

# Planned Corporate Programs in an Uncertain 2023

January 2023



Todd Huseby

KEARNEY





# OpenAI

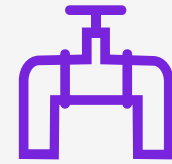
**Chat GPT**

**A variety of  
sources  
have been  
utilized to  
identify  
planned  
corporate  
initiatives**

**Late-2022 Earnings Calls  
(>350 companies)**



**Kearney Project Pipeline**



**Relevant News Articles**

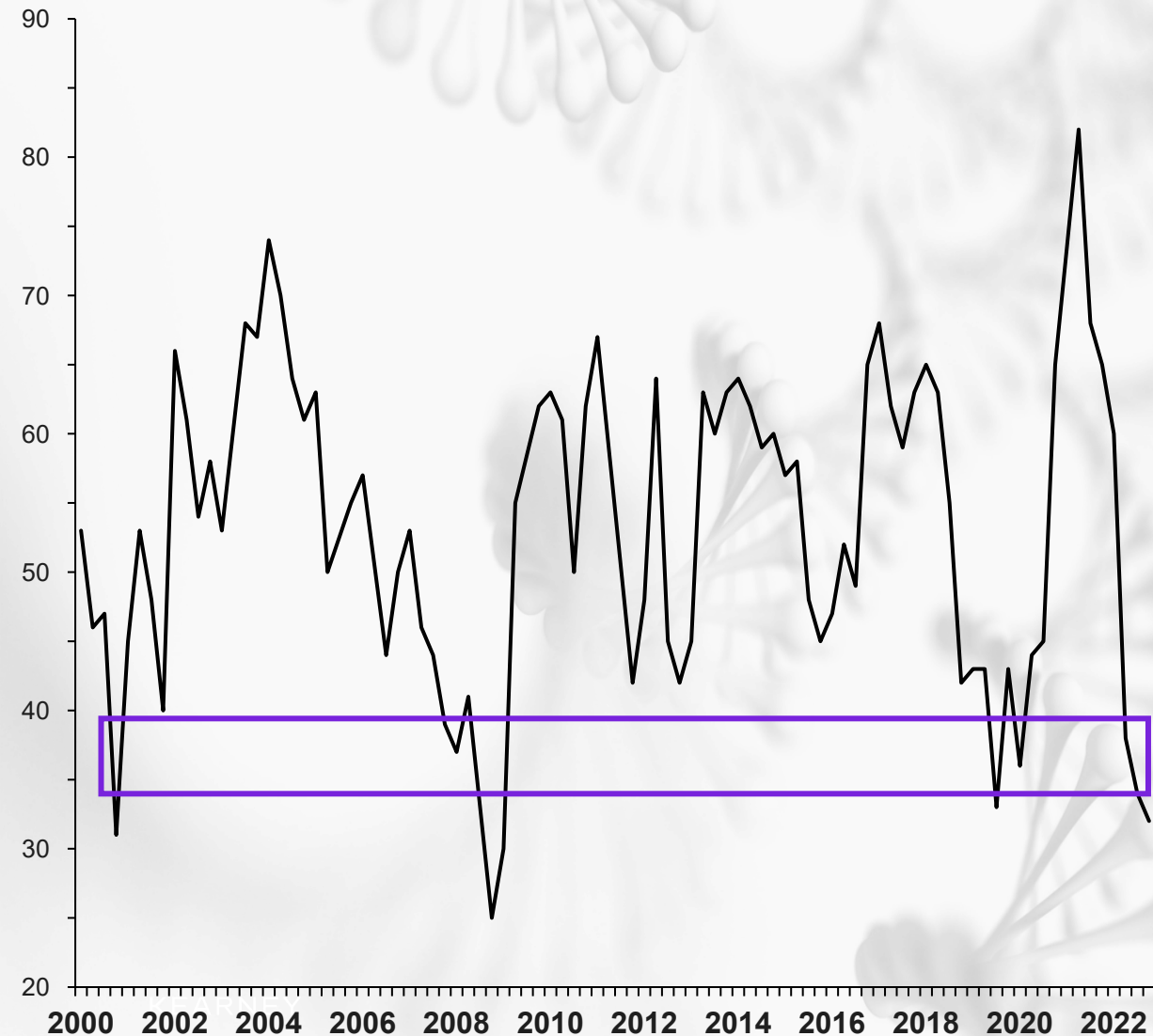


**Industry Reports**



# CEO Confidence has deteriorated in 2022

CEO Confidence Index 2000-2022



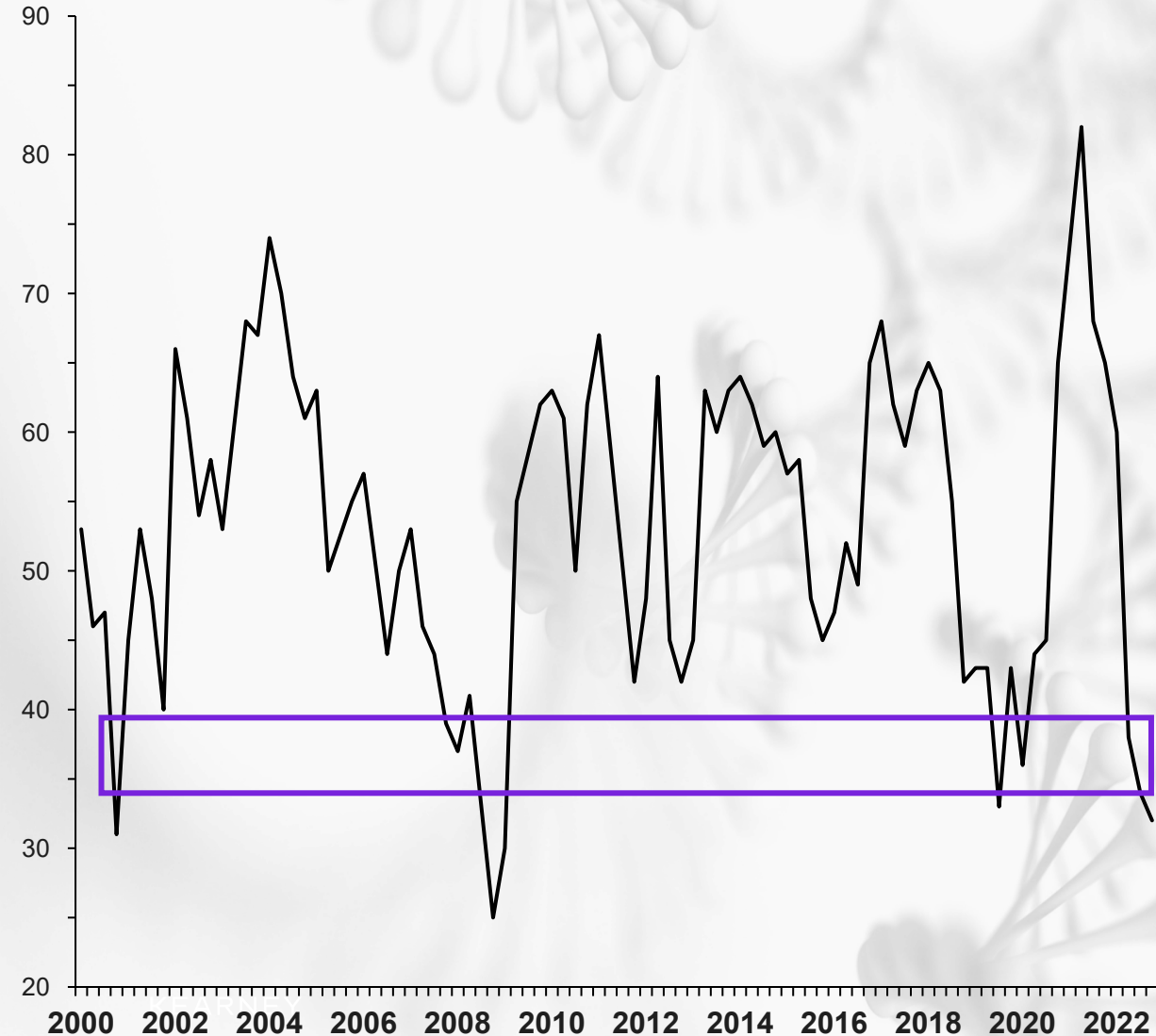
Source: The Conference Board

**Historic Lows**



# CEO Confidence has deteriorated in 2022

CEO Confidence Index 2000-2022



Source: The Conference Board

## CEOs report a mix of optimism and caution for 2023



*"Global growth prospects remain **anaemic and global recession risk is high**" - World Economic Forum's Chief Economist's Outlook (January 2023)*

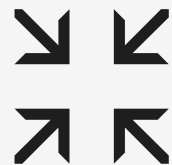
*"No one can defy gravity and gravity here is **inflation-adjusted economic growth**" – Microsoft CEO Satya Nadella*

*"I'm seeing **optimism in a lot of the people** I'm talking to" – PepsiCo CEO Ramon Laguarta*

*"There's still **more optimism** here [in Davos] than what's sort of being portrayed relative to this fear of a recession" – Cisco CEO Chuck Robbins*

# Companies are actively planning cost focused programs and evaluating business priorities for 2023...

Cost Reduction  
and Workforce  
Management



Recent job cuts announced  
after massive hirings; still  
a ‘drop in the ocean’



Re-evaluate  
Business  
priorities



1

2

3

~65% of CEOs expected to take  
financial/ budgetary actions <sup>2</sup>

Employee Retention “nearing  
tipping point”

Price inflation



CEOs pausing / reconsidering key  
priorities

ESG      ↓ ~50%

Digital      ↓ ~75%

M&A      “Wait and See”

AI      Next major wave of computing

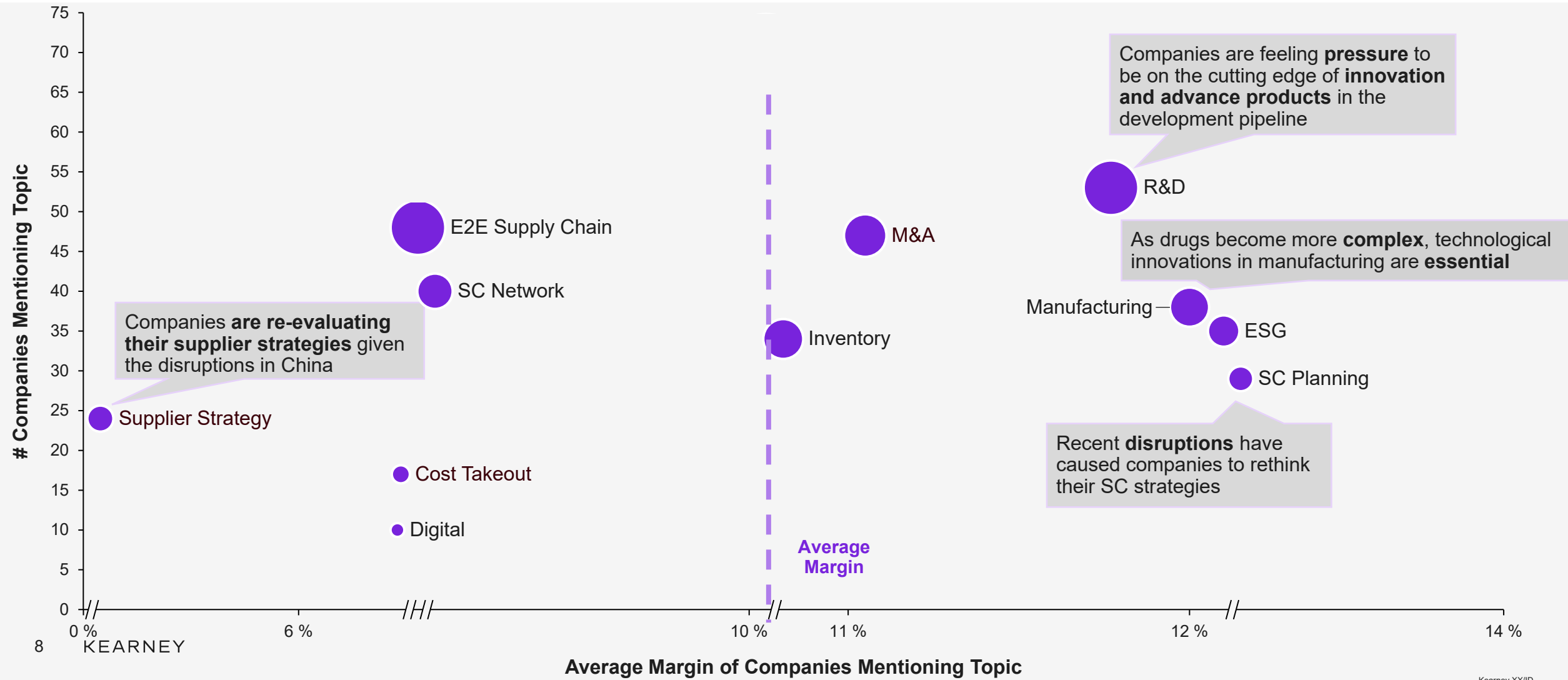
## Company Profitability and Topic Popularity in Retail/Health Care Industry 2022 Q3 Earning Calls

Bubble size represents number  
of mentions of a given topic



Company Profitability and Topic Popularity in Retail/Health Care Industry  
2022 Q3 Earning Calls

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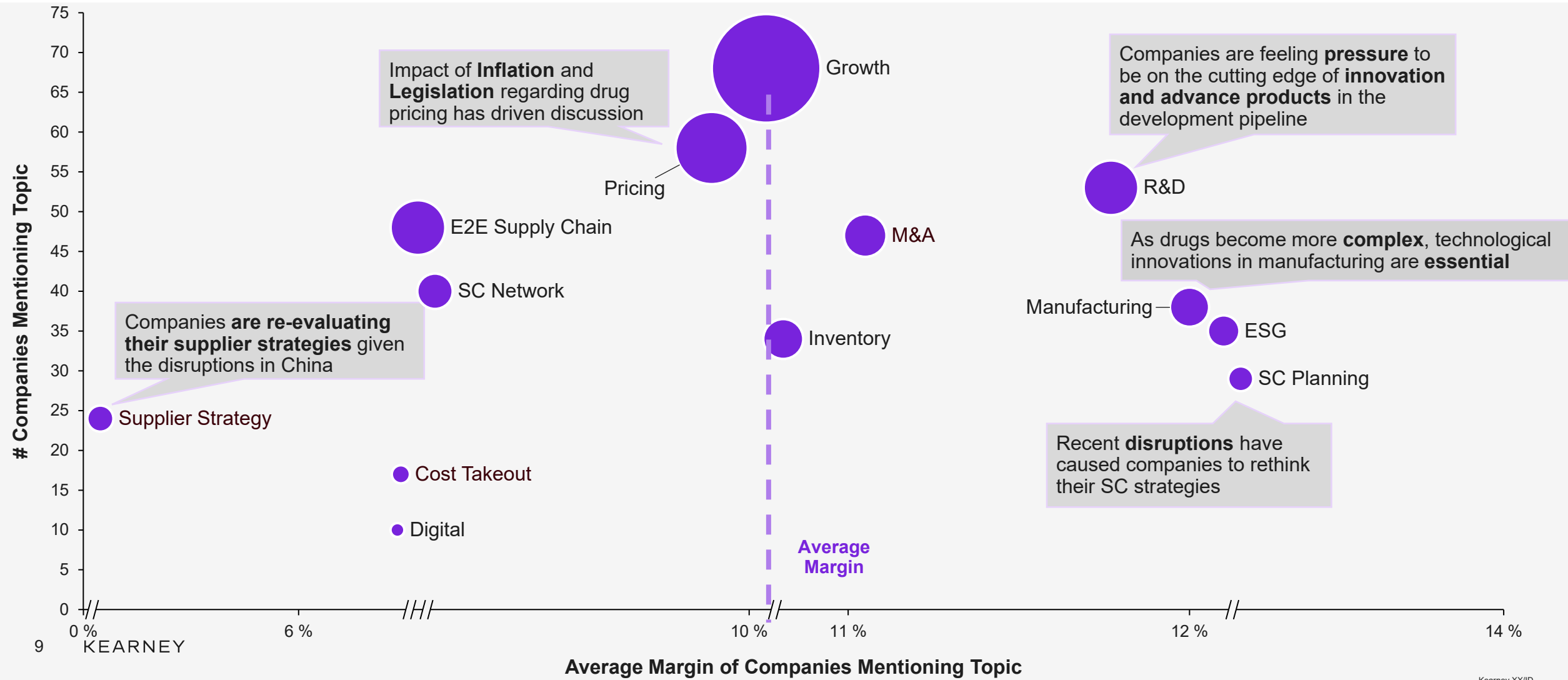




# ... and still focusing on Growth too

Company Profitability and Topic Popularity in Retail/Health Care Industry  
2022 Q3 Earning Calls

Bubble size represents number of mentions of a given topic



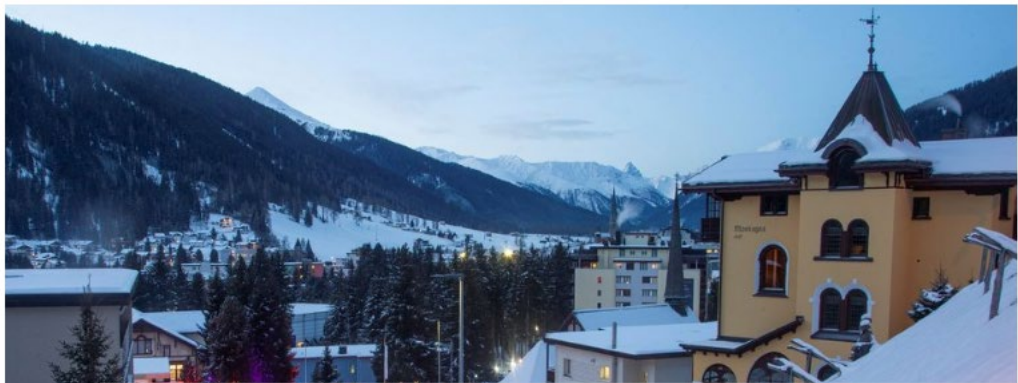
**“We have to be much tougher on costs and achieve the same growth plans with a lot less investment.”**

*-- Dara Khosrowshahi, CEO Uber*

Uber



# World Leaders, CEOs Meet in Davos Amid Layoffs, Threat of Recession



## At Davos, Mood Is Somber as Many CEOs Question Economic Outlook

Business leaders at the World Economic Forum also see signs of hope: ‘There are all kinds of shoes that could have dropped’



# For CEOs at Davos, Efficient, Profitable Operations Take Center Stage

Chatter at World Economic Forum is about renewed discipline in investment decisions



## *The Davos Crowd Sees a New Dawn, but It May Be a False One*

Bad news for the World Economic Forum: Populists have lost some elections, but free trade and the globe over.









**M&A is widely mentioned in earnings calls of Retail / Health companies, but actual deals have reduced in 2022**

## Common Themes in Earning Calls mentioning Mergers and Acquisitions<sup>1</sup>



There were ~50% fewer deals in H1 2022 vs H1 2021<sup>2</sup>, returning to pre-pandemic levels

*“Over this fiscal year, we continued to execute our tuck-in M&A strategy and have committed over \$2 billion to the completion of 6 acquisitions.”*

**-Becton, Dickinson and Company**

*“Our top priority for capital allocation remains high-quality tuck-in M&A, and we’ll continue to assess opportunities in conjunction with our financial goals.”*

**-Boston Scientific**

*“We believe that m&a is the most attractive and value-accretive option for the deployment of our capital, given our disciplined approach and proven ability to create value for kdp and our shareholders..”*

*-Keurig Dr. Pepper*

# Common initiatives in Healthcare and Retail / Pharmacies steer towards growth and SC Optimization

## Healthcare (Life Sciences/Pharma)

### Drug Development/Innovations:

- Generics
- Oncology
- Parkinson's, Stroke, and other treatments in differing development phases



### Category Management and Acquisitions as a growth driver

- Companies are **diversifying** their product lines



### Digitalization

- Using **Analytics** to help address complex studies



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## Retail/Pharmacies

### Investments in Growth Initiatives

- Mix Optimization or Price Management



### Digitalization

- Leveraging **Analytics** and **AI** for process simplification and automation



### Supply Chain Initiatives

- Last Mile
- Fully automated DC's
- Footprint Adjustment



### ESG Efforts

- Fleet decarbonization

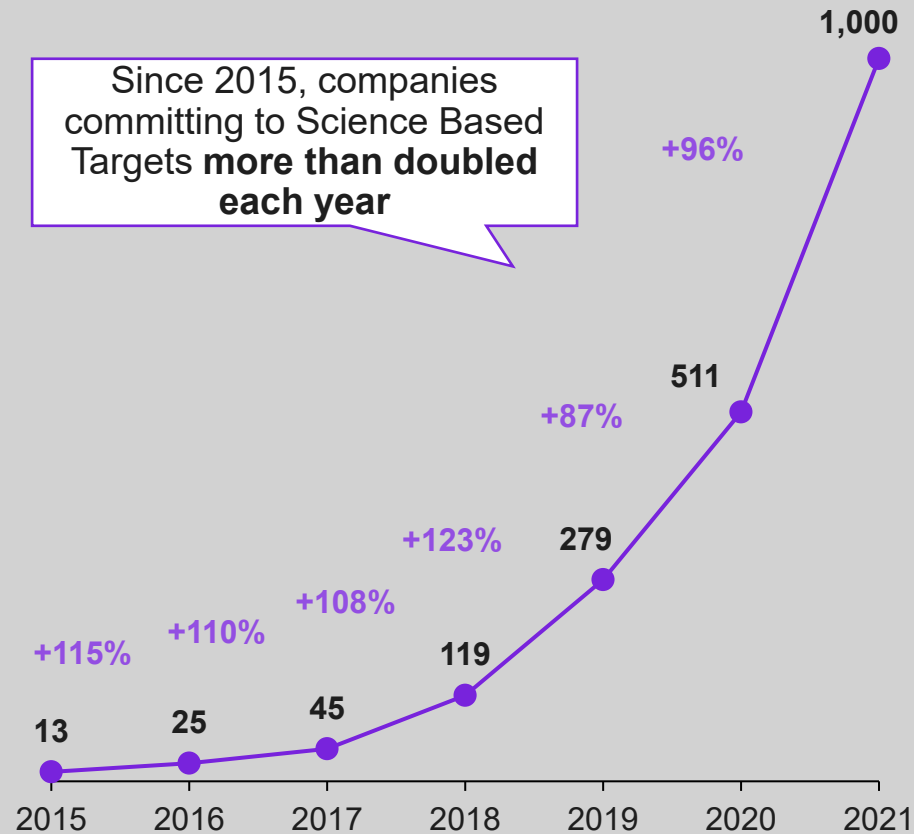




**ESG and Sustainability targets have accelerated over the past few years, but challenges persist with execution**

**Commitment to sustainability targets is growing exponentially ...**

**Global commitment to Science-Based Targets<sup>1</sup>**  
(2015-2021)



1. Science-based targets (SBTs) are measurable, actionable, and time-bound objectives, based on the best available science, that allow actors to align with Earth's limits and societal sustainability goals.  
Source: desktop research, Science based Targets, Kearney's 2021 CEO Sustainability Survey

**... and companies are facing challenges closing the execution gap**

**Top problems to implement ESG strategies**  
Kearney's CEO Sustainability Survey



# Digital transformation needs to be a priority within the Retail and Healthcare sector

## Common Themes in Earning Calls mentioning Digital Projects<sup>1</sup>



**14% of Retail and Healthcare companies mention digital topics; ~4% mentioned projects**

*“Total number of cloud customers is up 20% over the past 6 months, which demonstrates good momentum ... the movement of digitalization towards the cloud.”*  
- Henry Schein

*“We’re continuing to accelerate digitalization through supply chain planning and executional processes to better serve our customer.”*  
-Tyson Foods

*“Non-gaap operating expenses declined year-over-year, reflecting continuous improvement driven by digitalization, process simplification and automation”*  
-Amgen



**Audience  
Discussion**



**Let's get your perspectives**



**Please use your phones to vote**

## Audience Discussion

Upcoming  
Projects



# What top programs is your company prioritizing for 2023?

slido



**What top programs is your company prioritizing for 2023?**

① Start presenting to display the poll results on this slide.

## Audience Discussion

## Upcoming Projects



## Results from Retail Advisory Board (Nov 30, 2022)

### Top 5 Responses

1. Supply Chain
2. Profitability
3. Growth
4. Digital
5. Innovation

## Audience Discussion

Planned  
Results



**On a scale of 1-10, what confidence do you have that the programs will deliver the planned results?**



**slido**



**On a scale of 1-10, what confidence do you have that the programs will deliver the planned results?**

① Start presenting to display the poll results on this slide.

## Audience Discussion



## Planned Results



## Results from Retail Advisory Board (Nov 30, 2022)

**Average = 6.9**

**Max = 10**

**Min = 3**

**Mode = 8**

## Audience Discussion

COVID  
Learnings



# What is your forecast for your 2023 business results?

- Grow Strongly
- Grow Incrementally
- Be Flat
- Shrink Incrementally
- Shrink Materially

slido



**What is your forecast for your 2023 business results?**

① Start presenting to display the poll results on this slide.

## Audience Discussion

## COVID Learnings



## Results from Retail Advisory Board (Nov 30, 2022)

- Grow Incrementally: 65%
- Grow Strongly: 18%
- Be flat: 15%
- Shrink Incrementally: 3%
- Shrink Materially: 0%



# Thank you

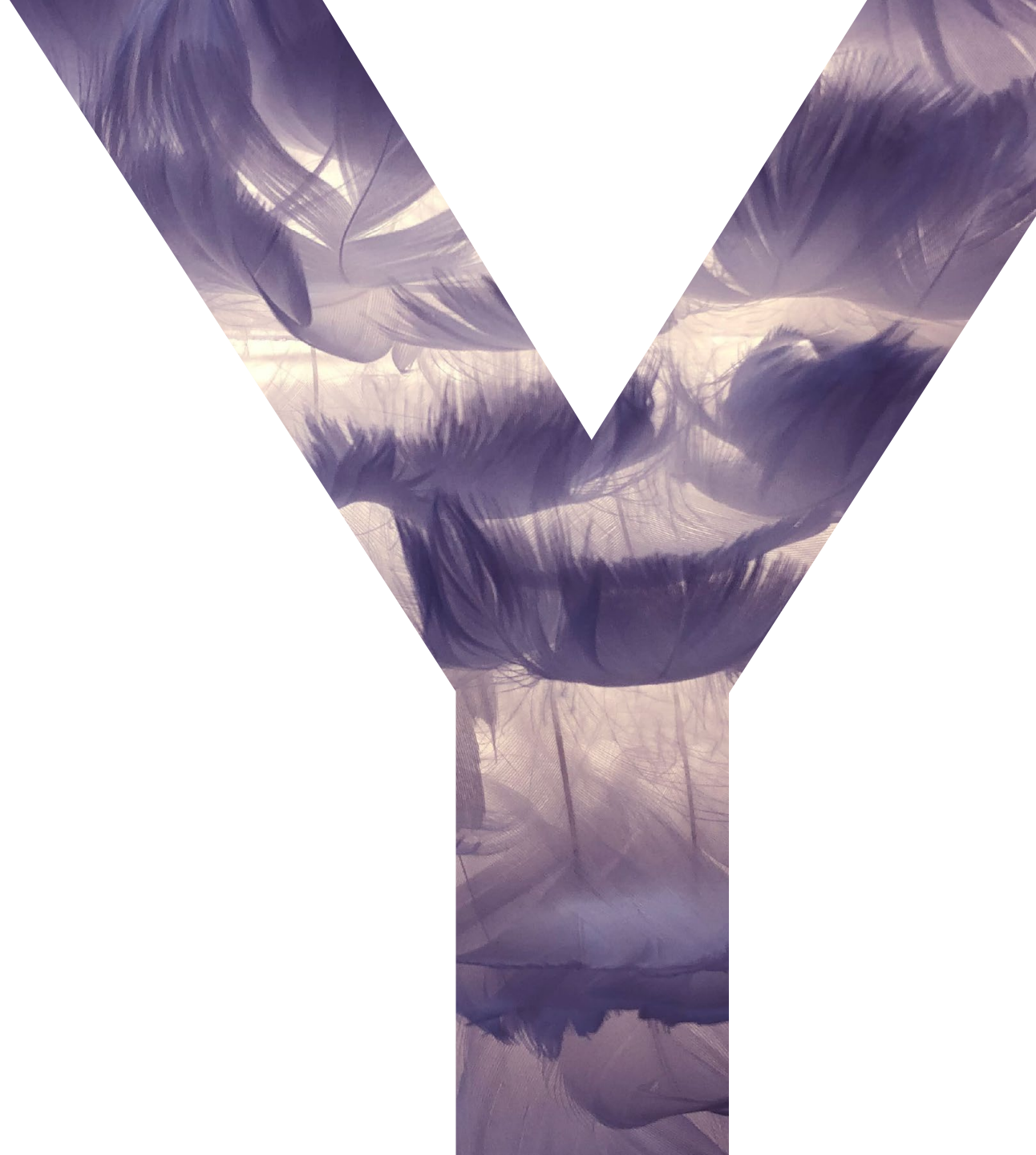


Todd Huseby  
[todd.huseby@kearney.com](mailto:todd.huseby@kearney.com)

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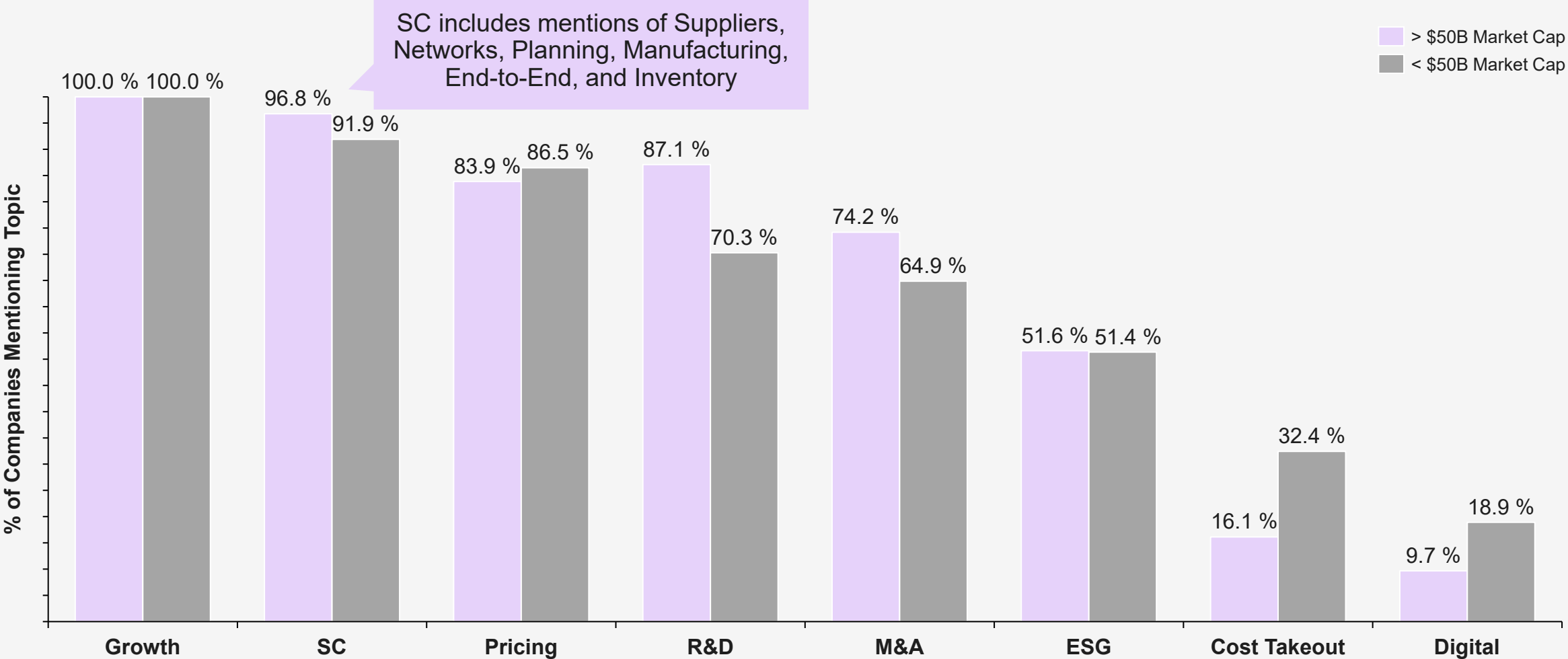
Kearney used the text and charts compiled in this report in a presentation; they do not represent a complete documentation of the presentation.

# KEARNEY

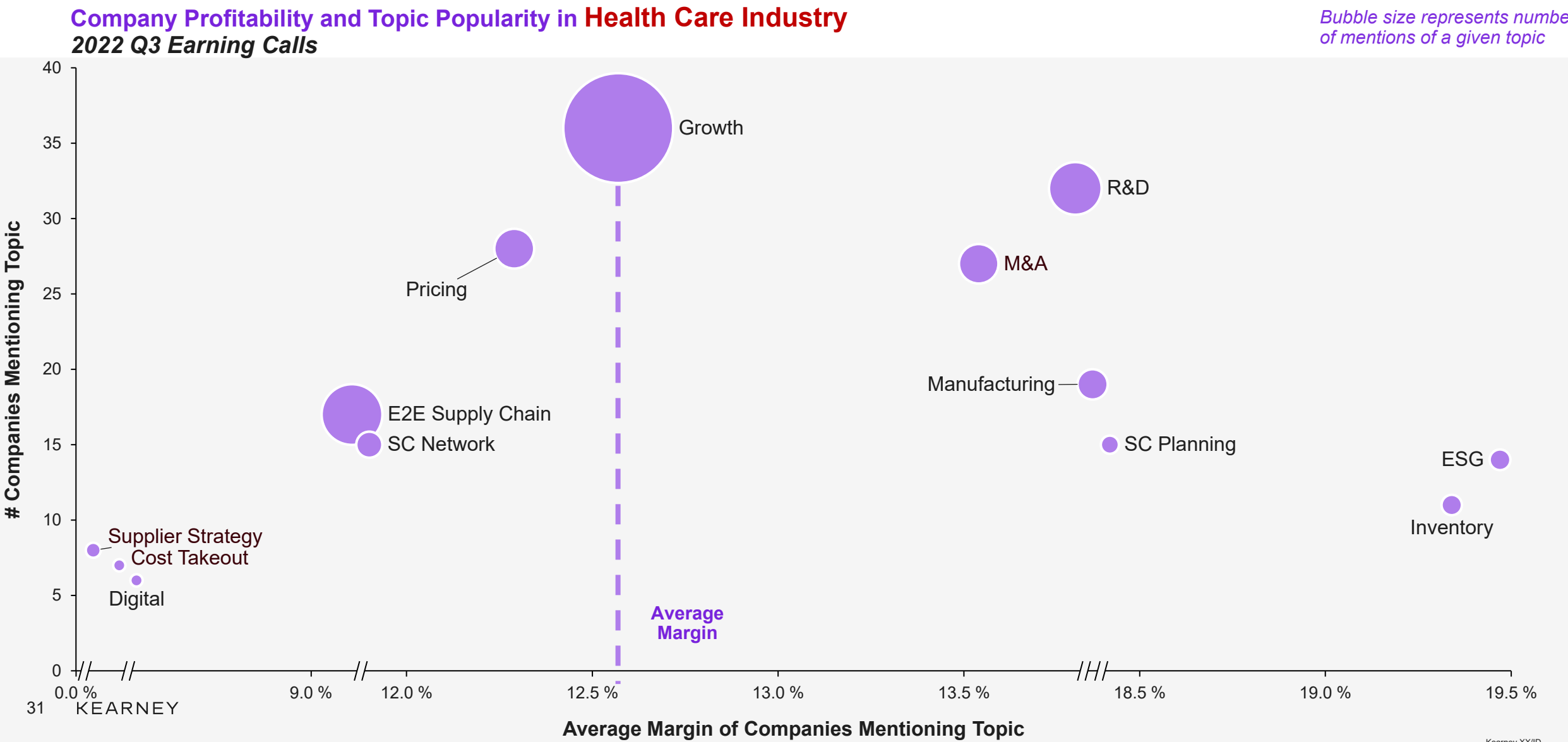


# Growth and Supply Chain remains a key point for companies, but topics like R&D, M&A, Cost Takeout and Digital are differ in popularity when it comes to Market Cap

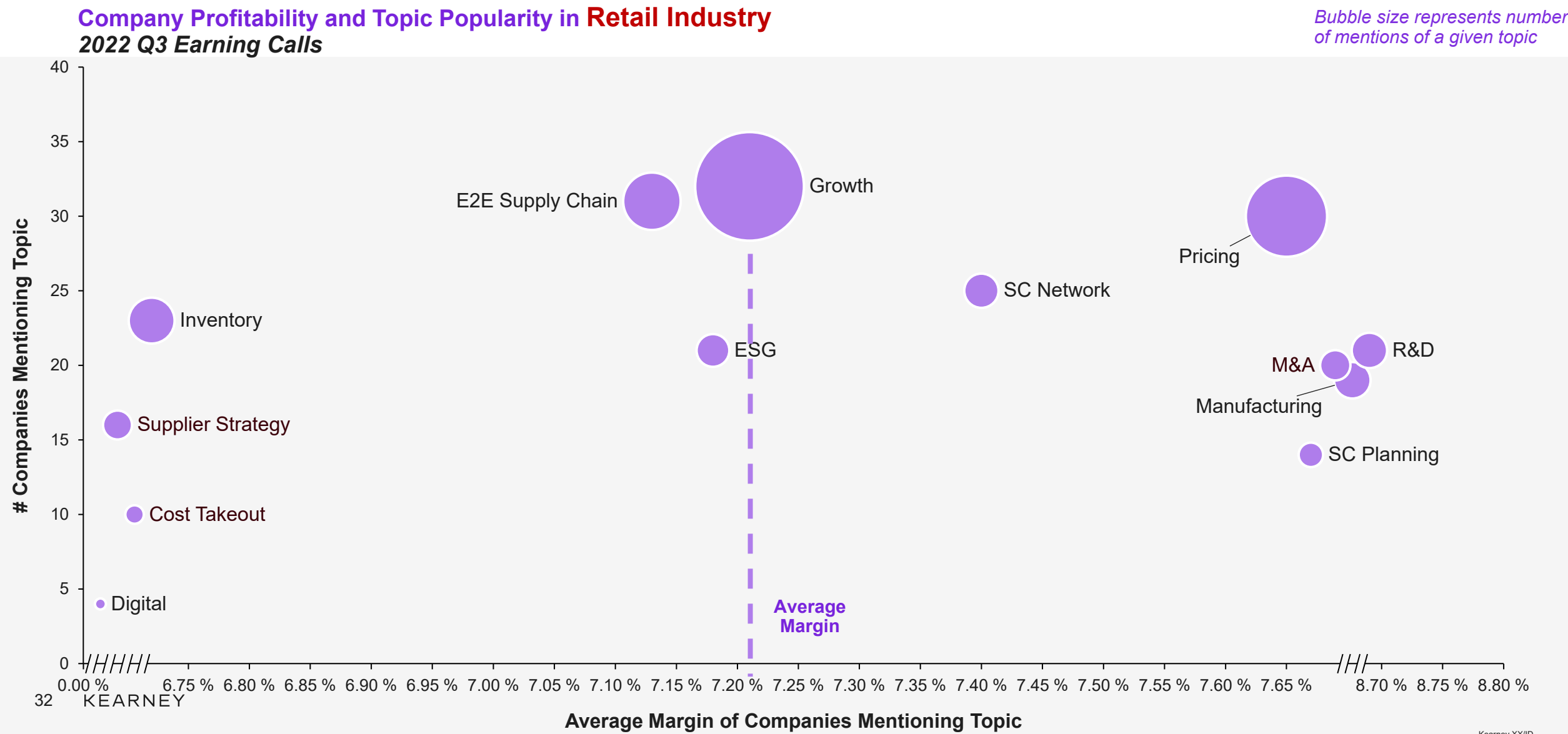
Topic Popularity in Retail/Health Care Industry across differing sizes of companies  
2022 Q3 Earning Calls



# Healthcare companies focus on Growth, R&D, and Pricing in their Earning Calls



# Retail companies frequently mention End-to-End Supply Chain, Growth, and Pricing in their Earning Calls





# ChatGPT



## Examples

"Explain quantum computing in simple terms" →

"Got any creative ideas for a 10 year old's birthday?" →

"How do I make an HTTP request in Javascript?" →



## Capabilities

Remembers what user said earlier in the conversation

Allows user to provide follow-up corrections

Trained to decline inappropriate requests



## Limitations

May occasionally generate incorrect information

May occasionally produce harmful instructions or biased content

Limited knowledge of world and events after 2021

What is the 2023 US Economic outlook in 30 words?



[ChatGPT Jan 9 Version](#). Free Research Preview. Our goal is to make AI systems more natural and safe to interact with. Your feedback will help us improve.



What is the 2023 US Economic outlook in 30 words?



US economy is expected to grow at a moderate pace in 2023, with low inflation, record high employment and robust consumer spending. Despite uncertainty, businesses and consumers remain optimistic. Interest rates expected to stay low, and fiscal stimulus to support growth.



TP

What is the optimistic view?



Optimistic view is that the US economy will continue to grow in 2023, with low inflation, high employment, strong consumer spending and a supportive monetary policy. Businesses and consumers are expected to remain confident, leading to increased investment and spending.



TP

Pessimistic view?



Pessimistic view is that the US economy may face headwinds in 2023, such as rising inflation, increasing interest rates, and uncertainty around trade policies and global economic conditions. This may lead to a slowdown in growth and reduced consumer and business confidence, potentially affecting spending and investment.



TP

Tell me as a limerick



In 2023, the US economy will shine  
With growth that's robust, and quite divine  
Though rates may rise with each tick  
Consumers still spend with a quick flick  
Optimism reigns, it will not decline!





Tell me as a haiku



US economy thrives  
Growth is strong, consumer's spend  
Optimism abounds.



In 2023, the US economy soars,  
With growth that's steady, and employment that pours,  
Businesses flourish, and consumers they spend,  
Fuelling the market, and breaking each bend.

Low inflation remains, as the interest rates hold,  
Supporting the growth, and taking its mold,  
Fiscal stimulus too, will provide a hand,  
Ensuring success, and a future so grand.

But, though the outlook may seem so bright,  
There are challenges ahead, that come with the night,  
Uncertainty may rise, and global affairs may sway,  
But optimism remains, as growth continues to play.

So let us embrace this moment so rare,  
And cherish the growth, that is beyond compare.