

## Operating in a more extreme environment

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### More opportunities, more risks

41% of forest, paper and packaging (FPP) CEOs think the economy will pick up this year. Most are also positive about their ability to boost revenues, and they're looking to China, the US and Germany to generate much of this growth.

But FPP CEOs believe more extreme conditions are emerging. Although 73% say there are more opportunities for growth than there were three years ago, 69% say there are also more threats (versus 61% and 59%, respectively, overall).

### Preparing for turbulent megatrends

FPP CEOs are particularly concerned about how indebted governments will handle their fiscal deficits. They also worry about the potential for over-regulation, geopolitical uncertainty and high or volatile energy costs. Yet they're less worried about the disruptive megatrends reshaping their industry than their counterparts in many other sectors, possibly because they're already been gearing up to cope with a more unstable business environment. And as we've shown in previous years, innovation is a major focal point for the industry, which may also help.

### Entering new or adjacent spaces

That said, only 47% of FPP CEOs anticipate more competition from new competitors entering other industries (versus 56% overall). Indeed, 31% don't expect any significant new rivals from other industries to invade their space. That may well reflect both the high capital cost of entering the industry as well as the high level of technological expertise associated with many of its products.

Some parts of the industry are experiencing declining demand, so it isn't surprising that 35% of FPP CEOs have already entered a new industry themselves, while 27% have considered doing so. Those who are making – or considering – such a move are targeting the industrial manufacturing and energy, utilities and mining sectors.

### Questions to ponder

- How are you preparing your business to balance new opportunities for growth with new risks?
- Have you paid enough attention to the potential for competition from other industries?

## Fusing new and old ways of competing

### Treading carefully down the digital path

FPP CEOs are also less likely to be capitalising on the power of digital technologies. They recognise the value of mobile technologies for engaging with customers, cybersecurity and data analytics – the three advances they deem most strategically important. But, robotics apart, they place much less weight on these new tools than their counterparts in other sectors. Still, many are concerned about the speed at which technology is evolving: 61% of FPP CEOs now worry on this score, up from 42% last year.

However, those FPP CEOs who've invested in new digital technologies say their efforts are paying off. They've seen their operations, sourcing and supply chain management improve. They also make better use of the data they collect and have enhanced their internal and external collaboration.

That's not to suggest the transformation is easy, though. It requires a CEO who champions the use of digital technologies, a robust plan and a clear vision of the competitive advantage such technologies can deliver.

### Diverse deals, different talent pools

Nearly half of all FPP CEOs intend to form a new alliance this year, largely to get access to new geographic markets or technologies and make their companies more innovative. But the percentage planning to hire more people has fallen dramatically, from 45% to 27%.

Why? FPP CEOs, like other CEOs, certainly worry about the availability of key skills, and many are actively widening their search for talent. But they're even more concerned with reducing costs and restructuring their operations. A full 90% plan to cut costs this year (versus 71% overall). And 43% aim to complete a cross-border M&A, while 22% plan to exit from a business or market (versus 27% and 13%, respectively, overall).

### Questions to ponder

- What are you doing to evaluate the impact of digital technologies on your stakeholders?
- How badly would your business suffer if you get your talent pipeline wrong?



### Get in touch with us!

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