



Will bold strategies fuel market-leading growth?

EY 2022 CEO Outlook Survey | ey.com/ceosurvey



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New realities, new strategies: leading CEOs look beyond short-term pressures to invest in long-term value creation in 2022.

Many companies are now laser-focused on transformation – embracing the changes initiated or accelerated by the pandemic. Given the huge scale of investments in M&A and organic measures in 2021, it's clear that many companies are reshaping themselves to capture the upside of the economic rebound. Within this competitive context, CEOs not yet designing and delivering ambitious investment strategies for growth risk falling behind in the race to transform for a better future.

In this edition of the [CEO Imperative Series](#), which provides critical answers and actions to help CEOs reframe the future of their organizations, we explore how CEOs are responding to the pandemic and the recovery, and offer recommended actions to help them fuel market-leading growth in the year ahead.

In brief

- ▶ Leading CEOs are resetting their risk radar and reframing their investment strategy for growth in a new environment.
 - ▶ M&A remains a critical strategic option to boost capabilities in technology, talent and innovation as well as environmental, social and governance (ESG)/ sustainability strategies.
 - ▶ Most CEOs have investor support, but a fifth (21%) face challenges to safeguard future growth plans with backers.
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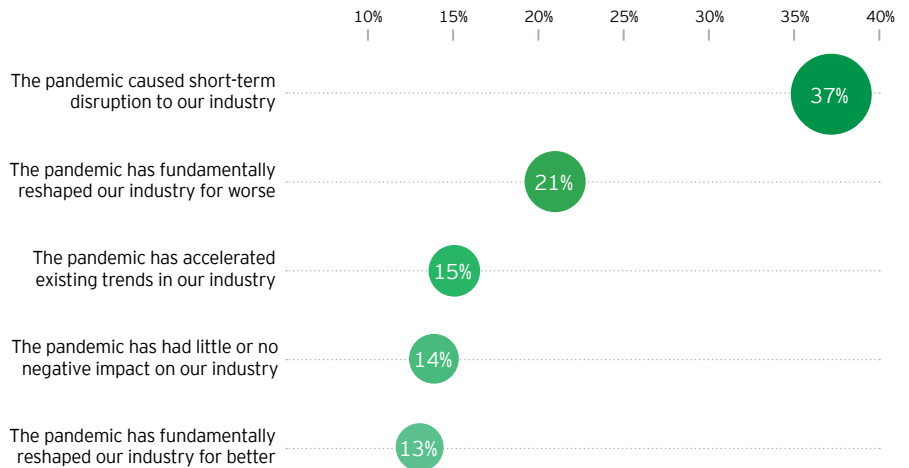
Managing new opportunities, mitigating new types of risk

CEOs are still dealing with the fallout of the pandemic.

Many CEOs are responding to the impact of the pandemic, according to the *EY 2022 CEO Outlook Survey*. The survey of 2,000 global CEOs unsurprisingly shows that the vast majority (86%) have been impacted by the pandemic.

Q Which of the following statements most accurately reflects the impact of COVID-19 on your industry?

(Top five options shown)



In a reshaped landscape CEOs are positioning for growth and anticipate significant upside opportunities. Early and bold choices on portfolio-transforming investments, particularly acquisitions and divestments, proved decisive in the wake of the global financial crisis. And risk-vs.-return history could be repeating itself for those with the right strategies.

But there are potential downsides. Exogenous risks – geopolitical tension, political market interference and the climate emergency – are top CEO concerns. Risks they can better control, such as managing conflicting stakeholder demands and the cost of talent, come further down the list.

Geopolitical tension is shifting portfolio investments. Many CEOs are rethinking cross-border operations. [Increasing neo-statism is redefining a global operating environment](#) largely defined by competition and cooperation among the US, EU and China.

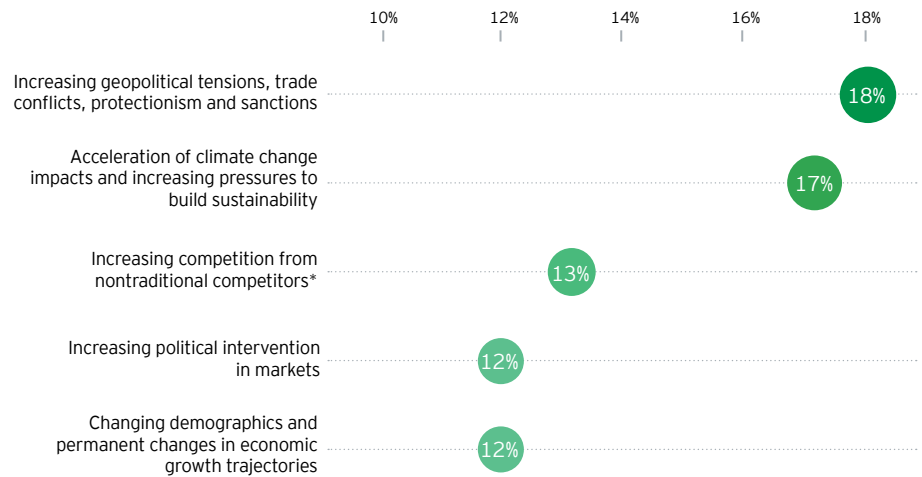
In this context, many CEOs are reconfiguring supply chains to reduce costs and minimize uncertainty. They are presiding over companies with the same products and services, but the way in which those are produced and delivered has completely changed. The pandemic has demonstrated how supply security can be a competitive advantage.

Companies are making these changes while adapting to an increasingly multipolar regulatory environment with complicated – and often conflicting – demands.

Q Which of the following issues are the most critical risks to your future growth strategy?

(Top five options shown)

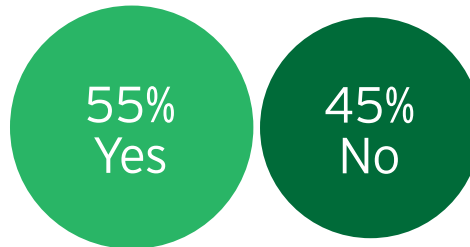
*Increasing competition from nontraditional competitors, including outside entrants with new technologies that are shifting consumer preferences and/or behaviors. The respondents were allowed to select three responses in order of priority. The percentages are prorated to 100%.



But this is not the end of globalization. Of CEOs adjusting investment plans, nearly half (45%) have increased cross-border investment: there is no sign of domestic retrenchment – yet.

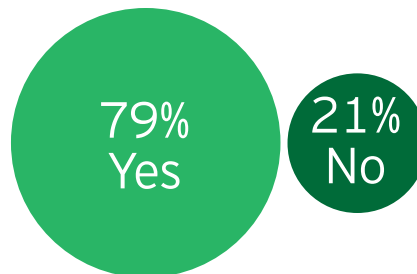
Q Are geopolitical challenges forcing you to adjust strategic investment?

The respondents were allowed to select all applicable responses. The percentages are prorated to 100%.



Q Have you adjusted or are you planning to adjust your global operations or supply chains?

The respondents were allowed to select all applicable responses. The percentages are prorated to 100%.

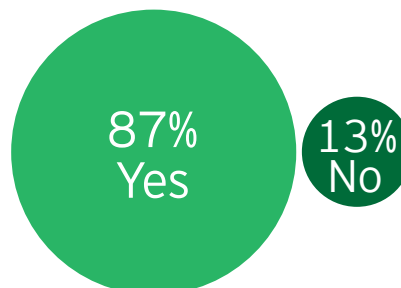


But the most immediate and increasingly international issue of concern is inflation, which has returned in a way that many of today's CEOs have not experienced.

There is no one cause of the input pricing issues being seen across all sectors. In the past two years, pandemic-related shutdowns have wreaked havoc on global supply chains. Labor and energy costs have risen, as have the costs of raw materials. Freight rates have jumped more than 400% from their 2019 levels.¹ Add mounting warehousing costs and sales lost because of delays and it amounts to an increased cost of doing business across the board.

Q Have you seen a significant increase in input prices?

The respondents were allowed to select all applicable responses. The percentages are prorated to 100%.



1. Frank Holmes, *Shipping Bottlenecks Could Last Well Into 2022. That's Good News For Investors*, 1 November 2021, accessed via forbes.com

Key CEO considerations

in 2022

Change from the inside out: Reconfigure internal processes to strengthen operational resilience and the talent agenda, while engaging external ecosystems – suppliers, partners and customers – to position for future growth.

Stability is no accident: Strategically prioritize for the next unforeseen shock to help safeguard optionality across the enterprise, including supply chain security and channels to customers.

See around corners: Plan for a changing regulatory environment, such as emerging oversight of how companies can store and use data for commercial ends.

Andrea Guerzoni on CNBC
Squawk Box Europe

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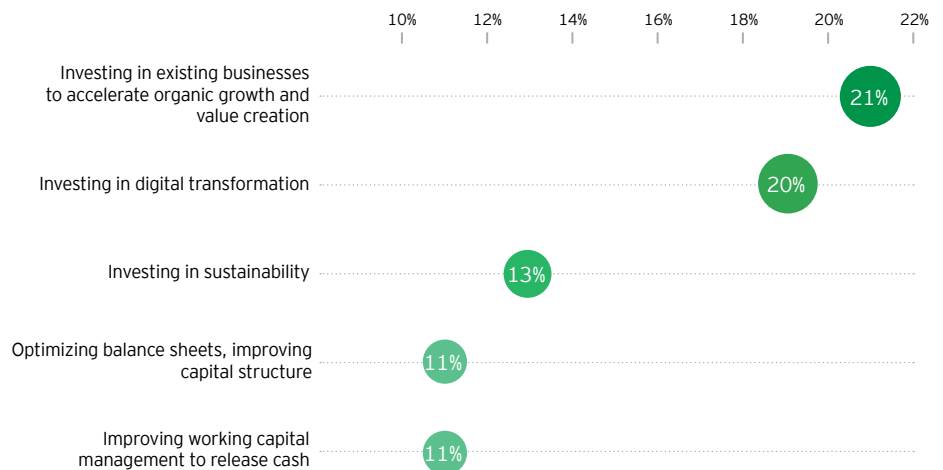
Investment strategies as opportunity abounds

Rapidly emerging trends are driving CEOs to make bold decisions now.

Many CEOs clearly recognize the need to invest now to secure future opportunities. Optimizing current operations is critical to future investment plans.

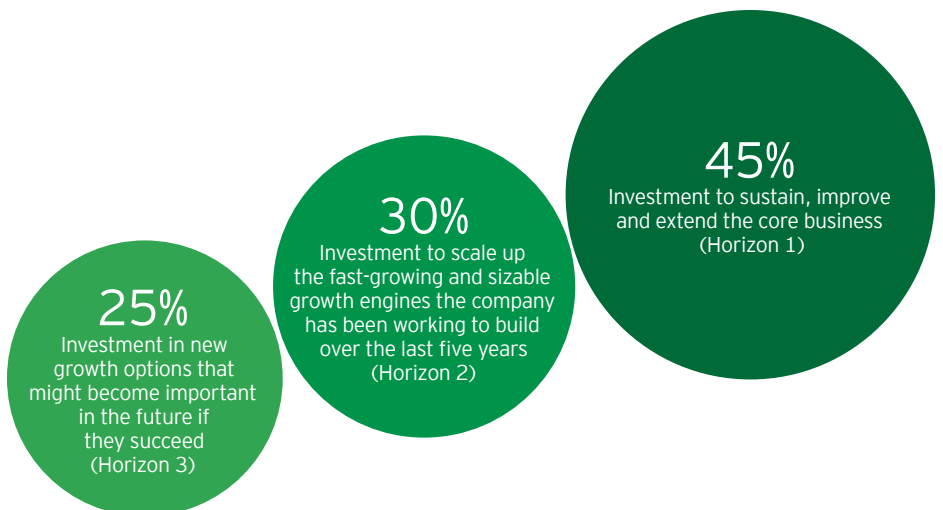
Q On which of the following capital strategy issues is your company placing the greatest attention and resources today?

(Top five options shown)
The respondents were allowed to select three responses in order of priority. The percentages are prorated to 100%.



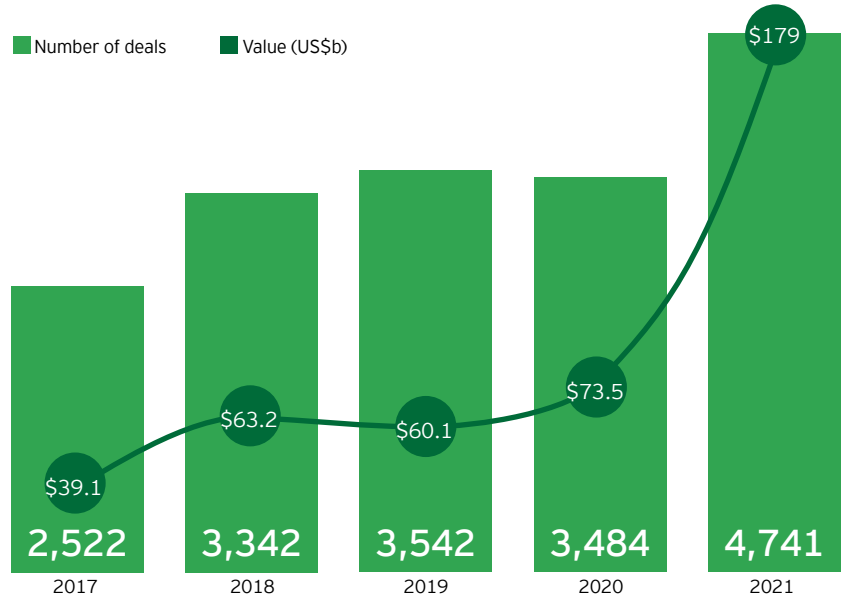
Many CEOs are already expanding their horizons to capture future growth opportunities, with the understanding that bold steps now can increase the potential to lead in the future.

Q How will your investment capital be allocated across three horizons during the next five years?



The increase in corporate venture capital investments in 2021 supports this finding. Capex and corporate investment increases also point to many CEOs positioning their companies for critical future growth options.

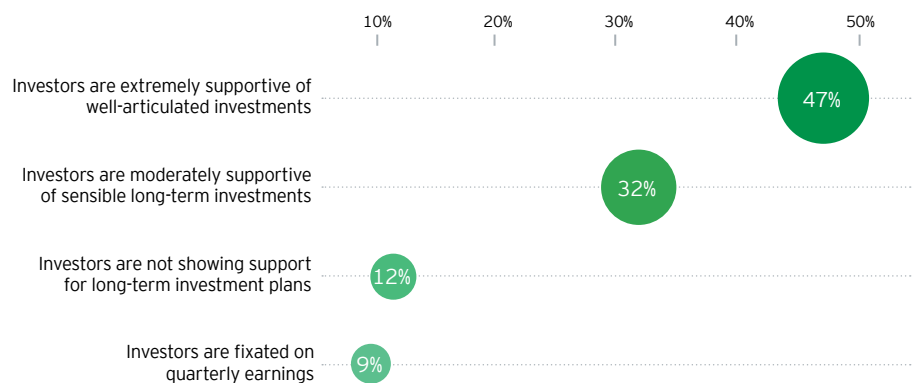
Global CVC deals by year (January 2017 – December 2021)



Source: EY Embryonic and CB Insights

Most investors are willing to support these longer-term growth ambitions, and CEOs understand that a compelling narrative is critical to securing investor support.

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



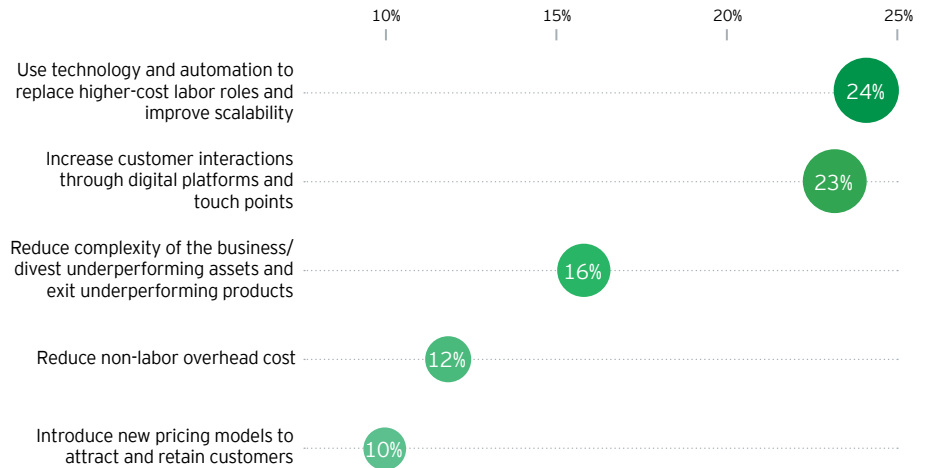
However, more than a fifth of investors (21%) are unwilling to support a long-term growth strategy or are fixated on short-term earnings, which might be a barrier to longer-term strategic planning.

CEOs need to address investor engagement as a fundamental part of long-term value creation strategies. And they need to infuse narratives with critical growth and innovation opportunities.

With the move in private capital to a longer-horizon view on investments, corporate CEOs should be mindful of a shifting competitive landscape and the downside of short-term thinking, especially when engaging potential investors.

Q What strategic drivers are you using to protect or improve profit margins?

(Top five options shown)
The respondents were allowed to select three responses in order of priority. The percentages are prorated to 100%.



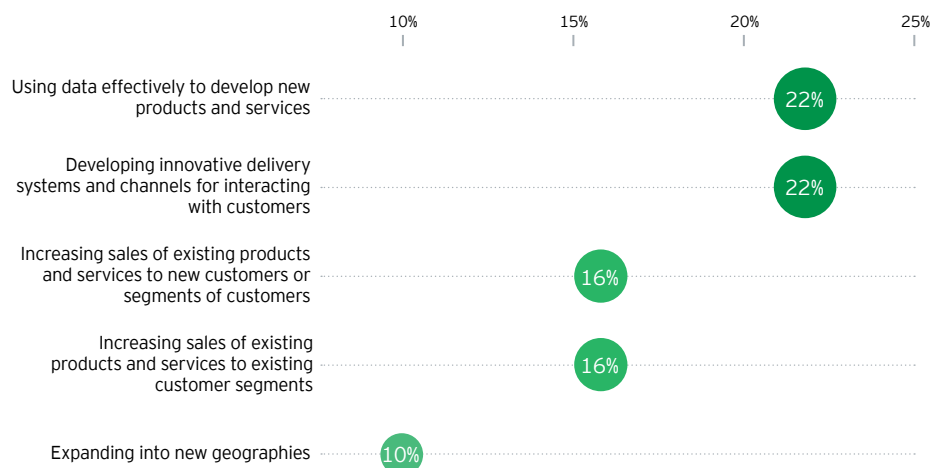
Almost half of CEOs (47%) see technology as key to customer engagement and maintaining or improving margin. With inflationary labor costs representing a significant head wind, automation is prioritized as a solution.

Leading CEOs should feel emboldened to invest now and prioritize automation strategies aligned with critical business priorities to improve long-term impact on resources.

These technology investments can unlock new paths to growth and enable plans to overhaul customer engagement while developing new data-driven products and services.

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

(Top five options shown)
The respondents were allowed to select three responses in order of priority. The percentages are prorated to 100%.



Companies still often overlook the rich data at their disposal – the next big idea can be uncovered by analyzing this rich resource already within reach. Leveraged correctly, data can create commercial advantages in the market as well as enhance operational effectiveness and process improvement within the business.

Key CEO considerations

in 2022

Strategize for the long haul: Focus on efficiency and stronger stakeholder engagement – emphasizing long-term value over short-term wins.

Mine your own treasure: Use customer data to help predict changing behaviors and define future strategies.

Educate and engage: Refresh your narratives to engage investors and all internal and external stakeholders – articulate a positive vision and respond to concerns quickly.

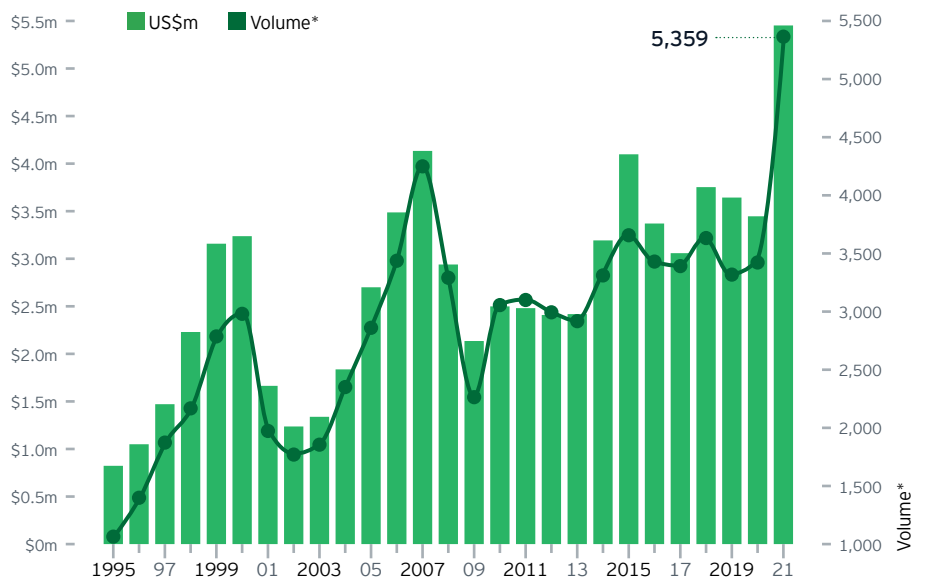
Transformational dealmaking remains high on the boardroom agenda

The M&A boom looks set to continue in 2022.

In 2021, M&A was the CEO accelerant of choice for strategic ambition – from buying innovation to fueling digital transformation to acquiring scarce talent, from reducing ESG risk profiles to entering new markets and services.

With US\$5.5t of deals announced, it was by far the highest year on record. Will 2022 be another record year? Maybe, maybe not; either way, M&A will remain a fundamental growth driver in the CEO strategic toolkit.

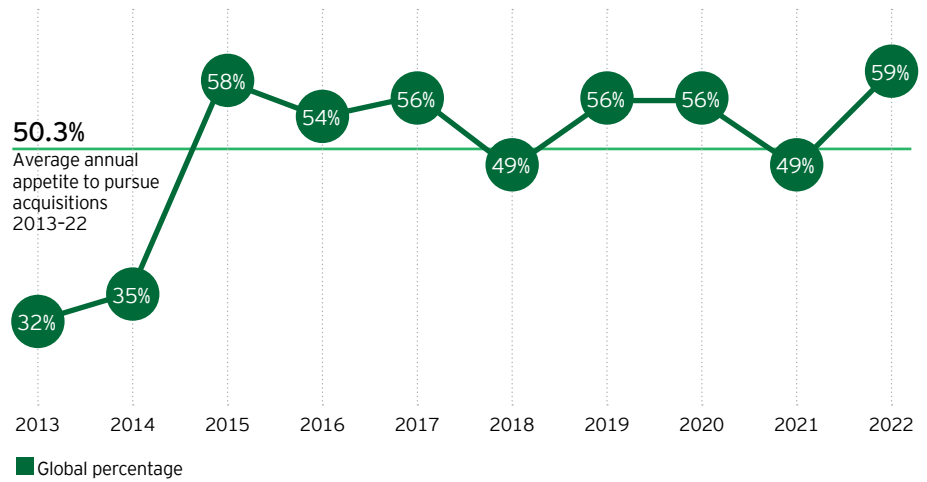
Global M&A by year



Source: EY analysis and Dealogic
 *Volume based on deals US\$100m plus

Nearly two-thirds (59%) of CEOs expect their company to pursue acquisitions in the next 12 months. This is up from the 49% at the start of 2021 and points to another very strong year for deals. Given the scale of activity in 2021, many companies will be integrating recently acquired assets, but they will remain strategically poised to buy assets that support growth ambitions.

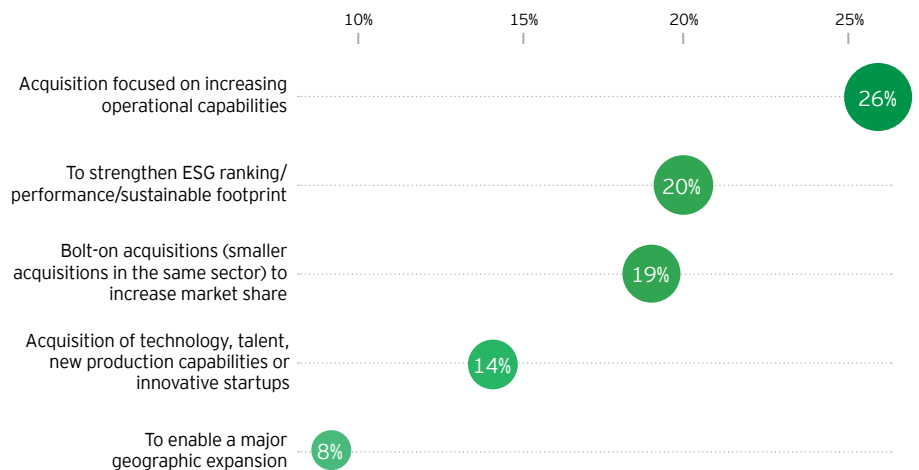
Q Do you expect your company to actively pursue M&A in the next 12 months?



CEOs still see M&A as a critical accelerant for long-term growth strategies – acquiring operational capabilities and innovation. Pre-existing competitive landscapes have been redrawn across all sectors in the past 18 months, and there is more shifting of positions ahead.

Q What will your primary planned M&A activity be?

(Top five options shown)
The respondents were allowed to select three responses in order of priority. The percentages are prorated to 100%.



An increasing driver of future change will be ESG. We saw a strong uptick in deals in the renewables space in 2021, but that's just one part of the story. Across all sectors we're seeing a strong desire to buy assets that accelerate sustainability strategies, especially in automotive, industrials and consumer – and that will likely continue at pace.

ESG and sustainability concerns are becoming critically important for CEO dealmakers across all sectors. An overwhelming 99% factor these issues into their buying strategies, while 6% have walked away from deals in the past year because of ESG-related concerns about the target. While this 6% may appear small, ESG has only recently become a lens through which assets are viewed.

With these strong deal drivers live across many dimensions, there's also a formidable war chest for M&A available. The constituents of the S&P 500 hold an aggregate of US\$2.8t in cash on balance sheets.² Additionally, CEOs have the ability to raise debt at what remain historically low interest rates and to have funds raised through divestitures.

[Companies that transacted early and boldly – buying and selling – in the wake of the global financial crisis outperformed non-transactors by 25% in shareholder returns over the following decade.](#) Similarly bold strategies employed now could result in the creation of commercial advantage, competitive agility and market strength.

Key CEO considerations in 2022

Buy vs. build: Determine which approach is the best option to accelerate digital transformation or boost your ESG rating.

Fix, sell, close: Systematically review your portfolio through the lens of changing talent, customer and societal expectations more broadly and prepare to divest and reshape for a different environment.

Beware of affinity bias: Understand synergies and risks from unfamiliar assets that differ from your core business.

2. Hardika Singh, "Investors Bet Corporate Spending and Buybacks Will Support Stocks," *The Wall Street Journal*, 18 August 2021, accessed via www.wsj.com.

Summary

The pandemic has been a wake-up call for many CEOs, and the transformation imperative is now clearer than ever. Many are actively reconfiguring their companies for resilience and investing boldly for optimal growth – with M&A still high on the boardroom agenda.

But CEOs unable to take bold steps could face stern tests down the line, particularly as intensifying headwinds pose challenges in the race to capture emerging opportunities. The need to act now is too strong. CEOs who stand still will fall behind in the race for market-leading growth.

About the survey

The *EY 2022 CEO Outlook Survey* is the benchmark of CEOs' sentiment on global challenges, growth and sustainability strategy, portfolio optimization and M&A. It aims to provide valuable insights on the main trends and developments impacting the world's leading companies as well as business leaders' expectations for future growth and long-term value creation. It is a regular survey of senior executives from large companies around the world, conducted by Thought Leadership Consulting, a Euromoney Institutional Investor company. The panel comprises select EY clients across the globe and contacts and regular Thought Leadership Consulting contributors.

Between November and December 2021, Thought Leadership Consulting surveyed on behalf of the global EY organization a panel of more than 2,000 CEOs in 51 countries and across 13 sectors. Respondents represented the following sectors: financial services, telecoms, consumer products and retail, technology, media and entertainment, life sciences, hospital and health care providers, automotive and transportation, oil and gas, power and utilities, mining and metals, advanced manufacturing, and real estate, hospitality and construction.

- ▶ Surveyed companies' annual global revenues were as follows: less than US\$500m (20%), US\$500m- US\$999.9m (22%), US\$1b-US\$4.9b (31%) and greater than US\$5b (28%).
- ▶ Organization's global headcounts were as follows: less than 999 (9%), 1-000 - 4,999 (39%), 5,000-9,999 (15%), more than 10,000 (37%).
- ▶ The CEO Imperative series provides critical answers and actions to help CEOs reframe their organization's future. For more insights in this series visit ey.com/en_gl/ceo.

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