PwC's 24<sup>th</sup> Annual Global CEO Survey, 2021 Key findings for Romania

# A leadership agenda to take on tomorrow



#### About PwC Global CEO Survey

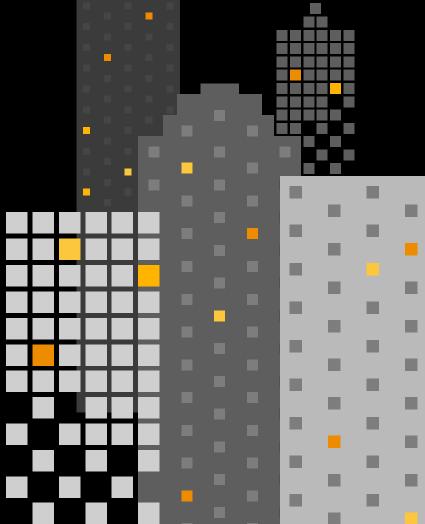
For 24 years, PwC's annual global CEO survey has provided chief executives, authorities and the business community worldwide with a unique insight into the thinking and decision-making of CEOs around the world. In pre-pandemic years, the survey results would be released on the eve of the annual World Economic Forum meeting in Davos, Switzerland, and provide relevant topics for debate regarding international economic trends.

For this 24<sup>th</sup> edition of the study, PwC surveyed 5,050 CEOs in 100 countries and territories (including Romania) in January and February of 2021. The global and regional figures in this report are based on a sub-sample of 1,779 CEOs, proportionate to country nominal GDP to ensure that CEOs' views are representative across all major regions. The industry- and country-level figures are based on the full sample of 5,050 CEOs.

Conducting fieldwork in January and February of 2021 represents a shift from our historical approach. Typically, PwC surveys chief executives for its Annual Global CEO Survey between September and November, and then releases its report in January of the following year. Given global complexities in the fall of 2020, including pandemic surges, late-stage vaccine trials and several disruptive geopolitical events, we moved the fieldwork in an effort to create a dataset that would be meaningful and enduring. The global report and further details can be found on our website at ceosurvey.pwc

This tenth edition of the survey covering the main results for Romania is based on the opinions of the 174 chief executives in our country filled in the online questionnaire.

Note: not all percentages in charts add up to 100%, as a result of rounding percentages, questions allowing multiple choices and the decision in certain cases to exclude the display of 'neither/nor,' 'other,' 'none of the above' and 'don't know' responses.



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## The perception of CEOs in Romania

#### **Optimism about growth**

60%

believe global economic growth will improve in 2021

39%

are very confident about their organisations' prospects for revenue growth over the next 12 months 74%

are planning to seek Operational Efficiencies in order to drive revenue growth

#### Lingering anxiety

The top threats to organisations' growth prospects



**93%** 

Pandemics and other health crises



Increasing tax

obligation



Tax policy uncertainty

Over-regulation

**// 92%** 

Uncertain economic growth

82%

Availability of key skills

**11** 87%

Policy uncertainty

81%

Readiness to respond to a crisis



Cyber threats

團 81%

Changing consumer behaviour

Note:Respondents who answered "Somewhat concerned" or "Extremely concerned"





increase their focus to a large extent or significantly on Digitising organisation's Risk Management Function as a result of the Covid-19 crisis



#### Investments in digital transformation and transparency

53%

plan to increase significantly their long-term investments in Digital Transformation over the next three years, as a result of the Covid-19 crisis

# 55%

believe their organisations should be doing more to measure Innovation 36%

consider their organisations should be doing more to report their Business Strategy

#### Human capital and the competitiveness of organisations



expect their organisations' headcount to increase in the next 12 months



increase their focus on Productivity through Automation and Technology to make the greatest impact on organisation's competitiveness

#### Governments and businesses – alliance for growth

believe tax policy changes to address rising government debt levels

government debt levels will lead their organisations to reconsider the Cost Structure think an Effective Tax System

should be one of the three most important Government priorities 63%

consider a Skilled, Educated and Adaptable Workforce as one of the three most important priorities for businesses to help deliver



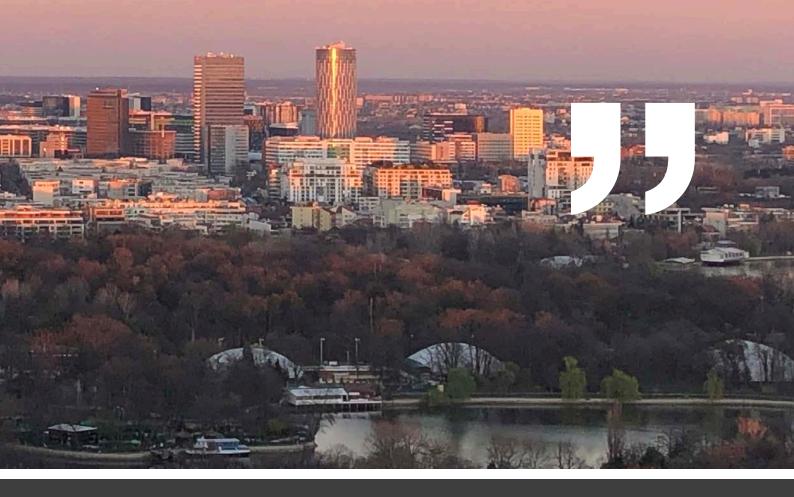
In 2021, PwC Romania is celebrating 30 years of presence on the local market. As the first large professional services company to register in Romania after 1989, PwC laid the foundations of the consulting services market 30 years ago. From the very start, PwC Romania has been with the Romanian business environment, which it helped build. We have been involved in projects fundamental to the Romanian economy, contributed to the preparation and implementation of the national and European legislation in many crucial areas, helped establish and strengthen the country's major institutions and professional associations, and provided consultancy and assistance to local and multinational companies, governmental and international organisations. Over these three decades, PwC has become a genuine dialogue partner for the authorities and a major player in the public debate, with a relevant contribution to the sustainable development of the Romanian economy and society. We are committed to continuing in this active role because the state's engagement is needed for a strong private sector in our country. It is in this role that we have been

and will stay firmly anchored to the Romanian market and seek to support public institutions in identifying investment projects, while remaining an information and know-how acceleration hub.

As our 30<sup>th</sup> anniversary in Romania coincides with the launch of the tenth edition of the Romaniaspecific report of our PwC Global CEO Survey, this is a good time to take stock of the main topics on the agendas of CEOs in Romania over the last decade. Back in 2011, business leaders in Romania were ready for the resumption of growth. A year later, they were striving to strike a balance in cautiously navigating volatile circumstances. In 2013, they were talking about the added value of interconnection. A year on, CEOs were interested in how innovation and the new technologies acted as game-changers. In 2015, they were redefining competition in a borderless market, and in the following survey they discussed the meaning of success in business in a changing world. In 2017, they focused on doing business in the age of technology and globalisation, and in the following year they stepped into the land of clear-eyed realists. In 2019, organisation leaders were looking

ahead with caution, preparing to navigate the rising wave of uncertainty. But the watchword in all these yearly surveys – the common thread running through the last decade – has been change in its multiple forms, thus causing chief executives to grow ever more agile in order to ensure durable growth. But who could anticipate that 2020 was to bring about such a sweeping change – in the very way in which we live, in human interaction across the society at large?

That is why this year's insight into how CEOs are reinventing their organisations to cope with global disruptions (such as the impact of the COVID-19 pandemic) are probably more important than ever - seeing how quickly circumstances can change today across the entire planet. The aim of the 24th issue of PwC's Annual Global CEO Survey is to contribute to developing a set of information the world needs in 2021; all the more so now, when CEOs, professional organisations and public authorities are striving to navigate the pervasive uncertainty and anticipate what might be in store for us. In a world where reality can dramatically change from one hour to the next, this survey is



intended not only as a snapshot of CEO sentiment and opinions but also a roadmap of future priorities and how we can pursue them collectively.

Over the past 18 months we have been living in a very complex reality worldwide – the health crisis, the US presidential elections and the Brexit negotiations are just a few examples. Over one year on after the COVID-19 pandemic was declared, the crisis is still deep and the problems are still pressing, but the fast development of vaccines has enabled business leaders to think about recovery. However, the scenarios and timeline for a return to normal life are still unclear.

The pandemic has exposed the vulnerability of human society at large, global systemic deficiencies and weaknesses of the current business models. It has revealed how closely interconnected the tiers - health, economic, social and political - of the world we are living in are and it showed yet again, if further proof were needed, the role the media plays in today's society. But the health crisis has also triggered the tapping of huge resources of creativity and impressive concerted efforts, with political and business leaders

around the world jointly looking for lasting solutions to this challenge, which is bound to reshape the future of the world.

The two-fold role of the pandemic - as an amplifier of imbalances and an accelerator of transformation is at the core of this year's survey. CEOs are optimistic about the recovery of the global economy, aided by the pandemic-induced digital acceleration. Technology promises productivity growth, with the flip side being intensified cyberattacks, and the fast spread of misinformation and fake news. Although the chief executives' confidence in the revenue growth prospects of their organisations is on the rebound, there is lingering anxiety. CEOs are concerned about the pandemic trajectory, tax policy uncertainty, over-regulation and even climate change.

The current crisis is undoubtedly an opportunity – a good time for political and business leaders around the world to step back, look around objectively and ask how they can do things better to achieve a fair society. Famine and the lack of access to education and healthcare in the under-developed countries, military and geopolitical conflicts, and irreparable damage to the environment are just a few of the paramount problems for humankind, which, beyond any statements and promises, require genuine commitment and specific efforts for us to solve them.

The solutions humankind will find to redress imbalances will have an impact on business models, with particular focus needed on transparency and regaining the public's trust. In changing their operating model, organisations should constantly review their decisions and actions in terms of the wider social impact – a frequent challenge in the latest issues of our survey.

We extend our thanks to all the 174 CEOs in Romania who answered our invitation to take part in this year's survey. Their contribution is essential to the success of this endeavour, and the opinions they shared with us help shape a realistic outlook of the business environment in Romania. As with every survey, it is our honour to voice their opinions.

# Optimism about growth

8

# Record high confidence in the global economy

Ever since 2008, PwC has been analysing the optimism of CEOs worldwide to gauge the direction and scale of developments in global gross domestic product (GDP), with accurate prognoses returned every year. The general trend noticed in the 2021 issue of the survey indicates that chief executives, after a year of uncertainty and difficulties during which they had to rethink their work, are very confident about the global economy prospects.

Thus, one year after the onset of the COVID-19 pandemic, CEOs worldwide report record high optimism about global economic recovery. Although the health crisis is still the centre of attention for the entire world, the share of those anticipating an improvement in global GDP over the next 12 months stands at 76%, which is a record high in the last decade and almost 20 percentage points more than the previous record figure (57%) in the 2018 issue of the survey. The figure is over three times that recorded in 2020 (for which the

survey was conducted in the autumn of 2019), when only 22% of the respondents worldwide anticipated a quicker pace of global economy growth. By contrast, back then, 53% of the respondents anticipated negative prospects for the economy, thus accounting for a record leap in pessimistic prognoses.

Although slightly more reserved than their counterparts in other regions of the world, CEOs in Central and Eastern Europe (CEE) are significantly more confident about economic growth now than they were in previous years, despite the severe recession and multiple political uncertainties. Almost two thirds (64%) of the respondents in CEE expect an improvement in the global economy over the next 12 months – a record high, more than double last year's figure (24%).

In 2021, the optimism levels of CEOs in Romania about global economy growth prospects are still lower than those of their counterparts around the world and in CEE. However, 60% of the CEOs in Romania believe that the pace of global economic growth will pick up over the next 12 months. That is almost three times the figure for the previous survey (22%) and indicates a spectacular rebound from the situation in the last two years. Optimism levels had dwindled in 2019 and 2020, with as many as 57% of the respondents in Romania anticipating at end-2019 that the global economic growth would slow – like a gloomy foreshadowing of the health crisis that was to strike the entire planet.

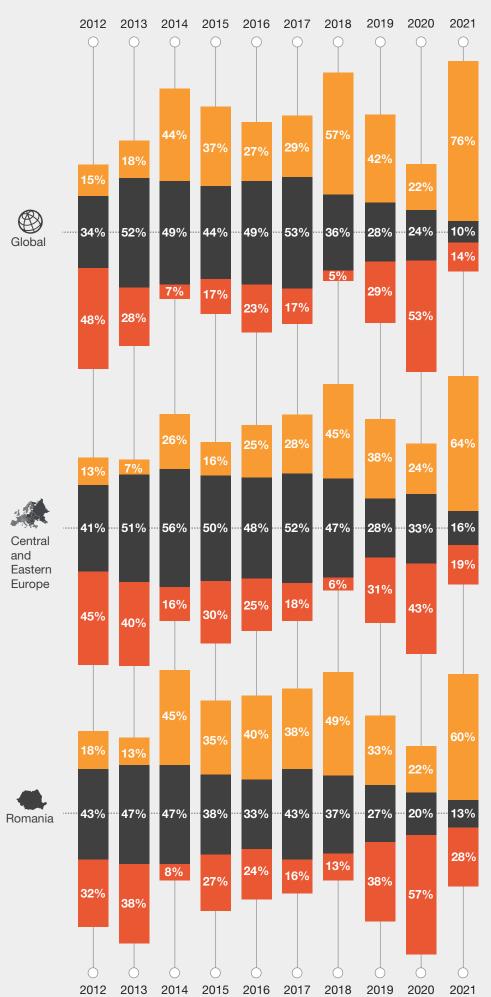




After two years when the share of chief executives in Romania of the opinion that global economic growth prospects would improve was lower than that of **CEOs** anticipating slowed growth, this year's survey shows a return to how things were in the period 2014-2018, when those expressing expectations for a better year outnumbered the "pessimists".

Record high levels of CEOs confident that the global economy will improve

Do you believe global economic growth will improve, stay the same or decline over the next 12 months?



ImproveStay the same

Decline

### **Optimism returns for** organisations' growth

The CEOs' optimism about global economic prospects matches their confidence in the growth of their organisations. The threats brought by the pandemic are far from being overcome, as the number of people infected is still high and the vaccination campaign is not going at the expected pace in all the countries around the world, but business leaders anticipate the resumption of growth, not only for the global economy but also for their own organisations.

Globally, around three quarters (74%) of the CEOs believe that the revenue growth of their organisations will improve over the next 12 months. At the same time, almost two thirds (65%) of the business leaders expect their organisations' profitability to improve.

Chief executives in CEE are very confident about the economic recovery prospects in 2021, and their optimism shows in how they see the prospects of their own organisations. Thus, business leaders in the region generally share the views of their global counterparts regarding the revenue growth of their organisations over the next 12 months, but they are more reserved when it comes to the improved profitability of their own businesses.

CEOs in Romania prove to be the more cautious with their forecasts than their global and regional counterparts. Thus, 63% of the

months?

months?

What are your organisation's

What are your

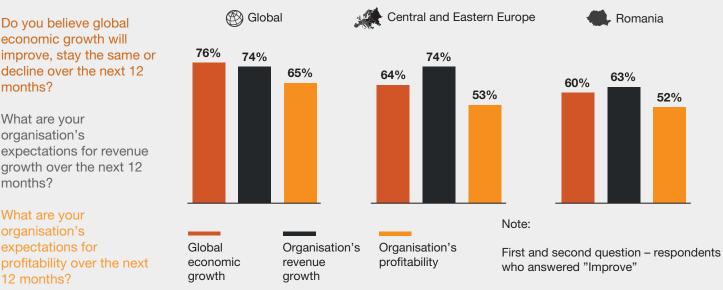
organisation's expectations for

12 months?



respondents in Romania expect their organisation's revenue growth to improve over the next 12 months, compared with 74% globally and in CEE. A little over half (52%) of the chief executives in Romania believe profitability will improve over the next 12 months. That is close to the regional figure (53%), but somewhat lower than the global one (65%).

In the short term, CEOs are optimistic about the global economic prospects and their organisations' revenue growth rate, but they tend to be slightly more reserved about the improved profitability of their businesses



Third question - respondents who answered "Increase"

Therefore, optimism that the pace of global economic growth will pick up translates into CEOs' higher confidence in their organisations' prospects for increased revenues, both in the short and medium terms.

Globally, 36% of the chief executives are very confident about their organisations' revenue growth prospects over the next 12 months, compared with 27% in the 2020 issue of the survey. For the medium term (three years), 47% are very optimistic about their prospects – a substantial leap from the preceding year's figure (34%). This year's results indicate a reversal of the downward trend shown in the period 2019–2020 and a return to the average figures of the last decade.

Industries across the world have been hit by the pandemic in different ways, and that has changed significantly how people live, work, interact, travel and do their shopping. That variance also shows in the level of confidence CEOs from various industries have in their growth prospects. Confidence levels vary substantially by industry, thus highlighting the different ways in which consumer behaviour has been affected by the pandemic. Unsurprisingly, business leaders in the technology and telecom sectors express the highest levels of confidence - a corollary of the digital acceleration process. At the other end of the spectrum are the chief executives in transport and logistics, alongside those in

the hospitality, entertainment and leisure sectors, who are among the most pessimistic about their organisations' prospects of increasing their revenues in the coming years.

When compared with the last surveys, the increase in the share of CEOs in CEE who are very confident about their organisations' revenue growth prospects over the next 12 months is not as steep as in the other regions of the world, because CEE expectations were already relatively high in 2019 and 2020. Thus, almost two out of every five (39%) of the business leaders in CEE are very confident about the growth prospects of their organisations (up from 37% in 2019 and 2020). Confidence levels soar when considering the threeyear time frame, with 42% of the CEOs in the region reporting being very confident, compared with 26% and 27% in the two preceding surveys, respectively.

This year is crucial for Romania's economic rebound, as the country has just overcome the third wave of the pandemic, after the two waves experienced in 2020. CEOs in Romania generally share the confidence of their global and regional peers about a better year for their organisations. The share of respondents in Romania reporting being very confident about their businesses' prospects for higher revenues over the next 12 months stands at 39%, which is ten percentage points higher than last year. Optimism is even higher for the medium term, with over half (51%) of the chief executives in Romania being very confident about their organisations' revenue growth prospects over the next three years. That is almost double the figures for 2019 and 2020.

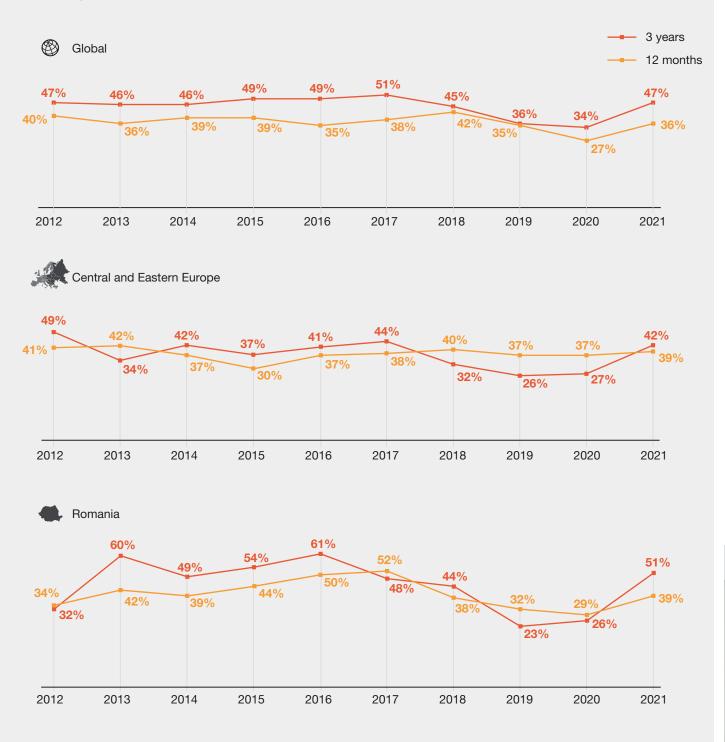
After two years during which business leaders in Romania and the region were less confident about the medium-term than short-term growth prospects for their organisations, we are witnessing a sea change this year. CEOs generally expect a gradual recovery of the economy and of businesses, with projected time frames varying by specific industries.

of CEOs in Romania are very confident about their organisations' revenue growth prospects over the next three years

51%

#### Rebound in CEO confidence in their organisations' short- and medium-term revenue growth prospects

How confident are you about your organisation's prospects for revenue growth over the next 12 months and the next three years?



Note: Respondents who answered "Very confident"



# Look inside-out for growth

Faced with the new realities and given the uncertainty around the pace of recovery, organisations are still looking inward and mainly relying on their own resources to drive revenue growth over the next 12 months. Thus, around three quarters of CEOs are focused on operational efficiencies, with a similar number targeting organic growth. Almost half of the organisation leaders are planning to launch new products or services. Conversely, the number of chief executives who are planning to pursue M&As, strategic alliances or new market entry as growth drivers is significantly lower.

Although optimistic about the economic rebound, chief executives in CEE are more conservative than their global counterparts when it comes to business growth over the next 12 months, as they are focused more on operational efficiencies than on M&As, strategic alliances or selling stocks of shares to drive growth.

CEOs in Romania seem even more cautious and show even less willingness to take on risks or make changes in response to external threats. In fact, the figures for Romania across all eight of the options for driving growth available in our survey are lower than both the global and regional ones – chief executives in Romania generally report not being very willing to pursue new approaches.

For the next 12 months, a mere 17% of the business leaders in Romania are considering new M&As to drive growth, compared to 38% globally, while 3% are planning to sell a business (compared to 13% globally). The main reasons for the interest in M&As of executives in Romania are to expand/ diversify their organisations' product/service mix, consolidate their organisation's existing sector/industry, acquire capabilities (including talent, technology or processes), expand into a new country/territory, acquire weak or distressed businesses or assets with low valuations, or to make their organisations more resilient to shocks and crises (unforeseeable or unexpected occurrences).

A mere 17% of the respondents in Romania are interested in new strategic alliances and partnerships. That is half of the global share (35%).

Businesses in many industries are reinventing their operational models. Workforce flexibility (in terms of work schedules and places) will become almost permanent for a wide range of roles such as those in sales, finance and technology. However, in other sectors, such as hospitality, transport and retail, adjusting the business model is a real challenge, which will require sweeping changes in how employees work and in deeply rooted consumer behaviours.



of CEOs in Romania are focusing on operational efficiencies to drive growth over the next 12 months As in recent years, operational efficiencies and organic growth are the main drivers of revenue growth.

Launching new products or services is also a priority.

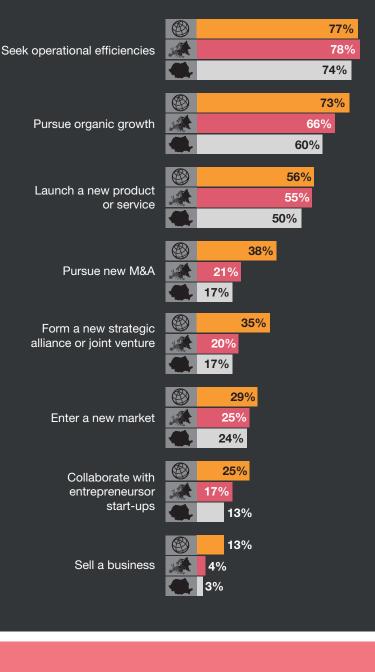
Which of the following activities, if any, are you planning in the next 12 months in order to drive growth?

# Cross-border growth plans

Globally, the United States is still the number one business growth destination. Indeed, it has extended its lead over China. In the 2020 issue of the survey, the US was just one percentage point ahead of China, but recent political developments have had an impact on CEOs' perceptions such that fewer of them now see China as a growth driver. The US is viewed by 35% of the CEOs as being one of the top three countries for their organisations' broader growth prospects over the next 12 months (up from 30% a year ago). China is seen as their growth market by 28% of the respondents, with Germany still ranked third, at 17%. The next favourite growth destinations are the United Kingdom (named by 11% of the chief executives), which has pushed India (8%) out of the fourth place it achieved in 2019 and 2020. Japan has also climbed up the rankings to the number six growth destination (7% of the respondents), surpassing Australia, the previous holder of sixth place. France is the favourite export destination for 6% of the global CEOs.

CEOs in CEE again show their interest in Germany and the US by placing them in the two top spots, as they were in 2019. Germany is now the top growth destination for 28% of the chief executives in the region (up from 19% last year). The US has climbed the rankings to number two (23%), with China dropping from last year's number one spot into third place (18%), closely followed by Russia (15%), which has retained its number four spot.

To CEOs in Romania, Germany has been a key market for growth for a number of years. Business leaders in Romania are redirecting their attention to France, which has moved back into second place (just like in 2019) in the top of growth destinations for businesses. Romania's chief executives have retained their confidence in the US as a growth destination, just like France, by 16%





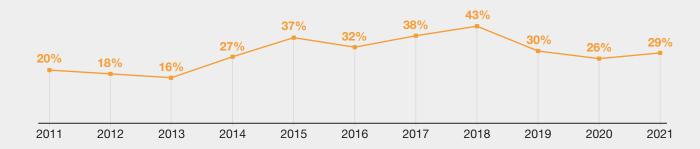
of the respondents, up from last year's 12%. The share of executives considering Bulgaria in pursuit of revenue growth prospects has gone up to 13% (from 9% a year ago). The United Kingdom has made a comeback into the top five, with 12% of the organisation leaders in Romania naming it as a growth destination for their businesses. Based on the choices of the CEOs in Romania, Moldova and Hungary are next in the ranking of growth destinations (9% of the respondents named both those countries). In 2017 and 2018, China ranked third in the top of growth destinations for businesses, based on opinions expressed by CEOs in Romania, at 15% and 19%, respectively. This year however a mere 8% of the respondents in Romania see China as being among the most relevant growth destinations.

Given the volatility of the global economy and the implications of public policy changes, chief executives are generally taking a more selective approach to new market entry, by only investing in international operations if they have the capabilities to compete in an increasingly complicated geopolitical world. With an already very busy agenda, organisation leaders should be ready to rethink their supply chains and develop the ecosystems required for business success in their chosen foreign markets.



Germany remains the top market for growth prospects of companies in Romania

The percentage of CEOs in Romania that nominate Germany as one of the most important three countries for their organisation's overall growth prospects over the next 12 months

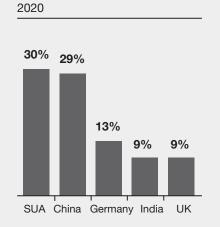


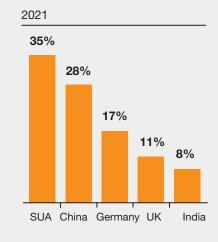
### As in recent years, the US, China and Germany are the top three growth destinations according to global and CEE executives

### Which three countries/territories, excluding the country/territory in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months?

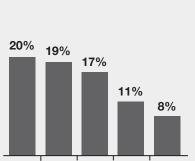
2019 27% 24% 13% 8% 8% SUA China Germany India UK

Global



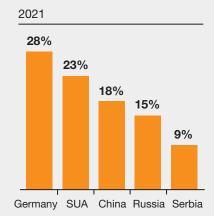


Central and Eastern Europe 2019 28% 18% 18% 8% 8% 8% 8% Germany SUA China Russia Italy

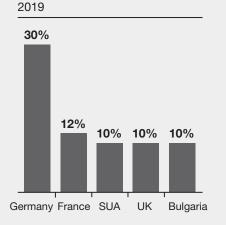


2020

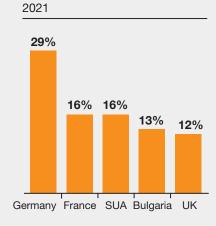
China Germany SUA Russia Romania



🗮 Romania



2020 26% 12% 11% 10% 9% Germany SUA Hungary Serbia Bulgaria



# Lingering anxiety



#### Greater concerns about health crises and tax policy changes

Despite the CEOs' growing confidence in the global economy's rebound capabilities and their own companies' growth prospects, they are more concerned about the majority of the threats listed in the survey than they were last year. The balance between optimism and concern is fragile for now, because the markets remain highly volatile. As running businesses against a backdrop of pervasive tension is a constant challenge for organisation leaders, many are taking a moment to consider the recovery potential of the local and global markets.

CEOs are extremely aware of the external threats to their growth prospects. New strains of the coronavirus keep popping up across the world and vaccination efforts are uneven in various areas of the planet. Governments in many emerging countries are struggling to procure sufficient supplies of vaccine doses.

Unsurprisingly, pandemics are the number one concern in this year's survey; outranking over-regulation, which was the main cause of concern for global CEOs between 2015 and last year. More than half (52%) of the global organisation leaders are extremely concerned about health crises. Last time this potential threat was included in the survey, six years ago, a mere 9% of the respondents were extremely concerned about it. Pandemics are the major threat to growth in all the regions, except for Africa, North America and Western Europe – where cybersecurity outweighs pandemics as a cause for concern to chief executives.

Pandemic-driven digital acceleration enhances the risks posed by cyberthreats, which are swiftly becoming a major source of concern. The substantial spike in the number of cybersecurity incidents since 2020 has sent cyberthreats to number two in the top threats, just slightly below pandemics. Of the global CEOs, 47% are extremely concerned, compared with 33% a year ago (when this threat ranked fourth in the list of concerns).

Business leaders fear that rising government debt during the pandemic may cause tax burdens to increase. In 2020, tax policy uncertainty was not among the top ten concerns of CEOs worldwide (it was ranked



as low as 15th), but this year it has jumped to number seven (with 31% of the respondents saying that they are extremely concerned about this threat).

Climate change and environmental damage rank ninth in the lists of growth threats, with almost one third (30%) of the global executives extremely concerned (compared with 24% in 2020, when this concern was at number 11). That rather marginal increase marks the slow rise of this potential threat, despite the growing environment-centred pressure on organisations from investors, authorities and other stakeholders.

Concerns regarding the dissemination of misinformation have risen significantly since last year, with 28% of the chief executives extremely concerned about it, compared with 16% in 2020. Misinformation, with its powerful impact on election options and public health, is a strong contributing factor to the dramatic fall in public trust levels.

Although cross-border competition is still stirring up debate on tax policy, CEOs anticipate some lessening of world trade tensions. Globally, trade conflict and protectionism are ranked lower in the list of threats. However, trade conflict is still in the top ten threats perceived by chief executives in China and Germany – both of which are export-driven economies. In China, often a topic of debate, trade conflict is the second-highest concern.

In CEE also, pandemics are the threat about which the largest share of organisation leaders (58%) are extremely concerned. That threat this year clearly outranks over-regulation, which was the number one source of concern in the previous survey. Like nations around the world, CEE countries are grappling with several infection waves, while governments are responding with restrictions of varying degrees of efficacy. Based on the answers of the region's CEOs, who are extremely concerned about over-regulation, this threat is number two (number three globally). But beyond these disruption factors, chief executives in CEE see a slightly different picture from their global counterparts in terms of threats to their businesses. Cybersecurity, the secondhighest concern globally, only ranks tenth for CEE CEOs.

Given the political and legislative instability, which is higher than in other parts of the world, geopolitical uncertainty is a bigger concern among chief executives in CEE. A similar share of business leaders in the region are extremely concerned about overregulation, almost two in every five (39%), as they are about geopolitical uncertainty, which climbs to threat position number three. That is a higher share than globally (28%). The chief executives' concerns are not only indicative of recent developments, but also of the long-term trends in the region. The ongoing armed conflicts in the region against the backdrop of longterm frontier disputes, the prospects of a shift in US policy towards CEE under the

new presidential administration, tensions between the European Commission and the newer EU member states, and the need to respond to China's rise as an investor in the area are just some of the matters on which organisation leaders in the region should focus.

The role of Germany and Western Europe generally as an export market for businesses in the region shows in the concerns of CEOs in CEE about the future of the Eurozone. Almost twice as many of them are extremely concerned (20%) about this issue than their global counterparts. Chief executives in CEE are even more concerned about the Eurozone prospects than their Western Europe counterparts (with a mere 12% extremely concerned). In the CEE countries that have switched to the euro, that concern about the future of the single currency is indicative of the importance of joining the Eurozone as a political and economic anchor to the West.

Chief executives in CEE are also worried about exchange rate volatility to a larger extent than their counterparts in other areas of the world, with 38% of the business leaders in the region reporting being extremely concerned, compared with 21% globally.

This year, CEOs in Romania are also more concerned than their global and regional peers about various threats to growth prospects. There are significant disparities in the views on uncertain tax policies and increased tax burdens, misinformation, the pace of technological changes and changing consumer behaviour, crisis-response readiness, workforce health and inadequate basic infrastructures. The share of chief executives in Romania saying that they are



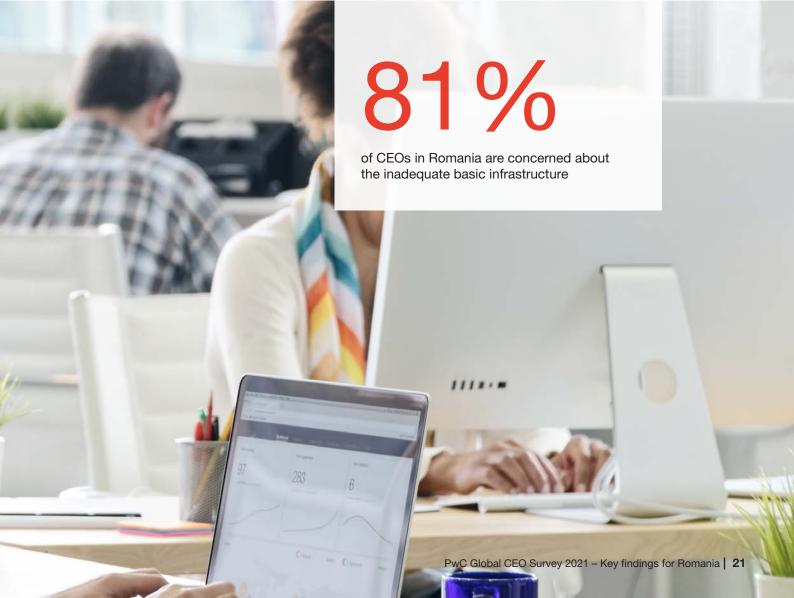
extremely concerned is higher than 40% for 14 of the potential threats.

Pandemics are the number one threat to business growth, based on the share of CEOs in Romania extremely concerned about it. Business leaders in Romania are concerned to a larger extent than their global and regional counterparts, with two thirds (67%) saying that they are extremely concerned about health crises (compared with 52% globally and 58% in CEE).

Public policy uncertainty, increasing tax burdens and excessive regulation are, just like last year, at the top of the concerns list. The authorities are very actively using the economic levers at their disposal, thus causing business leaders in Romania to be more cautious and to focus more on what is under their control. As in the last two surveys, public policy uncertainty is again in this year's top five threats about which chief executives in Romania are extremely concerned. The next five threats, in the opinion of 44% of the CEOs in Romania reporting being extremely concerned, are cyberthreats, misinformation, talent availability, consumer behaviour changes and declining workforce health. Information security used to be a problem only for IT departments, but now it is becoming a priority for CEOs and requires strategic approaches to be adopted as the responsibility of the entire organisation. The executives' concerns are clearly justified following the intensified cyberattacks last year. Geopolitics is to a large degree beyond CEOs' control, but strengthening their organisations' lines of defence against cyberattacks is something that they can work on right now.

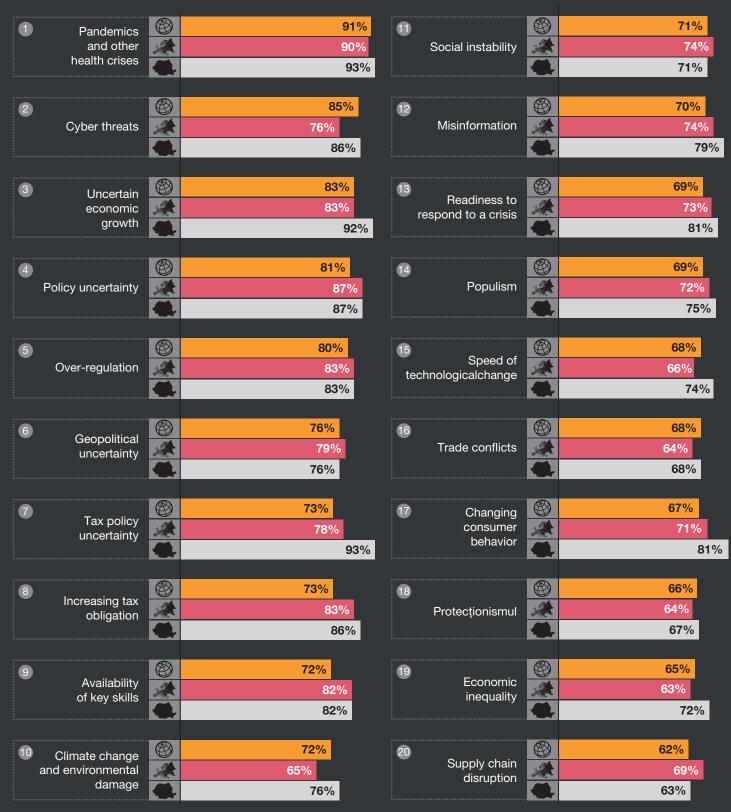
Chief executives in Romania are also focusing on how to cope with the high volatility in exchange rates, with 43% of the respondents extremely concerned about it. Uncertain economic growth is a source of high concern for 41% of the CEOs in Romania. The same share this year is concerned about the pace of technological change and their organisations' crisis-response readiness.

CEOs in Romania have concerns about populism and inadequate basic infrastructure, but the share of those who are extremely concerned (39%) has dropped since the 2019 survey (45% and 62%, respectively). Around three out of every ten (29%) of the business leaders in Romania are extremely concerned about the future of the Eurozone. That is almost three times the global figure of 10%.



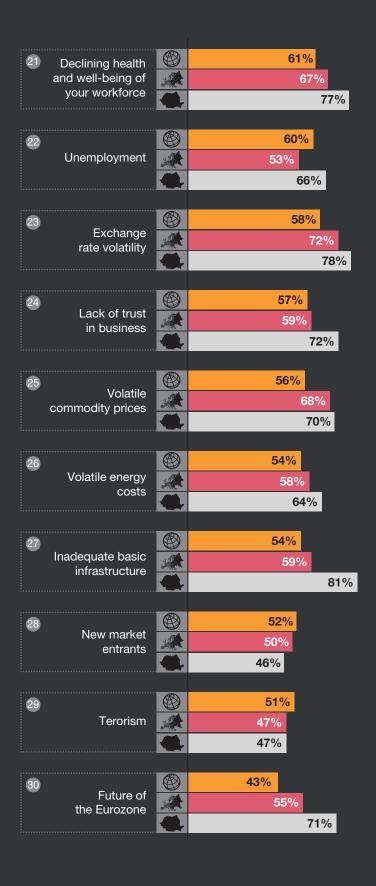
## Pandemics, tax policy uncertainty and economic growth uncertainty are the major sources of concern for CEOs in Romania

How concerned are you, if at all, about each of these potential business, economic, policy, social and environmental threats to your organisation's growth prospects?



Note: Respondents who answered "Somewhat concerned" or "Extremely concerned"



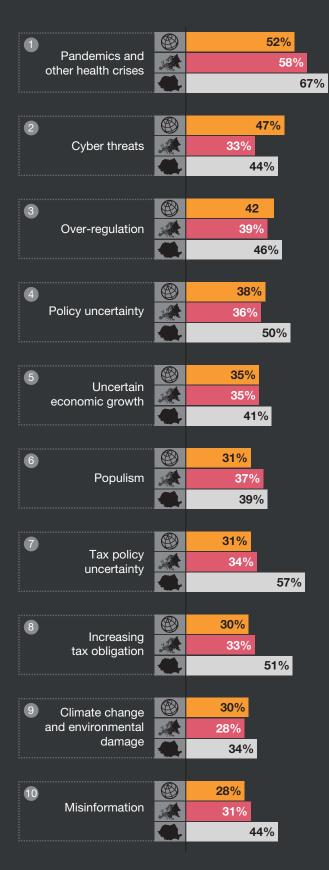


Note: Respondents who answered "Somewhat concerned" or "Extremely concerned"

#### Aside from the pandemic, executives in Romania are extremely concerned about public policy uncertainty, increasing tax burdens and over-regulation.

11

12



13	Geopolitical		28%
	uncertainty		39%
		<b>()</b> ,	38%
14			27%
4	Speed of technological		28%
	change		41%
			41%
15	Changing		<mark>26</mark> %
	consumer		32%
	behavior		44%
16	Supply		<b>25%</b>
	chain	1	31%
	disruption		33%
17			<mark>24%</mark>
	Protectionism		28%
			28%
18			<mark>23%</mark>
	Trade conflicts		25%
		•	28%
19	D K t.		<mark>23%</mark>
	Readiness to respond to a crisis	1	29%
		<b>4</b> ,	41%
20	Declining health		<mark>22</mark> %
	and well-being of	1	29%
	your workforce		44%

12

Social instability

Availability

of key skills

28%

26%

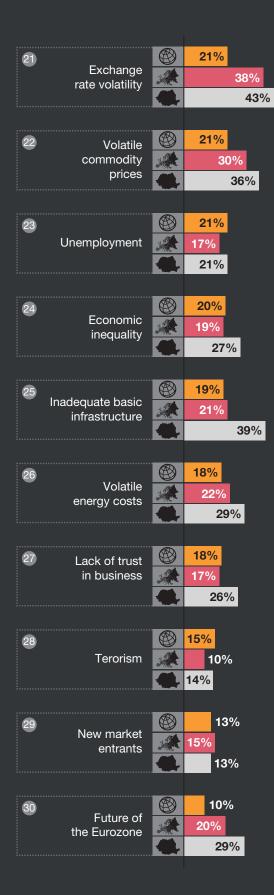
**28%** 

33%

38%

44%

Note: Respondents who answered "Extremely concerned"



Note: Respondents who answered "Extremely concerned"





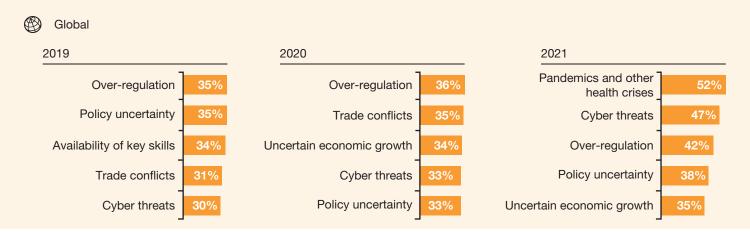
# 57%

of CEOs in Romania are extremely concerned about tax policy uncertainty

## Health crises and over-regulation are in the top growth prospect threats, in the opinion of global, regional and Romania-based CEOs

#### Top business, economic, policy, social and environmental threats to organisation's growth prospects

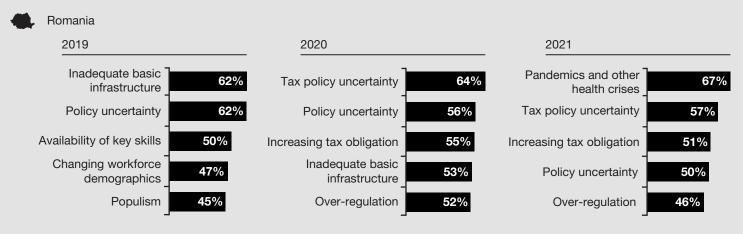
This year, cyberthreats, over-regulation, public policy uncertainty and economic growth volatility are, as in the 2020 survey, in the top five threats to growth prospects, according to global chief executives.



Just like last year, talent availability is a particular concern in 2021 for CEOs in CEE.



This year, the rising tax burden, public policy uncertainty and over-regulation, just like in the 2020 survey issue, are among the top five threats, according to chief executives in Romania. Tax policy uncertainty, the number one concern in the previous survey, has been overtaken this year only by health crises.



Note: Respondents who answered "Extremely concerned"



### Concerns with growth threats show in risk management strategy

The worries of CEOs in Romania persist, and their message to the authorities is clear: they are still very concerned about public policy volatility, rising tax burdens and over-regulation. In response to this year's main threats, business leaders are considering some of them when preparing risk management strategies for their organisations.

Around seven out of every ten CEOs explicitly include the potential impact of health crises in their risk management strategy. The justified fear around cyberthreats causes 59% of the global organisation leaders to consider cybersecurity as part of their risk approach. The share of their peers in CEE and in Romania considering that aspect is significantly lower (35% and 44%, respectively).

Digital transformation enhances corporate complexity. As organisations make more use of external partnerships to introduce new digital solutions and implement them on top of the existing IT structures, the resulting systems tend to generate ever higher cyber risks. Security efforts should go beyond the surveillance and technical safeguards against threats to focus on the digital transformation of business models, ecosystems and internal processes.

Other factors which global chief executives are considering as part of their strategic risk management are the pace of technological change, uncertain economic growth and the availability of key skills, each of which were selected as concerns by around half of the respondents.

Chief executives in CEE are considering for risk management purposes the potential effects of threats such as pandemics, talent shortages, changing consumer behaviour, volatile economic growth, unstable exchange rates and supply chain disruptions.

Aside from the pandemic, the main disruption factors CEOs in Romania are considering when preparing their lists of strategic risk management activities are exchange rate volatility (selected by 51% of the respondents), the rising tax burden (49%, compared with 33% globally), changing consumer behaviour (49%) and the availability of key skills (47%). At the other end of the spectrum, CEOs globally, regionally and in Romania seem less concerned with the threats presented by geopolitics, trade conflicts and protectionism.

More surprising than the soaring concerns about pandemics is the modest development of climate change as a priority on CEO agendas. Globally, 30% of the organisation leaders say that they are extremely concerned about climate change, up from 24% a year ago, but only 40% of them include climate factors in their list of strategic activities. Things are similar in CEE and in Romania. About one third (34%) of the chief executives in Romania are extremely concerned about the climate change challenge, but a mere 26% of the respondents are considering it in their risk management strategies. The relative lack of concern in CEE about the climate balance can be partially accounted for by the dependence on fossil fuels of some of the largest economies in the region. As global efforts focusing on climate change will intensify in the coming years, business leaders in Romania should be aware that they can and must do more to manage this issue, and the sooner, the better.

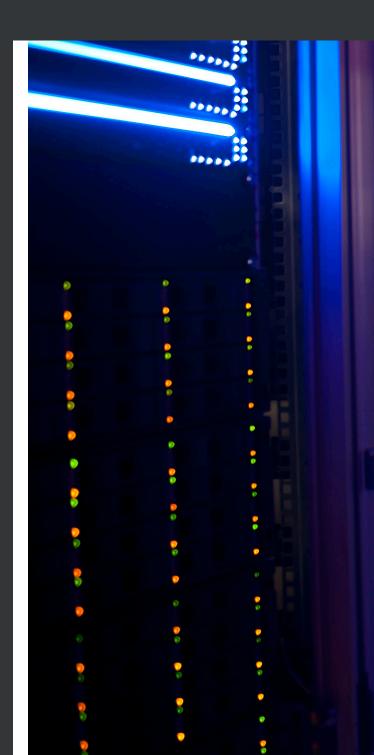


		68%
Pandemics and other health crises		72%
	<b>4</b>	70%
		59%
Cyber threats		35%
		44%
Speed of		50%
technological change		36%
		45%
		50%
Uncertain economic growth		47% 40%
Availability of key skills		<mark>49%</mark> 51%
		47%
		45%
Changing consumer behavior		48%
benavior	4	49%
		44%
Supply chain disruption		43%
	4	39%
		40%
Climate change and environmental damage		27%
	<b>Å</b>	26%
		39%
Over-regulation		38%
		40%
		38%
Exchange rate volatility		44%
		51%
Policy uncertainty		36%
Folicy uncertainty		29% 33%
Increasing tax obligation		33% 37%
		49%
		29%
Geopolitical uncertainty		26%
	4	17%
		25%
Trade conflicts		17%
	•	17%
		<mark>18%</mark>
Protectionism		17%
	4	16%



The impact of the health crises, exchange rate volatility, rising tax burden, changing consumer behaviours, talent shortages, technological change and cyberthreats are factored in by chief executives in Romania when preparing their risk management strategies

Which of the following threats, if any, are explicitly factored into your strategic risk management activities?



#### Digitalising the risk management function has become an immediate concern for CEOs in Romania

With respect to your organisation's approach to risk management, to what extent are you increasing your focus in the following areas as a result of the COVID-19 crisis?



52%

58%

56%

53%

62%

47%

46%

44%

40%

42%

31%

35%

48%

52%

52%

Digitising your organisation's risk management function

Preparing for systemic risk and low-probability, high-impact events 1

Collaborating with supply chain partners to collectively manage risks

Taking on aspects of risk mitigation traditionally managed by governments and multilateral organisations

Note: Respondents who answered "To a large extent" or "Significantly"

Following the COVID-19 pandemic, CEOs are focusing more on three main areas: reassessing their organisations' risk tolerance, digitalising their organisations' risk management function and preparing for systemic risks and low-probability, high-impact events.

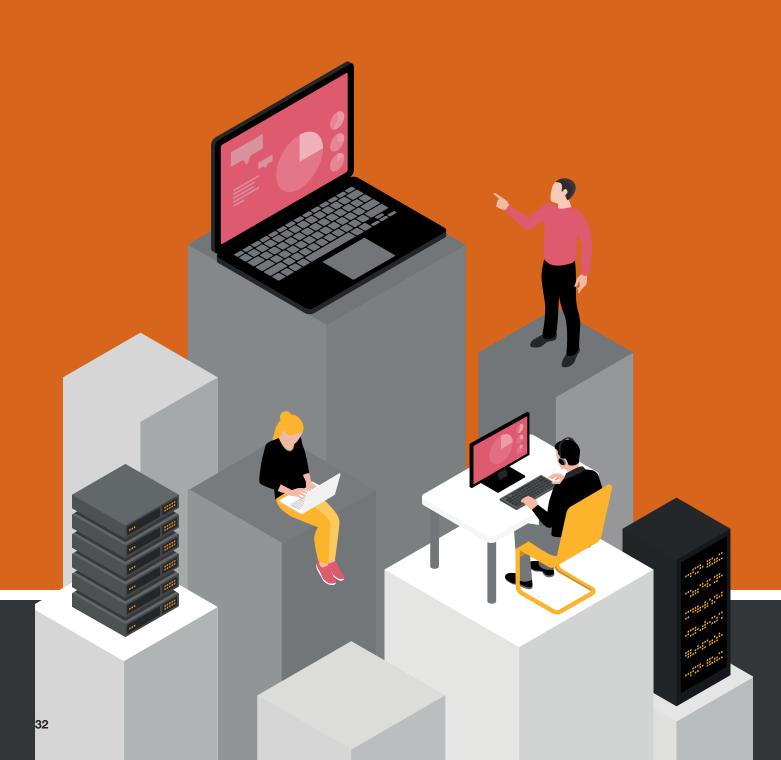
It should be noted that business leaders in Romania seem to be focusing their attention on digitalising their organisations' risk management functions to a greater extent than their global and regional counterparts, with almost two in every three (62%) of the respondents in Romania saying that they are very concerned about this area.



62%

of CEOs in Romania are focusing on digitalising their risk management function following the pandemic-triggered crisis

# Investments in digital transformation and transparency



### Concerns about forecasting accuracy

Under normal circumstances, free of crises and other disruptions, around half of the CEOs globally say that they can make accurate forecasts for the following 12 months regarding revenue growth (46%) and profitability (47%). The answers from CEE and Romania match the global picture, but the share of respondents making forecasts with an error margin of +/- 2% from actual figures is slightly lower than globally.

Of the organisation leaders globally, 45% say that they have the required tools to make accurate return on capital investment forecasts. Their opinion is shared, in almost equal proportions, by their peers in CEE and Romania.

But the accuracy of forecasts regarding returns on advertising, brand-building, R&D and new product innovation investments is lower. However, two out of every five CEOs in Romania believe that they can accurately forecast returns on advertising and brandbuilding investments. That is slightly higher than the global and regional figure (34%).



# 43%

of CEOs in Romania say that under normal circumstances their return on capital investment forecasts are accurate

Generally speaking, chief executives in Romania can make rather accurate forecasts,	Revenue grov 1	wth - next 2 months		7% 15%   7% 12%   10% 14%	46% 36% 38%	18% 10%   19% 18%   20% 14%
especially regarding profitability and returns on capital, advertising and brand-building investments		ility - next 2 months		7% 14% 8% 14% 6% 14%	47% 43% 40%	18%     9%       14%     12%       22%     12%
Under normal circumstances (pre- Covid-19), how would you describe your	Return on a and brand	dvertising d-building		4% 9% 3% 8% 6% 10%		10% 3% 11% 1% 16% 5%
organisation's typical forecasting accuracy in the following areas?		Return on R&D and new product innovation		4% 11% 1% 8% 5% 9%	5 <b>28%</b> 1	14% 5% 3% 3% 11% 6%
		on capital vestments		5% 11% 5% 10% 6% 10%	45% 47% 43%	16%   7%     13%   5%     14%   5%
	Forecast is Forecast is ≥10% below 3–9% below actual actual			Forecast is within ±2% of actual	Forecast is 3–9% abov actual	

## Upward trend for digital transformation and costefficiency initiatives

CEOs' growing concerns about cyberthreats and misinformation are translating into digital acceleration in a growing number of organisations. Such digital acceleration efforts will surely continue for the foreseeable future.

The bigger picture shows that around half of the CEOs globally, in CEE and Romania are planning two-digit growth in their digital transformation investments. Almost one third (31%) of the global organisation leaders also say that their investments in cybersecurity will also go up by 10% or more. The share of their counterparts in Romania expressing that view is even higher (35%), but the figure is lower in CEE (27%).

For years now, operational efficiencies have been the main priority of CEOs in terms of activities considered in order to improve growth over the following 12 months. It is no wonder then that, when asked about cost-efficiency initiatives, more than two in every five (43%) of the chief executives in Romania forecast "double-digit" increases in investments to achieve cost efficiencies. That is higher than the global (32%) and CEE shares.

A similar situation has developed when it comes to investments in human capital, with the CEOs in Romania seeming more determined than their global and regional counterparts to boost investments in leadership and talent development. Thus, 37% of the respondents in Romania are planning to increase by over 10% the sums earmarked for developing leaders and key talents. That is higher than the regional (28%) and global (24%) shares.

Although they admit to their forecasts being less accurate when it comes to returns on R&D and innovation, 29% of the CEOs in Romania are willing to top up significantly their investment in creating new products.

A mere 23% of the chief executives globally say that they are planning to increase by over 10% their investments in sustainability and environment, social and governance (ESG) initiatives over the next three years, following the health crisis. Chief executives in CEE and Romania seem, for the time being, less willing to boost their investments in this area, with only 13% and 16% of them, respectively, predicting a two-digit growth rate. But as countries and communities work together towards a sustainable post-pandemic recovery, organisations may choose to contribute to this endeavour through relevant ESG initiatives.

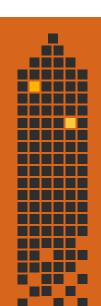
Only one in every five of the global CEOs are planning a significant increase in investments in organic growth programmes. The share of organisation leaders in CEE and in Romania interested in investing more in initiatives to boost sales in their current lines of business is close to that globally.

The current focus, firstly on digital transformation and only afterwards on costs, is in stark contrast to that back in 2010 during the financial downturn, when the major investment priority of CEOs globally was cost efficiency. Pandemic-driven digital acceleration will lead to the intensified use of advanced analytics and the large-scale embracing of Artificial Intelligence (AI) as underlying foundations for decision-making. Organisations choosing to embed AI deep in the client experience, in IT applications and in-house systems (risk management included) will be successful and make the best of their investments in technology. That will lead ever more stakeholders (shareholders, employees, clients, suppliers, authorities, media, community and the general public) to trust these businesses and their products, services and results.





of CEOs in Romania are planning higher long-term investments in digital transformation



As chief executives are preparing for the long-expected and debated economic rebound, the question arises as to what particular management measures taken in response to the 2020 health crisis should organisations keep in place. Quick decisionmaking (a widespread hallmark of corporate behaviour during the pandemic) will surely be kept in place by the majority of business leaders. Other lessons from the last year that should be further assessed are those focusing management on vital issues, engagement and interaction with employees across organisational hierarchies, frequent revisiting of strategic decisions and anticipating their effects.

More than half of the CEOs in Romania are considering an increase of 10%	R&D and new product innovation			2% 2% 4%	31% 29% 23%	37% 29% 34%	21% 27% 29%
or more in digital transformation investments	Advertising and brand-building		9% <b>8%</b> 8% 7%		44% 40% 34%	29% 28% 29%	9% 13% 16%
How do you plan to change your long-term investments in the following areas over the next three years, as a	Leadership and talent development	() () () () () () () () () () () () () (		2% 2%	27% 25% 1% 17%	43% 40% 41%	24% 28% 37%
result of the COVID-19 crisis?	Initiatives to realise cost efficiencies	() () () () () () () () () () () () () (			% 19% 2% 15% 2% 11%	44% 41% 40%	32% 39% 43%
	Digital transformation				1% 13% 1% 12% 14%	34% 33% 32%	49% 50% 53%
	Organic growth programmes			3% % 3%	30% 33% 28%	42% 38% 41%	20% 19% 22%
	Capital investments		9% 7% 10%	_	40% 42% 33%	30% 29% 22% 14	13% 12% %
	Sustainability and ESG initiatives		4% 3%		31% 37% 42%	37% 31% 28%	23% 13% 16%
	Cybersecurity and data privacy			1% 4% 3	23% 24% % 17%	41% 39% 41%	31% 27% 35%
	Supply chain restructuring		4% 4% 6%	4	16% 17% 15%	31% 29% 26%	11% 14% 9%
		mo	crease derately 9%)		change hin ±2%)	Increas modera (3–9%)	ately significantly

"The pandemic-triggered restrictions showed that businesses and authorities alike can mobilise and complete in record time digitalisation projects postponed or only at the discussion stage, to enable them to work remotely. Last year gave a substantial impetus to digital transformation, but it is crucial that this endeavour continue in order to improve the quality of products and services, to foster employment and implicitly boost GDP. Whether it is about the public or private sector, digitalisation yields obvious benefits not only to users, citizens, but also to employees of the companies and public administration. Romania does have the infrastructure required for accelerating digitalisation, but it needs to make progress in incorporating various initiatives and projects into a strategic vision".

0

#### Dinu Bumbăcea

Advisory Services Leader PwC Romania



### Intensified efforts to measure and report on innovation, business strategy and environmental impact

A year after the onset of the COVID-19 pandemic, CEOs are optimistic about the trajectory of the global economy and their organisations' ability to reinvent their future. But reshaping businesses involves rebuilding trust and delivering results to an ever more demanding public. Businesses need to be transparent about the efficacy of their products, services and business models in order to regain stakeholder trust.

Globally, more than half (55%) of the CEOs say that their organisations should be doing more to measure their innovation initiatives, with an even higher share in CEE (61%) also expressing that opinion. Organisation leaders globally are also interested (43%) in doing more to measure the efficiency of their business strategies (compared to 48% in CEE).

Almost two out of every five (39%) of the global chief executives believe that their organisations should be doing more to measure their environmental impact. CEE chief executives seem less interested in that, with merely 26% of the them saying that they want to measure this area more. Despite the many concerns crowding their agenda during this unusual time, CEOs are taking steps towards better reporting. When asked about the key areas on which they should do more to report, 43% of the business leaders selected environmental impact. That is the highest figure across all the key areas covered by the survey. The intention to do more reporting on the environmental impact is shared by chief executives in the world's largest five economies (the US, China, Japan, Germany and the United Kingdom). Assuming CEOs start to show the same thoroughness as they dedicate to financial reporting, ever more relevant and impactful environmental protection actions should follow.

Globally, 38% of the chief executives believe that their organisations should report more on their innovation processes. A similar number (37%) of them are planning to report more on their organisational purpose and values.

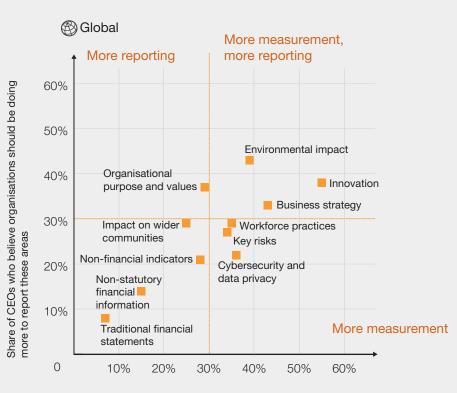
The next areas after innovation and strategy that CEOs in CEE think they should be doing more to report on are workforce practices (e.g. hiring, pay and benefits, diversity and inclusiveness) and the key risks for their organisations, at 37% and 36%, respectively, of the respondents in the region. When it comes to better reporting, CEOs focus mainly on areas such as innovation (39%), organisational purpose and values (36%), and key risks (35%). Business strategy, workforce practices and environmental impact are the areas selected by 31%, 30% and 29%, respectively, of the organisation leaders in CEE.

CEOs in Romania think that their organisations should be doing more to measure the innovation (55%), business strategy (47%), workforce practices (39%) and key risks of their organisations. That priority order matches that expressed by CEE respondents. When it comes to better reporting, chief executives in Romania are focusing on business strategy (36% of the respondents in Romania), organisational purpose and values (35%), and innovation (34%).

CEOs in Romania believe that their organisations should be doing more to measure and report, particularly on innovation and business strategy

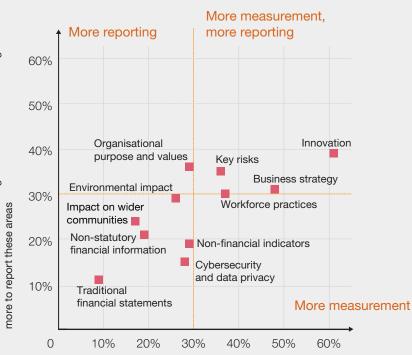
In which of the following key areas of impact and value do you believe your organisation should be doing more to measure?

In which of the following key areas of impact and value do you believe your organisation should be doing more to report?

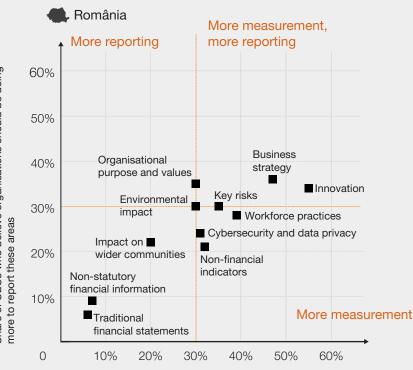


Share of CEOs who believe organisations should be doing more to measure these areas

#### A Central and Eastern Europe



Share of CEOs who believe organisations should be doing more to measure these areas



Share of CEOs who believe organisations should be doing more to measure these areas

# 55%

of CEOs in Romania think that their organisations should be doing more to measure innovation processes

of chief executives in Romania believe that they should be doing more to report on their organisational purpose and values



Share of CEOs who believe organisations should be doing

"Businesses are facing an avalanche of new challenges which require quick responses in order to manage the critical risks caused or amplified by the pandemic. Until recently, the reporting of performance results by organisations mainly covered the past, but now the paradigm is beginning to shift, with investors, authorities and all stakeholders growing more focused on the future and asking businesses for information on the prospects and scenarios under which their business models may succeed or fail. In fact, there is a growing diversity and complexity of the reports that organisations have to prepare in order to make informed decisions. Digitalisation has enabled innovation in measuring and reporting, by using bots and complex analytics for large data, thus making the processes more useful and efficient than ever".

Kenneth Spiteri

Assurance Services Leader PwC Romania



### Adjusting organisational purposes to better reflect the corporate role in society

Chief executives' opinions on the changing role of businesses in society are generally rather polarised.

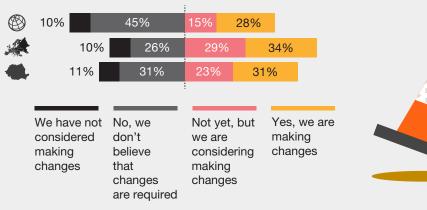
Globally, a mere 28% of the CEOs are adjusting the purpose of their organisations as a result of pandemic-triggered crisis, while another 15% are considering such changes. At the other end of the spectrum, more than half (55%) of the respondents say that such adjustments are not needed or that they are not considering them.

In CEE, the pandemic has caused business leaders to reconsider the role of businesses in their communities: almost two thirds (63%) are making or considering adjustments to the organisational purposes to better reflect the role of corporations in society; that share is significantly higher than the global one (43%).

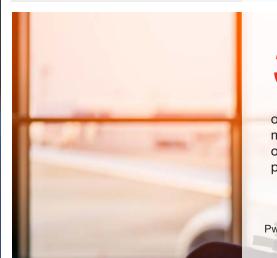
Encouraging signs point to CEOs in Romania emerging from the crisis with a clearer sense of their organisational purpose and becoming more aware of the resources they need to achieve it. Business leaders in Romania are more reserved than their regional peers when it comes to adjusting their organisational purposes, with slightly more than half (54%) in favour of changes, and 42% opting for the status quo.

### The views of CEOs in Romania on changing their organisational purpose are more polarised than those of their regional peers

As a result of the Covid-19 crisis, are you making any changes to your organisational purpose to better reflect the role your organisation plays in society?









of CEOs in Romania say that they are making or considering changes to their organisational purpose following the pandemic-driven crisis

## Human capital and the competitiveness of organisations



### Optimism about headcount increases during the coming years

Caring for people has always been the hallmark of good management. But for the society as a whole to thrive, this attitude should expand beyond corporations to the wider communities in which they operate.

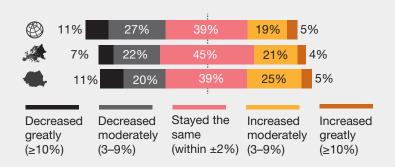
Despite the pandemic-triggered crisis, around two out of every five CEOs say that they have managed to keep the headcount relatively the same during the last 12 months.

Fortunately, some businesses needed extra staff and hired them. Thus, almost one in three (30%) of the CEOs in Romania say that their organisations' headcounts increased during the last 12 months. That is higher than the global (24%) and regional (25%) shares. At the other end of the spectrum, a similar number (31%) of business leaders in Romania report their headcounts decreasing during the last 12 months. Globally, 38% of the respondents say that they had to let some of their employees go.

Concerns about the availability of key skills are still high, with more than eight out of every ten (82%) of the CEOs in CEE and their counterparts in Romania being worried about this growth threat. Availability of key skills remains among the top ten threats this year that chief executives are concerned about, globally, across the region and in Romania.

#### Even distribution of headcount developments across Romanian businesses during the last 12 months

### How has your organisation's headcount changed in the last 12 months?



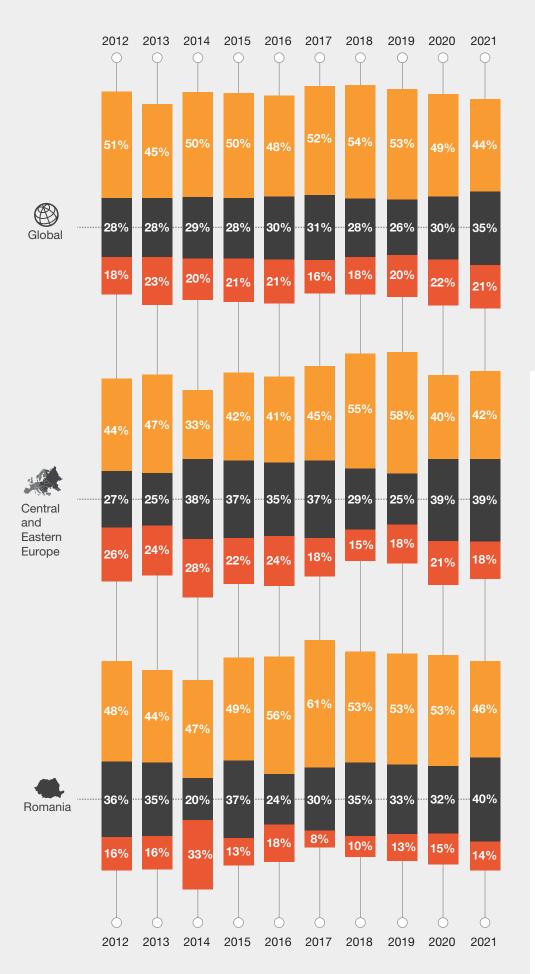
Although they admit that finding talents on the market is a growing challenge and, contrary to forecasts anticipating that technology and AI will drastically change some professions and eliminate many jobs, CEOs remain overall optimistic about increasing their headcounts over the next 12 months. It should be noted, however, that the share of business leaders anticipating a higher headcount is generally lower than in previous years, except for CEE, where a two-digit percentage point leap since the previous survey shows respondents expecting a personnel boost. Of the CEOs in Romania, 46% believe that their headcount will grow over the next 12 months. That is slightly higher than the global and regional figures, but it is lower than in the period 2018–2020 (53%).

When considering a three-year time frame, optimism levels about headcount increases are on the up, with eight in every ten of the CEOs in Romania anticipating a higher headcount. That is significantly higher than the global and regional figure, which reveals that two thirds of the respondents share this view.



# 46%

of CEOs in Romania expect a headcount increase over the next 12 months



CEOs in Romania are slightly more optimistic than their global and regional counterparts, though more reserved than in previous years, about the short-term prospects for headcount

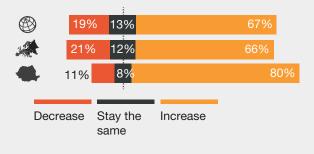
How do you expect your organisation's headcount will change in the next 12 months?

IncreaseStay the sameDecrease



Headcount estimates indicate a slow and steady improvement in employment rates

How do you expect your organisation's headcount will change in the next three years?



# 80%

of CEOs in Romania expect their headcount to go up over the next three years

## People's productivity, skills and adaptability

Boosting productivity through technology and automation will play a crucial role in the economic recovery and become a leading competitive edge. Some businesses may thrive, but others may face the risk of lagging behind, in line with the "digital investments" they realise that they should make. Although only around one in five CEOs globally and regionally (and 27% of their peers in Romania) say they are extremely concerned about economic inequality as a threat to their organisations' growth prospects, the pandemic has widened the gaps and disparities between individuals, businesses, countries and regions, thus bringing front and centre the question of how balanced social and economic progress can be achieved. Upskilling staff to enable their full labour market participation may help to create more inclusive and sustainable economies and societies that enhance people's involvement and catalyse deeper synergies between societal interests and business performance.

Productivity through automation and technology is the main workforce strategy aspect CEOs are looking at to improve the competitiveness of their organisations – globally, in CEE and in Romania. Thus, 36% of the chief executives globally are planning to focus on boosting productivity through digital transformation (more than double the 16% recorded in 2016).

CEOs in CEE and Romania are more concerned than their global counterparts about the availability of key skills as a threat to the growth of their organisations (82% of them are concerned or extremely concerned, compared with 72% globally). In response to this disruptive factor, they are to a larger extent than their global peers interested in adapting their workforce strategy to improve competitiveness through automation (40% and 41% of the respondents, respectively).

Almost one third (32%) of the business leaders

globally believe that workplace culture is a defining element in increasing the efficiency of their organisations.

Chief executives in CEE are planning to improve workforce engagement and communications, with 39% of them selecting this aspect when it comes to adapting the human capital strategy to the new market conditions. That is higher than the figure globally and in Romania (30%).

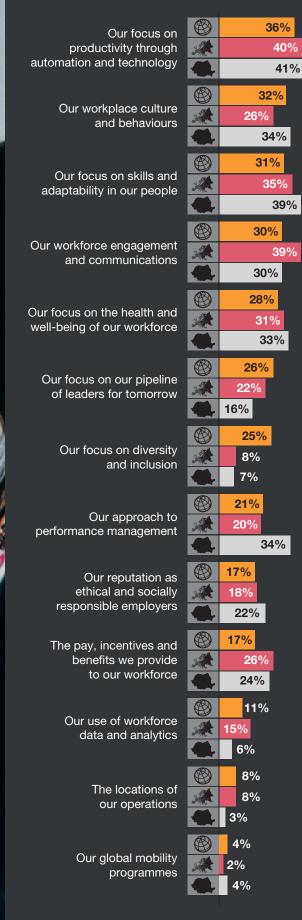
Business leaders in Romania are concerned to a larger extent than their counterparts globally and regionally about the skills of their workforce and increasing their adaptability to a changing and uncertain reality. Almost two out of every five (39%) of the respondents in Romania report considering this aspect when adjusting their workforce strategy to enhance their organisations' competitiveness. A positive "legacy" of the pandemic may be executives' deeper awareness of the need to focus on workforce health and well-being. Almost one third of the CEOs in CEE and Romania are planning to improve the competitiveness of their businesses by ensuring flexible work arrangements and a good work-life balance for their people. To a similar extent (34%), chief executives in Romania are focusing on performance management for an enhanced competitive edge. That is significantly higher than the global and regional figures.

CEOs in CEE and Romania seem to be concerned to a larger extent than their global peers about adjustments to the pay, incentives and benefits provided to their workforce than they are about focusing on diversity and inclusion. Respondents in Romania are apparently less interested than their global and regional counterparts in focusing on their pipeline of leaders for tomorrow, with a mere 16% planning to make changes in this area to have a greater impact on the competitiveness of their organisations (compared with 26% and 22%, respectively).



CEOs in Romania are focusing on increasing productivity through automation and technology, with particular attention being paid to improving the skills and adaptability of their workforces

Which aspects of your workforce strategy are you changing, if any, to make the greatest impact on your organisation's competitiveness?



Note: Selection of

to three options

responses was limited

48

# 41%

of CEOs in Romania are focusing on productivity through automation and technology to make the greatest impact on their organisations' competitiveness

## Governments and businesses – alliance for growth

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### Tax policy volatility will influence business cost structures

As drastic times call for drastic measures, many national governments are trying to cushion the pandemic's impact on the economy and the population by increasing spending, thus causing public debt to soar. CEOs are surely aware that government debt resulting from the authorities stepping in and introducing financial incentive packages may cause taxes to go up, but they must also know that the public expects businesses to sustain part of the costs caused by the pandemic.

As cross-border competition intensifies and governments develop tax schemes focusing on their national interests, multinationals with global operations face an increasingly complicated tax future. Both the anxiety and accountability of corporations will grow in terms of the taxes that they will have to pay and where. For instance, technology companies, which grew during the pandemic, may face "digital taxes" in various parts of the world. It is no surprise then that tax policy uncertainty remains in the top threats to organisations' growth prospects.

Moreover, the business environment is heading towards increased tax transparency, which is already the norm in some regions and is bound to cause major shifts in others. During these very challenging times, the tone of tax policy discussions tends to be confrontational. That is why give-and-take and cooperation between countries, based on fairness and balance, are a must now more than ever. Balance and fairness are needed, because taxation is a global issue, which impacts on countries' investments, business operations and people's work and income. Fairness is required because, alongside transparency, it contributes to the rebuilding of trust in the business environment.

Tax policy changes, impacted by the swiftly accruing public debt prompted by the pandemic, will cause organisations to reconsider their cost structures. This opinion is shared by around two thirds of the business leaders globally and in CEE. The share is even higher in Romania, where over three quarters (77%) of the chief executives are considering cost structure changes.

The tax burden continues to be one of the major concerns for CEOs in Romania this year. Apparently, this has been more of a long-term concern in Romania, rather than just a recent worry related to how the Government has increased spending in response to the health crisis. Slightly more than half (53%) of the chief executives agree that tax policy changes to address rising government debt levels will increase their organisations' total tax burdens (lower than the 60% globally). However, when asked about the increasing tax burden as a potential threat to their organisations' growth prospects, 51% of the respondents in Romania report being extremely concerned (compared with 30% globally).

Two thirds (66%) of the CEOs in Romania believe that tax policy changes will impact the planning and decision-making in their organisations, compared with 57% globally and 54% in CEE.

Volatile tax policy will cause changes to the organisations' workforce strategy, in the opinion of slightly more than half (52%) of the chief executives in Romania.



# 66%

of CEOs in Romania believe tax policy changes caused by rising public debt will impact the planning and decisionmaking in their organisations

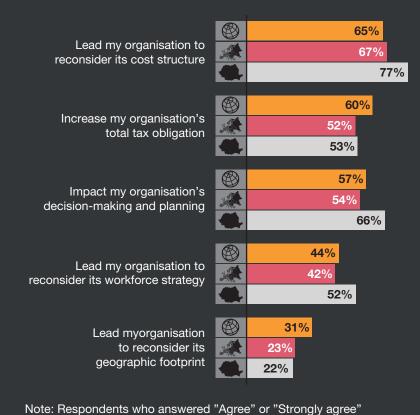
"Budgetary and tax policies have a very powerful impact on the business environment. The already high pressure on Romania's budget has intensified over the last year. And that is not just happening in our country. All states are faced with huge levels of deficits and debt. Crisis costs are very high around the world because governments have had to step in and support businesses with tax breaks, investments and exceptional spending incurred to fight the effects of the pandemic, which all contributed to rising national debts. Romania has had limited intervention levers compared to other states because of its already high collection deficit at the onset of this crisis. In recent years, tax policy has been rather pro-cyclical, we have consumed more than we have invested, we have been opting for reductions of certain taxes and fees and for allowing some exceptions, and this has obviously not been helpful in the long term. The Government will have to continue to find ways to support the business environment and invest in the economy while continuing the fiscal consolidation".

#### **Daniel Anghel**

Tax and Legal Services Leader PwC Romania

#### CEOs believe that tax policy changes triggered by rising public debt will cause them to reconsider cost structures

How strongly do you agree or disagree with the following statements? Tax policy changes to address rising government debt levels in the country/territory in which you are based will:

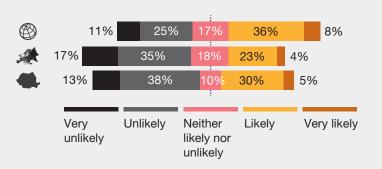


The fragile balance of the "green" economy rebound

Although CEOs are optimistic about economic recovery, their opinions are divided when asked whether the government recovery plan will be "green" and account for environmental protection needs. Of the global chief executives, 44% believe that government plans could balance shortterm economic interests and long-term environmental goals. A mere 27% of their CEE peers share that opinion. At the other end of the spectrum, more than half (52%) of the business leaders in the region see this prospect as very unlikely, though that is significantly higher than the global figure (36%).

The views of CEOs in Romania are closer to those of their regional counterparts, with 51% of the respondents seeing it as unlikely that the government would balance short-term economic interests and longterm environmental goals. A mere 35% of the chief executives in Romania see this prospect as likely. Governments face a difficult task in striking a balance between economic growth and environmental protection

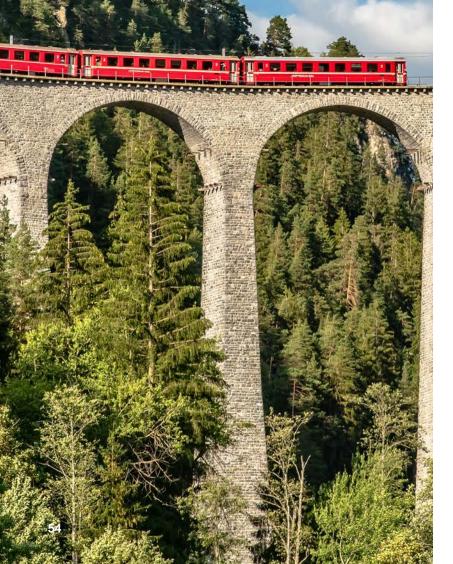
How likely is it that the government's recovery plan in the country/territory in which you are based will effectively balance short-term economic needs with long-term environmental goals?



PvC Global CEO Survey 2021 – Key findings for Romania 52

# 68%

of CEOs in Romania see the adequate physical and digital infrastructure as one of the top three priorities the Government should have



## CEOs' opinions on government priorities

Naturally, organisation leaders believe that the major societal development goals should be on the authorities' agenda. Romania's CEOs believe that the order of the top three priorities for the Government should be as it was in the 2015 and 2016 issues of the survey:

- An effective tax system, according to 71% of the respondents (compared with 53% in 2014, 73% in 2015 and 77% in 2016);
- An adequate physical and digital infrastructure, according to 68% of the respondents (compared with 82% in 2013, 88% in 2014, 62% in 2015 and 77% in 2016);
- A skilled, educated and adaptable workforce – according to 61% of the respondents (up from 44% in 2013, 35% in 2014, 52% in 2015 and 55% in 2016).

The same three outcomes are also seen as priorities for government agendas by global chief executives, but in a slightly different order, with more focus on human capital: a skilled, educated and adaptable workforce (52% of the respondents), an adequate physical and digital infrastructure (50%), and an effective and more competitive tax system (44%). In the 2015 and 2016 surveys, CEOs asked governments to prioritise the creation of an effective tax system, intensify efforts to develop a skilled, educated and adaptable workforce, and improve infrastructures.

Opinions on these main areas of government intervention are shared by CEE business leaders: a skilled, educated and adaptable workforce, according to 68% of the chief executives in the region, an effective tax system (55%), and an adequate physical and digital infrastructure (47%).

It should be noted that the share of CEOs in Romania who believe that the good health and well-being of the workforce should be among the top three governmental priorities is now 32%, which is significantly higher than the 14% recorded in the 2015 survey.

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# 51%

of CEOs in Romania believe that their organisations should help the Government to develop an effective tax system

### Priorities for publicprivate partnerships

Given that the availability of key skills is one of the major threats to the growth of businesses, it is no wonder that more than three out of every five of the CEOs say that their organisations are planning to work with governments to help create a highly skilled, educated and adaptable workforce. This goes to show that chief executives are fully aware of the key role businesses play in retraining and upskilling people in order to cope with challenges and provide a pool of tomorrow's talents.

Businesses in Romania are planning to help the Government to meet its goals in the priority areas: creating an effective tax system, an adequate physical and digital infrastructure, and a skilled, educated and adaptable workforce. Therefore, the top priorities that organisation leaders in Romania would like included on the Government's agenda are largely the same as the areas in which corporations would like to get involved and contribute.

When asked to prioritise the societal outcomes which businesses should help the authorities to deliver, CEOs in Romania see the creation of a skilled, educated and adaptable workforce as number one, with 63% of the respondents in Romania selecting it (compared with 69% in 2014; 44% in 2015; 74% in 2016). That share is close to the global figure (61%) and that in CEE (67%), but global and regional CEOs see developing human capital as the number one priority for the authorities and businesses alike.

More than half (55%) of the organisations in Romania (39% globally and 47% in CEE) are willing to help governments to develop an adequate physical and digital infrastructure. That increase from previous surveys marks the growing interest of businesses in working with the authorities to achieve this goal, compared with the 2015 results of 30% in Romania and 24% globally of CEOs seeing this area as a priority. Around half (51%) of the chief executives in Romania express the intent of their organisations to join the Government's approaches to create a more effective tax system (a substantial increase from 32% in the 2015 survey). Their global and regional counterparts share that opinion, to a lesser extent, with only 18% (down from 27% in 2015) and 25%, respectively, of the respondents seeing such cooperation with the authorities as a priority. Global and regional CEOs are more interested in getting involved in government efforts to ensure the good health and well-being of the workforce. Almost half (46%) of the global business leaders have this topic on their agenda for joint work with the authorities (39% in CEE). In Romania, 43% of the CEOs reported having that topic on their agenda.

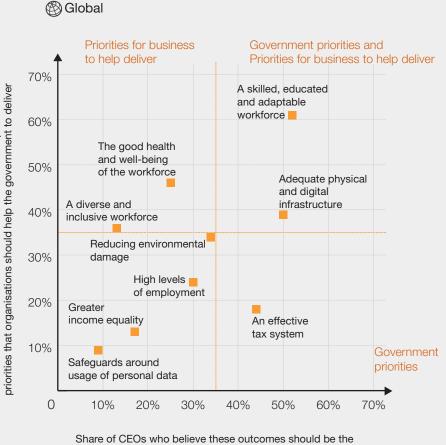
In larger numbers than their peers in CEE and Romania, global CEOs believe that reducing climate change and environmental damage should be a top priority for governments and that businesses should help deliver on this goal.

CEOs in Romania believe that their organisations should help the authorities to develop a highly skilled, educated and adaptable workforce

Which three of these outcomes do you think should be government priorities?

Which three of these outcomes do you think should be priorities for business to help deliver?

Note: Selection of responses was limited to three options



Share of CEOs who believe these outcomes should be the government's top three priorities



Share of CEOs who believe these outcomes are the top three

10% 20% 30% 40% 50% 60%

Central and Eastern Europe Priorities for business

> The good health and well-being of the workforce

> > Reducing

damage

High levels of employment

income equality

Greater

usage of personal data

Safeguards around

environmental

to help deliver

Government priorities and

Adequate physical

and digital infrastructure

Priorities for business to help deliver

and adaptable workforce

An effective tax system

Government

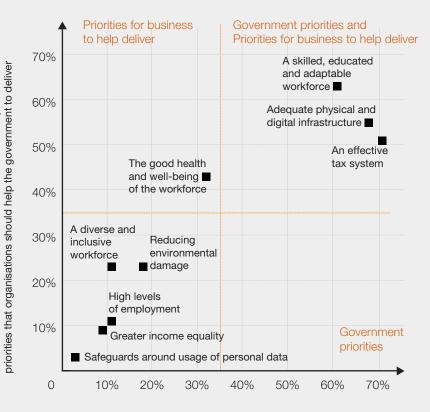
70%

priorities

A skilled, educated

Share of CEOs who believe these outcomes should be the government's top three priorities

#### 🛄 Romania



Share of CEOs who believe these outcomes should be the government's top three priorities

#### Workforce, a priority

Having a skilled, educated and adaptable workforce is seen as a priority for governments and businesses alike:

# 61%

of CEOs in Romania see the creation of a skilled, educated and adaptable workforce as one of the top three priorities the Government should have

63%

of business leaders in Romania believe organisations should help the Government to develop a skilled, educated and adaptable workforce

Share of CEOs who believe these outcomes are the top three

70%

60%

50%

40%

30%

20%

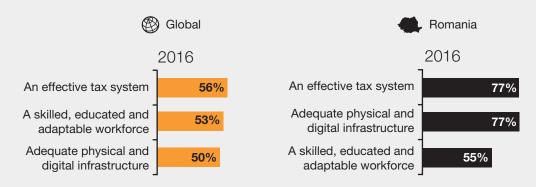
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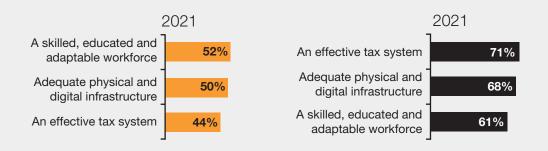
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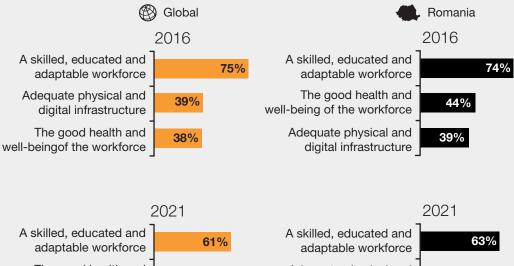
and inclusive workforce

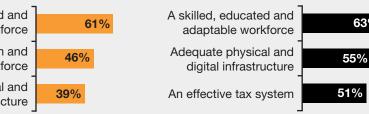
#### Top three priorities the governments should have

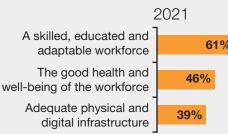




#### Top three areas in which businesses should work with the governments









"We have become used to having most of the discussions on the future of education and work within the framework of long-term aspirations, with very ambitious plans involving significant investment and extended time frames for implementation. Under the current circumstances, which exert high pressure on the entire society, we have to talk about the specific solutions we have at hand right now to adjust to the market requirements and improve how we learn and work. Governments across the world should have an agile and proactive approach and encourage national initiatives seeking to enhance skills, and they should work together with businesses, education establishments and NGOs. We believe that in order to achieve relevant results the accountability for education should be shared between authorities, handling formal education, and employers, handling continuing on-the-job training".

Ionuț Simion Country Managing Partner PwC Romania

### www.pwc.ro/ceosurvey2021

To discuss the key findings for Romania from PwC's 24th Annual Global CEO Survey 2021, please contact us:

#### Ionuț Simion

Country Managing Partner PwC Romania ionut.simion@pwc.com

This year's PwC Global CEO Survey report on Romania was coordinated by:

Cristian Tomescu Senior Manager, Marketing and Business Development

Adriana Anton Senior Specialist, Marketing and Business Development

Design: Andrei Bustan Manager, Marketing and Communications

Cătălin Solcan Specialist, Marketing and Communications

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## years in Romania

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