

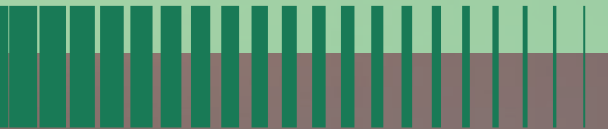


Executive
Perspectives

The CEO Outlook

Cautious, Optimism, and Navigating
the Road Ahead

March 2023




Introduction to this document

Coexisting global phenomena such as macroeconomic uncertainties, inflation, changes in the labor market, etc., create a challenging environment for companies in 2023.

We surveyed 759 global C-suite executives across industries to share sentiments about their company's outlook, their biggest concerns, and how they set strategic priorities in times of uncertainty. The results provide us with a fresh outlook on what is top of mind for global business leaders in early 2023.

We will publish two Executive Perspectives to share the insights gathered from the survey. This first edition provides an overview, with regional nuances; the second will provide additional detail through an industry-level comparison.



In this BCG Executive Perspectives edition, we share how C-suites leaders view the world and are building resilience

Executive summary | Recent events prove the difficulties of anticipating future disruptions, making it crucial to cut cost while fueling long-term growth

Uncertainty is still highly relevant in 2023

Heading into 2023, C-suite leaders generally hold a **cautiously optimistic view** towards their company's performance while recognizing uncertainty is still the biggest challenge.

- ~75% think macro uncertainty is a key challenge, with Asian leaders being more confident than rest of the world

In the survey, **only half of the C-suite leaders are expecting additional global shocks** in 2023. However, the recent failure of Silicon Valley Bank and other shows **how difficult it is for executives to anticipate/ predict the future**, even in the near-term. Therefore, it is crucial for C-suite leaders to continue **strengthening cost-down efforts** and building resilience while **fueling long-term growth**.

Key actions in 2023 - resetting for growth

In response to the uncertainties, companies are taking action on all fronts, with **cost reduction, talent/people development**, and **innovation** being the most important ones

- Regardless of region, **cost reductions are a key priority**, with a focus on efficiency, instead of pure cost-cutting
- North America: Particularly focused on talent, both reducing headcount and improving EVP, to address talent challenges
- Asia: Has a stronger growth mindset, taking more customer/product actions (e.g., improve customer retention)
- Europe: More conservative towards innovation, but are more actively investing in climate & sustainability

Overall, C-suite leaders think their capabilities to address uncertainties are generally sufficient, but deficiencies identified in supply chain, top-line, adaptable organization, and transformation.

How leaders create competitive advantage

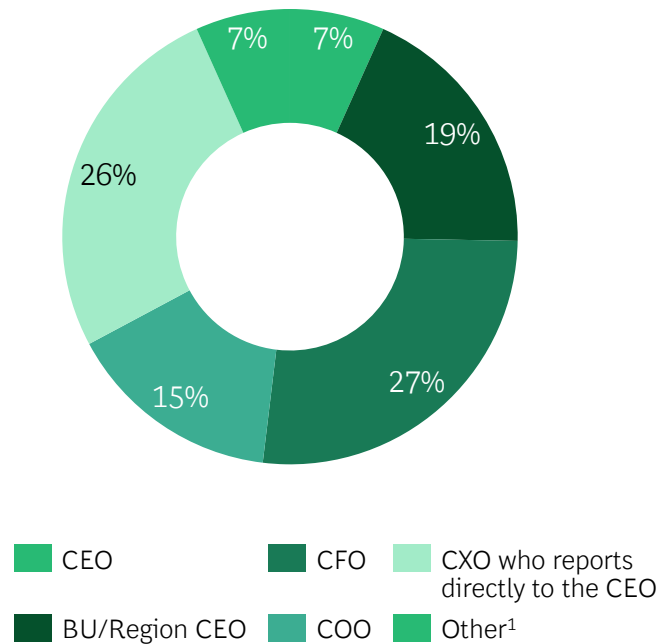
While everyone recognizes the challenges from macroeconomics, a few players have built strong capabilities and outperformed industry peers with **higher TSR** performance. They have done this by **reinvesting resources freed up from cost savings into growth actions** to fuel long-term success even during downturns.

BCG is the right partner to seize the opportunity of uncertainty and help companies build competitive advantage.

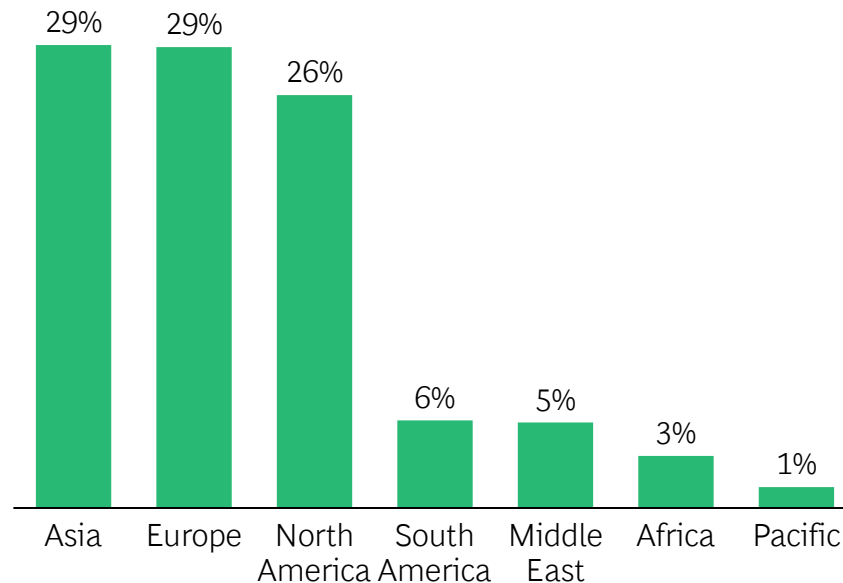
Sample overview | Respondent demographics and quotas

759 Respondents surveyed between Jan. 30 to Feb. 21, 2023

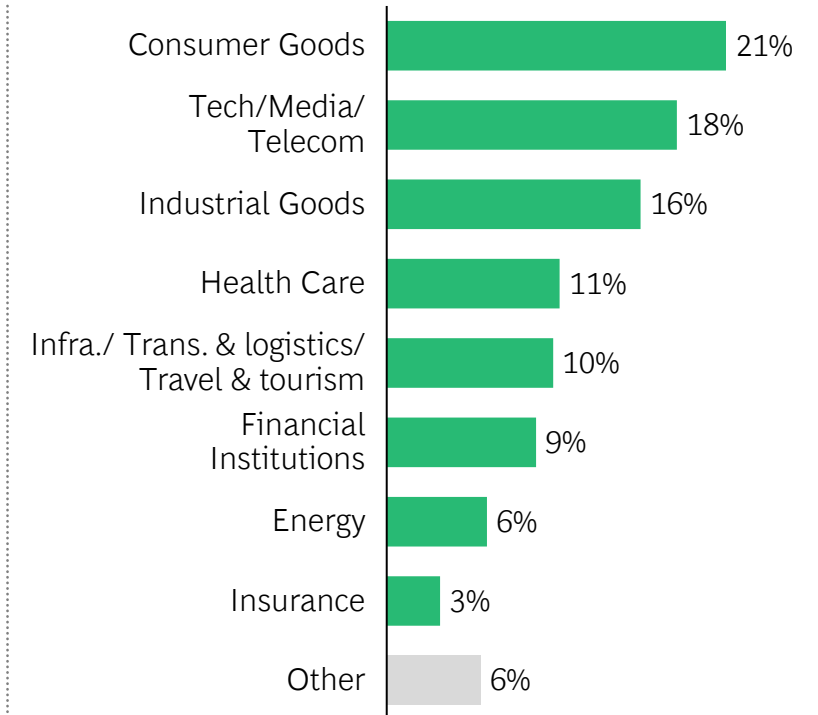
... by role/business title



... by region



... by industry



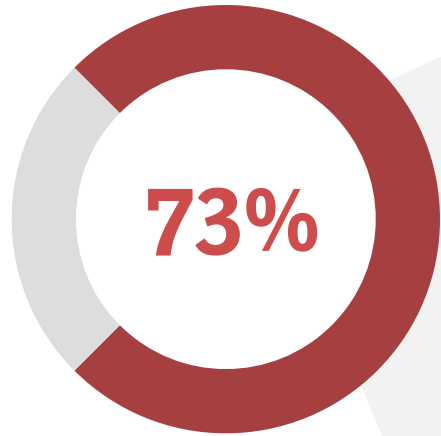
.1. Chief of Staff, Chief Transformation/Growth/Customer officer, Chairman of the board

BCG Executive Perspectives

AGENDA

- ✓ **Uncertainty is still highly relevant in 2023**
- ✓ Key actions in 2023—resetting for growth
- ✓ How leaders create competitive advantage

Majority of C-suite leaders recognizing uncertainty is still the key challenge in 2023; nonetheless, only half are expecting additional shocks



Of all respondents expect **macro uncertainty** to be a key challenge for their company in 2023¹

However, **only ~50%** are expecting additional global shocks in 2023

51%

Expect **additional global shocks** they cannot foresee today to impact their company in 2023²

49%



56%



49%



61%

Have **more clarity** today about how to balance tradeoffs vs. 12 months ago²

62%



57%



68%



62%

Have enough **certainty about their company's mid-term outlook** to make long-term investment decisions²

58%



59%



71%



Asia leaders more confident than the rest of the world

1. Survey question: What are the biggest challenges for your company to weather the evolving global headwinds in 2023? 2. Survey question: How do the evolving global headwinds and uncertainties affect your company's decision making in 2023? % of respondents that "Strongly agree" or "Agree" to the statement. Note: Asia excludes Middle East. Source: BCG analysis based on a global C-suite survey with n = 759 respondents

The recent failure of Silicon Valley Bank and others - combined with the survey results - shows how difficult it is for executives to anticipate the future

Recent collapse of banks has sparked a new wave of concerns...

THE WALL STREET JOURNAL

2023/03/17

MARKETS

First Republic Stock Plunges After Bank Rescue Plan, Dividend Suspension

A \$30 billion deposit influx from biggest U.S. banks fails to calm jittery investors

The New York Times

2023/03/10

Silicon Valley Bank Fails After Run on Deposits

The Federal Deposit Insurance Corporation took control of the bank's assets on Friday. The failure raised concerns that other banks could face problems, too.

REUTERS®

2023/03/17

Credit Suisse shares tumble again, sentiment remains fragile

The Guardian

2023/03/17

Silicon Valley Bank's parent company files for bankruptcy

... that few executives foresaw at the beginning of the year

1%

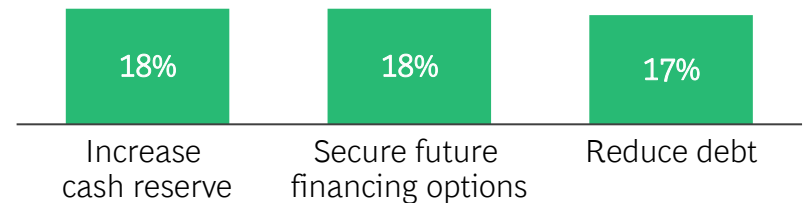
of executives surveyed identified **financing and capital market volatility** as one of the risks in 2023

... leading to less preparedness for financial challenges

<20%

of executives surveyed planned on actions to **secure liquidity** in 2023

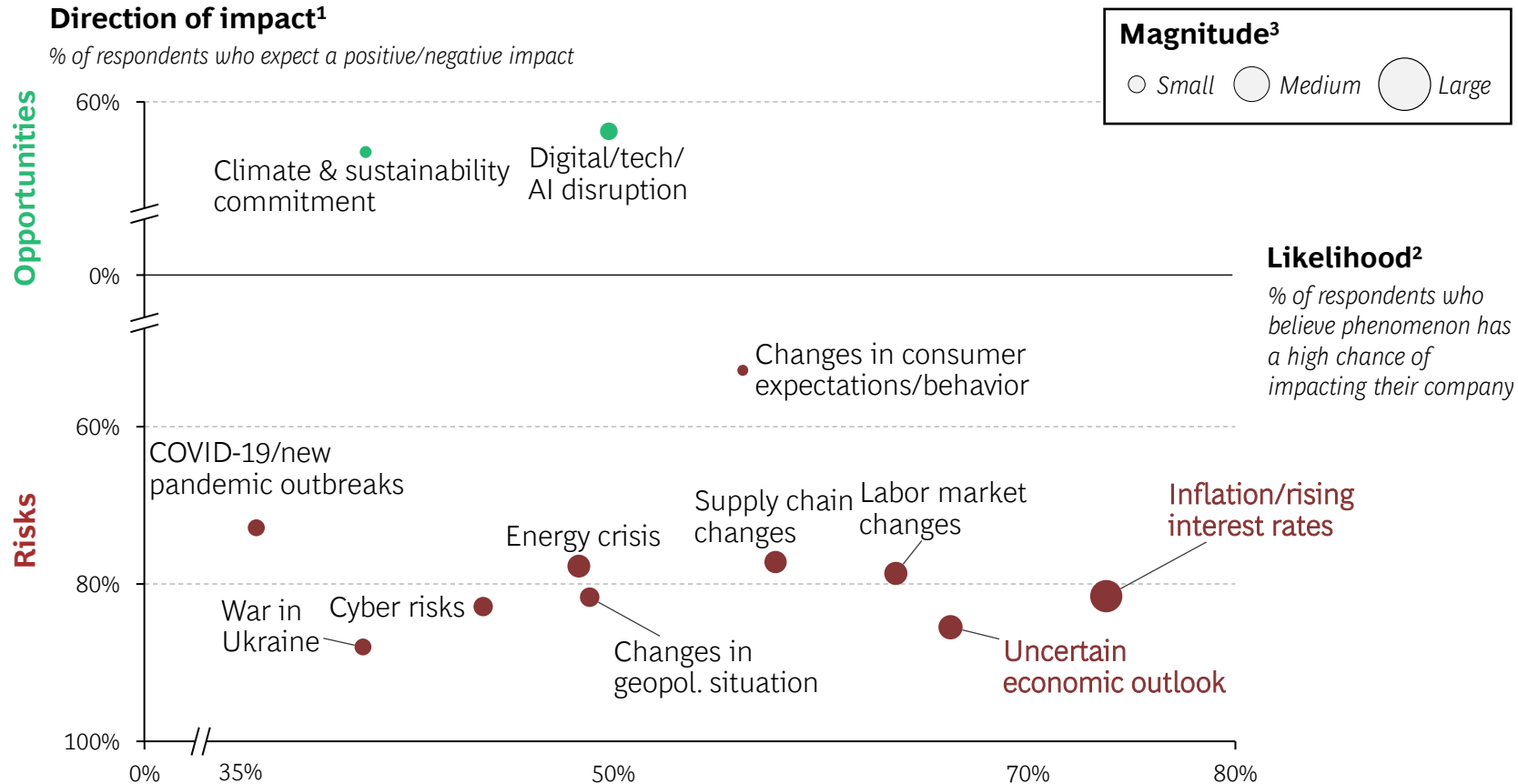
% of respondents taking financial actions



Source: Media, BCG analysis based on a global C-suite survey with n = 759 respondents

Heading into 2023, executives view inflation and economic uncertainties as biggest risks, while digital & technology as opportunities

Expected impact of global phenomena on company performance in 2023






Apart from their responses to queried phenomena, respondents across regions also mentioned **regulatory and political risks**

- “Change in UK government,” “Brexit,” “general election,” and “local elections”—most often mentioned by **European respondents**
- Governmental policies and laws that subsidize or disadvantage certain companies/sectors

1. Survey question: What is the expected direction and magnitude of the impact of these global phenomena on your company's performance in 2023? Counted as overall positive (negative) if $\geq 50\%$ of respondents view it as positive (negative). 2. Survey question: How likely are the following global phenomena to impact your company's performance in 2023? Counted % of respondents that selected "Very likely" or "Rather likely". 3. Survey question: What is the expected direction and magnitude of the impact of these global phenomena on your company's performance in 2023? Weighted average response shown. Source: BCG analysis based on a global C-suite survey with n = 759 respondents

Views on global phenomena vary by region

Global phenomena marked as key risks or opportunities in 2023 by region

	 North America	 Europe	 Asia
Top 3 risks¹	1 Inflation	Inflation	Inflation
	2 Labor market	Energy crisis	Uncertain economic outlook
	3 Uncertain economic outlook	Uncertain economic outlook	Supply chain
Top 2 opportunities²	1 Digital/tech/AI disruption	C&S commitments	Digital/tech/AI disruption
	2 Changes in consumer behavior	Digital/tech/AI disruption	Changes in consumer behavior



- Most concerned about **talent shortage**
- Divided picture on climate & sustainability



- Risk of **energy crisis** especially high
- Particularly positive toward **climate & sustainability**

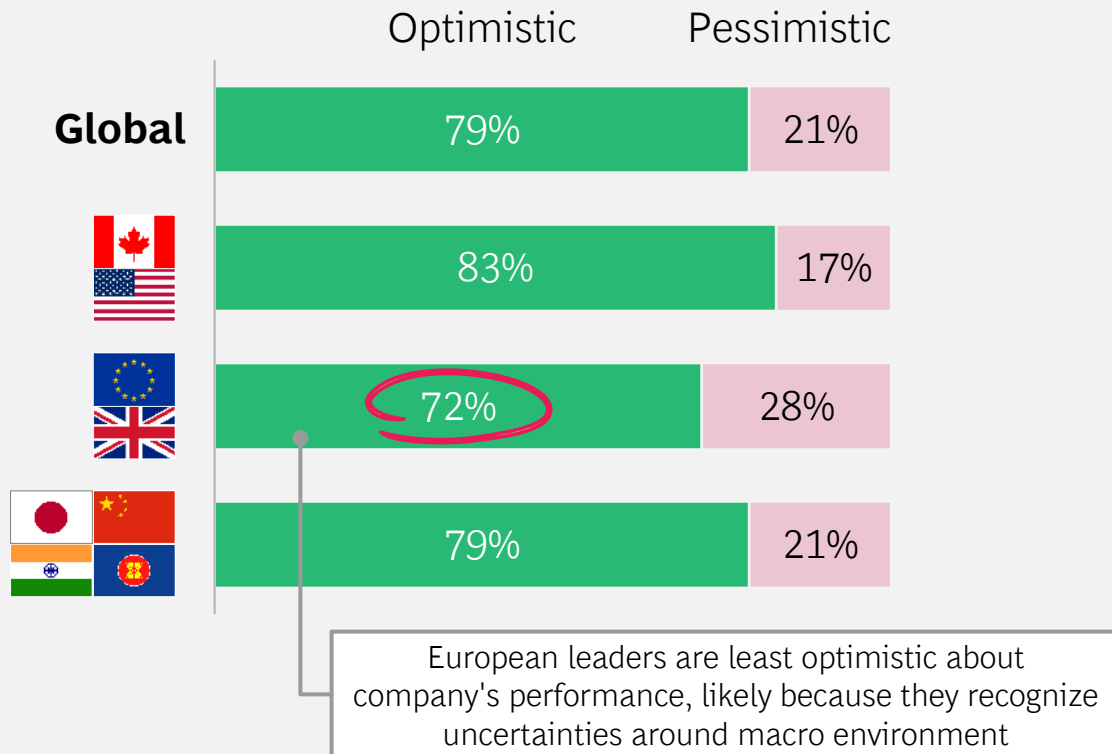


- **Changes in consumer demand** provide opportunities for many
- COVID-19 still more a concern than for rest of world

C-suite leaders go into 2023 generally optimistic, but less confident about their company's ability to outperform

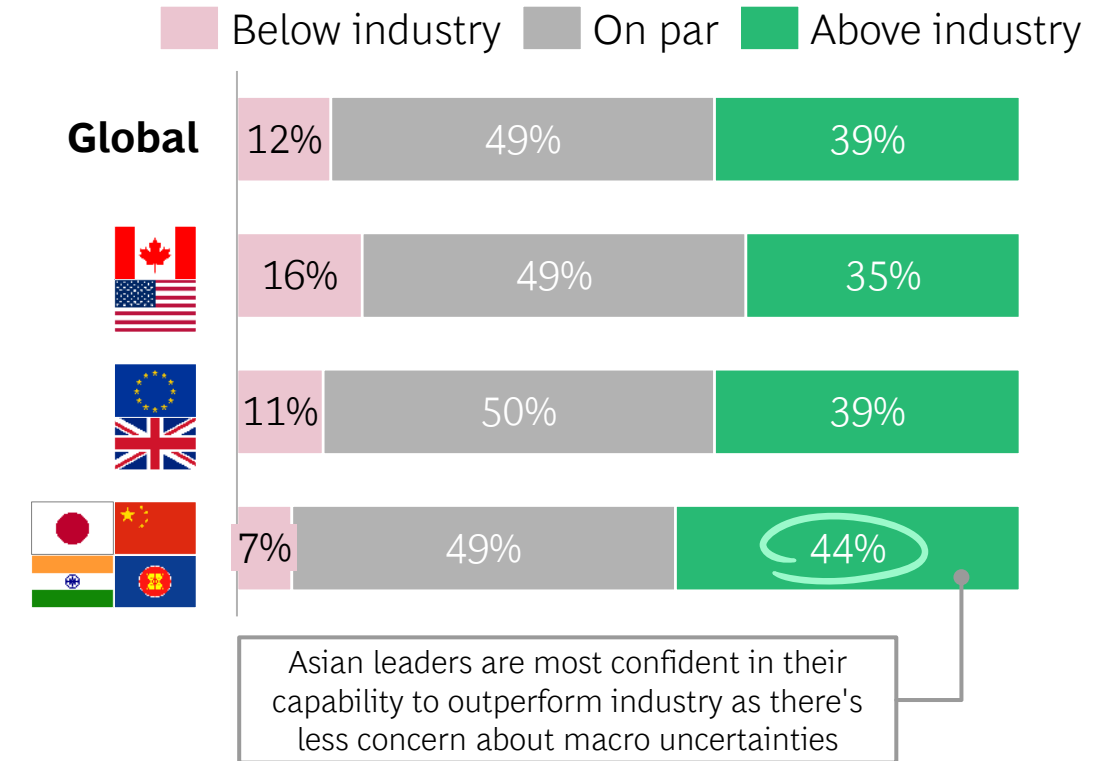
4/5 of C-suite leaders optimistic about their company's performance in 2023 ...

% of respondents¹



... but only ~40% confident they will outperform

% of respondents¹



Note: Asia excludes Middle East. 1. Survey question: What is your outlook on your company's performance in 2023 relative to its industry?

Source: BCG analysis based on a global C-suite survey with n = 759 respondents

Higher % vs. other regions Lower % vs. other regions

In response to uncertainties, C-suites leaders are aiming to bring cost down while building capabilities to fuel growth

Growth and cost—typically in combination—are on top of everybody's priority list for 2023...



...and some **specific topics (e.g., innovation or people)** indicate where executive's focus will go

Source: BCG analysis based on a global C-suite survey with n = 759 respondents

Respondents stress the need for a balanced focus on cost and growth in times of uncertainties

“

Focus on key brand launches [...] to bring the company to the next level while keeping costs under control

– CFO, pharmaceuticals company

“

*Managing cost to the macro environment [...], structural re-org and separation of some of the business areas, **people agenda** (employee value proposition, upskilling, insourcing critical skills such as software engineering)*

– CIO, telco

BCG Executive Perspectives

AGENDA

- ✓ Uncertainty is still highly relevant in 2023
- ✓ **Key actions in 2023—resetting for growth**
- ✓ How leaders create competitive advantage

2023 Actions | Companies are pulling levers on all fronts in response to macro uncertainties—costs, talent, and innovation are highest priorities

Planned actions to navigate uncertainties in 2023

% respondents¹

Actions related to	2023	Top 2 levers	
Cost reduction/ efficiencies	72%	Process/Op model redesign	52%
		Organizational simplification	47%
Talent, people, & organization	59%	EVP enhancement	42%
		Up-/re-skilling	41%
Innovation	54%	Tech innovation	45%
		Business model innovation	38%
Financing	45%	Increased fin. plan/forecast/report	29%
		AR/AP optimization	26%
Supply chain/ operations	39%	Supplier renegotiations	30%
		Supplier diversification	26%
Top-line/customers	36%	Price increases	23%
		New product/service launches	23%
M&A	24%	Market-/product-extension merger	14%
		Horizontal merger	13%

3% of respondents planning to **take no action** in 2023

Missed opportunity for preparedness - Tech firms are taking the **least financing actions** (33%), but are **most impacted** by recent collapse of banks

Most C-suite leaders focus on **cost reduction** to combat high inflation. Particularly, they are looking to improve operational efficiency.

Meanwhile, **many seek growth opportunities in 2023** through up-skilling talent, tech innovations, etc.

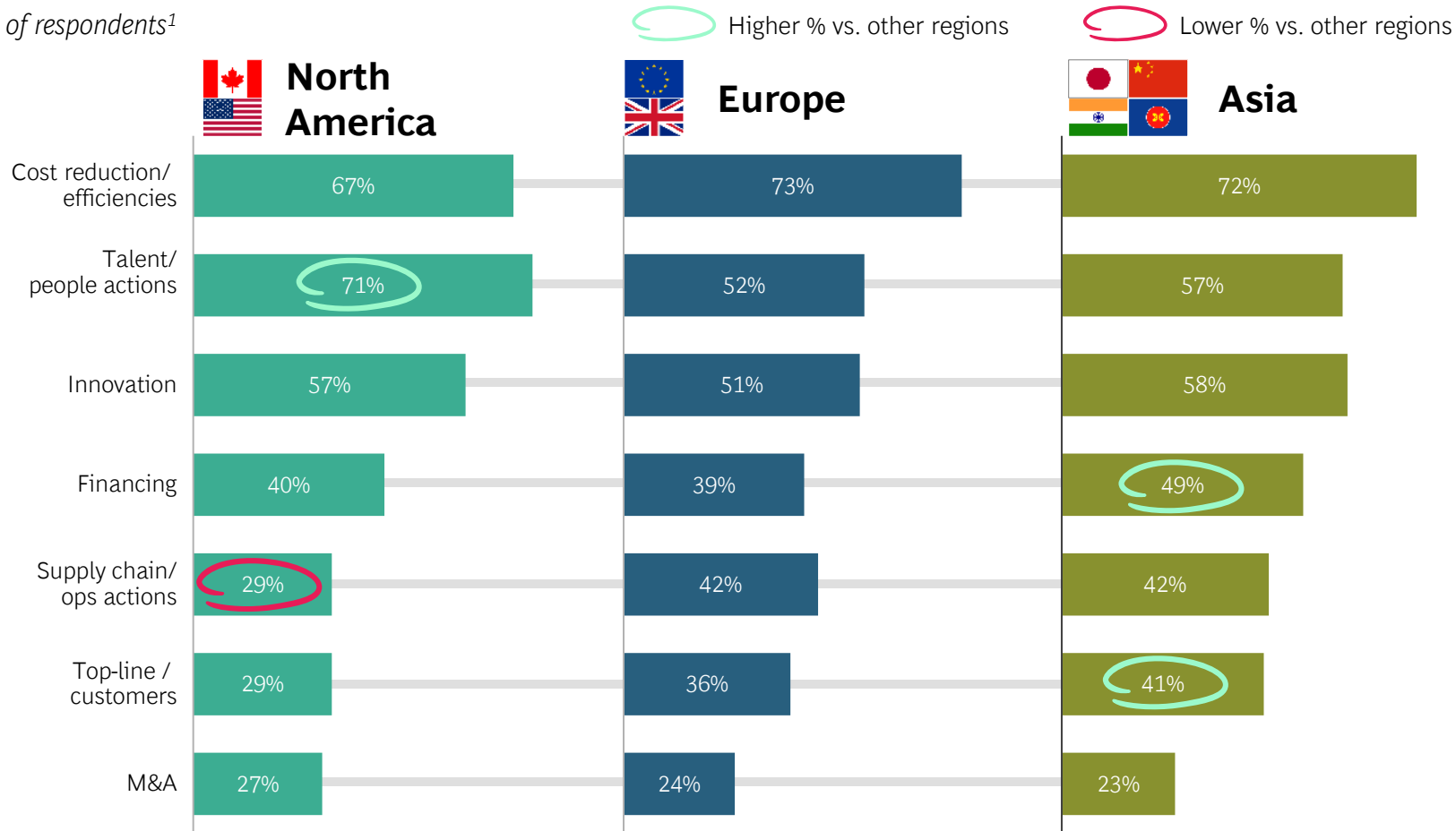
“
My mantra in this area is 'Don't let perfect be the enemy of good' - **we have to go fast** and we've got to put transparency at the heart of the effort
– **Chief Impact Officer, Salesforce at WEF in Davos**

1. Survey question: What meaningful actions will your company take in 2023 to mitigate risks, accelerate opportunities, or change trajectory of opportunities specifically to respond to evolving global headwinds? Source: BCG analysis based on a global C-suite survey with n = 759 respondents

2023 Actions | Cost reduction is the priority for all regions; each region has different mix of priorities based on market context

Actions planned for 2023 to navigate uncertainties by region

% of respondents¹



- Many C-suite leaders are thinking about **talent actions** – e.g., Tech firms are not only laying-off, but also investing in EVP² to win in a market of talent shortage



- Higher focus on **improving financial** position and **top-line** performance

“

We continue to be prudent and proactive by focusing on optimizing labor and purchased service costs, enhancing productivity, etc.

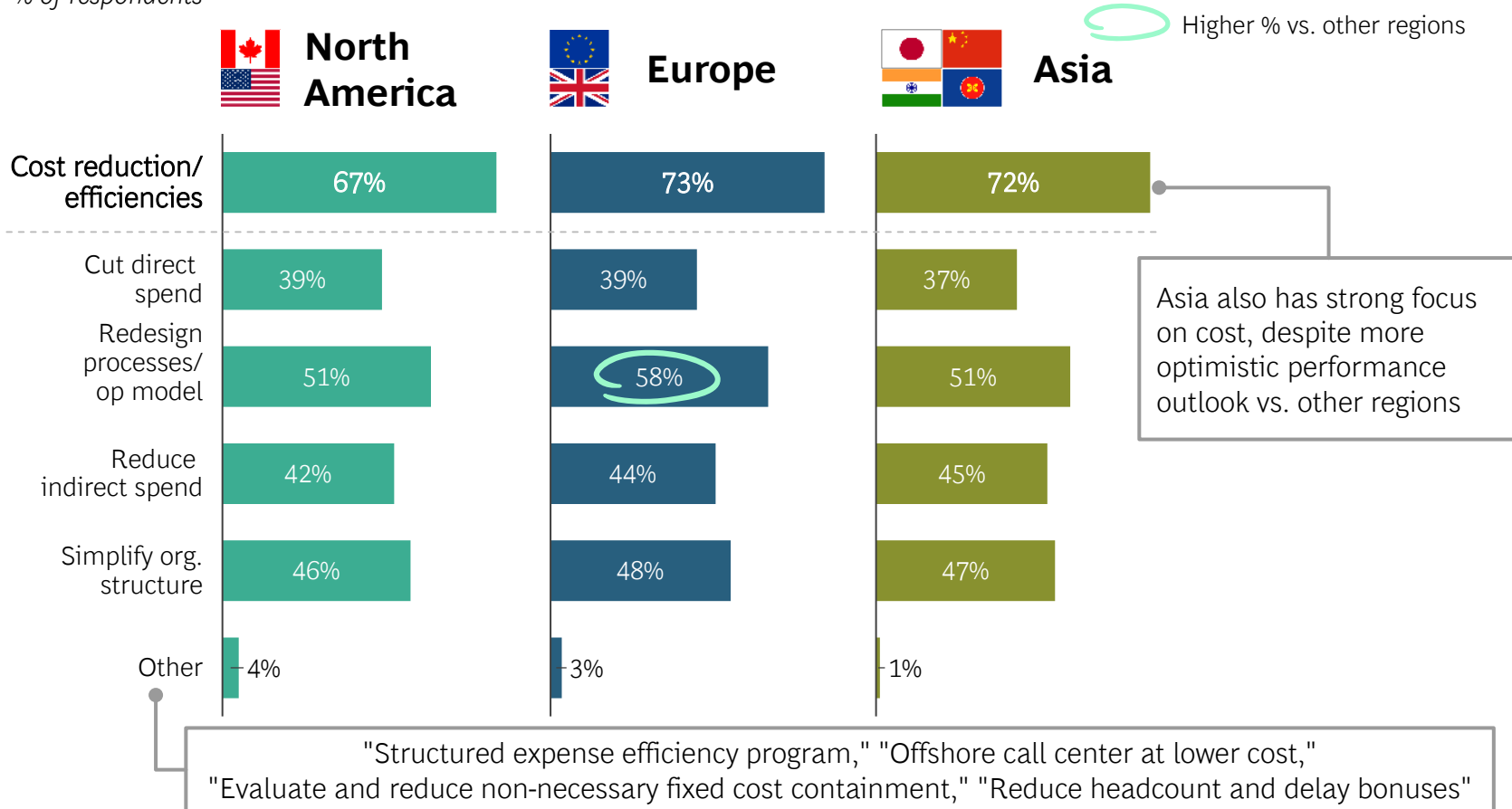
– Chairman and CEO, industrial & machinery

Note: Asia excludes Middle East. 1. Survey question: What meaningful actions will your company take in 2023 to mitigate risks, accelerate opportunities, or change trajectory of opportunities specifically to respond to evolving global headwinds? 2. Employee value proposition
Source: BCG analysis based on a global C-suite survey with n = 759 respondents

2023 Actions | Cutting costs and improving efficiency is top of mind for C-suite executives—majority redesigning op model & simplifying org. structure

>2/3 plan to take cost actions in 2023, with different levers to be pulled

% of respondents¹



89%² Optimize organizational structure to increase efficiency for cost-saving

78%² Of companies that take cost actions **cut** either direct and/or indirect **spending**

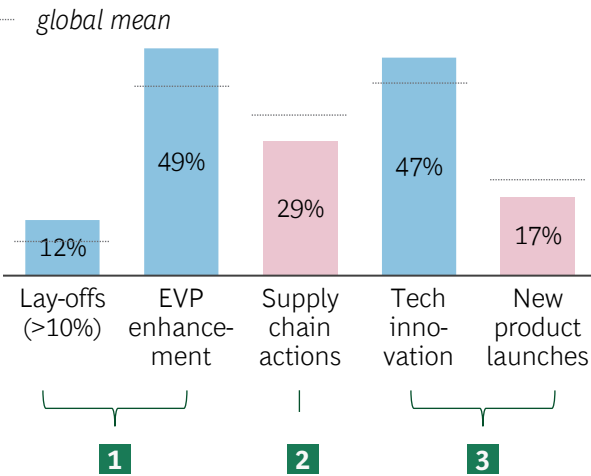
50%² Companies **combine cost-cutting and efficiency improvement** to tackle cost from multiple angles

Notes: Asia excludes Middle East. 1. Survey question: What meaningful actions will your company take in 2023 to mitigate risks, accelerate opportunities or change trajectory of opportunities specifically to respond to evolving global headwinds? 2. % of n = 543 respondents that selected "Cost actions." Source: BCG analysis based on a global C-suite survey with n = 759 respondents

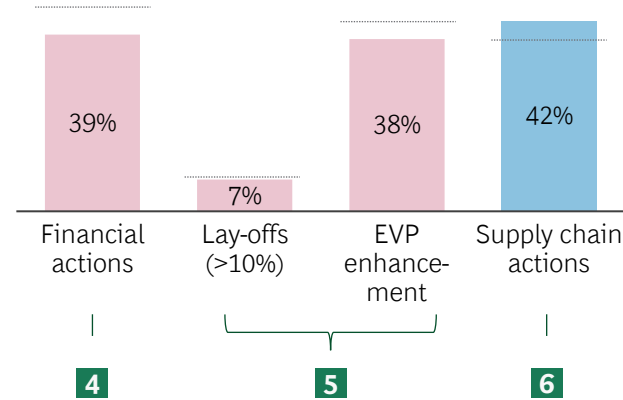
2023 Actions | Regions face different exposure to global phenomena and take different actions to address the environment

x More than global mean
x Less than global mean

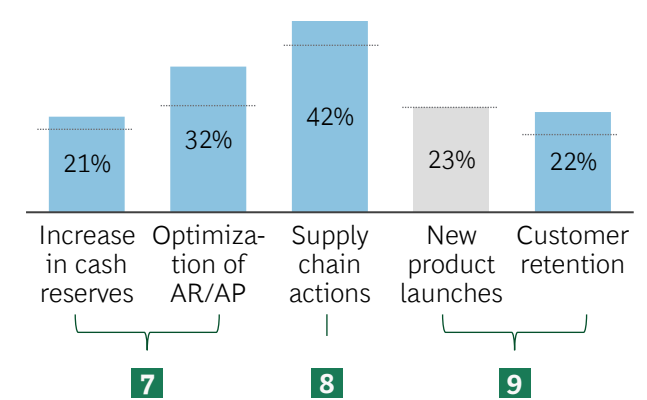
North America



Europe



Asia



Different actions prioritized for 2023

Key risks and opportunities

- 1 Strong actions on labor market changes:** both workforce reduction and talent retention
- 2 Less focus on supply chain** despite 75% expecting negative business impact
- 3 High focus on tech innovation** as digital/tech is a large opportunity—but not used for product launches

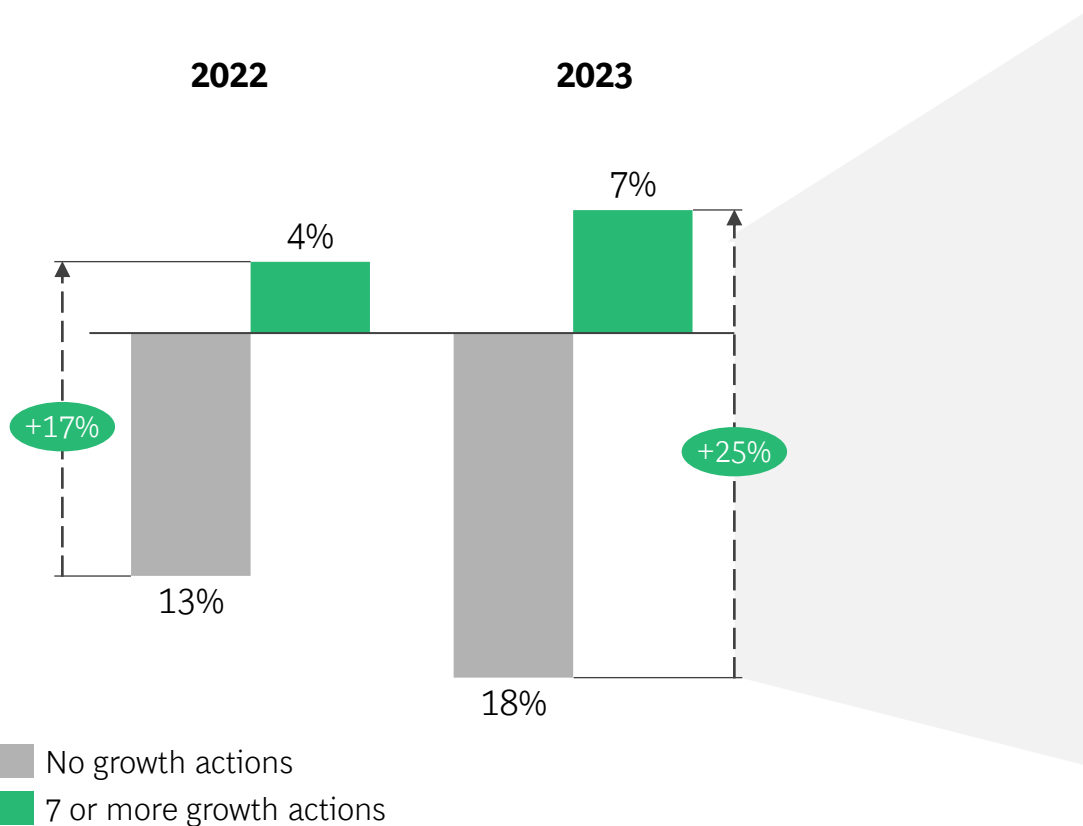
- 4 Inflation and energy crisis** posing large risks, but adjusting finances not done by all
- 5 Despite labor market concerns, lay-offs and talent retention are much less common** vs. NAMR
- 6 High focus on supply chains** vs. global mean

- 7 More likely to adjust their financial position** as a response to inflation and rising interest rates
- 8 High focus on supply chain** as this poses the 3rd largest risk to Asian companies
- 9 Stronger customer & product focus**—more likely to view demand changes as opportunity

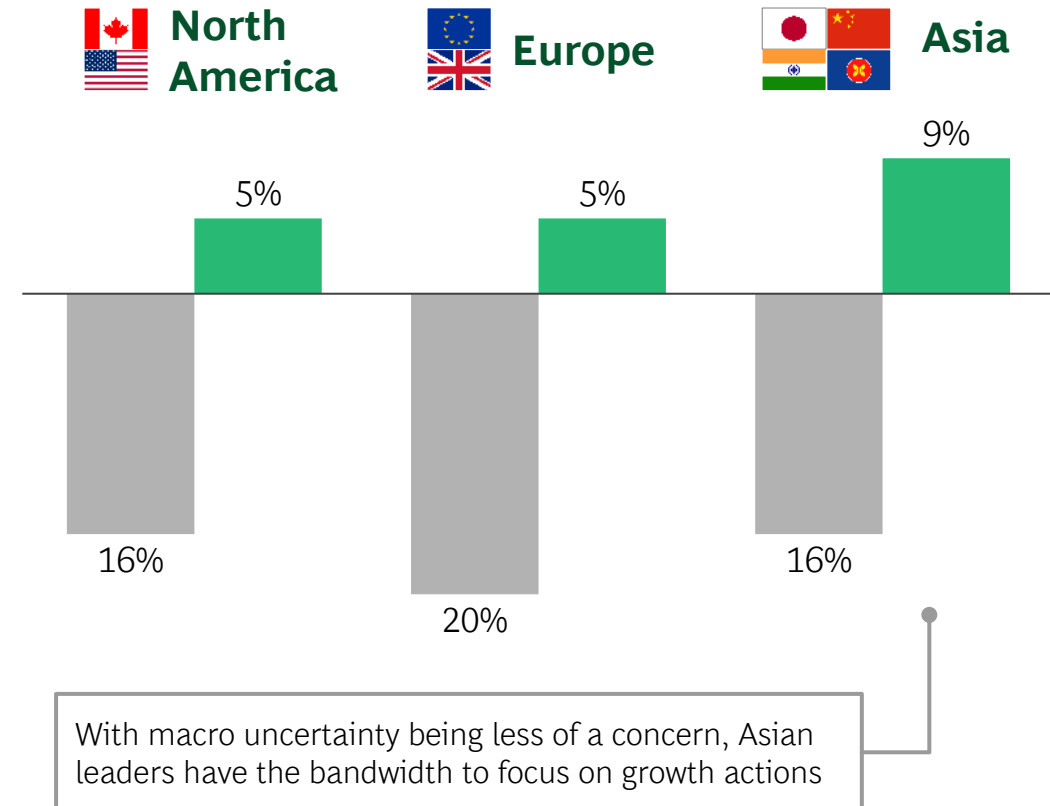
Notes: Asia excludes Middle East. Survey question: What meaningful actions will your company take in 2023 to mitigate risks, accelerate opportunities, or change trajectory of opportunities specifically to respond to evolving global headwinds? Source: BCG analysis based on a global C-suite survey with n = 759 respondents

2023 Actions | While growth is a priority, C-suite executives are polarized on whether to take actions to boost growth

Increasing spread between respondents who take no growth actions vs. double down on growth actions



Asia is most focused on growth action, while Europe is least invested in growth

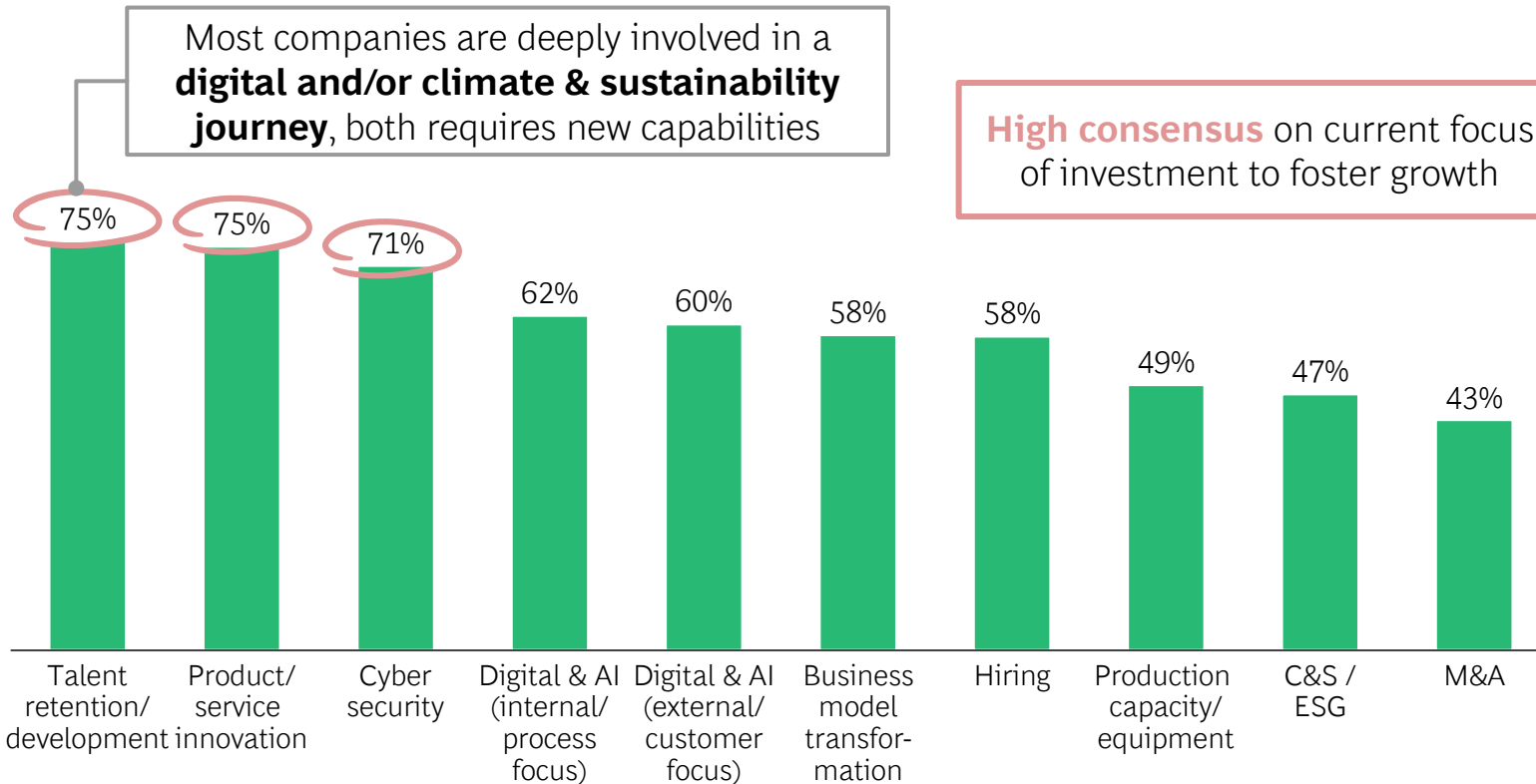


Note: Asia excludes Middle East. 1. Growth actions include business model innovations, tech innovations, horizontal mergers, vertical mergers, market- or product-extension mergers, conglomerate mergers, production process redesign, employee value proposition enhancement, up-/re-skilling, new product or service launches. Source: BCG analysis based on a global C-suite survey with n = 759 respondents

Investment | Companies are showing a strong appetite to invest on multiple fronts, with talent retention and innovation at the top of the list

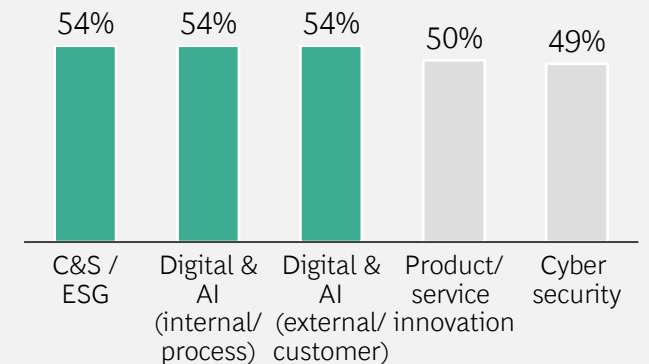
C-suites leaders show strong appetite to invest in multiple areas to address current challenges and build advantages

% of respondents who selected the topic as a current significant investment area¹



Climate and Sustainability, as well as **Digital & AI** are expected to be the **investment priorities in mid to long term** to seize the opportunities

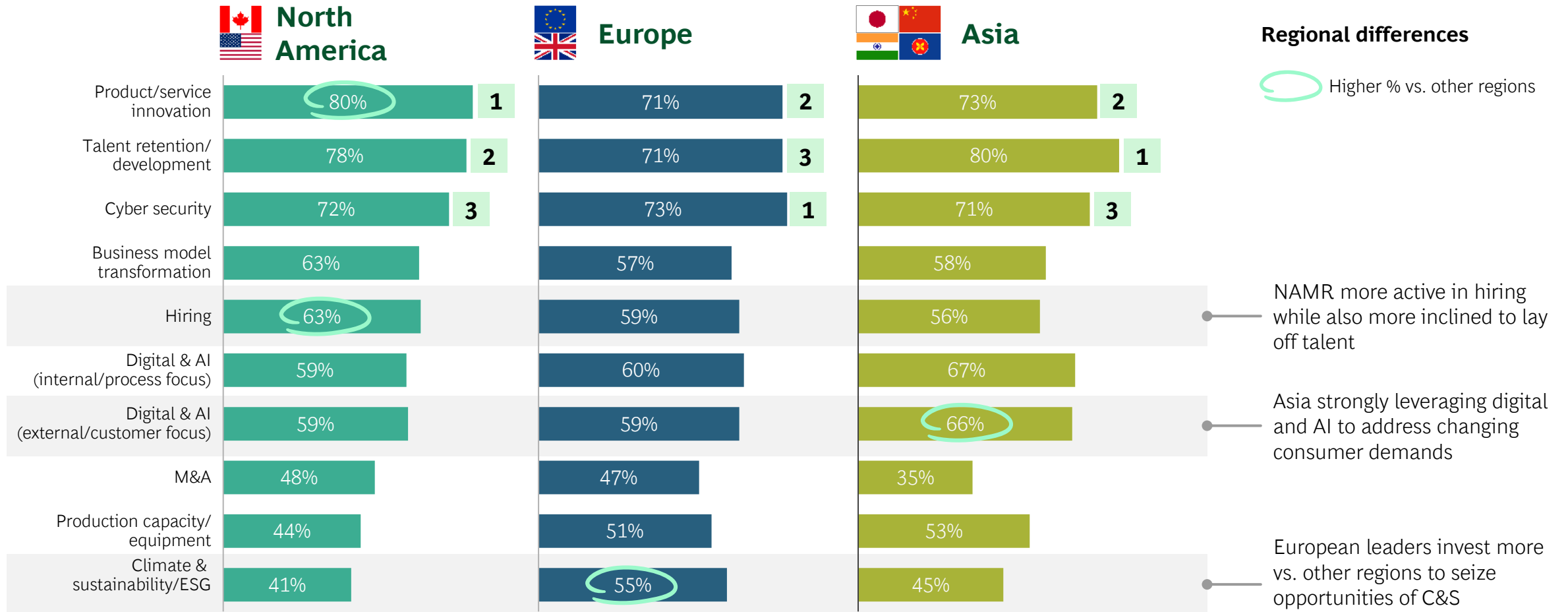
% of respondents who selected the topic as a significant long-term investment area¹



1. Survey question: Which of the following areas are currently (2022/2023) significant investment areas for your company?
 Source: "Talent Is the Great Antidote to Uncertainty", bcg.com; BCG analysis based on a global C-suite survey with n = 759 respondents

Investment | There's global consensus on top investment areas for fueling growth; regional nuances are key to building advantage

% of respondents stating that this topic is currently a significant investment area for their company¹

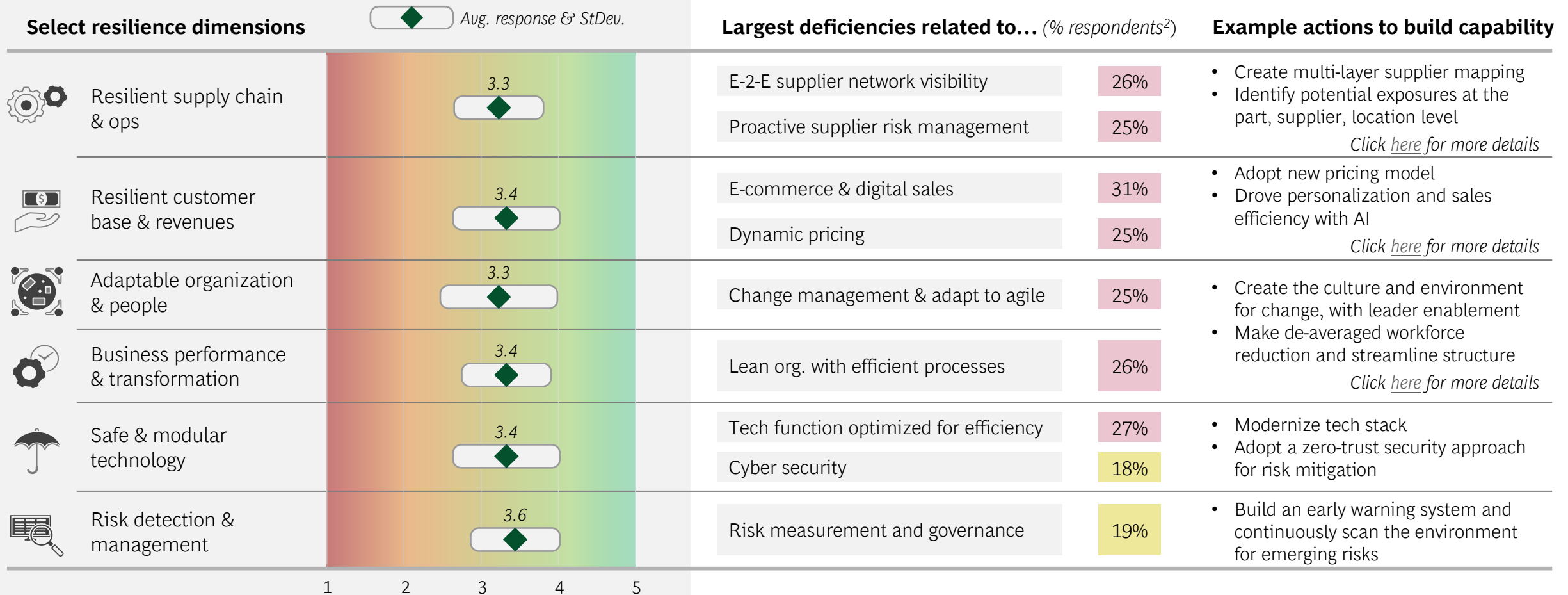


Note: Asia excludes Middle East. 1. Survey question: Which of the following areas are currently (2022/2023) significant investment areas for your company?
 Source: BCG analysis based on a global C-suite survey with n = 759 respondents

Capabilities | Capabilities for tackling uncertainties are generally sufficient, with room for improvement especially in supply chain and top-line

Self-assessment shows capabilities generally sufficient¹...

...with some deficiencies identified



1. Survey question: How would you rate your company's current capabilities across the following dimensions? 2. Minor or large deficiencies
 Source: "CEO Dilemma" series BCG Executive Perspectives; "Becoming an All-Weather Company", bcg.com; BCG analysis based on a global C-suite survey with n = 759 respondents

BCG Executive Perspectives

AGENDA

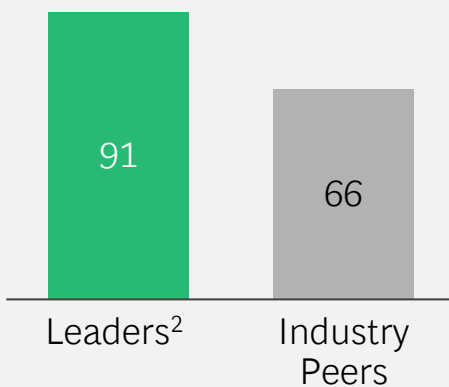
- ✓ Uncertainty is still highly relevant in 2023
- ✓ Key actions in 2023—resetting for growth
- ✓ **How leaders create competitive advantage**

All CEOs recognize the macroeconomic challenges, but few players have built strong capabilities and outperform their industry peers

While >70% executives see macroeconomic challenges...

... **12%** reported to have built up capabilities to respond to uncertainties

Total score of capability assessment (on a scale of 100)¹

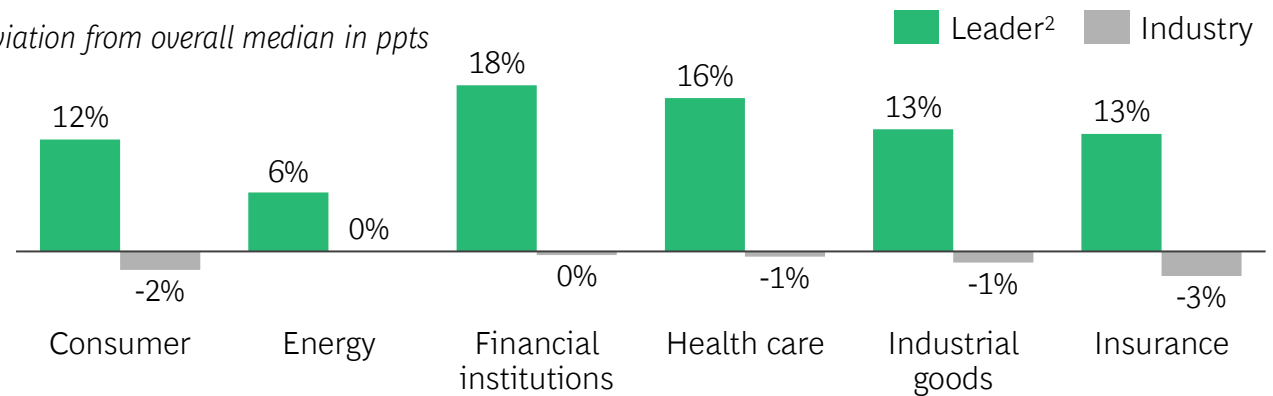


Companies with highest resilience capabilities² outperform their industry peers on various dimensions

15ppts

...**higher TSR** vs. industry average in times of uncertainty³

Deviation from overall median in ppts



1.4x

... **more optimistic** about their company's outlook and performance

12ppts

...**lower likelihood to face challenges** navigating uncertainty

1. Survey question: How would you rate your company's current capabilities across the following dimensions?

2. Defined as a company that evaluates its capabilities across 19 dimension as follows: majority is 5 ("very good"), majority of the rest is 4 ("good") and no dimension is below 3 ("just sufficient").

3. Company TSR data based on January 2022-January 2023 averages. 3. Defined as a company that has "very good" capabilities in at least half of the categories, "good" capabilities in at least half of the rest, and no deficiencies. Source: Capital IQ, BCG analysis based on a global C-suite survey with n = 759 respondents

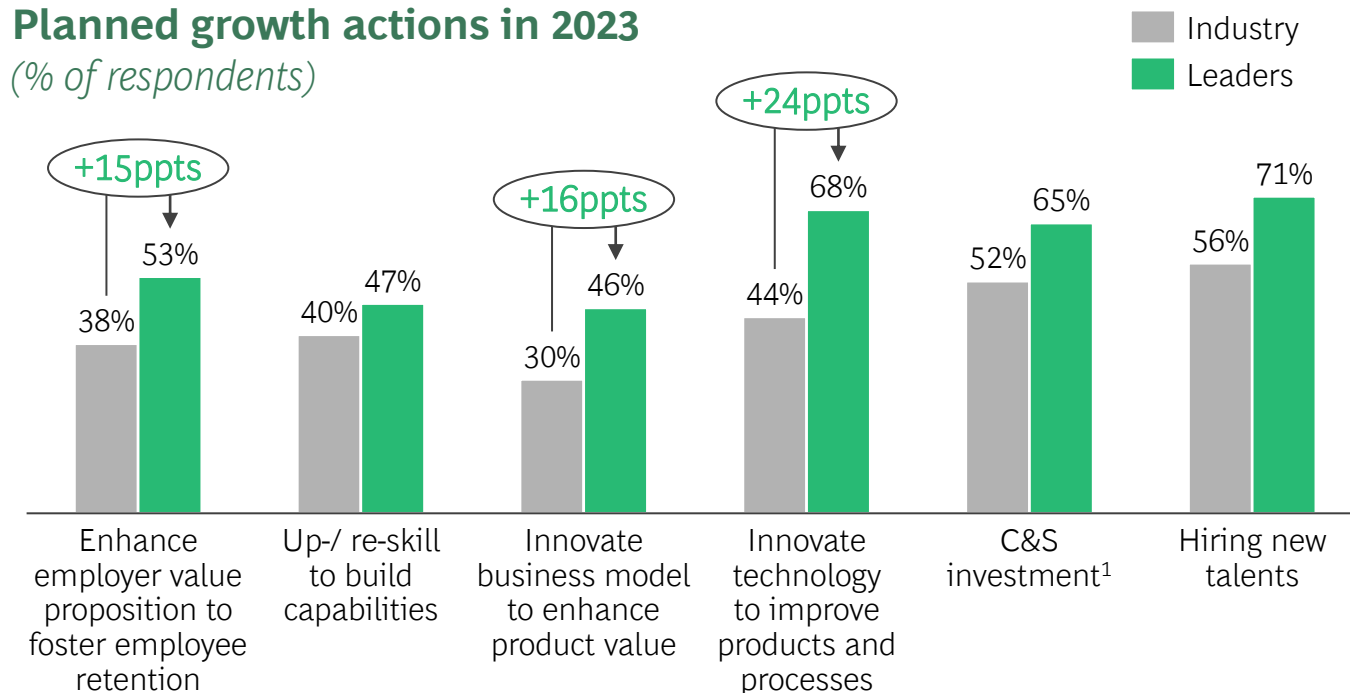
Leaders strike a balance between cost-cutting and reinvesting freed resources into long-term growth opportunities

~80% of companies **reduced costs** in 2022 to free up resources...

...compared with their peers, **leaders** actively invest those freed resources to **seize growth opportunities**

Planned growth actions in 2023

(% of respondents)



Largest gaps between leaders and their industry are in the **focus on product and process innovation** for long-term competitive advantages, as well as **enhancing employer value proposition**

1. In the long term (next 3 years). Source: BCG analysis based on a global C-suite survey with n = 759 respondents

Why now is the time to act

82%

Expect **inflation and high interest rates** to affect their company's performance in 2023

52%

Lack capabilities in comprehensive cost management or lean organization

97%

Will **take action** in 2023 **to address global headwinds**; 71% plan cost reductions

Two leading moves

all companies should take

1

Cut costs by pulling multiple levers—spend reductions, org. streamlining—to quickly **free up funds** for growth investments



2

Invest in the future, i.e., talent/capabilities and selective bold moves, to take **advantage of the downturn** and outpace competition

BCG is well positioned to support your organization with cost cutting and building capabilities that foster growth

Support full cost transformation with...

ORGANIZATIONAL STREAMLINING

- Spans and layers
- Simplification
- Redundancy elimination ...

\$ **10-25% of addressable costs** (e.g., direct, indirect labor cost)¹

DIRECT/INDIRECT MATERIALS OPTIMIZATION

- Demand management
- Variance reduction
- Contract mgmt.

\$ **5-15% of addressable² procurement spend**, incl. IT and tech spend

OPERATING-MODEL AND PROCESS REDESIGN

- Activity optimization
- Tech landscape simplification
- Lean manufacturing process

\$\$ **20-30% of labor costs**

FULL STRATEGIC OPS TRANSFORMATION

- Strategic sourcing
- Digital supply chain
- Production efficiency...

\$\$\$ **10-20% of all operating costs**



...and capability building

Digital and AI

New digital platforms, tools, databases, etc., to build capabilities, e.g., new tech stack, agile WoW



C&S

E2E transformation to make sustainability profitable and thus scalable



EVP and retention

Compelling EVP and incentives to encourage retention and attract new recruits



Change management

Using culture and change management to drive transformation and sustain results

For any questions reach out to BCG's Central Resilience Team



Ryoji Kimura

Global Leader—Corporate Finance & Strategy
Kimura.Ryoji@bcg.com
 Tokyo



Alexander Roos

Global Co-Leader—Center for CFO Excellence
Roos.Alexander@bcg.com
 Berlin



Jessica Apotheker

Managing Director & Partner
Apotheker.Jessica@bcg.com
 Paris



Daniel Feldkamp

Managing Director & Partner
Feldkamp.Daniel@bcg.com
 Munich



Gideon Walter

Managing Director & Senior Partner
Walter.Gideon@bcg.com
 New Jersey

1. G&A, sales, all managers across enterprise; 2. 25-55% of operating costs, procurement spend includes IT and tech costs

Disclaimer

The services and materials provided by Boston Consulting Group (BCG) are subject to BCG's Standard Terms (a copy of which is available upon request) or such other agreement as may have been previously executed by BCG. BCG does not provide legal, accounting, or tax advice. The Client is responsible for obtaining independent advice concerning these matters. This advice may affect the guidance given by BCG. Further, BCG has made no undertaking to update these materials after the date hereof, notwithstanding that such information may become outdated or inaccurate.

The materials contained in this presentation are designed for the sole use by the board of directors or senior management of the Client and solely for the limited purposes described in the presentation. The materials shall not be copied or given to any person or entity other than the Client ("Third Party") without the prior written consent of BCG. These materials serve only as the focus for discussion; they are incomplete without the accompanying oral commentary and may not be relied on as a stand-alone document. Further, Third Parties may not, and it is unreasonable for any Third Party to, rely on these materials for any purpose whatsoever. To the fullest extent permitted by law (and except to the extent otherwise agreed in a signed writing by BCG), BCG shall have no liability whatsoever to any Third Party, and any Third Party hereby waives any rights and claims it may have at any time against BCG with regard to the services, this presentation, or other materials, including the accuracy or completeness thereof. Receipt and review of this document shall be deemed agreement with and consideration for the foregoing.

BCG does not provide fairness opinions or valuations of market transactions, and these materials should not be relied on or construed as such. Further, the financial evaluations, projected market and financial information, and conclusions contained in these materials are based upon standard valuation methodologies, are not definitive forecasts, and are not guaranteed by BCG. BCG has used public and/or confidential data and assumptions provided to BCG by the Client. BCG has not independently verified the data and assumptions used in these analyses. Changes in the underlying data or operating assumptions will clearly impact the analyses and conclusions.



[bcg.com](https://www.bcg.com)