’s fancy writing is going to deliver that experience. Only the person who’s checking you in at 11.00 that night can deliver that experience.’

Alf Göransson
President and CEO,
Securitas, Sweden

‘As an employer with 250,000 employees, we are also dependent upon access to manpower, particularly since there is a high turnover of personnel in the security industry. Our turnover is approximately 35% in Europe, while in the more mobile US labour market, personnel turnover is greater than 55%. There has been a period of a manpower shortage within low-salary jobs in major Western cities, a situation which is now changing due to the economic decline. In the long term, however, demographic development is a risk factor. Europe is expected to undergo a population decline to an extent that has not been seen since the Black Death. One part of the solution is an increase in foreign labour. Otherwise, one solution would involve elevating the status of the security profession and making it more attractive. Salary levels are an important consideration in such a solution. In order to be able to raise salaries we must increase the value of the services, something which requires, in turn, an increased knowledge-base.’

Drawing from a diverse pool of talent is hugely beneficial

‘There is no right or wrong way to run an organisation, there are just different ways, and certain styles suit certain types. You need different points of view. And the other thing is that I try to get people who are better than me. I think that that’s the secret; I mean I should feel that any of these guys can step into my role tomorrow.’

Michael Smith
CEO, ANZ, Australia



‘Twenty-five years ago, ChemChina was spun off from China National Bluestar with a staff of just seven. Now, we employ 160,000 people. We employ many people from Western countries, including at the management level. We see many enterprises around the world cutting jobs because of the financial crisis, and we work with leading human resource consultancies to recruit more Western professionals. We recently hired new directors for two of our factories – one from the UK and another from the USA. We also pay much attention to staff training. Every year, we send our mid-to-high-level executives to two training programmes at the best universities in China. We have been doing this for ten years. We also make sure that our staff at headquarters spend part of every year in the field working in our factories – or, as we call them, our “learning institutions”.’

REN Jianxin
President, China National
Chemical Corporation
(ChemChina), China



Motivating staff becomes tougher when times are tough

‘What I’d like to achieve in the next year – and this is not romanticism, because it is in our strategic plan and part of our executive evaluation – is to see Embraer people happier about working here. The thousand or so people in Embraer leadership positions – from the president, to the vice-president, to the directors, managers and supervisors – all have the goal of increasing employee satisfaction. So, because everyone’s committed to achieving this goal, I think we will see good results.’

Frederico Fleury Curado
President and CEO,
Embraer, Brazil

‘One of the things that the survey told us is that employees attach a great deal of importance to the bank’s proactive stance on issues of corporate responsibility. These issues resonate very strongly with our employee base. You see the same level of interest among the graduates we recruit. Taken as a whole, you can see that our commitment to corporate responsibility supports our sustainable employee engagement policy, which, in turn, is critical to the customer relationship that is the basis of our year-end results. It all hangs together.’

Stephen Green
Group Chairman,
HSBC Holdings plc, UK

James E. Rogers
Chairman, President and CEO,
Duke Energy Corporation, US



‘The ability to attract people – to motivate them while they’re with you and motivate them to stay with you – is going to be the challenge. We’re in a period when the demand for people is going to be greater than it’s ever been before. But a lot of younger people don’t want to go into this industry just to operate 30- and 40-year-old plants. They want to go into an industry that’s going to be building a new generation of nuclear plants.’

John Donahoe
President and CEO,
eBay Inc.,
US

‘I think the first thing is having clarity about who the top talent is, and second, ensuring that you reward them both financially and with expanding opportunity as well as with personal acknowledgement. At the same time, it’s counterproductive to lavish acknowledgement on your top talent if it’s done at the expense of everyone else in your company. But the worse-case scenario is that you over-invest in your weakest people and under-invest in your strongest people. If I can make my strongest performers 5% more effective through good feedback and coaching, that has a much greater impact than getting a 5% improvement from my bottom performers. It’s not sufficient simply to say to your top performers, “Good job, keep it up.” Instead, you want to be saying, “You’re doing great, but here’s how you could do even better.”’

SUN Mingbo
President, Tsingtao Brewery
Company Limited, China



‘At Tsingtao, our method for recruiting and retaining talented staff revolves around the idea of an “open culture”. Why is an open culture so critical to us? Tsingtao is a 105 year-old brand. During most of our history, our workforce comprised people from the Qingdao region. Over time, our policy of employing Qingdao locals became one of the foundations of our culture. And since we were such a proud and successful company, this policy continued until it finally became an obstacle to communicating with the outside world. We felt that because Tsingtao surpassed other companies, there was no need to learn from others or to look outside our own company. The bigger we grew, the more proud we became; the more proud we became, the more stubborn we grew. Therefore, in the last few years, we looked at ourselves and concluded that we must abandon our closed-door corporate culture and take the initiative to challenge our own arrogance and self-complacency.’

CEOs are seeking ways to boost productivity from existing staff

‘We have focused a lot of attention on recruiting, training and retaining. Unfortunately in this business environment, we have to reduce headcount due to the declining top line of revenues. I do have a major concern as we move into the middle part of the next decade, really not far away, about six years now or less. The shortage of talented people in many of the markets where we are is going to be a huge concern just for sheer demographics. That’s why the investment in technology is going to be even more critical, so people have the tools to be able to provide more sales per employee with the same amount of demand on hours as they have today.’

Chip Hornsby
Group Chief Executive,
Wolseley plc, UK

‘In India, though manpower is not an issue, skilled manpower is certainly an issue being faced by all industries. Energy resources are also too scarce. And this scarcity pushes up prices and thereby the cost of doing business. I am sure research in energy alternatives will help fill the gap. Scarcity always encourages people to find alternative solutions.’

K. V. Kamath
Managing Director and CEO,
ICICI Bank, India

‘We see many enterprises around the world cutting jobs because of the financial crisis, and we work with leading human resource consultancies to recruit more Western professionals. We recently hired new directors for two of our factories – one from the UK and another from the USA.’

REN Jianxin
President, China National
Chemical Corporation
(ChemChina), China

‘Though I cannot promise an increase of salaries, I do not want to lay off staff or reduce their salaries. Reducing salaries, which many companies do, is not a good practice, as it shows a lack of confidence. If employees lose confidence, society will also lose confidence, and then it will be difficult for political and business leaders to say they are confident. I think at this time, the most responsible action we can take is to avoid layoffs or salary reduction.’

3.2.3 Mitigating risks collaboratively

As a result of the financial crisis, CEOs are re-thinking their approaches to risk management.

CEOs are re-balancing their approach to risk and return

Léo Apotheker
Co-CEO,
SAP AG, Germany



‘I’m all in favour of high returns as long as they’re in some way in proportion to long-term economic viability. But you can’t expect returns over ten years at rates two or three times greater than the overall growth of the world economy. That just doesn’t make sense. I hope that once we come out of this crisis the financial markets will become more reasonable and be driven by longer-term objectives and not just short-term models.’

Ralph Norris
CEO, Commonwealth
Bank of Australia, Australia



‘I think profitable growth is by its very description based on the idea of sustainability. Growth just for the sake of growth is dangerous, and certainly it’s very easy to use your balance sheet capability to do things at the margin, which, in turn, may end up being a problem later on. So taking a very disciplined approach to profit after capital charge and understanding risk is a critical part of any financial services organisation’s operation.’

The ability to anticipate and plan for a looming crisis is a competitive advantage

SUN Mingbo
President, Tsingtao Brewery
Company Limited, China



‘At Tsingtao we saw signs of an economic downturn two years ago and prepared for an “economic winter” by making what we called the “cotton-padded jacket”. We established stricter liquidity ratio requirements. We also established uniform operations across our 50 divisions. Our “cotton-padded jacket” provided a good defence against the “economic winter.” In the face of crisis, many companies go into hibernation. At Tsingtao, we have a slogan: “We don’t hibernate in winter. We will achieve something while others hibernate. We will seize a share of the market when they hibernate.’

‘If you go back to the late 80s and early 90s, Australian banks were somewhat expansive in their ambitions in those days. And I think it’s fair to say that at that time the Australian banking industry encountered major problems, mainly due to overexposure to the property market – development of property in the main. At the same time, some Australian banks saw opportunities offshore that turned out to be more illusory than real. So those factors had a significant impact on the profitability of a couple of Australian banks – even threatening their survival. I think all of the Australian banks learnt a lot through that particular process, and certainly realised that their risk management techniques and credit policies and practices needed a significant overhaul. And I think it’s not by accident that, to a large extent, Australian banks have avoided the problems that have recently plagued many US and European banks.’

Ralph Norris
CEO, Commonwealth
Bank of Australia, Australia



‘Clearly, disease has the ability to shut down our industry. We saw that in a large portion of the world in 2003. And at the time it raised a concern that saw many airlines developing very dramatic contingency plans were it to happen again. Luckily it hasn’t happened, but I guess probability says it will again in time. If you listen to the doomsayers you’d be frightened. I happen to believe that medicine has the ability to stay out ahead of it and we’ll be okay. But I also think you’ve got to have a contingency plan in place, which we do at Air Canada, to deal with shutting down the operation if necessary.’

Robert A. Milton
Chairman, President and CEO,
ACE Aviation Holdings Inc, Canada

Durability

Short-term results at any cost are no longer an acceptable measure of success. Companies want renewable profits based on sustainable relationships with communities and natural environments. In today's environment, CEOs believe success should be measured in decades, not quarters.



Final thoughts

Cool heads, collaboration and innovation

‘Choices made in 2009 will shape the globe’s destiny’, wrote Martin Wolf in the *Financial Times*.¹ Indeed, this unique moment of structural change will likely determine the future course of the world’s social and economic development. CEOs are acutely aware that the future well-being of many generations rests on the quality of decisions they are making today.

Today’s decisions will affect future generations

‘The greatest test I face is the ‘grandchildren’s test.’ That is, what effect will the decisions I make today have – with respect to whether to build a coal plant or a nuclear plant or a gas plant, or how much to invest in energy efficiency – on our children’s children. That is the true measure, I believe, of business stewardship. This can be helped, oddly enough, by cap and trade for carbon dioxide. The investments will then factor into those long-term impacts.’

James E. Rogers
Chairman, President and CEO,
Duke Energy Corporation, US



‘Future generations are part of our business planning because we’re making material intended to educate them, directly or indirectly. At Pearson we think that corporations have a social purpose – particularly corporations in education and journalism that have a public trust –and that purpose is to move civilisation along. We think profits are a by-product of what we do. We say, profits sustain us but they don’t define us. People are intent on making their numbers, but they do that for affirmative reasons.’

Dame Marjorie Scardino
CEO, Pearson, UK

Businesses need to restore the public’s trust

‘When it comes time to thinking about market confidence, the principal area has to be rebuilding trust between the financial sector and its clients. In the case of the agriculture industry, that means rebuilding trust between the local bank and local farmers. Getting people to believe in financial instruments is vitally important. When trust comes back I believe there is enough money in the system to fund all worthwhile investments out there in the marketplace. But it’s trust in the system that has to return first. With sufficient trust, we’ll start seeing the front end of recovery.’

Michael Mack
CEO, Syngenta, Switzerland



¹ ‘Choices made in 2009 will shape the globe’s destiny’, Martin Wolf, *Financial Times*, January 6, 2009.

Ralph Norris
CEO, Commonwealth
Bank of Australia, Australia



‘We are a signatory to the United Nations’ Principles for Responsible Investing, and we do apply those sorts of principles to the way we invest. In the long run, sustainability is about having a ‘license to operate’ that is determined largely by the way the community regards us as an entity. And to the extent that we have interactions with almost half the population of Australia, it’s very important for us to make sure that we are pretty much in step with what Australians think.’

A return to basic principles can help guide decisions

Mukesh Ambani
Chairman and Managing Director,
Reliance Industries Ltd, India

‘The last downturn was a cyclical downturn. This is a structural downturn. When you have cyclical events, things go up and come down. When you have a structural event, something fundamentally changes. Our own view is that this is going to shake up fundamentals in a whole host of global economic areas. We will have to go back to the timeless principles of commerce that are based on real value and real delivery rather than creating paper assets, inflating those assets, and using artificial leverage to keep growing.’

CEOs interviewed



Mukesh Ambani
Chairman and Managing Director,
Reliance Industries Ltd, India

The Reliance Group is India's largest private sector enterprise, with businesses in the energy and materials value chain. The flagship company, Reliance Industries Limited, is a Fortune Global 500 company and is the largest private sector company in India. The group's activities span exploration and production of oil and gas, petroleum refining and marketing, petrochemicals (polyester, fibre intermediates, plastics and chemicals), textiles, retail and special economic zones.



Léo Apotheker
Co-CEO, SAP AG,
Germany

SAP is the world's leading provider of business software, offering applications and services that enable companies of all sizes and in more than 25 industries to become best-run businesses. With approximately 76,000 customers in over 120 countries, the company is listed on several exchanges, including the Frankfurt stock exchange and NYSE, under the symbol SAP. For more information, visit www.sap.com.



José Antonio Aranda
Executive Vice President, Grupo Clarín,
Argentina

Grupo Clarín is the largest media company in Argentina and the market leader in the segments in which it operates, e.g., printing and publishing; Internet access; broadcasting and programming. Its cable TV network has the largest broadband subscriber base in Argentina. Its flagship newspaper – Diario Clarín – has the highest circulation in Latin America and the second-highest in the world for a Spanish-language newspaper. The group reaches substantially all of the Argentine population in terms of wealth, geography and age.

CEOs interviewed



Andrew Cosslett
CEO, InterContinental Hotels Group,
UK

InterContinental Hotels Group (IHG) is the world's largest hotel group by number of rooms. IHG owns, manages, leases or franchises, through various subsidiaries, over 4,100 hotels and more than 600,000 guest rooms in nearly 100 countries and territories around the world. It owns a portfolio of well-recognised and respected hotel brands including InterContinental® Hotels & Resorts, Hotel Indigo®, Crowne Plaza® Hotels & Resorts, Holiday Inn® Hotels and Resorts, Holiday Inn Express®, Staybridge Suites® and Candlewood Suites®.



John Donahoe
President and CEO, eBay Inc.,
US

Founded in 1995, eBay Inc. connects hundreds of millions of people around the world every day, empowering them to explore new opportunities and innovate together. eBay Inc. does this by providing the Internet platforms of choice for global commerce, payments and communications. Since its inception, eBay Inc. has expanded to include some of the strongest brands in the world, including eBay, PayPal, Skype, StubHub, Shopping.com, and others. eBay Inc. is headquartered in San Jose, California.



Jorma Eloranta
President and CEO, Metso Corporation,
Finland

Metso is a global supplier of sustainable technology and services for mining, construction, power generation, automation, recycling and the pulp and paper industries. Metso has over 28,000 employees in more than 50 countries.



Frederico Fleury Curado
President and CEO, Embraer,
Brazil

Embraer (Empresa Brasileira de Aeronáutica S.A. - NYSE: ERJ; Bovespa: EMBR3) is the world's largest manufacturer of commercial jets up to 120 seats. Embraer is located in São José dos Campos, São Paulo, and it has offices, industrial operations and customer service facilities in several other countries. It designs, develops, manufactures and sells aircraft for the commercial aviation, executive aviation, and defense and government segments, and also provides after-sales support and services to customers worldwide.



Alf Göransson
President and CEO, Securitas,
Sweden

Securitas is a knowledge leader in security. By focusing on providing security solutions to fit each customer's needs, Securitas has achieved sustainable growth and profitability in more than 30 countries in North America, Latin America, Europe and Asia. Everywhere from small stores to airports, our 250,000 employees are making a difference.



Stephen Green
Group Chairman, HSBC Holdings plc,
UK

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world, serving over 100 million customers through some 9,500 offices in 85 countries and territories. We have more than 300,000 staff working in Europe, Asia, the Americas, the Middle East and Africa.

CEOs interviewed



Fred Hassan
Chairman and CEO,
Schering-Plough Corporation, US

Schering-Plough is an innovation-driven, science-centered global health care company that applies its research-and-development platform to human prescription, animal health and consumer health care products. Through its own biopharmaceutical research and collaborations with partners, Schering-Plough creates therapies that help save and improve lives around the world.



Chip Hornsby
Group Chief Executive,
Wolseley plc, UK

Wolseley is the leading supplier of construction products, materials and services across Europe and North America. They are the world's number one distributor of heating and plumbing products to the professional market, and a leading supplier of building materials and services. With sales of over £16 billion and around 74,000 employees serving customers through over 5,000 branches in 27 countries, they are the biggest specialist trade distributor in the sector.



K. V. Kamath
Managing Director and CEO, ICICI Bank,
India

ICICI Bank, India's largest private sector bank, serves its customers through a network of around 1,400 branches, 4640 ATMs and other channels such as internet banking, mobile banking and phone banking. The Bank's key value propositions are its innovative products, technology-enabled channels and customer convenience. The Bank has also has a presence in North America, Canada, Europe, the Middle East, South Africa and Asia.



Michael Mack
CEO, Syngenta,
Switzerland

Syngenta is a world-leading agribusiness committed to sustainable agriculture through innovative research and technology. The company is a leader in crop protection, and ranks third in the high-value commercial seeds market. Sales in 2007 were \$9.2 billion. Syngenta employs over 21,000 people in more than 90 countries and is listed in Switzerland and the US.



Robert A. Milton
Chairman, President and CEO,
ACE Aviation Holdings Inc, Canada

ACE Aviation Holdings Inc (ACE) is an investment holding company of various aviation interests including interests in Air Canada and ACTS. Air Canada is the 14th largest commercial airline in the world, with a fleet of more than 200 aircraft. Air Canada is a founding member of the Star Alliance network, the world's largest airline alliance group. Air Canada is a publicly-traded company listed on the Toronto Stock Exchange (TSX: AC.A, AC.B).



Ralph Norris
CEO, Commonwealth Bank of Australia,
Australia

The Commonwealth Bank Group is one of Australia's leading integrated financial services organisations providing retail and institutional banking, funds management, insurance and broking services to around 10 million customers. The Group also has operations in Asia and the Pacific, Europe and the US.

CEOs interviewed



REN Jianxin
President, China National Chemical Corporation (ChemChina), China

China National Chemical Corporation (ChemChina) is a large-scale, state-owned company with 118 subsidiary companies in production and operation and 25 R&D institutions. It is the holding company of 10-plus A-share listed companies. Meanwhile, it has built up production plants and R&D bases in 140 countries worldwide. ChemChina's asset value and revenues have hit a record exceeding RMB100 billion, ranked 35th among China's top 500 enterprises.



James E. Rogers
Chairman, President and CEO, Duke Energy Corporation, US

Duke Energy supplies and delivers electricity to approximately 4 million US customers and natural gas service to around 520,000 customers in its regulated jurisdictions. The company has approximately 35,000 net megawatts of electric generating capacity in the Midwest and the Carolinas, and natural gas distribution services in Ohio and Kentucky. In addition, Duke Energy has more than 4,000 net megawatts of electric generation in Latin America, and is a joint-venture partner in a US real estate company.



Dame Marjorie Scardino
CEO, Pearson, UK

Pearson is an international education and media company, with headquarters in London and more than 30,000 employees in more than 60 countries. The company operates in three main areas – educational publishing for schools, universities and professions; consumer publishing through the Penguin Group; and business information through the Financial Times Group and the FT newspaper. Pearson is dedicated to helping people learn and make the best of their abilities at every stage of their lives, so it is involved in 'education' in the broadest sense of the word.



Michael Smith
CEO, Australia and New Zealand
Banking Group Ltd (ANZ), Australia

ANZ is one of the largest and most successful companies in Australia. It is ranked the number one bank in New Zealand, the largest Australian bank in the Asian region and a major international banking and financial services group.



SUN Mingbo
President, Tsingtao Brewery Company
Limited, China

Tsingtao Brewery Co., Ltd. (Tsingtao Brewery) is China's largest brewery and an official sponsor of the Beijing 2008 Olympic Games. Tsingtao Brewery is the first Chinese company to be listed in both Mainland China and Hong Kong. In 2007, Tsingtao Brewery achieved a total sales volume of 5.05 million kiloliters globally, with the market share of Tsingtao Beer in China reaching 13%. Tsingtao Beer is exported to 62 countries and regions.



Robert Willett
CEO, Best Buy International and
Enterprise CIO, US

With operations in the United States, Canada, China, Europe, and Mexico, Best Buy is a multinational retailer of technology and entertainment products and services. Its family of brands includes Best Buy, Audiovisions, the Carphone Warehouse, Future Shop, Geek Squad, Jiangsu Five Star, Magnolia Audio Video, Napster, Pacific Sales Kitchen and Bath Centers, the Phone House and Speakeasy.

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12th Annual Global CEO Survey
Redefining success
Executive Summary

Ensuring short-term survival
while building a sustainable future

~~Foot~~
~~proof~~
~~plans~~

Future
proof
plans



Executive Summary

PricewaterhouseCoopers' 12th Annual Global CEO Survey is published at a time of unprecedented economic and financial turmoil. Highlighting the current concerns and future expectations of major business leaders around the world, the findings provide vital insights into how CEOs are rebalancing their own short- and long-term interests with those of their stakeholders in order to achieve success. There is agreement that new approaches are essential, particularly where cross-border alliances, people management and risk management are concerned. At the same time, CEOs want governments to transform institutions and policies so that they are more in tune with today's global economy.

Research for this latest survey coincided with the rapid escalation of the current financial crisis. As a result, its findings chart a steady deterioration in the optimism of CEOs around the world. While CEOs interviewed in September 2008 felt comfortable about their growth prospects, by the start of December, up to 45% of them were seriously worried about how best to weather the raging storm. Reflecting this mounting concern, the 12th Annual Global CEO Survey divides into three sections:

- **An historic moment: One world united in crisis** – highlighting how globalisation accelerated the rapid spread of the crisis amongst economies worldwide;
- **The search for global solutions** – the need for government leadership, combined with the importance of greater collaboration between companies and their stakeholders as they all seek to address key global issues (including climate change, scarce natural resources and the global talent shortage); and
- **Walking a tightrope** – the challenges CEOs face as they seek a balance between securing the immediate survival of their businesses while continuing to build for long-term success, including the need for new approaches to cross-border transactions, risk management and people management (each supported by better information) and the development of a new mindset about risk and return.

An historic moment: One world united in crisis

The storyline in this year's survey is one of deepening despondency. Although business confidence was already in decline a year ago, the speed with which anxiety levels have soared – particularly since mid-September 2008 – is dramatic.

As disquiet about the fragile state of the global economy mounted, worries dwindled over some of the other issues that until recently featured prominently in boardroom discussions. In September 2008, the scarcity of natural resources troubled roughly one in five CEOs; by late November, this had more than halved to less than one in ten.

The breakdown in business confidence has changed CEOs' business plans. In September, just 46% thought that the banking crisis would affect their expansion plans. By the end of November, that figure had risen to 67%. And as the depth of the economic winter became more apparent, more and more CEOs told us that they would have to reduce staffing levels in the next 12 months.

It was not just the scale of the carnage that took senior executives, governments and regulators by surprise. As bad news accumulated, the extent of the contagion worldwide underlined just how interconnected global markets have

become. Last year, CEOs in the so-called BRIC economies – Brazil, Russia, India and China – were considerably less worried by the prospect of a global downturn than their counterparts in the US, Japan and Western Europe. This year, it was clear that there would be few hiding places. A problem that began in the US has now infected all the world's major economies.

This is the *downside of globalisation*. And an analysis of our research shows that as CEOs combated the early stages of economic crisis, short-term confidence reached a six-year low. Only 21% of respondents remain very confident about growth prospects for the next 12 months. And, with bad news continuing to dominate the headlines, it is possible that even this residue of optimism has evaporated since we completed our research in early December.

The breakdown in business confidence has changed CEOs' business plans

Looking ahead – and in view of the extreme volatility of global markets – it is hard to predict exactly where and when the green shoots of recovery will appear. For the moment, as the rest of the survey makes plain, the depth and speed of the

ongoing downturn has served as a wake-up call for CEOs worldwide. Re-thinks are the order of the day – not just of specific responses, but more profoundly, of just what business success should mean from now on.

The search for global solutions

Encouragingly, CEOs are not just concerned by the immediate threats facing their businesses during the downturn. Climate change, dwindling natural resources and the scarcity of talent each pose profound longer-term questions. Facing this array of issues, CEOs are reconsidering basic assumptions about their roles and responsibilities, and those of governments.

Our survey shows a marked increase in support amongst CEOs for public sector involvement in shaping financial markets from now on, as well as the recognition of the need for much more international coordination. CEOs are also looking for clearer and more consistent guidance from governments to help them connect operational decision-making with wider global trends.

CEOs want governments to strike a delicate balance. On the one hand, they want more governmental leadership and action on economic and environmental issues, such as climate change and the convergence of global tax and regulatory frameworks. On the other, they tend to support government intervention only when it helps their businesses. As evidence of this, 55% of CEOs are concerned or extremely concerned about overregulation as an obstacle to growth.

The trend is towards more collaboration between businesses and government (only 22% of CEOs see no need for this). Looking ahead therefore, one of the key challenges for public and private sector organisations alike will be the establishment of regulations and governance arrangements that simultaneously restore order to the global economy, and encourage effective and innovative collaboration.

The trend is towards more collaboration between businesses and government (only 22% of CEOs see no need for this)

While the financial crisis is a global, systemic event, CEOs are well aware that the impact of climate change could be even bigger. Already moving fast to assume responsibility for the role of business in stemming carbon emissions, they also want greater clarity from government in this area. CEOs are hoping for an international framework and agreement on national carbon emissions targets in

order to generate and direct the capital needed for the massive transformation to a global, low-carbon economy (83% of CEOs identify this as a crucial priority for governments).

Walking a tightrope

Although CEOs confront different pressures and opportunities, they face a common challenge – how to meet the acute demands of short-term survival while ensuring their business model will be durable over the long-term.

So what are the short-term strategies? As the crisis persists, our survey clearly shows that CEOs are striving to maintain sources of credit, preserve revenue, use working capital more efficiently and carefully manage costs. Overall, the focus is on maximising returns from existing markets, not expanding into new ones.

As CEOs walk the tightrope between short-term survival and sustainable operations, new business approaches are coming to the fore

These approaches must also make sense in a broader context. Business leaders feel responsible for a wider range of long-term issues than ever before. Consequently, their ultimate success depends on a change in mindset. Instead of focusing principally on quarterly results, CEOs want financial markets to allow for more investment in large-scale opportunities, which have less predictable payback periods, and in mitigating risks that have the potential to erase years of incremental gains. The opportunities behind major global risks provide a powerful incentive for companies to seek out solutions to apparently intractable problems. For instance, deeper analysis of our data shows that nearly one-third of construction and civil engineering CEOs believe that climate change and mounting demand for dwindling natural resources will have a positive impact on their success.

As CEOs walk the tightrope between short-term survival and sustainable operations, new business approaches are coming to the fore. We asked CEOs about their strategies in three key areas – cross-border alliances, people and risk management – and found that collaborative approaches are increasingly in favour. However, the vast majority told us that they still lack comprehensive information on their various stakeholder communities (e.g., just 21% feel they have comprehensive data on customer needs and preferences).

But CEOs do not just want more data. They want better data. Specifically, this means more forward-looking information, which includes both financial and non-financial metrics. This requirement is urgent in all areas that CEOs say are critical to long-term success – talent, reputation, customer service, and agility. To remain agile under extreme operating conditions, CEOs must be able to anticipate the direction markets are likely to take and react swiftly.

Never before have such daunting threats to short-term business survival coincided with the need to formulate long-term business strategies geared to address ‘big picture’ risks

Looking forward

The key theme in this year’s survey is the need to achieve a viable balance between short-term and long-term perspectives. Most CEOs stress the need to balance the immediate drive to cut costs and to reduce headcount against the retention of key talent that will help the business capitalise on the recovery when it comes. It’s no surprise that risk management is also under the spotlight (and not just in the financial sector). In operational terms, this means that we should expect to see improved information-gathering and stakeholder collaboration high on

boardroom agendas. And the collaborative mindset (in the shape of joint ventures and alliances) will also shape cross-border strategies, as CEOs look to share risk in both operational and financial terms.

Our survey is published at an historic moment. Never before have such daunting threats to short-term business survival coincided with the need to formulate long-term business strategies geared to address ‘big picture’ risks. The good news is that the markets appear to be on the path away from short-termism. What remains unclear is the extent to which global businesses are truly assimilating their experience of this financial crisis into their long-term thinking.

For further information, please contact:

Sophie Lambin

Director of Global Thought Leadership
PricewaterhouseCoopers LLP (UK)
sophie.lambin@uk.pwc.com
+44 20 7213 3160

Mike Davies

Director of Global Communications
PricewaterhouseCoopers LLP (UK)
mike.davies@uk.pwc.com
+44 20 7804 2378

Full findings of the PricewaterhouseCoopers 12th Annual Global CEO Survey are available at www.pwc.com/ceosurvey