



If AI holds the answers,
are CEOs asking the right
strategic questions?

EY CEO Outlook Pulse

October 2023



The better the question. The better the answer.
The better the world works.



About the study

Designing and delivering a strategy to optimize value for all stakeholders has never been more challenging. CEOs are confronted with a growing number of emerging risks and challenges triggered by external events and disruption. It requires CEOs to adapt quickly and lead their organizations through these uncertain times, with a clear purpose communicated to all stakeholders.

In turn, we need to adapt our approach moving from a long annual survey to quarterly pulses. The new CEO Outlook Pulse 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.

Each issue will focus on some consistent questions on global challenges and opportunities, growth strategy, portfolio optimization, and mergers and acquisitions (M&A) as well as take a deeper dive into relevant thematic topics as they unfold.

Produced in association with FT Longitude, the specialist research and content marketing division of the Financial Times Group

Participant profile:

1,200 CEOs surveyed in July 2023
50 CEOs surveyed in Italy in July 2023

Countries:

- ▶ **Americas:** Brazil, Canada, Mexico, United States
- ▶ **Europe:** Benelux (Belgium, Luxemburg, Netherlands), France, Germany, Italy, Nordics (Denmark, Finland, Norway, Sweden), United Kingdom
- ▶ **Asia-Pacific:** Australia, China, India, Japan, Singapore, South Korea

Industries:

- ▶ Advanced manufacturing and mobility
- ▶ Consumer products and retail
- ▶ Energy and resources
- ▶ Financial services
- ▶ Health sciences and wellness
- ▶ Technology, media and telecoms

CEO Outlook Pulse - Italian findings

The macroeconomic environment at global level appears complex, currently characterized by trade tensions between Russia, China and Western countries; inflation and the consequent impact on the propensity to consumption and investments companies; rising interest rates making financing more cumbersome.

Despite these concerns, CEOs are devising investment strategies to maximize the current and future benefits that AI can bring to their businesses.

External growth through M&A remains key strategic lever, still a more cautious approach through JV and alliances is likely to take traction amid uncertainty.

62%

of Italian CEOs plans a temporary downturn, either moderate or severe, in the primary market in which they operate

54%

of Italian CEOs (56% globally) sees performance impacted by risks arising from ESG and sustainability transformation

70%

of Italian CEOs (65% globally) considers AI as a "force for good" with impact on workforce counter-balanced by new roles and career opportunities

36%

of Italian respondents (16% globally) confirms sustainability initiatives are at the forefront of its own capital allocation strategy, with substantial resources to support such initiatives

48%

of Italian respondents (47% globally) is more optimistic about corporate performance compared with the start of 2023

52%

(41% globally) is concerned about changes in geopolitical landscape, especially with regard to global economy fragmentation and restrictions on trade or foreign investments

64%

of Italian CEOs (43% globally) has fully integrated AI-driven product/service changes into its own capital allocation process and is actively investing in AI-driven innovation, both organically and inorganically

62%

of Italian CEOs considers JV and alliances with strategic partners as a key driver for transaction activities

A woman with long dark hair, wearing a blue coat, stands in profile on the right side of the frame, looking at a tablet computer. The background is a blurred city skyline at night, with numerous lights from buildings and streetlights creating a bokeh effect. The overall color palette is dominated by blues and yellows.

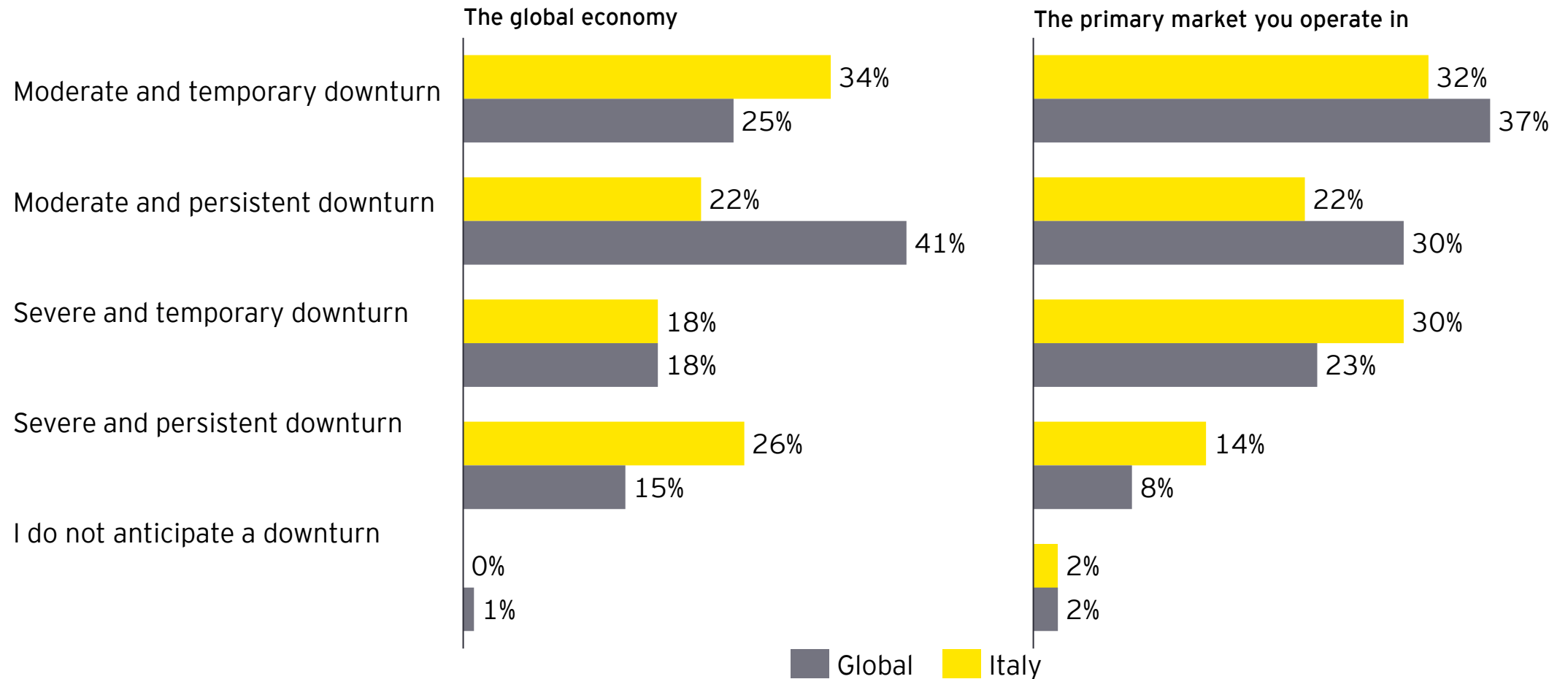
1 Macroeconomic and geopolitical environment

All CEOs expect a recession, but there is no agreement over its length and severity

Q

Considering the current levels of global macroeconomic uncertainty, what scenario are you planning for in connection with a potential economic downturn?

[The respondents were allowed to select one option for each statement]

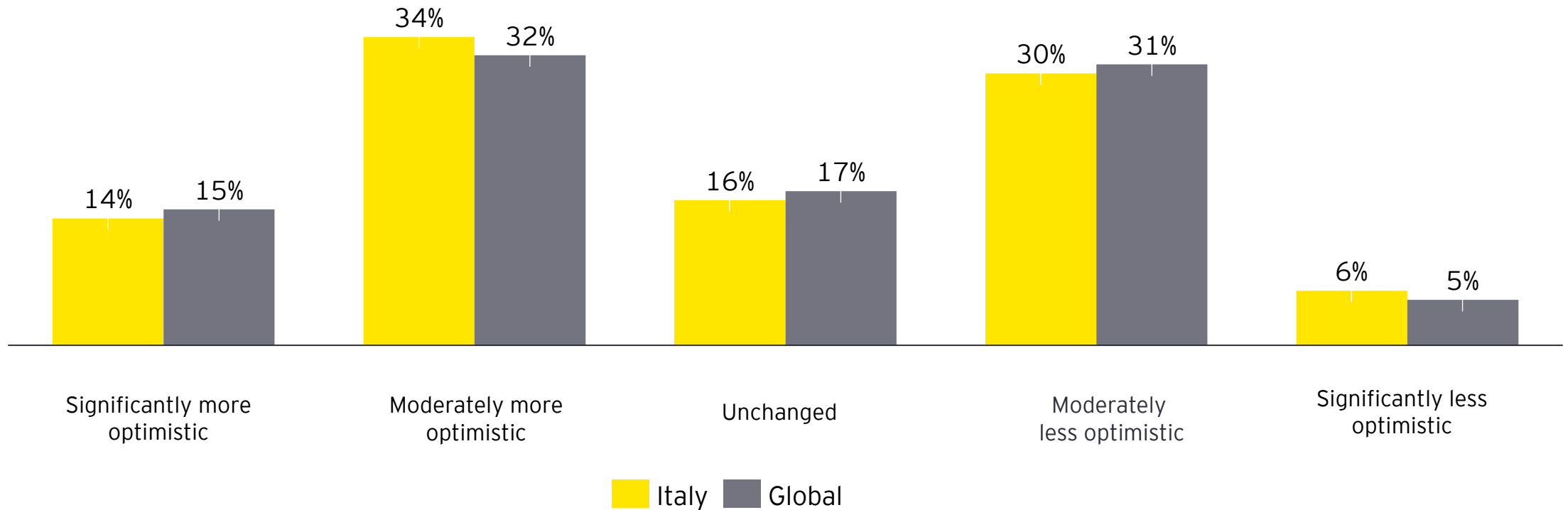


CEOs are diverging on the financial prospects of their businesses

Q

Compared with the start of 2023, how do you feel about your organization's financial performance prospects over the next 12 months?

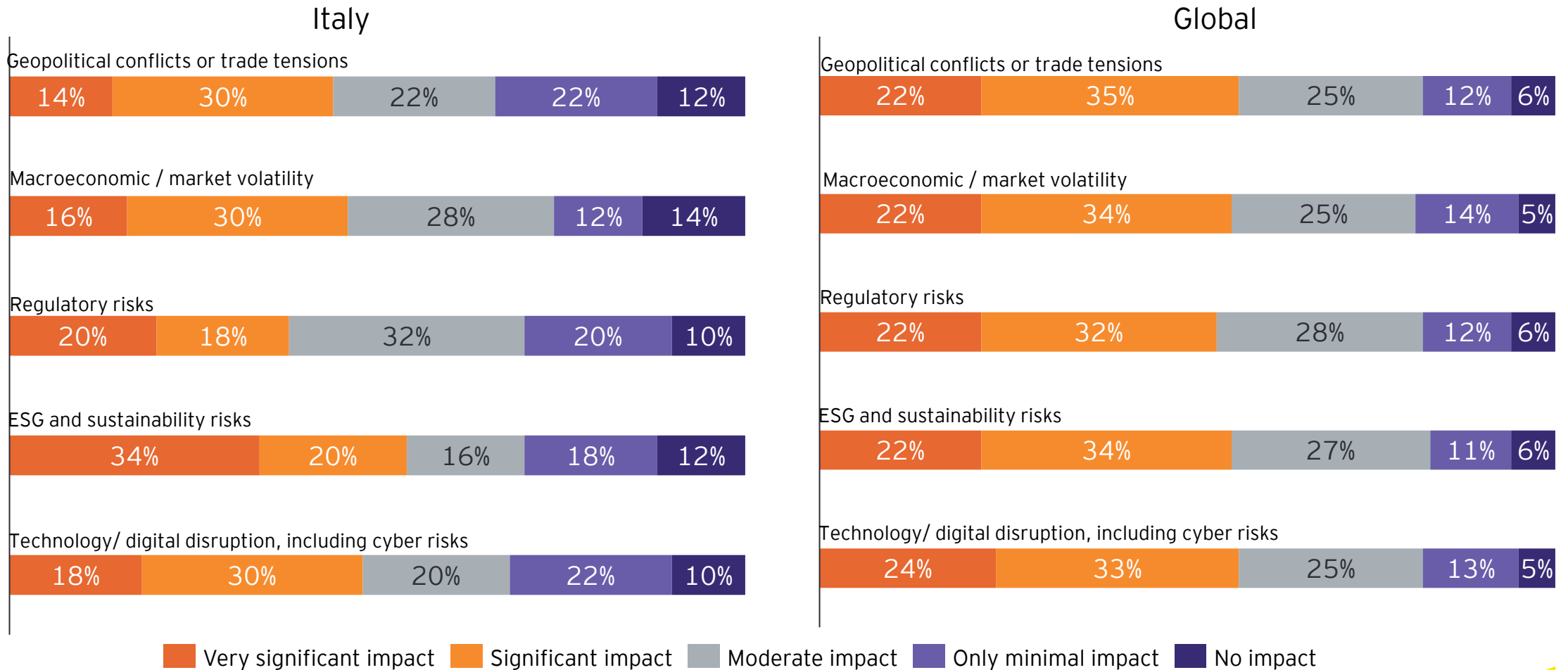
The respondents were allowed to select one option only



CEOs must manage a series of interconnected external risks, with crisis management now considered business as usual

Q To what extent do you believe that the following risks will impact your business's performance over the next 12 months?

[The respondents were allowed to select one option for each statement]



Geopolitical challenges are compelling CEOs to act decisively

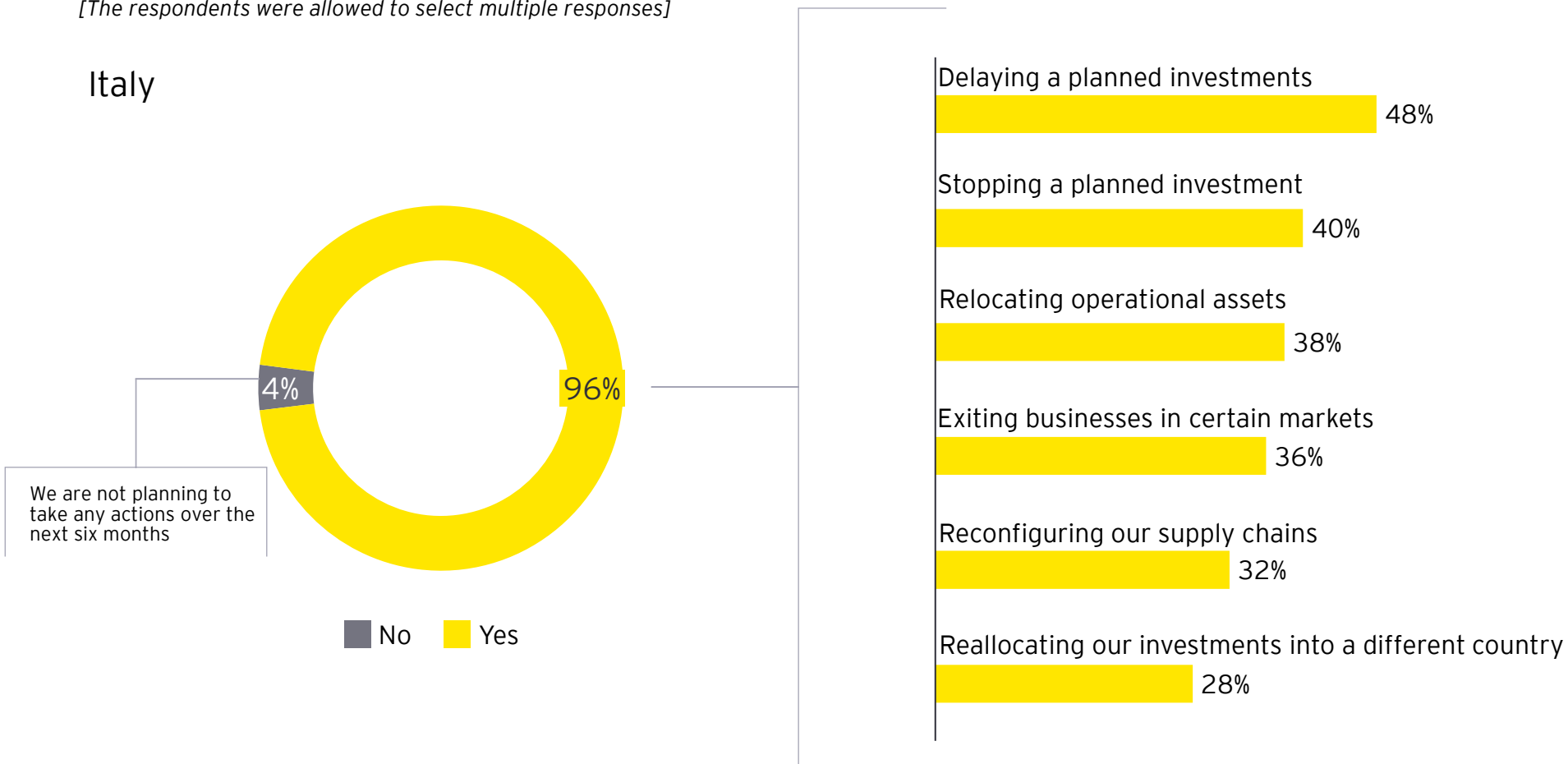
Both global and Italian operations are delaying investments

Q

As a result of changing geopolitical landscape, what action are you planning to take over the next six months?

[The respondents were allowed to select multiple responses]

Italy



Increased economic fragmentation is the main driver behind changing investments plans

Q

In the previous question, you said that a changing geopolitical landscape may lead you to alter your investment, operational or supply chain plans – what is the main driver of those decisions?

[Single select question. Only the respondents who chose 'Yes' to the preceding question were allowed to answer this inquiry]

	Americas	APAC	Europe	Global	Italy
Global economic fragmentation	26%	21%	19%	24%	31%
Restrictions on trade or foreign investment	15%	21%	17%	17%	21%
Wars or active conflicts	9%	10%	13%	10%	21%
Regional disputes / tensions	11%	7%	10%	9%	15%
Regulatory pressures	15%	15%	17%	15%	6%
New tax or industrial policies	13%	18%	12%	14%	4%
Social unrest, including strikes and protests	11%	8%	12%	11%	2%

With respect to the findings reported in January 2023 survey issue, restrictions on trade or foreign investment have been supplanted by economic fragmentation as the key reason for altering international investment plans but remain an important driver (21%).

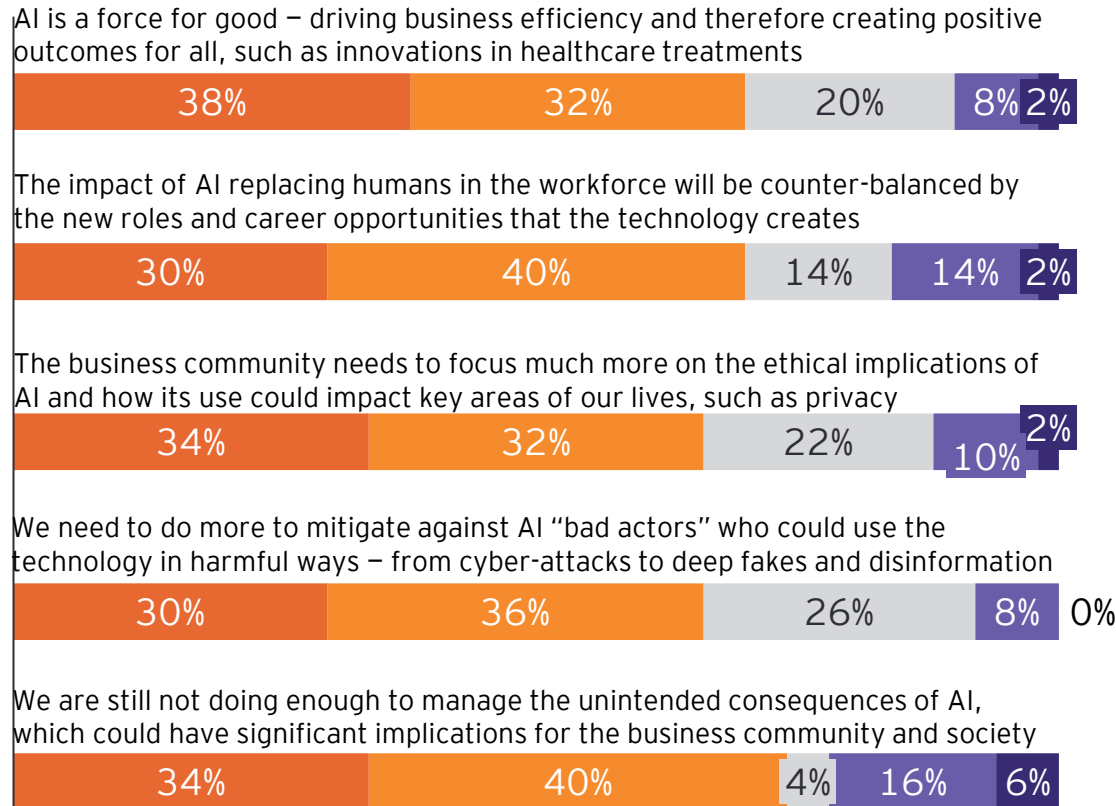
Similarly, war remains an important driver that changes investment plans, with 21%.

CEOs embrace the promise of AI – but with significant concerns

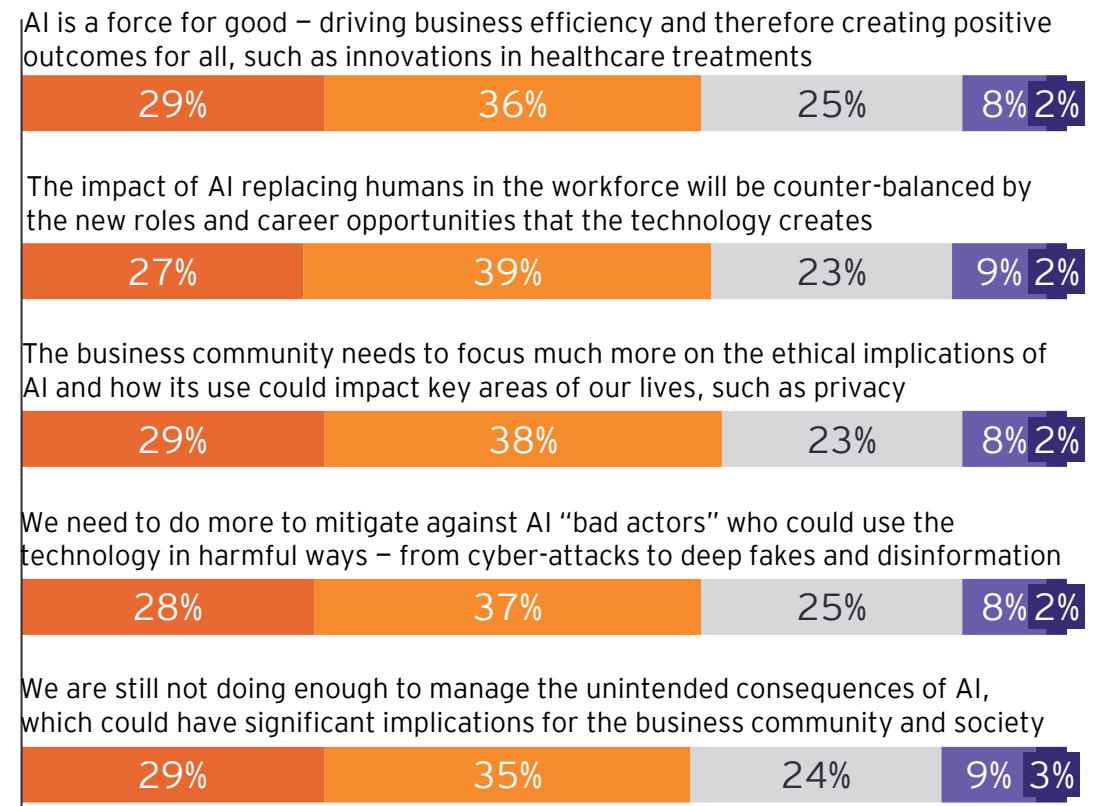
Q To what extent do you agree or disagree with the following statements related to Artificial Intelligence (AI)?

[The respondents were allowed to select one option for each statement]

Italy



Global



■ Strongly agree
 ■ Somewhat agree
 ■ Neutral
 ■ Somewhat disagree
 ■ Strongly disagree

A woman with long dark hair is shown in profile, wearing a VR headset. She is reaching out with her right hand to interact with a large, curved digital display. The display shows a grid of light blue and white lines that appear to be receding into the distance, creating a 3D effect. The background is dark blue with some blurred green shapes, possibly trees or plants. The overall scene is lit with blue and purple tones, suggesting a futuristic or high-tech environment.

Capital
allocation
strategy

CEOs are aligning capital allocation decision with the investments in organic growth and cash reserve for future

Q

How would you describe the primary focus of your company's capital allocation strategy over the next 12 months?

[The respondents were allowed to select one option only]

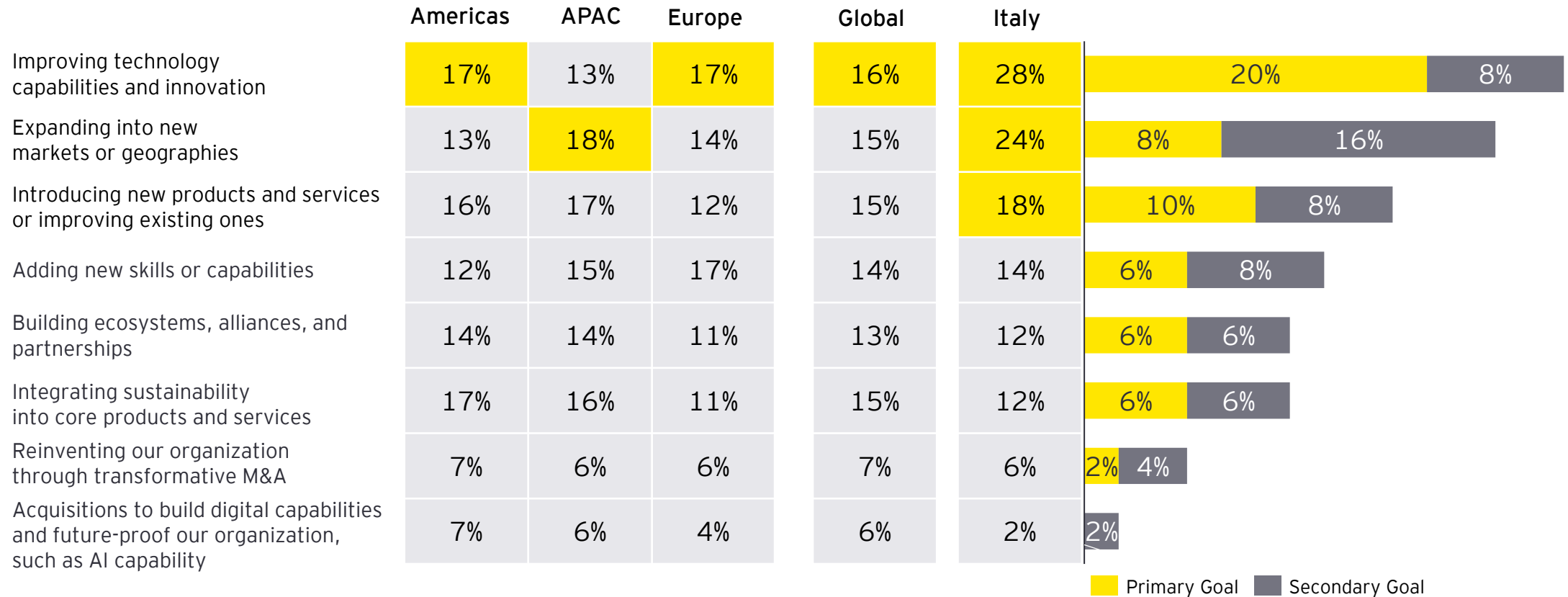
	Americas	APAC	Europe	Global	Italy
Investing in organic growth initiatives	27%	25%	24%	25%	34%
Maintaining a cash reserve for future opportunities or unexpected challenges	28%	27%	32%	29%	28%
Pursuing mergers and acquisitions (M&A)	26%	29%	23%	26%	24%
Returning capital to shareholders through dividends and share buybacks	19%	19%	21%	20%	14%

An effective allocation is aimed at enabling value creation by finding and funding the right mix of investments

Q

You selected either organic growth or mergers and acquisitions (M&A) as your company's primary capital allocation strategy. What is the primary goal you are trying to achieve with your chosen approach?

[The respondents were allowed to select up to two responses and list in order of priority]



Most of the Italian CEOs are actively investing in AI-driven innovation

Q Which of the following best describes your current capital allocation approach to Artificial Intelligence (AI)?

[The respondents were allowed to select one option only]

	Americas	APAC	Europe	Global	Italy
We have already fully integrated AI-driven product/service changes into our capital allocation process and are actively investing in AI-driven innovation	44%	39%	44%	43%	64%
We have not made significant capital investments to date but plan to do this in the next 12 months	38%	50%	49%	45%	30%
We do not plan any significant capital investment into AI-driven product/service innovation	18%	11%	7%	12%	6%

Italian CEOs are considering sustainability issues when making capital allocation decisions

Q

When it comes to your company's capital allocation process, which of the following best describes the importance of sustainability initiatives today?

[The respondents were allowed to select one option only]

	Americas	APAC	Europe	Global	Italy
Sustainability initiatives are at the forefront of our capital allocation strategy, and we dedicate substantial resources to support them	17%	19%	13%	16%	36%
We prioritize sustainability initiatives and allocate a significant portion of our capital towards them	16%	23%	28%	22%	28%
We allocate capital to sustainability initiatives on the same level as other business priorities	22%	34%	29%	28%	18%
While we consider sustainability initiatives, they are not given significant weight when allocating capital	31%	18%	21%	24%	10%
Sustainability initiatives are not a priority for capital allocation in our company	14%	6%	9%	10%	8%



Enterprise
transformation, portfolio
value creation and
transformation appetite



The majority of CEOs have M&A and strategic alliances plans for the next 12 months

Q Do you expect to actively pursue any of the following transaction initiatives over the next 12 months?

[The respondents were allowed to select multiple responses. The percentages are prorated to 100% for 'Yes/No' responses]



Acknowledging the need to continue or accelerate their transformation initiatives, CEOs are looking inside for financing

Q What statement best characterizes your approach to portfolio transformation – including spin-offs, divestitures and acquisitions – over the next 12 months?

[The respondents were allowed to select one option only]

Italy

We are accelerating the level of transformation changes



We are maintaining our current level of transformation changes



We are pausing transformation changes



We are reducing transformation changes



Q You have indicated you are planning to continue to transform your portfolio – what will be your main approach to finance this transformation?

Only the respondents who selected “maintaining” or “accelerating portfolio transformation” were permitted to answer this question. The respondents were allowed to select one option only.]

Performance improvement



Refinancing or rescheduling existing debt



Attracting new capital



Selling non-core assets

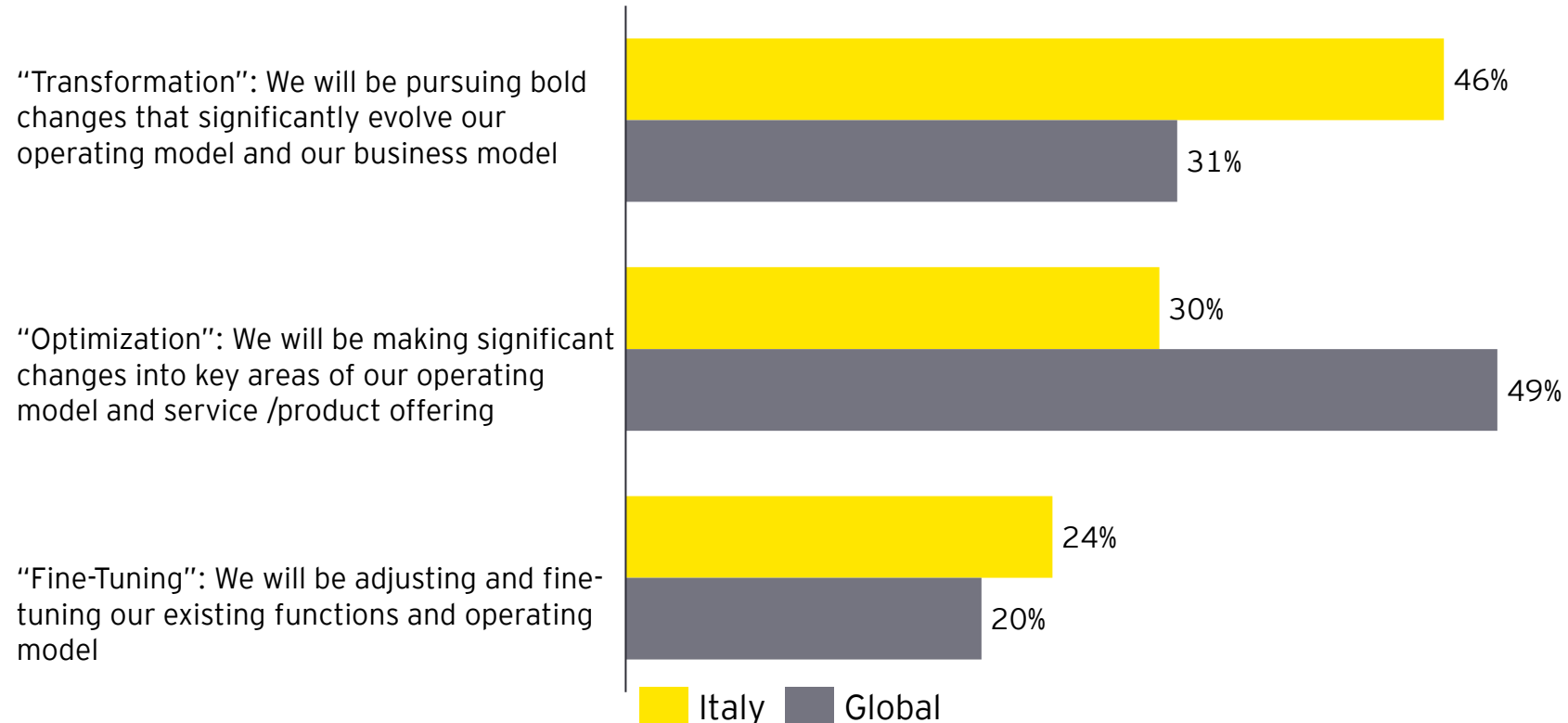


Italian CEOs will pursue transformation over the next 12 months more than globally

Q

How would you describe the scale of enterprise transformation you will be pursuing over the next 12 months?

[The respondents were allowed to select one option only]



AI capabilities, deployed correctly, may be the key to unlocking more value through M&A

Q

Are you making use of AI as part of your approach to transactions, including M&A or divestments (e.g., using AI as part of target selection or due diligence)?

[The respondents were allowed to select one option only]

	Americas	APAC	Europe	Global	Italy
Significant use today across main elements of our transaction process	29%	26%	25%	27%	50%
Initial use today – we are piloting potential solutions	39%	48%	48%	44%	32%
Not currently, but we are evaluating potential solutions	25%	22%	24%	24%	16%
Not currently, and no plans to do so	7%	4%	3%	5%	2%



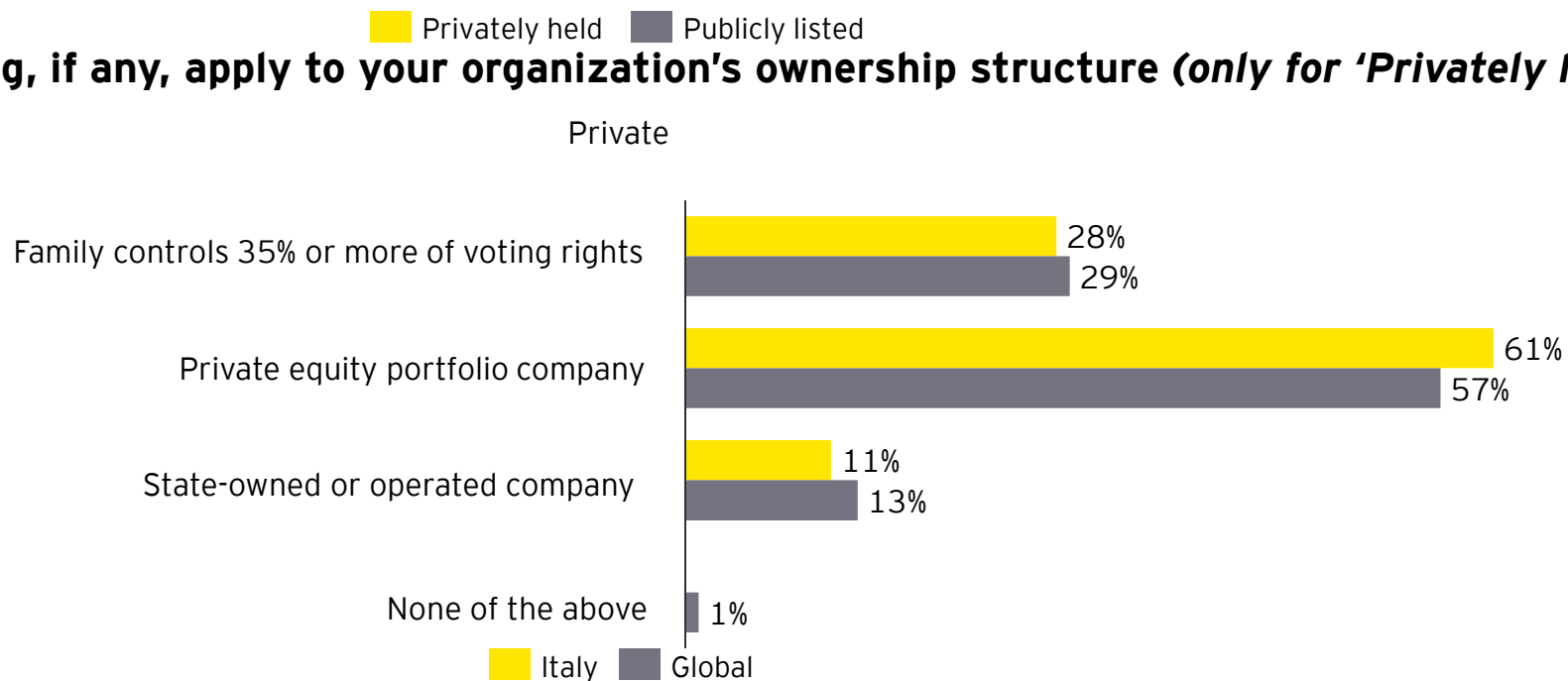
Participant profile

Participant profile

Q What is your organization's ownership structure?

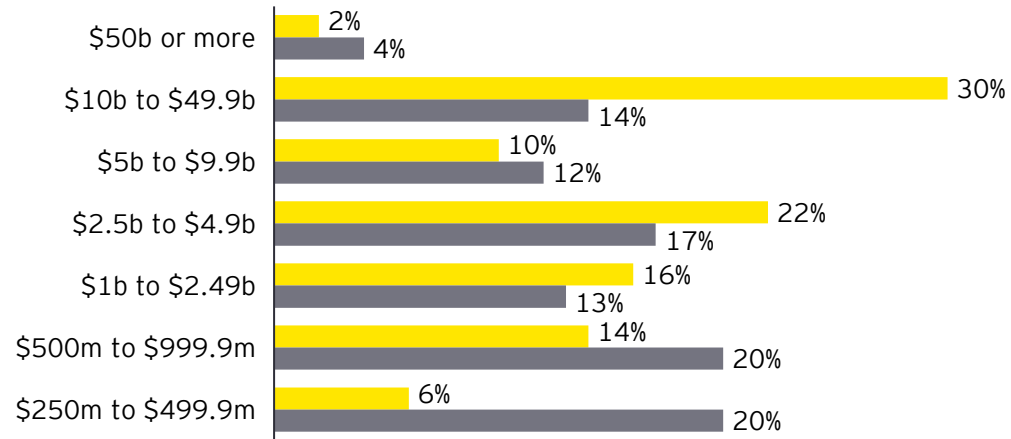


Q Which of the following, if any, apply to your organization's ownership structure (only for 'Privately held')?



Participant profile

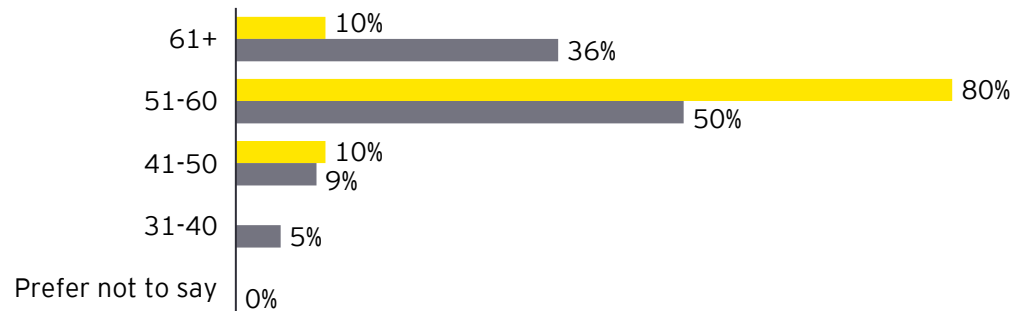
Q What was your organization's annual revenue in the last fiscal year (in US dollars)?



Q For statistical purposes only, please confirm your gender



Q Please confirm which age group you fall into



Italy Global

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