PwC's 27th Annual Global CEO Survey

Thriving in an age of continuous reinvention

As existential threats converge, many companies are taking steps to reinvent themselves. Is it enough? And what will it take to succeed?

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Twelve months ago, we reported that nearly 40% of global CEOs believed their companies would no longer be viable in ten years' time if they continued on their current path. The reinvention imperative this implied caught the attention of our clients, prompting thousands of conversations between PwC partners and CEOs around the world. 'Are we in the 40% or the 60%?' was a question many CEOs posed to themselves and their top teams during or following these discussions. Almost invariably, as they anticipated the magnitude of changes barrelling towards them, those leaders concluded that they needed to be more transformative in their approach if their organisation was to thrive in the decades ahead.

This year's Global CEO Survey, the 27th we've conducted, suggests that the vast majority of companies are already taking some steps towards reinvention. Yet even as CEOs attempt meaningful changes to their companies' business models, they are even more concerned about their long-term viability. Although the 4,702 CEOs responding to this year's survey were more optimistic about global economic growth than last year, 45% of them are still not confident that their companies would survive more than a decade on their current path. Among the other key findings:

- The impetus to reinvent is intensifying. CEOs expect more pressure over the next three years than they experienced over the previous five from technology, climate change and nearly every other megatrend affecting global business.
- Survival-conscious CEOs among the 45% who are less confident of their company's viability are slightly more likely than other CEOs to have taken action aimed at reinventing their business models. Small company chief executives are more likely than their larger company counterparts to feel their company's viability threatened.
- CEOs perceive enormous inefficiencies across a range of their companies' routine activities—everything from decision-making meetings to emails—viewing roughly 40% of the time spent on these tasks as inefficient. A conservative estimate of the cost of that inefficiency would be tantamount to a self-imposed US$10 trillion tax on productivity. Generative AI, which about 60% of CEOs expect to create efficiency benefits, could help relieve some routine burdens.

- Four in ten CEOs report that they have accepted lower hurdle rates for climate-friendly investments than for other investments—in the majority of cases between one and four percentage points lower. This is clear evidence that some CEOs are willing to make complex trade-offs as they strive to boost the sustainability of their businesses.
- Meanwhile, two-thirds of CEOs report reallocation of resources (financial and human) of 20% or less year to year. The connections among reallocation, reinvention and financial performance suggest that more aggressive reallocation—up to a point—is required to succeed.

The stakes are high, but so is CEO awareness of both the urgency to change and the need to deliver sustained outcomes for stakeholders and society. To clarify the nature of the challenge and the opportunities associated with meaningful business reimagination, we've organised this year's report in nine sections under three themes:

The reinvention imperative: Reviewing the state of the economy and CEO anxiety about the long-term viability of their business models

1. An enduring imperative to reinvent
2. Pressures and threats

Looming existential change: Examining the status of two megatrends—climate change and technological disruption—which are poised to spur further reinvention

3. Planetary work in progress
4. The AI opportunity
5. The AI challenge

Your reinvention playbook: Outlining essential actions that companies can take in order to jump-start continuous reinvention

6. Turn barriers into opportunities
7. Pinpoint your most important moves
8. Recalibrate expectations for climate priorities
9. Keep your antennae up

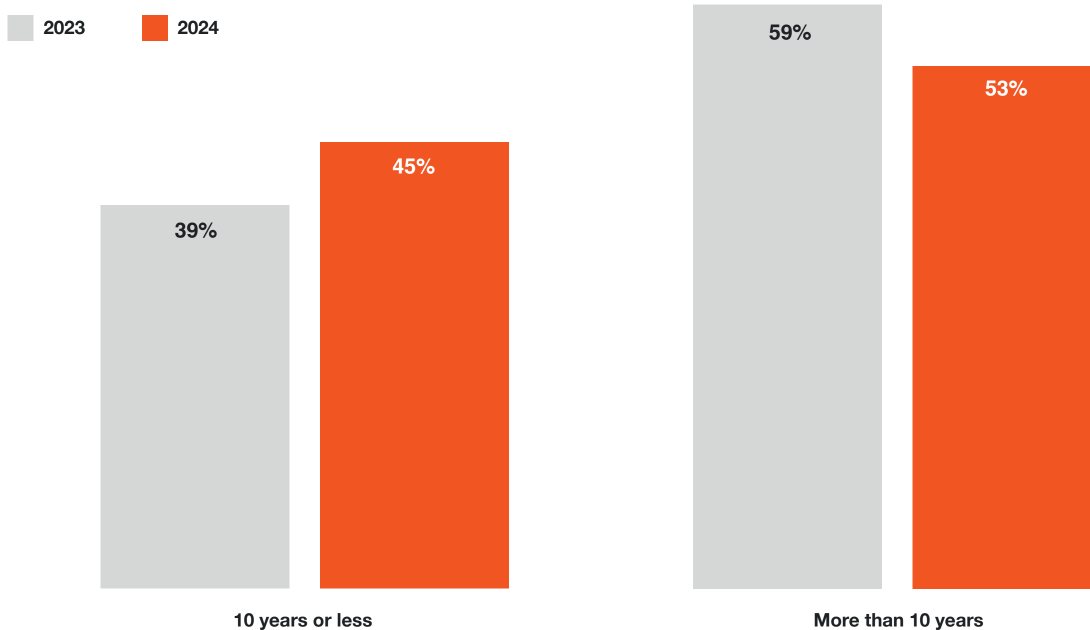
The reinvention imperative

1. An enduring imperative to reinvent

Technological disruption, climate change and other accelerating global megatrends continue to compel CEOs to adapt, as a whopping 97% of respondents to PwC's 27th Annual Global CEO Survey report having taken some steps to change how they create, deliver and capture value over the past five years. During that span, 76% of CEOs took at least one action that had a large or very large impact on their company's business model. That finding reflects a growing unease, as 45% of respondents doubted their company's current trajectory would keep them viable beyond the next decade—up from 39% just 12 months earlier.

The reinvention imperative appears to be accelerating

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



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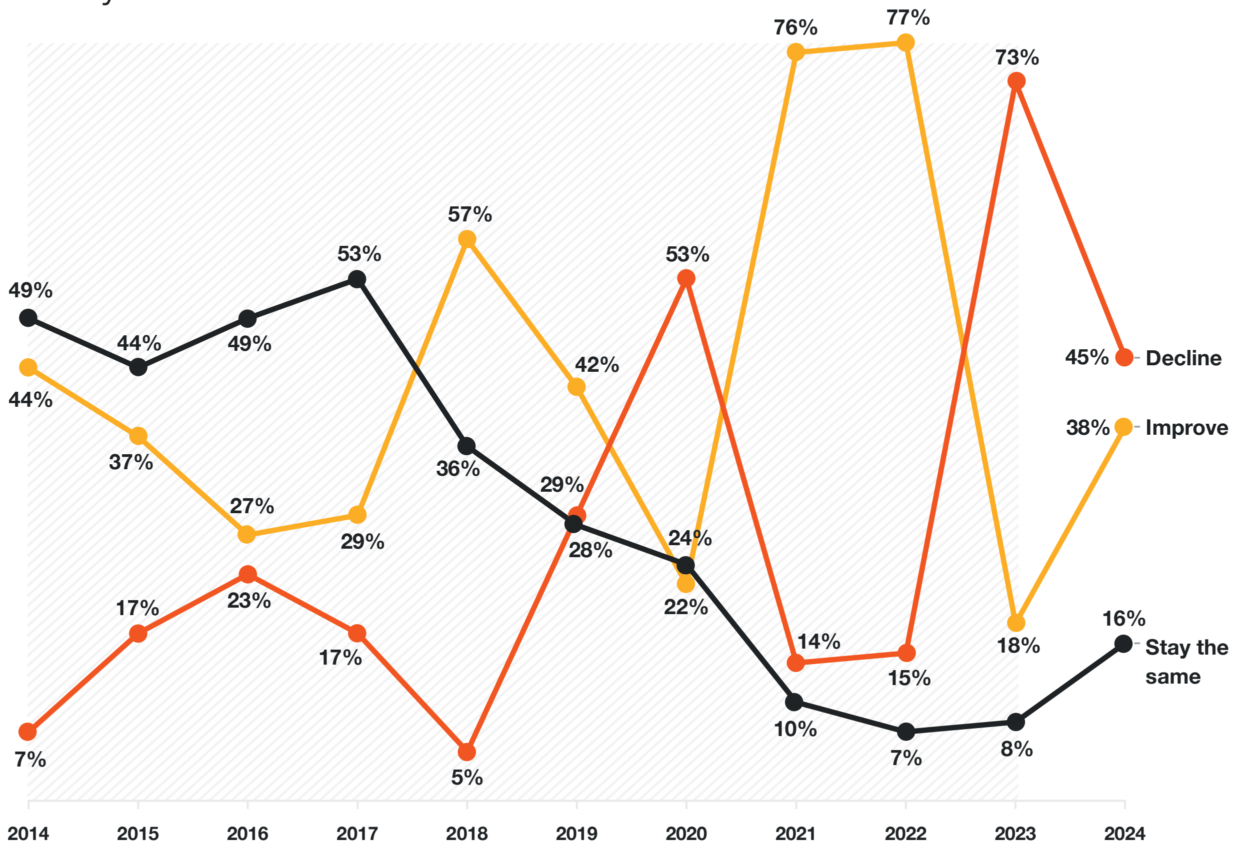
The intensification of CEO worries about corporate viability does not appear to reflect near-term economic concerns. For example, CEOs are less likely than they were a year ago to anticipate a decline in global economic growth, and much more likely to expect growth will improve in 2024 (38% compared to 18% last year). Still, that doesn't mean CEOs are unalloyed optimists: slightly more CEOs expect the global economy to contract in the coming year than expect it to improve. CEOs are also slightly less confident than last year in their own company's prospects for revenue growth, over both the next 12 months and the next three years.

CEOs are twice as likely to expect the global economy to improve this year compared to last year

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



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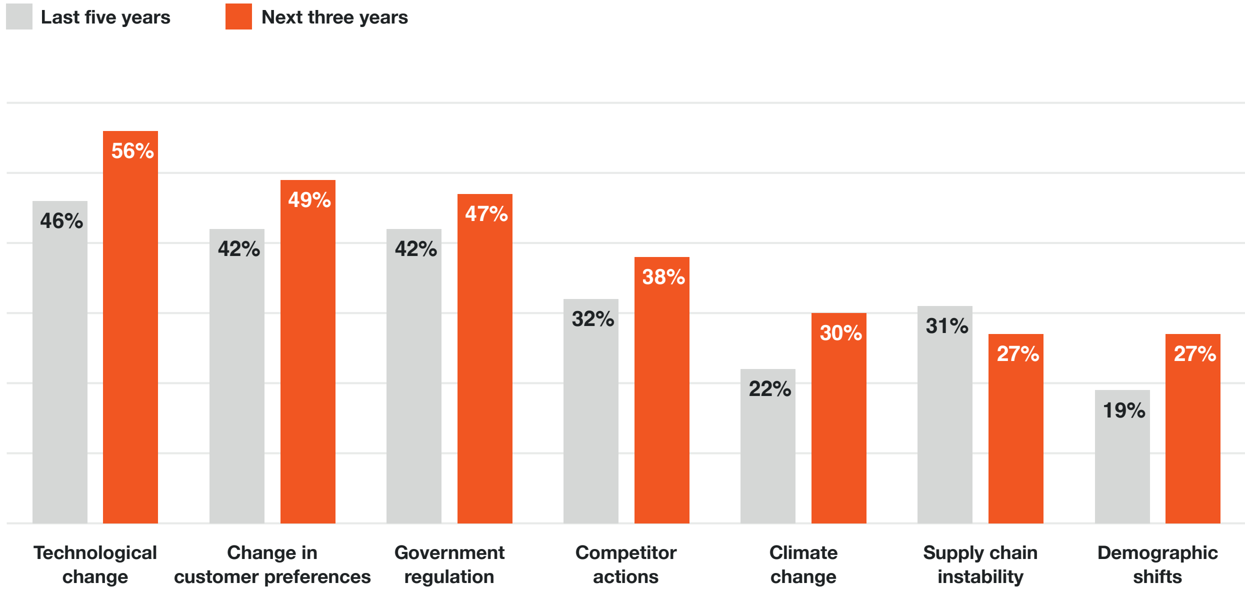
Your next move: Understand—and embrace—continuous reinvention. As the pressure to adapt rises, more CEOs will prioritise big moves to support business model reinvention. But although this is necessary, it's rarely sufficient. PwC research finds that top companies focus not only on their business model, but also on the operating and technology models that enable it—and they do so continuously. The mindset change and management challenges involved are huge. To win, leaders must consider a broader range of initiatives—and apply them in combination (for example, investing in service partnerships to close operating-model capability gaps and keep pace with technology advancements, which in turn allows the company to focus on what it does best). The good news is the reward for getting it right is also huge: winning companies capture a performance premium, measured as the combined effect of profit margin and revenue growth, adjusted by industry, worth more than 13 times that of their peers.

2. Pressures and threats

Another sign that the need to reinvent is rising is a notable increase in the pressure CEOs expect over the next three years from factors that influence business model change. Compared to the last five years, for example, CEOs expect changes associated with technology, customer preferences and climate change, among others, to have a far larger impact on the way they create, deliver and capture value. Only the impact of supply chain instability declines in relative terms as CEOs look ahead to the next three years.

The impetus to reinvent is intensifying

Question: Please indicate the extent to which the following factors have driven/will drive changes to the way your company creates, delivers and captures value in the last five years/next three years.



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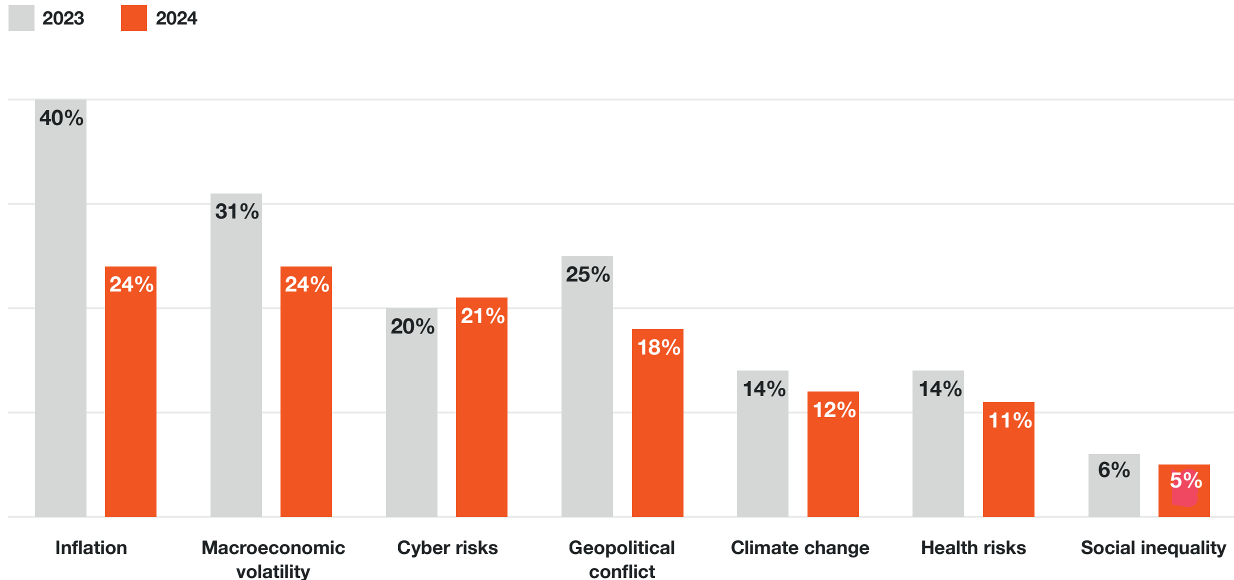
The growing importance of trends like these stands in contrast to CEO perceptions of exposure to several near-term threats, which have declined overall since last year. Geographically, however, CEOs still see pockets of concern. Inflation remains the top concern for CEOs in the United States, for example, despite receding in terms of expected exposure for global CEOs overall. Similarly, geopolitical threats are still among the top concerns for CEOs in Central and Eastern Europe, as well as the Middle East, despite receding for global CEOs overall. This may be because companies have already been taking measures to insulate themselves from the effects of some conflicts—and the full impact of others is still unclear. In Western Europe, CEOs are most concerned about cyber risk over the next 12 months—that's especially true in France and Germany, where it's perceived as the top threat. US CEOs also rank exposure to cyber risk high on their list of concerns.

Over the near term, CEOs are feeling less threatened

Question: How exposed do you believe your company will be to the following key threats in the next 12 months?



Note: *Exposure* is defined as probability of significant financial loss.
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Your next move: Understand how megatrends interconnect. By analysing the trends that impact the region and industry in which a company operates, CEOs can start to identify opportunities that make the most of a company's strengths. Clustering the trends based on commonality helps draw out their potential impact and identify how they reinforce one another. Consider, for example, how technology and climate change might interact with regulation and customer preferences to compel a wholesale reconfiguration of our entire industrial system. CEOs will need to consider what stakeholders really want and need—not just customers, but also suppliers, business partners, investors, regulators and society at large. If you're running an organisation or supervising its management, the task at hand is to envision the future ecosystem in which you intend to operate. Beyond understanding which types of companies will perform what roles, you have to develop a clear view on how value pools are going to shift.

Looming existential change

3. Planetary work in progress

Among the megatrends pressuring CEOs to reinvent themselves, none is more important than climate change. Here, CEOs report mixed success at meeting their stated objectives. Roughly two-thirds have efforts underway to improve energy efficiency; another 10% report completing such initiatives; and about half say they have work in progress to innovate climate-friendly products and services. CEOs in Western Europe are more likely to have energy efficiency and climate-oriented innovation initiatives in progress or completed. And CEOs everywhere are accepting lower hurdle rates for climate-friendly investments, as we will explore later.

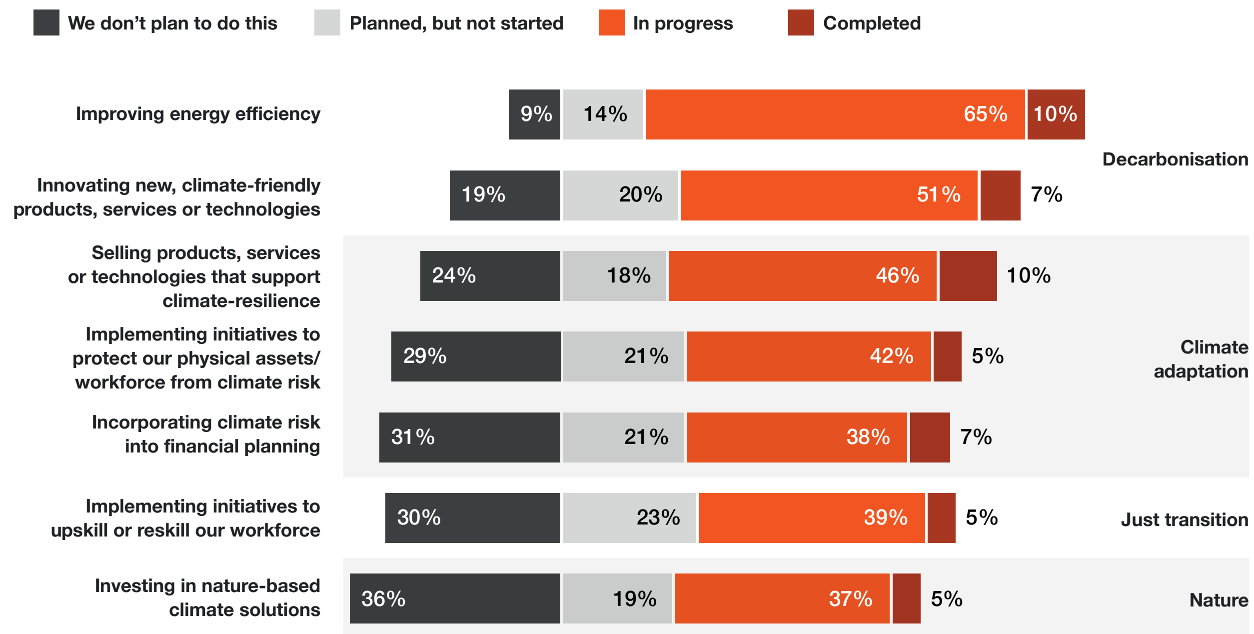
However, too many CEOs report having no plans for a range of other climate actions. For example, fewer than half of all respondents have incorporated climate risk into financial planning—and nearly one-third have no plans to do so. That may be because CEOs have:

- already factored climate risk into their insurance profiles with respect to recent severe weather events, without necessarily considering the long-term, chronic impacts of climate change
- only looked at what's within their own corporate boundaries without fully considering the interdependencies in their supply chains.

Among the other climate actions that CEOs say they aren't likely to take are two with big societal implications. The first, upskilling or reskilling the workforce, is an important part of ensuring a just transition to a net-zero economy. The second, investing in nature-based climate solutions, will be vital if companies are to account for the surprisingly high dependence they have on nature. In fact, PwC estimates that 55% of global GDP—equivalent to about US$58 trillion—is moderately or highly dependent on nature.

Most CEOs report progress on decarbonisation, but fewer have plans for other climate action

Question: 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?



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Your next move: Look to nature-based climate solutions. Although more climate progress is required across the board, one particular blind spot may be nature-based climate solutions. The accelerating decline of natural ecosystems, and insufficient societal response, makes nature loss an increasingly urgent challenge that's interrelated with climate change. PwC estimates that the overall value of listings most exposed to financial risk from nature dependence on 19 major stock exchanges is nearly US$45 trillion. It won't be easy, but CEOs should look for possibilities to create nature-positive business models that don't just mitigate risks and strengthen financial returns but also benefit society. Some companies may find opportunities to address climate priorities and nature priorities at once. For example, reforestation can help capture emissions while also enhancing biodiversity, directing capital to developing economies, and supporting indigenous peoples and local communities.

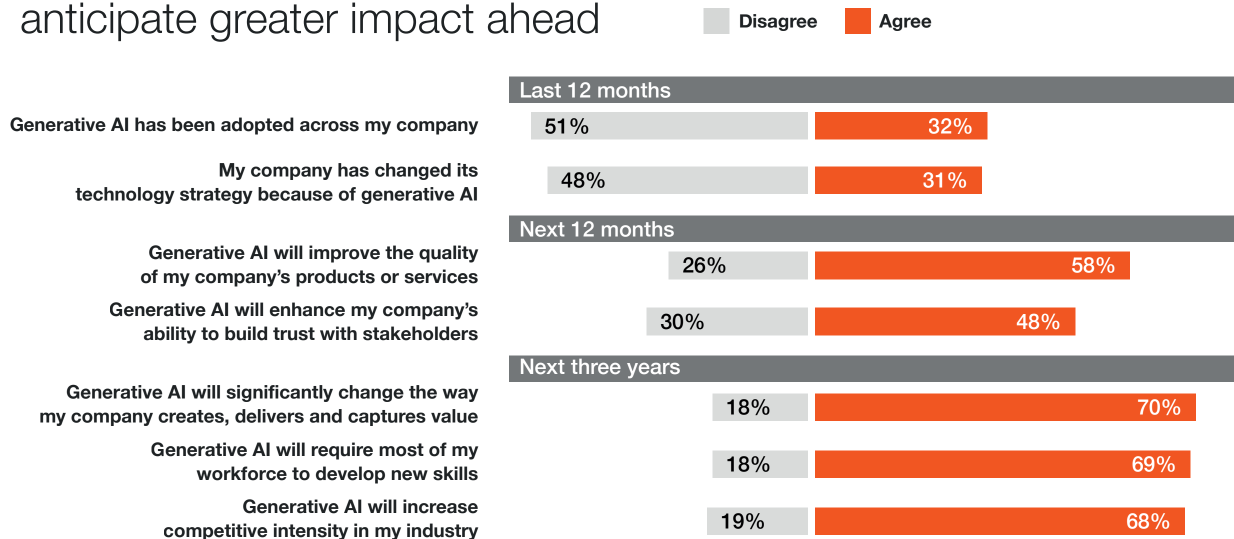
4. The AI opportunity

In addition to climate change, a second megatrend with systemic, existential implications is technological disruption. Specifically, our survey looked at generative AI, which has all the hallmarks of a technology that could significantly change how companies operate. It's also approaching a critical juncture, seemingly poised to transform business models, redefine work processes and overhaul entire industries.

CEOs in this year's survey appear to believe in both the fast pace of generative AI adoption and its outsized potential for disruption. For example, over the next year, about half of CEOs expect generative AI to enhance their ability to build trust with stakeholders, and about 60% expect it to improve product or service quality. Within the next three years, nearly seven in ten respondents also anticipate generative AI will increase competition, drive changes to their business models and require new skills from their workforce. So far, experience apparently buoys expectations. CEOs who say they have adopted generative AI across their company (about one-third of our sample) are significantly more likely than others to anticipate its transformative potential over the next 12 months, as well as over the next three years.

Although generative AI adoption and strategic integration has been somewhat limited, CEOs anticipate greater impact ahead

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



Note: *Disagree* is the sum of 'slightly disagree,' 'moderately disagree' and 'strongly disagree' responses; *Agree* is the sum of 'slightly agree,' 'moderately agree' and 'strongly agree' responses.
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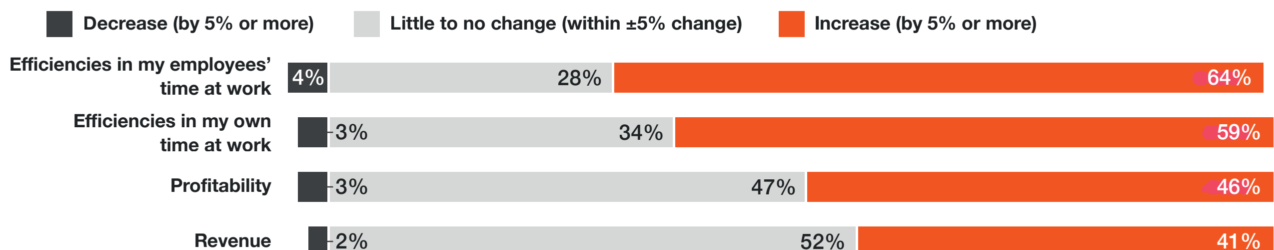
Overall, CEOs anticipate many positive near-term business impacts from generative AI. These include applications that increase revenues, such as through improved product quality and customer trust, as well as those that boost efficiency. This trend is consistent with PwC's Global Risk Survey 2023, which found that 60% of respondents see generative AI as mostly or fully an opportunity rather than a risk.

At a societal level, the effects of generative AI are still uncertain. Some of those efficiency benefits appear likely to come via employee headcount reduction—at least in the short term—with one-quarter of CEOs expecting to reduce headcount by at least 5% in 2024 due to generative AI. Companies making early reductions to capture efficiencies in some areas may already be offsetting them with hiring in others, as growth and revenue opportunities become clearer. For example, although 14% of technology CEOs anticipate reducing headcount in the next year due to generative AI, 56% of them also anticipate hiring in 2024—at a rate almost 20 percentage points higher than the global average in our survey. (Overall, 39% of CEOs expect their company's headcount to increase by 5% or more in the coming 12 months.)

These findings drive home the need for CEOs to bring their people along when it comes to generative AI. Being transparent, purpose-driven, and trusted regarding AI-related plans and decisions can help employees who are wary of AI (and what it may mean for their jobs) feel more comfortable experimenting—and innovating—with it. Ultimately, CEOs must embrace this as a new facet of their role: understanding, explaining and managing the inevitable tensions between short-term job losses and long-term job creation potential from AI.

CEOs anticipate generative AI will deliver significant top and bottom line benefits

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



Note: Percentages shown may not total 100 due to rounding.
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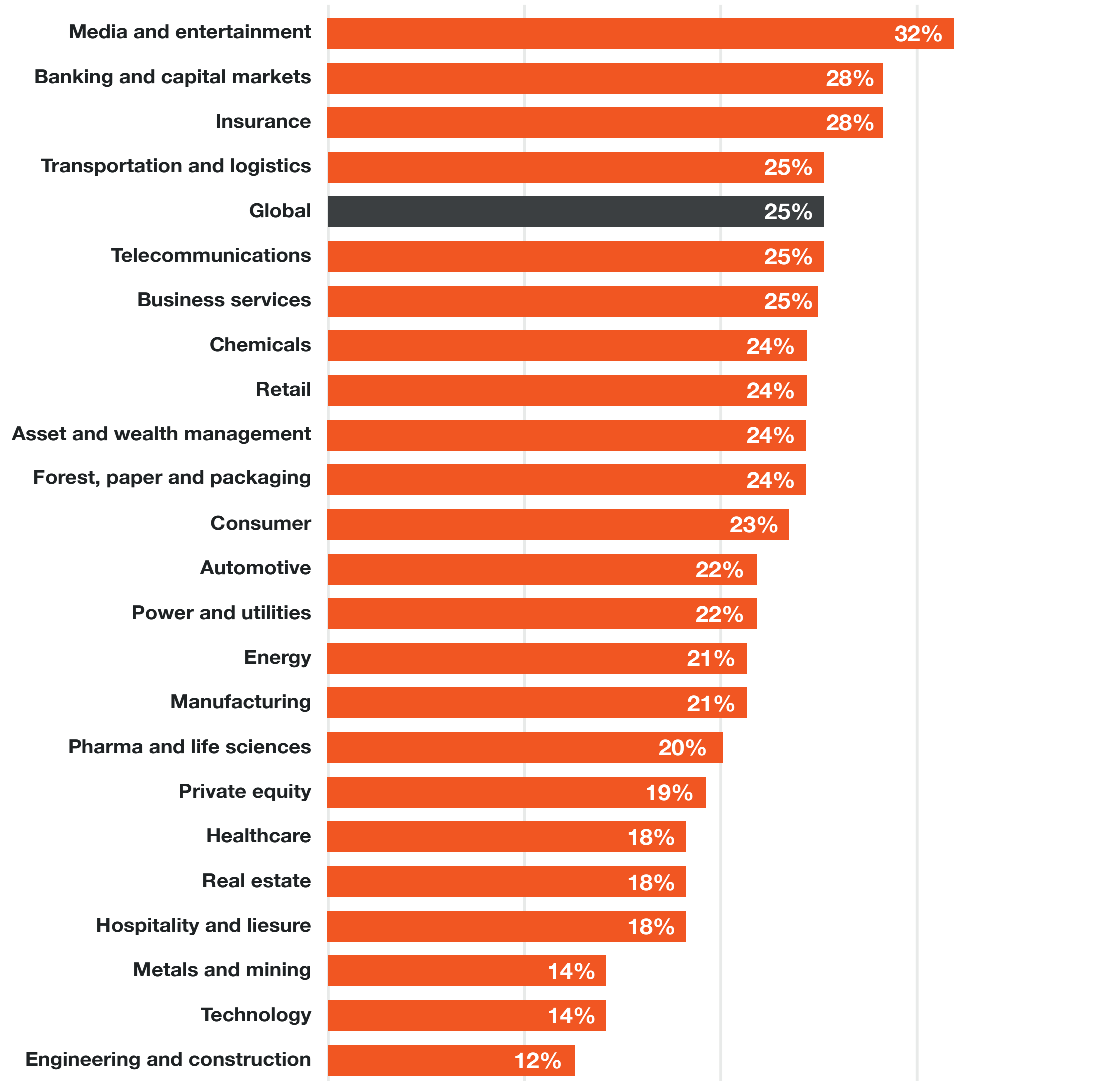
One in four anticipate reducing headcount by 5% or more in 2024 due to generative AI

Question: To what extent will generative AI impact headcount in your company in the next 12 months?



Note: Question text amended for clarity.
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Your next move: Raise the stakes on your AI strategy. In these early days of generative AI adoption, most companies are still nailing down what they're trying to accomplish—and why—with this powerful, general purpose technology. As well they should. Despite the enthusiasm, generative AI is only one type of AI, and has yet to achieve anything close to its potential.

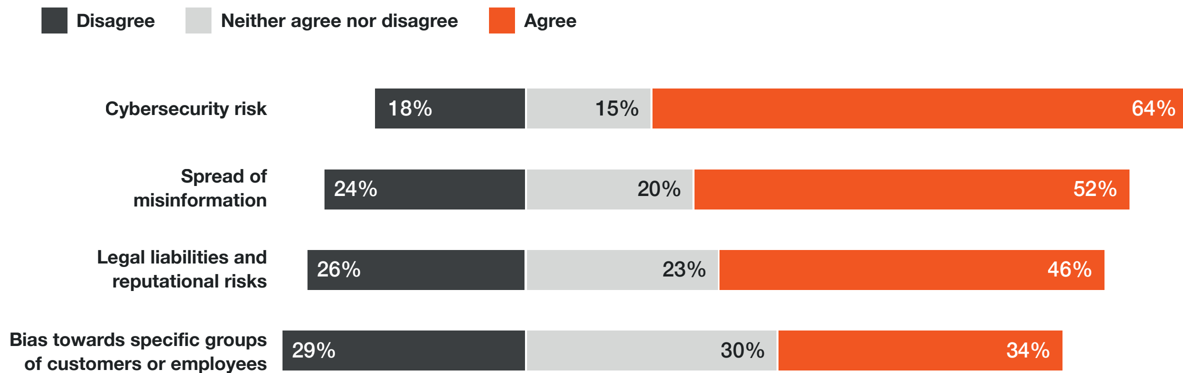
As CEOs proceed, they must navigate the tensions between potential risks and the desire to move quickly to seize opportunities. Leading companies are aligning their generative AI strategy with their existing digital and AI strategies, upskilling employees, and encouraging experimentation across their organisations with a focus on identifying use cases that can be scaled up. As they turn to AI-enabled digital or digitally connected products (including anything-as-a-service models), companies will need to explore myriad opportunities to adjust how they exchange value with customers and other stakeholders.

5. The AI challenge

Even as the momentum of generative AI surges, a range of experts in the field are voicing concerns over the potentially significant, unintended consequences that could emerge as its reach grows. CEOs reflected similar sentiments in their responses to the survey. Consider, for example, that when it comes to generative AI, CEOs are most concerned about cybersecurity risk—and over half agree that it is likely to increase the spread of misinformation in their company. One-third of CEOs also expect generative AI to increase bias towards specific groups of employees or customers in the next 12 months. Almost as many disagree, suggesting bias is likely to be an area of growing attention as the scope and complexity of generative AI's role in business expands. Interestingly, familiarity with generative AI does not seem to mitigate concerns about the risks among CEOs whose companies have already broadly adopted it.

When it comes to generative AI risks, CEOs are most concerned about cybersecurity

Question: To what extent do you agree or disagree that generative AI is likely to increase the following in your company in the next 12 months?



Note: *Disagree* is the sum of 'slightly disagree,' 'moderately disagree' and 'strongly disagree' responses; *Agree* is the sum of 'slightly agree,' 'moderately agree' and 'strongly agree' responses. Percentages shown may not total 100 due to rounding.
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Taken together, these findings underscore the societal obligation that CEOs have for ensuring their organisations use AI responsibly. Indeed, given the pace of innovation and the inevitable delay in establishing new norms and regulations, much of the onus for managing this advancing technology falls, for now, to businesses. As Robert Playter, CEO of Boston Dynamics (a robotics manufacturer), told us in a recent interview, 'While there are potential risks with [AI and large language models], we believe more in its potential and creating boundaries to mitigate any risk. This integration, like all applications of our robots, must adhere to…ethical principles, which strictly prohibit weaponizing the robots or using them for purposes of harm or intimidation.'

> **Your next move: Move fast, move responsibly.** In the rush to explore generative AI's potential, don't overlook its potential pitfalls, as these too may evolve quickly. The key is to think about all the risk dimensions of generative AI, beginning with strategy, and consider how they will affect virtually every employee. Set clear, risk-based priorities to focus on the biggest risks, and create rigorous internal controls around data privacy and how AI models are trained. Pay special attention to how vendors and other third parties manage AI risks, and monitor the regulatory landscape constantly to stay abreast of

developments on data privacy, AI bias and how AI should be governed. And don't forget your cyber programme, which now needs more sophisticated approaches to cyber-risk modelling, such as scanning for threats using formulas specific to your company's sector and even your strategy. Some of the most innovative approaches will—ironically enough—enlist generative AI for cyber defence.

Your reinvention playbook

6. Turn barriers into opportunities

Armed with a better understanding of the challenges and the opportunities associated with meaningful business reimagination, CEOs can begin turning the former into the latter.

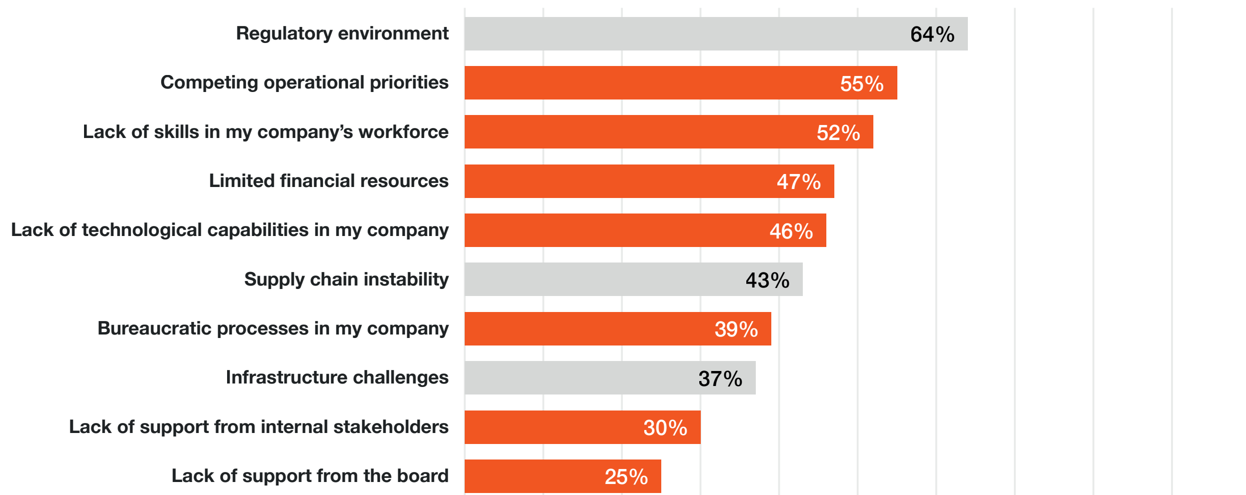
We asked CEOs about a range of obstacles they often confront when undertaking large-scale corporate change efforts. Their responses underscore that many constraints are sector-specific. Infrastructure challenges, for example, inhibit reinvention (to a moderate extent or more) in energy, power and utilities, and transportation and logistics (61%, 58% and 56%, respectively, compared to the global average of 37%). We also saw that CEOs who are more concerned about the viability of their companies were more likely to flag the existence of reinvention obstacles.

Additionally, though, we were surprised to learn how few CEOs perceived some obstacles to have much of an impact. For example, only 25% of CEOs described lack of support from the board as even a moderate constraint on their reinvention efforts, and only 30% of CEOs said the same of internal stakeholders. Similarly, only 26% of CEOs described a lack of support from the board or the management team as a moderate or greater constraint on decarbonising the company's business model.

Many of the barriers inhibiting reinvention are within the CEO's realm of influence

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

(Showing only 'to a moderate extent,' 'to a large extent' and 'to a very large extent' responses)



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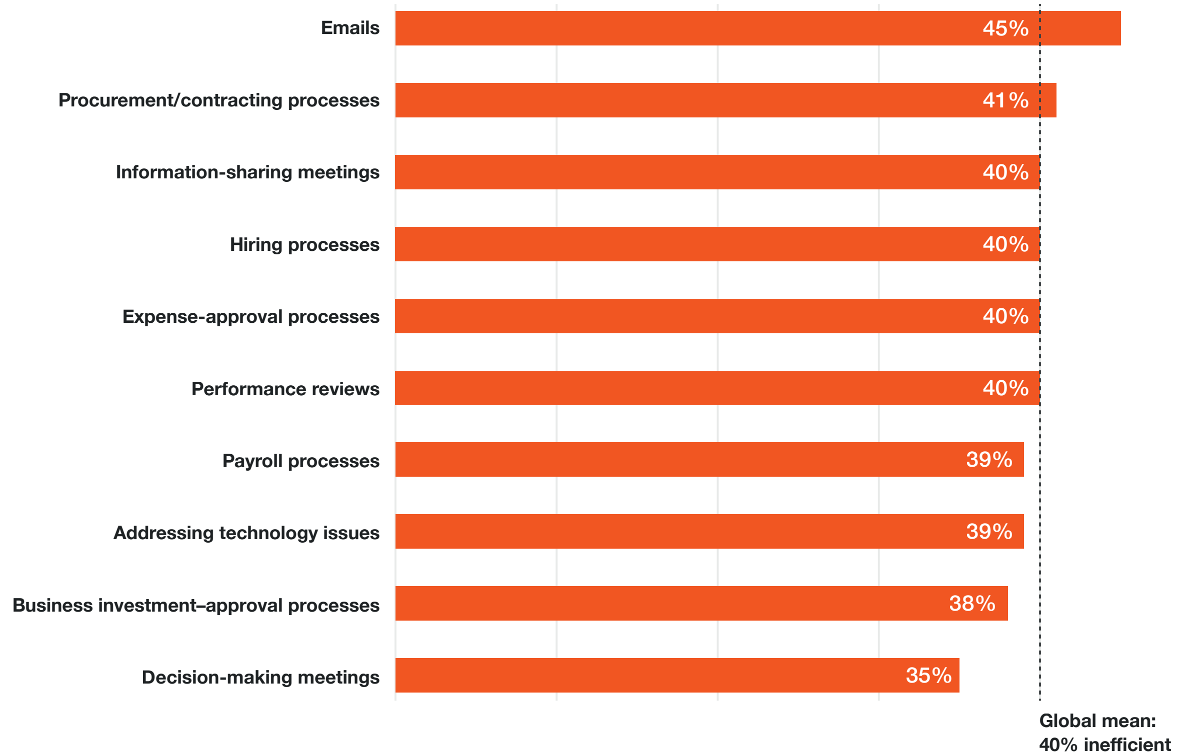
On the other hand, many perceived constraints on reinvention fall squarely in a CEO's realm of influence. Bureaucratic processes, competing operational priorities, limited financial resources, workforce skills and technological capabilities are subject to some degree of CEO influence—as is efficiency, which was an area of concern for many CEOs. On average, CEOs said that 40% of time spent on meetings, administrative processes and emails is inefficient. Moreover, respondents said that 35% of time spent in decision-making meetings, an activity over which CEOs often have direct personal control, is inefficient. Our conservative estimate of the cost of that inefficiency would be tantamount to a self-imposed US$10 trillion tax on productivity. That's about 7% of global GDP at purchasing-power parity—what Harvard Law School professor Cass Sunstein might call a 'sludge' tax, borne of high transaction costs.

Another kind of barrier looms large: CEOs estimate administrative inefficiency at 40%

Question: What percentage of time spent in your company on the following activities/processes is inefficient?



Note: Question text amended for clarity; bars depict mean values.
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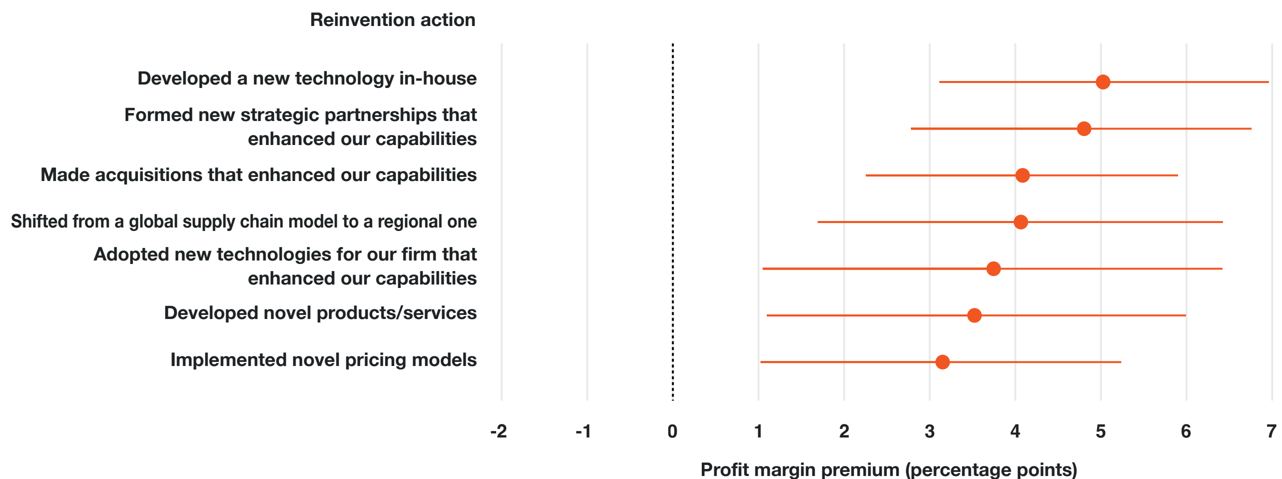
Your next move: Engage, empower and enable your people. CEOs and other C-suite leaders can do much more to address inefficiencies and break through barriers, but they can't do everything. Therefore, it's critical to build alignment between leaders and employees around priorities for change, and to build a culture of trust so employees feel safe to propose better ways of doing things. Start by identifying gaps between the views of leaders and workers. Among CEOs whose companies have broadly adopted generative AI, for example, 84% believe it will increase efficiency in their employees' time at work in 2024. Employees appear less convinced—only 31% of workers responding to PwC's Global Workforce Hopes and Fears Survey 2023 expected

generative AI to increase their productivity and efficiency at work in the next five years. To build trust, start with transparency and invite employees to play an active role in reinvention. Consider citizen-led innovation, an approach that helps employees build skills and apply them right away. Also: redesign career paths around skills, not jobs, so employees have more agency and opportunity as jobs change.

7. Pinpoint your most important moves

Actual progress will come when leaders and companies undertake meaningful initiatives to evolve the way they create, deliver and capture value. Analysis of this year's survey data showed a positive association between self-reported profit margins and business moves that had a large or very large effect on respondents' business models—such as technology development and deployment, novel pricing models, and strategic partnerships. This was true both of individual reinvention actions and of a composite reinvention index that we created. The data suggests that returns are three to five percentage points higher for actions with a very large impact on business models than those with limited impact.

Each reinvention action is associated with higher profit margins



Note: Profit margin premium is the difference in predicted profit margin between CEOs who responded 'to a very large extent' and CEOs who responded 'not at all or to a very limited extent' to the question 'To what extent have the following actions impacted the way your company creates, delivers and captures value over the last five years?'; error bars represent 95% credible intervals; the dashed line indicates no profit margin premium.
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The right moves for each company will differ, of course, depending on its strategy, operating model, industry context and competitive landscape. Two things stand out. First is that nimble resource reallocation—an acknowledged attribute of high-performing companies—remains a critical area for CEO attention. Nearly two-thirds of CEOs reported reallocating 20% or less of resources from year to year, and almost 30% of CEOs cited resource reallocation of 10% or less. Higher levels of annual reallocation in the survey were associated with both greater levels of reinvention and higher profit margins.

Second is the value of looking beyond a company's walls and embracing business ecosystems. Separate PwC research finds it's often possible to create more value than any firm could achieve alone by working across industry boundaries—through joint ventures or alliances, for example—to provide what customers need. Companies in ecosystems are 1.7 times as likely to be faster to market than peers, 1.2 times as likely to be flexible and agile, and 2.3 times as likely to be highly innovative.

> **Your next move: Clarify connections to value.** Ultimately, CEOs and their leadership teams need to have a clear sense of how deals, projects or other investments create value—and be willing to make tough calls, whether that's reallocating resources from legacy businesses or redefining a company's industry boundaries and ecosystem partners. As Sun Life CEO Kevin Strain observed in a recent interview, 'Part of the idea behind [our] extension to health ecosystems is we can see a road to building a stronger business…. These are also logical extensions to our group business in the US and Canada, and to our insurance platform in Asia.' Such collaborative ecosystems offer the best (and arguably only) way to tackle complex, far-reaching challenges such as climate change.
>
> It's also worth bearing in mind that resource allocation can take place at multiple levels. This includes, for example, strategic decisions around which assets are—or should be—in a company's portfolio, as well as the company's ability to make the most of them. Allocation also includes day-to-day, project-level decisions, which PwC's 25th Annual CEO Survey (published in 2022) found to be a surprisingly significant performance driver.

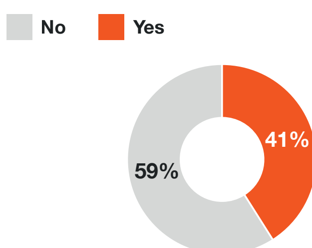
8. Recalibrate expectations for climate priorities

As CEOs establish priorities, many are seeing climate change as an industry disruptor containing distinct opportunities in addition to risks. Nearly one-third expect climate change to alter the way they create, deliver and capture value over the next three years—compared to less than one-quarter, who said as much regarding the past five years. This may partly explain why 41% of CEOs, including over half of those at chemical companies, say their companies have set lower hurdle rates for climate-friendly investments than for other investments. Geographically, 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.

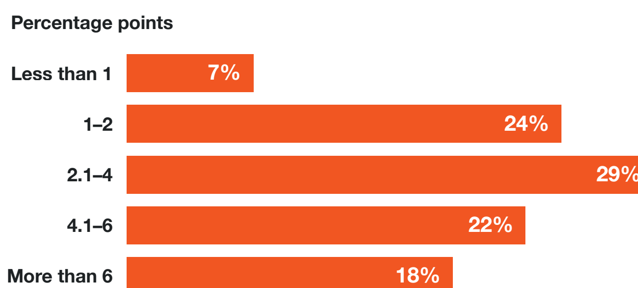
That's consistent with the sentiment of investors in PwC's Global Investor Survey 2023, two-thirds of whom say that companies should make expenditures that address environmental, social and governance (ESG) issues even if doing so reduces short-term profitability. Return requirements are critical inputs to corporate resource allocation decisions, so evidence that CEOs are flexing their expectations as they face up to the climate challenge is a hopeful sign of potential for progress. Related PwC research finds evidence, too, of a shift in private investor interest in green tech towards more emissions-intensive sectors.

Four in ten CEOs have accepted significantly lower rates of return on climate-friendly investments

Question: In the last 12 months, when evaluating climate-friendly investments, has your company accepted rates of return that were lower than for other investments?



Question: How much lower was the acceptable rate of return for climate-friendly investments compared to other investments?



Note: *Climate-friendly investments* were defined as 'e.g., transitioning to energy-efficient operations, developing greener products and services, implementing emission-reducing technologies.'

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Your next move: Partner with your CFO on climate strategy. Given their traditional focus on long-term value and performance, CFOs are natural and trusted partners for CEOs, as they address matters such as resource allocation, long-term capital spending, or mergers and acquisitions (M&A) to build more sustainable business models. The CFO and the finance function also have a host of tools—for forecasting, budgeting, resource allocation and risk management, to name a few—that they can use to bring sustainability into the heart of strategy. That should be a boon to identifying which interventions will have the biggest impact on decarbonisation, social sustainability or nature. For CEOs seeking a faster-paced transformation through M&A, joint ventures and alliances, a partnership with the CFO can be especially fruitful—both in a grounded approach to valuation and in communicating value to investors.

9. Keep your antennae up

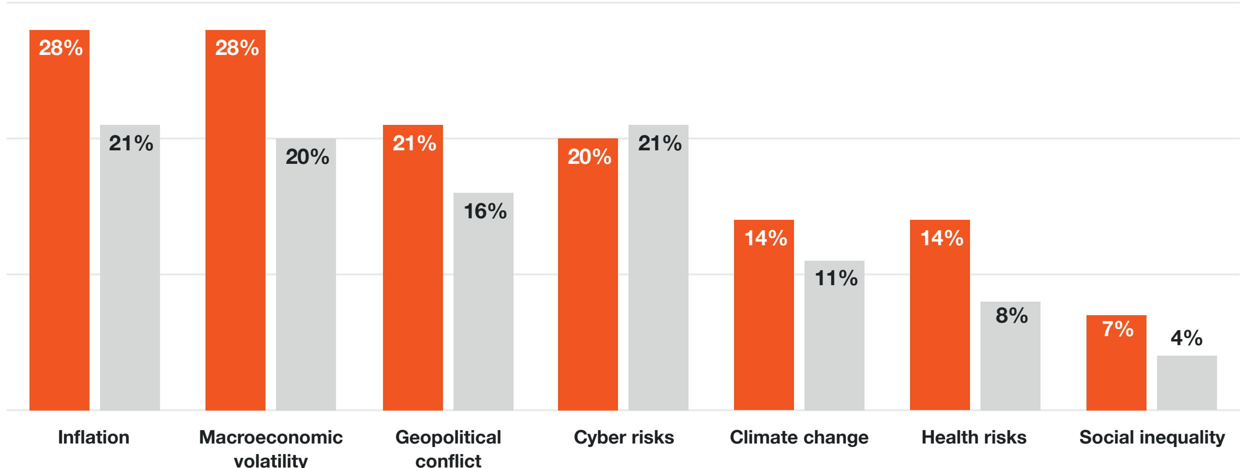
'Sooner or later,' wrote the late Andy Grove, former CEO of Intel, in his 1996 memoir, *Only the Paranoid Survive,* 'something fundamental in your business will change.' Whether that change is in technology, intense competition or regulation, companies face forces that 'build up so insidiously that you may have a hard time even putting a finger on what has changed, yet you know that something has.'

Facing inflection points that precipitate, in Grove's words, 'full-scale changes in the way business is conducted,' managers must be 'paranoid' guardians of their businesses against competitors 'who will eat away at it chunk by chunk until there is nothing left.' Grove's emphasis on sensing inflections made an appearance in a telling data point from this year's survey. Those CEOs who are *less confident* in their company's viability are *more conscious* of the threats they face. Whether that's because they are at greater risk from those threats or because they're seeing something other companies don't probably varies by company, industry and geography. PwC's Global Internal Audit Study 2023 highlights how effective a company's risk, compliance and internal audit teams can be at putting in place the early-warning and risk-sensing systems to help spot these hazards.

CEOs who are less confident of their company's viability are slightly more conscious of key threats

Question: How exposed do you believe your company will be to the following key threats in the next 12 months?

(Showing only 'highly exposed' and 'extremely exposed' responses by business model viability)
CEOs who perceive their business models to be viable for:



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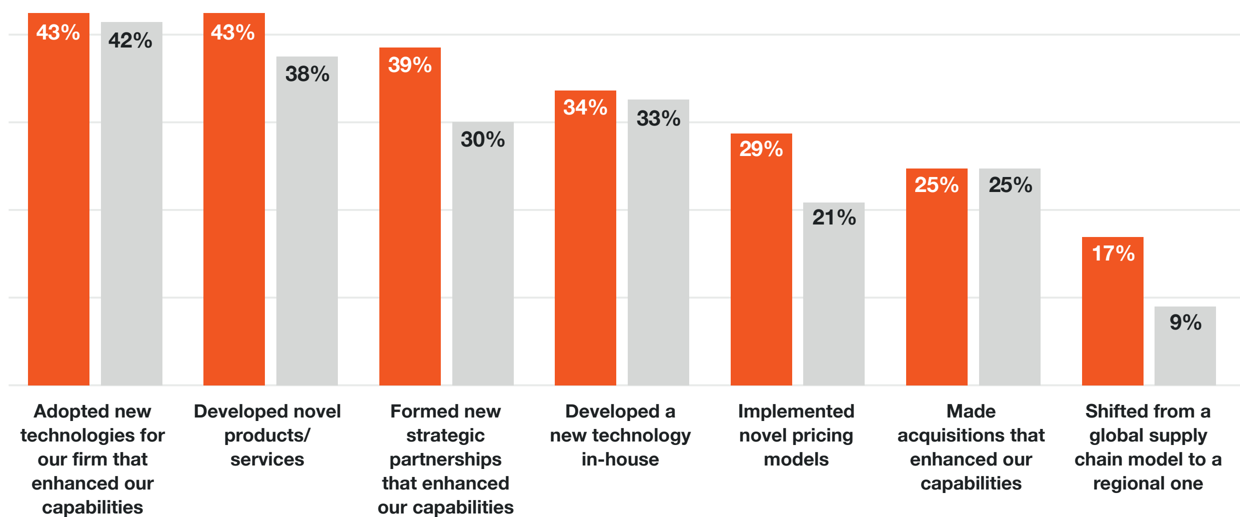
We also see CEOs who are more concerned about the viability of their businesses doing somewhat more to adapt than others. This was particularly true among CEOs who say their company formed new strategic partnerships, shifted from global supply chain models to regional ones, or implemented novel pricing models.

CEOs who are less confident of their company's viability are somewhat more likely to take reinvention actions

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



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Your next move: Challenge conventional wisdom. Staying ahead as the fundamentals of a business change requires every leader to challenge conventional wisdom. This will look different for different industries. Consider, for example, four prevailing assumptions held by banks that are under assault as the embedded finance revolution courses through financial services. These include long-held notions about the competitive advantages of established banks, their relationships with customers and the perceived structural advantages of regulation. To thrive in this new world, banks—and other companies—must understand how ecosystems are crystallising around customer needs. They should then define the role they want to play within the resulting value chains, including how they will facilitate and leverage the rapidly expanding flows of financial transactions and customer data.

Sustaining the change

The totality of this year's survey results reflects an awareness among CEOs that they are navigating critical strategic inflection points, and feel a sense of urgency and a bias towards action. The data also suggest there's a growing premium on leadership effectiveness to maintain energy, challenge the status quo and increase momentum. In a recent strategy+business article, PwC's Ryan Hawk, Nadia Kubis and Blair Sheppard described a number of critical leadership priorities for reinvention-minded leaders.

For example, CEOs may need to expand their executive teams to include experts in emerging areas that are critical for their company's future success, such as climate regulation or AI. Also crucial: having the whole top team own the change—as well as their systems of governance and control—rather than putting functional or business unit leaders in charge of discrete initiatives. In addition, many organisations will need to take account of the fact that the answers to a great many questions don't exist, and new mechanisms will be necessary for solving problems together—rather than presenting solutions and seeking approval—as well as for new ways of tracking progress and rewarding people. What's more, CEOs need a plan to communicate the urgency they are feeling, so that everyone understands and can potentially own part of the solution. People who are proficient at their current jobs may resist change because they're concerned they may not be good at what they'll be required to do in the future. So CEOs who are serious about reinvention must find approaches for acknowledging concerns, prizing curiosity and openness to learning, and encouraging managers to help people adapt.

Some of these leadership imperatives may sound familiar, but all of them raise expectations of CEOs to lead the voyage of strategic discovery necessary to evolve long-standing approaches to value creation. As we enter an age of continuous reinvention, CEOs have unparalleled opportunities to reshape their organisations, and themselves, to thrive on disruption, and transform aspirations into realities.

PwC's 27th Annual Global CEO Survey methodology, demographics and definitions

PwC surveyed 4,702 CEOs in 105 countries and territories from 2 October through 10 November 2023. The global and regional figures in this report are weighted proportionally to country nominal GDP to ensure that CEOs' views are representative across all major regions. The industry- and country-level figures are based on unweighted data from the full sample of 4,702 CEOs, including 4,088 men, 521 women, and 93 who identified with another gender or preferred not to say. Further details by region, country and industry are available on request. All quantitative interviews were conducted on a confidential basis. Among the CEOs who participated in the survey:

- 3% lead organisations with revenues of US$25 billion or more
- 4% lead organisations with revenues between US$10 billion and US$25 billion
- 20% lead organisations with revenues between US$1 billion and US$10 billion
- 38% lead organisations with revenues between US$100 million and US$1 billion
- 31% lead organisations with revenues of up to US$100 million
- 68% lead organisations that are privately owned.

Notes:

Not all percentages in charts add up to 100%—a result of rounding percentages; multi-selection answer options; and the decision in certain cases to exclude the display of certain responses, including *other*, *none of the above* and *don't know*.

We also conducted in-depth interviews with CEOs from North America and Asia-Pacific. Two of these interviews are quoted in this report; the full interviews can be found at https://www.strategy-business.com/inside-the-mind-of-the-ceo.

The research was undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services.

https://www.pwc.co.uk/pwcresearch

About the inefficiency tax

By combining data from this year's CEO Survey with selected data from other sources, we calculated an overall cost of inefficiency that ranged from US$10 trillion to US$20 trillion. This translates to 7% to 13% of global GDP based on purchasing-power parity. Our assumptions were as follows:

- The percent of total time considered inefficient was a sum of the estimates for the average time considered inefficient in meetings and administrative work.
  - To derive the estimate for meetings, we multiplied our estimate of the percentage of scheduled meeting time considered inefficient (average: 40%) by an estimate of the average percent of time spent on meetings in a week (15%; based on research suggesting an average of six hours of scheduled meetings per week; Rogelberg, Scott, & Kello, 2007).
  - To derive the estimate for administrative work, we multiplied our estimate of the percentage of administrative time considered inefficient (average: 38%) by an estimate of the average percent of time spent on administrative tasks in a week (12.5 to 38%; based on research suggesting a minimum of five hours and an average of 15 hours of administrative work per week; West Monroe, 2018).
- Payroll expenses per employee were estimated by dividing the assumed payroll revenue for each company (self-reported revenue times 0.15) by the self-reported number of employees in the company.
- Statista estimates the number of total employees globally at 3.39 billion.

About the reinvention index

We asked CEOs about the extent to which various actions had impacted the way their company creates, delivers and captures value over the past five years. These actions included forming new strategic partnerships, implementing novel pricing models, developing novel products or services, making acquisitions, shifting to a regional supply chain, adopting new technologies and developing new technologies in-house. We then combined responses to this question into an index using factor analysis, a statistical method that enables the combination of individual responses into a factor that they all have in common. (Although we also asked CEOs about divestments, we excluded it from our factor analysis because it was the least associated with business model reinvention.) Finally, we calculated a number for each CEO that represents their level of reinvention—in other words, a reinvention index score. Index score values represent standard deviations from the mean; a higher score on the index indicates more reinvention.

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