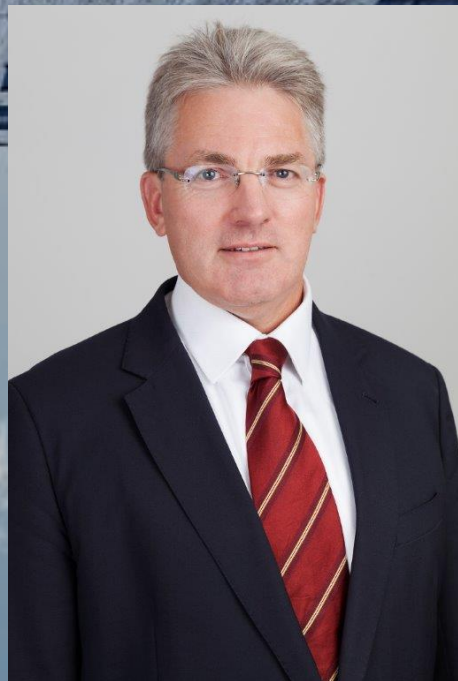


Bulgarian CEO Survey as part of PwC's 24th Annual Global CEO Survey

An improved outlook: CEOs' agenda for tomorrow

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Foreword

For a sixth consecutive year, as part of PwC's Annual Global CEO Survey, we have gathered the views of leading CEOs in Bulgaria about today's economic, social, health, political and business issues that impact their corporate strategies and their day-to-day operations.

I extend my appreciation to all the respondents who shared their thoughts, expertise, future outlook and concerns with us this year. Your contribution and insights are invaluable.

A year after the COVID-19 outbreak was declared a pandemic – a period of disruption and turbulence, both locally and globally - business leaders are regaining their trust in economic growth and in strengthening prospects and resilience of their organisations in the coming months. This optimistic outlook is cautiously expressed by Bulgarian CEOs who also share their increasing concerns about health crises, availability of key skills and cyber threats.

From personal experience, I can share that the past year proved that it is strong management and leadership skills which drive organisations forward: planning for different scenarios and actions, prioritizing and making decisions at a fast pace, supporting your clients through difficult times and strengthening your relationships in the process, engaging with people with care and empathy. Regardless of whether we operate in good times or in times of crisis, our stance as leaders should always be deeply rooted in our organisations' purpose and values and consistently reflected in our behaviours. This is how we personally can contribute to the sustainability and resilience of the businesses we lead and are accountable for.

Jock Nunan

Country Managing Partner, PwC Bulgaria



58%

of the Bulgarian CEO survey participants believe that the global economic growth will improve in the next 12 months

68%

of the Bulgarian CEO survey participants expect that their organization's revenue will grow in the next 12 months



Expected recovery and cautious optimism

Following a year of uncertainty brought by COVID-19, across the globe 76% of CEOs express optimism for the economic growth in the coming 12 months – a significant increase from only 22% last year and, in fact, a record high rate over the last decade. Undoubtedly, the implicit promise of the fast developed vaccines to put the pandemic under control plays its part. These expectations are also confirmed by the IMF estimates for 2021: after a -3.5% decline for 2020, the forecast for 2021 is 5.5% growth, followed by 4.2% for 2022¹.

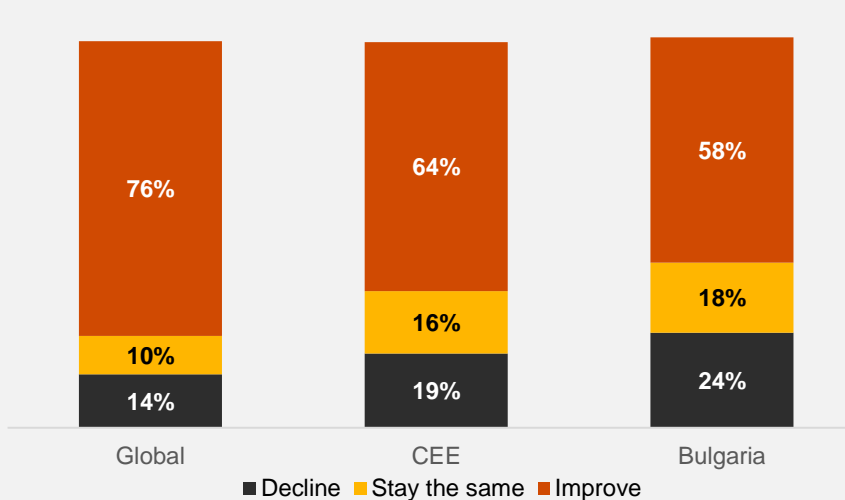
Unlike previous years, Bulgarian CEOs are more cautious as only 58% of them express expectations that global economic growth will improve this year. Although this marks a positive dynamic since last year, the gap to their CEE and especially global peers is quite notable. At the same time almost a quarter of them believe that the global economic growth will decline in 2021, which is also the highest share among the three peer groups.

Similar restrained optimism is expressed by Bulgarian CEOs when asked about their organizations' revenue and profitability prospects in the next 12 months. They seem to be particularly cautious when it comes to converting top-line growth (revenue growth expected by 68% of the participants) into bottom-line effect (profitability growth expected by only 45% of the CEOs). This is despite their pronounced focus on operational efficiencies and may be due to an overall level of uncertainty that lingers with the expectation of further high-impact unforeseen events.

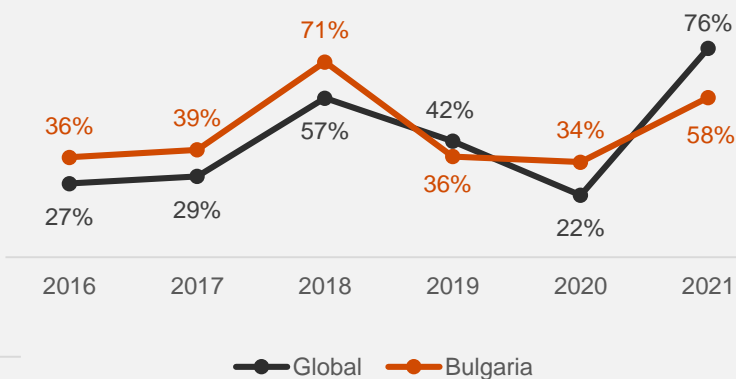
¹ IMF, World Economic Outlook Update, Jan 2021
<https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

This year Bulgarian CEOs are more cautious in expressing optimism than their global peers

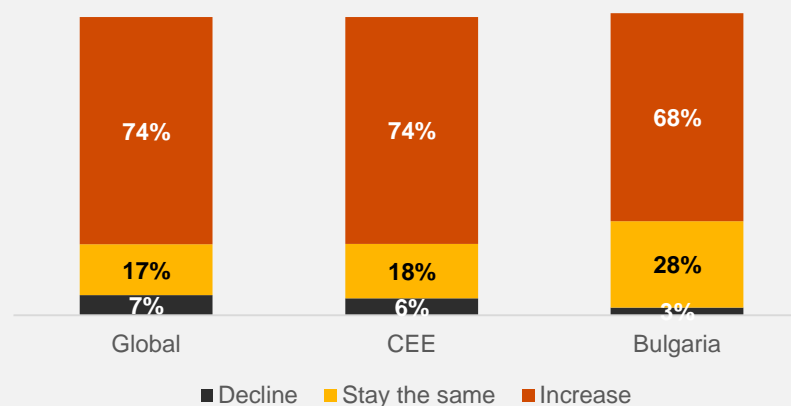
Q: Do you believe global economic growth will improve, stay the same, or decline over the next 12 months?



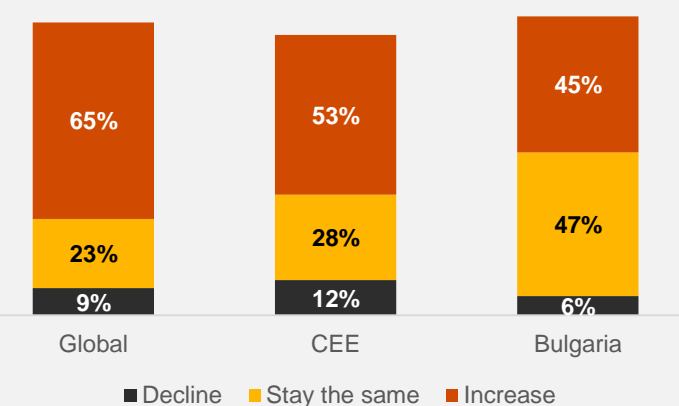
CEOs who believe global economic growth will improve



Q: What are your organization's expectations for revenue growth over the next 12 months?



Q: What are your organization's expectations for profitability growth over the next 12 months?



Note: Not all figures add up to 100% as result of rounding percentages and excluding 'neither/nor' and 'don't know' responses; "improve" includes answers 'improve moderately' and 'improve greatly'; "decline" includes answers 'decline moderately' and 'decline greatly'

Confidence in performance is shaken but high

Bulgarian CEOs seem to have greater belief in their own organizations' resilience than in the overall economic outlook². They not only forecast revenue growth for their organisations for the next 12 months, but also they display a good level of confidence in their expectations. 83% of the Bulgarian CEOs are confident or very confident in their growth prospects – and even more (86%) when talking about the mid-term development.

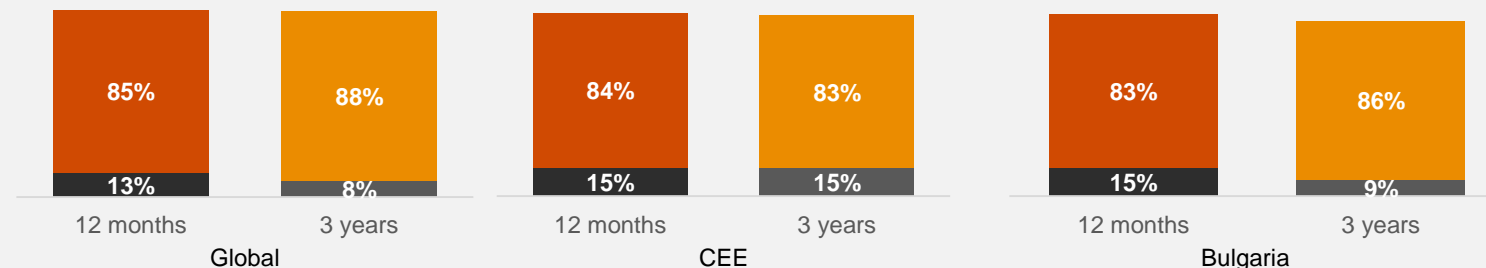
When looking at the overall level of positive answers, this year there are no significant differences in how confident Bulgarian CEOs feel in their own organisations' prospects compared to the sentiment expressed by global and CEE peers.

Nevertheless, it is worth noting that Bulgarian CEOs have been rather more careful when choosing the “very confident” option in comparison with their attitudes over the last 6 years. For the first time, the percentages of very confident CEOs in Bulgaria about their revenue prospects in the next 12 months and in the next 3 years are below the ones on global level. Although a declining trend has already been evident during the past 3 years, clearly, the overall anxiousness and negative economic impact brought by the COVID-19 pandemic, in combination with factors such as unfavourable demographics and political turbulence has shaken additionally the confidence of Bulgarian CEOs in a way that impacts the horizon beyond 2021.

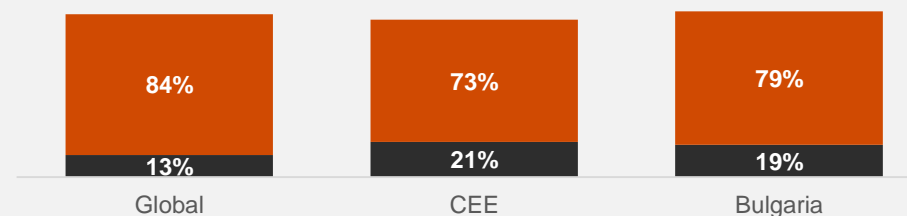
CEOs in Bulgaria display overall confidence in the short-term and mid-term business success, yet pronounced confidence has been in decline over the last 3 years

Q: How confident are you about your organisation's prospects for revenue growth over the next 12 months/ 3 years?

■ Not confident ■ Confident

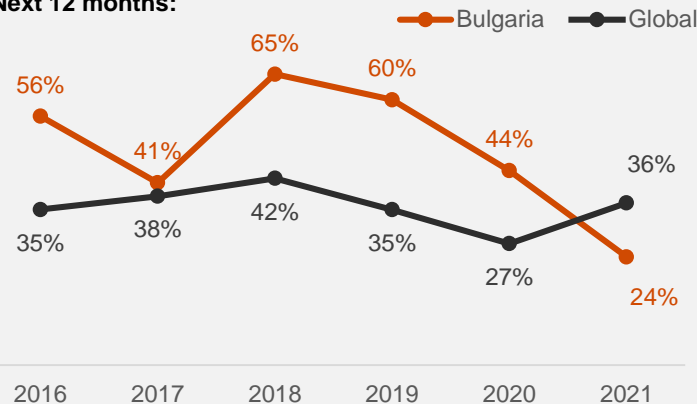


Q: How confident are you about your organisation's prospects for profitability growth over the next 12 months?

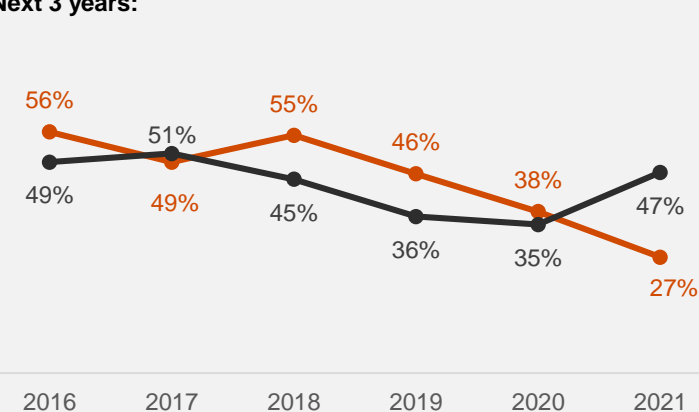


CEOs who are very confident in their organisation's prospects for revenue growth

Next 12 months:



Next 3 years:



² NSI reports a GDP growth rate of -3.8 during 2020 Q4 as compared to 2019 Q4 and 4.2% contraction of GDP value on an yearly basis.

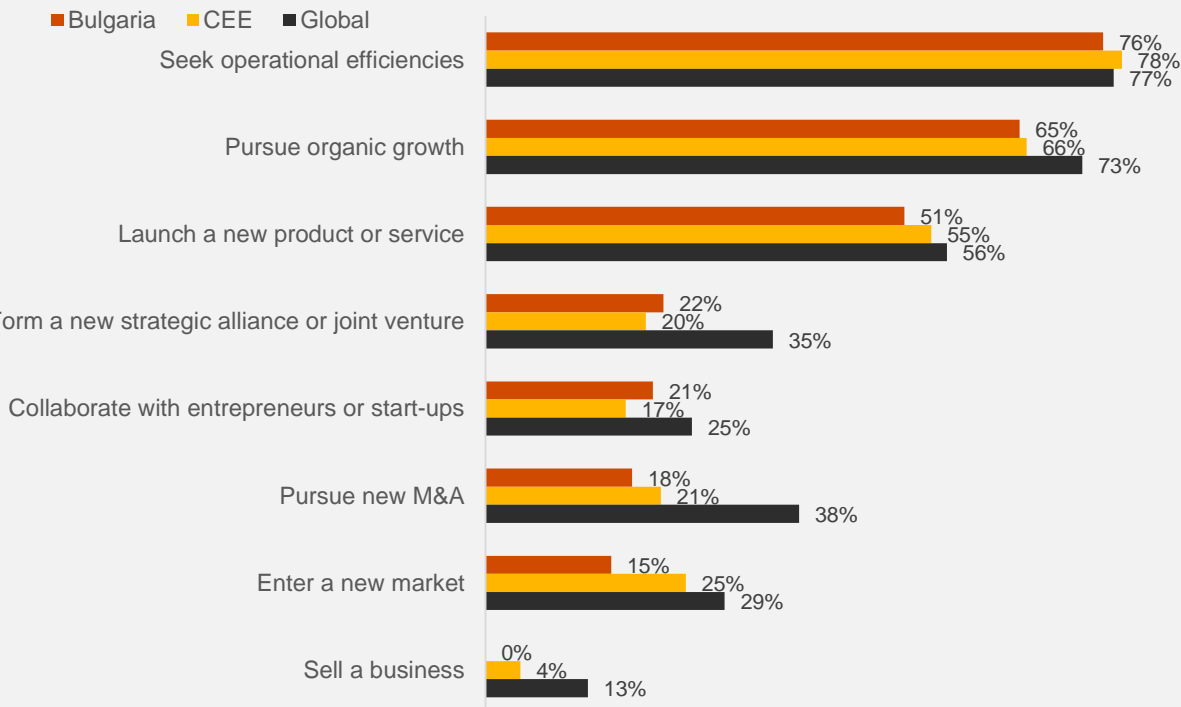
Note: Not all figures add up to 100% as result of rounding percentages and excluding 'neither/nor' and 'don't know' responses; "confident" includes answers 'somewhat confident' and 'very confident'; "not confident" includes answers 'not confident at all' and 'not very confident'

What plans back optimism?

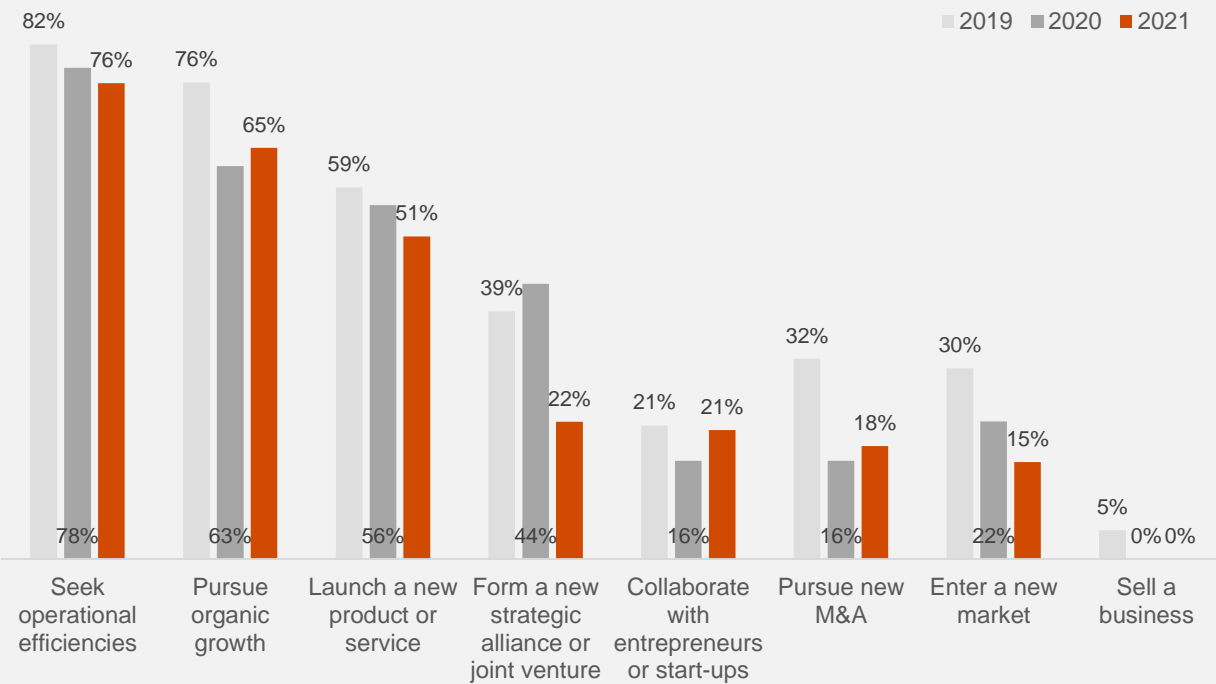
When asked about drivers of revenue growth over the next 12 months, the largest number of CEOs both locally and globally traditionally plan to focus on operational efficiencies – 76% of Bulgarian and 77% of global CEOs. At the same time Bulgarian CEOs seem the least willing to consider bolder actions or external opportunities in today's uncertain environment, choosing an inward looking focus instead. Only 18% of them consider pursuing new M&A activities, compared to 32% two years ago, and an even smaller percentage (15% vs 30% in 2019) consider entering a new market. The appetite to form a new strategic alliance or joint venture has also fallen almost two-fold for the same period, down to only 22% this year.

CEO's across the globe plan to rely on operational efficiencies for growth

Q: Which of the following activities, if any, are you planning in the next 12 months in order to drive revenue growth?



Bulgarian CEOs continue to focus on growth within, yet shy away from entering new markets and M&A activities



This capsulation strategy may be the right low-risk approach in a crisis environment but may also result in missed opportunities in a period of recovery.

At the same time plans for collaboration with start-ups have marginally increased for Bulgarian CEOs (21% this year vs 16% last one). This goes hand in hand with the accelerated digitalization that businesses and societies alike experienced in the turbulent 2020. CEOs recognize that embracing innovations and entrepreneurship and challenging their organisations via such alliances may well be one of the levers for overcoming the crisis.

What threatens growth?

The question about CEOs' concerns with potential threats to growth is a traditional one in our survey. Not surprisingly, this year a new risk, pandemics and other health crises, has emerged at the top of the list. Locally, the availability of key skills continues to be in the top 3 threats according to business leaders, much higher in priority compared to the global and CEE CEOs. In addition, Bulgarian survey participants prioritise the threat of declining health and well-being of their workforce fairly high (#6 in ranking among all risks). The deficit in skilled labour in the Bulgarian market makes CEOs more anxious about preserving intact their existing trained workforce.

Cyber threats have found their place among the top 3 threats in the minds of CEOs, ranked as #2 globally and #3 in Bulgaria. The global pandemic somewhat forcefully accelerated digitalisation across economic sectors and areas of life, penetrating the whole society. It is seen as one of the top drivers of revenue preservation and growth, as well as a means to overcome social distancing and allow continued business operations. However, as its downside it also brings an enhanced level of risk for cyber security and data privacy. Based on data from the Center for Strategic & International Studies, which monitors and registers globally significant cyber incidents, in March 2020 – February 2021 the number of registered events has grown by close to 30% from the average for the previous two periods³.

The threat of misinformation is also on the rise – from 20th position globally last year to the 10th position at present, with 28% of the global CEOs being extremely concerned about it. In Bulgaria, for the first year it also makes the top 10 risks according to 32% of the CEOs. This is fuelled by the increasing role of social media in reaching and influencing public opinion, occasionally via false news and intentional manipulation. Misinformation is a societal threat that may impact negatively significant aspects of our lives such as election results, reputations and public health. The speed of information spread is huge and it brings an obligation to ensure that this information is reliable and accurate.

Supply chain disruption marks an increase in priority for Bulgarian CEOs, with almost one third of them being extremely concerned about related threats. The biggest contributor is probably the big supply chain disruptions suffered by a number of businesses, which emphasized the importance of every single link in the chain and put the spotlight on resilience and business continuity plans.

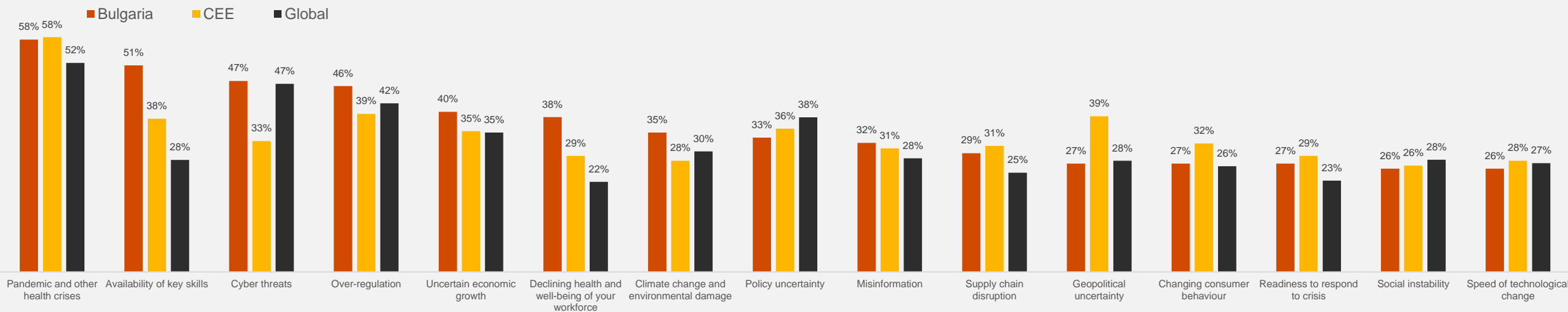
It is encouraging that the level of concern with climate change for Bulgarian CEOs has grown - from 10% last year to 35% in 2021, which is also higher in comparison to global and CEE business leaders.

³ Center for Strategic & International Studies, 2021. "Significant Cyber Incidents"

Pandemic and other health crises, availability of key skills and cyber threats emerge as the top concerns of Bulgarian CEOs

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

CEOs who are extremely concerned about each of the following potential threats



Being a leader today seems more difficult than ever

Overall, the sheer magnitude of concern about most threats has increased among Bulgarian CEOs during the last 3 years, as more of them are demonstrating a higher level of concern to most of the risks. A similar trend is noticeable globally.

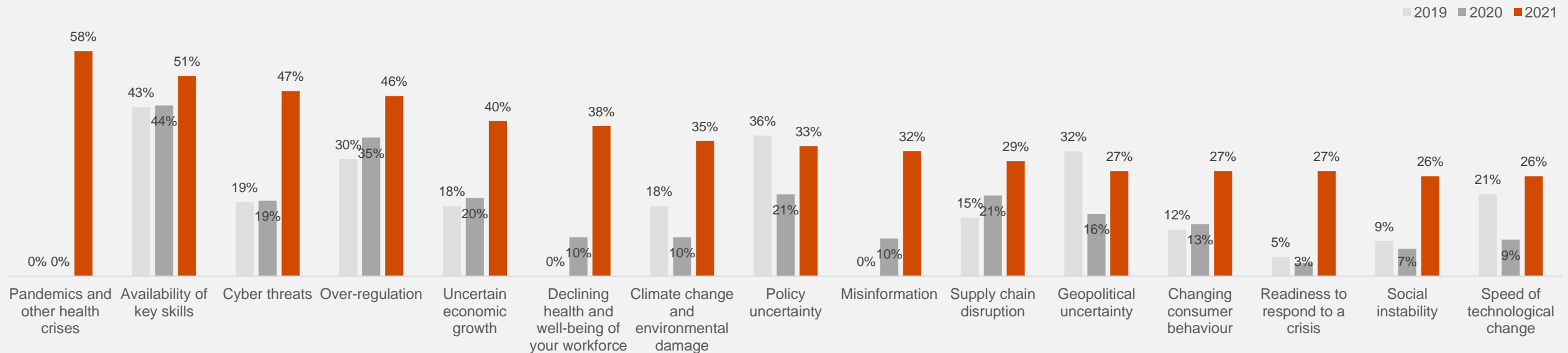
This helps explain the cautiousness of business leaders when considering prospects for future growth and profitability. They are acutely aware of the uncertain environment, which requires them to consider multiple sensitivities and scenarios that can impact significantly the performance of their businesses. After 2020, predictability seems to be a notion from the distant past. The new reality requires agility of mind and action as CEOs struggle to balance between a series of conflicting demands from leadership⁴:

- How to navigate in a world that is increasingly both global and local?
- How to steer between the politics of getting things to happen, while maintaining integrity and trust?
- How to act with confidence in an uncertain world and be humble enough to recognize when you are wrong?
- How to use the past to help direct future success, while also creating a culture that allows innovation, failure, learning and growth?
- How to execute effectively while also being highly strategic?
- How to become increasingly tech-savvy while remembering that organisations are run by people, for people?

⁴Blair Sheppard, Global Strategy and Leadership, PwC: Six Paradoxes of leadership

A general level of increased anxiousness is displayed by Bulgarian CEOs, similarly to their global peers

Development of Bulgarian CEOs' extreme concerns over the last 3 years



Mitigating and monitoring risk

Having concerns and acting upon them are two separate things.

Health crises are the new fear across the globe, forcing organisations to factor these into their risk initiatives. Unsurprisingly, business leaders consider the top threats when planning for risk and hence, availability of key skills and cyber threats are also at the top of the list when discussing what actions are considered in risk management.

Although a recognition of climate change as a threat is on the rise, it seems to not have translated strongly enough into specific actions. 60-70% of all CEOs across the globe have not included any related activities in their strategic risk management plans.

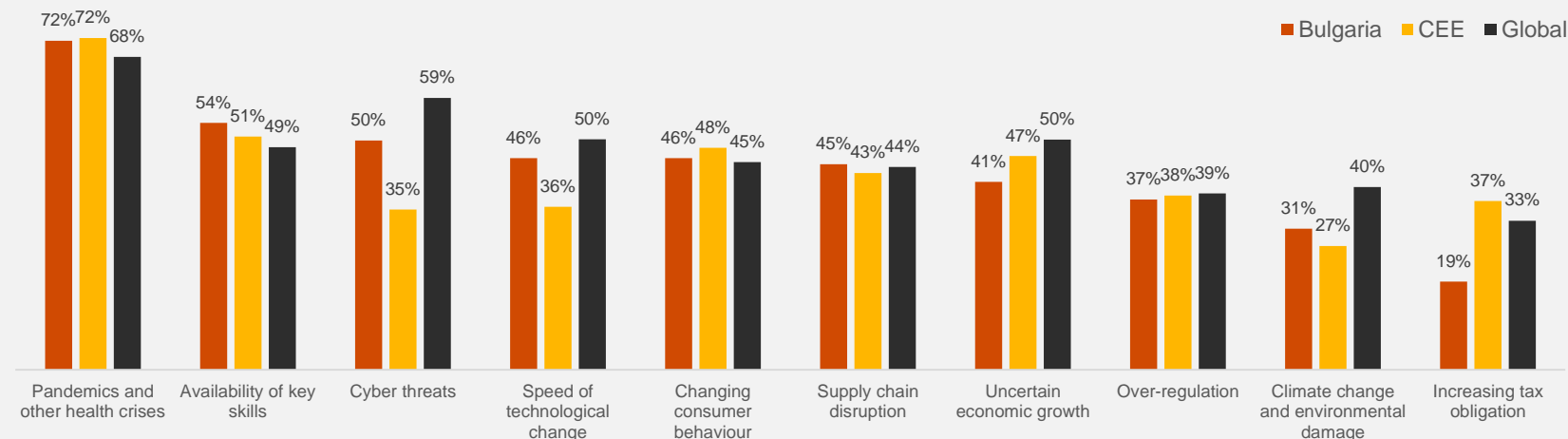
This is somewhat aligned with the corporate response that we see in the spotlight around the world. As of Feb 2021 only 8% of the Fortune 500 companies have pledged net-zero commitments, which is far from sufficient to have a tangible effect⁵. The environmental agenda will be a key factor driving the next big transformation in the long run, however it requires focus and actions already as of today.

Overall, the COVID-19 crisis has revealed alarming vulnerabilities and has heightened the need to stay alert to the external environment, planning and preparing for different scenarios. Logically, we see an enhanced role of risk management, whereas 53% of all Bulgarian CEOs state significant focus on strengthening and digitising their risk management function, 50% prepare for systemic risks and low-probability high-impact events and 44% reassess their organization's overall tolerance for risk. This is good news and one of the key lessons of the corporate world from the global pandemic.

⁵ Celine Herweijer and Colm Kelly, 2021. "How business can bridge the gap and achieve net zero," PwC

The majority of Bulgarian CEOs align strategic risk management with perceived threats

Q: Which of the following threats, if any, are explicitly factored into your strategic risk management activities?



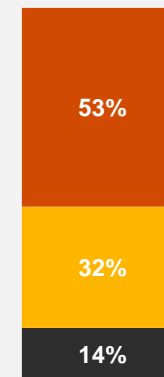
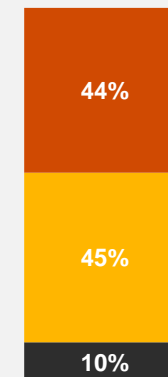
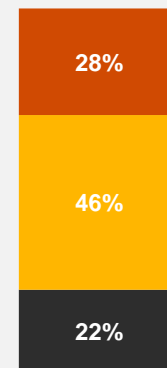
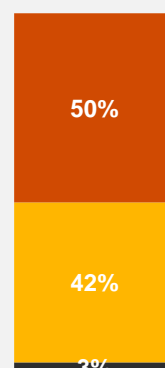
Q: As a result of COVID-19 crisis to what extent are you increasing your focus in preparing for systemic risk and low-probability, high-impact events?

Q: As a result of COVID-19 crisis to what extent are you increasing your focus in collaborating with supply chain partners to collectively manage risks?

Q: As a result of COVID-19 crisis to what extent are you increasing your focus reassessing your organisation's tolerance for risk?

Q: As a result of COVID-19 crisis to what extent are you increasing your focus in digitising your organisation's risk management function?

■ Not at all ■ Somewhat ■ To a large extent/ significantly



Are investments aligned with threats and opportunities?

Investment plans of Bulgarian CEOs seem aligned with perceived top risks and prerequisites for growth. Increased investment in digital transformation (77%) will help addressing the deficiency of key skills, changing consumer behaviours and speed of technological change, while plans to invest in cybersecurity and data privacy (67%) respond to increased cyber threats risk. Still, a closer look at the share of CEOs that plan to increase their investments significantly (by more than 10%) shows a divergence – 51% make such a commitment to digital transformation, while only 29% to cybersecurity and data privacy. Arguably, the two areas should go hand in hand to ensure sustainable performance and carefully managed risks.

Additionally, since most of the business leaders will rely on operational efficiencies and organic growth to sustain their financial performance, they direct their investment plans accordingly.

Overall, the prioritisation across top investment areas does not differ much between Bulgarian and global CEOs, except for one notable difference. Despite the increased concern about climate change, only 44% of the Bulgarian CEOs plan to invest more in sustainability and environmental, social and governance (ESG) initiatives – and only 12% intend to increase these investments significantly. In comparison, 60% of CEOs globally will increase their investments in this area and 23% significantly so.

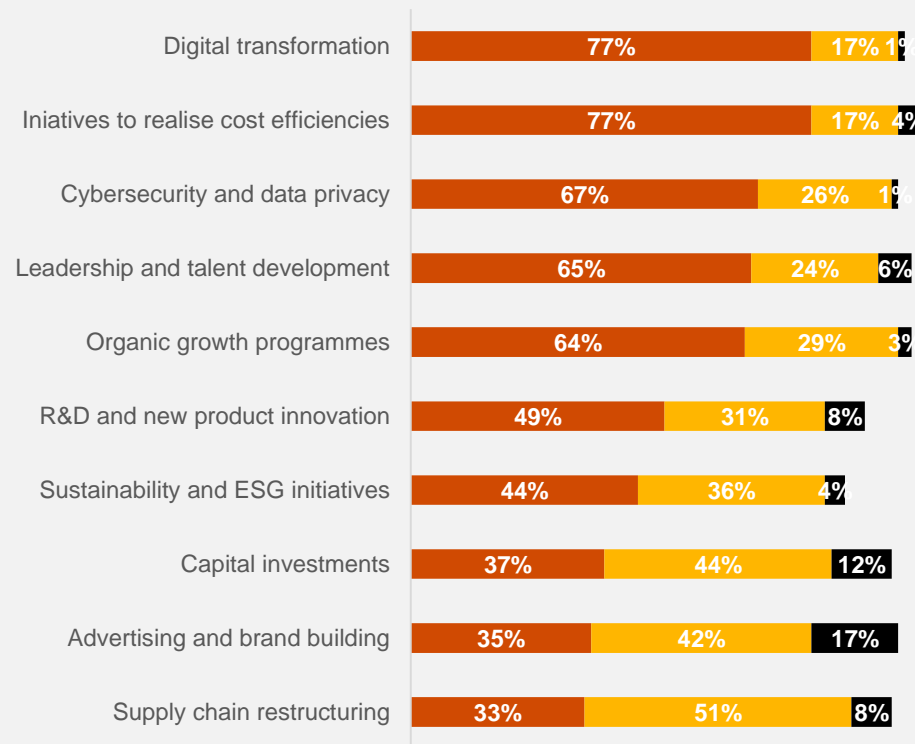
The areas where CEOs both globally and locally plan to decrease their investments over the next 3 years are advertising and brand building and capital investments – and this is despite expectations for future economic growth. Clearly digital transformation is the new mantra and the new hope in our increasingly virtual and automated world.

Bulgarian CEOs plan to increase mid-term investments in digital transformation and in cybersecurity and data privacy

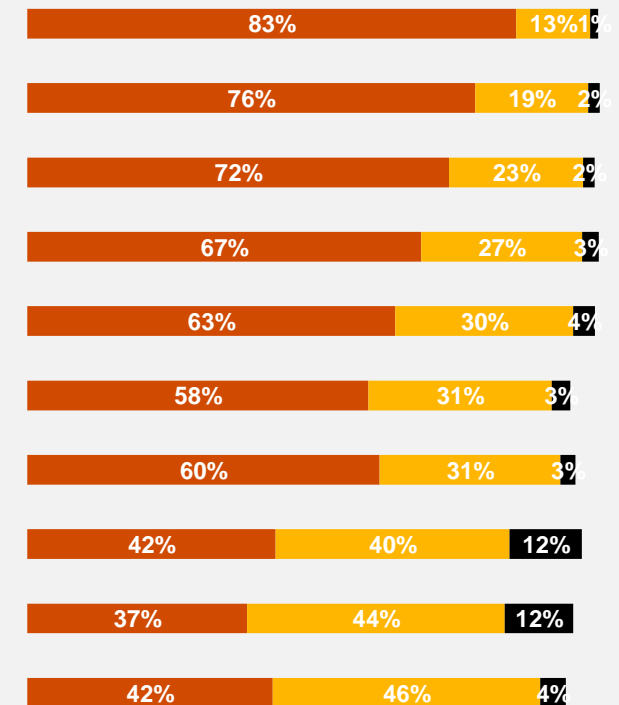
Q: How do you plan to change your long-term investments in...over the next three years, as a result of the COVID-19 crisis?

Answers by Bulgarian CEOs

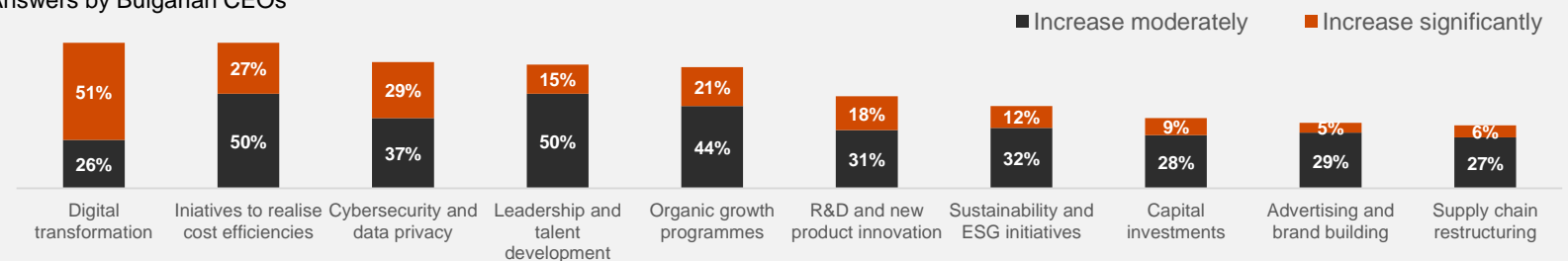
■ Increase ■ No change ■ Decrease



Answers by global CEOs



Answers by Bulgarian CEOs



Note: Not all figures add up to 100% as result of rounding percentages and excluding 'don't know' responses. "Increase" answers include "increase moderately (3–9%)" and "increase significantly (≥10%)"; "decrease" answers include "decrease moderately (3–9%)" and "decrease significantly (≥10%)".

Workforce is needed to support growth

Operational efficiency and headcount are usually interlinked. 46% of the Bulgarian survey participants report that they have kept the same headcount in their organisations during 2020 and only 24% (lowest among their peers) have decreased their workforce. This result is close to the reported plans last year, where 29% of the Bulgarian respondents intended staff decreases. On global level such an intent was declared last year only by 22% of the CEOs, while in reality 37% of them reduced their workforce in 2020.

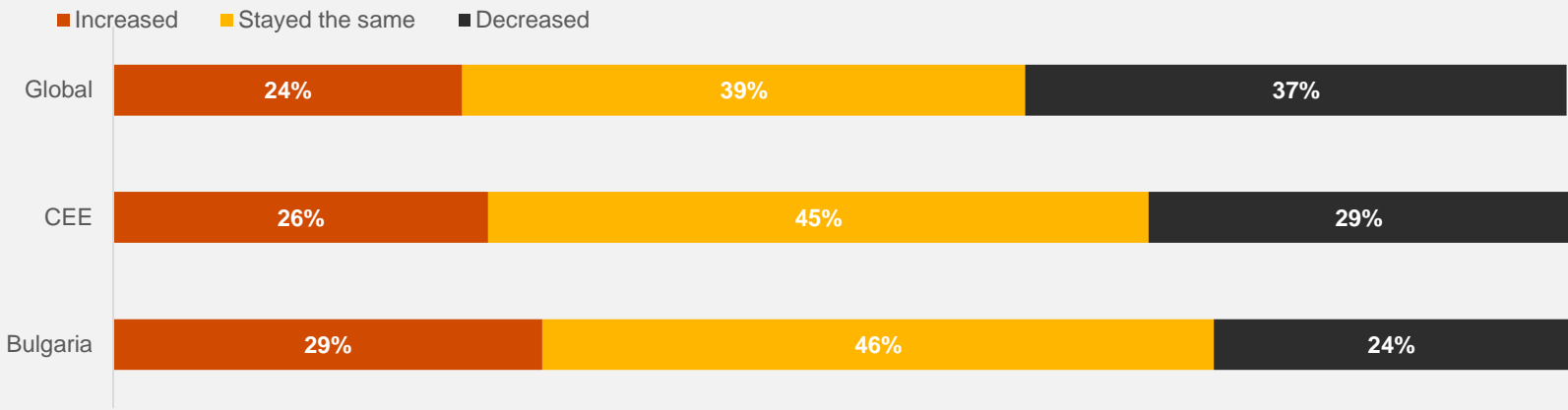
At the same time the unemployment rate in Bulgaria in the last quarter of 2020 (5.2%)⁶ has risen by 27% compared to one year ago, which is a significant increase. Local survey results may not fully reflect this dynamics given that SMEs as well as most affected sectors, such as tourism and hospitality, have not been sufficiently strongly represented.

When stating their plans about headcount for the next 12 months, CEOs across the board clearly do not see reduction of employee costs as the way to weather the uncertainty in the external environment. Most of them bet on preserving and even increasing their workforce. This is not surprising in light of the relative importance assigned to availability of key skills as a potential threat to growth. Once business leaders have found the right people and have invested in their training and upskilling, they are not willing to let them go quickly, because tomorrow they will be back to square one, searching for the right skills in a deficient labour market. This is particularly relevant about Bulgarian CEOs, who score the lowest (only 13% plan headcount reductions during the next 12 months).

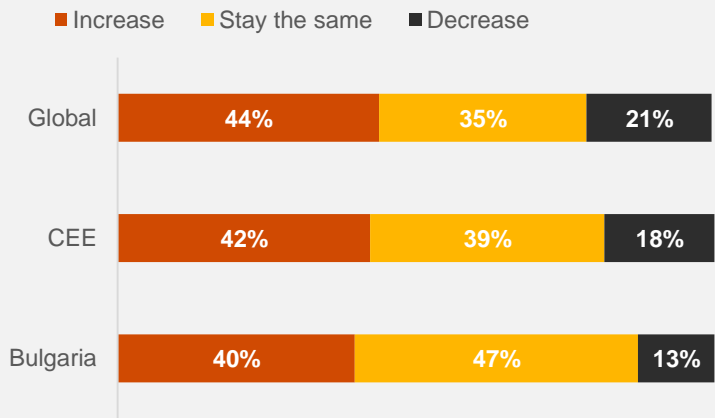
As confidence in gradual recovery is growing, so do the plans of CEOs to hire additional workforce. Around 60% and above of all survey participants are expecting that the headcount in their organisations will grow over the next 3 years.

Bulgarian survey participants report that they managed to sustain and even increase their workforce over the last year and declare plans to increase workforce in the medium term

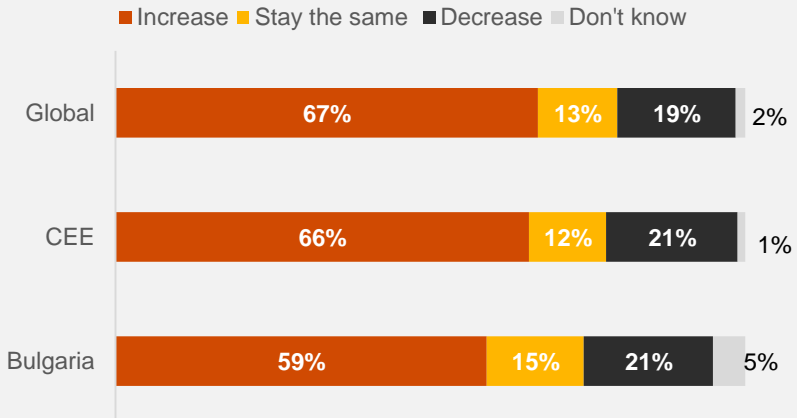
Q: How has your organisation's headcount changed in the last 12 months?



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



Q: Do you expect headcount at your organisation to increase, decrease or stay the same over the next 3 years?



⁶ NSI, unemployed persons and coefficient of unemployment at national level for Q4 2020

Note: Not all figures add up to 100% as result of rounding percentages and excluding 'neither/nor' and 'don't know' responses. Increased answers include increased greatly (≥10%) and increased moderately (3–9%), while decreased answers include decreased greatly (≥10%) and decreased moderately (3–9%).

Changing workforce strategies

In line with the stated concern by local leaders about the declining health and well-being of their workforce, 46% of them acknowledge that they are changing this aspect of their workforce strategies. This does not seem linked to an intent to increase the pay, incentives or benefits, stated only by 18% of Bulgarian CEOs. The likely focus is more towards providing a safe and productive working environment, including the necessary tools and flexibility for virtual collaboration while working from home. It goes hand in hand with other measures, such as enhanced workforce engagement and communication (for 36% of the Bulgarian survey participants) and evolving workplace culture and behaviours (for 33% of them). Indeed, in a moment of unprecedented changes business leaders have the unique chance to enhance their employees engagement and loyalty by bringing to life their organisations' values and "walking the talk" with consistency of messages and behaviours.

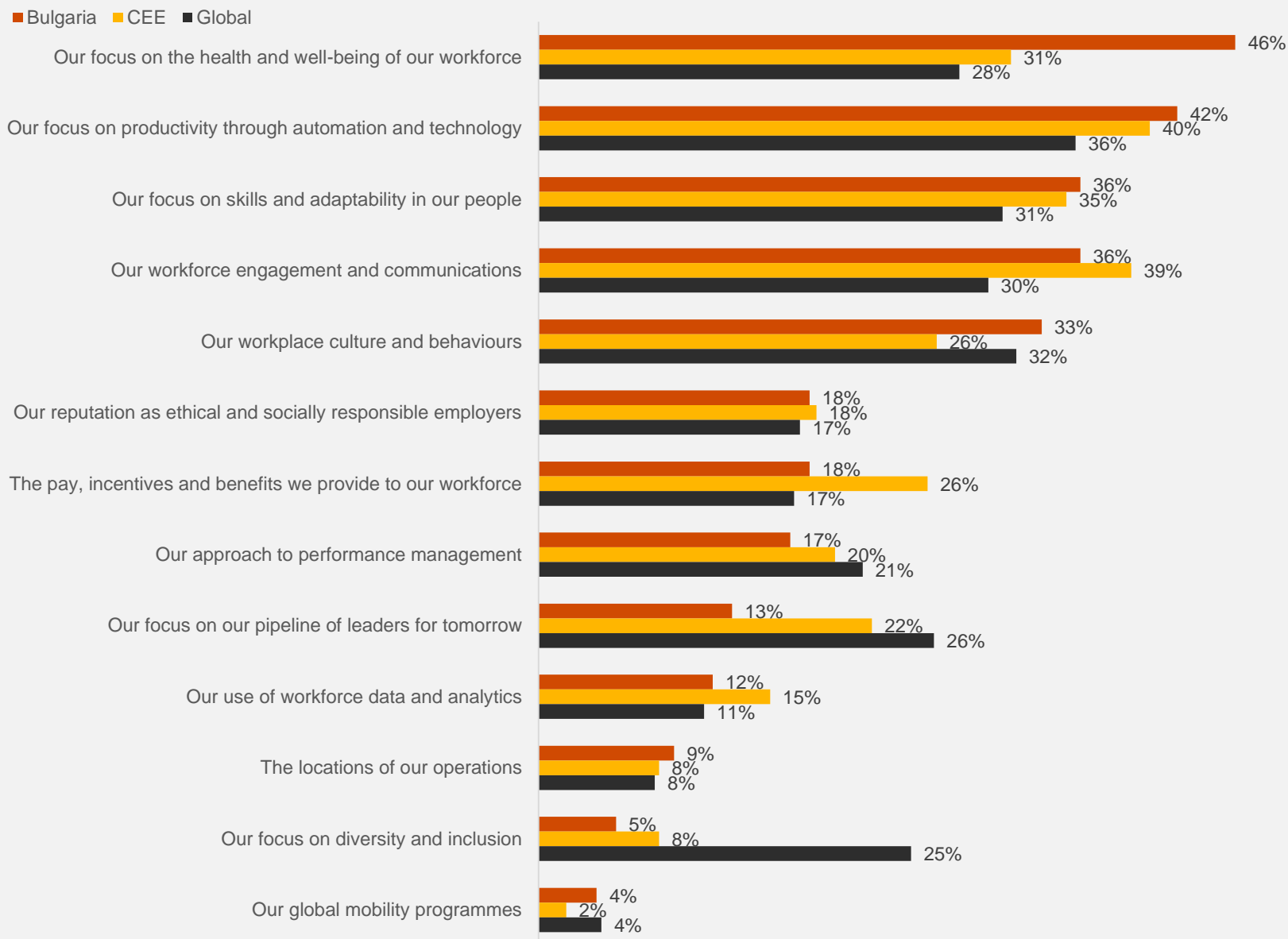
The other big topic on the agenda is increase in productivity through automation and technology, ranked #1 by global CEOs and #2 by their local counterparts. This is supported by the increased investment plans in digitalisation, which should go hand in hand with digital upskilling of employees.

Bulgarian CEOs seemingly disregard the topic of diversity and inclusion in comparison to their global peers (5% vs 25%). Given the declining demographics of the local labour market, additional efforts to integrate and upskill under-represented groups might bring results, but businesses will need to step in, where government fails, in order to ensure sustainability.

Local business leaders also report lowest levels of focus on preparing their future management and leaders compared to their peers: 13% vs 26% globally. It may be that leadership and development programmes are already successfully in place as a necessity for an organisation to grow in a highly competitive talent market. Hence, no specific further focus and change in workforce strategy is required.

In line with the top risks, health and well-being of the existing workforce are being addressed by the Bulgarian CEOs

Q: Which aspects of your workforce strategy are you changing, if any, to make the greatest impact on your organisation's competitiveness?



Looking ahead: Hopes and fears 2021

Extract from PwC's Survey "Hopes and fears 2021: the views of 32,500 workers" conducted in February 2021 among 32,517 members of the general public in 19 countries

In one of the largest global surveys of workers, people revealed a mostly optimistic story, but one with some concerning undercurrents. Workers reported feeling excited or confident about the future. Most said they believe they can meet the challenges of automation — and they proved it during the pandemic: by learning new digital skills and by quickly adapting to remote work. Yet many people think their job is at risk, and half of all respondents feel they've missed out on career opportunities or training due to discrimination.

Key takeaways:

- ✓ **People are concerned about job security:** The pandemic has already disrupted whole industries, contributing to people's anxiety about the future. As companies accelerate their automation plans and many jobs continue to be remote, employees across every sector will need to acquire new skills that enable them to think and work in different ways. The future isn't a fixed destination. We need to plan for dynamic rather than static tomorrows.
- ✓ **Workers want to reskill:** In one of the pandemic's positive surprises, people who were given the chance proved they could transition quickly to remote work while keeping productivity high. Where access exists, workers are keen to reskill as needed, but disparities in access to training remain. Those who most need digital skills are still the least likely to get them and, if this trend continues, we risk widening the digital divide. Leaders need to create more inclusive opportunities to upskill.
- ✓ **Discrimination at work is holding people back:** The pandemic illuminated racial inequities and social tensions around the world. It also reversed progress toward gender equality, as many more women than men have left the labour market over the past year. At the same time, many younger workers are not being given opportunities to rise in an organisation. There's a real need to open up genuine, fully inclusive conversations about how to build more diverse and purpose-led workplaces. Companies need to ask tough questions and really consider the answers they're getting. And not just because it's the right thing to do; it's also good for business. A diverse workforce and deliberate inclusion efforts help drive better outcomes—through different perspectives, creative thinking, and open collaboration—that can lead to the broader economic development of our society, which benefits everyone.
- ✓ **People want to work for purpose-driven companies — but not at any price:** A large majority of people want a job with a sense of purpose. This is not just about attracting younger talent; it matters up and down the age scale. But economic realities, of course, have an impact too, so it is important to think about how purpose and economic success work together.
- ✓ **Remote work is in demand:** A remarkably low percentage of people who find that they can work remotely want to go back to the office full time. With that in mind, most companies are planning to maintain at least some virtual work or flextime. More than half expect remote working to be a permanent part of their workforce strategy. And as a consequence, they'll need different kinds of physical space. As leaders reimagine the offices of tomorrow, we expect the focus to be on increasing space where people can initiate, develop, and strengthen relationships. Where they can experience the culture and brand. And of course, where teams come together to brainstorm, collaborate, and problem solve.



Learn more on:
<https://www.pwc.com/gx/en/issues/upskilling/hopes-and-fears.html>

Markets of interest

2 years ago Bulgarian CEOs displayed a clear affinity towards neighboring countries for growth, naming within the top 5 markets of interest Romania, Turkey, Greece and Serbia. However, the preferences stated over the last two years clearly show a shift towards major global markets – Germany, USA and China.

Germany has been and continues to be traditionally the most significant country impacting growth for Bulgarian CEOs (38% in 2021 vs. 28% in 2020), and its importance grows stronger. These results are supported by the foreign trade numbers reported by the National Statistical Office: trade with Germany (both export and import) held the highest values in 2019 and 2020.

Globally, there are no big shifts in terms of leading powers. However, the gap in terms of importance between USA and China that has been closing in the last years, this year again starts to widen in favour of the USA. Germany continues to be the number 3 market of interest for CEOs globally.

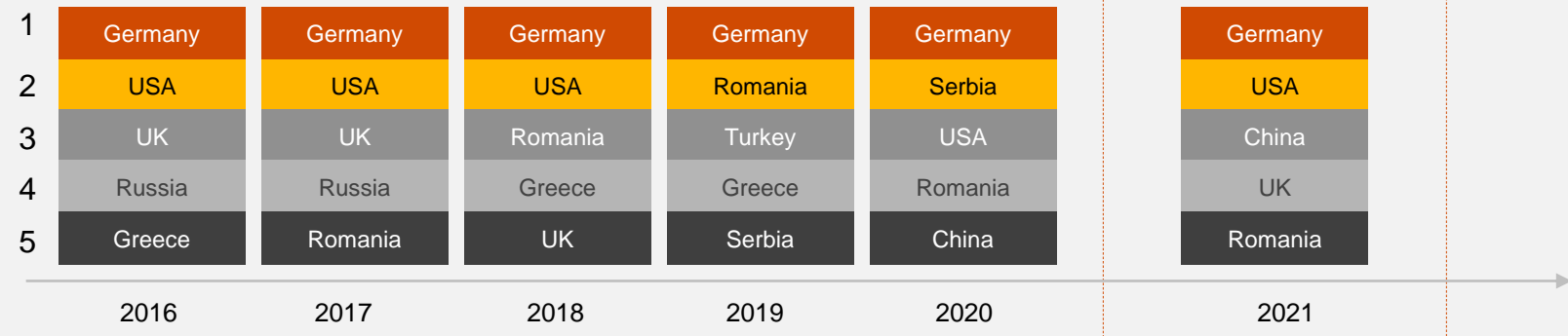
It is worth mentioning that a growing number of CEOs do not recognize other markets as related to the growth of their organisations. Both globally and locally, the percentage of the CEOs that have picked none of the listed geographies is quite substantial (3rd ranking option overall in Bulgaria and on global level) – indirectly indicating that the local market is of utmost importance.

This seems to support the increasing concern about the impact of geopolitical uncertainty, the rise of nationalism and protectionism and trade conflicts over the last few years on global trade. Last year the supply chain disruptions, travel restrictions and in-country lockdowns resulting from the COVID-19 pandemic additionally put globalization to the test.

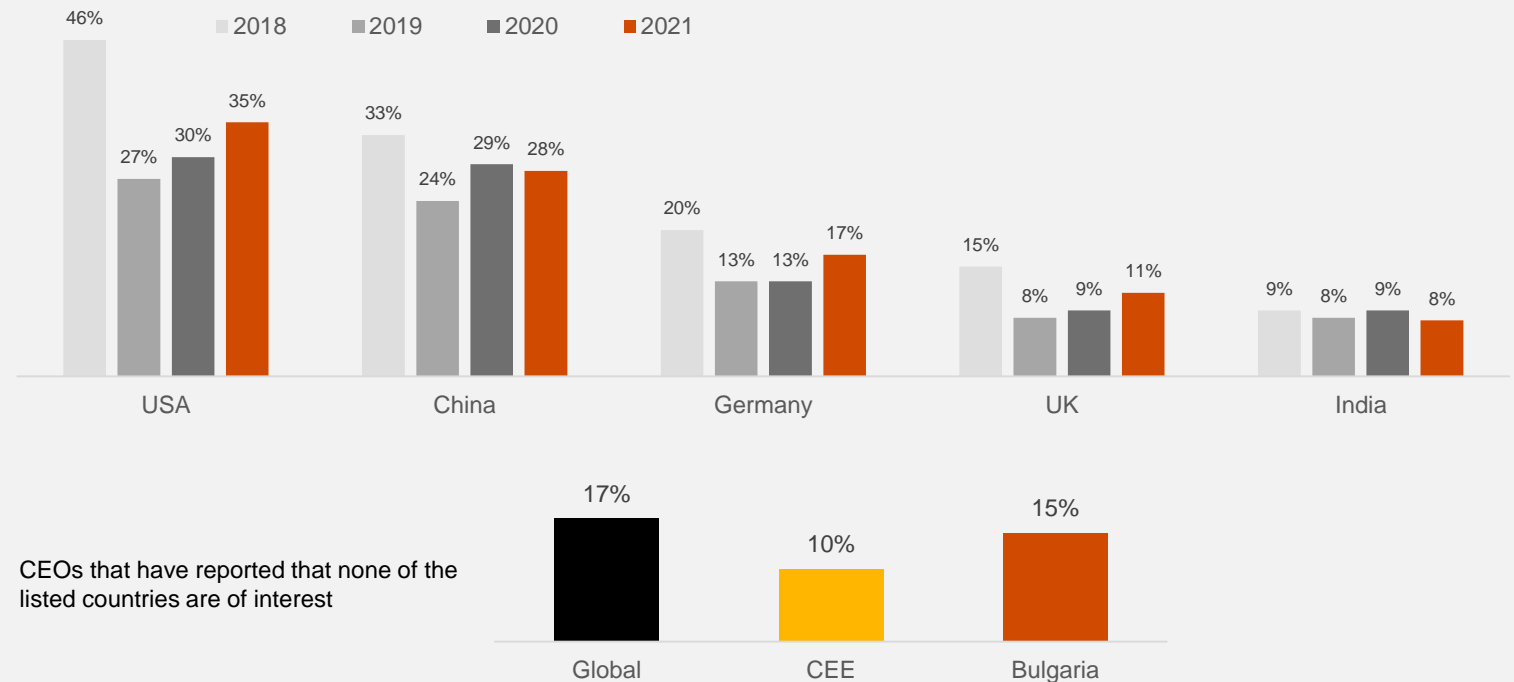
Bulgarian CEOs continue to see Germany as the most important territory for their business success, while China makes the top 5 for the first time

Q: Which 3 territories, excluding the territory in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months?

Answers by Bulgarian CEOs



Answers by global CEOs



Note: Not all figures add up to 100% as result of rounding percentages and excluding 'neither/nor' and 'don't know' responses.

Looking ahead: Is localisation the new globalization?

Extract from PwC's Take on Tomorrow Series

Tom Seymour, CEO of PwC Australia and Richard Oldfield, Partner with PwC UK

Multinational companies have capitalised on globalisation by expanding rapidly outside their home markets in the last two decades. Multinational corporations (MNCs) have placed global trade at the centre of their value creation strategies. From 2000 to 2018, US\$6.7tn of the US\$9.2tn in growth of assets of MNCs has come from foreign affiliates.

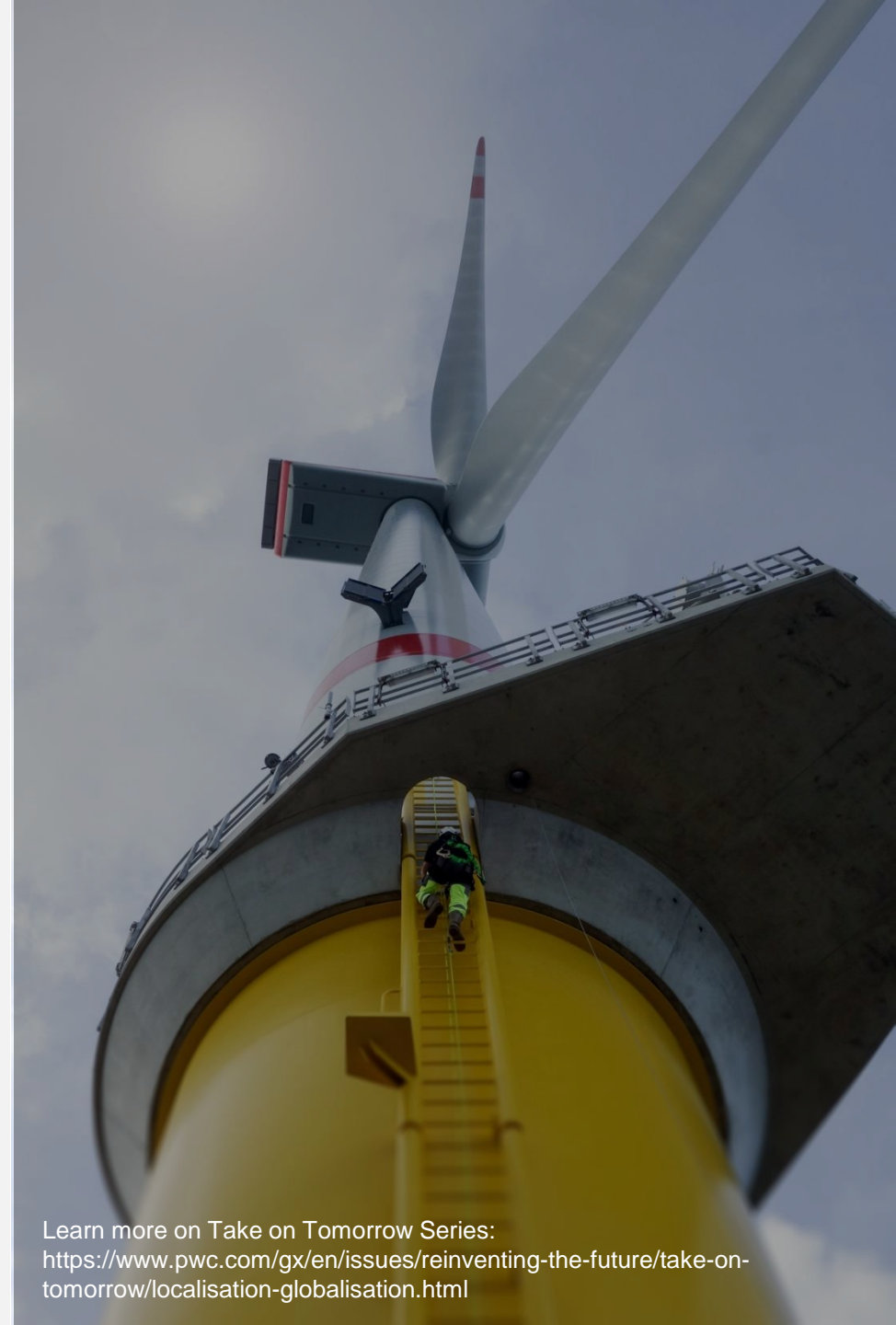
As we look to 2021 and beyond, it's clear that companies will be reckoning with a host of territorial disputes surrounding taxation, trade, regulation of vital industries and supply chains. Is localisation the new globalisation?

Global disputes—whether they are physical military conflicts or clashes over trade and tax—have always inevitably been linked to value. The good news is that the predominant means of dispute has shifted from physical military confrontations over the control of resources to a more nuanced set of disputes surrounding data, information and other intangible assets. Today, information, data and technology are the primary sources and stores of value. The most valuable companies in the world don't really own much in the way of reserves or physical assets. They own intellectual property, patents, R&D and their brands. They distribute their products and services via the internet and mobile networks. In trade, fundamental conflicts between major trading powers seem to be the order of the day. The US and China, the two largest economies in the world by GDP, remain mired in a series of trade disputes that have involved tariffs, challenges to market access and bans on specific companies.

When it comes to supply chains, localisation has taken on a different flavour. Due to the pandemic, countries have taken steps to build national stockpiles and encourage the domestic manufacture of critical goods such as medical supplies, PPE and ventilators—precisely so they won't be dependent on international trade to fulfil basic requirements. Meanwhile, countries large and small have taken steps to secure adequate supplies of vaccines for their own citizens. The moves, while completely understandable and in most instances necessary, will have the effect of further reshaping established trade links and supply chains—not just those surrounding pharmaceuticals and healthcare, but also for energy and food.

Taken together, the moves toward localisation are disrupting the equilibrium multinationals have come to enjoy in recent years. Localisation may not be with us to stay; as countries focus on promoting economic growth, they will likely return to globalisation as a path to prosperity. But in the interim, this is the new reality. So what does this mean for leaders operating in a global context today? A few things. Both strategies and tactics will have to evolve to be effective in the new realities. Don't assume that the forces that have led your organisation to fantastic global growth in the past will propel similar growth in the future. The global economy is still expanding, and new relationships and markets are continually being forged. But leaders must be prepared to negotiate a world, in which there are more local conflicts, considerations and barriers. Companies may have to evaluate carefully when it makes sense to shorten supply chains, even if some efficiencies may be lost temporarily. In this new world, leaders will have to dig in more deeply to develop the ecosystems that will enable localisation to succeed. That includes engaging with governments about the policies and structures that encourage resilience.

CEOs have to become more dialed in and attuned to regional and national changes in policy and their implications. And they may have to take a more selective approach to the appealing and vital imperative to break into new markets: they should invest internationally only if they have the acumen and capabilities to compete and thrive in a more geopolitically charged world.



Learn more on Take on Tomorrow Series:
<https://www.pwc.com/gx/en/issues/reinventing-the-future/take-on-tomorrow/localisation-globalisation.html>

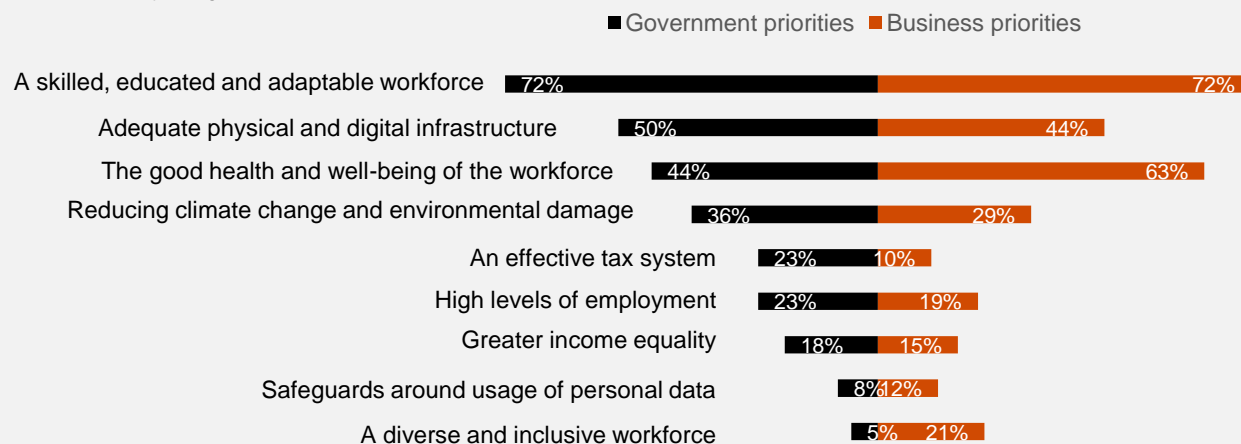
Government and businesses working together

When considering the division of roles and responsibilities in society, Bulgarian CEOs state that they see the achievement of educated and adaptable workforce as a joint effort between government and business, with equal contribution from both. At the same time, they see a much stronger role for businesses when it comes to the good health and well-being of the workforce – 63% state this as a priority for companies vs 44% see this on the agenda of governments. Human resources and related challenges are clearly a top-of-mind topic and while CEOs realise the necessity for government to provide the right market conditions through appropriate policies and reforms, they are also assuming their own responsibility, which is evidently factored in their strategies and investment plans.

Notably, Bulgarian CEOs prioritise wider societal topics such as reducing climate change and environmental damage and achieving greater income equality very much at par between businesses and government. This is in line with the globally observed trend of environmental, social and governance (ESG) commitments to enter more visibly and prominently the boardroom agenda. There is a clear realisation that no business can grow sustainably while wider community issues remain unresolved – and the need for social partnership between all the players in the ecosystem is the only way to achieve progress.

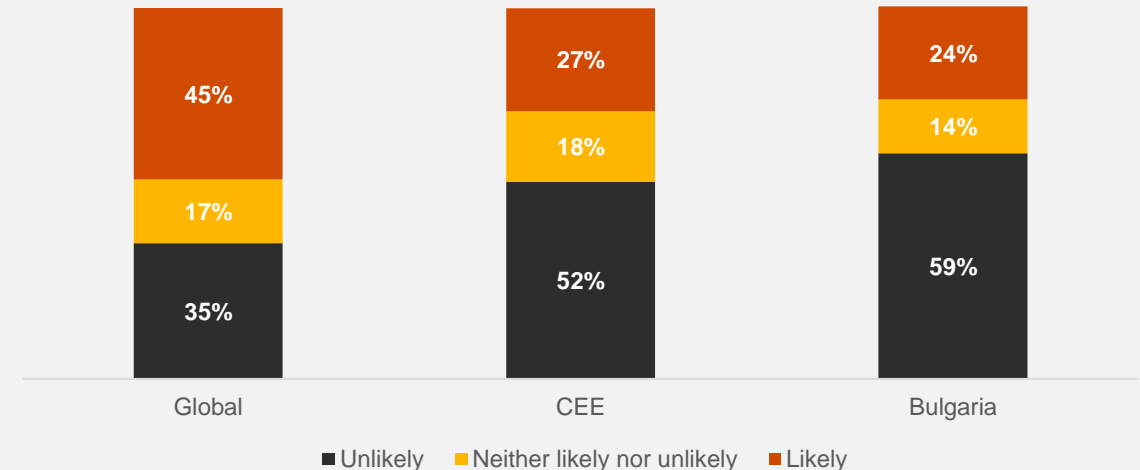
Q: Which three of these outcomes do you think should be government priorities / priorities for business to help deliver in the country/ territory in which you are based?

Answers by Bulgarian CEOs



Bulgarian CEOs are sceptical that recovery plans will strike a balance between short-term economic needs and long-term environmental goals

Q: How likely is it that the government's recovery plan of the country/territory in which you are based will effectively balance short-term economic needs with long-term environmental goals?



Note: Not all figures add up to 100% as result of rounding percentages and excluding 'don't know' responses; "likely" includes answers 'likely' and 'very likely'; "unlikely" includes answers 'unlikely' and 'very unlikely'.

In 2020, governments around the world launched various programmes to aid economic recovery and sustain growth. This is likely to come at a certain cost in future tax policies, which businesses need to consider and factor in their strategies accordingly.

One of the key programmes that will impact the future economic growth in the EU is the Recovery and Resilience Facility, which will provide 672.5 billion EUR in loans and grants to support reforms and investments to mitigate the economic and social impact of COVID-19, and to ensure that Member States are more resilient and better prepared for the challenges and opportunities of the green and digital transitions. Each National Recovery and Resilience Plan is to include a minimum of 37% expenditure dedicated to climate investments and reforms. Hence, a major portion of the funds will be allocated to sustainability projects and projects related to long-term environmental goals such as clean technologies and renewables, higher energy efficiency, sustainable transport and charging stations.

However, balancing between short-term economic needs and long-term environmental goals may be a challenge. The future effect of sustainability measures may not match the urgent necessities of businesses and sectors badly hit by the COVID-19 crisis. Thus, keeping the longer-term perspective will require a more strategic approach. CEOs realize the challenge that governments will face, but Bulgarian business leaders seem to be particularly skeptical about the outcome – 59% consider it unlikely that the government will succeed in achieving this balance vs only 35% globally.

The ESG agenda on the rise

As ESG topics are on the rise across the globe, they increasingly lead to organisations adapting their strategies and embracing a more prominent stance on responsibility towards environment and society. The COVID-19 crisis strengthened the realisation that wide societal collaboration is key to resolving crises of such proportion and impact. A number of businesses started reconsidering their purpose and wider impact on different stakeholders. The share of respondents who confirm to be making changes in their organisational purpose to better reflect the role they play in society among Bulgarian survey participants is highest among the three peer groups (36%), while another 13% are considering such a change.

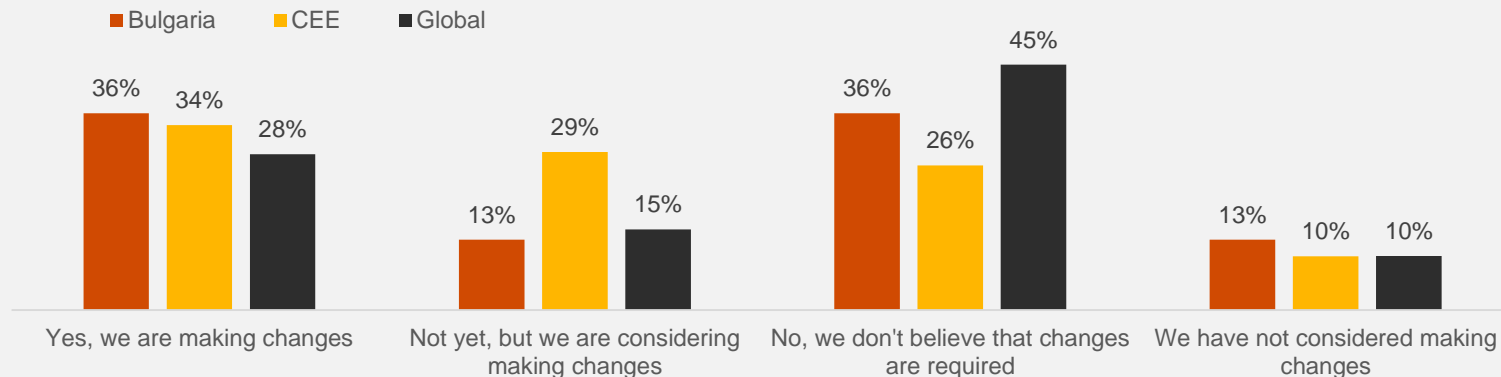
In order to achieve a wider impact beyond the traditional financial performance, businesses need to set clear non-financial goals in their strategic plans and be prepared to measure the created value. And in order to engage productively with a wide range of stakeholders with ever-growing expectations, companies need to report and communicate the progress in their commitments.

The elusive topic of innovation is stated as a priority by both Bulgarian (54%) and global CEOs (55%) as an area of impact they would like to measure more reliably, followed by business strategy. In line with the prioritisation of their risks, Bulgarian business leaders rank third the need to measure the impact of their workforce practices, while for global CEOs the #3 area is environmental impact.

Interestingly, when it comes to reporting, environmental impact makes it to the top 3 areas where more effort is needed according to Bulgarian survey participants, together with innovation and organisational purpose and values. The local perspective is aligned with the areas chosen by global CEOs.

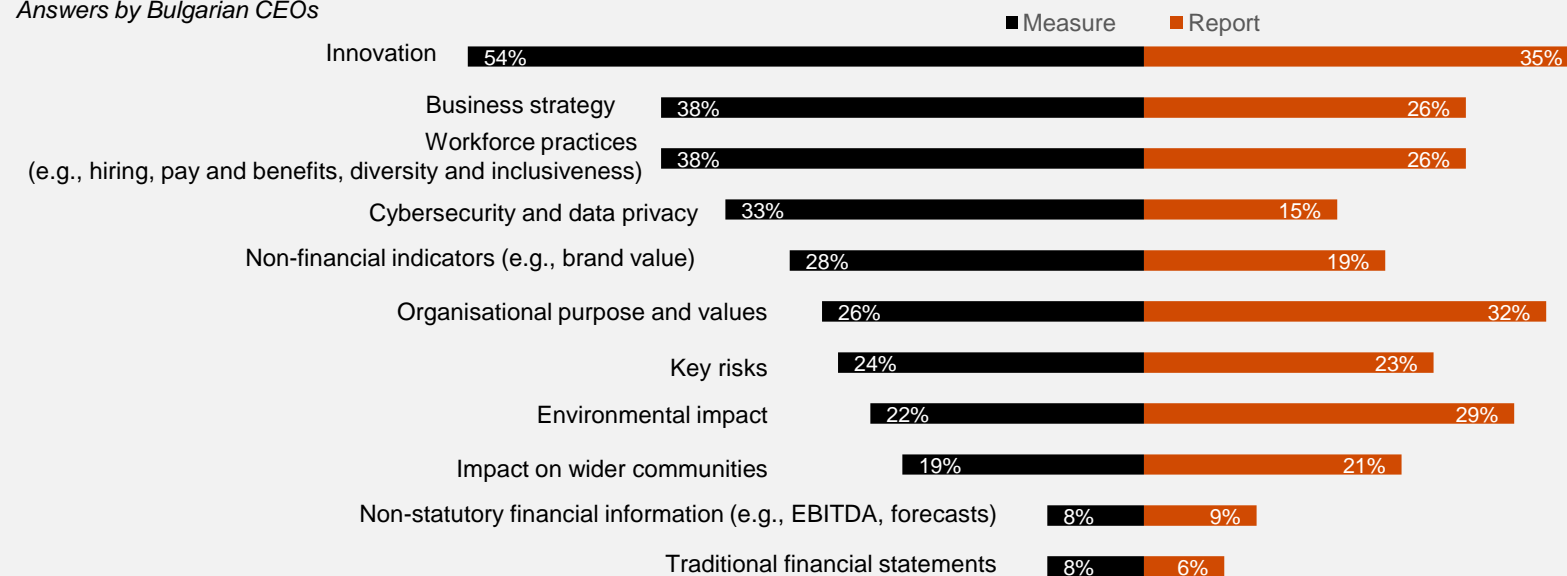
The environmental, social and governance agenda is becoming a topic for Bulgarian CEOs

Q: As a result of the COVID-19 crisis, are you making any changes to your organisational purpose to better reflect the role your organisation plays in society?



Q: In which of the following key areas of impact and value do you believe your organisation should be doing more to measure / report?

Answers by Bulgarian CEOs



Looking ahead: How ESG will drive the next level of transformation

Extract from PwC's Take on Tomorrow Series

Peter Gassmann, Global ESG Leader and Colm Kelly, Global Leader for Purpose, Policy and Corporate Responsibility

Even before COVID-19 upended business and society, the environmental, social and governance (ESG) movement was gaining steam. Far-reaching challenges such as climate change and economic inclusion concentrated the minds of investors and executives on the importance of long-term priorities and non-financial reporting. Then the global pandemic heightened awareness of how interconnected we all are, and how central trust and transparency are to the economy's operation. We believe these crosscurrents are coming together to propel the next wave of corporate transformation: the ESG transformation. Like digital, ESG has the potential to revamp how successful organisations plan, implement and operate. . Also like digital, ESG is a sprawling topic, making it challenging for organisations to know where to begin.

With digital transformation still a work in progress for most companies, the notion of tackling another big transition may seem daunting. We'd suggest, though, that deferring the ESG transformation creates the risk that as you rewire your company, you will hard-wire in old value creation models that can't meet the concerns of your stakeholders and the long-term needs of your business. It also becomes increasingly likely that you will fail to manage very real and material risks and you will find yourself out of step with your shareholders. To understand what it looks like to start such a transformation, consider the recent experience of an industrial company, which has begun taking far-reaching steps to put itself on a more sustainable trajectory in terms of both climate and stakeholder concerns.

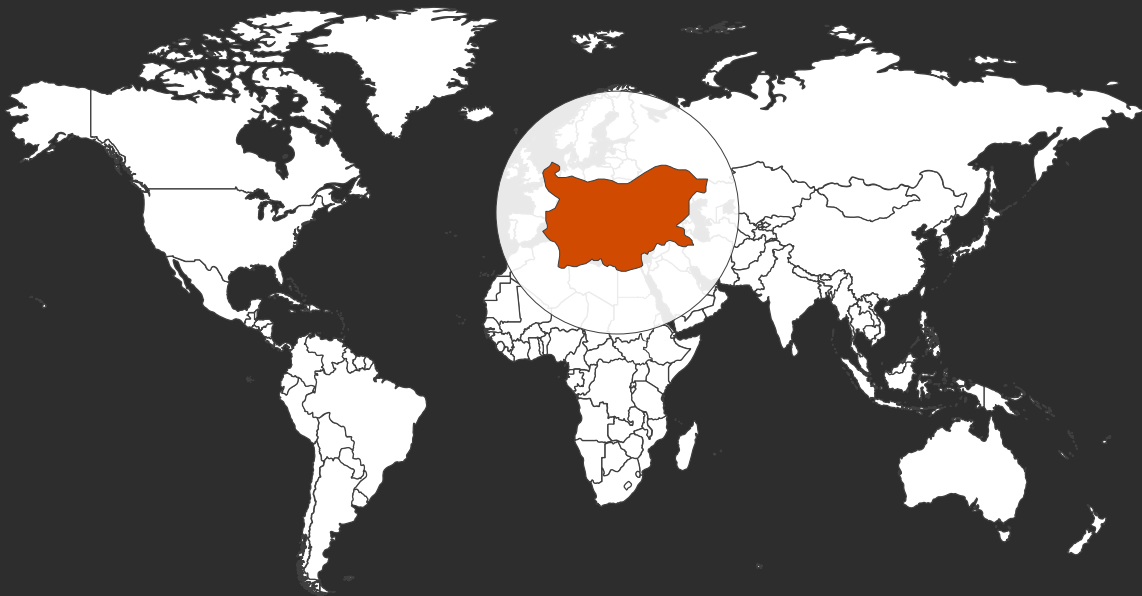
The company began by setting a clear ambition centred on bold targets, initially aiming for short-term operational emissions reduction targets and to become a net-zero company by 2050. The organisation elevated sustainability to a strategic priority, and identified a set of supporting management interventions, starting with a revamped planning process with sustainability at its core. The company studied new energy technologies, in areas such as wind, solar, batteries and hydrogen, along with emissions reductions technologies such as carbon capture. Based on the insights from those findings, the company developed a portfolio strategy out to 2050, showing the rate at which it would need to divest traditional businesses and power sources, and how quickly it would need to replace those with greener options. To create early options, the company created a venture fund that could identify and invest in promising technologies, through straight investments in some cases and joint ventures in others.

The company also applied a sustainability lens to future capital investments. For example, before constructing a new facility, the organisation had previously conducted traditional financial analyses such as net present value, so that it could determine if that facility represented the best use of capital. In that analysis, the carbon component was relegated to an afterthought. But the company realised that this approach was no longer sufficient. By factoring in carbon in a more explicit way, the company actually changed the design and construction methods for new sites, to reduce emissions and support the sustainability goals. To cement those goals in the minds of executives, the company set aside millions of dollars in management incentives linked to sustainability performance. This example is focused on climate sustainability, and ESG encompasses societal issues in the same way and for the same reasons. Many companies are already working equally successfully to respond to these issues using the same approach. The ESG transformation journey will focus on both.



Learn more on Take on Tomorrow Series:
<https://www.pwc.com/gx/en/issues/reinventing-the-future/take-on-tomorrow/esg-transformation.html>

Participants snapshot



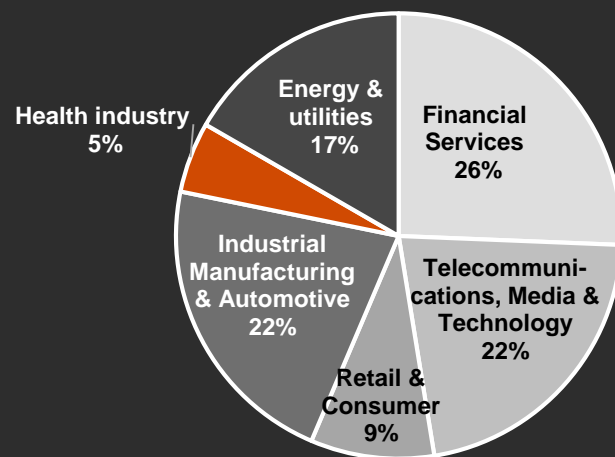
78 Bulgarian business leaders completed the CEO Survey



72% of the respondents are male



5050 CEOs interviewed in **100** countries globally



Credits

Research and project team

Albena Markova
Margarita Apostolova
Martin Bakardzhiev

Marketing and editorial

Velina Yosifova
Lilyana Dinkova
Albena Markova

Data analysis

Data analysis was coordinated by PwC UK, located in Belfast, Northern Ireland

Find out what global business leaders had to say

by visiting www.pwc.com/ceosurvey, where you can dig deeper and uncover current perspectives

Want to take part in the discussion next year?

If you are a CEO interested in participating in next year's survey, please contact Velina Yosifova (velina.yosifova@pwc.com) and share your thoughts with us

Bulgarian CEO Survey as part of PwC's 24th Annual Global CEO Survey

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