

Over-regulation tops business' concerns, survey finds

Governments must apply renewed focus to achieve fiscal balance and sustainability in order to reduce the cost of delivery - and, at the same time, they should boost the agility of public sector organisations to cope with changes in the future.



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These are just two of the conclusions to emerge from PwC's 18th Annual Global CEO Survey, with the response of 1322 business leaders in 77 countries worldwide being added to insights from 50 government representatives and state-backed CEOs.

Kalane Rampai, leader for Local Government of PwC Southern Africa, said: "Affordable government has become more important than ever, particularly in the light of recurrent budget cuts to reduce fiscal deficits in many countries. This means doing better for less - meeting rising expectations by doing things differently to deliver services more effectively and efficiently and prioritising the public services that matter most to citizens, as well as to business."

The overall survey findings show that 37% of CEOs think economic growth will improve in 2015, down from 44% last year. But CEOs' confidence in the growth of their own companies has held steady, with 39% worldwide saying they are 'very confident' their company's revenues will grow in the next 12 months - the same as last year, though up from 36% in 2013.

Government action required

But it's the CEOs answers to questions about their concerns that disclose where government action is required. Over-regulation again tops the list, named by 78% of CEOs worldwide, and up six points on last year. Other clouds on the business horizon are the availability of key skills, fiscal deficits and debts, the increasing tax burden and geopolitical uncertainty, with seven in 10 or more of the CEOs surveyed 'somewhat' or 'extremely' concerned about each of these issues. All these threats to business can be mitigated by government policies.

CEOs placed at the top of their wish list for government attention: an internationally competitive and efficient tax system (67%), a skilled and adaptable workforce (60%) and adequate physical infrastructure (49%). A high 78% of South African

CEOs think it is the priority of the government to create a skilled workforce.

Following PwC's recent launch of the Global CEO Survey, PwC's Public Sector Research Centre has published its latest report entitled *Government & the Global CEO: Delivering outcomes, creating value*. This calls for governments and public sector organisations to respond in five key ways:

1. Deal with fiscal deficits and make government affordable. Fiscal deficits remain in the spotlight, with 72% of CEOs surveyed 'somewhat' or 'extremely' concerned about this threat. The challenge remains for public sector organisations to 'do better for less' while focusing on the outcomes that society needs and wants;
2. Rise to the digital challenges. With affordable government the new reality, digital technology has the potential to be a key enabler, offering the scope to deliver higher productivity and better outcomes while also reducing costs;
3. Public bodies need to embrace digital technology as a tool to drive innovation, transform how they engage with citizens, foster the interaction of citizens with each other and explore how outcomes can be better secured. Digital technology is opening up new opportunities to involve citizens in the design and delivery of services and co-produce outcomes;
4. Invest in growth. Public sector organisations at all levels have an important role to play in creating a platform for growth which is financially, socially and environmentally sustainable - good growth - with a focus on the key levers of skills and physical infrastructure.

For a majority (60%) of the CEOs surveyed this year, having a skilled and adaptable workforce should be a government priority, second only behind having an internationally competitive and efficient tax system with adequate physical infrastructure third on the list of government priorities.

"This requires public leadership to facilitate a more demand-driven skills system, meeting employer needs, as well as developing a workforce comprising people from different backgrounds who are adaptable and able to think and work in diverse ways. In parallel, governments need to deliver effective, efficient and sustainable infrastructure which is essential to provide the backbone from which economic success and prosperity can grow," added Rampai;

- Collaborate with business to deliver societal outcomes. The impact of megatrends - shifts in global economic power, demographic and social change, rapid urbanisation, technological breakthroughs, climate change and resource scarcity - and the rise in geopolitical uncertainty mean that it is as important now as ever before for better government-to-government collaboration across national boundaries. Although business can be a reluctant partner with government, the two are co-dependent in delivering the outcomes of good growth and good jobs. Consequently, governments need to provide business with the confidence to invest, including working together to reduce the barriers to doing business; and
- Tackle the burdens of regulation and tax. Over-regulation remains at the top of the perceived threats to business, with an increasing tax burden not far behind. The challenge for government is to reduce the burdens on business while safeguarding the rights of citizens as employees and customers. This requires smarter approaches to regulation and a willingness to pursue tax reform.

Concluded Rampai: "There is an important agenda for public leaders to deliver on all these five areas. Delivering on business priorities, alongside societal outcomes, requires real leadership and trust between citizens and the state for each to do the right thing.

"Leaders in the public and private sectors have an important role to play in developing a culture and mindset, supported by performance measurement and incentive structures, which rewards a 'whole of enterprise', 'whole of government' and 'whole of society' view, focused on outcomes and impact as opposed to structures, processes and outputs," he said.

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