

Strategy in a Year of Tight Optimism:

The CEO
Perspective
for 2026

The Pulse Report
February 2026

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Insights from Business Leaders across Australia and New Zealand

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Welcome to the second half-yearly edition of The Pulse Report from The CEO Institute.

798 leaders across Australia and New Zealand have shared with us, how they see the year ahead. Taken together, their responses describe a region that has moved out of crisis and into something more demanding. There is cautious optimism about economic conditions, but it sits alongside stubborn cost pressure, intense local competition, accelerating technology and a clear lift in the emotional load of leading.

What stands out most is the tension between the environment leaders are operating in and the agenda they have set for themselves. Externally, the worries are familiar, rising costs, fragile demand, disruption, regulation and geopolitical risk. Internally, the focus is anything but defensive. Growth clearly leads as the top organisational priority, with cost discipline and digital innovation close behind. The story is not one of stepping back to wait for easier conditions. It is one of trying to grow into a squeeze.

That story plays out differently across the map. New South Wales and Queensland are leaning into opportunity. Victoria and South Australia are more cautious, planning for flat or softer conditions. New Zealand is the most upbeat, planning as if the turn in the cycle has already begun. For any organisation that operates across the region, that patchwork matters as much as the averages.

Behind the numbers sits a human reality that is hard to ignore. A clear majority of respondents tell us the emotional and mental demands of leadership are higher than they were two years ago. Larger organisations are managing scrutiny from boards, regulators and investors as they try to hold strategy steady in choppy conditions. Smaller and mid-sized firms are carrying a more immediate mix of financial and personal risk, often without the internal support structures of a big corporate. In both cases, there is a risk that sharper strategies are being built on top of exhausted systems.

Technology and AI are important, but surprisingly, they are not yet the centre of the agenda. They show up as levers to support growth and efficiency rather than as standalone priorities. Some signals, like ESG and sustainability, are quieter still, embedded in risk and compliance rather than named as the main story for the year ahead, even as expectations from regulators, investors and customers continue to rise.

This report explores that landscape in more depth.

It looks at how outlook, risk and priorities differ across states and between Australia and New Zealand.

It examines the central tension between growth, cost and digital change, the reality of competing close to home, and the rising demand on leaders' stamina. It closes with a practical set of actions you can take into 2026, whether you lead a listed company, a mid-market organisation or a privately held business, and is offered in the spirit that no business leader should ever have to navigate these conditions alone.



Richard Wynn
Chief Executive Officer
The CEO Institute



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2026, THE YEAR OF TIGHT OPTIMISM

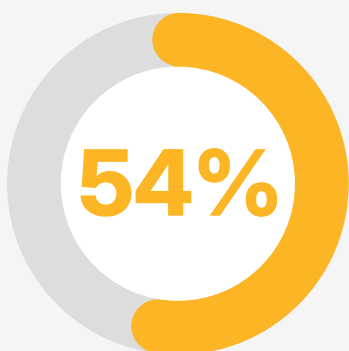
Leaning into opportunity
in an unforgiving environment

2026, THE YEAR OF TIGHT OPTIMISM

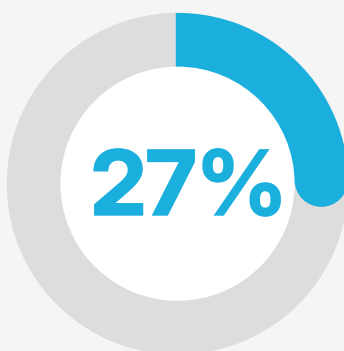
The Pulse Report and its data opens with a clear signal. Across Australia and New Zealand, CEOs and business owners are looking ahead to 2026 with cautious confidence. They see forward movement, not a surge, and they are planning on the basis that conditions will improve, but only within tight limits.

When asked about their outlook for the domestic economy over the next 12 months, just over half of leaders across ANZ expect improvement. Around 54% anticipate some level of recovery, mostly in the form of moderate rather than dramatic gains. Around 27% expect no meaningful change, and about 19% anticipate deterioration. The centre of gravity has moved away from outright pessimism, but it has not swung to exuberance. Most leaders are braced for a year in which they must work hard for modest macro gains.

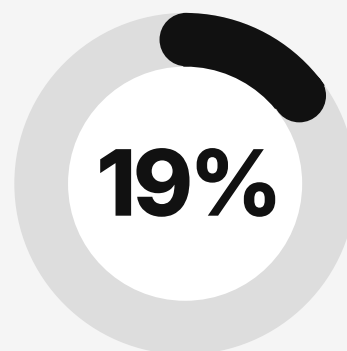
What is your outlook for the economy over the next 12 months?



Positive



Neutral



Negative

Once you separate the two countries, the contrast sharpens. Australian leaders are guarded optimists.

Their responses lean toward improvement, with just over 50% expecting a better domestic economy, around 29% expecting conditions to hold roughly where they are, and just 20% expecting things to worsen.

What is your outlook for the Australian economy over the next 12 months?

Significant Deterioration	2%
Moderate Deterioration	18%
No Change	29%
Moderate Improvement	49%
Significant Improvement	2%
Total Responses	100%

In New Zealand, the tone is much more upbeat. Close to three in four respondents, 76%, expect improvement, only around 16% expect no change, and fewer than 8% expect deterioration, all in the “moderate” category rather than “significant”.

What is your outlook for the New Zealand economy over the next 12 months?

Significant Deterioration	0%
Moderate Deterioration	8%
No Change	16%
Moderate Improvement	71%
Significant Improvement	5%
Total Responses	100%

In other words, Australian CEOs are planning for a slow, uneven grind upwards, while their New Zealand peers are planning for a clearer turn in the cycle.

The wider economic backdrop helps explain this mood. At the time of writing this report, in Australia, the Reserve Bank’s latest projections show underlying inflation back above the 2–3% target band and expected to sit there for some time. The cash rate is holding at 3.6% after earlier cuts in 2025, and the Bank is signalling that any further easing will be cautious and data dependent. GDP growth is running at roughly 1.7–2% a year, with forecasts for a similar pace into 2026. Capacity utilisation is high, unemployment remains relatively low, and business surveys show conditions and confidence slightly above long run averages, even as cost pressures stay sticky.

This combination produces an economy that is not in crisis but is running close to its limits. Many Australian CEOs will recognise that picture. Revenue lines are not collapsing, yet input costs, wages and rent are rising faster than anyone would like, and there is little room for missteps. That is exactly the kind of environment in which you would expect half of leaders to say “better, but not by much”.

New Zealand starts from a different place. Official data shows the economy contracted in the June 2025 quarter, and commentary from the Reserve Bank and major forecasters points to below trend growth of around 1–1.5% in 2025, picking up more convincingly in 2026. Inflation is sitting around 3%, at the top of the RBNZ’s 1–3% band but has fallen sharply from earlier peaks. The central bank has already cut the Official Cash Rate, citing spare capacity in the economy, and expects growth to firm as lower rates feed through.

From a CEO’s vantage point, that mix of soft recent data, falling inflation and easing policy often feels like the bottom of the cycle. It makes sense that New Zealand leaders reading those signals are more likely to say, “the worst is behind us” and nominate improvement rather than stagnation or decline.



"Better, but not by much."



"The worst is behind us."

Two ideas emerge from this contrast that shape the rest of the report.

First, both countries are operating with very little slack. In Australia, the constraint comes from an economy that is near capacity and an inflation rate that still needs careful management. In New Zealand, it comes from a starting point of weaker growth, tighter budgets and the need to rebuild momentum without reigniting price pressures. In both places, CEOs cannot count on a rising tide doing the heavy lifting for them.

Second, the tone of optimism is different on each side of the Tasman. Australian leaders, on average, are planning for incremental gains and holding a wary eye on costs and demand. New Zealand leaders are planning for a more visible turn in the cycle, helped by lower interest rates and clearer signs that inflation is back under control.

For enterprises with operations across the region, this matters. Capital allocation, hiring plans and investment priorities will feel different in Sydney and Melbourne than they do in Auckland. For SMEs that operate in a single market, it matters in a different way. Many Australian SME owners will be trying to reconcile upbeat national commentary about growth with the lived reality of flat or patchy demand. Many New Zealand SME owners will be trying to move early enough to catch an upturn, without overextending if the recovery is slower than hoped.

This is the backdrop against which every other finding in the Pulse should be read. Leaders are not planning for a boom. They are planning for tight optimism, a scenario in which modest macro improvement is possible, but only if they manage cost, demand, investment and their own energy with far more precision than in easier years. The sections that follow look at how that expectation flows through into external risk perceptions, competitive pressure, leadership stamina and the choices CEOs and business owners are making about their top priorities for 2026.

What is your outlook for Australia's economy over the next 12 months?

NSW		VIC	
Significant Deterioration	1%	Significant Deterioration	2%
Moderate Deterioration	15%	Moderate Deterioration	21%
No Change	19%	No Change	55%
Moderate Improvement	62%	Moderate Improvement	22%
Significant Improvement	3%	Significant Improvement	0%
Total Responses	100%	Total Responses	100%

QLD		SA	
Significant Deterioration	2%	Significant Deterioration	8%
Moderate Deterioration	19%	Moderate Deterioration	38%
No Change	23%	No Change	31%
Moderate Improvement	54%	Moderate Improvement	23%
Significant Improvement	2%	Significant Improvement	0%
Total Responses	100%	Total Responses	100%





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GROWING INTO A COST SQUEEZE

**Chasing growth while margins
stay under pressure**

GROWING INTO A COST SQUEEZE

Every CEO in this Pulse Report is managing two lists. One list describes the world they cannot control, the external forces they expect to hit their performance in the next 12 months. The other list sets out the single internal priority they will back above all others. The tension between those two lists is where this report really comes to life.

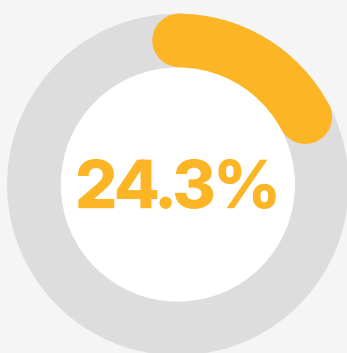
External Forces

VS

Internal Priority

On the external side, the picture is remarkably consistent across the 798 respondents. When asked which issue will have the greatest impact on business performance over the next year, leaders across Australia and New Zealand put inflation and cost pressures at the top of the pile, at 24.3% of responses across ANZ. Consumer demand slowdown sits next at 20.6%, and technology disruption at 16.2%. Global trade and geopolitical risk (11.9%), labour and skills shortages (13.8%) and regulatory change (12.5%) follow closely behind. ESG and sustainability pressures barely register as the single dominant concern, at only 0.8% of responses across the region.

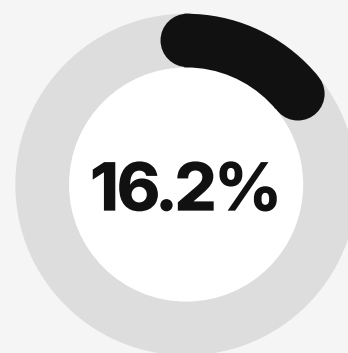
What external issue will have the greatest impact on your business performance in the next 12 months?



**Cost
Pressures**



**Consumer
Demand
Slowdown**



**Technology
Disruption**

The country split adds more colour. In Australia, external risk is spread relatively evenly across cost, demand, labour, regulation and technology. Cost pressures lead at 22%, with demand at 21%, technology disruption at 16%, and labour shortages at 15%. In New Zealand, the signal is sharper. Inflation and cost pressures alone account for 37% of responses, almost twice the Australian share, with demand at 20% and technology at 18%. New Zealand leaders are more likely to say that the main threat to their performance is simply how expensive it is to run the business.

What external issue will have the greatest impact on your business performance in the next 12 months?

AUS		NZ	
Consumer Demand Slowdown	21%	Consumer Demand Slowdown	20%
ESG/Sustainability Pressures	0%	ESG/Sustainability Pressures	0%
Global Trade Tensions/ Geopolitical Risk	13%	Global Trade Tensions/ Geopolitical Risk	8%
Inflation and Cost Pressures (including Interest Rates)	22%	Inflation and Cost Pressures (including Interest Rates)	37%
Labour Supply or Skills Shortages	15%	Labour Supply or Skills Shortages	7%
Regulatory Reform and Policy Change	13%	Regulatory Reform and Policy Change	10%
Technology Disruption (e.g. AI, Automation, Cybersecurity)	16%	Technology Disruption (e.g. AI, Automation, Cybersecurity)	18%
Total Responses	100%	Total Responses	100%

Now set this next to the internal list. When CEOs and business owners are forced to nominate one organisational priority for the next 12 months, they do not pick defensive options. Growth and expansion is the clear first choice at 42.6% across ANZ. Cost management and efficiency comes second at 22.9%, and innovation and digital transformation sits just behind at 21.2%. Talent attraction and retention (8.6%), resilience and risk management (4.0%) and sustainability or ESG (0.3%) trail well behind. A tiny 0.4% select “Unsure”.

ANZ Averages



The country alongside country comparison is interesting. In Australia, growth still leads at 41%, but the balance is more evenly spread between growth, cost (24%) and innovation (22%). The pattern is even more pronounced in New Zealand. 57% of New Zealand leaders choose growth as their top internal priority, with cost at 18% and innovation at 16%.

AUS		NZ	
Cost Management and Efficiency	24%	Cost Management and Efficiency	18%
Growth and Expansion	41%	Growth and Expansion	57%
Innovation and Digital Transformation/Enablement	22%	Innovation and Digital Transformation/Enablement	16%
Resilience and Risk Management	3%	Resilience and Risk Management	8%
Sustainability/ESG	0%	Sustainability/ESG	1%
Talent Attraction and Retention	10%	Talent Attraction and Retention	0%
Unsure	0%	Unsure	0%
Total Responses	100%	Total Responses	100%

And even by State in Australia, the numbers fluctuate but tell a consistent message:

Top Priority:	NSW		VIC	
	Cost Management and Efficiency	21%	Cost Management and Efficiency	38%
	Growth and Expansion	50%	Growth and Expansion	15%
	Innovation and Digital Transformation/Enablement	18%	Innovation and Digital Transformation/Enablement	35%
	Resilience and Risk Management	2%	Resilience and Risk Management	7%
	Sustainability/ESG	0%	Sustainability/ESG	0%
	Talent Attraction and Retention	9%	Talent Attraction and Retention	5%
	Unsure	0%	Unsure	0%
	Total Responses	100%	Total Responses	100%
	QLD		SA	
	Cost Management and Efficiency	15%	Cost Management and Efficiency	15%
	Growth and Expansion	47%	Growth and Expansion	38%
	Innovation and Digital Transformation/Enablement	17%	Innovation and Digital Transformation/Enablement	23%
	Resilience and Risk Management	4%	Resilience and Risk Management	1%
	Sustainability/ESG	0%	Sustainability/ESG	0%
	Talent Attraction and Retention	17%	Talent Attraction and Retention	15%
	Unsure	0%	Unsure	8%
	Total Responses	100%	Total Responses	100%

Biggest Concern:

NSW		VIC	
Consumer Demand Slowdown	20%	Consumer Demand Slowdown	31%
ESG/Sustainability Pressures	1%	ESG/Sustainability Pressures	0%
Global Trade Tensions/ Geopolitical Risk	9%	Global Trade Tensions/ Geopolitical Risk	13%
Inflation and Cost Pressures (including Interest Rate)	21%	Inflation and Cost Pressures (including Interest Rate)	25%
Labour Supply or Skills Shortages	16%	Labour Supply or Skills Shortages	4%
Regulatory Reform & Policy Change	17%	Regulatory Reform & Policy Change	7%
Technology Disruption	16%	Technology Disruption	20%
Total Responses	100%	Total Responses	100%

QLD		SA	
Consumer Demand Slowdown	15%	Consumer Demand Slowdown	9%
ESG/Sustainability Pressures	2%	ESG/Sustainability Pressures	0%
Global Trade Tensions/ Geopolitical Risk	19%	Global Trade Tensions/ Geopolitical Risk	15%
Inflation and Cost Pressures (including Interest Rate)	19%	Inflation and Cost Pressures (including Interest Rate)	38%
Labour Supply or Skills Shortages	23%	Labour Supply or Skills Shortages	15%
Regulatory Reform & Policy Change	9%	Regulatory Reform & Policy Change	15%
Technology Disruption	13%	Technology Disruption	8%
Total Responses	100%	Total Responses	100%

This is the central tension at the heart of the Pulse. Externally, CEOs see a world dominated by rising costs, fragile demand and disruptive technology. Internally, they are backing growth, efficiency and digital investment as the levers that matter most. They are not preparing to sit out the cycle. They are trying to grow through a squeeze.

Two ledgers, one balancing act

The first implication is simple but powerful. Leaders are no longer treating “growth” and “cost control” as mutually exclusive strategies. The top three internal priorities together account for over 86% of all responses. That suggests most CEOs are trying to achieve three things at once: keep growing the top line, protect margin, and reshape the business through digital change.

For many, that will mean three kinds of decisions.



What growth to chase. Not all revenue is equal. In a high-cost environment, growth that drags down margin or adds operational complexity can make the underlying problem worse.



Which costs to take out. Purely across-the-board cuts risk undermining innovation, customer experience and talent, exactly the areas needed to sustain growth.



Where to focus digital effort. Technology can either amplify existing strengths or add another layer of cost and complexity. The survey suggests leaders know it matters, but they are placing it behind immediate growth and efficiency pressures.

The risk is not that CEOs do too little. The risk is that they try to do everything at once.

Larger and listed organisations: managing the portfolio

The survey data tells us that this is not a micro-business story. Around four in five respondents lead organisations with annual revenue above \$10 million, many with staff counts in the several hundreds. More specifically, 36% of our surveyed participants run businesses over \$100m. Even larger and listed organisations inside that group have more tools at their disposal, but they also carry more visibility and constraint.

Respondents



Revenue > \$100m



Revenue > \$10m

For these leaders, “growing into a cost squeeze” often plays out as portfolio management.

- They can reshape business lines, product sets and geographic exposure to lean harder into segments where demand is still resilient or growing.
- They have more ability to re-price strategically, either by repositioning offerings or shifting customer mix, rather than relying purely on volume.
- They can take a multi-year view of investment, especially in digital and AI, even if the payoff is not immediate.

At the same time, public markets, lenders and boards are less forgiving. The list of external pressures and worries translates directly into shareholder questions. How exposed is the business to rate moves, to wage pressure, to geopolitical risk. How quickly can cost be taken out without damaging long term competitiveness. When inflation and cost pressures top the risk list, there is a strong temptation to deliver short term margin improvements, even if that means slowing or trimming growth initiatives.

The most effective larger organisations in this environment will probably be those that:

- Treat growth, cost and digital as a connected system, not separate workstreams.
- Use the cost squeeze as a forcing mechanism to simplify portfolios and kill off chronically low return activities.
- Protect a small number of big bets, even under pressure, instead of spreading resources thinly across many projects.

The Pulse data does not tell us which specific organisations are pulling this off. It does tell us that very few leaders are putting resilience or risk management as their top internal priority. Only 4.0% across ANZ choose that as number one. That suggests many larger firms are relying on existing risk and governance frameworks, while the CEO agenda is dominated by the growth versus cost trade off.






SMEs and mid-market firms: feeling the squeeze first

For smaller and mid-market businesses, the same tension is present, but the dynamics are different.

Smaller firms often feel cost and demand shocks earlier and more directly. A shift in interest rates flows straight through to the owner's mortgage and working capital. A change in consumer confidence shows up quickly in monthly sales. Input cost increases cannot always be passed on without risking customer relationships. Where a large organisation can absorb a few quarters of margin compression while it adjusts, an SME may only have a few months of buffer.

Yet the Pulse results show that SME and mid-market owners are not retreating either. They sit inside the same aggregate figures that put growth first, cost second and innovation third. That tells us something important. Many SME owners believe that standing still is more dangerous than moving.

In practice, "growing into a cost squeeze" for an SME might look like:

-  **Narrowing the growth focus.** Rather than chasing every opportunity, concentrating on the most profitable segments and customers, even if that means slower headline growth.
-  **Re-framing cost management.** Looking for structural changes that take fixed cost out of the business, instead of relying on quick discretionary cuts that creep back in.
-  **Taking smaller, sharper bets on digital tools.** Choosing a handful of technologies that directly support sales, service or efficiency, rather than trying to match enterprise-grade transformation programmes.

There is also a human dimension. In many small and mid-sized businesses, the CEO is also the owner, sometimes with personal assets tied up in the company. When cost pressure is high and demand is uncertain, the pressure does not just land on the P&L. It lands on the kitchen table. That reality will surface more fully in the Pulse findings on leadership stamina, but it is already implied in this central tension. These are leaders trying to fund growth while absorbing the financial and emotional cost of running the business.

Misalignment risks hiding in the data

Our analysis of the external risks CEOs are most concerned about, set against the internal priorities they have chosen, reveals some striking alignments but also hints at areas where leaders may be underestimating certain threats.

	Consumer Demand	Growth & Expansion
ANZ	20.6%	54.4%
AUS	21%	41%
NZ	20%	57%

One is consumer demand. When asked which external factor will have the greatest impact on business performance in the next 12 months, 20.6% of leaders across ANZ choose a slowdown in consumer or customer demand, making it the second most cited risk.

At the same time, when asked to name their single most important organisational priority for the year ahead, growth and expansion comfortably tops the list. If demand turns out to be weaker than many expect, some of the growth plans leaders currently have in mind will be much harder to execute, especially in discretionary sectors.

For larger firms, that could mean missed targets and uncomfortable conversations with investors. For SMEs, it could mean stretching working capital and personal risk in the hope that demand rebounds.

	Labour & Skills Shortages	Talent Attraction % Retention
ANZ	13.8%	8.6%
AUS	15%	10%
NZ	8%	0%

Another area is talent and resilience. Labour and skills shortages are treated as a significant external issue by 13.8% of respondents, yet only 8.6% put talent attraction and retention as their single top internal priority, and just 4.0% choose resilience and risk management.

It is not that leaders have stopped caring about their people or the resilience of their organisations. More likely, these themes are being treated as ongoing disciplines rather than the central focus for the next 12 months. The risk is that, under the weight of growth and cost objectives, investments in capability, culture and risk readiness slip into the background until a shock forces them back to the foreground.

	Technology Disruption	Innovation & Digital Transformation
ANZ	16.2%	21.2%
AUS	16%	22%
NZ	18%	16%

There is a similar story in technology. Around 16.2% of ANZ leaders choose technology disruption, including AI, automation and cyber, as the external issue that will most affect their performance, and 21.2% choose innovation and digital transformation as their single top internal priority.

That is a strong signal that digital matters. It is also a reminder that four out of five CEOs are not putting it at the very top of their list, even as AI and automation accelerate.

The better reading is not that they are ignoring technology, but that they are trying to absorb it into their growth and efficiency efforts, rather than treating it as a standalone agenda that sits apart from day-to-day commercial reality.

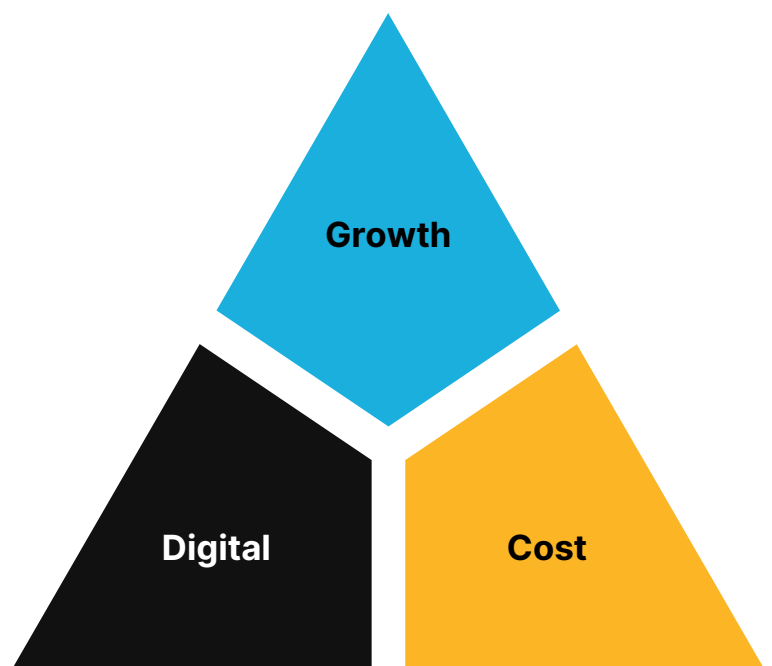
Why this tension matters for everything that follows

This growth–cost–digital triangle is not an abstract pattern. It frames almost every choice CEOs and business owners will make through 2026. It shapes how they respond to competition, how they talk to their boards and investors, how they think about their own stamina and that of their teams, and how they weigh local conditions in different states and in New Zealand.

The rest of this report leans on this central tension. When we look at competitive pressure, we are really asking how to grow when the most intense competition is local. When we examine leadership stamina, we are looking at what it takes to carry growth and efficiency expectations at the same time. When we turn to technology, we will explore how AI and digital can ease the squeeze rather than deepen it.

For now, the message is clear. ANZ CEOs and business owners are planning to move, not to wait. They are choosing growth in the face of cost and demand pressure, and they are asking their organisations to become more efficient and more digitally capable at the same time. That is an ambitious brief in any cycle. In this one, it is the defining challenge.

Growth–Cost–Digital Triangle





4

COMPETITION CLOSE TO HOME

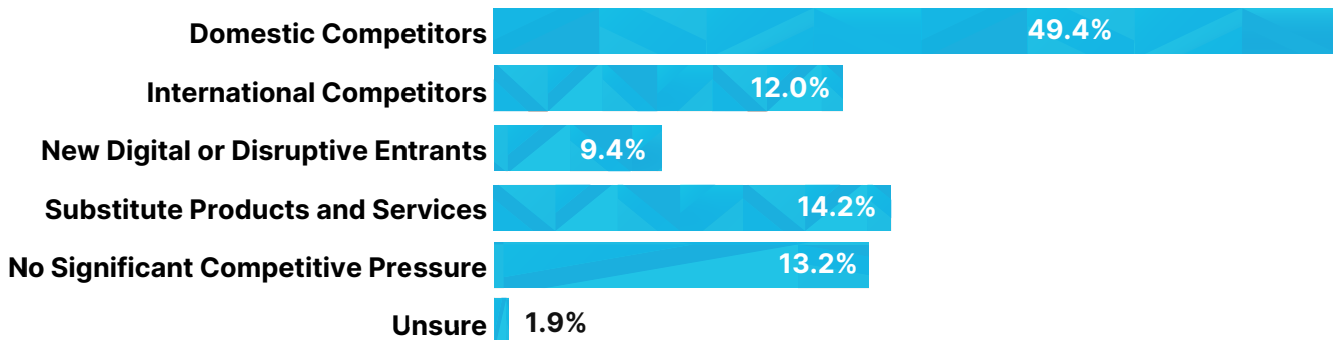
**Winning in crowded
local markets**

COMPETITION CLOSE TO HOME

When CEOs were asked where they are feeling the sharpest competitive pressure right now, the answer was not Silicon Valley, Beijing, Trump and the US, or some distant multinational. It was the business around the corner.

Across Australia and New Zealand combined, 49.4% of respondents say domestic competitors are their greatest source of pressure. That is nearly half of the entire sample. The next group is substitute products and services at 14.2%, followed by international competitors at 12.0% and new digital or disruptive entrants at 9.4%. 13.2% say they are not currently experiencing significant competitive pressure, and 1.9% are unsure.

ANZ Averages



For Australia alone, the signal is even stronger. Exactly 50% of Australian leaders nominate domestic competitors. Substitutes are next at 15%, then those who say they are not under significant pressure at 13%. International competitors account for 11%, new digital entrants for 8%, and 3% are unsure.

AUS	
Domestic Competitors	50%
International Competitors	11%
New Digital or Disruptive Entrants	8%
Substitute Products and Services	15%
No Significant Competitive Pressure	13%
Unsure	3%
Total Responses	100%

New Zealand looks slightly different but tells a similar story. 45% of New Zealand respondents choose domestic competitors, while 18% name international competitors and another 18% point to new digital or disruptive entrants. Substitutes sit at 7%, 12% report little significant pressure and no one selects "Unsure".

NZ	
Domestic Competitors	45%
International Competitors	18%
New Digital or Disruptive Entrants	18%
Substitute Products and Services	7%
No Significant Competitive Pressure	12%
Unsure	0%
Total Responses	100%

4.1. The real contest is local

First, for most CEOs in this Pulse, the sharp end of risk is their domestic market. That aligns with the membership base. Many Institute members operate in sectors like professional services, construction, manufacturing, healthcare, logistics, education, hospitality and local consumer services where customers buy primarily from providers in their own city or country.

In that environment, you feel the competitor you see.

You notice the firm that has opened a new office two suburbs away. You notice the new brand that is undercutting you on price or matching you on price but promising more flexible terms. You notice the long-standing rival that has finally upgraded its technology and service model and now looks uncomfortably close to your own positioning.

This matters for growth. If you are trying to grow into a cost squeeze, and half your peer group is battling domestic rivals, then winning in your home market becomes the primary lever for hitting your numbers. There is little point in planning for ambitious top line growth if you are indistinguishable from three or four similar businesses chasing the same customers.

For larger and listed organisations this often translates into market share strategies. That might mean consolidation, selective divestments, deeper integration across business units, or more aggressive moves to lock in key customers through contracts and bundled offerings. For many SMEs it is less about formal share and more about survival. The question becomes “how do we stay first choice for the customers that actually matter, when half a dozen others look roughly like us”.

4.2. Substitutes and digital entrants are the early tremors

The second striking feature of where organisations are seeing the greatest competitive pressure is the role of substitutes and digital entrants. At ANZ level, 14.2% of leaders say substitutes are their greatest source of competitive pressure, and 9.4% name new digital or disruptive entrants. Those might look like smaller numbers, but they are early indicators of structural change.

Look at the Australian state detail and the story sharpens. In New South Wales, 19% of CEOs say substitutes are their main competitive pressure, and in Queensland that figure is 19.1%. In both states, the combination of domestic competitors plus substitutes accounts for around 70% of responses. In Victoria and South Australia, fewer leaders pick substitutes, but a higher share point to international competitors and digital entrants, especially in SA where 23% nominate international competitors and 15% cite new digital players.

NSW		VIC	
Domestic Competitors	51%	Domestic Competitors	45%
International Competitors	9%	International Competitors	16%
New Digital or Disruptive Entrants	6%	New Digital or Disruptive Entrants	13%
Substitute Products and Services	19%	Substitute Products and Services	5%
No Significant Competitive Pressure	15%	No Significant Competitive Pressure	13%
Unsure	0%	Unsure	8%
Total Responses	100%	Total Responses	100%
QLD		SA	
Domestic Competitors	57%	Domestic Competitors	31%
International Competitors	6%	International Competitors	23%
New Digital or Disruptive Entrants	6%	New Digital or Disruptive Entrants	15%
Substitute Products and Services	19%	Substitute Products and Services	8%
No Significant Competitive Pressure	11%	No Significant Competitive Pressure	15%
Unsure	1%	Unsure	8%
Total Responses	100%	Total Responses	100%

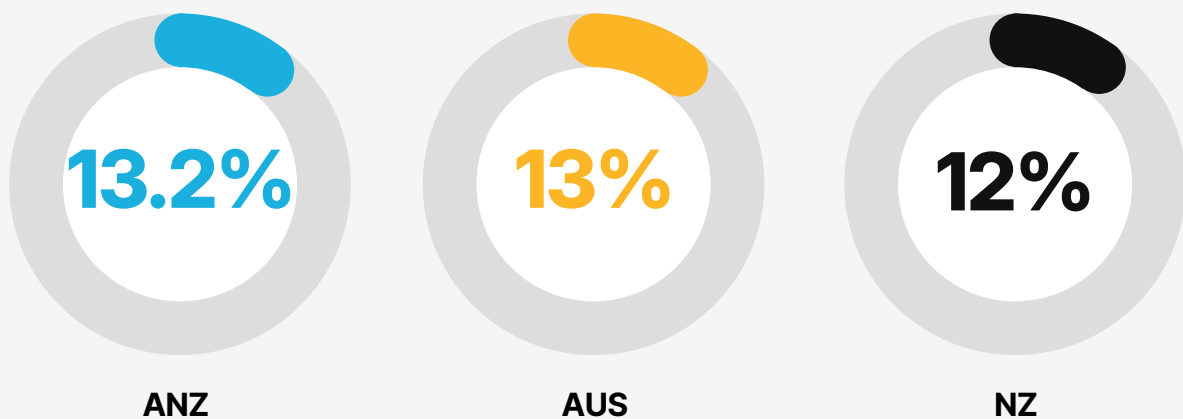
This is what structural change looks like from the CEO's chair. It rarely begins with a single disruptive superstar taking the whole market. It starts with a slow shift in how customers solve their problem. A manufacturer realises its biggest threat is not a rival factory but a client outsourcing production offshore. A professional services firm discovers its competition is increasingly a software platform and a small in house team, not another traditional firm. A training provider sees clients replacing multi day programmes with digital micro learning subscriptions.

The presence of digital entrants at around one in ten responses ANZ wide, and nearly one in five in New Zealand, is another part of the same pattern. The new entrant is often domestic or trans-Tasman. It uses technology to deliver differently, not always to charge less. It may start at the fringe, serving customers who were previously underserved or too small to be attractive. Over time, it moves up market.

For enterprise leaders, these are red flags for business model risk. If substitutes and digital entrants are picking off parts of the value chain, the question is not just "how do we compete against them" but "what does this say about how our market will work three to five years from now". For SME owners, this often shows up as a series of small but noticeable changes. A client moves some spend to a platform. Another asks for a stripped back service because they are doing more themselves. Margins compress without any obvious headline event.

4.3. A minority feel little pressure, for now

Around 13.2% of leaders across ANZ say they are not currently experiencing significant competitive pressure. In Australia that figure is 13% and in New Zealand 12%. These organisations may operate in niche markets, hold strong positions in regional or specialist sectors, or sit in parts of the economy where demand is robust and barriers to entry are high.



It is tempting to see this group as safe. That is rarely true for long. A lack of visible competition can breed complacency just as easily as confidence. In a high-cost environment, customers and investors will eventually look for alternatives. If those do not exist today, someone will build them.

Enterprise and SME responses to close pressure

Enterprise	SME / Mid-Market
Consolidation and portfolio moves Acquiring competitors, exiting weaker segments, or partnering with emerging players to secure access to new channels or capabilities.	Sharpening the niche Narrowing focus to customers and offerings where they can genuinely be the best option, instead of trying to be a generalist in an overcrowded market.
Pricing and mix strategy Tightening discounting, moving customers onto higher value bundles, or using data to identify segments where price increases can be absorbed.	Service and relationship depth Doubling down on responsiveness, owner visibility, and local presence, which bigger competitors struggle to match.
New models and partnerships Piloting subscription offers, platform plays, or ecosystem partnerships that shift the basis of competition away from pure product.	Selective technology adoption Choosing tools that directly enhance sales, service, or efficiency, rather than chasing full-scale transformation.
Productivity and experience Using technology and process redesign to deliver a better experience at lower unit cost, which supports both growth and margin.	Community and reputation Building brand through word of mouth, local networks, and referrals, which can be more resilient than paid marketing in a tight year.

In both camps, the common thread is differentiation. The Pulse data says clearly that leaders are trying to grow while costs are high. You cannot grow your way out of cost pressure if you remain one of many near identical choices. The domestic rival with similar pricing, similar quality and similar story will keep you locked in a zero-sum game.

Connecting competition back to the growth agenda

The previous section showed that CEOs and business owners are backing growth, cost management and digital innovation as their top priorities. It also tells us where that growth has to be won.

For most Pulse respondents, the battleground is their home market, against familiar names, with new substitutes and digital entrants steadily reshaping customer expectations at the edges. The implication is direct. Strategic focus in 2026 is not only about what you invest in, but also about who you choose to compete head-to-head with, and where you choose not to.

The leaders who navigate this well will be those who:

- Use their understanding of local competitors to be very deliberate about positioning.
- Treat substitutes and digital entrants as signals about future market structure, not just irritants.
- Align their growth, pricing and digital decisions to a clear competitive thesis, rather than spreading effort thinly across every opportunity that appears.

The next sections of this report look at what that means for leadership stamina, regional strategy and the role of technology and AI, all under the same basic reality. Growth is possible, but the contest is close, crowded and unforgiving.



5

LEADERSHIP STAMINA IN THE MIDDLE OF THE MARATHON

**The rising emotional
cost of leading**

LEADERSHIP STAMINA IN THE MIDDLE OF THE MARATHON

If the earlier questions describe the external weather, the question on leadership stamina tells us what it feels like to stand in it every day.

Across Australia and New Zealand, a clear pattern emerges. Just over two thirds of respondents say the demands of leadership now require greater emotional and mental stamina than they did two years ago. Fewer than one in six actively disagree. A similar proportion sit in the neutral middle, and only a very small share are unsure. In other words, the centre of gravity has shifted decisively towards “this is heavier than it used to be”.

Australia and New Zealand sit almost on top of each other in this respect. In both countries, roughly 68% agree that the load has increased, with only a small minority pushing back. Very few people in any market believe the job has become easier or even stayed the same. The lived experience of leading in 2026 is one of cumulative strain, regardless of which side of the Tasman you sit on.

To what extent do you agree or disagree: "The demands of leadership today require greater emotional and mental stamina than they did 2 years ago"?

AUS		NZ	
Strongly Disagree	10%	Strongly Disagree	10%
Disagree	5%	Disagree	4%
Neutral	15%	Neutral	18%
Agree	31%	Agree	33%
Strongly Agree	37%	Strongly Agree	35%
Unsure	2%	Unsure	0%
Total Responses	100%	Total Responses	100%

The state picture reinforces this rather than cutting against it. In New South Wales and Queensland, around seven in ten respondents say leadership now demands more emotional and mental stamina than it did two years ago. In Victoria, agreement is closer to six in ten, with more people parking themselves in neutral or “unsure” territory, but the balance is still firmly on the “more stamina” side. Even in South Australia, where economic sentiment is softer and outlook is more cautious, the majority still report an increase in demand rather than stability or relief.

So this is not a niche concern, confined to one sector, one state or one ownership model. It is the dominant emotional reality behind every other result in this report. Any conversation about growth, cost, competition or technology is taking place in that context, with leaders already drawing on deeper reserves of energy and resilience just to keep pace with what the role now expects of them.

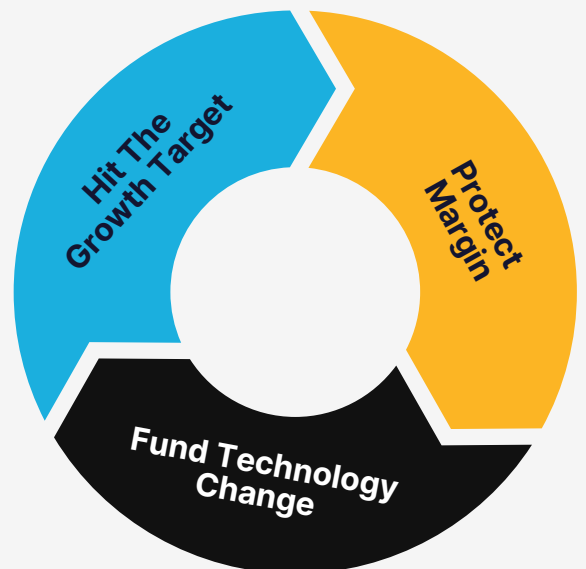
To what extent do you agree or disagree: "The demands of leadership today require greater emotional and mental stamina than they did 2 years ago"?

NSW		VIC		QLD		SA	
Strongly Disagree	13%	Strongly Disagree	5%	Strongly Disagree	9%	Strongly Disagree	8%
Disagree	6%	Disagree	4%	Disagree	4%	Disagree	0%
Neutral	10%	Neutral	22%	Neutral	17%	Neutral	17%
Agree	31%	Agree	27%	Agree	34%	Agree	42%
Strongly Agree	40%	Strongly Agree	35%	Strongly Agree	36%	Strongly Agree	25%
Unsure	0%	Unsure	7%	Unsure	0%	Unsure	8%
Total Responses	100%	Total Responses	100%	Total Responses	100%	Total Responses	100%

Where the pressure is coming from

Three forces sit behind these numbers: the economic squeeze, the complexity of the agenda, and the relentlessness of change.

First, the economic squeeze is not abstract. Earlier we saw that leaders expect only modest improvement in the economy and that they face a combination of elevated input costs, patchy demand and little slack. At the same time, they are backing growth, cost management and digital transformation as their top three internal priorities. That means many CEOs are carrying multiple, sometimes conflicting, expectations into every decision. Hit the growth target. Protect margin. Fund technology change. Do all three at once, with limited room for error.



Second, the agenda itself has become more complex. The data shows that inflation, cost, demand, labour, regulation, geopolitics and technology all register as meaningful external risks. None of these themes can be delegated or ignored. A CEO might have a CFO managing cost, a CHRO managing talent, a CIO managing technology, yet the trade-offs still land in one place. Which investments do we protect. Which markets do we exit. How fast do we move on AI. How far do we push pricing. Every one of those choices carries both commercial and human consequences.



Third, the pace of change has accelerated. New digital entrants, shifting customer expectations, and evolving regulatory and societal norms mean there is very little stable ground. Even if the headline economy moves slowly, the internal environment does not. That is particularly evident in sectors like professional services, technology, healthcare and education, where AI and automation are changing how work is delivered, and in consumer-facing industries, where cost-of-living pressures reshape spending.

Put that together and the result is no surprise. Leaders are not simply tired from a difficult couple of years. They are being asked to sustain high levels of cognitive, emotional and relational effort with very few low-pressure periods in between.

The enterprise experience: performance under the spotlight

For enterprise and listed CEOs, the increase in emotional and mental demand often shows up as constant scrutiny.

There is scrutiny from investors and boards, who want reliable growth, credible cost management, and a convincing technology narrative. There is scrutiny from regulators, particularly in sectors where conduct, culture and consumer outcomes are in focus. There is scrutiny from employees, who expect more visibility, empathy and clarity from their leaders than in previous eras.

In practical terms, that means:

- Running multi stakeholder conversations about trade-offs every week, not just at strategy offsites.
- Holding the line on long term bets, such as digital platforms or brand repositioning, while explaining short term dips in margin or earnings.
- Being available and visible internally, even when personal bandwidth is already stretched.

Most enterprise CEOs have support around them, from executive teams, boards and advisers. The load is shared, at least formally. At the same time, the symbolic weight of the role is heavy. When the organisation is listed, every downgrade, restructuring or misstep is played out in public, which adds another layer of psychological pressure.

The SME experience: Risk in the room

For SME and mid-market owners, the pressure feels different, and in some ways more personal.

Many of these leaders sit in the numbers as both CEO and primary shareholder. They often have their own capital, their family's security and their personal reputation tied up in the business. When cost pressures rise or demand wobbles, it is not just a budgeting exercise. It is a direct question about wages, suppliers, mortgage payments and future lifestyle.

The survey tells us that SME owners share the same broad priorities as their larger peers. They want growth, they need to manage cost, and they are trying to keep up with digital change. What they often lack is internal infrastructure. There might be no executive team to share decisions with, no in house legal or strategy unit, sometimes not even a full time HR leader. Decisions about layoffs, price rises, delayed investments or changes to credit terms are often made at the same dining table where family conversations happen.

In that context, an increase in emotional and mental demand is almost inevitable. The owner must be strategist, operator, employer and breadwinner at once. When the market environment is forgiving, that load can feel energising. When growth is hard won and costs keep rising, it becomes far more draining.

What leaders are doing to cope

The survey question on leadership stamina does not ask how CEOs are responding, it simply asks whether the emotional and mental demands of leadership have increased. The rest we infer from the broader Pulse and from what we hear in rooms.

Many leaders are starting to formalise personal and organisational rhythms to stay effective in this middle stretch of the marathon. That includes:

- More deliberate cadence of decision making, with clearer cycles for strategic versus operational decisions, so not everything feels urgent.
- Stronger peer support, through groups like The CEO Institute, where leaders can test their thinking, decompress and gain perspective outside their own organisation.

- Tighter filters on information, so they are not reacting to every new headline or technology story, but focusing on signals that genuinely affect their context.
- More open conversations about wellbeing, both their own and their teams', recognising that sustained performance requires sustained energy and clarity.

These practices are not yet universal. The leadership stamina responses suggest that many CEOs are still absorbing the increase in demand rather than redesigning their leadership systems around it. There is also a risk that some leaders normalise the strain, treating high emotional load as just "part of the job", which can mask early signs of burnout.

The final section of this report returns to these themes and sets out practical steps leaders can take to structure their weeks, shape their support networks and engage their boards and teams in a more sustainable performance model. For now, it is enough to recognise that the human load is not a side issue. It is the hidden constraint behind every growth plan and cost programme described elsewhere in this report.



6

**ONE REGION,
MANY
MICROCLIMATES**

**Leading across very
different local realities**

ONE REGION, MANY MICROCLIMATES

Look across this entire report we do not see a single ANZ story. You see a map of microclimates. The averages say, “tight optimism” but the detail shows very different weather in Sydney, Brisbane, Melbourne, Adelaide and across New Zealand.

AUS		NZ	
Significant Deterioration	2%	Significant Deterioration	0%
Moderate Deterioration	18%	Moderate Deterioration	8%
No Change	29%	No Change	16%
Moderate Improvement	49%	Moderate Improvement	71%
Significant Improvement	2%	Significant Improvement	5%
Total Responses	100%	Total Responses	100%

Outlook: who feels the wind at their back

On the basic economic outlook, the contrast is stark.

- In New South Wales, almost 65% of leaders expect some improvement in the domestic economy and only 16% expect deterioration, with 19% expecting no real change.
- Queensland is not far behind. 55% expect improvement, 21% anticipate deterioration and 23% sit in the “no change” camp.
- Victoria and South Australia are in a different headspace. In Victoria, a majority, 55%, expect no change, only 22% expect improvement and 24% expect deterioration. In South Australia, only 23% expect improvement, while 46% expect deterioration and 31% expect no change.
- Across New Zealand, optimism is strongest of all. 77% expect improvement, only 8% expect deterioration and 16% expect no change.

What is your outlook for Australia's economy over the next 12 months?

NSW		VIC		QLD		SA	
Significant Deterioration	1%	Significant Deterioration	2%	Significant Deterioration	2%	Significant Deterioration	8%
Moderate Deterioration	15%	Moderate Deterioration	21%	Moderate Deterioration	19%	Moderate Deterioration	38%
No Change	19%	No Change	55%	No Change	23%	No Change	31%
Moderate Improvement	62%	Moderate Improvement	22%	Moderate Improvement	54%	Moderate Improvement	23%
Significant Improvement	3%	Significant Improvement	0%	Significant Improvement	2%	Significant Improvement	0%
Total Responses	100%	Total Responses	100%	Total Responses	100%	Total Responses	100%



External risks: same storm, different front

The external risk picture reinforces this patchwork.

So, the east coast is split. NSW and QLD are leaning into a recovery story. VIC and SA are planning for either flat conditions or another step down. New Zealand leaders are planning as if the turn in the cycle is already under way.

For a CEO running a portfolio across the region, this matters. The same group-level strategy will land very differently in a Sydney operation that is planning for growth, a Melbourne business that expects a holding pattern, and an Adelaide team that feels like things may get tougher before they get easier.

In Queensland, the standout issue is labour supply and skills, at 23%. Global trade and geopolitical risk and inflation follow at 19% each, with demand at 15%. That points to a growth story that could be constrained by capacity rather than customers. The risk is that you can win the work but cannot staff it at the right cost.

What external issue will have the greatest impact on your business performance in the next 12 months?

NSW	
Consumer Demand Slowdown	20%
ESG/Sustainability Pressures	1%
Global Trade Tensions/Geopolitical Risk	9%
Inflation and Cost Pressures	21%
Labour Supply or Skills Shortages	16%
Regulatory Reform and Policy Change	17%
Technology Disruption	16%
Total Responses	100%

QLD	
Consumer Demand Slowdown	15%
ESG/Sustainability Pressures	2%
Global Trade Tensions/Geopolitical Risk	19%
Inflation and Cost Pressures	19%
Labour Supply or Skills Shortages	23%
Regulatory Reform and Policy Change	9%
Technology Disruption	13%
Total Responses	100%

In Victoria, the main worry is soft demand. 31% of Victorian leaders nominate consumer demand slowdown as their dominant external issue, ahead of inflation and cost pressures at 25% and technology disruption at 20%. That sits neatly beside the Q1 first question we asked in this survey; finding that more than half expect no real change in the economy. Many Melbourne-based CEOs appear to be planning for a year where demand is fragile, and pricing power limited.

VIC	
Consumer Demand Slowdown	31%
ESG/Sustainability Pressures	0%
Global Trade Tensions/Geopolitical Risk	13%
Inflation and Cost Pressures	25%
Labour Supply or Skills Shortages	4%
Regulatory Reform and Policy Change	7%
Technology Disruption	20%
Total Responses	100%

In South Australia, the picture is sharper again. Inflation and cost pressures account for 38% of responses, with global risk, labour and regulatory change all at 15%. SA leaders are far more likely than their peers elsewhere to say the main threat to performance is simply how expensive it has become to operate.

SA	
Consumer Demand Slowdown	9%
ESG/Sustainability Pressures	0%
Global Trade Tensions/Geopolitical Risk	15%
Inflation and Cost Pressures	38%
Labour Supply or Skills Shortages	15%
Regulatory Reform and Policy Change	15%
Technology Disruption	8%
Total Responses	100%

Across New Zealand, cost is also the clear standout. Inflation and cost pressures sit at 37%, consumer demand at 20% and technology disruption at 18%. Labour and global risk each sit at 8%, with regulation at 9%. New Zealand CEOs are signalling a belief that demand will recover, but only if they can navigate a stubbornly high-cost base and a fast-changing technology landscape.

NZ	
Consumer Demand Slowdown	20%
ESG/Sustainability Pressures	0%
Global Trade Tensions/Geopolitical Risk	8%
Inflation and Cost Pressures	37%
Labour Supply or Skills Shortages	9%
Regulatory Reform and Policy Change	8%
Technology Disruption	18%
Total Responses	100%

The headline is simple. Everywhere, cost and demand matter. In New South Wales and Queensland, the constraint feels more like people and capacity. In Victoria, it feels more like demand and disruption. In South Australia and New Zealand, cost sits front and centre.

Priorities: one playbook does not fit every region

When leaders are forced to choose a single top organisational priority, the regional story becomes even clearer.

In NSW, this is a classic growth market. 50.% of respondents pick growth and expansion as their number one priority. Cost management and efficiency comes next at 21%, with innovation and digital transformation at 18%.

Queensland looks similar. 47% choose growth, 17% choose innovation, another 17% choose talent attraction and retention, and 15% prioritise cost. For many QLD leaders, the job appears to be growing into constrained labour markets and making the organisation more attractive to the people they need.

Victoria is very different. Only 15% of Victorian leaders put growth first. 38% choose cost management and efficiency and 35% choose innovation and digital transformation. In other words, most Victorian respondents are focused on reconfiguring the business model and cost base rather than chasing expansion.

What is your organisation's top priority for the next 12 months?

NSW	
Cost Management and Efficiency	21%
Growth and Expansion	50%
Innovation and Digital Transformation	18%
Resilience and Risk Management	2%
Sustainability/ESG	0%
Talent Attraction and Retention	9%
Unsure	0%
Total Responses	100%

QLD	
Cost Management and Efficiency	15%
Growth and Expansion	47%
Innovation and Digital Transformation	17%
Resilience and Risk Management	4%
Sustainability/ESG	0%
Talent Attraction and Retention	17%
Unsure	0%
Total Responses	100%

VIC	
Cost Management and Efficiency	38%
Growth and Expansion	15%
Innovation and Digital Transformation	35%
Resilience and Risk Management	7%
Sustainability/ESG	0%
Talent Attraction and Retention	5%
Unsure	0%
Total Responses	100%

In South Australia, 38% still put growth first, but a larger share than elsewhere choose innovation and digital transformation at 23%, with cost and talent both at 15% and 9% unsure. That lines up with a state that feels the cost squeeze most acutely yet still wants to grow through new products and services.

SA	
Cost Management and Efficiency	15%
Growth and Expansion	38%
Innovation and Digital Transformation	23%
Resilience and Risk Management	0%
Sustainability/ESG	0%
Talent Attraction and Retention	15%
Unsure	9%
Total Responses	100%

New Zealand is the most growth-focused of all. 57% of leaders pick growth and expansion, 18% choose cost management, 16% choose innovation, and 8% choose resilience and risk management. There is also a small but notable 1% who nominate sustainability and ESG as their top priority.

And very surprising and unusual to see, is the fact that Talent Attraction and Retention has come-in with a 0%. Why this is not seen as a top priority is quite unexplainable.

NZ	
Cost Management and Efficiency	18%
Growth and Expansion	57%
Innovation and Digital Transformation	16%
Resilience and Risk Management	8%
Sustainability/ESG	1%
Talent Attraction and Retention	0%
Unsure	0%
Total Responses	100%

So even inside a shared ANZ narrative of “grow into a cost squeeze”, the posture is different by geography. NSW and QLD are leaning into growth. VIC is using this period to drive efficiency and digital change. SA wants growth but knows it must innovate and watch cost and talent closely. New Zealand is trying to seize the upside of a turning cycle while quietly shoring up resilience.

What this means for multi region CEOs

For leaders running operations across more than one of these markets, the implication is direct. The portfolio mix matters more than the aggregate numbers.

A headquarters view that says “growth is our number one priority” may be right at ANZ level, yet it will land very differently on a Victorian team that is staring at flat demand and high disruption than it does on a NSW or QLD team that can see real opportunities. Similarly, a group-wide cost programme that looks sensible in Adelaide, where almost four in ten leaders put cost and resilience at the front of their mind, may undermine growth plans in markets that are more optimistic and opportunity rich.

The practical challenge is to hold one strategic story and allow for several local playbooks. That might mean:

- Setting common group targets for growth, cost and digital progress.
- Allowing each state and New Zealand to weight those levers differently, based on their own outlook and risk profile.
- Making portfolio bets explicit, for example over-investing in growth initiatives where optimism and demand align, while using efficiency gains in flatter markets to fund that investment.

It also changes the leadership conversation. State and country heads are not just “executing the plan”. They are the sensors and translators who can explain why Melbourne is prioritising margin and model change while Auckland is leaning hard into expansion.

What this means for locally focused SMEs

For SMEs that operate mainly in one state or in New Zealand, the map explains some of the dissonance they may feel. National headlines often tell a single story about “the economy”. The Pulse shows that a Victorian owner hearing talk of recovery is right to feel cautious if 55% of peers expect no change and demand is their top external concern. A Queensland owner hearing about labour shortages and strong growth is not imagining things either.

The risk for smaller businesses is copying strategies or expectations from another climate. A Sydney growth play built on aggressive expansion may not transfer well to Adelaide without some adaptation. A Melbourne efficiency and innovation focus may be exactly right there, but too defensive in a New Zealand market where most CEOs see an upturn coming.

For both multi region groups and local SMEs, the message is the same. Strategy in 2026 needs to be local enough to reflect the microclimate and joined up enough to make sense across the whole ANZ map. The next section turns to how technology and AI choices sit inside that map, and how leaders can avoid spreading scarce investment thinly across very different conditions.



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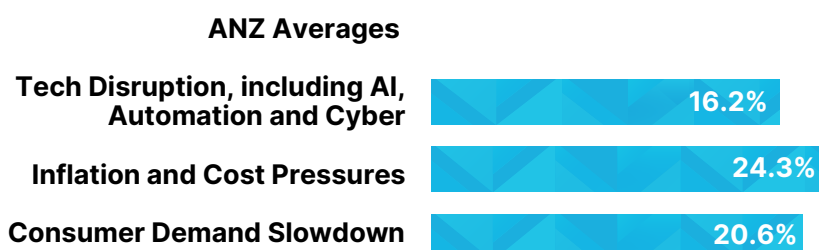
DIGITAL AND AI, IMPORTANT BUT NOT YET CENTRE STAGE

**Keeping AI grounded in
growth and cost outcomes**

DIGITAL AND AI, IMPORTANT BUT NOT YET CENTRE STAGE

Technology sits in a very particular place. It matters, but it is not the first thing on CEOs' minds. Which is ironic - because we keep getting "told" how much we should embrace AI "yesterday".

When leaders across Australia and New Zealand were asked which external issue will have the greatest impact on business performance in the next 12 months, technology disruption, including AI, automation and cyber, accounts for 16.2% of responses across ANZ. It sits behind inflation and cost pressures at 24.3% and consumer demand slowdown at 20.6%, and broadly in line with labour and regulatory pressures.



When they are forced to nominate a single internal priority, innovation and digital transformation ranks third at 21.2%, behind growth and expansion at 42.6% and cost management and efficiency at 22.9%. Talent, resilience and ESG sit further back again.

So technology and AI are clearly on the agenda. They are a critical part of the playbook, but they are being framed as enablers of growth and efficiency rather than as the primary headline issue. That aligns with what the wider ecosystem is telling us.

Adoption is rising, maturity is uneven

Across Australia, multiple surveys now show that AI adoption is no longer confined to a small experimental fringe. Government and industry trackers suggest that around half of Australian businesses report some use of AI tools, with uptake strongest in sectors like retail, health, education, services and hospitality, while construction, manufacturing and agriculture still report lower awareness and adoption.

At the same time, advisory and CEO surveys paint a more nuanced picture. Many Australian CEOs now describe AI as a top investment priority, yet they also report barriers that feel very familiar: limited internal skills and capabilities, a lack of clear business cases, and technology and data platforms that are not ready for large scale deployment. Business model reinvention tends to lag global peers, even as leaders talk about technology as a key route to productivity and growth.

On the New Zealand side, official digital policy updates and industry research tell a similar story with a slightly faster adoption curve. Larger New Zealand businesses report AI use in the majority of organisations, with adoption rates rising noticeably since 2023, and early studies show that firms which are already using AI are starting to see gains in productivity and revenue. That pattern is particularly visible among SMEs that have integrated AI into sales, customer engagement and workflow tools.

The message is consistent. AI and digital tools are moving into the mainstream, especially in service sectors and larger enterprises. Yet in many organisations, they still sit in pockets. A few teams or processes use AI heavily, while much of the core business runs in traditional ways. That context makes the Pulse result very logical. Technology disruption is a serious factor, but cost and demand are more immediate. Digital transformation is a top three internal priority, but growth and efficiency still define the headline story.



Track one: larger and listed organisations

For larger and listed organisations in this sample, the central challenge is not whether to invest in AI and digital, but how to translate experiments into integrated execution that helps both growth and cost.

The Pulse data shows that these leaders are already carrying a complex economic and strategic load. They see cost and demand pressures at the top of their external risk lists, and they are prioritising growth, efficiency and innovation internally. In that context, AI cannot sit off to the side as a series of pilots. It needs to attach directly to that central triangle.

For enterprise CEOs, that usually means four moves.

Tie AI to specific P&L levers

Start from revenue, margin and capital efficiency, not from the technology itself. Use AI where it can clearly lift sales productivity, reduce churn, improve pricing decisions, lower unit costs, or reduce working capital requirements.

Rebuild key processes, not just bolt on tools

The productivity gains in the external research come from rewiring workflows, not from adding another dashboard. For example, end to end order-to-cash, underwriting, claims, service or maintenance processes, redesigned with AI in the loop.

Prioritise scale over variety

Many large firms have too many small AI initiatives. The Pulse suggests there is little spare capacity. It is better to back a handful of high impact use cases and scale them across regions and business units than to proliferate proofs of concept.

Invest in people and guardrails

Skills, trust and governance show up repeatedly as barriers. Enterprise CEOs will need to sponsor training, redesign roles and set clear boundaries for data use and accountability, or the technology will meet resistance and stall.

Done well, this track allows digital and AI to act as a bridge between the growth ambition and the cost squeeze described earlier. Done poorly, it adds another line of complexity and fatigue to an already heavy leadership agenda.



Track two: SMEs and mid-market businesses

For SMEs and mid-market firms, the same principles apply, but the route is different.

AI and digital are treated as important, but not yet central in most smaller firms. For many SMEs the main exposure to AI comes through the tools they already use, accounting, CRM, HR and marketing platforms, rather than big stand-alone projects of their own. Even so, they are already being pushed to rethink cost structures, pricing and labour models as those platforms automate more of the work. And that is before we factor in emerging machine customers and the impact they will have on how data is managed, how brands show up in automated journeys, and how demand is generated and captured.

The starting point for these businesses is not to chase every new AI announcement. It is to:

Audit existing software for AI capabilities

Many platforms now include AI-assisted features that can save time or improve quality with very little extra investment.

Pick one or two workflows that matter most

That might be lead generation and qualification, proposal and tender preparation, after sales follow up, or resource scheduling.


Measure simple outcomes

Track time saved per task, win rates, average invoice value, days outstanding or error rates. If AI does not move any of those, either the use case is wrong or the implementation needs rethinking.

Protect human judgement where it counts

Smaller businesses often compete on trust and personal service. AI should free owners and key staff to spend more time with customers, not replace those interactions.

The earlier sections of this report already show that SME owners feel the cost and demand squeeze first and most directly. Used well, AI can take some of the pressure out of that system, by removing manual work, improving forecasting and giving faster insight into what is actually happening in the business. Used badly, it can become another source of distraction and sunk cost.



Position AI and Digital as practical tools inside your wider balancing act.

This report does not describe a group of leaders who are ignoring technology. It describes a group who are trying to position AI and digital as practical tools inside a wider balancing act. They are weighing them against cost, demand, labour, regulation and their own energy.

For larger organisations, the task is to integrate AI into the core of the growth and efficiency agenda, with a direct line to P&L outcomes and a realistic view of change capacity. For SMEs, the task is to be selective, to use AI to make a few important things easier and better, and to avoid overextending in pursuit of hype.

In both cases, the signal is the same. Digital and AI matter, and they will matter more over the next three to five years. In the year ahead, they will create real value only if they help leaders resolve, even partially, the central tension set out earlier: how to grow into a world of tight optimism and persistent cost pressure, without exhausting the people responsible for delivering that growth.

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WHAT LEADERS ARE NOT PRIORITISING (YET)

ESG sitting silent
in the background

WHAT LEADERS ARE NOT PRIORITISING (YET)

Sometimes the most telling part of a survey is what barely appears in the charts. In this Pulse, that quiet signal is ESG and sustainability.

When CEOs and business owners were asked which external issue would have the greatest impact on business performance in the next 12 months, fewer than 0.5% across ANZ selected ESG or sustainability pressures as their single top concern. When they were forced to choose one organisational priority for the year ahead, only 0.3% across ANZ nominated sustainability or ESG. In New Zealand that figure rises to a still modest 2.0%, and in Australia it rounds to zero.



On the surface, that looks out of step with the broader conversation. Boards, regulators, investors and media continue to focus heavily on climate risk, modern slavery, supply chain transparency and social licence. Yet inside this sample of CEOs and business owners, cost, demand, technology, talent and growth quite clearly occupy the top of the agenda.

This is unlikely to reflect indifference. It is better understood as triage. In a year where leaders expect only modest economic improvement and face a clear cost squeeze, they are concentrating on issues that feel most immediate to revenue, margin and survival. ESG sits in the background as a set of standards to be met, rather than the lead story that defines the next 12 months.

For many larger organisations, ESG is already baked into risk and compliance frameworks. Climate disclosures, reporting obligations, supply chain requirements and stakeholder expectations have become part of the operating base. These CEOs may reasonably feel that ESG is “always on”, so when asked for a single top priority, they point to growth, efficiency or digital change instead. ESG is treated as something that must not slip, rather than something that will drive the next major step in performance.

For SMEs and mid-market firms, the dynamic is different again. Owners often experience ESG as a set of thresholds imposed by others. Large customers and government buyers include ESG expectations in tenders. Banks and insurers ask about environmental and social risks. Local communities care about employment practices and contribution. Meeting those expectations matters, but it rarely feels like the primary lever for this year’s growth or cash flow. In the context of rising wages, rent, energy and financing costs, it is not surprising that ESG is not what they name as the number one priority.

That said, the near absence of ESG as a stated priority has implications. Regulations and investor standards are not standing still. Nor are customer expectations. Over time, the baseline will keep moving, and organisations that only ever treat ESG as a compliance task will find themselves reacting late, at higher cost, and with less strategic benefit.

The Pulse suggests two questions for the years ahead.

First, how can CEOs quietly wire ESG into decisions they are already making about growth, cost and digital. That might mean using ESG criteria when pruning product portfolios, designing new offerings or reshaping supply chains, rather than treating it as a separate workstream.

Second, when the immediate cost and demand pressures ease, which organisations will be ready to lift ESG from background hygiene to a source of differentiation. Larger firms will feel this through investor and regulator pressure. Smaller firms will feel it as supply chains tighten expectations and customers start to favour providers that can demonstrate credible action.

For now, ESG barely features as a named priority in the Pulse. That does not mean it has disappeared. It tells us that in a year of tight optimism, most CEOs are focused on staying in the race. The question is which of them will be positioned to turn ESG from a quiet signal into a strategic asset when the cycle gives them a little more room to breathe.



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CEOs are
focused on staying
in the race.

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9

WHAT CEOs AND BUSINESS OWNERS SHOULD DO NEXT

Turning shared insight
into a practical playbook

WHAT CEOs AND BUSINESS OWNERS SHOULD DO NEXT

Growth is the clear number one internal priority, even while cost and demand dominate the risk list. That only works if you are very precise about what growth you are chasing and what you are prepared to trade off.

Strategy and growth: decide what “winning” looks like now

Enterprise	SME / Mid-Market
Define “good growth” explicitly <ul style="list-style-type: none"> Separate volume-driven growth from growth that improves margin, resilience or strategic position. Map product, segment and geographic growth against return on capital, not just revenue. 	Choose a growth lane <ul style="list-style-type: none"> Decide whether you will grow by deeper share of existing customers, a narrow set of new customers, or selective new offerings. Let cash set your growth pace; base growth targets on what your cash-flow and working capital can safely support.
Align capital and capacity to the few things that matter most <ul style="list-style-type: none"> Use the Pulse themes as a lens: which parts of the portfolio can genuinely grow in a flat or mildly improving economy, after cost and competition are factored in. Fund those areas properly and be blunt about what gets slowed or stopped. 	Match ambition to cash and capacity <ul style="list-style-type: none"> Build a simple 12–18 month view of how much growth your balance sheet can safely support, taking rising costs and interest into account. Let that shape hiring, inventory and capital decisions.
Build simple demand and cost scenarios <ul style="list-style-type: none"> Plan explicitly for “tight optimism” rather than binary boom or bust. Stress test investment cases against a slower demand recovery and stickier cost base than you would like. 	Treat “no change” in demand as a strategic signal <ul style="list-style-type: none"> If your local market feels flat, use this period to improve margin, refine your offer and simplify operations so you are ready when demand turns. Get ruthless on what matters; tighten your focus and make explicit trade-offs as conditions compress.
Connect strategy to a clear leadership narrative <ul style="list-style-type: none"> Explain to your people why you are choosing certain growth bets and not others, and why cost and digital decisions support those bets rather than compete with them. Fight big-company drift; focus your scale on a few time-bound moves where speed really matters. 	Be explicit about what you will stop <ul style="list-style-type: none"> Identify products, services or customer segments that consume disproportionate time or working capital for limited margin or strategic value. Put a simple 6–12 month exit or redesign plan around them and redirect your energy to the few offers and relationships that can still grow in a tight, competitive local market.

Commercial execution and competitiveness: sharpen the edge at home

Half of the leaders surveyed say toughest competitor is domestic. Substitutes and digital entrants are already nibbling at the edges. You cannot grow your way out of cost pressure if you remain

Enterprise	SME / Mid-Market
<p>Get forensic about where and how you compete</p> <ul style="list-style-type: none"> Identify segments where you can be category leader, not just “one of several credible options”. Consider exiting or reshaping parts of the portfolio where you are permanently on the back foot. 	<p>Clarify why a good client should pick you, today</p> <ul style="list-style-type: none"> Write down, in plain language, the three strongest reasons a client would choose you over your closest competitors. Check that your website, proposals and conversations actually reflect those reasons.
<p>Tighten pricing, do not just cut cost</p> <ul style="list-style-type: none"> Use data to understand price sensitivity by segment and product. Move away from broad price actions towards surgical adjustments supported by clear value stories. 	<p>Use intimacy as a deliberate weapon</p> <ul style="list-style-type: none"> Make the owner’s visibility, responsiveness and decision speed part of the competitive edge, especially against larger, slower rivals. Track your runway every month; know your cash position, cyber exposure and time-to-failure as core risk metrics.
<p>Respond to substitutes and platforms deliberately</p> <ul style="list-style-type: none"> Work out whether emerging platforms and substitutes are threats, partners or future distribution channels. Experiment with partnerships or white-label arrangements where it protects relevance. 	<p>Watch substitutes, not just direct competitors</p> <ul style="list-style-type: none"> Ask every lost or lapsed client what they chose instead. If more answers mention platforms, in house teams or alternative solutions, treat that as an early warning and adjust your offer.
<p>Link digital investment directly to go-to-market</p> <ul style="list-style-type: none"> Aim your AI and digital spend at things that strengthen your advantage over domestic competitors: insight, speed, service, personalisation and reliability. Let AI rewrite cost and how customers buy – not just squeeze more efficiency from old models. 	<p>Make small, practical improvements that customers feel</p> <ul style="list-style-type: none"> Reduce friction in buying, onboarding, billing and support. Use simple digital tools to be easier to work with than the firm down the road.

People, leadership and wellbeing: protect the system that delivers results

Around two thirds of respondents say leadership now requires more emotional and mental stamina than two years ago. The risk is that you build a sharper commercial strategy on top of an exhausted system.

Enterprise	SME / Mid-Market
Design a leadership rhythm, not just a business rhythm <ul style="list-style-type: none"> Set clear cycles for strategic, financial and people decisions so everything is not urgent, all at once. Protect thinking time for yourself and your executive team. 	Decide what only you can do <ul style="list-style-type: none"> List the decisions and activities that truly require your hands-on involvement and consciously delegate or drop the rest. Free some bandwidth for the work that genuinely moves the dial.
Name the emotional load in the room <ul style="list-style-type: none"> Acknowledge openly that the combination of growth, cost, competition and digital change is demanding. Encourage your leaders to surface tensions early rather than carrying them alone. 	Build a support triangle <ul style="list-style-type: none"> Three elements help most owners: a bookkeeper or finance adviser who can give you clean numbers, a trusted external peer or mentor, and at least one internal person who can run the business day to day when you step away.
Invest in middle leaders as amplifiers, not shock absorbers <ul style="list-style-type: none"> Equip them with the context, skills and support to translate strategy into local action, without burning out. Use peer forums, mentoring and coaching more deliberately. 	Create small, repeatable recovery habits <ul style="list-style-type: none"> Put modest, regular breaks and boundaries into your week before crisis forces you to stop. Normalise conversations about load with your team, so they know it is safe to raise issues early.
Use peer communities intentionally <ul style="list-style-type: none"> Treat external CEO networks and advisory groups as a structural part of how you maintain judgement and perspective, not as optional extras when time allows. Redesign how decisions get made; don't just ask leaders to carry more load on the same system. 	Lean into structured peer learning <ul style="list-style-type: none"> Use forums like your Syndicate as a place to test decisions and share pressure. Go to those conversations with specifics: one growth challenge, one cost decision, one leadership dilemma.

Regional nuance: tune the play to the local climate

The Pulse shows NSW and QLD leaning into growth, VIC and SA more cautious, and New Zealand the most optimistic of all. If you operate across markets, or sell into them, that matters.

Enterprise	SME / Mid-Market
Make portfolio allocations explicit <ul style="list-style-type: none"> Decide where you will push hardest for growth, where you will emphasise efficiency or innovation, and where you will hold position. Give state and country leaders clear mandates that reflect their local climate. 	Read national commentary through a local lens <ul style="list-style-type: none"> When you hear positive economic headlines, ask whether your state's Pulse pattern matches it. If it does not, trust your local data more than general sentiment.
Let metrics flex around a common spine <ul style="list-style-type: none"> Keep a core set of measures constant across the group, such as growth, margin and cash, but allow local targets and tactics to reflect regional reality. Simplify faster where scale hides drag; be honest about where size, comfort and legacy thinking are now holding performance back. 	Borrow ideas, not entire strategies, from other regions <ul style="list-style-type: none"> If a peer is succeeding with a growth tactic in a more buoyant market, adapt the principle rather than copying the whole move into a flatter economy. Scale ideas to your runway; adjust moves to your cash, time and market, and treat AI as a competitive force, not just a cost tool.
Use local leaders as sensors, not just operators <ul style="list-style-type: none"> Ask them explicitly how Pulse themes show up on the ground: demand, cost, competition, talent. Bring those insights into group-level capital and resource decisions. 	Sequence your moves, don't spread them evenly <ul style="list-style-type: none"> Prioritise investment, hiring and marketing spend in the part of your footprint where conditions are strongest, rather than trying to push equally hard everywhere. In softer or more cautious regions, focus on retention, margin and service quality so you are ready to accelerate when local demand genuinely improves.
Stage initiatives by region, not just by product <ul style="list-style-type: none"> Sequence major programmes, such as new offerings or large technology deployments, into markets that are most able to absorb change and generate proof points, before rolling into flatter or more fragile regions. Use early results from those "lead" markets to refine the playbook and de-risk rollout elsewhere, rather than assuming a single design will land the same way across ANZ. 	Use local alliances to offset regional gaps <ul style="list-style-type: none"> Where your own footprint is thin or conditions are tougher, consider partnerships with complementary local businesses to share distribution, events or introductions, instead of carrying the full cost of building presence alone. Be deliberate about which relationships you deepen in each region, so your network reflects where opportunity is emerging, not just where you have always operated.

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CONCLUSION

What to watch in 2026

CONCLUSION

The Pulse Report is a moment in time. As you move into 2026, five signposts will matter:

How quickly inflation and cost pressures ease relative to wages, rent and financing costs.

Whether demand tracks closer to the optimistic or cautious side of the Pulse outlook, especially in Victoria and South Australia.

The speed and depth of AI and digital adoption in your sector, particularly where substitutes and platforms are already visible.

Shifts in regulation and ESG expectations, including climate disclosure, supply chain transparency and social standards.

Divergence or convergence across regions, as New Zealand's recovery and different Australian state climates continue to evolve.

This report is a starting point. It captures how CEOs and business owners across The CEO Institute membership see the landscape at a specific moment. The real value will come from how you use these insights to make sharper choices about where you compete, how you invest, how you lead and how you look after yourself and your people in the middle of the marathon.

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HOW THIS PULSE WAS TAKEN

Our Methodology



Our Methodology

This report is built on a structured survey of members of The CEO Institute across Australia and New Zealand. In total, 798 CEOs and business owners took part, all of them current members rather than external guests or prospects. The findings therefore reflect the views of leaders who are actively engaged in peer learning and advisory forums.

Responses were collected between August and October 2025. Some leaders completed the survey at The CEO Connect events held mid-year, and others responded through follow-up digital surveying. The analysis underpins this report, which is being published in early 2026 as a forward-looking view into the year ahead.

The Australian sample covers four states, New South Wales, Victoria, Queensland and South Australia. Western Australia did not participate in this particular Pulse, so no WA data appears in the charts or commentary. Throughout the report, references to “Australia” draw on the combined responses from these four states. Where state differences are important, they are called out explicitly.

The New Zealand sample sits alongside this, drawn from CEOs and business owners across the country and reported at a national level rather than by region.

Together, the Australian and New Zealand samples form the ANZ view. Any ANZ figures are simple combinations of the two country samples. No statistical weighting has been applied by sector, size or geography, so each participating leader counts as one voice in the results. For this reason, ANZ percentages are expressed to one decimal place, and all country-specific data for either Australia or New Zealand are rounded to the nearest whole number.

The survey asked our audience for:

- Their 12-month outlook for their domestic economy.
- The external issue they expect will have the greatest impact on business performance.
- Where they are currently experiencing the most intense competitive pressure.
- Whether the emotional and mental demand of leadership has shifted over the past two years.
- The single top organisational priority for the next 12 months.

To interpret the findings, it helps to be clear about who we heard from. The CEO Institute’s membership brings together senior leaders from across the economy, spanning professional services, manufacturing, construction, technology, healthcare, logistics, education, hospitality and consumer sectors. Respondents to this survey include a broad mix of enterprise and corporate CEOs, senior executives and privately owned SME leaders, all with primary responsibility for steering their organisations through the current environment.

The Pulse should therefore be read as a snapshot of how a diverse but commercially substantial group of ANZ organisations, led by experienced CEOs and owners, sees the landscape for 2026 and beyond.



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APPENDIX

APPENDIX

- Statement on Monetary Policy – November 2025
- Reserve Bank of New Zealand Economic Outlook – August 2025
- Department of Industry, Science & Resource - AI adoption in Australian businesses for 2025 Q1 Report
- PwC's 28th Annual Global CEO Survey – Australian Insights - January 2025
- New Zealand Ministry of Business, Innovation & Employment - New Zealand's AI Strategy: Investing with Confidence – July 2025

DISCLAIMER

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LEADING TOGETHER

At The CEO Institute, we believe no business leader should walk alone.

We exist to empower CEOs through peer connection, expert insight, and purposeful leadership development — across every industry, region, and stage of business.

Whether you're a long-standing member or encountering us for the first time, this report is a reflection of the shared journey we walk with Australia's, New Zealand's, and now Singapore's most senior business leaders.

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