



Are the CEOs confident about a new growth trajectory?

EY CEO Outlook Pulse – Italy findings
February 2023



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The better the world works.

About the study

Designing and delivering a strategy to optimize value for all stakeholders has never been more challenging. CEOs are confronted with a growing number of emerging risks and challenges triggered by external events and disruption. It requires CEOs to adapt quickly and lead their organizations through these uncertain times, with a clear purpose communicated to all stakeholders.

In turn, we need to adapt our approach moving from a long annual survey to quarterly pulses. The new CEO Outlook Pulse aims to provide valuable insights on the main trends and developments impacting the world's leading companies as well as business leaders' expectations for future growth and long-term value creation.

Each issue will focus on some consistent questions on global challenges and opportunities, growth strategy, portfolio optimization, and mergers and acquisitions (M&A) as well as take a deeper dive into relevant thematic topics as they unfold.

Produced in association with



Participant profile:

1,200 CEOs surveyed in November 2022
50 CEOs surveyed in Italy in November 2022

Countries:

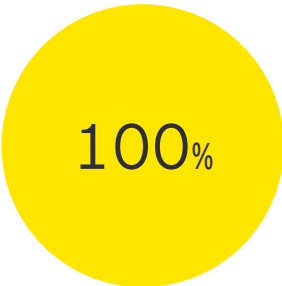
- ▶ **Americas:** Brazil, Canada, Mexico, United States
- ▶ **Europe:** Benelux (Belgium, Luxembourg, Netherlands), France, Germany, Italy, Nordics (Denmark, Finland, Norway, Sweden), United Kingdom
- ▶ **Asia-Pacific:** Australia, China, India, Japan, Singapore, South Korea

Industries:

- ▶ Advanced manufacturing and mobility
- ▶ Consumer products and retail
- ▶ Energy and resources
- ▶ Financial services
- ▶ Health sciences and wellness
- ▶ Technology, media and telecoms

CEO Outlook Pulse - Italian findings

CEOs are downbeat on the outlook for the global economy and their own sector, but they are looking to embed lessons learnt from the pandemic to navigate headwinds



of CEOs expect an economic slowdown

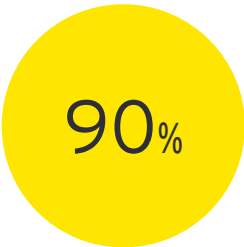


of respondents consider geopolitical tensions as the greatest risk to business growth

The talent agenda has been recast, with CEOs embracing the new ways of working in a post-COVID-19 pandemic world

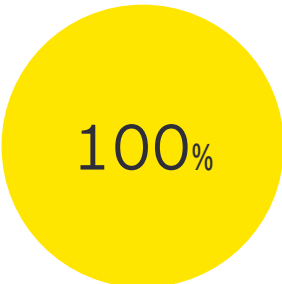


of respondents is focusing on driving efficiency into operations through cost reduction, capital expenditure review, net working capital optimization etc.

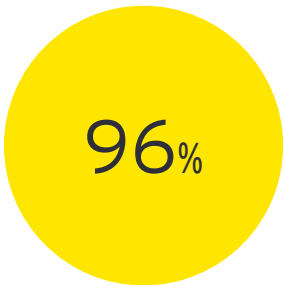


of CEOs is considering talent related measures in response to economic slow down

Dealmaking remains a priority for CEOs to build capabilities, with smaller acquisitions and corporate alliances expected to drive the deal market



of respondents expect to actively pursue a transaction over the next 12 months, with 46% looking to buy assets, 40% looking to divest, and 56% looking to enter a joint venture (JV) or strategic alliance



of CEOs will look to conduct M&A in countries geopolitically and economically aligned with their home country

5 key considerations for CEOs in 2023

Given the robust deal appetite, CEOs clearly still recognize the accelerated transformation opportunities of M&A and are pursuing transactions to help position their organizations for future growth. There is still a strong appetite for cross-border investments, but CEOs will be more selective in who they do deals with in 2023 and will pursue transactions within friendly pockets rather than applying a truly global approach.

1 Get ahead of potential developments

- ▶ CEOs should use scenario planning to understand the possible futures for their business and plan for a number of different outcomes

2 Continually reassess everything

- ▶ CEOs should analyze every aspect of their current business, operations, portfolio and ecosystem. They should also consider if the aspects are additive or dilutive to their journey and be prepared to make quick decisions on buying, building, partnering - or letting go.

3 Look up to see further

- ▶ Despite the understandable inclination to manage through near-term complexities and challenges, CEOs also need to remain focused on longer-term opportunities for growth.

4 Stay close to the customer

- ▶ Whether it is investing in new technology to foster loyalty or continuing to align with ever-increasing ESG expectations, CEOs should remain laser-focused on their consumers through turbulent times.

5 Be bolder by design

- ▶ Previous recessions have shown that CEOs who invested in future capabilities during the downturn benefited the most during the upturn. Being bold to accelerate your strategy could pay dividends at a later date.

1 Macroeconomic and geopolitical environment

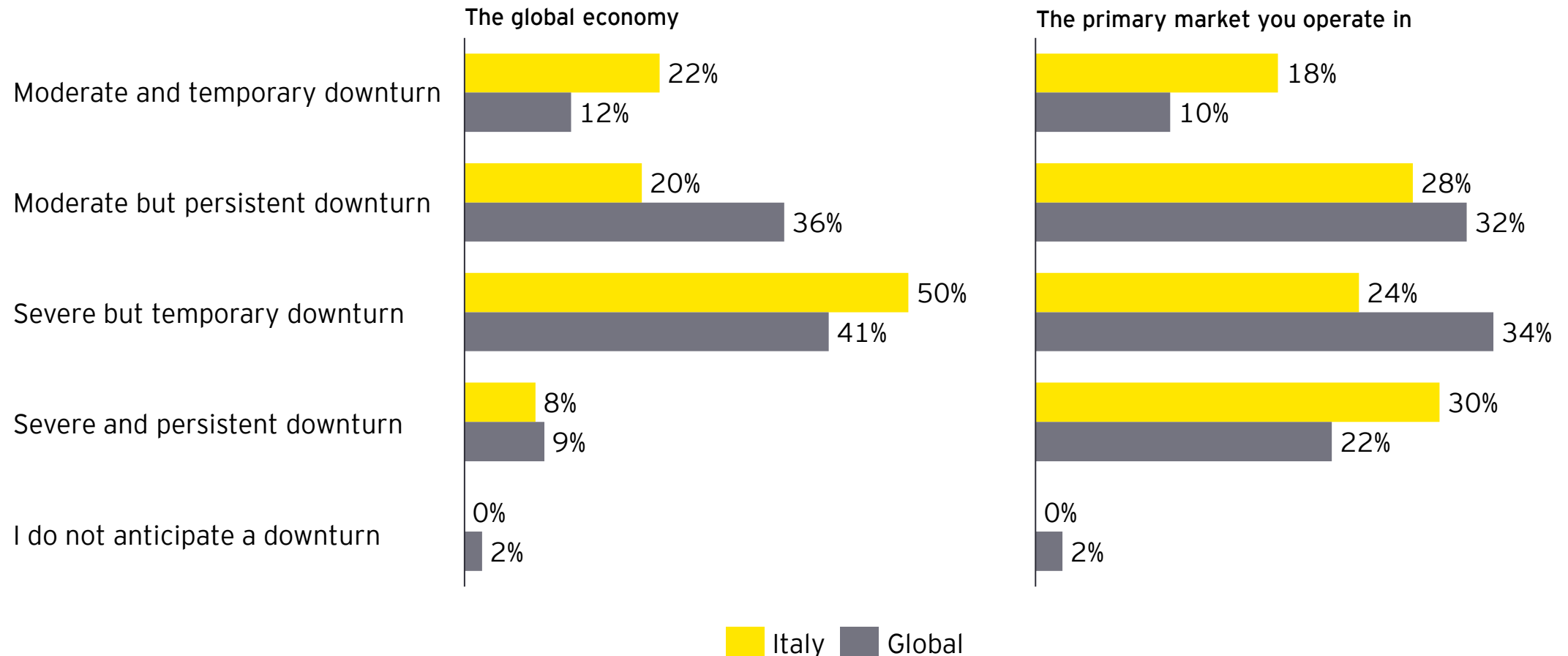


While the vast majority of CEOs expect a recession, there is little consensus on its length, depth, and severity

Q

Considering the current global macroeconomic environment, what scenario are you planning for in connection with a potential economic downturn?

[The respondents were allowed to select one option for each statement]



CEOs have not homogeneous opinions over policy capability to mitigate the downturn

Q You have indicated you are planning for a severe or persistent downturn in the global economy and/or your primary market. To what extent do you agree or disagree with the following statements?

[Only the respondents who selected 'Moderate but persistent downturn' or 'Severe but temporary downturn' or 'Severe and persistent downturn' were allowed to answer this question]

Italy

This downturn will be different from previous slowdowns, as it will be exacerbated by geopolitical tensions, supply chain disruption, talent shortages and ongoing COVID-19 uncertainty



This recession will be worse than the global financial crisis in terms of how deep the downturn is and how long it lasts



Few members of our senior leadership team have experience in managing a business through a downturn of this uncertainty and volatility



I have confidence that fiscal and policy decisions will mitigate the worst of a downturn and shorten its length



Global

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Strongly agree Somewhat agree Neutral Somewhat disagree Strongly disagree

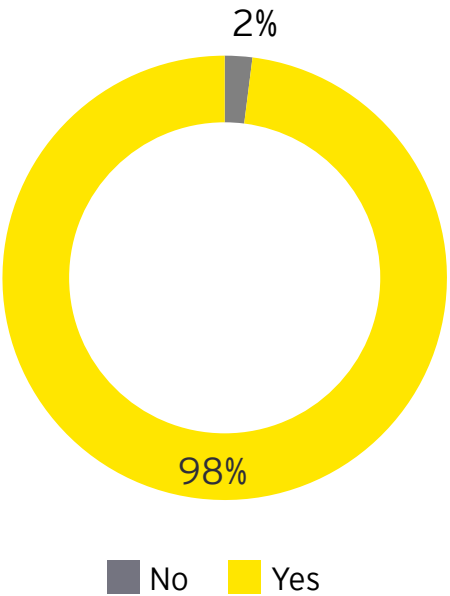
Geopolitical challenges are compelling CEOs to act decisively

Both global and Italian operations are being reconfigured and investments delayed

Q As a result of geopolitical challenges, have you made any of the following alterations to your strategic investment plans?

[The respondents were allowed to select multiple responses]

Italy



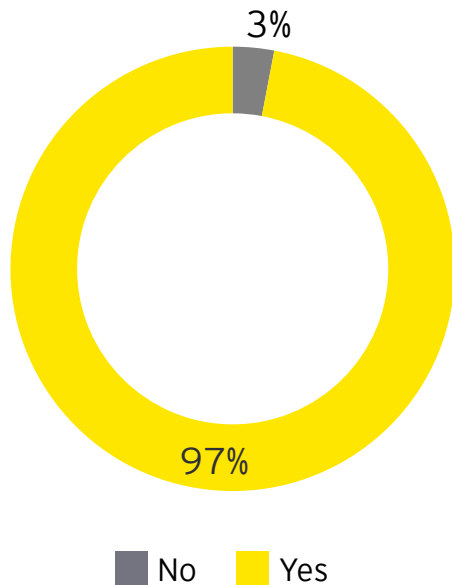
Geopolitical challenges are compelling CEOs to act decisively

Both global and Italian operations are being reconfigured and investments delayed

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[The respondents were allowed to select multiple responses]

Global



Restrictive regulatory, trade and investment policies have supplanted ongoing COVID-related issues

Q

You have said that geopolitical challenges have led you to alter your strategic investment plans – what is the main driver for that decision?

[Single select question. Only the respondents who chose 'Yes' to the preceding question were allowed to answer this inquiry]

	Americas	APAC	Europe	Global	Italy
Restrictive regulatory, trade and investment policies	27%	24%	26%	28%	29%
Political and policy uncertainty	24%	25%	25%	24%	24%
The war in Ukraine	9%	8%	15%	10%	22%
Economic and diplomatic relations with China	19%	24%	16%	19%	16%
Ongoing pandemic-related issues	21%	19%	18%	19%	8%

With respect to the findings reported in October 2022 survey issue, restrictive regulatory, trade and investment policies have supplanted COVID-related matters as the key reason for altering international investment plans, with 29% citing it as their main driver.

Furthermore, the war in Ukraine shrunk in ranking, down from 39% in October 2022.

Pandemic-related concerns have now been supplemented by a host of other interconnected issues threatening CEO growth strategies

Q

Which of the following do you consider to be the greatest risks to the growth of your business?

[The respondents were allowed to select up to three responses]

	Americas	APAC	Europe	Global	Italy
A further increase in geopolitical tensions	32%	28%	31%	30%	40%
Climate change impacts and pressures to build sustainability	29%	28%	28%	28%	38%
Uncertain monetary policy direction and an increase in the cost of capital	30%	31%	35%	32%	36%
A continuation/return of pandemic-related disruptions (e.g., lockdowns, supply chain disruptions)	34%	29%	32%	32%	34%
A regionalization/fragmentation of the global economy	30%	32%	29%	30%	30%
More restrictive regulatory environments in key markets	29%	30%	31%	30%	26%
Increasing cybersecurity risks	33%	31%	28%	31%	24%
A sustained period of higher input prices and inflation	31%	32%	31%	31%	20%
Scarcity and cost of talent with the right skills to accelerate growth	30%	29%	29%	30%	20%

Responding to new realities: strengthening innovation and talent management

Q

In order for your organization to emerge from a potential downturn in a position stronger than its competitors, in which of these areas would you need to lean-in to and increase investment?

[The respondents were allowed to select up to three responses]

	Americas	APAC	Europe	Global	Italy
Sustainability, including net zero and other environmental issues, as well as societal priorities	40%	38%	40%	39%	50%
Innovation and R&D, including product/service innovation and corporate venturing	37%	42%	37%	38%	44%
Talent, including workforce wellbeing and skills development	36%	38%	35%	36%	38%
Digital transformation - data and technology	37%	36%	38%	37%	38%
Resilience, including managing geopolitical risk and building digital trust (cybersecurity)	40%	34%	36%	37%	34%
Operations, including internal functions, such as finance, accounting, and supply chain and logistics	40%	39%	41%	40%	32%
Marketing, including the customer experience	40%	38%	36%	36%	30%



2 Strategy and strategic challenges

CEOs making bold, but measured, moves to support the ambition to grow in an uncertain environment

Q

Which of the following are the most important strategic actions your company will pursue in the next six months?

[The respondents were allowed to select up to three responses]

	Americas	APAC	Europe	Global	Italy
Build sustainability/ESG as a core aspect of all products and services to engage customers	35%	30%	32%	33%	50%
Invest in early-stage businesses to enhance existing portfolio, access new talent or create new business platforms	30%	32%	36%	33%	44%
Acquire a business in an adjacent sector to create new growth avenues	29%	30%	30%	30%	38%
Adopt new working models/talent strategy to attract and retain employees	29%	30%	29%	29%	32%
Boost customer loyalty using technology to optimize product suite/services	34%	31%	32%	32%	28%
Adapt supply chain for resiliency	30%	30%	28%	30%	24%
Adopt new pricing constructs or innovative pricing models to improve profitability	31%	29%	30%	30%	22%
Divest assets to raise capital to invest in other parts of the business	27%	30%	26%	27%	16%
Maintain/improve performance and margins in an economic downturn	31%	25%	30%	29%	14%

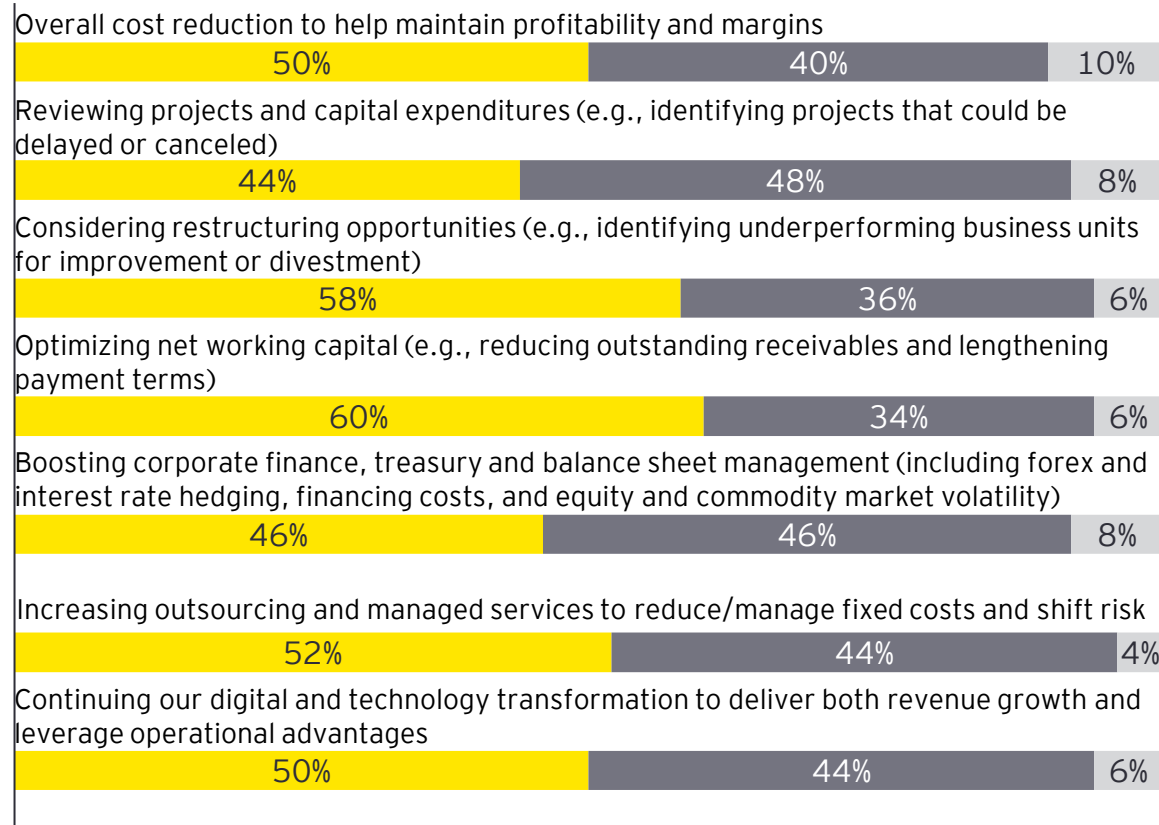
Investment plans are being balanced with a strong focus on getting the fundamentals right

Q

To what extent are the following initiatives a priority for your business over the next six months?

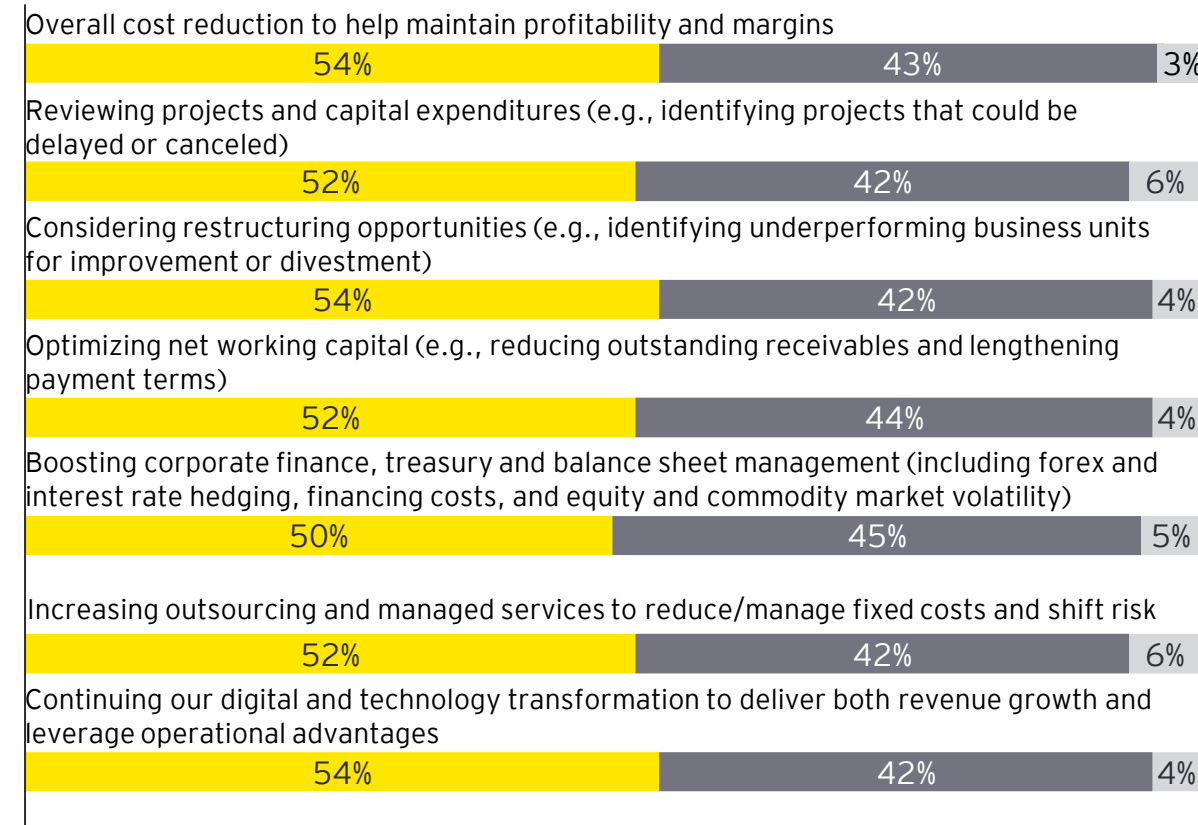
[The respondents were allowed to select one option for each statement]

Italy



Very important Fairly important Not important

Global



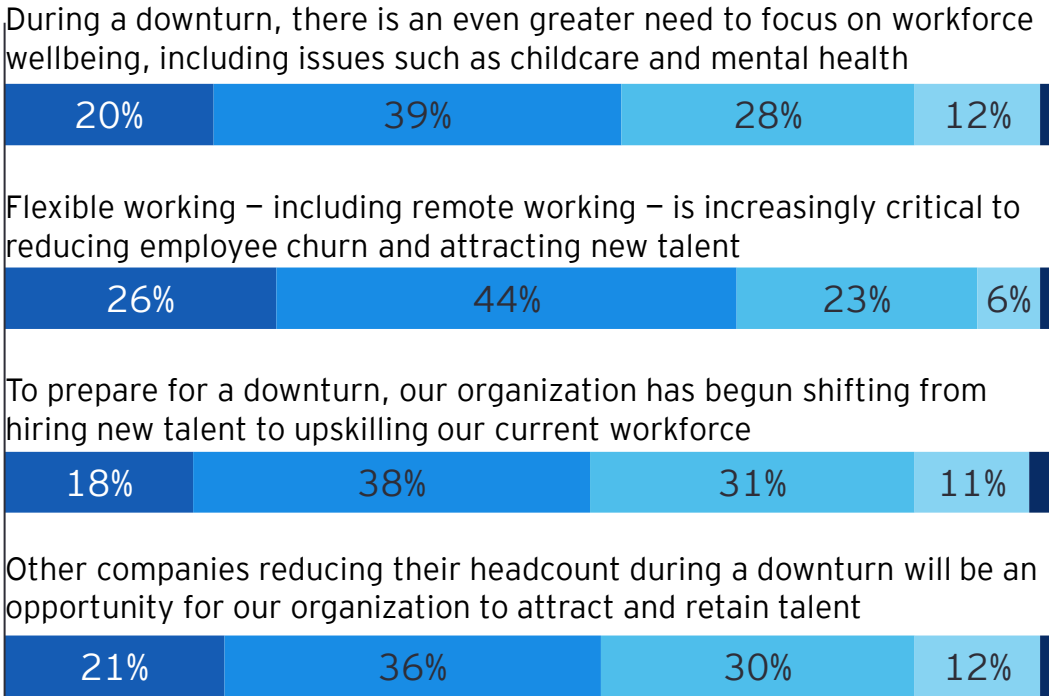
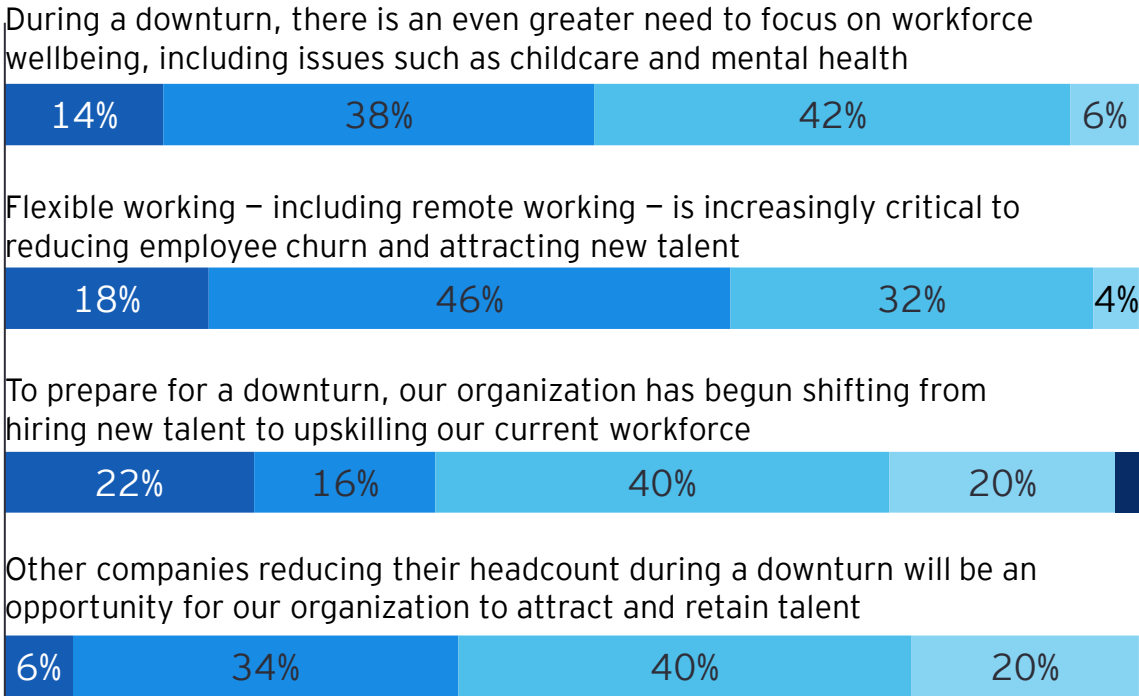
The talent agenda has been recast, with CEOs embracing the new ways of working in a post-COVID-19 pandemic world

Q Thinking about talent, skills, and employee resilience, to what extent do you agree or disagree with the following statements?

[The respondents were allowed to select one option for each statement]

Italy

Global



Strongly agree Somewhat agree Neutral Somewhat disagree Strongly disagree

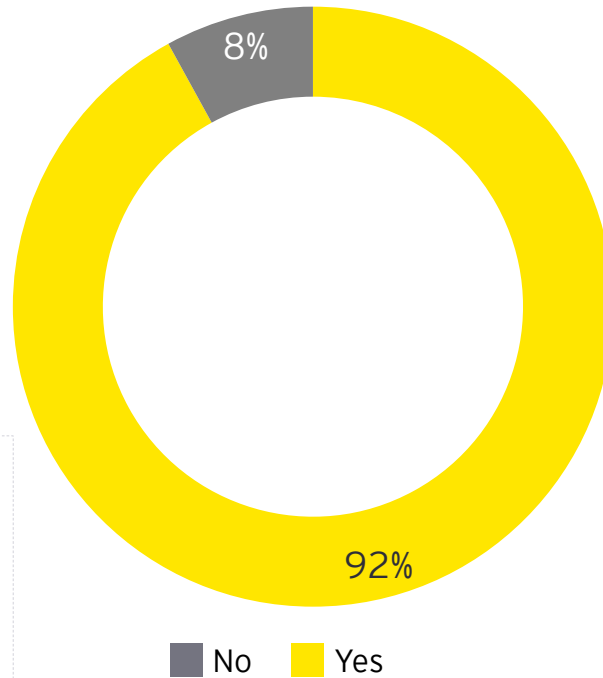
Responding to new realities: adapting the talent agenda

Q

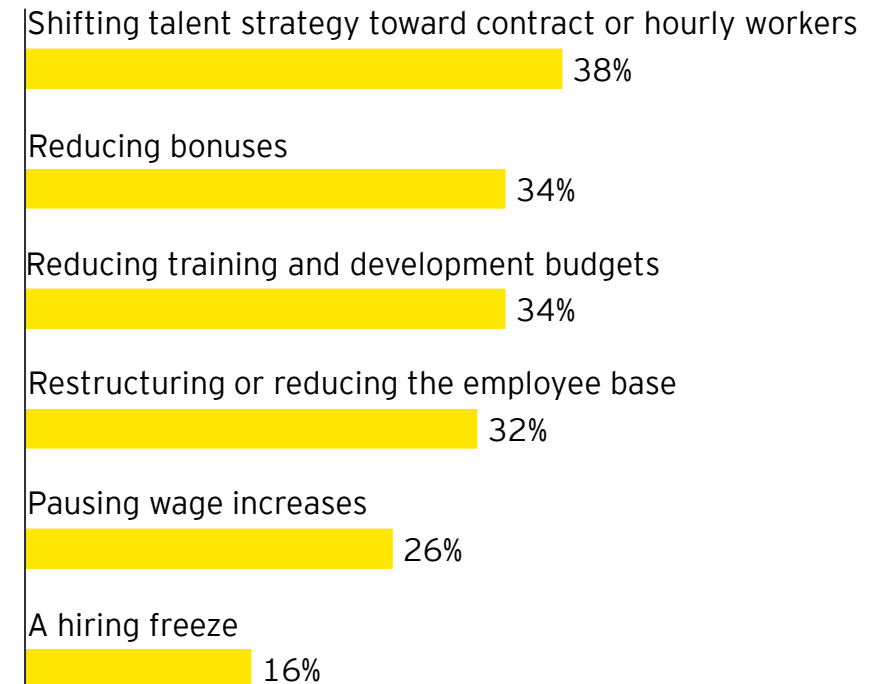
In response to economic headwinds, are you planning or considering any of the following steps in the near-term?

[The respondents were allowed to select multiple responses]

Italy



We are confident about our growth trajectory and continue to invest in our employees and will look to attract high-quality talent during any downturn

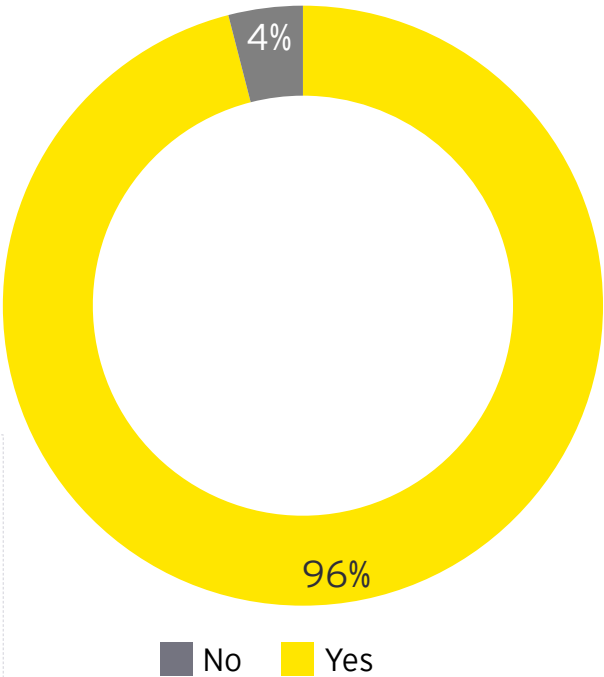


Responding to new realities: adapting the talent agenda

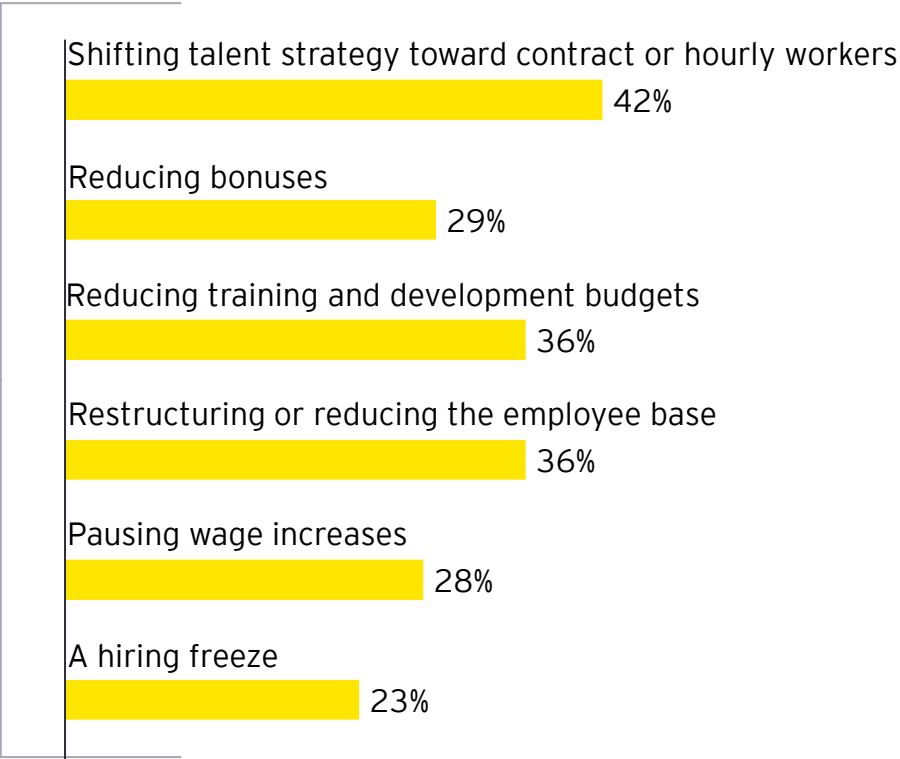
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Transactions to transformation

Portfolio transformation still high on the strategic agenda

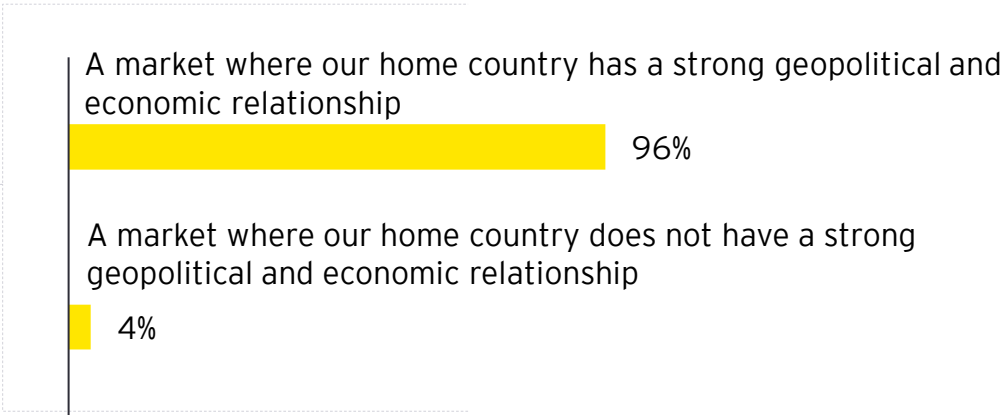
Q Do you expect to actively pursue any of the following transaction initiatives over the next 12 months?

[The respondents were allowed to select multiple responses. The percentages are prorated to 100% for 'Yes/No' responses]



Q What is the top destination where your company is most likely to pursue an acquisition in the next 12 months?

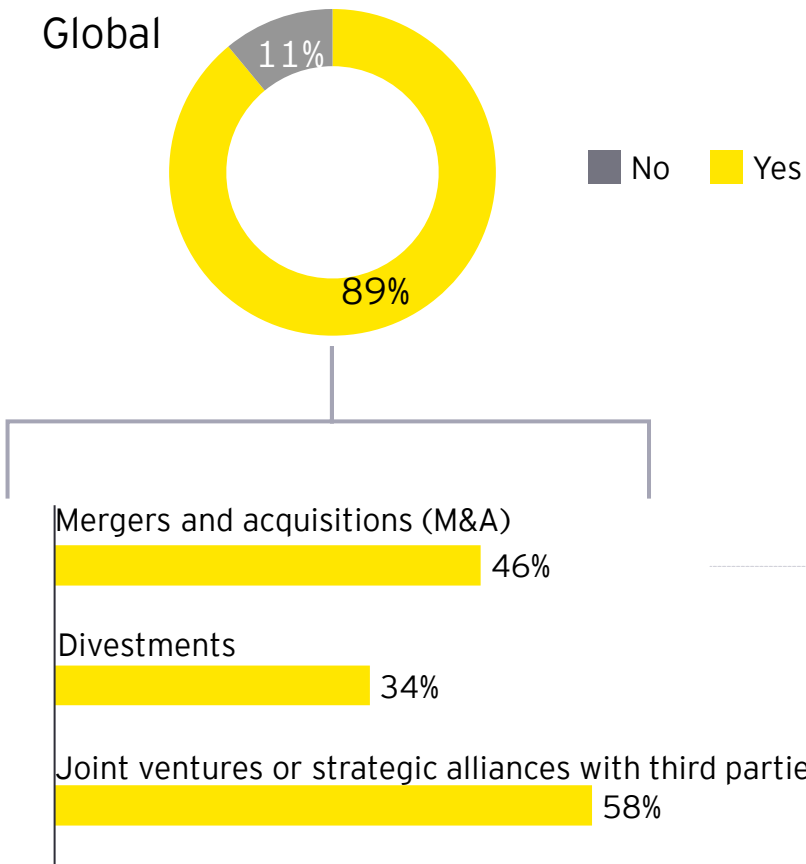
[Only the respondents who selected 'Mergers and acquisitions (M&A)' were allowed to answer this question]



Portfolio transformation still high on the strategic agenda

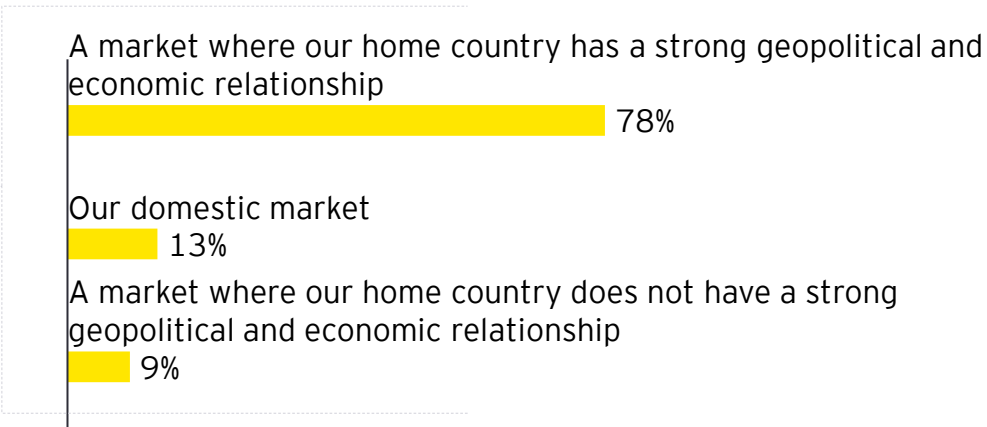
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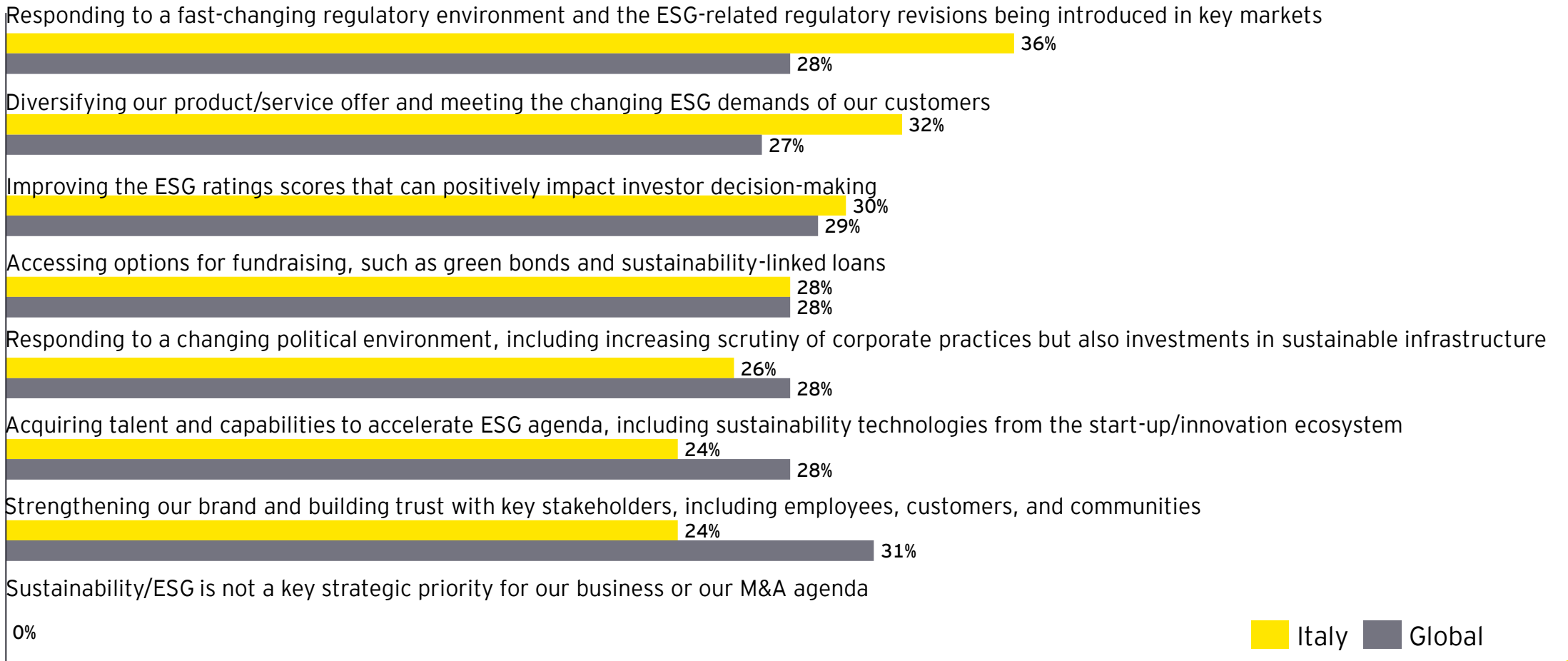


Responding to new realities: embedding ESG in corporate strategies

Q

What do you think are the primary advantages of embedding ESG factors into your corporate strategy, M&A agenda and portfolio transformation?

[The respondents were allowed to select up to two responses]





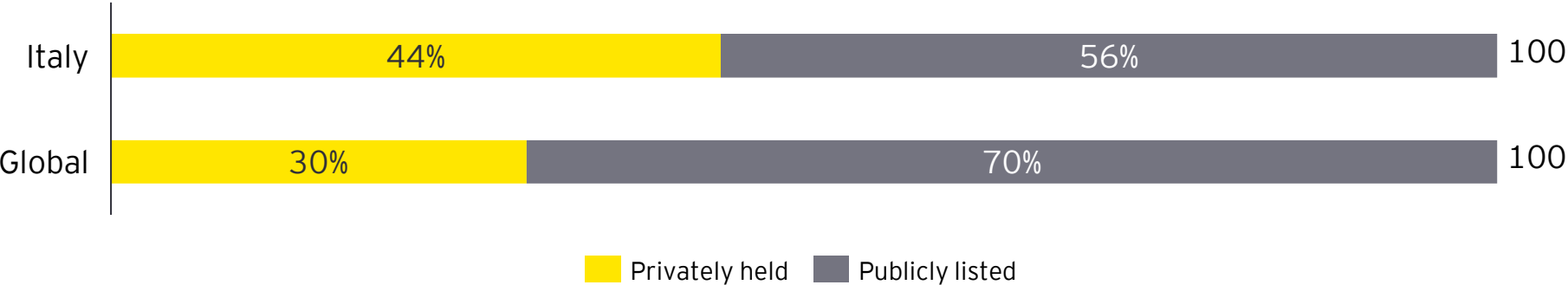
4

Participant
profile

Participant profile

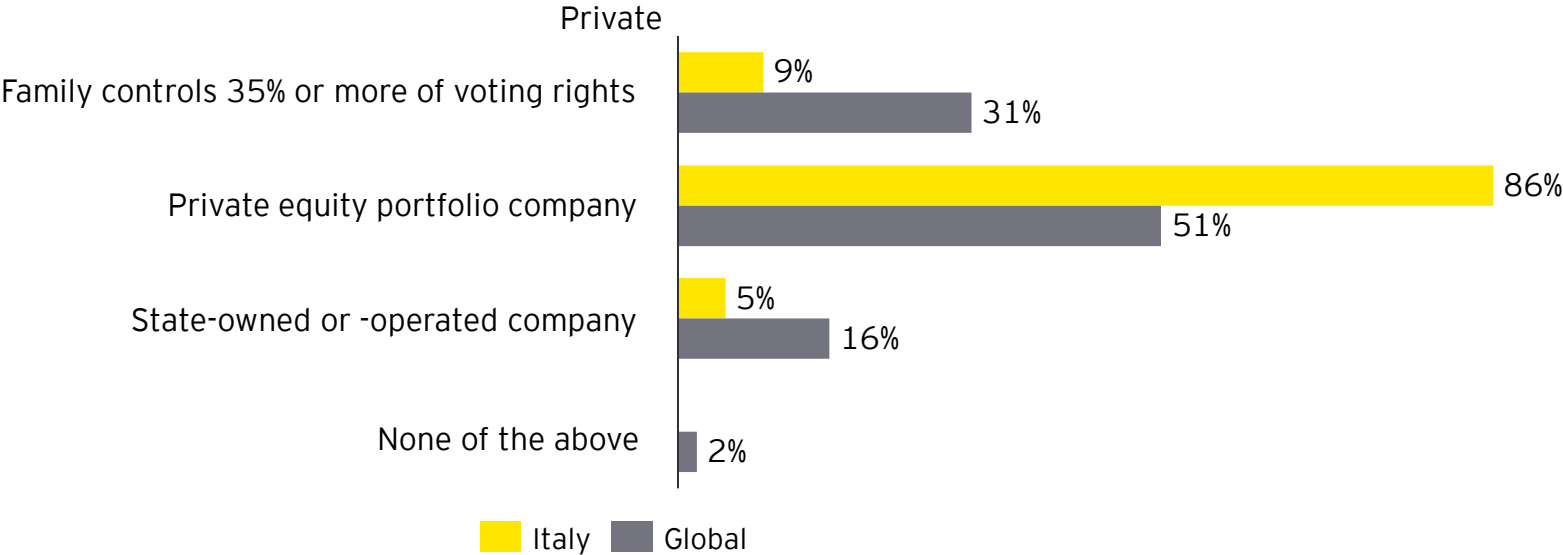
Q

What is your organization's ownership structure?



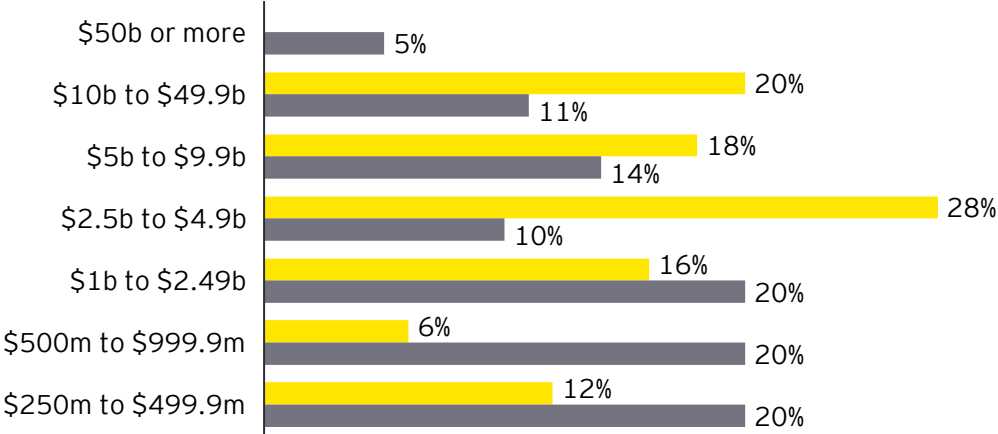
Q

Which of the following, if any, apply to your organization's ownership structure (only for 'Privately held')?



Participant profile

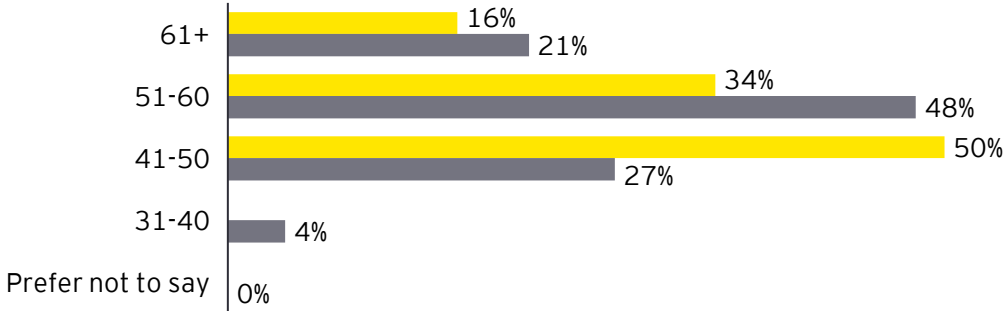
Q What was your organization’s annual revenue in the last fiscal year (in US dollars)?



Q For statistical purposes only, please confirm your gender



Q Please confirm which age group you fall into



Italy Global



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