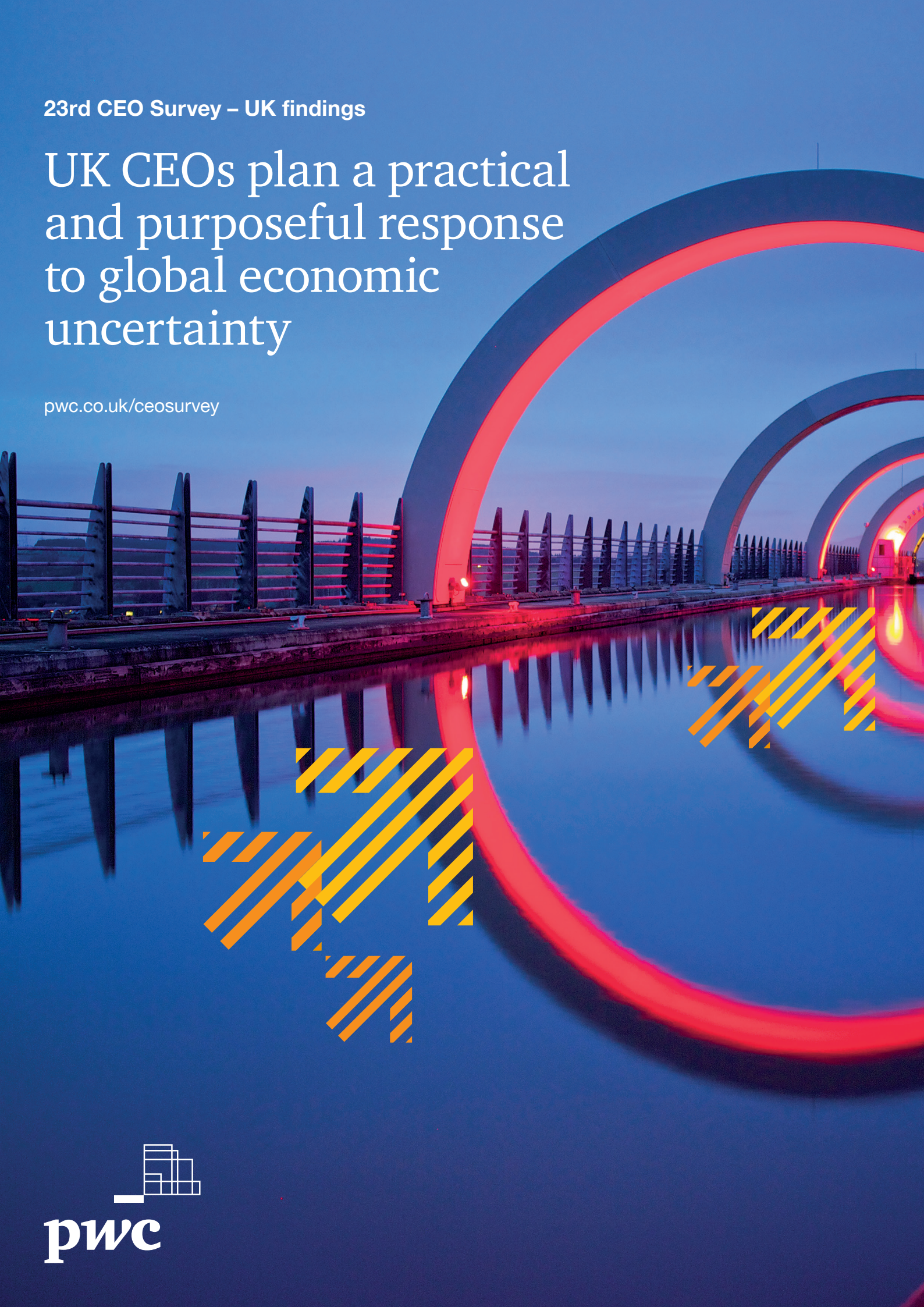


23rd CEO Survey – UK findings

UK CEOs plan a practical and purposeful response to global economic uncertainty

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Economic uncertainty is the single biggest concern among UK CEOs this year. But many are tackling it head-on with a series of practical and purposeful measures intended to protect what they've got, while identifying new opportunities to grow.

Responses to PwC's 23rd CEO Survey show UK bosses intend to cut costs while targeting opportunities to grow in new markets and through new products and services.

They are also focused on upskilling their workforce and investing in their people to accelerate digital transformation, drive higher productivity and build a stronger culture within their organisation.





1. Responding to uncertainty

A practical and purposeful approach

UK CEOs are more concerned about economic uncertainty than any other threat to their business.

But PwC's 23rd CEO Survey also reveals UK bosses are focused on combating that uncertainty by implementing practical measures, such as increasing efficiency and launching new products and services in order to keep growing.

There is also a clear focus on culture with more purposeful measures which will help organisations appeal to talent and customers, and protect them better from reputational issues.



88%

of UK CEOs are concerned about uncertain economic growth, compared to 81% globally (**up from 71% last year**)



64%

of UK CEOs anticipate a global economic decline this year, compared to 53% globally

Political uncertainty and the Brexit effect

CEOs the world over have expressed concerns about economic and geopolitical uncertainty as well as global trade conflicts, but there are specific issues, such as Brexit, which may have had greater influence on the responses of UK CEOs.

However, while our survey (which was conducted in September and October 2019, prior to the UK general election) shows UK CEOs are more concerned about currency volatility than their global counterparts, their concern about trade conflicts is consistent with global responses – and lower than their US counterparts.

Globally, CEOs rank the UK as the fourth most important territory for growth, behind the US, China and Germany.

CEOs concerned about currency volatility



CEOs concerned about trade conflicts



CEOs concerned about the future of the Eurozone



CEOs concerned about geopolitical uncertainty



The outlook beyond 2020

While economic uncertainty may be front of mind this year, the majority (90%) of UK respondents to the CEO survey feel confident about their business's revenue growth prospects when asked for their three year outlook. This is up from 70% who feel confident about 2020, suggesting many UK CEOs see their immediate concerns as potentially short-term issues they are well-positioned to overcome.

How confident are UK CEOs about their prospects for revenue growth?

12 month outlook



are confident

3 year outlook



are confident

“

After three years of internal focus, now's the time for UK businesses of all sizes to look outwards. How all of us, as UK business leaders, tackle the challenges of the next 12 months will be interesting to see.

My bet is that those who can hold their nerve in the market and invest for the future, by committing to upskilling their people, embracing the opportunities presented by technology and wider disruption, and by making sustainability core to the way they do business, will be the ones who come out on top.



Kevin Burrowes

Managing Partner – Clients and Markets,
PwC UK



2. UK CEOs rise to the challenge with a practical approach

A focus on growth

Practical cost-saving measures, such as increasing operational efficiency, are high on the priority list for UK CEOs. However, their plans extend far beyond just belt-tightening as there is also a clear focus on identifying and capitalising on opportunities for growth. There is also a clear focus on identifying and capitalising on opportunities for growth.

So while over three quarters (79%) of UK CEOs are planning to implement operational efficiencies over the coming year, many are also exploring new opportunities for growth and expansion, both in terms of the products and services they offer and their international reach.

There is also a strong appetite for mergers and acquisitions in the UK with over a third (32%) of UK CEOs looking to access the investment liquidity that exists in global capital markets and private equity.

79%

of UK CEOs are planning to implement operational efficiencies
(up from 72% last year)

25%

of UK CEOs expect their headcount to decline over the coming 12 months
(up from 16% last year)

65%

of UK CEOs plan to launch a new product or service

42%

of UK CEOs say they are exploring a new market

32%

of UK CEOs are looking at mergers and acquisitions

Turning tech from threat to opportunity

UK CEOs also expressed concerns about the pace of technological change and the threat of cyber attacks.

But while the pace of technological change was cited as a threat to their business by three quarters of UK CEOs, technology also opens up a great many opportunities, from embracing the power of artificial intelligence (AI) to capitalising on the potential of technologies such as virtual reality (VR) and augmented reality (AR) to deliver increased efficiencies and new revenue opportunities.

PwC research suggests VR and AR alone have the potential to add nearly £2 billion to the UK economy in 2020, **Seeing is believing: How VR and AR will transform business and the economy**¹.

And while CEOs have expressed concerns about the availability of key skills to help them unlock such opportunities, they are focused on upskilling their workforce, specifically to deliver greater innovation and digital transformation.



of UK CEOs are concerned about the risk of cyber threats to their business



of UK CEOs are concerned about the speed of technological change



of UK CEOs see the lack of availability of key skills as a threat to their business



of UK CEOs believe their upskilling programmes are effective in supporting innovation and accelerated digital transformation

¹ <https://www.pwc.com/seeingisbelieving>



Closing the skills gap

Investing in people is a key theme in PwC's 23rd CEO Survey. Although a quarter of UK respondents (25%) have said they expect headcount within their organisation to decline this year, a far greater proportion (56%) expect it will increase, and many are reporting successes in their efforts to upskill their workforce.

As well as looking to improve their innovation and digital capabilities, UK CEOs are seeing upskilling deliver clear benefits in terms of increasing productivity, strengthening their corporate culture and improving recruitment and retention at a time when competition for talent is intense.

CEOs will likely find they are pushing on an open door when it comes to offering existing teams the opportunity to learn new skills. PwC's global upskilling survey **New World, New Skills**² found 77% of respondents worldwide would be keen to learn new skills or completely retrain to improve their future employability.



² <https://www.pwc.com/gx/en/issues/upskilling.html#key-findings>



of UK CEOs expect to see an increase in headcount this year

UK CEOs believe their upskilling programmes are proving effective in delivering...



Stronger corporate culture and employee engagement



Innovation and accelerated digital transformation



Improved talent acquisition and retention



Greater business growth



Higher productivity



CEOs know keeping up with change is not just about teaching people how to use new devices. It's about learning how to think, operate and thrive in a digital world. They want to make the right tech decisions to help upskill their people and retain a strong and productive workforce. They're not alone. Upskilling is a priority for society, organisations and governments.

By investing across the regions in technology and people, UK businesses are starting the new decade with the right focus. It will not only help retain their workforce but also create new jobs as old ones become automated, capitalising on the UK's position as a highly skilled and innovative economy.



Marissa Thomas

UK Tax Leader,
PwC's UK Management Board member



3. UK CEOs increase their focus on purpose and trust

A commitment to culture

CEOs are putting significant emphasis on their broader purpose and culture, as issues such as sustainability, diversity and wellbeing have become business critical.

With skills a priority, it is essential CEOs promote a company culture that complements their recruitment and retention plans by helping them attract, retain and nurture the people they have and the talent they need.

UK CEOs show a commitment to issues such as diversity and inclusion and recognising the importance of wellbeing in the workplace. Addressing such issues not only demonstrates a commitment to workplace equality, but also reflects growing recognition that greater diversity can improve decision-making.

However, it is surprising given the attention this matter has been getting that a significant proportion of businesses are yet to really focus on this issue.



59%

of UK CEOs say the declining wellbeing of their workforce is a threat



68%

of UK CEOs have made moderate to significant progress on a diversity and inclusion strategy



21%

are only just starting

Taking a stand on global issues

Climate change awareness and activism has increased over the course of the past year. Coupled with this, the UK last year became the first major global economy to enshrine in law its commitment to reduce greenhouse gas emissions to net zero by 2050, further affixing this issue to the CEO agenda.

As a group, CEOs are more acutely aware of the threat climate change poses to their business and believe how they respond will shape their reputation. In fact, three quarters (74%) of UK CEOs believe their response to climate change can provide a reputational advantage for their business and half (51%) believe finding solutions to the climate crisis presents a significant business opportunity.

UK CEOs also expressed concern about issues such as protectionism (62% vs 65% globally), populism (56% vs 63%) and social instability (54% vs 59%). However, in each instance UK CEOs' concerns were lower than the global view.



64%

of UK CEOs believe climate change poses a threat to their business **(up from 44% last year)**



74%

expect their response to climate change to provide a reputational advantage



CEOs are acutely aware of the expectation on business to drive positive change. They also recognise the advantage this will give them. It's in their interest to keep their employees, their consumers, and their investors happy. We're seeing this focus on purpose and impact permeate responses across our survey, from the organisational culture CEOs wish to promote to their approach to external challenges such as the climate crisis.

At the same time, CEOs consider lack of trust a key threat to businesses, underscoring the need to deliver on their promises. The businesses leading the way are those that know the impacts they want to effect, and are driving their whole organisation in the same direction. If more follow suit, the 2020s could be one of the most transformative decades for business we've ever seen.



Emma Cox

Head of Purpose, UK leader,
Sustainability and Climate Change,
PwC UK



Methodology

PwC conducted 1,581 interviews with CEOs in 83 countries between September and October 2019. Our sample is weighted by national GDP to ensure that CEOs' views are fairly represented across all major regions. 7% of the interviews were conducted by telephone, 88% online, and 5% by post or face-to-face. All quantitative interviews were conducted on a confidential basis. 46% of companies had revenues of \$1 billion or more; 35% of companies had revenues between \$100 million and \$1 billion; 15% of companies had revenues of up to \$100 million; 55% of companies were privately owned.

We would like to thank the 126 UK CEOs who took time to share their thoughts and opinions with us.



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