



The CEO
Imperative:
Executives in Colombia
look within for growth

Standfirst: CEOs in Colombia are actively reshaping companies for resilience and profitable growth.

In brief:

- ▶ Colombian CEOs are prepared for uncertainty in light of the pandemic and election climate
- ▶ CEOs in Colombia are reconfiguring supply chains to manage geopolitical risks and build resilience
- ▶ Colombian CEOs indicate a wait-and-see approach to M&A and portfolio planning

Inflation is front and center in Colombia, where more than 90% of CEOs say the cost of doing business has increased, particularly in the areas of transport and logistics, raw materials and labor, according to the 2022 EY CEO Outlook Survey.

The majority of CEOs in Colombia (81%) cited the pandemic's impact on their industry in some way, with nearly a third (29%) saying that the pandemic changed their industry for the worse. Even so, Colombia's economy has shown signs of strength; it roared ahead in 2021, unlike many of its Latin American neighbors. However, inflationary pressures and political uncertainty in an election year may place downward pressure on Colombia's economy in the months ahead. To prepare, Colombian CEOs are focusing their capital strategy on existing businesses to accelerate organic growth and value creation and to improve their capital structure.

In this edition of the CEO Imperative Series, we explore how Colombia's CEOs are responding to the pandemic and the recovery and we offer actions to help them pursue market-leading growth in the year ahead.

Supplier diversity and stronger relationships help build resilience and manage geopolitical risks

With geopolitical challenges and elevated political risks come heightened business risks. In response, the majority (85%) of Colombian respondents say they are reconfiguring their global supply chains. Respondents say they are either expanding their supplier base or developing stronger relationships with a smaller pool of suppliers to build resilience, reduce costs and manage uncertainty. When asked about the most critical risks for the future strategy, demographic changes and increasing geopolitical instability and political intervention are top-of-mind for Colombian CEOs.

Interestingly, although Colombian CEOs see the current geopolitical environment as a concern, only 41% see a need to substantially change their company's strategic cross-border investments. Of those making changes, 64% have either delayed or exited a planned cross-border investment.

Organic growth and value creation are top CEO priorities

As Colombian CEOs look inward, 63% say they have no plans to make changes to their portfolios in the next 12 months. Instead, they say their primary focus is on the core business, as they push their investments into organic growth and value creation opportunities and seek to improve their capital structure. To improve profitability, Colombian CEOs are zeroing in on revenue growth and cost reduction. For those Colombian CEOs considering M&A (11%), they are looking to acquire capabilities that reinforce their core business.

To improve costs and efficiencies, Colombian CEOs plan on using digital solutions and technology to optimize customer relationships, replace manual activities and improve scalability. Digital transformation offers tremendous potential for Colombian CEOs looking to attract more customers and adapt to customer preferences and buying behaviors. Colombian CEOs are continuing to focus on these disruptive forces even as they negotiate other risks.

When asked where they see the most relevant growth opportunities, more than 48% of CEOs in Colombia say they are looking to use data to develop new products and services and increase penetration with their customers and services.

Key considerations for Colombian CEOs in 2022

As Colombian CEOs consider their next steps, here are five ways to think about corporate strategy:

1. **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.
2. **Plan for the unknown:** Strategically prioritize for the next unforeseen shock to help safeguard optionality across the enterprise, including supply chain security and channels to customers.
3. **Strategize for the long haul:** Focus on efficiency and stronger stakeholder engagement, emphasizing long-term value over short-term wins.
4. **Mine your own treasure:** Use customer data to help predict changing behaviors and define future strategies.
5. **Fix, sell, close:** Systematically review your portfolio through the lens of changing talent, customers and societal expectations and prepare to divest and reshape for a different environment.

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