



14th Annual PwC Cyprus CEO Survey

Reinvention on the edge of tomorrow



Key findings for Cyprus



Reinvention on the edge of tomorrow



The survey interviews were conducted between **October and November 2024.**

***Generative AI** is a type of artificial intelligence that can create, enhance, summarise and analyse unstructured data such as text, code and images.

Percentages in charts may not add up to 100% - a result of rounding percentages; multiselection answer options; and the decision in certain cases to exclude the display of certain responses, including 'Other', 'Not applicable' and 'Don't know.'

The research was undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services.

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The 14th PwC Cyprus CEOs Survey
**reveals a notable optimism
amongst the global, as well
as the Cypriot business leaders**
regarding global economic growth and the
prospects for their own companies.





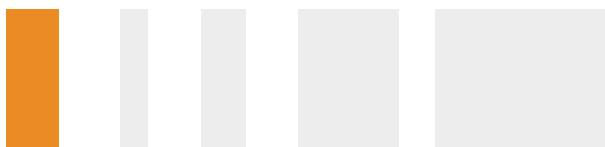
Message from the CEO of PwC Cyprus

We are at a pivotal moment in time. In today's rapidly changing global business environment, organisations face massive opportunities but also existential threats that require prompt and decisive action.

The 14th PwC Cyprus CEO Survey reveals a notable optimism amongst the global, as well as the Cypriot business leaders, regarding global economic growth and the prospects for their own companies. This optimism prevails despite the fact that CEOs are operating in an environment of considerable geopolitical volatility, shortage of human capital with essential skills and technological disruption.

The survey re-confirms the finding that CEOs are recognising the existential threat to their businesses if they do not reinvent their organisations and their business models. The survey reveals that many companies are already taking some reinvention steps towards generating value in innovative ways, but the pace of this reinvention is too slow. Barriers to reinvention include weak decision-making practices, low levels of resource reallocation year-on-year and an over-emphasis on short term results.

There is significant emphasis this year on the investment in Generative AI (GenAI) for its cost-saving potential but also for unlocking new sources of value. There is clear evidence



that CEOs are scaling up their investments in GenAI, maintaining high expectations for productivity gains and contribution to growth, while addressing related challenges.

Overall, a clear conclusion coming out of this survey is that businesses should be investing in a state of readiness which will minimise the impact from any adverse surprises and utilise this agility and adaptability as a source of strategic competitive advantage.

I take this opportunity to extend a warm thank you to the 122 business leaders who participated in PwC's 14th Annual CEO Survey in Cyprus, sharing their optimism, their concerns and their insights in relation to the economic landscape in which we are operating in.



Philippos Soseilos
CEO & Chairman
PwC Cyprus



A few words about PwC's 28th Global Survey of CEOs

According to the 28th Annual Global CEO Survey one of the main findings, is that CEOs are observing initial productivity improvements from Generative AI and growing returns from sustainability investments.

4,701 CEOs from 109 countries, representing every region of the world economy state that they are investing in Generative AI, addressing the opportunities and threats posed by climate change, and reinventing their operations and business models to create value in new ways.



Among the key findings:

- Expectations for GenAI remain high. One-third of CEOs say GenAI has increased revenue and profitability over the past year, and half expect their investments in technology to increase profits in the year ahead. Yet trust remains a hurdle to adoption.
- Investment in climate actions and sustainability is paying off. One in three CEOs report that climate-friendly investments made over the last five years have resulted in increased revenue. In addition, two-thirds say these investments have either reduced costs or had no significant cost impact.
- Almost 40% of CEOs say their companies started to compete in new sectors in the last five years. Consistent with last year's survey, four in ten CEOs believe their company will no longer be viable in ten years if it continues on its current path.
- The pace of reinvention is slow. On average, only 7% of revenue over the last five years has come from distinct new businesses added by organisations in this period. Barriers to reinvention include weak decision-making processes, low levels of resource reallocation from year to year, and a mismatch between the short expected tenure of many CEOs and powerful long-term forces, or megatrends, at work.
- CEOs are optimistic about the near-term outlook even as they worry about their company's long-term viability. Almost 60% expected global economic growth to increase over the next 12 months, up from 38% in last year's survey and only 18% from two years ago. By a ratio of more than two to one, CEOs expect to increase rather than decrease (42% vs. 17%) headcount in the year ahead.



14th Annual PwC Cyprus CEO Survey

A total of 122 business leaders who participated in PwC's 14th Annual CEO Survey in Cyprus, are revealing how CEOs are navigating changing stakeholder priorities and how they are challenged to reinvent their business models.

Let's take a brief look at the key points that CEOs in Cyprus have highlighted.

58%

tell us that GenAI has resulted in efficiencies in how employees use their time at work

57%

expect global economic growth to improve in the 12 months ahead

48%

stated that they will increase headcount in the year ahead

50%

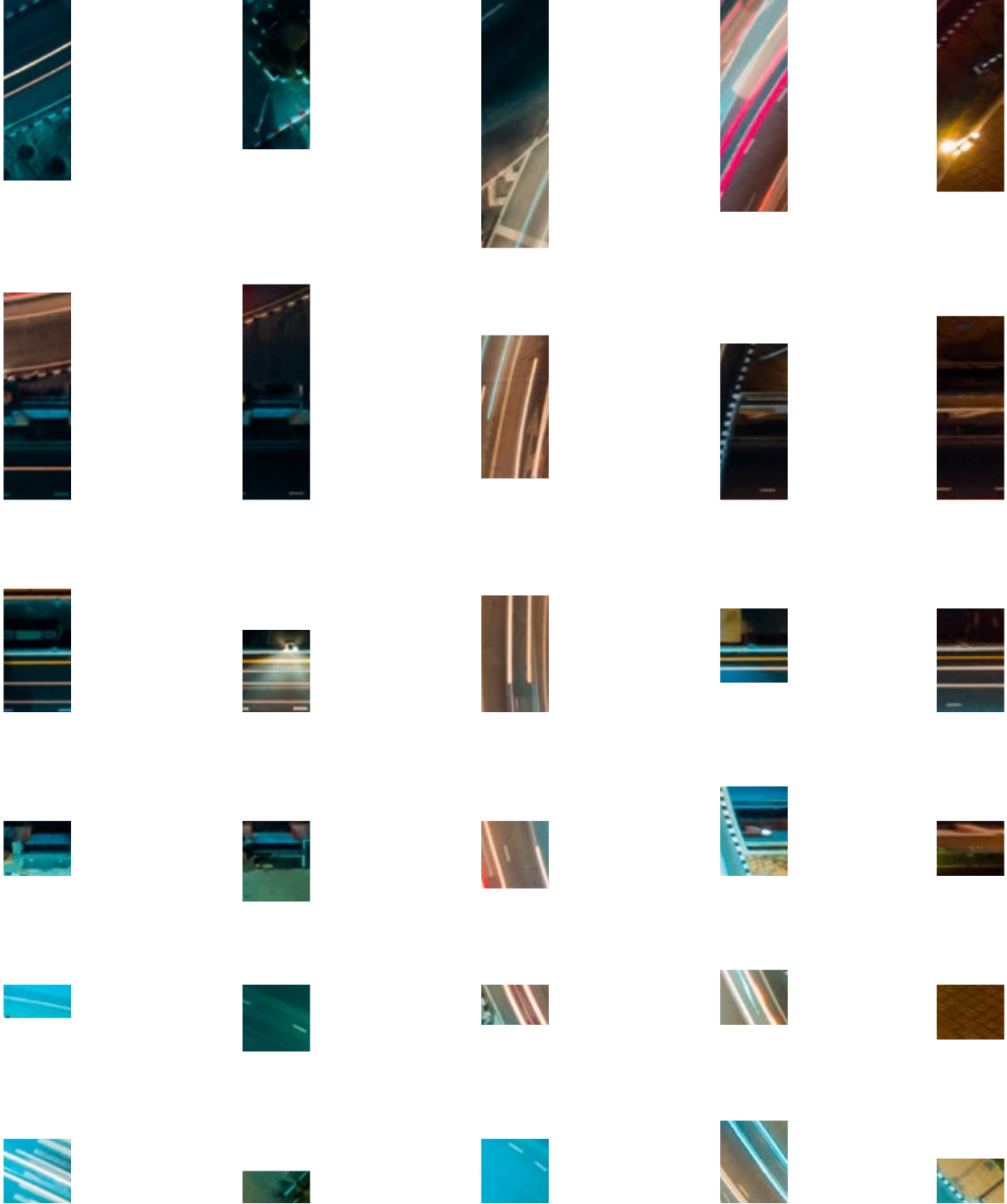
say their company will remain viable for less than ten years if it continues its current path

40%

believe in their company's prospects for revenue growth in the next year

- 44% believe that Generative AI will boost their companies' profitability
- 41% say that their biggest priority over the next three years is integrating AI (including GenAI) into technology platforms as well as business processes and workflows
- 69% remain broadly confident about the outlook of their own company
- 36% feel exposed and are concerned that they are threatened by, geopolitical conflicts, 26% by the lower availability of workers with key skills and 24% by the technological disruption
- 61% make the criteria for determining the decision transparency
- 47% tell us that they reallocate 10% or less of their human resources from year to year
- 42% have reallocated 10% or less of their financial resources across their business units between the last and current fiscal year





01

**Two defining issues:
AI & Climate Change**



Two Defining Issues: **AI & Climate Change**

+ Early Returns on GenAI

Only two years after GenAI appeared on the radar of most executives, companies around the world are adopting it at scale. What's more, many CEOs are seeing promising results. More than half (58%) CEOs in Cyprus tell us that GenAI has resulted in efficiencies in how employees use their time at work, while around one-third report increased revenue (28%) and profitability (27%).

These figures are broadly consistent with other PwC research among executives, employees and investors. In PwC's Global Workforce Hopes and Fears Survey 2024, 62% of employees said they expected GenAI to increase their efficiency at work over the next 12 months. In our Global Investor Survey 2024, two-thirds of investors and analysts said they expect the companies in which they invest to achieve productivity gains from GenAI in the year ahead.

Although it is still early days, there's nothing in our data to suggest a widespread reduction in employment opportunities across the global economy. Some CEOs in Cyprus (12%) and in Global (13%) say they have reduced headcount in the last 12 months due to GenAI, while this percentage is lower in Eurozone (10%). Yet a higher percentage in Cyprus (18%), in Eurozone (12%) and in Global (17%) tell us that headcount has increased because of GenAI investments.

Eurozone and Global CEOs echo the sentiments expressed by the CEOs in Cyprus with their responses.

These outcomes are below the high expectations that CEOs in Cyprus shared with us a year ago, but this has not dampened their optimism. Last year, when CEOs were asked about the extent to which Generative AI would impact their company over the next 12 months, about half of the CEOs (45%) said they expected GenAI to increase the profitability of their company and 42% expected it to increase their revenues. Additionally, in last year's CEO survey, in Cyprus more than half of the CEOs (63%) stated that they anticipated increased efficiencies in their employees' time at work.

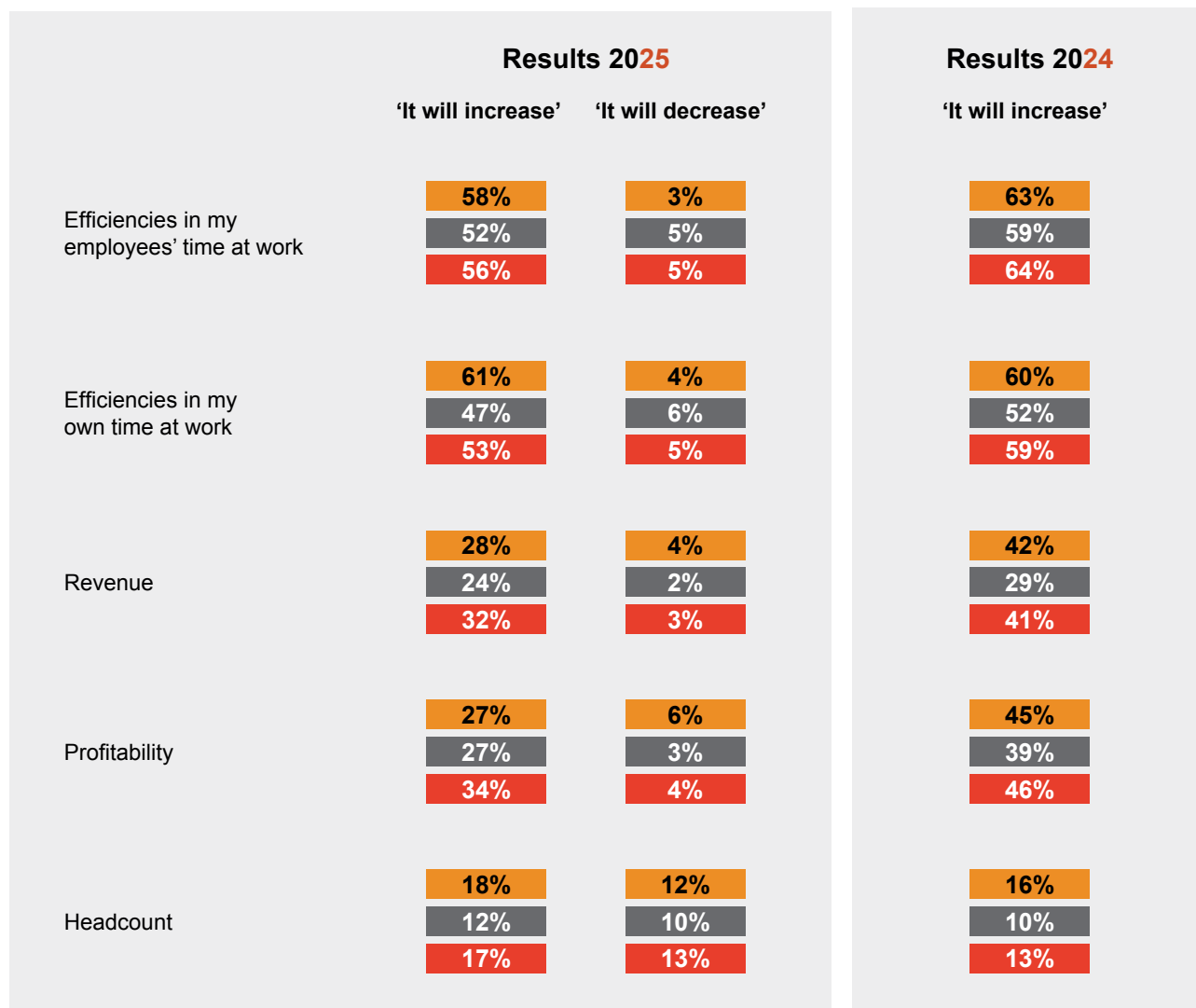


>> Figure 1

To what extent did Generative AI increase or decrease the following in your company in the last 12 months?

Respondents who stated: It will increase/ it will decrease

● Cyprus ● Eurozone ● Global

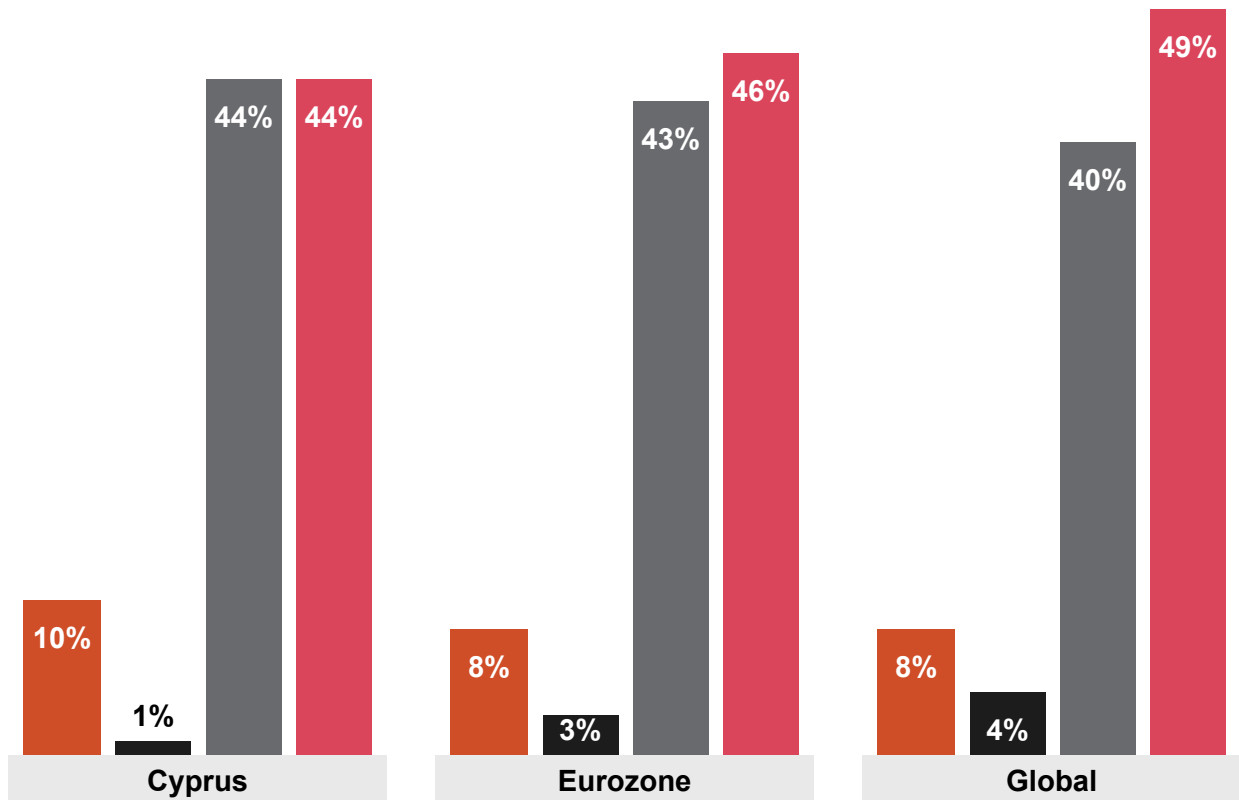


Regarding the future impact of Generative AI on company profitability, CEOs appear uncertain. 44% of CEOs in Cyprus believe that Generative AI will boost their companies' profitability, whilst another 44% expect little to no change. Similar percentages are observed among CEOs in the Eurozone and in Global.

Figure 2

To what extent will Generative AI increase or decrease the profitability of your company in the next 12 months?

● Don't know ● Decrease ● Little to no change ● Increase



When asked about their personal trust in integrating AI into key company processes, nearly one-third of CEOs in Cyprus (33%) admit that AI is being incorporated to a limited degree. Meanwhile, the majority of CEOs in the Eurozone (35%) and Globally (34%) report a moderate level of integration.

As you might expect, CEOs who trust AI reported higher gains from GenAI over the last 12 months and expect higher gains from the technology in the year ahead.

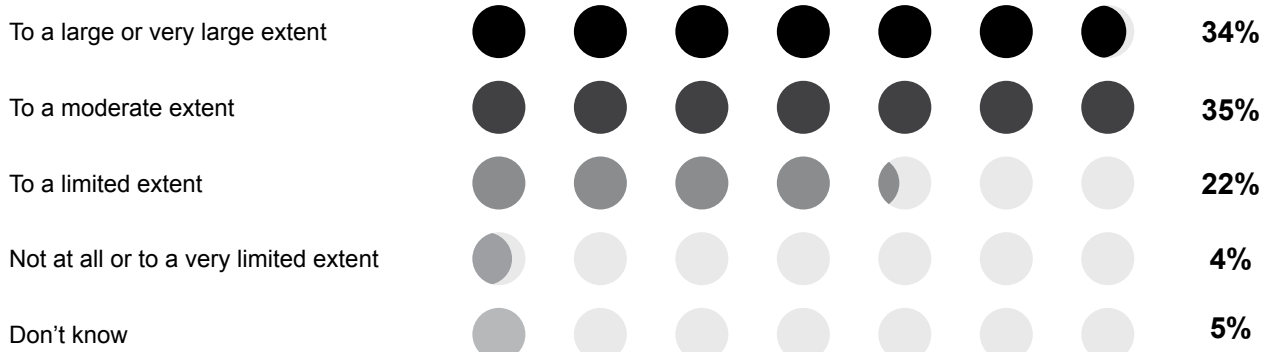
Figure 3

To what extent do you personally trust having AI (including Generative AI) embedded into key processes in your company?

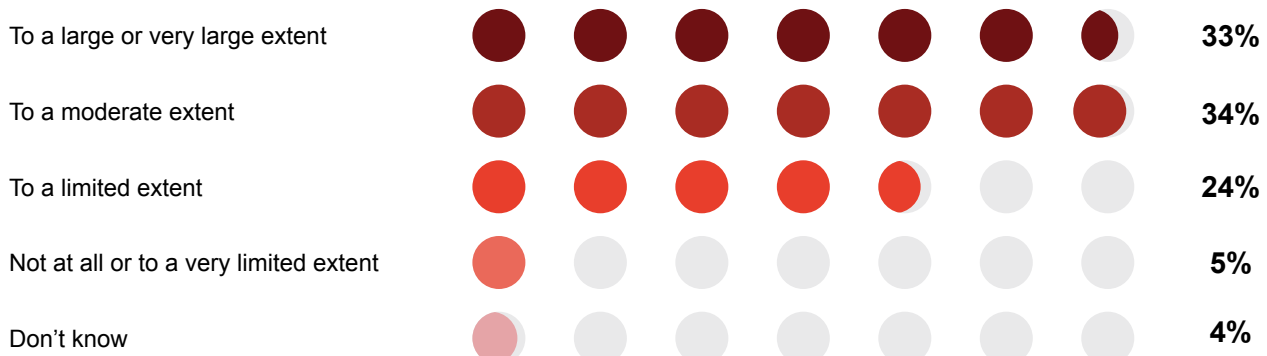
Cyprus



Eurozone



Global



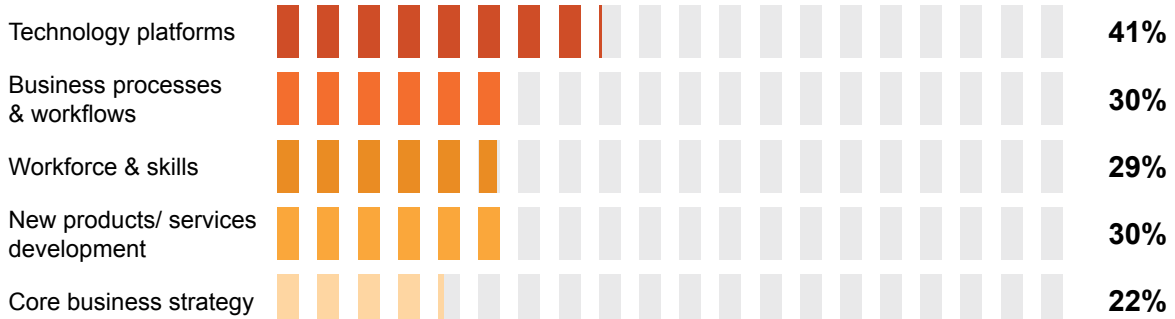
Looking forward, 41% of CEOs in Cyprus, 50% in Eurozone and 47% in Global say that their biggest priorities over the next three years are integrating AI (including GenAI) into technology platforms followed by business processes and workflows (30%). The development of new products/ services is equally important (30%) for CEOs in Cyprus.

More surprising is that very few CEOs in Cyprus (29%), in Eurozone (32%) and in Global (31%) are planning to integrate AI into workforce and skills strategy. This could be a misstep. Realising the potential of GenAI will depend on employees knowing when and how to use AI tools in their work - and understanding the potential pitfalls.

>> Figure 4

To what extent, if at all, do you predict AI (including Generative AI) will be systematically integrated into the following areas in your company in the next three years?

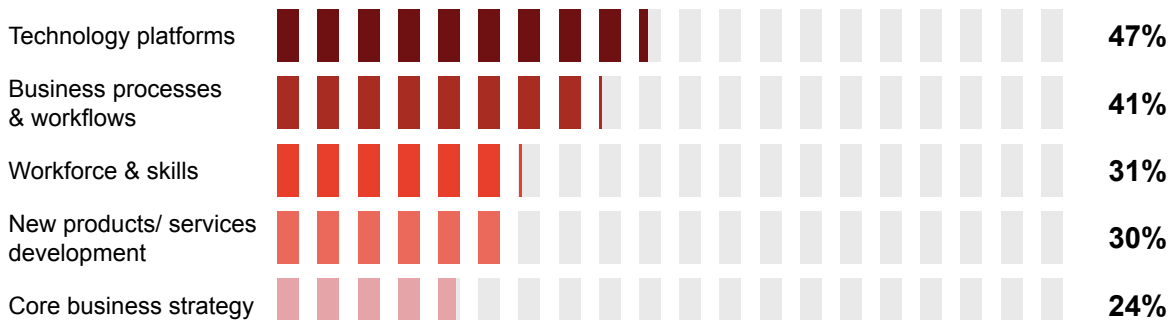
Cyprus



Eurozone



Global



+ Upside from Climate Action

When we asked CEOs in Cyprus to take stock of the financial impact of their climate-friendly investments over the last five years, we found that most CEOs report that climate-friendly investments had no significant impact.

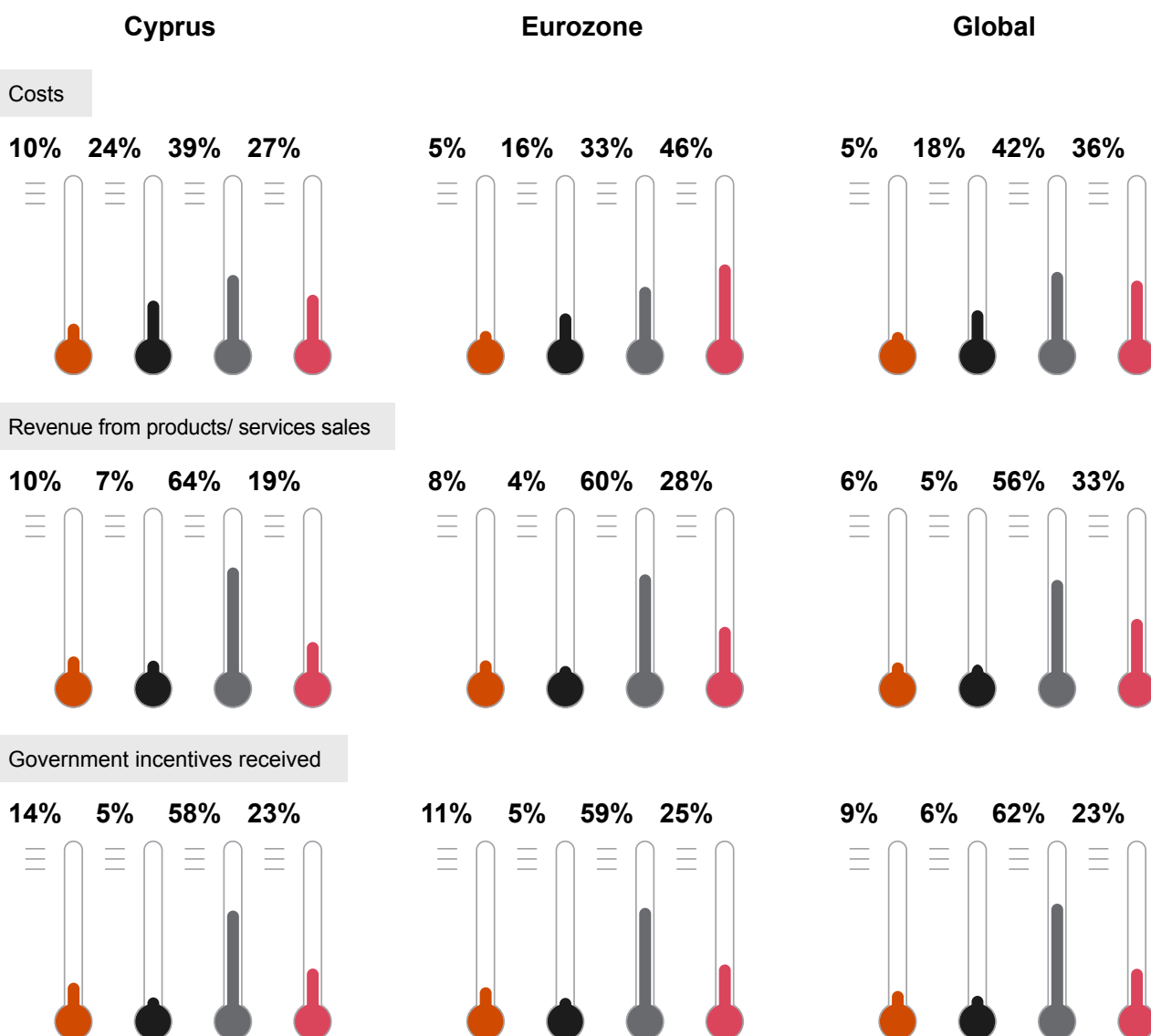
In Cyprus, 64% of CEOs indicate that climate-friendly investments over the past five years have had minimal or no impact on revenue from product or service sales, while 58% report little to no effect on government incentives received. Additionally, 27% of these CEOs note an increase in their costs due to these investments.

In the Eurozone, 46% of CEOs report that such climate-friendly investments have led to increased costs. Meanwhile, 42% of CEOs in Global share the view that their costs had little or no change because of these investments.

» Figure 5

To what extent have climate-friendly investments* initiated by your company in the last five years caused increases or decreases in the following?

● Don't know ● Decrease ● Little to no change ● Increase



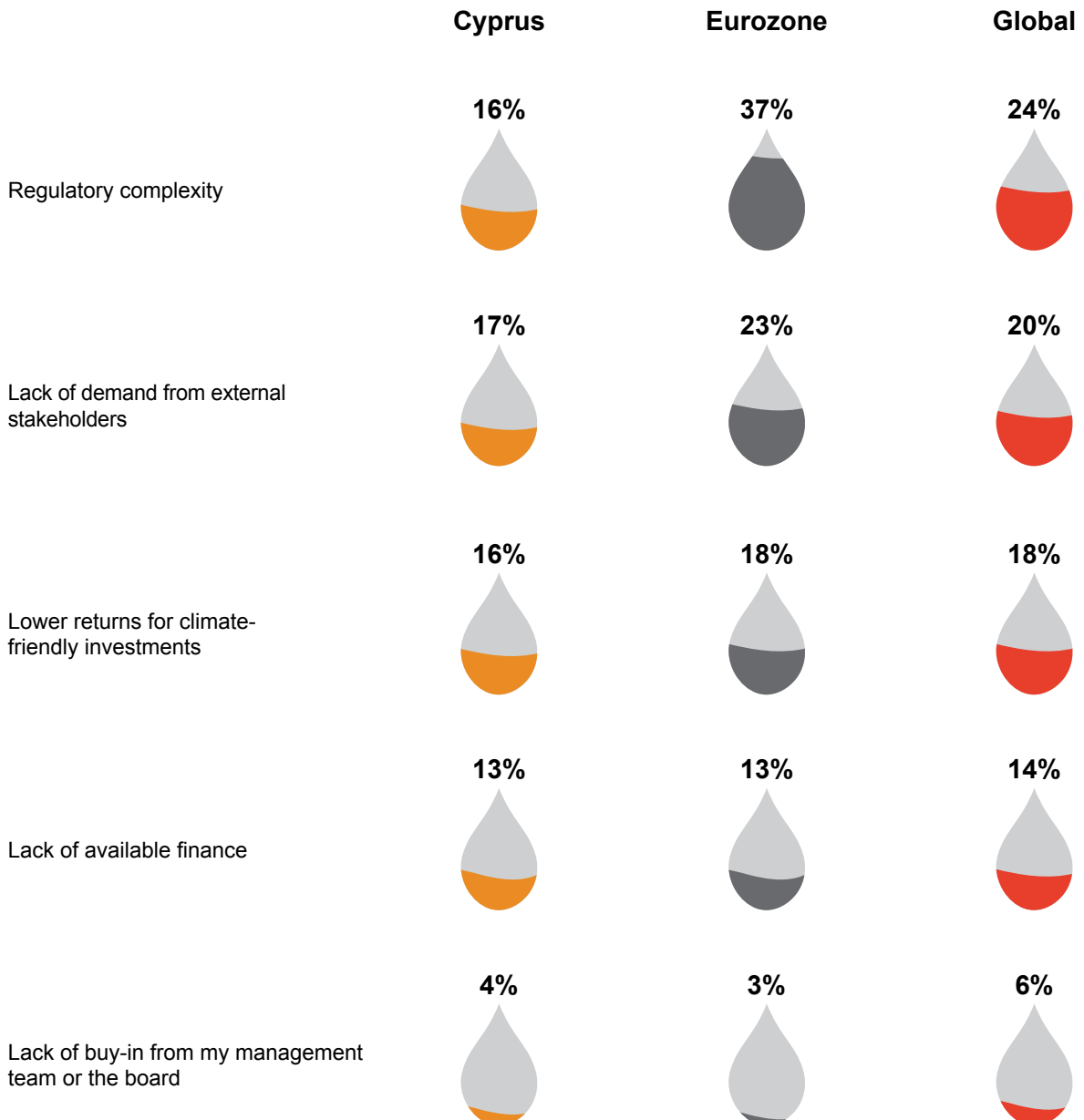
*Climate-friendly investments: Examples of climate-friendly investments include transitioning to energy-efficient operations, developing greener products and services, and implementing emission-reducing technologies.

To the question related to the factors that inhibited their company's ability to initiate climate-friendly investments in the last 12 months, CEOs in Cyprus state that the lack of demand from external stakeholders (17%) as well as the regulatory complexity (16%) and the lower return for climate-friendly investments (16%) play a significant role.

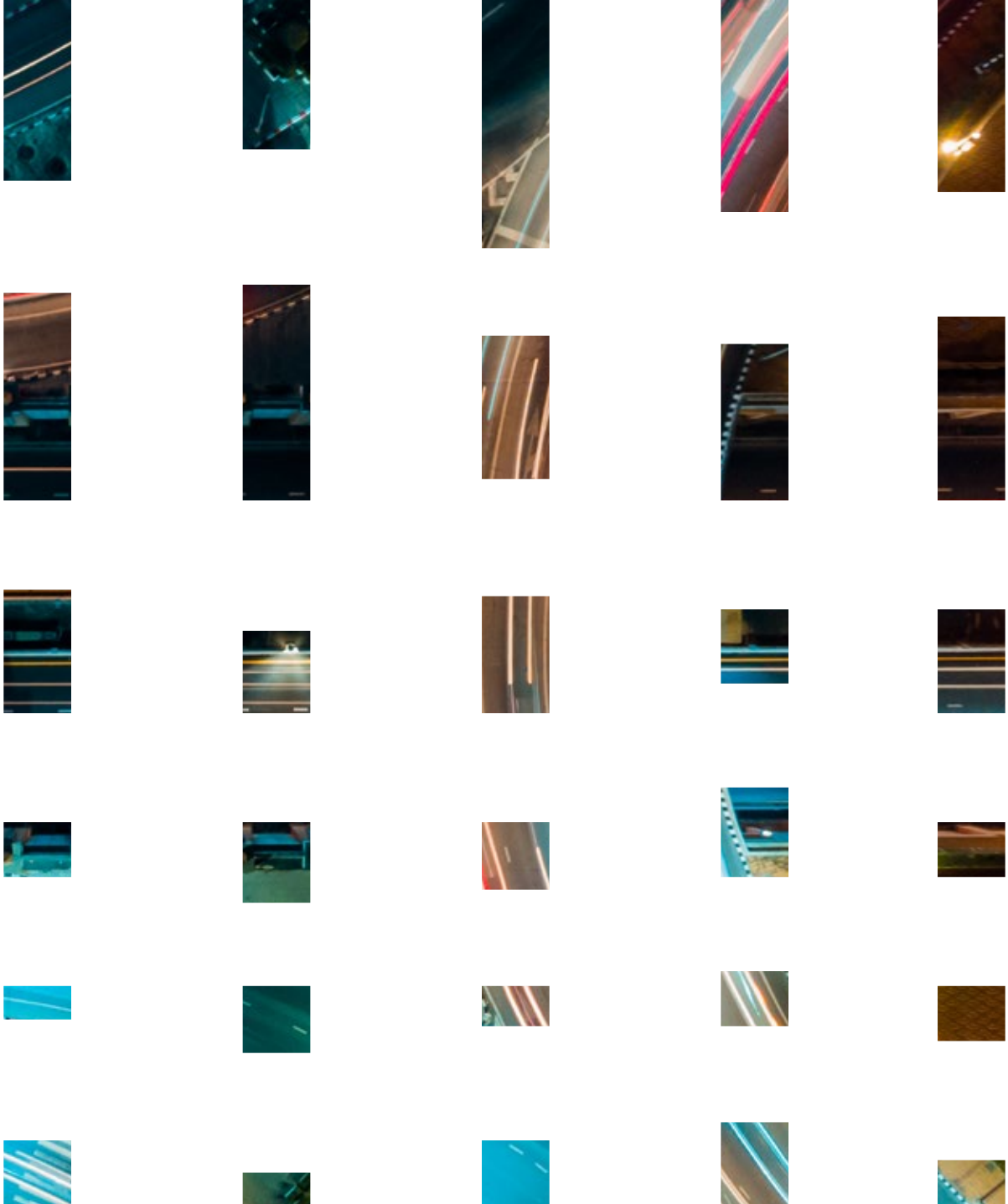
Respectively CEOs in Eurozone (37%) and CEOs in Global (24%) put the regulatory complexity far first.

Figure 6

To what extent, if at all, have the following factors inhibited your company's ability to initiate climate-friendly investments* in the last 12 months?



*Climate-friendly investments: Examples of climate-friendly investments include transitioning to energy-efficient operations, developing greener products and services, and implementing emission-reducing technologies.



02

**Business
as (un)usual**



Business as (un)usual

+ Outlook and threats

In a finding that might seem surprising against a backdrop of geopolitical and trade tension, CEOs in Cyprus, Eurozone and Global tell us they are optimistic about the outlook of the global economy.

In Cyprus, 57% expect global growth to improve in the 12 months ahead, up from 40% in last year's survey and up from 23% the year before. 63% of CEOs in the Eurozone expect an improvement, up from 44% last year, while in Global, 58% are optimistic about the improvement of global economic growth, compared to only 38% last year.

➤ Figure 7

How do you believe economic growth (i.e., gross domestic product) will change, if at all, over the next 12 months in the global economy?

● Improve ● Stay the same ● Decline

Cyprus



Eurozone



Global



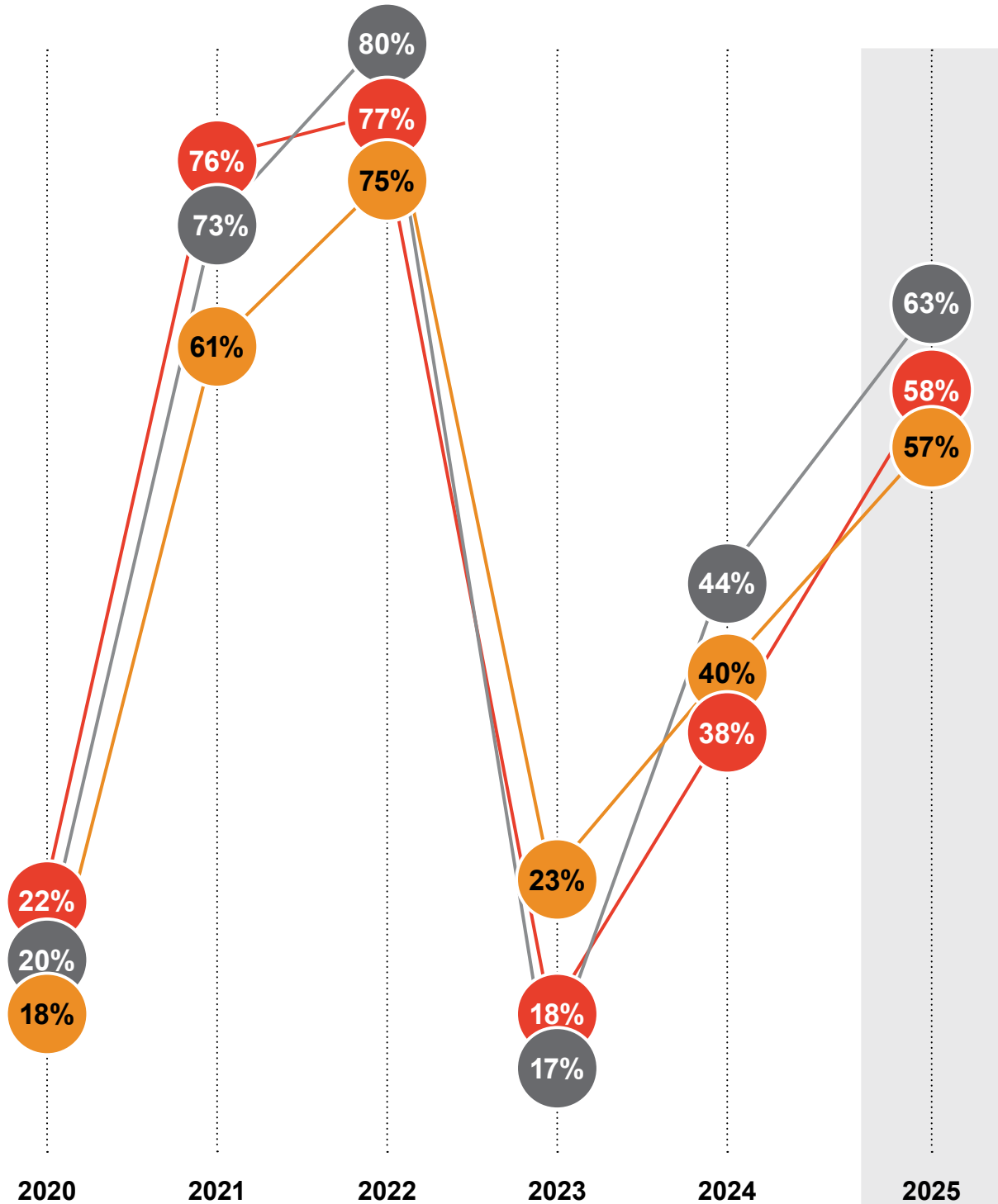
Figure 8

Analysis of the Global economic growth potential.

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

6 year analysis

● Cyprus ● Eurozone ● Global

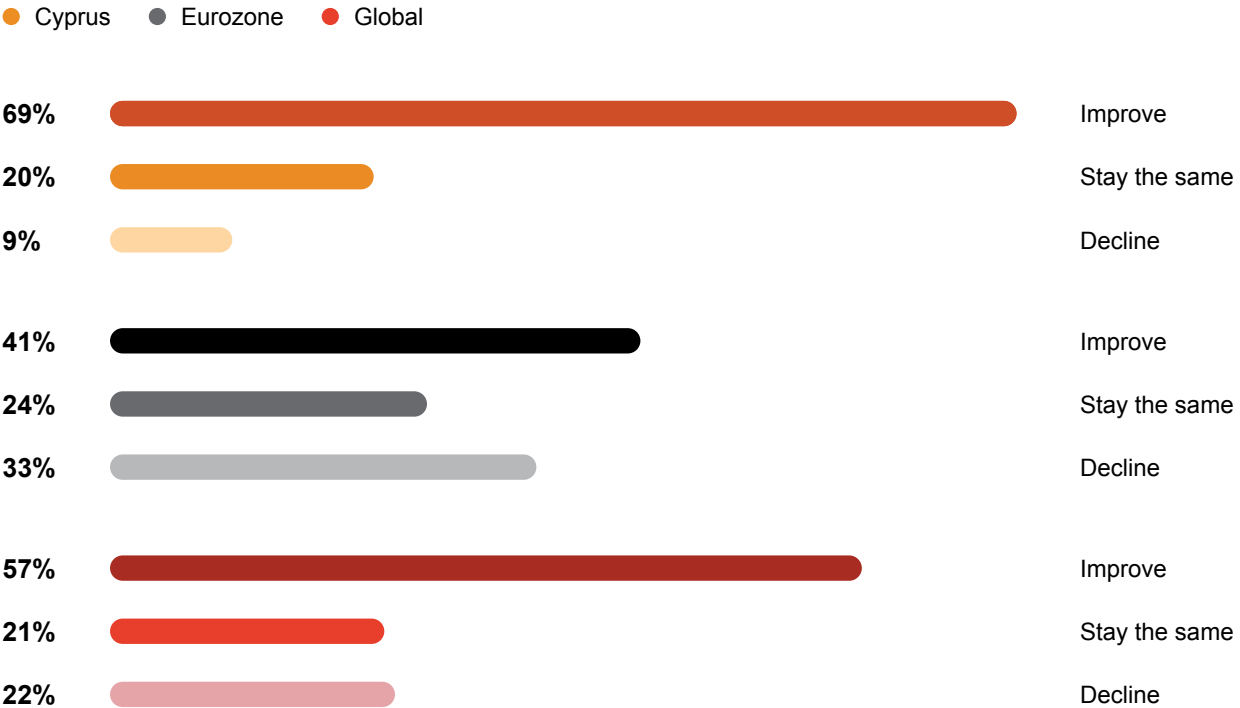


Regarding CEOs' optimism about the countries they operate in, 69% of business leaders in Cyprus express confidence in their country's economic growth, up from 43% the previous year. Consequently, only 9% anticipate a decline in the island's economic development over the next 12 months, compared to 38% last year. This indicates a significant increase in CEOs optimism concerning both global economic growth and Cyprus's recovery.

A similar pattern of optimism is observed among CEOs in the Eurozone, with 41% expressing confidence, and in Global, with 57% being optimistic for economic growth in their respective countries over the next 12 months.

» **Figure 9**

How do you believe economic growth (i.e., gross domestic product) will change, if at all, over the next 12 months in your country/territory?

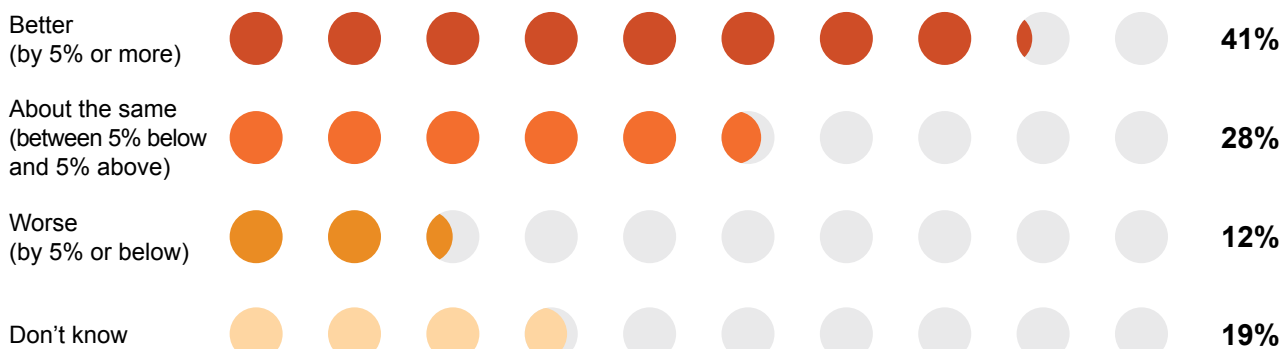


When CEOs were asked how their company's profitability was compared to their industry average, almost half of the CEOs in Cyprus (41%), in Eurozone (49%) and in Global (49%) said that it was a better year by 5% or more than the one before.

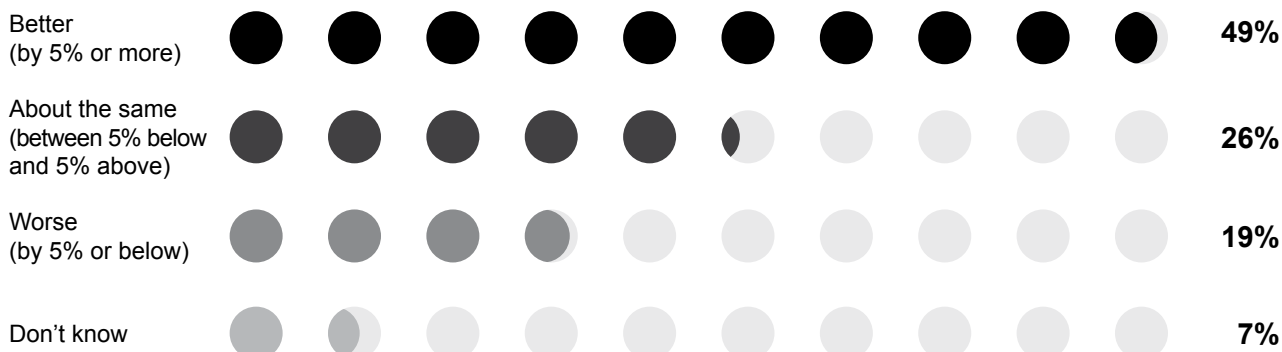
>> Figure 10

During the most recently completed fiscal year, how did your company's profitability compare to your industry's average?

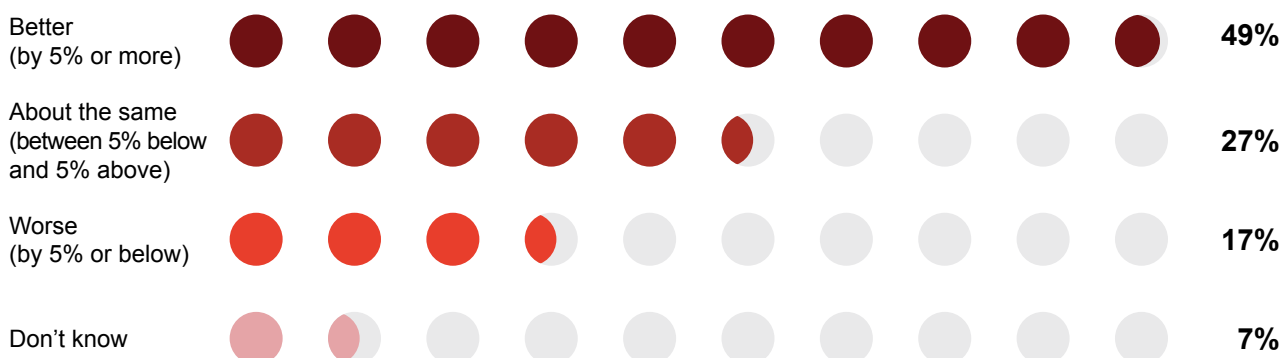
Cyprus



Eurozone



Global



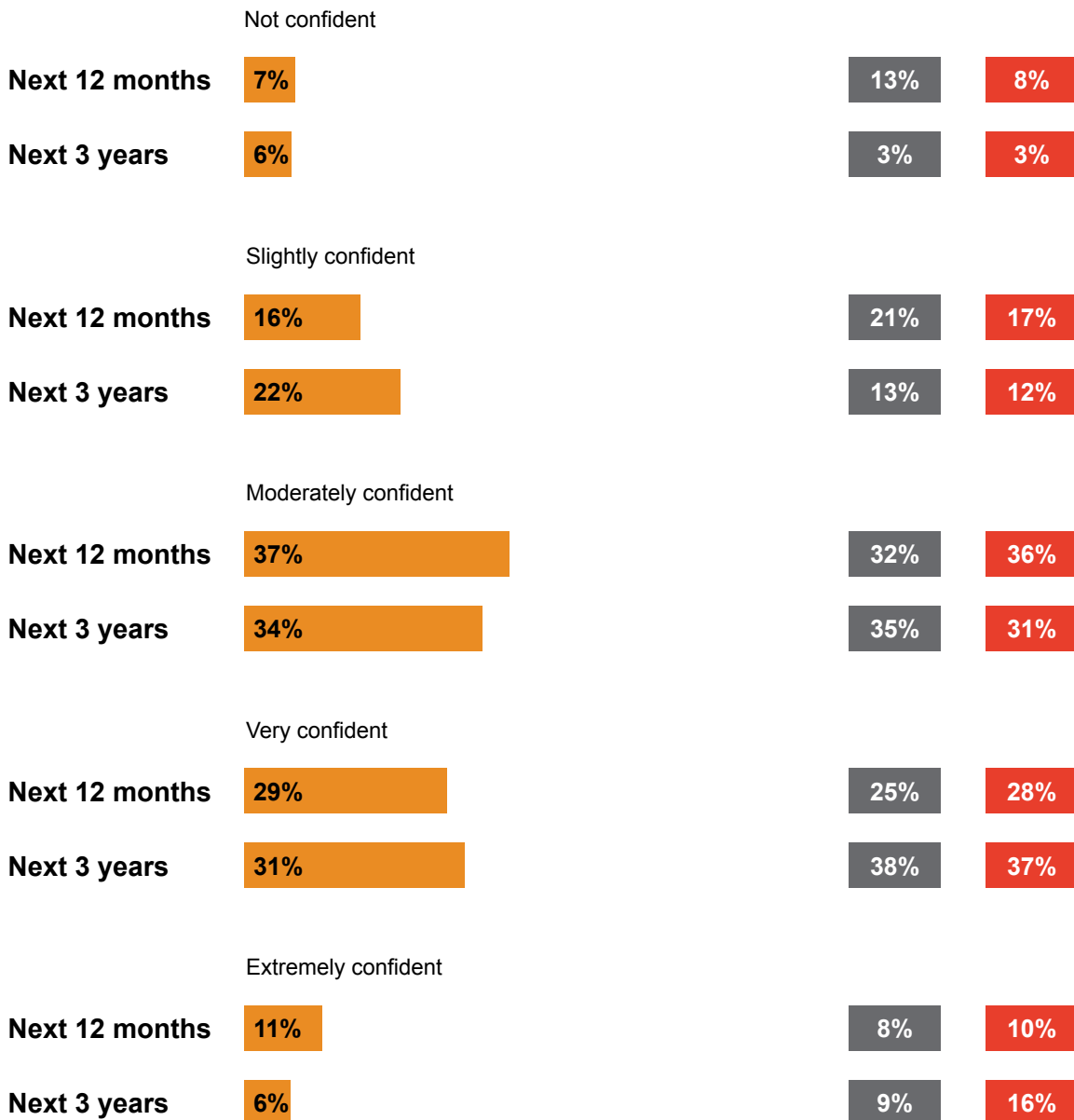
This optimism among CEOs is reflected in the fact that 40% of leaders in Cyprus are very or extremely confident about their company's prospects for revenue growth in the next year, and 37% feel the same for the next three years. Last year, the level of optimism for a one-year horizon was nearly identical, with 41% expressing strong confidence, and the percentage for a three-year outlook remained exactly the same at 37%.

>> Figure 11

How confident are you about your company's prospects for revenue growth over:

- a) the next 12 months?
b) the next three years?

● Cyprus ● Eurozone ● Global



It is worth mentioning that two years ago, CEOs in Cyprus appeared more optimistic than this year about the three-year time horizon, perhaps due to the multiple challenges, geopolitical situation and the parallel and interconnected megatrends, which create conditions for accelerating the crises that we experience.

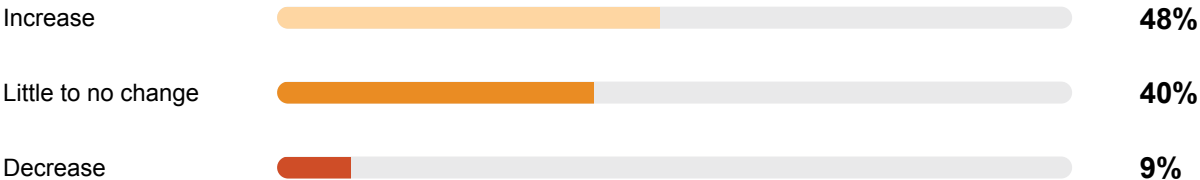
Notably, the percentage of CEOs in Cyprus that stated that they will increase headcount in the year ahead (48%) is similar with last year's percentage (45%). The percentage of CEOs that expect to reduce their headcount in the next 12 months is little higher this year (9%) than the year before (5%).

These figures represent a snapshot of sentiment in October to early November 2024, before the US presidential elections when our survey was in the field, and CEOs were by no means oblivious to the risks. However, they remain positive and optimistic, choosing to invest in their human capital, which is the greatest asset of their companies.

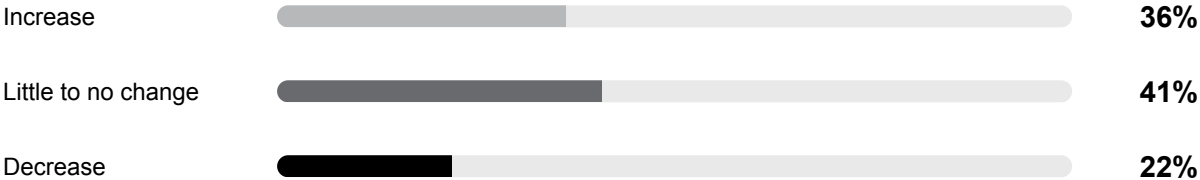
>> Figure 12

To what extent will your company increase or decrease headcount in the next 12 months?

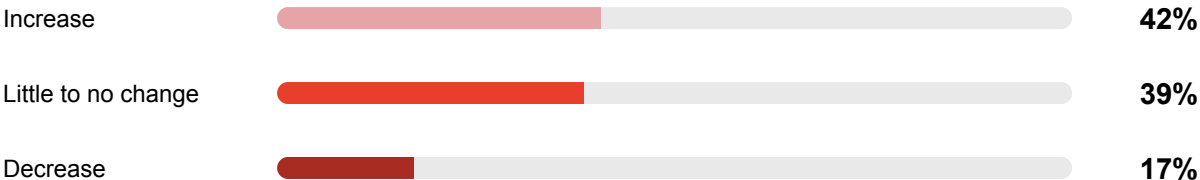
Cyprus



Eurozone



Global



+ Key Threats

What concerns and potential threats do our CEOs in Cyprus and in other territories anticipate facing in the next 12 months? This aspect of the survey is particularly intriguing each year, as the threats and concerns are tied to the economy and geopolitical landscape.

It's fascinating to observe how CEOs perceive their companies and themselves in these circumstances.

Macroeconomic volatility was cited as the threat most likely to precipitate a substantial financial loss in the year ahead for CEOs in the Eurozone (31%) and in Global (29%). However CEOs in Cyprus differentiate themselves and are concerned for the geopolitical conflicts (36%), the lower availability of workers with key skills (26%) and the technological disruption (24%). These are the most prominent threats.

It is noteworthy that cyber risks, which were among the top three prominent threats in last year's survey, are not included in the top three threats for the next 12 months.

Despite the positive sign of Cyprus's declining unemployment rate to 4.4% in November, the skills gap remains a challenge, impacting business growth, productivity, and necessitating increased training and sector-specific initiatives to align workforce skills with market demands.

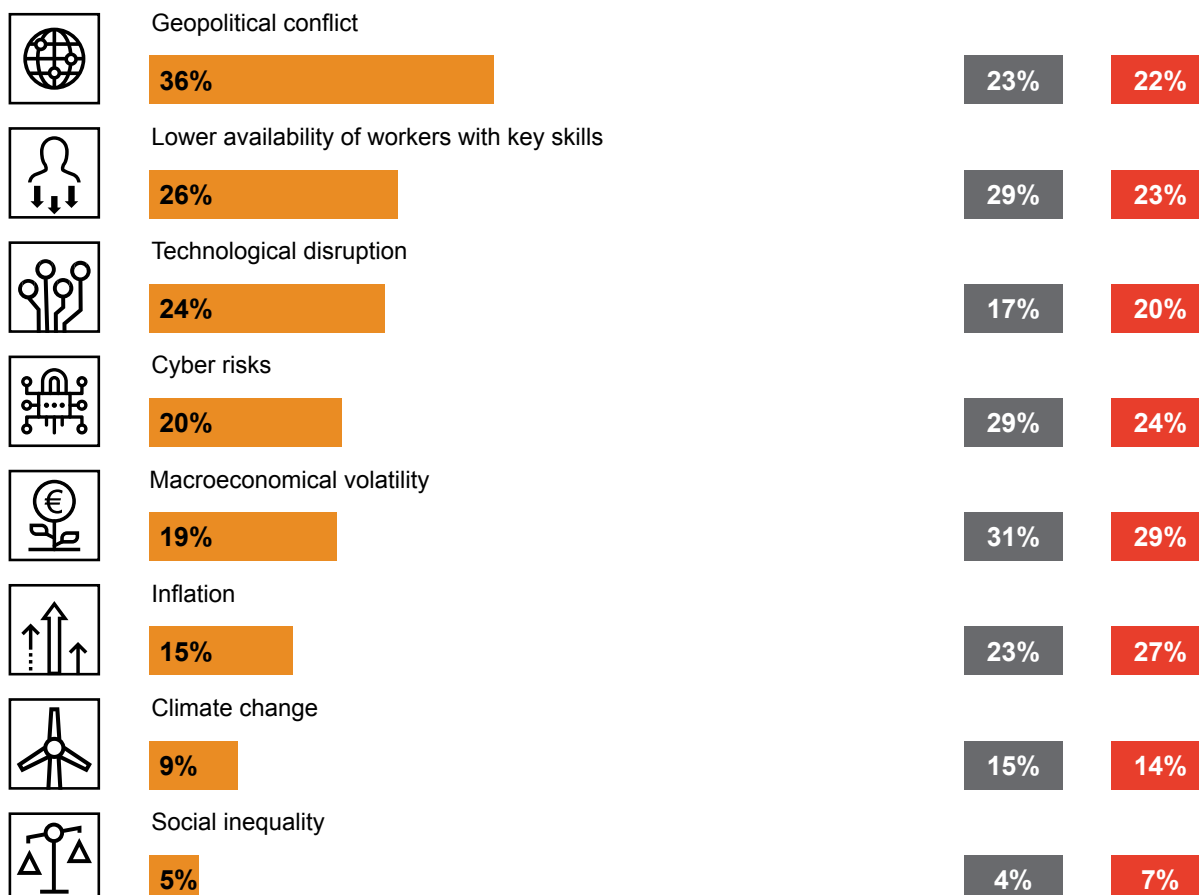
This skills gap may be attributed to factors such as rapid technological advancements, which outpace the current workforce's capabilities, and a possible mismatch between educational outputs and industry needs. To overcome this challenge, companies can invest in reskilling and upskilling their current employees through targeted training programs.

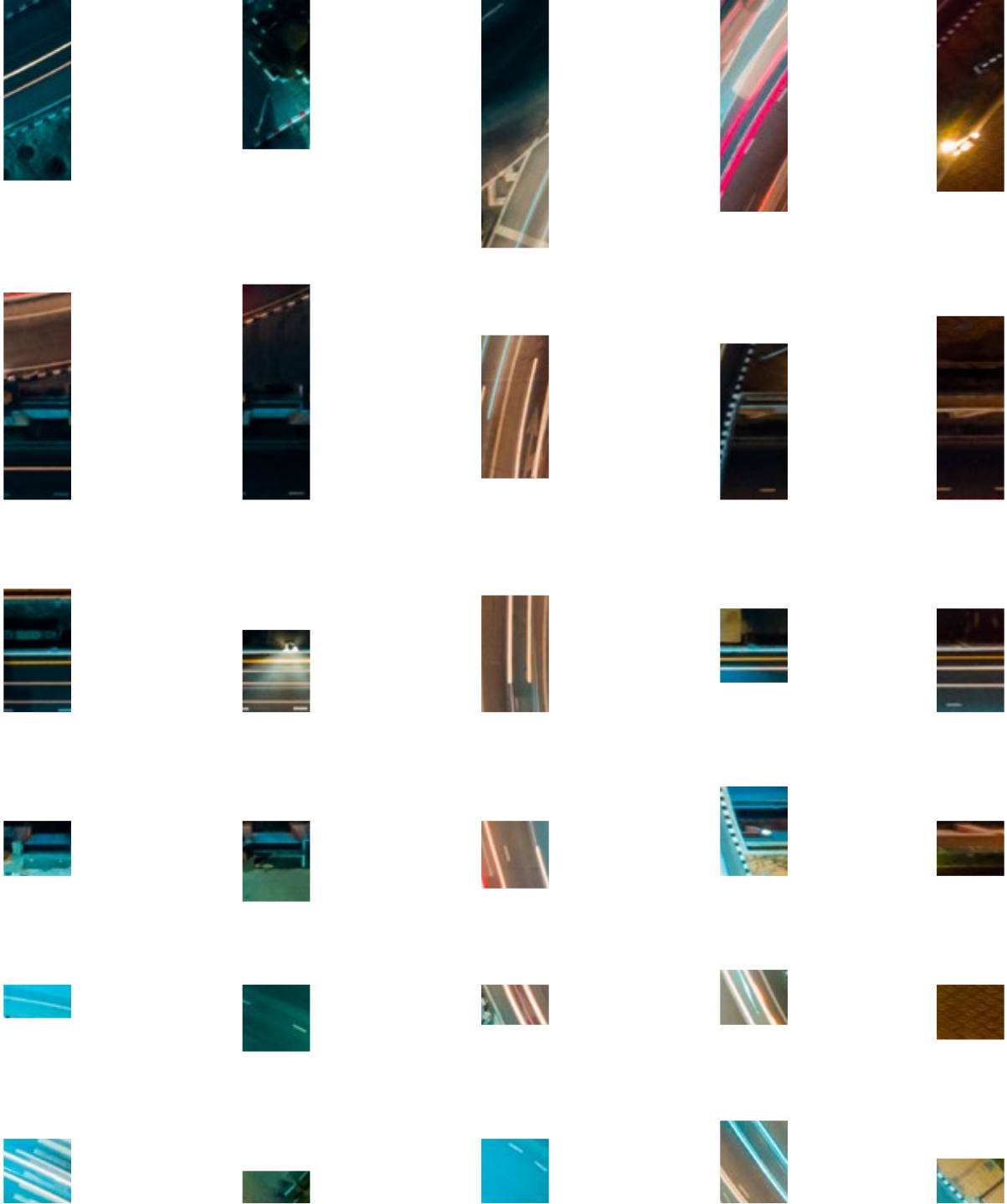
» Figure 13

How exposed do you believe your company will be to the following key threats in the next 12 months?

(Showing 'Highly exposed' and 'Extremely exposed' responses)

● Cyprus ● Eurozone ● Global





03

**Ramping up
reinvention**



Ramping up **reinvention**

Many business leaders recognise the need to reinvent their business models. Consistent with our last two annual surveys, half of CEOs in Cyprus (50%) believe their company will only remain economically viable for less than ten years if it continues running its current path, up from (43%) last year.

Respectively, CEOs in Eurozone (48%) and CEOs in Global (43%) are aligned with the CEOs in Cyprus that their companies will only remain economically viable for less than a decade if they continue running on their current path. Last year, this percentage was a bit lower for CEOs in the Eurozone at 42%, and somewhat higher for CEOs globally at 45%.

» Figure 14

If your company continues running on its current path, for how long do you think your business will be economically viable?

● Less than 1 year ● 1-2 years ● 3-5 years ● 6-10 years ● More than 10 years

Cyprus



Eurozone



Global



+ The great reconfiguration

Our strong belief is that the interactions among climate change, AI and other megatrends will hasten the process of reconfiguration and create new domains of growth that cut across sectors. Nearly four in ten CEOs in Cyprus (39%) tell us that their companies have started to compete in at least one new sector in the last five years.

» Figure 15

In the last five years, has your company begun competing in any sectors or industries in which it hadn't previously competed?

● Yes ● No

Cyprus



Eurozone



Global



Over the past five years, technology, health services and real estate services have emerged as the leading industries where CEOs in Cyprus have started to compete. Over 57% of the CEOs who have expanded into different sectors reported that these initiatives accounted for up to 20% of their company's revenue during this time.

>> Figure 16

Please select up to three sectors or industries that your company has begun competing in over the last five years.

Cyprus



Eurozone



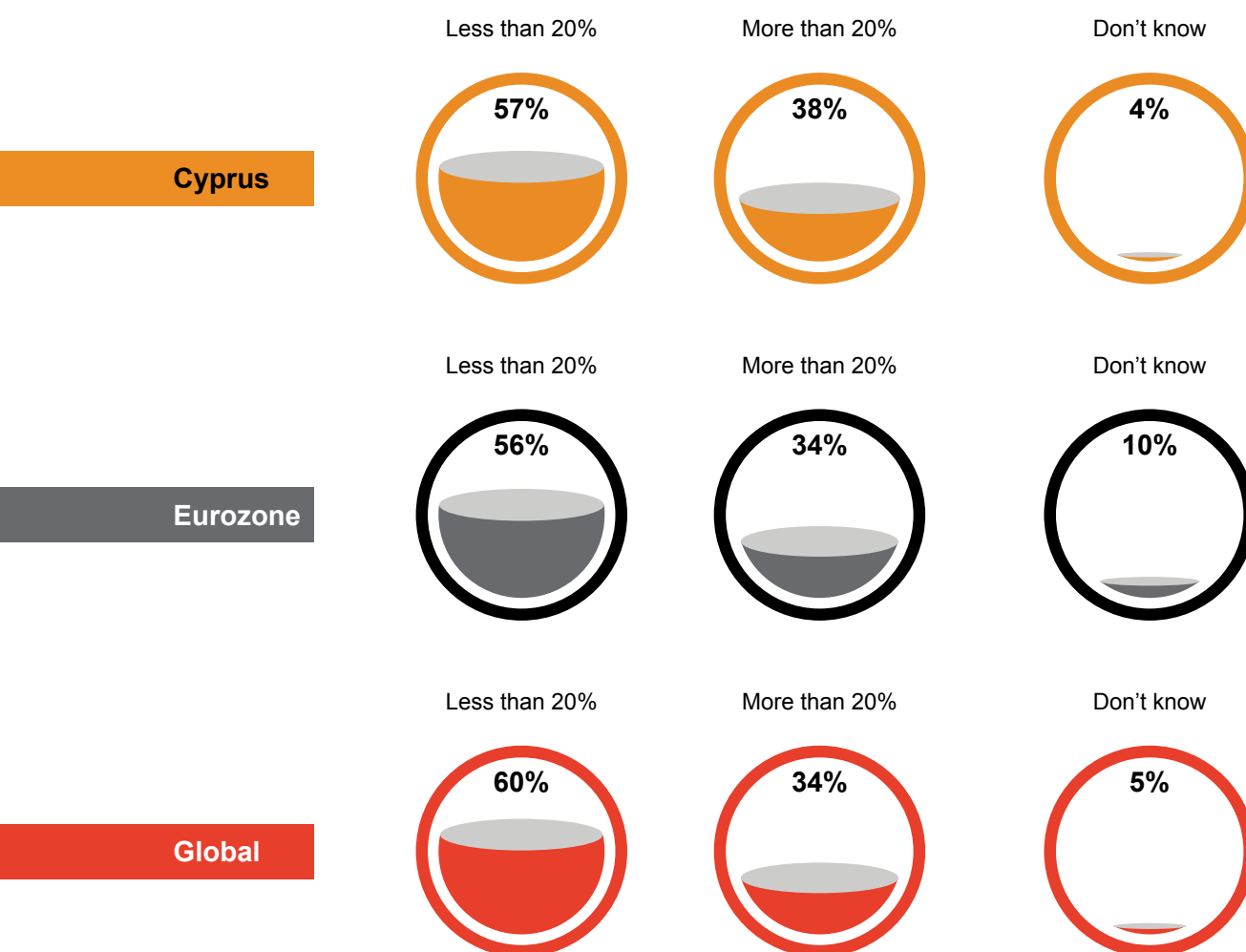
Global



PwC Cyprus presents every year its annual report for the Cypriot real estate market, which includes important information about the sector's performance. The real estate sector in Cyprus is playing a significant role in the new economic model of the country, as encapsulated by Cyprus' Vision 2035. The sector is going through its own transformation journey, with stakeholders recognising the need to continuously reinvent themselves, and change how they create, deliver and capture economic value.

>> Figure 17

What proportion of your company's revenue in the last five years came from competing in these sectors or industries?



+ Continual reinvention

Leading a company during a period of great change requires decision-making that is well informed, disciplined and unbiased. Yet, many CEOs tell us that their company's strategic decision-making processes are inconsistent at best. For example, proven practices for countering confirmation bias include making decision criteria transparent in advance, deliberately canvassing alternative points of view and intentionally seeking out information that contradicts the investment hypothesis. Only about half of companies regularly employ these techniques for strategic decisions.

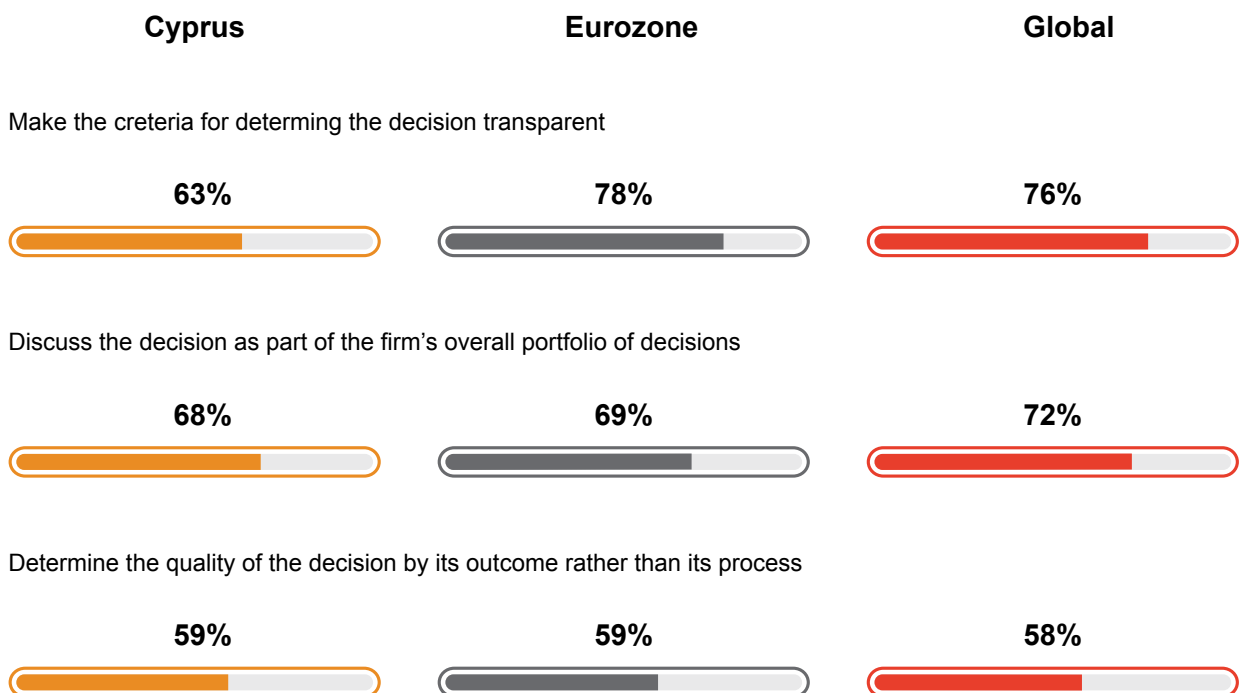
Similarly, almost six in ten CEOs (59%) told us that they usually judge strategic decisions by their outcomes, not by the quality of the process. At first glance, this makes perfect sense. CEOs are results-oriented and take pride in that trait. The snag is that outcomes are often determined by factors, including luck, that are beyond the control of the decision-makers. The only thing leaders can fully control is the quality of the decision-making process.

In addition, 68% of CEOs in Cyprus claim that they discuss strategic decisions as part of the firm's overall portfolio of decisions, while 63% state that they make the criteria for determining the decision transparent.

» Figure 18

When making strategic decisions*, how often do you take the following actions?

(at least often: > 60% of the time)



*Strategic decisions are important decisions that involve commitment of significant resources and that affect long-term profitability and growth

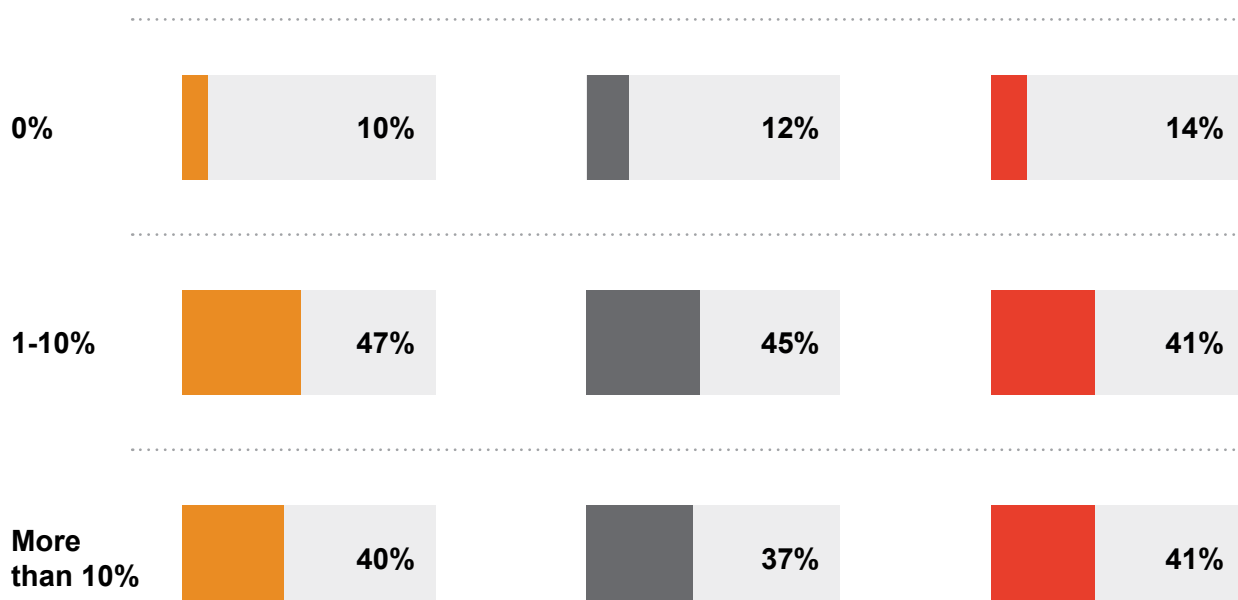
+ Reallocate to reinvent

Dynamic resource reallocation is a prerequisite for reinvention. Yet, the vast majority of companies lack agility when it comes to moving financial investments and people between projects and business units. About half of the CEOs in Cyprus (47%), in Eurozone (45%) and in Global (41%) tell us that they reallocate 10% or less of their human resources from year to year.

» Figure 19

What proportion of your company's human resources did you and your management team reallocate across your business units between the last fiscal year and the current fiscal year?

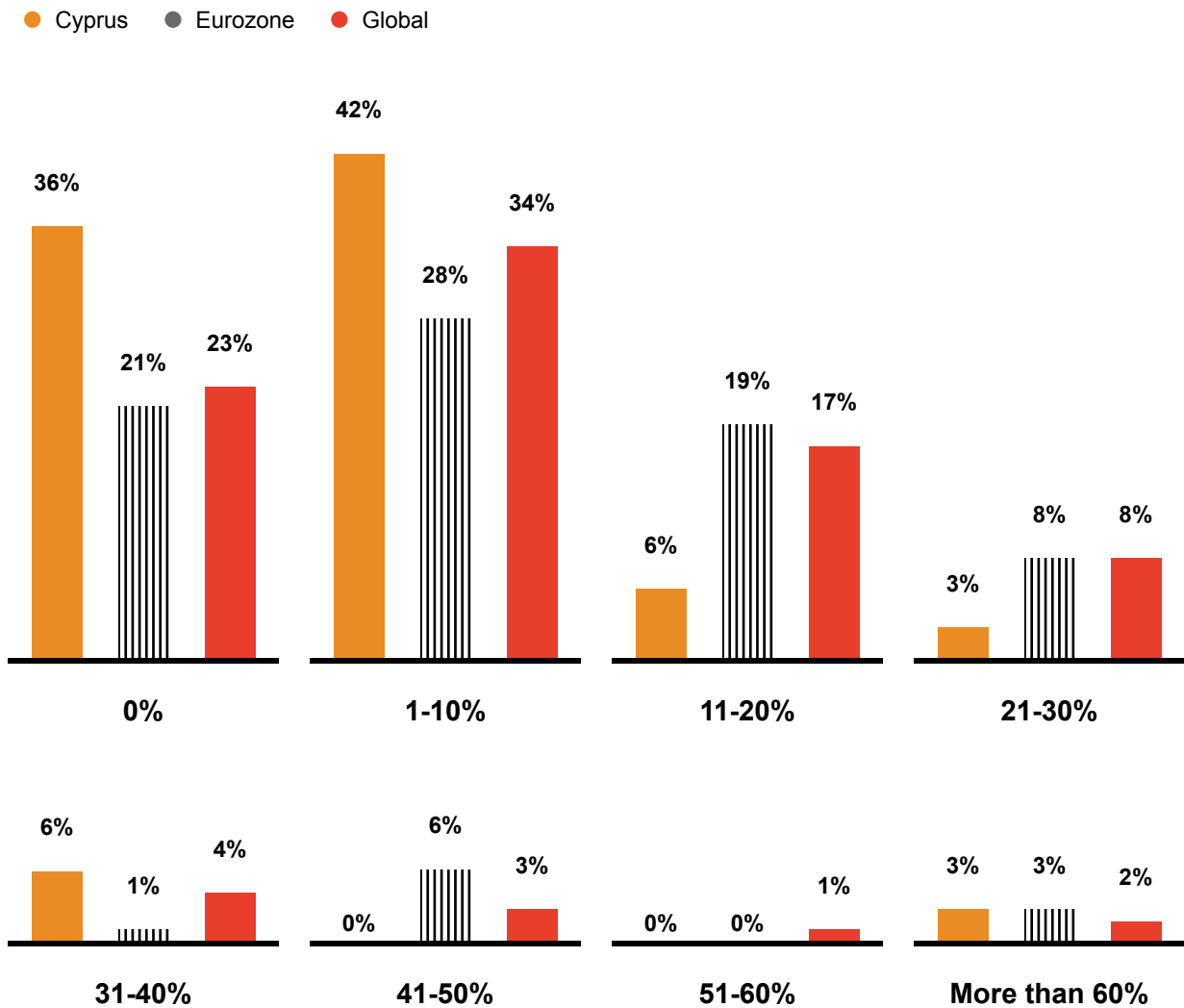
● Cyprus ● Eurozone ● Global



Similarly, 42% of CEOs in Cyprus, 28% in Eurozone and 34% in Global have reallocated 10% or less of their financial resources across their business units between the last and current fiscal year.

>> Figure 20

What proportion of your company's financial resources did you and your management team reallocate across businesses or projects within your company between the last fiscal year and the current fiscal year?



+ Embrace Responsible AI

All CEOs need to walk before they can run with GenAI—that is, avoid hurriedly deploying the technology in ways that may undermine the trust of customers, employees or other stakeholders. In practice, this means embracing the potential of this powerful, general-purpose technology while also taking steps to manage the risks, which include the potential for inaccurate outputs, the creation of biased or offensive content and intellectual property issues. Responsible AI practices can mitigate—though not yet eliminate—many of these issues and are most effective when baked into GenAI strategy from the start.

» Figure 21

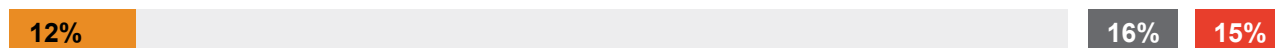
What proportion of your company's revenue in the last five years came from each of the following sources?

● Cyprus ● Eurozone ● Global

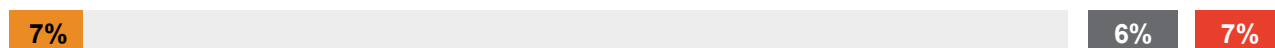
Core business(es) operating in the last five years



Extensions to core business(es) added in the last five years



Fundamentally distinct business(es) added in the last five years



The majority of CEOs in Cyprus (81%) state that the core business they operate in the last five years is the main source of their companies revenue and only a small percentage (7%) comes from fundamentally distinct businesses added in the last five years.

In these last five years CEOs say that they have taken action and they have targeted a new customer base (39%), have collaborated with other organisations (36%) and developed innovative products and services (34%). CEOs in Eurozone and CEOs in Global prioritise the development of innovative products/services with 41% and 38% respectively.

>> Figure 22

To what extent has your company taken the following actions in the last five years?
(Showing 'To a large extent' and 'To a very large extent' responses)

● Cyprus ● Eurozone ● Global

Developed innovative products or services



Targeted a new customer base



Collaboration with other organisations



Targeted new routes to market



Implemented new pricing models



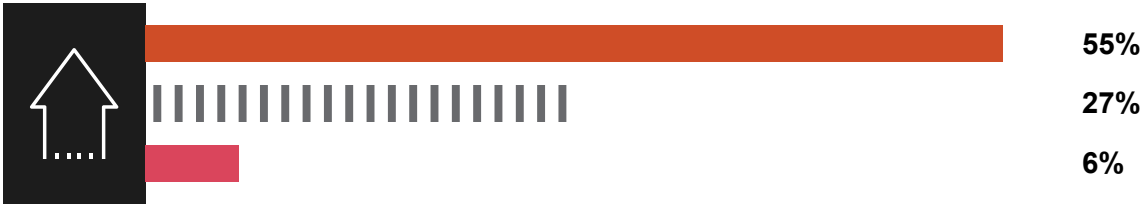
55% of CEOs in Cyprus say that their company's market share has increased by 5% or more and similarly, 50% of CEOs both in the Eurozone and Global confirm this.

>> Figure 23

How has your company's market share changed in the last five years?

● Increase (by 5% or more) ● Little to no change (between 5% decrease & 5% increase) ● Decrease (by 5% or below)

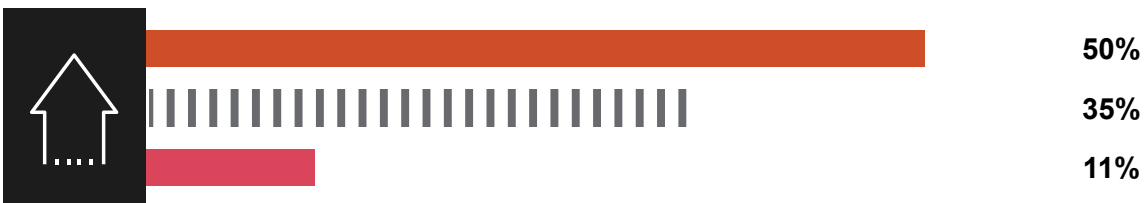
Cyprus



Eurozone



Global

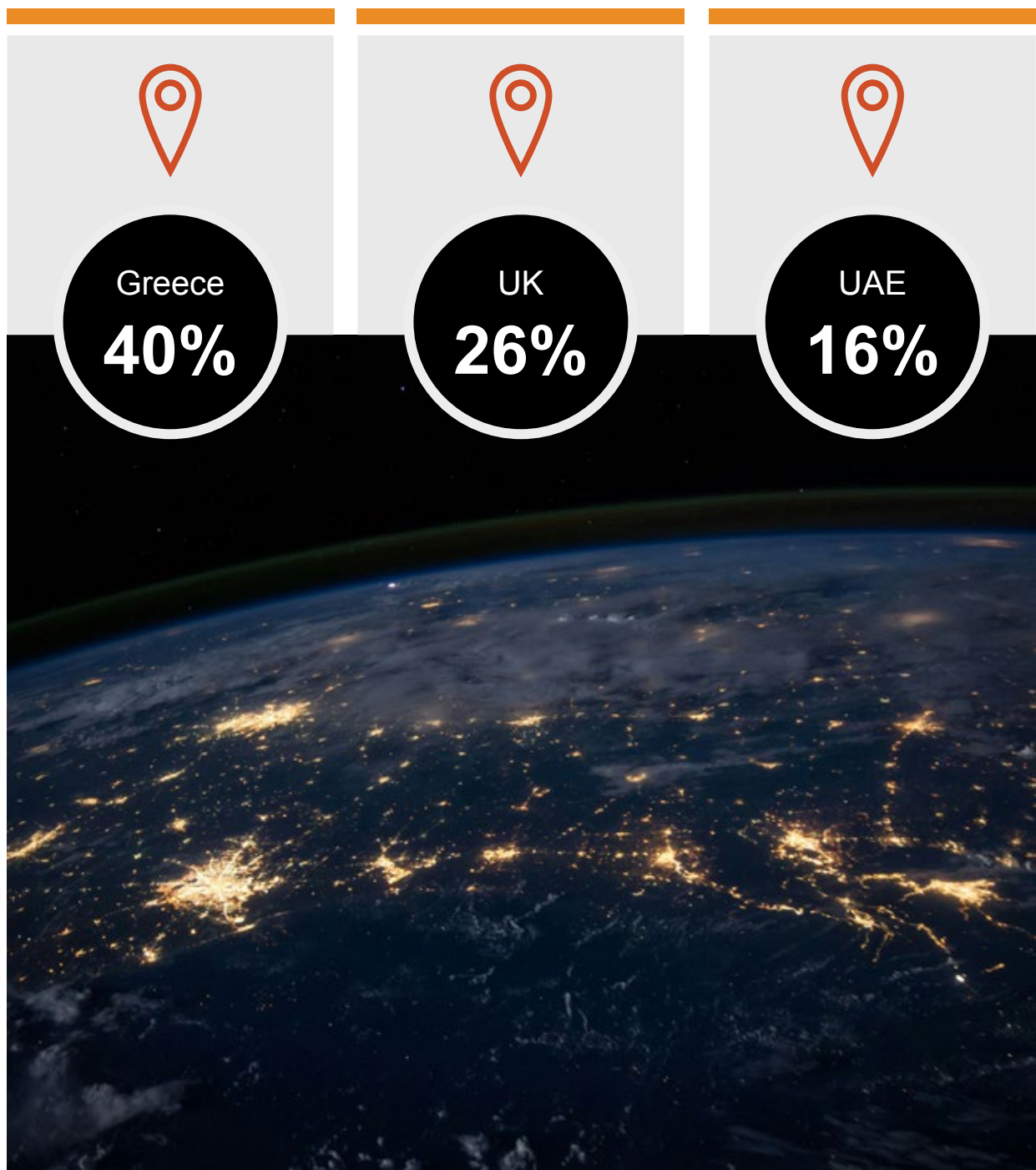


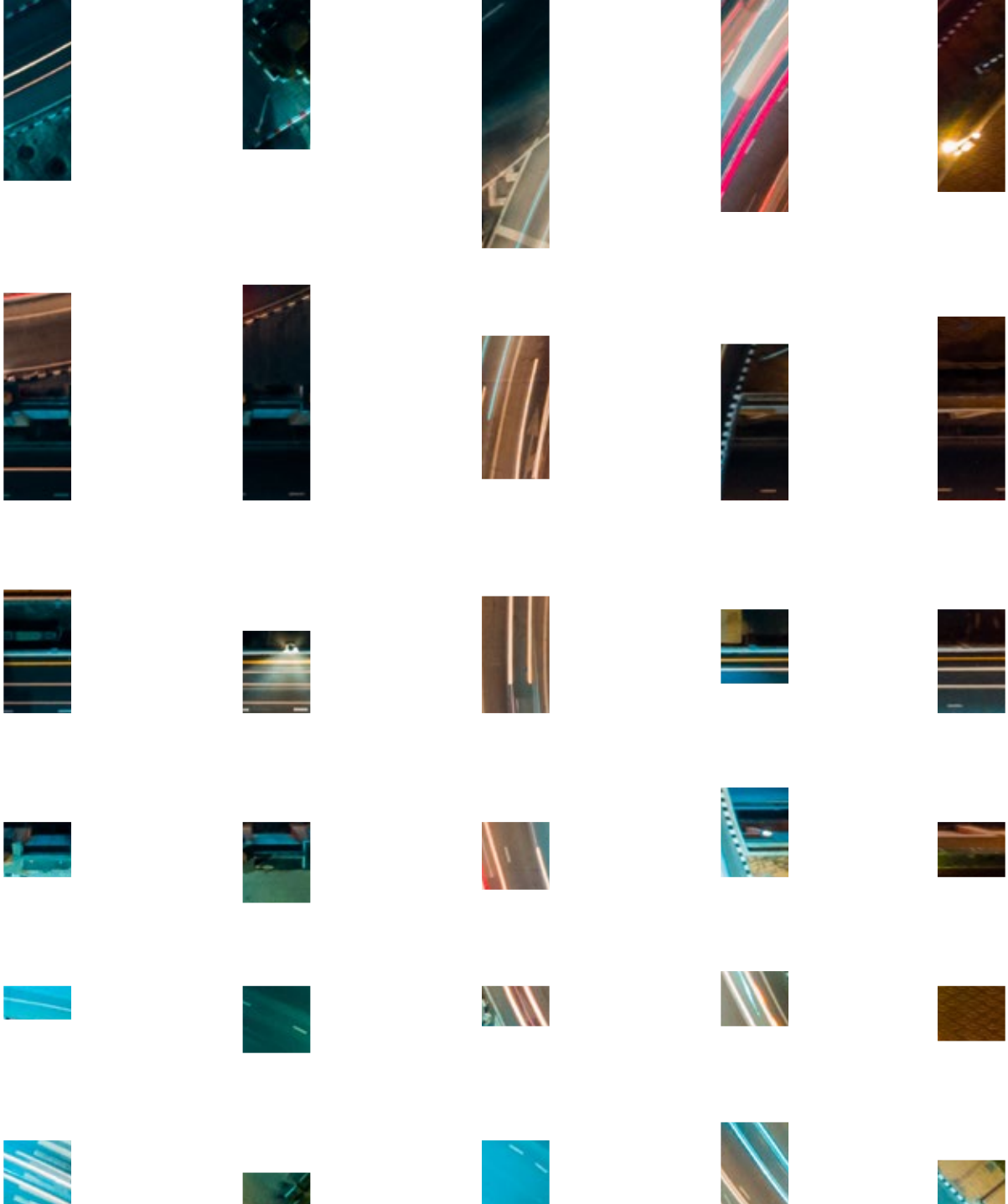
+ Entrance in new markets

To the question “Which three countries/territories, excluding the one in which you are based, do you consider most important for your company’s prospects for revenue growth over the next 12 months?” CEOs in Cyprus choose Greece once again with 40% (last year being 37%), the United Kingdom with 26% (last year being 29%), and then UAE with 16%. Last year’s trio of countries consisted of Greece, the United Kingdom and Israel.

» Figure 24

Which three countries/territories, excluding the one in which you are based will receive the greatest proportion of your company’s planned capital expenditure in the next 12 months?





04

**Beware the
tenure trap**



Beware the **tenure trap**

Business, society and the competitive landscape are being reshaped by powerful forces that will play out over the decade to come. When we asked CEOs how long they expect to remain in their current role, most answered six to ten years or more.

Most of the CEOs in Cyprus (28%) expect to have longer tenure and they are more likely to:

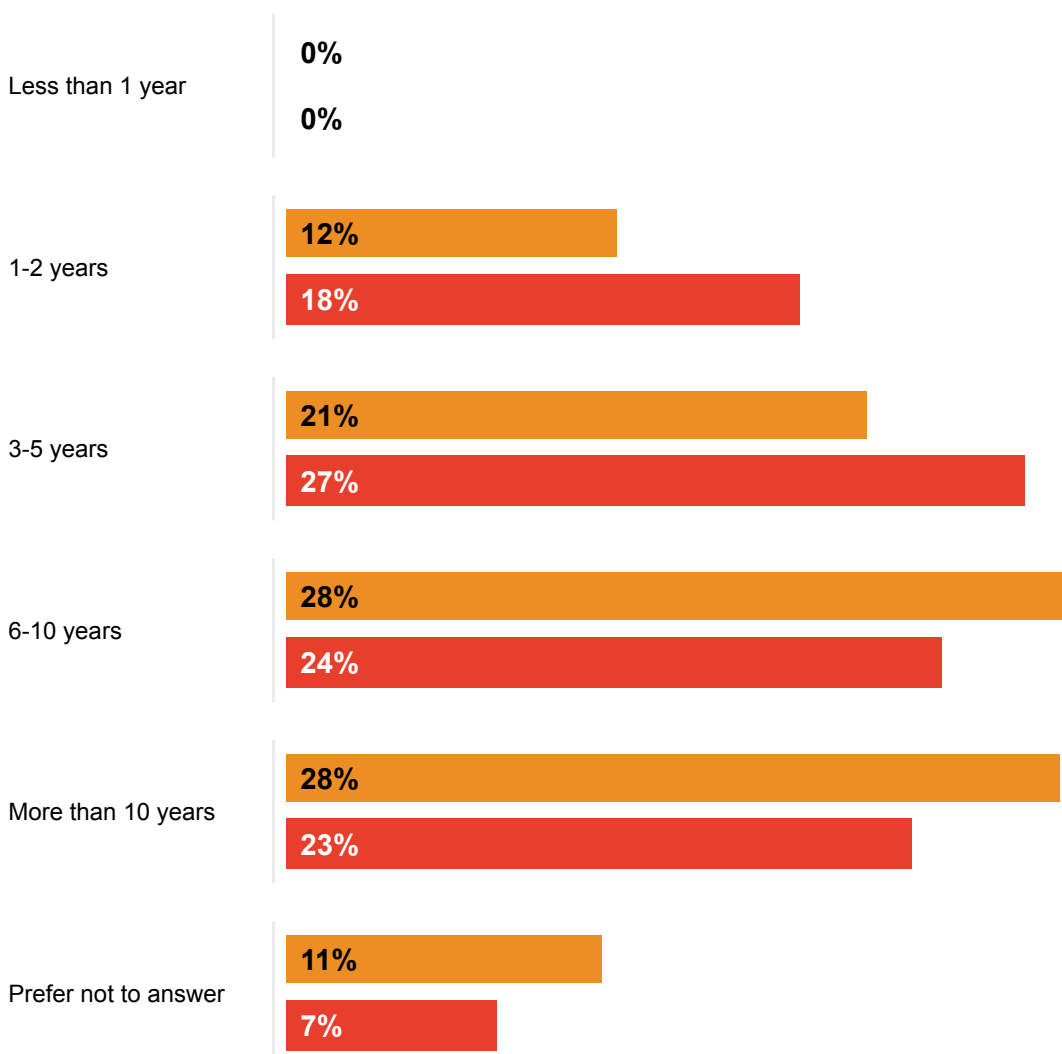
- be taking multiple actions to reinvent their company's business model (which is, in turn, associated with higher profit margins)
- report profitability gains from investment in GenAI and have higher expectations for the technology in the year ahead
- be using a range of techniques to ensure the quality of strategic decisions

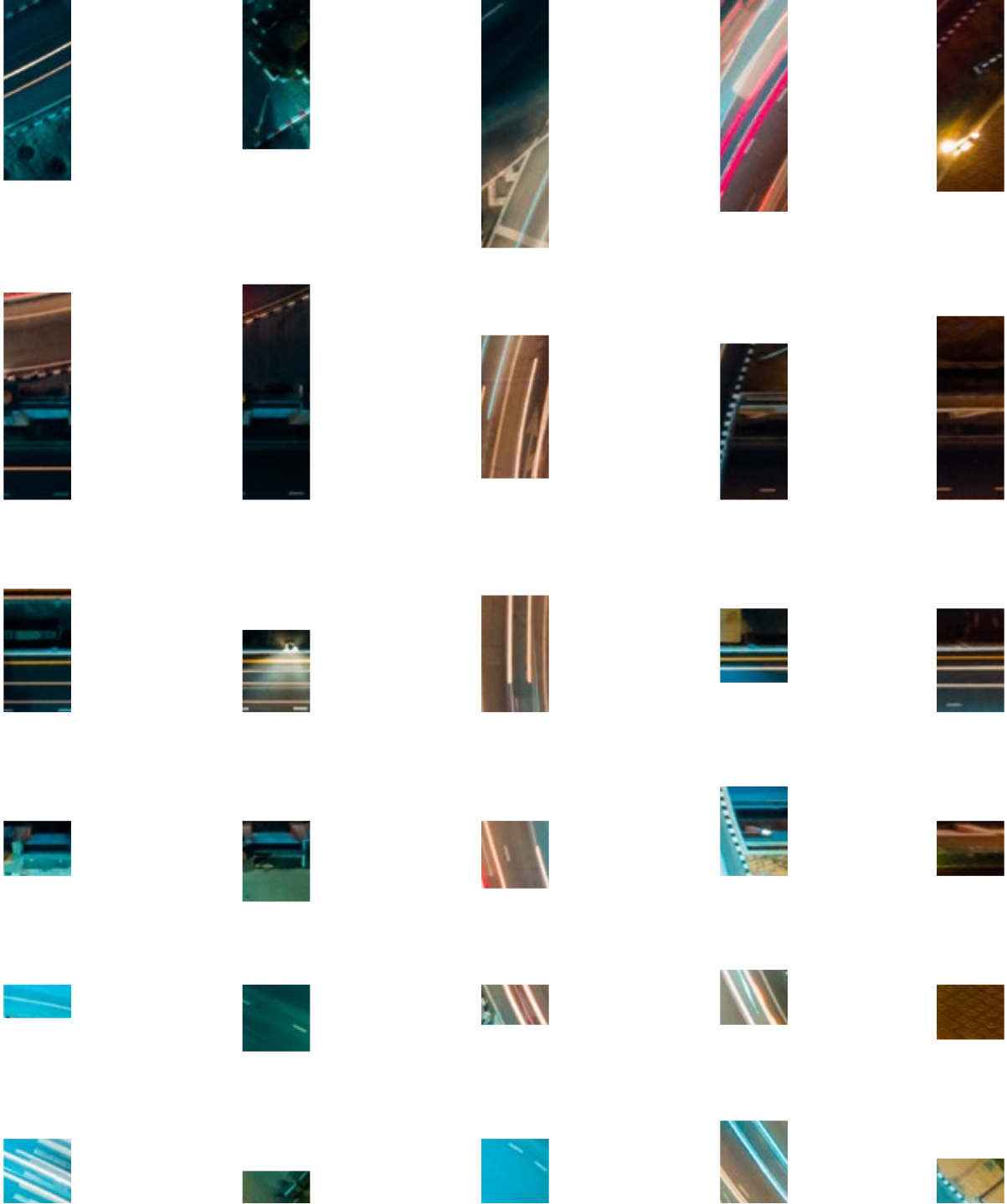
» Figure 25

How many years do you expect to remain in your current role?

CEO Tenure

● Cyprus ● Global





05

The Conclusion



The Conclusion

Cyprus CEOs are increasingly recognising the benefits of Generative AI, noting improvements in workplace efficiency and financial performance. A significant portion of CEOs are prioritising the integration of AI into their operations over the next few years.

Despite past investments in climate-friendly initiatives having limited revenue impact, there is optimism about future global economic growth and the potential for workforce expansion. However, concerns remain about the long-term viability of their companies, with some fearing they may not last a decade, despite confidence in revenue growth.

Key threats identified by CEOs include geopolitical conflicts, skill shortages and technological disruptions. Many CEOs are pursuing strategic reinvention, focusing on transparency and a broader portfolio strategy, though resource reallocation tends to be conservative.

Looking towards the future, the success of companies will depend on how they adapt to climate change and the potential of AI. CEOs are encouraged to integrate AI responsibly, explore opportunities in climate-friendly products, and understand shifting industry structures. Strategic decision-making amidst geopolitical and economic challenges is crucial, as is investing in top priorities and talent.



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