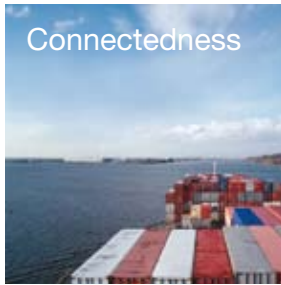
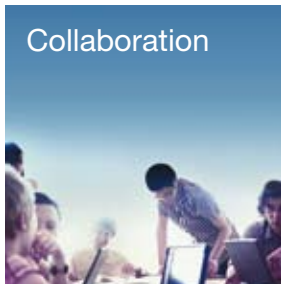


What matters to CEOs in 2009?

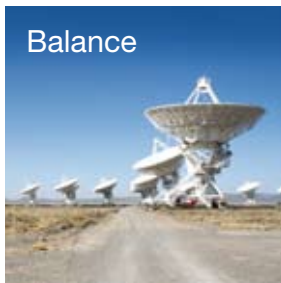
What matters to CEOs in 2009?



The 12th Annual PricewaterhouseCoopers Global CEO survey took place against the backdrop of rapidly decreasing confidence in the outlook for the worldwide economy, turmoil in the financial markets and the increasing realisation that few were immune from the impact.



Short-term confidence here in the UK has fallen dramatically, with only 15% claiming to be very confident in prospects for revenue growth over the next 12 months, falling from 44% last year. The picture appears less gloomy for longer term growth with UK CEOs edging ahead of their global counterparts as almost 90% are very or somewhat confident about the prospects for three year growth for their companies. With bad news continuing to dominate the headlines, this optimism and the timing of recovery may have been tempered more recently.



Behind the inevitable headlines of rapidly falling confidence, the views of UK CEOs provide insight to some of the challenges and opportunities ahead and what they believe will matter in 2009 as they look to revitalize their own and the UK economy's fortunes. This year will test CEOs' belief that the ability to adapt to change is one of the most important sources of competitive advantage in sustaining long-term growth.



Matters of growth

Expectations of growth have been strongly impacted by the banking crisis, with three quarters of UK CEOs believing the current problems in the banking system will delay investment plans, some 60% believe it will reduce the ability to enter new markets, and almost half believe it will reduce the development of new products and services. Respondents from Germany, China/Hong Kong and Japan are markedly less pessimistic about the likelihood that the financial crisis will delay investment plans, reduce the ability to enter new markets or reduce new product development.

UK CEOs seem to be retrenching to markets they know, with almost half identifying penetration of existing markets as the best potential opportunity for growth, compared to less than a quarter a year ago. With a mere 15% of UK CEOs believing that new product development provides a strong potential opportunity for business growth, does this cast doubt on the idea that innovation will serve as a driver of growth?

Financing growth

With the survival mentality now firmly in place, growth may seem an elusive goal, but almost a third of UK CEOs are still planning to complete a cross border merger or acquisition in the coming 12 months, ahead of their global counterparts where only a quarter have such plans. For those companies looking to take advantage of the current environment to acquire, financing such deals will be key.

Over three quarters of CEOs in the UK and globally anticipate financing growth from internally generated cashflow. This reinforces the importance of managing working capital and adopting strong financial disciplines. Surprisingly, private equity has increased its standing from 2007 as a potential source of finance, and 16% of UK CEOs anticipate using this source, compared to only 9% last year. The survey shows CEOs are striving to maintain sources of credit, preserve revenue, use working capital more efficiently and carefully manage costs. Will the focus on maximising returns from existing markets, rather than expanding into new ones, pay off for CEOs in 2009?

What matters to CEOs in 2009?

Talent matters

For UK CEOs availability of key skills has fallen off the top slot of potential threats in the short-term, with only 40% being somewhat or extremely concerned compared to over 60% last year. Access to and retention of key talent was however seen as the single most important issue in sustaining long-term growth in the UK. This issue appears to dominate the agenda of UK CEOs whose long-term strategies focus on combatting challenges such as providing attractive career paths, competitors recruiting your best people and personal career changes more highly than their global counterparts. With over three quarters of UK CEOs believing they face a limited supply of candidates with the right skills, how will current reductions in headcount exacerbate the issue?

The well-informed CEO?

As the financial services industry rethinks risk management and how it can rebuild trust, less than a third of CEOs across the entire sample believe that they have comprehensive information about risks to the business. Furthermore UK CEOs rate information about customers' preferences and needs slightly ahead of financial forecasts and projections, with 96% deeming customer information critical or important. Yet, only 22% feel that the information they receive on this is comprehensive, compared to over half who believe they receive comprehensive information on financial forecasts and projections. With almost half of CEOs globally fearing low cost competition as a significant threat to business growth, how can they plug the information gap on customers' preferences and needs?

A delicate balance

Now more than ever, UK CEOs are looking to government for greater public sector support and clearer and more consistent policy frameworks. Many UK CEOs do not believe government is doing enough to reduce the regulatory burden for corporates (82%), help create a skilled workforce (56%), support companies in securing natural resources (64%) and improve the UK's infrastructure (69%).

UK CEOs want government to strike the right balance in dealing with global solutions. They want more government leadership and action on global issues such as climate change, yet more than a third do not agree that the government should drive convergence of global tax and regulatory frameworks. As evidence of this, half of UK CEOs are concerned or extremely concerned about over regulation as an obstacle to growth.

Does the changing climate matter?

While macro-threats such as the risks posed by climate change may have fallen off the front pages, more than half the UK respondents are already making changes (or plan to do so in the next 12 months) in response to the challenges posed by climate change across all key areas of their business. And in each case, the majority are already showing a return on investment (or anticipate doing so in the next 12 months), including almost half already seeing a return with respect to how they manage risk. By contrast, however, in response to climate change almost a third never plan to make changes to the way they hire or retain talent, how they deploy their supply chain, the strategic investments they make or how they communicate and engage their stakeholders.

An eye on the horizon

As CEOs move beyond specific responses to the current crisis, macro issues such as access to natural resources and talent dominate their longer term agenda. UK CEOs do see some positives, with 40% believing demographic changes (such as an ageing population) will have a positive impact on their business. Some two thirds of UK CEOs believe that structural changes to the business model in their industry will also have a positive impact.

In addition to accessing and retaining talent, UK CEOs still firmly believe that the key ingredients to sustaining competitive advantage in the longer term are their ability to adapt to change, the strength of their brand and reputation and high quality customer service.

Survey methodology

For the Global CEO Survey, we interviewed 1,124 CEOs in 50 countries worldwide, including 68 CEOs in the UK, across a broad range of industries. In the UK, 42% of the respondents are publicly listed and 57% privately held. Interviews were undertaken by telephone between September and December 2008.

For more information, please go to: www.pwc.co.uk/ceomatters

PricewaterhouseCoopers provides industry-focused assurance, tax, and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

© 2009 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

Design Services 23169 (01/09).