

# *Balancing the act*

Treading cautiously  
on changing grounds



## Foreword

*Striking the right balance is rarely a fast-paced game. For most, it's more a question of setting sail on a lifetime endeavour that implies withstanding challenging times and making the best of what is. Yet all of us, individuals and companies alike, are ceaselessly coveting a form of it in our quest for a more sustainable livelihood. Paraphrasing a Romanian poet, one could say that last year was one when things were not as they seemed. From what appeared to be a rolling global economic recovery that raised hopes during the first half of the year, we ended the year 2011 with real concerns on the composure of the Euro-zone and with the menacing prospect of yet another global downturn. The prospect of achieved was indeed still playing hide-and-seek.*

*Instead of making up for ground lost in the times of crisis, the financial sector was yet again at the core of global concern as the sovereign debt drama unfolded, first in America, which lost for the first time in history its triple A rating, and then with higher resonance in Europe, where Greece, Portugal, Italy, Spain and later on Hungary were dragged one after the other into the whirlwind of the crisis. Closer to home, Romania finally re-emerged from economic recession, closing the year with a fair 2.5% economic growth. Yet, the end of the recession in its "technical" sense did not coincide with that of the crisis, as much uncertainty still remains about future growth prospects, while the state of the economy remains shaky and vulnerable.*

*In light of all this, Romanian CEOs display a lower level of optimism and have aligned to the cautious global approach to future strategies and development. Even though they are no longer as confident as last year when it comes to growth prospects, Romanian CEOs seem to have learned valuable lessons from the crisis and are now leading their businesses to aim for sustainable rather than speculative growth. Many things have changed since the crisis hit some four years ago, and many expectations have not been met. A very important one is related to the availability of the right people and talent to support business growth.*

*The world as we know it may be fading away, but we will surely not succumb with it. We've just started to better come to grips with our own power. And we are using this to build on what we hope will be more sustainable grounds. This brings us now in front of two parallel facets of Romania. There is the country of those who have bowed down to depression, are feeling left behind and are waiting for a helping hand from the State. While another Romania, the one that rarely makes the evening news, has pragmatically adapted to the new economic circumstances. Belts have been tightened, sleeves have been rolled up. This Romania is making a comeback and appears ready to withstand any rough wind lying ahead.*

*On this note, I would like to thank the business leaders who took time away from their demanding agendas to share their hopes and concerns with us. Our Annual Global CEO Survey owes its success to their valuable input and we are proud to provide this country focus to the Romanian and international markets.*



Vasile Iuga  
Country Managing Partner  
PwC Romania

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# 1. What's on the Romanian CEO's agenda?

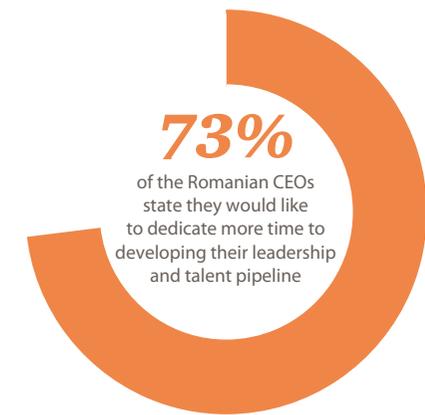
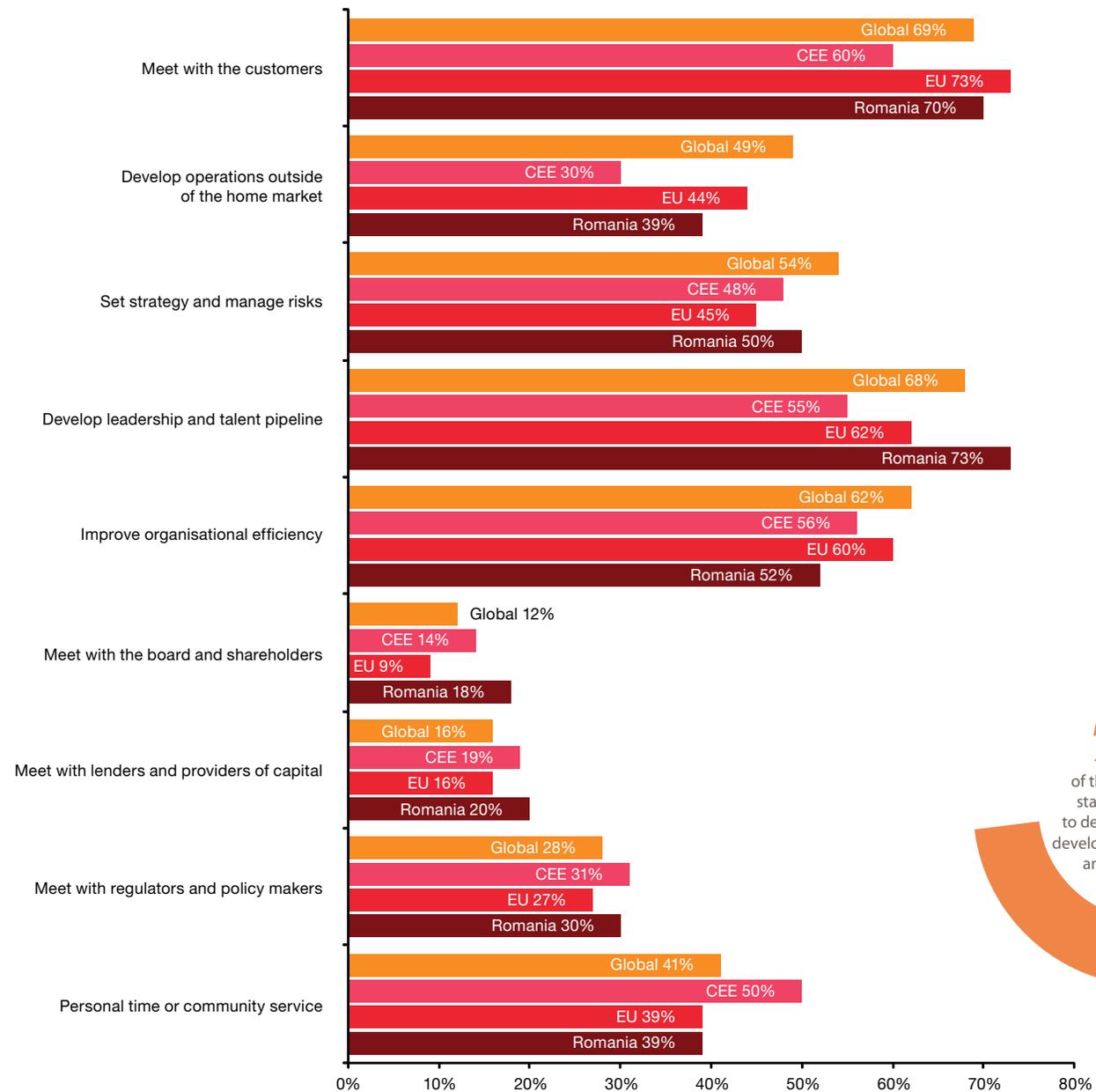
The people, the customers and the efficiency of their organisations are at the top of the Romanian CEOs personal agendas. As they see highly-skilled middle managers capable of good execution as essential for the successful implementation of their company's business strategy, 73% of Romanian CEOs state they would like to dedicate more time to developing their leadership and talent pipeline – a higher percentage than in any other region analysed in this report.

At the same time, 70% of local CEOs want to spend more time meeting with their customers, similarly to their global, EU and US peers, showing that they are getting more and more alert to the dynamics of customer demand and its impact on business. Improving organisational efficiency and setting strategy and managing risks also rank high on the agendas for 52% and 50% of Romanian respondents, respectively. On the other hand, 25% of the Romanian CEOs would like to spend less time with regulators and policy makers, if at all possible.

Also worth noting is their interest in developing operations outside the home market (39%) and allotting more time for their personal pursuits and community service activities (39%).

## Romanian CEOs would like to focus on developing leaders, meeting with customers and making their organisations more efficient

Q: Do you wish that you personally could spend more time on each of the following activities?



Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

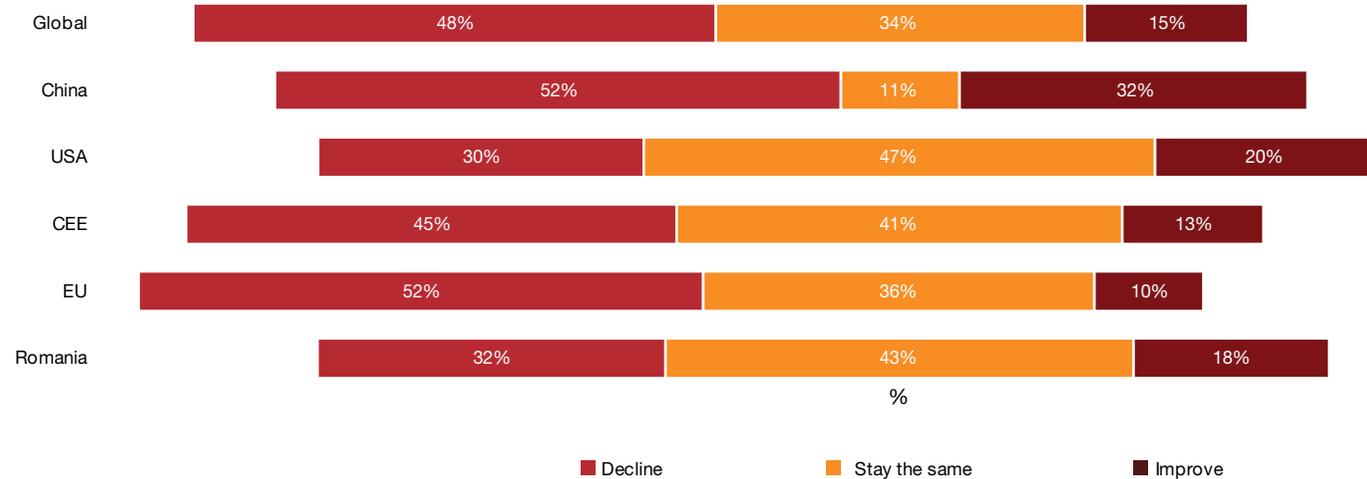
## 2. The future – to be handled with care

After three years of waiting for the Godot of a V-shaped recovery, Romanian CEOs seem to have accustomed to the idea that, despite the technical end of the recession, the crisis is here to stay and the “new era” will be characterized by high volatility and uncertainty. There is a feeling among the Romanian and global business community that this is the new normal and that companies have no choice but to grow new life skills for the current market environment.

Although CEOs are rather pessimistic about the evolution of the global economy, they have become more confident in the capacity of their own companies to go beyond the difficult market conditions and thrive. Only 34% of the surveyed CEOs told us that they are very confident about their company’s prospects for growth, a drop from the 43% of last year. However they appear to be cautious rather than pessimistic, as 52 % are still “somewhat confident” about what 2012 will bring (40% last year).

### Most CEOs expect no improvements in the global economy

Q: Do you believe the Global economy will improve, stay the same, or decline over the next 12 months?



Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

*‘The financial crisis that started in 2007-2008 originated in the private sector. It led to a sharp contraction of the economy and forced the governments everywhere to try to intervene in order to protect the safety of the financial system and maintain a socially acceptable level of employment. Now we are entering a new and more complex phase, especially in Europe, in which states have turned from saviours to patients. In the mean time, the private sector has managed to adapt quite fast to the new environment. Companies everywhere turned to deleveraging and cost control. Some have managed to stockpile an impressive amount of liquidity in their coffers and to restore profits. It is clear that companies now feel better prepared to face come what may. Yet this might just as well be an illusion of safety, with very few top managers curious to discover what might happen in the case of a meltdown of the Eurozone.’*

### Vasile Iuga

Country Managing Partner, PwC Romania

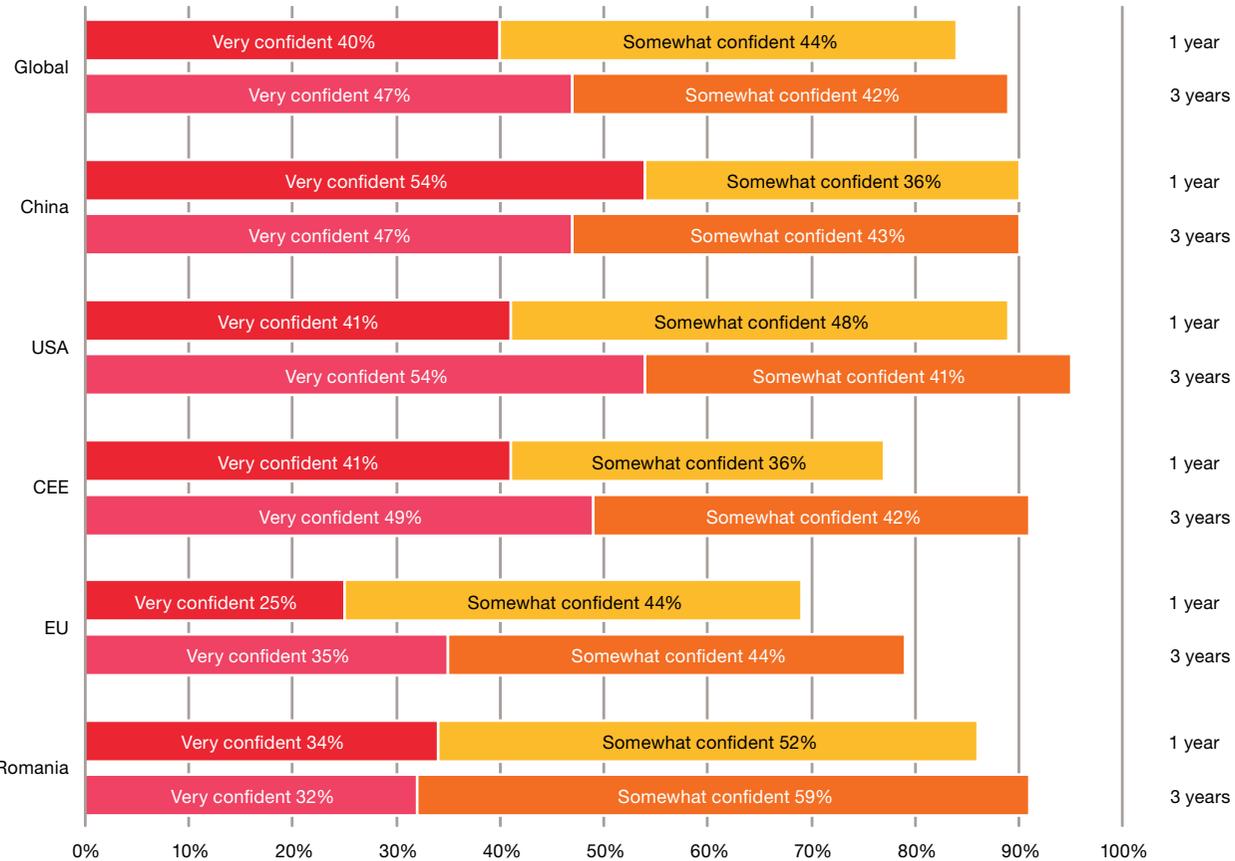
CEOs stick to the same trend regarding the developments over the next three years, with 32% being “very confident” and 59% “somewhat confident”, a considerable turn from last year when 70% were “very confident” and 23% “somewhat confident”. With Romanian CEOs no longer showing the exuberance of a developing economy, we can conclude that they are starting to take a more balanced approach to the market conditions, opting for sustainable over speculative growth.

Compared to the rest of the world, Romanian CEOs appear to be rather cautious, while American, Chinese and East-European top executives are markedly more optimistic, with 54%, 47% and 49% respectively, having a high level of confidence in the perspective of their own companies for revenue growth in the medium term.

Going into further detail, Romanian respondents expect the world to be more open to cross-border capital flows (57%) and free international trade (43%).

### More confidence regarding revenue growth – but CEOs remain cautious

Q: How confident are you about your company’s prospects for revenue growth over the next 12 months?  
How confident are you about your company’s prospects for revenue growth over the next 3 years?



Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

*‘Trust is the prerequisite of solid and healthy economic growth. The global financial crisis has shattered trust between companies and their shareholders, as well as between governments and their citizens. If we are to enter of a new period of growth, we must rebuild this trust. For companies, the best way to regain trust is full transparency in what concerns their business practices, clear and comprehensive financial reporting, as well as a complete overhaul of their corporate governance structures and practices.’*

**John Webster**

Partner, Assurance Leader, PwC Romania

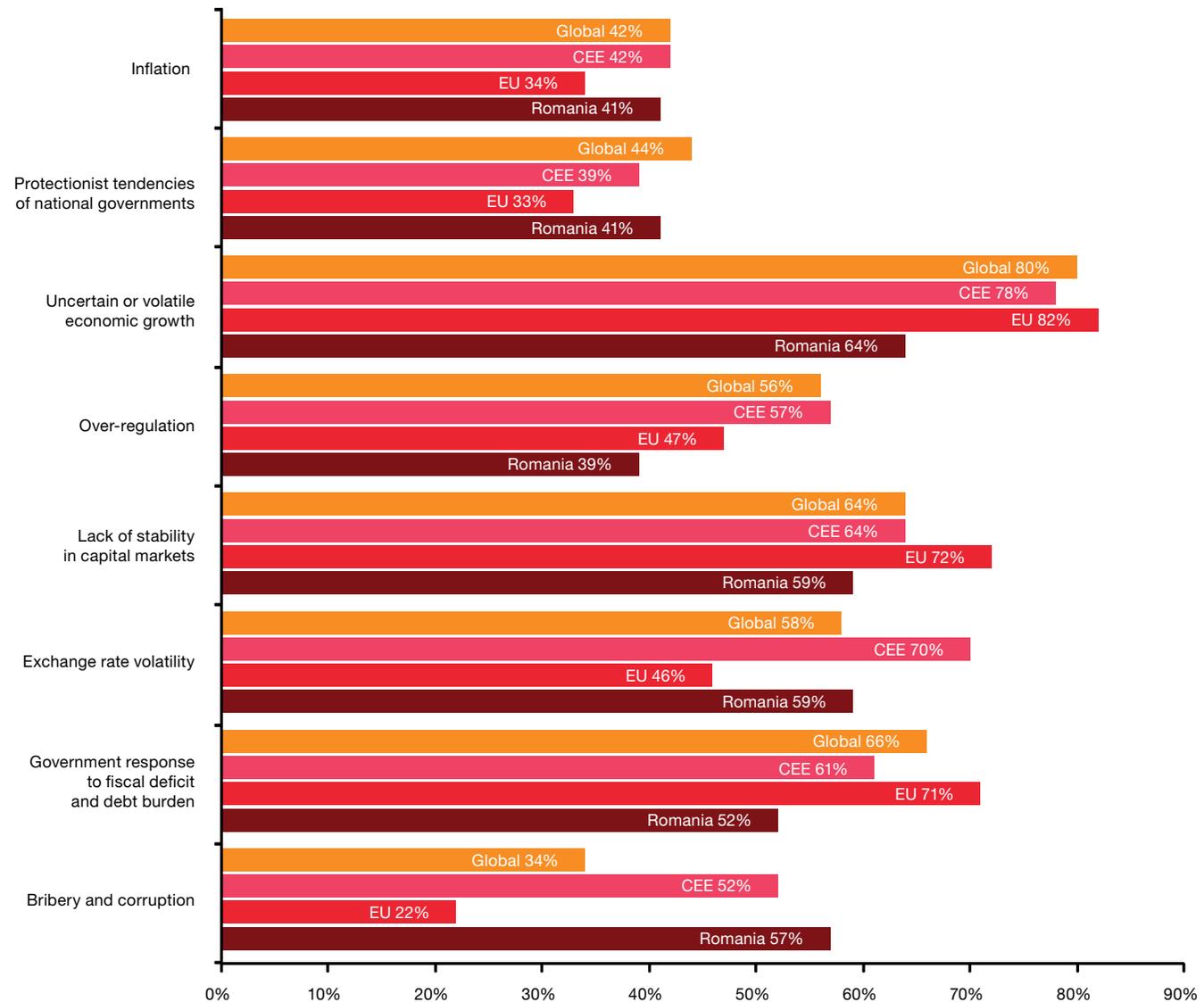
### 3. Tight spots still abound

While there is a feeling of sturdiness and resilience in the face of the crisis, CEOs are keeping a close watch on external factors that may derail their growth prospects, with 64% of them considering uncertain or volatile economic growth as a considerable threat. At the same time, 59% of the Romanian respondents are concerned with the lack of stability in the capital markets, while the same percentage of respondents are worried about exchange rate volatility. Although fears of governmental response to the debt burden and harsher regulation seem to have subsided somewhat since the previous edition, they still rank high on the radar of potential risks for local CEOs.

A significant percentage of respondents (57%) see bribery and corruption as a threat for their businesses, while 52% also see the government response to fiscal deficit and debt burden as an area of concern. Moreover, for 41% of surveyed CEOs, inflation and the protectionist tendencies of national governments are also factored in their risk management strategies.

#### Uncertain economic growth ranks high among concerns

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



Note: Respondents who stated "extremely" or "somewhat concerned"

Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

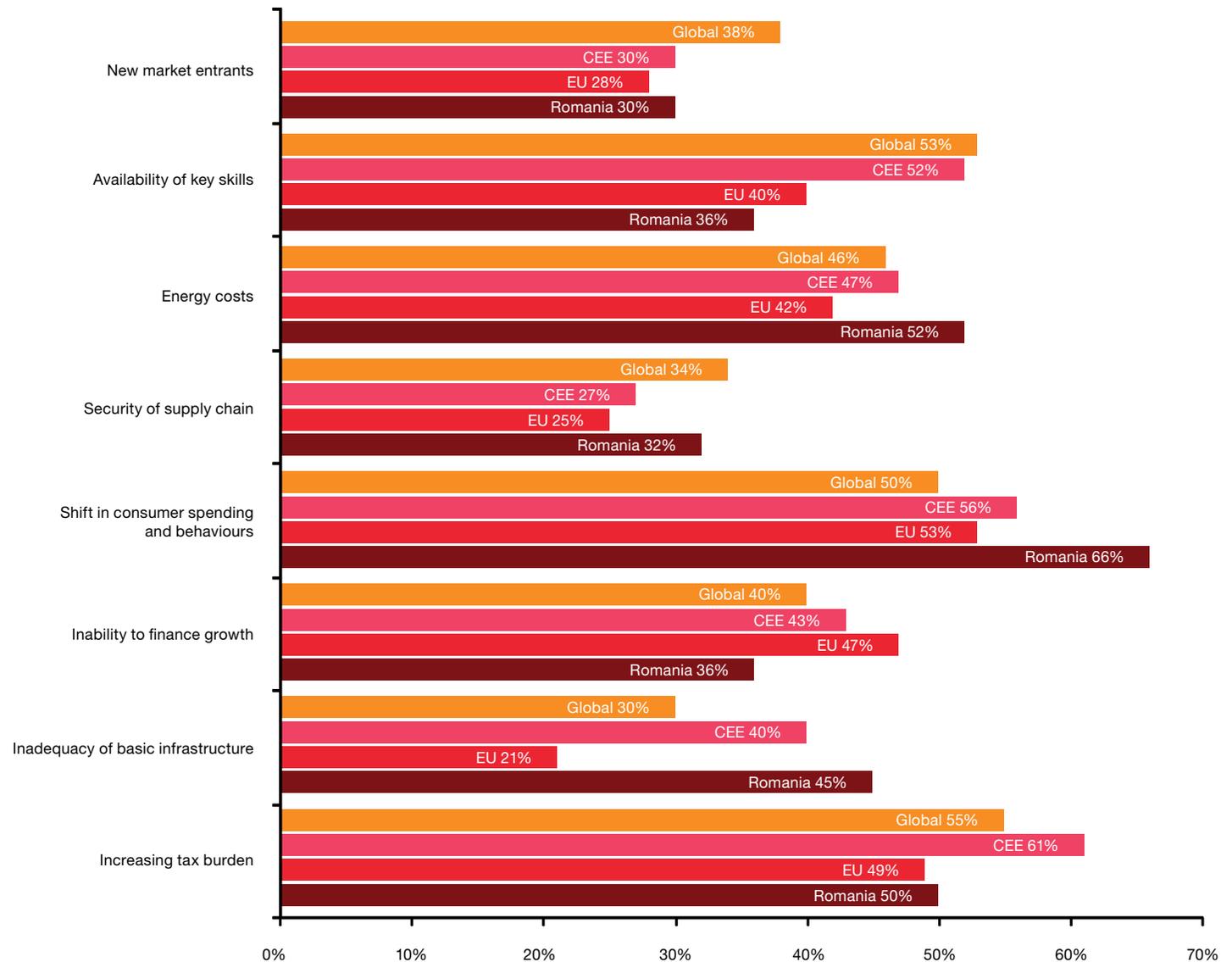
The concern expressed last year regarding the increase of the tax burden continues to be important (50% compared to 67% in 2011), in addition to the shift in consumer spending and behaviours, to which CEOs are also willing to pay more and more attention (66% compared to 47% in 2011 – slightly higher than the Global and European average). Furthermore, it's important to note that they are significantly more preoccupied by energy costs than at the time of the last edition (52%, similarly to their Global, EU and CEE counterparts). As it will be shown in more detail in the People & Talent section, the crisis does not seem to have eased the wars of talent, as the availability of key skills is still seen as a potential threat (36% compared to 40% in 2011).

Even though there have been several improvements regarding the number of infrastructure works, 45% of respondents still factor in the inadequacy of basic infrastructure as a threat for their business growth prospects (slightly more than in 2011 – 33%).

The ongoing sovereign debt crisis in Europe appears to be the only important external factor that triggered strategy, risk management and operational changes, as stated by 52% of the respondents. All other major environmental, political and social events and disruptions of the past year do not seem to have significantly influenced the business of Romanian CEOs.

## Shifting consumer behaviours, energy costs, the tax burden and inadequate infrastructure will impact growth prospects

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



Note: Respondents who stated "extremely" or "somewhat concerned"

Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

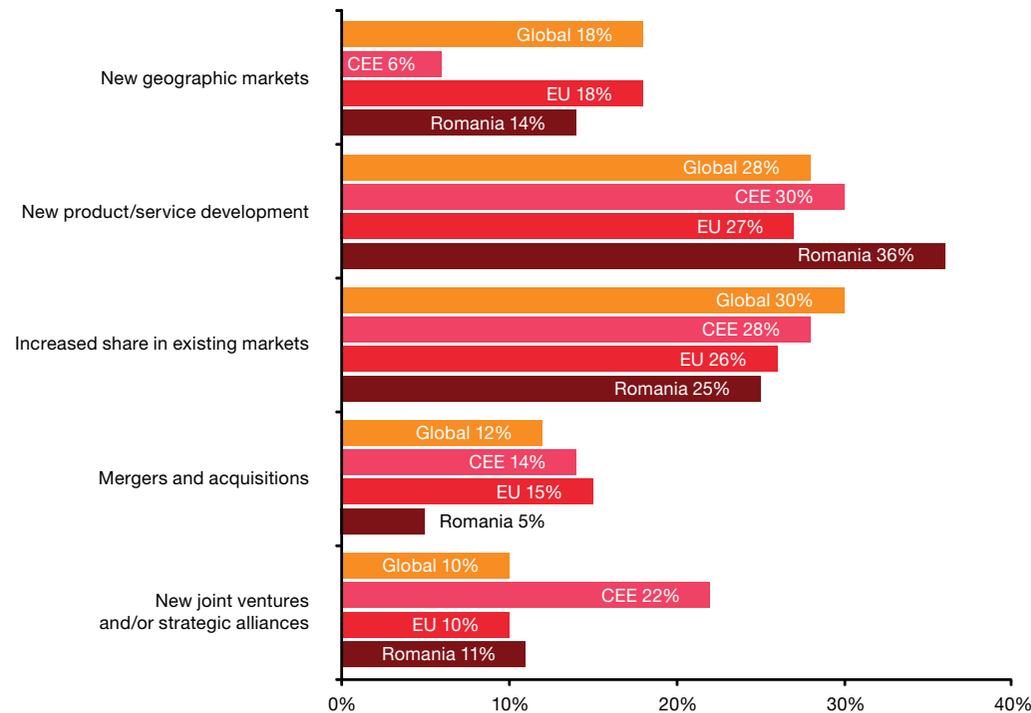
## 4. Yet opportunities are within reach

Faced with an uncertain economic environment and potential worsening of the sovereign debt crisis in Europe (which already had a direct financial impact on over 41% of Romanian companies), added to its damaging impact on the country's exports and financial system, local CEOs look for opportunities closer to home and within reach.

Interest in increasing market share is still relatively low (25% compared to 23% last year), with a considerable gap when compared to their US counterparts (38%), while 36% see growth coming from new product/service development, i.e. an important drop from last year (50%). As a result of this, innovation no longer ranks among top priorities in terms of business development and CEOs are less willing to “bet” on new and possibly risky ventures. Along these lines, only 14% plan to expand on new graphic markets, while 11% plan for new joint ventures and/or strategic alliances. Their appetite for M&A shows an insignificant increase as compared to the previous edition (from 3% to 5%), which confirms that local CEOs see deals more as an exit tool rather than one for consolidating their businesses.

### Business is expected to grow through innovation and increased market share

Q: Which one of these potential opportunities for business growth do you see as the main opportunity to grow your business in the next 12 months?



Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

*‘With the inflow of foreign direct investments quickly drying after 2008, the Romanian M&A market has seen a significant drop in the number and value of transactions. Yet certain areas such as green energy and agriculture have remained resilient in spite of the crisis. We believe that, as the economy is slowly starting to return to its growth potential, M&A activity will pick up, as Romania is still a country with significant untapped potential. Yet, rather than being a herd that flocks to feast, as before the crisis, investors will more and more resemble gem hunters, that ponder considerably before making a move.’*

#### Radu Stoicoviciu

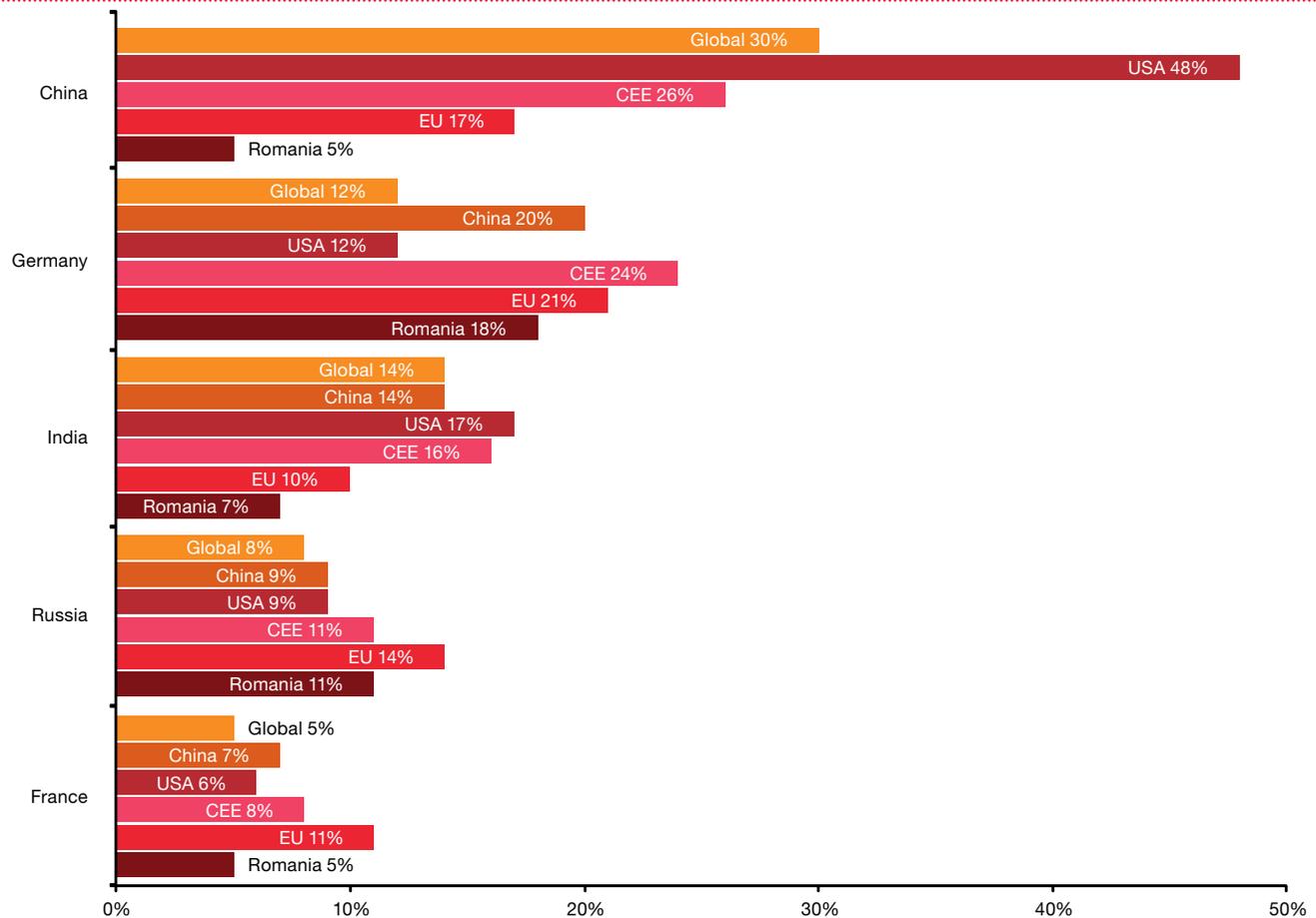
Partner, Advisory Leader, PwC Romania

Aware that Romania is placed between two economic heavyweights, Germany and Russia, local CEOs seem convinced that these two countries will have the greatest impact on their future growth, with 18% of CEO indicating that Germany is the most important foreign trade partner for business growth and 11% mentioning Russia.

Geographical proximity weighs therefore more than the size of the economy, with only a few of the Romanian CEOs mentioning India, China, Brazil – the other BRICs apart from Russia – as important for their overall growth perspectives.

### Germany and Russia seen as main future business partners by Romanian CEOs

Q: Which countries, not including the country in which you are based, do you consider most important for your overall growth prospects over the next 12 months?



Note: Maximum of 3 responses were provided

Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

*‘At a time in which the economy in general struggled, last year Romania had record exports. These didn’t come only from multinationals with factories in Romania. Local entrepreneurs played their important part in this success story. Romanian businesses have learned to adapt in the murky waters of our long transitions. Some prospered despite the administrative burdens, commercial risks and high costs of financing. This created a particular type of survivor entrepreneur, which is accustomed to hardships, doesn’t expect help from outside and performs wonders with little resources. This silent mass of entrepreneurs is Romania’s greatest hope for a sound and steady future economic growth.’*

### Mihai Anița

Partner, Private Company Services Assurance Leader, PwC Romania

## 5. Changing course while navigating the rough seas ahead

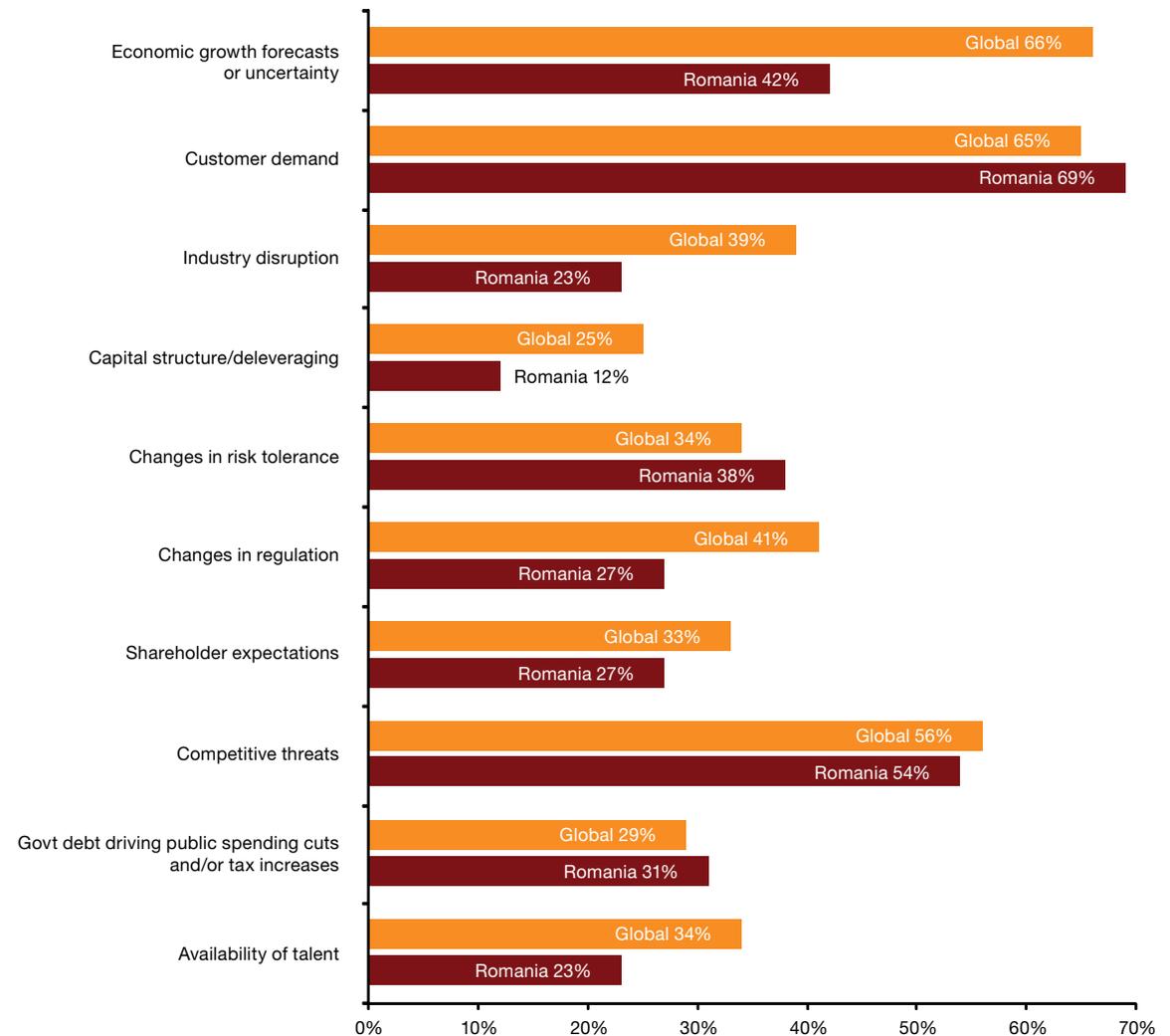
Caution is the name of the game when it comes to strategies as well, with only 5% of the respondents saying that theirs will change in fundamental ways over the next 12 months, 55% foreseeing some changes and a significant 36% foreseeing no change at all.

As most of the major adjustments to business strategies have been already made, CEOs are now more eager to keep the course steady and work on the fine-tuning, rather than experiment radical change. Even so, further adjustments to business strategies seem to be driven mostly by the need to adapt to shifts in customer demand (69%) and competitive threats (54%), rather than the downturns of the global economy (42%).



### Customer demand and competition drive strategy changes

Q: Which of the following factors influence your anticipated need to change your strategy?



Base: Respondents who stated "change in fundamental ways" or "somewhat change" to the question "To what extent do you anticipate your company's strategy will change over the next 12 months?" (60% of Romanian respondents; 70% of Global respondents)

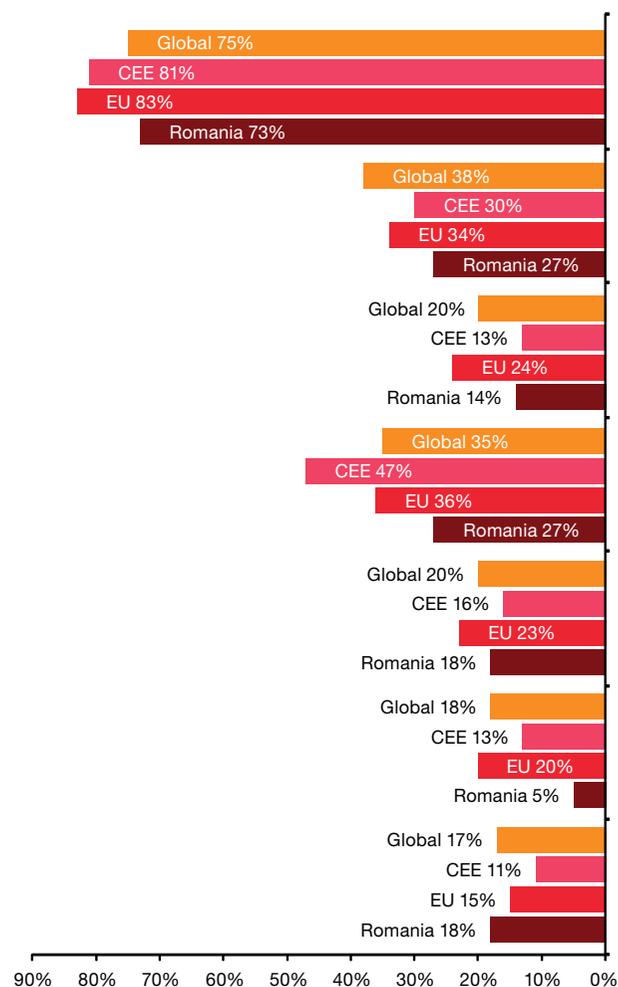
Source: PwC 15th Annual Global CEO Survey, Romania respondents

The current “upbeat realism” of the Romanian CEOs stems out of the painful measures that were taken over the past few years in cutting costs and making the organizations leaner and more efficient. 73% of local CEOs state that during the past 12 months they have taken a cost reduction initiative, while 45% said that they have either outsourced a business process or function, or, on the contrary, in-sourced it, as a means to make savings for the organization.

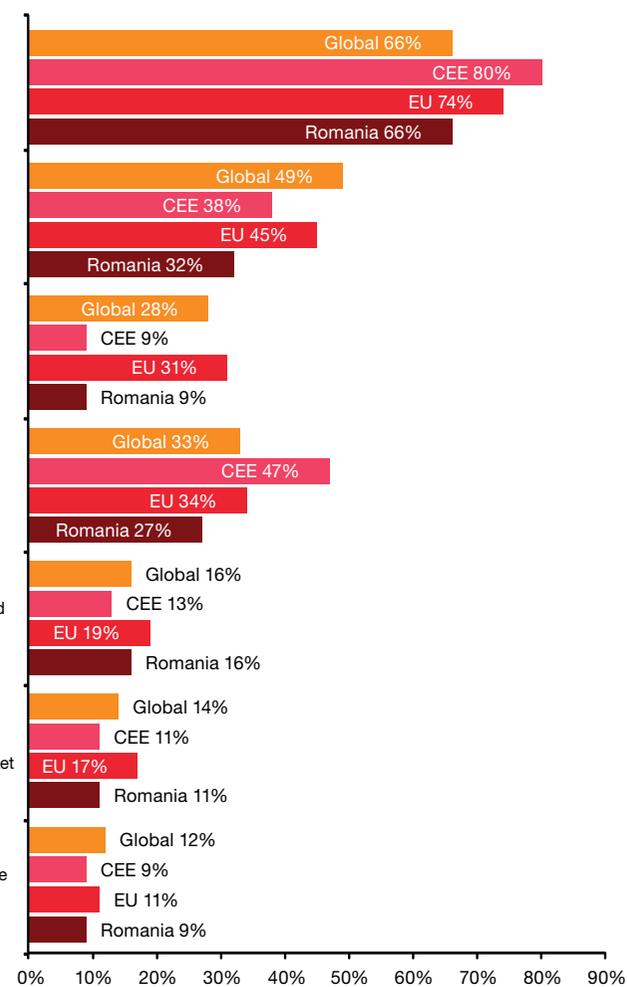
For the future they display the same cautious attitude regarding their overall growth prospects, with only 32% of respondents planning to enter into a new strategic alliance or joint venture – a drop by almost half compared to last year. Similarly to last year, outsourcing doesn’t seem to be seen as very effective, with only 27% of the respondents planning to go down this road, compared to 47% in CEE. In an unpredictable market environment, with future revenues difficult to forecast, keeping costs in check remains crucial and local CEOs will continue to focus on implementing cost cutting measures, with 66% of them anticipating such initiatives over the next 12 months.

### Cost reduction measures still rank high on the strategic agenda

Q: Which, if any, of the following restructuring activities have you initiated in the past 12 months?



Q: Which, if any, of the following restructuring activities do you plan to initiate in the coming 12 months?



Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

*‘We are now at the point where more accountability for results is needed in business. Companies need to be able to better measure the real return on investment at this time when capital is difficult to access and still expensive. Also, accountability has to reside in the right places and to be properly incentivized. This means going beyond cost-cutting and taking a new look at processes and business practices.’*

**Bogdan Belciu**

Partner, Advisory Services, PwC Romania

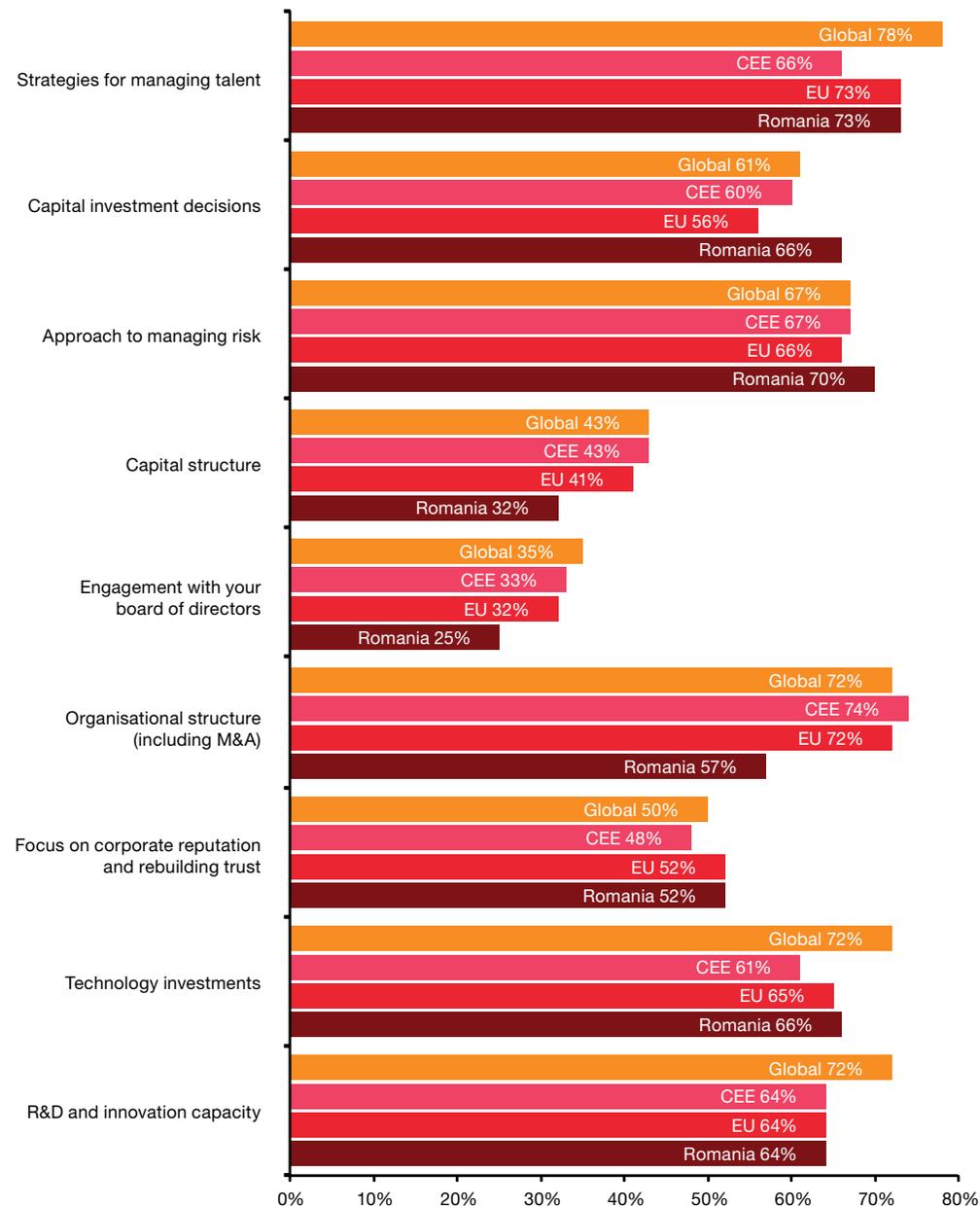
Strategies for managing talent is the area where 73% of the respondents anticipate change, a percentage that remains almost as high as last year (77%). This goes to show that previous expectations regarding a possible pool of available talent brought on by the economic downturn were not met.

At the same time 70% of Romanian CEOs expect to make changes in their approach to risk management, an opinion they share with their Global, EU and CEE counterparts (67% on average).

Other areas where CEOs anticipate change are capital investment decisions, technology investments (both 66%) and R&D and innovation capacity (64%). Only 52% still intend to change their approach when it comes to corporate reputation and trust (compared to 77% in 2011) leading us to believe that many necessary adjustments were made in this area.

**Managing talents and dealing with risks are the main areas where change is anticipated**

Q: To what extent do you anticipate changes at your company in any of the following areas over the next 12 months?



Note: Respondents who stated "some" or "a major change"

Base: All respondents

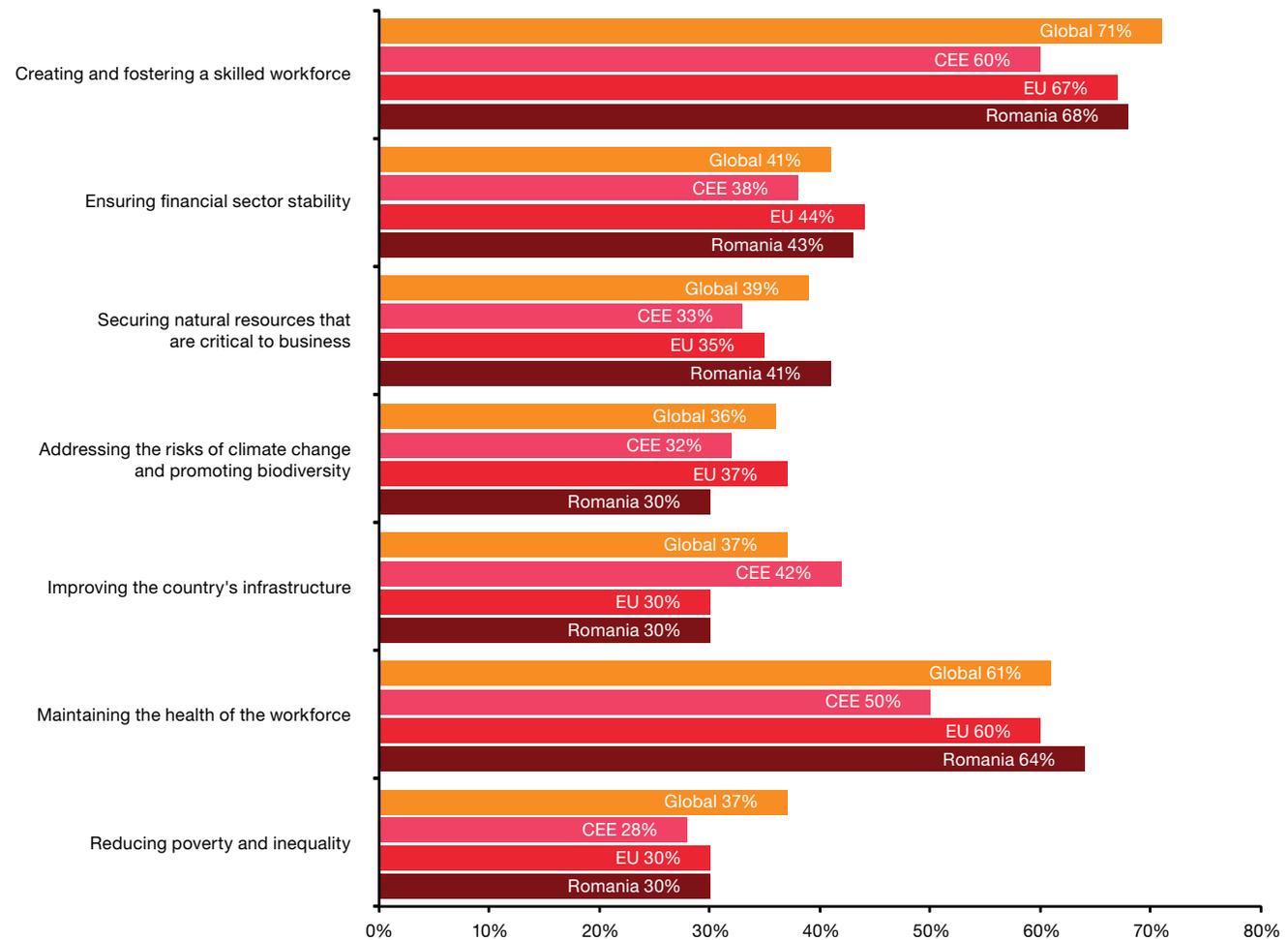
Source: PwC 15th Annual Global CEO Survey, Romania respondents

Over the next three years, 68% of respondents stated that they plan to increase investments by creating and fostering a skilled workforce and 64% by maintaining the health of the workforce. This reflects the fact that talent management strategies are the main concern. Significant investments will also go to ensuring financial sector stability and access to affordable capital (43%) and to securing natural resources that are critical to business (41%). It's interesting to note that, while infrastructure is still seen as the main government priority, 30% of respondents plan to increase their investment in this area as well.

The findings show that Corporate Social Responsibility (CSR) is also on the business agenda, with 30% of CEOs planning to increase investments in addressing the risks of climate change and promoting biodiversity and reducing poverty and inequality, respectively.

### Workforce quality and welfare are the main investment areas

Q: How much does your company plan to increase its investment over the next three years to achieve the following outcomes in the country in which you are based?



Note: Respondents who stated "a significant" or "some increase in investment"

Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

## 6. The intangible assets: people and talent

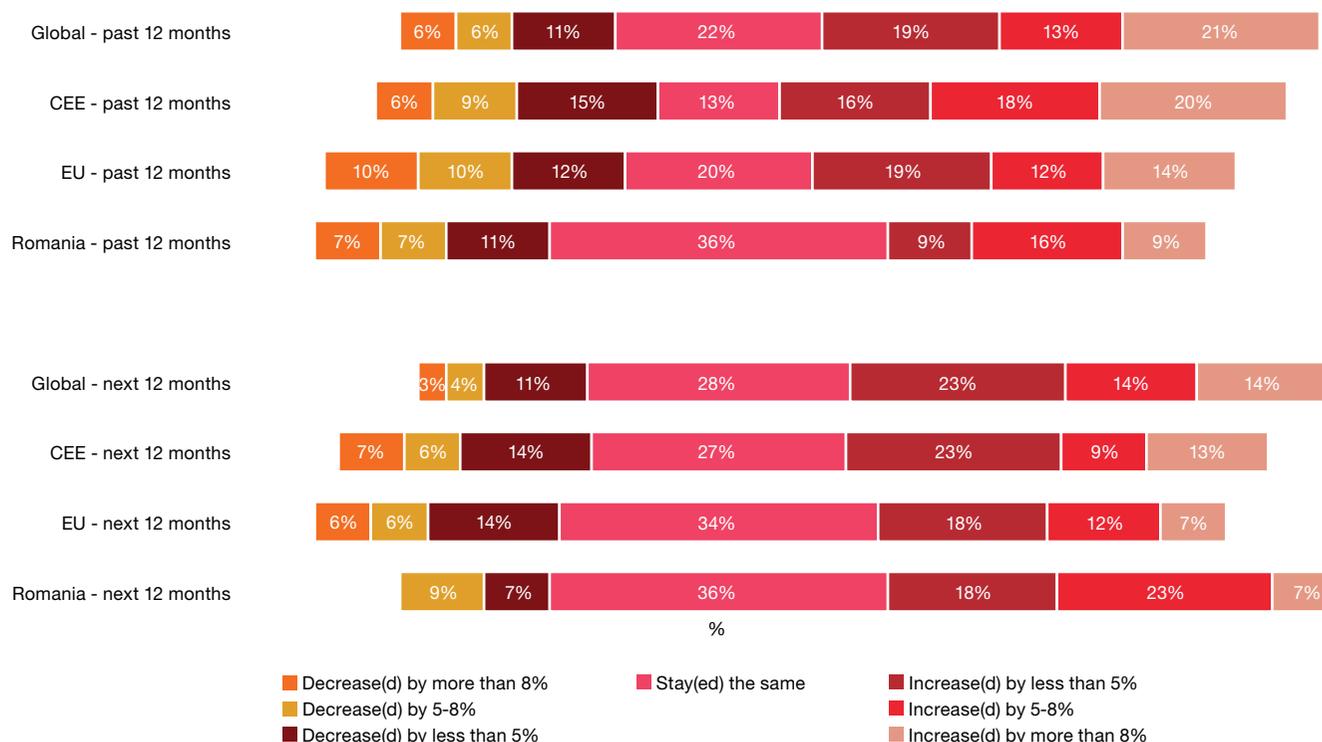
Many may have hoped that the economic downturn would make the talent challenge go away, or at least lessen. But increased market competition and fundamental incongruities between needs of companies and characteristics of the 'Millennial' generation seem to have made things even more complex.

In the previous edition, 60% of CEOs anticipated an increase in headcount, but these projections had been too optimistic. Looking at 2011 in retrospect, 36% declared that their headcount stayed the same, 16% that it increased by 5-8% and only 9% that it increased by more than 8%. Taking into account that the headcount decrease was not notable either (11% saying that it decreased by less than 5%, 7% by 5-8%, and 7% by more than 8%), it looks more like stability is settling in.

Despite the staff turnover, which results from various measures taken to handle the tough economic context, Romanian CEOs are still cautiously optimistic for the future. Almost half of the Romanian respondents expect to raise their headcount (18% to increase by less than 5%, 23% to increase by 5-8%, and 7% to increase by more than 8%) 36% are preparing for no change, while relatively few expect decreases in headcount (7% by less than 5%, and 9% by 5-8%).

### Almost half of CEOs expect to raise their headcount

Q: What happened to headcount in your company Globally over the past 12 months?  
What do you expect to happen to headcount in your organisation Globally over the next 12 months?



Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents



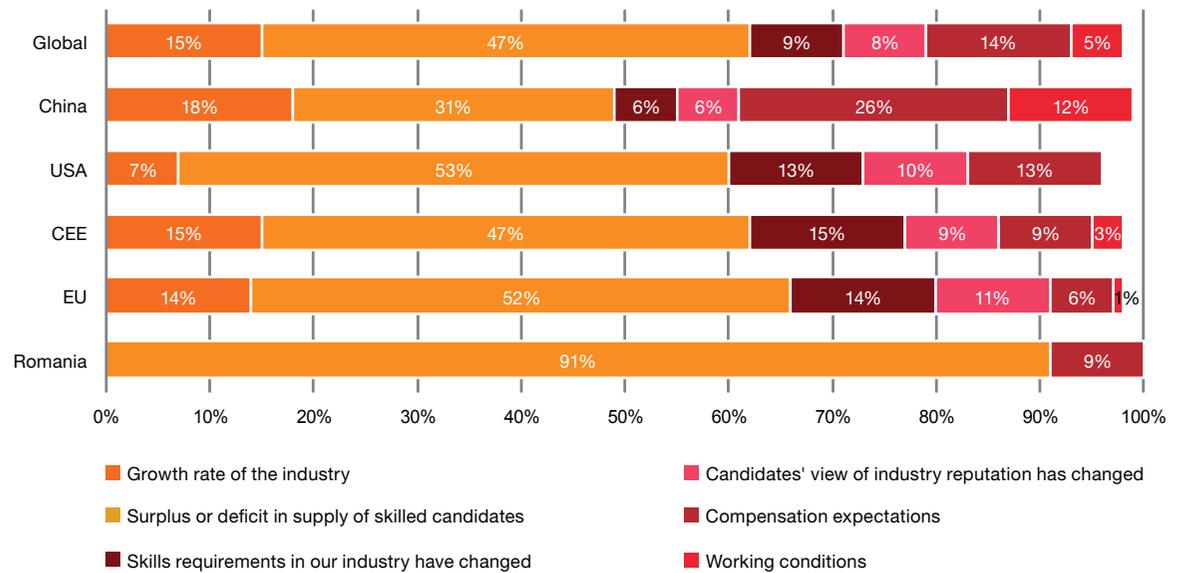
Some CEOs might have thought that the changes which resulted from the economic downturn would make it less difficult to hire. However, only 30% of respondents have experienced this, whereas for 25% of them it has become even more difficult to find the people they need.

The underlying reasons for this are multiple, but there is one in particular that leads by a landslide: the availability of skilled candidates, mentioned by 91% of the respondents, a percentage almost twice as high as the EU average of 52% and that of the US (53%). The high percentage of CEOs pointing to this indicates a lack of proper educational and training frameworks in place to support the required pool of Romanian talent. The second most important reason to the difficulty to hire workers, in the view of Romanian CEOs, is the level of compensation expectations (9%).

At the EU level, CEOs who are faced with similar issues cited other reasons as well, including the growth rate of the industry and the changes in industry skills requirements (both with 14%), as well as the candidates' view of the industry reputation (11%).

### Difficulties in finding skilled candidates raise concerns for CEOs

Q: Which of the following statements are the primary reasons why it is more difficult to hire workers in your industry?



Base: Respondents who stated "more difficult" to the question "In general, has it become more difficult or less difficult to hire workers in your industry, or is it unchanged?" (43% of Global respondents, 64% China, 37% USA, 39% CEE, 27% EU and 25% from Romania)  
Source: PwC 15th Annual Global CEO Survey, Romania respondents

*'Market developments have sharpened the change of focus from filling jobs to finding talent. If there was any expectation that the downturn will release capital, including human capital, making talents more easily available for successful companies, this expectation has proven wrong. The challenge is more complex now when high employment rates persist while businesses face talent shortages. This mismatch is impacting profitability and has gone up on the executives' agendas, driving a more strategic approach and more investment in the area.'*

### Peter de Ruiter

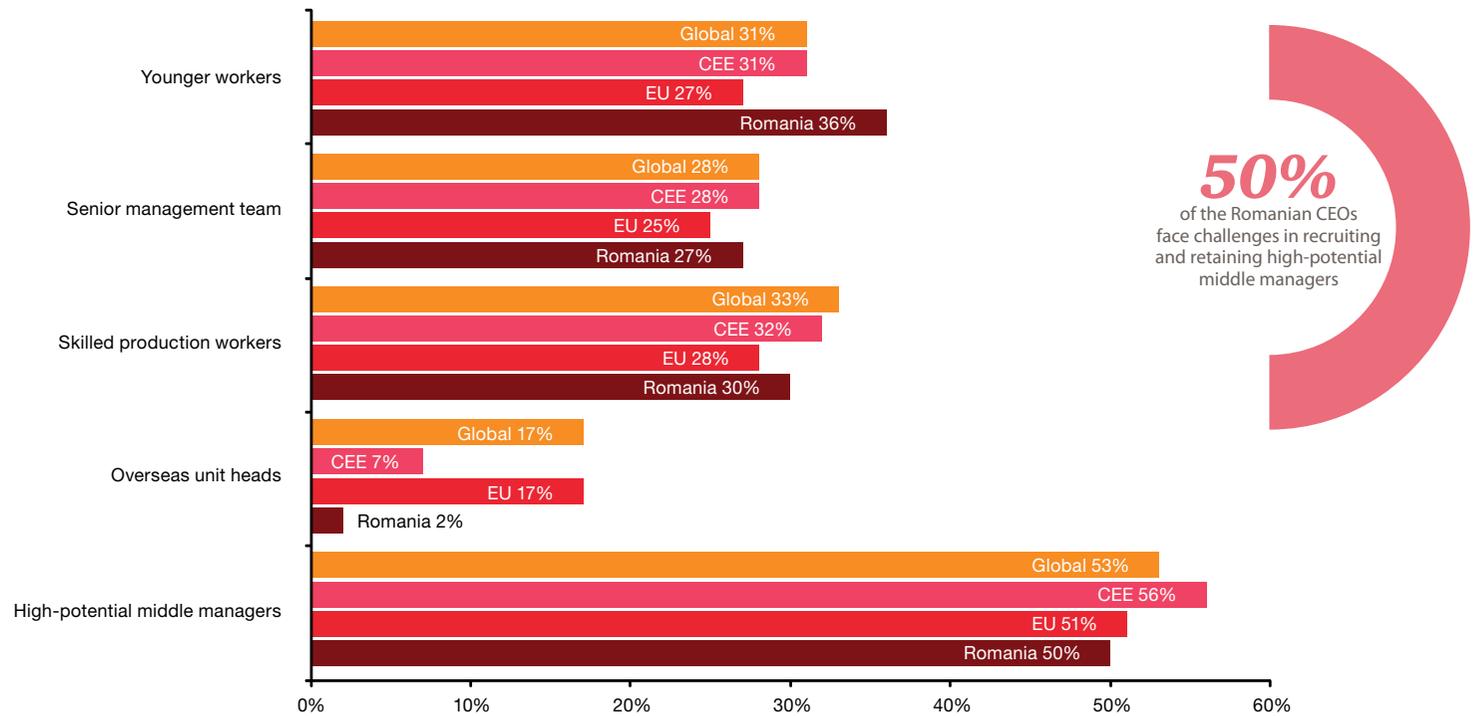
Partner, Tax and Legal Services Leader, PwC Romania

“Finders keepers” seems to be quite a challenging notion to implement in relation to staff retention. High-potential middle managers are the most likely to be lured by the tempting benefits packages of competitors. 50% of CEOs voiced their concern about this issue, a percentage almost equal to the EU and global levels of 51% and 53%, respectively. At the same time, there is a high turnover of younger entry-level staff (36%), which is not unusual for organizations undergoing difficult periods while adjusting their growth strategies.

It is interesting to note the importance of the management function of Chief Human Resources Officers within the leadership team. According to the survey, 75% of respondents have them as direct subordinates, the percentage equalling the one in the CEE and being slightly lower than the global and EU average (79% and 77% respectively).

### Recruiting and retaining high-potential middle managers is the biggest concern for CEOs

Q: With which of the following groups do you currently face the greatest challenges with regard to recruitment and retention?



Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

*‘Another Global survey we carried out in the Financial Services sector with what we call the millennials – the generation born between 1980 and 2000 and who are now starting to join the workforce in considerable numbers – has shown that loyalty has been seriously eroded during the financial crisis. The traditional talent management model where companies rewarded loyal and high performing employees with a clear career path and comfortable retirement no longer exists in the new economic reality. An option for companies is to focus on results delivered, allowing employees to choose how they work, including when and from where they work.’*

#### Dan Iancu

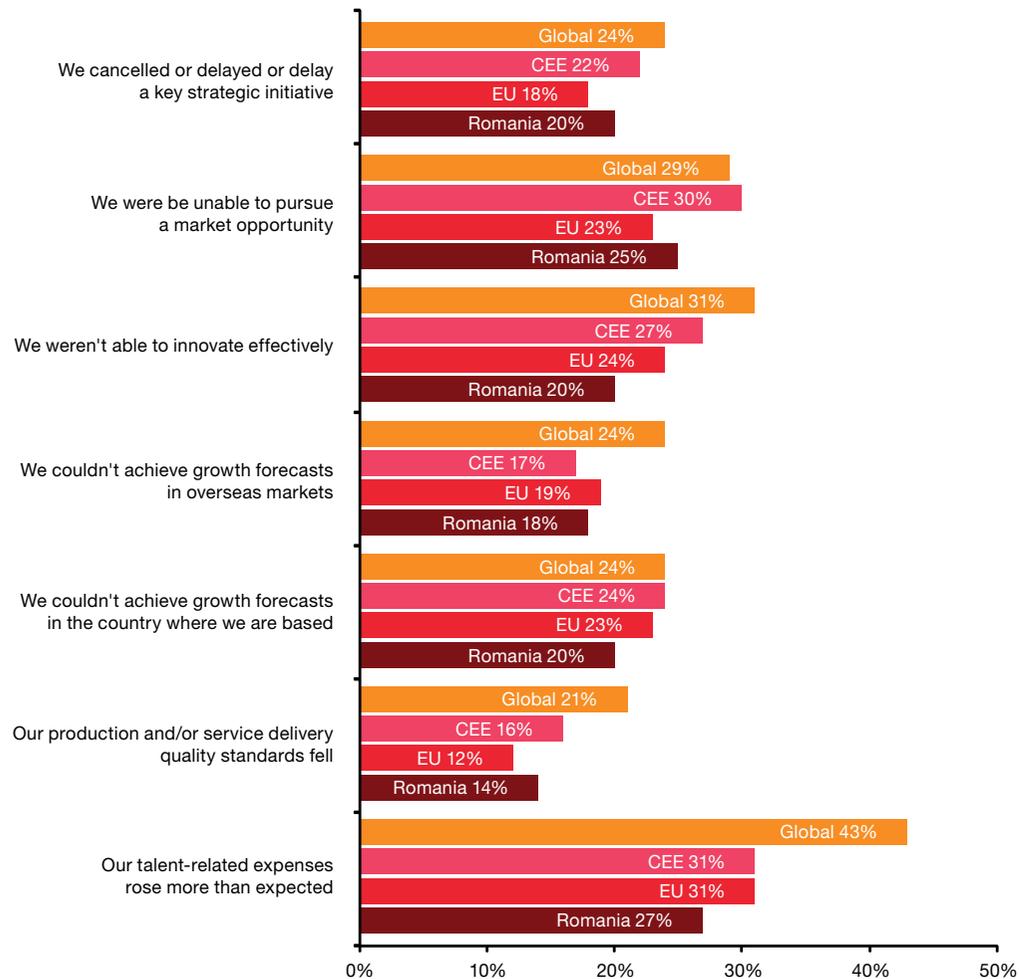
Partner, Financial Services Leader, PwC Romania

Despite the fact that the Romanian workforce is among the most affordable in Europe, the changing financial and labour legislations bring about fluctuations affecting company talent management. As such, the most serious talent constraint impacting the level of growth and profitability is related to the higher than estimated increase of workforce costs (mentioned by 27% of the respondents). Interestingly, this percentage is the lowest among all regions and countries analysed. The relatively low percentage of CEOs mentioning this constraint comes hardly as a surprise, given that the previous year was characterized by cost-cutting measures across all industries in this area.

Other areas of impact include the limited capacity to pursue market opportunities (25%), along with the postponement of strategic initiatives and the lack of efficient innovation (20% each).

### Costs incurred by companies due to talent shortages rose more than expected

Q: Have talent constraints impacted your company's growth and profitability over the past 12 months in the following ways?



Note: Respondents who stated "yes"

Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

With the level of productivity of Romanian workers consistently below the EU average, it comes as no surprise that this ranks first in any talent-related decision-making process. 93% of Romanian CEOs indicated this aspect, in line with their global and EU counterparts (94% and 92%, respectively). Factors of almost equal importance are the assessment of internal advancements, in addition to employees' needs, labour costs, the return on capital investment and the costs of employee turnovers, scoring responses of over 80%.

Appropriate and relevant information is crucial for any educated decision regarding organizations' talent strategy. Respondents indicated that the information at hand is not sufficiently adequate to ensure clear-cut decisions are made. Only 32% of CEOs are satisfied with the information received on productivity matters (indicated above as an essential decision-making factor). At the same time, it seems that 'money still talks', given that responding CEOs have the most detailed and appropriate information in the areas of human capital ROI (40%) and labour costs (37%). At the other end, the least amount of information is reported in relation to the assessment of internal advancement (28%), similarly to the answers provided by CEOs across the EU (28%).

### Information on staff productivity is paramount when making decisions

Q: When making decisions, how important is it to have information on each of the following talent-related areas?

Note: Respondents who stated "important" or "very important"

Base: All Romania respondents

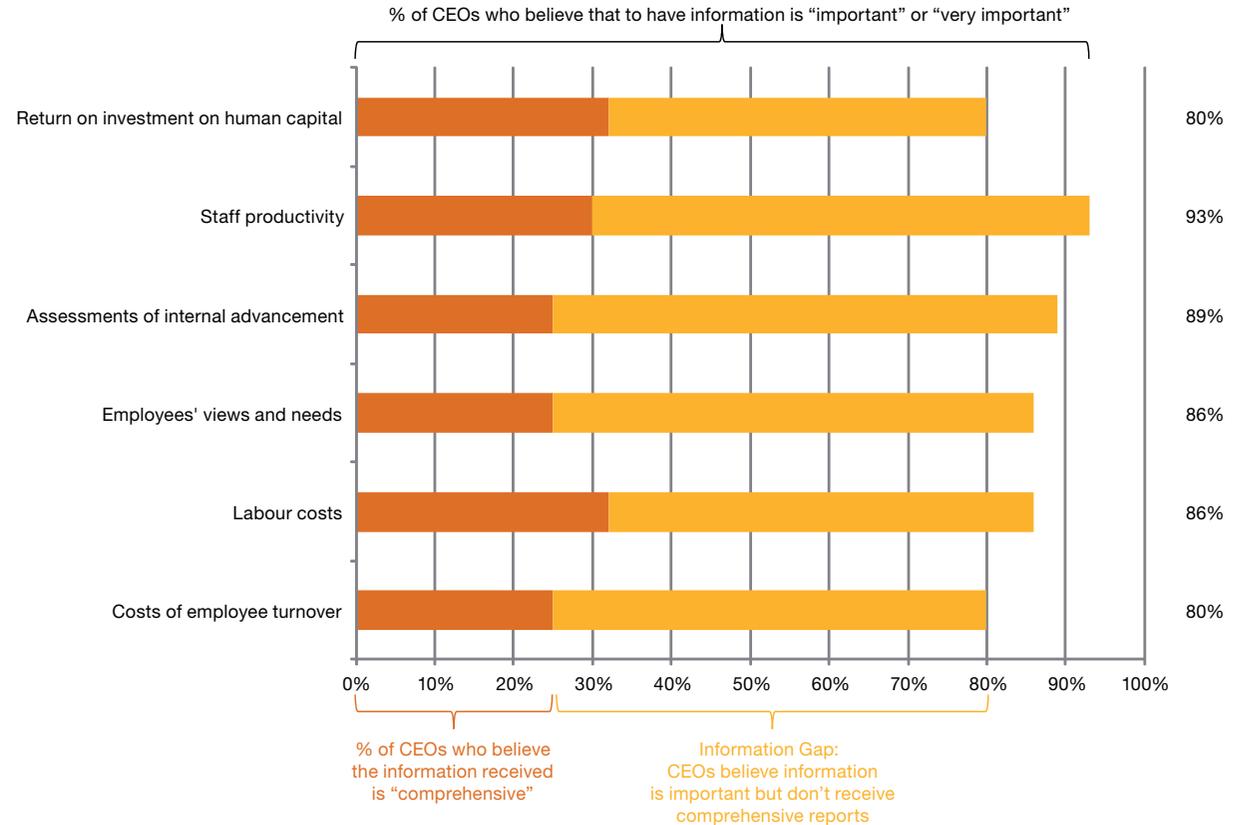
Source: PwC 15th Annual Global CEO Survey, Romania respondents

Q: For those areas that are important to you, how adequate is the information that you currently receive?

Note: Respondents who stated "comprehensive"

Base: All Romania respondents who stated "important" or "very important" to the first question

Source: PwC 15th Annual Global CEO Survey, Romania respondents



*'In spite of last year's economic growth, local business leaders are still concerned about the perspective of a tax increase as a response to the economic crisis. With workforce related expenses rising much faster than expected, CEOs are hoping for a possible reduction and capping of social contributions that would reduce the labour related fiscal burden and stimulate job creation.'*

**Mihaela Mitroi**

Partner, Tax Services, PwC Romania

In correlation to the scarcity of skilled workers mentioned previously, it is encouraging to see that Romanian CEOs place a high emphasis on the existence of an adequate development framework for future potential employees (80%). As such, CEOs seem to be more and more interested in creating the adequate environment of growth for prospective professionalized staff.

Along the same lines, there is an encouraging trend regarding companies willing to invest in workforce development. 75% of responding CEOs make direct investments on their company's markets, only 3% less than the global and CEE percentage of 78%, indicating a growing concern relating to the quality of the available workforce.

Deciding on whether to invest or not in workforce development relies on a series of specific factors. Most Romanian CEOs (61%) consider that quantifiable returns on their business are the decisive factor. For their EU counterparts (64%) it is more important to make sure there is a solid workforce pool to draw their future staff from, an aspect that is also important for 52% of Romanian respondents. The second most significant aspect in the investment decision-making process, from the point of view of human capital, is the improvement of the working conditions provided (55%), a percentage similar to the global average.

### CEOs invest in workforce development and want to see the returns

Q: Do you believe that business in general has a role in workforce development – by this we mean the education and training of youths or adults other than your employees?



Q: Is your company making direct investments in workforce development in any of the markets where you do business?

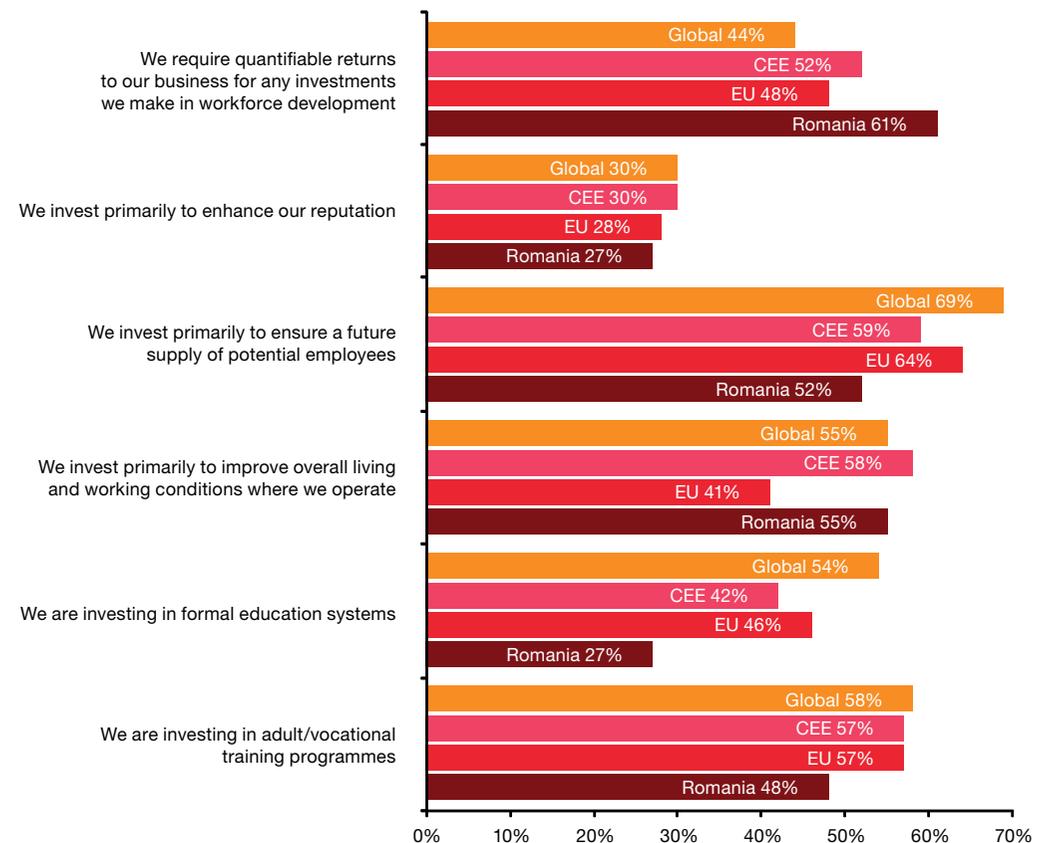


Note: Respondents who stated "yes"

Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

Q: To what extent do you agree with the following statements about your company's investments in workforce development?



Note: Respondents who stated "agree" or "agree strongly"

Base: Respondents who stated "yes" to the question "Is your company making direct investments in workforce development in any of the markets where you do business?"

Source: PwC 15th Annual Global CEO Survey, Romania respondents

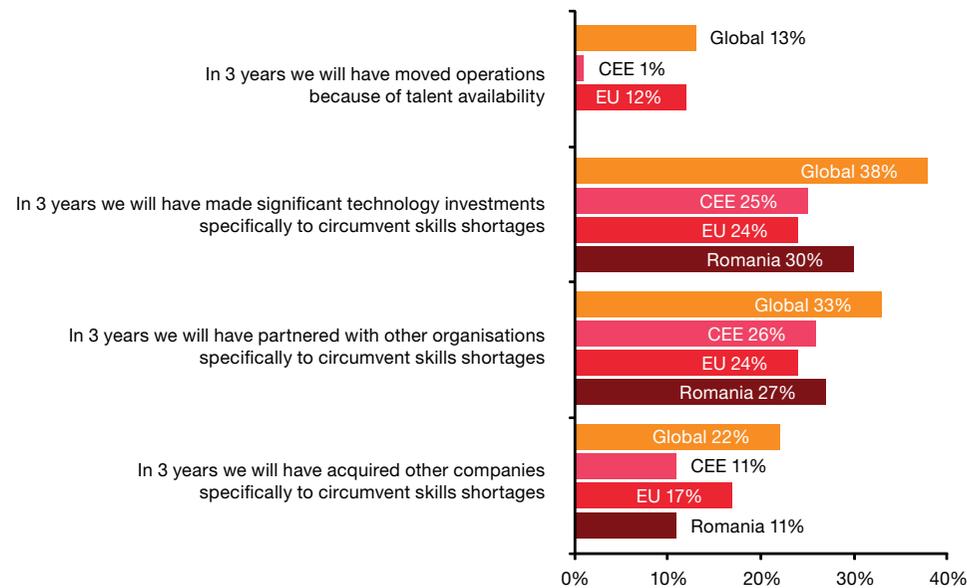
What does the future hold for human resources? Optimism has yet to move into top gear when it comes to predictions on availability of talent: 43% of Romanian CEOs are somewhat confident in terms of future access to the talent pool required for their organisations while only 36% are very confident.

In terms of how they plan to mitigate the effects of a possible workforce deficit, 30% of Romanian CEOs surveyed rely on technology investment plans. At the same time, 27% of respondents project an increase in the number of partnerships with other organizations, for the same reason.

With regards to the future dynamic of their global workforce, existing employees have an advance over new recruits. 52% of Romanian respondents plan to develop and promote most of their talent from within the company over the next three years. It is also important to note that local talent is preferred in organisations' mid-term recruitment strategy to meet local market needs (68%).

## Investments in technology and partnerships seen as potential solutions for skills shortages

Q: To what extent do you agree or disagree with the following statements about the future of your Global workforce?



Note: Respondents who stated "agree" or "agree strongly"

Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

Only **36%** of the Romanian CEOs are very confident that they will have access to the talent needed to execute the company's strategy

*'When it comes to people, technology is a double-edged sword: while it opens countless opportunities through social media or even more sophisticated tools like Sonru, the system used by CERN, the European laboratory for particle physics in Switzerland to automate part of the interview stage of recruitment by using video, it also brings about challenges in terms of privacy, security and governance. In terms of solutions and efficiencies, the open data movement, which creates new possibilities through data exchange technology, could take matters to a new level.'*

### Ionuț Simion

Partner, Tax Technology, Information, Communication and Entertainment Leader, PwC Romania

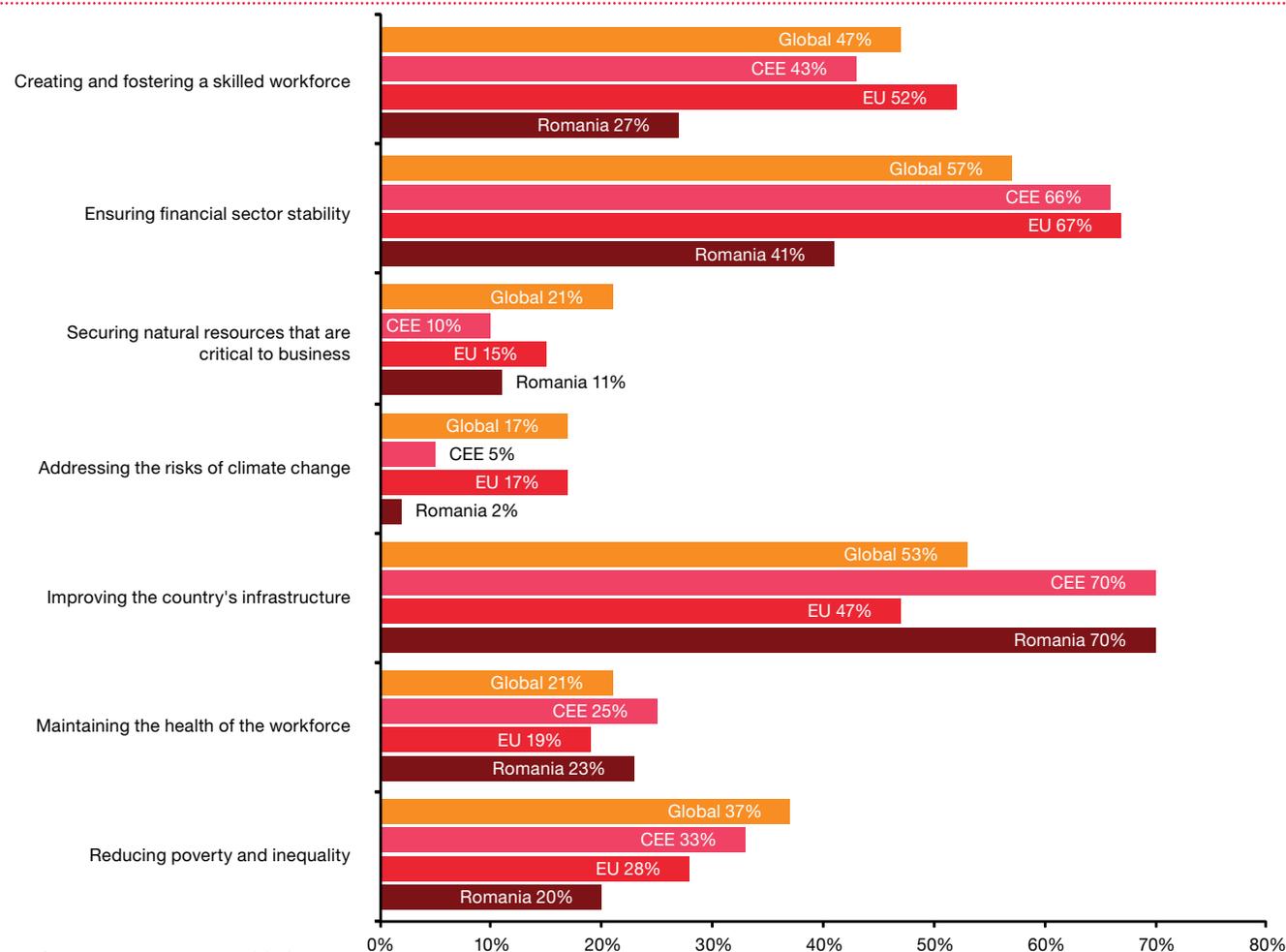
## 7. The role Government should play

The Romanian business community has clear views regarding the priorities that should be included on the government's agenda. While there is no surprise regarding the main area in need of immediate attention, i.e. infrastructure (70%, the same as their CEE counterparts and much higher than any other regions), the list of top three priorities is completed, albeit at a considerable distance, by measures to ensure the stability of the financial sector (41%) – signalling CEO's caution in relation to the occurrence of other financial crises – and, last but not least, by the creation of a skilled workforce (27%).

For these last two aspects, a percentage of local CEOs significantly lower than respondents from all other regions, except for China, believe that involvement is needed from the Government.

### Infrastructure improvement is seen as the main area of Government intervention

Q: Which 3 areas should be the Government's priority today?



Note: Maximum of 3 responses were provided

Base: All respondents

Source: PwC 15th Annual Global CEO Survey, Romania respondents

*'What we need to see is that the cost of the infrastructure bill is bound to increase every year. Whether we are talking about transport or energy, the existing one becomes obsolete and needs major overhauls, while the pace of the new developments is still very slow. One solution to speed up investments would be to conclude Public Private Partnerships, where risks are shared and the financing burden remains mostly with the private investor.'*

**Daniel Anghel**

Partner, Tax Services, PwC Romania

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## ***Research methodology and key contacts***

For PwC's 15th Annual Global CEO Survey, 1,258 interviews were conducted with CEOs in 60 countries during Q4 2011. By region, 440 interviews were conducted in Asia Pacific, 291 in Western Europe, 236 in North America, 150 in Latin America, 88 in Central and Eastern Europe and 53 in the Middle East & Africa. 44 interviews were conducted in Romania.

Note: Not all figures add up to 100% due to rounding of percentages and to the exclusion of "neither/nor" and "don't know / refused" responses.

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