Executive Perspectives

The CEO Outlook
Caution, Optimism, and Navigating the Road Ahead

March 2023
Introduction to this document

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

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

We will publish two Executive Perspectives to share the insights gathered from the survey. This first edition provides an overview, with regional nuances; the second will provide additional detail through an industry-level comparison.
Executive summary | Recent events prove the difficulties of anticipating future disruptions, making it crucial to cut cost while fueling long-term growth

**Uncertainty is still highly relevant in 2023**

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

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

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

**Key actions in 2023 - resetting for growth**

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

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

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

**How leaders create competitive advantage**

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

BCG is the right partner to seize the opportunity of uncertainty and help companies build competitive advantage.
759 Respondents surveyed between Jan. 30 to Feb. 21, 2023

... by role/business title

- CEO
- CFO
- CXO who reports directly to the CEO
- BU/Region CEO
- COO
- Other

... by region

- Asia: 29%
- Europe: 29%
- North America: 26%
- South America: 6%
- Middle East: 5%
- Africa: 3%
- Pacific: 1%

... by industry

- Consumer Goods: 21%
- Tech/Media/Telecom: 18%
- Industrial Goods: 16%
- Health Care: 11%
- Infra./Trans./logistics/Travel & tourism: 10%
- Financial Institutions: 9%
- Energy: 6%
- Insurance: 3%
- Other: 6%

1. Chief of Staff, Chief Transformation/Growth/Customer officer, Chairman of the board
Uncertainty is still highly relevant in 2023

Key actions in 2023—resetting for growth

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

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

- **51%** Expect additional global shocks they cannot foresee today to impact their company in 2023
  - 49% (Canada), 56% (Europe), 49% (Asia)

- **61%** Have more clarity today about how to balance tradeoffs vs. 12 months ago
  - 62% (Canada), 57% (Europe), 68% (Asia)

- **62%** Have enough certainty about their company's mid-term outlook to make long-term investment decisions
  - 58% (Canada), 59% (Europe), 71% (Asia)

Of all respondents expect macro uncertainty to be a key challenge for their company in 2023

1. Survey question: What are the biggest challenges for your company to weather the evolving global headwinds in 2023?
2. Survey question: How do the evolving global headwinds and uncertainties affect your company's decision making in 2023? % of respondents that "Strongly agree" or "Agree" to the statement. Note: Asia excludes Middle East.

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

Asia leaders more confident than the rest of the world

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

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

… that few executives foresaw at the beginning of the year

1% of executives surveyed identified **financing** and **capital market volatility** as one of the risks in 2023

… leading to less preparedness for financial challenges

<20% of executives surveyed planned on actions to **secure liquidity** in 2023

<table>
<thead>
<tr>
<th>% of respondents taking financial actions</th>
<th>18%</th>
<th>18%</th>
<th>17%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase cash reserve</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secure future financing options</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce debt</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Media, BCG analysis based on a global C-suite survey with n = 759 respondents
Heading into 2023, executives view inflation and economic uncertainties as biggest risks, while digital & technology as opportunities

**Expected impact of global phenomena on company performance in 2023**

**Direction of impact**

<table>
<thead>
<tr>
<th>Phenomena</th>
<th>Expected Direction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital/tech/AI disruption</td>
<td>Positive</td>
</tr>
<tr>
<td>War in Ukraine</td>
<td>Negative</td>
</tr>
<tr>
<td>Energy crisis</td>
<td>Negative</td>
</tr>
<tr>
<td>Supply chain changes</td>
<td>Negative</td>
</tr>
<tr>
<td>Labor market changes</td>
<td>Negative</td>
</tr>
<tr>
<td>Inflation/rising interest rates</td>
<td>Negative</td>
</tr>
<tr>
<td>Changes in consumer expectations</td>
<td>Negative</td>
</tr>
<tr>
<td>Changes in geopolitical situation</td>
<td>Negative</td>
</tr>
<tr>
<td>Changes in consumer behavior</td>
<td>Negative</td>
</tr>
<tr>
<td>COVID-19/new pandemic outbreaks</td>
<td>Negative</td>
</tr>
<tr>
<td>Climate &amp; sustainability commitment</td>
<td>Positive</td>
</tr>
</tbody>
</table>

**Magnitude**

- Small
- Medium
- Large

**Likelihood**

<table>
<thead>
<tr>
<th>Phenomena</th>
<th>Likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital/tech/AI disruption</td>
<td>Very likely</td>
</tr>
<tr>
<td>War in Ukraine</td>
<td>Very likely</td>
</tr>
<tr>
<td>Energy crisis</td>
<td>Very likely</td>
</tr>
<tr>
<td>Supply chain changes</td>
<td>Very likely</td>
</tr>
<tr>
<td>Labor market changes</td>
<td>Very likely</td>
</tr>
<tr>
<td>Inflation/rising interest rates</td>
<td>Very likely</td>
</tr>
<tr>
<td>Changes in consumer expectations</td>
<td>Very likely</td>
</tr>
<tr>
<td>Changes in geopolitical situation</td>
<td>Very likely</td>
</tr>
<tr>
<td>Climate &amp; sustainability commitment</td>
<td>Very likely</td>
</tr>
</tbody>
</table>

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

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

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

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Top 3 risks</th>
<th>Top 2 opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>1. Inflation</td>
<td>1. Digital.tech/AI disruption</td>
</tr>
<tr>
<td></td>
<td>2. Labor market</td>
<td>2. Changes in consumer behavior</td>
</tr>
<tr>
<td></td>
<td>3. Uncertain economic outlook</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>Inflation</td>
<td>C&amp;S commitments</td>
</tr>
<tr>
<td></td>
<td>Energy crisis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Uncertain economic outlook</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>Inflation</td>
<td>Digital.tech/AI disruption</td>
</tr>
<tr>
<td></td>
<td>Uncertain economic outlook</td>
<td>Changes in consumer behavior</td>
</tr>
<tr>
<td></td>
<td>Supply chain</td>
<td></td>
</tr>
</tbody>
</table>

#### Notes:
- **Top 3 risks**
  - Inflation
  - Labor market
  - Uncertain economic outlook
- **Top 2 opportunities**
  - Digital.tech/AI disruption
  - Changes in consumer behavior

- **North America**
  - Most concerned about talent shortage
  - Divided picture on climate & sustainability
  - Risk of energy crisis especially high
  - Particularly positive toward climate & sustainability
  - Changes in consumer demand provide opportunities for many
  - COVID-19 still more a concern than for rest of world

*Note: Asia excludes Middle East.*

*Source: BCG analysis based on a global C-suite survey with n = 759 respondents*
4/5 of C-suite leaders optimistic about their company's performance in 2023 …

% of respondents\(^1\)

<table>
<thead>
<tr>
<th>Global</th>
<th>Optimistic</th>
<th>Pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>79%</td>
<td>21%</td>
</tr>
<tr>
<td>Canada</td>
<td>83%</td>
<td>17%</td>
</tr>
<tr>
<td>Europe</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>Asia</td>
<td>79%</td>
<td>21%</td>
</tr>
</tbody>
</table>

… but only \(~40\%\) confident they will outperform

% of respondents\(^1\)

<table>
<thead>
<tr>
<th>Global</th>
<th>Below industry</th>
<th>On par</th>
<th>Above industry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12%</td>
<td>49%</td>
<td>39%</td>
</tr>
<tr>
<td>Canada</td>
<td>16%</td>
<td>49%</td>
<td>35%</td>
</tr>
<tr>
<td>Europe</td>
<td>11%</td>
<td>50%</td>
<td>39%</td>
</tr>
<tr>
<td>Asia</td>
<td>7%</td>
<td>49%</td>
<td>(44%)</td>
</tr>
</tbody>
</table>

European leaders are least optimistic about company's performance, likely because they recognize uncertainties around macro environment.

Asian leaders are most confident in their capability to outperform industry as there’s less concern about macro uncertainties.

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

Source: BCG analysis based on a global C-suite survey with n = 759 respondents.
In response to uncertainties, C-suites leaders are aiming to bring cost down while building capabilities to fuel growth

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

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

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

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

– CFO, pharmaceuticals company

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

– CIO, telco

Source: BCG analysis based on a global C-suite survey with n = 759 respondents
Uncertainty is still highly relevant in 2023

Key actions in 2023—resetting for growth

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

Planned actions to navigate uncertainties in 2023

<table>
<thead>
<tr>
<th>Actions related to</th>
<th>2023</th>
<th>Top 2 levers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost reduction/ efficiencies</td>
<td>72%</td>
<td>Process/Op model redesign 52%</td>
</tr>
<tr>
<td>Talent, people, &amp; organization</td>
<td>59%</td>
<td>EVP enhancement 42%</td>
</tr>
<tr>
<td>Innovation</td>
<td>54%</td>
<td>Tech innovation 45%</td>
</tr>
<tr>
<td>Financing</td>
<td>45%</td>
<td>Increased fin. plan/forecast/report 29%</td>
</tr>
<tr>
<td>Supply chain/ operations</td>
<td>39%</td>
<td>Supplier renegotiations 30%</td>
</tr>
<tr>
<td>Top-line/customers</td>
<td>36%</td>
<td>Price increases 23%</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>24%</td>
<td>Market-/product-extension merger 14%</td>
</tr>
</tbody>
</table>

3% of respondents planning to take no action in 2023

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

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

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

My mantra in this area is 'Don’t let perfect be the enemy of good’ - we have to go fast and we’ve got to put transparency at the heart of the effort

– Chief Impact Officer, Salesforce at WEF in Davos
**2023 Actions** | Cost reduction is the priority for all regions; each region has different mix of priorities based on market context

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Actions planned for 2023 to navigate uncertainties by region

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost reduction/ efficiencies</td>
<td>67%</td>
<td>73%</td>
<td>72%</td>
</tr>
<tr>
<td>Talent/ people actions</td>
<td>71%</td>
<td>52%</td>
<td>57%</td>
</tr>
<tr>
<td>Innovation</td>
<td>57%</td>
<td>51%</td>
<td>58%</td>
</tr>
<tr>
<td>Financing</td>
<td>40%</td>
<td>39%</td>
<td>49%</td>
</tr>
<tr>
<td>Supply chain/ ops actions</td>
<td>29%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Top-line/ customers</td>
<td>29%</td>
<td>36%</td>
<td>41%</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>27%</td>
<td>24%</td>
<td>23%</td>
</tr>
</tbody>
</table>

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

- Many C-suite leaders are thinking about **talent actions** – e.g., Tech firms are not only laying-off, but also investing in EVP\(^2\) to win in a market of talent shortage
- Higher focus on **improving financial position and top-line performance**  

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

– Chairman and CEO, industrial & machinery

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Note: Asia excludes Middle East.  
1. Survey question: What meaningful actions will your company take in 2023 to mitigate risks, accelerate opportunities, or change trajectory of opportunities specifically to respond to evolving global headwinds?  
2. Employee value proposition  
Source: BCG analysis based on a global C-suite survey with n = 759 respondents
2023 Actions | Cutting costs and improving efficiency is top of mind for C-suite executives—majority redesigning op model & simplifying org. structure

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

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost reduction/</td>
<td>67%</td>
<td>73%</td>
<td>72%</td>
</tr>
<tr>
<td>efficiencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cut direct spend</td>
<td>39%</td>
<td>39%</td>
<td>37%</td>
</tr>
<tr>
<td>Redesign processes/</td>
<td>51%</td>
<td>58%</td>
<td>51%</td>
</tr>
<tr>
<td>op model</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce indirect</td>
<td>42%</td>
<td>44%</td>
<td>45%</td>
</tr>
<tr>
<td>spend</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simplify org.</td>
<td>46%</td>
<td>48%</td>
<td>47%</td>
</tr>
<tr>
<td>structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>3%</td>
<td>1%</td>
</tr>
</tbody>
</table>

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

Asia also has strong focus on cost, despite more optimistic performance outlook vs. other regions

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

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

"Structured expense efficiency program," "Offshore call center at lower cost," "Evaluate and reduce non-necessary fixed cost containment," "Reduce headcount and delay bonuses"

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

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North America

Europe

Asia
# 2023 Actions

Regions face different exposure to global phenomena and take different actions to address the environment.

## Key risks and opportunities

| 1 | Strong actions on labor market changes: both workforce reduction and talent retention |
| 2 | Less focus on supply chain despite 75% expecting negative business impact |
| 3 | High focus on tech innovation as digital/tech is a large opportunity—but not used for product launches |
| 4 | Inflation and energy crisis posing large risks, but adjusting finances not done by all |
| 5 | Despite labor market concerns, lay-offs and talent retention are much less common vs. NAMR |
| 6 | High focus on supply chains vs. global mean |
| 7 | More likely to adjust their financial position as a response to inflation and rising interest rates |
| 8 | High focus on supply chain as this poses the 3rd largest risk to Asian companies |
| 9 | Stronger customer & product focus—more likely to view demand changes as opportunity |

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

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

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

Note: Asia excludes Middle East. 1. Growth actions include business model innovations, tech innovations, horizontal mergers, vertical mergers, market- or product-extension mergers, conglomerate mergers, production process redesign, employee value proposition enhancement, up-/re-skilling, new product or service launches. Source: BCG analysis based on a global C-suite survey with n = 759 respondents.
C-suites leaders show strong appetite to invest in multiple areas to address current challenges and build advantages

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

- Talent retention/development: 75%
- Product/service innovation: 75%
- Cybersecurity: 71%
- Digital & AI (customer focus): 62%
- Digital & AI (process focus): 60%
- Business model transformation: 58%
- Hiring: 58%
- Production capacity/equipment: 49%
- C&S/ESG: 47%
- M&A: 43%

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

Most companies are deeply involved in a digital and/or climate & sustainability journey, both requires new capabilities.

High consensus on current focus of investment to foster growth.

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

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Product/service innovation</th>
<th>Talent retention/development</th>
<th>Cyber security</th>
<th>Business model transformation</th>
<th>Hiring</th>
<th>Digital &amp; AI (internal/process focus)</th>
<th>Digital &amp; AI (external/customer focus)</th>
<th>M&amp;A</th>
<th>Production capacity/equipment</th>
<th>Climate &amp; sustainability/ESG</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>80%</td>
<td>78%</td>
<td>72%</td>
<td>63%</td>
<td>63%</td>
<td>59%</td>
<td>59%</td>
<td>48%</td>
<td>44%</td>
<td>41%</td>
</tr>
<tr>
<td>Europe</td>
<td>71%</td>
<td>71%</td>
<td>73%</td>
<td>57%</td>
<td>59%</td>
<td>60%</td>
<td>59%</td>
<td>47%</td>
<td>51%</td>
<td>55%</td>
</tr>
<tr>
<td>Asia</td>
<td>73%</td>
<td>80%</td>
<td>71%</td>
<td>58%</td>
<td>56%</td>
<td>67%</td>
<td>66%</td>
<td>35%</td>
<td>53%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Regional differences

- **Higher % vs. other regions**
  - NAMR more active in hiring while also more inclined to lay off talent
  - Asia strongly leveraging digital and AI to address changing consumer demands
  - European leaders invest more vs. other regions to seize opportunities of C&S commitments

Note: Asia excludes Middle East. 1. Survey question: Which of the following areas are currently (2022/2023) significant investment areas for your company? Source: BCG analysis based on a global C-suite survey with n = 759 respondents
### Capabilities
Capabilities for tackling uncertainties are generally sufficient, with room for improvement especially in supply chain and top-line.

Self-assessment shows capabilities generally sufficient\(^1\)...

<table>
<thead>
<tr>
<th>Select resilience dimensions</th>
<th>Avg. response &amp; StDev.</th>
<th>Largest deficiencies related to… (%) respondents(^2)</th>
<th>Example actions to build capability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resilient supply chain &amp; ops</td>
<td>3.3</td>
<td>E-2-E supplier network visibility 26%</td>
<td>• Create multi-layer supplier mapping</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Proactive supplier risk management 25%</td>
<td>• Identify potential exposures at the part, supplier, location level</td>
</tr>
<tr>
<td>Resilient customer base &amp; revenues</td>
<td>3.4</td>
<td>E-commerce &amp; digital sales 31%</td>
<td>• Adopt new pricing model</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dynamic pricing 25%</td>
<td>• Drove personalization and sales efficiency with AI</td>
</tr>
<tr>
<td>Adaptable organization &amp; people</td>
<td>3.3</td>
<td>Change management &amp; adapt to agile 25%</td>
<td>• Create the culture and environment for change, with leader enablement</td>
</tr>
<tr>
<td>Business performance &amp; transformation</td>
<td>3.4</td>
<td>Lean org. with efficient processes 26%</td>
<td>• Make de-averaged workforce reduction and streamline structure</td>
</tr>
<tr>
<td>Safe &amp; modular technology</td>
<td>3.4</td>
<td>Tech function optimized for efficiency 27%</td>
<td>• Modernize tech stack</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cyber security 18%</td>
<td>• Adopt a zero-trust security approach for risk mitigation</td>
</tr>
<tr>
<td>Risk detection &amp; management</td>
<td>3.6</td>
<td>Risk measurement and governance 19%</td>
<td>• Build an early warning system and continuously scan the environment for emerging risks</td>
</tr>
</tbody>
</table>

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1. Survey question: How would you rate your company's current capabilities across the following dimensions?  
2. Minor or large deficiencies  
Source: "CEO Dilemma" series BCG Executive Perspectives; "Becoming an All-Weather Company", bcg.com; BCG analysis based on a global C-suite survey with n = 759 respondents
Uncertainty is still highly relevant in 2023

Key actions in 2023—resetting for growth

How leaders create competitive advantage
All CEOs recognize the macroeconomic challenges, but few players have built strong capabilities and outperform their industry peers

While >70% executives see macroeconomic challenges...

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

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

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

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

Deviation from overall median in ppts

<table>
<thead>
<tr>
<th>Sector</th>
<th>Leader²</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>12%</td>
<td>-2%</td>
</tr>
<tr>
<td>Energy</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>18%</td>
<td>0%</td>
</tr>
<tr>
<td>Health care</td>
<td>16%</td>
<td>-1%</td>
</tr>
<tr>
<td>Industrial goods</td>
<td>13%</td>
<td>-1%</td>
</tr>
<tr>
<td>Insurance</td>
<td>13%</td>
<td>-3%</td>
</tr>
</tbody>
</table>

15ppt

1.4x

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

12ppt

...lower likelihood to face challenges navigating uncertainty

1. Survey question: How would you rate your company's current capabilities across the following dimensions?
2. Defined as a company that evaluates its capabilities across 19 dimension as follows: majority is 5 (“very good”), majority of the rest is 4 (“good”) and no dimension is below 3 (“just sufficient”).
3. Company TSR data based on January 2022-January 2023 averages. 3. Defined as a company that has "very good" capabilities in at least half of the categories, "good" capabilities in at least half of the rest, and no deficiencies. Source: Capital IQ, BCG analysis based on a global C-suite survey with n = 759 respondents
Leaders strike a balance between cost-cutting and reinvesting freed resources into long-term growth opportunities

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

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

**Planned growth actions in 2023**

<table>
<thead>
<tr>
<th>Planned actions</th>
<th>Industry</th>
<th>Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance employer value proposition to foster employee retention</td>
<td>38%</td>
<td>53%</td>
</tr>
<tr>
<td>Up-/re-skill to build capabilities</td>
<td>40%</td>
<td>47%</td>
</tr>
<tr>
<td>Innovate business model to enhance product value</td>
<td>30%</td>
<td>46%</td>
</tr>
<tr>
<td>Innovate technology to improve products and processes</td>
<td>44%</td>
<td>68%</td>
</tr>
<tr>
<td>C&amp;S investment¹</td>
<td>52%</td>
<td>65%</td>
</tr>
<tr>
<td>Hiring new talents</td>
<td>56%</td>
<td>71%</td>
</tr>
</tbody>
</table>

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

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

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

**Lack capabilities** in comprehensive cost management or lean organization

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

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Two leading moves all companies should take

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

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

Source: BCG analysis based on a global C-suite survey with n = 759 respondents
BCG is well positioned to support your organization with cost cutting and building capabilities that foster growth

Support full cost transformation with...

**ORGANIZATIONAL STREAMLINING**
- Spans and layers
- Simplification
- Redundancy elimination...

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

**DIRECT/INDIRECT MATERIALS OPTIMIZATION**
- Demand management
- Variance reduction
- Contract mgmt. ...

$ 5-15% of addressable procurement spend, incl. IT and tech spend

**OPERATING-MODEL AND PROCESS REDESIGN**
- Activity optimization
- Tech landscape simplification
- Lean manufacturing process

$ 20-30% of labor costs

**FULL STRATEGIC OPS TRANSFORMATION**
- Strategic sourcing
- Digital supply chain
- Production efficiency...

$$ 10-20% of all operating costs

...and capability building

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

**C&S**
E2E transformation to make sustainability profitable and thus scalable

**EVP and retention**
Compelling EVP and incentives to encourage retention and attract new recruits

**Change management**
Using culture and change management to drive transformation and sustain results

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

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