News release

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CEOs are developing a much clearer view on creating value in a time of uncertainty

Despite real and growing threats, business leaders are keen to find new ways of operating and communicating with stakeholders

Companies that effectively manage risk, relationships and reporting can take advantage of a market that rewards agility, transparency and a long-term outlook. Indeed, there are many opportunities for businesses that base their value strategy on long-term resilience and marshal their resources to address the growing needs of stakeholders. Those are some of the key Assurance findings from the PwC Annual Global CEO Survey.

So while two thirds of CEOs see more threats today than three years ago, this doesn't stop more than a third (35%) being very confident about short-term business growth.

Says PwC Vice Chairman, Global Assurance Richard Sexton: "In spite of CEOs' readiness to identify the very real threats to their business, they are also keen to discuss new ways of operating and communicating."

Today's CEOs want to communicate that their business creates more than just financial value; and though in some cases they are worried that this might obscure their core purpose, they're experimenting with new ways of engaging with - and reporting to – stakeholders.

"It's an exciting time for our Assurance business, as we work with clients to devise truly innovative frameworks and methodologies for providing insight into, and confidence in, new and traditional information," adds Richard Sexton. "And it's an exciting time for society too, as people gain an understanding of the operations and impacts of business that they have long deserved."

The PwC CEO Survey highlights tensions in four areas:

- **Regulation**: 79% of CEOs said over-regulation posed a threat to their organisation's growth prospects. CEOs also see the government and regulators - after customers and clients - as having the biggest impact on their organisation's strategy (69% high or very high impact).

  Good organisations recognise that their approach to regulation defines their resilience, contributes to good practice in the market overall, helps control the competition, keeps compliance costs down and contributes to good governance and their company's performance.

- **Relevance**: 83% of CEOs see the world moving towards multiple value systems - an enormous challenge to companies operating in different jurisdictions. CEOs say that in spite of the benefits of the web and continuing globalisation, other factors are pulling their companies in opposite directions: nationalism, multiple economic models, opposing value systems, varied laws and trading blocs.

  The survey results highlight CEOs' growing fears about making critical decisions amidst continuing geopolitical uncertainty (74% saw this as a threat). And it indicated their reluctance to be positive about such factors as economic or company growth while their businesses are subject to social trends and forces that are not easily defined or controlled.

  But they also know that the vision of responding to wider demands than creating value for their shareholders is muddied by insufficient information about other stakeholders' expectations (24%), a misalignment between stakeholders' interests and their current business strategy (20%) and a conflict between those interests and financial performance expectations (33%), a lack of the right capabilities (31%) and perhaps most damaging, an inability to effectively execute strategy (23%).

  CEOs are split about how to respond consistently to demands beyond the bottom line. To one question, 67% respond that their 'purpose' is centred on creating value for stakeholders beyond the customer. But to another, 53% respond that the purpose of their organisation is to create value (primarily) for the customer, with 'wider society' only getting 31% of the vote.

  And 52% of CEOs said that creating value for 'wider stakeholders' helps their company to be profitable, whereas 42% said that profitability helped them to create value for wider stakeholders. They remain divided over which comes first.

  Richard Sexton says: "Companies have stacks of information that can – if they have the skills to assimilate it – tell them about habits, beliefs, intentions and expectations of their customers and clients. Some CEOs are using this data effectively to manage their business better. And much of this data is available to regulators too, allowing them to build a much better picture of how individual businesses arrange and undertake their operations."

  CEOs recognise the value of this information. While they see technology as the challenge, they also recognised its power to solve. Seventy-seven percent of CEOs said technological advances are a top three trend that will expand the expectations of their stakeholders, but 68% responded that data and analytics technologies generate the highest return on stakeholder engagement and 65% saw technology-enabled customer relationship management systems as generating excellent returns too. But few companies appear wholly able to deal with this data. Only 51% are making changes to harness data across their organisation and deliver the information stakeholders require.

- **Reporting**: CEOs were asked what they wanted to measure better, and separately what they wanted to communicate better. Their responses indicated that they believe measurement has value far beyond reporting. Fifty-five percent of CEOs stated that they were keen to better measure innovation – even above areas like environmental impact (39%) and non-statutory financial information (37%).

  While financial information remains the bedrock of performance reporting, the survey results show that CEOs recognise the importance of providing insights that tell their shareholders how they create value.

  "What CEOs *should* be concerned about is discovering the level of comfort or assurance stakeholders require over reported non-financial information and then acquiring the tools to enable it. And it's not just stakeholders that need comfort over the transparency and quality of reported information, but the business itself too," adds Richard Sexton.

- **Risk**: CEOs indicate time and again that they believe risk has generally increased and diversified. Many are extremely concerned about supply chain disruption, bribery and corruption, exchange rate volatility, new market entrants and the speed of technological change. The tension between risk and growth is causing some business leaders to be worried about opportunities and their business's longevity.

  Businesses that focus on the long-term are less likely to fall foul of regulators. They define their resilience by recognising that they want to operate in their market for a long time and by listening to their investors when they highlight ethical considerations as important to their analysis. And by considering more than just financial profit, these CEOs address their relevance. Whether or not they decide to serve a wider range of stakeholders, they have examined the purpose of their business, and have got their story straight.

Richard Sexton concludes: "The CEOs in this year's survey have told us they are more concerned than ever. But they also describe a future that, despite their concerns, is far from bleak. Certainly there are challenges, but resilient, innovative businesses are finding ways to address them, particularly by looking to the long-term.

Notes:

More details: For more details on the Assurance view of the 19th Annual Global CEO Survey, go to https://www.pwc.com/ceosurvey-assurance

About the survey: PwC's 19th Annual Global CEO Survey was conducted during the last quarter of 2015, with 1409 CEO respondents in 83 countries. Regionally, 476 interviews were conducted in Asia Pacific, 314 in Western Europe, 170 in Central and Eastern Europe, 169 in Latin America, 146 in North America, 87 in Africa and 47 in the Middle East. Download the full survey or examine the results in detail at www.pwc.com/ceosurvey.

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