BCG

Executive Perspectives

The CEO Outlook

What Moves Industries in 2023

April 2023

Introduction to this document

Multiple global challenges 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 in January and February 2023 to gauge sentiment regarding their company's outlook, their biggest concerns, and how they set strategic priorities in times of uncertainty.

This second Executive Perspective on the survey results dives into specific concerns and 2023 action plans for different industries. We have selected a few industries to demonstrate the depth of our insights. Please don't hesitate to reach out to us if interested in learning more about your industry.

You can find the overview of the survey analysis and regional nuances in our first edition, *CEO Outlook—Caution, Optimism, and Navigating the Road Ahead*.

In this BCG Executive Perspectives edition, we share how industries are responding to uncertainties differently

Executive summary | Regardless of industry, companies should take action to build competitive advantage and resilience

Overview

Not surprisingly, **cost is the number one priority** across industries, with the 2nd and 3rd priorities reflecting each industry's nature. This shows that while most companies would love to pursue opportunities, they are still focusing on "defense moves" due to market uncertainties. Nonetheless, while there is high focus and consistency across the defense actions planned within each industry, **~30% of respondents are planning for bold moves** (e.g., top line, M&A) to build competitive advantage.

To win in the future, there are two critical questions executives should ask themselves: First, **where would I like to invest strategically to fuel growth?** Second, how do we **build an adaptable organization to ensure resilience** given that it is the key deficiency identified across industries?

Selected industry deep dives

In this section, we provide deep dives into selected industries. For others, we provide a one-page summary in the appendix.

Consumer Goods—In addition to cost, top-line actions and digital innovation are critical to drive sales and ensure profitability in times of inflation and uncertainty.

Energy—Companies are focusing on financing innovation for the energy transition; however, energy players are missing out in talent investment, which is a critical lever for a successful energy transition.

Financial Institutions—Recent crisis highlights that there is opportunity to strengthen financial preparedness while attaining cost excellence.

Industrial Goods—Supply chain is top of mind for C-suite leaders, with multiple actions to address supply chain challenges; companies need to further invest in proactive supply chain management.

Technology, Media, and Telecom—Talent is top of mind for executives, with heavy investment in people as well as organization right-sizing; meanwhile, resilience leaders in the industry are actively investing for growth.

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Overview

Selected Industry Deep Dives

Executives across industries recognize inflation as a key risk in 2023; meanwhile, each industry faces its own mix of challenges

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

		Consumer	Energy	Financial institutions	Health care	Industrial goods	Technology/ media/telecom	Transport/infra. /travel/logistics
Top 3 risks[1]	1	Inflation	Inflation	Uncertain economic outlook	Supply chain	Inflation	Uncertain economic outlook	Inflation
	2	Energy market disruption	Geopolitical situation	Inflation	Labor market	Supply chain	Inflation	Labor market
	3	Uncertain economic outlook	War in Ukraine	Cyber risk	Inflation	Energy market disruption	Labor market	Uncertain economic outlook
Top 2 opportunities[2]	1	Climate and sustainability	Climate and sustainability	Climate and sustainability	Digital/AI/tech disruption	Climate and sustainability	Digital/AI/tech disruption	Climate and sustainability
	2	Digital/AI/tech disruption	Energy market disruption	Changes in consumer behavior	Changes in consumer behavior	Digital/AI/tech disruption	Changes in consumer behavior	Digital/AI/tech disruption

- Across industries, C-suite executives mark **inflation as the phenomenon most likely** to have a negative business impact in 2023
- While the uncertain economic outlook, energy market disruption, and labor market changes are shared among some industries, **each industry faces its own key challenges**
- But there is a shared pattern across industries to expect **positive business impact from climate and sustainability and digital/AI/tech** in 2023

1. Top 3 global phenomena that were rated to have a negative and medium/large impact on the company's performance in 2023 2. Top 2 global phenomena that were rated to have a positive impact on the company's performance in 2023 Source: BCG analysis based on a global C-suite survey with n = 759 respondents

2023 Actions | Cost actions are the top priority across industries; meanwhile, ~30% of respondents are planning growth actions

Actions planned in 2023 by industry

% of respondents

~15% - 45% are planning for growth to increase competitiveness

Industries	Cost actions	Talent/ people actions	Innovation	Financial actions	Supply chain/ operations actions	Top-line actions	M&A
Consumer	79	57	46	47	52	49	15
Energy	64	36	51	57	36	30	30
Financial institutions	75	67	52	62	23	36	20
Health care	72	67	60	43	43	35	25
Industrial goods	81	53	56	52	65	30	28
Technology/media/ telecommunications	57	70	60	33	24	26	29
Transport/infrastructure/ travel/logistics	74	55	53	38	40	41	22

Highest % by industry   Lowest % by industry

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

Taking **cost actions** to improve profitability is critical in times of inflation and uncertainty, to avoid being left behind by competitors.

Nonetheless, to create competitiveness in the future, companies should ask themselves **"Aside from cost, where do I want to focus in order to drive growth and win in the future?"**

Capabilities | Ensuring adaptability within the organization is the biggest challenge across industries

Resilience capability[1] self-assessment by industry *% of respondents*

Industries — **Top 2 capabilities where C-suite leaders see gaps that need to be closed to build resilience[2]**

Industries	Capability gaps to build resilience		Details on the gap to be closed
Consumer goods	Modular tech	Resilient supply chain	• Tech function optimized for efficiency and simplification • Proactive supplier risk management and supply flexibility
Energy	Adaptable org.		• Agile and empowered cross-functional teams • Lean organization with efficient processes and workforce
Financial institutions	Adaptable org.	Modular tech	• Employee-centric change management approach • Tech function optimized for efficiency and simplification
Health care	Resilient supply chain	Adaptable org.	• End-to-end supply network visibility, simulation, and analytics • Employee-centric change management approach
Industrial goods	Resilient supply chain	Resilient revenues	• End-to-end supply network visibility, simulation, and analytics • Dynamic pricing
Technology/media /telecom	Adaptable org.	Resilient revenues	• Lean organization with efficient processes and workforce • Dynamic pricing
Transport/infra./ travel/logistics	Adaptable org.		• Agile and empowered cross-functional teams • Employee-centric change management approach

1. 19 capabilities assessed related to: risk detection and risk management, cash and liquidity management, resilient customer base and revenues, resilient supply chain and operations, safe and modular technology, adaptable organization and people, business performance transformation, strategy and growth under uncertainty 2. Capabilities identified by highest % of respondents as deficiencies, excluding respondents marking the capabilities as "not relevant" Source: BCG analysis based on a global C-suite survey with n = 759 respondents

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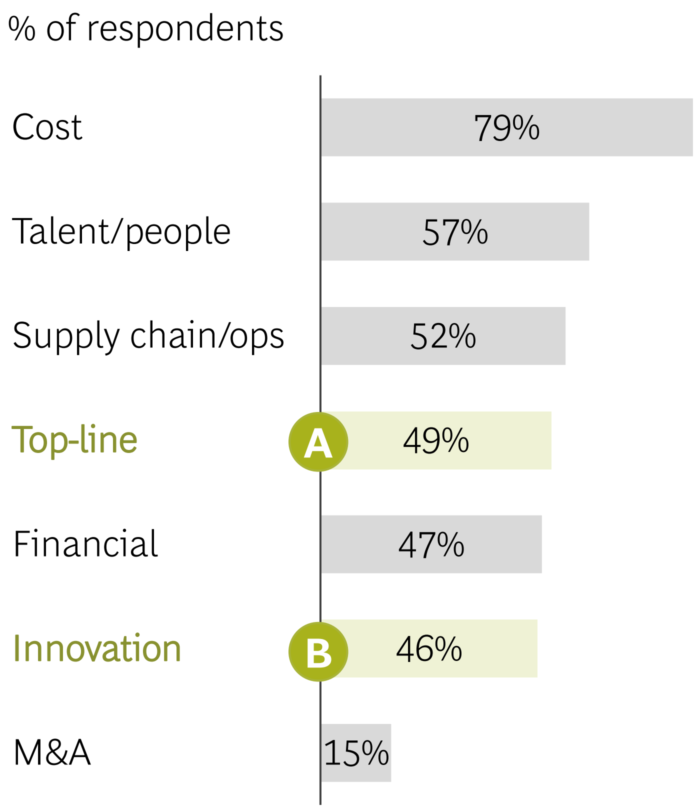
  - Industrial Goods
  - Technology/Media/Telecommunications

Consumer Goods Overview | In addition to cost, top-line actions and digital innovation are critical to win in times of uncertainty

Actions planned in 2023



A

While cost is top of mind for companies, consumer goods has the highest percentage of players taking **top-line actions** vs. other industries **(+13ppts)**

Among top-line actions, pricing strategy can be challenging with higher cost pressure from inflation and more price-sensitive consumers. **Smart pricing strategy** is critical during periods of inflation

B

As companies face digital disruption, heightened consumer expectation, and intensified competition, innovation is playing a critical role to win in the future

Resilience leaders in consumer goods[1] are actively investing in digital and technology in order to redesign the customer journey/experience to create advantages

1. Defined as a company that has "very good" capabilities in at least half of the categories among 19 resilience capabilities, "good" capabilities in at least half of the rest, and no deficiencies. 11% of consumer goods respondents are categorized as resilience leaders based on their self-assessment.
Source: BCG analysis based on a global C-suite survey, consumer goods n = 159 respondents (35% Asia, 27% Europe, 23% North America)

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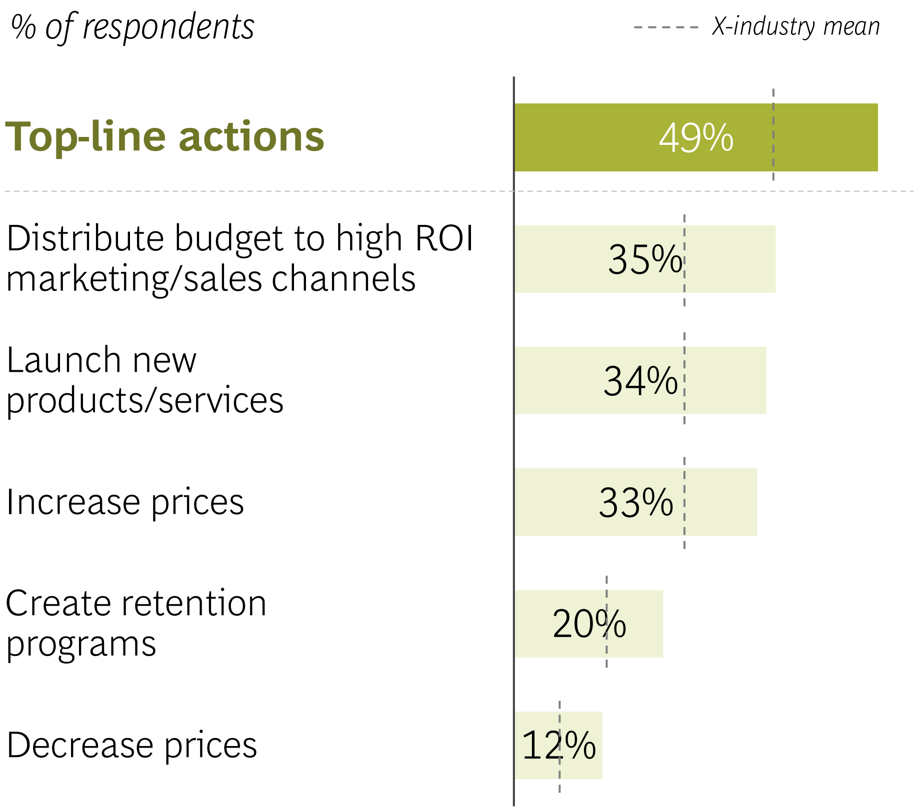
Top-line Actions | Top-line actions are critical for consumer companies to drive sales and ensure profitability in times of inflation and uncertainty

Facing inflation, consumer players are actively pushing top-line measures



McDonald's enjoys a 2x growth rate vs. fast food market in 2022[1,2] through targeted top-line actions

Create buzz with marketing campaigns[3,4]

- Collaborated with Cactus Plant Flea Market, one of the most on-trend brands in the US; setting records for digital transactions

(Re-)launch popular meals[5,6]

- (Re-)launched McPlant, McDonald's first plant-based burger, and McRib sandwich

Increase price by 10% y-o-y[7]

- Raised prices in the US in response to higher energy and labor costs

Focus on digital loyalty program[3]

- Boosted customer stickiness by offering special deals in app and improved customer experience by making food-ordering more convenient

> “[As part of] our Camp McDonald’s promotion from last summer…customers got to experience unique menu hacks, merch, and even weekly concerts in the app. We gave them **a brand experience** that happened to be through our app.
>
> **—Tariq Hassan, Chief Marketing and CX Officer, McDonald’s USA**

1. “McDonald's Q4 2022 Earnings release,” McDonalds.com; 2. “Market size of the quick service restaurant sector in the United States from 2012 to 2021, with a forecast for 2022,” statista.com; 3. “Q4 & FY 2022: McDonald’s Brand Is Stronger Than Ever,” McDonalds.com; 4. “Roses are Red, Violets are Blue, the Cardi B & Offset Meal is Coming to a McDonald’s Near You,” McDonalds.com; 5. “McPlant,” McDonalds.com; 6.”McRib,” McDonalds.com; 7. “As prices soar, consumers turn to McDonald’s,” CNN.com Source: BCG analysis based on a global C-suite survey, consumer goods n = 159 respondents; "A Conversation with McDonald’s Tariq Hassan on ‘Brand Performance’ Marketing + The Future Of Consumer Empowerment,” Forbes

Top-line Actions | Companies continue price increases, while consumers become more price sensitive—smart pricing strategies are key

Inflation creates contradicting priorities between companies and consumers

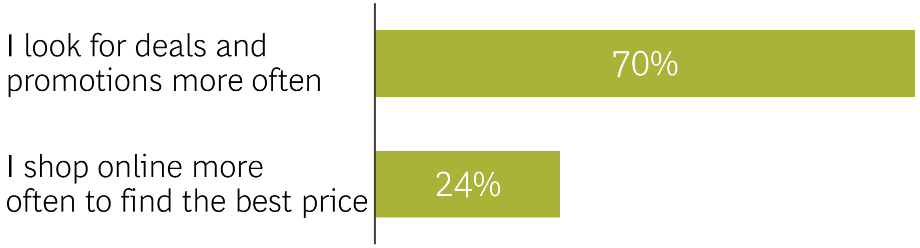
Companies are planning for price increases to address continued inflation

% of respondents

33% of companies plan to raise prices in 2023

Consumers are becoming more price sensitive

Net % of respondents that agree with statements



Deploying smart pricing strategies can lay the foundation for ongoing competitive advantage

Three pricing moves can release cost pressure while minimizing volume decrease

Deaverage pricing	Make differentiated price increases across portfolio to accommodate new shapes of consumer demand
Leverage AI	Optimize pricing, packing, promotion, etc., by integrating insights from forward-looking AI with historical data
Reset price structure	Evaluate pricing structure holistically, and proactively leverage pricing strategy as a branding method

Source: “Recessionary Behavior Snapshot #1,” BCG.com, BCG analysis based on a global C-suite survey, consumer goods n = 159 respondents

B

Innovation | Facing tech disruptions and changing consumer behavior, resilience leaders are building digital capabilities to secure advantages

Consumer players are facing a more challenging environment today…

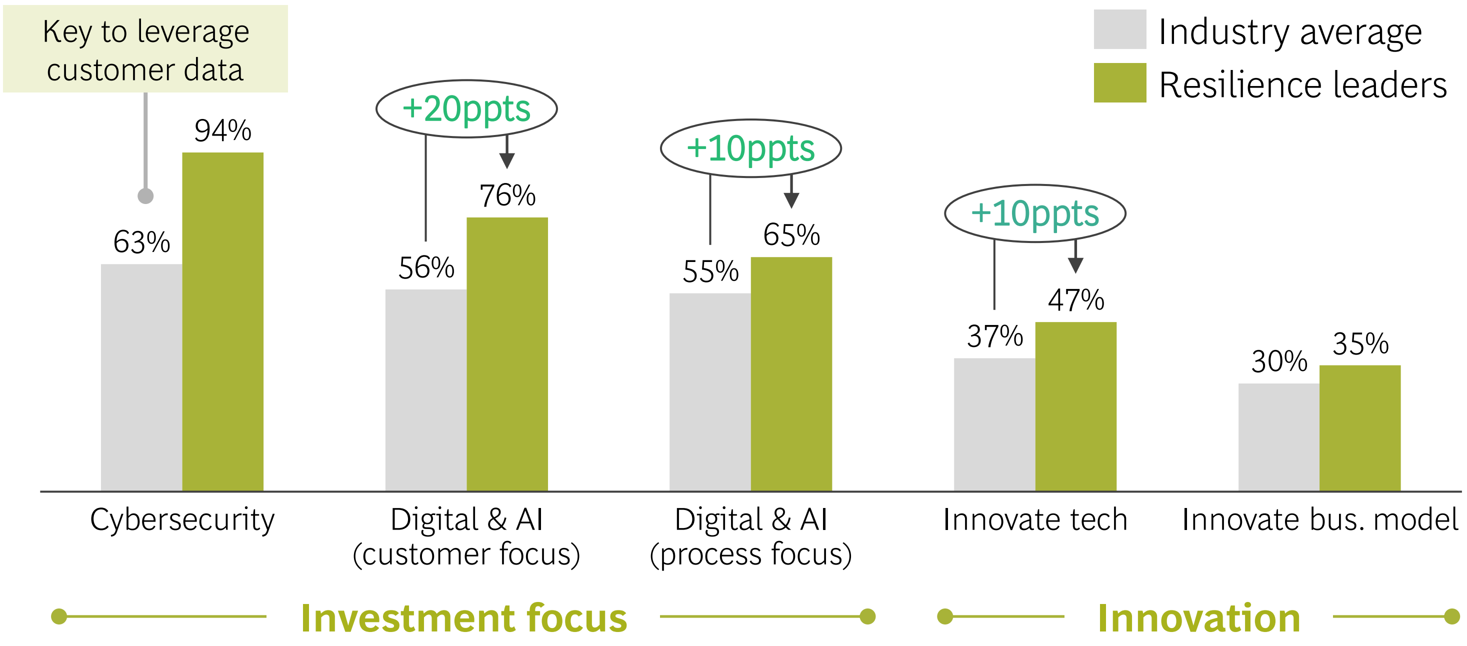
1 **Research/purchase journeys increasingly span across online/offline channels**

2 **Consumers have heightened expectations**—seeking personalized offers, convenience, differentiated experiences, and better service

3 **Competition has intensified**—62% of global e-commerce sales are now through marketplaces

Resilience leaders[1] in consumer goods are investing to build digital capabilities to reinvent the customer journey

Actions planned for 2023 and current investment areas
% of respondents



1. Defined as a company that has "very good" capabilities in at least half of the categories among 19 resilience capabilities, "good" capabilities in at least half of the rest, and no deficiencies. 11% of consumer goods respondents are categorized as resilience leaders based on their self-assessment.
Source: "Win the Town to Win the Future in Retail," BCG.com; BCG analysis based on a global C-suite survey, consumer goods n = 159 respondents, 11% of them are resilience leaders

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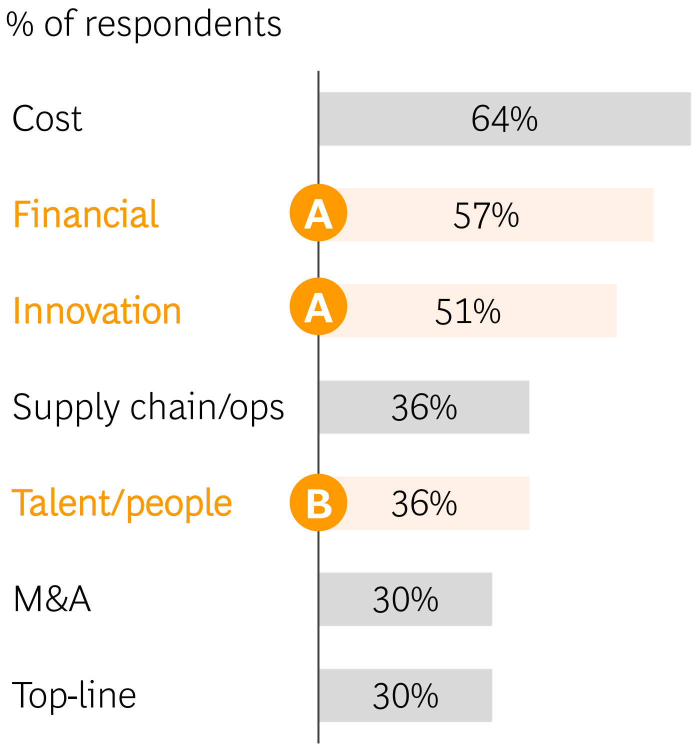
Energy | Companies are focusing on financing innovation for energy transition, but they need to invest more in talent to support the transition

Actions planned in 2023



A While cost is top of mind for companies, energy has the highest percentage of players taking **financial actions** vs. other industries **(+12ppts)** in response to a challenging environment and to **fund energy transition** at the same time

- Meanwhile, energy players are actively investing in **climate & sustainability and technology** to innovate product and process

B Reviewing and reinventing operating models and people strategies is critical for the success of energy transition[1]. But compared with other industries, energy players are **taking fewer talent actions (-23ppts)**, posing potential risks to future success

1. "In Oil and Gas, the Energy Transition Requires a People Transition," BCG.com
Source: BCG analysis based on a global C-suite survey, energy n = 47 respondents (30% Asia, 23% Europe, 13% North America)

Financial Actions + Innovation | Facing energy transition, companies are strengthening their financial position to fuel technology innovation

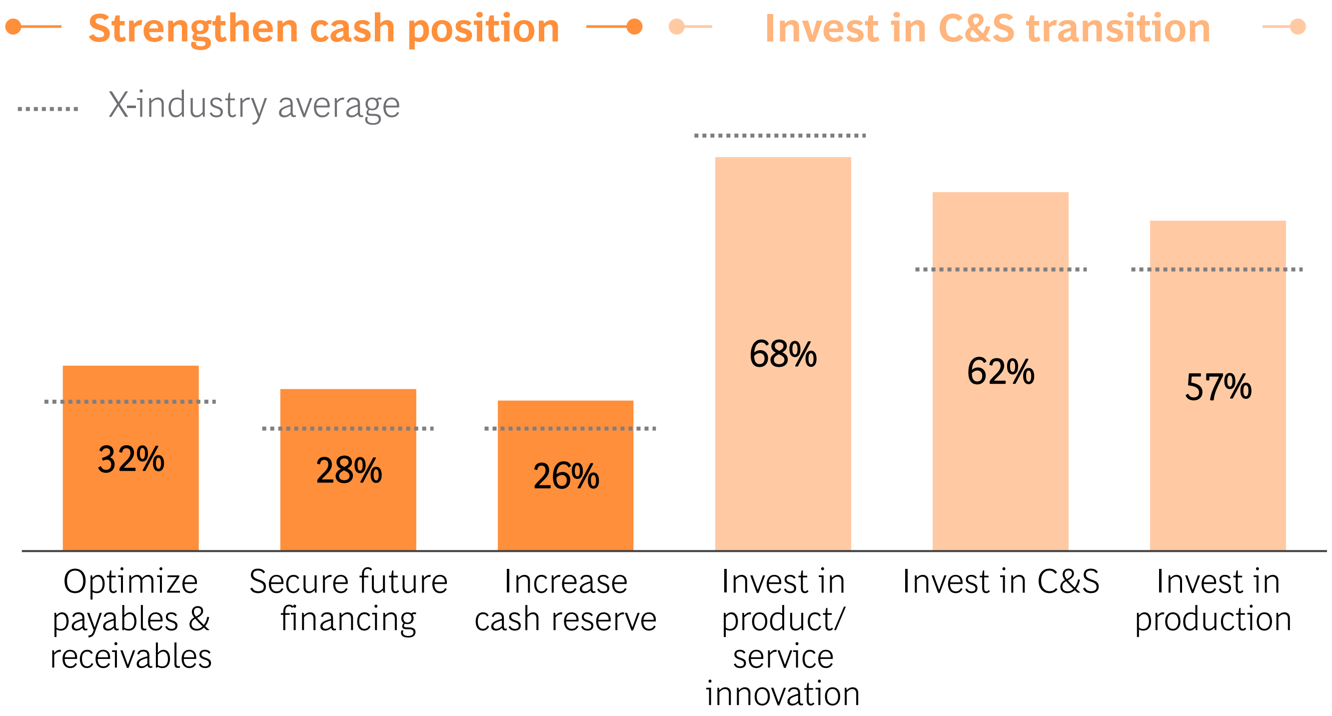
Low-carbon solutions become primary growth opportunity

$134 billion expected to be invested in low-carbon solutions over the next 5 years by oil and gas companies[1]

> "I don't want my company to disappear. […] We have embarked on a strategy to diversify out of a pure oil and gas business model to add an electricity one.[2]
>
> – Patrick Pouyanne, CEO, TotalEnergies,
> *From an interview with Bloomberg*

Energy players strengthen their cash position to fund asset-heavy sustainable transition

Actions planned and investment priority for 2023, % of respondents



1. "How Energy Companies Can Organize for the Low-Carbon Era," BCG.com 2. "Total CEO Doubles Down on Renewables Amid a Global Energy Crisis," Sep. 2022, Bloomberg.com
Source: BCG analysis based on a global C-suite survey, energy n = 47 respondents

B

Talent/People Actions | Capability concerns regarding organization adaptability and talent investments pose risks to a successful energy transition

Reviewing and reinventing operating models and people strategies are critical for successful energy transition

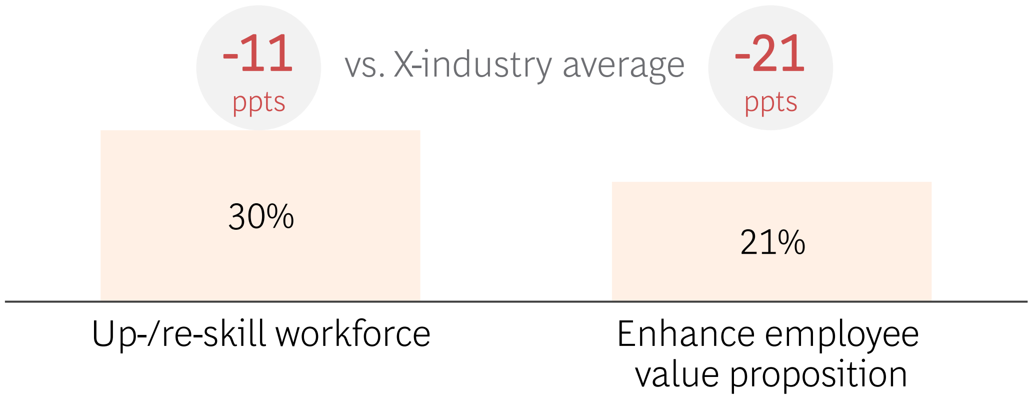
- Invest in **new talent and up-skill** existing workforce
- Reset organization to **pursue goals collaboratively**
- Establish compelling**, inclusive purpose**
- **Shift focus** of support functions toward evolving business needs
- Use **skills-based mapping** for evolving capability needs

But ~30% of energy players have reported deficiencies in building an adaptable organization and in business transformation

Moreover, compared with other industries, fewer players are investing in talent, posing risks to future success

People-related actions in 2023

% of respondents



Source: "In Oil and Gas, the Energy Transition Requires a People Transition," BCG.com; BCG analysis based on a global C-suite survey, energy n = 47 respondents

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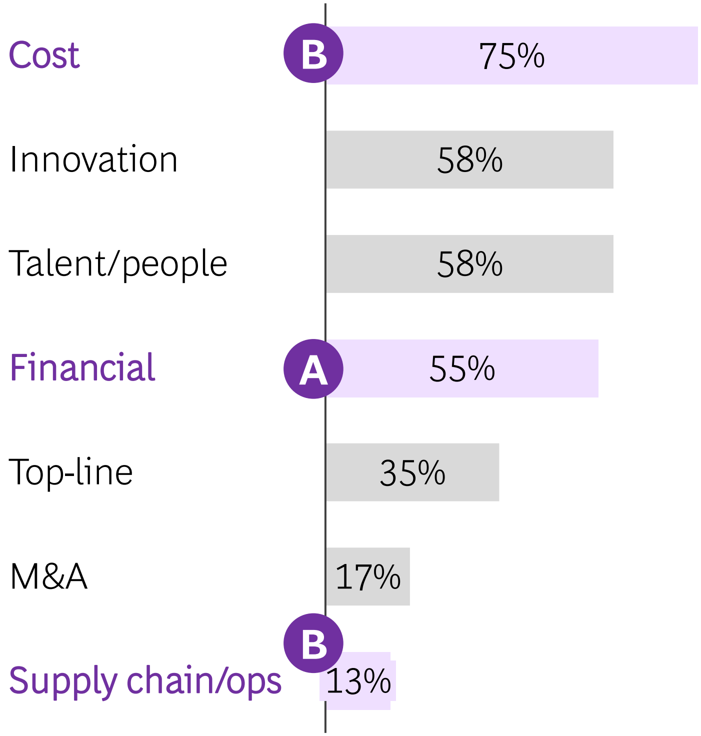
Financial Institutions Overview | Recent crisis highlights there's opportunity to strengthen financial preparedness while attaining cost excellence

Actions planned in 2023

% of respondents



A Recent banking crisis shows that there's **missed opportunity for preparedness—less than one-third** of the financial institutions were planning actions to increase their financial resilience at the beginning of 2023

- **North American** executives have least confidence in **cash and liquidity management** capability (-16ppts vs. industry average)

B Facing a tough environment with inflation, market uncertainties, and workforce challenges, financial institutions need to **attain cost excellence** by optimizing process and organization, and ensuring efficient procurement

Source: "Responding to the New Reality in Banking: Containing Costs Amid High Inflation," BCG.com; BCG analysis based on a global C-suite survey, financial institutions n = 69 respondents (42% Asia, 25% Europe, 19% North America)

Financial Actions | Banking crisis shows that there's missed opportunity for preparedness

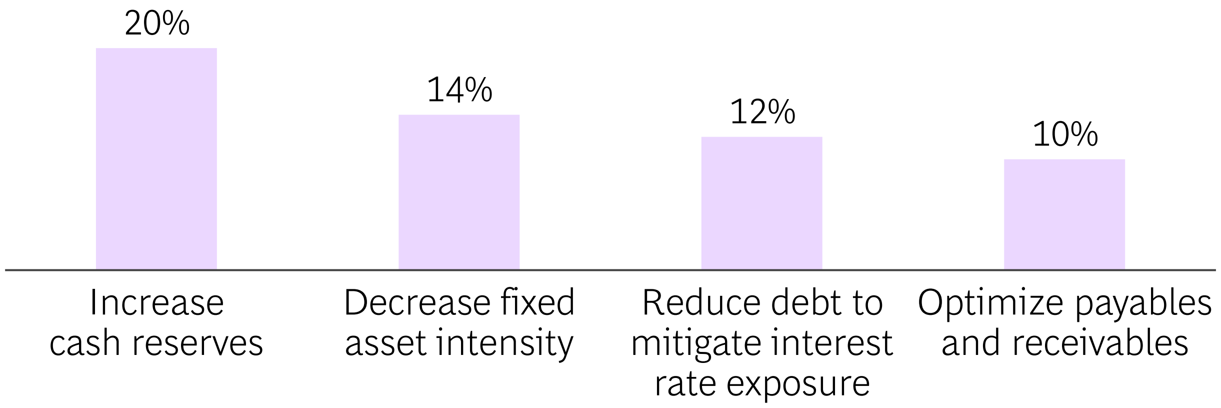
A

Collapse of SVB caused a global shock

Only 61% of financial institutions' executives expected additional global shocks to happen in 2023 when surveyed at beginning of the year

Fewer plan for actions to increase their financial resilience against global volatility and disruptions

% of respondents by actions planned in 2023



Source: BCG analysis based on a global C-suite survey, financial institutions n = 69 respondents

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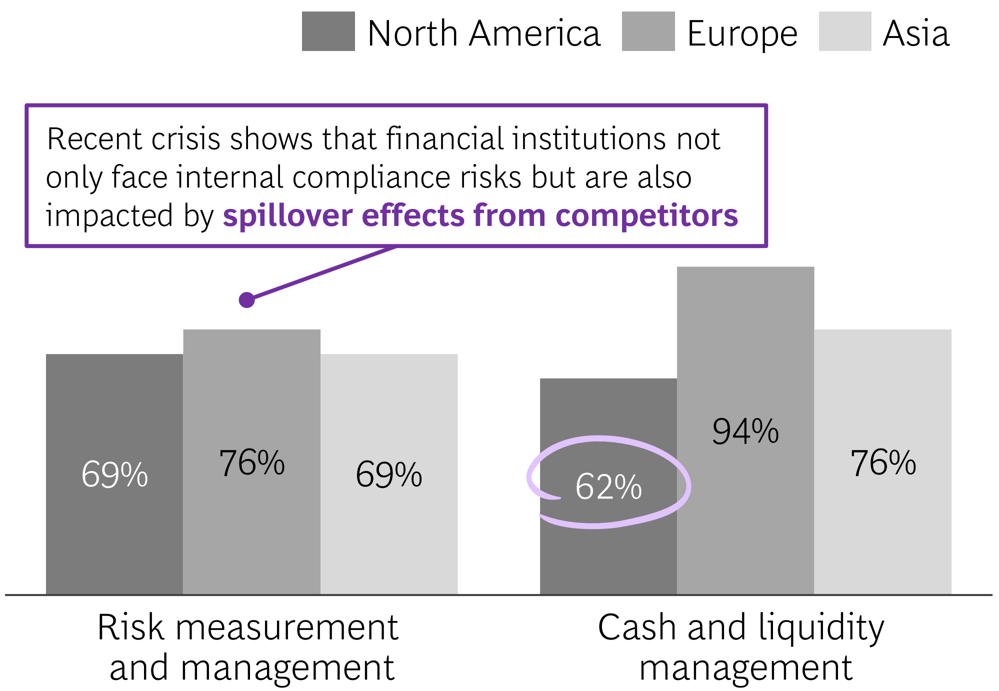
Financial Actions | Recent event is a wake-up call for banks to reassess and improve their risk management abilities

North American executives have least confidence in cash and liquidity management capability

% of respondents stating good/very good capabilities



Banks should take this opportunity to stress test their risk management capabilities

Banks should build **balance sheet modeling, stress testing, and scenario analysis** capabilities across all risk silos

- Include pressure test for asset monetization assumptions in liquidity stress testing
- Assess concentration risk in deposit portfolios and develop understanding of the influence of key stakeholders

Banks should establish, review, and regularly exercise **playbook for liquidity crisis**

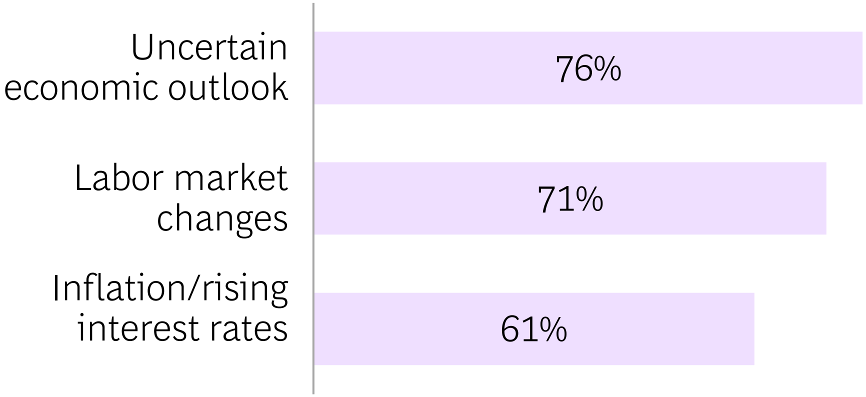
- Need to take into account the impact of social media age

Source: "Post-SVB Call to Action for the Banking Industry," BCG.com; BCG analysis based on a global C-suite survey, financial institutions n = 69 respondents

Cost + Ops Actions | Facing inflation, market uncertainties, and workforce challenges, financial institutions need to attain cost excellence

Executives are concerned about inflation and economic developments hitting the bottom line

% of respondents expecting negative impact in 2023



- Increase in loan-loss provisions
- Rise of opex costs, particularly wages

Banks need to further focus on cost excellence to weather a high-inflation environment

Levers	Planned actions in 2023 (% of respondents)	
Accelerated digitization	67%	**Invest in digital/AI** to optimize processes
Agile delivery models	58%	Report good/very good **agile capabilities**
Simplification	49%	Actively **simplify their organization structure**
Efficient procurement of services	9%	**Renegotiate contracts** with current suppliers

Source: "Responding to the New Reality in Banking: Containing Costs Amid High Inflation," BCG.com; BCG analysis based on a global C-suite survey, financial institutions n = 69 respondents

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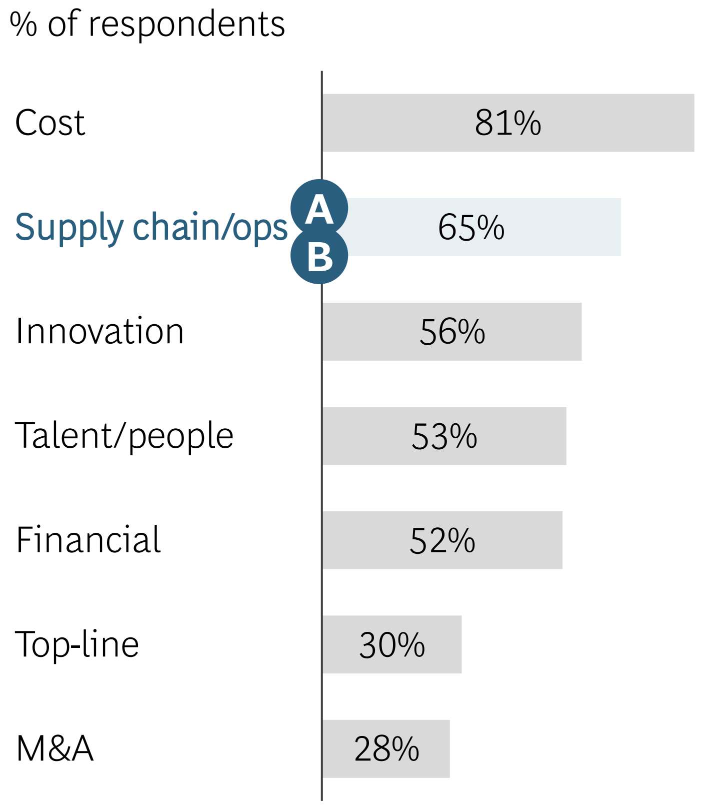
Industrial Goods Overview | Supply chain is top of mind for companies, but there are still capability gaps in proactive supply chain management

Actions planned in 2023



A While cost is top of mind for companies, industrial goods has highest percentage of players taking **supply chain actions** vs. other industries **(+26ppts)**

But most actions taken are to address current supply chain challenges. There are **capability gaps identified to proactively and systematically manage supply chain risks**

B **Asian** companies are putting more emphasis on **innovation** to increase supply chain resilience

Sector highlights

Automotive

While focus on cost remains high, executives **carefully shift toward growth** actions

Materials and process industries

Strongly impacted by energy crisis and inflation, C-suite leaders **focus on margin protection**

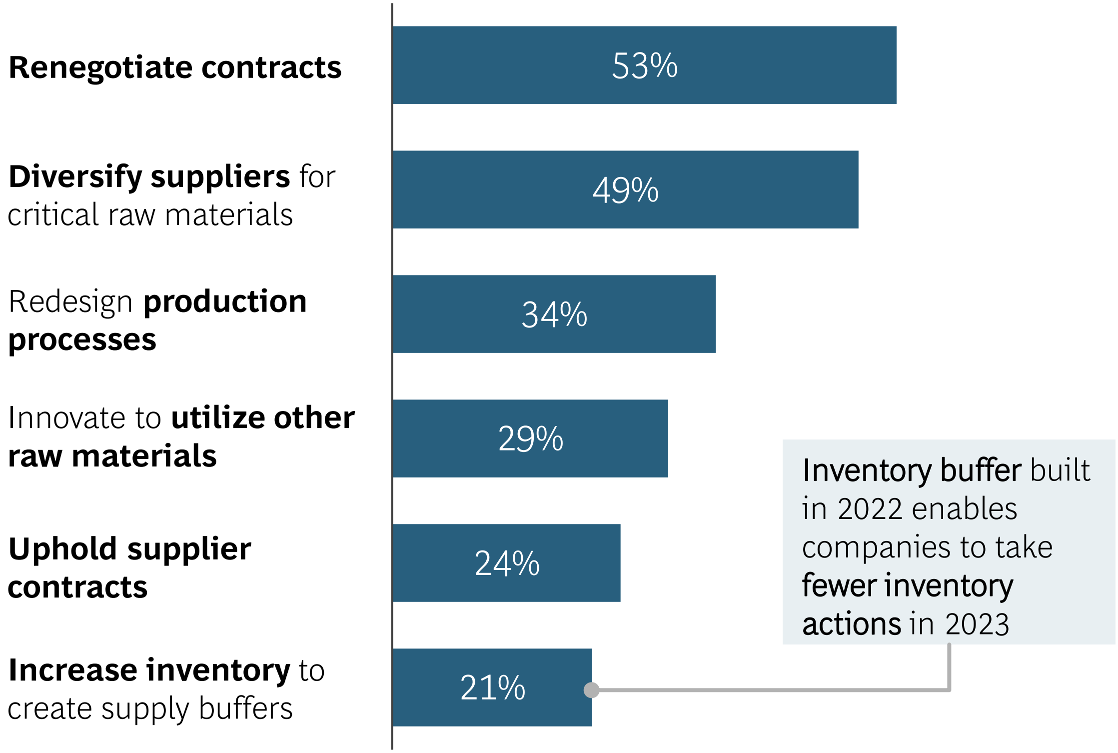
Source: BCG analysis based on a global C-suite survey, industrial goods n = 119 respondents (31% Asia, 43% Europe, 13% North America)

Supply Chain Actions | Companies have taken actions to address supply chain challenges but need to further invest in proactive supply chain mgmt.

Defense moves:

Companies are taking immediate actions in response to supply chain challenges

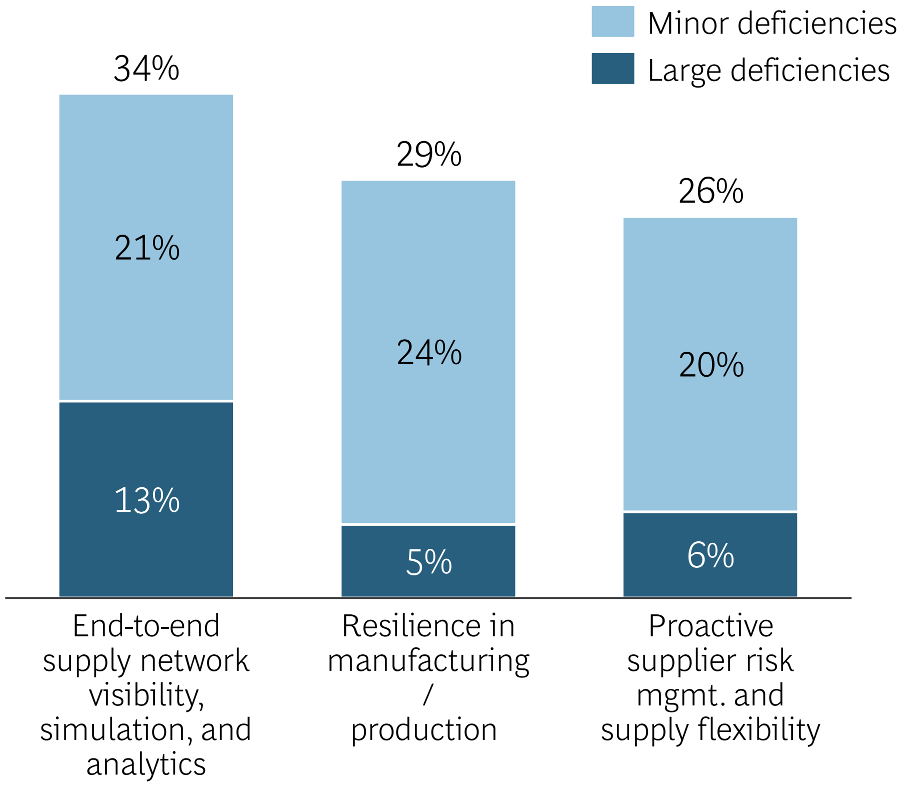
% of respondents by actions planned in 2023



Offense moves:

But companies still face deficiencies in proactively managing supply chain risks

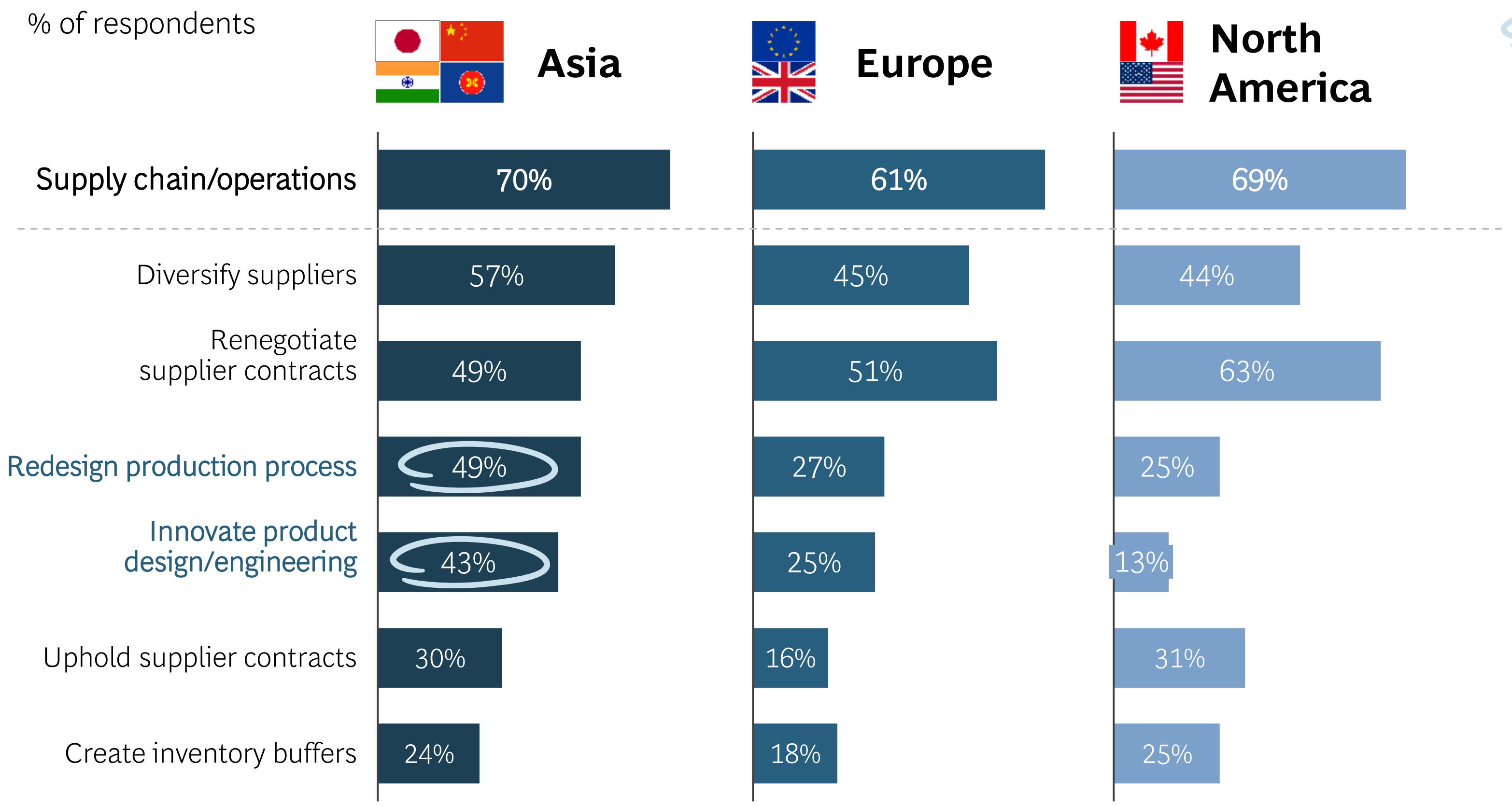
% of respondents



Source: BCG analysis based on a global C-suite survey, industrial goods n = 119 respondents

Supply Chain Actions | Asian players are redesigning production processes and products to structurally increase supply chain resilience

~50% of Asian players are innovating to improve operational efficiency and to utilize a different set of raw materials to systematically improve supply chain resilience



Higher % vs. other regions

> *In 2023, we're planning to focus on new technology and make structural improvements to our supply chain.*
>
> *– APAC CFO, leading automobile company*

> *One of our priorities for 2023 is to redesign and reorg production processes to increase margins.*
>
> *– APAC CFO, leading chemical company*

Notes: Asia excludes Middle East   Source: BCG analysis based on a global C-suite survey, industrial goods n = 119 respondents

Automotive | To profit tomorrow, executives are shifting toward growth actions, while the focus on cost remains high

Disruptions shift revenues and profits toward emerging products and services

Key disruptions in automotive

Electric vehicles (EV)

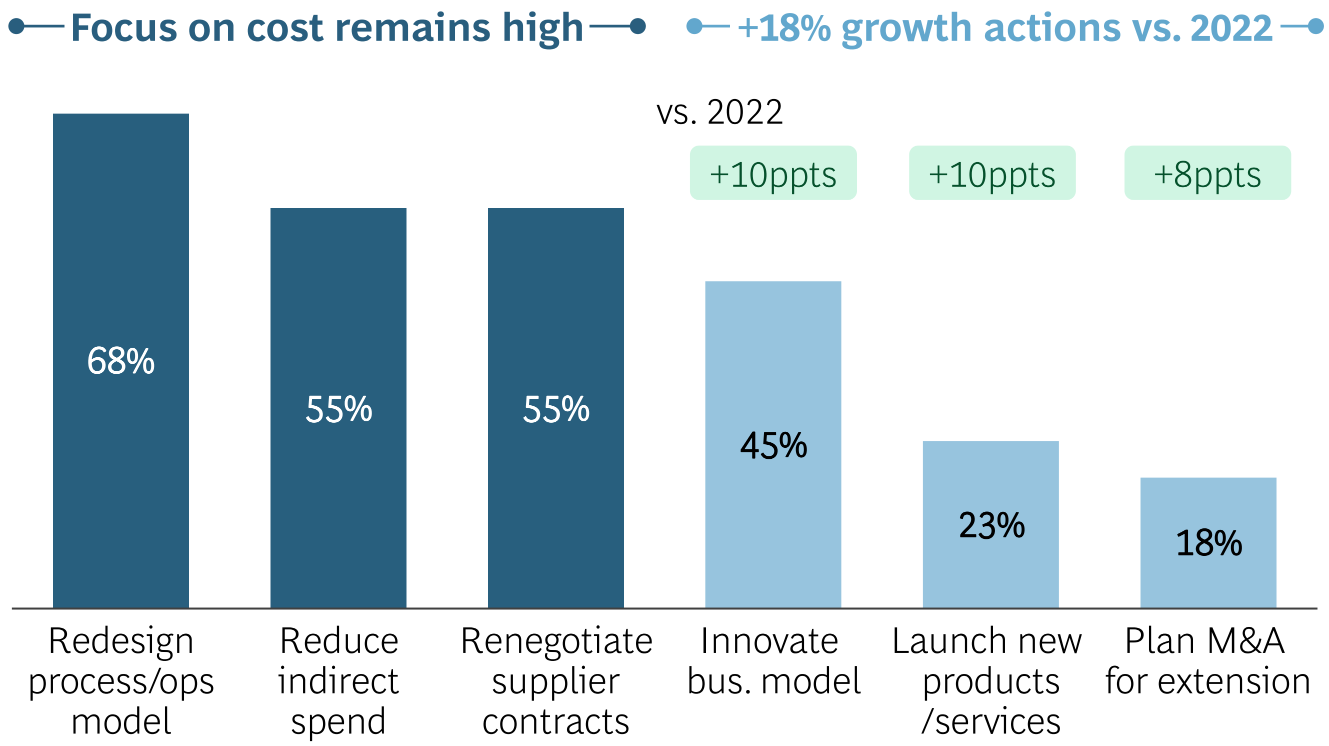
Shared on-demand mobility

Autonomous vehicles (AV)

>90% of **revenue and profit growth through 2035** will be generated by emerging segments connected to mobility disruptions[1]

To capture the opportunity, executives carefully shift toward growth actions, while the focus on cost remains high

% of respondents by action



1. "How to Profit in Tomorrow's Automotive and Mobility Industry," BCG.com
Source: BCG analysis based on a global C-suite survey, automotive n = 40 respondents

Materials and Process Industries | Margin protection is the key focus due to the strong negative impact of inflation and the energy crisis

3 of 5 most energy-intensive sectors belonging to MPI[1] …

…driving strong concerns around inflation and energy crisis

85%

Expect **inflation** to have a negative impact on their business in 2023

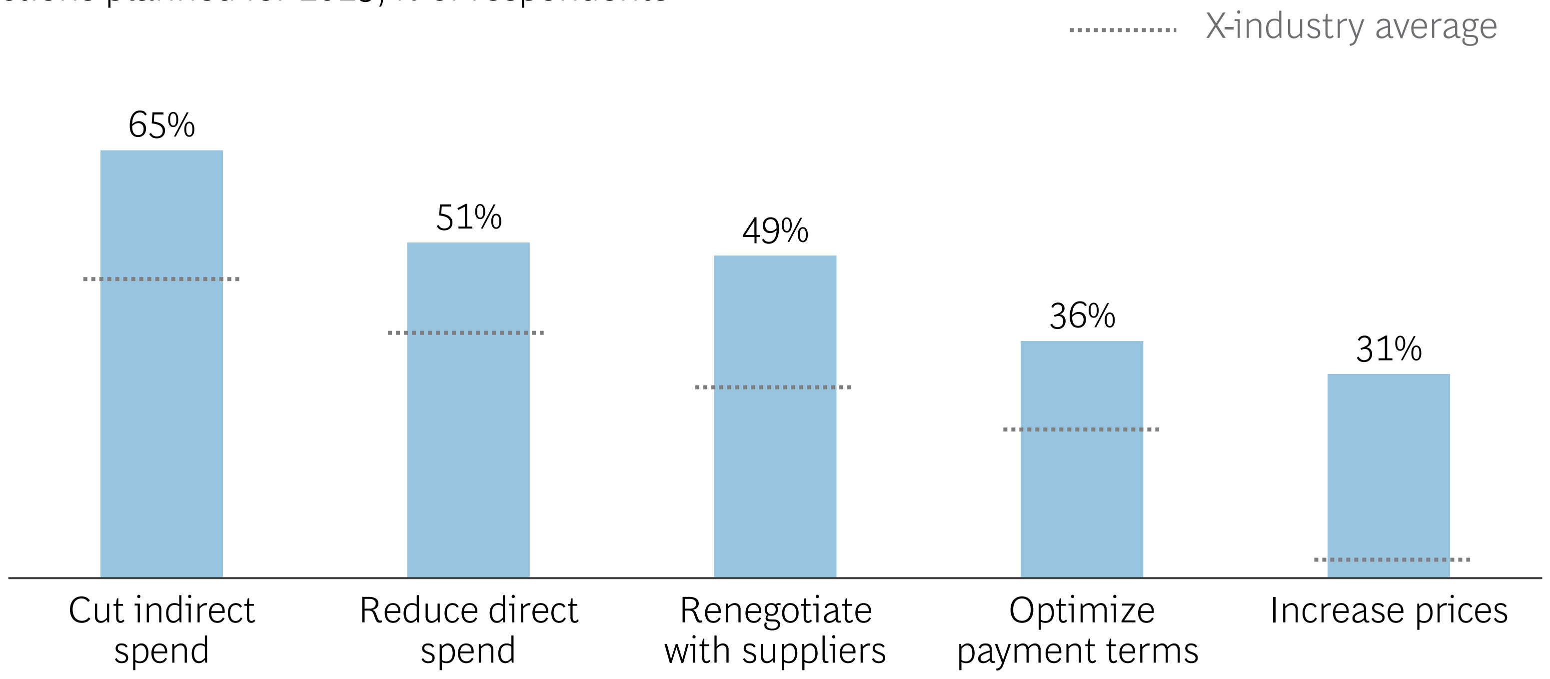
78%

Expect **energy crisis** to have a negative impact on their business in 2023

In response, executives plan 5 key actions to protect their margin and invest less vs. other industrial goods players

Every company plans 2.3 actions on average to defend margin

Actions planned for 2023, % of respondents



1. Materials and process industries
Source: BCG analysis based on a global C-suite survey, materials and process industries n = 55 respondents

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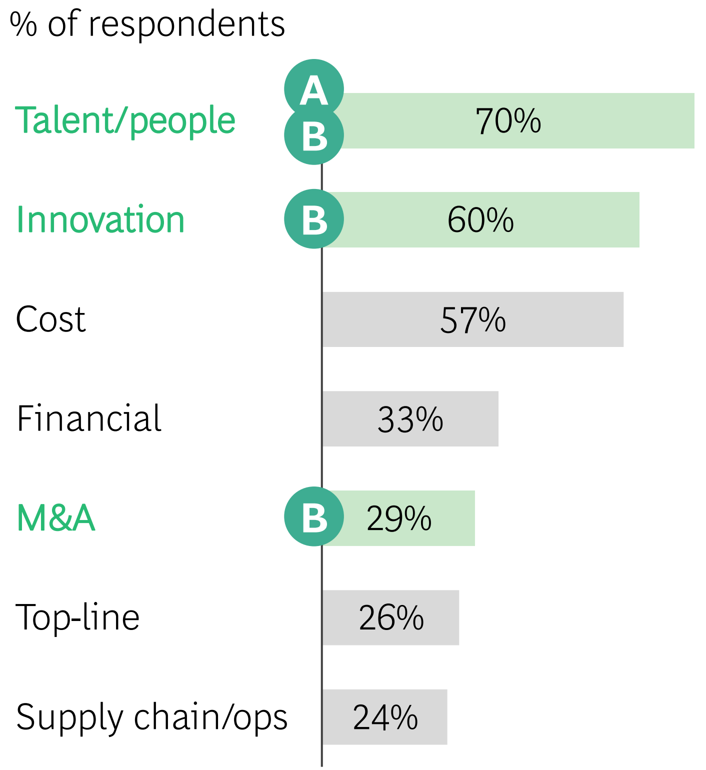
Technology/Media/Telecom Overview | Talent is top of mind for executives; resilience leaders are actively investing for growth

Actions planned in 2023



A **Talent/people** is top of mind for TMT[1] executives, with cost being only the 3rd priority

While organization right-sizing is a hot topic, companies are also **actively investing in talent**

B **Investing freed-up resources** from cost-cutting activities to **build competitive advantage** is critical

Resilience leaders[2] in TMT[1] are taking more growth actions vs. the industry to further strengthen market position

- Especially in talent, innovation, and M&A

Sector highlights

Software and services

C-suite leaders should **better leverage the full breadth of cost actions** in addition to organization right-sizing

1. Technology, media, and telecom 2. Defined as a company that has "very good" capabilities in at least half of the categories among 19 resilience capabilities, "good" capabilities in at least half of the rest, and no deficiencies. 19% of TMT respondents are categorized as resilience leaders based on their self-assessment. Source: BCG analysis based on a global C-suite survey, technology/media/telecom n = 136 respondents (22% Asia, 29% Europe, 36% North America)

A

Talent/People Actions | Companies are not only taking actions for organization right-sizing, but also actively investing in talent

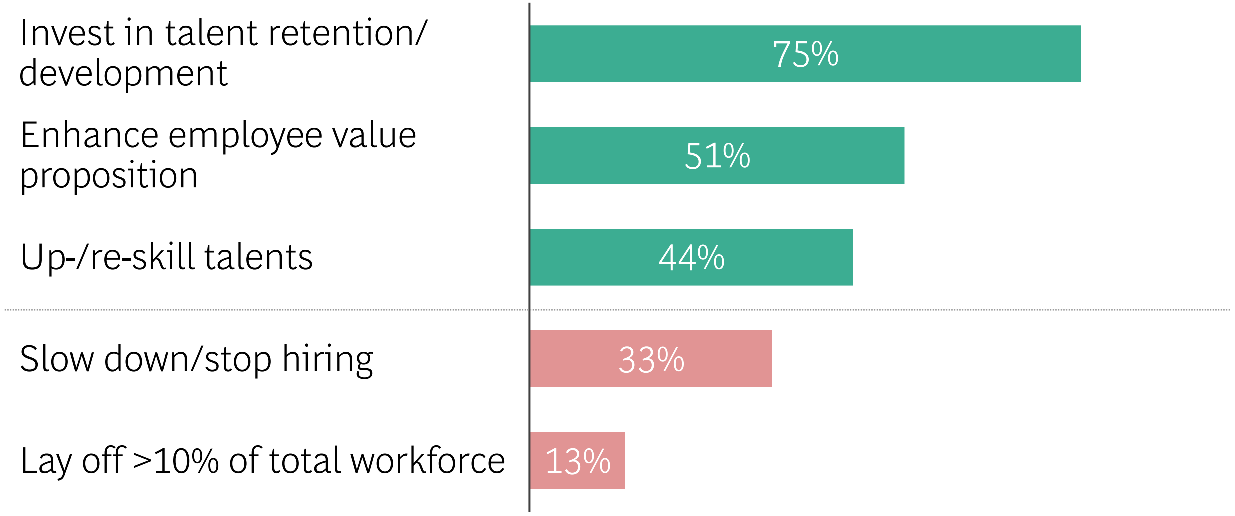
Mass media coverage of tech firms taking actions for org. right-sizing …

… shows only part of tech companies' reality

Yes, some are right-sizing their organization…

but more are investing in talent and people

Actions/investments planned for 2023, % of respondents



Source: BCG analysis based on a global C-suite survey, technology/media/telecom n = 136 respondents

B

Talent/People Actions + Innovation | Companies that have reduced costs in 2022 are now building advantages by investing the freed-up resources

Cost cutting in 2022 has helped to fuel investment in growth in 2023

Growth action in 2023	Companies didn't take cost actions in 2022		Companies took cost actions in 2022
Up-/re-skill workers	31%	+20ppts	**51%**
Create retention programs	2%	+16ppts	**18%**
Launch new products	9%	+12ppts	**21%**
Innovate business model	42%	+6ppts	**48%**
Total # of growth actions in 2023	2.3	+35%	**3.1**

Reduce costs and invest actively in future growth

Microsoft

Decreasing costs in 2022-2023

- **Org. right-sizing**—Reduce headcount by 10,000 while continuing to hire in strategic areas[1]
- **Concentrating capital allocation in strategic areas**—Create higher density across workspaces, optimize hardware product portfolio[2], etc.

Investing in future growth

- **AI investment**—$10B investment in partnership with ChatGPT creator OpenAI[3]
- **Cloud partnership**—10-year partnership with LSEG[4] to develop next-generation financial market analytics and cloud solution[5], etc.
- **Gaming M&A**—$68.7B acquisition planned to take over game developer Activision Blizzard[6]

1. "Microsoft to cut 10,000 jobs in push to bring down cost," FT.com; 2. "Subject: Focusing on our short- and long-term opportunity," Microsoft.com; 3. "Microsoft Invests $10 Billion in ChatGPT Maker OpenAI," Bloomberg.com; 4. London Stock Exchange Group; 5. "LSEG and Microsoft launch 10-year strategic partnership for next-generation data and analytics and cloud infrastructure solutions; Microsoft to make equity investment in LSEG through acquisition of shares," Mircosoft.com; 6. "Microsoft to acquire Activision Blizzard to bring the joy and community of gaming to everyone, across every device," Microsoft.com

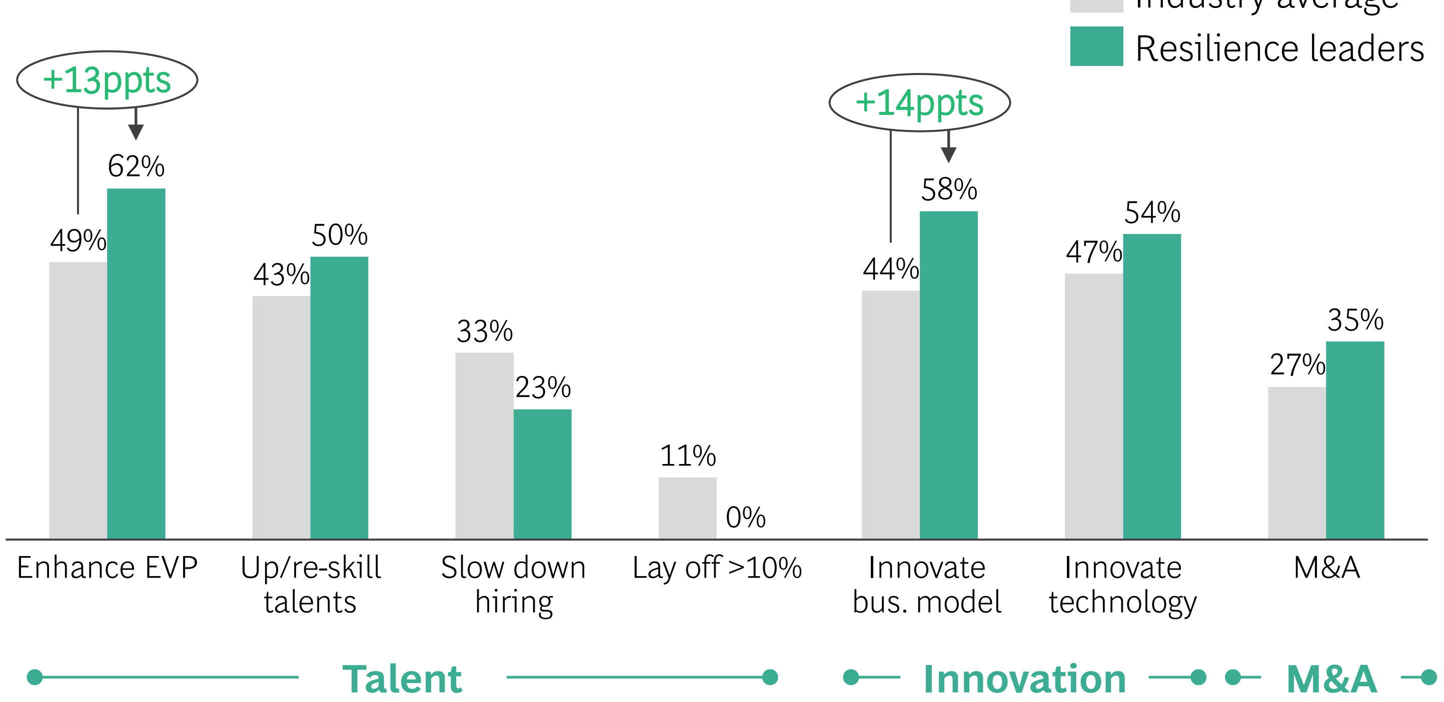
Source: BCG analysis based on a global C-suite survey, technology/media/telecom n = 136 respondents

B

Talent/People Actions + Innovation + M&A | Resilience leaders are investing in talent and innovation to further strengthen their competitive position

Resilience leaders[1] in TMT[2] are taking more growth actions vs. the industry average to build competitive advantage

Actions planned in 2023, % of respondents



1. Defined as a company that has "very good" capabilities in at least half of the categories among 19 resilience capabilities, "good" capabilities in at least half of the rest, and no deficiencies. 19% of TMT respondents are categorized as resilience leaders based on their self-assessment. 2. Technology, media, and telecom
Source: BCG analysis based on a global C-suite survey, technology/media/telecom n = 136 respondents

> "For our 2023 priorities, we want to **accelerate in growth areas**…
>
> **Data and AI** are at the heart of our innovation model to offer a reinvented customer experience…
>
> We're tackling the skills challenge so that we become one of **the most attractive employers**…
>
> *-- CTO, leading telecom player*

Software and Services | Software executives should better leverage the full breadth of cost actions to improve profitability

While profitability is a priority…

> “While we have made great progress in improving speed in the last few years, we haven’t focused as much on improving efficiency. […] And in a challenging economic environment, **efficiency takes on greater importance**.
>
> -- *Daniel Ek, CEO, Spotify*[1]

… few leverage the full breadth of cost actions

Executives are taking ~45% fewer cost actions vs. global average…

… and often focus only on organization-related optimization

Cost actions taken by software companies, % of respondents

	% of respondents	Delta to X-industry mean
Slow down/stop hiring	36%	+11ppts
Redesign processes/ops model	33%	-19ppts
Simplify org. structure	33%	-14ppts
Cut indirect spend (e.g., cloud services)	14%	-29ppts
Optimize payment terms	14%	-12ppts
Lay off >10% of total workforce	11%	+3ppts

1. “Spotify cuts 6% of its workforce—read the memo CEO Daniel Ek sent to staff,” CNBC.com
Source: BCG analysis based on a global C-suite survey, software and services n = 36 respondents

To learn more on how to navigate uncertainty in 2023, explore BCG's recent resilience insights or reach out directly to the Central Resilience Team

Understand how C-suite leaders across industries approach 2023, or…

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

This first edition of the CEO Outlook provides an overview with regional nuances and shows how resilience leaders create competitive advantage

Click here

dive into specific actions to navigate your company through uncertainty

Building Resilience Through Competitive Cost Position

Click here

Preparing Your Supply Chain for Resilience

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How to Win Market Share in a Downturn

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

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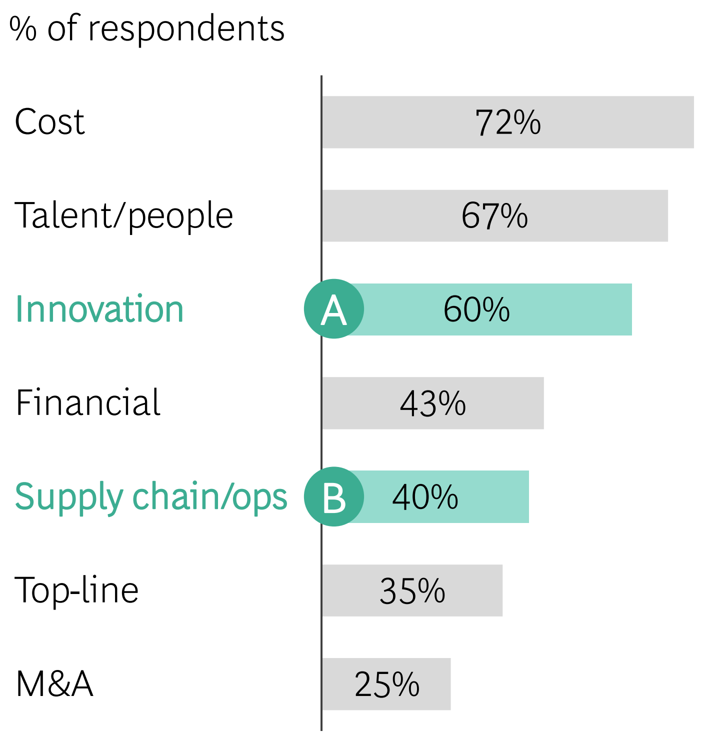
Appendix

Health Care Overview | Resilience leaders are shifting from crisis management to business innovation

Actions planned in 2023



A In a more optimistic outlook for 2023, health care has the highest percentage of players taking **innovation actions** vs. cross industries average **(+6ppts)**

- **Resilience leaders[1] in health care spearhead the shift** as 89% pursue innovation and only 44% take cost actions

B With pandemic easing, health care companies are seeing less supply chain pressure, leading to **only 40% taking supply chain actions** in 2023

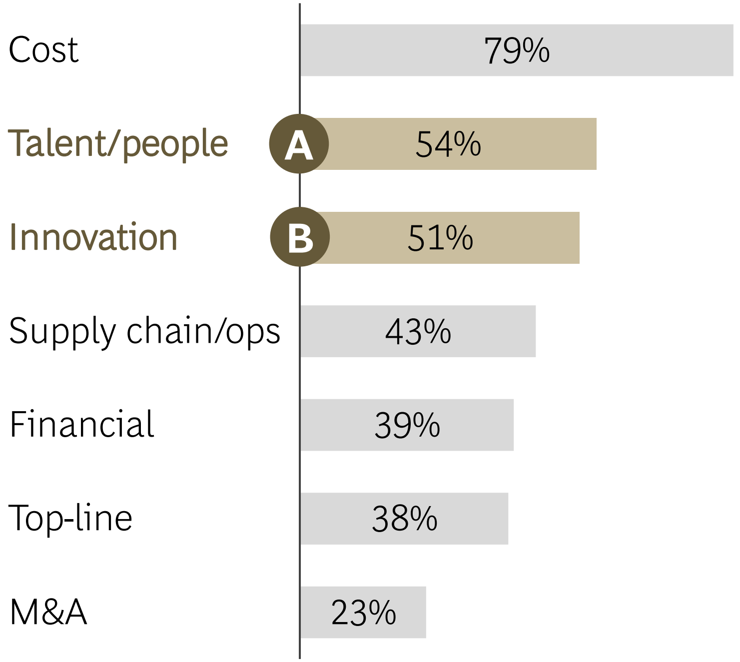
But more than 1/4 of health care players have reported **deficiencies in supply chain**, particularly around E2E supply chain visibility, posing risks to future pandemic preparedness

1. Defined as a company that has "very good" capabilities in at least half of the categories among 19 resilience capabilities, "good" capabilities in at least half of the rest, and no deficiencies. 13% of health care respondents are categorized as resilience leaders based on their self-assessment. Source: BCG analysis based on a global C-suite survey, health care n = 81 respondents (26% Asia, 15% Europe, 46% North America)

Infrastructure/Transportation/Logistics Overview | Investing in talent, digital, and climate & sustainability is critical for future success

Actions planned in 2023

% of respondents



A Labor shortages caused by demographic changes and a lack of diversity drive companies to **prioritize talent** after cost actions. 54% of respondents take talent/people actions to attract skilled employees and stay competitive

- Talent actions are **backed with investments**—74% mark talent retention/development as significant investment area

B Faced with rising consumer demands for digital, sustainable solutions, executives **continue to focus on innovation**. In 2022 and 2023, >50% of respondents report taking innovation actions

Companies that **fund top-line growth in sustainability with digital efficiency** enhancements will be best equipped to build a competitive advantage

Source: BCG analysis based on a global C-suite survey, infrastructure/transportation/logistics n = 61 respondents (28% Asia, 41% Europe, 20% North America)

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