

Communications



43

CEOs interviewed in 28 countries

93%

of communications CEOs are somewhat or very confident they will see revenue growth in the next twelve months

See page 1

51%

of communications CEOs plan to raise headcount

See page 3

Over the past 20 years, communications CEOs have witnessed astounding change within the industry—from analog to 6G networks and the dawn of the Internet-of-Things. It's incredible to think back on how dynamic mobile, satellite, cable, and telecom companies have been—and continue to be—in order to transform their businesses to digital telcos.

This year, our 20th CEO survey highlights areas of growth, talent, trust, and globalisation within the industry. We surveyed 43 CEOs in 28 countries who, for the most part, are relatively optimistic for their organisations as well as the industry's future.

Competing in an age of divergence

Communications CEOs are some of the most confident about future revenue growth

Ninety-three percent of communications CEOs are somewhat or very confident they will see revenue growth in the next twelve months—slightly higher than all industry CEOs (85%) and even higher than the technology industry (87%). Notably, however, the subset of **communications CEOs that are very confident (56%) is one of the highest of all industries surveyed—and 18% higher than the global results of 38% (see Figure 1).**

These numbers reflect the upward trend in communications CEO confidence that we've seen over the past five years of this survey.

Looking at long-term potential, 56% are also very confident in their company's prospects for revenue growth in the next 3 years, over that of all industry CEOs at 51%.

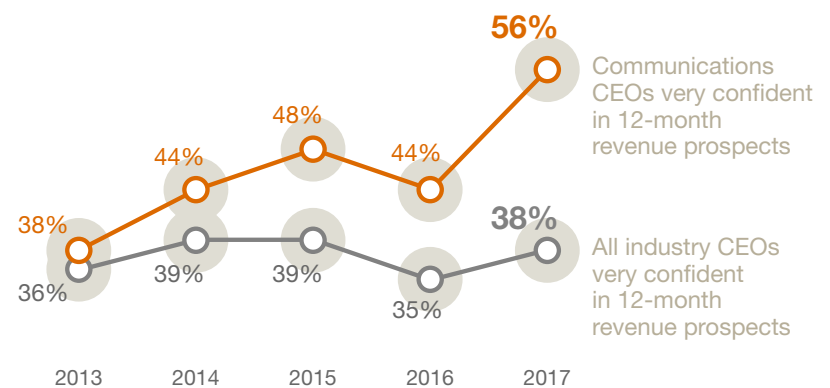
Communications CEOs are creating their own opportunities

Organic growth serves as a driver for corporate growth and profitability in the coming twelve months for communications companies—with 93% of CEOs agreeing on this. Additional growth comes from such areas as new strategic alliances or joint ventures, and cost reduction (see Figure 2).

Why such optimism? CEOs have learned to be comfortable with the opportunities that uncertainty brings. They recognise it's not enough to focus on organic growth and cost reductions alone, and as a result, communications CEOs are prioritising investment in innovation, human capital, and digital & technology capabilities in order to capitalise on new opportunities (see Figure 3).

Figure 1 Confidence about future growth

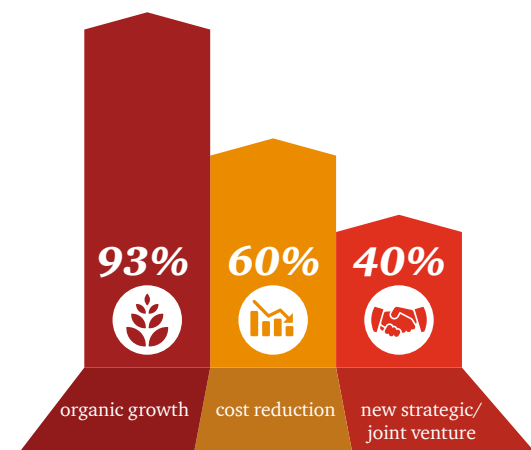
Q: How confident are your company's prospects for revenue growth over the next 12 months?



Source: PwC, 20th CEO Survey

Figure 2 Organic growth is seen as a driver for corporate growth and profitability

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



Source: PwC, 20th CEO Survey

Where are we growing?

Interestingly, when asked “which three countries, excluding the one in which you are based, do you consider most important for your organisation’s overall growth prospects over the next 12 months?” the US jumped ahead of China for potential growth for both the communications as well as all industries. Specific to communications, the US (44%), China (33%), UK (21%), and Germany (9%) are key markets for potential growth in the coming year.

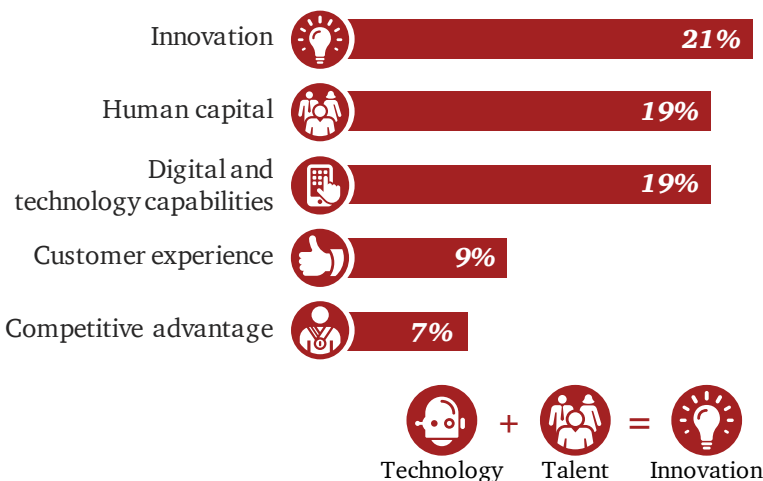
And what are the risks?

Along with growth and optimism there continues to be areas of concern for the industry. Similar to past findings, communications companies continue to struggle with the hiring of the right talent, the speed of technological changes within the industry, and varying global regulations among other key areas (see Figure 4).

- **Availability of key skills**—84% of communications CEOs are extremely concerned or somewhat concerned over 77% for all industries. The talent pipeline is another broad theme in this year’s Survey.
- **Speed of technological change**—79% of communications CEOs are extremely concerned or somewhat concerned companies (over 70% for all industries). Examples of this include the new, sophisticated digital systems & infrastructure within organisations as well as the explosion of the Internet-of-Things (IoT).
- **Over-regulation**—74% of communications CEOs are extremely concerned compared to 80% for all industries.
- **Changing consumer behavior**—67% for communications CEOs, which is similar to 65% overall. However, this is not as high as the Media and Entertainment industry concern - which is 81%.

Figure 3 Technology plus talent equals innovation

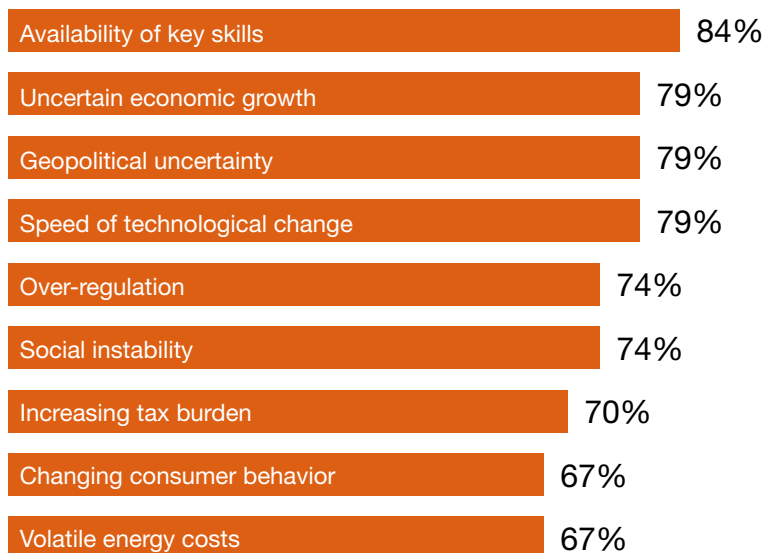
Q: Given the business environment you’re in, which one of the following do you most want to strengthen in order to capitalise on new opportunities?



Source: PwC, 20th CEO Survey

Figure 4 Key threats to growth

Q: How concerned are you, if at all, about the following threats to growth?



Source: PwC, 20th CEO Survey

Managing man and machine

The future of talent & managing the pipeline for a skilled workforce

Here's the good news... 51% of CEOs plan to raise headcount, which is the highest level since we first asked the question. However, 84% of communications CEOs are concerned about availability of key skills.

As communications companies continue to change their business models to become more innovative, a new kind of workforce is required. Organisations need to source talent with technology skills as well as softer skills which haven't historically been nurtured in communications talent pipelines— skills such as leadership, creativity & innovation, adaptability, and problem-solving. When comparing important key skills for communications organisations, there is a shortfall in recruiting for a number of these areas.

Figure 5 Are we hiring?

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

51%

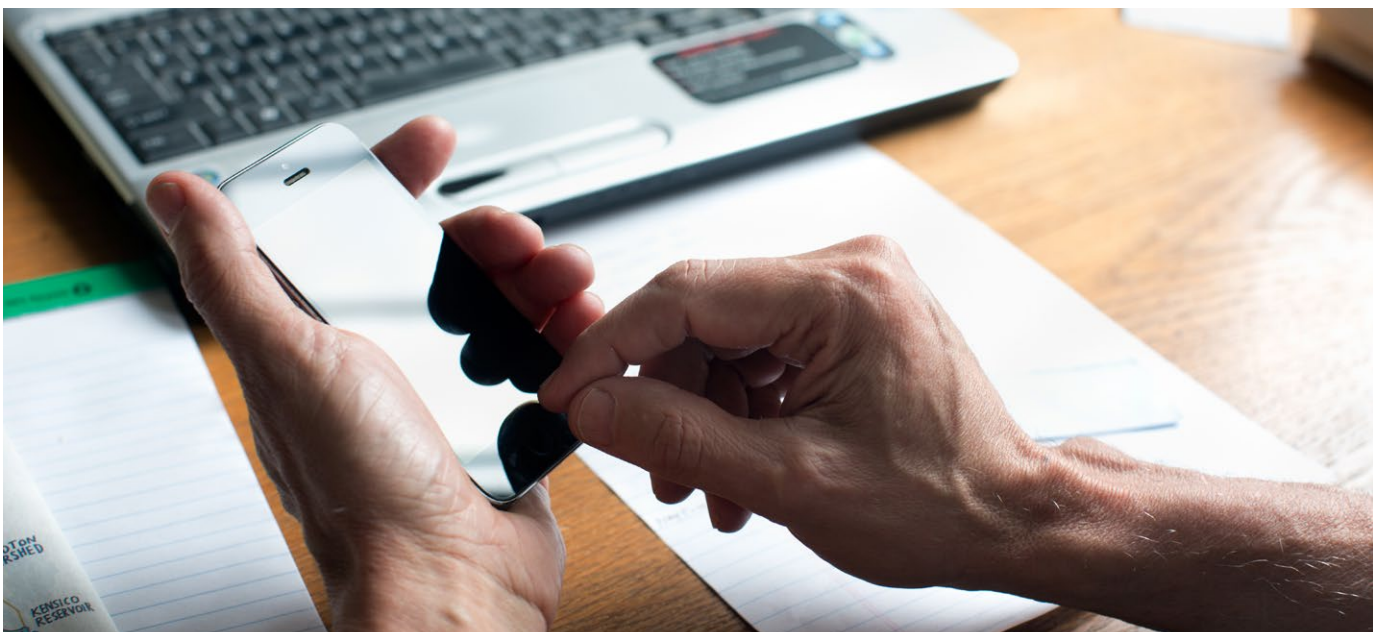
of communications CEOs plan to raise headcount—the highest level since we first asked the question.



Source: PwC, 20th CEO Survey

“As we develop our services more, we find that the human interaction is still very important. So we’re investing a lot more in recruiting people, and getting to understand our customer and their needs better. So, actually, our employment levels are going up, not going down.

Alex Arena
Group Managing Director,
HKT Ltd.



Gaining from connectivity without losing trust

In 2003, 70% of CEOs in our survey thought corporate misdeeds posed little or no threat to growth. Today, 59% of CEOs worry about lack of trust in business.

In this year's survey, 70% of communications CEOs (compared to 64% for all industries) agree that managing people's data will differentiate them. Not surprisingly, 72% of communications CEOs (over 47% for all industries) think IT outages and disruptions will impact negatively on stakeholder trust levels in their industry in the next five years. The good news for all of us is 67% responded "to a large extent" that their organisations are addressing cyber security breaches affecting business information or critical systems today (compared to 52% industry-wide).

20 years—how technology has changed us

Looking back at the last 20 years, it comes as no surprise that technology has changed

competition within the communications industry with 65% of CEOs responding, "It has completely reshaped competition in my industry" compared to 27% for all industries.

Narrowing in on this, when asked about the past 5 years alone, 53% of communications CEOs answered "it has completely reshaped competition in my industry" compared to 20% overall.

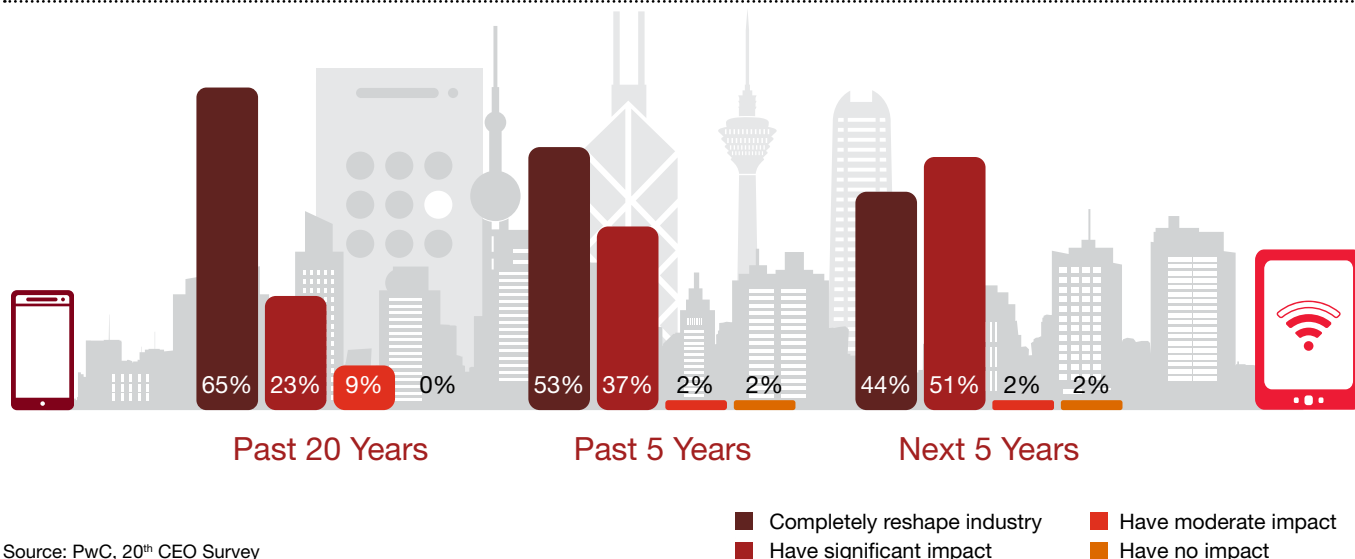
And we're not done yet. When asked "to what extent do you think technology will change competition in your industry over the next 5 years?" **95% of communications CEOs answered "it will completely reshape competition in my industry"** or "it will have a significant impact on competition in my industry." This is in comparison to 75% for all industries.

"The biggest change that I see happening in the next 20 years is that there is going to be big overlapping among the different industries. So, there is going to be fierce competition among the mature industries—for example, telecoms will fight with energy companies, energy companies will fight with the automotive companies, and so on."

Francesco Venturini
CEO, Enel Green Power, Italy

Figure 6 Extent technology has changed the communications industry

Q: To what extent has technology changed competition in your industry over the past 20 years? To what extent has technology changed competition in your industry over the past 5 years alone? To what extent do you think technology will change competition in your industry over the next 5 years?



Making globalisation work for all

For the past 20 years CEOs have been largely positive about the impacts of globalisation on their businesses and markets. But, by 2007, they were beginning to express reservations about the short-term effects on society. CEOs are still ambivalent. Today the vast majority believe that globalisation has helped to free up flows of money, people, goods and information, facilitate universal connectivity and create a skilled workforce. Yet a significant number say it's done nothing to mitigate climate change, promote the development of fairer tax systems or close the gap between rich and poor.

For the most part, acting globally for communications companies is most often challenged through government regulation and taxation. In this year's survey, we asked "to what extent has globalization helped with harmonizing regulations?"—with 56% responding "to some extent" and on par with the all industries responses. When asked "to what extent has globalization helped with

fairness and integrity of global tax systems?" there was more of a split: 40% responding "not at all" and 47% responding "to some extent" which was similar to the all industry responses. This may be a result of getting used to the challenges and opportunities of working within a global economy. Additionally, the rise of nationalism and protectionism has affected globalisation progress in some markets more than others.

Safeguarding the future

Despite the barriers of government regulations and taxation issues within the communications industry, executives continue to work to establish themselves as central to global connectivity and to focus on making their value apparent to the broadest ranges of stakeholders. Remember, digital telcos have fueled global connectivity and are at the forefront of the Internet-of-Things. In a highly competitive industry, this value is worth noting.

"The world's changed a lot in 20 years, there's no doubt about that. If you look on the grander scale, we've seen probably the high-water mark of globalisation. Obviously, the emergence of China as the manufacturing centre of the world has occurred in the last 20 years. But I remember the big debates 20 years ago about opening up trade and services, and that's proceeded quite quickly. So we've been through a whole lot of liberalisation of cross-border trade, physical goods and services."

Alex Arena
Group Managing Director,
HKT Ltd.



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