

Forces shaping the future of business



83%

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

79%

of CEOs are concerned about geopolitical uncertainty



89

CEOs in Cyprus

Local survey highlights



36%

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



83%

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



85%

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

72%

are planning to drive corporate growth and profitability through organic growth





Greece & the United Kingdom

are the 2 countries that CEOs in Cyprus consider most important for their overall growth prospects



79%

of CEOs are concerned about geopolitical uncertainty



46%

expect headcount at their company to increase over the next 12 months



95%

believe that globalisation has improved the ease of moving capital, people, goods and information

99%

believe that technology will impact competition in their industry over the next 5 years



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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.

Introduction from *Evgenios C Evgeniou*

Evgenios C Evgeniou
CEO, PwC Cyprus



This year's CEO global survey by PwC marks its 20th anniversary. Over the past 20 years, PwC has through this study given business leaders across the world a platform to share their views, concerns and plans for the future.

This year's survey examines fluctuations in CEOs' confidence levels over the past 20 years, their evolving views concerning the threats they face as well as the trends which have influenced the past two decades.

But what do they predict will happen in the next 20 years? We asked the CEOs what they think about the prospects and dangers of globalisation and the role of technological developments, and recorded both their views and ways of managing these issues.

Within the framework of the global survey, we present the sixth consecutive local survey which examines the views of CEOs in Cyprus and depicts the picture they have as regards the prospects for the economy and the business environment, at the end of another crucial year for the Cyprus economy.

This year's local survey saw the largest participation so far, with 89 CEOs of companies operating in Cyprus saying they are confident about their companies' growth prospects and revealing their plans to drive corporate growth and profitability in the forthcoming year.

The most important development for the Cyprus economy last year was undoubtedly the successful completion of the economic adjustment programme which was accompanied by one of the highest rates of growth in Europe. This makes the economy more stable and strong compared to previous years, with positive prospects also anticipated for the business environment, as confirmed by the CEOs.

A valuable contribution to developing a comprehensive picture of the business environment in Cyprus was the in-depth interview with Bank of

Cyprus Chief Executive Officer John Patrick Hourican who answered a wide range of questions for the purposes of the survey.

Six years after Cyprus' first participation in the survey, we are convinced that it is both useful and necessary, since it gives the CEOs of Cyprus the unique opportunity to present their views and thereby contribute to the formulation of decisions which affect our economy.

We would like to thank all the CEOs who took part in the survey as well as Mr Hourican for their valuable time and contribution to its successful conclusion. I would like to make special reference to all the CEOs of Cyprus for making this survey a success. The ever-increasing number of participating CEOs from Cyprus has made it an annual platform for dialogue. I assure you that we are by your side and will continue to support you in any way we can, because together we can make a difference.

We hope the survey's results will give food for thought and generate constructive discussion with a view to the continuous improvement of our country's economic and business environment.

I hope you enjoy the report!

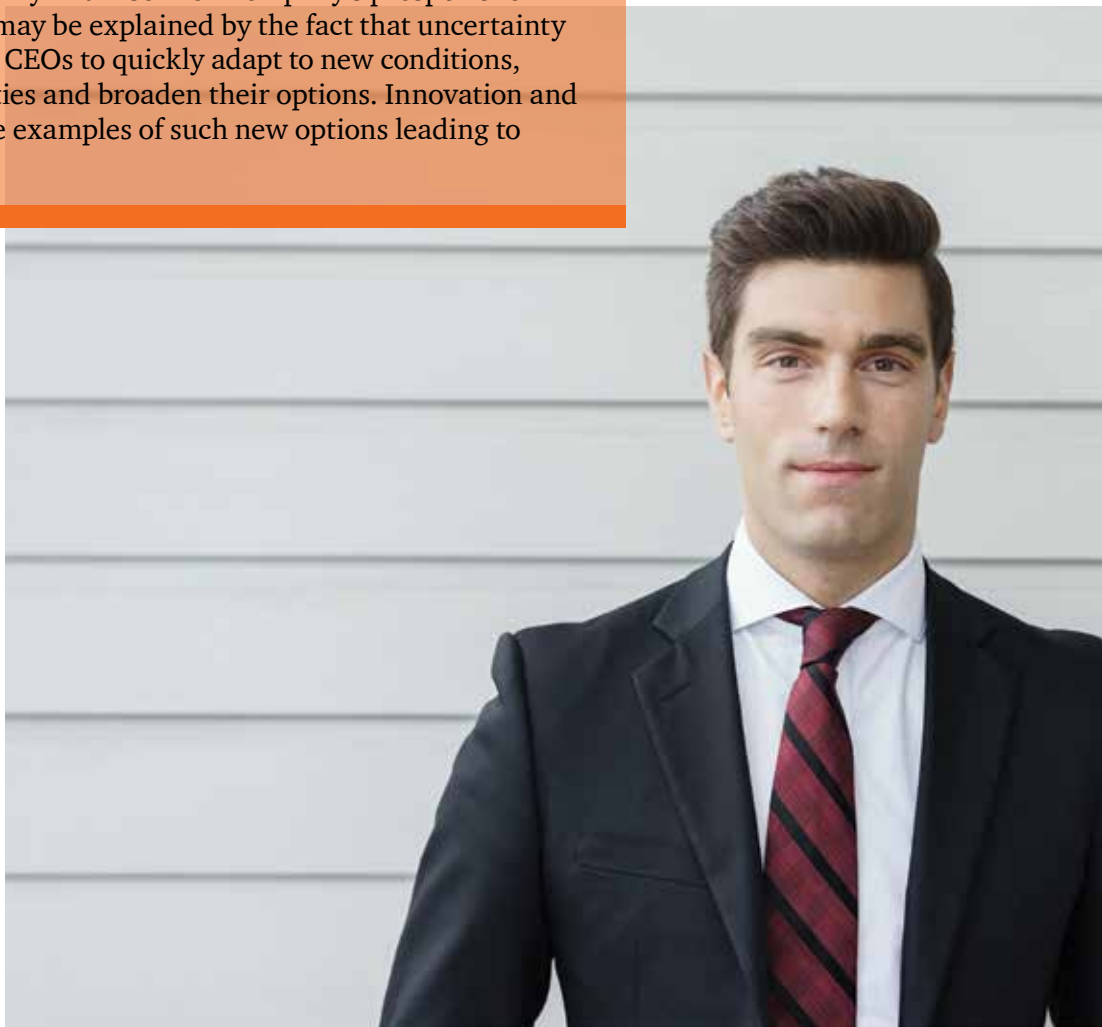
Evgenios C Evgeniou
CEO, PwC Cyprus

A few words on the survey

PwC's 20th Annual Global CEO Survey titled "20 years inside the mind of the CEO. What's next?" has been completed with the participation of nearly 1,400 CEOs in 79 countries. The survey, which is launched every year at the Davos World Economic Forum in Switzerland, explores the views of CEOs about the powerful forces of change wrought about by technology and globalisation. More specifically, it looks at variations in CEO confidence levels over the last 20 years, their evolving views on key risks and the prevailing trends during this period. Moreover, it focuses on the way CEOs manage both the prospects and risks of globalisation, as well as on the role of technological change and how it will affect us over the next 20 years.

It is worth noting that 89 CEOs from Cyprus took part in this year's survey, marking an increase from last year, to share with us their views and concerns on the present and future of their business.

According to the global survey, CEOs are worried about economic and geopolitical instability as well as about over-regulation, skills shortages and rapid technological change. They are, however, confident for the prospects of the global economy and also their company's prospects for revenue growth. This trend may be explained by the fact that uncertainty over the last years has urged CEOs to quickly adapt to new conditions, capitalise on new opportunities and broaden their options. Innovation and investment in technology are examples of such new options leading to sustainable growth.



Cyprus

In the last year, Cyprus completed its economic adjustment programme, returned to the markets and managed to get its economy back on track. This was made possible within the initial time frame and without using all the programme funds. The success is due to the political will demonstrated over the last three years, collective and hard work and the sense of social consensus and responsibility of Cypriots. Nonetheless, in this fluid and highly competitive international environment, challenges do remain.

Cyprus is called to respond to the new state of affairs and create the conditions required to ensure sustainable growth. To achieve this, we must adopt and apply new and diversified growth strategies and focus on actions aimed at fully restoring the credibility of Cyprus and upgrading the investment grade of credit rating agencies. This will allow unhindered and cheaper access to the markets. Although according to the World Bank's recently published "Doing Business Report 2017", Cyprus has moved up to the 45th position of the general ranking - four positions up from 2015 - we must work hard to improve our rankings in all international entrepreneurship and competitiveness indicators.

In the context of the global survey, PwC Cyprus conducted a local study, for the sixth consecutive year. It covers the views of 89 CEOs and is presented to our business community during a special event.

This year, it was an honour and a privilege for us to host an in-depth interview with Mr John Patrick Hourican, CEO of Bank of Cyprus, which was also included in the global survey. It is worth noting that Mr Hourican's interview was one of the 20 CEO interviews presented at an event in Davos, Switzerland, that received broad coverage by global media. Mr Hourican referred to technology and the big change it has brought to businesses, stressing that this will continue into the next 20 years. In his opinion, we will see a reversal of some of the globalisation that has occurred and also the emergence of nationalism. Mr Hourican also referred to the effort made by the Bank to educate its customers so that they feel they are getting good value services while providing a return to shareholders, and pointed out that adapting to new circumstances requires honesty and seriously engaging in a dialogue.



Looking into the future

36%

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

CEOs continue to face several challenges at a time when economic volatility in the EU and the Eurozone, geopolitical developments in the broader Eastern Mediterranean region, the migration issue and the new equilibrium following United Kingdom's decision to exit the EU, are shaping a new landscape for business activity.

However, despite ongoing and increased challenges in recent years, they appear to maintain their confidence and consider that global economic growth will improve over the next 12 months.

It is worth noting that confidence amongst Cypriot CEOs increased from 33% last year to 36% this year, giving a note of optimism to the market. CEOs globally are equally confident while we see some hesitation in the Eurozone. It is a fact that after 2015 there was a fall in confidence for the global economy as expressed by CEOs both globally and in Cyprus, but the survey points to a recovery after 2016.

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?

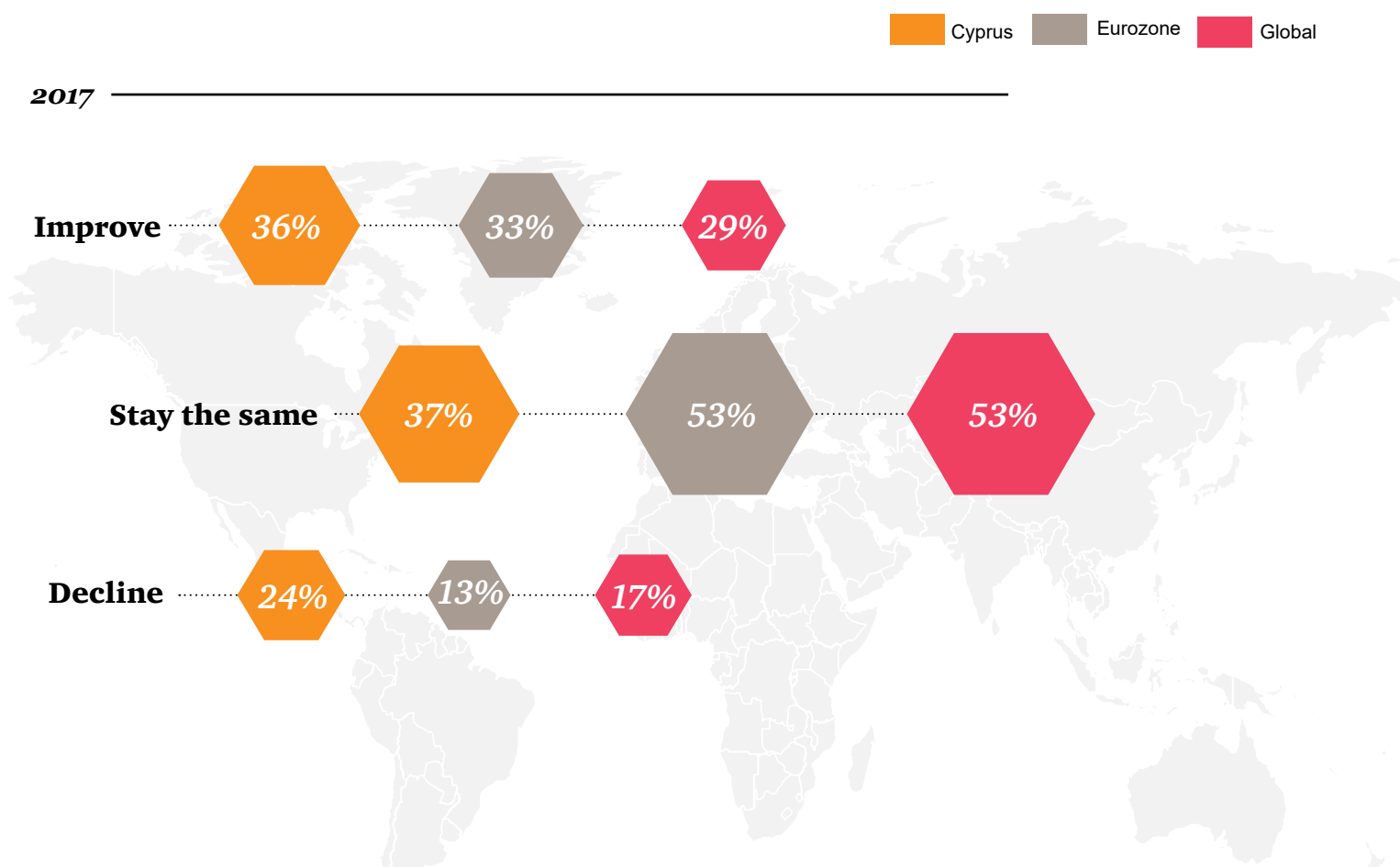
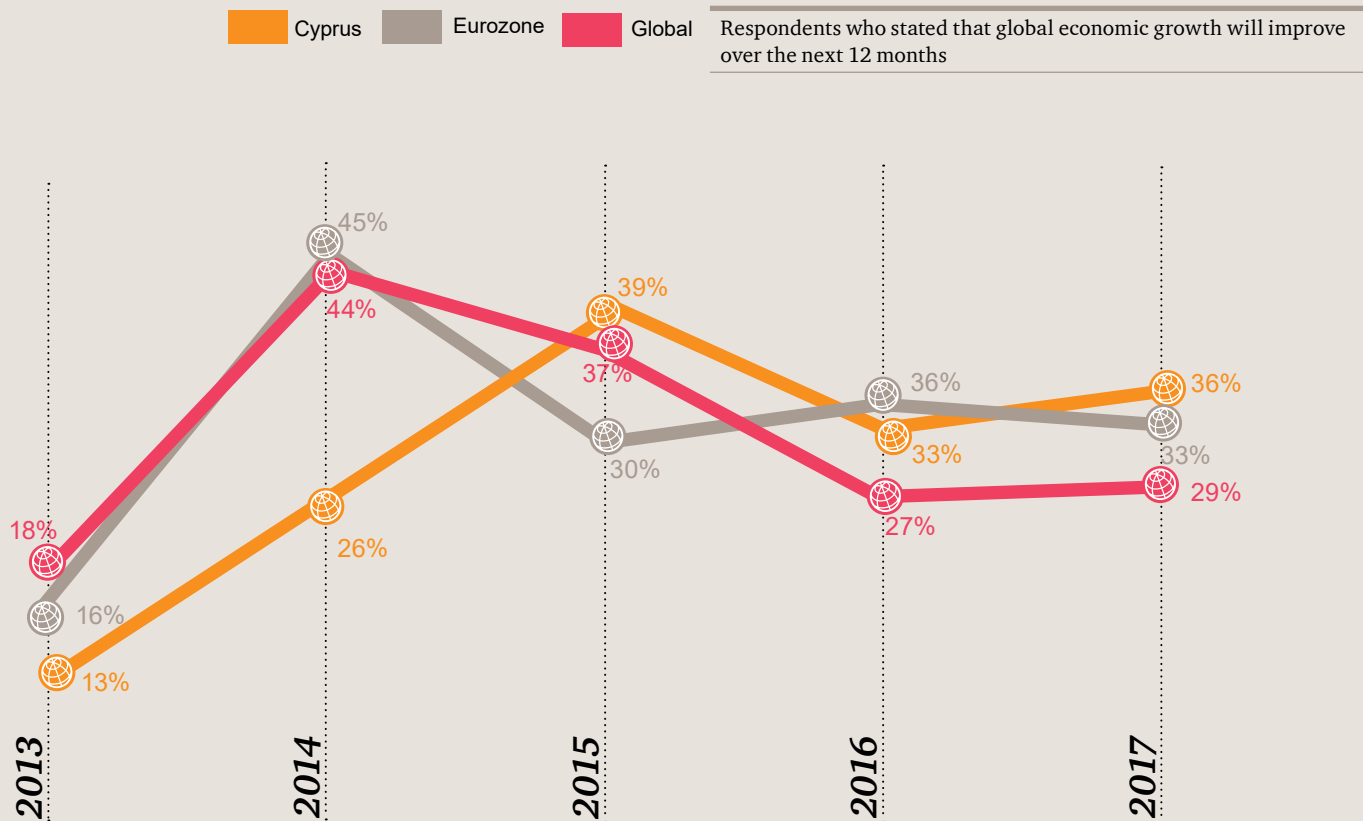




Figure 2: Global economic growth over the next 12 months



"Global growth has been gently slowing during the course of the last few years, and while individual countries within that are doing better or worse depending on where they are in the world, I think there are significant challenges to growth".

John Patrick Hourican
CEO, Bank of Cyprus

Regarding their company's prospects for growth over the next 12 months, results indicate similar levels as last year, with Cyprus recording a small decrease from 85% to 83% while CEOs globally and in the Eurozone appear to be somewhat more confident than last year with 85%. It is worth noting, however that the percentage of CEOs in Cyprus who are "very confident" has increased to 31% from 20% last year which is an optimistic finding of the survey.



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?

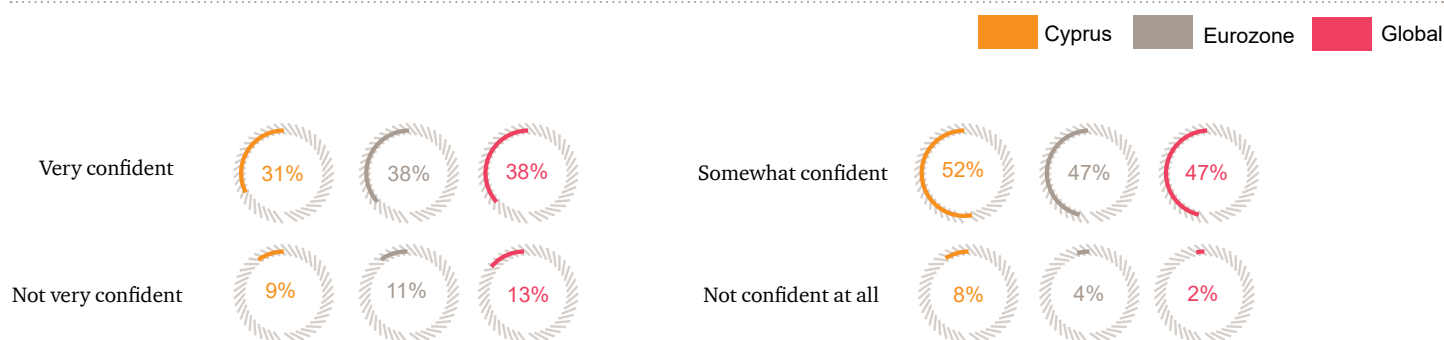
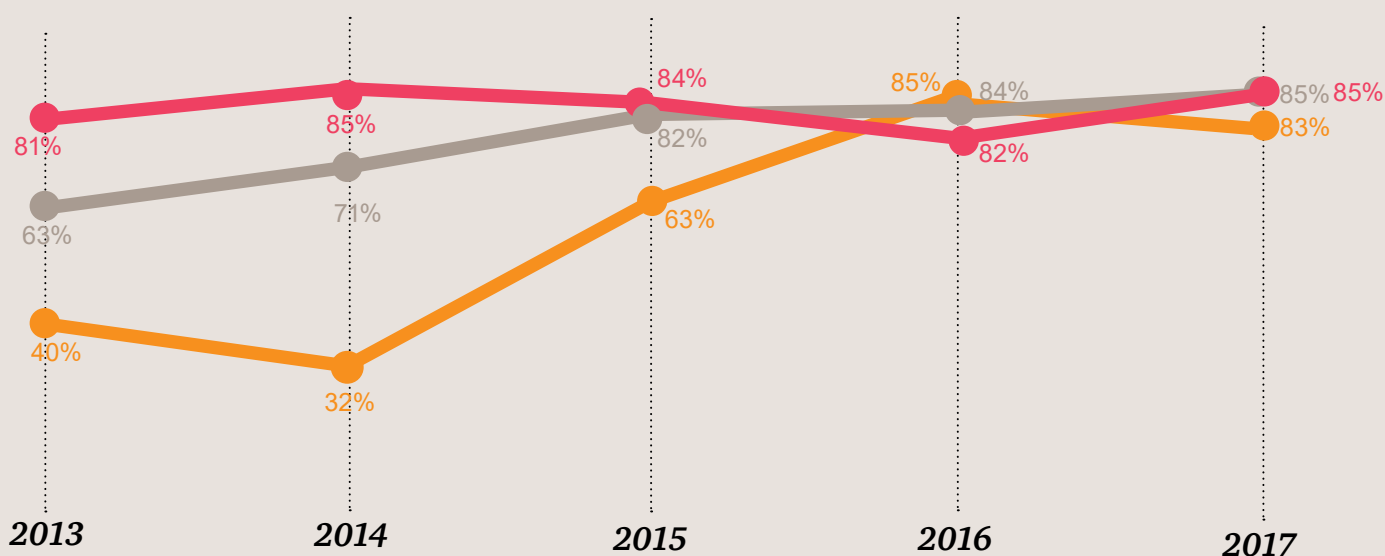


Figure 4: Revenue growth prospects over the next 12 months

Legend: Cyprus (Orange), Eurozone (Grey), Global (Pink)

Respondents who stated confident about their company's prospects for revenue growth over the next 12 months.



The picture is different, though, when it comes to prospects over the next 3 years, as CEOs in Cyprus (85%) and in the Eurozone (87%) do not appear to be as confident about their company's prospects for growth as in 2016, when the corresponding rates were 95% for Cyprus and 92% for the Eurozone. Regarding long-term prospects, the confidence rates of CEOs globally are at similar levels as last year.

CEOs have realised that conditions are constantly changing, hence the imperative need to adapt. Following the financial crisis of 2013, it has become evident that challenges will continue and CEOs have decided that they must focus on how to protect their businesses and organisations, in order to ensure profitability and growth. They have also realised that no matter how well prepared they are, they cannot predict the future and are therefore more

cautious in their views regarding revenue growth.

As in the previous question, the percentage of CEOs in Cyprus who are "very confident" about their company's prospects for revenue growth has increased (31% compared to 26% last year), a fact that raises concerns as it appears that CEOs are more confident than ever about their short and long term revenue growth prospects.

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?

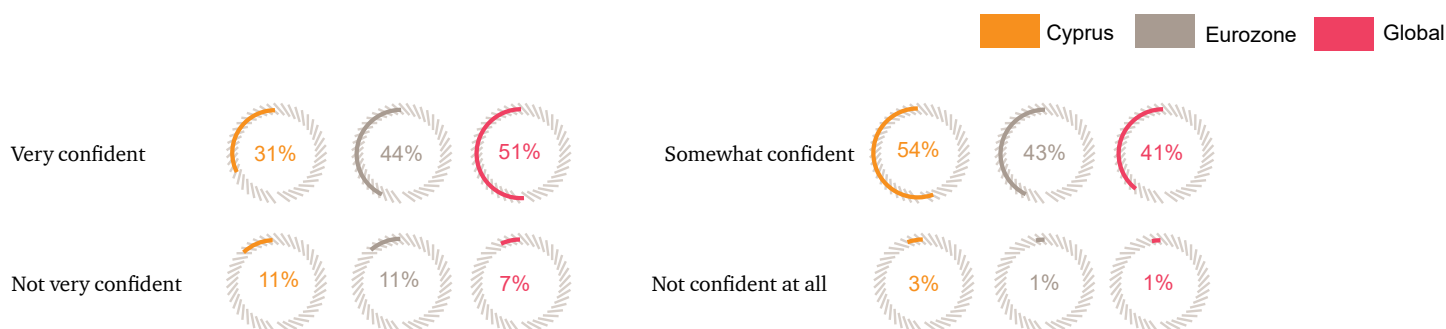


Figure 6: Revenue growth prospects over the next 3 years

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

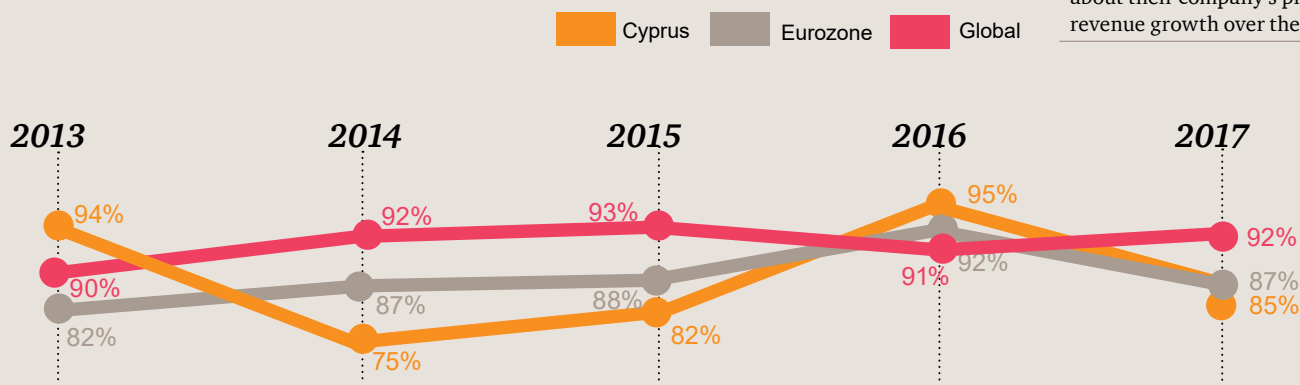
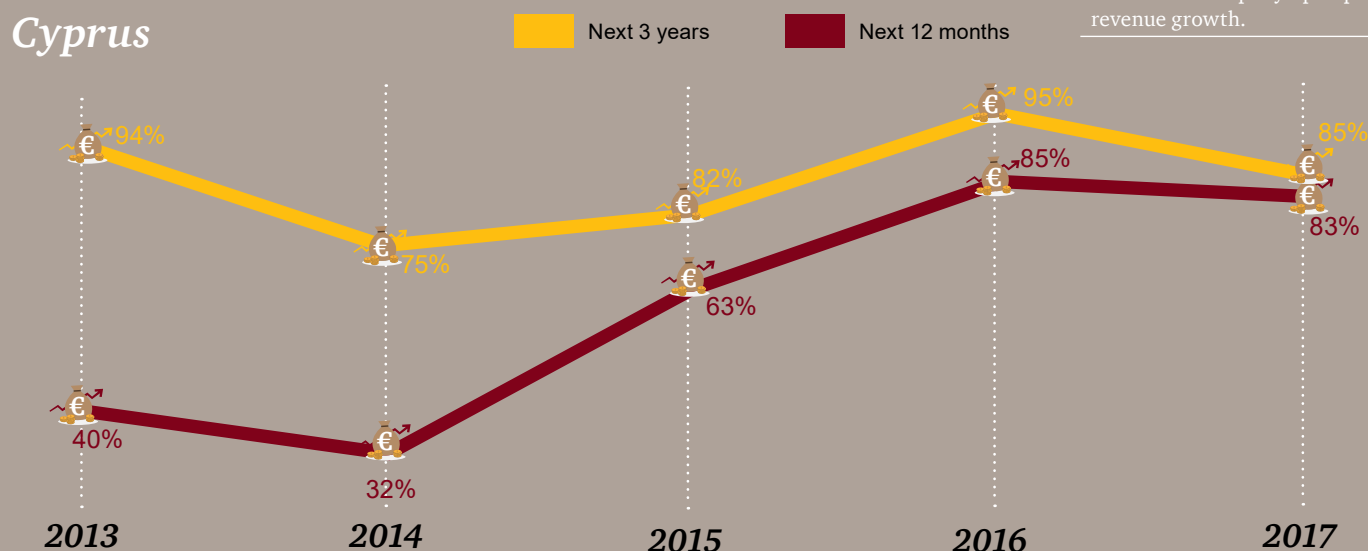


Figure 7: Short and medium-term revenue growth prospects

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

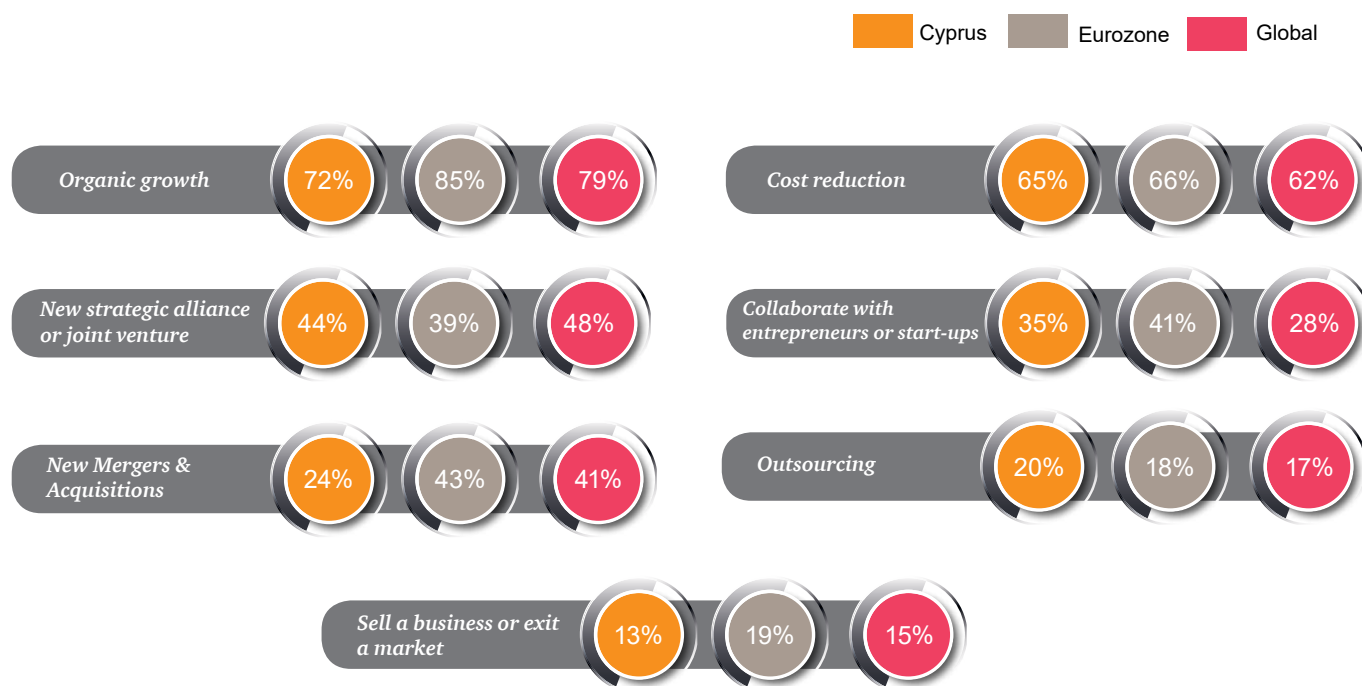




When asked which activities they are planning in the coming 12 months in order to drive corporate growth and profitability, CEOs in Cyprus favoured organic growth with 72% and cost reduction with 65%. CEOs in the Eurozone and globally share the same views.

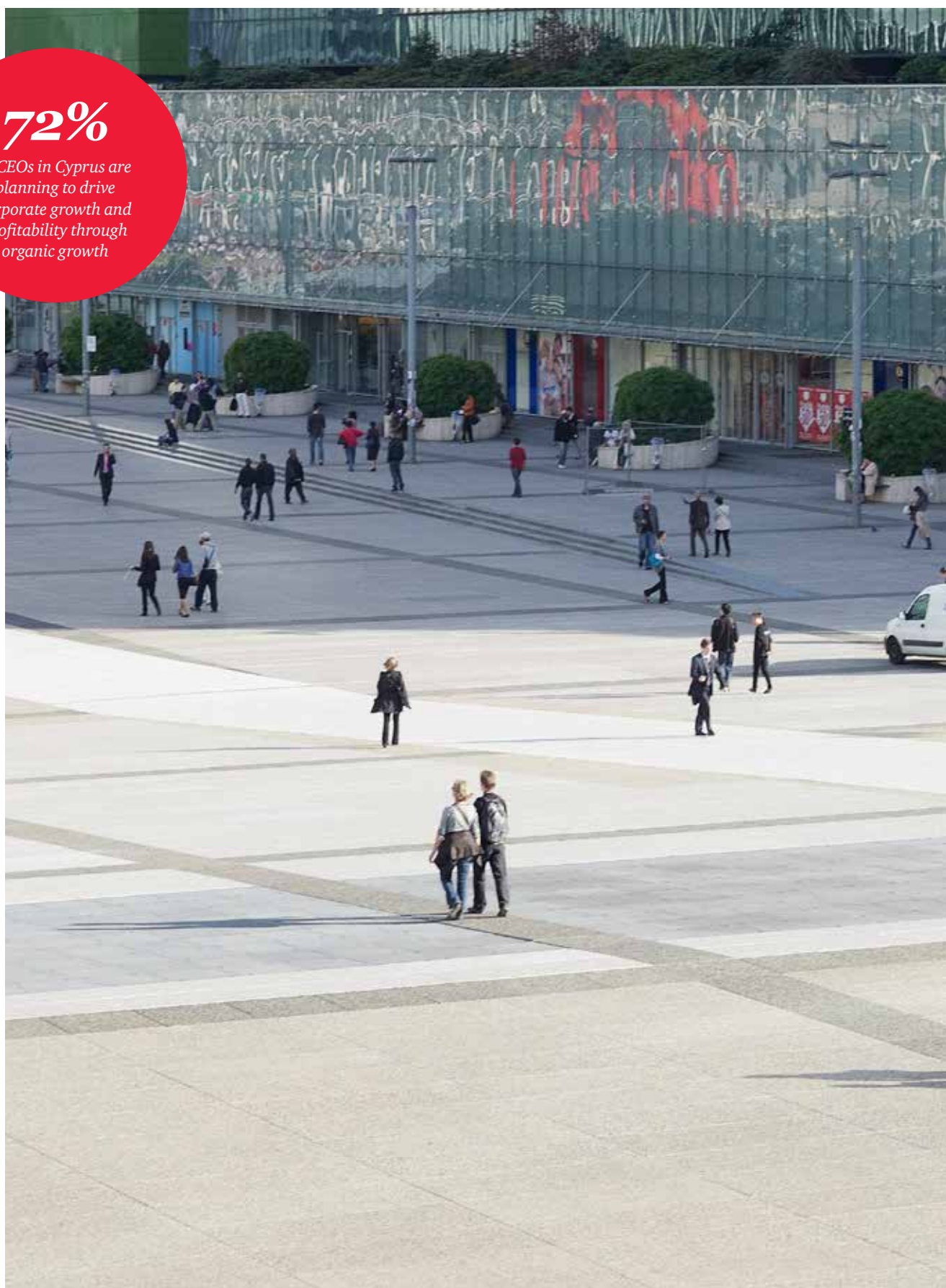
Figure 8: Activities to drive corporate growth and profitability

Q: Which of the following activities, if any, are you planning in the coming 12 months in order to drive corporate growth or profitability?



72%

*of CEOs in Cyprus are
planning to drive
corporate growth and
profitability through
organic growth*



Investing in the world

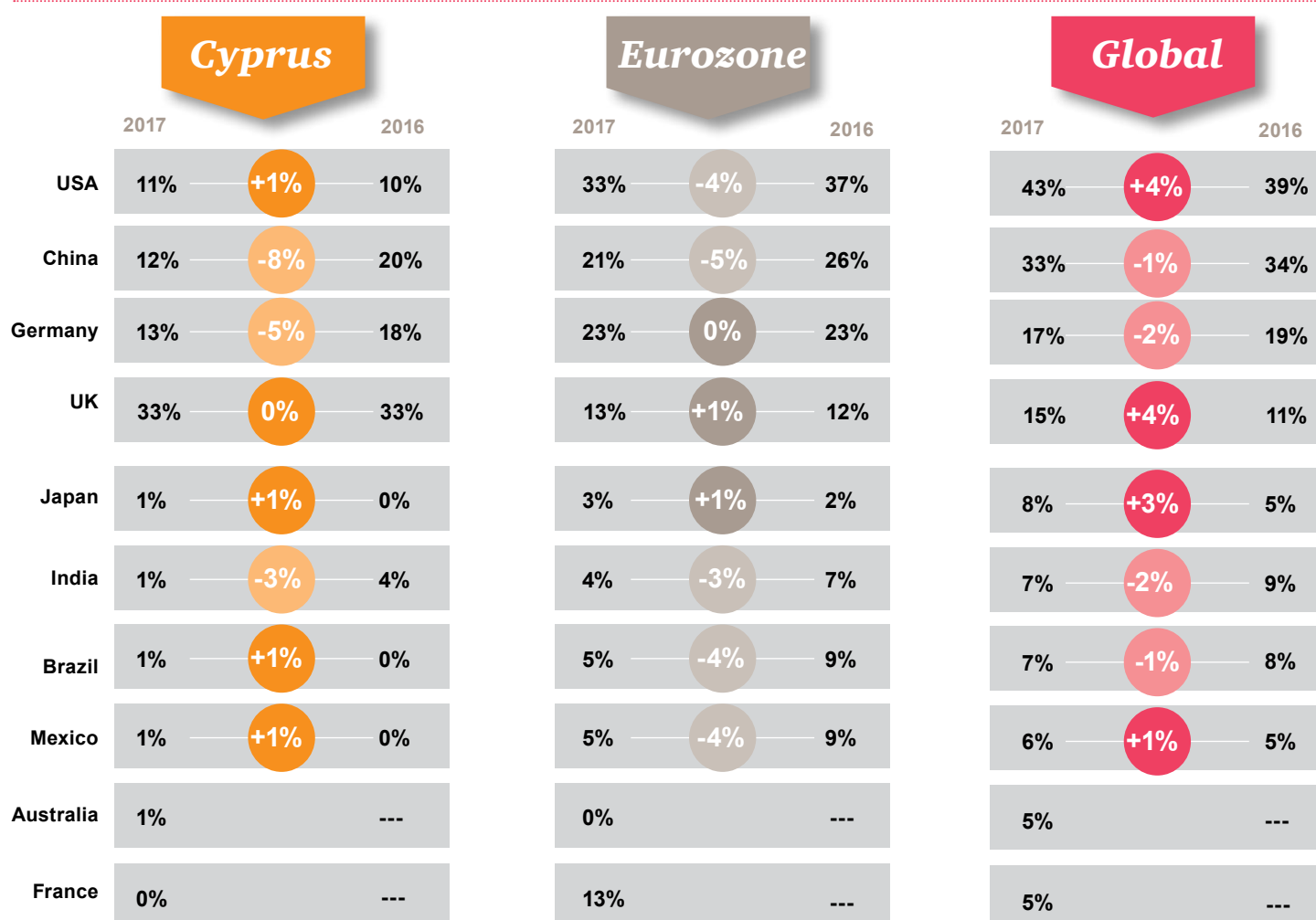
Investing in countries other than the country in which they are based is a strategic option for many businesses which aim to expand their operations and therefore increase their profitability. For CEOs in Cyprus, like in previous years, the United Kingdom is a popular choice with 33%, followed by Germany with 13% and China with 12%. In last year's survey Germany and China appeared to be very promising. This year, however, the percentage rates of CEOs in Cyprus, the Eurozone and globally that choose these destinations are falling.

CEOs in the Eurozone (33%) and globally (43%), believe that the US is the most important country for their overall growth prospects, although this percentage is slightly lower compared to 2016. This is a very interesting finding since the latest developments in the US with the presidential election of Donald Trump and the changes this has brought create an uncertain environment for all, including businesses.

Figure 9: Important countries for overall growth prospects

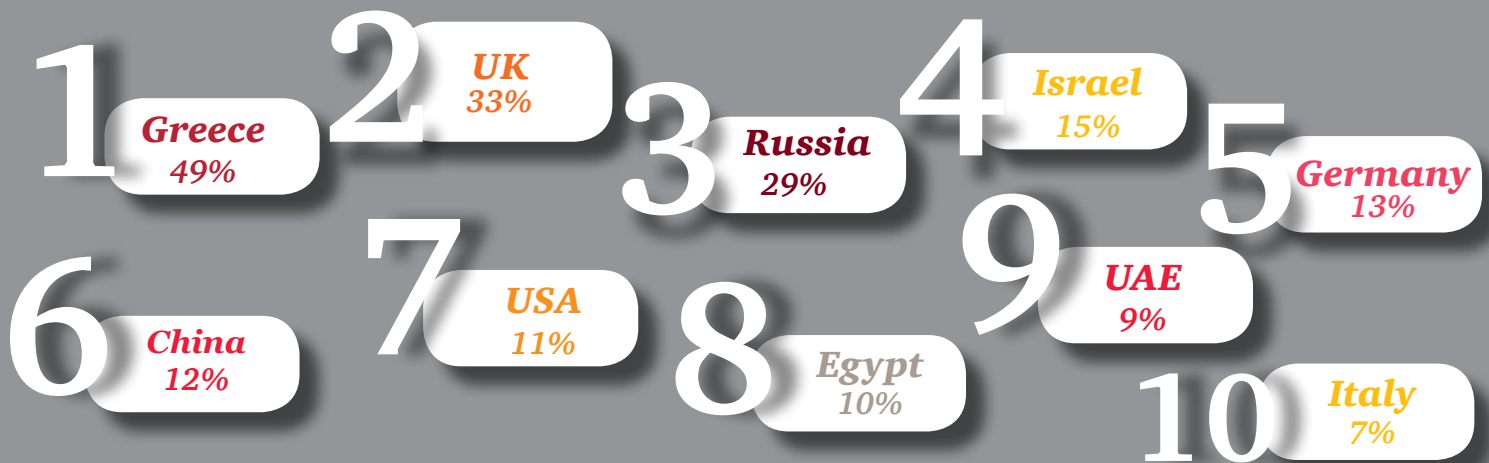
Q: Which countries, excluding the one in which you are based, do you consider most important for your overall growth prospects over the next 12 months?

Global Top 10



It is worth noting, that in the same question CEOs in Cyprus reported additional countries which are not included in the previous chart but are considered to be the most important for their overall growth prospects. Greece for the first time appears top on the list with a percentage of 49% of CEOs stating that is the most important country, followed by the United Kingdom and Russia. For the first time, Egypt with 10% and the United Arab Emirates with 9% are also included in the list.

Cyprus Top 10



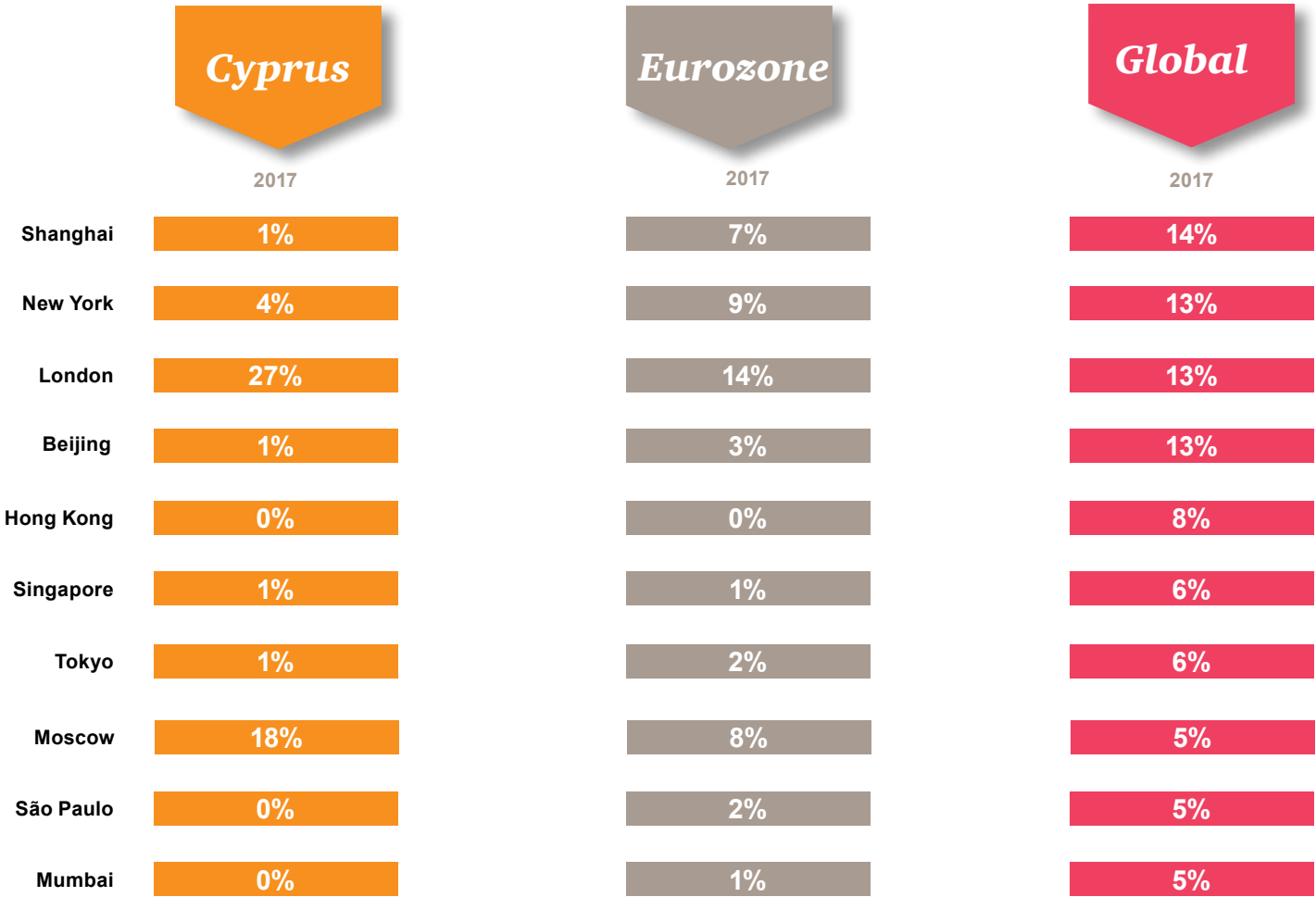
The choice of cities is also interesting with London being the most important one among those listed in the global top 10 for CEOs in Cyprus with 27% and for CEOs in the Eurozone with 14% while Shanghai stands out for CEOs globally with 14%. In the same question CEOs in Cyprus cite Limassol which obtains the highest percentage with 31%, followed by Athens with 28% and London with 27%. These cities are not included in the previous chart but CEOs in Cyprus consider them to be the most important ones for the overall growth prospects over the next 12 months.



Figure 10: Important cities for overall growth prospects

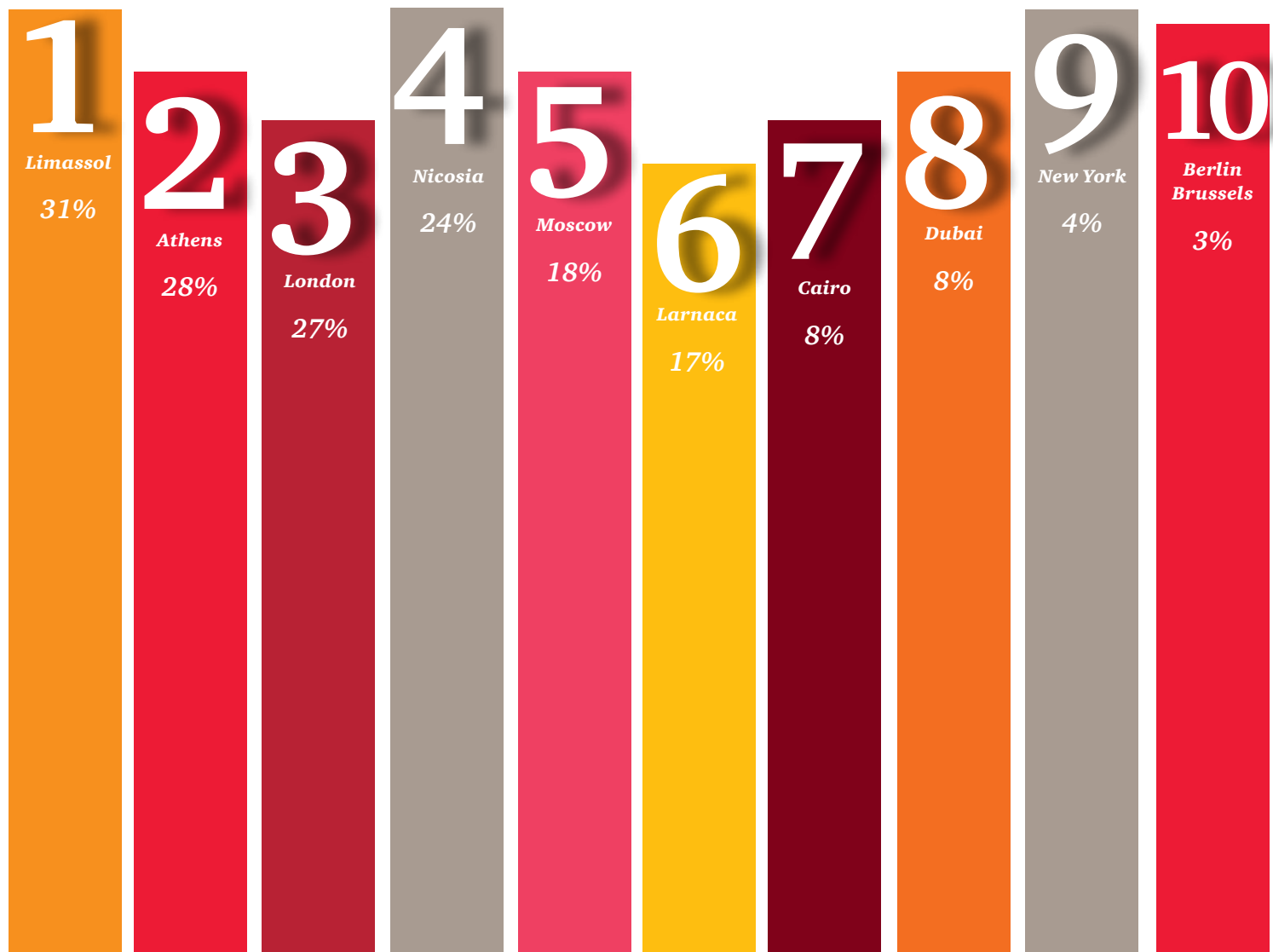
Q: Which cities do you consider most important for your organisation’s overall growth prospects over the next 12 months?

Global Top 10

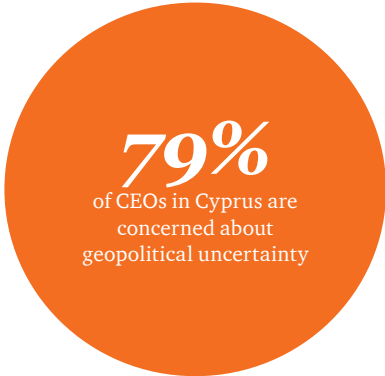




Cyprus Top 10



Threats



As mentioned above, economic, policy, social and environmental threats have a significant impact on the business environment. Amongst the 4 most important threats identified by CEOs in Cyprus and the Eurozone, geopolitical uncertainty is the issue that raises most concerns, while CEOs globally are mostly concerned about uncertain economic growth. This finding contradicts their long-term confidence in both their own revenue growth and the global economy over the next 12 months.

The second most important threat for CEOs in Cyprus is the future of the Eurozone and the outcome of the difficulties faced by Greece and Italy. Over-regulation is the second most important threat for CEOs in the Eurozone and globally, reflecting the trend for excessive control by supervisory bodies.

Figure 11: Economic, policy, social and environmental threats

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

Top 4 threats

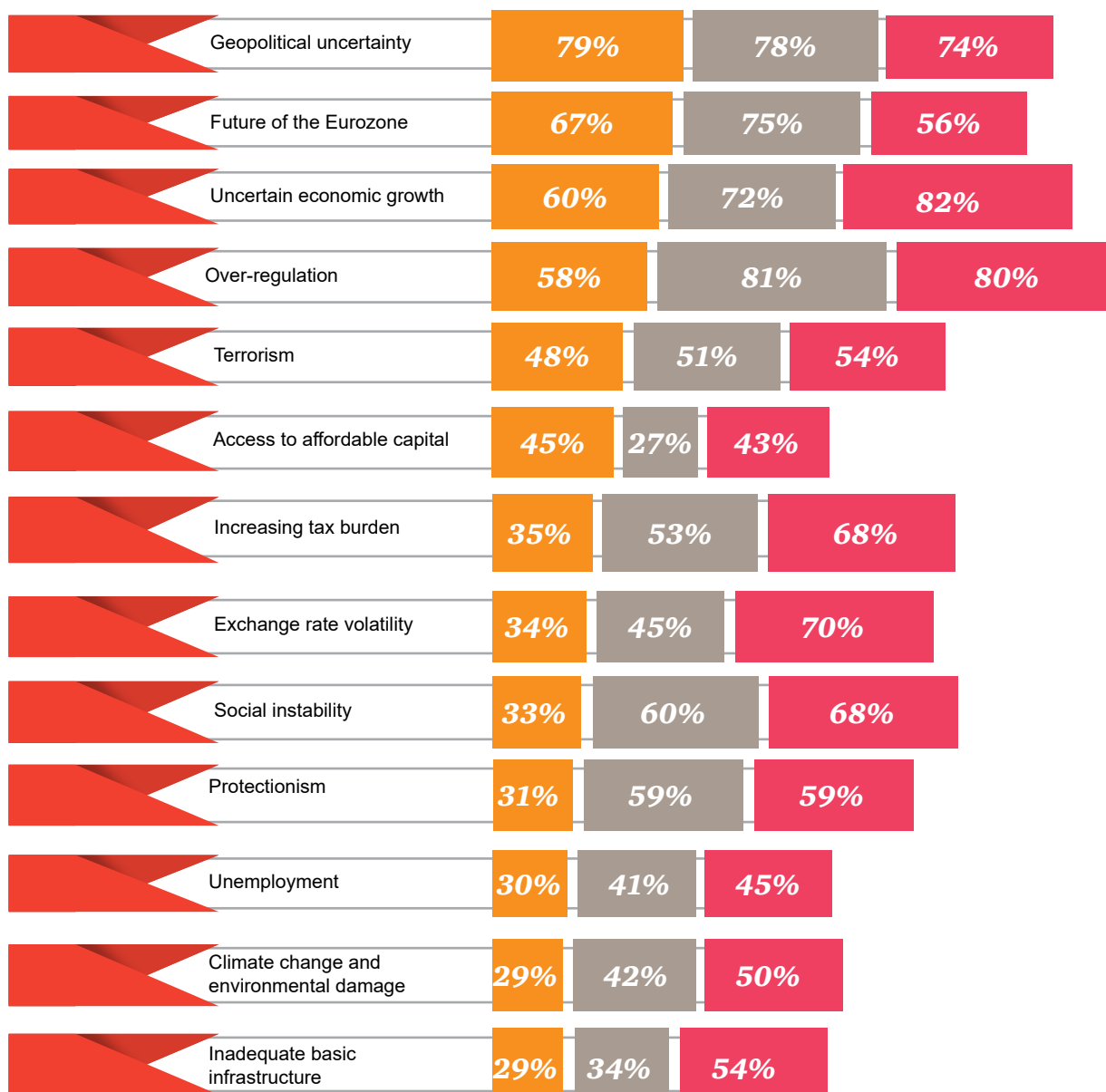
Geopolitical uncertainty	Future of the Eurozone	Uncertain economic growth	Over-regulation
79%	67%	60%	58%





Respondents who stated “extremely” or “somewhat concerned”

Cyprus Eurozone Global

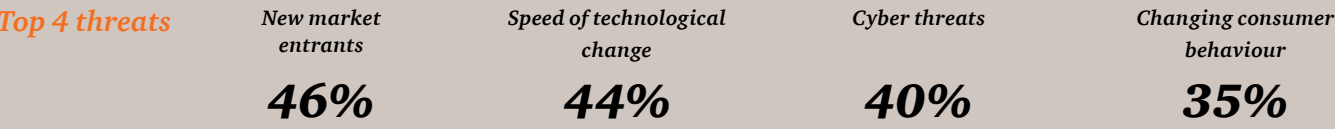


In regards to threats to their own organisation, we see that technology has played a key role in recent years, affecting the decisions and strategy of CEOs. We live in a digital era and have no choice but to adapt. If not, we will be unable to keep abreast of developments and will be left behind. Competitiveness in the business environment depends on investment in innovation and technology, which will bring sustainable growth not only to businesses but also to the society in which we live and work.

CEOs in Cyprus (46%) are therefore mostly concerned about new market entrants, followed by the speed of technological change (44%) and cyber threats (40%). On the other hand, CEOs both in the Eurozone and globally identify as the greatest threat the fact that there is no availability of key skills, followed by the speed of technological change.

Figure 12: Potential business threats

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



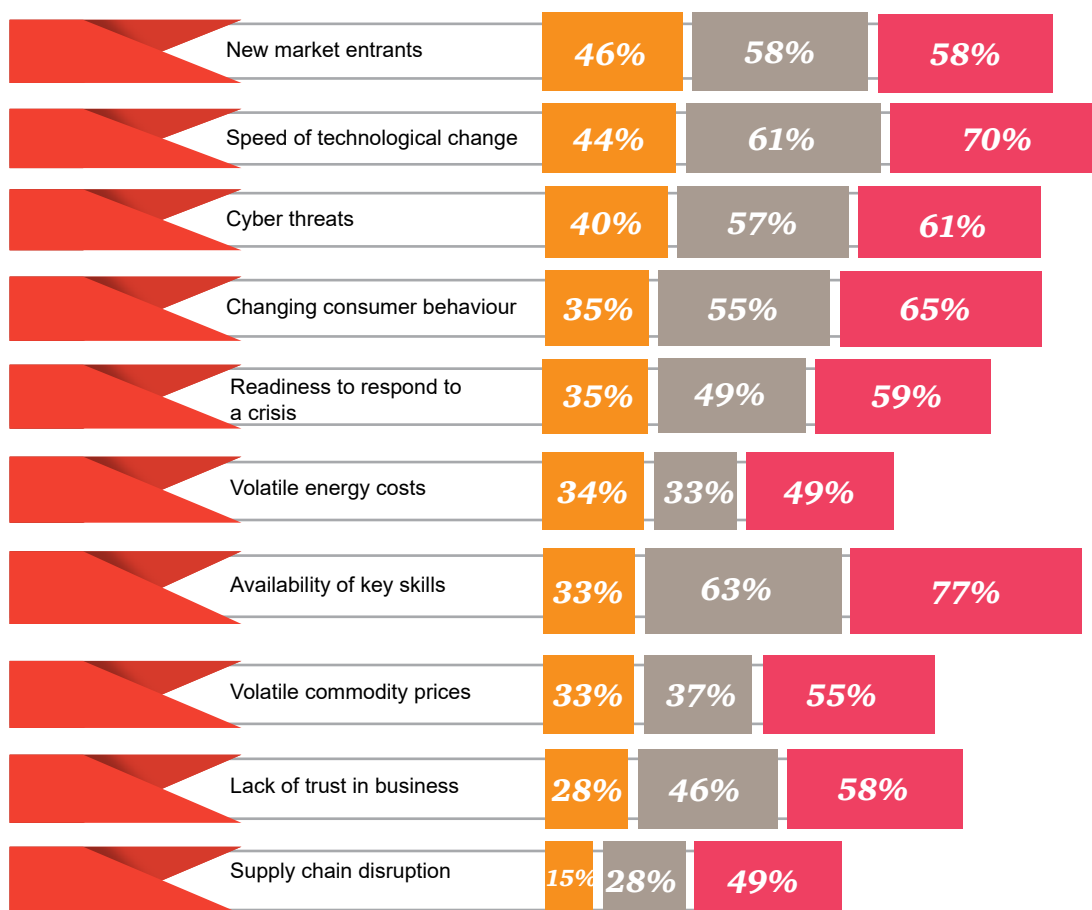
46%

are concerned about
new market entrants



Respondents who stated “extremely” or “somewhat concerned”

Cyprus Eurozone Global



When asked which element they would most want to strengthen in order to capitalise on new opportunities given their business environment, CEOs in Cyprus (22%) favoured human capital while for CEOs in the Eurozone (29%) and globally (23%) the most popular response was innovation. This highlights the significant change that innovation can bring about.

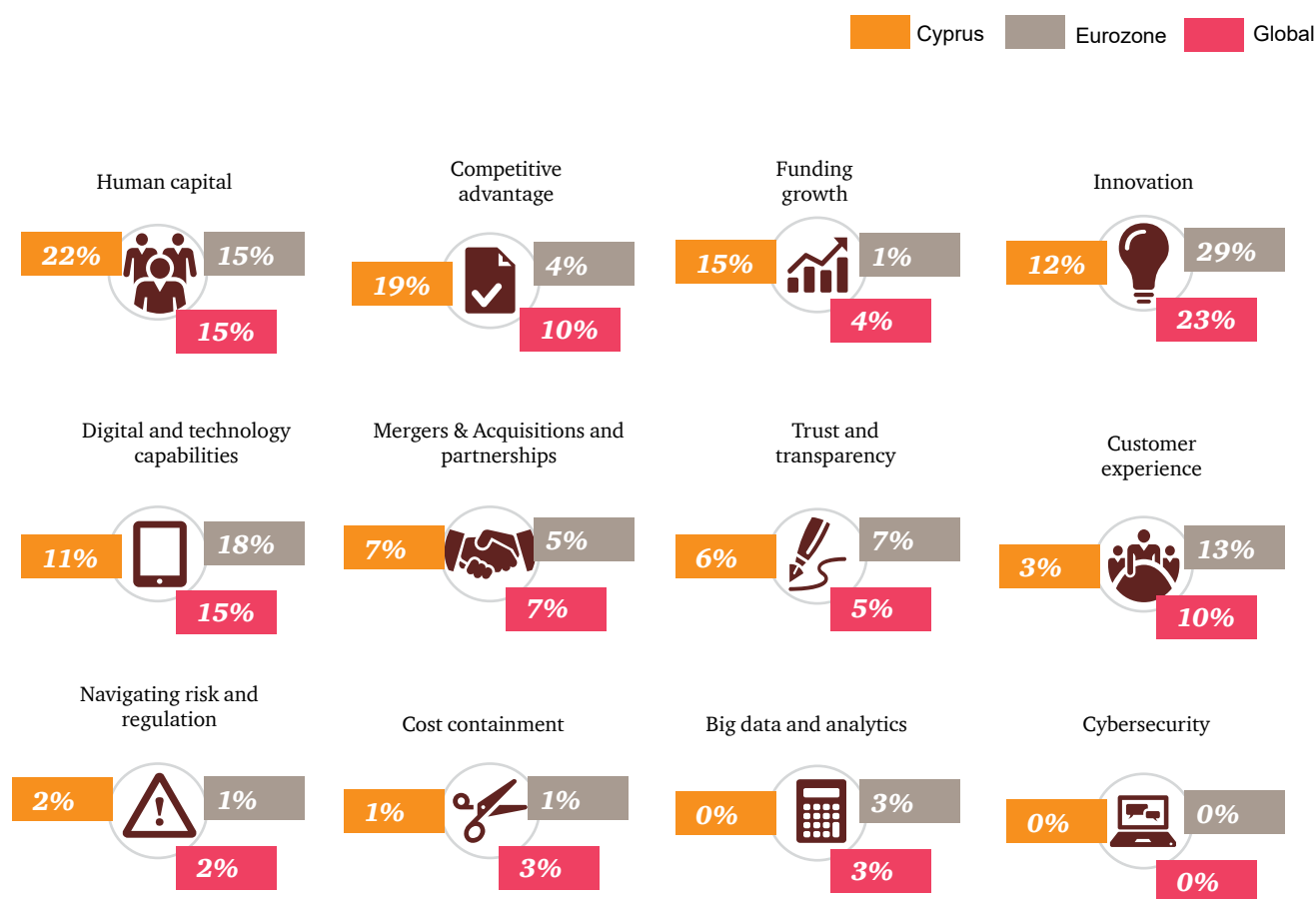
According to the Global Entrepreneurship Monitor (GEM) Report only innovative entrepreneurship can ensure the establishment and development of new businesses. The Commission of the European Communities stated in 2004 that

“entrepreneurship is a key driver of innovation, competitiveness and growth”. Innovation provides a competitive advantage in a highly challenging business environment. It is the element that diversifies services and products, offering clients and consumers something different.

Technological innovation, business innovation, the concept of innovation in its broader sense, is the cornerstone for new jobs and economic growth, not only for businesses but also for Cyprus. We need to demonstrate will, establish a sound institutional framework and cultivate a different mentality.

Figure 13: Capitalising on new opportunities

Q: Given the business environment you're in, which one of the following do you most want to strengthen in order to capitalise on new opportunities?



Our people are our strength



Perhaps one of the most significant findings of the survey every year is the intention of CEOs to maintain and/or increase their headcount. It is worth noting that approximately half of CEOs in Cyprus (46%) expect their headcount to increase while another 46% considers it will stay the same. Similar high rates are recorded in the

Eurozone, with 49% of CEOs intending to increase their headcount while the corresponding rate for CEOs globally stands at 52%.

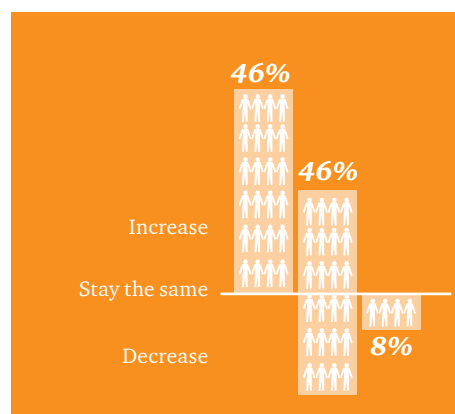


Figure 14: Changes in the headcount

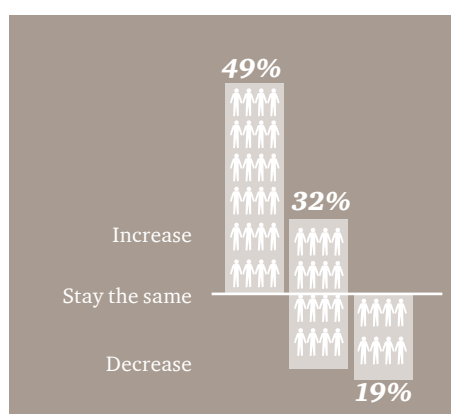
Q: Do you expect headcount at your company to increase, decrease or stay the same over the next 12 months?

2017

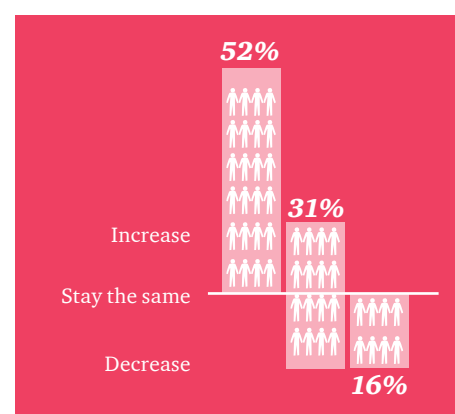
Cyprus



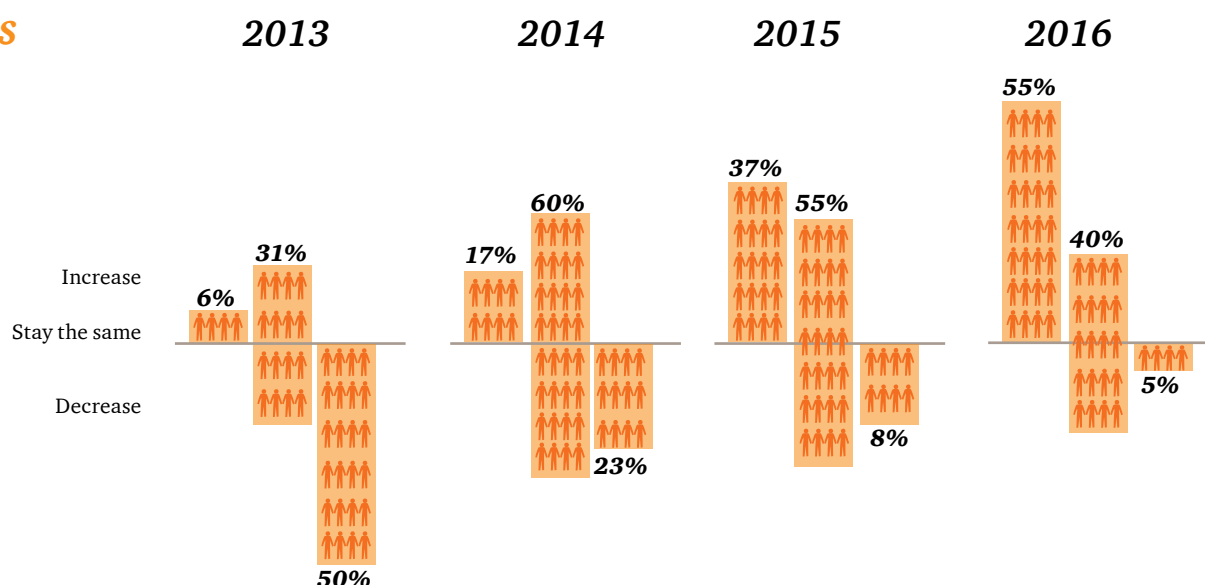
Eurozone



Global



Cyprus



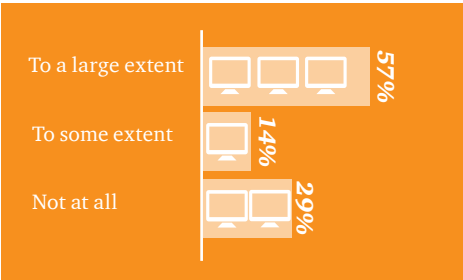
Technology maintains its key role here as well, as 71% of CEOs in Cyprus, 79% in the Eurozone and 80% globally expect that it will affect their headcount.



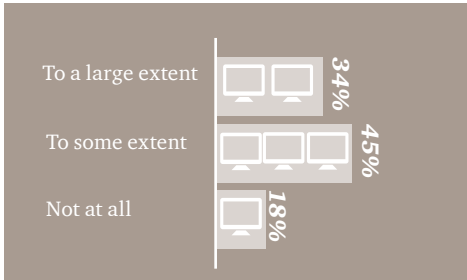
Figure 15: Headcount decrease as a result of technology

Q: To what extent will this decrease in headcount be the result of automation and other technologies?

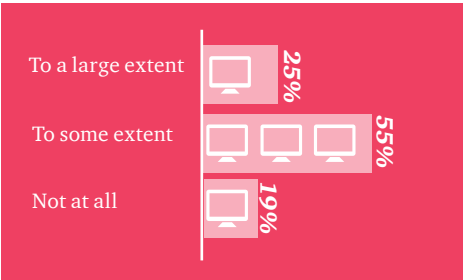
Cyprus



Eurozone



Global



“There are enormous and increasing tensions between business and society as businesses seek to change their business models with greater use of technology, which naturally means less use of people. We also have a desire from people post-crisis to want to get back to a level of consumption and a level of earnings that is commensurate with their own ambitions for themselves. Now, those are not naturally easy to combine”.

John Patrick Hourican
CEO, Bank of Cyprus

CEOs in Cyprus manage their human capital in the best possible way as they rely on it for the smooth operation of their business. They therefore move their talent to where they expect it to perform best (74%) while they use technology to improve their people's wellbeing (72%). On the contrary, promoting talent diversity and inclusiveness is the main priority for CEOs both in the Eurozone (85%) and globally (87%).

Figure 16: Talent activities

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

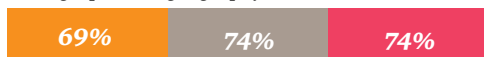
Respondents who stated "Agree strongly" or "Agree"

Cyprus Eurozone Global

We move talent to where we need it



We seek out the best talent regardless of demographics or geography



We're exploring the benefits of humans and machines working together



We use data analytics to find, develop and keep people



We're considering the impact of artificial intelligence on future skills needs



We rely more on contractors, freelancers and outsourcing



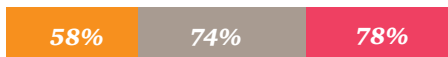
We use technology to improve our people's wellbeing



We promote talent diversity and inclusiveness



We've changed our people strategy to reflect the skills and employment structures we need for the future



We have added digital training to our learning programmes



We're rethinking our HR function

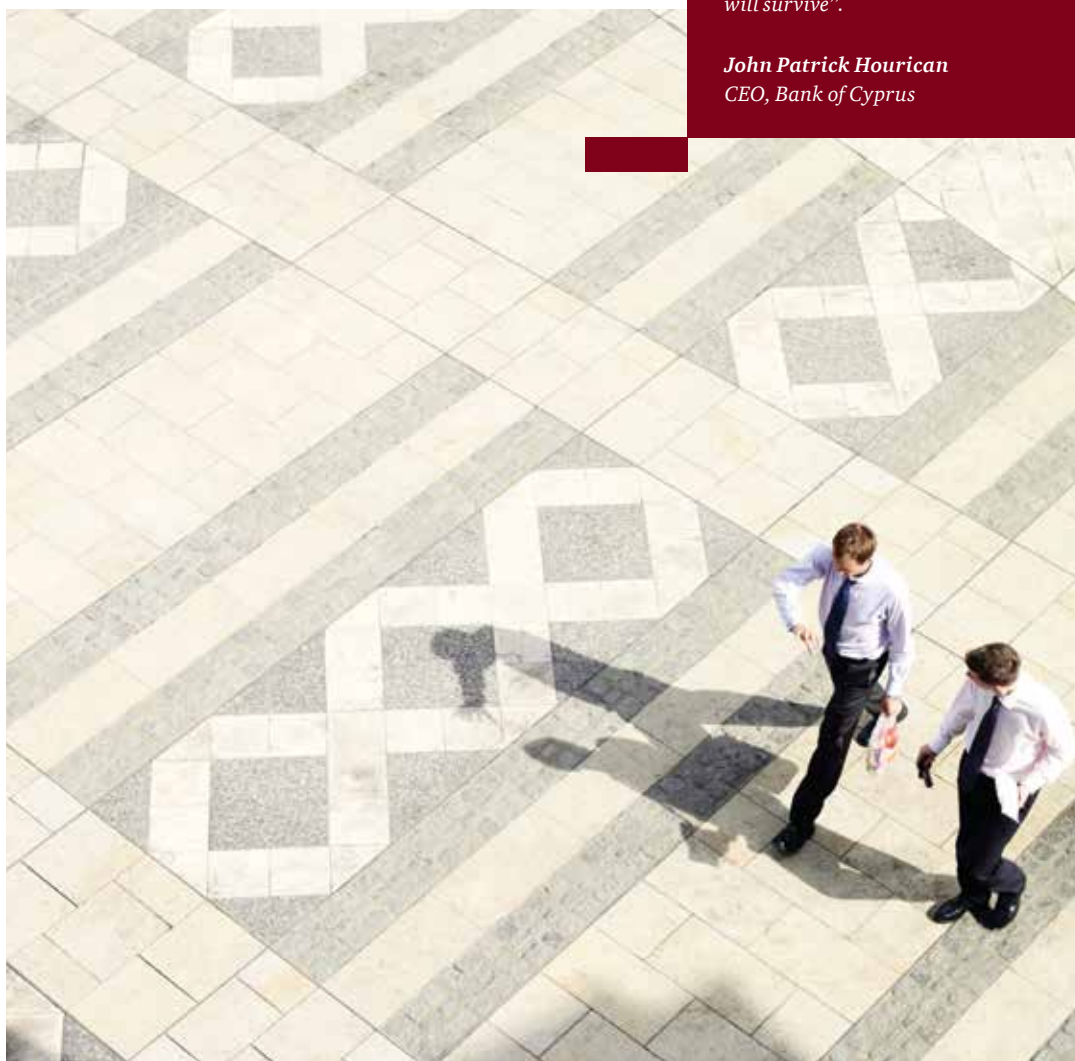


CEOs abroad are admittedly more concerned about talent diversity and inclusiveness, without this meaning that CEOs in Cyprus are not preoccupied by this. It is a fact that talent knows no colour or title. All businesses aim to attract and retain the best available talent. Talent diversity requires the elimination of all forms of discrimination that may find fertile ground in a workplace. Today, diversity and equal opportunities are indispensable for businesses that wish to remain competitive. Benefits are evident at all levels. Ensuring talent diversity and providing equal opportunities can only be of benefit, and we must all contribute towards shaping a corporate culture free of any form of discrimination.

It is worth noting that PwC Cyprus has recently been accredited by the Labour Department of the Ministry of Labour, Welfare and Social Insurance for implementing best practices that promote gender equality in the working environment. More specifically, our organisation was awarded the “Gender Equality Employer” accreditation within the framework of the Cyprus Certification Business Model for implementing best practices in gender equality in the working environment. More than 60% of PwC’s professionals promoted to Senior Associate, Assistant Manager and Manager levels in 2014 were female, while the corresponding percentage for the level of Director was 65%, bringing the overall percentage of women directors today to 55%.

“The paradigm of business is changing. Big, expensive bureaucratic businesses will die, whereas nimble, capable, disaggregative businesses will survive”.

John Patrick Hourican
CEO, Bank of Cyprus



When asked what skills they are looking for in their organisation, in addition to technical business expertise, and how difficult it is to find these skills in the people they recruit, all CEOs highlighted collaboration and problem solving, while the responses of CEOs globally also included adaptability. Today, employees must be able to collaborate, promptly respond to challenges and solve problems, as well as to adapt to changes caused by socioeconomic and political conditions.

Figure 17: Recruiting people with important skills

Q: In addition to technical business expertise, how important are the following skills to your organisation?

Q: How difficult, if at all, is it for your organisation to recruit people with these skills or characteristics?

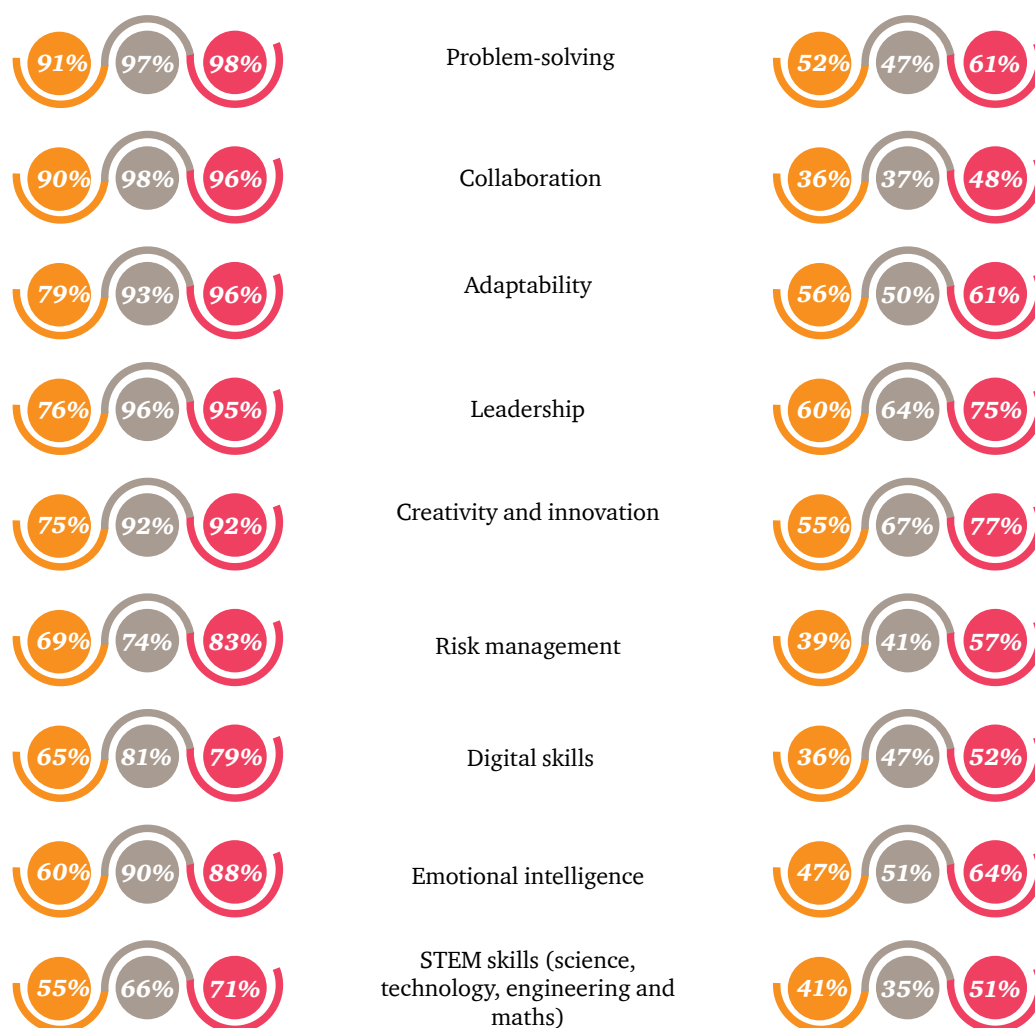
Cyprus Eurozone Global

How important are the following skills to your organisation?

How difficult is it for your organisation to recruit people with these skills or characteristics?

Respondents who stated “Very important” or “Somewhat important”

Respondents who stated “Very difficult” or “Somewhat difficult”



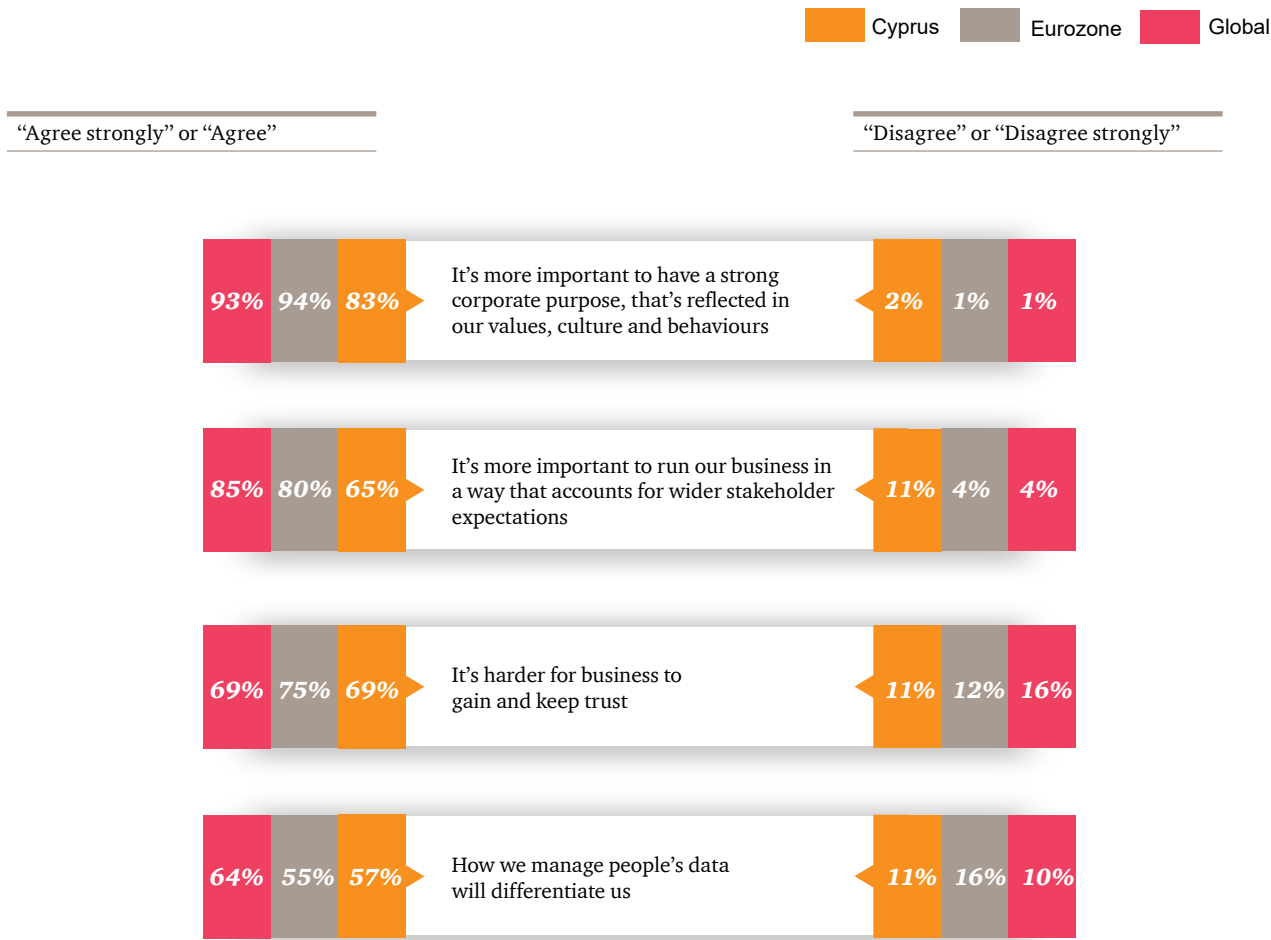
The role of technology in business

The world is constantly developing and digitisation creates new opportunities. Thanks to digitisation, employees can be more flexible in terms of their workplace (home, office, cafeteria) and increase their productivity with the new tools now available to them. Moreover, digitisation requires companies across all industries to respond to these changes and swiftly provide their clients with the products and services they need, while attracting quality talent.

CEOs that took part in our survey seem to be well aware of all of the above, as the overwhelming majority (83% in Cyprus, 94% in the Eurozone and 93% globally) believe it is very important to have a strong corporate purpose, that is reflected in their values, culture and behaviours. This is followed by the view that they must run their business in a way that accounts for wider stakeholder expectations.

Figure 18: Operating in an increasingly digitised world

Q: In the context of an increasingly digitised world, to what extent do you agree or disagree with the following statements?



"Over the last 20 years we have gone through a revolution in how technology has impacted our lives".

John Patrick Hourican
CEO, Bank of Cyprus Group

Stakeholders are key to businesses. Considering that CEOs think that IT outages and disruptions will have a negative impact on stakeholder trust levels, with 89% for Cyprus, 88% for the Eurozone and 90% globally, this is an issue to be seriously taken into account in their strategic planning. It is followed by breaches of data privacy and ethics with 71% for Cyprus, 89% for the Eurozone and 90% globally, but also cyber security breaches, which affect business information or critical systems.

In PwC's Global State of Information Security survey for 2017, which focuses on how digital businesses adopt measures to ensure cyber security and the protection of privacy, 59% of respondents stated that consumption has been affected by business digitisation. Moreover, the findings of the survey highlight the need to implement programmes that will facilitate the exchange of information and elaborate plans for capitalising on the opportunities provided by the Internet of Things and addressing geopolitical threats in a proactive manner.

It is therefore not paradoxical that according to the CEO survey, 91% of respondents in Cyprus are already addressing IT outages and disruptions. The same is true for CEOs in the Eurozone and globally, at 96% and 92% respectively.

Figure 19: Areas with negative impact on stakeholder trust levels and how CEOs address these issues

Q: To what extent do you think the following areas will impact negatively on stakeholder trust levels in your industry in the next 5 years?

Q: To what extent is your organisation addressing these issues today?

	Cyprus		Eurozone		Global	
	Negative impact on stakeholder trust in the next five years	Addressing these issues today	Negative impact on stakeholder trust in the next five years	Addressing these issues today	Negative impact on stakeholder trust in the next five years	Addressing these issues today
IT outages and disruptions	89%	91%	88%	96%	90%	92%
Breaches of data privacy and ethics	71%	84%	89%	93%	90%	89%
Cyber security breaches affecting business information or critical systems	72%	80%	89%	94%	91%	90%
Risks from use of social media	85%	83%	85%	85%	88%	82%
Artificial intelligence and automation (including blockchain)	69%	63%	71%	72%	67%	58%
Confusion around who owns digital assets	64%	58%	67%	56%	69%	55%
Uncertainty about how tax laws apply to digital assets	52%	42%	57%	50%	63%	48%
Gene technologies (e.g. genetically modified crops, synthetic biology)	33%	31%	37%	25%	34%	20%

Respondents who stated "To a large extent" or "To some extent"

Globalisation



A lot has been said on globalisation, which emphasises increased economic interdependence amongst countries globally through an increase in the volume and diversification of international transactions in goods and services, the free flow of capital internationally and the speedy and widespread dissemination of technology. With both its positive and negative elements, globalisation has greatly affected the business environment over the last decades. When asked to what extent it has affected various areas, 95% of CEOs in Cyprus, 98% in the Eurozone and 95% globally stated that it has improved the ease of moving capital, people, goods and

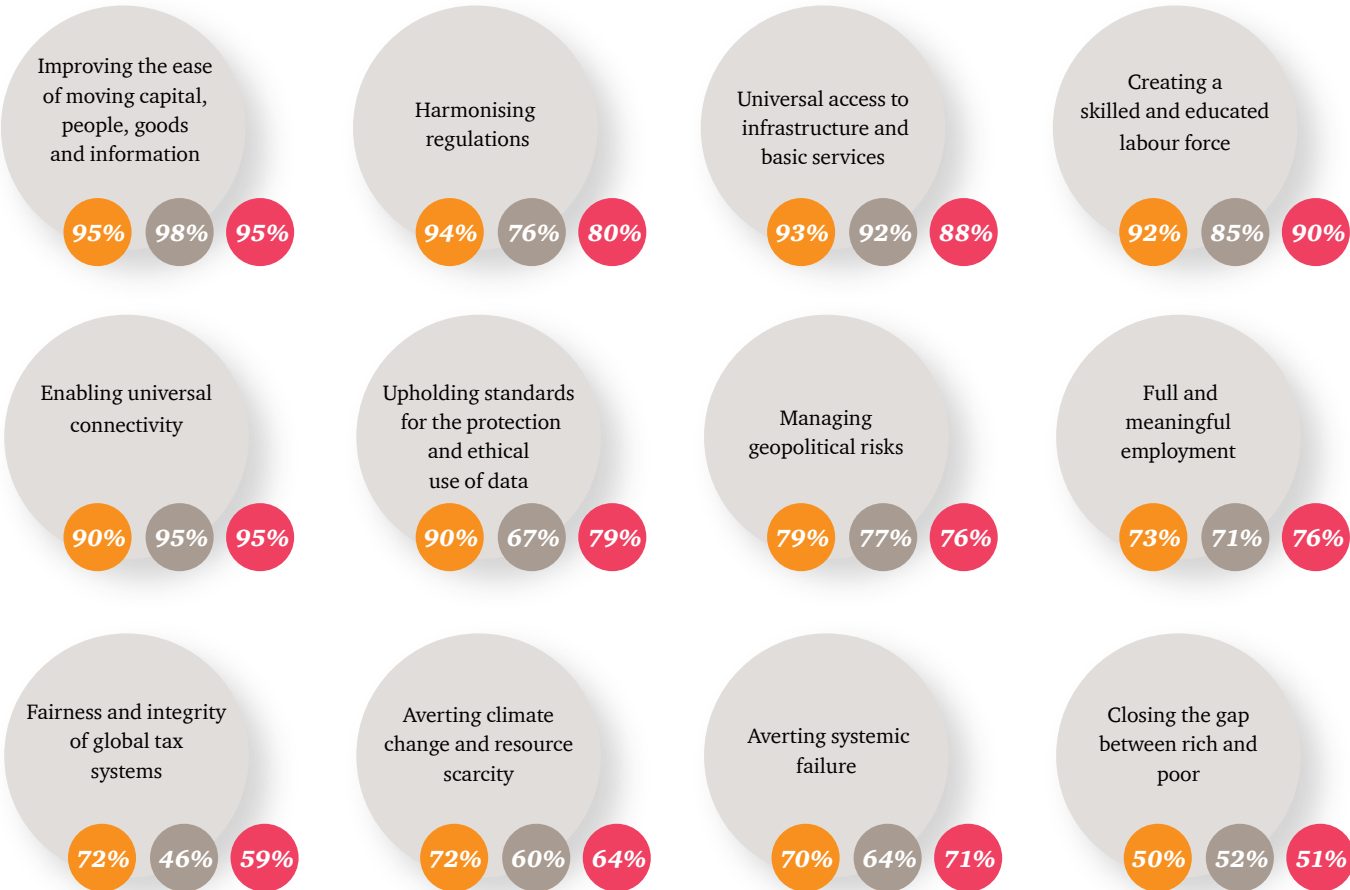
information. Harmonising regulations also appear to be important for CEOs in Cyprus with 94% while CEOs in the Eurozone and globally favour enabling universal connectivity with 95%.

Figure 20: Positive impact of globalisation

Q: To what extent has globalisation helped with the following areas?

Cyprus Eurozone Global

Respondents who stated “To a large extent” or “To some extent”



"Globalisation has been the theme of the last two decades. We have seen companies ignore the boundaries that exist naturally in countries, but we have also seen a number of crises occur that have had to be coped with by national governments, not international enterprises, and that means there is a real challenge and friction between a national agenda and the globalisation agenda".

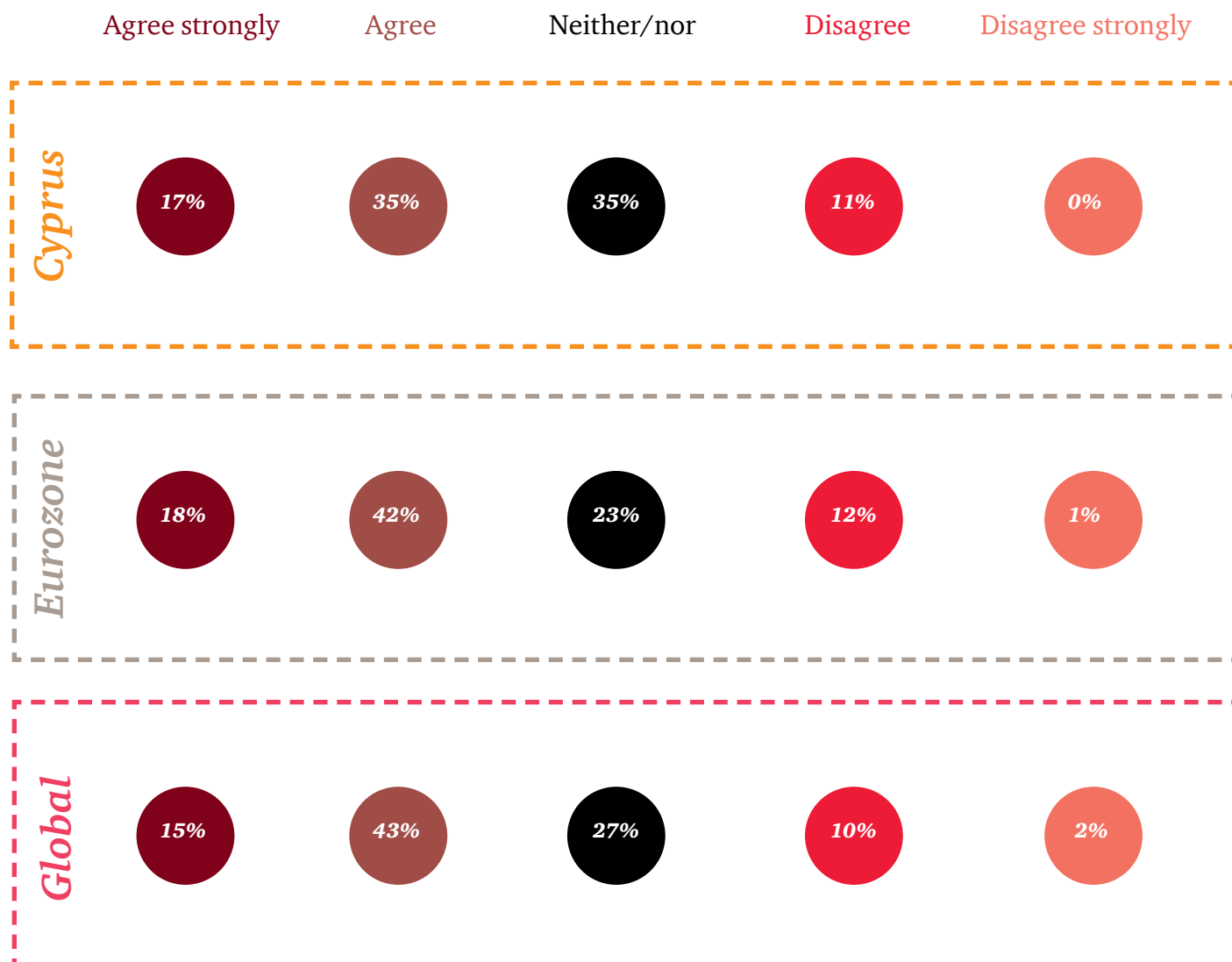
John Patrick Hourican
CEO, Bank of Cyprus Group

The role of the CEO, is more demanding than ever before, as operating in a vast open global marketplace against fierce competition makes things more difficult.

CEOs in Cyprus (52%), the Eurozone (60%) and globally (58%) agree that it is more difficult to balance competing in an open global marketplace with trends toward more closed national policies.

Figure 21: Balancing competing in an open global marketplace with trends toward more closed national policies

Q: To what extent do you agree or disagree that it is becoming harder for CEOs to balance competing in an open global marketplace with trends toward more closed national policies?

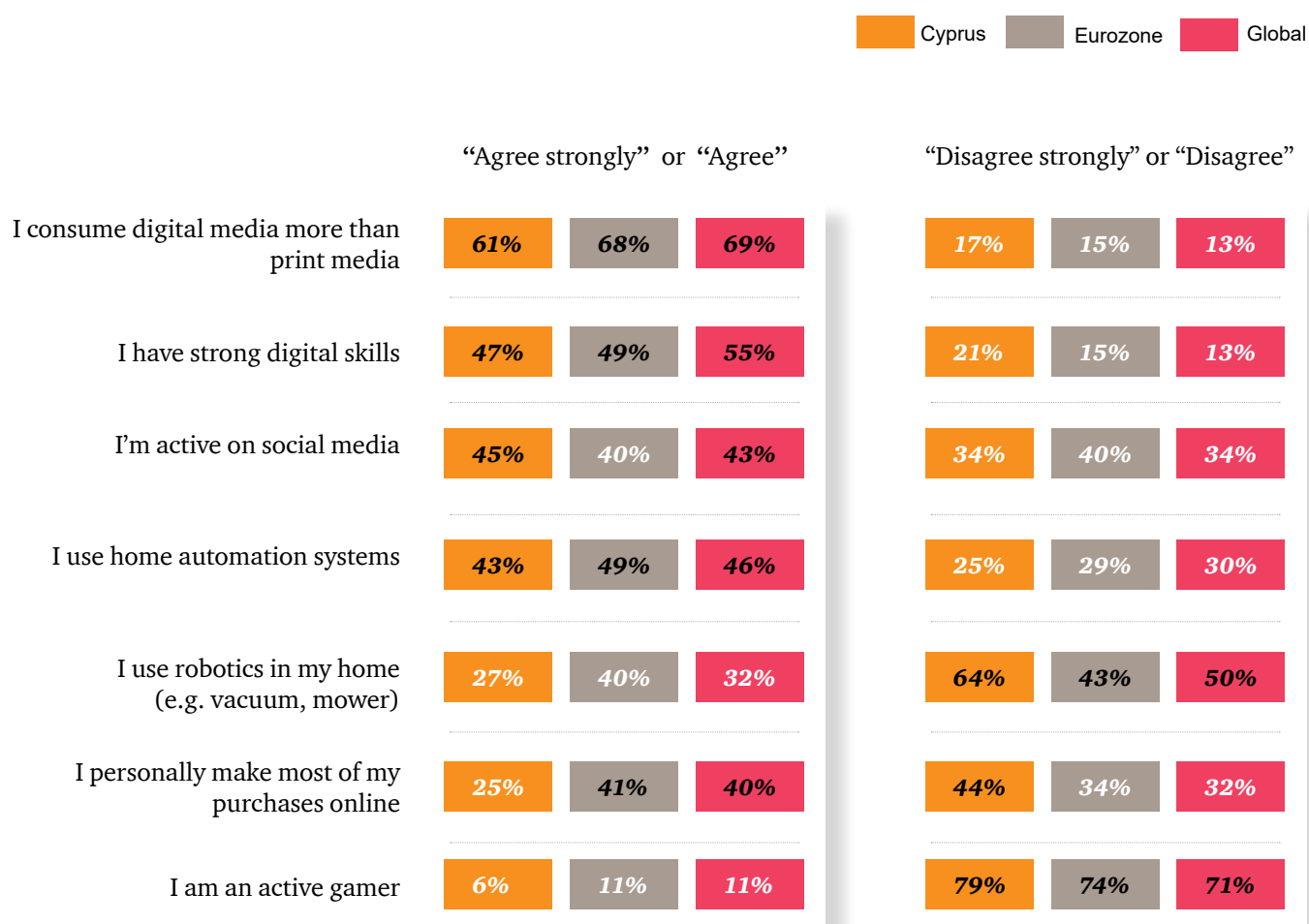


Another very interesting aspect of our survey examines the degree to which CEOs themselves are familiar with technology and how they use it. 61% of CEOs in Cyprus state that they consume digital media more than print media, while 47% believe they have strong digital skills and 45% are active on social media. It is worth noting that these rates are similar to those of CEOs in the Eurozone and globally, therefore confirming the global trend of the ever increasing use of digital media.



Figure 22: Personal use of technology

Q: To what extent do you agree or disagree with the following statements about your personal use of technology?



CEOs believe that technology has significantly affected competition in their industry. More specifically, 28% of CEOs in Cyprus consider that technology has completely reshaped competition over the past 20 years, while 40% state that it has had a significant impact on competition in their industry. Regarding the next 5 years, 99% of CEOs in Cyprus believe that their industry will be affected and the same is true for CEOs in both the Eurozone and globally, with 97% and 98% respectively stating that it will have an impact.

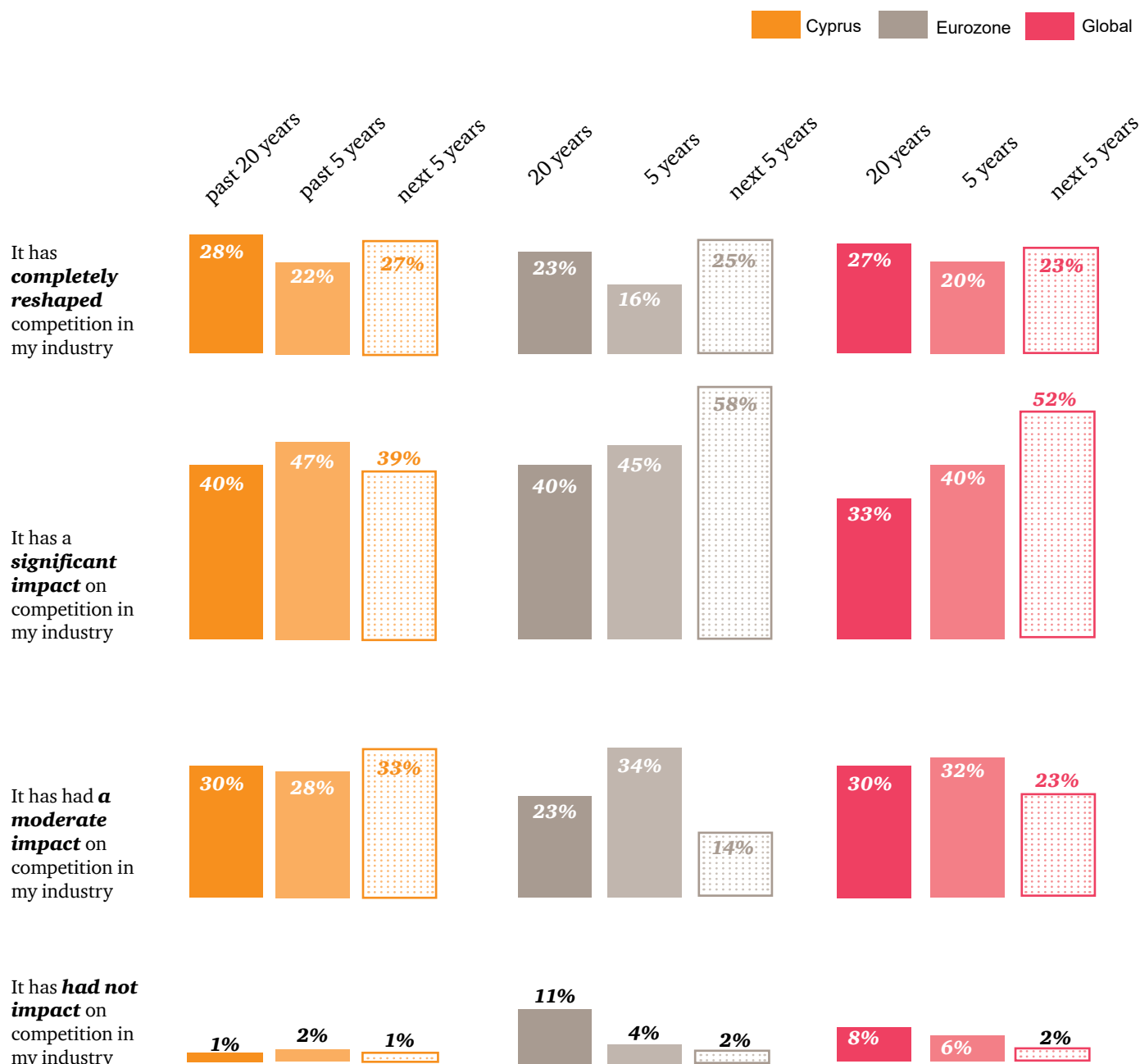


Figure 23: Changes in competition wrought by technology

Q: To what extent has technology changed competition in your industry over the past 20 years

Q: To what extent has technology changed competition in your industry over the past five years?

Q: To what extent do you think technology will change competition in your industry over the next 5 years?



Conclusions



This year's local CEO survey – the sixth in a row – has been, first of all, highly rewarding for all of us as we had a record participation of 89 CEOs. This is very gratifying if we consider that the first local survey was launched in 2012 with the participation of 31 CEOs. Six years later, the number has tripled, demonstrating beyond any doubt that CEOs are eager to share their concerns, expectations and forecasts, in the framework of PwC's initiative to scientifically investigate the views of the business world. So a big thank you to all of you for supporting us with your participation throughout all these years!

CEOs in Cyprus appear confident as regards global economic growth over the next 12 months while they are more cautious than previous years when it comes to their own company's prospects for revenue growth over the same period. They will, nevertheless, focus over the next 12 months on activities such as organic growth to drive corporate growth and profitability. At the same time they cite geopolitical uncertainty and the future of the Eurozone as the most important threats to their business. CEOs in Cyprus are obviously also concerned about other issues such as new market entrants, the speed of technological change and cyber threats.

Investing in countries other than the country in which they are based is a strategic option for many businesses which aim to expand their operations and therefore increase their profitability. For the first time, Greece is the priority destination for CEOs in Cyprus.

Human capital has always been an important point of reference of this survey. As in previous years, CEOs in Cyprus state that they wish to strengthen it even more, and expect that their headcount will either increase or stay the same, despite the key role of technology. They are looking for the best talent, whose main features would be collaboration and problem solving.

Globalisation and digitisation also have their share in the survey, and appear to have had a significant impact on businesses and their strategic plans.

Finally, a very interesting aspect of our survey examines the degree to which CEOs themselves are familiar with technology and how they use it, demonstrating the high rates at which CEOs in Cyprus consume digital media more than print media, have strong digital skills and are active on the social media.

So let's pay close attention to all these developments and keep this key message from this year's survey. No matter how conditions and challenges around us are changing, we must adapt and always look ahead, giving the best we can to our businesses, our people, our society and ourselves.

And as Mr Hourican, the CEO of Bank of Cyprus, pointed out in his interview, "adapting to new circumstances requires honesty and seriously engaging in a dialogue". Let's be part of this change.

The importance of the CEO survey for PwC Cyprus

The Annual Global CEO Survey is important for us for yet another reason. It serves as a tool for listening to the needs of the local business community, understanding its concerns and what it expects from us. This allows us to design new services adapted to your own needs, as well as responding to changing conditions.

Times change, and so do businesses and people. But we change as well, so that we can offer the services that you need, precisely when you need them. Technology is one such example as, according to the survey, it affects businesses in almost all areas, in their growth, competition and security. More specifically, breaches of data privacy or ethics, IT outages and disruptions and cyber security breaches are all areas that appear to

strongly preoccupy all CEOs that participated in the survey.

As an organisation, we are paying close attention to these and other matters relating to the enhanced role of the human resources department, where there is a strong need for collaboration and unity, as well as the need to find resources that will drive growth, so that we can support CEOs and the business community with meaningful and practical solutions based on our expertise.



So you want more data?

Figure 24: Areas affecting stakeholder trust levels

Q: To what extent do you think the following areas will impact negatively on stakeholder trust levels in your industry in the next five years?

Cyprus Eurozone Global

	To a large extent			To some extent			Not at all		
<i>IT outages and disruptions</i>	54%	45%	47%	35%	43%	43%	11%	8%	7%
<i>Breaches of data privacy and ethics</i>	47%	49%	55%	24%	40%	35%	27%	8%	5%
<i>Cyber security breaches affecting business information or critical systems</i>	42%	48%	53%	30%	41%	38%	25%	7%	5%
<i>Risks from use of social media</i>	34%	39%	38%	51%	46%	50%	15%	12%	9%
<i>Artificial intelligence and automation (including blockchain)</i>	25%	23%	20%	44%	48%	47%	25%	20%	18%
<i>Confusion around who owns digital assets</i>	18%	17%	20%	46%	50%	49%	25%	24%	20%
<i>Uncertainty about how tax laws apply to digital assets</i>	18%	14%	17%	34%	43%	46%	39%	28%	23%
<i>Gene technologies (e.g. genetically modified crops, synthetic biology)</i>	13%	15%	13%	20%	22%	21%	51%	43%	38%

Figure 25: Addressing issues affecting stakeholder trust levels

Q: To what extent do you think the following areas will impact negatively on stakeholder trust levels in your industry in the next five years?

	To a large extent			To some extent			Not at all		
<i>IT outages and disruptions</i>	53%	64%	55%	38%	32%	37%	9%	3%	5%
<i>Breaches of data privacy and ethics</i>	53%	57%	53%	31%	36%	36%	13%	4%	8%
<i>Cyber security breaches affecting business information or critical systems</i>	42%	60%	52%	38%	34%	38%	17%	5%	7%
<i>Risks from use of social media</i>	29%	28%	26%	54%	57%	56%	16%	12%	15%
<i>Artificial intelligence and automation (including blockchain)</i>	16%	20%	13%	47%	52%	45%	31%	22%	31%
<i>Confusion around who owns digital assets</i>	13%	11%	13%	45%	45%	42%	30%	33%	32%
<i>Uncertainty about how tax laws apply to digital assets</i>	11%	8%	12%	31%	42%	36%	46%	40%	39%
<i>Gene technologies (e.g. genetically modified crops, synthetic biology)</i>	10%	9%	6%	21%	16%	14%	52%	49%	47%

Figure 26: Positive impact of globalisation

Q: To what extent has globalisation helped with the following areas?

	To a large extent			To some extent			Not at all		
<i>Improving the ease of moving capital, people, goods and information</i>	76%	68%	60%	19%	30%	35%	3%	2%	3%
<i>Universal access to infrastructure and basic services</i>	54%	46%	34%	39%	46%	54%	6%	6%	10%
<i>Enabling universal connectivity</i>	45%	63%	62%	45%	32%	33%	9%	4%	4%
<i>Harmonising regulations</i>	42%	19%	23%	52%	57%	57%	7%	22%	16%
<i>Creating a skilled and educated labour force</i>	38%	36%	37%	54%	49%	53%	8%	14%	8%
<i>Upholding standards for the protection and ethical use of data</i>	38%	16%	20%	52%	51%	59%	8%	29%	16%
<i>Managing geopolitical risks</i>	24%	31%	23%	55%	46%	53%	21%	21%	19%
<i>Full and meaningful employment</i>	24%	18%	21%	49%	53%	55%	27%	27%	20%
<i>Closing the gap between rich and poor</i>	24%	21%	13%	26%	31%	38%	49%	45%	44%
<i>Fairness and integrity of global tax systems</i>	21%	14%	14%	51%	32%	45%	27%	51%	35%
<i>Averting climate change and resource scarcity</i>	20%	16%	15%	52%	44%	49%	26%	36%	28%
<i>Averting systemic failure</i>	17%	12%	16%	53%	52%	55%	28%	32%	22%



Interview with

John Patrick Hourican

CEO, Bank of Cyprus

What's the biggest change that you have seen over the past 20 years, and what do you think will be the biggest one in the next 20 years?

I think technology has been the big change in business, and it has taken centre stage over the last 20 years. That will continue into the next 20 years. Processing power increases as the use of the data that the technology has allowed us access to changes, and that will give rise to significant changes in how businesses are run. I think that's the challenge for governments, the challenge for business, and indeed the challenge for society, as we have a ubiquity of information and ubiquitous access to how information can be analysed. So I think this is going to be the big continuing challenge for business.

Where do you see the global economy going over the next year?

There are many stresses and challenges in the global economy, as we look into the next 12 months. Global growth has been gently slowing during the course of the last few years, and while individual countries within that are doing better or worse depending on where they are in the world, I think there are significant challenges to growth, as we saw with the bond market selloffs recently. We see equity markets being quite volatile. I think that there are confidence issues across the world. So I think it will be a challenging 12 months.

What about your own growth prospects over the next year?

Our business is very local, and is in two markets in the European Union. We don't really grow very much across borders. So, our challenges are very idiosyncratic to the economies we find ourselves in. Our economy, Cyprus, is recovering well, and we expect to recover with it.

Which markets are you looking to for driving that growth?

We've retrenched from what I would describe as a lot of 'managerial tourism' over the past decade, and we have focused on where we can add actual value to our customers by focusing on national boundaries, which will be contrary to much of what the Davos Summit is going to be discussing. But actually I think businesses need to focus on their customers, and they need to serve their customers where those customers are. The nature of my business is that my customers exist inside a geographic boundary, rather than necessarily across geographic boundaries. So we'll be focusing very much on Cyprus, its business, and very much on our small but growing UK business, where we see significant opportunities.

Do you think there are more threats and uncertainties facing your business today than three years ago?

Unquestionably. There are more threats to the business model, although our business went through a very serious disruption three years ago because it was effectively recapitalised. But the business sector in which it exists is challenged by FinTech. It's challenged by the disaggregation of data. It's challenged by people horizontally disaggregating our business, and we have to react to that. We have an old sort of historic technology that suffers, and uncompetitive positioning against modern disruptive technologies, and we have to get ahead of that.

What are you doing to address the volatility and changes that you are seeing?

We are looking at the core of what we do and how we operate. We are re-examining the basis on which we gather and organise our data. We are reorganising the complexity versus simplicity of how we organise our business. We are examining what the customer needs and wants. And we are trying to educate our customers into working with us in a way that both makes them feel like they're getting good service, but also makes us feel like we can actually afford to service them and actually provide a return to our shareholders. The paradigm of business is changing. You know, big, expensive bureaucratic businesses will die, whereas nimble, capable, disaggregative businesses will survive.

Digitisation and automation are now all-consuming trends for business and society. I would like to explore what impacts they're having on business. What are your observations on how technology is changing the workplace?

In terms of technology, when I started work with Price Waterhouse in 1990, we did not have computers on our desks, and we shared a terminal in the corner of the office. Over the last 20 years we have gone through a revolution in how technology has impacted our lives. There is a CPU in almost everything we touch now. Our cars are full of computers. Our offices are full of computers. We are connected, even while we are flying, to the data that surrounds us. Technology has absolutely changed the way people interact. There is no private time. There is no privacy. There is no space, and this is something that we in the business community have to acknowledge and adopt. And we have to figure out what that means for our customers who in the end of the day pay our bills as we look into the future.

Are you looking to automate some current roles?

Yes, organisations will change dramatically. The arrival of artificial intelligence, the arrival of robotics, the arrival of big data, the arrival of the interrogation techniques that are now capable of being deployed on data, all give sort of a new challenge but also a new tool to businesses across the world. We have to embrace them. We have to recognise that they're here to stay and it will only get worse. So, we have to redesign the new paradigm, and figure out how we change the existing paradigm into the new paradigm by being smart.

That's probably about simplicity. I have a view that simplicity becomes complex because people start to misunderstand it, whereas complexity is just lots of layers of simple things. So, let's go back to being simple. Let's go back to serving our customers, and let's reinvent our business models to make sure that happens quickly. The time-to-market today in the business world is much shorter than it was when I started work, and I think people who lead businesses need to recognise that the manner in which we deploy our products has to change in line with customer expectations, which have become of immediate service and immediate change. They are much more impatient than the consumers of 10, 20 years ago.

What percentage of your business is now automated, and how do you think that will change in five years or beyond?

Well, banks have historically been very automated in a business context, and very digital. We've gone to the back of the queue in terms of our technology versus other industries, and I think we have to get back to the front of the queue. That involves not just providing a sexy front-end for our consumers, but also then reinventing the back-end of the bank. So, our industry today is full of a lot of what I would call inefficient organised processes that can be made simpler through good data organisation and good process reinvention.

That will have consequences for staff numbers across the industry. It will have consequences for the way the business is organised across the industry. It will have consequences for how the customer interfaces with the industry, and that's highly likely to give rise to much more significant automation and digitisation as we go forward. So, I think we're going to see, sadly, across our industry, a significant reduction in the number of people employed and a significant increase in the powered technology part of the business.

Technology has also brought into question the whole area of trust in business and institutions, for example, issues around cyber-security, use of data, artificial intelligence and automation, or the use of blockchain. In what ways are you encountering this in your business?

The world has seen too many instances where people's data has been able to be accessed by criminals, and we have an obligation to protect our customers' data and an obligation to ensure we stay ahead of those that would wish to abuse that data. A bank has a person's financial life on its systems, and we have to ensure that the firewalls and the protections around that data are strong. Now, we have not had any instances where we have had any significant loss of customer data, but there are examples in our industry where we have had that. So we, in the leadership of the banking industry, have to continue to upgrade and spend money and time on getting ahead of and protecting the data that we are the stewards of.

It is wholly unacceptable for us to have reasonable data protocols. We have to have excellent data protocols, and we have to have huge investment in cyber-security. We have to keep looking at new technologies. Blockchain is a new technology. It's not yet particularly scalable, but it suggests that it could be. We have to examine it, understand it, and invest in making sure that we stay ahead or stay with the pack in terms of the use of that technology. So, I think this is going to be a rapid journey. And we will constantly be looking at the next technology and trying to figure out how we deploy it, both to the benefit of our customer, to excite them, and to the benefit of our shareholders, to reward them for an ever-increasingly complex and difficult-to-make-a-return business environment.

With businesses becoming increasingly digitised and more conscious of local consumer and other stakeholder needs, do you think global organisations are on the decline?

I think there are challenges for global organisations, but equally I think there are opportunities for global organisations. Globalisation has been the theme of the last two decades. We have seen companies ignore the boundaries that exist naturally in countries, but we have also seen a number of crises occur that have had to be coped with by national governments, not international enterprises, and that means there is a real challenge and friction between a national agenda and the globalisation agenda.

I think businesses have to respond to that. I think we have to recognise that our customers, in certain parts of what they do, would ignore the boundaries of the countries they live in, and in other aspects of what they do they're very conscious and completely conscious of the national boundaries in which they operate. They want the protections their government can offer them in the regulated space and they want that nationally, whereas when they come to the consumption of simple goods they are agnostic as to where those goods come from, and they would naturally embrace a more globalised agenda.

Twenty years ago the world was focused on open borders, new markets, and free trade. Now the mood is more closed.

Twenty years ago the world was focused on open borders, new markets, and free trade. Now the mood is more closed. Last year many CEOs [we spoke] - they felt that the world was becoming further separated across political, economic and social dimensions. They were not concerned about geopolitical risk and social unrest. What are your observations on this?

I think it would be a foolish CEO who does not consider the context in which their business operates. I think we should observe and be clear that the world has fragmented over the course of the last, particularly 10 but certainly 20 years, where we've had more extreme political views causing the dislocation in the natural order in parliament. We have seen the change in energy resources across the world give rise to a changing stage of geopolitics and sort of geostrategic influence. These things matter to business, and we have to understand that that is the context in which we plan our businesses over the next decade. I think the world is more fragile politically, more fragile economically, and therefore more fragile from a safety perspective than it has been for some time. This gives us a huge obligation to understand it and a huge obligation to engage with it, to try and make it simpler and less fractious.

How do you think business addresses challenges in order to pursue greater resilience and long-term success?

Business leaders need to be completely conscious of the context in which they operate. They need to engage with governments. We need to engage with policymakers. We need to engage with think tanks and opinion formers, and we need to form our own views and have them heard. We need more bravery from people with opinions to express them, and we need that bravery to be repeated, not occasional. So, I'm a real proponent of 'if you think it, say it,' provided you've thought about it properly, and indeed contribute to the debate. It's not reasonable to sit quietly in a corner, knowing that something is not quite right or needs attention, and not to raise your voice. If the business leadership across the world is to recover its position as an important opinion former, we need to actually engage.

Interview with John Patrick Hourican CEO, Bank of Cyprus

We're seeing in some countries increasingly interventionist policies and sentiments often fuelled by the will of the people. Do you think it's becoming harder for business to balance globalisation against these activities, and if so, how do you think business can achieve that balance?

There is a real movement of dissatisfaction across the world. We have seen various votes for various people or various actions across the world, Brexit and others, which have in my mind been more about a vote for change and a vote of dissatisfaction than necessarily a vote on the issue. That should cause politicians, policymakers and businesspeople to wake up a little and to recognise that the societies in which we operate and the societies which give us the right to operate have a level of dissatisfaction that is rising.

There is a real movement of dissatisfaction across the world. We have seen various votes for various people or various actions across the world, Brexit and others, which have in my mind been more about a vote for change and a vote of dissatisfaction than necessarily a vote on the issue.

We saw it with the Arab Spring. We saw it with lots of things across the whole of our agenda and that means we have to be careful, be careful to address the real issues in the societies we serve, and be careful to address the real long-term issues such as pension holes, such as the avoidance and evasion of tax across the world, such as the sort of trade and whether it is fairly organised. You know, protectionism, tariffs, all these things need to be in our consciousness, and all these things need to be addressed conscious of the societal reaction that at the moment is breaking away from mainstream.

There's a constant tension between the need to cut costs and focus a business, and the need to invest in new areas to stay competitive. On top of that is an increasingly vocal public dialogue about the need for business to go beyond its four walls to, for example, create jobs, improve infrastructure, mitigate climate change risks, or address issues around wealth distribution. How do you reconcile these tensions and find the right balance?

There are enormous and increasing tensions between business and society as businesses seek to change their business models with greater use of technology, which naturally means less use of people. We also have a desire from people post-crisis to want to get back to a level of consumption and a level of earnings that is commensurate with their own ambitions for themselves. Now, those are not naturally easy to combine. People don't want to pay for service, yet they want great service. The cost of great service is expensive. The increase in globalisation, the increasing use of ubiquity and the reduction in brand loyalty across the world, all of these things contradict each other in terms of their objectives.

So, businesses have to recognise that the loyalty of the consumer is becoming much less than it would have been in the past, particularly in the services industry rather than in consumable goods. That gives us a challenge. People don't want to pay too much for something but they want high-quality service, and we are challenged by the fact that our business models are likely to employ less people. So, we'll become the *bête noire* of a discussion with society because we're not contributing to that society's wellbeing by giving people security of tenure of their jobs. All these challenges are ahead of us and they're going to get worse, so we need to engage in a really serious dialogue about what a modern economy is going to look like.

Business leaders need to be completely conscious of the context in which they operate. They need to engage with governments. We need to engage with policymakers. We need to engage with think tanks and opinion formers, and we need to form our own views and have them heard.

This is the 20th year of PwC's Global CEO Survey. Thinking about the next 20 years, what specific aspect of today's world do you expect might be fixed, disrupted, or replaced by a new technology?

I think we face a very dislocated next 20 years. I think we'll see a reversal of some of the globalisation that has occurred. I think we'll see the emergence of nationalism, economic nationalism, in a much more fundamental way than we've seen over the last 20. But at the same time, we'll see the creation of business models that are much more ubiquitous in the use of their data and their information, much more technologically core-driven. But actually, that's going to change the nature of the type of jobs that are available in society, which I think will in the beginning increase the tension between business and society, policymakers and business people. So I think we have some dangerous waters ahead – which is why we need to be honest about them, and to engage in the dialogue so that we can all navigate them.



PwC Cyprus



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Acknowledgements

PwC gratefully acknowledges the contribution of the 89 CEOs in Cyprus who have taken part in the 20th Annual Global CEO Survey, Country Summary: Key findings in Cyprus.

Special thanks to Mr John Patrick Hourican, CEO, Bank of Cyprus who shared his thoughts with us in a personal interview.



Download the main report, access the results and explore the CEO interviews from our 20th Annual Global CEO Survey online at www.pwc.com/ceosurvey.

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