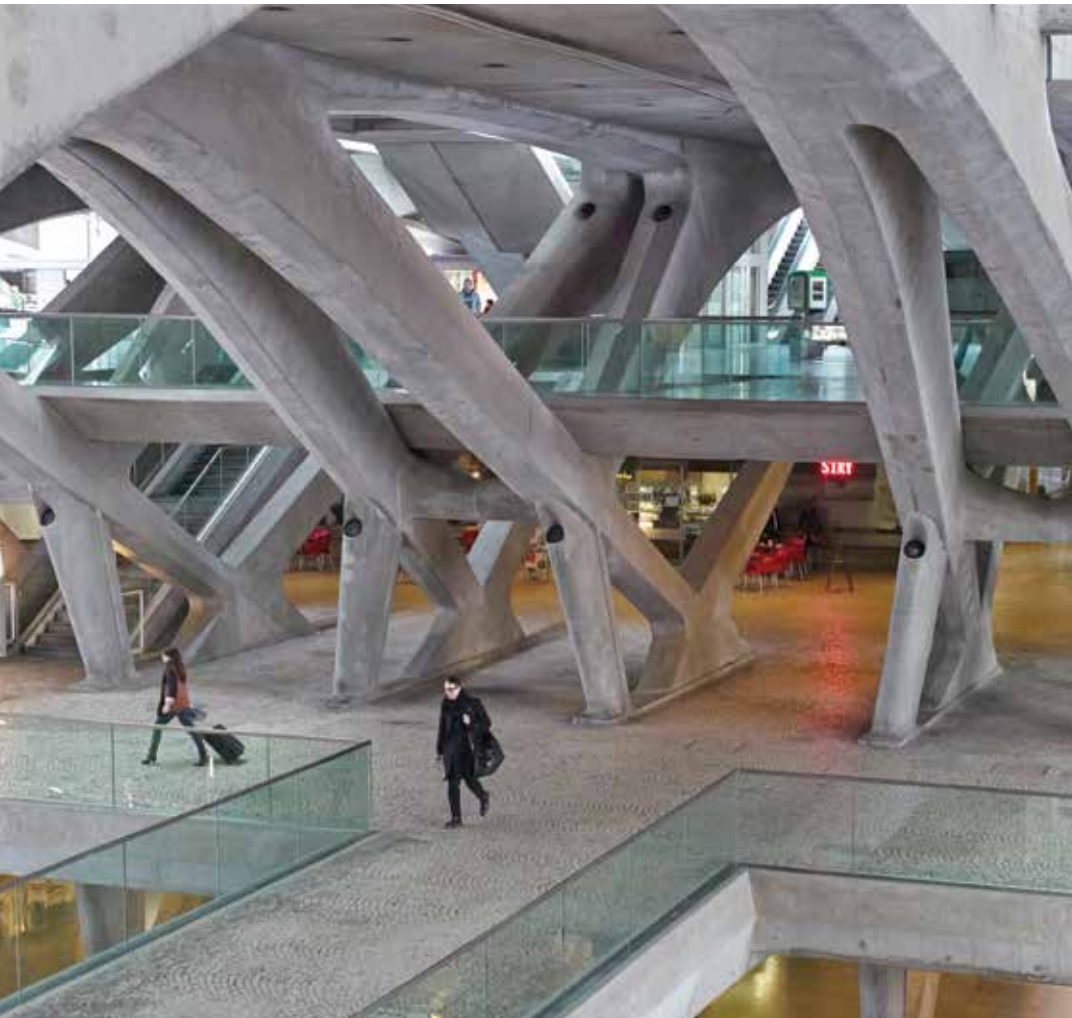


New ways to compete

How CEOs are shaping the new
business environment



84

CEOs in Cyprus

63%

of CEOs are confident about their
company's prospects for revenue
growth over the next 12 months

82%

of CEOs are confident about their
company's prospects for revenue
growth over the next 3 years

March 2015

Foreword



Evgenios C Evgeniou
CEO,
PwC Cyprus

First of all, I would like to thank the 84 CEOs – a record number for Cyprus – who took part in the local survey and dedicated their valuable time towards shaping our results. Without them, it would not have been possible to carry out this local survey for the fourth consecutive year, nor highlight both the challenges they face and the actions taken.

PwC's 18th Annual Global CEO Survey was, once again this year, welcomed with great interest at the World Economic Forum in Davos, Switzerland. The presentation of the survey's results, which sets out, year after year, the views of senior executives in the global business community, was attended by a large number of journalists. In this context, the local survey provides an outlook of the views of leading representatives of some of the largest businesses in Cyprus.

According to an interesting finding of the survey, the confidence of Cypriot CEOs in the ability of their own company to achieve revenue growth has significantly increased compared to last year.

This confidence stems from the signs of stability in the Cyprus economy. During the last year, we have seen Cyprus taking important steps towards the gradual return of trust in the banking system, as well as the recovery of the economy. This has undoubtedly contributed to the positive climate.

However, a lot remains to be done and particular attention should be paid to addressing the level of private debt and the number of non-performing loans in order to gradually reduce them. This requires the creation of an efficient legal framework that takes into consideration the need to restore liquidity in the market, especially for small and medium-sized enterprises.

I am convinced that once you have read the survey that you hold in your hands, you will agree that despite the challenges there is hope and prospect as long as we share the same vision of a prosperous Cyprus and work hard towards this direction.








A company's real value lies in the quality of its people, and I will agree with Mr Victor Kislyi, Executive Chairman and CEO of Wargaming, that what is left is talent, that it's all about the people who work for your company, the ones who join your organisation. I would like to take this opportunity to thank Mr Victor Kislyi for his valuable contribution to the survey and for accepting our invitation to carry out an in-depth interview, one of the 33 interviews included in the Global Survey.

2015 is a critical year. Not only because we are called upon to move ahead with courage and determination, towards the specific commitments we have undertaken, but mainly because we must implement the changes that our country needs.

Structural changes are necessary in order to create an environment that will help foster innovation, develop entrepreneurship and facilitate investments. Changes that will ensure successful prospects for Cyprus.

Enjoy the read!

Evgenios C Evgeniou
CEO,
PwC Cyprus

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Notes:

Not all figures add up to 100% due to rounding of percentages and to the exclusion of “neither/nor” and “Don’t know” responses. The Eurozone group includes Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Italy, Latvia, Netherlands, Portugal and Spain.

18th Annual Global CEO Survey: Back to growth mode



PwC's 18th Annual Global CEO Survey was, as in previous years, launched at the opening of the Annual Meeting of the World Economic Forum in Davos, Switzerland, in January 2015, painting a picture of cautious optimism. Even though a smaller percentage of CEOs compared to last year – 30% in the Eurozone and 37% globally – believe that global economic growth will improve over the next 12 months, confidence in the ability of their own company to achieve revenue growth has increased. In Cyprus, the local survey has recorded higher levels of confidence than in 2013, as 39% of respondents believe that the global economy will improve.

The 18th Annual Global CEO Survey, in which more than 1,300 CEOs from across the world took part, focused on the future of businesses, examining the impact of mega trends on competitive intensity and dynamics of many industries.

In the context of the global survey, PwC Cyprus carried out, for the fourth consecutive year, a country-specific survey, which sets out the views of more than 80 CEOs. It is worth noting that CEO participation in our survey is rising steadily year after year. We are very pleased with this development, which reflects the growing interest of business leaders in Cyprus to share their thoughts and concerns. At PwC, we support initiatives aimed at encouraging dialogue and, in this context, we conduct special surveys to illustrate the views of business people. Through the analysis of the results, we call things by their name and support businesses to successfully face the challenges ahead.

"I think we live in a world today in which nobody can predict what is going to happen, not in three years, not in 12 months."

Victor Kislyi, Executive Chairman & CEO, Wargaming

Confidence in growth

CEOs in Cyprus appear to be more confident about global economic growth.

39%

of CEOs in Cyprus believe global economic growth will improve over the next 12 months.

There is no doubt that 2014 has been a difficult year of adjustment for Cyprus. On the other hand, many important steps have been taken towards ensuring economic stability. The positive assessments of international rating agencies, the implementation of our obligations under the loan agreement, the reduction of the interest rate of government bonds, coupled with social consent and hard work on the part of everyone, have contributed to the gradual return of trust in the market and the creation of a more positive climate.

The majority of CEOs worldwide, including CEOs both in Cyprus and the Eurozone, believe that the global economy will stay the same over the next 12 months. CEOs in Cyprus, however, appear to be more confident as regards global economic growth, with the relevant percentage having increased to 39% compared to 26% recorded in last year's survey.

Figure 1: Global economy growth prospects

Q: Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?

2015

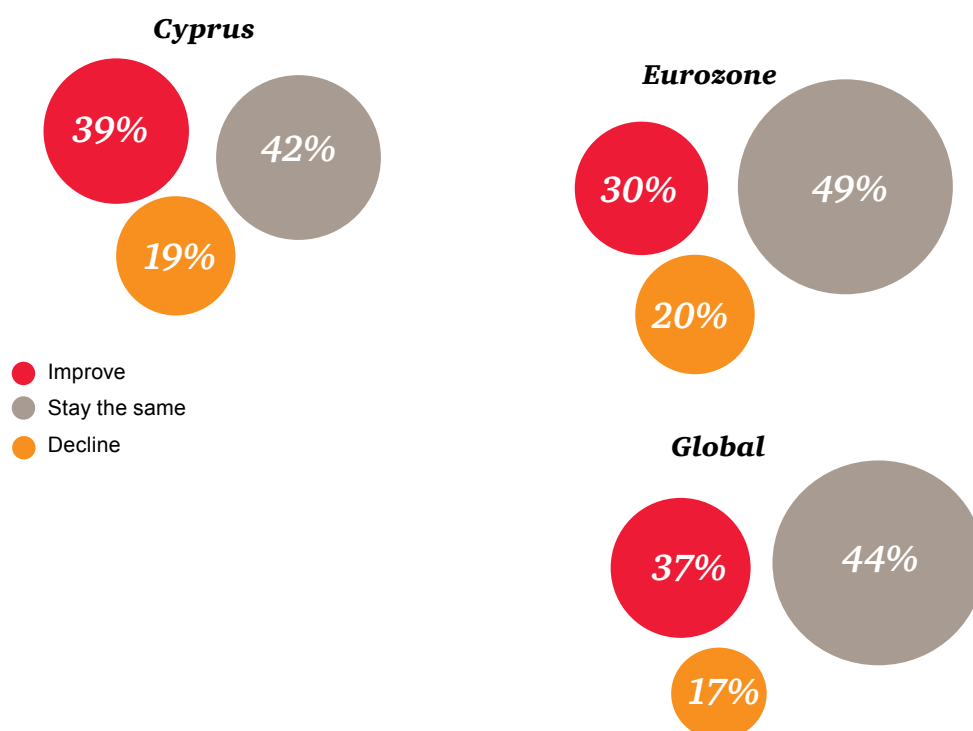
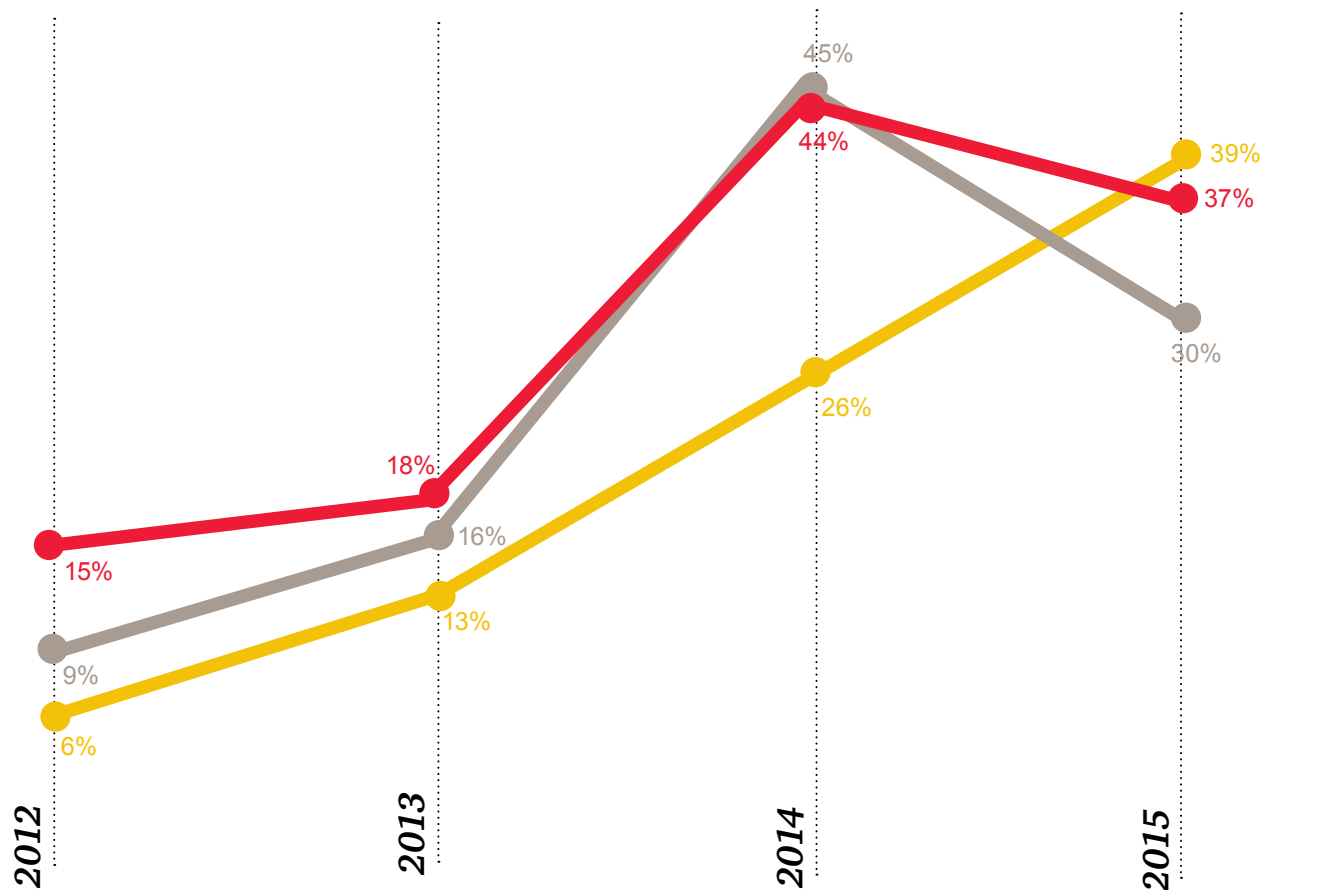


Figure 2: Global economic growth over the next 12 months



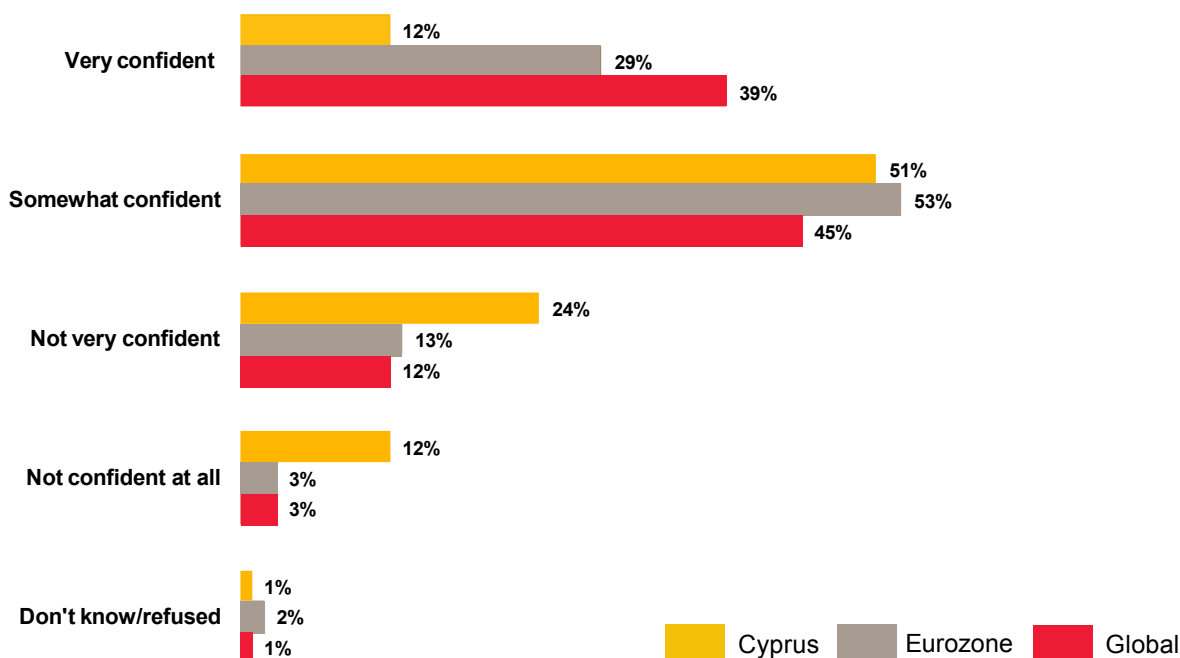
Respondents who stated that global economic growth will improve over the next 12 months

■ Cyprus
 ■ Eurozone
 ■ Global



Figure 3: Company prospects for revenue growth over the next 12 months

Q: How confident are you about your company's prospects for revenue growth over the next 12 months?



The steps taken in the direction of ensuring economic stability have contributed to the confidence expressed by CEOs in Cyprus. When asked about their company's prospects for revenue growth over the next 12 months, 63% said they are confident, compared to a mere 32% in last year's survey. This percentage has almost doubled since last year, confirming the positive climate over the last few months, as a result of political and economic stability. Corresponding global percentages stand at 84%, similar as last year, while an increase of 11% has been recorded in the Eurozone, up from 71% in 2014 to 82% in 2015.

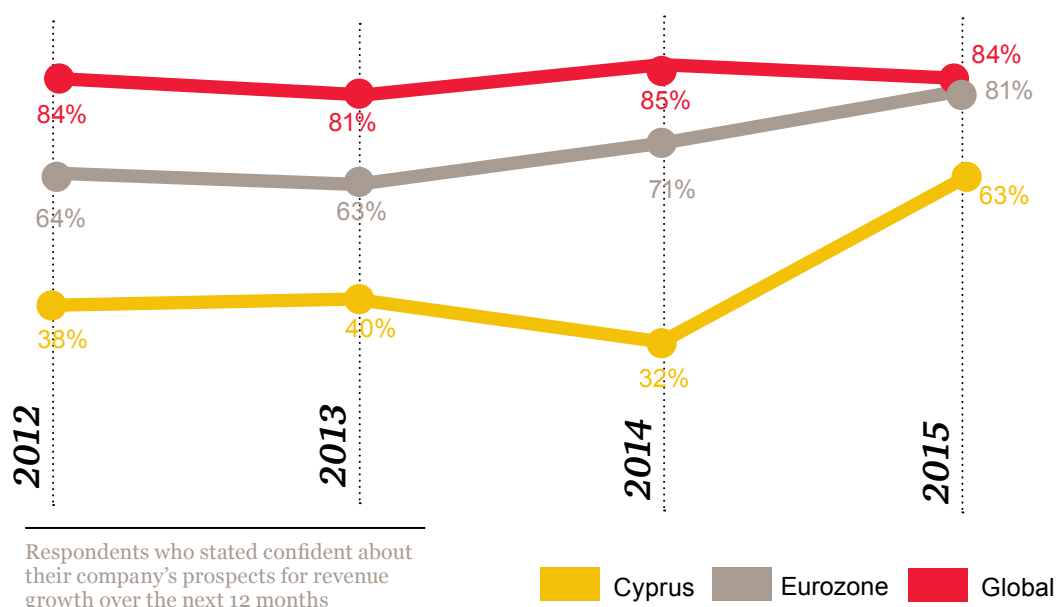
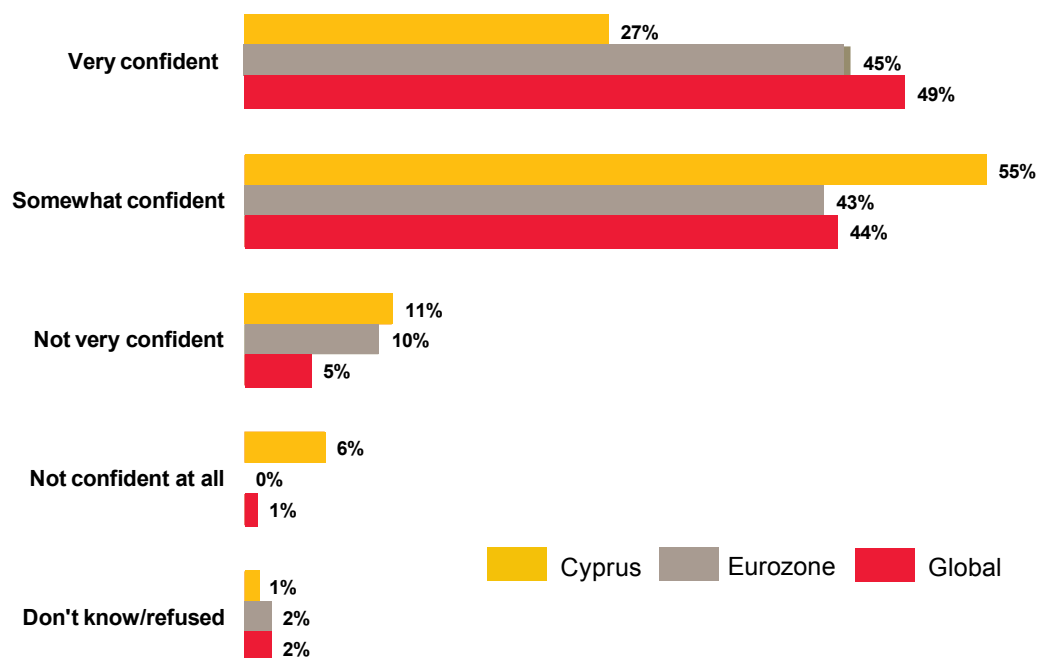
Figure 4: Revenue growth prospects over the next 12 months

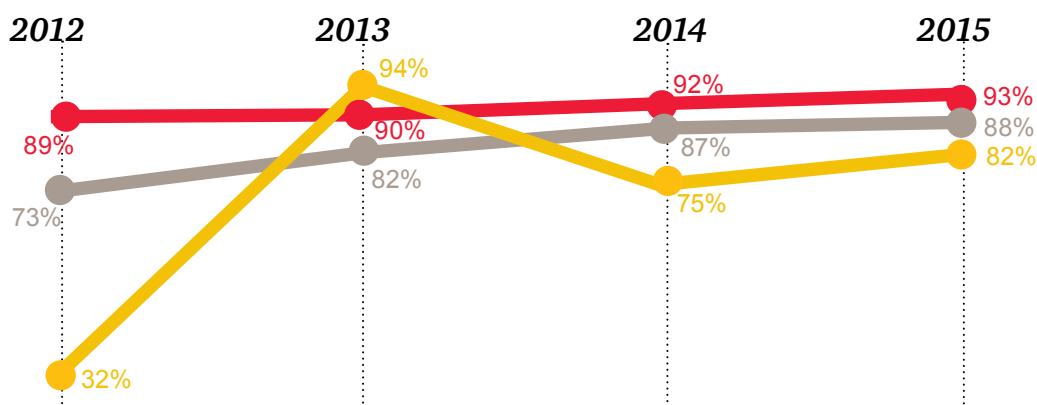
Figure 5: Company prospects for revenue growth over the next 3 years

Q: How confident are you about your company's prospects for revenue growth over the next 3 years?

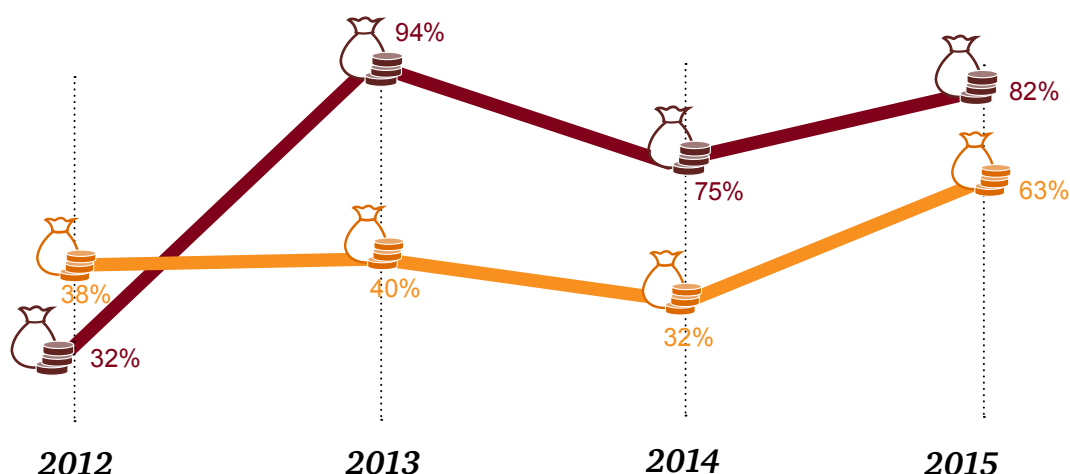


The results of the survey are also interesting in terms of the three-year outlook, as CEOs in Cyprus say they are confident about the prospects of their own company, at a percentage of 82% compared to 75% last year. It is worth noting that back in 2012, only 32% of CEOs in Cyprus stated that they were confident about the future of their business.

This rate skyrocketed to 94% in 2013 but fell to 75% in 2014 after Cyprus signed the Memorandum of Understanding. This year it increased to 82%, offering cause for optimism. Corresponding rates of 88% for the Eurozone and 93% worldwide have remained stable over the last few years, without significant variations.

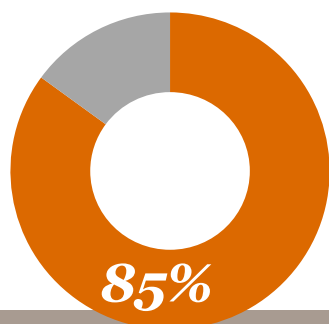
Figure 6: Revenue growth prospects over the next 3 years

Respondents who stated confident about their company's prospects for revenue growth over the next 3 years

Figure 7: Short and medium-term revenue growth prospects

Respondents who stated confident about their company's prospects for revenue growth

Next 12 months
Next 3 years



of CEOs plan to
implement a
cost-reduction initiative.



According to our survey, CEOs plan to initiate a series of restructuring activities in the coming 12 months, in order to respond to contemporary challenges and to the needs of their business. Entering into a strategic alliance or joint venture (69%) and outsourcing a business process or function (56%) appear to have gained ground compared to last year. The implementation of a cost-reduction initiative is however, once again, the leading option with 85%. Our findings reveal that CEOs in Cyprus continue to believe in cost-reduction, even though the corresponding percentage has decreased from 93% in 2014.

Figure 8: Restructuring activities

Q: Which, if any, of the following restructuring activities do you plan to initiate in the coming 12 months?

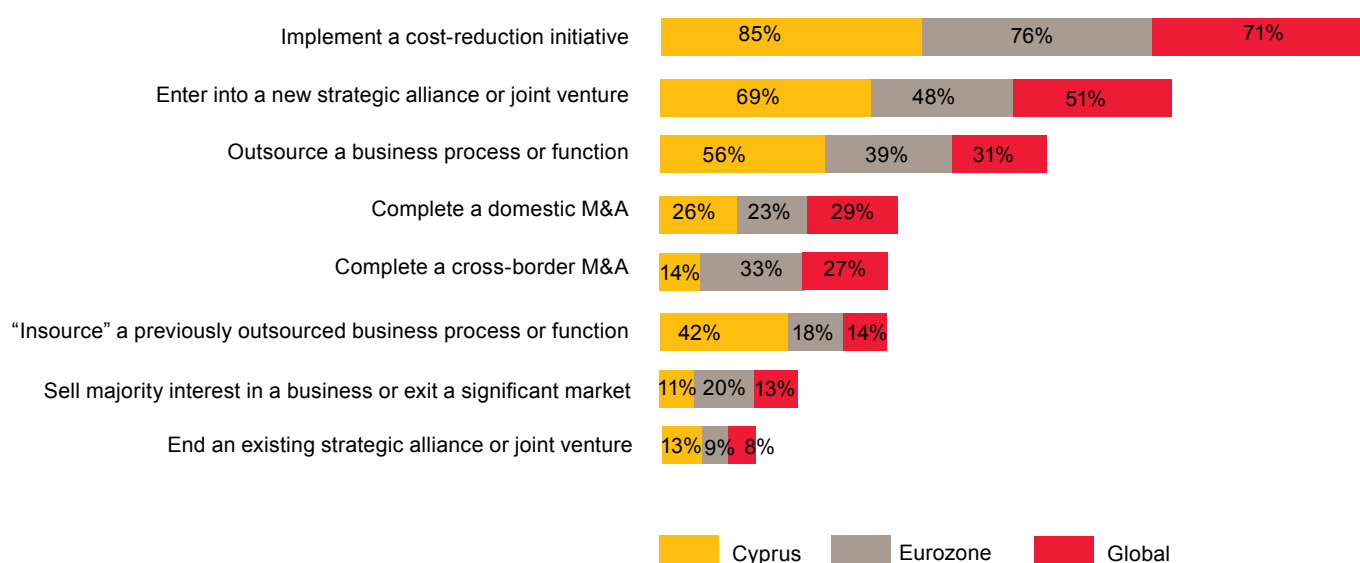
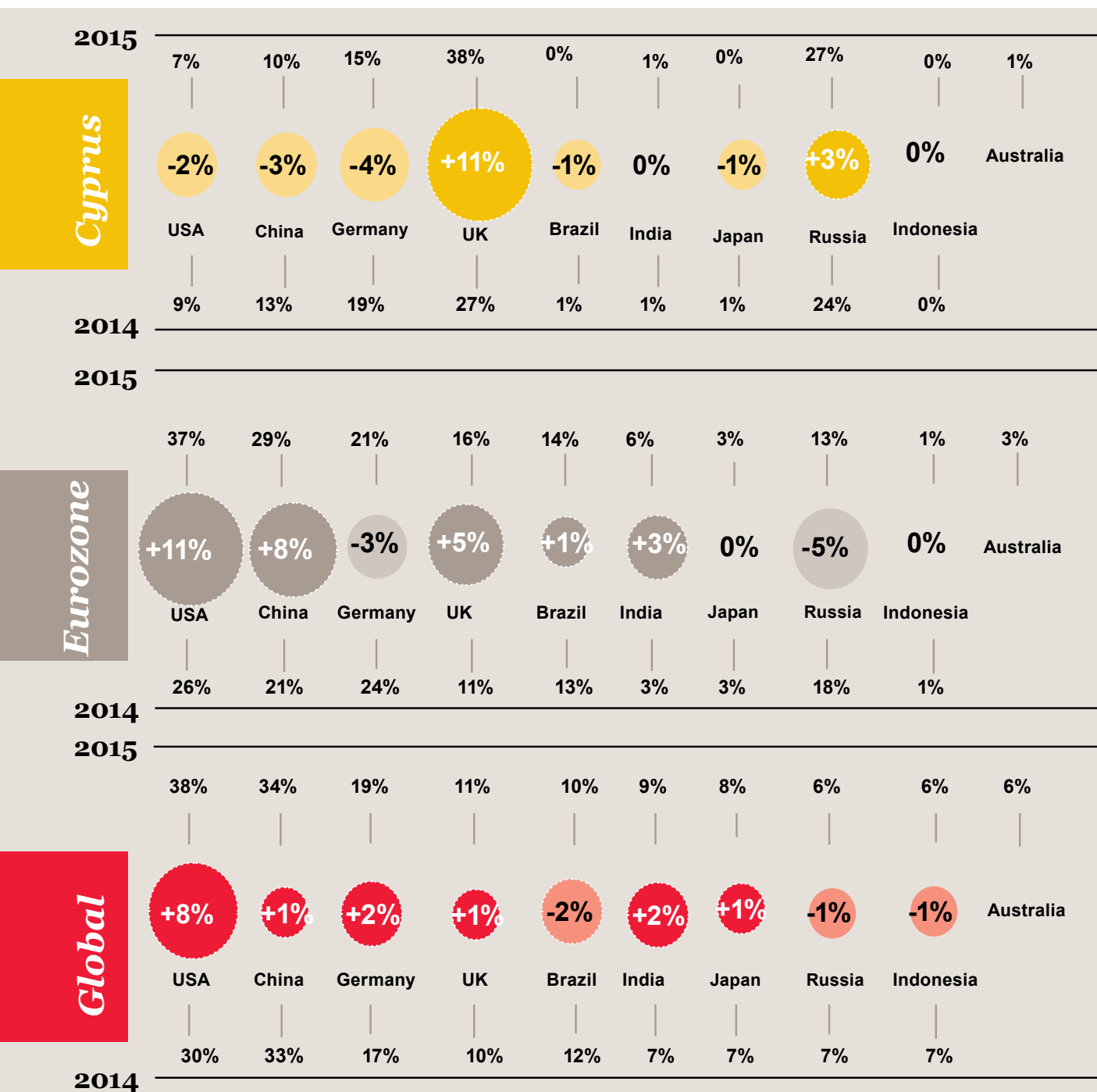


Figure 9: Important countries for overall growth prospects

Q: Which countries, excluding the one in which you are based, do you consider most important for your overall growth prospects over the next 12 months?



Global top 10 countries

When asked which countries, excluding the one in which they are based, do they consider most important for their overall growth prospects over the next 12 months, the United Kingdom with 38%, Russia with 27% and Germany with 15% rank in the first three places of the participants' responses.

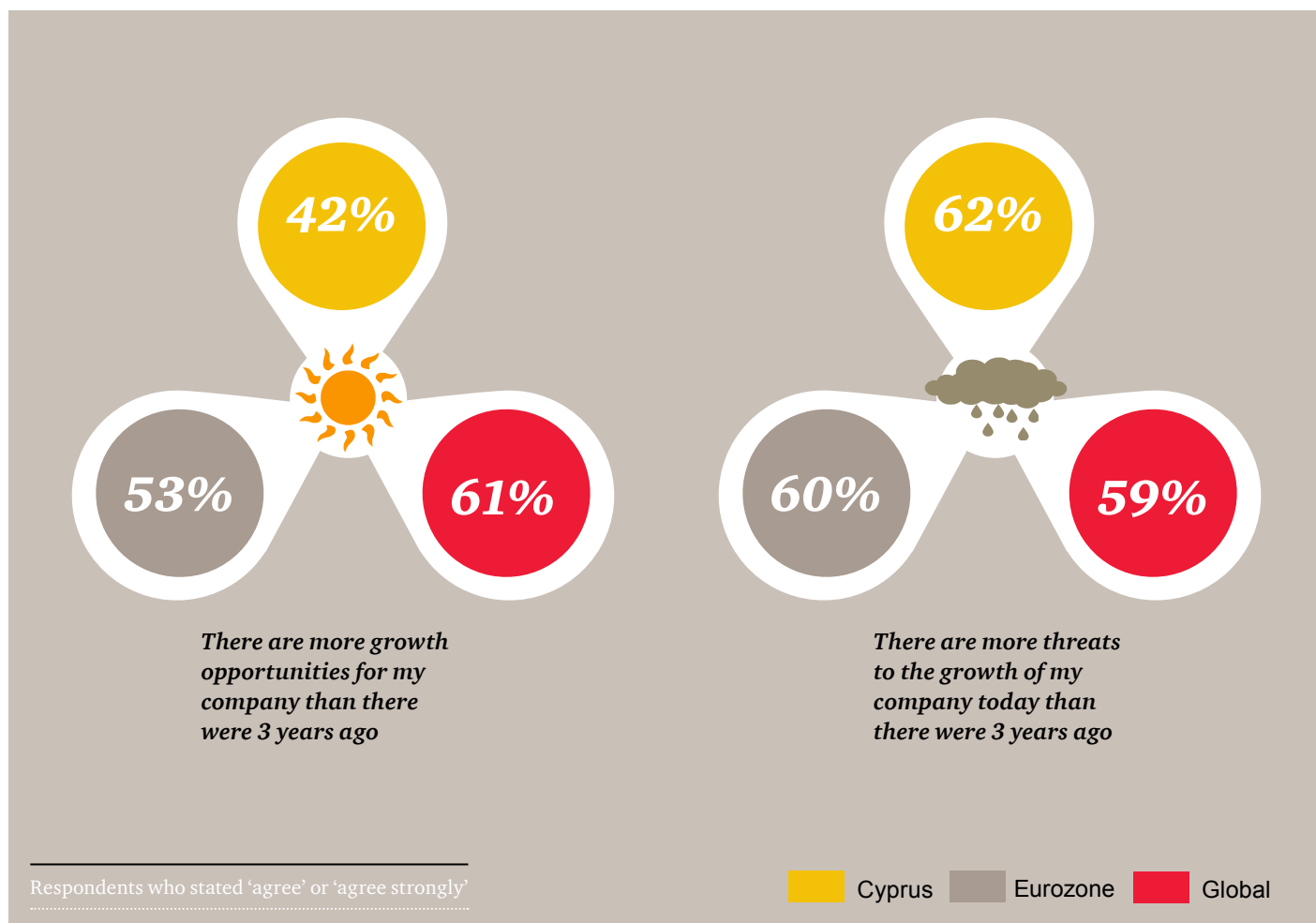
It is worth noting that percentages for the United Kingdom and Russia have increased from 27% and 24% respectively since last year, while for Germany it has decreased from 19% in 2014.

It is obvious that the problems with the Russian market and the possible impact of deoffshorisation on our economy have not affected the responses of CEOs to this question.

CEOs both globally and in the Eurozone consider the United States as the most important country for their overall growth prospects, followed by China and Germany. It is interesting to note that, for the first time in five years, the US ranks higher than China in the preferences of CEOs globally.

Figure 10: Opportunities and threats facing businesses

Q: To what extent do you agree or disagree with the following statements about threats and opportunities facing your business?



“Of course, we can make this prototyping turnover a little faster. But still, there is risk. You have to make a lot of prototypes. You have to invest in market research. You have to analyse your previous performance. And yes, you have to take risks: not only with technology, money and budgets, but also with ideas.”

Victor Kislyi, Executive Chairman & CEO, Wargaming

It is worth noting that 42% of CEOs in Cyprus believe that today there are more growth opportunities for their company than there were 3 years ago, while the corresponding rates for CEOs in the Eurozone and globally are 53% and 61% respectively. However, the majority of CEOs (62% in Cyprus, 60% in the Eurozone and 59% globally) believe that currently there are more threats to their business than ever before.

These figures confirm what we already know, in other words that we live in difficult times marked by great uncertainty but also geopolitical developments, which create a new landscape of opportunities and challenges. According to Victor Kislyi, Executive Chairman & CEO of Wargaming, there is risk but you have to invest not only in capital and technology, but also in ideas as these will drive opportunities for further growth.

“Every business in today’s world has opportunities and threats, so the key question for us is not to predict whether or not we have threats or opportunities. The key question for us is whether or not we can be, as an organisation, as a company, flexible enough to be able to detect those threats or opportunities. And of course react to them.”

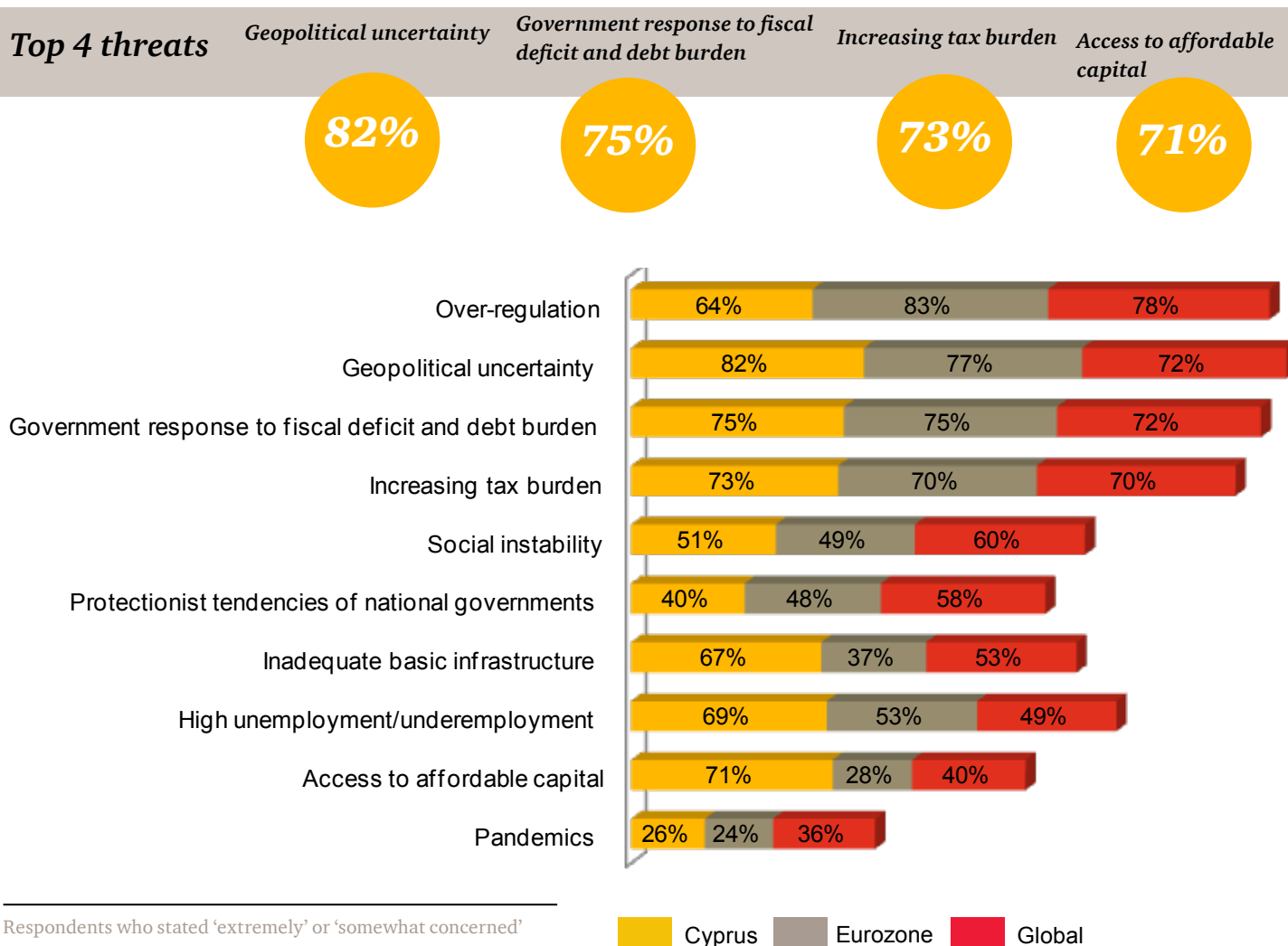
Victor Kislyi, Executive Chairman & CEO, Wargaming

CEOs are confident about their company's prospects for revenue growth, but are especially concerned about economic, policy and social threats and how these will affect their business. Geopolitical uncertainty (82%), government response to fiscal deficit & debt burden (75%), increasing tax burden (73%) and access to affordable capital are the issues that CEOs in Cyprus are most concerned about.

It should be noted, however, that according to these figures and compared with last year (83%), CEOs in Cyprus are currently less concerned about government response to fiscal deficit and debt burden. This could be contributed to the smooth implementation of the obligations undertaken by the State under the Memorandum, or perhaps because they acknowledge that certain measures have already been adopted and steps are being taken to address the fiscal deficit of Cyprus. CEOs are, however, beginning to express concerns about over-regulation, which is the primary concern both globally (78%) and in the Eurozone (83%).

Figure 11: Potential economic, policy and social threats

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

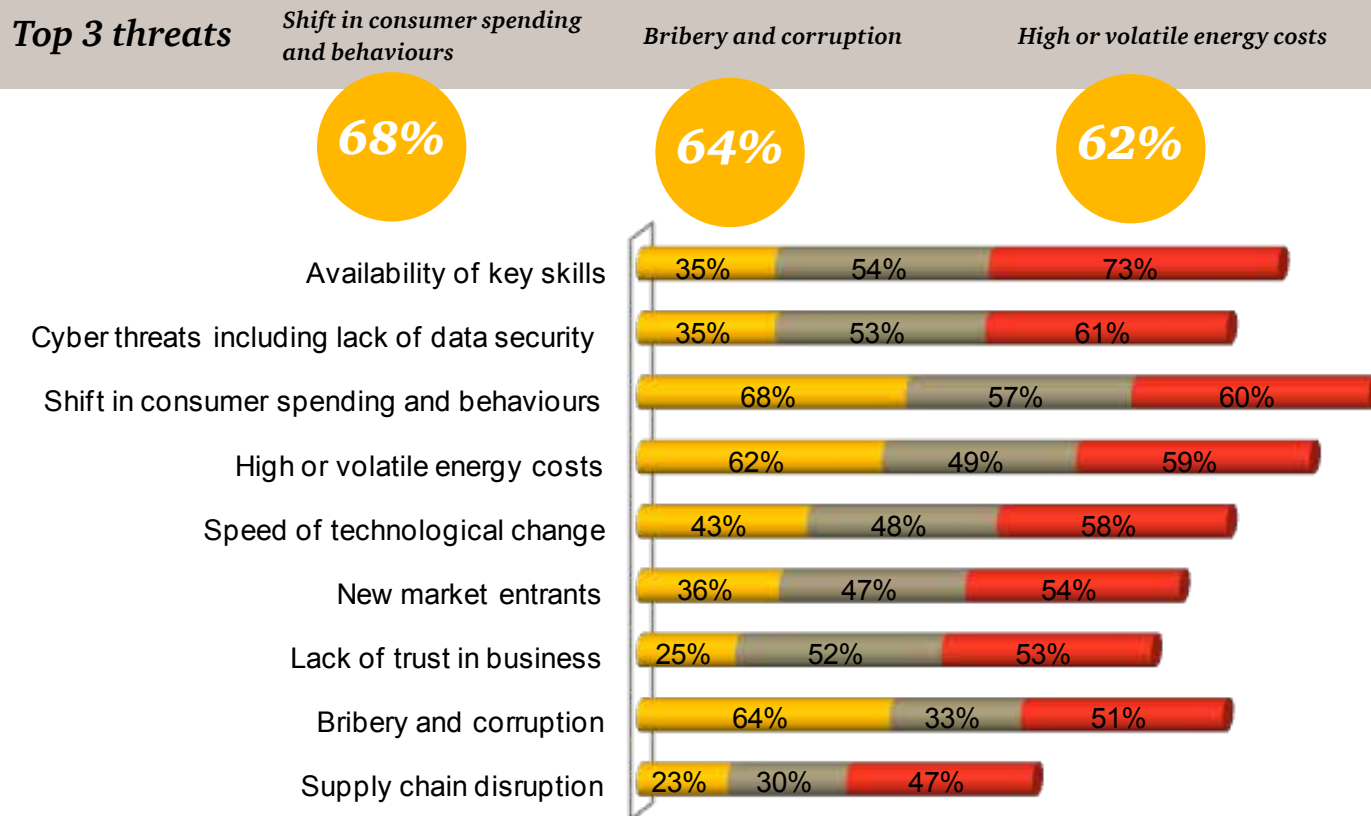


With regard to business threats in particular, CEOs in Cyprus acknowledge the importance of the shift in consumer spending and behaviours, up to 68% compared to 63% last year. This is followed by bribery and corruption, but also high or volatile energy costs - 64% and 62% respectively - confirming that, once again this year, these are the three most important business threats currently faced by CEOs in Cyprus. Availability of key skills is, however, the no. 1 concern for CEOs globally at 73% and no. 2 for CEOs in the Eurozone at 54%, highlighting the key issue of talent and its value to business.

It is also interesting to note the concerns of CEOs globally (61%) and in the Eurozone (53%) as well as in Cyprus (35%) with regards to cyber threats, including the lack of data security. According to the recent Global Survey entitled "The Global State of Information Security® Survey 2015", released by PwC in cooperation with the CIO and SCO magazines, security breaches are all the more common. It is worth noting that the losses from all cyber security incidents in 2014 rose to 42.8 million, corresponding to 117,339 attacks a day.

Figure 12: Potential business threats

Q: How concerned are you about the following potential **business threats** to your organisation's growth prospects?



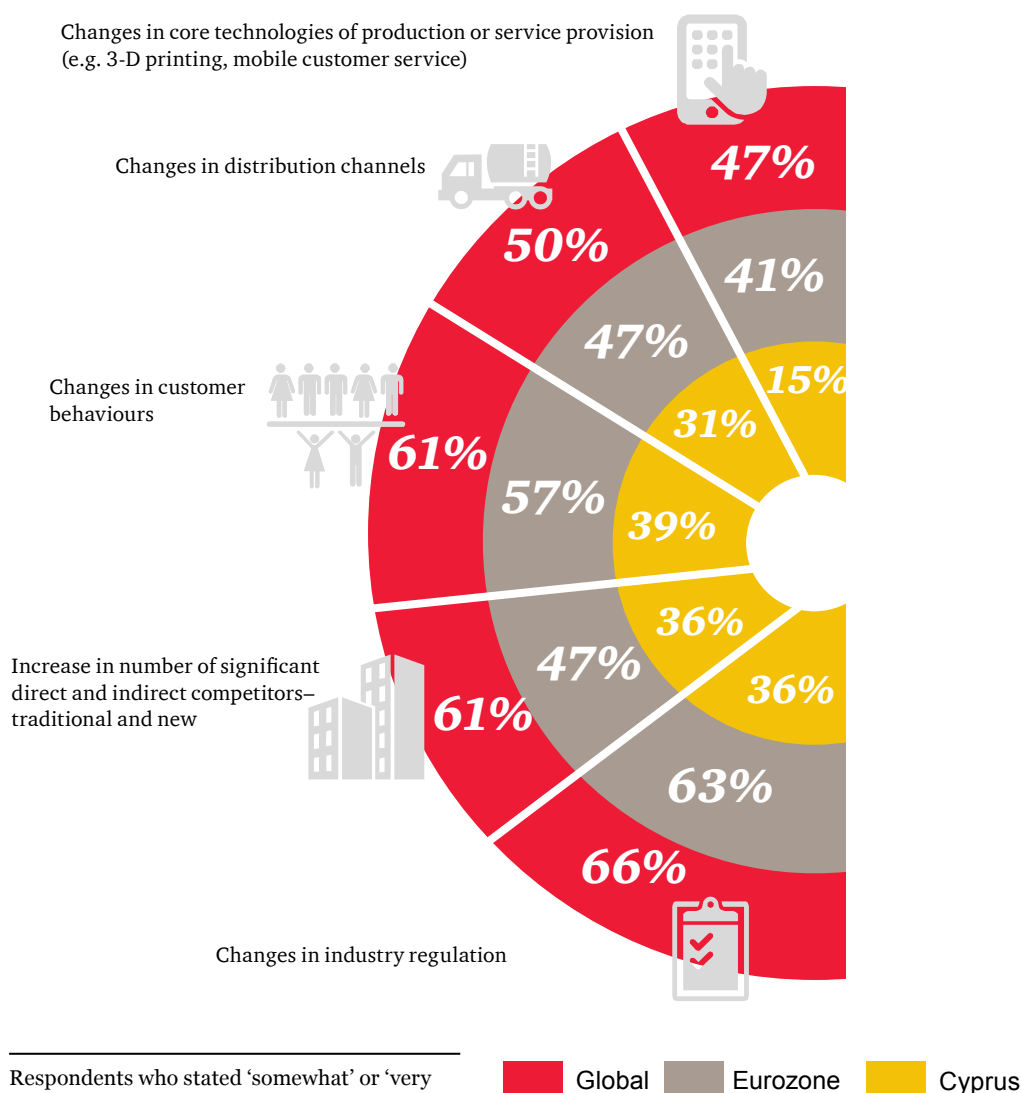
Respondents who stated 'extremely' or 'somewhat concerned'

Cyprus Eurozone Global

Industry disruptions and their impact

Figure 13: Industry disruptions

Q: How disruptive do you think the following trends will be for your industry over the next five years?



The concerns expressed by CEOs provide an important indicator of how the business landscape will evolve over the next five years. Changes in customer behaviours (39%), the increase in the number of direct and indirect competitors (36%) as well as changes in industry regulation (36%) appear, once again, to be of particular concern to CEOs in Cyprus, the Eurozone and globally.

Regulation and relevant changes are what CEOs fear most, both globally (66%) and in the Eurozone (63%).

The following point is worth highlighting, as our survey results reveal an issue that requires attention. In Cyprus, 43% of CEOs stated that they don't feel threatened by a significant competitor emerging from other industries. To the next questions, however, on how likely it will be that organisations will increasingly compete in new sectors other than their own, 66% of the respondents said that this is likely while 60% stated that their organisation has entered or considering to enter a new industry.

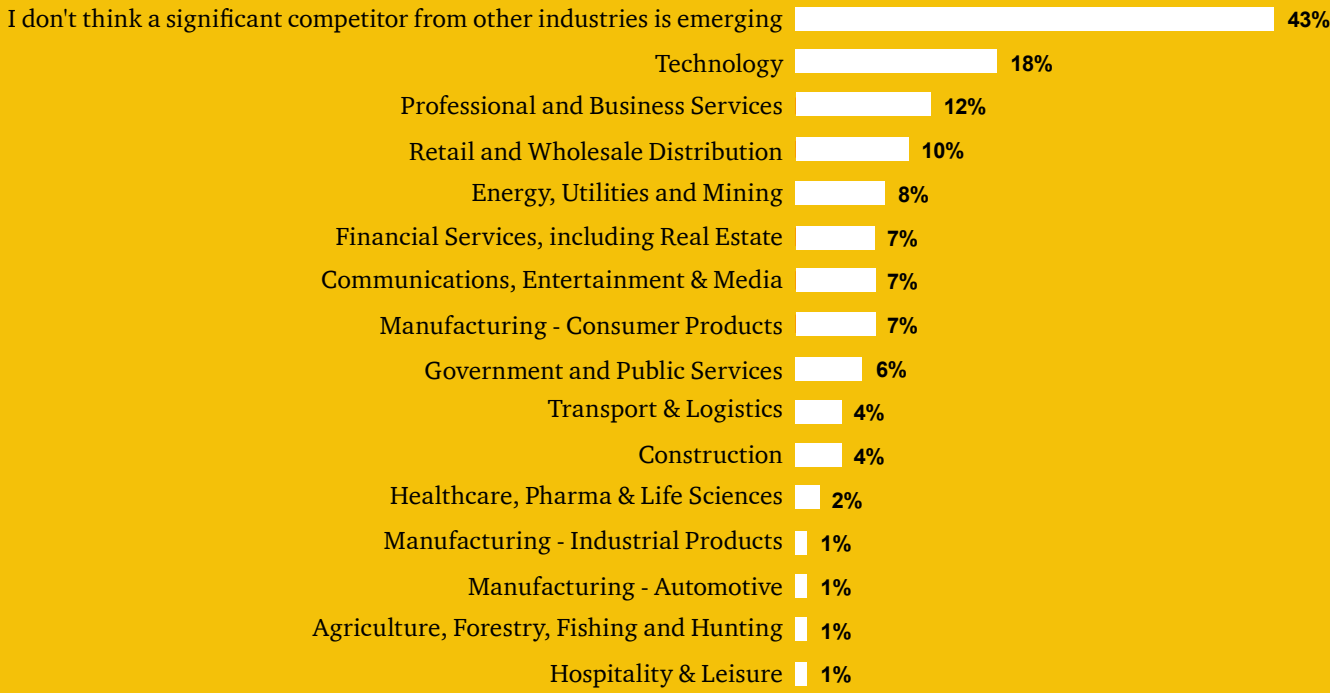
It is quite a paradox that CEOs in Cyprus do not see competition rising while, at the same time, they are open to the prospect of extending their operations to other sectors.



Figure 14: Competitors from other industries

Q: From which industry or industries outside of your own do you think a significant competitor is currently emerging or could potentially emerge?

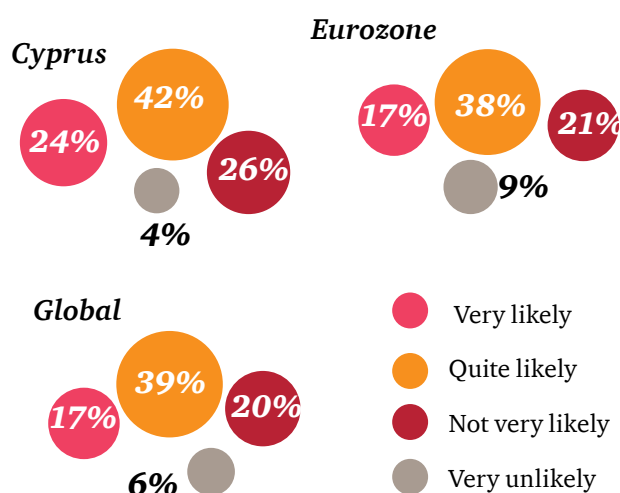
Cyprus



Leveraging competitive capabilities

Figure 15: Increasing competition by companies from other sectors

Q: How likely do you think it will be that organisations will increasingly compete in new sectors other than their own, over the next three years?



Moreover, when asked whether their organisation has entered a new industry or considered doing so in the past 3 years, 42% of CEOs in Cyprus responded positively, referring in particular to the sectors of financial services, technology and professional services.

Figure 16: Competing in new sectors

Q: Has your organisation entered a new industry or industries, or considered doing so, within the past three years?

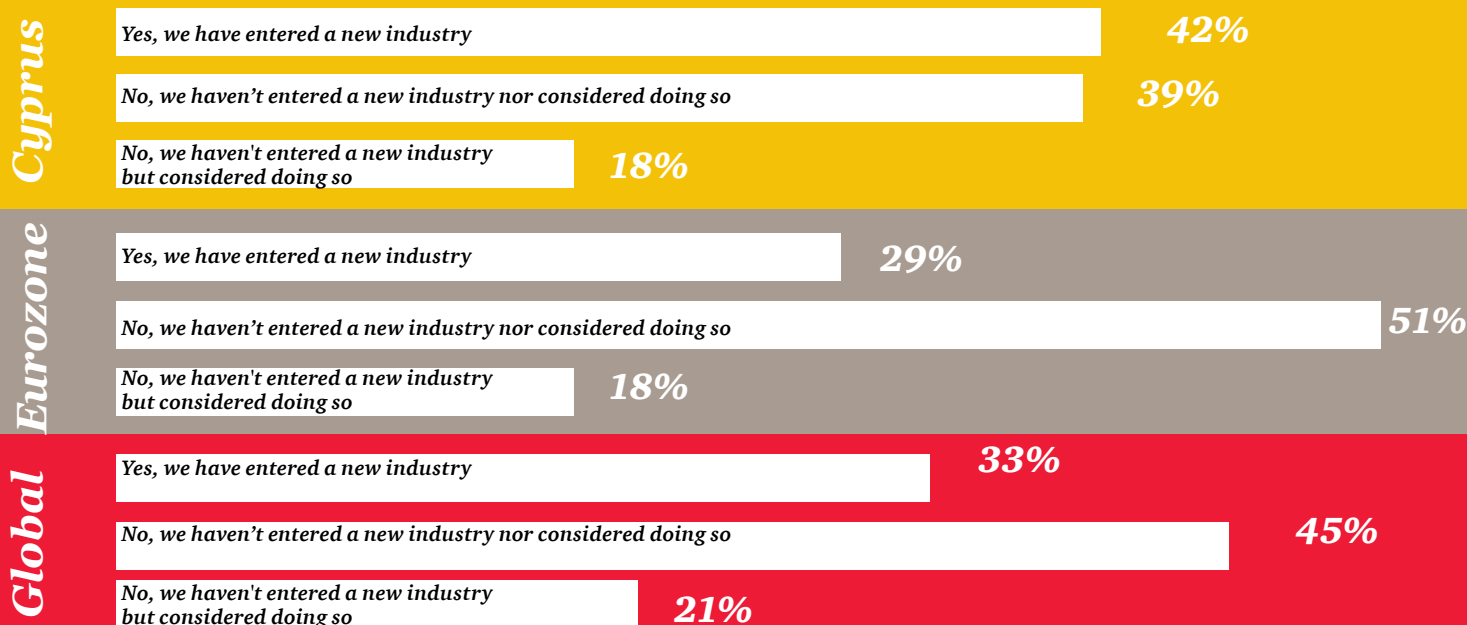
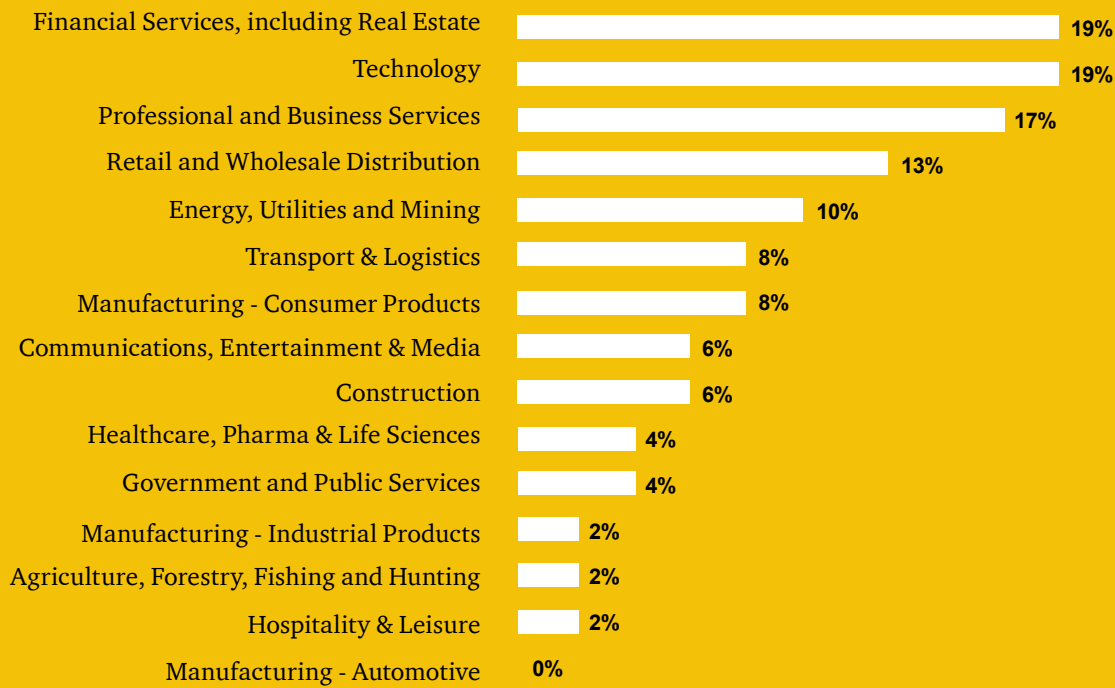


Figure 17: Entering new industries

Q: Which industries has your organisation entered within the past three years or considered entering?

Cyprus

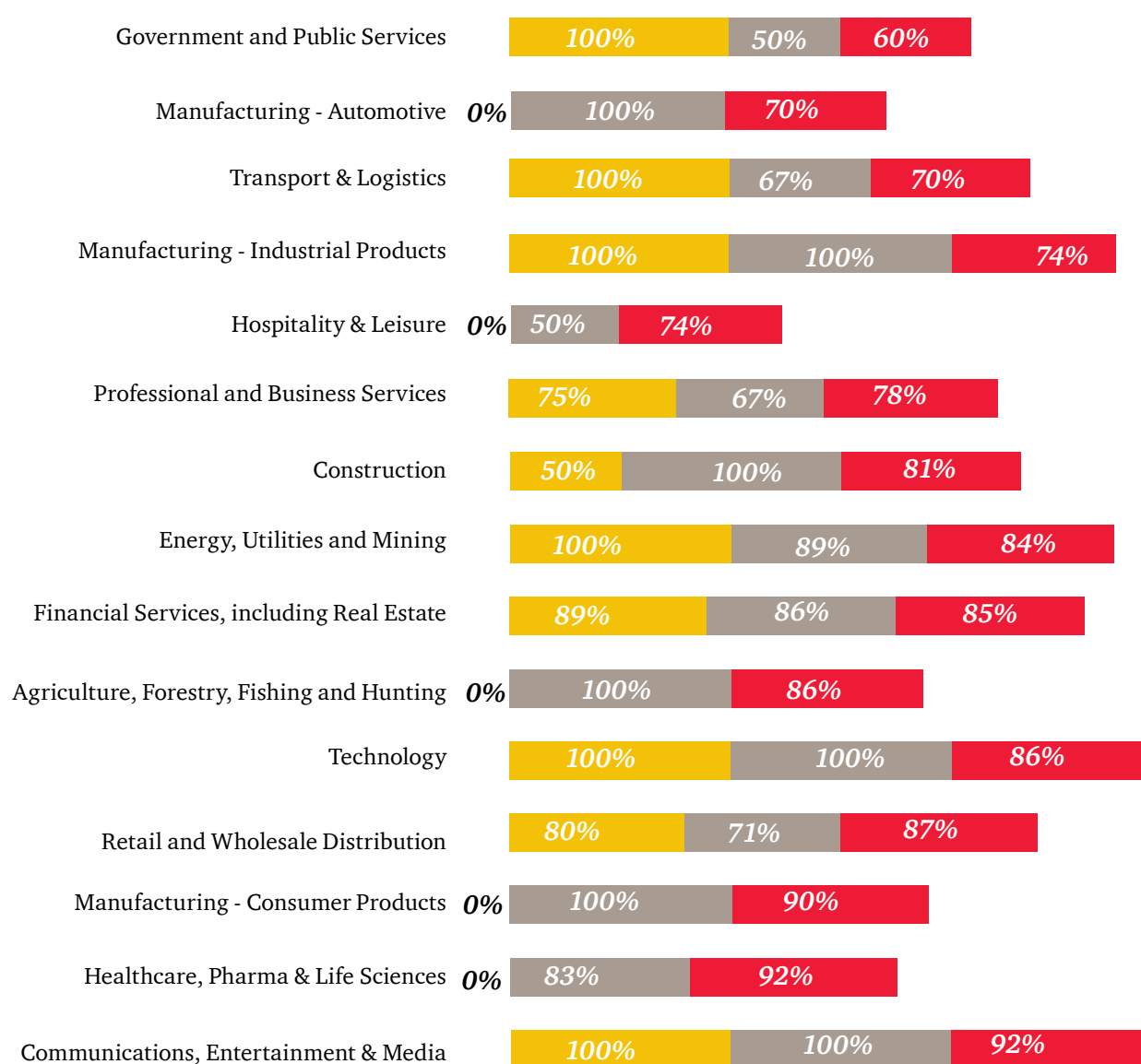


CEOs in Cyprus have expressed the belief that the areas of Communications, Entertainment & Media, Technology, Energy, Manufacturing of industrial products, Transport and Government & Public Services will generate greater revenue over the next three years. This is yet another interesting finding, which gives a clear view of the future of the market and how provided services are being shaped.

Some of the above - such as the energy sector - were expected to attract the interest of respondents. Technology, however, comes as a surprise, with CEOs realising its crucial role in business activities.

Figure 18: Revenues from other industries

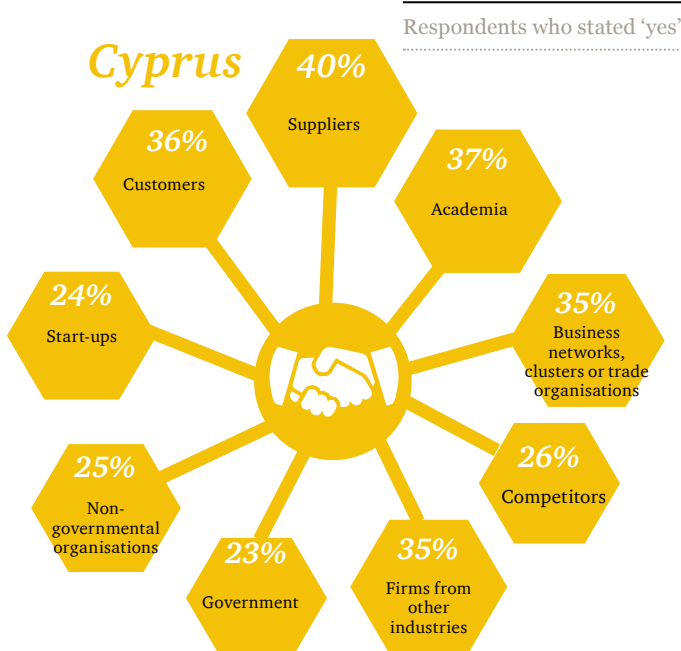
Q: Do you expect the amount of revenue from those industries to increase, decrease or stay the same over the next three years?



Respondents who stated "Increase"

Figure19: New collaborations

Q: Are you currently engaged with or considering engaging with any of the following types of partners through joint ventures, strategic alliances or informal collaborations?

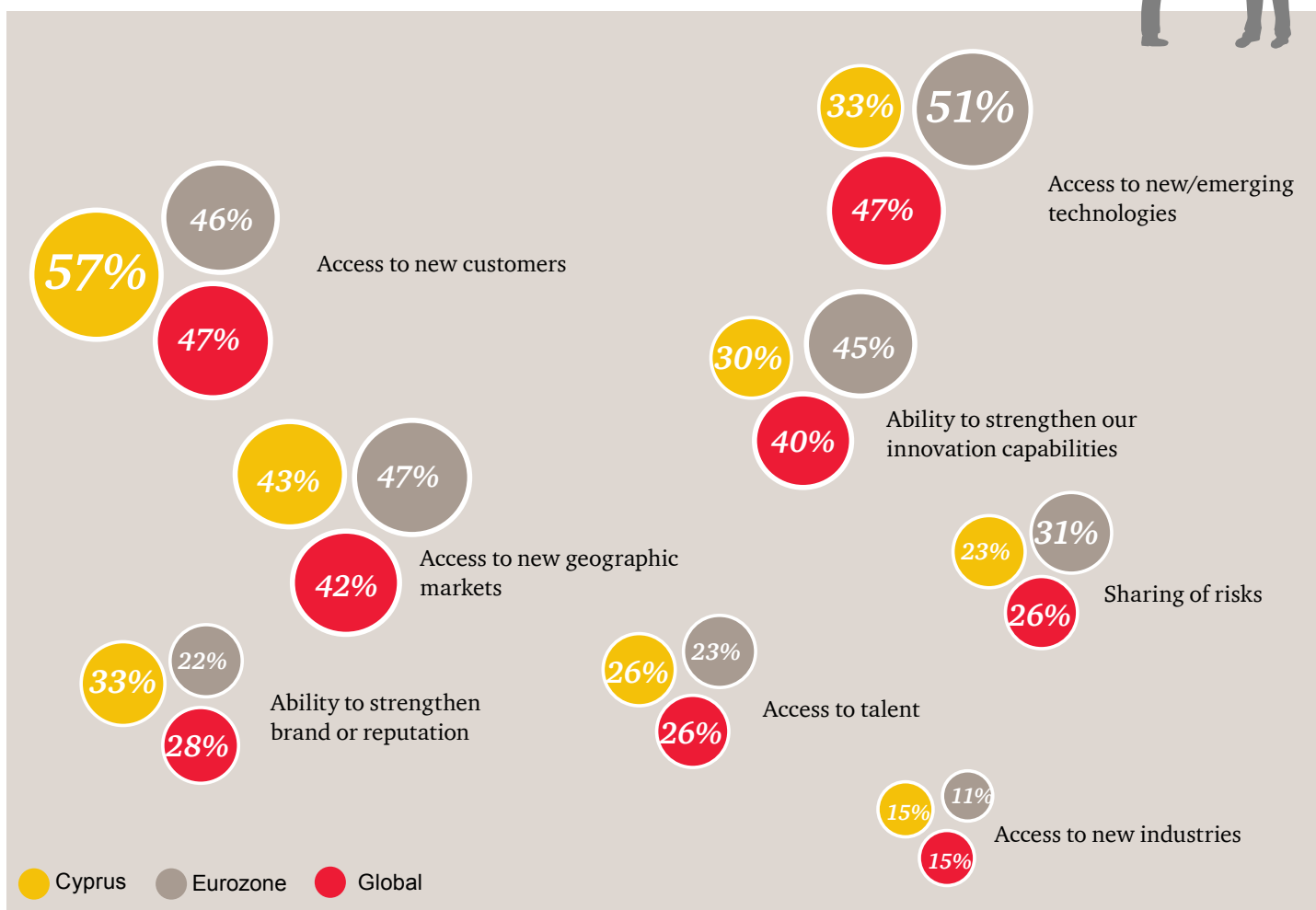


Moving on to strategic alliances and collaborations, 57% of CEOs in Cyprus believe that new collaborations will enhance their access to new customers, while 51% of CEOs in the Eurozone consider access to new technologies to be the most important advantage, with 47% of CEOs globally supporting both of the above.

Once again, technology appears to be gaining ground and can prove to be an advantage for businesses, helping them achieve a significant diversification of their role and contribute to achieving flexibility and cost-reductions. Of course, at the end of the day, all CEOs are looking to strengthen their customer base and increase their turnover.

Figure 20: Reasons for building collaborations

Q: What are your reasons for collaborating in joint ventures, strategic alliances or informal collaborations?



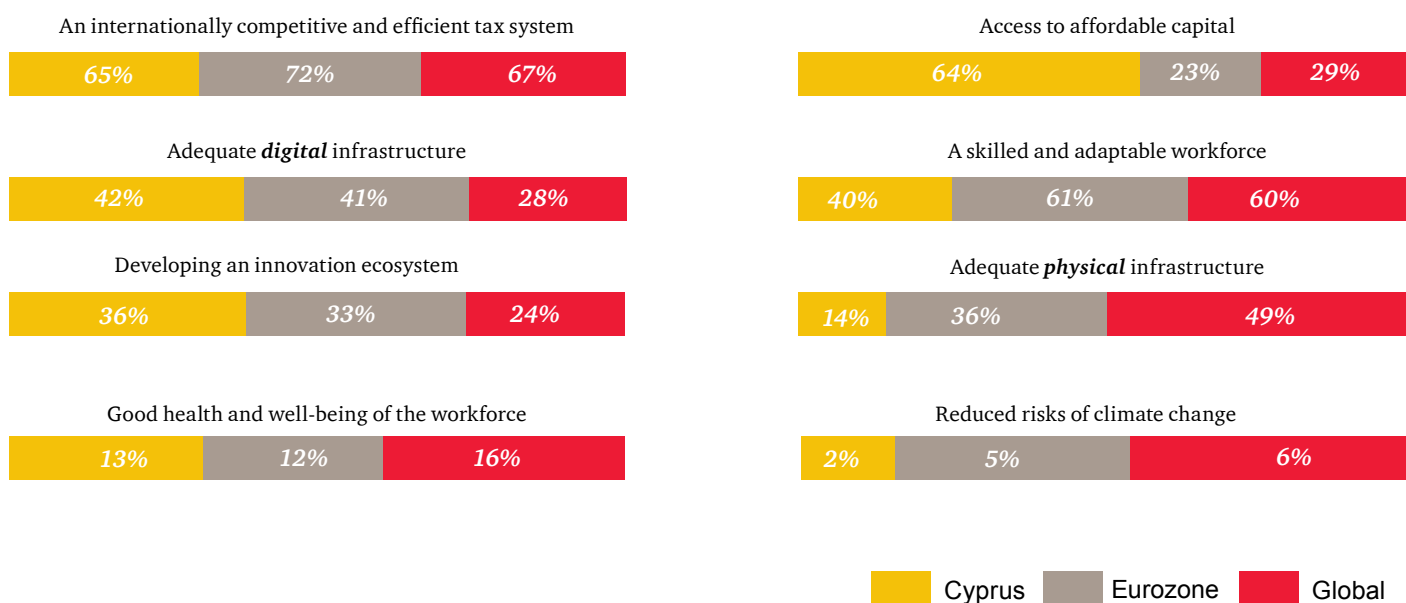
But what should be the priorities of governments? Should businesses collaborate with their government? The majority of CEOs in Cyprus (65%), in the Eurozone (72%) and globally (67%), state that maintaining an internationally competitive and efficient tax system should be the top priority for governments.

In Cyprus, this is followed by access to affordable capital and adequate digital infrastructure, while for CEOs in the Eurozone (61%) and globally (60%) a skilled and adaptable workforce should be the second priority for governments. Percentage rates for this specific area have increased considerably compared to last year.



Figure 21: Government priorities

Q: Which three areas should be government priorities, in the country in which you are based?



The views of CEOs on the outcomes achieved by the state in which they are based are quite interesting. In Cyprus, 61% of CEOs believe that the government has been effective in establishing an internationally competitive and efficient tax system.

This, according to the previous question, was also their top priority. On the other hand, 45% of CEOs in the Eurozone are proud of the good health and well-being of their workforce and 35% of CEOs globally believe that their government has been successful in creating adequate digital infrastructure.



Figure 22: Government effectiveness

Q: How effective has government been in achieving these outcomes in the country in which you are based?

	Respondents who stated 'effective' or 'greatly effective'			Respondents who stated 'ineffective' or 'greatly ineffective'		
<i>An internationally competitive and efficient tax system</i>	61%	14%	20%	26%	64%	54%
<i>Good health and well-being of the workforce</i>	33%	45%	32%	38%	18%	31%
<i>A skilled and adaptable workforce</i>	21%	23%	21%	51%	46%	47%
<i>Adequate physical infrastructure</i>	19%	34%	33%	50%	33%	38%
<i>Reduced risks of climate change</i>	19%	25%	13%	52%	34%	43%
<i>Adequate digital infrastructure</i>	15%	30%	35%	61%	40%	31%
<i>Developing an innovation ecosystem</i>	10%	9%	12%	81%	53%	47%
<i>Access to affordable capital</i>	8%	31%	34%	80%	40%	33%

Cyprus
 Eurozone
 Global

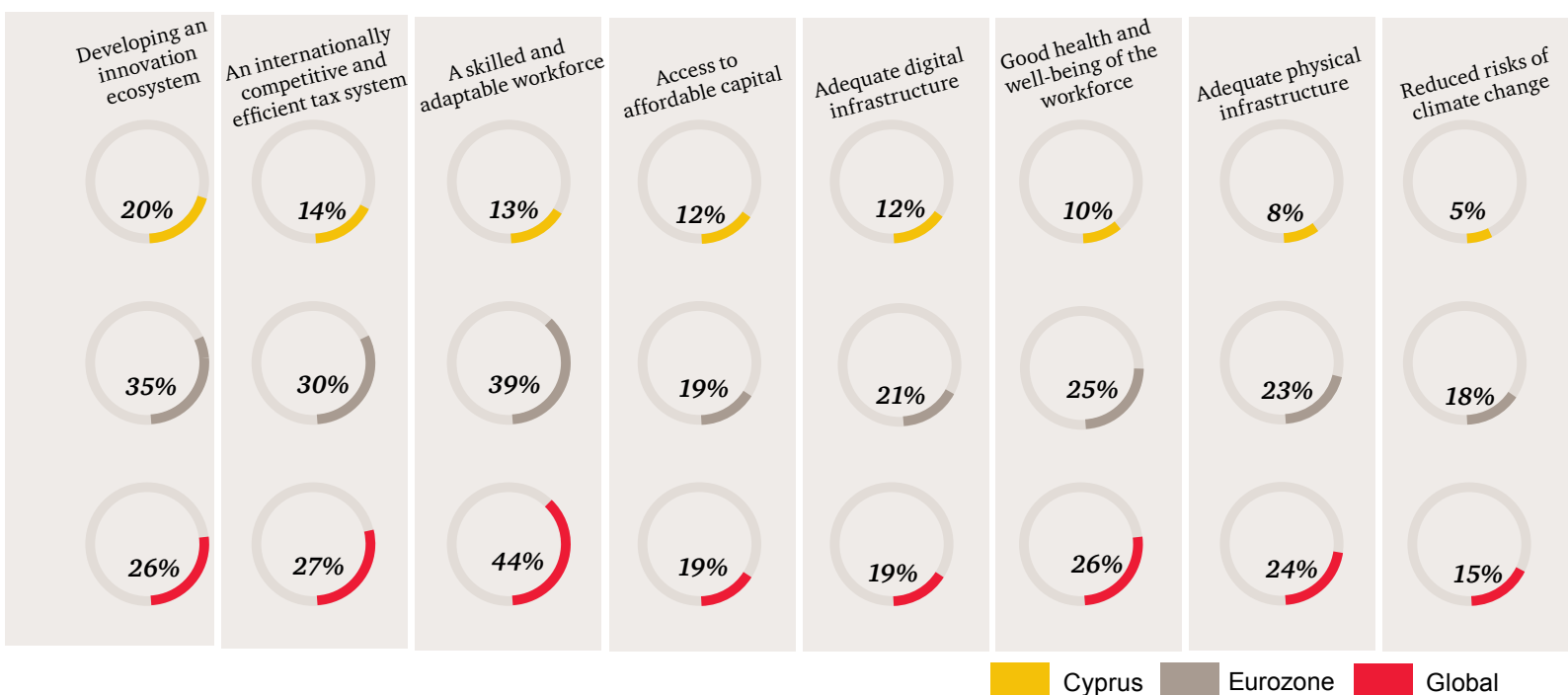
Having pointed out what they consider to be the most critical issues, CEOs report that they would be willing to collaborate with the government in order to make a difference. In Cyprus, 20% of CEOs believe their company may collaborate with the government in the next three years to develop an innovation ecosystem.

Encouraging innovation and entrepreneurship is paramount to reviving the labour market and strengthening the country's economic development. This view is supported by 35% of CEOs in the Eurozone and 26% globally. At the same time, 39% and 44% respectively, consider that synergies with the state can contribute more towards developing a skilled and adaptable workforce.



Figure 23: Collaborating with government

Q: Which, if any, of these outcomes is your organisation focusing on collaborating with government over the next three years?

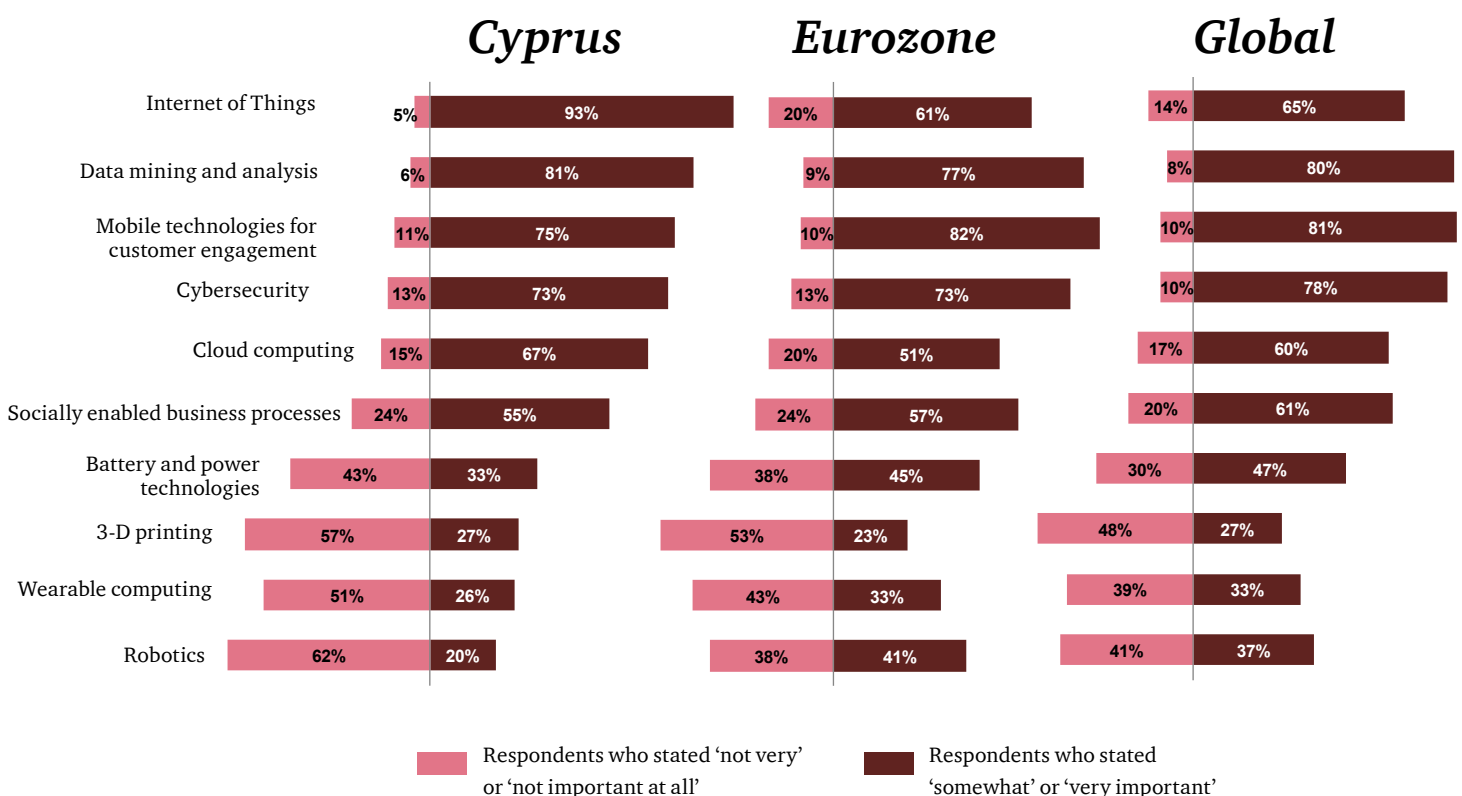


Leveraging technology to drive competitive advantage in the digital age

Research, technological advancement and innovation are the driving forces behind competitiveness. Digital technology has changed our daily lives and how we view things, giving businesses a different kind of value. Let us not forget that today, digital technology has virtually transformed the way we work, shop and even entertain ourselves. In Cyprus, 93% of CEOs consider the internet of things to be very important for their organisation while 81% is mostly interested in data mining and analysis, followed by mobile technologies for customer engagement, at 75%.

Figure 24: Strategic importance of digital technologies

Q: How strategically important are the following categories of digital technologies for your organisation?



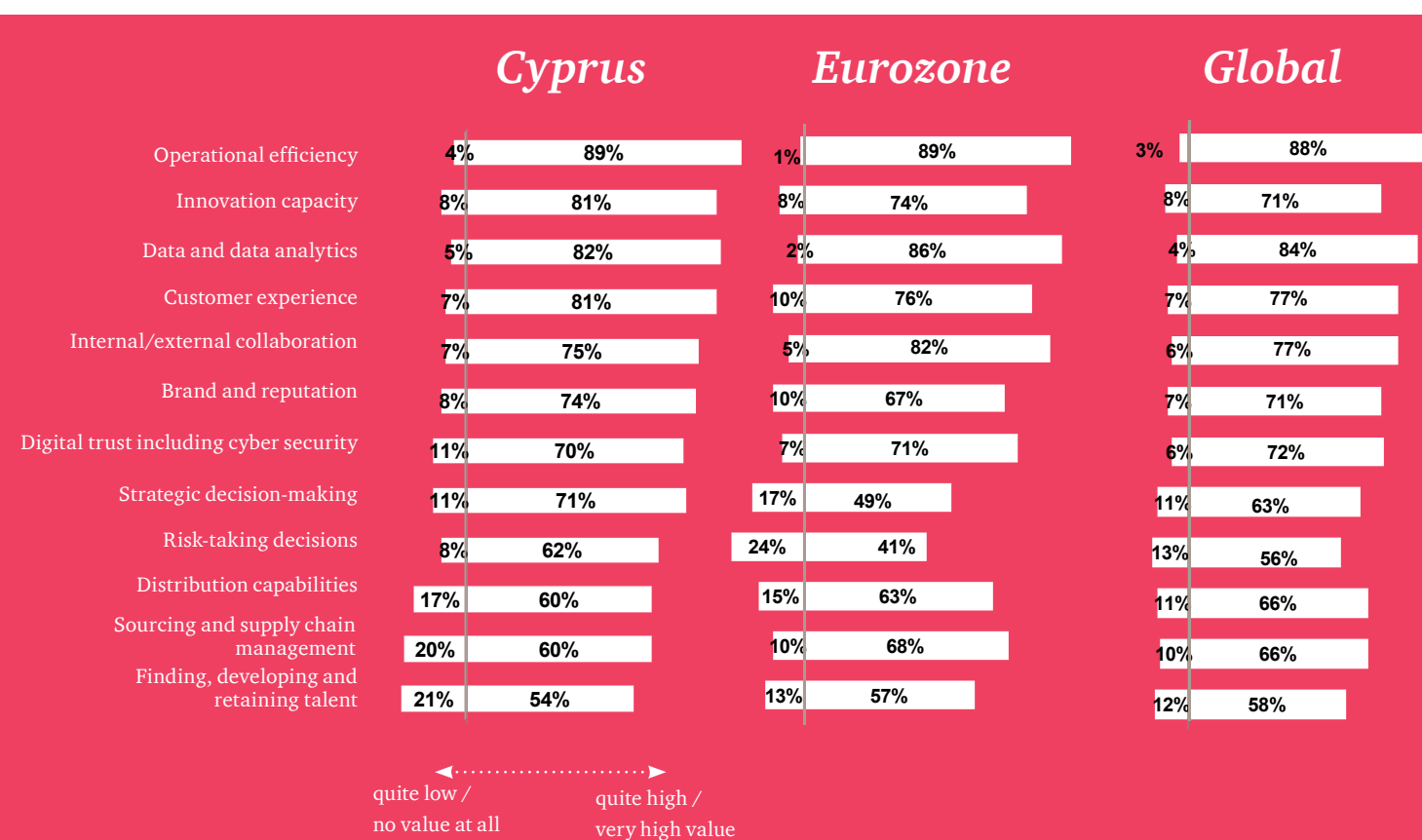
When asked to what extent digital technologies create value for their organisation, 89% of CEOs in Cyprus replied that it contributes to operational efficiency and 82% to data and data analytics.

It can therefore be concluded that according to CEOs in Cyprus, digital technologies help organisations to plan, take action and address the needs of their clients.



Figure 25: Creating value from the use of digital technologies

Q: To what extent are digital technologies creating value for your organisation in the following areas?

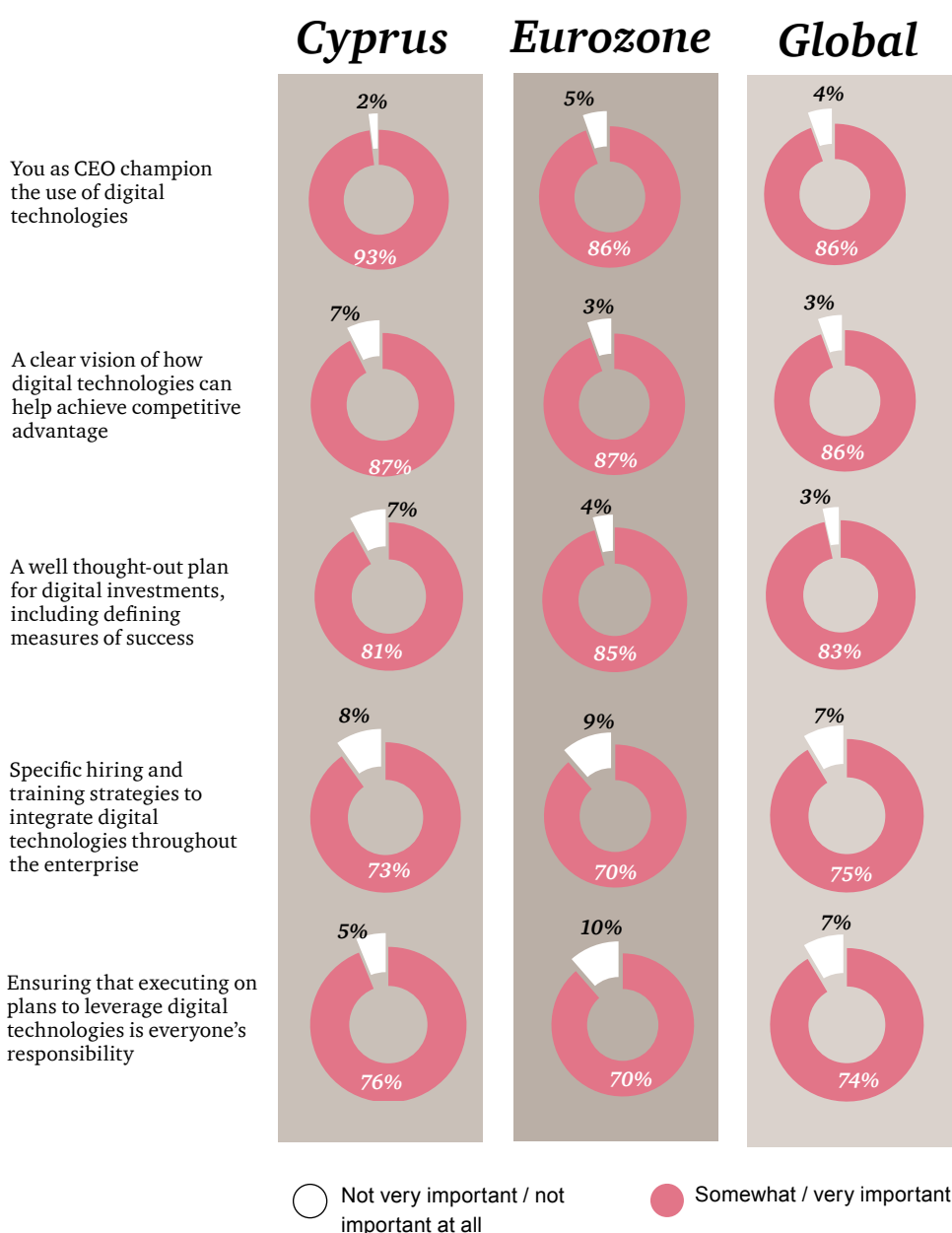




Moreover, the overwhelming majority of CEOs in Cyprus - at a rate of 93% - believe that they should be champions in the use of digital technologies and promote them across their company, while 87% think there should be a clear vision of how digital technologies can help achieve competitive advantage. Similar rates have been recorded for both of the above in the Eurozone (86% and 87% respectively) and globally (86%).

Figure 26: Getting the most out of digital investments

Q: How important are the following factors in helping your organisation get the most out of its digital investments?



Beyond the importance of the use of technology, the need to integrate digital technologies into the strategy of an organisation is another interesting finding. In addition, the proper use of technologies by CEOs themselves is thought to set a good example. It is worth noting that the “revolution” brought about by social media, in less than a decade, has also touched management at the most senior level. In fact, information technologies and social and communication media have transformed organisations, highlighting the fact that the “digital illiteracy” of leaders is considered an important disadvantage, and dictating the need to change traditional management methods. CEOs therefore recognise the important role of new technologies and make efforts to integrate them both in the context of their own governance and in the broader operational framework of their business.

Leveraging talent

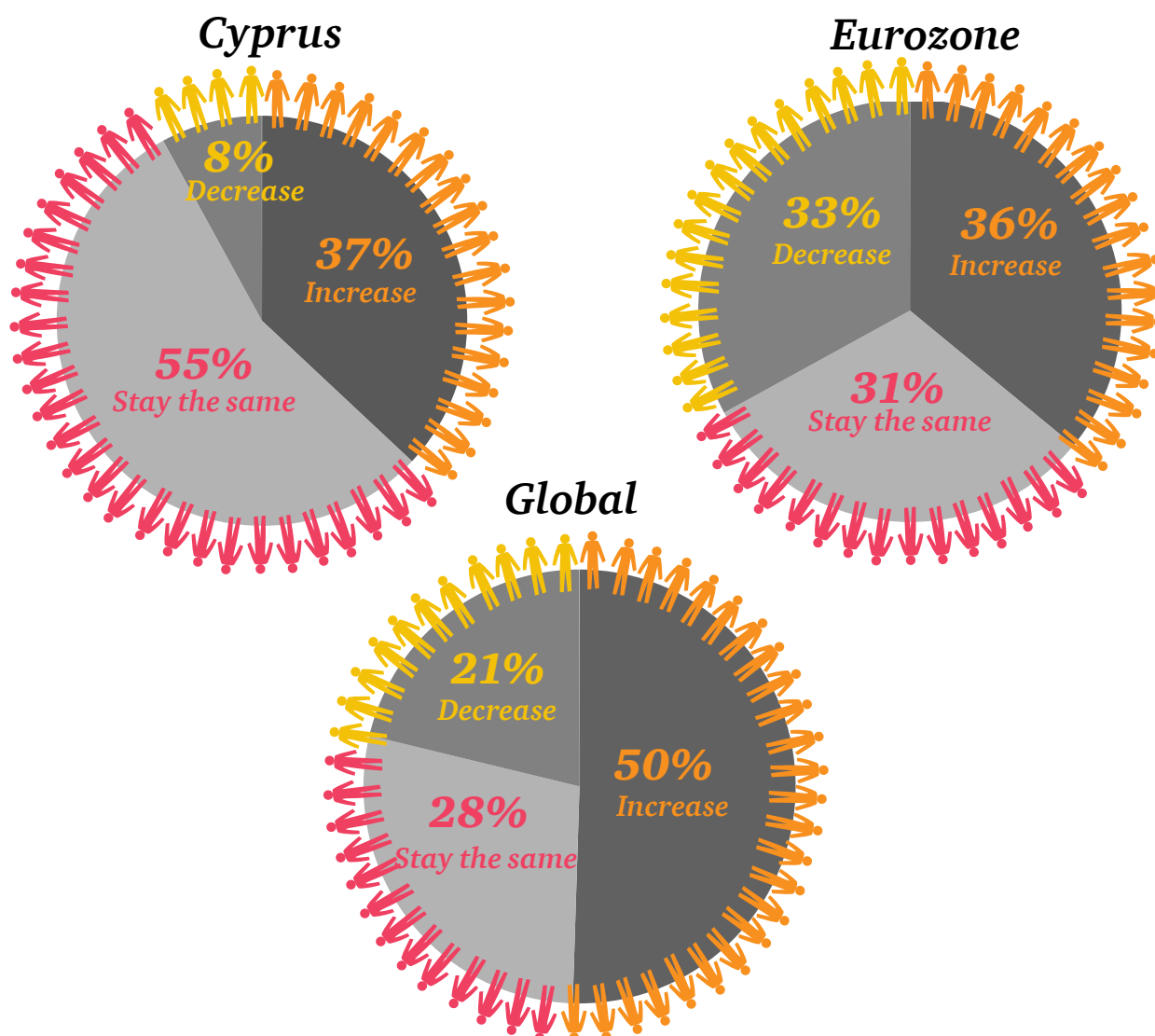
Half of the CEOs globally state that their headcount will increase over the next 12 months. However, 21% expect a decrease, this rate being almost the same as last year. The corresponding figures in the Eurozone are 36% and 33% respectively.

In Cyprus, CEOs appear to be a lot more confident about a potential increase in their headcount compared to last year, with 37% expecting an increase, in comparison to a mere 17% in last year's survey. It is worth noting that only 8% of CEOs in Cyprus believe their headcount will decrease. This rate has registered a significant decline, when compared to 23% in 2014.

It therefore appears that CEOs largely believe that their business has stabilised and that it is no longer necessary to reduce their headcount in order to contain costs.

Figure 27: Changes in the headcount

Q: Do you expect headcount in your company to increase, decrease or stay the same over the next 12 months?

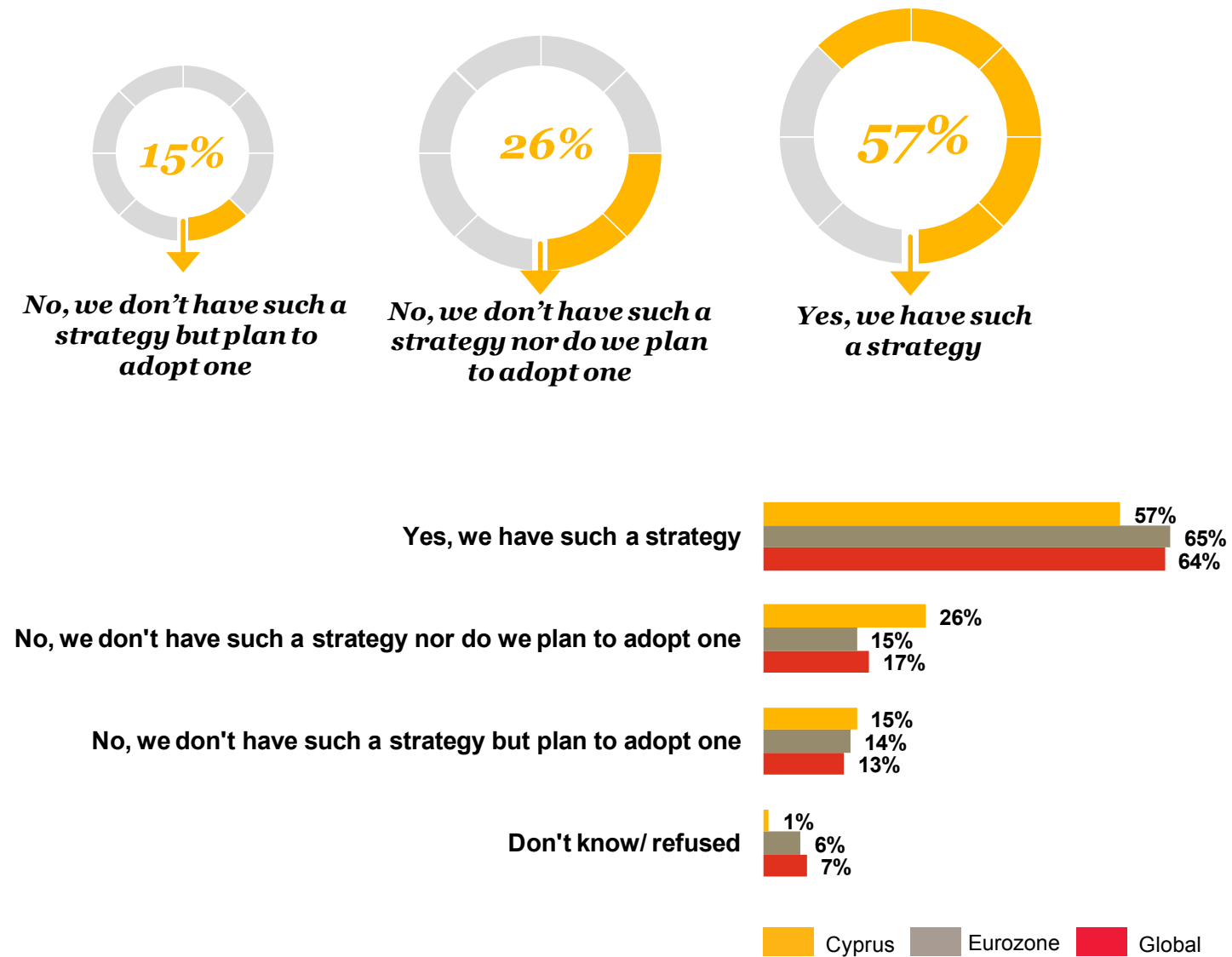


Implementing a strategy to promote talent diversity and inclusiveness is now a priority for all businesses, as talent is everywhere, irrespective of race, nationality or preferences. What is important is for companies to have the ability to locate talent anywhere, adapt it to their own business needs and, obviously, retain it. Companies need people who can think and work differently, so as to tap into the full potential of their workforce and achieve a competitive advantage.

More than half of the CEOs (57%) reported that their business implements some kind of strategy that promotes talent diversity and inclusiveness. The corresponding rates for the Eurozone and globally stand at 65% and 64% respectively.

Figure 28: Strategies for promoting talent diversity and inclusiveness

Q: Does your organisation have a strategy to promote talent diversity and inclusiveness or have plans to adopt one?



In Cyprus, 88% of CEOs believe that the adoption of practices that promote talent diversity and inclusiveness has enhanced customer satisfaction, while 85% report that it has enhanced business performance. For 87% of CEOs in the Eurozone and 91% globally, attracting talent is the greatest benefit resulting from this process. The finding confirms, once again, the paramount importance that leaders attach to a quality workforce.



“So what’s left is talent. It’s people like you and me with our creative ideas, with our energy, with the disruption which comes from our heads. So like any media, like any modern business, it’s all about the people who join your company, join your organisation and who work for you.”

Victor Kislyi, Executive Chairman & CEO, Wargaming

Figure 29: Benefits obtained from promoting talent diversity and inclusiveness

Q: Which of the following benefits, if any, has your organisation obtained from its strategy to promote talent diversity and inclusiveness?

	Respondents who stated ‘agree’ or ‘agree strongly’			Respondents who stated ‘disagree’ or ‘disagree strongly’		
Attract talent	77%	87%	91%	6%	1%	2%
Enhance business performance	85%	77%	85%	2%	3%	2%
Strengthen our brand and reputation	83%	81%	83%	4%	5%	3%
Collaborate internally / externally	67%	72%	78%	13%	6%	3%
Innovate	69%	73%	78%	13%	5%	3%
Enhance customer satisfaction	88%	66%	77%	2%	7%	4%
Serve new and evolving customer needs	69%	72%	76%	4%	9%	5%
Leverage technology	79%	62%	63%	2%	14%	7%
Compete in new industries / geographies	60%	51%	56%	15%	26%	14%

 Cyprus  Eurozone  Global

Finally, 80% of CEOs in Cyprus state that they now look for a much broader range of skills when hiring than they did in the past, while 68% believe in and equip their employees with new skills through continuous learning or mobility programmes. This leaves us with a “sweet taste” as businesses appear to invest in their people, and investment in people equals investment in the organisation’s success.

“The best analogy would be a boat. So you have a boat with 20 people, and they row. They just have to row synchronously in one direction. If your company, no matter if it has 100 or 1,000 people, if your organisation can do this – and it’s hard work to make an organisation do this – then you can compete with anyone, anywhere at any time.”

Victor Kislyi, Executive Chairman & CEO, Wargaming

Figure 30: Talent activities

Q: To what extent do you agree or disagree with the following statements about your organisation’s talent activities?

	Cyprus	Eurozone	Global
We look for a much broader range of skills when hiring than we did in the past	80%	79%	81%
We always equip employees with new skills through continuous learning or mobility programmes	68%	80%	81%
We always use multiple channels to find talent, including online platforms and social networks	44%	73%	78%
We actively search for talent in different geographies, industries and/or demographic segments	38%	68%	71%
We always use data analytics to provide better insight into how effectively skills are being deployed within our organisation	61%	38%	46%
We always collaborate with a wide range of external organisations to fulfil talent needs, including sharing of talent with other organisations	15%	34%	40%
We have greatly increased our reliance on contractors, part-time workers, outsourced functions or service agreements	42%	31%	33%

Respondents who stated ‘agree’ or ‘agree strongly’

Conclusion



According to the Harvard Business Review, which published a list of the 100 best-performing CEOs in the world, what brings CEOs to the top of the ranking is the enhanced value they deliver to their shareholders and the strengthening of the company's capitalisation achieved under their leadership.

The creation of added value is the first and most important objective; value from the CEO, value to the business stemming from its products or services as well as its workforce. For every organisation, this subjective value is the outcome of a common vision and strategy embraced by everyone within the company. This is the only means by which value can create the competitive advantage sought in order to achieve diversification in the market.



But let us take a brief look at the highlights of our survey:

- According to our survey, CEOs in Cyprus agree with CEOs in other countries in expressing confidence about their company's prospects for revenue growth.
- CEOs plan to initiate a series of restructuring activities for their business over the next 12 months, mostly looking to establish a strategic alliance or joint venture. Even though cost-reductions are still high in their list of priorities this percentages appears to be lower in comparison to the previous year.
- CEOs in Cyprus consider the United Kingdom and Russia as the most important countries for their overall growth prospects. The relevant rates have gone up compared to last year. It should be noted at this point that, for the first time in five years, CEOs both globally and in the Eurozone have ranked the US higher than China.
- It is worth noting that 42% of CEOs in Cyprus, 53% in the Eurozone and 61% globally believe that there are more growth prospects for their organisation compared to three years ago. They also believe that there are currently more threats than ever before. The confidence expressed by the CEOs confirms their positive attitude towards their company's prospects for revenue growth, as seen above.
- The findings of the survey stress the importance CEOs in Cyprus attach to geopolitical uncertainty and government response to fiscal deficit and debt burden. As regards potential business threats, CEOs are especially concerned about the changes in consumer spending and behaviours. CEOs globally and in the Eurozone are mostly concerned about the availability of key skills as well as cyber threats and the lack of data security.
- Our survey highlights a very interesting view expressed by CEOs in Cyprus, namely that they do not feel threatened by a significant competitor from another industry. However, when asked about the likeliness of competing in new sectors other than their own, 60% responded positively, naming in particular the sectors of financial services, technology and professional services. Nonetheless, CEOs believe that the sectors of Communications, Entertainment and the Media, Manufacturing of industrial products, Transport and Government & Public Services will generate greater profits over the next three years.
- An internationally competitive and efficient tax system continues to be a top government priority and, indeed, 61% of CEOs in Cyprus believe that the government has been successful in this area. For the second year in a row, the responses highlight the importance of encouraging innovation, and therefore CEOs in Cyprus, the Eurozone and globally state that they would be willing to collaborate with the government in that direction. Of course, for CEOs in the Eurozone and globally, it is more important to help develop a skilled and adaptable workforce.



- Digital technology opens up new prospects for CEOs and, according to the survey results, is taken seriously into consideration in both their strategic planning and the priorities they set for themselves. For this reason, the majority of CEOs in Cyprus (93%) consider the internet of things to be very important for their organisation, and state that digital technology contributes to operational efficiency and innovation capacity.
- Last but not least, half of the CEOs globally expect to increase their headcount over the next 12 years. CEOs in Cyprus also appear to be more confident about increasing their headcount compared to last year. When we refer to the workforce of an organisation we mean talent, irrespective of race, nationality and preferences. More than half of the CEOs in Cyprus have reported that their business implements some kind of strategy that promotes talent diversity and inclusiveness, allowing them to enhance their business performance and strengthen their brand and reputation.

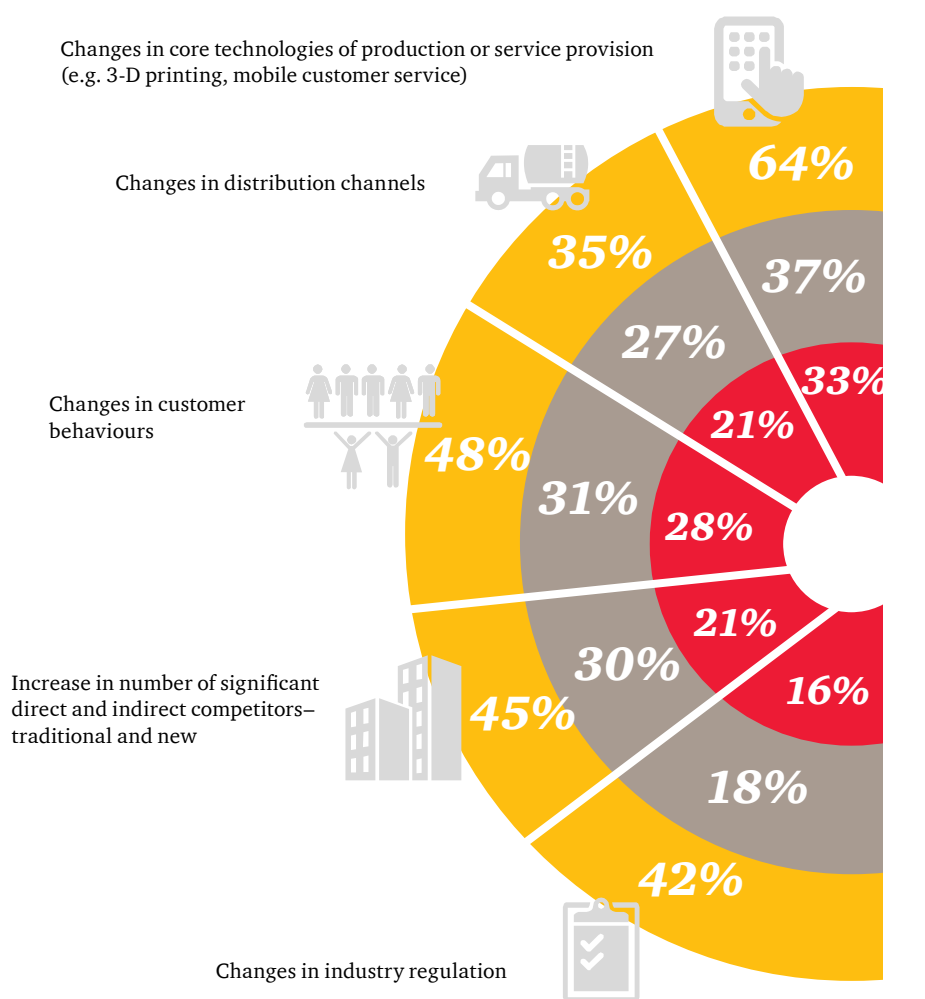
This year's CEO survey is marked by greater confidence compared to the past and this is the one thing that we should all keep in mind. As a country, we have worked hard over the last year and a half, in order to help rebuild trust in Cyprus and to get our businesses back on growth mode. We still face an uphill task and a lot remains to be done, but as seen in the views expressed by our CEOs, we are heading in the right direction. Challenges continue to exist. Recent political developments in Greece, the events in Syria and the goings-on in the energy sector, could all affect Cyprus.

The essence of success against challenges lies in the power of collective effort towards a common goal. Collaboration and faith in what we can achieve are the foundation for building a better future. The entrepreneurial spirit of Cyprus, coupled with its extrovert nature, will once again play a leading role in the recovery and return to growth.

So you want more data?

Figure 31: Industry disruptions

Q: How disruptive do you think the following trends will be for your industry over the next five years?



Respondents who stated 'not very' or 'not disruptive at all'

Cyprus
 Eurozone
 Global

Figure 32: Revenues from other industries

E: Do you expect the amount of revenue from those industries to increase, decrease or stay the same over the next three years?

	Θα αυξηθούν			Θα μειωθούν			Θα παραμείνουν στα ίδια επίπεδα		
Communications, Entertainment & Media	100%	100%	92%	0%	0%	2%	0%	0%	4%
Healthcare, Pharma & Life Sciences	0%	83%	92%	0%	0%	3%	0%	0%	3%
Manufacturing - Consumer Products	0%	100%	90%	0%	0%	0%	0%	0%	3%
Retail and Wholesale Distribution	80%	71%	87%	0%	14%	8%	20%	14%	3%
Technology	100%	100%	86%	0%	0%	1%	0%	0%	10%
Agriculture, Forestry, Fishing and Hunting	0%	100%	86%	0%	0%	0%	0%	0%	12%
Financial Services, including Real Estate	89%	86%	85%	0%	0%	2%	11%	14%	6%
Energy, Utilities and Mining	100%	89%	84%	0%	0%	1%	0%	11%	13%
Construction	50%	100%	81%	0%	0%	6%	50%	0%	13%
Professional and Business Services	75%	67%	78%	0%	0%	2%	25%	33%	20%
Hospitality & Leisure	0%	50%	74%	0%	0%	9%	0%	0%	4%
Manufacturing - Industrial Products	100%	100%	74%	0%	0%	2%	0%	0%	19%
Transport & Logistics	100%	67%	70%	0%	17%	5%	0%	0%	21%
Manufacturing - Automotive	0%	100%	70%	0%	0%	10%	0%	0%	10%
Government and Public Services	100%	50%	60%	0%	0%	7%	0%	0%	20%


 Cyprus Eurozone Global

So you want more data?

Figure 33: New collaborations

Q: Are you currently engaged with or considering engaging with any of the following types of partners through joint ventures, strategic alliances or informal collaborations?

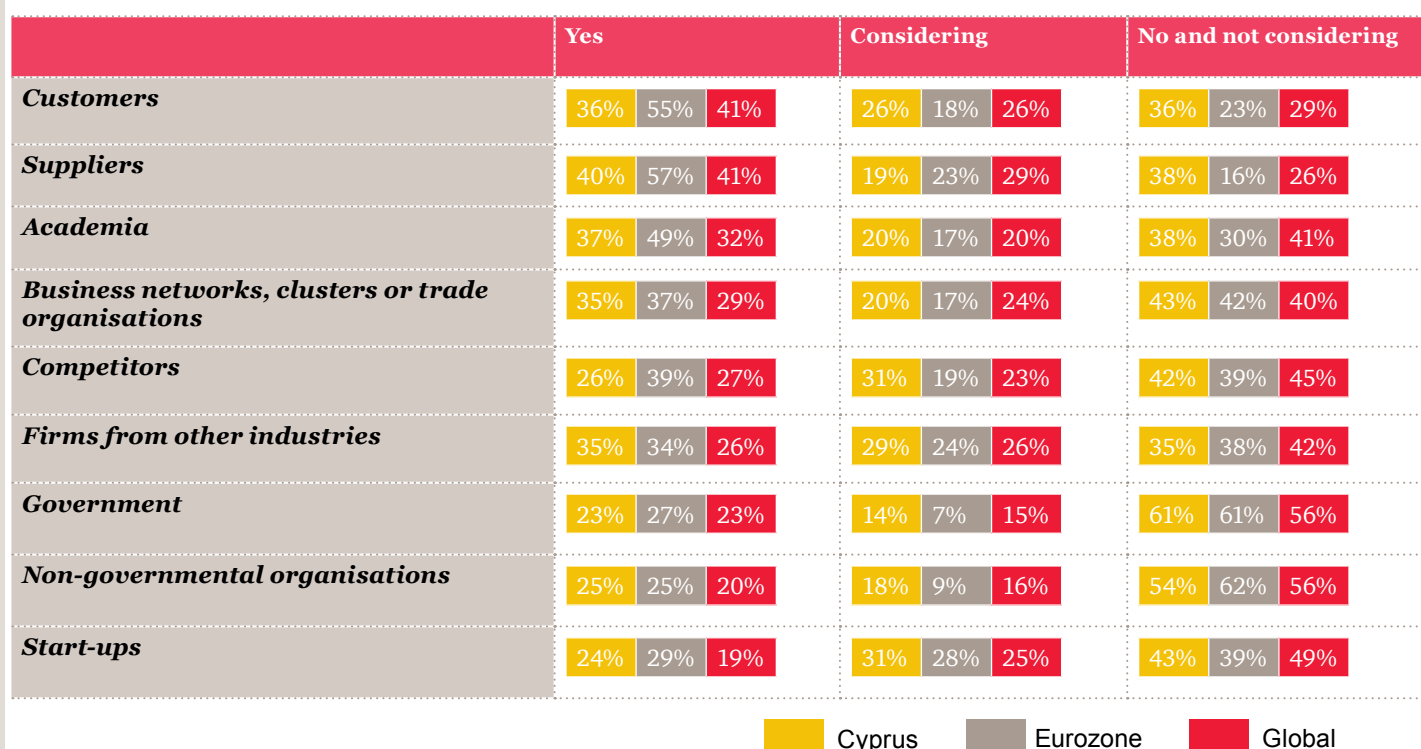
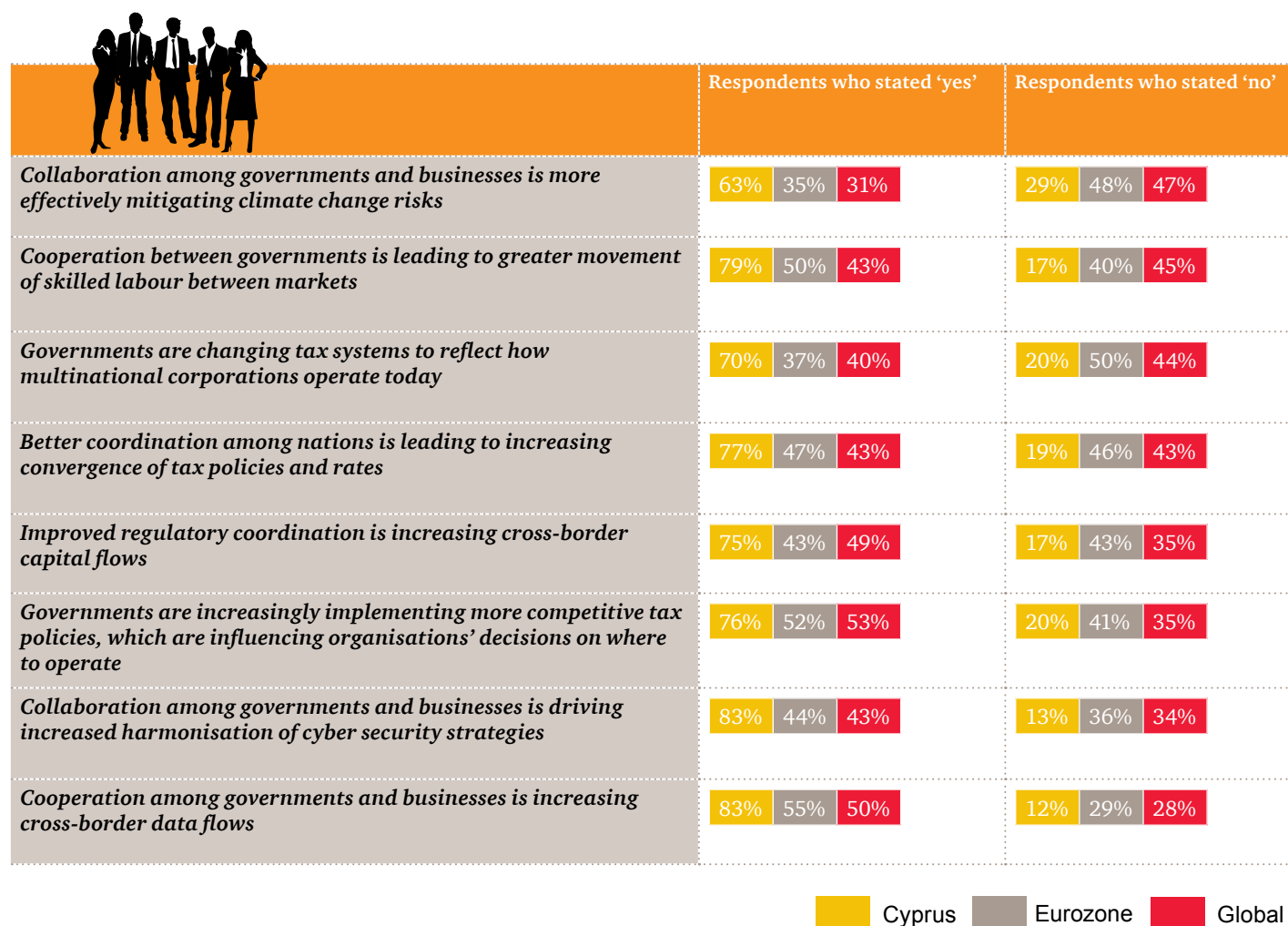


Figure 34: Changes in international policies and regulations

Q: Are you seeing changes in international policies and regulations in the following areas?



Interview with Victor Kislyi

Executive Chairman & CEO,
Wargaming

Interview



Victor Kislyi

The economy continues to have an important influence on business decisions. Where do you see the global economy going over the next twelve months, and over the next three years?

I think we live in a world today in which nobody can predict what is going to happen, not in three years, not in 12 months. Of course we are in the entertainment business with online games, so probably we don't care much or know much and therefore we cannot predict, for example, where the oil price is going or metals or geopolitical turbulence. What we know is gaming and online. And we can see that developing, not every year, but literally every month, every week, every day, becoming more global, more mobile, more social.

Where do you see most of your growth prospects over the coming year?

We represent this sector of entertainment, which is affordable entertainment. It's like a movie, a popcorn movie, so those players who play our games – and we have more than 100 million players – they spend on average let's say \$5, \$6, \$10. That's like a movie ticket or two.

So this kind of entertainment is definitely good for pretty much every country in the world which has infrastructure. So for us, the biggest are Russia, China, South Korea plus, of course, Western Europe and America too. When it comes to population numbers, you can clearly see that Asia is growing. It has a huge number of people. They're moving to the cities, getting jobs in industry, construction, getting their apartments, buying cell phones and getting access to computers. But at the end of the day, this is a worldwide market. So our company is global.

In your view, are there more growth opportunities for the organisation today, or more threats?

Every business in today's world has opportunities and threats, so the key question for us is not to predict whether or not we have threats or opportunities. The key question for us is whether or not we can be, as an organisation, as a company, flexible enough to be able to detect those threats or opportunities. And of course react to them.

Do you think your organisation needs to take more risks to succeed in this decade than it did in prior decades?

That's an interesting question. The good news for us is that we are not in the oil mining business, so we don't have to invest \$3 billion to explore the seabed, and invest in oil mining rigs. Our investments are more like movies, costing maybe \$100 million for one product.

So of course, we can make this prototyping turnover a little faster. But still, there is risk. You have to make a lot of prototypes. You have to invest in market research. You have to analyse your previous performance. And yes, you have to take risks: not only with technology, money and budgets, but also with ideas.

It's show business. Nobody wants to watch an old movie again and again. You have to come up with something new. You have to come up with a cultural twist, a historical twist. And this is probably the major risk which we and movies and any kind of entertainment business have: cultural risk. We're always running a little bit on the edge, you know, to be disruptive, to be sexy, in some cases, but not to cross the boundaries.

Who do you think would be your competitor of tomorrow?

We have been analysing this competition landscape big-time all these years. We came – at least for our company and for our neighbours who are doing the same as we do – we came up with an interesting conclusion. Well, of course, a company which makes similar online games is a competitor. We are fighting for the same user who likes to play online games, which is global, which involves millions of players. That's one thing.

On the other hand, we compete with any time-spending business. Let me explain. At the end of the day, people can live and survive without movies or online games. However, in the developed world – and China, the Philippines, Thailand, Brazil – all those countries for our purposes are already developed, after a hard working day, people want some entertainment.

At Wargaming, the games we make are like chess. In order to be successful in our battle universe, you have to think, you have to cooperate, you have to learn something about tactics and strategy. You have resources. You allocate them. There is always

Every business in today's world has opportunities and threats, so the key question for us is not to predict whether or not we have threats or opportunities. The key question for us is whether or not we can be, as an organisation, as a company, flexible enough to be able to detect those threats or opportunities.

lack of resources – that's the definition of strategy gaming. And you have to cooperate with your teammates. It's team play.

So we propose another way of entertaining yourself and doing it in a big ecosystem of millions of players, not only in your own country, not only with your neighbour, but with those millions of players who live on different continents. That's what we do.

So, yes, competition is and will always be there. And at the end of the day, this is about quality. We have to stay true to our customers, because we have this free-to-play model. And how do you do this? This is about quality, production value. You have to stay

true to your player. You have to give him more updates. You have to have your game at the immaculate level of technical quality, consistency, 24/7 service. You have to provide the service. Competition, yes, it exists, but I'm now talking about the ways to overcome this competition. It's quality. It's quality, it's innovation, it's staying true to your customers.

Are you planning any changes to your business method to stay competitive in the face of the new/expected disruptions?

There's no way you can predict all the changes that will happen 12 months from now or three years from now. Your organisation has to be ready to react to any change.

Of course, certain major directions are clear now. It's mobile. It's streaming. It's cloud computing. It's social. And it's global, going to markets like China, Japan, Brazil, Russia. So we, as a company, have a research-and-development department, with dozens – probably even up to 100 people – who are not making our current products. They are trying to find the next big thing, the next big game or some kind of social/gaming concept.

You have to experiment. You have to go places. You literally have to send your people to Brazil, to Turkey, to South Korea, to actually walk into those internet cafés or other places where people play games, where they come to socialise. You have to understand how they pay. So yes, in our case, this looking for new opportunities, trying to predict what comes next, is true, just as it has been for any business in the world for the last 2,000 years. But the only change, the only difference, is that it's all happening extremely fast.

To what extent are you partnering or entering into joint ventures, strategic alliances or more informal collaborations?

Well, the fact that we are in the entertainment business requires the creation of those brands. I'm really fascinated by examples like Marvel, DC Universe or Lego which used to be niche topics. Like comic books. Or like those toy construction sets. But what happened is they very aggressively moved into media, online.

So in entertainment you have to have a very strong franchise. For that, you can explore different avenues of spreading your franchise to the minds of people, from online to offline and from offline to online. Of course, we cannot be left behind. We have a much more niche audience, but still, there are avenues. Definitely, and actually this is a part of our social responsibility, we work all across the world – in America, in Europe and in Russia – with historical institutions like museums on maintenance and restoration projects. We have worked with the

German Tank Museum and the Bovington Museum [The Tank Museum]. We helped to build some video facilities on USS Iowa, one of the few remaining big battleships from World War II. We work with museums in Russia – there are planes and tanks which are still in swamps in Ukraine, Belarus and Russia from World War II. Those are live artefacts from a 70-year-old war. And we helped to get them out, to restore them, and put them on display. We also helped to lift a Dornier Do 17 heavy bomber from the English Channel which had been shot down during the Battle of Britain.

So there's living history around us, and we spend time, our human resources, and of course money to support that. But that's definitely very hard core. That's not mass market.

Mass market examples of our cooperation with other industries include cooperating with Sony on the Fury movie. Brad Pitt is playing a tank commander. His small tank team and a platoon of tanks go in through Germany at the end of World War II, facing unimaginable odds, and, you know, getting to victory. Of course, it's a movie. It's a Brad Pitt movie, and they're going to get a decent amount of money in the box office, and the numbers are looking good even today. But it's also about World War II. It's about tanks. We just happen to have huge numbers of people, of players, audiences in the Western world who have learned a lot about tanks recently through our game. And I guess a part of the success of Fury comes from the fact that our players went and saw the movie just for the sake of it.

We negotiated with Sony on a no-money basis. It's called co-promotion. So they're earning their money in the movie theatres and then the DVD to come. We do our online gaming, but in our forums we talk about the movie. We made a special in-game Fury tank, the Sherman tank. You can go and play this tank inside our game, and you have the announcements, of course. And on the other side, they gave us the right to use those kinds of assets inside the game, which was a boost to the interest of our players in the game. And we pumped our audience with news of this Fury movie and they went and bought tickets.

So these kind of cooperations in the media where we strengthen each other's brands, each other's products, with not so much money changing hands but just directing your community, your consumer – not only to your product but also to, say, a historical movie about World War II tanks. This is good.

Looking at digital technologies, which areas are likely to be most disruptive going forward for you and your business, including cloud, vortex, social media?

Gaming obviously is not just entertainment. It's a very heavy technology area. Yes, maybe a person just sees a funny bird flying or a tank running and shooting, but behind that is a lot of technology. Take our example: to be global you have to have server infrastructure all around the world. You have to deliver your game, your content to people in Singapore, in Australia, in Japan, in Russia, in America, East Coast, West Coast, in Cyprus.

So you have to have your own server infrastructure on pretty much every continent. But that's just one example. Today, this part – the server infrastructure – is very rapidly moving towards the cloud. Companies like Amazon and Apple and some others, they give you this kind of faceless service – faceless in a good sense. You don't have to know anything about technology or servers or connectivity. You just have one entry point where not very technical people can upload the content. This content is automatically distributed across those zillions of servers they have already installed and maintain, and what matters is that your customer anywhere in the world can get access to this content – again, without knowing which particular physical server he's connected to. So cloud computing definitely is the future, and if you think about this, this is the way to combine with immense computational power. And then you don't have to think about computational power anymore.

Mobile. That's another face of technology. Well, it is critical when it comes to size and productivity. Some of those devices get really very hot when you play some really graphic-intensive games. Apple and Samsung and other companies put billions and billions of dollars into researching those chips, those LED screens. The battery life is also very important. So this is all good for us.

Social. Facebook has more users than the population of most countries in the world. I know China and India are probably bigger than Facebook. But it's like a planet inside a planet. They can have their own government, and we – as a media company – are using this because with this social graph, with friends of the friends and friends of the friends, you can find your particular audience and cater the appropriate content to them.

It is reflected in particular fields like gaming and social networking but at the end of the day, this is all converged into this unstoppable digital online revolution, and there is no way back.

Does your business have a strategy to promote talent diversity and inclusiveness, or plan to adopt one?

Many years ago I read this fantastic book. It's like a bible for today's economy, called Funky Business. It's a big book, but the conclusion can be put in one sentence. Today you have a revolution, a big war for talent. That's it. That's all that matters. Energy, metal, plastic – we have it. Food – apart from certain parts of the world, which is sad – most of the developed world is well fed.

So what's left is talent. It's people like you and me with our creative ideas, with our energy, with the disruption which comes from our heads. So like any media, like any modern business, it's all about the people who join your company, join your organisation and who work for you, not just eight hours a day. In companies like Wargaming, the employees are working 24/7. When you go to bed you're already thinking about this new game or this new twist in the forum. I truly believe in this. And today you go where talent is.

Our own technology, the server-side cloud heart of our games is done in Sydney, Australia. It's literally the other side of the world for us. So you go where the talent is. We're now in Cyprus, which is one of the best places to do business when it comes to taxes, business structure, double taxation treaties, audit, best practices... So there are places people did not hear about 10 years ago but now they're markets. Not only markets, but the workforce can rival those traditional Western powers like the UK, Germany or even the United States.

The good news for us is that we are a very cosmopolitan company, by definition. We have to cater to our users. We have to have those operational marketing centres in San Francisco, in Paris, in South Korea, in Tokyo, in Singapore, in Belarus for the Russian market, and we have to employ local people. Also, our production spans from Sydney, all the way across Eastern Europe, a little bit of Western Europe, East Coast US, West Coast US. So that's it. That's the whole planet. There's nowhere on this planet that we don't have some kind of presence. And that, yes, brings your organisation to the next level of, let's say, human resource philosophy.

We don't think about it. Having different cultures, different races is a matter of survival. You have to have somebody speaking Spanish, Brazilian, Portuguese in your company because those are growing markets for this kind of game. You just absolutely have to have those because your business

there will depend on those people. You have to have Russian-speaking technical specialists because there's huge technical innovation coming from the former Soviet Union.

So for us it's no longer a question, this diversity. It's our everyday life. The only really disturbing thing is the time difference.

What one capability do you think will be most critical for tomorrow's CEOs to cultivate in this emerging business environment, and why?

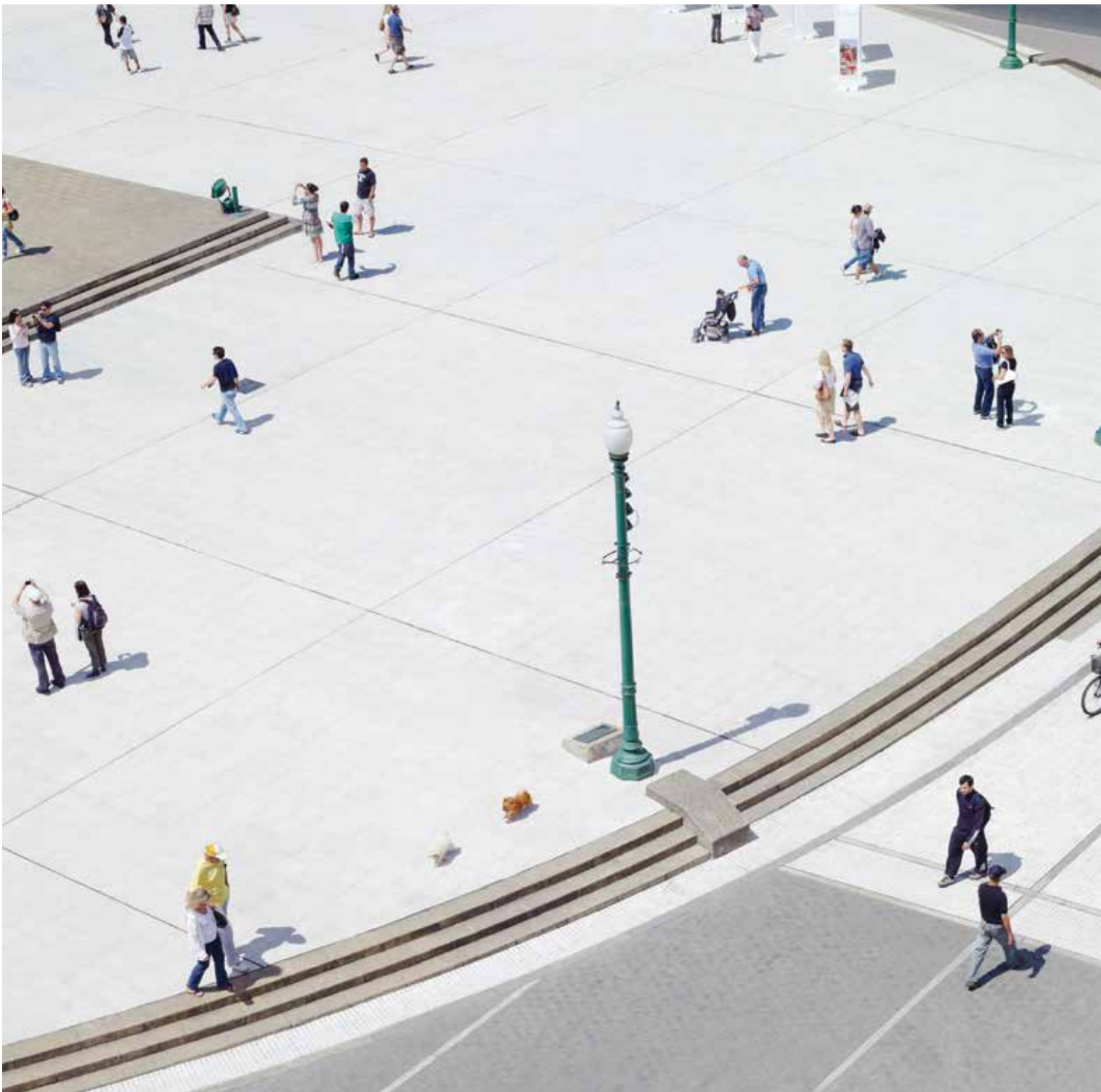
My deep belief is that this new economy, especially when it comes to creativeness and media, being online and being global, is all about the people. It's all about the people who are in your organisation, who are joining your organisation. I could go on for hours about discipline, responsibility and this and that. There are millions of business books. But out of all those concepts, two words are the most important: team work.

The things which we do, which we produce, and the way we serve our multi-million consumer audience is huge. There's no way we can do what we do with five or 15, 20, or even 100 very, very bright individuals. It's huge mass production. But it's not a factory: it's a global network of production and service. So you have to have, and Facebook has to have, and Apple has to have thousands of people inside the organisation. And how do you manage different nationalities, cultures, and beings spread all around the world? How do you manage all that?

You can preach, you can do inspirational videos, you can send your managers to Harvard Business School for executive training. (That's actually what we're doing anyway.) But at the end of the day it's all about teamwork. If you manage to spread the philosophy of this teamwork with full trust, with yes, responsibility, but coming out of this, trust and focussing on the success of the organisation, then you have a machine which can react to any disruption from any competition or from any geopolitical turbulence or change in market environment anywhere in the world at any time. The best analogy would be a boat. So you have a boat with 20 people, and they row. They just have to row synchronously in one direction. If your company, no matter if it has 100 or 1,000 people, if your organisation can do this – and it's hard work to make an organisation do this – then you can compete with anyone, anywhere at any time.

So teamwork, and out of this teamwork will come responsibility and discipline and creativity and everything else. It's not easy. But that's the task of the CEO and top management: to be team players themselves, to lead by example. We have to be humble. We have to be creative at some point to lead by example. But our main focus should be teamwork. Your immediate team, and then the next level and the next level, have to be a bunch of teams, creating one big team of 1,000 and 10,000 people.

Out of teamwork will come responsibility and discipline and creativity and everything else. It's not easy. But that's the task of the CEO and top management: to be team players themselves, to lead by example.



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Download the main report, access the results and explore the CEO interviews from our 18th Annual Global CEO Survey online at www.pwc.com/ceosurvey.

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