

**19th Annual Global CEO Survey: Industrial manufacturing key findings**

*Growing in complicated times / Addressing greater expectations / Transforming: technology, innovation and talent / Measuring and communicating success*

# *Redefining business success in a changing world*

## Industrial manufacturing key findings



**205**

*industrial  
manufacturing  
executives  
interviewed  
in 53 countries*



## About the 19th Annual Global CEO Survey

In this year's survey, global business leaders voice fresh concerns about economic and business growth. At the same time, they see a more divergent and multi-polar world where technology is transforming the expectations of customers and other stakeholders. In *Redefining business success in a changing world*, we explore how CEOs are addressing these challenges. We surveyed 1,409 CEOs in 83 countries and a range of industries in the last quarter of 2015, and conducted face-to-face interviews with 33 CEOs.

Today's business leaders have a tough job finding growth and delivering results year in, year out. But they know an even tougher task lies ahead: to prepare their organisations for a more complex future where customers and other stakeholders increasingly expect them to do more to tackle society's important problems.

To equip themselves for this challenge – and to build trust and ensure long-term success – CEOs are focusing on three core capabilities. Firstly, they're focusing even more strongly on customer needs as well as drawing on their organisational purpose – what their companies stand for – to define a more comprehensive view of how their business operates within society. Secondly, they're harnessing technology, innovation and talent to execute strategies that meet greater expectations. And finally they're developing better ways to measure and communicate business success.

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## About the Industrial manufacturing key findings

This report looks in more detail at the views of 205 industrial manufacturing CEOs in 53 countries, as well as drawing on an in-depth interview with Canan M. Özsoy, President and CEO, General Electric Turkey.



**Canan M. Özsoy,**  
President and CEO,  
General Electric Turkey.



*Industrial manufacturing companies are operating in a global, multipolar world. Worries about the global economy and geopolitical uncertainty are putting pressure on short-term confidence levels, but looking farther out, CEOs see a brighter picture. They're re-thinking risk and brand management and using technology to address the rapidly changing expectations of their stakeholders, with customers at the top of the list. Industrial manufacturing CEOs see the right talent as critical to delivering on their innovation ambitions, and they're looking to get better at measuring innovation and spreading the word about their purpose and the progress they've made on reducing their environmental impact.*

### Growing in complicated times

**Today's industrial manufacturing CEOs face a global business environment that's becoming increasingly complicated to read and adapt to**

Over the past decade, industrial manufacturing companies' exposure to economies around the world has increased. This year, industrial manufacturing CEOs are more uncertain about the future of the global economy – just 24% think global growth will improve over the next 12 months compared to 34% last year, and 23% think it will worsen, versus 18% last year.

China's strong growth has driven sector results in recent years – it's been industrial manufacturing CEOs' #1 choice for revenue growth expectations for a number of years – but prospects there are slowing. Key markets in the US and Europe face their own issues.

**Confidence levels continue to be subdued**

Just 29% of industrial manufacturers are very confident of revenue growth over the next 12 months, although that number goes up to 46% looking forward three years. And while 55% of industrial manufacturing CEOs say growth opportunities have increased over the past three years, even more – 61% – believe the number of threats has gone up.

## Worries around politics and exchange rates are top of mind

Geopolitical uncertainty tops the list of CEO worries, with 82% of industrial manufacturing CEOs somewhat or very concerned it could threaten growth, even more than across the overall sample. That's followed by exchange rate volatility and the availability of key skills. The latter is also one of two risks where CEOs' level of concern has risen the most over the past four years.

Worries over geopolitics and fluctuating exchange rates reflect the increasingly global profile of companies across the sector – a trend that looks set to continue. Despite the risks that operating globally brings, nearly a third of industrial manufacturing CEOs say their company is planning a cross-border merger this year, more than across the sample as a whole.

Over-regulation, the top concern for CEOs overall, comes in at #4 for industrial manufacturing CEOs, and a distinct minority say they are not very concerned on this front. Other top threats like social instability and government responses to debt and deficits also reflect manufacturers' high level of exposure to economies and regulatory regimes around the world.

We believe that this ongoing uncertainty is due to a more fundamental shift – moving from a globalising world to one with many dimensions of power, growth, and threat – what we call multi-polar.

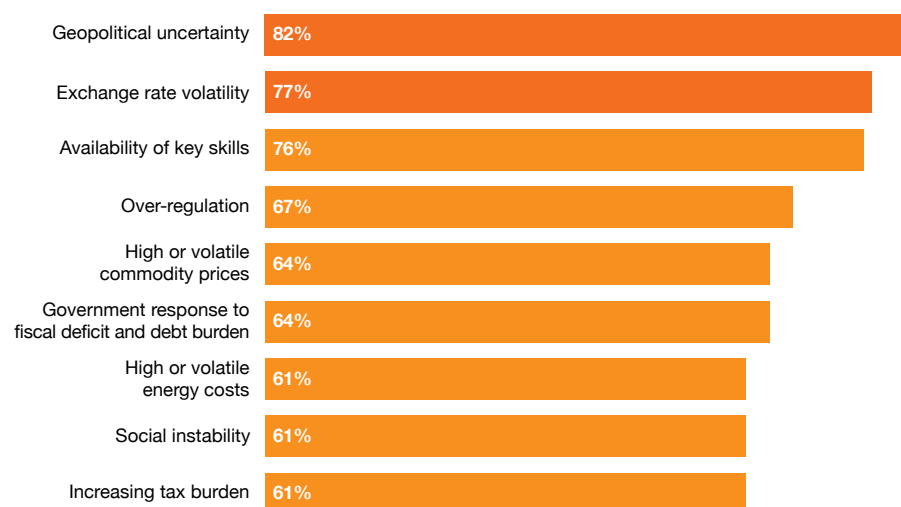
*As an industrial company we are following many trends – economic, political, geographical and technological – and we constantly change ourselves according to the change in the world. That in itself is a challenge. If you are not aware of what's going on and if you don't take position quickly enough, flexibly enough as a company, as an individual, as a department, you will be left behind.*

Canan M. Özsoy  
President and CEO,  
General Electric Turkey.

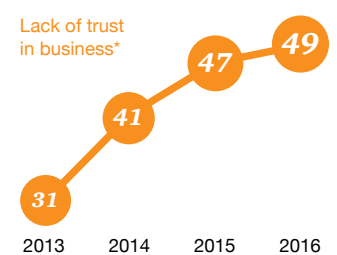
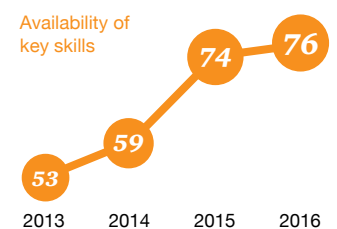
**Figure 1: Industrial manufacturing CEOs are concerned about politics, exchange rates; worries over skills and trust are increasing**

Q: How concerned are you about the following potential economic, policy, social and business threats to your organisation's growth prospects?

### Key risks



### Trending upwards



\*2013 worded as 'Lack of trust in your industry'

Base: All respondents, industrial manufacturing (2016=205; 2015=210; 2014=188; 2013=173)  
Source: PwC, Annual Global CEO Survey data

## Addressing greater expectations

### Customers influence industrial manufacturers the most

89% of industrial manufacturers say customers and clients have an impact on their organisational strategy, making them the industry's most influential stakeholder group. That's true of most other industries as well. But consumer behavior, in particular, has become more complicated and their values and buying preferences are evolving. The three biggest trends CEOs see as most influencing those views; technological advances, demographic changes and global economic shifts – as well as the interactions between them – are only going to continue to drive change.

Nearly three-quarters of industrial manufacturing CEOs believe their customers currently make decisions based on cost, convenience and function. But 23% of industry CEOs believe that their customers are already more interested in seeking out a company which addresses wider stakeholder needs, and this number jumps to 40% when CEOs consider what their customers will prioritise in five years' time.

### Supply chain partners are important too

Customers aren't the only stakeholders influencing industrial manufacturers. Nearly two-thirds of CEOs (65%) say that supply chain partners have a high or very high impact on their organisation's strategy, compared to just 48% of CEOs overall. Supply chain issues stand out in other ways too. More than four-fifths of industrial manufacturing CEOs (83%) plan on making changes to minimise the social and environmental impacts of their supply chain, compared to 74% of CEOs overall.

That reflects an acknowledgement by many industrial manufacturers that they need to fully understand the business practices of their supply chain partners and take into account their total social and environmental impact.

Many CEOs are also taking the pulse of the competition. Nearly a third of industrial manufacturing CEOs say industry competitors and peers are having a very high impact on their organisation's strategy. Again, that's notably more than in other sectors.

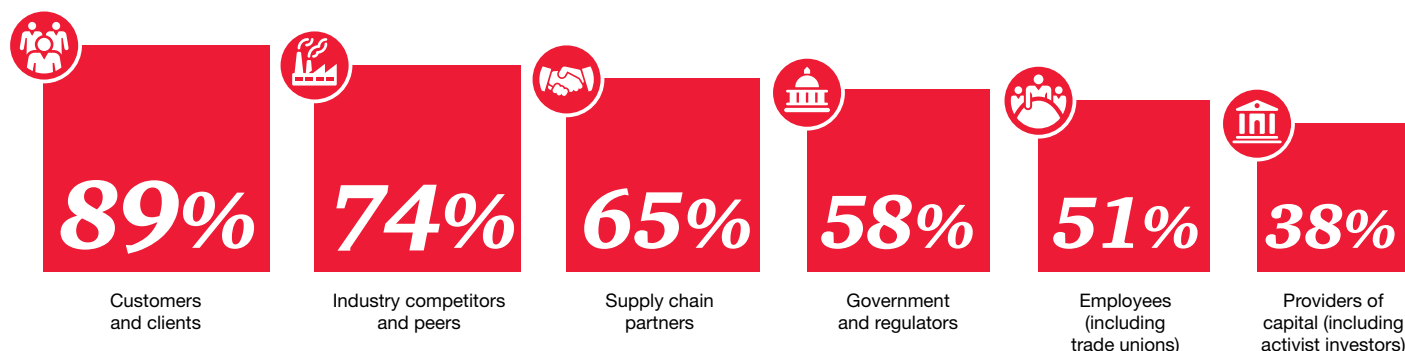
Meeting stakeholder expectations is critical to building trust – and around half of industrial manufacturing CEOs worry that a lack of trust in business could slow down growth. In 2013, just 31% of industrial manufacturing CEOs were concerned on this front. Today that's jumped to 49% who are concerned that a lack of trust in business could threaten growth. Taking another look at your company's purpose is a good place to start. We asked CEOs to describe their purpose in their own words. Many industrial manufacturing CEOs told us that their company's purpose is centered on filling customer needs or developing first-class products, but others also said creating a great place to work for employees or achieving broader social goals is at the heart of their company purpose.

*Our company was founded by Thomas Edison almost 130 years ago and he has a great quote that I like repeating very much. He said: "I find out what the world needs. Then, I go ahead and invent it." And that has been exactly the core value of our company over 130 years. We listen to our customers. We understand what they need and we continuously innovate around customer needs.*

Canan M. Özsoy  
President and CEO,  
General Electric Turkey.

**Figure 2: Industrial manufacturing CEOs see customers, competitors, supply chain partners as key stakeholders**

Q: What impact do the following wider stakeholder groups have on your organisation's strategy?



Base: All respondents, industrial manufacturing (205)  
Source: PwC, 19th Annual Global CEO Survey

# Transforming: technology, innovation and talent

## Industrial manufacturers will need to execute a wide variety of changes to keep pace with changing stakeholder expectations.

For industrial manufacturers, risk management and brand/marketing strategies lead a wide-ranging list of areas where CEOs plan to transform their business in response to stakeholder expectations. And while there are many operational areas on their list, CEOs are looking at culture too, with 73% saying they will make changes to their company’s values, ethics and code of conduct.

## Technology-led innovation stands out as a critical tool to help industrial manufacturing companies meet evolving stakeholder expectations.

Using technology to assess and deliver on wider stakeholder expectations also features high on the industry’s plans to transform manufacturing. The industry’s ability to communicate across the supply chain, and to understand customer demand is changing radically. Digital operations, also known as “Industry 4.0”, uses sensors, cloud and data analytics technology to understand customer needs and help partners across the supply chain integrate those needs.

With customers and supply chain partners standing out as important stakeholders for the industry, it’s not surprising that 90% of industrial manufacturing CEOs plan to make changes – in many cases significant ones – in how they use technology to assess and deliver on wider stakeholder expectations.

## People capabilities are crucial to embedding that innovation throughout the organisation.

Technology alone won’t be enough to cope with the increasing demands of a changing world, though, as industrial manufacturing CEOs are acutely aware; 76% say they are concerned about the availability of key skills to grow their business. That’s up 23 points from 2013. They see purpose as critical to making progress in this respect -- 60% of industrial manufacturing CEOs believe that top talent wants to work with organisations who share their social values. And 69% believe that will be true in five years’ time.

Some industrial manufacturing CEOs say their companies are already changing their talent strategies. More than half are starting from the top, by changing their focus on the leadership pipeline. But surprisingly few CEOs are focusing on some other critical areas. Only around a third of industrial manufacturing CEOs say they expect to adapt talent strategies to focus on the company’s reputation as an ethical and socially responsible employer (36%) and on its workplace culture and behaviours (35%). Other areas, like health and well-being and diversity and inclusion, get even less focus.

*Right now we do not call ourselves an industrial company anymore, but we call ourselves a digital industrial company because the data, the way Internet has changed our lives and the way connectivity has changed our lives, shows us a very different future*

Canan M. Özsoy  
President and CEO,  
General Electric Turkey.

**Figure 3: Industrial manufacturers are changing risk and brand management and how they use technology to meet stakeholder expectations**

Q: To what extent are you making changes in the following areas in response to changing stakeholder expectations?



Base: All respondents, industrial manufacturing (205)  
Source: PwC, 19th Annual Global CEO Survey

## Measuring and communicating success

### Industrial manufacturers need to get better at measuring the impact of innovation.

Technology-led innovation, as discussed in the previous section, can play a crucial role in helping companies define and deliver effective values-based propositions. But most companies haven't yet cracked the code on measuring innovation, let alone the indirect variables that contribute to societal value creation.

No wonder then that innovation is the number one area where industrial manufacturing CEOs (60%) think business could do more to measure the impact and value for wider stakeholders. Key risks and non-financial factors like strength of the brand follow, closely mirroring the top areas where companies are planning changes to respond to stakeholder expectations.

### There's a gap between what CEOs want to measure better, and what they want to communicate.

You might expect CEOs to focus on the same areas as targets for better communication strategies, but that's not always true.

While 60% of industrial manufacturing CEOs feel their companies could do a better job at measuring innovation, just 46% want to focus on more communication in this area, and a similar dynamic holds true for key risks. Conversely, some areas where CEOs place a high priority on communication are lower on the list in terms of improving measurement, like organisational purpose and values and environmental impact. In these latter cases, industrial manufacturing CEOs may actually see less need for change because they already do a lot of reporting to stakeholders in these areas.

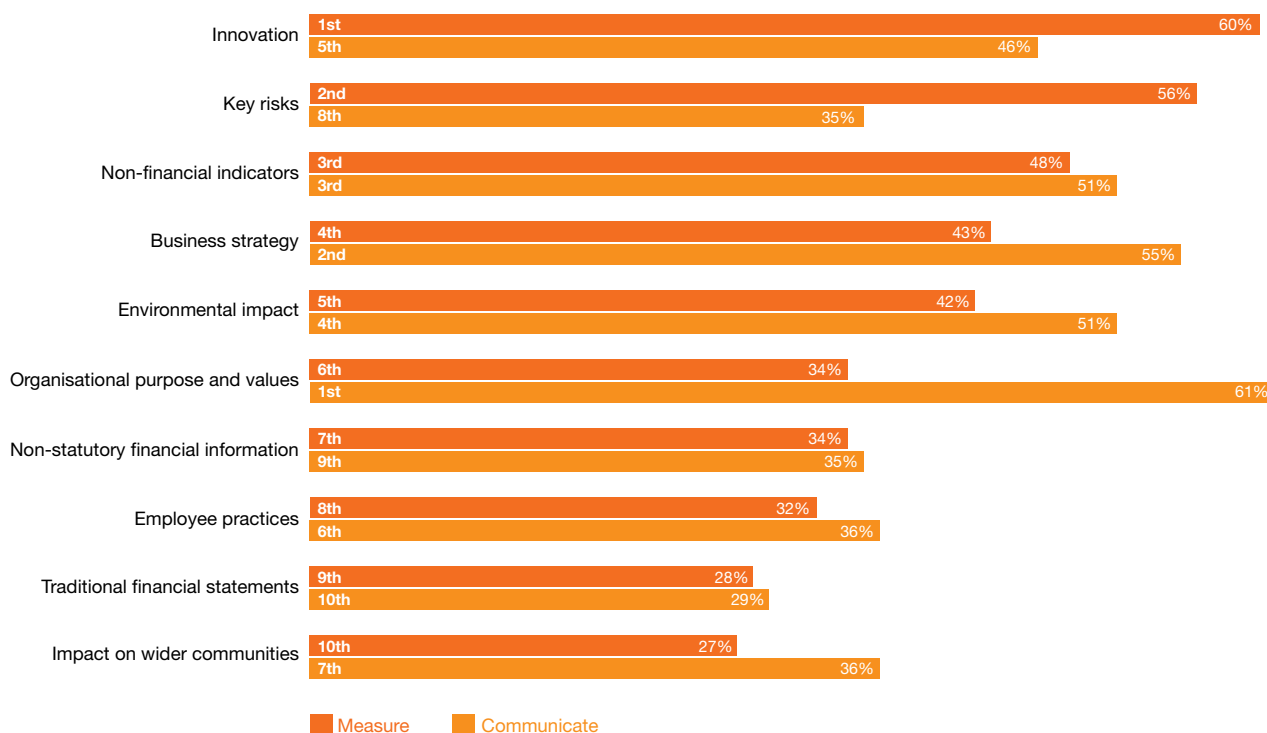
### Need to engage more? Focus on R&D and innovation

R&D and innovation stands out in another way – more industrial manufacturing CEOs believe it has the potential to drive better engagement with wider stakeholders, compared to the survey sample across industries (68% vs 53% of overall). That puts it at the top of the list, together with customer relationship management (CRM) systems (also 68%). Data and analytics rounds out the top three.

In other areas, like social media communication and online reporting tools, industrial manufacturing CEOs are less likely to see a return in terms of engagement.

**Figure 4: Industrial manufacturing CEOs are seeking to better measure innovation, key risks; communicate their purpose**

Q: In which of the following areas do you think business should be doing more to measure/communicate impact and value for wider stakeholders?



Base: All respondents, industrial manufacturing (205)  
Source: PwC, 19th Annual Global CEO Survey

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## Contacts

**Barry Misthal**  
Global Industrial Manufacturing Leader  
+1 267 330 2146  
barry.misthal@ch.pwc.com

## Explore the data

See for yourself what else industrial manufacturing CEOs told us about leading in complicated times.

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## Acknowledgments

PwC gratefully acknowledges the contribution to *Redefining business success in a changing world: Industrial manufacturing key findings* provided by the CEO who participated in our in-depth interview programme, listed below. Watch the CEO video interview for more great insights.

**Canan M. Özsoy**,  
President and CEO,  
General Electric Turkey  
[Watch the full interview](#)

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