

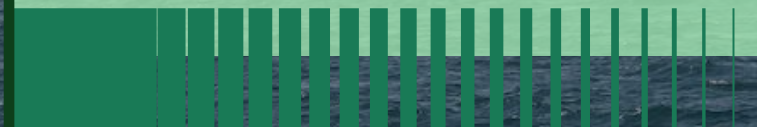


Executive  
Perspectives

# The CEO Outlook

What Moves Industries in 2023

*April 2023*



# Introduction to this document

Multiple global challenges such as macroeconomic uncertainties, inflation, changes in the labor market, etc., create a challenging environment for companies in 2023.

We surveyed 759 global C-suite executives across industries in January and February 2023 to gauge sentiment regarding their company's outlook, their biggest concerns, and how they set strategic priorities in times of uncertainty.

This second Executive Perspective on the survey results dives into specific concerns and 2023 action plans for different industries. We have selected a few industries to demonstrate the depth of our insights. Please don't hesitate to reach out to us if interested in learning more about your industry.

You can find the overview of the survey analysis and regional nuances in our first edition, *CEO Outlook—Caution, Optimism, and Navigating the Road Ahead*.

A photograph of a sailboat on the ocean, with a large green rectangular overlay on the right side of the image. The overlay contains white text. Below the text, there is a decorative horizontal bar with a series of vertical lines of varying heights, resembling a barcode or a stylized bar chart.

**In this BCG Executive Perspectives edition, we share how industries are responding to uncertainties differently**

# Executive summary | Regardless of industry, companies should take action to build competitive advantage and resilience

## Overview

Not surprisingly, **cost is the number one priority** across industries, with the 2nd and 3rd priorities reflecting each industry's nature. This shows that while most companies would love to pursue opportunities, they are still focusing on "defense moves" due to market uncertainties. Nonetheless, while there is high focus and consistency across the defense actions planned within each industry, **~30% of respondents are planning for bold moves** (e.g., top line, M&A) to build competitive advantage.

To win in the future, there are two critical questions executives should ask themselves: First, **where would I like to invest strategically to fuel growth?** Second, how do we **build an adaptable organization to ensure resilience** given that it is the key deficiency identified across industries?

## Selected industry deep dives

In this section, we provide deep dives into selected industries. For others, we provide a one-page summary in the appendix.

**Consumer Goods**—In addition to cost, top-line actions and digital innovation are critical to drive sales and ensure profitability in times of inflation and uncertainty.

**Energy**—Companies are focusing on financing innovation for the energy transition; however, energy players are missing out in talent investment, which is a critical lever for a successful energy transition.

**Financial Institutions**—Recent crisis highlights that there is opportunity to strengthen financial preparedness while attaining cost excellence.

**Industrial Goods**—Supply chain is top of mind for C-suite leaders, with multiple actions to address supply chain challenges; companies need to further invest in proactive supply chain management.

**Technology, Media, and Telecom**—Talent is top of mind for executives, with heavy investment in people as well as organization right-sizing; meanwhile, resilience leaders in the industry are actively investing for growth.



# BCG Executive Perspectives

## AGENDA

- ✓ Overview
- ✓ Selected Industry Deep Dives

# Executives across industries recognize inflation as a key risk in 2023; meanwhile, each industry faces its own mix of challenges

## Global phenomena marked as key risks or opportunities in 2023 by industry

		Consumer	Energy	Financial institutions	Health care	Industrial goods	Technology/ media/telecom	Transport/infra. /travel/logistics
Top 3 risks <sup>1</sup>	1	Inflation	Inflation	Uncertain economic outlook	Supply chain	Inflation	Uncertain economic outlook	Inflation
	2	Energy market disruption	Geopolitical situation	Inflation	Labor market	Supply chain	Inflation	Labor market
	3	Uncertain economic outlook	War in Ukraine	Cyber risk	Inflation	Energy market disruption	Labor market	Uncertain economic outlook
Top 2 opportunities <sup>2</sup>	1	Climate and sustainability	Climate and sustainability	Climate and sustainability	Digital/AI/tech disruption	Climate and sustainability	Digital/AI/tech disruption	Climate and sustainability
	2	Digital/AI/tech disruption	Energy market disruption	Changes in consumer behavior	Changes in consumer behavior	Digital/AI/tech disruption	Changes in consumer behavior	Digital/AI/tech disruption

- Across industries, C-suite executives mark **inflation as the phenomenon most likely** to have a negative business impact in 2023
- While the uncertain economic outlook, energy market disruption, and labor market changes are shared among some industries, **each industry faces its own key challenges**
- But there is a shared pattern across industries to expect **positive business impact from climate and sustainability and digital/AI/tech** in 2023

1. Top 3 global phenomena that were rated to have a negative and medium/large impact on the company's performance in 2023 2. Top 2 global phenomena that were rated to have a positive impact on the company's performance in 2023 Source: BCG analysis based on a global C-suite survey with n = 759 respondents

# 2023 Actions | Cost actions are the top priority across industries; meanwhile, ~30% of respondents are planning growth actions

## Actions planned in 2023 by industry

% of respondents

Industries	Cost actions	Talent/people actions	Innovation	Financial actions	Supply chain/operations actions	Top-line actions	M&A
Consumer	79	57	46	47	52	49	15
Energy	64	36	51	57	36	30	30
Financial institutions	75	67	52	62	23	36	20
Health care	72	67	60	43	43	35	25
Industrial goods	81	53	56	52	65	30	28
Technology/media/telecommunications	57	70	60	33	24	26	29
Transport/infrastructure/travel/logistics	74	55	53	38	40	41	22

~15% - 45% are planning for growth to increase competitiveness

Taking **cost actions** to improve profitability is critical in times of inflation and uncertainty, to avoid being left behind by competitors.

Nonetheless, to create competitiveness in the future, companies should ask themselves **“Aside from cost, where do I want to focus in order to drive growth and win in the future?”**

● Highest % by industry ● Lowest % by industry








Source: BCG analysis based on a global C-suite survey with n = 759 respondents

# Capabilities | Ensuring adaptability within the organization is the biggest challenge across industries

## Resilience capability<sup>1</sup> self-assessment by industry % of respondents

### Industries

### Top 2 capabilities where C-suite leaders see gaps that need to be closed to build resilience<sup>2</sup>

		<u>Capability gaps to build resilience</u>		<u>Details on the gap to be closed</u>	
	<b>Consumer goods</b>	Modular tech	Resilient supply chain	>	<ul style="list-style-type: none"> <li>Tech function optimized for efficiency and simplification</li> <li>Proactive supplier risk management and supply flexibility</li> </ul>
	<b>Energy</b>	Adaptable org.		>	<ul style="list-style-type: none"> <li>Agile and empowered cross-functional teams</li> <li>Lean organization with efficient processes and workforce</li> </ul>
	<b>Financial institutions</b>	Adaptable org.	Modular tech	>	<ul style="list-style-type: none"> <li>Employee-centric change management approach</li> <li>Tech function optimized for efficiency and simplification</li> </ul>
	<b>Health care</b>	Resilient supply chain	Adaptable org.	>	<ul style="list-style-type: none"> <li>End-to-end supply network visibility, simulation, and analytics</li> <li>Employee-centric change management approach</li> </ul>
	<b>Industrial goods</b>	Resilient supply chain	Resilient revenues	>	<ul style="list-style-type: none"> <li>End-to-end supply network visibility, simulation, and analytics</li> <li>Dynamic pricing</li> </ul>
	<b>Technology/media /telecom</b>	Adaptable org.	Resilient revenues	>	<ul style="list-style-type: none"> <li>Lean organization with efficient processes and workforce</li> <li>Dynamic pricing</li> </ul>
	<b>Transport/infra./ travel/logistics</b>	Adaptable org.		>	<ul style="list-style-type: none"> <li>Agile and empowered cross-functional teams</li> <li>Employee-centric change management approach</li> </ul>

1. 19 capabilities assessed related to: risk detection and risk management, cash and liquidity management, resilient customer base and revenues, resilient supply chain and operations, safe and modular technology, adaptable organization and people, business performance transformation, strategy and growth under uncertainty 2. Capabilities identified by highest % of respondents as deficiencies, excluding respondents marking the capabilities as "not relevant" Source: BCG analysis based on a global C-suite survey with n = 759 respondents

# BCG Executive Perspectives

## AGENDA

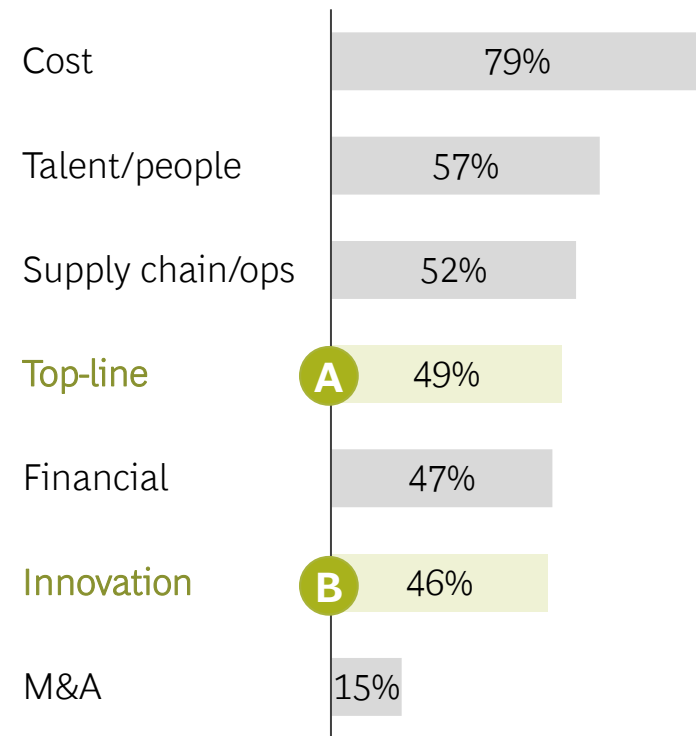
- ✓ Overview
- ✓ **Selected Industry Deep Dives**
  - Consumer Goods**
  - Energy
  - Financial Institutions
  - Industrial Goods
  - Technology/Media/Telecommunications



# Consumer Goods Overview | In addition to cost, top-line actions and digital innovation are critical to win in times of uncertainty

## Actions planned in 2023

% of respondents



A

While cost is top of mind for companies, consumer goods has the highest percentage of players taking **top-line actions** vs. other industries (+13ppts)

Among top-line actions, pricing strategy can be challenging with higher cost pressure from inflation and more price-sensitive consumers. **Smart pricing strategy** is critical during periods of inflation

B

As companies face digital disruption, heightened consumer expectation, and intensified competition, innovation is playing a critical role to win in the future

**Resilience leaders in consumer goods<sup>1</sup> are actively investing in digital and technology** in order to redesign the customer journey/experience to create advantages

1. Defined as a company that has "very good" capabilities in at least half of the categories among 19 resilience capabilities, "good" capabilities in at least half of the rest, and no deficiencies. 11% of consumer goods respondents are categorized as resilience leaders based on their self-assessment.

Source: BCG analysis based on a global C-suite survey, consumer goods n = 159 respondents (35% Asia, 27% Europe, 23% North America)

# Top-line Actions | Top-line actions are critical for consumer companies to drive sales and ensure profitability in times of inflation and uncertainty

## Facing inflation, consumer players are actively pushing top-line measures

% of respondents

----- X-industry mean

### Top-line actions

Distribute budget to high ROI marketing/sales channels

49%

Launch new products/services

35%

Increase prices

34%

Create retention programs

33%

Decrease prices

20%

12%

## McDonald's enjoys a 2x growth rate vs. fast food market in 2022<sup>1,2</sup> through targeted top-line actions



### Create buzz with marketing campaigns<sup>3,4</sup>

- Collaborated with Cactus Plant Flea Market, one of the most on-trend brands in the US; setting records for digital transactions

### (Re-)launch popular meals<sup>5,6</sup>

- (Re-)launched McPlant, McDonald's first plant-based burger, and McRib sandwich

### Increase price by 10% y-o-y<sup>7</sup>

- Raised prices in the US in response to higher energy and labor costs

### Focus on digital loyalty program<sup>3</sup>

- Boosted customer stickiness by offering special deals in app and improved customer experience by making food-ordering more convenient

“[As part of] our Camp McDonald's promotion from last summer...customers got to experience unique menu hacks, merch, and even weekly concerts in the app. We gave them **a brand experience** that happened to be through our app.

—Tariq Hassan, Chief Marketing and CX Officer, McDonald's USA

1. "McDonald's Q4 2022 Earnings release," McDonalds.com; 2. "Market size of the quick service restaurant sector in the United States from 2012 to 2021, with a forecast for 2022," statista.com; 3. "Q4 & FY 2022: McDonald's Brand Is Stronger Than Ever," McDonalds.com; 4. "Roses are Red, Violets are Blue, the Cardi B & Offset Meal is Coming to a McDonald's Near You," McDonalds.com; 5. "McPlant," McDonalds.com; 6. "McRib," McDonalds.com; 7. "As prices soar, consumers turn to McDonald's," CNN.com Source: BCG analysis based on a global C-suite survey, consumer goods n = 159 respondents; "A Conversation with McDonald's Tariq Hassan on 'Brand Performance' Marketing + The Future Of Consumer Empowerment," Forbes

# Top-line Actions | Companies continue price increases, while consumers become more price sensitive—smart pricing strategies are key

## Inflation creates contradicting priorities between companies and consumers

### Companies are planning for price increases to address continued inflation

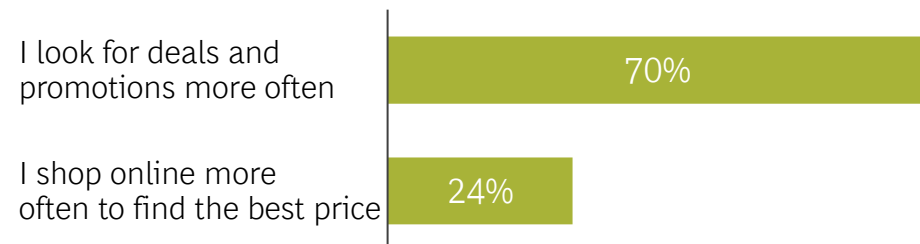
% of respondents



of companies plan to raise prices in 2023

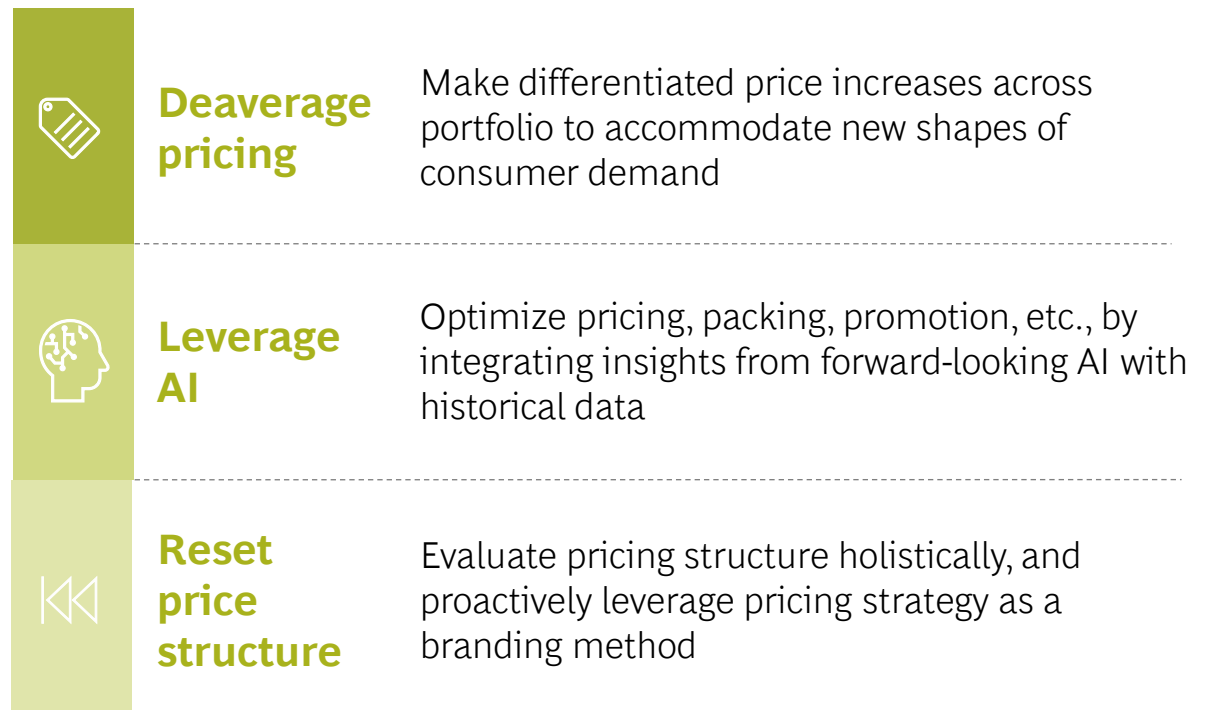
### Consumers are becoming more price sensitive

Net % of respondents that agree with statements



## Deploying smart pricing strategies can lay the foundation for ongoing competitive advantage

### Three pricing moves can release cost pressure while minimizing volume decrease



# Innovation | Facing tech disruptions and changing consumer behavior, resilience leaders are building digital capabilities to secure advantages

Consumer players are facing a more challenging environment today...

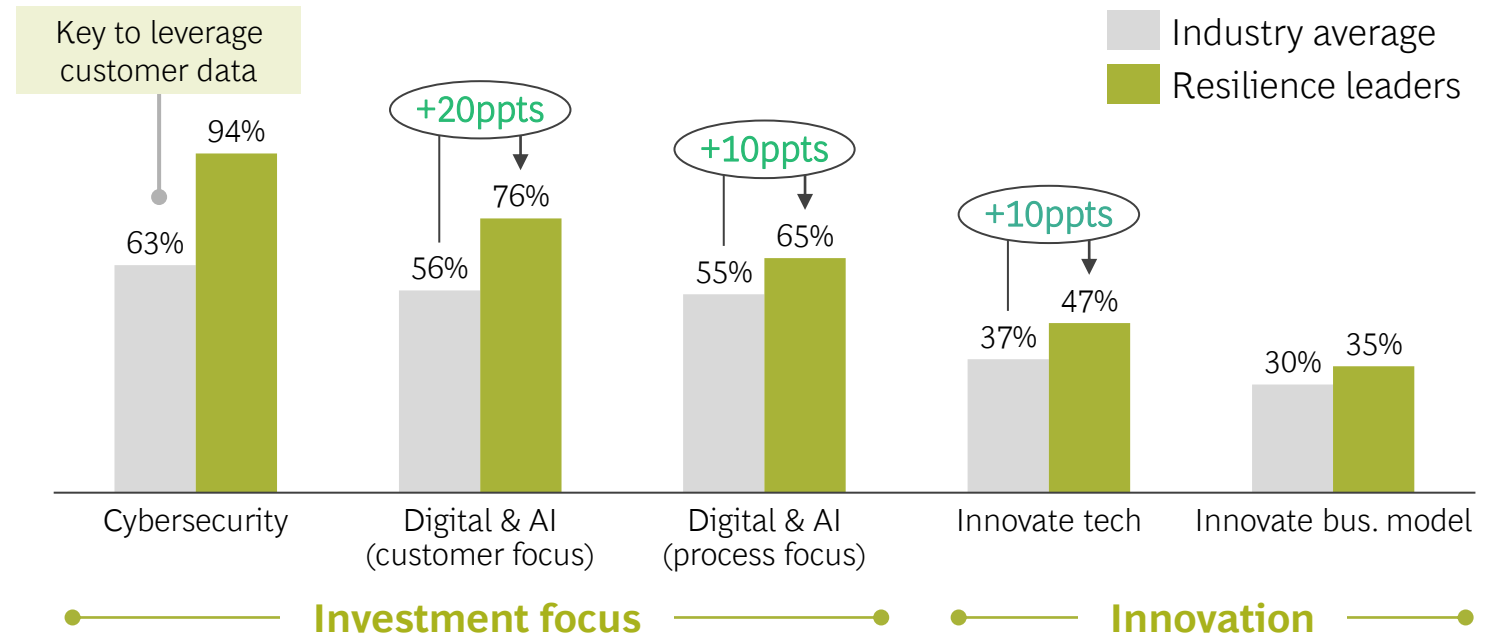
**1** Research/purchase journeys increasingly span across online/offline channels

**2** Consumers have heightened expectations—seeking personalized offers, convenience, differentiated experiences, and better service

**3** Competition has intensified—62% of global e-commerce sales are now through marketplaces

Resilience leaders<sup>1</sup> in consumer goods are investing to **build digital capabilities** to reinvent the customer journey

Actions planned for 2023 and current investment areas  
% of respondents



1. Defined as a company that has "very good" capabilities in at least half of the categories among 19 resilience capabilities, "good" capabilities in at least half of the rest, and no deficiencies. 11% of consumer goods respondents are categorized as resilience leaders based on their self-assessment.

Source: "Win the Town to Win the Future in Retail," BCG.com; BCG analysis based on a global C-suite survey, consumer goods n = 159 respondents, 11% of them are resilience leaders



# BCG Executive Perspectives

## AGENDA



Overview



## Selected Industry Deep Dives

Consumer Goods

**Energy**

Financial Institutions

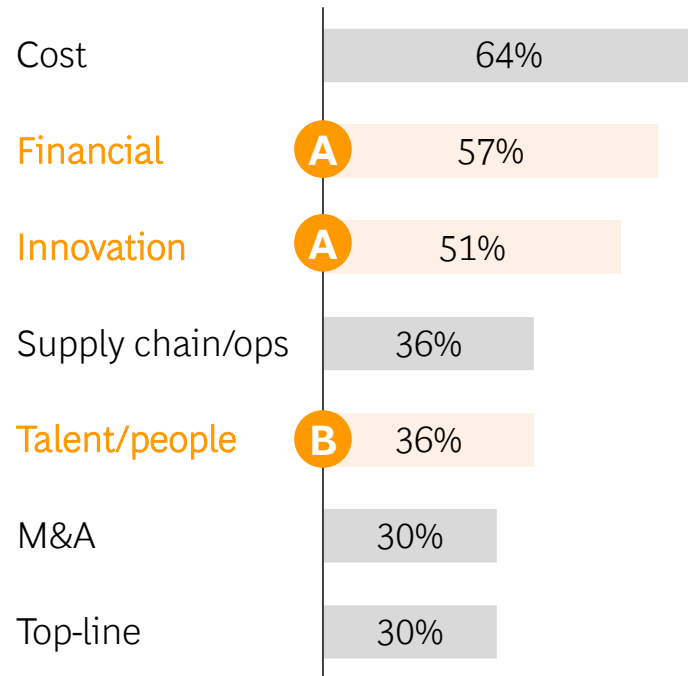
Industrial Goods

Technology/Media/Telecommunications

# Energy | Companies are focusing on financing innovation for energy transition, but they need to invest more in talent to support the transition

## Actions planned in 2023

% of respondents



A

While cost is top of mind for companies, energy has the highest percentage of players taking **financial actions** vs. other industries (+12ppts) in response to a challenging environment and to **fund energy transition** at the same time

- Meanwhile, energy players are actively investing in **climate & sustainability and technology** to innovate product and process

B

Reviewing and reinventing operating models and people strategies is critical for the success of energy transition<sup>1</sup>. But compared with other industries, energy players are **taking fewer talent actions** (-23ppts), posing potential risks to future success

1. "In Oil and Gas, the Energy Transition Requires a People Transition," BCG.com  
Source: BCG analysis based on a global C-suite survey, energy n = 47 respondents (30% Asia, 23% Europe, 13% North America)

# Financial Actions + Innovation | Facing energy transition, companies are strengthening their financial position to fuel technology innovation

## Low-carbon solutions become primary growth opportunity

**\$134 billion** expected to be invested in low-carbon solutions over the next 5 years by oil and gas companies<sup>1</sup>

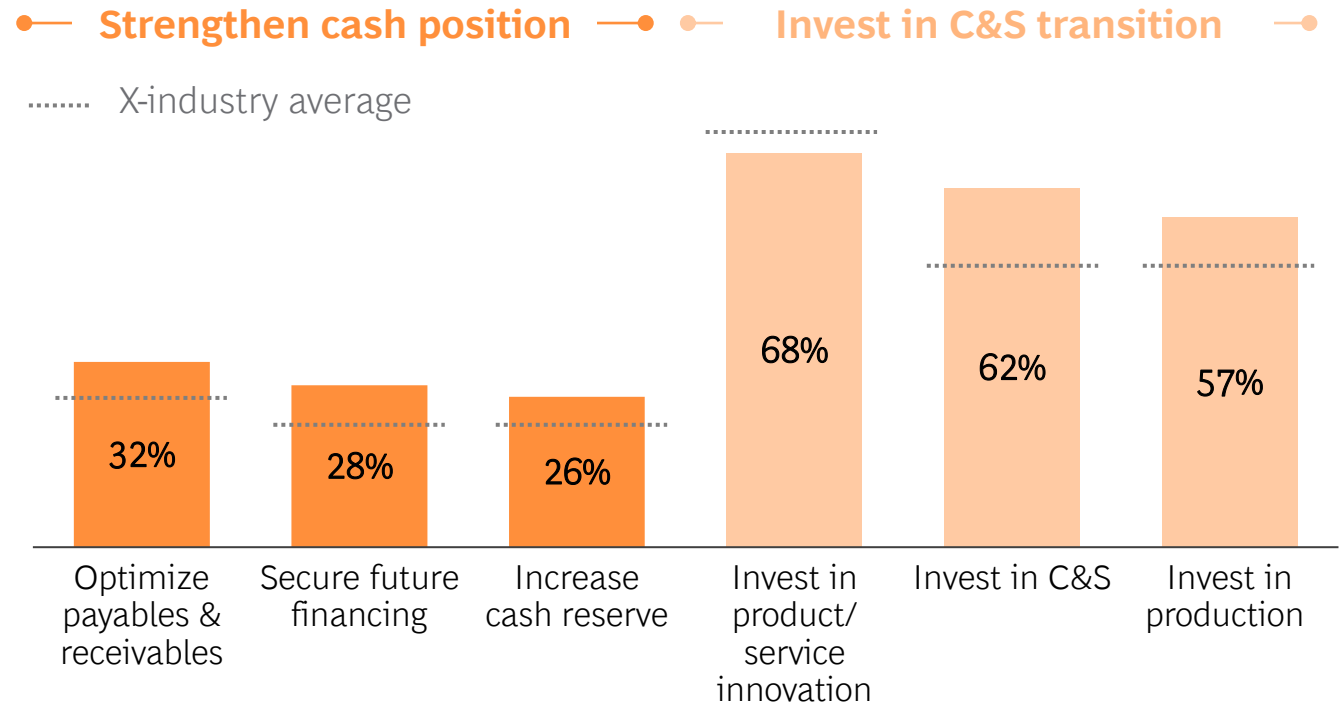
“

I don't want my company to disappear. [...] We have embarked on a strategy to diversify out of a pure oil and gas business model to add an electricity one.<sup>2</sup>

– Patrick Pouyanne, CEO, TotalEnergies,  
*From an interview with Bloomberg*

## Energy players strengthen their cash position to fund asset-heavy sustainable transition

Actions planned and investment priority for 2023, % of respondents



1. "How Energy Companies Can Organize for the Low-Carbon Era," BCG.com 2. "Total CEO Doubles Down on Renewables Amid a Global Energy Crisis," Sep. 2022, Bloomberg.com  
Source: BCG analysis based on a global C-suite survey, energy n = 47 respondents

# Talent/People Actions | Capability concerns regarding organization adaptability and talent investments pose risks to a successful energy transition

Reviewing and reinventing operating models and people strategies are critical for successful energy transition



Invest in **new talent** and **up-skill** existing workforce



Reset organization to **pursue goals collaboratively**



Establish compelling, **inclusive purpose**



**Shift focus** of support functions toward evolving business needs



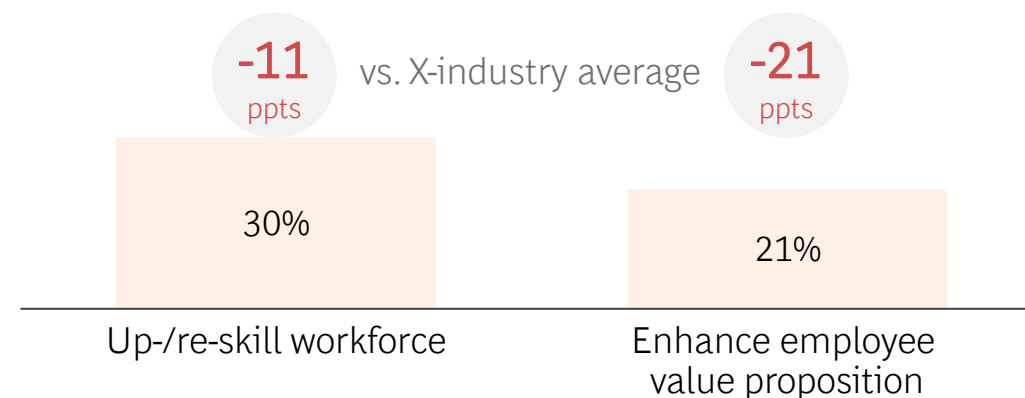
Use **skills-based mapping** for evolving capability needs

But **~30%** of energy players have reported **deficiencies** in building an **adaptable organization** and in **business transformation**

Moreover, compared with other industries, **fewer players** are **investing in talent**, posing risks to future success

## People-related actions in 2023

% of respondents



Source: "In Oil and Gas, the Energy Transition Requires a People Transition," BCG.com; BCG analysis based on a global C-suite survey, energy n = 47 respondents



# BCG Executive Perspectives

## AGENDA



Overview



## **Selected Industry Deep Dives**

Consumer Goods

Energy

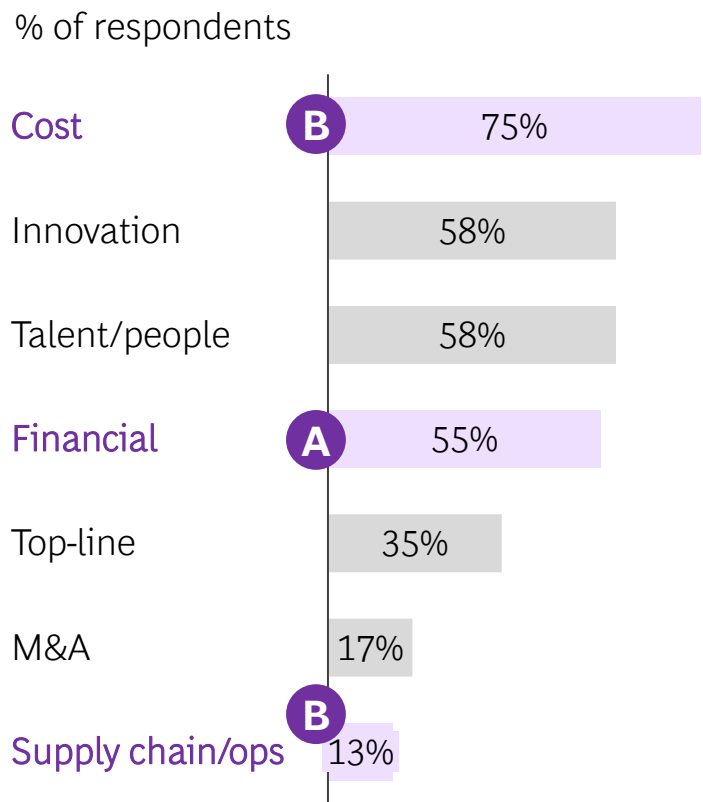
**Financial Institutions**

Industrial Goods

Technology/Media/Telecommunications

# Financial Institutions Overview | Recent crisis highlights there's opportunity to strengthen financial preparedness while attaining cost excellence

## Actions planned in 2023



A

Recent banking crisis shows that there's **missed opportunity for preparedness—less than one-third** of the financial institutions were planning actions to increase their financial resilience at the beginning of 2023

- **North American** executives have least confidence in **cash and liquidity management** capability (-16ppts vs. industry average)

B

Facing a tough environment with inflation, market uncertainties, and workforce challenges, financial institutions need to **attain cost excellence** by optimizing process and organization, and ensuring efficient procurement

# Financial Actions | Banking crisis shows that there's missed opportunity for preparedness

## Collapse of SVB caused a global shock

FT FINANCIAL TIMES

SVB parent files for bankruptcy protection after bank collapse

Company to use court-supervised process to salvage value from surviving units

CNN

Bank panic subsides on Wall Street. Next up: Fed panic

New York (CNN) — After a few days marked by frenzied bank runs, plunging stocks and an extraordinary government intervention, the mood on Wall Street was notably cheerier today.

The New York Times

### A New Bank Panic?

It's a day of uncertainty for the U.S. economy.

Today is a day of uncertainty for the American economy.

Will more banks have to close, as Silicon Valley Bank did last week and Signature Bank did yesterday? How will financial markets react? What will the federal government do? And will the current turmoil

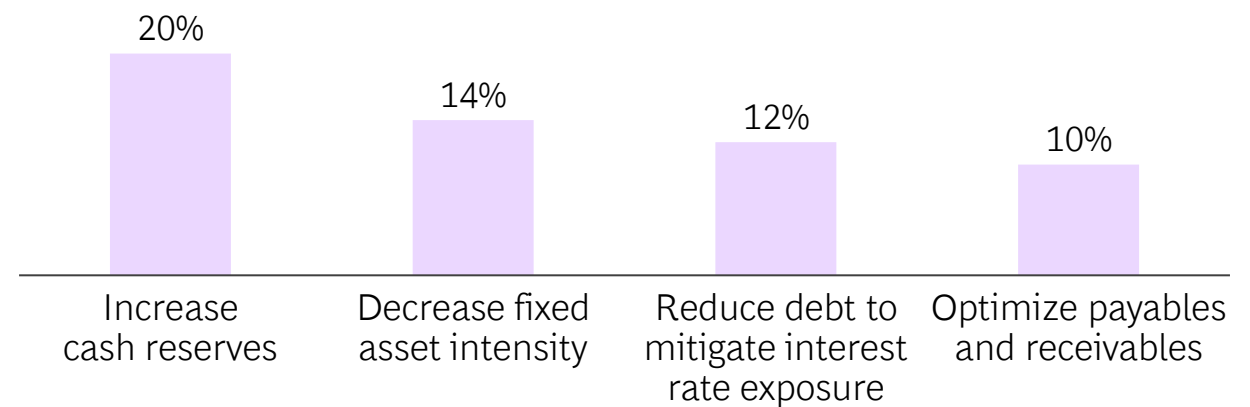
REUTERS

Credit Suisse shares tumble again, sentiment remains fragile

Only **61%** of financial institutions' executives expected additional global shocks to happen in 2023 when surveyed at beginning of the year

Fewer plan for actions to increase their financial resilience against global volatility and disruptions

% of respondents by actions planned in 2023



Source: BCG analysis based on a global C-suite survey, financial institutions n = 69 respondents

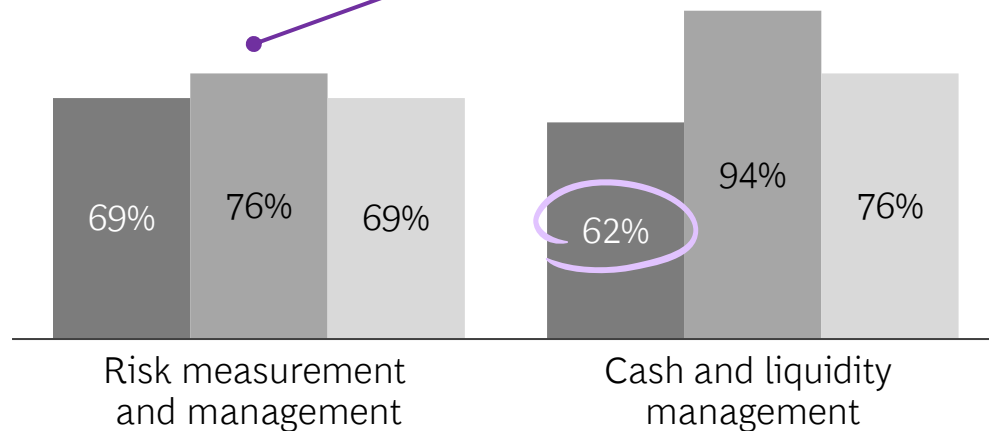
# Financial Actions | Recent event is a wake-up call for banks to reassess and improve their risk management abilities

## North American executives have least confidence in cash and liquidity management capability

% of respondents stating good/very good capabilities

■ North America ■ Europe ■ Asia

Recent crisis shows that financial institutions not only face internal compliance risks but are also impacted by **spillover effects from competitors**



## Banks should take this opportunity to stress test their risk management capabilities



Banks should build **balance sheet modeling, stress testing, and scenario analysis** capabilities across all risk silos

- Include pressure test for asset monetization assumptions in liquidity stress testing
- Assess concentration risk in deposit portfolios and develop understanding of the influence of key stakeholders



Banks should establish, review, and regularly exercise **playbook for liquidity crisis**

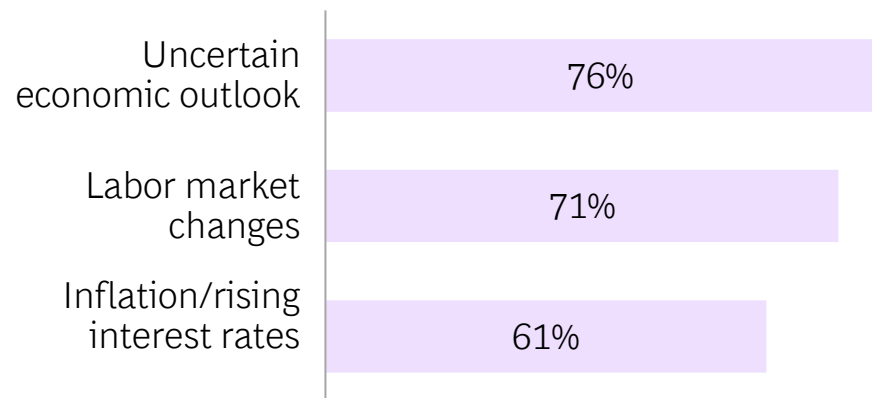
- Need to take into account the impact of social media age



# Cost + Ops Actions | Facing inflation, market uncertainties, and workforce challenges, financial institutions need to attain cost excellence

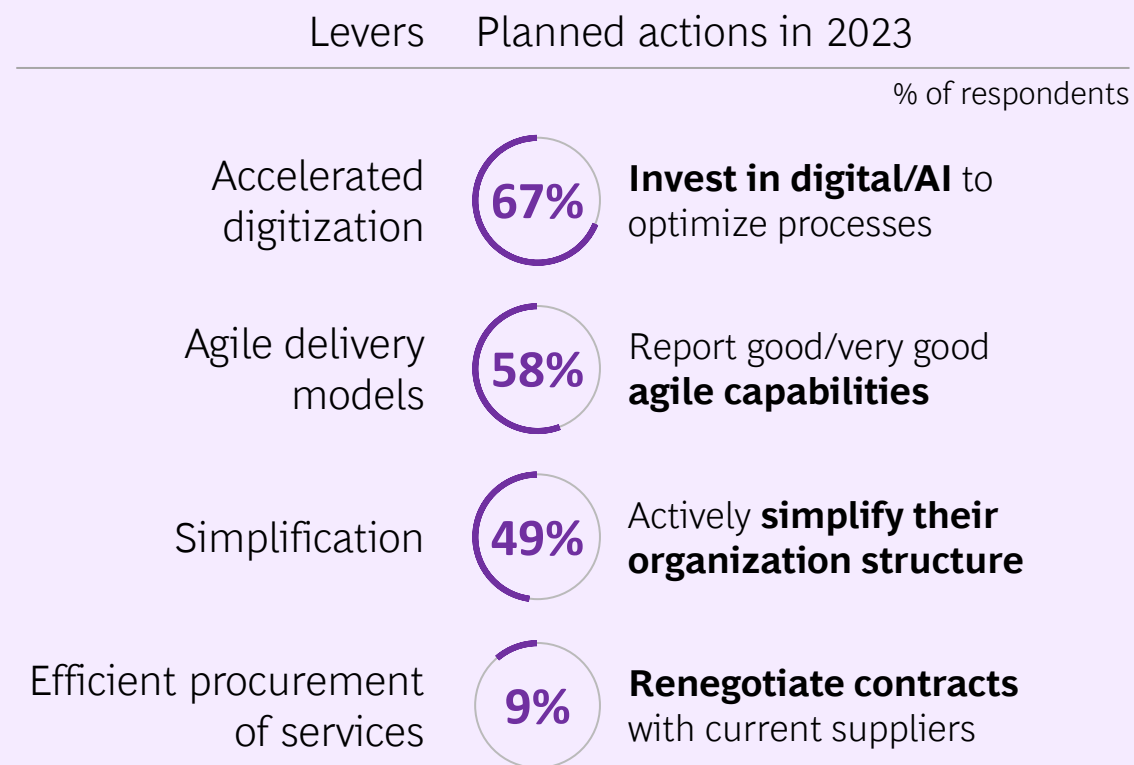
## Executives are concerned about inflation and economic developments hitting the bottom line

% of respondents expecting negative impact in 2023



- ▲ Increase in loan-loss provisions
- ▲ Rise of opex costs, particularly wages

## Banks need to further focus on cost excellence to weather a high-inflation environment



# BCG Executive Perspectives

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✓ **Selected Industry Deep Dives**

Consumer Goods

Energy

Financial Institutions

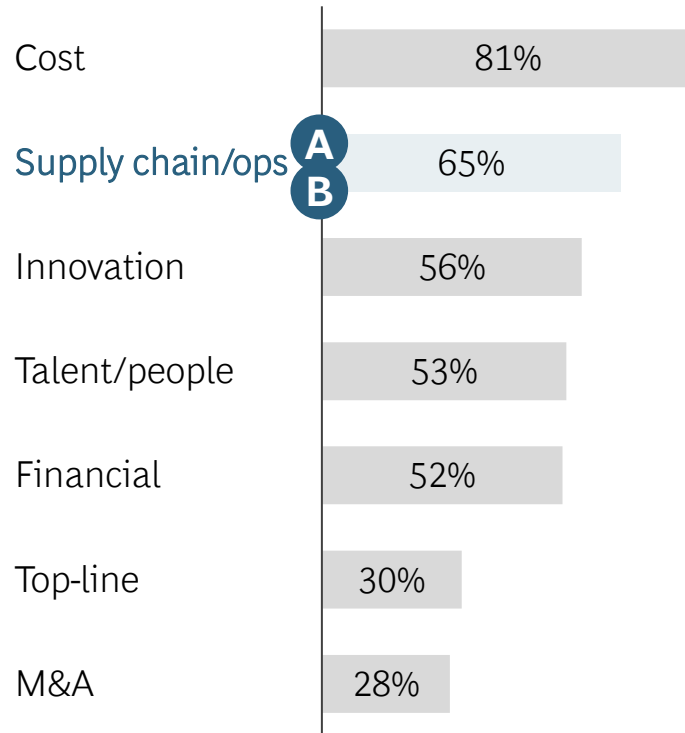
**Industrial Goods**

Technology/Media/Telecommunications

# Industrial Goods Overview | Supply chain is top of mind for companies, but there are still capability gaps in proactive supply chain management

## Actions planned in 2023

% of respondents



A

While cost is top of mind for companies, industrial goods has highest percentage of players taking **supply chain actions** vs. other industries (+26pts)

But most actions taken are to address current supply chain challenges. There are **capability gaps identified to proactively and systematically manage supply chain risks**

B

**Asian** companies are putting more emphasis on **innovation** to increase supply chain resilience

## Sector highlights

### Automotive

While focus on cost remains high, executives **carefully shift toward growth** actions

### Materials and process industries

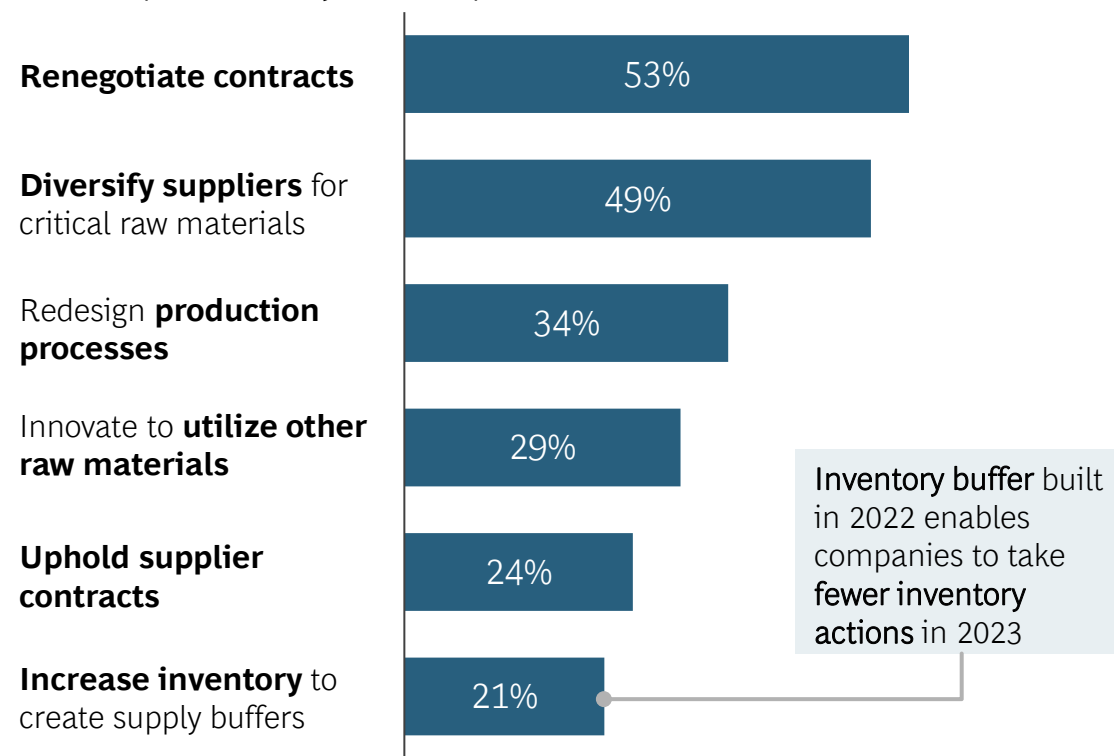
Strongly impacted by energy crisis and inflation, C-suite leaders **focus on margin protection**

# Supply Chain Actions | Companies have taken actions to address supply chain challenges but need to further invest in proactive supply chain mgmt.

## Defense moves:

Companies are taking immediate actions in response to supply chain challenges

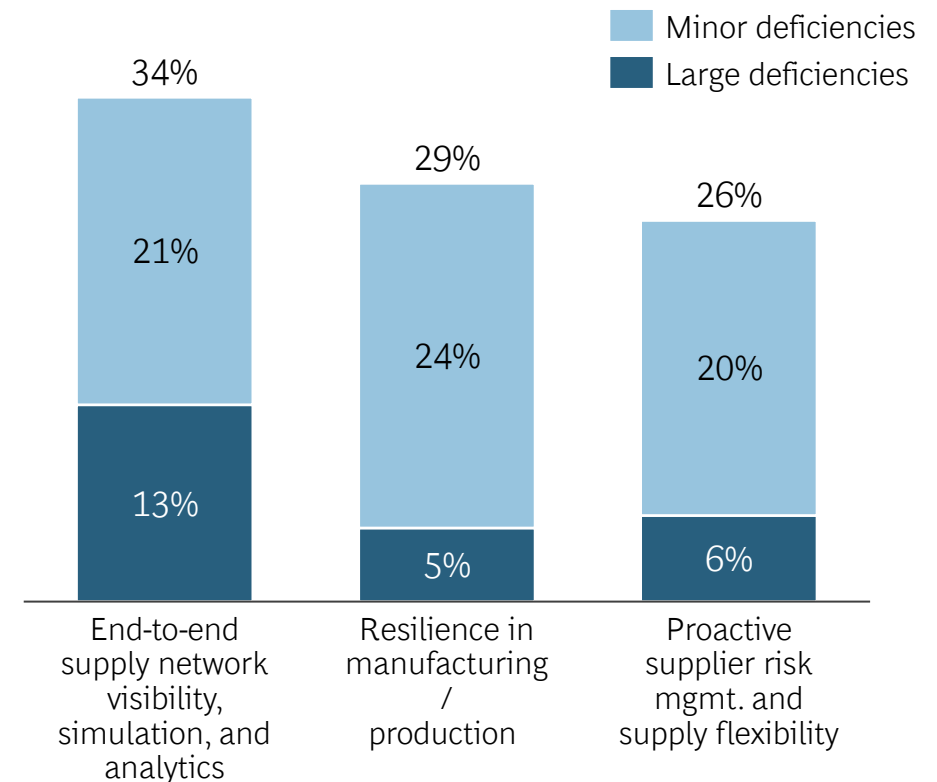
% of respondents by actions planned in 2023



## Offense moves:

But companies still face deficiencies in proactively managing supply chain risks

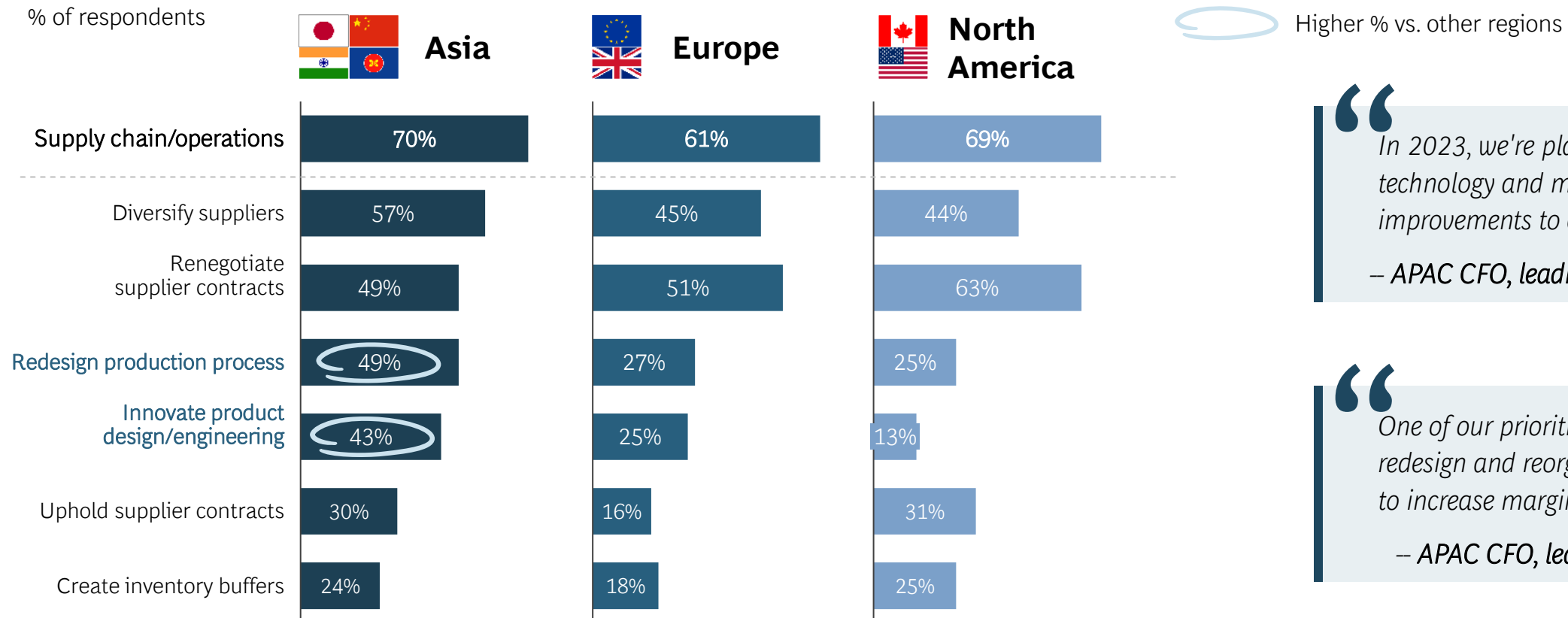
% of respondents





# Supply Chain Actions | Asian players are redesigning production processes and products to structurally increase supply chain resilience

~50% of Asian players are innovating to improve operational efficiency and to utilize a different set of raw materials to systematically improve supply chain resilience



“  
In 2023, we're planning to focus on new technology and make structural improvements to our supply chain.  
– APAC CFO, leading automobile company

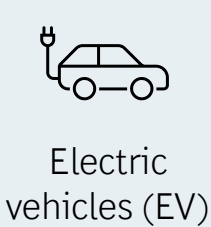
“  
One of our priorities for 2023 is to redesign and reorg production processes to increase margins.  
– APAC CFO, leading chemical company

# Automotive | To profit tomorrow, executives are shifting toward growth actions, while the focus on cost remains high



Disruptions shift revenues and profits toward emerging products and services

### Key disruptions in automotive



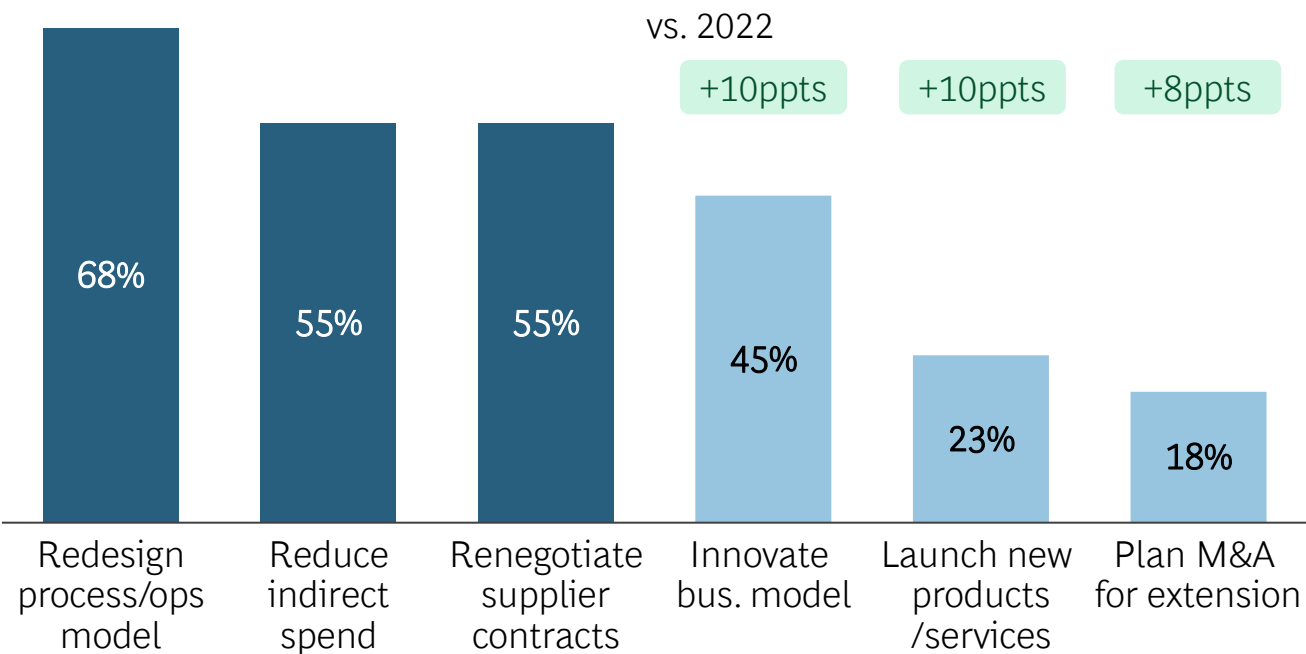
>90%

of **revenue and profit growth through 2035** will be generated by emerging segments connected to mobility disruptions<sup>1</sup>

To capture the opportunity, executives carefully shift toward growth actions, while the focus on cost remains high

% of respondents by action

● Focus on cost remains high ● +18% growth actions vs. 2022 ●



1. "How to Profit in Tomorrow's Automotive and Mobility Industry," BCG.com  
Source: BCG analysis based on a global C-suite survey, automotive n = 40 respondents

# Materials and Process Industries | Margin protection is the key focus due to the strong negative impact of inflation and the energy crisis



3 of 5 most energy-intensive sectors belonging to MPI<sup>1</sup> ...

...driving strong concerns around inflation and energy crisis



Expect **inflation** to have a negative impact on their business in 2023

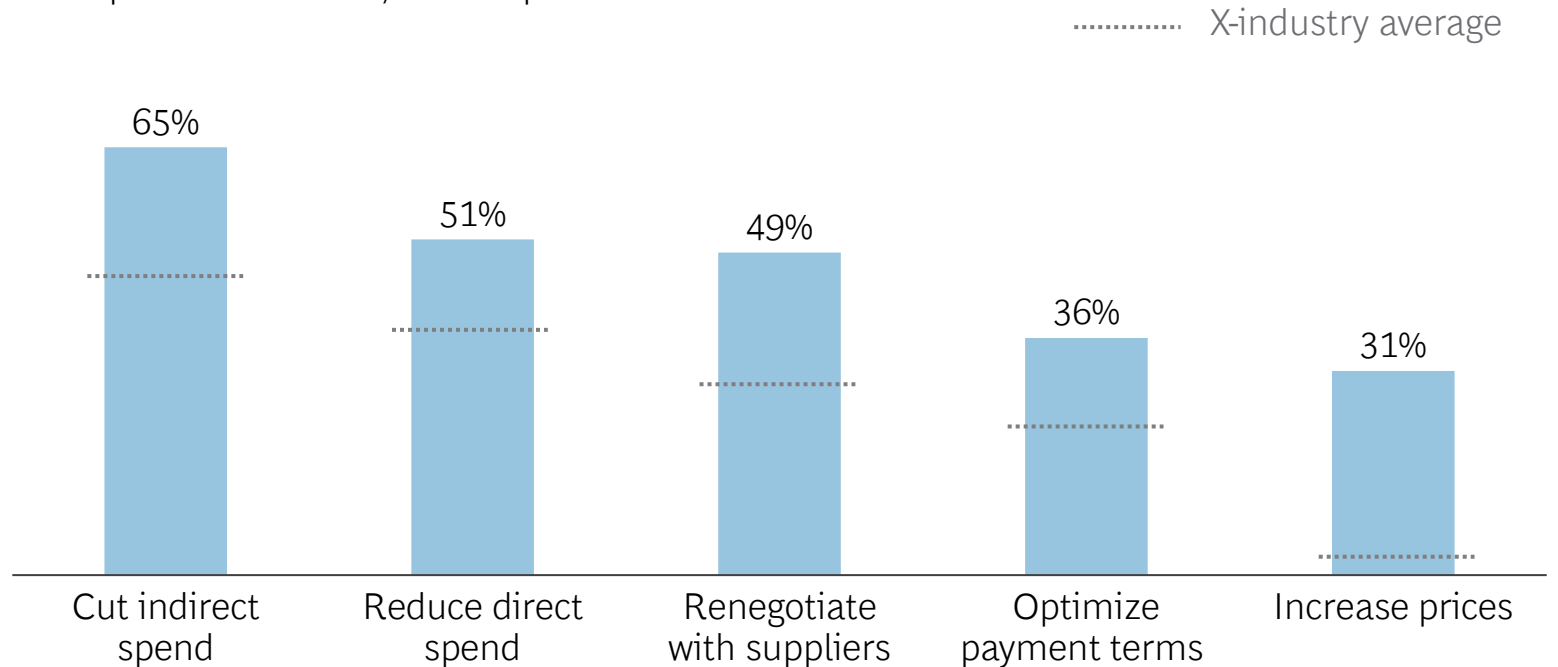


Expect **energy crisis** to have a negative impact on their business in 2023

In response, executives plan 5 key actions to protect their margin and invest less vs. other industrial goods players

Every company plans 2.3 actions on average to defend margin

Actions planned for 2023, % of respondents



1. Materials and process industries

Source: BCG analysis based on a global C-suite survey, materials and process industries n = 55 respondents

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✓ **Selected Industry Deep Dives**

Consumer Goods

Energy

Financial Institutions

Industrial Goods

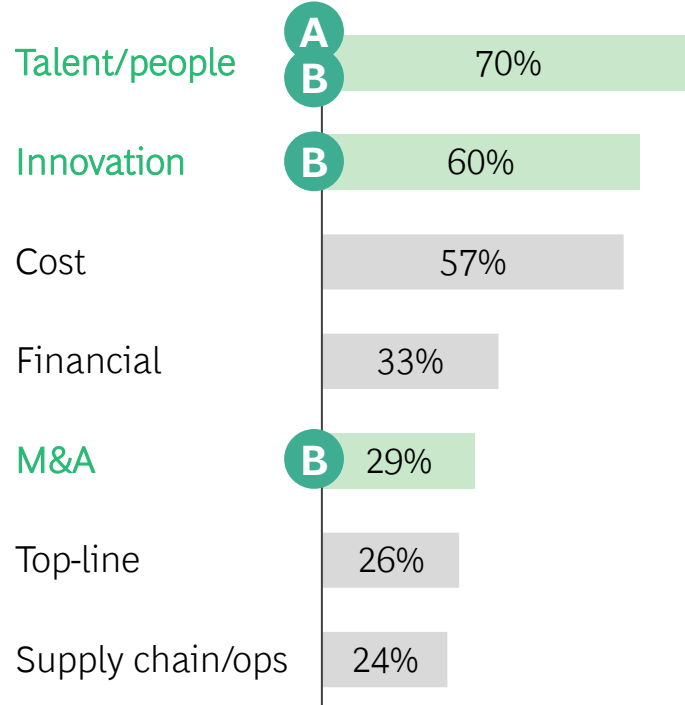
**Technology/Media/Telecommunications**



# Technology/Media/Telecom Overview | Talent is top of mind for executives; resilience leaders are actively investing for growth

## Actions planned in 2023

% of respondents



A

**Talent/people** is top of mind for TMT<sup>1</sup> executives, with cost being only the 3rd priority

While organization right-sizing is a hot topic, companies are also **actively investing in talent**

B

**Investing freed-up resources** from cost-cutting activities to **build competitive advantage** is critical

**Resilience leaders<sup>2</sup> in TMT<sup>1</sup> are taking more growth actions** vs. the industry to further strengthen market position

- Especially in talent, innovation, and M&A

## Sector highlights



### Software and services

C-suite leaders should **better leverage the full breadth of cost actions** in addition to organization right-sizing

1. Technology, media, and telecom 2. Defined as a company that has "very good" capabilities in at least half of the categories among 19 resilience capabilities, "good" capabilities in at least half of the rest, and no deficiencies. 19% of TMT respondents are categorized as resilience leaders based on their self-assessment. Source: BCG analysis based on a global C-suite survey, technology/media/telecom n = 136 respondents (22% Asia, 29% Europe, 36% North America)

# Talent/People Actions | Companies are not only taking actions for organization right-sizing, but also actively investing in talent

## Mass media coverage of tech firms taking actions for org. right-sizing ...



South China Morning Post

Tech Trends

Tech lay-offs in China extend into year-end as Bilibili and Weibo cut headcount in worsening economy

FT FINANCIAL TIMES

Opinion Inside Business

Big Tech job cull may be the start of things to come

Companies start to adjust their cost for a low-growth economic

Bloomberg

Technology  
Meta Plans Thousands More Layoffs as Soon as This Week  
■ Second round of cuts in four months driven by efficiency push  
■ Social networking giant may finalize plans in the next week

The New York Times

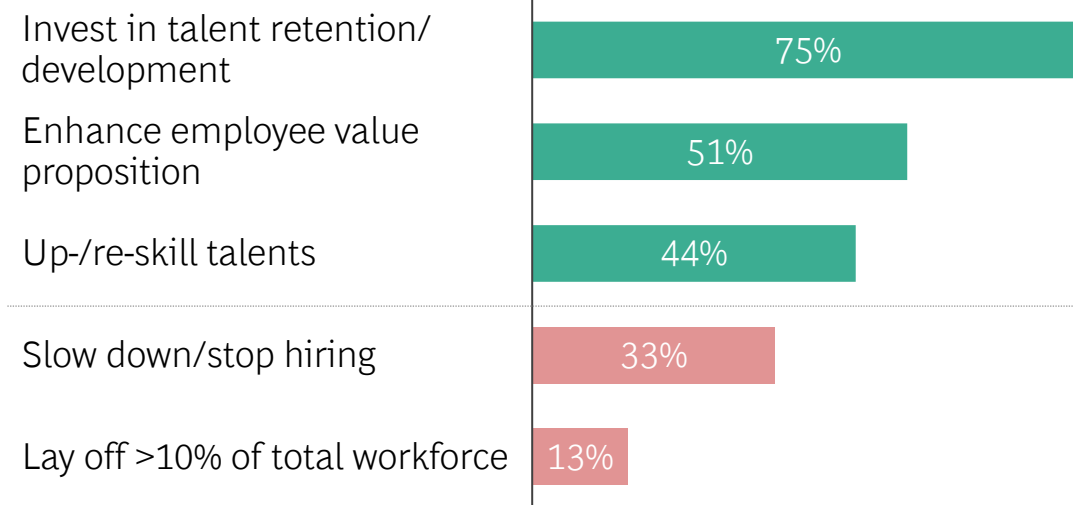
Tech Downsizes

The drumbeat of layoffs in Silicon Valley is partly a result of how the pandemic upended the economy.

## ... shows only part of tech companies' reality

Yes, some are right-sizing their organization...  
but more are **investing in talent and people**

Actions/investments planned for 2023, % of respondents



Source: BCG analysis based on a global C-suite survey, technology/media/telecom n = 136 respondents

# Talent/People Actions + Innovation | Companies that have reduced costs in 2022 are now building advantages by investing the freed-up resources

## Cost cutting in 2022 has helped to fuel investment in growth in 2023

Growth action in 2023	Companies didn't take cost actions in 2022		Companies took cost actions in 2022	
Up-/re-skill workers	31%	+20ppts	51%	
Create retention programs	2%	+16ppts	18%	
Launch new products	9%	+12ppts	21%	
Innovate business model	42%	+6ppts	48%	
<b>Total # of growth actions in 2023</b>	2.3	<b>+35%</b>	3.1	

## Reduce costs and invest actively in future growth



### Decreasing costs in 2022-2023

- **Org. right-sizing**—Reduce headcount by 10,000 while continuing to hire in strategic areas<sup>1</sup>
- **Concentrating capital allocation in strategic areas**—Create higher density across workspaces, optimize hardware product portfolio<sup>2</sup>, etc.

### Investing in future growth

- **AI investment**—\$10B investment in partnership with ChatGPT creator OpenAI<sup>3</sup>
- **Cloud partnership**—10-year partnership with LSEG<sup>4</sup> to develop next-generation financial market analytics and cloud solution<sup>5</sup>, etc.
- **Gaming M&A**—\$68.7B acquisition planned to take over game developer Activision Blizzard<sup>6</sup>

1. "Microsoft to cut 10,000 jobs in push to bring down cost," FT.com; 2. "Subject: Focusing on our short- and long-term opportunity," Microsoft.com; 3. "Microsoft Invests \$10 Billion in ChatGPT Maker OpenAI," Bloomberg.com; 4. London Stock Exchange Group; 5. "LSEG and Microsoft launch 10-year strategic partnership for next-generation data and analytics and cloud infrastructure solutions; Microsoft to make equity investment in LSEG through acquisition of shares," Microsoft.com; 6. "Microsoft to acquire Activision Blizzard to bring the joy and community of gaming to everyone, across every device," Microsoft.com

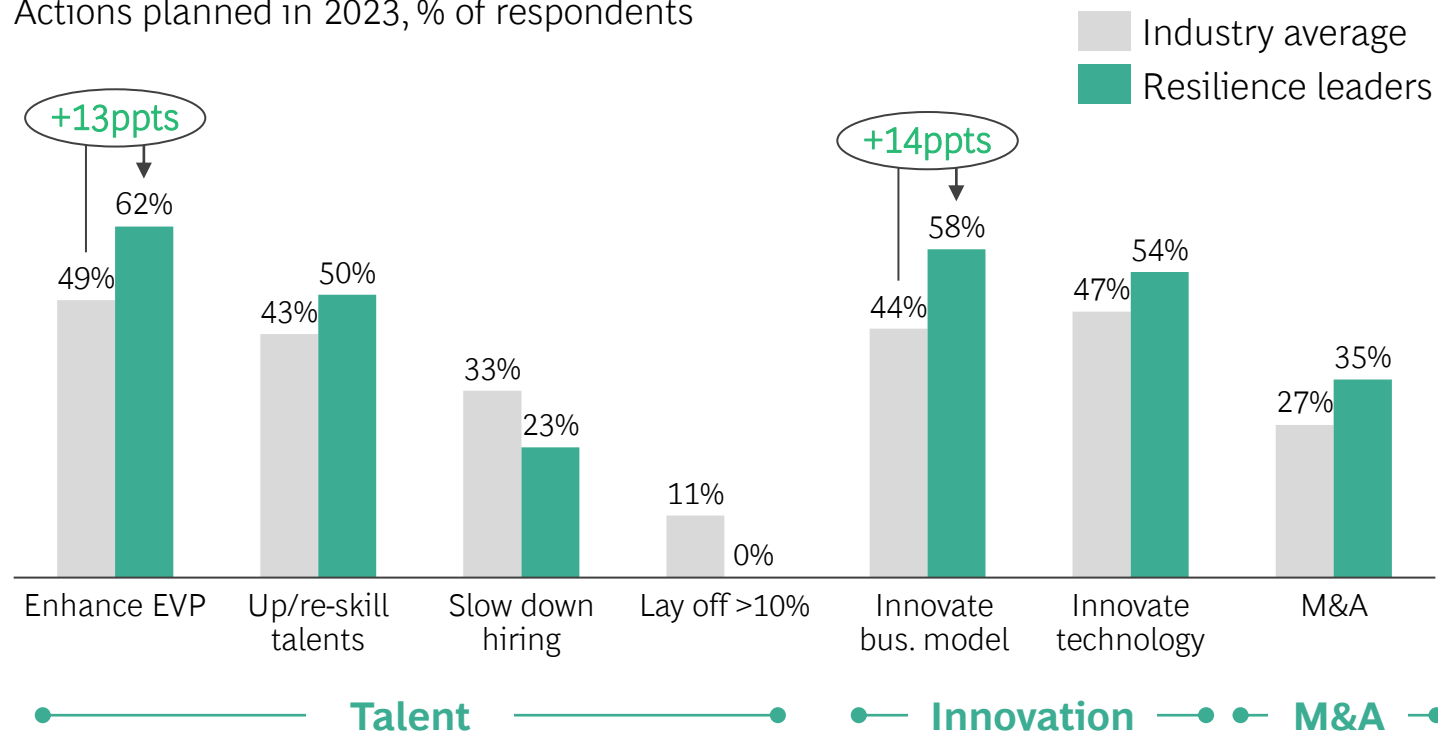
Source: BCG analysis based on a global C-suite survey, technology/media/telecom n = 136 respondents



# Talent/People Actions + Innovation + M&A | Resilience leaders are investing in talent and innovation to further strengthen their competitive position

## Resilience leaders<sup>1</sup> in TMT<sup>2</sup> are taking **more growth actions** vs. the industry average to build competitive advantage

Actions planned in 2023, % of respondents



“

For our 2023 priorities, we want to **accelerate in growth areas...**

**Data and AI** are at the heart of our innovation model to offer a reinvented customer experience...

We're tackling the skills challenge so that we become one of **the most attractive employers...**

— CTO, leading telecom player

1. Defined as a company that has "very good" capabilities in at least half of the categories among 19 resilience capabilities, "good" capabilities in at least half of the rest, and no deficiencies. 19% of TMT respondents are categorized as resilience leaders based on their self-assessment. 2. Technology, media, and telecom  
Source: BCG analysis based on a global C-suite survey, technology/media/telecom n = 136 respondents



# Software and Services | Software executives should better leverage the full breadth of cost actions to improve profitability



## While profitability is a priority...

“

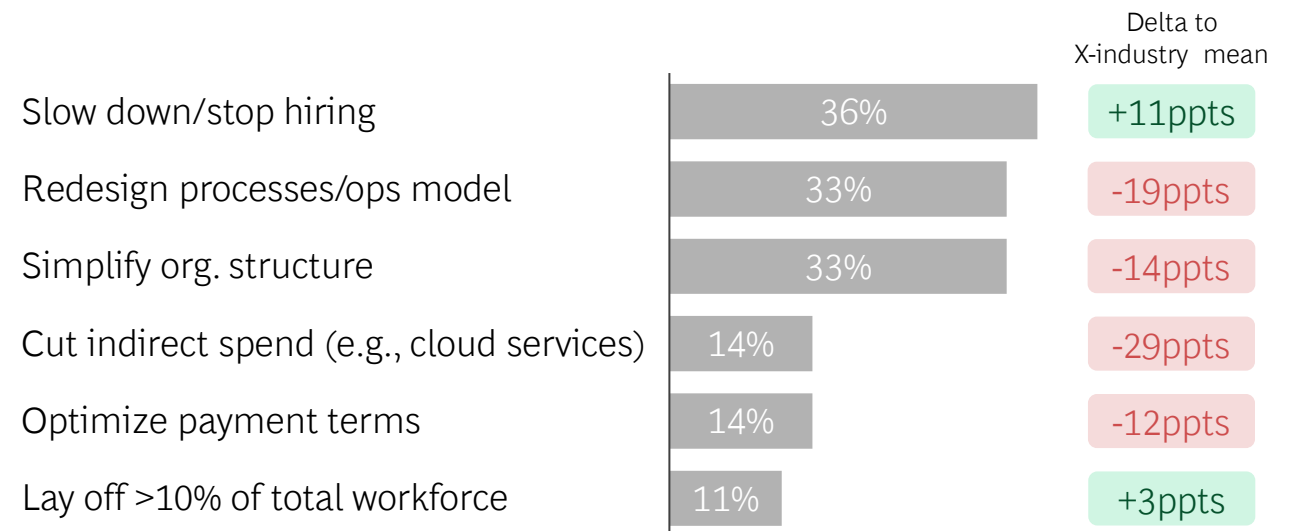
While we have made great progress in improving speed in the last few years, we haven't focused as much on improving efficiency. [...] And in a challenging economic environment, **efficiency takes on greater importance.**

— Daniel Ek, CEO, Spotify<sup>1</sup>

## ... few leverage the full breadth of cost actions

Executives are taking **~45% fewer** cost actions vs. global average...  
... and often focus **only on organization-related optimization**

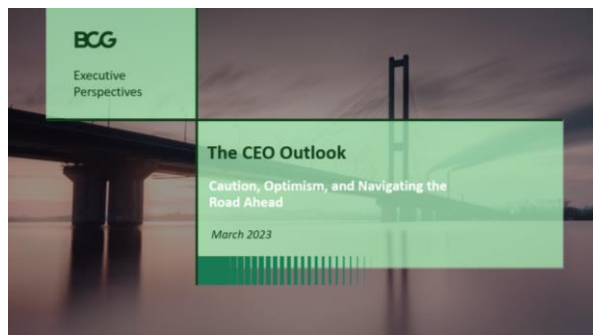
Cost actions taken by software companies, % of respondents



1. "Spotify cuts 6% of its workforce—read the memo CEO Daniel Ek sent to staff," CNBC.com  
Source: BCG analysis based on a global C-suite survey, software and services n = 36 respondents

# To learn more on how to navigate uncertainty in 2023, explore BCG's recent resilience insights or reach out directly to the Central Resilience Team

## Understand how C-suite leaders across industries approach 2023, or...



### The CEO Outlook—Caution, Optimism, and Navigating the Road Ahead

This first edition of the CEO Outlook provides an overview with regional nuances and shows how resilience leaders create competitive advantage

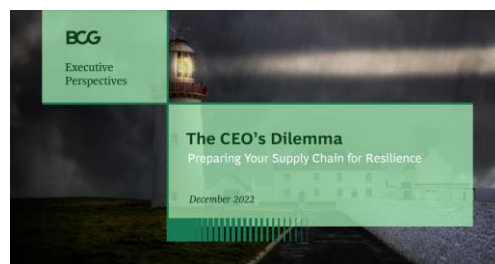
[Click here](#)

## dive into specific actions to navigate your company through uncertainty



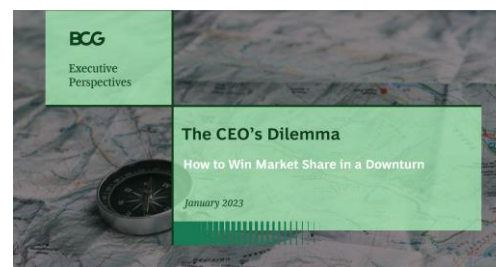
### Building Resilience Through Competitive Cost Position

[Click here](#)



### Preparing Your Supply Chain for Resilience

[Click here](#)



### How to Win Market Share in a Downturn

[Click here](#)

For more insights, explore [BCG's Business Resilience page](#)

## For any questions, reach out to BCG's Central Resilience Team



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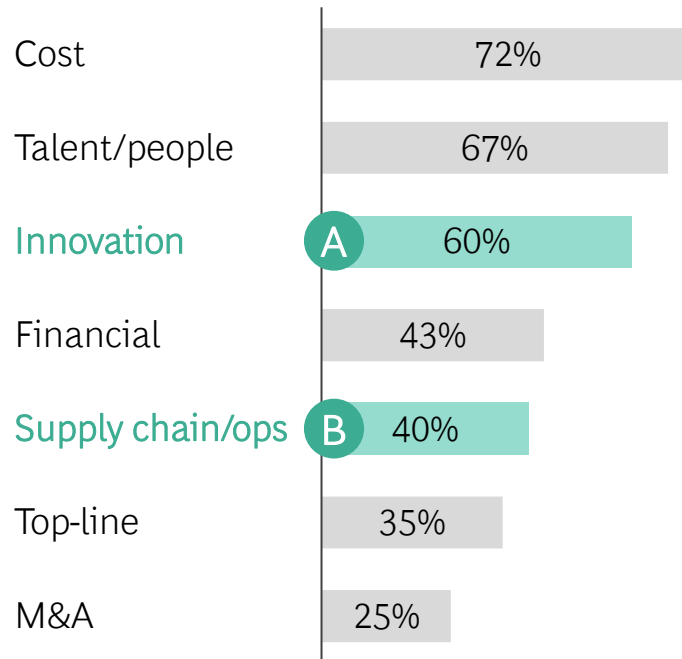
# Appendix

A photograph of several sailboats racing on a blue ocean under a grey sky. The sailboats have white sails with black numbers. The boat in the foreground on the right has the number 206. Other boats in the background have numbers 23, 4, and 031. A large ship is visible in the distance.

# Health Care Overview | Resilience leaders are shifting from crisis management to business innovation

## Actions planned in 2023

% of respondents



A

In a more optimistic outlook for 2023, health care has the highest percentage of players taking **innovation actions** vs. cross industries average **(+6ppts)**

- **Resilience leaders<sup>1</sup> in health care spearhead the shift** as 89% pursue innovation and only 44% take cost actions

B

With pandemic easing, health care companies are seeing less supply chain pressure, leading to **only 40% taking supply chain actions** in 2023

But more than 1/4 of health care players have reported **deficiencies in supply chain**, particularly around E2E supply chain visibility, posing risks to future pandemic preparedness

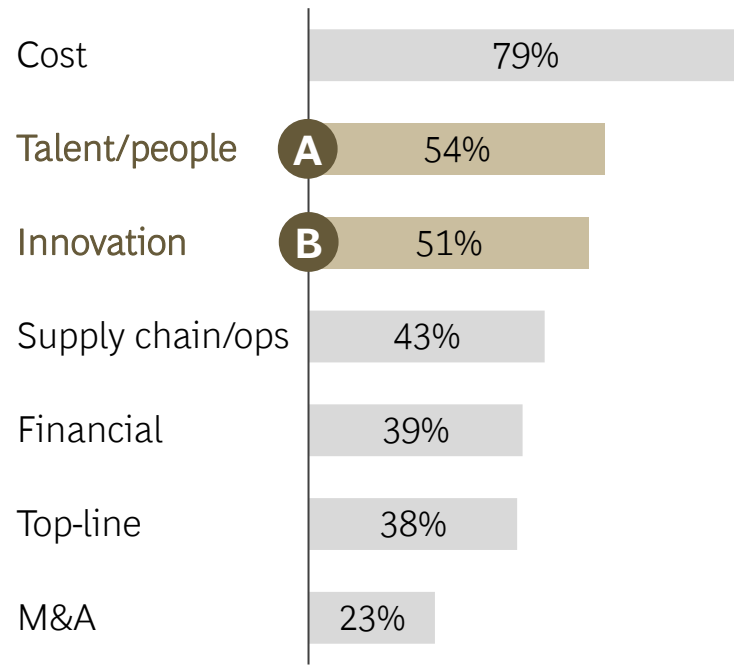
1. Defined as a company that has "very good" capabilities in at least half of the categories among 19 resilience capabilities, "good" capabilities in at least half of the rest, and no deficiencies. 13% of health care respondents are categorized as resilience leaders based on their self-assessment. Source: BCG analysis based on a global C-suite survey, health care n = 81 respondents (26% Asia, 15% Europe, 46% North America)



# Infrastructure/Transportation/Logistics Overview | Investing in talent, digital, and climate & sustainability is critical for future success

## Actions planned in 2023

% of respondents



A

Labor shortages caused by demographic changes and a lack of diversity drive companies to **prioritize talent** after cost actions. 54% of respondents take talent/people actions to attract skilled employees and stay competitive

- Talent actions are **backed with investments**—74% mark talent retention/development as significant investment area

B

Faced with rising consumer demands for digital, sustainable solutions, executives **continue to focus on innovation**. In 2022 and 2023, >50% of respondents report taking innovation actions

Companies that **fund top-line growth in sustainability with digital efficiency** enhancements will be best equipped to build a competitive advantage

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