PwC's 27th Annual Global CEO Survey—CEE Edition

Your reinvention playbook

How companies can drive continuous transformation

pwc

Contents

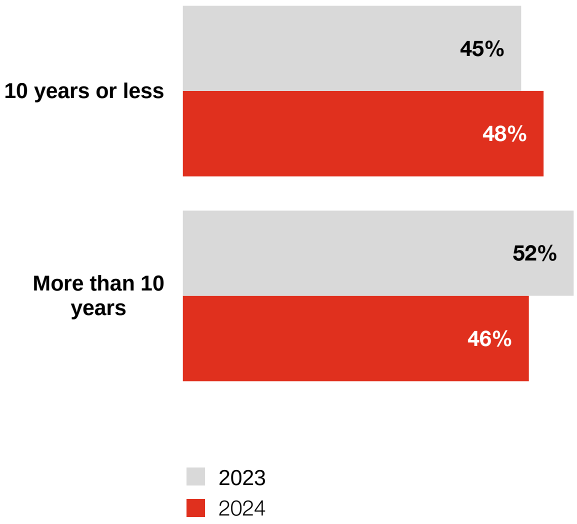
Key findings from the CEE edition of the 27th Annual Global CEO Survey

See the full report here

The reinvention imperative is accelerating

CEOs in CEE increasingly see transformation as vital to the survival of their businesses

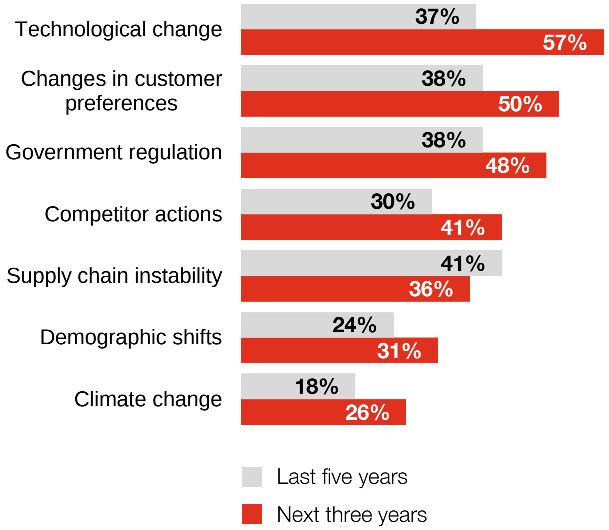
Q.: If your company continues running on its current path, for how long do you think your business will be economically viable?



CEE business leaders see technological change as the biggest driver of how they will do things differently in the next three years

Q.: 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.

(Showing only ‘to a large extent’ and ‘to a very large extent’ responses)



Regulatory environment is the main inhibitor of reinvention for CEOs in CEE and globally

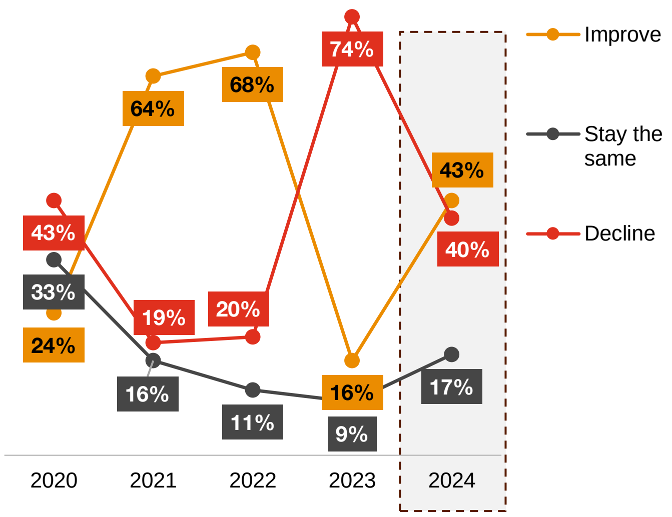
Q.: To what extent, if at all, are the following factors inhibiting your company from changing the way it creates, delivers and captures value?

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

There are clear signs of economic confidence returning—particularly in CEE

CEOs in CEE are more than twice as likely to expect the global economy to improve than a year ago

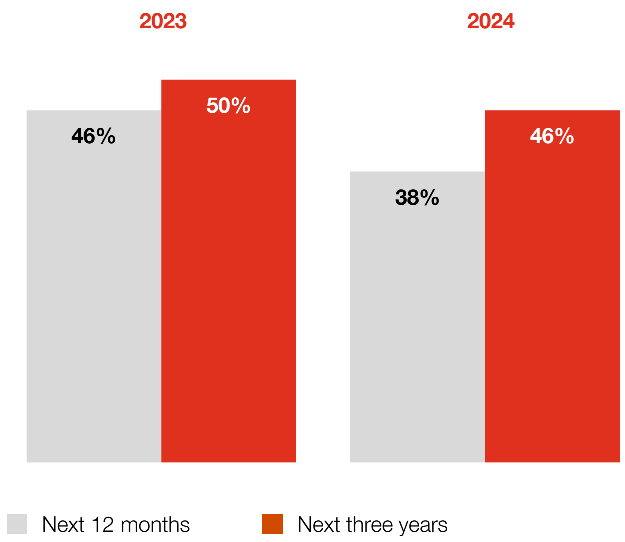
Q.: How do you believe global economic growth (i.e., gross domestic product) will change, if at all, over the next 12 months?



However, CEOs in CEE have slightly lower expectations for the growth of their own revenue than in the previous year.

Q. How confident are you about your company's prospects for revenue growth over the next 12 months/next three years?

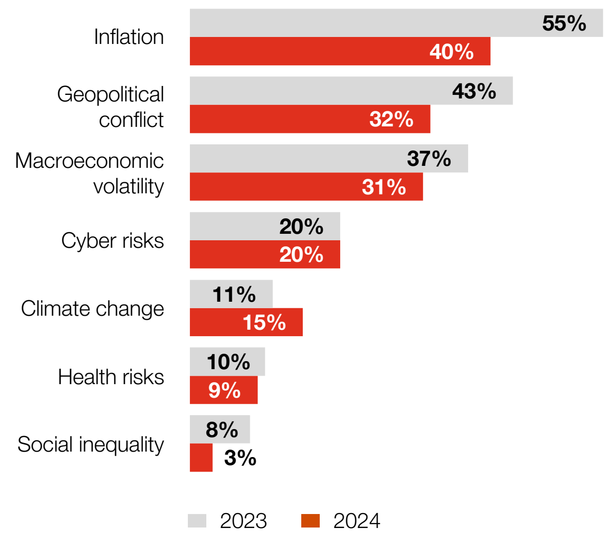
(Showing only 'very confident' and 'extremely confident' responses)



Inflation, geopolitical conflict and macroeconomic volatility remain the key threats in the CEE region—but less so than last year

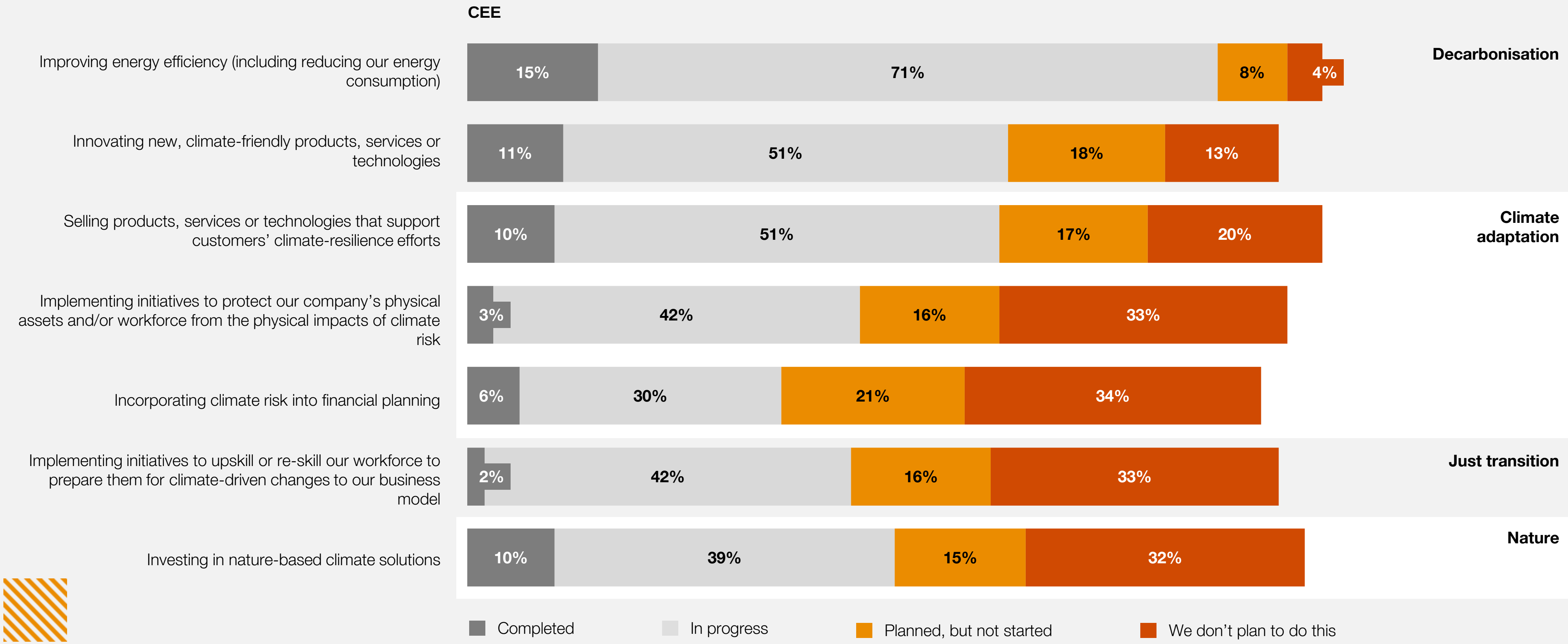
Q.: How exposed do you believe your company will be to the following key threats in the next 12 months?

(Showing only 'highly exposed' and 'extremely exposed' responses)



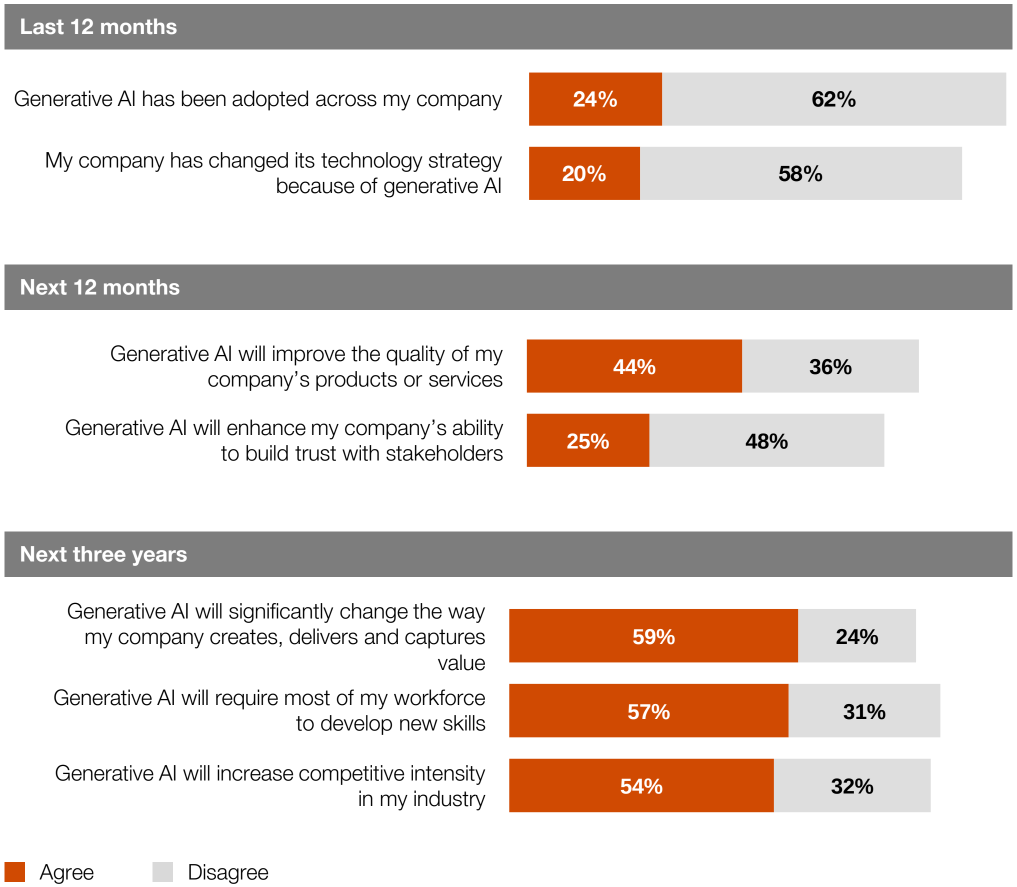
CEOs in CEE are prioritising actions on energy efficiency. Around one-third of them don't have specific plans on climate adaptation, transition or nature.

Q.: 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?

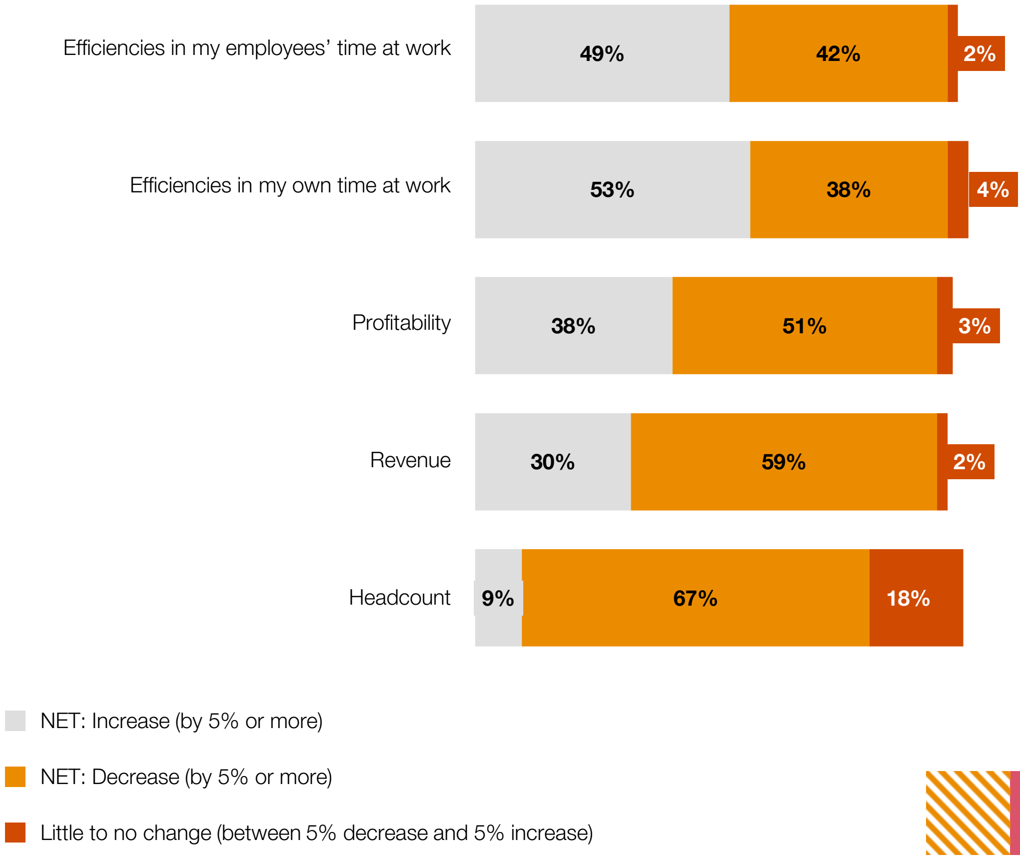


CEOs in CEE believe that AI will change their businesses—but are unsure about how and to what extent

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



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



The imperative for reinvention is growing, and business leaders around the world are increasingly seeing an urgent need for transformation.

Old approaches are no longer appropriate in the face of challenges from megatrends like technological disruption and climate change. New ways of doing business need to be found—but reinvention shouldn't be perceived as something vague or too complicated to be realised. Strategic planning can help include all emerging priorities, building a comprehensive vision of the goal and actions for its achievement.

From our extensive experience of working on transformation topics in our region, we see four key areas requiring attention from business leaders in supporting their organisation's transformation and future-proofing. Our reinvention playbook outlines these crucial dimensions of focus. We hope it will facilitate transformation processes to help meet the challenges of a rapidly changing world.

1

Adopt cloud as a basis for technological transformation

2

Prioritise cybersecurity to help your business survive in a digitalised world

3

Embrace sustainability as a guiding principle for all business actions

4

Use managed services to drive continuous reinvention and outperformance

1

Adopt cloud as a basis for business and technological transformation

Why?

Technological change will be the main future reinvention driver in Central and Eastern Europe. Generative AI, for its part, has gained an exponentially higher position on business agendas in the last year. It has the potential to help companies strengthen their capacities to analyse information by enlarging speed and scale.

The majority of CEOs in CEE anticipate greater impact from generative AI adoption. CEE business leaders expect Generative AI to increase efficiencies in their employees' (49%) and their own time at work (53%), their company's profitability (38%) and revenue (30%).

However, to be able to leverage emerging technologies most efficiently and get greater value from digitalisation, companies need a scalable foundation—that is cloud.

Mariusz Chudy,
PwC CEE Technology Alliances Leader

"Cloud adoption is a business survival strategy. Legacy technology won't be supported after some time. Thus, moving to the cloud—and transforming business accordingly—future-proofs companies and unlocks the creation of new revenue streams. These opportunities are universal across industries—meaning rethinking the old ways of doing business powered by cloud technology can be beneficial either in the financial services sector, energy, retail or elsewhere.

How?

1 Use the acceleration capabilities of cloud

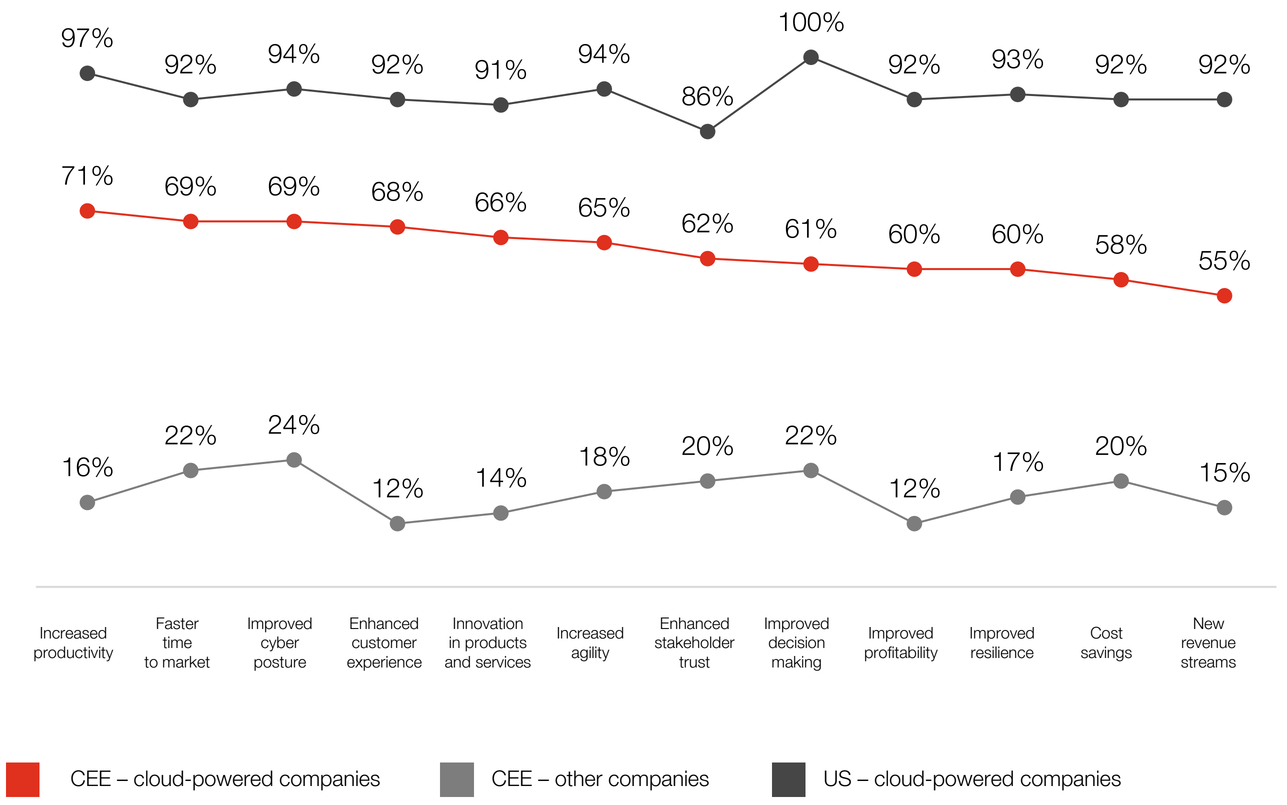
Cloud is a foundation that accelerates technological transformation, including enabling AI. It can provide the speed and scale for innovation through being a platform for collecting data, its advanced analysis, and therefore better insights and more informed decision-making. Cloud opens up opportunities to capture value faster from new technologies such as GenAI.

Positioning cloud as a strategic enabler means moving beyond cloud adoption being seen merely as an IT project. This mindset shift is critically important in realising cloud capabilities. Business leaders and their teams need to align technical aspects with business goals to gain more benefits from cloud transformation.

2 Make your business cloud-powered

In our Cloud Business Survey, our analysis shows cloud-powered companies in CEE have achieved significantly more measurable value across a wide array of business benefits than other companies: from almost three times more in improved decision-making to approaching sixfold in enhanced customer experience.

Question: Which of the following best describes how cloud technology is, or is not, delivering measurable value in your organisation?



Looking at the experience of cloud-powered companies in CEE, we can highlight a few of the actions, which they are more likely to do compared to non-cloud-powered organisations:

Taking a combination approach to cloud transformation

This helps choose the most relevant and strongest method to leverage cloud technology according to a company's business goals and specific cases—without solely relying on migration, modernisation or cloud-native development.

Scaling cloud throughout the business

Being all-in on cloud opens up capabilities such as advanced service design capabilities, deep product expertise or optimised workload differentiation. Speed, scope and connection through cloud help better deliver day-to-day activities or specific projects.

Collaboration across all areas from the planning stage and building strong alliances with C-suite

Cloud transformation isn’t only an IT project but an organisation-wide effort. Cross-functional leaders and teams have to align business goals with technical processes from the very beginning. Strong C-level working relationships add up to strategic adjustments across organisations and help focus on developing the right skills to deliver cloud benefits across businesses.

Focusing on cloud governance, controls and risks

A framework defining how responsibilities are shared, processes are governed and controlled, and potential risks are managed is helpful for all employees to use cloud technology efficiently and securely.

2

Prioritise cybersecurity to help your business remain viable in a digitalised world

Why?

Onboarding new technologies and digital approaches can present new risks for companies. Managing these emerging risks is particularly relevant to AI adoption—given the pace of technological change and how it makes the risk landscape more complex. To illustrate this, 65% of CEOs in CEE agree that generative AI will increase cybersecurity risk in the next 12 months.

As for the threats of most concern to CEE business leaders, cyber is in fourth position. However, cybersecurity is also closely interconnected with number two—geopolitical conflict. Modern warfare extends to the cyber domain, which means both state and private organisations are more exposed to cyber risks.

Regulations, which can both drive reinvention and inhibit it, are another external factor that influences the risk landscape and impacts an increasing number of industries far beyond the traditional critical infrastructure related ones. A raft of new regulations on emerging technologies and cyber have been introduced recently—with more in the pipeline—and this process will continue. Regarding cyber, CEE EU member countries must navigate a complex regulatory framework, with the NIS2 Cybersecurity Directive, the Digital Operational Resilience Act (DORA), the Cyber Resilience Act and more.

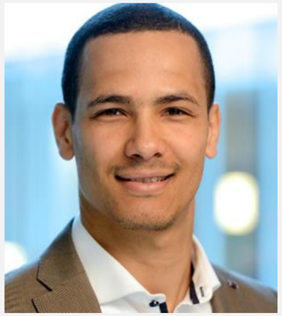
Being so interrelated with many challenges and opportunities that CEOs define, cybersecurity should be put at the heart of technological transformation plans.

How?

1 Start from strategic planning in a boardroom

Profound changes in organisations caused by technological transformation and business reinvention require the involvement of proper cybersecurity considerations from the outset. Chief Information Security Officers should proactively collaborate with CEOs on reinvention and present cybersecurity perspectives across the board.

The C-suite understands the importance of cyber—and increasing budgets are evidence of this. Almost 60% of CEE respondents from the 2024 Global Digital Trust Insights (DTI) survey say their companies plan to increase cyber budgets.



Peter Durojaiye, PwC CEE Cybersecurity Leader

“Cybersecurity is now a board-level imperative. Globally, 79% of the 3,876 business, technology and security executives (CEOs, corporate directors, CFOs, CISOs, CIOs and C-Suite officers) we surveyed say they’ll increase their cyber expenditures to protect and enable their business in 2024 (up from 64% last year), especially large organisations with revenues of $5 billion or more. While this pattern is even more marked in Western Europe, we see a similar and growing trend in CEE. A significant shift in the minds of the C-suite worldwide towards cyber is undeniable.

2 Treat regulations as safeguards that don't hinder growth

Global DTI results show that for at least one-third of respondents globally, regulations are the frames in which companies can have added confidence to explore, experiment, invent and compete.

Although the regulatory environment falls outside of CEOs' direct realm of influence, businesses still have opportunities to impact it. Participating in public discussions, taking part in working groups with regulators, enhancing industry associations and collaborating with other industry actors are all ways to make your voice heard.

It is also beneficial to take a proactive approach to prepare your company for regulations and develop internal policies to manage cybersecurity effectively. Requirements from regulations should also be integrated into the security risk and control framework.

Petr Špiřík,
PwC EMEA Managed Cyber Security Leader

> From discussions with clients and others, the overarching sentiment I'm hearing is that we are over-regulated. However, security leaders are increasingly seeing regulation as an opportunity to do the right thing and use regulation as a tool, and it is important that the regulation increases the accountability of board members. Regulations aren't loved — but I think that everyone is coming to terms with them and how to use them for good.

3 Secure innovations

Digitalisation and technological transformation of companies can help them become more resilient, effective and agile, but can also make companies more vulnerable to cyber and other threats. This doesn’t mean that a tech-powered approach to transformation shouldn’t be adopted—it means that innovation must be pursued in a secure way. Discussions about technology adoption should have Chief Information Security Officers involved throughout.

Sometimes, new technologies can already contain solutions—for example, AI, which brings new threats, also has the potential to be used to enhance cybersecurity. Among CEE business, technology and security executives who took part in our latest Digital Trust Insights survey, 40% say they plan to use generative AI for cyber defence in the next 12 months. The three most promising areas for using generative AI in cyber defence are threat detection and analysis, cyber risk and incident reporting, and adaptive controls.

Michał Kielczyk
CISO, Polpharma, Poland

“

You can be innovative in how you build things by having security embedded. If you have the CISO involved you have someone who is there to keep ideas safe but not kill ideas. CISOs can help create environments for safe ideas and innovation—that is what they can do.

3

Embrace sustainability as a guiding principle for all business actions

Why?

Although business leaders in CEE don't consider climate change the biggest threat to their companies in 2024, they feel more exposed to it than last year and think it will have more impact on reinvention in the future.

CEOs in CEE are also trying to find a balance between climate challenges and profitability—and it's a positive sign of business leaders admitting the importance of sustainability. Over one-third (34%) of CEOs in CEE have accepted lower return rates on climate-friendly investments in the last 12 months, slightly lower than the global average of 41%.

According to PwC's Global Investor Survey 2023, investors across the world share similar sentiments but of higher intensity—66% agree that companies should make expenditures that address environmental, social and governance (ESG) issues even if doing so reduces short-term profitability.

Investors and consumers take ESG-related factors into consideration and expect companies to take action on that. As many as 75% of investors from our recent Global Investor Survey said that how companies manage sustainability-related risks and opportunities is an important factor in their investment decision-making. For many consumers, sustainability is also a reason they are ready to pay a premium. Eight out of ten consumers said that they would pay up to 5% more for sustainably produced goods—according to our June 2023 Global Consumer Insights Pulse Survey.

How?

1 Integrate sustainability into the core business strategy

Sustainability topics are clearly increasingly important. That's why a fragmented reactionary approach to including sustainability in business won't bring long-term benefits. The reinvention companies are undergoing should, therefore, also be sustainable.

Our recent Global Investor Survey detected a trust deficit—94% of investors believe corporate reporting on sustainability performance contains at least some unsupported claims. However, more than half of the investors surveyed see the fulfilment of upcoming regulations and standards, including the EU's Corporate Sustainability Reporting Directive (CSRD) as enough to meet their information needs for decision-making. This way, regulations can contribute to building trust between businesses and investors.

What is more, going beyond compliance and perceiving regulations as rules of the game can guide balanced development and help companies uncover new opportunities. Companies should strategically integrate sustainability into core business to make it part of value creation and consider it in planning, performance and reporting.

Albena Markova,
PwC CEE Sustainability Platform Leader

"CSRD is much more than a reporting directive—it's a transformational and horizontal initiative that impacts many functions within organisations. The directive pushes for a more thorough, structured approach to strategic planning and sustainable transformation. Impacting over 50,000 companies worldwide, CSRD is designed to be a catalyst for change in how companies do business.

2 Leverage technology for sustainability goals

Technologies have great potential to accelerate sustainable transformation. Some examples include using technology to create sustainable operations and processes, tracking a company's impact on the environment and society, and also to collect, analyse and report data for optimisation and insights.

Technology can help estimate sustainability-related risks—including those from supply chains. Supply chain instability is the second biggest barrier to reinvention, according to CEOs in CEE. Proper management and risk assessment can help address these challenges.

Supply chains are acutely exposed to social and environmental issues because of their complexity. They often cover many countries, include multiple tiers and are made more intricate by outsourcing and offshoring arrangements. This is the reason why supply chain risks are often hidden or unforeseen. However, technological solutions, such as PwC's Sustainable Value Chain Checker, have capabilities to make them visible, enabling the assessment, prioritisation and management of potential ESG risks along the value chain.

Data and its analysis are essential for leveraging technology for sustainability, and cloud can be an accelerating solution for that. As many as 42% of decision-makers cite cloud as very or extremely critical in achieving their sustainability objectives, according to IDC's survey. Cloud capacities form a solid basis for enabling sustainability transformation at pace and scope.

Adam Szlachta,
Group CEO, American Heart of Poland S.A.

“It is an art to design and transform a business strategy so that it brings both good economic results and, independently, social values. Sustainability is in the DNA of the American Heart of Poland Group, it is an element naturally incorporated into our business strategy, the goal of which is to build multidimensional value, and the achieved ESG effects are a positive side effect. This is how our Group implements its strategy in the public health care system, where social values as a result of our activities are common in everyday business and do not require the organisation to build special processes aimed at achieving ESG goals.

4

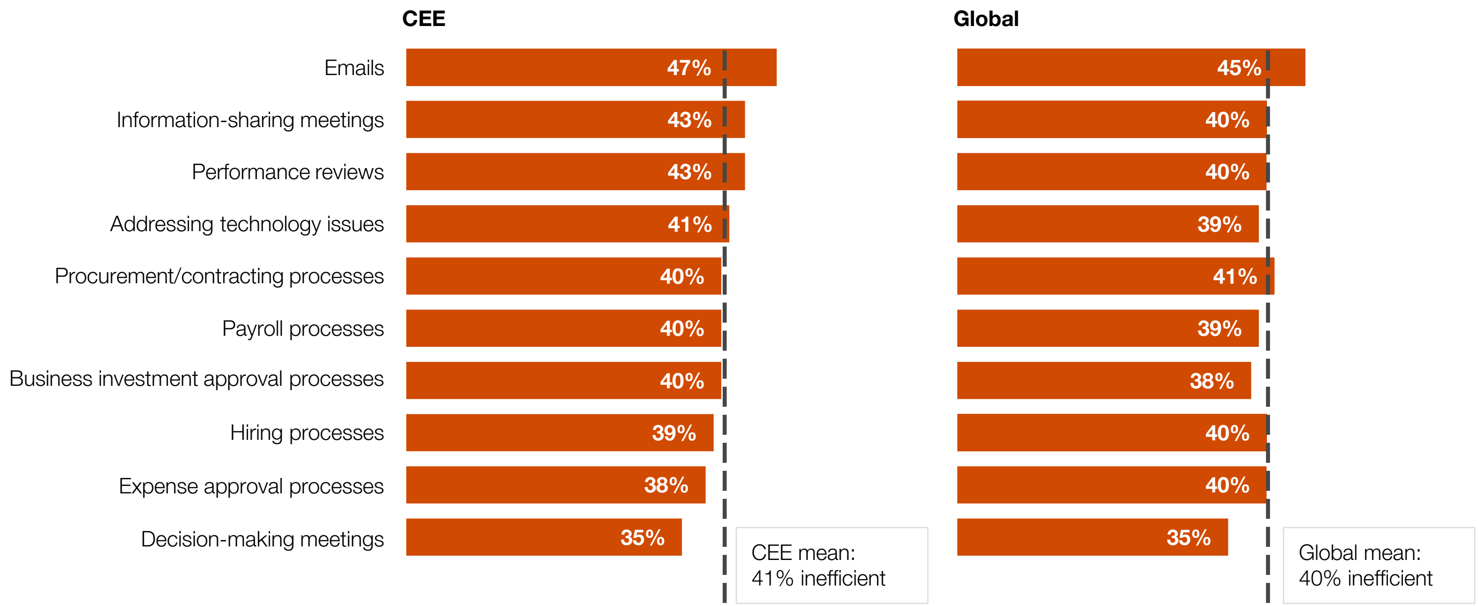
Use managed services to drive continuous reinvention and outperformance

Why?

As reinvention becomes a mode of business, it's crucial that a company's workforce and processes can keep pace with the changes. A closer look at barriers that inhibit companies from transformation reveals that many of the constraints are in a CEO's realm of influence, such as competing operational priorities, lack of skills of the company's workforce, lack of technological capabilities and more.

Responses of CEOs in CEE and globally are aligned on the inefficiencies of administrative activities/processes, with average results of 41% and 40%, respectively. This creates a need for rethinking how processes are delivered, the business models used, and the resources spent on them.

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.

Managed services partnerships offer alternative solutions to the complexity of business processes, the speed of change and intensifying megatrends. By the engagement of managed services, companies can create different viable options to accelerate reinvention.

How?

1 Save costs and close the capabilities gap

The benefits from managed services partnerships are multi-dimensional—they contribute to a company's reinvention in many ways, enabling transformation at a fast pace and on a large scale. A new wider approach to managed services partnering goes beyond typical back office functions and isn't focused solely on cost reduction as in traditional outsourcing arrangements. This new vision of managed services partnerships (MSPs) concentrates on strategic benefits—like speed and innovation.

The unprecedented pace of technological changes and continuous need to transform accordingly present significant challenges for businesses—such as talent shortages as well as capabilities and technology gaps. Managed services partnerships can support companies in driving meaningful change by providing swift access to the right technology and talent.

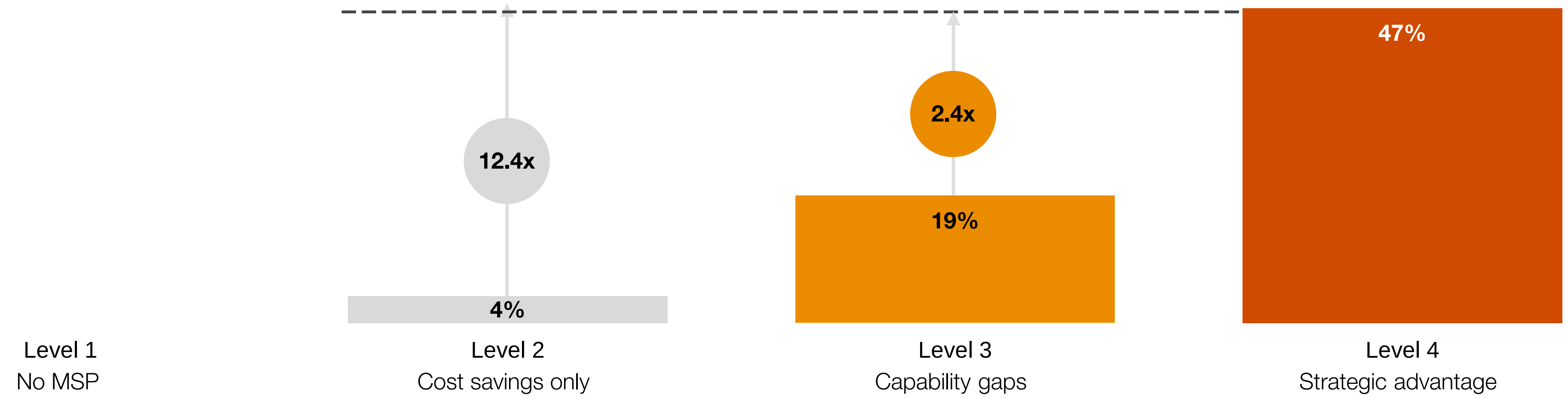
Damian Kalinowski,
PwC CEE Managed Services Leader

"Managed services are more relevant than ever as CEOs prioritise their need for business model reinvention and as the imperative for GenAI grows. Managed services create a paradigm that increases our clients' competitiveness by combining subject matter expertise with leading technologies, such as generative AI. As a result, we can complement clients' capability in delivering efficient and cost-effective end-to-end services.

[PwC research](#) points to a close correlation between financial outperformance and a broad approach to managed services partnering. This relationship is depicted along the maturity curve: performance premium is associated with different levels of managed services partnership maturity.

At **level one**, organisations have no MSPs. **Level two** companies use MSPs solely to reduce operating costs—and their performance premiums rise and will become higher as organisations move further in maturity. At **level three**, businesses target closing capability gaps, and at **level four**, they use MSPs to gain strategic advantage—to respond to opportunities and threats or to keep pace with changes in technology or other strategic reasons.

Share of performance premium*



*Performance premium is the combined effect of profit margin and revenue growth in industry-adjusted terms.
Note: Totals may not equal sums shown due to rounding.
Source: PwC Global Advisory survey

2 Gain strategic advantage and focus on distinctive activities

Organisations can engage managed services partners for a range of activities that will not only close their capability gaps but give them a strategic advantage—including regulatory compliance, upskilling employees and accessing external data or expertise.

What is more, PwC research shows that companies who use managed services partnerships for strategic advantage are 1.6 times more likely to be faster to market and 2.4 times more likely to be more innovative than those focused solely on cost savings.

By applying MSP, companies can free up time and resources to concentrate on activities critical to their competitive advantage. PwC's detailed analysis of top-performing organisations reveals winning companies are 33% more likely than peers to focus exclusively on the distinctive activities that drive performance and 21% more likely to engage managed services partners to tackle less distinctive activities.

Sustaining transformation

Driven by the reinvention imperative, CEOs in the CEE region have to pinpoint their next moves to pursue opportunities and address threats—and we are here to help. We continuously work to provide insights to CEE business leaders and help them navigate an increasingly complex environment. We aim to enable the successful transformation of organisations doing business in CEE and help power the future sustainable development of our region.

Agnieszka Gajewska,
PwC CEE Clients & Markets Leader

Transformation is not just about making companies more efficient. And reinvention is not just about making them more effective...

Given the pace and impact of the technological changes, leaders need to be ready to go outside their companies and try different business models—learning from others, also outside their sector. Our recent CEO Survey builds a rationale for a radical business reinvention, with almost half of CEOs in the CEE region knowing their relevance in the market in the mid term depends on them taking actions now.

Contact us

Partner, PwC Global Government & Public Services Leader, CEE Clients & Markets Leader, PwC Central and Eastern Europe

agnieszka.gajewska@pwc.com

Agnieszka Gajewska

Cloud

Partner, Technology Alliances Leader, PwC Central and Eastern Europe

mariusz.chudy@pwc.com

Mariusz Chudy

Cyber

Partner, Cybersecurity & Privacy Leader, PwC Central and Eastern Europe

peter.a.durojaiye@pwc.com

Peter Durojaiye

Sustainability

Partner, CEE Sustainability Platform Leader, PwC Central and Eastern Europe

albena.markova@pwc.com

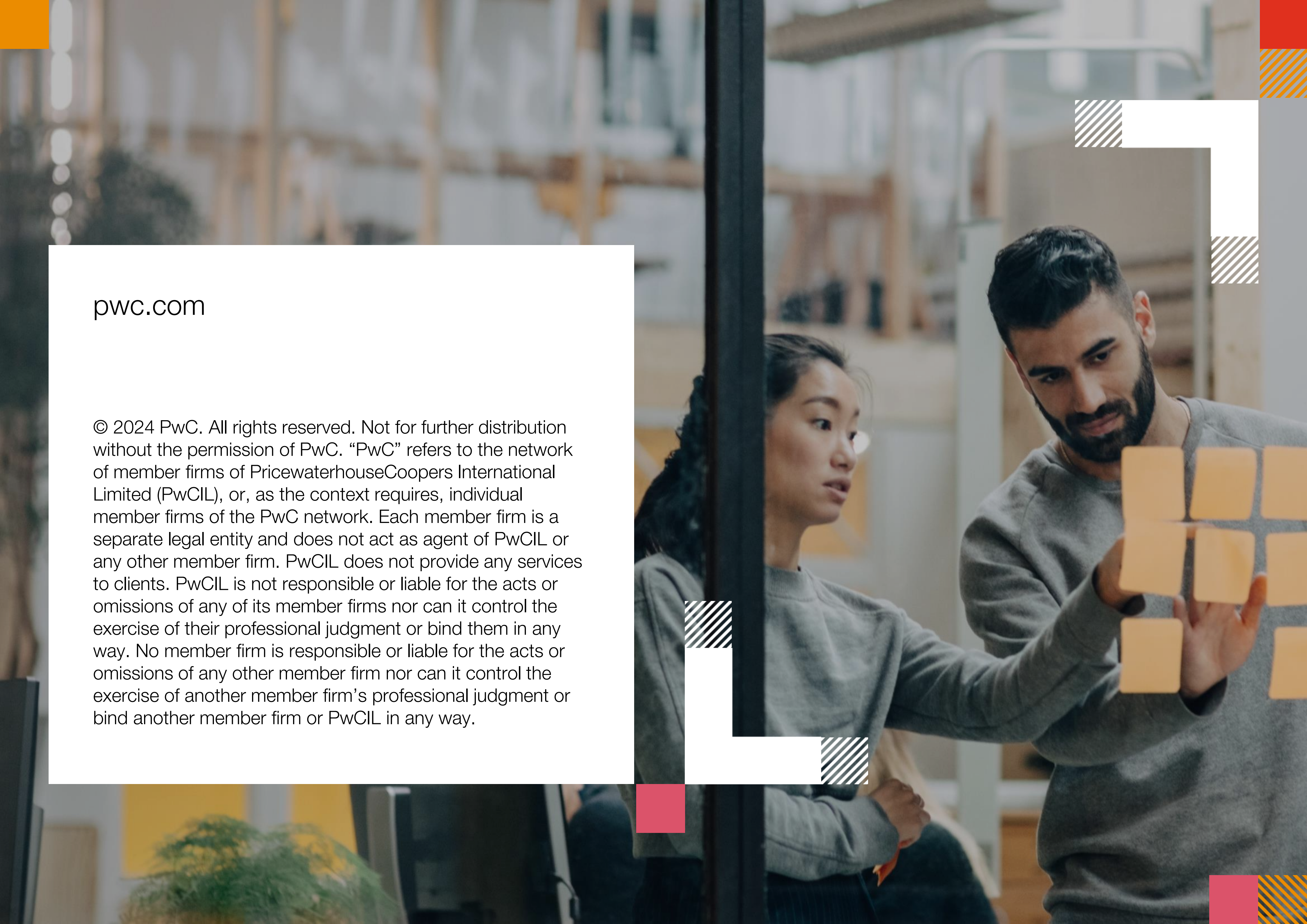
Albena Markova

Managed Services

Partner, Managed Services Leader, PwC Central and Eastern Europe

damian.kalinowski@pwc.com

Damian Kalinowski



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