

11th edition

Slovak CEO Survey 2020

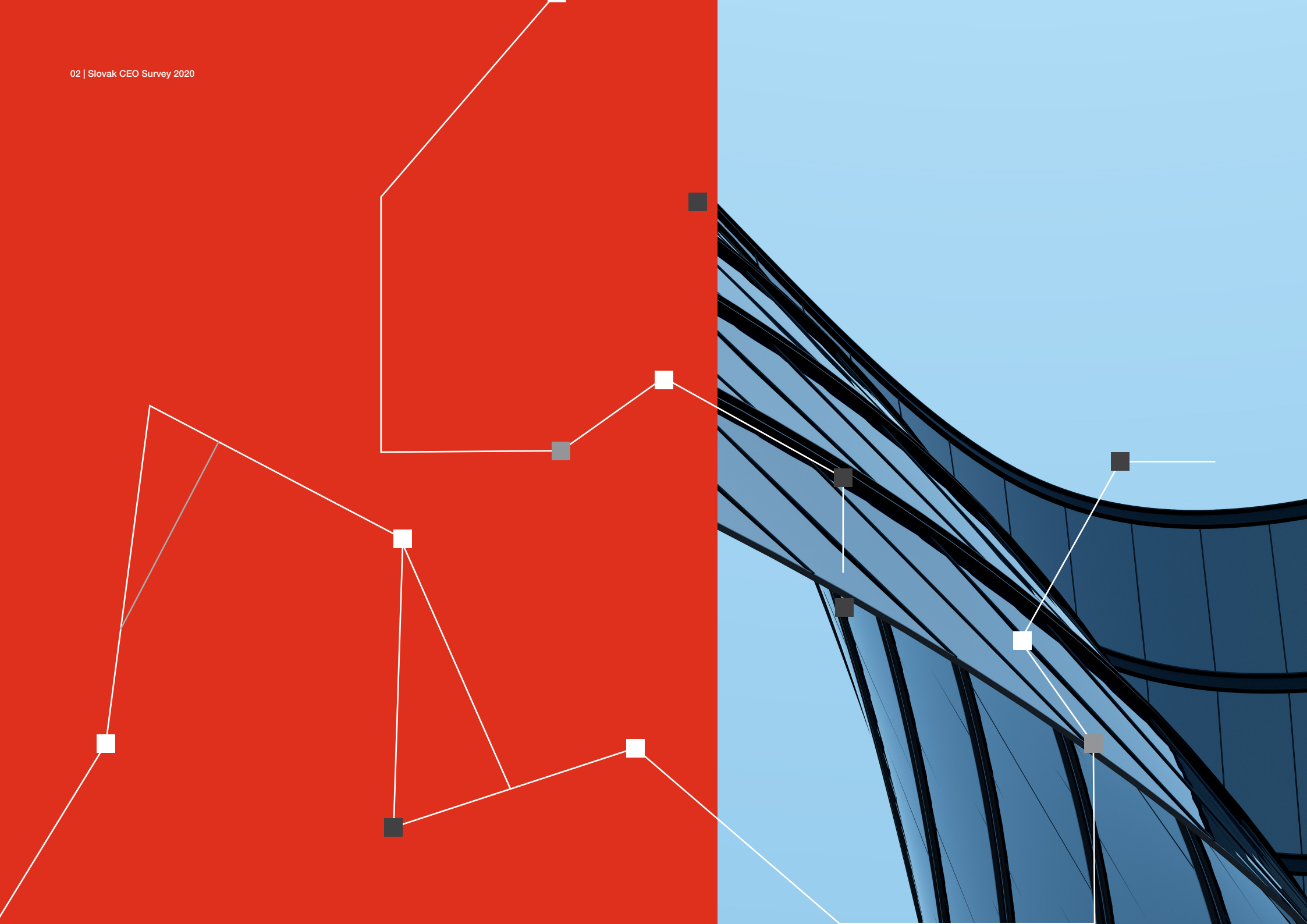
PwC, a consultancy firm, and the Slovak edition of the Forbes Magazine asked CEOs in Slovakia what developments they expect in the next 12 months.

www.pwc.com/sk/en

In total, 105 CEOs in Slovakia gave their opinions in the period from 31 August to 21 September 2020 and 143 CEOs in the period from 1 December 2019 to 31 January 2020.



Forbes



Survey conclusions

1.

CEOs in Slovakia were much more optimistic in September 2020 than before the pandemic

One third of CEOs expected a crisis, but not as big as in 2009. In autumn 2019 and January 2020, their expectations regarding the development of the global economy were the most pessimistic for the last eight years. In January 2020, before the pandemic, 10 times more CEOs than two years ago stated they believed the global economy would slow down. Recession was just ahead, but it was not clear to them what it would be like and what would set it off.

2.

CEOs trust their firms and strongly believe they will be able to manage the challenges in the near future, but they have doubts about new opportunities to generate revenue

In September 2020, CEOs were also more optimistic as regards their companies' revenue growth, as 84% of them were very or somewhat confident that their companies would grow. At the beginning of this year, this figure was 71%. CEOs in Slovakia believe their companies will be able to provide a safe and secure working environment, retain talent, manage employees' well-being and morale, and balance the needs of all stakeholders. But fewer of them (37%) are confident about finding new opportunities to generate revenue.

3.

Up to 62% of CEOs are not considering deferring or cancelling planned investments due to COVID-19 and intend to invest in IT, operations, and digital transformation

Almost two-thirds of CEOs are not considering deferring or cancelling planned investments. CEOs in Slovakia mostly plan to speed up automation and implement new working methods, change security measures and requirements at the workplace, and improve remote work. Of the 38% of CEOs in Slovakia who intend to postpone or cancel investments, most of them are considering deferring or cancelling capital expenditures, freezing headcount, and postponing or cancelling investments in operations.

4.

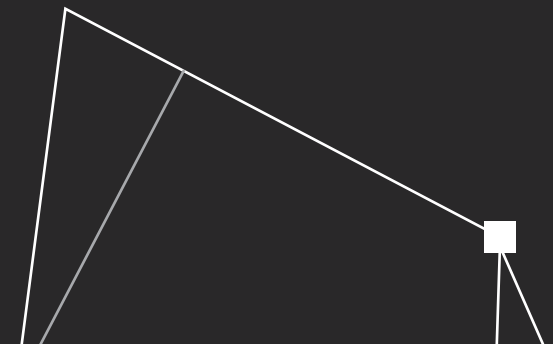
In January 2020, CEOs worldwide stated that increasing the digital skills of their employees had a very positive impact on company results and optimism

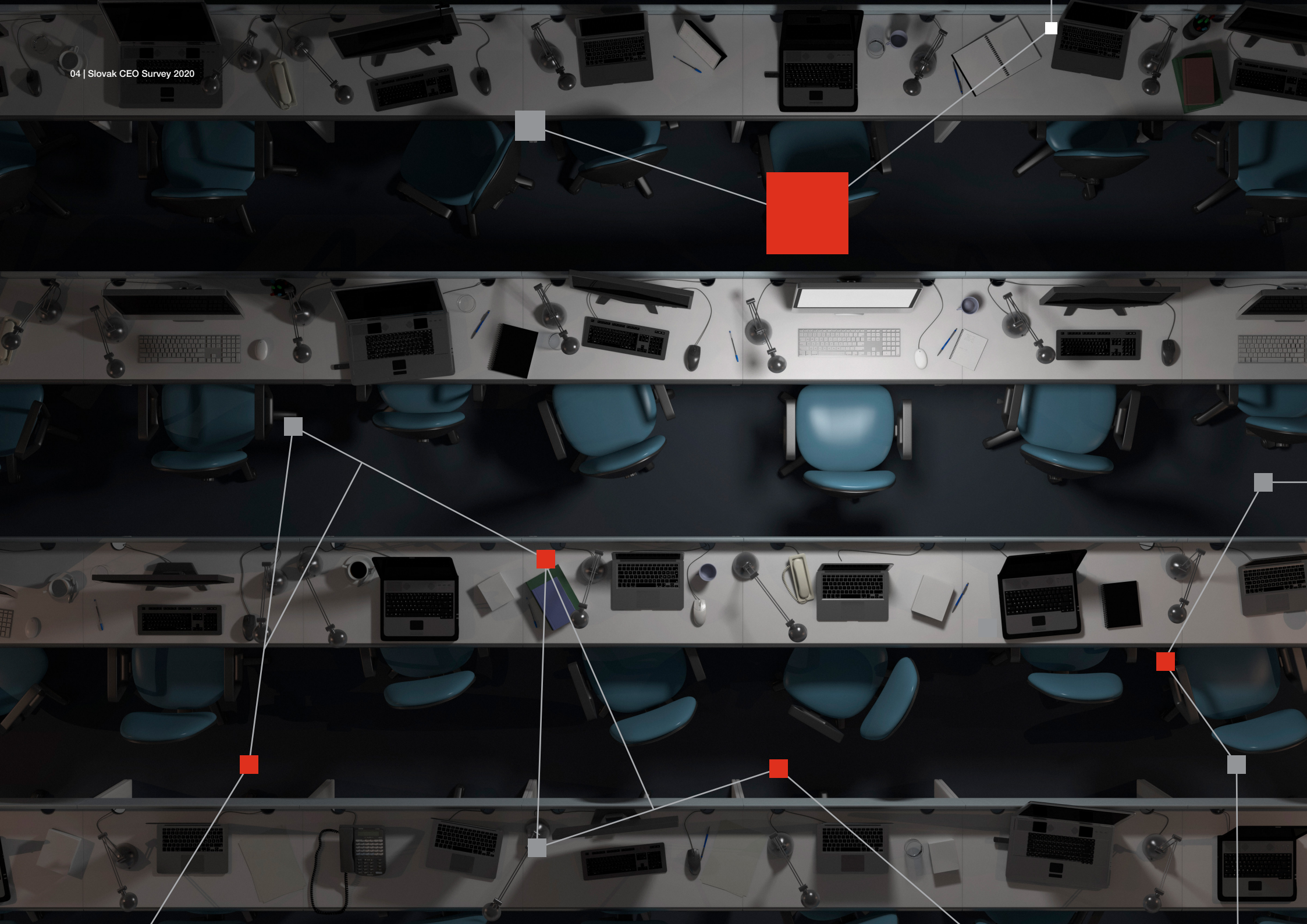
Less than one in five CEOs worldwide (18%) believed their company had made significant progress in implementing upskilling programmes. In Slovakia, this was stated by 21% of the business leaders. Companies that have made the most progress in upgrading the skills of their employees are achieving better business results, including better corporate culture, higher labour productivity, higher revenue growth, easier acquisition and retention of talent, greater innovation and smaller differences between desired and achieved employee skills.

5.

Climate change is seen as an opportunity by CEOs globally more often than by CEOs in Slovakia

CEOs worldwide were more than twice as likely as 10 years ago to believe their activities focused on averting climate change will improve their reputation and bring significant opportunities for new products and services. In the world's largest economies where the need to reduce carbon emissions is the greatest, CEOs are generally aware of the opportunities brought by these changes. CEOs in Slovakia see more risks than opportunities in climate change than CEOs globally, and more of them have assessed potential material risks as a result of future climatic events, and have also addressed more potential risks associated with the transition to a greener economy (e.g. CO2 emission regulation or technological changes). Unfortunately, progress towards a greener economy is the slowest in the Middle East, although economies here are over-dependent on oil revenues.



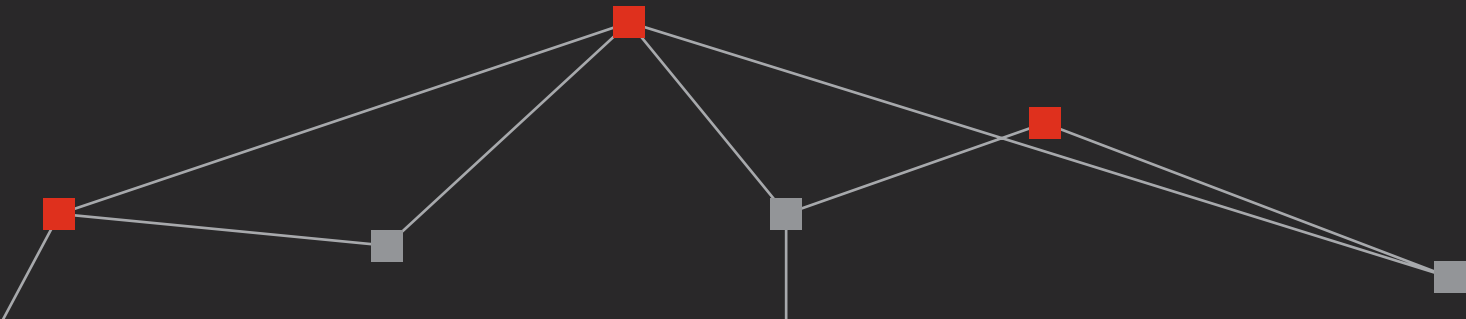
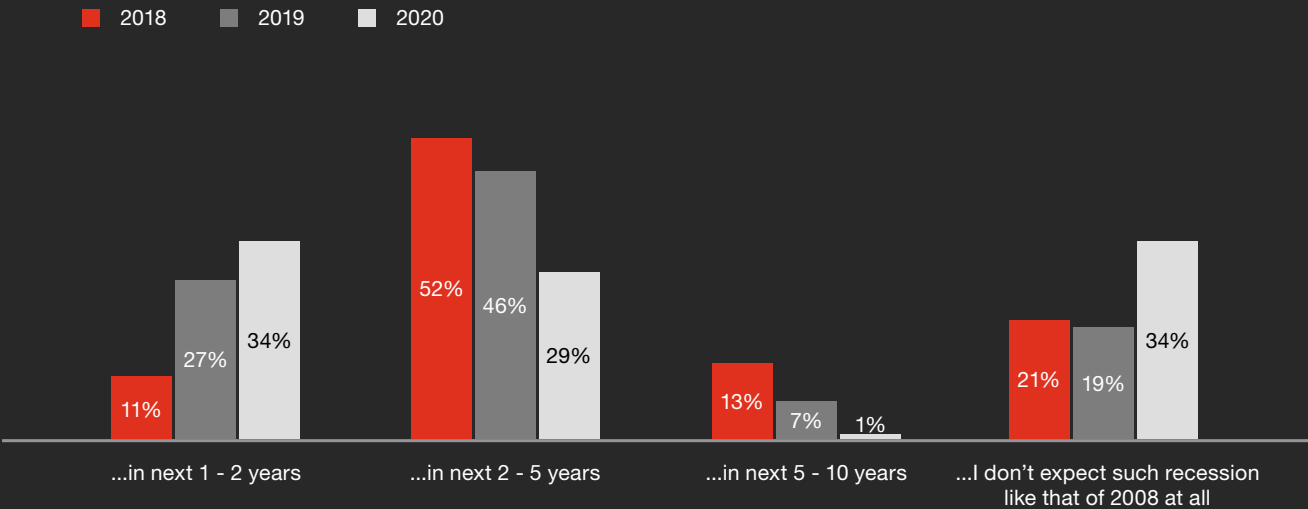


In January 2020, one-third of CEOs in Slovakia expected a recession or crisis to come in this or the next year

One third of CEOs expected a crisis within 1-2 years and one-third expected a crisis to come (within an unspecified period of time), but not as big as in 2009. In autumn 2019 and January 2020, their expectations regarding the development of global economy were the most pessimistic for the last eight years. In January 2020, before the pandemic, 10 times more CEOs than two years ago stated that the global economy would slow down. Recession was just ahead, but it was not clear what it would be like and what would set it off.

Figure 1

In last years Slovak economy has grown, do you expect the recession/crisis ...?

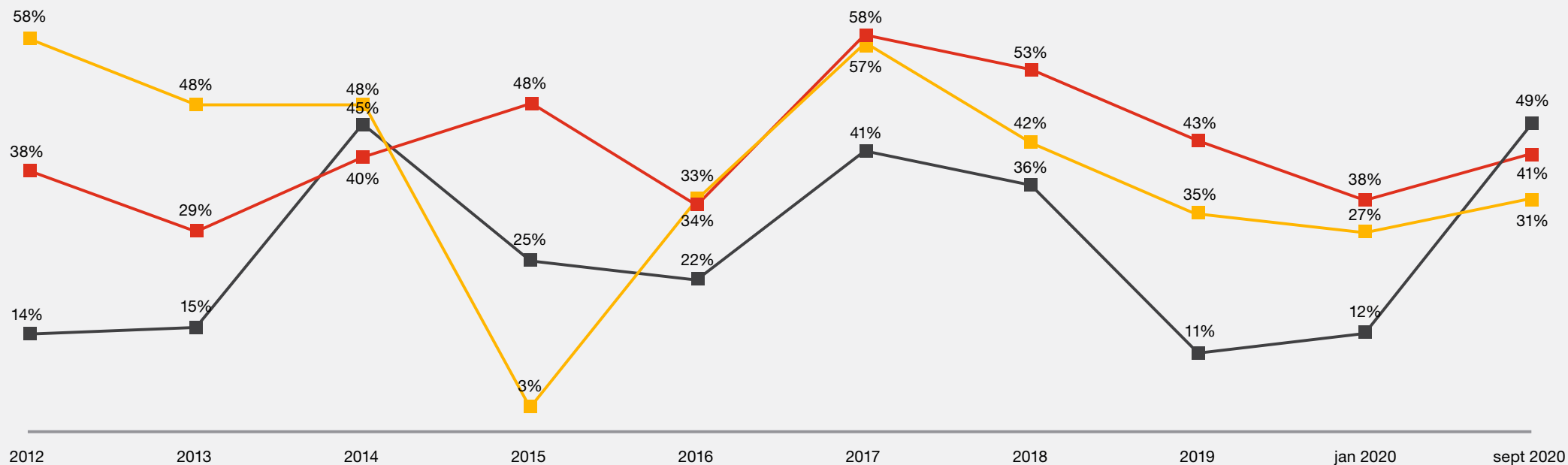


Confidence of CEOs in Slovakia in global economic growth and their company's revenue growth was significantly higher in September 2020 than in January 2020 and 2019

After the highest levels of pessimism at the start of 2020 before the outbreak of the pandemic, the percentage of CEOs who expect an acceleration of global economic growth has tripled. So, optimism has returned, but under significantly changed conditions.

Figure 2

- Domnievate sa, že sa tempo globálneho ekonomického rastu zrýchli, nezmení alebo spomalí v nasledujúcich 12 mesiacoch? (zrýchli)
- Nakol'ko veríte v rast svojej firmy v nasledujúcich 12 mesiacoch? (veľmi tomu verím)
- Nakol'ko veríte v rast svojej firmy v nasledujúcich 3 rokoch? (veľmi tomu verím)

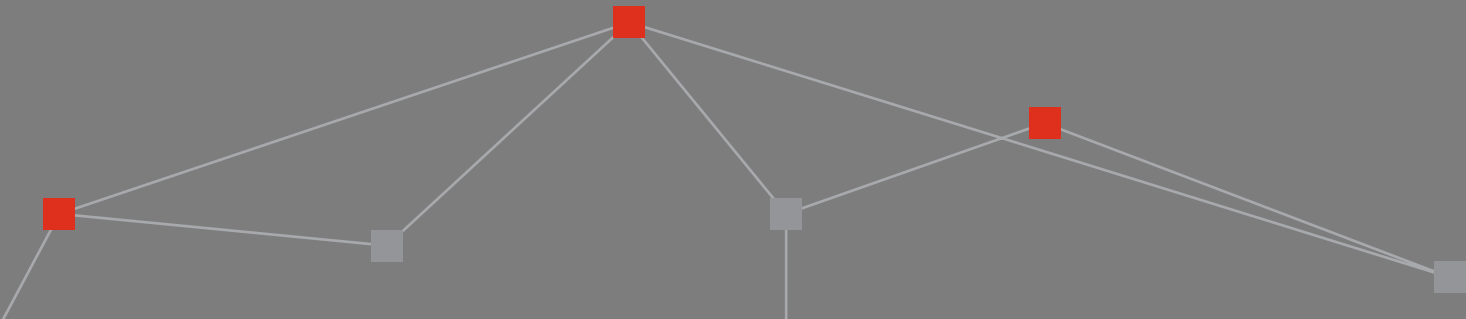
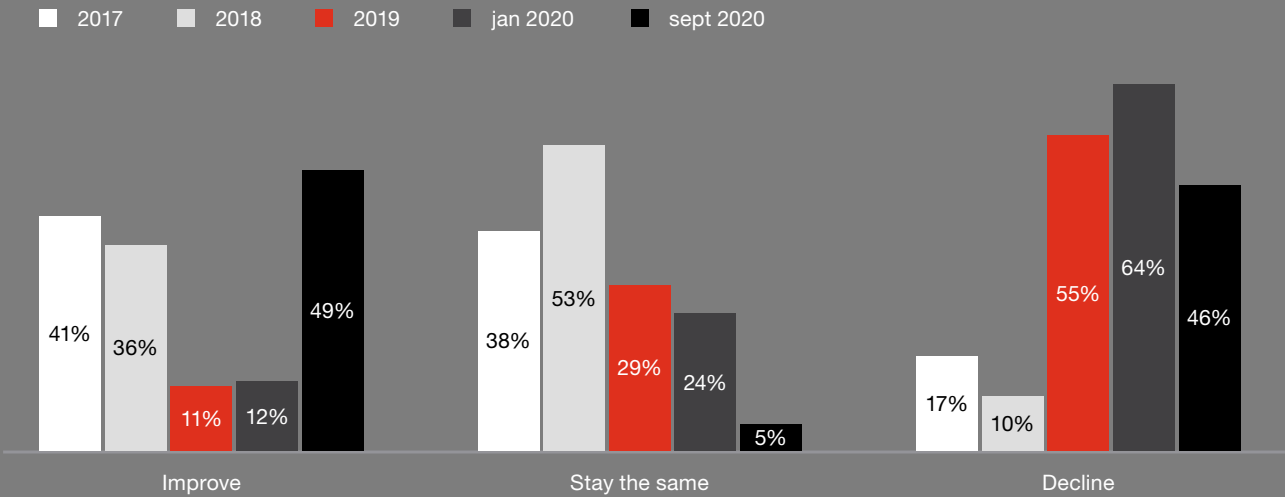


CEOs in Slovakia do not agree on whether global economic growth will speed up or slow down

About half of CEOs in Slovakia expect an acceleration and half a slowdown of the global economic growth rate in the next 12 months. The percentage of CEOs who think that the growth rate will remain unchanged dropped significantly.

At the start of 2020, a record percentage of CEOs (64% in Slovakia and 55% globally) stated that global economic growth would slow down. The CEO Survey results from January 2020 were the most pessimistic since 2012. Recession was just ahead, the signs were already there, but it was not clear where it would come from and what it would be like. Today, its outlines are clear.

Figure 3
Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?

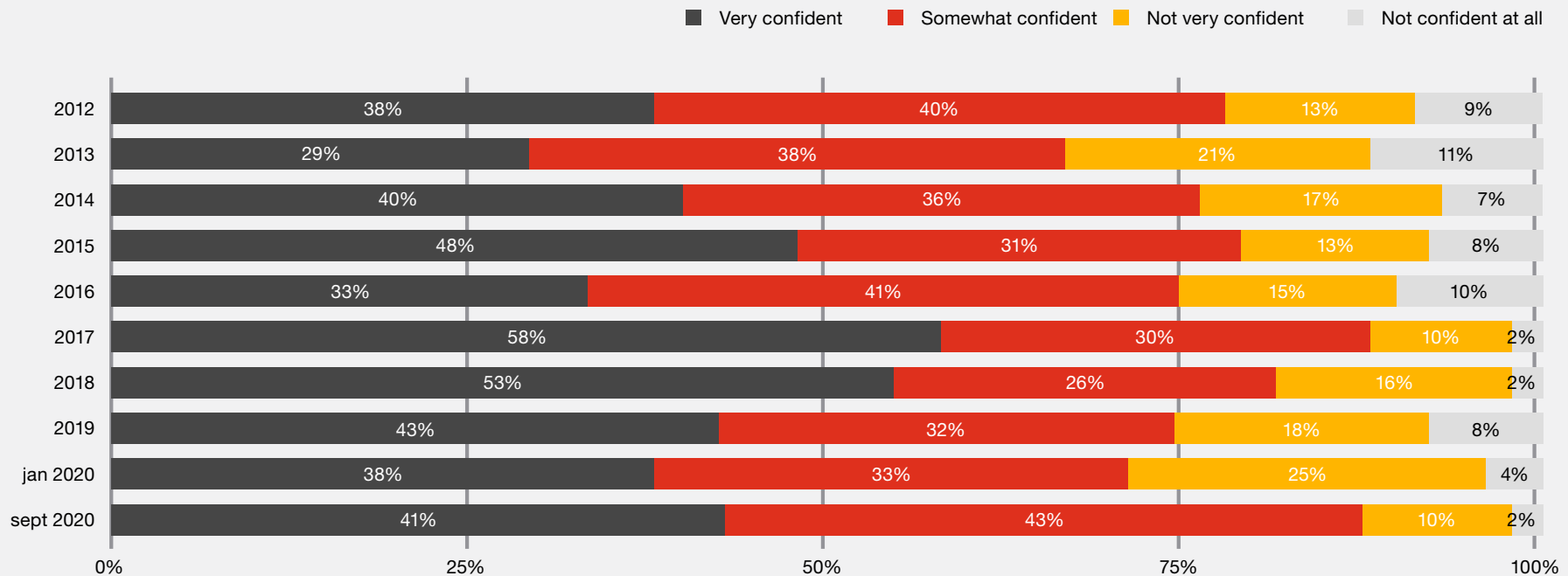


Today, more CEOs in Slovakia believe in their organization's growth in the next 12 months than at the start of 2020

Figure 4

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

In September 2020, CEOs were also more optimistic as regards revenue growth at their firms, with 84% being very or somewhat confident of their companies' growth. This percentage was 71% at the beginning of the year





CEOs in Slovakia are very confident that their organizations will be able to provide a safe working environment, retain talent, manage employee well-being and morale, and balance the needs of all stakeholders

Figure 5

In returning to the workplace how confident are you in your company's ability to do following?



CEOs state that the most important changes for renewing or increasing revenues are needed in product and service offers, pricing strategies, and distribution channels

Figure 6

Changes in which of the following will be most important to rebuilding or enhancing your revenue streams? (Select three.)



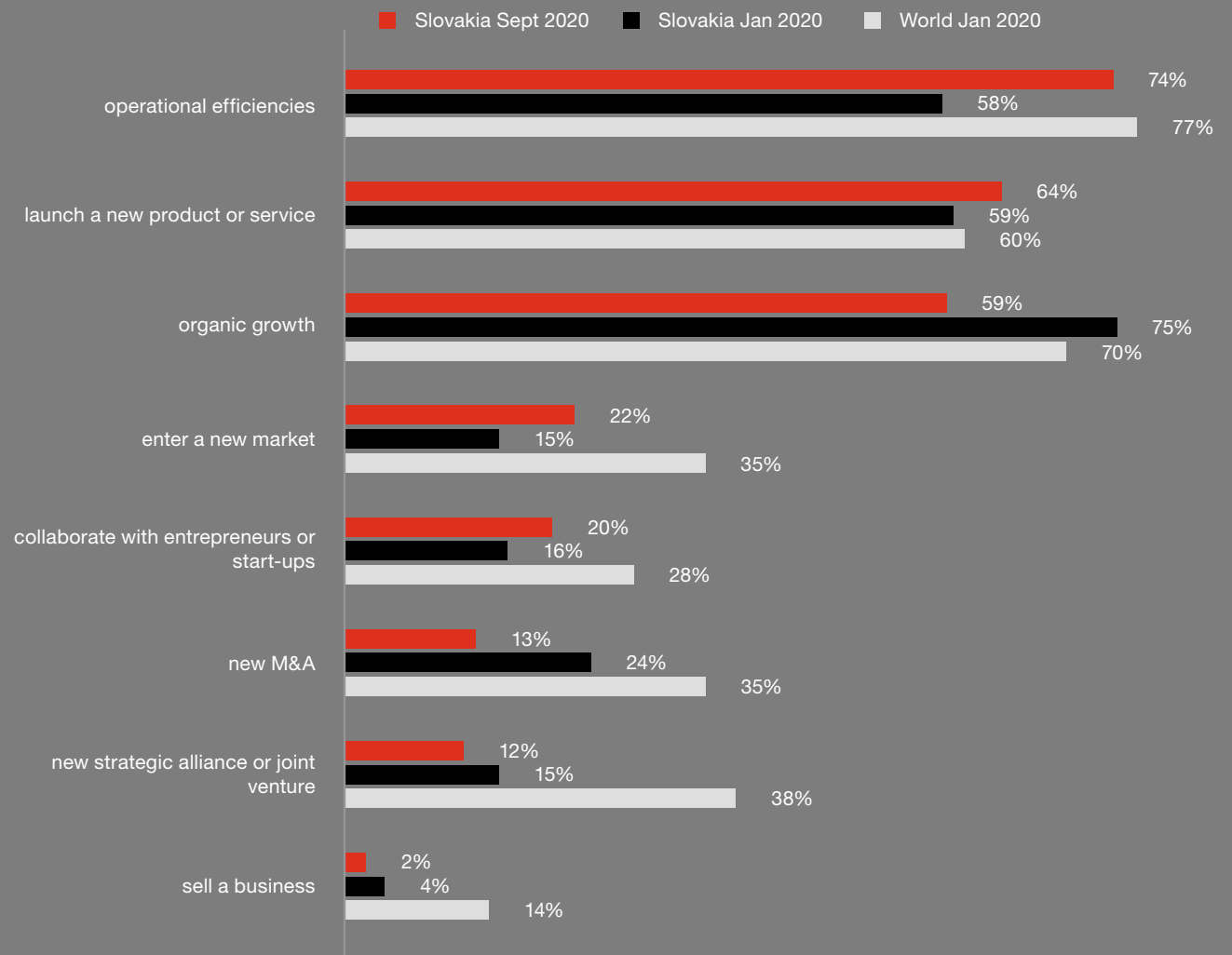
CEOs worldwide were planning to streamline their production/operations a year ago, and this is true for CEOs in Slovakia today

In September 2020, up to three-quarters of CEOs in Slovakia planned to implement initiatives to streamline production/operations, and approximately the same percentage of CEOs globally had the same plans in autumn 2019. CEOs in Slovakia are expecting organic growth at their organization to a lower degree than at the beginning of the year.

Compared to CEOs in Slovakia, CEOs globally are planning to collaborate more with other entrepreneurs or start-ups, carry out new mergers or acquisitions, or to sell their business.

Figure 7

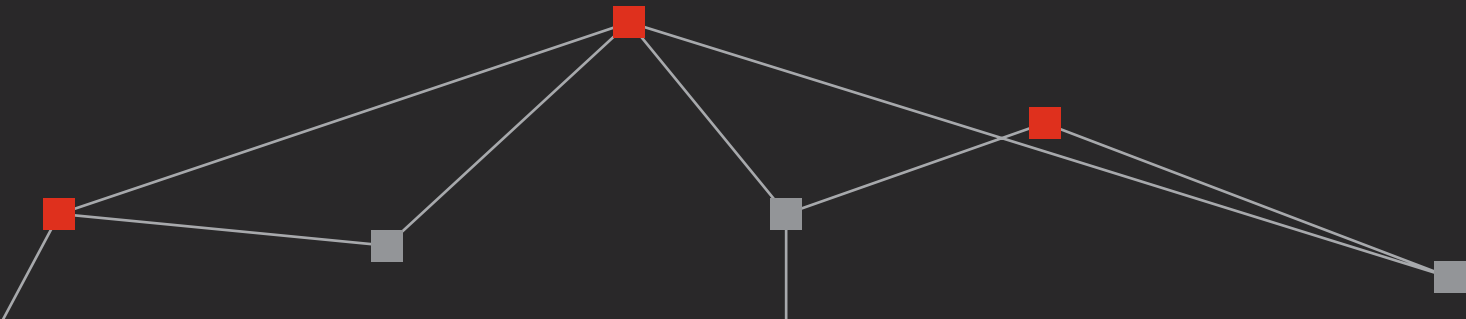
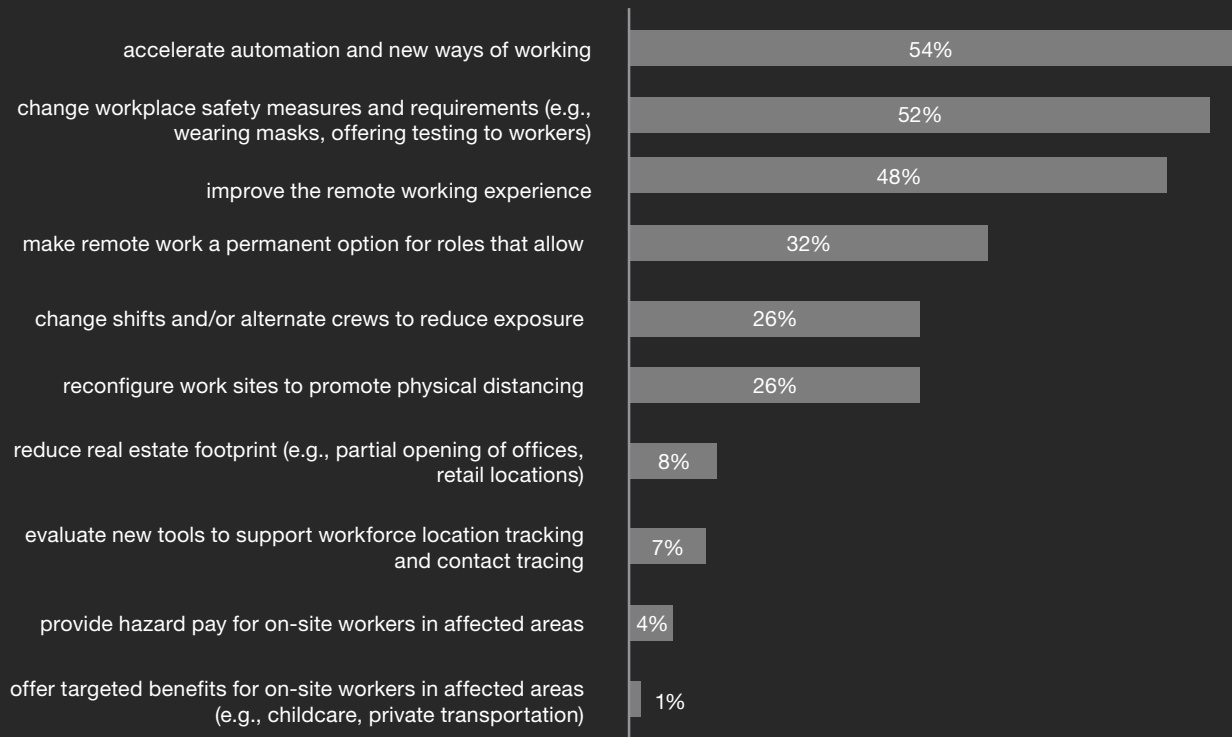
Which of the following activities, if any, are you planning in the next 12 months in order to drive revenue growth?





CEOs in Slovakia mostly plan to accelerate automation and implement new ways of working, change workplace safety measures and requirements, and improve the remote working experience

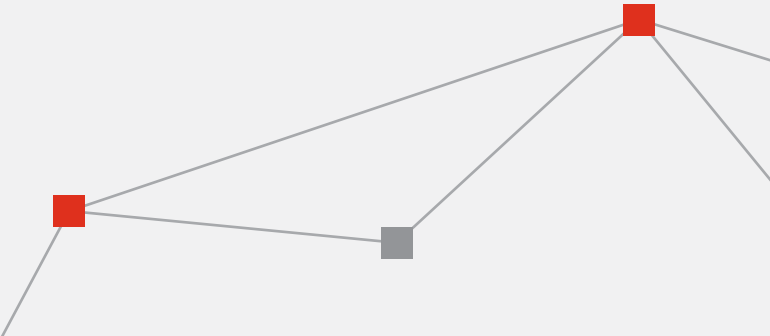
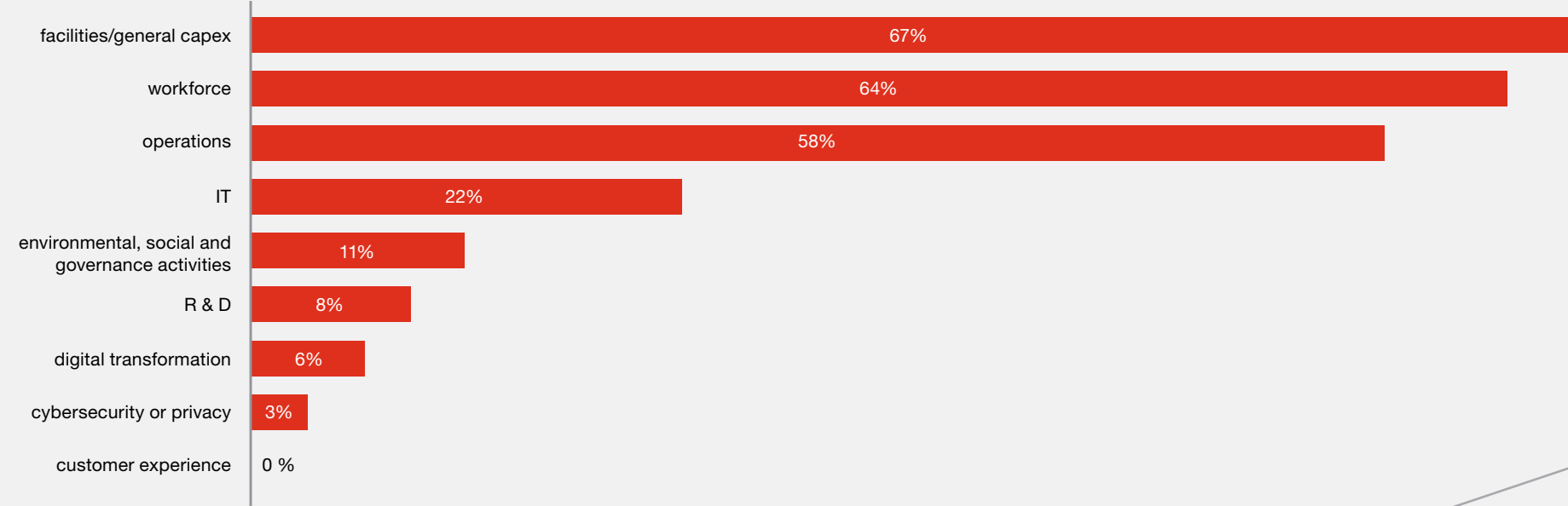
Figure 8
Which of the following initiatives is your company planning to implement once you start to transition back to on-site work? Please select all that apply.



About 38% of CEOs worldwide are considering deferring or cancelling planned investments due to COVID-19

CEOs in Slovakia are mostly considering postponing or cancelling investments in facilities, workforce, and operations

Figure 9
You mentioned your company is considering deferring or cancelling planned investments as a result of COVID-19. Which of the following investment types are being considered in that regard? (Please select all that apply.)

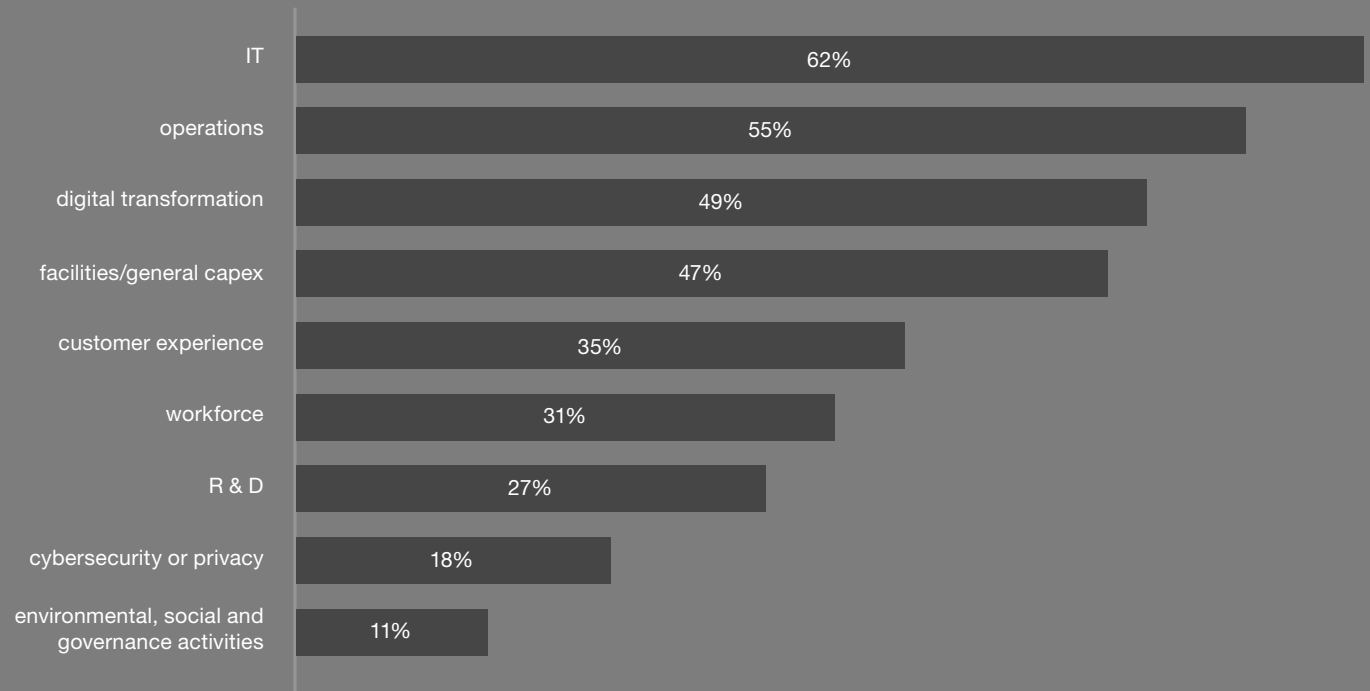


Approximately
62% of CEOs
worldwide ARE NOT
considering deferring
or cancelling planned
investments due
to COVID-19

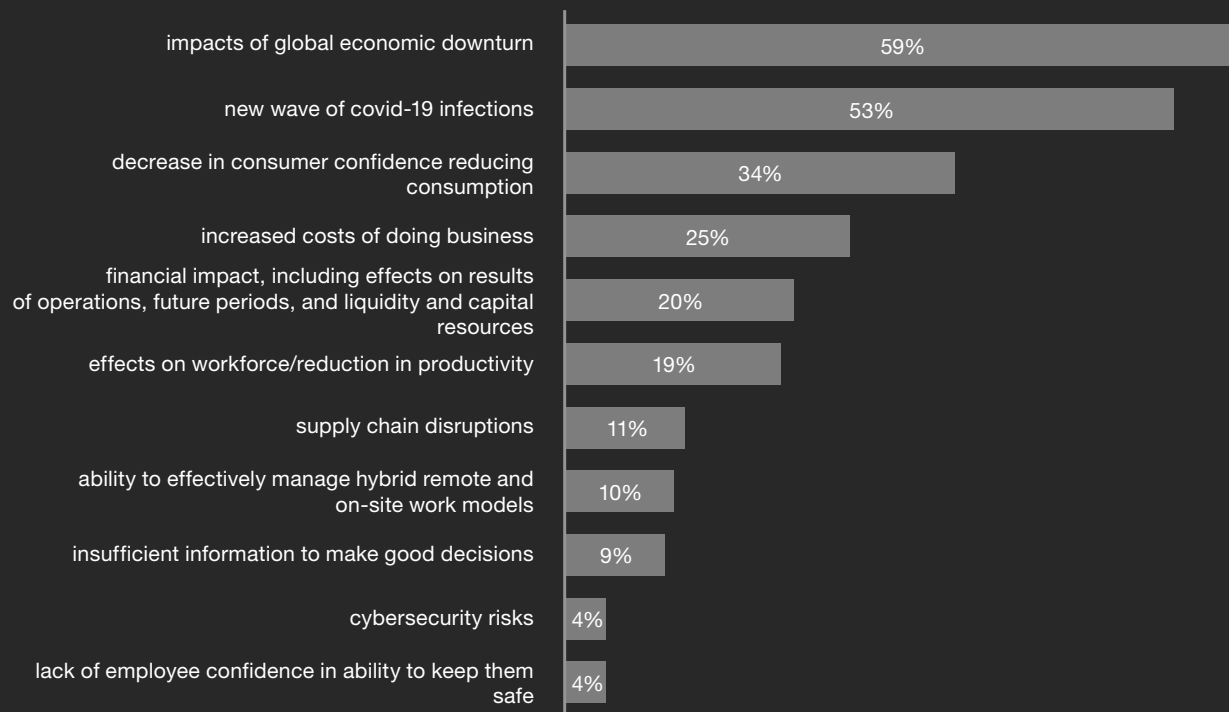
CEOs in Slovakia
are mostly planning
to realize investments
in IT, operations, and
digital transformation

Figure 10

Uvedli ste, že vaša spoločnosť NEzvažuje odloženie alebo zrušenie plánovaných investícií v dôsledku COVID-19. Ktorý z nasledujúcich typov investícií v tejto súvislosti plánujete realizovať? Prosím, vyberte všetky relevantné možnosti.



What are your top-three concerns with respect to returning to the workplace and operating in a changed business environment? (Select three.)



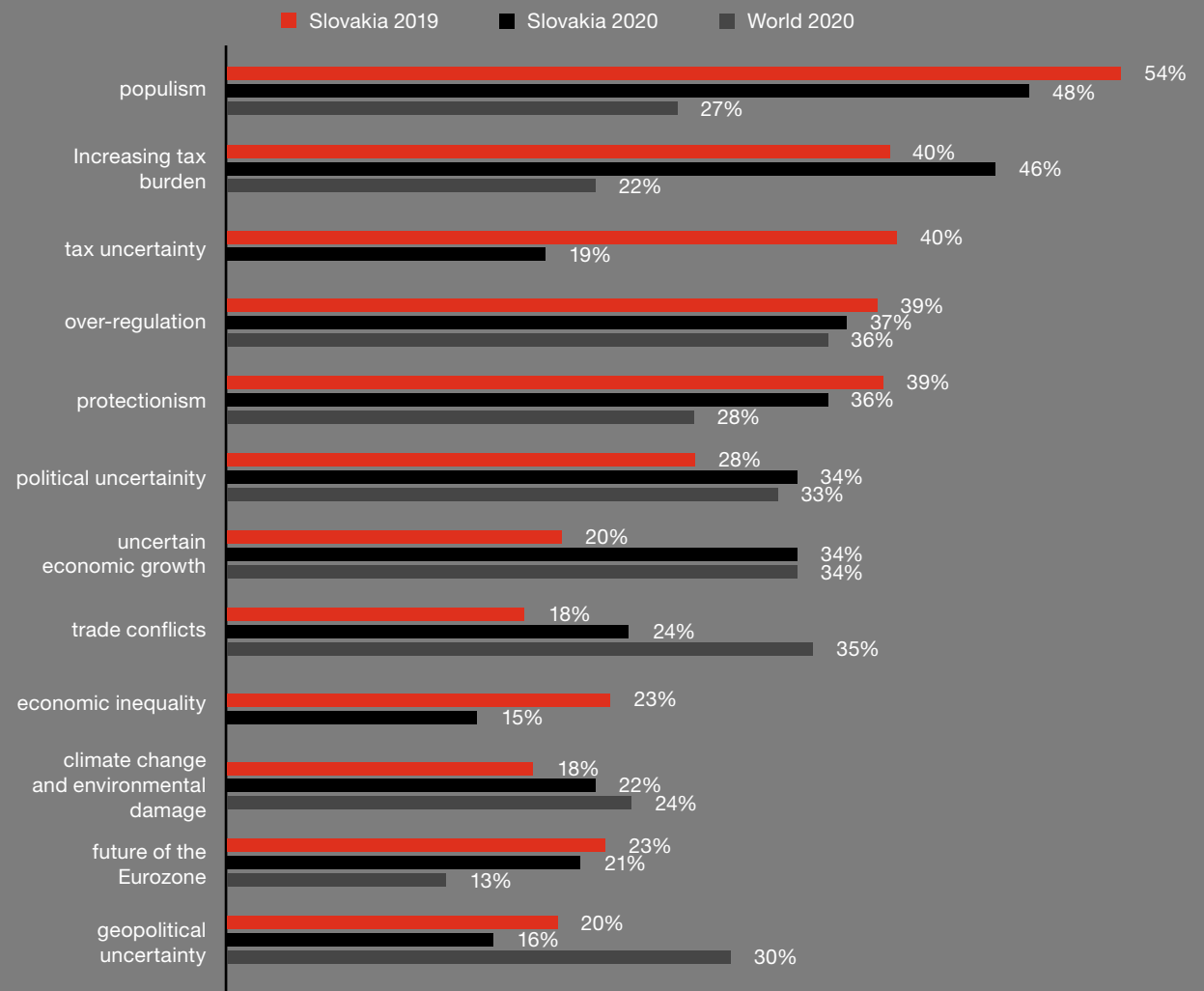
What were the biggest threats that CEOs in Slovakia saw in January 2020 before the pandemic?

Populism in Slovakia was again considered the biggest threat, while globally it was overregulation.

Potential economic, social, political and environmental threats were different from the CEO point of view in Slovakia and globally. In Slovakia, populism, increases in the tax burden, and tax uncertainty clearly dominated, while globally, it was overregulation, trade conflicts, and uncertain economic growth.

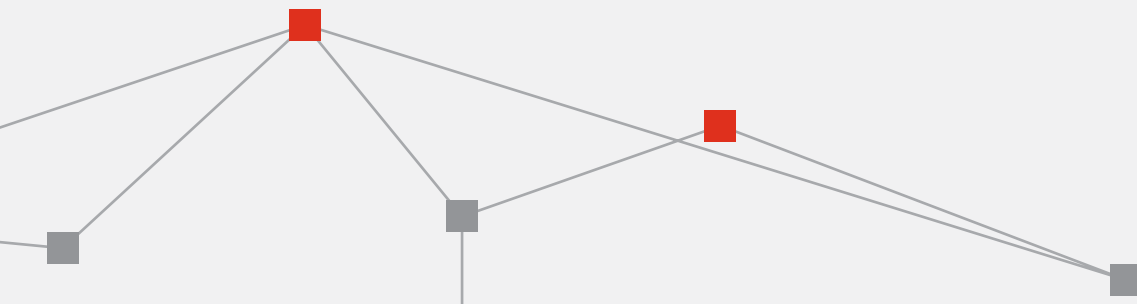
Figure 12

What are your top-three concerns with respect to returning to the workplace and operating in a changed business environment? (Select three.)



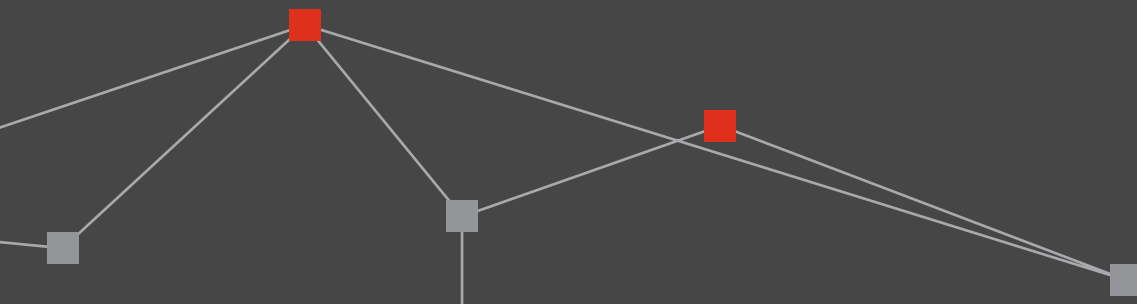
Which of the following factors jeopardized successful business in Slovakia in January 2020?

- 1** Law enforcement and fair justice system
- 2** Populism, political instability, and influence of extremist parties
- 3** Increasing tax burden
- 4** Quality of university education



Which priorities were most important for the society in Slovakia in January 2020?

- 1 Skilled, educated, and adaptable workforce
- 2 Law enforcement and fair justice system
- 3 Simple, stable, and efficient tax system
- 4 Confidence of citizens in liberal democracy and free markets



In which areas would CEOs in Slovakia invest the extensive EU funds available?

73%

Intelligent Society

(increasing teachers' salaries, increasing expenditure on groups at risk of poverty and social exclusion, supporting compulsory pre-primary education, reconciling education and the labour market in secondary vocational schools, supporting vocationally oriented bachelor's programs, implementing a system for verifying skills acquired outside the formal education system)

68%

Business Environment and Public Administration

(fight against corruption and increased transparency of public administration, streamlining and improving the complexity of informatization of public administration, strengthening the building of analytical capacities of individual state institutions, improving electronic services of companies in contact with state authorities, reducing administrative burdens of entrepreneurs)

49%

Mobility

(completion of the motorway network, completion of selected sections of expressways, strengthening the evaluation of infrastructure projects using the Value for Money Unit, increasing investment in streamlining the railway network)

Figure 13

Choose 3 priorities in which you believe Slovakia should invest as a priority the EUR 41 billion from the Next Generation EU Fund and the European Structural and Investment Funds for 2014 - 2020 and 2021 - 2027?

46%

Healthy Society

(construction of university hospitals, renovation of hospitals, increasing the availability of outpatient clinics for general practitioners, improvement of acute care, electronic records in healthcare)

44%

Green and Digital Transformation

(increasing grant funding and integration of the European Research Area, transparent allocation of grants for research and development activities of companies, reducing administrative burdens in electronic public administration, supporting the digitization of individual sectors of the economy, building telecommunications and cloud infrastructure)

12%

Labour Market and Social Area

Labour market and social area (improving labour mobility via the construction of rental housing, support for retraining to increase workforce skills, construction and renovation of social services homes, improving the information systems of the Social Insurance Agency and Labour Offices)

In autumn 2019, CEOs stated that the upgrading of the digital skills of employees had a very positive impact on business results and optimism

Companies that have made the most progress in upgrading the skills of their employees are achieving better business results, including better corporate culture, higher labour productivity, higher revenue growth, easier acquisition and retention of talent, greater innovation and smaller differences between desired and achieved employee skills.

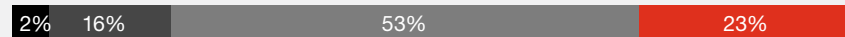
CEOs globally whose employees' digital skills have been improved have seen greater engagement, more innovation, and an increased ability to attract talent

Figure 14

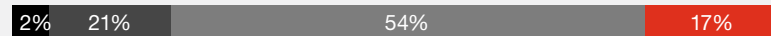
How effective are your upskilling programmes in achieving the following outcomes?

“Start-ups” – the lower quartile of CEOs who made the least progress

Strong corporate culture and employee engagement



Higher labour productivity



Greater business growth



Better recruitment policies and retention of talent



Increased innovation and faster transformation to the use of digital technologies



Reduction of mismatch between skills that employers need and skills that employees have



Calculation basis: number of start-ups = 411, number of companies with higher progress = 353

Source: Global CEO Survey - January 2020

“More advanced companies” - the upper quartile of CEOs who made the greatest progress

Strong corporate culture and employee engagement



Higher labour productivity



Greater business growth



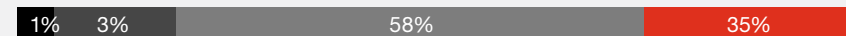
Better recruitment policies and retention of talent



Increased innovation and faster transformation to the use of digital technologies



Reduction of mismatch between skills that employers need and skills that employees have



■ Non-effective ■ Not very effective ■ Adequately effective ■ Very effective

This survey shows that there is a definite correlation between progress in upgrading digital skills and CEO's optimism and confidence in growth. CEOs of companies that perform better in digital skills are much more optimistic about the evolution of the global economy - 34% of them expect improvement, compared to 15% of CEOs who are just starting to upgrade digital skills at their companies. "More advanced" CEOs express more confidence in revenue growth over the next 12 months - 38% are "very confident", as opposed to 20% of CEOs just "starting" with upgrading digital skills. This correlation suggests that employers who take meaningful measures to upskill their employees build their confidence and that, in turn, can increase returns in a world where trust is increasingly a valuable commodity.

CEOs alone are unable to solve the global talent and skills crisis that we are facing. To keep people around the world productively involved in meaningful work requires a joint action and greater efforts from educators, national, regional and local authorities, technology innovators and the business community.

According to the Edelman Trust Barometer 2019, in these precarious times when people have lost confidence in institutions, "my employer" is often the most trusted entity.



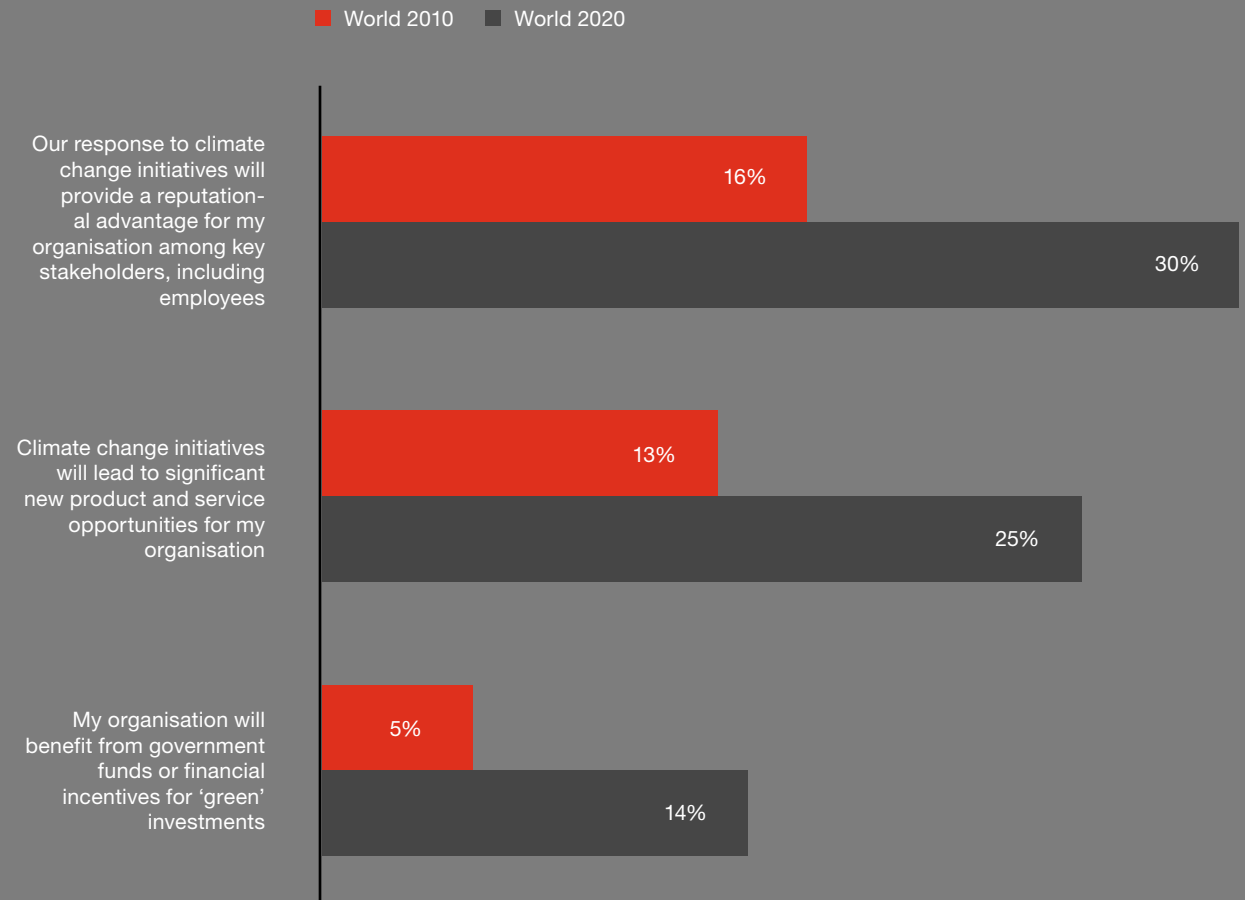
Opportunity Hidden in Crisis

The global CEO survey from January 2020 shows that CEOs around the world are increasingly engaged in carbon footprint reduction activities, even though these activities are not the main priority in their business. Compared to 2010, this year CEOs are twice as likely (30%) to agree that climate change reversal initiatives will improve their company's reputation among key stakeholders, including their employees, while in 2010 this figure was only 16%. The share of CEOs stating that climate change initiatives will bring significant new product and service opportunities for the company (25% in 2020 compared to 13% in 2010) has also increased. Almost three times as many CEOs (14% in 2020 compared to 5% in 2010) state that they plan to use state funds or financial incentives for green investments.

In the world's largest economies, where the need to reduce carbon emissions is the greatest, CEOs are generally aware of the opportunities these changes bring. The biggest difference in perception of opportunities was shown by CEOs in China - in 2010, only 2% of Chinese CEOs agreed that climate change initiatives would bring significant opportunities for the company in new products and services. Now, almost half of them agree with this statement (47%).

Figure 15

How strongly do you agree or disagree with the following statements regarding climate change?



CEOs in Slovakia see more risks than opportunities in climate change than is the case with CEOs globally

CEOs in Slovakia perceive the impact of climate change on business slightly differently. More CEOs in Slovakia than globally assessed potential material risks (e.g. infrastructure damage) as a result of future climatic events, and in Slovakia more of them than globally are addressing potential risks associated with the transition to a greener economy (e.g. CO2 emissions regulation or technological changes).

In Slovakia, business leaders are less concerned that initiatives to reverse climate change will improve business reputation among key stakeholders, including employees. One third less CEOs in Slovakia than globally state that climate change initiatives will bring significant opportunities for the company as regards new products and services. In Slovakia, there are 50% less CEOs than globally who expect companies to benefit from state funds or financial incentives for green investments.

Figure 16
How strongly do you agree or disagree with the following statements regarding climate change?



Slovak CEO Survey 2020

The survey was conducted by PwC, a consultancy firm, in cooperation with the Slovak edition of the Forbes Magazine for the ninth time. The contacted CEOs responded via an on-line questionnaire in two time periods – from 5 December 2019 to 31 January 2020 and from 31 August to 21 September 2020. In total, 248 CEOs (143 in the first and 105 in the second time period) in Slovakia participated in the survey. Their companies are operating in various industries: financial services (banking & insurance), industrial manufacturing, construction, automotive, retail and distributive wholesale, consumer goods, transportation & logistics, information technology, telecommunications, energy & utilities and other sectors. The data for the Global CEO Survey was collected from September to October 2019 in 83 countries worldwide. 1581 respondents participated in the survey. The respondents' sample is weighted by the national GDP of countries to ensure it is representative.

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