26th Annual Global CEO Survey China Report

CEOs brace for a dual-imperative world amid China's reopening

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Insights in a snapshot

While CEOs are concerned about global economic growth, Mainland Chinese and Hong Kong CEOs are more optimistic about their territory's economy.

Mainland Chinese CEOs are highly confident, more so than their Hong Kong and global counterparts, about their companies' revenue growth over the next 12 months.

On one hand, China continued to hold its position as the world's second most important external market. On the other, Mainland Chinese CEOs are prioritising BRI countries/regions, Asia-Pacific, and the EU as top destinations for outbound investment.

Chinese CEOs are less concerned about health risks, while becoming increasingly concerned about inflation and geopolitical risks.

In response to risk factors, Chinese CEOs are considering adjusting their presence in current markets and/or expanding into new markets. At the same time, Mainland Chinese CEOs are proactively ramping up their cybersecurity investment given China's expanding digital economy.

Over double the proportion of Mainland Chinese CEOs expect their supply chain to be impacted by climate risk in the next 12 months when compared to their global and Hong Kong counterparts. Chinese CEOs anticipate climate risk to impact their cost profile and physical assets.

Mainland Chinese organisations are leading the innovation of new, climate-friendly products or processes at over double the rate of their global counterparts.

CEOs everywhere believe that profitability will be significantly impacted by changing customer demand and preferences as well as technology disruptors.

For the most part, Mainland Chinese CEOs spend their time on initiatives that align with their ideal schedule.

Introduction to the Survey

For over two decades, PwC's Annual Global CEO Survey has offered a rare glimpse into the minds of CEOs from all around the world. This year, to celebrate its 26th anniversary, the survey was extended to 105 countries and territories, with responses from 4,410 CEOs. The China report is especially noteworthy – the results came out in tandem with the economic reopening measures as the country seeks to resume growth amid the COVID-19 pandemic – and sheds light on what the new challenges and opportunities mean for business leaders.

In 2022, growth in China slowed considerably from headwinds, namely the COVID-19 pandemic and the resulting restrictive measures, structural challenges in the real estate sector and slowing external demand. This translated into short-term pessimism about the country's GDP growth and heightened awareness of external threats, as our previous survey indicated.

China's growth story is different this year. Announced during the 2023 Two Sessions, the country is targeting an annual GDP growth of 5%, up from 3% in 2022, as commercial activity and mobility resumes following the lifting of pandemic restrictions, providing the much-needed boost to the global economy.[i] This is encouraging for both China and the world as the robust rebound of the Chinese economy is expected to make up a quarter of global growth recovery this year.

Businesses in China are embracing new changes as the country adjusts the pace and scope of its reopening. Like their global counterparts, Chinese CEOs are facing a dual imperative world, where they must constantly recalibrate the equation for success. They will likely find themselves in a new race to ensure business viability and profitability today, while rebalancing priorities to drive sustainable growth for tomorrow. PwC's 26th Annual Global CEO Survey polled business leaders around the world to explore what it takes to operate in a dual-imperative world.

This China report presents the views of 198 CEOs based in Mainland China and the Hong Kong. For the purposes of this report, 'China' refers to Mainland China and Hong Kong. Where there is a statistically significant difference in the survey results between Hong Kong and Mainland China, results are presented separately.

Section 1

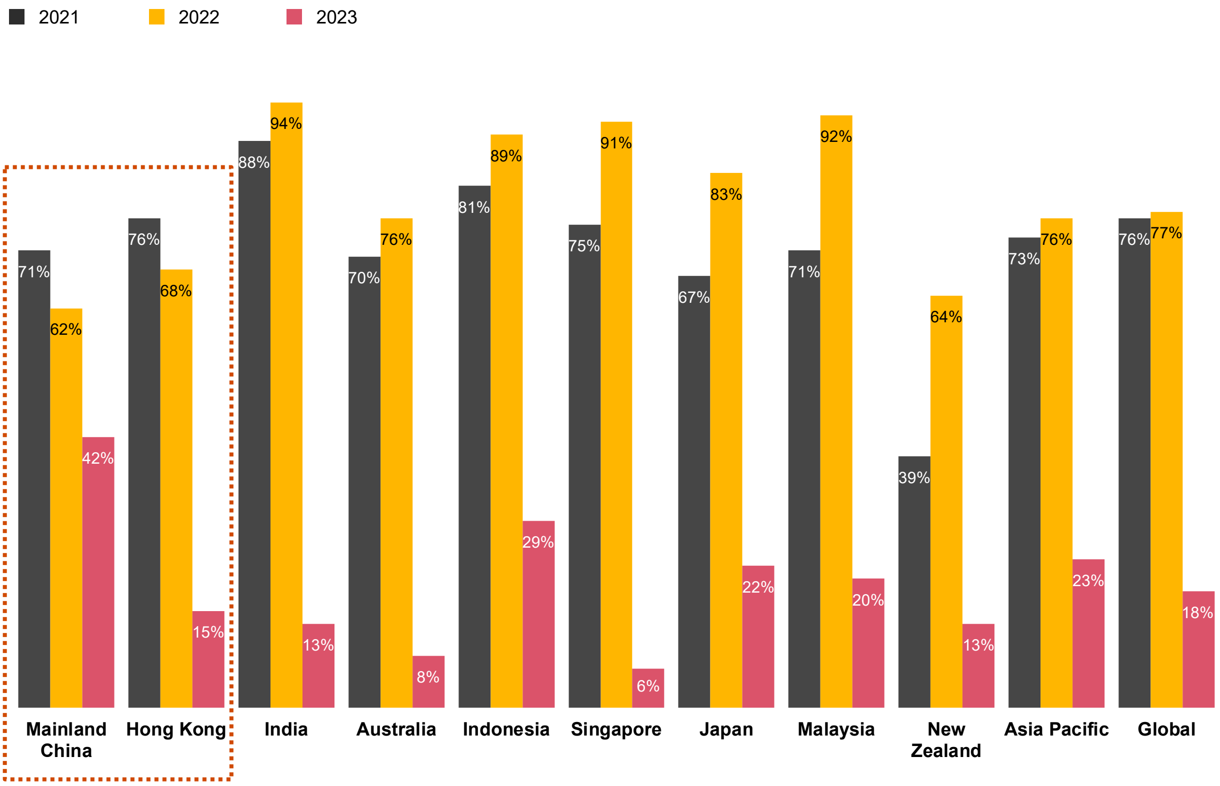
Gauging business sentiment and growth markets

CEOs maintained confidence in China's economy and their medium-term revenue growth despite short-term volatility

Figure 1

CEO confidence in global economic growth

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? (Showing only 'improve' responses)



Concerns for global economic growth in the next 12 months hit an all-time high as the level of pessimism surged by 58 percentage points to 73%. Although respondents in Mainland China are far more upbeat than their global peers, their optimism about the global economy improving declined to a six-year low (Mainland China: 42%; Hong Kong: 15%; Global: 18%).

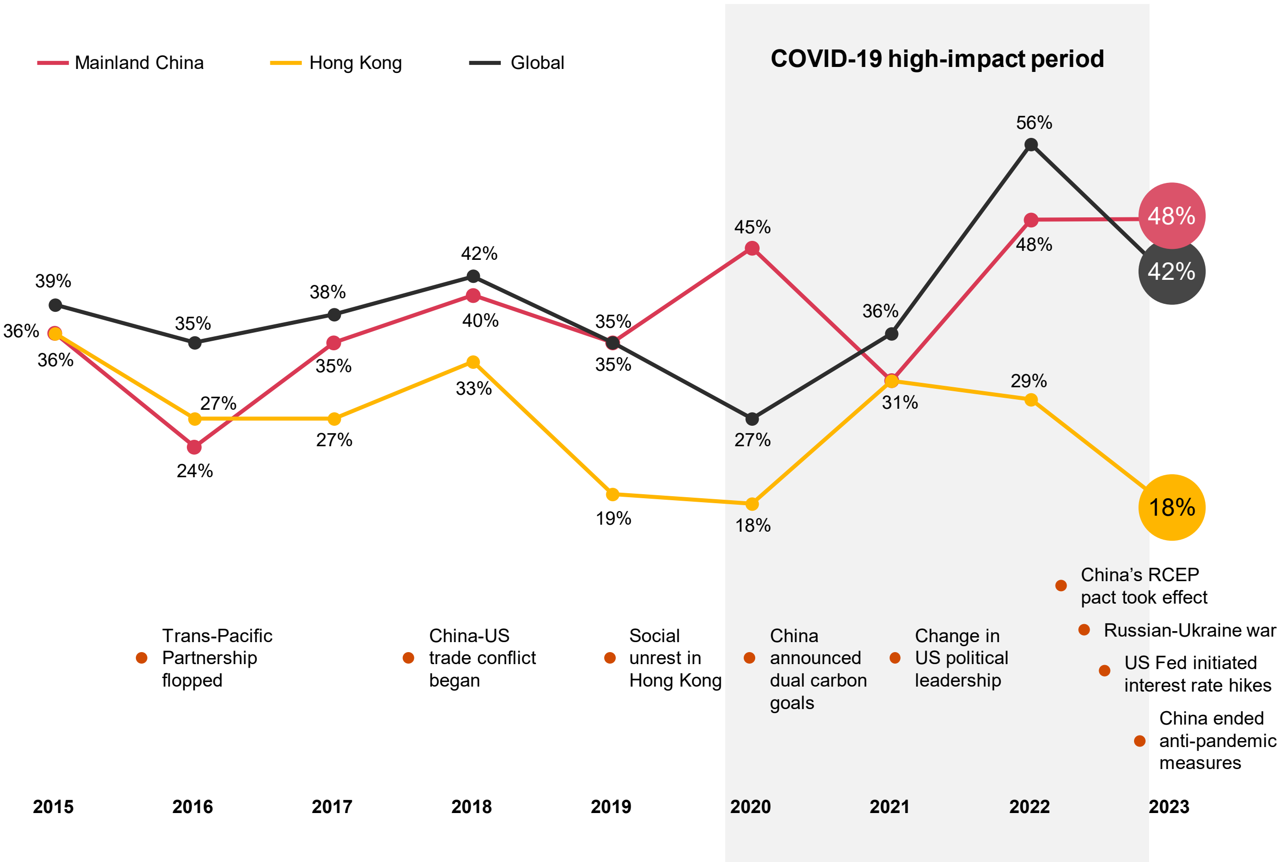
Like their global counterparts, Mainland Chinese and Hong Kong CEOs are less sanguine about territory economy growth than last year. Even so, compared with their outlook for the global economy, they are more optimistic about their territory's economy improving (Mainland China: 64%; Hong Kong: 30%; Global: 29%).

China's reopening to the world, after recent adjustments to its pandemic-prevention measures, is being closely watched by the business community. The market in general is anticipating fast-paced recovery in and after the second quarter of 2023 as a slew of stimulus measures shore up market confidence and growth momentum.

Figure 2

CEO confidence in company's revenue growth in the short-term

How confident are you about your company's prospects for revenue growth over the next 12 months? (Showing only 'very confident' responses)



*2022 and 2023 data includes 'very confident' and 'extremely confident' responses

Nearly half (48%) of Mainland Chinese CEOs are highly confident about their companies' revenue growth in the coming year, ahead of global (42%) and Hong Kong CEOs (18%). The optimism climbs in the mid-term, with 53% of Mainland Chinese CEOs feeling highly confident, the same as their global counterparts, while being significantly higher than Hong Kong (30%).

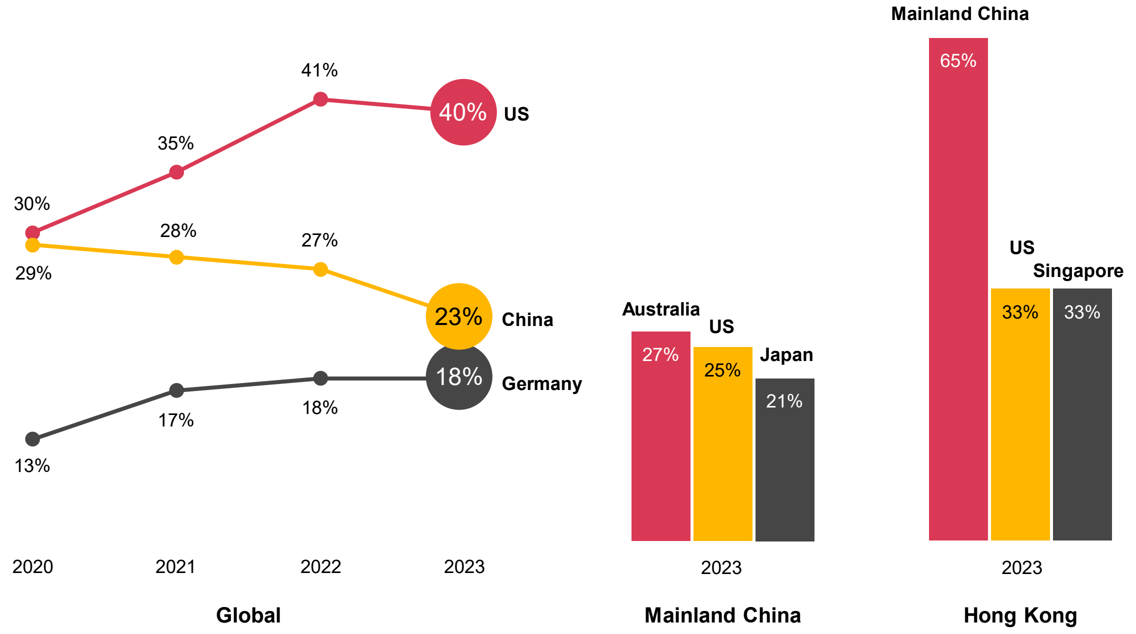
For many Chinese businesses, the reopening will spur a strong rebound as consumption ramps up with previously constrained sectors, such as travel, hospitality, entertainment and retail, having ample room to recover in 2023. At the same time, the Chinese government has rolled out successive measures to revive its economy, including tax cuts for businesses, issuance of special bonds to fund targeted projects, and stabilising measures for various sectors such as banking, technology and real estate.

China remains an important market for foreign investment while businesses look to diversify their geographical exposure

Figure 3

Most important external markets for growth

Which three countries/territories, excluding the country/territory in which you are based, do you consider most important for your company's prospects for revenue growth over the next 12 months?



In terms of market attractiveness, China (23%) trailed behind the US (40%) and continued to be the world's second most important external market in the eyes of global CEOs for their company's prospects for revenue growth over the next 12 months. Despite the country's diminishing score over the years, from 29% in 2020 to 23% in 2023 due to evolving US-China relations and pandemic-induced uncertainties, there is a potential upside for China as the country explores enhancing its market attractiveness given its proactive steps to drive international collaboration and institutional opening-up regarding rules, regulations, management and standards. China's solid fundamentals will be further bolstered by trade liberalisation, particularly through the Regional Comprehensive Economic Partnership (RCEP), and the much-anticipated China-Gulf free trade zone.

From the perspective of Mainland Chinese CEOs, their most important markets for revenue growth in the next 12 months are Australia (27%), the US (25%) and Japan (21%). For Hong Kong CEOs, top markets are Mainland China (65%), the US (33%) and Singapore (33%). Global CEOs still consider the US (40%), Mainland China (23%) and Germany (18%) as the most important markets. There is an ongoing shift from relying on single external economies for growth towards a more balanced pattern of diversifying overseas market exposure, and looking inward for opportunities from local and regional economic clusters.

In terms of planned outbound investments, Mainland Chinese CEOs are looking at countries/regions of the Belt and Road Initiative (BRI) (52%), Asia-Pacific (49%), and EU (37%) as top destinations. For Hong Kong CEOs, the priority markets are Asia-Pacific (61%), ASEAN (47%) and BRI countries/regions (19%). China's investment in the countries along the Belt and Road rose to the highest level since 2019, with much of that increase due to a new battery plant for electric vehicles. China's outbound investment in the 147 BRI nations rose 63% to $32.5 billion from a year earlier, with the technology, manufacturing and energy sector being the largest recipient, according to a report from Fudan University.[ii]

The key motivations behind operating in overseas markets are pursuing new opportunities unique to target markets (Mainland China: 55%; Hong Kong: 58%) and expanding the market/customer base for existing products/services (Mainland China: 49%; Hong Kong: 75%). For Mainland China, gaining access to global talent base (53%) is also a driving force, while for Hong Kong it is strategic asset allocation/diversification (47%).

Section 2

Responding to threats and growth opportunities

Geopolitical conflicts and inflation resurfaced as top risks for Chinese CEOs while health concerns recede

Globally, inflation, macroeconomic volatility and geopolitical conflict are the top threats for CEOs for both the next 12 months and the next five years. In Mainland China, geopolitical conflict (33%) and inflation (32%) also top of the list in the short term, while macroeconomic volatility ranked fifth (24%), following health risks (27%) and climate change (26%). In the mid-term, the top threat is climate change for Mainland Chinese CEOs and geopolitical conflict for Hong Kong CEOs.

Figure 4

Top threats causing concerns for CEOs in the short-term

How exposed do you believe your company will be to the following key threats in the next 12 months? (Showing only 'extremely/highly exposed' responses)

0%-9% 10%-19% 20%-39% 40%-59%

	Mainland China	Hong Kong	Global
Geopolitical conflict	33%	48%	25%
Inflation	32%	43%	40%
Health risks	27%	23%	14%
Climate change	26%	3%	14%
Macroeconomic volatility	24%	40%	31%
Cyber risks	23%	10%	20%
Social inequality	17%	5%	6%

The top five risk factors on companies' radar are essentially the same that kept CEOs awake at night last year, although their relative importance have changed. For one, health risks receded from first to third place reflecting organisations' improved abilities and preparedness in dealing with pandemic-induced disruptions.

Inflation, on the other hand, has started to spur debates in the boardroom. China's average annual CPI advanced to 2% from last year's 0.85%, and is set to rise further in Q1 2023, due to the release of cautionary savings and pent-up demand following country-wide economic reopening.[iii] Chinese CEOs, to a lesser extent than 2022, are still concerned about macro-economic volatility as accentuated by financial market jitters, land and housing prices, and a depreciating RMB for most of 2022, adding price pressure on imported goods.

CEO actions in navigating the heightened risk landscape

Figure 5

Actions to mitigate exposure to geopolitical conflict

Which of the following actions, if any, is your company considering to mitigate against exposure to geopolitical conflict in the next 12 months?

	Mainland China	Hong Kong	Global
Adjusting our presence in current markets and/or expanding into new markets	69%	56%	46%
Adjusting supply chains	56%	36%	46%
Diversifying our product/service offering	54%	46%	41%
Increasing investments in cybersecurity or data privacy	53%	21%	48%
Relocating physical assets	20%	41%	9%
Relocating our workforce	15%	36%	10%

In response to geopolitical conflict, global CEOs give preference to increasing investment in cybersecurity or data privacy (48%) in the next 12 months, while respondents in Mainland China (69%) and Hong Kong (56%) are considering adjusting their presence in current markets and/or expanding into new markets.

It appears that Mainland Chinese executives are more proactive than their Hong Kong counterparts in ramping up their cybersecurity investment given China's growing digital economy. They are also more likely to adjust their supply chain footprint as a way to mitigate geopolitical tensions and the potential impact that climate change has on physical assets.

Figure 6

Actions to mitigate potential economic challenges and volatility

Which of the following options best describes any action your company may be considering to mitigate against potential economic challenges and volatility in the next 12 months? (Showing only 'we are already doing this/have done this' responses)

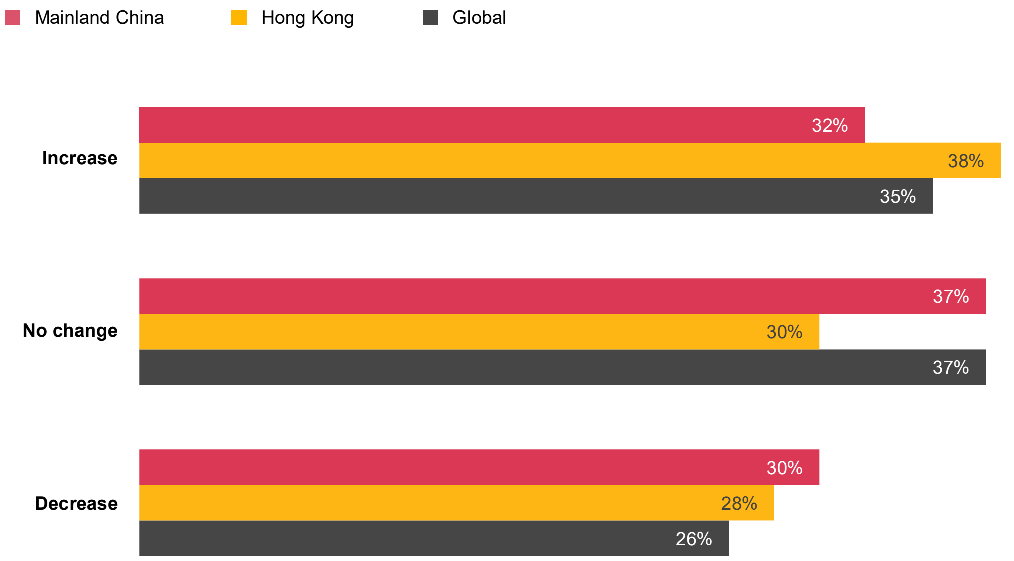
	Mainland China	Hong Kong	Global
Diversifying our product/service offering	46%	45%	48%
Raising prices of products and services	32%	25%	51%
Reevaluating ongoing projects or major initiatives	29%	43%	35%
Reducing operating costs	28%	58%	52%
Slowing investments	25%	38%	22%
Finding alternative suppliers	25%	38%	42%
Implementing hiring freezes	25%	23%	19%

In the face of the current economic downturn, like global CEOs, Mainland Chinese respondents are diversifying their product/service offering (46%) and raising prices (32%) in response to inflation. For Hong Kong CEOs, reducing costs is their first choice (58%) while only 25% are raising prices. Meanwhile, enterprises in the Mainland are relying on other defensive strategies to stay afloat amid tougher market conditions, including slowing future investment (25%; Global: 22%) and implementing hiring freezes (25%; Global: 19%).

Figure 7

Change in employee resignation/retirement rates

How do you believe employee resignation/retirement rates in your company will change in the next 12 months? (Overall increase and decrease)



CEOs' opinions are split regarding changing employee resignation rates. Like global CEOs, 37% of Mainland Chinese CEOs believe there will be no change in employee resignation/retirement rates in the next year, while those who believe the rate will increase or decrease both nearly reached one-third. In contrast, Hong Kong CEOs are expecting rising employee turnover as more of them believe the resignation rate will increase (38%) than decrease (28%).

According to Manpower Group, talent shortages reached a multi-year high in 2022 with 3 in 4 employers reporting varying difficulties in sourcing the talent they need, with China facing a shortage of 83%.[iv] The country's low birth rates and shrinking workforce added to the challenge of the talent hunt. The Government, on the other hand, has ramped up efforts in bringing down the costs of pregnancy and childbirth, child rearing, and schooling. Similarly, Hong Kong has been experiencing a talent crunch in many sectors as a result of rising emigration and structural changes in the economy. The implies that companies need to work much harder to attract and retain their workforce or innovate ways to improve the productivity of their existing employees, such as targeted upskilling and automation.

Section 3

Business impacts of and preparedness to climate change

Chinese organisations face a ticking clock in mitigating climate risks

Mainland Chinese organisations were seen taking the lead in driving ESG transformation of their company.[v] When it came to net-zero commitments, Mainland Chinese CEOs led a 29 percentage point difference compared to global CEOs who made such commitments, according to our previous report. However, reducing emissions, switching to renewable energy and designing more environmentally sustainable products or services, among others, aren't the only items on the C-suite's agenda.

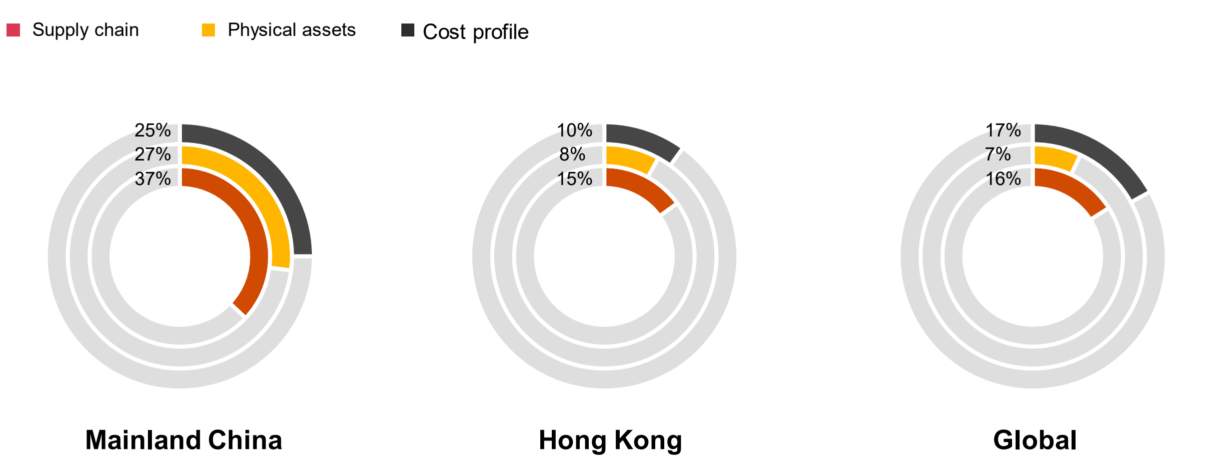
This year's survey results revealed that 37% of Mainland Chinese CEOs expect their supply chain to be impacted, to a large or very large extent, by climate risk in the next 12 months, whereas 16% and 15% of global and Hong Kong CEOs expect the same. A larger proportion of Chinese CEOs also anticipate climate risk to impact their cost profile and physical assets.

Perceptions of climate risks are imminent and multi-faceted

Figure 8

Tangible impacts of climate risk on business operation

To what extent do you expect the following areas of your business to be impacted by climate risk in the next 12 months? (Showing only 'to a large/very large extent' responses)



In 2022, Mainland China's secondary sector's added value grew by 3.8% year-on-year to approximately RMB48,316bn.[vi] As a manufacturing hub, Mainland Chinese organisations are heavily reliant on their respective supply chains. Especially where raw materials are a product of nature, climate risks can pose an even greater threat. Consider the textile industry, which uses cotton, for which, China is the leading producer globally. Climate risks, such as droughts, wildfires, heavy rainfall, among others, can significantly impact the supply of cotton, and as such, the cost of raw materials. As such, it can be expected that Mainland Chinese CEOs anticipate a larger impact from climate risks in this area.

During 2022, Mainland China experienced record extreme weather. The country dealt with its longest heatwave since 2013 as well as a severe drought along the Yangtze River, which caused a loss of RMB2.73bn.[vii] In terms of exposure, 89.6% of China's population will be exposed to climate-related natural and biological hazard between 2040-2059 according to the UN ESCAP's moderate climate change scenario.[viii] Considering the scale and extent of climate-related disasters in the country, the heightened concern Chinese CEOs have is well-justified.

Risks stemming from extreme weather is applicable to companies across the board, rather than just Mainland Chinese companies. But why do Chinese organisations, especially Mainland Chinese organisations, anticipate greater risk than their global counterparts? With China's shift towards its dual circulation strategy, and its 'Made in China 2025' initiative, we're seeing the growing importance of localising production. With a higher concentration of re-localised production and the size of China's secondary industry, the extreme weather likely had a larger impact than a wide-spread supply chain.

Last year, the driving force behind net-zero commitments among Chinese organisations was government regulations.[ix] At the same time, regulatory bodies in Mainland China have only continued to drive emphasis on developing ESG reporting regulations, such as ESG disclosure for listed companies. With a stricter and constantly evolving market environment, it's unsurprising that Chinese organisations are more aware of risks surrounding climate change as they work to keep up with government regulations.

Are Chinese organisations better prepared for climate risks?

Climate change will have a widespread impact for businesses, from impacting the supply of raw materials to the logistics of transportation. In an effort to prepare for the risks climate change poses, organisations are engaging in a number of risk mitigation activities. A larger proportion of Chinese organisations, particularly Mainland Chinese organisations, have already undertaken a variety of actions to prepare for the risk of climate change.

44% of Chinese organisations have already completed the innovation of new, climate-friendly products or processes, with 52% of Mainland Chinese organisations having done the same. While only 25% of global organisations have already innovated new climate-friendly products or processes, 36% are in progress of completing this. Only 9% of Chinese organisations don’t plan to innovate new, climate-friendly products or processes while 19% of global organisations don’t plan the same.

Readiness for climate change risk

Figure 9

CEO preparations for climate change risk

Which statement best characterises your company's level of progress on these actions?

Chinese CEOs' companies are more likely to heavily collaborate with numerous organisations to address societal issues than their global counterparts. Among those that collaborate with non-business entities on climate change to at least at a minimum extent do so at a higher proportion than global CEOs' companies (China: 47%; Global: 43%).

Figure 10

Radical collaboration with groups

To what extent is your company collaborating with the following groups to address societal issues? (Showing only 'to a large/very large extent' responses)

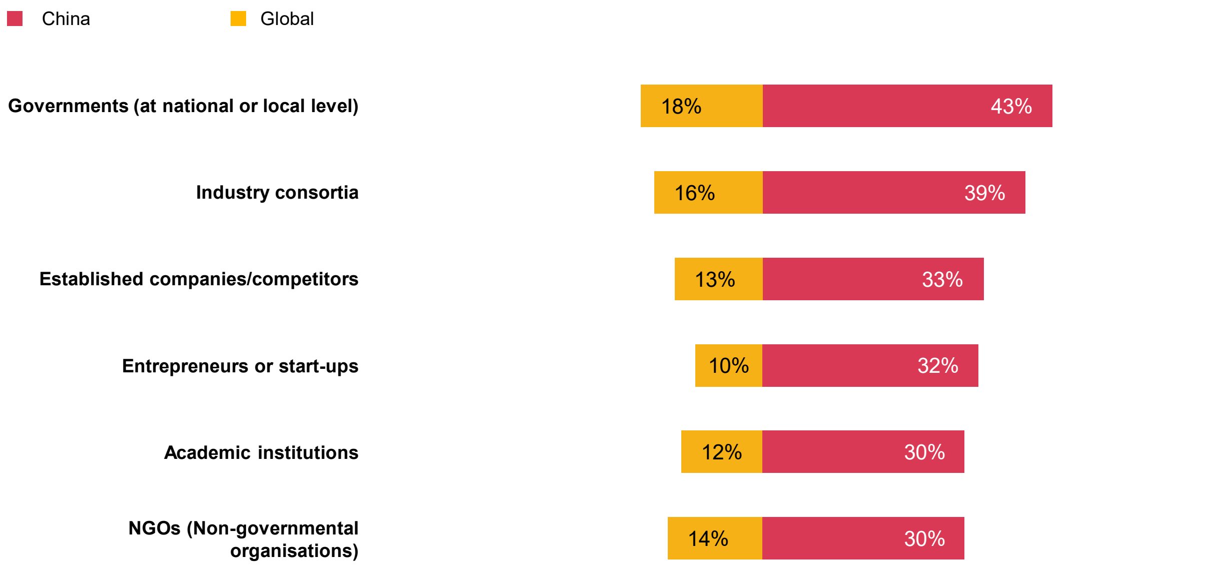
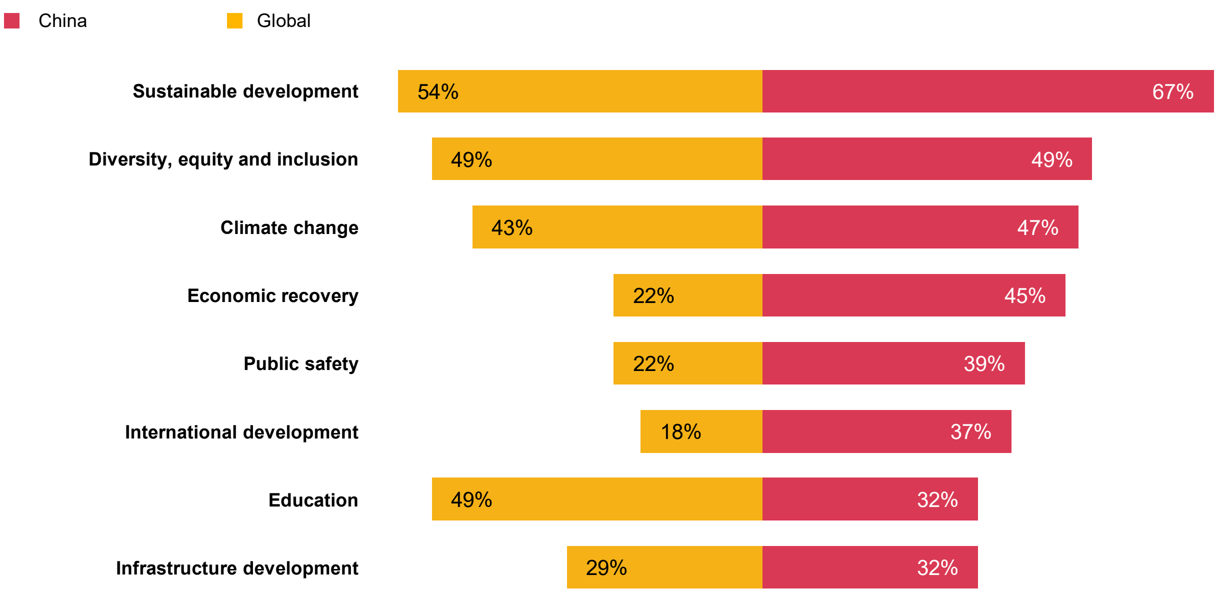


Figure 11

Collaboration on societal issues

In which of the following areas is your company collaborating with non-business entities (governments, NGOs or academic institutions) to address societal issues?



Overall, Chinese organisations tend to be more proactive than their global counterparts, with a larger proportion having completed climate change risk preparation actions.

China has been playing a growing role in international climate initiatives in recent years. The COP27 agreement to set up a Loss and Damage Fund for the most vulnerable countries shows progress is possible. More is needed to accelerate the green transition, including countries swiftly implementing creditable mitigation policies, international co-ordination on carbon pricing or equivalent policies, and global co-operation to build resilience.

Section 4

Transformation and CEO time

Chinese businesses recognise the strong need for economic viability in the longer-term

The business environment is increasingly volatile with rising global interest rates and conflicts in numerous industries, including technology. Businesses need to ensure a flexible business model that will enable them to adjust to any disruptions in the market. Based on their respective business models, a larger proportion of global CEOs believe their business will be economically viable for over ten years (59%) than Chinese CEOs (32%). 67% of Chinese CEOs believe their business will no longer be economically viable after a decade, 28 percentage points higher than their global counterparts.

Figure 12

Economic viability based on current path

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

Both Mainland Chinese and global CEOs alike believe that changing customer demand/preferences will impact profitability in their respective industry over the next ten years to a large or very large extent (Mainland China: 47%; Global: 56%). However, more Hong Kong CEOs anticipate these changes to significantly impact profitability than their Mainland Chinese or global counterparts. Technology disruptors are considered to have a major impact on profitability in the companies' respective industries over the next 10 years, especially among Hong Kong CEOs (60%; Mainland China: 42%; Global: 49%).

As Mainland China has adopted its 'dual carbon' goal of achieving peak carbon use by 2030 and becoming carbon neutral by 2060, organisations have accelerated their transition to renewable energy sources, with China's investment in clean energy making up 30% of the global total in 2021.[x] As such, the transition to new energy sources is expected to have one of the greatest impacts on profitability.

Dealing with disruptors to industry profitability

Figure 13

Disruptors to industry profitability over the next ten years

To what extent do you believe the following will impact (i.e., either increase or decrease) profitability in your industry over the next ten years? (Showing only 'to a large/very large extent' responses)

	Mainland China	Hong Kong	Global
Transition to new energy sources	49%	30%	37%
Changing customer demand/preferences	47%	73%	56%
Supply chain disruption	42%	40%	43%
Technology disruptors (e.g., advanced tech, AI, metaverse, blockchain)	42%	60%	49%
New entrants to my industry from adjacent industries	35%	28%	29%
Labour/skills shortages	35%	48%	52%
Changes in regulation	33%	55%	53%

More CEOs globally (53%) and in Hong Kong (55%) anticipate changes in regulation having a larger or very large impact on profitability in their respective industries in the next ten years when compared to Mainland Chinese CEOs (33%). However, recent geopolitical tensions are likely to result in heightened restrictions across various industries, especially those deemed sensitive. Chinese organisations may see their profitability impacted by new regulations, whether that be local or international.

As the US's further restrictions on the export of advanced computing and semiconductor manufacturing equipment, software, and technology to China came into effect on October 21, 2022, the full extent of its impact on profitability for Chinese orgainsations is likely to unfold over time.[xi] While this significantly restricts Chinese organisations' ability to develop in this area, which would normally raise concerns for regulatory changes in the international market, China's dual circulation strategy has likely mitigated some of the impact arising from these changes.

In order to ensure long-term profitability against various threats and changes in the business environment, organisations need to consider optimising various factors within their operations. While more Hong Kong and global organisations tend to invest in automation, upskilling people and deploying technology, Mainland Chinese organisations are more likely to invest in adjusting their supply chain.

With climate risks inevitable, and a high degree of concern about its impacts by Mainland Chinese CEOs, 53% are investing in adjusting their organisation's supply chain, which also includes nearshoring and onshoring operations, which further mitigates potential disruptions to their operations.

As the business environment remains volatile, Chinese CEOs are also planning to invest in automating processes and systems, upskilling the company's workforce in priority areas and deploying technology, with over 50% investing in each of these. In terms of investing for the future, Chinese CEOs are planning to invest a higher proportion in future-proofing the business in the respective areas in comparison to preserving the current business.

Investing to mitigate disruptions

Figure 14

Areas that CEOs invest in the next 12 months

Which of the following investments, if any, is your company making in the next 12 months?

0%-9% 10%-19% 20%-39% 40%-59% 60%-69% 70%-100%

	Mainland China	Hong Kong	Global
Adjusting the company's supply chain (including nearshoring/onshoring operations)	53%	38%	41%
Automating processes and systems	49%	73%	76%
Upskilling the company's workforce in priority areas	49%	70%	72%
Deploying technology (cloud, AI and other advanced tech)	46%	68%	69%
Adopting alternative energy sources	42%	28%	34%
Relocating the company's operations in response to climate risk	30%	5%	7%
Decarbonising the company's business model	29%	25%	31%
Exploring the metaverse	28%	20%	12%
None of the above	1%	0%	2%

Figure 15

Areas that Chinese companies will invest in over the short-term

Which of the following investments, if any, is your company making in the next 12 months?

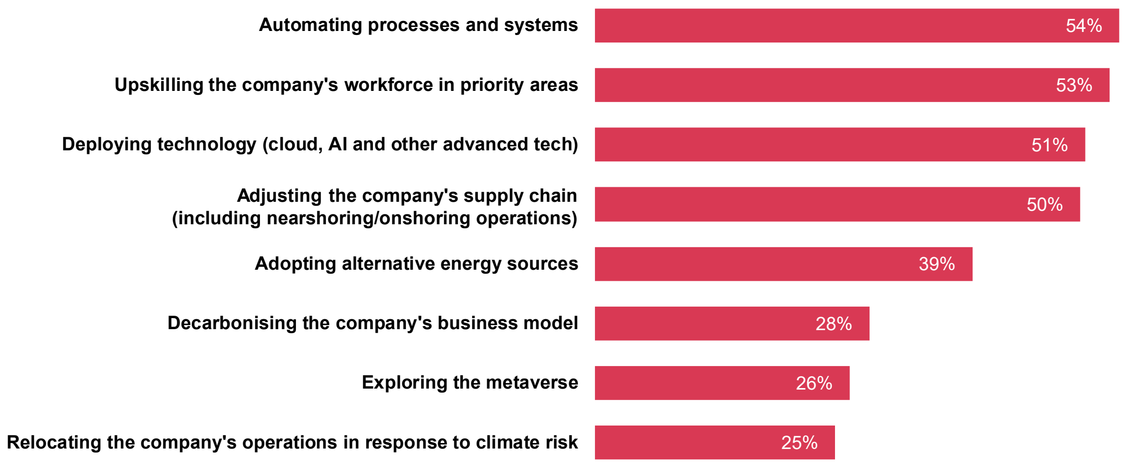
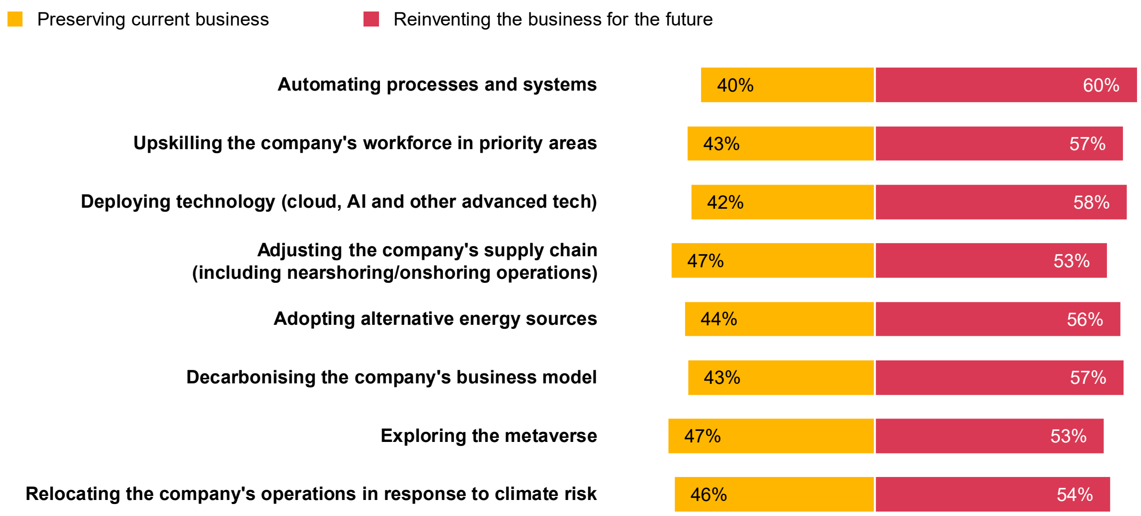


Figure 16

Investment allocation for preserving current business versus reinventing the business for the future among Chinese organisations

For each of the investment areas selected, please indicate the percentage of investment allocated to (Showing only Chinese CEOs' responses)



CEO time in running the race of tomorrow

During this time of volatility, CEOs need to step up to the plate and steer the ship to long-term success. Developing an effective strategy to direct the trajectory of the company is vital. According to a study by Michael Porter and Nitin Nohria, harnessing a clear, well-defined strategy is the most effective thing a CEO can do.[xii] However, as the biggest scarce resource for CEOs is time, with only 24 hours in a day, it's critical that the time they spend is creating the most value.

CEOs in China, like their global counterparts, want to spend the most of their time evolving the business and its strategy than driving current operating performance. While global and Hong Kong CEOs tend to have a larger discrepancy between their actual time and ideal time, Mainland Chinese CEOs' actual time aligns with their ideal time spent on various actions by ±2 percentage points.

However, to continue to do so as their company grows, they not only need to be able to delegate effectively, but also empower other leaders to make decisions. Without delegation, CEOs tend to work on operational-level tasks rather than strategic-level. Unless CEOs change their approach, their desire to spend more time evolving the business rather than driving current operating performance will not be realised.

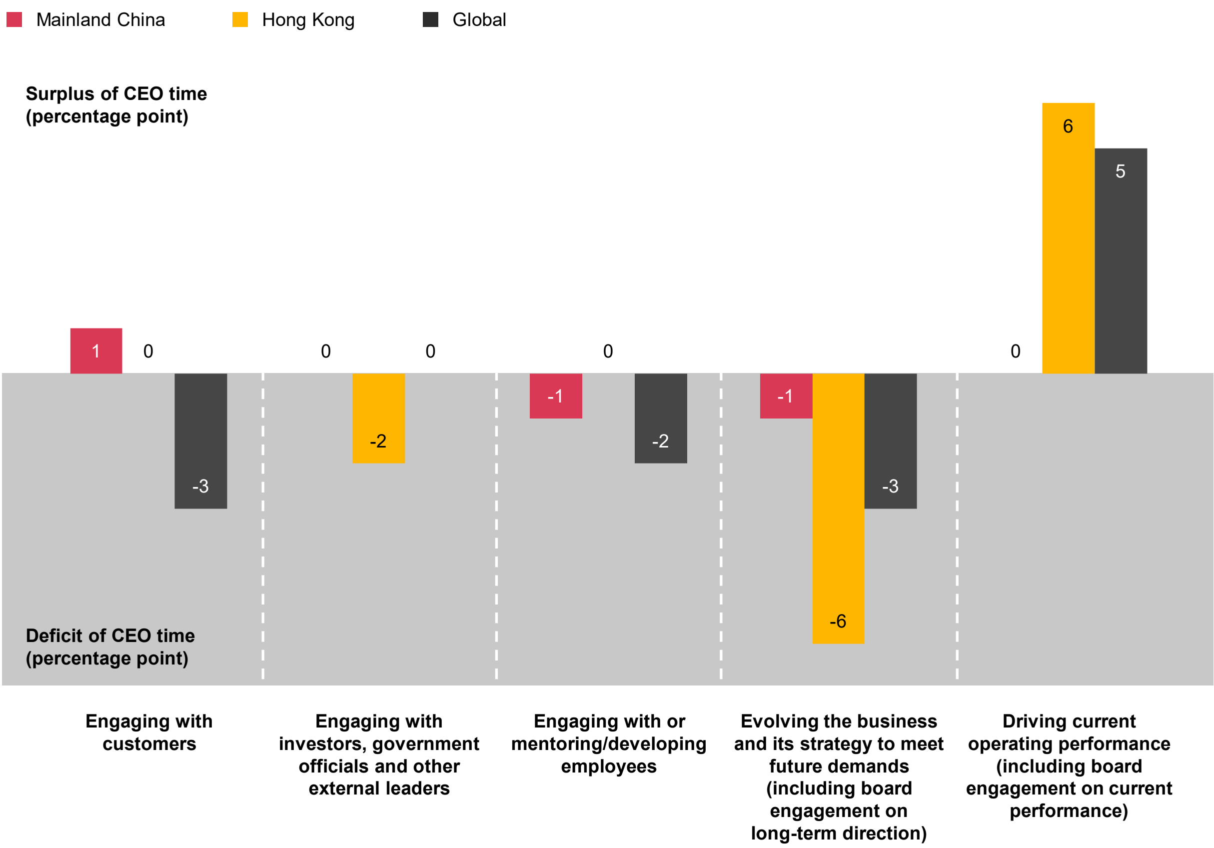
In addition to having an effective strategy, understanding the organisation's customers is equally important. A study by The Economist indicates that '64% of companies with a customer-focused CEO are more profitable than their competitors'.[xiii] Global CEOs want to increase the time spent engaging with customers by 3 percentage points. Mainland Chinese CEOs on the other hand, would like to spend less time engaging with customers. Mainland Chinese CEOs should consider the importance of customer engagement within their line of work and determine if it would benefit from an increase in this area.

Comparison of CEO's ideal and actual time

Figure 17

Surplus and deficit of CEO's time

During your work time, on average, what percentage of time do you spend on each of the following? (Actual CEO time)
Knowing what you know now, if you could start over with a blank calendar, how would you allocate your time as CEO? (Ideal CEO time)



For Mainland Chinese CEOs, the ideal level of time spent engaging with investors, government officials and other external leaders is higher than that of their global counterparts by 6 percentage points, the biggest difference among the responses. Given the nature of Mainland China's business environment, with over 150,000 state-owned enterprises (SOEs), the largest number among all countries, the importance of this, particularly engaging with government officials, cannot be overstated.

The discrepancy between CEOs' ideal and actual times can be attributed to the way their schedules are developed. The majority of CEOs both in China and globally had their work schedules equally evolved over time and actively designed. A minority had their schedules either entirely organically evolved or actively designed. However, it crucial for CEOs to not let either completely dominate their schedules. To be effective leaders, CEOs need to reserve time to focus on strategy, all while enabling a degree of flexibility to manage ad hoc issues and avoid appearing inapproachable.

CEOs must take the initiative to make changes within the organisation that will create a positive and productive working environment. This includes setting realistic and achievable goals, creating a positive culture, and motivating employees. Additionally, CEOs must understand the importance of investing in innovation, technology and training to ensure that their businesses remain competitive. Finally, CEOs must be willing to adapt to changing economic and market conditions to remain successful in the long-term.

Conclusion and recommendations

While companies in China, and globally, continue to brace for the reopening of the world's second largest economy, it is vital that CEOs stay laser-focused on business viability and well-prepare themselves for the race of the future while tackling today's tensions.

The dual imperative of managing external risks to drive profitability in the short-term while transforming to thrive in the longer-term is a complex undertaking. CEOs must comprehensively understand the challenges, redefine priorities around value creation, build a differentiated culture of empowerment, and pragmatically leverage a broad suite of stakeholders in order to succeed.

Looking ahead, Chinese CEOs will need to broaden their strategic roadmap from multiple perspectives in order to thrive in this world, including but not limited to the following:

China's timely reopening has undoubtedly lit up the way for Chinese CEOs to take advantage of the recovering domestic demand and accelerate their growth in international markets. Our finding suggests that CEOs are still strongly motivated to expand their overseas customer base for existing products and services and pursue new opportunities unique to target markets. The window of opportunity has opened wider, both at home and abroad, for Chinese businesses, where long-term success hinges on their ability to respond to changing customer preferences and technology disruptors, mitigating impacts of climate change, keeping costs down in light of inflation, all while navigating a more complex international geopolitical landscape.

It is important for Chinese CEOs to understand the risks, challenges, and drivers that affect their business and the environment they operate in. To help them make the best decisions, it is essential to gather a wide range of insights. Leaders must be able to differentiate and revaluate which challenges are new, which ones are on-going, and which ones can be delayed, all while identifying opportunities around China's reopening. To do this, C-suite executives must broaden the scope and scale of the insights they have access to. This means looking at sector-specific issues, geopolitical shifts, inflation and climate change.

Executive leadership needs to mobilise and be empowered to take action, making decisions that will help the business reach its long-term strategic goals while remaining resilient. China, with dual circulation shaping future development, is facing constantly evolving domestic, regional and global challenges that impact different business units and functions. Therefore, executives need to leverage real-time insights to make quick decisions on products, services, and processes. Chinese CEOs and boards should also take part in this process to lead and provide a different perspective to ensure that the decisions made are aligned with the business' long-term strategy and resilience. At the same time, Chinese CEOs should enable a degree of flexibility to deal with ad hoc issues, particularly in response to fast-changing policies.

To balance profitability, transformation and growth, Chinese CEOs, confident in their short- and mid-term revenue growth but highly concerned about the long-term viability of their business models, should take a disciplined approach that focuses on capabilities that strengthen long-term viability. This means looking at business drivers through a capability lens to decide which investments should be prioritised (e.g., diversifying products and supply chains) and which costs should not be cut or limited (e.g., critical risk infrastructure and talent).

Chinese CEOs should see the current cross-sector talent shortage as an opportunity to reinvent their organisational culture. They should build up their talent model by focusing on capability building, recruitment and retention initiatives. Additionally, they should ensure that their workforce strategy is aligned with their growth and resilience goals by leveraging the benefits of hybrid work. To foster empowerment, inclusion and trust, they should create meaningful initiatives that address the concerns and aspirations of their employees.

CEOs in China should strive to create strong partnerships and alliances in order to ensure lasting success. With continued supply chain disruptions and adjustments, along with heightened risks across sectors, it is becoming very difficult for companies to operate a full-service portfolio. To effectively enable a successful transformation and stay relevant in the long term, CEOs should look to form alliances that involve financial, technical, talent and technology capabilities. Chinese CEOs should continue collaborating with governments, either at the national or local level, to navigate restrictions resulting from geopolitical tensions, remain responsive to environmental regulations and leverage incentive policies around China's road to economic recovery.

Research methodology

PwC surveyed 4,410 CEOs in 105 countries and territories in October and November of 2022. Among them, 198 CEOs were from China with 158 from Mainland China and 40 from Hong Kong. The global and regional figures in this report are weighted proportionally to country or regional nominal GDP to ensure that the CEOs' views are representative across all major regions.

In terms of the composition of firms in the sample, 31% of the executives both in the China and global sample represented publicly listed firms. 34% of companies in China have government involvement while globally the figure is 13%.

Firm segmentation by revenue

23% of the sample firms post an annual revenue less than USD100mn, 38% of the sample is constituted of firms that post an annual revenue between USD100mn to less than 1bn; 29% of the sample firms post an annual revenue between USD1bn to less than 10bn and 4% of the sample companies have revenues of USD10bn or more.

Firm segmentation by size

42% of the sample firms have 999 or fewer employees, 28% of the sample firms have 1,000 to 4,999 employees; 12% of the sample firms have a company size of 5,000 to 9,999 employees and 17% of the sample companies have 10,000 or more employees.

Figure 18

Distribution of overall China sample by ownership

Is your company privately owned or publicly listed?

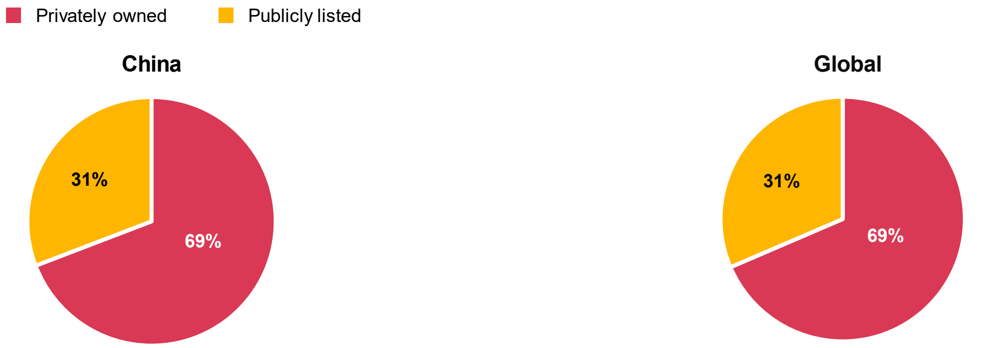


Figure 19

Distribution of overall China sample by private ownership

Is your company family-run, backed by private equity, a partnership or owner-managed?

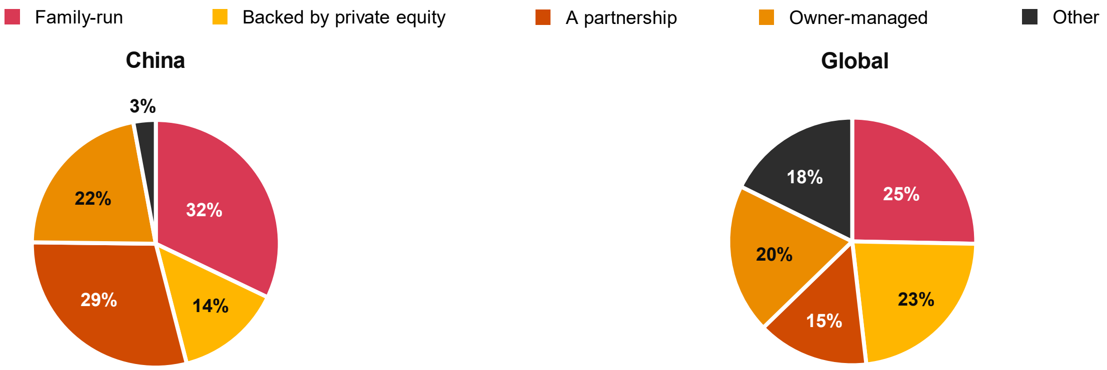


Figure 20

Distribution of overall China sample by government involvement

Does your company have any form of government ownership or backing?

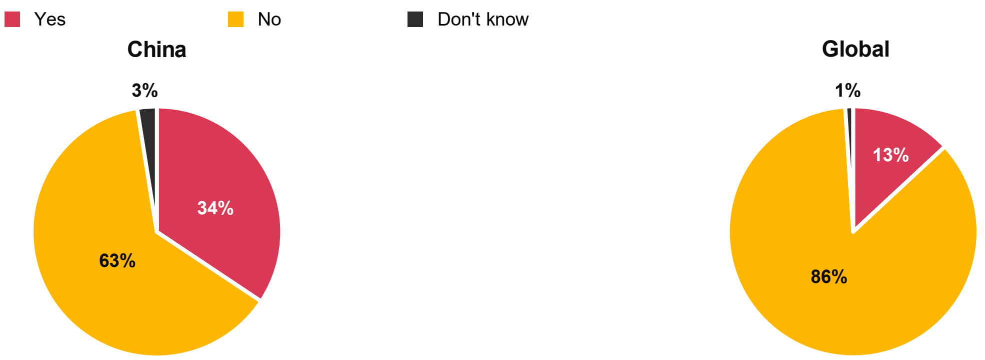


Figure 21

Distribution of overall China sample by revenue (USD)

What was your company's revenue (in USD) in the last fiscal year?

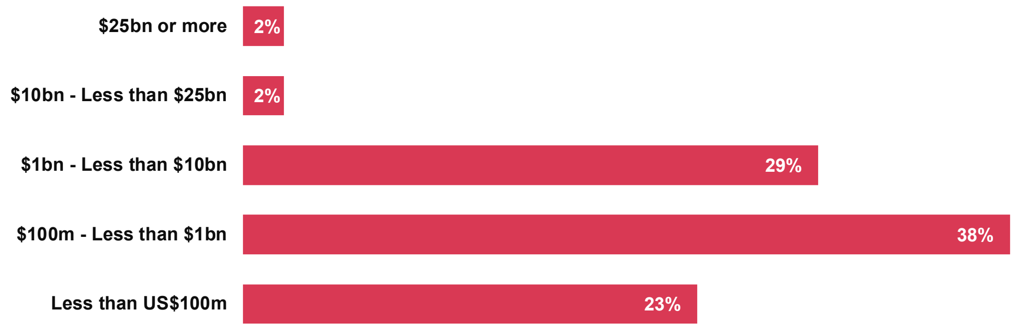
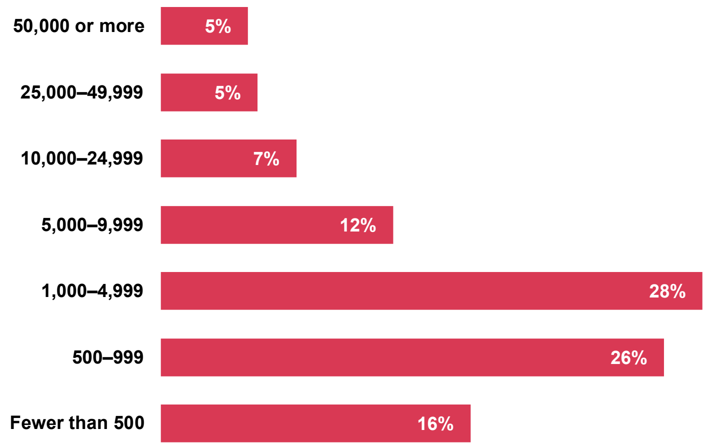


Figure 22

Distribution of overall China sample by company size

How many employees does your company have?



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End notes

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