27th Annual Global CEO Survey - Asia Pacific

Leading through accelerated reinvention

February 2024

Contents

Foreword

As I reflect on the findings of PwC's 27th Annual CEO Survey, I'm reminded of the discussions and sentiments shared recently at the APEC CEO Summit in San Francisco. It's clear that Asia Pacific CEOs feel they're facing an uphill battle. Persistent geopolitical conflicts and inflationary worries, among other challenges, have really dug in, amplifying the risks and constraining growth. Confidence in the future continues to be overshadowed by persistent challenges and uncertainties, as revealed by the survey of 1,774 CEOs in the region, which shows an increasing number expressing reservations about the future viability of their companies if they continue on their current path.

However, as existential threats converge, we've also witnessed a growing imperative to change. A commendable shift is underway, with many companies taking steps towards reinventing themselves. Our survey also affirms that Asia Pacific continues to be considered as an important growth engine of the world. Yet, with the urgent call for climate action and the transformative potential of generative artificial intelligence, it's clear that mere adaptation will not suffice. Rather, an acceleration of business reinvention efforts is crucial. In the face of such complexities, the commitment to innovation, foresight and collaborative partnerships must remain resolute.

This survey serves as a powerful call to intensified action, urgently. Together, we can confront the pressing challenges of today while keeping our sights firmly fixed on the vast opportunities of tomorrow. We can steer our companies towards a future defined by visionary leadership, a resilient spirit and sustainable growth — ensuring that no one is left behind.

Raymund Chao

PwC Asia Pacific and China Chairman

Report summary

Twelve months ago, we reported that 53% of Asia Pacific CEOs believed their companies would no longer be viable in ten years' time if they continued on their current path. This highlighted a dual imperative for CEOs: the need to focus on the profitability challenges of the 'here and now' while simultaneously reinventing their business to ensure future viability.

In this year's CEO Survey, conducted with 1,774 CEOs in the region, we continue seeing unease among business leaders. The path ahead remains unclear. Their views on the global economy are divergent: **45% expect the global economy to decline, while 40% expect it to improve in 2024**.

Facing an uphill battle, the vast majority of companies (97%) in Asia Pacific are taking at least some steps toward reinvention. But is it enough? The survey suggests not. **63% of CEOs remain uncertain about their company's viability** —10% higher than the previous year and 18% above the average for global CEOs.

Curiously, **CEOs also report feeling less exposed to threats over the near term**: inflation (down 21%), macroeconomic volatility (down 9%) and geopolitical conflict (down 12%). How can the two sentiments co-exist? It's possible that CEOs are focusing more on addressing the short-term risks — and having some success — rather than the wider long-term sustainability of their business.

This level of future uncertainty has been compounded by a year of persistent economic challenges, high inflation and geopolitical conflicts re-defining risk and limiting growth.

CEOs are also confronting generational crises and opportunities in **climate and generative artificial intelligence** (GenAI). All things considered, there's a compelling argument for the need to accelerate business reinvention.

Other key findings

- Both internal and external pressures drive barriers to reinvention.
  - The top three external barriers to reinvention are regulatory environment, a shortage of workforce skills and supply chain instability.
  - From an internal perspective, CEOs may have not done enough resource allocation (i.e. financial and human) which is fundamental to reinvention. Two-thirds of Asia Pacific CEOs reported only 20% or less resource reallocation from year to year.
- Asia Pacific CEOs still consider the US and China as critical to their growth prospects. Their investment focus remains steady or increases in several other Asia Pacific territories.
- Most progress on climate action has been made in decarbonisation. However, about one in five are not currently pursuing other types of action related to climate adaptation, the 'just transition' or nature-based solutions.
- 41% of Asia Pacific CEOs report that they have not yet adopted GenAI across their companies in the last 12 months even though they anticipate GenAI to significantly impact their companies, workforce and markets within the next three years. 26% predict a reduction in headcount due to GenAI.

Four key actions CEOs should take

1. Prioritise reinvention and empower your organisation
2. Use technology to proactively identify and manage risk
3. Efficiently broaden climate mandate through partnerships
4. Link ethical GenAI to your business strategy

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The reinvention imperative

An enduring imperative to reinvent

The biggest challenge facing Asia Pacific CEOs is the state of the global economy. This year's survey shows a high divergence of opinion among CEOs in the region, with 45% expecting it to decline in 2024 and 40% expecting it to improve — consistent with global CEOs.

Given the mixed story in Asia Pacific, this uncertainty is unsurprising. Asia remains the sweet spot for global growth, expected to account for 60% of global GDP growth in 2024. It shows positive signs of economic recovery, driven by export and strong domestic demand, with some of the smaller emerging markets in the region providing the best opportunities to tap into catch-up growth. In addition, Southeast Asia economies will benefit from the 'China Plus One' strategy as international companies diversify manufacturing and supply chain operations within the region.

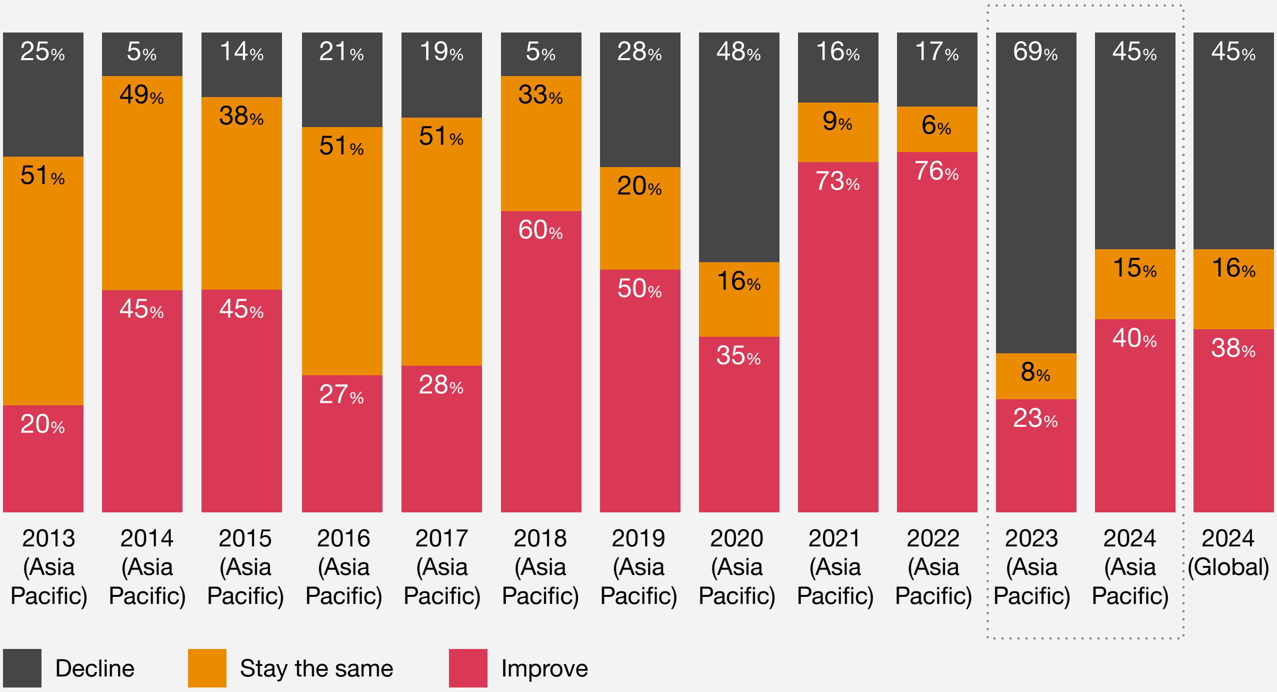
However, the risk of an economic downturn remains. Asia Pacific CEOs continue to face increasing complexity and structural challenges. These include tight monetary and fiscal policies, the region's slower-than-expected recovery and shifting trade patterns.

CEOs most optimistic about the global economy growth were in the Philippines (57%), Taiwan (49%) and New Zealand (48%). These territories have differentiated and safeguarded local industries, such as Taiwan's semiconductor capability and New Zealand's commitment to agriculture and renewables.

Conversely, Australia, South Korea and India exhibit the most pessimism, with only 20-30% of CEOs foreseeing global economic growth. These larger economies face heightened exposure to global challenges due to geographical, political and industry factors, given their importance to global supply chains.

Asia Pacific CEOs are divergent in terms of their global growth expectations for 2024; still, overall they are more optimistic than last year

Q. How do you believe economic growth (i.e. gross domestic product) will change, if at all, over the next 12 months in the global economy?

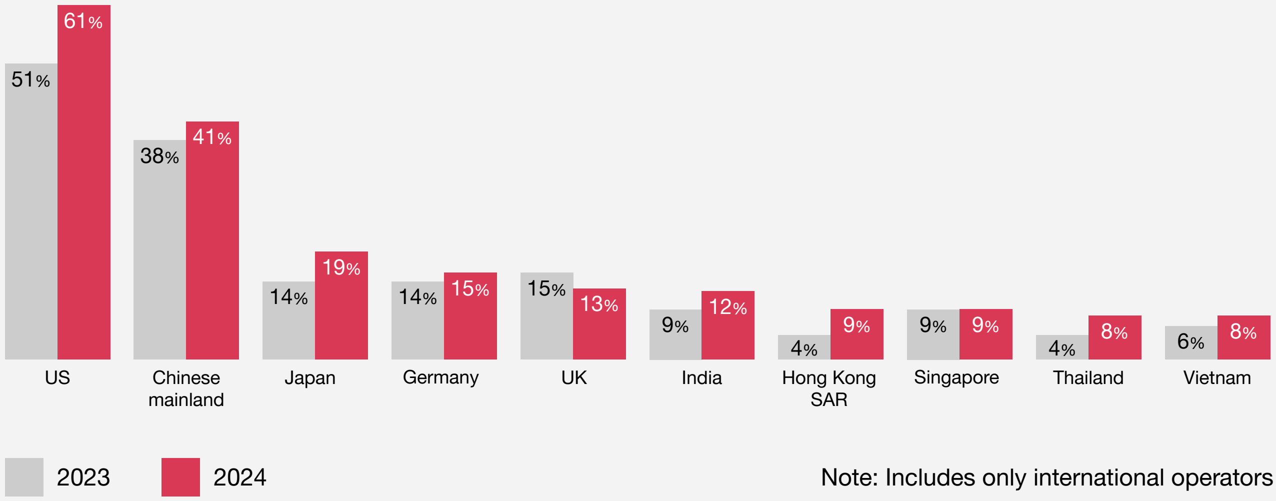


Note: Percentages shown for a given year may not total 100 due to rounding

Moving forward, Asia Pacific CEOs still consider the US and China as critical to their growth prospects. The proportion of Asia Pacific CEOs looking to invest in these two territories over the next 12 months has increased by 10% and 3%, respectively. Their investment focus remains steady or increasing in several other Asia Pacific territories.

Asia Pacific CEOs still consider the US and China as critical to their growth prospects

Q. Which three countries/territories, excluding the country/territory in which you are based, do you consider most important for your company's prospects for revenue growth over the next 12 months?



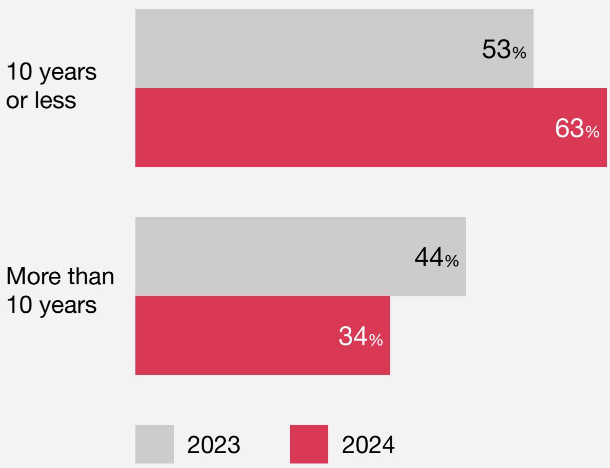
Note: Includes only international operators

We see a growing unease among Asia Pacific CEOs. 63% believe their companies will not be economically viable in the next decade if they continue on their current path. This is a 10% increase from last year and 18% higher than global CEOs (45%).

Sentiment is pronounced for CEOs in South Korea, Chinese mainland and Hong Kong SAR, who have been confronted with heightened exposure to geopolitical tensions and economic headwinds from their trading partners, intensifying the imperative for transformation within these territories.

63% of Asia Pacific CEOs don't think their companies will be economically viable within a decade if they continue on their current path

Q. If your company continues running on its current path, for how long do you think your business will be economically viable?

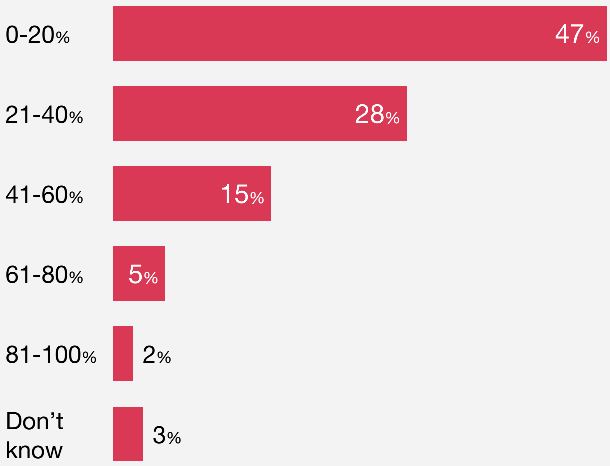


When we asked Asia Pacific CEOs what they have done to address their accelerated transformation needs, 97% reported taking at least some steps to change how they create, deliver and capture value in the past five years. Over that timeframe, 75% took at least one action that had a large or very large impact on their company's business model. But is it enough? The breadth and depth of transformation required appears to have been underestimated given the longer-term structural shifts in markets and as supply chains continue to evolve.

Organic growth remains necessary but is still elusive. Asia Pacific-based companies are still mainly relying on existing products and services for most of their revenue and are not shifting to new sources of value. Nearly half (47%) of Asia Pacific CEOs report that new products or services account for less than 20% of total sales, while an additional 28% mention that they contribute to 21-40% of total sales.

The majority of companies are still relying on existing products and services

Q. What percentage of your company's total sales from this year are attributable to new products or services introduced in the last three years?



Pressures and threats

How can this approach to reinvention be explained? It's possible that Asia Pacific CEOs have been focusing more on addressing short-term risks. This is understandable since business leaders find themselves in 'The New Reality' — a time when they have to deal with multiple highly consequential forces all at once. A focus on the 'here and now' has derailed business leaders from thinking about the wider long-term sustainability of their business.

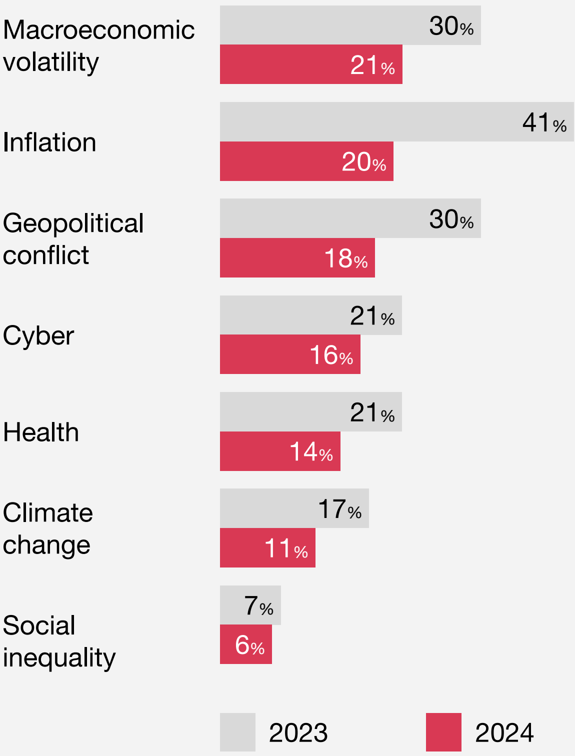
This seems to be reflected in how CEOs feel less exposed to threats over the near term. Although they identified the same major threats compared to last year, they perceive reduced exposure to inflation (down 21%), macroeconomic volatility (down 9%), and geopolitical conflict (down 12%).

As for other threats, it's notable that cyber risk concerns (16%) are lower than for global CEOs (21%) and despite the climate vulnerabilities in the region, Asia Pacific CEOs rank economic factors higher in perceived threats. Climate risk ranked sixth in terms of major threats.

At the territory level, CEOs in Hong Kong SAR see threats differently compared to their regional and global counterparts, prioritising health risks, cyber threats and social inequality. CEOs in India also place health risks in their top three. Cyber risk varies across territories, with elevated concern in Hong Kong SAR, India, Japan, Malaysia, New Zealand, the Philippines and Thailand.

The most major threats are consistent with the prior year - however Asia Pacific CEOs feel less exposed over the near term

Q. How exposed do you believe your company will be to the following key threats in the next 12 months? (Only showing 'Highly & extremely exposed')



Note: Exposure is defined as probability of significant financial loss

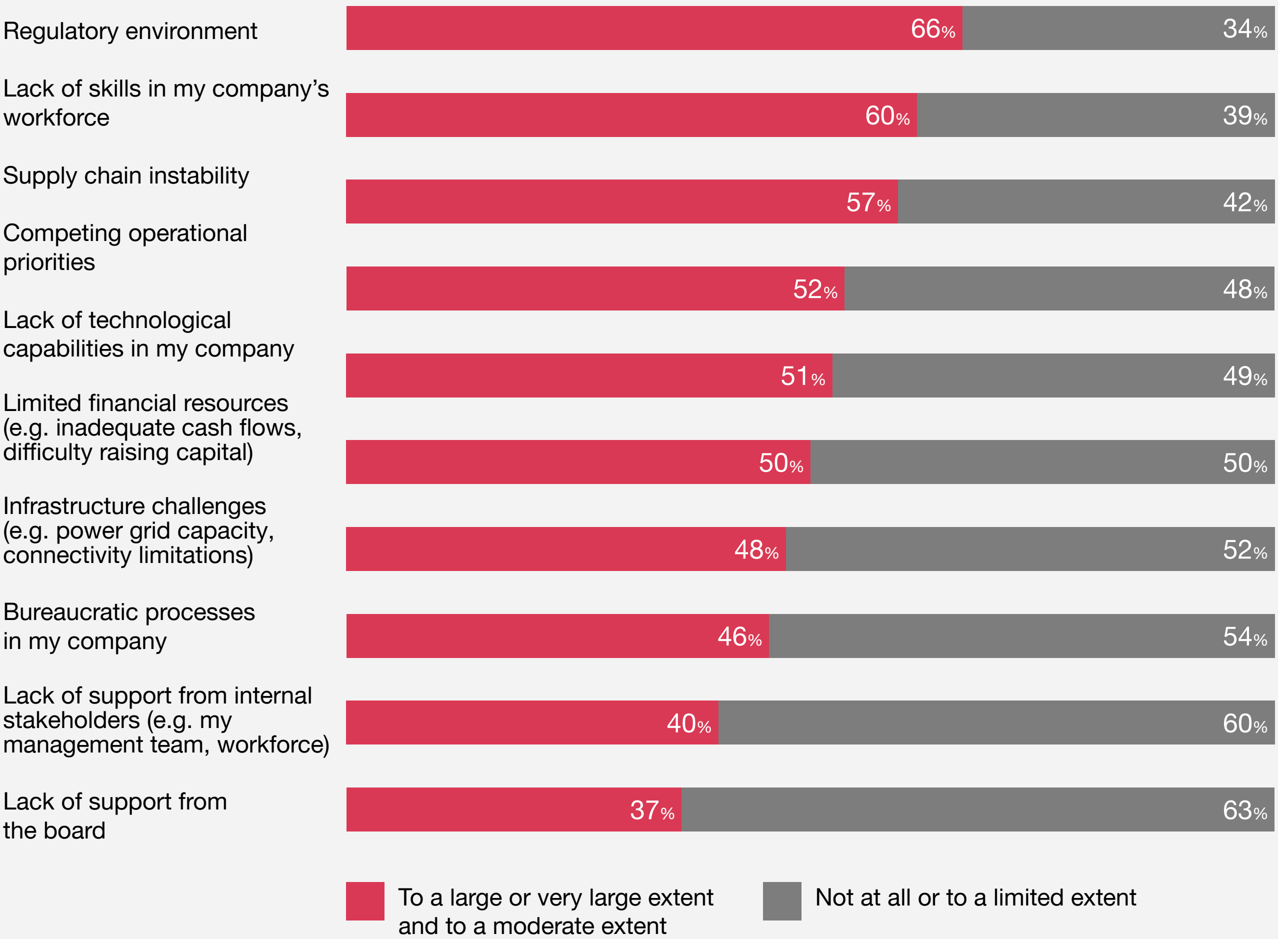
Barriers to reinvent

Confidence in growth is clearly impacted by the external barriers Asia Pacific CEOs perceive in the journey toward reinvention. 66% cite the regulatory environment (impacted by prevailing geopolitics) as a ‘moderate and above’ inhibitor. Additionally, 60% identify a shortage of workforce skills as a hindrance, reflecting the ongoing war for talent in critical areas. Supply chain instability is viewed as the third largest barrier (57%).

In contrast, global CEOs prioritise the regulatory environment, competing operational priorities and lack of workforce skills as their top three barriers, relegating supply chain instability to the sixth position.

Over 57% Asia Pacific CEOs report that regulations, lack of skills and supply chain instability are major barriers to reinvention

Q. To what extent, if at all, are the following factors inhibiting your company from changing the way it creates, delivers and captures value?



Note: Percentages shown for a given year may not total 100 due to rounding

In Asia Pacific, the top constraints on reinvention are not all within a CEO's sphere of influence. But some are. These include simplifying bureaucratic processes, shifting operational priorities, allocating financial resources, and augmenting technological capabilities and workforce skills.

From an internal perspective, Asia Pacific CEOs may not have done enough resource allocation (i.e. financial and human) which is fundamental to reinvention. Our survey also indicates that higher levels of resource reallocation are associated with greater levels of reinvention, according to our ‘Reinvention index score’.[1]

Two-thirds of Asia Pacific CEOs reported only 20% or less resource reallocation from year to year. One-fifth cited resource reallocation of 10% or less. It shows that most allocations across business units stay static from one year to the next. Perhaps the growing uncertainty of today’s environment has driven CEOs to focus on what they did previously and protect their legacy business.

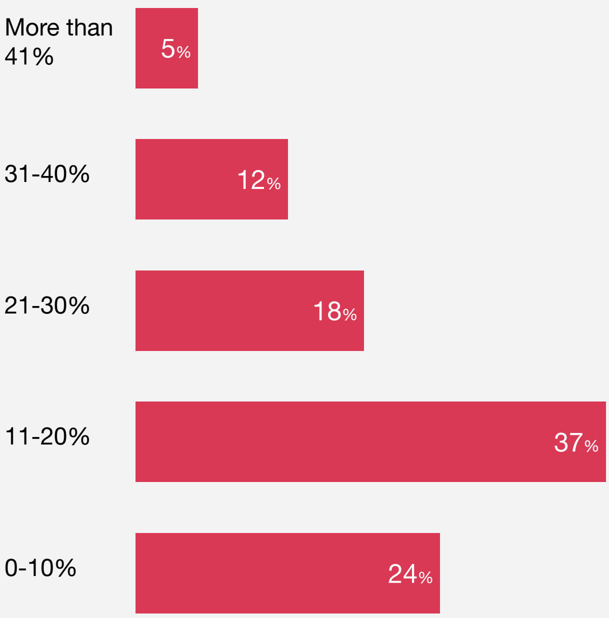
Higher levels of resource reallocation are associated with a greater degree of reinvention

Q. What share of your company’s resources (financial and human) do you and your management team reallocate across your businesses from year to year?

Q. To what extent have the following actions impacted the way your company creates, delivers and captures value over the last five years?

Current levels of annual reallocation

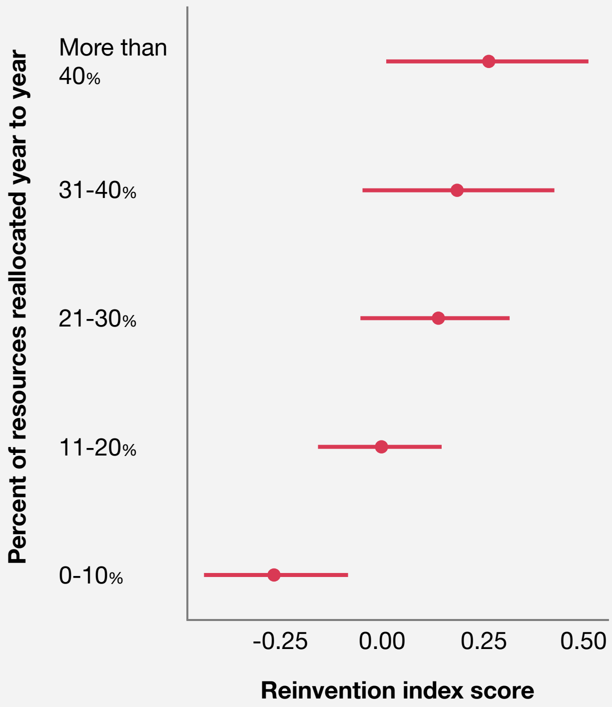
As a share of a company’s financial and human resources



Note: ‘Don’t know: 3%’ is not included in the chart

Associated levels of reinvention

On an aggregated index of reinvention actions



1. The ‘Reinvention Index’ score is a measure to compare relative impacts on how value is created, delivered or captured based on any of several levers: Adopted or developed new technologies, developed new products and services, formed new strategic partnerships, implemented new pricing models, made acquisitions and shifted supply chains. Values on the index represent standard deviations from the mean of respondents who rated at least a moderate impact from these levers. A higher number indicates more reinvention; points are predictions from regression modelling and error bars represent 95% credible intervals.

2

Looming existential change

Climate change a work in progress

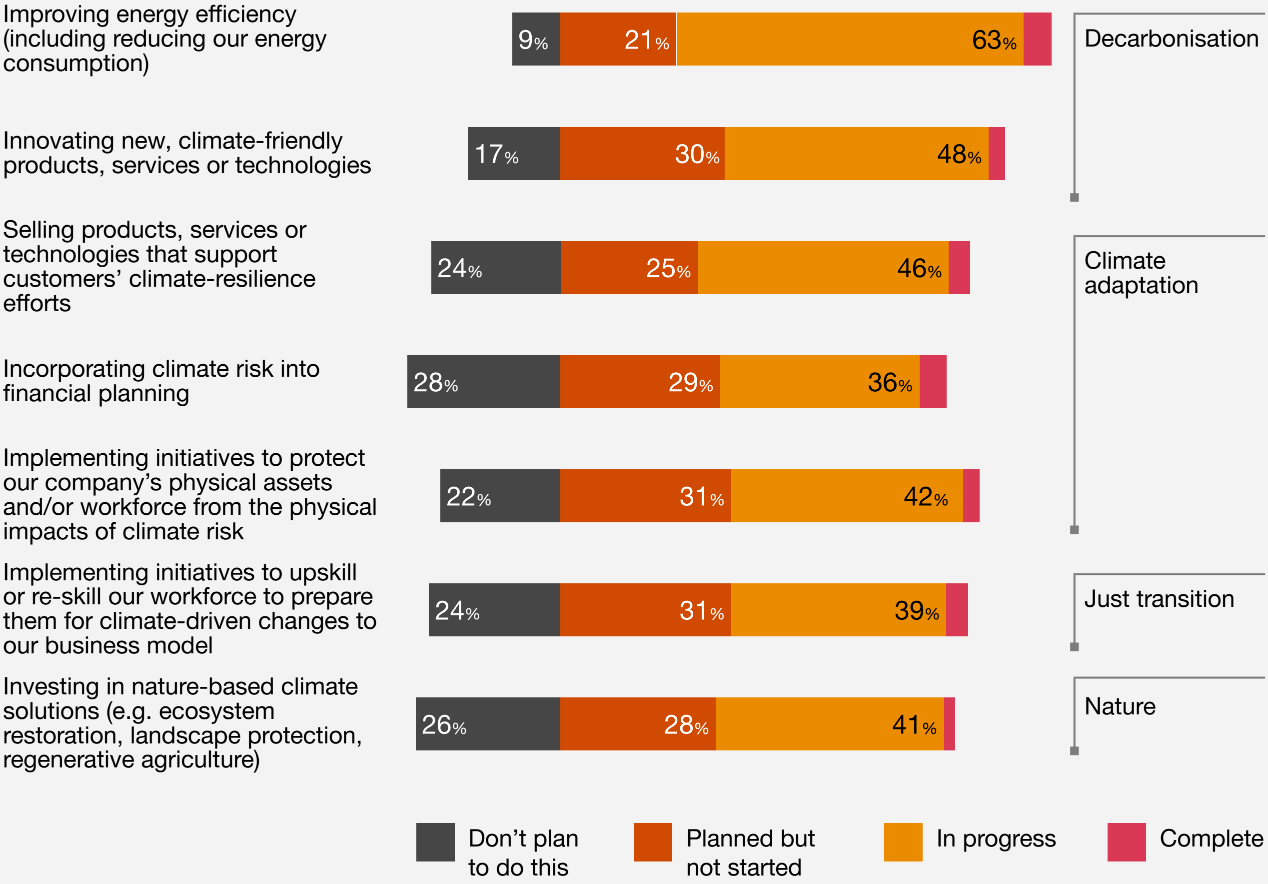
Among the megatrends pressuring CEOs to reinvent themselves, two stand out for their potential to amplify all the others: the first is climate change.

Action and investment in climate change continue to be made in Asia Pacific, but is insufficient to meet the required global emissions and temperature targets. CEOs in the region have taken steps, with notable advancements in decarbonisation — 68% and 51% are actively enhancing energy efficiency and introducing climate-friendly innovations, respectively. However, about one in five are not currently pursuing other types of action related to climate adaptation, nature-based or 'just transition' solutions.

These findings resonate with insights from PwC's Net Zero Economy Index 2023 – Asia Pacific Cut, indicating that although the region more than doubled its decarbonisation rate to 2.8% from 2021 to 2022, this still falls far short of the 17.2% required if we hope to limit global warming to 1.5°C above pre-industrial levels.

About one in five Asia Pacific CEOs have no plans for climate actions other than decarbonisation where some progress has been made

Q. Below is a list of actions companies may undertake related to climate change. Which of the following best describes your company's level of progress on each of these actions?



This passive approach towards other plans to address climate issues is consistent with global CEOs.

For instance, in both cases, less than half of the respondents have incorporated climate risk into their financial planning, and almost one-third have no intentions of doing so. This could be attributed to CEOs having already included climate risk in their insurance assessments for isolated extreme weather events, overlooking the enduring impacts of climate change. Alternatively, it might be a result of a focus solely on factors within their own companies, not fully acknowledging the interconnectedness of supply chains.

Barriers to decarbonisation

Barriers to global decarbonisation (at least to a moderate extent) include regulatory complexity (63%), lower returns on climate-friendly investments (61%) and a lack of sector-specific climate-friendly technologies (59%). This is consistent with global CEOs.

When evaluating climate-friendly investments, 51% of Asia Pacific CEOs have accepted lower returns for climate-friendly investments in the past year, 10% higher than global CEOs. In fact, 85% of CEOs in the region were willing to accept a reduction of under 6% in the rate of return for climate-friendly investments, compared to other opportunities. In a high-inflation, yield-chasing market, this is significant. This acceptance could promote an increased willingness to explore more climate-driven aspects of business model reinvention — and attract more investment to do so.

This is consistent with the sentiment of investors in PwC's Global Investor Survey 2023 — CEOs in Asia Pacific are more likely than those elsewhere to have accepted lower hurdle rates, even though they were no more likely than CEOs elsewhere to report feeling highly or extremely exposed to climate change.

Sector level reinvention: Decarbonisation of Asia Pacific's Agri-food value chains

Businesses can participate in sector-driven climate agendas and better balance the risk and return trade-offs. One example is in Southeast Asia where the Agri-food sector accounts for up to 50% of emissions. Investing to scale and innovating existing technologies and practices could materially reduce emissions and improve farm-level profitability — potentially implementable before 2030.

The GenAI opportunity and challenge

The second megatrend pressuring CEOs to reinvent is keeping pace with technological disruption — in particular GenAI.

CEOs in this year's survey are aligned on the significant three-year implications of GenAI, expressing optimism about its prospects in the coming 12 months. There is also a prevailing positive sentiment regarding GenAI applications, specifically in building trust and enhancing quality, mirroring the sentiments of their global counterparts.

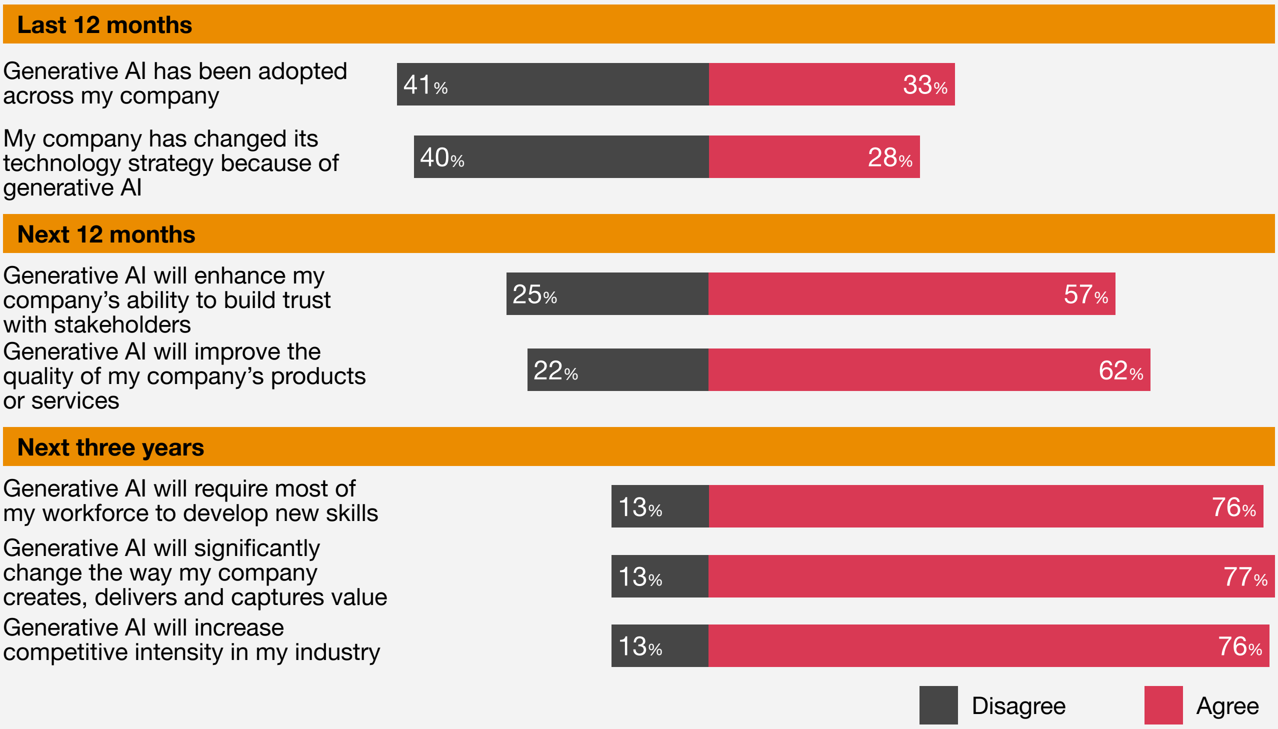
Over two-thirds of Asia Pacific CEOs foresee substantial impacts on their companies, workforce and markets within the next three years. In particular, 76% anticipate the need for their workforce to acquire new skills in response to GenAI advancement, surpassing global CEOs by 7%. Despite this awareness, 41% of CEOs admit to not having adopted GenAI across their companies in the past 12 months.

GenAI has been evolving at a rapid pace which could explain the gap between the level of optimism and adoption within the region. The skill gaps and availability of these technologies, coupled with data privacy and security concerns, also play a role here.

Australia leads in GenAI adoption with a rate of 63%, followed by Japan (50%), India and New Zealand (both 39%). Adoption rates of GenAI — despite the proliferation of use cases as the technology rapidly evolves — are highly dependent on the underlying data and infrastructure of businesses, the tangible value that GenAI can offer and the relative risk aversion of management.

Expectations of GenAI impacts in the next three years exceed rates of recent adoption in Asia Pacific

Q. To what extent do you agree or disagree with the following statements about generative AI?



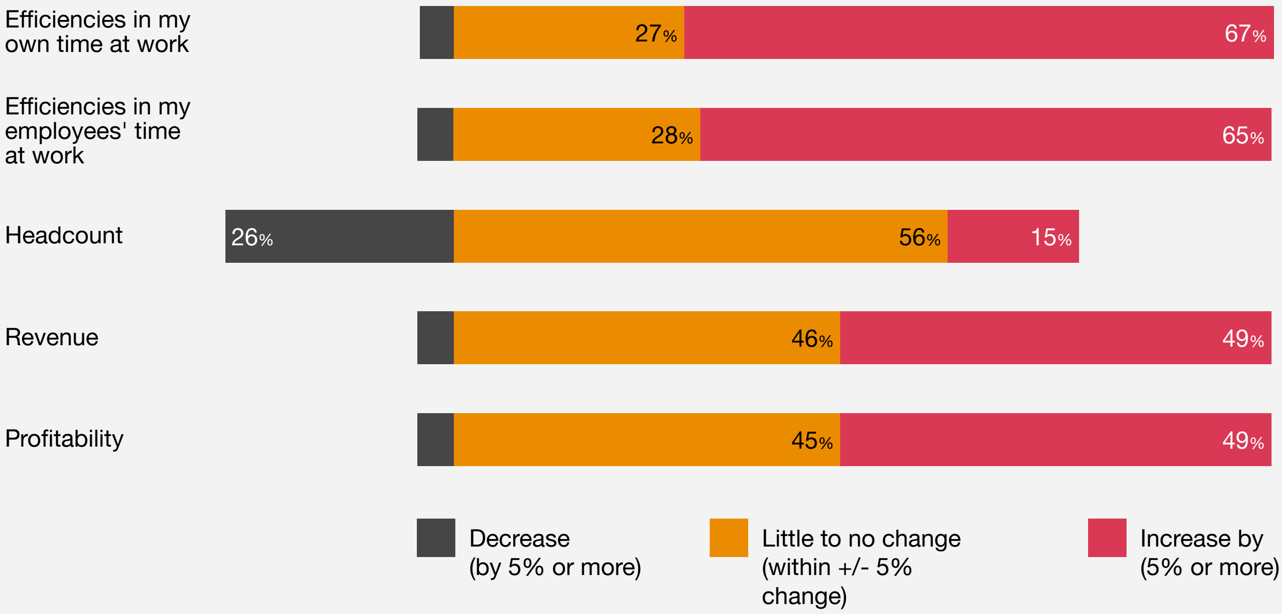
CEOs anticipate that GenAI will significantly enhance the efficiency of both their employees' and their own time. Approximately half of them are optimistic about GenAI contributing to increased revenue and profitability.

At a societal level, the effects of GenAI are still uncertain. Some of the efficiency benefits appear likely to come via staff downsizing — 26% of Asia Pacific CEOs predict a reduction in headcount due to GenAI. However, companies reducing headcount in certain areas may counterbalance by hiring in other areas. GenAI may displace some job roles but will also fuel job creation.

This is a clear call for skills training to ensure job security for employees in Asia Pacific. It is unlikely that GenAI will replace a role, but someone who knows how to use it might.

65% of Asia Pacific CEOs anticipate efficiency impacts from GenAI, but a quarter predict a reduction in headcount

Q. To what extent will generative AI increase or decrease the following in your company in the next 12 months?



Asia Pacific CEOs and employees share a positive outlook on the impact of AI, evidenced by PwC's Asia Pacific Hopes & Fears 2023 Survey. This found that 41% of employees anticipate increased productivity and 34% see AI as an opportunity to learn new skills. 59% are confident in employer support for upskilling, while 22% lack confidence in acquiring new AI-related skills, with 16% believing AI may replace their roles.

When assessing risks associated with GenAI, Asia Pacific CEOs are primarily concerned about the rising cybersecurity risk (49%), though to a lesser extent than their global counterparts (64%).

Fewer Asia Pacific CEOs, 44%, express concern about GenAI spreading misinformation compared to global CEOs at 52%, pointing to possible gaps in awareness that warrant attention.

3

A reinvention pathway

Equipped with a better understanding of their challenges and opportunities, Asia Pacific CEOs can take several steps to accelerate and de-risk their reinvention. Some of these may sound familiar, but all of them raise expectations of CEOs to evolve longstanding approaches to value creation and accelerate business reinvention.

Prioritise reinvention and empower your organisation

Transformations require clarity and discipline to execute successfully. Prioritise management time and effort in creating a refined transformation roadmap with a level of flexibility to cater to emerging threats and opportunities. Executive teams should consider hiring deep subject matter experts with direct reporting lines to the C-suite in the areas of transformation, climate and GenAI. This could further help prioritise transformation resourcing in those priorities.

Taking the organisation along on the journey requires alignment across executive teams, managers and the workforce at large. Collectively, all layers of a business need to be bought-in and empowered to build confidence in the reinvention mandate for the long term. Canvassing where opportunities, efficiencies and innovation lie and how to deliver lasting change should be done from the ground up as well as leader down.

Use technology to proactively identify and manage risk

Reinvention will never be without risk — but in the new reality, taking the right risks is the optimal way forward. To do so, businesses need to integrate existing capabilities around data, analytics, and insights with their ERP platforms to help proactively identify risks in the most critical areas — including AI, supply chain and workforce sentiment. Doing so requires investment — but in return, it can help risk and line managers make better-informed decisions ahead of time.

Efficiently broaden climate mandate through partnerships

Maintaining momentum in the accelerating climate challenge is crucial to winning it. To commence or accelerate delivery of adaptation, the 'just transition' and nature-based solutions, management needs to be appropriately trained on the scale of the opportunity, ecosystem players and relevant innovations. Prioritise capabilities relating to data and reporting, nature-based analysis and supply chain tracking. The C-suite should ensure that sustainability is firmly embedded — and in some cases driving — transformation programmes including portfolio, operating model, people and culture elements.

Businesses can also look to work together in their sector and providers of capital to co-fund and accelerate specific initiatives, test and learn and scale innovation faster. Internally, where capability and sustainability leadership sit in an organisation is also critical. Recent momentum indicates a close relationship with the CFO to directly deploy and monitor the usage of corporate capital towards climate initiatives.

Link ethical GenAI to your business strategy

GenAI use cases need to be structured and prioritised to balance building both responsibility and commerciality in parallel. Businesses should interrogate their strategy to determine how they position AI — with clear trade-offs identified around governance, speed to market and capabilities.

The impact on workforce composition and required skills requires comprehensive, leader-led engagement with the entire organisation. This should be used to build alignment, understand how talent — and their skills — need to evolve and ultimately help create the workforce of the future.

"

The economic outlook for Vietnam in 2024 and beyond is anticipated to be promising despite global trade slowdowns and uncertainty. While we see some short-term positivity grounded in economic indicators and recovery trends, policymakers and businesses have to make strategic decisions towards the long-term trajectory. Megatrends such as AI, energy transition and climate change will be increasingly important when reinventing their strategies.

With 30 years of operating in Vietnam, PwC has witnessed the country's remarkable journey towards recovery and growth, highlighting its adaptability, resilience, and commitment to a sustainable future. We're thrilled to work with the government and businesses throughout this transformative era.

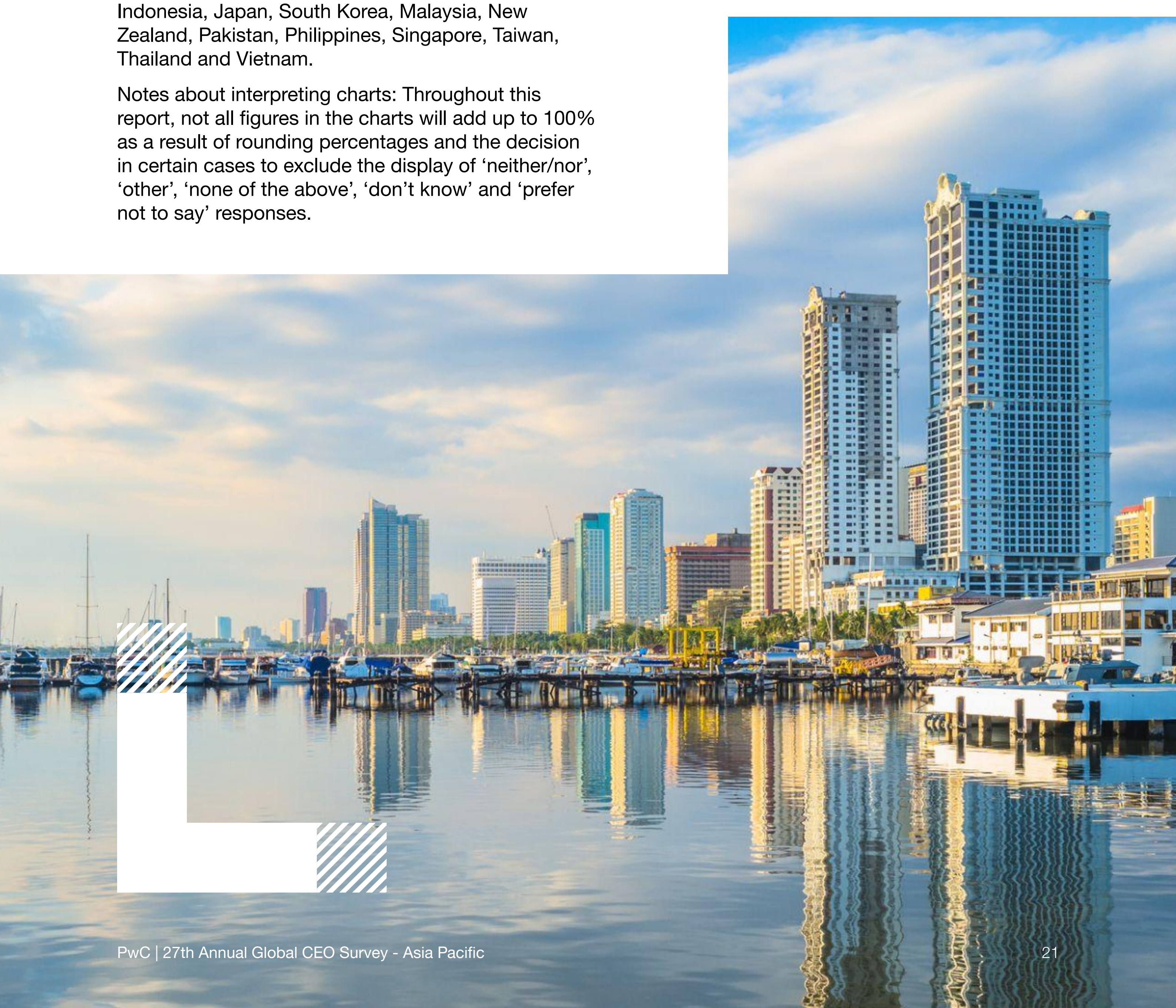
Mai Viet Hung Tran
General Director
PwC Vietnam

About the survey

PwC invited CEOs in the Asia Pacific region to participate in our 27th Annual Global CEO Survey from October to November 2023. We collected 4,702 responses globally, including 1,774 responses from Asia Pacific.

Territories covered are Australia, Bangladesh, Cambodia, Chinese mainland, Hong Kong SAR, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Taiwan, Thailand and Vietnam.

Notes about interpreting charts: Throughout this report, not all figures in the charts will add up to 100% as a result of rounding percentages and the decision in certain cases to exclude the display of 'neither/nor', 'other', 'none of the above', 'don't know' and 'prefer not to say' responses.



About surveyed CEOs

Gender

Female	12%
Male	87%
Prefer not to say	2%

Roles

CEO of a single or multi-entity parent company	72%
CEO of a country subsidiary within a multi-entity parent company	9%
CEO of a product-oriented subsidiary within a multi-entity company	14%
Other	5%

About surveyed companies

Percentage of revenue the top four companies in the industry most relevant to their company control

1-20%	25%
21-40%	28%
41-60%	18%
61-80%	13%
81-100%	6%
Don't know	11%

Ownership

Privately owned	69%
Publicly listed	31%

Revenue

Less than US$100 million	31%
US$100 million - less than $1 billion	42%
US$1 billion - less than $10 billion	18%
US$10 billion - less than $25 billion	2%
US$25 billion or more	2%
Prefer not to say	3%
Don't know	1%

No. of employees

Fewer than 500	15%
500-999	24%
1,000 - 4,999	36%
5,000 - 9,999	11%
10,000 - 24,999	8%
25,000 - 49,999	3%
50,000 or more	3%

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