

# Collaboration - the name of the game



By ANN O'CONNELL, Partner, Strategy Advisory Services, PwC

**M**any organisations have struggled to achieve business growth over the last few years. According to the 2011 PwC Global CEO Survey (see Figure 1) the most common factors restraining growth over the last four years have been the impact of the economic downturn, overregulation, unstable capital markets and availability of key skills. None of these risks, however, are wholly under the control of the organisation itself and businesses, governments and policy makers will need to work together even harder in order to secure the return to growth. Collaboration from all fronts will be the name of the game as we move forward.

Half of Irish CEOs now expect some growth in revenues and in profits in the next 12 months – according to PwC's

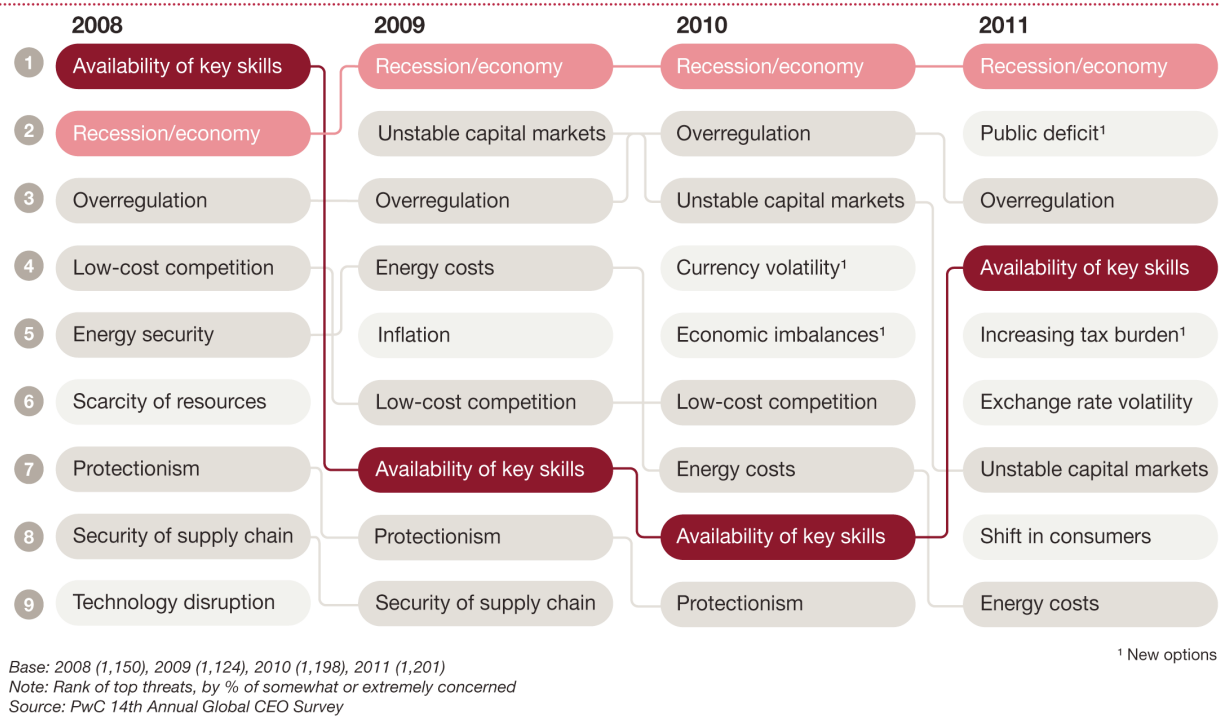
2011 CEO Pulse survey which obtained the view of circa 200 Irish CEOs in March 2011. With the world economy beginning to grow again, there is no doubt that Ireland will follow in due course, driven by our strong export sector, a continuing focus on foreign direct investment and a more competitive economy. CEOs are reorienting their strategies and responding to the inevitable recovery by applying a different lens to three focal points – growth, costs and talent.

## Going for growth

According to Ireland's business leaders much of this planned growth will come through launching new products

Figure 1: Potential threats to business growth

Q: How concerned are you about the following potential economic and policy/business threats to your business growth prospects?



and entering new markets. At the same time organisations should also be careful not to lose sight of the changing needs in existing markets. However, turning geographic penetration into growth requires innovation that is precisely tuned to the needs of customers and end-markets.

CEOs around the world and in Ireland are now placing a higher premium on innovation. Since 2007, global business leaders have consistently reported that their single best opportunity for growth lay in better penetration of existing markets. Now they are just as likely to focus on the innovation needed for new products and services. CEOs are anticipating that their investment in innovation whether product, process or indeed new ways of working will succeed. For example, three-quarters of participants in the 2011 PwC Ireland CEO Pulse Survey reported that their innovations will lead to operational efficiencies and competitive advantage. Nearly two-thirds (65%) said that their innovation will lead to new revenue streams. Companies are revamping their organisations for innovation with a clear focus on new product and service development. According to the survey, most of this innovation is generated and funded internally. For example, only a fifth said they needed Government assistance and only 15% felt that innovation would be sourced through M&As. CEOs are also approaching innovation with an emphasis on putting customers first. Many companies are bringing their innovation activities closer to their customers by giving their customers a say in the design of offerings, or opening innovation up to more partners. Organisations are not only looking to ship the best possible product out of its facilities, but they are also

looking to where it is best designed, packaged, distributed and how it is sold into changing marketplaces. It is evident that innovation is taking place at each stage and increasingly with different partners along the way.

## Costs in the spotlight

With nearly a third (30%) of Ireland's top CEOs saying that they expect costs to grow in the coming year, the single biggest priority in the year ahead for these business leaders is reducing the cost base. Costs are also noted as a potential barrier to growth. For example, over half (52%) said that margin pressure is a restraining factor for business with a quarter (25%) saying increased input costs (energy, rent, rates, waste disposal, etc) are a barrier for growth. With a huge amount of cost adjustment having already taken place over the last two years, business leaders continue to be very cost conscious and are watching out for any potential cost creep. For MNC CEOs, in particular, costs are also high on the agenda with nearly half (48%) saying that improving cost competitiveness is critical to maintaining and increasing Ireland's attractiveness as a location for foreign direct investment.

Managing people costs also remains high on the radar screen. Nearly three-quarters (71%) of Irish CEOs report that they will hold their basic pay levels, similar to prior year levels. However, a further quarter (23%) report that they envisage some increases in basic pay rates. Incentivising and retaining key talent is back on the corporate agenda for many sectors and is being given careful consideration.

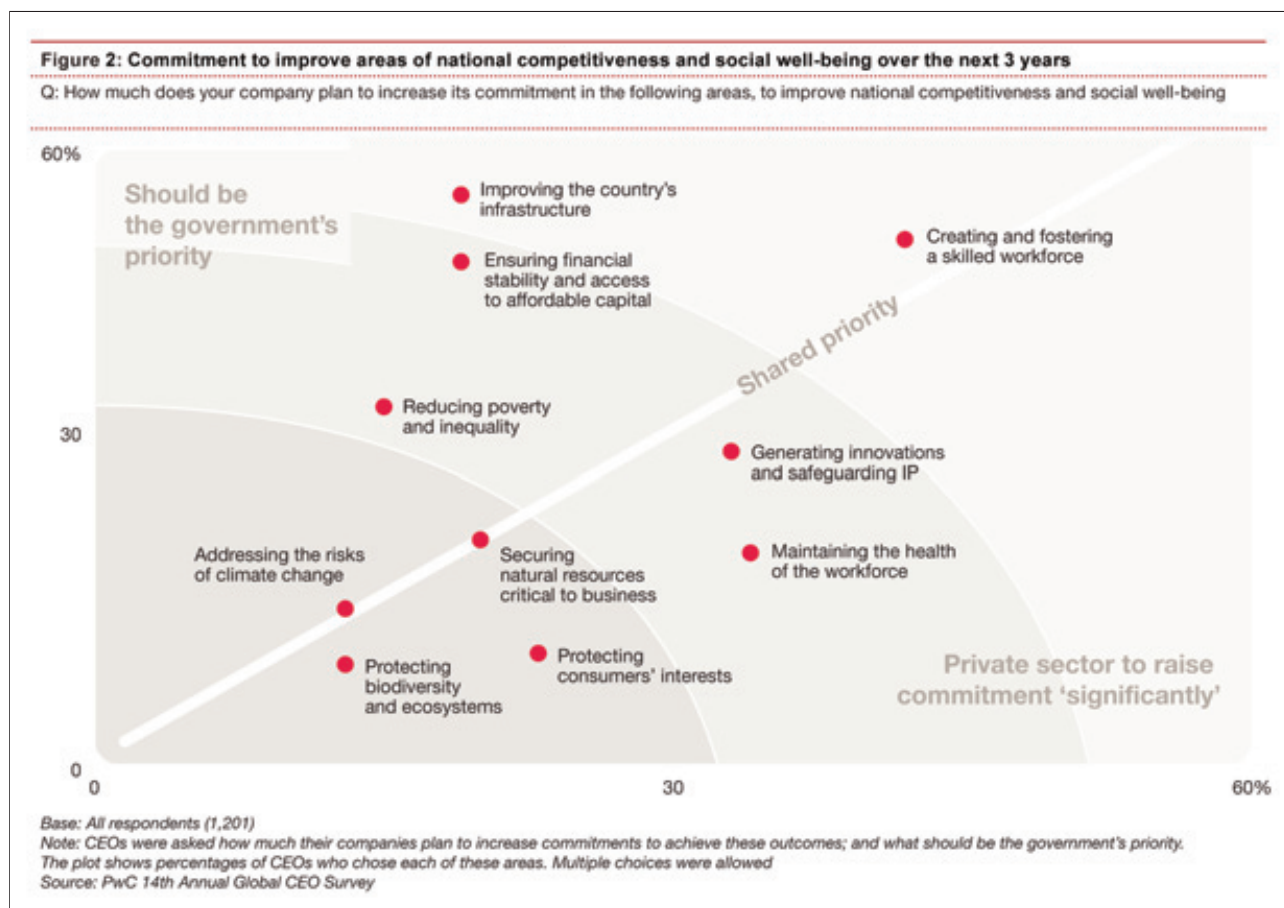
## Talent not a numbers game

The 'war for talent' was declared more than 10 years ago, but few CEOs are prepared to declare victory. They know that talent isn't just a numbers game. It means finding, retaining and motivating employees whose skills are fit-for-purpose and aligned to the company's strategy. Given that 84% of global CEOs have changed their strategies in the past two years, organisations' talent needs are changing too. Talent is now at the top of the CEO agenda for 2011. Trying to get the talent mix right and then hold on to that talent is becoming a challenge for many organisations. For example, nearly a third (31%) of Irish CEOs indicate that developing, motivating and retaining key talent is a top priority for their business in the year ahead. As we emerge from the recession, filling the skills gap begins with companies making themselves more attractive to potential and current employees, and looking for better ways to develop and deploy staff. Becoming the 'employer of choice' is a vital advantage in dynamic markets where top talent has the pick of jobs from domestic and foreign employers. Hiring the best people amounts to nothing if the organisation cannot retain the top talent in hypercompetitive talent markets. In our experience, companies are now taking the long term view on addressing talent needs in every market where they operate. Experienced and skilled employees are their best asset, and the costs in lost productivity and retraining are not insignificant.

## Achieving shared priorities – the way forward

While global and Irish CEOs focus on their own growth plans, many also see a common purpose with governments. Constrained budgets are forcing difficult decisions on public sector leaders; CEOs are keen to protect shared priorities that are critical to business growth and their own competitive position. As can be seen from Figure 2, the single highest priority on the shared agenda relates to the workforce. Fostering a skilled labour force is the single key area where global CEOs see greatest potential for deeper engagement with government bodies. Over the next 3 years, 42% of global CEOs expect to significantly increase their role in fostering a skilled workforce. The role for business is well recognised when it comes to leadership development and on-the-job training. What's newer is that the training and education systems are becoming much more of an integrated market with companies and governments both looking to meet workforce requirements. Leaders from both areas recognise the need to collaborate more on this shared agenda and this will be an area for further development as we emerge from the recession.

In an Irish context, there will be renewed focus on Irish colleges and training programmes, and an expectation that they too are responding to the changing needs of society and business in terms of producing students with the requisite skills and competencies for the workforce of the future.



Commitment by government and private sector to improve areas of national competitiveness and social well-being over the next 3 years