

The EY CEO Outlook Survey 2022

Deck prepared at 100% data

No. of respondents - 2000+



CEO Imperative Series

The CEO Imperative: Will bold strategies fuel market-leading growth?



The better the question. The better the answer.
The better the world works.



Building a better
working world

About the study

Designing and delivering a strategy to optimize value for all stakeholders has never been more challenging.

Beyond the pandemic, CEOs need to reshape their portfolios, reimagine their ecosystem and reinvent themselves for a better future.

That's why EY is introducing the *EY CEO Outlook* as the benchmark of executives' sentiment on global challenges, growth and sustainability strategy, portfolio optimization and M&A.

It aims to provide valuable insights on the main trends and developments impacting the world's leading companies as well as business leaders' expectations for future growth and long-term value creation.

The CEO Outlook Survey is part of the CEO Imperative Series, which provides critical answers and actions to help CEOs reframe the future of their organization

Produced in association with



Thought Leadership **Consulting**
A Euromoney Institutional Investor company

Participant profile:

Respondent community includes 2000+ CEOs surveyed between November and December 2021

Companies from **51** countries

Respondents from **13** industries

Global key findings

CEOs are resetting their risk radar and reframing their investment strategy for growth in a new environment.

86%

of global companies have been impacted by the pandemic

79%

of CEOs have adjusted or planning to adjust global operations or supply chains

M&A remains a critical strategic option to boost capabilities in technology, talent and innovation as well as ESG/sustainability strategies.

54%

of respondents will prioritize investment in existing businesses, digital transformation, and sustainability

45%

of global companies have accelerated cross-border investments

Most CEOs have investor backing, but a quarter face challenges to safeguard future growth plans.

59%

of CEOs expect their companies to pursue acquisitions in the next 12 months

82%

of respondents identified ESG factors as extremely important or important, when it comes to strategic decision making



Global risks and opportunities


CEOs are understanding the impact of the pandemic on their industry


Transitory or permanent, CEOs need to position for growth in a reshaped landscape


Q Which of the following statements most accurately reflects the impact of COVID-19 on your industry?

The pandemic caused short-term disruption to our industry
 37%

The pandemic has fundamentally reshaped our industry for worse
 21%

The pandemic has accelerated existing trends in our industry
 15%

The pandemic has had little or no negative impact on our industry
 14%

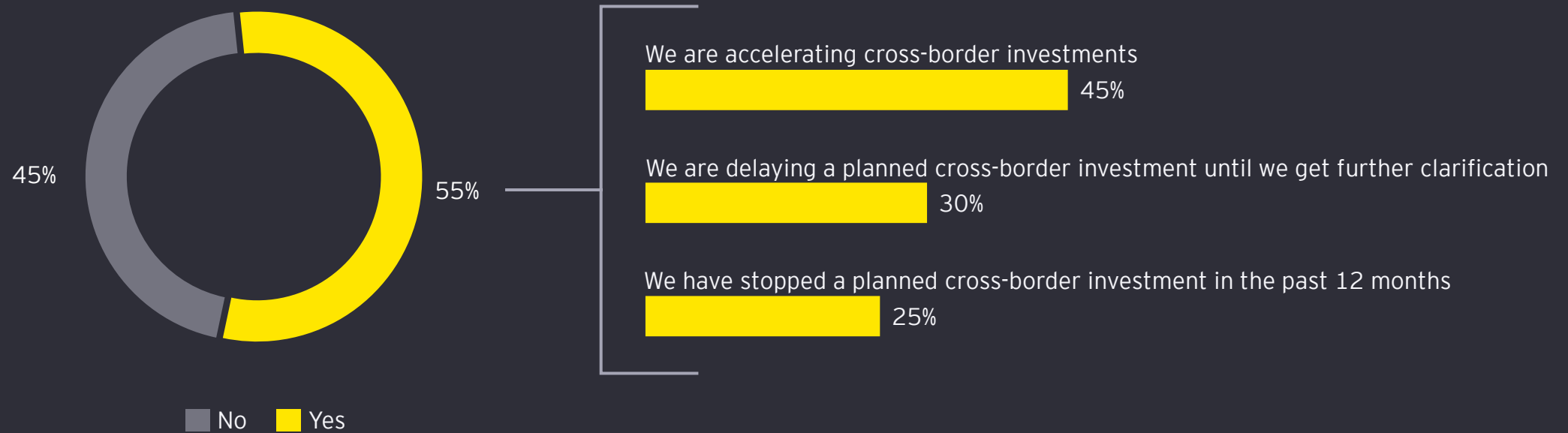
The pandemic has fundamentally reshaped our industry for better
 13%

- ▶ There are significant growth opportunities for companies that take the right actions now. But a clear understanding of the “new world” emerging is the first step to take.
- ▶ Companies need to understand the new market dynamics as the competitive landscape get redrawn across all sectors.
- ▶ Businesses also need to review their wider ecosystem - including technology, assets base, suppliers, partners and customers - to position themselves successfully for the future.

An increase in geopolitical tensions is shifting investment decisions

CEOs affected are being proactive in reshaping global operations

Q Are geopolitical challenges forcing you to adjust strategic investment?



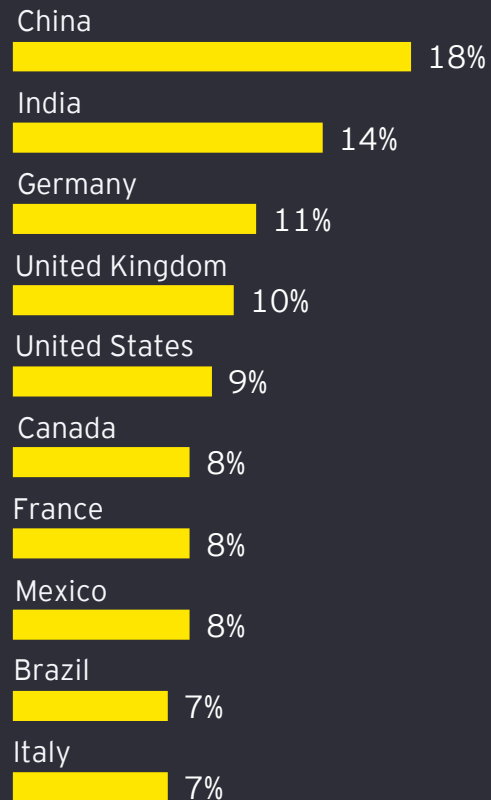
With these geopolitical challenges and elevated political risks come heightened business risks. Companies are increasingly having to operate in a multipolar geopolitical and regulatory environment and obliged to respond to complicated - and often conflicting - demands.

Investments in China and the US are most at risk from geopolitical tensions

CEOs need to understand how trade policies will impact their operations

Q

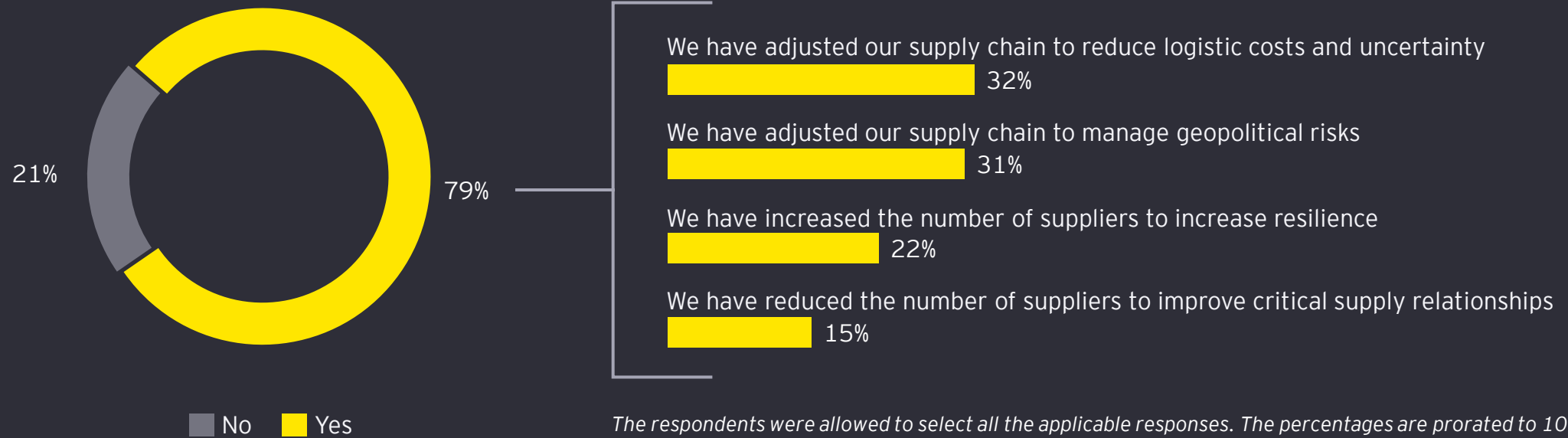
In which countries/territories, have you stopped or delayed a strategic investment due to geopolitical challenges ?



CEOs are reconfiguring supply chains to reduce costs and minimize risks

But recent experience shows security of supply can be a competitive advantage

Q Have you adjusted or are you planning to adjust your global operations or supply chains?



Embedding visibility, agility, sustainability, and geostrategic elements will create a future-ready supply chain focused to excel in a volatile environment.

Transitioning supply chain management thinking from one of purely mitigating risks and costs, to one that views security of supply as a strategic issue to attract and retain customers will benefit leading companies when the next unforeseen shock occurs.

CEOs recognize that a newly emerging global environment is reshaping risks

Geopolitics, the climate emergency and demographics will determine success in the future

Q Which of the following issues are the most critical risks to your future growth strategy?

Increasing geopolitical tensions, trade conflicts, protectionism and sanctions



Acceleration of climate change impacts and increasing pressures to build sustainability



Increasing competition from nontraditional competitors*



Increasing political intervention in markets



Changing demographics and permanent changes in economic growth trajectories



Accelerating use of technology and data by competitors to facilitate innovation and speed to market



Uncertainty about the evolution of disruptive technologies, including cybersecurity risks and AI



Managing conflicting demands from different stakeholder groups



The scarcity and cost of talent with the skills to accelerate growth



- ▶ Reset risk radar to consider new realities.
- ▶ CEOs should be looking at how each of these interconnected issues may impact their growth agendas and build agility and the ability to pivot quickly as circumstances demand into their overall corporate strategy.
- ▶ Building strategic agility and resilience is shifting the regularity with which companies examine their portfolios to see if any immediate pivot is required.

**Increasing competition from nontraditional competitors, including outside entrants with new technologies that are shifting consumer preferences and/or behaviours
The respondents were allowed to select 3 responses in order of priority. The percentages are prorated to 100%.*



Capital and growth strategy

CEOs clearly recognize the need to invest now to ensure future opportunities

Optimizing current operations is critical for funding future investment plans

Q

On which of the following capital strategy issues is your company placing the greatest attention and resources today?

Investing in existing businesses to accelerate organic growth and value creation



Investing in digital transformation



Investing in sustainability



Improving working capital management to release cash



Optimizing balance sheets, improving capital structure



Divesting assets to raise funds for investment



Returning capital to shareholders (dividend payments and share buybacks)



Investing in M&A, joint ventures and alliances



Attracting and retaining talent



► Need to be fit and ready.

► The long era of focusing exclusively on efficiency must now be complemented by stronger responsibility considerations, emphasizing long-term value over short-term wins.

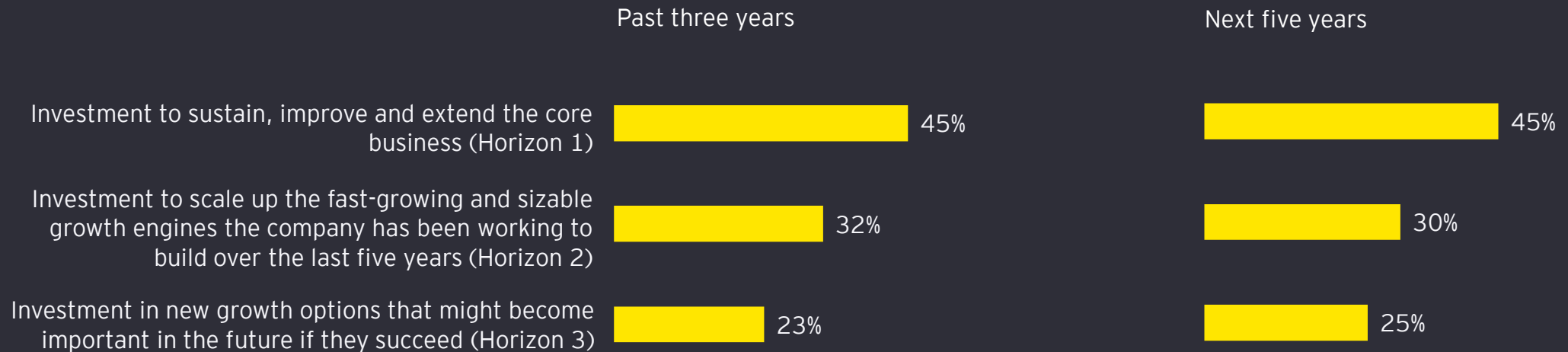
The respondents were allowed to select 3 responses in order of priority. The percentages are prorated to 100%.

CEOs are expanding their horizon to capture future growth opportunities

Taking bold steps now will increase the potential to lead in the emerging industry landscape

Q

How has your investment capital been allocated across your company's three horizons during the past three years and what are your expectations for the next five years?



The increase in corporate venture capital, Capex and corporate investment all point to companies positioning for growth options that might become important in the future if they succeed.

Investors are willing to support longer-term growth ambitions

CEOs understand that a clearly articulated narrative is critical in getting investor support

Q To what extent do you feel investors support your company's investments in long-term growth initiatives?

Investors are extremely supportive of well-articulated investments



Investors are moderately supportive of sensible long-term investments



Investors are not showing support for long-term investment plans



Investors are fixated on quarterly earnings



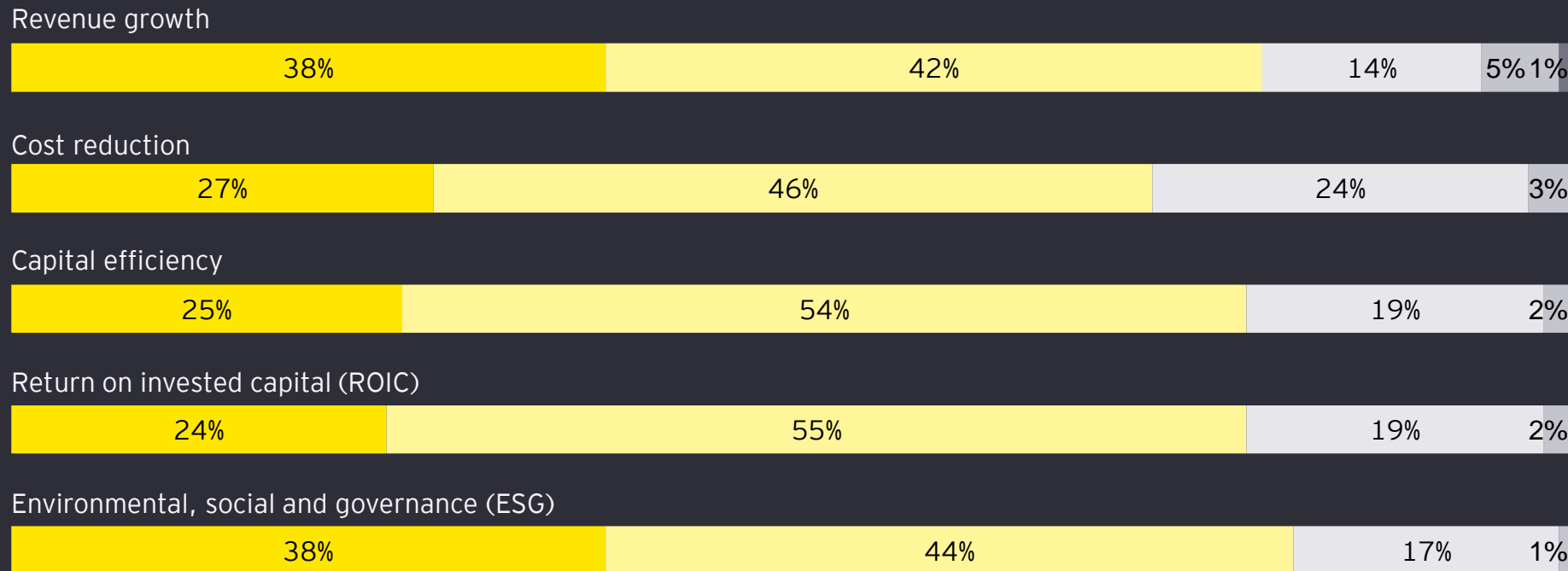
Investor engagements as a fundamental part of long-term value creation strategy.

Growth remains the critical driver, but sustainable growth is the destination

ESG issues tracking growth as key considerations for CEOs

Q

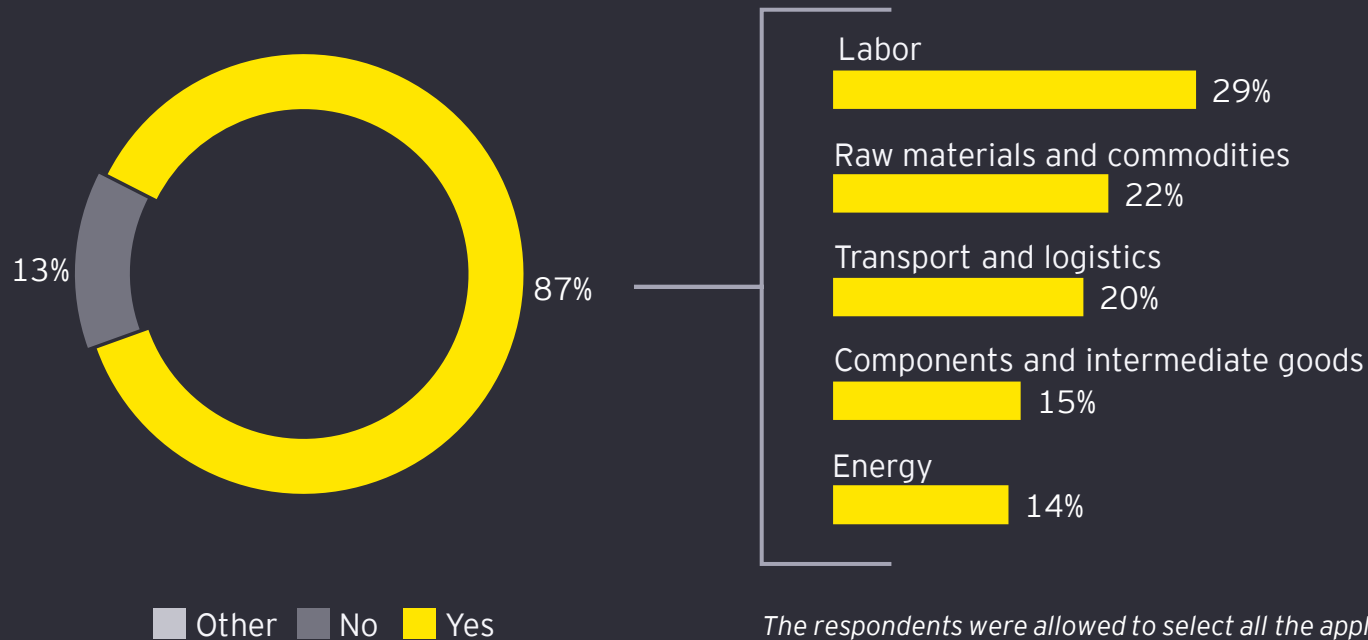
What is the relative importance your company is placing on each of the following drivers of value over the next few years?



■ Extremely important ■ More important ■ Somewhat Important ■ Less important ■ Not important

The costs of doing business have increased for the majority of CEOs

Q Have you seen a significant increase in input prices?



The respondents were allowed to select all the applicable responses. The percentages are prorated to 100%.

There is no one single cause of the input pricing issues that have spread across almost all sectors. In 2020, pandemic-related shutdowns wreaked havoc on the global supply chain. Labor and energy costs are elevated, as are other raw materials. Freight prices have jumped more than 400% from their level at the end of 2019. Add on increases in warehousing costs and lost sales due to delays and it all adds up to an increased cost of doing business across the board.

CEOs see technology as the key to sustain or improve margins

With higher labor costs a significant headwind, automation could be the answer

Q What strategic drivers are you using to protect or improve profit margins?

Use technology and automation to replace higher-cost labor roles and improve scalability



Increase customer interactions through digital platforms and touch points



Reduce complexity of the business/divest underperforming assets and exit underperforming products



Reduce non-labor overhead cost



Improve supply chain efficiency. (e.g., reshoring)



Introduce new pricing models to attract and retain customers



Shift operations to lower-cost countries



- ▶ Automation offers tremendous potential to drive transformation
- ▶ CEOs should consider linking the automation strategy to business priorities
- ▶ The pace of change wrought by technology, especially technology that enables customers to adapt preferences or buying behaviours, cannot be underestimated. CEOs are continuing to focus on these disruptive forces even as they negotiate other risks.

The respondents were allowed to select 3 responses in order of priority. The percentages are prorated to 100%.

Data and innovation critical for unlocking new paths to growth

Innovating customer engagement combine with new products and services built on data

Q How important are each of the following sources of growth likely to be for your company over the next five years?

Using data effectively to develop new products and services



Developing innovative delivery systems and channels for interacting with customers



Increasing sales of existing products and services to new customers or segments of customers



Increasing sales of existing products and services to existing customer segments



Expanding into new geographies



Extending into adjacent markets that leverage capabilities from the core business



Consolidating industry structure by M&A with competitors



Invest now and prioritize automation strategies aligned with critical business priorities to improve long-term impact on resources.

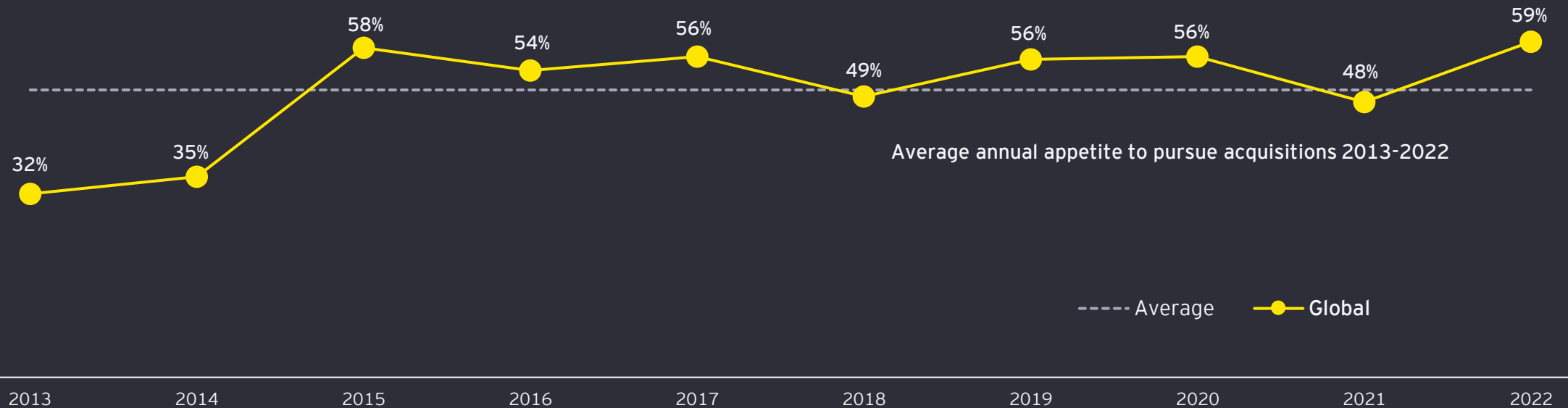
The respondents were allowed to select 3 responses in order of priority. The percentages are prorated to 100%.

Portfolio optimization and M&A

The appetite to use M&A as a lever for transformation remains elevated

CEOs remain strategically open to buying assets that support growth ambitions

Q Do you expect your company to actively pursue M&A in the next 12 months?



Main message from question

Q How do you plan to optimize your portfolio in the next 12 months?

We will reshape our portfolio through organic investment

39%

We are not planning to make changes to our portfolio in the next 12 months

27%

We plan to pursue an acquisition in the next 12 months

21%

We will look to make a divestment in the next 12 months

13%

The respondents were allowed to select all the applicable responses. The percentages are prorated to 100%.

Acquiring capabilities is a key deal driver, and accelerating their ESG transition

Using M&A to accelerate transformation is a tried and tested method for many CEOs

Q What will your primary planned M&A activity be?

Acquisition focused on increasing operational capabilities

26%

Strengthen ESG ranking/performance/sustainable footprint

20%

Bolt-on acquisitions (smaller acquisitions in the same sector) to increase market share

19%

Acquisition of technology, talent, new production capabilities or innovative startups

14%

To enable a major geographic expansion

8%

Transformative deal to shift to new business model and customer base

7%

Acquisition in adjacent sector

6%

- ▶ Companies may often need to acquire the capabilities required to help them rapidly navigate change.
- ▶ In conjunction, it is technology, innovation and related impacts, such as sector convergence and changing customer behaviors, that are the principal drivers. CEOs are utilizing M&A to capture and retain customers and gain access to new markets.
- ▶ For many companies, M&A remains a fundamental part of how they act on and deliver on their strategic growth plans.

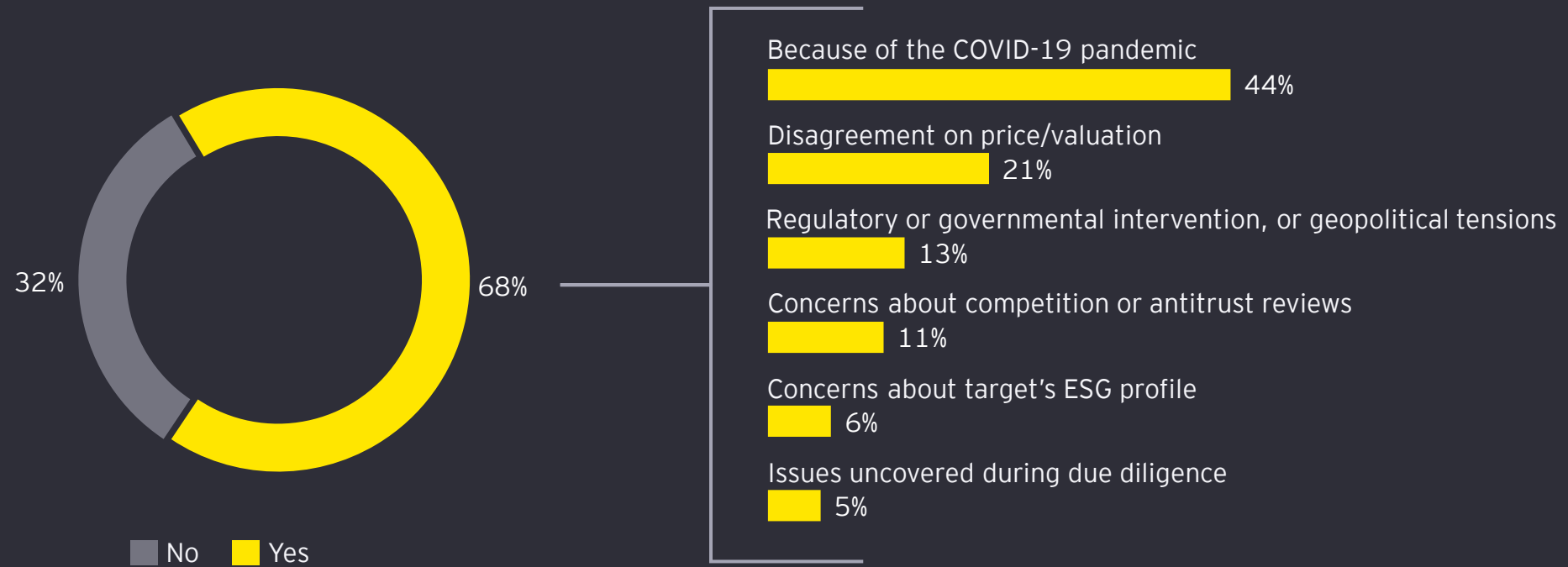
The respondents were allowed to select all the applicable responses. The percentages are prorated to 100%.

Even in the strongest deal market on record, CEOs show discipline

Changes to industries caused by the pandemic leading to deals being halted

Q

Have you either failed to complete or canceled a planned acquisition in the past 12 months? If so, what was the primary reason?

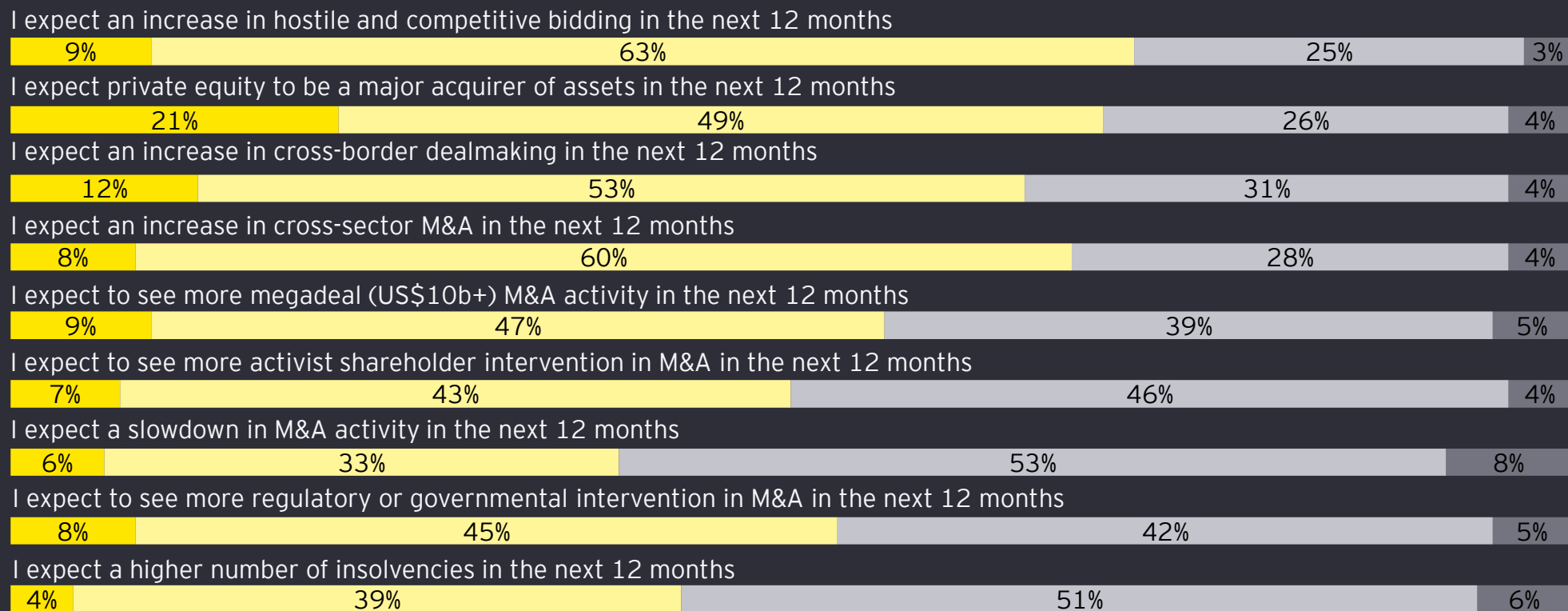


The deal landscape has been highly competitive. But CEOs are making shrewd judgments based on strategic rationale supported by better information as the emerging changed landscape becomes more apparent.

Expectations for significant drivers to boost M&A remain high

Private capital will be a major competitor for assets, and cross-border to be prominent

Q To what extent do you agree with the following statements?



■ Strongly agree
 ■ Agree
 ■ Disagree
 ■ Strongly disagree

Top investment destinations

Q

What are the top destinations in which your company is most likely to pursue an acquisition in the next 12 months (including your domestic market)?



1 US



2 UK



3 China



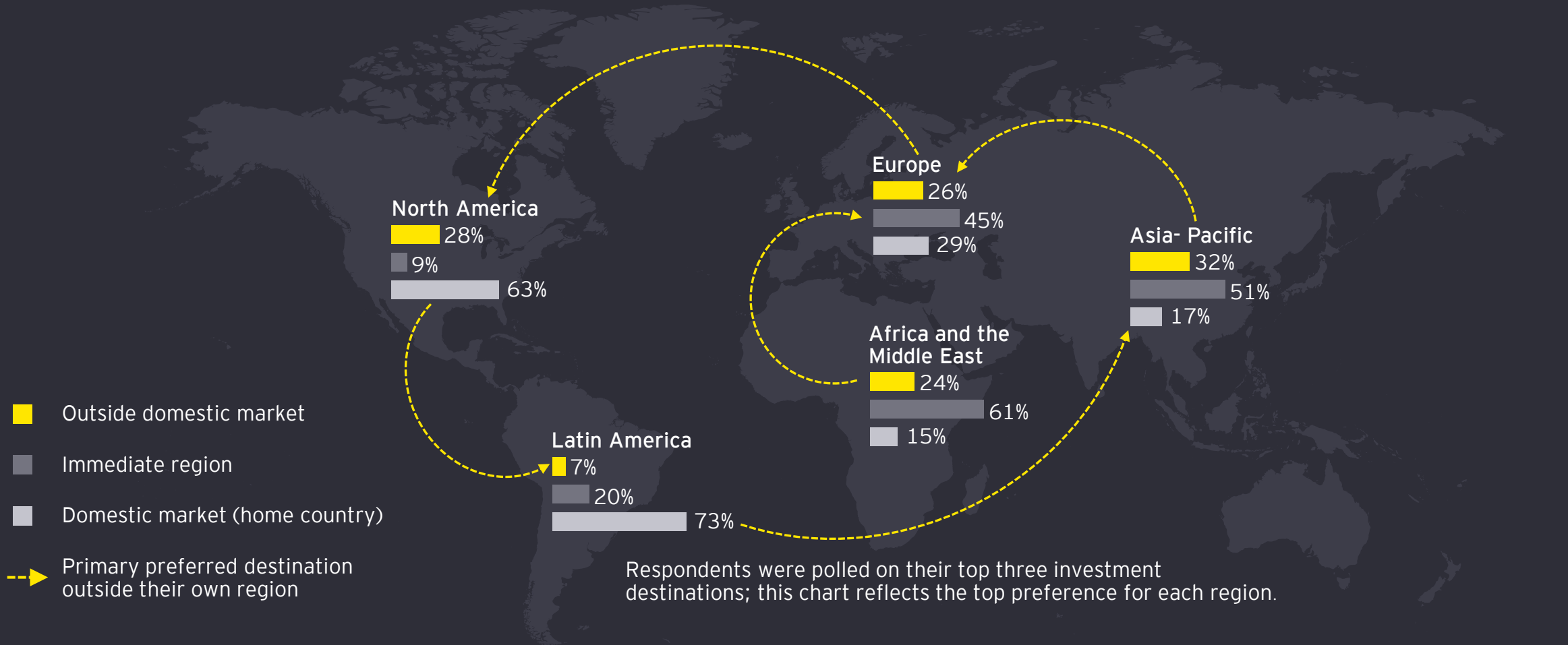
4 India



5 Germany

Cross-border flows support global expansion plans

Q Where is your organization's main focus for doing M&A in the next 12 months?



4

Sustainability

CEOs see upside advantage from having a clearly defined sustainability strategy

Only a small minority yet to adapt a strategy, but multiple benefits becoming apparent

Q Which statement best describes the primary driver of your sustainability strategy?

Becoming a leader in sustainability will be a competitive advantage



Responding to pressure from governments, regulators and society



Our business model is enabling other companies and customers to transform



Becoming a leader in sustainability will lower the cost of capital for our business



Becoming a leader in sustainability is the foundation of our long-term strategy



We do not have a sustainability strategy

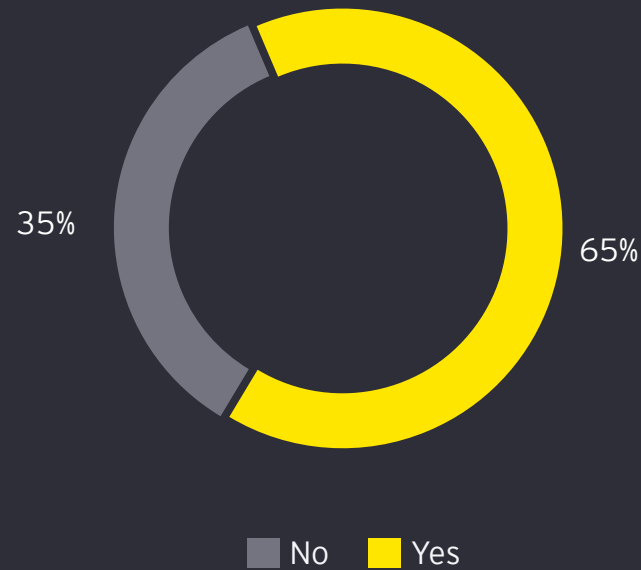


Not all investors are convinced of the long-term returns from sustainability

Tensions between the need to sustainably transform and investors' resistance

Q

Have you encountered any resistance from investors and/or shareholders about your sustainability transition strategy:



A minority of our investors and/or shareholders are not yet convinced about the cost and potential longer-term returns of our strategy



A significant number of our investors and/or shareholders are not yet convinced about the cost and potential longer-term returns of our strategy



Our investors and/or shareholders want to wait until they see competitor strategies in our sector before supporting our strategy



Our investors and/or shareholders want to wait until further guidance from governments and/or regulators is issued before supporting our strategy



CEOs using M&A to accelerate their sustainability agenda

Clearly defined targets will enable M&A to boost ESG scoring

Q How are sustainability factors driving your M&A agenda?

We have sustainability KPIs for long-term value creation



ESG ratings are important to attract investors, and M&A is a critical avenue to increase ESG scores



Our sustainability strategy is embedded in our corporate strategy, and M&A needs to support that



To reduce risks of potential ESG-related regulatory or tariff costs



We are acquiring technology, talent, new production capabilities or innovative startups



Sustainability factors are fundamentally driving all aspects of our transaction agenda



We do not factor in any sustainability/ESG drivers in our M&A agenda



5

The DNA of the
CEO

Main message from question

Q What will be the most important focus and characteristics of the CEO role in the next two years?

The casting vote - determining how, when and where to deploy capital investment for long-term value



The face and voice - managing reputation and public profile of the organization at a time of increasing transparency and scrutiny



The investor influencer - key investor relations contact between financial community and other constituencies



The arbiter - determining strategic direction to fuel growth, optimize performance and protect value



The ring-master - managing the executive leadership team as the board navigates increasing complexity



The transformational leader - navigating the difficulties of setting the vision and strategy and leading the resulting transformation at the same time



The tone setter - demonstrating transformational and inspirational leadership, leading people by example



The counselor in chief - laser focused attracting and retaining talent and maintaining workforce morale, engagement and focus



The respondents were allowed to select 3 responses in order of priority. The percentages are prorated to 100%.

Main message from question

Q What challenges and opportunities are contributing most to the changing role of the CEO?

Balancing the needs of all stakeholders and demonstrating broader long-term value

25%

The growing focus on ESG

23%

Digital transformation and the accelerated pace of technological change

21%

Workforce and culture - attracting, retaining and developing to ensure prosperity and diversity

20%

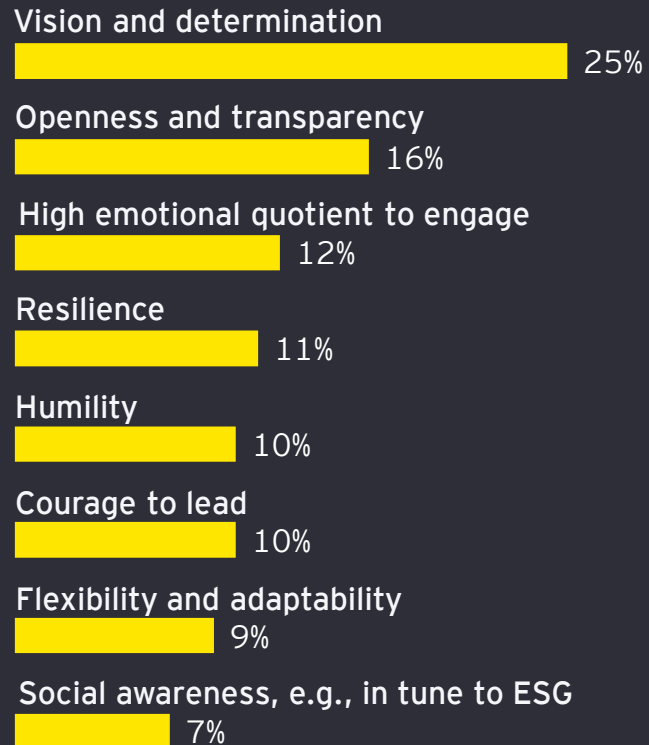
Increasing scrutiny and managing reputation in a 24/7 news cycle, saturated social media world

11%

The respondents were allowed to select 3 responses in order of priority. The percentages are prorated to 100%.

Main message from question

Q What are the key personal attributes CEOs will need to succeed in a post-pandemic world?



The respondents were allowed to select 3 responses in order of priority. The percentages are prorated to 100%.

Main message from question

Q

Which of the following statements most accurately reflect your views on the challenges of executing on your strategy?

Tracking progress using real-time data to flex and be agile, where appropriate



Effective adoption and alignment of technology to strategic ambitions



Accountability and measurement of leading indicators or results



Winning hearts and minds of the workforce to sustain momentum



A clear and compelling vision of the strategy



Effective leadership with sufficient experienced resources to get things done



Attracting and retaining customers



Proactively engaging external stakeholders such as investors and regulators



Maintaining operations and business continuity



Effective use of external service providers such as consultants or contractors



The respondents were allowed to select 3 responses in order of priority. The percentages are prorated to 100%.

Main message from question

Q Which of the following statements best describe your approach to strategy execution?



Main message from question

Q How important are each of the following objectives?

Improving the environmental impact of my company's activities*



Contributing to societal goals by improving diversity and inclusion in my company



Improving the environmental impact of my company's activities by reducing climate change impact



Improving corporate governance



Improving my company's customer value proposition



Contributing to communities and improving equity



Improving my company's employee value proposition



Delivering strong shareholder value for investors



Ensuring employee safety

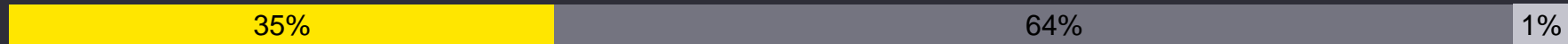


**Improving the environmental impact of my company's activities by other environmental improvement and compliance issues
The respondents were allowed to select 3 responses in order of priority. The percentages are prorated to 100%.*

6 Participant profile

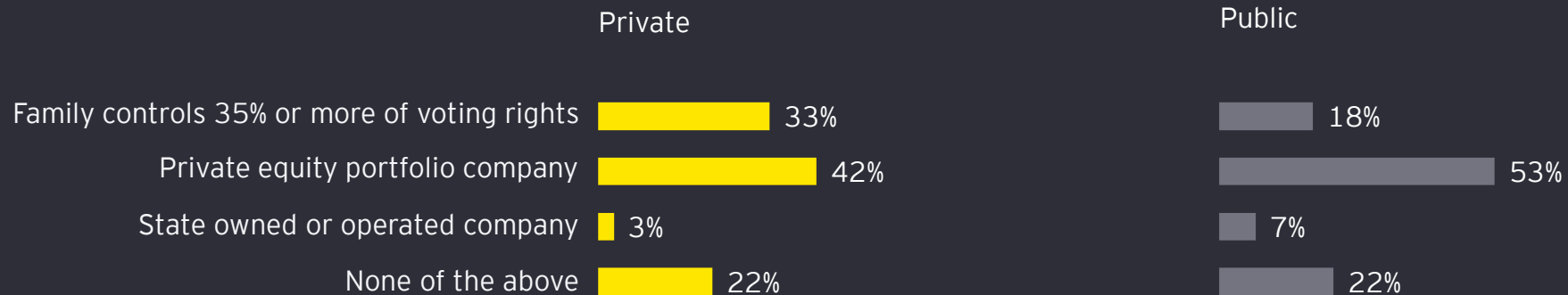
Participant profile

Q What is your organization's ownership structure?



■ Privately held ■ Publicly listed ■ Government agency or department

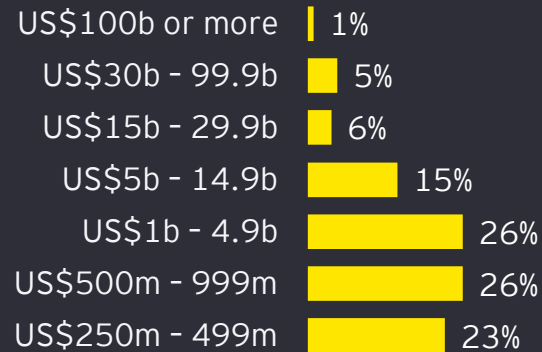
Q Which of the following, if any, apply to your organization's ownership structure?



Participant profile

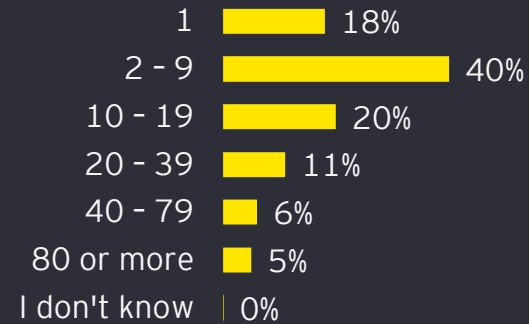
Q

What was your organization's annual revenue in the last fiscal year (USD)?



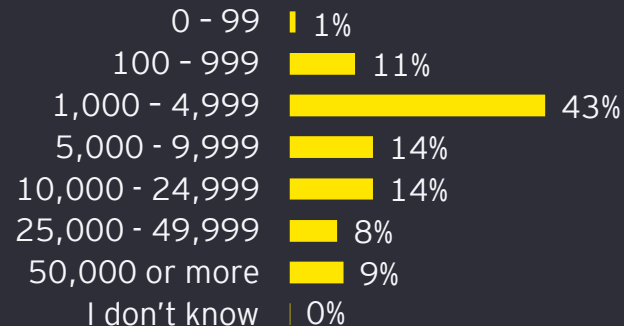
Q

In how many countries/territories does your organization operate? This includes business operations, production and supply chain.



Q

What is your organization's global headcount?



The Team



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