Business leaders are encouraging their teams to try new things and experiment...

Seamus Hand
Managing Partner,
KPMG in Ireland
The prerequisites for CEO success are constantly evolving. Some of the most compelling findings in this year’s CEO Outlook are the increased focus of Chief Executive Officers on agility and the ability to challenge and disrupt business norms. If they fail to adapt to a constantly changing world, their business will become irrelevant. This is a stark choice for CEOs everywhere.

Business leaders are encouraging their teams to try new things and experiment, where success isn’t guaranteed and CEOs in this market appear to be successful in embedding the ethos that lessons from failure are valuable in supporting the innovation process.

While CEOs continue to see exciting growth opportunities, they are set against a complex, volatile and increasingly uncertain environment. To be resilient, organisations need to be comfortable disrupting their business models if they want to continue to grow.

In this, our fourth CEO Outlook, we spoke to 1,300 CEOs in many of the world’s most dynamic organisations, including from both Northern Ireland and the Republic of Ireland, to discuss how they are confronting long-held market orthodoxies and assumptions that govern decision-making.

We would like to thank all the CEOs who gave their time and spoke so freely about the opportunities and challenges they face. As I meet with business leaders, I am struck by the passion, enthusiasm and belief they have in the future of their organisations. We hope that this report brings you insights, ideas and different perspectives from around the world.

If you would like to talk about any of the issues in this year’s CEO Outlook, we would welcome the opportunity to discuss how your business can gain from these insights.

Seamus Hand
Managing Partner, KPMG in Ireland

John Hansen
Partner in Charge, KPMG in Northern Ireland
A Northern Ireland Perspective

KPMG’s 2019 survey of CEOs at a global, national and local level sheds a fascinating light into the minds of industry leaders, writes Angela McGowan, Regional Director at CBI Northern Ireland.
While UK business surveys have been pointing to a slowdown in momentum in early 2019, official data showed that the Quarter 1 GDP growth accelerated to 0.5% on the quarter as stockpiling ahead of Brexit deadlines drove up economic activity. The CBI’s latest Industrial Trends Survey also shows that stockpiling continued apace in April with stocks of raw materials and finished goods all growing at the fastest speed since records began in the 1950s.

With Brexit yet to be defined and Westminster continuing to lurch from one political crisis to another, chief executives across Northern Ireland remain adamant that they need a UK/EU deal that delivers frictionless trade for goods, maintains regulatory alignment and provides a good deal for services.

Unfortunately, the prevailing political uncertainty will not go away anytime soon. So, what can CEOs do in the interim? KPMG’s 2019 Global CEO Outlook gives local business leaders some great insights into what is on the radar for chief executives across the globe and raises some important and interesting ideas around what leaders should doing to maintain competitive advantage despite the uncertainty.

When global leaders were asked by KPMG to name the big-ticket risks on the horizon, they identified climate change, disruptive technology and economic nationalism. It is interesting that while Brexit risk dominates locally, it is not relevant in the Global CEO outlook. Indeed, it is environmental and climate change that tops the international risk agenda. A global economic slowdown is also a cause for concern and so too is the threat to traditional business models from disruptive technologies.

So how do global leaders plan to maintain company growth and competitiveness with unpredictable and fast changing risks? It appears that in 2019 the key to success will be a combination of: agility; utilising disruptive technology; transformation of operating models; resilience; skills and customer focus. This report contains some fascinating insights into how companies will need to change the way that they work – making speedy innovation part of the fabric of the organisation, becoming more customer-centric and increasing collaboration across organisational silos.

We see that agile CEOs now need to expand their senior management team and enhance the skills of their workforce. They are bringing the Chief Analytics Officer and Chief Digital Officer to the decision-making table and they need to ensure that all staff across their organisation can incorporate technology into their work practices. In 2019, agile leaders will increasingly support their organisations to use artificial intelligence (AI) to unearth insights from the vast amounts of data that the company has traditionally stored. This will allow for faster and better decision-making and help to ramp up company performance.

KPMG’s latest CEO insights into the value of organisational data are consistent with recent research published by the CBI. In our recent report “The Changing Nature of R&D” we found that the capacity to derive insight and value from data is no longer limited to the few and that businesses are increasingly using data as a key raw material in their R&D. However, when it comes to digital technologies and data analytics, both KPMG and CBI have found that many organisations face a shortage of relevant skills. There is a dearth of people with the specialist skills and competencies to ask the right questions and spot the opportunities.

In Northern Ireland the CBI will be working closely with policy-makers in the year ahead to produce a Digital Action Plan for Northern Ireland. This work will ensure that a healthy pipeline of digital skills is available to those business leaders determined to embrace the 4th Industrial Revolution. We hope to build even stronger links between business and academia, to create the right partnerships that turn exciting data-driven ideas into products, services and practices. Good collaboration will ensure that we have the right skills for local business leaders to create resilient and agile companies capable of adapting to our constantly changing world.

Angela McGowan
Regional Director
CBI Northern Ireland
Agile or irrelevant
Redefining resilience
Northern Ireland CEO Outlook 2019

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Key Findings

CEOs from Northern Ireland and around the world put future growth challenges in perspective

Uncharted waters
Global confidence in the world economy is falling – and disruption is mounting:

- Disruptive technology
  Disruptive technology is cited as the number-one risk to organisational growth by N.Ireland CEOs.

- Conflicting global outlook
  88 percent of N.Ireland CEOs are confident about global economic growth. In many major economies CEOs are less confident about global growth prospects.

- New competitive age
  84 percent of N.Ireland CEOs say that rather than waiting to be disrupted, their organisation is actively disrupting its sector.

Leading in uncertain times
To be resilient, CEOs must apply constant pressure to change and adapt:

- Empowered to innovate
  92 percent of N.Ireland CEOs say they want a culture where it is accepted that errors are part of the innovation process.

- Improving innovation processes
  92 percent of N.Ireland CEOs say that they need to improve their innovation processes compared with only 12 percent in 2018.

- C-suite reboot
  60 percent of N.Ireland CEOs are transforming their leadership team to build resilience.
Changing from within

To master resilience, CEOs need to drive an organisation-wide digital reinvention:

- **Cyber resilience**: In 2019, 72 percent of N.Ireland CEOs say that a strong cyber strategy is critical to build trust with key stakeholders, up from 16 percent in 2018.

- **Workforce 4.0**: 36 percent of N.Ireland CEOs plan to upskill more than half of their entire workforce, while 64 percent plan to invest in new technology.

- **Technology 4.0**: Only 12 percent of N.Ireland CEOs have implemented AI in automating some of their processes.

The evolution of the CEO

Resilient CEOs need to be agile and adaptive and willing to challenge the status quo:

- **A new playbook**: 84 percent of N.Ireland CEOs say that, with an average CEO tenure of 5 years, the need to act with agility has increased.

- **Evolving mindsets**: Over half (56 percent) of N.Ireland CEOs say they had a significant misstep early in their careers that they were able to overcome compared with 74 percent of their global peers.
In 2018, our CEO Outlook found Chief Executives to be optimistic about the future and their own organisation’s growth prospects, but we also discovered growing anxiety about existential threats, from geopolitical concerns to cyber security. In 2019, we find that this growing anxiety has coalesced into significant concern about the uncertainty and volatility of today’s business environment.
Organisational resilience

Today, CEOs are increasingly focused on building the organisational resilience needed to master disruption and maintain growth momentum.

To be resilient, Kathy Warden, CEO of Northrop Grumman, a leading global security company, believes that CEOs need to consider a range of capabilities, from deep market awareness to agility. “I believe that we’re going to see the lifespan of companies continue to decline,” she says. “So, what do companies need to do? The first area is about market awareness. If you don’t see a disruption coming, you certainly aren’t going to be prepared for it. Second is being able to respond very quickly because the lead time to take advantage of a disruption is also accelerating and you have to adapt yourselves at speed. The final element is the ability to figure out how to monetise technology. Digital companies use technology in ways that more traditional businesses don’t even think about.”

This dynamic resilience is needed to master the significant challenges that face them. Firstly, CEOs face a range of big-ticket risks, from climate change and disruptive technology to economic nationalism. Secondly, while they are very confident in relation to their own businesses, confidence in the global economy is markedly weaker. While globally 94 percent are confident in their own business’s growth prospects, only 62 percent feel the same way about the global economy.

According to Emer McGrath, Head of Markets: Corporates, Government & Enterprise with KPMG in Ireland, CEOs everywhere recognise that business models that have lasted for decades are now under increasing threat as a result of digital disruption. “CEOs are acutely aware that the traditional business models that may be entrenched in their organisations need to be scrutinised to see if they are still fit for purpose.”
CEOs have to understand and cope with an increasingly unpredictable and fast-changing array of risks.

Concerns over environmental degradation, the disruption caused by new technology, and increasing geopolitical tensions are creating new levels of uncertainty for leaders as they look to meet or exceed their growth targets.

To lead an appropriate and strategic response, chief executives need to understand how risks are connected and ensure their boards and leadership teams are engaged. For James Bracken, CEO of Fortitude Re, a re-insurer, it also means that leaders must embrace and understand what are highly complex, multidimensional issues. “A big concern to me is regulation and public policy,” he explains. “And it’s a really difficult thing to get your arms around because, at the end of the day, it’s political. I think the ability to navigate those influences over the longer term - that 5-year plus time horizon - is extremely challenging.”

In 2019, environmental and climate change tops the risk agenda for global CEOs, climbing from its fourth-placed position in 2018. This is closely followed by disruptive technology risk and the threats posed by a return to territorialism.

Frank Gannon, Head of Asset Management with KPMG in Ireland, sees climate risk moving up the agenda as a welcome sign that CEO and investor views are coming closer together. “Asset managers and investors have long recognised that climate change is a major financial risk,” he says. “For investors, climate risk and other sustainability factors are a big factor in decision-making. They will increasingly move away from asset classes that they think are at risk. One area that CEOs are starting to think about is disclosures - meeting stakeholders’ demands for corporate reporting that provides meaningful information on climate risks that have a financial implication.”
As they look to manage this risk, CEOs’ attentions are turning to energy transition, and the need to move the world away from a reliance on fossil fuels. Over half of CEOs (52 percent in both the Republic of Ireland and Northern Ireland) say that their organisation’s growth will depend on their ability to navigate the shift to a low-carbon, clean-technology economy. As well as sustainable business practices being of value to society, they can also unlock growth and transform performance. For Mike Hayes, KPMG’s Dublin based Global Head of Renewables, the benefits are self-evident; “Transitioning to a low carbon economy can create incredible value through cheaper and greener energy solutions coupled with a focus on the potential that energy efficiency and the circular economy offers.”

Governments are making unilateral legislative changes and are also collaborating to tackle issues such as base erosion and profit shifting.

At the same time, organisations face increasing public pressure for greater tax transparency, and must therefore manage the threat of controversy and reputational risk. When we asked CEOs to identify the most important performance metric for their organisation’s tax function, on a global basis we found the strongest emphasis was on efficiency. Top of the list was that the tax function “effectively manages its department’s resources.” With respect to tax risk “tax risks are managed appropriately in line with organisational values and objectives” came in as the sixth-ranked priority worldwide. However, it was ranked joint second in both the Republic of Ireland and Northern Ireland.

“The tax landscape is changing significantly. Focusing on tax risk as a key performance indicator has become increasingly important,” says Tom Woods, KPMG’s Head of Tax in Ireland. “This can range from measuring how the organisation is perceived by the public in terms of its tax affairs to measuring the effectiveness of its tax risk controls.”
Conflicting global outlook

Our CEO Outlook finds evidence of falling confidence levels in the global economy in many countries, however CEOs in both the Republic of Ireland (86 percent) and Northern Ireland (88 percent) are confident about global growth over the next three years.

This is in keeping with the US which shows a year on year rise from 52 percent to 87 percent of CEOs confident in the global economy, other countries have seen pronounced confidence drops since last year. In four major economies, less than half of CEOs are confident in the global economy including Australia (38 percent), the UK (43 percent), France (44 percent), and China (48 percent).

Gary Reader, KPMG’s Global Head of Clients and Markets, sees that CEOs are concerned about a potential slowdown in the global economy over a 3 year horizon, but this has not tempered the pressure on them or their desire to grow. “Leaders are reprogramming and retooling their organisations to not only withstand any economic or geopolitical challenge, but to seize on disruption and find ways to continue to grow,” he says. “This means having a clear view of early indicators and warning signals. Progressive companies with ambitious goals are working through different scenarios using technology to their advantage and ensuring response plans are in place. It is a new kind of resilience - one that incorporates agility and targets growth.”
It is a new kind of resilience - one that incorporates agility and targets growth.

Gary Reader
Head of Clients and Markets
KPMG Global
Driving resilient growth

In terms of where growth will come from, and the strategies that CEOs are using to build resilience, emerging markets have already become a critical factor.

Issues such as Brexit have encouraged business leaders in the Republic of Ireland to reconsider if they have an overdependence on the UK market, and whether to diversify beyond it, according to Brian Daly, Head of Brexit at KPMG in Ireland. However, despite a greater focus on emerging markets, he says “Britain will remain a vital market for Irish business regardless of the eventual outcome of Brexit.”

Overall, 76 percent of CEOs in the Republic of Ireland and 84 percent in Northern Ireland said their first priority for geographical expansion over the next 3 years is emerging markets. Growing their global footprint is seen as a key to resilience, with a significant majority of CEOs (82 percent in the Republic of Ireland and 84 percent in Northern Ireland) saying that they are building the company’s presence in emerging markets to become more resilient as a business.

“As companies look for ways to continue to grow, we find they are turning, or rather returning to focus on emerging markets,” says Andrew Thompson, KPMG’s Head of Deal Advisory and Private Equity in Asia Pacific. “CEOs are looking past the day-to-day geopolitical issues and seeing the long-term opportunities in emerging markets, especially in Asia Pacific, as critical to the future of their businesses. Regions such as ASEAN with a population base of 800 million people and rapidly rising middle class consumption, alongside China and India, are the powerhouses of future global growth.” The China initiated ‘Belt and Road’ initiative is also front of mind for a majority of CEOs worldwide, with two-thirds of them (65 percent) telling us that when expanding to emerging markets, they are prioritising countries and regions that form part of the initiative.

“More and more CEOs are taking a close look at the impact of the ‘Belt and Road’ initiative on their growth plans and market expansion strategies,” says Vaughn Barber, Global Chair, KPMG’s Global China Practice. “This is giving rise to more cooperation opportunities between Chinese and foreign firms in emerging markets along the ‘Belt and Road’, and not only in infrastructure investment but across a wider range of sectors, including financial services, logistics, trade and even digital technologies. This type of cooperation can help unlock the socio-economic development potential of host countries, while allowing Chinese and foreign firms to access new market opportunities, achieve synergies and manage risks.”

Percentage of CEOs who say that their first priority for geographical expansion is emerging markets

76% 84% 63%
Uncharted waters
CEOs of family businesses are equally as focused on agility and growth as larger corporates.

Ryan McCarthy
Partner, Private Enterprise
KPMG in Ireland
Complacency can be fatal in today’s dynamic markets. Business models that have lasted for decades are now under increasing threat as a result of digital disruption.

Large, traditional companies face not only the threat of new digital entrants, but competitors that have established a new digital edge. Ryan McCarthy of KPMG’s Private Enterprise team in Ireland believes that privately and family owned businesses are matching their multinational peers in embracing uncertainty and having the courage to make bold decisions. Furthermore, they tend to have agility and innovation woven into their DNA. “CEOs of family businesses are equally focused on agility and growth,” he says. “Constant reengineering and coping with change is just what they do. They are rigorously questioning the central beliefs and cultures that have shaped their companies and sectors over many years, repositioning their operating models and revisiting how their businesses create value.”

Resilience requires companies to go on the offensive – disrupting their own legacy strategies and business models. Almost half of CEOs in both the Republic of Ireland and Northern Ireland - 44 percent - said that their company’s growth relies on their ability to challenge and disrupt business norms.

According to Johnny Hanna, Head of Tax with KPMG in Northern Ireland “Business leaders in Northern Ireland are faced with exactly the same conundrum as their counterparts globally - how to protect existing revenue streams while looking ahead and answering the hard questions about where new and significant growth will come from. Standing still isn’t an option and it’s why we spend an increasing amount of time with clients on issues ranging from assessing the disruptive forces facing their business to looking at new markets and reviewing their funding and financing strategies.”

We also saw a significant increase in CEOs worldwide saying that their company is actively disrupting their sector, rather than waiting to be disrupted. In 2018, 54 percent said they were being disruptive. In 2019, this had increased to 63 percent. Such attitudes were most pronounced in established technology companies who are making bold moves in response to significant advances in IT architecture, from mobility to cognitive computing, to ensure they stay ahead of fast-moving competition.
To build a resilient enterprise that capitalises on disruption, CEOs must put their organisations under pressure to change and adapt continually. They must create and sustain an innovation culture, drive enterprise agility by creating a streamlined, customer-focused operating model, and assess whether their current leadership team has the mind-set and capabilities to deliver the CEOs transformation priorities.
The innovation disconnect – Ireland bucks the trend

Organisations must have a culture that nurtures innovation and creativity to thrive in an age of unpredictable, high-impact change.

Without this, they will struggle to adapt quickly to changes in customer demand, respond to technological disruption, and shift internal perspectives on how the organisation creates value.

Worldwide, we found a significant disconnect in terms of innovation. While 84 percent of CEOs said they want their employees to feel empowered to innovate without worrying about the possibility of negative consequences, only 56 percent said their organisation currently has a culture where ‘fast-failing’ innovation is celebrated.

However, CEOs in both the Republic of Ireland (78 percent) and Northern Ireland (84 percent) report a greater acceptance of ‘fast-failing’ with unsuccessful innovation initiatives.

Percentage of CEOs who report a greater acceptance of “fast failing”

- 78%
- 84%
- 56%
Anna Scally, KPMG in Ireland’s Fintech leader, says “There’s a growing innovation culture in Ireland underpinned by a young, tech savvy and highly skilled workforce where trial and error is an established way of doing business.” Anna, who also leads KPMG’s Technology and Media practice and Centre of Excellence for Innovative Start-Ups, believes that “such an approach recognises that immediate success isn’t guaranteed and sometimes failure is a necessary part of building and growing robust companies.”

Fiona Grandi, US Managing Partner for Innovation & Enterprise Solutions, KPMG, believes that ‘fast-failing’ is actually about ‘learning fast’, and that it is a necessary element of the iterative innovation process. “Learning fast is about the ability to pivot,” she says. “Rather than concluding the innovation goal was wrong, try to re-calibrate how you achieve that goal based on signals such as a shifting industry or economic indicator, the emergence of a new technology or competitor.

To understand these signals, consider drawing upon the input of your alliances, clients, customers, industry consortium and even competitors.

Also, assess third party research or derive value from proprietary data. Organisations should invest as much in understanding that ecosystem or network as their customer.

Creating an innovation culture where employees feel empowered to try out new ideas is challenging to deliver and sustain. KPMG’s Grandi believes that CEOs play a critical role in making innovation part of the fabric of the organisation.

“Companies that innovate well have a CEO who develops and promotes an innovation strategy,” she explains. “It can’t simply be a buzzword, but rather integrated into all levels and verticals within their organisation, from the top down and bottom up. That means tying innovation goals and strategy directly into personal performance metrics for all leaders. The other critical area is having diversity in leadership - both diversity of thought and team structure - to encourage a variety of styles of innovative thinking and execution.”

There’s a growing innovation culture in Ireland underpinned by a young, tech savvy and highly skilled workforce...
Agility or irrelevance

Large, established organisations, which are built to drive an advantage from scale, are finding that smaller, more agile players have a competitive edge.

As industries such as financial services has seen, disruptors are targeting key elements of the value chain, such as FinTech’s activity in the payments industry. At the same time, customer needs are changing fast and advanced technologies continue to evolve. To respond, companies need to fundamentally change how they work. This means being more customer-centric, increasing the speed of innovation, and collaborating across organisational boundaries.

CEOs in Ireland are increasingly recognising the danger of being too slow and cumbersome in a fast-moving age. Over a third (34 percent in the Republic of Ireland and 38 percent in Northern Ireland) believe that acting with agility is the new currency of business and that if they are too slow they will become irrelevant. This is up from 22 percent in the Republic and from 20 percent in Northern Ireland since last year and signals a changing mind-set.

Implementing agile approaches at an individual project level is relatively straightforward, but one-off initiatives will not have an enterprise-wide impact; this requires a more fundamental rethink of the company’s operating model. By combining advanced technologies - such as the cloud - with operating redesign, CEOs can build customer-focused, connected enterprises.

Percentage of CEOs who believe acting with agility is the new currency of business

- Republic of Ireland: 34%
- Northern Ireland: 38%
- World: 67%
The need for speed: M&A and agility

M&A will play a key role in organisations reacting with agility to disruption and the need for business model innovation. As companies look to quickly build digital capabilities for example, acquiring innovative digital companies becomes a key part of their M&A strategy.

Overall, we found that 36 percent of respondents in the Republic of Ireland have a high M&A appetite for the next three years, with 40 percent of respondents in Northern Ireland expressing a similar view. According to Mark Collins, Head of Deal Advisory with KPMG in Ireland, the positive sentiment apparent in the 2019 KPMG Outlook continues to prevail. “Despite various macro headwinds, M&A executives believe that, for the time being, it continues to be a seller’s market due to strong valuations and access to funding. Depending on the strength of capital markets and sustainability of corporate earnings, this balance may shift towards buyers and a carefully designed approach to M&A is vital to the strategic foundations of business.”

When asked about the main drivers of M&A activity, reducing costs through economies of scale and synergies was the main motivator in both jurisdictions. While ‘traditional’ M&A is often intended to build scale and drive cost synergies, digital M&A seeks to transform the business model by adding new technologies or services into the company’s business model portfolio and this aspect was in the top 5 M&A drivers in both the Republic of Ireland and Northern Ireland.

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36% 40%
M&A is vital to the strategic foundations of business.

Mark Collins
Head of Deal Advisory
KPMG in Ireland
For many organisations, agility is very difficult to achieve because of a fragmented IT infrastructure and a lack of alignment between front, middle and back office functions.

The constraints of legacy IT, and the lack of collaboration across organisational silos, make it impossible for organisations to be nimble and responsive to changes in their environment.

CEOs are taking personal responsibility for greater cross-functional alignment. Almost four-fifths (79 percent) said that they were responsible for overseeing this alignment in a way that their predecessors were not.

Miriam Hernandez-Kakol, Global Head of Customer and Operations Practice, KPMG, believes that the CEOs personal intervention is key to realising a customer-centric organisation. “Shifting the enterprise to focus on the customer will fail if you end up with a collection of uncoordinated efforts taking place within different silos,” she says. “You need alignment across the organisation - a connected enterprise approach - to meet customer expectations, improve business performance and achieve profitable growth.”

Cloud-based solutions are key to addressing fragmented digital infrastructures, typically made up of a range of bespoke, computing infrastructure. The cloud offers scaled capabilities and advanced technologies that can transform how work used to be conducted via legacy IT. CEOs are embracing these technologies wholeheartedly. A significant majority - in both the Republic (82 percent) and Northern Ireland (96% percent) - said that they were more confident today about increasing their organisation’s use of cloud technologies than at any point in the last 3 years.

This reinforces the CEOs increasingly prominent role in technology strategy. In this year’s research, 84 percent of CEOs worldwide said that they are personally leading the technology strategy of their organisation. However, this figure is somewhat lower in the Republic of Ireland (62 percent) and Northern Ireland (66 percent).
C-suite reboot

C-level roles have changed significantly over recent years as CEOs respond to new demands.

The established CEO direct reports - such as the CFO and CMO - have been joined by new C-suite capabilities, from Chief Analytics Officers to Chief Digital Officers. However, while CEOs have added firepower to their leadership teams, they are not stopping there. "In order to be resilient, a company has to have the right leadership and one with the right mindset," said Henadi Al-Saleh, Chairperson, Agility, a Kuwait-based international logistics company. "Building the right culture and organisational structure is crucial."

A majority of CEOs (68 percent in the Republic of Ireland and 60 percent in Northern Ireland) - are actively transforming their leadership team to build resilience. Hugh Crehan, Head of FS Markets at KPMG in Ireland says "It would be unusual to meet a CEO unconcerned about how they will equip their teams for the future and rather than adopt a wait and see attitude, they are actively looking to upskill now. This can be seen as both a proactive and defensive approach to an incredibly rapid pace of change."

To tackle today’s connected and complex enterprise issues, CEOs need leaders who can collaborate across the organisation, rather than being limited to narrow areas of responsibility and expertise. They also seek different skill sets and profiles, such as experience in digital transformation or digital business model innovation.

To drive this C-suite reboot, CEOs need to define their cross-enterprise priorities, from business model innovation to operating model redesign. With a clear picture of their priorities, they can assess if the current crop of functional leaders have the right profiles and capabilities to deliver. This will also mean re-assessing how they measure the performance of C-suite reports and defining effective career development for the next generation of C-suite talent.

It would be unusual to meet a CEO unconcerned about how they will equip their teams for the future...

Hugh Crehan
Head of FS Markets
KPMG in Ireland
To master resilience, CEOs need to drive an organisation-wide digital reinvention. This means building cyber resilience so that concerns over security threats do not derail digital innovation. And it means masterminding a fundamental reboot of skills and technology, accelerating the adoption of advanced technologies and undertaking wholesale upskilling of the workforce.
Cyber resilience

The ability to integrate digital innovation is key to unlocking long-term growth. However, concerns over cyber security can put a brake on those ambitions. Organisations need to ensure that this threat does not undermine digital’s growth potential.

68 percent of CEOs worldwide say their organisation is prepared for a future cyber attack. With 78 percent of respondents in the Republic of Ireland and 80 percent in Northern Ireland expressing confidence in their cyber security measures. Interestingly, on a global basis, publicly traded companies feel more prepared for a possible attack versus those that are privately held.

With cyber resilience key to unlocking growth, CEOs are clear that effective cyber security is much more than a defensive or mitigating capability. We found that 68 percent of CEOs in both the Republic and Northern Ireland say that their organisation sees information security as a strategic function and a source of competitive advantage.
Trust is everything with data and strategic advantage has already gone to those who out-perform competitors in terms of transparency. For consumers, if an organisation is more transparent about how they handle data and privacy, including how they handle incidents such as a breach, their brand will be positively differentiated.

This perspective is supported by our research. A large majority of CEOs, (62 percent in the Republic of Ireland and 72 percent in Northern Ireland) say that a strong cyber security strategy is critical to driving trust with their key stakeholders. This has climbed significantly since 2018.

On a worldwide basis those CEOs who have made their organisations more cyber resilient are also more focused on disrupting their industry. These cyber resilient CEOs also make bolder use of AI and are projecting stronger revenue growth (2 percent revenue growth or more) over the next 3 years.

CEOs play a key role in driving the right culture for cyber resilience from the very top. This means having a deep and nuanced understanding of the risks facing the organisation and putting in place the communications and education programmes necessary to ensure that security practices are ingrained in day-to-day business operations. “You’re only as strong as the weakest link,” says Dani Michaux, KPMG’s Head of Cyber Security in Ireland.

“You need a culture where cyber security is everyone’s challenge, which is particularly true in large organisations. There’s no point training 50 expert cyber security professionals, when others may be doing risky things that could compromise the organisation.”

CEOs need to ensure that they are investing enough financial resources in building cyber resilience. However, understanding what “enough” is can be difficult given the challenges of assessing ROI. “One of the hardest things about cyber security and building a resilient organisation is that if it’s going well, you don’t hear about it,” says KPMG’s Dani Michaux. “Building cyber resilience is an ongoing effort, just like building a good immune system. It’s like health or house insurance. You never want to use it, but if you do need it, you’re really glad you’ve got it. But you need to ensure the investment is there to continually adapt and renew your approach - always bearing in mind new technology enhancements and changing business models.”

Defining ROI for cyber security spend
One of the hardest things about cyber security... is that if it’s going well, you don’t hear about it...

Dani Michaux
Head of Cyber Security, KPMG in Ireland
Workforce 4.0

Disruptive technologies, from artificial intelligence to virtual reality, have the potential to transform the world of work. Many roles and skills are becoming outdated or evolving in our machine age. This is affecting many blue-collar jobs, but all jobs could be affected, and even highly skilled roles are not immune.

This seismic shift poses wider questions for both society and governments. And for companies and their leaders, it means that the skills that companies need, and the way employees learn and progress in their careers, are being transformed. CEOs are having to embrace a new way of thinking about talent, workforce strategy, and the need for upskilling.

“To stay agile today we have got to be taking in information, reaching out and learning from people that we might not ordinarily be seeing,” said Doug McMillon, President and CEO, Walmart International. “It’s important that we become lifelong learners across the entire company. We have a lot of leaders in the company, around the world, but each one of us, individually, has got to be growing and learning every day.”

CEOs recognise that this trend is accelerating and requires them to focus. Worldwide, four in ten (44 percent) are intending to upskill more than half of their current workforces, a strategy reflected in both the Republic of Ireland (50 percent) and Northern Ireland (52 percent).
Paul Toner, Head of Consulting with KPMG in Ireland, believes disruptors also need to adopt a different mindset. “They have to be at the bleeding edge, not just the leading edge. It’s hard to do it with the same people you have always had. You need disrupt your own organisation by bringing in individuals to broaden and freshen up thinking,” he says. That can be difficult, and it can take quite a while to see if it is working. According to Paul Toner, “It can be better to bring in advisors first to introduce some new thinking and approaches and then bring in the new people later. Companies need to leverage what they already have. They need to move out of the boardroom and the executive suite and look for ideas from employees throughout the organisation. When you start looking for ideas in that way you can be surprised at what you get. You have to create a culture where everyone feels able to put their ideas forward, where every idea is valued and people have permission to fail.”

We also asked CEOs how they are prioritising their capital investments and we see a tension between the workforce changes they know they need to make and the investments that are required in their technology. Specifically, we asked whether they are putting more capital into developing people’s skills or in buying new technology. The majority of global respondents (68 percent) - said that they are placing more capital investment in buying new technology. Similar figures were reported in the Republic of Ireland (62 percent) and Northern Ireland (64 percent).

Jonas Prising, CEO of global workforce company ManpowerGroup, points out the focus should not only be on the technology. “We believe the major impact of technology is going to be to augment human capability provided you have the skills necessary to take advantage of them,” he says. “In my view, too much time is spent debating the impact of job elimination and not enough time focusing on the need for a skills revolution; where we can upscale and rescale the workforce, both at a company level, and at a country level.”

Nearly six in ten global CEOs (59 percent) said it’s challenging to find the staff they need. Findings were very similar in Northern Ireland (58 percent) and somewhat higher (68 percent) in the Republic. And tellingly, modernising their workforce was the top strategy CEOs worldwide selected for how they are ensuring their organisation is future ready.
Markus Tacke, CEO of Siemens Gamesa, a world leader in renewable energy, believes that companies need to balance their investment in people and technology if they are to create agile organisations with a culture of continuous learning. “Today’s organisations need to be fast-learning and fast-moving entities that adapt quickly from a technology point of view, but also from a people point of view,” he says. “Capabilities that were quite valuable 10 years ago remain reliable but need to be complemented with other capabilities. So, investing in both in a balanced way is what companies need to do.”

Masaaki Tsuya, CEO of Bridgestone, the world’s largest tyre and rubber company, feels that people are the eventual driver of success, but that belief has to be balanced against the urgent need to invest in new technologies. “Progress is impossible without people,” he says. “Everything, ultimately, comes down to people. But we can’t invest in our future without delivering profits. Our businesses are changing due to unprecedented changes in technology, including the Internet of Things and artificial intelligence. Unless we deal with that properly, we will not make those profits and we would lose. Therefore, it is important to strike a balance between people and technology.”

If they are to deliver on their upskilling pledges, CEOs need to give strategic backing and allocate adequate resources to the learning and development of their employees. CEOs can also play a key role in ensuring that there is effective governance for learning and development, ensuring that upskilling initiatives are not fragmented, and that resources and investment are focused on areas where they will have the greatest impact.

KPMG’s Dublin based Owen Lewis, who spent over ten years at Toyota, says we have always had an appetite to improve our lifestyles, our health, our commercial successes, achieve things that were once seen as impossible. “One could argue that we are even more motivated today. The world faces some significant challenges not least of which lies in population growth and the impact our current lifestyles have on the environment.” According to Lewis, “Humanity has more to do now than ever before and the challenges we face need faster, smarter technologies to help. Against this backdrop, AI will have a negative impact on those individuals who are currently making ends meet from doing the tasks that AI and robotics will replace, but I am convinced that overall we will generate new jobs at a pace that will outstrip the losses.” Lewis believes that the real challenge will be in ensuring that the people available to do those jobs are matched to the skills required and he says “It won’t be a lack of jobs that will cause unemployment - it will be a lack of the right skills.”
Progress is impossible without people... everything, ultimately, comes down to people. But we can’t invest in our future without delivering profits.

Masaaki Tsuya, CEO, Bridgestone
...the impact of technology on every part of our daily life and work and every aspect of our society and economy is more acute than ever before..."
Technology 4.0

AI-based technologies and their applications, from intelligent automation to voice recognition, offer an opportunity to transform organisation performance.

They can be used to unearth insights from huge repositories of structured and unstructured data, improving the speed and quality of decision-making. Or they execute processes and tasks that used to be undertaken by employees - something they can do with significant speed and accuracy, leaving humans free to tackle higher-value tasks.

However, our research shows that most organisations have still not applied artificial intelligence in the automation of their processes. In the Republic of Ireland only one in ten (10 percent) have implemented AI to automate some processes, with a quarter (26 percent) at pilot stage and two thirds (64 percent) at only a limited implementation. Meanwhile, in Northern Ireland only 12 percent have automated some processes, 20 percent have reached pilot stage and 68 percent have begun a limited implementation.

Driving artificial intelligence at enterprise scale presents significant challenges that are different from mainstream IT delivery. Many organisations face a shortage of relevant skills, with specialists in high demand. Organisational resistance may be pronounced, with employees worried about the implications of artificial intelligence adoption for their roles.
The contribution that CEOs are expected to make to the growth and development of their companies is changing. Leaders need to be agile - adjusting their actions to respond quickly to changing customer needs, shifting technology innovations, and the pace of change of competing firms. They also need to keep themselves open to new ideas, so that they can challenge entrenched management and organisational thinking.
A new playbook

Resilience is increasingly about the ability to constantly evolve and adapt to fast-paced change. This requires CEOs who react with agility to changing customer needs and also focus effort where it will have the most impact.

This need is given added urgency because many CEOs feel they have less time to make an impact, than previous generations of executives. We asked CEOs whether they agreed or not that tenure today for chief executives averages out at around 5 years. Worldwide, close to three-quarters (74 percent) felt that it did, and that this was shorter than when they first began their careers. In the Republic of Ireland the figure was similar at 74 percent and somewhat higher in Northern Ireland at 84 percent. This view is aligned with recent research, which shows for example that the median tenure for CEOs at large-cap, S&P 500 companies was 5 years at the end of 2017 and had declined since 2013.¹

Over two-thirds of global CEOs (67 percent) said that this 5-year average tenure means there is more urgency to act with agility - a figure which rises in both the Republic of Ireland (78 percent) and Northern Ireland (76 percent).

¹. Equilar Research, featured in “CEO Tenure Rates,” Harvard Law School 2018
Evolving mindsets

To drive innovation and change, CEOs need to be prepared to take their organisations in entirely new directions. This will require a leadership mindset where CEOs are prepared to question long-held assumptions and beliefs - challenging the status quo if this is holding back progress.

This research suggests three qualities that will be critical for generating new ideas and driving radical change: maintaining close customer connections, balancing data-driven insight with intuition and experience to anticipate customers’ needs, and building emotional resilience.

Firstly, leaders need to be closely connected to their customers, maintaining a dialogue and understanding their changing values and needs. For example, CEOs recognise that customers want to know where leaders stand on societal issues. Two thirds (66 percent) of those in the Republic said that they feel it is their personal responsibility to ensure that the organisation’s environmental, social and governance (ESG) policies reflect the values of their customers, a figure which rises to 72 percent in Northern Ireland (71 percent worldwide). Meanwhile, over half (55 percent) of global CEOs said their organisations must look beyond purely financial growth if they are to achieve long-term, sustainable success, a figure which drops to just over a third (36 percent) in both the Republic and Northern Ireland.
Secondly, they need to balance data-driven insight into customer needs and requirements with their own expertise and intuition. We found, for example, that CEOs in both the Republic of Ireland (66 percent) and Northern Ireland (72 percent) and in common with their global counterparts at 71 percent, say they have disregarded data-driven insights because they were contrary to their own experience or intuition.

To get value out of increasingly sophisticated analytics, CEOs need to ensure they can trust the findings in front of them, particularly if that insight has not been produced by a human, but by an algorithm. Building a framework of checks and balances is crucial. That involves making sure algorithms are not relying on biased information and that diligent quality control measures are in place. In this way CEOs can be comfortable basing actions and decisions on data insights even if they do not understand how an algorithm works, because they trust the quality of those models.

Finally, they need to create an environment where the willingness to change is recognised as a strength, not a weakness. Many CEOs have built the emotional resilience to recover from a failure. Two thirds of CEOs in the Republic (66 percent) said that they had a significant misstep early in their career, such as launching a venture that ultimately proved unsuccessful, but that they were able to learn from their experiences - a perspective shared by over half (56 percent) of their Northern Ireland peers. Such resilience was reported by an even higher figure internationally at 74 percent.
Conclusions

Uncharted waters

CEOs face an increasingly uncertain and volatile business environment. To manage highly complex, big-picture risks, they need to build a complete and nuanced picture of how risks, from climate change to geopolitics, are inter-connected and ensure their leadership teams are engaged in designing a response. With a rising concern in many markets about a potential slowdown in the global economy, chief executives need to ensure their early warning systems are in place and have worked through different scenarios so that they are on the front-foot should a slowdown occur. And with business models that have lasted for decades under increasing threat from digital disruption, CEOs need to disrupt their own business models, challenging the long-held beliefs and orthodoxies that have governed their companies and sectors for many years.

Leading in uncertain times

CEOs need to build resilience within their organisations by driving change; this will involve the careful management of tensions within the business. While encouraging innovation through acceptance of productive failure, they must foster a disciplined approach that sacrifices nothing in terms of quality. This will also entail examining the capabilities of their leadership teams and addressing weaknesses.

They must lead a fundamental transformation of their operating models, building an agile, customer-focused and connected enterprise by combining advanced technologies with operating redesign.
Changing from within

CEOs must also drive an organisation-wide digital reinvention, building cyber resilience and masterminding a fundamental reboot of technology and an upskilling of the workforce. CEOs need to nurture a deep and nuanced understanding of the cyber security risks facing the organisation, and put in place the communications and education programs necessary to ensure that security best practice is part of the DNA of their businesses.

To drive this ambitious remodelling of both systems and personnel, CEOs must give their learning and development teams the strategic backing and resources they need and put in place effective governance so that resources and investment are focused on areas where they will have greatest impact. Finally, they need to lead their organisation’s AI strategies in terms of how, where and when these new technologies can be deployed to optimal effect.

The evolution of the CEO

The modern CEO needs to accept and embrace the fact that they have more to do and less time to do it in. They need to become internal disruptors of their own businesses, challenging management dogma and entrenched practices. They will need to forge stronger links with their customers, accepting the need to anticipate their requirements through insights gleaned from data-driven analysis. They must also create an environment where new ideas can be tested without prejudice and in which willingness to change is recognised as a strength, not a weakness.
Standing still isn’t an option. It’s why we spend an increasing amount of time with clients... assessing the disruptive forces facing their business, looking at new markets and reviewing funding and financing strategies...

Johnny Hanna  
Head of Tax  
KPMG in Northern Ireland
Methodology and acknowledgements

The survey data published in this report is based on a survey of 1,300 chief executive officers (CEOs) in 13 markets: Australia, China, France, Germany, Great Britain, India, Italy, Japan, the Netherlands, Northern Ireland, Republic of Ireland, Spain and the US. The survey was conducted between 8 January and 20 February 2019.

The CEOs operate in 11 key industries: asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology and telecoms.

Of the 1,300 CEOs, 310 came from companies with revenues between US$500 million and US$999 million; 543 from companies with revenues between US$1 billion and US$9.9 billion; and 447 from companies with revenues of US$10 billion or more.

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