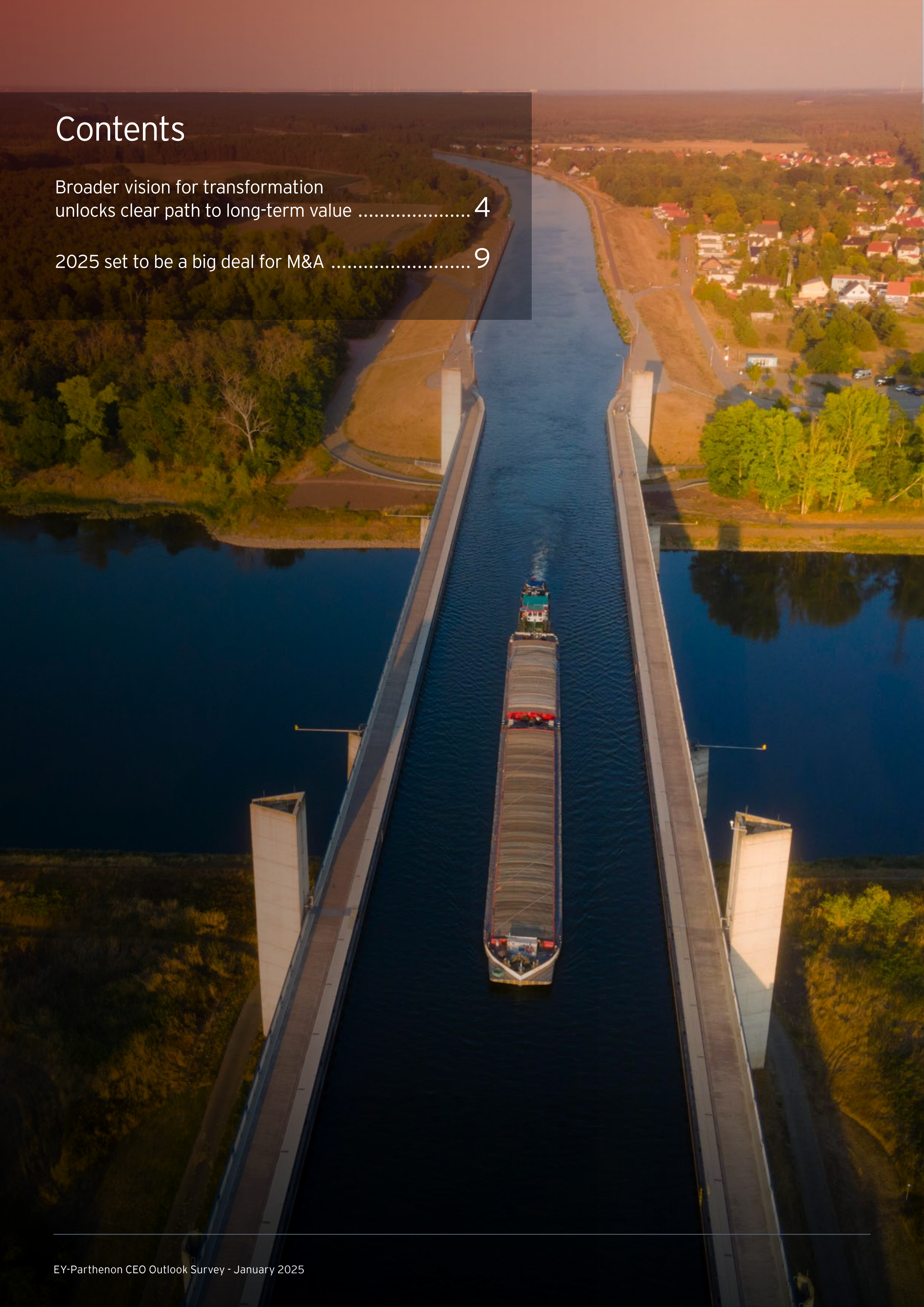
How can a strategic transformation mindset unlock long-term value?

EY-Parthenon CEO Outlook Survey
January 2025

ey.com/CEOOutlook

Shape the future with confidence



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CEOs are committed to transforming their businesses to gain future competitive advantage amid heightened uncertainties in 2025.

In today's fast-changing landscape, business model innovation and transformation are strategic imperatives. The most confident CEOs are adopting a dynamic mindset viewing change as a core capability. They understand transformation isn't a one-time initiative but an ongoing reimagination of behaviors and potential, rooted in continuous learning and adaptation.

Market leaders prioritize holistic long-term transformation over quick fixes. Success requires persistence, strategic vision and investment in one of businesses' most critical assets: people. By re-skilling and new-skilling employees, leaders unlock the key competitive edge of human potential.

Adaptability is the ultimate advantage. Organizations that embrace a transformational mindset turn disruption into opportunity – continuously learning, pivoting and growing, to shape their future with confidence.

CEO confidence steadily increasing across all aspects of the organization

The latest Global CEO Confidence Index shows a modest three-point increase since September 2024, indicating strengthening CEOs optimism about the next 12 months.

	September 2024	January 2025
Overall confidence	70.5%	73.5%
Global growth	70.5%	75.0%
Sector growth	71.5%	76.0%
Country growth	70.0%	72.5%
Company growth	71.0%	74.0%
Prices and inflation	69.5%	70.5%
Talent	70.0%	73.0%
Investment and technology	70.5%	73.5%

In brief

- A slight rise in CEO confidence signals cautious optimism for transformation and growth agendas.
- Deal appetite is high, as the most confident CEOs see M&A as a driving force of transformation – and they are ready to act.
- Decoding disruption is the key to accelerating sustainable growth, but geopolitical uncertainty casts a concerning shadow.

CEO Confidence Index

Geography

	Brazil	Singapore	Mexico	France	Nordics	Australia	Benelux	Global	Germany	Canada	US	UK	South Korea	Italy	India	China	Japan
Overall confidence	51.5	54	59	67.5	70.5	71	73.5	73.5	73.5	74	75	76	77.5	78.5	82	82.5	85.5
Global growth	45.5	54.5	58.5	72	74	74	76	75	73.5	81	75.5	76	78.5	81	89	85.5	85.5
Country growth	48.5	54.5	59.5	70.5	73	71.5	73.5	72.5	74	76	72.5	76.5	79	73.5	77.5	78.5	83.5
Company growth	52	56	60.5	67	71.5	72.5	75	74	75.5	76	75	76.5	78.5	80	82.5	80.5	85.5
Prices and inflation	49	48.5	56	64.5	67	67.5	71	70.5	68	70	73	70.5	77.5	74	80	80	85
Talent	51.5	57	58	67	69.5	70	70.5	73	74.5	73.5	75	75	75.5	76	82.5	84	85
Investment and technology	52	54.5	60	66.5	69.5	72	73	73.5	73	75	75	76	77	80	80.5	81.5	85

Neutral → Optimistic

Sector

	Entertainment	Mobility	Metals and mining	Oil and gas	Telecoms	Consumer products	Asset management	Manufacturing	Global	Power and utilities	Banking	Life sciences	Real estate	Insurance	Retail	Technology	Health
Overall confidence	61.5	66	68	70.5	71	71.5	71.5	72.5	73.5	74.5	75	76	77	77	80.5	81	81
Global growth	58.5	66.5	68.5	75	72.5	71	75.5	73.5	75	78.5	75	81	81.5	81.5	83	83	82
Sector growth	64	69	68	73.5	76.5	74	75.5	75.5	76	80	78	76	77.5	80.5	84	81	83.5
Company growth	60.5	66	69	70.5	71.5	70.5	73	73	74	75	76	77	79	78	81	82	81.5
Prices and inflation	60.5	63	64.5	71	66.5	69.5	67	68.5	70.5	67	71.5	73	74	73.5	79	79.5	79
Talent	62.5	65.5	68	67.5	69	72.5	70	73.5	73	75	75.5	75.5	76.5	75	79	80	79
Investment and technology	61	65.5	70	69.5	71	71	72.5	71	73.1	76.5	74.5	78	77.5	78	80	81.5	82

Neutral → Optimistic

CEO confidence influences how CEOs approach transformation. The September 2024 survey highlighted that the most confident CEOs can overcome resistance and embrace transformation with stronger processes to manage portfolio and strategic investments.

Our latest survey reveals that the confident CEOs are also taking a long-term approach to transformation, focusing on enhancing customer and employee engagement amid macroeconomic, geopolitical and technological shifts, to drive long-term sustainable value creation. In contrast, the less confident CEOs are concentrating on short-term improvements in top and bottom-line performance.

Global economic forecasts predict that 2025 will have levels of growth similar to 2024's, with the inflation rate declines seen in 2024 across most economies expected to continue, albeit more slowly. However, the risk of global inflation spikes may begin to tilt to the upside, given the prospect of increased protectionism.

CEO confidence in sector growth is driving more positivity about company earnings. Companies are finding it easier to manage their talent strategy given rebalanced labor market conditions. There is also a continued focus across transformation levers, including technology investment, and organic and portfolio transformation.

There are notable differences in CEO confidence at the country level. In Europe, the UK, Italy and the Nordics region, scores have improved, while France's has declined. This may reflect political stability in these countries. In North America, the US score increased while both Mexico's and Canada's declined, potentially reflecting the result of the US election. In Asia, Singapore's score declined, potentially reflecting fears that an increase in global trade tensions could impact its growth. However, China saw an increase reflecting the government's announcement of support for the economy.

Geopolitical risks are playing an increasingly important role in corporate decision-making. On everything from trade and tariff tensions, industrial sovereignty initiatives, and tax policy, to more serious regional wars and disputes, CEOs are having to carefully consider their global footprint, supply chains, ecosystem partners and addressable markets. Understanding the global geopolitical landscape and emerging risks has never been higher on the C-suite agenda.

A focus on short-term financial metrics may please the stock market, but it does not necessarily determine the long-term success of transformation initiatives. Taking a longer-term view, even at the cost of short-term financial measures, is a more reliable path to sustainable value creation.

01

Broader vision for transformation unlocks clear path to long-term value

Confident CEOs are building disruption-resilient and customer-centric business models to better position themselves for the future.

Companies view critical trends and disruptions as either threats to their existence or opportunities, and this difference separates industry leaders from laggards.

Today's business landscape is shaped by disruptive forces: rapid technological advancements, including artificial intelligence (AI), climate change-driven sustainability agendas, and geopolitical tensions affecting supply chains and global operations. Digital ecosystems expose new threats and opportunities, while remote work reshapes organizations. Rising cybersecurity risks, shifting consumer expectations, economic volatility and complex regulations demand agility. Meanwhile, emerging markets create new competitive dynamics and growth potential.

> There's no question we're living in more uncertain times. And I think what we've seen is really an injection of structural volatility into the environment within which we operate that we're going to live with probably for the next decade. So, for large global institutions, in fact for all commercial organizations, you have to recognize that uncertainty and be able to react to it. So, what do organizations do? Certainly, for us, it's about agility. If you're going to be agile, you need to be able to look forward.

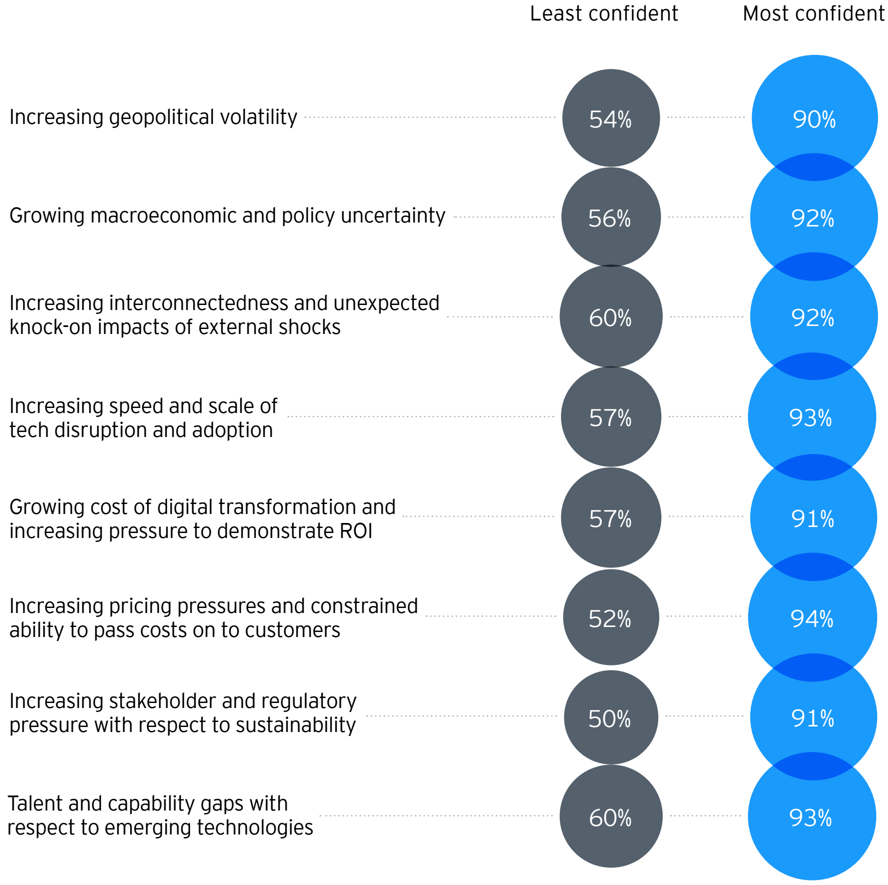
Colin Bell
former CEO of HSBC Bank plc and HSBC Europe

Watch the full HSBC interview from Strategy in Action: A CEO series by EY-Parthenon.

The most confident CEOs view all trends as a driving force to transform their businesses.

Question: How important is it to rethink your organization's approach to transformation to adapt to the following trends?

Note: The respondents were asked to select one option for each statement.



CEOs' responses highlight the critical impact of trends driving transformation in this time of elevated uncertainty. The top quartile of confident CEOs are twice as likely to see all trends as critical to reshaping transformation. Effectively recalibrating their risk radar to include all potential headwinds reveals the path forward, although fixating on existing risks can lead to paralysis.

CEOs prioritize elevating the customer and employee experiences to bring sustainable business growth.

CEOs prioritize enhancing customer and employee engagement and retention, while also optimizing operations, as the most important outcomes of the transformation.

Question: What are the most important outcomes that your transformation initiatives are trying to achieve in the next 12 months?

Note: The respondents were asked to select up to three responses and rank them in order of priority.

	Global	Americas	Asia-Pacific	Europe
Improving customer engagement and retention	47%	46%	47%	45%
Improving employee engagement and retention	44%	47%	46%	38%
Optimizing operations and improving productivity, including digitization	41%	39%	39%	44%
Accelerating top-line growth	37%	36%	41%	38%
Enhancing product and process innovation to improve current offerings and create new products and services	37%	35%	40%	39%
Achieving sustainability targets	33%	33%	31%	33%
Reducing costs and unlocking savings	31%	32%	30%	31%
Radically reimagining your business model for the future to unlock new ways of creating, delivering and capturing value	29%	30%	24%	32%

60%

of the most confident CEOs prioritize customer and employee experience.

Only 30%

of the least confident executives intend to focus on the same outcome.

CEOs show a preference for improving customer and employee engagement and retention, while optimizing operations and enhancing productivity. Putting humans at the center of the transformation can enhance productivity gains by a factor of 2.6.

The most confident CEOs are likely to aim for better employee and customer experiences through transformation (60%, vs. 30% of the least confident CEOs) while a plurality of the least confident CEOs focus on improving top-line growth and margin expansion (40%, vs. 20% of the most confident CEOs).

This stark contrast may reflect a divergence in ambition horizons. Top-line growth and margin expansion may be unsustainable short-term indicators. Improving customer and employee engagement is more likely to create a stronger foundation for longer-term sustainable growth.

> The balance on investing between short-term and long-term can be tricky. I would say we take a long-term view on all our decisions, which sometimes means taking a short-term view on some decisions. Things like ESG, sustainability, I believe these are areas where you're never going to reach your destination. It's something that we can always be improving upon.

Zak Brown
CEO of McLaren Racing

Watch the full McLaren Racing interview from Strategy in Action: A CEO series by EY-Parthenon.

In today's hypercompetitive market landscape, customer engagement has emerged as a critical differentiator for sustainable business growth. By cultivating meaningful personalized interactions that transcend the transactional relationships, companies can unlock substantial long-term value.

Strategic engagement initiatives that leverage data-driven insights, omnichannel communication and responsive customer experience design enable companies to not only retain existing relationships but transform loyal customers into brand advocates.

Moreover, companies that prioritize genuine value-added engagement are better positioned to adapt to evolving market dynamics and build resilient customer-centric business models that generate consistent competitive advantage.

Similarly, in navigating transformation, employees represent the critical catalyst for sustainable change. Successful transformation programs fundamentally depend on workforce alignment, engagement, and psychological safety to drive meaningful strategic shifts.

> Critical to a successful strategy is having the right resourcing, the right skill sets, the right team, and ensuring that the management team really understands and is in complete accord on the strategic opportunity that is there. And then having the discipline to take multiple checkpoints along the way so that the strategy becomes a reality as per the plan or, as is much more often the case, talking and changing the strategy as additional information comes through.

Anna Dunn
CEO of J.P. Morgan Securities plc., and CFO of JPMorganChase in EMEA

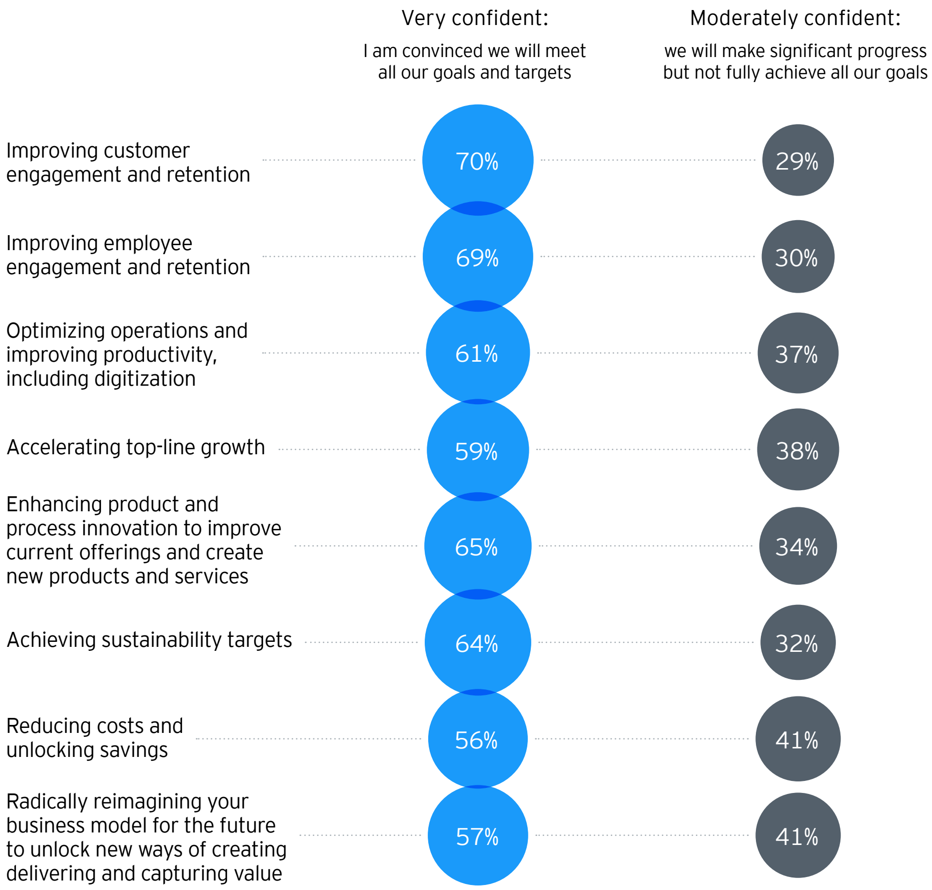
By empowering employees as active change agents rather than passive recipients, companies can unlock intrinsic motivation, reduce resistance and accelerate transformation. Effective change management necessitates transparent communication, robust skill development, and creating a culture that values innovation and adaptability. When employees feel genuinely invested in the transformation journey, they become the primary architects of organizational reimagination, translating strategic vision into operational excellence.

CEOs seem very bullish about their ability to achieve transformational outcomes despite heightened uncertainties.

Question: How confident are you in your transformation initiatives' ability to achieve the outcomes you have identified as most important?

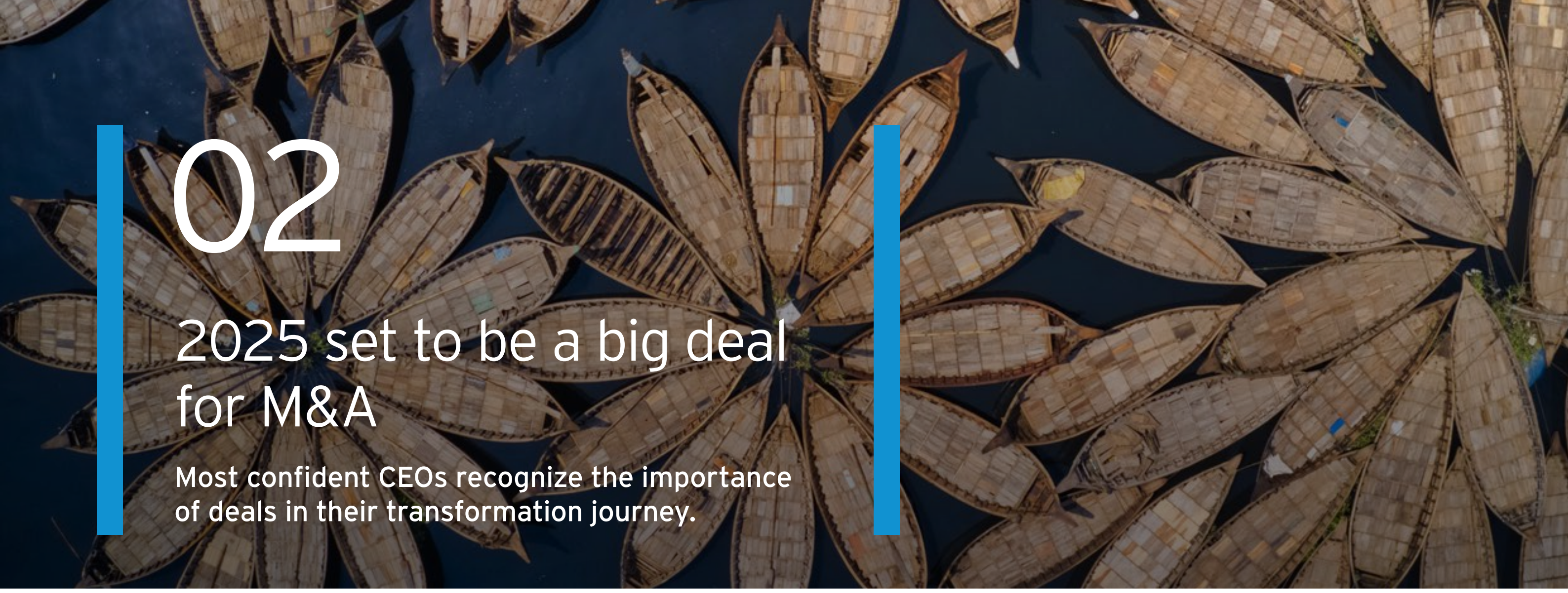
Note: The respondents were asked to rate their confidence levels in the top three transformation outcomes they had identified.

Between 1%–4% answered "Not confident enough"



Where we do see the outlook of the most and least confident CEOs converging is their belief in achieving their most important targeted transformation ambitions. However, only a little over half of CEOs (57%) are very confident they can reimagine their business model for the future. The ability to get this right will increasingly define leaders and laggards.

Business model innovation, the process of identifying, developing and commercializing new business models to retain competitive advantage, as well as transformation, will be a defining characteristic of successful companies as they navigate an increasingly complex environment.



02

2025 set to be a big deal for M&A

Most confident CEOs recognize the importance of deals in their transformation journey.

70%
of the most confident CEOs are planning to leverage deals.

Only 17%
of the least confident executives anticipate the same transaction strategy.

The most confident CEOs understand that transformation is both organic and inorganic. They aim to gain an edge by leveraging deals as a catalyst for transformation. They are significantly more focused on pursuing mergers and acquisitions (M&A) in the next 12 months than the least confident CEOs (70% vs. 17%).

The overall appetite for M&A in the next year has increased significantly, to 56% from 37% in September 2024, which should signal a robust rebound for deals in 2025.

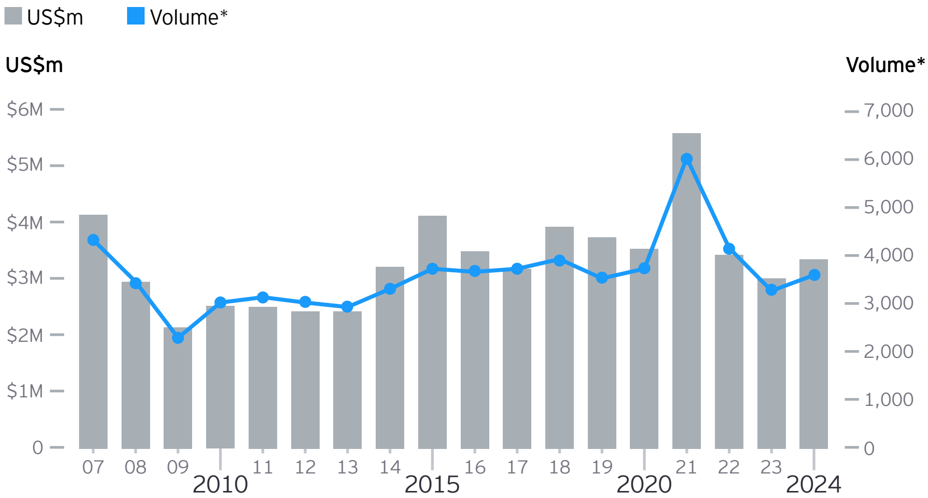
That would be a continuation of upward trends in 2024 in which M&A activity was resilient despite complex market conditions. Valuations have stabilized after 2023’s corrections, and private equity firms are deploying their capital. Technology acquisitions are driving innovation, while companies across sectors have pursued strategic scale amid economic uncertainty.

The rationale for M&A is strong. Digital transformation remains a critical driver of deal strategies, with AI capabilities increasingly driving corporate acquisition strategies. At the same time, defensive consolidation helps companies build operational and competitive resilience. Cost synergies become more compelling in challenging economic environments. Activist investors continue pushing for strategic portfolio optimization, and lower interest rates have improved M&A financing.

However, 2024 was not a boom year for M&A – more a return to normal. Globally, deal values grew by 14% and volume by 8%, in line with pre-pandemic levels.

Deal dynamics are normalizing, leading to a growing desire among corporates to transform their portfolios through M&A.

Note: Global M&A deal size and volume between 2015 and 2024.



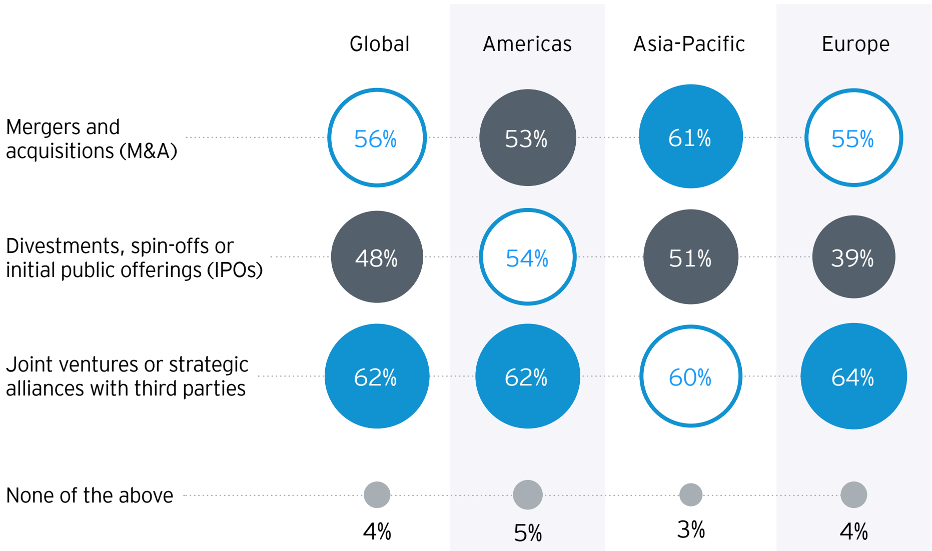
Source: EY analysis and Dealogic; *Volume based on deals US$100m plus

There were pockets of elevated activity across geographies. The US remained the standout market, accounting for nearly half of all deals. The UK also saw a strong rebound, as did Japan, Germany, Canada and France. Conversely, China and India saw declines in deal activity, lowering the Asia-Pacific numbers.

M&A appetite levels have surged significantly, rising to 56% from 37% quarter over quarter. This demonstrates that leaders are focused not just on stability, but also on growth.

Question: Do you expect to actively pursue any of the following transaction initiatives over the next 12 months?

Note: The respondents were asked to select multiple responses.



The elevated appetite for pursuing acquisitions over the next 12 months in the Americas and Europe is topped by an even stronger appetite in Asia-Pacific. This could help rebalance the global deal landscape and further accelerate M&A in 2025.

There was also a notable development in 2024 of companies divesting non-core assets to streamline their operations and focus on their primary areas of expertise, as companies looked to simplify their business models, sharpen their strategic focus and potentially unlock greater value for shareholders. With a heavier involvement expected in 2025 from PE investors – who will be keen to acquire high-quality divested assets – this could be another strong accelerant.

Improving product and process innovation is seen as a critical consideration when evaluating an acquisition.

Question: What outcomes are most important to you when evaluating a potential acquisition?

Note: The respondents were asked to rank their top three outcomes.

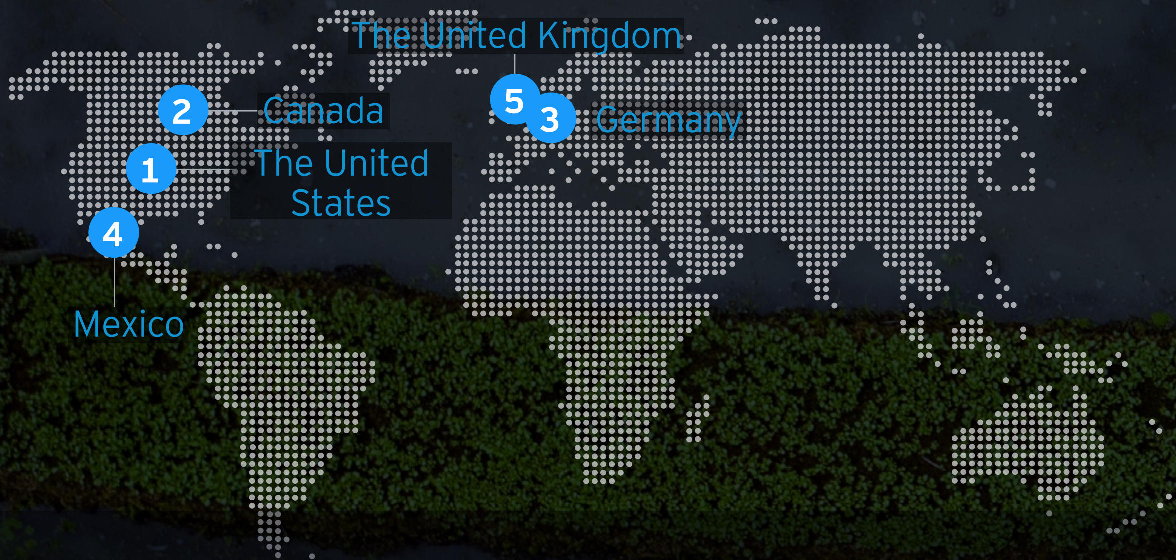
	Global	Americas	Asia-Pacific	Europe
Improving product and process innovation	51%	52%	53%	48%
Improving customer engagement and retention	44%	47%	44%	41%
Improving employee engagement and retention	41%	46%	38%	36%
Optimizing operations and improving productivity	39%	34%	41%	41%
Accelerating top-line growth	36%	34%	37%	37%
Achieving sustainability targets	32%	32%	27%	37%
Reducing costs and unlocking savings	30%	26%	31%	32%
Radically redefining your business model for the future	29%	28%	30%	28%

CEOs are looking to use M&A to get ahead of the competition and improve their product and process innovation. But they are also using M&A by mirroring their overall transformation objectives of improving customer and employee engagement and retention.

Global investment hotspots for 2025 – opportunities and risks

The five most attractive investment destinations globally remain the same as in September, albeit with a reordering of preference.

Top 5 capital investment destinations over the next 12 months



1 **The United States:** The US has a robust market-driven economy with unparalleled innovation ecosystems, deep capital markets, leadership in technology development, and diverse industry clusters offering extensive strategic opportunities for cross-border mergers and transformative direct investments. However, if the new administration implements policies that create uncertainty it could undermine confidence and derail the strong M&A market involving US assets and companies. The strong productivity gains seen in the US will also make inbound deals more attractive, but any monetary policy uncertainty could drag down activity.

2 **Canada:** Canada has a stable regulatory environment, sophisticated talent pool, advanced technology infrastructure, predictable legal frameworks and strategic North American positioning, offering a compelling value proposition for multinational corporate investment strategies. However, investors could quickly shy away from Canada if there is a prolonged period of trade tensions with the US. Elevated political uncertainty could also curtail investment.

3 **Germany:** Germany's engineering excellence, world-class manufacturing capabilities, sophisticated industrial infrastructure, strong export orientation and cutting-edge technology research make it a premier destination for strategic industrial and technology investments. But the country is experiencing political turmoil as it looks to reset its long-standing economic model. The need for M&A and combinations in its Mittelstand heartland has never been higher. The question is whether there is enough confidence in the current environment to see this happen.

4 **Mexico:** Mexico's competitive labor costs, strategic geographic proximity to US markets, emerging manufacturing capabilities, progressive trade agreements and increasingly skilled workforce present attractive near-shore investment opportunities for global corporations. But being the US' lower-cost neighbor is also a risk. The new US administration may be less forgiving of companies that look to use that advantage to compete against US-based entities, and new tariffs could be an immediate policy measure, which would impact the attractiveness of investing in Mexico.

5 **The United Kingdom:** The UK's dynamic financial services sector, entrepreneurial business culture, flexible regulatory environment, highly educated workforce and global connectivity are significant strategic advantages for attracting international corporate expansion and investment initiatives. But, while the UK is politically stable compared with its peers, it still must decide on the future of its most important trading relationships. Recalibrating its relationships could be both a headwind and tailwind for trade and investment, as the UK also looks to deepen trade and investment with the US and Asia.

To succeed in today's disrupted environment, CEOs need to adopt and activate five ways of thinking and behaving:

Adopt a transformation mindset
Leading CEOs are embracing change as a core capability, fostering a mindset that views transformation as continuous learning and adaptation. They should encourage a culture of agility across the organization, so that teams are empowered to pivot quickly in response to emerging disruptions.

Put humans at the center
Employees and customers are at the heart of successful transformation. CEOs should focus on re-skilling and upskilling their workforce while fostering a culture of innovation, adaptability and psychological safety to empower employees as drivers of meaningful change. Equally, maintaining strong customer engagement is essential – by creating personalized, value-driven experiences, businesses can build enduring connections and drive growth.

Look beyond the immediate to long-term value creation
Rather than solely chasing short-term financial gains, CEOs should prioritize strategic investments in customer and employee engagement, technology innovation, and operational resilience. This approach builds a strong foundation for differentiation in a challenging market.

Refine risk management
CEOs should sharpen their focus on the interplay of macroeconomic, geopolitical, regulatory and technological forces. Proactively addressing these risks enables growth opportunities and helps mitigate disruption.

Use M&A as a transformation catalyst
CEOs should leverage M&A as a key driver of accelerated transformation. Target deals that align with long-term goals, such as adopting new technologies, entering new markets or strengthening competitive positioning through strategic consolidation.

About the research

On behalf of the global EY organization, FT Longitude, the specialist research and content marketing division of the Financial Times Group, conducted an anonymous online survey of 1,200 CEOs from large companies around the world between November 12 and December 9, 2024. The survey aims to provide valuable insights on the main trends and developments impacting the world's leading companies as well as business leaders' expectations for future growth and long-term value creation. Respondents represented 20 countries (Brazil, Canada, Mexico, the United States, Belgium, Luxembourg, the Netherlands, France, Germany, Italy, Denmark, Finland, Norway, the United Kingdom, Australia, China, India, Japan, Singapore and South Korea) and five industries (consumer and health; financial services; industrials and energy; infrastructure; technology, media and telecoms). Surveyed companies' annual global revenues were as follows: less than US$500m (20%), US$500m-US$999.9m (20%), US$1b-US$4.9b (30%) and greater than US$5b (30%).

The CEO Confidence Index is a measure of executives' outlook on the macroeconomic environment and company performance, derived from data collected as part of the EY-Parthenon CEO Outlook Survey. CEOs rated their outlook on 15 statements using a 5-point scale ranging from "very pessimistic" (0) to "very optimistic" (100). These responses were categorized into five thematic groups: sector growth, prices and inflation, company growth, talent, and investment and technology. Higher Index values indicate a more positive sentiment regarding the future state of the economy and their businesses. An index of 100 is fully optimistic, 50 is neutral, and 0 is fully pessimistic.

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Contacts

For a conversation about your capital strategy, please contact us:

Authors

Andrea Guerzoni
EY Global Vice Chair
Strategy and Transactions
andrea.guerzoni@it.ey.com
+39 028 066 93707

Nadine Mirchandani
EY Global Deputy Vice Chair
Strategy and Transactions
nadine.mirchandani@ey.com
+1 212 773 0090

Barry Perkins
EY Global Business and
CXO Insights Lead Analyst
bperkins@uk.ey.com
+44 20 7951 4528

EYG no. 000178-25Gbl

2412-10335

ED None

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