

Reinvention on the edge of tomorrow

Faced with global forces, the boldest of Australia's CEOs are taking steps to reinvent their business models. For everyone else, the choice is clear: self-disrupt or be disrupted.

Australia's CEOs are beginning to recognise the size and urgency of the reinvention imperative, but at a much lower rate than global CEOs. For those lagging behind there exists a stark choice: self-disrupt or be disrupted. *PwC's 28th Annual Global CEO Survey – Australian insights*, highlights how global megatrends like technology, including GenAI, and climate change are driving reinvention for CEOs across the globe. For companies embracing reinvention, the benefits are profound: 42% of local CEOs note efficiency gains from GenAI, with climate-friendly investments reported six times more likely to boost revenue of global CEOs. Optimism prevails among local business leaders, with plans to increase headcount and pursue acquisitions.

However, complacency is a risk, as 74% of local CEOs believe their firms will survive the next decade without change, compared to 55% globally. The challenge for Australia's CEOs? Acting *now* to ensure future success.

Four core findings: Steps CEOs can take today

Potential for bold reinvention

Bold decision-makers are moving determinedly to reinvent their company and capture value-creation opportunities, and most of Australia's CEOs (55%) report having taken at least one significant reinvention action. But this is lower than the global average (64%) and, in general, fewer companies have tackled more ambitious actions such as pioneering new routes to market or collaborating to create new ecosystems.

Data also highlights a corporate governance dilemma, where businesses are being shaped by long-term forces, but most surveyed CEOs only expect to remain in their roles for five years or less.

Next steps for CEOs? CEOs must commit to genuine and audacious reinvention to ensure the long-term viability of their organisations. Meanwhile, boards can help safeguard against near-termism by promoting a leadership culture of "through-tenure", so that the reinvention never falters during and after CEO succession.



74% of Australia's CEOs believe their business will be economically viable for more than 10 years if they continue down their current path (versus 55% of global CEOs).

Are local CEOs being overly confident?

Expectations for GenAI remain high

Australia's CEOs still have high hopes for GenAI, albeit with measured caution. 40% of Australia's surveyed CEOs expect to see a boost to profitability from GenAI in the coming 12 months, and 88% say AI adoption is important to achieving their company's business strategy in the next three to five years.

Yet trust remains a hurdle to AI adoption. While Australia's CEOs feel less exposed to technological disruption (including AI) than their global counterparts, only a third of Australia's CEOs have a high degree of trust in AI.

Next steps for CEOs? CEOs should focus on building trust in AI and systematically integrate it into their business strategies to unlock its transformative potential. This involves investing in workforce upskilling, ensuring transparency in AI processes, and fostering a culture of AI fluency and agility. Promoting consistent ethical AI use and implementing robust risk mitigation strategies are also crucial for leveraging AI's full potential.

While **88%** of Australia's CEOs are eyeing AI for strategic growth, trust remains a barrier.

Only **1/3** have a high degree of trust in embedding the technology into key business processes.



Scope to capitalise on climate-friendly investments

We're seeing signs that CEOs are reframing climate change as an opportunity to unlock value. However, a lag is emerging between Australian and global results, and Australia's CEOs are yet to fully capitalise on climate-friendly investments.

One third of CEOs globally reported a rise in revenue from climate-friendly investments over the past five years, compared with 17% of Australia's surveyed CEOs. Similarly, climate change ranked relatively low as a key threat according to Australia's CEOs, suggesting leaders locally may be underestimating the urgency of the issue—and the size of the opportunity.

Next steps for CEOs? Australia's CEOs can learn from the global experience, starting with bringing climate-friendly products, services and technologies to market. CEOs must consider the **energy trilemma** (that is, simultaneously ensuring a reliable energy supply, reducing emissions and trimming costs). Also, a data strategy for sustainability is essential to meet new reporting requirements and enable data-led decisions.

Despite global gains from climate investments, only

17% of Australia's CEOs report revenue growth, lagging behind the

33% global average.

Untapped potential in decision-making quality

Around **70%** of Australia's CEOs judge the quality of strategic decisions by the outcome rather than the process nearly two thirds of the time.

Around **1/3** fail to evaluate whether they're missing any important opportunities.

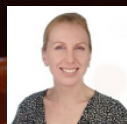
Australia's CEOs have room for improvement in resource reallocation and decision-making quality, with cognitive biases being significant barriers. Currently, they reallocate financial and human resources at a lower rate than the global average. Digging into the data, there is a strong link between higher levels of resource reallocation (both financial and human resources) and the amount of revenue coming from distinct new businesses – underlining that reinvention and dynamic resource reallocation go hand in hand. However, biases such as overreliance on arbitrary benchmarks and misaligned resource allocation can hinder this process.

In decision-making, around 70% of Australia's surveyed CEOs assess strategic decisions based on outcomes rather than processes, and about one-third do not evaluate missed opportunities.

Next steps for CEOs? Consider minimising preconceptions in resource allocation through robust budgeting practices and strategic mergers and acquisitions. Additionally, prioritising data-based, process-driven decision-making can help overcome cognitive biases, ensuring consistent and unbiased outcomes.

Want to discuss how these findings relate to your business?

Get in touch with your usual PwC contact or reach out to one of our subject matter experts below.



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