



# The CEO Agenda

Australia and New Zealand  
CEO Priorities



**EY**

Port Jackson Partners

Strategic Advisory

# Foreword



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This report places the challenges facing Australia and New Zealand CEOs into a global context. It draws on EY's survey of more than 2,200 CEOs in every major economy, across every industry sector, and across all types of corporations – both publicly listed and private.

We have augmented this data with insights from our own practice, aided by the perspectives and experiences of our Partner group.

We use this knowledge to compare the attitudes of local and international CEOs on issues central to their agenda: definitions of value; the focus of strategic conversations; operational imperatives; and the way in which new geopolitical and climate risks are being included in corporate decision-making.

Like their international peers, Australia and New Zealand CEOs are ambitious for growth, including through M&A, and for improvements in ESG performance for the benefit of a broad group of stakeholders. But compared to their United States and European peers, they feel less investor support for long-term investment strategies, and they are clearly struggling with the complexities of balancing the needs of shareholders and other stakeholders.

Locally, CEOs have evolved a distinctive approach to value creation. For example, they have more focus on ROIC and less on growth, an approach to M&A that is more focussed on technology acquisition and on India and portfolio restructuring plans that include more divestments compared to international peers.

As in all our work, our intent is to encourage our clients to think deeply - driven by data - about some of the beliefs, perhaps unacknowledged, that drive their strategic decisions.

This report also represents an evolution of the Port Jackson Partners strategic advisory model. While we have always had an international capability, now as part of the EY Parthenon strategy practice we can mobilise a deeper global network to serve our local clients.



# The CEO Agenda

## Australia and New Zealand CEO Priorities

EY's recent global survey of 2,200 CEOs across 53 countries demonstrates that:

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# CEOs' objective is long-term stakeholder value

## 1.1 LONG-TERM ORIENTATION NOT SHORT-TERM FOCUS

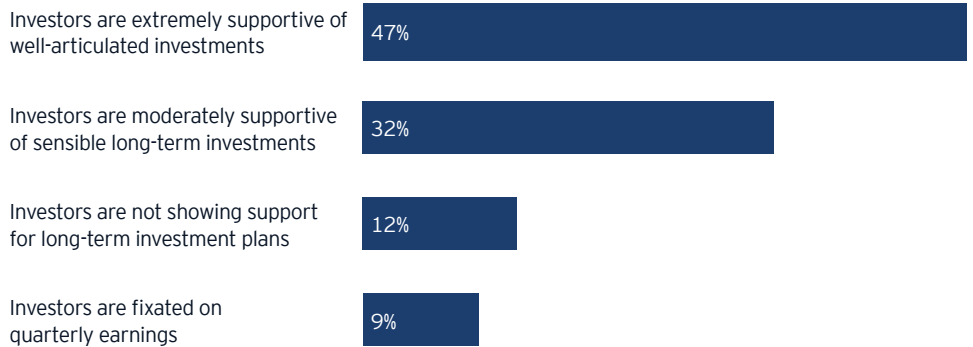
### Global view

A common critical narrative is that companies are unable to pursue long-term strategies because investors are focussed on short-term profit metrics. In fact, most global CEOs believe that investors are extremely (47%) or moderately supportive (32%) of well-articulated and sensible long-term investments. Only a minority of CEOs believe that investors are not showing support for long-term investments (12%) or are fixated on quarterly earnings in a way that hampers the CEO's ability to pursue the right strategies for their company's long-term success (9%) (Exhibit 1).



To what extent do you feel investors support your company's investments in long-term growth initiatives? (Global responses)

### EXHIBIT 1



Both the higher earnings multiples paid by investors for growth companies, and the long-term capital investment commitments from companies in industries ranging from mining to semiconductors to pharmaceuticals, is evidence supporting survey findings that investors will back sound long-term strategies.

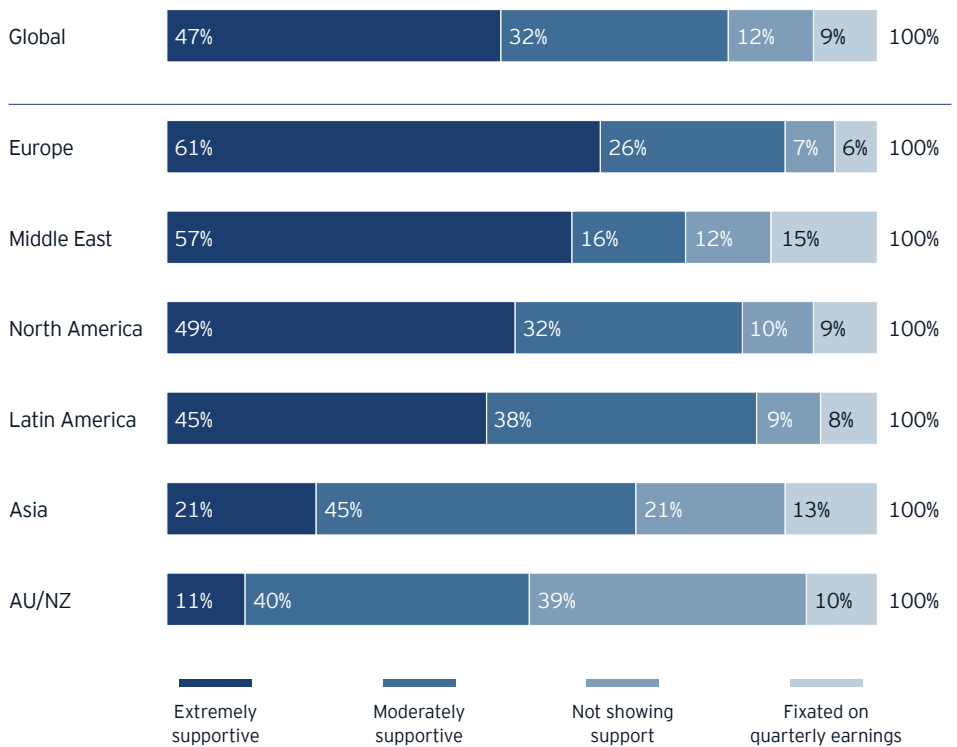
## Australia/New Zealand view

Unfortunately, Australia/New Zealand CEOs experience less support for long term strategies (Exhibit 2). Only 11% of Australian/New Zealand CEOs perceive investors to be “extremely” supportive of long-term strategies, versus 49% for their peers in North America and 61% in Europe.



To what extent do you feel investors support your company’s investments in long-term growth initiatives? (Responses by region)

**EXHIBIT 2**



As well as offering less explicit support for long-term strategies, many Australia/New Zealand CEOs feel investors prefer shorter term approaches. Almost half (49%) of local Australian/New Zealand CEOs feel that investors either do not show support for long-term strategies or are fixated on short-term earnings. Only 19% of their peers in North America and 13% in the European group feel the same.

For the Australian and New Zealand economies and capital markets to fulfil their potential, CEOs need to gain confidence that investors support their long-term corporate strategies. This is not just an issue for investors to rectify. Increasing investor support for long-term oriented strategies may come from a reduction in investor risk aversion, but an improvement in the quality of CEOs’ strategic thinking and investor communications could have greater impact.

## 1.2 STAKEHOLDER VALUE NOT SHAREHOLDER VALUE

### Global view

The Chicago economist Milton Friedman famously argued that the dominant purpose of a corporation is to create profit for shareholders, subject to operating in adherence to laws and regulations prescribed by relevant governments. For several decades, shareholder value has been the dominant paradigm in corporate capital markets, especially in English speaking countries.

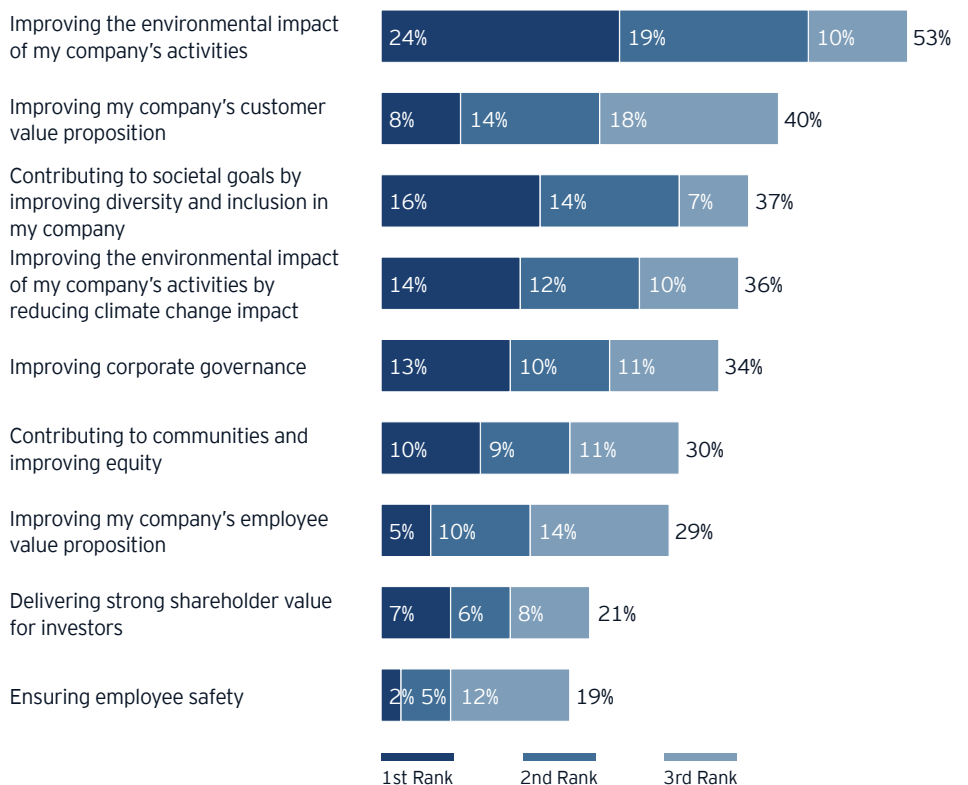
In more recent years, the concept of stakeholder capitalism - in which the objectives of corporations broaden from increasing shareholder value to optimising stakeholder value including environmental, social, customer, supplier, employee, and shareholder interests - has captured attention and gained widespread support. In his January 21, 2022, letter to CEOs of investee companies, Larry Fink, a champion of stakeholder capitalism and the CEO of BlackRock, one of the world's largest investors, said: "A company must create value for, and be valued by, its full range of stakeholders in order to deliver long-term value for its shareholders."

Our survey results reflect the ascendancy of stakeholder value in a surprisingly dramatic fashion. Globally, less than a quarter (21%) of CEOs ranked delivering strong returns to shareholders as one of the top three corporate objectives. Only 7% of CEOs ranked it as the number one priority (Exhibit 3).



How important are each of the following objectives? (Global responses)

#### EXHIBIT 3





By contrast, an overwhelming share of respondents ranked environmental objectives highly. 53% of respondents ranked improvement of the environmental impact of their company's activities as among the top three corporate objectives, and a further 36% wants to reduce their company's climate change impact. Beyond environmental concerns, improving customer value proposition (40% top three ranking), improving society by improving equity and inclusion (37%), contributing to communities (30%), improving employee value proposition (29%), and improving governance (34%) all ranked above delivering strong shareholder value (21%). These findings were broadly similar across industry sectors, company types and geographies - including Australia/New Zealand.

It is possible that the survey results hide nuances in CEOs' attitudes to stakeholder and shareholder value. Perhaps respondent CEOs saw the shareholder value objective as more important but believe that shareholder value emerges indirectly through the achievement of other objectives such as providing value to customers and attracting talented employees. Perhaps CEOs felt the need to project a socially responsible impression, even in a confidential survey. Or perhaps CEOs misinterpreted the question as being directed at the national or global interest rather than their own corporation's interest.

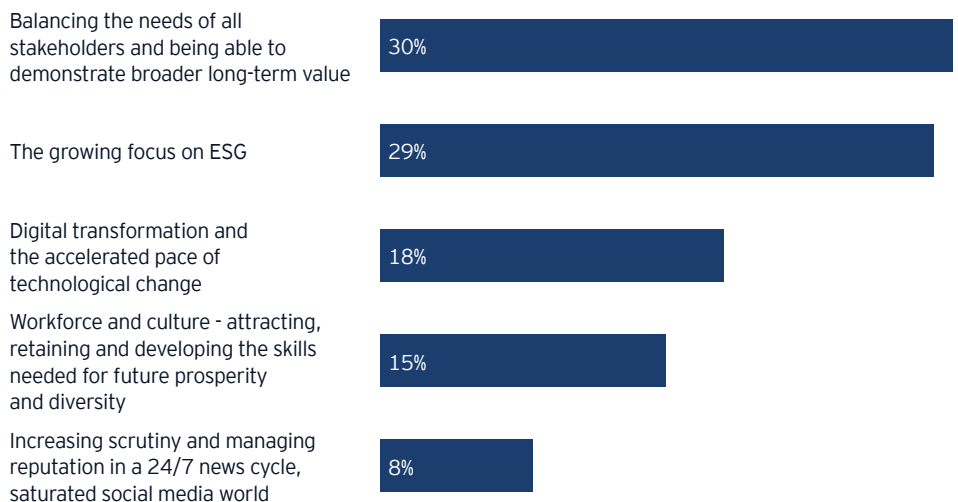
Nonetheless, the survey results clearly show that CEOs have holistic objectives that go well beyond shareholder value.

The survey also shows that finding the right balance between these multiple stakeholder objectives is an increasingly important and complex task for both CEOs and Boards. 30% of CEOs see the number one challenge contributing to the changing role of the CEO to be "balancing the needs of all stakeholders" and a further 29% see it to be "the growing focus on ESG" (Exhibit 4). It can be much easier to say that a company seeks to achieve multiple objectives than it is to do so, since potential strategies can bring the various stakeholder objectives into conflict.



What challenges and opportunities are contributing most to be changing role of the CEO? (Global responses)

**EXHIBIT 4**



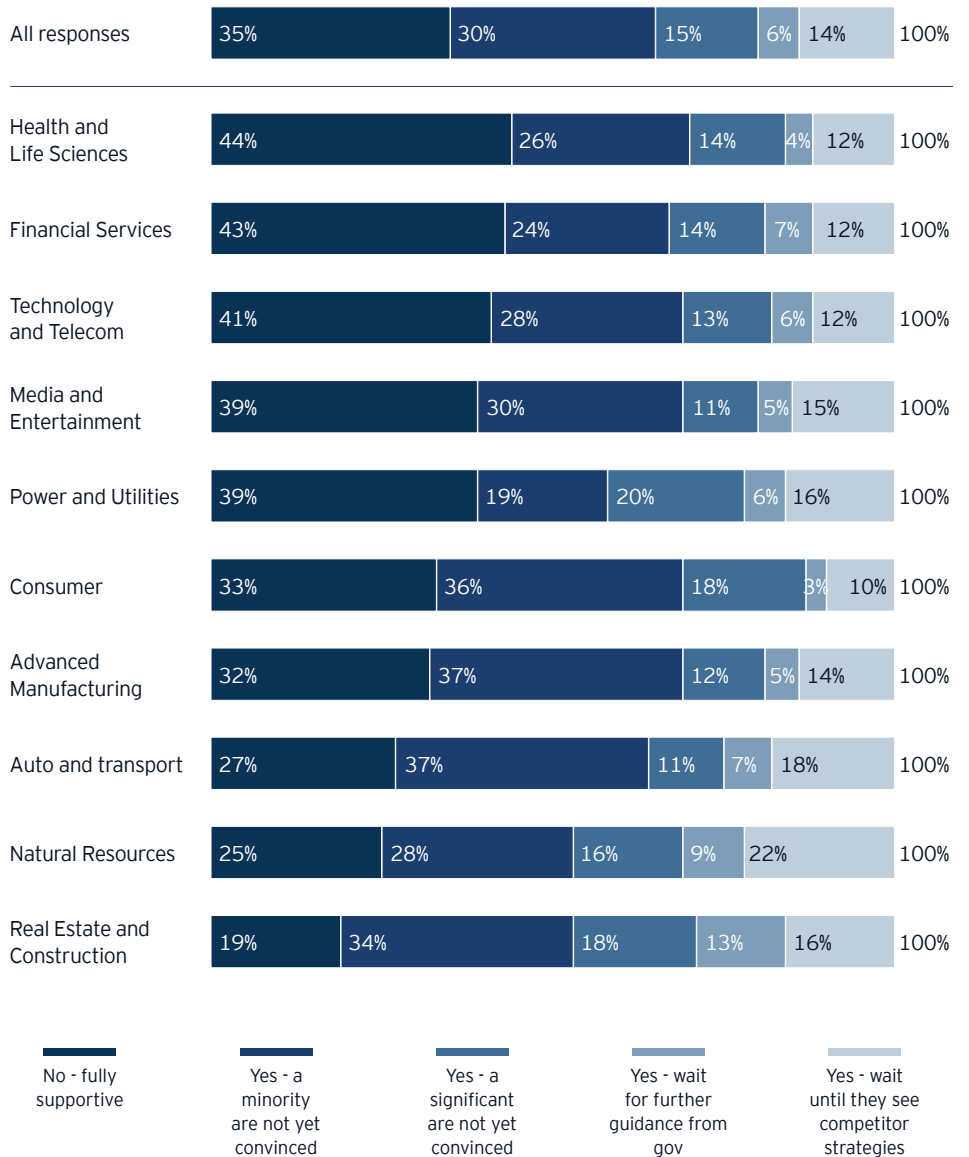
*Note: The respondents were allowed to choose three responses in order of priority. This chart reflects the number one priority.*

The survey highlights the challenge CEOs face in securing investor support for balanced stakeholder value approaches. Only around a third (35%) of surveyed CEOs believe that their investors are fully supportive of their sustainability strategies. Exhibit 5 shows the level of support for sustainability strategies is the lowest in the real estate and construction sector (19% fully supportive) and the natural resources sector (25%). However, the sustainability strategies of companies in the health and life sciences, financial services and technology sectors are receiving significantly more support from investors, perhaps because their activities pose much smaller environmental challenges and their responses are somewhat better defined.



Have you encountered any resistance from investors and/or shareholders about your sustainability transition strategy? (Responses by sector)

**EXHIBIT 5**



With many CEOs and Boards feeling the tension between shareholder returns and sustainability objectives, it is useful to reflect on the advice from BlackRock CEO Larry Fink, a leader of the stakeholder capital movement. His January 21, 2022, letter to the CEOs of each of his investee companies stated: "Make no mistake, the pursuit of profit is still what animates markets; and long-term profitability is the measure by which markets will ultimately determine your company's success."

The survey shows lack of balance between returns and environmental, social and governance outcomes compromises both objectives. Exhibit 6 compares the priorities of companies with investors that are extremely supportive of their long-term investment strategies (left-hand side) to those for companies with investors that are least supportive of long term strategies and fixated on near term quarterly earnings (right-hand side). Although both sets of companies rate ESG as extremely important, the CEOs of companies with the most investor support for long-term strategies place an even greater importance on revenue growth (50%) compared to ESG (44%), whereas companies with the least long-term support from investors typically prioritise growth (26%) well below ESG (41%).

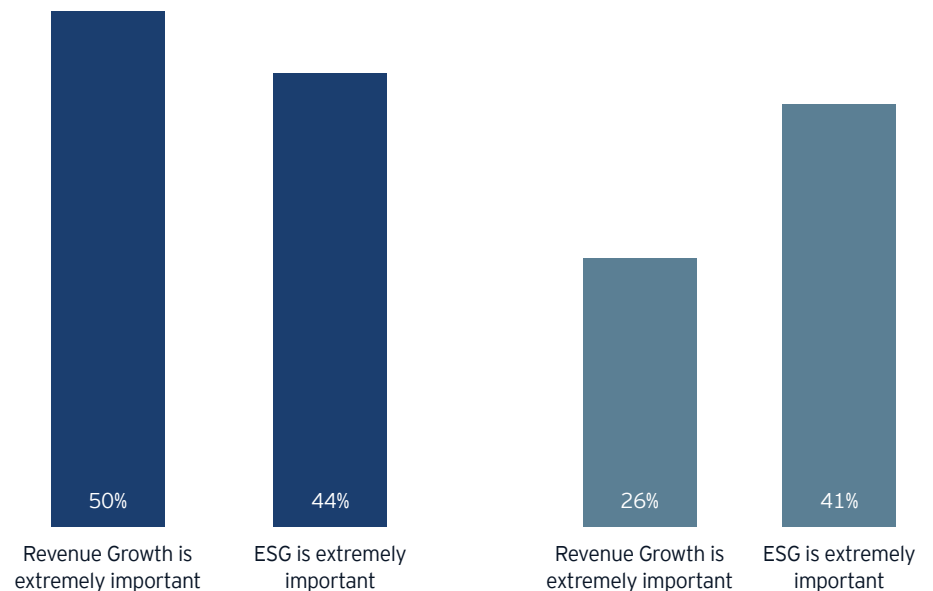


To what extent do you feel investors support your company's investments in long-term growth initiatives?  
(Global responses)

**EXHIBIT 6**

CEOs of companies whose investors are extremely supportive of long-term investments

CEOs of companies whose investors are fixated on quarterly earnings



### Australia/New Zealand view

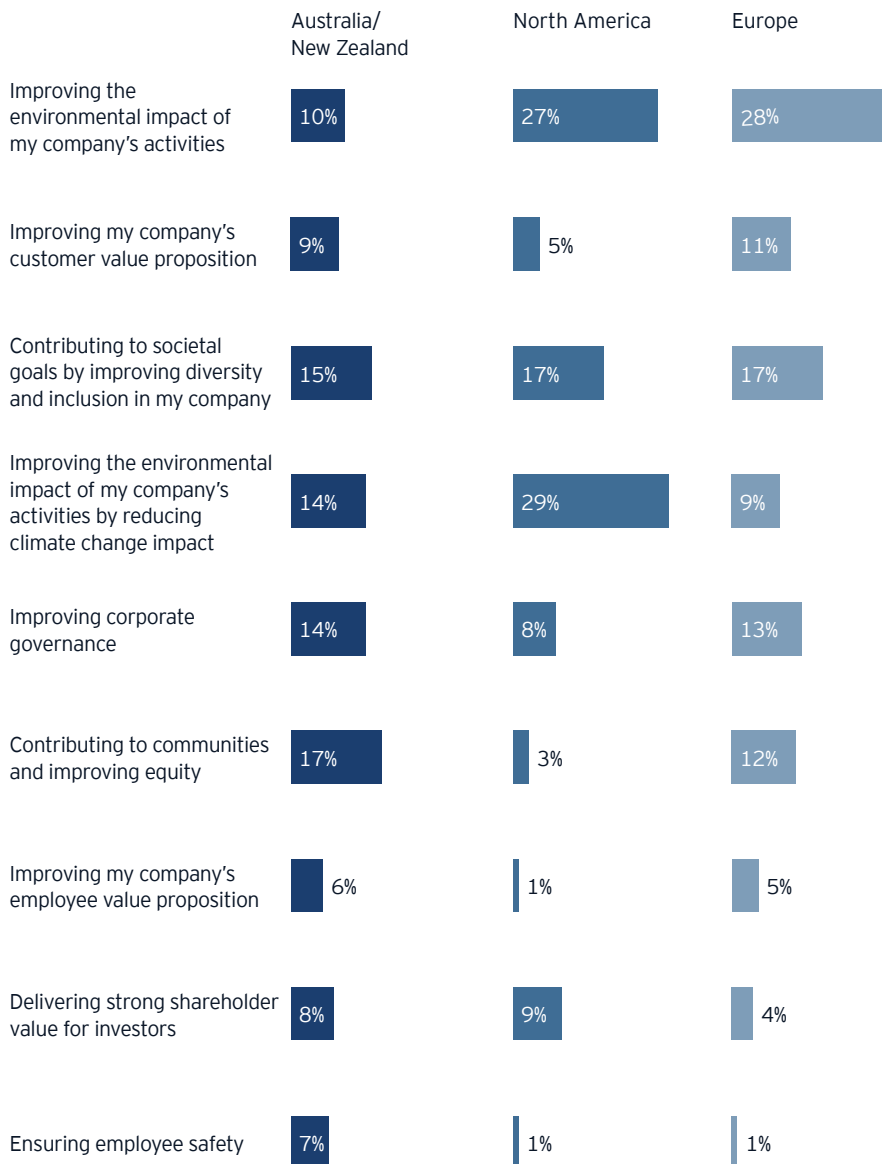
Australia/New Zealand CEOs are like their global peers in that only a small proportion (8%) rated shareholder value as the number one corporate objective, roughly comparable to CEOs in North America (9%) and Europe (4%) (Exhibit 7).

But Australia/New Zealand CEOs are different to global peers since environmental objectives, including both climate change and other environmental goals, account for 24% of first ranked objectives versus much higher rates of 56% for North America and 37% for Europe.



How important are each of the following objectives? (Responses by selected regions)

**EXHIBIT 7**



*Note: The respondents were allowed to choose three responses in order of priority. This chart reflects the number one priority.*

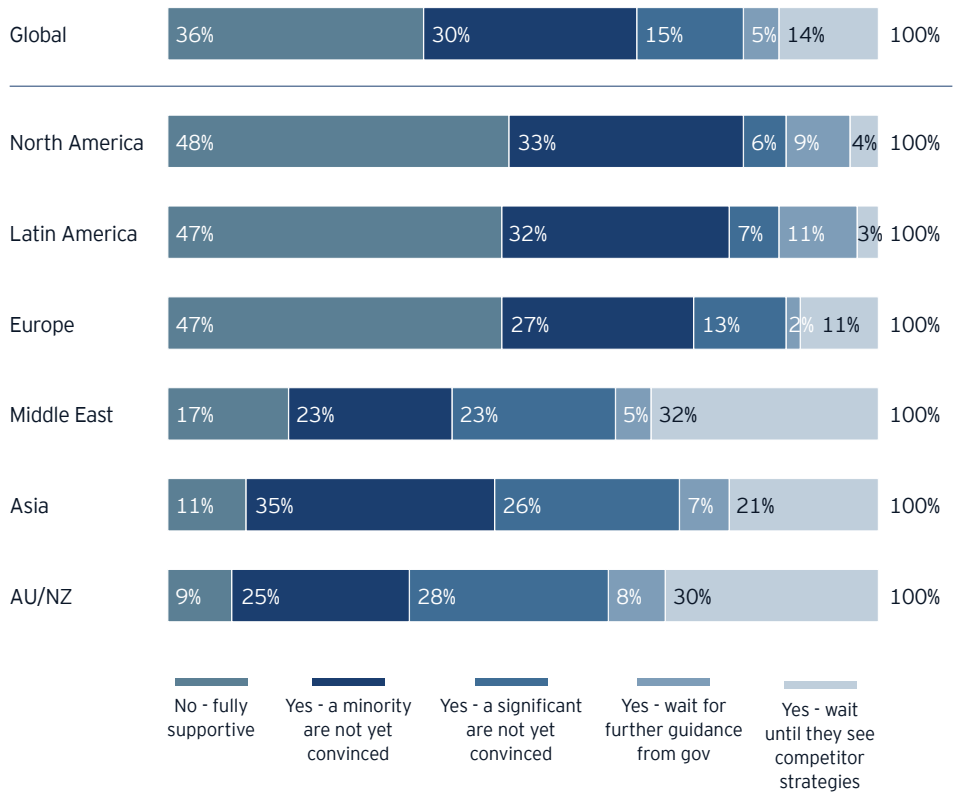
While placing a lower priority on environmental goals than their global peers, Australia/New Zealand CEOs showed a higher ranking on contributing to communities (17% first ranked versus 3% in North America and 12% in Europe) and for improving governance and employee safety.

Australia/New Zealand CEOs perceive a greater gap between aspiration and reality in implementing sustainability strategies than peers elsewhere. Only 9% of Australia/New Zealand CEOs believe that investors are “fully supportive” of their sustainability strategies; by contrast 48% of North American CEOs and 47% of European counterparts feel fully supported (Exhibit 8). In Australia/New Zealand, two-thirds (66%) of CEOs believe a significant number of their investors are not yet convinced about the company’s sustainability strategies or want to wait and see how regulations evolve or competitors respond before supporting. This compares with 19% in North America and 26% in Europe.



Have you encountered any resistance from investors and/or shareholders about your sustainability transition strategy? (Responses by region)

**EXHIBIT 8**

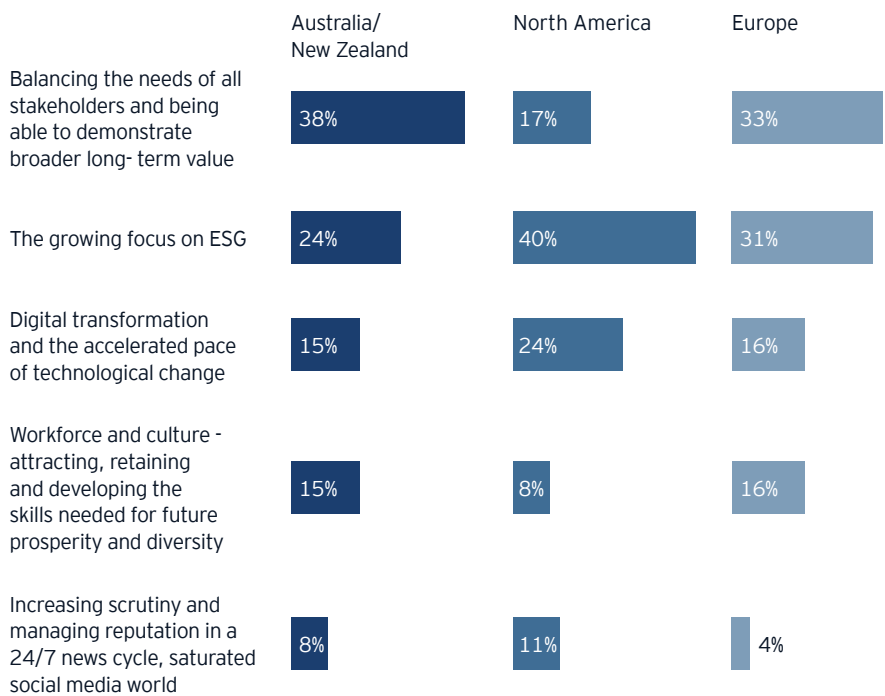


Lower investor support leads more Australian/New Zealand CEOs to identify balancing the needs of all stakeholders as their number one challenge (38% compared to 30% global average). A further 24% cite the growing focus on ESG as the number one challenge contributing to the changing role of the CEO (Exhibit 9).



What challenges and opportunities are contributing most to the changing role of the CEO?  
(Responses by selected regions)

**EXHIBIT 9**



*Note: The respondents were allowed to choose three responses in order of priority. This chart reflects the number one priority.*



# CEOs' strategic focus is on growth and active portfolio evolution

## 2.1 REVENUE GROWTH RATHER THAN EFFICIENCY

### Global view

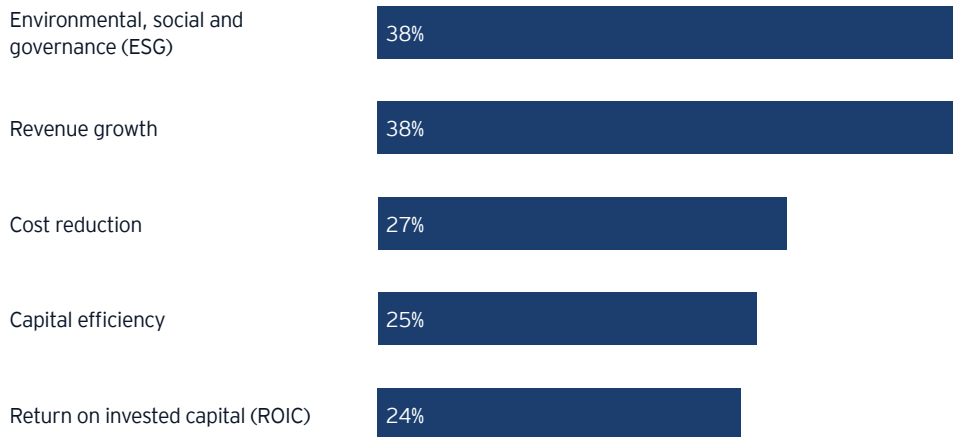
CEOs place different emphasis on each of five drivers of value - revenue growth, cost reduction, capital efficiency, ROIC and ESG - depending on the economic cycle of countries, industries, and companies.

Our survey suggests that, at present, CEOs place the greatest importance on revenue growth and ESG and less on other drivers focussed on efficiency (Exhibit 10). We discussed ESG above, so this section focuses on growth and other factors.



What is the relative importance your company is placing on each of the following drivers of value over the next few years? (Global responses)

### EXHIBIT 10





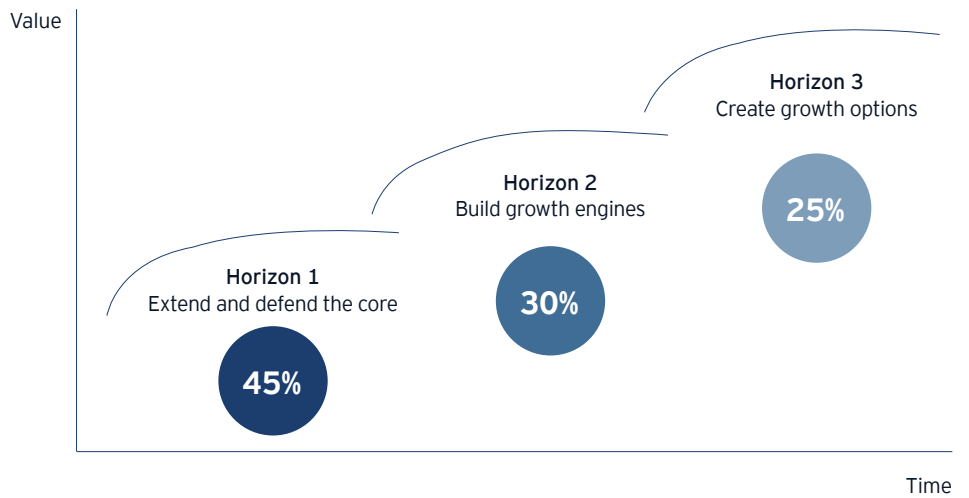
There are several reasons why CEOs are focussed on growth. They may wish to leave a legacy of a company which is bigger and stronger than the one which they inherited. They may want to create an enterprise which makes the world a better place or to create employment opportunities for their local communities. Or they may understand that growing a profitable company is the surest way to create long-term shareholder value. Whatever the motivation, CEOs currently place a higher priority on growth than efficiency.

CEOs plan to support their focus on growth through capital allocation. In the next five years, CEOs expect to deploy 55% of their investment capital either scaling up their company's Horizon 2 growth engines or creation of Horizon 3 growth options (Exhibit 11). They expect to allocate less than half (45%) investment to sustaining and extending the existing Horizon 1 core businesses. While few companies actually achieve this balanced allocation of capital, it shows CEOs have a long-term, growth-oriented mindset.



How has your investment capital been allocated across your company's three horizons for the next five years?  
(Global responses)

**EXHIBIT 11**



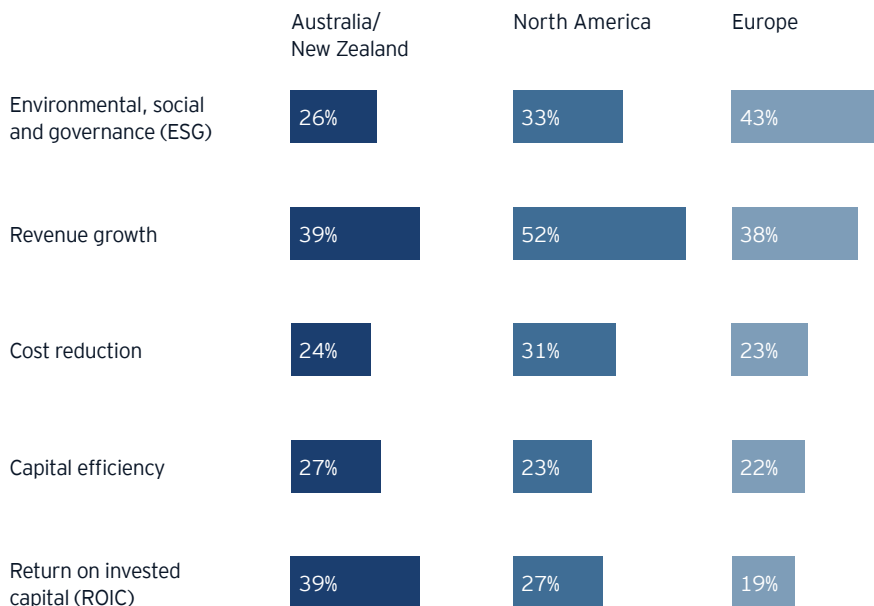
### Australia/New Zealand view

CEOs in Australia/New Zealand rate revenue growth as extremely important less often (39%) than CEOs in North America (52%). Local CEOs are more focussed on return on invested capital: they rate this as extremely important 39% of the time, above North American (27%) and European CEOs (19%) (Exhibit 12). Growing a company with low returns is value destroying, so it is possible that Australian/New Zealand CEOs correctly aim to earn the right to grow through increasing their company's returns, then investing for growth.



What is the relative importance your company is placing on each of the following drivers of value over the next few years? (Responses by selected regions)

**EXHIBIT 12**



## 2.2 MERGER AND ACQUISITION ACTIVITY INCREASING NOT MODERATING

### Global view

The year 2021 set a record for M&A, with well over US\$5 trillion of M&A globally for the first time (based on deal size greater than US\$100m, Exhibit 13).

#### EXHIBIT 13

Global M&A by year  
US\$ Trillion



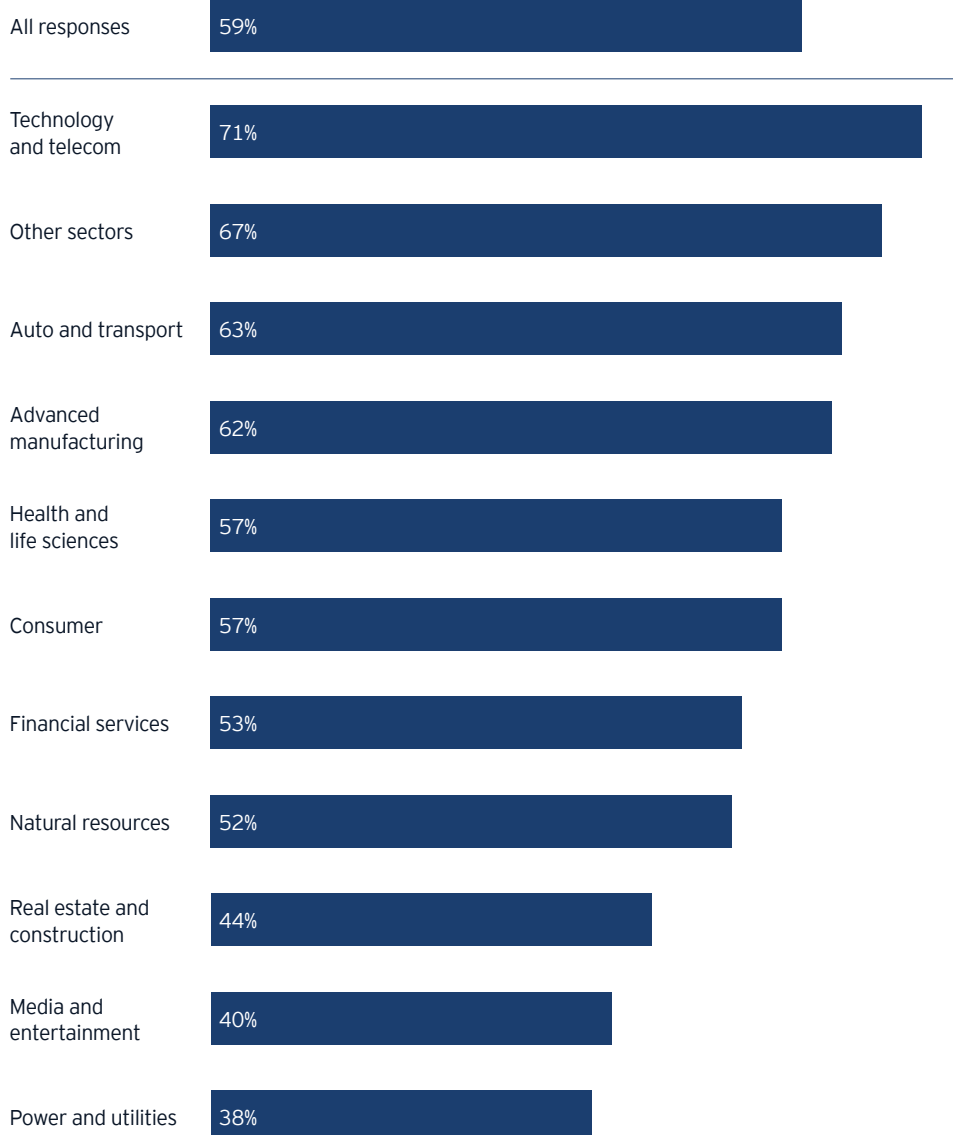
Source: EY analysis and Dealogic  
Note: Based on deals US\$100m+

Our survey suggests the boom is not over. 59% of respondents expect their companies to pursue acquisitions in the next 12 months (Exhibit 14). This is up by 10 percentage points from 49% at the start of 2021. At minimum, 38% of CEOs across all sectors and geographies expect to pursue M&A. CEOs in the technology sector expect to be particularly active (71%).



Do you expect your company to actively pursue M&A in the next 12 months?  
(Global responses)

**EXHIBIT 14**

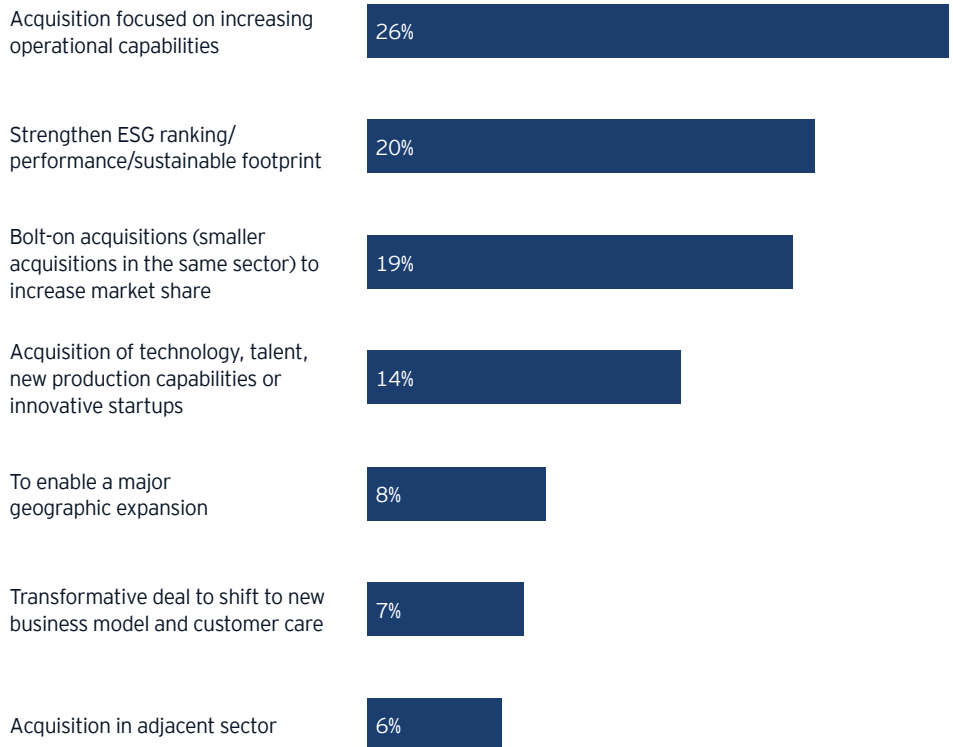




What will your primary, planned M&A activity be? (Global responses)

Our survey suggests these deals will be aimed at improving operational capabilities (26%) and ESG/sustainability footprints (20%), or adding market share in the same sector (19%) (Exhibit 15).

#### EXHIBIT 15

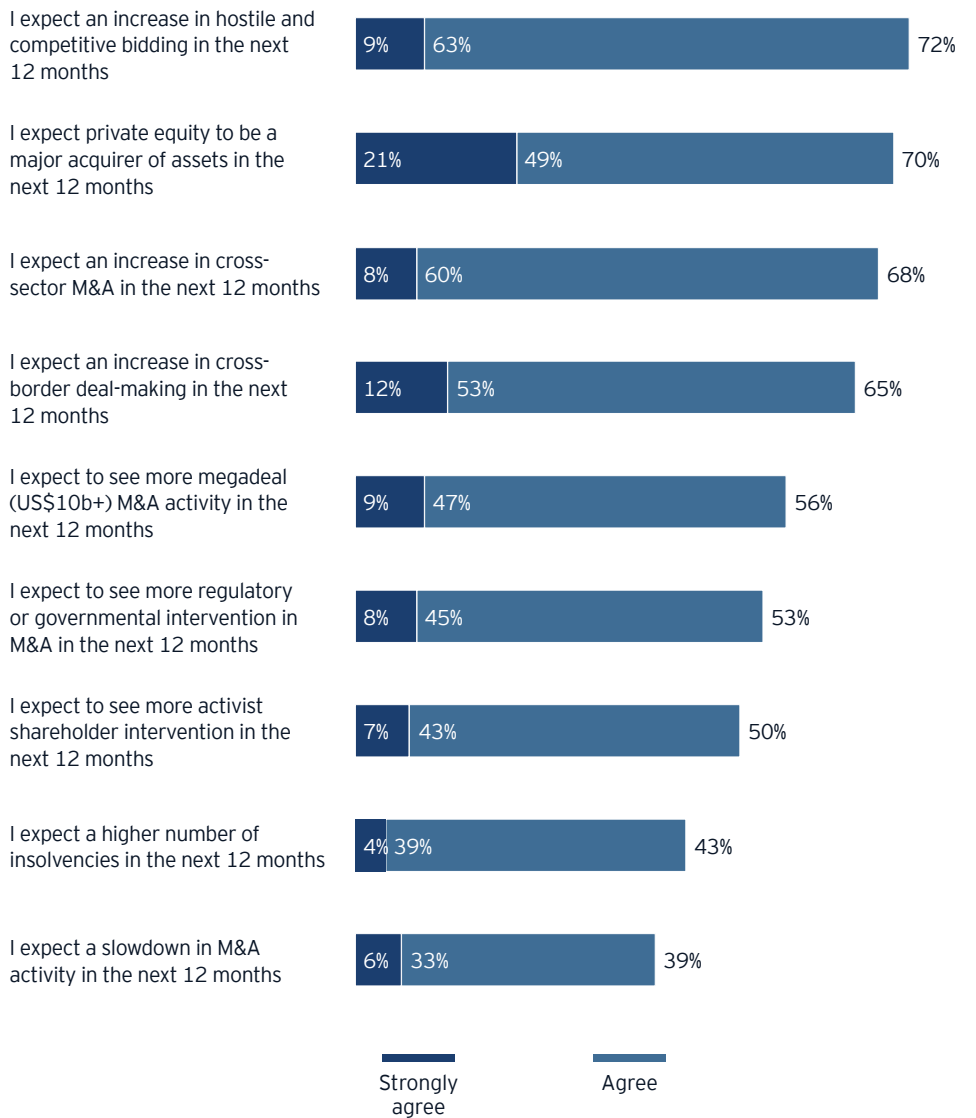


Turning from motive to execution, CEOs said they expect an increase in hostile and competitive bidding (72%), private equity to be a major acquirer (70%), an increase in cross-sector (68%) and cross-border (65%) deal-making, as well as more megadeals (56%) (Exhibit 16).



To what extent do you agree with the following statements? (Global responses)

**EXHIBIT 16**





What are the top destinations in which your company is most likely to pursue an acquisition in the next 12 months? (Global responses)

Cross-border M&A is on the agenda for most CEOs, with 73% of companies pursuing M&A doing so in countries other than their own home market. Globally, the top 10 expected destinations for acquisitions are, in descending order of mentions, the company's domestic market, India, United Kingdom, United States, mainland China, Germany, Canada, Singapore, France and Australia (see Exhibit 17). The ascendancy of India as a prospective destination for M&A is notable.

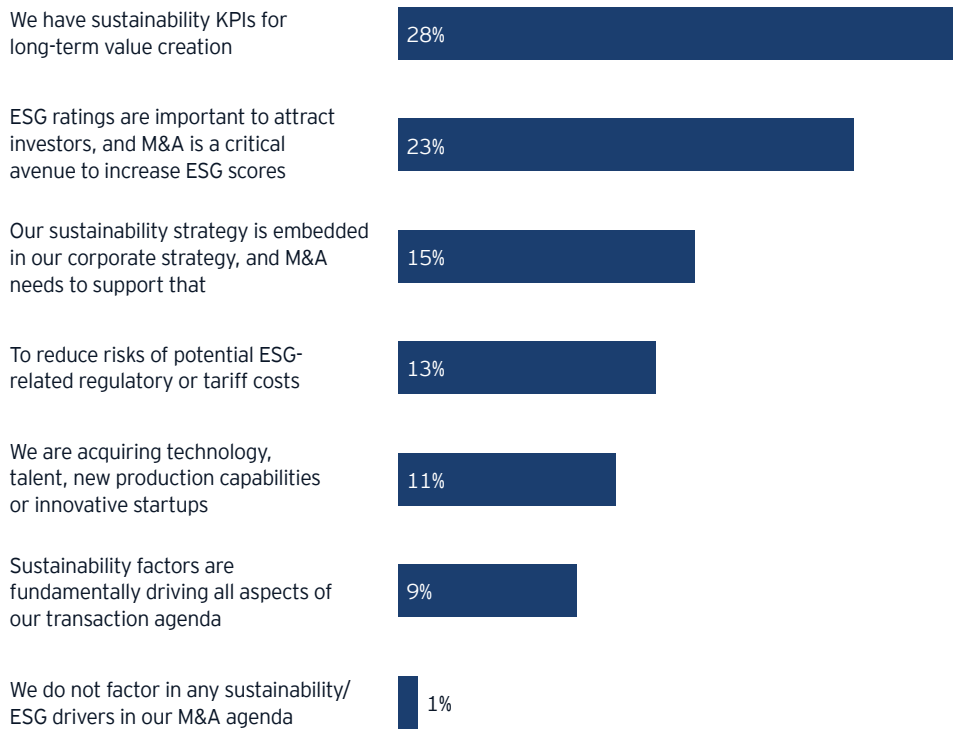
**EXHIBIT 17**



How are sustainability factors driving your M&A agenda? (Global responses)

ESG and sustainability concerns are becoming more important for deal makers, with only 1% saying they do not factor these matters into their buying strategies (Exhibit 18).

**EXHIBIT 18**

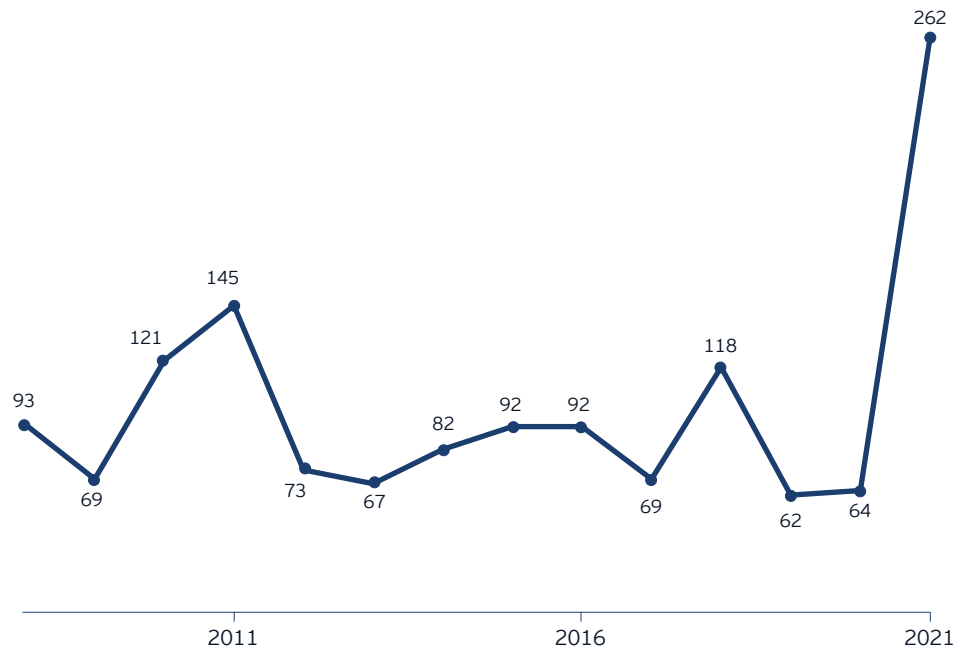


### Australia/New Zealand view

As with the global M&A market, transactions in Australia were also at record levels in 2021, with over US\$260 billion of deals involving Australian companies (based on deal size greater than US\$100m, Exhibit 19). This M&A boom is likely to continue in 2022, given that 61% of Australia/New Zealand CEOs are actively planning acquisitions next year.

#### EXHIBIT 19

Australian M&A by year  
US\$ Billion



Source: EY analysis and Dealogic  
Note: Based on deals US\$100m+

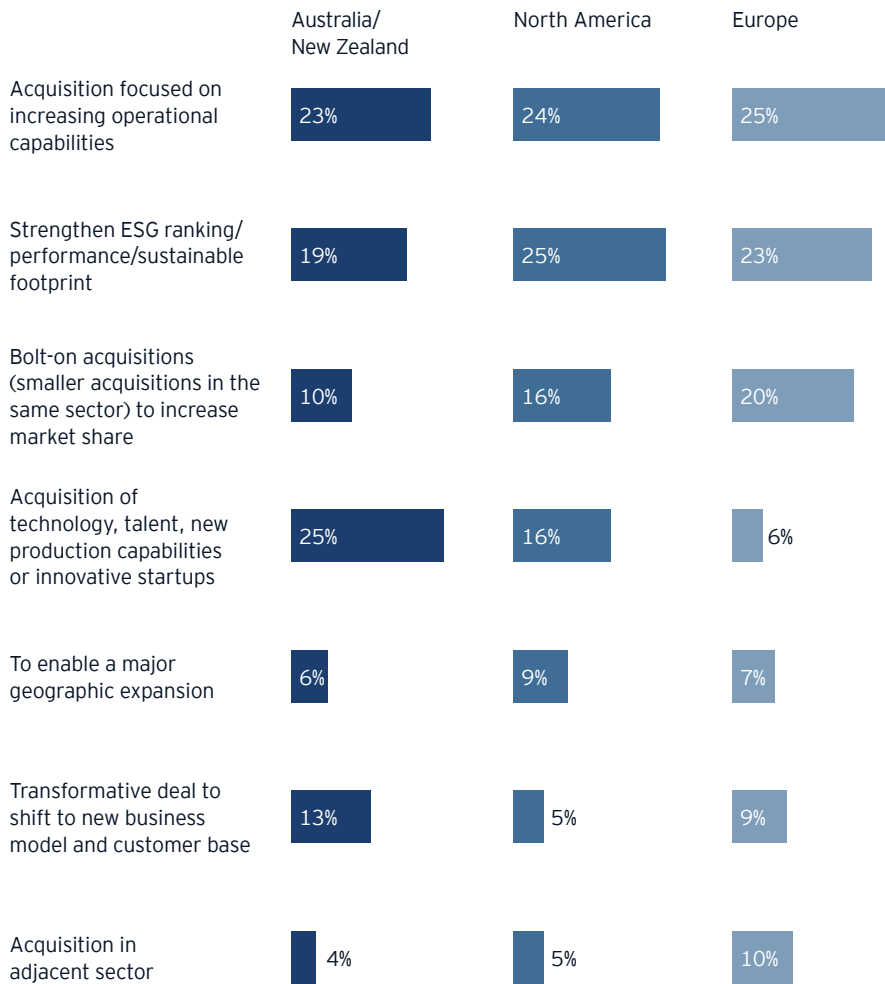


However, Australian/New Zealand CEOs have distinctive M&A objectives. They are much more focussed on acquisitions as a short-cut route to technological innovation than are US and European peers (Exhibit 20). Reflecting the need to catch up on technology and to meet disruptive competitors, 25% of Australia/New Zealand CEOs cite acquisition of technology, talent, new production capabilities or innovative start-ups as their primary target, compared to only 16% of North American and 6% of European CEO's.



What will your primary, planned M&A activity be? (Responses by selected regions)

**EXHIBIT 20**



Australia/New Zealand CEOs are more focussed offshore than their global peers. The most likely destinations for M&A are India, followed by Australia, USA, Singapore, United Kingdom, and the Philippines. While the importance of United States, United Kingdom, and ASEAN countries is not a surprise, the rise of India and the absence of China is an important trend (Exhibit 21).



What are the top destinations in which your company is most likely to pursue and acquisition in the next 12 months?  
(Responses by region)

**EXHIBIT 21**

Australia/NZ



North America



Europe



Asia



## 2.3 GROWTH CLOSE TO CORE, NOT DIVERSIFICATION

### Global view

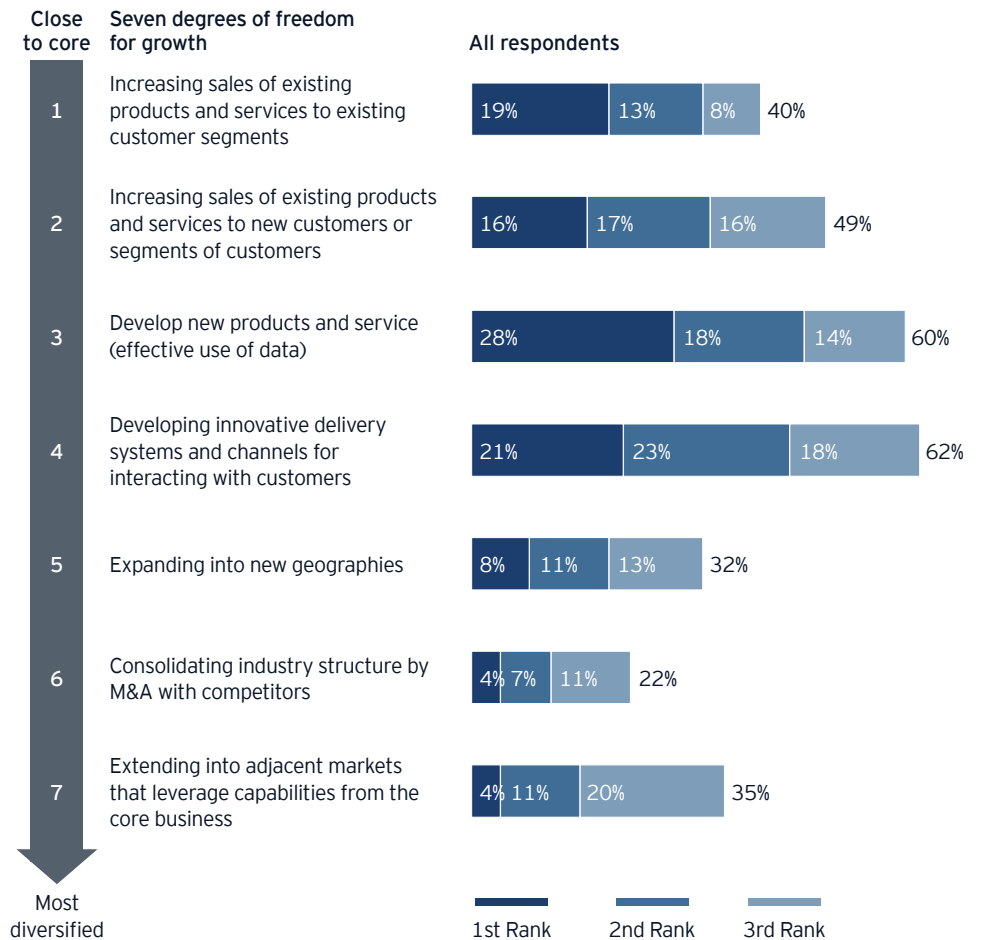
Across the seven possible degrees of freedom for growth, ranging from selling more existing products to existing customers to diversification into adjacencies, the survey suggests CEOs' priority is growth relatively close to the core (Exhibit 22). When asked to nominate their number one source of growth over the next five years, the four growth drivers closest to the core were the most commonly nominated. Sales of new products and services, enabled by effective use of data, was most often nominated as the number one driver, although North American CEOs were more focussed on sales of existing products and services to existing customers (31%) - equivalent to driving share in existing businesses. Increasing sales of existing products to new customers and segments and developing innovative delivery systems and channels are also popular vectors for growth close to core.

Only 4% nominated extending into adjacent markets that leverage capabilities from the core business, which is the most challenging source of growth and relatively unfashionable with investors who, in general, dislike excessive diversification.



How important are each of the following sources of growth likely to be for your company over the next five years? (Global responses)

**EXHIBIT 22**



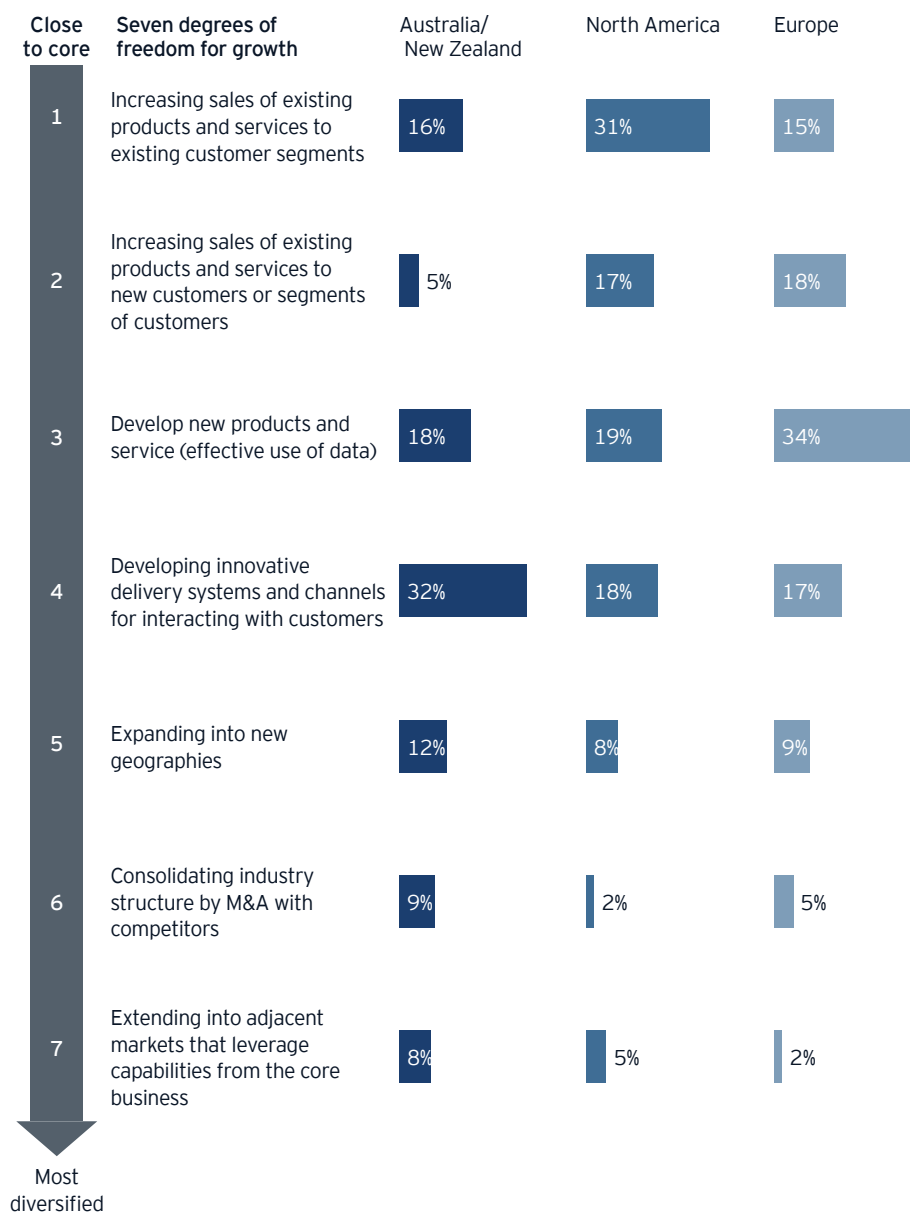
### Australia/New Zealand view

Australia/New Zealand CEOs also seek growth close to core rather than diversification but stand out from other regions in nominating development of innovative delivery systems and new channels for delivering existing products and services (32% top choice) more often than North America (18%) and Europe (17%) (Exhibit 23).



How important are each of the following sources of growth likely to be for your company over the next five years? (Responses by selected regions)

**EXHIBIT 23**



*Note: The respondents were allowed to choose three responses in order of priority. This chart reflects the number one priority.*

## 2.4 ACTIVE PORTFOLIO EVOLUTION NOT STASIS

### Global view

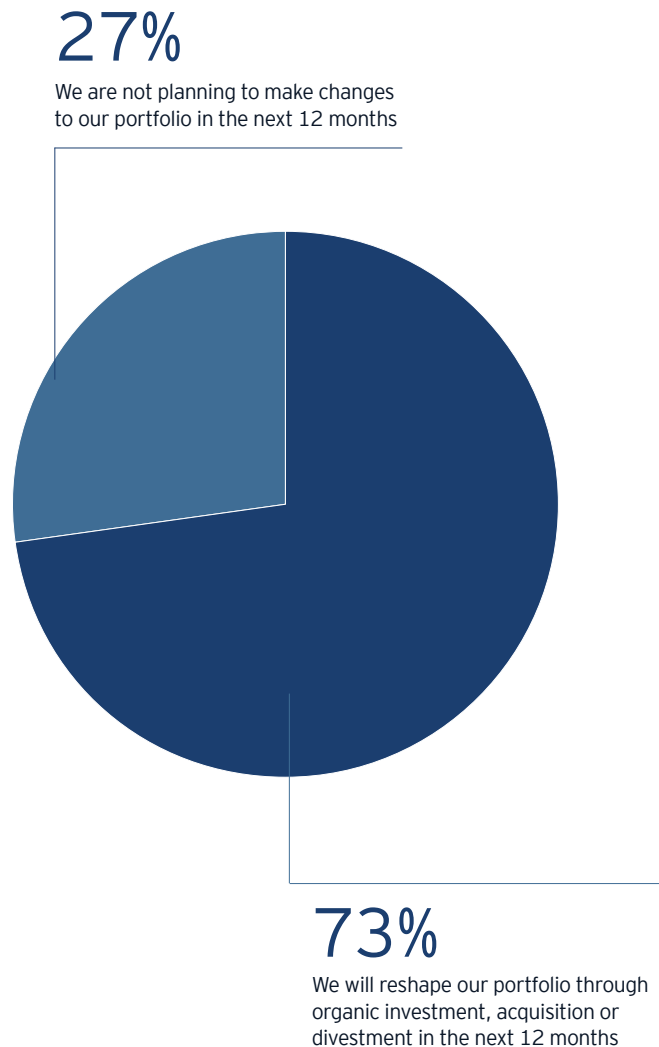
Over time, almost all successful growth companies evolve their portfolios and broaden their capabilities.

Our survey shows that 73% of CEOs intend to optimise portfolios over the next 12 months through either acquisition, divestment, or organic investment (Exhibit 24).



How do you plan to optimise your portfolio in the next 12 months?  
(Global responses)

EXHIBIT 24



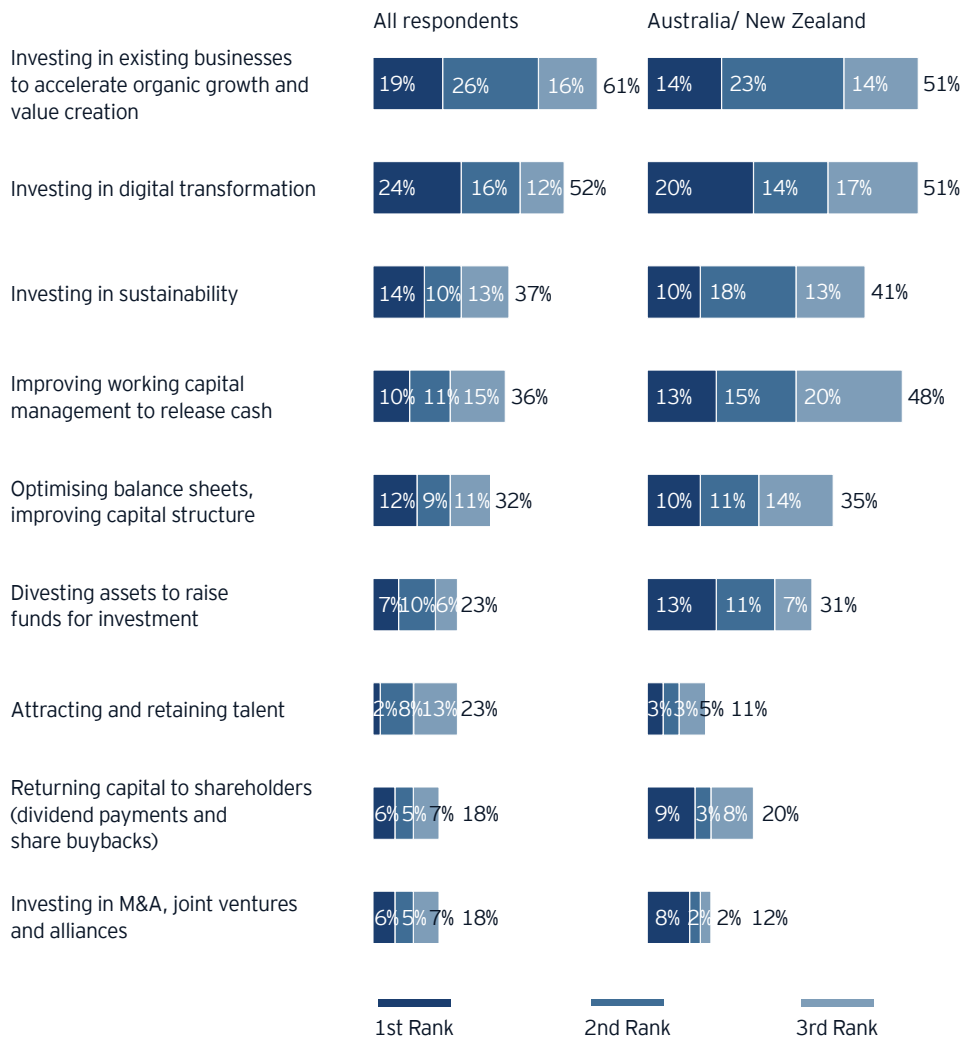
Looking out for the next five years, there are signs that despite the CEOs' focus on growth close to the core as top priority, there is scope for more adventurous ideas. 35% of CEOs foresee step-outs into adjacent markets in the next five years as amongst the top three priorities (Exhibit 22).

CEOs also plan to use divestments to evolve their companies' portfolios (Exhibit 25). Globally, 23% of surveyed CEOs see divestments as one of the top three priorities in the company's capital strategy.



On which of the following capital strategy issues is your company placing the greatest attention and resources today? (Global responses)

**EXHIBIT 25**



## Australia/New Zealand view

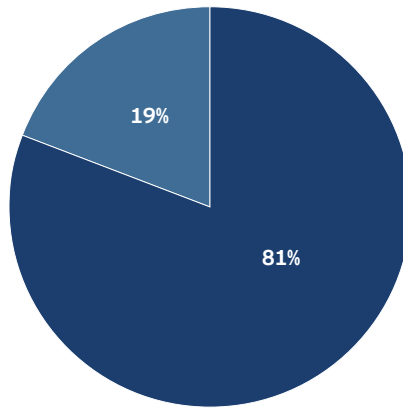
In the next 12 months, 81% of Australia/New Zealand CEOs plan to optimise their companies' portfolios through acquisition, divestment and reshaping through organic investment. Exhibit 26 shows this is higher than North America (68%) and Europe (70%), although like Asia at 80%.



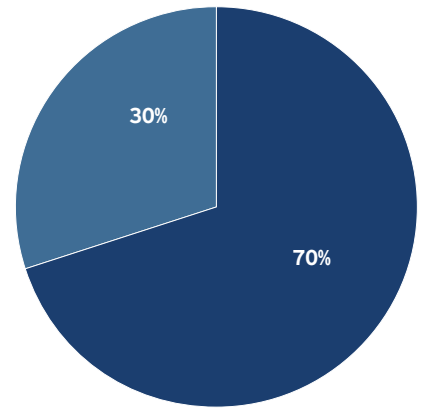
How do you plan to optimise your portfolio in the next 12 months?  
(Responses by selected regions)

**EXHIBIT 26**

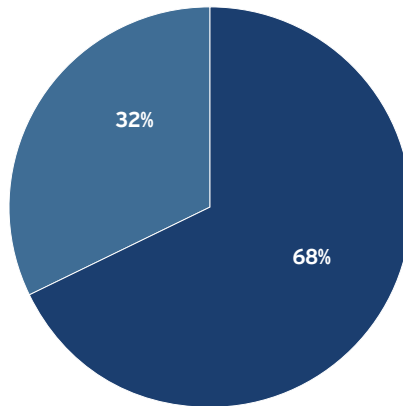
AUSTRALIA/ NEW ZEALAND



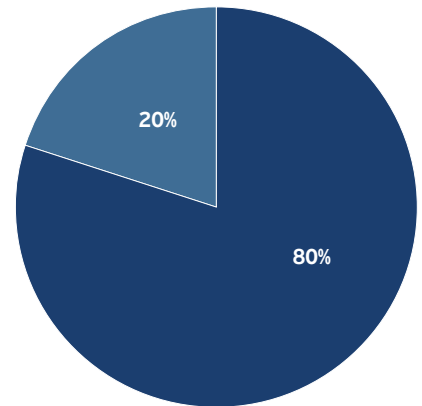
EUROPE



NORTH AMERICA



ASIA



We will reshape our portfolio through organic investment, acquisitions or divestment in the next 12 months

We are not planning to make changes to our portfolio in the next 12 months

Over the five-year horizon 30% of Australia/New Zealand CEOs see step-outs into adjacencies as one of the top three sources of growth, which is lower than North American CEOs at 42%.

# CEOs' operational focus is on technology and supply chain

## 3.1 MARGIN GROWTH THROUGH TECHNOLOGY NOT GLOBALISATION OF OPERATIONS

### Global view

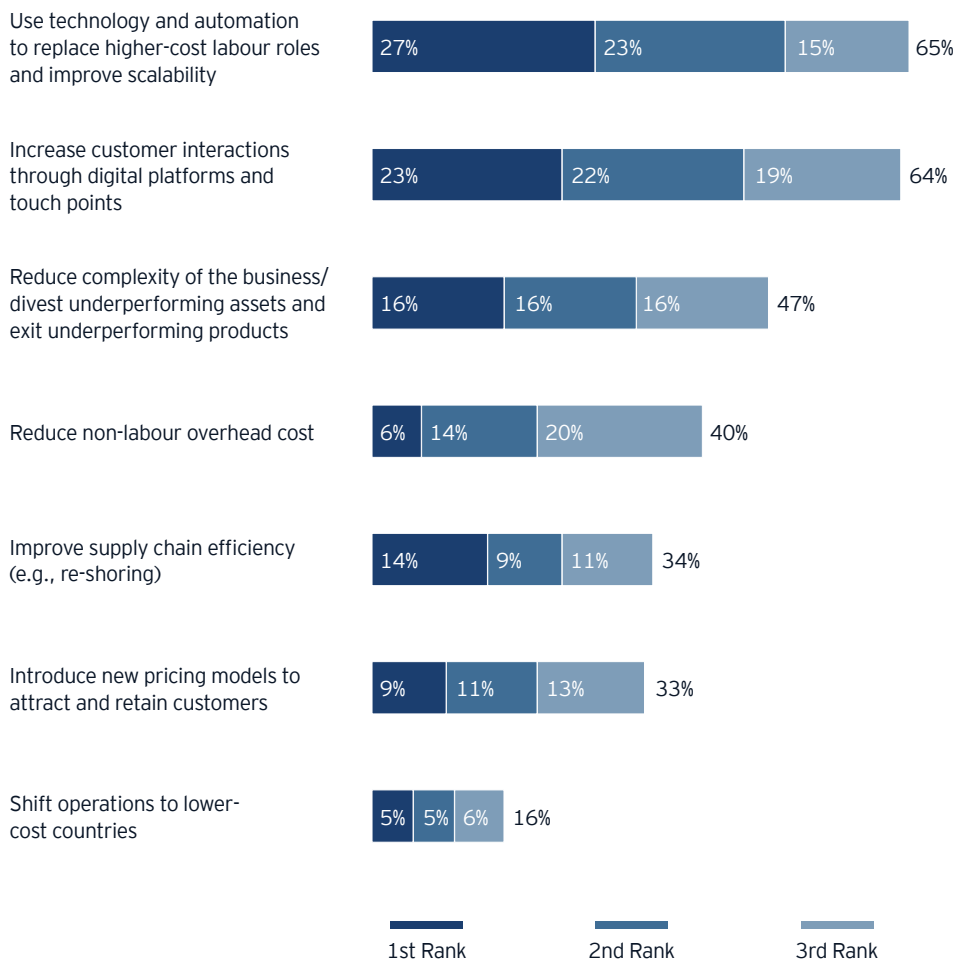
When asked about plans to improve profit margin, CEOs have relatively little appetite for shifting operations to lower cost countries (16% top three). Indeed, improving supply chain efficiency through “re-shoring” (34% top three) has double the interest to off-shoring operations to low-cost countries (Exhibit 27).

Instead, CEOs plan to drive margins through digitisation of customer interactions (64% ranked this in top three priorities) and substitution of technology and automation for high-cost labour (65% top three).



What strategic drivers are you using to protect or improve profit margins? (Global responses)

### EXHIBIT 27

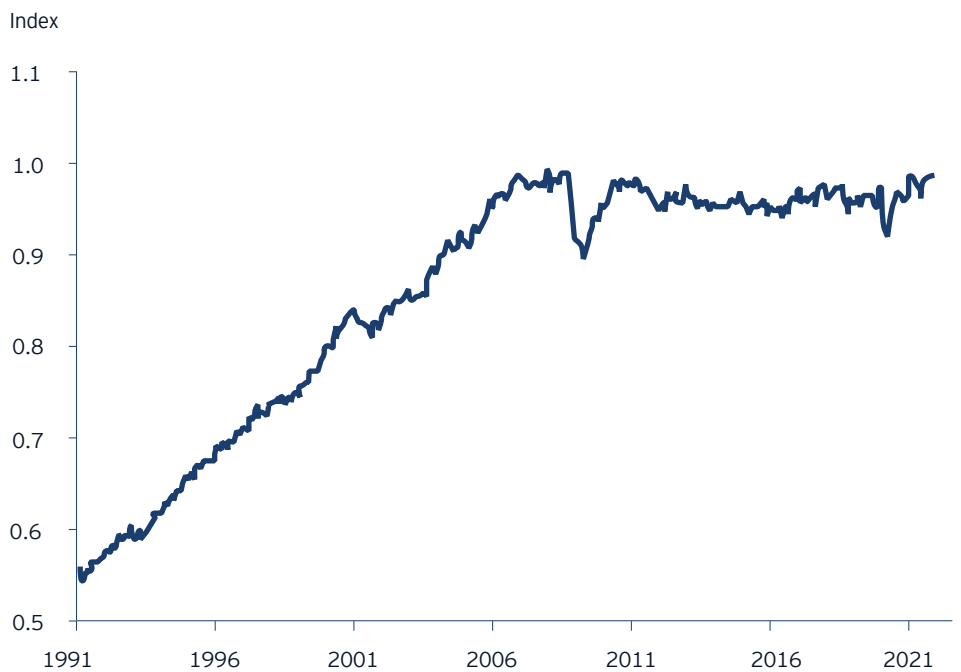




Changing attitudes to “re-shoring” and “off-shoring” may be part of the explanation for a levelling off in global trade intensity measured by value as a proportion of industrial production (Exhibit 28). Trade intensity doubled in the 1990s and early 2000s as corporations built global supply chains, trade barriers reduced, and China increased its role in global trade. However, this ratio of global trade intensity has flatlined for the last decade. Our survey would imply that this indicator of trade intensity or globalisation is likely to decline in the next decade as CEOs seek the security and resilience of supply chains closer to home and pursue more measured expansions in the international supply chains of their firms.

### EXHIBIT 28

Globalisation trend world trade relative to world industrial production



Source: BCA Research and CPB Netherlands Bureau for Economic Policy Analysis

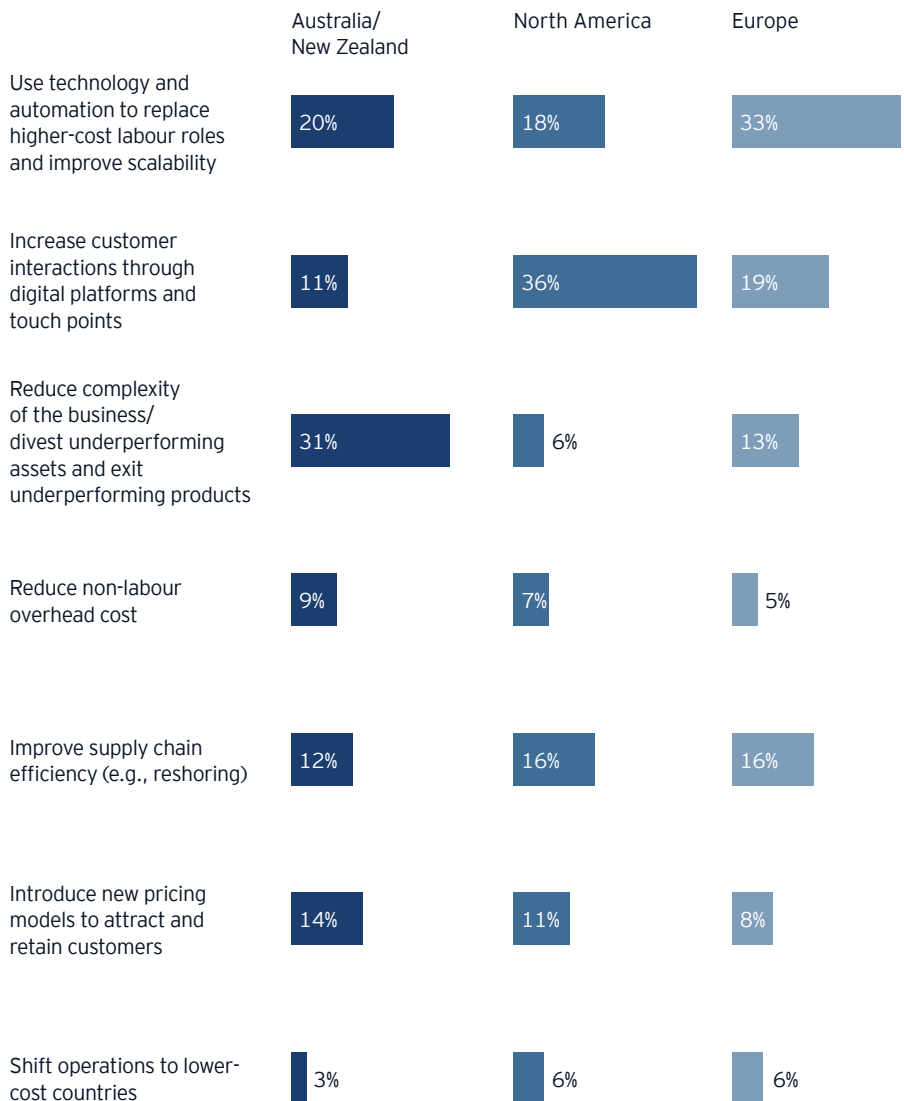
### Australia/New Zealand view

Compared to global peers, Australian/New Zealand CEOs are less focussed on technology and more inclined toward 'cutting' and 'exiting' than others (Exhibit 29). Whereas 36% of North American CEOs rate digitisation of customer interactions as the top priority for margin enhancement, only 11% of Australia/New Zealand CEOs do. Conversely, 31% of Australia/New Zealand CEOs rate reducing complexity, divesting underperforming assets, and exiting underperforming products as the top priority versus only 6% of North American CEOs.



What strategic drivers are you using to protect or improve profit margins? (Responses by selected regions)

**EXHIBIT 29**



*Note: The respondents were allowed to choose three responses in order of priority. This chart reflects the number one priority.*

## 3.2 SUPPLY CHAIN ADAPTATION

### Global view

Given heightened geopolitical tensions, pandemic-induced supply disruptions and rising ESG concerns about sourcing practices, it is not surprising that supply chains are top of mind for CEOs.

78% of CEOs say they have adjusted, or plan to adjust, global operations or supply chains. CEOs have sought to reduce logistics cost and uncertainty (25%), manage geopolitical risks (24%), add suppliers to create resilience (17%), and reduce supplier numbers to improve critical relationships (12%) (Exhibit 30). This survey was conducted before the Russian invasion of Ukraine in early 2022; almost certainly this event has increased already sharp CEO focus on geopolitical challenges.



Have you adjusted or are you planning to adjust your global operations or supply chains? (Global responses)

#### EXHIBIT 30

Yes - We have adjusted our supply chain to reduce logistics costs and uncertainty

25%

Yes - We have adjusted our supply chain to manage geopolitical risks

24%

Yes - We have increased the number of suppliers to increase resilience

17%

Yes - We have reduced the number of suppliers to improve critical supply relationships

12%

No

22%

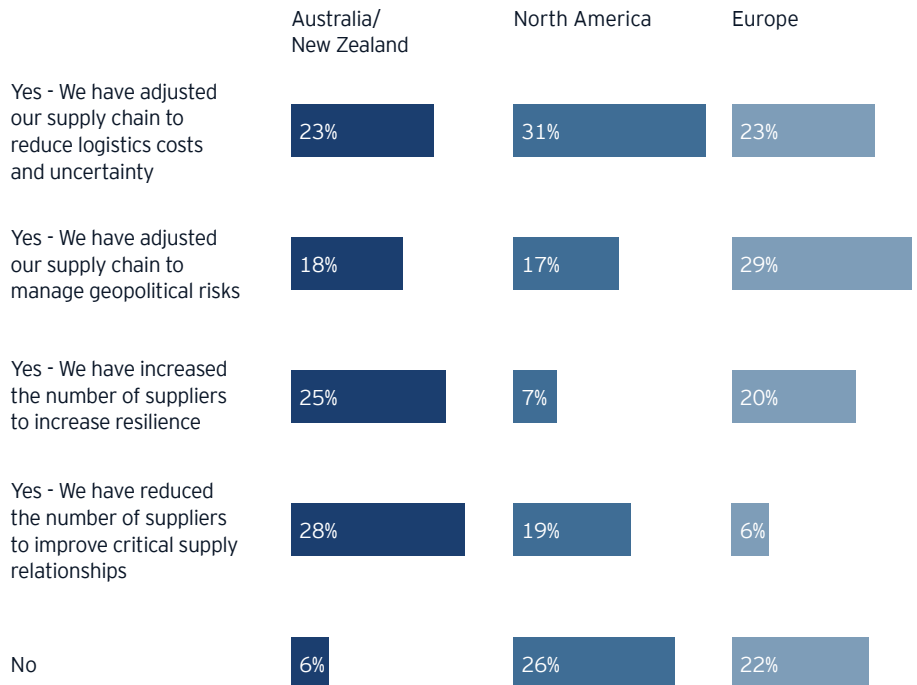
### Australia/New Zealand view

In Australia/New Zealand, supply chain adaptation is even more common. 94% of Australian/New Zealand CEOs say that they have adjusted, or plan to adjust, global operations and supply chains (94%) versus North American (74%) and European (78%) CEOs (Exhibit 31). Australia/New Zealand CEOs are more focussed on reducing the number of suppliers to improve critical supplier relationships (28%) versus 19% in North America and 6% in Europe.



Have you adjusted or are you planning to adjust your global operations or supply chains?  
(Responses by selected regions)

**EXHIBIT 31**





# CEOs are worried by geopolitical and climate risks

## 4.1 GEOPOLITICAL AND CLIMATE CHANGE RISKS DOMINATE OVER WORKFORCE ISSUES

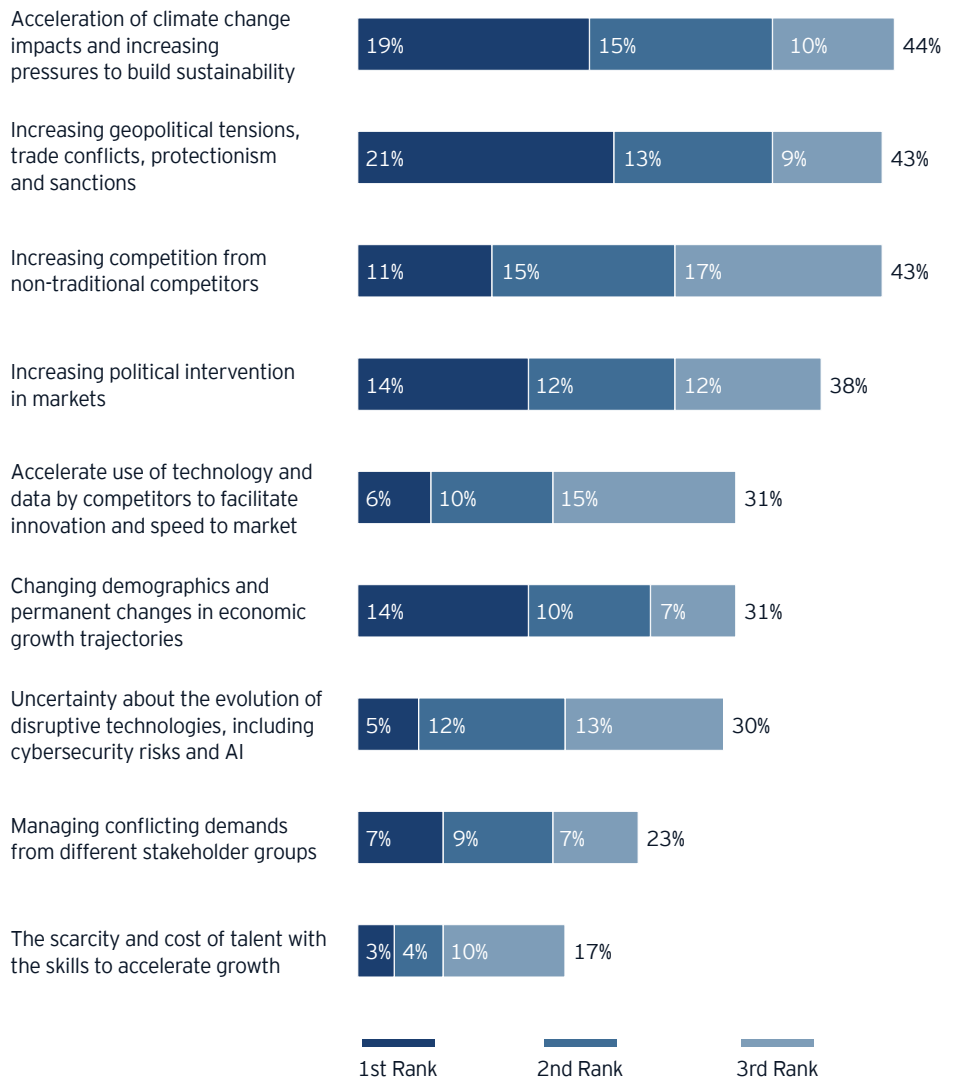
### Global view

When asked about the most critical risks to their future growth strategy, the most common first-ranked answer was growing geopolitical tensions, trade conflicts, protectionism and sanctions (21% of CEOs), followed by acceleration of climate change impacts and increasing pressures to build sustainability as a core aspect of products and services (19%) (Exhibit 32).



Which of the following issues are the most critical risks to your future growth strategy? (Global responses)

### EXHIBIT 32



Technology-enabled competitive risk from non-traditional competitors was ranked much more highly in three industry sectors already experiencing rapid technology driven change– technology and telecom, automotive and media and entertainment.

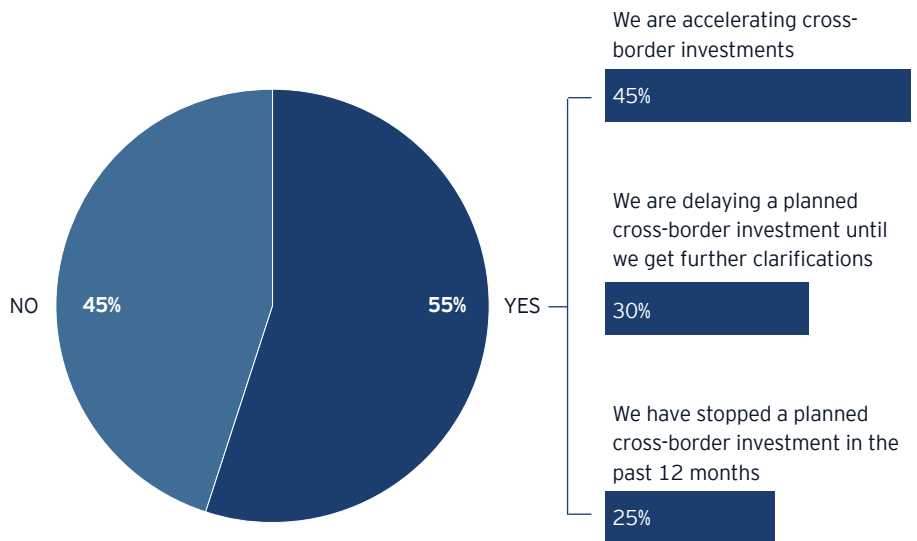
These answers suggest CEOs clearly distinguish long-term strategic risks from short-term operational concerns. Despite the recent press about challenges from labour shortages and staff resignations exacerbated by pandemic effects, few CEOs (3%) rate talent scarcity as the most important risk to future growth strategy.

That said, these longer-term risks are driving CEOs to act quickly. As well as the supply chain adjustments described above, 55% of CEOs say that geopolitical challenges are forcing adjustment to strategic investment by accelerating cross border investment (45%), delaying cross-border investment (30%), or stopping a planned cross-border investment (25%) (Exhibit 33). As discussed above, a survey conducted after the Russian invasion of Ukraine would likely show even greater focus on geopolitical driven adjustments.



Are geopolitical challenges forcing you to adjust strategic investment?  
(Global responses)

**EXHIBIT 33**



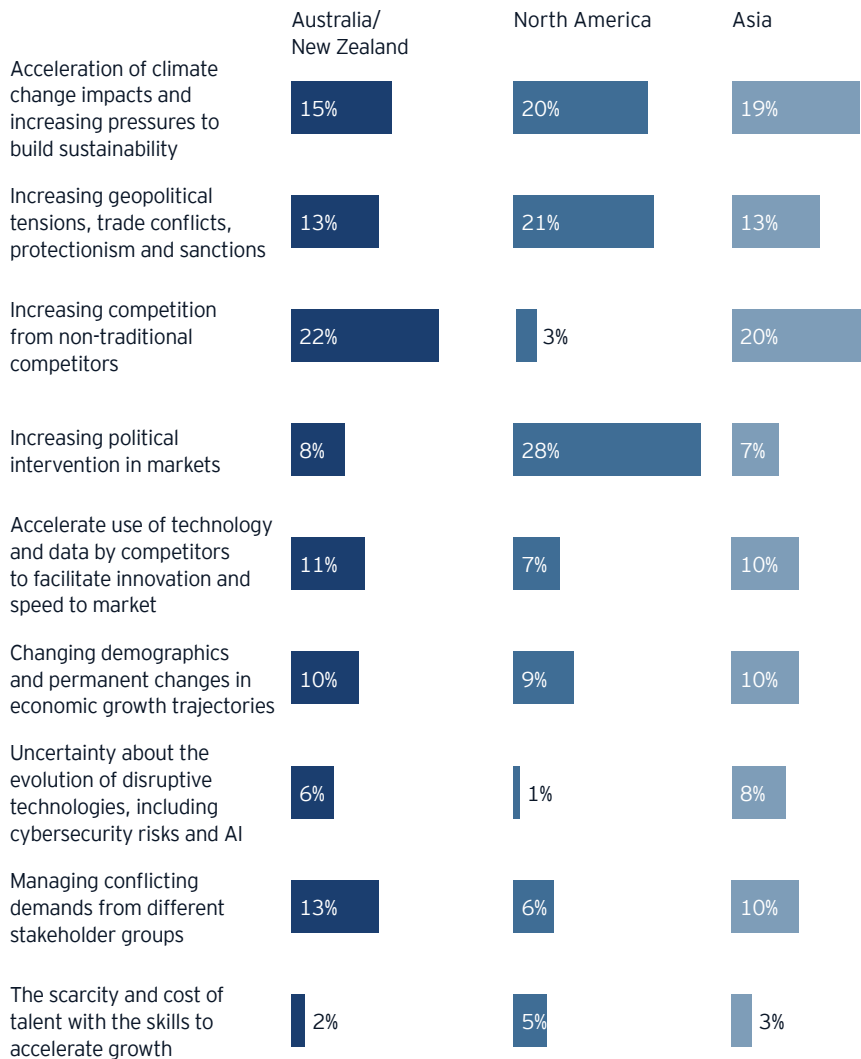
### Australia/New Zealand view

Our survey suggests Australia/New Zealand CEOs feel more threatened by technology innovation from existing and new competitors than global peers. Increasing competition from non-traditional competitors is clearly the top-ranked risk. This includes outside entrants with new technologies that are shifting consumer preferences (22% top rank) (Exhibit 34). A further 11% of local CEOs cite accelerating use of technology and data by competitors to facilitate innovation and 6% cite uncertainty about the evolution of disruptive technology. Taken as a group, these three competitive threats fuelled by technology innovation add to 39% of top-ranked risks.



Which of the following issues are the most critical risks to your future growth strategy? (Global responses)

**EXHIBIT 34**



*Note: The respondents were allowed to choose three responses in order of priority. This chart reflects the number one priority.*



This concern is much more pronounced in Australia/New Zealand (39%) than in North America (11%) where much of the technology innovation originates. Interestingly Asian CEOs (38%) have the same technology fuelled competition fears as Australian/New Zealand CEOs.

## 4.2 COVID-19 PANDEMIC A NEGATIVE STRATEGIC RISK FOR ONLY A MINORITY OF BUSINESSES

### Global view

Even though the Covid-19 pandemic has caused very serious short-term disruptions for many companies, only 21% of global CEOs say Covid-19 has had a permanent, negative impact on their industry (Exhibit 35). The impact was short-term for 36%, while a combined 27% said it had little or no negative affect or a positive impact. A further 16% said it had accelerated trends without offering a judgement on positive or negative impact.



Which of the following statements most accurately reflects the impact of the COVID-19 pandemic on your industry? (Global responses)

**EXHIBIT 35**



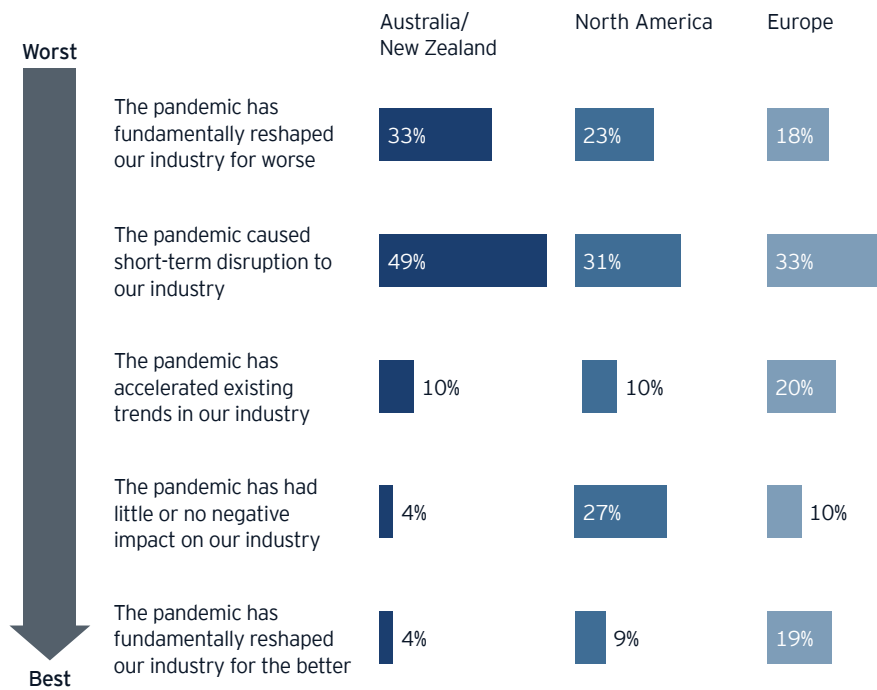
### Australia/New Zealand view

Australian CEOs perceive the Covid-19 pandemic has had a more lasting negative effect than do their overseas peers. A third of local CEOs believe the pandemic has fundamentally reshaped their industry for the worse vs 23% in North America and 18% in Europe. Only 3% think their industry has been reshaped for the better compared with 13% globally (Exhibit 36).



Which of the following statements most accurately reflects the impact of the COVID-19 pandemic on your industry?  
(Responses by selected regions)

**EXHIBIT 36**





# Final remarks

We believe the findings of this global CEO survey can usefully inform and provoke important strategic dialogues between CEOs, their senior teams and their Boards. The insights from this report can helpfully sit alongside other important inputs - such as a clear assessment of an organisation's situation, an appreciation of long-term performance trends and a structured view as to how markets and competition will change over time - that all support the formulation of sound strategic choices.

For Australian and New Zealand CEOs, the survey paints a picture of a new, broadening strategic landscape; one in which geopolitics will become a more assertive factor, alongside evolving priorities regarding sustainability and technological change.

The survey also paints a challenge for CEOs to integrate these broader priorities into their objectives, strategies and organisation designs.



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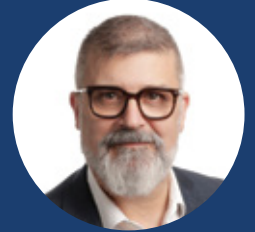
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